FISCAL UPDATE July 2, 1999

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Board of Regents Meeting

**Board Meeting** The Board of Regents met at the University of Iowa (SUI) in Iowa City on June 16 and 17. The Board discussed the following agenda items:

#### FY 2000

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**FY 2000 Budgets** *Second Preliminary Review of Proposed Budgets for FY 2000* – Representatives from each of the five institutions reviewed proposed budgets for FY 2000 for the second time. The budgets will be presented again at the July meeting for final approval. General changes to the budgets since the May presentation included:

* Allocation by strategic planning goals.
* Addition of salary allocations. (See the related article in this ***Fiscal Update*** for details.)
* Addition of Lakeside Laboratory salary allocation. All three universities contribute to the Lakeside Laboratory budget.

**FY 2000 Capital Approps.** *Allocations of FY 2000 Capital Appropriations* – In 1997, the General Assembly appropriated $70.4 million for Regents capital projects for the period FY 1998 to FY 2001. The Board is required by legislation to allocate the FY 2000 allocation of $19.5 million to each project based on project needs. The Board made the following allocations for FY 2000:

* $7.1 million for medical education and biomedical research facilities at SUI.
* $9.2 million for Phase I of the engineering complex at Iowa State University (ISU).
* $3.2 million for renovation of Lang Hall at the University of Northern Iowa (UNI).



**Allocation of Funds** The Board also approved allocation of the funds appropriated for capital projects during the 1999 Legislative Session as follows:

* $3.2 million for construction of the recreation complex at the Iowa School for the Deaf.
* $1.3 million for major maintenance needs at both special schools as follows:

Iowa School for the Deaf - $400,000 for utility system replacement, $125,000 for utility tunnels reconstruction, and $125,000 for repairs to the main entrance of the Administration Building.

Iowa Braille and Sight Saving School - $140,000 for the Old Main roof, $360,000 for HVAC upgrade, $35,000 to improve access for persons with disabilities, $100,000 for general deferred maintenance.

#### FY 2000

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**FY 2000 Capital Improv.** *FY 2000 Capital Improvement Plans* – The institutions anticipate bringing capital projects totaling $236.3 million to the Board for approval in FY 2000. These projects are subject to further review, availability of funding, and specific approval by the Board. The projects include:

* SUI – A total of 21 projects for the general university with total estimated cost of $45.9 million. In addition, there are 33 proposed projects for the SUI Hospitals and Clinics (SUIHC) with a total estimated cost of $41.3 million.
* ISU – A total of 14 projects with estimated cost of $110.0 million.
* UNI – A total of 19 projects with estimated cost of $31.7 million.
* Iowa School for the Deaf (ISD) – A total of five projects with estimated cost of $6.9 million.
* Iowa Braille and Sight Saving School (IBSSS) – A total of four projects with estimated cost of $450,000.



**Total Cost** Of the total estimated cost of $236.3 million, $41.4 million would be from State appropriations, $70.7 million from revenue bonds, $60.1 million from private gifts, $41.3 million from SUIHC building usage funds, $8.3 million from reserves of self-supporting enterprises, $7.4 million from Treasurer’s Temporary Investments, and $7.1 million from other sources.

 The distribution of these funds by type of project is as follows:

* $8.3 million for fire and environmental safety.
* $9.4 million for deferred maintenance.
* $3.3 million for utility expansion, improvement, and deferred maintenance.
* $97.8 million for remodeling and renovation.
* $8.0 million for telecommunications improvements.
* $10.0 million for parking improvements.
* $5.4 million for exterior improvements.
* $94.1 million for new building construction.

**Prelim. FY 2001 Requests** *Preliminary Operating Budget Requests for FY 2001* – The Board’s Executive Director, Frank Stork, indicated the Department of Management and the Governor are expecting all State Department budgets to be completed and submitted by September 1 this year, which is one month earlier than required by law. He also stated the Governor has indicated that he does not plan to hold department budget hearings in November and December, as has been the practice in the past. Because of the earlier timeframes, preliminary budgets are being submitted to the Board for the first time in June as opposed to July. The Board will be expected to examine these budgets and give final approval at the July meeting. The budgets submitted at this time do not include increased funds for salaries. Following is the total increased funding requested by institution (detail regarding these requests can be found in a separate ***Fiscal Update*** article):

* SUI - $26.9 million
* ISU - $21.5 million
* UNI - $7.0 million
* ISD - $638,000
* IBSSS - $350,000

**July Meeting** The July Board of Regents meeting is scheduled for July 14-15, 1999, at Iowa State University in Ames.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Preliminary FY 2000 Salary Distribution for the Board of Regents

#### FY 2000

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**FY 2000 Salary Allocations** The Department of Management has released preliminary salary allocation figures for the Board of Regents totaling $27.7 million. The distribution by institution is as follows:

* University of Iowa (SUI) - $12.9 million.
* Iowa State University (ISU) - $10.3 million.
* University of Northern Iowa (UNI) - $4.0 million.
* Iowa School for the Deaf (ISD) - $240,000.
* Iowa Braille and Sight Saving School (IBSSS) - $152,000.
* Board Office - $61,000.

