

FISCAL UPDATE

December 20, 2006

Legislative Services Agency

(515)-281-5279 FAX 281-8027

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

DECEMBER REVENUE ESTIMATING CONFERENCE

REC Meeting

The Revenue Estimating Conference (REC) met on December 12, and increased the FY 2007 estimated net General Fund receipts \$27.2 million and the FY 2008 estimated net General Fund receipts \$12.5 million.

FY 2007 Revenue



The REC estimate for FY 2007 net General Fund receipts is now \$5.567 billion, an increase of \$184.9 million compared to actual FY 2006. This represents an estimated growth rate of 3.4%, after refunds and accruals. Net General Fund cash revenue (excluding transfers) has increased \$178.3 million through December 12. Major changes from the October estimate include:

- A \$37.7 million increase in income tax receipts. Projections indicate that receipts from individual income tax returns are estimated to increase significantly due to a strong performance in non-wage income in the 2006 calendar year.
- A \$27.9 million increase in corporate tax receipts. Corporate tax receipts have remained strong and were 43.8% higher than FY 2006 through November.



FY 2007 Revenue Estimating Conference Projection

Dollars in Millions

	Actual FY 2006	October FY 2007 Estimate	December FY 2007 Estimate	Increase (Decrease) to Estimate
Income Tax	\$2,854.2	\$2,989.3	\$3,027.0	\$37.7
Sales/Use Tax	1,881.1	1,950.0	1,931.9	-18.1
Corporate Tax	348.6	405.4	433.3	27.9
Insurance Tax	121.4	110.0	110.0	0.0
Other Taxes	222.1	223.6	222.5	-1.1
Total Taxes	5,427.4	5,678.3	5,724.7	46.4
Other Receipts	343.3	325.1	330.9	5.8
Total Taxes & Other Receipts	5,770.7	6,003.4	6,055.6	52.2
Transfers	144.0	62.8	62.4	-0.4
Accruals (Net)	54.0	16.6	17.0	0.4
Refunds	-586.2	-542.6	-567.6	-25.0
Net General Fund Receipts	<u>\$5,382.5</u>	<u>\$5,540.2</u>	<u>\$5,567.4</u>	<u>\$27.2</u>

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FY 2008 Revenue

The REC estimate for FY 2008 General Fund net receipts is now \$5.752 billion, an increase of \$184.2 million compared to the new REC estimate for FY 2007. This represents an estimated growth rate of 3.3% after refunds and accruals. The revised estimate is \$12.5 million higher than the October REC projection. Major changes from the October estimate include:

- A \$21.7 million increase in projected gross personal income tax receipts.
- A \$12.5 million increase in projected corporate tax receipts.



FY 2008 Revenue Estimating Conference Projection				
Dollars in Millions				
	Estimate FY 2007	October FY 2008 Estimate	December FY 2008 Estimate	Increase (Decrease) to Estimate
Income Tax	\$3,027.0	\$3,128.6	\$3,150.3	\$21.7
Sales/Use Tax	1,931.9	2,027.2	2,023.1	-4.1
Corporate Tax	433.3	408.1	420.6	12.5
Insurance Tax	110.0	115.5	115.5	0.0
Other Taxes	222.5	227.1	227.8	0.7
Total Taxes	5,724.7	5,906.5	5,937.3	30.8
Other Receipts	330.9	327.3	332.5	5.2
Total Taxes & Other Receipts	6,055.6	6,233.8	6,269.8	36.0
Transfers	62.4	62.8	62.4	-0.4
Accruals (Net)	17.0	5.8	12.0	6.2
Refunds	-567.6	-563.3	-592.6	-29.3
Net General Fund Receipts	\$5,567.4	\$5,739.1	\$5,751.6	\$12.5

Summary

The following table provides a summary of the past two fiscal years and the two present REC estimates.



Revenue Estimating Conference Projection				
Dollars in Millions				
	Actual FY 2005	Actual FY 2006	Estimated FY 2007	Estimated FY 2008
Income Tax	\$2,782.3	\$2,854.2	\$3,027.0	\$3,150.3
Sales/Use Tax	1,812.3	1,881.1	1,931.9	2,023.1
Corporate Tax	280.9	348.6	433.3	420.6
Insurance Tax	130.9	121.4	110.0	115.5
Other Taxes	224.5	222.1	222.5	227.8
Total Taxes	\$5,230.9	\$5,427.4	\$5,724.7	\$5,937.3
Other Receipts	338.0	343.3	330.9	332.5
Total Taxes & Other Receipts	5,568.9	5,770.7	6,055.6	6,269.8
Transfers	88.4	144.0	62.4	62.4
Accruals (Net)	-34.1	54.0	17.0	12.0
Refunds	-696.9	-586.2	-567.6	-592.6
Net General Fund Receipts	\$4,926.3	\$5,382.5	\$5,567.4	\$5,751.6
Year-over-year Incr./Decr.	\$245.5	\$456.2	\$184.9	\$184.2

More Information

A more detailed spreadsheet of the FY 2007 and FY 2008 estimates may be accessed on the Legislative Services Agency (LSA) web site at:
<http://staffweb.legis.state.ia.us/lfb/gre/gre.htm>.

