

2010 SESSION FISCAL REPORT

**83rd General Assembly
State of Iowa**

**Fiscal Services Division
Legislative Services Agency
August 2010**

Miscellaneous Acts – Fiscal Notes

HF 2110 – Unemployment for Military Relocation Act

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Fiscal Note Version – Final Action

House File 2110 permits the payment of unemployment benefits to individuals that leave employment because of the relocation of their spouse by the military. An employer's account will not be charged for any benefits paid under this legislation.

Background

Employer contributions to the Unemployment Insurance Trust fund are based on a calculation by the Iowa Department of Workforce Development that takes into account, among other things, the amount of money available in the Trust Fund and the utilization of the Trust Fund by the employer's former employees. While the benefits paid under this legislation are not chargeable to an employer, it is possible for payments from the Trust Fund to have an impact on employer contributions.

As of May 2010, there is approximately \$450.8 million combined in the Unemployment Insurance Reserve Fund and in the Unemployment Insurance Trust Fund.

Assumptions

- There will be 48 claims for unemployment benefits annually.
- Benefit payments will be \$300 per week for each claimant and the average payments will be for 14 weeks.

Fiscal Impact

House File 2110 will increase expenses for the Unemployment Insurance Trust Fund by an estimated \$202,000 annually beginning in FY 2011. Because of the many variables that go into calculating contributions to the Trust Fund, it is not possible to determine what, if any, possible impact the legislation will have on future employer contributions.

Funding Source

The source of funding for the new Unemployment Insurance benefit will be from the Unemployment Insurance Trust Fund.

Enactment Date

This Act was approved by the General Assembly on March 9, 2010, and signed by the Governor on March 16, 2010.

Source

Iowa Department of Workforce Development

HF 2280 – Commercial Animal Establishments Act

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Fiscal Note Version – Final Action

House File 2280 changes the regulation of nonagricultural animals by the Department of Agriculture and Land Stewardship (DALs). This includes new definitions, fees, and penalties.

Background

Correctional and Fiscal Information

- The Care of Animals in Commercial Enterprises Study Committee met on September 29, 2009, and heard testimony on the regulation of nonagricultural animals in Iowa. The Department testified that they employ five inspectors that completed more than 2,400 inspections in FY 2009. This included more than 1,500 inspections in the animal care/commercial animal sector and more than 800 livestock animal inspections.
- The Act changes the fee structure and includes:
 - Certificate of Registration – annual fee of \$75 for an animal pound, animal shelter, or research facility.
 - State license – annual fee of \$175 for a boarding kennel, commercial kennel, or a pet shop.
 - State license or permit – annual fee of \$175 for a commercial breeder or public auction.
 - Requires a federal licensee to obtain a State license or permit.
 - Requires a person owning more than one commercial establishment to obtain a separate State license, certificate of registration, or permit, for each establishment.
 - Specifies fees are collected and maintained by the Department for administration of the Program.
 - Details the standard of care to include adequate feed, water, housing, sanitary control, and grooming practices for the animals and specifies required veterinary care requirements.
- Specifies that a research facility, pet shop, boarding kennel, commercial kennel, dealer, commercial breeder, or public auction cannot purchase a dog or cat from a commercial establishment that is not authorized by the Department.
- Outlines the conditions that allow the Department to inspect a commercial establishment and details the disciplinary actions that include:
 - An establishment can have their authorization revoked for violations under Code Section 717B, related to cruelty of nonagricultural animals or Code Section 714.16, consumer fraud. Also specifies that an owner may be required to complete a continuing education program that is administered by the Department.
 - Establishes civil penalties that will be deposited in the General Fund.
 - Details criminal penalties that include:
 - A person operating but not authorized for a commercial establishment is guilty of a simple misdemeanor and each day not authorized is a separate offense.
 - A person not meeting the standard of care is guilty of a simple misdemeanor.
 - A person not meeting legal requirements can have their authorization suspended or revoked.
 - Allows animals to be euthanized as provided by Department rules.
 - Specifies a dealer cannot knowingly ship a diseased animal.

Assumptions

Correctional and Fiscal Information

- In the past four years, there have been two convictions under Code Section 162.13 related to commercial animal establishments. During FY 2009, there were two convictions for animal torture.
- The average State cost for one simple misdemeanor conviction ranges from \$26 (court costs) to \$326 (court costs and indigent defense).
- The Department reported there are 297 State-licensed dealers and 452 federally-licensed dealers. The following table summarizes the estimated revenue from this Act:

Proposed Fee Revenue			
<u>Certificate of Registration Establishment</u>	<u>Fee</u>	<u>Number</u>	<u>Revenue</u>
Pounds	\$ 75	149	\$ 11,175
Private Pound	\$ 75	15	1,125
Animal Shelters	\$ 75	78	5,850
Research Facilities	\$ 75	26	1,950
Total Certificate of Registration Fees			<u><u>\$ 20,100</u></u>
<u>State License or Permit Establishment</u>	<u>Fee</u>	<u>Number</u>	<u>Revenue</u>
State Licensed Commercial Breeder or Dealer	\$ 175	297	\$ 51,975
Federal Licensed Commercial Breeder or Dealer	\$ 175	452	\$ 79,100
Exhibitor of Transporter	\$ 175	40	\$ 7,000
Boarding Kennel	\$ 175	180	\$ 31,500
Commercial Kennel	\$ 175	649	\$ 113,575
Pet Shop	\$ 175	181	\$ 31,675
Public Auction	\$ 175	1	\$ 175
Total State License or Permit Fees			<u><u>\$ 315,000</u></u>
Total Fee Revenue			<u><u>\$ 335,100</u></u>

- The Department estimates expenditures of \$328,000 and 5.0 FTEs to implement this Act for FY 2011. The second year estimate includes a 7.0% increase for salary and benefit costs with total expenditures estimated at \$281,000. The following chart details the expenditures:

HF 2280 Assumptions	FY 2011	FY 2012
Inspector -- 2.00 FTEs	\$ 85,000	\$ 90,000
Compliance Investigator -- 1.00 FTE	59,000	63,000
Office Staff -- 2.00 FTEs	84,000	90,000
Total Staff -- 5.00 FTEs	\$ 228,000	\$ 243,000
Cars -- 3	\$ 51,000	\$ 0
Computer equipment field	8,000	0
Computer equipment office	3,000	0
Other Support	34,000	34,000
Educational meetings	4,000	4,000
	\$ 100,000	\$ 38,000
Total Expenditures	\$ 328,000	\$ 281,000

Summary of Impacts

Correctional Impact: The correctional impact of HF 2280 is expected to be minimal.

