

FISCAL UPDATE

January 16, 2003

Legislative Fiscal Bureau

(515)-281-5279 FAX 281-8451

<http://staffweb.legis.state.ia.us/lfb>

ANALYSIS OF DEPARTMENT BUDGET REQUESTS FOR FY 2004

Dept. Request Analysis



The Legislative Fiscal Bureau has recently published the [Analysis of the Department Budget Requests](#) for FY 2004 to the Legislative Fiscal Bureau's web site. The document can be viewed at:

<http://staffweb.legis.state.ia.us/lfb/docs/BudgAnalysis/FY04Iadar.pdf>

Purpose of Document

The purpose of this document is to provide the General Assembly with information concerning FY 2004 General Fund estimated receipts and department requests. This information provides an overall summary of the State budget and is intended to help the General Assembly take a proactive approach toward the budgetary process. This document is intended to present an overview of the General Fund, including revenues, expenditures, and Full-Time Equivalent (FTE) positions to the General Assembly. The Legislative Fiscal Bureau (LFB) will be preparing a similar document reviewing the Governor's Recommendations for FY 2004 in January.

STAFF CONTACT: Holly Lyons (Ext. 17845) Robin Madison (Ext. 15270)

STATE APPROPRIATIONS PROCESS

PowerPoint Presentation



A PowerPoint presentation titled the *"State Appropriations Process"* has been published to the Legislative Fiscal Bureau's web site. The presentation was made to new legislators at an orientation meeting in early December. The slide presentation can be viewed at:

http://staffweb.legis.state.ia.us/lfb/docs%5Cnew_legis_orient_dec02.ppt

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STAFF CONTACT: Holly Lyons (Ext. 17845)

UPDATE ON FAIR LABOR STANDARDS ACT (FLSA) LAWSUITS

Update on FLSA Lawsuits



Approximately 293 employees sued four State agencies in 1994 for overtime pay they claimed was due under federal law (Fair Labor Standards Act) and Chapter 91A, Code of Iowa. The four agencies that were sued were the Department of Public Safety (DPS), the Department of Transportation (DOT), the Department of Corrections (DOC), and the Department of Natural Resources.

Judge to Decide Damages

The Iowa Supreme Court decision in Anthony v. State, No.99-0515, resolved the liability issues except for calculation of damages. The lawsuits were remanded back to District Court to determine damages owed the employees. The Attorney General's Office and the plaintiffs' attorney are presenting their proposals to the District Court judge. The judge will decide the actual damages based on the proposals. The District Court has yet to rule on actual damages in any of these cases.

Estimated Cost



Approximately 147 supervisors in the DPS, Divisions of the State Patrol, Criminal Investigation, and Narcotics Enforcement, are involved in the lawsuit. The Attorney General's Office estimates the damages at \$5.5 million while the plaintiffs' attorney estimates the damages at \$6.7 million. The majority of the costs of the damages may be paid from the Road Use Tax Fund, since the Fund paid for most of these employees' salaries at the time of the original lawsuit (1994).

Dept. of Transportation

The DOT case involves approximately 72 supervisors. The Attorney General's Office estimates the damages range from \$6.5 million to \$13.0 million. All costs may be paid from the Road Use Tax Fund because it is the funding source for these employees' salaries.

Dept. of Corrections

Approximately 68 supervisory correctional officers sued the DOC. The Attorney General's Office estimates the damages range from \$1.0 million to \$2.0 million. The funding source for payment of damages is expected to be the General Fund.

Dept. of Natural Resources

The DNR case involves six supervisors. Costs are expected to be nominal. The funding sources are anticipated to be the Fish and Game Fund (five supervisors) and the General Fund (one supervisor).

STAFF CONTACT: Beth Lenstra (Ext. 16301)

GENERAL SERVICES - APPROPRIATIONS TRANSFER

Section 8.39 Transfer

The Legislative Fiscal Bureau (LFB) received notice for a proposed FY 2003 appropriations transfer under Section 8.39, Code of Iowa.

Appropriations/Amounts



The Department is transferring a total of \$120,000 from two Restricted Capital Fund appropriations that were made in FY 2002. The appropriations and amounts being transferred are listed below:

- Metropolitan Medical Center Appraisal/Assessment \$69,800
- Land Acquisitions and Improvements \$57,200

Capitol Restoration

The \$120,000 will be transferred to the Capitol Building Restoration appropriation. The funds are being transferred in order to complete the restoration of the Legislative Chambers in the Capitol Building.

Funds Available

Metropolitan Medical Center Appraisal/Assessment – The Department received an appropriation of \$250,000 for an appraisal and assessment of the Metropolitan Medical Center facility in FY 2002. The project was completed in December 2002 and the Department expended a total of \$187,200 of the appropriated funds. The funds were not required to revert until June 2004.

Land Acquisitions



Land Acquisitions and Improvements – The Department received an appropriation of \$200,000 for the purchase of and improvement to property located adjacent to the Capitol Complex. The transfer of \$57,200 from this appropriation reduces the amount of funds available for the intended purpose. The funds were not required to revert until June 2004.

STAFF CONTACT: David Reynolds (Ext. 16934)

IOWA STATE UNIVERSITY LEASE PURCHASE

Lease Purchase



Iowa State University is entering into a lease purchase agreement for a sterilization system for the Veterinary Teaching Hospital to be used for sterilizing surgical instruments and supplies. The University states that the purchase is necessary since the National Animal Disease Laboratory, which had previously performed the sterilizations, will no longer be providing the service.

Cost of System

The cost of the system is \$114,000 and is being purchased through the company at zero percent interest. The term of the lease purchase will be for one year; however, the payments will extend over two fiscal years. The debt service will be paid from the fees that were previously paid to the National Animal Disease Laboratory for sterilization services.

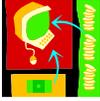
STAFF CONTACT: David Reynolds (Ext. 16934)

DEPARTMENT OF TRANSPORTATION BUDGET REVERSION

FY 2001 Reversions Report

In compliance with Section 307.46(2) Code of Iowa, the Department of Transportation (DOT) submitted the following report on the use of FY 2001 reversions:

Amount/Purpose



“The Iowa Department of Transportation spent \$452,567 of the FY 2001 Road Use Tax Fund/Primary Road Fund budget reversion in FY 2002 for software and hardware purchases and employee training.”

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

UPDATED PROJECTIONS FOR THE SENIOR LIVING TRUST FUND

Projections Updated

The Legislative Fiscal Bureau (LFB) has updated projections for the Senior Living Trust Fund to include \$166.6 million in revenues that had been placed in a Pending Senior Living Trust Fund. The funds were approved for appropriation by the federal Centers for Medicaid and Medicare Services (CMS), formerly the Health Care Financing Administration (HCFA) in December 2002.

Pending Trust Fund

The 2002 General Assembly established a Pending Senior Living Trust Fund in HF 2625 (FY 2002 Adjustments and Transfers Act) to receive funds from intergovernmental transfers for the Senior Living Program that were not yet approved for expenditure by the federal Centers for Medicaid and Medicare Services (CMS). The Act required the funds be transferred to the Senior Living Trust Fund when approved for appropriation. The following table provides the revenues and expenditures for the Fund beginning with FY 2001 and projected to FY 2008.

Time-Limited Revenue Source The Fund is a time-limited revenue source and it is estimated that deposits

SENIOR LIVING TRUST FUND (Dollars in Millions)								
	Actual FY 2001	Actual FY 2002	Est. FY 2003	Projected FY 2004	Projected FY 2005	Projected FY 2006	Projected FY 2007	Projected FY 2008
Revenues								
Beginning of SFY Fund	\$ 0.0	\$ 60.9	\$ 127.0	\$ 344.8	\$ 280.8	\$ 192.7	\$ 93.3	\$ 20.5
Intergovt Transfer	95.6	129.9	120.6	24.6	2.0	2.0	2.0	2.0
Intergovt Transfer (Hospital Trust Fund)	0.0	13.2	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid Transfer	0.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	3.8	4.4	7.5	6.6	5.1	3.5	1.7	0.4
Total Revenues	\$ 99.4	\$ 214.4	\$ 255.1	\$ 376.1	\$ 287.9	\$ 198.2	\$ 97.0	\$ 22.9
Expenditures								
NF Conversion/LTC Service Grants	\$ 0.5	\$ 7.9	\$ 2.6	\$ 20.0	\$ 20.0	\$ 29.0	\$ 0.0	\$ 0.0
DHS Service Delivery								
Assisted Living Rent Subsidy	0.0	0.1	0.7	0.7	0.7	0.7	0.7	0.7
HCBS Elderly Waiver	0.0	0.7	0.7	0.7	0.7	0.7	0.7	0.7
NF Case Mix and Price Methodology	33.7	24.8	30.0	30.0	30.0	30.0	30.0	30.0
Medical Assist. Program (Medicaid)	0.0	48.5	36.0	36.0	36.0	36.0	36.0	36.0
DHS Administration & Contracts	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.3
DEA Service Delivery & Administration	\$ 4.1	\$ 5.3	\$ 6.6	\$ 7.6	\$ 7.5	\$ 8.2	\$ 8.9	\$ 9.6
Total Expenditures	\$ 38.5	\$ 87.3	\$ 76.8	\$ 95.3	\$ 95.2	\$ 104.9	\$ 76.5	\$ 77.3
Ending Trust Fund Value	\$ 60.9	\$ 127.0	\$ 178.3	\$ 280.8	\$ 192.7	\$ 93.3	\$ 20.5	\$ -54.4

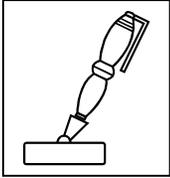
The sum of the numbers may not equal totals due to rounding.

from intergovernmental transfers will end after the first quarter of FY 2004 due to the phase-out of this particular transfer mechanism. If appropriations for future fiscal years continue at the FY 2003 levels and conversions grant appropriations resume, the Fund may be depleted in FY 2008.

