

# **Miscellaneous Acts – Fiscal Notes**

---

HF 2064 – Child Endangerment Resulting in Death Act (LSB 5578YH)

Analyst: Alice Wisner (Phone: 515-281-6764) ([alice.wisner@legis.iowa.gov](mailto:alice.wisner@legis.iowa.gov))

Fiscal Note Version – Final Version

---

### **Description**

[House File 2064](#) addresses child endangerment resulting in the death of a child or minor, allows for nonviolent drug offenders who are not high-risk to reoffend to be eligible for parole after serving at least 50.0% of their mandatory minimum sentence, establishes a new category of crime for Robbery 3rd, and allows for those convicted of Robbery 2nd to be eligible for parole after serving 30.0-70.0% of their mandatory minimum sentence.

### **Background**

**Child Endangerment:** Currently, Iowa Code section [726.6\(4\)](#) states that a person convicted of committing child endangerment resulting in the death of a child or minor is guilty of a Class B felony and is required to be confined for no more than 50 years in prison. Prison time is mandatory and the offender becomes automatically eligible for parole.

The Act requires that anyone convicted of child endangerment resulting in the death of a child or minor serve a minimum of 30.0% to 70.0% of a 50-year Class B felony sentence. The average length of stay for a person convicted of child endangerment resulting in the death of a child or minor under current law is 55.4 months, or 4.6 years. Under this bill, the minimum length of stay would be 180 to 420 months, or 15 to 35 years.

**Robbery:** Currently, Iowa Code section [902.12](#) requires a 70.0% minimum sentence be served before a person convicted of robbery in the second degree is eligible for parole or work release. This Act allows persons convicted of robbery in the second degree to be eligible for parole or work release if they have served between 50.0% and 70.0% of their sentence. This will become effective for individuals convicted after July 1, 2016. It also creates a Robbery 3rd degree sentencing option, and makes that crime an aggravated misdemeanor.

**Nonviolent Drug Offenders:** The Act allows for nonviolent drug offenders (not evaluated as high-risk) to be eligible for parole after serving at least 50.0% of their mandatory minimum sentence as sentenced under Iowa Code section [124.401\(1\)](#), paragraph a, b, or c. This proposal will be retroactive and impact current inmates as well as new prison admissions. It allows, but does not require, the Board of Parole (BOP) to release offenders. It does not apply to offenders assessed as high-risk to reoffend for either violence or victimization, and it will not eliminate minimum mandatory sentences.

Culturally specific intensive parole programs in Black Hawk County and Polk County have been implemented since early 2009. These programs utilize smaller groups and caseloads, and include community investment and involvement. Members from the African-American community donate their time to help provide guidance, support, encouragement, and accountability to the parolees. Recidivism rates in Waterloo and Des Moines have been reduced since these programs have been set into place. Statewide, the recidivism rate for the African-American population was 36.0% in FY 2000 (compared to 32.0% for the White Non-Hispanic population), and had decreased to 34.6% in FY 2009 (compared to 31.1% for the White Non-Hispanic population).

As of January 11, 2016, there were 673 drug offenders in prison serving drug mandatory minimum sentences. The majority of these sentences were mandatory minimums under [Iowa Code section 124.413](#). Of these, 564 (83.9%) were assessed as low or medium risk for violence and other victim offenses, and could be affected by this proposal. During FY 2015, there were 348 new prison admissions of drug offenders sentenced to serve mandatory minimum terms under Iowa Code chapter [124](#). Of these, 316 (90.8%) were assessed as low-risk or medium-risk for violence and other victim offenses, and could be impacted by this proposal.

There are a large number of offenders currently in prison whose expected length of stay will be reduced. The initial impact of early release will likely stabilize after three years, as the average length of parole is approximately 24 months.

### **Assumptions**

- Charge, conviction, and sentencing patterns and trends will not change over the projection period.
- Revocation rates and other corrections policies and practices will not change over the projection period.
- The law will become effective July 1, 2016. There is a six-month lag between enactment of the bill and when the first cases would come through the process.
- There will be two convictions subject to a 30.0% to 70.0% minimum sentence each year under Iowa Code section [726.6\(4\)](#) for child endangerment resulting in death.
- The first persons convicted under the 30.0% to 70.0% minimum for child endangerment resulting in death in FY 2017 will not fiscally impact the system until FY 2021.
- Approximately 21.6% of prison admissions for Robbery 2nd, Theft 1st and Aggravated Assault will become Robbery 3rd convictions. That will result in a reduction of 37 prison admissions annually and a reduction of the prison population by 113 inmates annually, and by year 8 a consistent reduction of 166 inmates annually.
- New admissions after July 1, 2016, for robbery in the second degree convictions will be released at a mid-point between 30.0% and 70.0% of their sentence. A decrease in the prison population will not occur until FY 2022.
- The percent of the mandatory minimum term for drug offenders to serve is based on the calculated date and includes any earned time. An analysis by the Criminal and Juvenile Justice Planning Division (CJJPD) shows that 205 inmates could be released in FY 2017, and 204 inmates in FY 2018, based on the individual amount of time served in their mandatory minimum sentence and their nonviolent risk assessment qualification. The fiscal impact on savings is calculated using a more conservative number based on parole planning and the need for program participation prior to release.
- The law will apply to offenders currently serving drug mandatory minimum sentences for nonviolent drug offenses, as well as new admissions.
- The marginal cost for an additional inmate at a Department of Corrections prison institution is \$18.43/day, or \$6,750 a year.
- One additional Probation/Parole 3 Officer FTE position will handle a caseload of up to 50 offenders at a cost of \$70,000 annually per position. Two additional FTE positions will be needed for FY 2017, and four additional FTE positions will be needed in FY 2018.

## **MINORITY IMPACT**

### **Change in Mandatory Minimum Sentences for Child Endangerment Resulting in Death**

For a minimum 70.0% sentence for child endangerment resulting in death, the minority impact is estimated to be minimal. In FY 2015, the only two individuals convicted under Iowa Code section [726.6\(4\)](#) were Caucasian.

### **Change in Implementing Robbery 3rd Convictions**

There is a favorable impact for the African-American community to implement a crime category of Robbery 3rd. According to the CJJP, 43.0% of Robbery 2nd convictions in FY 2015 were African-American. This would result in a decrease of 16 prison admissions of African-Americans annually after Year 1, and a progressive reduction of African-Americans in the prison population and on probation.

### **Change in Mandatory Minimum Sentences for Robbery 2nd Convictions**

The minority impact to change a 70.0% minimum sentence to a 30.0%-70.0% minimum sentence for robbery second degree will be favorable for the African-American community. It is estimated that the prison population will be reduced beginning in year six, and approximately 49.0% of those released earlier would be African-American.

### **Change in Mandatory Minimum Sentences for Nonviolent Drug Offenders**

It is expected the Act as amended will reduce the disproportionate impact on minorities in the criminal justice system. As of 2014, 3.4% of Iowa's population was African-American. Approximately 11.5% of new prison admissions of drug offenders sentenced to mandatory minimum terms is African-American. Of those drug offenders currently in prison serving mandatory minimum terms, 17.8% are African-American. Given this, it is estimated 14.6% of the inmates released under this proposal will be African-American.

