FISCAL UPDATE May 23, 2000

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

Legislative Oversight Committee Metting

**Oversight Committee** The Legislative Oversight Committee met May 16.

**Presentations** The Committee heard presentations on and discussed the following:



* Cynthia Eisenhauer, Director, Department of Management (DOM), presented plans for studying the issues of overbilling the federal government and studying the manner in which the three State data centers should be operated. These are requirements for DOM in SF 2433 (Oversight and Communications Appropriations Act).
* Tommy Thompson, Chief Operations Officer, Iowa Communications Network (ICN), presented plans of the ICN for operations given the reduction in budget for FY 2001 and an informational update on when the Reagan Conference Room will be ICN-ready. The Reagan Conference Room will be ready for use and tested prior to the June 20 Legislative Oversight Committee meeting.
* Richard Varn, Chief Information Officer, Information Technology Department (ITD), presented plans for implementing the new Department and managing the Technology Block Grant. Mr. Varn noted that once the Governor had completed reviewing and signing legislation, the Governor would begin the process of appointing members to the Information Technology Council.
* Representative Dix discussed the direction he envisioned for the Committee for the interim and possible subcommittee assignments for House members.

**Next Meeting** The next Committee meeting is scheduled for June 20 in Room 19 of the State Capitol Building.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

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May Council on Human Services Meeting

**Council Meeting** The Council on Human Services met May 9 at the State Training School in Eldora and conducted the following business:

* Participated in the dedication of the Ron Corbett-Tom Miller Hall and the A.E. Shepherd Multi-Purpose Building.
* Approved various rule changes, including:



Adopting changes in reporting requirements for the Family Investment Program (FIP) and the Medicaid Program. The Department of Human Services (DHS) indicates there is no fiscal impact.

Filing notice of intended action allowing physicians to perform limited oral evaluations and fluoride treatments relating to tooth decay. The DHS indicates the costs of the additional services are reflected in the Medicaid base budget.

Filing notice of intended action increasing the income eligibility guidelines for the Emergency Food Assistance Program. The guidelines are based upon the federal poverty guidelines, which have been revised. The DHS indicates only federal funds are impacted.

Filing notice of intended action to eliminate “genetic consultation clinic provider” as a category within the Medicaid Program. The DHS indicates there is no fiscal impact.



Filing notice of intended action to revise the Medicaid payment policy to allow chiropractors to be reimbursed for X-rays. The DHS indicates there is no fiscal impact, as the action only changes the party reimbursed for the required X-rays.

Filing notice of intended action to revise the Statewide average cost to a private pay person for nursing care in Iowa and the average charges for certain facilities. This cost is used to determine the period of time for which, due to transfer of assets, a person may be ineligible for Medicaid. The DHS has not provided the requested fiscal impact to the LFB.

* Received a legislative update from Karla McHenry. Discussion included:

Technology funds and the role of the General Assembly regarding prioritization of projects and the role of the new Information Technology Department.

Distribution of the Tobacco Settlement Fund monies, related to reimbursement rate increases, prevention programs, and substance abuse programs. A delay may occur in the total increase for certain child welfare providers since the increase was in an amount greater than a cost-of-living amount. An amendment to the State Plan with the federal government may be required prior to the total amount of increase being distributed.

Mental Health Allowable Growth for FY 2002.

Funding for the State Cases Program.

The Department of Human Services working with the Department of Management and the Governor’s Office regarding possible item-vetoes in SF 2435 (Human Services Appropriations Act.)

The possible development of a waiting list for child care financial assistance in early fall. A separate item within this ***Fiscal Update*** relating to the Child Care Advisory Council meeting indicates that a waiting list scenario has not yet been determined by the DHS.

* Director Rasmussen discussed the following items:



Long Term Care (SF 2193, the Senior Living Program Act): The DHS predicts $98.0 million in federal funds will be received for the Program. A formal grant process is planned by early summer and the first grant awards are planned for early fall, with possible funding per project being capped at $1.0 million. The Act provides $20.0 million for grants.

Child Abuse Confidentiality: Meetings have been held to seek legislative intent due to clarification of definitions and possible conflicting language regarding exceptions to required release of information. Two media organizations have requested information, under the new confidentiality law and the federal Freedom of Information Act, regarding the most recent child death case. There is a five working day requirement to release information approved by the prosecutor. One media organization also requested an unedited copy of the DHS internal review, of which a summary was released. Discussion also included mandatory reporter training improvements under way. The Iowa Pediatric Medical Society has volunteered to assist. A contract for an assessment is pending, with funding being sought from several foundations.

Quality Service Review Process: Local offices of the DHS are piloting a peer-to-peer review process to discover or emphasize strengths and areas for improvement regarding child welfare actions. This is part of the DHS Division of Adult, Children, and Family Services Outcomes Advisory Workgroup funded in FY 2000 with disproportionate share funds by the General Assembly.



