FISCAL UPDATE July 3, 2000

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

IOWA DEPARTMENT OF PERSONNEL SECTION 8.39 TRANSFER

**Appropriations Transfer** The Legislative Fiscal Bureau received notice for a proposed FY 2000 appropriations transfer under Section 8.39, Code of Iowa.

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**Dept. of Personnel** There is proposed a $131,000 transfer from the Program Delivery Services Division of the Iowa Department of Personnel to the Operations Division of the Iowa Department of Personnel in the amount of $79,000 and to the Program Administration and Development Division of the Iowa Department of Personnel in the amount of $52,000.

**Rationale** A majority of the transfer is requested due to the Department's reorganization, including the shifting of job classifications between divisions and redesigning office space.

**Funds Available** The funds became available for transfer when FTE positions were held open during the reorganization.

STAFF CONTACT: Ron Robinson (Ext. 16256)

IOWA ETHICS AND CAMPAIGN DISCLOSURE BOARD SECTION 8.39 TRANSFER

**Appropriations Transfer** The Legislative Fiscal Bureau received notice for a proposed FY 2000 appropriations transfer under Section 8.39, Code of Iowa.

**Ethics & Campaign Discl.** There is proposed a $2,500 transfer from the Department of Inspections and Appeals Indigent Defense Appropriation to the Iowa Ethics and Campaign Disclosure Board.

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**Rationale** A majority of the transfer is requested due to:

* The breakdown and replacement of a copy machine.
* Electronic filing software expenses.

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**Funds Available** The Indigent Defense Appropriation had a balance of approximately $5.6 million on June 19, 2000.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Department of Corrections Appropriations Transfers

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**Appropriations Transfer** The Legislative Fiscal Bureau has been notified that the Department of Corrections is requesting the Department of Management authorize four sets of FY 2000 appropriations transfers. They are:

* A transfer of funding for sex offender programming to the Community-Based Corrections District Departments (CBC) from the Mt. Pleasant institution under Section 8.39, Code of Iowa. In FY 2000, $1.0 million was appropriated to the prison with the understanding that approximately half would be distributed to the CBC Districts to be used for sex offender hormonal intervention treatments. The funds are distributed as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | CBC I |  | $ 67,442 |
|  | CBC II |  | 62,209 |
|  | CBC III |  | 64,535 |
|  | CBC IV |  | 20,349 |
|  | CBC V |  | 144,186 |
|  | CBC VI |  | 52,326 |
|  | CBC VII |  | 36,638 |
|  | CBC VIII |  | 52,326 |
|  | Total |  | $ 500,011 |
|  |  |  |  |



* A transfer of $225,000 to CBC V from the Ft. Dodge institution under Section 8.39, Code of Iowa. The funds will be used for OHSA regulation concerns, such as repairs to the heating, cooling, and ventilation system, and electrical wiring at the Ft. Des Moines residential facility.
* A transfer of $180,000 to the Central Office from the Ft. Dodge institution under Section 8.39, Code of Iowa. The funds will cover expenses associated with attorney fees for defending the Department of Corrections medical director in a case before the Board of Medical Examiners ($50,000), training for all institution staff on handling emergency situations such as riots and natural disasters ($80,000), and scanning dead records to comply with statutory requirements concerning retention of inmate records ($50,000).
* A transfer of $400,000 to the County Confinement Account from the Newton institution ($175,000), Oakdale institution ($20,000), Clarinda institution ($20,000), and Ft. Dodge institution ($185,000) under Section 904.116, Code of Iowa. The County Confinement Account reimburses county jails for holding parole and work release violators until their return to the custody of the Department of Corrections. The Account received an appropriation of $524,000 in FY 2000.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

State Public Defender Allocation Transfer

**Appropriations Transfer** The Legislative Fiscal Bureau received notice of a proposed allocation transfer under Section 8.39, Code of Iowa.

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**State Public Defender** Thomas Becker, State Public Defender, is proposing to transfer $495,000 from the Indigent Defense allocation to the State Public Defender’s Office. The FY 2000 amount appropriated for legal services of indigent clients is $34.4 million, including the State Public Defender’s Office and the Indigent Defense Fund. The $495,000 proposed allocation transfer is approximately 1.5% of the total appropriation. The allocation transfer is necessary due to increased costs associated with interpreters, court reporters, and expert witnesses. The State Public Defender’s Office has filled all FTE positions, permitting cases to be defended by employees rather than private attorneys. This action has resulted in some cost reduction to the Indigent Defense Fund. Additionally, the full cost of the $5.00 per hour increase in reimbursement rates of private counsel for indigent clients, granted during the 1999 Legislative Session, has yet to be realized. The Indigent Defense Fund received an $803,000 increase for its FY 2001 allocation to annualize the increase in the reimbursement rate and for a projected increase in indigent defense claims.

**Transfer Notice** The Legislative Fiscal Bureau received notice of a proposed FY 2000 appropriation transfer under Section 8.39, Code of Iowa.

**Ethics & Campaign Discl.** There is a proposed appropriation transfer of $2,500 from the Indigent Defense Fund to the Iowa Ethics and Campaign Disclosure Board. The funds are needed by the Iowa Ethics and Campaign Disclosure Board for replacement of a copy machine and higher than expected costs for electronic filing software and technical support.

STAFF CONTACT: Beth Lenstra (Ext 16301)

State Climatologist Reports on Drought conditions in Iowa

**Drought Conditions** Harry Hillaker, State Climatologist, reported to the Fiscal Committee on June 22, about the drought conditions in Iowa. He presented a number of maps and charts detailing the precipitation received in the State and the effects on the soil and crops.