Refer to the Legislative Services Agency (LSA) [Minority Impact Statement Memo](#) dated January 26, 2016, for information related to minorities in the criminal justice system.

## **CORRECTIONAL IMPACT**

### **Change in Mandatory Minimum Sentences for Child Endangerment Resulting in Death**

This Act will lengthen the sentence for convictions of the rare crime of child endangerment resulting in a death. The correctional impact will not impact the cost to the corrections system until year five (FY 2021) and be minimal.

### **Change in Mandatory Minimum Sentences for Robbery 2nd Convictions**

Changing a 70.0% minimum sentence for Robbery 2nd to a 30.0%-70.0% minimum sentence for robbery second degree would potentially shorten the sentence for convictions. The correctional impact would not be realized until year six (FY 2022).

### **Change in Implementing Robbery 3rd Convictions**

The implementation of the crime category of Robbery 3rd would annually move approximately 60 (21.6%) prison admissions for Robbery 2nd, Theft 1st, and Aggravated Assault to Robbery 3rd convictions. The result would be a reduction of annual prison admissions and a reduction of the prison population.

### **Change in Mandatory Minimum Sentences for Nonviolent Drug Offenders**

Convictions will not change under the bill as amended, but offenders could possibly be released to work release or intensive parole sooner. This change is expected to decrease the prison population starting in FY 2017.

Estimated Change in Prison Population Under HF 2064

	Change in Child Endangerment	Change in Robbery Convictions	Change in Drug Violations	Net Change
FY 2017		(18)	(205)	(223)
FY 2018		(58)	(204)	(262)
FY 2019		(101)	(214)	(315)
FY 2020		(144)	(187)	(331)
FY 2021	2	(150)	(179)	(327)

For additional information, refer to the LSA [Correctional Impact Statements Memo](#) dated February 18, 2016.

### **Fiscal Impact**

The fiscal impact of this Act will begin in FY 2017. This fiscal impact takes into account the additional costs to be experienced by Community Based Corrections as additional offenders move from prison to parole. The net fiscal impact by year is detailed in the table below.

Fiscal Year	Child Endangerment Additional Cost	Robbery Second/Third Degree Savings	Mandatory Drug Minimum Change Savings	Net Savings (positive)
FY 2017		\$ 10,000	\$ 87,000	\$ 97,000
FY 2018		165,000	407,000	572,000
FY 2019		350,000	127,000	477,000
FY 2020		535,000	127,000	662,000
FY 2021	-13,500	552,000	127,000	665,500
<b>TOTAL ESTIMATE</b>	<b>\$ -13,500</b>	<b>\$ 1,612,000</b>	<b>\$ 875,000</b>	<b>\$ 2,473,500</b>

There may also be increased costs at the local level as individuals convicted of Robbery Third may be serving jail time. There is not enough data to determine what this impact would be, but it is expected to be minimal.

**Enactment Date:** This Act was approved by the General Assembly on April 27, 2016, and signed by the Governor on April 29, 2016.

**Effective Date:** This Act is effective July 1, 2016.

**Sources**

Department of Corrections  
Department of Human Rights, Criminal and Juvenile Justice Planning Division  
Office of the State Court Administrator  
Office of the State Public Defender

---

**HF 2146** – Lottery Self-Service Kiosks (LSB5208HV.1)

Analyst: Christin Mechler (Phone: 515-281-6561) ([christin.mechler@legis.iowa.gov](mailto:christin.mechler@legis.iowa.gov))

Fiscal Note Version – Final Action

---

**Description**

**House File 2146** authorizes the dispensing of lottery tickets and related products by self-service kiosks. The Act defines self-service kiosk and provides that a self-service kiosk is not a monitor vending machine or player activated gaming machine. The Act is effective on enactment.

**Background**

Lottery tickets are currently sold at approximately 2,400 retail locations across the state of Iowa. Approximately 260 of these locations carry specific scratch ticket vending machines, and approximately 800 locations carry pull tab vending machines. Scratch ticket games accounted for 65.0% of total lottery sales of \$324.5 million in FY 2015. In FY 2015, scratch ticket and pull tab ticket sales realized \$21.6 million in sales, providing for 10.0% of all scratch ticket sales. Pull tab games accounted for 5.0% of lottery sales in FY 2015, where lotto games achieved 30.0% of total sales. Nearly 70.0% of all scratch ticket sales were generated from vending machines. The table below summarizes FY 2015 sales.

**Table 1: Lottery Ticket Sales Revenue - FY 2015**

(dollars in millions)

<u>Game type</u>	<u>Revenue</u>	<u>% of total</u>			
Scratch Ticket	\$ 212.0	65%			
Pull Tab	16.0	5%			
Lotto/Other	96.5	30%			
	<u>\$ 324.5</u>				
<u>Estimated FY 2015</u>			<u>Locations</u>	<u>Est. Rev</u>	<u>% of Type</u>
Number of retail locations selling tickets			2,400	\$ 324.5	
Number selling scratch tickets from vending machines			260	21.6	10%
Number selling pull tabs from vending machines			800	16.0	100%

The current vending machines have been in use since 1991 and are in need of replacement, as some older parts are no longer being manufactured. The contract for the current vending machines expires in September 2016. Current law prohibits the use of self-service kiosks or monitor vending machines when audio or video representation of the lottery game is initiated by player interaction.

### **Assumptions**

- Assumes lottery revenues generated through the new kiosk machinery will maintain revenue from the vending machines by an estimated \$30.5 million annually.
- For FY 2017 and FY 2018, total lottery revenues are projected to be \$321.5 million.
- According to the Iowa Lottery Authority, no contract extensions are available on the service contract scheduled to expire on September 30, 2016, for the vending machines currently in use.
- Assumes that if this Act is not enacted, there will be a decrease to the General Fund of approximately \$6.2 million annually, and an additional decrease of \$24.3 million to Lottery proceeds annually.

### **Fiscal Impact**

No fiscal impact to the State General Fund is projected for the remainder of FY 2016. Updating self-service kiosks at retail locations after the expiration of the current vending contract will allow the Lottery Authority to maintain an estimated \$30.5 million in revenue per year for FY 2017 and FY 2018.

### **Enactment Date**

The Act was passed by the General Assembly on March 15, 2016, and signed by the Governor on March 30, 2016.

### **Effective Date**

The Act takes effect July 1, 2016.

### **Sources**

Iowa Lottery Authority

Legislative Services Agency analysis

---

**HF 2439** – E911 Surcharge Fund Act (LSB 6014HZ)

Analyst: Alice Wisner (Phone: 515-281-6764) ([alice.wisner@legis.iowa.gov](mailto:alice.wisner@legis.iowa.gov))

Fiscal Note Version – Final Version

---

**Description**

**House File 2439** relates to the distribution and expenditures of the E911 Emergency Communications Service surcharge. The Act establishes a priority of funding, increases the amount of moneys allocated for funding to the public safety answering points (PSAPs), and limits the carryover amount to \$3.5 million annually. The Act also requires the Homeland Security and Emergency Management Department (HSEMD) to conduct a study by January 15, 2017, to determine the most efficient method to consolidate the PSAPs.

