FISCAL UPDATE January 20, 1998

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The Fiscal Update

**Fiscal Update** The **Fiscal Update** is a “newsletter” published weekly during the Session and approximately bimonthly during the interim. It contains summaries of issues which are important to members of the General Assembly. Topics include various committee happenings, budget updates, status of appropriations bills, ways and means bills, other bills with a fiscal impact, expenditure oversight issues, summaries of board or commission meetings, and summaries of reports issued by the Legislative Fiscal Bureau (LFB).



**Staff Contact** Special issues such as the recently published issue on Expenditure Oversight are also published periodically. Brief articles or “blurbs” are written by the LFB staff and compiled to give the reader a quick, easy-to-read summary on topics of interest. Each article is followed by a “Staff Contact”. Please feel free to contact the people listed below each article for more information on any topic.

Staff Contact: Holly Lyons (Ext. 17845)

LFB STAFF

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**New Staff Members** Attached to this document is a complete listing of LFB staff and their committee assignments. Sherry Weikum and Carolyn India Black recently joined the staff. Sherry will be staffing the Agriculture and Natural Resources Appropriations Subcommittee with Deb Kozel. Carolyn will be staffing the Administration and Regulation Appropriations Subcommittee with Paige Piper/Bach.

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| **IN THIS ISSUE:** | The Fiscal Update, pg. 1 | Regents Faculty Development Leaves, pg. |
|  | LFB Staff, pg. 1 | State Board of Education - January Mtg., pg. |
|  | Appropriations Subcommittees: | ***Issue Review*** - Case Management Program, pg. |
|  | Admin./Regulation, pg. 2 | ***Issue Review*** - Public Health Nursing, pg. |
|  | Agric./Natl. Resources, pg. 2 | ***Issue Review*** - Industrial Hemp, pg. |
|  | Econ. Development, pg. | Lottery Revenues & Expenditures - December, pg. |
|  | Education, pg. | Medical Assistance Programs Expenditures, pg. |
|  | Health/Human Rights, pg. | Child Care Monthly Usage Report, pg. |
|  | Human Services, pg. | Inmate Indigent Care Report, pg. |
|  | Justice System, pg. | Report on Home Health Services Reg. Reqt., pg. |
|  | Transportaton, Infrastructure, &  Capitals, pg. | Commission on Urban Planning, Growth Mgmt of  Cities, & Protections of Farmland, pg. |
|  | Oversight & Communication, pg. | Dial-up Internet Access In Iowa, pg. |
|  | SF 2022 RISE Loan Provisions, pg. | Highway Construction Contracts, pg. |
|  | Legislative Fiscal Committee, pg. | County Issuance of Driver Licenses, pg. |
|  | Environmental Protection Commission, pg. | Road Use Tax Fund Revenues, pg. |
|  | December Board of Regents Meeting, pg. | DOT Equipment & Vehicle Purchase Report, pg. |
|  | January Board of Regents Meeting, pg. | Attachment - LFB Staff Listing |

**New Assignments** Darlene Kruse has rejoined the staff. Darlene will be staffing the Justice System Appropriations Subcommittee with Dwayne Ferguson. Larry Sigel is now staffing the Ways and Means Committees. Larry staffed the Human Services Appropriations Subcommittee for four years. Deb Anderson will be staffing the Human Services Appropriations Subcommittee with Margaret Buckton. Deb staffed the Administration and Regulation Subcommittee during the 1997 Session.

STAFF CONTACT: Dennis Prouty (Ext. 13509)

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE



**Admin./Regulation Sub.** The Administration and Regulation Appropriations Subcommittee met January 15. Legislative Fiscal Bureau staff presented an overview of the Governor’s budget recommendations for FY 1999. Four sub-subcommittees were assigned by the Chairpersons on the following issues:

* Streamline the methods of determining which food products are subject to sales tax.
* Review the integrity of horse racing at Prairie Meadows.
* Review and develop policy on cell phone usage by State employees.
* Review lottery operations.

**Tentative Schedule** The Subcommittee also discussed a tentative schedule for future meetings.

STAFF CONTACT: Paige Piper/Bach (Ext. 14613) Carolyn India Black (Ext. 16765)

Agriculture and Natural Resources Appropriations Subcommittee

**Agric./Natl. Resources Sub.** The Agriculture and Natural Resources Appropriations Subcommittee met January 15. Stan Kuhn, Administrator of the Administrative Services Division, Department of Natural Resources, gave a presentation on Budgeting For Results (BFR) and how the program has been implemented by the Department. Following the presentation, there was an introduction of staff members to the Subcommittee.

STAFF CONTACT: Deb Kozel (Ext. 16767) Sherry Weikum (Ext. 17846)

Economic Development Appropriations Subcommittee



**Econ. Development Sub.** The Economic Development Appropriations Subcommittee met January 15. The Subcommittee reviewed the Governor’s appropriation and policy recommendations related to economic and workforce

development. The Subcommittee also discussed potential Subcommittee topics for future meetings.

STAFF CONTACT: Jeff Robinson (Ext. 16767)

Education Appropriations Subcommittee



**Education Sub.** The Education Appropriations Subcommittee met January 15 and conducted the following business:

* Heard from staff of the Legislative Fiscal Bureau regarding:
* The FY 1997 Expenditure Oversight for the four departments within the purview of the Subcommittee.
* The Governor’s FY 1999 budget recommendations for the four departments.
* Discussed possible discussion items for the Subcommittee to receive information during the 1998 Legislative Session.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Mary Shipman (Ext. 14617)

HEALTH AND HUMAN RIGHTS APPROPRIATIONS SUBCOMMITTEE

**Health/Hum. Rts. Sub.** The Health and Human Rights Appropriations Subcommittee met January 15. The Legislative Fiscal Bureau staff presented an overview of the budgets of the Subcommittee agencies.

