



FY 2012 & FY 2013 Governor Budget Recommendations

Governor Terry Branstad
Lt. Governor Kim Reynolds

Report Prepared by the

House Democratic Research Staff

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GOVERNOR'S FY 2012 & FY 2013 BUDGET

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Overview of the Budget

Biennial Budget Recommendation – The Governor is proposing the state move from an annual budget to a biennial budget process. The Governor proposed recommendations for FY 2012 and the FY 2013.

FY 2012 Budget Recommendation – The Governor is recommending a \$6.161 billion general fund budget for FY 2012, which would be the largest general fund budget in state history. This represents an increase of \$842 million increase over the Governor's revised FY 2011 budget, an increase of 16%. The Governor's FY 2012 budget leaves a \$249 million ending balance. The Governor is claiming he is reducing the budget by \$185 million after adjusting the previous year's general fund for spending in other funds, but provides no evidence of which funds he is counting and which he is not.

- The Governor is also proposing a tax give-away to corporations, by eliminating Iowa's graduated taxes for corporations and making it a flat 6% tax, a \$359 million reduction in revenues over the next two years.
- To maintain the budget, the Governor recommends increasing the taxes on casinos from either 22% or 24% to 36%, which will bring in \$190 million in additional revenues.
- The Governor brings a number of appropriations back into the general fund, now that one-time federal funds have been exhausted. Medicaid and school aid are the two main areas of the budget that were partially funded with federal funds. Three-quarters on the funding increases for FY 2012 are going to Medicaid (\$527 million) and State Aid for K-12 schools (\$126 million).
- The Governor is proposing a \$122 million net increase in tax revenues when building his FY 2012 budget. The Governor is proposing \$136 million reduction in corporate income taxes, \$190 million increase in gaming taxes, a \$38 million reduction due to coupling state tax laws with the Internal Revenue Code updates, \$11.9 million for active duty military income tax exclusion, and \$119 million increase from windfall from the federal Tax Relief Act. (See more on the tax cuts in the tax section.)
- The Governor recommends removing the \$69.9 million in Voluntary Preschool funding from the school foundation aid formula and eliminates \$12 million in expanded preschool access. Then appropriates \$43.6 million for a new preschool program.
- Area education agencies also receive a \$20 million reduction in funding from the school aid formula.
- The Governor eliminates funding for the Power Fund, saving \$19.6 million.
- The State universities receive a \$28 million reduction to their general operation budgets.
- Community Colleges receive an \$8.4 million reduction in their general aid.

Below is list of the major appropriation changes compared to FY 2011:

Major Appropriations Changes for FY 2012	
(Dollars in Millions)	
	FY 2012
Medical Assistance (Medicaid)	527.6
School Foundation School Aid (K-12 Schools and AEAs)*	126.3
Property Tax Credits	54.7
Preschool Program	43.6
Executive Council – Performance of Duty	36.9
DHS – Child Care Assistance	27.5
DHS – Family Investment Program	20.4
Indigent Defense	16.0
State University General Operations	-28.0
Iowa Power Fund	-19.6
Voluntary Preschool Access	-12.2
Community Colleges General Aid	-8.4
* This increase is after removing funding from the school aid formula for the Statewide Voluntary Preschool Program (\$69.9 million) and imposing a \$20 million reduction in state funding for area education agencies.	

Collective Bargaining – The Governor does not recommend any funding in his budget for state employee salaries that will increase due to collective bargaining. State employees will still receive their cost of living raises, but state agencies will have to find the funds within their budgets.

FY 2013 Budget Recommendation – The Governor is proposing a \$6.272 billion general fund budget for FY 2013, an increase of \$112.9 million over his proposed FY 2012 budget. The FY 2013 general fund budget would set another new record in state general fund spending. The Governor used a generous 4% revenue growth prediction to allow himself to move forward on a FY 2013 budget before the Revenue Estimating Conference has had a chance to make the estimate.

Revisiting the Current Year (FY 2011) – The Governor is recommending \$39.8 million in additional spending in FY 2011, increasing appropriations to \$5.318 billion. The Governor is also proposing a net \$41.3 million decrease in revenue adjustments for FY 2011, which drops the ending balance for the fiscal year to \$433 million. (See more on revenue adjustments in the tax section.)

FY 2011 Supplemental Appropriations	
Indigent Defense	18,551,500
Department of Corrections - Operations	14,201,633
Department of Public Safety	2,955,000
Department of Human Services – Mental Health Institutions	2,644,319
Department of Public Health – Health Services	1,212,551
Terrace Hill Operations	263,329
Total General Fund	\$39,828,332
FY 2011 Supplemental Appropriations	

TAXATION

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Cut Commercial Property Tax: The Governor proposes reducing Iowa's commercial property tax rate. He recommends that new commercial property be taxed at 60% of its assessed value and that the commercial property tax be reduced 8% per year for the next 5 years.

Cut Commercial Income Tax: The Governor proposes reducing Iowa's commercial income tax rate from a tiered range from 6% to 12% to a flat tax rate of 6%.