More Information

For more information regarding the Senior Living Trust Fund, contact the LFB.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611) Lisa Burk (Ext. 17942)
Sue Lerdal (Ext. 17794)

FY 2002 LEGISLATIVE INTENT LANGUAGE**Sections Identified**

The Legislative Fiscal Bureau (LFB) has identified 370 sections of intent language in FY 2002 Appropriations Acts. The LFB categorizes intent language as follows:

- **Compliance** – The Department or Agency performed as required by the intent language.
- **Noncompliance** – The Department or Agency did not perform as required by the intent language.
- **In Progress** – The Department or Agency is in the process of performing as required by the intent language, but has not fulfilled the intent requirement as of the end of FY 2002.
- **Other** – The Department or Agency has not complied because the Governor vetoed the language, or the Department was unable to comply due to unusual circumstances.

Compliance of Sections

Of the total 370 intent language sections, State Departments and Agencies complied with 351, did not comply with two, and are in the process of complying with two. The remaining 15 sections fall under the “other” category. For those departments or agencies that did not comply with certain sections, the LFB analyst representing that subcommittee area wrote a separate analysis.

Department/Agency Listing

The table below lists the number of legislative intent language sections by department or agency, in addition to the number of sections by category.

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FY 2002 Legislative Intent Language

<u>Department/Agency</u>	<u>Compliance</u>	<u>Non-Compliance</u>	<u>In Progress</u>	<u>Other</u>	<u>Total Sections</u>
Ag. & Land Stewardship (DALs)	18				18
Auditor	1				1
Board of Regents	17				17
Civil Rights	2				2
College Aid	1				1
Commerce	5				5
Corrections (DOC)	30				30
Cultural Affairs	3				3
Economic Development (DED)	18				18
Education (DOE)	9				9
Elder Affairs	5				5
Emergency Mgmt. Division			1		1
General Services	4			1	5
Governor's Office of Drug Control Policy	7				7
Human Rights	12				12
Human Services (DHS)	82		1	6	89
Information Technology (ITD)	5				5
Iowa Law Enforcement Academy		1		2	3
Iowa Communications Network (ICN)	3				3
Inspections & Appeals	3				3
Judicial Branch	11			3	14
Justice	9				9
Management (DOM)	1				1
Natural Resources	12	1			13
Parole Board				1	1
Personnel (IDOP)	5				5
Public Defender					0
Public Defense	1				1
Public Health	57				57
Public Safety (DPS)	3			2	5
Regents Universities Economic Development Programs	3				3
Revenue & Finance	4				4
Secretary of State	3				3
Transportation (DOT)	8				8
Treasurer	1				1
Veterans Affairs	2				2
Workforce Development	6				6
TOTAL	351	2	2	15	370

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

DEPARTMENT OF JUSTICE - FY 2002 LEGISLATIVE INTENT LANGUAGE

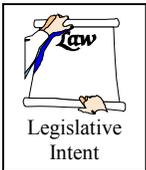
Dept. of Justice

The Legislative Fiscal Bureau (LFB) identified eight sections of intent language in SF 530 (FY 2002 Justice System Appropriations Act) passed by the General Assembly in 2001 for the Department of Justice. Highlights include:

Noncompliance

SF 530, Section 1.3: Provides a contingent appropriation of \$200,000 for enforcement of the Iowa Competition Law. The appropriation is contingent upon receipt of damages due to anti-trust lawsuits.

Status



Status: The year-end balance of funds carries forward to the next fiscal year. The Department brought forward \$219,000 from FY 2001 to FY 2002. The Department received \$51,000 into the Antitrust Fund in FY 2002. The Department expended \$226,000 in FY 2002 and the year-end balance of \$44,000 carried forward to FY 2003. The Department overspent the FY 2002 contingent appropriation by \$26,000 due to an accounting error. The Department will transfer \$26,000 from the Elderly Victims Fraud Fund to the Antitrust Account in FY 2003 to correct the error.

Compliance

SF 530, Section 1.4: Provides a contingent appropriation of \$475,000 for consumer education to combat consumer fraud. The appropriation is contingent upon the receipt of damages due to consumer fraud lawsuits.

Status

Status: The year-end balance of funds carries forward to the next fiscal year. The Department brought forward \$1.2 million from FY 2001 to FY 2002. The Department received \$519,000 into the Consumer Education and Litigation Fund in FY 2002, and expended \$475,000 as a reimbursement to the Office of the Attorney General. A total of \$292,000 was returned to victims of consumer fraud. The FY 2002 year-end balance of \$999,000 was brought forward to FY 2003.

Victim Assistance Programs *Victim Assistance Programs*

SF 530, Section 1.5(a): Requires grants to be awarded to care providers of domestic abuse, sexual assault, and rape victims.

Status

Status: 55 grants have been awarded during FY 2002.



SF 530, Section 1.5(b): Permits the balance remaining at the end of the fiscal year from the General Fund appropriation for Victim Assistance Grants to carry forward to the next fiscal year.

Status: The Department brought forward \$4,800 to FY 2003.

SF 530, Section 1.7: Permits up to 22.0 FTE positions to be funded from the Victim Compensation Fund.

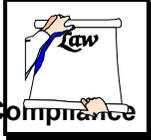
Status: 22.0 FTE positions were budgeted from the Victim Compensation Fund for FY 2002, while 21.9 FTE positions were utilized.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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DEPARTMENT OF CORRECTIONS - FY 2002 LEGISLATIVE INTENT LANGUAGE

Dept. of Corrections



The Legislative Fiscal Bureau (LFB) identified 29 sections of intent language in SF 530 (FY 2002 Justice System Appropriations Act), passed by the General Assembly in 2001 for the Department of Corrections (DOC). The DOC complied with all sections. Highlights include:

SF 530, Section 4.1(g): Requires the Clarinda Youth Academy to reimburse the DOC for operating costs associated with its facility.

Status

Status: The Clarinda Youth Academy reimbursed the DOC \$1.2 million in FY 2002. The Clarinda Correctional Facility utilized the reimbursement for operating costs.

Inmate Tort Claim Fund

SF 530, Section 4.2(a): Specifies that the Inmate Tort Claim Fund that pays for claims of less than \$100 against the State not revert to the General Fund. Requires the Institutions to transfer funds to the Inmate Tort Claim Fund if any shortfalls occur.

Status

Status: The Institutions transferred \$2,000 to the Inmate Tort Claim Fund in FY 2002.

Risk/Needs Assessment

SF 530, Section 5.1(a): Requires the DOC to monitor Community-Based Corrections (CBC) District Departments' use of the risk/needs assessment model. Permits the DOC to override a District Department's classification upon notice to the District Department.

Status

Status: The DOC has not overridden any CBC District Department's classification decisions. The DOC did indicate that due to budget reductions, there is no staff remaining in Central Office to perform this task.

Farm Operations

SF 530, Section 5.6: Specifies that the DOC shall continue farm operations at the same or greater level as existed on January 1, 2001. The DOC is prohibited from renting farmland that is not currently rented without Legislative approval. The DOC is to provide meaningful job opportunities for inmates employed on the prison farms.

Status

Status: Iowa Prison Industries opened the Newton Farm in FY 2001. Options to increase farm operations' solvency and inmate employment are being researched. This includes gardens, livestock management, building repairs, and grounds work. There are approximately 154 full-time and 26 part-time jobs for inmates on the farms. The majority of inmates who work on the farms are paid from other sources, such as the Institutions, Department of Natural Resources, or Iowa Prison Industries. There was an average of 4.5 FTE positions (inmates) paid from the Farm Account Revolving Fund during FY 2002. This is an increase of 1.38 FTE positions (44.10%) compared to FY 2001.



TASC Program

SF 530, Section 6.4: Specifies that each of the eight CBC District Departments shall continue the Treatment Alternatives to Street Crimes (TASC) Program.

Status **Status:** Each of the eight CBC District Departments complied with legislative intent during FY 2002. The TASC Program has been eliminated or substantially reduced in all eight CBC District Departments in FY 2003 due to budget reductions.

Voc. Training Opportunities SF 530, Section 7.1: Requires the Prison Industries Advisory Board and the DOC to continue to implement a plan for enhancement of vocational training opportunities within the Institutions.

Status **Status:** The DOC offers various types of vocational training to inmates. Vocational training includes:



- "On the job training" overseen by staff. Examples include: community service work crews and work performed within the Institutions such as dietary, building repair, and laundry.
- Education programs provided by contracts with community college instructors. Examples include: computer/keyboarding skills, computer repair/support, graphics, data entry, office skills, and mechanics.
- Iowa Prison Industries provides private sector and production employment. Examples include: auto body repair, metal stamping and fabrication, graphic arts, telemarketing, welding, and printing.

Inmate Hard Labor Report SF 530, Section 7.3: Requires the DOC to provide a report concerning inmate hard labor, as defined in Section 904.701, Code of Iowa.

Status **Status:** The DOC provided the report that shows there were an average of 165.52 FTE positions (inmates) employed in private sector jobs in FY 2002. This is a decrease of 39.98 FTE positions (19.50%) compared to FY 2001. The decrease is primarily due to fewer employers being involved in the Program.

Prison Industries Employees During FY 2002, an average of 316.13 FTE positions (inmates) was employed in Iowa Prison Industries' shops. This is a decrease of 163.87 FTE positions (34.20%) compared to FY 2001. The number of inmates employed by Iowa Prison Industries in its shops has decreased each of the last two years. This is primarily due to restricted purchasing budgets of state and local governments due to budget reductions.

Canteen System Iowa Prison Industries began operating a centralized canteen system at Newton in September 2001. The canteen serves six of the nine institutions; the average number of inmates employed was 26.58 FTE positions.

Prison Industries SF 530, Section 8: Encourages State agencies to purchase Iowa Prison Industries' products whenever possible.

Status **Status:** Total sales to State agencies were \$9.8 million in FY 2002, an increase of \$100,000 (1.1%) compared to FY 2001.

Agencies to Report SF 530, Section 9.3: Requires all State agencies to report FY 2001 purchases from Iowa Prison Industries to the LFB by January 15, 2002.

