FISCAL UPDATE March 18, 2002

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Federal Tax Change - Acceleration of Business expense Depreciation



**Economic Stimulus Package** The U.S. Congress recently approved, and the President signed into law, an economic stimulus package that included an acceleration of the depreciation schedule allowed for qualified business purchases of tangible personal property used in a trade, or for the production of income. Prior to the law change, the depreciation recovery periods applicable to most tangible personal property range from 3 to 25 years. The law change allows for an additional first-year 30.0% depreciation deduction. The accelerated deduction applies to property acquired after September 10, 2001, and before September 11, 2004. Exceptions to the dates apply under certain circumstances.

**Depreciation Schedule** The change in the depreciation schedule will lower net taxable income of corporations utilizing the acceleration method. As long as Iowa continues to annually conform to federal changes to the Internal Revenue Code (referred to as “coupling”), any federal change reducing federal net income also reduces Iowa net corporate income subject to tax.



**Impact on Tax Receipts** The accelerated depreciation change will impact federal and state corporate tax receipts. Due to some corporate structures that allow income to flow to the owners prior to taxation, the change will also impact individual income tax receipts. The Iowa Department of Revenue and Finance analyzed the impact on Iowa tax revenues based on federal allocations of the projected impact on the revenues of all states. The Department’s projected impact, which includes the positive impact of federal deductibility, is as follows:

* FY 2002 -- $ -14.4 million
* FY 2003 -- $ -46.1 million

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* FY 2004 -- $ -47.9 million
* FY 2005 -- $ -34.6 million



**IRC Update** The projected impacts occur only if Iowa conforms to the federal Internal Revenue Code (See Section 422.3(5), Code of Iowa and 2001 Code Supplement). The Internal Revenue Code (IRC) Update Bill for the 2002 Session is HF 2116. That Bill has passed the House and is awaiting Senate floor action. If HF 2116 becomes law in its current form, the FY 2002 tax revenue reduction of $14.4 million would not occur. This is because HF 2116 conforms Iowa law through the Internal Revenue Code in effect on January 1, 2002, and the accelerated depreciation change took effect after that date. If the 2003 General Assembly does couple with the Internal Revenue Code through January 31, 2003, the projected impacts listed for FY 2002 and FY 2003 would then occur in FY 2003.

**Future Impact** Unless Congress extends the accelerated depreciation change, the change will result in increased tax receipts in later years (assets will be fully depreciated earlier).

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Unemployment Trust Fund Receives Additional Federal Funding



**Unemployment Benefits** The federal Economic Stimulus Bill passed the U.S. House (417 to 3) and the U.S. Senate (85 to 9). The Bill addressed unemployment, welfare, and tax issues. In regard to unemployment, the federal legislation extends unemployment benefits for an additional 13 weeks in most states, such as Iowa, and in states experiencing a high rate of unemployment, workers may be eligible for an additional 13 weeks of assistance. The Bill repeals the limit on "Reed Act" distributions to states of funds from the federal Unemployment Trust Fund. Depending on state law, these transfers may be used for the payment of cash benefits, for benefits to individuals not otherwise eligible for regular unemployment compensation, and for administration of benefits and job services.

**Federal Funds Received** The Iowa Unemployment Trust Fund Account, maintained in Washington by the federal government, received a Reed Act deposit of $82.4 million on March 14. Iowa Workforce Development is working with the Governor’s Office and preparing recommendations as to how these funds can be used.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

Ways & Means Bills

**Ways & Means Bills** The following is an update of the status of significant Ways & Means bills as of March 15:

**Venture Capital** House File 2078 – Venture Capital Contingent Tax Credit Act – The Act creates a contingent tax credit system to be used to guarantee the principal and rate of return for investors in a venture capital fund. The tax credits cannot be utilized for at least five years. The fiscal note for the contingent tax credits did not determine a fiscal impact since the likelihood of the tax credits being used cannot be determined. The Act also altered the taxation of Subchapter S corporations. That change reduces General Fund receipts by $900,000 in FY 2003 and $800,000 in FY 2004 and beyond. The Governor signed the Act on February 28.



Tax Credit



Governor

Signed

**Seed Capital Tax Credit** House File 2271 – Seed Capital Tax Credit Act – The Act provides a 20.0% tax credit to investors in qualified community-based seed capital funds and qualified start-up Iowa companies. The tax credits apply to investments made starting January 1, 2002, but cannot be utilized for three years. The total tax credits allowed are limited to $3.0 million the first and second years and $4.0 million the third year. The Governor signed the Act on February 28.

**Venture Capital Tax Credit** House File 2586 – Venture Capital Tax Credit Bill – The Bill allows a tax credit of up to 6.0% of a qualified investment in a venture capital fund. The taxpayer is not allowed to use the credit until the third year after the investment is made. The Bill provides that the aggregate amount of all credits allowed in a fiscal year shall not exceed $5.0 million. The Bill was approved by the House Ways & Means Committee on March 11.



**IRC Update** House File 2116 – Internal Revenue Code (IRC) Update Bill – The Bill updates Iowa’s revenue code to match recent changes to the federal tax code. The Bill also changes the tax status of Iowa’s school district income tax surcharge and restricts the Executive Branch’s ability to rescind, enter into, and modify tax reciprocity agreements with other states. The Bill is projected to decrease General Fund revenues by $3.3 million in FY 2003 and $6.0 million in FY 2004 and beyond. The Bill passed the House on January 31. On February 14, the Senate Ways & Means Committee removed the school surtax provision and approved the Bill with the amendment. The amendment increased the negative fiscal impact of the Bill by $1.7 million per year. The Bill is on the Senate calendar.

