FISCAL UPDATE January 2, 2001

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Governor’s Budget Hearing - Accountable Government



**Public Budget Hearings** The Governor’s Budget Hearings were held in seven different Iowa cities and divided into the following subject areas:

* Accountable Government (Burlington) - November 12
* New Economy (Davenport) - November 21
* Education (Cedar Rapids) - November 27
* Health Care (Sioux City) - November 28
* Safe Communities (Council Bluffs) - December 4
* Environment (Mason City) - December 6
* General Hearing (Johnston) - December 11

**Accountable Government** The Governor’s first budget hearing was held in West Burlington on November 12. The topic addressed at this meeting concerned accountable government.

**Opening Remarks** Governor Vilsack made opening remarks concerning the budget hearing process.

**Legislators Present** Members of the General Assembly present included Representative Cohoon, Senator Shearer, Senator Fraise, and Senator-elect Fiegen, as well as several other local elected officials.



**Goals of the Team** Kevin Techau, Director of the Iowa Department of Inspections and Appeals, introduced the Accountable Government Enterprise Planning Team. Various agency directors presented four goals for the coming years and the FY 2002 budget. The Goals and each of their initiatives are:

1. **Provide information and services when and where they are convenient to Iowans.**  Richard Varn, Director of the Iowa Technology Department, listed the following initiatives to help achieve the goal of digitizing government:

* Provide adequate funding for information technology. Similar to reliable funding streams used for building roads, a funding stream should be secured for building a technological infrastructure.
* Provide 100.0% on-line service by 2003.
* Restucture technology funding based on return on investment.

Mr. Varn said eventually it will be possible to register to vote or renew a driver’s license with the click of a computer mouse. The ability to do business and get information instantly by computer will reduce the hidden taxes of time and inconvenience Iowans are now paying.

Mr. Varn estimated the average State resident spends 40 hours over the course of a year dealing with the government.  He said a fully-wired State government could reduce that time to approximately 10 hours a year. It would cost approximately $47.0 million for Iowa to be fully-wired. Comparing it to the earliest days of the State highway system, Mr. Varn said the money is needed to bring Iowa out of the mud.

1. **Preserve buildings, monuments, and collections as the symbols of Iowa’s strength, beauty, and heritage.**  Richard Haines, Director of the Department of General Services, listed the following initiatives to achieve this goal:

* Eliminate the backlog of major maintenance at State facilities.
* Increase funding for ongoing routine maintenance.

Mr. Haines said the State has $482.0 million of critical repair needs among the 900 State of Iowa buildings. Those buildings include the State Capitol and numerous office buildings but do not include the 79.0% of buildings owned by the State universities, the Iowa Department of Natural Resources, or the Iowa National Guard.

1. **Achieve results valued by Iowans.** Mollie Anderson, Director of the Department of Personnel, listed the following initiatives to achieve this goal:

* Partner with State agencies and provide recruitment and training to establish an effective human resources system.
* Improve labor/management relationships and create an employee recognition program.
* Expand the current training curriclum and leverage technology.
* Redesign the State’s pay system.

1. **Provide a financially sound budget and promote a fair and simplified tax system.** Kay Chapman, Director of the Professional Licensing Department of Commerce, listed the following initiatives to achieve this goal:

* Identify criteria for a fair tax system.
* Evaluate current tax credits, deductions, and exemptions.
* Address e-commerce.

Ms. Chapman also spoke to the skepticism many Iowans have toward the role money plays in the political process. The following are components of a new campaign disclosure system that has been designed:

* Mandatory electronic filing of political disclosure reports.
* Disclosure of information on individual contributors.
* Posting disclosure reports on a public website.

Ms. Chapman talked about the need to reform the State's tax code. One of the issues is the fiscal fairness of a system requiring main street retailers to charge sales tax while purchases that are made from Internet merchants are tax-free. State revenues face a potential threat from the Internet. The State needs to look at which tax incentives and deductions have outlived their usefulness and should review the purpose of the tax code.  The review would be the key to deciding whether to keep or scrap breaks designed to encourage or discourage corporate and individual behavior.

**Closing Comments** The public hearing concluded with questions from the audience and closing comments from the Governor and Lieutenant Governor, Sally Pederson. Responses to questions and closing comments included the following:

The Governor stated the ability to do business electronically should not diminish the ability to do business in person. It is in essence a balance between high-tech and high-touch.  We essentially free up people to spend more time on high-touch issues. Routine tasks, such as buying a hunting license, are suited to online transactions. Complicated matters, such as human services or child support recovery issues, could utilize the additional resources made available through moving routine transactions to the electronic realm.

The Governor stated the Internet will become more of an economic force in the future. There is nothing an individual State can do under federal law to require sales tax collection on Internet purchases, although a number of states have come together to create a voluntary system that may make compliance easier than not abiding by the system. The Governor stated that sales tax on Internet purchases will need to be collected in the future as sales over the Internet continues to grow.

Not every Iowa community has access to high-speed Internet service and some of that is the fault of the Iowa Communications Network, which the Governor stated has given private-sector investors the impression there is no opportunity for them in the State while simultaneously taking away some of their best potential customers.

The Governor stated more Iowans (48.0%) have access to the Internet at home than the rest of the country.  That compares with 32.0% nationally.

The Governor stated the world is changing and the winners will be those making it easiest to conduct business. The new economy will penalize individuals who do not do things in a simplified way. One example is the federal deductibility in the current State tax code. Iowa has an 8.9% income tax rate, however, deducting federally taxed income actually makes the percentage lower. To scrap federal deductibility and go with a 6.0% rate would make the system less difficult. The Governor expressed the need to reduce tax rates to make sure that the elimination of federal deductibility did not increase taxes for Iowa citizens.

The Governor responded to a question about the use of Gambler’s Treatment revenue by the Iowa Department of Public Health for programs other than gambling addiction. The Governor explained that programs like substance abuse are considered connected to gambling addiction.

The Governor suggested there is a need for increased funding for building maintenance.

The Governor also stated the need for the State to find ways to pump additional money into teacher salaries and recruiting, and reform the teacher pay system to reward those who perform well and continue their training and development.

The Lieutenant Governor said there is a need for additional social workers and investigators in the wake of issues that have come to light since the child abuse death of a two-year-old in northwest Iowa earlier this year.

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GOVERNOR’S BUDGET HEARING – ENVIRONMENT ENTERPRISE TEAM



**Public Budget Hearing** The Governor’s Budget Hearing for the Environment Enterprise Team was held December 6 in Mason City with Mary Milz as moderator. Governor Vilsack discussed fiscal responsibility in State budgeting. He noted that the Revenue Estimating Conference would be meeting December 8 and would most likely be reducing estimates of revenue for FY 2002 by tens of millions of dollars. He stated his wish to create a strategic planning process to create performance measures for programs. The budget system would be based on this, and then performance audits within a review process would help in making budgeting decisions. This is an Iowa 2010 Committee recommendation.