Pilot Project

Action Plan: Plans are being made for additional regional meetings regarding status of the Action Plan and changes under way. The LFB staff has requested notification of the meeting schedules when available.

Reimbursement methodology changes: A pilot project utilizing a results-based reimbursement methodology for 50 difficult-to-place juveniles was approved by the General Assembly. The members of the Council discussed also changing reimbursement methodologies for other providers. Senate File 2435 (FY 2001 Human Services Appropriations Act) prohibits such action without approval by the General Assembly.

Presumptive and continuous eligibility: The members discussed Legislative action regarding these two issues with Medicaid and within the Healthy and Well Kids in Iowa (HAWK-I) Program.

**Additional Information** Additional information is available upon request.

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

Board of Regents Meeting

**Board Meeting** The Board of Regents met on May 17 at the Iowa Braille and Sight Saving School in Vinton and on May 18 at the University of Northern Iowa (UNI) in Cedar Falls.

**Items Discussed** Following are significant agenda items acted on or discussed:

* Report on Institutional Collaboration/Cooperation.



* Report of Banking Committee – The Board adopted two resolutions providing for sale, award, issuance, and securing of $14.0 million for dormitory revenue bonds for UNI. The bonds are to be issued for a period of 21 years and will be repaid with income from the UNI residence system. The residence system is self-supporting and receives no State appropriations. The Banking Committee also reviewed an external audit report on the University of Iowa (SUI) Hospitals and Clinics and selected departments at Iowa State University (ISU), and internal audit reports from ISU.
* Annual Report on Regional Study Centers –
* Quad Cities Graduate Center located in Rock Island, IL, is a 30-year-old consortium of 12 educational institutions in Iowa and Illinois. Headcount enrollment increased by 1,909 during the 1999-2000 academic year, from 3,535 to 5,444 (54.0%). The Center will be adding 11 programs during the current academic year with five of them being from Regents universities.
* Tri-State Graduate Center located in Sioux City cooperates with 17 educational institutions in three states to provide graduate educational experiences to students in Iowa, Nebraska, and South Dakota. Headcount enrollment decreased by 245 (10.4%) during the 1999-2000 academic year, from 2,355 to 2,110 due to elimination of programs offered by Wayne State College. Iowans accounted for 68.8% of the enrollments. Regent universities offered 15 of the 37 graduate and certificate programs available at the Center.
* Southwest Iowa Graduate Center is located on the campus of the Iowa School for the Deaf in Council Bluffs. Enrollment for FY 2000 was 528, which is a decrease of 10.7% compared to FY 1999 due to a decrease in offerings by the UNI.



* Allocation of SUI mandatory student fees and designated tuition for 2000-2001 academic year – In October 1999, the Board of Regents approved a 4.3% base tuition increase and a change to the Board’s tuition policy for the SUI that created separate mandatory fees for student activity and student services. This redirection from tuition to mandatory fees means that students will pay fees rather than tuition to support specific programs that promote student activities and student services. It also meant an effective tuition and fee increase of 6.8 % for SUI as compared to the 4.3% for both ISU and the UNI. The Board approved allocation of the fees at SUI and the designated tuition for ISU and the UNI, as proposed.
* Annual Report on Childcare – The Board received a report regarding utilization of university operated and affiliated childcare operations at each of the universities.
* Annual Report on Faculty Activity – The Board received an extensive report containing information about the allocation of faculty effort, instructional productivity measures, and time spent by faculty on professional activities.
* Proposed Salary Policies for Professional and Scientific Staff for FY 2001 – The State salary policy for FY 2001 provides for an increase of 3.0% plus incremental steps in the pay matrix. Generally, this provision provides average salary increases of 4.0%.
* SUI plans to modify the professional and scientific (P&S) salary policy by increasing the minimums by 2.0% and the maximums by 3.0%.



* ISU plans to adjust the P&S salary scale by 3.0% on the minimums and 3.0% on the maximums.
* UNI proposes varying increases to P&S pay grades based on market survey and current recruiting problems. Grades 1-3 will be increased 2.0% on both the minimums and maximums. Grades 4-5 will be increased 2.0% on the minimums and 4.0% on the maximums. Grades 6-8 will be increased 4.0% on both the minimums and maximums.
* Both special schools, Iowa School for the Deaf (ISD) and the Iowa Braille and Sight Saving School (IBSSS), plan to increase P&S minimums by 2.0% and maximums by 4.0%.
* The Regents Board Office plans to increase minimums by 2.0% and maximums by 4.0%.
* Proposed Salary Policies for Faculty at the Special Schools for FY 2001 – The pay matrix for faculty at both Schools will be increased by 2.5% with a cost of 4.2% at ISD and 4.4% at IBSSS.
* Proposed Pay Plan for Regent Merit System – The pay matrices for merit employees will be increased by 2.6% in accordance with the AFSCME agreement and State salary policy.



