FISCAL UPDATE May 06, 2002

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FY 2002 Ending Balance and the Revenue Estimating Conference

**REC Meeting** The Revenue Estimating Conference (REC) is scheduled to meet Tuesday, May 7, at 10:00 a.m. in Room 19. The meeting will address the higher-than- expected State income tax refunds, and lower than projected General Fund revenues.



**FY 2002 Revenues** The estimated ending balance for June 30, 2002, of the General Fund is $2.8 million. The revenue estimate based on the February meeting of the REC is -.7% compared to FY 2001. At the end of April, that rate was –1.3%.

Following the receipts on a daily basis is not recommended, but the last two weeks have been dismal in terms of revenues. Through May 3, the rate had fallen to –2.7%.  If that rate were to continue to the end of the year, the General Fund receipts would be short $138.1 million from the estimate.

**Refunds** Refunds - Tax refunds are ahead of last year's rate.  The REC estimated a 6% increase in refunds for FY 2002, but through April 22, the refunds are 16% ahead of last year.

**Economic Emerg. Fund** Potential Shortfall - The Code of Iowa now allows for an appropriation from the Economic Emergency Fund (current estimated FY 2002 balance of $130.2 million before the $25.0 million withdrawal for FY 2003) to reduce a negative ending balance in the State General Fund. The appropriation is limited to $50.0 million. The appropriation is contingent upon the following occurrences:

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* The REC estimate of General Fund receipts made during the last quarter of the fiscal year was at least 0.5% less than the comparable estimate made during the third quarter of the fiscal year.
* The balance of the General Fund of the State at the end of the fiscal year prior to the appropriation was negative.
* The Governor has issued an official proclamation and has notified the Legislature.
* If this appropriation authority is used, a like amount is appropriated from the General Fund back into the Economic Emergency Fund the following fiscal year.

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**2001 Tax Payments** Looking at the lack of revenue and the increase in refunds, there is a very strong possibility that the $50.0 million provision will not be enough. By May 10th, most of the income tax payments for 2001 will be processed, income tax estimates will be processed, and a better refund amount will be determined.



**National Perspective** Additional Information – Attached are [four recent articles](budget_articles.pdf) that provide a national perspective to the fiscal issues facing the Iowa State budget. The articles include:

* Tax Revenues Lag, Threatening to Double Deficit, New York Times, 4/25/2002
* State Budget Shortfalls At $27 Billion, United Press International, 4/16,2002
* U.S. Taxpayers Get Record Refunds, Associated Press, 4/25/2002
* States Respond to Federal Bonus Depreciation, Tax Administrators News, April 2002

 **More Information** The Legislative Fiscal Bureau will keep you informed as better estimates become available. We will be monitoring the implications of FY 2002 changes on the FY 2003 and FY 2004 budgets. If you have any questions or need additional information, please contact the Fiscal Bureau.

STAFF CONTACT: Dennis Prouty (Ext. 13509)

Governor Transfers Assisted Living Program Duties from the Department of Elder Affairs to the Department of Inspections and Appeals

**Program Transferred** On April 19, the Governor ordered the Department of Inspections and Appeals to assume responsibility for the oversight of Iowa’s assisted living centers. Chapter 231C, Code of Iowa, established an Assisted Living Program within the Department of Elder Affairs or the Department’s designee. Legislative action may be required during the 2003 Legislative Session to legalize the transfer of these statutory duties.

**Evaluation** At this time, the Department of Inspections and Appeals is evaluating the Assisted Living Program and meeting with advocates and providers to determine the outcome of the transfer from the Department of Elder Affairs and to identify potential changes for the Program.

**Potential Changes** The transfer of certification, monitoring, and complaints procedure statutory duties from the Department of Elder Affairs may require the separation or elimination of other activities performed by the Department of Elder Affairs, including support and consultation services, which have been provided at the same time as certification and monitoring activities.



**More Information** The Legislative Fiscal Bureau (LFB) will provide information regarding the impact of the transfer of the Program to the Department of Inspections and Appeals as it becomes available, and is available to answer questions regarding the history of the Assisted Living Program within the Department of Elder Affairs.

STAFF CONTACT: Lisa Burk (Ext. 16765)

State Employee Layoffs and Reduction in Hours



**Employee Layoffs** Layoffs have occurred and will continue to occur. As of April 30, the Departments of Management and Personnel have approved 706.0 layoffs (676.3 FTE positions), and 632.0 have actually occurred. The table below summarizes the actual and approved layoffs by department. Some departments may go through the layoff approval process but not actually lay off employees. This information is subject to change.

| **Department** | **Total Layoffs through April 2002** |
| --- | --- |
|  | **Actual** | **Approved** |
| Agriculture | 19 | 20 |
| Commerce | 0 | 2 |
| Corrections | 110 | 117 |
| Cultural Affairs | 0 | 9 |
| Elder Affairs | 1 | 1 |
| Ethics/Campaign Disclosure  | 0 | 1 |
| General Services | 27 | 29 |
| Human Services | 228 | 228 |
| Inspections & Appeals | 0 | 5 |
| ITD | 11 | 11 |
| Personnel | 5 | 5 |
| Public Safety | 2 | 2 |
| Regents | 4 | 48 |
| Revenue & Finance | 26 | 26 |
| Secretary of State | 0 | 3 |
| Transportation | 159 | 159 |
| Veterans Affairs | 11 | 11 |
| Workforce Development | 29 | 29 |
| **Total** | **632** | **706** |

**Positions Impacted** The table below summarizes the reduction in hours and the number of positions impacted by departments reducing working hours. Totals will not add due to rounding.

