



BILL SUMMARY

HF 45 FY 2011 Budget Deappropriations

Status of Bill: House Floor
Committee: Appropriations
Lead Democrat: Reps. Tyler Olson
Floor Manager: Rep. Nick Wagner
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Overview

HF 45 is a deappropriation and supplemental appropriation bill for FY 2011 and repeals a number of standing appropriations for FY 2012 and FY 2013. In total, the bill reduces state funding, from all sources, by \$504 million. The bill is projected to reduce the FY 2011 general fund budget by \$6.5 million and reduce funding from other funds by \$43.4 million. The FY 2012 reduction is \$171.7 million to the general fund and \$57 million to other funds. The FY 2013 reduction is \$175.9 million to the general fund and \$50.4 million to other funds.

Some of the major programs being repealed are the voluntary preschool program, the grow Iowa values fund, smoking cessation programs, passenger rail, sustainable communities (which is the IJOBS disaster prevention grants), and the save our small business fund. The bill also imposes a \$50 monthly fee on state employee health insurance premiums.

The bill makes a number of changes to Iowa's budgeting laws. It creates a new Tax Relief Fund to receive one-time excess funds from the state reserve funds once they are full. The fiscal year 2012 estimate is \$327.4 million. These funds are then to be used to provide tax relief as determined by the General Assembly. The bill also has the Revenue Estimating Conference establish a revenue estimate for FY 2013 at its February or March 2011 meeting.

The House will hold a public hearing on Tuesday, January 18 at 6:30pm in the House Chamber. The public can also submit their comments online at www.iowahouse.org/savepreschool.

Summary

Division I - Tax Relief Fund

This division creates a new Tax Relief Fund to receive one-time excess funds from the Economic Emergency Fund, once the state reserve funds are full. The LSA estimate for FY 2012 is \$327.4 million that would flow into this fund. The fund is separate from the general fund and the balance of the fund is not considered part of the balance of the general fund of the state. The fund is not subject to reversions and the funds are not to be transferred, used, obligated, appropriated, or otherwise encumbered except as provided. These funds are to be used to reduce taxes as determined by the General Assembly. The moneys in this fund may be used for cash flow purposes during a fiscal year, provided the moneys are returned to the fund by the end of the fiscal year. The fund is considered a special account for determining the cash position of the state general fund for payment of state obligations. The interest earned by moneys in the fund remains in the fund. The fund is not to be included in the application of any formula, index, or other statutory triggering mechanism that would affect appropriations, payments, or taxation rates. The fund also cannot be considered by an arbitrator or in negotiations under Chapter 20.

The bill establishes legislative intent for the General Assembly to enact appropriations from the tax relief fund as proposed by the Standing Committees on Ways and Means of the Senate and House of Representatives.

This division of the bill is effective upon enactment. The transfers from the Economic Emergency Fund to the Tax Relief Fund after the effective date are to adjust the state general expenditure limitation for FY 2012 is required to be adjusted accordingly.

Division II - Uniform Provisions

Group Health Insurance Premium Costs for State Employees - Requires the Executive and Judicial branches responsible for negotiating collective bargaining agreements to renegotiate provisions of the contract involving health insurance coverage to establish an employee premium for health insurance coverage at a minimum of \$100 per month. If the contracts are renegotiated, the \$100 minimum for health insurance premiums would also apply to all state employees not covered by a collective bargaining agreement. State Legislators and employees of the Legislative branch would also pay a minimum of \$100 per month as determined by the Legislative Council beginning on the effective date, or March 1, 2011, whichever is earlier.

The bill also codifies language to mandate future collective bargaining agreements to require state employees to pay a minimum of \$100 per month for group health insurance premiums. This provision includes noncontract employees as well. This provision is effective for collective bargaining agreements entered into on or after the effective date (which is upon enactment). This provision is estimated to save a maximum \$124,800 from the general fund in FY 2011; \$28.8 million in the general fund and \$46.8 million in other funds in FY 2012; and \$28.8 million in the general fund and \$46.8 in other funds in FY 2013.

