

FISCAL UPDATE

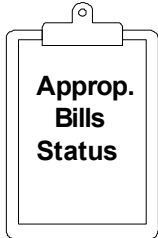
February 16, 2004

Legislative Services Agency

(515)-281-5279 FAX 281-8451

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

STATUS OF APPROPRIATIONS BILLS



Appropriations Subcommittee Bills		
Appropriations Subcommittee	LSB/File#	Status
Transportation	SF 2112	Passed Senate Appropriations Committee on February 11.
Other Appropriations Bills		
98.0% General Fund Expenditure Limitation	HF 2039	Passed Senate on February 9 and item vetoed by the Governor on February 12.
Birth Certificate Registration Fees	SF 2059	Passed Senate on February 3.

GOVERNOR ITEM VETOES 98.0% EXPENDITURE LIMITATION ACT – HF 2039

Item Veto



The Governor item vetoed and signed HF 2039 (98.0% Expenditure Limitation Act) on February 12. The Governor item vetoed the section related to reducing the expenditure limitation rate from 99.0% to 98.0%.

The Governor stated, “. . . a 98.0% expenditure limitation . . . will compromise the state’s ability to protect Iowan’s priorities and fund essential services. Putting an additional 1 percent of the state’s budget in a savings account will shortchange our commitment to excellence in education, impede our ability to provide basic health care for seniors and veterans, and jeopardize efforts to ensure the safety and security of all Iowans. Furthermore, the state currently maintains healthy reserve accounts with over \$160.0 million in reserves. . . .”

The Governor also stated that he would be willing to work with the General Assembly on establishing a 98.0% expenditure limitation if it applies to a larger budget where priority services would not be compromised and if the income generated from the interest on the 1.0% was devoted to early childhood education.

Governor Approved

The Governor left the following provisions of the Act intact:

- At the close of FY 2006, an amount equal to 1.0% of the adjusted revenue estimate from the General Fund surplus will be appropriated to the Senior Living Trust Fund before surplus funds are transferred to the Cash Reserve Fund. If the surplus is less than 2.0%, then the amount appropriated to the

IN THIS ISSUE:

Status of Appropriations Bills, pg. 1
HF 2039 – 98.0% Expen. Limitation, pg. 1
SF 2112 – Trans. Appropriations Bill, pg. 2
Admin./Regs Appropriations Subcom., pg. 2
Economic Dev. Appropriations Subcom., pg. 3
Education Appropriations Subcommittee, pg. 4

Health/HS Appropriations Subcommittee, pg. 4
Justice System Appropriations Subcom., pg. 5
Trans/Infrastructure/Capitals Approps., pg. 5
Government Oversight Committee, pg. 6
HF 2150 – Child Endangerment, pg. 7
Council on Human Services, pg. 7

Senior Living Trust Fund will be equal to one-half of the surplus. These appropriations to the Senior Living Trust Fund will continue until a total of \$118.0 million has been deposited into the Fund.

- The transfer of \$45.8 million from the Cash Reserve Fund to the General Fund in order to fund the FY 2003 General Fund deficit that resulted from lower than anticipated accrued revenues, under-estimated FY 2003 standing appropriations, and lower than projected reversions. The Act made the transfer effective upon enactment and retroactive to June 30, 2003.

Bill Summary



The Notes on Bills and Amendments (NOBA) for HF 2039 is available on the Legislative Services Agency (LSA) web site at:
<http://www3.legis.state.ia.us/noba/index.jsp>

STAFF CONTACT: David Reynolds (Ext. 16934)

**SENATE APPROPRIATIONS COMMITTEE PASSES
 TRANSPORTATION APPROPRIATIONS BILL – SF 2112**

Senate Approps.



The Senate Appropriations Committee passed Senate File 2112 (FY 2005 Transportation Appropriations Bill) on February 11. The Bill appropriates a total of \$274.1 million to the Department of Transportation (DOT), which includes \$41.2 million from the Road Use Tax Fund, \$232.9 million from the Primary Road Fund, and 3,421.0 FTE positions. This is a decrease of \$7.5 million (2.7%) and 21.0 (0.6%) FTE positions compared to estimated net FY 2004. The following table summarizes the appropriations.

