FISCAL UPDATE December 14, 2000

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Revenue Estimating Conference Lowers FY 2001 and FY 2002 General Fund Revenue Estimates

**REC Meeting** The Revenue Estimating Conference (REC) met December 8 to review FY 2001 and FY 2002 estimated General Fund revenues. Net revenues over the two fiscal years were lowered a total of $37.0 million.



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**FY 2001 Estimate Increased** The REC revised downward the total FY 2001 General Fund tax and other receipts estimate established in October to $5.275 billion. Net receipts (total taxes, other receipts, and transfers, minus refunds) were revised downward from $4.866 billion to $4.845 billion, reflecting decreased estimates for personal income, sales, use, and inheritance taxes. The corporate tax estimate was increased. The REC action resulted in estimated FY 2001 net General Fund receipts growth of $226.9 million (4.9%) compared to actual FY 2000 net receipts.

**FY 2002 Estimate** The REC also revised downward the FY 2002 total tax and other receipts estimate established in October to $5.506 billion, which is 4.4% above the revised FY 2001 estimate. Net receipts (total taxes, other receipts, and transfers, minus refunds) were set at $4.988 billion. The REC action resulted in estimated FY 2002 net General Fund receipts growth of $143.1 million (3.0%) compared to estimated FY 2001 net receipts. The significant difference in the estimated percentage growth in taxes and other receipts (4.4%) versus net receipts (3.0%) is due to the inclusion of $64.6 million in Tobacco Settlement funds in estimated transfers for FY 2001.

**Gambling Revenue Estimates** The Conference did not revise the estimate for gambling receipts deposited to other funds for either year. Gambling proceeds to the General Fund are statutorily capped at $60.0 million, with the excess deposited to the Rebuild Iowa Infrastructure Fund, Vision Iowa Fund, and School Infrastructure Fund.



**Lottery Estimate** The Lottery estimate for FY 2001 was lowered $2.0 million to $32.5 million. The FY 2002 Lottery estimate remained at $32.5 million.

**Spreadsheet Format** At the October meeting, the REC modified the General Fund estimation procedure and the format of the reporting spreadsheet. The change relates to transfers to the General Fund. In the past, transfers, including items such as Lottery profits, indirect cost reimbursements, and excess funds from the Prison Infrastructure Fund, have not been included in the net General Fund receipts estimate. The shaded subtotal line on the following spreadsheet labeled “Total Tax & Other Receipts,” corresponds to the line labeled “Total Receipts” on previous reports. The new subtotal line, labeled “Total Receipts and Transfers,” provides a more complete account of the General Fund receipts in a given year, as it includes transferred money for the year. The line labeled “Net General Fund Receipts” corresponds to the “Net Receipts” line in previous reports, but has been adjusted for transfers to the General Fund as well as tax refunds. This modification will provide a more complete picture of the change in net General Fund receipts available from one year to the next.



**Estimates by Source** The spreadsheet on the following page details the latest REC estimates by source of revenue.



STAFF CONTACT: Jeff Robinson (Ext. 14614)

Tobacco Settlement Authority Meeting

**Tobacco Settlement Auth.** The Tobacco Settlement Authority met November 20 in the State Capitol Building. The Authority hired the Ahlers law firm, in cooperation with Hawkins Delafield & Wood, as its special counsel. The Hawkins law firm has been involved with six tobacco securitization issues and will serve as senior counsel. The Authority also hired the Dorsey and Whitney law firm for its expertise in the area of Iowa’s investment policy and legislation. These law firms will only be compensated if Iowa’s tobacco settlement is securitized.

**Financial Advisor** The Tobacco Settlement Authority reviewed a presentation by a representative from Public Financial Management (PFM), its financial advisor. There was a lengthy discussion of the varieties of risks that are involved with the Master Settlement Agreement (MSA) between the States and the tobacco companies:

* One or more of the firms that are parties to the Agreement may incur bankruptcy, especially if more lawsuits are settled in the plaintiffs’ favor.
* Actual receipts under the Master Settlement Agreement are dependent upon national sales and adjusted for the Consumer Price Index. The national market may be reduced in the future.
* There is a risk that the Food and Drug Administration may regulate tobacco products, which may limit sales.
* The Master Settlement Agreement is an executory contract. As such, it may be subject to renegotiation if tobacco companies that are parties to the Agreement incur bankruptcy or declining profits.
* The financial markets may have a finite capacity for tobacco securitization issues. This is an unknown risk, since these issues are new.

**Options Reviewed** The Authority reviewed options for the tobacco settlement payments. These include:



* Pay as you go – do not securitize the payments. This does not transfer any risk.
* Tax-exempt issue – this may not be available since current tobacco appropriations are for ongoing operating expenditures.
* Taxable issue – this is the most expensive option.
* Hybrid issue – a mix of tax exempt and taxable issues.

**Discussion** A discussion of the use of tobacco settlement proceeds followed, such as the creation of an endowment to only appropriate the earnings, or securitize the Master Settlement Agreement payments to achieve $55.0 million annually (the amount of the current appropriations). The Tobacco Settlement Authority plans to issue its program plan in December.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Dennis Prouty (Ext. 13509)

Economic Forecasting Council



**Forecasting Council** The Economic Forecasting Council met on November 15. Beth Ingram, Chairperson, led the discussion. She stated that the overall picture of the national economy had not changed very much since the last meeting of the Council in September. Inflation has remained steady, and it is expected that the Federal Reserve will maintain a neutral stance for interest rates the rest of 2000 and into 2001. There was slower than expected third quarter growth in real GDP, which can be attributed to weaker consumer, business, and government spending. Expectations are for unemployment to remain low, and overall, the national economy is expected to show moderate rates of growth for 2000 and 2001.

**Revisions in Forecast** Revisions by the Bureau of Economic Analysis lowered the historical data for Iowa personal income, lowering the growth rates for the first two quarters of 2000 compared to what was reported in September. It is expected that real Iowa personal income will grow by 3.0% in 2000, and 3.3% in 2001. Employment should continue to grow in Iowa, but the employment growth forecast has been revised downward for the first time in two years.

**Economic Slowdown** Other members of the committee commented on evidence of an economic slowdown, including:

* GDP growth was lower than the market was expecting.
* Hours worked are declining.
* Wages are not rising.
* Housing and retail sector are declining.
* There are profit squeezes on financial institutions.
* Capital spending has slowed down.
* The possibility of energy price spikes during the winter months exists.

**Signs of Strength** Signs of strength for Iowa continue to be:

* Personal income is increasing.
* Consumer confidence is high.
* Labor markets are tight.
* Exports are up.
* Car sales are brisk.



**Projected Growth** While both the national and state economic indicators showed a continued slowdown, the revenue forecast provided by Ms. Ingram provides a significant upward revision for FY 2001 and FY 2002. Part of this increase can be attributed to the revisions in the personal income data; even though personal income was slower than previously thought, revenue growth appeared to be on track. Another explanation for this increase is that the volatility in actual revenues since mid-1999 has induced volatility in the forecast of revenue growth for 2001. The Economic Forecasting Council revenue growth forecast in September was 4.0% for FY 2001 and 5.6% for FY 2002. The November forecast shows revenue growth of 5.9% for FY 2001 and 6.0% for FY 2002**.** Ms. Ingram recognizes the uncertainty of this forecast and suggests that the Revenue Estimating Conference lower this number somewhat.