**FY 2000 Appropriations** When FY 2000 final Legislative action is combined with salary funding and the Governor’s vetoes, appropriations for the Board of Regents total $697.9 million, an increase of 5.1% compared to the estimated FY 1999 appropriations. Following is the total funding for each institution and the percentage increase compared to estimated FY 1999:

* SUI - $310.9 million (5.3%)
* ISU - $256.9 million (5.1%)
* UNI - $88.0 million (5.6%)
* ISD - $8.0 million (6.8%)
* IBSSS - $4.5 million (7.2%)
* Board Office - $29.6 million (0.4%)

STAFF CONTACT: Mary Shipman (Ext. 14617)

Preliminary FY 2001 Operating Budget Requests for the Board of Regents Institutions



**FY 2001 Operating Budgets** The five institutions of the Board of Regents submitted preliminary FY 2001 operating budget requests at the Board meeting held June 16-17 at Iowa City. These budgets are preliminary, do not include increased funding for salaries, and have not yet been approved by the Board. Following are the highlights by institution:



**More Information** The Board is expected to make recommendations and final approval of the FY 2001 budget requests at the July meeting. Additional information regarding the requests is available from the LFB.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Preliminary FY 2001 Capital Projects Requests for the Board of Regents Institutions

**FY 2001 Capital Projects** The five institutions of the Board of Regents made preliminary FY 2001 capital project requests totaling $107.2 million at the Board meeting held June 16-17. These requests include:



* $9.0 million for the Gilman Hall addition at Iowa State University (ISU).
* $16.0 million for the Biology renovation/addition (Phase 2) at the University of Iowa (SUI).
* $16.9 million for the Biology Center addition at the University of Northern Iowa (UNI).
* $10.3 million for the College of Business Building at ISU.
* $140,000 for improvements at Lakeside Laboratory.
* $15.4 million for Phase 1 of the Art Building at SUI.
* $12.2 million for the steam distribution system at UNI.
* $1.6 million for renovation of the East Gym at UNI.
* $4.7 million for livestock units for swine and cattle research at ISU.
* $1.6 million for systems upgrade at LeBaron Hall at ISU.



* $1.0 million for steam distribution infrastructure at SUI.
* $1.6 million for the East egress steam tunnel at the Power Plant at SUI.
* $3.0 million for fire and environmental safety ($1.0 million at SUI and $2.0 million at ISU).
* $13.8 million for deferred maintenance ($4.0 million at SUI, $3.0 million at ISU, $6.0 million at UNI, $0.4 million at Iowa School for the Deaf, and $0.4 million at Iowa Braille and Sight Saving School).

**Board Approval** The Board approved FY 2001 capital requests totaling $68.7 million in September 1998, which included many of the projects listed above. The institution requests now reflect increased costs and new priorities.

**Tuition Replacement** The Board also received a preliminary request of $28.2 million for tuition replacement, which represents debt service cost for academic revenue bonds.

**More Information** Final capital project requests are expected to be submitted and approved at the July Board meeting. Additional detail regarding the capital requests is available from the LFB.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Natural Resources Commission Holds Meeting

**Commission Meeting** The Natural Resources Commission met June 9 in West Union to tour the area. On June 10, the Commission held their monthly meeting at the Gilbertson Nature Center in Elgin.

**Financial Report** Linda Hanson, Administrator of the Administrative Services Division, presented a financial status report that included the FY 2000 Capital Expenditures Plan, construction projects, and land acquisitions.

**Notice of Intended Action** Al Farris, Administrator of the Fish and Wildlife Division, presented a Notice of Intended Action regarding boat speed and distance regulations.

**Commission Approval** Mike Carrier, Administrator of the Parks, Recreation, and Preserves Division, asked the Commission to approve a new rule that would enable the Department of Natural Resources to administer the Blufflands Protection Revolving Fund. This rule was approved. Another presentation included the approval of lake watersheds to receive funding for the Public Owned Lakes Program in FY 2000. The Commission approved the funding recommendations.

