

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Report on Legislative Session  
**Date:** April 16, 2002

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**Recommended Action:**

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

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**Executive Summary:**

**Legislative Timetable** Both the House and the Senate adjourned on Friday evening, April 12, 2002 – the House at 10:52 p.m. and the Senate at 11:33 p.m. The Governor has 30 days to sign or veto all bills that are received during or after the last three days of the session.

The Governor has announced a special session beginning at 9:00 a.m. on Monday, April 22. A copy of the Governor's news release and letter to legislative leadership for the special session are attached to this memorandum.

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**Budget Bills** 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 even with FY 2002. Board Position: Oppose.
- 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. Board Position: Oppose.
- Infrastructure Bill (HF 2614) — provides \$51.1 million for new Regent capital projects, modifies funding sources, fully funds tuition replacement, and funds the UNI 21<sup>st</sup> century learning infrastructure initiative. Board Position: Support.

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.

These FY 2003 base operating appropriations are almost \$25 million less than the final FY 2002 levels. 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

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FY 2002 appropriations.

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Other Bills                      The bills related to Human Cloning, UIHC bonding, and the sale of ISU farmland, passed both Houses.

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Legislative Liaisons                      The Regent legislative liaisons – Andrew Baumert, Mark Braun, and Keith Saunders – should be commended for their hard work in a very difficult legislative environment. Gary Steinke should also be acknowledged for his assistance and guidance during this legislative session.

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**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 2002 Cuts

	FY 2002				
	Base Appropriation Reductions (6%)	Mid-Year 4.3% Reduction - Nov. 01	1% Reduction Plus Furlough Amount - March 02	Total Reductions	% Reduction
SUI	18,745,149	13,291,007	5,867,954	37,904,110	12%
ISU	15,793,855	11,399,562	4,894,552	32,087,969	12%
UNI	5,259,749	3,889,269	1,729,956	10,878,974	12%
ISD	482,769	0	59,171	541,940	7%
IBSSS	269,683	0	33,028	302,711	7%
	<b>40,551,205</b>	<b>28,579,838</b>	<b>12,584,661</b>	<b>81,715,704</b>	<b>12%</b>
BOR	79,280	55,600	23,972	158,852	12%
	<b>40,630,485</b>	<b>28,635,438</b>	<b>12,608,633</b>	<b>81,874,556</b>	<b>12%</b>

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

- A 6% reduction in base budget appropriations (\$40.6 million);
  - 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.
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	FY 2001	FY 2002	FY 2003			
	Final Appropriations	Final Appropriations			Legislation From Final FY 2002	Legislation From Governor
			Governors Rec	Legislation	\$ Change	\$ Change
<b>OMNIBUS BILL</b>						
SUI	318,587,761	294,092,817	299,960,772	285,208,063	(8,884,754)	(14,752,709)
ISU	269,897,592	248,811,942	253,706,495	240,743,819	(8,068,123)	(12,962,676)
UNI	91,829,144	84,828,889	86,558,846	82,151,261	(2,677,628)	(4,407,585)
ISD	8,178,008	7,891,351	7,946,772	7,891,351	-	(55,421)
IBSSS	4,568,379	4,422,904	4,454,332	4,422,904	-	(31,428)
Institutions	693,060,884	640,047,903	652,627,217	620,417,398	(19,630,505)	(32,209,819)
OTHER	1,717,444	1,578,147	1,605,840	1,542,580	(35,567)	(63,260)
<b>Subtotals</b>	<b>694,778,328</b>	<b>641,626,050</b>	<b>654,233,057</b>	<b>621,959,979</b>	<b>(19,666,071)</b>	<b>(32,273,078)</b>
<b>SALARY BILL CUTS</b>				(5,000,000)	(5,000,000)	(5,000,000)
<b>Operating Approps</b>	<b>694,778,328</b>	<b>641,626,050</b>	<b>654,233,057</b>	<b>616,959,979</b>	<b>(24,666,071)</b>	<b>(37,273,078)</b>
<b>SALARY BILL</b>	-		33,254,025	25,000,000	not calculated	(8,254,025)
<b>Totals</b>	<b>694,778,328</b>	<b>641,626,050</b>	<b>687,487,082</b>	<b>641,959,979</b>	<b>333,929</b>	<b>(45,527,103)</b>

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.

Board Position: Oppose

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 bill identifies \$41.1 million, the Regent \$30 million in demutualization funds and \$11.1 million in underground storage tank funds, 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 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.