Fiscal Impact: Fee revenue is estimated at \$335,000 for FY 2011 and each year after. Expenditures are estimated at \$328,000 and 5.0 FTEs for FY 2011 and \$281,000 for FY 2012. The following summarizes the expenditures:

HF 2280 Estimate		
	FY 2011	FY 2012
Revenue		
Fee Revenue	\$ 335,000	\$335,000
Total Revenue	\$ 335,000	\$335,000
Expenditures		
Salaries	\$ 228,000	\$ 243,000
Support	34,000	34,000
Computers	11,000	0
Educational Meetings	4,000	4,000
Cars	51,000	0
Total Expenditures	\$ 328,000	\$281,000
Net Impact	\$ 7,000	\$ 54,000
FTE Positions	5.00	5.00

Enactment Date

This Act was approved by the General Assembly on February 22, 2010, and signed by the Governor on March 10, 2010.

Sources

Department of Agriculture and Land Stewardship

Criminal and Juvenile Justice Planning Division, Department of Human Rights

Legislative Services Agency

HF 2518 – Public Retirement Systems Act

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Fiscal Note Version – Final Action

House File 2518 makes various changes to public retirement systems including the Peace Officers’ Retirement System (PORS), the Iowa Public Employee Retirement System (IPERS), and the Statewide Fire and Police Retirement System.

Overall Fiscal Impact Summary of HF 2518

FY 2011	Fiscal Impact Summary										Pension Fund	General Fund
	Employee				Employer				Total			
	State	County	City	Other	State	County	City	Other				
POR System	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	(950,000)	\$ 135,000
IPERS	0	0	0	0	0	0	0	0	0	0	0	0
411 System	0	0	0	0	0	0	0	0	0	0	0	(753,159)
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ (618,159)
FY 2012	Employee				Employer				Total	Pension Fund	General Fund	
	State	County	City	Other	State	County	City	Other				
	POR System	\$ 210,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0			\$ 210,000
IPERS	23,880,068	5,740,600	5,245,008	6,433,601	35,820,103	8,610,899	7,867,512	9,650,402	103,248,193	0	0	
411 System	0	0	0	0	0	0	0	0	0	0	(750,000)	
Total	\$ 24,090,068	\$ 5,740,600	\$ 5,245,008	\$ 6,433,601	\$ 35,820,103	\$ 8,610,899	\$ 7,867,512	\$ 9,650,402	\$ 103,458,193		\$ (750,000)	
FY 2013	Employee				Employer				Total	Pension Fund	General Fund	
	State	County	City	Other	State	County	City	Other				
	POR System	\$ 210,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0			\$ 210,000
IPERS	24,994,472	6,008,494	5,489,775	6,733,836	37,810,108	9,089,283	8,304,596	10,186,536	108,617,100	(1,950,000,000) *	0	
411 System	0	0	0	0	0	0	0	0	0	0	(750,000)	
Total	\$ 25,204,472	\$ 6,008,494	\$ 5,489,775	\$ 6,733,836	\$ 37,810,108	\$ 9,089,283	\$ 8,304,596	\$ 10,186,536	\$ 108,827,100		\$ 4,250,000	
Note												
* Includes \$750.0 million for the reduction in the unfunded actuarial liability (UAL) and a reduction of \$1.2 billion in the present value of future benefits.												

Division I - Peace Officers Retirement System (PORS)

Section 8 – Increases the employee contribution rate by 0.5% each year for four years beginning July 1, 2011 (FY 2012).

Assumptions

1. As of July 1, 2009, there were 662 active members in the PORS and 538 retired members and beneficiaries.
2. As of the July 1, 2009, per the Actuarial Valuation Report for the PORS, covered wages were reported at \$41.9 million.
3. For FY 2010, the contribution rate is 21.00% for the employer and 9.35% for the employee.
4. Under current law, the employer's contribution rate for the PORS is as follows:
 - FY 2011 – 23.0%
 - FY 2012 – 25.0%
 - FY 2013 – 27.0% or the normal contribution rate, whichever is less, for each year on or after July 1, 2012.

Fiscal Impact

The increase in the employee contribution rate by 0.5% per year for four years beginning July 1, 2011, will result in an estimated increase in contributions of \$210,000 per year for a total of \$840,000 by FY 2015.

0.5% Employee Contribution Rate Increase

Fiscal Year	Contribution Rate	Increase
2011	9.35%	\$ 0
2012	9.85%	\$ 210,000
2013	10.35%	\$ 420,000
2014	10.85%	\$ 630,000
2015	11.35%	\$ 840,000

Section 7 increases the employer contribution rate as follows:

- FY 2013 – 27.0%
- FY 2014 – 29.0%
- FY 2015 – 31.0%
- FY 2016 – 33.0%
- FY 2017 – 35.0%
- FY 2018 – 37.0% or the normal contribution rate, whichever is less, for each year on or after July 1, 2017.

The 2.0% increase in the employer contribution rate will result in an increase of approximately \$800,000 per year, based on current covered wages. The employer contribution is paid from the State General Fund.

Sections 10, 11, and 15 – These Sections allow members of PORS to purchase permissive service credit for eligible qualified service based on the actuarial cost of the service minus a credit for contributions made to the 411 System when the person was a member of that System. A report must be filed by July 1, 2011.

Background

There are five employees in the Department of Public Safety (DPS) with service in the 411 System prior to January 1, 1992, that were not eligible to transfer service credit to the PORS. Portability between the two Systems was not in place until 1996.

Each of these members resigned from the 411 System prior to being vested (15 years at that time). The vesting and refund rules were such at the time that these members were not entitled to any of their contributions. Language was changed after July 1, 1990, to allow any member that terminated service from the 411 System to withdraw their contributions in total from their date of hire through their termination date.