STAFF CONTACT: Ron Robinson (Ext. 16256) Valerie Thacker (Ext. 15270)

Human Services Appropriations Subcommittee



**Human Services Sub.** The Human Services Appropriations Subcommittee met January 15. The members reiterated priority issues from the December 16 and 17 Subcommittee meetings, including the Group Foster Care Supreme Court Ruling, the State Children’s Health Insurance Program (SCHIP), Child Care, the Integrated Access (IA) Plan, Department of Human Services (DHS) contract writing and management, Federal Temporary Assistance for Needy Families (TANF) regulations, and devolution of programs for children ages 0 - 5. The Subcommittee also identified the following new issues:

* A seamless system of school readiness programs.
* A seamless child care system, including education programs.
* Securing mental health institution placements for sexual predators.
* County rewards for mental health and mental retardation program efficiencies and innovation.



**Presentations** Charles Palmer, Director, DHS, discussed the highlights of the Governor’s FY 1999 budget recommendations for the DHS and discussed issues of concern for the Department. Legislative Fiscal Bureau staff then presented a funding overview of FY 1998 federal funds, other funds, and General Fund appropriations by division. Legislative Fiscal Bureau staff also summarized the Governor’s FY 1999 budget recommendations. The Governor is recommending $835.0 million for operations from the General Fund and 5,477.3 FTE positions, an increase of $2.0 million (0.2%) and 18.9 (0.3%) FTE positions compared to estimated FY 1998.

STAFF CONTACT: Margaret Buckton (Ext. 17942) Deb Anderson (Ext. 16764)

Justice System Appropriations Subcommittee

**Justice System Sub** The Justice System Appropriations Subcommittee met January 15. Co-chairperson Garman introduced the Director of the Department of Corrections, Kip Kautzky. Director Kautzky provided brief comments on issues facing the Department of Corrections.

**Presentations** The LFB presented major changes in the departmental requests and the Governor’s recommendations for the departments of the Justice System Appropriations Subcommittee.

STAFF CONTACT: Darlene Kruse (Ext. 16301) Dwayne Ferguson (Ext. 16561)

Transportation, Infrastructure, and Capitals Appropriations Subcommittee

**Trans., Infra., & Cap. Sub.** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met January 15 and reviewed the FY 1999 Governor’s budget recommendations for the Department of Transportation (DOT).



**Gov’s Recommendation** The Governor is recommending $244.4 million and 3,871.0 FTE positions for the DOT operating budget, an increase of $3.6 million (1.5%) and 20.0 FTE positions compared to FY 1998. The recommendation includes $4.0 million from the General Fund, $31.7 million from the Road Use Tax Fund, and $208.8 million from the Primary Road Fund.

**Capital Projects** The Governor is also recommending a total of $7.5 million for DOT capital projects, an increase of $1.0 million (15.6%) compared to FY 1998. The recommendation includes $550,000 from the Road Use Tax Fund, $3.9 million from the Primary Road Fund, and $3.0 million from the Rebuild Iowa Infrastructure Fund.

**Intent Language** The Subcommittee also discussed intent language passed in SF 391 (Transportation Appropriations Act of 1997), which states that appropriations from the Road Use Tax Fund, Primary Road Fund, or use tax receipts, made to departments providing services to the DOT, shall be within the authority of the Transportation, Infrastructure, and Capitals Appropriations Subcommittee. This includes several appropriations that have historically been under the purview of other appropriations subcommittees.

STAFF CONTACT: David Reynolds (Ext. 16934)

Oversight and Communication Appropriations Subcommittee

**Oversight & Comm. Sub.** The Oversight and Communication Appropriations Subcommittee met January 15. Subcommittee discussion included:



* Identification of topics the Co-Chairpersons and other Subcommittee members would like to review during the 1998 Legislative Session in addition to the budgets of the Iowa Telecommunications and Technology Commission and the Information Technology Services Entity.
* General overview of the departments’ requests and the Governor’s recommendations related to the Iowa Communications Network (ICN), the Information Technology Services Entity (ITS), and a proposed Technology Initiatives Account.
* The Oversight and Communication Appropriations Subcommittee is asking that all subcommittees with jurisdiction over departments that have projects included in the Governor’s Technology Initiatives Account review those projects and provide the Oversight Subcommittee with a recommendation related to the projects.

**Information** A packet of information requested from the ICN by the Subcommittee at its December meeting was distributed.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Glen Dickinson (Ext. 14616)

Senate Passes SF 2022 - RISE Loan Provisions

**SF 2022 - RISE Funds** The Senate passed SF 2022, which allows the Department of Transportation (DOT) to borrow funds from the Revitalize Iowa’s Sound Economy (RISE) Fund to address potential cash flow problems in the Primary Road Fund. The Department anticipates potential cash flow problems because Congress has not passed a new transportation reauthorization act. This has created uncertainty as to when the State can expect to receive all of the federal funds necessary to move forward with the planned FY 1998 highway construction contract lettings.



**Federal Action** Prior to the close of federal fiscal year, Congress failed to draft a new reauthorization bill, as funding for transportation programs under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) terminated on September 30, 1997. However, Congress did pass a six-month extension in funding, releasing approximately $115.9 million in obligation authority to Iowa (includes State and local funding allocations). The six-month authorized spending level will not be enough to fund the DOT’s construction projects to be let in March, April, and June.

