

FISCAL UPDATE

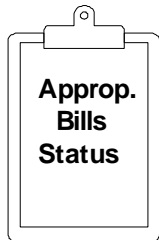
April 19, 2005

Legislative Services Agency

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

STATUS OF APPROPRIATIONS BILLS



Appropriations Subcommittee Bills		
Appropriations Subcommittee/Title	LSB/File#	Status
Administration and Regulation	HF 810	Passed Senate Appropriations on April 6.
Agriculture and Natural Resources	HF 808	Passed Senate Appropriations on April 14.
Economic Development	HF 809	Passed Senate on April 6.
Education	HF 816	Passed House on March 30.
Health and Human Services	HF 825	Passed House on April 5.
Justice System	HF 811	Passed House on April 6.
Judicial Branch	HF 807	Passed House on April 6.
Transportation	HF 466	Signed by Governor on April 14.
Other Appropriations Bills		
FY 2007 Allowable Growth Rate Bill	SF 36	Signed by Governor on February 2.
Soil Conservation District Expenses Supplemental Bill	SF 71	Final passage. Senate concurred on House Amendment on March 23.
Military Pay Differential Program Changes Bill	SF 75	Passed Senate on January 27.
Judicial Branch Procedures & Duties Bill	SF 325	Passed House on April 13.
FY 2005 Supplemental Appropriations Bill	SF 342	Passed Senate on March 16.
FFY 2006 Federal Block Grant Bill	SF 346	Passed House on April 13.
Long-Term Care Asset Disregard Bill	HF 819	Passed House Appropriations on March 21.

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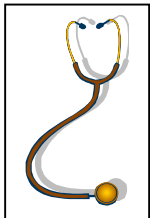
Other Appropriations Bills		
Alcohol Sales Privatization Bill	HF 820	Passed House on April 14.
Prescription Drug Assistance Clearinghouse Bill	HF 821	Passed House Appropriations on March 21.
Speed Limit Bill	HF 826	Final Passage on April 13.
Financial Update Bill	HF 837	Passed House Appropriations on April 4.
State Information Technology Reorganization Bill	HF 839	Passed House on April 13.
Iowacare Medicaid Reform Bill	HF 841	Passed House Appropriations on April 14.
Healthy Iowans Tobacco Trust Bill	HSB 299	Passed House Appropriations on April 14.

**HOUSE APPROPRIATIONS COMMITTEE PASSES
IOWACARE MEDICAID REFORM BILL – HF 841**

Medicaid Reform Bill

The House Appropriations Committee amended and passed HF 841 (Iowacare Medicaid Reform Bill), as amended by the Ways and Means Committee, on April 14. The House amendment establishes the Iowacare Program, which includes a limited expansion of the Medical Assistance (Medicaid) Program, various reforms in the Program, and appropriations. This information refers to the Ways and Means amendment.

Medicaid Expansion



Beginning July 1, 2005, the Bill expands eligibility for Medicaid for adults between the ages of 19 and 64 to 200.0% of the Federal Poverty Level (FPL) with various limitations and includes:

- Limited benefits, required medical examinations, and monthly premiums.
- Limits covered providers to the University of Iowa Hospitals and Clinics, Broadlawns Hospital in Polk County, and the four State Mental Health Institutions.
- Requires Disproportionate Share Hospitals and Indirect Medical Education funds to cover costs not covered by the Medicaid expansion.

Rebalance Long-Term Care

Beginning July 1, 2005, the Bill also increases the level of care requirements for nursing facility services but maintains the current level of care requirements for Home and Community-Based Waiver services.

By January 1, 2007, the Department of Human Services (DHS) is required to develop and implement a case-mix reimbursement rate system for intermediate care facilities for the mentally retarded (ICF/MRs).

The DHS is also required to provide services to 300 children who require behavioral health care and meet level of care requirements.

Health Promotion

For health promotion, the Bill requires the DHS to do the following:



- Provide dietary counseling to assist those on Medicaid with weight loss by July 1, 2006.
- Expand utilization of electronic medical records by October 1, 2006.
- Implement a provider incentive payment program by January 1, 2007.
- Begin assessing the physical health of persons with mental retardation or developmental disabilities by July 1, 2007.
- Reduce smoking among Medicaid recipients to less than 1.0% for children and less than 10.0% for adults by July 1, 2007.
- Provide Medicaid recipients with a dental home so preventive dental care is provided by July 1, 2008.