Senate File 2199 (enacted in 2006) allowed the purchase of permissive service credit during the period of July 1, 2006, through June 30, 2007. One of the five employees purchased two years of service totaling \$57,000.

Assumptions

1. The cost to purchase years of service is based on the member's current salary, current age, and date of hire, and will be paid by the member.
2. There are five members with a total of 31 years of service and all eligible years of service will be purchased.
3. There will be a credit for the contributions members did not receive back from the 411 System of approximately \$4,400 for each year of service. The remaining amount will be paid by the member.

Fiscal Impact

The estimated cost of purchasing the years of service, plus interest, is approximately \$1.3 million. The estimated cost to provide a credit for the contributions that the members did not receive back from the 411 System is approximately \$135,000 or \$4,400 in credit for each year of service purchased. The remaining \$1.2 million would be paid by the employees. The estimate is based on the best available calculations and would require an actuarial study.

Section 15 for the purchase of eligible service credit, establishes a standing unlimited appropriation for an amount equal to the portion of the actuarial cost of the permissive service credit purchase for eligible service credit. The cost is estimated to be \$135,000.

Section 13 – Beginning July 1, 2012 (FY 2013), a General Fund appropriation of \$5.0 million per year is made until the PORS Fund reaches an 85.0% funded ratio.

Assumption: The current funded ratio of the PORS Fund is 69.4%.

Fiscal Impact: The fiscal impact is a \$5.0 million appropriation from the General Fund beginning in FY 2013 to the PORS Fund annually until the PORS Fund reaches a funding ratio of at least 85.0%.

Section 17 - Changes the escalation amount for POR members from compounding each year to a set escalation amount in five year increments.

Background

Under current law, after a member retires, an adjustment is applied to the member's pension each July 1. The adjustment is based on the number of years the member has been retired and results in an increase in the monthly pension payment by an amount between \$15 and \$35. Over a 25 year retirement, the adjustment results in a cumulative increase of approximately \$82,500.

The PORS has two cost of living adjustments. One is based on the earnings of a current, active member [Code Section 97A.6(14)(1)(a)] and the second is based on the number of years since retirement [Code Section 97A.6(14)(2)(a)]. Members of the PORS do not receive social security benefits for their PORS covered earnings.

Assumptions

1. The actuarial value of the escalator is 2.24% of covered wages for the PORS.
2. As of July 1, 2009, per the Actuarial Valuation Report for the PORS, the covered payroll was \$41.9 million.
3. There are currently 538 retired members of the PORS.
4. House File 2518 provides an additional \$15 for the first five years, \$20 for years 6-10, \$25 for years 11-15, \$30 for years 16-20, and \$35 for the remaining five years for an annual total of \$7,500 per employee.

Fiscal Impact

The change in escalation is a decrease of \$75,000 for a member surviving 25 years beyond their retirement date. The flat escalator language provides the PORS a savings of future benefits payable totaling approximately \$950,000 per year due to the elimination of compounding of the amounts indicated in Code Section 97A.14.

Division II - Iowa Public Employee Retirement System (IPERS)

Sections 19, 21, 22, and 30 – The Act makes the following changes (effective July 1, 2012 (FY 2013)):

- ***Increases the vesting requirement from four years to seven years.***
- ***Calculates retirement benefits using a member's high five years of salary instead of the current three years.***
- ***Implements a 6.0% per year reduction in retirement benefits for each year the member receives a retirement allowance before age 65 when a member retires prior to normal retirement age.***

Background

Currently members vest at four years of completed service or at age 55 if active (making contributions to the plan). A vested member, meeting retirement eligibility requirements, is entitled to a lifetime retirement benefit based on a formula. Vested members also may purchase service credits. Vested members that leave IPERS covered employment and take a refund receive a portion of the employer's contributions made on their behalf plus interest. A member is always entitled to 100.0% of their own contributions and interest earnings.

Spiking occurs when wages are inflated and, as a result, the retirement benefit increases beyond what it would have been if wages increased incrementally as expected. The spiking control works by comparing the average wage with the wages for next highest year that is outside the average. Currently, the final average wage is compared to 121.0% of the fourth highest year's wages. The recommended change compares the final average wage to 134.0% of the sixth highest year. The benefit calculation uses whichever figure is lower. This continues to allow a wage increase of 10.0% a year.

Current law reduces the benefits of anyone that retires before meeting one of the normal retirement eligibility requirements by 3.0% a year. The current 3.0% a year reduction is figured from the nearest normal retirement eligibility. The recommendation proposes a reduction in benefits of 6.0% per year for a member that retires before meeting one of the normal retirement eligibility requirements. The reduction is applied from age 65.

Assumptions

1. Benefit changes apply only to regular class IPERS members. Regular members include most IPERS members, but do not include sheriffs, deputies, and employees in protection occupations such as correctional officers, town police and firefighters, jailers, emergency medical service providers, and others.
2. Benefit changes are effective July 1, 2012, and are based on an estimated June 30, 2012, estimated valuation using a current valuation model.
3. All actuarial assumptions adopted by the IPERS investment board also apply, such as longevity, the percentage retiring at various ages, and salary increases for active members.
4. A 6.0% adjustment for early retirement reflects the actuarial cost to the system.

Fiscal Impact

The changes:

- Reduce the present value of future benefits by \$1.2 billion.
- Reduce the normal cost rate by 90 basis points or 0.9%. The normal cost rate funds the increase in the present value of benefits that have accrued for service during a year.
- Reduce the unfunded actuarial liability (UAL) by \$750.0 million. The UAL is the difference between the actuarial liability, that portion of the present value of future benefits that will not be paid by future normal costs, and the actuarial value of assets at the same date.

The IPERS cannot provide cost savings for each benefit variable individually as the variables interact with each other and were estimated as a package.

Section 31 – Cancer presumption for members of the IPERS special services groups.

Background

- According to the American Cancer Society, within a person's lifetime, men have a one in two chance of developing an invasive cancer and women have a one in three chance. (Similar information regarding infectious diseases was unavailable).
- The IPERS Protection Occupation group includes 7,112 active members. Of these, 37.0% work for the Iowa Department of Corrections, 18.0% are county jailers, 15.0% are police, 13.0% are emergency management services workers, 8.0% are firefighters, and 9.0% include other occupations such as conservation and transportation officers, airport fire and safety officers, and others.

