



LEGISLATIVE
SERVICES AGENCY

Serving the Iowa Legislature

Fiscal Facts

2011

IOWA
Legislative Services Agency
Fiscal Services Division
July 2011

To: Members of the Iowa General Assembly

From: Holly M. Lyons, Division Director
Fiscal Services Division

Re: Fiscal Facts

Date: July 2011

Fiscal Facts contains data relating to overall revenues and expenditures of State government, as well as information regarding the most pertinent and discussed topic areas. Additional detailed data and information are available from the Fiscal Services Division of the Legislative Services Agency.

The FY 2011 data are estimates since the document is being issued prior to the close of FY 2011. The data provided for FY 2013 represents action taken by the 2011 General Assembly, and does not reflect veto action by the Governor.

If you would like further information regarding any of the data provided within Fiscal Facts or have any comments and suggestions regarding this document, please do not hesitate to contact me at 515-281-5279 or holly.lyons@legis.state.ia.us.

LSA website:

<http://www.legis.iowa.gov>

**Legislative Services Agency
Fiscal Services Division
Staff Listing**

**Holly M. Lyons, Director
State Capitol, Room G01
515-281-5279**

Fiscal Services Division Director	Holly Lyons	281-7845
Division Administrator/ Education/Ways and Means	Shawn Snyder	281-7799
Committee Assignments		
Appropriations Subcommittee:		
Admin. and Regulation	Joe Brandstatter	281-8223
	David Reynolds	281-6934
Ag. and Natural Resources	Debra Kozel	281-6767
Economic Development	Ron Robinson	281-6256
	Kent Ohms	725-2200
Education	Dwayne Ferguson	281-6561
	Robin Madison	281-5270
Health and Human Services	Jess Benson	281-4611
	Deborah Helsen	281-6764
	Sue Lerdal	281-7794
Justice System	Jennifer Acton	281-7846
	Beth Lenstra	281-6301
Transportation & Infrastructure	Marcia Tannian	281-7942
Standing Committee:		
Appropriations	Sue Lerdal	281-7794
	Dave Reynolds	281-6934
Education	Dwayne Ferguson	281-6561
Government Oversight	Sue Lerdal	281-7994
	Robin Madison	281-5270
Ways and Means	Jeff Robinson	281-4614
	Dwayne Ferguson	281-6561
Editor/Publications Coordinator	Mary Shipman	281-4617
Subcommittee Staffing/Training Coordinator	Sue Lerdal	281-7794
Appropriations Tracking Coordinator	Dave Reynolds	281-6934

IOWA FISCAL FACTS
TABLE OF CONTENTS

	Page
2011 Legislative Session Overview	
State of Iowa General Fund Balance.....	1
Estimated Contingent Liabilities for State Tax Credits.....	2
The Year in Review.....	3
Distribution of Estimated FY 2012 State General Fund Appropriations.....	6
Government Reorganization and Efficiency Act.....	7
Federal Stimulus Funding American Recovery and Reinvestment Act (ARRA).....	9
Disaster Recovery.....	11
Bonding Update and Wagering Tax Allocations.....	13
Economic Development Authority.....	16
Adult Disability Services Redesign.....	19
Natural Resource Legislation.....	21
Government Finance and Taxation	
Expenditure Limitation.....	22
Iowa's Reserve Funds (Rainy Day Funds).....	23
Flow of General Fund Revenues After Expenditure Limitation Est. FY 2012.....	25
Cash Reserve Fund.....	26
State Funding Sources.....	27
State Expenditures - Governmental Funds.....	28
Sources of General Fund Growth.....	29
General Fund Receipts History	30
General Fund Expenditures Shifted to Other Funding Sources.....	31
General Fund Receipts.....	32
Distribution of Major State and Local Tax Sources.....	33
Iowa's Cash Management Practices.....	34
Debt Management.....	35
Budgets and Appropriations	
Iowa's Budget Process.....	36
Other Fund Appropriations.....	37
Salary Adjustment.....	38
Collective Bargaining Settlements.....	39
Infrastructure Funding	40
Environment First Fund.....	42
Tobacco Settlement.....	44
Status of Tobacco Funds.....	45

**IOWA FISCAL FACTS
TABLE OF CONTENTS**

	Page
State and Local Government	
Budgeted County Expenditures.....	46
Iowa Economy	
Economic Summary.....	47
Education	
Paying for Public Education - The Iowa School Foundation Formula.....	49
General Fund Appropriations for K-12 State Aid.....	54
General Operating Expenditures K-12 by Expenditure Class.....	55
General Operating Expenditures K-12 by Function.....	56
Human Services	
Human Services Program Descriptions.....	57
Human Services Major Program Funding.....	60
Children's Health Insurance (CHIP) Program.....	61
Crime/Enforcement/Transportation	
Year-End Prison Population, Staffing, and Budget	62
Iowa's Transportation Funds.....	63
State Profile	
Iowa's Population Change by County.....	68
Iowa's Population	69

**STATE OF IOWA
GENERAL FUND BALANCE
(\$ in millions)**

	<u>FY 2011 Estimated</u>	<u>FY 2012 Legislative Action*</u>	<u>FY 2013 Legislative Action*</u>
Estimated Funds:			
Estimated Receipts			
Receipts plus Transfers	\$ 7,065.8	\$ 7,413.9	\$ 6,272.6 **
Legislative Action Rev. Adj.	-24.5	-211.3	-73.1
Total Receipts	7,041.3	7,202.6	6,199.5
School Infra. Refunds	-398.1	-411.6	
Tax Refunds	- 826.0	- 831.0	
Accruals	13.9	17.6	
Econ. Emerg. Fund Transfer		284.2	160.7
Total Funds	<u>5,831.1</u>	<u>6,261.8</u>	<u>6,360.2</u>
Est. Appropriations:			
General Fund	5,284.8	5,999.7	5,156.0
FY 2011 Supplementals	68.4		
Reversions	- 2.0	- 2.0	- 2.0
Net Appropriations	<u>5,351.2</u>	<u>5,997.7</u>	<u>5,154.0</u>
Ending Balance	<u>\$ 479.9</u>	<u>\$ 264.1</u>	<u>\$ 1,206.2</u>
Approps./Transfers to Other Funds			
Cash Reserve Fund	479.9	264.1	NA
Total	<u>\$ 479.9</u>	<u>\$ 264.1</u>	<u>\$ 0.0</u>

* Prior to action by the Governor.

**The FY 2013 revenue estimate was not established by the Revenue Estimating Conference.

Estimated Contingent Liabilities for State Tax Credits (Dollars in Millions)

*The FY 2011 and FY 2012 revenue estimate includes potential contingent liabilities in the form of tax credits. The table below outlines the potential tax credits that **may** be claimed against the State in FY 2011 and FY 2012.*

Legislation or Tax Credit Program	FY 2011	FY 2012
Accelerated Career Education Tax Credit*	\$ 4.3	\$ 4.3
Agricultural Assets Transfer Tax Credit*	2.2	2.3
Biodiesel Blended Fuel Tax Credit	6.5	6.3
Charitable Conservation Contribution Tax Credit	0.4	0.5
Child and Dependent Care Tax Credit	9.2	6.3
DED Awarded Sales Tax Refunds	7.1	5.6
E85 Gasoline Promotion Tax Credit	1.9	1.5
Early Childhood Development Tax Credit	0.5	0.5
Earned Income Tax Credit	32.7	30.3
Endow Iowa Tax Credit*	2.2	2.7
Enterprise Zone Program Housing Investment Tax Credit*	3.0	3.5
Enterprise Zone Program Investment Tax Credit*	16.7	16.6
Ethanol Blended Gasoline Tax Credit	2.0	0.0
Ethanol Promotion Tax Credit	5.0	4.5
Film, Television, and Video Project Promotion Program - Awarded*	4.9	0.6
Film, Television, and Video Project Promotion Program - Future Awards*	0.0	0.0
Film, Television, and Video Project Promotion Program - Under Review*	2.1	5.3
High Quality Jobs Program Investment Tax Credit*	28.0	25.4
Historic Preservation and Cultural and Entertainment District Tax Credit*	39.4	30.4
Iowa New Job Income Tax Credits (260E)	4.1	4.3
Iowa New Job Training Program Withholding Credits (260E)	48.0	50.2
New Capital and Income Program Investment Tax Credit	2.6	1.0
New Jobs and Income Program Investment Tax Credit	2.2	0.0
Redevelopment Tax Credit*	0.6	0.2
Renewable Energy Tax Credit*	2.6	2.5
Research Activities Tax Credit	34.7	35.4
School Tuition Organization Tax Credit*	7.1	7.3
Supplemental Research Activities Tax Credit	17.1	16.1
Targeted Jobs Tax Credit from Withholding	2.3	4.3
Tuition and Textbook Tax Credit	15.9	16.0
Venture Capital Tax Credit - Iowa Fund of Funds*	0.0	0.0
Venture Capital Tax Credit - Qualified Business or Community-Based Seed Capital Fund*	2.6	1.2
Venture Capital Tax Credit - Venture Capital Funds*	0.5	0.3
Wage-Benefits Tax Credit*	3.8	3.9
Wind Energy Production Tax Credit*	0.7	0.9
Tax Credit Program Total	\$ 312.9	\$ 290.2
Estimates change from Previous Fiscal Year	\$ 35.3	\$ -22.5

Note: Estimates are based on information provided by the Department of Revenue prior to the March 2011 Revenue Estimating Conference and may differ from information provided in the Department's Contingent Liabilities Report.

*Indicates that programs have credit cap amount.

THE YEAR IN REVIEW**FY 2010**

The U.S. economy entered a recession in December 2007. Iowa entered the recession sometime between April and October 2008 and revenue growth in Iowa began to weaken significantly. For four quarters, the Revenue Estimating Conference (REC) revised revenue projections downward for FY 2009 and FY 2010 to reflect the declining economic conditions. In response to the lower REC estimates in October 2009, the Governor implemented a 10% across-the-board (ATB) reduction, reducing General Fund appropriations by \$564.4 million. Shortly thereafter, the Legislative and Judicial Branches announced reductions to their budgets totaling an additional \$14.7 million.

General Fund revenue began to show signs of improvement in the last quarter of FY 2010. By the close of the fiscal year, actual year-end General Fund receipts were \$231.8 million (4.3%) higher than the March 2010 estimate. After applying the year-end adjustments to standing appropriations and factoring in reversions, FY 2010 ended with a General Fund surplus of \$335.6 million. The surplus was appropriated to the Senior Living Trust Fund (\$48.2 million) and the Cash Reserve Fund (\$287.4 million). In September 2010, the National Bureau of Economic Research (NBER) announced the recession had ended in June 2009 and lasted 18 months.

FY 2011

The FY 2011 budget enacted by the General Assembly was based on a revenue estimate of \$5.460 billion. This included a December 2009 REC estimate of \$5.436 billion and revenue adjustments enacted during the 2010 Legislative Session totaling \$23.5 million. The General Assembly appropriated a total of \$5.285 billion from the General Fund for FY 2011, a decrease of \$19.9 million (0.4%) compared to FY 2010. The REC met in December and increased the FY 2011 net General Fund revenue estimate by \$331.8 million (6.1%) compared to the estimate used to balance the FY 2011 budget. The REC met again in March and increased the net General Fund revenue estimate for FY 2011 an additional \$48.6 million (0.8%) compared

THE YEAR IN REVIEW (Continued)

to the December estimate. During the 2011 Legislative Session, the General Assembly approved \$24.5 million in *negative* revenue adjustments for FY 2011 and \$68.4 million in net supplemental appropriations, leaving a projected ending balance of \$479.9 million. At the end of FY 2011, the reserve fund balances are projected to be approximately 80.5% of their maximum limit.

According to a March 2011 report released by the National Conference of State Legislatures (NCSL), states' revenues are rebounding after several years of deep declines. Thirty-eight states, including Iowa, reported personal income tax collections were performing at or above estimate. Thirty-seven states, also including Iowa, reported general sales tax collections were on target or above estimate. Iowa was one of nine states (Arkansas, Hawaii, Iowa, Kentucky, Maryland, Ohio, Oregon, West Virginia, and Wisconsin), to expect a return to peak revenue collections (FY 2008 levels) in FY 2012.

FY 2012

The December 2010 REC estimate for FY 2012 reflected 4.1% growth and the March 2011 REC increased that projection to 5.7% for net receipts (after refunds, accruals, and transfers). Iowa's economy is in recovery, but still remains below prerecession revenue peaks which occurred in March 2008. Economic indicators continue to show recovery and Iowa has been slowly adding jobs. General Fund net revenue has increased for nine of the last thirteen months and the economic outlook is cautiously optimistic.

The 2011 General Assembly appropriated \$6.000 billion from the General Fund for FY 2012. The projected General Fund ending balance for FY 2012 is \$264.1 million. At the end of FY 2012, the reserve funds are estimated to be at the maximum statutory limit of \$593.9 million.

House File 148 (State Expenditure Requirements) requires the Revenue Estimating Conference to meet at least three times per year and to make revenue estimates for the current fiscal year in progress as well as the next fiscal year. Should the Conference agree to an estimate for a future fiscal year other than the

THE YEAR IN REVIEW (Continued)

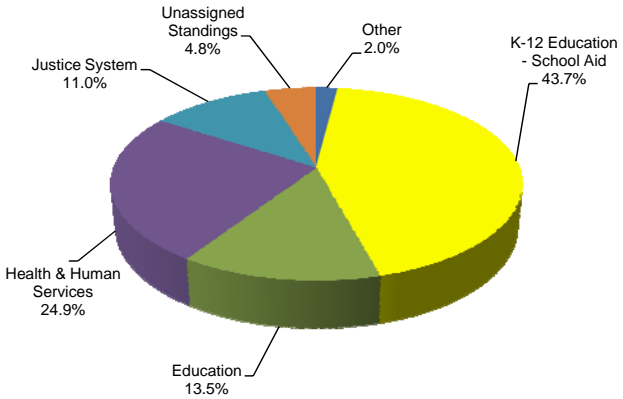
following fiscal year, that estimate shall be considered preliminary and not be used for purposes of calculating the state general fund expenditure limitation.

