

FISCAL UPDATE

December 8, 2006

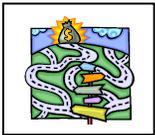
Legislative Services Agency

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ISSUE REVIEW – ROAD USE TAX FUND REVENUE UPDATE

Issue Review



The Fiscal Services Division of the Legislative Services Agency (LSA) recently published an *Issue Review* on the Road Use Tax Fund, including the types of programs funded and forecasted revenues for FY 2007 through FY 2011. For FY 2007, the Department of Transportation (DOT) is predicting an estimated \$700,000 (0.07%) decrease in revenues to the Fund compared to FY 2006.

Five-Year Forecast

The following table details the DOT's five-year forecast for Road Use Tax Fund revenues for FY 2007 through FY 2011. Of the total revenues, 47.5% is allocated to the Primary Road Fund, 24.5% to the Secondary Road Fund, 8.0% to the Farm-to-Market Road Fund, and 20.0% to the City Street Fund.

Road Use Tax Fund Receipts

Five-Year Forecast

(Dollars in Millions)

	Estimated FY 2007	Estimated FY 2008	Estimated FY 2009	Estimated FY 2010	Estimated FY 2011
Motor Vehicle Use Tax	\$ 260.24	\$ 257.83	\$ 257.83	\$ 257.83	\$ 257.83
Commercial and Industrial Network	-25.90	-25.64	-25.64	-25.64	-25.64
Underground Storage Tank Loan	-17.00	-17.00	-17.00	-17.00	-17.00
Dept. of Inspection & Appeals	-1.48	-1.48	-1.48	-1.48	-1.48
Net Use Tax	<u>\$ 215.86</u>	<u>\$ 213.71</u>	<u>\$ 213.71</u>	<u>\$ 213.71</u>	<u>\$ 213.71</u>
Motor Vehicle Fuel Tax	\$ 437.57	\$ 447.75	\$ 450.00	\$ 450.00	\$ 450.00
Registration/Title Fees & Misc.	393.85	399.49	405.75	409.87	415.74
Underground Tank Fees	21.52	21.52	21.52	21.52	21.52
Driver's License Fees	4.99	11.89	16.99	12.74	9.28
Interest	11.00	11.55	11.55	11.55	11.55
Other	15.58	16.74	16.90	17.07	17.24
TOTAL RECEIPTS	<u>\$ 1,100.37</u>	<u>\$ 1,122.65</u>	<u>\$ 1,136.42</u>	<u>\$ 1,136.46</u>	<u>\$ 1,139.04</u>

More Information

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

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

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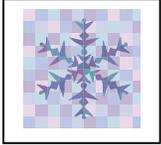
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LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM AND WEATHERIZATION PROGRAM INTERIM STUDY COMMITTEE MEETING

Interim Committee Mtg.

The Low-Income Home Energy Assistance Program (LIHEAP) and Weatherization Program Interim Study Committee met on November 29.

Committee Purpose



The Legislative Council was requested to establish the Committee in HF 2734 (FY 2007 Health and Human Services Appropriation Act). The Committee met October 11 and November 29 to study issues involving the LIHEAP and Weatherization Program, including the Community Action Agencies' assessment and resolution proposal and whether to involve the Department of Human Services (DHS) in the administration of the programs to enable low-income persons to access additional assistance programs through a single location. The Committee will make recommendations to the 2007 General Assembly.

Presentations

On November 29, the Committee received testimony from Tom Dunn and Scott Waskow, Iowa Propane Association; Bob Krebs, DHS; and Lana Ross, Iowa Community Action Association.

Proposed Legislation

The Committee also reviewed, amended, and approved legislation proposed by Senator Hatch to establish an Energy Utility Assessment and Resolution Program with an appropriation of \$1.0 million from the General Fund.

