

# FISCAL UPDATE

January 6, 2004

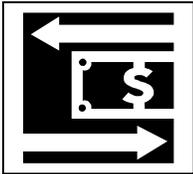
## Legislative Services Agency

(515)-281-5279 FAX 281-8451

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

### NOTICE OF APPROPRIATIONS TRANSFER

#### Funds Transfer



On December 11, the Fiscal Services Division of the Legislative Services Agency (LSA) received notification regarding a request to transfer funds pursuant to Section 8.39, Code of Iowa. The notice transfers \$1.5 million to the Department of Public Safety from the following State agencies:

- Department of Commerce – \$3,000
- Department of Corrections – \$688,000
- Department of Human Services – \$591,000
- Department of Natural Resources – \$38,000
- Department of Revenue – \$52,000
- Department of Veterans Affairs – \$150,000

#### Final Action

Action on the transfer was finalized on December 26, 2003.

#### More Information

Additional information is available from the LSA upon request.

STAFF CONTACTS: Jennifer Acton (Ext. 17846)

### DECEMBER FISCAL COMMITTEE MEETING

#### Fiscal Committee



The Legislative Fiscal Committee met on December 17 and conducted the following business:

- Staff from the Fiscal Services Division of the Legislative Services Agency (LSA) reported on the following:
  - Revenue projections from the December meeting of the Revenue Estimating Conference (REC).
  - Fiscal Year 2004 General Fund balance projections.
  - Fiscal Year 2005 projected built-in expenditures.

#### **IN THIS ISSUE:**

Notice of Appropriations Transfer, pg. 1  
Fiscal Committee Meeting, pg. 1  
Oversight Committee Mtg., pg. 3  
Governor's Budget Hearing, pg. 3  
Tobacco Settlement Authority Mtg., pg. 4  
Property Tax Implementation Com., pg. 5  
DHS Appropriations Reductions, pg. 6  
MH/DD Commission Meeting, pg. 7  
Council on Human Services Mtg., pg. 8  
Monitoring Com. on Child Welfare, pg. 10

Sr. Living Coordinating Unit Meeting, pg. 10  
Medicaid Program Estimates for FY 2004-05, pg. 11  
Board of Regents Meeting, pg. 12  
SUIHC Annual Financial Report, pg. 13  
DOT Equipment and Vehicle Purchase Report, pg. 14  
DPS Physical Security Plan/Crime Lab, pg. 15  
Environmental Protection Commission Mtg., pg. 15  
Audit Report - FY 2003 IPTV, pg. 16  
**Issue Review** – Medicaid Program Update, pg. 16  
**Issue Review** – Road Use Tax Fund Update, pg. 17

- Fiscal Year 2004 balance projections for various Other Funds.



- Fiscal Year 2005 departmental budget requests.
- State Indebtedness Report.
- Fiscal Year 2004 and 2005 Medicaid and Healthy and Well Kids in Iowa (*hawk-i*) Program cost projections.
- Progress report regarding SF 453 (Reinvention of Government Act).
- Received information regarding appropriations transfers, including:
  - \$1.5 million from various agencies to the Department of Public Safety to restore the Governor's 2.5% across-the-board reduction.
  - \$13,000 between various divisions of the Department of Human Rights to fund the Director's salary in the Division on the Status of African-Americans.
  - \$305,000 between various divisions of the Department of Public Health to implement FY 2004 budget reductions.
  - \$245,000 from the College Student Aid Commission to the Tuition Grant Program and the Vocational Technical Tuition Grant Program to reduce the impact of the 2.5% across-the-board reduction.
- Received a report from the Department of Economic Development Director regarding the Grow Iowa Values Program.
- Heard from representatives of the K-12 school districts, community colleges, and the Board of Regents regarding the impact of the 2.5% across-the-board reduction.
- Received a status report regarding the School District Insurance Pool Study.
- Received information from the Office of the State Treasurer regarding the Tobacco Settlement Authority.
- Heard from representatives of the various public retirement systems.
- Received information from staff of the LSA and an economist from Iowa State University regarding the national, Midwest, and Iowa economies.
- Received information regarding the Governor's travel budget.



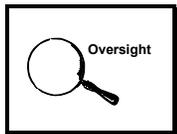
**More Information**

Additional information is available from the LSA upon request. The agenda and materials distributed prior to and during the meeting are available at: <http://staffweb.legis.state.ia.us/lfb/committee/fiscalcomm/fiscalco.htm>.

