

November 15, 2014

IN THIS ISSUE

Child Care Assistance and Adoption Subsidy Projections, page 2	Municipal Fire & Police Retirement System of Iowa (411 System), page 5
First Quarter FY 2015 Fuel Tax Reports, page 3	Judicial Retirement Fund Actuarial Valuation Report, page 6
Department of Corrections – John Bennett Unit Closed, page 3	Actuarial Report – Police Officer Retirement System, page 6
Iowa Core Website, page 3	Department of Corrections Prison Recidivism Rates, page 6
Map – National Comparison of Violent Crime Rates, page 4	October Veterans Trust Fund Update, page 7
State Auditor Special Investigation – State Public Defender, page 5	Meetings Monitored, page 7

ROLLBACKS – 2014 PROPERTY TAX ASSESSMENT LIMITATIONS

Factors. On November 3, 2014, the Iowa Department of Revenue (IDR) released the assessment limitation factors (rollbacks) for assessment year (AY) 2014 shown in the table below. Property taxes due for AY 2014 are paid in the fall of 2015 and the spring of 2016 (FY 2016).

Rollbacks. Assessment limitations, traditionally referred to as “rollbacks”, can be defined as the percent of a property’s assessed value that is subject to property tax for a given assessment year. Iowa’s property tax law provides that the taxable value of a class of property may not grow in a year, due to revaluation of existing property, by more than a set percentage. In the case of property assessed as agricultural or residential, that set percentage is 3.0% (4.0% prior to AY 2013). All properties within a given property tax classification benefit from the same rollback.

Adjustments. In order to ensure that the taxed value of those two classes of property do not grow by more than 3.0%, the Department adjusts the percent of value that is subject to tax. The Department calculations result in a separate rollback percentage for the two classes.

Legislation. With the passage of [SF 295](#) (Property Assessment and Income Tax Credit Act of 2013), the rollback percentage for properties classified as commercial, industrial, and railroad are no longer set by an assessment limitation calculation. The rollback percentage for properties within those three classes was set at 95.0% for AY 2013 and 90.0% for AY 2014 and after. The table at right shows the rollback percentages by class of property for the last four AYs.

Year	Agricultural	Residential	Commercial/ Industrial/ Railroad
AY 2011	57.5411%	50.7518%	100.0000%
AY 2012	59.9334%	52.8166%	100.0000%
AY 2013	43.3997%	54.4002%	95.0000%
AY 2014	44.7021%	55.7335%	90.0000%

Impacts. Note that while the assessment limitation ensures that revaluation of existing property does not increase agricultural and residential property taxable value more than 3.0%, the statewide taxable value of a class of property may also expand due to new construction.

More Information. The history of rollbacks is available from the Department [here](#). Additional information is available upon request.

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CHILD CARE ASSISTANCE AND ADOPTION SUBSIDY PROJECTIONS

Projections Workgroup. Staff from the Department of Management (DOM), the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on October 14, 2014, to discuss estimated Child Care Assistance and Adoption Subsidy Program expenditures for FY 2015 and FY 2016. The projections workgroup is established in Iowa Code section [234.47](#) to estimate the revenues and expenditures for these programs.

Child Care Assistance Program FY 2015. There was a General Fund appropriation of \$47.1 million for the Child Care Assistance (CCA) Program (2014 Iowa Acts chapter [1140](#) - FY 2015 Health and Human Services Appropriations Act). This is a decrease of \$15.6 million compared to FY 2014. The decrease in funding was mostly due to decreased estimates in childcare expenditures in FY 2014 and FY 2015, federal funds then being carried forward to FY 2015, and an additional \$8.7 million Temporary Assistance for Needy Families (TANF) funding for Early Childhood Iowa in FY 2015. When federal carryforward funds are used, the funds supplant General Funds in a one-time manner that must be adjusted in succeeding fiscal years.

FY 2015 is also the first year new eligibility requirements are available. This change permits parents that are both employed part-time and participating in academic or vocational training part-time to use a combination of these hours to meet the 28 hours a week minimum standard.