**SF 2022 Provisions** If Congress does not pass a new reauthorization bill or provide another extension in funding before the first of March, SF 2022 will allow the Department to move forward with the planned contract lettings. Senate File 2022 allows the DOT to borrow RISE funds for a period of up to three months. The cash balance in the RISE fund on December 31, 1997, was $57.2 million.

STAFF CONTACT: David Reynolds (Ext. 16934)

Legislative Fiscal Committee

**Fiscal Committee Meeting** The Legislative Fiscal Committee met January 7. The Committee heard presentations from the following:



* Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), presented an update on the State revenue forecast.
* Dave Reynolds, LFB, presented follow-up information from the November meeting concerning Regents lease purchases - $227,000 for the lease-purchase of a Swine Finishing Building at Iowa State University and $1.1 million for construction of a 20,000 square foot pre-engineered agricultural products facility at Iowa State University.
* Dave Reynolds, LFB, presented a Summary Report on State Indebtedness; Karl Koch, Treasurer’s Office, discussed the early retirement of state bonds and lease obligations.
* Tom Johnson, Department of General Services, presented follow-up information concerning the renovation of the Capitol Complex - specifically the Lucas Building and the Capitol Building.
* Glen Dickinson, LFB, presented information on salary annualization.
* Judy Jeffrey, Administrator of the Division of Elementary and Secondary Education, Department of Education, presented information on School and Community College Technology.
* Margaret Buckton, LFB, presented:
* Information on Federal Medicaid Reform. Don Herman, Department of Human Services (DHS), responded to questions.
* An ***Issue Review*** entitled, “State Child Care Assistance” and discussed the status of the Child Care Pilot Project.
* Information on Consultec Claims Payment Issues.
* An ***Issue Review*** entitled, “State Children’s Health Insurance Program”.
* An update on the Managed Behavioral Health Care Contract.
* An ***Issue Review*** entitled “History of Child Welfare Treatment Services Paid by the Medical Assistance Program”.
* Deb Anderson, LFB, John Pollak, LSB, and Mary Nelson, DHS, presented information on Group Foster Care.
* Deb Anderson, LFB, presented:
* Information concerning the historical census and use of campus space at the Mental Health Institutes and State Hospital Schools.
* A brief review of the Restructuring Interim Task Force Status of Recommendations.
* Information on Mental Health Funding, including an *I****ssue Review*** entitled, “Financing Mental Health Services In Iowa”.

**Next Meeting** The next meeting of the Fiscal Committee will probably be in May. Please contact the co-chairpersons of the Committee, Senator McLaren or Representative Millage, or the Fiscal Bureau if you have any issues which you would like the Fiscal Committee to address during the 1998 interim.

STAFF CONTACT: Holly Lyons (Ext. 17845)

Environmental Protection Commission Holds Monthly Meeting

**Commission Meeting** The Environmental Protection Commission met December 15 in Des Moines. There were a number of presentations, including:



* Larry Wilson, Director of the Department of Natural Resources (DNR), presented his monthly report.
* Jim Brown, Executive Officer, DNR, presented information on the Department’s web site that is on the Internet. He demonstrated the various ways people can obtain information from the web site.
* Stan Kuhn, Administrator of the Administrative Services Division, DNR, presented the monthly financial update and information on the Iowa Access Project.
* Roya Stanley, Administrator of the Waste Management Assistance Division, DNR, made a presentation on the Retailers Consumer Education Program.
* Allan Stokes, Administrator of the Environmental Protection Division, DNR, made several presentations which were considered by the Commission. Included was the Final Rule on Agricultural Drainage Wells.

**Next Meeting** The next meeting will be held January 20, 1998.

STAFF CONTACT: Deb Kozel (Ext. 16767)

December Board of Regents Meeting

**Regents Board Meeting** The Board of Regents met December 18 and conducted the following business:



* Received a progress report from MGT of America regarding the establishment of performance measures and database.
* Received a report regarding the FY 1997 faculty development leaves and approved the FY 1999 faculty development leave requests. A separate entry within this ***Fiscal Update*** highlights this information.
* Received the graduation and retention study of the class entering a Regents institution in 1990.
* Received the status report of the faculty portfolio database.
* Changed the tuition policy, from attempting not to increase tuition by more than the Higher Education Price Index, to one in which the increases provide sufficient financial support to the universities to implement excellence outlined by the respective strategic plan.
* Approved the part-time tuition increases and various fees for the 1999 school year.
* Received the annual report regarding faculty tenure.
* Received the annual report regarding equal opportunity programs.



* Adopted the Regents 1998 Legislative Program, which includes supporting, opposing, or monitoring various recommendations and proposed legislation.
* Approved step #2 in the refunding of the Academic Revenue Bonds, which affects the FY 1998 and future fiscal years’ need for the Tuition Replacement appropriation. Overall, the estimated savings has been reduced from the original estimate of $1.2 million to the current estimate of $350,000 over the 20-year period. This estimate, as well as the FY 1998 and future fiscal years’ need, may change again, depending on the interest rate when refunded in January compared to the interest rate used in the calculation.
* Received the Biennial Report regarding the University radio stations.



* The University of Iowa plans to increase its contribution for KSUI/WSUI from $847,579 in FY 1998 to $881,482 in FY 1999 (4.0%). The FY 1999 planned contribution represents 46.9% of budgeted revenues.
* Iowa State University plans to increase its contribution for WOI-AM/FM from $768,150 in FY 1998 to $783,513 in FY 1999 (2.0%). The FY 1999 planned contribution represents 37.3% of budgeted revenues.
* The University of Northern Iowa plans to increase its contribution for KUNI/KUNY/KRNI/KHKE from $721,892 in FY 1998 to $743,549 in FY 1999 (3.0%). The FY 1999 planned contribution represents 43.8% of budgeted revenues.