STAFF CONTACT: David Reynolds (Ext. 16934) Sue Lerdal (Ext. 17794)

**GOVERNMENT OVERSIGHT COMMITTEE MEETING**

**Oversight Meeting**



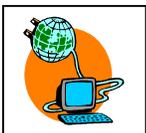
The Government Oversight Committee met on December 15 and discussed the following:

- Payments of unemployment benefits and deductible income when determining compensation awarded by the Department of Workforce Development.
- The associated costs to operate State Fair Booths by elected State officials.



- The Governor's appointments to Commissions and Boards, as well as the criteria used to select candidates for the list provided to the Governor.
- Committee updates included:
  - A progress report on SF 453 (Reinvention of State Government Act).
  - Bonuses paid to staff in the Executive Branch.
  - The status of reports required to be sent to the General Assembly as specified in various legislative documents.
  - A review of the initiatives of the Program Elimination Commission.
- Reviewed Subcommittee Interim Reports and recommendations to the Legislative Council regarding Fly Ash, Fleet Management, Lottery, and Regulatory Reforms.
- Reviewed information included in the Report to the Legislative Council from the Government Oversight Committee.

### More Information



Additional information, including all handout materials from the meeting, is available from the LSA upon request or by accessing the web site at: <http://staffweb.legis.state.ia.us/lfb/committee/oversight/oversight.htm>. An overview of the meeting will be available in the next issue of the Iowa Legislative Interim Calendar and Briefing on the web site at: <http://www.legis.state.ia.us/GA/80GA/Interim/2003/>.

Nelson (Ext. 25822)

STAFF CONTACT: Sam Leto (Ext. 16764) Dougls Wulf (Ext. 13250) Richard

## GOVERNOR'S PUBLIC BUDGET HEARING

### Budget Hearing



The Governor held a public budget hearing on December 15 at the Des Moines Area Community College in Ankeny. Approximately 400 individuals attended. The Governor's opening remarks included:

- Revenues for FY 2005 are estimated at \$4,550.3 billion, which equals 1.5% growth. The Governor stated this was inflated by about \$63.0 million because of the inadvertent veto of sales tax recision on heating bills. The Governor stated that he anticipates the sales tax recision for heating bills will be corrected during the 2004 Legislative Session.
- Built-in spending commitments for FY 2005 are approximately \$336.0 million, which exceed available revenues.
- A total of 84.0% of the State's budget provides funding for Education, Health and Human Services, and local government assistance, such as tax credits and school aid.

### Budget Problems

The Governor stated that Iowa's budget problems are the result of a slow economy and tax cuts.

### Public Participation

The Governor and the Lieutenant Governor listened to testimony and questions from the audience, which are summarized below:

- A large number of attendees (parents, administrators, school board members, and teachers) asked education-related questions and requested a 6.0% allowable growth rate in State aid for schools.



- Several attendees requested that the cigarette tax be increased, and some requested sales and income tax increases, or option taxes such as a one-cent sales tax, be dedicated to education.
- Provide adequate funding for public safety and corrections.
- No reduction to Medicaid optional services.
- Fully fund Medicaid mental health services.
- Provide adequate funding for conservation and natural resource programs.
- Provide State matching funds of \$777,000 for the federal Help Americans Vote Act (HAVA).
- Provide adequate funding for substance abuse treatment to reduce prison populations.
- Provide support to higher education institutions, including the Board of Regents, community colleges, and private colleges.

**Other Meetings Held**



The public hearing was one of a series conducted by the Governor and the Lieutenant Governor. Other locations included Ottumwa on December 22, Mason City on December 19, Davenport on December 17, Sioux City on December 11, and Marion on December 10.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Shipman (Ext. 14617)

---

**TOBACCO SETTLEMENT AUTHORITY MEETING**

**Settlement Meeting**



The Tobacco Settlement Authority met December 11 in Des Moines. Chairperson Michael Fitzgerald introduced representatives from Public Financial Management, Inc., (PFM) for an overview of the tobacco market. Tobacco companies experienced a volatile year, with much publicity surrounding litigation involving Philip Morris, Inc., and the appeal bond imposed by a judge in Illinois. The initial bond requirements could have bankrupted the tobacco firm.

