



DECEMBER REVENUE ESTIMATING CONFERENCE

The Revenue Estimating Conference (REC) met on December 11, 2009, and reduced estimated General Fund receipts by \$36.8 million for FY 2010. This is a decrease of \$13.1 million compared to the October estimates.

The REC estimate for FY 2010 net General Fund receipts, including transfers, is now \$5.401 billion, a decrease of \$532.8 million (-9.0%) compared to actual FY 2009. Actual net General Fund cash revenue (excluding transfers) decreased \$175.4 million through December 16, 2009. Changes from the October estimate include:

- A decrease of \$49.9 million in gross Sales/Use Tax receipts. Through December 16, 2009, gross Sales/Use tax receipts decreased \$23.5 million (-2.1%). As job losses due to the recession continue to increase, consumers will continue to pare back discretionary spending.
- A decrease in cigarette tax receipts of \$12.5 million. Through December 16, 2009, cigarette tax receipts decreased 10.3%. The federal cigarette tax was increased in April 2009 and is likely a factor in the decrease in State cigarette tax revenue.
- A decrease of \$6.6 million in gross Insurance Tax receipts. Insurance tax receipts decreased 18.8% through December 16, 2009.
- An increase of \$25.0 million in gross Corporate Tax receipts. Actual gross Corporate Tax receipts decreased \$20.8 million through December 16, 2009.

The REC estimate for FY 2011 net General Fund receipts, including transfers, was set at \$5.403 billion, an increase of \$2.0 million (0.0%) compared to the new REC estimate for FY 2010. The revised estimate is \$13.1 million less than the initial FY 2011 estimate established by the REC in October. Although it is anticipated that the recession is over, job and revenue growth is not expected to be robust. Major changes to the FY 2011 projections include:

- A decrease of \$51.1 million in gross Sales/Use tax receipts.
- A decrease of \$15.3 million in cigarette tax receipts.
- An increase in tax refunds (on an accrual basis) of \$68.0 million negatively impacting General Fund tax receipts.
- An increase of \$37.3 million in gross Individual Income Tax receipts.
- An increase of \$59.7 million in gross Corporate Tax receipts.

The following tables provide a summary of the changes made in the December REC meeting.

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FY 2010 Revenue Estimating Conference Projection

Dollars in Millions

	Actual FY 2009	October FY 2010 Estimate	December FY 2010 Estimate	Increase (Decrease) to Estimate
Income Tax	\$3,330.7	\$3,208.0	\$3,210.6	\$2.6
Sales/Use Tax	2,327.4	2,255.1	2,205.2	-49.9
Corporate Tax	416.5	316.2	341.2	25.0
Insurance Tax	90.0	88.6	82.0	-6.6
Cigarette Tax	215.8	213.6	201.1	-12.5
Other Taxes	149.2	141.5	135.5	-6.0
Total Taxes	\$6,529.6	\$6,223.0	\$6,175.6	\$-47.4
Other Receipts	391.9	370.4	367.5	-2.9
Gross Tax & Other Receipts	\$6,921.5	\$6,593.4	\$6,543.1	\$-50.3
Accruals (Net)	17.2	-26.4	-13.9	12.5
Refund (Accrual Basis)	-803.9	-891.3	-901.0	-9.7
Schl. Infr. Refunds (Accrual)	-385.8	-379.0	-369.3	9.7
Total Net Receipts	\$5,749.0	\$5,296.7	\$5,258.9	\$-37.8
Transfers (Accrual Basis)	185.0	141.3	142.3	1.0
Net Receipts Plus Transfers	\$5,934.0	\$5,438.0	\$5,401.2	\$-36.8

FY 2011 Revenue Estimating Conference Projection

Dollars in Millions

	Estimate FY 2010	October FY 2011 Estimate	December FY 2011 Estimate	Increase (Decrease) to Estimate
Income Tax	\$3,210.6	\$3,188.3	\$3,225.6	\$37.3
Sales/Use Tax	2,205.2	2,279.3	2,228.2	-51.1
Corporate Tax	341.2	281.4	341.1	59.7
Insurance Tax	82.0	88.6	89.4	0.8
Cigarette Tax	201.1	212.3	197.0	-15.3
Other Taxes	135.5	146.7	142.9	-3.8
Total Taxes	\$6,175.6	\$6,196.6	\$6,224.2	\$27.6
Other Receipts	367.5	372.0	365.8	-6.2
Gross Tax & Other Receipts	\$6,543.1	\$6,568.6	\$6,590.0	\$21.4
Accruals (Net)	-13.9	-3.0	18.2	21.2
Refund (Accrual Basis)	-901.0	-830.0	-898.0	-68.0
Schl. Infr. Refunds (Accrual)	-369.3	-383.5	-374.2	9.3
Total Net Receipts	\$5,258.9	\$5,352.1	\$5,336.0	\$-16.1
Transfers (Accrual Basis)	142.3	64.2	67.2	3.0
Net Receipts Plus Transfers	\$5,401.2	\$5,416.3	\$5,403.2	\$-13.1

