

# FISCAL UPDATE

December 10, 2001

## Legislative Fiscal Bureau

(515)-281-5279 FAX 281-8451

<http://staffweb.legis.state.ia.us/lfb/>

### DECEMBER 2001 REVENUE ESTIMATING CONFERENCE

#### REC Meeting

The Revenue Estimating Conference (REC) met December 7 to review FY 2002 and FY 2003 estimated General Fund revenues. Net revenues over the two fiscal years decreased a total of \$29.4 million.

#### FY 2002 Estimate Decreased

The REC revised downward the total FY 2002 General Fund tax and other receipts estimate established in October to \$5.192 billion.

#### Net Receipts



Net receipts (total taxes, other receipts, transfers, and accrued revenues minus refunds) were revised downward from \$4.694 billion to \$4.673 billion, reflecting decreased estimates for personal income and sales taxes. The use tax estimate was increased. The REC action resulted in estimated FY 2002 net General Fund receipts growth of \$25.7 million (0.6%) compared to actual FY 2001 net receipts.

#### FY 2003 Estimate

The REC also revised downward the FY 2003 total tax and other receipts estimate established in October to \$5.302 billion, which is 2.1% above the revised FY 2002 estimate.

#### FY 2003 Net Receipts

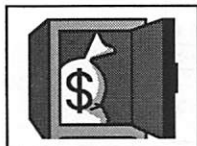
Net receipts (total taxes, other receipts, transfers, and accrued revenues, minus refunds) were set at \$4.745 billion. The REC action resulted in estimated FY 2003 net General Fund receipts growth of \$71.9 million (1.5%) compared to estimated FY 2002 net receipts.

#### Gambling Revenue Estimates



The Conference did not revise the estimate for gambling receipts deposited to other funds for either year. Gambling proceeds to the General Fund are statutorily capped at \$60.0 million, with the excess deposited to the Rebuild Iowa Infrastructure Fund, Vision Iowa Fund, and School Infrastructure Fund. The Lottery estimates for FY 2002 and FY 2003 were unchanged.

#### Spreadsheet Change



The Second Special Session of the 2001 General Assembly added estimation of accrued revenues to the duties of the REC. Accrued revenues are those revenues received after the June 30 close of a cash year that are the result of taxable events during the prior July 1 to June 30 year. For example, income taxes withheld by an employer for paydays occurring from June 16 to June 30, 2001, were in many instances due to the State by July 10, 2001. The money received by the Department of Revenue and Finance on July 10 is deposited to the General Fund and treated as FY 2002 revenue on a cash year basis. However, for accounting purposes the revenue is accrued back to FY 2001. The REC now includes a projection of net accrued revenues, which is equal to \$7.0 million in FY 2002. The net accrued amount is

#### IN THIS ISSUE:

December 2001 REC Meeting, pg. 1  
Gov. Public Hearing – FY 2003 Budget, pg. 3  
Allocation Transfer: Indigent Defense, pg. 6  
Consumer Advocate–Supplemental Appr., pg. 6  
Medicaid Work Group Meeting, pg. 7  
Parole Board -Impact of 4.3% Reduction, pg. 8  
Justice Dept.–Impact of 4.3% Reduction, pg. 8  
Corrections–Impact of 4.3% Reduction, pg. 9

Public Defender-Impact of 4.3% Reduction, pg. 10  
Dept. of Corrections – Fed Funds Update, pg. 11  
**Issue Review** – Cattle Feedlots, pg. 11  
Knoxville Subst. Abuse Treatment Facility, pg. 12  
Office of Drug Policy Control Relocated, pg. 13  
ICN Video Classrooms Update, pg. 13  
What's New on the LFB Web Site, pg. 14

positive, which means the REC is projecting accrued revenues at the end of FY 2002 will exceed accrued revenues from the end of FY 2001 by \$7.0 million.

**Estimates by Source**

The spreadsheet below details the latest REC estimates by source of revenue.