**Employee Stock Option** House File 2079 – Employee Stock Option Tax Deduction Bill – The Bill deducts a portion of the gain from employee stock options from Iowa taxable income. The Bill is projected to reduce FY 2004 General Fund receipts by $1.0 million and by $3.0 million in FY 2005 and beyond. The Bill was approved by the House Ways & Means Committee and is now on the House calendar.

**DRF Technical Corrections** Senate File 2305 – Department of Revenue and Finance Technical Corrections Bill – The Bill makes several changes to the Code of Iowa deemed by the Department of Revenue and Finance to be only technical in nature (clarifications, deletions of outdated language, etc.). The Bill does not have a fiscal impact. The Bill was approved by the Senate Ways & Means Committee on February 27.

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**School Bonds Tax Exempt** Senate File 2306 – State Tax Exempt School Infrastructure Bonds Bill – The Bill excludes interest earned from school infrastructure bonds from Iowa individual and corporate income tax. The Bill’s preliminary fiscal impact on General Fund Revenues is a reduction of $360,000 in FY 2003 and $800,000 in FY 2004, with a maximum impact of $7.5 million reached in FY 2017. The Bill was approved by the Senate Ways & Means Committee on February 27.

**Donations to State** Senate File 2307 –Taxpayer Donations Bill – The Bill provides a place on the Iowa individual income tax form for taxpayers to donate money in excess of their tax liability. The Bill is projected to have a small positive impact on General Fund revenues but could have a small negative impact on the taxpayer donation items currently on the tax form (Non-Game Wildlife, State Fair, and Keep Iowa Beautiful). The Bill was approved by the Senate Ways & Means Committee on February 28.

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 $ Internet Sales

**Internet Tax Refund** House File 2585 – Internet Sales Tax Refund Bill – The Bill exempts internet service provided during a specific timeframe and under specific circumstances from the State sales tax. The Bill is projected to decrease sales tax receipts and increase sales tax refunds by a combined total of $123,000. The Bill was approved by the House Ways & Means Committee on March 11.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE

**Admin./Regulation** The Administration and Regulation Appropriations Subcommittee met the week of March 11.

**Racing & Gaming** On March 12, Jack Ketterer, Administrator for the Iowa Racing and Gaming Commission, presented the Commission’s proposed FY 2003 budget. The Subcommittee requested that an organizational chart, and minutes from the Commission’s meetings be forwarded to the Committee regarding:



* The Commission’s position on gambling treatment funds and whether that should be under the control of the Commission, and
* The Commission’s opinion on setting the wagering tax rate at the Dubuque racetrack enclosure at 30.0%.

Retirement



**IPERS** Mollie Anderson, Director for the Iowa Department of Personnel, presented an overview of the Iowa Public Employees’ Retirement System (IPERS), including the organization’s core purpose, major provisions of SF 497 (FY 2002 IPERS Governance Structure), and IPERS’ FY 2003 budget requests. Several members of the Committee expressed concern with IPERS’ administrative expenses.

**Dept. of Personnel** Director Anderson then proceeded to discuss the Department of Personnel’s FY 2003 budget requests, as well as recent accomplishments of the Department and the impact of budget cuts. The Subcommittee noted that a personnel function seems to be present in many departments, in addition to the Department of Personnel, and asked Director Anderson to research and report to the group on how much personnel function exists and where there may be areas of duplication.

**Treasurer of State** On March 13, Michael Fitzgerald, Treasurer of State, discussed the pledging system requested by the bankers of the State and addressed in HF 681 (Pledging of Collateral – Deposit of Public Funds). Treasurer Fitzgerald also discussed collecting State payments by credit card, and was directed by the Subcommittee to research the options to cover or absorb the credit card fees so the State may implement that service. Treasurer Fitzgerald then reviewed the process the State used in borrowing and investing money to provide on-time funding to schools.

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**Iowa Lottery**  Ed Stanek, Commissioner for the Iowa Lottery, gave an overview of the Iowa Lottery and answered questions about the FY 2003 budget requests. Discussion moved to video lottery machines and Representative Raecker said specific direction as to the use of these machines would be given to the Commission by the end of this session. Should they move forward with the machines, Representative Raecker asked that serious consideration be given as to the placement of the machines to avoid access by young people.

**Property Leasing** Barbara Bendon, Department of General Services, State Property Leasing Manager, clarified the roles and responsibilities of the Department. Representative Raecker requested that the Legislative Fiscal Bureau include the State government lease spreadsheets in future budget information.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/admin_reg/admin_reg.htm>

STAFF CONTACT: Ron Robinson (Ext. 16256)

Agriculture and Natural Resources Subcommittee

**Agric./Natural Res. Sub.** The Agriculture and Natural Resources Appropriations Subcommittee met March 12 and 13.



**March 12** On March 12, Jeff Vonk, Director of the Department of Natural Resources, discussed the Department’s budget and operations. The Director expressed concern for the reduced funding for the Public Water Supply Program and explained that the Department would be asking the Transportation, Capitals, and Infrastructure Subcommittee for funding of $500,000 to continue the Program. Without funding, the Program would be administered by the federal government instead of the Department of Natural Resources. The Director stated that the Parks and Preserves Division would need additional funding of $500,000 for operations, maintenance, and seasonal help.