**Bond Security**

Tobacco securitization bonds are sold in the secondary bond market. Most bond securitization is similar to Iowa's, the bonds are backed by payments due to the State under the Master Tobacco Settlement Agreement that recently ended. The majority of the bond securitizations now occurring are backed by a pledge of the governmental entity's General Fund.

**Trapping Event**

The impact of the trapping event involving R.J. Reynolds, Inc., was also discussed. In June 2003, the credit rating for bonds issued by R.J. Reynolds, Inc., was downgraded to below investment grade. This activated a "trapping event", whereby the trustee will hold the payments from all tobacco companies associated with the 78.0% securitization in a trapping account until the required fee and debt service obligations are met. The payments will be held in the trapping account for a minimum of one year after the downgraded company is upgraded to investment grade or until 25.0% of the outstanding principle of the bonds is reached. Due to this trapping event, it is estimated the Endowment for Iowa's Health Account will not receive any



**Other Events**

Tobacco Settlement Residuals in FY 2004 or FY 2005. It may be five years before R.J. Reynolds, Inc., reaches investment grade.

The Tobacco Settlement Authority also reviewed other trapping events that might occur:

- Consumption Decline: Shipments of cigarettes in or to the United States (domestic market) decline below a prescribed level for any calendar year preceding a date any pledged tobacco settlement residuals are received by the trustee. This event requires 25.0% of the principal amount of the outstanding senior bonds to be held in trust.
- Non-Participating Manufacturers (NPM): The aggregate market share of all NPMs exceeds 7.0% in the calendar year preceding a deposit date. This event requires the lesser of 6.0% of the principal amount of outstanding senior bonds for each full percentage point by which the aggregate market share of the NPMs exceeds 7.0% and 65.0% of the principal amount.

**Operating Budget**



**More Information**

The Tobacco Settlement Authority approved the annual operating budget of \$200,000. The Authority approved a motion that any unspent balance remaining in the budget be transferred to the Office of the Attorney General for enforcement purposes.

Additional information is available from the LSA upon request or by accessing the web site at: <http://staffweb.legis.state.ia.us/lfb/>.

STAFF CONTACT: Beth Lenstra (Ext. 16301) David Reynolds (Ext. 16934)

---

**PROPERTY TAX IMPLEMENTATION COMMITTEE – BROAD IMPLEMENTATION ISSUES SUBCOMMITTEE**

**Property Tax**

The Broad Implementation Issues Subcommittee met December 19 at the Ames City Hall.

**School Foundation**

The meeting began with a presentation by Larry Sigel, School Finance Director, Iowa Association of School Boards, on the School Foundation Formula and a discussion of how property taxes fund a portion of school operations and infrastructure.

**Property Tax Issues**



The Subcommittee listed and discussed the following property tax issues:

- Capitalization Rate and the effect on agricultural property tax valuations as determined by the productivity formula. It was described as a return on investment measure, and when the capitalization rate is lowered, agricultural valuations increase.
- Freezing the Rollback as a short-term step to increase property tax revenues for cities and counties.
- Changing Levy Limits as an alternative for more revenues for cities and counties. Community colleges were mentioned as having exceeded their ability to raise revenues through property taxes.
- Spending/Budget Limitations as an alternative to levy limitations and the effects spending limits have on growing communities and expansion of services.
- Do Nothing and allow the current system to operate as is until replaced by the new property tax system.



**Residential Rollback**

Mayor Tedesco of Ames made a motion to recommend to the full Committee that the residential rollback remain at the 2002 level (51.4%) and that the capitalization rate be reduced to 6.0%. The 2003 residential rollback is 48.5%. Senator Quirmbach offered an amendment separating the two issues. The Subcommittee discussed whether they had adequate information to make recommendations at this point. The motion failed.

**Next Meeting**

The Subcommittee will meet during the first week of the Legislative Session, and the Departments of Revenue and Management are to gather information to answer questions raised during the discussion.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

---

**DEPARTMENT OF HUMAN SERVICES APPROPRIATIONS REDUCTIONS**

**Budget Reductions**



Senate File 453 (Reinvention of Government Act) required the Governor to reduce General Fund appropriations to the Department of Human Services (DHS) enacted in HF 667 (FY 2004 Health and Human Services Appropriations Act) by \$10.0 million, but did not specify where the reductions were to occur. The Act required the reductions be applied by January 1, 2004.