The amount that can be spent for consolidation and other grants to the PSAPs, and the development of public awareness and educational programs is limited to \$4.4 million in FY 2017. This will allow a carryover amount of \$8.7 million in FY 2017 and \$5.4 million in FY 2018. In FY 2019 and subsequent years, the carryover amount is limited to \$3.5 million for a catastrophic event.

**Background**

Currently, 46.0% of the total amount of E911 surcharge generated per calendar quarter is distributed to the PSAPs. There are 114 PSAPs in the state, including the Department of Public Safety. This Act changes the initial distribution to PSAPs to 60.0% of the total amount of E911 surcharge generated per calendar quarter. The allocation of revenue will continue in proportion to the PSAP square mileage and the number of wireless E911 calls received by each PSAP. The Act also eliminates the accumulation of a carryover operating surplus in the fund by directing the program manager to expend and distribute all of the funds except for \$3.5 million. This is the amount needed in reserve in case of a catastrophic occurrence within the system.

The priority order for distributing funds from the E911 Emergency Communications Fund upon enactment of **HF 2439** will be:

1. An amount appropriated by the General Assembly to implement, support, and maintain the functions of the director and program manager and employ the State Auditor to perform an annual audit of the E911 fund. This amount has previously been set at \$250,000 per fiscal year.
2. Sixty percent allocated to the individual PSAPs based on a formula. This formula allocates 65.0% in proportion to the square miles of the PSAP service area to the total square miles in the state, and 35.0% allocated in proportion to the wireless E911 calls received at the PSAP to the total calls received statewide. This amount is estimated to be \$16.8 million beginning in FY 2017. No PSAP will receive less than \$1,000 per quarter.
3. Ten percent of the total amount of surcharge revenue is available to the wireless carriers to recover their costs to deliver E911 Phase I services.
4. Reimbursement of communications service providers on a quarterly basis for their eligible transport costs.
5. Wire-line carriers and third-party E911 automatic location information costs.
6. Grants to any PSAP agreeing to consolidate. Grants will not exceed one-half of the projected cost of consolidation, or \$200,000, whichever is less.

7. An amount not to exceed \$100,000 for development of public awareness and educational programs for personnel responsible for the maintenance, operation, and upgrading of local E911 systems.
8. Any remaining funds will be distributed equally to the PSAPs to fund future network improvements and the receipt and disposition of 911 calls, for costs related to accessing the state's interoperable communications system; and costs related to the receipt and disposition of E911 calls, and wireless carriers' transport costs related to wireless E911 services, if those costs are not otherwise recovered.

Items 6, 7, and 8 listed above will be limited to a total expenditure of \$4.4 million for FY 2017. This is reflected in the table below.

**Assumptions**

- Revenues will continue to be generated as they have been in past years, and are estimated to be \$28.1 million annually.
- Beginning in FY 2017, annual projected expenses (other than direct payments to the PSAPs) are estimated to be \$6.7 million through FY 2019 and \$6.5 million through FY 2024.

**Fiscal Impact**

There is no impact to the General Fund, as all revenues are from the E911 wireless surcharge. The following table summarizes the revenues and expenses projected under this Act. The funding increase or decrease by individual PSAP will vary.

**Projected Revenue and Expenditures – E911 Emergency Communications Fund  
HF 2439**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Projected Revenue	\$ 28,075,000	\$ 28,075,000	\$ 28,075,000	\$ 28,075,000	\$ 28,075,000
Carryover Fund Brought Forward	19,798,811	8,734,811	5,445,811	3,500,000	3,500,000
Total Revenue	<u>47,873,811</u>	<u>36,809,811</u>	<u>33,520,811</u>	<u>31,575,000</u>	<u>31,575,000</u>
Projected Expenses	13,149,000	6,664,000	6,664,000	6,664,000	6,464,000
PSAP 60% Pass Through	12,880,000	16,800,000	16,800,000	16,800,000	16,800,000
Total Expenses	<u>26,029,000</u>	<u>23,464,000</u>	<u>23,464,000</u>	<u>23,464,000</u>	<u>23,264,000</u>
Total Projected Operating Surplus	\$ 21,844,811	\$ 13,345,811	\$ 10,056,811	\$ 8,111,000	\$ 8,311,000
Catastrophic Reserve	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
Grant Amount Legislated or Available	\$ 9,610,000	\$ 4,400,000	\$ 6,556,811	\$ 4,611,000	\$ 4,811,000
Carryover Amount	\$ 8,734,811	\$ 5,445,811	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000

**Enactment Date**

This Act was approved by the General Assembly on April 27, 2016, and signed by the Governor on April 29, 2016.

**Effective Date**

This Act is effective July 1, 2016.

**Source**

Iowa Department of Homeland Security and Emergency Management

---

**SJR 2007** – Educational Examiners Board Fees, Nullification Resolution (LSB5995SV)

Analyst: Tim Crellin (Phone: (515-725-1286) ([timothy.crellin@legis.iowa.gov](mailto:timothy.crellin@legis.iowa.gov)))

Fiscal Note Version – Final Action

---

**Description**

[Senate Joint Resolution 2007](#) nullifies [ARC 2229C](#), the administrative rule increasing all Board of Educational Examiners licensing fees by \$4.

**Background**

In December 2015, the Board of Educational Examiners presented ARC 2229C to the Administrative Rules Review Committee (ARRC). The rule provides for a \$4 increase for all licensing fees charged by the Board. The Board is responsible for processing applications from all prospective candidates for educational licensure in Iowa. During the December meeting, the ARRC approved a session delay on the rule. Barring legislative action, ARC 2229C will become effective upon adjournment of the 2016 Legislative Session.

**Assumptions**

- The revenue growth rate for the Board will be 0.85% annually. The rate is based on the Board's annual revenue growth rate during the period of FY 2011 through FY 2015.
- The Board will conduct 31,000 licensing transactions per year in FY 2017 and FY 2018.
- The Board will not increase licensing fees during the period of FY 2017 through FY 2018.

**Fiscal Impact**

The nullification of [ARC 2229C](#) is estimated to decrease State General Fund revenue by \$31,000 per year in FY 2017 and FY 2018, and decrease Board revenue by \$92,000 in FY 2017 and \$93,000 in FY 2018.

**Enactment Date**

This Act was approved by the General Assembly on March 30, 2016. Rule nullifications are not subject to approval by the Governor.

**Effective Date**

This Act is effective on enactment.

**Sources**

Board of Educational Examiners  
LSA Analysis

---

**SF 174 – School Supplemental State Aid, State Percent of Growth FY 2017 Act (LSB 1504SV)**

Analyst: John Parker (Phone: (515) 725-2249) ([john.parker@legis.iowa.gov](mailto:john.parker@legis.iowa.gov))

Fiscal Note Version – Final Action

---

**Description**

[Senate File 174](#) requires a 2.25% state percent of growth rate to be applied to each of the regular school aid state cost per pupil amounts for FY 2017.