* 2010 Strategic Planning Council Preliminary Report – David Oman, Co-Chair of the Council, gave a preliminary report of the Council’s findings. Governor Vilsack appointed the members of the Council in April 1999, with a charge of creating a strategic plan for the State’s entry into the new century. Frank Stork, Executive Director of the Board of Regents, and each of the university presidents were among 37 Iowans chosen to serve on the Council. The Council conducted a series of community meetings in October and November of 1999, and has developed a website ([www.Iowa2010.state.ia.us)](http://www.Iowa2010.state.ia.us)). The General Assembly supported the work of the Council with an FY 2000 General Fund appropriation of $130,000 that has been matched with more than $285,000 in private donations. A report is expected to be presented to the Governor in June 2000.
* Budget Ceiling Adjustments for FY 2000 and Conceptual General Fund Operating Budgets for FY 2001 – The Board approved budget ceiling increases for FY 2000 as follows:
* SUI - $1,700,000. The additional income is the result of increased indirect cost reimbursements (federal funds - $1,300,000) and tuition and fee increases ($400,000).
* SUI Hospitals and Clinics - $11,275,500. Sales and services revenues increased from pharmaceuticals and medical/surgical supplies. According to SUI Hospitals and Clinics, although there is some markup, much of the increase will be offset by the increased cost of these products.
* ISU - $700,000. The additional income is the result of increased indirect cost reimbursements ($1,000,000), interest income ($100,000), and a decrease in tuition revenue ($400,000).
* UNI - $2,000,000. The additional income is the result of increased tuition and fees ($1,267,000), indirect cost reimbursements ($450,000), and interest income ($283,000).
* ISD - $44,170. The additional income is from interest earnings.
* SUI Hospitals and Clinics - The Board met as the Trustees of the SUI Hospitals and Clinics to review quarterly financial statements.

**Next Meeting** The next meeting of the Board of Regents is scheduled for June 14-15 at Lakeside Laboratory in Okoboji.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Board of Corrections Meeting



**Board Meeting** The Board of Corrections met May 5 at the Mitchellville women’s prison. The Board’s first action was to elect officers. Suellen Overton was re-elected chairperson, and Francis Colston was re-elected as vice-chairperson. The following major topics were presented.

* Director Kautzky began the discussion of issues by addressing the completion of Phase I of the Mitchellville institution construction plan. The prison is completing the addition of 232 prison beds at a cost of $14.0 million. Of this amount, $10.0 million is being paid with federal Violent Offender Incarceration/Truth In Sentencing (VOI/TIS) grants. Phase II plans call for adding 184 more beds, an administration building, and expanding the facilities building. Mr. Kautzky completed his remarks by noting that prison admissions are up and releases are down, indicating the prison population will resume its growth.
* John Baldwin, Deputy Director for Administration, reviewed HF 2552 (Justice System Appropriations Act), noting the prisons received increased appropriations for medical costs (particularly hepatitis C medications), replacement of the budget reduction for private-sector employed inmates as these revenues will be deposited in the General Fund beginning in FY 2001, funding for full operations of the expansions at the Mitchellville and Fort Dodge institutions, and funding for continued implementation of the Iowa Criminal Offender Network (ICON). The Community-Based Corrections District Departments (CBC) received increased funding for additional probation/parole officers, the residential facility expansion in the First CBC District, continued implementation of ICON, and Drug Courts in the Second and Third CBC Districts. He noted that the Department also received funding for infrastructure projects and from the Tobacco Settlement Fund.
* Board Member Walter Reed presented information about Reentry Courts from a conference he and other Corrections and Parole Board representatives had attended. The project integrates techniques utilized by Drug Courts for community reintegration of prison inmates. The key roles include the Parole Board for legal oversight for revocation issues, an Advisory/Accountability Board composed primarily of CBC District Department staff to provide services and supervision, and a Department of Corrections planner to work as a liaison and coordinator for inmates leaving prison. Mr. Reed indicated the prospects were good for receiving a federal grant for the project.
* Roger Baysden, Deputy Director for Prison Industries, discussed the transfer of title for a 156-acre tract of land at the Fort Madison institution to the Great River Regional Waste Authority. The Authority has operated a landfill on the property for the past 20 years. With the expiration of the lease, the Department of Corrections has opted to convey ownership of the land rather than continue ownership with the associated liability created by current and future environmental regulations. The Board approved the transfer of ownership.
* Director Kautzky discussed legislation passed relative to sentencing reform. Some of the bills discussed were recommended by the Sentencing Commission, and some of the bills were the initiative of the Senate.
* Jim Wayne, Seventh CBC District Department Director, discussed the proposed lease-purchase of a facility the District Department has been renting. The Board directed Mr. Wayne to proceed with negotiations related to the property, noting that final approval of the Board and of the Legislature would be required.
* Warden Diann Wilder-Tomlinson, Iowa Correctional Institution for Women, concluded the presentations by DOC staff discussing the new facilities constructed at Mitchellville and expansions in programming.

