FISCAL UPDATE January 15, 2002

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NCSL Survey - State Fiscal Conditions Continue to Deteriorate

**Survey of States** A new survey conducted by the National Conference of State Legislatures (NCSL) and recently highlighted in the December 15 ***State Budget & Tax News*** indicated that by the end of October, most states had revenue shortfalls. Expenditures exceeded budgeted amounts in one-third of the states.

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* Forty-three states and the District of Columbia are reporting that revenues are below forecasted levels in FY 2002. *This includes Iowa.*
* Twenty-one states and the District of Columbia are reporting spending above budget levels. *Iowa is not one of these states, but Medicaid spending is a concern and the need for a supplemental appropriation is likely.*
* Thirty-six states have implemented or are considering budget cuts or hold backs to address fiscal problems. *Iowa implemented a 4.3% across-the-board reduction, effective November 1.*
* Twenty-four states may use reserve funds to balance their FY 2002 budgets. Some states may use tobacco settlement money.
* Seven states have held special sessions to address budget problems*. The Iowa Legislature held a special session on November 8.*

**Current Projections** The current revenue projection for FY 2002, as estimated by the Revenue Estimating Conference, is 1.5%. As of December 31, 2001, year to date receipts had increased 0.0% ($700,000) compared to FY 2001. For more information on the fiscal conditions in other states or in Iowa, please contact the Fiscal Bureau.

STAFF CONTACT: Holly Lyons (Ext. 17845) Dennis Prouty (Ext. 13509)

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New Look to Legislative Fiscal Bureau Web Site

**New LFB Web site** The Legislative Fiscal Bureau has updated its web site, designed to provide timely, useful information to legislators, staff, and the general public. The site’s address is: <http://staffweb.legis.state.ia.us/lfb/> and can also be accessed from the Legislative Fiscal Bureau link on the General Assembly’s web site.



**What’s New?** The site contains a “What’s New” button which will be updated periodically and list the new information that has been posted to the web site. Watch the Fiscal Update for information on What’s New at the LFB web site.

**Site Features LFB Products** – Features of the site include on-line access to all of the LFB’s publications:

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* Budget Analysis, the LFB’s analysis of the Department’s budget recommendations for FY 2003. The LFB analysis of the Governor’s recommendations will be posted to the web site as soon as the Governor releases his recommendations, currently expected to be late this week or early next week.
* Fact Book, a compendium of fiscal facts about the State of Iowa.
* Fiscal Notes, including Fiscal Notes for previous legislative sessions.
* Fiscal Update, the LFB’s newsletter.
* ***Issue Reviews***, reports prepared by the LFB in regard to issues of interest to the General Assembly.
* Presentations, a collection of PowerPoint presentations prepared on a wide variety of subjects.
* Tracking, the LFB’s record of appropriations by committee and by bill.
* Revenue/Debt, which includes the Monthly Revenue Memo, Daily Receipts, Balance Sheet, and other information on the State’s current financial status.

**Additions** As the legislative session progresses, two additional products will be available on-line:

### NOBA

* Notes on Bills and Amendments, a detailed analysis of appropriations bills and related amendments as they progress through the legislative process.
* Fiscal Report, a detailed analysis of enacted appropriations legislation, including explanation of the Governor’s vetoes. The Fiscal Report for the 2001 Session is currently on the web site and is also available on CD-ROM.

**Hard Copies Still Provided** The LFB will continue to produce and distribute hard copies of most of its products. We hope that legislators and others will find on-line access a time-saving and convenient option.



**Committee Information Committee Information** – The site includes information on each of the appropriations subcommittees, including links to members’ web pages, staff e-mail, and related department and agency web sites. Subcommittee agendas, minutes, and handouts are also available.

 In addition, information is included for several standing committees in both chambers: Education, Ways and Means, Appropriations, Oversight, and Fiscal Committee.

**Search Search Capability** – The site has a search engine that allows keyword or key phrase searching of all the LFB’s products.

**Information on CD-ROM** The LFB will issue semi-annual CD-ROMs in July and January. The CD to be released in January willcontain a comprehensive summary of fiscal information produced by the LFB. In addition, selected information produced by the Governor’s Office, the Department of Management, and the Department of Revenue and Finance will be included.