Revenue Estimating Conference Projection				
Dollars in Millions				
	Actual	Actual	Estimated	Estimated
	FY 2008	FY 2009	FY 2010	FY 2011
Income Tax	\$3,359.7	\$3,330.7	\$3,210.6	\$3,225.6
Sales/Use Tax	2,000.2	2,327.4	2,205.2	2,228.2
Corporate Tax	483.8	416.5	341.2	341.1
Insurance Tax	111.7	90.0	82.0	89.4
Cigarette Tax	229.5	215.8	201.1	197.0
Other Taxes	152.7	149.2	135.5	142.9
Total Taxes	<u>\$6,337.6</u>	<u>\$6,529.6</u>	<u>\$6,175.6</u>	<u>\$6,224.2</u>
Other Receipts	380.7	391.9	367.5	365.8
Gross Tax & Other Receipts	\$6,718.3	\$6,921.5	\$6,543.1	\$6,590.0
Accruals (Net)	-24.0	17.2	-13.9	18.2
Refund (Accrual Basis)	-674.8	-803.9	-901.0	-898.0
Schl. Infr. Refunds (Accrual)	0.0	-385.8	-369.3	-374.2
Total Net Receipts	\$6,019.5	\$5,749.0	\$5,258.9	\$5,336.0
Transfers (Accrual Basis)	64.9	185.0	142.3	67.2
Net Receipts Plus Transfers	<u>\$6,084.4</u>	<u>\$5,934.0</u>	<u>\$5,401.2</u>	<u>\$5,403.2</u>
Year-over-year Incr./Decr.	<u>\$438.1</u>	<u>\$-150.4</u>	<u>\$-532.8</u>	<u>\$2.0</u>

A more detailed spreadsheet of the FY 2010 and FY 2011 REC estimates is available at:
<http://www.legis.state.ia.us/Fiscal/qre/>

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UPDATED FY 2011 SCHOOL AID ESTIMATES

Preliminary enrollment data collected in October 2009 indicates that enrollments, special education weightings, Limited English Proficient weightings, and preschool enrollment weightings will be less than projected and will reduce the FY 2011 school aid estimates previously released in October. The Department of Education plans to release official enrollments in early January.

The following table provides updated FY 2011 school aid estimates. Based on the preliminary data, the estimated FY 2011 built-in increase stands at \$516.4 million, down \$25.9 million from the previous built-in increase estimate. Compared to FY 2010, FY 2011 total regular State school aid is estimated to increase \$22.9 million, preschool formula aid is estimated to increase \$14.9 million, and the total State categorical supplement is estimated to increase \$5.9 million. Additionally, the current law FY 2011 estimate assumes the following:

- Backfilling of \$202.5 million in American Recovery and Reinvestment Act (ARRA) Education Stabilization funding.
- Backfilling of the \$238.5 million across-the-board State aid reduction to school districts and area education agencies (AEAs).
- Backfilling the State aid shortfall of \$31.7 million due to the cap on the FY 2010 State school aid appropriation.

School Foundation Formula Funding				
(Dollars in Millions)				
	Estimated FY 2009	Estimated FY 2010	Estimated FY 2011	Change
Total Regular School Aid	\$ 2,207.4	\$ 2,276.9	\$ 2,299.7	\$ 22.9
Preschool Aid	\$ 17.1	\$ 33.3	\$ 48.2	\$ 14.9
Teacher Salary Supplement	N.A.	251.3	256.0	4.8
Professional Development Supplement	N.A.	28.5	29.0	0.5
Early Intervention Supplement	N.A.	29.3	29.8	0.6
Total State Categorical Supplement	N.A.	\$ 309.0	\$ 314.9	\$ 5.9
State Aid Shortfall	N.A.	-31.7	0.0	31.7
State Aid Change for ARRA Funding	-40.0	-202.5	0.0	202.5
State Aid Reduction due to ATB Reduction	-33.4	-238.5	0.0	238.5
Total State Aid Adjustments	\$ -73.4	\$ -472.7	\$ 0.0	\$ 472.7
Total State Aid without ARRA	\$ 2,151.1	\$ 2,146.5	\$ 2,662.9	\$ 516.4
ARRA Education Stimulus	\$ 40.0	\$ 202.5	\$ 0.0	\$ -202.5
Total School Aid State/ARRA Funding	\$ 2,191.1	\$ 2,349.0	\$ 2,662.9	\$ 313.9

Additional information regarding school foundation formula estimates is available on the LSA website at:
http://staffweb.legis.state.ia.us/lfb/docs/k-12_ed/k-12_ed.htm

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NOVEMBER MEDICAID FORECAST

Forecasting Group. Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on December 7, 2009, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2009 and FY 2010. The forecasting group meets monthly to discuss estimated expenditures and to agree on a range for the current and upcoming fiscal years.

