

FISCAL UPDATE

November 9, 2005

Legislative Services Agency

(515)-281-5279 FAX 281-8027

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

MEDICAID ESTIMATES FOR FY 2006 AND FY 2007

Medicaid Estimates

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on October 21 to discuss final expenditures for the Medical Assistance (Medicaid) Program for FY 2005 and estimated expenditures for FY 2006. The three staffs meet monthly to discuss estimated expenditures and to agree on a range for expenditures for the current fiscal year.

FY 2005



At the end of FY 2005, Medicaid had a surplus of \$6.9 million, which is 1.1% of the total \$629.0 million in State appropriated funds. Increases in pharmaceutical rebates and delayed claims processing were factors that may have contributed to the difference between the estimated \$70.0 million need and actual costs. The excess funds were transferred to the Senior Living Trust Fund pursuant to SF 2298 (FY 2005 Omnibus Appropriations Act), which will decrease the FY 2007 built-in cost factored from the Senior Living Trust Fund. The Fund will not have an adequate balance in FY 2007 to maintain the current appropriation level of \$100.0 million for Medicaid.

FY 2006

House File 825 (FY 2006 Health and Human Services Appropriations Act), as amended by HF 882 (FY 2006 Standing Appropriations Act) and HF 841 (IowaCare Medicaid Reform Act), includes total State funding of \$704.4 million for Medicaid for FY 2006. It was discussed during the 2005 Legislative Session that this level of funding is not likely sufficient to fully fund Medicaid and a shortfall is anticipated. The three staffs agreed to an estimated shortfall range of \$39.0 to \$54.0 million for FY 2006. This is compared to the previous shortfall range of a deficit of \$42.0 to \$63.0 million.

The shortfall estimate includes the following assumptions:

- Enrollment growth of 3.8% to 5.8%. The FY 2006 appropriation is based on a 3.5% enrollment growth. This difference results in increased expenditures of between \$10.0 and \$20.0 million. Enrollment growth was 5.8% for FY 2005. Enrollment into the IowaCare Program may increase enrollment into the Medicaid Program.

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- An estimated net cost of \$12.9 million due to a provision included in HF 841 (IowaCare Medicaid Reform Act).
- A shortage of \$6.4 million due to the FY 2005 supplemental not being fully incorporated into the FY 2006 appropriation.
- Items where savings were assumed but the corresponding statutory changes were eliminated totaled \$3.1 million, including \$1.0 million for Pay and Chase, \$101,000 for a technical adjustment, and \$2.0 million for a reduction in HF 882.
- Funds to pay for a settlement pending with the federal Centers for Medicare and Medicaid Services (CMS) related to financial audits of the Adult Rehabilitation Option (ARO) service providers. The CMS report included findings against the State and providers of approximately \$6.2 million, which is required to be repaid to the federal government.
- Funds to pay for an anticipated federal Medicare Part D Drug Benefit woodwork effect that are greater than earlier anticipated. This expense will occur in only the second half of FY 2006 since the Part D Benefit does not begin until January 2006. The revision of this estimate from \$17.0 to \$8.0 million accounts for a large part of the decrease in the supplemental estimate for FY 2006.



- Funds to pay for a small amount of FY 2005 claims not processed before August 26, 2005, that will be paid from the FY 2006 appropriation.
- An estimated \$6.5 million to fulfill the 3.0% provider increase to nursing facilities. Payments to nursing facilities do not include any inflationary increases.
- A payment of approximately \$3.3 million to the Iowa Veterans' Home. Due to enacted federal legislation, effective November 2004, per diems can no longer be counted toward an individual veteran's contribution. The State is expected to make up this difference for FY 2006 and eight months of FY 2005.

Waiver Waiting Lists

House File 825 included an increase of \$6.0 million to eliminate the Home and Community-Based Services Waiver waiting lists. Since the Waivers are not considered an entitlement, this typically would be delayed due to the shortfall in Medicaid. Legislative intent, however, was clear that this funding be allocated to waiting lists despite the known supplemental need.

The DHS has initiated the process for providing waiver services for those who have been on waiting lists. In January 2005, it was estimated that \$6.0 million was needed to eliminate waiting lists as of that time. Since the waiting lists may have increased or costs may have changed, the \$6.0 million may not fully eliminate waiting lists. In addition, the intent was not that waiting lists be eliminated in total going forward. The \$6.0 million will be used to add as many as possible; then, as new people become eligible, they will be added to waiting lists.

Other Issues

The federal action anticipated as a result of the enacted multi-year budget has not been adopted, although reductions in federal payments for nontraditional Medicaid services, such as Adult Rehabilitative Option (ARO) and Rehabilitative Treatment Support Services (RTSS) for FFY 2006 are possibilities.

Due to a software problem, 177,000 claims currently await processing through the Iowa Medicaid Enterprise (IME). It is not yet known how much this backlog has affected expenditures for the first three months of FY 2006. This issue should be resolved by the November forecasting meeting.



The Legislature funded only \$2.0 million of the \$3.0 million that was appropriated to Broadlawns to finance IowaCare in FY 2006.

Although this meeting concentrated on the need for a FY 2006 supplemental appropriation, the projected need for FY 2007 should be discussed in detail at the November meeting.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannson (Ext. 14611)

DEPARTMENT OF PUBLIC HEALTH FY 2007 BUDGET REQUEST

FY 07 Requests



The Department of Public Health is requesting \$28.1 million from the General Fund for FY 2007, an increase of \$2.0 million compared to estimated FY 2006.

The Department is also requesting \$32.4 million from the Healthy Iowans Tobacco Trust (HITT) for FY 2007, an increase of \$11.5 million compared to estimated FY 2006, and \$6.0 million from the Gambling Treatment Fund, which is no change compared to estimated FY 2006.