**U.S. Conditions** The Drought Severity Index was presented detailing the conditions in the United States as of June 17. This map is updated on a weekly basis and can be found at the following website:

 http://www.cpc.ncep.noaa.gov/products/analysis\_monitoring/regional\_monitoring/palmer.gif

**Current Iowa Conditions** Precipitation received in Iowa during the month of June has decreased the severity of drought conditions in several regions of the State. The following map identifies the inches of precipitation received in Iowa and the range from normal conditions:



**Estimated Soil Moisture** The following table identifies the inches of water in the top five feet of soil as of June 21, 2000:

|  |  |  |  |
| --- | --- | --- | --- |
| Iowa Estimated Soil Moisture -- Inches of Water in Top Five Feet of Soil |  |  |  |
|  |  |  |  |
|  Iowa District | **06/21/2000** | **06/21/1999** | Normal Conditions |
|  |  |  |  |
| Northwest | 4.5 |  5.6 | 7.2 |
| North Central | 8.9 | 10.1 | 7.5 |
| Northeast |  10.0 | 10.6 | 7.4 |
| West Central | 3.5 |  9.9 | 7.3 |
| Central | 5.1 | 10.9 | 7.8 |
| East Central | 8.1 | 10.2 | 7.5 |
| Southwest | 3.8 | 10.4 | 7.4 |
| South Central | 4.8 |  9.4 | 7.5 |
| Southeast | 6.5 | 10.4 | 7.1 |

 **Source: Midwestern Regional Climate Center**

**Crop Conditions** The following tables identify the crop conditions as of June 18, 2000, and the crop conditions on that date in past years. The numbers represent the percentage of the year’s crop in the various condition categories:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Iowa Crop Conditions – Corn |  |  |  |  |  |
|  |   |  |   |  |  |
|  Year |  Very Poor | Poor |  Fair |  Good |  Excellent |
|  |  |  |  |  |  |
| 2000 | 1 | 5 | 21 | 51 | 22 |
| 1999 | 2 | 6 | 21 | 48 | 23 |
| 1998 | 3 | 6 | 24 | 49 | 18 |
| 1997 | 0 | 5 | 27 | 56 | 12 |
| 1989 | 0 | 2 | 24 | 67 |  7 |
| 1988 | 1 | 7 | 51 | 39 |  2 |
|  Source: Iowa Agricultural Statistics |  |  |  |  |  |
|  |  |  |  |  |  |
| Iowa Crop Conditions – Soybeans |  |  |  |  |  |
|  |   |  |   |  |  |
|  Year | Very Poor | Poor | Fair |  Good | Excellent |
|  |  |  |  |  |  |
| 2000 | 1 | 5 | 27 | 52 | 15 |
| 1999 | 2 | 5 | 22 | 50 | 21 |
| 1998 | 2 | 9 | 30 | 47 | 12 |
| 1997 | 0 | 5 | 27 | 59 | 9 |
| 1989 | 0 | 4 | 30 | 63 | 3 |
| 1988 | 1 |  12 | 53 | 32 | 2 |

 **Source: Iowa Agricultural Statistics**

**Outlook** Although the soil moisture levels are lower than normal in most districts of the State, crop conditions for corn and soybeans are in the fair, good, and excellent ranges. It is difficult to predict the long-term effects on crop production as the months of July and August can vary greatly in terms of temperature and precipitation.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Administrative Rule Changes by the Department of Human Services

**Rule Changes** The Department of Human Services (DHS) presented numerous administrative rule changes to the Council on Human Services on June 8. The changes include:



* Exempting census income from the Family Investment Program, the Medical Assistance Program, and the Food Stamp Program. The federal government has permitted the states to exempt the earnings of persons temporarily employed by the federal Bureau of the Census. The DHS reports there is no fiscal impact with the rule change.
* Increasing eligibility guidelines for the Emergency Food Assistance Program, parallel with the federal poverty guidelines. Remaining at 185.0% of federal poverty guidelines, income guidelines have changed for the National School Lunch Program. The Emergency Food Assistance Program is based upon the National School Lunch Program. The DHS reports there is no fiscal impact included within the FY 2001 budget approved by the General Assembly since only federal funds are impacted.



* Increasing the Medical Assistance eligibility income limit for pregnant women and infants under the Mothers and Children Program to 200.0% of the federal poverty level, as directed by the 2000 General Assembly. Federal law does not permit such an increase but does allow additional deductions; therefore, the administrative rule amendment provides a deduction equal to 15.0% of the federal poverty level. The DHS reports that change will cost $262,000 in State funds and $585,000 in federal funds, with only an increase of $135,000 in State funds provided in the FY 2001 appropriation.
* Revising the Statewide average cost to a private pay person for nursing care in Iowa and the average charges for various types of care. The Statewide average cost is used to determine the period of ineligibility when a person has transferred assets for less than fair market value. The DHS reports that although the action may increase the number of months eligible for Medical Assistance, the fiscal impact is expected to be insignificant.
* Eliminating the genetic consultation clinic provider category in the Medical Assistance Program. The DHS reports there is no fiscal impact.
* Changes to skilled nursing and home health aide services and to the Home and Community-Based Services waivers as required by the 2000 General Assembly. A methodology is included for costs for non-facility providers. Facility providers will be able to provide hourly respite up to their maximum facility per diem. Safety procedures during the provision of respite services not previously required will now be part of the criteria. The types of eligible providers are expanded and the rates of reimbursement are increased, although the total amount of funding remains the same, which may cause a decrease in the number of hours of service for families. It is estimated that this will increase costs by $1.2 million of State funds and $2.0 million of federal funding.



