FISCAL UPDATE March 27, 2000

Legislative Fiscal Bureau (515)-281-5279 FAX 281-8451

Status of Appropriations Bills



| **Appropriations Subcommittee Bills** | | | | |
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| **Appropriations Subcommittee** |  | **LSB/File #** |  | **Status** |
| Admin./Regulation |  | HF 2545 |  | Passed the House on March 22. In Senate Approps. |
| Ag./Natural Resources |  | SF 2430 |  | Passed the Senate on March 22. In House Approps. |
| Economic Development |  | SF 2428 |  | Passed the Senate on March 21. In House Approps. |
| Education |  | HF 2549 |  | Passed House Approps. on March 21. |
| Health/Human Rights |  | SF 2429 |  | Passed the Senate on March 23. In House Approps. |
| Human Services |  | SF 2435 |  | Passed Senate Approps. on March 23. |
| Justice System |  | HF 2552 |  | Passed House Approps. on March 23. |
| Justice System – Judicial Branch |  | HF 2554 |  | Passed House Approps. on March 22. |
| Oversight & Comm. |  | SF 2433 |  | Passed Senate Approps. on March 22. |
| Trans., Infrastruc- ture, & Caps. |  | HF 2538 |  | Transportation Appropriations Passed the House on March 21. In Senate Approps.  Infrastructure Bill in Joint Subcommittee. Bill starts in Senate. |

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|  | Admin./Regulation, pg. 2 | SF 2141 - Merchant Marine, pg. 20 |
|  | Agriculture/Natural Resources, pg. 3 | SF 2371 - Improving Watershed Attributes, pg. 20 |
|  | Economic Development, pg. 4 | Audit Report – Gambling Treatment Program, pg. 21 |
|  | Education, pg. 6 | Lottery Revenues & Expenditures – February, pg. 24 |
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| **Other Appropriations Bills** | | | | |
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| **Short Title** |  | **LSB/File #** |  | **Status** |
| Block Grant/Federal Funds |  | HF 2533 |  | Passed the House on March 21. In Senate Approps. |
| Oil Overcharge |  | SF 2416 |  | Passed the Senate on March 23. In House Approps. |
| Budget Guarantee |  | SF 2111 |  | Passed the House on March 20. |
| Merchant Marine Bonus |  | SF 2141 |  | Passed House Approps. on March 22. |
| Supplementary Weighting |  | HF 2496 |  | Passed Senate Approps. |
| WW II Memorial |  | HF 2059 |  | Signed by the Governor on January 31. |
| Senior Living Trust |  | SF 2193 |  | Signed by the Governor on February 29. |
| Allowable Growth |  | SF 2082 |  | Signed by the Governor on February 9. |
| Deappropriations |  | HF 2039 |  | Signed by the Governor on January 18. |

STAFF CONTACT: Holly Lyons (Ext. 17845)

Administration and Regulation Appropriations Bill – HF 2545 Passes House



**Admin./Regulation** The Administration and Regulation Appropriations Bill, HF 2545, was amended and passed by the House on March 22. The Bill appropriates $88.5 million from the General Fund and 1,902.9 FTE positions, an increase of $240,000 (0.3%) and 16.1 (0.8%) FTE positions compared to the FY 2000 estimated net appropriation. The Bill also appropriates $22.0 million of other funds, an increase of $146,000 (0.7%) compared to the FY 2000 estimated net appropriation.

**Major Changes** Major changes made by the House include:

* An increase of $180,000 for the Department of Commerce, Banking Division for 60 laptop computers for the examination staff.
* An increase of $120,000 for the Department of Commerce, Credit Union Division, for the creation of a career ladder and to pay for computer services.
* An increase of $71,000 for the Department of Commerce, Insurance Division for the second half of an Auditor position approved last year in the Investment Advisor Program.
* An appropriation of $430,000 from the IPERS Fund contingent upon passage of Senate File 2411 (IPERS Bill) for expenses relating to the enhanced disability provisions for IPERS' Public Safety members.
* An appropriation of $100,000 from the IPERS Fund contingent upon passage of Senate File 2411 (IPERS Bill) for a study of methods for providing enhanced portability into and out of IPERS, and for expenses related to development and implementation of the defined contribution options required by Section 24 of this Bill.
* Reallocates money within the Department of Revenue and Finance among the Divisions of Compliance, State Financial Management, and Internal Resources. The House action decreases the Compliance Division by $65,000 and the Division of State Financial Management by $418,000 and reallocates the total amount of $483,000 to the Internal Resources Division.
* Specifies that $400,000 of the Treasurer of State’s appropriation be used for administration of the College Savings Iowa Program.
* Specifies that all State departments having purchasing authority issue bids via the Department of Economic Development’s Targeted Small Business web page.
* Allows the Department of Inspections and Appeals, Health Facilities Division, to carry forward $76,000 for subsequent fiscal years.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: Christina Schaefer (Ext. 16765) Ron Robinson (Ext. 16256)

Agriculture and Natural Resources Appropriations Bill - SF 2430 Passes Senate Appropriations Committee and the senate

**Agric./Natural Resources** The Agriculture and Natural Resources Appropriations Bill, SF 2430, was passed by the Senate Appropriations Committee on March 20 and by the Senate on March 22. The Bill appropriates $42.1 million and 1,500.5 FTE positions compared to the FY 2000 estimated net appropriation.

**Committee Changes** Major changes to the Bill by the Senate Appropriations Committee include:

* Increases the appropriation to the Horse and Dog Program by $15,000 for FY 2000 salary adjustment.
* Appropriates 5.00 FTE positions to the Environmental Protection Division in the Department of Natural Resources to assist industry for the implementation of the enlibre air quality model.

**Major Changes by Senate** Major changes to the Bill by the Senate include:



1. Appropriates an increase of $200,000 and 4.0 FTE positions to the Regulatory Division in the Department of Agriculture and Land Stewardship if SF 2312 or HF 2490 (Pseudorabies Control Bill) is enacted by the 2000 General Assembly.

**Compared to FY 2000** The Bill, as amended, contains the following major changes compared to the FY 2000 estimated net appropriation:

1. Decreases the appropriation to the Administrative Division in the Department of Agriculture and Land Stewardship by $32,000 and 1.0 FTE position.
2. Increases the appropriation to the Regulatory Division in the Department of Agriculture and Land Stewardship by $200,000 and 3.0 FTE positions.
3. Decreases the appropriation to the Laboratory Division in the Department of Agriculture and Land Stewardship by $22,000 and 1.0 FTE position.
4. Decreases the appropriation to the Soil Conservation Division Cost Share Program in the Department of Agriculture and Land Stewardship by $1.0 million.



1. Decreases the appropriation to the Horse and Dog Program in the Department of Agriculture and Land Stewardship by $10,000.
2. Increases the appropriation to Iowa State University for Johne’s Disease research by $95,000.
3. Decreases the appropriation to the Administrative Services in the Department of Natural Resources by $100,000.
4. Decreases the appropriation to the Environmental Protection Division in the Department of Natural Resources by $1.1 million and increases the number of FTE positions by five.
5. Allocates $300,000 from the Water Quality Protection Fund to the Environmental Protection Division in the Department of Natural Resources for operations.
6. Appropriates $540,000 from the Groundwater Protection Fund to the Environmental Protection Division for operations.

