FISCAL UPDATE February 23, 1998

 Legislative Fiscal Bureau (515) 281-5279 FAX 281-8451

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 Status of Appropriations Bills



| **Appropriations Subcommittee Bills** |
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| **Appropriations Subcommittee** |  | **LSB/File #** |  | **Status** |
| Admin./Regulation |  | LSB 3179JA |  | Passed Joint Subcommittee on Feb. 17. |
| Ag./Natural Resources |  | LSB 3177JA  |  | Passed Senate Approps. on Feb. 19. |
| Economic Development |  | LSB 3137JA |  | Passed Senate Approps. onFeb. 19. |
| Education |  |  |  | Expect to finalize this week. |
| Health/Human Rights |  | SF 2280 |  | Passed Senate Approps. on Feb. 18. |
| Human Services |  |  |  | Senate Subcommittee passed a bill on Feb. 18. |
| Justice System |  |  |  |  |
| Oversight & Comm. |  |  |  |  |
| Trans., Infrastruc- ture, & Caps. |  | LSB 3178JA |  | Passed Joint Subcommittee Bill (Transportation Appropriations) on Feb. 12.Infrastructure Bill expected to be voted out of Subcom-mittee on Feb. 25. |
| **Other Appropriations Bills** |
| **Subject** |  | **File #** |  | **Status** |
| Oil Overcharge |  | HF 2210 |  | Passed House on Feb. 17. In Senate Approps. |
| Fed. Block Grant  |  | HF 2218 |  | Passed House Approps. on Feb. 4. Awaiting House floor action. |
| FY 1998 Supplemental Appropriations |  | HF 2395 |  | Passed House Approps. on Feb. 18. Awaiting House floor action.  |

STAFF CONTACT: Holly Lyons (Ext. 17845)

Administration and Regulation Appropriations Subcommittee BILL PASSES JOINT APPROPRIATIONS SUBCOMMITTEE

**Admin./Regulation Sub.** The Administration and Regulation Appropriations Subcommittee met February 17 and approved proposed FY 1999 appropriations for agencies in the Subcommittee.



**Bill Approved** The Subcommittee approved LSB 3179JA, which appropriates $86.0 million from the General Fund and 1,894.8 FTE positions for FY 1999. This is an increase of $1.7 million (2.0%) and a decrease of 0.3 FTE position (0.01%) compared to estimated FY 1998 and a decrease of $881,000 (1.0%) and 7.8 FTE positions (0.4%) compared to the Governor’s recommendation. Significant changes include:

**Auditor** Auditor of State - A decrease of $28,000 to reduce travel expense and office overhead expense.

**Ethics/Campaign Disc.** Ethics and Campaign Disclosure Board - An increase of $38,000 for reporting software and an electronic interface with the public.

**Dept. of Commerce** Department of Commerce

* An increase of $34,000 in the Administrative Services Division for rent expense due to relocation outside the Capitol Complex.



* A decrease of 4.0 FTE positions in the Banking Division to eliminate unfunded and vacant positions.
* An increase of $300,000 in the Insurance Division for rent expense due to relocation outside the Capitol Complex.
* An increase of $180,000 and 2.0 FTE positions in the Insurance Division for investigators to support the Insurance Fraud Bureau.
* An increase of $50,000 and 1.5 FTE positions in the Insurance Division to establish the Investment Advisor Program.
* An increase of $208,000 in the Utilities Division for rent expense due to relocation outside the Capitol Complex.
* An increase of $25,000 in the Utilities Division for consulting services to aid in the transition to a competitive telecommunications industry.

**Dept. of General Services** Department of General Services



* A decrease of $135,000 and 4.0 FTE positions in the Administration Division to transfer the Records Management Unit to the Department of Cultural Affairs.
* An increase of $54,000 in the Property Management Division to fund an existing Executive Officer 1 position to coordinate leases.
* An increase of $20,000 in the Property Management Division for routine maintenance of generators and electric transformers.
* An increase of $189,000 in the Rental Space Division to replace lost receipts due to relocation of the Department of Commerce outside the Capitol Complex.
* An increase of $176,000 in the Utilities Division for projected increases in the costs of utilities.
* An increase of 1.0 FTE position in the Terrace Hill Operations Division due to the transition of personnel services contractors.

**Inspections & Appeals** Department of Inspections and Appeals



* An increase of $46,000 and 1.0 FTE position in the Audits Division to transfer a Field Auditor 2 position from the Inspections Division to consolidate auditing functions in a single division.
* An increase of $24,000 and 1.0 FTE position in the Investigations Division to transfer an Investigator 1 position from the Department of Human Services to conduct additional welfare fraud investigations.
* An increase of 1.0 FTE position in the Investigations Division due to the transition of personnel services contractors.
* An increase of 1.0 FTE position in the Health Facilities Division to comply with federal requirements relating to quality improvement and consistency requirements in the Survey and Certification Program of health facilities.