Medicaid Enterprise

The Bill requires the DHS to provide annual costs, quality of care reports, and performance regarding fiscal agent contracts for the Iowa Medicaid Enterprise.

Governance



The Bill also establishes the following:

- A Clinicians Advisory Panel for recommendations regarding appropriate health care utilization.
- A Health Care Services Pricing Advisory Council for recommendations regarding pricing of Medicaid services.
- A Legislative Medical Assistance Projections and Assessment Council for quarterly cost projections and quarterly report review of the Medicaid expansion. Requires the DHS, the Department of Management, and the Legislative Services Agency, to provide joint consensus projections.

Federal-State Partnership

The Bill eliminates future Intergovernmental Transfers (IGTs). The Bill requires an independent certified public accountant to report on Iowa's compliance with the elimination of the IGTs.

In addition, the Bill establishes the Fund for Health Care Transformation. The Fund will receive \$40.0 million in one-time federal revenue from two financing proposals previously enacted by the General Assembly and awaiting federal approval. The Bill specifies that the one-time funds will be used only for costs associated with the lowacare Act, including the Health Promotion Partnerships and other new requirements in the Bill.

HTF Appropriations

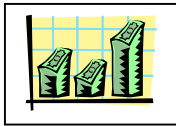
The Bill appropriates the following from the Hospital Trust Fund (HTF):

- \$27.3 million to the University of Iowa Hospitals and Clinics, accompanied by a contingent deappropriation from the General Fund of the same amount.
- \$40.0 million to Broadlawns Hospital in Polk County, accompanied by a transfer of county levy funds of \$34.0 million.
- \$43.9 million to the four Mental Health Institutes (MHIs), accompanied by a contingent deappropriation from the General Fund of the same amount.

Fiscal Impact

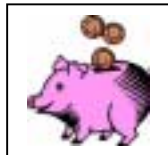
The IGTs were estimated to provide approximately \$66.1 million in State revenue to Medicaid in FY 2006. The elimination of IGTs by the federal

Centers for Medicare and Medicaid Services (CMS) results in an estimated State shortfall in Medicaid of \$66.1 million in FY 2006. This would have resulted in the need for a FY 2006 supplemental appropriation.



Under current law, the Indigent Care Program, the MHIs, and Broadlawns Hospital provide health care services to 30,000 indigent and uninsured Iowans. House File 841 establishes a new, limited Medicaid coverage group to provide care to these Iowans. The new program is structured to serve the same number of Iowans, but with 63.6% federal matching funds, thereby reducing the State and county costs to approximately \$33.3 million to serve these Iowans.

The estimated State and county savings of \$57.9 million is transferred to Medicaid to assist in offsetting the loss of the \$66.1 million in IGT revenues, for a remaining net cost of \$8.7 million. This assumes that the program will draw federal matching funds for 100.0% of the program cost. The net cost could be higher if all State dollars are not matched with federal funds.



More Information

Any net cost due to these changes is not addressed in HF 841 or HF 825 (FY 2006 Health and Human Services Appropriations Bill) and will need to be addressed in a FY 2006 supplemental appropriation to Medicaid.

The NOBA (Notes on Bills and Amendments) for HF 841 is available on the Legislative Services Agency (LSA) web site at:
<http://www3.legis.state.ia.us/noba/index.jsp>

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

HOUSE APPROPRIATIONS COMMITTEE PASSES HEALTHY IOWANS TOBACCO TRUST APPROPRIATIONS BILL – HSB 299

Tobacco Trust Bill

The House Appropriations Committee passed HSB 299 (FY 2006 Healthy Iowans Tobacco Trust Appropriations Bill) on April 14. The Bill appropriates a total of \$64.7 million from the Healthy Iowans Tobacco Trust, an increase of \$897,000 compared to estimated net FY 2005. This includes:



- \$130,000 to the Department for the Blind for a Newline service, which is no change compared to estimated net FY 2005.
- \$2.2 million to the Department of Education for Empowerment, which is no change compared to estimated net FY 2005.
- \$20.2 million to the Department of Public Health, an increase of \$663,000 compared to estimated net FY 2005. This includes:
 - An increase of \$163,000 for the State Poison Control Center.
 - An increase of \$100,000 for a Capitol Complex Defibrillator.
 - An increase of \$400,000 for a children's substance abuse prevention program.
- \$39.9 million to the Department of Human Services, which is no change compared to estimated net FY 2005.