FY 2013

The 2011 General Assembly appropriated \$5.156 billion for FY 2013. This is approximately 86.0% of the amount appropriated for FY 2012. Most of the state agencies' operating appropriations were funded at 50.0% of the FY 2012 level. However, several standing appropriations received appropriations at 100.0% of the FY 2012 level while others received increases. Funding for schools was increased by \$89.1 million (3.4%) which included a 2.0% allowable growth rate.

Effective in FY 2013, the Taxpayer Trust Fund is created and will receive the difference between the FY 2012 adjusted revenue estimate and the actual revenues collected for FY 2012. The proceeds will be used for tax relief.

**DISTRIBUTION OF ESTIMATED FY 2012
STATE GENERAL FUND APPROPRIATIONS
(\$ in millions)**



<u>Subcommittee</u>	<u>Est. FY 2012 Appropriation</u>	<u>Percent of Total</u>
Admin. & Regulation	\$ 52.7	0.9%
Ag. & Natural Resources	32.3	0.5%
Economic Development	36.3	0.6%
K-12 Education - School Aid	2,624.2	43.7%
Education	809.9	13.5%
Health & Human Services	1,493.4	24.9%
Justice System	662.5	11.0%
Unassigned Standings	288.4	4.8%
Total	\$ 5,999.7	100.0%

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, and Economic Development.

**GOVERNMENT REORGANIZATION
AND EFFICIENCY ACT**

[Senate File 2088](#) made various changes in the structure of State government and impacted various elements of local governments and various boards and commissions. The Act impacted the State General Fund and various other funds. Significant provisions of the Act include:

Impact on Appropriations and Expenditures

Appropriates \$1.7 million and 23.0 FTE positions from the General Fund for FY 2011.

Generates additional General Fund revenues estimated at \$21.9 million for FY 2011 and \$7.8 million for FY 2012.

Impacts General Fund expenditures as follows:

- An estimated decrease in expenditures of \$102,000 for FY 2010.
- An estimated decrease in expenditures of \$50.3 million for FY 2011.
- An estimated decrease in expenditures of \$27.0 million for FY 2012.

The total impact to the State General Fund when appropriations, revenue increases, and expenditure changes are totaled:

- An estimated savings of \$102,000 for FY 2010.
- An estimated savings of \$70.5 million for FY 2011.
- An estimated savings of \$34.7 million for FY 2012.

Impacts other funds (including local government savings) when appropriations, revenue increases, and expenditure changes are totaled:

- An estimated savings of \$21,000 for FY 2010.
- An estimated savings of \$55.7 million for FY 2011.
- An estimated savings of \$34.2 million for FY 2012.

For details regarding Senate File 2088 in 2010, please see link below.

<http://www.legis.iowa.gov/DOCS/IsaReports/fiscalFacts/2010.pdf>

**GOVERNMENT REORGANIZATION
AND EFFICIENCY ACT (Continued)**

The 2011 General Assembly included nine sections to reflect that Session-only legislation in Senate File 2088 would continue for FY 2012. These items included in [Senate File 533](#) (Standings Appropriations Act) are:

- Collection of information relating to expenditures for contract services and employee training.
- Requiring the Department of Administrative Services (DAS) to require State agencies to use certain purchasing efforts.
- Requiring the DAS to consult with and explore technology services to the Judicial and Legislative Branches of government.
- Requiring State agencies to utilize electronic means for renewal notices for licenses and permits.
- Requiring State agencies to budget and plan to conduct LEAN events and share resources for staff and training.
- Requiring the Joint Appropriations Subcommittees of the General Assembly to examine and review fees charged by State agencies.
- Requiring the DAS to streamline the hiring process for State agencies.
- Limiting the number of tobacco retail compliance checks that the Alcoholic Beverages Division can perform in FY 2012 to one check per retail outlet and one follow-up check for those that are not compliant during the first check.
- Requiring the DAS to examine the possibility of merging payroll systems.

**FEDERAL STIMULUS FUNDING
AMERICAN RECOVERY AND
REINVESTMENT ACT**

The Government Accountability Office (GAO) was charged with monitoring and reviewing the expenditure and usage of American Recovery and Reinvestment Act (ARRA) funds. The GAO reviews of Recovery Act spending focus on 16 states and the District of Columbia, which contain about 65% of the U.S. population and are estimated to receive about two-thirds of the intergovernmental federal assistance available through the ARRA. The most recent report can be found at the link below and both the full report and the Iowa Appendix, addressing the detail of the bimonthly visit to Iowa are available.

Iowa was selected as a representative small Midwestern state. The other states selected were Arizona, California, Colorado, Florida, Georgia, Illinois, Massachusetts, Michigan, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, and Texas.

According to the GAO, as of March 31, 2011, \$264.2 billion, or approximately 94 percent of the estimated \$282 billion of total ARRA funds for programs administered by states and localities had been paid out by the federal government.

As reported to the Department of Management, through July 6, 2011, \$3.4 billion have been awarded to State and local entities in Iowa. This is 100% of the ARRA awards for Iowa. Approximately \$3.3 billion (96.0%) have been obligated and \$3.09 (90.0%) billion have been spent.

Federal funds have been received through existing formulas, demand-based funding (e.g. extended and increased unemployment benefits), education, and government services stabilization funds coming directly to the State and competitive grants.

As of March 31, 2011, an estimated 5,489 awards have been granted to Iowa's State agencies for a total of \$2.96 billion or 86.0% of Iowa's total award. Approximately \$2.6 billion (86.0%) has been spent by the agencies. The following table delineates the ARRA funding that State agencies have received and expended as of July 6, 2011.

**FEDERAL STIMULUS FUNDING
AMERICAN RECOVERY AND
REINVESTMENT ACT (Continued)**

	Total Award	Funding Expended	% of Funding Expended
DAS	\$ 665,099	\$ 665,099	100.0%
IDA	1,300,000	1,222,000	94.0%
Blind, Dept. of Commerce	1,510,000	1,343,900	89.0%
CBCs	826,530	140,510	17.0%
CBCs	4,799	4,799	100.0%
Cultural Affairs	303,000	303,000	100.0%
GODCP	9,240,000	6,098,400	66.0%
DED	7,850,000	5,181,000	66.0%
DE	328,630,000	177,460,200	54.0%
DHR	91,660,000	55,912,600	61.0%
DHS	883,020,000	830,038,800	94.0%
ICN	16,230,000	-	0.0%
IFA	116,370,000	110,551,500	95.0%
ISU	26,100,000	10,179,000	39.0%
IWD	882,200,000	864,556,000	98.0%
Justice	2,780,000	3,190,000	115.0%
DOM	869,802	-	0.0%
DNR	68,730,000	57,045,900	83.0%
OEI	50,880,000	11,702,400	23.0%
Public Defense	3,330,000	3,330,000	100.0%
DPH	16,380,000	3,603,600	22.0%
Public Safety	574,077	361,669	63.0%
Regents	272,017	272,017	100.0%
DOT	384,350,000	365,132,500	95.0%
U of I	67,490,000	38,469,300	57.0%
UNI	1,230,000	738,000	60.0%
Veterans Affairs	2,160,000	129,600	6.0%
	<u>\$2,964,955,324</u>	<u>\$2,547,631,794</u>	

Source: Iowa Department of Management

For more information relating to the ARRA funding in Iowa please visit:

[Overview - Iowa's Economic Recovery
http://www.gao.gov/recovery/bimonthly/states/](http://www.gao.gov/recovery/bimonthly/states/)

DISASTER RECOVERY

History:

During the summer months of 2008, the majority of the State was impacted by severe weather, tornadoes, and flooding.

Governor Culver issued Executive Order Seven that created the Rebuild Iowa Office (RIO) and the Rebuild Iowa Advisory Commission (RIAC). The RIAC met multiple times and issued a 45-day report and a 120-day report including recommendations and suggested action steps in 2008. The reports can be found at <http://www.rio.iowa.gov/index.html>.

The Governor redirected \$40.0 million to address housing needs in storm-impacted communities and to help small businesses damaged by the severe conditions. Additional federal money was available. The Iowa Finance Authority and the Department of Economic Development administer the Jumpstart Iowa Housing Assistance Program and the Jumpstart Iowa Small Business Assistance Program. Information regarding these Programs can be found at <http://www.iowafinanceauthority.gov/> and <http://www.iowalifechanging.com/jumpstart/>.

The General Assembly created the Senate and House Rebuild Iowa Standing Committee and the Rebuild Iowa and Disaster Recovery Standing Committee respectively starting in the 2009 Legislative Session. The enacted 2009 legislation can be found at http://staffweb.legis.state.ia.us/lfb/docs/fiscal_facts/Fiscal_Facts_2009.pdf

Please refer to the section on Bonding Bills passed during the 2009 Legislative Session for information on bonding or disaster-related projects.

The enacted 2010 legislation can be found at : <http://www.legis.iowa.gov/DOCS/IsaReports/fiscalFacts/2010.pdf>

DISASTER RECOVERY (Continued)

2011 Legislative Session:

The General Assembly enacted the following legislation relating to the 2010 recovery:

[Senate File 533](#) (FY 2012 and FY 2013 Standing Appropriations) amended the Rebuild Iowa Infrastructure Fund and the Cash Reserve Fund appropriations enacted by the 2010 General Assembly to enact in part an August 27, 2010, cash flow transfer made by the Governor for the Iowans Helping Iowans Small Business Assistance Program, Housing Assistance Program, and Unmet Needs Program.

[House File 649](#) (FY 2012 and FY 2013 Health and Human Services Appropriations) amended Code Section 29C.20B relating to Disaster Case Management. The change reflects the sunset of the Rebuild Iowa Office, with the Homeland Security and Emergency Management Division (HSEMD) of the Department of Public Defense receiving the duties relating to disaster case management. The local case management duties, previously the responsibility of the Department of Human Services are transferred to HSEMD.

County-by-county Funding and Expenditures:

In cooperation with the RIO and the State and federal entities receiving 2008 disaster recovery funding, the Legislative Services Agency has developed a county-by-county web-based summary that is updated monthly. As of April 30, 2011, there has been \$4.4 billion committed to recovery costs, from State appropriations, bonding, tax credits, and federal funding. Of that amount, \$1.8 billion has been expended. A detailed chart is available at www.staffweb.legis.state.ia.us/lfb/docs/RIO/RIO_Funds_county.xls.

BONDING UPDATE AND WAGERING TAX ALLOCATIONS

The 2010 General Assembly and 2009 General Assembly passed several bills providing authorization for new bond issuances in 2009 and 2010. Senate File 376 in the 2009 Legislative Session provided for the issuance of revenue bonds in July 2009 with net proceeds of \$545.0 million. In S. F. 2389 (FY 2011 Infrastructure Appropriations Act), the 2010 General Assembly adjusted the additional bonds authorized so that net proceeds would be \$150.0 million for the second issuance that occurred in October 2010.

In addition, in S.F. File 474, the 2009 General Assembly provided authorization to the Board of Regents to issue academic revenue bonds for net proceeds of \$115.0 million. The Board of Regents issues the bonds at a schedule determined by the Board, and typically does not issue all the bonds all at once. The Board publishes its proposed bond issuance schedule at one of its fall meetings. The discussion about the revenue bonds issued per the 2009 and 2010 General Assembly is focused solely on the State issued revenue bonds totaling \$695.0 million in net proceeds.

Issuances in 2009 and 2010

In July 2009, the Treasurer of State issued the bonds in accordance with S.F. 376, providing net proceeds of \$545.0 million. In October 2010, the Treasurer of State issued the bonds in accordance with S.F. 2389, providing net proceeds of \$150.0 million. The proceeds deposited in two funds, \$545.0 million in the Revenue Bonds Capitals Fund (and \$150.0 million in the Revenue Bonds Capitals II Fund. Appropriations from the proceeds were made from the two funds in the same legislation that created the funds and authorized the issuances.

The combined obligations, including principal and interest, from the two issuances were approximately \$1.44 billion in outstanding State obligations. The net debt service on the \$1.44 billion in estimated outstanding obligations that the State is anticipating paying is approximately \$1.23 billion. The State is expecting to utilize \$118.0 million in federal subsidies on the Build America Bonds (BABs) issued as part of the 2009 issuance and debt service reserve accounts, estimated at \$90.6 million, that are used at the end of the bond life to pay the last payments.

BONDING UPDATE AND WAGERING TAX ALLOCATIONS (Continued)

The 2009 bond issuance has debt service payments of \$41.8 million and the interest rate was 4.31%. The bond issuance from 2010 has debt service payments of approximately \$12.4 million debt service payment and had an interest rate of 3.96%. The combined annual debt service payment is approximately \$54.2 million. The wagering tax allocation for the debt service is \$55.0 million. Any unneeded amount for debt service will transfer back to the Rebuild Iowa Infrastructure Fund (RIIF) after the payments are made.

Wagering Tax Revenue Allocations

The wagering tax revenue that is paying the debt service on the State bonds is paid by casinos on adjusted gross receipts. In accordance with Code Section 8.57 (6), there are several allocations of the State's wagering taxes before the remainder deposits in the RIIF. After the changes enacted in the 2009 and 2010 Legislation Sessions, the Code Section 8.57(6) allocations of the State's wagering tax revenue include:

- \$55.0 million for Revenue Bonds Debt Service
- \$3.75 million to the Federal Subsidy Holdback Fund
- \$15.0 million to the Vision Iowa Fund
- \$5.0 million to the School Infrastructure Fund
- \$66.0 million total to the General Fund
- Remainder to the Rebuild Iowa Infrastructure Fund.