**Dept. of Management** Department of Management - A decrease of $31,000 to the Council on Human Investment to reduce professional and scientific services.

**Dept. of Personnel** Department of Personnel



* An increase of $90,000 and 2.0 FTE positions in the Operations Unit to transfer Training Officer 3 positions from the Department of Human Services to provide instructional services to executive agencies.
* An increase of $80,000 from the Iowa Public Employees Retirement System (IPERS) Fund to contract with various government agencies and private pension research firms to begin an address verification project.
* An increase of $120,000 from the IPERS Fund to purchase a computer server, software, and training to support movement to a server-based office network.
* A decrease $110,000 from the IPERS Fund due to a one-time expense for a remote access member response telephone system and a local area computer network with a server.

**Dept. of Rev. & Finance** Department of Revenue and Finance

* An increase $90,000 in the Internal Resources Management Division for the maintenance contract of the Iowa Financial Accounting System (IFAS).
* A decrease of $25,000 in the Business Services Division due to a decrease in outside services, data processing, and office equipment expenses.

**Secretary of State** Secretary of State

* A decrease of $40,000 for costs associated with the biennial printing of the Iowa Official Register in FY 1998.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

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

AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS Bill



**Agric./Natl. Resources Sub.** On February 17, the Agriculture and Natural Resources Appropriations Bill was passed by the Joint Agriculture and Natural Resources Appropriations Subcommittee. The Bill appropriates $50.2 million from the General Fund and 1,078 FTE positions for FY 1999. This is an increase of $1.3 million and 12.0 FTE positions compared to the estimated FY 1998 appropriation.

**Bill Approved** The Bill provides the following:

* Appropriates $24.8 million from the General Fund to the Department of Agriculture and Land Stewardship, an increase of $505,000 compared to the estimated FY 1998 appropriation.
* Appropriates $25.4 million from the General Fund to the Department of Natural Resources, an increase of $1.3 million compared to the estimated FY 1998 appropriation.
* Appropriates $23.1 million from the Fish and Game Protection Fund to the Fish and Wildlife Division in the Department of Natural Resources, an increase of $370,000 compared to the estimated FY 1998 appropriation.
* Appropriates $9.0 million from the General Fund to the Resource Enhancement and Protection (REAP) Program, which is no change compared to the estimated FY 1998 appropriation.
* Appropriates $50,000 from the General Fund to Iowa State University for research to manage or eradicate porcine reproductive and respiratory syndrome (PRRS). This is a new appropriation.

**Senate Approp. Comm.** The Senate Appropriations Committee passed the Bill on February 19. The Committee made the following changes to the Bill:

* Added an appropriation of $31,000 and 1.0 FTE position for a heavy metal inspector in the Laboratory Division of the Department of Agriculture and Land Stewardship.
* Eliminated transfers of the excess lottery revenues from FY 1994 through FY 1995 to the REAP Program.
* Transfers $400,000 from the Water Protection Fund to the Loess Hills Development and Conservation Authority.

**Bill Summary** A Notes on Bills and Amendments (NOBA) is available from the Legislative Fiscal Bureau.

**NOBA**

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

Economic Development Appropriations Bill Passes Senate Appropriations Committee

**Economic Development Bill** The Senate Appropriations Committee adopted a technical amendment and passed the Economic Development Appropriations Bill on February 19. The Bill appropriates $40.5 million and 1,289.5 FTE positions to the Department of Economic Development, Department of Workforce Development, Public Employment Relations Board, and seven Board of Regents programs. This is an increase of $1.3 million (3.4%) and 18.3 (1.4%) FTE positions compared to estimated FY 1998. The Governor recommended $40.5 million and 1,273.5 FTE positions.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Health and Human Rights Appropriations Subcommittee Meeting

**Health/Hum. Rts. Sub.** On February 17, the Health and Human Rights Appropriations Subcommittee met and discussed Budgeting for Results. Marv Weidner and Mary Noss Reavely responded to questions.

**Discussion** Committee discussion included the following:

**B**udgeting

**F**or

**R**esults

* Legislators need to be able to have confidence in both the numbers and the performance measures. Measures need to be objective, not subjective, and need to show impact, not just the number served.
* Efforts should continue to be made to track spending for related programs across State government.
* The Departments should provide descriptions of the major activities of each program, along with the associated FTEs, State, federal, and other funding.
* All BFR forms should contain the Governor's recommendation.
* The current budget system should be used to accomplish these objectives if possible.

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

Health and Human Rights Appropriations Bill - HSB 2135 passes Senate Appropriations

**Health/Hum. Rts. Bill** House Study Bill 2135 (Health and Human Rights Appropriations Bill) passed the Senate Appropriations Committee on February 18.



