



November 16, 2012

NEW CHAIRPERSON – BOARD OF PAROLE

New Chair Appointed. Governor Branstad recently appointed Jason Carlstrom as Chairperson of the Board of Parole. Mr. Carlstrom previously served as the Dickinson County Attorney, and has been an adjunct professor at Buena Vista University and Iowa Lakes Community College. Mr. Carlstrom replaces Doris Kelley who will resume her duties as Vice Chair of the Board of Parole.

STAFF CONTACT: Beth Lenstra (515-281-6301) beth.lenstra@legis.iowa.gov

BORLAUG STATUE ANNOUNCEMENT

Announcement. On October 16, 2012, Governor Branstad announced that Benjamin Victor of South Dakota was selected to be the sculptor for the [Dr. Norman E. Borlaug Statue](#) to be placed in the United States Capitol Building in Washington, D.C.

Background. The Borlaug Statue Committee was created in March 2011 when the Iowa General Assembly unanimously approved and Governor Branstad signed [House Joint Resolution 16](#) that directed a statue of Dr. Borlaug to be created and placed in the U.S. Capitol Building, where each state is represented by statues of two notable citizens. The Borlaug statue will replace the one of Senator James Harlan. The other statue representing Iowa is of Governor Samuel Kirkwood.

Cost. The Borlaug Statue Committee is also charged with raising funds for the creation of the statue, installation in the Capitol, and bringing the Harlan statue back to Iowa. According to the Department of Cultural Affairs, the project is estimated to cost \$400,000 and pledges of private contributions have been secured to fulfill the obligation.



STAFF CONTACT: Kenneth Ohms (515-725-2200) kenneth.ohms@legis.iowa.gov

DEPARTMENT OF CULTURAL AFFAIRS GALA

Gala Announced. The Department of Cultural Affairs has announced that it plans to host a gala to celebrate the 25th Anniversary of the State Historical Building and the 120th Anniversary of the State Historical Museum. The Gala is scheduled for Friday, December 14, 2012. Honorary Chairpersons include Governor Terry E. Branstad, First Lady Chris Branstad, Lt. Governor Kim Reynolds, and Mr. Kevin Reynolds. For more information contact the Iowa Department of Cultural Affairs at (515) 281-7471 or HistoricalGala@iowa.gov.

STAFF CONTACT: Kenneth Ohms (515-725-2200) kenneth.ohms@legis.iowa.gov

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UPDATE – IOWA BUILDING (FORMER MERCY CAPITOL HOSPITAL)

Iowa Building 2009 – 2012. The Iowa Building was constructed in 1916 and housed the Des Moines General Hospital and then the Mercy Capitol Hospital. The State took possession of the Iowa Building in December 2009 after purchasing the building and 4.7 acres of land from Catholic Health Initiatives – Iowa Corporation for \$4.5 million. Operating funds for the building were appropriated in FY 2010 and FY 2011 from the Rebuild Iowa Infrastructure Fund and then in FY 2012 and FY 2013 from the General Fund, averaging approximately \$893,000 over the four fiscal years. For estimated FY 2013, the operating appropriation is approximately \$996,000 from the General Fund. A feasibility study completed in October 2009 by Shive-Hatterly, a West Des Moines-based engineering and architectural firm, identified \$10.6 million in building improvements and basic tenant improvements, including roof and window repairs, and mechanical, electrical, and plumbing system repairs and upgrades. At the time of the Shive-Hatterly report, the Department of Administrative Services (DAS) assumed a 10-year useful life for the building, pending decisions about funding to make the repairs and improvements.

Consultant Review and Recommendation for Demolition. In the last year, renewed focus on the future of the Wallace Building and the Iowa Building prompted the DAS to have three private firms review the buildings and make recommendations. The three firms agreed in their recommendations that it was more cost effective to demolish the Iowa Building and renovate the Wallace Building. With the demolition, the DAS anticipates savings from the amount of funding that would have been appropriated for operations of the building, and savings from avoiding repeated repairs and improvements that the building required.

Demolition Costs and Timeframe. During the 2012 Legislative session, SF 2316 (FY 2013 Infrastructure Appropriations Act) appropriated \$10.3 million to the DAS for major maintenance. An estimated \$2.0 million of this funding is being allocated to the demolition of the Iowa Building. The DAS plans to begin demolition of the building on or before July 1, 2013. Future use of the land has not been decided, but Phase 3 of the 2010 Capitol Complex Master Plan included construction of a parking garage in that area of the Complex between the years 2031 and 2040. In the short term, the DAS indicates it plans to maintain a green space until a parking garage is constructed, or until otherwise directed by the General Assembly and the Governor.