Propane Programs



The Iowa Propane Association provided legislative language to establish an Iowa Propane Education and Research Council to provide for the development of propane-related programs and projects to assist propane customers. The proposal includes a levy of one-tenth of one cent per gallon to fund the Council and its activities. The Committee amended the language to specify that LIHEAP households must be beneficiaries and approved the language as amended. Both items will be recommendations from the Committee to the 2007 General Assembly.

More Information

Handouts from the meetings will be available on the General Assembly's web site at: <http://www.legis.state.ia.us>. Additional information is available from the LSA upon request.

STAFF CONTACT: Sam Leto (Ext. 16764) Ann Ver Heul (Ext. 13837)

EMERGENCY SERVICES INTERIM STUDY COMMITTEE MEETING

Study Committee



The Emergency Services Interim Study Committee met on November 13 for the second meeting. The Legislative Council was asked to establish the Committee in HF 2782 (FY 2007 Infrastructure Appropriations Act) to study the State's emergency services and provide findings and recommendations for the 2007 General Assembly to consider regarding the governance, structure, and funding of these services and the training available for these providers.

Presentations



The Committee received testimony from State Fire Marshal Jim Kenkel, Department of Public Safety (DPS); Randy Novak, DPS; Kirk Schmitt, Department of Public Health (DPH); Mary Jones, DPH; Jennifer Kammeyer, United Way of North Central Iowa; Penny Westfall, Iowa Law Enforcement Academy; David Miller, Department of Public Defense; Susan Judkins and Lorelei Heisinger, Iowa League of Cities; John Easter, Iowa State Association of Counties; and Mike Wentzien, Iowa State Association of County Supervisors.

Committee Motion



The Committee passed a motion requesting that the DPS, Fire Safety Training Bureau, the DPH, Emergency Medical Services Bureau, the Iowa Law Enforcement Academy, and the Department of Public Defense, Homeland Security and Emergency Management Division, jointly submit a report to the Committee regarding the pros and cons of a central Iowa training facility, including an assessment of financial and space needs. The Committee will also request an additional meeting day be approved by the Legislative Council to allow for discussion of recommendations after the report and other follow-up information has been received.

More Information

The materials provided at the meeting are available on the General Assembly's web site at: <http://www.legis.state.ia.us>. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942) Emily Gardyas (Ext. 14800)
Beth Lenstra (Ext. 16301)

**IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM –
BENEFIT ADVISORY COMMITTEE MEETING**

Committee Meeting

The Benefits Advisory Committee (BAC) of the Iowa Public Employees Retirement System (IPERS) met on November 13.

Reclassify Classes



David Martin, IPERS Benefits Division, provided an update on a request that jailers and installation security officers be reclassified from regular to protection occupation class for IPERS benefits pensions. Mr. Martin reviewed survey results sent to all affected employees, and the results were provided at the November meeting. The impact to the contribution rate, if the change to the protection occupation class was made, was also discussed. A law change would be required, but the IPERS would not initiate the required changes and wants the fund to be held harmless by the change.

Dividend Program

Mr. Martin also provided a presentation, "IPERS Dividends and COLA Education." The presentation included a history of the adjustments made to retirees' benefits to help with inflation issues and a description of the programs used for that purpose. This also included discussion regarding the Favorable Experience Dividend (FED) payment history and estimates for when the reserve will run out of funding. Based on certain assumptions, the FED reserve will run out in six to seven years. The IPERS recommends that the January FED payments be maintained at the percentage factor of 1.07 percent.

Subcommittees Established

The Committee expressed concerns regarding the status of the FED reserve and decided to establish a subcommittee to look at short-term options and alternatives to the reserve. A second subcommittee will determine what



Contribution Rates

resources would be needed to do a Request for Proposal (RFP) to get expertise necessary for a long-term solution to the FED reserve issue. A third subcommittee will look at opportunities to expand the deferred compensation program statewide. Currently, 35.0% of State employees are using the program, and many counties have not initiated one.