Approps. Changes

Currently, the Department has 11 General Fund appropriations. The Department's budget request proposes reducing this to nine for FY 2007 to better align programs. Under this proposal, the Adult Wellness and Injuries appropriations are eliminated, and programs currently funded under these are transferred to other existing appropriations. Also, the Child and Adolescent Wellness appropriation is changed to the Healthy Children and Families appropriation. Other program transfers between existing appropriations are proposed, as outlined below.

General Fund

The General Fund budget request includes the following changes for FY 2007:

- Adult Wellness - A decrease of \$304,000 to transfer existing funds for the Maternal Health Program to the Healthy Children and Families appropriation.
- Healthy Children and Families - An increase of \$2.3 million, including:
 - An increase of \$646,000 to transfer existing funds for the Healthy Opportunities for Parents to Experience Success (HOPES) Program from the Injuries appropriation.
 - An increase of \$304,000 to transfer existing funds for the Maternal Health Program from the Adult Wellness appropriation.
 - An increase of \$475,000 for the Access to Baby and Child Dentistry (ABCD) Program.
 - An increase of \$786,000 for community strategies to address youth fitness and healthy nutrition.





- An increase of \$60,000 to increase child and family access to health insurance.
- Chronic Conditions - An increase of \$682,000, including:
 - An increase of \$100,000 to transfer existing funds for Phenylketonuria (PKU) Assistance from a separate appropriation.
 - An increase of \$63,000 to transfer existing funds for the Head Injuries Council from the Injuries appropriation.
 - An increase of \$439,000 to increase the availability of services in Child Health Specialty Clinics.
 - An increase of \$80,000 for chronic care management.
- Community Capacity - An increase of \$65,000 to transfer existing funds for the Local Board of Health Environmental Liaison Program from the Public Protection appropriation.
- Environmental Hazards - An increase of \$71,000 to transfer existing funds for the Environmental Health Program from the Public Protection appropriation.
- Injuries - A decrease of \$1.3 million, including:
 - A decrease of \$646,000 to transfer existing funds for the Healthy Opportunities for Parents to Experience Success (HOPES) Program to the Healthy Children and Families appropriation.
 - A decrease of \$620,000 to transfer existing funds for the Emergency Medical Services (EMS) Program to the Public Protection appropriation.
 - A decrease of \$63,000 to transfer existing funds for the Head Injuries Council to the Chronic Conditions appropriation.
- Public Protection - A net increase of \$664,000, including:
 - An increase of \$620,000 to transfer existing funds for the Emergency Medical Services (EMS) Program from the Injuries appropriation.
 - An increase of \$100,000 for the State Medical Examiner's Office for Department of Administrative Services (DAS) utility billings.
 - An increase of \$79,000 to transfer existing funds for the State Medical Examiner's Office from Resource Management.
 - A decrease of \$71,000 to transfer existing funds for the Environmental Health Program to the Environmental Hazards appropriation.
 - A decrease of \$65,000 to transfer existing funds for the Local Board of Health Environmental Liaison Program to the Community Capacity appropriation.
- Resource Management - A net decrease of \$46,000, including:
 - A decrease of \$79,000 to transfer existing funds for the State Medical Examiner's Office to the Public Protection appropriation.
 - An increase of \$33,000 for DAS utility fees charged for the space occupied in the Lucas Building.



Other Funds

Currently, the Department has 12 separate appropriations from the Healthy Iowans Tobacco Trust. The Department's budget request proposes reducing this number and reorganizing these funds into six new appropriations for FY 2007 to better align programs. The new appropriations, as well as the changes for FY 2007, are outlined below.



- **Addiction Free Iowa** - An appropriation of \$27.1 million, including:
 - A transfer of \$11.8 million in current funds for substance abuse treatment.
 - An increase of \$5.2 million for substance abuse treatment for individuals on probation, in-jail assessment and treatment, and conducting the Iowa Youth Survey.
 - A transfer of \$5.0 million in current funds for the Tobacco Use Prevention and Control Program.
 - An increase of \$4.2 million for additional programs that focus on decreasing adult smoking, including recipients of the new Medicaid cessation benefit.
 - A transfer of a total of \$800,000 in current funds for substance abuse prevention and mentoring programs for children.
 - A transfer of \$75,000 in current funds for smoking cessation products.
- **Healthy Children and Families** - An increase of \$560,000 to expand oral health access for children through education and prevention strategies, increase the number of dental professionals who serve low-income children, and develop a mobile dental delivery system.
- **Health Promotion and Chronic Disease Management** - An appropriation of \$361,000, including:
 - A transfer of \$275,000 in current funds for the AIDS Drug Assistance Program (ADAP).
 - A transfer of \$60,000 in current funds for the PKU Assistance Program.
 - A transfer of \$26,000 in current funds for the Congenital and Inherited Disorders Program.
- **Improving Access and Delivery** - An appropriation of \$1.7 million, including:
 - A transfer of \$1.2 million in current funds for local public health services (Healthy Iowans 2010).
 - An increase of \$500,000 for an Office of Multi-Cultural Health to address the health care needs of minorities, immigrants, and refugees.
- **Healthy Environment** - An appropriation of \$365,000, including:
 - A transfer of \$289,000 in current funds for the Environmental Epidemiology Program (Healthy Iowans 2010).
 - A transfer of \$76,000 in current funds for the Childhood Lead Program (Healthy Iowans 2010).
- **Health Protection and Regulation** - An appropriation of \$2.4 million, including:
 - A transfer of \$387,000 in current funds for the Trauma and Emergency Medical Services (EMS) Program (Healthy Iowans 2010).



