FISCAL UPDATE September 7, 1999

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Department of Natural Resources Requests 8.39 Transfer

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**Appropriations Transfer** The Legislative Fiscal Bureau received notice of a transfer of FY 1999 funds by the Department of Natural Resources as required by Chapter 8.39, Code of Iowa. The Department intends to transfer a total of $205,000. The following Divisions will be affected:

* The Administrative Services Division will receive $150,000.
* The Environmental Protection Division will receive $55,000.
* The Parks Division will transfer out $80,000.
* The Forestry Division will transfer out $45,000.
* The Energy and Geology Division will transfer out $80,000.

**Rationale For Transfer** The transfer to the Administrative Services Division is necessary due to the reconfiguration of office space for additional staff. The transfer to the Environmental Protection Division is necessary to pay for higher than expected costs for the regulation of livestock confinement operations. The Parks and Forestry Divisions will transfer out funds since receipts were higher than budgeted. The Energy and Geology Division will transfer out funds due to a number of vacancies in the Division throughout the year. This includes livestock personnel that were not employed until 1999.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Rebuild Iowa Infrastructure Fund Revenue Update



**RIIF Revenues** Total revenues to the Rebuild Iowa Infrastructure Fund (RIIF) for FY 1999 are $2.0 million (1.2%) higher than was estimated in April 1999. Accrued interest receipts were $738,000 (2.5%) above the April estimate and gambling revenues were $1.3 million (1.3%) higher. Marine Fuel Tax receipts ended the year $49,000 (2.1%) below the estimate.

**FY 2000 Estimate Revised** The Revenue Estimating Conference met on August 12 and revised the FY 2000 estimate for gambling revenues from $108.9 million to $110.4 million. The $1.5 million increase was in response to the additional slot machines that will be added at Prairie Meadows this calendar year.

**FY 1999 & FY 2000** The following table compares the revenue changes for FY 1999 and FY 2000. As a result of the increased FY 1999 revenue and the revised FY 2000 estimate, the new ending balance for FY 2000 is estimated to be $3.9 million.



**Comparison to FY 1998** When compared to FY 1998, receipts for FY 1999 were up $17.8 million. The increase was fueled by an $18.3 million (21.5%) increase in gambling receipts. The increase in gambling revenues is due to the annual 2.0% increase in the gaming tax on slots and an increase in gambling activity statewide. Interest revenues were down $1.7 million (5.3%) due primarily to lower rate of return on state investments. In FY 1998, invested funds earned an annualized rate of 6.0% interest as compared to 5.7% in FY 1999. In addition, the average monthly investment balance was $1.2 million less in FY 1999 than in FY 1998 due to the expenditure of appropriated funds.

**FY 2000 Projection** Receipts for FY 2000 are projected to increase $8.6 million (6.3%) over FY 1999 (from $136.2 million in FY 1999 to $144.8 million in FY 2000). The current estimate for FY 2001 is $9.7 million (6.7%) higher than the FY 2000 estimate (from $144.8 million in FY 2000 to $154.5 million in FY 2001). The increases in both fiscal years is being driven largely by gambling receipts. The following table compares the annual Rebuild Iowa Infrastructure Fund revenues from FY 1998 to FY 2001. The table also shows the funds appropriated by the General Assembly and the respective ending balances.



STAFF CONTACT: David Reynolds (Ext. 16934)

Road Use Tax Fund Receipts through August



**Road Use Tax Fund Receipts** Road Use Tax Fund receipts for the first two months of FY 2000 were down $1.2 million (0.8%) compared to July and August of FY 1999. Revenues from Motor Vehicle Use Tax were down $4.1 million, which amounts to a 10.8% decrease. Fuel tax revenues and vehicle registrations and certificates of title fees both experienced modest increases for the two-month period. All of the other revenue sources have experienced a total combined decrease of $400,000 (6.1%).