Retirement



1. Appropriates $200,000 for payment of retirement benefits to State Park Rangers for FY 2000.
2. Appropriates $100,000 from the Organic Nutrient Management Fund to the Environmental Protection Division for operations.
3. Allows the Department of Natural Resources to use up to $250,000 for payment of retirement benefits to Conservation Officers.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: Deb Kozel (Ext. 16767) Sherry Weikum (Ext. 17846)

Economic Development Appropriations Bill – sf 2428 Passes Senate

**Bill Passed** On March 21, the Senate passed SF 2428 (FY 2001 Economic Development Appropriations Bill). The Bill appropriates $36.8 million and 1,266.9 FTE positions, a decrease of $4.9 million (11.7%) and an increase of 7.2 FTE positions (0.6%) compared to FY 2000 estimated net appropriation.

**Economic Development** The Bill **a**ppropriates a total of $21.4 million from the General Fund and 206.8 FTE positions to the Department of Economic Development, a decrease of $3.5 million (14.0%) and an increase of 18.5 FTE positions (9.8%) compared to the adjusted FY 2000 appropriation. Major changes include:



* A general decrease of 4.0% from the original FY 2000 level for all appropriations.
* An increase of $250,000 for a new Accelerated Career Education (ACE) tuition assistance grant program.
* An increase of $80,000 and 1.0 FTE position to expand the Iowa Commission on Volunteerism.
* A decrease of $464,000 and 6.0 FTE positions to move a majority of the functions of the Small Business Resource and Procurement Offices to the Small Business Development Centers at Iowa State University.
* An increase of $50,000 and 1.0 FTE position to add a business liaison position to assist companies with immigration issues.
* A decrease of $50,000 for the Graphic Arts Center.
* A decrease of $1.4 million for the Strategic Investment Fund. In addition, the Bill moves funding for the Value Added Agriculture Products and Processes Program to the Strategic Investment Fund. Current Code of Iowa requirements would switch funding for that Program from the Motor Vehicle Use Tax to the General Fund beginning in FY 2001.
* A decrease of $1.2 million for housing assistance federal matching funds. The Bill replaces the reduced General Fund appropriation with $1.2 million in revenue from the Iowa Finance Authority.



* An increase of $55,000 to place computers in private Welcome Centers.
* An increase of 22.5 FTE positions for the Iowa Finance Authority to allow the Authority to assume responsibility for certain federal housing programs. The majority of the positions would be financed with federal funds.

**Board of Regents** The Bill appropriates a total of $7.7 million from the General Fund and 73.8 FTE positions to seven Board of Regents programs, a decrease of $113,000 (1.4%) and an increase of 1.0 FTE position (1.4%) compared to the adjusted FY 2000 appropriation. Major changes include:

* A general decrease of 4.0% from the original FY 2000 level for all appropriations.
* An increase of $200,000 for the Small Business Development Centers to assume some of the responsibilities of the Department of Economic Development’s Small Business Resource and Procurement Offices.



**Workforce Development** The Bill appropriates a total of $6.5 million from the General Fund and 973.6 FTE positions to the Department of Workforce Development, a decrease of $1.5 million (18.9%) and 12.3 FTE positions (1.2%) compared to the adjusted FY 2000 appropriation. The major changes include:

* A general decrease of 4.0% from the original FY 2000 level for all appropriations.
* A decrease of 1.5 FTE positions to align Labor Division FTE position authorization with resources.
* A decrease of $1.2 million due to elimination of the Workforce Development Areas appropriation. That Program is converted to the New Employment Opportunities Fund and financed with a $1.5 million appropriation from the Unemployment Administration Surcharge Fund.
* A decrease of 10.5 FTE positions funded through the Unemployment Administration Fund. The reduction is due to a decrease in federal funds.
* A decrease of $69,000 and 0.3 FTE position due to elimination of the Labor-Management Coordinator appropriation.

**PER Board** The Bill appropriates $887,000 from the General Fund and 12.8 FTE positions to the Public Employment Relations (PER) Board, a decrease of $25,000 (2.8%) and no change in FTE positions compared to the adjusted FY 2000 appropriation.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Education Appropriations – HF 2549 Passes House Appropriations Committee



**Education – HF 2549** The House Appropriations Committee amended and passed HF 2549 (FY 2001 Education Appropriations Bill) on March 21. The Bill appropriates $988.5 million and 17,393.1 FTE positions to the College Student Aid Commission, the Departments of Cultural Affairs and Education, and the Board of Regents. This is an increase of $41.5 million (4.4%) and a decrease of 19.8 FTE positions (0.1%) compared to the FY 2000 estimated net appropriation. The appropriations total includes a standing appropriation of $12.6 million for FY 2001 for at-risk children programs, a decrease of $2.8 million compared to the FY 2000 estimated net appropriation. The appropriations total also reflects new funding of $9.8 million within the school aid formula estimate for alternative school funding. Highlights of HF 2549 include:

**College Student Aid** *College Student Aid Commission:*

* Decreases the appropriation for the Des Moines University Osteopathic Medical Center Forgivable Loan Program by $125,000 compared to the FY 2000 estimated net appropriation to eliminate excess capacity.
* Increases the appropriation for the National Guard Education Assistance Program by $416,000 compared to the FY 2000 estimated net appropriation to increase the number of participants.
* Increases the standing appropriation for the Tuition Grant Program by $1.0 million compared to the FY 2000 estimated net appropriation to increase the average grant.
* Decreases the standing appropriation for the Vocational-Technical Tuition Grant Program by $200,000 compared to the FY 2000 estimated net appropriation to eliminate excess capacity.
* Decreases the standing appropriation for the Work Study Program by $200,000 compared to the FY 2000 estimated net appropriation to eliminate excess capacity.



**Cultural Affairs** *Department of Cultural Affairs:*

* Decreases the appropriation for the Iowa Arts Council by $35,000 compared to the FY 2000 estimated net appropriation due to a reduction to the base budget.
* Decreases the appropriation for the Historical Division by $22,000 compared to the FY 2000 estimated net appropriation due to a reduction to the base budget.
* Decreases the appropriation for Community Cultural Grants by $25,000 compared to the FY 2000 estimated net appropriation due to a reduction to the base budget.

**Dept. of Education** *Department of Education:*

* Decreases the appropriation for the Administrative Division by $100,000 compared to the FY 2000 estimated net appropriation due to a reduction to the base budget.
* Increases the appropriation for the Division of Vocational Rehabilitation by $146,000 compared to the FY 2000 estimated net appropriation to increase State share of funding to fully match federal funds.