- A transfer of \$250,000 in current funds for the Automated External Defibrillator Grant Program (Healthy Iowans 2010).
- A transfer of \$600,000 in current funds for the Poison Control Center (Healthy Iowans 2010).
- A transfer of \$100,000 in current funds for the State Capitol Complex Automated Defibrillator Program (Healthy Iowans 2010).
- An increase of \$1.1 million for EMS Programs.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

DEPARTMENT OF CORRECTIONS - STATE APPEAL BOARD CLAIMS

Appeal Board Action



The State Appeal Board paid \$72,500 for settlements and judgments against the Department of Corrections in October 2005, including:

- \$25,000 to an inmate and the inmate's attorney for sexual assault allegations. The alleged incident occurred at the Iowa Correctional Institution for Women. The original investigation of the allegations was inconclusive. The Attorney General's Office decided to settle the case, conditionally, on the basis of the inmate passing a polygraph test, after the alleged perpetrator resigned.
- \$47,500 to a visitor and her attorney for injuries to her right leg and hand after tripping over a drainage ditch at the Fort Des Moines Correctional Facility.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

OCTOBER INDIGENT DEFENSE CLAIMS PAID BY THE STATE APPEAL BOARD

Appeals Board Action



The LSA was recently notified that approximately \$35,000 in indigent defense claims were paid by the State Appeal Board in October 2005. Indigent Defense provides legal counsel to indigent defendants in criminal court proceedings. Payments were made to private attorneys, court reporters, investigators, interpreters, expert witnesses, psychiatrists, and psychologists. All of the claims were for work performed in previous fiscal years.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

DYED DIESEL FUEL PENALTY WAIVED

Low-Sulfur Diesel Shortage

Due to a shortage of low-sulfur diesel fuel at the wholesale level, the U.S. Environmental Protection Agency (EPA), on October 24, granted Governor Vilsack's request to allow the use of high-sulfur, red-dyed diesel fuel on Iowa roads until November 13, 2005. High-sulfur, red-dyed diesel is used primarily in farm tractors and construction equipment, or other off-road vehicles. The shortage of low-sulfur diesel fuel is attributed to lower production due to Hurricane Katrina and higher demand due to the harvest season.

State and Federal Taxes



Both the federal Internal Revenue Service and the Iowa Department of Revenue have agreed to waive the penalties for on-road use of dyed diesel, as long as federal and State taxes are paid. Retailers will be required to collect and remit the State fuel tax of 22.5 cents per gallon and the federal fuel tax of 24.4 cents per gallon for the previously untaxed dyed diesel fuel. Drivers of vehicles using dyed diesel fuel for on-road use are required to have appropriate paperwork in the vehicle to show the State and federal taxes have been or will be paid. In addition, all the dye needs to be removed from the on-road vehicle after the waiver expires or the dyed diesel penalties are enforced.

Supply Extended

The Department of Natural Resources reports that the on-road use of high-sulfur diesel will extend the supply of diesel fuel in Iowa and should prevent retail outages. In the month of October, the average retail price of diesel fuel was \$3.13 per gallon, \$.57 cents more than regular gasoline.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

BOARD OF REGENTS MEETING - NOVEMBER

Board Meeting

The Board of Regents met on November 2 and 3 at the University of Iowa in Iowa City. Significant agenda items are summarized below.

Enrollment

The Fall 2005 headcount enrollment for the Regents universities is 67,896 students. This is a decrease of 1,053 (1.5%) compared to the Fall 2004 headcount enrollment of 68,949. The full-time equivalent (FTE) enrollment increased by 715 students, from 61,625 in Fall 2004 to 62,430 in Fall 2005. The conversion index of FTE to headcount enrollment for Fall 2005 is 0.92.

Professional Leave



The Board reviewed information related to professional development assignment requests. Professional development assignments release faculty members from classroom and other obligations to pursue research and other creative projects. The number of requests and budgeted replacement costs are illustrated in the tables below. UNI does not budget replacement costs because the academic schedule is adjusted so current faculty can cover the teaching assignments of leave recipients.

Number of Leave Recipients (Percent of Eligible Faculty)			
	FY 2005	FY 2006	FY 2007
SUI	87 (6.7%)	90 (6.7%)	96 (7.6%)
ISU	35 (2.4%)	49 (3.5%)	33 (2.3%)
UNI	17 (4.5%)	19 (4.9%)	22 (6.1%)
Regents Total	139 (4.4%)	159 (5.0%)	146 (4.8%)

Budgeted Replacement Costs				
	FY 2004	FY 2005	FY 2006	FY 2007
SUI	\$ 257,369	\$ 196,905	\$ 118,000	\$ 154,743
ISU	201,953	182,229	192,312	165,246
UNI	0	0	0	0
Total	\$ 459,322	\$ 379,134	\$ 310,312	\$ 319,989

Common Indicators



The Regents received a report of common academic indicators at the Regents universities. A sample of those items includes:

- Six-year graduation rate of new, direct-from-high-school freshmen (Fall 2004): University of Iowa (SUI) – 66.2%; Iowa State University (ISU) – 66.5%; and the University of Northern Iowa (UNI) – 64.3%.
- Total sponsored funding for FY 2004 (in millions): SUI - \$333.9; ISU - \$274.2; and UNI - \$32.6.
- Annual royalties/license fee income for FY 2004 (in millions): SUI - \$10.7; ISU - \$2.8; and UNI - \$0.03.

