

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report on Legislative Session
Date: February 9, 2004

Recommended Actions:

1. Authorize allocation of limited appropriations from the Rebuild Iowa Infrastructure Funds for FY 2004 debt service needs.
 2. Ratify the Board positions on the identified bills.
 3. Receive the monthly report on the 2004 Legislative Session.
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Executive Summary:

Governor's Budget The Governor released his budget recommendations for FY 2005 on January 16th. His recommendations proposed an essentially status quo budget with some additional resources for education, health care, local governments, and public safety.

The Governor has recommended an increase in Regent institutional operating appropriations of \$30 million to deal with necessary operational expenses. His budget noted that the general fund budgets for the Regent institutions have been reduced by nearly \$100 million over the past four years.

His budget further fully funded requested tuition replacement appropriations and added \$15.4 million for Regent maintenance, projects.

New Regent Appointment On January 22, the Governor announced the appointment of Jenny Rokes, a junior at the University of Northern Iowa, to the Board of Regents. The appointment is subject to confirmation by the Iowa Senate.

Tuition Replacement Funding Issues The tuition replacement appropriations pay the net debt service on bonds issued for academic building revenue bonds. The tuition replacement appropriation of \$24.3 million for FY 2004 was provided from three sources: state general fund, Rebuild Iowa Infrastructure Funds (RIIF), and restricted tobacco funds. The first two sources have been impacted by deappropriations or restrictions on use of appropriations.

While refunding academic building revenue bonds throughout the year has helped to mitigate the impact of reductions, the gubernatorial 2.5% reduction to the state general fund share amounted to \$333,576.

Debt service payments on academic building revenue bonds in FY 2004 need to be made. The payment of debt service can be accomplished by deferring RIIF drawdowns from the two special schools appropriations and drawing \$220,000 of the \$350,000 for tuition replacement needs.

Bill Positions The Board is being asked to ratify the positions on several legislative bills as identified on page 3.

Background/Analysis:

Legislative Timetable	<p>The legislature is expected to release appropriation targets in March after the Revenue Estimating Conference (REC) meeting.</p> <p>The legislature has established two dates for completion of most committee work, known as funnel dates:</p> <ul style="list-style-type: none">• March 5 is the final date for House bills to be reported out of House committees and Senate bills out of Senate committees.• March 26 is the final date for Senate bills to be reported out of House committees and House bills out of Senate committees. <p>The session is expected to end in April. The 100th calendar day of the session is April 20.</p>
Legislative Committees	<p>Many legislative appropriations subcommittees have suspended meetings until after appropriation targets are established. However, Board leadership and the Executive Director continue to meet with legislative leaders on Regent priorities.</p> <p>The Regent Economic Development and Technology Transfer Committee is scheduled to make a presentation to the House Standing Economic Growth Committee on February 26.</p>
Governor's Budget	<hr/> <p>The Governor recommended FY 2005 General Fund appropriations of \$4.771 billion. This represents a \$280 million increase over the net FY 2004 appropriations.</p> <p>The Governor has identified a dedicated increased revenue stream from modernizing the sales tax system to provide \$131 million in support of education for FY 2005. The proposal is to update and expand Iowa's base of taxable transactions for services such as engineering, surveying and consulting.</p>
Educational Focus	<p>The educational focus for these resources includes the following:</p> <ul style="list-style-type: none">• Fully fund allowable growth, restore state funds cut from last year's budget• Provide state incentives for local districts to reduce administrative costs and redirect savings into greater support for teacher compensation and professional development• Continue and expand teacher compensation-student achievement effort from two years ago• Continue to reduce class sizes, improve reading and prevent dropouts• Launch new efforts in Waterloo and Sioux City to correct the achievement gap• Provide additional support for early childhood education• Increase aid to community colleges• Provide support to Regents' universities to fully fund faculty and staff salaries• Support the Iowa Tuition Grant program• Better support tuition assistance for Iowa National Guard members

Regent Institutions The Governor's recommended operating increase for Regent institutions of \$30 million as illustrated in the following table.