STAFF CONTACT: Jeff Robinson (Ext. 14614) Shawn Snyder (Ext. 17799)

STATE MINIMUM WAGE – NOVEMBER 2006

Minimum Wages



Twenty-nine states and the District of Columbia (D.C.) have adopted state minimum wages that are higher than the federal minimum wage of \$5.15. The current minimum wage for Iowa is \$5.15. The State statutory rate is below the federal minimum wage; however, federal law does not allow the State minimum wage to be less than the federal minimum of \$5.15.

State	Minimum Wage	Future Increases
Alaska	\$7.15	
Arizona *	\$6.75	
Arkansas	\$6.25	
Colorado *	\$6.85	
California	\$6.75	to \$7.50 Jan. 2007 and \$8.00 Jan. 2008
Connecticut	\$7.40	
Delaware	\$6.15	to \$6.65 Jan. 2007 and \$7.15 Jan. 2008
D.C.	\$7.00	
Florida *	\$6.40	
Hawaii	\$6.75	to \$7.25 Jan. 2007
Illinois	\$6.50	
Maine	\$6.75	to \$7.00 Oct. 2007
Maryland	\$6.15	
Massachusetts	\$6.75	
Michigan	\$6.95	to \$7.15 2007 and \$7.40 2008
Minnesota	\$6.15	
Missouri *	\$6.50	
Montana *	\$6.15	
Nevada *	\$6.15 without benefits, \$5.15 with benefits	
New Jersey	\$7.15	
New York	\$6.75	to \$7.15 Jan. 2007
North Carolina	\$6.15 eff. Jan. 2007	
Ohio *	\$6.85	
Oregon *	\$7.50	
Pennsylvania	\$6.25 eff. Jan. 2007	to \$7.15 July 2007
Rhode Island	\$7.10	to \$7.40 2007
Vermont *	\$7.25	
Washington *	\$7.63	
West Virginia	\$5.85	to \$6.55 June 2007 and \$7.25 June 2008
Wisconsin	\$6.50	

* Future increases indexed to cost of living

Sources: U.S. Dept. of Labor, State government websites, LexisNexis bill tracking, NCSL.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Ron Robinson (Ext. 16256)



IOWA AVERAGE TEACHER SALARY – TEACHER COMPENSATION ESTIMATOR

Teacher Salary Ranking

Iowa currently ranks 40th in average teacher salary for 2005-2006 based on the National Education Association's (NEA) "Rankings and Estimates," dated November 2006.

Teacher Comp. Estimator



The Fiscal Services Division of the LSA has developed a Teacher Compensation Estimator, based on the estimated 2005-2006 NEA data, that estimates the cost of increasing Iowa's average teacher salary or rank in average teacher salary. The Estimator will also estimate the average salary or rank that can be attained with a particular level of funding. Because the information is based on data from 2005-2006, it does not reflect the increased teacher compensation appropriation approved during the 2006 Legislative Session.

More Information

The Teacher Compensation Estimator is available on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb/>. Additional information is available from the LSA upon request.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

MEDICAID FORECAST FOR FY 2007 AND FY 2008

Medicaid Forecast

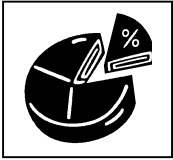
Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on November 29 to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2007 and FY 2008. The three staffs meet monthly to discuss estimated expenditures and to agree on a range for expenditures for the current fiscal year.

FY 2007



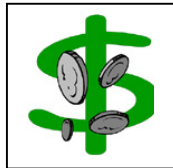
House File 2734 (FY 2007 Health and Human Services Appropriations Act) included total State funding of \$759.2 million. For FY 2007, the three staffs agreed to an estimated supplemental need of \$0.0 to \$26.0 million, with a midpoint of \$13.0 million. The total State funding for Medicaid in FY 2007 is an estimated increase of between \$16.5 and \$42.5 million compared to estimated FY 2006. This includes the following costs and assumptions:

- An estimated \$4.3 million due to an estimated enrollment increase from 0.0% to 2.0%.
- An estimated \$7.1 million to fund an estimated 1.0% increase for medical inflation.
- \$4.8 million to annualize the increased cost of Medicare buy-in due to increased Medicare premiums.
- \$12.2 million to fund additional costs due to the Federal Medical Assistance Percentage (FMAP) rate decreasing from 63.61% to 61.98%.
- \$14.7 million to fund a 3.0% provider rate increase.
- \$1.4 million to fund an increase in the personal needs allowance from \$30 to \$50 per month for residents of nursing facilities.
- \$1.0 million to fund Medicaid for children aging out of the foster care system up to age 21.