FY 2010 Stimulus. For FY 2010, the ARRA provides the same 6.2% FMAP increase in all 12 months and is estimated to offset the amount of State Medicaid funds needed by \$145.1 million. The ARRA also provides for additional FMAP increases based on state unemployment rates that will save the State an additional \$67.5 million for a total of \$212.6 million.

FY 2010 Unemployment. On June 19, 2009, the Bureau of Labor Statistics released the latest unemployment rates that showed Iowa's rate jumped from 5.1% in April of 2009 to 5.8% in May and 6.2% in June. This increase brought Iowa's three-month average above 5.2% and qualifies the State for an additional FMAP increase under the ARRA. The FMAP increase is estimated to offset the amount of State Medicaid funds needed by an additional \$40.0 million in FY 2010.

Tier Two Unemployment. To qualify for tier two of the Medicaid FMAP enhancement, Iowa's unemployment rate needs to have a three-month average of 6.2%. In August, Iowa qualified with a three-month average of 6.5%. The FMAP increase is estimated to offset the amount of State Medicaid funds needed by an additional \$17.5 million in FY 2010.

FY 2010. House File 811 (FY 2010 Health and Human Services Appropriations Act) included total State funding of \$854.6 million for Medicaid for FY 2010. Other funding sources included \$8.6 million from HF 820

(FY 2010 Federal Funds Appropriations Act) to annualize hospital rebasing, continued coverage for children, and interpreter services for Medicaid. Senate File 478 (FY 2010 Standing Appropriations Act) provided an additional \$4.3 million to increase funds for disproportionate share hospital payments. The State appropriations from all funding sources for Medicaid for FY 2010 total \$867.5 million. This is an increase of \$35.0 million compared to estimated net FY 2009. Significant program changes include:

- An increase of \$2.4 million to cover additional eligible children.
- An increase of \$1.8 million to annualize the hospital rebase.
- An increase of \$6.0 million to rebase nursing facilities.
- An increase of \$237,000 for interpreter services.
- An increase of \$103,000 for a 5.0% provider rate increase for Family Planning Providers.
- A decrease of \$500,000 to eliminate funding for the Iowa Health Care Collaborative.
- An increase of \$4.3 million to increase payments to disproportionate share hospitals.

Senior Living Trust Fund. Due to decreased State revenues in FY 2009, the State will not have sufficient funds to transfer \$39.1 million to the Senior Living Trust Fund for FY 2010 as originally estimated. House File 811 appropriates the balance of the Fund to the Medicaid Program. The balance available for FY 2010 is \$17.7 million.

FY 2010 Across-Board-Reduction. On October 8, 2009, the Governor announced a 10.0% across-the-board (ATB) reduction for all General Fund appropriations and the Health Care Trust Fund. This reduction amounted to \$83.7 million for the Medicaid Program. With the ATB reduction, the new funding total for the Medicaid Program for FY 2010 is \$781.0 million.

FY 2010 Range. For FY 2010, the forecasting group agreed to a range of a supplemental need of \$6.0 million to a surplus of \$22.0 million with a midpoint of an \$8.0 million surplus. The range includes the 6.2% ARRA FMAP adjustment and both tier one and two unemployment FMAP increases. The budget reduction plans submitted to the Governor by the DHS were also included in these estimates.

FY 2011. For FY 2011, the forecasting group agreed Medicaid will have a supplemental need of \$149.0 to \$216.0 million with a midpoint of \$182.5 million when compared to the adjusted FY 2010 appropriation. The adjusted FY 2010 appropriation includes the 10.0% across-the-board reduction and statutory appropriations for a total of \$730.8 million. The range includes the 6.2% FMAP increase, including tier one and two of the FMAP unemployment increase. The range also assumes there will be \$37.0 million in funding available from the Senior Living Trust Fund for FY 2011 and that a minimum of \$28.0 million from the Department's reduction strategies submitted to the Governor will continue in FY 2011.

Enrollment Increase. Medicaid continues to see rapid enrollment growth. In FY 2009, the program added a total of 31,794 individuals, including 25,935 children. In the first five months of FY 2010, the program added an additional 15,183 individuals for total program enrollment of 360,575.

Medicaid Enrollment Increases/(Decreases) for FY 2010					
FY 2010	Children	Adults	Aged	Disabled	Total
July	1,427	211	38	32	1,708
August	2,829	1,295	126	443	4,693
September	1,180	546	(6)	208	1,928
October	1,539	977	32	264	2,812
November	3,048	533	70	391	4,042
Total	10,023	3,562	260	1,338	15,183

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CHILD CARE AND ADOPTION SUBSIDY PROGRAM
FY 2009 AND FY 2010 PROJECTIONS

Projections Workgroup: Staff from the Department of Management, the Department of Human Services, and the Fiscal Services Division of the Legislative Services Agency met November 19 to discuss estimated Child Care expenditures for FY 2009 and FY 2010. The projections workgroup is established in Chapter 234.47, Code of Iowa, to estimate the expenditures and revenues for these two expenditures.