**Motor Vehicle Use Tax** The decrease in Motor Vehicle Use Tax receipts is due primarily with timing effects associated with transferring funds for programs receiving use tax appropriations (i.e., Highway Safety Patrol and the Underground Fuel Storage Tank Program). In July and August of FY 2000, there was $4.3 million more in off-the-top appropriations transferred out of the Motor Vehicle Use Tax than was transferred during the same period of FY 1999.



**FY 2000 Projection** Assuming auto sales continue to remain strong, the use tax receipts for FY 2000 should surpass FY 1999 collections in the months to come. According to the most recent truck and auto sales information, sales in FY 1999 were 3.8% higher than in FY 1998. In addition, sales in multi-purpose vehicles and trucks, which includes sport utility vehicles and vans, increased 6.8% over FY 1998. These vehicles tend to be higher priced, thus generating more tax revenue than autos.

**Registration & Title Fees** Registration and title fees increased $2.9 million (6.0%) compared to the same period of FY 1999. The increase in vehicle registration fees is largely attributed to the increase in the price of vehicles being registered. This also corresponds with the increases in car and truck sales.

**Motor Vehicle Fuel Tax** Motor Vehicle Fuel Tax revenues have increased only $400,000 (0.6%) compared to the same period for FY 1999. It appears the increase in fuel tax revenues is largely the result of increased fuel consumption in FY 1999. The most recent information available shows that fuel consumption in Iowa was 4.2% higher in FY 1999 than for FY 1998.



Driver’s License

**Driver’s License Fees** Driver’s License Fees increased $600,000 (40.3%) compared to FY 1999. This increase is primarily due to the normal license issuance cycle. Driver’s license receipts are projected to be $4.1 million higher by the end of the fiscal year in FY 2000 than in FY 1999. Changes in other revenue sources were relatively insignificant in terms of total dollar changes.

**Comparison to FY 1998** The following table compares the Road Use Tax Fund receipts for FY 1998 and FY 1999 by revenue source. The sum of the revenues may not equal totals due to rounding.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ROAD USE TAX FUND RECEIPTS** | | | | | | | | | |
| **(Dollars in Millions)** | | | | | | | | | |
| July - August | | | | | | | | | |
|  |  |  |  |  |  |  | Change |  |  |
|  |  |  |  |  |  |  | FY 1999 vs. |  | Percent |
|  |  |  | FY 1999 |  | FY 2000 |  | FY 2000 |  | Change |
| Motor Vehicle Use Tax | |  | $ 38.0 |  | $ 33.9 |  | $ -4.1 |  | -10.8% |
| Motor Vehicle Fuel Tax | |  | 64.6 |  | 65.0 |  | 0.4 |  | 0.6% |
| Registration/Title Fees & Misc. | |  | 48.4 |  | 51.3 |  | 2.9 |  | 6.0% |
| Underground Tank Fees | |  | 1.1 |  | 0.9 |  | -0.2 |  | -15.5% |
| Driver License Fees | |  | 1.6 |  | 2.2 |  | 0.6 |  | 40.3% |
| Interest | |  | 2.4 |  | 2.2 |  | -0.2 |  | -7.4% |
| Other Fees | |  | 0.9 |  | 0.3 |  | -0.7 |  | -72.7% |
| Motor Carrier Fines | |  | 0.3 |  | 0.3 |  | 0.0 |  | -2.3% |
| TOTAL RECEIPTS | |  | $ 157.3 |  | $ 156.1 |  | $ -1.2 |  | -0.8% |

*Note: For Road Use Tax Fund reporting, receipts are considered in the month for which they are distributed by formula rather than the month in which they are collected. For example, August revenues were collected in July but distributed to the various State and local road funds in August.*

STAFF CONTACT: David Reynolds (Ext. 16934)

College Student Aid Commission Approves FY 2001 Budget Request

**FY 2001 Budget Requests** The College Student Aid Commission approved the following budget request for FY 2001 at the August 10 meeting:

FY 2001

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**Recommendations** The proposed budget includes the following additional recommendations:

* Iowa Tuition Grant maximum award should be increased from $3,900 to $4,200.
* The Voc-Tech Tuition Grant maximum award should be increased from $650 to $700.
* Funding of $750,000 for a new program entitled the Yes You Can Grant Program to match federal GEAR-UP funds.