* Changes to nursing and home health aide services within SF 2193 (Senior Living Program Act). The changes result in expansion of the services funded from Medical Assistance and reduce the need for home health agencies to request exceptions to policy. The DHS expects the funding to be cost neutral with the rule change.
* Changes to nursing facility rates and implementation of a case mix reimbursement methodology within SF 2193 (Senior Living Program Act). The 70th percentile based upon June 30, 2000, cost reports may increase the per diem maximum from $85.93 to $87.86. The case mix factor is to add $5.20 per day for higher than average patient care service expenses and higher than average aggregate care needs. The case mix factor is to also add $2.60 per day for facilities with lower than average patient care expenses and higher than average aggregate care needs. There was $17.8 million appropriated by the 2000 General Assembly for these purposes from the Senior Living Trust Fund.
* Allows chiropractors to be reimbursed directly for X-rays currently required but for which payment is currently provided to a physician or outpatient hospital in lieu of the chiropractor. The DHS indicates the change is cost neutral since the X-rays are currently reimbursed.
* Expands the coverage of social worker, nursing, and vision services provided by area education agencies under the Medical Assistance Program. Although the DHS indicates these funds are to be deposited into the General Fund and therefore a budgetary impact is not evident, HF 2549 (FY 2001 Education Appropriations Act) requires the funds to be deposited into the Medical Assistance Account. The DHS indicates that additional revenue of $20,000 per year is expected with this change.



* Changes certain Medicaid provider reimbursements as directed by HF 2555 (FY 2001 Tobacco Settlement Fund Appropriations Act). The changes include:
* Allows Medicaid reimbursement for certain family and pediatric nurse practitioners. The DHS indicates no fiscal impact is anticipated.
* Increases reimbursement rates by 0.7% for various noninstitutional providers, such as ambulances, area education agencies, birth centers, family planning clinics, opticians, and screening centers.



* Increases reimbursement rates for dentists to 75.0% of the usual and customary rate.
* Increases the dispensing fee for pharmacists by 0.7%.
* Increases the reimbursement rate for community mental health centers by 17.33%.
* Specifies that home health agency providers be paid the maximum Medicare rate.
* Changes the reimbursement rate for psychiatric medical institutions for children (PMICs) up to $147.20 per day.
* Increases the reimbursement rate for hospitals by 3.0%.
* Changes in reimbursement rates for various providers, including audiologists, family and pediatric nurse practitioners, optometrists, physical therapists, physicians, and psychologists by a resource-based relative value scale (RBRVS), to take effect November 1. The DHS indicates that $6.0 million of State funds and $10.1 million of federal funds will be the cost of the implementation.



* Changes the date used for withholding for child support purposes to the employee’s pay day when crediting a support payment made by income withholding, to reflect HF 2135 (Child Support Obligations Act). The DHS indicates there is no fiscal impact.
* Changes income guidelines, parental fees, and new provider rate ceilings relating to child care providers. The DHS notes that $2.1 million in Temporary Assistance to Needy Families (TANF) funds was appropriated for this purpose.
* Changes adoption, independent living, and shelter care provider reimbursement rates with an increase of 5.0%. The DHS indicates that $500,000 was provided from the Tobacco Settlement Fund for these increases. It was necessary to adjust the shelter care providers calculation to allow the entire 5.0% increase.
* Increases the foster family homes and adoptive homes reimbursement rates to remain at 70.0% of the USDA’s estimate of the cost to raise a child. The DHS indicates that $433,000 of State funds and $276,000 of federal funds is available for these increases as appropriated by the 2000 General Assembly.
* Adds new Chapters to the Administrative Rules to implement the Senior Living Trust Funds and Facility Conversion and Service Development Grants. Conversion grants are limited to $1.0 million per facility with an additional $100,000 available under certain circumstances. There was $20.0 million appropriated for these purposes from the Senior Living Trust Funds.
* Changes the adolescent pregnancy prevention program grants, to reflect legislative action regarding the demonstration of highest percentage of pregnancies of females age 13 but younger than age 18.
* Changes the rehabilitative treatment services (RTS) reimbursement practices of individual negotiations and implements a 5.0% across-the-board cost of living adjustment.

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

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

State Strategic Planning Council Meeting



**Council Meeting** The State Strategic Planning Council, also known as Iowa 2010, met June 9. The Council worked on finalizing recommendations to the Governor and the General Assembly including goals for Iowa in the year 2010 and steps to reach those goals. Some of the goals considered include:

* Increase the State’s population by encouraging immigration and bringing Iowans back to the State.
* Expand access to telecommunication services to make Iowa a leader in e-commerce, e-government, teleworking, telemedicine, and other emerging fields of technology.
* Develop and promote Iowa’s natural landscape for recreation toward the best network of trails, natural prairies, rivers, woodlands, sports, and cultural heritage.
* Increase wages by encouraging high-tech and high-wage industries into the State as well as starting new industries, improve access to skill development, and modify the tax system to be equitable and competitive.
* Provide access to quality childcare and early education by licensing providers, developing standards and provider training, and offering subsidies to Iowans of low income.

**Proposed Changes** The Council also considered the following for making State and local governments efficient and responsible:

* Pursue performance reviews of all areas of State government.
* Alter the Iowa Constitution and the Code of Iowa to abolish the Executive Council, change the Treasurer from an elected position to an appointed one, abolish the Secretary of State and give the duties to the Lieutenant Governor, return to biennial budgeting, reduce the number of Senators to 40 and Representatives to 80, and provide term limits.
* Examine the structure of the Iowa Area Education Agencies in order to reduce the number of agencies and narrow the scope of work.
* Increase responsiveness by providing 24-hour service by way of technology or a help desk.
* Encourage regional alliances for local governments rather than mandate by providing technical assistance and financial incentives.
* Study the best practices for regional delivery systems.

**Recommendations**

* The Code of Iowa should be modified to allow counties to merge.
* Create a local leadership academy associated with a college or university to provide training to city, county, and school officials.
* Direct the Iowa Department of Education to oversee a three-year process of K-12 school district reorganization to reduce the number of school districts to one per county.
* Increase the staff of the Federal Relations office in Washington, D.C., and recommend regular meetings with the congressional delegation and the Governor.
* Recommend that a citizen group study campaign finance reform.