CCA Program Estimated Ranges. The projections workgroup agreed to the following consensus estimates:

- An estimated surplus of \$997,600 for the CCA Program in FY 2015. This projection is based on two full months of expenditure data available in FY 2015, FY 2014 CCA program trends, and projections about the impacts of the eligibility changes to the Program. This surplus estimate includes the carry-forward of the FY 2014 surplus amount of \$6.8 million. Projections used federal funds based on FY 2014 actual expenditures and did not include any impact from potential future sequestration reductions.
- An estimated deficit of \$8.1 million for the CCA Program in FY 2016. With only two months of actual billing data in FY 2015, the impact of the eligibility change has not been demonstrated in the Program yet. These estimates utilize the best information available, and also demonstrate the current gap in the Program from the amount of federal funds utilized in the carry forward for FY 2015. When utilizing the projected surplus in FY 2015, the FY 2016 deficit shrinks to \$7.1 million.

Federal Policy Impacts. At the federal level, proposed regulations and reauthorization of the Child Care and Development Fund (CCDF) Block Grant continue to have a potential impact on the Program. A vote on the CCDF reauthorization is anticipated in November. The impact on the CCA Program will be clearer once the result of these actions has occurred. One potential Program change will be moving from a six month eligibility cycle to a 12 month eligibility cycle, which is currently contained in both proposals under consideration.

Adoption Subsidy Program FY 2015. The FY 2015 Health and Human Services Appropriations Act included a General Fund appropriation of \$42.6 million for the Adoption Subsidy Program. This was an increase of \$1.9 million compared to FY 2014. The FY 2014 appropriation ended with a surplus of \$686,000. Of that amount, \$645,000 was [transferred to the Medicaid Appropriation](#) and the remainder reverted to the General Fund.

Adoption Subsidy Program Estimated Ranges. Adoptions in Iowa have displayed a consistent decline over the last two fiscal years. The DHS continues to analyze this trend and has not drawn any definite conclusions. The projections workgroup agreed to the following consensus estimates:

- An estimated surplus of \$245,300 in FY 2015. This projection is based on FY 2014 trends and two months of expenditure data available in FY 2015.
- An estimated deficit of \$1.0 million in FY 2016. This projection is based on FY 2014 trends and two months of expenditure data available in FY 2015.

Next Meeting. The Child Care and Adoption Subsidy Program projections workgroup will meet again in December for revision of the FY 2015 and FY 2016 expenditure projections. Additional information is available upon request.

FIRST QUARTER FY 2015 FUEL TAX REPORTS

Report. The Iowa Department of Revenue (IDR) publishes a Motor Fuel Tax Report each month. All Iowa Fuel taxes are deposited in the Road Use Tax Fund after refunds and tax credits are deducted by the IDR. In the first quarter of FY 2015 net fuel tax receipts totaled \$116.3 million, an increase of 1.0% compared to the same quarter in FY 2014. Net receipts for ethanol-blended and unblended gasoline were \$77.1 million, a decrease of 0.1%. Net receipts for special fuels, mostly diesel, totaled \$39.4 million, an increase of 3.4%.

Net Receipts. Over the last 12 months, October 2013 to September 2014, fuel tax net receipts totaled \$452.0 million, an increase of 3.4% compared to the prior 12 months. Annual growth for all fuel taxes collected the last five fiscal years has ranged from a decline of 1.4% to an increase of 2.9%. Most recently, in FY 2014, net fuel tax receipts increased by 2.9% over FY 2013. This includes an increase of 1.8% for ethanol-blended and unblended gasoline and 4.2% for special fuels. Whereas, over the prior five years ethanol-blended and unblended gasoline receipts remained flat on average, and special fuel receipts grew at an average of 2.3%.

More Information. Additional information is available upon request.

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DEPARTMENT OF CORRECTIONS – JOHN BENNETT UNIT CLOSED

Funding. The Department of Corrections (DOC) received an increase of \$500,000 for the operating budget at the Iowa State Penitentiary (ISP) at Fort Madison in FY 2014. The funds were to be used for the one-time costs to renovate or replace a bunk house at Farm One at Fort Madison to house minimum-security offenders currently housed at the John Bennett Unit. Farm One is the location of the new ISP. The 152-bed John Bennett Unit (JBU) is attached to the exterior wall of the old ISP.