**March 13** On March 13, Patty Judge, Secretary of Agriculture, discussed the Department’s budget and operations. The Secretary explained that the Department’s budget had been reduced by 11.7% over the past year. The Department has reduced staff and it has become difficult to administer programs and provide services. In addition, the Department will be closing their offices for three days due to furlough savings as outlined in SF 2304 (FY 2002 Budget Adjustment Act). The Secretary outlined other programs that had funding reduced in SF 2304. They include a reduction of $1.0 million to the Brucellosis Eradication Program and a reduction of $2.6 million to programs in the Environment First Fund.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/ag_dnr/ag_dnr.htm>



STAFF CONTACT: Deb Kozel (Ext. 16767)

Education Appropriations Subcommittee

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**Education Sub.** The Education Appropriations Subcommittee met on March 12 and March 13. The following presentations were made:

* LFB staff reviewed the revised Governor’s recommendation for FY 2003.
* Gary Nichols, Director of the College Student Aid Commission, reviewed the Commission’s programs, services, and priorities.

**More Information** The agenda and handouts for the Subcommittee are available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/subcom/ed_sub/educat.htm>

STAFF CONTACT: Mary Shipman (Ext. 14617) Robin Madison (Ext. 15270)

Health and Human Rights Appropriations Subcommittee

**Health/Human Rights Sub.** The Health and Human Rights Subcommittee met the week of March 11 and conducted the following business:

**Iowa Priority Program** On March 12, Diane Skinner, Executive Director of the Iowa Prescription Drug Corporation, presented an update on the Iowa Priority Program. Iowa Priority aims to alleviate the high cost Medicare eligible Iowans pay for prescription drugs. Iowa Priority attempts to reduce expenditures on prescription drugs through:

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* Establishment of purchasing power through the creation of a large membership in the Program, which will help to purchase prescription drugs at a discounted rate.
* Conducting “Brown Bag” assessments to help eliminate duplication and/or unnecessary use of prescription drugs and herbs.
* Offering the less expensive generic drug when available.

**Membership** Since the launch date of Iowa Priority, January 1, 2002, approximately 22,000 Iowans have become members. This represents approximately 5.0% of Iowa’s Medicare eligible population (435,000 Medicare eligible). Iowa Priority plans to hold a press conference shortly to announce the signing of three major drug manufacturers who plan to join Iowa Priority. With the signing of these manufacturers, members are expected to see some significant discounts when paying for their prescriptions.

**Abandoned Wells Program** On March 13, Brent Parker, Department of Natural Resources, presented on the Abandoned Wells Program. The Governor has recommended this Program be transferred from the Department of Natural Resources to the Department of Public Health. The Program is funded from the Groundwater Protection Fund. The Governor is recommending $1.4 million from the Fund for the Abandoned Wells Program for FY 2003. Funding for the Program is provided to the counties for well testing, plugging, and renovation. In FY 2001, the average grant to counties was $15,000. Utilizing this money, in FY 2001, counties plugged approximately 2,800 wells, tested 10,200 wells, and renovated 200 wells.

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**Performance Measures** In addition, on March 13, Greg Anliker, Department of Elder Affairs, presented and answered questions regarding the Department’s performance measures, including goals for the Senior Community Service Employment Program (SCSEP), Money Management Program, Case Management, Assisted Living Program, Healthy Aging and Supportive Services, State Ombudsman Program, Consumer Protection and Advocacy, and the Retired Senior Volunteer Program (RSVP).

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/health_hr/health_hr.htm>

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

Human Services Appropriations Subcommittee

**Human Services. Sub.** The Human Services Appropriations Subcommittee met the week of March 11.



**Technology Charges** On March 12, the Subcommittee received information regarding the technology-related charges of the Department of Human Services. Testimony was received from staff of the Iowa Technology Department and the Department of Human Services. Additional information included expected costs to comply with the federal Health Insurance Portability and Accountability Act (HIPPA) computer claim processes and future uses of technology by the Department of Human Services.

**Restructuring Issues** On March 13, the Subcommittee discussed the proposed restructuring of components of the Department of Human Services, the Department of Inspections and Appeals, and the Department of Public Health.

**More Information** All agendas and handouts are available on the web site at [www.staffweb.legis.state.ia.us/lfb](http://www.staffweb.legis.state.ia.us/lfb). Additional information is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

Oversight and Communications Appropriations Subcommittee

**Oversight/Commun. Sub.** The Oversight and Communications Appropriations Subcommittee met on March13. The Subcommittee heard presentations on and discussed the following:

* Don Miller of Northwest Internet Services discussed the work his business has been doing with the Iowa Communications Network (ICN) in developing a public/private partnership to serve the needs of several schools and libraries with the provision of alternative video interactive services.
* Diane Bolender, Director, Legislative Service Bureau (LSB), provided a review of the process of publishing and distributing the Code of Iowa and other publications prepared by the LSB and distributed by the Department of General Services. Ms. Bolender requested that changes in the current methods be allowed, so that efforts to minimize the number of printed copies of the documents could be instituted and distribution through electronic medium increased. She provided an amendment that could be added to an appropriate piece of legislation to allow the changes.