**Legislators Present** Legislators present: Senator Gaskill, Representatives Kuhn and May, and Representative-elect Quirk.

**Environment Enterprise Team** Governor Vilsack presented an overview of the “Vision for State Government,” describing Iowa’s “blueprint future” over the next 10 years, which includes:

* More Iowans
* Younger Iowans
* Better Paid Iowans

### Core Values

* Opportunity
* Responsibility
* Community

# *Guiding Principles*

* Customer focus
* Long-range goals
* Collaborative leadership
* Employee participation
* Data-based decisions
* Continuous improvement
* Results orientation



**Goals for St. Government** Governor Vilsack stated that the fiscal responsibility in State Government over the next 10 years is “accountable government,” where every Iowan will receive excellent and efficient service from their State Government. Goals for accountable government include:

* Provide information and services when and where they are convenient to Iowans.
* Preserve buildings, monuments and collections as symbols of Iowa’s strength, beauty, and heritage.
* Achieve results valued by Iowans.
* Provide a financially sound budget and promote a fair and simplified tax system.

The Governor also mentioned five additional areas where Iowan’s will excel by the year 2010:

* Education: Beginning with early childhood, every Iowan will have access to quality education and life-long learning.
* Health: Every Iowan will have access to quality health care services. Our focus is on wellness and prevention.
* Environment: Through individual stewardship and State leadership, every Iowan will enjoy improved natural resources.
* The New Economy: Iowans will be prepared to lead in the new economy.
* Safe Communities: Iowans of every age will live in safe and peaceful communities. Our focus is on crime and abuse prevention.

**Goals of the Team** Following the Governor’s introduction, Lyle Asell, Acting Director, Department of Natural Resources (DNR), spoke about the goals and initiatives of DNR’s Enterprise Planning Team for Environment. Mr. Asell stated that during this past year, an $11.3 million Water Quality Initiative was approved by the Legislature.

**Environmental Issues** Mr. Asell also stated that two of the eight goals of Governor Vilsack’s Iowa 2010 report include environmental issues: (1) make Iowa a great place to visit and live, and (2) protect and preserve our natural resources. Asell continued by stating the overall goals of the Enterprise Planning Team:

* Protect and improve Iowa’s water resources.
* Encourage all Iowans to serve as stewards of our natural and cultural resources.
* Ensure a sustainable environment for high quality outdoor recreation.
* Increase environmentally sustainable business practices.
* Update the State energy plan.

**Initiatives to Meet Goals** Mr. Asell stated the following 12 initiatives are needed to meet the goals of the Enterprise Planning Team, including additional employees and funding:

* Restore impaired waters: five additional employees and $500,000 in State funding to match $500,000 from federal sources.
* Develop a water quality planning process, using environmental indicators: three additional employees and $300,000 in federal funding (no State funds required).
* Reduce floodplain damage: three additional employees and re-allocate $200,000 in State funding. Mr. Asell stated Iowa has the highest rate of flood damage of any state in the United States.
* Increase water quality monitoring: $1.1 million in State funding.
* Update landfill policies: Re-allocate $1.5 million of existing State funding.
* Create destination parks: $2.5 million in State funding for engineering and design.
* Improve private lands access: two employees and $1.6 million in State funding.
* Sponsor symposium protected landscapes: $65,000 in State funding for symposium and a group of working partners.
* Mediate environmental disputes: one employee and $125,000 for an 18-month pilot project.
* Develop energy policy recommendations: No funding currently requested.
* Invest lottery funds in natural and cultural resource projects: Re-allocate about $25 million in lottery revenue to DNR and Cultural Affairs projects; those agencies would reduce their General Fund money by the same amount. (Lottery funds currently go to the State’s General Fund.) Mary Neubauer of the Iowa Lottery presented this information and mentioned that it will be included in the Governor’s recommendation.
* Increase the Resources Enhancement and Protection Act (REAP) funding. REAP requests outnumber the available funds. Increase funding from $10.5 million to $15.0 million per year.

**Summary** The total summary of requests from the Enterprise Planning Team is as follows:

New Employees 14

Additional State Funding $10.34 million

Re-Allocated State Funding $26.70 million

Federal Funding $0.80 million

**Hog Confinement Issue** There were several comments and much concern from the public in attendance about the hog confinement issue. In response, Governor Vilsack stated, “We have to live within the framework of current rules and laws, and will again make a series of proposals to the General Assembly.” He also suggested that at a minimum, there needs to be a debate on the issue. Other issues brought up included need for energy policy, support for soil conservation programs, and water sampling and water quality.

**Closing Comments** Lt. Governor Pederson spoke about abuse prevention and parity in the closing remarks.

In closing, Governor Vilsack discussed the need to recruit new people to move into the State and encourage former Iowans to return to the State to fill expected job vacancies. He also stated that our education system must attract and maintain new teachers.

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Governor’s Budget Hearing - Health Care

The Governor’s budget hearing on Health Care was held in Sioux City on November 28. Members of the General Assembly present included Senator Redwine and Representatives Alons, Heaton, Hoffman, Rants, and Warnstadt.

**Public Budget Hearing** Lieutenant Governor Pederson gave opening remarks regarding fiscal responsibility in State budgeting.



**Goals of the Team** Dr. Steve Gleason, Director of the Department of Public Health, introduced the Health Enterprise Planning Team. Various agency directors presented the Team’s five goals for the coming years. The goals and each of their initiatives are:

1. Ensure that all Iowans, particularly those with special health care needs, have access to quality health care services.Dr. Steve Gleasonlisted the following initiatives to help achieve access to quality health care:

* Targeted infant mortality case management.
* Minority health initiatives.
* Children’s mental health initiative.

1. Reduce dependency on harmful drugs.

* Funding to continue efforts to ensure adequate and effective substance abuse treatment.
* Mental health and substance abuse parity.

1. Reduce disease for all Iowans by focusing on wellness and prevention. Kevin Techau, Director of the Department of Inspections and Appeals, listed the following initiative to help reduce disease.

* Enabling legislation to ensure adequate fees to support food establishment inspections.

1. Give consumers a strong voice in Iowa’s health care system. Judy Conlin, Director of the Department of Elder Affairs, listed the following initiatives to help promote consumer advocacy.

* A fourth long-term care ombudsman.
* Enhance the Dependent Adult Abuse System and public awareness of adult abuse.

1. Enhance the quality of life for all Iowans.Jessie Rasmussen, Director of the Department of Human Services, listed the following initiative to help enhance Iowans’ lives.

* Improved safety and permanency of children in the child welfare system.