**Suggestions Welcome** The LFB staff welcomes suggestions for expanding and improving the web site.

STAFF CONTACT: Robin Madison (Ext. 15270) Jennifer Dean (Ext. 17846)

LFB Staff Located in the lucas building have moved to a new location

**Offices Moved** During the 2001 interim, the Legislative Fiscal Bureau Offices in the Lucas State Office building moved from the Ground Floor to the east side of the first floor. The move was necessitated by the continued renovation of the Lucas Building. The Director’s Office remains on the Second Floor of the Capitol Building. Attached to this Fiscal Update is a listing of Fiscal Bureau staff and assignments.

STAFF CONTACT: Tim Faller (Ext. 14615)

Judicial Branch Re-organization



**Reorganization Plan Tabled** The Iowa Supreme Court announced on December 11 that the Court planned to table the plan proposed by the Judicial Council to create 28 court service areas in the State of Iowa. However, other streamlining efforts due to budgetary constraints within the Judicial Branch will continue. Reduced staffing and changes in public hours in all 99 counties will still take effect. The Judicial Branch still plans to propose legislation for some administrative restructuring and flexibility in changing the Judicial District lines. Presently, there are eight Judicial Districts. Layoffs will continue in the Judicial Branch and the last day of work for those individuals will be January 3rd. The CASA Program, which the Judicial Branch also eliminated due to the 4.3% across-the-board reduction, will be temporarily assumed by the Ombudsman/Citizen’s Aide Office on February 1st. The CASA Program will remain there for six to eighteen months.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

September 2001 certified Enrollment Figures



**Enrollment Figures Released** The Department of Education has released the September 2001 certified enrollment figures. Along with school district enrollments, the data also contains limited English proficient student weights and shared pupil and teacher weights. These enrollment figures are used in calculating the FY 2003 allowable growth amounts. The new data shows:

* Total 2001-02 enrollment of 489,522.8. This is a decrease of 4,767.9 (1.0%) compared to last year’s total enrollment. This is the fifth consecutive year that enrollments have decreased.
* A total limited English proficient weighting of 1,694.2. This is an increase of 145.7 (9.4%) compared to last year’s weighting. This is the seventh consecutive year this weighting has increased.
* A total supplemental weight for shared teachers and students of 1,664.1. This is an increase of 229.5 (16.0%) compared to last year.

Special education weightings and supplemental at-risk weightings have not been finalized. That information will be available in January 2002. For more information pertaining to enrollments, contact the Legislative Fiscal Bureau or visit the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/subcom/ed_standing/spreadsheets.htm>.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

FY 2003 Allowable Growth Estimates

**Allowable Growth**  Allowable growth estimates for FY 2003 have been revised due to the release of actual enrollments and weighted enrollments. Current law has the allowable growth rate at 4.0% for FY 2003. The increase in State aid for FY 2003 is estimated to be $147.7 million (8.6%) compared to the adjusted FY 2002 amount.

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**FY 2003 Changes** The table below details FY 2003 changes in State aid, property tax, and the budget guarantee at various allowable growth percentages.

 **FY 2003 Allowable Growth Estimates**

 **(Dollars in millions)**

**More Information** For specific school district information pertaining to this information, contact the LFB.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

School Infrastructure Vision Iowa Grants Awarded for FY 2002

**Grants Awarded** School Infrastructure Grants from the Vision Iowa Program have been awarded to 25 school districts in the amount of $20.9 million. The funds must receive a local match and must be used for infrastructure purposes. This is the second year of a three-year program that will provide grants totaling $50.0 million. In FY 2001, approximately $10.0 million was awarded to 12 school districts, of which $900,000 reverted to the Program due to lack of the local funding match. It is estimated that $20.0 million will be awarded in FY 2003.



**Applications** Sixty-six applications, totaling approximately $188.2 million in requests, were received. The applications were scored and ranked in three enrollment categories, and where applicable, one-fourth of the funding was awarded in each category. Unsuccessful applications from the three enrollment categories were then scored and ranked within a fourth category, and the remaining funds were awarded.