Bill Summary

The Notes on Bills and Amendments (NOBA) for SF 2112 is available on the

Department of Transportation
 (in millions)

	<u>Estimate Net FY 2004</u>	<u>Proposed Legis. Action FY 2005</u>	<u>Change</u>	<u>Percent Change</u>
Road Use Tax Fund	\$ 46.2	\$ 41.2	\$ -5.0	-10.8%
Primary Road Fund	235.4	232.9	-2.5	-1.1%
Total	\$ 281.6	\$ 274.1	\$ -7.5	-2.7%



LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

**ADMINISTRATION AND REGULATION APPROPRIATIONS
 SUBCOMMITTEE MEETING**

Subcommittee Meeting

The Administration and Regulation Appropriations Subcommittee met the week of February 9 and conducted the following business:

Dept. Admin. Services

On February 10, Director Mollie Anderson, Department of Administrative Services (DAS), provided an update on the following:

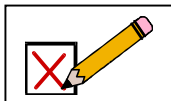
- Distribution of \$10.8 million to agencies to be used to purchase services provided by the DAS.
- Review of federal over-billing.
- Department request of \$2.0 million for start-up funding for Enterprise Programs.

Secretary of State

In addition, Barb Huey and Steve Maternach, Secretary of State's Office, provided an update on the Help America Vote Act (HAVA) and an overview of office staffing.

Governor's Office

On February 11, Elizabeth Buck, Governor's Office, and Dave Cordes, Terrace Hill Administrator, provided an update on Terrace Hill funding and support staff for the First Lady, Christie Vilsack.

Dept. of Revenue

In addition, Director Michael Ralston, Department of Revenue, provided an update on the Department's Charter Agency status.

On February 12, Barb Huey and Steve Maternach, Secretary of State's Office, responded to questions regarding the Help America Vote Act (HAVA).

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:
http://staffweb.legis.state.ia.us/lfb/legis_committees.htm

STAFF CONTACT: Ron Robinson (Ext. 16256) Douglas Wulf (Ext. 13250)
Sam Leto (Ext. 16764)

ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE MEETING

Subcommittee Meeting

The Economic Development Appropriations Subcommittee met on February 10 and heard a presentation on the Southwest Iowa Rural Entrepreneurial Center.

The Center is a partnership between the Southwest Iowa Coalition, the Grow Iowa Foundation, and the Wallace Center for Rural Research and Development. The Center provides business consultations, financial assistance, housing development and grant writing services, rural economic development, value-added agricultural ventures, community foundation outreach, and education and training to businesses in 22 counties in Southwest Iowa.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:
http://staffweb.legis.state.ia.us/lfb/legis_committees.htm.

STAFF CONTACT: Russell Trimble (Ext. 14613)

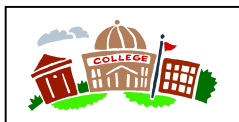
EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING

Subcommittee Meeting



The Education Appropriations Subcommittee met on February 4 and 11 and heard from the following representatives:

- Department of Education – Director Stilwill reviewed the Department’s budget request for FY 2005.
- Board of Educational Examiners – Anne Kruse reviewed the increased fee structure for teacher licenses and use of the funds. The proposed increase in fees will allow the elimination of the \$43,000 General Fund appropriation requested by the Board for FY 2005.
- College Student Aid Commission – Director Gary Nichols reviewed information and answered questions regarding scholarship, grant, and loan programs administered by the Commission. The Governor recommended an increase of \$1.8 million for the Iowa Tuition Grant Program for FY 2005.
- National Guard – Colonel Vince Reefer and Brigadier General Mark Zirkelbach reviewed the National Guard Educational Assistance Program and answered questions. The Governor recommended an increase of \$1.9 million for the Program for FY 2005.
- Community Colleges – The following community college presidents made brief presentations and answered questions:
 - Bettsey Barhorst, Hawkeye Community College, Waterloo.
 - Michael Morrison, North Iowa Community College, Mason City.
 - Robert Denson, Des Moines Area Community College, Ankeny.



More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:
http://staffweb.legis.state.ia.us/lfb/subcom/ed_sub/educat.htm

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

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE MEETING

Subcommittee Meeting



The Health and Human Services Appropriations Subcommittee met the week of February 9 and conducted the following business:

- On February 10, Lori Short, University of Iowa Hospitals and Clinics, provided an update regarding the Coming to Your Senses Vision Program.
- On February 11, Jennifer Steenblock and Eileen Creager, Department of Human Services (DHS), and Director Mark Haverland, Department of Elder Affairs, provided information on pre-admission screening procedures.
- On February 12, Michael Bergen, Chairperson, and Linda Kellen, Vice Chairperson, Mental Health Developmental Disabilities (MHDD) Commission, provided an update on the Mental Health Redesign.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:
http://staffweb.legis.state.ia.us/lfb/legis_committee.htm.