**Final Recommendations** The Council’s final recommendations will be available in booklet form later this year.

STAFF CONTACT: Christina Schaefer (Ext. 16765)

Natural Resource Commission Meets In Ottumwa



**Commission Meeting** The Natural Resource Commission met in Ottumwa on June 8. The meeting was called to order by Chairperson Marian Meyer. The following presentations were given:

* Linda Hanson, Administrator of the Administrative Services Division, presented a financial status report that included the FY 2001 Capital Expenditures Plan, construction projects, and land acquisitions. The FY 2001 Capital Expenditures Plan was approved by the Commission and included:

|  |  |  |
| --- | --- | --- |
| **Funding Source** |  | **Amount** |
| Infrastructure Funds |  | $ 13,925,000 |
| Fish and Wildlife |  |  6,920,000 |
| Marine Fuel Tax |  |  5,132,500 |
| Parks and Road Fund |  |  2,875,000 |



|  |  |  |
| --- | --- | --- |
| Sewage Revolving Fund |  |  2,580,000 |
| Resource Enhancement and Protection Fund |  |  4,465,471 |
| Total Capital Expenditures for FY 2001 |  | $ 35,897,971 |
|  |  |  |

* Mike Brandup, Administrator of the Forests and Prairies Division, asked for approval of changes to the Community Forestry Grant Program. The changes included allowing State funds to be used for the Program and making minor changes in the language. The Commission approved the changes.
* Mike Carrier, Administrator of the Parks, Recreation, and Preserves Division, asked the Commission to approve a $60,000 contract with Shive-Hattery, Inc., for completion of a feasibility study for the development of a destination park. The contract was approved.
* Mike Carrier asked the Commission to approve a contract with the Center for Social and Behavioral Research at the University of Northern Iowa to complete two park surveys. One is for interviewing of onsite park users and the other is for interviewing households. The contract cost is $94,500 and was approved by the Commission.



* Mike Carrier asked the Commission to approve the Off-Highway Vehicle Land Acquisition Policy for the use of all-terrain vehicles. The Commission approved the Policy.
* Al Farris, Administrator of the Fish and Wildlife Division, asked the Commission to approve 15 special deer hunts for the 2000-2001 deer season. The special deer hunts were approved.
* Al Farris asked the Commission to approve two contract agreements with Iowa State University to conduct several studies on fisheries and wildlife. The agreements totaling $134,500 were approved.
* Larry Wilson, Deputy Director, presented Mike Carrier with a plaque for his outstanding service in Iowa as the Administrator of the Parks and Preserves Division. Mike has accepted a position in Oregon as the Director of Parks.

**Next Meeting** The next meeting will be held July 13.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Environmental Protection Commission Holds Meeting



**Commission Meeting** The Environmental Protection Commission held their monthly meeting on June 19. The following items were presented:

1. Liz Christiansen, Administrator of the Waste Management Division, asked the Commission to approve an agreement with the Recycle Iowa Program in the Department of Economic Development to administer the Iowa Waste Exchange Program. The agreement was approved.
2. Liz Christiansen asked the Commission to approve 17 applicant projects for the Solid Waste Alternatives Program. The total cost for these projects is $1.1 million and will be funded with forgivable loans, zero interest loans, and low interest loans. The projects were approved.
3. Mike Valde, Administrator of the Environmental Protection Division, asked the Commission to approve the agreement with the National Older Worker Career Center that provides temporary staff services. Currently, the Department has five persons working in the Air Quality Bureau, four in the Compliance Bureau, and one in the Waste Management Assistance Division. The cost of the 11 positions is $392,000. The Commission approved the agreement.



1. Mike Valde asked the Commission to approve an agreement with Windsor Technologies for the State Permitting and Air Reporting System (SPARS) in the Air Quality Bureau. The agreement requires Windsor Technologies to provide system enhancement and maintenance, adds the operating permit applications to the system, and provides a long-tem plan for system development. The cost of the three items is $122,000. The agreement was approved.
2. Mike Valde asked the Commission to approve an interagency agreement with Polk and Linn Counties to review air quality construction permits, Title V operating permits, and ambient air monitoring permits. The cost is $457,000 in Polk County and $507,000 in Linn County. The agreements were approved.
3. Mike Valde asked the Commission to approve an interagency agreement with the University of Iowa Hygienic Laboratory for support to the Air Quality Bureau for ambient air monitoring, emissions inventory, stack testing and asbestos analysis. The cost is $1.5 million. The agreement was approved.

1. Mike Valde asked the Commission to approve an agreement with the Iowa Waste Reduction Center for the Iowa Air Emission Assistance Program. This Program is part of the Small Business Assistance Program and works with small business owners that need to comply with air emission standards required by the federal Clean Air Act. The cost of the agreement is $361,000. The agreement was approved.
2. Mike Valde asked the Commission to approve a Notice of Intended Action to develop administrative rules for the proposed Onsite Wastewater Treatment State Revolving Fund. The program is intended to have total funding of $3.0 million to provide loans to rural homeowners to upgrade on-site waste treatment systems. Funding of $600,000 was appropriated by the FY 2000 General Assembly in SF 2453 (Infrastructure Appropriations Act) and $2.4 million from federal funds. The Notice of Intended Action was approved.



1. A Petition for Rulemaking was submitted by Representative Hubert Houser and signed by 15 other Representatives to make changes to Chapter 65, Code of Iowa, relating to confinement feeding operations. The first change is to require owners of confinement feeding operations that are not permit applicants to submit manure management plans prior to the construction of facilities. The second change requires owners of a proposed confinement feeding operation to submit a manure management plan before construction begins. The Commission discussed the Petition and voted not to accept it as written. The Commission requested that the Department meet with members of the Animal Agriculture Consulting Organization to discuss possible changes and to have a revised Notice of Intended Action for the Commission at the August or September meeting. The Commission specified that the revised Notice of Intended Action should address the issues of submitting manure management plans prior to construction, public notification, adjacency issues, and potential fees for confinement feeding operations.
2. Michael Murphy, Compliance and Enforcement Bureau, asked the Commission to refer the Wunschel Oil Company to the Attorney General. The Commission approved the referral.