Current Tenants and Notification of Relocation. After deciding to move forward with the demolition, the DAS notified existing tenants on October 16, 2012, that they need to vacate the Iowa Building in order for the DAS to begin demolition by or before July 1, 2013. According to the DAS, ideally the building will be vacant by March 2013. Current tenants at the Iowa Building include the Iowa College Student Aid Commission, the Department of Corrections centralized pharmacy, and the Des Moines Area Community College (DMACC) Health Sciences, especially the nurse training program. In addition, the Department for the Blind uses the basement for storage space for its library and documents. A small space remains occupied by Mercy Hospital to keep a backup server in the building and there is a leased cell tower on the building.

DAS State Leasing Program. The tenants have been directed to the DAS State Leasing Program for assistance. The State Leasing Program manages the statewide portfolio of leased real estate and is responsible for leasing all buildings and office space throughout the State, in accordance with Iowa Code section [8A.321](#). In addition, the Program has a local Moves, Adds, and Changes Coordinator to assist in space planning and physical move management. The tenants were provided with direct contact information for the administrator of the Program in order to help facilitate their relocation. Prior to moving to the Iowa Building, some of the tenants leased space in downtown Des Moines. The DMACC Health Sciences was previously located at the DMACC Urban Campus in Des Moines.

IOWA ECONOMIC DEVELOPMENT AUTHORITY BUSINESS INCENTIVES

Business Incentives: The Iowa Economic Development Authority (IEDA) has two main components for business incentives through the High Quality Jobs Program: tax credits that are capped at \$120.0 million annually, and cash incentives that are appropriated by the General Assembly. Within these tax credits and funds there are other programs that also have mandatory and discretionary allocation amounts.

Funding: Section 16 of [HF 2337](#) (FY 2013 Economic Development Appropriations Act) appropriated \$15.0 million from the Rebuild Iowa Infrastructure Fund (RIIF) for High Quality Job Creation Financial Assistance. This is the successor program to the Economic Development (formerly Grow Iowa Values) Fund Financial Assistance Program. The adjacent tables reflect the adopted budget, estimated monthly utilization, and balance available to date through FY 2013.

High Quality Job Creation Cash Incentives	
<u>Award Month</u>	<u>Amount</u>
Beginning of Fiscal Year 2013	\$ 15,000,000
Allocated Amounts	
Administration	1,650,000
Laborshed Studies	275,000
National Marketing	2,800,000
Technical Assistance and Information Technology	750,000
Regional Financial Assistance	200,000
Innovation and Commercialization Transfer	800,000
Entrepreneur Investment Awards Program Transfer	200,000
Awards Obligated	
July Awards	360,000
August Awards	1,136,000
September Awards	344,000
October Awards*	411,000
November Awards**	<u>1,500,000</u>
Balance Remaining	<u>\$ 4,574,000</u>

*Estimated from Project Award documents
**The IEDA Board met for a special telephonic meeting on November 1. The regular meeting will be November 16.
Source: Iowa Economic Development Authority Board Documents

Cash Incentives: Additionally, the previous Economic Development Fund had an ending balance for cash incentives of \$10.0 million. The IEDA has indicated that it may transfer this balance under the provisions of 2011 Iowa Acts chapter 118, section 20.

Tax Credit Cap: The IEDA also has a tax credit cap that was established for FY 2010 in Iowa Code section [15.119](#). Last year, the IEDA presented a [report](#) to the Legislative Tax Expenditure Committee on its history and utilization. If the IEDA exceeds the cap for a given fiscal year, the amount in excess is counted against the next fiscal year. Although the IEDA did not award more than \$120.0 million in FY 2012, it did run up against the cap once the mandatory \$10.0 million allocation for Innovation Fund Tax Credits and Community- Based Seed Capital Fund Tax Credits were included. No tax credits were awarded for these programs in FY 2012. The table to the right outlines the historical utilization. The following table reflects the adopted allocations and the year-to-date utilization.

Tax Credit Cap Utilization		
<u>Fiscal Year</u>	<u>Statutory Cap</u>	<u>Awards Made</u>
FY 2010	\$ 185.0	\$ 104.4
FY 2011	120.0	68.6
FY 2012	120.0	119.4
FY 2013 YTD*	110.6	65.0

(in millions)
*Excludes FY 2012 awards counted against cap.

