

July 16, 2012

ANNUAL FISCAL REPORT PUBLISHED

Fiscal Report Published. The Fiscal Services Division has published the **2012 Fiscal Report** to the web at: <https://www.legis.iowa.gov/LSAReports/fiscalReport.aspx>. This **Report** (sometimes referred to as Graybook) is a compilation of fiscal information and legislation approved by the 2012 Session of the 84th General Assembly. The **Report** includes: appropriations summary (General Fund, other funds, and FTE positions tracking reports); General Fund balance sheet; balance sheets for various other funds; bill summaries for appropriation subcommittees and other miscellaneous appropriation acts; and a summary of Fiscal Services reports. Also included are the fiscal notes issued during the Session for all enacted bills with a fiscal impact of \$100,000 or more. Please note that the books do not officially close on FY 2012 until September 30. A final balance sheet for FY 2012 will be provided at that time. The balance sheet included in the Fiscal Report reflects final legislative action, including any Governor's vetoes. Contact Fiscal Services Division staff members for questions concerning the contents of this document.

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AFFORDABLE CARE ACT

Federal Supreme Court Decision. On June 28, 2012, the U.S. Supreme Court upheld the majority of the Patient Protection and Affordable Care Act also known as the Affordable Care Act (ACA). However, the Court struck a portion of the mandatory Medicaid expansion provision. The Court ruled that the federal government cannot penalize states that do not to participate in the new Medicaid Program by removing existing Medicaid funding. By striking the funding penalty provision, the Court effectively made state participation in Medicaid Expansion voluntary rather than mandatory.

Expanded Medicaid Program. States that choose to participate in the new expanded Medicaid Program may do so beginning January 1, 2014. The Program covers individuals with incomes up to 138.0% of the federal poverty level (133.0% + 5.0% income disregard). Any individual that is not currently eligible for the existing Medicaid Program will be newly eligible and the federal government will pay 100.0% of the costs through 2016 and then gradually reduce their participation to 90.0% with the States picking up the balance. See the chart below for the schedule.

Medicaid Expansion FMAP

Year	Federal Share	State Share
2014-2016	100.0%	0.0%
2017	95.0%	5.0%
2018	94.0%	6.0%
2019	93.0%	7.0%
2020+	90.0%	10.0%

FMAP - Federal Medical Assistance Percentage

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Potential Issues. Iowa will now have the option to expand Medicaid. However, there are still many unknowns about a new expanded Medicaid Program. Iowa will have to wait for guidance on these questions from the U.S. Department of Health and Human Services and the Center for Medicare and Medicaid Services (CMS) over the coming months. Some of the potential issues include:

- If and when there will be a deadline to inform the federal government of participation in the expanded Medicaid Program.
- How flexible the federal government will be when negotiating an expanded Medicaid Program with the states or if the federal government will allow some sort of partial implementation.
- What services the State will be required to cover under a new benchmark plan for the expanded Medicaid group.
- If the State will still have to use the new Modified Adjusted Gross Income (MAGI) to calculate eligibility for the regular Medicaid Program and the new expanded Medicaid Program.

IowaCare Impact. Another question is whether the federal Government will be willing to renegotiate the current IowaCare waiver if the State decides not to participate in the expanded Medicaid Program. The IowaCare 1115 Medicaid demonstration waiver is set to expire on December 31, 2013, just as the expanded Medicaid Program goes into effect. IowaCare provides a limited benefits package to individuals with incomes up to 200.0% of the federal poverty level. Participating providers in IowaCare are the University of Iowa Hospitals and Clinics (UIHC), Broadlawns Medical Center in Des Moines, and 6 of 14 Federally Qualified Health Centers (FQHCs) throughout the State. As of June 2012, there were 57,076 individuals participating in the Program.

Funding for IowaCare. The FMAP rate for IowaCare is the same as the regular Medicaid Program and the State pays approximately 40.0% and the federal government pays approximately 60.0% of the cost. The Program is funded mainly with matching funds from the Broadlawns Polk County Property Tax Levy (\$42.0 million), the matching of Certified Public Expenditures (CPE) at the UIHC (up to \$12.8 million), and an \$8.7 million General Fund appropriation for FY 2013. Total IowaCare expenditures are expected to be approximately \$161.0 million in FY 2013. All individuals enrolled in IowaCare with incomes up to 138.0% of the federal poverty level will qualify for a new expanded Medicaid Program and the State will be able to claim the enhanced match rate listed in the table above.

