

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report on Legislative Session
Date: April 8, 2002

Recommended Action:

Receive the monthly report on the 2002 Legislative Session and, by general consent, accept the recommendations of Board positions on proposed legislation.

Executive Summary:

Legislative Timetable	<p>Per diem expenses for the legislature end on the 90th day of the session, which is April 13. The legislative leaders have stated their intentions to finish work on bills by Thursday, April 11.</p> <p>The Governor has 30 days to sign or veto all bills that are received during or after the last three days of the session.</p>
Budget Bills	<p>The legislature is basically limiting its major appropriations bills to three:</p> <ul style="list-style-type: none"> • Omnibus Appropriations Bill (SF 2326 passed Senate on April 2) • Infrastructure Bill (HF 2614) • Salary and Miscellaneous Changes Bill <p>The Omnibus bill reduces funding for the FY 2003 Regent institutions from FY 2002 ending level by 3% for educational appropriations and between 14% and 18% for economic development appropriations. The special schools FY 2003 funding is level with FY 2002. The total Regent operating reductions for FY 2003 are almost \$20 million less than the final FY 2002 levels. Compared to the original FY 2002 appropriations, the FY 2003 proposed appropriations are \$60.8 million less.</p> <p>The Infrastructure bill provides \$51.1 million for new Regent capital projects and modifies funding sources for a number of other Regent capital projects. It also would fully fund the tuition replacement appropriation and provide funding to UNI for the 21st century learning infrastructure initiative.</p> <p>The Salary bill takes \$30 million of the Regent demutualization funds for statewide salary increases. It limits the salary funding for the Regent institutions to \$18 million, which is 46% or \$15 million short of the projected Regent need.</p>
Other Bills	<p>The bills related to Human Cloning, UIHC bonding, and the sale of ISU farmland are still under consideration by the legislature as of the date of</p>

this memorandum.

Background/Analysis:

State Budget Issues

The State of Iowa has been experiencing a sharp downturn in its projected revenue growth, which has impacted state budget decisions for FY 2002 and FY 2003.

	FY 2001	FY 2002				% Reduction
	Final Appropriations	Base Appropriation Reductions (6%)	Mid-Year 4.3% Reduction - Nov. 01	1% Reduction Plus Furlough Amount - March 02	Total Reductions	
SUI	318,587,761	18,745,149	13,291,007	5,867,954	37,904,110	12%
ISU	269,897,592	15,793,855	11,399,562	4,894,552	32,087,969	12%
UNI	91,829,144	5,259,749	3,889,269	1,729,956	10,878,974	12%
ISD	8,178,008	482,769	0	59,171	541,940	7%
IBSSS	4,568,379	269,683	0	33,028	302,711	7%
	693,060,884	40,551,205	28,579,838	12,584,661	81,715,704	12%
BOR	1,321,335	79,280	55,600	23,972	158,852	12%
	694,382,219	40,630,485	28,635,438	12,608,633	81,874,556	12%

FY 2002 Cuts

FY 2002 appropriations reductions for the Regents total \$81.9 million (12%):

- A 6% reduction in base budget appropriations (\$40.6 million) compared to FY 01;
- A 4.3% across-the-board budget reduction (\$28.6 million excluding the special schools and the Hygienic Laboratory) mandated November 1, 2001; and
- A 1% across-the-board reduction and furlough allocation reduction (\$12.6 million) effective March 1, 2002.

FY 2003

	FY 2001	FY 2002	FY 2003		
	Final Appropriations	Final Appropriations	Omnibus Bill	From Final FY 2002	
				\$ Change	% Change
SUI	318,587,761	294,092,817	285,208,063	(8,884,754)	-3.0%
ISU	269,897,592	248,811,942	240,743,819	(8,068,123)	-3.2%
UNI	91,829,144	84,828,889	82,151,261	(2,677,628)	-3.2%
ISD	8,178,008	7,891,351	7,891,351	-	0.0%
IBSSS	4,568,379	4,422,904	4,422,904	-	0.0%
	693,060,884	640,047,903	620,417,398	(19,630,505)	-3.1%

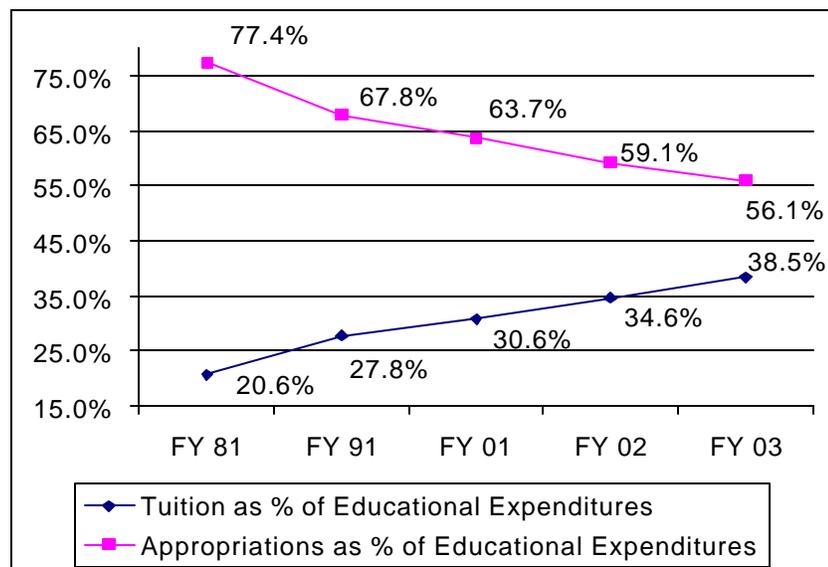
SF 2326 –
Omnibus
Appropriations Bill

The omnibus appropriations bill includes most state general fund operating appropriations including education and economic development.