**Revenue Estimating Conference**

December 7, 2001

	% Change FY 01 vs. FY 00		REC FY 02 Estimate		REC FY 03 Estimate	
	FY 01 Actual	FY 00 Actual	FY 02 Estimate	% Change FY 02 Est. Actual	FY 03 Estimate	% Change FY 03 Est. vs. FY 02 Estimate
<b>Tax Receipts</b>						
Personal Income Tax	\$2,426.6	2.1%	\$2,486.6	2.5%	\$2,578.6	3.7%
Sales Tax	1,441.7	1.8%	1,483.0	2.9%	1,505.9	1.5%
Use Tax	249.4	1.1%	251.9	1.0%	252.9	0.4%
Corporate Income Tax	284.8	-12.7%	242.1	-15.0%	268.1	10.7%
Inheritance Tax	104.6	-8.9%	115.0	9.9%	100.0	-13.0%
Insurance Premium Tax	126.6	5.3%	132.9	5.0%	139.5	5.0%
Cigarette Tax	89.6	-1.6%	89.6	0.0%	89.6	0.0%
Tobacco Tax	6.7	1.5%	6.7	0.0%	6.7	0.0%
Beer Tax	13.6	0.0%	13.9	2.2%	13.9	0.0%
Franchise Tax	31.2	-1.9%	29.5	-5.4%	29.6	0.3%
Miscellaneous Tax	1.3	0.0%	1.3	0.0%	1.3	0.0%
<b>Total Tax Receipts</b>	<b>\$4,776.1</b>	<b>0.7%</b>	<b>\$4,852.5</b>	<b>1.6%</b>	<b>\$4,986.1</b>	<b>2.8%</b>
<b>Other Receipts</b>						
Institutional Payments	\$47.2	-5.0%	\$46.4	-1.7%	\$46.9	1.1%
Liquor Profits	37.5	4.2%	37.0	-1.3%	37.0	0.0%
Liquor 7% Revenues	9.0	0.0%	9.0	0.0%	9.0	0.0%
Interest	18.2	-30.0%	30.0	64.8%	8.0	-73.3%
Fees	72.5	9.4%	71.2	-1.8%	68.7	-3.5%
Judicial Revenue	48.8	-6.7%	51.6	5.7%	51.6	0.0%
Miscellaneous Receipts	45.2	-14.2%	34.7	-23.2%	34.9	0.6%
Racing and Gaming	60.0	0.0%	60.0	0.0%	60.0	0.0%
<b>Total Other Receipts</b>	<b>\$338.4</b>	<b>-3.9%</b>	<b>\$339.9</b>	<b>0.4%</b>	<b>\$316.1</b>	<b>-7.0%</b>
<b>Total Tax &amp; Other Receipts</b>	<b>\$5,114.5</b>	<b>0.3%</b>	<b>\$5,192.4</b>	<b>1.5%</b>	<b>\$5,302.2</b>	<b>2.1%</b>
<b>Transfers</b>						
Lottery	\$34.3	-7.5%	\$32.5	-5.2%	\$33.5	3.1%
Other Transfers	74.2	1548.9%	17.8	-76.0%	5.2	-70.8%
<b>Total Transfers</b>	<b>\$108.5</b>	<b>160.8%</b>	<b>\$50.3</b>	<b>-53.6%</b>	<b>\$38.7</b>	<b>-23.1%</b>
<b>Total Receipts &amp; Transfers</b>	<b>\$5,223.0</b>	<b>1.6%</b>	<b>\$5,242.7</b>	<b>0.4%</b>	<b>\$5,340.9</b>	<b>1.9%</b>
Accrued Revenue (net)	\$-25.3	-151.2%	\$7.0	-127.7%	\$8.0	14.3%
Refunds	\$-550.7	5.9%	\$-577.0	4.8%	\$-604.3	4.7%
<b>Net General Fund Receipts</b>	<b>\$4,647.0</b>	<b>-0.4%</b>	<b>\$4,672.7</b>	<b>0.6%</b>	<b>\$4,744.6</b>	<b>1.5%</b>
Estimated Gambling Revenues Deposited To Other Funds	\$131.4	6.1%	\$141.3	7.5%	\$147.6	4.5%

Wine Tax Receipts

\$4.2

\*FY 2001 includes \$64.6 million in Tobacco Settlement funds.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

**GOVERNOR'S PUBLIC HEARING ON FY 2003 BUDGET****Public Hearing**

Governor Vilsack held a public hearing at the Wallace Building auditorium in Des Moines on December 3 to review the General Fund budget for FY 2003. The audience included approximately 50 members of the general public and 50 State employees and staff. Also in attendance were State Auditor Richard Johnson and Representative Betty Grundberg (Des Moines).