STAFF CONTACT: Alice Wisner (Ext. 14611)

COMMISSION ON REPLACEMENT FUNDING FOR ELIMINATION OF THE PROPERTY TAX ON INDUSTRIAL MACHINERY, EQUIPMENT, AND COMPUTERS (M&E)

**Interim Commission** The Interim Commission on Replacement Funding for Elimination of the Property Tax on Industrial Machinery, Equipment, and Computers (M&E) met on November 17, at the State Capitol. The committee heard the following:

**Property Tax Base** Professor Dave Swenson offered Patterns of Change in Iowa’s Property Tax Base. His presentation included:



* Counties which show a high dependence on M&E were Fremont, Muscatine, Iowa, Clinton, and Monroe.
* Job growth in Iowa over the past few years is not translating into property tax valuation increases, which he attributes to relatively low wage job growth.
* A property tax limitation or cap would hurt larger urban growth areas.
* There is no statistical evidence that M&E elimination has fueled commercial and industrial (C&I) valuation growth.

**Machinery & Equipment** Harvey Siegelman, DED, discussed his report, “An Analysis of the Phaseout of Machinery, Equipment, and Computers Property Tax,” which was released March 1, 2000. Mr. Siegelman stated that:

* Legislation is needed to address data collection issues; there should be a standardized charting of accounts at the city level.
* Around 50 communities are most adversely affected by the M&E tax elimination. Of these, there could be:

1. a heavy reliance on a small group of firms and an undertaxing of other classes of property;
2. communities with a high usage of TIFS; or,
3. heavily industrialized, single industry communities.

**League of Cities** Tracy Kasson of the Iowa League of Cities discussed the following:

* Beginning in FY 2002, the second five-year phase of the formula offsets M&E loss with C&I growth since 1994 to determine reimbursement. Some communities have not realized enough growth that the lost M&E base is mitigated by the growth.
* An assumption when the ten-year formula was implemented was that reimbursement during the second phase would gradually decline, and what is being seen instead is a dramatic drop off in reimbursement to several communities.
* Not including TIF districts as eligible for reimbursement would penalize communities for using the TIF program to encourage commercial and industrial growth.
* The League of Cities would like the committee to consider changing the reimbursement formula to exclude commercial growth from the offset because the link between the M&E exemption and commercial growth is not clear.

**Ia. Assoc. of Counties** John Easter of the Iowa State Association of Counties presented analysis:



* Half of the new growth in C&I valuation since 1994 has been due to inflationary growth and not new growth. Average new C&I valuation growth is estimated to have been less than 2% since 1994.
* For slower growing communities, it will take more than five years for new growth in C&I property to surpass the accumulative loss in M&E valuation.
* The result of the current formula will be local property taxes funding a statewide mandated tax exemption in order to generate statewide economic growth, resulting in more income tax growth, but not necessarily sufficient property tax growth for a particular local community.
* The Iowa State Association of Counties recommends the continuation of full state funding of the M&E property tax exemption until there is demonstrable evidence that the M&E tax exemption has stimulated more growth at the local level than would have occurred without the elimination of the M&E tax.

STAFF CONTACT: Alice Wisner (Ext. 14611)

Natural Resource Commission Holds Meeting



**Commission Meeting** The Natural Resource Commission met on November 9 in Des Moines. The following presentations were given:

* Steve Pennington, Administrator of the Parks, Recreation, Preserves Division, asked the Commission to approve revision to Chapter 61, Code of Iowa, regarding State parks. One of the changes included the raising of camping fees from $5.00 to $6.00 per night in nonmodern camp areas and $7.00 to $8.00 per night in modern camp areas. The revisions were approved.
* Steve Pennington asked the Commission to approve the recommended projects to receive Recreation Infrastructure Grants. There were 106 applications received requesting $5.4 million in funding. The Project Review and Selection Committee recommended funding 56 projects for $3.0 million. The Commission approved the recommended projects.



* Al Farris asked the Commission to approve the Final Rule to Chapter 98, Code of Iowa, regarding the wild turkey spring hunting season. The Final Rule reflects the language changes due to the implementation of the electronic licensing system. The Final Rule was approved.
* Al Farris asked the Commission to approve an Intergovernmental Agreement that creates the Gooseberry Lake Agency, which is part of the Gooseberry Lake Project in Ringgold County. The Agreement was approved.
* Linda Hanson, Administrator of the Administrative Services Division, presented a number of land acquisitions to be approved by the Commission. Included was a future gift of 80 acres in Worth County. All of the land acquisitions were approved.
* Linda Hanson provided an update on the first quarter results for FY 2001. The following is a summary:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Budget FY 2001** |  | **Actual FY 2001** |  |  |
| **Description** | **First Quarter** |  | **First Quarter** |  | **Difference** |
|  |  |  |  |  |  |
| **Resources:** |  |  |  |  |  |
| General Fund | $ 4,568,097 |  | $ 4,120,984 |  | $ 447,113 |
| Federal | 3,495,703 |  | 2,034,106 |  | 1,461,597 |
| Administration Fund | 102,692 |  | 102,692 |  | 0 |
| Conservation Fund | 1,078,456 |  | 1,078,456 |  | 0 |
| Other Funds | 3,320,639 |  | 2,044,640 |  | 1,276,000 |
| Groundwater Protection Fund | 895,711 |  | 597,893 |  | 297,818 |
| Fish and Wildlife Trust Fund | 6,042,286 |  | 5,687,238 |  | 355,049 |
|  |  |  |  |  |  |
| **Total Resources** | **$ 19,503,586** |  | **$ 15,666,009** |  | **$ 3,837,577** |
|  |  |  |  |  |  |
| **Expenditures:** |  |  |  |  |  |
| Personnel | $ 11,168,857 |  | $ 9,543,671 |  | $ 1,625,186 |
| Extra Help | 1,257,206 |  | 1,373,217 |  | (116,011) |
| Support | 3,721,185 |  | 3,681,466 |  | 39,718 |
| Contracts | 2,580,242 |  | 662,991 |  | 1,917,251 |
| Equipment | 776,097 |  | 404,663 |  | 371,434 |
|  |  |  |  |  |  |
| **Total Expenditures** | **$ 19,503,586** |  | **$ 15,666,008** |  | **$ 3,837,577** |

STAFF CONTACT: Deb Kozel (Ext. 16767)

Environmental Protection Commission Holds Meeting

**Commission Meeting** The Environmental Protection Commission met in Des Moines on November 20. The following presentations were given:



* Lyle Asell, Interim Director, explained that the Governor would be holding six meetings around the State of Iowa to explain budget requests. The meeting discussing environmental issues will be held in Mason City on December 6 at the Public Library.
* Linda Hanson provided an update on the first quarter results for FY 2001. See the table in the article above.

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* Liz Christiansen, Administrator of the Waste Management Division, asked the Commission to approve the Notice of Intended Action for changes to the Code of Iowa regarding financial assurance requirements for municipal solid waste landfills. The Notice was approved.
* Liz Christiansen asked the Commission to approve the recommendations for the Solid Waste Alternatives Program. This included 12 projects that would receive $2.0 million in funding. The Commission approved the recommended projects.
* Wayne Giselman, Environmental Protection Division, discussed the Department’s legislative proposals for FY 2002. They include the development of a solid waste tonnage fee for transfer stations and changes to legislation regarding animal feeding operations. The following sections of Chapter 455B, Code of Iowa, were discussed:



1. Add new section 455B.166—The Director of the Department of Natural Resources may impose greater separation distances for animal feeding operations where necessary to protect unique natural areas, high water quality areas, and other important areas.
2. Amend definitions in Section 455B.171(22)—A “person” is defined as someone that holds ownership or management of the animals in production activities.
3. Amend Section 455B.200A—An animal feeding operation that is not required to obtain a permit will be required to register with the Department.
4. Amend Subsection 455B.203(3)a—Calculations will be necessary to determine the land area required for the application of manure from a confinement feeding operation based on nitrogen and phosphorus use levels.
5. Amend Section 455B.203—Approved manure management plans are subject to periodic updates.
6. Amend Section 455B.204(1)—Define “100 year plain” as land adjacent to a stream that has been inundated by a flood having a one percent change of being equaled or exceeded in one year as determined by the Department.
7. Amend Section 455B.204(2)a—Expand the animal feeding operation construction requirement of 500 feet away from a “100 year plain.”
8. Develop monitoring strategies and protocols for hydrogen sulfide and other air contaminants for animal feeding operations and meat processing facilities.
9. Request an additional 12.0 FTE positions for field offices and to handle animal feeding operations registrations.