**Bill Approved** The Bill appropriates $89.2 million and 1,330.1 FTE positions to the Departments of the Blind, Elder Affairs, Human Rights, and Public Health; the Governor’s Alliance on Substance Abuse; the Civil Rights Commission; the Commission on Veterans Affairs; and the Iowa Veterans Home. This is an increase of $1.4 million (1.6%) and 0.2 (0.0%) FTE position compared to the estimated FY 1998 appropriation, and an increase of $200,000 (0.2%) and 1.3 (0.1%) FTE positions compared to the Governor’s recommendation.

**Senate Approp. Action** The Senate Appropriations Committee passed four amendments, which accomplished the following:

* Increased the appropriation to the Department of Human Rights for the Community Grant Fund by $600,000 to conform with the intent of the Health and Human Rights Subcommittee and maintains the estimated FY 1998 appropriation.
* Added intent language specifying that the $100,000 increase above the FY 1999 Governor’s recommendation for the Health Protection Division of the Department of Public Health is to be used for completion of core public health functions at the local level.
* Added intent language requiring Chairpersons and Ranking Members of the Joint Health and Human Rights Appropriations Subcommittee be notified by January 15 of any calendar year during which a request for proposal is anticipated to be issued regarding employment at the Iowa Veterans Home.



* Amended Section 99E.10(1)(a) ,Code Supplement 1997, to limit deposits into the Gambling Treatment Fund to $1.0 million annually. Requires that funds in excess of $1.0 million which would have otherwise gone to the Gambling Treatment Fund be appropriated to the Department of Public Health to be expended at the discretion of the Director of the Department. It is estimated that without the amendment, $2.2 million would have been deposited into the Gambling Treatment Fund for FY 1999.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

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

SENAte Human Services Appropriations Subcommittee Passes FY 1999 Human Services Appropriations Bill



**Human Services Bill** The Senate Human Services Appropriations Subcommittee passed the Department of Human Services (DHS) Appropriations Bill on February 18. The Bill appropriates a total of $726.3 million in State General Fund moneys, a decrease of $3.1 million (0.4%) compared to the estimated FY 1998 appropriation. The Bill includes funding for 5,557.41 FTE positions, an increase of 61.19 FTE positions (1.1%) compared to the estimated FY 1998 appropriation. The Bill represents a decrease of $1.1 million (0.2%) and an increase of 80.11 FTE positions (1.5%) compared to the Governor’s recommendation. The Bill provides funding for the following purposes:

**Medical Services Medical Services** - $420.4 million and 17.0 FTE positions, an increase of $11.3 million (2.8%) and no change in FTE positions compared to estimated FY 1998. Significant changes include:

* **Medical Assistance** - An increase of $4.2 million (1.1%), with major changes comprised of:



* An increase of $15.4 million for various provider rate increases, with significant changes including $7.3 million for increased drug product costs and $6.5 million for a nursing facility reimbursement rate increase.
* An increase of $1.2 million due to a change in the federal match rate for Medicaid expenditures.
* A decrease of $11.5 million due to savings attributed to increased enrollment in managed health care and a 1.0% decrease in nursing home admissions.
* A decrease of $832,000 due to a change in the historical utilization factor from a four-year to a three-year historical basis.
* A decrease of $3.3 million due to a decreased Medical Assistance eligibility projection.
* An increase of $1.6 million for the nonfederal share of Intermediate Care Facilities for the Mentally Retarded (ICF/MR) and Home and Community-Based services for children.
* An increase of $2.2 million for growth in waiver services, including increased caseloads for adults with mental retardation; State Cases; elderly; ill and handicapped; brain injury; and personal assistance waiver services for adults with mental retardation and corresponding case management services.
* A decrease of $823,000 due to anticipation of increased recoveries from drug rebates and area education agencies.
* **Medical Contracts** - $7.4 million, a decrease of $278,000 (3.6%) compared to estimated FY 1998. The change includes a decrease of $916,000 for fiscal agent administrative services.



* **State Children’s Health Insurance Program (SCHIP)** - A new appropriation of $7.0 million to match $20.6 million in federal funds to cover low-income uninsured children living in families below 185.0% of the federal poverty level. The DHS estimates that 55,000 low-income uninsured children may receive health insurance coverage through the appropriation. Medicaid eligibility was increased to 100.0% of the federal poverty level for children ages 15 through 18. The State will receive the enhanced SCHIP federal match rate for those individuals ages 15-18 with income levels previously ineligible for Medicaid prior to SCHIP.