The Committee proposed to continue seeking a 4.0% contribution rate increase during the 2007 Legislative Session. The Committee and the IPERS contend that this increased rate is necessary to move the Fund closer to the 100.0% funding cap. The Fund is currently at 88.0%. The 2006 General Assembly passed a 2.0% increase.

FY 2006 Actuarial Report

At the December 7 IPERS Investment Board meeting, the FY 2006 actuarial report by Milliman, Inc., will be reviewed. This will also include responses to recommendations from the actuarial audit conducted earlier this year.

More Information

The next meeting is scheduled for January 16, 2007. Additional information is available from LSA upon request.

STAFF CONTACT: Sam Leto (Ext. 16764)

NATURAL RESOURCE COMMISSION MEETING

Commission Meeting

The Natural Resource Commission met on November 9 in Des Moines.

Land Acquisition

The Commission approved a permanent conservation easement on 4.4 acres in Fayette County. The property is located near Brush Creek Canyon State Preserve. The value of the easement is \$4,000.

Sustainable Committee



Diane Ford-Shivvers, Department of Natural Resources (DNR), provided an update on the activities of the Sustainable Funding for Natural Resources Advisory Committee. The DNR provides support staff to the Committee and reported that the firm of Fairbank, Maslin, Maullin, and Associates was hired to complete a public opinion poll. The poll is being conducted to find out if the public is willing to pay for a sustainable source of revenue to protect natural resources. The poll will be completed in November, and the results will be reported to the Committee in December.

Administrative Rules

The following Administrative Rules were approved:

- Final Rule regarding equestrian trails in State parks, forests, and preserves.
- Final Rule on sport fishing.
- Notice of Intended Action on mussel regulation.
- Notice of Intended Action on nonresident deer hunting.

Shimek Forest Sale



The Commission approved a timber sale that will involve 30 acres of timber in the Shimek State Forest. Five bids were received, ranging from \$10,000 to \$27,000. The Commission approved the high bid of \$27,000 from Langebach's Wood Products. A DNR Wildlife Biologist conducted a site review for interior birds and animals. It was recommended that no logging be allowed from April 15 to September 15, as the Indiana Bat may be living in the Forest during that time period.

More Information

The next meeting is scheduled for December 14 in Des Moines. To review Commission agendas, minutes, and other related information, access the DNR web site at: <http://www.iowadnr.com/>. Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767)

STATE SOIL CONSERVATION COMMITTEE MEETING**Committee Meeting**

The State Soil Conservation Committee met on November 14 in Ames.

Cost Share Program

Ken Tow, Department of Agriculture and Land Stewardship (DALs), discussed the implementation of the new computerized system that will track receipts and expenditures for the Soil Conservation Cost Share Fund. The Financial and Report Management System (FARMS) will be implemented beginning December 2006, with completion scheduled in February 2007. Mr. Tow also reported that the Department will update Administrative Rules relating to the Soil Conservation Cost Share Fund to include the FARMS.

Legislative Presentation

Jean Eells, State Soil Conservation Committee, provided an update on the legislative presentation that will be held on January 24, 2007, at the Capitol. The event will be held throughout the day and will include a video on conservation practices. Committee members and Soil and Water Conservation District Commissioners will be on hand to discuss various conservation programs with legislators.

Landowner Resources

Jim Gillespie, DALs, provided an update on the following:

- Currently, there are over \$5.0 million in loans from the Low-Interest Loan Program. The Program allows persons who need matching funds for conservation practices to apply for low-cost loans from their local financial lender. The Iowa Finance Authority works with the lender to provide a loan with an interest rate of 3.0% or less. Currently, 64 counties are participating in the Program.
- The DALs is allocating \$500,000 for grants to landowners wanting to protect and better manage grazing lands. The federal Conservation of Private Grazing Land Program provides technical assistance to landowners, and the grant money will assist in implementing these practices.