Continued Monitoring. The Legislative Services Agency will continue to monitor activities regarding Medicaid and the ACA and provide updates to the General Assembly as information becomes available.

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FY 2013 CERTIFIED SCHOOL AID TOTALS

Final School Aid Totals. The Department of Management has finalized the FY 2013 school aid amounts. The finalized certification of school district budgets yielded the following statewide amounts for FY 2013 (see following table also):

- State School Aid: The FY 2013 State school aid amount (including preschool formula aid and property tax equity and relief funds) totaled \$2,661.1 million, an increase of \$29.9 million (1.1%) compared to FY 2012. Of the 348 school districts, 160 (46.0%) had an increase in State school aid.
- Combined District Cost: The FY 2013 combined district cost totaled \$3,910.7 million, an increase of \$23.4 million (0.6%) compared to FY 2012. Of the 348 school districts, 145 (41.7%) had an increase in combined district cost in FY 2012.
- School Aid Property Taxes: The uniform levy and additional levy combined to total \$1,310.8 million for FY 2013, a decrease of \$3.7 million (-0.3%). These levies are used to fund the property tax portion of the combined district cost. Most of the decrease can be attributed to the reduction in the FY 2013 Budget Guarantee amount in FY 2013 of \$31.5 million compared to FY 2012. Additionally, dropout and dropout prevention program funding decreased by \$6.9 million in FY 2013.
- Total General Fund Levy: School district general fund levies totaled \$1,647.1 million in FY 2013, a decrease of \$41.9 million (-2.5%) compared to FY 2012. The statewide average general fund levy rate (expressed in \$1,000 of taxable valuation) in FY 2013 is \$12.1557, a decrease of \$0.7662 (-5.9%) compared to FY 2012. The school district general fund levy consists of the uniform

levy, the additional levy, the instructional support levy, the educational improvement levy, and the cash reserve levy.

- **Cash Reserve Levy:** School district cash reserve levies totaled \$231.5 million in FY 2013, a decrease of \$42.0 million (-15.4%) compared to FY 2012. The statewide average cash reserve levy rate in FY 2013 is \$1.7085, a decrease of \$0.3838 (-18.3 %) compared to FY 2012. The cash reserve levy amount decreased for the second consecutive year in FY 2013; however, the total amount levied was the third highest ever.
- **Total School District Property Taxes:** The total school district property tax amount for FY 2013 was \$2,064.5 million, an increase of \$12.9 million (0.6%) compared to FY 2012. The average statewide total school district levy rate is \$15.1063 in FY 2013, a decrease of \$0.4722 (-3.0%) compared to FY 2012. Of the 348 school districts, 204 (58.6%) had an increase in the total levy amount and 83 (23.9%) had an increase in the total levy rate compared to FY 2012.

School District Funding: State Aid and Property Tax Amounts				
Estimated FY 2013 and FY 2012 (Dollars in Millions)				
	Estimated FY 2012	Estimated FY 2013	FY 2013 vs. FY 2012	Percentage Change
Total State School Aid (All Sources)	\$ 2,631.2	\$ 2,661.1	\$ 29.9	1.1%
Total Levy to Fund Combined District Cost	\$ 1,314.5	\$ 1,310.8	\$ -3.7	-0.3%
Combined District Cost	\$ 3,887.3	\$ 3,910.7	\$ 23.4	0.6%
School District General Fund Levy Total	\$ 1,689.0	\$ 1,647.1	\$ -41.9	-2.5%
Average School District General Fund Levy Rate *	\$ 12.9219	\$ 12.1557	\$ -0.7662	-5.9%
Cash Reserve Levy Total	\$ 273.5	\$ 231.5	\$ -42.0	-15.4%
Average Cash Reserve Levy Rate *	\$ 2.0923	\$ 1.7085	\$ -0.3838	-18.3%
Total School District Property Taxes (All Sources)	\$ 2,051.6	\$ 2,064.5	\$ 12.9	0.6%
Average Total School District Property Tax Rate *	\$ 15.5785	\$ 15.1063	\$ -0.4722	-3.0%

Totals include funding for regular school aid, State categorical supplements, preschool formula funding, and funding from the Property Tax Equity and Relief (PTER) Fund.
*Property tax rates expressed in \$1,000 of taxable valuations.