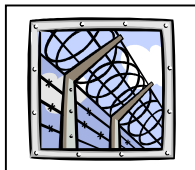
STAFF CONTACT: Lisa Burk (Ext. 17942) Jennifer Vermeer (Ext. 14611)
Sue Lerdal (Ext. 17794)

JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE MEETING**Subcommittee Meeting**

The Justice System Appropriations Subcommittee met on February 11 and 12.

Criminal Justice

On February 11, Elizabeth Robinson and Richard Bordwell, Board of Parole, discussed improvements to the Criminal Justice System.

Corrections

On February 12, Director Gary Maynard and John Baldwin, Department of Corrections, discussed the following:

- An overview of the Department's functions.
- Inmate employment.
- An overview of efficiency measures.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:
http://staffweb.legis.state.ia.us/lfb/legis_committees.htm.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Acton (Ext. 17846)

TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS APPROPRIATIONS SUBCOMMITTEE MEETING**Subcommittee Meeting**

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met on February 10 and 11 and conducted the following business.

The Fiscal Services Division of the LSA reviewed the funding sources used to fund infrastructure and environmental programs and projects.

FY 2004 RIIF Funding

Under current law, the Rebuild Iowa Infrastructure Fund (RIIF) is projected to have a \$29.3 million shortfall in FY 2004 due to the loss of wagering tax revenue resulting from the recent Iowa Supreme Court ruling against the State. The FY 2004 shortfall will need to be addressed by the General Assembly and the Governor by either increasing revenues to the RIIF or reducing appropriations from the Fund.

FY 2005 RIIF

Under current law, there will be sufficient revenues in the RIIF for FY 2005 to fully fund the \$35.0 million standing appropriation for the Environment First Fund and the \$750,000 appropriation to the Department of Public Defense. In addition, there will be \$4.3 million available for new spending for FY 2005.

The amount of available revenue will change significantly if legislation is enacted that changes wagering tax rates.

Governor's Recomm.



The Governor is recommending an adjustment to the wagering tax rates retroactive to FY 2004, which will generate \$28.6 million in FY 2004 and \$28.6 million in FY 2005. This allows the Governor to address the FY 2004 shortfall for the RIF and increase funding to the Environment First Fund by \$5.0 million in FY 2005.

Restricted Capital Fund

Under current law, there will be approximately \$9.0 million available for FY 2005 infrastructure and capital appropriations.

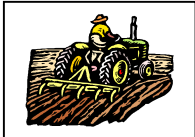
Governor's Proposal

The Governor is recommending issuing \$300.0 million in bonds, with \$150.0 million for economic development programs and \$150.0 million for capital projects.

Dept. Admin. Services

The Fiscal Services Division also presented an overview of the Governor's recommendations for infrastructure projects for the Department of Administrative Services (DAS). The Governor is recommending a total of \$95.4 million for the DAS for FY 2005.

Environment Programs



In addition, the Fiscal Services Division presented an overview of the Governor's recommendations for infrastructure projects for the Department of Agriculture and Land Stewardship and the Department of Natural Resources (DNR). The Governor is recommending a total of \$14.0 million for the Department of Agriculture and Land Stewardship and \$31.0 million for the DNR for FY 2005.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:
http://staffweb.legis.state.ia.us/lfb/legis_committees.htm.

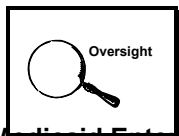
STAFF CONTACT: Dave Reynolds (Ext. 16934) Mary Beth Mellick (Ext. 18223)

GOVERNMENT OVERSIGHT COMMITTEE MEETING

Oversight Meeting

The Government Oversight Committee met on February 10 and 11 and discussed the following:

Iowa Medicaid Program



On February 10, the Committee discussed changes for providing administrative services for the Medical Assistance (Medicaid) Program beginning January 1, 2005. The Department of Human Services (DHS) issued letters of intent to nine separate contracted services instead of one. The Committee received an explanation regarding the contract changes.

Medicaid Enterprise

Representative Dave Heaton, Co-Chairperson, Health and Human Services Appropriations Subcommittee, presented a legislative perspective on the Medicaid Enterprise.

DHS Discussion

Director Kevin Concannon and Eugene Gessow, DHS, reviewed the Medicaid Program and responded to questions.

ACS Systems

Steve Conway, ACS State Healthcare Systems, also discussed the Medicaid Program. Mr. Conway stated that ACS will not bid on the Request for Proposal (RFP) in the current form.