**BONDING UPDATE
AND WAGERING TAX ALLOCATIONS
(Continued)**

Transfers Back to the RIIF

As mentioned above, any unneeded amounts from the \$55.0 million for debt service on the 2009 and 2010 revenue bonds will transfer back to the RIIF before the close of the fiscal year.

During the 2010 Legislative Session, Senate File 2389 provided a mechanism to allow an additional \$3.75 million of wagering tax revenue to transfer to a Revenue Bonds Federal Subsidy Holdback Fund to ensure the debt service is covered in the event the federal subsidy for the BABs is not received. The Treasurer of State must transfer the funds from the Federal Subsidy Holdback Fund to the RIIF before the end of each fiscal year, once the subsidy is received.

During the 2011 Legislative Session, [House File 648](#) (FY 2012 Infrastructure Appropriations Bill) provided that any unneeded amounts from the \$5.0 million allocation for the debt service on the older school infrastructure bonds will transfer back to the RIIF. This is consistent with how the other revenue bonds were established. The debt service on the school infrastructure bonds is \$3.5 million, so the transfer back will provide an additional \$1.5 million of wagering taxes to the RIIF annually until the end of the bond payments in FY 2021. At that time, the allocation to the School Infrastructure Fund ceases and the entire \$5.0 million will deposit into the RIIF.

ECONOMIC DEVELOPMENT AUTHORITY

[House File 590](#) replaces the Department of Economic Development (DED) with the newly created Economic Development Authority and the Iowa Innovation Corporation. This partnership is also referred to as the Iowa Partnership for Economic Progress.

Major changes from the DED to the Economic Development Authority include:

- The Authority's Board consists of eleven voting members. The previous DED Board consisted of fifteen voting members.
- The Authority Board must develop a strategic plan with goals and metrics for measuring progress to assess the Authority's work to achieve those goals.
- The Authority is directed to form a nonprofit corporation.
- The Authority may delegate duties to the Economic Development Corporation for specific services. The Act specifies that compensation for all services will be at "fair market value" and that contracts are limited to two years in length.
- The Director or the Authority can create organizational divisions within the Authority. The Director must create a Small Business Development Division.
- The Authority is required to submit a report by September 15, 2011, to the Governor and the General Assembly assessing the extent to which each of the Authority's programs can be used to provide assistance to small businesses, and making recommendations for legislative changes.
- The Authority can issue Private Activity Bonds.
- All employees of the DED will transfer to the Authority without the loss of years of service and other state employee benefits.
- The Iowa Office of Energy Independence (OEI) will integrate into the Economic Development Authority.
 - All funds, programs, contracts, and licenses will transfer to the Authority.

ECONOMIC DEVELOPMENT AUTHORITY (Continued)

- The 25.77 federally funded FTE positions will transfer to the Authority.
- The 0.90 FTE position funded by the Building Energy Management Fund will transfer to the Authority.
- The 4.0 FTE positions authorized for Power Fund administration will be eliminated. The titles of these four positions are Director, Deputy Director, Executive Secretary, and Executive Officer 2. Only the Deputy Director and Executive Secretary positions are currently filled.

The Iowa Innovation Corporation:

- Is created by the Economic Development Authority qualifying under Section 501(c)(3) of the Internal Revenue Code.
- The initial board of seven members is appointed by the Governor, two of whom are subject to confirmation by the Senate. Subsequently, two members will serve staggered four-year terms that will be appointed by the Governor and subject to confirmation by the Senate.
- Receives no appropriations from the General Assembly.
- Will be governed by the articles of incorporation that are created for its internal structure and management.
- Submit an annual report to the, Governor, General Assembly, and Auditor of the State pertaining to the operations and activities that have been delegated to it by the Authority.
- Prepare and submit a financial audit to the Auditor of State.
- Submit copies of filed tax returns to the General Assembly.

The Act also does the following:

- Requires the General Assembly to conduct a review of the Authority beginning on July 1, 2014, and issue a report with findings and recommendations by January 1, 2015.

**ECONOMIC DEVELOPMENT AUTHORITY
(Continued)**

analyzing the advantages, disadvantages, and feasibility of merging the two authorities. The report must be submitted by December 1, 2011.

- The initial board of the Authority will consist of the current board of the DED until a time that members of the Authority Board are appointed as provided for in the Act.
- Renames the Grow Iowa Values Fund the Economic Development Fund.
- The Authority assumes the administration of the Iowa Commission on Volunteer Service from the Governor's Office.
- Requires the Authority, the Department of Workforce Development, and the Department of Revenue to coordinate and review the Industrial New Jobs Training (260E) Program.

ADULT DISABILITY SERVICES REDESIGN

[Senate File 525](#) sets a framework to redesign the Adult Disability Service System. The System includes persons with mental illness, intellectual disabilities, or developmental disabilities. The Bill specifies legislative intent to implement the following:

- Shift funding responsibility for the nonfederal share of Medicaid from the counties to the State.
- Reorganize the System to be administered by counties on a regional basis in a manner that provides multiple points of access in the region for both Medicaid and non Medicaid funded services.
- Replace legal settlement as the basis for determining financial responsibility for Adult Disability Services with a determination based on residency.
- Meet the needs of consumers for disability services in a responsive and cost-effective manner.

The Bill requests the Legislative Council authorize an interim committee on Mental Health and Disability Services for the 2011 Legislative Interim. The Committee is to make recommendations for core disability services, address property tax issues, examine funding commitments for the redesigned service system, examine requirements for mental health professionals engaged in the involuntary commitment process under Code Chapter 229, propose legislation to change Code references from the term “mental retardation” to “intellectual disability,” and consider issues posed by the July 1, 2013, repeal of the county disability services administration and funding provisions.

The Department of Human Services (DHS) is required to design a workgroup process to support the work of the interim committee for Mental Health and Disability Services and make recommendations on eligibility criteria, Medicaid and non-Medicaid core services, outcome and quality measures, provider accreditation, and regional service plans. The DHS was provided an appropriation of \$250,000 for the planning and other implementation costs.

**ADULT DISABILITY SERVICES REDESIGN
(Continued)**

The target date for full implementation of the plan is July 1, 2013, subject to available funding.

Also included in the Bill were Divisions relating to the following topics:

Division III makes changes to the Code Sections related to Psychiatric Medical Institutions for Children (PMICs) including adding Advanced Registered Nurse Practitioners or a Psychiatric Assistant to the team of professionals caring for children in a PMIC and allowing PMICs to expand beds for nonresident children. The Division also creates a PMIC transition committee to develop a plan to transition PMIC reimbursement Medicaid to the Iowa Plan managed care provider.

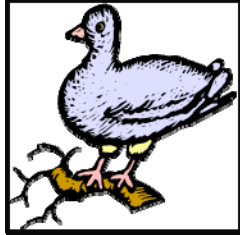
Division IV revises statutory language relating to the licensing and accreditation of Community Mental Health Centers.

Division V relates to substance abuse and changes the terms “chemical dependency,” “chronic substance abuser,” and “substance abuser,” to “person with a substance related disorder.”

NATURAL RESOURCE LEGISLATION

MOURNING DOVE HUNTING SEASON

[Senate File 464](#) (FY 2012 Dove Hunting Season Act) allows the Department of Natural Resources (DNR) or the Natural Resource Commission to establish a hunting season for mourning doves. The fiscal impact is minimal as persons hunting mourning dove hunters would already have purchased



a Migratory Bird License and Wildlife Habitat Stamp, so no new fees will be collected. However, the DNR estimates an economic impact of \$6.5 million per year with 20,000 hunters in Iowa hunting for at least 3.3 days and spending approximately \$100 per day.

BOATING WHILE INTOXICATED

[Senate File 7](#) (FY 2012 Boating While Intoxicated Act) changes the legal limit of blood alcohol concentration from 0.10 to 0.08 for operating a motorboat or sailboat. The standard for boating is now the same as for operating a motor vehicle. The Act applies to motorboats and sailboats. A sailboat in operation must have a motor running or have the sails hoisted and not propelled by a motor.

EXPENDITURE LIMITATION

In the 1980s and early 1990s, Iowa experienced serious financial problems including tax revenues below expectations; expenditures above budget; and a lack of reserves. The Legislature established spending limits and reformed the budget process restoring fiscal integrity, improving cash flow, and creating balances in reserve funds.

The Governor and the General Assembly have statutory responsibility to balance the budget. In 1992, several statutory reforms were enacted to provide long-term solutions to the State's budget problems. These included the "Expenditure Limitation" laws.

- Spending is limited to 99.0% of adjusted revenues, 95.0% of any new revenue implemented in a fiscal year, and any carryover from the previous year.
- The Governor and the General Assembly are required to use the revenue estimates agreed to by the December Revenue Estimating Conference or a later estimate during the legislative session, if it is lower, as a basis to determine the General Fund budget for the following fiscal year. If the General Assembly holds an Extraordinary Session, the lower estimate applies, and the Governor and the General Assembly are required to use the lower estimate.
- Three reserve accounts or funds have been created: the Cash Reserve Fund; the Generally Accepted Accounting Principles (GAAP) Deficit Reduction Account; and the Economic Emergency Fund (Rainy Day Fund).
- Expenditures from these reserve funds are limited by statute.

**IOWA'S RESERVE FUNDS
(RAINY DAY FUNDS)**

Iowa's reserve funds are comprised of the Cash Reserve Fund and the Economic Emergency Fund. Together, the balance in these funds is projected to total \$593.9 million in FY 2012.

Cash Reserve Fund

- The maximum balance the Fund may attain is equal to 7.5% of the General Fund adjusted revenue estimate, as established by the Revenue Estimating Conference (REC).
- Moneys in the Cash Reserve Fund may be used for cash flow purposes but are to be returned by the end of the fiscal year.
- Expenditures from the Cash Reserve Fund are limited to nonrecurring emergency expenditures.
- For FY 2012, \$479.9 million of the FY 2011 General Fund surplus is appropriated to the Cash Reserve Fund.

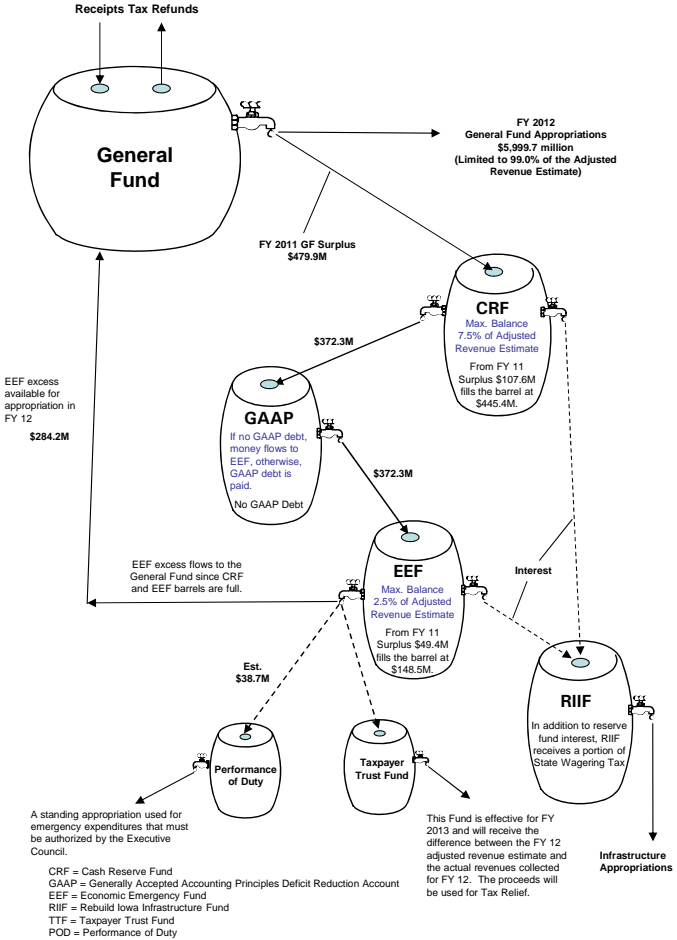
**Generally Accepted Accounting Principles (GAAP)
Deficit Reduction Fund**

- Unexpended money from the General Fund, after the Cash Reserve Fund target is made, is also deposited to the GAAP Fund.
- Funds are appropriated for the purpose of eliminating the State's GAAP deficit. The (GAAP) Deficit Reduction was eliminated during FY 1995.

**IOWA'S RESERVE FUNDS
(RAINY DAY FUNDS) (Continued)****The Economic Emergency Fund**

- Established in 1984 and modified in later years.
- The maximum balance the Fund may attain is equal to 2.5% of the General Fund adjusted revenue estimate.
- Once all GAAP obligations are retired, remaining funds are credited to the Economic Emergency Fund.
- Moneys in the Economic Emergency Fund may be used for cash flow purposes but are to be returned by the end of the fiscal year.
- Spending from the Fund is limited to emergency expenditures.
- Allows for an appropriation from the Economic Emergency Fund to reduce a negative ending balance in the State General Fund. The appropriation is limited to \$50.0 million and is contingent on certain circumstances.
- [Senate File 533](#) (Standing Appropriations Bill) created a standing unlimited appropriation for expenses approved by the Executive Council through the Performance of Duty appropriation for FY 2012, the expenses are estimated to total \$38.8 million.
- Moneys in excess of the maximum balance are to be transferred to the General Fund.