STAFF CONTACT: Mary Shipman (Ext. 14617)

College Student Aid Commission Approves Increase in Income Qualification for grant programs



**Grant Program Changes** At the August 10 meeting, the College Student Aid Commission authorized staff to increase the Expected Family Contribution (EFC) for the following grant programs:

* Iowa Tuition Grant Program by $500, from $8,500 to $9,000.
* Iowa Voc-Tech Grant Program by $250, from $2,500 to $2,750.

**Definitions** The Expected Family Contribution (EFC) is the amount determined by the U.S. Department of Education’s Free Application for Federal Student Aid (FAFSA) that a family can be expected to contribute toward a student’s higher education costs per year. The formula is set by Congress and is used to determine a student’s eligibility for federal, state, and local financial aid. The formula utilizes a variety of information submitted by each applicant, but the key components are family (parent and student) income and number of dependent family members.

**Impact of Change** By increasing the Expected Family Contribution (EFC) qualifications for these two grant programs, the Commission is effectively increasing the amount of income a family can have and still receive grants.

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**Website**

**Applications Increasing** Commission staff reported that applications for both programs have increased for FY 2000. However, fewer students were scheduled to receive awards at the current levels. An increase in Expected Family Contribution (EFC) levels was necessary to fully expend the appropriated funds in both programs.

**Website** You can learn more about the Free Application for Federal Student Aid process by visiting the following website: http://www.ed.gov/finaid.html.

STAFF CONTACT: Mary Shipman (Ext. 14617)

college Student Aid Commission Default Reduction Proposal



**Default Reduction Proposal** The federal Balanced Budget Act of 1997 requires state student aid guaranty agencies to return $1.0 billion in reserves to the federal treasury by the end of FFY 2002. The Iowa College Student Aid Commission’s share of the reserve total is approximately $30.0 million. However, for the next five years, guaranty agencies are allowed to deposit one-fifth of the total reserves in a special recall set-aside account. The first of Iowa’s five annual installments of approximately $6.0 million was deposited in December 1997 and the last will be made in December 2001.

**Interest on Set-aside Acct.** A second account has been established by the Commission, as required by federal statute, for deposit of interest earned on the set-aside account. The interest earned is to be used by the Commission for enhanced default reduction activities. The Commission estimates approximately $4.8 million of interest will be earned on the set-aside account over the five-year period.

**Use of Earnings** According to Commission staff, no specific guidelines have been provided by the U.S. Department of Education (USDE) regarding how the interest earnings should be used. However, the Department provided the following examples:

* Debt management and job placement counseling for high-risk borrowers.
* Developing public service announcements that detail consequences of default.

The Department also indicated that the funds should be used to provide “additional assistance for disadvantaged and high-risk borrowers.”

**Task Force Recommendations** The Commission created a Default Reduction Task Force and approved several initiatives based on the Task Force’s recommendations. These include the following commitments through FY 2001:

**Recommendation**

* $7,500 for the Default Reduction Task Force expenses ($2,500 per year).
* $2,500 for default reduction materials for financial aid officers.
* $10,000 for a student status management system.
* $225,000 for default aversion counselors ($75,000 per year).
* $300,000 for the Foster Child Grant Pilot Program.
* $1.0 million for a proposed Debt Management Grant Program.