Child Care Subsidy Program

FY 2009: Senate File 2425 included State funding of \$41.3 million for Child Care Services that included an appropriation of \$1.5 million for a 2.00% provider reimbursement rate increase effective October 1, 2008. This is a decrease of \$3.4 million compared to FY 2008.

FY 2009 Adjustments: In December 2008, the Governor issued an across-the-board (ATB) General Fund reduction of 1.50%. The ATB reduced State funding for the Child Care Subsidy Program by \$862,000 for FY 2009. The new total State appropriation for FY 2009 is \$40.4 million.

FY 2009 Actual: For FY 2009 the surplus was \$18.1 million that carried forward into FY 2010 for services and programs within the Child Care Services appropriation, including the Subsidy Program. Total revenue for child care services, including State, federal and carryforward from FY 2008, was \$142.3 million. Expenditures totaled \$124.2 million.

FY 2010: House File 811 (FY 2010 Health and Human Services Appropriations Act) included State funding of \$37.9 million for Child Care Services. This is a decrease of \$2.5 million compared to the estimated net FY 2009.

FY 2010 Adjustments: On October 8, 2009, the Governor issues an across-the-board (ATB) General Fund reduction of 10.0%. The Governor approved or amended reduction plans submitted by the Executive Branch departments. The approved and amended DHS department plan for the Child Care Subsidy Program and other child care services reduced State funding by \$5.2 million. The new total State appropriation for FY 2010 is \$32.7 million.

FY 2010 Range: For FY 2010 the forecasting group agreed to a projected surplus of \$5.3 million that will carryforward for FY 2011.

Stimulus: On February 17, 2009, the President signed the American Recovery and Reinvestment Act (ARRA) of 2009. The Act provided an increase of approximately \$18.1 million for the Iowa allocation for the federal FY 2009 Child Care Development Block Grant (CCDBG). The funding is available through FY 2011. The targeted funds for quality expansion and infant and toddler care of approximately \$2.4 million have been appropriated for FY 2010 in HF 820 (FY 2010 Federal Funds Appropriations Act). Approximately \$15.8 million remains available for the potential shortfall in FY 2011 based on early projections of the Projections Workgroup.

FY 2011 DHS Budget Request: The enrollment for the Family Investment Program (FIP) has increased significantly due to the poor economic conditions of the past year. The FIP is Iowa's Temporary Assistance to Needy Families (TANF) program. The Program provides cash assistance to needy families, as they become self-supporting so children may be cared for in their own homes or in the homes of relatives.

Due to increasing caseloads, for FY 2011, the DHS requested that the Legislature reduce TANF funding for Child Care Services by \$13.4 million and instead direct it to the FIP appropriation to go toward an estimated \$18.4 million need. Assuming status quo funding for FY 2011, this would leave approximately \$12.4 million of TANF funding for Child Care Services. The DHS requested that the unobligated federal American Reinvestment and Recovery Act (ARRA) of 2009 funding for child care be directed to DHS Child Care Services to fill the gap that would occur without the \$13.4 million of TANF funding. Currently, \$15.8 million of ARRA funding remains and must be expended by FY 2011.

FY 2011: For FY 2011 the forecasting group agreed to a projected surplus of \$5.2 million that will carry forward to FY 2012. This does not include the aforementioned DHS budget request.

Adoption Subsidy Program

The Workgroup agreed that the June projections were still relevant for the Adoption Subsidy Program and did not need to be re-evaluated at this time. The information below reflects the June projections.

FY 2009: Senate File 2425 included State funding of \$34.2 million for the Adoption Subsidy Program for FY 2009. This is an increase of \$2.2 million compared to FY 2008.

FY 2009 Adjustments: The December 2008 ATB issued by the Governor reduced State funding for the Adoption Subsidy Program by \$513,000 for FY 2009. House File 820 reduced the appropriation further by transferring \$1.2 million from the General Fund appropriation to the Human Services Reinvestment Fund to reflect the additional federal stimulus funds for FY 2009. The new total for State funding is \$32.5 million for FY 2009.

FY 2009 Actual: The FY 2009 surplus of \$201,000 was carried forward to FY 2010 for the Subsidy Program. Total revenue for child care services, including State, federal and carryforward from FY 2008, was \$32.5 million. Expenditures totaled \$32.3 million.

FY 2010: House File 811 included State funding of \$34.9 million for the Adoption Subsidy Program. This is an increase of \$2.4 million compared to the estimated net FY 2009 funding.

FY 2010 Adjustments: On October 8, 2009, the Governor issued an across-the-board (ATB) General Fund reduction of 10.0%. The Governor approved or amended reduction plans submitted by the Executive Branch departments. The approved and amended DHS department plan for the Adoption Subsidy Program reduced State funding by \$2.0 million. The new total State appropriation for FY 2010 is \$32.9 million.

FY 2010 Range: For FY 2010 the forecasting group agreed to an estimated surplus of \$2.0 million.