**Comments** The public hearing concluded with questions from the audience and responses by the Lieutenant Governor and the Health Enterprise Planning Team. Comments included the following:

* Jim Rickster of the Siouxland Mental Health Commission stated the Department of Public Health rather than the Department of Human Services should administer mental health services. Jessie Rasmussen responded such a change would be difficult to enact because the Legislature would need to amend the Code of Iowa, and Medicaid funding received for mental health services would need to continue flowing through the Department of Human Services. State agencies collaborate through Enterprise Teams to ensure Iowans are well served.
* Jonathan Narcis, a constituent, asked what efforts are being undertaken to collaborate with community resources. Members of the Health Enterprise Planning Team cited various examples of collaboration, including the Food Safety Task Force and nursing home resident advocacy committees.
* A representative of the Governor’s Alliance on Substance Abuse asked for State assistance in overseeing the efforts of various local initiatives so as to combine resources. Jessie Rasmussen indicated assistance is being provided through Empowerment.
* Gene Edner, a constituent, expressed concern over the need to help immigrants obtain health benefits through employment. Lieutenant Governor Pederson responded that a Governor’s Task Force is planning a pilot project in six communities to develop a model support network for Iowa’s immigrants.
* Kurt McDonald of Montgomery Recovery Center expressed concern that State-employed social workers earn significantly more than private-employed social workers, making it difficult for private agencies to attract and retain social workers. Jessie Rasmussen indicated competitive wages are problematic in all areas of State government, but Iowa needs to begin addressing low wages.
* John Winkelman of Iowa Protection and Advocacy cited a lack of community-based services for disabled individuals.
* Fran Sands of the Sioux Health Department expressed support for the Healthy Opportunity for Parents to Experience Success (HOPES) Program and asked if the State plans to expand the Program. Dr. Gleason responded the Department of Public Health would like to expand the Program.
* Carl Hardy of the American Cancer Society asked about the status of funding through the tobacco settlement and questioned what is being done to reduce adult tobacco use. Members of the Health Enterprise Planning Team responded that no change in tobacco funding is anticipated, and federal funds are being sought for adult intervention and cessation efforts.
* Dana Petrowsky of the Iowa Association of Homes and Services for the Aging expressed support for outcome-oriented reimbursements and acuity-based reimbursements for nursing homes.

**Copies Available** Copies of the Health Enterprise Planning Team’s presentation are available on the Internet at [www.state.ia.us/government/its/Public%20Hearing/](http://www.state.ia.us/government/its/Public%20Hearing/) HEPT\_Hearing\_Team\_Final.ppt

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governor’s budget hearing - Safe Communities



**Public Budget Hearing** The Safe Communities Public Budget Hearing was held at the Council Bluffs Public Library. During the meeting, the Governor named three pilot communities in the Safe Communities project. They are: Mason City, Fort Dodge, and Marshalltown. The Governor also discussed the five goals that the Vision Iowa team has for the State of Iowa, as follows:

**Goals of the Team** Goal 1 – Reduce Crime and Abuse in Iowa, Focusing on Child Abuse, Elder Abuse, and Domestic Abuse.



* The building of a new crime lab to house the Medical Examiner and DCI Crime Lab.
* Establishing certification procedures and enhanced training for professionals providing services to domestic abuse/sexual assault victims.
* Penny Westfall, Commissioner, Department of Public Safety (DPS), discussed two new budget requests. In the DPS FY 2002 budget request, the Department wants to add an Elder Abuse Crime Unit and a Cyber Crime Unit. Both of these units and respective FTE positions will be paid with grants. The Department has requested no General Fund money.

Goal 2 – Reduce the Demand and Supply of Illegal Drugs.

* Parity for mental health and substance abuse treatment.
* Adding six Special Agents to the Division of Narcotics Enforcement.
* Adding an additional Iowa State Patrol Drug Interdiction Team.

Goal 3 – Reduce Preventable Injuries and Deaths.

* Lowering the Blood Alcohol Content (BAC) level from .10 to .08.
* Requiring safety locks on handguns sold in Iowa.
* Supporting efforts to make it easier to obtain a protective order in Iowa that would require changing the domestic violence law from “imminent” to “immediate” danger for no contact orders.

Goal 4 – Increase Youth and Community Development through Improved State and Local Partnerships.

* Expanding the National Guard Starbase Program.
* Promoting and establishing Statewide Mentoring Programs.
* Continuing and enhancing Iowa Youth Development Collaboration.
* Promoting Youth Involvement.

Goal 5 – Improve Outcomes and Efficiency of Sentencing and Treatment of Offenders.

* Providing substance abuse treatment for probationers in secure residential settings that will require Rebuild Iowa Infrastructure Funds (RIIF) and General Fund dollars.
* Expanding drug courts to all eight Judicial District Departments of Correctional Services.
* Statutory changes to require mandatory two-year community supervision of inmates convicted of any sex offense in Chapter 709, Code of Iowa. Presently only those individuals who commit lascivious acts with a child have a mandatory two-year supervision requirement.

**Closing Remarks** Lieutenant Governor Sally Pederson discussed abuse and violence statistics in Iowa. The Governor ended with a discussion of Iowa facts regarding attrition and jobs in the future.

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Governor’s Budget Hearing - The New Economy



**Public Budget Hearing** The Governor’s New Economy Budget Hearing was held in Davenport on November 21. Governor Vilsack and Lieutenant Governor Pederson presided over the meeting, and Mary Milz, Department of Management, served as moderator.

Legislators in attendance included: Senator Sheldon Rittmer; Representatives Dick Myers, Steve Faulk, Bob Osterhaus; Senator-Elect Tom Fiegen; Representatives-Elect Cindy Winckler, Jack Hatch, and Joe Seng.

**Goals of the Team** Rich Running, Iowa Workforce Development Director, began the presentation by noting that unemployment has been less than 3.0% for the last two years, and businesses have had difficulty finding workers. His message was that Iowa needs to grow a diverse, skilled workforce to sustain economic growth. Emphasis was placed on making Iowa the World’s Food Capital and promoting growth in specific industries – life sciences, advanced manufacturing, and information solutions. Mr. Running next discussed wage trends, indicating that the U.S. wages and income are growing at a faster rate than the Iowa wages and income. Some of the approaches to increasing the available workforce included:

* Removing barriers for underutilized workers. This targets the disabled, minorities, immigrants, and ex-criminal offenders.
* Educating young Iowans about the job opportunities available in Iowa, such as bio-engineering crops.
* Attracting former Iowans to return home.
* Welcoming new Iowans who immigrate to Iowa. New Iowan Centers in Muscatine and Sioux City provide one-stop workforce-related services.
* Emphasizing small, fast-growing companies of the New Economy that will need venture capital as a source of new jobs.
* Utilizing the Vision Iowa Program to provide attractions and recreational facilities.

Mr. Running next discussed how to prepare Iowa’s communities for future growth and development. Some of the topics discussed included:

* Land management and farmland preservation.
* Using brownfield projects to clean up sites in cities and utilizing other techniques to reduce annexation of surrounding areas.
* Having a comprehensive housing plan that comes out of the Housing Task Force findings and recommendations.

