



BRIEFINGS

INFORMATION REGARDING RECENT ACTIVITIES

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likely to be addressed by other committees, through already proposed legislation, or be to subject to review by an outside organization, were noted. After caucusing, the votes were tallied and a list of four issues was unanimously approved (a tie for third place resulted in four issues being identified).

Recommendations (in priority order based on number of votes):

1. Energy-related issues. Encompasses several individual energy-related issues considered by the Committee, including state energy policy and that of other states, energy transmission and generation issues, energy policy task force, and other energy sources.
2. Accountable government legislation.
3. National Conference of State Legislatures proposal to study Iowa legislative processes and agencies.
(Tied with)
4. Review of Iowa Department for the Blind operations, programs, services, and funding sources.

Interim Schedule for 2002. Tentative dates for meetings during the 2002 Interim were identified, and include May 8, June 12, July 10, August 28, September 25, and October 23, 2002. This schedule may be adjusted, or additional meetings called, as necessary.

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FISCAL COMMITTEE OF THE LEGISLATIVE COUNCIL

December 17, 2001

Cochairperson: Senator Jeff Lamberti

Cochairperson: Representative Dave Millage

Revenue Update. Mr. Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), provided the state's revenue outlook by recapping the December 2001 Revenue Estimating Conference estimates. These show less growth than was previously projected in total FY 2001-2002 State General Fund revenues. The amount is now estimated to be 1.5 percent higher than FY 2000-2001. Also revised was the revenue estimate for FY 2002-2003. This estimate indicates a 2.1 percent increase over the FY 2001-2002 revenues. Mr. Prouty said that the ending General Fund balance for FY 2001-2002 and FY 2002-2003 will be \$15.7 million and \$57.4 million, respectively. He cautioned that the \$57.4 million ending balance figure is the amount projected to remain after applying the State General Fund Expenditure Limitation and counting normal reversions; however, attaining this figure may not be possible because the amount of new revenue projected to be available for appropriation for FY 2002-2003 is approximately \$40 million, while under current law the built-in increases in expenditures are projected to be approximately \$550 million.

Cash Flow. Mr. Jeff Robinson, LFB, presented charts detailing the cash flow balance of the State General Fund and of the State General Fund plus the reserve funds for the period of July 1, 2000 through November 19, 2001. The one for the General Fund indicated a negative balance for most of that period. But taking into account the use of the reserve funds, i.e. the Cash Reserve Fund and the Iowa Economic Emergency Fund, the cash balance is negative for only the period from the middle of April 2001 through the beginning of May 2001. Thus these two reserve funds are needed and used for cash flow purposes.

School Foundation Aid – Budget Alternatives. Mr. Shawn Snyder, LFB, discussed an issue review which examines the impact of the 4.3 percent budget reduction for FY 2001-2002 and alternatives for the budget for state aid for FY 2002-2003. He noted that despite losing state aid, school districts retain the authorized spending authority. Thus school districts could offset the state aid reduction by: levy for cash reserve, borrow money to offset reduction, or reduce expenditures and carry forward unspent budget authority. It is estimated that the growth in state aid for FY 2002-2003 is \$152.4 million. The alternatives and costs were presented by Mr. Snyder. These include: reduce the percentage amount for allowable growth in budgets to save \$24 million in state aid for each one percentage point decline before adjustment by a \$5 million increase in state aid because of the budget guarantee provision in the state aid formula; reduce cost per pupil; increase the uniform levy, with each \$.10 increase saving \$10 million in state aid; and reduce the state aid foundation level which would increase property taxes.

FY 2002-2003 Salary Costs. Mr. Glen Dickinson, LFB, detailed the estimated increase in the costs of state government salaries and health care for FY 2002-2003. These include \$27.3 million from the State General Fund and \$42.4 million from all funds for all agencies and departments but the Board of Regents institutions. The Regents institutions would cost approximately \$29.5 million. Other costs amount to \$22.4 million for a total of \$79.2 million from the State General Fund.

State Debt Report. Mr. Dave Reynolds, LFB, described the status of state debt. The charts used did not include the



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indebtedness issued by the Vision Iowa Program, Tobacco Securitization Authority, or the School Infrastructure Program. These will be noted in next year's report. The percent of state debt chart showed the Iowa Finance Authority (44.3 percent) and the Regents bonds (37.1 percent) as the most significant items. Total state debt was principal of \$1,418.2 million and \$874.6 million in interest. The types of obligations are broken down into general tax revenue debt and nongeneral tax revenue debt. The general tax revenue debt is debt which the General Assembly has authorized and has committed specific revenues to pay off, and as this debt is paid off, the revenues can be used for other purposes. This type of debt includes: Regents academic revenue bonds, underground storage tank bonds, prison construction bonds, ICN certificates of participation notes, judicial districts certificates of participation notes, and lease-purchase capital acquisitions paid for from operating budgets.