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Status

Status: All State agencies do not report their purchases to the LFB. However, Iowa Prison Industries monitors purchases made by each State agency and provides a report.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

**DEPARTMENT OF NATURAL RESOURCES FY 2002
LEGISLATIVE INTENT LANGUAGE**

Natural Resources



The LFB identified 13 sections of intent language in HF 725 (FY 2002 Agriculture and Natural Resources Appropriations Act), passed by the General Assembly in 2001, for the Department of Natural Resources. The Department complied with 12 sections and is in noncompliance with one section.

Noncompliance

FTE Position Limits

FTE Position Limits HF 725, Section 3.1 through Section 3.7: Maximum FTE positions in the Department of Natural Resources include: Administrative Services Division - 118.25; Parks and Preserves Division - 195.73; Forests and Prairies - 53.71; Energy and Geology - 59.00; Environmental Protection Division - 226.50; Fish and Wildlife Division - 356.18; and Waste Management Division – 53.75.

Status

Status: The Department had the following FTE levels for FY 2002: Administrative Services Division - 111.97; Parks and Preserves Division - 159.07; Forests and Prairies – 59.07; Energy and Geology – 52.72; Environmental Protection Division – 205.74; Fish and Wildlife Division – 349.00 and Waste Management Division – 50.52. The Forest and Prairies Division hired additional help during FY 2002 to produce and deliver additional tree stock at the State Forest Nursery in Ames.

STAFF CONTACT: Deb Kozel (Ext. 16767)

**ISSUE REVIEW RELEASED - HEALTH INSURANCE
PORTABILITY AND ACCOUNTABILITY ACT**

Issue Review



The Legislative Fiscal Bureau (LFB) has recently released an **Issue Review** entitled “Health Insurance Portability and Accountability Act”. The **Issue Review** includes:

- Background information about the federal Act, who is affected, and what are the federal regulations that States and all health care providers must adhere to.
- The current status of the implementation process, especially at the Department of Human Services, as it relates to the Iowa Medicaid Program, and the Department’s staff, providers, and fiscal agent.
- What alternatives the Department has regarding implementation of the requirements of the Act.
- The budget impact and costs to the Department associated with implementation of the requirements.
- Potential federal sanctions/penalties imposed for non-compliance of the requirements.



- Next steps for the Department to meet the requirements.
- A list of web sites to learn more about the Act and the work being done in Iowa.

Additional Report

There is also a report entitled "HIPAA Compliance Project Status Report" written by the Information Technology Department, that provides information about the Statewide implementation process and is available upon request or by visiting the web site at:

<http://www.state.ia.us/government/hipaa/projOfficeDocs.htm>.

Copies Available

Copies of the *Issue Review* may be obtained from the LFB or by visiting the web site at: <http://staffweb.legis.state.ia.us/lfb/>

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

ISSUE REVIEW RELEASED – FARM SECURITY ACT CONSERVATION PROGRAMS

Issue Review



The LFB recently released an *Issue Review* that provides an overview of the conservation programs in the federal Farm Security and Rural Investment Act of 2002. Included in this *Review* are the following:

- The Farm Security and Rural Investment Act was enacted on May 13, 2002, and sets farm policy for the next six years. It is estimated there will be additional funding of \$2.2 billion over the next six years to implement the programs outlined in the Act.
- The following conservation programs are included in the Act:
 - The Conservation Reserve Program (CRP) offers cost share payments to landowners that develop long-term conservation practices to protect vulnerable land areas. The total acreage for the Program was increased from 36.4 million to 39.2 million acres by FFY 2007.
 - **The Wetlands Reserve Program (WRP)** offers cost share payments or permanent easements for restoration of wetland areas on agricultural land. Revisions to the Program increase the number of enrolled acres from 1.1 million to 2.3 million acres by FFY 2007.
 - **The Environmental Quality Incentives Program (EQIP)** provides technical assistance, cost share funds, and incentive payments to crop and livestock producers for completion of conservation plans. The federal share of the project cost is up to 50.0%.
 - **The Wildlife Habitat Incentives Program (WHIP)** provides cost share funds to landowners that improve and develop wildlife.
 - **The Farmland Protection Program (FPP)** provides funds to states, tribes, local governments, or nonprofit organizations to purchase development rights that maintain farmland for agricultural use. Conservation easements are used to prevent farmland development and the federal share is up to 50.0% of the easement cost.
 - **The Conservation Security Program** is a new Program that provides landowner payments for maintaining or implementing conservation practices of cropland, grassland, prairie, or pastureland. The funding will be approximately \$370.0 million for the next six years and payments made to landowners are based upon the length of the conservation contract.





- **The Grassland Reserve Program** is a new Program that will protect up to 2.0 million acres of grassland, rangeland, pastureland, or prairie land with funding of \$254.0 million over a six-year period. Landowners receive annual payments by signing a contract for a 30-year permanent easement or a rental agreement for various lengths of time.
- **The Ground and Surface Water Conservation Program** is a new Program that provides cost share funds and incentive payments for surface water and groundwater conservation practices.
- **The Conservation of Private Grazing Land** is a new Program that provides technical assistance for the development and management of grazing lands.
- **The Resource Conservation and Development Program** encourages volunteers and local officials to organize into councils that assist in implementing conservation projects in the community.
- **The Water Conservation Program** provides cost share funds and incentive payments for practices that conserve surface water and groundwater.
- **The Small Watershed Program** provides funding to improve and rebuild small flood protection dams that were constructed over the past 50 years.



- Currently, the federal Farm Security and Rural Investment Act of 2002 provides no direct payments to the Iowa Department of Agriculture and Land Stewardship or the Department of Natural Resources. Potential sources of funding to the State include the Partnerships and Cooperation section of the Act that allows the United States Department of Agriculture to enter into agreements with State and local agencies for technical and financial assistance for special projects. The Act specifies that up to 5.0% of Program funds can be used to carry out this section.
- The Iowa Natural Resource Conservation Service office has established a Technical Committee for the State that is chaired by Bill Ehm, Division Administrator, Department of Agriculture and Land Stewardship, and includes Lyle Asell, Department of Natural Resources, as a member.
- For more information on the federal Farm Security and Rural Investment Act of 2002, visit the U.S. Department of Agriculture (USDA) web site: <http://www.usda.gov/farbill/>.

Copies Available

Copies of the [Farm Security Act Conservation Programs Issue Review](#) are available upon request from the LFB or can be viewed at the LFB web site: <http://staffweb.legis.state.ia.us/lfb/ireview/ireview.htm>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

ISSUE REVIEW RELEASED: IMPACT OF CHANGING IOWA'S OPERATING WHILE INTOXICATED (OWI) STATUTE

Issue Review



The Legislative Fiscal Bureau (LFB) recently released an **Issue Review** that examines the fiscal and correctional impact of changing Iowa's OWI statute from a blood-alcohol level content of .10% to .08%. The **Issue Review** includes the following highlights:

If the General Assembly does not lower Iowa's OWI statute to .08% during the 2003 Legislative Session:

Impact if Limit Not Lowered Department of Transportation Fiscal Impact

- Federal highway funds will be withheld in FFY 2004 and each year thereafter. (If the General Assembly should pass the .08% standard by FFY 2008, any funds withheld will be returned.)
- Iowa will not receive federal highway incentive funds. (Incentive program funding will sunset on September 30, 2003.)

If the General Assembly does lower Iowa's OWI statute to .08% during the 2003 Legislative Session:

Impact if Limit Lowered Department of Transportation Fiscal Impact

- Iowa will continue to receive its full allotment of federal highway funds.
- The State will receive federal highway incentive funds.

State/Local Govt. Impact State and Local Government Fiscal Impact

Due to the correctional impact:

- Total costs to the State General Fund are estimated to increase to \$426,000 in FY 2004 and \$852,000 in FY 2005.
- Total costs to local governments are estimated to increase between \$66,000 and \$111,000 annually.

Copies Available

Copies of the **Issue Review** may be obtained from the LFB or by visiting the web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223) Beth Lenstra (Ext. 16301)

ISSUE REVIEW RELEASED: STATE FUNDED AVIATION PROGRAMS

Issue Review



The Legislative Fiscal Bureau (LFB) recently released an **Issue Review** that examines State funded programs for Iowa's Commercial Air Service and General Aviation airports. The Department of Transportation (DOT) uses State General Fund and non-General Fund appropriations to fund aviation programs, including allocations from the Rebuild Iowa Infrastructure Fund (RIIF) and tax-exempt bond proceeds of the Restricted Capital Fund. The **Issue Review** provides a breakdown of each appropriation, in addition to detailed descriptions of the programs that receive an appropriation. The total aviation appropriations for FY 1999 through FY 2003 are listed in the table below.

Department of Transportation					
Aviation Appropriations					
	<u>Actual FY 1999</u>	<u>Actual FY 2000</u>	<u>Actual FY 2001</u>	<u>Actual FY 2002</u>	<u>Estimated FY 2003</u>
General Fund	\$ 2,484,000	\$ 2,475,000	\$ 2,435,000	\$ 2,130,561	\$ 0
Non-General Fund					
Rebuild Iowa Infra. Fund (RIIF)	1,000,000	1,500,000	1,500,000	0	0
Restricted Capital Fund	NA	NA	NA	1,500,000	1,681,400
Total	<u>\$ 3,484,000</u>	<u>\$ 3,975,000</u>	<u>\$ 3,935,000</u>	<u>\$ 3,630,561</u>	<u>\$ 1,681,400</u>

January 16, 2003

Copies Available

Copies of the **Issue Review** may be obtained from the LFB or by visiting the web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

PERSONAL ASSISTANCE - MEDICAID INFRASTRUCTURE GRANT GROUP

PAS Workgroup Meeting



The Personal Assistance Services (PAS) Workgroup met December 18 and conducted the following business:

- Discussed joining forces with the Long Term Care Coalition with a goal of eliminating the barriers between expanding services for the disabled and expanding services for the elderly.
- Status of the additional \$166.0 million within the Senior Living Trust Fund and the possible use of the funds for personal assistance services.
- The need for more information regarding the addition of Personal Assistance within the Medicaid State Plan, estimated cost, and decisions regarding which entities or level of government would be responsible for the nonfederal share of the costs.
- The need for greater visibility and distribution of information with affected entities.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Jennifer Vermeer (Ext. 14611)

PRESCRIPTION DRUG TASK FORCE

Prescription Drug Task Force



The Prescription Drug Task Force, created by HF 2192, had its final meeting on December 18. The Task Force adopted a recommendation to pursue an interstate Preferred Drug List with other midwestern states. They further recommended that the Governors of the Midwestern states discuss the process and appoint individuals from each state to serve on a Commission that would develop the Preferred Drug List and negotiate supplemental rebates from drug manufacturers. The Task Force talked with representatives from the other Midwestern states about this project at previous meetings.