**General Fund Decrease**

On December 19, 2003, the General Fund appropriation for Child and Family Services was decreased by \$10.0 million in order to implement the reduction. The decrease will be managed by using one-time increases in federal funds to offset the reduction, thereby reducing the amount of State funds used in FY 2004.

**Federal Revenue**



The additional federal revenue will be provided from two sources, including Temporary Assistance to Needy Families (TANF) and Title XIX (Medicaid) as follows:

- \$4.0 million in TANF funds. These funds have already been appropriated to Child and Family Services; however, the funds were previously thought to be unavailable for use. The DHS is working with the consulting firm, Maximus, Inc., and has determined through this process that the DHS policy used to outline TANF-eligible expenditures in Child and Family Services is more restrictive than federal guidelines allow.
- \$5.4 million in Title XIX (Medicaid) funds. This is a one-time increase due to a federal review of Medicaid funding for several programs in Child and Family Services. A DHS error in data interface was noted that caused providers to be determined ineligible to provide Medicaid-funded services. The DHS corrected the error and filed a retroactive claim for the 24 months allowed.
- \$500,000 in enhanced federal match for Medicaid-funded services will increase Title XIX funding for Child and Family Services in FY 2004.



**Medicaid Reduction**

Senate File 453 also required a \$300,000 reduction for the Medical Services (Medicaid) Program for FY 2004 to reflect savings from the expansion of Electronic Benefit Transfer (EBT) activities. The appropriation reduction was implemented on December 19, 2003, and the Medicaid appropriation was reduced by \$300,000.

**More Information**

Additional information is available from the LSA upon request.

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

## DECEMBER MEETING OF THE MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES COMMISSION

**Commission Meeting**

The Mental Health and Developmental Disabilities Commission met on December 18 and conducted the following business:

- Approved administrative rule changes relating to the Risk Pool Board and distribution of the allocated Risk Pool funds from the Mental Health Allowed Growth appropriation.
- Approved various accreditations for facilities providing services.
- Received an update from the Department of Human Services staff regarding various child welfare redesign activities and proposed administrative rules relating to funding of services.
- Reviewed a proposed Attachment C, a reference document to the Proposed Draft #5 of the Mental Health Redesign. These items are available at: <http://www.dhs.state.ia.us/mhdd/MHDD%20Commission%20Redesign%20Information.asp>.
- Received testimony at a public hearing regarding the Proposed Draft #5 of the Mental Health Redesign.

**Next Meeting**

The next meeting is scheduled for January 15, 2004.

**More Information**

Additional information is available from the LSA upon request

STAFF CONTACT: Sue Lerdal (Ext. 17794)

## DECEMBER COUNCIL ON HUMAN SERVICES MEETING

**Council Meeting**

The Council on Human Services met on December 10 and conducted the following business:

**Administrative Rules**

The following administrative rules were adopted:

- Changes to rules that apply to institutional credits in county billing to allow funds to be moved between the Mental Health Institutes and the State.
- Provisions for the implementation of the on-line application process for the Healthy and Well Kids in Iowa (*hawk-i*) Program.
- Establishment of sanctions for child care assistance provider fraud.
- Proposed rule changes for the Adoption Subsidy Program with regard to child care assistance provisions. The changes impact the amount of child care assistance that is received in addition to adoption subsidy payments. The new changes grandfather in and agree to continue child care assistance for those that currently receive assistance; however, the benefit will be capped and may be eliminated for others in the future. In November 2003, the Administrative Rules Review Committee placed a 70-day delay on the proposed changes; therefore, the new rules will not take effect before March 2004. The previously proposed changes were estimated to result in a State savings of \$433,000 in FY 2004.

- Clarifications to program expectations for rehabilitative treatment group care services. The clarifications were in response to a court decision and a petition for rulemaking.

**Rules on Notice**



The following administrative rules were placed on Director's Notice for adoption at a future meeting:

- Changes to the State Payment Program to enact cost savings strategies to reduce expenditures for FY 2004 due to a budget shortfall in the Program. An estimated cost savings of \$41,000 would result from eliminating the management fee associated with non-managed care services. An additional \$22,000 in cost savings would result by requiring waiting lists in counties that already have waiting lists. Additional savings (no dollar amount provided) would result from an across-the-board provider rate reduction of up to 5.0%.
- Clarifications to program exemptions for rehabilitative treatment group care services.