Office Supplies/Out of State Travel - Reduces expenditures for office supplies, outside services, equipment purchases, information technology, printing and binding, and marketing by 50% of the unencumbered appropriation. This provision does not apply to information technology expenditures previously approved for Iowa Public Television. The bill also prohibits out of state travel by department employees funded by the general fund, unless a waiver is approved by the Executive Council. The Appropriation Committees of the House and Senate are required to recommend legislation directing the establishment of a statewide master marketing contract. This is estimated to save \$20.8 million in FY 2011 and \$9.6 million in other funds through the 50% reduction specified.

The bill continues the exemption on out-of-state travel for the State Universities, but the limitation applies to the Board of Regents Office. The bill also requires the Department of Management to attribute the expenditure reductions proposed by this provision within 30 days of its enactment date and submit a report to the General Assembly and the Legislative Services Agency itemizing the expenditure and appropriation reductions applied.

State Records Storage – State agencies that have state records stored in locations within flood plains are required to find storage space for the records that is not located in a flood plain, within six months of the effective date of this act.

Revenue Estimating Conference - Requires the REC to establish a revenue estimate for FY 2013 at its meeting in February or March of 2011. (This is intended to aid in the approval of a two-year budget, but the requisite budget law changes for a two-year budget process are not included.)

Unauthorized Aliens - Denies any state benefits to illegal aliens unless already covered by federal law.

Government Lobbyist – Amends the laws pertaining to lobbying activities by state agencies to include a prohibition on the employment of a person through the use of public funds for lobbyist activities.

All of the provisions in Division II are effective upon enactment.

Division III - Administration and Regulation

Administration and Regulation Budget Subcommittee Directive - Directs the Administration and Regulation budget subcommittee to submit recommendations to the General Assembly's committees on Appropriations on or

before April 4, 2011, proposed legislation concerning the elimination and selling of the pool of state-owned passenger vehicles located in Polk County and to outsource state vehicle leasing through a private entity. The bill also prohibits the purchase of new general use vehicles through the end of FY 2011.

Office Space - Requires the Department of Administrative Services (DAS) to locate state employees in the most cost efficient way possible but not pay penalties for early termination of leases.

Sale or Lease of the Iowa Communications Network - Requires the Iowa Telecommunications and Technology Commission to develop a Request for Proposal to sell or lease, or to lease capacity on the Iowa Communications Network to commence with the fiscal year beginning July 1, 2011. The bill prohibits public funds from being used to secure the purchase of the network. The Commission must provide the General Assembly periodic status reports every three months beginning on October 1, 2011, regarding progress made toward selling or leasing the ICN. The bill also authorizes the lease of network capacity to users that otherwise are not authorized to use the network.

Iowa Ethics and Campaign Disclosure Board - Reduces funding to the Ethics and Campaign Finance Disclosure board due to unfilled positions by \$61,648 and one FTE. The bill also stops the \$150,000 transfer that the Department of Management approved for the board in FY 2011 from the Cash Reserve Fund.

Information Technology - Reduces funding for DAS information technology purchases by 50% and requires the Executive Branch to combine information technology systems.

All of the provisions in Division III are effective upon enactment.

Division IV - Agriculture and Natural Resources

Land Purchase - Prohibits the Department of Natural Resources from purchasing more land. This does not include donated property. The bill reduces the appropriation for the Iowa Resources Enhancement and Protection Fund (REAP) by \$3.06 million for FY 2011. This provision is effective upon enactment.

Division V - Economic Development

Repeal - Eliminates the Generation Iowa Commission.

Repeal - Eliminates the Save our Small Business Program and reverts any unobligated and unencumbered monies to the School Infrastructure Fund. Loans awarded from the Save our Small Business Fund prior to this bill will continue as to the terms of the loan agreements and be administered by the Department of Economic Development.

Corridor Coalition Membership – Prohibits the Department of Economic Development from renewing Iowa’s membership in the North America’s Super Corridor Coalition.