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* Decreases the appropriation for the State Library by $48,000 compared to the FY 2000 estimated net appropriation due to a reduction to the base budget.
* Increases the appropriation for the Enrich Library Program by $780,000 compared to the FY 2000 estimated net appropriation to increase funding for local libraries.
* Decreases the appropriation for Iowa Public Television by $118,000 compared to the FY 2000 estimated net appropriation due to a reduction to the base budget.
* Increases the appropriation for deposit in the School Ready Grants Account of the Empowerment Fund by $4.5 million compared to the FY 2000 estimated net appropriation.
* Decreases the appropriation for a Vocational Agricultural Youth Organization and other youth activities by $28,000 compared to the FY 2000 estimated net appropriation due to eliminating funding for some of the activities.
* Increases the appropriation for National Board Certification Awards by $381,000 compared to the FY 2000 estimated net appropriation for the issuance of awards.
* Increases the appropriation for the Beginning Teacher Induction Program by $200,000 compared to the FY 2000 estimated net appropriation for the issuance of awards.
* Adds a new appropriation of $90,000 for the Family Resource Center Demonstration Program.
* Increases the appropriation for community colleges by $6.0 million compared to the FY 2000 estimated net appropriation for operations.
* Permits the Board of Educational Examiners to retain up to 85.0% of any increase in license fees for expenditures relating to Board duties.
* Changes certain allocations from the Educational Excellence standing appropriation for FY 2001 as follows:
* $68,000 to the Iowa Braille and Sight Saving School and $102,000 to the Iowa School for the Deaf.
* $150,000 to Iowa Public Television for overnight block feeds.

**Board of Regents** *Board of Regents:*



* Decreases the appropriation for the University of Iowa (SUI) general university operating budget by $4.6 million compared to the FY 2000 estimated net appropriation for a net general reduction to the base budget.
* Increases the appropriation to the SUI for the Public Health Initiative by $1.0 million compared to the FY 2000 estimated net appropriation for continued expansion.
* Decreases the appropriation for the Regional Library System by $687,000 compared to the FY 2000 estimated net appropriation due to a reduction to the base budget.
* Decreases the appropriation to Iowa State University (ISU) general university operating budget by $3.8 million compared to the FY 2000 estimated net appropriation for a net general reduction to the base budget.



* Decreases the appropriation to the ISU Extension Service Program by $650,000 compared to the FY 2000 estimated net appropriation. Of the decrease, $600,000 is to transfer the Fire Service Institute to the Department of Public Safety.
* Increases the appropriation to the ISU Center for Excellence in Plant Science by $2.5 million compared to the FY 2000 estimated net appropriation for continued expansion of the Center.
* Decreases the appropriation to the University of Northern Iowa (UNI) general university operating budget by $1.1 million compared to the FY 2000 estimated net appropriation for a net general reduction to the base budget.
* Increases the appropriation to the UNI for the Masters in Social Work Program by $150,000 compared to the FY 2000 estimated net appropriation.
* Adds a new appropriation of $18.2 million to fund salary increases at the Board of Regents Board Office and institutions. When the salary funding is added to the operational appropriations in HF 2549, the result is total funding for FY 2001 for the Board of Regents of $706.0 million. This is an increase of $11.5 million (1.7%) compared to the FY 2000 estimated net appropriation.

**Studies & Intent Language** *Significant Studies and Intent Language:*

* Requires the Division of Library Services of the Department of Education to submit a program evaluation report regarding the Enrich Iowa Program to the Governor and the General Assembly by January 15, 2001.
* Requires the Commission of Libraries, the area education agencies, and the regional libraries to jointly develop a plan to provide support functions and services of the regional library system more effectively and efficiently. Requires the plan to be submitted by December 1, 2000.
* Requires the SUI Hospitals and Clinics to make reasonable efforts to use technology to provide care to indigent patients and to submit a report regarding such efforts to the General Assembly and the Legislative Fiscal Bureau (LFB) by January 15, 2001.



* Requires the ISU Cooperative Extension Service to conduct a study, in consultation with the Department of Human Services, regarding duplication of efforts and to submit a report to the General Assembly and the LFB by January 15, 2001.

**Statutory Changes** *Significant Changes to the Code of Iowa:*

* Increases the amount of enhanced medical assistance collections to be deposited in the General Fund by the SUI Hospitals and Clinics.
* Amends the supplementary weighting portion of the K-12 School Aid formula.
* Decreases the standing appropriation for at-risk children by $2.8 million to account for the sunset of the School-Based Youth Services Education Program at the end of FY 2000.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available upon request from the LFB Office.

STAFF CONTACT: Mary Shipman (Ext. 14617) Paige Piper/Bach (Ext. 17942)

Health and Human Rights Appropriations Bill – SF 2429 passes Senate



**Health/Human Rights** On March 20, SF 2429 (Health and Human Rights Appropriations Bill) passed the Senate Appropriations Committee. On March 23, the Bill passed the Senate. The Bill appropriates $87.6 million from the General Fund and 1,473.7 FTE positions, a decrease of $7.5 million and an increase of 26.9 FTE positions compared to the FY 2000 estimated net appropriation. The Bill provides funding to seven agencies: Department for the Blind, Civil Rights Commission, Department of Elder Affairs, Governor’s Alliance on Substance Abuse, Department of Public Health, Department of Human Rights, and Commission on Veterans Affairs. General Fund changes compared to the FY 2000 estimated net appropriation include:

**Dept. of Elder Affairs** Department of Elder Affairs

* Increases the appropriation by $16,000 to expand existing Retired Senior Volunteer Programs (RSVP).
* Increases the appropriation by $60,000 and 1.0 FTE position compared to the FY 2000 estimated net appropriation for an additional long-term care ombudsman.

**Substance Abuse** Governor’s Alliance on Substance Abuse

* Appropriates $80,000 to transfer the Drug Abuse Resistance Education (D.A.R.E.) Program from the Iowa Law Enforcement Academy.

**Dept. of Public Health** Department of Public Health

* Decreases the appropriation to the Addictive Disorders Program by $8.6 million. The decrease is partially offset by a $1.3 million allocation from the Gambling Treatment Fund appropriation to the Department of Public Health.
* Decreases the appropriation to the Adult Wellness Program by $55,000 to eliminate funds for the Mid-Level Practitioners Project.
* Decreases the appropriation to the Child and Adolescent Wellness Program by $60,000 to reduce funds for the Physician Care for Children Program due to Healthy and Well Kids in Iowa (HAWK-I) Program coverage.



* Increases the appropriation to the Public Protection Program by $155,000 to provide funds for a Deputy State Medical Examiner from the General Fund. In FY 2000, the position was funded by an allocation of 0.3% of the gross sum wagered at pari-mutuel tracks.
* Increases the appropriation to the Public Protection Program by $208,000 and 3.0 FTE positions to be allocated to the Board of Medical Examiners for disciplinary functions.
* Increases the appropriation to the Public Protection Program by $65,000 and 2.0 FTE positions to be allocated to the Board of Medical Examiners for licensure functions.
* Increases the appropriation to the Resource Management Program by $30,000 for a medical records privacy taskforce.
* Appropriates $3.8 million from the Gambling Treatment Fund to the Department of Public Health. Requires allocations to the Addictive Disorders Program, public health nursing, and the Community Action Agencies Division of the Department of Human Rights. Allocates the remainder for the Gambling Treatment Program.
* Allocates $400,000 from the Gambling Treatment Fund appropriation to the Department of Public Health for local public health nursing and home care aid/chore programs.