**Background**

The school aid formula provides funding through a mix of state aid and property tax to school districts and Area Education Agencies (AEAs). In general, funding is generated on a per pupil basis with the per pupil amounts providing an overall budget limitation. There are five FY 2017 state cost per pupil funding levels that will be increased by a 2.25% state percent of growth for FY 2017. The following table provides the supplemental state aid amounts (also referred to as per pupil growth amounts) and state cost per pupil amounts for FY 2017 based on a 2.25% growth rate. The supplemental state aid amounts will be applied to all corresponding district and AEA cost per pupil amounts.

<b>Regular School Aid Per Pupil Components</b>	<b>FY 2016 State Cost Per Pupil</b>	<b>FY 2017 State Percent of Growth</b>	<b>Supplemental State Aid</b>	<b>FY 2017 State Cost Per Pupil</b>
Regular Program	\$ 6,446.00	2.25%	\$ 145.00	\$ 6,591.00
Special Education Program	6,446.00	2.25%	145.00	6,591.00
AEA Special Education Support	283.02	2.25%	6.37	289.39
AEA Media Services	52.76	2.25%	1.19	53.95
AEA Educational Services	58.23	2.25%	1.31	59.54

In addition to the state percent of growth and supplemental state aid for FY 2017, enrollments, weightings, and taxable valuations within each school district have an impact on the amount of total school aid funding, including the amount of state aid and local property tax required to generate the total funding amount.

**Assumptions**

Assumptions include:

- Estimates are based on October 2015 certified enrollments and supplementary weightings for FY 2016 approved by the School Budget Review Committee (SBRC) on December 15, 2015.

- Statewide taxable valuation growth of 4.5% for FY 2017. Based on this assumption, the statewide total for the uniform levy is estimated to account for \$35.8 million of the school foundation property tax change in FY 2017 (including the uniform levy portion of the commercial/industrial rollback replacement payment). The estimated increase in the uniform levy amount is not impacted by the establishment of the state percent of growth rate.
  - Property tax adjustment aid amounts are based on the statewide taxable valuation growth factor applied to each school district's FY 2016 taxable valuation amount.
  - Other legislation may have an impact on the amount of state aid and property tax generated through the school aid formula. The fiscal impact in the table on the following page includes the provisions in [SF 175](#) (State Categorical Supplemental State Aid FY 2017 Act).
  - State aid includes funding from the State General Fund and other funds appropriated or deposited in the Property Tax Equity and Relief (PTER) Fund that is used to provide additional property tax relief through the school aid formula.
  - Establishing an FY 2017 state percent of growth will also impact the amount of funding generated for the Statewide Voluntary Preschool Program. Funding for the Program is provided with State General Fund dollars and is included in the overall state aid total.
  - Districts eligible for the 101.0% budget adjustment will approve use of that provision. The Legislative Services Agency (LSA) estimate includes a total budget adjustment of \$10.6 million, based on the FY 2017 state percent of growth and budget enrollments.
- Beginning in FY 2017, the additional \$15.0 million state aid reduction to AEAs implemented in FY 2016 will be restored.

### **Fiscal Impact**

The following table provides the estimated fiscal impact of [SF 174](#), and includes the provisions in [SF 175](#). These changes will result in total General Fund expenditure for state school aid in FY 2017 of \$3,106.7 million, an increase of \$153.8 million (5.2%) compared to FY 2016. This includes:

- Restoration of the \$15.0 million reduction in state aid to the AEAs. Under current law, the reduction will total \$7.5 million (a statutory reduction implemented annually).
- \$41.4 million in property tax replacement payment (PTRP) funding, an increase of \$10.3 million compared to FY 2016. [Senate File 176](#) (Education Funding Supplemental for FY 2017 Act) requires state aid to account for the entire increase in the cost per pupil amount due to the state percent of growth in FY 2017.
- Based on [SF 175](#), \$460.7 million for the state categorical supplements, an increase of \$62.6 million (15.7%). This includes \$290.4 million for the teacher salary supplement, \$33.0 million for the professional development supplement, \$33.9 million for the early intervention supplement, and \$103.4 million for the teacher leadership supplement (new school aid funding provision beginning in FY 2016).
- \$76.3 million for preschool formula funding, an increase of \$3.0 million compared to FY 2016. The preschool formula funding is included in the state aid amount, but is not included in the combined district cost total.

The combined district cost (reflecting the total school aid funding level for school districts and AEAs generated through the school aid formula) is estimated to increase \$188.5 million (4.4%) compared to FY 2016.

Any legislative action impacting FY 2017 school aid provisions will have an impact on school aid amounts. Additionally, any variations in the assumptions noted may result in significant changes in the FY 2017 estimates provided in the following table.