**Next Meeting** The next meeting will be held August 12 in Jefferson.

STAFF CONTACT: Deb Kozel (Ext. 16767)

AUDIT REPORT - GOVERNOR’S ALLIANCE ON SUBSTANCE ABUSE

**Audit Report**  The Office of the Auditor of State issued the FY 1998 Audit Report for the Governor’s Alliance on Substance Abuse (GASA) on June 9.



**Board Member Compliance Board Member Compliance** – Chapter 69.16A, **Code of Iowa**, requires the Narcotics Enforcement Advisory Council to be gender balanced. Additionally, Chapter 80E.3, **Code of Iowa**, allows no more than four members of the Council to belong to the same political party.

* Findings - On June 30, 1998, five of the six board members belonged to the same political party.
* Recommendation – The Governor’s Alliance on Substance Abuse should comply with the **Code of Iowa.**
* Response – The associations from whom six of the Council positions are appointed will be advised hereafter – as terms expire – they must submit names of individuals that will ensure the Council is in compliance with Chapter 69.16 of the **Code of Iowa.** The response was accepted.



 **Year 2000**

**Year 2000**  **Y2K Progress** – Computer systems and many other types of electronic equipment are dependent upon date-sensitive coding to function correctly. However, many of these systems and equipment use only two digits to identify the year in a date and are therefore unable to distinguish between the year 2000 and the year 1900. If left uncorrected, this could cause disruption of government services.

* State Officials have established a Year 2000 Project Office located within the Department of Management to oversee the steps being taken to address this problem for the State of Iowa. Six basic phases have been identified in the process: assessment, conversion, testing, implementation, validation, and contingency planning.
* Findings - The Governor’s Alliance on Substance Abuse (GASA) has performed the necessary evaluations to ensure the electronic data processing equipment is year 2000 compliant. GASA is working in conjunction with Iowa Information Technology Services (ITS) and consultants from Computer Technology Associates (CTA) in evaluating firmware (electronic equipment with embedded chips).
* Recommendation – The Department should continue work with the Year 2000 Project Office to monitor the progress so that essential electronic equipment and systems function properly in the year 2000.
* Response – The Governor’s Alliance on Substance Abuse will continue to work with Iowa Information Technology Services and other agencies on preparations for essential electronic equipment and operations to function properly in the year 2000. The response was accepted.

STAFF CONTACT: Jennifer Dean (Ext. 14613)

AUDIT REPORT - DEPARTMENT for THE BLIND

**Audit Report** The Office of the Auditor of State issued the FY 1998 Audit Report for the Iowa Department for the Blind (DFTB) on June 1.

**Findings** The report stated the following:

**Year 2000 Y2K Process** – Computer systems and many other types of electronic equipment are dependent upon date-sensitive coding to function correctly. However, many of these systems and equipment use only two digits to identify the year in a date and are therefore unable to distinguish between the year 2000 and the year 1900. If left uncorrected, this could cause disruption of government services.



 **Year 2000**

**Phases Identified** State Officials have established a Year 2000 Project Office located within the Department of Management to oversee the steps being taken to address this problem for the State of Iowa. Six basic phases have been identified in the process: assessment, conversion, testing, implementation, validation, and contingency planning. An initial assessment of software has been conducted. ITS staff and consultants are performing the conversion, testing, and implementation phases of the process. The Iowa Department of General Services has contracted with Computer Technology Associates (CTA) to perform the validation phase and to monitor progress. The process is expected to be completed by December 1999.

* Findings – The Iowa Department of General Services is evaluating firmware (electronic equipment with embedded chips). An initial assessment was completed in the fall of 1998 and certification testing will be performed for critical electronic equipment. The process is expected to be completed for critical equipment in the year 2000.
* Recommendation – The Department should continue to work with the Year 2000 Project Office to monitor the progress and completion dates so that essential electronic equipment and systems function properly in the year 2000.
* Response – The Department will comply with the auditor’s recommendation and the response was accepted.

STAFF CONTACT: Jennifer Dean (Ext. 14613)

AUDIT REPORT - DEPARTMENT OF ELDER AFFAIRS

**Audit Report** The Office of the Auditor of State issued the FY 1998 Audit Report for the Iowa Department of Elder Affairs on June 1. The Report was received by the Legislative Fiscal Bureau in June 1999.