FLOW OF GENERAL FUND REVENUES AFTER EXPENDITURE LIMITATION
Est. FY 2012
 (Dollars in Millions)



CASH RESERVE FUND
(\$ in millions)

	FY 2011	FY 2012	Est. FY 2013
Balance Forward	\$ 322.8	\$ 337.8	\$ 445.4
Gen. Fund Surplus	287.4	479.9	264.1
Total Revenue	\$ 610.2	\$ 817.7	\$ 709.5
Transfer to EFF	-272.4	-372.3	-244.6
Ending Balance	\$ 337.8	\$ 445.4	\$ 465.0
<i>Max. 7.5%</i>	\$ 407.0	\$ 445.4	\$ 465.0

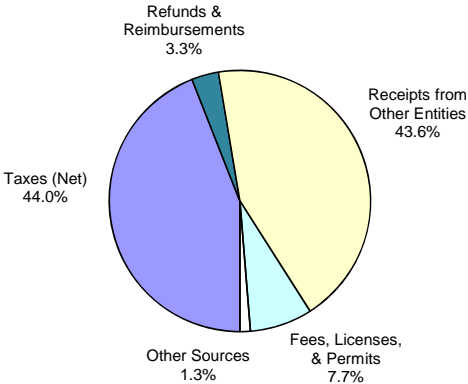
Economic Emergency Fund
(\$ in millions)

	FY 2011	FY 2012	Est. FY 2013
Balance Forward	\$ 99.1	\$ 99.1	\$ 148.5
CRF Excess	0.0	372.3	244.6
Total Revenue	\$ 99.1	\$ 471.4	\$ 393.1
Transfer to General Fund	0.0	-284.2	-160.7
Taxpayer Trust Fund	0.0	0.0	-38.3
Exec. Council Approp	0.0	-38.7	-39.1
Ending Balance	\$ 99.1	\$ 148.5	\$ 155.0
<i>Max. 2.5%</i>	\$ 135.7	\$ 148.5	\$ 155.0

* Numbers may not equal totals due to rounding.

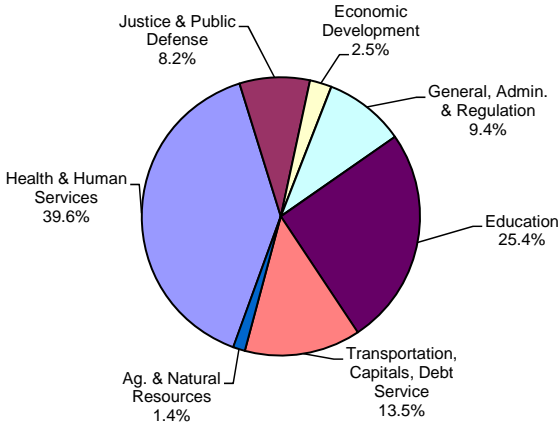
STATE FUNDING SOURCES

Most State operations are accounted for through governmental fund types (as specified in the Iowa Comprehensive Annual Financial Report). Governmental revenues and other financing sources totaled \$13.9 billion for FY 2010. Net receipts increased \$714.0 million (5.4%) compared to FY 2009. Tax revenue decreased \$314.4 million (-4.9%), receipts from other entities increased \$949.5 million (18.5%), and fees, licenses, and permits increased \$99.3 million (10.1%) compared to FY 2009.

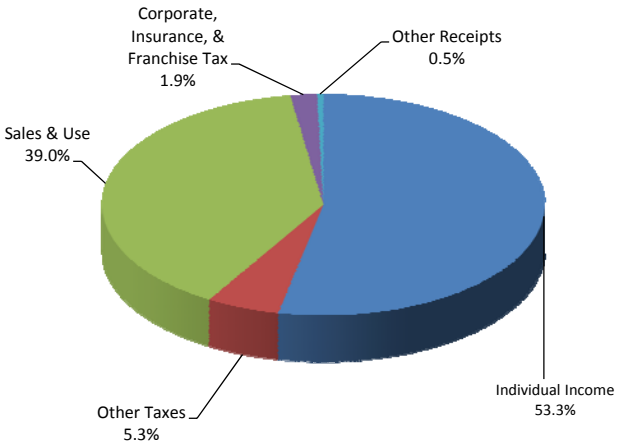
FY 2010 State Revenue Sources**Governmental Revenues & Other Financing Sources
Excludes Refunds****FY 2010 State Revenue by Source**

STATE EXPENDITURES GOVERNMENTAL FUNDS

FY 2010 State Government Expenditures

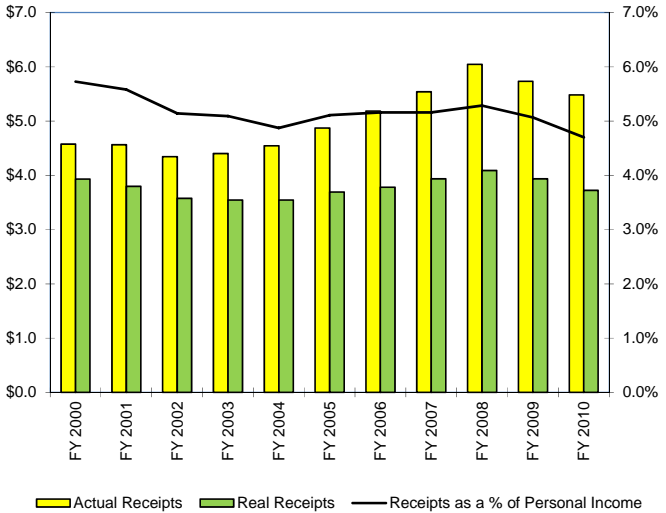


- Includes General Fund and all other governmental funds. (Comprehensive Annual Financial Report)
- Governmental expenditures totaled \$13.5 billion for FY 2010, an increase of \$0.462 billion (3.5%) compared to FY 2009.
- Revenues for FY 2010 exceeded expenditures by \$0.389 billion. Net transfers and other financing uses resulted in a positive net Fund balance change of \$0.481 billion.

**SOURCES OF GENERAL FUND GROWTH
FY 2000 - FY 2010**

- The chart above does not include transfers to the General Fund from other funds, or accrued revenue, and has not been adjusted for refunds.
- Since FY 2000, growth in personal income tax accounted for 53.3% of the total increase in gross General Fund receipts. Sales and use tax accounted for 39.0% of the total increase. Taxes paid by businesses (corporate income tax, franchise tax, and insurance tax) account for 1.9% of the increase. The percentages in this paragraph have not been adjusted for refunds.

GENERAL FUND RECEIPTS HISTORY FY 2000 - FY 2010



- Actual General Fund receipts are net of refunds but are not adjusted for accrued revenue or transfers.
- Real receipts are actual net General Fund receipts adjusted for inflation, using the Consumer Price Index (CPI-U).
- Receipts as a percentage of personal income are actual net receipts divided by personal income. This is a measure of the change in the magnitude of the General Fund relative to the personal income of all Iowans.
- From FY 2000 through FY 2010, Iowa General Fund net receipts grew \$0.903 billion (19.7%). During that same period, Iowa's total State personal income grew \$36.7 billion (45.9%).
- In FY 2000, Iowa General Fund net receipts equaled 5.7% of total State personal income. In FY 2010, General Fund net receipts equaled 4.7% of personal income.
- Adjusted for inflation, General Fund net receipts decreased 5.3% from FY 2000 to FY 2010.

**GENERAL FUND EXPENDITURES
SHIFTED TO OTHER FUNDING SOURCES
(\$ in millions)**

	Est. <u>FY 2011</u>	Est. <u>FY 2012</u>
Cash Reserve Fund	250.8	0.0
Economic Emergency Fund	0.0	38.7
Environment First Fund	3.5	9.4
Federal Recovery and Reinvestment Fund*	302.6	0.0
Commerce Revolving Fund	27.0	27.0
IowaCare Account	27.3	27.3
Health Care Trust Fund	0.0	106.4
Gaming Enforcement Revolving Fund	8.9	8.9
Rebuild Iowa Infrastructure Fund	76.0	39.8
Revenue Bonds Capitals Fund	13.0	0.0
Senior Living Trust Fund	47.6	0.0
Underground Storage Tank Program	23.7	0.0
Other	<u>18.6</u>	<u>14.1</u>
Total	<u>\$ 799.0</u>	<u>\$ 271.6</u>

* Implementation of the federal American Recovery and Reinvestment Act (ARRA) resulted in various General Fund appropriations being shifted to the Federal Recovery and Reinvestment Fund.

GENERAL FUND RECEIPTS
(\$ in millions)

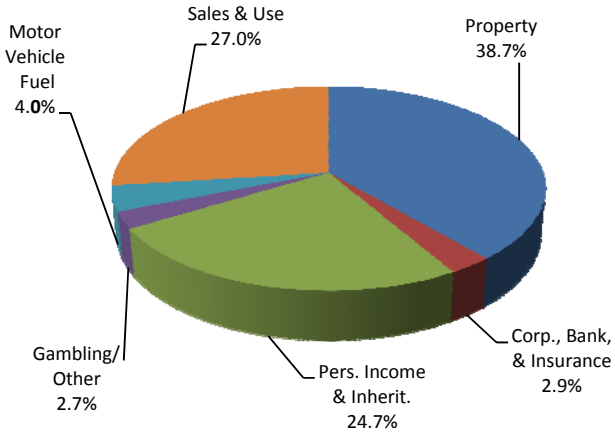
	Estimated FY 2012 REC	Percent of Total Receipts
Tax Receipts		
Personal Income Tax	\$ 3,615.0	48.6%
Sales/Use Tax	2,470.0	33.2%
Corporate Income Tax	432.1	5.8%
Inheritance Tax	72.1	1.0%
Insurance Premium Tax	100.3	1.3%
Cigarette Tax	200.4	2.7%
Tobacco Tax	28.0	0.4%
Beer Tax	14.4	0.2%
Franchise Tax	40.0	0.5%
Miscellaneous Tax	1.0	0.0%
Total Tax Receipts	6,973.3	93.8%
Other Receipts		
Institutional Payments	14.9	0.2%
Liquor Profits	85.4	1.1%
Interest	2.0	0.0%
Fees	66.8	0.9%
Judicial Revenue	112.0	1.5%
Miscellaneous	26.8	0.4%
Racing and Gaming	66.0	0.9%
Transfers	66.7	0.9%
Accruals (Net)	17.6	0.2%
Total Other Receipts	458.2	6.2%
Total Receipts	7,431.5	100.0%
Refunds	-1,242.6	-16.7%
Net Receipts	\$ 6,188.9	83.3%

REC = Revenue Estimating Conference (March 2011)

Note:

Totals may not add due to rounding.

DISTRIBUTION OF MAJOR STATE AND LOCAL TAX SOURCES - ACTUAL FY 2010



Tax	Rate	Actual FY 2010	Percent of Major Tax Sources
Property	Varies	\$ 4,392.2	38.7%
Individual Income	0.36% - 8.98%	2,636.4	23.3%
Sales & Use	5.00%	2,130.9	18.8%
Local Option Sales	up to 2.00%	644.3	5.7%
Local Option Income	up to 20.0% of state tax	100.1	0.9%
Local Option Hotel/Motel	up to 7.00%	36.2	0.3%
Motor - Fuel	\$ 0.190 to \$0.225	432.6	3.8%
Environ. Prot. Fee	\$0.01 per gallon	20.7	0.2%
Corporate Income	6.00% - 12.00%	208.6	1.8%
Insurance Premium	1.00%	88.5	0.8%
Cigarettes & Tobacco	\$1.36 per pack	231.4	2.0%
Beer & Wine	\$0.19 per gallon	21.1	0.2%
Gambling/Other	Varies	302.8	2.7%
Inheritance	1.00% - 15.00%	65.9	0.6%
Franchise	5.0% of net income	27.4	0.2%
Total		\$ 11,339.1	100.0%

Note:

Totals may not add due to rounding.

Property tax includes Tax Increment Financing revenue.

Property tax includes gas & utility replacement tax.

Sales/use includes motor vehicle use tax and fee for new registration.

Local option sales includes the statewide 1% tax for school infrastructure

Cash Basis - July 1 through June 30.

Receipts are net of refunds.

IOWA'S CASH MANAGEMENT PRACTICES

Iowa's cash is managed by the State Treasurer's Office. To earn the most interest possible, cash is invested as soon as it is collected, while enough cash remains on hand to pay State bills. Funds of State agencies that are temporarily available for investment are pooled together and invested in certificates of deposit, U.S. Treasury bills and notes, and other corporate debt instruments as allowed by law. Investment goals are set by statute:

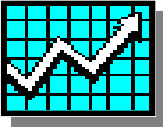
- Safety - restrictions on types of investments, limits on credit risk, maturities, and use of leverage is prohibited.
- Liquidity - always have the next 60 days of bills funded; purchase liquid securities.
- Yield - core portfolio invested for longer periods; use of laddered maturities.

The current size of the investment pool is approximately \$2.4 billion. The realized cash annual rate of return for FY 2009 was 2.40%.

DEBT ADMINISTRATION

The Constitution of the State of Iowa prohibits the State from exceeding a maximum of \$250,000 in general obligation debt without voter approval. However, statute authorizes the issuance of Tax and Revenue Anticipation Notes (TRANS), provided the total issuance does not exceed anticipated revenue receipts for the fiscal year and the total issuance mature during the fiscal year.

- In FY 2009 and FY 2010 the State did not issue any TRANS.
- To date in FY 2011, the State has not issued any TRANS.

DEBT MANAGEMENT

The State of Iowa reported total outstanding debt of \$12.946 billion on June 30, 2010, for all governmental entities. This represents an overall increase of \$1.308 billion (11.2%) compared to FY 2009.

Entities that reported increases in debt during FY 2010 include: cities - \$234.2 million (5.4%), counties - \$64.5 million (10.6%), community colleges - \$52.2 million (10.4%), the Board of Regents - \$131.6 million (11.3%), State Authorities - \$115.7 million (4.9%), school district/AEAs - \$116.1 million (4.9%), and State Agencies - \$599.3 million (273.6%).

Entities that reported decreases in debt during FY 2010 include: Other and utility systems with a decrease of - \$5.4 million (-11.6%).

Debt financing is used for a variety of purposes, which include: construction and renovation of public buildings, schools, housing and urban development, utilities, jails and prisons, park and recreational facilities, and local streets and parking lots.