Richard Varn, Director, Information Technology Department, discussed the “digital divide”, which refers to those communities that have technological access to high-speed Internet connections and telecommunication services versus those with limited access. The concern is that limited access is limiting growth of the economy in some areas. The identified elements included:

* Technology assessments to identify the communities’ needs, goals, and the gaps between those needs and the technology infrastructure’s ability to meet those demands.
* Financial and planning assistance to fill the gaps.
* Creation of carrier meeting points for high-speed connections coupled with bandwidth brokering.

C.J. Niles, Director, Department of Economic Development, concluded the formal presentations by discussing areas for growth in Iowa’s economy. The presentation included:

* Emphasis on making Iowa the World’s food capital by promoting value-added agriculture, improving export markets, and the World Food Prize.
* Encouraging growth in advanced technology industries in the areas of life sciences, advanced manufacturing, and information solutions.
* Fostering new business starts by enhancing access to seed capital and expanding the Angel Investment Program.
* Renaming the Strategic Investment Fund to the New Economy Fund and refocusing programs to serve businesses in the target industry cluster areas, to encourage higher salaried jobs, and to promote business modernization.

After the Governor responded to questions from the audience, Lieutenant Governor Pederson discussed domestic abuse (child, spouse, elder) as a priority for the next legislative session. They will be asking to increase the number of social workers, counseling for victims, training for health care providers, and training for law enforcement.

**Closing Remarks** Governor Vilsack closed the meeting with a discussion of the shortage of workers and his education priorities. He indicated a need to promote immigration and a need to prepare communities to receive immigrants. In regard to teaching, he noted fewer people are going into teaching, teachers are leaving the profession, and a large number of current teachers will be retiring in the next few years. He also made comments concerning teacher quality, curriculum, class size, discipline, measurable results, and declining test scores.

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COMMISSION ON REPLACEMENT FUNDING FOR ELIMINATION OF THE PROPERTY TAX ON INDUSTRIAL MACHINERY, EQUIPMENT, AND COMPUTERS



**Commission Meeting** The Commission on Replacement Funding for Elimination of the Property Tax on Industrial Machinery, Equipment, and Computers (M&E) met on November 30. The Commission heard from the following presenters:

* Cristine Plocher, Iowa State Association of Counties, distributed M&E taxable valuation information by county. She stated that data showing whether new commercial and industrial valuation growth is directly related to the M&E elimination is needed, but difficult to obtain. She indicated that reviewing aggregated county information doesn’t provide the total picture for that county.
* Ron Amosson, Department of Management (DOM), and Mike Flaherty, Department of Revenue and Finance (DORF), discussed problems with system compatibility and reporting of consistent data between the two departments. Mr. Amosson pointed out that the valuation report is due to DOM on January 1, while the taxing authority supplies M&E valuation information to DORF on September 1. Although those valuations are for different purposes, the amounts reported should be the same except for error and court case mandates. The DOM does not feel it’s practical or reasonable to combine the two reports. Changes have been made to the DOM reporting forms to show reimbursable and nonreimbursable M&E. Mr. Flaherty stated that the DORF has enhanced its claim form by completing some of the fields for the local entity, including taxing district number, name and consolidated tax rate. This has helped with accuracy. The DORF form also now reports back to the local entity what they originally reported to DOM in January, which also has helped to improve accuracy.
* Joel Gabrielson, Department of Revenue and Finance, presented information to the Commission showing actual reimbursement claims by county for FY 1997 – FY 2001. He stated that 26 counties account for 80.0% of the reimbursement claims for FY 2001. On the handout, counties whose claims are dropping were identified.
* Cynthia Eisenhauer, Director, DOM, stated that the M&E appropriation is a standing appropriation, and that the DORF prepares the estimates used by the DOM for budgeting purposes. The FY 2002 estimate of $27.8 million is what the Governor will use in the preparation of his budget recommendation. In response to a question, Ms. Eisenhauer will follow up with the Governor on a statement he had made that local entities are better off than they think in regard to claims reimbursements.
* David Casstevens, Director of Administrative Services, City of Muscatine, discussed the impact of the elimination of the M&E tax on Muscatine. Machinery and equipment represented 16.3% of the City’s tax base in 1994, and for three years prior to that, was the fastest growing segment of the tax base. The change in the formula for FY 2002 (taking into account growth in the commercial and industrial valuations) will further negatively impact Muscatine. Mr. Casstevens made the following suggestions:

Identify those entities most adversely affected by the change in the formula and extend the full 100% State reimbursement to them for an additional period of time.

Change the reimbursement formula to not count commercial growth against the reimbursement.

Examine slowing down further elimination of existing M&E on the books. Use a longer phase-out period, with perhaps a 2.0% or 3.0% annual reduction until the existing M&E is eliminated.

Give the ability to raise funds to offset general fund losses or expenditures.

* LaMetta Wynn, Mayor, City of Clinton, also addressed the Commission on the impact of the elimination of the M&E tax on Clinton. Almost 22.0% of the total valuations for the City of Clinton were in machinery and equipment for 1994. With the change in the formula for FY 2002, the City is estimating a shortfall of replacement funds of approximately $500,000. Ms. Wynn suggested:

Continuation of the full reimbursement by the State.

Modification of the reimbursement formula for the commercial growth deduction.

Ability to use limited growth valuation.

Adjusting commercial growth value due to equalization orders, expired tax abatements, and Tax Increment Financing (TIF) values placed back on the valuation records between 1994 and 1999.

**Subcommittee Formed** At this time, Ms. Eisenhauer offered to form a subcommittee to develop recommendations with fiscal estimates for the full Commission to consider. This subcommittee will meet on December 20, and report back to the Commission at a later date.

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Administration and Regulation Appropriations Subcommittee FY 2002 Department Requests

**FY 2002 Budget Request** The 11 Departments of the Administration and Regulation Appropriations Subcommittee are requesting $91.5 million from the General Fund and 1,967.5 FTE positions, an increase of $4.5 million (5.2%) and 64.0 (3.4%) FTE positions compared to estimated FY 2001. This does not include $134,000 that remains unallocated from the FY 2001 Salary Adjustment Fund or the $134,000 requested for the FY 2002 Salary Adjustment Fund.

Significant General Fund Changes Requested

1. **Office of the Auditor of State** - The Office of the Auditor of State is requesting $1.7 million from the General Fund and 116.7 FTE positions for FY 2002. This is an increase of $264,000 (18.9%) and a decrease of 0.1 (0.1%) FTE position compared to estimated FY 2001. The changes were unspecified changes to the base budget.



1. **Department of Commerce** - The Department of Commerce is requesting $21.8 million from the General Fund and 325.0 FTE positions for FY 2002. This is an increase of $1.1 million (5.3%) and 4.0 (1.2%) FTE positions compared to estimated FY 2001. The change, by division or program, includes:

**Alcoholic Beverages Division** – An increase of $370,000 (22.9%) and 4.0 (16.3%) FTE positions for field investigators to respond to establishments suspected of committing violations.