Tax Credit Obligations					
Award Month	Business Awards (HQC and EZ)	Housing Enterprize Zones	Brownfield Redevelopment Program	Innovation Investment Tax Credit	Total Available Balance
Fiscal Year 2013 Allocations	\$ 95,000,000	\$ 10,000,000	\$ 5,000,000	\$ 10,000,000	\$ 120,000,000
Awards					
Awards made in FY 2012	\$ 6,109,518	\$ 3,299,815	\$ 0	\$ 0	110,590,667
July Awards	223,500	1,558,515	0	0	108,808,652
August Awards	2,206,949	191,798	0	0	106,409,905
September	28,239,127	597,468	0	0	77,573,310
October*	593,432		0	0	76,979,878
November**	22,000,000				54,979,878
Unobligated Balance Remaining	\$ 35,627,474	\$ 4,352,404	\$ 5,000,000	\$ 10,000,000	

*Estimated from Project Award documents at that months Board Meeting. Housing Tax Credit estimates are not available at this time.
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 Source: Iowa Economic Development Authority Board Documents

STAFF CONTACT: Kenneth Ohms (515-725-2200) kenneth.ohms@legis.iowa.gov

IPERS CONTRIBUTION RATES – FY 2013 AND FY 2014

Contribution Rates. Employees and their employers contribute to IPERS a set percentage of employees' wages. Benefits are funded entirely by contributions plus investment income. House File 2518 (2010 Public Retirement Systems Act) increased the total contribution rate to 13.45% beginning July 1, 2011, (FY 2012) and allowed the system to adjust the rate up or down by no more than one percentage point per year for regular members. The following chart shows the contribution rates for FY 2013 and FY 2014.

FY 2013 (July 1, 2012 through June 30, 2013)			
Membership Class	Member Share	Employer Share	Total
Regular IPERS Members	5.78%	8.67%	14.45%
Sheriffs and Deputies	9.90%	9.90%	19.80%
Protection Occupation	6.84%	10.27%	17.11%
FY 2014 (July 1, 2013 through June 30, 2014)			
Membership Class	Member Share	Employer Share	Total
Regular IPERS Members	5.95%	8.93%	14.88%
Sheriffs and Deputies	9.88%	9.88%	19.76%
Protection Occupation	6.76%	10.14%	16.90%

More Information: <http://www.ipers.org/contributionrates.html>

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.iowa.gov

VETERANS TRUST FUND BALANCE

Fund Balance. As of October 31, 2012, the Veterans Trust Fund balance is \$17,008,910. The spendable portion of the balance (including the interest and the FY 2012 one-time appropriation transfer of \$300,000 allowed under [HF 2466](#) (Veterans Trust Fund Act) is \$169,641. Total expenditures, including the backlog, are \$169,627. The Act also created a standing limited appropriation, beginning in FY 2013, from the Veterans Trust Fund to the Commission of Veterans Affairs of the first \$300,000 received from designated Lottery Fund proceeds deposited in the Veterans Trust Fund. Any money appropriated to the Commission that remains unobligated or unexpended at the end of the fiscal year (FY 2013) will revert to the Veterans Trust Fund. The first transfer from the Lottery occurred at the end of October and will be reported in the update for November.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.iowa.gov

BOARD OF PAROLE – FY 2012 BUDGET REVIEW

FY 2012 Budget Review. The total budget of the Board of Parole was \$1.1 million in FY 2012. The Board relies on its General Fund appropriation to function. The Board spent \$876,000 on personnel costs; that was 82.4% of total expenditures. Half of the Board's ending balance of \$2,700 was brought forward to FY 2013 for training and technology purposes as permitted by Iowa Code Section [8.62\(3\)](#). The remainder reverted to the General Fund. Refer to the *Fiscal Topic*, [Budget Unit: Board of Parole](#) for information concerning the Board's purpose, duties, budget, and funding.

STAFF CONTACT: Beth Lenstra (515-281-6301) beth.lenstra@legis.iowa.gov

DEPARTMENT OF CORRECTIONS – FY 2012 BUDGET REVIEW

FY 2012 Budget Review. The total budget available for the Department of Corrections (DOC) in FY 2012 was \$381.8 million; State General Fund appropriations were 92.9% of the total budget. The majority of the remaining 7.2% is either local income in the Community-Based Corrections (CBC) District Departments or major maintenance funding in the Institutions (prison system). Overall, the DOC spent \$379.3 million, or 99.3% of the funds available. Of the remaining \$2.5 million, \$428,000 reverted to the General Fund, \$238,000 was brought forward to FY 2013 for training and technology under Iowa Code section [8.62\(3\)](#), \$216,000 was brought forward for educational programs in the Institutions per [HF 2335](#) (Justice System Appropriations Subcommittee Act), and \$1.6 million in local income was brought forward in FY 2013 by the CBC District Departments.

County Confinement Account. The County Confinement Account reimburses counties for holding alleged violators of the conditions of parole, work release, or the Operating While Intoxicated (OWI) prison-diversion program. Alleged violators are held in county jails pending a revocation hearing. As a percentage of General Fund allocations, the largest reversion came from this Account – \$126,000 or 11.8% of the amount appropriated (\$1.1 million).