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* Staff of the Legislative Fiscal Bureau (LFB) discussed intent language included in last year’s appropriations bill relating to requiring all Executive Branch departments and agencies to publish all documents electronically and post them on a web site. The Information Technology Department and the State Library have worked to create the web site, but it is not being utilized. The Subcommittee discussed options for ensuring that in the future those agencies would publish their reports and newsletters to the site and not mail them out unless specifically requested, in order to reduce publication and distribution costs for State government. Subcommittee members noted they have received input from numerous Legislators stating the number of reports and newsletters mailed out to them and others that are not wanted is a waste of State government resources and needs to be eliminated.

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

Transportation, Infrastructure, and Capitals appropriations Subcommittee



**Trans, Infra., & Capitals** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met on March 12, 13, and 14. On March 12, a representative from the State Fair Authority gave a brief presentation on their request of $1.0 million for FY 2003, which includes:

* ADA Conformity: $100,000
* Roof Maintenance: $400,000
* Sewer and Water Upgrades: $300,000
* Electrical Upgrades: $200,000



**Demonstration Program** Also on March 12, representatives from the Department of Agriculture and Land Stewardship (DALS), Division of Soil Conservation, presented an overview of the Integrated Farm and Livestock Management Demonstration Program. The goal of the Demonstration Program is to educate farmers on efficient management techniques in livestock and crop production systems, resulting in more environmentally and economically beneficial farming practices. The Governor is recommending a total of $16.1 million to DALS from the Environment First Fund for FY 2003, which includes an appropriation of $850,000 for the Demonstration Program.

**Aviation Assistance** On March 13, representatives from the Iowa Public Airports Association presented information on the Aviation Assistance Program and Aviation Infrastructure Program. For FY 2003, the Governor is recommending a General Fund appropriation of $2.1 million for Aviation Assistance and a Restricted Capitals Fund appropriation of $1.5 million for the Infrastructure Program.

Also presenting on March 13 were the Department of Natural Resources (DNR) and representatives from the Lewis and Clark Rural Water System. A DNR representative provided an overview on the Water Quality Monitoring System Program. The purpose of the Program is to monitor rivers, streams, lakes, and wells, to determine if pollution control programs are working. The Governor is recommending a total of $20.0 million to DNR for FY 2003, which includes a $3.0 million appropriation for Water Quality Monitoring Stations.

**Lewis & Clark Rural Water** The representative from the Lewis and Clark Rural Water System presented an overview on the current status of the project. The Lewis and Clark Rural Water System is a non-profit organization made up of 15 members and seven rural water systems in South Dakota, Minnesota, and Iowa.



**Goal**  The goal of the tri-state organization is to address common problems with area water resources in a more efficient and cost-effective way than each state could do alone. The estimated cost of the entire project is $272.8 million. Each state has passed legislation authorizing states to pay 10.0% of the project. Local governments will fund an additional 10.0%. The federal government will fund the remaining 80.0% except in Sioux Falls, South Dakota, where the federal cost-share is 50.0%.

**Budget Request** The Lewis and Clark organization is requesting $6.8 million for FY 2003. A representative from Lewis and Clark provided an update on the current phase of the project, which includes utilizing an aquifer site adjacent to the Missouri River near Vermillion, South Dakota. The Governor is not recommending an appropriation for the Lewis and Clark project for FY 2003.

**Judicial Branch Requests** On March 14, a representative from the Judicial Branch spoke on the Governor’s FY 2003 recommendations, which include:

* Furnishing Costs for new Judicial Building: $1.2 million
* Pave 12th Street south of Court Avenue: $700,000

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**Dept. of Econ. Devel.** Also, the Department of Economic Development (DED) presented an overview on various DED programs, including the Accelerated Career Education (ACE) Program and Local Housing Program. The Governor is recommending the following for FY 2003:

* Accelerated Career Education (ACE) Program: $2.5 million
* Local Housing Assistance Program: $400,000

**Alternative Services** A representative from Alternative Services gave a presentation on their request for $200,000 for construction of a building in Marion. Alternative Services is a human services agency that provides pre-independent living programs for court-ordered girls ages 16 to 18 years old, to prepare them to live successfully on their own before they age out of the juvenile system.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to the Subcommittee are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/trans_infra/trans_infra.htm>

STAFF CONTACT: Mary Beth Mellick (Ext. 18223) David Reynolds (Ext. 16934)

Disproportionate Share Payments to Children’s Hospitals – HF 2487

**HF 2487** House File 2487 passed out of the Senate Chamber on March 13 and will be sent to the Governor. The Bill directs the Department of Human Services to designate a qualified children’s hospital which operates as part of a licensed hospital, that qualifies for federal disproportionate share payments, to be eligible for federal disproportionate share funding. The Department is to adopt rules and amend the Medicaid State Plan as necessary to implement this change.

**Fiscal Impact** The Bill authorizes that disproportionate share payments be made to qualified children’s hospitals from the pool of federal funding released by the Centers for Medicare and Medicaid Services (CMS). There is no new funding and therefore no fiscal impact.