Conform Iowa Tax Code to Federal Tax Code: The Governor proposes changing Iowa tax law to reflect changes in the federal tax code. He recommends conforming to the federal Tax Relief and Jobs Creation Act, Patient Protection Act, and the Small Business Jobs Act. The Governor also proposes the revenue estimate reflect the impact of federal deductibility due to the federal Tax Relief Act. The Tax Relief Act lowered federal tax rates and extended tax credits for FY 2011 and 2012.

Extending Iowa's Military Pay Exclusion: The Governor proposes extending the current income tax exclusion for military pay to include all active duty military pay. Under current Iowa law, military income that is excluded for federal tax purposes, such as combat zone pay, is also excluded for Iowa income tax purposes. There is also a current exemption for active duty pay received by members of the military personnel involved in Operation Iraqi Freedom, Operation Noble Eagle, or Operation Enduring Freedom.

Increase Gambling Tax: The Governor proposes increase the maximum tax rate for gambling facilities from 22% and 24% to 36%. The Governor recommends the additional revenue from this increase be deposited in the state general fund.

State of Iowa			
General Fund Revenue Adjustments			
(Dollars in Millions)			
	<u>Gov Rec FY 2011</u>	<u>Gov Rec FY 2012</u>	<u>Gov Rec FY 2013</u>
Tax Relief Act	\$ 15.4	\$ 119.3	\$ 119.7
Internal Revenue Code (IRC) Bill	- 19.3	-38.3	-22.0
Corporate Income Tax	- 36.6	-136.2	-223.0
Active Duty Military Pay Income Tax Exclusion	- 0.8	-11.9	-9.5
Gambling tax Increase	0.0	190.0	191.9
Total Revenue Adjustments	<u>\$ -41.3</u>	<u>\$ 122.9</u>	<u>\$ 57.1</u>

Property Tax Credits: The Governor proposes spending \$145.9 million to reimburse counties for certain property tax credits, as follows.

1. *Homestead Property Tax Credit* = \$87.7 million, which is unchanged from FY 2011 (The estimated cost to fully fund the credit is \$136.4 million, or approximately \$48.7 million in additional funding).
2. *Ag land / Family Farm Tax Credit* = \$32.4 million, the same as FY 2011 (The credit is fully funded at \$39.1 million, or approximately \$6.7 million additional funding).
3. *Elderly and Disabled Tax Credit and Rent Reimbursement* = \$23.4 million, the same as FY 2011 (This represents approximately full funding the credit).
4. *Military Service Tax Credit* = \$2.4 million, the same as FY 2011 (This represents approximately full funding the credit).

The Governor proposes an additional \$54.7 million from the general fund to fund these credits. In FY 2011 this \$54.7 million came from the cash reserve fund.

ADMINISTRATION AND REGULATION

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This budget covers many of the administrative and regulatory departments and agencies in the executive branch. The total Administration and Regulation general fund budget for FY 2011 was \$301.8 million. The FY 2012 general fund budget proposed by the Governor is \$432.78 million.

Although some line items may be increased and others decreased, the main difference comes from the Governor's recommendation to not continue the Department of Commerce's Revolving Fund beyond FY 2011 and recommends funding of the Banking Division, Credit Union Division, Insurance Division, Utilities Division, (including funding for the Office of the Consumer Advocate) come from the general fund.

Another reduction to note is the decrease of \$83.8 million from the Department of Management caused by transferring the property tax fund to the Department of Revenue. Department of Revenue's budget for FY 2012 was increased by \$144.8 million. Previously, the property tax fund was funded through the general fund and the cash reserve fund and distributed through DOM. Current recommendations will move general fund money only to Department of Revenue and increase their budget by \$144.8 million.

Department of Administrative Services

The General Assembly created the Department of Administrative Services (DAS) in 2003. The Department of Personnel, the Information Technology Department, the Department of General Services and the accounting functions from the Department of Revenue were combined to form this department. DAS is now primarily a fee-based organization and other state agencies are billed for the services they receive. An addition \$3.4 million is allocated to the I3 distribution budget system previously not funded. The I3 budget system is a budget preparation system that obtains actual data, maintains current year budget information, provides entry of department requests and is used to prepare the Governor's budget recommendations. The proposal also decreases the Municipal Fire & Police Retirement fund by \$1.25 million.

FY 2011 estimated budget = \$12 million
FY 2012 recommendation = \$13.6 million

Auditor of State

The office of the Auditor of State is responsible for conducting annual audits of all state departments and agencies, as well as audits of counties, cities, school districts, and other governmental subdivisions as requested. The office is also responsible for conducting performance audits of state agencies and the programs they administer. The division also conducts special studies assigned by the Auditor of State or requested by the Legislature.

FY 2011 estimated budget = \$905,468
FY 2012 recommendation = \$905,468

Ethics and Campaign Finance

The Ethics and Campaign Disclosure Board administers the campaign finance laws in Iowa Code Chapter 68A. The Board also administers the ethics laws in Iowa code chapter 68B.