A variety of financing mechanisms are available for use by the State and local units of government for public infrastructure improvements. These include:

- General obligation bonds
- Revenue bonds
- Certificates of participation (lease purchase)
- Special assessments on property
- Tax increment financing
- Special tax allocation and dedication of revenue sources, such as hotel and motel taxes

IOWA'S BUDGET PROCESS

The Governor and the General Assembly allocate State resources and set revenue collection levels through the budgeting process.



The process begins in June of each year for the fiscal year that starts 12 months later on July 1.

State agencies prepare budget requests within the guidelines set by the Governor and submit their requests by October 1.

Statute permits agencies to use a “75% modified based budget” method in determining the future fiscal year budget. In this method, 75.0% of the prior year budget is assumed to be recommended and decision packages to reinstate the remaining 25.0% are submitted to the Department of Management. For FY 2007 through FY 2013, this statute has been notwithstanding and agencies are required to submit estimates of their expenditure requirements, including every proposed expenditure. The estimates are to be accompanied by performance measures for evaluating the effectiveness of the program or results.

The Revenue Estimating Conference (REC) meets before December 15 to set revenue estimates that will serve as a basis for the General Fund budget for the following fiscal year. House File 148 (Transfer Authority Act) allowed the REC to estimate revenues for an additional fiscal year to accommodate the biennial budget process.

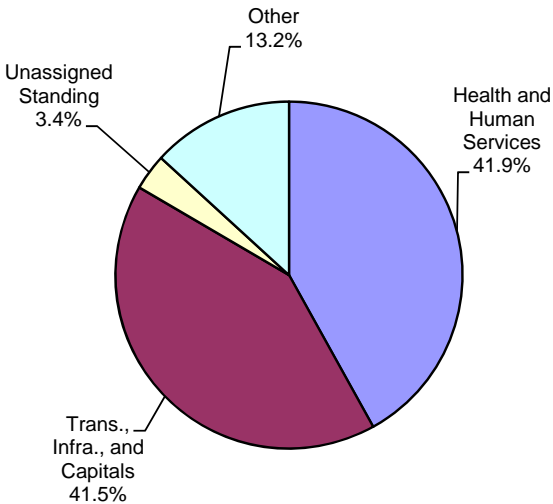
The Governor submits annual recommendations to the General Assembly in January.

By statute, the Governor’s budget must be balanced and must meet expenditure limitations.

The General Assembly conducts budget hearings during January and February. Recommendations from the seven joint budget subcommittees and the Oversight Committee are passed on to the full Appropriations Committees and to the floor for debate in each chamber.

The State Constitution permits the Governor line-item veto authority over appropriations bills.

**OTHER FUND APPROPRIATIONS
ESTIMATED FY 2012
(\$ in millions)**



	Est. FY 2012 Appropriations	Percent of Total
Administration and Regulation	\$ 52.8	4.5%
Ag. and Natural Resources	76.8	6.5
Economic Development	12.7	1.1
Education	-	0.0
Health and Human Services	493.2	41.9
Justice System	13.0	1.1
Trans., Infra., and Capitals	488.1	41.5
Unassigned Standing	39.6	3.4
Total	1,176.2	100.0%

- Sources of other fund appropriations include, but are not limited to: federal funds, the Road Use Tax Fund, the Primary Road Fund, the Tobacco Settlement Fund, and the Rebuild Iowa Infrastructure Fund.
- “Other” includes Administration and Regulation, Agriculture and Natural Resources, Economic Development, Education, and the Justice System.

SALARY ADJUSTMENT



Salary adjustment is an increase allocated to each State department's personnel services budget to provide funding for such things as Cost of Living Adjustments (COLA), changes in the cost of health insurance premiums, salary annualization, and merit step increases that will take place sometime during the upcoming fiscal year.

For FY 2012, no funds were appropriated from the General Fund to the Salary Adjustment Fund administered by the Department of Management. The estimated FY 2012 General Fund need was identified as \$98.7 million.

Salary annualization is the amount needed to pay for merit step increases that were not included in the prior year's salary adjustment. For example, if an employee received a merit step increase in March 2011, an amount sufficient to pay the merit step increase for three months during FY 2011 would have been included in the FY 2011 salary adjustment. Salary annualization would be included in the FY 2012 salary adjustment for the employee's merit step from July 2011 to March 2012 (nine months).

If all employees had review dates at the beginning of the fiscal year, there would be no salary annualization due to merit step increases. However, if this was the case, the cost of salary adjustment would increase proportionately.

**COLLECTIVE BARGAINING SETTLEMENTS
FY 2012 - FY 2013**

The values listed in the table below are the across-the-board adjustments specified by State employee collective bargaining contracts.

	July 1, 2011	Jan. 1, 2012	July 1, 2012	Jan. 1, 2013
AFSCME	2.00%	1.00%	2.00%	1.00%
JUD. AFSCME	2.00%	1.00%	2.00%	1.00%
IUP	2.00%	1.00%	2.00%	1.00%
SPOC	2.00%	1.00%	2.00%	1.00%
UFI	2.25%	1.25%	2.25%	1.25%
PPME	2.00%	1.00%	2.00%	1.00%
COGS	2.00%	0.00%	2.50%	0.00%
SEIU	3.00%	0.00%	3.00%	0.00%

Note:

All contracts are effective July 1, 2011, and allow for merit step increases for employees granted merit steps for both FY 2012 and FY 2013.

AFSCME = American Federation of State, County, and Municipal Employees

IUP = Iowa United Professionals

SPOC = State Police Officers Council

UFI = United Faculty of Northern Iowa

PPME = Public Professional and Maintenance Employees

COGS = Campaign to Organize Graduate Students

SEIU = Service Employees International Union/Tertiary Health Care Unit, University of Iowa

INFRASTRUCTURE FUNDING

Appropriations from infrastructure revenue sources include funding for new construction projects, vertical infrastructure projects, major and routine facility maintenance, environmental projects, and technology projects, as well as debt service on certain bonds. The 2011 General Assembly made appropriations for infrastructure-related projects from the following funding sources:

- Rebuild Iowa Infrastructure Fund (RIIF)
- Technology Reinvestment Fund (TRF)
- Revenue Bonds Capitals Fund (RBC)
- Revenue Bonds Capitals II Fund (RBC2)

Primary Infrastructure funding sources are the RIIF, the TRF, and the funds from bond proceeds such as the RBC and RBC2. For FY 2012, the RIIF is estimated to have \$166.9 million in total resources, including the balance forward from FY 2011. Although a total of \$166.1 million is appropriated from the RIIF for FY 2012, \$62.5 million of that was from current law appropriations that were previously enacted in Session Law or Code. In addition, for FY 2012 the TRF is funded from the RIIF at \$15.5 million. That appropriation is not included in the following table in order to avoid double counting those projects. Therefore, the 2011 General Assembly appropriated \$88.1 million from the RIIF in H.F. 648 (FY 2012 Infrastructure Appropriations Bill).

The 2006 General Assembly created the TRF with the purpose of funding technology improvements for State government and provided a standing appropriation from the General Fund of \$17.5 million. For FY 2009 through FY 2012, the funding source for the TRF was shifted to the RIIF. For FY 2012, that appropriation was reduced to \$15.5 million. The TRF is slated to return to the General Fund in FY 2013.

INFRASTRUCTURE FUNDING (Continued)

Another fund that typically received appropriations from the General Fund, but for FY 2009 through FY 2012 was shifted to the RIIF, is the Grow Iowa Values Fund. For FY 2012, the funding for the Grow Iowa Values Fund is reduced to \$15.0 million. The Grow Iowa Valued Fund will sunset at the end of FY 2012.

**INFRASTRUCTURE APPROPRIATIONS in H. F. 648
(\$ in millions)**

<u>Fund</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2014</u>
RIIF	\$ 88.1	\$ 66.7	\$ 67.5	\$ 28.6
TRF	15.5	7.2	6.8	1.9
RBC	4.9	0.0	0.0	0.0
RBC2	4.0	0.0	0.0	0.0
	<u>\$ 112.5</u>	<u>\$ 73.9</u>	<u>\$ 74.3</u>	<u>\$ 30.5</u>

Appropriations that were previously enacted and were current law appropriations in Session Law or Code before the 2011 Legislative Session are not included in these totals.

ENVIRONMENT FIRST FUND

The Environment First Fund was created by the 2000 General Assembly to provide funding for the protection, conservation, enhancement, or improvement of natural resources or the environment.



The Environment First Fund receives an annual appropriation from the Rebuild Iowa Infrastructure Fund. The appropriation for FY 2012 is \$33.0 million and the Agriculture and Natural Resources Appropriations Subcommittee appropriated the fund. The Transportation and Infrastructure Appropriations Subcommittee appropriated \$35.0 million for FY 2013 and \$42.0 million for FY 2014.

For FY 2012, \$12.4 million was appropriated to the Department of Agriculture and Land Stewardship for conservation programs. Funding for the Soil Conservation Cost Share Program was \$6.3 million, which is an increase of \$5.3 million compared to FY 2011. The Department of Natural Resources was appropriated \$20.6 million for environmental programs. This included a \$12.0 million appropriation for the Resource Enhancement and Protection (REAP) Fund, which was a decrease of \$3.0 million compared to estimated FY 2011.

For FY 2013, \$10.5 million was appropriated to the Environment First Fund as appropriations were reduced by 50.0%. The one exception was there was no appropriation to REAP for FY 2013, as there is a General Fund Standing appropriation of \$20.0 million for REAP in Code Section 455A.18.

ENVIRONMENT FIRST FUND (Continued)
(\$ in thousands)

Resources	FY 2012	FY 2013
Rebuild Iowa Infrastructure Fund	\$ 33,000.0	\$ 35,000.0
Expenditures		
Department of Agriculture		
Conservation Reserve Enhancement Program	\$ 1,000.0	\$ 500.0
Watershed Protection Fund	900.0	450.0
Farm Management Demonstration	625.0	312.5
Soil Conservation Cost Share	6,300.0	3,150.0
Conservation Reserve Program	1,000.0	500.0
Soil and Water Conservation Fund	2,000.0	1,000.0
Local Food and Farm	75.0	37.5
Iowa FFA Foundation	25.0	12.5
Loess Hills Development Authority	475.0	237.50
Total Department of Agriculture	\$ 12,400.0	\$ 6,200.0
Department of Natural Resources (DNR)		
REAP*	\$ 12,000.0	\$ 0.0
Volunteers and Keepers of the Land	100.0	50.0
Park Operations & Maintenance	3,210.0	1,605.0
GIS Information for Watershed	195.0	97.5
Water Quality Monitoring	2,955.0	1,477.5
Water Quality Protection Fund	500.0	250.0
Air Quality Monitoring	425.0	212.5
Animal Feeding Operations	420.0	210.0
Water Quantity Program	495.0	247.5
Geological Water Survey	200.0	100.0
Forestry Management Health	100.0	50.0
Total DNR	\$ 20,600.0	\$ 4,300.0
Total Expenditures	\$ 33,000.0	\$ 10,500.0

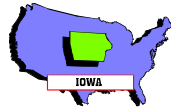
REAP = Resource Enhancement and Protection Fund

*No funding was appropriated for REAP for FY 2013. There is a General Fund standing appropriation of \$20.0 for REAP in Code Section, 455A.18.

House File 648 Infrastructure Appropriations Act, appropriated \$35.0 million to the EFF for FY 2013.

TOBACCO SETTLEMENT

On November 20, 1998, 46 states approved a settlement agreement with the four major tobacco industry manufacturers comprising 99.4% of the United States cigarette market. The manufacturers agreed to a settlement valued at \$206.4 billion to be paid over 25 years to settle tobacco-related lawsuits filed by the states.



Iowa will receive approximately \$1.9 billion (0.87%) of the total funds allocated for distribution to the states. From FY 1998 through FY 2001, Iowa received \$144.4 million under the Master Settlement Agreement (MSA). Iowa securitized 78.0% of the payment stream in 2001 and the Tobacco Settlement Authority (TSA) restructured this debt in 2005. As a result, 78.0% of the payments are made to the trustee to pay the bond obligations. The remaining 22.0% is paid directly to the Endowment for Iowa's Health Account. For FY 2009, the balance in the Endowment for Iowa's Health Account (\$21.9 million), was transferred to the General Fund. Beginning in FY 2010 and continuing in succeeding years, after the tobacco payments are deposited into the Endowment, the balance will transfer to the Rebuild Iowa Infrastructure Fund (RIIF).

The following table summarizes the net (spendable) proceeds received or projected to be received by the State from tobacco securitizations since 2001.

	Tobacco Securitization Net Proceeds (\$ in millions)		
	Series 2001	Series 2005	Total
Net Proceeds			
Taxable Bonds	\$ 39.6	\$ 50.2	\$ 89.8
Tax-Exempt Bonds	540.0	100.5	640.5
Total	<u>\$ 579.6</u>	<u>\$ 150.7</u>	<u>\$ 730.3</u>

The taxable bond proceeds were deposited in the Endowment for Iowa's Health Account. The tax-exempt bond proceeds were deposited in a series of restricted capital funds that were used primarily to fund large capital projects.

STATUS OF TOBACCO FUNDS

The tax-exempt bond proceeds were deposited in the Restricted Capital Fund (RCF) from the 2001 securitization and in the Endowment for Iowa's Health Restricted Capitals Fund (RC2) from the 2005 restructuring. The funds have been used for a myriad of infrastructure projects around the State over several fiscal years. The bond proceeds and any interest earned needed to be spent within six and five years of the bond issuances for the RCF and the RC2, respectively.