* Received annual reports from 14 organizations and foundations affiliated with the Regents universities.
* Approved a budget of $1.8 million to renovate the auditorium in Macbride Hall at the University of Iowa, from building repair funds and Treasurer’s Temporary Investments (TTI).
* Approved a budget of $1.6 million to remodel the 5th floor of the Chemistry Building at the University of Iowa, from a National Science Foundation Grant, building repair funds, and Treasurer’s Temporary Investments.
* Delayed approval of the schematic design for the Lang Hall renovation project at the University of Northern Iowa due to concerns regarding elimination of the auditorium.



* Approved the closure of the Center for Amorphous Semiconductors and the Midwest Transportation Center at Iowa State University.
* Approved a budget of $320,000 to renovate the exterior of the Farm House Museum at Iowa State University, from building repair funds, the Iowa State University Foundation, and the College of Agriculture.
* Received the annual report of the Iowa State Center at Iowa State University for FY 1997, requiring a transfer from the general university operating budget of $990,000 to eliminate the negative balance.

**More Information** Further information regarding the meeting is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

January Board of Regents Meeting

**Regents Board Meeting** The Board of Regents met January 15 via a telephonic means, and conducted the following business:



* Reviewed the Governor’s FY 1999 budget recommendations.
* Approved various student application fee changes.
* Approved a personnel guideline for employment of persons regarding the loss of licensure required as a condition of employment.
* Approved the refunding of certain Academic Revenue Bonds at a true interest rate of 4.4735%. This results in less funds needed than now appropriated for FY 1998 and less funds requested by the Board for FY 1999 for the Tuition Replacement appropriation. The actual FY 1998 need and the FY 1999 need is scheduled to be known by the end of January.
* Reviewed possible options for the Lang Hall renovation project at the University of Northern Iowa and delayed final approval until the February meeting. The issue is the renovation or elimination of the auditorium facility within Lang Hall.

**More Information** Additional information is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Regents Faculty Development Leaves



**Report Received** At the Board of Regents December meeting, the Board received the Report on Faculty Development leaves for FY 1997 and approved the Faculty Development Leaves for FY 1999. Each institution has a unique policy for this Leave. Replacement costs are incurred when additional faculty are hired to replace absent faculty. Typically the faculty are granted leave for one semester while receiving salary and benefits.

**FY 1997 Expenditures Table 1** indicates the actual expenditures for the FY 1997 leaves.

**Table 1**

**FY 1997 Faculty Development Leaves**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Institution** |  | **Replace. Costs** |  | **Salaries and Benefit Cost** |  | **No. of Faculty** |  | **Cost per Faculty Member** |  | **% Change from FY 96 to 97\*** |
| SUI |  | $103,050 |  | $3,555,170 |  | 85 |  | $43,038 |  | -4.1% |
| ISU |  | 96,622 |  | 1,651,637 |  | 43 |  | $40,657 |  | -13.6% |
| UNI |  | 166,446 |  | 856,190 |  | 24 |  | $42,610 |  | 10.8% |
|  |  | $366,118 |  | $6,062,997 |  | 152 |  | $42,297 |  |  |

\*Calculation is comparing total costs.

**Approved for FY 1999 Table 2** indicates what the Board approved for Faculty Development Leaves for FY 1999.

**Table 2**

**FY 1999 Regents Faculty Development Leaves**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Institution** |  | **Replace. Costs** |  | **Salaries and Benefit Cost** |  | **No. of Faculty** |  | **Cost per Faculty Member** |  | **% Change from FY 1998 Budgeted\*** |
| SUI |  | $50,000 |  | $4,662,510 |  | 106 |  | $44,458 |  | 5.4% |
| ISU |  | 77,200 |  | 2,092,052 |  | 52 |  | 41,716 |  | -29.4% |
| UNI |  | 166,446 |  | 704,816 |  | 20 |  | 43,563 |  | -13.9% |
| Total |  | $293,646 |  | $7,459,378 |  | 178 |  | $43,556 |  | -9.4% |

\*Calculation is comparing total costs

**More Information** The detailed listing of research, academic work, skill development, and collaboration efforts completed during FY 1997 and proposed for FY 1999 by each faculty member is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

State Board of Education - January Meeting



**Board of Education** The State Board of Education met January 15. Significant agenda items included:

* Northeast Iowa Community College Accreditation Report.
* Agency report on Iowa school finance.
* Update on reorganization of Division of Elementary and Secondary Education.
* Agency report on practitioner preparation.

**Joint Meeting** The Board also met jointly with the Board of Educational Examiners on January 16.

STAFF CONTACT: Mary Shipman (Ext. 14617)

*Issue Review* Released - An Update of the Case Management Program for FY 1999



***Issue Review*** The Legislative Fiscal Bureau (LFB) completed an ***Issue Review*** on the Case Management Program. The identified issue was an update of how the Department of Elder Affairs’ Case Management Program for Frail Elderly, including individualized client plans, has impacted individuals remaining in the home. Major findings of the ***Review*** include:

* The FY 1996 appropriation for the Program was $1.0 million; for FY 1997, $1.5 million; and for FY 1998, it is $2.1 million. The increased funding is expected to make case management services available to older Iowans in a total of 89 counties by the close of FY 1998. The Department of Elder Affairs has requested a $500,000 increase in the appropriation to the Program for FY 1999, enabling case management to be available in all 99 counties (statewide).
* The primary alternative to the Program is the premature institutionalization of individuals over 60 years of age. Premature institutionalization would result in the need for additional beds in nursing care facilities, which is more costly than in-home care.
* A survey of Program client satisfaction was completed in FY 1994. The results showed a high rate of satisfaction with both the services and the process. Surveys indicate that 95.0% of the respondents believed that the Program enabled them to remain in their homes, and 95.0% would recommend the Program.