Additional school aid information, including specific school aid funding by school district for FY 2013, is available on the [Legislative Services Agency website](#).

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DEPARTMENT OF CORRECTIONS – NOTICE OF REALLOCATIONS

Budget Reallocation. The LSA was notified by the Department of Corrections (DOC) on June 20, 2012, that it was reallocating \$664,000 to the Sixth Community-Based Corrections (CBC) District Department as permitted in SF 510 (FY 2012 Justice System Appropriations Subcommittee Act). The District Department has an unanticipated deficit. The funds will be transferred from the following CBC District Departments and Institutions:

- | | |
|-----------------------------|-----------------------------|
| • First - \$25,000 | • Oakdale - \$137,000 |
| • Second - \$21,000 | • Newton - \$53,000 |
| • Third - \$12,000 | • Mount Pleasant - \$52,000 |
| • Fifth - \$37,000 | • Rockwell City - \$19,000 |
| • Seventh - \$13,000 | • Clarinda - \$49,000 |
| • Central Office - \$10,000 | • Mitchellville - \$31,000 |
| • Fort Madison - \$84,000 | • Fort Dodge - \$58,000 |
| • Anamosa - \$63,000 | |

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NEW DEPARTMENT OF NATURAL RESOURCES DIRECTOR

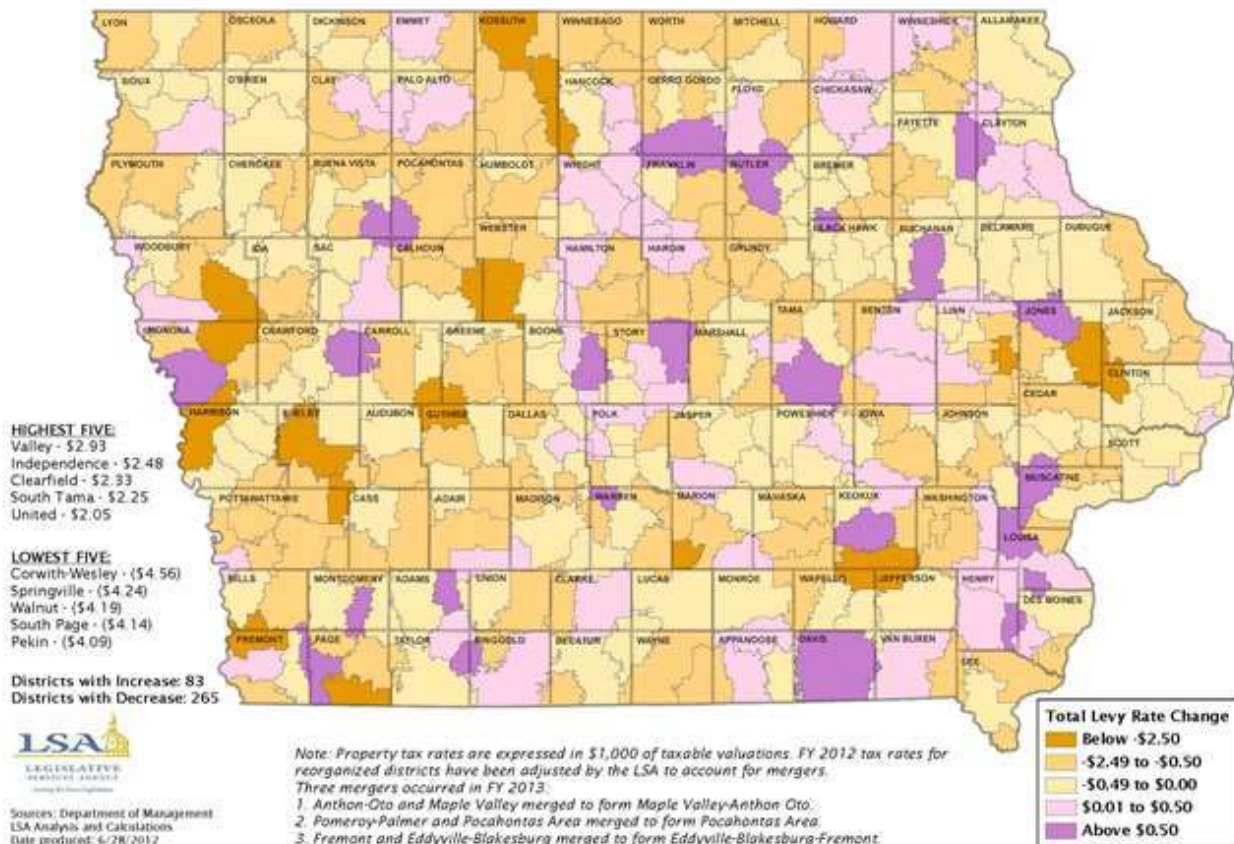
Administrative Changes. Roger Lande, the former Director of the Department of Natural Resources (DNR) resigned on May 25, 2012, and the Governor appointed Chuck Gipp as the new Director on May 31. Gipp was the Deputy Director at the DNR, served as the Division Administrator of the Soil Conservation Division in the Department of Agriculture and Land Stewardship, and is a former Iowa House of Representatives majority leader. The new Deputy Director is Bruce Trautman, from Fairfield, Iowa. Trautman recently worked for the federal Natural Resources Conservation Service (NRCS).