**Tour of Facilities** After the meeting, the Board and guests toured the new facilities.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

Meeting of the Child Care Advisory Council

**Council Meeting** The Child Care Advisory Council met May 11 and conducted the following business:



* Received a legislative update from Julie Ingersoll of the Department of Human Services. Discussion included:

Approval by the General Assembly of increases in child care provider rates for those providing care to children eligible for child care financial assistance.

Increases in the amount of funds provided for child care from the Temporary Assistance for Needy Families (TANF) funds by the General Assembly.

Three new initiatives relating to child care in SF 2435 (Human Services Appropriations Act), including education for certain providers, emergency and start-up grants, and assistance to providers of care for school-aged children approved by the General Assembly.

Increases in funding for Empowerment approved by the General Assembly.



Child care waiting list potential. Although FY 2001 funding was increased due to concern over a waiting list, there may not necessarily be a waiting list even without additional funding. This is in contrast with the discussion at the May Council on Human Services meeting; refer to the article on the Human Services Council meeting within this ***Fiscal Update***.

Action by the General Assembly which added child care assistance eligibility language in statute in lieu of annual language within an appropriations bill.

* Discussed federal legislative issues including, but not limited to, possible reductions in the Child Care Development Block Grant and Temporary Assistance to Needy Families (TANF) monies.
* Heard from a parent wishing to be included in the Council membership. The parent believes there is no representation of parents who provide their own child care within their own family.
* Received an update on the Gold Seal Program. The DHS is interpreting the “one-time” award to be an award for each time an eligible provider receives accreditation from the specified entity.
* Received information regarding the Community Health Needs Assessment recently completed by the Department of Public Health, indicating that following substance abuse treatment, child care is the second issue identified in communities as a health need.
* Discussed and diagrammed the interrelationship of various child care organizations operating under the DHS. Also considered the role of the Child Care Advisory Council within this child care network.
* Discussed quality assurance issues.

**More Information** Additional information is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Iowa Telecommunications and Technology Commission Meeting

**Commission Meeting** The Iowa Telecommunications and Technology Commission met May 17. The Commission heard presentations from Iowa Communications Network (ICN) and staff ICN user groups and discussed the following issues:



* Tami Fujinaka presented an update on the legislative action that impacted the Commission, including the appropriations made to the Commission for operation of the Iowa Communications Network.
* Tommy Thompson, Chief Operations Officer, reminded the Commission that the July meeting will begin with discussion of establishing new video rates for FY 2002. Mr. Thompson told the Commission he would seek input from the Legislative Oversight Committee on the rate-setting process. Also, at the July meeting testimony on rates will be solicited from ICN users.
* Kathy Williams discussed video scheduling for fall classes.
* Mark Dayton discussed the deployment of equipment for conversion of the ICN to asynchronous transfer mode technology.
* Mike Bacino discussed the growth of demand for Internet Services and bandwidth and negotiations to purchase significant additional bandwidth for ICN users.
* Mike Bacino and David Edge discussed problems with, and efforts to bring a resolution, to the new billing system for ICN telecommunications users.
* Ellie Hartsock discussed the results of a request to administrators of the Universal Services Fund to allow Iowa rural telemedicine providers to qualify for a telecommunications discount. As with educational users, the status of the ICN as not being classified a common carrier results in those users not being able to qualify for the telemedicine discount.
* Ron Koontz discussed the process for conducting the administrative rules review mandated by Executive Order 8. The ICN staff plan to review all rules and work with the Legal Issues Subcommittee of the Commission in developing recommendations on any necessary rule changes.

**Other Issues** In addition to ICN staff, two other presenters discussed related issues:

* Pam Pfitzenmaier, Iowa Public Television, discussed activities of the Education Telecommunications Council and video scheduling for the ICN.
* David Mohler, Graceland College, withdrew the request for a waiver to use a provider other than the ICN for Internet services. Mr. Mohler stated that there was little difference in the rates charged by other providers and the ICN in the colleges’ service area.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Environmental Protection Commission Holds Meeting

**Commission Meeting** The Environmental Protection Commission met May 15 in Des Moines. There was an election of officers with the following results: Terrance Townsend, Chair; Kathy Murphy, Vice-Chair; and Rita Venner, Secretary.