**Recent Accomplishments**

Lt. Governor Pederson stated that education remains the number one priority for the Vilsack/Pederson administration. The Lt. Governor outlined the following recent accomplishments by the current administration and General Assembly:

- Class Size Reduction Initiative for kindergarten through third grade. Since the initiative began in FY 1999 class sizes have decreased as follows:
  - Kindergarten – from 19.7 to 18.6
  - First Grade – from 20.1 to 18.8
  - Second Grade – from 20.7 to 19.7
  - Third Grade – from 21.7 to 20.6
- Recruiting and Retaining Quality Teachers. All but nine of Iowa's 371 school districts are participating in the new Teacher Quality and Compensation Initiative that was funded at \$40.0 million for FY 2002.
- Senior Living Trust Fund. The Fund provides alternative long-term care options for older Iowans.
- Healthy And Well Kids in Iowa (hawk-i) Program. This Program provides health care coverage for more than 30,000 previously uninsured children.
- Iowa's Workforce. Iowa continues to experience record employment and low unemployment due to a variety of economic development programs such as the Community Economic Betterment Account (CEBA). The average hourly wage for CEBA jobs has increased from \$12.34 in FY 1999 to \$18.01 in FY 2001.

**Budget Issues**

The following key budget issues were presented at the hearing:

- Homeland Security – Commissioner E. A. "Penny" Westfall, Department of Public Safety. The Commissioner stated that significant emphasis has been placed on safety and security since the terrorist attacks on September 11. Ellen Gordon, Director of the Emergency Management Division of the Department of Public Safety, has been appointed by the Governor as Iowa's Homeland Security Advisor. The Department of Public Safety has increased partnership and cooperation with local police and county sheriff departments. The Department has also been cooperating with federal authorities regarding antiterrorism and intelligence efforts.
- Educational Achievement – Director Ted Stilwill, Department of Education. Director Stilwill focused on two issues – literacy and class size. He indicated that Iowa has experienced slight improvements in the following statistics:

Iowa Tests of Basic Skills (ITBS) – Fourth Grade Scores

	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
Math	74.6	74.5	73.6	72.9	71.5	71.0	71.4
Reading	71.4	71.3	70.6	69.8	68.6	67.7	67.8

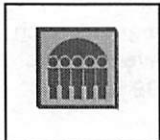
Mr. Stilwill also provided and discussed the following statistics regarding Iowa's high schools:

- Percent of Public Graduates Pursuing or Intending to Pursue Post-Secondary Education/Training. This percentage has increased from 61.4% for the 1985 graduating class to 82.7% for the graduating class of 2001.
- Comparison of Iowa's American College Testing (ACT) Scores to National Results. Iowa's average ACT score has ranged from 21.8 for the 1990 graduating class to 22.0 for the graduating class of 2001. The national average ranged from 20.6 to 21.0 for the same period.

## Health & Safety

Health and Safety for all Iowans – Director Jessie Rasmussen, Department of Human Services (DHS), presented the Department's commitment to the following:

- Health of Children. Director Rasmussen echoed the comments regarding the hawk-i Program (see above). She also mentioned that a recent study by the University of Iowa revealed that health care involves more than healthy children. In addition, resources have been provided to allow 2,260 children with disabilities to receive care at home.
- Health of Persons with Disabilities. Approximately 3,220 Iowans with disabilities have the dignity of work and assurance of health care through the Medicaid buy-in program. Director Rasmussen announced the receipt of a new \$1.0 million grant to support disabled persons.
- Health of Senior Citizens. The Senior Living Trust Fund has created alternative long-term care choices that support maximum independence for the elderly through the creation of 400 additional assisted living units and 10,000 additional home and community-based service units.
- Safety of Children. More than 1,900 children have been adopted. The DHS received the federal Health and Human Service Adoption 2002 Excellence Award for increased adoptions. The Department plans to continue the focus on adoption and building communities of protection to reduce child abuse.



## Accountable Government

Accountable Government – Director Kevin Techau, Department of Inspections and Appeals, reviewed Governor Vilsack's efforts to improve State government. The overall goal of the effort is to renew, remodel, rededicate, and reaffirm the public trust in State government. A significant indication of change is the major reorganization currently occurring in three State agencies – the Departments of Human Services (DHS), Transportation (DOT), and Natural Resources (DNR). State government reform also includes efforts assuring that government is:

- Accessible and Responsible. Some examples include enterprise resource planning, consolidation of professional licensing, and coordination of permit, licensing, and inspections functions.
- Streamlined and Flexible. Examples include creating a single administrative agency and centralization of payroll and human resource functions.





- **Financially Responsible.** An early out/buy out program was approved during the Extraordinary Session in November that will allow the State to save money through workforce attrition. The Governor also favors biennial budgeting, replacing selected contract functions with full-time employees (FTEs), and simple misdemeanor reform that may reduce indigent defense costs.
- **Entrepreneurial.** Working groups are examining savings that could be achieved through enterprise utility management and contracting for in-state hotel/motel rates to reduce travel expense.