**Dept. of Human Rights** Department of Human Rights



* Allocates $100,000 from the Gambling Treatment Appropriation to the Community Action Agencies Division for outreach efforts for the Healthy and Well Kids in Iowa (HAWK-I) Program.
* Increases the appropriation to the Administration Division by $44,000 and 1.0 FTE position for a Secretary III compared to the adjusted FY 2000 appropriation.
* Increases the appropriation to the Administration Division by $40,000 compared to the adjusted FY 2000 appropriation for an outreach program for Southeast Asian and Pacific Islanders.
* Increases the appropriation to the Persons with Disabilities Division by $20,000 to increase safety precautions at the Youth Leadership Forum.
* Increases the appropriation to the Latino Affairs Division by $10,000 to study the need for certified Spanish interpreters.

**Veterans Home** Iowa Veterans Home



* Increases the appropriation to the Iowa Veterans Home by $44,000 for food and dietary supplies.
* Increases the appropriation to the Iowa Veterans Home by $55,000 for cost adjustments to the contract for housekeeping services.
* Increases the appropriation to the Iowa Veterans Home by $370,000 for lease of personal computers.
* Increases the appropriation to the Iowa Veterans Home by 23.0 FTE positions to annualize positions needed for dietary services, which returned to State employees on October 1, 1999.
* Increases the appropriation to the Iowa Veterans Home by 69.0 FTE positions to allow State employees to be hired to perform housekeeping functions at the Home.
* The Bill includes the following intent language and/or changes to the Code of Iowa:

Permits the Boards of Medical Examiners, Dental Examiners, Nursing Examiners, and Pharmacy Examiners of the Department of Public Health to retain a specified amount of fees collected to be used for relocation expenses during FY 2001.

Extends the Scope of Practice Review Project until June 30, 2002. Permits the Department to contract with a school or college of public health to assist in implementing the project.

Permits the Iowa Veterans Home to retain drug reimbursements from the federal Department of Veterans Affairs to be used for pharmaceutical-related expenses at the Home.

Permits the Department of Public Health to retain up to $100,000 from fees collected by the Board of Medical Examiners during FY 2000 to improve licensure functions.

Creates an Assisted Living Certification Fund. Permits the Department to collect and retain Assisted Living Certification and accreditation fees. Specifies that interest and earnings on the moneys deposited into the Fund be credited to the Fund. Permits the Department to retain any unexpended or unencumbered moneys at the end of the fiscal year to be used in subsequent fiscal years.

Permits the Department of Public Health to collect and retain autopsy fees to be used for purposes of the State Medical Examiner’s Office.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Valerie Thacker (Ext. 15270) Russ Trimble (Ext. 14613)

Human Services Appropriations Bill – SF 2435 passes senate appropriations committee

**Human Services** The Senate Human Services Appropriations Subcommittee and the Senate Appropriations Committee took action upon the FY 2001 Human Services Appropriations Bill in SSB 3222 which became SF 2435.



**Bill Provisions** SF 2435 appropriates $797.8 million from the General Fund, an increase of $9.2 million compared to the FY 2000 estimated net appropriation. Provisions from the Bill include:

* Appropriates$141.9 million in federal Temporary Assistance for Needy Families (TANF) funds.
* Increases the General Fund appropriation by $1.3 million compared to the FY 2000 estimated net appropriation for the Family Investment Program (FIP). This includes increases for replacement of decreased child support recoveries with General Fund monies, increases to meet maintenance of effort requirements, and a decrease for decreased cash grant caseloads.
* Decreases the General Fund appropriation by $377,000 compared to the FY 2000 estimated net appropriation for the Child Support Recovery Unit within the Department of Human Services (DHS). This includes an increase for technology contracted personnel, and decreases for increased federal incentive funds and vacant FTE positions.
* Increases the General Fund appropriation by $7.0 million compared to the FY 2000 estimated net appropriation for the Medical Assistance Program (the State share of the Title XIX, or Medicaid Program). This includes increases for drug product costs and increased federal revenues and a decrease due to increased recoveries from other funds.



* Decreases the General Fund appropriation by $5.3 million compared to the FY 2000 estimated net appropriation for the Children’s Health Insurance Program (CHIP). The Healthy and Well Kids in Iowa (HAWK-I) Program is included within this appropriation. The change includes a decrease due to funds available in the HAWK-I Trust Fund and an increase to replace one-time carryforward funds.
* Increases the General Fund appropriation by $617,000 compared to the FY 2000 estimated net appropriation for Medical Contracts. This includes an increase for base budget and claims payment increases and a general reduction decrease.
* Decreases the General Fund appropriation by $414,000 compared to the FY 2000 estimated net appropriation for the State Supplementary Assistance Program, including a decrease due to an increase in the federal Supplemental Security Income (SSI) subsidy.
* Increases the General Fund appropriation by $933,000 compared to the FY 2000 estimated net appropriation for the Juvenile Home at Eldora. This includes an increase for opening a cottage, an increase for expansion of the security force, and a decrease to delay equipment purchases, eliminate one-time technology funds, and reduce vacant funded FTE positions.
* Increases the General Fund appropriation by $1.5 million compared to the FY 2000 estimated net appropriation for Child and Family Services within the DHS. This includes increases due to caseloads, additional beds for Psychiatric Medical Institutions for Children (PMICs), reimbursements based upon federal estimates of the cost of raising children, adoption subsidies, and 25 school-based liaisons. This also includes decreases due to additional federal funding, delaying the Subsidized Guardianship Program, using other funding for foster home contracts, and eliminating funding for FY 2001 for the National Adoption and Foster Care Information System.
* Decreases the General Fund appropriation by $731,000 compared to the FY 2000 estimated net appropriation for Community Based Services to fund child abuse prevention out of TANF funds rather than General Funds.
* Increases the General Fund appropriation to the Family Support Subsidy Program by $241,000 compared to the FY 2000 estimated net appropriation, including $203,000 for adding 50 more children to the Program.



* Decreases the General Fund appropriations for the Mental Health Institutes by $382,000 compared to FY 2000 estimated net appropriation. This includes a decrease of $96,000 at Cherokee, $23,000 at Clarinda, $174,000 at Independence, and $89,000 at Mount Pleasant. The changes include increases for food and drug cost inflation and decreases for one-time technology funds, delays in remodeling and noncritical equipment purchases, vacant funded FTE positions, and discontinuing bonus pay.
* Decreases the General Fund appropriation for the State Hospital-Schools by $1.4 million compared to the FY 2000 estimated net appropriation. This includes a decrease of $725,000 at Glenwood and $647,000 at Woodward. The changes include increases for food and drug cost inflation and decreasing federal match rate, and decreases for increasing federal receipts, delays in noncritical equipment purchases, and discontinuing bonus pay.
* Increases the General Fund appropriation by $3.7 million compared to the FY 2000 estimated net appropriation for additional caseload of persons without legal settlement for the State Cases appropriation.
* Decreases the General Fund appropriation by $5.1 million compared to the FY 2000 estimated net appropriation for Field Operations. This includes increases for cost allocation changes, and decreases for separating the appropriation for the five regional field offices into a separate budget unit, reclassifying certain employees, increasing federal funds, reducing vacant funded FTE positions, and discontinuing bonus pay.
* Initiates a General Fund appropriation of $5.7 million for the five regional offices of the DHS.
* Decreases the General Fund appropriation by $955,000 compared to the FY 2000 estimated net appropriation for General Administration. This includes an increase for replacement of reduced federal welfare reform funds with State General Funds and decreases for reduction of the State County Assistance Team, facilitator expenditures, and vacant funded FTE positions.
* Reduces the increase for the FY 2001 Mental Health Allowable Growth appropriation from $3.6 million to $3.1 million.