**Next Meeting The next meeting will be July 17, in Des Moines.**

STAFF CONTACT: Deb Kozel (Ext. 16767)

Legislative Oversight Committee

**Oversight Committee** The Legislative Oversight Committee met on June 20. The Committee heard presentations from and discussed the following:



* Bob Squires and Miriam Ubben, Software and Information Technology of Iowa, and Michael Termini, Global Search Network, discussed technology and economic development. The presenters stated that Iowa is in a unique position to emerge as a location for providing high technology services, in part because it is centrally located and has established the Iowa Communications Network (ICN). The presenters encouraged the State to provide capital venture for start-up companies and for businesses to develop business plans that account for technology. Mr. Squires indicated the Software and Information Technology of Iowa would be providing the Oversight Committee with recommendations for economic development policies to be considered.



* Maureen Collins-Williams, of the Small Business Development Center, located at the University of Northern Iowa (UNI), discussed the Center's operations, technology, and business assistance provided to persons located in Waterloo and surrounding rural counties. Ms. Collins-Williams discussed UNI’s plan to establish a rural business center to provide business technical assistance, training, referrals, and access to business technology.
* Richard Varn, Chief Information Officer, Bill Haigh, and Dan Combs, of the Information Technology Department, discussed efforts to change the appearance of the State's Internet site, including providing coordinating links to other sites. The Committee viewed various pages of the site.



* Colonel Joseph Lucas and Colonel David Raes, of the Iowa National Guard, discussed the Iowa Technology Center at the Iowa National Guard headquarters in Johnston and its use by the United States Army and Air National Guard. Currently there is a line item appropriation in the U. S. Senate version of the Department of Defense budget bill that will provide $90 million for development of the Center and computer applications. The presenters discussed the military's potential use of the ICN, that Iowa is located at the crossroads for present and planned fiber optic networks linking the nation, that the center is expected to expand to include a knowledge management system and may become a hub for military technical and training services. Additionally, the Center may also attract computer software firms to Iowa to participate in development of various Department of Defense computer applications.
* Harold (Tommy) Thompson, Executive Director, ICN, discussed a plan to eliminate the subsidization of educational video usage. Mr. Thompson stated that K-12 schools are not adequately utilizing the ICN, especially given the financial investment made in connecting to the network. He suggested that rural schools may be facing financial hardship and discussed a plan for subsidizing unlimited usage by K-12 schools from the State's school aid appropriation and raising the rates by 16.0% each year for the next 7 years for other users. According to Mr. Thompson, the amount of the annual subsidization to provide free service to K-12 schools would be $5,000,000 for the first three years and then be reduced to $3.5 million in five years.
* Mr. Thompson also briefly updated the committee regarding proposals for a demonstration project to provide voice services for state government Internet protocol in which vendors will provide voice over Internet protocol system resources.



* Joan Conrad, Iowa Utilities Board, discussed a study that will be conducted by the Board and the Department of Economic Development for provision of statewide access to broadband and dial-up Internet services in under-served areas. Ms. Conrad noted that a number of studies are being conducted by other parties, and the board is focusing on location and type of services available.
* Representative Falck, and Doug Wulf, Legislative Fiscal Bureau, provided the Committee with an update regarding recommendations of the 2010 Council related to providing broadband and dial-up Internet access to rural areas of Iowa not currently being adequately or affordably served.

**Next Meeting** The next meeting is scheduled for July 18 in Room 19 of the State Capitol.

**Room 19 – ICN Classroom** The conversion of Room 19 to an ICN classroom is now complete and is available for Legislative Committees to use for holding meetings over the ICN. All future Legislative Oversight Committee meetings will be held in Room 19 utilizing the ICN for connections of any members whose schedules do not permit driving to Des Moines, but who would be available for the meeting at an ICN site in their locality.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Glen Dickinson (Ext. 14616)

Legislative Fiscal Committee

**Fiscal Committee Meeting** The Legislative Fiscal Committee met on June 22 and discussed the following:



* Revenue update, including the FY 2001 projected balance sheet, Governor’s item vetoes, the Rebuild Iowa Infrastructure Fund (RIIF), the FY 2001 “Built-in increases”, and the estimated reversions and allocations from the Reversion Technology Fund.
* State Climatologist Harry Hillaker discussed the current weather conditions in Iowa.
* An update on the Oversight/Communications Committee.
* Appropriations transfers since the Session ended.
* Potential issues to be addressed by the Committee during the 2000 interim.

**Future Meetings** The Fiscal Committee tentatively plans to meet on the following dates:

* August 2 in Des Moines
* August 30 at a juvenile institution
* September 26 at the University of Iowa
* November 15 in Des Moines
* December 6 in Des Moines

**More Information** More information is available from the Fiscal Bureau upon request.

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

meeting of the State County Management Committee



**Committee Meeting** The State County Management Committee met on June 22. The Committee has divided into three subgroups of: allowable growth for the Mental Health, Mental Retardation, and Developmental Disabilities Services Fund; system design; and Incentive Fund and System Outcomes. Each subgroup met and plans to review the following items during the next two meetings of the Committee prior to final recommendations.

* Incentive Fund and System Outcomes:
* Review the previous Restructuring Task Force and other related reports.
* Change the use and distribution of the Incentive Fund portion of the mental health/mental retardation allowable growth funds, to reflect a grant program based upon outcomes rather than distribution by population.
* Allowable Growth:
* Consider a recommendation for FY 2003 similar to the recommendation for FY 2002, based upon service population and inflation.



* Target counties with adjusted Fund balances that are within an “acceptable range”.
* Develop a cost per consumer methodology.
* Participate in the July 12 Council on Human Services public hearing, make the recommendation sooner in the process to allow inclusion in the Department of Human Services funding requests and the Governor’s funding recommendations.
* Strive for a legislative interim committee approved by the Legislative Council relating to mental health and mental retardation issues.
* Review changes in the use of assessed valuation rather than a specific dollar amount of levy.
* Reduce the amount of reserves in the Services Fund at the county level by making a one-time transfer to the general operating fund of counties.
* Eliminate property tax as a source of revenue for mental health expenditures.
* Modify the factors involved in the development of the proposed allowable growth by the Committee within the Code of Iowa.
* Collect similar information for those served by the State Cases Program that the county management information system requires of counties.
* System Design:
* Change the legal settlement issue to streamline eligibility at the local level rather than at the State level of the Department of Human Services and permit equal access to identical services provided by a county to residents and nonresidents alike.
* Fund services by the number of people served, rather than separation of residents and nonresidents. Begin with a pilot project of decentralization, either by a time-limited basis Statewide, or several counties.
* Eliminate legal settlement with easier access for noncatastrophic basis eligibility and a plan for Risk Pool expenditure to be greater.