|  |  |  |  |
| --- | --- | --- | --- |
| **Department** | **Positions Impacted** | **Average Hours Reduced** | **Total Hours** |
| Agriculture | 371 | 24.0 | 8,904 |
| Board of Parole | 9.0 | 21.0 | 189 |
| Dept. of Education | 83 | 8.0 | 664 |
| Human Services | 3,201 | 21.2 | 67,908 |
| Inspections & Appeals | 55 | 10.5 | 580 |
| Dept. of Management | 23 | 16.0 | 36 |
| **Total** | **3,742** | **21.0** | **78,613** |

**More Information** Additional information is available from the Legislative Fiscal Bureau upon request or on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/>

STAFF CONTACT: Ron Robinson (Ext. 16256)

FY 2002 Medical Assistance Expenditure Update



**Medical Asst. Program** For the week ending April 29, the FY 2002 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $7.5 million. This is $2.9 million above the weekly budget of $4.6 million established by the Department. Year-to-date General Fund expenditures are $383.1 million, or $34.3 million (9.8%) over the $348.8 million budgeted year-to-date by the Department for the fiscal year.

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

STAFF CONTACT: Sam Leto (Ext. 16764)

Meeting of The Healthy and Well Kids in Iowa (hawk-i) Board

**Board Meeting** The Healthy and Well Kids in Iowa (***hawk-i***) Board met April 15 and conducted the following business:

**Members Leaving** Recognition of Departing Board Members: Diane Briest, Barry Cleaveland, and Susie Poulton are leaving the Board and were recognized.

**Board Review** The Board reviewed the following correspondence and reports:



* Correspondence and new articles on dental access were discussed. The Board had discussed the issue of access of dental services to ***hawk-i*** children in earlier meetings. Options for improving access included privatizing via a managed care provider.
* Other states’ experiences with their state funding budget constraints. Issues include the amount of federal funding available but cannot be utilized due to lacking matching State funds.
* New articles on cutbacks by employers and the impacts on lack of insurance coverage for workers and families were also discussed.

**Report Received** The Board received the Administrator’s Report:

* Legislative Update – DHS staff provided the Board with an overview of the FY 2003 appropriations for the Program and provided members with specific intent language, which staggers the terms of Board members as requested.
* Budget:



* FY 2003: DHS staff provided the Board with descriptions of the FY 2003 budget as it proceeded through the Legislative process this past session. The written materials included new articles regarding the disenrollment of kids from the Program and the installation of waiting lists, due to lack of State funding. DHS staff stated that a State plan amendment is required to disenroll kids from the Program, along with emergency rules. Outreach would also be stopped. The Board was told that a Governor’s veto of the FY 2003 appropriations was likely.
* FY 2002: DHS staff presented financial information for the month ended March 31, 2002. Based on expenditures year-to-date, the Program has spent $6.5 million (53.0%) of the annual State funds budgeted ($12.2 million). The DHS continues to project spending $10.7 million State funding in FY 2002.
* Enrollment & Statistics – This information is generated from the computer system of the current fiscal agent. It has been determined that enrollment information included in monthly reports has been understated. System changes have been made and a spreadsheet reflecting the changes was distributed. The intent is to have numbers reflect corrected counts and be updated monthly. The changes will assign enrollments to appropriate months, which could change preceding monthly numbers, but provide more accurate enrollment data. The latest statistics indicate enrollments of 11,821 in Medicaid Expansion and 13,230 in ***hawk-i*** through March.

**Capitation Rates** SFY 2003 Health Plan Capitation Rates: Representatives from Wellmark presented an option for providing services to kids on the program in FY 2003. Contracts with health insurance providers will need to be approved before July 1, 2002. Wellmark proposed a 25.9% increase over FY 2002. The budget for the Program requested an overall 15.0% increase in premiums. The option proposed by Wellmark was discussed with DHS staff prior to the Board meeting and would institute a generic prescription drug plan for the ***hawk-i*** Program. The amount of savings generated would require an 18.1% increase in Wellmark’s premium. DHS staff negotiated a 12.0% increase with the Managed Care providers. The Board moved to approve Wellmark’s Plan as well as the increases in premium rates for all health insurance providers. Contracts will be presented to the Board for approval at its next meeting.

**Next Meeting** The next Board meeting is scheduled for May 20.

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

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

Meeting on Health Insurance Portability and Accountability Act (HIPAA)



**Advisory Group Meeting** A meeting of the Administrative Simplification-Fiscal Agent Technical Advisory Group was held April 16. The Group is working on implementation of the Health Insurance Portability and Accountability Act (HIPAA). The emphasis of the Group is the implementation of necessary changes to the Medicaid Management Information System (MMIS) regarding billing practices and procedures in accordance with the HIPAA. The items discussed include:

* Mission Statement: The Group reviewed and approved the proposed statement. The emphasis is Medicaid and changes to DHS systems and processes.
* Organization of the Group:
* Roles of Chairperson and Co-Chairperson: The DHS staff will be both Chairperson and Co-Chairperson. They will facilitate along with a contractor, yet to be named, a collaborative effort to make required billing system changes and to meet the federal timelines for implementation, October 16, 2003. DHS Administration will select the Chairperson and Co-Chairperson.
* Roles of Non-DHS Staff: The current fiscal agent, Consultec, will work directly with the Group and DHS staff to implement changes into the MMIS system. Several provider groups have volunteered staff to provide advice and monitor implementation as it relates to members of their organizations. Medicaid Providers are subject to HIPAA requirements and timelines as well.