Capital Requests

Each of the universities gave a presentation regarding their highest priority for capital funding. These include:

- SUI – academic building for the College of Public Health. Estimated project cost is \$39.0 million, with \$19.6 million requested from State appropriations and the remaining \$19.4 million from gifts, bond proceeds, and earnings.
- ISU – Gilman Hall addition and renovation. Estimated total project cost of \$87.2 million, with \$69.5 million requested from State appropriations and \$17.7 million from private funds.
- UNI – Electrical distribution loop system. Estimated total project cost of \$8.5 million, all of which is being requested from State appropriations.

Bonding Resolutions



The Board approved the following bond resolutions:

- \$20.0 million of Academic Building Revenue Bonds to provide partial funding for the Veterinary Teaching Hospital and Diagnostic Lab, the Coover Hall addition and renovation, and correction of fire and environmental safety deficiencies at ISU.
- \$25.0 million of Utility System Revenue bonds for SUI. Funds would be used to partially fund a number of utility projects. The utility system is self-supporting, and bonds would be repaid with utility system revenues.

Comp. Fiscal Report

The Board reviewed the Comprehensive Fiscal Report for FY 2005. The total FY 2005 budget was \$3.1 billion, with \$1.7 million in general operating funds and \$1.4 million in restricted funds.

Tuition & Fees Proposal



The Board heard tuition and fee proposals for the 2006-2007 academic year from each of the university presidents. Under Board policy, tuition proposals must be within the range of the Higher Education Price Index (HEPI), which is expected to be 3.4% to 4.5% for this time period. Student government leaders responded with support for the tuition proposals. The student governments at each of the universities are actively supporting an increase in the tobacco tax to help decrease smoking.

The tuition proposals are summarized below. Final Board action on these proposals will occur at the December meeting.

General Undergraduate Tuition Increase Proposals				
	Resident		Nonresident	
SUI	\$ 220	4.5%	\$ 1,058	6.5%
ISU	\$ 196	4.0%	\$ 600	4.0%
UNI	\$ 196	4.0%	\$ 500	4.0%

More Information

The next meeting of the Board is scheduled for December 6 at the University of Northern Iowa in Cedar Falls. Additional information regarding this meeting, including the full text of agenda items, can be obtained from the Board's web site at:

<http://www2.state.ia.us/regents/Meetings/DocketMemos/05Memos/nov05/nov05agendaitems.htm>

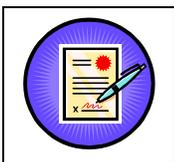
STAFF CONTACT: Mary Shipman (Ext. 14617)

ENVIRONMENTAL PROTECTION COMMISSION MEETING

October Meeting

The Environmental Protection Commission met on October 17 at the Des Moines Water Works. Some Commissioners participated in a tour of the facilities that was held prior to the meeting.

Contracts Approved



The Commission approved the following contracts:

- \$35,000 for the development of a Statewide Urban Stormwater Management Program.
- \$146,000 for a contract amendment with Salem Associates to update the water supply database.
- \$300,000 for the implementation of the One Stop Project that integrates a number of database systems into one database.

Administrative Rules

The Commission approved the following related to Administrative Rules:

- Final Rule related to water pollution control standards.
- Final Rule related to the financial requirements for underground storage tanks.
- Final Rule related to emission standards for contaminants.
- Notice of Intended Action related to exemptions for air construction permits.



- Notice of Intended Action related to comprehensive planning requirements for landfill operators.
- Notice of Intended Action related to financial assistance to regional collection centers of hazardous waste and mobile unit collection centers.
- Notice of Intended Action related to wastewater permits and non-stormwater National Pollutant Discharge Elimination System (NPDES) permits.
- Notice of Intended Action related to the streams listed in the animal feeding operations rules.
- Notice of Intended Action related to the certification of third-party inspectors of underground storage tanks.

Permit Denied

The Commission denied a construction permit for an animal feeding operation in Osceola County.

Breakfast Discussions

The Commission determined that there would be informal discussions at the beginning of future meetings on a variety of environmental topics. The topic at the next meeting will include a discussion on the number of livestock permits issued in Iowa. Commissioner Donna Buell will coordinate this portion of the meeting.

More Information

The next meeting is scheduled for November 21. Additional information is available from the LSA upon request. For review of Commission agendas, minutes, and other related information, access the DNR web site at: <http://www.iowadnr.com/>

STAFF CONTACT: Debra Kozel (Ext. 16767)

NATURAL RESOURCE COMMISSION MEETING

Commission Meeting

The Natural Resource Commission met on October 13 in Cresco.

Land Acquisition

The following land acquisitions were approved:

- An assignment of land option for 108 acres in Dickinson County adjacent to the Garlock Slough Wetlands. The Dickinson County Water Quality Commission donated \$102,000, and the Southern Tall Grass Prairie North American Wetlands Conservation Association (NAWCA) donated \$43,000.
- A permanent conservation easement of 4.9 acres with the appraised value of \$10,000 and a second easement on 15.5 acres with the appraised value of \$34,000. Both parcels are located in Winneshiek County. Funding is from the federal Landowner Incentive Program (LIP).
- A purchase of 37 acres in Allamakee County that borders the Yellow River State Forest for the appraised price of \$84,000. Funding is from the Resource Enhancement and Protection (REAP) Fund.
- A permanent conservation easement of 2.0 acres with the appraised value of \$16,000 in Clayton County. Funding is from the federal LIP.
- A purchase of 262 acres in Fremont County for the appraised price of \$671,000. The land will be used for game and non-game wildlife activities. Funding includes \$187,000 from the Fish Habitat Stamp, \$113,000 from federal funds, \$346,000 from the Wildlife Habitat Stamp, and \$25,000 from Pheasants Forever.