Federal Stimulus Funds: The ARRA Act of 2009 provides a 6.20% increase in the Federal Medical Assistance Percentage (FMAP) match over 27 months, with nine months falling in State FY 2009. This increase also impacts Title IV-E Federal matching funds resulting in an increase in the FMAP formula to offset State dollars needed to fund the Adoption Subsidy Program. For FY 2009, it is estimated that the FMAP change will reduce the amount of State funds needed to fund the Program by \$2.4 million. For FY 2010, the 6.20% FMAP increase is available for all 12 months and is estimated to offset State funds needed by \$3.3 million.

The Child Care and Adoption Subsidy projections workgroup will meet again in January 2010 for continuation of the FY 2010 cost projections.

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UPDATED REBUILD IOWA INFRASTRUCTURE FUND ESTIMATES

The following balance sheet provides revised Rebuild Iowa Infrastructure Fund (RIIF) estimates including updated wagering tax estimates as a result of the December 2009 Revenue Estimating Conference meeting.

For FY 2010, wagering tax and interest estimates decreased from the estimates used during the 2009 Legislative Session. As a result, the FY 2010 RIIF shows a negative balance by approximately \$19.3 million. The General Assembly will need to make adjustments to the FY 2010 RIIF appropriations.

For FY 2011, the balance forward of zero assumes that corrective action will be completed for FY 2010. Wagering tax estimates have decreased for FY 2011. The FY 2011 wagering tax estimate on the following balance sheet reflects all wagering tax allocations made before the remainder is deposited in the RIIF,

including the allocation to make the bond payments on I-JOBS revenue bonds debt service and the tax credits for the land-based casinos and riverboat casinos. The unencumbered and unobligated portion of the \$55.0 million wagering tax allocation for the I-JOBS revenue bond debt service will be transferred back to the RIIF. This estimated amount being transferred by the Treasure of State to the RIIF is \$11.9 million and is reflected in "Other Revenue."

For FY 2011, under current law and with necessary adjustments made to FY 2010, there is approximately \$19.4 million available and unobligated for appropriation during the 2010 Legislative Session.

Rebuild Iowa Infrastructure Fund						
(Dollars in Millions)						
	Actual FY 2007	Actual FY 2008	Actual FY 2009	Est. FY 2010	Est. FY 2011**	Est. FY 2012
Revenues						
Balance Forward	\$ 25.0	\$ 49.7	\$ 32.2	\$ 2.9	\$ 0.0	\$ 0.0
Wagering Taxes/Related Revenues	128.8	211.3	206.7	186.8	126.3	126.3
Interest	30.9	32.9	18.3	5.0	5.0	5.0
Other Revenue	2.8	0.0	8.4	16.6	27.8	27.8
Transfer to General Fund	0.0	0.0	-37.0	0.0	0.0	0.0
Total Revenues	187.5	293.9	228.6	211.3	159.1	159.1
Appropriations						
Environment First Fund	35.0	40.0	42.0	42.0	42.0	42.0
Vertical Infrastructure Fund	15.0	50.0	0.0	0.0	0.0	0.0
Technology Reinvestment Fund	0.0	0.0	17.5	14.5	0.0	0.0
Other Appropriations	89.3	172.1	166.9	174.1	97.7	41.9
Total Appropriations	139.3	262.1	226.4	230.6	139.7	83.9
Reversions	-1.5	-0.4	-0.7	0.0	0.0	0.0
Available for Appropriation					19.4	75.2
Ending Balance	\$ 49.7	\$ 32.2	\$ 2.9	\$ -19.3	\$ 0.0	\$ 0.0

**Balance forward in FY 2011 assumes that FY 2010 will be adjusted to correct the negative balance and will end with a zero balance.

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DEPARTMENT OF HUMAN RIGHTS TRANSFER NOTICE

The Department of Human Rights transferred \$71,937 from the Division of Latino Affairs in FY 2010 to the following areas: \$34,722 to Deaf Services; \$20,000 to Persons with Disabilities; \$16,680 to Status of African-Americans, \$535 to Native American Affairs. The transfer was to implement the Governor's recommendations for backfills of the 10.0% across-the-board cut.

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DEPARTMENT OF INSPECTIONS AND APPEALS TRANSFER NOTICE

The Department of Inspections and Appeals transferred \$617,037 from the Investigations Division in FY 2010 to the following areas: \$180,000 to the Administration Division; \$145,000 to the Health Facilities Division; \$292,037 to the Child Advocacy Board.

The Department transferred \$747,037 from the Medicaid Fraud Account to the Investigations Division. This transfer backfills transfers from the Investigations Division and replaces the \$130,000 cut to that Division from the 10.0% across-the-board cut. The transfers were to implement the Governor's recommendations for backfills of the 10.0% across-the-board cut.