**Funding & Commitments** Total funding available for FY 2000 is $1.6 million. Total commitments as proposed are $1.5 million leaving approximately $100,000 uncommitted.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Legislative Fiscal Committee Meeting - August

**Fiscal Committee** The Legislative Fiscal Committee met on August 25 at the Clarinda Treatment Complex. The Committee:



* Received an update on General Fund Revenues from Dennis Prouty, LFB.
* Discussed appropriations transfers and lease purchase notices.
* Heard a presentation on laborshed surveys by Randy Pilkington, Institute for Decision Making, University of Northern Iowa.
* Discussed prison population changes and the status of prison construction projects, Dwayne Ferguson, LFB.
* Toured the new prison facility.
* Heard a presentation on the Sex Offender Treatment Program by Dr. Luis Rosell, Program Director, Department of Corrections.
* Heard presentations on the Civil Commitment/Sexually Violent Predator Law by Doug Marek, Attorney General’s Office, and Dr. Jim Gardner, Department of Human Services.
* Heard a brief presentation on the Department of Corrections Drug Treatment Program, by Steven Jenkins and Dave Ferry, Department of Corrections.
* Briefly toured the Mental Health Institute.



**Next Meeting** The next meeting will be held Tuesday, September 28, at Iowa State University, Ames. The tentative agenda includes:

* Revenue Update
* Lease Purchase and Approp Transfer Notices
* Regents Capital Budget Requests
* Deferred Maintenance - recent progress and needs
* Tour by Fire Marshal of fire safety needs
* Engineering Building - progress
* Swine Research Center - plans for it
* ISU Plant Science Center – ***Issue Review***
* Iowa Agriculture Economy
* Federal Education Funds - ***Issue Review***
* Community Colleges - Overview of Funding - ***Issue Review***

**More Information** For more information, please contact the Fiscal Bureau.

STAFF CONTACT: Holly Lyons (Ext. 17845) Tim Faller (Ext. 14615)

Environmental Protection Commission Holds Meeting



**Commission Meeting** The Environmental Protection Commission met August 16 in Des Moines for their monthly meeting. Presentations were given by:

* Paul Johnson, Department Director, gave an overview of the environmental initiatives being presented to the Governor by the Department of Natural Resources. They include:

1. Designating Year 2000 as the Year of Environment in Iowa. This would include a number of events that would promote the preservation of natural resources in Iowa.
2. Coordinating efforts with the Department of Economic Development to insure environmental issues and permits are in place prior to an industry moving to Iowa.
3. Targeting parks, forests, and other natural areas to improve them and make them destination spots for tourists.
4. To continually work on improving Iowa’s water quality.

* Mike Valde, Administrator of the Environmental Protection Division, asked for the Commission to approve the interagency agreement between the Department of Natural Resources and the University of Iowa Hygienic Lab. The agreement included a $40,000 increase to hire an employee to support real time air monitoring. The agreement was approved.
* Susan Rigdon, a citizen from the Cedar Rapids area, gave a presentation on a proposed landfill siting near Cedar Rapids**. She explained that the City of Cedar Rapids was planning to condemn 425 acres to build a second landfill.**
* **Wayne Gieselman, Agriculture Coordinator, provided the Commission with updates on questions that were asked at the previous meeting.**

**Next Meeting The next meeting will be September 20.**

STAFF CONTACT: Deb Kozel (Ext. 16767)

Vertical Infrastructure Advisory Committee



**Council Meeting** The Vertical Infrastructure Advisory Council held its first meeting August 27. The Council was created by the Governor under Executive Order III and was established to:

* Oversee the inventory and assessment of the vertical infrastructure owned or under the control of the State.
* To make recommendations annually to the Governor regarding the use of the Rebuild Iowa Infrastructure Fund for the infrastructure needs of the State and its political subdivisions.



**Issues Presented** The Council was presented with background information by the Department of General Services and infrastructure issues currently facing the State. The following issues were presented by the Department:

* Laws and requirements associated with open public meetings, gifts, and conflict of interest.
* Rebuild Iowa Infrastructure Fund.
* Five-Year capital planning and budgeting process.
* Overview of the terms and definitions of vertical infrastructure, major maintenance, preventive maintenance, routine maintenance.
* Issues facing the State’s vertical infrastructure, including the effects of critical emergency repairs and deferred maintenance on the overall capital budget and requirements to bring buildings into compliance with fire codes and Americans with Disabilities Act (ADA) requirements.
* Issues associated with decisions to construct new facilities.