* Project Plan: The DHS staff had prepared a draft Project Plan, which was provided at the meeting. The Group considered the Plan a work-in-progress and accepted the Plan. Issues discussed related to the need for a communication plan, coding changes, employee and provider manuals, electronic agreements, system interfaces, and running parallel billing processes (current and proposed). Updates to the Project Plan will be made prior to the next meeting.
* Funding: HF 2615 (Healthy Iowans Tobacco Trust) appropriated $2.1 million for HIPAA in FY 2003. The total cost for HIPAA for Medicaid Systems is projected to be $32.2 million. The vast majority of funding is federal funds at a 90.0% federal match.
* Workshop by Centers on Medicare and Medicaid Services (CMS): The Group was informed that CMS will be in Des Moines May 14-16 for a workshop on HIPAA. The workshop is to provide technical assistance and will focus on Medicaid. The location for the workshop is the Historical Building classroom for May 14 –15 and Room 116 in the Capitol for May 16.
* Next meeting: Meetings will be held the third Tuesday of each month from 10:00 A.M. to Noon.

**More Information** For more information contact the Legislative Fiscal Bureau.

STAFF CONTACT: Sam Leto (Ext. 16764)

Meeting of The Medicaid Infrastructure Grant Workgroup

**Workgroup Meeting** The Medicaid Infrastructure Grant Workgroup met on April 10 and conducted the following business:

**Status** Status updates:

* Personal Assistance Services information - Members of the Workgroup have been developing information to share with the public regarding the Program. The latest draft was shared with the full Workgroup.



* Conference Calendar – The Workgroup has been tracking several conferences that would provide forums to share information with the public on the work the Workgroup is doing and as an aid to getting public support for the Personal Assistance Services Program.
* Brochure - A draft copy of the brochure to be distributed at conferences was discussed. Information which members want addressed in the brochure include potential savings of the Personal Assistance Program, number of disabled individuals able to get jobs with this Program, impact on Iowa’s economic development, and description of the future with individuals in the Program compared to living in residential or institutional facilities.
* Training Development - The Workgroup continues to develop a consumer/casemanager/social worker training manual. A provider manual is also in development. The manuals are intended to provide the users with helpful information regarding the various aspects of individuals with disabilities and opportunities to lead productive lives.
* Workplan/Strategy - A draft article has been completed and will be distributed to members of the Workgroup to place in newsletters or other forums.

**Next Meeting** The next meeting is May 8.

STAFF CONTACT: Sam Leto (Ext. 16764)

Iowa Brain Injury State Plan Task Force



**Task Force Meeting** The Iowa Brain Injury State Plan Task Force met April 25. This Task Force is responsible for developing a new three-year State Plan as part of the federal Traumatic Brain Injury Act. The goal is to have the new Plan developed by August 2002. The Task Force is chaired by Geoffrey Lauer from Iowa City, representing the Brain Injury Association of America. The Task Force has received public comment and is undertaking the process of formulating the comments into the State Plan. Topics discussed included, but were not limited to:

* Maximization of available funding, including federal funds, private insurance coverage, dedicated funding stream for services, county mental health funding, and needed solutions to legal settlement.
* Determination of necessary data for related statistics and services.
* Need for education and information, as well as public awareness.
* Requiring brain injury to be part of the population to be mandatorily served.
* Improvement in collaboration between county staff, coalitions, Farm Bureau, the Mental Health and Developmental Disability Commission, various brain injury resources and family support network, and case management efforts.
* Improved or more coordinated transportation and employment services.
* Aspects of housing needs, advocacy training efforts, and prevention activities.

**Funding** The Task Force is funded by using a portion of a one-year federal grant regarding demonstration and follow-up of a previous three-year implementation grant for services and resources for brain injured. The next meeting is scheduled for May 30.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

April Meeting of the Council on Human Services

**Council Meeting** The Council on Human Services met April 10 and conducted the following business:

**Rules Approved** Approved administrative rule action of:

* Adapting to the regional and service area field offices. The financial impact has already incurred with reorganization under way.

Administrative

 **Rules**

* Restoring the across-the-board reductions to provider rates in the Medical Assistance Program. Actions taken by the General Assembly in HF 2245 (FY 2002 Medical Assistance Program [Medicaid] Supplemental Act) provided funding to meet the estimated shortfall of $61.0 million.
* Revising policy in the Medical Assistance Program related to dental services for adults as required by HF 2245 (FY 2002 Medical Assistance Program [Medicaid] Supplemental Act). The financial impact is a savings, which is part of the Act.
* Revising policy in the Medical Assistance Program related to dental services. No fiscal impact is indicated.
* Revising policy in the Medical Assistance Program relating to reimbursement to hospitals for outpatient and inpatient services. No fiscal impact is indicated.
* Revising policy in the Promise Jobs Program relating to the exemption for disabled persons who do not receive State Supplemental Income benefits. No fiscal impact is indicated.

#### FY 2003

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**Director’s Comments** The Council discussed Council member concerns and heard from Director Rasmussen regarding:

* FY 2003 Budget proposals.
* Other proposed legislation regarding the Senior Living Trust Fund and the salary/et.al. bill.
* Development of work relief strategies for employees of the DHS.

**More Information** Additional information is available upon request from the LFB.

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

Risk Pool Board Meeting



**Board Meeting** The Risk Pool Board met on April 25. This is a statutory Board that meets to take action upon county applications for supplemental funding from the Mental Health, Mental Retardation, and Developmental Disabilities allowed growth line-item appropriation. Business included, but was not limited to:

* Election of Karen Strawn as chairperson and Sally Stutsman as vice chairperson of the Board.
* Review of the FY 2002 deappropriations and across-the-board reductions and the FY 2003 appropriation for the Risk Pool. This is a portion of the allowed growth line-item set aside for extraordinary and unbudgeted county expenditures. In contrast to information provided by staff of the Department of Human Services, staff from the Legislative Fiscal Bureau reviewed the reasons the line-item was included as part of the 1.0% across-the-board reduction in SF 2304 (FY 2002 Budget Adjustment Act). Since there was funding remaining in FY 2002 from this appropriation, the General Assembly included it as part of the 1.0% reduction.