- \$250,000 to fund a matching grant for the Iowa Health Care Collaborative.
- \$15.7 million in various savings related to the Iowa Medicaid Enterprise, the Medicaid Family Planning Waiver, and the federal Deficit Reduction Act (DRA) of 2005.
- \$3.9 million to increase nursing facility rates to the FY 2007 cap.
- \$7.0 million to fund increased costs associated with the change from the Adult Rehabilitation Option (ARO) and Rehabilitative Treatment Services (RTS) to the Remedial Services Program (RSP).

FY 2008



For FY 2008, the three staffs agreed to a range of \$29.0 to \$70.0 million, with a midpoint of \$49.5 million over the original FY 2007 appropriation. This includes the following costs and assumptions:

- \$13.0 million to adjust FY 2008 for the FY 2007 supplemental need.
- \$10.3 million for a 2.4% enrollment increase.
- \$7.7 million for 1.0% medical inflation.
- \$13.5 million to fund additional costs due to the FMAP rate decreasing from 61.98% to a projected 61.73%.
- \$2.3 million to complete the transition to the RSP.
- \$500,000 to replace funds carried forward for Field Operations in FY 2007.
- \$1.3 million to fund increased enrollment in the Medicaid for Young Adults (MYA) Program.
- \$10.3 million to rebase nursing facilities.

Citizenship Requirement

The federal DRA of 2005 required verification of citizenship during the Medicaid eligibility screening process. The DHS is coordinating with the Department of Public Health to assist Medicaid applicants with obtaining the required documents. The DHS also plans to assume any expense associated with an applicant obtaining a birth certificate.



Medicaid enrollment decreased during the first three months of FY 2007 and experienced an increase in October, followed by an off-setting decrease in November. The volatility of enrollment thus far makes forecasting for the remainder of the fiscal year difficult. Average enrollment grew 6.4% during FY 2004, 5.8% during FY 2005, and 3.4% during FY 2006. According to LSA estimates, average enrollment during FY 2007 is projected to grow by 0.35%. It is believed that the leveling off of enrollment in FY 2007 can be attributed largely to the citizenship requirement. More data is being gathered to better understand the requirement's effects on Iowa's Medicaid population.

Until October, no Medicaid clients had been dis-enrolled for failure to prove citizenship. Clients were given 90 days to obtain proper documentation. November enrollment figures likely reflect the dis-enrollment of some clients who were up for review in July and were unable to document their citizenship status.

The effects of the citizenship requirement will likely continue throughout FY 2007 and through October of FY 2008, since renewal dates for Medicaid clients are distributed throughout the year.

RTS Services



Beginning July 1, 2006, the DHS began de-linking Medicaid Rehabilitative Treatment Services (RTS) from the Child Welfare System. Changes to Adult Rehabilitative Option (ARO) services also began on July 1. Both changes are the result of the federal Centers for Medicare and Medicaid Services (CMS) requirements related to documentation and eligibility. Starting November 1, 2007, clients formerly served under RTS and ARO could be served through the Remedial Services Program (RSP). A Licensed Practitioner of the Healing Arts will determine eligibility, and Medicaid-enrolled Remedial Service providers will provide services. Providers can transition to the new RSP anytime before January 1, 2007. No new ARO or RTS services will be authorized after January 1.

New service definitions will likely result in increased costs to the State and counties, as some services formerly matched with federal funds will now be paid with 100.0% State or county funds. The increased State cost in Medicaid is estimated to be \$7.0 million for FY 2007 and is included in the estimated supplemental need.

The DHS is also applying for a new waiver-type service offered under the DRA that has the potential to offset increased county costs by offering services formerly provided under ARO that cannot be provided under RSP.

Nursing Facilities



The DHS submitted a State Plan Amendment (SPA) to the CMS that would have allowed them to pay the nursing facilities one-third of the Skilled Nursing Facility Market Basket Index for the last quarter of FY 2006 and increase nursing facility rates to spend up to the FY 2006 cap. Since public notice was not given prior to the start of the final quarter of the fiscal year, the SPA was approved for only the last four days of FY 2006 at a total cost of \$450,000, with a State share of \$164,000.

Legislative leaders and the Governor directed the DHS to resubmit this SPA for the quarter beginning October 1, 2006. The amendment allows nursing facility rates to be adjusted to pay up to the FY 2007 cap of \$177,701,264. This is an increase of \$10.5 million in total dollars and a cost of \$3.9 million to the State. Since the cap is not equivalent to an appropriation, the funding for this increase had not previously been considered and is included in the FY 2007 supplemental appropriation estimate.