REAP Open Spaces

- A purchase of 63 acres in Woodbury County for \$68,000 that is adjacent to Stone State Park. Funding is from the REAP Fund.
- A purchase of 77 acres in O'Brien County for \$110,000 that is adjacent to Stone State Park. Funding includes \$83,000 from the REAP Fund and \$27,000 from the O'Brien County Sportsman's Club.
- A purchase of 135 acres in Clay County, located at the end of the Little Sioux Wildlife Management Area, for \$185,000. Funding includes \$139,000 from the REAP Fund and \$46,000 from the Clay County Pheasants Forever Chapter.
- A permanent conservation easement of 640 acres in Iowa County. The landowners have begun this prairie restoration project known as Indiagrass Hills. The landowners will continue to manage the property.

The Commission approved the following grants that will receive funding from the REAP City Parks and Open Spaces Grants Fund:

- Nine applications were submitted for large cities grants (population is over 25,000) totaling \$1.6 million, and six projects for a total of \$762,000 were approved.
- Fifteen applications were submitted for medium cities grants (population is 2,000 to 25,000) totaling \$1.1 million, and seven projects totaling \$549,000 were approved.
- Thirty-two applications were submitted for small cities grants (population is less than 2,000) totaling \$1.7 million, and seven projects totaling \$368,000 were approved.

REAP County Conservation



The Commission approved the following projects that will receive funding from the REAP County Conservation Board (CCB) Grants Fund:

- Whitewater Canyon land acquisition by the Dubuque CCB for \$290,000.
- Iowa River Greenbelt land acquisition by the Hardin CCB for \$130,000.
- Wapsi River Greenbelt land acquisition by the Bremer CCB for \$43,000.
- Marietta Sand Prairie State Preserve land acquisition by the Marshall CCB for \$200,000.
- Little Sioux County Park land acquisition by the Woodbury CCB for \$232,000.

REAP Public/Private

The Commission approved two projects that will receive funding from the REAP Public/Private Cost-Share Program:

- A grant for \$150,000 to fund the purchase of a 24-acre tract of land in the Ventura Woods area near the undeveloped shoreline of Clear Lake.
- A grant for \$140,000 to fund the purchase of a 35-acre tract of land that will be added to the Little Sioux Wildlife Area in Clay County.

Park Reservations

The Commission approved the Final Notice on the Administrative Rules related to the State park reservation system. There were some changes made to the Final Rule after public hearings were held. Some include:

- Reducing the cancellation fee from \$10 to \$5.

- Changing the check-out time from 2:00 p.m. to 3:00 p.m.
- Refining definitions for immediate family, open shelter with kitchenette, and walk-in campers.

Big Spirit Lake



There was a brief discussion on a future project at Big Spirit Lake that would protect 3,500 feet of undeveloped shoreline. Although the project is in the beginning stages, the project cost is estimated at \$6.5 million, with funding from the Iowa Natural Heritage Foundation, the Department of Natural Resources (DNR), and other private donations. More information will be provided to the Commission as the project evolves.

More Information

The next meeting is scheduled for November 10. Additional information is available from the LSA upon request. For review of Commission agendas, minutes, and other related information, access the DNR web site at: <http://www.iowadnr.com/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GENETICALLY MODIFIED ORGANISMS INTERIM STUDY COMMITTEE MEETING

GMO Study

The Genetically Modified Organisms (GMO) Interim Study Committee met on October 21 in Des Moines. The charge of the Committee is to review issues regarding the use of GMOs in agricultural production.

GMO Definition

A GMO is a modification of the genetic characteristics of a microorganism, whether plant or animal, that is completed by inserting a modified gene or a gene from another variety or species.

Leopold Center

Fred Kirschenmann, Leopold Center, discussed the challenges related to the coexistence of crops that are GMOs or transgenic and crops that are not modified.

Regulation



John Turner, United States Department of Agriculture (USDA), discussed federal laws related to GMO production. Federal agencies involved in regulation include:

- The USDA that evaluates the risks to agriculture and the environment. This includes field tests conducted by the Biotechnology Regulatory Services, which began testing in Iowa in 1988. In 2005, there will be over 650 test sites.
- The Food and Drug Administration (FDA) that regulates food and feed safety.
- The Environmental Protection Agency (EPA) that evaluates the environmental risks from plants that produce pesticides.

Iowa Organic Farms

Robin Pruisner, Department of Agriculture and Land Stewardship (DALs), provided an overview of how the State and federal regulators work together. Information on Iowa certified organic farming was presented. In 2000, there were 30 organic farms that the DALs certified. In 2004, there were 155 certified organic farms and 33 organic processors.

Seed Problems

Bill Latham, Latham Seed Company, provided information related to pollen transfer between fields and the commingling of seeds. He cited information

from the American Seed Association regarding the presence of GMO seeds in non-GMO seed lots that included:

- Trace amounts of GMO material found in non-GMO seeds are acceptable and do not provide risks to humans or the environment.
- Fully-tested GMO seeds should not be labeled contaminants.
- Fully-tested GMO seeds should not be subject to special handling rules and regulations.
- Low levels of seed commingling should be expected.

Organic Issues

Ron Rosmann, Rosmann Family Farms, provided information related to issues regarding organic farming. He farms 600 acres of organic crops and raises organic livestock. Concerns related to organic farming included:

- There are a number of missed opportunities for organic farmers when organic crops have trace amounts of GMO material.
- There is no mechanism to pay the organic price premium when organic crops are rejected due to GMO contamination. This is an unfair advantage when the farmer has taken every precaution to maintain the organic status.
- Many organic companies do not test for the presence of GMO material, particularly in organic feed crops.