## Budget and Finance



*Iowa's Budget and Finances* – Governor Vilsack's comments included the following:

- **Revenue Decline.** Both Iowa and the United States have experienced revenue declines. The nation has experienced six consecutive quarters of reduced revenue growth averaging 1.4% annually. The U.S. gross domestic product (GDP) rate was a negative 0.4% for the third quarter of 2001. Most U.S. states are experiencing FY 2002 budget problems. A total of 28 states (including Iowa) are spending on target, but have experienced budget difficulties because revenues have not been received as projected. A total of 44 states are experiencing revenue growth below forecasted levels. Seven states have convened special sessions. As many as 20 states may tap reserve funds.
- **Tax Cut Period has Ended.** The National Conference of State Legislatures (NCSL) reported that net tax cuts (percent of prior year revenues) fell to the lowest point in seven fiscal years during FY 2001.
- **Budget Perspective.** The Governor displayed graphs illustrating the following:
  - Iowa Revenues: Long Term Trend is also Down
  - Spending Growth has been Modest
  - FY 2002 Cuts are Historic
  - Tax Cuts have Reduced Available Resources
  - Iowa's Ongoing Revenues have not kept pace with Expenditures
  - FY 2002 General Fund Expenditures
- **Medicaid Growth is a Budget Concern.** Caseloads and costs have increased significantly in the last two years. Funds appropriated for Medicaid in Iowa for FY 2002 are not expected to be sufficient – supplemental funding will be required. This deficit will carry over to FY 2003.
- **Iowa's Credit Rating is Good.** Iowa's bond rating of AA+ is good when compared to surrounding states. Only Minnesota and Missouri have higher ratings (AAA).
- **Iowa is a Well-Managed State.** Iowa's financial standing is excellent with more than \$400.0 million in reserve funds.
- **Strategic Investment Priorities.** The Governor plans to support funding for the following:
  - Teacher compensation
  - Allowable growth for K-12 schools
  - Health care for children, families, and seniors
  - Fighting abuse

- Venture capital
- Staffing for prison expansions
- Technology

**Comments**

*Questions and comments from the public.* Several members of the public made comments and asked questions. Many of the questions and comments involved concerns about reductions in funding for programs for Iowa's poorest citizens given the revenue decline.

STAFF CONTACT: Mary Shipman (Ext. 14617)

---

**ALLOCATION TRANSFER: INDIGENT DEFENSE**

**Allocation Transfer**



The Legislative Fiscal Bureau has received notice of an allocation transfer of \$1.0 million from the Indigent Defense allocation to the State Public Defender's Office. The FY 2002 appropriations for the State Public Defender and the Indigent Defense Fund are \$1.9 million less than the actual amount spent during FY 2001. The Office projects a \$3.9 million shortfall in the Indigent Defense Fund. The Public Defender plans to use the \$1.0 million allocation transfer to fill all vacancies in the Office, as it is more cost effective to have State employees, rather than private attorneys, provide counsel to indigent defendants. The cost for each case handled by a public defender (\$210) is substantially less than the cost of each claim submitted by private, court-appointed counsel (\$444). An FY 2002 supplemental appropriation may be required for the Indigent Defense Fund. Alternatively, appropriation transfers from other State agencies to the Indigent Defense Fund may occur.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

---

**OFFICE OF THE CONSUMER ADVOCATE – FY 2002  
SUPPLEMENTAL APPROPRIATION**

**Appropriation**



The Legislative Fiscal Bureau was notified that the Office of the Consumer Advocate has received up to \$400,000 from the State General Fund to hire a consultant pursuant to HF 698 (Utility Plant Siting Appropriations Act). The Act permits the Consumer Advocate and the Utility Board to hire temporary staff, or contract for professional services, to review emissions and budget plans for proposed new generating plants. MidAmerican Energy Company and Alliant Energy Company are proposing new electric generating facilities. The companies will be billed for the review, and the payments will be deposited into the General Fund. The \$400,000 appropriation is a one-time cost and is not considered part of the ongoing operating budget of the Office of the Consumer Advocate.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

---

## MEDICAID WORK GROUP MEETING

### Work Group Meeting



The Medicaid Work Group met December 3 and submitted a report to the Governor, Lt. Governor, and legislative leadership regarding changes to the FY 2002 Medicaid services and reimbursements. The Work Group, including Senator Veenstra, Senator Harper, Representative Heaton, and Representative Atteberry, were not in agreement with specific items and use of various funds for additional revenue for Medicaid and emphasized that the following is a list of options for the Department of Human Services to consider.