More Information

The next meeting will be a teleconference on December 7. For more information about the State Soil Conservation Committee, access the web site at: <http://www.agriculture.state.ia.us/scccommittee.htm>. Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767)

**MENTAL HEALTH, MENTAL RETARDATION,
DEVELOPMENTAL DISABILITIES, AND BRAIN INJURY
COMMISSION MEETING****MH Meeting**

The Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury Commission met on November 16.

Workgroup Updates

The Commission approved various accreditations for providers and received the following reports:



- The Outcomes Workgroup is reviewing options for a survey instrument to quantify data for outcomes of treatment.
- The Functional Assessment Workgroup has undertaken a pilot project with more counties to utilize various tools to determine the services needed by an individual.
- The Co-Payment Rules Workgroup is developing proposed Administrative Rules for statewide financial eligibility in each county, as required by HF 2780 (Mental Health Services Act).

Director's Update



The Commission received the following updates from Director Concannon, Department of Human Services (DHS):

- Timeline for hiring the new Mental Health Division Administrator. (On November 21, the Director announced that Dr. Allen Parks accepted the position).
- Federal Centers for Medicare and Medicaid Services (CMS) Vermont decision to permit differential reimbursement rate 1115 Waiver for nursing and intermediate care facilities for the mentally retarded (ICF/MR) similar to the pending application by Iowa.
- Status of the "money follows the person directive" for those in ICF/MR grant application pending with the federal CMS.
- Status of the Electronic Medical Records Task Force.
- Decline in Medicaid enrollment believed to be caused by the federal citizenship proof requirement.
- Statewide insurance pools, tax exempt status of employee contributions for insurance, and various details of the Massachusetts insurance statute enacted.
- Concerns regarding the changes in control of Congress and possible lack of support for State flexibility.
- Status of the new Mental Health Division, which will focus on the community-based side of services, with the responsibility of the institutions remaining in Field Services Administration.
- Status of the CMS grant application for providing Medicaid services to those leaving prison.

Administrative Rules

The Commission delayed action on changes to the State Cases Program Administrative Rules.

Legislative Priorities



The Commission discussed 2007 Legislative Session priorities, including:

- Secure county funding for mental health services by merging three separate appropriations into a single appropriation, by imposing a new methodology for distribution of the funds, and by lifting the cap on county property tax levies.
- Change the statutory definition of "chronic mental illness" to "serious mental illness."
- Possible revision of Commission duties and composition to include representation of children and the children's mental health system.

- Request \$200,000 to initiate the Children's Oversight Committee Lighthouse and Navigators proposal for serving families of children with disabilities.
- Reaffirm the FY 2008 recommendation for Mental Health Allowed Growth to include the return of the \$18.6 million deappropriation and to review the additional need for FY 2009.

Annual Report

A discussion was held regarding the proposed annual report due in January 2007.

More Information

The next meeting is scheduled for December 14. The web site for the Legislative Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury Funding Study Committee may be accessed at: <http://www.legis.state.ia.us>. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

STATE BOARD OF HEALTH MEETING

Board Meeting

The State Board of Health met on November 8.

Director's Report



Director Mary Hansen provided the following information:

- The Department is formulating strategy to educate new legislators and would like Board participation in these meetings.
- The Department is setting up a committee comprised of ethics specialists to discuss and determine ethical considerations for vaccine distribution in the event of a pandemic influenza.

Vaccines for Children

Don Callaghan, Department of Public Health (DPH), provided an overview of the Vaccines for Children Program, including eligibility and funding issues.

DPH Admin. Rules

The Board adopted Administrative Rules for the DPH relating to Emergency Medical Services, Provider Education/ Training/Certification and the Love Our Kids Grant.

DPH Noticed Rules



The Board reviewed proposed Administrative Rules for the DPH relating to the following:

- Notification and surveillance of reportable communicable and infectious diseases, poisonings, and conditions.
- The establishment of the Prescription Drug Donation Program.
- The development and sponsorship of Disaster Medical Assistant Teams and Environmental Health Response Teams.
- Clarifications regarding costs associated with the utilization of the State Medical Examiner's tissue recovery room.
- Form requirements as set forth by the State Medical Examiner for County Medical Examiners to use in cases where jurisdiction was terminated and/or declined.
- The addition of a new level designation for neonatal intensive care units to better identify the capabilities of Level II Regional centers with Neonatologists on staff.