**Presentations** Presentations were given by:



1. Linda Hanson, Administrator of the Administrative Services Division, presented the Financial Status Report for FY 2000. She reported that camping receipts were up by $133,000 in the Parks and Preserves Division and discussed the $200,000 supplemental appropriation made by the General Assembly for Park Ranger retirements for FY 2000.
2. Liz Christiansen, Administrator of the Waste Management Division, asked the Commission to approve an amendment to the contract with the National Older Workers Career Center, which would allow contracting of a qualified individual as an engineering specialist to work with the Waste Reduction Assistance Program. The cost is approximately $45,000. The contract was approved.
3. Four contracts were approved as part of the FY 2000 Water Quality Initiative. They include:
4. A $475,000 contract with John Downing at Iowa State University for the Iowa Lakes Survey. The purpose of the contract is to collect and analyze a variety of water quality parameters for 132 publicly owned lakes.
5. A $40,000 contract with the University Hygienic Laboratory at the University of Iowa for State Park Beach Bacterial Analyses. The purpose of the contract is to obtain data on the bacteria present in the water of beaches at State parks.
6. A $43,000 contract with the University Hygienic Laboratory at the University of Iowa for the Variability of Three Surface Water Sites Study. The purpose of the contract is to obtain water quality data from three streams draining into water basins of various sizes. The information will be used to assess the variability of several parameters that include herbicides, nitrates, ammonia, phosphorous, and fecal coliform bacteria.

1. A $100,000 contract that amends the agreement with the University Hygienic Laboratory at the University of Iowa for funding of 14 workshops to train volunteers for the IOWATER Program.
* Bernard Hoyer, Water Monitoring Section, provided an update on the Water Quality Monitoring Program including the IOWATER Program. Six of the seven positions authorized for FY 2000 have been filled and a water quality database is being implemented. Annual cost for this program was estimated to be $6,500,000.
* **Mike Valde, Administrator of the Environmental Protection Division, asked the Commission to approve a Notice of Intended Action that would initiate rulemaking to amend drinking water rules. The Notice of Intended Action was approved.**
* **Mike Valde asked the Commission to approve a contract with three county health departments to perform sanitary survey inspections. This is a pilot project where county restaurant inspectors will also test non-community public water supplies that are commonly found near restaurants, golf courses, and convenience stores not connected to public water sysems. The pilot project will determine whether the agreements will create more efficiencies within the county health departments. The contract was approved.**
* **Mike Valde asked the Commission to approve the Notice of Intended Action on Air Quality Program Rules. The purpose is to include three national emission standards for hazardous air pollutants. The Notice of Intended Action was approved.**
* **Mike Valde asked the Commission to approve the increase of Title V fees to $24.50 per ton, an increase of $1.40 per ton. The increase was approved.**

**Next Meeting The next meeting will be June 19 in Des Moines.**

STAFF CONTACT: Deb Kozel (Ext. 16767)

Recent Senior Living Trust Fund Action

**Senior Living Program Act** Since the enactment of SF 2193, the Senior Living Program Act, the Department of Human Services (DHS), the Department of Elder Affairs, the Senior Living Coordinating Unit, and the federal Health Care Finance Administration (HCFA) have taken several actions, including:

**Workgroups Created** The DHS created the following workgroups:



* Long Term Care Payment Workgroup, relating to the Home and Community-Based Services Rent Subsidy Program, maximum reimbursement rate calculations, and transitional nursing home reimbursement.
* Conversion/Service Development Grants Workgroup, relating to the grant evaluation and award process, construction and community support guidelines, and financial applications for the grants.

**Dept. of Elder Affairs** The Department of Elder Affairs created the following workgroups:

* Aging Services Funding Workgroup, relating to funding availability and distribution, and to aging network systems.
* Quality Workgroup, relating to oversight of and quality assurance for the Home and Community-Based Case Management and Elderly Waiver Program, and to development of standards for the Case Management Program for the Frail Elderly.
* Education Workgroup, relating to changes in the various components.

**Senior Living Coord. Unit** On April 21, the Senior Living Coordinating Unit held its first meeting since the addition of four ex-officio legislative members. The Unit received an update on the Senior Living Trust Fund and reports from the Workgroups.



**Federal Funds** The Health Care Finance Administration announced that Iowa will receive approximately $95.0 million in federal funds in FY 2001 and an additional $10.0 million in FY 2002 or a total of $105.0 million for the Senior Living Program. The federal reimbursement results from Iowa’s Medicaid reimbursement rate being less than the federal Medicare reimbursement rate. A four-year chart regarding estimated federal funds and expenditures from the Senior Living Trust Fund is available upon request from the Legislative Fiscal Bureau. The revised chart indicates that, by FY 2004, the Trust Fund will have a negative balance due to lower than anticipated federal revenues. In comparison, the chart referenced during the legislative session indicated a positive balance of $131.3 million by FY 2005.