FY 2011 estimated budget = \$372,086

FY 2012 recommendation = \$522,085

Department of Commerce

The Department of Commerce is made up of five divisions: Alcoholic Beverages, Banking, Credit Union, Insurance, and Utilities. Each division is responsible for the regulation of an industry or group of industries and is funded in whole, or in part, by fees and assessments levied on the regulated industries. For the FY 2010 budget, the Legislature created revolving funds for the banking, credit union, insurance, health insurance oversight, and utilities divisions. By creating the revolving funds, these divisions are “off budget” and are not subject to any cuts, including any across the board cuts. The Governor’s recommendation does not include the continuation of the Department of Commerce revolving fund beyond FY 2011 and recommends funding the Banking Division, Credit Union Division, Insurance Division, Utilities Division, (including funding for the Office of the Consumer Advocate) from the general fund. The appropriations for these divisions are offset by fees charged to the regulated industry and increases or decreases to the appropriations will result in a corresponding increase or decrease to general fund revenues. Under current law, the Department of Commerce Revolving Fund is scheduled to sunset July 1, 2012.

FY 2011 actual budget = \$2.1 million

FY 2012 recommendation = \$23.9 million

Executive Council

The executive council is made up of the Governor, Secretary of State, Secretary of Agriculture, Auditor, and Treasurer. They are responsible for “performance of duty” funding such as what was needed to get recovery efforts under way after the tornadoes and floods of 2008. The Governor plans to add an addition \$36.9 million to this fund.

FY 2011 estimated budget = \$1.9 million

FY 2012 recommendation = \$38.8 million

Governor’s Office

This budget covers the Governor and Lt. Governor’s staff at the Statehouse and also funds the Terrace Hills living quarters for the Governor and his family.

FY 2011 estimated budget = \$2.3 million

FY 2012 recommendation = \$2.2 million

Governor’s Office of Drug Policy Control

The office coordinates multi-jurisdictional drug task forces across Iowa. The drug task forces have been paid through federal funds. This office creates drug control policy and strategy for the state and also identifies and administers federal grants.

FY 2011 estimated budget = \$346,854

FY 2012 recommendation = \$326,043

Department of Human Rights

The Department of Human Rights works to ensure that every Iowan is equally protected and respected. These divisions include the Human Rights Administration, Deaf Services, Asian and Pacific Islanders, Native Americans, Persons with Disabilities, Latino Affairs, Status of Women, Status of African Americans and Criminal and Juvenile Justice.

FY 2011 estimated budget = \$2.4 million

FY 2012 recommendation = \$2.3 million

Department of Inspections and Appeals

The Department of Inspections and Appeals (DIA) is a regulatory agency charged with protecting the health, safety and well-being of Iowans including regulating health care providers and facilities. The division also investigates alleged fraud in the state's public assistance programs, investigates Medicaid fraud by health care providers, and conducts professional practice investigations on behalf of state licensing boards. A \$17.7 million increase for FY 2012 budget is for increased funding for indigent defense. Although these divisions are part of DIA, the Legislature traditionally funds them through the Justice Budget.

FY 2011 estimated budget = \$52.7 million

FY 2012 recommendation = \$70.4 million

Department of Management

The Iowa Department of Management is the planning and budgeting agency within the executive branch of Iowa state government. The director of the department serves as the Governor's chief financial advisor. This budget is reduced by \$91.2 million caused by transferring the property tax fund from the Department of Management to Department of Revenue. Also deducted was \$175,000 for the elimination of Grants Enterprise Management (GEMS) program.

FY 2011 estimated budget = \$97 million

FY 2012 recommendation = \$5.8 million

Rebuild Iowa Office

This office was created initially by Governor Culver, through an executive order, to coordinate disaster recovery efforts following the floods and tornadoes of 2008. The office is intended to move to the Department of Homeland Security for FY 2012, thus eliminating the appropriation.

FY 2011 estimated budget = \$623,576

FY 2012 recommendation = \$0

Department of Revenue

The Department of Revenue is responsible for revenue collection and tax law compliance. The recommendation includes an increase of \$144.8 million due to the transferring of the property tax fund from the Department of Management to the Department of Revenue.

FY 2011 estimated budget = \$19 million

FY 2012 recommendation = \$163.8 million

Secretary of State

The Secretary of State is responsible for filing documents such as Uniform Commercial Code financing statements, trademarks, business entity documents and other statutorily required special filings. The office supervises and coordinates elections, maintains the voter registration program, and licenses notaries public.

FY 2011 estimated budget = \$2.95 million

FY 2012 recommendation = \$2.97 million

Treasurer of State

The state treasurer receives all revenues from state agencies and the federal government and is responsible for all bank relations. This budget includes \$106 million for the Health Care Trust Fund Transfer.