**Adults, Children/Families Serving Adults, Children and Families -** $127.2 million and 347.5 FTE positions, a decrease of $19.2 million (13.1%) and an increase of 25.8 FTE positions (8.0%) compared to estimated FY 1998. Significant changes include:

* **Child Care** - A decrease of $5.0 million (36.4%) in General Fund appropriations to replace State funds with Temporary Assistance for Needy Families (TANF) federal funds to provide State Child Care Assistance.
* **Toledo Juvenile Home** - An increase of $671,000 and 16.5 FTE positions, including an increase of $512,000 and 12.5 FTE positions to open a 10-bed cottage for delinquent females.
* **Eldora Training School** - An increase of $438,000 and 9.3 FTE positions, including an increase of $378,000 and 9.3 FTE positions to provide six months of staffing and support for a 24-bed cottage for delinquent males.



* **Child & Family Services** - A decrease of $14.0 million, including the following major changes:
* A General Fund decrease of $19.0 million of State funds to transfer to the Family Investment Program (FIP), and replace with Temporary Assistance for Needy Families (TANF) federal funds to meet maintenance of effort requirements.
* An increase of $1.3 million for prevention and early intervention services developed by decategorization projects.
* An increase of $1.3 million to provide a 2.0% cost-of-living adjustment to Rehabilitative Treatment and Support (RTS) service providers to be allocated to providers based on negotiations with the DHS.
* A decrease of $1.4 million due to a lower than anticipated Family Preservation caseload.
* An increase of $619,000 to increase the Wraparound service level to match FY 1998 Child Welfare Regional Plans.
* An increase of $931,000 to expand Adolescent Monitoring by 10.0%, Supervised Community Treatment by 15.0%, and Life Skills by 7.5%.
* An increase of $626,000 to expand Group Care by 25 youth per day for a total average daily population of 1,140 children.
* An increase of $2.7 million to increase Subsidized Adoptions by 334 adoptions compared to the FY 1998 caseload.
* An increase of $348,000 to increase School-Based Supervision by 20.0%.
* A decrease of $2.1 million due to decreased Family Foster Care caseloads and support costs.



**Economic Asst**. **Economic Assistance -** $40.8 million and 228.2 FTE positions, an increase of$23.0 million (129.7%) and 7.0 FTE positions (3.2%) compared to estimated FY 1998. Significant changes include:

* **Family Investment Program/Promise Jobs** - An increase of $22.4 million (246.8%), with major changes comprised of:
* An increase of $20.7 million of State funds to offset Temporary Assistance to Needy Families (TANF) federal funds allocations previously allocated to FIP and Promise Jobs in FY 1998, but allocated to other Divisions within DHS in the FY 1999 budget request. An exchange of State and TANF appropriations between other divisions within the Department and the Family Investment Program results in a General Fund savings of $1.5 million compared to the estimated FY 1998 appropriation.
* A decrease of $3.6 million in State funds due to an estimated continued caseload decrease, from 29,092 in the FY 1998 budget to 25,697 families in the FY 1999 budget request.



* An increase of $193,000 to expand Electronic Benefit Transfer to include all counties and 55.0% of food stamps participants by May 1999.
* A decrease of $2.0 million to eliminate all child support rebates, which return the first $50 of collected child support to Family Investment Program (FIP) participants.
* An increase of $2.4 million to increase the FaDSS (Family Development and Self Sufficiency) Program enrollment by 546 families, and expand statewide by the end of FY 2000.
* An increase of $908,000 to offset reduced child support recoveries returned to the Family Investment Program.
* **Emergency Assistance** - A decrease of $2.0 million of State funds due to transfer to the Family Investment Program (FIP), and replacement with Temporary Assistance for Needy Families (TANF) federal funds to meet maintenance of effort requirements.
* **Child Support Recovery Unit** - An increase of $2.6 million and 7.0 FTE positions, with major changes including:
* An increase of $608,000 to increase utilization of contracted Child Support staff to implement Welfare Reform requirements.
* An increase of $1.3 million to replace a one-time carry-forward of $1.0 million and one-time Lottery Funds transfer of $300,000 in FY 1998.



**MI/MR/DD/BI Services for Persons with Mental Illness/Mental Retardation/Develop-mental Disabilities/Brain Injuries (MI/MR/DD/BI)** - $73.3 million and 2,322.9 FTE positions, a decrease of $24.8 million (25.3%) and 46.7 FTE positions (2.0%) compared to the estimated FY 1998 appropriation. The major changes include:

* **Cherokee Mental Health Institute** - A decrease of $631,000, including a decrease of $635,000 and 13.3 FTE positions due to a reduction in authorized FTE positions.
* **Clarinda Mental Health Institute** - An increase of $362,000, including an increase of $258,000 to add direct care staff to meet licensure and certification requirements.
* **Mount Pleasant Mental Health Institute** - An increase of $352,000, including an increase of $325,000 and 21.0 FTE positions to open a 9-bed dual diagnosis unit to provide psychiatric treatment and substance abuse treatment simultaneously.
* Independence Mental Health Institute - A decrease of $380,000, including a decrease of $380,000 and increase of 6.5 unfunded FTE positions for adding 30 Psychiatric Medical Institution for Children (PMIC) beds to Independence. The savings is due to utilization of available staff and support at the Institute and increased federal match funding for PMIC placements.
* **Glenwood State Hospital-School** - A decrease of $652,000, including a decrease of $857,000 due to increased receipts received by the School. The appropriation includes an increase of 40.0 unfunded FTE positions to reduce overtime and expand Time Limited Assessments and Respite services.
* **Woodward State Hospital-School** - A decrease of $25.6 million, including a decrease of $25.9 million to implement net-State budgeting.
* **State Cases Program** - An increase of $1.5 million due to projected increases in county referrals to the Program of the mentally ill, mentally retarded, and developmentally disabled populations.

**Managing/Delivering Serv**. **Managing and Delivering Services** - $64.7 million and 2,466.0 FTE positions, an increase of $393,000 (0.6%) and 35.0 FTE positions (1.4%) compared to estimated FY 1998. Significant changes include:

* **Field Operations** - An increase of $17,000 and 36.0 FTE positions, with major changes including:
* A decrease of $1.2 million to offset a like increase of Temporary Assistance for Needy Families (TANF) federal funds.
* An increase of $367,000 for salary annualization.
* An increase of $394,000 and 12.0 FTE positions due to increased non-abuse service caseloads. This appropriation decreases the non-abuse service caseload per worker to approximately 98 cases per month.
* An increase of $545,000 and 20.0 FTE positions to expand the Child Abuse Assessment pilot project statewide.
* **General Administration** - An increase of $357,000 and a decrease of 1.0 FTE position, with major changes including an increase of $506,000 due to increased costs for personal computer and network server software maintenance agreements for Field Operations, Child Support, Institutions, and Central Office.



**Property Tax Relief Property Tax Relief** - The Subcommittee did not change the FY 1999 appropriation established in HF 255 (1997 Mental Health Allowed Growth Factor Adjustment Act), which is an increase of $6.3 million (2.9%) compared to the estimated FY 1998 county mental health expenditure base plus growth. The change is due to increased mental health costs associated with new clients and inflation as appropriated in HF 255. Appropriated growth for FY 2000 is $18.1 million, which is an increase of $5.6 million (2.5%) compared to the estimated FY 1999 county mental health expenditure base plus growth.

**Allocation Approved** The Subcommittee also approved allocations of previously unallocated TANF funds, including $3.3 million to be transferred to Child Care for coordination of child care services, Head Start, preschool programs, sick child care, late shift and weekend child care, and any other child care services at the local level as part of the Programs for Children ages 0-5 initiative.

**More Information** Additional information is available upon request from the Legislative Fiscal Bureau.

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

Senate Human Services Appropriations Subcommittee



**Human Services Subcomm.** The Senate Human Services Appropriations Subcommittee met February 16 and 17. The Subcommittee continued discussion of the Human Services FY 1999 Appropriations Bill and the proposed Governor’s Bill and approved the following provisions:

* Prohibits expansion of pharmaceutical prior authorization without approval of the General Assembly. The Subcommittee is requesting an interim committee be appointed to study prior authorization and prospective drug utilization review issues.
* Requires the Department of Human Services (DHS) to aggressively continue pursuit of the Personal Care Services waiver for adults not eligible for an existing waiver.



* Requires the DHS to implement a Home and Community-Based Services (HCBS) waiver for mentally retarded children otherwise in an Intermediate Care Facility for the Mentally Retarded (ICF/MR) to be served in Group Foster Care. Contingent upon receiving federal approval, the Subcommittee would also establish a decategorization of funding system for mentally retarded children per the recommendations of the December 1997 MR MAGIC report.
* Appropriates $130,000 for a Certified Nurse Aid pilot project to study and implement solutions to reduce staff turnover.
* Specifies a third eligibility criteria for the State Supplementary Assistance Rent Subsidy. The criteria added is for an individual able to leave a medical institution by use of a Home and Community-Based Services waiver turning 18 years of age during the last year of stay.
* Increases eligibility criteria for State Child Care Assistance to 155.0% of the federal poverty level and to 175.0% of the federal poverty level for Special Needs children. The Subcommittee also reduced the minimum hours worked per week requirement from 30 hours to 28 hours and required adherence to co-pay language specified in Administrative Rules.
* Requires the DHS and Juvenile Court Services representatives to develop and implement Group Foster Care utilization management criteria and plans to contain expenditures within regional budgetary allocations. The Subcommittee also specified that funds for a child placed in Group Foster Care shall be considered encumbered for the duration of the child’s projected length of stay.
* Permits the DHS to extend the current Clinical Assessment and Consultation Teams (CACT) until October 30, 1998, at which time the Department is required to implement a new Rehabilitative Treatment and Support (RTS) Services toll free telephone authorization model to streamline the authorization process.
* Removes the pregnancy prevention grant criteria language from the appropriations bill since it is specified in DHS Administrative Rules, and requires that the DHS and the Department of Public Health further identify abstinence programs qualifying for federal match.