**Districts Receiving Grants** The 25 school districts receiving grants in FY 2002 are: Algona, Carlisle, Cedar Rapids, Center Point-Urbana, Centerville, Chariton, Clear Creek-Amana, Denver, Dubuque, East Buchanan, Glidden-Ralston, Grinnell-Newburg, Lamoni, Lone Tree, Maple Valley, Marshalltown, Muscatine, North Cedar, North Kossuth, Oskaloosa, Pleasantville, Solon, Van Buren, Van Meter, and Woodbine.

**More Information** For more information regarding this information, contact the LFB.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

School Budget Review Committee Meeting



**Budget Review Committee** The School Budget Review Committee (SBRC) met on December 10. Items on the agenda included:

* Discussion and approval of modified allowable growth for six school districts totaling approximately $2.1 million for costs associated with providing a program to limited English proficient students (ESL) in excess of the weighting generated.
* Discussion and acceptance of the recommendations made by the task force for Vision Iowa School Infrastructure Grants. The recommendations will now be forwarded to the Department of Education.
* Discussion and approval of on-time funding modified allowable growth in the amount of approximately $12.0 million for FY 2002. Of the 101 school districts eligible to receive the on-time funding, 95 requested funding. Approval is pending receipt of school board minutes and is subject to further Department review.

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* Discussion and approval of modified allowable growth for the 2001-02 school year for tuition costs incurred for open enrollment students not included in the September 2000 certified enrollment reports in the amount of approximately $8.2 million. Approval is pending receipt of school board minutes and is subject to further Department review.
* Certification of the Certified Enrollment Report to the Department of Management. The Report is subject to further review by the Department of Education.
* Discussion, approval, and denial of various other modified allowable growth requests made by school districts.
* Discussion of other matters, including the 4.3% across-the-board reduction to State aid for allowable growth. School districts will have the authority to use cash on hand or levy for cash reserve to maintain their FY 2002 budget authority. It was noted that this would have implications for the School Budget Review Committee in May 2002, when the Committee will consider limitations on cash reserve.

**More Information** For further information concerning the meeting, contact the Legislative Fiscal Bureau or visit the Department of Education School Budget Review Committee web site at: <http://www.state.ia.us/educate/fis/sft/sbrc/index.html>.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

Department of Human Rights Appropriations Transfer

**Approp. Transfer** The Legislative Fiscal Bureau (LFB) received notice for a proposed FY 2002 appropriations transfer under Section 8.39, Code of Iowa.

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**Transfer From** The Department is transferring $35,000 from the Division of Persons with Disabilities and the Division on the Status of African Americans as follows:

* Persons with Disabilities $20,000
* Status of African Americans $15,000

**Transfer To** The $35,000 will be transferred to the following:

* Community Grant Fund $21,587
* Status of Women $12,035
* Latino Affairs $1,378

**Rationale** The reason for the appropriations transfer is that subsequent to the implementation of the 4.3% across-the-board reduction, the Department of Human Rights elected to minimize the impact to programs that directly serve local communities, youth, and the Iowans in Transition Program by utilizing vacancy savings from two division administrator positions.

STAFF CONTACT: Lisa Burk (Ext. 16765)

JANUARY MEETING OF THE COUNCIL ON HUMAN SERVICES

**Council Meeting** The Council on Human Services met January 9 and conducted the following business. The Council received public comments regarding:



* Requests not to reduce FY 2003 reimbursement rates, due to:

Concern regarding provider access when providers may withdraw from participation in the Medicaid Program.

Many provider reimbursement rates were reduced by 3.0% for FY 2002 compared to FY 2001 rates.

* Requests that the Governor and General Assembly utilize the Economic Emergency Fund rather than reducing services to those eligible for Medicaid.
* Find methods to reduce the cost of delivering the services to those eligible for Medicaid.
* Acknowledgement that the federal government contributes to Medicaid, with any reductions of State funds resulting in reductions of federal funds.
* Permit the Merit Behavioral Plan to utilize the Community Reinvestment Fund to continue existing services and payments.



* Elimination of the Medically Needy Program would:

Cause other providers of Medicaid services to be impacted.

Place the existing cost burden upon property taxes.