DIA Admin. Rules The Board adopted Administrative Rules for the Department of Inspections and Appeals (DIA) relating to hospitals and nursing facilities.

Substance Abuse Licensure Cynthia Kelly, DIA, provided the following substance abuse treatment licensure recommendations, which were approved by the Board:

- Two-Year – The Other Way, Clarinda Correctional Facility
- 270-Day Program – A1 Addiction Recover Center, Adel

More Information The next meeting is scheduled for January 10, 2007. Additional information is available from the LSA upon request.

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

NOVEMBER COUNCIL ON HUMAN SERVICES MEETING

Council Meeting The Council on Human Services met on November 8.

Administrative Rules



The Council adopted the following Administrative Rules:

- Implements the new Preparation for Adult Living Services (PALS) Program. The Program will serve youth leaving State-paid foster care on or after age 18, who were in foster care for six of the past 12 months, by providing a monthly stipend up to their 21st birthday, as long as the youth is engaged in full-time employment, continuing education, or a training program.

The Program will serve an average monthly population of approximately 130 youths at a cost of \$1.1 million in both FY 2007 and FY 2008. House File 2734 (FY 2007 Health and Human Services Appropriations Act) provided an estimated increase of \$854,000 in the Child and Family Services appropriation for this purpose in FY 2007. (This estimate does not include Medicaid costs).

- Implements HF 2319 (Medicaid Personal Needs Allowance Act), which directs the Department of Human Services (DHS) to allow residents of nursing facilities participating in Medicaid to retain a personal needs allowance of \$50 per month from their income, such as Social Security benefits.

House File 2734 (FY 2007 Health and Human Services Appropriations Act) appropriated an estimated increase of \$1.4 million in the Medicaid appropriation for this purpose in FY 2007.

- Increases the caps on the Home and Community-Based Services (HCBS) Waivers by 3.0% in order to accommodate the 3.0% Medicaid provider rate increase required by HF 2734.

The cost is an estimated \$219,000 from the General Fund in FY 2007 and \$223,000 in FY 2008. The funding for FY 2007 was provided in the Medicaid appropriation in HF 2734.

- Gives chief juvenile court officers flexibility to eliminate components of supervised community treatment service as necessary to meet budgetary limitations and requires that staff providing individual, group, or family therapy meet applicable State licensing standards in order to ensure that these services can be billed to Medicaid when youth are Medicaid-eligible. No fiscal impact.

Better Results for Kids

Mary Nelson, Department of Human Services (DHS), reported on the Better Results for Kids Child Welfare Redesign, which included updates on

Community Partnerships for Protecting Children (CPPC), the Community Care Initiative, and the Children's Mental Health Waiver.

Child Care Assistance

Mark Adams, DHS, provided information regarding Child Care Assistance certification. A fiscal estimate for switching from a six- to a 12-month certification period for child care services was provided.



Director Concannon noted that the Child Care Assistance Program will have a funding shortfall in the next fiscal year, and the DHS has requested an increase of \$17.0 million for FY 2008 to address this. The shortfall can be attributed to three factors, including the need to annualize the provider increase given in FY 2007; regular caseload growth; and the depletion of federal carry forward funds used to support the Program in the past.