**Infrastructure Assessment** The Council heard a presentation from the Hanson Company regarding the infrastructure assessment of State-owned facilities. The General Assembly appropriated $1.4 million over a two-year period (FY 1998 and FY 1999) to the Department of General Services to conduct the assessment. The assessment includes a complete inventory of all State facilities under the purview of the Department of General Services. This includes facilities of the following agencies:

Department of General Services

Veterans Affairs Commission

Department of Corrections

Department of Human Services

Department of Cultural Affairs

Department for the Blind

Department of Education

Department of Public Safety

**Facilities Not Included** The assessment does not include facilities operated by the Board of Regents, or the Departments of Transportation, Natural Resources, or Public Defense. However, the software can be expanded to include these agencies at some point in the future.

**Condition Rankings** The facilities assessment includes the establishment of an extensive database on State facilities, which includes a detailed evaluation of building deficiencies. All facilities and building systems included in the assessment are given a condition ranking from A (good condition) to F (failing condition). The software also allows the Department to estimate the cost associated with repairing the deficiencies that were given D and F rankings.

**Recommendations**

**Recommendations Due** The Vertical Infrastructure Advisory Council will use information generated from the assessment database to prioritize funding recommendations to the Governor. The Council’s recommendations are to be presented to the Governor no later than December 15.

STAFF CONTACT: David Reynolds (Ext. 16934)

Council on Human Services Meeting

**Council Meeting** The Council on Human Services met August 11 and conducted the following business:



* Approved various changes to Administrative Rules including:

Changes in income disregard to implement the seamless child care system.

Revision of Medicaid regarding eligibility of children.

Implementation of a subsidized guardianship program.

Revision of Medicaid regarding payments for hearing aids.

Implementation of provider increases for those receiving funds from Medicaid and rehabilitative treatment services funds.

Revision of foster home insurance coverage.

Elimination of administrative rules regarding foster care project grants.

Revision of child care funding policies for empowerment areas.

Revision of psychiatric medical institutions for children criteria for approval.

* Received updates regarding:

The Family Investment Program (FIP).

Domestic Violence.

The seamless child care system.

Merit Behavioral Health Care, a managed care contractor for several programs within the DHS.

Empowerment Areas.

Field Staffing.

**More Information** Additional information is available upon request. The next meeting of the Council is September 14 and 15, where the FY 2001 budget requests will be discussed.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Deb Anderson (Ext. 16764)

Department of Human Services - Title IV-E Federal Funds Revision to State Expenditure Plan



**Follow-up on Title IV-E Funds** ADVISORY WORKGROUP: In the August 16 edition of ***Fiscal Update***, an entry reviewed the status of the efforts by the Treatment Component of the Child Welfare Services Work Group regarding the expenditures of the $550,000 from funds allocated by the General Assembly from the Supplemental Disproportionate Share Program. These one-time funds were to secure additional federal financial participation under Title IV-E of the federal Social Security Act and to develop an outcome-based data management system.

**Delay in Approval** The Department of Management was to approve the planned expenditure of the funds and did in part on July 15. The delay of approval of the development and integration of results-based case permanency planning and treatment was to receive additional detail.

**Subgroup of the Work Group** A Child Welfare Outcomes Advisory Workgroup was created as a subgroup to the Treatment Component of Child Welfare Services Work Group to plan for expenditure of the $100,000-$120,000 remaining unobligated from the funds. The Advisory Workgroup met and recommended that $140,000 be expended for a Quality Assurance and Continuous Quality Services Review (QSR) Process. This would be to develop an instrument to perform the review and for training. The Treatment Component of the Child Welfare Services Work Group will submit the plan to the Department of Management for approval.