- \$1.6 million to the Department of Corrections for the Fort Madison Clinical Care Unit and the Newton Value-Based Treatment Program, which is no change compared to estimated net FY 2005.
- \$844,000 to four Community-Based Corrections (CBC) District Departments, an increase of \$234,000 compared to estimated net FY 2005. The increase replaces expired federal funding for drug courts in the Second and Third CBC District Departments.

More Information

The NOBA (Notes on Bills and Amendments) for HSB 299 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>

STAFF CONTACT: Jennifer Vermeer (Ext. 14611) Beth Lenstra (Ext. 16301)

GOVERNOR SIGNS TRANSPORTATION APPROPRIATIONS ACT – HF 466

Governor Signs



The Governor signed HF 466 (FY 2006 Transportation Appropriations Act) on April 14. The Act appropriates a total of \$294.7 million and 3,376.0 FTE positions to the Department of Transportation (DOT) from the following sources:

- \$243.2 million from the Primary Road Fund.
- \$51.4 million from the Road Use Tax Fund.
- \$101,000 from the General Fund.

Total Funding

The total funding represents a net increase of \$7.8 million compared to estimated net FY 2005. The significant funding increase is a \$9.4 million appropriation for the construction of a new facility to house the Motor Vehicle Division's administrative offices, which includes the Des Moines Driver's License Station. The Act also includes funding decreases for the DOT operations totaling \$2.4 million and 45.0 FTE positions compared to estimated net FY 2005. The reductions were requested by the DOT and recommended by the Governor.

More Information

The NOBA (Notes on Bills and Amendments) for HF 466 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

FINAL ACTION ON FFY 2006 FEDERAL BLOCK GRANT BILL – SF 346

Federal Block Grant Bill



The General Assembly passed SF 346 (FFY 2006 Federal Block Grant Bill) on April 13. The Bill authorizes the receipt and expenditure of federal funds totaling \$4.1 billion for FFY 2006. This is an increase of \$38.7 million compared to estimated FFY 2005. This includes:

- Federal Block Grant Funds totaling \$159.2 million for the Departments of Economic Development, Human Rights, Human Services, Justice, and Public Health, and the Governor's Office of Drug Control Policy.
- Federal Categorical Grants totaling \$3.9 billion for various Departments.

More Information

The NOBA (Notes on Bills and Amendments) for SF 346 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>

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

**SENATE PASSES ECONOMIC DEVELOPMENT
APPROPRIATIONS BILL – HF 809**

Econ. Dev. Approps.



The Senate amended and passed HF 809 (FY 2006 Economic Development Appropriations Bill) on April 14. A Motion to Reconsider has been filed on the Bill. The amendment does the following:

- Provides a \$500,000 General Fund supplemental appropriation to the Department of Economic Development for FY 2005 for sole source grant costs associated with hosting the National Special Olympics.
- Provides for nonreversion of the supplemental appropriation, which takes effect upon enactment.
- Prohibits the Department of Economic Development from charging a fee to a nonprofit, public entity for placement of informational materials in a welcome center.

General Fund Approps.

The Bill, as passed by the House, appropriates \$22.9 million from the General Fund to the Department of Economic Development, Iowa Workforce Development, the Public Employment Relations Board, and the Regents' Economic Development programs. This is no change compared to estimated net FY 2005.

Field Offices



In addition to the appropriations made in HF 809, SF 2311 (FY 2005 Economic Stimulus Appropriations Act) provides a \$6.5 million appropriation to Iowa Workforce Development for the operation of field offices for FY 2006. In total, the General Fund appropriation for the Departments, Board, and Economic Development programs is \$29.4 million for FY 2006, which is no change compared to estimated net FY 2005.

More Information

The NOBA (Notes on Bills and Amendments) for HF 809 will be available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>.

STAFF CONTACT: Russell Trimble (Ext. 14613)

**HOUSE PASSES STATE INFORMATION TECHNOLOGY
REORGANIZATION BILL – HF 839**

Info. Tech. Reorganization



The House passed HF 839 (State Information Technology Reorganization Bill) on April 13. The Bill eliminates the current Information Technology Council and establishes a Technology Governance Board within the Department of Administrative Services (DAS).

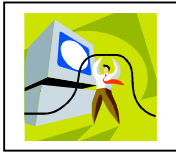
The Board will be comprised of 10 members as follows:

- The Director of the DAS, who will serve as Chairperson.
- The Director of the Department of Management.
- Three representatives from agencies with more than 700 full-time employees.