The actuarial firm of Myers and Stauffer recently projected that nursing facility expenditures, following this increase, would be very near the FY 2007 capped amount.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

GOVERNMENT OVERSIGHT COMMITTEE MEETING

Oversight Meeting

The Government Oversight Committee met on December 13-14.

Corrections



The Committee received an update from the Department of Corrections (DOC) regarding the cost savings initiatives at its institutions. John Baldwin provided a response to questions raised regarding waste at DOC institutions. He stated the DOC was also establishing other initiatives in various areas that will produce efficiencies to allow the DOC to stay on budget with record-high offender populations.

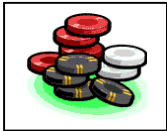
Iowa Lottery

The Committee received a semi-annual update from the Iowa Lottery regarding revenues and prize awards during FY 2006. Ed Stanek discussed the new Lottery games offered, the status of Touch Play lawsuits, and budgets for FY 2007 and FY 2008.

County Treasurers

The Committee received testimony regarding recent newspaper articles that indicated a split among county treasurers. Mary Maloney, Polk County Treasurer, and Lana Taylor, Poweshiek County Treasurer, explained concerns regarding the statewide web site, the fund maintained to receive fees for the public using the web site to pay for property taxes and various licenses, the costs associated with the web site, and the interest earned on the fund. Representatives from the Iowa State County Treasurers Association (ISCTA) explained the position of ISCTA and its 90 members.

Gamblers Treatment



The Committee received testimony from gambling treatment providers regarding ongoing issues with the Department of Public Health (DPH) and its contracting process for FY 2007 service contracts. Delays in contracts, costs incurred to reapply for contracts, lack of communication, and changes in expectations were highlighted as additional burdens placed on certain providers. Representatives of the Iowa Council on Problem Gambling, who are also providers, told the Committee that not all Council members had encountered the same problems and many were satisfied with the DPH methodology.

Staff Augmentation



The Department of Administrative Services explained a new strategy being researched that would use a management firm to establish a network of information technology (IT) providers to assist Executive Branch agencies in meeting technology needs at a lower cost than currently provided. The DAS stated that current law would allow them to contract with the management firm without an Iowa Request for Proposal (RFP) by using other states' experience and the fact that Pennsylvania had done a competitive RFP as the rationale for the contract. Iowa IT providers expressed concerns regarding the assumptions being used by the DAS and questioned the cost savings proposed. The Committee requested more information before any final actions are taken on the contract.

Iowa Workforce Dev.

After adjournment of the joint Committee, a House Committee meeting was held. The Committee heard from David Neil, Interim Director, Workforce Development (IWD), regarding work relationships between IWD and Iowa Central Community College of Fort Dodge. The Committee asked questions regarding closing the office in Webster City and not utilizing office space provided on the Fort Dodge campus. Mr. Neil stated that IWD is working on this and will improve communications with the college.

More Information

The Committee web site may be accessed at:
<http://www3.legis.state.ia.us/ga/committee.do?id=41>. Additional information is available from the LSA upon request.

STAFF CONTACT: Sam Leto (Ext. 16764) Douglas Wulf (Ext. 13250)
Richard Nelson (Ext. 25822)

IOWA VETERANS HOME EXPENDITURE UPDATE

Expenditure Report

The Iowa Veterans Home has provided a first quarter expenditure report.

FY 2006

For FY 2006, the Home exceeded its Medicaid and third-party expected receipts by \$3.1 million. This and a decrease of \$5.8 million in expected expenditures of intra-state transfers permitted the Home to carry forward the permitted maximum of \$1.0 million for the general operating budget and transfer \$6.2 million into the Iowa Veterans Home Capitals Fund.

FY 2007



For the first quarter of FY 2007, the Home does not include one-fourth of the carryforward from FY 2006 nor the FY 2007 salary adjustment funds as revenues. Although it includes all of the \$13.8 million of the FY 2007 appropriation in the first quarter revenues, it has received only 3.5% of the Medicaid and third-party revenues. Although the FY 2006 receipts from Medicaid and third parties exceeded the budgeted amount by \$3.1 million, the FY 2007 budgeted revenue from these sources is \$324,000 less than the FY 2006 budgeted amount.

Capitals Fund

The Home carried forward \$6.2 million from the general operating budget to the Capitals Fund, in addition to the \$6.2 million FY 2007 appropriation from the Rebuild Iowa Infrastructure Fund (RIIF). The only planned expenditure in FY 2007 is \$808,000 for a dayroom expansion at the Home.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

SUPREME COURT RELEASES FY 2008 BUDGET RECOMMENDATIONS

FY 2008 Recommendation



The Supreme Court released its budget recommendations to the LSA on December 1. The recommendation includes \$133.7 million from the General Fund for FY 2008, an increase of \$8.4 million (6.7%) compared to estimated FY 2007. The changes include:

- \$736,000 for children's justice initiatives.
- \$1.1 million for district court judicial support.
- \$702,000 for information and document management.
- \$865,000 to improve access to justice.
- \$250,000 for judicial education and training.
- \$150,000 for public outreach.
- \$4.7 million for the employer's share of the cost of the Judicial Retirement System.