**Copies Available** Copies of the ***Issue Review*** are available from the LFB upon request.

STAFF CONTACT: Ron Robinson (Ext. 16256)

*Issue Review* Released - Public Health Nursing

***Issue Review*** The Legislative Fiscal Bureau has recently published an ***Issue Review*** examining the funding sources and demand for public health nursing services, including the effects of the Case Management for the Frail Elderly Program. The following are highlights of the ***Review***.



* Public health nursing is the practice of professional nursing designed to promote holistic health, prevent illness, and provide care to all population groups. Public health nurses may be county employees or may work for a subcontracting entity, such as a visiting nurses association or county hospital.
* The public health nursing appropriation is used to maintain and expand the existing services with the objective of preventing or reducing inappropriate institutionalization of elderly and low income persons. The State appropriation is allocated by the Department of Public Health to local Boards of Health in all 99 counties. Provider agencies are selected by local Boards of Health and the programs and services are delivered under a variety of auspices.
* Clients use a variety of sources to pay for public health nursing services, depending upon their medical status, resources, and/or third party coverage provisions. Medicare is the first payor of choice, while county funds are the payor of last resort.
* The public health nursing appropriation has remained constant since FY 1990, except for a 3.25% across-the-board reduction in FY 1992. This has resulted in a 25.4% reduction in nursing visits funded by the appropriation, from 66,794 in FY 1990 to 53,351 in FY 1997.
* The Case Management Program for the Frail Elderly provides a forum for local health and human service agencies to coordinate services to best meet the needs of the frail elderly. Public health nurses are involved in client screening, client assessment, case coordination, and service delivery. Public health nurses’ time spent case managing participants and/or being involved in team meetings is not reimbursed by the Case Management Program. According to a recent survey by the Public Health Nursing Advisory Council, county funds paid for 67.9% of the cost of nursing services provided to the Case Management Program by public health nurses.

**Alternatives** The ***Issue*** ***Review*** concluded with a list of alternatives and associated budget impact.

**Copies Available** Copies of the ***Issue Review*** are available from the Legislative Fiscal Bureau upon request.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

*Issue Review* Released - Industrial Hemp

***Issue Review*** The Legislative Fiscal Bureau recently released an ***Issue Review*** providing an update on industrial hemp. The ***Review*** includes:



* Background information that includes the legal status of industrial hemp production.
* Discussion on countries producing hemp.
* Overview of hemp products.
* Legislation introduced in other states.

**1997 Legislation** During the 1997 Legislative Session, House File 402 (Industrial Hemp Research by Iowa State University) and Senate File 340 (Industrial Hemp Research by Iowa State University) was introduced. This legislation would have authorized a two-year study to be conducted by Iowa State University for an estimated cost of $300,000. Neither of these bills received final legislative approval.

**Copies Available** Copies of the ***Issue Review*** are available upon request.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Lottery Revenues and Expenditures Through December



**FY 1998 Lottery Revenues** Through December, FY 1998 Lottery sales revenues were $4.7 million below the FY 1997 level. Lottery prize expenses decreased $3.3 million, operating expenses increased $181,000, and transfers to other State funds decreased $1.5 million. The following table details the revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

| **STATE LOTTERY**  **July Through December**  **(Dollars in millions)** | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | FY 1997 |  | FY 1998 |  | Inc./  Decr. |  | % Inc. |
| FY Beg. Balance |  | $ 3.2 |  | $ 3.4 |  | $ 0.2 |  |  |
|  |  |  |  |  |  |  |  |  |
| Game Revenues |  | 83.7 |  | 79.0 |  | -4.7 |  | -5.6 |
| Interest |  | 0.6 |  | 0.5 |  | -0.1 |  | -15.1 |
| Total Revenue |  | $ 84.3 |  | $ 79.5 |  | $ -4.8 |  | -5.7 |
|  |  |  |  |  |  |  |  |  |
| Prize Expense |  | $ 49.3 |  | $ 46.0 |  | $ -3.3 |  | -6.7 |
| Operating Expense |  | 17.4 |  | 17.6 |  | 0.2 |  | 1.0 |
| Transfer of Profits |  | 17.2 |  | 15.7 |  | -1.5 |  | -8.7 |
| Total Expense |  | $ 83.9 |  | $79.3 |  | $ -4.6 |  | -5.5 |
|  |  |  |  |  |  |  |  |  |
| Year-to-Date Ending Balance |  | $ 3.6 |  | $ 3.6 |  | $ 0.0 |  |  |

**FY Sales** Fiscal year sales through December, compared to the same time period of FY 1997, were as follows:

* Instant ticket sales increased $79,000 (0.2%).



* Iowa Lotto/Supercash sales decreased $1.7 million (30.7%).
* Multi-State Powerball sales decreased $684,000 (4.4%).
* Multi-State Daily Millions sales increased $104,000 (4.1%).
* Dream Draw sales decreased $940,000 (100.0%, discontinued in FY 1997).
* Daily Game sales decreased $862,000 (25.8%).
* Pull-tab sales decreased $776,000 (6.2%).

**December Sales** Total Lottery sales for December were above December 1996 by $350,000 (2.4%). December 1997 sales for Scratch Tickets, Multi-State Powerball, and Pull-tabs were above December 1996 sales, while Supercash, Daily Millions, and $100,000 Cash Game sales were lower.

**REC Projections** The November Revenue Estimating Conference (REC) projected FY 1998 Lottery profits will total $35.5 million. Of this amount, $35.0 million is to be transferred to the General Fund and three-tenths of one percent of gross Lottery sales transferred to the Gambler’s Assistance Fund (approximately $500,000). Actual profit transfer for FY 1997 was $35.0 million.