**Findings** The Report stated the following:

**Prof. Service Contracts Professional Service Contracts**

* Findings - Iowa Department of Revenue and Finance’s pre-audit procedure 240.102 (Executive Order Number 60) requires that contracts for professional services include certain standards. One of three contracts tested did not contain the required elements set forth in pre-audit procedure 240.102.



* Recommendations – The Department should comply with Executive Order Number 60 and pre-audit procedure 240.102.
* Response – The Department will take necessary steps to ensure compliance with the Iowa Department of Revenue and Finance’s pre-audit procedure 240.102. The response was accepted.

**Commission Meetings** **Commission Meetings**

* Findings – Chapter 231.13 of the Code of Iowa requires the Commission of Elder Affairs to meet at regular intervals at least six times each year. The Commission held only four meetings during the year ended June 30, 1998.
* Recommendations – The Commission of Elder Affairs should meet at least six times each year in compliance with the Code of Iowa.
* Response – The Department will take the necessary steps to ensure compliance with Chapter 231.13 of the Code of Iowa. The response was accepted.



 **Year 2000**

**Year 2000 Y2K Process–** The Iowa Department of General Services is evaluating firmware (electronic equipment with embedded chips). An initial assessment was completed in the fall of 1998 and certification testing will be performed for critical electronic equipment. The process is expected to be completed for critical electronic equipment by December 1999.

* Findings - The Iowa Department of Elder Affairs has performed the necessary evaluations to ensure electronic data processing equipment and software is year 2000 compliant.
* Recommendations – The Department should continue to work with the Year 2000 Project Office to monitor the progress and completion dates so that essential electronic equipment and systems function properly in the year 2000.
* Response – The Department of Elder Affairs will continue to work with the Year 2000 Project Office in monitoring the progress and completion dates so that essential electronic equipment and systems function properly in the year 2000. The response was accepted.

STAFF CONTACT: Jennifer Dean (Ext. 14613)

Audit Report - Department of Management



**Audit Report** The annual audit report for the Department of Management (DOM) for FY 1998 was received by the LFB. The Auditor of State made two findings related to internal control and one finding related to statutory requirements.

**Fixed Assets *Fixed Assets –*** Chapter 7A.30, Code of Iowa, requires that each department and division of State government be responsible for keeping a written, detailed, up-to-date inventory of all real and personal property belonging to the State and under their charge, control, and management. The following was noted:



* The Department removed office equipment items totaling approximately $140,000 from the fixed asset listing during the year. Documentation regarding the disposal and proper authorization for the deletions was not consistently available.
* Recommendation – The Department should ensure that the fixed asset inventory is updated timely and that fixed asset deletions are properly supported and authorized.
* Response - The Department has adopted a quarterly review and report of updates on the fixed asset inventory.
* Conclusion – Response accepted.

**Recommendation**

**Segregation of Duties *Segregation of Duties –*** An important aspect of internal control is the segregation of duties among employees so that activities of one employee act as an independent check on those activities of another employee. Some degree of effective control may always be obtained by appropriate organization or strengthening of supervisory control procedures. The following was noted:

* The Department processes and records payroll and personnel information on the Human Resource Information System (HRIS). One individual has the ability to enter timesheet information and approve timesheets.
* Recommendation – The Department should review its control procedures over payroll processing to obtain the maximum internal control possible under the circumstances.
* Response – The Department has divided between two individuals the responsibility of creating payroll action and approving them.
* Conclusion – Response accepted.

**Code Compliance *Code Compliance –*** Chapter 257.4(3), Code of Iowa, requires that the Department notify the county auditor of each county the amount, in dollars and cents per thousand dollars of assessed value, of the additional property tax levy in each school district in the county no later than June 1 of each year. The following was noted:

* The Department did not make the notification to the county auditors until July 28.
* Recommendation – The Department should implement procedures to ensure compliance with the Code of Iowa.
* Response – An automated school budget system will enhance the Department’s ability to meet the deadline and the Department’s current stable staffing situation will also enable timely notification.
* Conclusion – Response accepted.

STAFF CONTACT: Shawn Snyder (Ext. 16765)

Audit Report - Civil Rights Commission

**Audit Report** The annual audit report for the Civil Rights Commission for FY 1998 was received by the LFB. The Auditor made one finding related to internal control.



**Segregation of Duties *Segregation of Duties (Internal Control)*** –The majority of duties relating to the expenditure and fixed asset cycles are often performed by one person.