Assumptions

- The probability of a member becoming disabled is relatively small and the likelihood that the disability falls under the cancer and infectious disease category is even smaller. Few occurrences are expected to occur in future years.
- The additional benefit payable for an in-service retirement is not significantly larger than the benefit payable under an ordinary retirement (60.0% versus 50.0%) and for members with higher years of service (when disability rates are higher), there may be no difference because the full accrued benefit is paid in either scenario.

Fiscal Impact

Protection Occupation

The impact is an increase of 0.07 percentage point in the contribution rate. If the FY 2011 contribution rate included the cancer presumption, it would be 16.66% versus 16.59%. With the cost applied 60.0% to the employer and 40.0% to the employee, adding the cancer presumption would have increased the contribution rates in FY 2011 by .042 percentage point for the employer and .028 percentage point for the employee. Since FY 2011 rates have already been set, the change would be included in future actuarial valuations which determine rates.

Sheriffs and Deputies

The impact is an increase of 0.04 percentage point in the contribution rate. If the FY 2011 contribution rate included the cancer presumption, it would be 17.92% versus 17.88%. With the cost applied 50.0% to the employer and 50.0% to the employee, adding the cancer presumption would have increased the contribution rates in FY 2011 by .02 percentage point for the employer and .02 percentage point for the employee. Since FY 2011 rates have already been set, the change would be included in future actuarial valuations which determine rates.

Section 33 - Extends the bona fide retirement exception for licensed health care professionals for two years.

Background

Federal tax law requires qualified retirement plans to have a bona fide retirement period, a set time period when retirees demonstrate they ended employment and are entitled to retirement benefits. The standard bona fide retirement period for IPERS is four months. For the first month, a retiree must not work for an IPERS-covered employer, regardless of whether the job is IPERS-covered. A retiree also must stay out of an IPERS-covered job for an additional three months.

Current law allows licensed health care professionals to retire with IPERS benefits and return to work in one month. The exception sunsets June 30, 2010. This recommendation extends the exception for two years.

Assumptions

1. A shortened bona fide retirement period may encourage earlier retirements by making it easier for retirees to return to work.
2. Funding is affected when older members re-enter the system compared to younger members with more years to contribute before retirement.
3. The IPERS actuary must complete an experience study of employment and retirement behaviors to determine impact. The study will examine the impact of licensed health care professionals on the actuarial assumptions of expected behavior.

Fiscal Impact

1. Of the 14,748 active IPERS members employed by public hospitals, 7,245 are licensed health care professionals (5,348 active and 1,897 inactive). Of the active members, 1,406 are age 55 or older.
2. Based on a study period from July 1, 2004, through June 30, 2009, of the 491 licensed health care professionals that retired, 117 (23.8%) returned to work.
 - Of the 117 retirees that returned to work, 84 (71.8%) did so in less than four months.
 - Of the 84 that returned to work in less than four months, the median age at retirement was 60 with a median final average salary before retirement of \$46,732 and a median annual retirement benefit of \$24,447.
3. The IPERS actuary conducts an experience study every four years. The next study will be completed in the summer of 2010. The IPERS actuary will examine the shortened bona fide retirement period for licensed health care professionals.

Section 33 - Creates a bona fide retirement exception for members called to State active duty with the National Guard with a retroactive effective date of May 25, 2008.

Assumptions

To date there have been no known bona fide retirement violations as a result of the National Guard calling up members for State active duty.

Fiscal Impact

The fiscal impact for the bona fide retirement exception for members called to State active duty with the National Guard is anticipated to be minimal.

Sections 25 and 38 - Increases the total contribution rate to 13.45% beginning July 1, 2011 (FY 2012), and allows the system to adjust the rate up or down by no more than one percentage point per year for regular members.

Background

Under current law, the contribution rate will increase to 11.95% on July 1, 2011, and the maximum annual change is limited to 0.5 percentage point.

Assumptions

1. The contribution rate of 13.45% applies only to regular IPERS members. Regular members include most IPERS members, but do not include sheriffs, deputies, and employees in protection occupations such as correctional officers, town police and firefighters, jailers, emergency medical service providers, and others.
2. The FY 2011 contribution rate for regular membership is set at 11.45%. Under current law, the FY 2012 contribution rate for regular members effective July 1, 2011, would increase 0.5 % to 11.95%, shared between employer and employee as follows:

Employer	7.25%
Employee	4.70%
Total	11.95%
3. The percentage point limit on the annual contribution rate changes would increase from 0.5% to 1.0% and apply to all IPERS membership classes.
4. All active member counts are based on FY 2009 actuarial data and include all members active anytime during the year.
5. The expected FY 2010 total wages are from the FY 2009 IPERS valuation report completed by Milliman (the IPERS actuarial firm). The FY 2011 through FY 2016 total wages are compounded by 4.0% annually per actuarial assumptions.

Fiscal Impact

Comparison of 11.95% and 13.45% Rate for FY 2012

EMPLOYER TYPE	ACTIVE MEMBER	TOTAL WAGES	Current Law			Proposed Law			
			MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION	COMBINED RATE	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION	COMBINED RATE	DIFFERENCE
			4.70%	7.25%	11.95%	5.30%	8.15%	13.45%	
STATE	21,108	\$ 1,259,627,970	\$ 59,202,515	\$ 91,323,028	\$150,525,542	\$ 66,760,282	\$ 102,659,680	\$169,419,962	\$ 18,894,420
BOARD OF REGENTS	2,179	55,065,704	2,588,088	3,992,264	6,580,352	2,918,482	4,487,855	7,406,337	825,986
COUNTY	23,272	956,766,600	44,968,030	69,365,579	114,333,609	50,708,630	77,976,478	128,685,108	14,351,499
CITY	23,002	874,168,045	41,085,898	63,377,183	104,463,081	46,330,906	71,244,696	117,575,602	13,112,521
SCHOOL	87,734	3,386,540,773	159,167,416	245,524,206	404,691,622	179,486,661	276,003,073	455,489,734	50,798,112
COMM. COLLEGE	3,409	158,313,898	7,440,753	11,477,758	18,918,511	8,390,637	12,902,583	21,293,219	2,374,708
OTHER	5,535	192,729,963	9,058,308	13,972,922	23,031,231	10,214,688	15,707,492	25,922,180	2,890,949
	166,239	\$ 6,883,212,953	\$ 323,511,009	\$ 499,032,939	\$822,543,948	\$ 364,810,286	\$ 560,981,856	\$ 925,792,142	\$103,248,194
Member Averages		\$ 41,406	\$ 1,946	\$ 3,002	\$ 4,948	\$ 2,194	\$ 3,375	\$ 5,569	

Notes:
OTHER employer type includes municipal utilities, 28E organizations, Area Education Agencies, and miscellaneous small local entities.