FY 2011 estimated budget = \$106.87 million less \$ \$106m = \$854,289

FY 2012 recommendation = \$106.87 million less \$ \$106m = \$854,289

AG AND NATURAL RESOURCES BUDGET

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Administration

For FY 2012, the Iowa Department of Agriculture and Land Stewardship (IDALS) requested \$18.4 million from the general fund, an increase of approximately \$1.5 million from the estimated appropriation from FY 2011 of \$16.9 million. The Governor proposed \$16.9 million in general fund revenues for IDALS for FY 2012 and FY 2013, or a status quo budget from FY 2011.

The Department of Natural Resources requested \$15.6 million from the general fund, which, after taking into account the additional statewide \$84 million cut at the end of FY 2011, is a status quo budget from estimated FY 2011. The Governor proposed a general fund budget of \$12.6 million for the DNR for FY 2012 and FY 2013, which is an additional cut of approximately \$800,000 from FY 2011, or approximately 19% less than requested by the DNR.

Environment First Fund and REAP

Governor Branstad is proposing funding the environment first fund at \$33 million for FY 2012 and FY 13. This is a status quo budget for the environment first fund from estimated FY 2011, where the money comes from the Rebuild Iowa Infrastructure Fund. The code sets a standing appropriation of \$42 million from RIIF for the environment first fund. The Governor proposes funding REAP, which is included within the Environment First Fund, at \$11.5 million for FY 2012 and FY 2013. This is a decrease of \$3.5 million from FY 2011.

The Governor is proposing an additional \$5.25 million for the soil and water conservation cost share program from the environment first fund in FY 2012 and FY 2013, for a total appropriation of \$6.3 million. In FY 2011, approximately \$1 million came from the environment first fund for the program, with an additional \$7 million appropriated from the Revenue Bonds Capitals II Fund (IJOBS funding). The Governor is also proposing an additional \$250,000 for soil and water conservation at IDALS and \$440,000 for state park operations and maintenance for the DNR.

See Environment First Fund Spreadsheet on Next Page

ENVIRONMENT FIRST FUND	FY 2011	Governor FY 2012	Governor FY 2013	Governor v. FY 2011
Department of Ag and Land Stewardship				
Southern Iowa Conservation Authority	250,000	225,000	225,000	(25,000)
Agricultural Drainage Wells	1,250,000	875,000	875,000	(375,000)
Watershed Protection Fund	1,500,000	900,000	900,000	(600,000)
Farm Management Demonstration	750,000	725,000	725,000	(25,000)
Cost Share	1,050,000	6,300,000	6,300,000	5,250,000
Conservation Reserve Program	1,300,000	1,000,000	1,000,000	(300,000)
Conservation Reserve Enhance	1,500,000	1,000,000	1,000,000	(500,000)
Soil & Water Conservation	1,751,600	2,000,000	2,000,000	248,400
Loess Hills Dev/Cons Auth	500,000	475,000	475,000	(25,000)
Total Department of Agriculture	9,851,600	13,500,000	13,500,000	3,648,400
Department of Natural Resources				
GIS Information for Watershed	195,000	195,000	195,000	0
Water Quality Monitoring	2,955,000	2,955,000	2,955,000	0
Volunteers and Keeps of Land	100,000	100,000	100,000	0
Animal Feeding Operations	608,400	420,000	420,000	188,400
Air Quality Monitoring – Ambient	425,000	425,000	425,000	0
Water Quality Protection	500,000	500,000	500,000	0
Water Quantity	495,000	495,000	495,000	0
Resource Conservation and Development	150,000	0	0	(150,000)
Park Operations and Maintenance	2,470,000	2,910,000	2,910,000	440,000
State Park Volunteer Activities	250,000	0	0	(250,000)
Total Department of Natural Resources	8,148,400	8,000,000	8,000,000	(148,400)
REAP Formula Allocation	15,000,000	11,500,000	11,500,000	(3,500,000)
Total Environment First Fund	33,000,000	33,000,000	33,000,000	0

ECONOMIC DEVELOPMENT BUDGET

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Department of Economic Development

Private Public Partnership: The Governor recommends remaking the Department of Economic Development into a public-private partnership. This new entity, The Iowa Partnership for Economic Progress (IPEP), would be governed by a board of directors and chaired by the Lieutenant Governor. The Governor has proposed performing a cost benefit analysis of DED programs to determine what works and what doesn't. It is likely that many current DED programs will be continued under IPEP. The fiscal impact of this move is unknown at this time.

The Department will receive funding of \$10.8 million in FY 12, an 8.2 percent decrease from FY 11. The Business Development Division, the World Food Prize, Community Development Block Grants, and Historic Preservation Grants are cut from their FY 11 levels. FY 13 will be a status quo budget.

FY 11 Estimated Budget = \$11,853,394
FY 12/13 Recommended = \$10,881,190

Department of Cultural Affairs

There is a total of 5,360,000 in the Governors FY 12 budget, a 4.6 percent decrease. The funding for the Battle Flag Stabilization Project has moved from RIIF to the economic development budget, all other programs under DCA including Historic Sites, Great Places, the Historical Society, and Community Cultural Grants will have their funding cut under the Governor's recommended budget for FY 12. FY 13 will be a status quo budget.