* Increases the Medicaid reimbursement rate for pharmaceutical dispensing services by 2.0% ($189,710 additional General Fund Appropriation). Also requires decategorized counties to work with Maternal Child Health Clinics, school nurses, and other stakeholders to develop a plan to ensure dental appointment attendance by Medicaid eligible clients.
* Distributes the 2.0% increase to Rehabilitative Treatment and Support (RTS) services providers based on provider negotiations with the DHS rather than an across-the-board 2% increase to all providers. Requires the negotiation process be open to providers previously electing not to negotiate.
* Requires counties to pay institutional billings within 30 days except in cases involving disputed billings.
* Appropriates Temporary Assistance for Needy Families (TANF) fundsfor the following purposes:
* $25,000 for domestic violence programs.
* $3.3 million for child care, Head Start, and preschool program coordination at the local level.
* $200,000 for juvenile delinquency intervention programs to prevent out-of-home placements.

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

Justice System Appropriations Subcommittee

**Justice System Sub.** The Justice System Appropriations Subcommittee met February 17 to discuss intent language for the Justice System.

**Amendments** Amendments which passed the Subcommittee included:

* Nonreversion language for the Fort Des Moines correctional facility funds.
* Language to charge excursion boats 100.0% of cost of salaries for special agents and gaming enforcement agents required for law enforcement.
* Requires that if funds are available due to a delay in opening the Fort Dodge prison, these funds will then be carried forward to FY 1999 and used to offset shortfalls in revenues from the Pay for Stay Program at various institutions.

**Other Issues** Other issues were discussed which did not have amendments drafted at the time of the meeting.

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

Oversight and Communications Appropriations Subcommittee



**Oversight/Communic. Sub** The Oversight and Communications Appropriations Subcommittee met February 17 and discussed a draft subcommittee appropriations bill. The discussion included:

* Requiring the Iowa Communications Network to utilize the State payroll, Iowa Financial Accounting System (IFAS), and State budget system in the same manner as all other Departments of State government.
* Establishing legislative priorities for the technology requests that had been included in the Governor’s Technology Initiatives Account proposal.
* Projected Year 2000 costs for departments not included in the Executive Branch efforts to resolve the Year 2000 computer programming problem. These include:
* Judicial Branch
* Legislative Branch
* Department of Justice
* Treasurer of State
* Secretary of State
* Auditor of State
* Department of Agriculture and Land Stewardship
* Board of Regents

**Next Meeting** The Subcommittee plans to meet February 23 to continue the Year 2000 discussion with the Department of Management, Information Technology Services Division of the Department of General Services, and the agencies listed above. The Subcommittee will also continue to review the draft subcommittee appropriations bill.

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

Transportation, Infrastructure, and Capitals Appropriations Subcommittee

**Tran., Infra., & Cap. Sub.** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met February 18 and began considering amendments to the Infrastructure Appropriations Bill. The Subcommittee deferred action on the Bill until a later date.

STAFF CONTACT: David Reynolds (Ext. 16934)

FY 1998 Supplemental Appropriations Bill - LSB 3133HV passes House Appropriations Committee

**FY 1998 Supplemental Bill** The House Appropriations Committee passed LSB 3133HV on February 18. The Bill appropriates General Fund and Other Funds money to various State agencies and programs for FY 1998. The appropriations include:



* A total of $1.2 million from the General Fund for FY 1998 for the following purposes:
* $60,000 to the Department of General Services for utility costs exceeding estimates due to weather conditions.
* $616,000 to the Department of Education for subsidization of video rates.
* $150,000 to the Public Broadcasting Division of the Department of Education for a study of the digital television conversion.
* $350,000 to the Department of Natural Resources for the sick leave payout due to the retirement of personnel in the Parks and Preserves Division.
* $2.2 million from the Rebuild Iowa Infrastructure Fund to the Department of Corrections for the construction of buildings to provide work space for prisoners.
* $245,000 from the State Fish and Game Protection Fund to the Department of Natural Resources for the sick leave payout due to the retirement of personnel in the Fish and Wildlife Division.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available in the LFB office.