STAFF CONTACT: Deb Anderson (Ext. 16764) Russ Trimble (Ext. 14613)

Lottery Revenues and Expenditures Through March

**FY 2000 Lottery Revenues** Through March, FY 2000 Lottery game revenues decreased $1.6 million from the FY 1999 level. Lottery prize expenses decreased $1.1 million, operating expenses decreased $0.8 million, and transfers to other State funds increased $0.5 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 March, compared to the same time period of FY 1999, were as follows:



* Instant ticket sales increased $1.5 million (2.3%).
* Iowa Lotto/Supercash/Pick 3 sales increased $172,000 (6.4%).
* Multi-State Powerball sales decreased $1.9 million (5.3%).
* Multi-State Daily Millions/Cash 4 Life sales decreased $639,000 (20.5%).
* Daily Game sales increased $185,000 (5.5%).
* Pull-tab sales decreased $833,000 (4.1%).

**March Sales** Total Lottery sales for March were $19.0 million, an increase of $2.8 million (17.0%) compared to March 1999. March 2000 sales for Powerball, Pick 3, and the Daily Game were above sales for March 1999.



**REC Projections** The April Revenue Estimating Conference (REC) projected FY 2000 Lottery profit transfers to the General Fund will total $35.5 million. Actual profit transfer for FY 1999 was $37.0 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be $1.5 million lower in FY 2000 than in FY 1999. Through March, fiscal year transfers are $551,000 above FY 1999.

**Sales Tax Paid** In addition to the amount transferred to the State as profits, the Lottery has transferred $6.4 million in sales tax during FY 2000.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Weekly Medical Assistance Expenditures for the Department of Human Services



**Medical Asst. Expenditures** For the week ending May 15, 2000, FY 2000 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $11.9 million (69.6% of budget). This is $5.2 million below the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $346.7 million, which is $6.5 million (1.9%) 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)

Audit Report - Department of Public Health

**Audit Report** The annual audit report for the Department of Public Health (DPH) for FY 1999 was received by the LFB. The Auditor of State made four findings related to internal control. Three of the four findings were noted in the FY 1998 auditor report as well.

**Segregation of Duties *Segregation of Duties***



* An employee of the Department can initiate and approve payroll transactions on the Human Resource Information System (HRIS).
* An employee of the Board of Medical Examiners who is responsible for preparing claim vouchers may also approve the claims.
* Recommendation - Adequate segregation of duties should be established so that the same person does not initiate a transaction and also approve the transaction.
* Response –

Effective immediately, the Deputy Director of Operations for the Department of Public Health will be responsible for approving payroll transactions on the Human Resources Information System (HRIS).

The Administrative Assistant assigned to the Director of Licensure and Administration will complete all claim vouchers as part of her/his routine job assignment. All claim vouchers will be approved by the Director of Licensure and Administration, Executive Director, or other assigned administrative level staff assigned by the Executive Director.

* Conclusion - Response accepted.

**Cash Receipts *Cash Receipts***



* An initial list of cash receipts is not prepared at the time mail is opened in various divisions of the Department. Instead, employees open the mail and route the receipts to the cashier.
* Recommendation - The Department should review procedures to improve internal control over cash receipts. At a minimum, an initial list of cash receipts should be prepared by the mail opener, and an independent reconciliation be made of the initial listing to the final deposit with the cashier.
* Response -The Department will review the feasibility of developing an accounting software application to be utilized in the recording of receipts.
* Conclusion - Response accepted.

**Fixed Assets** ***Fixed Assets***



* Departments are required to maintain an accurate, up-to-date inventory of all real and personal property belonging to the State. Nine of thirty-five items selected for observation could not be located. Three of the nine equipment items were sent to surplus during FY 1999, but not removed from the Department’s fixed asset listing. Two of twenty-five items selected for deletion testing did not have proper authorization and support to be deleted.
* Recommendation – The Department should develop and implement policies and procedures to ensure that equipment records are accurate and updated in a timely manner and that proper authorization is received before deleting assets from the fixed asset listing.
* Response - The Department will review current procedures, including deletion authorization, and make changes as necessary to ensure that equipment records are accurate and updated in a timely manner.
* Conclusion - Response accepted.

**Check Signatures *Authorized Check Signatures***

* Authorized check signers should be included on the bank signature card. Three of four authorized signers listed on the bank signature card were no longer employed by the Department. Two additional names need to be added to the bank signature card.
* Recommendation - The Department should ensure that the authorized bank signature card is accurate and updated timely.
* Response –The bank signature card will be updated by April 14, 2000. Staff will review the signatures on a quarterly basis to ensure that signatures are accurate and updated timely.
* Conclusion - Response accepted.

**Other Findings** The audit report also contained the following finding related to statutory requirements and other matters.