	Recommended Appropriations (in \$ Millions)		
	<u>FY 2004</u>	<u>Increase</u>	<u>FY 2005</u>
University of Iowa	\$271.99	\$13.65	\$285.64
Iowa State University	227.00	10.74	237.74
University of Northern Iowa	78.38	4.83	83.21
Iowa School for the Deaf	8.10	0.50	8.60
Iowa Braille and Sight Saving School	4.53	0.28	4.81
Other	<u>1.51</u>	<u>-----</u>	<u>1.512</u>
	<u>\$591.51</u>	<u>\$30.00</u>	<u>\$621.51</u>

Tuition Replacement Funding Issues

The tuition replacement appropriations pay the net debt service on bonds issued for academic building revenue bonds. The tuition replacement appropriation of \$24.3 million for FY 2004 was provided from three sources:

- \$13.3 million from the state general fund
- \$10.6 million from tobacco securitization bond proceeds
- \$0.4 million from the Rebuild Iowa Infrastructure Fund (RIIF)

The gubernatorial across-the-board 2.5% state general fund deappropriation in October caused a reduction to the state general fund portion for tuition replacement.

Midway through FY 2004, the Department of Management implemented a freeze on 60% of all appropriations from the Rebuild Iowa Infrastructure Fund (RIIF) pending the decision of the Iowa Supreme Court on the two-tiered gaming tax system that would potentially impact funding in the RIIF account.

RIIF funds appropriated to the Regents for FY 2004 included:


- \$500,000 to the University of Northern Iowa
- \$100,000 to Iowa School for the Deaf
- \$100,000 to Iowa Braille and Sight Saving School,
- \$350,000 for tuition replacement.


To date, UNI has drawn down half their funding from the RIIF account.

While refunding bonds of academic building revenue bonds throughout the year has helped to mitigate the impact of reductions, the 2.5% reduction to the state general fund share amounted to \$333,576.

In order to make the necessary debt service payments on academic building revenue bonds in FY 2004, a minimum of \$220,000 is needed from the RIIF account. The payment of debt service can be accomplished by deferring drawdowns from the two special schools appropriations and drawing \$220,000 of the \$350,000 for tuition replacement needs.

Legislative Bills	The Board Office and the institutions track all bills that may have an impact on the Regent institutions. Bills of particular interest worthy of increased scrutiny are listed below.
HF 2070 Regent Bonding Restrictions	This bill amends the Code requirements for Regents bonding issues and infringes on the governance authority of the Board of Regents. Recommended Board Position: Oppose
HF 2140 Tuition Timing	This bill moves the final Board of Regent decision on tuition from November to March. The meeting may not be held during spring break. Recommended Board Position: Support
SSB 3034 Limitation of Regent Student Membership	This bill requires the Regent student member to resign by the end of the calendar year in which he/she is no longer a student. Board members are currently appointed for six-year terms. By changing the term or conditions of appointment of the student member, the student Regent would be on an unequal status with other Board members. Recommended Board Position: Oppose
SSB 3016/ HSB 526 Compensation Issues	These bills provide changes to ethics, nepotism, conflict of interest, and prohibited activities provisions for public employees. These changes would adversely impact Regent institutional employees. Recommended Board Position: Oppose
HF 2039 General Fund Expenditure Limitation	This bill changes the state general fund expenditures from 99% to 98% of the state adjusted revenue estimate. Recommended Board Position: Monitor
HCR 104 Wage Freeze	This resolution urges state employee unions to reopen contract negotiations to accept a wage freeze. Recommended Board Position: Monitor
HF 2027 Workers Compensation Benefits	This bill makes all confidential information filed with the Workers Compensation Commissioner a confidential public record. The bill also would require employers to keep track of all lost work time due to medical treatment up to a total of 24 hours, and then allow time off with pay for continuing treatment. Recommended Board Position: Monitor
Birth Defects Registry Bills	Several bills (HF 2003, HF 2045, SF 2059, HF 2074) relate to funding mechanisms for the Birth Defects Registry through the Iowa Department of Public Health. This registry is located at the University of Iowa. All of these bills are being monitored.


Pamela M. Elliott

Approved: 
Gregory S. Nichols