FY 11 Estimated Budget = \$5,361,842
FY 12/13 Recommended = \$5,113,765

Iowa Workforce Development

Under the Governors budget, Workforce Development will receive \$15.6 million, a 6% decrease from FY 11. Workforce Development field offices are cut by \$620,000. The Employee Misclassification fund is cut by \$30,000 despite a recent report saying over 2,500 Iowa workers are currently misclassified. All IWD programs have their funds cut under the proposed budget.

FY 11 Estimated Budget = \$16,674,538
FY 12/13 Recommended = \$15,674,067

Power Fund

The Power Fund is eliminated in the Governors Proposed budget. The elimination of the Power Fund saves \$19.6 million.

Grow Iowa Values Fund

With the Governors proposed budget, the Grow Iowa Values Fund is funded at \$25 million dollars. This is \$13 million cut to the Values Fund from the previous year, and half of the \$50 million set in Iowa law. The Fund provides grants and incentives for business development and to improve Iowa's quality of life. It is currently funded out of the RIIF budget.

Total Economic Development Budget

FY 11 Budget	\$38,156,630
FY 12/13	\$36,589,337

EDUCATION

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FY 12 Governor's Recommendations

Allowable Growth at 0%

For the first time in the history of the Allowable Growth Formula to assist funding of Iowa's school system, the Governor has proposed 0% Allowable Growth. While schools will receive money for the current per-pupil spending, the money will not be adjusted for 2011 inflationary increases. 0 percent Allowable Growth means that only our kids suffer. It means fewer course offerings, larger class sizes, fewer supplies, less support services, and our best and brightest teachers will simply move to another profession. In addition, Iowa's school aid formula currently includes pre-schools.

Preschool

Funding for the statewide volunteer preschool program would be eliminated starting in FY 12 (\$12.2 Million). Through the school aid formula at 0% Allowable Growth, \$69.9 million in funding would be reduced to the statewide volunteer preschool program. The Empowerment Preschool Tuition Assistance is cut by \$4.4 million. A preschool program is created at \$43,600,000 starting in FY 12. In advocating for a preschool program, the Governor points out that research shows return on investment for economically disadvantaged students that attend preschool. He would place a means-tested preschool system that will allow parents to choose high-quality programs for 4-year olds in the private and public sectors to ensure access to high quality programs for all students regardless of incomes. A voucher system and an administrative fee would be established, but at this time, it is unclear how those items would be administered.

Model Core Curriculum and other Department of Education Programs

Funding for Iowa Model Core Curriculum is eliminated starting in FY 12 (\$1.9 million). Despite being number one nationally in SAT scores and number two nationally in ACT scores, the Governor points out that other states and countries have shown measurable progress by articulating high academic standards, and Iowa has lagged in their ranking of the National Assessment of Educational Progress (NAEP). He would like to aggressively accelerate the implementation of statewide achievement standards by building on the Iowa Model Core that will be known as "Iowa Standards." However, there is no line item for "Iowa Standards" in his budget.

Every Department of Education program is cut in FY 12, except Jobs for America's Graduates (JAG). This program addresses education for drop outs in basic skills and achieving GED's. Other programs being reduced include :Administration, Food Service, State Library, Enrich Iowa Libraries, Library Service Areas, Family Support and Parent Education program (-\$800,000), Special Ed. Services Birth to three, Nonpublic Text book Services, Administrator Mentoring, Student Achievement/Teacher Quality and Senior Year Plus is eliminated (-\$7.6 million). Educational Expenses for American Indians is not funded under the Governor's budget (\$90,000).

Community Colleges

For FY 12, the Governor cuts Community Colleges by \$9 million. This is on top of Governor Culver's latest reduction of \$6 million for FY 11.

Area Education Agencies (AEA's)

Including the statutory provision cut to AEA's, for FY 12 they are cut \$27.5 million.

Voc. Rehab and Iowa Public Television

The total cut, including all programs at Voc. Rehab total over \$300,000 in FY 12. There is a \$500,000 cut to funding of Iowa Public Television in FY 12.

Regents

The total cut to the regents in FY 12 is \$32.5 million. This breaks out to U of I -\$13.7 million, ISU -\$13.1 million, and UNI, -\$4.8 million. There are also miscellaneous cuts to the Regent Board Office, the Iowa Braille and Sight Saving School and Iowa Public Radio.

FY 13 Governor's Recommendations

Preschool

The cuts that would be established in FY 12, continue in FY 13, and are not restored. This includes funding for the statewide volunteer preschool, \$0, and the Empowerment Preschool Tuition Assistance \$0. A preschool program is created in FY 12 continues in FY 13 at \$43,600,000.

Model Core Curriculum and other Department of Education Programs

Funding for Iowa Model Core Curriculum is not restored, and is status quo. Every Department of Education program is cut in FY 12 would not be restored and IJAG continues to be funded at \$540,000.