**Discussion** Other items discussed included, but was not limited to, the reporting by counties of what dollars were spent for increases to provided and separation of hospital costs for various services.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Meeting of the Mental Health and Developmental Disabilities Commission



**Commission Meeting** The Mental Health and Developmental Disabilities Commission met on June 6 and conducted the following business. The discussion regarding the legislative action is highlighted in more detail compared to other agenda items.

* Various accreditation recommendations and action regarding providers and services.
* Priorities for the Legislative Session:
* Reviewed the recent U.S. Supreme Court Decision Olmstead vs. L.C., et al, which requires the disabled should be cared for in home-like settings when appropriate for the individual and financially feasible for the State. The Governor has designated the Department of Human Services (DHS) as the lead agency to review the options. The DHS plans to have a steering committee which involves various State agencies. The Rehabilitation Option is planned to be implemented by January 2001.
* Reviewed the Senior Living Program Act. Discussion included concern regarding the continuation of segregation of individuals, whether assisted living or whether in nursing home beds, and no rules and regulations in statute regarding standards for assisted living facilities other than fire code.
* Received information regarding a recent consultant review of the Developmental Disabilities waivers which currently exist.
* Studied the Purchasing for Results concept being planned and implemented by the DHS, to look at the client and what is being served. A Quality Service Review process has been undertaken by the DHS, and Polk County received the first assessment, which highlighted seven children who are in need of stabilization of services and placement. The DHS is attempting to reallocate funding from the Merit Corporation reinvestment funds available, from the Community Mental Health Services Block Grant, and from the Child and Family Services Division as a pilot project to implement the Purchasing for Results concept.
* Facilitators available for revisiting the Lieutenant Governor’s Summit emphasizing administration.
* Discussed the workgroups underway relating to: eligibility of clients, funding of services, and the Developmental Disabilities Council workgroup for the coordination of services to children.



* Discussed the Governor’s item veto within SF 2435 (FY 2001 Human Services Appropriations Act) of the $300,000 for additional reimbursement to facilities serving individuals with brain or head injuries. A meeting was to be held on June 7 to review possible funding options.
* Indicated the disabled need to be involved in the planning process at the beginning, and not just included after the plans have been developed, regardless of the issues.
* Reviewed the Governor’s planned priorities, including mental health parity, minority health, and substance abuse. The six enterprise teams continue to meet and formulate plans for action and necessary changes on these and other topics of priority by the Governor.
* Discussed the Commission’s duties and proposed committees regarding proposed law and budget changes to the Legislature, an evaluation of whether services to persons with disabilities are available to persons in each county and the quality of the services, and preparation of a five-year plan based upon the county management plan. Topics contained within the changes to the Legislature include a code on standard eligibility, a code on minimum standards, and a code on requiring death and incident reports including funding for the reporting requirements.
* Acted upon waiver applications for community mental health centers.
* Received a report on the Community Services Fund.
* Heard from Director Rasmussen regarding the DHS Action Plan.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794)

LOTTERY REVENUES AND EXPENDITURES THROUGH MAY



**May Revenues/Expenditures** Through May, FY 2000 Lottery game revenues increased $0.1 million from the FY 1999 level. Lottery prize expenses decreased $0.3 million, operating expenses decreased $0.1 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.



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



* Instant ticket sales increased $103,000 (0.1%).
* Iowa Lotto/Supercash/Pick 3 sales increased $259,000 (7.8%).
* Multi-State Powerball sales increased $1.4 million (3.3%).
* Multi-State Daily Millions/Cash 4 Life sales decreased $738,000 (20.0%).
* Daily Game sales increased $156,000 (3.7%).
* Pull-tab sales decreased $1.2 million (4.6%).

**Ticket Sales** Total Lottery sales for May were $14.5 million, an increase of $491,000 (3.5%) compared to May 1999. May 2000 sales for Powerball, Pick 3, and Pull-tabs were above sales for May 1999. In addition, Freeplay Replay, which was not offered in FY 1999, had May sales of $119,000.

**Estimated Transfers** 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 May, fiscal year transfers are $548,000 above FY 1999.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $7.9 million in sales tax during FY 2000.

STAFF CONTACT: Ron Robinson (Ext. 16256) Jeff Robinson (Ext. 14614)

Judiciary Committee Update



**Child Custody/Mediation** The Governor signed HF 683, which relates to child custody and mediation. The Act provides a court may order mediation where custody and visitation rights are unresolved unless domestic abuse, child support, or medical support are involved. The Act requires the Supreme Court to establish a mediation program that a district court may implement. The Supreme Court is required to submit a report to the General Assembly, which makes recommendations for implementing, modifying, and funding this Act. House File 683 takes effect July 1, 2001 (FY 2002), except for the reporting requirement. The fiscal impact of HF 683 cannot be determined since it is not known if judges will order mediation. However, the cost of a statewide program ranges from approximately $669,000 to $1,044,200 annually.

**Adoption Proceedings** The Governor signed SF 421, which permits the juvenile court to exercise jurisdiction over adoption proceedings and termination of parental rights. The Act is expected to have no significant fiscal impact.

**Probate Law Changes** The Governor signed HF 2518, which makes changes to the probate law and makes technical changes to Iowa’s Trust Code. The Act has no fiscal impact.



