

# FISCAL UPDATE

April 18, 2006

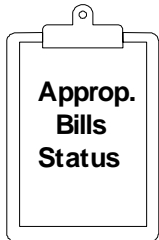
Legislative Services Agency

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## STATUS OF APPROPRIATIONS BILLS

As of April 6, 2006



Appropriations Subcommittee Bills		
Appropriations Subcommittee	LSB/File#	Status
Administration and Regulation	HF 2521	Passed Senate Appropriations Committee on March 23.
Agriculture and Natural Resources	HF 2540	Passed Senate Appropriations Committee on March 23.
Economic Development	HF 2459	Passed Senate Appropriations Committee on March 23.
Education	HF 2527	Passed Senate Appropriations Committee on March 28.
Health and Human Services	HF 2734	Passed Senate Appropriations Committee on April 4.
Judicial Branch	HF 2557	Passed Senate Appropriations Committee on March 28.
Justice System	HF 2558	Passed Senate Appropriations Committee on March 28.
Transportation	SF 2232	Signed by Governor on March 21.
Infrastructure	SF 2400	Passed Senate Appropriations Committee on April 4.
Infrastructure	HF 2782	Passed House on April 4.
Other Appropriations Bills		
Honey Creek Destination Park Bond Program Act	SF 2056	Signed by Governor on March 9.
FY 2006 Supplemental Appropriations Act	SF 2273	Signed by Governor on March 29.
Injured Veterans Grant Program Bill	SF 2312	Passed House Ways & Means Committee on March 30.
Sale of Rhodes Research Farm Bill	SF 2315	Passed Senate Appropriations Committee on March 15.
State Housing Trust Fund Appropriations Bill	SF 2387	Passed Senate on March 14.
Senior Living Trust Fund Repayment Bill	HF 2002	Passed House on January 30.

### **IN THIS ISSUE:**

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<b>Other Appropriations Bills, con't.</b>		
FY 2006 Veterans Supplemental Appropriations Act	HF 2080	Signed by Governor on January 23.
FY 2008 School Foundation Allowable Growth Rate Bill	HF 2095	Passed Senate Education Committee on February 8.
FFY 2007 Federal Block Grant Act	HF 2238	Signed by Governor on March 9.
Health Care Transformation Account Act	HF 2347	Signed by Governor on March 9.
Iowa Communications Network Bill	HF 2686	Passed House on March 21.
Healthy Iowans Tobacco Trust Appropriations Bill	HF 2743	Passed Senate Appropriations Committee on April 12.
Renewable Fuel Infrastructure Bill	HF 2759	Passed Senate Appropriations Committee on April 12.
Minimum Teacher Salaries and Shortage Supplement Bill	HF 2760	Passed House Appropriations Committee on March 20.
Advanced Placement Examination Fee Bill	HF 2761	Passed House Appropriations Committee on March 20.
Community Empowerment Initiative Bill	HF 2769	Passed House Appropriations Committee on March 22.
Brain Injury Services Program Bill	HF 2772	Passed Senate Appropriations Committee on April 12.
Real Estate Education Bill	HF 2773	Passed Senate Appropriations Committee on April 12.
Mental Health Redesign Bill	HF 2780	Passed House on April 12.
Judicial Branch Fees and Costs Bill	HF 2789	Passed House on April 5.

**SENATE APPROPRIATIONS COMMITTEE PASSES HEALTHY IOWANS TOBACCO TRUST APPROPRIATIONS BILL – HF 2743**

**HITT Bill**



**Bill Passage**

The Senate Appropriations Committee passed HF 2743 (FY 2007 Healthy Iowans Tobacco Trust Appropriations Bill) on April 12. The Bill appropriates a total of \$70.7 million and 13.0 FTE positions from the Trust to various departments, an increase of \$4.5 million and 3.0 FTE positions compared to estimated FY 2006.

The Committee passed the Bill without recommendation and without amendment.

**More Information**

The NOBA (Notes on Bills and Amendments) for HF 2743 is available on the Legislative Services Agency (LSA) web site at: <http://www3.legis.state.ia.us/noba/>.

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

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## SENATE APPROPRIATIONS COMMITTEE PASSES BRAIN INJURY SERVICES BILL – HF 2772

### Brain Injury Services Bill

The Senate Appropriations Committee passed HF 2772 (Brain Injury Services Bill) on April 12. The Bill allocates a previously-enacted appropriation for brain injury services.

### Bill Passage

The Committee passed the Bill without recommendation and without amendment.

### More Information

The NOBA (Notes on Bills and Amendments) for HF 2772 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

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## SENATE APPROPRIATIONS COMMITTEE PASSES REAL ESTATE EDUCATION FUND BILL – HF 2773

### Real Estate Education

The Senate Appropriations Committee passed HF 2773 (Real Estate Education Fund Bill) on April 12. The Bill maintains the Real Estate Education Program at the University on Northern Iowa through June 30, 2007, with funding of approximately \$120,000 from the Real Estate Education Fund.