Other Items. A review of other budget items included:

- CBCs: Total funding available was \$104.9 million, of which \$81.2 million (77.4%) was State Funds and \$23.7 million was local income. This is income from offender fees, direct federal grants (if any), pass-through funding (usually grant awards from State agencies), and service contracts with local governments. Local funds may carry over to the next fiscal year to be used for expenditures. Overall, the CBC District Departments spent \$103.0 million, with personnel costs of \$89.2 million, or 86.6% of total expenditures. Personnel costs exceeded the State General Fund appropriation by \$8.0 million. The CBC District Departments rely on local income to fully fund existing staff costs, treatment contracts, and operating costs. See the *Fiscal Topics*, [Community-Based Corrections Residential Facilities](#) and [Community-Based Corrections](#) for information regarding programs, budget, and research. Read the *Issue Review*, [Community-Based Corrections Funding Levels](#) for

information regarding funding levels, supervision standards and risk levels of the offenders supervised in CBC, and recidivism rates.

- **Central Office:** The total budget for Central Office was \$5.2 million; the General Fund appropriation was 98.8% of the total budget. Personnel costs were \$4.3 million, or 83.0% of total spending. The Office's appropriation also includes funds for the Corrections Learning Center (see the **Fiscal Topic, Department of Corrections Training**) for more information. **Fiscal Topics** are available on the following Accounts administered by Central Office: [Iowa Corrections Offender Network](#), [County Confinement](#), [Federal Prisoners/Contractual Services](#), [Corrections Education](#), [Hepatitis Treatment and Education](#), and [Mental Health/Substance Abuse Training Materials](#). All of these Accounts receive General Fund appropriations.
- **Institutions:** Total available funding was \$266.4 million, State General Fund appropriations were \$263.3 million or 98.8% of the total budget. Most of the remaining 1.2% of the budget was major maintenance funds. The Institutions spent \$210.9 million for personnel costs, or 79.2% of total expenditures. Personnel costs decreased by \$2.2 million (1.0%) compared to FY 2011. The Institutions also spent \$35.8 million for food, drugs, and housing costs; \$7.8 million on equipment, major maintenance repairs, and capital costs; \$11.2 million on other items; and \$116,000 on in-state travel.

Additional Information. Refer to the **Issue Reviews**, [Department of Corrections Centralized Pharmacy](#) and [State Prison System Budget](#) for additional information regarding the operations of the State prison system. See the **Issue Review**, [Corrections Construction and Capacity](#) for information on facility construction and capacity and offender population projections. [Fiscal One-On-One Audio Presentations](#) are also available on the LSA website.

STAFF CONTACT: Beth Lenstra (515-281-6301) beth.lenstra@legis.iowa.gov

AUDIO FISCAL TOPICS

Newly Published. The LSA has recently published several new audio fiscal topics to the LSA website: <https://www.legis.iowa.gov/LSAReports/AudioVideo/fiscalOneOnOnesAudio.aspx>. To sign up for e-mail alerts when new audio fiscal topics are published, go to: <https://www.legis.iowa.gov/Subscribe/subscriptions.aspx>. New audio fiscal topics include:

- **Title** – Project AWARE. **Description** – Interview by Adam Broich with Brian Soenen, Project Coordinator for Project AWARE with the Department of Natural Resources, regarding the project and water quality issues.
- **Title** – Lottery History and Operations. **Description** – Interview by Dwayne Ferguson with Mary Neubauer, Vice President of External Relations with the Iowa Lottery, regarding the history and organization of the Lottery, as well as funding, security, and other issues facing the Lottery.
- **Title** – State Appellate Defender. **Description** – Interview by Beth Lenstra with Mark Smith, State Appellate Defender, regarding the State appellate process, defense counsel services to indigent defendants, and the mix of public and private attorneys in this process.
- **Title** – Rail Transportation in Iowa. **Description** – Interview by Marcia Tannian with Tammy Nicholson, Director of the Office of Rail Transportation in the Iowa Department of Transportation, regarding historical and current rail transportation in Iowa.
- **Title** – Insurance Commissioner. **Description** – Interview by Ron Robinson with Ed Holland, Risk and Benefits Manager with the Department of Administrative Services, regarding how the Commission was created, the purpose, and the benefits provided to Iowa taxpayers.
- **Title** – Gas Tax. **Description** – Interview by Estelle Montgomery with Stu Anderson, Director of the Iowa Department of Transportation's Planning, Programming and Modal Division, regarding the gas tax in funding the roadway system, the philosophy behind a gas tax user fee, the specifics of the current form of the gas tax, and the future of the gas tax as a sustainable funding source.