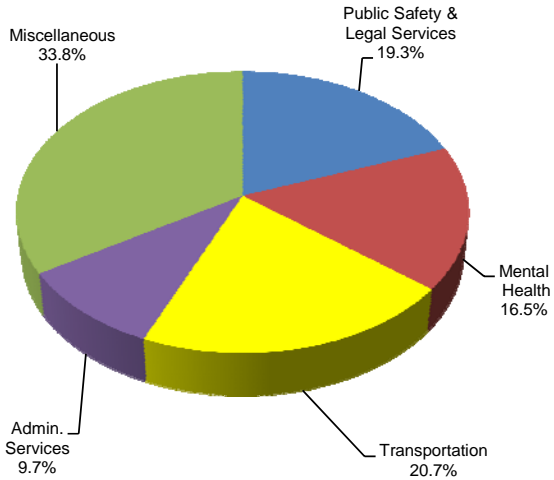
Restricted Capital Fund (RCF) and Endowment for Iowa's Health Restricted Capitals Fund (RC2)

The 2009 General Assembly appropriated the remaining amounts from the RCF and the RC2 in an attempt to take the balances to zero. In order to ensure that the funds would be expended within the timeframe of the tax certificate to comply with the federal Internal Revenue Code, the 2009 General Assembly provided for the transfer of any remaining unencumbered and unobligated balances in the RCF and RC2 to transfer to the Department of Administrative Services (DAS) for major maintenance. The DAS is required to report to the Legislative Services Agency and the Department of Management the amount transferred and how the funds are spent.

Status of Endowment for Iowa's Health Account (Endowment)

With the 22.0% unsecuritized tobacco payments remaining available, the 2009 General Assembly transferred the balance of the Endowment for Iowa's Health Account and the Healthy Iowans Tobacco Trust to the General Fund before the close of FY 2009. Then, the 2009 General Assembly provided that beginning in FY 2010, and continuing in succeeding years, after the tobacco payments are deposited in the Endowment, the balance will transfer to the RIIF. For FY 2012, that amount is estimated to be \$15.9 million.

BUDGETED COUNTY EXPENDITURES



Budgeted County Expenditures	Estimated FY 2011
Public Safety and Legal Services	\$ 432.8
Mental Health	369.5
Transportation	464.6
Administrative Services	218.9
Miscellaneous	
State & Local Gov't. Services	70.2
Physical Health and Social Services	206.9
County Environment	147.7
Debt Service	79.4
Capital Projects	244.0
Other	11.5
Total	\$ 2,245.5

Note:

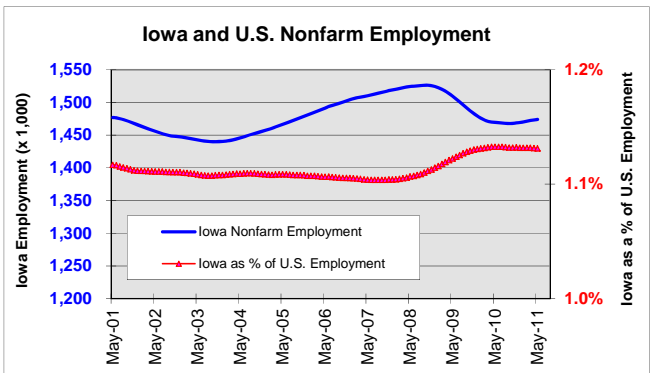
The FY 2011 ending fund balances for all counties is estimated to be \$496.2 million.

ECONOMIC SUMMARY

Iowa non-farm employment was reported at 1,500,000 for the month of May (not seasonally adjusted), 10,000 higher (0.7%) than May 2010.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900), a decline of 2.6%, peak to trough. The 12-month average peaked again in October 2008, 47,700 above the 2001 peak and 86,500 above the recession low. The current 12-month average reading is now 1,474,000 so annualized Iowa non-farm employment is 52,400 (- 3.6%) below the October 2008 peak.

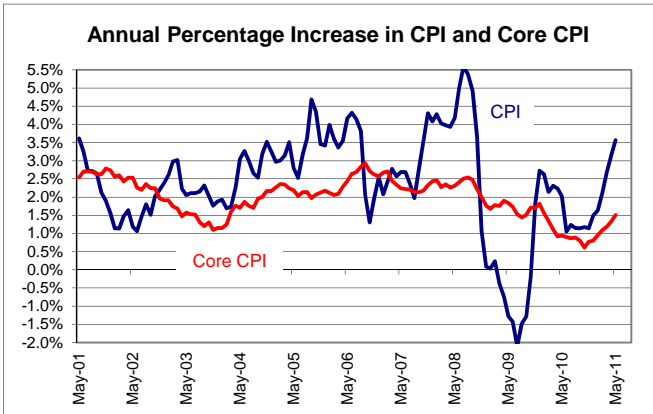
The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. non-farm employment expanding rapidly from February 2008 through October 2009 as the rate of economic decline nationally exceeded the rate of decline in Iowa.



ECONOMIC SUMMARY (Continued)

The Consumer Price Index (CPI-U) through June 2011 was 225.7 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. After posting negative readings for eight consecutive months of 2009, the annual rate now stands at 3.6%.

Core CPI, an inflation measure excluding food and energy expenditures, is reported at 1.5%, year-over-year, considerably below its long-term trend. The core inflation rate declined significantly from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession (December 2007), the annual core inflation rate has declined and has now been below 2.0% for 30 months. For the two components excluded from the core rate, energy prices are up 21.5% year-over-year while food prices are up 3.4%.



PAYING FOR PUBLIC EDUCATION

THE IOWA SCHOOL FOUNDATION FORMULA

The Iowa School Foundation Formula was created between 1970 and 1972, for the school year beginning July 1, 1972. This Formula is a student-driven financing mechanism that works to equalize revenues from State sources and property taxes. The Formula was revised in 1989 to equalize per pupil spending, provide an enrollment cushion (phantom students), increase property tax relief, and provide for increased local discretion. In 1992, further revisions to the Formula included eliminating advanced funding for increasing enrollment, eliminating the enrollment decline cushion (phantom students), and requiring the Governor and General Assembly to establish the allowable growth rate each year, which was previously established by a formula.



In the 1995 Legislative Session, the determination of allowable growth was changed again. The General Assembly is required to set allowable growth two years in advance and within 30 days of the submission of the Governor's budget. Through the years since then, many other law changes have occurred impacting the school foundation formula. A listing of those law changes is available at:

http://www.legis.iowa.gov/DOCS/LSAReports/k12Education/PublicSchlFunding_LawChanges_1971_to_Present.pdf

FY 2012 School Aid

The requirement to establish the FY 2012 allowable growth rate during the 2010 Legislative Session was notwithstanding with enactment of Senate File 2045 (Postponement of Regular School Aid Allowable Growth Rate Act). This Act postponed the establishment of the allowable growth rates until the 2011 Legislative Session. However, the 2011 General Assembly did not enact legislation establishing allowable growth rates for regular school aid or the state categorical supplements for FY 2012. The result of no enactment resulted in a 0.0% allowable growth rate for the per pupil funding amounts for regular school aid and the State categorical supplements.

**PAYING FOR PUBLIC EDUCATION
THE IOWA SCHOOL FOUNDATION FORMULA
(Continued)**

Other legislation that passed the General Assembly that impacted the FY 2012 school aid funding included:

- An additional State aid reduction of \$20.0 million to the Area Education Agencies. The reduction is in addition to the statutory reduction of \$7.5 million that occurs annually (S.F. 533 – FY 2012 and FY 2013 Standings Appropriations Bill).
- Reducing the preschool formula weighting from 0.6 to 0.5 beginning in FY 2012 (S.F. 533). The result of the weighting reduction is estimated to reduce preschool formula funding by \$11.6 million in FY 2012.

The following table provides an analysis of the estimated FY 2012 school aid funding compared to estimated FY 2011. State funding totals include:

- The State General Fund amount totals \$2.624 billion, an increase of approximately \$178.3 million (7.3%) compared to the State General Fund amount for estimated FY 2011. This includes \$2.250 billion for regular school aid, \$315.7 million for the State categorical supplements, and \$58.4 million for preschool formula funding.
- School aid property taxes are estimated to total \$1.314 billion, an increase of \$65.0 million (5.2%) compared to estimated FY 2011.
- The statewide combined district cost is estimated to total \$3.887 billion, an increase of \$5.4 million (0.1%) compared to estimated FY 2011.

**PAYING FOR PUBLIC EDUCATION
THE IOWA SCHOOL FOUNDATION FORMULA
(Continued)**

State School Aid Funding
Estimated FY 2011 and Estimated FY 2012
Note: Estimates Based on Senate File 533
(Dollars in millions)

	FY 2012 - 0%		
	FY 2011 - Final Action	Allowable Growth	Change from Est. FY 2011
Total Regular School Aid*	\$ 2,292.1	\$ 2,250.3	\$ -41.9
PTER Funding (Prop. Tax Relief)	\$ 25.4	\$ 6.7	
Total Regular School Aid Fund. - State Portion	\$ 2,317.5	\$ 2,257.0	\$ -60.5
State Aid Shortfall	\$ -156.1	\$ 0.0	\$ 156.1
State Aid Change for ARRA Funding	\$ -47.9	\$ 0.0	\$ 47.9
Underground Storage Tank (UST) Funding	\$ -5.1	\$ 0.0	\$ 5.1
PTER Funding	\$ -25.4	\$ -6.7	
Total Regular School Aid from General Fund	\$ 2,083.0	\$ 2,250.3	\$ 167.3
Teacher Salary Supplement	256.0	256.7	0.7
Professional Development Supplement	29.0	29.1	0.1
Early Intervention Supplement	29.8	29.9	0.1
Total State Categorical Supplement	\$ 314.9	\$ 315.7	\$ 0.9
Total School Aid from General Fund	\$ 2,397.9	\$ 2,566.0	\$ 168.2
Preschool Aid**	\$ 48.3	\$ 58.4	\$ 10.1
Total General Fund Amount For School Prog.	\$ 2,446.1	\$ 2,624.4	\$ 178.3
ARRA Education Stimulus	\$ 47.9	\$ 0.0	\$ -47.9
UST Funding	\$ 5.1	\$ 0.0	\$ -5.1
PTER Funding	\$ 25.4	\$ 6.7	\$ -18.7
State Aid Shortfall	\$ 156.1	\$ 0.0	\$ -156.1
Total School Aid Prior to Adjustments	\$ 2,680.6	\$ 2,631.1	\$ -49.5
Total Unadjusted Foundation Property Tax	\$ 1,298.9	\$ 1,345.2	
Property Tax Adjustment Aid (from GF)	\$ -24.0	\$ -24.0	
Property Tax Adjustment Aid (from PTER)	\$ -25.4	\$ -6.7	
Total Foundation Property Tax	\$ 1,249.5	\$ 1,314.5	\$ 65.0
Combined District Cost	\$ 3,881.8	\$ 3,887.2	\$ 5.4

**PAYING FOR PUBLIC EDUCATION
THE IOWA SCHOOL FOUNDATION FORMULA
(Continued)**

FY 2013 School Aid

The General Assembly established the FY 2013 allowable growth rates for regular school aid and the State categorical supplements at 2.0% in S.F. 533. Other legislation impacting FY 2013 school aid that passed the Legislature included:

- An additional State aid reduction of \$10.0 million to the Area Education Agencies for FY 2013. The reduction is in addition to the statutory reduction of \$7.5 million that occurs annually (S.F. 533) and is \$10.0 million less than the reduction in FY 2012.
- Increased age eligibility of students receiving competent private instruction. Age limitations were expanded and the language was retroactive to July 1, 2009. The estimated fiscal impact of this provision was approximately \$3.6 million in State aid (including the retroactive provision) and is included in the FY 2013 school aid estimate noted below (H.F. 645 – Education Appropriations Bill).

The following table provides an analysis of the estimated FY 2013 school aid funding compared to estimated FY 2012. State funding totals include:

- The State General Fund amount totals \$2.713 billion, an increase of approximately \$88.9 million (3.4%) compared to the State General Fund amount for estimated FY 2012. This includes \$2.327 billion for regular school aid, \$321.5 million for the State categorical supplements, and \$64.5 million for pre-school formula funding.
- School aid property taxes are estimated to total \$1.321 billion, an increase of \$6.9 million (0.5%) compared to estimated FY 2012.
- The statewide combined district cost is estimated to total \$3.977 billion, an increase of \$89.7 million (2.3%) compared to estimated FY 2012.