The bill further reduces base Regent appropriations by almost \$20 million below the final FY 2002 levels. The education appropriations are 3% lower while the economic development appropriations are between 14% and 18% lower than FY 2002 final levels. The bill does not reduce the appropriations to the special schools.

The Regents institutions have, in both the last year and over the longer term, done a great deal to maintain quality while minimizing the need for state support. This has been accomplished through many venues including streamlining of operations, cost reductions, considerable nationally competitive federal and private support, and a very noticeable increase in the costs assessed to students and their families.

Regent Universities
General Educational Funding



FY 2003 numbers are estimated.

The share of the Regent overall educational budget borne by students and their families is increasing even faster today than an already noticeable increase over the past two decades. The extra costs that students and families will bear for public higher education for FY 2003 is nearly 20%. The main reasons identified by the Board for the extraordinary increase in tuition and fees for Fall 2002, decided last fall, were to maintain quality in Regent educational programs and continue to accommodate the continuing increases in Regent enrollments.

As a result of the FY 2002 \$81.9 million in appropriation reductions, the Regent institutions have already eliminated faculty and staff positions and made other agonizing decisions to significantly reduce costs. The FY 2002 reductions, in combination with the proposed further reductions in FY 2003 operating funds and significant underfunding of salary commitments (draft salary bill below), will cause the Regent institutions to fall short of established goals.

The proposed budget for FY 2003, coupled with the difficulties experienced over the past 12 months, undermine the educational quality of our institutions and will place a significant burden on middle income Iowa families who want to access public higher education.

Salary Bill

The proposed salary bill details were released this morning.

It transfers \$30 million from the Regents demutualization proceeds to the Department of Management salary adjustment fund immediately upon enactment of the legislation.

The bill identifies that the \$30 million is to fully fund the annual pay adjustments of collective bargaining agreements. It also provides non-contract Regent employees with salary increases comparable to those provided to contract-covered employees.

The additional Regent salary obligation for FY 2003 is estimated at more than \$33 million. The bill states that the salary adjustment allocation to the Regents for salary increases shall not exceed \$18 million.

The salary underfunding would be over \$15 million and would require further reductions in Regent institution operating funds to meet the salary shortfall.

HF 2614 –
Infrastructure Bill

This bill appropriates money for capital projects from several different sources.

From the tax-exempt tobacco securitization bond proceeds, funding of \$51.1 million has been identified for new Regent projects, which includes \$4.1 million for a new ISU Plant Sciences construction project. The bill provides the funding over several years.

The bill restores funding for the ISU livestock infectious disease isolation facility, which had been deappropriated in SF 2403.

It replaced funding from the Rebuild Iowa Infrastructure Fund (RIIF) for a number of Regent capital projects with tax-exempt tobacco securitization bond proceeds. The dollar amounts are consistent with the prior appropriations.

The infrastructure bill also funds the total tuition replacement appropriation, from two different tobacco related sources.

The bill also includes an appropriation of \$800,000 for the 21st century learning initiative at the University of Northern Iowa from RIIF. UNI is to consult with the state's information technology department and the department of education in continuing the initiative.

Board Position: Support

SF 2118 – Human Cloning The bill makes the destruction of an embryo for research purposes illegal and imposes criminal penalties. It also makes it illegal for a person to “Transfer or receive, in whole or in part, any oocyte, human embryo, fetus, or human somatic cell, for the purpose of human cloning.”

The proposed legislative language in this bill would be more prohibitive than federal policy. The House adopted a compromise amendment that allowed research, but then stopped debate on the bill. This bill is still on the House calendar.

Less favorable language on this topic has also come forth as an amendment to the omnibus appropriations bill. Since further modifications to this bill are possible, no change is recommended for the Board’s position.

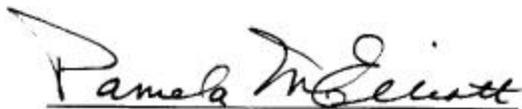
Board Position: Oppose

SF 2168 – UIHC Bonding The bill seeks legislative authorization, pursuant to Chapter 263A, for the Board to issue \$100 million of Hospital Revenue Bonds over a period of years. This bill passed the Senate on March 19 and is still under consideration by the General Assembly.

Board Position: Support

SF 2316 – Sell ISU Land The bill mandates that Iowa State University sell the 1100 acres of farm land within the Ankeny city limits and use the proceeds to establish a new dairy research and dairy teaching facility. This bill passed the Senate on March 26 and is still under consideration by the General Assembly.

Board Position: Monitor


Pamela M. Elliott

Approved: 
Gregory S. Nichols