One Percentage Point Increase Per Year

		ACTIVE		MEMBER	EMPLOYER	COMBINED
EMPLOYER TYPE		MEMBER	TOTAL WAGES	CONTRIBUTION	CONTRIBUTION	RATE
				5.70%	8.75%	14.45%
FY2013	STATE	21,108	\$ 1,310,013,089	\$ 74,670,746	\$ 114,626,145	\$ 189,296,891
FY2013	BOARD OF REGENTS	2,179	57,268,332	3,264,295	5,010,979	8,275,274
FY2013	COUNTY	23,272	995,037,264	56,717,124	87,065,761	143,782,885
FY2013	CITY	23,002	909,134,767	51,820,682	79,549,292	131,369,974
FY2013	SCHOOL	87,734	3,522,002,404	200,754,137	308,175,210	508,929,347
FY2013	COMM. COLLEGE	3,409	164,646,454	9,384,848	14,406,565	23,791,413
FY2013	OTHER	5,535	200,439,161	11,425,032	17,538,427	28,963,459
		<u>166,239</u>	<u>\$ 7,158,541,471</u>	<u>\$ 408,036,864</u>	<u>\$ 626,372,379</u>	<u>\$ 1,034,409,243</u>
Member Averages			\$ 43,062	\$ 2,455	\$ 3,768	\$ 6,222

		ACTIVE		MEMBER	EMPLOYER	COMBINED
EMPLOYER TYPE		MEMBER	TOTAL WAGES	CONTRIBUTION	CONTRIBUTION	RATE
				6.10%	9.35%	15.45%
FY2014	STATE	21,108	\$ 1,362,413,613	\$ 83,107,230	\$ 127,385,673	\$ 210,492,903
FY2014	BOARD OF REGENTS	2,179	59,559,065	3,633,103	5,568,773	9,201,876
FY2014	COUNTY	23,272	1,034,838,755	63,125,164	96,757,424	159,882,588
FY2014	CITY	23,002	945,500,157	57,675,510	88,404,265	146,079,774
FY2014	SCHOOL	87,734	3,662,882,500	223,435,832	342,479,514	565,915,346
FY2014	COMM. COLLEGE	3,409	171,232,312	10,445,171	16,010,221	26,455,392
FY2014	OTHER	5,535	208,456,728	12,715,860	19,490,704	32,206,564
		<u>166,239</u>	<u>\$ 7,444,883,130</u>	<u>\$ 454,137,871</u>	<u>\$ 696,096,573</u>	<u>\$ 1,150,234,444</u>
Member Averages			\$ 44,784	\$ 2,732	\$ 4,187	\$ 6,919

		ACTIVE		MEMBER	EMPLOYER	COMBINED
EMPLOYER TYPE		MEMBER	TOTAL WAGES	CONTRIBUTION	CONTRIBUTION	RATE
				6.50%	9.95%	16.45%
FY2015	STATE	21,108	\$ 1,416,910,157	\$ 92,099,160	\$ 140,982,561	\$ 233,081,721
FY2015	BOARD OF REGENTS	2,179	61,941,428	4,026,193	6,163,172	10,189,365
FY2015	COUNTY	23,272	1,076,232,305	69,955,100	107,085,114	177,040,214
FY2015	CITY	23,002	983,320,164	63,915,811	97,840,356	161,756,167
FY2015	SCHOOL	87,734	3,809,397,800	247,610,857	379,035,081	626,645,938
FY2015	COMM. COLLEGE	3,409	178,081,604	11,575,304	17,719,120	29,294,424
FY2015	OTHER	5,535	216,794,997	14,091,675	21,571,102	35,662,777
		<u>166,239</u>	<u>\$ 7,742,678,455</u>	<u>\$ 503,274,100</u>	<u>\$ 770,396,506</u>	<u>\$ 1,273,670,606</u>
Member Averages			\$ 46,576	\$ 3,027	\$ 4,634	\$ 7,662

		ACTIVE		MEMBER	EMPLOYER	COMBINED
EMPLOYER TYPE		MEMBER	TOTAL WAGES	CONTRIBUTION	CONTRIBUTION	RATE
				6.90%	10.55%	17.45%
FY2016	STATE	21,108	\$ 1,473,586,564	\$ 101,677,473	\$ 155,463,382	\$ 257,140,855
FY2016	BOARD OF REGENTS	2,179	64,419,085	4,444,917	6,796,213	11,241,130
FY2016	COUNTY	23,272	1,119,281,597	77,230,430	118,084,209	195,314,639
FY2016	CITY	23,002	1,022,652,970	70,563,055	107,889,888	178,452,943
FY2016	SCHOOL	87,734	3,961,773,712	273,362,386	417,967,127	691,329,513
FY2016	COMM. COLLEGE	3,409	185,204,869	12,779,136	19,539,114	32,318,250
FY2016	OTHER	5,535	225,466,797	15,557,209	23,786,747	39,343,956
		<u>166,239</u>	<u>\$ 8,052,385,593</u>	<u>\$ 555,614,606</u>	<u>\$ 849,526,680</u>	<u>\$ 1,405,141,286</u>
Member Averages			\$ 48,439	\$ 3,342	\$ 5,110	\$ 8,453

1. All active member counts are based on FY 2009 actuarial data and include all members active anytime during the year.
2. Expected FY 2010 total wages are from Exhibit 11, FY 2009 Valuation report.
3. The FY 2011 through FY 2016 total wages are compounded by 4.0% annually per actuarial assumptions.
4. OTHER employer type includes municipal utilities, 28E organizations, Area Education Agencies, and miscellaneous small local entities.