* Discussion of the applications for additional funding and noting that two of the counties were eligible for more funding than requested. Discussion was held with representatives of the counties about reasons for the unplanned expenditures and possible future action to adjust the individual county budget to meet the changes in expenditures. Approval was given to the following counties application for additional funding:
* Union County: $132,000
* Howard County: $32,000
* Lyon County: $50,000
* Staff from the State Auditor’s Office noted the entire $16,800 granted to Jackson County in FY 2001 needs to be repaid since projected expenditures which the Risk Pool Board action was based upon in April 2001 were not met according to the FY 2001 Jackson County audit report.



* Discussion of possible changes for the future, with staff of the State Auditor’s Office volunteering to assist DHS staff regarding cross references to overall county expenditure report detail to the Risk Pool Board application. Also discussed was providing training for those counties interested in applying in 2002, and changing the statutory deadline for application from April 1 to January 1.
* With action by the Board, Jackson County repayment, and the FY 2003 appropriation, there is $726,000 available for future grants.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Olmstead Real Choices Task Force Meeting



**Task Force Meeting** The Olmstead Real Choices Task Force met April 29. This Task Force was formed to assist in the expenditure of a $1.4 million three-year Real Choices federal grant from the Centers for Medicare and Medicaid Services. The grant was received for implementation of policy changes that States may implement as a result of a U.S. Supreme Court Olmstead Case. This case related to serving individuals in a community setting in lieu of a facility or institution.

**Discussion** Discussion included:



* The decision by the Department of Human Services (DHS) to sole source contract with the University of Iowa Center for Disabilities and Development to administer the grant and subcontract to achieve the outcomes determined by the Task Force.
* Concerns of the members regarding the possible supplanting of appropriation reductions incurred by the University of Iowa with the grant monies.
* Concerns of the members regarding the amount of indirect cost reimbursement charged by the University of Iowa compared to the administrative costs which the DHS would be allowed to charge.
* A review of the revised grant document. Additional information regarding planned expenditures by category and the administrative costs will be available at a later date upon completion of the contract between the Department and the University.

**Next Meeting** The next meeting of the entire Task Force is scheduled for July 29. An Ad-Hoc Committee of the Task Force is scheduled to meet May 31 and June 18.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794)

State Soil Conservation Committee Holds Meeting

**Committee Meeting** The State Soil Conservation Committee held a teleconference meeting on May 2. Chairperson Russ Brandes called the meeting to order.

**Presentations** The following presentations were made:

 Soil Conservation Committee

* Jim Gillespie, Division of Soil Conservation, provided an update on the Buffer Strip Initiative. As of March 15, there were 316,000 acres enrolled in the Conservation Reserve Program (CRP). Gillespie also reported there were 44 applications received for the Watershed Protection Program totaling $5.3 million. The Department of Agriculture and Land Stewardship will review the applications and make recommendations to the State Soil Conservation Committee for the projects to be approved at a future meeting.
* Bill McGill, Division of Soil Conservation, reported the Soil Conservation Districts were notified that additional funds would be reallocated from the Conservation Practices Revolving Loan Funds prior to the end of the fiscal year. Districts wanting additional funds will notify the Soil Conservation Division.
* Bill Ehm, Division of Soil Conservation, reported the Department of Agriculture and Land Stewardship will be closed on May 10, May 24, and June 7 for furloughs. The Soil Conservation Field Offices will post notices about the closings.
* Leroy Brown, Natural Resources Conservation Service, reported the Congressional Conference Committee on the Farm Security Act reached an agreement on April 25. A final vote of the Farm Security Act is scheduled for the first week in May. Mr. Brown reported that he was a member of the Advisory Committee and that Dennis Pate, an employee of the Natural Resources Conservation Service, was assisting with the development of rules for Environmental Quality Incentives Program (EQIP).
* Bill McGill asked the Committee to approve an Administrative Rule Change regarding financial incentives for soil erosion. The change allows tree planting and conservation cover to be added to the list of approved conservation practices and allows persons implementing permanent soil conservation practices to be eligible to receive cost-share funding from other public funds. The rule change was approved by the Committee and will go into effect July 3, 2002.
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**Next Meeting** The next meeting will be June 6 in Des Moines.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Iowa Finance Authority Board Meeting



**Board Meeting** The Iowa Finance Authority Board held its monthly meeting on May 1 at the Hotel Fort Des Moines. Highlights of the topics addressed include:

* Finance and accounting – Revenues for March were $43,000 under budget and expenditures were $38,000 under budget, yielding a variance of $-5,000. For the year-to-date, both revenues and expenditures are under budget. Revenues totaled $2.8 million while expenditures totaled $2.4 million, yielding a positive variance of $.4 million.
* Bonds – Resolutions were passed authorizing issuance of bonds:
* Single Family Program (FirstHome), yielding anticipated proceeds of $45.0 million for the Program.



* Emmaus Bible College in Dubuque for $3.7 million in Private College Revenue Bonds.
* John M. Houts for $6.9 million in Multifamily Housing Revenue Bonds to acquire and rehabilitate three multifamily complexes in Indianola with a total of 318 units.
* Housing Programs:
* Housing Assistance Fund made:
* Transitional housing awards totaling $1.2 million to six projects.