* Recommendation - The Commission should review procedures to improve the segregation of duties and supervisory control.
* Response **–** The Commission has changed the procedure for approval of expenditures and has changed the person approving the changes in fixed assets.
* Conclusion **–** Response accepted**.**

**Other Findings** The audit report also contained two findings related to statutory requirements and other matters, including timely deposits and Year 2000 preparedness.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Audit Report - Commission of Veterans Affairs

**Audit Report** The annual audit report for the Commission of Veterans Affairs for FY 1998 was received by the LFB. The Auditor made one finding related to internal control.

**Segregation of Duties *Segregation of Duties (Internal Control)*** -One individual in the cashier’s office is responsible for deposit preparation, recording and accounting for cash receipts, as well as preparation of the daily cash reconciliation sheet. The cashier is also responsible for both the custody and the record keeping for certificates of deposit.

* Recommendation - The Commission should review procedures to improve the segregation of duties and supervisory control procedures including an independent inspection of the original certificates of deposit.
* Response – In FY 1999, procedures have been initiated in the cashier’s office so that one person counts the money, another person compares the cash report against the daily reconciliation report generated by the computer, and a third person prepares the bank deposit. In the absence of any of the staff, the remaining staff are cross-trained to continue the tasks.
* In addition, the bank statements are delivered directly to the budget office unopened. The budget office prepares the bank reconciliation. In FY 1999, the budget analyst began monthly monitoring of CD renewals and related interest income. In addition, procedures have been initiated for a periodic inspection of the original CD’s. Also, maturity notices that are generated by the bank will be sent to the budget office.
* Conclusion - Response accepted.

**Other Findings** The audit report also contained two findings related to statutory requirements and other matters, including untimely deposits and Year 2000 preparedness.

**Statistical Information** The Audit Report also provided the following fiscal information.



 **Average Cost per Resident**



 **(Unaudited)**

 **FY 1993- FY 1997**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Average Number of Residents |  | Average Number of Employees |  | Annualized Cost per Resident |  | Average Daily Cost per Resident |
| FY 1994 |  | 611 |  | 682 |  | $ 51,687 |  | $ 141.61 |
| FY 1995 |  | 654 |  | 748 |  | 55,766 |  | 152.78 |
| FY 1996 |  | 701 |  | 802 |  | 55,083 |  | 150.91 |
| FY 1997 |  | 710 |  | 834 |  | 56,714 |  | 155.38 |
| FY 1998 |  | 711 |  | 833 |  | 58,803 |  | 161.10 |

 **FY 1998 Resident Population Statistics**

 **(Unaudited)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Population - Beginning of year |  | 706 |
|  |  |  |  |
|  | Admissions: |  |  |
|  |  First Admissions |  | 152 |
|  |  Readmissions |  | 20 |
|  | Returns: |  |  |
|  |  Home visits/furlough |  | 651 |
|  | Total admissions |  | 823 |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  | Released: |  |  |
|  |  Discharges |  | 47 |
|  |  Deaths |  | 126 |
|  |  Home visits/furlough |  | 643 |
|  | Total released |  | 816 |
|  |  |  |  |
|  | Population - End of year |  | 713 |
|  |  |  |  |
|  | Daily average resident population |  | 711 |

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Audit Report - Department of Public Health

**Audit Report** The annual audit report for the Department of Public Health (DPH) for FY 1998 was received by the LFB. The Auditor of State made three findings related to internal control.

**Segregation of Duties *Segregation of Duties***



* An employee of the Department can initiate and approve payroll transactions on the Human Resource Information System (HRIS).
* An employee of the Department who handles inventory is also responsible for maintaining inventory records.
* An employee of the Board of Medical Examiners who is responsible for preparing claim vouchers may also approve the claims.
* Recommendation - Adequate segregation of duties should be established so that the same person does not initiate a transaction and also approve the transaction. Also, there should be adequate segregation of duties between maintaining and recording of inventory.
* Response –

Effective immediately, the Deputy Director for the Department of Public Health will be responsible for approving payroll transactions on the Human Resources Information System (HRIS).

Effective immediately, practices have been changed to segregate vaccine inventory duties. An employee has been assigned to distribute inventory and a separate employee has been assigned to conduct weekly hand count of vaccines and to maintain these inventory records.

The Board of Medical Examiners has taken steps to comply with these recommendations.

* Conclusion - Response accepted.