**Legislative Services Agency: Estimated FY 2017 School Aid Estimates  
(Statewide Totals in Millions)**

2.25%  
SCPP: \$ 6,591  
\$145 Increase

Statewide

FY 2017 Estimates

Assumes 2.25% State Percent of Growth

Program Funding:	FY 2016	Totals	Est. Change	% Change
Regular Program District Cost	\$ 3,110.0	\$ 3,197.4	\$ 87.4	2.8%
Regular Program Budget Adjustment	16.3	10.6	-5.8	-35.4%
Supplementary Weighting (District)	81.5	88.7	7.3	8.9%
Special Education Instruction (District)	398.7	414.6	15.9	4.0%
Teacher Salary Supplement (District)	267.8	274.9	7.1	2.7%
Professional Development Supplement (District)	30.3	31.2	0.8	2.7%
Early Intervention Supplement (District)	33.0	33.9	0.9	2.7%
Teacher Leadership Supplement (District)	50.2	103.4	53.3	106.2%
<i>AEA Special Ed Support District Cost</i>	153.7	158.2	4.5	2.9%
<i>AEA Special Ed Support Adjustment</i>	1.7	1.4	-0.3	-16.8%
<i>AEA Media Services</i>	27.2	27.9	0.8	2.8%
<i>AEA Ed Services</i>	30.0	30.8	0.8	2.8%
<i>AEA Sharing</i>	0.1	0.0	-0.0	-48.9%
<i>AEA Teacher Salary Supplement</i>	15.0	15.5	0.4	2.8%
<i>AEA Professional Development Supplement</i>	1.8	1.8	0.1	3.0%
<i>AEA Statewide State Aid Reduction</i>	-22.5	-7.5	15.0	-66.7%
Dropout and Dropout Prevention	107.0	107.6	0.6	0.5%
<b>Combined District Cost</b>	<b>\$ 4,302.0</b>	<b>\$ 4,490.5</b>	<b>\$ 188.5</b>	<b>4.4%</b>
<b>State Aid:</b>				
<b>State Aid from General Fund - Itemization</b>				
Regular Program	\$ 1,898.5	\$ 1,939.3	\$ 40.7	2.1%
Supplementary Weighting	71.0	77.3	6.4	9.0%
Special Education Weighting	347.6	361.4	13.9	4.0%
State Categorical Total	398.1	460.7	62.6	15.7%
<i>AEA Special Education Support Services and Sharing</i>	121.5	125.1	3.5	2.9%
<i>AEA Statewide State Aid Reduction</i>	-22.5	-7.5	15.0	-66.7%
Other Property Tax Adjustments	1.2	0.0	-1.2	-100.0%
Property Tax Adjustment Aid (1992)	9.1	8.7	-0.4	-4.5%
Property Tax Replacement Payment (PTRP)	31.1	41.4	10.3	33.2%
Adjusted Additional Property Tax - General Fund	24.0	24.0	0.0	0.0%
Statewide Voluntary Preschool Program	73.3	76.3	3.0	4.1%
<b>State Aid from General Fund</b>	<b>\$ 2,952.9</b>	<b>\$ 3,106.7</b>	<b>\$ 153.8</b>	<b>5.2%</b>
Excess from SAVE Fund	6.3	9.5	3.2	50.7%
<b>Total State Aid (Includes Non-General Fund)</b>	<b>\$ 2,959.2</b>	<b>\$ 3,116.2</b>	<b>\$ 157.0</b>	<b>5.3%</b>
<b>Local Property Tax:</b>				
Uniform Levy Amount	\$ 813.0	\$ 848.8	\$ 35.8	4.4%
Additional Levy Total	604.2	601.8	-2.4	-0.4%
Comm/Ind - Uniform Levy Replacement	20.9	19.9	-0.9	-4.5%
Comm/Ind - Additional Levy Replacement	16.3	15.1	-1.2	-7.4%
<b>Total Levy to Fund Combined District Cost</b>	<b>\$ 1,380.3</b>	<b>\$ 1,415.6</b>	<b>\$ 35.3</b>	<b>2.6%</b>
<b>Miscellaneous Information:</b>				
Budget Enrollment	480,771.9	483,450.9	2,679.0	0.6%
Number of Districts with Budget Adjustment	162	112	-50	-30.9%
Percent of Districts with Budget Adjustment	48%	33%		
<i>AEA Funding</i>	\$ 207.0	\$ 228.2	\$ 21.3	10.3%

**Enactment Date**

This Act was approved by the General Assembly on March 23, 2016, and signed by the Governor on April 6, 2016.

**Effective Date**

This Act is effective April 6, 2016

**Sources**

Iowa Department of Education, Certified Enrollment and Enrollment Projections file

Iowa Department of Management, School Aid file

Iowa Department of Revenue

LSA analysis and calculations

**Description**

Senate File 175 requires a 2.25% state percent of growth rate to be applied to each of the state categorical cost per pupil amounts for FY 2017.

**Background**

The state categorical supplements are funded entirely through state aid and generate funds for each school district and area education agency (AEA) through the school aid formula on a per pupil basis. The FY 2016 state cost per pupil funding levels for the teacher salary supplement (district and AEA), professional development supplement (district and AEA), and early intervention supplement (district only) will be increased by a 2.25% state percent of growth for FY 2017. Additionally, FY 2017 will be the second year (funding approximately two-thirds of the students statewide) that the teacher leadership supplement (TLS) for the Teacher Leadership and Compensation System will be included in the school aid formula. The following table provides the per pupil growth amounts and state cost per pupil amounts for FY 2017 based on SF 175.

<u>State Categorical Supplements</u>	<u>FY 2016 State Cost Per Pupil</u>	<u>FY 2017 State Percent of Growth</u>	<u>Supplemental State Aid</u>	<u>FY 2017 State Cost Per Pupil</u>
Teacher Salary - Districts	\$ 555.47	2.25%	\$ 12.50	\$ 567.97
Professional Development - Districts	62.91	2.25%	1.42	64.33
Early Intervention	68.53	2.25%	1.54	70.07
Teacher Leadership	312.68	2.25%	7.04	319.72
Teacher Salary - AEAs	29.07	2.25%	0.65	29.72
Professional Development - AEAs	3.39	2.25%	0.08	3.47

Additionally, there is a budget guarantee provision for each of the state categorical supplements that provides each district and AEA with a minimum of the previous fiscal year’s level of funding (net of the previous year’s budget guarantee amount). This provision for the state categorical supplements is funded entirely through state aid.

**Assumptions**

Estimates are based on October 2015 certified enrollments and supplementary weightings for FY 2016 approved by the School Budget Review Committee (SBRC) on December 15, 2015.

### **Fiscal Impact**

The estimated total fiscal impact of [SF 175](#), will be a General Fund expenditure of \$460.7 million to fund the FY 2017 state categorical supplement amounts. This is an increase of \$62.6 million (15.7%) compared to FY 2016. This estimate includes \$103.4 million for the teacher leadership supplement (TLS) for FY 2017.

The following table provides detail regarding the funding levels for each of the state categorical supplements.

<b>Estimated Funding Levels</b>				
	<b>District Amount FY 2017</b>	<b>AEA Amount FY 2017</b>	<b>Total Amount FY 2017</b>	<b>FY 2017 vs. FY 2016</b>
<b>Teacher Salary Supplement</b>				
Unadjusted Amount - District	\$ 274,407,797	\$ 15,435,897	\$ 289,843,694	
Budget Guarantee Amount - District	501,516	33,996	535,512	
<b>Total Amount - District</b>	<b>\$ 274,909,313</b>	<b>\$ 15,469,893</b>	<b>\$ 290,379,206</b>	<b>\$ 7,553,250</b>
<hr/>				
<b>Professional Development</b>				
Unadjusted Amount - District	\$ 31,104,726	\$ 1,808,071	\$ 32,912,797	
Budget Guarantee Amount - District	50,862	3,408	54,270	
<b>Total Amount - District</b>	<b>\$ 31,155,588</b>	<b>\$ 1,811,479</b>	<b>\$ 32,967,067</b>	<b>\$ 863,755</b>
<hr/>				
<b>Early Intervention Supplement</b>				
Unadjusted Amount	\$ 33,852,664	NA	\$ 33,852,664	
Budget Guarantee Amount	53,936	NA	53,936	
<b>Total Amount</b>	<b>\$ 33,906,600</b>	<b>NA</b>	<b>\$ 33,906,600</b>	<b>\$ 886,567</b>
<hr/>				
<b>Teacher Leadership Supplement</b>				
Unadjusted Amount	\$ 103,325,384	NA	\$ 103,325,384	
Budget Guarantee Amount	97,431	NA	97,431	
<b>Total Amount</b>	<b>\$ 103,422,815</b>	<b>NA</b>	<b>\$ 103,422,815</b>	<b>\$ 53,264,658</b>
<hr/>				
<b>All State Categorical Supplements</b>				
Total Unadjusted Amount	\$ 442,690,571	\$ 17,243,968	\$ 459,934,539	
Total Budget Guarantee Amount	703,745	37,404	741,149	
<b>Total State Categorical Supplement</b>	<b>\$ 443,394,316</b>	<b>\$ 17,281,372</b>	<b>\$ 460,675,688</b>	<b>\$ 62,568,230</b>
Note: Contact the LSA for more information				

**Enactment Date**

This Act was approved by the General Assembly on March 23, 2016, and signed by the Governor on April 6, 2016.