Community Colleges

For FY 13, the Governor does not restore the FY cuts Community Colleges by \$9 million, and the Community Colleges would receive status quo funding.

Area Education Agencies (AEA's)

The budget cut to the AEA's of \$20 million in FY 12 is not restored, and the additional statutory provision cut to AEA's, is not addressed in FY 13.

Voc. Rehab and Iowa Public Television

Funding is not restored to Voc. Rehab in FY 13, and is funded at \$4.7 million, and Iowa Public Television is funded at \$7.7 million, both at status quo.

Regents

The total cut to the regents in FY 12 of \$32.5 million is not restored in any areas. Their total funding in FY 13 is status quo \$509 million.

HEALTH AND HUMAN SERVICES BUDGET

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Overview

The Health and Human Services budget appropriates funding for the Iowa Department on Aging (IDA), the Iowa Department of Public Health (IDPH), the Department of Human Services (DHS), and the Iowa Department of Veterans Affairs (IDVA), including the Iowa Veterans Home (IVH). The Governor's budget proposal is for FY 2012 and FY 2013. In addition, the Governor's recommends a supplemental of \$3.8 million for FY 2011.

Fiscal Year 2011

Prior to leaving office, Governor Culver outlined a reduction in funding for FY 2011. For the Health and Human Services budget, the amount is \$32.5 million.

For the current fiscal year, Governor Branstad recommends a supplemental of \$2.6 million for three of the Mental Health Institutes, at Cherokee, Clarinda, and Independence, under the Department of Human Services (DHS) is allowed to keep the number of mental health beds at the current level.

In addition, the Governor recommends a supplemental of \$1.2 million for health services programs under the Department of Public Health (addictive disorders, healthy children and families, community capacity, elderly wellness, environmental hazards, and infectious diseases).

Fiscal Year 2012

Compared to FY 2011, the Governor recommends an additional \$617 million for the Health and Human Services (HHS) budget, after the FY2011 supplemental. This will bring the general fund appropriation to \$1.524 billion for FY 2012. The Governor recommends replacing nearly all one time funding with general fund dollars. Most of the increases for FY 2012 are due to replacing one time funding with general fund dollars.

Department on Aging

For FY 2012, the Governor recommends an additional \$7.7 million from the general fund for the Iowa Department on Aging (IDA). This will bring the total appropriation to \$12.1 million.

- Senior Living Trust Fund (SLTF) – The Governor recommends that all of the funding from the SLTF, \$8.5 million, for the programs and services provided through the IDA, be moved to the general fund. This makes up all of the general fund increase for the IDA.
- General Reductions – The Governor recommends administrative reductions of \$773,000 to the IDA.

Department of Public Health

For FY 2012, the Governor recommends a reduction of \$1.1 million from the general fund for the Iowa Department of Public Health (IDPH). This will bring the total appropriation to \$50.2 million.

- Iowa-eHealth Initiative – The Governor recommends an increase of \$364,000 to meet the matching requirements related to a federal grant IDPH received as part of the four-year State Health Information Exchange Cooperative Agreement Program.
- Replace Underground Storage Tank Funding – Moves \$515,000 of one time funding from the underground storage tank fund to the general fund for addictive disorders, and chronic conditions.
- General Reductions – The Governor recommends general reductions of \$3.2 million to the IDPH.

Department of Human Services

For FY 2012, the Governor recommends an additional \$613.5 million from the general fund for the Iowa Department of Human Services (DHS). This will bring the total appropriation to \$1.45 billion.

- Medicaid - The Governor recommends fully funding Medicaid for FY 2012, which includes a net increase of \$527 million, including a reduction of \$42 million through savings for a total of \$921.3 million. FY 2011, total Medicaid funding was \$856.8 million.
- Child Care Assistance – The Governor recommends fully funding child care assistance for FY 2012, with an increase of \$27.5 million in general fund dollars due to replacing one time funding and caseload growth.
- Family Investment Program (FIP) – The Governor recommends a net increase of \$20.4 million from the general fund due mostly to replacing federal stimulus funds.
- HAWK-I – The Governor recommends a net increase of \$1.75 million for HAWK-I due to increased costs and enrollment growth. There is a reduction in funding due to the carryforward from the HAWK-I Trust Fund.
- Mental Health/Developmental Disabilities (MH/DD) - The Governor recommends no changes for FY2012, compared to FY 11, for MH/DD Growth Factor and Community Services. This is a total general fund appropriation of \$63 million.
- Restore FMAP Rate Adjustment – The Governor recommends restoring the FMAP rate adjustment for \$2 million for the Independence MHI and the two Resource Centers at Glenwood and Woodward.
- Regional Sub-Acute Care – To improve public safety services for individuals with mental health concerns, the Governor recommends creating public/private, regional sub-acute care programs to help individuals on mental health medications transition back into communities.