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IOWA COLLEGE STUDENT AID COMMISSION FUND TRANSFER NOTICE

The College Student Aid Commission transferred \$514,180 from the Scholarship and Tuition Grant Reserve Fund and \$228,490 from the FY 2009 ending balance of the Not-for-Profit Tuition Grant Program prior to its deposit into the Scholarship and Tuition Grant Reserve Fund to the following Programs:

- All Iowa Opportunity Scholarship Program – \$250,254.
- Iowa Vocational-Technical Tuition Grant Program – \$251,296.
- National Guard Educational Assistance Program – \$241,120.

These transfers fully restored the first two programs to the original FY 2010 funding level and partially restored the National Guard Educational Assistance Program.

The following College Student Aid programs did not receive transfers to offset across-the-board reductions. The FY 2010 reduction amounts and estimated impacts are:

<u>Program</u>	<u>Reduction</u>	<u>Impact</u>
National Guard Educational Assistance Program	\$ 182,642	Reduce grant awards or limit number of eligible Guard members.
Des Moines University-Physician Recruitment	31,282	Eliminate assistance for one physician.
Iowa Tuition Grant Program – Not-For-Profit Institutions	4,721,307	Reduce awards by approximately \$320 for 14,750 students.
Iowa Tuition Grant Program – For-Profit Institutions	498,856	Reduce awards by approximately \$170 for 2,980 students.
All Iowa Opportunity Foster Care Grant Program	68,751	The appropriation after the reduction is still greater than FY 2009 and awards can still be made.
Teacher Shortage Loan Forgiveness Program	43,828	An estimated 11 teachers will not receive awards
Registered Nurse and Nurse Educator Loan Forgiveness Program	9,029	And estimated 2 nurses will not receive awards.
College Student Aid – Administration	34,938	Shift responsibilities for 6 positions (0.4 FTE positions) to non-General Fund sources.

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DEPARTMENT OF HUMAN SERVICES TRANSFER NOTICE

The Department of Human Services transferred \$3,978,700 from the Medical Assistance Program in FY 2010 to the following programs: \$43,696 Abuse Prevention; \$1,021,866 State Supplementary Assistance; \$602,109 Family Investment Program; \$388,923 Children's Health Insurance Program; \$221,500 Child Care Assistance; and \$1,700,606 Children and Family Services. The transfer was to implement the Governor's recommendations for backfills of the 10.0% across-the-board cut.

The Department also transferred \$293,413 from the Family Planning Program to the Medical Assistance Program in FY 2010. The transfer was due to the elimination of the stand alone Family Planning Program and a transfer of those funds to the Family Program under the Medical Assistance Program. Medicaid Family Planning receives a 90.0% federal funding match.

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IOWA PRISON POPULATION FORECAST

The Criminal and Juvenile Justice Planning Division (CJJPD) of the Department of Human Rights released its report entitled, "Iowa's Prison Population Forecast FY 2009 – FY 2019." If current offender behaviors and justice system trends, policies, and practices remain unchanged, the prison population will be approximately 9,025 inmates by June 30, 2019, an increase of 2.4% over the next ten years. The female population is expected to increase by 81 offenders (12.1%) while the male population is expected to increase by 491 offenders (6.3%).

By FY 2019, without any additional prison beds, overcrowding is expected to reach 115.0% of design capacity. This figure is based on the assumption that the additional beds authorized during the 2008 Legislative Session for Fort Madison and Mitchellville will be operating by FY 2019. If the population reaches 9,025 inmates, no additional prisons will need to be built, other than the expansions authorized at Fort Madison and Mitchellville.

The forecast predicts the prison population will decrease through the end of FY 2010. The population will then begin to increase. Findings include:

- A continuing decrease in the number of offenders released to supervision, accompanied by an increase in the average length of stay in prison, increases the population. Parole releases have dropped for each of the last three years. Work releases decreased by 188 offenders (14.7%) compared to FY 2008.
- The number of offenders released due to expiration of sentence (with no community supervision) has increased steadily since FY 2005.
- Impact of special sentence revocations. Sex offenders serve their original sentence and then must serve a special sentence of either 10 years or lifetime supervision. Offenders are being revoked to prison from the special sentence at a higher rate than originally expected. This factor increases the population.
- New court commitments have decreased for each of the last three years.
- Probation revocations have decreased for each of the last four years.
- Returns to prison after provisional have decreased for the last two years.
- Dispositions of felony filings have decreased for each of the last six years.
- Prison commitments for drug offenses as the lead offense have decreased for each of the last five years.
- Consideration at 70.0% for offenders previously sentenced to an 85.0% minimum term has reduced the prison population.

While probation revocations have decreased for each of the last three years, they remain a significant factor in admissions to prison. There were 1,335 probation revocations admissions to prison in FY 2009. This accounts for 22.1% of the total. Additional options for community sanctions may reduce this type of prison admission.