**Factory-Built Structures** The Governor vetoed SF 2427, which required installers of factory-built structures to be certified in accordance with rules adopted by the Commissioner of Public Safety. The Act also provided that a person who is injured in person or property due to another person’s violation of this Act may bring civil action for actual damages against the violator. The Governor stated that this language is ambiguous and may preclude an award for punitive damages, which puts consumers at risk of losing the ability to pursue remedies that currently exist under law. The Act permitted a fee to be assessed and created a standing appropriation for revenues generated by the fee, to cover the cost of administering the certification process by the Department of Public Safety. Senate File 2427 was anticipated to generate $77,000 in license and inspection fees to be used for salary and support of one inspector to implement the inspection and certification process.



**Scheduled Violations** The Governor signed SF 2245, which reclassifies certain simple misdemeanors to scheduled violations. A scheduled violation permits a defendant to pay only a fine, court costs, and the criminal surcharge without ever making a formal court appearance. The Act raises the fine limit for violations of certain local ordinances. It is estimated that county jails will save approximately $8,000 statewide during FY 2001 due to fewer jail admissions. For FY 2002 and beyond, it is estimated that county jails will save approximately $16,000 statewide due to fewer jail admissions. The General Fund cost of SF 2245 to the Judicial Department and Public Defender’s Office is not expected to be significant. Fines associated with certain scheduled violations are estimated to increase General Fund revenue by approximately $24,000 for FY 2001, $58,000 for FY 2002, and $73,000 for FY 2003.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Audit Report - Department of Agriculture and Land Stewardship

**Audit Report** The State Auditor issued the FY 1999 Audit Report for the Department of Agriculture and Land Stewardship on January 7, 2000. The report was received by the Legislative Fiscal Bureau on June 13, 2000.



**Reportable Conditions *Compliance* -** The Report commented on several compliance issues with regard to the Code of Iowa that have not been accomplished by the Department. They include:

1. Annual inspections of all licensed grain dealers and warehouses.
2. Issuance of a biennial report to the Governor complete with required information and statistics.
3. Inspection and regulation of bottled water.
4. Establishment of a specialty quality grains electronic bulletin board system.
5. Establishment of a sheep promotion division.
6. Timely payments to breeders of winning Iowa horses and dogs from the Iowa Horse and Dog Breeders Fund.
7. Establishment of an Iowa Book of Agriculture.
8. Promotion of degradable packaging by the Department.



**Cash Management *Fees and Miscellaneous Receipts*** – The Administrative Division collects and deposits the miscellaneous fees and receipts from the various Bureaus in the Department. One person receives the receipts, prepares the deposit, and records the deposit. No independent reconciliation is completed for this function.

1. Recommendation - The Department should implement procedures for an independent review and reconciliation of cash receipts and maintain documentation for any adjustments made to the receipts.
2. Response - The Department has segregated the duties of the cash receipts and procedures for reconciliation have been implemented.
3. Conclusion - Response accepted.

**Receipt Books *Prenumbered Receipt Books*** - The Department issues prenumbered receipt books to employees to record payments received in the field for inspections, licenses, or exams. The Department does not maintain a listing on the issuance of the books.

1. Recommendation - The Department should maintain a numerical listing of the Receipt books and perform sample tracings of selected receipts to the deposit records to ensure the transactions are properly completed.
2. Response – The Department has implemented new procedures for the control of receipt books and will perform sample tracings of receipts.
3. Conclusion – Response accepted.

**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Audit Report - Iowa Sewage Treatment Works and Drinking Water Facilities Financing Programs

**Audit Report** The State Auditor issued the FY 1999 Audit Report for the Iowa Sewage Treatment Works Program and the Iowa Drinking Water Facilities Program on April 7, 2000. The Legislative Fiscal Bureau received the report on June 23, 2000.



**Background**  The Iowa Sewage Treatment Works Program was created by the State in 1988 to implement the provisions of the federal Water Quality Act of 1987. The Act authorizes capitalization grants from the Environmental Protection Agency to states for the construction of wastewater treatment facilities. States are required to provide at least 20% in matching funds.

**Drinking Water Program** The Iowa Drinking Water Facilities Financing Program was created by the State in 1997 and amended in 1998 to implement provisions of the federal Safe Drinking Water Act Amendments of 1996. The Program authorizes the Environmental Protection Agency to make capitalization grants to states for the purpose of establishing a drinking water revolving fund to finance the construction of drinking water facilities. States must provide at least 20% in matching funds.

**Reportable Conditions**The Report indicated there were no reportable conditions noted in the financial reporting and operation of the Iowa Sewage Treatment Works Program and the Drinking Water Facilities Financing Program. The report indicated the Programs complied with all federal requirements.

**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

AUDIT REPORT - DEPARTMENT OF HUMAN RIGHTS

**Audit Report** The Office of the Auditor of State issued the FY 1999 Audit Report for the Iowa Department of Human Rights (DHR) on June 7, 2000. The following are the audit exceptions, DHR response, and corrective actions to be taken.



**Subrecipient Monitoring** The approved State Plan requires the Department to monitor subgrantee community action agencies (CAAs) on a regular basis to ensure program and fiscal compliance. On-site visits are to be conducted throughout the program year.

* Findings – The Auditor reviewed the Department’s monitoring files and noted that 3 of 18 CAAs were not visited for program monitoring during the program year. Of the three CAAs not visited, two had not been visited in the preceding year. In reviewing the Department’s program monitoring file, it was noted that sufficient documentation of the results of the monitoring visits was not maintained for 4 of 15 visits made during the year.
* Recommendation – The Department should ensure on-site visits are made on a regular basis in accordance with the State plan. The Department should also ensure sufficient documentation is maintained in the program monitoring files.
* Response and Corrective Action Planned – The Division of Community Action Agencies has undergone substantial personnel changes in the past year. New management will focus on program monitoring and compliance in accordance with the State plan. All program monitoring trips and the resulting documentation will be completed and ready for review by the State Auditor’s Office by June 30, 2000. The response was accepted.