Recommendation

The Department of Human Services was directed by SF 2326 (FY 2003 Omnibus Appropriations Act) to begin developing a Preferred Drug List for the Iowa Medicaid program. That project is in the beginning stages. The Task Force's recommendation is intended to expand and complement the Department's efforts by bringing in other states.

Report Available in January

The Prescription Drug Task Force's report to the Legislature will be available in early January.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611) Lisa Burk (Ext. 1-7942)
Sue Lerdal (Ext. 17794)

JANUARY 2003 BOARD OF CORRECTIONS MEETING

Board Meeting



The Board of Corrections met January 10 at the Department of Corrections (DOC) Training Center in West Des Moines. Chair Suellen Overton updated the Board on the search for a new Director. The Iowa Department of Personnel (IDOP) set an applications deadline of January 13. The Selection Committee will develop criteria for the interviews that may begin at the end of January. The Selection Committee includes representatives from IDOP, Office of the Governor, a union representative, plus two board members, Suellen Overton and Don Tietz.

Admissions/Releases

Acting Director John Baldwin distributed information regarding monthly admissions and releases from the prison system. Admissions exceeded releases for four of the first six months in FY 2003. Mr. Baldwin indicated the increase in admissions from new court commitments and probation revocations is a "troubling trend". He stated that Community-Based Corrections (CBC) needs additional resources to keep offenders from being sent to prison. The prison system has been experiencing record high populations during FY 2003. There were 8,364 inmates in prison on January 10, which is 122.8% of designed capacity. The number of offenders supervised in the CBC system continues to increase as well, with approximately 25,000 offenders being supervised today. Mr. Baldwin expressed appreciation to Representative Horbach, Co-chair of the Justice System Appropriations Subcommittee, for setting the trend of visiting correctional facilities and CBC District Departments.

Land Transfer/Ft. Dodge

Mr. Baldwin provided background information on the proposed land transfer at Fort Dodge. The State issued a Request For Proposals (RFP) as part of the process of building Iowa's newest prison. The State accepted the RFP from the Webster County Development Corporation, which included a clause regarding land. Approximately 80 acres transferred to the State's ownership under the RFP, with a stipulation that land may be transferred back at the request of the Webster County Development Corporation. The request has been made, the land has been surveyed, legal contracts have been written, and the item is now presented for the Board's approval. The Board approved the motion to deed approximately 50 acres to the Webster County Development Corporation. This action provides a sufficient amount of State-owned land to serve as a buffer at the Fort Dodge Correctional Facility.

Inmate Telephone System



Mr. Baldwin and representatives from the Iowa Communications Network (ICN) presented information regarding the inmate telephone system. Currently, receipts and the number of inmate telephone calls are steady and the cash balance in the Inmate Telephone Rebate Fund is decreasing. The prisons average 144 calls per day at an average cost of \$4.54 per call. The Iowa Medical Classification Center at Oakdale and the Fort Dodge Correctional Facility have the highest daily telephone call volume, in excess of 200 calls are placed daily. The system requires all inmates or their families to pre-pay the cost of telephone calls and to use a Personal Access Number (PAN). The system permits dedicated accounts, where a person may stipulate that money is being provided for an inmate who can only call the person who sent the money. Inmate account balances for the telephone system have increased 37.0% from January to October 2002, while call volume decreased by 13.0%. The DOC believes this fact is primarily due to inmates not wanting to call the person who is requiring a dedicated account. The DOC in cooperation with the ICN is exploring methods to improve the

telephone system. The DOC utilizes telephone rebate funds for its education program, inmate legal assistance, victim services, a statewide religious coordinator, and the InnerChange Freedom Initiative Program. The DOC is using the Fund's FY 2002 ending balance brought forward to FY 2003 in order to meet all of these financial commitments. It is likely the education program will be eliminated at several prisons in FY 2004.

Marginal Cost Per Inmate

Mr. Baldwin updated the Board on the prison system's direct variable cost, or marginal cost per inmate. This figure decreased from \$16 per inmate per day in FY 2000 to \$12 per inmate per day in FY 2002. The DOC has reduced support budget costs to meet the budget reductions of the last two years.

Recidivism Study



Deputy Director Roger Baysden provided information to the Board on a recidivism study being funded through the U.S. Department of Justice. Six states, including Iowa, have been selected to participate in a long-term study of recidivism. The comprehensive study will compare a variety of variables to determine what types of work programs, such as private sector employment, traditional Industries programs, or employment in prison support functions (kitchen, laundry, etc.) are significant in reducing the number of people who return to prison.

Landfill Transfer

Mr. Baysden also updated the Board on the transfer of the Fort Madison landfill from the DOC to the Great Rivers Authority. A State-owned ravine was converted to a county-owned landfill approximately 20 years ago with a requirement that the State maintain the landfill once it ceased operating. Environmental regulations became more stringent over the last 20 years, where it became prudent for the State to not own a landfill. The Great Rivers Authority now owns the land.

Electronic Posting



Fred Scaletta presented a preliminary proposal to electronically post Board meeting notices, minutes and the agenda to the DOC web address. This would save staff time and improve the DOC's cost containment efforts by substantially reducing postage costs. The DOC staff will present proposed administrative rules to the Board at a future date. The next Board meeting is February 6, either at the Training Center or the DOC Central Office.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

LEGISLATIVE FISCAL COMMITTEE – DECEMBER MEETING

Fiscal Committee



The Legislative Fiscal Committee held its final meeting of the interim on December 19 in Des Moines. The Committee heard presentations from the following people.

- Dennis Prouty, Director, LFB, presented information on the General Fund revenues and reviewed the estimates made by the Revenue Estimating Conference at the December meeting.
- Jennifer Vermeer, LFB, presented information on the *hawk-i* and Medicaid Programs. There is an anticipated \$2.2 million surplus in the *hawk-i* program for FY 2002-2003. The current projection for the shortfall in the Medicaid program in FY 2003 is between \$56.1 and \$76.0 million.
- Attorney General Tom Miller addressed the cost of the Iowa Supreme Court ruling on wagering tax rates. He stated that the State would lose approximately

\$40 million in the current fiscal year and would be subject to approximately \$102 million in refunds without considering interest. He noted that the plaintiffs are now seeking a monetary judgment and interest. The Committee made a motion and recommended to the Legislative Council that the Attorney General be requested to keep the leadership of both houses, the chairpersons and ranking members of the appropriations committees, and the ways and means committees apprised of the negotiations for payment of the judgment. The motion was approved.

- Attorney General Miller discussed the recent Fair Labor Standards Act lawsuit involving State employees from the Departments of Public Safety, Transportation, Corrections, and Natural Resources
- Doug Marek, Attorney General's Office, discussed the Sexually Violent Predators Program in Iowa and changing OWI Statute.
- Mary Beth Mellick, LFB, discussed her *Issue Review* paper on the impact of changing the blood alcohol content level in Iowa's operating while intoxicated (OWI) statute from .10 percent to .08 percent.
- Mollie Anderson, Director, Department of Personnel, and James C. Hanks, legal consultant for the State in the negotiations, presented information on the Collective Bargaining process in Iowa and discussed the current status of negotiations with employee unions.



Web Site

Documents from the meeting can be found at:
http://staffweb.legis.state.ia.us/lfb/subcom/fiscal_comm/handouts.htm

STAFF CONTACT: Holly Lyons (Ext. 17845)

DECEMBER AND JANUARY COUNCIL ON HUMAN SERVICES MEETING

December Meeting

The Council on Human Services met December 11 and conducted the following business:

Administrative Rules

The Council approved administrative rules that:

- Added eligibility in the Family Investment Program for "battered" illegal immigrants. This is estimated to cost \$15,345 in FY 2003 and \$44,550 in FY 2004 in State dollars.
- Passed on the SSI cost-of-living increase in the State Supplementary Assistance and Medicaid programs. This is estimated to cost \$220,478 in FY 2003 in State dollars.
- Rescinded the 4.3% rate reduction for those providers reimbursed for serving recipients eligible for the State Cases Program. This restores the rate to the FY 2002 level and is estimated to cost \$177,500 in State dollars.
- Adjusted sanctions for not meeting work requirements in the Food Stamps Program and ended the Workfare Program. Food Stamps is 100% federally funded and the Workfare Program did not receive a State appropriation for the 50% match for the Workfare Program.
- Adjusted coverage for durable medical equipment in the Medicaid Program. There is no fiscal impact estimated for these changes.



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- Eliminated eligibility for “expanded specified low-income Medicare beneficiaries” and “home health specified low income Medicare beneficiaries”. Medicaid pays the Medicare Part B premium for these two groups. The programs are 100% federally funded and include approximately 2,050 individuals. Federal funding for these programs expires on December 31, 2002.
- Adopted national standards for substance abuse services. There is no estimated fiscal impact.
- Adopted rules on prior authorization for targeted case management for people with mental retardation, chronic mental illness, or developmental disabilities. The department estimates no fiscal impact due to these changes.