Appropriations Transfers. Information in each member's packet noted appropriations transfers involving the Department of Personnel, Department of Public Health, and Department of General Services which were intradepartmental. The last is a more than \$1 million transfer from the Indigent Defense Fund to the State Public Defender. It was pointed out that this last one will only reduce the estimated deficit for the State Public Defender.

Iowa Crime Rates. Ms. Beth Lenstra, LFB, noted that Iowa's crime rates have been very stable over the last 10 years and are very low in comparison to most other states. The property and violent crimes categories both peaked in 1995 and have slowly decreased. She stated that because of the Board of Parole's practices and policies, which have increased the average length of stay in prison, the release of prisoners due to expiration of sentence rather than parole has increased 154.6 percent in the last five fiscal years.

Iowa Veterans Home. An issue review was distributed by Mr. Russ Trimble, LFB, and the 2001 annual report for the Iowa Veterans Home was submitted by Commandant Jack Dack. These provided the history of the home and described its present workings. There are approximately 261,000 veterans in Iowa. The home is certified for 830 beds. At present it contains 768. The average length of stay is four to five years. Commandant Dack commented that veterans who are assigned to the home are not able to reside in community nursing homes because of the degree of care they need, the comparative lack of equipment, and lower degree of expertise. He also stated that the average state share for cost of care per patient per day is \$69.

Update on Federal Funds. Mr. Phil Buchan of the Office for State-Federal Relations stated that not much has occurred since he last reported to the Committee in October. However, he emphasized that the federal appropriations bills should be completed by the end of this week. Two items he mentioned involved the inclusion in the economic stimulus package of an increase in accelerated depreciation for businesses in computing federal income tax. This would affect Iowa's revenues in a negative manner. Also, Mr. Buchan anticipates an increase in the amount of funds available to Iowa under the ESEA authorization bill, which provides for mandatory full funding of the Individuals With Disabilities Education Act. Currently Iowa receives just 16 percent of its special education costs. Mr. Doug Wulf, LFB, commented on the current estimates of federal funds to be received by the various state departments for FY 2001-2002 and FY 2002-2003. He noted that these figures are the best estimates as of October 1, 2001, the time of submission of each department's budget requests for FY 2002-2003. For FY 2001-2002, the state will receive approximately \$3.094 billion in federal funding with \$1.571 billion to be received by the Department of Human Services (DHS). Others receiving large amounts include the departments of Education, Transportation, and Workforce Development and Board of Regents institutions. For FY 2002-2003 the amount of federal funds estimated to be received is \$3.129 billion with \$1.642 billion going to DHS. The other entities listed above would again receive large amounts.

Federal Education Bill. Ms. Ann McCarthy and Dr. Lee Tack of the Department of Education discussed the status of the ESEA bill before Congress. Title I is being rewritten to direct that funding be allocated to states and school districts based upon population and poverty level. Since Iowa has a low population and poverty level, Iowa's share will be less but the amount of funds available is to increase so that Iowa will at least be held harmless. These funds are not to be used to supplant state funding. Another part of Title I dealing with area education agencies allows for the supplanting of state funding but requires a maintenance of effort. Title II takes the present two programs, including the class size reduction program, and expands them to include an array of 10-12 programs. There is a marked increase in funds available with the funds to be used for any of the programs in the array that the local schools decide. Ms. McCarthy emphasized that by no later than the end of the week the department will know the amount of federal funds available and the actual formulas to be used to determine Iowa's share.

Resolution for REC Meeting Date. Discussion was had on a motion of Cochairperson Millage for a resolution requesting the Revenue Estimating Conference to meet on or before March 7, 2002, so that the General Assembly will know if the revenue estimate, upon which the budgeting and appropriation process, for the next fiscal year is based, remains the December one or this later one. State law requires using the estimate made during the legislative session if it is lower than the estimate in December. The resolution was adopted.



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Next Meeting. This was the last meeting of the Committee for the 2001 Interim.

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Iowa Legislative Interim Calendar and Briefing

Published by the Iowa General Assembly
Legislative Service Bureau

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Capitol
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State Capitol, Room 315
Des Moines, IA 50319



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