**Subrecipient Cash Mgmt** The Common Rule requires grantees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee, whenever advance payment procedures are used. Grantees are to monitor the cash drawdowns by their subgrantees to assure that they conform to the same standards.

 The Department’s procedures require subrecipient CAAs to submit monthly cash reports based on their actual and estimated expenditures. The Department monitors advances and payment requests to the 18 CAAs.

* Findings – The Auditor of State reviewed a total of one hundred seventeen cash reports for this requirement. For fourteen of the cash reports reviewed, (five LIHEAP, three Home Energy Assistance Program [HEAP] and six Community Services Block Grant [CSBG]) the month end cash balances and requests for funds were not expended within the next month.
* Recommendation – The Department should continue to closely monitor its cash management procedures to ensure compliance with federal guidelines.
* Response and Corrective Action Planned – The LIHEAP staff (which includes HEAP) has revised their cash advance procedures. They now require additional documentation that itemizes the obligations in certain budget categories that will be paid with the advanced funds. Also, recent personnel changes within the Division of Community Action Agencies will result in a new management focus on cash management procedures to ensure compliance with federal guidelines for both LIHEAP and CSBG. The response was accepted.

**Subrecipient Audit Report** The Department is required under OMB Circular A-133, as it applies to subrecipients, to develop and maintain a subrecipient monitoring system. The Department is responsible for reviewing subrecipient audit reports in a timely manner to ensure that appropriate corrective action is taken within six months after receipt of the audit report showing non-compliance with federal laws and regulations. The Department’s procedures require that each subrecipient Community Action Agency submit an audit report to the Department for review to determine whether the CAA complied with federal and program requirements.

* Findings - The Department had nineteen subrecipients which received federal funding from the programs noted above. The Department did not review three of the reports in a timely manner to ensure that corrective action, if any, was taken within six months as required.
* Recommendation – The Department should take steps to ensure timely reviews of subrecipient audit reports and that corrective action is taken.
* Response and Corrective Action Planned- Staff turnover led to the three audit reviews not being completed within the six months as required. One vacancy has been filled; thus, the three audit reports will be reviewed and completed by February 29, 2000. The response was accepted.

**Other Findings** Findings related to statutory requirements and other matters:

**Expenditure Approvals** Limited reviews of the pre-audit expenditure process are performed quarterly.

* Findings - These limited reviews identified various items of non-compliance, including:
* Claims that did not have pre-auditor initials as required by Statewide Preaudit Agreement.
* Claims that lacked authorized signatures.
* Recommendation – The Department should ensure that all claims are properly authorized and pre-audited in accordance with Statewide Preaudit Agreement.
* Response – The Department will continue its efforts to properly authorize and pre-audit claims. The Department has also hired more fiscal staff to share the workload and will train the staff more thoroughly in this area. The response was accepted.

**Commission/Council Mtgs.** The Iowa Department of Human Rights includes eight councils and commissions as established under Chapter 216A of the Code of Iowa.

 

 Chapter 69.15 of the Code of Iowa states that an appointed person to a Commission is deemed to have submitted a resignation from office if they do not attend three or more consecutive meetings.

* Findings – The Commission of Community Action Agencies, the Commission on the Status of Women, the Juvenile Justice Advisory Council, and the Criminal and Juvenile Justice Planning Advisory Council had members who did not comply with the attendance requirements in Chapter 69.15 of the Code of Iowa.

The minutes for the Commission on Status of African-Americans, the Commission of Latino Affairs, the Juvenile Justice Advisory Council and the Criminal and Juvenile Justice Planning Advisory Council did not indicate the vote of each Commission member present as required by Chapter 21.3 of the Code of Iowa.

* Recommendations – The Department should continue its efforts to encourage member attendance. In addition, Commissions should ensure that the vote of each board member is documented.
* Response – The division administrators, as well as the commission and council chairpersons for each division, will be notified again of the necessity to have meeting minutes reflect the vote of each member present.

Letters from the division that are sent to the Governor’s Office apprising them of commission/council members not meeting the minimum attendance requirements established by Code will be on file in the Department. The auditors will have the opportunity to review these letters. The response was accepted.

**Administrator Evaluations** Chapter 216A.2(8) of the Code of Iowa requires the Director to annually evaluate each division administrator, after receiving recommendations from the appropriate councils or commissions, and submit a written report to the Governor and the commissions.

* Findings – This Report had not been completed.
* Recommendation – The Director should prepare the annual evaluations and submit an annual report in compliance with the Code of Iowa.
* Response – The new Director, who started her employment with the Department on February 5, 1999, is beginning this process. She apprised the division administrators of this at a February 22, 1999, DHR meeting. The response was accepted.

**Transferring Federal Funds** The report noted the following concerning the transfer of federal funds:



* Findings – Transferring of Federal Funds – The Department is inappropriately transferring federal revenue from one federal grant to another to cover expenditures (primarily payroll costs), which may result in unallowable costs. This practice may also result in cash management problems.
* Recommendation – The Department should evaluate its procedures for reallocating payroll costs and consider transferring State funds instead of federal funds, if needed.
* Response – Effective February 2000, the Department will transfer State funds instead of federal funds, if needed. The response was accepted.

STAFF CONTACT: Russ Trimble (Ext. 14613)

AUDIT REPORT - GOVERNOR’S ALLIANCE ON SUBSTANCE ABUSE



**Audit Report** The Office of the Auditor of State issued the FY 1999 Audit Report for the Governor’s Alliance on Substance Abuse (GASA) on June 19.

 **Findings Related to Statutory Requirements and Other Matters**

* Findings – Annual Report – Chapter 80E.1(2)b of the Code of Iowa states that the Governor’s Alliance on Substance Abuse shall submit an annual report to the Governor and General Assembly by November 1st following fiscal year end. The report was not submitted until February 2000.
* Recommendation – The Department should comply with the Code of Iowa and submit its annual report on a timely basis.
* Response – The Department will comply. The response was accepted.

STAFF CONTACT: Russ Trimble (Ext. 14613)