STAFF CONTACT: Sam Leto (Ext. 16764)

State Military Code – SF 2124 Passes State Government Committee



**SF 2124** Senate File 2124 passed out of the House State Government Committee on March 13. The Bill increases the appropriation to the Compensation and Expenses standing unlimited appropriation. Senate File 2124 increases the annual Senior Commander allowances from $450 per general officer to $750 per general officer. There are approximately 6 Senior Commanders that are affected by this Section. The standing unlimited would increase from $430,650 in estimated net FY 2002 to $432,450 in FY 2003. The money cannot be used for the purchase of alcohol.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

LIMITED ENGLISH PROFICIENT STUDENT WEIGHTING - HF 2404 passes Senate Education Committee

**HF 2404** The Senate Education Committee passed HF 2404 (Limited English Proficient Student Weighting Bill). The Bill increases the weighting for students identified as limited English proficient from 0.19 to 0.22. This weighting increase would be applied to enrollments starting in September 2002 and would have an impact on school district budgets in FY 2004. The estimated impact of this Bill is an increase in State aid of $1.2 million and a statewide increase in local property taxes of approximately $200,000 in FY 2004.

**More Information** For further information, contact the Legislative Fiscal Bureau.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

No Contact For Convicted Sexual Abusers - HF 2506 Passes the House

**HF 2506** The House passed HF 2506, which provides for the issuance of no-contact orders to protect victims of convicted sex offenders upon their release from prison or jail. The Bill provides that upon the filing of an affidavit by a victim, that upon the offender’s release from prison or jail, the presence of, or contact with, the offender continues to pose a threat to the victim or the victim’s family, the court shall enter a temporary no-contact order. People who violate no-contact orders are subject to summary contempt proceedings.

**Jail Admissions** Jail admissions are anticipated to increase by two in FY 2003 and by four each year thereafter. Admissions may increase in future years as inmates covered under the Bill are released and have no-contact orders issued against them, which they subsequently violate. Each person admitted to the county jail will serve 32 days.

**Fiscal Impact** Total State criminal justice system costs, including costs for indigent defense and the Judicial Branch, are expected to be minimal. Counties are expected to incur additional costs for jail operations. However, the costs are expected to be minimal.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Anthrax Possession - HF 2507 Passes the House

**HF 2507** The House passed HF 2507, which creates criminal offenses for possession or distribution of anthrax. A person who possesses anthrax commits a Class C felony. A person who knowingly distributes anthrax commits a Class B felony. The Bill provides that a person who possesses or distributes anthrax for a purpose authorized under federal law is exempt from the criminal penalties in HF 2507.

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**Correctional Impact** There is no data with which to estimate the correctional impact of creating these new offenses. However, there will be a correctional impact to the extent that convictions under this statute occur, but the impact is not expected to be significant.



**Fiscal Impact** The fiscal impact of HF 2507 cannot be determined due to insufficient information. However, the total State costs for one Class B felony conviction is approximately $48,000. This amount includes costs of indigent defense and the Judicial Branch, plus the costs of housing the offender in prison for 87 months and supervising the offender in the community for 36 months. Total State costs for one Class C felony conviction is approximately $27,000. This amount includes costs of indigent defense and the Judicial Branch, plus the costs of housing the offender in prison for 51 months and supervising the offender in the community for 30 months. While the fiscal impact on counties cannot be estimated, it does not appear to be significant.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Representation of Indigent Parolees - HF 2563 Passes the House

**HF 2563** The House passed HF 2563, which provides that defense counsel shall not be provided in a parole proceeding. State claims for indigent defense may be reduced by $35,000 in FY 2003 and $70,000 in FY 2004. However, this may be a cost containment measure rather than an expenditure reduction measure. Total spending may not decrease due to increases in other cases and claims staffed by the State Public Defender’s Office or private attorneys.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Fourth Amendment Waiver - HF 2553 Passes the House

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**HF 2553** The House passed HF 2553, which provides that the court or Board of Parole may impose, as a condition of probation, parole, or work release, that the offender be subject to search of the person, property, place of residence, vehicle, or personal effects at any time, with or without a search warrant or probable cause, by any peace officer as designated in Chapter 801.4, Code of Iowa. The Bill requires the Board of Parole or the eight Community-Based Corrections (CBC) District Departments to notify local law enforcement and the Iowa Department of Transportation of this condition. The Department of Transportation is required to release the information as provided in Section 321.11, Code of Iowa.

**Number of Offenders** The Court and Board of Parole have discretion in imposing this condition. There is no readily available information with which to predict the number of offenders on which this new condition may be imposed. There were 20,555 offenders admitted to probation, parole, or work release during FY 2000. Therefore, a maximum of 20,555 offenders annually may be subject to this condition.

**Correctional Impact** The correctional impact of HF 2553 cannot be determined because the Court and Board of Parole have discretion in imposing this condition of parole, work release, or probation.



**Fiscal Impact** There is no fiscal impact on the Board of Parole, Department of Transportation, or Department of Public Safety. If a significant number of offenders are subject to this new condition, there will be increased workload for CBC staff due to the notification requirements. The fiscal impact of HF 2553 cannot be determined since it is not known how many offenders will be subject to this new condition of probation, parole, or work release.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Restraining Orders for Sexual Abuse - HF 2495 Passes the House



No Contact Orders

**HF 2495** The House passed HF 2495, which provides for the issuance of no-contact orders to protect victims of first-, second-, and third-degree sexual abuse, their immediate family members, and others who may reside with the victim. The no-contact order is available at the time of the arrest of the person accused of sexually abusing the victim. People who violate no-contact orders are subject to summary contempt proceedings.

**Jail Admissions** The Bill is anticipated to increase jail admissions by six offenders during FY 2003, and by nine each year thereafter. Admissions may increase in future years as inmates covered under the Bill are released, and have no-contact orders issued against them, which they subsequently violate. Each person admitted to the county jail will serve 32 days.