Rules On Notice



The Council placed the following administrative rules on notice for action at future meetings:

- An amendment to clarify and update requirements for the establishment of paternity and support obligations.
- An amendment to clarify coverage of orthopedic shoes.
- Amendments to remove the cap on the number people not leaving a medical institution who can receive rental assistance, change application requirements and update references.
- An amendment to cut the number of annuity estimates required for an appeal of the Department’s attribution of a couple’s resources from 3 to 1.
- An amendment to implement a separate disability report form for children.

Member Concerns

The Council members discussed the following concerns:

- Departure of Director Rasmussen.
- Status of part time offices in various county locations.
- Eligibility of children for the federal Supplemental Security Income (SSI) Program and the impact upon the Medicaid Program.
- Preliminary recommendation of the Program Elimination Commission.
- The impact of managed care as part of the administrative costs for Medicaid.

Director’s Comments



Director Rasmussen made comments concerning:

- Appreciation to the Council and staff of the Department of Human Services for the opportunity to serve as Director.
- Concern for the FY 2003 budgets for the two State Resource Centers and the Mental Health Institute at Mount Pleasant.
- Items for the Council to consider for the future:
 - Continuation of working with the federal Department of Justice regarding the two State Resource Centers.
 - The multi-year mental health redesign underway by the Mental Health and Developmental Disabilities Commission.
 - The Medical Assistance (Medicaid) budget.

- The impact of decreased federal and State funding for the child welfare system.
- The workload of the staff of the Department.

January Meeting

The Council on Human Services met January 8 and conducted the following business:

Rules Adopted

The Council adopted the following administrative rules:

- Removing requirements on the home and community based services waiver supported community living units. This is a legislative mandate and any changes in funding will require 37.19% of State funding. A specific cost estimate is not provided.
- Removing certain psychiatric staffing requirements on community mental health centers. This is a legislative mandate and is estimated not to cost the State since reimbursement changes are not impacted.
- Removing certificate of need requirements for intermediate care facilities for the mentally retarded (ICF/MRs). This is a legislative mandate. Depending upon the number of ICF/MR facilities added, the FY 2003 cost estimate, for 15 additional individuals within an ICF/MR setting, the State or county cost would be \$478,140 with the federal portion of \$826,110 annually.
- Adjusted procedures regarding offset of county debts as passed by the 2000 General Assembly. Revenues expected to be lost to the State General Fund were adjusted during the 2000 legislative session. The Legislative Administrative Rules Committee placed a 70-day delay regarding the rule and the changes included in this version are a result of the Committee's delay reasons.
- Expansion of the eligibility for rent subsidy. This is a department initiative and is expected to increase the number of individuals eligible by ten per month. For FY 2003 this is funded with Senior Living Trust Fund monies and information indicates that although the FY 2003 appropriation would be adequate for the increase, depending on the growth of the numbers eligible, the same appropriation in FY 2004 may not be adequate which results in eligibility when eligible for the Elderly Waiver. Department representatives indicated they were not clear regarding legislative intent for the funds.
- Requiring an eligibility report for children applying for Supplemental Security Income (SSI). The change is being made to reflect the federal process and is not expected to cost additional State funds.
- Requiring only one annuity estimate for Medicaid eligibility in an appeal process. This is not expected to cost additional State funds.
- Updating child support obligation procedures. These are technical changes and are not expected to cost additional State funds.



Future Action

The Council approved the following noticed administrative rules to be acted upon at a future meeting:

- Implementation of the electronic benefit transfer process for food stamps. The FY 2004 cost estimate is \$1,642,546 of State funds, with a 50.0% match in federal funds.
- Changes to nursing home reimbursements based upon "crossover claiming" and reserved bed days. These are expected to save \$2,894,000 in State funds in FY 2004 with partial implementation and respective savings in FY 2003.



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Staff Reports

The Council received a report from staff regarding the drug utilization review cost containment efforts. This included a review of the Drug Utilization Review Commission Report that was required by the General Assembly and received in October. The Report is on the LFB web site under the Human Services Subcommittee 2002 Interim Activities link.

Project Update

Representatives from the Polk County Medicaid Targeted Case Management Project made a presentation. Polk County, the Des Moines School District, and the Visiting Nurses entity are attempting to receive federal approval from the Centers for Medicare and Medicaid Services (CMS) for targeted case management expenditures. The representatives of the group indicated the plans for Polk County to be responsible for the State share of the Medicaid cost. The representatives noted that a proposed State Plan Amendment (what is submitted to the federal government) and proposed administrative rules are being drafted and will be submitted to the Council in the future. During FY 2002, the federal government disapproved of a Statewide plan for receiving federal funds for targeted case management.

Field Support Staff

The Council received an update regarding Field Support staff. This included results of a survey regarding concerns of part-time offices and issues to deal with in the future.

Voc. Rehabilitation Services

Representatives of the Department of Education, Vocational Rehabilitation Services Division, presented information regarding the process taken for eligibility determination for the federal Supplemental Security Income (SSI). Council members are concerned regarding the increase in the number of children becoming eligible which results in eligibility for Medicaid.

Update on Managed Care

The Council heard from staff of Magellan Behavioral Corporation and the Iowa Plan (which is the Medicaid waiver received by the State for managed care). This included an update on activities and testimony from consumers of the services.

More Information

Additional information is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Lisa Burk (Ext. 17942)
Jennifer Vermeer (Ext. 14611)

ENVIRONMENTAL PROTECTION COMMISSION HOLDS PERMIT HEARING AND MONTHLY MEETING

Permit Hearing



The Environmental Protection Commission held a permit hearing on December 3 to review a draft construction permit that was issued by the Department of Natural Resources (DNR) to D & S Cattle, an animal confinement operator in Humboldt County. The following was discussed:

- The draft permit was issued on October 16 by the DNR. The permit is for the construction of three hog confinement buildings, which will house over 4,000 hogs near Gilmore City, Iowa.
- The Humboldt County Board of Supervisors received public notice on August 1, 2002, regarding the application of the proposed site. On August 26, the Board denied the permit. On October 28, 2002, the Humboldt County Board of Supervisors demanded a hearing from the Environmental Protection Commission regarding the permit.

- Humboldt County citizens expressed the following concerns to the Commission:
 - The operation will be located one mile from Gilmore City and citizens are concerned there will be odor problems and contamination of the City's water supply.
 - The manure management plan that was submitted with the proposed permit includes application of manure to a field that has an agriculture drainage well that is not in compliance with State regulations. This compounds the fears of water contamination.
 - Legal counsel for the citizens of Humboldt County stated that the permit application did not meet all legal requirements and expressed concern that the groundwater would be polluted.
- Eldon Macafee, one of the operators of D & S Cattle, discussed the proposed operation and explained to the Commission the buildings would be well ventilated to reduce odor. He also explained that he is personally involved in the application of the manure from other operations and the manure is normally injected into the soil, unless weather conditions are unfavorable.
- The Department reported that D & S Cattle met all legal requirements for the permit. The Department explained that the land in Humboldt County was highly susceptible to water contamination due to the number of agriculture drainage wells, natural sink holes, drainage tile, and amounts of limestone.
- The Commission voted to affirm the draft permit issued by the Department.



December Meeting

The Environmental Protection Commission held their monthly meeting on December 16, in Des Moines. The following presentations were made:

- The Commission was asked to approve the Final Rule regarding the master matrix evaluation process completed by a county prior to the issuance of a construction permit for a new animal confinement operation. The Final Rule specifies that a County Board of Supervisors wanting to use the master matrix must inform the Department of Natural Resources on an annual basis. The Department will provide training materials to the counties that adopt the master matrix evaluation system. The Final Rule was approved.
- The Commission was asked to approve a contract for \$50,000 with the United States Army Corps of Engineers for water quality monitoring at eleven sites associated with Coralville, Red Rock, and Saylorville Reservoirs. The contract was approved.
- The Commission was asked to approve a Final Rule regarding beverage container deposits. The Final Rule was approved and the changes include:
 - Refund language can be located anywhere on the beverage label.
 - Redemption centers can redeem the same types of products and brands that they sell.
 - Approved redemption centers are open to the public for at least four hours on a night or on the weekend.
- The Commission was asked to approve a Notice of Intended Action on the registration of waste tire haulers. This process was moved from the Secretary of the State to the Department of Natural Resources. The Notice of Intended Action was approved.



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- The Commission was asked to approve six projects recommended by the Department that will be funded under the Solid Waste Alternatives Program. The six projects will receive loans totaling \$570,000. The projects were approved.
- The Commission was asked to approve a Notice of Intended Action regarding the water quality standards of the State as recommended by the Iowa Water Quality Standards Technical Advisory Committee. The Commission approved the Notice of Intended Action.
- The Commission was asked to approve a Notice of Intended Action to initiate rulemaking that prevents the construction of a confined animal feeding operation on floodplains of navigable streams and lakes. The Commission approved the Notice of Intended Action.

Next Meeting

The next monthly meeting of the Environmental Protection Commission will be held on January 21, in Des Moines.

STAFF CONTACT: Debra Kozel (Ext. 16767)

NATURAL RESOURCE COMMISSION HOLDS MEETING

Commission Meeting

The Natural Resource Commission held a meeting in Des Moines on December 12. The following items were discussed:



- Mike Brandup, Conservation and Recreation Division, and Mark Ackelson, Resource Enhancement and Protection Alliance, provided an overview of the Resource Enhancement and Protection (REAP) Congress that was held July 13, 2002. Funding to the REAP was deappropriated by \$2.8 million for FY 2002 upon passage of SF 2304 (FY 2002 Budget Adjustment Act) and by \$8.0 million for FY 2003 upon passage of HF 2625 (FY 2002 Adjustments and Transfers Act). During the meeting of the Congress, a resolution was passed requesting the REAP Fund be funded at \$20.0 million. Upon adjournment of the Congress, attendees participated in small group discussions concerning the future of the REAP Program.
- Basil Nimry, Management Services Division, asked the Commission to approve two construction contracts. The contracts were approved and included:
 - Construction of an earthen dam to clear sediment at Crystal Lake State Park. The cost estimate for the project is \$160,000.
 - Replacement of a boat ramp at the Princeton Wildlife Management Area. The cost estimate is \$46,000.
- Mr. Nimry asked the Commission to approve three land acquisitions. The acquisitions were approved and included:
 - A 13.2-acre tract of land in Clay County with an appraised value of \$14,000.
 - A donation of a fishing access easement along a stream near Otter Creek in Fayette County.
 - A donation of 32.3 acres in Jasper County near Rock Creek State Park with an appraised value of \$58,000.
- Mr. Brandup asked the Commission to approve a contract agreement with the City of Clinton to assist them with environmental issues regarding the construction of a new boat marina on the Mississippi River. The agreement allows the Department to pass through grant money from the United States Fish and Wildlife Service to the City. The agreement was approved.