**General Fund Reduction**



The Council approved a \$10.0 million General Fund reduction to the Child and Family Services appropriation for FY 2004. Senate File 453 (Government Reinvention Act) required that the Governor reduce the FY 2004 Department of Human Services (DHS) appropriations by \$10.0 million by January 1, 2004. The reduction will be managed by using one-time increases in federal funds.

**Family Services**

Mary Nelson, DHS, reviewed the findings of the federal Child and Family Services Review. The Department is currently in the process of developing the required Program Improvement Plan (PIP) for non-compliance areas in the State. The PIP is due by January 12, 2004, and the Department will have two years to implement the Plan. The State will be reviewed again in two years for compliance.

**Family Support**

Ms. Nelson also provided an update on the Family Support Subsidy and Children at Home Programs.

**Welfare Redesign**

Director Kevin Concannon, DHS, provided an overview of the recommendations that resulted from the Child Welfare System Redesign.

**Redesign Update**



The Council was updated regarding the Mental Health/Developmental Disabilities (MH/DD) Redesign. Information was provided regarding the status of the redesign and the pending December report. Public hearings were held in December and the Mental Health and Developmental Disabilities Commission revised and adopted the report on December 18. The report is expected to be available on the DHS web site by the beginning of January 2004.

**Electronic Payment**

The Council received information on the Parental Obligation Project Payment and Child Support Electronic Payment. Information was provided regarding the process implemented for the electronic payment system and efforts with the parental obligation project.

**Director's Report**



Director Concannon provided the following information:

- An update regarding the status of individuals receiving services at the Woodward State Resource Center who are no longer eligible for federal funding within the Medicaid Program and the appeal process taking place.

- Information regarding the new director of the Sexual Predator Commitment Program now located at the Mental Health Institute at Cherokee.
- The Request for Proposal (RFP) process implemented for a new fiscal agent for the Medicaid Program.
- Information regarding the possible importation of pharmaceuticals from Canada.
- Overview of public inquiries regarding the DHS not recommending elimination of optional services within the FY 2005 budget request.

**Supplementary Assistance**

The Council reviewed information regarding changes for funding sources for reimbursement of Residential Care Facilities (RCFs) and Residential Care Facilities for the Mentally Retarded (RCF/MRs). The DHS plans to utilize the Home and Community Based Services (HCBS) Medicaid funding in lieu of State Supplementary Assistance funding. The estimated FY 2004 General Fund savings is \$700,000, and the FY 2005 General Fund savings estimate is \$1.7 million.



**Budget Update**

Reviewed FY 2003 ending balances and carry forward balances, FY 2004 budgeted expenditures, and funding concerns for FY 2005. Information included the planned transfer of \$591,000 to the Department of Public Safety to replace the Governor's 2.5% across-the-board reduction.

**Budget Savings**

The Council discussed proposed savings plans in the original FY 2005 DHS proposed budget document, which are no longer feasible for FY 2004 or FY 2005.

**Next Meeting**

The next meeting is scheduled for January 14, 2004.

**More Information**

Additional information is available from the LSA upon request.

Vermeer (Ext. 14611)

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

---

**LEGISLATIVE MONITORING COMMITTEE ON CHILD WELFARE HOLDS MEETING**

**Monitoring Committee**

The Legislative Monitoring Committee appointed to oversee the project to redesign Iowa's Child Welfare and Juvenile Justice System met on December 15.

**Final Report Draft**



The Committee reviewed the final redesign plan for the child welfare and juvenile justice systems, as well as recommendations regarding the plan released on December 8 by Director Kevin Concannon, Department of Human Services (DHS). Director Concannon and Wendy Rickman, DHS Service Area Manager, discussed the recommendations and implementation plans for the redesign.

**Redesign Plan**

The Committee also heard comments from and discussed the redesign plan with the following representatives associated with the child welfare and juvenile justice systems:

- Marilyn Lantz, John Wauters, and Pat Hendrickson, Juvenile Court Officers.
- Kim Schmett and Ann Harmann, Coalition for Family and Children Services.



