

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report on Legislative Session
Date: May 7, 2002

Recommended Action:

Receive the monthly report on the 2002 Legislative Session.

Executive Summary:

Legislative Timetable The General Assembly convened in a special session called by the Governor on Monday, April 22. The Governor requested that the legislature approve the transfer in FY 2003 of \$60 million in sales tax proceeds from the sale of automobiles from the road use fund to the state general fund and provide additional appropriations for education (including Regents), health care, and public safety from the proceeds. The legislature adjourned the session in the afternoon without changing any pending budget legislation.

The Governor has until May 12 to sign or veto all bills that were received during or after the last three days of the regular session.

REC Projections The Revenue Estimating Conference (REC) met today, May 7, and further reduced its estimates for both FY 2002 and FY 2003. The REC anticipates a shortfall of \$167 million for FY 2002 and \$230 million shortfall for FY 2003.

Since Governor Vilsack is authorized to transfer only \$50 million from the Economic Emergency Fund on his own, a second special session may need to be called relating to adjustments to budgets for both FY 2002 and FY 2003.

An oral update will be presented at the Board Meeting.

Budget Bills During the regular session, the legislature passed three major appropriations bills which include the Regent institutions:

- Omnibus Appropriations Bill (SF 2326) — significantly reduces FY 2003 operations funding for the Regent universities while holding the special schools essentially even with FY 2002.
- Salary Bill (HF 2623) — requires the Regents to transfer \$30 million of Regent demutualization funds to the state, limits Regent salary funding to \$25 million, and further reduces the operating appropriations by \$5 million.
- Infrastructure Bill (HF 2614) — provides \$51.1 million for new Regent capital projects, modifies funding sources, fully funds tuition replacement, and funds the UNI 21st century learning infrastructure initiative.

Background/Analysis:

SF 2326 –
Omnibus
Appropriations Bill

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

The bill further reduces base Regent operating appropriations by almost \$20 million below the final FY 2002 levels.

The university base educational appropriations are almost 4% below the final FY 2002 levels for educational appropriations while the economic development appropriations are between 14% and 18.5% lower than FY 2002. The FY 2003 special schools base funding is slightly below FY 2002 amounts.

Total operating appropriations, base and salary, are more than \$45 million below the Governor's recommended levels. The FY 2003 appropriations are \$60.8 million less than the original FY 2002 appropriations.

Status: Pending Governor's action.

HF 2623 –
Salary Bill

The bill directs the Regents to transfer \$30 million from the Regent demutualization proceeds to the Department of Management salary adjustment fund immediately upon enactment of the legislation.

The incremental Regent salary obligation to be funded from state appropriations 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 \$25 million. The salary underfunding from state appropriations would be over \$8 million and would require further reductions in Regent institution operating funds to meet the salary shortfall.

This bill further reduces the Regent operating appropriations in the Omnibus Appropriations Bill by \$5 million, to be allocated based on the line item appropriations in the Omnibus Appropriations Bill.

Status: Pending Governor's action.

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. All projects, except the ISU Plant Sciences project, were recommended by the Governor.

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

It replaces funding from the Rebuild Iowa Infrastructure Fund (RIIF) for a number of Regent capital projects authorized during the 2000 and 2001 sessions with tax-exempt tobacco securitization bond proceeds. The dollar amounts are consistent with the prior appropriations.

The infrastructure bill 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.

Status: Pending Governor's action.

SF 2118 – Human Cloning The bill, as amended and passed by both Houses, prohibits human cloning but does not restrict areas of scientific research not specifically prohibited, such as in vitro fertilization and administration of fertility enhancing drugs.

The bill reaffirmed the current law, which allows the donation of excess in vitro fertilization embryos for research.

Status: Governor signed April 26.

SF 2168 – UIHC Bonding The bill, as passed by both Houses, authorizes the Board to issue \$100 million of Hospital Revenue Bonds over a period of years.

Status: Governor expected to sign May 8 at the University of Iowa.

SF 2316 – Sell ISU Land This bill, as amended and passed by both Houses, directs Iowa State University to develop a plan (to be approved by the Board) to sell the 1,100 acres of farm land within the Ankeny city limits and use the proceeds to establish a new dairy research and dairy teaching facility or for the Plant Sciences Institute. This bill mandates that any appraisals conducted by the university shall be made available to the public immediately following the sale of each portion of the land.

Status: Governor signed May 2.


Pamela M. Elliott

Approved: 
Gregory S. Nichols