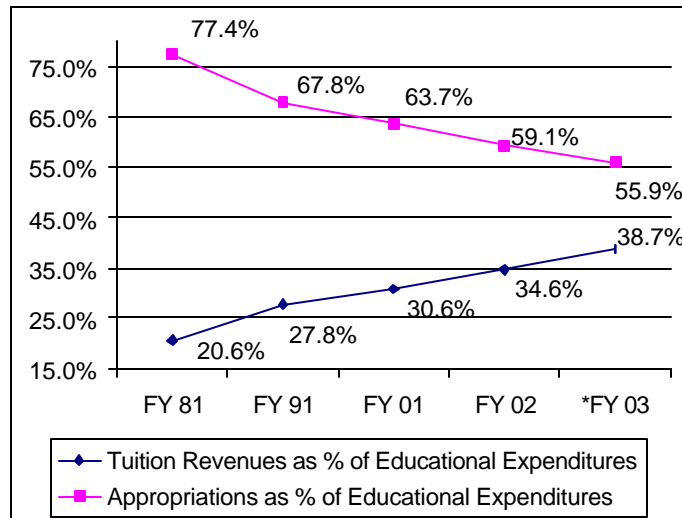
Board Position: Oppose

Budget Bills

Between the Omnibus Appropriations Bill and the Salary Bill, the base appropriations reductions total \$24.7 million. These cuts represent almost 4% of the base education appropriations and 14%-18.5% of various economic development and business assistance programs

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 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 underfunding of salary commitments 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.

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.

Board Position: Support

**Appropriations for New Capital Projects**

	<u>Final Legislative Action</u>			<b>Total New</b>
	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	
<b>University of Iowa</b>				
Classroom/Journalism Building	2,600,000	7,200,000	3,575,000	13,375,000
<b>Iowa State University</b>				
Plant Sciences Construction	4,148,000			4,148,000
Undergraduate Classrooms	<u>2,112,100</u>	<u>10,177,300</u>	<u>1,949,100</u>	14,238,500
Subtotal	6,260,100	10,177,300	1,949,100	18,386,500
<b>University of Northern Iowa</b>				
Innovative Teaching Center (East Gym Renovation)	1,730,000	6,490,000	9,880,000	18,100,000
<b>Lakeside Laboratory</b>				
Improvements	390,000			390,000
<b>Iowa School for the Deaf</b>				
Utility System & Tuckpointing	435,000			435,000
<b>Iowa Braille &amp; Sight Saving School</b>				
HVAC Systems Upgrade	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
<b>Total New Appropriations</b>	<b><u>\$ 11,865,100</u></b>	<b><u>\$ 23,867,300</u></b>	<b><u>\$ 15,404,100</u></b>	<b><u>\$ 51,136,500</u></b>

**Transfers of Capital Appropriations**

	<b>Final Legislative Action</b>	
	<b>FY 2003</b>	<b>FY 2004</b>
<b>University of Iowa</b>		
Biology Building Renovations Phase II	\$ 3,000,000	
Art Building Phase I	7,910,000	3,653,000
Subtotal	<b>10,910,000</b>	<b>3,653,000</b>
<b>Iowa State University</b>		
Gilman Hall Renovation		
Livestock Infectious Disease Facility*	2,797,000	
College of Business Building	<u>6,700,000</u>	
Subtotal	<b>9,497,000</b>	-
<b>University of Northern Iowa</b>		
McCullum Hall Renovation	8,400,000	
Steam Distribution System	<u>4,320,000</u>	<u>4,390,000</u>
Subtotal	<b>12,720,000</b>	<b>4,390,000</b>
<b>Total</b>	<b>\$ 33,127,000</b>	<b>\$ 8,043,000</b>

\*Deappropriated from FY 2002

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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.

Board Position: Monitor

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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.

Board Position: Support


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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.

Board Position: Monitor

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 Pamela M. Elliott

Approved:   
 Gregory S. Nichols



## OFFICE OF THE GOVERNOR

STATE CAPITOL  
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515 281-5211  
FAX 515-281-6611

THOMAS J. VILSACK  
GOVERNOR

SALLY J. PEDERSON  
LT. GOVERNOR

For immediate release  
Tuesday, April 16, 2002

For more information:  
Joe Shannahan, 515-281-0173

### **Vilsack calls Legislature back for special session, expresses optimism on passing budget that “protects and strengthens Iowa’s future,” requests opportunity to address Legislature in Joint Session**

DES MOINES – In a letter addressed to legislative leaders, Governor Tom Vilsack called the legislature back for a special session beginning Monday, April 22, to pass a budget that protects the priorities of Iowa families.