**PAYING FOR PUBLIC EDUCATION
THE IOWA SCHOOL FOUNDATION FORMULA
(Continued)**

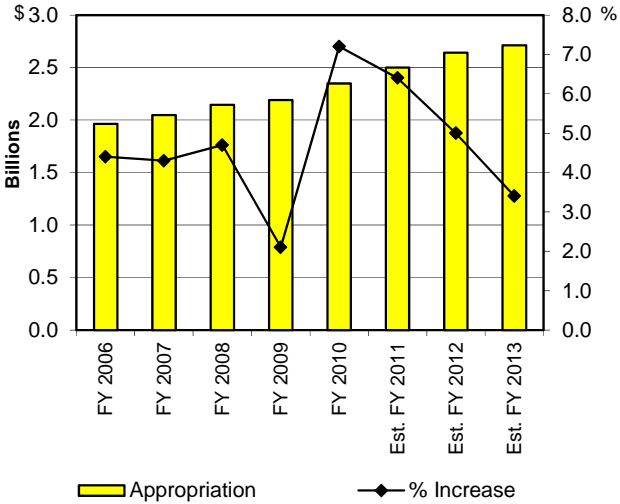
State School Aid Funding: Estimated FY 2013

Note: Estimates Based on Senate File 533

(Dollars in millions)

	FY 2013	
	FY 2013 - 2% Allowable Growth	Change from Est. FY 2012
Total Regular School Aid*	\$ 2,327.3	\$ 77.0
PTER Funding (Prop. Tax Relief)	\$ 6.7	\$ 77.0
Total Regular School Aid Fund. - State Portion	\$ 2,334.0	\$ 77.0
Adjustment for PTER Funding	\$ -6.7	
Total Regular School Aid from General Fund	\$ 2,327.3	\$ 77.0
Teacher Salary Supplement	261.4	4.7
Professional Development Supplement	29.7	0.5
Early Intervention Supplement	30.5	0.6
Total State Categorical Supplement	\$ 321.5	\$ 5.8
Total School Aid from General Fund	\$ 2,648.8	\$ 82.8
Preschool Aid**	\$ 64.5	\$ 6.1
Total General Fund Amount For School Prog.	\$ 2,713.3	\$ 88.9
PTER Funding	\$ 6.7	\$ 0.0
Total School Aid (GF and PTER)	\$ 2,720.0	\$ 88.9
Total Unadjusted Foundation Property Tax	\$ 1,352.2	
Property Tax Adjustment Aid (from GF)	\$ -24.0	
Property Tax Adjustment Aid (from PTER)***	\$ -6.7	
Total Foundation Property Tax	<u>\$ 1,321.5</u>	<u>\$ 6.9</u>
Combined District Cost	<u>\$ 3,997.0</u>	<u>\$ 89.7</u>

K-12 STATE AID GENERAL FUND APPROPRIATIONS

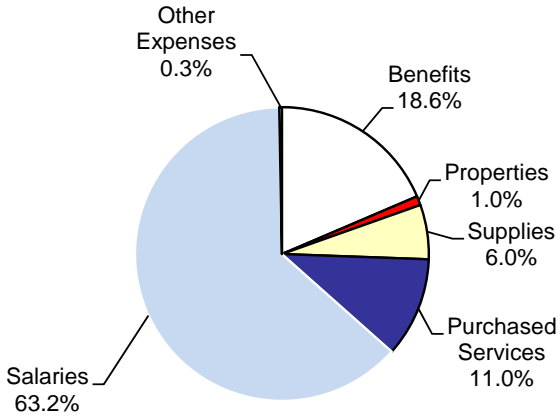


	(Dollars in millions)				
	Appropriations		Change		
FY 2008	\$	2,145.6	\$	97.3	4.7%
FY 2009		2,191.0		45.4	2.1%
FY 2010		2,349.0		157.9	7.2%
Est. FY 2011		2,499.2		150.2	6.4%
Est. FY 2012		2,642.2		125.0	5.0%
Est. FY 2013		2,713.3		89.1	3.4%

Notes:

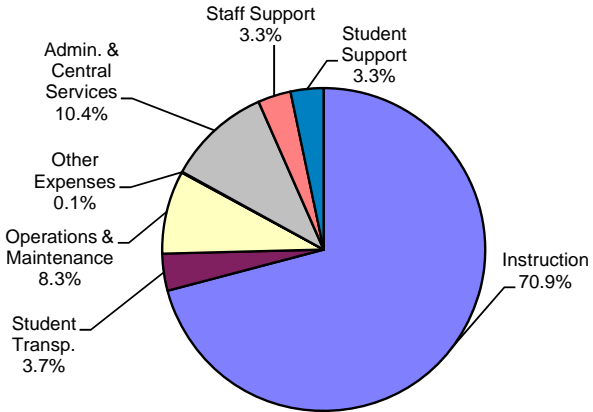
- 1) FY 2009 - FY 2011 includes Preschool Foundation Aid.
- 2) FY 2009 includes a 1.5% across-the-board State aid adjustment that resulted in a reduction of \$33.4 million. The amount displayed also includes \$40.0 million from the American Recovery and Reinvestment Act (ARRA) Education Stimulus funding.
- 3) FY 2010 is based on a capped appropriation amount and adjusted for a 10.0% across-the-board reduction. Beginning in FY 2010, the State categorical supplements are funded through the school aid formula (\$309.0 million) and are included in the total appropriation amount. Additionally, the total includes \$202.5 million from the ARRA Education Stimulus funding.
- 4) FY 2011 on a capped appropriation amount. Additionally, a total of \$47.9 million of ARRA funding and \$5.1 million of Underground Storage Tank (UST) funds were used in lieu of State General Fund dollars.

**GENERAL OPERATING EXPENDITURES
K-12 BY EXPENDITURE CLASS FOR
IOWA SCHOOL YEAR 2009 – 2010**



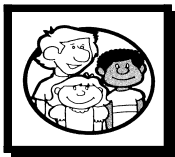
*Does not include Area Education Agencies (AEAs)

**GENERAL OPERATING EXPENDITURES K-12
BY FUNCTION FOR IOWA SCHOOL YEAR
2009 – 2010**



*Does not include Area Education Agencies (AEA)

HUMAN SERVICES PROGRAMS



The Department of Human Services is projected to spend more than \$4.0 billion for all programs, including Medical Assistance, the Family Investment Program, and the Food Stamp Program during FY 2012 (all funding sources). Federal and other nongeneral funds are projected to account for approximately 70.0% of these expenditures. The Medical Assistance Program is projected to serve an average of 399,842 individuals per month during FY 2012. The Family Investment Program is projected to serve an average of 17,505 households each month. The Food Stamp Program is projected to serve an average of 394,363 persons each month during FY 2012.

The Family Investment Program (FIP) provides direct cash grant assistance to needy families when the children are deprived of parental care or support due to absence, death, incapacity, or unemployment of one or both parents. In FY 1997, the federal government began to block grant \$131.5 million to Iowa annually from the Temporary Assistance for Needy Families (TANF) Block Grant. Revenues from child support recoveries also finance the Program. The Program was created in FY 1994 as part of a welfare reform effort that changed the structure and benefits of the previous Aid to Families with Dependent Children (AFDC) to reduce economic disincentives to employment.

The Supplemental Nutrition Assistance Program (SNAP) is a federally funded program administered by the U.S. Department of Agriculture with the goal of preventing hunger and malnutrition. Recipients of the FIP Program are automatically eligible for food stamps. Individuals or families may also qualify for food stamps without receiving FIP benefits.

HUMAN SERVICES PROGRAMS (Continued)

The Child Support Recovery Unit is responsible for collecting child support for families receiving FIP benefits and other families requesting assistance. Other activities include establishing paternity and child and medical support orders, locating absent parents, and reviewing and adjusting support orders upon the request of either parent.

The Medical Assistance Program pays for low-income aged, blind, and disabled citizens, residents of institutions, and other low-income Iowans that meet certain criteria. Federal law requires coverage of specified services and eligibility groups. In addition, the State of Iowa is currently covering most of the optional services and eligibility groups for which federal matching funds are available.

The State Children's Health Insurance Program began in FY 1999, including an expansion of medical assistance eligibility for children of families with incomes up to 133.0% of the federal poverty level and coverage up to 300.0% of the federal poverty level in the Healthy and Well Kids in Iowa (hawk-i) using private insurance coverage.

The Foster Care Program provides 24-hour temporary care for children unable to remain in their own homes, while offering services to families and children to implement plans for permanent placement.

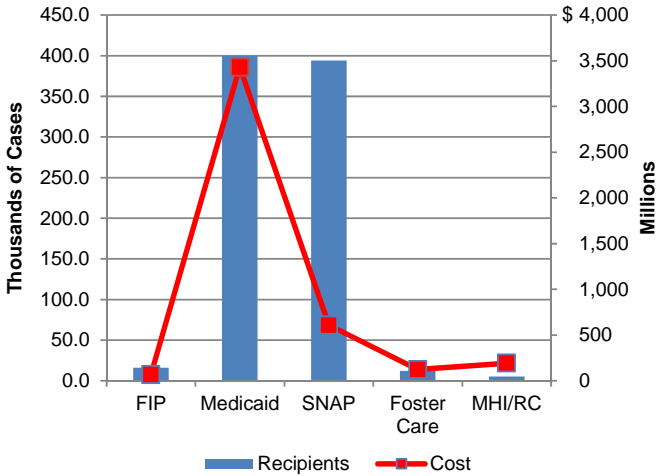
The four mental health institutes, located in Cherokee, Independence, Clarinda, and Mount Pleasant, provide critical access to quality acute psychiatric care for Iowa's adults and children needing mental health treatment, and provide specialized mental health related services. The specialized services include substance abuse treatment, dual diagnosis treatment for persons with mental illness and substance addiction, psychiatric medical institute for children (PMIC), and long-term psychiatric care for the elderly (gero-psychiatric). The institutes also provide limited outpatient services. Two of the institutes, Clarinda and Mount Pleasant, share campuses and select support resources with adult correctional facilities operated by the Department of Corrections.

**HUMAN SERVICES
PROGRAMS (Continued)**

The two resource centers, located in Glenwood and Woodward, provide a variety of treatment and outreach services to individuals with mental retardation or other developmental disabilities. The facilities assist residents to reach their individual goals so they can live in the least restrictive environment of their choice.

The Civil Commitment Unit for Sexual Offenders (CCUSO) provides a secure, long-term, and highly structured environment for the treatment of sexually violent predators. Patients who have served their prison terms but in a separate civil trial have been found likely to commit further violent sexual offenses. Established in 1999, CCUSO is located on the campus of the Cherokee Mental Health Institute.

HUMAN SERVICES MAJOR PROGRAM FUNDING



* Foster Care = Family Foster Care, Group Care, & Adoption Subsidy.

	Average Monthly Recipients Per Program	Total Program Cost
FIP (Households)	16,154	\$ 67,330,263
Medicaid	399,842	3,431,749,745
SNAP	394,363	607,848,136
Family Foster Care	2,278	22,993,762
Group Care	986	33,240,169
Adoption Subsidy	8,936	66,696,522
MHI/RC	654	191,686,089

FIP = Family Investment Program

MHI/RC = Mental Health Institutes/Resource Centers

SNAP = Supplemental Nutrition Assistance Program

**CHILDREN'S HEALTH INSURANCE
(CHIP) PROGRAM**

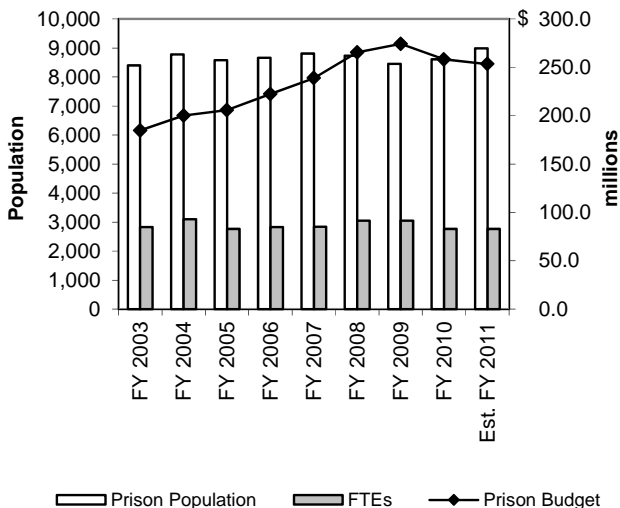
Congress enacted the Children's Health Insurance Program, with federal funds available on October 1, 1997, to provide insurance for children in families with incomes up to 200.0% of the Federal Poverty Level (FPL). In February of 2009, the President signed an extension of the Program and increased coverage to children in families with incomes up to 300.0% of the FPL. The extension also included an option for dental only coverage for children in families up to 300.0% who already have health insurance.

The **hawk-i** Program was enacted in 1998, establishing a private insurance program for children in families with incomes between 133.0% and 185.0% of the FPL. The Program was expanded to 200.0% in 2003. Senate File 389 (FY 2010 Health Care Reform II Bill) expanded coverage to children up to 300.0% of the FPL with a dental only option for children that currently have insurance.

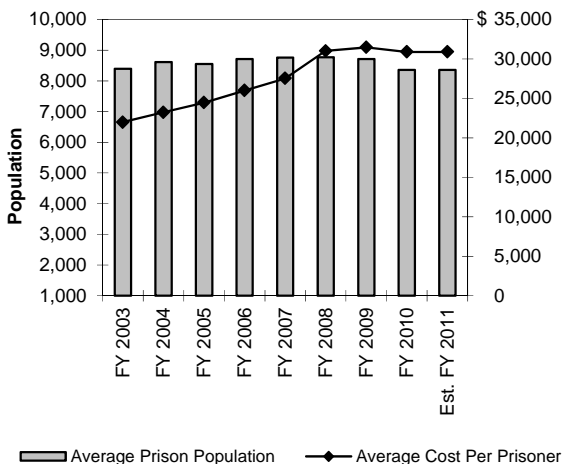
House File 649 (FY 2012 Health and Human Services Appropriations Bill) appropriated \$32.8 million to fully fund the **hawk-i** Program for FY 2012.

The US Census Bureau estimates that there are currently 711,600 children in the State. As of February 2010, 51,482 children were enrolled in the **hawk-i** Program and 220,229 children were enrolled in the Medicaid Program.

YEAR-END PRISON POPULATION, STAFFING, AND BUDGET



AVERAGE PRISON POPULATION AND AVERAGE ANNUAL COST PER PRISONER



IOWA'S TRANSPORTATION FUNDS

The Road Use Tax Fund is comprised of revenue sources that include taxes on fuels and fees collected from vehicle registrations. Prior to FY 2009, a use tax was collected on motor vehicle purchases and related equipment, and was also deposited in the Road Use Tax Fund.



Except for administrative costs, all vehicle registration fees and motor vehicle fuel taxes are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of the State's public highways (Section 8, Article VII, Constitution of the State of Iowa). The use tax on motor vehicles and equipment, however, was exempt from the constitutional mandate.

Senate File 2420 (TIME-21 Transportation Funding Act), enacted during the 2008 Legislative Session, replaced the motor vehicle use tax with a Fee for New Registration for the purpose of constitutionally protecting the revenues to be spent for road-related purposes.