- Mr. Brandup asked the Commission to approve a Notice of Intended Action that changes the rules regarding State Parks. The changes include deleting the rental rates of the old cabins and meeting areas at Springbrook State Park that have asbestos in them. These facilities will no longer be rented. The Notice also increases the rental rates for the educational center at Springbrook State Park and removes Bobwhite State Park from areas that allow after-hours fishing. The changes were approved.
- The Commission approved the following timber sales:
 - \$7,200 from the sale of salvage walnut trees at Yellow River State Forest.
 - \$15,500 from the sale of mixed hardwood trees at Yellow River State Forest.
 - \$2,700 from the sale of salvage wood at Shimek State Forest.
- Liz Christensen, Deputy Director, presented the Department's legislative requests for 2003. They include:
 - Extend the accounting period for deposit of State Park camping receipts. The receipts often come in after the close of the fiscal year and the Department cannot use the money for park operations.
 - Begin construction of buildings and roads for the Destination Park located near Lake Rathbun.
- Make the following changes regarding fishing licenses:
 - Begin selling short-term fishing licenses that include a one-day fishing pass and a three-day fishing pass.
 - Add the habitat fee to the fishing license fee and sell the license at one price. This eliminates one transaction fee.
 - Increase the current resident fishing license fee of \$10.50 and habitat fee of \$3.00 that totals \$13.50 to a total price of \$17.00.
- Increase the boat registration fee to include the following:
 - Sailboats – \$8.00.
 - Motorboats under 12 feet – \$15.00.
 - Motorboats between 12 and 16 feet – \$25.00.
 - Motorboats over 16 feet – \$35.00.



Next Meeting

The next meeting will be a teleconference meeting on January 9.

STAFF CONTACT: Debra Kozel (Ext. 16767)

MEDICAL ASSISTANCE STAFF MEETING

Medical Asst. Expenditures

Staff from the Department of Human Services, the Department of Management, and the Legislative Fiscal Bureau, met December 13 to review financial data for FY 2003 utilization and expenditures for the Medical Assistance (Medicaid) Program. The staff met to develop a range of projected State funded expenditures for FY 2003 using historic, current, and

FY 2003 expenditure information. The amount of State funding in the Program for FY 2003 is \$500.9 million. The State funding represents the combination of General Fund, Senior Living Trust Fund, Hospital Trust Fund, and tobacco funds. The expenditures for FY 2002 were \$516.0 million from a final appropriation of \$521.9 million.

Shortfall Projection



Data for the month of October showed less growth in eligibles than expected. However, in prior years a low growth month has sometimes been offset by a very large growth the following month. In addition, the rate of expenditure did not slow significantly for October. As a result, the staffs agreed to keep the range of projected FY 2003 shortfall established in November of \$56.0 million to \$77.0 million. The information used in developing the projections included average monthly eligibles, a projected State fund cost per eligible, and historical expenditure growth in major Program categories.

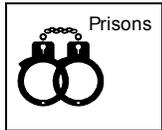
Future Meetings

The range of projected expenditures for FY 2003 as well as the proposed FY 2004 budget request for this Program from the DHS will be reviewed at future Staff meetings. The Legislative Fiscal Committee and the Program Elimination Commission are also reviewing the Iowa Medicaid Program during the interim.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Lisa Burk (Ext. 17942)
Jennifer Vermeer (Ext. 14611)

**IOWA PRISON POPULATION FORECAST: FY 2002 - 2012
PRELIMINARY RELEASE**

Prison Population Forecast



The Criminal and Juvenile Justice Planning Division (CJJPD) of the Department of Human Rights released its preliminary report entitled, "Iowa Prison Population Forecast: FY 2002 - 2012". If current offender behaviors and justice system trends, policies, and practices remain unchanged, the prison population will be 12,127 by June 30, 2012, an increase of approximately 49.0% over the next ten years. The female inmate population is expected to grow from 670 inmates on June 30, 2002, to 994 inmates on June 30, 2012, an increase of 48.4% over the next ten years. The female population is expected to exceed design capacity by approximately 73.5% by June 30, 2012. The male population is projected to be 11,133 by mid-year 2012, an increase of 49.0% over the next ten years. The male population is expected to exceed design capacity by 69.5% by mid-year 2012.

Special Needs Defined

Special needs inmates, defined as those with a mental illness, a mental disorder, mental retardation, borderline intellectual functioning, or socially inadequate, are expected to increase to 2,826 inmates on June 30, 2012, an increase of 49.2% over the ten-year period. Special needs inmates who may require special housing is estimated to be 872 inmates by June 30, 2012. This specific inmate population may exceed special needs housing capacity by 24.6% by mid-year 2012.

Prison Population Forecast



The prison population forecast creates capacity issues. Assuming current offender behaviors and justice system trends, policies, and practices remain unchanged for the next ten years, the prison system will be operating at 169.8% of design capacity. According to the Department of Corrections (DOC), for every 1,000 increase in the inmate population, a new 750-bed prison will need to be constructed. This assumes each prison will operate at 130.0% of design capacity. If the prison population reaches 12,127 inmates,

five new 750-bed prisons will need to be built at a construction cost of \$45.0 million for each prison. Each prison will incur ongoing annual operating costs of approximately \$28.0 million. If five new prisons are constructed and the population reaches 12,127 inmates, the prison system will be operating at 111.4% of design capacity.

Factors

Factors affecting the increase in the prison population include the following:

- An increase in new prison admissions.
- An increase in admissions of drug offenders.
- Housing federal prisoners.
- The long-term effect of abolishing parole for certain crimes (85.0% rule).

Alternatives



The CJJPD's report provides a summary of initiatives that may reduce the projected prison population by providing alternatives:

- Expand the Violator Program to reduce revocations to prison and/or the average length of stay for new prison admissions.
- Provide a substance abuse treatment facility for probationers as an alternative to revocation to prison for substance abuse issues.
- Increase paroles.
- Implement intermediate criminal sanctions plans to reduce probation revocations to prison through the use of incremental, community-based sanctions for probation violations.

Copy of Report Available

All of these options require additional resources for the DOC and/or Community-Based Corrections (CBC). A copy of the full report is available by contacting the LFB.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

MERRILL LYNCH PAYS THE STATE A CIVIL PENALTY OF \$500,000

Consent Order Provisions

Merrill Lynch, Pierce, Fenner and Smith, Inc. (Merrill Lynch) agreed to pay approximately \$100.0 million to 48 states, Washington D.C., and Puerto Rico, under an agreement negotiated with New York state, to settle allegations relating to research practices. The State has received \$500,000 from Merrill Lynch under the terms of a Consent Order with the Iowa Securities Bureau of the Department of Commerce's Division of Banking, and Merrill Lynch agreed to implement changes. Under the terms of the Consent Order, Merrill Lynch neither admitted nor denied the allegations.

STAFF CONTACT: Ron Robinson (Ext. 16256)

LOTTERY REVENUES AND EXPENDITURES THROUGH NOVEMBER

November Rev./Exp.



Through November, FY 2003 Lottery game revenues decreased \$8.8 million from the FY 2002 level. Lottery prize expenses decreased \$4.8 million, operating expenses decreased \$1.5 million, and transfers to State funds decreased \$2.3 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

STATE LOTTERY				
July Through November (Dollars in millions)				
	FY 2002	FY 2003	Increase/ Decrease	% Increase
Fiscal Year Beginning Balance	\$ 2.2	\$ 2.3	\$ 0.2	
Game Revenues	\$ 76.0	\$ 67.2	\$ -8.8	-11.6%
Interest	0.5	0.3	-0.2	-33.8%
Total Revenue	\$ 76.5	\$ 67.5	\$ -9.0	-11.8%
Prize Expense	\$ 43.9	\$ 39.1	\$ -4.8	-11.0%
Operating Expense	15.7	14.2	-1.5	-9.3%
Transfer of Profits	16.9	14.6	-2.3	-13.7%
Total Expense	\$ 76.4	\$ 67.9	\$ -8.6	-11.2%
Nov. Ending Balance	<u>\$ 2.2</u>	<u>\$ 2.0</u>	<u>\$ -0.3</u>	

Comparison to FY 2002



Fiscal year sales through November, compared to the same time period of FY 2002, were as follows:

- Instant ticket sales increased \$116,000 (0.4%).
- Pick 3 sales increased \$436,000 (24.3%).
- Multi-State Powerball sales decreased \$11.3 million (36.7%).
- Rolldown sales decreased \$658,000 (100.0%).
- Freeplay Replay sales decreased \$23,000 (14.4%).
- Daily Game sales decreased \$15,000 (0.8%).
- Pull-tab sales increased \$427,000 (4.0%).

Ticket Sales

Total Lottery sales through November were \$67.2 million, a decrease of \$8.8 million (11.6%) compared to November 2002. July through November 2002 sales for the Instant Tickets, and Pick 3 were above sales for the same period during FY 2002.

Hot Lotto

Hot Lotto, which was not offered until April 7, 2002, had sales through November of \$2.2 million. Hot Lotto replaced Rolldown, which ended April 6, 2002.

Estimated Transfers

The December 6 Revenue Estimating Conference (REC) projected FY 2003 Lottery profit transfers to the General Fund will total \$34.0 million. Actual profit transfer for FY 2002 was \$40.0 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be \$6.0 million (15.0%) lower in FY 2003 than in FY 2002. Through November, FY 2003 transfers to the General Fund are \$2.3 million (13.7%) below FY 2002.