FY 2015. The DOC was allowed to carry forward the \$500,000 into FY 2015 in [HF 2450](#) (Justice System Appropriations Act). The ISP brought forward \$450,000 into FY 2015, from the original \$500,000 appropriation. The Act permits the DOC to demolish the existing bunkhouse at the new ISP and remodel the relocated JBU. The DOC is replacing the JBU by converting the existing Clinical Care Unit (CCU) to a minimum-security facility.

Capacity. The DOC moved minimum security offenders into the CCU on October 14, 2014. The old JBU was closed, and the CCU is now named the JBU. This reduced designed capacity by 152 beds; the designed capacity is now 7,276 beds. The current prison population is 8,131 offenders. The system is operating at 111.7% of designed capacity.

Information. Additional information is available on the DOC's website at <http://www.doc.state.ia.us/default.asp> or by contacting the LSA.

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IOWA CORE WEBSITE

Presentation. On October 30, 2014, the Department of Education discussed with the State Board of Education the new IowaCore.gov website.

Background. IowaCore.gov is intended for educators, parents and other stakeholders to better understand, access, and deliver the Iowa Core standards. For teachers, the Iowa Core website provides optional instructional resources that teachers may use to implement the Iowa Core in kindergarten through 12th grade. For parents, the "Explore the Core" section provides the standards in a format that is searchable by grade level and subject. The parent guides found under the "Parents & Community" section provide an overview of the Iowa Core standards, examples of what students are expected to know and be able to do, and activities that can be done at home to support this learning.

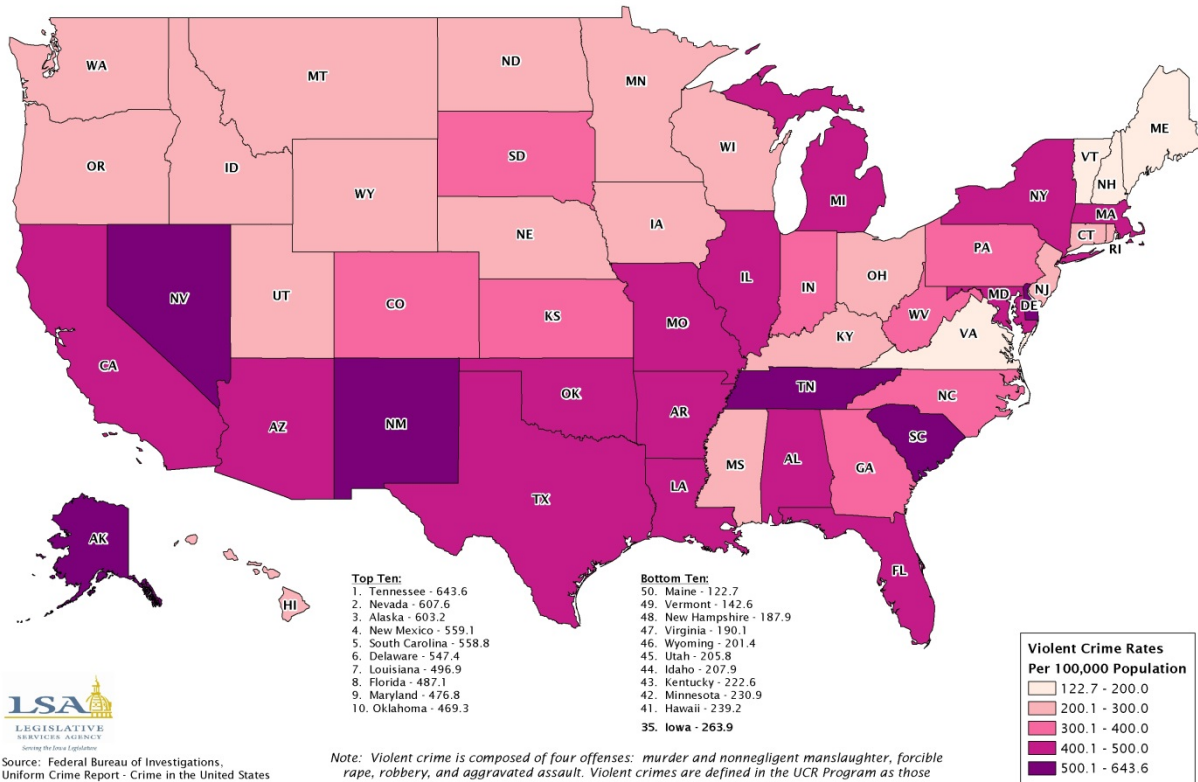
Funding. The website is part of the Iowa Core Resources Project, whose aim is to provide the tools and resources that teachers need to put the Iowa Core into practice. The Iowa Core Resources Project was funded with a \$1.0 million General Fund supplemental appropriation in FY 2013 that was allowed to carry forward to FY 2014. At the end of FY 2014, the appropriation reverted \$72,000 to the General Fund.