Great Places - Freezes spending on Iowa’s Great Places Program through the end of FY 2011.

All of the provisions of Division V are effective upon enactment.

Division VI - Education

DE Administration - Reduces funding for Department of Education general administration line-item by \$59,000 due to the director position being unfilled.

Core Curriculum - Eliminates \$1.8 million in funding for core curriculum leaving \$75,556 and directs the House and Senate Education Committees to develop new standards for K-12 students.

State University Funding -Reduces the FY 2011 appropriations to the State universities a total of \$10 million: University of Iowa \$4.7 million, Iowa State University \$3.7 million, and the University of Northern Iowa \$1.7 million. These reductions would increase to \$15 million in FY 2012 and FY 2013.

Regents and Community College Administrative Functions - Directs the Education Appropriations subcommittee to implement provisions to consolidate administrative functions of the State board of regents and its institutions and the community colleges for FY 2012.

State Library Acquisitions - Reduces acquisitions for the state library by 50% from the effective date of this act (which is upon enactment) through the end of the fiscal year.

Sabbaticals at State Universities - Freezes all Regents' sabbaticals through the end of FY 2012.

Statewide Voluntary Preschool – Establishes intent language of the General Assembly to fill the needs addressed by the statewide preschool program for four-year-old children that is repealed in this bill by expanding the preschool tuition assistance through the Early Childhood Iowa initiative.

Voluntary Preschool Repeal - Eliminates the policy and funding for the current preschool funding system. These provisions are effective July 1, 2011, and apply to budget years beginning on or after July 1, 2011. LSA estimated a \$69.9 million savings in FY 2012 and \$75.1 million in FY 2013.

AEA Funding - Reduces funding to Area Education Agencies by \$10 million in FY 2011.

All the provisions in Division VI are effective upon enactment, except those relating to the Statewide Voluntary Preschool program and funding repeal (which is effective July 1, 2011, and applies to budget years on or after July 1, 2011).

Division VII - Health and Human Services

Residency Restrictions - Requires the Department of Human Services to enforce residency restrictions for any public benefits.

Area Aging Agencies - Requires the Department on Aging to develop a plan to reduce the number of Area Agencies on Aging.

Juvenile Shelter Care – Directs the Health and Human Services Appropriations Subcommittee to develop a new system for reimbursement of juvenile shelter care providers and ending the funding of unused beds.

Health Care Coverage Commission - Reduces funding for the legislative health care coverage commission by \$167,000.

Smoking Prevention – Reduces funding for tobacco use prevention by \$2.4 million. The bill directs the Department of Public Health to cancel smoking cessation and prevention efforts including for the youth smoking prevention program (JEL) and the Quitline Iowa Initiative. The Health and Human Service budget subcommittee, in consultation with House and Senate Human Resources Committees, are to recommend legislation to revise youth programs. The bill directs the Department of Human Services to revise Medicaid eligibility provisions for smoking cessation medications with a requirement for a physician prescription, to replace the referral requirements from the Quitline Iowa Initiative.

Local Health Care Delivery – Reduction in funding of \$105,000 to the health care delivery system at the local level.

Direct Care Worker Task Force - Reduction in funding of \$60,000 to the direct care worker task force.

Healthy Aging - Reduction in funding of \$300,000 for elderly wellness, allocating \$82,380 of the reduction for public health nursing services and \$217,620 for home care aid services.

Public Protection – Reduces funding for the Public Protection Program by \$50,000, which eliminates the funding for the education, testing, and training for the certification of emergency medical providers.

Family Planning Waiver – Reduces eligibility for the state family planning waiver from 300% of the federal poverty level to 133%. The bill also excludes women who have health insurance, but do not have coverage for benefits under the family planning network, and who are older than 45 years of age. Coverage of pregnancy protection services for men.

Juvenile Shelter Care Beds – Reduces funding for juvenile shelter care beds by \$466,000.