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SCHOOL DISTRICT LEVY RATES – CHANGES FROM FY 2012 TO FY 2013

Local Government Mapping Project. The following map shows the change in total levy rate by school district between FY 2012 and FY 2013. Local government maps are available online at: <https://www.legis.iowa.gov/LSAReports/fiscalMapWeek.aspx>

Total School District Levy Rate Change by School District FY 2012 to FY 2013



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IOWA PUBLIC TELEVISION – GENERAL FUND APPROPRIATION PLAN

Budget Plan. Iowa Public Television (IPTV) received an increase of \$315,000 in FY 2013 compared to the estimated net FY 2012 appropriation to the general operating budget for a total of \$7.0 million. At the June 13 Iowa Public Broadcasting Board Meeting, Molly Phillips, Director of Communications and Community Engagement, outlined the ideas IPTV plans on implementing with the general fund increase in FY 2013:

- Expand educational outreach.
- Develop and Promote PBS TeacherLine – The PBS TeacherLine provides online professional development through facilitated courses that meet national and local standards, through supportive and collaborative learning communities and internet-based resources.
- Produce a limited number of educational programs.

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VETERANS TRUST FUND BALANCE

Trust Fund Balance. As of June 30, 2012, the Veterans Trust Fund Balance is \$16,030,700. The spendable portion of the balance is \$288,000. The \$288,000 balance reflects the \$300,000 one-time appropriation for FY 2012 from the Veterans Trust Fund to the Commission of Veterans Affairs allowed under [HF 2466](#) (Veterans Trust Fund Act) less \$12,000 of expenditures. The Act also created a standing limited appropriation, beginning in FY 2013, from the Veterans Trust Fund to the Commission of Veterans Affairs of the first \$300,000 received from designated Lottery Fund proceeds deposited in the Veterans Trust Fund. Any money appropriated to the Commission that remains unobligated or unexpended at the end of the fiscal year will revert to the Veterans Trust Fund.

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CORRECTIONS POPULATION AND STAFFING – FY 2012

Biweekly Report. The DOC provides biweekly reports to the LSA that show the number of staff paid per payroll period, as well as the number of offenders under supervision. The reporting period for FY 2012 is from July 7, 2011, through June 22, 2012.

Prison Population. The prison population was 8,353 on June 22, 2012, a decrease of 431 offenders (4.9%) compared to July 7, 2011. Total staffing decreased by 47 employees during the reporting period, a decrease of 1.7%. The prison population has been steadily decreasing during FY 2012 while the staffing has remained relatively stable.

CBC Population. The CBC population (parole, probation, pretrial release, and residential facilities) was 30,113 on June 22, 2012, an increase of 857 offenders (2.9%) compared to July 7, 2011. Total staffing decreased by 20 employees during the reporting period, a decrease of 1.8%. The CBC population varied from a low of 29,256 offenders on July 7, 2011 to a high of 30,714 on March 1, 2012. Staffing has slightly decreased over the reporting period.

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TECHNOLOGY REVERSION REPORTS

Reversion Reports. Pursuant to Iowa Code [section 8.62\(3\)](#), departments are permitted to carry forward 50.0% of the previous budget year reversions. The funds must be used for training and technology or purchases of products from Iowa Prison Industries, and must be spent by June 30, 2012. The following list summarizes use of the FY 2011 reversions carried over to FY 2012, for selected departments.