- Two representatives from agencies with between 70 and 700 full-time employees.
- One representative from an agency with less than 70 full-time employees.
- Two public members with knowledge and experience in information technology.

The representatives will be appointed by the Governor, subject to Senate confirmation, and will serve two-year staggered terms.

Fiscal Impact



The Bill appropriates \$250,000 from the lowAccess Revolving Fund for support of the Board. The lowAccess Revolving Fund has historically received a transfer of \$1.0 million from the fees collected by the Department of Transportation for transactions involving the furnishing of certified abstracts of a vehicle operating record. The FY 2006 appropriation will be used to support the Board, including meeting costs and 3.0 FTE positions. The DAS anticipates this will increase to \$327,000 and 4.0 FTE positions for FY 2007.

More Information

The NOBA (Notes on Bills and Amendments) for HF 839 is available on the LSA web site at: http://www3.legis.state.ia.us/noba/data/81_HF839_HFA.pdf.

STAFF CONTACT: Ron Robinson (Ext. 16256)

HOUSE PASSES ALCOHOL SALES PRIVATIZATION BILL – HF 820

Alcohol Sales Privatization



The House approved House File 820 (Alcohol Sales, Privatization) on April 14. The Bill amends Sections 123.24 and 123.53, Code of Iowa, regarding State liquor activities. The Bill sets liquor prices and appropriates \$2.0 million for the Substance Abuse Prevention and Treatment Program in the Department of Health, effective July 1, 2006. The Bill notwithstanding Sections 7J.1 and 123.20, Code of Iowa, to not allow the hire of State FTE positions. The Bill also establishes timeframes and requires the issuance of a Request for Proposal (RFP) to contract State liquor warehouse and trucking operations.

More Information

The NOBA (Notes on Bills and Amendments) for HF 820 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>

STAFF CONTACT: Sam Leto (Ext. 16764)

FINAL ACTION ON SPEED LIMIT BILL – HF 826

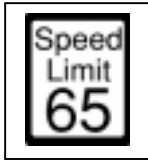
Speed Limit Increase

The General Assembly passed HF 826 (Speed Limit Bill) on April 13. The Bill increases the speed limit from 65 to 70 miles per hour (MPH) on interstate highways and increases the speeding fines for vehicular traffic on highways with rates of speed greater than 55 MPH.

Fine Revenue

The Bill requires the Judicial Branch to deposit the new speeding fine revenue into the Vehicle Depreciation Fund in the Department of Public Safety to be utilized by the Iowa State Patrol until June 30, 2009. The Bill also allows the Judicial Branch to retain \$7.0 million for operations from the increased revenue due to the increase in the simple misdemeanor court costs from \$17 to \$30.

Fiscal Impact



The estimated fiscal impact to change the speed limit signs will range from \$124,000 to \$248,000, including labor, maintenance, and equipment. These costs will be paid from the Primary Road Fund.

The increased revenue to the General Fund consists of fine and surcharge revenues and the increase of the simple misdemeanor court costs. The total revenue impact of HF 826 is provided in the table below.

Estimated Net Revenues Generated From House File 826

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
General Fund	\$ -	\$ 900,000	\$ 1,900,000
Victim Compensation Fund	19,000	28,000	41,000
County/Local	177,000	204,000	232,000
Vehicle Depreciation Account	596,000	709,000	841,000
Judicial Branch	7,000,000	7,000,000	7,000,000

More Information

The NOBA (Notes on Bills and Amendments) for HF 826 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>

STAFF CONTACT: Jennifer Acton (Ext. 17846)

HOUSE WAYS AND MEANS COMMITTEE PASSES K-12 FOUNDATION LEVEL INCREASE AND COMMUNITY COLLEGE PROPERTY TAX BILL – HF 848

K-12 Foundation Level

The House Ways and Means Committee passed HF 848 (K-12 Foundation Level Increase and Community College Property Tax Bill) on April 6. The Bill amends Section 257.1, Code of Iowa, to incrementally increase the foundation level for regular program and school special education costs from the current 87.5% to 100.0% by FY 2013. The Area Education Agency special education foundation level remains at 79.0%.