**Effective Date**

This Act is effective April 6, 2016.

**Sources**

Iowa Department of Education, Certified Enrollment file and Enrollment Projections file

Iowa Department of Management, School Aid file

LSA analysis and calculations

---

**SF 2116** – Controlled Substances Schedules Act (LSB 5151SV)Analyst: Alice Fulk Wisner (Phone: (515-281-6764) ([alice.wisner@legis.iowa.gov](mailto:alice.wisner@legis.iowa.gov)))Fiscal Note Version – Final Action

---

**Description**

[Senate File 2116](#) defines imitation controlled substances and provides penalties. The controlled substances list is modified to include new synthetic drug products.

**Background**

Synthetic drug products (marketed under various names) are man-made chemicals marketed as a “legal” high. Synthetic cannabinoids are applied to plant materials to simulate marijuana. Synthetic cathinones are man-made chemicals related to amphetamines. The contents and effects of synthetic cannabinoids and cathinones are unpredictable due to constantly changing chemicals used in the manufacturing processes that are without quality controls and government regulatory oversight. The chemical compositions are constantly changing to avoid newly enacted laws to place the products on the scheduled lists of controlled substances. Currently, if the Pharmacy Board designates a new substance as controlled, the General Assembly has 60 days upon convening to make corresponding changes in Iowa Code [chapter 124](#) or the temporary designation is nullified.

**Correctional Information**

The Act identifies new synthetic drug products to add to the controlled substances list, and does not change current penalties.

- The table below shows the FY 2010-2015 convictions for imitation controlled substances, according to the Justice Data Warehouse:

Offense Class	FY 2010-2014 Convictions
Serious Misdemeanor	1
Aggravated Misdemeanor	23
Total Convictions	24

- The overall conviction rate is 23.5%.

**Minority Data Information**

The table on the following page shows the FY 2010-2015 offender-based convictions for imitation controlled substances, by race/ethnicity, according to the Justice Data Warehouse. Data was available for 15 of the 24 convictions recorded.

Conviction Offense Class	White	African-American	Other
Serious Misdemeanor	100.0%	0.0%	0.0%
Aggravated Misdemeanor	71.4%	21.4%	7.1%
Total Convictions	73.3%	20.0%	6.7%

Refer to the Legislative Services Agency (LSA) [Minority Impact Statements Memo](#) dated January 26, 2016, for information related to minorities in the criminal justice system.

### **Assumptions**

- Conviction and sentencing patterns will not change, for an average of four convictions a year. While the conviction rate may increase with an expansion of the controlled substances list, past experience shows that drug manufacturers will stop making those synthetic drugs whose formulas have been made illegal and develop new formulas to avoid the law.
- The impact on minorities will remain consistent with current data.
- The average state cost for one Class C felony conviction ranges from \$7,800 to \$18,400. The average state cost for one Class B felony conviction ranges from \$9,600 to \$34,800. The LSA [Correctional Impact Statements Memo](#) dated February 18, 2016, contains additional information.

### **Summary of Impacts**

**Minority Impact:** To the extent convictions occur under the provisions of the Act, there will be a minority impact, specifically on African-Americans. African-Americans represent approximately 3.3% of the Iowa population, but represent approximately 20.0% of the convictions impacted under this Act.

**Correctional Impact:** The correctional impact is expected to be minimal due to the low number of convictions under current law.

**Fiscal Impact:** The additional cost for enforcement and regulation by law enforcement agencies at the state and local level is expected to be minimal. The current maximum fiscal impact to the state of Iowa is estimated to be \$139,200 per year (average of four convictions at the maximum Class B felony conviction cost of \$34,800). This Act may increase the conviction rate, but that is not possible to estimate at this time.

### **Enactment Date**

This Act was approved by the General Assembly on April 12, 2016, and signed by the Governor on April 13, 2016.

### **Effective Date**

This Act is effective July 1, 2016.

### **Sources**

Office of National Drug Control Policy  
Department of Public Safety  
State Court Administrator's Office  
Criminal Justice and Juvenile Planning Board

---

SF 2147 – IPERS Protection Occupation Act (LSB5659SV.1)

Analyst: Jennifer Acton (Phone: (515-281-7846) ([jennifer.acton@legis.iowa.gov](mailto:jennifer.acton@legis.iowa.gov)))

Fiscal Note Version – Final Action

---

**Description**

Senate File 2147 requires persons employed as a peace officer at a Board of Regents institution or a person employed by the Department of Human Services (DHS) as a psychiatric security specialist at a Civil Commitment Unit for Sexual Offenders (CCUSO) facility to be included in the Protection Occupation category of the Iowa Public Employees' Retirement System (IPERS).

**Background**

- Public safety officers employed by the Board of Regents are certified by the Iowa Law Enforcement Academy (ILEA). Currently, at the time of hire, a public safety officer chooses to participate in either the Teacher's Insurance Annuity Association-College Retirement Equity Fund (TIAA-CREF) (a defined contribution retirement program) or in IPERS (a defined benefit retirement program). The following table shows the current participation of public safety officers in retirement programs.

	TIAA-CREF	IPERS
University of Iowa	30	5
Iowa State University	29	8
University of Northern Iowa	11	7

- The following table shows the rate differences between TIAA-CREF and IPERS.

	TIAA-CREF	IPERS
<b>Employee Contribution</b>	<b>Year 1-5:</b> 3.33% of first \$4,800 of budgeted salary <b>Year 6+:</b> 5.00% of budgeted salary	<b>Year 1:</b> 5.95% of budgeted salary <b>Each July 1:</b> IPERS may adjust the rate up or down by no more than 1.0%.
<b>Employer Contribution</b>	<b>Year 1-5:</b> 6.66% of first \$4,800 of budgeted salary and 10.00% of budgeted salary over \$4,800 <b>Year 6+:</b> 10.00% of budgeted salary	<b>Year 1:</b> 8.93% of budgeted salary <b>Each July 1:</b> IPERS may adjust the rate up or down by no more than 1.0%.

- The aggregate funded ratio for IPERS is 83.7%. The funded ratio is 82.7% for Regular membership and 101.3% for Protection Occupation.
- The unfunded actuarial liability is \$5,448.7 million for Regular membership. The Protection Occupation has no unfunded liability and the balance is a positive \$17.4 million.
- As of June 30, 2015, there were 158,809 active members in Regular membership and 7,007 active members in Protection Occupation.
- In March 2014, IPERS completed a cost study using the June 30, 2013, valuation to estimate the potential cost to move 73 positions within the DHS from Regular membership to Protection Occupation. At that time, the inclusion of the DHS employees in Protection Occupation would have increased the Protection Occupation normal cost by 0.02 percentage points.
- As of June 30, 2015, the normal cost rate was 10.22% for Regular membership and 16.01% for Protection Occupation.
- The Benefits Advisory Committee (BAC) Board met April 28, 2014, to approve the DHS CCUSO Unit employees.
- The BAC Board met on February 22, 2016, to approve the Board of Regents security officers request to be included in the Protection Occupation category.