**Lottery Expenditures** The following chart shows the annual percent of Lottery revenue expended on prizes, administration, profit transfers to other State funds, and sales tax. The FY 1998 figure is through December and the previous year’s figures are year-end.



**Sales Tax Paid** In addition to the amount transferred to the State as profits, the Lottery has paid $3.9 million in sales tax during FY 1998.

STAFF CONTACT: Jeff Robinson (Ext. 16767)

Weekly Medical Assistance Program Expenditures



**Medical Assistance** For the week ending January 5, 1998, FY 1998 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $4.3 million (138.3% of budget). This is $1.2 million above the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $169.8 million, $6.4 million (3.9%) above the amount budgeted for the fiscal year-to-date.

**Expenditures Monitored** The LFB will continue to monitor Medical Assistance Program expenditures and will provide regular updates to members of the General Assembly. More information is available from the Fiscal Bureau.



STAFF CONTACT: Margaret Buckton (Ext. 17942)

Child Care Monthly Usage Report



**Child Care** The following table details a chronology of usage, cost per child, and eligibility criteria for the State Child Care Assistance Program. The Department of Human Services FY 1999 budget request assumes a monthly caseload growth of 340 children per month and a monthly average cost of $296 per child. The fiscal year average data is shaded for comparison.

**Child Care Historical Usage**

**FY 1993 through December 1997**



**Expenditures Monitored** The Legislative Fiscal Bureau will continue to monitor caseload growth and expenditures of the State Child Care Assistance Program, including the potential use of a waiting list as predicted by the DHS, effective October 1, 1999.

STAFF CONTACT: Margaret Buckton (Ext. 17942) Deb Anderson (Ext. 16764)

Inmate Indigent Care Report



**Recommendations** Senate File 549 (Education Appropriations Act of 1997) required the Department of Corrections, the University of Iowa Hospitals and Clinics, and the Association of Iowa Hospitals and Health Systems to jointly develop and issue recommendations relating to localizing indigent health care services. The Department of Corrections and the University of Iowa Hospitals and Clinics issued five recommendations within a report submitted January 1, 1998. The Association of Iowa Hospitals and Health Systems is scheduled to issue a separate report late January. The five recommendations include:

* Retaining the Indigent Care Program as it currently exists.
* Continuing the use of the University of Iowa Hospitals and Clinics by the Department of Corrections.
* Expanding the use of telemedicine between the University of Iowa Hospitals and Clinics and the Department of Corrections.
* Supporting the creation of a special needs unit at the Department of Corrections’ Oakdale facility, for handicapped and mentally challenged individuals.
* Finding new sources of support if a sex offender program is created.

**Copies Available** Copies of the report are available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Report on Home Health Services Regulatory Requirements



**Report Received** The LFB has recently received a copy of a report issued by the Departments of Public Health and Inspections and Appeals in response to SF 523 (Health Care Facilities Records Checks Act). The Act required the Departments to review current and proposed federal and State requirements applicable to home health providers.

**Findings** Findings of the Report include:

* Home care agencies in Iowa are not currently required to do criminal background or dependent adult abuse checks for prospective employees, except for agencies providing services under the respite and supportive community living components of the Medicaid Home and Community-Based Mental Retardation Waiver.
* Home care agencies in Iowa are not currently required to be licensed by the State.
* The nurse aid registry in Iowa does not include home care aides.
* Health care facilities are required to do background checks of persons hired on or after July 1, 1997. According to data from the first quarter of FY 1998, 11,610 records have been reviewed by the Department of Criminal Investigation. More than 12.0% of those records contained information which required them to be forwarded to the Department of Human Services for evaluation. Results of records evaluated by the Department of Human Services are as follows:
* 76.0% (1,087) could work without restriction.
* 22.0% (314) could work with restriction, or close supervision.
* 2.0% (28) were not allowed to work in a facility.

**Recommendations** The Departments of Public Health and Inspections and Appeals recommended:

* Background checks be required, prior to employment in regulated home care and hospice agencies, for all persons who will have contact with clients in their homes. Volunteers should not be included.
* Background checks should be for criminal history, dependent adult abuse, and child abuse.
* Background checks be required by all home care agencies or individuals seeking federal or state funding for services.
* Required background checks be initiated on a specified date and not be a requirement for current employees.
* Rules be as similar as possible to current rules for health care facilities licensed under Chapter 135C, Code of Iowa.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Commission on Urban Planning, Growth Management of Cities, and Protection of Farmland holds fifth meeting



**Commission Meeting** The Commission on Urban Planning, Growth Management of Cities, and Protection of Farmland held its fifth meeting on January 12 at the Capitol. During the morning session the Commission heard from the following speakers: Les Beck, Director of the Story County Planning and Zoning Department; Lane Palmer, Bureau Chief of Community Financing, Division of Community and Rural Development, Department of Economic Development; William Dikis, Government Affairs Chairperson, Iowa Chapter of the American Institute of Architects; Laurie Bergren, attorney and member of the Monroe Township Association; and Kent Newman, Executive Director of the Wallace House Foundation.

**Presentations** Mr. Beck described county planning and zoning procedures. Mr. Palmer discussed the financial costs associated with development. An overview of planning considerations and related problems were presented by Mr. Dikis. Involuntary annexation and resolution between city and county zoning rules was discussed by Ms. Bergren. Mr. Newman discussed ways to ease communication between elected officials and the general public concerning land use issues.

**Next Meeting** In the afternoon the Commission approved the draft progress report. The next full meeting of the Commission is scheduled for May 1999 followed by public hearings from July to September 1999.