**Fiscal Impact** Total State criminal justice system costs, including indigent defense and the Judicial Branch, are expected to be minimal. Counties will incur additional costs for jail operations; however, the costs are expected to be minimal.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Terrorism - SF 2146 Passes the House

**SF 2146** The House amended and passed SF 2146, which creates new offenses in relation to terrorism. The Bill defines terrorism and provides that a person who kills another while participating in an act of terrorism commits a Class A felony. A person who commits or attempts to commit an act of terrorism commits a Super Class B felony (subject to incarceration for no more than 50 years). The Bill provides that soliciting or participating in an act of terrorism is a Class B or Class C felony, depending upon the value of the material support or resources. A person who makes a threat of terrorism commits a Class D felony. A person who obstructs the prosecution of terrorism that resulted in the death of another commits a Class B felony. A person who obstructs the prosecution of terrorism that does not result in death commits a Class C felony. The Bill changes the name of the current criminal offense of “terrorism” to “intimidation with a dangerous weapon”.

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**Definition** “Civilian population” in the Bill means large numbers of people. Certain acts of arson or vandalism are not subject to the amended definition of terrorism. Acts of terrorism as defined in the Bill will continue to be rare events in Iowa.



**Impact** There is no significant correctional or fiscal impact due to the proposed Class A felony offense. Homicides while participating in a forcible felony are already punishable by life in prison without parole. There is no significant correctional or fiscal impact due to the proposed Super Class B felony offense, assuming terrorism continues to be a rare event in Iowa.

**Correctional Impact** There is no data with which to estimate the correctional impact of creating new offenses of terrorism. However, there will be a correctional impact to the extent that convictions under this statute occur, but that impact is not anticipated to be significant.

**Fiscal Impact** The fiscal impact of creating new offenses of terrorism cannot be determined due to insufficient information. However, it is not anticipated to be significant.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Board of Regents Meeting - March

**Board Meeting** The Board of Regents met March 13 and 14 at Iowa State University in Ames. Significant agenda items are highlighted below.



**Spring Enrollment** Spring Enrollment Report. For spring 2002, headcount enrollment at the universities totaled 66,515 students. This is an increase of 1,839 students (2.8%) compared to spring 2001. The full-time equivalent enrollment for spring 2002 totaled 58,039, an increase of 1,818 students (3.2%) compared to spring 2001. The change between fall 2001 and spring 2002 was a decrease of 4,146 students (5.9%) in headcount enrollment. Spring enrollment has averaged approximately 93.0% to 95.0% of the fall enrollment. Resident students account for 72.8% of the headcount enrollment.

**International Agreements** Report on International Agreements and Study Abroad. During 2000-2001, the universities had 192 active and proposed agreements with international educational institutions and other agencies involving 62 countries. A total of 2,350 students received credit for studying abroad.



**Statewide Family Practice** Report on Statewide Family Practice Training Program. This Program, established in 1973, provides opportunities for new graduate physicians to continue their training through community-based residencies in family practice. There are eight training sites in seven Iowa communities. During FY 2001, the total revenue for the Program was $36.2 million, with $2.5 million (6.8%) appropriated by the State General Fund. The balance of the revenue comes from patient fees and support provided by hospitals and centers sponsoring each of the Program sites. Total expenditures for FY 2001 were $35.6 million as follows:

* $18.5 million (52.0%) for overhead and general expenses to operate the model clinics.
* $10.7 million (30.0%) for faculty salaries.
* $6.4 million (18.0%) to pay resident physicians.

**Governance Report** Governance Report on University Residence Systems. The Report includes residence system annual reports for each of the universities, ten-year residence system plans for FY 2003-FY 2012, proposed resident rate increase for 2002-2003, and preliminary residence system budgets for FY 2003.



**Misc. Fees & Charges** Preliminary Consideration of Miscellaneous Fees and Charges. The Board approves tuition-related fees in the fall of each year when tuition increases are approved. The fees considered in March are non-tuition related fees. Following is a summary of fee increase requests:

* University of Iowa (SUI) requested five new fees for FY 2003, increases in 21 fees ranging from 3.7% to 500.0%, and decreases in two fees.
* Iowa State University (ISU) requested two new fees for FY 2003, increases in 13 fees ranging from 16.7% to 100.0%, and decreases in three fees.
* University of Northern Iowa (UNI) requested 11 new fees for FY 2003, increases in 12 fees ranging from 11.1% to 220.0%, and decreases in six fees.

**Parking Rates** Proposed Parking Rate Increases. Each university has self-supporting parking systems. User fees and fines support the operation, maintenance, and capital improvements of the systems. Additional detail about rate increases is available on the Board’s web site at <http://www2.state.ia.us/regents/meetings/DocketMemos/02Memos/mar02/margd12.pdf>



**Lease Purchase Approved** Banking Committee. The Committee and the Board approved a lease purchase in the amount of $1.0 million for a scoreboard and video display system at Jack Trice Stadium at ISU. The Committee and Board authorized the following bond sales:

* $12.5 million Student Union Revenue Bonds for UNI.
* $14.8 million Academic Building Revenue Refunding Bonds for SUI.
* $5.0 million Academic Building Revenue Refunding Bonds for UNI.