Community Colleges



House File 848 also creates a Local Workforce and Economic Development Fund at each community college, funded through a property tax. The basis for determining the property tax rate is the community colleges budgeted expenditures for the employer contributions under the Federal Insurance Contributions Act (FICA), the employer contributions to employees' retirement systems, utility costs, and 0.10 cents per \$1,000 of assessed valuation. The property tax is phased in over four years in 20.0% increments to a maximum of 80.0% of the identified budgeted costs. The Bill specifies the programs and services that may be funded with these revenues.

Property Taxes

The effect of increasing the K-12 foundation level, over the seven-year period, will be to change the source of revenues for local school districts. By FY 2013, \$490.2 million will be shifted from property taxes to the General Fund. Overall funding for local schools is not changed under the Bill.

Add'l. Revenue

The Local Workforce and Economic Development Fund, when fully implemented in FY 2010, will provide an additional \$50.3 million for community college programs and services.

More Information

The Fiscal Note for HF 848 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

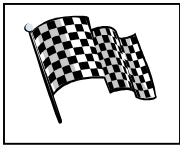
STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

HOUSE PASSES SPEEDWAY TAX INCENTIVE BILL – HF 840

Speedway Tax Incentive

The House passed HF 840 (Speedway Sales Tax Rebate Bill) on April 12. The Bill provides a sales tax rebate of up to \$12.5 million for an automobile racetrack facility that meets specific criteria. A proposed racetrack in Newton is the only track assumed to meet the Bill's criteria.

Rebate



The rebate would apply to all sales tax collected as part of the operation of the facility and remitted to the State. The Department of Revenue is directed to rebate sales tax receipts back to the facility on a monthly basis. The rebate timeframe begins on January 1, 2006, and extends for 10 years, or until a total of \$12.5 million has been rebated. For fiscal impact and General Fund balance sheet purposes, the first rebate is projected to be issued in FY 2007.

More Information

The Fiscal Note for HF 840 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscal notes/>.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

SENATE PASSES MODEL STATE SPYWARE BILL – HF 614

Spyware Bill



The Senate amended and passed HF 614 (Model State Spyware Bill) on April 13. The Bill creates Chapter 714F, Code of Iowa, which prohibits certain actions related to the transmission and use of software, such as the transmission of software to modify, through deceptive means, settings that control web site access. Violators are subject to criminal penalties for certain actions, including an aggravated misdemeanor and a Class D felony.

Correctional Impact

House File 614 creates new crimes; therefore, there is no data available to project the specific correctional or fiscal impact. The creation of a new offense carries the potential for a correctional impact on court caseloads, prisons, county jails, and Community-Based Corrections (CBC) resources. Depending on the location of offenders (within Iowa or not) and law enforcement and prosecution activities, there may be a significant increase in the number of aggravated misdemeanor and Class D felony convictions. The impact cannot be determined, however, due to a lack of information.

Fiscal Impact

The fiscal impact of HF 614 cannot be determined due to insufficient information.

More Information

The Fiscal Note for HF 614 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index/jsp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

SENATE PASSES MOVEABLE PROPERTY THEFT BILL – HF 745

Moveable Property Theft



The Senate amended and passed HF 745 (Moveable Property Theft Bill) on April 13. The Bill clarifies existing law regarding failure to return leased or rented property after expiration of a lease or after receiving notice to return the property. Current law provides for a graduated system of penalties for theft, ranging from a simple misdemeanor to a Class C felony, depending on the value of the property.

Background Information

There were 19,420 charges for theft in Calendar Year 2003. Of this, 6,338 charges were dismissed or acquitted. It is unknown whether any of the charges were for leased or rented property.

Correctional Impact

By clarifying existing law, the Bill may decrease the dismissal/acquittal rate, thereby increasing the number of convictions for theft of leased or rented property. It is anticipated there will not be a significant number of new convictions; therefore, the correctional impact is not expected to be significant.

Fiscal Impact

The fiscal impact of HF 745 is not anticipated to be significant.

More Information

The Fiscal Note for HF 745 is available on the LSA web site at: <http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

SENATE PASSES INFECTION THROUGH BODILY FLUIDS BILL – HF 777

Infection – Bodily Fluids



The Senate amended and passed HF 777 (Infection Through Bodily Fluids Bill) on April 13. The Bill requires a person in the custody of a peace officer, who commits certain assaults, to submit to the withdrawal of a bodily specimen for testing to determine if the person is infected with a contagious or infectious disease. A person who refuses to submit to the test commits a serious misdemeanor.