House File 2627 (FY 2003 Omnibus II – Second Special Session) required the lottery to deduct \$500,000 from its calculated retained earnings before making lottery proceeds transfers to the State General Fund during FY 2003. The impact was a one-time increased transfer of \$500,000.

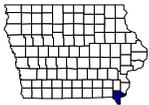
Sales Tax

In addition to the amount transferred to the State as profits, the Lottery has transferred \$3.4 million in sales tax during FY 2003.

STAFF CONTACT: Ron Robinson (Ext. 16256)

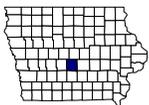
HIGHWAY CONSTRUCTION CONTRACTS
Construction Contracts

The Department of Transportation (DOT) notifies the Legislative Fiscal Bureau of all highway construction contracts in excess of \$5.0 million for informational purposes. One contract totaling \$13.0 million was awarded in September, and three contracts totaling \$27.3 million were awarded in October.

September – Lee County

Lee County: Contract awarded to Irving F. Jensen Co., Inc. of Sioux City. The contract includes the following projects along Iowa 394:

- \$5.0 million to grade and pave approximately 5.5 miles from 320th Street to County Road J-62.
- \$5.0 million for approximately 4 miles of new pavement from 194th Avenue to Iowa 2.
- \$3.0 million for approximately 3 miles of new pavement from Iowa 2 to 190th Street.

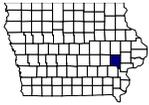
October – Polk County

Polk County: The following two contracts were awarded for the I-235 reconstruction project in Polk County. The contracts were let by the DOT, but executed and administered by the City of Des Moines.

- To Jensen Construction Co. of Des Moines:
 - \$5.4 million to rebuild the East Euclid Avenue bridge and reconstruct the interchange.
 - \$221,000 for traffic signals at the east and west ramps of the East Euclid Avenue interchange.
- To Reilly Construction Co., Inc. & Affiliates & Corell Contractor, Inc. of Ossian:
 - \$2.4 million to build a new bridge on Grand Avenue, over Martin Luther King Parkway, from the railroad tracks north of the Racoon River to Ingersoll Avenue.

- \$9.5 million for grading approximately two blocks of Martin Luther King Parkway from the Racoon River Bridge to Ingersoll Avenue.

Johnson County



Johnson County: Contract awarded to L. L. Pelling Co., Inc. of North Liberty for the following projects on I-80:

- \$2.1 million to widen the eastbound and westbound bridges over Iowa 965 in Coralville.
- \$7.7 million to repave approximately 1 mile of interstate from the I-380 interchange to the Iowa 965 interchange.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

511 TRAVEL INFORMATION SYSTEM LAUNCHED

511 Travel Information



In July 2000, the Federal Communications Commission (FCC) designated "511" as the national traveler information telephone number. On November 22, 2002, the Department of Transportation (DOT), in partnership with the Iowa State Patrol, introduced the system in Iowa.

Background/Cost Information

Iowa's 511 system was developed using an existing software program called the Condition Acquisition and Reporting System (CARS). Iowa, along with seven other states, developed the 511 system as a joint, pooled-fund project, using the CARS software. The other states include: Alaska, Kentucky, Maine, Minnesota, New Hampshire, New Mexico, and Vermont.

Background Information



The eight-state consortium began development of 511 in April 2001. In December 2001, the eight states applied for a grant, as a group, from the Federal Highway Administration (FHWA) to help pay for development of the 511 system. The Federal Highway Administration required each state to provide a \$25,000 match. The Administration awarded a total of \$1.0 million to the eight-state consortium: \$100,000 to each state, in addition to the \$25,000 match contribution from each state.

Prior Years

In prior years, the DOT received an annual appropriation of \$100,000, which covered the total cost of the old travel reporting system. The cost of maintaining 511 is estimated to be \$250,000. The Department's FY 2004 request remains at \$100,000; the additional \$150,000 will be covered by federal technology funds. The charge to the user for using 511 is the same as a local telephone call.

Two Phases

The 511 system consists of two phases: Phase I, launched November 15, 2002, includes winter road condition reporting. Phase I is an upgrade to the prior travel reporting system accessed by dialing 1-800-288-1047 or 288-1047 locally. Phase II, not yet active, will include summer road condition reporting, including construction and maintenance activities. The anticipated start-up date for Phase II is March 2003.

Accessing 511



Both Phase I and Phase II can be accessed via the internet, or by dialing 511 or 1-800-288-1047, which is the old 800 number. Out-of-state callers must use the 800 number. In the Des Moines area, the 288-1047 number is no longer available. The Iowa Utilities Board is encouraging telephone companies to provide 511 access. All cellular companies, except Verizon, have agreed to provide 511 access.

Web Sites

There are two separate web sites for each phase of 511:

- **Phase I:** Winter road condition information (currently active) – www.iowaroadconditions.org
- **Phase II:** Spring/summer road construction information (not yet active) – www.511ia.org

511 Features

Features of the 511 system include road condition reporting provided 24 hours a day, seven days a week. As road condition information is updated, it will be made available to the public within five minutes. Currently, 30% of the miles traveled by 70% of traffic are covered. The DOT and Iowa State Patrol anticipate additional coverage in the future.

Options

When callers dial in to the 511 system, they will be given the option to use voice recognition. If the caller's response is not recognized, the voice recognition will default to touchtone. The caller can specify any of the following categories:

- "Road weather" provides reports on winter driving conditions.
- "Statewide summary" gives a summary of urgent reports statewide and also allows the caller to hear routine reports on specific routes.
- "Regional summary" allows the caller to hear urgent and routine reports around a specific city that they select.
- "Comment on 511" for comments about the 511 service.
- "Help with 511" for instructions on how to use 511.
- "Highway traffic" offers reports about construction and other delays. (This option will be available in March 2003.)

Previous Years

In previous years when motorists called for winter road information, the Iowa State Patrol identified road conditions in percentages, such as "75% to 100% snow and ice covered." Under 511, road conditions are described in more detail as listed below. The 511 web site includes an Iowa map with colored lines for each of the following categories along selected routes:



- **Normal:** This refers to the roadway surface when there has been no precipitation or conditions that would have an adverse effect on pavement friction.
- **Partially Covered:** This is the result of precipitation, including rain, snow, or a mixture of the two, causing roadways to become somewhat covered. The driver may experience periods when the roadway markings may be obscured.
- **Wet:** This condition is the result of precipitation that is not freezing. Reduced traction or visibility may be encountered.
- **Mostly Covered:** This could be the result of continued precipitation over a period of time. This represents an advanced deterioration of the surface. Roadway markings may become difficult to see, and the surface may be slick, snow packed, and have rutted conditions. The roadway may become difficult to navigate.

- **Completely Covered:** The roadway is completely covered with precipitation. Accumulation is to the point that the roadway markings are completely obscured, making it difficult to differentiate between the roadway and its surroundings. These conditions make travel very difficult. This is a hazardous environment.
- **Travel Not Advised:** The roadway has deteriorated to the point it is very dangerous to travel. Emergency vehicles and snow removal equipment may be called off of the roadway due to the conditions. Some weather conditions can be severe enough that roadway treatments, such as salt or sand, will not work. In the event of an emergency, it may be impossible to get emergency vehicles to a scene.
- **Road Closed:** By driving on a road that has been designated as closed, you are entering at your own risk. Emergency vehicles and snow removal equipment will most likely not be available to assist you. You are not authorized to travel on a closed roadway.

How It Works

While on duty, State troopers provide the Iowa State Patrol's five communications centers with winter road conditions. The communications centers then enter the data into the Condition Acquisition and Reporting System (CARS). Next spring, the DOT will enter information into Reporting System pertaining to road construction and maintenance activities.

States with 511 Service

Many states are in various phases of implementing the 511 service. In addition to Iowa, the following states have activated 511 either statewide or in selected areas:



- Alaska (statewide)
- Arizona (statewide)
- California (San Francisco Bay area)
- Florida (Orlando & Miami areas)
- Kentucky (statewide)
- Massachusetts (Boston area)
- Minnesota (statewide)
- Nebraska (partial coverage)
- Ohio (city of Cincinnati)
- South Dakota (partial coverage)
- Utah (statewide)
- Vermont (statewide)
- Virginia (I-81 corridor)
- Washington (statewide)



Use Cell Phones Responsibly The Department of Transportation and Iowa State Patrol encourage motorists to use cellular phones responsibly, preferably not while driving.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

NEW DIRECTOR OF THE IOWA COMMUNICATIONS NETWORK (ICN)

New ICN Director

The Iowa Telecommunication and Technology Commission has appointed John Gillispie from Wiltel Communications in Tulsa, Oklahoma, to serve as the Executive Director of the Iowa Communications Network. The appointment took effect December 10, 2002.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

TAX GAP COMPLIANCE REPORT ISSUED BY THE DEPARTMENT OF REVENUE AND FINANCE

Tax Gap Compliance Report

In November 1999, the Iowa Department of Revenue and Finance entered into a performance-based contract with NCR Government Systems Corporation (NCR), of Dayton Ohio, for the design, development, and implementation of a warehouse and automated audit processing/transaction system to collect taxes that have not been paid by identifying non-filers of tax returns and non-payers of taxes through the use of internal and external data sources. NCR would receive 85.0% of the first \$10.0 million collected and 30.0% of the revenues over \$10.0 million up to a total of \$11,562,172 over the three years of the agreement (November 1999 through October 2002). The amount collected by the Program is calculated based upon baseline data on how much other collection efforts had been generating. The amount collected in excess of the baseline is what the Tax Gap Compliance Program is said to have generated. Through FY 2002, \$11,046,112 had been paid to NCR and \$11,492,726 through December 9, 2002. This leaves a maximum of \$69,446 to be paid to NCR under the current contract. At the conclusion of the agreement the Department was to be able to continue the Program, through the use of the processes and technology developed during the Agreement, without the continuing need for an outside vendor. The revenues on which the payments under the contract are based are tracked over a 42-month period or until April 2003. The Department is looking at extending the contract for an additional 12 months.