STAFF CONTACTS: Jennifer Acton (515-281-7846) jennifer.acton@legis.iowa.gov
Robin Madison (515-281-5270) robin.madison@legis.iowa.gov

BOARD OF CORRECTIONS MEETING

Telephonic Meeting. The Board met November 2 by conference call. Director John Baldwin updated the Board on mental health issues and federal regulations regarding the Prison Rape Elimination Act (PREA). The federal law impacts state prisons, Community-Based Corrections residential facilities, and county jails. Changes to Department of Corrections' (DOC) policies and procedures are anticipated. The DOC plans to provide more detailed information to the Board at future meetings. Other items of discussion included:

- **Work Groups.** The DOC has formed work groups with the Department of Human Services (DHS) regarding assaults on staff at the Mental Health Institutes (MHI). Currently, it is possible for an MHI client who voluntarily committed himself to the care of the MHI, to commit an assault on MHI staff, be prosecuted by the county attorney, and be sentenced to prison. The Departments are seeking to change that sort of outcome.
- **Central Pharmacy Update.** Pharmacy Director Susan Shields indicated that the two central pharmacies are in place and fully staffed. The DOC pharmacy in Des Moines is currently located in the Iowa Building that has been scheduled for demolition. The DOC is working with the Department of Administrative Services (DAS) to find a suitable location that will provide floor space for heavy equipment and security for the pharmacy. The Des Moines pharmacy serves the Institutions at Mitchellville, Newton, Rockwell City, Fort Dodge, and Clarinda. The Oakdale pharmacy serves Mount Pleasant, Anamosa, Fort Madison, and Oakdale. Also, the DOC pharmacy staff is working with the University of Iowa College of Pharmacy to increase efficiencies.
- **Pharmacy Grant.** The DOC pharmacy, through a grant with Iowa Pharmacy Corporation and the Office of the Attorney General, has funds to provide three months of medication to mentally ill offenders released from prison. Offenders should be under the care of community medical providers by the end of three months. A research plan is in place to determine if this pilot project is successful in reducing recidivism.
- **Collaborative Effort.** Dr. Nisly, Professor of Internal Medicine at the University of Iowa, Carver College of Medicine, provided information to the board regarding its collaboration with the DOC in serving disadvantaged people, and in developing a cultural competency health care model. Residents will be working at Oakdale and Mitchellville, focusing on female offenders.
- **Pilot Projects.** Laura Farris, DOC Training Director, indicated that pilot projects will start December 1 for deploying Personal Digital Assistants (PDA) at Fort Dodge and Oakdale. The new prisons at Fort Madison and Mitchellville have been designed to incorporate PDAs, that will permit staff to update the Iowa Corrections Offender Network (ICON) on a real-time basis while in the housing units and in the prison yards.
- **Recidivism Studies.** Lettie Prell, DOC Research Director, updated the Board on recidivism studies. The Association of State Correctional Administrators (ASCA) standardized the definition of recidivism about 10 years ago to be the return to prison for any reason (such as parole revocation or conviction of a new crime). This uniformity permits comparisons across the country. The PEW Center on the States issued a report, "State of Recidivism" in April 2011 that shows Iowa's recidivism at 33.9% in 2004. Iowa's recidivism rate has decreased steadily since then, to 30.8% for offenders released in 2009 with outcomes tracked for three years. The DOC relies on the Justice Data Warehouse maintained by the Criminal and Juvenile Justice Planning Division of the Department of Human Rights to access the data that permits the recidivism analysis.
- **Administrative Items.** Board members discussed the use of confidential policies, public information, and administrative rules by the DOC. Certain information is confidential per the Iowa Code and federal and state case law. The DOC relies on the Attorney General's Office for legal advice regarding confidentiality.
- **Next Meeting.** The Board is scheduled to meet January 17 in Des Moines, after the Iowa Corrections Association's legislative breakfast at the State Capitol.

STAFF CONTACT: Beth Lenstra (515-281-6301) beth.lenstra@legis.iowa.gov

DEPARTMENT OF CORRECTIONS – AUDIT REPORTS

Audit Reports Issued. The Office of the Auditor of State recently issued the [Combined Report for the Institutions Under the Control of the Department of Corrections](#) (DOC) and the [Combined Report of Recommendations to the Eight Judicial District Departments of Correctional Services](#) (also referred to as Community-Based Corrections (CBC) District Departments) for FY 2011.

Findings. Findings include:

- **Institutions.** For the Institutions, there were findings related to internal control procedures, financial reporting related to the Generally Accepted Accounting Principles (GAAP) package, unclaimed property of offenders, receipts, capital asset reporting, agency fund reporting, segregation of duties, and record retention. The Iowa State Penitentiary at Fort Madison serves as the central administrator of the Inmate Telephone Account for the prison system. Inmate receipts are deposited in a separate bank account, and used to cover the operating costs of the Inmate Telephone System. The Iowa Communications Network (ICN) serves as the backbone of the System and; as such, remittances are made to the State Treasurer to pay the ICN for its share of operating costs. The bank account balance on June 30, 2011 was \$1.2 million. The Audit report states that the Institution should remit telephone receipts to the State Treasurer in a timely fashion. The Institution responded that payments are made to the State Treasurer when invoices are received from the ICN. The Institution will continue to work with the ICN so invoices can be received timely.
- **CBCs.** For the CBC District Departments, there were findings related to internal control procedures such as bank reconciliations, the GAAP package, agency funds, credit card disbursements, federal reporting of payroll taxes, unclaimed property of offenders, segregation of duties, service contracts, and timely deposits. The Fifth CBC District Department had findings related to credit card disbursements (detailed receipts were not always retained), and agency fund disbursements (offender's weekly budgets that support payments made on their behalf were not always retained). The District Department responded that greater emphasis will be placed on retaining receipts and weekly offender budgets.
- **Sixth CBC.** The Sixth CBC District Department received findings related to internal control procedures such as monthly reconciliations of accounts receivable for offender fees and residential rent is not occurring; independent review of monthly bank reconciliations is not documented. Reconciliations of the residential bank account have not been conducted timely, and several adjustments to the bank account have been carried forward for several years. The account was overstated by \$18,000 for June 30, 2011. The District Department needs to ensure the client bank account is reconciled monthly and the reason the account does not balance needs to be investigated. The Sixth CBC District Department also was late in filing the Employer's Quarterly Federal Tax Return. The District Department responded that procedures will be implemented to reconcile client rent receipts and disbursements monthly; the residential rent bank account overstatement will be reconciled, and future tax returns will be filed timely.

STAFF CONTACT: Beth Lenstra (515-281-6301) beth.lenstra@legis.iowa.gov

IOWA PARTNERSHIP FOR ECONOMIC PROGRESS BOARD MEETING

Board Meeting. The Iowa Partnership for Economic Progress Board met on October 23, 2012. At the meeting, Governor Branstad outlined his mission for the Board stating he wanted to utilize the leadership and help of the members to develop the strategic plan for the state moving forward in the areas of developing low-cost and reliable energy, good infrastructure, and competitive taxes. Lieutenant Governor Reynolds outlined the accomplishments of the STEM (science, technology, engineering, and mathematics) initiative and Director Durham discussed the IEDA's economic development accomplishments to date and the new marketing efforts for the state and soon to be launched website. Other topics then discussed by the IPEP Board included state income tax, business access to capital, site selectors, and workforce training.

STAFF CONTACT: Kenneth Ohms (515-725-2200) kenneth.ohms@legis.iowa.gov

IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION MEETING

October Telephonic Meeting. The Iowa Telecommunications and Technology Commission (ITTC) held a meeting via conference call on October 17, 2012. Members of the public had access to the meeting at the Iowa Communications Network (ICN) office in the Grimes Building on the State Capitol Complex. The following items are highlights of the meeting discussion. For more information, refer to the ITTC website at: <http://www.icn.state.ia.us/ittc/>.

Regional Telecommunications Councils Allocations. At the September ITTC meeting, the Commission approved the first six plans from the Regional Telecommunications Councils (RTC) for allocation of the RTC appropriation. The ITTC approved the remaining nine plans of the RTCs so the allocations to those areas can occur as well. During the discussion, it was noted that a comment had been received by Commissioner Lapointe from Bruce McKee, a staff member of the North Iowa Area Community College, about the new reporting process that the ICN and ITTC implemented since taking over the allocation process for the RTCs from the Iowa Public Television Board. The comment received indicated that the reporting process was considered to be cumbersome for the RTCs and not feasible to maintain. Dave Lingren, Executive Director of the ICN, addressed this comment and noted that the ICN is willing to work with the RTCs to find a solution without sacrificing transparency and accountability. He noted that the Auditor of State and the General Assembly would want to have the accountability for the use of the appropriation and that the reporting was not consistent previously. The Auditor of State, David Vaudt, an ex officio member of the Commission, agreed with this conclusion. It was suggested that perhaps the Auditor of State could provide a staff member to review the reporting documents and determine if there is a less cumbersome reporting method available that will provide the accountability and transparency desired. Auditor Vaudt indicated he is willing to have one of his staff review the material and advise the ICN staff. For a discussion on the background of the switch of the RTC allocation to the ITTC, see the [Fiscal Update](#) published October 16, 2012. For additional information about the RTC appropriation and allocation see <http://www.icn.state.ia.us/RTC/>.

Executive Director Benefits. When Dave Lingren was appointed as Executive Director, the ITTC had approved an education expense of \$10,000 to allow him to complete his degree. He has been working at that and will finish in December. The costs of the degree increased during the time he was studying. The Commission approved an increase for the education expense, making the total amount \$17,000.