**Committee Per Diems *Committee Per Diems***



* Members of the Impaired Practitioner Review Committee, formed under the Board of Medical Examiners, receive per diems for attending committee meetings. These per diems are not processed through the State of Iowa payroll system to meet Internal Revenue Service requirements for reporting wages and other compensation.
* Recommendation – The Department should ensure that the payment of per diems are properly processed through the payroll system for all boards and committees under the Department.
* Response – The Board of Medical Examiners has begun establishing a per diem system for the Impaired Physician Review Committee. The system will be developed according to regulation of Iowa Human Resources Information System (HRIS).
* Conclusion- Response accepted.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Governor Item Vetoes HF 2549 - Education Appropriations Act



**Item Vetoes – HF 2549** The Governor item vetoed and signed HF 2549 (Education Appropriations Act) on May 10. The Act appropriates $959.2 million and 17,399.6 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 $12.2 million (1.3%) and a decrease of 13.3 FTE positions (0.1%) compared to the FY 2000 estimated net appropriation.

**Vetoes** The Governor vetoed the following items:

* The Governor vetoed intent language requiring the Board of Educational Examiners to conduct a study of the use of school days for professional development of teachers. The Governor stated that requiring school districts and area education agencies to report data regarding staff development by August 1, 2000, was unrealistic and the scope of the study would divert too much of the Board’s time from the main function of licensing teachers.
* The Governor vetoed intent language requiring the Commission of Libraries to conduct a study of the State library structure. The Governor stated the Commission has already voted to conduct a study of all types of libraries in Iowa and a legislative mandate is not necessary.
* The Governor vetoed intent language that requires the Iowa State University (ISU) Cooperative Extension Service, in consultation with the Department of Human Services, to identify duplicative educational materials and seminars. The Governor stated that in the absence of additional funding for the study, it would be more appropriate for both agencies to focus on provision of services.
* The Governor vetoed a statutory change that required the University of Iowa (SUI) Hospitals and Clinics to maintain a database and provide consultation for brachial plexus palsy patients. The Governor stated that since SUI Hospitals and Clinics have agreed to provide such consultation, a legislative mandate is not necessary.

**More Information** Copies of the enacted version of HF 2549 and the veto message are available upon request.

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

Governor Item Vetoes SF 2435 - Human Services Appropriations Act



**Item Vetoes – SF 2435** The Governor item vetoed and signed SF 2435, the Human Services Appropriations Act, on May 17. The Act appropriates $778.3 million from the General Fund and 3,969.3 FTE positions. This is a decrease of $10.3 million (1.3%) and 1,526.2 (27.8%) FTE positions compared to the FY 2000 estimated net appropriation. The Bill appropriates $143.6 million from federal Temporary Assistance for Needy Families (TANF) funds for FY 2001, an increase of $4.0 million (2.9%) compared to the FY 2000 estimated net appropriation.

**Provider Group Presentations** The Governor item vetoed language requiring various provider groups to appear before the Human Services Appropriations Subcommittee during the 2001 Session, indicating the requirement may slow down the legislative process. The provider groups included:

* The Department of Human Services (DHS) and county individuals representing chronically mentally ill service providers.
* Community action agencies receiving funding from the State to provide outreach for the Healthy and Well Kids in Iowa (HAWK-I) Program.
* Certified nurse aides, nursing facilities, and other providers employing certified nurse aides.

**Other Language Vetoed** The Governor also item vetoed language relating to the following:

* Contract provisions for electronic benefits transfer equipment. The Governor indicated the required contract provisions would restrict cost effective implementation of electronic benefits transfer.
* Options for assisting individuals who become ineligible for continued services under the Early and Periodic, Screening, Diagnosis, and Treatment (EPSDT) Program due to turning 21 years of age. The Governor indicated no additional funding was provided, resulting in insufficient resources to provide additional options.



* Options for providing personal assistance services on a statewide basis. The Governor indicated no additional funding was provided and the language is very prescriptive.
* Reimbursement methodologies for the child welfare service system and a results-based pilot project for 50 children. The Governor indicated it is inappropriate to correlate the reimbursement methodologies for the two types of services because the child welfare service system reimbursement methodology is and will continue to be under federal review for an undetermined length of time.
* An allocation of $50,000 for the Child Welfare Services Work Group. The Governor indicated no additional funding was provided for the Group, and the State would benefit more from utilizing the appropriation for services which directly affect Iowa children and families.
* Net-budgeting accounting tests for the four State mental health institutes. The Governor indicated the institutes have conducted net-budgeting accounting tests in the past and submitted findings to the General Assembly. The State would benefit more from utilizing the appropriation for services which directly affect Iowa children and families.
* Reimbursements for certain Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) serving persons with head or brain injuries. The Governor indicated no additional funding was provided, and the language inaccurately implies additional individuals will be served. The Governor directed the DHS to evaluate the system and determine if resources can be used in a more cost effective and efficient manner.
* Reduction and redirection of State County Assistance Team members. The Governor indicated the language would dramatically reduce services to counties and restrict the flexibility of the DHS to make staffing decisions.
* Support of the DHS’s reimbursement review and prohibition against implementing methodology changes without express authorization in law. The Governor indicated the language appears to be flawed and directed the DHS to continue to work with the legislative branch to revise reimbursement methodologies.
* Fulfillment of child protection system evaluation requirements by including the evaluation in an independent review contracted for Spring 2000. The Governor indicated the language would expand the scope of the contracted independent review and increase the cost. The State would benefit more from using the appropriation for services which directly affect Iowa children and families.