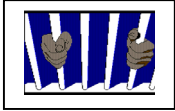
More Information

Additional information is available from the LSA upon request.

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

IOWA PRISON POPULATION FORECAST

Prison Population Forecast



The Criminal and Juvenile Justice Planning Division (CJJPD), Department of Human Rights, released its report entitled, "Iowa Prison Population Forecast: FY 2006 – FY 2016."

If current offender behaviors and justice system trends, policies, and practices remain unchanged, the prison population will be 11,383 inmates by June 30, 2016, an increase of approximately 31.5% over the next 10 years. The female inmate population is expected to grow from 718 inmates on June 30, 2006, to 988 inmates on June 30, 2016, an increase of 37.6% over the next 10 years. The female population is expected to exceed design capacity by approximately 72.4% by June 30, 2016. The male population is projected to be 10,395 by mid-year 2016, an increase of 30.9% over the next 10 years. The male population is expected to exceed design capacity by 51.5% by mid-year 2016.

FY 2007

Over the short-term, Iowa's inmate population is expected to exceed capacity by 21.9% by the end of FY 2007. Women's facilities are expected to be overcrowded by 30.0%, while men's facilities are expected to be overcrowded by 21.3% by June 2007.

Prison Capacity



The prison population forecast creates capacity issues. Assuming current offender behaviors and justice system trends, policies, and practices remain unchanged for the next 10 years, the prison system will be operating at 153.1% of designed capacity. According to the Department of Corrections (DOC), for every 1,000 increase in the inmate population, a new 800-bed prison will need to be constructed. This assumes each prison will operate at 125.0% of design capacity. If the prison population reaches 11,383 inmates, four new 800-bed prisons will need to be built at a construction cost of \$50.0 million for each prison. Each prison will incur ongoing annual operating costs of approximately \$29.0 million. If four new prisons are constructed and the population reaches 11,383 inmates, the prison system will be operating at 107.0% of designed capacity.

Population Growth

Last year, the CJJPD projected 10,329 inmates by the end of FY 2015. The population for June 2015 is now projected to be 11,096. This increase is primarily due to increasing levels of new prison commitments and increasing returns to prison. Other factors influencing the growth of the prison population include:

- An increase in the length of stay for certain inmates, such as sex offenders.
- Long-term increase in prison admissions.
- High levels of admissions of drug offenders.
- An increase in the Community-Based Corrections (CBC) offender population.
- Housing of federal prisoners.
- Long-term impact of abolishing or restricting parole for certain offenses.

- An increase of offenders serving a Class A “life” sentence.

Prison Alternatives



The CJJPD’s report provides a summary of initiatives that may reduce the projected prison population by providing alternatives, including:

- Sentencing changes or fewer direct court commitments to prison. Funding treatment at the community level and allocating funds to the CBC District Departments may serve as alternatives to incarceration.
- Improved communication between the Department of Corrections (DOC) and the Board of Parole. The Board’s expectations for offender treatment should be communicated early in an offender’s sentence, so the DOC may provide those treatment services before the offender is eligible for parole.
- Examine Iowa’s sentencing policies and practices for drug offenses. There is a possibility that offenders in prison may receive substance abuse treatment safely in a CBC setting. Drug courts may divert some offenders from prison.
- Enhance intermediate criminal sanctions plans. Chapter 901B, Code of Iowa, requires each CBC District Department to adopt a plan “designed to reduce probation revocations to prison through the use of incremental, community-based sanctions for probation violations.”

More Information

A copy of the report or additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

COUNCIL OF ECONOMIC ADVISORS MEETING

Council Meeting

The Council of Economic Advisors met December 8 to discuss the status of Iowa’s economy and the outlook for the remainder of FY 2007 and FY 2008.

Employment Update



Ann Wagner, Iowa Workforce Development, provided an update on the employment situation in Iowa. In September, Iowa reached a record in the number of working Iowans at 1,644,100, and non-farm employment also reached a record level at 1,515,700. Ms. Wagner also reported that manufacturing employment is up in Iowa, which is the reverse of the national trend.

Revenue Estimates

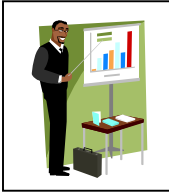
Jude Igbokwe, Department of Management, reviewed the status of General Fund receipts, the previous Revenue Estimating Conference (REC) estimates, and potential issues that may impact revenues for FY 2008. The year-to-date (FY 2007) revenue growth for total receipts was at 5.8% through November, while the current REC growth estimate is 4.0%.