* Review the possible positive impact of requiring third party coverage for treatment of mental illness.
* Optional services often provide preventive care, which is cost effective.
* Eliminating optional services may cause the same treatment to be sought from another provider, eliminating the possible cost savings.
* The need to treat all providers equally if rate reductions need to be made.
* The need to conduct a long-term analysis of what should be considered “best practice”.
* Providers in Iowa receive the lowest Medicare reimbursement in the nation, and federal requirements limit Medicaid not to exceed the Medicare rate.
* The current increase in the demand for Medicaid services will require providers to provide more treatment for less reimbursement, if rates are reduced.
* Concern for the disruption of patient and provider relationship if optional services are eliminated.
* Establish a Medicaid rate-setting work group to review all Medicaid reimbursement rates.
* Locations for service will need to be found for certain children now receiving psychiatric treatment if that optional service is eliminated.



* The federal government is also making changes to components of reimbursements to those services outside of Medicaid.
* Costly hospital emergency room services will be used at a greater rate if access and optional services are limited.
* Personal experiences from those receiving services as a result of being eligible for the Medically Needy Program.
* Statistics showing that 90.0% of the growth in Medicaid is the number of new eligibles and increased utilization.
* Concern regarding the possible elimination of therapy services.
* The need to allow those eligible under the federal Work Incentive Act to remain eligible for Medicaid.

**Discussion and Action** Council discussion and action on the 4.3% across-the-board reduction for Medical Assistance ($18.6 million) included:



* Concern that the Council will be responsible for reducing Medicaid services or rates in the event the Governor and General Assembly reverse action of the Council.
* The possibility of finding other funds within the Department or other expenditures of State government to replace the $18.6 million and eliminate the need to reduce Medicaid.
* Concern for the impact upon local government expenditures.
* Not taking action and wait upon the Governor and General Assembly to make the necessary changes to comply with the 4.3% across-the-board reduction.
* A motion was made to have the Department draft changes to administrative rules necessary to reduce Medicaid provider rates by 13.2% beginning February 1, 2002 (annualized rate of 7.5%). The motion was approved. A meeting is set for January 16 for action upon the rules.
* Approved the drafting of a resolution to express the challenges of the action and to request that the Governor and General Assembly replace the funds to eliminate the need for the reimbursement rate reduction.

**Admin. Rules Changes** The Council adopted changes in the administrative rules, including:

* Change to the income and resource waivers extended to entrepreneurial training participants in the Family Investment Program. There is minimal fiscal impact expected.

Administrative

 **Rules**

* Eliminate provisions for burial assistance related to the Family Investment Program and the State Supplementary Assistance Program. The fiscal impact will be a savings of $12,000 to the Family Investment Program and $25,000 to the State Supplementary Assistance Program.
* Revise policy for refugee services. This allows services to be provided past the first 60 days of resettlement with the granting of an exception. The fiscal impact is to federal refugee funds only.
* Change references in policy for AIDS/HIV Health Insurance Premium Payment Program. There is no fiscal impact expected.
* Change references related to certification of rehabilitative treatment service providers. There is no fiscal impact expected.
* Change policies to allow tribally-owned and operated health care facilities to be providers in the Medicaid Program. The fiscal impact is to federal funds only.



* Change policies relating to services provided by nurse-midwives in the Medical Assistance Program. There is no fiscal impact expected.
* Implement accountability measures for nursing facilities within the Medical Assistance Program, as directed by the General Assembly in 2001. Nursing Facilities will receive additional reimbursement for meeting and exceeding the established measures. The fiscal impact is estimated at $3.5 million.
* Change to allow the Iowa Veterans Home to continue to submit semi-annual cost reports and remove the requirement that nursing facilities’ Medicaid rates not exceed private-pay rates. There is no fiscal impact expected.
* Change procedures for authorizing child care assistance payments for the Promise Jobs Program. There is no fiscal impact expected.
* Change policies in the Family Investment Program to shorten the Limited Benefit Plan (LBP) resolution process and eliminate the Iowa Transitional Assistance for Direct Education Costs Program. The fiscal impact is $324,300 in Temporary Assistance to Needy Families savings for changes to the Limited Benefit Plan.
* Technical changes to the Family-Life Homes Program. There is no fiscal impact expected.