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

OIL OVERCHARGE Bill - HF 2210 PASSES HOUSE



**Oil Overcharge Bill** The House passed HF 2210 (Oil Overcharge Appropriations Bill) on February 17. The Bill appropriates petroleum overcharge funds for FY 1999 to the Department of Human Rights, the Department of Natural Resources, and the Department of Transportation. The Bill:

* Appropriates $700,000 to the Department of Human Rights for qualifying energy conservation programs for low-income housing. This maintains the current level of funding.
* Appropriates $115,000 to the Department of Natural Resources for energy conservation and extension purposes. This maintains the current level of funding.
* Appropriates $200,000 to the Department of Natural Resources for administrative functions. This is a decrease of $50,000 compared to the FY 1998 appropriation.
* Appropriates $725,000 to the Department of Transportation for deposit into the Intermodal Revolving Loan Fund established with funds previously from the Exxon Account. The Intermodal Revolving Loan Fund will remain in existence until June 30, 2019.
* Requires the dissolution of the Energy Fund Disbursement Council on June 30, 2003. Any remaining funds will be disbursed by the Department of Natural Resources. The Department of Transportation will report to the Department of Natural Resources on the status of the Intermodal Revolving Loan Fund.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available in the LFB office.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Educational Savings Plan Trust Bill - HF 2119 Passes Senate Ways and Means committee

**Educ. Savings Plan Trust** The Senate Ways and Means Committee met on February 19 and passed HF 2119, which creates the Iowa Educational Savings Plan Trust. The Trust provides a State tax-exempt vehicle for higher education savings.



**Trust Created** The Trust is created with the Treasurer of State being the trustee and will permit an annual contribution of up to $2,000 on behalf of a beneficiary for higher education expenses, with a minimum annual contribution of $300. Distributions from the Trust are allowable for higher education costs, including tuition, fees, books, supplies, and reasonable room and board expenses.

**Contributions** The Bill specifies that contributions into the Trust are tax deductible and distributions from the Trust for qualified expenses are nontaxable for State income tax purposes. For federal income tax purposes, the contributions are tax-deferred and the distributions are taxed at the student’s tax rate at the time of distribution. The Bill specifies that upon distribution to the student, the funds may not be counted against any State program in determining need or eligibility for student aid. The estimated fiscal impact of HF 2119 is a cost of $1.6 million each year.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Pre-Tax Public Pensions Bill - HF 2153 Passes House

**Public Pensions** On February 19, the House passed HF 2153, pre-tax treatment for public pensions. Currently, for federal purposes, contributions to the Iowa Public Employees’ Retirement System (IPERS) and the other four public retirement plans are made on a pre-tax basis. Only for State income tax purposes are the contributions on an after-tax basis. Currently, nearly all private pension plans provide pre-tax treatment of contributions.



**Fiscal Impact** The estimated fiscal impact from providing pre-tax treatment for public pensions effective January 1, 1999, is a net cost of $4.4 million in FY 1999 and $8.8 million in FY 2000. Much of the fiscal impact would be recouped in the future. As individuals retire, since the distributions from these retirement plans would now be taxable, a large portion of the impact would be recovered.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Report on the Manure Storage Indemnity Fund



**Report Released** The Auditor of State and the Legislative Fiscal Bureau released the report from a joint study on the Manure Storage Indemnity Fund.

**Options Identified** The study identified the following options for consideration by the General Assembly.



* The Department of Natural Resources (DNR) could establish monitoring procedures for confinement feeding operations. The procedures could include a review for compliance with the information submitted in the original application (for example, animal weight capacity, animal units, compliance with the manure management plan, etc.). If any increases are noted in the animal weight capacity and/or animal units, the Department could assess and collect any additional fees due to the Manure Storage Indemnity Fund. (See Attachment E)



* The DNR should consider updating their computer database on construction permits for confinement feeding operations to include information on all construction permits issued by the Department. During this process, all of the construction permit information on the database could be reviewed for completeness, accuracy, and timeliness. (See Attachment F)
* Confinement feeding operations could pay an annual permit fee to the Manure Storage Indemnity Fund. The annual fee could serve two purposes:
* Build reserves and/or replenish the indemnity fund.
* Provide a means of monitoring the operations by requiring the operators to submit updated information (such as current animal weight capacity, animal units, and manure management plans) with the fee. (See Attachment G)
* The Manure Storage Indemnity Fund could be redesigned to resemble the Grain Depositors and Sellers Indemnity (GDSI) Fund created under Section 203D.3, Code of Iowa. The GDSI Fund is used exclusively to indemnify grain depositors and sellers and to pay administrative costs. Section 203D.5 describes the adjustments to the fee that is to be paid into the GDSI Fund. The basic premise of this section is that if, at the end of any three-month period, the assets of the GDSI Fund exceed six million dollars, then the per-bushel fee and the dealer-warehouse fee will be waived and will not be owed to the fund. However, the fees will be reinstated if the assets of the GDSI Fund are three million dollars or less.
* Similar legislation could be developed for the Manure Storage Indemnity Fund whereby confinement feeding operations would only be assessed a fee if the assets in the fund went below an established balance. This option would eliminate the requirement for any annual fee while still providing a means to replenish the fund as needed.
* Consideration could be given to the type of operations and the clean-up costs which will be covered by the Manure Storage Indemnity Fund.
* Issues concerning the “waiting period” between the time that a confinement feeding operation site is abandoned and the time that the county acquires it (generally 2 to 3 years) need to be addressed. One option to consider is elimination of this “waiting period”. A county should be allowed to immediately clean up the abandoned site and either:
* Receive reimbursement from the Manure Storage Indemnity Fund, or
* File a lien against the property owner for the clean-up costs. (This could reduce/eliminate potential environmental and/or health risks later on.)
* Steps could be taken to collect delinquent indemnity fees and penalties. Consideration should be given to whether permittees who were not properly notified and/or who did not use the permit should have to pay all penalties that have accrued to date due to the lack of follow-up by the department. In addition, DNR should consider including the construction permit number on their receipt system to improve the tracking of indemnity fee collections.