Economic Research

Chuck Whiteman, University of Iowa, reported on the Institute for Economic Research growth estimates for Iowa, indicating that revenue growth for 2007 and 2008 are projected to be 4.0%. He also announced that John Geweke will replace him on the Council.

Leading Indicator Index

Amy Harris, Department of Revenue, presented information on the Department’s Iowa Leading Indicator Index (ILII). The indicators used include:



- Agriculture Future Price Index (AFPI)
- Iowa Stock Market Index
- Yield spread (the only national series used)
- Building permits
- Initial unemployment claims (the statistic used is inverted)
- Average weekly manufacturing hours
- New orders index
- Diesel fuel consumption

Ms. Harris stated that the performance of the ILII has provided a relatively good predictor (six to nine months lead time) of the Iowa economy. The ILII series begins with January 1999 and is published monthly by the Department.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jeff Robinson (Ext. 14614) Shawn Snyder (Ext. 17799)

STATE SOIL CONSERVATION COMMITTEE MEETING

Committee Meeting

The State Soil Conservation Committee met on December 7 in Des Moines.

Ethanol

The Committee discussed ethanol and related environmental issues that included:



- The use of corn stover and the introduction of other plants for the production of ethanol.
- The importance of maintaining some of the corn stover at the production field to control soil erosion and to increase organic carbon in the soil.
- The importance of reviewing how other states are producing ethanol and the possibility of developing a regional strategy for the development of an ethanol industry.

Conservation Plans



The Committee approved the following plans recommended by the Soil, Water, and Mineral Resources Planning Subcommittee:

- The Soil and Water Resource Conservation Plan submitted by the Van Buren Soil and Water Conservation District.
- The Water Protection Practices Application Watershed Plan submitted by the Grundy County Soil and Water Conservation District.

Soil and Water Conference

Two water quality conferences that will be held at Iowa State University were discussed, and members were encouraged to attend the 7th Annual Water Monitoring Conference on February 1 and the Agriculture and the Environment Conference on March 6.

More Information

The next meeting is scheduled for January 23, and the Legislative Presentation will be held on January 24. 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)

ENVIRONMENTAL PROTECTION COMMISSION MEETING

Commission Meeting

The Environmental Protection Commission met on December 5 in Des Moines.

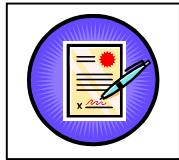
Water Quantity



Bob Libra, Department of Natural Resources (DNR), presented information on the quantity of water in Iowa that included:

- The need to reestablish groundwater level monitoring. This type of monitoring was discontinued in 2004 due to funding reductions.
- The need to obtain current information on water usage in Iowa. Currently, anyone withdrawing 25,000 gallons a day from a State stream or aquifer is required to obtain a permit from the DNR; however, the total amount of water withdrawn each year is unknown.
- Develop a statewide comprehensive water usage plan. The last statewide plan was issued in 1985.

Contract Approved



The Commission approved the following contracts:

- An \$84,000 contract with the University of Iowa Hygienic Laboratory for the Safe Lakes Project.
- Three contracts with the federal Geological Survey:
 - An \$84,000 contract for stream gauging to collect hydrologic data.
 - A \$101,000 contract for monitoring of Iowa's largest rivers and streams.
 - A \$28,000 contract for groundwater monitoring.

Administrative Rules

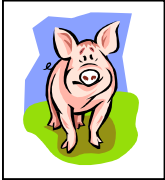


The Commission approved the following Administrative Rules:

- The Final Rule related to a property tax exemption for companies processing waste glass products.
- The Final Rule related to the demanufacturing of discarded appliances.
- The Final Rule related to construction permit fees for public water suppliers.
- The Notice of Intended Action related to applying liquid manure to soybeans.
- The Notice of Intended Action related to financial assurance requirements for sanitary disposal projects.
- The Notice of Intended Action related to certification of water supply and wastewater treatment operators.

- The Notice of Intended Action related to construction permits for sewer extensions.
- The Notice of Intended Action related to the application of sewage sludge.

Demand for Hearing



The Commission reviewed two draft construction permits that had been issued by the DNR but contested by the following:

- Calhoun County contested the permit issued to Prestige Farms for a swine confinement operation located near Twin Lakes. This permit was denied by the Commission.
- Crawford County contested the permit issued to Nebraska Pork Partners to construct two swine confinement operations located near Denison. This permit was approved by the Commission.

More Information

The next meeting is scheduled for January 2. For review of 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)

BOARD OF REGENTS MEETING

Board Meeting

The Board of Regents met on December 11 at the University of Iowa (SUI) in Iowa City.