* Bernard Hoyer, Environmental Protection Division, requested the Commission to approve Memorandum of Agreement with the United States Army Corps of Engineers and the Department for water quality monitoring projects at Coralville, Red Rock, and Saylorville Reservoirs. The Agreement was approved.
* Mike Valde, Administrator of the Environmental Protection Division, informed the Commission that the Attorney General’s Office did not approve the Department as having adequate statutory authority for the establishment of the Onsite Wastewater Treatment System Revolving Loan Fund. Without this approval, the Department will not receive $3.0 million in grants from the United States Environmental Protection Agency that was to be used with the $600,000 that was appropriated by the General Assembly. The Department informed the Commission that they would request statutory changes during the next legislative session to allow existing sewage treatment and drinking water financing funds to be used for the Onsite Wastewater Treatment Program.
* Mike Valde asked the Commission to extend the deadline for applying manure without an approved manure management plan to June 30, 2002. The Department has manure management plans for approximately 1,700 non-permitted facilities and 900 permitted facilities. The extended date was approved.



* Mike Murphy, Environmental Protection Division, asked the Commission to affirm, modify, or reverse the Proposed Decision by the Administrative Law Judge to assess a $10,000 penalty to Affordable Asbestos Removal, Inc. The company was appealing the Proposed Decision to the Commission. The Commission affirmed the Proposed Decision.

STAFF CONTACT: Deb Kozel (Ext. 16767)

November Meeting of the Board of Regents

**Regents Board Meeting** The Board of Regents met at the University of Iowa on November 15 and 16. Significant agenda items included:



* Preliminary review of strategic plans.
* Fall enrollment – The second of two annual enrollment reports, this report provided an analysis of characteristics such as:
* Quality of incoming freshmen
* Transfer students
* Collegiate unit
* Residency
* Foreign students
* Age
* Gender
* Race/ethnicity
* Disabilities
* Comparison to other Iowa colleges and universities
* Governance report on student retention and graduation rates – Iowa’s Regents institutions continue to graduate more than 60.0% of entering freshmen within six years.



* Governance report on fire and environmental safety – For the period FY 1993-FY 2000, the Regents institutions expended $26.2 million to complete fire safety projects.
* Governance report on deferred maintenance – For the period FY 1993-FY 2000, deferred maintenance projects totaling $92.0 million were completed by Regents institutions in general fund buildings and utilities. Projects totaling $17.1 million were completed during FY 2000. The Regents institutions have identified an estimated total of $153.6 million in deferred maintenance needs.
* Governance report on fringe benefits – Total employer cost of insurance and retirement programs at the Regents institutions and Board office was $262.0 million (all funds) for FY 2000. This is an increase of approximately 9.0% compared to FY 1999. The report provides the following benefit costs for FY 2000:
* $169.0 million for the employer contributions to retirement programs.



* $74.2 million for the employer share of health insurance premiums.
* $20.4 million for the cost of sick leave (149,837 days).
* $60.0 million for the cost of vacation (354,639 days).
* Governance report on technology transfer – The Regents institutions technology transfer and economic development activities relate to specific performance indicators established by the Board. These include:
* Number of intellectual property disclosures.
* Number of new technologies licensed.
* Number of new licenses generating revenues.
* Total revenues.

**More Information** Additional detail about these and other agenda items is available from the LFB.

**Next Meeting** The next meeting of the Board of Regents is scheduled for December 13 and 14 at the West Des Moines Marriott Hotel.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Licensing and Patent Income at the Regents Institutions

**Patent & License Income** A recent article in the *Chronicle of Higher Education* reviewed patent and licensing income for higher education institutions for 1998 and 1999. Data reported for Iowa’s Regent institutions is illustrated in the following table.

**Iowa Regents Institutions’ Patent and Licensing Revenues**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Inst. | Year | Licensing  Income | Licenses  Generating  Income | U.S.  Patents  Issued | U.S. Patent  Applications  Filed | Start-up  Companies  Formed | Total  Research  Spending |
| SUI | 1998 | $ 900,596 | 46 | 22 | 70 | 4 | $217,321,805 |
|  | 1999 | 3,464,565 | 80 | 32 | 83 | 2 | 259,514,262 |
| ISU | 1998 | 2,725,985 | 189 | 54 | 91 | 5 | 181,400,000 |
|  | 1999 | 1,812,870 | 298 | 49 | 106 | 2 | 186,700,000 |
| UNI | 1999 | 1,268 | 1 | 2 | 2 | 0 | 13,148,015 |

STAFF CONTACT: Mary Shipman (Ext. 14617)

Judicial Branch - FY 2002 Budget Request

#### FY 2002

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**FY 2002 Budget Request** The Judicial Branch is requesting $120.2 million in General Fund dollars and 2,154 FTE positions. This is an increase of $8.3 million (7.4%) and 62 (3.0%) FTE positions compared to estimated FY 2001. The change includes:

* $2.4 million for full funding of salaries and benefits.
* A transfer of $3.3 million and 11.0 FTE positions from the Court Tech and Modernization Fund to the General Fund.
* $785,000 and 26.0 FTE positions for district court offices in nine counties.
* $83,000 and 2.0 FTE positions for additional staff attorneys and secretaries for the three new Court of Appeals judges.
* $927,000 and 9.0 FTE positions for Districts 3, 4, 5, and 8. Also includes furnishings for courthouse renovations.
* $300,000 and 6.0 FTE positions for six additional employees for the Judicial Branch technology staff.
* $448,000 and 11.5 FTE positions for three additional juvenile court officers for District 3 and one juvenile court officer for each of the following districts: 2, 5, and 6. Also increases funding for CASA programs.

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HEALTH AND HUMAN RIGHTS DEPARTMENT BUDGET REQUESTS – fy 2002

**Health/Human Rights** The Legislative Fiscal Bureau has received the following FY 2002 budget requests for departments within the Health and Human Rights Appropriations Subcommittee. The requests must still be examined by the Department of Management and the Governor.

#### FY 2002

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**Dept. for the Blind** The Department for the Blind has requested $1.9 million from the General Fund and 106.5 FTE positions, an increase of $83,000 (4.5%) and no change in FTE positions compared to estimated FY 2001. The change is due to:

* An increase of $50,000 for a newsline service for the Blind and for the Iowa radio reading information service.
* An increase of $25,000 to provide a match for federal funds for high tech equipment for students in vocational training or blind individuals seeking employment.
* An increase of $8,000 to provide a match for federal funds for a computerized telephone system to provide job information to blind individuals.

**Civil Rights Commission** The Civil Rights Commission has requested $1.2 million from the General Fund and 39.0 FTE positions. This is no change in funding and a decrease of 1.1 FTE positions (2.8%) compared to estimated FY 2001.



**Dept. of Elder Affairs** The Department of Elder Affairs has requested $5.5 million from the General Fund and 39.0 FTE positions, an increase of $477,000 (9.4%) and 2.0 FTE positions (5.4%) compared to estimated FY 2001. The change is due to:

* An increase of $135,000 for Area Agency on Aging Resident Advocate Coordinators.
* An increase of $60,000 and 1.0 FTE position for an additional long-term care ombudsman and support for Resident Advocate Committees.
* An increase of $40,000 for additional funding for Retired Senior Volunteers Programs.
* An increase of $242,000 and 1.0 FTE position to ensure the adult protective services system is responsive to victims’ needs.

**Other Funds** Significant Other Fund Requests:

* An increase of $40,000 from the Pooled Technology Account for computer technology.