### Committee Established



### Appropriations

The Bill also requires the Real Estate Commission to establish an Ad Hoc Committee to develop suggested curriculum for regional real estate programs to be offered through Iowa Community Colleges and other Iowa colleges and universities. The Committee is required to submit the suggested curriculum to the Commission by December 1, 2006, and the Commission is to submit a report to the General Assembly by December 15.

The Bill appropriates \$5,000 from the General Fund for Ad Hoc Committee expenditures related to curriculum development. Committee members may be reimbursed for actual and necessary expenses incurred but will not receive a per diem payment. The regional real estate education programs that utilize the curriculum may be funded from the Real Estate Education Fund beginning July 1, 2007.

### More Information

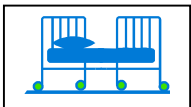
The NOBA (Notes on Bills and Amendments) for HF 2773 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Sam Leto (Ext. 16764)

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## HOUSE PASSES MENTAL HEALTH REDESIGN BILL – HF 2780

### Mental Health Redesign



The House passed HF 2780 (Mental Health Redesign Bill) on April 12. The House made the following changes to the Bill:

- Changed the Fiscal Year from FY 2008 to FY 2007 for when counties will assume service determination, responsibility, and the cost for those individuals' services by the State Cases Program (legal settlement). Also, requires the Department of Human Services (DHS) to provide recommendations to the General Assembly regarding the Program.
- Established a Legislative Interim Study Committee to review the Mental Health Allowed Growth Formula.

- Reestablished a Division within the DHS for mental health and disabilities and renamed the Division the Division of Mental Health and Disability Services.
- Required the DHS to seek federal approval to increase Medicaid reimbursement rates for inpatient mental health services, community mental health centers, and psychiatrists, beginning October 1, 2006.

**Fiscal Impact**



The fiscal impact of the Bill, as passed by the House, is estimated at \$4.0 million, which may be offset by the termination of the existing annual \$1.0 million contract and the utilization of a managed care provider for the State Cases Program. This includes:

- \$2.9 million for the State Cases cost of services and reimbursement rates. This includes \$500,000 for mental health hospitalization costs that the State currently is not required to pay.
- \$354,000 for an increase in the number of mental health workers.
- \$260,000 for assessment tools, without independent assessments and without including the impact of expected increases in services and changes in reimbursements utilizing the results of the assessments, both of which would require legislative approval.
- \$500,000 for the reestablishment of a Division within the DHS for mental health and disabilities.

The nine-month cost of the reimbursement rate increases in FY 2007 will be funded by amending the mental health services managed care contract, which has an available \$5.0 million in one-time funds. The Bill limits the amount of the increase for FY 2007 to this \$5.0 million. Additional funds of \$6.3 million will be required in FY 2008 to replace the one-time funds and to annualize the funding for a full 12 months.

**More Information**

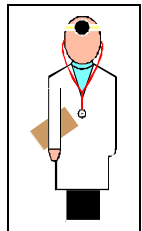
The NOBA (Notes on Bills and Amendments) for HF 2780 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

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**GOVERNOR SIGNS SICK LEAVE INCENTIVE PLAN ACT – SF 2231**

**Bill Signed**



The Governor signed SF 2231 (Sick Leave Incentive Plan Act) on April 6.

The Act extends the Sick Leave Incentive Program provided to the American Federation of State County and Municipal Employees (AFSCME) members under the collective bargaining agreement to certain non-Regent employees in the Executive Branch not covered by a collective bargaining agreement. Peace Officers employed by the Department of Public Safety and the Department of Natural Resources who are not covered by a collective bargaining agreement will have the same program extended to them as provided under the contract with the State Peace Officers' Council.

**Fiscal Impact**

The Act increases General Fund expenses for the payment of retirees' health insurance by \$474,000 from the General Fund and \$891,000 from all funds in FY 2007 compared to estimated FY 2006. State expenses will increase for the payment of retirees' health insurance by a maximum of \$860,000 from

the General Fund and \$1.6 million from all funds in FY 2008 compared to estimated FY 2006. State expenses will increase each year due to salary wage increases, the increased cost of health insurance, and as the total number of retirees impacted grows over the next five years.

**More Information**

The fiscal note for SF 2231 is available on the LSA web site at:  
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Ron Robinson (Ext. 16256)

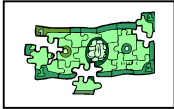
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**SENATE APPROPRIATIONS COMMITTEE PASSES  
PERSONAL NEEDS ALLOWANCE BILL – HF 2319**

**Personal Needs Allowance**

The Senate Appropriations Committee passed HF 2319 (Personal Needs Allowance Bill) on April 12. The Bill increases the amount of money that residents of nursing facilities are allowed to retain for personal expenses from \$30 to \$50 per month.

**Fiscal Impact**



The Bill has a fiscal impact of an estimated \$1.3 million in FY 2007, which will affect an estimated 13,681 nursing facility residents. House File 2734 (FY 2007 Health and Human Services Appropriations Bill), as passed by the House, appropriates additional General Funds to the Medical Assistance (Medicaid) Program for this purpose.

**More Information**

The fiscal note for HF 2319 is available on the LSA web site at:  
<http://www3.legis.state.ia.us/fiscalnotes/>.