All of the provisions in Division VII are effective upon enactment.

Division VIII - Infrastructure and Transportation

Living Roadways - Freezes spending from the Living Roadway Trust Fund from the effective date of this Act (which is upon enactment) through the end of the fiscal year.

Sustainable Communities (IJOBS Disaster Prevention Grants) - Eliminates the funding and repeals the policy for what the House Republicans are calling sustainable communities, which they say include heated sidewalks, although there was no funding for heated sidewalks in IJOBS. This is actually the \$30 million from the IJOBS program created in 2010 as grants to cities and counties for disaster prevention infrastructure who use smart planning principals. The IJOBS Board awarded these grants on September 15, 2010. All contracts will have been signed by January 7, 2011. The intent is to deappropriate this money because nothing has been drawn down yet, even though contracts have been signed (the grant agreements being signed have some contingency language regarding funding and any change in funding (e.g. from deappropriation) in Articles 5 and 11). The cities and counties with signed contracts include:

- AFTON - City of Afton Sewer Relining, Union County, \$54,000
- CEDAR RAPIDS - Amphitheater Phase I Levee, Linn County, \$1,075,000
- CEDAR RAPIDS - Cedar Rapids Fire Department Central Fire Station and West Side Fire Station, Linn County, \$6,600,000
- CORALVILLE - Flood Mitigation on Biscuit Creek and Clear Creek in Coralville, Johnson County, \$3,657,090
- DES MOINES - Central Place Levee Repair, Polk County, \$2,100,000
- DUBUQUE - Lower Bee Branch Creek Restoration Project, Dubuque County, \$3,965,500
- EDGEWOOD - Emergency Building/Storm Shelter Project, Delaware County, \$300,000
- ELDORA - Hardin County Emergency Operations Center, Hardin County, \$270,000
- FAIRFIELD - Water Works Pond Dam # 2, Jefferson County, \$480,000
- FORT MADISON - Water Main and Booster Station Project, Lee County, \$2,485,500
- HUDSON - Cedar Street, Black Hawk County, \$288,000
- HUMBOLDT - City of Humboldt Fire and Rescue Station, Humboldt County, \$453,441
- LE MARS - Plymouth County Tornado Safe Room, Plymouth County, \$85,000
- LEWIS - Lewis Fire Station, Cass County, \$280,950
- MUSCATINE - Relocation and construction of new fire station # 2, Muscatine County, \$850,250
- OTTUMWA - Ottumwa Sewer Separation/Flood Mitigation Project Phase III, Wapello County, \$800,000
- ROCKWELL CITY - Calhoun County Emergency Services Building, Calhoun County, \$339,364
- SABULA - Sabula Levee Certification Project, Jackson County, \$296,240
- SERGEANT BLUFF - Sergeant Bluff Stormwater Protection, Woodbury County, \$1,076,500
- SIOUX CITY - Joint Field Services Facility, Woodbury County, \$3,800,000
- STANTON - Viking Center Storm Shelter, Montgomery County, \$625,100
- VOLGA - Volga River Dike, Clayton County, \$16,065
- WOODBINE - Woodbine Fire Station, Harrison County, \$102,000

The bill directs the joint appropriations subcommittee on transportation, infrastructure and capitals to develop on or before April 4, 2011, recommendations for implementation reduction to all identifiable appropriations enacted in the 2010 legislative session for sustainable community projects.

Des Moines Chamber Shuttle - Reduces funding for the shuttle service from downtown Des Moines to the Capitol by \$75,000.

Honey Creek Asset Manager - Reduces funding for the Honey Creek resort manager by \$73,800 (this provision does have a \$100,000 signed contract with DNR – they did and RFP and signed a contract; the person is currently on contract and working).

Passenger Rail – Reduces funding going into the passenger rail service revolving fund by \$2.7 million in FY 11 and eliminates funding for the passenger rail project in the out years and the intent for \$20 million to match federal funds over the next four years.

All the provisions in Division VIII are effective upon enactment.