- Gail Barber, Iowa Court Improvement Project.
- Charles Bruner, Iowa Child and Family Policy Center.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

---

**SENIOR LIVING COORDINATING UNIT HOLDS QUARTERLY MEETING**

**Senior Living Unit**



The Senior Living Coordinating Unit met on December 19 and conducted the following business:

- Rob McCommons, Integrated Care Solutions, Milwaukee, Wisconsin, and Ann Olson, Total Long Term Care, Denver, Colorado, provided presentations on models for Programs of All-Inclusive Care for the Elderly (PACE), which provide and coordinate all needed preventive, primary, acute, and long-term care services to older individuals.
- Joel Wulf, Department of Elder Affairs, reported on a Robert Wood Johnson Foundation Cash and Counseling Grant that will be available for application in March 2004. Up to 10 states will be awarded grants of \$250,000 to replicate the cash and counseling model in one or more of the Medicaid waivers. The Coordinating Unit adopted a motion that the Departments of Human Services (DHS), Elder Affairs, Public Health, and Inspections and Appeals jointly pursue the grant.
- Mary Ann Young, Department of Elder Affairs, presented proposed changes to the administrative rules for the Senior Living Coordinating Unit. The Coordinating Unit approved the proposed changes, which will be noticed in January 2004. The major changes include:
  - Requires the Director of the Department of Elder Affairs to serve as Chairperson. Currently, the Chairperson position rotates annually between the Directors of the Departments of Human Services, Elder Affairs, Public Health, and Inspections and Appeals.
  - Requires the Department of Elder Affairs to perform the technical and administrative functions associated with the Coordinating Unit. Currently, these responsibilities have rotated between Departments, depending on the Department Director serving as the Chairperson.
  - Requires the Coordinating Unit to meet at least six times per year. Currently, the rules require quarterly meetings.
- Eileen Creager, DHS, provided an update on the status of FY 2004 nursing facility conversion grants. The grant awards are from applications from the second Request for Proposal (RFP) that was placed on hold due to the moratorium placed on conversion grants in FY 2003. In FY 2004, the moratorium was lifted and \$20.0 million was appropriated for conversion grants. The DHS has paid a total of \$294,000 to facilities selected to proceed with Architectural and Financial Feasibility Studies from the Second RFP. In addition, the DHS will award a total of \$3.4 million to 10 agencies for the development of assisted living beds and other long-term care services, such as adult day and respite care. The DHS will expend a total of \$3.7 million of the \$20.0 million appropriated for FY 2004 conversion grants.
- Greg Anliker, Department of Elder Affairs, provided a report on unmet client service needs for the first quarter of FY 2004. These are services that are



provided using Senior Living Trust Funds. Unmet service needs may be due to a lack of funding to pay for certain services, or due to a lack of a provider for the service.

**Next Meeting**

The next meeting is scheduled for March 19, 2004.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

## MEDICAL ASSISTANCE PROGRAM ESTIMATES FOR FY 2004 AND FY 2005

**Medicaid Estimates**


MEDICAID

Staff from the Department of Management, the Department of Human Services and the Fiscal Services Division of the LSA met on December 19 to discuss estimated enrollment and expenditures in the Medical Assistance (Medicaid) Program for FY 2004 and FY 2005. The three staffs meet monthly to agree on an estimated range for Medicaid expenditures compared to the appropriation.

**FY 2004 Estimate**

The group maintained the same estimated range for FY 2004 as agreed to in November. The estimated range is a surplus of \$12.2 million to a deficit of \$5.0 million when compared to the net FY 2004 appropriation. A supplemental appropriation for Medicaid in FY 2004 does not appear to be likely at this time. The estimate accounts for the increased federal matching rate due to the federal fiscal relief package.

**Flu Season**

If the current flu season results in more medical expenditures than normal, the FY 2004 estimates may be impacted. Since the flu season has not ended, the impact is not yet known.

**FY 2005 Estimate**

The group also agreed on an estimated range for FY 2005. The estimated need for FY 2005 is an increase of \$70.0 to \$93.0 million compared to the estimated net FY 2004 appropriation. The FY 2004 amount reflects a decrease of \$16.2 million from the original appropriation due to the \$15.2 million transfer from Medicaid to the Salary Adjustment Fund and the \$1.0 million Charter Agency reduction.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

## BOARD OF REGENTS MEETING

**Regents Meeting**

The Board of Regents met on December 15 and 16 at Iowa State University (ISU) in Ames. Significant agenda items included:

- Annual Report on Technology Transfer and Economic Development. The Report summarizes activity for the year. Each of the universities provided reports relating to activities on each respective campus.
- Legislative Program. Director Nichols indicated the Revenue Estimating Conference (REC) had met in December and it appears automatic funding commitments for FY 2005 will exceed available revenues by approximately \$300.0 million. As a result, Nichols stated it is possible the Regents will sustain another State appropriation reduction for FY 2005. Nichols estimated that

reduction at 6.5% to 7.5%. Each of the five institutions presented information on the impact such a reduction would have on each respective institution.