Payments

The payments to NCR are made in accordance with Section 421.27(22A), Code of Iowa. That Section appropriates an amount from the amount of tax, penalty, interest, and fees actually collected, not to exceed the amount collected, which is sufficient to pay for services, reimbursement, or other remuneration.



Revenues/Expenditures

The table below shows the revenues and expenditures over the first three fiscal years of the Tax Gap Compliance Program. The balance of revenues over expenditures is transferred to the State General Fund and the end of the fiscal year.

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>TOTALS</u>
Revenues:				
Corporation Income	\$ 85,053	\$ 1,577,928	\$ 7,898,388	\$ 9,561,369
Individual Income	0	1,978,591	6,607,819	8,586,410
Sales/Use	46,526	672,855	645,195	1,364,576
TOTAL	\$ 131,579	\$ 4,229,374	\$ 15,151,402	\$ 19,512,355
Expenditures:				
NCR	\$ 111,842	\$ 3,594,968	\$ 7,339,302	\$ 11,046,112
OSI	19,737	268,000	283,934	571,671
Olsten	0	10,395	23,541	33,936
First Data	0	38	3,314	3,352
Dun & Bradstreet	0	691	0	691
Prison Industries	0	2,438	0	2,438
Verifications Inc	0	0	390	390
ITD	0	352,844	650,000	1,002,844
Salaries & Support	0	0	892,140	892,140
TOTAL	\$ 131,579	\$ 4,229,374	\$ 9,192,621	\$ 13,553,574
BALANCE	\$ 0	\$ 0	\$ 5,958,781	\$ 5,958,781

Balance Transferred



Since the entire balance is transferred to the General Fund at the close of the fiscal year, the Department advances the funds needed to pay the salaries and expenses of the Program at the beginning of the year until sufficient funds are available to cover those costs. At that time, an expenditure correction is completed and the Department is reimbursed the funds that had been advanced to the Program.

Previous Estimates

The Department proposed legislation, in 1997, to authorize Performance Based Procurement. At that time the Department estimated that a Tax Gap Compliance Program would increase revenues by \$3.0 - \$5.0 million, before expenses.

In May 1998, it was projected that a contract would be completed and work would commence in December 1998.

In August 1999, the Department projected the Program would generate \$25.0 million in additional revenues, before expenses, over the 42 months of the initial agreement, and \$10.0 annually after that.

Increased Projection



In December 2000, the Department modified its projected revenues from the Program for FY 2002. The Department had been projecting the balance going to the General Fund, in FY 2002, would be \$4.4 million. The Department increased the projection to \$9.4 million. The Department stated that by NCR dedicating additional data warehouse staff to the accelerated production of tax gap leads and the Department dedicating additional resources (including contract personnel) to working these leads, the collection of taxes would be accelerated. The actual transfer to the General

Fund, in FY 2002, was \$6.0 million. Because of the way the revenue and expenses are entered into the State's financial system, the Legislative Fiscal Bureau is unable to provide an independent review of the Program.

Copy Available

A copy of the report is available from the Legislative Fiscal Bureau.

STAFF CONTACT: Ron Robinson (Ext. 16256)

DEPARTMENT OF TRANSPORTATION EQUIPMENT AND VEHICLE PURCHASE REPORT

DOT Equipment/Vehicle Rpt.

The Department of Transportation (DOT) has submitted the Equipment and Vehicle Purchase Report for FY 2002, as required by Section 307.47(4), Code of Iowa. The Report shows the amount expended on vehicles and equipment from the Materials and Equipment Revolving Fund for FY 2002.

Revolving Fund

The Materials and Equipment Revolving Fund is used to purchase all rolling stock, materials, and equipment for all divisions of the DOT. The Revolving Fund receives funding primarily through depreciation payments on equipment and vehicles from the various divisions. This allows the DOT to centrally purchase all equipment and effectively monitor and manage the Department's purchasing functions. In addition to depreciation (which covers replacement costs), prior to FY 2003, the Revolving Fund received an annual appropriation of approximately \$5.3 million from the Primary Road Fund to help pay the inflationary cost of vehicles and equipment.

Summary of Purchases

The following table summarizes purchases from the Revolving Fund for the last two fiscal years. Copies of the report are available upon request from the Legislative Fiscal Bureau.

Department of Transportation Equipment and Vehicle Purchases from the Materials and Equipment Replacement Revolving Fund

	FY 2001	FY 2002
Self Propelled Vehicles	\$ 10,962,808	\$ 9,349,680
Road Maintenance Equipment and Trailers	3,953,662	2,711,420
Large Office Furniture and Files	3,475	2,436
Shop Tools and Small Equipment	751,531	1,940,764
Engineering Equipment, Distance Measuring Devices	280,781	251,541
Communications and Electronic Office Equipment	1,906,923	316,904
Computer and Related Equipment	3,143,275	1,397,080
Total	\$ 21,002,455	\$ 15,969,824

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

AUDIT REPORT -- IOWA CORN PROMOTION BOARD

Audit Report

On November 15, the State Auditor issued the FY 2001 and FY 2002 Audit Report for the Iowa Corn Promotion Board. The Legislative Fiscal Bureau received the report on November 27, 2002.

January 16, 2003

Background



The purpose of the Iowa Corn Promotion Board is to develop and implement educational programs directed towards the production, marketing, and utilization of corn and corn products. The Board is also responsible for the development of domestic and foreign markets. The Board operates on funds collected from the assessment of an excise tax on each bushel of corn marketed in the State. The current rate is one half of one cent per bushel.

Reportable Conditions

The Report indicated there were no reportable conditions.

More Information

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

STAFF CONTACT: Debra Kozel (Ext. 16767)

FEDERAL CONFINED ANIMAL FEEDING OPERATION RULE RELEASED

EPA Press Release



The federal Environmental Protection Agency (EPA) announced the final rule regarding large concentrated animal feeding operations (CAFO) on December 16, 2002. The rule requires large operations to obtain permits that protect waterbodies from wastewater and manure runoff. A large operation is defined as:

- The operation confines animals for at least 45 days in a 12-month period, and
- There is no grass or other vegetation in the confinement area during the normal growing season, and
- The operation has one of the following:
 - 700 mature dairy cows
 - 1,000 beef cattle or heifers
 - 2,500 swine that weigh 55 pounds or more
 - 10,000 swine that weigh under 55 pounds
 - 30,000 ducks with no liquid manure handling system
 - 5,000 ducks with a liquid manure handling system
 - 30,000 chickens with a liquid manure handling system
 - 125,000 chickens (other than laying hens) with no liquid manure handling system
 - 82,000 laying hens with no liquid manure handling system
 - 1,000 veal calves
 - 500 horses
 - 10,000 sheep or lambs
 - 55,000 turkeys



Permits Required

It is estimated there are approximately 15,000 livestock operations that will be required to obtain a permit nationwide. Operations that have permits do not need to reapply until their current permit expires. The permits will be issued by the designated agency in each state. Operators will be required to submit an annual operations report and an annual manure management plan.

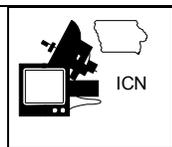
**DNR Responsibilities**

The Department of Natural Resources will be responsible for implementing the new regulations and will work with commodity groups, Iowa State University, and producers.

More Information

For more information, review the federal Environmental Protection Agency web site at: <http://cfpub.epa.gov/npdes/afo/cafofinalrule.cfm>

STAFF CONTACT: Debra Kozel (Ext. 16767)

**ICN Report**

The Iowa Communications Network (ICN) completed its budget to actual report for the first five months of fiscal year 2003.

Video Services

Billings for video services in November 2002 were ahead of last November by \$767,000. This can be attributed to the discounts that the K-12 Video Consortium is eligible for. The ICN's video subsidy is \$473,000 below FY 2002 levels.

Voice Services

Voice services revenue for FY 2003 was \$471,000 (1.6%) under budget projections compared to FY 2002. The ICN has seen decreased usage in all lines of voice business from last year. The largest sources of revenue continue to be toll free usage, local access, and inmate calling.

Date/Subscription Services

Gross revenues from data services are below budget projections by 6.0% but are ahead of FY 2001 figures by \$153,000. Gross revenue on subscription services are ahead of budget projections by 5.4%.

Installation Revenues

Installation revenues are ahead of the first five months of FY 2002 by \$83,000.

Indirect Costs

Indirect expenses are 6.1% under budget projections primarily due to reduced actual costs for outside maintenance.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

IOWA DEPARTMENT OF COMMERCE OUT-OF-STATE TRAVEL**Dept. of Commerce**

During the second quarter of FY 2003 the Iowa Division of Banking expended \$9,700 on out-of-state travel that does not require Executive Council approval. A total of nine people made four trips to attend

January 16, 2003

training or meetings out-of-state. The Banking industry is required to reimburse the Iowa Division of Banking 100.0% of the Division's costs.

STAFF CONTACT: Ron Robinson (Ext. 16256)

GOVERNOR APPOINTS CHIEF EXECUTIVE OFFICER OF THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

IPERS Exec. Officer

Governor Tom Vilsack has appointed Donna Mueller as the Chief Executive Officer of the Iowa Public Employees' Retirement System

Ms. Mueller is the first person to fill the position on a permanent basis. The Director of the Iowa Department of Personnel, Mollie Anderson, was appointed as the Acting Chief Executive Officer on July 1, 2002. Ms. Anderson has been nominated by the Governor to become the Director of the proposed Department of Administrative Services.

Background

Ms. Mueller has been the Chief Executive Officer of the Boston Retirement Board Retirement System since 1996. She has a law degree from Washington and Lee University and is licensed to practice law in Wisconsin and Massachusetts. She has a Bachelor of Arts in Political Science from the University of Minnesota, and a Certificate of Completion from the Institute of Chartered Pension Professionals, Boston.

Ms. Mueller will begin working January 31, 2003.

STAFF CONTACT: Ron Robinson (Ext. 16256)

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