#### FY 2002 Medicaid Work Group Suggestions

	6 Mo. Savings	Req.	Comment
Senior Living Trust	\$5,000,000	Leg.	Balance in SLTF would be exhausted by FY 2008.
Tobacco Settlement Funds	\$5,000,000	Leg.	Endowment would be substantially reduced.
Eligibility - Reducing income level for 300% of SSI eligibility group - aged, blind and disabled who are in an institution at least thirty days.	\$0	Leg.	Miller trusts would prevent savings.
Revising Benefit Package		Leg.	Services covered by Medicaid that are not included in state health plans include care coordination services, transportation to provider outside county of residence, routine eye and hearing exams, eyeglasses, hearing aids, nursing facilities, HCBS waivers, psychiatric institutions for children and maximums on dental services. HAWK-I is similar except it does pay for visual and hearing exams, eyeglasses and hearing aids.
Nursing Home - Increase Occupancy Rate from 80% to 85%	\$60,000	Leg.	
Nursing Homes - Moving to acuity rate - eliminate hold harmless provision	\$1,018,870	Leg.	
Pharmaceuticals - Average Wholesale Price - Move from 10% below to - 13% below	\$1,165,553	Admin.	
Pharmaceuticals - 8.6% Dispensing fee reduction.	\$223,388	Admin.	Achieves 4.3% on an annual basis
Co-pay - Pharmaceuticals	\$21,000	Admin.	Increase in co-pay \$1 to \$2, maximum allowable is \$3.
Medically Needy - Aged, Blind, Disabled	\$8,104,064	Admin.	
Medically Needy - Caretaker	\$1,956,362	Admin.	
Dental - Preventive only for adults	\$1,688,603	Admin.	
Optometric	\$386,107	Admin.	
Podiatric	\$181,013	Admin.	
Chiropractic	\$143,895	Admin.	
Psychologists including CMHC	\$205,584	Admin.	
Across the Board - 8.6% for six months	\$14,301,172	Admin.	Achieves 4.3% on an annual basis. Excludes pharmaceutical drugs. See above.
Duplicated Amounts	(\$1,200,000)		Depending on the options selected, savings would be reduced (i.e. reduction in either optional services or optional eligibility will reduce savings from an across the board reduction).
<b>Total</b>	<b>\$38,255,611</b>		

**Suggestions**

**Administrative  
Rules**

The Medicaid Work Group also included suggestions regarding future forecasting of Medicaid expenditures, future cost containment efforts, and encouraging the federal government to increase reimbursements. The Work Group requested that the Department of Human Services file emergency administrative rules to begin implementing the changes resulting in expenditure reductions, with the possibility of \$10.0 million in increased revenues with possible action by the General Assembly meeting in 2002. The request included that the administrative rules be filed at the December 14 Administrative Rules Committee meeting, with an effective date of January 1, 2002. A copy of the report and additional information is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

**BOARD OF PAROLE: IMPACT OF 4.3% ACROSS-THE-BOARD REDUCTION**

**Impact of Reduction**



The Governor issued Executive Order Number 24, which reduced all State General Fund appropriations by 4.3%. The Board of Parole's budget was reduced by \$46,000 and the Board will:

- Reduce support budget costs (travel and equipment).
- Explore cost and resource sharing with the Department of Corrections.
- Hold vacant a part-time clerk position.

Victim notification, parole reviews, revocation hearings, and risk assessments may be delayed.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

**DEPARTMENT OF JUSTICE: IMPACT OF 4.3% ACROSS-THE-BOARD REDUCTION**

**Budget Changes**



The Governor issued Executive Order Number 24, which reduced all State General Fund appropriations by 4.3%. The Department of Justice's appropriations were reduced by \$604,400 and the Department will implement the following changes to its budget.

- Office of the Attorney General – A reduction of \$355,300. The Office did not implement pay plan changes for non-bargaining personnel. It will have savings within the support budget, delay filling vacancies, leverage other funding sources, seek grants from alternative funding sources, and may furlough staff.
- Victim Assistance Grants – A reduction of \$82,500. The Department transferred \$82,500 from the Victim Compensation Fund to the Victim Assistance Grants account, pursuant to Section 915.94, Code of Iowa.
- Area Office of Drug Control Policy Prosecuting Attorneys – a reduction of \$5,800 that will reduce the support budget, such as printing expenses.