Section 36 - Extends the current wage purchase credit rules relative to furloughs for IPERS members for an additional year and allows the rules to apply to union bumping rights with a retroactive effective date of January 1, 2009.

Background

This provision allows IPERS members with reduced wages because of a furlough or mandatory unpaid days, or because of bumping within a layoff plan, to make up both the employer and employee contributions to IPERS for that time. When they make up the contributions, IPERS records the wages at the level they would have been without the loss of pay.

Assumptions

1. Employees near retirement would make up contributions to preserve the wages used in the retirement benefit formula and thus maintain the level of retirement benefits they would have received without the reduction in pay.
2. Employees that are not near retirement will not make up IPERS contributions.

Fiscal Impact

The cost of extending the current wage purchase credit for furloughs for an additional year and applying it to union bumping rights cannot be determined because IPERS does not know how widespread furloughs will be beyond State government. IPERS does not anticipate major additional costs.

There is a related cost to furloughs because IPERS loses contributions from everyone that is taking a furlough and not retiring. Only those employees retiring will make up lost contributions and will receive a higher benefit because of it.

Division III - Municipal Fire and Police Retirement System (411 System)

Section 54 - Phase-out of the State's contribution to the 411 System.

Background

In 1976, the General Assembly enacted benefit improvements under Chapter 411 and provided the improvements be paid for by the following:

- Additional member contributions at the rate of 1.21%.
- State of Iowa contributions to pay for the cost of benefits above the 1.21% to be determined by an actuarial valuation of cost to each of the 87 local systems for 49 cities.

In 1979, the contribution rate paid by the State of Iowa was calculated at an average for all local systems instead of individual city valuations. The rate was set at 3.79% of earnable compensation.

The standing appropriation is capped in Code Section 8.59.

Assumptions

1. If the State’s contribution to the benefit plan is eliminated, the city contribution rate (as a percent of earnable compensation) and dollars will increase by the corresponding amount.
2. The FY 2010 General Fund contribution was \$2,503,510 (1.08%). After the 10.0% across-the-board reduction, the amount is \$2,253,159.
3. Assumes a 7.5% return on investments.

Fiscal Impact

Phase Out of the State Contribution to the 411 System

	411 System	General Fund
	Standing Appropriation	Appropriation Reduction
FY 2010	\$ 2,253,159	\$ 0
FY 2011	\$ 1,500,000	\$ 753,159
FY 2012	\$ 750,000	\$ 750,000
FY 2013	\$ 0	\$ 750,000

Estimated Impact to the Cities Contribution Rate

Fiscal Year	Current Estimated City Contribution Rate Changes Including the State Appropriation	Estimated City Contribution Rate Changes Without the State Appropriation
2011	19.90%	20.38%
2012	24.91%	25.64%
2013	29.92%	30.90%
2014	35.32%	36.26%
2015	38.55%	39.45%

Enactment Date

This Act was approved by the General Assembly on March 18, 2010, and signed by the Governor on April 23, 2010.

Funding Source: The standing unlimited appropriation for the purchase of eligible service credit is estimated to be \$135,000 for FY 2011. Beginning July 1, 2011 (FY 2012), the employee and employer contribution rate increases for the POR System and for IPERS will be paid from the State General Fund. The \$5.0 million per year for the POR System beginning July 1, 2012 (FY 2013) is a standing limited from the State General Fund.

Sources

- Iowa Public Employees’ Retirement System (IPERS)
- Peace Officers Retirement System (PORS)
- Municipal Police and Fire (411 System)
- League of Cities

SF 2062 – Early Retirement Act

Analyst: Ron Robinson (Phone: 515-281-6256) (ron.robinson@legis.state.ia.us)

Fiscal Note Version – Final Action

Senate File 2062 establishes a State Employee Retirement Incentive Program for eligible employees of the Executive Branch of the State and makes the Program optional for the Legislative and Judicial Branches, and the Board of Regents institutions. Elected officials and employees eligible for an enhanced Sick Leave Conversion Program under Code Section 70A.23(4) (Sworn Peace Officers) are excluded from participating in the Program. The Program is to be administered by the Department of Administrative Services (DAS). The Act permits eligible employees that have completed an application for benefits under the Iowa Public Employees' Retirement System (IPERS) with an intended first month of entitlement no later than July 2010 to separate from service with the State and receive a benefit under the Program. To receive the incentive benefit, an eligible employee must submit an application to participate in the Program by April 15, 2010, be accepted to participate in the Program by the DAS, separate from State employment by June 24, 2010, and acknowledge the employee's ineligibility to return to employment with the State.

The Act provides two incentives to eligible employees that participate in the Program:

- If the employee has at least 10 years of State employment, \$1,000 will be paid to the employee for each year of State employment up to 25 years. The amount is to be paid in five equal installments each year during September beginning in 2010.
- A participant in the Program (or the surviving spouse) will receive a health insurance contribution benefit to pay the premium cost for eligible State group health insurance for five years following termination from State employment. A participant will receive the health insurance contribution benefit only when the participant is no longer eligible for, or exhausts, the available remaining value of sick leave used to pay the State share for the participant's continuation of State group health insurance coverage as provided in Code Section 70A.23(3).

The Act prohibits Executive Branch agencies, excluding the Board of Regents, from filling vacancies created by employees participating in the Program unless approved by the Department of Management (DOM). In addition, the Act prohibits early retirement participants under this Program from resuming State employment in any capacity.

This Act was effective on February 10, 2010.

Background

As of February 1, 2010, there were approximately 6,000 IPERS employees age 55 or older on the Central Payroll System that could qualify to participate. Of those employees, approximately 2,200 are eligible for full retirement benefits by meeting at least one of the following:

- Age and years of service equal at least 88.
- At least age 62 with 20 years of service.
- At least 65 years of age.