Department of Veterans Affairs

For FY 2012, the Governor recommends an additional \$1.3 million, from the general fund for the Iowa Department of Veterans Affairs (IDVA). This will bring the total appropriation to \$12.1 million.

- General Reductions – The Governor recommends administrative reductions of \$55,000 to the IDVA.
- Veterans County Grants – An additional \$90,000 to the Veterans County Grants, for a total of \$990,000 to replace funding from the Merchant Marine Fund.
- Iowa Veterans Home (IVH) – An additional \$1.25 million for operations of the Fox Building the IVH.
- Active Duty Personnel Income Tax Exemption – The Governor recommends creating an income tax exemption for all active duty personnel. The idea is to reward returning members of the military for their service, dedication, and willingness to protect the rights and freedoms of all Americans.

FY 2013

For FY 2013, the Governor recommends an additional \$100 million, for a total appropriation of \$1.624 billion from the general fund.

Department on Aging

The Governor recommends no change for FY 2013, compared to FY 2012.

Department on Public Health

The Governor recommends no change for FY 2013, compared to FY 2012.

Department of Human Services

The Governor recommends an additional \$98.6 million for FY 2013, compared to FY 2012. This will bring the total general fund appropriation to \$1.55 billion for FY 2013.

- Medicaid - The Governor recommends fully funding Medicaid for FY 2013, which includes a net increase of \$80 million, including a reduction of \$42 million through savings.

Department of Veterans Affairs

The Governor recommends an additional \$1.3 million for FY 2013, compared to FY 2012. This will bring the total general fund appropriation to \$13.4 million for FY 2013.

- Iowa Veterans Home (IVH) – An additional \$1.3 million for operations of the Ulery Building at the IVH is recommended.

JUSTICE SYSTEMS BUDGET

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Judicial Branch

The Governor is not recommending any changes to the Judicial Branch’s FY 2012 budget. Since the courts are an independent branch of government, the law requires the Governor to pass on their budget request directly to the Legislature without recommendation. The Courts have not official given their FY 2013 proposal, so that is why it is not included on the spreadsheet.

	Actual FY 2010	Estimated FY 2011	Gov Rec. FY 2012	Gov Rec. FY 2012 vs. FY 2011
Judicial Branch	148,811,822	154,111,822	157,700,609	3,588,787
Jury & Witness Revolving Fund	0	1,500,000	3,700,000	2,200,000
Total	\$148,811,822	\$ 155,611,822	\$ 161,400,609	\$ 5,788,787

*The FY 2011 figure includes the \$5.3 million appropriation from the Public Safety Enforcement Fund .

Justice Systems

Changes to FY 2011 Budget

The Governor is proposing a supplemental appropriation totaling \$35.7 million to three agencies under this budget to assist with offsetting the mid-year reductions:

- Dept. of Inspection & Appeals – Indigent Defense \$18.5 million
- Dept. of Corrections – Operations \$14.2 million
- Dept. of Public Safety – Operations \$3 million

FY 2012 Budget Proposal

Including appropriations from the general fund and the public safety enforcement fund, the Governor’s recommendation for FY 2012 compared to FY 2011 represents an increase of almost \$50 million. The public safety enforcement fund is set to expire at the end of FY 2011, and the Governor is not recommending to continue all of the appropriations from the fund. He is recommending that only three of the funding items be continued through general fund appropriations: \$5.3 million to the Judicial Branch, \$300,000 to the Dept. of Public Safety, and \$3.3 million to the Dept. of Corrections.

Currently, there is a Department of Commerce Revolving Fund, which is made up of fees charged to regulated industries (credit unions, insurance companies, and utilities). The money in this revolving fund is used to pay for the Banking Division, Credit Union Division, Insurance Division, and the Utilities Division. This budget has had as a line item, the Office of the Consumer Advocate, which has previously been paid for from the revolving fund. Beginning in FY 2012, the Governor is recommending that it be appropriated at \$3 million from the general fund, and is found in the Attorney General’s line item. Previous language adopted by the Legislature has the revolving fund sunseting on July 1, 2012. If the Legislature would like the revolving fund to continue, language would need to be adopted.

	Actual FY 2010	Estimated FY 2011	Public Safety Enforcement FY 2011	Gov. Rec. FY 2012	Gov Rec. FY 2012 vs. FY 2011
Indigent Defense	32,508,247	15,680,929		31,680,929	16,000,000
State Public Defender	19,568,864	21,531,682		24,083,182	2,551,500
Board of Parole	1,045,259	969,043		1,053,835	84,792
Attorney General	12,552,101	12,783,601	150,000	15,620,324	2,686,723
Civil Rights Commission	1,379,861	1,335,282	100,000	1,297,069	(138,213)
ILEA	1,049,430	849,147		868,698	19,551
Dept. of Corrections	328,700,839	320,672,329	3,335,000	346,327,477	22,320,148
Dept. of Public Safety	80,086,196	74,258,520	450,000	80,439,254	5,730,734
Dept. of Defense	8,046,404	7,833,957		7,363,919	(470,038)
TOTAL	\$ 484,937,201	\$ 455,914,490	\$ 4,035,000	\$ 508,734,687	\$ 48,785,197

FY 2013 Proposal

There is a \$5 million difference between the Governor's FY 2012 and FY 2013 proposal. The increase is due to language that was passed last year in House File 2518, which created a standing appropriation of \$5 million to the Peace Officer Retirement System until it reaches a funding ratio of at least 85%.