**Intent Language** The Bill adds language relating to a disease-specific pharmaceutical case management study, increased eligibility guidelines for pregnant women and infants, and required cost information for services provided to children enrolled in the Children’s Health Insurance Program. The Bill also requires the mental health institutes to conduct a net budgeting accounting test, names the educational complex at the State Training School at Eldora, and delays administrative rules for the Subsidized Guardianship Program.

**Family Planning Services** Subject to federal approval, the Bill requires the DHS to provide family planning services for women eligible for Medical Assistance at the time their pregnancies end and to pilot continuous eligibility for children through the Children’s Health Insurance Program.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the Legislative Fiscal Bureau.

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

Justice System Appropriations Bill – HF 2552 passes house appropriations committee

**Justice System** House File 2552 (Justice System Appropriations Bill) passed the House Appropriations Committee on March 23. The Bill appropriates $360.4 million and 5,956.0 FTE positions. The major changes include:

**Dept. of Justice** Department of Justice: A decrease of $42,000 to reduce out-of-state travel by 25.0%.



**Dept. of Corrections** Department of Corrections: An increase of $3.0 million and 122.5 FTE positions. Changes for the Corrections System include:

* Institutions: Increases funding by $5.4 million and 117.1 FTE positions compared to the FY 2000 estimated net appropriation. Major changes include:
* An increase of $937,000 and 3.0 FTE positions for one-time costs and initial startup of the Ft. Madison special needs unit.
* An increase of 26.5 FTE positions to replace the contracted medical services at the Ft. Madison institution with State employees.
* An increase of $1.8 million to replace the budgeted reduction for revenues for the Pay-for-Stay Program for private sector employed inmates at Anamosa, Newton, Mt. Pleasant, and Ft. Dodge. Beginning in FY 2001, these revenues will be deposited in the General Fund instead of the prisons’ operating budgets.
* An increase of $4.6 million and 88.3 FTE positions to annualize staff and support for operations at full design capacity at the Mitchellville and Ft. Dodge institutions.
* Requests the Legislative Council to authorize an interim study of Prison Farms to examine the sale or renting of prison farms, along with other factors.
* Central Office: Decreases funding by $1.9 million and no change in FTE positions compared to the FY 2000 estimated net appropriation. Major changes include:
* A decrease of $750,000 to eliminate the cost of housing female inmates out of State.
* An increase of $600,000 to transfer funding for computerization from the Newton and Ft. Dodge institutions to the Central Office. The transfer centralizes funding for the Iowa Corrections Offender Network (ICON).
* A decrease of $2.4 million due to paying off the certificates of participation for the 1990 capital expansion projects (Phase II). The final payments in FY 2001 will total $797,000.
* Community-Based Corrections (CBC): Decreases funding by $464,000 and provides an increase of 5.4 FTE positions compared to the FY 2000 estimated net appropriation. Major changes include:
* An increase of $308,000 and 7.5 FTE positions for one-time startup costs and nine months operations of the 30-bed addition to the Dubuque residential facility.
* An increase of $500,000 to transfer funding for the community treatment portion of the Sex Offender Hormonal Intervention Therapy Program from the Mt. Pleasant institution to the CBC District Departments.
* A decrease of $1.3 million to offset the increased revenues generated by changing the supervision fees to a flat fee of $250.
* A transfer of $100,000 from the Statewide CBC Account to the Sixth CBC District for the Youth Leadership Program. The Program received its initial FY 2000 appropriation in SF 361 (Methamphetamine Act).

**Inspections & Appeals** Department of Inspection and Appeals: Increases funding by $803,000 due to a projected increase in indigent defense claims.

**Public Defense** Department of Public Defense: Increases funding by $260,000 and 11.0 FTE positions compared to the FY 2000 estimated net appropriation. Major changes include:



* Military Division:
* An increase of $170,000 for the State match to receive $510,000 in federal funding for the National Guard Air Bases maintenance, repair, and employee costs
* An increase of 11.0 FTE positions, which are supported by $392,000 in federal funds, to operate the new paint facility at the Sioux City Air Base.
* Emergency Management Division: An increase of $90,000 for the State match for Federal Emergency Management Agency (FEMA) grants. Beginning in FY 1999, the grants require a 50.0% State match instead of being fully federally funded. This amount annualizes funding to a full 12 months of State match.

**Public Safety** Department of Public Safety: Increases funding by $782,000 and 3.0 FTE positions compared to the FY 2000 estimated net appropriation. Major changes include:

* An increase of $1.2 million to restore the amount deappropriated in HF 2039 (FY 2000 Deappropriations Act) for the Peace Officer’s Retirement (POR) system.
* A decrease of $585,000 to deduct FY 2000 one-time equipment costs.



* An increase of $160,000 and 2.0 FTE positions in the State Fire Marshal’s Office for safety inspections of licensed facilities. The increase is funded by fees.
* A net increase of $46,000 and 1.0 FTE position in the State Fire Marshal’s Office to reduce the turnaround time for blue print reviews. The increase is funded by fees. The implementation of a fee is estimated to generate $180,000 in additional General Fund receipts, which permits the current amount budgeted for blue print reviews ($134,000) to be deducted from the operating budget.



**Fees/Revenue Changes** Fees and Other Revenue Changes: The Bill makes a number of changes to the Code of Iowa affecting fees and revenues for the Department of Public Safety and the Department of Corrections. These changes include:

* Implements a fee for fire safety inspections of licensed facilities by the State Fire Marshal. This fee is anticipated to generate approximately $160,000 annually in General Fund receipts.
* Implements a fee for building plan reviews by the State Fire Marshal. This fee is anticipated to generate approximately $180,000 annually in General Fund receipts.
* Increases the reimbursement by excursion gambling boats, and requires pari-mutuel tracks and casinos to cover 100.0% of the costs of enforcement and investigations by the Department of Public Safety. This change is anticipated to increase General Fund receipts by $2.2 million.
* Transfers the Inmate Telephone Rebate Funds in the Department of Corrections institutions to the Office of the Treasurer of State. Funds are to be appropriated by the General Assembly for the benefit of the inmates. This change is effective at the beginning of FY 2002.
* Changes the Community-Based Corrections enrollment and supervision fee from a variable fee based on the severity of the crime to a flat fee of $250. This change is projected to increase local revenues for the CBC by $1.3 million. There is a corresponding decrease in the General Fund appropriation.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Beth Lenstra (Ext. 16301)

JUDICIAL BRANCH APPROPRIATIONS BILL – HF 2554 passes house appropriations committee

**Judicial Branch** The House Appropriations Committee passed HF 2554 (Judicial Branch Appropriations Bill) on March 22. The Bill appropriates a total of $116.8 million from the General Fund to the Judicial Branch. This is an increase of $4.4 million compared to the FY 2000 estimated net appropriation. Appropriation highlights include:



* $3.1 million for salary adjustment costs of the Judicial Branch. In previous years, these funds were included in the separate Salary Adjustment Bill.
* $4.5 million for the Judicial Retirement Fund, an increase of $297,000 compared to the FY 2000 estimated net appropriation. The increase funds the Judicial Retirement System at 23.7% of covered payroll.
* $109.0 million for the Judicial Branch’s operating budget, an increase of $983,000 compared to the FY 2000 estimated net appropriation. This increase is partially offset by a $1.0 million reduction in the Enhanced Court Collections Fund.