- Prosecuting Attorney Training Council – A reduction of \$13,500 that will reduce the support budget, such as printing expenses.
- Legal Services Poverty Grants – A reduction of \$28,800 that will reduce the grant awarded to Legal Services Corporation of Iowa.
- Office of the Consumer Advocate – A reduction of \$118,500. Any reduction in General Fund expenditures reduces General Fund receipts from utility companies by the same amount.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

## DEPARTMENT OF CORRECTIONS: IMPACT OF FY 2002 BUDGET REDUCTIONS

### Funds Restored



House File 759 (FY 2002 Appropriations Adjustment Act) restored \$3.0 million of the 4.3% across-the-board reduction, so the net reduction is \$8.0 million (3.2%). The \$3.0 million was restored for programs and correctional beds for the last six months of FY 2002. The funds were restored as follows:

- \$1.9 million (22.1%) of the 4.3% across-the-board reduction of \$8.1 million for the Institutions. This results in an effective decrease of 3.3%. The funds are for operating 482 prison beds for six months, and exempts the County Confinement Account from the across-the-board reduction.
- \$1.1 million (45.9%) of the 4.3% across-the-board reduction to the Community-Based Corrections (CBC) District Departments. This results in an effective decrease of 2.3%. The funds are for operating 100 residential beds for six months, treatment contracts for substance abuse and sex offenders, parole and probation supervision, and residential programs.

### Implementation of Reduction



The net reduction of \$7.9 million (3.2% across-the-board reduction) is planned to be implemented as follows:

- \$6.3 million from the nine prisons as follows:
  - \$4.0 million from salary savings as follows:
    - \$2.0 million and 75.0 FTE positions from laying off staff.
    - \$1.5 million from not filling 41.0 FTE positions that are currently vacant. There are 7.0 FTE positions that the DOC will fill if money becomes available through other budget savings.
    - \$21,000 from reclassifying 11.0 FTE positions.
    - \$134,000 from shifting 7.0 FTE positions to other funds, such as Iowa Prison Industries.
    - \$336,000 from the overtime and premium holiday pay budget.
  - \$101,000 from medical contracts.
  - \$425,000 from ending contracts for such items as substance abuse treatment programs, chaplains, librarian, and the Batterer's Education Program.



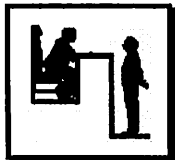
- \$250,000 from utility costs.
- \$312,000 from the food budget.
- \$1.2 million from the support budget.
- \$1.4 million reduction from CBC District Departments as follows:
  - \$57,000 and 3.0 FTE positions from parole and probation supervision.
  - \$688,000 and 22.0 FTE positions from residential facilities. This figure includes savings associated with the delayed opening of the new Council Bluffs facility.
  - \$47,000 and 8.5 FTE positions from pre-trial services.
  - \$249,000 and 5.5 FTE positions from administrative and support functions.
  - \$290,000 and 3.0 FTE positions from treatment programs.
  - \$39,000 from youth intervention and prevention programs.
- \$297,000 reduction from Administration as follows:
  - \$54,000 and 1.0 FTE position from administration.
  - \$52,000 from support costs.
  - \$170,000 from contracts for the Iowa Corrections Offender Network, the Federal Prisoners Account, and the Corrections Education appropriation.
  - \$21,000 and 1.0 FTE position from the Corrections Training Center.

---

STAFF CONTACT: Beth Lenstra (Ext. 16301)

### **OFFICE OF THE STATE PUBLIC DEFENDER: IMPACT OF THE 4.3% ACROSS-THE-BOARD REDUCTION**

#### **Impact of Reduction**



The General Fund reduction is \$1.5 million. The FY 2002 appropriations for the State Public Defender and the Indigent Defense Fund are \$1.9 million less than the actual amount spent during FY 2001. The Office projects a \$3.9 million shortfall in the Indigent Defense Fund. The Public Defender plans to fill all vacancies in the Office, as it is more cost effective to have State employees, rather than private attorneys, provide counsel to indigent defendants. This may require an allocation transfer from the Indigent Defense Fund to the State Public Defender's Office. An FY 2002 supplemental appropriation may be required for the Indigent Defense Fund. Alternatively, appropriation transfers from other State agencies to the Indigent Defense Fund may occur.