Admissions Study



The Admissions Study Team gave a final report to the Board. The Board approved changing the admissions policy as recommended by the Study Team. The current admissions policy provides automatic admission for students that complete the required core subject area courses and graduate in the top 50.0% of their high school class. The new policy will implement a Regent Admission Index (RAI). The RAI utilizes the following equation: $RAI = (2 \times \text{ACT composite score}) + (1 \times \text{high school rank expressed as a percentile, with 99.0\% as the top value}) + (5 \times \text{number of high school courses completed in the core subject areas})$. The RAI is consistent with the Department of Education's recently-developed model core curriculum and is intended to promote rigor in high school curriculums. Students must achieve a RAI score of 245 or more for automatic admission. This policy will be implemented for freshmen for fall 2009 enrollments.

Bonding

The Board authorized the Executive Director to fix a sale date in February 2007 for \$25.0 million of Utility System Revenue Bonds for SUI. Bond proceeds will be used to fund a number of utility projects. Repayment will be made from funds generated through the Utility System.

Tuition Increase

The Board gave formal approval to the tuition and fees increase proposal made at the November meeting. Tuition for fall 2007 at each of the universities will increase by 5.2%. Resident annual undergraduate tuition will be as follows: SUI - \$5,376; Iowa State University - \$5,352; and the University of Northern Iowa - \$5,352.

More Information

The next meeting is scheduled for February 6-7 at Iowa State University in Ames. Additional information regarding the meeting, including the text of each agenda item, may be accessed on the Board's web site at: <http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/dec06/december2006docket.htm>.

STAFF CONTACT: Mary Shipman (Ext. 14617)

COLLEGE STUDENT AID COMMISSION MEETING

Commission Meeting

The College Student Aid Commission met on November 16 in Des Moines.

State of Iowa Scholars



The Commission discussed continuation of the State of Iowa Scholarship Program with recognition rather than funding. The General Assembly eliminated the funding for the Program in FY 2006 by striking the standing appropriation of \$465,000 from statute. In the past, when the Program was funded, Iowa seniors that qualified received a one-time award of \$400. During the 2006 Legislative Session, there was some interest in reviving the Program, but reauthorization legislation was not approved.

Contract Extensions

The Commission approved one-year extensions for the following:

- Four collections vendor contracts.
- A 28E agreement with the Department of Revenue for collection of defaulted student loans.
- A contract with ME&V for public information services.

Tuition Grant Program

The Commission approved Emmaus Bible College's request for eligibility under the Iowa Tuition Grant Program for the 2007-2008 academic year.

Lender Review Contract

The Commission authorized the Executive Director to terminate the contract with McGladrey and Pullen for performance of school and lender reviews. This change will result in the Commission adding a staff member to perform these reviews. This change is being made to comply with U.S. Department of Education requirements.

Career Info. System



Commission staff provided information about the Iowa Career Information and Decision-Making System. Currently, the Commission is providing these services through a 28E agreement with the Department of Education. The Commission issued a Request for Proposal (RFP) to solicit bids for a contract to provide career and educational planning services. Based on a scoring evaluation by the Iowa Choices Advisory Council, the recommendation was to award the contract to Bridges/XAP. The contract is scheduled to become effective in July 2007 and extend through a three-year period, with an option for an additional two-year contact extension.

More Information

The next meeting is scheduled for January 18. Additional information regarding the meeting, including the full text of meeting materials, may be accessed on the Commission's web site at: <http://www.iowacollegeaid.org/about.html>.

STAFF CONTACT: Mary Shipman (Ext. 14617)

MENTAL HEALTH, MENTAL RETARDATION, DEVELOPMENTAL DISABILITIES, AND BRAIN INJURY SERVICES FUNDING STUDY COMMITTEE MEETING

- MH Meeting** The Legislative Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury (MH/MR/DD/BI) Services Funding Study Committee met on November 28.
- Follow-Up Discussion** John Pollak, LSA; Matt Haubrich, Department of Human Services (DHS); and Linda Hinton, Iowa State Association of Counties (ISAC), discussed observations and perceptions about the MH/MR/DD/BI System as revised since the last meeting.
- Redesign Report** Carl Smith, Chair, MH/MR/DD/BI Commission, provided an overview of the Commission's Redesign Report.
- Functional Assessment** Dr. Michael Flaum, University of Iowa; Susan Koch Seehase, MH/MR/DD/BI Commission; and Jan Heikes, Winneshiek and Allamakee Counties, provided information on the functional assessment and outcomes portion of the system redesign.
- Case Rate System** Matt Haubrich, DHS, discussed how a funding system based on case rates might operate.
- Property Tax** Jane Halliburton, Vice-Chair, MH/MR/DD/BI Commission, discussed the Commission's emphasis on property tax equalization as an important piece of the system redesign.
- Accountability** Jennifer Vermeer, DHS; Connie Fett, Cedar County; and Shelly Chandler, Iowa Association of Community Providers, reviewed various accountability provisions within the mental health services system.
- Cost Reports** Debbie Johnson, DHS, and Carol Logan, Wapello County, discussed past attempts at developing a common cost report for providers and funding sources.
- Expenditure Data** Jim Overland, DHS, reviewed a project under way to provide additional mental health services and expenditure data.
- MH Needs**