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MAP – NATIONAL COMPARISON OF VIOLENT CRIME RATES

Map. The following map shows the 2012 U.S. violent crime rates by state. The statistics are based on the number of violent crimes per 100,000 population. Iowa ranked 35th in the nation with 263.9 violent crimes per 100,000 population.

Violent Crime Rates CY 2012



Maps Online. This map and others are available online at:
<https://www.legis.iowa.gov/resources/mappingResources/mapOfTheWeek>.

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STATE AUDITOR SPECIAL INVESTIGATION – STATE PUBLIC DEFENDER

Report. The Office of Auditor of State released a report of special investigation of the State Public Defender's Office on September 4, 2014. The special investigation was requested by the State Public Defender because of concerns regarding claims submitted by certain contract attorneys.

Findings. The special investigation covered the period July 1, 2009, through August 31, 2013. The special investigation found \$311,183 of payments made to 11 contract attorneys that billed for more than 12 hours in a single day. The report identifies 13 contract attorneys that billed improperly for mileage reimbursements, such as billing for duplicate trips, and other improper payments, such as reimbursements for attending meetings that did not occur. Certain attorneys repaid a total of \$12,253 for excess mileage and other expenses.

Recommendations. The State Auditor's Office made specific recommendations contained in the report. The State Public Defender's Office should:

- Continue to review individual claims to verify the number of hours reported by contract attorneys.
- Implement a process to ensure trips reported by contract attorneys are reviewed for propriety and that they are not duplicate claims.
- Develop administrative rules to require specific documentation for mileage reimbursements.

Response: The State Public Defender responded that the following changes were made to administrative rules in the summer of 2014:

- Prohibits attorneys from billing 16 hours a day in total, and provides for billing 12 to 16 hours per day in limited circumstances.
- Prohibits estimated and standardized billings by attorneys.
- Requires mileage expenses to be divided between all clients that were served that day, and prohibits billing full mileage for every client when multiple clients were served during that travel period.
- Requires additional detailed information for claims itemization.
- Requires time to be itemized to the tenth of an hour.
- Limits the use of substitute attorneys.
- Establishes new procedures for claims by an attorney that had the contract terminated for improper billing practices.

Information. Additional information is available upon request, or on the Auditor of State's website at: <http://auditor.iowa.gov/> or the Office of the State Public Defender's website at: <https://spd.iowa.gov/>. The report is available [here](#).

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MUNICIPAL FIRE & POLICE RETIREMENT SYSTEM OF IOWA (411 SYSTEM)

Meeting. The 411 Board met on October 9, 2014, to discuss the proposed July 1, 2014, actuarial valuation prepared by Silverstone Group. The Board approved the cities' contribution rate at 27.77% (a decrease of 2.64% compared to the previous year) and the members' contribution rate will remain at 9.40%. This rate will take effect July 1, 2015 (FY 2016). In addition, the Board adopted a change to the mortality table applicable to retirees resulting in an increased liability to the 411 System.

Valuations. The actuarial value of assets totaled \$2,054.8 million, an increase of \$193.9 million compared to the previous year. The unfunded actuarial accrued liability after changes totaled \$586.1 million, a decrease of \$71.2 million compared to the previous year. The current funded ratio of the System is 77.81%.

More Information. Additional information is available from the LSA upon request.

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JUDICIAL RETIREMENT FUND ACTUARIAL VALUATION REPORT

Report. The July 1, 2014, actuarial valuation report prepared by Cavanaugh Macdonald was issued for the Judicial Retirement System. The contribution rates for the State and for the members of the Judicial Retirement System are set by statute. The State's contribution rate will be 30.60% and the members' contribution rate will be 9.35% for a total contribution rate of 39.95% of payroll.