The General Assembly has enacted at least three early retirement programs, including:

- Senate File 551 (2nd Extraordinary 2001 Session) had 4,289 eligible participants and 594 chose to participate (13.8%). The Act provided for two early termination programs, a Years of Service (YOS) Program and a Sick Leave Program. The YOS Program was optional at the discretion of the State and provided for the payment to people with at least 10 years of service to receive the lesser of the employee's annual salary or \$250 for each quarter year of service. The Sick Leave Program was offered to employees with a total age plus years of service of at least 75. The Program provided for the payment of the lesser of the employee's regular annual salary or the value of the employee's unused sick leave.
- House File 2625 (2nd Extraordinary 2002 Session) had 4,564 eligible participants and 148 chose to participate (3.2%). The Act provided for the payment of one-fifth of the value of the employee's accumulated unused sick leave and vacation each year for five years. The sick leave portion was limited to one year's salary. Eligible employees were required to have a combined age and years of service of at least 75.
- House File 2497 (2004 Regular Session) had 5,367 eligible participants and 273 chose to participate (5.1%). The Act provided an incentive to sever employment with the State by paying the employee the lesser of 75.0% of the employee's regular salary or an amount equal to 75.0% of the value of the employee's accumulated sick leave.

Since the second and third programs followed shortly after the first program, it is anticipated the participation rate for the proposed Program will be closer to the first program. It is also anticipated that the potential changes to IPERS legislation and permitting the surviving spouse to continue the health insurance benefit during the term of the Program will increase participation.

For the prior three programs listed above, of the 988 participants on Central Payroll, a total of 397 (40.2%) had been deleted from Central Payroll as of October 31, 2007. It is anticipated the current budget constraints will decrease the number of positions that are backfilled.

The Board of Regents institutions continue to offer early termination incentives. Most of the Board of Regents employees are not covered by IPERS. The Board of Regents institutions do not anticipate any participation.

Under current law, qualified employees that terminate are entitled to payment of up to \$2,000 of unused sick leave, contribution toward health insurance under the Sick Leave Incentive Plan (SLIP), and payment of unused vacation. Therefore, those expenses are not included in these calculations.

Assumptions

- The participation rate will be approximately 900 (15.0%) of the approximately 6,000 identified eligible employees and approximately 405 (45.0%) of the positions will be backfilled over a three-year period.
- Positions that are backfilled will require 80.0% of the current cost of wages and benefits and the costs of the backfilled position will increase 4.5% each year.
- The Legislative Branch will participate and the Judicial Branch will not participate.
- Health insurance costs will increase 12.0% annually.

- There will be no significant administrative costs.
- The mortality of this group of eligible employees is not considered.
- Departments will assume the sick leave, vacation buy-back, and years of service, costs over the next five years at 20.0% each year.
- For Community-Based Corrections (CBCs) the bank balance for vacation was estimated at 157.6 hours and for sick leave it was estimated at 496.0 hours for each position since that data is not on Central Payroll.
- The current annual average wage and benefit costs for the identified eligible employees is approximately \$74,000.

Fiscal Impact

Senate File 2062 is expected to result in FY 2010 savings of \$973,000 for all funds, including \$439,000 for the General Fund, from salary costs when eligible employees terminate during FY 2010.

Senate File 2062 is also expected to result in future cost savings as follows:

(dollars in millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
General Fund	\$ 22.8	\$ 17.8	\$ 12.8	\$ 11.4	\$ 10.1	\$ 74.9
Road Use Tax Fund	0.8	0.6	0.5	0.4	0.3	2.6
Primary Road Fund	6.3	5.0	3.6	3.1	2.6	20.6
Federal Funds	9.5	7.5	5.5	4.9	4.4	31.8
Other Funds	14.3	11.3	8.2	7.3	6.4	47.5
Total	\$ 53.7	\$ 42.2	\$ 30.6	\$ 27.1	\$ 23.8	\$ 177.4

Funding Source: The source of funding for the new retirement incentives will be from all funding sources used for the payment of employee salaries to the extent that the use of those funds for this purpose are not prohibited.

Enactment Date: This Act was approved by the General Assembly on February 4, 2010, and signed by the Governor on February 10, 2010.

Sources

Department of Management
 Department of Administrative Services
 Iowa Public Employees' Retirement System
 Legislative Services Agency

SF 2333 – Dependent Adult Abuse Act

Analyst: Joseph Brandstatter (Phone: 515-281-8223) (joseph.brandstatter@legis.state.ia.us)

Fiscal Note Version – Final Action

Senate File 2333 establishes explicit qualifications for hospital inspectors. With respect to dependent adult abuse reports in programs and facilities, an inspector of the Department of Inspections and Appeals (DIA) may enter a facility without a warrant and examine all records pertaining to residents, employees, former employees, and the alleged dependent adult abuser. If the inspector knows or learns during the investigation that alleged abuse is suspected, the inspector is required to provide that information to the program or facility. The DIA is required to inform the person suspected of dependent adult abuse of that suspicion and inform the individual about the criminal consequences and their right to have legal council.

Upon the finding of dependent adult abuse, the caretaker may file an appeal request within fifteen days of receiving the notification of abuse. If the request is filed, the caretaker will not be placed on the Dependent Adult Abuse Registry until final agency action is taken. If the appeal is filed within the fifteen day timeframe, the contested case hearing will take place within sixty days. A final decision will be issued forty-five days from the contested case hearing.

The Act requests the Legislative Council to appoint an interim study committee to evaluate due process requirements relating to child abuse and dependent adult abuse.

Background

The Abuse Coordinating Unit schedules two hearings per week and contested case hearings are heard on average six months from the date of the appeal. Either party may request a continuance as well. Requiring compressed turn around time will require additional staffing to be able to prepare the cases in an expedited time frame.

Assumptions

- There were 243 founded cases during FY 2009. The fiscal estimate assumes there will be the same number in FY 2011.
- The DIA will add 5.0 FTE positions to be in compliance to reduce the timeframe of appeals to forty-five days and final decision in sixty days. The new positions will include 2.0 Attorneys, 1.0 Compliance Officer, and 2.0 Administrative Law Judges.
- Additional costs for attorney travel, supplies, and communications would be required.

Fiscal Impact

The additional cost to the General Fund is estimated to be \$497,000 and 5.0 FTE positions for FY 2011 and \$508,000 for FY 2012.