**Cash Receipts *Cash Receipts***



* An initial list of cash receipts is not prepared at the time mail is opened. Instead, employees open the mail in the various divisions and examining boards, identify the coding and type of receipt, and then route the receipts to the cashier.
* Recommendation - The Department should review procedures to improve internal control over cash receipts. At a minimum, an initial list of cash receipts should be prepared by the mail opener, and the initial listing should be independently reconciled to the final deposit.
* Response -

Iowa Department of Public Health – The Department will review the feasibility of developing an accounting software application to be utilized in the recording of receipts.

Board of Dental Examiners – All checks will be listed on a cash receipt at the time the mail is received and reconciled.

Board of Medical Examiners – The Board of Medical Examiners has taken steps to comply by having one person prepare all cash receipt lists, one person deposit all funds and another person does an independent reconciliation of the initial listing and final deposit.

* Conclusion - Response accepted.

**Fixed Assets** ***Fixed Assets***



* Departments are required to maintain an accurate, up-to-date inventory of all real and personal property belonging to the State. Seven of sixty items selected for observation could not be located.
* Recommendation – The Department should develop and implement policies and procedures to ensure that equipment records are accurate and updated in a timely manner.
* Response - Of the seven items noted, it appears that five of the items have been surplused without proper notification of departmental staff. The other two items in question are in the possession of subrecipients and have been located by the subrecipients. A memo will be sent to all departmental staff reminding them of the process to utilize when items are surplused.
* Conclusion - Response accepted.

**Other Findings** The audit report also contained three findings related to statutory requirements and other matters, including untimely deposits, board minutes, and Year 2000 preparedness.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Drug Prior Authorization Rules Reviewed and adopted



**Rules Review Committee** On June 8, the Administrative Rules Review Committee reviewed rules to add new therapeutic classes to the drug prior authorization program within the Department of Human Services (DHS). The prior authorization program requires the prescribing physician or pharmacist to obtain advance approval from the Medicaid Program before Medicaid payment will be made for certain drugs. The prior authorization rules were filed on an emergency basis as required by House File 760 (FY 2000 Human Services Appropriations Act). House File 760 also required the DHS to expand the prior authorization program and reduced the FY 2000 General Fund appropriation to the Medicaid Program by $1.0 million due to expected savings from prior authorization expansion.

**Summary of Changes** Changes to the prior authorization program were recommended by the Medicaid Drug Utilization Review Commission and are summarized as follows:



* Changing the histamine H2 receptor antagonist (ulcer treatment) rule to require prior authorization of all brand name products regardless of dose level or length of therapy. Previously, prior authorization was required only for full therapeutic dose levels after 90 days.
* Revising the previous prior authorization requirement for nonsedating antihistamines to cover all brand name antihistamines so that newer antihistamines can be included regardless of classification as nonsedating or lower sedating.
* Adding prior authorization requirements for quantity limits on pre-migraine prevention medications to ensure that post-migraine curative therapy is tried before preventive medications are used long-term.
* Adding prior authorization requirements for oral antifungal therapy to ensure that long-term therapy is used only when medically necessary.
* Adding new prior authorization requirements for acne therapy to ensure its use only as long as medically necessary and with appropriate precautions.
* Adding new prior authorization requirements for specified hormone products to ensure use only when medically necessary and for the appropriate length of time.

**Concerns of Providers** Representatives from various provider organizations spoke before the Administrative Rules Review Committee to voice concerns about the proposed prior authorization rules. Concerns included:

* The DHS was engaging in a procedural end run. Administrative Rules are to be promulgated by the Council on Human Services, not the DHS. Because the Council on Human Services had not yet met and adopted the prior authorization rules, there were no formal rules for the Administrative Rules Review Committee to review.
* Although HF 760 mandated the use of emergency rules to expand the prior authorization program, it did not mandate that expansion take effect at the beginning of the fiscal year. Therefore, provider organizations should be given additional time to evaluate the potential impact of the proposed rules and make comments before actual implementation.
* The Medicaid Drug Utilization Review Commission had not been given sufficient time to review physician comments before its recommendations served as the basis for the prior authorization administrative rules. If the proposed administrative rules are adopted, the Drug Utilization Review Commission will cease its review of physician comments and the effectiveness of the prior authorization program may be diminished. A one-month delay was requested. The Administrative Rules Review Committee considered and rejected a motion to delay by 70 days, implementation of the prior authorization rules.

**Effective Date** The Human Services Council met and adopted the drug prior authorization rules on June 9. The new rules will become effective July 1, 1999.