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LFB STAFF MONITOR: Sherry Weikum (Ext. 17846)

Dial-up Internet Access in Iowa: An Assessment of Internet Availability in Iowa as of December 31, 1997.



**Report on Internet Access** House File 730 (Oversight and Communications Appropriations Act) required the Iowa Utilities Board to report the establishment of a partnership to develop and establish a plan to provide non-toll dial-up Internet access to those areas of the State that currently lack such access and to report to the General Assembly no later than January 1, 1998. The report indicates that:

* 723 or (89%) of the local telephone exchanges have access to an Internet service provider in the exchanges’ local calling area and that 88 (11%) currently do not.
* 80 (91%) of the exchanges without non-toll dial-up access are served by GTE Midwest, Inc.
* 38,773 (3%) telephone lines in the State are located in the local exchanges without non-toll dial-up access.

**Contents** The report also discusses:

* Economic and facilities limitations as reasons why some exchanges in Iowa do not have non-toll Internet access.
* Possible remedies to the various problems identified during the study period.
* Emerging trends in the industry and areas for future policy attention.

**Findings** The report states “…the partnership believes it is premature for any intervention (beyond monitoring) to facilitate greater expansion of non-toll Internet access in the State of Iowa.”

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Highway Construction Contracts



Highway

Construction

**November Contracts** The Department of Transportation notifies the Legislative Fiscal Bureau of all highway construction contracts in excess of $5.0 million for informational purposes. The Department has submitted one contract totaling $5.3 million entered into during November. The contract was awarded to the Fred Carlson Company of Decorah for 5.7 miles of paving replacement on I-80 from just south of the Iowa 244 interchange (near Neola), north to I-680 in Pottawattamie County.

**January Contracts** The Department has submitted three contracts totaling $21.0 million entered into during January. The contracts are summarized below.

**Floyd County** A $5.0 million contract was awarded to Peterson Contractors, Inc., and Subsidiaries of Reinbeck for the following projects located in Floyd County:



* $994,000 for construction of a new bridge on relocated U.S. 18 over the Chicago Pacific rail line to the east of the Rudd city limits.
* $2.0 million for construction of a new bridge on relocated U.S. 18 over the Iowa Northern Railway just east of Avon Road.
* $1.5 million for construction of a new bridge on relocated U.S. 18 over the Shell Rock River and Red Ball Road.
* $572,000 for construction of a new bridge on relocated U.S. 18 over Flood Creek at the south city limits of Rudd.

**U.S. Hwy 218** An $8.5 million contract was awarded to the Fred Carlson Company, Inc. of Decorah for the replacement of 14.2 miles of pavement on U.S. 218 in Henry and Washington counties and for the installation of traffic signs.

**Bremer County** A $7.4 million contract was awarded to the Mathy Construction Company of Onalaska, Wisconsin, for 7.6 miles of new pavement on relocated U.S. 218 in Bremer County.

STAFF CONTACT: David Reynolds (Ext. 16934)

County Issuance of Driver Licenses

Driver Licenses

**Study Committee** The General Assembly passed HF 372 (Driver License Issuance Study Committee Act), which created the Driver License Issuance Study Committee. The Study Committee was made up of 13 members which included:

* Five county treasurers
* The Director of the Department of Transportation (DOT)
* The Director of the Office of Driver Services of the DOT
* The Director of audits for the DOT
* The Executive Director of the American Automobile Association of Minnesota/Iowa
* The Executive Director of the Iowa Motor Truck Association
* The Auditor of State
* The Certified Public Accountant and the operations research analyst of the County Finance Committee

**Committee Charge** The Committee charge was to study the delivery of driver license issuance in Iowa and the feasibility of providing this service through either an expanded county issuance system or an expanded DOT system,

**Recommendations** The Committee made the following recommendations:

1. The current system of county issuance should be expanded to include up to 42 additional counties. No counties served by permanent sites would be allowed to opt-in. All types of licenses, operations, and tests would be performed by the counties.
2. The six counties currently issuing licenses should be allowed to continue issuing licenses. Per the current legislation, no county currently issuing licenses could opt-out of continued issuance, unless another contiguous county could be persuaded to opt-in in place of one of the counties, consistent with the "clustering" concept discussed below, then one of the original six counties would be permitted to opt-out.
3. The State should pay for all digitized photo-licensing equipment with Road Use Tax Fund dollars.
4. Counties would be reimbursed $3.75 per license and non-operator identification issued.
5. Permanent administrative authority for State and county drivers’ licensing issuance functions would remain with DOT.
6. The "cluster concept" should be required. The "cluster" is a contiguous group of four to six counties that would replace a currently existing DOT itinerant team, but would not have to be the precise group of counties currently served by a single DOT team. New proposed "clusters" would be permitted, so long as the DOT would not be required to reduce service to any existing county. Clusters of counties should be allowed to provide service to non-participating counties (a neighboring county not agreeing to be part of the cluster), in the event that a proposed cluster would make service by an itinerant team to the non-participating county difficult, or would reduce its service below present levels. The DOT would have approval authority over county groups wishing to adopt local issuance. The DOT would consult with the County Treasurers’ Association in making its approval decisions.
7. Initial opt-in would require approval by the county treasurer and the board of supervisors in each county and would require a chapter 28E agreement among the clustered counties, and another between the counties and the DOT. Opting-out would also require the approval of the county treasurer and the county board of supervisors. Counties could agree to cover a county which desires to opt-out rather than have all counties revert to DOT service, as described in item six above.
8. One DOT supervisor would be assigned to each cluster of counties. Team and administrative support FTE positions would also need to be adjusted accordingly. Approximately one technical computer support position would be needed for every 24 counties.
9. An eight-week training course with a maximum size of 20 trainees would be required for county personnel, with additional follow-up on-site training afterward.
10. No more than two sets of issuance equipment per county doing local issuance would be issued. Counties would have to declare how many sets are needed at time of opt-in.
11. The 28E agreement between the State and the counties should address the following specifics:

* For time periods subsequent to the initial decision by a county to issue drivers’ licenses, a specified opt-in/opt-out period sufficiently prior to the issuance of any Request for Proposal (RFP) pertaining to digitized imaging system should be identified, so that a specific number of sets of equipment can be specified in the RFP.
* Responsibility for collection and accounting for any fees associated with the licensing process.
* Oversight guidelines.
* Performance standards.
* Progressive discipline standards and measures, including appeals.