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**STATE AUDITOR REPORT – REVITALIZE IOWA'S SOUND  
ECONOMY (RISE) PROGRAM**

**Auditor Report**

The State Auditor recently conducted a review of the Revitalize Iowa's Sound Economy (RISE) Program administered by the Department of Transportation (DOT). The review identified areas for improvement to increase the efficiency and effectiveness of the Program.

**RISE Program**

The RISE Program was created for the construction, improvement, and maintenance of roads and streets for the purpose of providing access to specific development sites and other locations that are anticipated to generate economic development.

**Funding**



The Program is funded through a Road Use Tax Fund allocation equal to 1.55 cents per gallon from the excise tax imposed on motor fuel and special fuels. This amount totaled \$34.3 million in FY 2005. The RISE funds are allocated as follows:

- 64.5% to the State's Primary Road Fund for expenditure on the Commercial and Industrial Highway Network.
- 32.3% to cities for use on city streets.
- 3.2% to counties for use on secondary roads.

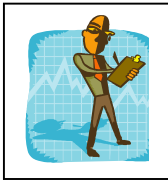
**Projects**



The funds allocated for State projects are deposited directly into the Primary Road Fund and are not part of the grant program. The funds for cities and counties can be used to fund the following two types of projects:

- Immediate Opportunity – Projects that demonstrate an immediate funding commitment is essential to influence job location, creation, or retention.
- Local Development – Projects that support local economic development but do not meet the threshold set for Immediate Opportunity projects. Job creation and retention are not a requirement for receiving Local Development funds.

**Auditor Findings**



The findings identified in the Auditor’s report include the following:

- The DOT does not perform independent verification of the information submitted by local governments on the RISE applications or the Accomplishment Reports.
- Local Development projects are typically speculative in nature, and there are often no contingencies placed on the projects.
- There is no system in place currently to allow for continued monitoring of RISE projects to evaluate long-term economic success.
- The current formula used to calculate the reimbursement amount for unsuccessful projects needs modification.

A copy of the Auditor’s report is available from the LSA or on the State Auditor’s web site at: <http://auditor.iowa.gov/specials/RISE.pdf>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

**BOARD OF CORRECTIONS MEETING**

**Board Meeting**

The Board of Corrections met on April 7 at the Iowa Medical Classification Center at Oakdale. Director Gary Maynard reported that the Fifth Community-Based Corrections (CBC) District Department has been recommended for accreditation by the American Corrections Association (ACA). Director Maynard indicated that meeting ACA standards is a sign of professionalism. In addition, representatives of the Department of Corrections (DOC) and the unions will be meeting to conduct a staffing analysis of the prison system. The DOC will also be creating a Health Safety Committee.

**New Warden**

Deputy Director Dan Craig introduced Cornell Smith. Mr. Smith was the Search Committee’s top choice for the warden position at the Fort Dodge Correctional Facility. The Board approved the appointment of Mr. Smith as warden.

**Prison System**



Dr. Wendy Riggerberg presented information regarding prison population growth, the aging of prisoners, and medical and pharmacy costs. Approximately 95.2% of prisoners are 54 years old or younger. While older inmates are 4.8% of the total population, they are responsible for 10.2% of prescriptions, 11.6% of medical conditions, 13.0% of assistive devices, 13.8% of nursing visits, and 10.3% of doctor visits.

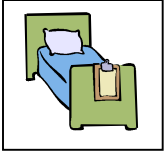
**Mental Health Services**

Dr. Bruce Sieleni, Director of Mental Health for the DOC, reported that the DOC is the largest provider of mental health services in the State. There

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should be a continuum of care created to provide services to mentally ill people. The State's current methods of providing these services are fragmented.

**Fort Madison**



Dr. Jim Carter, Director of the Clinical Care Unit at the Iowa State Penitentiary at Fort Madison, updated the Board on implementing recommendations from the National Institute of Corrections (NIC). The NIC made recommendations and issued a report regarding improvements at the Clinical Care Unit after four suicides occurred. The Report included 50 recommended improvements. Of these, 33 have been completed, 7 are being studied, 5 require additional resources, and 5 are currently in process.

**Community Corrections**

John Spence, DOC, provided information regarding the offender re-entry programs in the First and Sixth CBC District Departments. The programs provide continuity of care as an offender progresses through the corrections system.

**Transformation Project**

Tamia Salvati, Records Administrator at the Anamosa State Penitentiary, reported on the progress that has been made in centralizing records within the prison system. The Kaizen process resulted in recommendations for improvements to this function. Other functions currently undergoing change include procurement, accounting and finance, centralized transportation, pharmacy, energy management, maintenance, and the Administrative Law Judges.

**Lee County Land**

General Counsel Michael Savala presented information from the Lee County Attorney regarding the transfer of land between the Department and the county. The State and the county will trade two land parcels, each approximately 11 acres. The county will pay the State \$17,200 to meet the difference in the appraisals of the two parcels. The Board approved the land transfer.

**More Information**

Additional information is available from the LSA upon request.

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