**Notice for Action Approved** The Council approved the following administrative rules notice for action at future meetings:

* Changes the method by which households receive expedited food stamp benefits. There is no fiscal impact identified.
* Revisions to the policy regarding the Health Insurance Premium Payment Program. There is no fiscal impact expected.
* Revisions to policies regarding the Interstate Compact on Juveniles. An estimate of fiscal impact is deemed by the Department not to be available due to the number of individual incidents, which may be affected by the policy changes.
* Revisions to Juvenile Court Services Program policies regarding allocation of costs, life skill services, and the school liaisons. There is no fiscal impact expected.

Administrative

 **Rules**

* Elimination of various administrative rules regarding purchase of adult services which are no longer needed due to counties now being responsible for the services contracts. There is no fiscal impact expected.
* Revisions to policies regarding overpayments. There is no fiscal impactd expected.
* Changes to Medicaid policy relating to dental services. There is no fiscal impact expected.
* Changes to Medicaid policy relating to optometric and optical services. There is no fiscal impact expected.
* Changes to the procedures for changes in administrative rules in the future. There is no fiscal impact expected for these technical changes.
* Revisions to Medicaid policies relating to submission of provider claims. There is no fiscal impact expected.
* Revisions to Medicaid policies relating to psychiatric institutions. There is no fiscal impact expected.
* Revision to policies regarding Social Services Block Grant allocations. There is no fiscal impact expected for these technical changes.
* Revisions to the policy for refugee services. This allows services to be provided past the first 60 days of resettlement with the granting of an exception. The fiscal impact is to federal refugee funds.

**Discussion** The Council Members discussed the following items:

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* Invitation to all Council Members to attend the State of the State address on January 15.
* A letter to the Governor and Legislative leadership in strong support of DHS staff and programs.
* Council Members plan to meet with Legislators to discuss the DHS budget needs for FY 2003.
* Compliments to Director and DHS staff for making tough choices during reorganization and across-the-board reductions in FY 2002.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

Legislative Oversight Committee Meeting

**Oversight Committee** The Legislative Oversight Committee met December 12 with several Members participating from remote sites over the Iowa Communications Network (ICN).



**Top Priority Issues** The Committee discussed and prioritized the various issues that had been before them during the 2001 Interim. As requested by the Legislative Council, the Committee developed a list of top priority issues that are being recommended for further action during the 2002 Legislative Session. The Council had asked the Committee for the top three priorities; however, there was a tie in rankings for third place, and the following four issues will be submitted.

**Recommendation to Council** The Committee unanimously adopted a motion to notify the Legislative Council that the following four issues be presented in priority order to the Legislative Council based on the Committee’s review during the 2001 Interim, and recommend that the Council encourage the appropriate legislative committees to review and take action on these issues during the 2002 Legislative Session.

* The Committee reviewed Iowa’s State Energy Policy and policies of other States, transmission and generation issues, findings of the Energy Policy Task Force, and other energy sources. The Committee found that policy leadership in the energy area is fragmented and recommends that clarification be given to the agencies, related to their role in determining Iowa’s energy policy.



* The Committee reviewed the Accountable Government Legislation and proposed the Enterprise Resource Planning System. Recognizing that revenues may at this time be too limited to fully implement the Accountable Government Act, the Committee feels that the General Assembly needs to move ahead in this arena where possible, to provide greater accountability to the public.
* The Committee reviewed the National Conference of State Legislatures (NCSL) proposal to study Iowa legislative processes and agencies. With the reorganization going on in Executive and Judicial Branches of State Government, the Committee feels the General Assembly should review its own processes, procedures, and agencies.
* The Committee reviewed the operations, programs, services, and funding sources of the Iowa Department for the Blind and the Braille and Sight Saving School. Specifically, the Committee feels the costs associated with the resident population at the School may be too high. Alternatives for educating the students in their own communities need to be explored.