A portion of the Road Use Tax Fund revenues is appropriated either through standing appropriations established in the Iowa Code or through the annual appropriations process. These expenditures are referred to as "off-the-top" allocations, and are used to fund programs, equipment purchases, and department operations. After the off-the-top allocations are funded, the remaining revenues are distributed based on formulas to the Primary, Secondary, Farm-to-Market, and Street Construction Funds. The formulas remain unchanged under S.F. 2420; however, certain provisions of the Act affected the funding structure of the Road Use Tax Fund beginning in FY 2009.

IOWA'S TRANSPORTATION FUNDS (Continued)

The following table shows estimated Road Use Tax Fund revenues, allocations, and distributions for FY 2011 through FY 2013 based on the Department of Transportation's (DOT) five-year forecast.

ROAD USE TAX FUND PROJECTED RECEIPTS, ALLOCATIONS, AND DISTRIBUTIONS FY 2011 – FY 2013 (\$ in millions)

	Estimated FY 2011	Estimated FY 2012	Estimated FY 2013
Receipts			
Motor Vehicle Registration Fees*	\$ 465.4	\$ 494.5	\$ 509.5
Transfer to TIME-21 Fund**	-36.3	-102.5	-117.5
Net Motor Vehicle Registration Fees	429.1	392.0	392.0
Motor Vehicle Fuel Tax	\$ 429.1	\$ 437.9	\$ 456.9
Fee for New Registration	243.6	251.1	253.6
Interest	4.2	5.2	6.2
Underground Storage Tank Fees	20.7	21.0	21.6
Other***	16.6	15.2	16.8
Transfer from Statutory Allocations Fund	21.8	18.0	14.7
Total Receipts	\$ 1,165.1	\$ 1,140.5	\$ 1,161.9
Total Allocations	\$ 161.4	\$ 163.1	\$ 166.1
Total Available for Distribution	\$ 1,003.7	\$ 977.4	\$ 995.7
Distribution			
Primary Road Fund (47.5%)	\$ 476.8	\$ 464.3	\$ 473.0
Secondary Road Fund (24.5%)	245.9	239.5	244.0
Farm-To-Market Road Fund (8.0%)	80.3	78.2	79.7
Street Construction Fund (20.0%)	200.7	195.5	199.1
Total Formula Allocation	\$ 1,003.7	\$ 977.4	\$ 995.7

NOTE: Numbers may not equal totals due to rounding.

* Includes motor carrier fees & prorate.

**Before and including FY 2011, revenue estimates were based on when revenues were distributed to the DOT (one month later than collected). Therefore, the amount shown transferring to TIME-21 in FY 2011 reflects July 2010 through May 2011. Beginning in FY 2012 and continuing, the estimates are based solely on the months revenues are collected (July through June) so the exact amount above \$392.0 million in registration fees is shown transferring to TIME-21. This change in accounting for the purposes of forecasting is the reason for the appearance of a reduction in total receipts for FY 2012 for the Road Use Tax Fund and an increase for TIME-21.

*** Includes miscellaneous licenses, permits, and fees and adjustments.

**IOWA'S TRANSPORTATION FUNDS
(Continued)**

Transfer of Jurisdiction Fund

Beginning in FY 2004, the jurisdiction and control of approximately 700 miles of primary (State) roads, classified as Local Service Roads, were transferred to cities and counties. As a result, 1.75% of Primary Road Fund monies are transferred annually to a Transfer of Jurisdiction Fund. The allocation, effective until the end of FY 2013, is distributed to cities and counties by formula. The Transfer of Jurisdiction Fund sunsets on June 30, 2013. After that, the 1.75% off of the Primary Road Fund is distributed as follow: 90.0% to the counties' Secondary Road Fund and 10.0% to the cities' Street Construction Fund.

The following table shows estimated Jurisdiction Fund revenues and distributions for FY 2011 – FY 2013, based on the DOT's five-year forecast.

**TRANSFER OF JURISDICTION FUND
PROJECTED RECEIPTS AND DISTRIBUTION
FY 2011 - FY 2013
(\$ in millions)**

	Estimated FY 2011	Estimated FY 2012	Estimated FY 2013
Total Receipts*	<u>\$ 8.3</u>	<u>\$ 8.1</u>	<u>\$ 8.3</u>
Distribution			
Cities and counties that assumed jurisdiction of primary roads (75.0%)			
Secondary Road Fund (90.0%)	\$ 5.6	\$ 5.5	\$ 5.6
Street Construction Fund - (10.0%)	0.7	0.6	0.6
Secondary Road Fund - all counties (22.5%)	1.9	1.8	1.9
Street Construction Fund - all cities (2.5%)	0.2	0.2	0.2
Total Distribution	<u>\$ 8.3</u>	<u>\$ 8.1</u>	<u>\$ 8.3</u>

NOTE: Numbers may not equal totals due to rounding.
* 1.75% of Primary Road Fund

IOWA'S TRANSPORTATION FUNDS (Continued)

The Statutory Allocations Fund includes items that were funded from the motor vehicle use tax prior to its repeal in FY 2009. The following table shows estimated Statutory Allocations Fund revenues and distributions for FY 2011 – FY 2013, based on the DOT's five-year forecast.

STATUTORY ALLOCATIONS FUND PROJECTED RECEIPTS AND DISTRIBUTION FY 2011 - FY 2013 (\$ in millions)

	Estimated FY 2011	Estimated FY 2012	Estimated FY 2013
Receipts			
Driver's License Fees	\$ 11.8	\$ 7.7	\$ 12.5
Trailer Registration Fees	7.7	7.9	8.0
Trailer Fee for New Registration	11.1	11.4	11.5
Title/Salvage Title Fees and Surcharges	11.9	12.1	12.3
Use Tax*	1.3	1.3	1.3
Car Rental Tax	2.8	2.9	2.9
IA Apport Commercial Truck Title Fee	0.7	0.8	0.8
Total Receipts	\$ 47.3	\$ 44.1	\$ 49.3
Distribution			
Underground Storage Tank Fund**	\$ 17.0	\$ 14.0	\$ 14.0
Renewable Fuel Infrastructure Fund**	0.0	3.0	3.0
Public Transit Assistance	10.2	10.5	10.7
Motorcycle Rider Education Fund	0.6	0.4	0.6
Special Plate Funds	1.5	1.5	1.5
Total Distribution	\$ 29.3	\$ 29.4	\$ 29.8
Balance to Road Use Tax Fund***	18.0	14.7	19.5

NOTE: Numbers may not equal totals due to rounding.

* Includes the use tax on mobile homes and manufactured homes and on leased vehicles not subject to registration.

**The allocation to the Renewable Fuel Infrastructure Fund and the reduction to the Underground Storage Tank Fund became effective July 1, 2011, after the enactment of S.F. 531 (Biofuel Retail and Production Incentives Act) during the 2011 Legislative Session.

*** Due to accounting procedures, the balance of SAF transfers to RUTF in the next fiscal year.

**IOWA'S TRANSPORTATION FUNDS
(Continued)**

TIME - 21 FUND

The TIME-21 Fund includes revenues generated from a portion of motor vehicle and trailer registration fees, and title and salvage title fees. The revenues are allocated to the State, cities, and counties based on formula. The following table shows estimated TIME-21 Fund revenues and allocations for FY 2011 – FY 2013 based on the DOT's five-year forecast.

**TIME-21 FUND
PROJECTED RECEIPTS AND DISTRIBUTION
FY 2011 - FY 2013
(\$ in millions)**

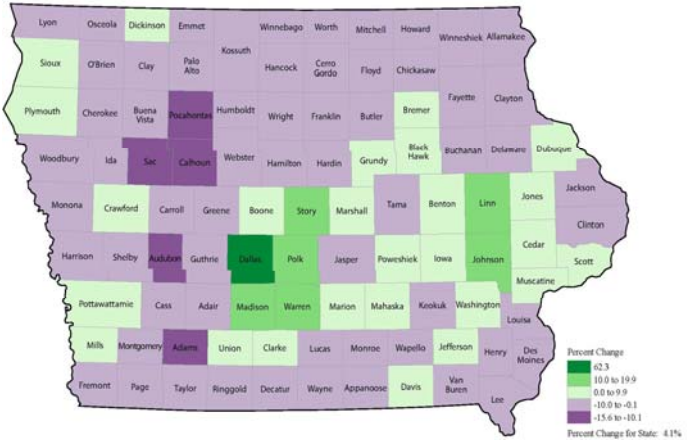
	Estimated FY 2011	Estimated FY 2012	Estimated FY 2013
Receipts			
Trailer Reg. Fee Increase	\$ 9.5	\$ 9.8	\$ 10.1
Title & Salvage Title Fee Increase	9.6	9.7	9.8
Motor Vehicle Registration Fees*	77.6	102.5	117.5
Total Receipts	<u>\$ 96.7</u>	<u>\$ 122.0</u>	<u>\$ 137.4</u>
Distribution			
Primary Road Fund (60.0%)	\$ 58.0	\$ 73.2	\$ 82.4
Secondary Road Fund (20.0%)	19.3	24.4	27.5
Street Construction Fund (20.0%)	19.3	24.4	27.5
Total Distribution	<u>\$ 96.7</u>	<u>\$ 122.0</u>	<u>\$ 137.4</u>

NOTE: Numbers may not equal totals due to rounding.

* Per Code Section 312.2, motor vehicle registration fees in excess of \$392.0 million transfer to the TIME-21 Fund. In FY 2011, the amount transferred reflects the portion above \$392.0 million collected in FY 2011 through May 2011, in addition to the revenues collected in June 2010 (the end of FY 2010).

*Beginning in FY 2012, the amount reflected as transferring from the registration fees will be the amount exactly above \$392.0 million. This is due to the change in forecasting the revenues. Previously the forecast was based on the month distributed to the DOT (one month after collection), but going forward the forecast will be based on the month collected (July through June).

IOWA'S POPULATION CHANGE BY COUNTY 2000 - 2010

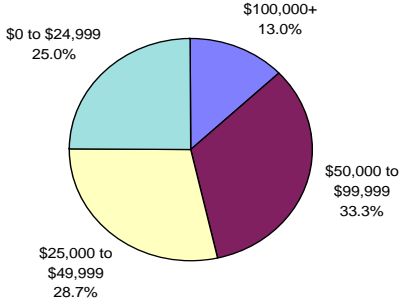


Source: U.S. Census Bureau, Census 2000 and 2010 Census Redistricting Data

- Iowa's population was estimated at 3,046,355 according to the 2010 census data.
- The State experienced a negative population growth rate between the years 1979 and 1988, while the national average growth rate was fairly constant at 1.0%.
- Iowa experienced a 4.1% growth in the population rate from 2000 to 2010, which was concentrated in and around metropolitan areas.
- Dallas County reported the greatest gains in population, increasing by 62.3% from 2000 to 2010. Pocahontas County experienced the largest decline, with a loss of 15.6% during the same period.
- Just under 50.0% of the State's population resides in ten counties in the State, which include Black Hawk, Dallas, Dubuque, Johnson, Linn, Polk, Pottawattamie, Scott, Story, and Woodbury.
- The most populous county in the State is Polk County, which reported a growth rate of 15.0% from 2000 to 2010.

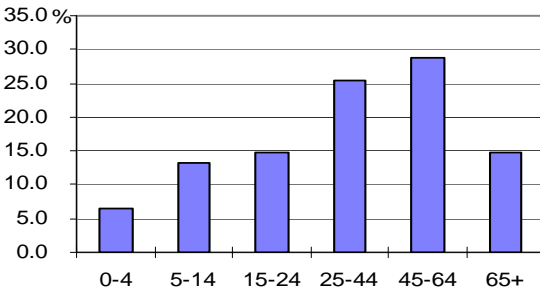
IOWA'S POPULATION

HOUSEHOLD INCOME



- The average Iowa household has 2.4 members.
- Median household income in 2009 was \$48,044.
- The median age of an Iowan is 37.9 compared to the national average of 36.9.

AGE DISTRIBUTION OF IOWANS



- The percentage of Iowans age 65 or older is 14.8% compared to the national average of 12.9%.
- In 2009, the marriage rate was 7.0 per 1,000 population.

IOWA'S POPULATION (Continued)

- In 2009, the divorce rate was 2.4 per 1,000 population.
- In 2009, the percentage of births to unmarried women was 35.1%.
- In 2009, the infant death rate per 1,000 live births was 4.5.
- It is estimated that 90.0% of Iowans are covered by health insurance, ranking third in the nation.
- In 2009, 86.1% of Iowa's population age 25 and older reported graduating high school or higher.
 - The percentage of Iowans age 25 and older with a bachelor's degree is 21.2% compared to the national average of 24.4%.
 - Iowa's high school dropout rate was 3.2% compared to the national average of 8.0%.
- In 2009, Iowa had 5,539 total crimes per 100,000 population. This is a decrease of 3.1%.
- Iowa had 287 state prisoners per 100,000 population, ranking 40th nationally.
 - Men are 78.2% of the Iowa inmate population.
 - 75.0% of the Iowa inmate population is white, 16.7% is African-American, 5.3% is Hispanic, 1.3% is American Indian or Alaska Native, 0.9% is Asian, and 0.8% is unknown,
 - In 2009, 48.0% of the Iowa inmate population was under 31 years of age, 42.2% were age 31-50, and 9.8% were over the age of 50.
- Iowa has a nonfarm labor force of 1.4 million persons. Women comprise 46.8% of the work force.
- Iowa ranks 15th highest in the nation for home ownership with 72.1% owner-occupied homes.

IOWA'S POPULATION (Continued)

2010 NONFARM EMPLOYMENT

Construction	3.6%
Education and Health	15.0%
Financial	7.0%
Government	16.7%
Information	2.0%
Leisure and Hospitality	8.5%
Manufacturing	13.7%
Natural Resources and Mining	0.1%
Other Services	3.9%
Professional and Business Serv.	8.1%
Trade, Transportation, and Utilities	20.3%
Other Services	1.1%
	<hr/> 100.0%