Identity-Preserved Crops

Ken Roseboro, Editor of *The Non-GMO Report*, provided producer information and concerns related to identity-preserved (IP), non-GMO, and organic crops that included measures farmers use to maintain IP crops:

- Continual testing of non-GMO seeds.
- Isolation of organic fields from non-GMO fields and plant later in the season to prevent cross pollination.
- Segregation of GMO crops and non-GMO crops at every stage of development.
- Maintenance of clean combines, storage bins, and transporters to eliminate GMO material.

Biotechnology



Doug Getter, Director, Iowa Biotechnology Association, discussed producer issues regarding biotechnology crop production that included:

- George Washington Carver began biotechnology in the 1890's.
- Food production must increase as the world's population increases.
- From 1996 to 2004, there have been over 951 million acres of biotech crops planted (cumulative total).
- The safety of biotechnology has been proven.

More Information

The next meeting is scheduled for December 13. Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767) Doug Adkisson (Ext. 13884)

OCTOBER COUNCIL ON HUMAN SERVICES MEETING

Council Meeting

The Council on Human Services met on October 20 at the Mt. Pleasant Mental Health Institute.

Adm. Rules

The Council approved the following Administrative Rules for adoption:

- Increases the premiums for Medicaid for persons with disabilities who have an income of 150% of the federal poverty level or more. Minimal fiscal impact.
- Increases mileage reimbursement to \$0.30 per mile. The FY 2006 eight-month State fiscal impact is \$634,000. The Medicaid portion of the cost will be requested in the FY 2006 supplemental appropriation. The PROMISE JOBS portion is expected to be paid from the original FY 2006 appropriation.
- Eliminates Medicaid coverage for drugs provided by the federal Medicare Part D Program. The majority of the "clawback" payment has been included in the FY 2006 appropriation; however, the differential will need to be included in the FY 2006 supplemental appropriation.
- Updates various prescription drug benefits and policies. No fiscal impact except for the change in copayment amounts, which will have an annualized State fiscal impact of \$874,000 for FY 2006 and \$961,000 for FY 2007.
- Implements the 3.0% reimbursement increase for most Medicaid service providers. The funding, except for the unanticipated \$6.5 million in additional costs due to the nursing facility rebasing, was included in the original FY 2006 appropriation.
- Parallels the agreement with the federal Centers for Medicare and Medicaid Services (CMS) to eliminate Intergovernmental Transfers (IGTs) and other provisions. The funding changes, except for the net loss of \$12.9 million, were included in the original FY 2006 appropriation and the other appropriations related to the IowaCare Medicaid Reform Act.
- Establishes a process for Medicare Part D subsidy eligibility determination. Although the cost for technology change is limited, the General Assembly appropriated additional funds for Field Office staff to cover the increased workload due to eligibility determination, even though this is a federal Program. The Department did not include these funds in their fiscal summary of the rule.
- Changes the federal poverty level for eligibility, which permits the Department to collect Federal Financial Participation (FFP) for Medicare premiums paid for those eligible for Medicaid. The savings were incorporated into the original FY 2006 Medicaid appropriation.
- Increases provider reimbursement rates and expands the federal poverty level for eligibility determination for the Child Care Assistance Program, effective October 1. The costs were provided in the FY 2006 appropriation for the Program; however, \$1.5 million in additional funds will be needed to annualize costs and continue the rates and level in FY 2007.
- Provides the grounds for termination of services and appeal limitation. Minimal fiscal impact.
- Provides for changes in family-centered services, eliminates certain services, and provides for a 3.0% increase in rehabilitative treatment and support services reimbursement rates. The funding for the rate increases was provided in the FY 2006 Child and Family Services appropriation.





- Increases foster family maintenance reimbursement rates and changes the method of payment for shelter care. The Department expects to be within the planned budget for shelter care expenditures, and funding for the rate increase was provided in the FY 2006 Child and Family Services appropriation.
- Makes various changes to court-ordered and graduated sanction services within Juvenile Court. Minimal fiscal impact, which the Department plans to manage by reallocating existing funds.
- Changes to child abuse assessment documentation and policies. Minimal fiscal impact, which the Department plans to manage by reallocating existing funds.

Noticed Adm. Rules

The Council also approved the following Administrative Rules for adoption at a future meeting:

- Establishes rules for the voluntary child care rating system and adds appeal rights for providers participating in the system. An appropriation of \$900,000 was provided for FY 2006, and an increase of \$450,000 has been requested for FY 2007.
- Rescinds rules for the defunct U.S. Department of Agriculture's Commodity Distribution Program and adopts rules for the federal Emergency Food Assistance Program. Minimal fiscal impact.
- Changes Child Support guidelines that bring the Department into compliance with changes to the Iowa Supreme Court guidelines for calculating child support payments. Also, aligns the Department's policies on suspension and reinstatement of child support with changes to the Code of Iowa. No fiscal impact.
- Changes to require that certain safety-related information concerning a child be provided to a parent, guardian, foster parent, or other custodian of a child unless otherwise ordered by a court. Also, implements changes that allow an infant's mother to continue to breastfeed an infant that is removed from a home when such contact is in the best interest of the child. Minimal fiscal impact.
- Changes to transportation rules for licensed child care centers; requirements that all staff be free from the use of illegal drugs; and requirements for child care center background checks. No fiscal impact.



Program Overview

Superintendent Rusty Rogerson provided an overview of the Institute's programs, as well as updates on the Dual Diagnosis Unit and the Residential Treatment Substance Abuse Program.

More Information

The next meeting is scheduled for November 9. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Lisa Burk (Ext. 17942)
 Kerri Johannsen (Ext. 14611)

MEDICAL ASSISTANCE PROJECTIONS AND ASSESSMENT COUNCIL MEETING

MAPAC Meeting

The Medical Assistance Projections and Assessment Council (MAPAC) met on October 28 in Iowa City for an update and discussion regarding the IowaCare Program.