* Technical assistance award of $80,000 to one project.
* Capacity building awards totaling $621,000 to five projects.
* Local Housing Assistance Program-Housing Assistance Fund (LHAP-HAF) made fourteen awards totaling $2.2 million. Of this amount, $945,000 in Housing Assistance moneys were awarded to seven projects serving families with family incomes below 80.0% of the median family income.
* Housing Assistance Fund Single-Family Construction Loan of $1.0 million to Midwest Homes of Carroll, Iowa, to build fifteen modular, single-family, two- and three-bedroom homes in Osceola. Midwest Homes is a for-profit developer working in cooperation with the Clarke County Development Corporation.
* Section 8 Program – the Authority received approval to proceed with a proposal to the federal Department of Housing and Urban Development (HUD) to provide contract administration services and Mark-to-Market services for the State of Nebraska. Nebraska is not interested in providing these services, and HUD has requested that IFA expand its operations into Nebraska. The Authority projects a total annual income of $1.0 million with expenses of $733,000, for a net gain of $295,000 (28.7%).
* The Authority is proceeding with a predatory lending project.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

State Board of Education Meeting



**Board Meeting** The State Board of Education met on April 18 and 19 in conjunction with the Area Education Agencies (AEA) Governing Boards Conference in West Des Moines. In addition to routine business matters and joint activities with the AEA representatives, the Board discussed the following topics:

* Academic eligibility for participation in athletics and other extracurricular activities
* A status report on the area education agencies
* Quality teaching standards for evaluator approval programs
* Strengthening education in rural Iowa

**Next Meeting** The next meeting of the State Board of Education will be May 9 and 10.

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

STAFF CONTACT: Robin Madison (Ext. 15270)

Medical Assistance Program Projection Meeting



Medical Assistance Projection

**Meeting on Med. Asst.** Staff from the Department of Human Services, Department of Management, and Legislative Fiscal Bureau met April 23 to review the Medical Assistance Program (Medicaid) financial and statistical information through March 2002. This meeting was the monthly meeting agreed to by the Directors of the three entities as a process for monitoring the Medical Assistance Program budget for FY 2002, as well as the estimates for FY 2003.

**FY 2002 Projection** Based on the analysis at the April meeting from nine months of data, the projection continues to be consistent with the available total funding of $1.6 billion and State funding of $513.1 million for FY 2002 in the Medical Assistance Program. Total funding includes federal funds, State General Fund, Senior Living Trust Funds, Mental Health Property Tax Relief funds, and tobacco funds appropriated for the Program.



**FY 2003 Projection** For FY 2003, the analysis indicates the range of $93.0 million to $114.0 million compared to the estimated net FY 2002 appropriation (increase over the original FY 2002 Medical Assistance Program appropriation less the 4.3% across-the-board reduction) has not changed based upon the most recent data. The General Assembly authorized cost saving adjustments in the Medical Assistance Program for FY 2003, which are projected to reduce the need in FY 2003. Final legislative action is pending review and approval of the Governor. The three entities will continue to analyze and communicate the FY 2002 and FY 2003 Medicaid projections.

**More Information** Contact the Legislative Fiscal Bureau for more information.

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

Board of Parole - FY 2002 Reduction in Work Hours Plan

**Reduction in Work Hours** The Legislative Fiscal Bureau has received the Board of Parole’s FY 2002 Reduction in Work Hours Plan. The Board must reduce its budget by $19,000 pursuant to SF 2304 (FY 2002 Budget Adjustment Act). The Board proposes to close its offices from 1:00 p.m. to 4:30 p.m. for six half-day periods: April 19, May 3, 17, and 31, and June 7 and 14. Board of Parole employees have received the required 20-day notice of the reduction in work hours. Additional information is available by contacting the Legislative Fiscal Bureau.

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STAFF CONTACT: Beth Lenstra (Ext. 16301)

LOTTERY REVENUES AND EXPENDITURES THROUGH MARCH



**March Rev./Exp.** Through March, FY 2002 Lottery game revenues increased $7.6 million from the FY 2001 level. Lottery prize expenses increased $3.0 million, operating expenses increased $0.8 million, and transfers to State funds increased $3.7 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 2001** Fiscal year sales through March, compared to the same time period of FY 2001, were as follows:

* Instant ticket sales decreased $3.1 million (5.1%).
* Pick 3 sales increased $606,000 (21.3%).



* Multi-State Powerball sales increased $9.9 million (26.5%).
* Rolldown sales decreased $557,000 (33.3%).
* Freeplay Replay sales decreased $265,000 (49.5%).
* Cash 4 Life sales decreased $481,000 (100.0%).
* Daily Game sales increased $66,000 (2.2%).
* Pull-tab sales increased $259,000 (1.4%).

**Ticket Sales** Total Lottery sales through March were $132.7 million, an increase of $7.6 million (6.1%) compared to March 2001. July through March 2002 sales for the Pull-Tabs, Daily Game, Powerball, and Pick 3 were above sales for the same period during FY 2001. Included in the sales amount is the receipt of $1.2 million due to the demutualization of Principal Mutual Insurance Company.