Background Information

In FY 2004, there were 378 convictions for assaults on peace officers (serious misdemeanor); 126 convictions for assaults causing injury on a peace officer (aggravated misdemeanor); and 24 Class D felony convictions for assault on a peace officer.

Correctional Impact

The number of new serious misdemeanor convictions under HF 777 cannot be estimated due to insufficient data; however, it is anticipated there will not be a significant number of new convictions. The new convictions would be at the same level as the least serious assault charge (serious misdemeanor); therefore, the possibility exists that more offenders would serve time in jail, but the number cannot be estimated.

Fiscal Impact

The fiscal impact is not anticipated to be significant. The fiscal impact of HF 777 on county jail operations for one offender is approximately \$555 (37 days x \$15 per day). The State cost for one new serious misdemeanor conviction ranges from \$101 to \$4,100.

More Information

The Fiscal Note for HF 777 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

SENATE PASSES FUEL THEFT BILL – HF 440**Fuel Theft Bill**

The Senate passed HF 440 (Fuel Theft Bill) on April 11. The Bill permits a judge to suspend a driver's license upon a second or subsequent conviction for theft of motor fuel not exceeding \$200 from a retail dealer.

Correctional Impact

To the extent that judges impose this civil penalty and offenders drive with a suspended license, an increase in criminal convictions will occur. Any increase will impact criminal justice system costs, including indigent defense, court time, Community-Based Corrections (CBCs), and county jails, as offenders are cited for contempt of court or probation violation proceedings.

Fiscal Impact

The Bill may result in increased convictions for driving while the license is under suspension. There may be approximately 17 suspensions annually. The fiscal impact of hearings held before the Department of Transportation (DOT) is anticipated to be minimal. The DOT reprogramming costs of \$19,000 will be funded from the Road Use Tax Fund.

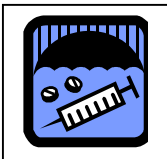
More Information

The Fiscal Note for HF 440 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

MEDICAID ESTIMATES FOR FY 2005 AND FY 2006**Medicaid Estimates**

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on April 8 to discuss estimated expenditures for the Medical Assistance (Medicaid) Program for FY 2005 and FY 2006. The three staffs meet monthly to discuss estimated expenditures for the current fiscal year and to agree on a range for expenditures.

FY 2005

When the FY 2005 Medicaid budget of \$568.5 million was enacted, it was discussed that the funding was not likely sufficient to cover the full cost. A shortfall for FY 2005 is projected. The agreed upon range for the FY 2005 shortfall is \$67.0 to \$76.0 million compared to the FY 2005 appropriation. The range from March was \$65.0 to \$75.0 million compared to the FY 2005 appropriation. Although enrollment growth was relatively modest in March compared to the very high growth experienced in February, expenditures continue to exceed forecasted amounts.

Supplemental Bills

Senate File 342 (FY 2005 Supplemental Appropriations Bill) and HF 825 (FY 2006 Health and Human Services Appropriations Act) both include a FY 2005 supplemental appropriation of \$70.0 million for Medicaid. Both bills have passed respective chambers. The supplemental amount of \$70.0 million appears to be sufficient at this time; however, the three staffs are concerned about higher than expected expenditures.

FY 2006



The three staffs agreed to an estimated range of increase of \$105.0 to \$145.0 million for FY 2006. This increase is relative to the original FY 2005 appropriation, prior to the FY 2005 supplemental, and assumes that Iowa continues to receive revenue from the Intergovernmental Transfers (IGTs) and that the Senior Living Trust Fund will be depleted at the end of FY 2006. It is likely that the IGTs will be discontinued in FY 2006. This increases the range by \$66.0 to \$171.0 million to \$211.0 million for FY 2006. This is no change from the March range.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

APPROPRIATIONS TRANSFER FROM GOVERNOR'S OFFICE TO TERRACE HILL QUARTERS

Appropriations Transfer

On April 8, the Legislative Services Agency was notified by the Department of Management of an appropriations transfer of up to \$100,000 between the Governor's Office and the Terrace Hill Quarters.

The transfer is necessary to cover greater than anticipated expenses in the Terrace Hill Quarters account.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

DEPARTMENT OF PUBLIC DEFENSE APPEAL BOARD CLAIM

Appeal Board Claim



The April State Appeal Board meeting contained a notice for \$44,498 for utilities from the Department of Public Defense. The appeal was for a federal government repayment due to the misreading of the meter at the STARC armory, which resulted in over-billed utilities.