UIHC Tour



More Information

The Council received a tour of the University of Iowa Hospitals and Clinics (UIHC) tomography unit. Testimony by the UIHC, Broadlawns Medical Center, and the Department of Human Services (DHS) followed, along with time allotted for public comment and discussion. Testimony focused on Program enrollment, claims information, and current difficulties and upcoming challenges for providers and the DHS.

The next meeting is scheduled for January 3, 2006. Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

SENIOR LIVING COORDINATING UNIT MEETING

SLCU Meeting

The Senior Living Coordinating Unit met on October 21.

Legislative Update

Senator Ragan and Representative Heddens reported that legislators are discussing 2006 legislative platforms with departments, and constituents are contacting them regarding Medicaid reform and Mental Health/Mental Retardation/Developmental Disabilities/Brain Injury (MH/MR/DD/BI) issues.

ADRC Update

Mary Anderson, Department of Elder Affairs (DEA), provided an update on the Aging and Disability Resource Center and anticipated outcomes. The Center was created to provide a coordinated system of information and access for all persons seeking long-term living supports that will minimize confusion over what is available, enhance individual choice, and support informed decision-making and access to services.

SLTF Projections



Lisa Burk, LSA, provided projections for the Senior Living Trust Fund. The ending balance of the Fund at the close of FY 2005 was \$152.6 million, which included a transfer of \$6.9 million in excess Medicaid funds. If expenditures for FY 2006 equal appropriations, the Fund is estimated to have a balance of \$40.4 million at the end of the current fiscal year.

It is also estimated that \$23.0 million will be transferred to the Fund from the General Fund surplus at the beginning of FY 2007; however, this amount may change depending on the Medicaid supplemental need in FY 2006.

Service Needs

Dick Harmon, DEA, provided a report on the number of low and moderate-income clients that received services from the Senior Living Program, as well as the number of units provided by service category. The reports may be accessed on the DEA web site at:

<http://www.state.ia.us/elderaffairs/services/srliving.htm>

Assisted Living Subsidy

Carla Pope, Iowa Finance Authority, provided an update on revolving loan and assisted living rent subsidy funds. Currently, an estimated 400 clients receive the assisted living rent subsidy, and there are 99 on a waiting list.

PACE Update

Eileen Creager, Department of Human Services (DHS), provided an update regarding the Program for All Inclusive Care for the Elderly (PACE). The DHS received an appropriation of \$30,000 for FY 2006, which can be matched with federal funds to provide funding for a PACE Coordinator. The Department plans to fill the position before January 2006.

Medicaid Reform

Director Kevin Concannon, DHS, reported on the progress of several initiatives related to the implementation of HF 841 (IowaCare Medicaid Reform Act). There are 11,400 enrolled in the IowaCare Program, which was established by the Act.

Long-Range Plan

Bob Welsh presented a draft of the long-range plan for long-term care in Iowa and requested that comments and suggestions for improvement be submitted prior to the December meeting.

More Information

The next meeting is scheduled for December 16. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

**METHAMPHETAMINE UPDATE PROVIDED TO
GOVERNMENT OVERSIGHT COMMITTEE**
Oversight Meeting

Director Ken Carter, Division of Narcotics Enforcement, Department of Public Safety, presented an update on current meth lab seizures to the Government Oversight Committee on November 1.

Statistics

Senate File 169 (Methamphetamine Act) restricted the sale of pseudoephedrine by placing the products behind pharmacy counters and requiring a logbook signature at the time of purchase. Director Carter reported there have been 1,011 fewer meth lab seizures compared to the same time period in 2004, which is approximately an 80.0% reduction. He estimated the reduction in lab busts has saved the Department approximately \$2.4 million in State and federal funds (not including court time).

Director Carter reported an increase in ICE, which is a more expensive and a more pure form of methamphetamine shipped from Mexico and California. One pound of powdered meth sells for \$4,500 to \$7,200 compared to one pound of ICE that sells for \$15,000 to \$17,000.

Surrounding States

Director Carter reported that he and Director Marvin Van Haaften, Governor's Office of Drug Control Policy, attended two hearings by the Illinois Attorney General reviewing Iowa's new drug law and exploring similar legislation proposed in Illinois. Wisconsin implemented a similar drug law effective October 1.

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

SEXUAL AND OTHER CRIMINAL OFFENSES INTERIM COMMITTEE MEETING

Committee Meeting

The Sexual and Other Criminal Offenses Committee met on October 26 in Des Moines.

Committee Purpose



The Committee's charge is to review sexual abuse-related criminal offenses and the sex offender registry; review Iowa's Criminal Code and make recommendations for the Code's reorganization, updating, and revision; review current penalties and sentencing practices, including current mandatory minimum sentences, limitations on parole, and sentence enhancements; and conduct a comparative assessment of relative penalties based on the threat imposed by the prohibited conduct and the risk associated with particular criminal offenders.

Presenters

The Committee heard testimony from Steve Conlon, Assistant Director, Division of Criminal Investigation, Department of Public Safety; Phyllis Blood, Criminal and Juvenile Justice Planning; Joe McEniry, Legislative Services Agency; Lois Osborn, Fifth Judicial District Department of Correctional Services; Ellen Baker, Probation Officer, Second Judicial District Department of Correctional Services; Jennifer Miller, Marshall County Attorney; and Tom Ferguson, Black Hawk County Attorney. The Committee also heard testimony from interest groups and private citizens.