**Future Committee Dates** The Committee also set meeting dates for the 2002 Interim as follows:

* May 8 August 28
* June 12 September 25
* July 10 October 23

**More information** Copies of all Committee agendas, minutes, and handouts are available on the Legislative Fiscal Bureau web site at <http://staffweb.legis.state.ia.us/lfb/subcom/oversight/oversight_docs.htm>

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

Senior Living Coordinating Unit Meeting

**Meeting** The Senior Living Coordinating Unit met December 21 and conducted the following business:

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**RFP Status** Eileen Creager, Department of Human Services (DHS), reported on the status of the second Request for Proposal (RFP) for Senior Living conversion grants for nursing facilities. The grants provide funding for the conversion of all or part of nursing facilities to assisted living programs, or for long-term care service development for the provision of Home and Community-Based Services (HCBS). Applications for the RFP were due October 26, and there were a total of 33 applications received, with 18 agencies applying for conversion grants and 15 applications for service development. Seven agencies applied for both conversion and service development grants. Ms. Creager reported that the grant evaluation panel had met three times and recommended that the members of the Senior Living Coordinating Unit hold a special meeting to approve grants, as the RFP indicated that applicants would be notified by January 18, 2002. There was a motion passed to hold a special meeting the week of January 7, 2002, for this purpose.



**Report on Federal Grant** Jennifer Steenblock, DHS, reported on the second year of a federal Medicaid Infrastructure Grant that will provide $1.2 million for FY 2003. The purpose of the grant is to assist the State in the development of a system that will support competitive employment of persons with disabilities by facilitating targeted improvements to the State’s Medicaid Programs. The State will use the grant funds in three areas:

* To develop options for adding personal care services to the State Medicaid Plan.
* To revise Home and Community-Based Service (HCBS) Waiver Programs so they are more supportive of employment.
* To assure access to Iowa’s new Medicaid Buy-In (MEPD) Program.

**State Plan Benefit** Ms. Steenblock explained that the development of a Medicaid Personal Assistance Service (PAS) State Plan Benefit would provide support to individuals choosing to live in their own homes in the community. The estimated impact on persons with disabilities and their families includes:

* An estimated additional 992 individuals not currently receiving Personal Assistance Service benefits will receive services.
* Most current enrollees that receive services from the Home and Community-Based Waiver Program would receive the comprehensive Personal Assistance Service benefit through the State plan rather than continue to receive the more limited benefit currently available through the Waiver Program.
* Quality of life for clients wishing to stay in their own homes would improve.
* More Medicaid clients would be able to work and become taxpayers.

**State Impact** The estimated impact on the State includes:



* The cost for the second half of FY 2003 would be $1.6 million for Personal Assistance Service, and $1.3 million for costs associated with targeted case management and fiscal intermediary services related to provision of the service.
* The cost for FY 2004 would be $6.9 million for Personal Assistance Service and $2.6 million for costs associated with targeted case management and fiscal intermediary services related to provision of the service.
* There is a potential for some cost savings if institutional admissions are avoided as a result of the availability of the new benefit.

**Accountability Measures** Ms. Steenblock also reported on Nursing Home Case Mix Accountability Measures. House File 740 (FY 2002 Senior Living Trust Fund Appropriations Act) specified that the DHS initiate and implement a system of accountability to measure nursing facility outcomes in the areas of quality of life and efficiency that can be used to increase nursing facility reimbursements based on favorable outcomes. Ten accountability measures have been developed, and nursing facilities must achieve a minimum of three points out of a possible 11 in order to receive additional reimbursement. The ten measures and the maximum allowable points are as follows:

* Deficiency-Free Survey – 2 points.
* Substantial Compliance with Survey – 1 point (facilities cannot receive points for both a deficiency-free survey and substantial compliance).
* Nursing hours provided – 2 points maximum.
* Resident Satisfaction – 1 point.
* Resident Advocate Committee Resolution Rate – 1 point.
* High Employee Retention Rate – 1 point.
* High Occupancy Rate – 1 point.
* Low Administrative Costs and Low Use of Contracted Nursing – 1 point.
* Special Licensure Classification – 1 point.
* High Medicaid Utilization – 1 point.

**Additional Reimbursement** The following table outlines the amount of additional reimbursement nursing facilities may receive based on the number of accountability measure points earned.

0-2 Points No additional reimbursement.

3-4 Points One percent of the direct care and non-direct care cost component patient-day-weighted medians.

5-6 Points Two percent of the direct care and non-direct care cost component patient-day-weighted medians.

7 or More Points Three percent of the direct care and non-direct care cost component patient-day-weighted medians.