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**Estimated Transfers** The February Revenue Estimating Conference (REC) projected FY 2002 Lottery profit transfers to the General Fund will total $33.1 million. Actual profit transfer for FY 2001 was $35.4 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be $2.3 million (6.5%) lower in FY 2002 than in FY 2001. Through March, FY 2002 transfers to the General Fund are $3.6 million (14.5%) above FY 2001.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $6.6 million in sales tax during FY 2002.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Conference Committee Reaches Agreement on Farm Security and Rural Investment Act of 2002

**Farm Security Act** The Congressional Conference Committee reached an agreement on the Farm Security and Rural Investment Act of 2002 on April 25. The following is a brief summary of some of the items included in the Farm Security and Rural Investment Act:

* Commodities—outlines the loan rates, direct payments, and target prices for grain commodities. Maintains the Milk Price Support Program and establishes the National Dairy Program that will provide assistance to milk producers. Specifies the payment limitations of all commodities programs and creates a commission to study farm payment programs.
* Conservation Practices—provides funding of $17.1 billion for conservation programs. They include the Conservation Reserve Program (CRP), the Wetlands Reserve Program, the Grasslands Reserve Program, the Farmland Protection Program, the Wildlife Habitat Incentives Program, the Environmental Quality Incentives Program (EQIP), the Water Conservation Program, the Conservation Security Program, the Small Watershed Rehabilitation Program, the Underserved States Program, and the Desert Terminal Lakes Program.
* Trade—provides funding of $1.1 billion for agriculture trade programs. They include the Market Access Program, the Technical Assistance for Specialty Crops Program, the Foreign Market Development Cooperator Program, the Food for Progress Program, and the Global Food for Education Initiative Program.
* Nutrition—provides funding of $6.4 billion for nutrition programs. This includes the reformation of the Food Stamp Program. Also increases funding for the Farmer’s Market Nutrition Program for senior citizens and low-income families.
* Credit—reauthorizes farm lending programs in the United States Department of Agriculture (USDA) and extends the duration of the loans.
* Rural Development—provides funding of $1.0 billon for rural development programs. This includes the Rural Local Television Broadcast Program, the Broadband Services in Rural Areas Program, the Rural Strategic Investment Program, the Funding for Rural Development Backlogs Program, and the Rural Firefighters and Emergency Personnel Grant Program.
* Research—provides funding of $1.3 billion for the reauthorization of current programs and the establishment of new research and extension programs related to agriculture.
* Forestry—provides new funding of $100.0 million for a forestry cost-share program.
* Energy—provides funding of $405.0 million for five energy programs. They include the Commodity Credit Corporation Bioenergy Program, the Biobased Product Purchasing Preference Program, the Biodiesel Fuel Education Program, the Renewable Energy System Program, and the Biomass Research and Development Program.

**More Information** The Congress is expected to pass the Act on May 2. More information is available from the Legislative Fiscal Bureau upon request or at the web site: <http://staffweb.legis.state.ia.us/lfb/subcom/ag_dnr/ag_dnr.htm>. For a summary of the Act as agreed to by the Conference Committee, refer to: <http://agriculture.senate.gov/Briefs/2001FarmBill/2001farmbill.html>.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Iowa Becomes First State to Charge shippers for carrying low-level Radioactive Waste

**Iowa to Charge Fee** House File 726 (Health and Human Rights Appropriations Act), enacted by the 2001 Iowa General Assembly, gives Iowa the authority to charge fees to shippers for carrying low-level and high-level radioactive waste across Iowa. Currently, Illinois is the only State to charge such fees; however, Illinois charges for high-level radioactive waste only. Iowa will be the first state to charge for low-level radioactive waste.

**Trucks/Train Shipper Fees** Beginning July 1, shippers of trucks and trains carrying radioactive waste across Iowa will be charged the following fees:

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* $1,750 per cask for each truck shipment of high-level radioactive waste. Single-cask truck shipments are subject to a surcharge of $15 per mile for every mile over 250 miles traveled.
* $1,250 for the first cask and $100 for each additional cask for each rail shipment of high-level radioactive waste.
* $50 for each shipment by truck or by rail paid by the shipper for low-level radioactive waste.

**General Fund Revenue** All fees must be received by the Department of Transportation (DOT) prior to shipment. Typically, such fees would be deposited into the General Fund. Under Federal law (49 U.S.C. § 5125(g)), however, the fees must be used for the following: “Purposes related to transporting hazardous material, including enforcement and planning, developing, and maintaining a capability for emergency response.”



**Fiscal Estimate** The idea of charging fees to shippers was a collaborative effort between the Department of Public Health (DPH) and the DOT. It is unknown how many shipments will travel through Iowa, but it is estimated there could be about 4,000 per year, which would bring in $200,000 annually. The DOT will collect the fees and transfer the funds to the DPH. The DPH will, in addition to maintaining an emergency response capability, reimburse the DOT for motor vehicle inspections, emergency response training, and escorting the shippers carrying hazardous materials across the State. Additionally, the DPH will reimburse the DOT for computer maintenance for a computer system that tracks the hazardous waste shipments.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Status of Rules for Alternative Route to Teacher Licensure

**Administrative Rules** On April 19, the Board of Educational Examiners gave final approval to administrative rules establishing a teacher intern license. Under the rules, an applicant for a teacher intern license must hold a baccalaureate degree with a minimum cumulative grade point average of 2.5, meet the requirements of at least one secondary endorsement area, and have at least 3 years of post-baccalaureate work experience.



Teacher Licensure

**Restrictions** The license is restricted to grades 9-12 and requires completion of an accredited 12-semester hour introductory program. To progress to an initial teacher license, the intern must complete a one-year internship with a school district, a 4-semester hour seminar during the internship year, and a final 12-semester hour program following the internship.

**Next Meeting** The State Board of Education has noticed administrative rules for accrediting teacher intern preparation programs. Those rules are scheduled for adoption at the Board’s meeting on May 9-10.

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

STAFF CONTACT: Robin Madison (Ext. 15270)

Audit Report - Iowa Sheep and Wool Promotion Board

**Audit Report** The State Auditor issued the FY 2000 and FY 2001 Audit Report for the Iowa Sheep and Wool Promotion Board on February 15.

**Background**  The purpose of the Iowa Sheep and Wool Promotion Board is to create and promote more efficient production and marketing of sheep wool products.