2007 Legislative Agenda

Alisa Morris, DHS, provided the 2007 Legislative Agenda, which includes the following initiatives:

- Increasing the work incentive for Family Investment Program (FIP) families by changing the incentive deduction (disregard) from 50.0% to 58.0%.
- Clarifying refunded premium payments for the Healthy and Well Kids in Iowa (*hawk-i*) and Medical Assistance (Medicaid) Program.
- Eliminating the Electronic Benefit Transfer (EBT) retailer reimbursement.
- Allowing those with a Medical Assistance Income Trust to have access to their total income and be allowed the same deductions as other Medicaid recipients.
- Clarifying the definition of "disability support services" for the purposes of a psychotropic prescription for a person without legal settlement.
- Clarifying payments for Adult Rehabilitation Services and Habilitation Services.
- Changing notification requirements for the Child Support Recovery Unit in a certain amount of delinquent support.
- Requiring a three-year review of all child support orders to determine necessary modifications.
- Changing the annual inspection by the Department of Inspections and Appeals for child-placing agencies in lieu of current six-month inspections.
- Adopting a new Interstate Compact for Placing Children.
- Providing Child Care Assistance Subsidy for certain children up to age 15.
- Yet to be determined changes to the Family Development and Self- Sufficiency (FADSS) Program.
- Technical changes to the FIP and Child Welfare Remedial Services Program.



Substitute Decision Makers

Sandie Koll, DHS, and Deanna Clingan-Fischer, Department of Elder Affairs (DEA), provided information on the Substitute Decision Makers Act and requested support from the Council in seeking an appropriation to establish a State and two regional offices. The DEA has requested \$635,000 from the Senior Living Trust Fund for this purpose in FY 2008.

Park and Road Fund

Karalyn Kuhns, DHS, provided information on the Institutional Park and Road Fund. The five-year plan reflects the plans of the Department of Transportation for road improvements near the institutions.

Director's Report



Director Concannon provided the following updates:

- The DHS submitted a transition plan for the new Governor.
- Introduced Kris Bell, the new Bureau Chief for Child Care.
- Work on a pilot child welfare study with other entities and the country of Norway.
- Reviewed changes to Medicaid, including:
 - Remedial Services Program.
 - Initiation of the phase-in for the Cash and Counseling Program.
 - Submittal of a grant application to the federal Centers for Medicare and Medicaid Services (CMS) for incentives for the mentally retarded to be served in community settings in lieu of Intermediate Care Facilities for the Mentally Retarded (ICF/MRs).
- The DHS received a \$490,000 federal bonus for improvements in the Food Assistance Program.
- Discussed concerns regarding the energy project underway at the Juvenile Home in Toledo.

More Information

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

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Sue Lerdal (Ext. 17794)

**IOWA TELECOMMUNICATIONS AND TECHNOLOGY
COMMISSION MEETING**

Commission Meeting

The Iowa Telecommunications and Technology Commission met on November 16.

Internet Usage

The Commission received an update regarding negotiations with the Board of Regents for Internet usage. The Commission also granted waivers for one year to Northwestern College and William Penn University. Both entities had secured Internet services at a lower price than the Iowa Communications Network (ICN) could provide.

Annual Report

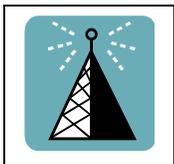
The Administrative Telecommunications Advisory Council's Annual Report was presented. The Report provided an example of a meeting agenda, presenters in the past year, a list of the current Executive Board, and objectives for 2007.

FY 2007 Budget

The FY 2007 budget was reviewed. Receipts for the provision of video services have declined compared to one year ago. Usage is declining, primarily due to the education system migrating to the Internet.

Contracts

The Commission reviewed and approved the maintenance contract report. Staff provided updates regarding customer survey results. The ICN staff contracted with a private sector agency to survey customers to set benchmarks for improvements.

Strategic Sourcing

The Commission received testimony from ATKearney, which has a contract with the State for consulting services related to purchasing. Strategic sourcing is a systematic process to leverage purchasing power to reduce the total cost of goods and services while maintaining or improving the level of quality and service. To date, the Departments of Corrections, Administrative Services, and Transportation, and the Iowa Veterans Home have entered into contracts with ATKearney. The Commission may meet in December to further discuss the option of contracting with ATKearney.

More Information

The next meeting is scheduled for January 25, 2007, in Des Moines. Additional information is available from the LSA upon request.

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