**Banking Division** - An increase of $599,000 (10.1%) and no change in FTE positions compared to estimated FY 2001.

* A decrease of $274,000 due to the elimination of three positions during reorganization.
* A decrease of $180,000 due to the purchase of laptop computers by the Division in FY 2001. The laptops were a one-time expenditure.
* An increase of $175,000 to implement a pay scale that will eliminate the option of granting extra duty pay.
* An increase of $379,000 for travel, communication, Attorney General costs, and training.
* An increase of $111,000 for two mortgage banker/broker and electronic banking examiner positions and a secretary.
* An increase of $389,000 for maintenance and upgrades for the risk-focused examination procedure and the Internet database.
* **Credit Union Division** - An increase of $69,000 (5.6%) and no change in FTE positions compared to estimated FY 2001. The change includes:
* A decrease of $24,000 for the Division to reclassify an Information Technology Specialist 3 to a Clerk Advanced position to reallocate funding into the implementation of a pay study. The study, conducted by the Department of Personnel, is designed to reduce the high employee turnover suffered by the Division and to eliminate extra pay.
* An increase of $94,000 for the Division to implement a pay study conducted by the Department of Personnel and reclassifies a position from an Executive Officer 3 to Executive Officer 4.
* **Insurance Division** - An increase of $92,000 (2.4%) and no change in FTE positions compared to estimated FY 2001 to pay for increased building lease costs.

1. **Ethics and Campaign Disclosure** - The Board is requesting $589,000 from the General Fund and 8.0 FTE positions for FY 2002. This is an increase of $73,000 (14.2%) and no change in FTE positions compared to estimated FY 2001. The significant changes include:

* An increase of $16,000 to pay ICN phone bills. In the past, bills have not been paid in full due to lack of funds and ICN has forgiven the money due.
* An increase of $5,000 to reclassify two existing positions to higher pay grades.
* An increase of $8,000 to pay Wellmark health insurance premium increases.
* An increase of $30,000 to make campaign finance disclosure statements available on-line.
* An increase of $5,000 to create a Board Member Publication Fund to be used for sending out notices and other educational publications.
* An increase of $8,000 to replace three of the 13 existing computers.
* An increase of $2,000 to add a printer used by the public for printing reports.

1. **Department of General Services** - The Department is requesting $11.2 million from the General Fund and 228.9 FTE positions for FY 2002. This is an increase of $733,000 (7.0%) and 2.0 (0.9%) FTE positions compared to estimated FY 2001. The change, by division, includes:

* **Rental Space Division** - An increase of $615,000 (59.8%) compared to estimated FY 2001. The change includes:
* An increase of $194,000 to fund escalator clauses in leases, operating expense increases, and relocation costs for several agencies.
* An increase of $421,000 to fund rent costs for short-term leases for the Departments of Public Safety, Public Health, and Cultural Affairs.
* **Terrace Hill Operations Division** - An increase of $121,000 (46.5%) and 1.0 (20.0%) FTE position compared to estimated FY 2001. The change includes:
* An increase of $39,000 to fund a volunteer coordinator position to promote Terrace Hill as a historic site, manage volunteers, and provide preventive maintenance.
* An increase of $28,000 and 1.0 FTE position to fund a Maintenance Worker for ground and building maintenance.
* An increase of $54,000 to fund routine maintenance activities and maintenance contracts for elevators, security, fire, and heating, cooling, and ventilation systems.



1. **Office of the Governor** - The Office of the Governor is requesting $2.2 million from the General Fund and 27.3 FTE positions for FY 2002. This is an increase of $36,000 (1.7%) and 1.0 (3.8%) FTE position compared to estimated FY 2001 to fund an Administrative Assistant for the First Lady.
2. **Department of Inspections and Appeals** - The Department is requesting $10.8 million from the General Fund and 320.8 FTE positions, including $3.8 million and 55.8 FTE positions for the Racing and Gaming Commission for FY 2002. This is an increase of $175,000 (1.7%) and 12.7 (4.1%) FTE positions compared to estimated FY 2001. The significant changes, by division, include:

* **Audits Division** - An increase of $32,000 (6.6%) and no change in FTE positions compared to estimated FY 2001 for travel and related expenses to comply with federal regulations on audits of health care facilities and local Department of Human Services offices.



* **Health Facilities Division** - An increase of $117,000 (4.7%) and 4.0 (3.7%) FTE positions compared to estimated FY 2001. The significant changes include:
* An increase of $117,000 and 1.0 FTE position to survey non-Joint Commission on Accreditation of Health Care Organizations and the non-American Osteopathic Association (JCAHO/AOA) accredited hospitals on a three-year cycle rather than the current four-year cycle, and to conduct complaint investigations at Joint Commission on Accreditation of Health Care Organizations and the American Osteopathic Association (JCAHO/AOA) accredited hospitals. The Department has proposed to increase the annual hospital license renewal fee from the current $10 to $1,000 to cover the cost of expanding the surveys and complaint investigations.



* An increase of 3.0 FTE positions to provide for 10-day complaint responses at Medicare Certified Facilities and to cover increased complaint activity at the Facilities. The positions are 100.0% federally funded.
* **Foster Care Review Board** - An increase of $26,000 (3.3%) and 1.0 (5.3%) FTE position compared to estimated FY 2001 to provide support for local review board activities, the statewide registry program, and for statewide foster care administration.



* **Racing and Gaming Commission Pari-Mutuel Regulation** - No change in funding and an increase of 5.7 (25.4%) FTE positions compared to estimated FY 2001 to reflect the actual past FTE position usage for Racing and Gaming Commission Members and extra help.
* **Racing and Gaming Commission Excursion Boat Regulation** - No change in funding and an increase of 2.0 (7.8%) FTE positions compared to estimated FY 2001 to reflect the actual past FTE position usage for Racing and Gaming Commission Members.

1. **Department of Management** - The Department is requesting $2.6 million from the General Fund and 33.0 FTE positions for FY 2002. This is no change compared to estimated FY 2001 and an increase of 1.0 FTE position compared to estimated FY 2001 to be used for local government operations. (This does not include $134,000 appropriated to the FY 2001 Salary Adjustment Fund or $134,000 requested for the FY 2002 Salary Adjustment Fund for redistribution to agencies).



1. **Department of Personnel** - The Department is requesting $7.0 million from the General Fund and 102.5 FTE positions for FY 2002. This is an increase of $2.1 million (42.5%) and 11.0 (12.0%) FTE positions compared to estimated FY 2001. The significant General Fund changes, by division, include:

* **Administration and Program Operations Unit** - An increase of $92,000 (4.8%) and 3.0 (9.7%) FTE positions compared to estimated FY 2001. The significant changes include:
* An increase of $92,000 and 2.0 FTE positions for a full-time Division Administrator and a full-time Bureau Chief of the Accounting Bureau.
* No change in funding and an increase of 1.0 FTE position to redesign the State’s compensation philosophy and pay system. This position will be funded with $82,000 from agency billings.