The Department of Transportation and the Iowa Communications Network have repaid their portions of the repayment. There is \$24,177 in repayments still due from the following Departments:

- Iowa Workforce Development - \$4,154
- Department of Public Safety - \$5,784
- Department of Public Defense, Military Division - \$14,239

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

DEPARTMENT OF PUBLIC SAFETY LEASE PURCHASE NOTIFICATION

Lease Purchase

The Department of Public Safety (DPS) submitted a lease purchase notification to the Fiscal Services Division of the LSA for the replacement of the Automated Fingerprint Identification System (AFIS). The notice was

submitted pursuant to Section 8.46, Code of Iowa, which requires State agencies to notify the LSA at least 30 days prior to entering into a lease purchase agreement.

Project Cost



The total cost of the new AFIS is \$3.6 million; however, if the System is ordered prior to June 20, 2005, the DPS will receive \$600,000 in vendor discounts, reducing the cost to \$3.0 million. For FY 2005, the Department received an appropriation of \$550,000 in HF 2298 (FY 2005 Omnibus Appropriations Act) for the costs of entering into a lease purchase agreement to upgrade the AFIS. The DPS plans to use the \$550,000 as a down payment for the equipment and will finance the remaining \$2.4 million over a period of six years. Annual payments will total approximately \$462,000 and will be funded with appropriated funds.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

AUDIT REPORT – LEWIS AND CLARK STATE PARK

Audit Report

The State Auditor issued a special audit report on the Lewis and Clark State Park on April 12. The Report provides an overview of operations from July 1, 2001, to November 30, 2004.

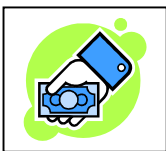
Lewis and Clark State Park is located near Onawa. During October 2004, the Park Supervisor expressed concerns to the Parks Bureau Chief regarding the proper collection and deposit of camping receipts, the use of Park funds, and the use of Park equipment. The Department of Natural Resources (DNR) then requested the special audit.

Reportable Conditions



The audit report included several recommendations to the DNR regarding internal controls at State Park operations, including:

- Implement procedures to determine all camping receipts are collected and deposited.
- Segregate the duties related to collection and deposit of funds.
- Reinforce that camping receipts be deposited into the appropriate bank account.
- Reinforce that employee personal checks cannot be cashed using Park funds.
- Reinforce the proper use of change or petty cash funds.
- Reinforce that all State Park equipment should be clearly marked as property of the DNR and a check-out log of equipment used by non-DNR personnel should be maintained.
- Reinforce the proper usage of fuel and maintenance of records related to usage and purchase.
- Reinforce that all local area charge accounts should be authorized and that invoices should be submitted for payment in a timely manner.



More Information

Additional information is available from the LSA upon request. A copy of the Audit Report is available on the web site at:
<http://auditor.iowa.gov/specials/specials.htm>.

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APRIL COUNCIL ON HUMAN SERVICES MEETING

Council Meeting

The Council on Human Services met on April 13. Kate Walton, Department of Human Services (DHS), provided a legislative update. Weekly summaries of legislative activities relating to the DHS can be accessed on the Department's web site at:
www.dhs.state.ia.us/dhs2005/dhs_homepage/news/leg_reports.html.

Admin. Rules



The Council adopted the following Administrative Rules:

- Technical changes to reflect the implementation of the Iowa Medicaid Enterprise model.
- Amendment to increase standard utility allowance deductions for heating or cooling and telephone expenses used in determining eligibility and benefits.
- Amendment to update drug prior authorization and payment rules to reflect the implementation of the Iowa Preferred Drug List (PDL).
- Amendments to add components of family-centered services, including family team meeting facilitation, parental counseling and education, relative home studies, community resource procurement, and a flexible family support fund.
- Amendment to clarify the time limit for employees of a health care facility or service program to report suspected dependent adult abuse to the DHS.
- Repeal of rules specifying treatment of certain income and resources when negotiating the amount of an adoption subsidy.

Other Business

Bill Gardam, DHS, provided a performance plan update. Gene Gessow, DHS, provided an update on the federal Medicaid Waiver.

The Council elected new officers. Ruth Mosher was elected as Chairperson and Jim Miller was elected as Vice Chairperson. The new appointee is Mark Pelton, who will attend the meeting in May.

Next Meeting

The next meeting is scheduled for May 11. Additional information is available from the LSA upon request.

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