**Highlights** Other highlights include:

* Caps the Enhanced Court Collections Fund at $4.0 million, a decrease of $1.0 million compared to current law.



* Requires the Judicial Branch to fund the Justice Data Warehouse ($668,000 and 1.0 FTE position) from the Enhanced Court Collections Fund, if General Fund reversions are insufficient to fund the project through the Oversight and Communications Subcommittee Bill.
* Provides a 3.0% salary increase for justices and judges, a 5.5% salary increase for magistrates, and 3.3% salary increase for senior judges. The estimated cost of $819,000 is included in the salary adjustment appropriation for the Judicial Branch.
* Specifies that the Offices of the Clerks of Court shall operate in all 99 counties and be accessible to the public as much as is reasonably possible.

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Oversight and Communications Appropriations Bill - SF 2433 Passes Senate Appropriations Committee

**Oversight/Communications** The Senate Appropriations Committee met March 22, and passed Senate File 2433 (Oversight and Communications Appropriations Bill).

**Committee Changes** The Bill appropriates $21.6 million from the General Fund and 244.6 FTE positions. This is a decrease of $2.0 million and 26.0 FTE positions compared to the FY 2000 estimated net appropriation. The changes made to the Bill by the Senate Appropriations Committee include:

* Changes the source of funding for payment of maintenance and lease costs of the tail circuits for Part III of the Iowa Communications Network from an allocation of the Pooled Technology Account to an appropriation from the Rebuild Iowa Infrastructure Fund. The amount of the funding remains $2.7 million.
* Changes the total amount of technology related projects funded through allocation from the Pooled Technology Account to $29.3 million. Adds additional projects and changes the prioritization of projects that could receive allocations from the Pooled Technology Account if the level of reversion is sufficient.
* Changes the intent from mandatory to permissive language requiring the Iowa Telecommunications and Technology Commission to undertake a demonstration project on voice-over Internet protocol. Requires a competitive application process for the selection of a vendor. Requires that the vendor selected agree to provide all necessary equipment for the project at no cost to the Commission.

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TRANSPORTATION APPROPRIATIONS BILL – HF 2538 passes house



**Transportation Bill** The House amended and passed HF 2538 (Transportation Appropriations Bill) on March 21. The Bill, as amended, appropriates a total of $268.1 million and 3,859.5 FTE positions, which includes $3.1 million from the General Fund, $36.9 million from the Road Use Tax Fund, and $228.1 million from the Primary Road Fund. This is an increase of $4.5 million (1.7%) and 26.0 FTE positions (0.7%) compared to the FY 2000 estimated net appropriation.

**Civil Air Patrol** The only amendment to the Bill was an allocation to the Iowa Civil Air Patrol of $25,000 from the $2.5 million appropriation for airport improvement projects and engineering studies. In FY 2000, a $25,000 appropriation was made to the Civil Air Patrol, in addition to a $2.5 million appropriation for airport improvement.

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Block Grant and Federal Funds Bill – HF 2533 Passes House



**HF 2533 – Block Grant Bill** House File 2533 passed the House on March 21. The Bill provides the mechanism for the State to receive $140.9 million in federal block grant funds, including the following:

* Substance Abuse: $12.5 million.
* Community Mental Health Services: $3.1 million.
* Maternal and Child Health Services: $7.0 million.
* Preventive Health and Health Services: $1.9 million.
* Drug Control and System Improvement Grant Program: $5.8 million.
* Stop Violence Against Women Grant Program: $1.7 million.
* Local Law Enforcement Block Grant Program: $320,000.
* Residential Substance Abuse Treatment for State Prisoners Formula Grant Program: $520,000.
* Community Services: $5.7 million.
* Community Development: $29.9 million.
* Housing and Urban Development (Federal 1998 Supplemental Appropriations and Recissions Act): $3.2 million.
* Low-Income Home Energy Assistance: $20.0 million.
* Social Services: $18.8 million.
* Child Care and Development Fund: $30.4 million.

**Categorical Funds** The Bill also provides the mechanism for State agencies to receive $2.488 billion in categorical federal and nonstate funds.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the Legislative Fiscal Bureau.

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Budget Guarantee Bill – SF 2111 Passes House

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**Budget Guarantee Bill** Senate File 2111 (Budget Guarantee Bill) was amended and passed the House on March 20. The Bill as passed by the House provides:

* A budget guarantee provision for FY 2001 that allows school districts with declining enrollment to receive additional funds that guarantee the FY 2001 regular program district cost is equal to 100.0% of the FY 2000 total program district cost. Total cost of this plan for FY 2001 is approximately $7.0 million and is funded entirely through property taxes.
* School districts with increasing enrollments can apply with the School Budget Review Committee to receive 50.0% of the total amount for on-time funding. Total cost of this plan for FY 2001 is approximately $5.9 million and is entirely funded through property taxes.
* A budget guarantee provision for FY 2002 that allows school districts with declining enrollment to receive additional funds that guarantee the FY 2002 regular program district cost is equal to 100.0% of the FY 2001 regular program district cost. Total cost of this plan for FY 2002 is estimated at $1.0 million and is funded entirely through property taxes.
* School districts with increasing enrollments can apply with the School Budget Review Committee to receive 50.0% of the total amount for on-time funding. Total cost of this plan for FY 2002 is estimated at $6.7 million and is entirely funded through property taxes.

**District Estimates** District-by-district estimates of this proposal are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

Merchant Marine Bonus bill – sf 2141 passes House Appropriations committee

**SF 2141 - Merchant Marine**  Senate File 2141 (Merchant Marine Bonus) passed the House Appropriations Committee on March 22. The Bill creates a Merchant Marine Bonus Fund and appropriates $150,000 from the General Fund for FY 2001 to provide bonuses to eligible World War II merchant marines or eligible dependents of such merchant marines.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Initiative on Improving Our Watershed Attributes - SF 2371 Passes House

**Watershed Attributes** The House passed SF 2371 (Initiative on Improving Our Watershed Attributes) on March 23. The Bill establishes policy for a number of programs that will be implemented in the Department of Agriculture and Land Stewardship and the Department of Natural Resources. The goal of the Bill is to develop a comprehensive water quality program to improve the quality of water in the State of Iowa.

**Changes by House** Changes to the Bill by the House include:



Water Quality

* Specifies that demonstration projects should complement but not duplicate projects conducted by Iowa State University Extension Service.
* Specifies the Department of Natural Resources to analyze water quality monitoring data for trends and to have the information available for the general public.
* Specifies the Department of Natural Resources will continue to develop a Statewide water quality inventory or another type of water assessment report.
* Specifies that credible data is not necessary for the Department of Natural Resources to bring an enforcement action for an illegal discharge.
* Defines qualified volunteer and other volunteer. A qualified volunteer is a person that does not work for the Department of Natural Resources or is a professional designee, but has technical expertise and collects water quality data for a pre-approved water monitoring plan. A person that is an other volunteer does not have technical expertise.
* Specifies the Department of Natural Resources will retain all information submitted by a qualified volunteers for at least 10 years and will have this information available to the general public.