**Assumptions**

- The IPERS contribution rates for Protection Occupation members and employers are higher than for Regular members and employers. (The FY 2017 total required contribution rate is 14.88% for Regular membership compared to 16.40% for Protection Occupation.)
- There are 70 Psychiatric Security Specialists in the DHS that are employed at the CCUSO as of February 6, 2016.
- The increase for moving from Regular membership to Protection Occupation is applied 60.0% to the employer and 40.0% to the employee.

**Fiscal Impact**

The fiscal impact to the State General Fund is expected to be minimal. Both the DHS and the Board of Regents operate with a mix of funds including State General Fund appropriations, federal funds, and other funds. The employee contribution to IPERS will increase from 5.95% of covered payroll to 6.56%, a difference of 0.61%. The employer share will increase from 8.93% of covered payroll to 9.84%, a difference of 0.91%. For the Board of Regents institutions, this will impact approximately 20 people and for the DHS, it will impact approximately 70 people.

The following table shows the increased cost to the employer and the employees for the DHS CCUSO Unit workers:

<b>Department of Human Services Employer and Employee Increased Costs</b>			
	<b>Employer</b>	<b>Employee</b>	<b>Total FTEs</b>
<b>Psychiatric Security Specialists</b>	<u>\$ 32,103</u>	<u>\$ 21,520</u>	<u>70</u>

The following table shows the increased cost to the employer and the employees for the Regents' peace officers that are currently in IPERS Regular membership:

	<u>Employer</u>	<u>Employee</u>	<u>Total FTEs</u>
<b>University of Iowa</b>	\$ 2,427	\$ 1,618	5
<b>Iowa State University</b>	3,451	2,301	8
<b>University of Northern Iowa</b>	3,739	2,492	7
	<u>\$ 9,617</u>	<u>\$ 6,411</u>	<u>20</u>

**Enactment Date**

The Act was passed by the General Assembly on March 17, 2016, and signed by the Governor on April 6, 2016.

**Effective Date**

The Act takes effect July 1, 2016.

**Source**

Iowa Public Employees' Retirement System (IPERS)  
Board of Regents  
Legislative Services Agency analysis

---

**SF 2191** – Human Trafficking Office Act (LSB5128HV)

Analyst: Alice Wisner (Phone: 515-281-6764) ([alice.wisner@legis.iowa.gov](mailto:alice.wisner@legis.iowa.gov))

Fiscal Note Version – Final Action

---

**Description**

**Senate File 2191** establishes an office within the Department of Public Safety (DPS) to coordinate and oversee efforts to combat the crime of human trafficking within the state of Iowa. Duties of the office include:

- Be the point of contact for anti-human trafficking activity within the state of Iowa.
- Consult and work with other agencies and organizations having expertise in dealing with the crime of human trafficking.
- Develop a strategy to collect and maintain criminal history data on incidents related to human trafficking.
- Develop a strategy for sharing victim and offender data among governmental agencies.
- Apply for and assist other governmental agencies to apply for grants to combat human trafficking.
- Research and recommend training to identify and respond to human trafficking victims.
- Report by November 1, 2017, and annually thereafter, to the General Assembly regarding the office's activities related to combatting human trafficking, and the identified occurrences of human trafficking within the state.

**Background**

Human trafficking is the illegal trade of people, including sexual exploitation and labor trafficking. It is estimated that human trafficking is second only to drug trafficking as the most profitable international crime. Victims enter into human trafficking through a variety of actions, including force, fraud, and coercion.

During the 2015 Legislative Session, the ending balance of the **Mortgage Servicing Settlement Fund** was transferred to the Office of the Attorney General (AG) to establish the **Human Trafficking Enforcement Fund**.<sup>1</sup> That money was to be used by the Crime Victim Assistance Division (CVAD) of the AG to develop and conduct outreach, public awareness, and training programs related to human trafficking for certain populations. As of February 2016, there is approximately \$603,000 in the Human Trafficking Enforcement Fund, and a plan is being developed for use of the funds. The AG was also allowed in **SF 510** to use up to \$300,000 per year from the **Victim Compensation Fund** to provide training to professionals concerning victim services, homicide, domestic violence, sexual assault, stalking, harassment, and human trafficking. **Senate File 2191** will direct the coordination of investigative and victim advocate training, investigative response, a criminal intelligence collection strategy, the coordination of information sharing among law enforcement, governmental and nongovernmental agencies, and apply for and assist agencies when applying for grants associated with combatting human trafficking in Iowa.

---

<sup>1</sup> **SF 510** (Standing Appropriations Act)

### **Assumptions**

The DPS currently has designated a state trooper as the Human Trafficking Training Coordinator for the Department. This position is also responsible for the coordination of human trafficking issues related to training and outreach. This trooper will act as the coordinator as outlined in this Act.

If funding becomes available, the DPS will add the following positions and support at a cost of \$483,000. That estimate includes:

- 4.0 full-time equivalent (FTE) positions, including a special agent in charge, two special agent 2 positions, and one criminal intelligence analyst senior. The total salary and benefit cost for these positions is \$345,000. These costs are based on entry-level figures, but the actual costs could be higher if the positions are filled by current employees.
- Support of \$138,000 including vehicles, travel, weapons, computers, etc. during FY 2017. This cost is expected to decrease to \$30,000 in FY 2018.

### **Fiscal Impact**

In [HF 2459](#), the FY 2017 Standings Appropriations Act, \$200,000 and 2.0 FTE positions were appropriated to the DPS for FY 2017 for the office to combat human trafficking. The uses for these funds include salaries, support, maintenance, and miscellaneous purposes.

### **Enactment Date**

This act was approved by the General Assembly on April 4, 2016, and signed by the Governor on April 7, 2016.

### **Effective Date**

This Act is effective July 1, 2016.

### **Sources**

Iowa Department of Public Safety  
Iowa Department of Justice  
Attorney General's Office  
U.S. Department of Homeland Security  
U.S. Department of Justice

---

SF 2196 – Literacy Requirements in Teacher Preparation Act (LSB5207SV)

Analyst: Tim Crellin (Phone: 515-725-1286) ([timothy.crellin@legis.iowa.gov](mailto:timothy.crellin@legis.iowa.gov))

Fiscal Note Version – Final Action

---

### **Description**

[Senate File 2196](#) modifies the reading and literacy requirements for teacher preparation programs.

### **Background**

The Act requires teacher preparation programs in reading and literacy to address all students, including but not limited to students with disabilities, students at risk of academic failure, students identified as gifted and talented, students identified as limited English proficient, and students with dyslexia. The Act also modifies teacher preparation programs by replacing language for preparation in reading recovery with preparation in reading theory, knowledge, strategies, and approaches, and integrating literacy instruction into content areas.