**Early Retirement Incentive** Report on Early Retirement Incentive Program. The Board approved a recommendation by all five institutions not to establish a new Early Retirement Incentive Program to replace the Program that expires on June 30, 2002. The Board also approved a plan to extend the current Program for two years for employees that qualify as of June 30, 2002, and elect to participate.

**Next Meeting** The next meeting of the Board is scheduled for April 16-17 at the Iowa School for the Deaf in Council Bluffs.

STAFF CONTACT: Mary Shipman (Ext. 14617)

March Meeting of The Medical Assistance Advisory Council

**Council Meeting** The Medical Assistance Advisory Council met March 6. Items on the agenda and discussed included:



* Medicaid Eligibles for FY 2002
* DHS staff provided a chart that compares the monthly number of eligibles in FY 2002 to FY 2000 and FY 2001. The number of eligibles for January 2002 was 245,600 compared to the average monthly amount of 209,700 for FY 2000 and 233,200 for FY 2001.
* Medicaid Expenditures for FY 2002
* DHS staff provided a chart that compares the monthly expenditures in FY 2002 to FY 2000 and FY 2001. The amount of total dollar expenditure for January 2002 was $147.9 million compared to $130.9 million for January 2000 and $145.9 million for January 2001.
* Rules
* The Council reviewed technical rule changes to the Medical Assistance Program policy for Psychiatric Medical Institutions for Children (PMIC).
* Health Insurance Portability and Accountability Act (HIPAA)
* DHS staff informed the Council that a Technical Assistance Group is being formed to determine solutions to issues for the implementation of HIPAA in the Medical Assistance Program. The Group includes DHS staff, staff from Consultec, the fiscal agent for DHS, and providers for input. Meetings are to start March 11.

**More Information** Additional information is available from Legislative Fiscal Bureau.

STAFF CONTACT: Sam Leto (Ext. 16764) Sue Lerdal (Ext. 17794)

March Meeting of the Council on Human Services

**Council Meeting** The Council on Human Services met on March 13 and conducted the following business.

**Administrative Rules** The Council approved the following administrative rule changes:

* Revise policy relating to provision of Refugee Services past the 60 months of resettlement. There is no fiscal impact indicated, but would be paid with federal funding.
* Establish a pilot program of recredentialing services for refugees who have graduated from a foreign school. There is no fiscal impact indicated, but would be paid with federal funding.
* Revise Policy related to premium payments for individuals eligible under the Medicaid for Persons with Disabilities coverage group. There is fiscal impact indicated for computer changes that will be paid with federal funds through the Infrastructure Grant.

Administrative

**Rules**

* Revise Policy to allow advanced registered nurse practitioners with psychiatric certification to enroll as Iowa Medicaid providers. There is no fiscal impact indicated.
* Revise policy relating to optometric and optical services provided by the Medical Assistance Program. There is no fiscal impact indicated.
* Revise policy relating to elimination of Well-Being Visits in the Family Investment Program. There is no fiscal impact indicated.
* Revise policy to clarify and correct Conditions of Eligibility under the Medical Assistance Program. There is no fiscal impact indicated.

**Future Changes** The Council provided Director Notice for administrative rule changes to be approved at future meetings relating to rules to correct organizational references for offset of county debts owed to the Department of Human Services (DHS). There is no fiscal impact indicated.

**Update on Redesign** An update was received regarding the redesign of the mental health and developmental disability provider system.

**Director’s Comments** Director Rasmussen made the following comments:

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* An update on FY 2003 budget and various groups interested in the Medicaid Program and possible future changes.
* The Director gave an update on legislation affecting the DHS.
* Other Issues:

Reviewed information regarding the five-year limit on recipients of Family investment Program.

Discussion on a meeting with field workers in Polk County.

**Information Received** The Council received information from representatives of the Medical Assistance Advisory Council (MAAC). Several representatives of the Council shared proposed recommendations developed to provide and share expertise with the DHS with the Medical Assistance Program budget issues. The DHS Council requested that it be kept informed of the proposed recommendations and ongoing discussions with the Medical Assistance Advisory Council.

**Restructuring Update** Council members received an update regarding restructuring of the Department.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

Quarterly Senior Living Coordinating Unit Meeting

**Senior Living Coord. Mtg.** The Senior Living Coordinating Unit met on March 15 and conducted the following business:

**Draft Report** Beth Bahnson, Department of Elder Affairs, submitted a draft of the annual Senior Living Coordinating Unit Report. The Report includes accomplishments for Calendar Year 2001, proposed initiatives for FY 2002, and was approved to be submitted to the Governor and the General Assembly. The Senior Living Coordinating Unit is responsible for:



REPORT

* Developing mechanisms and procedures to implement a case-managed system of long-term care service delivery based on the use of a comprehensive assessment tool.
* Developing common intake and release procedures for long-term care services.
* Coordinating procedures at the State and local levels.
* Developing rules and procedures for long-term care.
* Developing a long-range plan for long-term care.
* Overseeing the Senior Living Trust Fund to assure the expended funds result in fulfillment of the Fund’s mission.

**Clients Served** Greg Anliker, Department of Elder Affairs, reported that 7,110 clients received unduplicated services, including personal care, homemaker, chore, case management, home-delivered meals, and others, as a result of the Senior Living Program from July 2001 to January 2002. Mr. Anliker noted that several clients that receive services from the Senior Living Program do not receive services from the Elderly Waiver. However, in cases where a client receives services from the Elderly Waiver and the Senior Living Program, it is often because Senior Living Program funds make it possible to deliver additional services as part of their care plan. In addition, Senior Living Program funds are used to fill service gaps; therefore, some seniors are able to access Senior Living Program services while they are waiting to receive Elderly Waiver services.