**Reportable Conditions**The Report indicated there was one reportable condition regarding segregation of duties. There is one contract employee that is authorized to approve expenditures, issue checks, post accounting transactions, prepare deposits, and reconcile bank statements. 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.



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

STAFF CONTACT: Deb Kozel (Ext. 16767)

Audit report – department of elder affairs

**Audit Report** The Legislative Fiscal Bureau (LFB) received the annual audit report for the Department of Elder Affairs for FY 2001. The Report included one finding related to subrecipient audit report review and one finding related to Code compliance.



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

**Recommendation** The Department had 13 subrecipients that received federal funds for Supportive Services, Senior Centers, and Nutrition Services. The Department did not review any of the subrecipient audit reports in a timely manner to ensure that corrective action, if any, was taken within six months as required.



* Recommendation – The Department should take steps to ensure timely reviews of subrecipient audit reports and that corrective action is taken.
* Response and Corrective Action Planned – The Department will strengthen the process whereby subrecipient audit reports are logged in and the review process monitored to ensure timely reviews of those subrecipient audit reports. Priority will be placed on the review of subrecipient audit reports, effective immediately.
* Conclusion – Response accepted.

**Required Report Code Compliance** – Section 8D.10, Code of Iowa, requires the Department to submit an annual report to the General Assembly, on or before January 15th, certifying the identified savings associated with using the Iowa Communications Network (ICN). The Department did not submit this required report.



* Recommendation – The Department should implement procedures to ensure compliance with Section 8D.10, Code of Iowa.
* Response – The Department will implement a process to ensure the reports are completed and submitted.
* Conclusion – Response accepted.

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

STAFF CONTACT: Lisa Burk (Ext. 16765)

Audit Report - Department of Corrections

**Audit Report** The Legislative Fiscal Bureau has received the annual audit report for the Central Office of the Iowa Department of Corrections (DOC). The report includes one finding related to internal control procedures. Internal control requires segregation of duties among employees so that the activities of one employee act as a check on those of another employee. The audit report states that two employees have the ability to both create and approve documents related to payroll and personnel. The DOC stated that it would immediately modify its internal control procedures so that:

* An accounting staff member will review and sign the payroll journal.
* The Deputy Director of Administration will authorize all raises and promotions in writing.
* All raises and promotions will be verified against the payroll report for such changes.

**Copies Available** Copies of the Report are available by contacting the Legislative Fiscal Bureau.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Audit Report - Department of Human Rights

**Audit Report** The Legislative Fiscal Bureau (LFB) received the annual audit report for the Department of Human Rights for FY 2001. The Report included two audit report comments regarding the federally funded Low-Income Home Energy Assistance Program (LIHEAP), one audit report comment for the federally funded Weatherization Assistance Program for Low-Income Persons, and two findings related to internal control and Code compliance.



**LIHEAP Program Low-Income Home Energy Assistance Program (LIHEAP)**



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

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

**Recommendation** The Auditor’s Office reviewed a total of 54 monthly cash reports for the Low-Income Home Energy Assistance Program (LIHEAP) and for the Home Energy Assistance Program (HEAP) for this requirement. For 19 of the cash reports reviewed, for 17 LIHEAP and two HEAP, the month end cash balances and requests for funds were not expended within the next month.

* Recommendation – The Department should continue to closely monitor their cash management procedures to ensure compliance with federal guidelines.
* Response and Corrective Action Planned – Subrecipient agencies are required to submit monthly cash reports based on actual and estimated expenditures, and the Bureau of Energy Assistance monitors all advances and payment requests to determine excess funds. Historically, it has been difficult to project costs for November, December, and January. Climatic conditions and the price of fuel impact estimated and actual numbers significantly.

The staff will review the feasibility of using interim reports during those months, or other payment options, to be compliant with cash management requirements. The staff for the Low-Income Home Energy Assistance Program (LIHEAP) will conduct on-site monitoring visits of each site annually and specifically address the issue of excess funds. A policy has been implemented that requires agencies to return excess funds when identified. The Department will continue to closely monitor cash management procedures to ensure compliance with federal guidelines.

* Conclusion – Response accepted.

**Cash Management Cash Management over Payroll** – Two of 25 payrolls were not drawn within the proper time period for the Low-Income Home Energy Assistance Program (LIHEAP) and for the Home Energy Assistance Program (HEAP). In one instance, the draw was two days after the proper time period and in the other instance, the draw was one day prior to the proper time period. This is not in compliance with the terms of the Cash Management Information Act (CMIA) Agreement.



REPORT

* Recommendation – The Department should develop procedures to ensure that federal funds for payroll are drawn consistently throughout the year and in compliance with the terms of the CMIA Agreement.
* Response and Corrective Action Planned – The number of payroll draws not deemed timely decreased from eight (all one day early) for State FY 2000 to two instances for State FY 2001.

For the first instance cited this year, the funds were received two days late in the Low-Income Home Energy Assistance Program (LIHEAP) accounts; however, the Department’s request for funds was made one day prior to the payroll run, which is within the proper CMIA guidelines, and the State received the funds into the general block grant account on the day of payroll run. The funds, however, were not credited to the Department’s LIHEAP account for two days and they are not sure why the processing of the transfer document was delayed. Normally, funds are received and credited to accounts the day following requests.

The second instance states payroll was drawn one day prior to the proper time period. This is true because all accounting staff members were out of the office providing training to the Community Action Agencies’ fiscal officers, and/or conducting on-site LIHEAP financial monitoring during the period of time allowed by CMIA guidelines. There is a small number of fiscal staff within the Department, each performs multiple duties, and having all staff out of the office at once is a rare occurrence, but it can happen. The Department will continue to closely monitor its procedures for requesting payroll funds.