 Consumers and advocates who will review needs within the mental health services system include Cherie Clark, Conner Center for Independent Living; Margaret Stout, National Association for the Mentally Ill – Iowa; Sylvia Piper, Iowa Protection and Advocacy; Casey Westhoff, The ARC Iowa; and Jack Holveck, DHS Office of Consumer Affairs.
- Provider Concerns** Providers and representatives of managed care entities who will express concerns and explain processes include Shannon Strickler, Iowa Hospital Association; Shelly Chandler, Iowa Association of Community Providers; Dan Vonnahme, ISAC; and Diane Diamond, DHS Targeted Case Management.
- MH Allowed Growth** Carl Smith and Sue Lerdal, LSA, discussed the possible proposal by the Commission for the FY 2008 and FY 2009 mental health allowed growth funding recommendation.

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- County Balances** Todd Rickert, Tama and Grundy Counties; Lonnie Maguire, Harrison, Monona, and Shelby Counties; and Lynn Ferrell, Polk County, discussed the impact of decreasing County Mental Health Fund balances.
- Data Review** The Committee reviewed data and information provided at the October 3 and November 28 meetings.
- More Information** The documents provided at the meeting are available on the web site at: <http://www.legis.state.ia.us/>. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Kerri Johannsen (Ext. 14611)
John Pollak (Ext. 13818) Patty Funaro (Ext. 13040)

SEX OFFENDER TASK FORCE MEETING

Task Force Meeting



The Sex Offender Task Force met on December 6.

The Task Force discussed items pursuant to HF 619 (Sex Offender Database Task Force Act), including the impact of special sentences, sex offender treatment issues, Sex Offender Registry linkage to other existing databases, risk assessment validity, and electronic monitoring of sex offenders.

Future Plans

The Task Force also reviewed and gave preliminary approval to the draft report that will be submitted to the General Assembly in January 2007. In addition, the Task Force discussed ongoing work plans and tentatively scheduled a June 2007 meeting.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

ISSUE REVIEW – ETHICS AND CAMPAIGN DISCLOSURE BOARD

Issue Review

The Fiscal Services Division of the LSA recently published an *Issue Review* on the Ethics and Campaign Disclosure Board.

Summary

The *Issue Review* provides an overview of the Board, including a historical background, current responsibilities of the Board, discussion of legislative proposals initiated by the Board and the Government Oversight Committee, enhancements proposed to the electronic report filing system, and a budget review for FY 2007 and FY 2008.

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: Sam Leto (Ext. 16764)

AUDIT REPORT – IOWA PUBLIC TELEVISION**Audit Report**

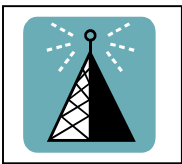
The LSA received a copy of the FY 2006 Audit Report for Iowa Public Television (IPTV).

Financial Statements

The Audit Report found the IPTV financial statements to be in order. The Audit did not cover the financial statements of the Iowa Public Television Foundation, which have been audited by other auditors.

Other Findings

The Audit found no material weaknesses involving internal control over financial reporting and operation and disclosed no instances of non-compliance with laws, regulations, or contract and grant agreements.

Revenue and Expenses

Iowa Public Television had General Fund revenue of \$23.3 million in FY 2006, a decrease of less than 1.0% from the previous year. This included State appropriations of \$18.8 million, \$2.4 million in gifts and grants, \$785,000 in federal assistance, and \$777,000 in service fees. The Foundation received \$7.8 million in memberships and corporate support. The FY 2006 expenditures for the combined entities totaled \$26.0 million.

More Information

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

STAFF CONTACT: Robin Madison (Ext. 15270)

AUDIT REPORT – PEACE OFFICERS RETIREMENT SYSTEM**Audit Report**

The LSA received a copy of the FY 2006 Audit Report of the Peace Officers Retirement, Accident, and Disability System. The System covered 1,153 active and retired peace officers during FY 2006.

Actuarial Findings

Net assets totaled \$278.9 million during FY 2006. The unfunded actuarial accrued liability was \$91.0 million, a decrease of \$257,000 compared to FY 2005. The decrease is primarily due to a higher-than-expected rate of return on assets. The unfunded actuarial accrued liability as a percentage of payroll was 251.0% for FY 2006, a decrease of 23.0% compared to FY 2005.

More Information

Additional information is available from the LSA upon request.

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

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