---

STAFF CONTACT: Beth Lenstra (Ext. 16301)

---

**DEPARTMENT OF CORRECTIONS - FEDERAL FUNDS UPDATE****Federal Funds**

The Department of Corrections (DOC) has received \$19.8 million from the U.S. Department of Justice, Violent Offender Incarceration/Truth In Sentencing (VOI/TIS) Program since 1997. The federal funds, plus State appropriations, were used to construct 616 correctional beds, provide research funds for a regional jail study and a study of mentally ill offenders, plus administration. The VOI/TIS Program was designed to induce states to incarcerate violent offenders for longer periods of time. For example, Iowa's 85.0% rule, where certain offenders must serve 85.0% of their sentence in prison, was enacted to comply with the VOI/TIS Program. The federal funds have been eliminated, as many policy makers believe the Program's goals have been achieved. The DOC had planned to use \$14.0 million for construction of the 170-bed Special Needs Unit at the Iowa Medical Classification Center at Oakdale. Total construction cost for this project is estimated to be \$32.5 million, including the electrical system upgrade. The DOC is requesting appropriations from the Rebuild Iowa Infrastructure Fund (RIIF) over the next five years to construct the facility.

**Federal Detainees**

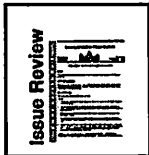
The State receives approximately \$3.6 million annually for housing federal detainees in the Iowa prison system. The federal funds are deposited in the State General Fund. No operating costs are reimbursed to the DOC.

**Criminal Aliens**

The DOC receives federal funds to house criminal aliens in the prison system. The DOC received \$509,000 from this funding source in FY 2001. The DOC used the funds for information technology and the prisons' operating expenses. The DOC is anticipating this funding source will decrease during FY 2002.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

---

**ISSUE REVIEW - CATTLE FEEDLOTS****Issue Review**

The LFB recently released an *Issue Review* that provides an overview on open cattle feedlots. Included in this *Review* are the following:

- The 1972 federal Clean Water Act began regulation of water pollutants. The federal Environmental Protection Agency (EPA) authorized the Department of Natural Resources to issue National Pollutant Discharge Elimination System (NPDES) permits to concentrated animal feeding operations that have more than 1,000 animal units or that have 300 to 1,000 animal units and discharge waste through a drainage ditch, flushing system, or some other type of man-made system that is connected to public waterbodies.
- The federal Clean Water Act requires each state to develop water quality standards and to submit a list of waterbodies that do not meet these standards every two years. Waterbodies not meeting standards are considered to be impaired. In 1998, the National Water Quality Inventory reported that 40.0% of the country's waterbodies were impaired and that 60.0% of the impaired rivers and streams and 30.0% of the impaired lakes were due to agriculture sources such as livestock waste. To address these issues, the EPA and the United States Department of Agriculture developed



the Unified National Strategy that included changing the requirements for NPDES permits.

- Currently, the Department of Natural Resources has issued 24 NPDES permits to open cattle feedlot operators and have 11 in the review process. It is estimated there are 300 operators requiring a permit. To determine the actual number of operations requiring permits, the Department developed a registration program that allows open cattle feedlot producers to register with the Department without being penalized for not having a permit. The Department worked with the EPA and other agribusiness groups to implement this program. As of October 2, 2001, 965 producers have registered with the Department. There are 159 operations that have more than 1,000 animal units and 515 operations that have 300 to 1,000 animal units.
- The Department is completing an Environment Priority Assessment of all registrations and will assign a high, medium, or low priority to each one. Currently, 202 assessments have been completed and 55 of those have been given a high priority. The Department intends to complete on-site assessments of high-priority operations to determine if a permit is required. After the high priority permits are issued, the Department will review the medium and then the low priority operations. The Department estimates it will take five years to issue all of the required permits.
- The EPA published proposed changes to the NPDES Permit Program on January 12, 2001. Public comment was received until July 30, 2001, and final action is scheduled for December 15, 2002. Depending on the changes adopted, the number of concentrated animal feeding operations required to have a permit, could increase substantially.

**Copies Available**

Copies of the *Issue Review* are available upon request from the LFB.

STAFF CONTACT: Deb Kozel (Ext. 16767)

---

**KNOXVILLE SUBSTANCE ABUSE TREATMENT FACILITY**

**Knoxville Facility**



Senate File 537 created a substance abuse treatment facility for probation clients with a substance abuse problem. The Act appropriates \$2.0 million and 60.0 FTE positions to the Department of Public Health to operate a 100-bed facility for a partial year in Knoxville. The FY 2002 funding was a one-time source of funds from tobacco receipts (FY 2001 ending balance carried forward to FY 2002) received under the Master Settlement Agreement. The Department of Public Health is requesting \$3.8 million from the General Fund in FY 2003 for operating costs.