STAFF CONTACT: Deb Anderson (Ext. 16764)

Road Use Tax Fund Revenues



**RUTF Receipts** Road Use Tax Fund (RUTF) receipts for FY 1999 increased $69.9 million (7.9%) over FY 1998. Revenues from Motor Vehicle Use Tax, fuel taxes, and vehicle registrations and certificates of title were responsible for nearly all the growth in the Road Fund. These three revenue sources were responsible for 92.5% of the total increase. All of the other revenue sources have experienced a total combined increase of $5.2 million (11.1%).

**Motor Vehicle Use Tax** Motor Vehicle Use Tax receipts increased $22.5 million (14.0%) compared to FY 1998. The increase can partially be explained by the continued increase in new car and truck sales in Iowa. The most recent information available shows that for the first 10 months of FY 1999, sales were 3.6% higher than the same period of FY 1998. In addition, sales in multi-purpose vehicles, which includes sport utility vehicles and vans, increased 6.3% over FY 1998. These vehicles tend to be higher priced, thus generating more tax revenue than autos. Another reason for the substantial increase relates to the shifting of the State Patrol funding away from the Motor Vehicle Use Tax and into the General Fund. In FY 1999, the amount of use tax revenue transferred to the Highway Safety Patrol was approximately $7.9 million less than the amount transferred in FY 1998 (from $17.6 million in FY 1998 to $9.7 million in FY 1999). Beginning in FY 2000 the State Patrol will be funded entirely from the General Fund.

**Registration & Title Fees** Registration and title fees increased $20.9 million (7.1%) compared to FY 1998. The increase in vehicle registration fees is largely attributed to the increase in the price of vehicles being registered. This also corresponds with the increase in car and truck sales being experienced this fiscal year.

**Fuel Tax Revenues** Motor Vehicle Fuel Tax revenues have increased only $21.3 million (5.6%) compared to the same period for FY 1998. It appears the increase in fuel tax revenues is largely the result of increased fuel consumption in FY 1999. The most recent information available shows that for the first 10 months of FY 1999, fuel consumption in Iowa was 5.0% higher than the same period of FY 1998.

**Driver’s License Fees** Driver’s License Fees increased $2.2 million (26.6%) compared to FY 1998. This increase is primarily due to the normal license issuance cycle. Changes in other revenue sources were relatively insignificant in terms of total dollar increases.

**Comparison to FY 1998** The following table compares the Road Use Tax Fund receipts for FY 1998 and FY 1999 by revenue source. The sum of the revenues may not equal totals due to rounding.

|  |
| --- |
| **ROAD USE TAX FUND RECEIPTS** |
| **(Dollars in Millions)** |
| July - June |
|  |  |  |  |  |  |  | Change |  |  |
|  |  |  |  |  |  |  | FY 1998 vs. |  | Percent |
|  |  |  | FY 1998 |  | FY 1999 |  | FY 1999 |  | Change |
| Motor Vehicle Use Tax |  | $ 160.7 |  | $ 183.1 |  | $ 22.5 |  | 14.0% |
| Motor Vehicle Fuel Tax |  | 378.6 |  | 399.9 |  | 21.3 |  | 5.6% |
| Registration/Title Fees & Misc. |  | 293.2 |  | 314.1 |  | 20.9 |  | 7.1% |
| Underground Tank Fees |  | 18.8 |  | 19.8 |  | 1.0 |  | 5.1% |
| Driver License Fees |  | 8.2 |  | 10.3 |  | 2.2 |  | 26.6% |
| Interest |  | 12.1 |  | 12.9 |  | 0.8 |  | 6.9% |
| Other Fees |  | 6.9 |  | 7.4 |  | 0.5 |  | 7.7% |
| Motor Carrier Fines |  | 1.3 |  | 2.1 |  | 0.8 |  | 57.4% |
| TOTAL RECEIPTS |  | $ 879.7 |  | $ 949.6 |  | $ 69.9 |  | 7.9% |

 *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, June revenues were collected in May but distributed to the various State and local road funds in June.*

STAFF CONTACT: David Reynolds (Ext. 16934)

UNDERGROUND Storage Tank Administrator Resigns



**Administrator Resigns** Underground Storage Tank (UST) Program Administrator Pat Rounds resigned from the Program and from Williams and Company (the UST Program administration contractor), effective in June. Mr. Rounds has held the Administrator position since the resignation of Robb Hubbard from Williams and Company in 1994. Williams and Company has proposed replacing Mr. Rounds with Tom Norris, who has worked in the Administrator’s office for several years.

**Negotiations Terminated** The UST Board had been negotiating with Williams and Company for a new long-term contract for Program administration. At the June 11 meeting, the UST Board voted to terminate those negotiations, cancel the previous Request for Proposal (RFP) process, make public the bids of the three bidders on the previous RFP, initiate a new RFP process as soon as possible, and accept an offer from Williams and Company to extend the current contract through December 1999.