- Banking Committee – The Committee recommended and the Board approved the following:
  - A resolution declaring official intent to issue debt to reimburse the University of Iowa (SUI) for expenditures paid in connection with specific projects.
  - Extension of the master lease agreement with Wells Fargo for the three-year extension period.
  - Authorization for ISU to use master lease financing in the amount of \$850,000 for deferred maintenance and improvements for four concession/toilet buildings at Jack Trice Stadium.
- Annual Report on Fire and Environmental Safety and Deferred Maintenance. The estimated amount of deferred maintenance is \$147.5 million, as identified by the institutions. This compares with \$145.7 million in 2002, \$145.9 million in 2001, and \$153.6 million in 2000. Fire safety deficiencies total \$4.9 million for FY 2004, which compares to \$5.1 million for FY 2003.
- Annual Report on Diversity. The Report summarized progress made by the institutions in providing equal employment opportunities for administrators, faculty, and staff.



**Next Meeting**

The next meeting is scheduled for January 14, 2004.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Shipman (Ext. 14617)

**UNIVERSITY OF IOWA HOSPITALS AND CLINICS ANNUAL FINANCIAL REPORT**

**Financial Report**



The University of Iowa Hospitals and Clinics (SUIHC) recently released the FY 2003 annual financial report as required by statute. Highlights of the Report include:

**University of Iowa Hospitals and Clinics  
 Receipts, Disbursements, and Fund Balances (Accrual Basis)  
 July 1, 2002 through June 30, 2003  
 (Dollars in millions)**

Receipts	\$ 656.0
Disbursements	639.6
Receipts in excess of disbursements	\$ 16.4
Fund Balance (July 1, 2002)	\$ 408.2
Fund Balance (June 30, 2003)	\$ 424.6

**More Information**

Additional detail, including the full Report, is available from the LSA upon request.

STAFF CONTACT: Mary Shipman (Ext. 14617)

**DEPARTMENT OF TRANSPORTATION EQUIPMENT AND VEHICLE PURCHASE REPORT****Vehicle Purchase****Revolving Fund**

The Department of Transportation (DOT) submitted the Equipment and Vehicle Purchase Report for FY 2003, 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.

The Fund is used to purchase all rolling stock, materials, and equipment for all divisions of the DOT. The Fund primarily receives funding from 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. Prior to FY 2003, the Fund received an annual appropriation of approximately \$5.3 million from the Primary Road Fund to assist in paying for inflationary costs associated with purchasing vehicles and equipment.

**Summary of Purchases**

The following table summarizes purchases from the Materials and Equipment Replacement Revolving Fund for the last two fiscal years.

**Department of Transportation  
Equipment and Vehicle Purchases From The  
Materials and Equipment Replacement Revolving Fund**

	<u>FY 2002</u>	<u>FY 2003</u>
Self Propelled Vehicles	\$ 9,349,680	\$ 6,867,935
Road Maintenance Equipment	2,711,420	2,656,851
Office Furniture and Files	2,436	925
Shop Tools and Equipment	1,940,764	1,181,785
Engineering Equipment	251,541	5,361
Communications	316,904	790,624
Computer and Related Equipment	1,397,080	4,777,823
<b>Total</b>	<b><u>\$ 15,969,825</u></b>	<b><u>\$ 16,281,304</u></b>

**More Information**

A copy of the report or additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

**DEPARTMENT OF PUBLIC SAFETY PHYSICAL SECURITY PLAN FOR THE CRIME LAB****Crime Lab**

The Fiscal Services Division of the LSA received a copy of the Department of Public Safety's Physical Security Plan on December 15. The report was required in SF 439 (FY 2004 Justice System Appropriations Act). The Report describes security measures that are designated for buildings and additional security measures that may be needed for the Division of Criminal Investigation (DCI) Criminalistics Laboratory, State Medical Examiner

---

Laboratory, University of Iowa Hygienic Laboratory, and the Department of Agriculture and Land Stewardship Laboratories.