**Drug Control Policy** The Governor’s Office of Drug Control Policy has requested $599,000 from the General Fund and 13.0 FTE positions, which is no change compared to estimated FY 2001.



**Dept. of Public Health** The Department of Public Health has requested $33.0 million from the General Fund and 385.8 FTE positions, an increase of $1.9 million (6.0%) and 6.9 (1.8%) FTE positions compared to estimated FY 2001. The change is due to:

Addictive Disorders

* An increase of 4.0 FTE positions to provide substance abuse treatment that was provided by contractors in FY 2001.
* An increase of $1.0 million for substance abuse treatment.

Adult Wellness

* An increase of $100,000 and 2.0 FTE positions to establish a center for minority health.
* An unspecified decrease of 1.8 FTE positions.

Child and Adolescent Wellness



* An increase of $100,000 and 2.0 FTE positions for an African American infant mortality initiative.
* An increase of $20,000 and 0.1 FTE position for a Child Death Review Team assessment of the response by the Department of Human Services after the death of a child.
* An increase of $81,000 and 0.5 FTE position for Child Death Review Team investigations of children from birth through age seventeen.
* A decrease of $100,000 for the Physicians Care for Children Program.
* An unspecified decrease of 3.5 FTE positions.

Community Capacity

* A decrease of $30,000 and 0.5 FTE position to transfer the local board of health Environmental Liaison Program to the Public Protection Division.
* An unspecified decrease of 0.2 FTE position.

Environmental Hazards

* A decrease of $128,000 and 2.0 FTE positions to transfer support for the administration of the Radiological Health Bureau to the Public Protection Division.
* An increase of 1.0 FTE position to transfer an environmental epidemiologist from Healthy Iowans 2010.

Public Protection

* An increase of $128,000 and 2.0 FTE positions to transfer support for the administration of the Radiological Health Bureau from the Environmental Hazards Division.
* An increase of $30,000 and 0.5 FTE position to transfer the local board of health Environmental Liaison Program from the Community Capacity Division.
* An increase of $263,000 and 4.4 FTE positions for the State Medical Examiner’s office.
* An increase of $94,000 and 1.0 FTE position to increase support investigations for the Professional Licensing Boards.
* An increase of $99,000 and 2.0 FTE positions to register dental assistants with the Dental Examiners Board.
* An increase of $186,000 and 3.0 FTE positions for two investigators and clerical staff for the Nursing Examiners Board.
* An increase of $15,000 for a contract investigator for the Dental Examiners Board’s Impaired Practitioner Program.
* An unspecified decrease of 4.5 FTE positions.

**Tobacco Revenue** In FY 2001, the Department received a total appropriation of $24.0 million and 11.0 FTE positions from tobacco settlement revenues in HF 2555 (Tobacco Fund Appropriations Act). These funds were deposited into three separate accounts to be used for the following programs:



* Substance Abuse Treatment (Tobacco) - $11.9 million.
* Healthy Iowans 2010 Program - $2.8 million.
* Tobacco Use Prevention and Cessation Programs - $9.3 million.
* The Department is requesting the same funding and staffing for FY 2002. However, the Department has requested to reallocate some of the funds for FY 2002 to the following programs:
* $11.9 million for Substance Abuse Treatment (Tobacco) reallocated to Addictive Disorders for substance abuse treatment.
* $2.8 million for Healthy Iowans 2010 will be reallocated as follows:
* $82,000 to Adult Wellness for implementation of prevention strategies to address the leading causes of death as detailed in Healthy Iowans 2010.
* $82,000 to Child and Adolescent Wellness for the Prevention of Suicide in Children Program.
* $1.5 million to Community Capacity for Core Public Health functions outlined in Healthy Iowans 2010.
* $400,000 to Injuries for Trauma and Emergency Medical Services.
* $437,000 to Injuries for Poison Control.
* $146,000 to Resource Management for an Environmental Health Division Director and secretary.
* $154,000 to Environmental Hazards for Environmental Epidemiology.
* $9.3 million for Tobacco Use Prevention and Cessation Programs as a separate appropriation to be used for tobacco use prevention and cessation programs.



**Dept. of Human Rights** The Department of Human Rights has requested $4.4 million from the General Fund and 39.1 FTE positions, an increase of $719,000 (19.7%) and 3.0 (8.3%) FTE positions compared to estimated FY 2001. The change is due to:

Administration

* An increase of $63,000 and 1.0 FTE position to establish a Commission on the Status of Asian and Pacific Islanders.
* An increase of $3,000 for two emergency evacuation chairs for persons with disabilities and one public access defibrillator.

Deaf Services

* An increase of $10,000 to provide funds for a joint deaf and hard of hearing interpreter training project with the Department of Education, three community colleges, and the State interpreter organization.
* An increase of $10,000 to provide funds for adult community education for Deaf and Hard of Hearing Iowans.
* An increase of $37,000 to offset a decrease in fees collected for interpreting services.

Persons with Disabilities



* An increase of $8,000 for modification of Division accommodations to allow citizens with disabilities to access Division services.
* An increase of $4,000 for staff development and training so staff can assist public and private entities to voluntarily comply with the Americans with Disabilities Act.

Latino Affairs - An increase of $50,000 to provide funds for a training program that will certify the language skills of interpreters used by courts and hospitals.

Status of Women - An increase of $250,000 to increase the Iowans in Transition Program to 4,000 people. The Program provides funds through a grant process for programs and services for displaced homemakers and female offenders.



Status of African Americans

* An increase of $48,000 and 1.0 FTE position for an Administrative Assistant.
* An increase of $51,000 and 1.0 FTE position for a Program Planner.

Community Action Agencies

* An increase of $100,000 to replace funding from the Gamblers Treatment fund.
* An increase of $25,000 to increase the number of Iowans who have access to HAWK-I Child Insurance Program recruitment services. The HAWK-I Program provides transitional health care coverage to children ineligible for Title XIX (Medicaid) assistance or other health insurance.

Justice Data Warehouse

* An increase of $60,000 to replace funding from the Pooled Technology Account for support and personnel.



**Veterans Affairs** The Commission on Veterans Affairs has requested $49.5 million from the General Fund and 897.46 FTE positions, an increase of $1.8 million (3.7%) and 2.62 FTE positions (0.3%) compared to estimated FY 2001. The change is due to:

* An increase of $62,000 and 1.00 FTE to establish a regional director for a pilot project to increase veterans benefits in the counties.
* An increase of $17,000 to provide software upgrades.
* An increase of $40,000 for a marketing campaign to inform veterans of the benefits for which they may be eligible.
* An increase of $40,000 to hire two contract employees to prepare World War I military histories for scanning into the computer.

**Other Funds** Significant Other Fund Requests

* An increase of $78,000 from the Pooled Technology Account for computer technology.

**Veterans Home** Iowa Veterans Home

* An increase of $224,000 for increased medication costs.



* An increase of $693,000 to restore underfunding of FY 2001 Cost of Living Adjustment (COLA) and health insurance costs.
* An increase of $263,000 to support computer network domain.
* An increase of $175,000 for a projected increase in the cost of providing Workers’ Compensation.
* An increase of $120,000 for housekeeping annual cost adjustment.
* An increase of $32,000 for dietary services annual cost adjustment for food and supplies.
* An increase of $154,000 for increased costs arising from returning the dietary services functions to State employees.
* An increase of $100,000 for staff training.
* An unspecified decrease of 0.4 FTE position.

STAFF CONTACT: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 16765)

Request for Proposal released by State Court Administrator’s Office



**RFP Released** The Iowa Court Information Systems Division (ICIS) of the State Court Administrator’s Office released a Request for Proposals (RFP) for a vendor to provide services related to the pilot phase of an Electronic Data Management System (EDMS) implementation project. The two-county pilot project will include Dubuque and Clinton counties as well as the appellate courts.