A summary of the cost analysis of the final recommendation is shown on the following table. The Table shows the impact of the recommendation on the first year of implementation and on annual operations.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | First Year |  | Annual |
|  |  |  | Impact |  | Impact |
| **County Revenues and Expenditures** | |  |  |  |  |
|  | County Revenue from State ($3.75 x 200,443 Licenses) |  | $ 751,661 |  | $ 751,661 |
|  | County Incremental Cost |  | -655,524 |  | -613,356 |
|  | Net Revenue to Counties |  | 96,137 |  | 138,305 |
|  |  |  |  |  |  |
| **State Revenues and Expenditures** | |  |  |  |  |
|  | Program Savings |  | 321,273 |  | 763,241 |
|  | Payment to Counties ($3.75 x 200,443 Licenses) |  | -751,661 |  | -751,661 |
|  | Net Savings (Cost) to the Road Use Tax Fund |  | -430,388 |  | 11,580 |
|  |  |  |  |  |  |
| **Total Incremental Savings (Cost) of Program** | |  | $ -334,251 |  | $ 149,885 |

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Road Use Tax Fund Revenues



**Road Use Tax Fund** Road Use Tax Fund receipts through December are $14.7 million (3.4%) higher than the same period a year ago. Nearly all of the increase is attributed to increased Motor Vehicle Use Tax collections. Year-to-date Motor Vehicle Use Tax receipts are up $7.8 million (9.5%) compared to the same period for FY 1997. The increase in these receipts is primarily attributed to the increase in car and truck sales in Iowa. The most recent information available shows that for the first four months of FY 1998, sales were 11.1% higher than the same period of FY 1997. Vehicle sales information for the months of November and December are not available at this time.

**Moderate Increases** Motor Vehicle Fuel Tax and Registration and Title Fees experienced moderate increases of 2.8% and 2.2% respectively.

**Driver License Fees** Driver License Fees are down $2.0 million (31.4%) compared to the same six-month period in FY 1997. This decrease is due to the normal license issuance cycle. Total driver license receipts for FY 1998 are estimated to be approximately $5.0 million (40.0%) less than FY 1997 due to fewer anticipated license renewals. Changes in other revenue sources were relatively insignificant.

**Comparison to FY 1997** The following table compares the Road Use Tax Fund receipts for the first six months of FY 1997 and FY 1998 by revenue source.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ROAD USE TAX FUND RECEIPTS** | | | | | | | | | |
| **(Dollars in Millions)** | | | | | | | | | |
| July - December | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | Increase/ |  | Percent |
|  |  |  | FY 1997 |  | FY 1998 |  | Decrease |  | Change |
| Motor Vehicle Use Tax | |  | $ 82.7 |  | $ 90.6 |  | $ 7.8 |  | 9.5% |
| Motor Vehicle Fuel Tax | |  | 190.3 |  | 195.6 |  | 5.3 |  | 2.8% |
| Registration/Title Fees & Misc. | |  | 132.2 |  | 135.0 |  | 2.9 |  | 2.2% |
| Underground Tank Fees | |  | 9.3 |  | 9.8 |  | 0.5 |  | 5.5% |
| Driver License Fees | |  | 6.5 |  | 4.4 |  | -2.0 |  | -31.4% |
| Interest | |  | 6.2 |  | 6.4 |  | 0.2 |  | 2.7% |
|  |  |  |  |  |  |  |  |  |  |
| TOTAL RECEIPTS | |  | $ 427.2 |  | $ 441.9 |  | $ 14.7 |  | 3.4% |

*Note: For Road Use Tax Fund reporting, receipts are considered in the month for which they are distributed by formula rather than the month in which they are collected. For example, September revenues were collected in August but distributed to the various State and local road funds in September.*

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Department of Transportation Equipment and Vehicle Purchase Report



**Report Submitted** The Department of Transportation (DOT) has submitted the Equipment and Vehicle Purchase Report for FY 1997, as required by Section 307.47(4), Code of Iowa. The report shows the amount expended on vehicles and equipment from the Materials and Equipment Revolving Fund for FY 1997. The report does not reflect the costs incurred for the purchase of materials and supplies, which includes fuel, highway salt for de-icing, office supplies, etc.

**Purpose of Fund** The Materials and Equipment Revolving Fund is used to purchase all rolling stock, materials, supplies, and equipment for all divisions of the DOT. The Revolving Fund receives funding primarily through depreciation payments on equipment and vehicles from the various divisions. This allows the DOT to centrally purchase all equipment and effectively monitor and manage the Department's purchasing functions. In addition to depreciation (which covers replacement costs), the Revolving Fund receives an annual appropriation of approximately $3.0 million to help pay the inflationary cost of vehicles and equipment.

**Summary of Purchases** The following table summarizes equipment and vehicle purchases from the Revolving Fund for the last four fiscal years.



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