* **Customer Services and Benefits Management Unit** - No change in funding and an increase of 8.0 (13.2%) FTE positions compared to estimated FY 2001. The significant changes include:
* An increase of 4.0 FTE positions to be funded with $275,000 from the Health Insurance Premium Reserve Fund and $618,000 from agency billings to support the Group Insurance, Wellness, Deferred Compensation, and Return to Work Programs. The 4.0 FTE positions being requested include the restoration of the 3.0 FTE positions requested to be decreased in requests below.
* An increase of 3.0 FTE positions to be funded with $50,000 from the Department’s Training Revolving Fund and $533,000 from additional agency billings to partner with departments in providing recruitment and training services.
* An increase of 2.5 FTE positions to be funded with $173,000 from additional agency billings to improve labor-management relationships and to establish an employee recognition program.
* An increase of 1.0 FTE position to be funded with $91,000 from the Training Revolving Fund and $99,000 from additional agency billings for expanded training curriculum and to leverage technology, including maintenance of performance management systems.
* An increase of 0.5 FTE position due to an unspecified increase to the base budget.
* A decrease of 2.0 FTE positions that had been funded from the Health Insurance Reserve Fund to work on the health insurance reform effort. The Department is requesting the positions to be restored in a request above.
* A decrease of 1.0 FTE position that had been funded equally from the Health Insurance Reserve Fund and the Workers’ Compensation Trust Fund for a Ready to Work Program Coordinator. The Department is requesting the position to be restored in a request above.
* **Workers’ Compensation and Insurance Fund** - An increase of $2.0 million compared to estimated FY 2001 to increase the funds available for the payment of Workers’ Compensation claims. The Department assumes that increased funds will be needed due to one-time expenses resulting from the expected retention of a third-party administrator. It is assumed that the third-party administrator will attempt to settle claims to close open files that have open-ended liability. In FY 2001, all funding for the Workers’ Compensation and Insurance Fund was placed with State agencies, which then pay insurance premiums into the Fund.



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**Significant Other Fund Requests**



* **Health Insurance Premium Reserve Fund** - The Department is requesting $275,000 from the Health Insurance Premium Reserve Fund to support the Group Insurance, Wellness, Deferred Compensation, and Return to Work Programs described in a request under the Iowa Department of Personnel’s Customer Services and Benefits Management Unit. This is a decrease of $314,000 compared to the estimated FY 2001 appropriation from the fund. The Department was appropriated $544,000 and 2.0 FTE positions for the Health Insurance Reform Program and $89,000 and 1.0 FTE position, including $45,000 of that amount from the Workers’ Compensation Trust Fund, for a Ready to Work Program Coordinator in FY 2001.
* **Primary Road Fund and Road Use Tax Fund** - The Department is requesting $477,000 from the Primary Road Fund ($410,000) and Road Use Tax Fund ($67,000) for FY 2002. This is no change compared to estimated FY 2001. The funds are used to pay a portion of the salaries for Department staff that work on personnel issues relating to the Department of Transportation.

Retirement



* **Iowa Public Employee Retirement System (IPERS) Revolving Fund** - The Department is requesting $8.8 million and 95.0 FTE positions from the Iowa Public Employee Retirement System (IPERS) Revolving Fund for FY 2002. This is an increase of $1.1 million (14.0%) and 7.0 (8.0%) FTE positions compared to estimated FY 2001. The significant changes include:
* A decrease of $150,000 due to the one-time FY 2001 funding for the Governor’s Task Force on IPERS Structure and Governance Study.
* A decrease of $1.3 million and 11.0 FTE positions due to the FY 2001 appropriation being one-time funding to reengineer the IPERS information system. FY 2001 was identified as the second year of a two-year project.
* A decrease of $225,000 due to the FY 2001 appropriation being one-time funding for updated handbooks for IPERS members. The handbooks are updated every two years.
* A decrease of $120,000 due to the FY 2001 appropriation being one-time funding to acquire a benefits estimator computer program. The FY 2001 appropriation was for $150,000 with $30,000 for ongoing maintenance and licensing fees for the system.
* A decrease of $100,000 due to the FY 2001 appropriation of one-time funding to study methods of providing enhanced portability into and out of IPERS to allow State employees to transfer retirement funds into IPERS from a prior employer’s plan or to transfer the employee’s IPERS funds to a new employer’s plan.



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* An increase of 2.0 FTE positions to continue to provide expanded disability for members employed in special occupation classes so that benefits will be comparable to the benefits members of the Municipal Fire and Police Retirement System of Iowa (MFPRSI) currently receive. IPERS was appropriated $430,000 for the expanded benefits in FY 2001, and IPERS reallocated 2.0 FTE positions appropriated for reengineering the IPERS information system to provide the expanded benefits.
* An increase of $95,000 for once-a-year notice to IPERS members concerning the supplemental account deposit.
* An increase of $200,000 to upgrade the AS400 computer and network systems.
* An increase of $187,000 to design and extend the IPERS parking and driveways to connect to a new street to comply with business park covenants.
* An increase of $48,000 and 1.0 FTE position for a paralegal to support the Legal and Communications Unit.
* An increase of $248,000 and 5.0 FTE positions for the Retirement Benefits Unit to increase customer service.



* An increase of $66,000 for a full-time Chief Operations Officer and a full-time Chief Financial Officer that are currently being shared with the Department of Personnel.
* An increase of $50,000 and 1.0 FTE position for an Administrative Assistant for the Retirement Benefits Unit.
* An increase of $363,000 and 2.0 FTE positions for computer programmers to analyze, design, code, and test computer applications.
* An increase of $179,000 and 2.0 FTE positions to continue work on the data cleaning project and completion of the restoration of historical wage detail to member data records.
* An increase of $772,000 and 2.0 FTE positions to plan and design Internet services to employers.
* An increase of $694,000 and 3.0 FTE positions to develop a records management plan and complete the first phase of converting paper documents to an electronic format.
* An increase of $28,000 to conduct a survey to determine the financial planning needs of IPERS’ membership.
* An increase of $25,000 to increase the use of outside legal counsel.
* An increase of $58,000 to purchase software that will provide a graphical user interface for staff when accessing the computer system.



1. **Department of Revenue and Finance** - The Department is requesting $29.7 million from the General Fund and 617.6 FTE positions, including 117.0 FTE positions for Lottery Operations, for FY 2002. This is no change compared to estimated FY 2001. The significant General Fund changes, by division, includes:

* **Compliance Division** - An increase of $291,000 (2.7%) and 9.0 (5.5%) FTE positions compared to estimated FY 2001 due to the reallocation of resources from the Internal Resources Management Division ($218,000) and the State Financial Management Division ($73,000).
* **Internal Resources Management Division** - A decrease of $218,000 (3.2%) and 4.0 (4.8%) FTE positions compared to estimated FY 2001 due to the reallocation of resources to the Compliance Division.
* **State Financial Management Division** - A decrease of $73,000 (0.6%) and 5.0 (2.0%) FTE positions compared to estimated FY 2001 due to the reallocation of resources to the Compliance Division.