**More Information** Copies of the enacted version of SF 2435 and the veto message are available upon request.

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

The Governor Item Vetoes SF 2453 - Infrastructure Appropriations Act



I**tem Vetoes – SF 2453** The Governor item vetoed and signed SF 2453, the Infrastructure Appropriations Act, on May 11. Senate File 2453 appropriates a total of $76.7 million from the Rebuild Iowa Infrastructure Fund (RIIF) and the Environment First Fund in FY 2001, $76.4 million in FY 2002, $61.9 million in FY 2003, and $38.0 million in FY 2004. Senate File 2453 also transfers $20.0 million annually from gambling receipts to the Vision Iowa Fund and the School Infrastructure Fund.

**Vetoes** The Governor made the following item vetoes:



Tourism

* The Governor vetoed language restricting the use of funds appropriated to the Community Attraction and Tourism Fund from being used for marketing or promotion of Iowa tourism attractions and events. The Governor stated that the Vision Iowa Board should determine whether or not to use the funds for marketing and promotion.
* The Governor vetoed language specifying that funds deposited into the Environment First Fund are not subject to reversion to the RIIF. The Governor stated that the Legislature overspent from the RIIF and that by vetoing this provision along with other sections of this Act, the infrastructure budget will be balanced. The Governor stated the Legislature overspent the RIIF by $485,000 in FY 2001. The Legislative Fiscal Bureau projects a positive ending balance of $217,000 for FY 2001, prior to the Governor's item vetoes.
* The Governor vetoed a $1.3 million Environment First Fund appropriation for the Alternative Drainage System Assistance Program, stating there is $5,500,000 available from previous appropriations which will sustain the Fund for FY 2001. The Governor also stated that the veto was necessary, along with the vetoes in other sections of the Act, to correct overspending from the RIIF by the Legislature.
* The Governor vetoed language extending to FY 2004 the standing appropriation for the Restore the Outdoors Program. The Governor stated this Program receives a statutory appropriation currently funded in FY 2001 and decisions for extending the appropriation should be made next year.
* The Governor vetoed language placing restrictions on the Department of General Services billing for project management services, stating this is an Executive Branch function that should not be legislatively imposed.

**More Information** Copies of the enacted version of SF 2453 and the veto message are available upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

The Governor Item Vetoes Oversight and Communications Appropriations Act - SF 2433

**Item Vetoes – SF 2433** On May 13, the Governor item vetoed and signed SF 2433 (Oversight and Communications Appropriations Act). The Governor item vetoed the following Sections of the Act.



* Section 4, unnumbered paragraph - The Governor vetoed language prohibiting the Information Technology Division of the Department of General Services from increasing fees charged to other State agencies for services unless the increase is first submitted to, and approved by, the Department of Management. The language also specifies the intent of the General Assembly that the Division not increase fees to generate revenue to offset the difference between the Legislature's appropriation and the Division's request for FY 2001. The Governor stated that, due to underfunding the new Information Technology Department, there is a distinct possibility that fee increases may be necessary.
* Section 5.2(d) - The Governor vetoed a contingent Pooled Technology Account allocation to the Department of Management for developing budget system programs for township trustees. The Governor stated that as this project had not been considered by the Information Technology Infrastructure Advisory Committee or a committee of the General Assembly, it is premature to earmark funds for this project or elevate it above other projects already evaluated.
* Section 23 - The Governor vetoed language requiring the Information Technology Department created in SF 2395 (Information Technology Department Act) implement standards developed by the Information Technology Council related to development as well as procurement of information technology. The Governor stated the language in this Section is not needed.
* Section 24 - The Governor vetoed language expanding the duties of the Information Technology Council created in SF 2395 (Information Technology Act) to include recommending standards for development as well as procurement of information technology. The Governor stated the language in this Section is not needed.
* Section 25 – The Governor vetoed language requiring the Information Technology Council created in SF 2395 (Information Technology Act) to develop standards for information technology development as well as procurement, and specifies the standards apply to all participating agencies. The language also requires a participating agency to replace existing information technology that does not meet the standards by June 30, 2002, unless a waiver is received. The Governor stated the language in this Section is not needed.
* Section 26 – The Governor vetoed language requiring State agencies to follow standards established by the Information Technology Council created in SF 2395 (Information Technology Act) for information technology development as well as procurement. The Governor stated the language in this Section is not needed.

**More Information** Copies of the veto message are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Douglas Wulf (Ext. 13250)