* Conclusion – Response accepted.

**Weatherization Program Weatherization Assistance Program for Low-Income Persons**

**Cash Management Cash Management** – The Common Rule requires grantees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee whenever advance payment procedures are used.

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**Recommendation** For two of 16 drawdowns tested, the time between transfer of funds from the U.S. Treasury and disbursement by the grantee was not considered to be minimized. In one case, $279,003 was drawn but not disbursed until six working days. In another instance, $16,000 too much was drawn and no adjustment to a subsequent draw was noted.

* Recommendation – The Department should continue to closely monitor their cash management procedures to ensure compliance with federal guidelines. The Department should reduce its next draw to correct the $16,000 overdraw.
* Response and Corrective Action Planned – The Department will continue to closely monitor cash management procedures to ensure compliance with federal guidelines, and will adjust subsequent drawdowns when excessive funds are on hand.
* Conclusion – Response accepted.

**Internal Control Finding Related to Internal Control:**



* Fixed Assets – Section 7A.30, Code of Iowa, requires that each department and division of State government maintain up-to-date inventory of all real and personal property belonging to the State and under their charge, control, and management. The Auditor’s Office review of the Department’s fixed asset records disclosed that seven of 12 asset deletions tested were not properly authorized.
* Recommendation – The Department should implement procedures to ensure that proper authorization is received before deleting items from the fixed asset listing.
* Response – The Department will re-emphasize to staff the necessity for implementing the current procedures to account for fixed assets. The appropriate people within the Department that have authority to surplus property have now signed the seven disposal forms that were not properly authorized.
* Conclusion – Response accepted.

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

* **Commission and Council Meetings** –The Department of Human Rights includes eight councils and commissions as established under Chapter 216A, Code of Iowa. Section 69.15, Code of Iowa, states that a person appointed to a commission is deemed to have submitted a resignation from office if they do not attend three or more consecutive meetings. The Commission of Deaf Services, the Juvenile Justice Advisory Council, the Commission on the Status of African-Americans, and the Commission of Persons with Disabilities had members that did not comply with the attendance requirements of Section 69.15, Code of Iowa. The Department notified the Governor’s Office regarding the Juvenile Justice Advisory Council member that had been absent for four consecutive meetings.
* Recommendation – The Department should continue its efforts to encourage member attendance.
* Response – The Department does encourage commission member attendance. Teleconferencing, using ICN sites, scheduling meetings on weekends and evenings, and utilizing various locations around the State are just four of the methods the divisions have tried. However, if a commissioner has not attended three or more consecutive meetings and thus has been deemed to have submitted a resignation from office, the appropriate division will send a memo to the Governor’s Office apprising them of the situation. The Department of Human Rights does not have statutory authority to tender these resignations.



* Conclusion – Response accepted.
* **Code Compliance** – Section 8D.10, Code of Iowa, requires any agency that is part of the Iowa Communications Network (ICN) to annually provide a written report to the General Assembly certifying the identified savings associated with the use of the network. This report is due on or before January 15 for the previous fiscal year. The Department did not submit the required report until February 2002.
* Recommendation – The Department should take appropriate steps to ensure that required reports are completed and filed on a timely basis.
* Response – The Department did not submit a report for State FY 2000; however, the Iowa Legislative Fiscal Bureau designed a uniform reporting format for all State agencies for State FY 2001. The Department did complete and submit this report for State FY 2001.
* Conclusion – Response acknowledged; however, the Department should ensure that future reports are filed on or before January 15 as required.

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

STAFF CONTACT: Lisa Burk (Ext. 16765)

Iowa Equity Fund

Equity Fund



**Equity Fund Created** On April 9, the Iowa Finance Authority (IFA) and local financial institutions announced the creation of the Iowa Equity Fund. The Iowa Equity Fund is a nonprofit corporation that will support development of low-income housing projects with financing and technical assistance. The Fund will focus on smaller development projects in the inner city and in rural areas where it is more difficult to locate housing projects. The Fund received $140,000 from IFA and additional seed money from Commercial Federal Bank and U.S. Bank.



**Funding Generated** The Iowa Finance Authority projects the Iowa Equity Fund will generate approximately $10.0 million in equity for housing projects during the first year. The Fund generates capital by locating investors and syndicating low-income housing tax credit projects. The housing projects receive federal low-income housing tax credits. The Fund will consolidate these tax credits and sell them to investors, primarily Iowa financial institutions, to obtain capital for the projects. The investors will use these tax credits over the next ten years to offset their federal tax liability. Iowa tax credits currently sell for approximately 70.0% of their value, while larger projects on the east and west coasts sell for approximately 85.0% of their value. The Iowa Finance Authority expects to increase the percentage by syndicating the tax credits and selling them primarily to Iowa financial institutions.

**Limited Liability Company** The Iowa Equity Fund, L.L.C., is a single-member limited liability company with the sole member being the Midwest Housing Equity Group, Inc., which is a non-profit corporation that receives no regular federal or state support. The Midwest Housing Equity Group has created similar funds in Kansas and Nebraska. The Midwest Housing Equity Group has invested $110 million in 1,500 units of affordable housing units in Nebraska, Kansas, and Iowa.

**Management of Fund** Renie Newberger has been hired as the executive director for the Iowa Equity Fund. She was formerly comptroller and vice-president with the Neighborhood Finance Corporation of Des Moines. The management committee for the Iowa Equity Fund is Jim Rieker, President of the Midwest Housing Equity Group; Christine Hensley of Commercial Federal Bank; Richard Schenck of Wells Fargo Bank; John Sorenson,

 President of the Iowa Bankers Association; and Jon Hrabe of the Greater Des Moines Community Foundation.

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