Division IX -Justice System

Court Appointed Attorney Fees (Indigent Cases) – Requires attorney fees in excess of those set by the state public defender’s office limits, for cases not considered unusually complicated, to be paid for by the Judicial Branch budget whether the excess amount was approved by the public defender or the court. Payment of these fees would essentially be a transfer of funds from the Judicial Branch budget to the Indigent Defense Fund and would result in no cost savings for the state.

Indigent Defense – Provides a supplemental appropriation of \$16 million for indigent defense for FY 2011.

All of the provisions in Division IX take effect upon enactment.

Division X - Power Fund – Office of Energy Independence

Repeal - Repeals Chapter 469 that establishes the Power Fund, the Office of Energy Independence, and the community grant program.

Transition - Directs the Department of Economic Development to assume the duties of the Office of Energy Independence, until otherwise determine by the General Assembly. Any moneys remaining in any account or fund under the control of the Office of Energy Independence and federal funds are to be transferred to a comparable fund or account under the control of the Department of Economic Development.

The Economic Development Appropriations Subcommittee is directed to include provisions relating to the repeal and transfer the authority of the Office of Energy Independence to another state entity.

All of the provisions in Division X are effective upon enactment.

Division XI - Rebuild Iowa Office

Rebuild Iowa Office - Eliminates the Rebuild Iowa Office and shifts disaster-related responsibilities back to the Division of Homeland Security and Emergency Management. Reduces funding to the Rebuild Iowa Office \$116,000 and transfers \$50,000 of the remaining \$531,014 to the Homeland Security and Emergency Management Division. The bill directs the Justice System Appropriations Subcommittee to identify the appropriate agency to assume the duties of the Rebuild Iowa Office.

All of the provisions in Division XI are effective upon enactment.

Division XII - Values Fund

Grow Iowa Values Fund – Repeals the Grow Iowa Values Fund, transferring the funds remaining in the fund on the effective date of the bill (which is upon enactment) to the general fund and directs any loan repayments to the general fund. The bill makes a number of conforming changes with the repeal of the Grow Iowa Values Fund. It also establishes a number of new definitions for the High Quality Jobs program within the Department of Economic Development.

Repeals – The bill repeals the Economic Enterprise Areas, Renewable Fuel Assistance, and a provision relating to the Department of Natural Resources providing infrastructure assistance on environmentally contaminated sites in collaboration with the Department of Economic Development.

All provisions in this division amending 2010 Iowa Acts, Chapter 1184, are effective upon enactment.

Division XIII - County Mental Health and Disability Services

Supplemental for County Mental Health - Provides a one-time appropriation of \$25 million from the general fund to the Department of Human Services for the County Mental Health Risk Pool. These funds are intended to eliminate the mental health waiting lists.

Adult Mental Health and Disability Service System Reform -Sunsets the current mental health services delivery system on July 1, 2012. The bill directs the Human Resources, Appropriation, and Ways and Means Committees to propose legislation to phase in the state take-over of the nonfederal share of the costs for Medicaid program services now borne by counties. The committees are also to provide property tax relief and equity by having the state assume a greater role in funding the adult mental health and disability services systems. Also, shift the balance of responsibilities for the services between the state and counties so that the state ensures greater uniformity and there is sufficient size to develop effective services while maintaining the county role of bringing local resources together in unique ways that best meet the needs of clients, by implementing a new services system structure by July 1, 2012, when the repeals contained in this division take effect.

All of the provisions in Division XIII are effective upon enactment.

Division – Corrective Provisions

These changes are truly corrective provisions to legislation approved in 2010 where corrections or missed conforming changes are needed to the Code. The corrections are nonsubstantive Code Editor changes recommended by the Legislative Services Agency. The following changes are made:

- Clarifies that references to community empowerment areas are deemed to refer to early childhood Iowa areas.
- Unemployment Compensation date correction.
- Terrace Hill maintenance date correction.
- These provisions are effective upon enactment and apply retroactively to April 29, 2010.