**Significant Other Fund Requests**

* **Motor Vehicle Fuel Tax Fund** - The Department is requesting $1.0 million from the Motor Vehicle Fuel Tax Fund for FY 2002. This is no change compared to estimated FY 2001.



* **Electronic Tax System Redesign** - The Department is requesting $847,000 out of the Pooled Technology Account from the Oversight and Communications Appropriations Subcommittee for FY 2002. This request is to continue efforts to provide around-the-clock electronic services and to expand services as requested by customers of the Department.

1. **Office of the Secretary of State** - The Office of the Secretary of State is requesting $2.8 million from the General Fund and 42.0 FTE positions for FY 2002. This is an increase of $146,000 (5.4%) and no change in FTE positions compared to estimated FY 2001. The change, by division, includes:

* **Administration and Election Division** - An increase of $30,000 (3.7%) and no change in FTE positions compared to estimated FY 2001. The changes were unspecified changes to the base budget.
* **Business Services Division** – An increase of $38,000 (2.0%) and no change in FTE positions compared to FY 2001. The changes were unspecified changes to the base budget.
* **Official Registry** – An increase of $45,000 (900.0%) compared to FY 2001. The change is for costs associated with the biennial printing of the Iowa Official Register.
* **Redistricting** - An increase of $34,000 (134.0%) compared to estimated FY 2001. This is due to an anticipated increase in workload due to redistricting that will occur in conjunction with the 2000 Census.



1. **The Office of the Treasurer** - The Office is requesting $1.1 million from the General Fund and 25.8 FTE positions for FY 2002. This is a decrease of $159,000 (12.9%) and no change in FTE positions compared to estimated FY 2001. The change includes:

* An increase of $91,000 for furnishings of the new office space provided in the Ola Babcock Miller building.
* A decrease of $250,000 due to an unspecified decrease to the base budget.

STAFF CONTACT: Christina Schaefer(Ext. 16765) Ron Robinson (Ext. 16256)

Weekly Medical Assistance Expenditures in the Department of Human Services

**Medical Asst. Program** For the week ending November 20, 2000, FY 2000 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $2.7 million (16.6% of budget). This is $13.7 million below the weekly budget established by the Department. The weekly expenditure total included a credit of $13.9 million in federal funds associated with the supplemental indirect medical education payment. Pursuant to SF 2435 (FY 2001 Human Services Appropriations Act), the federal funds were redirected from the University of Iowa to the Medical Assistance Program.

Year-to-date Medical Assistance General Fund expenditures are $131.0 million, which is $979,000 (0.7%) below 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: Deb Anderson (Ext. 16764)

December Meeting of the Board of Regents



**Regents Board Meeting** The Board of Regents met on December 13 and 14. Significant agenda items included:

* Final Approval of Strategic Plans – Each of the institutions presented results of performance indicators for the current five-year plan (FY 1995-FY 2000) and received approval for a new five-year plan (FY 2000-FY 2005).
* Annual Report on Performance Indicators – The institutions reported on a total of 22 performance indicators. Twelve of the indicators are common to all five institutions and 10 indicators pertain only to the universities. The indicators are divided into the following categories:
* Instructional Environment – instructor rank, class size, and instructional technology.



* Student Profile and Performance – enrollment, graduation and retention, licensure examinations, and career placement.
* Faculty Profile and Productivity – resignations, retirements, new hires, publications, number of hours worked per week, and sponsored research.
* Institutional Diversity – percentage of minority faculty, staff, and students.
* Expenditures, Financing, and Funding – cost per student, deferred maintenance, appropriations, and contributions.
* Annual Report on Professional Development Assignments for FY 2000 – A total of 158 faculty members from Regent universities took professional development assignments during FY 2000 at a cost of $7.2 million. This is a decrease of 6.5% in the number of faculty taking professional development leave compared to FY 1999. The breakdown by institution is:
* University of Iowa (SUI) - 95 faculty
* Iowa State University (ISU) – 44 faculty
* University of Northern Iowa (UNI) – 19 faculty
* Request for Professional Development Assignments for FY 2002 – The Regent universities requested that 146 faculty members be allowed to take professional development leave during FY 2002 at an estimated cost of $7.2 million. This is a decrease of 13.6% in the number of faculty leaves requested compared to the number requested for FY 2001 and a decrease of 7.6% in the number of faculty leaves compared to actual FY 2000. The breakdown for faculty leave requests for FY 2002 is:
* SUI – 82 faculty
* ISU – 46 faculty
* UNI – 18 faculty
* Annual Report on Faculty Tenure – Regent institution faculty are grouped into three categories: tenured (faculty that have attained tenure); probationary (faculty on tenure track); and non-tenure track (faculty not eligible for tenure). The Regent institutions have a total of 6,551 faculty members for fall 2000. This is an increase of 140 (2.2%) compared to fall 1999. Of the total, 2,826 (43.1%) are tenured, 929 (14.2%) are probationary faculty on tenure track, and 2,796 (42.7%) are not eligible for tenure. This is a decrease of 52 (1.8%) in the number of tenured faculty, an increase of 89 (10.6%) in tenure track faculty, and an increase of 103 (3.8%) in noneligible faculty compared to fall 1999. The percent of tenured faculty among those eligible is 77.2% at SUI, 75.6% at ISU, and 69.0% at UNI.
* Annual Report on Faculty Resignations – Resignations of university faculty totaled 151 in 1999-2000. This is an increase of 13 compared to 1998-1999. Resignations by institution are: 74 at SUI, 45 at ISU, and 32 at UNI. Reasons given for resignations include: opportunity to advance career at another institution (57.6%); begin employment in government, business, or private practice (22.5%); and personal factors (19.9%), such as following spouse to a new job location.
* Annual Report on Diversity - Overall, minority employment at the Regent institutions for FY 2000 was 8.3% for all employment categories. This compares to 7.8% for FY 1999. Minority faculty comprises 13.0% of tenure track and 18.9% of non-tenure track faculty.
* Preliminary Consideration of Miscellaneous Fees and Charges - Miscellaneous fees and charges include both tuition-related and non-tuition-related charges. Tuition-related fees include items such as continuing education courses and workshops. Non-tuition-related fees include items ranging from course delivery fees to private music lessons. In October, the Board approved a base tuition increase of 7.2% for the 2001-2002 academic year. The universities proposed a comparable increase in miscellaneous fees for FY 2002.
* Report on Affiliated Organizations – On an annual basis, 21 affiliated organization reports are presented to the Board. Each of the institutions has an alumni association, a university foundation, and a research foundation. The remaining affiliated organizations are related to specific areas, such as the Oakdale Research Park Corporation at SUI, the Agricultural Foundation at SUI, and the Iowa 4-H Foundation at ISU.