- **Office of the State Public Defender.** The amount of \$381,600 was carried forward by the Office for internet-based employee training, technology enhancements, and purchases from Iowa Prison

Industries. Expenditures included developing upgrades to the case management system, preliminary phase of upgrades to the claims review software, copiers with scanning technology, telephone system upgrades, courtroom presentation technology, and other enhancements.

- **Board of Parole.** The Board carried forward \$9,000 from FY 2011 to FY 2012. The funds were used to work with the DOC to migrate from a two-system platform to a single-system platform. The goal is to fully integrate with DOC's Iowa Corrections Offender Network (ICON), an enterprise offender tracking system.
- **CBCs.** The Fifth CBC District Department carried forward \$250,000 in FY 2011 General Fund money. The funds were expended during FY 2012 to implement a CBC kiosk project. The kiosks are available in the Fifth, Sixth, and Eighth CBC District Departments. The project allows offenders to sign on at the kiosk and provide fingerprint verification to send messages to their supervising officer (parole or probation agent) or other designated mail boxes, such as financial data. The supervising officer can respond and send messages to offenders. The offenders are also permitted to send travel requests, monthly reports, plus furlough and passes requests. Once the offender has submitted the forms by using the kiosk, the supervising officer can review and approve the information and it will populate the Iowa Corrections Offender Network (ICON) database. The information will tie into the existing ICON system (residential facility In/Out screen, violation incidents, and generic notes). Any offender in field services (probation or parole supervision) or residential facilities may access the kiosks. The goal is to streamline data entry and ease workload issues in the residential facilities, while improving communication between the offenders and their supervising officers.
- **DOC and CBCs.** The DOC and the CBC District Departments carried forward \$270,300 and used the funds for purchasing soap from Iowa Prison Industries, purchasing computer equipment and supplies, and an ICON project. The CBC District Departments carried forward \$2.8 million in local income from FY 2011 to FY 2012. The funds were used for operating expenses, primarily salary adjustment costs.

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- **Department of Public Defense.** The Department reported expending \$3,600 for a server purchased to meet the IT infrastructure database and expansion requirements.
- **Department of Public Safety (DPS).** Five divisions within the DPS qualified for the carryover of reversion funds. The divisions expended these funds for qualified training and technology before June 30, 2012. The amounts are as follows:
 - Administrative Services Division: \$12,500
 - Criminal Investigation: \$17,500
 - Narcotics Enforcement: \$2,600
 - State Fire Marshal: \$6,700
 - State Patrol: \$246,000

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- **Iowa Public Employment Relations Board.** The Board reported expending \$31,000 on modular furniture from Iowa Prison Industries, \$7,000 on Westlaw Online Legal Researching Database, \$100 on the Code of Iowa, \$4,500 on new computers and related hardware and software, and \$500 on Department of Administrative Services (DAS) Electrical and ICN services, for a total of \$43,100.

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IOWA PARTNERSHIP FOR ECONOMIC PROGRESS (IPEP) BOARD MEETING

Meeting. The IPEP Board met on July 10, 2012, in the Iowa Economic Development Authority main conference room. The Board heard a presentation by Iowa State University President Steven Leath regarding the future of research and economic growth partnerships and the impact on the future for Iowa. Dr. Leath highlighted some projects from North Carolina that are similar to ones in Iowa and how aspects of them could translate well to the State. In the afternoon, discussion concentrated on what the Board should focus on, meeting format, and how this fits into the overall components of the [partnership](#).

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MEETINGS MONITORED

The following meetings were monitored by Fiscal Services staff.

Meeting	Date	Staff Contact
E911 Strategic Planning Task Force	6/20/2012	Jen Acton (281-7846)
IPERS Investment Board Meeting	6/21/2012	Estelle Montgomery (725-2261)
Iowa Economic Development Authority Board	6/22/2012, 6/29/2012	Kent Ohms (725-2200)
Iowa Partnership for Economic Progress Board	7/10/2012	Kent Ohms (725-2200)
Iowa Finance Authority Board	7/11/2012	Kent Ohms (725-2200)
Council on Human Services	07/11/2012	Aaron Todd (281-6764)

This document is available online at: <http://www.legis.state.ia.us/Fiscal/fiscupdt/>