* Establishes an Interim Study Committee on the use of plant nutrients on Iowa soil. The Committee is to submit a report to the General Assembly by January 15, 2001.
* Work projects with an estimated cost of $25,000 or more are classified as public contracts and will have a contracting officer to establish procedures, approve bills for payment, and review change orders to the contract.

**Fiscal Estimates** Estimates for funding the programs include $11.2 million from the Rebuild Iowa Infrastructure Fund (RIIF), $1.9 million from the Fish and Game Protection Fund, and $81.7 million from federal and other sources of funds.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Audit Report on the Gambling Treatment Program



**Audit Report** The Legislative Fiscal Bureau has received “A Review of the Department of Public Health Gambling Treatment Program” prepared by the Office of the Auditor of State. The Department has structured the Gambling Treatment Program so that outreach, referral, and education functions are performed by private agencies that have contracted with the Department. Local providers provide treatment and education services to problem gamblers, their families, and friends on an outpatient basis. The Report contained the following recommendations for the Department regarding the Program, stating that the Department should:

* Prepare written review procedures for determining and documenting provider compliance with the contract to ensure and document each provider is monitored in a consistent and complete manner.
* Standardize the report format for the monitoring reviews. Standardized reports would provide consistency in reporting among the providers and allow the Department to compare results in an efficient manner.
* Perform annual (rather than biennial) on-site reviews of client billings and provider reimbursements in conjunction with the review of the treatment and education service. Annual monitoring visits would allow the Department to determine provider compliance with the contract and allow any necessary corrective action in a timely manner.
* Establish a system for electronic completion and submission of required gambling treatment forms by the providers to eliminate multiple handling of the client forms, increase the efficiency of data entry, and reduce the chance of confidential information being lost or inappropriately viewed. An electronic system would also allow client information to be more readily available and accessible for review and creation of reports. Over time, the initial set up cots of an electronic data recording system would be offset by the decreased administrative costs of processing the paper forms.



* Develop and implement a computerized Helpline data system to make the Helpline operations and the Department’s monitoring more efficient. With an electronic database, information previously gathered from a caller could be retrieved online and easily updated rather than preparing an additional paper document. Also the electronic information could be electronically transferred and administrative process of document handling would be minimized.
* Coordinate efforts with the Substance Abuse Program of the Department of Public Health to the extent possible to evaluate the treatment program and results**.**  Gambling treatment outcome information is critical for determining Program success and identifying treatment protocols that are effective. The Department has a contract with the Consortium on Substance Abuse Research and Evaluation for patient follow-up work relating to the Substance Abuse Program. If the Consortium’s performance has been satisfactory, the contract could be amended to include the gambling treatment Program’s outcome evaluation services.

Another alternative would be to issue a new request for proposal (RFP) for evaluation services. Due to the lack of response to the first RFP, the Department should identify qualified vendors and ensure they are aware of the opportunity to contract with the Department. The Department could contact companies that performed program outcome evaluations for other state’s compulsive gambling treatment programs and the State Regents’ institutions to determine their abilities and interest in meeting the requirements of the RFP within the Department’s budget constraints.

* Develop a statewide Program profile. The Department currently collects information regarding admission, discharge, and outcome of the Program, including the number of clients who previously have received gambling treatment services. The statewide program profile should establish statewide average and individual program information that can be utilized to identify areas in the treatment Program where improvements are needed.
* In addition, the Department should contact states with similar gambling treatment programs to identify the methods employed to measure and evaluate gambling treatment and education services.

**Further Discussion** The Report also contained the following Items for further discussion:

**Monitoring** Gambling Facility Monitoring - Section 99D.7(21) of the Code of Iowa states that the Iowa Racing and Gaming Commission is to cooperate with the Program administered by the Department to incorporate information about the Program and the Helpline telephone number in printed materials distributed by the Commission. Also, the Commission may require gambling facility licensees to have the information available in a conspicuous place as a condition of licensure.

**Standards** The Commission has developed “Uniform Standards for Iowa Racing and Gaming Commission Licensees to Use in Addressing Problem Gambling” which require the displaying of problem gambling materials and signs at gambling facilities, ATM machines, and in printed materials, such as racing programs, game brochures, and print advertising.

**Monitoring Procedures** According to discussions with Department and Commission personnel, the Commission is responsible for monitoring the gambling facilities’ compliance with the Uniform Standards in conjunction with random audits of gambling facilities. The Uniform Standards were implemented for gambling facilities in April 1999; however, no procedures for monitoring those standards have been established. The Commission is currently developing gambling facility monitoring procedures.

The Commission should continue the development and implementation of written monitoring procedures for compliance with the Uniform Standards.

**Program Funding** Program Funding and Budgeting – The Program is funded by 0.3% of the gross lottery revenue as directed by Section 99E.10(1)(a) of the Code of Iowa and 0.3% of the adjusted gross receipts from the riverboat casinos and the racetracks according to Section 99F.11(1) of the Code of Iowa. Gambling Treatment Funds have been used for other purposes as authorized by the General Assembly. For instance, $236,000 was transferred to the Department of Public Safety to combat methamphetamine use and $83,000 was transferred to the Governor’s Alliance on Substance Abuse in FY 1999. An additional $525,000 was allocated to the Addictive Disorders Program for FY 2000.

**Funding Levels** Because the gambling treatment funds may be used for other purposes at the discretion of the General Assembly, the Program’s funding has been unpredictable from year to year. This practice makes it difficult for Program staff to effectively perform strategic planning and to prepare long-term budgets. The table below illustrates the funding levels since the inception of the Program.



**Recommendations** The General Assembly should consider establishing more predictable funding levels for the Gambling Treatment Program to allow for more effective strategic planning and budgeting by Program staff. The General Assembly should determine the appropriate level of funding for the Program and revise the Code of Iowa if needed.

**Copies Available** For a copy of the report, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Lottery Revenues and Expenditures Through February

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**FY 2000 Lottery Revenues** Through February, FY 2000 Lottery game revenues decreased $4.3 million from the FY 1999 level. Lottery prize expenses decreased $2.6 million, operating expenses decreased $1.5 million, and transfers to other State funds decreased $0.2 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.



**FY Sales** Fiscal year sales through February, compared to the same time period of FY 1999, were as follows:



* Instant ticket sales increased $2.0 million (3.6%)
* Iowa Lotto/Supercash/Pick 3 sales increased $117,000 (4.9%)
* Multi-State Powerball sales decreased $5.4 million (17.0%)
* Multi-State Daily Millions/Cash 4 Life sales decreased $613,000 (22.0%)
* Daily Game sales increased $168,000 (5.6%)
* Pull-tab sales decreased $577,000 (3.3%)

**February Sales** Total Lottery sales for February were $16.3 million, an increase of $4.0 million (32.6%) compared to February 1999. February 2000 sales for all games except pull-tabs were above sales for February 1999.