**Proposal for Pilot Phase** Vendors may submit proposals covering one of three options: both the required hardware and software, only the hardware, or only the software. The successful vendor will provide the State Court Administrator’s Office with scanners, Electronic Data Management System software, workflow software, and connectivity to deliver an Electronic Data Management System for the Judicial Branch. Proposals are due December 22, 2000.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

New Judicial Building Ground-breaking



**Ground-Breaking** A ground-breaking ceremony for the new Iowa Judicial Branch Building took place at noon on November 28. The $30 million project will be located at the intersection of 12th Street and Court Avenue. It will house the Iowa Supreme Court, the Court of Appeals, and judicial administrative offices.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP) & EMERGENCY FUNDS



**LIHEAP** The Low-Income Home Energy Assistance Program (LIHEAP) is a federally funded block grant program administered by the Iowa Department of Human Rights, Division of Community Action Agencies. The Program is designed to assist eligible low-income Iowa households with a portion of their residential heating costs for the winter heating season. The Department contracts with community action agencies across the State for local program delivery, and payments are made directly to energy suppliers, appearing as credit on household energy bills.

* In Federal Fiscal Year (FFY) 2000, Congress appropriated $1.1 billion for the Low-Income Home Energy Assistance Program. Iowa received a grant of $19.9 million. Funding was advanced at the same level for FY 2001; however, the appropriations bill is still in committee being negotiated. In September 2000, Iowa received an emergency contingency fund award of $7.8 million for the Low-Income Home Energy Assistance Program in response to rising fuel costs and the impact of these rising costs on low-income households this winter.



* A limited amount of funds are available under the Energy Crisis Intervention Program (5.0%), which may be used for emergency fuel delivery, repair or replacement of a furnace/heating system, temporary shelter, purchase of blankets, heaters, fans, and when medically necessary, air conditioners. Fifteen percent of Program funds are transferred to the Weatherization Assistance Program that assists in making the homes of low-income clients more energy efficient, thereby reducing fuel bills. Up to 5.0% of Program funds may be utilized to conduct assessment and resolution activities, including conservation education, budget counseling, negotiating on behalf of clients in arranging payment plans, staying a disconnection, and reconnecting utility service. Administrative costs are limited by statute to 10.0% of funds payable for a fiscal year.
* In FY 2000, 62,000 Iowa households received benefits from the Low-Income Energy Assistance Program (LIHEAP), with an average one-time annual benefit of approximately $204. Household benefits are based on household income and size, type of heating fuel, and specific target factors that assure the most vulnerable households, such as those with elderly, disabled, or young children, receive the highest level of assistance.
* During winter 2000, the Iowa Bureau of Energy Assistance surveyed Program recipients to determine what those households do when faced with unaffordable home energy bills. Over 20.0% reported going without needed medical care and/or prescription medicine in order to pay energy bills, and 12.0% reported going without food.
* The total funds available for FY 2001 are $19.9 million and $7.8 million in emergency contingency funds for a total of $27.8 million. After the transfer to the Weatherization Program, funding for the Energy Crisis Intervention Program, assessment resolution components, and administration costs, the funds available for regular assistance will be approximately $20.5 million.

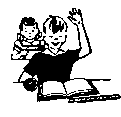


* It is estimated that households will see an increase of at least 50.0% in heating bills this winter compared to last winter. The decision has been made to utilize federal emergency funds to increase FY 2001 benefits by 50.0%, resulting in an average benefit of $306. If the same number of households (62,000) receives benefits this year as last year, the required funds will total $18.9 million, leaving $1.6 million for additional new households applying for assistance.
* The Bureau of Energy Assistance reported that by utilizing carryover funds, they were able to contract with and prepay deliverable fuel vendors (primarily propane dealers) to deliver fuel to approximately 6,000 households for the upcoming winter. A combination of these 6,000 households, with an additional 4,890 clients who could be served by the Program, would mean the Low-Income Home Energy Assistance Program would have sufficient funds to serve 73,000 households, with an average benefit of $306. This represents an 18.0% increase in the number of households served compared to FY 2000.

**Applications Have Increased** While it is too soon to accurately predict increased Program participation, the Bureau of Energy Assistance reported that the number of applications taken by local community action agencies increased 10-30% this October over last October. The average benefit of $306 will only maintain last year’s status quo, which required many households to forego basic necessities in order to pay energy bills.

STAFF CONTACT: Lisa Burk (Ext. 16765) Russ Trimble (Ext. 14613)

FY 2002 School District Reorganizations



**Reorganziations** Six school districts are reorganizing in FY 2002, which will reduce the number of school districts in the State to 371. The districts that are reorganizing include: (The estimated number of students in the September 2000 count is in parenthesis.)

* **Dexfield (449) and Stuart-Menlo (585)** – The reorganized school district will be named West Central Valley.
* **Wellsburg-Steamboat Rock (373) and Ackley-Geneva (586)** – The reorganized school district will be named AGWSR.
* **Burt (144) and Algona (1,312)** – The reorganized district will be named Algona.

**More Information** The number of school districts in the State for FY 2001 is 374. Information concerning school districts and enrollment counts can be obtained from the LFB.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

Report Card for Higher Education

**Report Card Issued** The National Center for Public Policy and Higher Education recently released the first-ever attempt to grade all 50 states on how well they deliver higher education. Results were mixed. No state received straight As and some had several poor grades. Most states were average, with Cs and Bs dominating the report.



**Rankings** The Center examined both public and private colleges and ranked states in five categories. Every state received an incomplete in student learning, with researchers citing a lack of sufficient national data. States generally performed worst in affordability and best in college completion. Thirty-four states received C+ or below in affordability, with half of those receiving a D+ or worse, including three Fs. In retention and graduation rates, 28 states received a B or better.

**Iowa’s Score** The six measures and Iowa’s score for each follow:

* Preparation – Iowa scored a B for the following attributes:
* A high percent of Iowans earn a high school diploma or GED by age 24. Iowa’s eighth grade students score well on national mathematics assessments.

### B

* A high percent of Iowa high school students take upper-level science.
* Iowa students perform well on college entrance exams.
* Participation – Iowa scored a B for the following attributes:

### B

* A high percent of Iowans attend college after high school.
* A high percent of Iowa young adults are enrolled in postsecondary education.
* A low percentage of Iowa adults aged 24-44 are enrolled in college-level education or training.
* Affordability – Iowa scored a B for the following attributes:

### B

* Iowa compares very well to top-performing states in the percent of family income required to support a child attending college.
* Students in Iowa have lower debt than most states.
* Iowa makes a comparatively limited investment in financial aid for low-income students and families.
* Completion – Iowa scored an A- for the following attributes:

A-

* A high percent of Iowa college students return for the second year.
* A high percent of Iowa students receive a baccalaureate degree within five years.
* Overall completion rates are high.
* Benefits – Iowa scored a C+ for the following attributes:

C+

* Iowa’s percent of college-educated population is lower than other states.
* A high proportion of Iowa adults perform well on national assessments of quantitative literacy.
* Learning – No grades were issued to any state in this category because of the lack of nationally comparable information on education performance of students.

**Report Available** The entire 188-page Report can be accessed at: www.measuringup2000.highereducation.org.

**Center’s Goal** The National Center for Public Policy and Higher Education was established in 1998 as an independent, non-profit, non-partisan organization. The Center’s goal is to promote public policy that enhances opportunities to pursue and achieve high-quality postsecondary education and training. The Center is supported by a consortium of foundations, including the Pew Charitable Trusts and the Ford Foundation.