Legislative Proposals. In addition to the budget requests discussed at the September meeting, the ITTC approved a legislative proposal that will ask the General Assembly and the Governor to approve a contract limitation exception for the proposed unified communications. If the ICN gets a contract for unified communications, it is likely to be a multiyear contract that exceeds the current limitation of \$2.2 million. The statutory contract limitation is in accordance with [Iowa Code section 8D.11](#). During the 2011 Legislative Session, the ICN received authorization in SF 209 (Tax Changes and Supplemental Appropriations Act) to exceed the contract limitation for purposes of contracting for projects with the funds from the federal Broadband Technology Opportunities Program (BTOP) grant.

STAFF CONTACT: Marcia Tannian (515-281-7942) marcia.tannian@legis.iowa.gov

ACTUARIAL REPORT – JUDICIAL RETIREMENT

The July 1, 2012, actuarial valuation prepared by Cavanaugh Macdonald was completed on the Judicial Retirement System. Highlights of the report include the following:

- The contribution rates for the State and for the members of the Judicial Retirement System are set by statute. The State's contribution rate will be 30.60% and the members' contribution rate will be 9.35% effective July 1, 2013 (FY 2014). This is no change compared to the previous year.
- The total actuarial required contribution using a 25-year closed amortization period in the 2012 valuation increased slightly. The State's actuarial contribution rate increased from 31.15% in the 2011 valuation to 31.39% in the 2012 valuation. The State contribution rate, required by statute, is 30.60% of pay, resulting in a contribution shortfall of 0.79% or approximately \$204,000. (NOTE:

When calculated using a 30-year open amortization period, the State's actuarially required contribution rate is 24.22%.)

- The actuarial accrued liability totaled \$170.2 million, an increase of \$5.7 million compared to the previous year.
- Actuarial value of assets totaled \$117.3 million, an increase of \$7.7 million compared to the previous year.
- Unfunded accrued liability totaled \$53.0 million, a decrease of \$2.0 million compared to the previous year. The current funded ratio of the System is 68.9%.
- The market rate of return during the 2012 valuation was -1.7%. The actuarial rate of return was 5.7% and includes a five-year smoothing.
- There are 386 members of the Judicial Retirement System of which 192 are active members. The average age of an active member is 56.64 years and the average years of service are 11.8.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.iowa.gov

ACTUARIAL REPORT – PEACE OFFICER RETIREMENT

Actuarial Report Presented. The July 1, 2012, actuarial valuation prepared by Cavanaugh Macdonald was presented at the Peace Officer's Retirement, Accident, and Disability System (PORS) meeting. Highlights of the report include the following:

- The PORS contribution rates are set in statute and will be as follows effective July 1, 2013 (FY 2014):
 - State: 29.00% (an increase of 2.0% compared to the previous year)
 - Member: 10.85% (an increase of 0.5% compared to the previous year)
- During the 2012 Legislative Session, the first installment of an annual \$5.0 million supplemental payment was delayed one year and is scheduled to begin for FY 2014.
- The current contribution rate shortfall (for FY 2013) is 15.79% or \$6.9 million. Had the \$5.0 million supplemental contribution been enacted, it would be equal to approximately 11.40% of pay and would have reduced the contribution rate shortfall to 4.39% or \$1.9 million for FY 2013.
- The actuarial accrued liability totaled \$480.0 million, an increase of \$18.0 million compared to the previous year.
- Actuarial value of assets totaled \$293.0 million, an increase of \$4.0 million compared to the previous year. (NOTE: The market value of assets also totaled \$293.0 million.)
- Unfunded accrued liability totaled \$187.0 million, an increase of \$14.0 million compared to the previous year. The current funded ratio of the System is 61.0%.
- The market rate of return for the 2012 valuation was -2.5% while the actuarial rate of return was 4.3%. The actuarially determined rate includes a four-year smoothing.
- There are approximately 618 active members and 549 retired members. The average age of an active member is 40.5 and the average years of service are 15.0. The average age of a retired member is 69.1 and the average annual benefit is \$43,400.

- STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.iowa.gov

ACTUARIAL REPORT – MUNICIPAL RETIREMENT

Actuarial Report Presented. The July 1, 2012, actuarial valuation prepared by Silverstone Group was presented at the Municipal Fire and Police Retirement System of Iowa (MFPRSI) meeting. Highlights of the report include the following:

- The cities' contribution rate at 30.12% (an increase of 4.0% compared to the previous year) and the members' contribution rate at 9.40% takes effect July 1, 2013 (FY 2014). The cities estimated contribution total is \$77.9 million, an increase of \$12.9 million compared to the previous year. The employees estimated contribution total is \$24.3 million, an increase of \$907,000 compared to the previous year. (NOTE: The FY 2012 State contribution was \$750,000 and the State contribution was eliminated in FY 2013.)
- Entry age accrued liability totaled \$2,493.8 million, an increase of \$105.3 million compared to the previous year.