The report highlights areas of concern, such as:

- Overall, drug-related admissions decreased. However, white offenders admitted to prison for drug offenses decreased by 83 while black offenders dropped by 26. Therefore, the percentage of black offenders admitted to prison for drug offenses reached its highest level (29.2%) since FY 1996. If this trend continues, the over-confinement of minorities in Iowa will be exacerbated.
- Iowa prisons will have a greater number of sex offenders in future years.
- The prison population is aging and this may have a significant fiscal impact in the future for health-related expenses.
- Releases from prison due to expiration of sentence are at an all-time high. These offenders have no supervision in the community upon their release from prison.
- The number of offenders supervised by Community-Based Corrections (CBC) has increased over the last 10 years.

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

- Enhance intermediate criminal sanctions plans. Code Chapter 901B 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.”
- Improved communication between the Department of Corrections (DOC) and Board of Parole. The Board’s expectations for offender treatment should be communicated early in an offender’s sentence to allow the DOC to provide treatment services before the offender is eligible for parole.
- The DOC’s emphasis on evidence-based practices and offender re-entry may decrease the rate of return to prison.
- 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.
- 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 community-based setting. Drug courts may divert some offenders from prison.

The full CJJPD report is at: <http://www.state.ia.us/dhr/cjip/images/pdf/Forecast2009.pdf>

STAFF CONTACT: Beth Lenstra (515-281-6301)

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE MEETING

The Health and Human Services Appropriations Subcommittee met November 10, 2009. Highlights include:

- **Fiscal Review:** Fiscal Services Division staff reviewed the FY 2010 budget reduction areas approved by the Governor following the 10.0% across-the-board reduction. This does not include funding that may be transferred from the four Departments (Aging, Public Health, Human Services, and Veterans Affairs) as a result of savings from Governor-ordered furlough days for nonunion positions and from possible savings of proposed union furlough days and deferred compensation savings.
- **Discussion included:**
 - Legal determination for the Medicaid reimbursement rate reduction when rates are set by the General Assembly.
 - Impact of loss of federal funding from the reduction in State funds.
 - Future development of recommendations to possibly reinstate certain programs with the understanding that funding to do so would need to be from other programs within the four Departments.
 - The expectation that an additional 10.0% may have to be reduced from the FY 2010 amounts for the FY 2011 budget, in addition to the estimated \$255.0 million for restoration of one-time funding and increased Medicaid funding in FY 2011.
 - Reinstatement of funding reductions by the Governor for certain one-county only projects in light of one-year signed contracts.
 - Possible challenges to meet federal standards in the pending Child and Family Services Review in May 2010, and related foster care and adoption recruitment efforts in light of the reimbursement rate reduction.
 - Possible yet-to-be-determined replacement funding for the elimination of the Department of Human Services’ portion of the drug court funding.
 - Reinstatement by the Governor of the \$2.0 million for empty shelter bed costs.
 - Possible federal emergency Temporary Assistance for Needy Families (TANF) funds that may replace the reimbursement reduction for the Family Development and Self-Sufficiency (FaDSS) Program.
 - The status of the proposal to change the county mental health levy cap.
 - Reorganization efforts of the DHS, and the future review of the previous list of councils/commissions within the four Departments.
- **Priorities Determination:** Members reviewed the preliminary list of programs contained within each of the budget units for the four Departments and additional categories to review for determination of priorities. Members were asked to submit additional requests to the Fiscal Services Division staff to be included on the revised version of the document. The staff will work with the four Departments to obtain additional information including the number of children or families impacted by the reduction and the cost per client.

- **Next Meeting:** The members were asked to suggest meeting dates for the third week of December.

STAFF CONTACTS: Deborah Helsen (515-281-6764), Jess Benson (515-281-4611), and Sue Lerdal (515-281-7794)

BOARD OF CORRECTIONS MEETING

Meeting. The Board of Corrections met November 6, 2009, at the new Prison Industries Showroom in Des Moines. The Board of Corrections and Iowa Prison Industries Advisory Board held a joint meeting to receive Iowa Prison Industries' annual report, presented by Deputy Director Roger Baysden.

Land Purchase. Director John Baldwin, Department of Corrections (DOC), informed the Board regarding the purchase of land for a new residential facility in the Fifth Judicial District Department of Correctional Services. The owner of the land the Department wanted to purchase does not want to sell. The Department is exploring other options.

Centralized Pharmacy. The DOC pharmacist Susan Shields updated the Board on progress of creating a centralized pharmacy. Space at the former Mercy Capitol building has been designated for the pharmacy. Currently, four prisons located at Anamosa, Mitchellville, Fort Madison and Newton use a private contractor for pharmacy needs. The DOC plans to discontinue the contract in April 2010. The following items need to be addressed before a centralized pharmacy can be implemented:

- The Board of Pharmacy has specific rules for correctional operations. These rules will need to be amended.
- Renovation of space at the former Mercy Capitol building will need to be completed.
- Additional staff will need to be hired. The DOC is partnering with Drake University for pharmacy students and Des Moines Area Community College (DMACC) for pharmacy technician students. This provides opportunities to teach and train students who may become future employees.

Research. Director of Research Lettie Prell provided information to the Board concerning the Level of Services Inventory – Revised (LSI – R) assessment tool. An independent researcher has shown that likelihood of committing new crimes decreases with appropriate interventions and a decrease in the LSI – R score.