STAFF CONTACT: Mary Shipman (Ext. 14617)

LOTTERY REVENUES AND EXPENDITURES THROUGH OCTOBER



**October Rev./Exp.** Through October, FY 2001 Lottery game revenues decreased $1.1 million from the FY 2000 level. Lottery prize expenses decreased $0.3 million, operating expenses increased $0.8 million, and transfers to other State funds decreased $2.1 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 2000** Fiscal year sales through October, compared to the same time period of FY 2000, were as follows:

* Instant ticket sales decreased $1.6 million (5.9%).



* Iowa Lotto/Supercash/Pick 3 sales increased $37,000 (3.0%).
* Multi-State Powerball sales increased $0.4 million (3.3%).
* Multi-State Daily Millions/Cash 4 Life sales decreased $581,000 (54.7%).
* Daily Game sales decreased $131,000 (8.7%).
* Pull-tab sales decreased $154,000 (1.8%).

**Ticket Sales** Total Lottery sales through October were $51.4 million, a decrease of $1.1 million (2.1%) compared to October 1999. October 2000 sales for Powerball and Pick 3 were above sales for October 1999. In addition, Freeplay Replay, which was not offered until March of 2000, had sales through October of $0.3 million, and Rolldown, which was not offered until September of 2000, had sales through October of $0.6 million.

**Estimated Transfers** The October Revenue Estimating Conference (REC) projected FY 2001 Lottery profit transfers to the General Fund will total $34.5 million. Actual profit transfer for FY 2000 was $35.7 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be $1.2 million lower in FY 2001 than in FY 2000. Through October, FY 2001 transfers to the General Fund are $2.1 million (18.8%) below FY 2000.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $2.6 million in sales tax during FY 2001.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Audit Report - Department of Corrections CENTRAL OFFICE



**Audit Report** The Legislative Fiscal Bureau (LFB) has received the FY 1999 audit report for the Department of Corrections (DOC) Central Office. The Auditor of State made the following findings related to internal control:

* Segregation of duties: The DOC should develop and implement procedures to improve the segregation of duties over payroll and fixed assets. The DOC responded that it would try to develop an acceptable solution.
* Fixed assets: The DOC should implement procedures to ensure compliance with the State’s fixed asset policy. The inventory included items valued below the $2,000 capitalization threshold, 19 of 21 deletions were not properly authorized, five assets were not properly tagged, and two items could not be located. The DOC responded that it would implement procedures to address fixed assets.

**Findings** The Auditor of State made the following findings related to statutory requirements:

* Professional service contracts: Three of four contracts did not contain the necessary information as required by the Department of Revenue and Finance. The DOC should take the necessary steps to ensure compliance. The DOC responded that its attorney would review all contracts.



* Timely deposits: Chapter 12.10, Code of Iowa, requires that 90.0% of all monies received by State agencies must be deposited with the State Treasurer within ten days of receipt. Eight of 11 deposits contained insufficient information to determine the timeliness of the deposit. The DOC should develop procedures to ensure that information is available to determine the timeliness of deposits. The DOC responded that it would improve its procedures.
* Employee evaluations: 15 of 22 employee files did not contain the required annual employee evaluations. The DOC should evaluate all employees annually in accordance with the Department of Personnel’s rules. The DOC responded that it would try to increase the number of evaluations completed.
* Board member attendance: Chapter 69.15, Code of Iowa, requires that a board member shall be deemed to have submitted a resignation if the person does not attend three or more consecutive regular meetings, or if the person attends less than 50.0% of the regular meetings within any period of 12 months. One board member did not comply with the attendance requirements. The DOC responded that it would notify each Board of Corrections member of his or her statutory attendance requirements.
* Board minutes: The Board went into closed session on June 4, 1999. The minutes did not reference a specific Code of Iowa exemption as required by Section 21.5, Code of Iowa. The DOC responded that in the future, all closed sessions would reference a specific Code of Iowa section.
* Institutional allocations: The General Assembly appropriates to the DOC, and further allocates the appropriations to the Institutions and Community-Based Corrections (CBC). Sections 904.116 and 905.8, Code of Iowa, permit the DOC to revise these allocations, provided that prior notice is given to the LFB. Certain allocations to the Institutions were revised without prior notice to the LFB. The DOC responded that legislation requiring the Iowa Corrections Offender Network (ICON) serves as notice. In order to improve the system, the ICON budget has been moved into one central account with very specific legislative language. The Auditor of State acknowledged the DOC response, but reiterated that prior notice should have been provided to the LFB before changing the allocations to the Institutions.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Audit Report - Department of Corrections (DOC) Institutions

**Audit Report** The Legislative Fiscal Bureau (LFB) has received the FY 1999 audit report for the DOC Institutions.



**Summary Observations** The Auditor of State made the following summary observations:

* The average annual cost per inmate ranged from $15,300 at the North Central Correctional Facility at Rockwell City to $33,000 at the Iowa State Penitentiary at Fort Madison. With the exceptions of the Clarinda Correctional Facility and the Iowa Correctional Institution for Women at Mitchellville, all of the Institutions’ average annual cost per inmate has increased over the last five years. This is primarily due to construction and renovation costs associated with adding beds to the prison system.
* Total General Fund expenditures have increased 65.0% from FY 1995 to FY 1999, while the inmate population has increased 36.0% over the same period.
* The Auditor of State had no findings reported for the following Institutions: Mount Pleasant Correctional Facility, Clarinda Correctional Facility, Newton Correctional Facility, and the Fort Dodge Correctional Facility.

**Findings – Ft. Madison** The Auditor of State made the following findings related to the Iowa State Penitentiary at Fort Madison:

* Compensated absences: The Iowa State Penitentiary at Fort Madison had errors related to accrued leave. Institution employees accumulate a limited amount of earned but unused vacation, sick leave, and holiday hours for subsequent use or payment upon termination, death, or retirement. Five of 45 items tested had the incorrect number of accrued hours reported. The Institution should implement procedures to calculate and verify that the correct amount of compensated absences has been accrued. The Institution responded that personnel would implement a check and balance system to ensure accuracy on the FY 2000 Generally Accepted Accounting Principles (GAAP) package.



* Fixed assets: 13 of 48 items tested were not tagged with a State identification tag. Fixed assets reported to the Department of Revenue and Finance did not reconcile with the Institution’s fixed assets database. Staff responded that they needed approval to make a one-time adjustment to the fixed asset listing. They would also complete an audit of 100.0% of the inventory.

**Findings - Anamosa** The Auditor of State made the following finding related to the Anamosa State Penitentiary:

* Depreciation: The Institution’s recycling operation is classified as an Internal Service Fund. Depreciation on fixed assets for the recycling program should have been recorded. Staff responded that they would make every effort to comply with this recommendation.

**Findings - Oakdale** The Auditor of State made the following findings related to the Iowa Medical and Classification Center at Oakdale:

* Bank reconciliations: Supporting documentation should be maintained. Staff responded that support for vouchers on bank reconciliations would be maintained.



* Cash receipts: Certain receipts were not properly deposited within ten days of receipt as required by Chapter 12.10, Code of Iowa. Staff responded that they would ensure that receipts are deposited within ten days.
* Fixed assets: The fixed assets reported in the database were not reconciled with the Iowa Finance and Accounting System (IFAS). The Institution’s fixed asset listing for buildings does not include the cost of certain improvements made in FY 1998. One asset transferred from DOC during the previous fiscal year was not included in the fixed asset listing. The fixed asset listing should be reviewed to ensure that it is complete, free of errors, and maintained in accordance with Chapter 7A.30, Code of Iowa. Staff responded that the FY 2000 fixed asset listing will be reconciled to IFAS, and they will comply with the Code of Iowa.

**Findings – Rockwell City** The Auditor of State made the following finding related to the North Central Correctional Facility at Rockwell City:

* Fixed assets: The GAAP package did not include one truck that was purchased and included one truck that was no longer owned. The cost for three vehicles was not the acquisition value. The fixed asset listing should be updated for additions and deletions. Fixed assets should be recorded at acquisition value. Staff responded that fixed asset errors would be corrected.