**Next Meeting** The next meeting of the Board will be a telephonic meeting on January 17, 2001. The next regular meeting of the Board will be February 21-22, 2001, at Iowa State University in Ames.

STAFF CONTACT: Mary Shipman (Ext. 14617)

TASK FORCE ON IPERS STRUCTURE AND GOVERNANCE



**Task Force Meeting** The Task Force on the Iowa Public Employees Retirement System (IPERS) Structure and Governance voted unanimously November 30 to approve recommendations for restructuring IPERS governance. The recommendations are designed to serve as a framework upon which Governor Vilsack and the Iowa General Assembly will build. The recommendations include:

* Continued alignment of IPERS within the Iowa Department of Personnel.
* The appointment by the Governor of an IPERS Executive Director to oversee IPERS operations, investments, benefits, and administration.
* The IPERS Investment Board should be configured to have nine members. All members would vote and serve as IPERS trustees. Members should include:
* Three representatives from constituent groups, appointed by the Governor.
* A Senator and Representative from the Iowa General Assembly.
* The Treasurer of State.
* Three public members.
* The Treasurer, a member of the Investment Board and, therefore, a trustee, should continue as the custodian of the IPERS Fund.
* A non-fiduciary Benefits Advisory Group, to be comprised of no more than 15 members, consisting of both employee and employer representatives, should be codified.
* IPERS fiduciaries should include, in addition to staff positions, the Governor, the Executive Director, and members of the Investment Board.
* A cleanup should be initiated to resolve ambiguous language in the Code of Iowa and to synchronize the Code of Iowa and IPERS’ current practice.

**Meeting Documents** Documents related to meetings and activities of the Task Force are available at <http://www.state.ia.us/government/idop/taskforcehome.htm>.

**Task Force Final Report** An Iowa Communications Network (ICN) session for review of the Task Force’s final report was tentatively scheduled for December 13.

**IPERS Meeting Scheduled** The Public Retirement Systems Committee was scheduled to meet on December 14 to review the report of the Governor’s Task Force on IPERS Structure and Governance and to review defined contribution options for persons covered by IPERS.

LSB STAFF CONTACT: Ed Cook (Ext. 13994)

LFB STAFF CONTACT: Ron Robinson (Ext. 16256)

THE TAX ASSESSED ON CASINO REVENUES AT RACETRACK ENCLOSURES IS FOUND TO BE CONSTITUTIONAL



**Court Decision** A lawsuit was filed by the Racing Association of Central Iowa, Iowa Greyhound Association, Dubuque Racing Association, Ltd., and Iowa West Racing Association, (Plaintiffs), against Michael Fitzgerald, as the Treasurer of the State of Iowa (Defendant). The Plaintiffs allege the tax they are assessed is unconstitutional. Excursion gambling boats are assessed a tax of 20.0% on all adjusted gross receipts from casino games above $3.0 million, and racetrack enclosures are assessed a tax of 28.0% on all adjusted gross receipts from casino games above $3.0 million, effective January 1, 2000. The tax rate for racetrack enclosures will increase 2.0% on January 1, 2001, and each succeeding calendar year until the rate is 36.0% starting January 1, 2004.

The Iowa District Court for Polk County has ruled in favor of the Defendant and granted the Defendants Motion for Summary Judgment. The Court found that the tax rates are related to a legitimate State interest. The Plaintiffs may appeal the ruling of the District Court to the Iowa Supreme Court. If the Plaintiffs file an appeal, it may take 18 months for the appeal to be ruled upon.

STAFF CONTACT: Ron Robinson (Ext. 16256)

December Council on Human Services Meeting

**Council Meeting** The Council on Human Services met December 14 and conducted the following business:



* Adopted the following administrative rule changes:

Changes in the table of organization for the Department of Human Services, adding a Division of Policy and Rule Integration under the Deputy Director for Policy, which also incorporates the Office of Policy Analysis and the Appeals Section under the new Division. There is no fiscal impact.

Adjusting the payment to those receiving State Supplementary Assistance, to parallel the federal social security cost-of-living increase of 3.5%, which results in a monthly increase of $18.00. This action also increases the personal needs allowance for residents of residential care facilities by $2.00. Specified budgetary impact indicates “minimal”, which was funded by the General Assembly.

Implement the rehabilitation option for services to adults with chronic mental illness under the Medical Assistance (Medicaid) Program. The General Assembly specified that any funding match be county funded except for those within the State Cases Program. Specified budgetary impact indicates a possible cost savings from the State Cases Program due to the federal match from the Medicaid Program in lieu of 100.0% State funding.

Increasing the number of services provided by local school districts and under the Infants and Toddlers with Disabilities Program which are eligible for Medicaid. Specified budgetary impact indicates that the local school districts provide the State share necessary for the Medicaid funding, but does not specify an amount expected to be drawn from Medicaid, which is placed into the State Medical Assistance account rather than the State General Fund as revenue, due to changes enacted by the 2000 General Assembly.

**Administrative Rule Changes** Took action to discuss pending administrative rule changes including:

Increase rates for emergency foster care, an additional $6.09 per day (43.5% increase) for children up to 12 years of age, and a $.21 per day increase (1.0%) for children 12 years of age and older. Specified budgetary impact indicates that the State share of $116,438 will be paid by local area funds for FY 2001, nothing is indicated for FY 2002, which is expected to cost twice that amount due to the timing of the change during FY 2001.

Allow for increases in the rates paid to trainers for foster care training. The new language permits a per hour cost appropriate to local standards and education and experience of the trainer. Specified budgetary impact does not include any additional cost.

Eliminate the 30-day institutional stay requirement for the Home and Community-Based Physical Disability waiver program to provide the waiver slots to be available on a first-come, first-served basis. With the institutional stay requirement, less than ¼ of the slots are being utilized. This corresponds with legislative action to provide exceptions to the institutional stay requirement. Specified budgetary impact indicates no impact.

Implementation of recoupment procedures for the Child Care Assistance Program, resulting from client or provider errors. Specified fiscal impact indicates no impact.

Heard from staff regarding the Ombudsman’s Report on Child Abuse.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Deb Anderson (Ext. 16764)

Risk Pool Board Meeting

**Risk Pool Board Meeting** The Risk Pool Board met December 7 and conducted the following business:



* Submitted recommendations to Department of Human Services Director Rasmussen required in HF 2555 (Tobacco Settlement Fund Appropriations Act) regarding the future use of the $2.0 million appropriated for FY 2001 for direct care staff wage increases and changes in eligibility to utilize a greater amount of the funds.
* Approved recommended changes to Section 426B.5, Code of Iowa, regarding the eligibility for the Risk Pool funds from the Mental Health and Mental Retardation Allowable Growth appropriation. The changes may permit more counties to be able to be eligible for the funding.

Details of both recommendations are available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)