	Gov. Rec. FY 2012	Gov. Rec. FY 2013	Gov Rec. FY 2013 vs. FY 2012
Indigent Defense	31,680,929	31,680,929	-
State Public Defender	24,083,182	24,083,182	-
Board of Parole	1,053,835	1,053,835	-
Attorney General	15,620,324	15,620,324	-
Civil Rights Commission	1,297,069	1,297,069	-
ILEA	868,698	868,698	-
Dept. of Corrections	346,327,477	346,327,477	-
Dept. of Public Safety	80,439,254	85,439,254	5,000,000
Dept. of Defense	7,363,919	7,363,919	-
TOTAL	\$ 508,734,687	\$ 513,734,687	\$ 5,000,000

Policy Issues

- When finding solutions for the issue of lack of mental health beds, the Governor would like that solution to also address the high costs of transportation costs incurred by local law enforcement when transporting the patients.
- Current law requires that DNA is collected from persons when they are convicted of a felony. The Governor would like to change the collection point to when a person is arrested for a felony.
- The Governor is recommending an increase of just over \$5 million for state troopers.

TRANS., INFRASTRUCTURE & CAPITALS

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Department of Transportation (DOT)

The Governor funds DOT operations for FY 2012 and FY 2013 basically at status quo. This money is from the Road Use Tax Fund; it does not come from the general fund. However he does eliminate the \$50,000 appropriation for the I-35 North America superhighway corridor coalition participation. DOT has been receiving this annual appropriation since the coalition's creation in 1997. His budget is also adding \$550,000 from the RUTF for scale replacements. He's also providing a \$2.1 million appropriation from the Primary Road Fund for the Swea City garage, which was the department's request.

Rebuild Iowa Infrastructure Fund (RIIF) – FY 12 and FY 13 Deappropriations

Governor Branstad is recommending deappropriating \$43.7 million from the previously enacted FY 12 RIIF appropriations, and \$37.2 million from the previously enacted FY 13 appropriations, as follows:

- Eliminates the \$10 million annual appropriation to the SAVE (Secure an Advanced Vision for Education) Fund for both FY 12 and FY 13.
- Eliminates the \$3 million annual appropriation to the Housing Trust Fund for both FY 12 and FY 13.
- Eliminates funding for CAT grants (Community Attraction and Tourism) - \$5 million for both FY 12 and FY 13.
- Eliminates funding for RECAT grants (River Enhancement Community Attraction and Tourism) - \$10 million for both FY 12 and FY 13.
- Eliminates the \$6.5 million appropriated for passenger rail service for FY 12.
- Eliminates RIIF funding for IJOBS program administration - \$200,000 for both FY 12 and FY 13.
- Reduces the Environment First Fund from \$42 million to \$33 million for both FY 12 and FY 13. REAP is funded back to \$11.5 million level of FY 2007 (when Democrats were in control, this premier environmental program was funded at \$15.5 million in FY 08, \$18 million in FY 09 and 10, and \$15 million in FY11). The Code says REAP is to receive \$20 million a year through FY 2021.
- Does not eliminate the Grow Iowa Values Fund, but funds at \$25 million in FY 12 and FY 13. The statute says the fund is to receive \$50 million a year from the general fund.

Other RIIF Highlights

- The Governor, beginning in FY 11, includes additional revenue into RIIF from the transfer back of the unneeded amount of wagering tax allocation for the debt service on the school infrastructure bonds (the debt service is \$3.5 million, but the RIIF allocation is \$5 million).
- He keeps the \$5 million a year, for both FY 12 and FY 13, parks infrastructure funding that was previously enacted.
- He keeps the \$2 million for FY 12 for the rail revolving loan fund that was previously enacted.
- Increases funding for both Mitchellville and Ft. Madison construction costs.

- No funding for Iowa battle flags or historic sites from RIIF – looks like it’s funded at \$60,000 from the general fund within the economic development budget.
- No funding for the community colleges workforce training.
- Continues funding the Technology Reinvestment Fund at \$10 million in both FY 12 and FY 13.
- Funds lakes restoration at \$8.6 million and DNR’s floodplain management and dam safety program at \$2 million for both FY 12 and FY 13.
- Provides a new \$2.5 million appropriation in both FY 12 and FY 13 to start digital 700 Mhz communications conversion within the Department of Public Safety.
- Funds recreational trails at \$2 million, public transit infrastructure at \$2 million, commercial service airports infrastructure grants at \$1.5 million and general aviation airport grants at \$750,000 for both FY 12 and FY 13.
- Provides a new \$750,000 for the Veterans Home capitals.