**Findings - Mitchellville** The Auditor of State made the following findings related to the Iowa Correctional Institution for Women at Mitchellville:

* Segregation of duties: One individual in the Business Office collects, records, and deposits inmate receipts. The amounts recorded on the initial listing are not independently reconciled to the amounts deposited. Management should review operating procedures to obtain maximum internal control with limited staff. Staff responded that there are only two positions assigned to inmate accounts. One of these positions had been vacant. When both positions are filled, the two staff will take turns making deposits.



* Fixed assets: The amount reported on the GAAP package did not reconcile with supporting detail. Tag numbers were incorrect. Six of 55 assets were not tagged. Three of 15 assets could not be located. Three of ten fixed assets were not included on the fixed asset listing. Two computer equipment items transferred from Central Office were not included on the fixed asset listing. Six of 130 items coded as current year equipment purchases were not included on the fixed asset listing. Supporting documentation for one of these items could not be located. Two of nine asset deletions were not properly approved. Staff responded there was a long-term vacancy and a staff person not familiar with fixed assets was assigned to the task of maintaining the database. A long-term staff person would be assigned to these duties.
* Professional Service Contracts: One of eight contracts tested did not include the required standards. Staff responded this has been corrected.
* Annual Report: Chapter 904.307, Code of Iowa, requires each Institution to file a report with the Director of the DOC. The Institution did not prepare this report. Staff responded that there was top management turnover at the time the report was due, and the report did not get completed. The annual report will be filed in the future.

Staff Contact: Beth Lenstra (Ext. 16301)

Audit Report - Community-Based Corrections (CBC)



**Audit Report** The Legislative Fiscal Bureau has received the FY 1999 audit report for the eight CBC District Departments. The Department of Corrections provides assistance and support to each CBC District Department. Each of the CBC District Departments are responsible for establishing those services necessary to provide a program which meets the needs of the judicial district. Each CBC District Department is under the direction of a board of directors and is administered by a director employed by the board.



**FY 1999 Revenues** Total FY 1999 revenues were $59.5 million, ranging from $3.2 million in the Fourth CBC District Department to $14.7 million in the Fifth CBC District Department. Total expenditures were $60.9 million, ranging from $3.1 million in the Fourth CBC District Department to $16.1 million in the Fifth CBC District Department. Expenditures exceed revenues since local monies carried forward from FY 1998 are not considered revenue.

**Exceptions – 4th CBC** Only the Fourth CBC District Department had audit exceptions, all related to internal control. The Auditor of State made the following findings:

* Inventory: Documentation for year-end inventory amounts should be maintained. Supporting documentation for the June 30, 1999, reported balance of $5,400 could not be located. Staff responded that a computerized program would be implemented to track kitchen inventory on a monthly basis. The report would be maintained with the financial statements.
* Segregation of duties: The individual who is responsible for completing bank reconciliations also posts items to the general ledger and signs checks. No individual review of the bank reconciliation is performed. The District Department should review its procedures to provide the maximum amount of internal control with limited staff. Bank reconciliations need to be independently reviewed, or an independent person should prepare the bank reconciliations. Staff responded that the District Director would review bank reconciliations on a monthly basis.



* Fixed assets: Chapter 7A.30, Code of Iowa, requires each department and division of State government be responsible for all real and personal property belonging to the State under its charge, control, and management. The District Department could not provide documentation for seven of eight fixed asset deletions. The District Department should implement procedures to ensure fixed asset deletions are properly authorized. Staff responded that the District Director would approve all fixed asset deletions.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Audit Report - Iowa Corn Promotion Board

**Audit Report** The State Auditor issued the FY 1999 and FY 2000 Audit Report for the Iowa Corn Promotion Board on November 9, 2000.

**Background**  The purpose of the Iowa Corn Promotion Board is to develop and carry out research and education programs for the more efficient production, marketing, and utilization of corn products.

**Reportable Conditions**The Report indicated there was one reportable condition regarding segregation of duties. The Financial Manager performs the majority of the accounting duties. This includes financial reporting, preparing and signing checks, reconciling bank statements, and purchasing fixed assets. It was recommended that the Board review their operating procedures to obtain maximum internal control. The Board responded that steps have been taken to increase internal control. The response was accepted.

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

STAFF CONTACT: Deb Kozel (Ext. 16767)

Audit Report - Iowa Soybean Promotion Board

**Audit Report** The State Auditor issued the FY 1999 and FY 2000 Audit Report for the Iowa Soybean Promotion Board on November 13, 2000.

**Background**  The purpose of the Iowa Soybean Promotion Board is to establish promotion, research, and education programs for the more efficient production, marketing, and utilization of soybean products.



**Reportable Conditions**The Report had no reportable conditions.

STAFF CONTACT: Deb Kozel (Ext. 16767)

*Issue Review* – Update on agricultural drainage wells



***Issue Review***  The LFB recently released an ***Issue Review*** that provides an update on the closure of agricultural drainage wells. Included in this ***Review*** are the following:

1. The importance of closing agricultural drainage wells since drainage tile water in agricultural production areas can contaminate groundwater with nitrates and other soluble pesticides when added to drinking water aquifers.
2. An overview of legislation passed requiring the closure of agricultural drainage wells. The General Assembly passed SF 473 (Agricultural Drainage Wells Act) during the 1996 Legislative Session, which required closure of all drainage wells in the north-central region of Iowa by December 31, 1999. This legislation created the Agricultural Drainage System Assistance Fund to provide cost share funds to landowners closing wells. The General Assembly passed HF 339 (Extending the Deadline for Agricultural Drainage Wells) in 1999 that extended the closure date for designated agricultural drainage wells to December 31, 2001.
3. An update on the wells closed in Pocahontas County. The project began in 1998 to close 36 wells and was allocated $1.2 million in cost share funds. The wells were closed in 2000 due to a number of delays. They included:
4. Mitigation of farmed wetlands required the project to develop alternative drainage systems. This included an approval of a federal Clean Water Act Section 404 permit. The permit was applied for in September 1998, but was not approved until March 1999.
5. The land where the agricultural drainage wells were located was classified as farmed wetlands. The new drainage area converted the farmed wetlands, and new wetlands were needed to replace the old wetlands.
6. The closure project required the approval of several federal agencies, which included the Natural Resources Conservation Services, the Army Corps of Engineers, the Environmental Protection Agency, and the Fish and Wildlife Service.
7. An update on other projects. Work has begun on one project in Wright County that will close 27 wells and provide new drainage districts. The project will receive $2.5 million in cost share funds. Two additional projects have been approved for financial assistance. One project in Humboldt County will close 15 wells and a second project in Wright County will close two wells. The projects will receive $2.5 million in cost share funds.
8. An overview of the cost estimates to close the agricultural drainage wells and the cost to provide alternative drainage districts as developed by Kuel and Payer Consulting Engineers and Land Surveyors.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: Deb Kozel (Ext. 16767)

*Issue Review* – Waste tire management program



***Issue Review***  The LFB recently released an ***Issue Review*** on the Waste Tire Management Program. The Waste Tire Management Program was established in 1996 to reduce existing waste tire stockpiles and to expand end-user markets for products made from waste tires. Included in this ***Review*** are the following:

1. It is estimated there are 2.8 million waste tires generated in Iowa each year with 80.0% of these from passenger cars. Approximately 75.0% of the waste tires are recycled and converted into tire-derived fuel.
2. The Waste Tire Management Fund was created and receives funding from a $5.0 surcharge for a motor vehicle title issuance or transfer. Funds are used for the following programs:
3. The Waste Tire Management Grant Program that promotes the sale, collection, and disposal of waste tires at the county level.
4. The Board of Regents Tire-Derived Fuel Program that provides a maximum of $100,000 per fiscal year to all Regents institutions to offset costs when waste tires are used for fuel.
5. The Waste Tire End Users Incentive Program that provides up to $300,000 annually.