**Legal Counsel Resigns** At the June 11 meeting, Board counsel Bob Galbraith announced his resignation from the Attorney General’s Office. The Board will utilize private legal counsel until a replacement for Mr. Galbraith has been named.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Iowa Communications Network (ICN) Video Classrooms



**ICN Classrooms Added** The Iowa Communications Network (ICN) added four interactive video classrooms during the last half of May at Kee High School in Lansing, Burlington Public Library, Council Bluffs Public Library, and Des Moines Botanical Center. This brings the total number of classrooms to 669. The total number of classrooms that will be included in the Network at the end of the Part III build out is estimated at over 700. This will include multiple classrooms at several authorized sites. The table below presents the current distribution of sites by type of authorized user.

**IOWA COMMUNICATIONS NETWORK**

|  |  |
| --- | --- |
| Area Education Agencies | 16 |
| Community Colleges | 96 |
| K-12 School Districts | 355 |
| Other Education | 7 |
| Libraries | 27 |
| Medical Facilities | 8 |
| Private Colleges | 17 |
| Regents Institutions | 25 |
| National Guard | 56 |
| State Agencies | 43 |
| Federal | 15 |
| Miscellaneous | 4 |
| Classrooms Total | 669 |

**Website** This information is updated weekly and is available on the Internet at <http://www.icn.state.ia.us/about/clickmap/clickmap.htm>**.** If you would like a copy of the full list of sites and their locations and do not have access to the Internet, you may contact the LFB and request a copy.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Lottery Revenues and Expenditures Through May

**FY 1999 Lottery Revenues** Through May, FY 1999 Lottery game revenues increased $4.1 million from the FY 1998 level. Lottery prize expenses increased $2.8 million, operating expenses increased $503,000, and transfers to other State funds increased $897,000. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.



**FY Sales** Fiscal year sales through May, compared to the same time period of FY 1998, were as follows:

* Instant ticket sales decreased $65,000 (0.1%).



* Iowa Lotto/Supercash/Pick 3 sales decreased $3.8 million (53.4%).
* Multi-State Powerball sales increased $8.5 million (25.5%).
* Multi-State Daily Millions/Cash 4 Life sales decreased $1.6 million (30.6%).
* Daily Game sales decreased $228,000 (5.2%).
* Pull-tab sales increased $1.7 million (7.6%).

**May Sales** Total Lottery sales for May were below May 1998 by $5.7 million (28.9%). May 1999 sales for instant tickets and the $100,000 Cash Game were above May 1998.



**REC Projections** The December Revenue Estimating Conference (REC) projected FY 1999 Lottery profits will total $35.5 million. Of this amount, $35.0 million is to be transferred to the State General Fund and three-tenths of one percent of gross Lottery sales transferred to the Gambler’s Assistance Fund (approximately $530,000). Actual profit transfer for FY 1998 was $34.7 million. Current projections indicate final FY 1999 Lottery transfers will be very close to the level estimated by the REC.

**Sales Tax Paid** In addition to the amount transferred to the State as profits, the Lottery has transferred $7.9 million in sales tax during FY 1999.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Legislative Fiscal Committee Meeting

**June Meeting** The Legislative Fiscal Committee met on June 9. The Committee heard presentations from:



* Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), concerning the FY 2000 Balance Sheet and the Governor’s item vetoes.
* Jeff Robinson, LFB, concerning FY 1999 General Fund reversions.
* Paige Piper/Bach, LFB, concerning the FY 2001 Built-in and Anticipated Expenditures
* Doug Wulf, LFB, concerning an update on the Iowa Communications Network (ICN) and an update on the Legislative Oversight Committee.
* Tim Faller, LFB, concerning the history and background of the Legislative Fiscal Committee.

**Other Information** The Committee also received information on the following appropriations:

* $1,850,000 to the Department of Human Services, (Mental Health/Human Rights Mental Retardation State Cases from the Department of Human Services, Medical Assistance ($1,000,000) and Field Operations ($850,000).

**Other Discussion** The Committee members also discussed potential topics for future Fiscal Committee meetings. The next meeting is tentatively scheduled for July 12 at the Hawkeye Center for Business and Industry in Waterloo. A tentative agenda will be distributed when it is available.

STAFF CONTACT: Holly Lyons (Ext. 17845) Tim Faller (Ext. 14615)