- Actuarial value of assets totaled \$1,838.6 million, a decrease of \$28.7 million compared to the previous year.
- Unfunded accrued liability totaled \$655.2 million, an increase of \$134.0 million compared to the previous year. The current funded ratio of the System is 73.73%.
- The market rate of return during this time period was 0.2% for 2012 and 23.2% for 2011. The assumed rate of return is 7.5% for the 411 System. The actuarially determined rate of return was 1.1% in 2012 compared to 3.2% in 2011 and includes a five-year smoothing.
- There are 49 cities covering approximately 3,888 active members. The average age is 40.8 and the average years of service are 13.5. There are approximately 3,816 members or beneficiaries receiving an average annual benefit of \$33,100.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.iowa.gov

COMMUNITY-BASED CORRECTIONS FACILITY WAITING LIST

Waiting List Decrease. Currently, approximately 600 offenders are waiting for a Community-Based Corrections (CBC) residential bed at any given time. This is a decrease of 200 offenders (25.0%) compared to recent years. These offenders are waiting in the U.S. Bureau of Prisons facilities, the State prison system, county jails, or field services (probation, parole, or pretrial release). The decrease in the number of offenders waiting for a residential bed is primarily in work release.

Parole Policy Changes. The Department of Corrections (DOC) and Board of Parole have been working together to reduce the waiting list for CBC facilities. The Board of Parole is granting more paroles with intensive supervision and fewer work releases compared to a year ago. As a result, offenders are being intensively supervised in the community by field services staff, rather than placed in residential facilities or serving their sentence in prison waiting for a residential bed. The Board of Parole has also moved away from setting a certain period of time an offender must serve in a work release facility before granting a parole to that offender. Rather, the Board of Parole is relying on feedback from CBC staff to determine how much time an offender serves in a residential facility. These policy changes permit work release beds to be used for higher risk offenders and reduce the time an offender sits in State prison waiting for a residential bed.

Waiting List Impact. The [CBC residential facilities](#) usually have offenders waiting for a bed to become available to serve their sentence in the facility. A waiting list permits vacant CBC beds to be filled quickly once they are vacated. However, large waiting lists create inefficiencies in the corrections system such that offenders are not placed where they should be according to their risk and needs. For example, offenders have been granted a work release by the Board of Parole but are housed in a State prison waiting for a residential bed to become available. Also, the waiting list for work release contributes to prison overcrowding and increases State costs. The amount of time an offender spends in State prison after a work release assignment has averaged 49 days for a residential facility bed to be available. The number of days waiting in prison is expected to decrease as the waiting list decreases.

STAFF CONTACT: Beth Lenstra (515-281-6301) beth.lenstra@legis.iowa.gov

UPCOMING MEETING

Revenue Estimating Conference. The Revenue Estimating Conference (REC) is scheduled to meet Wednesday, December 12, 2012, at 10:00 a.m. in Room 116 of the State Capitol Building. The REC will review the revenue estimate for FY 2013 and estimate revenue for FY 2014. The FY 2014 revenue estimate from this meeting will be used to set the expenditure limitation level for the FY 2014 appropriation process that will occur by the 2013 General Assembly.

REC Staff Contact: Jeff Robinson (515-281-4614) jeff.robinson@legis.state.ia.us

MEETINGS MONITORED

The following meetings were monitored by Fiscal Services staff. Please contact the staff listed for more information.

Meeting	Date	Staff Contact
Municipal Fire and Police Retirement System of Iowa (MFPRSI)	10/11/2012	Jen Acton (281-7846)
Peace Officers Retirement, Accident, and Disability System (PORS)	10/15/2012	Jen Acton (281-7846)
Iowa Telecommunications and Technology Commission (Telephonic Meeting)	10/17/2012	Marcia Tannian (281-7942)
Iowa Electrical Examining Board	10/18/2012	Jen Acton (281-7846)
Iowa Economic Development Authority Board	10/19/2012	Kent Ohms (725-2200)
Children's Disability Services Workgroup	10/22/2012	Aaron Todd (281-6764)
Iowa Partnership for Economic Progress Board	10/23/2012	Kent Ohms (725-2200)
Mandatory Child Abuse Reporter Training Committee	10/23/2012	Aaron Todd (281-6764)
Mental Health and Disabilities Workforce Workgroup	10/29/2012	Aaron Todd (281-6764)
Mental Health Redesign Transition Committee	10/30/2012	Jess Benson (281-4611) Aaron Todd (281-6764)
State Soil Conservation Committee	11/01/2012	Deb Kozel (281-6767)
Watershed Improvement Review Board	11/02/2012	Deb Kozel (281-6767)
Board of Regents	10/25/2012	Robin Madison (281-5270)
College Student Aid Commission	11/16/2012	Robin Madison (281-5270)

This document is available on the LSA website at: <https://www.legis.iowa.gov/LSAReports/fiscalUpdate.aspx>