1. The Waste Tire Stockpile Abatement Program that provides for cleanup of stockpile sites in Iowa. When the Program began, the Department estimated there were approximately six million waste tires at 66 sites. Since the Program began, 15 additional sites have been reported to the Department, including one site with more than 2.5 million waste tires.
2. The Department of Natural Resources is to receive $15.0 million over a six-year period from FY 1997 to FY 2002. The Department estimates an additional $2.0 million will be needed to clean up the additional waste tires.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: Deb Kozel (Ext. 16767)

*Issue Review*- Judicial Salaries

***Issue Review*** The LFB recently released an ***Issue Review*** regarding Judicial Salaries in the State of Iowa.

**Table 1**

##### FY 2001 Judicial Salaries



**Judicial Salaries** Beginning in FY 2000, the Iowa Court of Appeals was increased from six to nine judges and the Iowa Supreme Court was reduced from nine to seven justices through attrition. **Table 1** below illustrates judicial salaries for FY 2001 as set in SF 2450 (FY 2001 Salary Act).

**National Ranking** Iowa’s last judicial salary increase took place on July 1, 2000. **Table 2** below illustrates where Iowa ranks nationally.

##### Table 2

## National Judicial Salary Comparison

**\***Source for the rank is National Center for State Courts survey in fall 1999.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

*Issue Review* – Division of Criminal investigation, Sex Offender Registry

***Issue Review*** The LFB recently released an ***Issue Review*** concerning the backlog of cases in the sex offender registry



**Caseload Backlog** The primary concern of the Division of Criminal Investigation is the lack of personnel to investigate non-compliance, assist in processing address verification forms, conduct public notifications and re-notifications, and perform risk assessments. As of January 1, 2000, 1,950 offenders had not had risk assessments and public notifications done due to the caseload backlog in the Sex Offender Registry Bureau. As of September 1, 2000, there were 3,702 individuals registered with the Iowa Sex Offender Registry. The Registry increases by 60 offenders per month. Presently, 20 public notifications a month are going uncompleted. Public re-notifications take top priority over first-time public notifications. It is estimated that by FY 2005, there will be 7,500 sex offenders in the Registry.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

*Issue Review* - Iowa’s Teacher Salaries - Comparative Studies

***Issue Review*** The LFB recently released an ***Issue Review*** that details different sources and the information each source provides concerning average teacher salaries. This was a follow-up ***Issue Review*** to the September ***Issue Review*** (**Iowa’s Teacher Salaries**) which looked at past legislation that has increased teacher pay in Iowa, made comparisons based on teacher salaries, and estimated fiscal impacts of possible alternatives.

**Copies Available** Copies of both ***Issue Reviews*** are available upon request from the LFB.

STAFF CONTACT: Shawn Snyder (Ext. 17799) Robin Madison (Ext. 15270)

*Issue Review* - Declining Enrollments and Budget Guarantee

***Issue Review*** The LFB recently released an ***Issue Review*** concerning statewide declining enrollments and the impact this trend has on individual school districts.



**Budget Guarantee** This ***Issue Review*** details the fiscal impact of the budget guarantee since FY 1996, provides an example of how the budget guarantee is calculated, and provides estimates for budget guarantee alternatives for FY 2002. This ***Issue Review*** also looks at enrollment trends and examines the trend for each school district.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

*Issue Review* - Indigent Defense Update

***Issue Review*** The LFB recently released an ***Issue Review*** concerning Indigent Defense. The number and cost of indigent defense cases continues to increase. The annual amounts being transferred to other programs or reverted to the General Fund continues to be significant. Total costs have increased 22.9% from FY 1997 ($27.9 million) to FY 2000 ($34.2 million). Caseloads have risen by 4.2% from FY 1997 (95,900) to FY 2000 (99,900). During FY 2000, $1.2 million was transferred from the appropriation for private attorney reimbursement to the State Public Defender’s Office ($495,000), Iowa Ethics and Campaign Disclosure Board ($2,500), and the Department of Human Services’ Medical Assistance Program ($677,700). The FY 2002 budget request includes an increase of $1.5 million for the appropriation for reimbursement of private attorneys, and an additional $1.1 million for the State Public Defender’s Office. Some funding alternatives are highlighted.



**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

*Issue Review* - Senior Living Program

***Issue Review*** The LFB recently released a Senior Living Program ***Issue Review***. The ***Review*** provides an overview of Iowa’s Senior Living Program and acuity-based nursing facility reimbursements.

**Senior Living Program Act** Iowa established a Senior Living Trust Fund in SF 2193 (Senior Living Program Act) to receive federal funds generated through revised Medicaid billing for nursing facility payments. Under the revised billing methodology, Iowa is estimated to receive a total of approximately $341.2 million in federal funds during FY 2001 – FY 2005. The funds will be expended to convert nursing facility beds to assisted living beds and to expand and develop home and community-based long-term care alternatives. The funds will also be used to convert Iowa’s nursing facility reimbursement methodology from a percentile reimbursement system to an acuity-based reimbursement system. Under acuity-based reimbursements, nursing facilities will be differentially reimbursed based upon the care needs of their residents.

**Grants to Area Agencies Department of Elder Affairs Home and Community-Based Grants:** The Department of Elder Affairs has awarded $3.6 million in Senior Living Program funding to Iowa’s 13 Area Agencies on Aging. The Agencies will use the funding to develop long-term care alternatives, including home-delivered meals, adult day care, case management, respite, and transportation.

**Applications Approved Department of Human Services Long-Term Care Alternative and Conversion Grants:** The Department of Human Services (DHS) has approved 42 applicants to proceed with feasibility studies to either convert nursing home beds to assisted living beds or to develop long-term care alternatives. The approved applicants have proposed that a total of 347 nursing facility beds be converted to assisted living and 60 long-term care alternative programs be established.



**Task Force Established Acuity-Based Nursing Facility Reimbursements:** The DHS has also established a task force to study implementation of acuity-based reimbursements. Acuity-based reimbursement is anticipated to be implemented on July 1, 2001. The new system will assess the care needs of each resident within a facility using a federal assessment form. The assessment then will be used to categorize each resident into one of 34 resource utilization groups which indicate the level of care needed by residents. Facilities will be reimbursed based upon how resource- intensive their residents are compared to a statewide average.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: Deb Anderson (Ext. 16764)

*ISSUE REVIEW* – Housekeeping and dietary services staffing at the iowa veterans home



***Issue Review*** The LFB recently released an ***Issue Review*** on Housekeeping and Dietary Services Staffing at the Iowa Veterans Home. Both the housekeeping and the dietary services functions were previously operated by private contractors. However, October 1, 1999, the Veterans Home terminated the dietary services contract, and this function was returned to operation by State employees. The Housekeeping function still remains under contract.

**Original Estimates** Original estimates indicated that the Home would save $95,000 in FY 2000 by returning dietary services functions to operation by State employees. However, after one year of operation by the State, the cost of converting this function actually exceeded the cost of maintaining the contract by $114,500. The Home, after carefully examining the return of dietary services functions to the State, has recalculated the estimated cost of returning the housekeeping functions to operation by State employees. The original estimate by the Home was $2.4 million.



**New Estimated Cost** New estimates indicate the cost will be approximately $2.6 million. The new estimate to return the housekeeping function to operation by State employees exceeds the cost of maintaining the contract by approximately $521,000. If the General Assembly decides to return the housekeeping function at the Iowa Veterans Home to State operation, the result will require an additional appropriation to the Home in the amount of $521,000 to account for the difference in cost between the contract and the cost associated with returning the housekeeping function to State operation.

**Copies Available** Copies of the ***Issue Reviews*** are available upon request from the LFB.

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