* A study could be performed by the DNR to determine costs that could be incurred to clean up spills or leaks at confinement feeding operations and/or costs to clean up abandoned sites. The information gathered could be used to determine if Iowa’s Manure Storage Indemnity Fund will have adequate resources to pay for such costs.
* Section 204.2, Code of Iowa states “. . . moneys which are not obligated or encumbered on June 30 of the past fiscal year . . . and which are in excess of one million dollars, shall be deposited in the organic nutrient management fund . . . for purposes of supporting the organic nutrient management program.” Consideration should be given to elimination of this requirement. Since no dollars from the Manure Storage Indemnity Fund have been deposited into the organic nutrient management fund, elimination of this requirement would not have a negative impact. In order to ensure the adequacy and stability of the Manure Storage Indemnity, all moneys deposited into the fund should remain in the fund to cover future needs.
* One Department could be responsible for overseeing all activities related to the Manure Storage Indemnity Fund. Consideration should be given to moving responsibility for the Manure Storage Indemnity Fund from IDALS to DNR. Currently, DNR oversees issuance of the construction permits for confinement feeding operations, handles environmental complaints/issues concerning these operations, and assesses penalties/fines for related violations.



* Other states have written legislation requiring that operators show evidence of their ability to pay the costs of closure for a confinement feeding operation either through insurance, guarantee, or surety bond. This may be an option for the State of Iowa to consider in lieu of having the Manure Storage Indemnity Fund.

**Second Report** This is the first of two reports that the Legislative Oversight Committee of the Legislative Council required the two departments to conduct and report on during the 1998 Legislative Session. The second report, related to the tax processing procedures of the Department of Revenue and Finance, is planned to be issued prior to March 1.

**Copies Available** Copies of the report are available upon request from the Auditor of State or the Legislative Fiscal Bureau.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

FEDERAL BLOCK GRANT BILL PUBLIC HEARING

**Public Hearing** On February 19, a public hearing was held for HF 2218 (Federal Block Grant Bill). There was no oral or written testimony received.

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

February Board of Regents Meeting

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



* Received the annual reports and audits for the following affiliated organizations:
* Iowa Measurement Research Foundation at the University of Iowa, with a net equity of $10.8 million for the year ending September 30, 1997.
* Iowa 4-H Foundation at Iowa State University, with net assets of $3.0 million for FY 1997.
* Received a report regarding the Interinstitutional Library Committee.
* Received the annual report regarding Faculty Resignations.
* Received a report regarding the 1998 Legislative Session.
* Approved the schematic design for the Lang Hall Renovation.
* Approved an application for the University of Northern Iowa for a translator station at Mitchellville for KUNI radio station.



* Received the annual report for the Statewide Family Practice Training Program.
* Approved renovation of space for the relocation of the Medical Intensive Care Unit from the University of Iowa General Hospital to Carver Pavilion at a cost of $3.4 million funded from University Hospitals Building Usage Funds.
* Approved conversion of a swimming pool at Halsey Hall at the University of Iowa to a fitness center at a cost of $395,000 funded from Recreational Services or Treasurer’s Temporary Investments.
* Received the annual report of the University of Iowa Foundation, with a gift-based endowment of $194 million as of December 31, 1997.
* Met as the Board of Trustees for the University of Iowa Hospitals and Clinics, including discussion of:
* Quarterly Report of financial operations.
* FY 1999 Resource Utilization Planning.
* Indigent Patient Care Program.
* Cardiac Magnetic Resonance Imaging.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Weekly Medical Assistance Expenditures in the Department of Human Services



**Medical Assistance Prgm.** For the week ending February 16, 1998, FY 1998 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $6.0 million (132.6% of budget). This is $1.3 million above the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $213.5 million, which is $6.3 million (3.0%) above the amount budgeted for the fiscal year-to-date.

**Expenditures Monitored** The DHS has not yet provided an estimate of the final FY 1998 budget compared to actual expenditures or estimated FY 1998 reversions to the LFB. 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)