Enactment Date

This Act was approved by the General Assembly on March 22, 2010, and signed by the Governor on April 29, 2010.

Source

Department of Inspections and Appeals

SF 2356 – Health Care Reform ActAnalyst: Deborah Helsen (Phone: 515-281-6764) (deborah.helsen@legis.state.ia.us)Jess Benson (Phone: 515-281-4611) (jess.benson@legis.state.ia.us)Fiscal Note Version – Final Action

Senate File 2356 creates an interim study regarding premium assistance for individuals with income between 200.0% and 300.0% of the Federal Poverty Level (FPL). The Act expands the provider network for the current IowaCare Program and directs the Department of Public Health to develop a plan for coordination of care for individuals with diabetes. The Act creates the Iowa Insurance Information Exchange that is established in the Insurance Division of the Department of Commerce.

Total Fiscal Impact: The chart below indicates the fiscal impact for this Act.

Senate File 2356	FY 2011	FY 2012
Division I - IowaCare Provider Expansion		
U of I Physicians, Federally Qualified Health Centers, Non Participating Provider Reimbursement	\$ 22,000,000	\$ 22,000,000
Less Certified Public Expenditure Revenue	\$ -22,000,000	\$ -22,000,000
Net Iowa Care Provider Expansion Impact	\$ 0	\$ 0
Division I - Diabetes Coordination of Care		
DPH Staffing	0	0
Total Division I	<u>\$ 0</u>	<u>\$ 0</u>
Division II - Iowa Insurance Division		
Staff for the Exchange	\$ 125,000	\$ 125,000
Develop and Maintain Web Portal	25,000	25,000
Total Division II	<u>\$ 150,000</u>	<u>\$ 150,000</u>
Total	<u><u>\$ 150,000</u></u>	<u><u>\$ 150,000</u></u>

DIVISION I

IowaCare Program Study

Division I requests the Legislative Council to establish an interim study committee to look at options for establishing a health care premium assistance program for individuals between the ages of 19-64 with income more than 200.0%, but less than 300.0%, of the federal poverty level. The committee is to report findings and recommendations to the General Assembly by December 15, 2010.

IowaCare Provider Network Expansion

Division I directs the Department to amend the extension proposal for the IowaCare Program to allow members to utilize additional providers including a regional provider network, private providers, and hospitals designated by the Department and requires tertiary care to be provided at the University of Iowa. The Department is to use certified public expenditures at the University of Iowa to leverage additional federal funding.

Diabetic Registry

Division I directs the Department of Public Health to work with the appropriate entities to develop a plan for coordination of care for individuals with diabetes receiving care through members of the Iowa Collaborative Safety Net Provider Network. This Section provides permission for several activities the Department may consider, such as implementation of a diabetes registry.

Assumptions

IowaCare Provider Network Expansion

- Assumes there are approximately 124,000 uninsured adults with income below 200.0% of the FPL.
- Assumes current estimated expenditures for FY 2011 will be \$124.0 million and average enrollment will be 39,500 in FY 2011 and 42,000 in FY 2012.
- Adding a primary care network of Federally Qualified Health Centers (FQHC) will add an additional \$300.0 in cost per member per year.
- Funding for the FQHCs is limited to the additional funding received from the certified public expenditures.
- The State will use \$7.26 million from the University of Iowa Hospitals and Clinics (UIHC) to leverage an additional \$14.74 million in federal funding.
- Assumes \$22.0 million will be divided between physicians at the UIHC, FQHCs, and the IowaCare Nonparticipating Provider Reimbursement Fund.
- Assumes that there is \$22.0 million in State and federal funding under the budget neutrality cap.
- Assumes DHS will implement a waiting list to limit program expenditures within the budget neutrality cap.
- Expansion beyond the budget neutrality cap is subject to federal participation.

Fiscal Impact

IowaCare Provider Network Expansion

Leveraging certified public expenditures at the UIHC will generate an additional \$22.0 million in State and federal revenue for the IowaCare Program bringing the program to the budget neutrality cap. With the changes in this Act, the Program will have an additional \$22.0 million in expenditures. The IowaCare provider network expansion has a net impact of zero.

Diabetes – Plan for Coordination of Care

This Section will have a minimal impact to the DPH due to staff time dedicated to the development of a plan for the coordination of care for diabetes patients.

Division II

Iowa Insurance Information Exchange

Division II creates the Iowa Insurance Information Exchange under the Insurance Division in the Department of Commerce. The Commissioner of Insurance is directed to work with the existing Legislative Health Care Coverage Commission to develop a plan of operation for the Exchange. The Commissioner is charged with additional duties including, but not limited to:

- Providing an annual report to the General Assembly by December 15 that includes the financial transactions related to the establishment and operation of the Exchange.
- Reporting on the progress of the Exchange at each Commission meeting and providing recommendations as needed.
- Developing and maintaining information for consumers relating to public and private health insurance coverage options on the Insurance Division's website.
- Providing information to taxpayers relating to the costs of public health care programs to the State and utilizing information provided from the Department of Public Health and the Department of Human Services.

Assumptions

- Staffing costs for the Iowa Insurance Division to implement and support the Exchange and the reporting requirements specified in the Act, including support and benefits, will be \$125,000 for 1.5 FTE positions.
- The Insurance Division will implement and maintain information on their website utilizing 0.25 FTE position at a cost of \$25,000.

Fiscal Impact

The fiscal impact of Division II is an estimated cost of \$150,000 for FY 2011 and FY 2012.

Funding Source - There is an appropriation made in HF 2531 (FY 2010 Standing Appropriation Act) from the Iowa Comprehensive Petroleum Underground Storage (UST) Tank Fund of \$150,000 for FY 2011 for the costs of Division II. Senate File 2201 (2010 Insurance Omnibus Act) permits the Commissioner of Insurance, if necessary, to assess the costs of implementing and maintaining the website information to the health insurance carriers that are licensed in the State of Iowa.

Enactment Date

This Act was approved by the General Assembly on March 27, 2010, and signed by the Governor on April 14, 2010.

Sources

Department of Human Services
Iowa Insurance Division

2010 Fiscal Report (Graybook)

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