### **Assumptions**

- Iowa State University, the University of Iowa, and the University of Northern Iowa will need to develop new courses and hire professors to teach the courses and conduct research in literacy.
- The University of Iowa will hire two full-time assistant professors. Each position will include a start-up package that includes a research assistant, computer/software, relocation costs for the professor, course release, travel funds, and start-up funds.
- Iowa State University will hire three full-time assistant professors. Each position will include a start-up package that includes a graduate assistant, summer salary, technology expenses, relocation expenses, travel funds, and course release.
- The University of Northern Iowa will hire one full-time assistant professor.

### **Fiscal Impact**

The fiscal impact to the Board of Regents is estimated to range between \$744,000 and \$774,000 in FY 2017, and between \$688,000 and \$718,000 in FY 2018. The chart below details the costs for the three universities:

**Boards of Regents Estimated Costs – SF 2196**

		<b>University of Iowa</b>	<b>Iowa State</b>	<b>Northern Iowa</b>
<b>FY 2017</b>	Salaries	\$ 140,000	\$ 210,000	\$70,000 - \$100,000
	Benefits	40,100	60,150	* included in salary
	Start-up Package	88,400	135,000	0
	<b>Total</b>	<b>\$ 268,500</b>	<b>\$ 405,150</b>	<b>\$70,000 - \$100,000</b>
<b>FY 2018</b>	Salaries	\$ 142,800	\$ 210,000	\$70,000 - \$100,000
	Benefits	40,902	60,150	* included in salary
	Start-up Package	29,200	135,000	0
	<b>Total</b>	<b>\$ 212,902</b>	<b>\$ 405,150</b>	<b>\$70,000 - \$100,000</b>

**Enactment Date**

This Act was approved by the General Assembly on March 23, 2016, and signed by the Governor on April 07, 2016.

**Effective Date**

This Act is effective on enactment.

**Sources**

Board of Regents  
Legislative Services Agency analysis

---

SF 2326 – E911 Funding Act (6084SV)

Analyst: Alice Wisner (Phone: 515-281-6764) ([alice.wisner@legis.iowa.gov](mailto:alice.wisner@legis.iowa.gov))

Fiscal Note Version – Final Action

---

### **Description**

[Senate File 2326](#), allocates \$4.4 million for the FY 2017 lease-purchase payment for the Statewide Interoperable Communications System. The act also authorizes the Treasurer of State to enter into a financing agreement for the purpose of building the statewide System.

### **Background**

Work on the Statewide Interoperable Communications System began in FY 2016. Iowa Code section [34A.7A](#) provides that a \$1.00 monthly surcharge be imposed on all communications service providers in the state, and that it be deposited in the E911 Surcharge Fund. A \$4.0 million allocation was provided from the E911 Surcharge Fund in [HF 651](#) (E911 Act) enacted in 2015 for the first lease-purchase payment. In September 2015, the Treasurer of State refused to approve the plan and stated that it added \$9.0 million of excessive interest. The first lease-purchase payment to Motorola of \$4.0 million was made in February 2016. The Treasurer stated legislative authorization was necessary to negotiate a different lease-purchase payment plan.

No long-term funding stream has been identified for the System. This act allocates the second year lease-purchase payment from the E911 Surcharge Fund. With the passage of [HF 2439](#), the priority order of disbursements made from the Fund are as follows:

1. An amount appropriated by the General Assembly to implement, support, and maintain the functions of the director and program manager and employ the State Auditor to perform an annual audit of the E911 fund. This amount has previously been set at \$250,000 per fiscal year.
2. Sixty percent allocated to the individual PSAPs based on a formula. This formula allocates 65.0% in proportion to the square miles of the PSAP service area to the total square miles in the state, and 35.0% allocated in proportion to the wireless E911 calls received at the PSAP to the total calls received statewide. This amount is estimated to be \$16.8 million beginning in FY 2017. No PSAP will receive less than \$1,000 per quarter.
3. Ten percent of the total amount of surcharge revenue is available to the wireless carriers to recover their costs to deliver E911 Phase I services.
4. Reimbursement of communications service providers for eligible transport costs.
5. Wire-line carriers and third-party E911 automatic location information costs.
6. Allocation of 12.5% (\$3.5 million) for a reserve in case of a catastrophic event.
7. One-time payment of \$4.4 million for the Statewide Interoperable Communications System.
8. Remaining funds will be expended as follows:
  - a. Grants to any PSAP agreeing to consolidate. Grants will not exceed one-half of the projected cost of consolidation, or \$200,000, whichever is less.

- b. An amount not to exceed \$100,000 for development of public awareness and educational programs for personnel responsible for the maintenance, operation, and upgrading of local E911 systems.
- c. Any remaining funds will be distributed equally to the PSAPs to fund future network improvements and the receipt and disposition of 911 calls, for costs related to accessing the state's interoperable communications system; and costs related to the receipt and disposition of E911 calls, and wireless carriers' transport costs related to wireless E911 services, if those costs are not otherwise recovered.

**Assumptions**

- Revenues will continue to be generated as they have in past years at an estimated \$28.1 million annually.
- Beginning in FY 2017, annual projected expenses (other than direct payments to the PSAPs) are estimated at \$6.7 million.

**Fiscal Impact**

There is no impact to the General Fund as all revenues are from the E911 Surcharge Fund. The following table summarizes the revenues and expenses projected under this act and [HF 2439](#). The funding increase or decrease by individual PSAP will vary.

**E911 Emergency Communications Fund – as impacted by HF 2439 and SF 2326**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Projected Revenue	\$ 28,075,000	\$ 28,075,000	\$ 28,075,000	\$ 28,075,000	\$ 28,075,000
Carryover Fund Brought Forward	19,798,811	8,734,811	4,562,068	3,500,000	3,500,000
Total Revenue	<u>\$ 47,873,811</u>	<u>\$ 36,809,811</u>	<u>\$ 32,637,068</u>	<u>\$ 31,575,000</u>	<u>\$ 31,575,000</u>
Projected Expenses	\$ 13,149,000	\$ 6,664,000	\$ 6,664,000	\$ 6,664,000	\$ 6,664,000
Lease/Purchase Payment	0	4,383,000	0	0	0
PSAP 60% Pass Through	12,880,000	16,800,000	16,800,000	16,800,000	16,800,000
Total Expenses	<u>\$ 26,029,000</u>	<u>\$ 27,847,000</u>	<u>\$ 23,464,000</u>	<u>\$ 23,464,000</u>	<u>\$ 23,464,000</u>
Total Projected Operating Surplus	\$ 21,844,811	\$ 8,962,811	\$ 9,173,068	\$ 8,111,000	\$ 8,111,000
Catastrophic Reserve	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Incentive/Grant Available Amount	<u>\$ 18,344,811</u>	<u>\$ 5,462,811</u>	<u>\$ 5,673,068</u>	<u>\$ 4,611,000</u>	<u>\$ 4,611,000</u>

In FY 2017, only \$4.4 million is allowed for PSAP grants

**Enactment Date**

This Act was approved by the General Assembly on April 29, 2016, and signed by the Governor on May 11, 2016.

**Effective Date**

This Act is effective July 1, 2016.

**Source**

Homeland Security and Emergency Management Department