**Action Delayed** The sum of the maximum cost ranges exceeds the total amount allocated for these projects. The Department of Human Services is in the process of fine-tuning the proposed expenditures so that the amount is not exceeded. In the event that funds remain, there was a desire by the Outcomes Advisory Workgroup to provide funds to the Iowa Coalition for Family and Children Services to assist in a study the Coalition has contracted with the University of Northern Iowa for an outcomes-based system, using family and youth characteristics. Since budgetary figures remain estimated, the Advisory Workgroup delayed action on the financial assistance.

**Administrative Rules Changes** ADMINISTRATIVE RULES DRAFTING COMMITTEE: The Administrative Rules Drafting Committee of the Treatment Component of the Child Welfare Services Work Group is in the process of submitting proposed changes regarding administrative rules to parallel the State Plan submitted to the federal government by the Department of Human Services for changes in bundling (methodology in what the federal government reimburses the State for services provided) and reimbursement levels for various service providers. There is not consensus as to the possible impact of State funding regarding the services and reimbursements.



**“Bundling of Services”** Although the bundling process of services may not alter the funding mechanisms for the State cost of reimbursements to service providers directly, the process may result in a provider having to provide a recipient of services a greater number of services than currently receiving, due to the bundling process. For an example, a recipient may now only receive two types of services. Under the bundling process for reimbursements, the provider may have to provide a recipient five services. This in essence could require providers to seek reimbursements in a greater amount, since the provider is providing more services to the same client at no increase in reimbursements under the perfect scenario of the bundling process. The federal government has not yet approved the bundling process concept submitted by the Department of Human Services, and any administrative rule changes which may take place to parallel the new bundling process will need to undergo the public comment and legislative committee approval processes.

**Next Meeting** MEETINGS: The various subgroups of the Treatment Component of the Child Welfare Services Work Group meet frequently and on various dates. The next meeting of the Work Group in its entirety is scheduled for September 16.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Proposed Use of the Emergency Cooling Funds



**Federal Emergency Funds** The Federal Government recently appropriated $3,498,425 of emergency funds to help the poor pay for the air conditioning bills due to extreme heat. The following is a breakout of the emergency appropriation:

* $2,407,504 - Allocated to 60,822 approved LIHEAP clients = $40.00 per household.
* $349,764 - LIHEAP Energy Crisis Intervention Payments – Emergency Cooling.
* $175,000 - Transfer to Weatherization Assistance Program for cooling crisis.
* $332,342 - 10% Community Action Agency Administrative Funds.
* $133,815- - New Applicants.
* $100,000 - To Department of Elder Affairs to operate statewide cooling centers and other assistance as required.

**Applications Received** Applications for cooling assistance may be made until August 31 at local community action agency offices. Renters are eligible, including those in subsidized housing if they pay their own electric costs. In order for a household to be eligible, 150% of federal poverty guidelines apply, as well as the proof of income for the past three months or for the last year.

**Expected Payments** Households that received LIHEAP heating assistance this past winter need not reapply. Cooling funds will automatically be applied to their electric accounts. Payments are expected to be $40 per household. Households that have moved or made changes in their electric accounts should contact their local community action agency to assure crediting of their payment to correct account numbers. Payments to new applicants will be made on a first-come, first-served basis.

**Air Conditioning** Payments of up to $350 may be made for purchase of air conditioners when need is certified by a health professional. Assistance in installing air conditioning units will be provided where necessary. Funds will be made available to the Iowa Department of Elder Affairs to assist in operating their cooling centers should the need arise, or providing additional assistance as required.

STAFF CONTACT: Jennifer Dean (Ext. 14613)

Weekly Medical Assistance Program Expenditures in the Department of Human Services



**Medical Asst. Program** For the week ending August 23, 1999, FY 1999 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $7.8 million. This is $3,706,781 under the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $393.0 million, which is $2.0 million (0.5%) above the amount budgeted for the fiscal year-to-date.

**Expenditures Monitored** The LFB will continue to monitor Medical Assistance Program expenditures and will provide regular updates to members of the General Assembly. More information is available from the Fiscal Bureau.

STAFF CONTACT: Deb Anderson (Ext. 16764)