Program Discontinued. Warden Jim McKinney updated the Board on the audit report for the North Central Correctional Facility for FY 2008. The Institution was providing offenders for labor at local grain elevators under the authority granted in Code Section 904.809 and federal law. This Section governs private sector employment of inmates. The program is operated under the purview of Iowa Prison Industries. The audit found that the Institution was operating the program rather than Iowa Prison Industries, certain conditions had not been met, and no deposits were made to the General Fund. The Institution has discontinued the program. Receipts were held in an account and not deposited to the General Fund due to a coding error. That error has been corrected. There was a one-time deposit of \$279,000 to the General Fund in FY 2009.

Next Meeting: The next meeting of the Board is scheduled for January 2010.

More Information. The agendas and meeting minutes are available at:

<http://www.doc.state.ia.us/BoardofCorrections.asp>

STAFF CONTACT: Beth Lenstra (515-281-6301)

INTEROPERABLE COMMUNICATIONS SYSTEM BOARD MEETING

Meeting. The Iowa Statewide Interoperable Communications System Board met November 9, 2009, at the Department of Public Safety building. The Board approved:

- The creation of a subcommittee to review and respond to comments for Iowa's waiver request regarding 700MHz before the Federal Communications Commission (FCC).

- The Chair and Vice Chair's travel to Washington, DC to meet with the FCC, Department of Homeland Security, and Iowa's congressional delegation, contingent on funding.
- The Master Plan for interoperability.

Election. The Board elected and retained the current Chair (Todd Misel) and Vice Chair (Dina McKenna).

STAFF CONTACT: Beth Lenstra (515-281-6301) and Jennifer Acton (515-281-7846)

RECENT PUBLICATIONS

The Fiscal Services has recently published the following:

[Summary of the FY 2011 Budget and Department Requests](#)

Fiscal Topics

[Regents Universities Total Revenues and Expenditures](#)

[Volunteer Fire Departments](#)

[Enhanced 911 Program](#)

[Military Service Member Home Ownership Program](#)

[Iowa Veterans Cemetery](#)

[Criminal Fine Revenue and Surcharge Distribution](#)

[Senior Living Trust Fund](#)

[History of Changes to Road Funding Distributions in Iowa](#)

[411 System Deferred Retirement Option Plan](#)

[IPERS Retirement Dividend Payments](#)

[Peace Officers Retirement, Accident, and Disability System](#)

[Resource Enhancement and Protection \(REAP\) Fund](#)

[Medicaid HCBS Waivers](#)

[Iowa College Student Aid Commission](#)

Issue Reviews: [FY 2011 General Fund Budget Projection](#)

Revenues

[Quarterly Revenue Estimate \(REC 12-11-2009\)](#)

[Monthly General Fund Revenue Memo](#)

[Monthly Total Tax Memo](#)

MEETINGS MONITORED

Following is a list of meetings recently attended and monitored by Fiscal Services staff. Please contact the staff listed for more information.

Meeting	Date	Staff Contact
IPERS Benefits Advisory Council	11/2/09	Jen Acton (1-7846)
Board of Corrections	11/6/09	Beth Lenstra (1-6301)
Iowa Public Broadcasting Board	11/6/09	Robin Madison (1-5270)
Iowa Statewide Interoperable Communications System Board	11/9/09	Beth Lenstra (1-6301) Jen Acton (1-7846)
Iowa Empowerment Board	11/13/09	Robin Madison (1-5270)
Peace Officers Retirement Council	11/16/09	Jen Acton (1-7846)
Digital Audio Voice Recording Technology Committee	11/18/09	Jen Acton (1-7846)
Deer Advisory Council	12/010/09	Deb Kozel (1-6767)
State Soil Conservation Committee	12/01/09	Deb Kozel (1-6767)
Recycling Coordinating Council	12/03/09	Deb Kozel (1-6767)
IPERS Investment Board	12/3/09	Jen Acton (1-7846)
Transportation Commission Monday Workshop	12/7/09	Marcia Tannian (1-7942)
Council of Economic Advisors	12/7/09	Holly Lyons (1-7845) Jeff Robinson (1-4614) Shawn Snyder (1-7799)
Natural Resource Commission	12/10/09	Deb Kozel (1-6767)
Environmental Protection Commission	12/10/09	Deb Kozel (1-6767)
Board of Regents	12/10/09	Dwayne Ferguson (1-6561)
Iowa Accountability and Transparency Board	12/11/09	Mary Shipman (1-4617)
Iowa Statewide Interoperable Communications Systems Board	12/16/09	Jen Acton (1-7846)
Rebuild Iowa Office Coordinating Council	12/17/09	Deb Kozel (1-6767)
Iowa Electrical Examining Board	12/17/09	Jen Acton (1-7846)

This document is located on the LSA website: <http://www.legis.state.ia.us/Fiscal/fiscupdt/>