Iowa Lottery



On February 11, Director Ed Stanek, Iowa Lottery, discussed the following:

- The semi-annual report submitted to the General Assembly.
- Innovative solutions for problem areas at the Iowa Lottery.
- The Employee Incentive Program.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:
http://staffweb.legis.state.ia.us/lfb/legis_committees.htm.

Nelson (25822)

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

HOUSE PASSES CHILD ENDANGERMENT - CONTROLLED SUBSTANCES BILL – HF 2150

Child Endangerment



The House passed HF 2150 (Child Endangerment - Controlled Substances Bill) on February 12. The Bill establishes a child endangerment offense for permitting the presence of a child or minor where a controlled substance is either manufactured or where products are possessed with the intent to manufacture a controlled substance. The offense is punishable as a Class D felony.

Estimated Offenders

During FY 2005, it is estimated that HF 2150 will result in 96 additional convictions for child endangerment. Thirty-five convictions will be for a Class D felony and 61 will be for an aggravated misdemeanor. For FY 2006 and each year thereafter, there will be an estimated 191 additional convictions, including 69 Class D felonies and 122 aggravated misdemeanors.

Fiscal Impact

The estimated increase in State General Fund expenditures for FY 2005 is \$218,000 and \$748,000 in FY 2006. The estimates include increased costs for State prisons, Community-Based Corrections, the court system, and indigent defense. The fiscal impact on county jail operating costs is estimated to be \$16,000 in FY 2005 and \$31,000 in FY 2006.

More Information

The Fiscal Note for HF 2150 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

FEBRUARY COUNCIL ON HUMAN SERVICES MEETING

Human Services Council

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

Legislative Update

Kate Walton, Department of Human Services (DHS), provided an update on activities and bills before the General Assembly.

Admin. Rules



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

- Amendments to rules for various items related to eligibility for the Family Investment Program (FIP), including requiring that Family Investment Agreements are completed prior to approval of the FIP. The changes will result in an estimated savings of \$41,000 in FY 2004 and \$692,000 in FY 2005 in federal Temporary Assistance for Needy Families (TANF) funds.
- Amendments to rules to allow maternal health centers to provide non-emergency transportation for pregnant women under the Medical Assistance (Medicaid) Program. The changes will have a minimal fiscal impact.
- Amendments to rules to change therapy and counseling requirements for group care rehabilitative treatment and clarifying procedures for identifying overpayments. The changes will have no fiscal impact.
- Amendments to rules to change independent living foster care to "supervised apartment living," revising eligibility criteria, allowing youth to return before age 20 to complete high school or GED education requirements, and removing the cap on time in cluster arrangements. The changes will result in a State fiscal impact of \$291,000, which will have to be managed by each of the eight DHS service areas within the current funding allocations received for child welfare services.

Fiscal Agent Contract

Gene Gessow, DHS, provided an update on the procurement for the fiscal agent contract. Currently, the DHS is in the process of responding to questions from potential bidders. The Request for Proposals (RFPs) for the Medical Services component has been amended to also allow an option for potential bidders to bid on the current Preferred Drug List (PDL) contract.

Family Support



The Council received an update from representatives with the Personal Assistance Services/Family Support Council. Information on funding and outcomes related to the Children-At-Home Program was provided. Currently, the Program receives an allocation of \$330,000 from the \$1.9 million State appropriation for the Family Support Subsidy. The Program is available in 14 counties to assist families with the costs of caring for children with disabilities at home.

Director's Report

Director Kevin Concannon, DHS, provided the following information:

- Update on efforts to address the over-representation of Native American children in the child welfare system, particularly in the Western area of the State. One option is to bypass the federal interstate compact if the State has entered into a contract with a tribal entity for the placement of children in tribal homes. This requires permission from federal authorities.
- Overview of the process that tentatively awarded the two-year Behavioral Health Contract to Magellan.
- The Department has submitted information on the Preferred Drug List (PDL) to the federal Centers for Medicare and Medicaid (CMS), and the State has received permission from the CMS to proceed with these efforts.
- The Department supports pending legislation that would expand the application of criminal penalties to cover DHS employees that are assaulted while performing work duties. In addition, legislation dealing with the Mental Health Redesign and service voucher support may also be proposed.



- Update on Child Welfare Redesign efforts. The implementation team meets every Tuesday. In addition, a letter has been submitted to federal authorities expressing the State's interest in obtaining a Title IV-E waiver that would enable the State to have greater flexibility in serving children and families. The Department has not submitted applications for waivers for Title IV-E or Title IV (Medicaid) to date.

Next Meeting

The next meeting is scheduled for March 10.

More Information

Additional information is available from the LSA upon request.

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

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