More Information

The next meeting is scheduled for November 30. Copies of the handouts and additional information are available on the web site at: <http://www.legis.state.ia.us/asp/Committees/Committee.aspx?id=72>. Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846) Beth Lenstra (Ext. 16301)
Joe McEniry (Ext. 13189)

TOBACCO SETTLEMENT AUTHORITY MEETING

TSA Meets



The Tobacco Settlement Authority (TSA) met on October 25 to review the opportunities associated with the refinancing of existing revenue bonds. A representative from Public Financial Management (PFM) reviewed the following:

- Federal and State tax law requirements.
- Optimum mix of tax-exempt and taxable bonds to provide flexibility of the net proceeds.
- Economics of extending the maturity dates of the bonds.
- Adequate funding for future enforcement activities.

Enforcement Activities

The Attorney General's Office is required to enforce the provisions of the Master Settlement Agreement (MSA). Failure to enforce the provisions jeopardizes the State's payments under the MSA. Enforcement costs have been increasing annually. The TSA is considering the option of creating a \$3.0 million restricted fund for enforcement costs. The restricted fund would be created from the proceeds of the potential refinancing.

Plan of Finance

The Treasurer's Office recommends the following plan of finance, subject to market conditions:

- The net proceeds should include \$50.0 million in taxable bonds.
- The tax-exempt bond proceeds should amount to approximately \$100.0 million.
- Deposit \$3.0 million in the Enforcement Reserve Account.
- Maintain the TSA budget at \$200,000 annually, plus adjustments for inflation.
- Provide additional revenue for enforcement expenses that may be funded before making payments on the bonds.
- Maintain the final maturity date at 2027, with a nominal maturity date of 2046.

Net Proceeds

Net proceeds to the State are estimated to be approximately \$144.2 million, depending on market forces. Of this amount, approximately \$50.0 million would be taxable proceeds, allowing for maximum flexibility in the expenditure of the funds. The remaining \$94.2 million would be tax-exempt proceeds and restricted to certain capital projects.

Additional Information

The TSA is scheduled to meet November 7 to finalize and approve the financial documents. Additional information is available from the LSA upon request.

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

CAPITOL PLANNING COMMISSION MEETING
Commission Meeting

The Capitol Planning Commission met on October 19 and discussed the recommendations to the General Assembly.

Wallace Building

The Commission recommends demolishing the Wallace State Office Building and constructing a new facility. The Commission did not recommend a location for the new building or the size of the structure. These decisions would be left to the General Assembly and the Governor. The estimated cost of the new facility, including design and construction, occupant relocation, temporary lease space, and furnishings could range between \$57.0 to \$92.0 million, depending on the size and location.

Carriage House

The Commission recommends funding the conversion of the Carriage House, located north of the Capitol and west of the Jesse Parker Building, into a Capitol Complex Visitors Center. This project is estimated to cost \$5.0 million.

Property Acquisition

The Commission recommends providing funding for services related to acquisition of properties located adjacent to the Capitol Complex. The Department is requesting \$1.2 million for property acquisitions. The Commission made an additional recommendation for the General Assembly to consider establishment of a long-term financing mechanism for the purchase of properties and buildings.

Capitol West Terrace

The Commission recommends removing the parking lot west of the Capitol Building and replacing it with a walkway between East 7th and Finkbine,

including landscaping to create a public green space at the west entrance to the Capitol Complex. The estimated cost of this project is \$2.3 million.

Routine Maintenance

The Commission recommends funding routine maintenance of State facilities under the purview of the Department of Administrative Services at a level equal to 1.0% of the replacement value of buildings. This recommendation would cost an estimated \$20.0 million annually.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

ISSUE REVIEW – AQUATIC INVASIVE SPECIES

Issue Review

The Fiscal Services Division of the LSA recently published an *Issue Review* that provides an overview on Aquatic Invasive Species.

Background Information



Aquatic invasive species include plants and fish that have been introduced into Iowa waterbodies for specific purposes or by accidental releases. These are non-native species that dominate ecosystems and have harmful impacts on the natural resources, economy, and human use of these resources. These populations usually increase dramatically, because they tolerate a wide range of environmental conditions, they reproduce early in large numbers and in multiple ways, they grow rapidly, and they have few natural enemies.

Publications

The Department of Natural Resources (DNR) is required to designate infested waterbodies and report this information in the annual Iowa Fishing Regulations publication. The 2005 publication included Eurasian watermilfoil, brittle naiad, bighead carp, silver carp, and zebra mussels.

Funding

The Department has used funds from the Fish and Wildlife Trust Fund for prevention and elimination of aquatic invasive species to match federal grants since Federal Fiscal Year (FFY) 2000. Through FFY 2004, the DNR has received approximately \$409,000. Each year, the Department submits an Aquatic Nuisance Species (ANS) Management Plan Annual Report to the federal government that details the accomplishments and strategies for eliminating or preventing the spread of aquatic invasive species.

Legislation Passed



House File 828 (Boat Registration Act) was enacted by the General Assembly during the 2005 Legislative Session. The Act increased boat registration fees and specified the increase in funds would be used equally for boating enforcement and for the prevention of aquatic invasive species. The estimated increase of funds will not be available until FY 2007, when an estimated \$480,000 will be available for aquatic invasive species prevention.

Copies Available

Copies of the *Issue Review* may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767)

ISSUE REVIEW – JUDICIAL SALARIES**Issue Review**

The Fiscal Services Division of the LSA recently published an *Issue Review* on Judicial Salaries.

Summary

The *Issue Review* provides background information on the State's Court System, as well as the history of judicial salaries and benefits and a comparison to the national average. Since FY 2000, judicial salaries have increased approximately 16.5%, with the exception of Magistrates and Senior Judges. Since FY 2000, Magistrate salaries have increased 10.7%, and Senior Judge salaries have increased 17.2%.

Copies Available

Copies of the *Issue Review* may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

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