**Action by Dept. of Health**

The Department of Public Health has:

- Established two positions, a Facility Director and a Treatment Supervisor, and is in the process of establishing the remaining positions.
- Created a team that includes treatment and corrections professionals, judges, the Sheriff of Marion County, the Mayor of Knoxville, and the President of the County Attorney's Association, to draft administrative rules. The rules are planned to be in draft form by the end of December 2001.

- Reviewed the Knoxville Facility with the Department of General Services to determine proposed building renovations.
- Has discussed creating a steering committee for community outreach with the local citizens and elected officials within the Knoxville community.
- Received a proposed building lease agreement from the federal government. The Department of General Services is finalizing the lease and then legal counsel will review it.
- The Department is creating an agreement with the Department of Corrections (DOC), so that the DOC will assist in training staff for security procedures at the facility.

**Future Action**

The Department of Public Health has not hired any of the 60.0 FTE positions because of the State's budget problems. A commitment is needed to annualize the operating costs in FY 2003 before the Department will fill the positions in FY 2002.

---

STAFF CONTACT: Beth Lenstra (Ext. 16301) Russ Trimble (Ext. 14613)

---

**GOVERNOR'S OFFICE OF DRUG CONTROL POLICY  
RELOCATED****Relocation**

The Governor's Office of Drug Control Policy has relocated to the second floor of the Ola Babcock Miller Building at 1112 East Grand Avenue in Des Moines. The Office had been located at 401 SW 8<sup>th</sup> in Des Moines.

---

STAFF CONTACT: Lisa Burk (Ext. 16765)

---

**IOWA COMMUNICATIONS NETWORK (ICN) VIDEO  
CLASSROOMS UPDATE****ICN Classrooms**

Since the end of October 2001, the Iowa Communications Network (ICN) has added one interactive video classroom at the library in Decorah. This brings the total number of classrooms to 753. The total number of classrooms that will be included in the Network at sites that are part of the Part III build out is estimated at over 800. This will include multiple classrooms at several authorized sites. The table below presents the current distribution of sites by type of authorized user.



#### IOWA COMMUNICATIONS NETWORK

Area Education Agencies	16
Community Colleges	101
K-12 School Districts	389
Other Education	8
Libraries	50
Medical Facilities	11
Private Colleges	18
Regents Institutions	32
National Guard	57
State Agencies	49
Federal	17
Miscellaneous	4
Classrooms Total	<u>753</u>

#### Web Site

This information is updated weekly and is available on the Internet at <http://www.icn.state.ia.us/about/clickmap/clickmap.htm>. If you would like a copy of the complete list of sites and their locations and do not have access to the Internet, you may contact the LFB and request a copy.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

#### WHAT'S NEW ON THE LFB WEBSITE?

*Most LFB files are in pdf format and require (Adobe Acrobat Reader).*

#### REC Information

A Spreadsheet reflecting December 7 Revenue Estimating Conference decisions. This information can be accessed at:  
[www.staffweb.legis.state.ia.us/lfb](http://www.staffweb.legis.state.ia.us/lfb).

#### Per Pupil Spending

Estimates of per-pupil education funding for K-12 and higher education entities for FY 2001 and FY 2002 can be accessed from the LFB home page at [www.staffweb.legis.state.ia.us/lfb/](http://www.staffweb.legis.state.ia.us/lfb/).

#### Issue Reviews

The following **Issue Reviews** were recently published on the web site:

- Community Economic Betterment Account (CEBA) Update
- Road Use Tax Fund Overview
- Section 8.39 Appropriation Transfers (Updated November 2001)
- Senior Living Trust Fund

#### Oversight Committee

The agenda and attachments for the December 12 Oversight Committee Meeting can be accessed at:  
<http://staffweb.legis.state.ia.us/lfbsubcom/oversight/oversight.htm>

#### Fiscal Committee

The tentative agenda can be accessed at:  
<http://staffweb.legis.state.ia.us/lfb/subcom/fiscalcomm/fiscalco.htm>



**Fiscal Update**

The latest issue was published December 4:  
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>

**Daily Receipts**

The Daily Receipts program is updated daily with the daily deposit and withdrawal activity for all Iowa General Fund accounts is reflected in the charts and data. <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>

---

STAFF CONTACT: Glen Dickinson (Ext. 14616)

---

This document can be found on the LFB web site:  
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>