**More Information**

A copy of the Report or additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

---

**ENVIRONMENTAL PROTECTION COMMISSION MEETING**

**Commission Meeting**

The Environmental Protection Commission met December 15 and discussed the following issues:

**Solid Waste Program**

The Commission approved the recommendations for the Solid Waste Alternatives Program (SWAP) as recommended by the Department of Natural Resources (DNR). There were 11 proposals with requests totaling \$836,000. The DNR recommended seven applicants for a total of \$721,000.

**Permit Hearing**

The DNR issued a draft construction permit to a swine confinement operator in Humboldt County on November 6. The Department received a Demand for Hearing from Humboldt County on November 21. The Commission heard testimony from the operator, DNR employees, and Humboldt County citizens. The Commission voted to deny the construction permit.



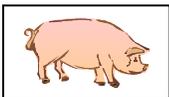
**Electronics Recycling**

The Commission approved a strategy report regarding electronics recycling in Iowa that was prepared by the DNR. Electronics waste is increasing each year due to continuous changes in technology. This type of waste can be hazardous as components may contain toxic materials. The report will be submitted to the General Assembly and proposed Administrative Rules are being developed to address this issue.

**Drinking Water Fund**

The Commission approved the Drinking Water State Revolving Fund Intended Use Plan for FFY 2004. The Plan includes a list of 27 capital projects that will receive funding of \$37.0 million from the Fund.

**Air Quality Rules**



The Commission approved a Notice of Intended Action that regulates air emissions from animal feeding operations. The Notice establishes a health effects value and a health effects standard for hydrogen sulfide. The health effects value is a level that is commonly known to cause a material and verifiable health effect. The DNR is proposing a level of 15 parts per billion during a one-hour time period. The Department will hold five public hearings around the State regarding the proposed rules.

**Next Meeting**

The next meeting is scheduled for January 20, 2004.

**More Information**

Additional information is available from the LSA upon request or by accessing the DNR web site at: <http://www.iowadnr.com>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

---

**FY 2003 IOWA PUBLIC TELEVISION AUDIT REPORT****Audit Report**

The State Auditor issued the FY 2003 Audit Report for Iowa Public Television (IPTV) on November 13. The Fiscal Services Division of the LSA received the report on December 10. The Report identified no instances of non-compliance or weaknesses in internal controls.

**Financial Statements**

The financial statements and management analysis included in the Report show that IPTV's total revenues decreased \$6.0 million in FY 2003 compared to FY 2002. This included decreases in State funds totaling \$2.8 million, a decrease in operating grants and contributions of \$1.8 million, and a decrease in permanent endowment contributions of \$1.4 million that reflects a major one-time contribution in the previous year.

**Operations**

Operating expenses for IPTV decreased by \$2.3 million from the previous year, and there was an increase in capital assets primarily due to the continued conversion to digital television. Overall, IPTV's net assets increased \$56,000 during FY 2003.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

**ISSUE REVIEW – MEDICAL ASSISTANCE (MEDICAID) PROGRAM UPDATE****Issue Review**

The Fiscal Services Division of the LSA recently published an *Issue Review* that provides an update on the Medical Assistance (Medicaid) Program.

The *Issue Review* discusses spending and enrollment trends over the past three fiscal years, recent legislative changes enacted to curtail the expenditure growth, and includes information on other states' experiences over the same time period.

**More Information**

A copy of the *Issue Review* is available from the LSA upon request or may be accessed on the LSA website at:  
<http://staffweb.legis.state.ia.us/lfb/ireview/ireview.htm>

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

**ISSUE REVIEW – ROAD USE TAX FUND REVENUE UPDATE****Issue Review**

The Fiscal Services Division of the LSA recently published an *Issue Review* on the Road Use Tax Fund, including the types of programs funded, and forecasted revenues for FY 2004 through 2008.

The *Issue Review* also includes recent legislative changes affecting the Fund, including adjustments for tax credits on gasoline, and changes relating to the Waste Tire Management Fund.

**More Information**

A copy of the *Issue Review* is available from the LSA upon request or by accessing the LSA web site at:  
<http://staffweb.legis.state.ia.us/lfb/ireview/ireview.htm>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

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