Vilsack remarked, “During the past four years, we have demonstrated that we can work together constructively on behalf of the families of Iowa and their future when we set partisanship aside. We have passed historic class-size reduction legislation and a landmark teacher training and compensation package. We have initiated a Senior Living Trust, a power-plant siting law and an Iowa venture capital fund. Just last week, we forged a difficult compromise on a new livestock confinement law. And we have accomplished all this while cutting – not raising – taxes, despite a severe national recession that has affected nearly every state.”

While acknowledging that the Iowa budget for fiscal year 2003 passed by the legislature protected the progress on teacher salaries, without raising taxes, Vilsack noted that it fell short in other important areas.

Vilsack stated, “From crucial teacher training programs to access to higher education for working families; from protecting children from abuse to maintaining secure prisons and safe highways, the budget passed by the legislature is simply inadequate. Therefore, I must call the legislature back into session beginning next Monday, April 22.”

Vilsack invited legislative leaders to meet in advance of the special session to explore the changes and compromises that might result in agreement, and specifically set aside time Thursday and Friday afternoon to meet in pursuit of that goal. In order to meet with all legislators, he also requested the opportunity to address the legislature in a joint session on April 22.

Vilsack expressed optimism on reaching an acceptable compromise on the budget, remarking, “the truth is that our current differences amount to less than two percent. But it is a two-percent that can make a crucial difference in the lives of many Iowa families. I believe it is worth the effort to seek a compromise that will protect and strengthen Iowa’s future – from keeping college affordable to maintaining safe communities to making sure our children’s teachers have the training and tools they need for classroom success.”

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GOVERNOR

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SALLY J. PEDERSON  
LT. GOVERNOR

April 16, 2002

The Honorable Mary Kramer  
President of the Senate  
State Capitol  
LOCAL

The Honorable Brent Siegrist  
Speaker of the House  
State Capitol  
LOCAL

Dear President Kramer and Speaker Siegrist:

During the past four years, we have demonstrated that we can work together constructively on behalf of the families of Iowa and their future when we set partisanship aside. We have passed historic class-size reduction legislation and a landmark teacher training and compensation package. We have initiated a Senior Living Trust, a power-plant siting law and an Iowa venture capital fund. Just last week, we forged a difficult compromise on a new livestock confinement law. And we have accomplished all this while cutting – not raising – taxes, despite a severe national recession that has affected nearly every state.

The Iowa budget for fiscal year 2003 passed by the legislature protected our progress on teacher salaries, without raising taxes. But, in other important areas of state responsibility, that budget fell short. From crucial teacher training programs to access to higher education for working families; from protecting children from abuse to maintaining secure prisons and safe highways, the budget passed by the legislature is simply inadequate. Therefore, I must call the legislature back into session beginning next Monday, April 22.

I am optimistic that we can reach an acceptable compromise on the budget. The truth is that our current differences amount to less than two-percent. But it is a two-percent that can make a crucial difference in the lives of many Iowa families. I believe it is worth the effort to seek a compromise that will protect and strengthen Iowa's future – from keeping college affordable to maintaining safe communities to making sure our children's teachers have the training and tools they need for classroom success.

I invite you to meet with the Lieutenant Governor and me in advance of this special session to explore the changes and compromises that might result in agreement. I have set aside time Thursday and Friday afternoon to meet with you in pursuit of that goal. I am also respectfully requesting the opportunity to address the legislature in a joint session on April 22.



I believe that this special session can be as short in duration and as successful in outcome as were previous special sessions in which we enacted the power-plant siting law and restored funding for crucial programs after last year's across-the-board budget cuts. I believe we owe it to the families and communities of Iowa to set-aside partisan differences in pursuit of that goal. As you know, school districts are required to notify teachers of lay-offs by April 30. Therefore it is of utmost urgency that we pass a budget that keeps quality teachers in the classroom.

I look forward to meeting with you shortly to continue a constructive dialogue on behalf of this state we serve with honor and respect.

Sincerely,

Thomas J. Vilsack  
Governor

CC: Senate Majority Leader Stewart Iverson  
Senate Minority Leader Mike Gronstal  
House Majority Leader Christopher Rants  
House Minority Leader Richard Myers