**Unmet Needs** In addition, Mr. Anliker reported that for January 2002, there were 1,147 clients with unmet service needs. While there was a reduction in unmet service needs during FY 2001, the trend has reversed since July 2001 and up to 60 counties now report clients with unmet service needs. The lack of services is due to budget reductions and a lack of available providers.



**Conversion Grants** Rose Boccella, Department of Human Services (DHS), reported on the status of the second round of assisted living conversion grants for nursing facilities. The second Request for Approval (RFP) had 25 applicants and all were approved to move to Phase II, which is the submittal of architectural plans and financial feasibility studies that are due by March 27, 2002. Of the 25 applicants, one has withdrawn and another has suggested they may withdraw. The first RFP resulted in 19 agencies receiving conversion grant funds and 209 nursing facilities beds were eliminated. Of these 19 agencies, one has completed the project in Delaware County and is now offering Adult Day Care services, and the others are in the construction process.



**Elder Abuse Prevention** Todd Savage, Department of Elder Affairs, gave an update on the Elder Abuse Prevention Initiative that began in FY 2002. Mr. Savage reported the Department of Elder Affairs estimates that instances of elder abuse in the State are underreported due to a lack of public awareness. Using national statistics provided by the National Center for Elder Abuse as a basis, the Department estimates that only one in 14 cases of elder abuse in Iowa are reported. The results of the Initiative include two projects with regional elder abuse prevention coordinators in Linn and Johnson counties and in Clinton, Scott, and Muscatine counties. Consultation is also now available from the State Elder Abuse Coordinator and collaboration is occurring between law enforcement, county attorney’s offices, mandatory reporters, and communities. In addition, as a result of the allocation of service dollars for the prevention of this type of abuse, the Department anticipates increased referrals of suspected abuse to the DHS, increased rates of confirmed abuse, and increased referrals to the service network.

**Provider Requirements** Rose Boccella, DHS, gave a report on provider requirements, noting the Senior Living Coordinating Units asked that a work group be formed to study the oversight of all waiver programs. Ms. Boccella reported the work group had met once and was focusing on three areas, including provider enrollment, complaints process, and on-going quality assurance issues. A copy of a Medicaid Home and Community-Based Provider application was distributed and discussed for informational purposes.

**Protocol Monitor of Services** Brian Wines, DHS, gave an update on Protocol Monitor of Services for home and community-based services waiver programs. The State has six waiver programs, and Mr. Wines noted the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration (HCFA), now have a standardized set of guidelines that are required to be used for evaluating quality assurance for waiver services. The protocol examines quality assurances in terms of the data collected and the structures in place. As a result of the new requirement, the DHS is implementing formal quality assurance measures with a formal Quality Assurance Committee. It was noted that prior to the formalized system required now by CMS, the DHS had a quality assurance protocol for waiver programs. However, the new requirements have a more standardized set of guidelines and the process is more formalized.

**Elderly Waiver Participation** Mikayla Funaro, DHS, reported on Elderly Waiver participation. These services include homemaker, home-delivered meals, consumer-directed attendant care, transportation, adult day care, assisted living, and others that allow clients to receive services in their homes and communities. As of February 2002, there were 4,077 unduplicated clients that received services through the Elderly Waiver for FY 2002 at an average cost per month of $385. In addition, it was noted that there are 135 assisted living facilities certified in the State, and 44 offer Elderly Waiver services. There are 92 clients in these 44 assisted living facilities that participate in the Elderly Waiver.



STAFF CONTACT: Lisa Burk (Ext. 16765) Sam Leto (Ext. 16764)

Camp Dodge Swimming Pool to Close

**Pool Closed** Due to increasing operating costs, competition with other area recreation sites and activities, and decreased attendance in recent years, the Iowa National Guard has decided to close the Camp Dodge swimming pool. The Iowa National Guard has provided funding for the pool’s maintenance operations from its State appropriation. The appropriation was $75,000 that will now be directed toward Homeland Defense and other operational requirements.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Airport Security Support Extended



**Security Extended** The Iowa National Guard will continue to assist with airport security through May 31, 2002. Soldiers have been supplementing airport security since early October. The Guard’s original orders placed them on duty from four to six months with the original release date scheduled to be March 28, 2002.

**President Approved Request** The President of the United States approved the Transportation Safety Administration’s request to have the National Guard remain on duty until they could be replaced with Transportation personnel. Approximately 55 soldiers have been on duty at the airports with 75 soldiers during the holiday season. The Guard is stationed at airports in Des Moines, Sioux City, Waterloo, Cedar Rapids, Burlington, Fort Dodge, Mason City, and Dubuque.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

STARBASE Program ends

**Program Ends** This is the last year of the Iowa STARBASE Program. Programming will end August 2, 2002. A standard curriculum and method of operation was developed in September 2000. Since that time, the STARBASE Director has been trying to gain approval of the curriculum and method of operation, but was unsuccessful.



**Students Served** STARBASE began in 1994 and has served more than 25,000 students from across Iowa. The Program has been a national, federally funded youth program administered by the Assistant Secretary of Defense for Reserve Affairs. The Program focused on leadership, teambuilding, goal setting, science, math, and the environment.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

This document can be found on the LFB web site: <http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>