**REC Projections** The December Revenue Estimating Conference (REC) projected FY 2000 Lottery profit transfers will total $34.0 million. Of this amount, $33.5 million is to be transferred to the State General Fund and three-tenths of one percent of gross Lottery sales transferred to the Gambler’s Assistance Fund (approximately $530,000). Actual profit transfer for FY 1999 was $37.0 million. Therefore, the REC is currently estimating Lottery transfers will be $3.0 million lower in FY 2000 than in FY 1999. Through February, fiscal year transfers are $228,000 below FY 1999.

**Sales Tax Paid** In addition to the amount transferred to the State as profits, the Lottery has transferred $5.5 million in sales tax during FY 2000.

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Department of Workforce DEVELOPMENT Accounting System



**Accounting System** For 30 years, the Department of Workforce Development and its predecessor, the Department of Employment Services, has operated an in-house accounting system to satisfy the accounting needs of the Department and federal agencies. Over much of that time, the Department has also been using the State’s accounting system to satisfy the accounting requirements of the State.

**Purpose of Review** In June 1999, the Department of Workforce Development contracted with RSM McGladrey, Inc., to evaluate the current status of the accounting functions of the Department. The objective of the review was to help the Department gain a better understanding of the current system and its inadequacies in today’s environment. Specifically, the review was to document the current processes of accounting, purchasing, budgeting, and management reporting. The evaluation was completed in July at a cost of $42,000. The funds were paid from the Administration Revolving Fund in FY 1999.

**Conclusions** The evaluation conclusions include:

* The use of two systems makes processing accounting transactions extremely inefficient and ineffective and requires an incredible amount of staff effort and extra time to reconcile the two systems.
* There is no one person at the Department with a complete understanding of the entire system.
* The system is outdated and not user friendly.
* There are a number of people in the Financial Reporting and Budgeting area with “excess capacity.”
* Some functions are handled by numerous employees resulting in inefficiencies and duplication of effort.
* The system does not have adequate supervision and structure.
* Current employees are very focused on their individual tasks without much regard for the system as a whole.
* The current cultural environment needs to be changed for a transition to a more modern system to be effective.
* The Department should evaluate the State’s accounting system (Iowa Financial Accounting System, or IFAS) as a potential solution to the current accounting situation.
* No substantial internal accounting deficiencies were identified.

**Move to IFAS** In March 2000, the Department entered into a second contract with McGladrey. This contract is for $80,000 and is to be paid from the Penalty & Interest Fund. The contract states that the Department has decided to migrate all financial functions to IFAS by July 1, 2000. The purpose of the second contract is to document the process of switching to IFAS, create an implementation plan, and establish a specific timeline for the transition.

**Project Cost** The Department has budgeted $250,000 from Penalty & Interest Funds for the accounting project in FY 2000, and SF 2428 (FY 2001 Economic Development Appropriations Bill) contains an appropriation of $200,000 from the same fund for the project.

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Community Economic Betterment Account Awards

**CEBA Awards** Section 15.317(4), Code of Iowa, requires awards made by the Department of Economic Development (DED) through the Community Economic Betterment Account (CEBA) to be utilized by the company within two years of the date of the award. The Section states:



“Assistance approved by the board shall be utilized by the business within two years of the date of the approval of the assistance. Funds not utilized in accordance with this subsection shall revert to the control of the board. The business may reapply for assistance in that case.”

The Section was added to the Code of Iowa in HF 512 (FY 1996 Economic Development Appropriations Act). The Notes on Bills and Amendments (NOBA) annotation paraphrased for that portion of the Act reads:

“This Section requires companies receiving awards through CEBA to use the funds within two years of approval or the funds revert to the control of the Board and the company must reapply.”

“This will ensure that the DED does not encumber funds for extended periods of time for projects not ready to proceed. During FY 1995 the Department recaptured funds that were awarded in FY 1990. When implemented, this may increase the funds available for current, active projects.”

**Financial Assistance** CEBA financial assistance is awarded to local governments on behalf of the applying business. After the DED Board approves a CEBA award, the Department, the local government, and the business enter into a contract which requires certain thresholds to be reached before the award can be drawn from the State. When the thresholds are achieved, the Department transfers the funds to the local government who in turn transfers it to the business. Until the thresholds are achieved, the money remains in the Strategic Investment Fund. Interest on that fund, and therefore interest on awards that have not been drawn, accrues to the State General Fund.

**Status of Awards** The Section took effect July 1, 1995. Between that date and the end of March 1998, the DED Board awarded funds to a total of 114 CEBA projects. The status of those awards, all of which are at least two years old, is listed in the following table.

|  |  |  |
| --- | --- | --- |
| Award Status |  | Number Of Awards |
| Withdrawn or Recaptured |  | 13 |
| Awards Drawn Within Two Year |  | 80 |
| Awards Drawn in Excess of Two Years |  | 5 |
| Awards Not Yet Drawn or Recaptured |  | 16 |
| Total Awards 7/1/1995 –3/31/1998 |  | 114 |

**Projects > 3 Years Old** The projects not yet drawn or recaptured total $2.4 million. Twelve of the 16 awards listed above that have not been drawn or recaptured are more than three years old, with three of those projects over four years old.

**Projects > 5 Years Old** Not included in the preceding table are six awards totaling $640,000 awarded prior to July 1, 1995, that have also not been drawn or recaptured. Each of these projects was awarded five years ago or longer.

**Request For Information** At the request of Legislators, the Legislative Fiscal Bureau asked the Department to examine projects that have award dates more than two years old. The Department has responded that the DED Board has previously approved a policy that allows projects up to five years (six years if an extension is granted) to complete the performance requirements. The Department also responded that several of the projects have litigation and bankruptcy issues to be resolved. Attached to the DED response was a resolution from the DED Board’s CEBA Review Committee, to require an investigation of the projects to determine the individual status of each project, with written results forwarded to the Legislature by April 10, 2000.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Board of Regents Meeting

**Regents Meeting** The Board of Regents met on March 15 and 16 at the University of Northern Iowa in Cedar Falls. Significant agenda items included:



* Spring Enrollment Report – Headcount enrollment at the Regents institutions increased from 63,163 in the Spring of 1999 to 64,067 in Spring of 2000. This is an increase of 904 students (1.4%). The increase by institution is:
* University of Iowa – 81.
* Iowa State University – 460.
* University of Northern Iowa – 363.
* Annual Governance Report on International Agreements – In 1998-99, a total of 1,996 Regent university students studied abroad in over 70 countries through Regents program.
* Annual Report on Statewide Family Practice Training Program – During FY 1999, the General Fund appropriation of $2.3 million was 6.6% of the $34.9 million of revenue used to support the Program. The primary sources of income are from patient fees and support provided by the hospitals sponsoring each of the Program sites. There are nine sites in seven Iowa communities. Expenses for the Program in FY 1999 were $34.8 million with 53% for overhead and general expenses to operate the model clinics, 27% to pay faculty, and 20% to pay residents.
* Governance Report on University Residence Systems – The Report included annual residence system reports for FY 1999, 10-year residence system plans for FY 2001-2010, proposed resident rate increases for academic year 2000-2001, and preliminary residence system budgets for FY 2001 for each of the institutions.

**Next Meeting** The next meeting of the Board of Regents is scheduled for April 19-20 at the Iowa School for the Deaf in Council Bluffs.

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