Valuations. The actuarial value of assets totaled \$142.6 million, an increase of \$15.2 million compared to the previous year. The unfunded actuarial accrued liability is \$41.2 million, a decrease of \$10.0 million compared to the previous year. The current funded ratio is 77.5%.

More Information. Additional information is available from the LSA upon request.

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ACTUARIAL REPORT – POLICE OFFICER RETIREMENT SYSTEM

Report. The June 30, 2014, actuarial valuation report prepared by Cavanaugh Macdonald was issued for the Peace Officers' Retirement, Accident, and Disability System (PORS). The contribution rates for the PORS are set in statute and will be as follows effective July 1, 2015 (FY 2016):

- State: 33.0% (an increase of 2.0% compared to the previous year). In addition, an annual \$5.0 million supplemental payment is scheduled to be made in FY 2016.
- Member: 11.40% (an increase of 0.5% compared to the previous year and 0.05% increase for the cancer presumption)

Valuations. The actuarial value of assets totaled \$360.1 million, an increase of \$41.0 million compared to the previous year. The unfunded actuarial accrued liability is \$155.8 million, a decrease of \$23.0 million compared to the previous year. The current funded ratio is 69.8%.

More Information. Additional information is available from the LSA upon request.

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DEPARTMENT OF CORRECTIONS PRISON RECIDIVISM RATES

Report. The Department of Corrections (DOC) published a [report](#) in October 2014 regarding returns to prison over a three year period. The report, Prison Recidivism FY 2014, analyzes data for offenders released from prison over a three year period, and the return rate to prison.

Findings. The DOC started tracking prison recidivism rates in FY 2007; the rate was 33.9% at that time. The FY 2014 prison recidivism rate is 29.7%, for a decrease of 12.4% since FY 2007. FY 2014 is the first year that shows a prison recidivism rate below 30.0%. The report also provides information on offender characteristics, including a comparison of recidivism rates by race, gender, age, mental illness, and crime type of the conviction (such as drug, property, violent, or public order). The rate of return to prison for technical reasons (all reasons other than new convictions) appears to be fairly stable from FY 2007 through FY 2014, at about 11.1%. The overall reduction in the recidivism rate appears to be primarily due to a decline in returns to prison for a new conviction.

Additional Information. More information is available upon request or on the DOC website at: <http://www.doc.state.ia.us/research.asp>

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OCTOBER VETERANS TRUST FUND UPDATE

Fund Balance. As of October 31, 2014, the Veterans Trust Fund Balance is \$19.9 million. The total principal balance (before the lottery transfer) is \$19.7 million. The total spendable portion of the Trust Fund balance (including the interest income, donations, and lottery transfer) is approximately \$241,000. Expenditures to date for FY 2015 have totaled approximately \$87,000. Assistance categories are established in Iowa Code section [35A.13\(6\)](#) and in Iowa Administrative Rules [801, Chapter 14](#). Examples of permissible expenditures include housing repairs, emergency medical care, dental expenses, eye glasses, hearing aids, prescriptions, automobile repair, etc. In August, there was a \$25,000 donation from Gabus Automotive Group.

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MEETINGS MONITORED

Meetings Monitored. The following meetings were monitored by Fiscal Services staff. Please contact the staff listed for more information.

Meeting	Date	Staff Contact
Municipal Fire & Police Retirement System of Iowa (411 System)	10/9/2014	Dave Heuton (725-0509) and Jen Acton (281-7846)
Air Quality Stakeholders Meeting	10/15/2014	Deb Kozel (281-6767)
Department of Human Rights Board Meeting	10/16/2014	Christin Mechler (281-6561)
Iowa Public Information Office Board Meeting	10/16/2014	Christin Mechler (281-6561)
Peace Officers Retirement System (PORS) Board	10/20/2014	Dave Heuton (725-0509) and Jen Acton (281-7846)
Environmental Protection Commission	10/21/2014	Deb Kozel (281-6767)
Iowa Public Television Board Meeting	10/14/2014	Tim Crellin (725-1286)
State Board of Education Meeting	10/30/2014	Tim Crellin (725-1286)
Early Childhood Iowa State Board Meeting	11/07/2014	Tim Crellin (725-1286)
Air Quality Stakeholders Meeting	11/05/2014	Deb Kozel (281-6767)

This document is available online at: <https://www.legis.iowa.gov/publications/fiscal/fiscalUpdate>