**Elderly Waiver Participation** Mikayla Funaro, DHS, reported on Elderly Waiver participation. For FY 2001, there were 5,396 unduplicated clients that received services, such as homemaker, home-delivered meals, consumer-directed attendant care, transportation, adult day care, and assisted living through the Elderly Waiver. Ms. Funaro reported that to date, for FY 2002, there are 3,781 clients participating at an average cost per month of $411 per client compared to the monthly cost of $1,670 per individual for nursing facility care, and $2,400 per individual for skilled nursing facility care. The State has paid over $7.0 million for Elderly Waiver services to date for FY 2002 at a monthly cost of approximately $1.5 million.

**Adult Day Services** Joel Wulf, Department of Elder Affairs, reported on Adult Day Services, noting that as of July 2001, there were 83 known, self-identified adult day service programs in the State. It was also noted that 10,500 adult day service hours were provided with Senior Living Program funds from July to October 2001. He also reported that options for funding an oversight system for adult day services, including a public-private partnership, are no longer being explored because no General Fund appropriation had been made for FY 2002 and an appropriation for FY 2003 was not anticipated. Mr. Wulf further reported that after a review of the Department’s administrative rules, the Attorney General’s Office agreed that the Department had no statutory or administrative rule requirement to furnish point-in-time letters and recommended the Department stop issuing them. These letters state that to the best of the Department’s knowledge, an adult day services provider meets minimum standards at that point in time. Without an oversight system in place, however, there are no valid indicators of whether or not a provider continues to meet minimum standards after receipt of the letter. In addition, the Attorney General’s Office recommended that the Department rescind Chapters 24 and 25 of the Iowa Administrative Code due to a lack of a General Fund appropriation for the implementation of an oversight system and a system of consumer complaint investigation. The Department plans to file the notice to rescind these Chapters on January 4, 2002.



**Coming Home Grant Prg.** Carla Pope, Department of Elder Affairs, reported on the Iowa Coming Home Grant Program. The Program, funded by the Robert Wood Johnson Foundation, is a joint initiative between the Department and NCB Development Corporation for the creation of a viable model for the development of high quality, affordable assisted living in Iowa. Three demonstration pilots of affordable assisted living were selected, including Cedar Place in Story City, Emerson Point Limited Partnership in Iowa City, and Mehaffey Point Limited Partnership in North Liberty. Each demonstration project will serve elderly individuals with low and very-low income in underserved areas. The purpose of the three pilot projects is to demonstrate that it is feasible to develop and operate an affordable assisted living program. The selected pilot projects will receive extensive technical assistance in the areas of pre-development finance and operations.



**Clients Served** Greg Anliker, Department of Elder Affairs, reported that 5,099 elderly clients received unduplicated services, such as personal care, homemaker, chore, case management, and others, as a result of the Senior Living Program from July to October 2001. In addition, Mr. Anliker reported that for October 2001, there were 1,100 clients with unmet service needs. These services could not be provided for various reasons, including a lack of service providers or because adequate funding was not available to provide the service.

**Future Meetings** Jessie Rasmussen, DHS, reported that the Code of Iowa required Senior Living Coordinating Unit meetings be held on a quarterly basis, and future meetings for 2002 would be held in March, June, and September. Ms. Rasmussen noted that meetings were held more frequently in the past when the Committee was in the initial development stage and additional meetings were necessary.



**Federal Funds** Judy Conlin, Department of Elder Affairs, reported that the Department worked through Senator Harkin’s Office on a proposal submitted to the federal Administration on Aging for funds that would provide for the implementation of system changes to streamline elderly waiver, elderly case management, and associated services in an effort to reduce redundancy in client data collection by various service providers and case managers. As part of the implementation, system technology enhancements would be used to share data between authorized providers to ease the time and information burden on clients and improve system access. The Department was notified on December 19 that it would receive federal grants for this specific implementation activity for an anticipated three-year period. It is anticipated that the Department will receive an estimated $1.5 million for the first year; however, the specifics on when the award will be formally announced, formally made, and when the funds will be drawn down were not yet known.

**Low-interest Loans** Jesse Rasmussen, DHS, reported that there had been some discussion regarding offering low-interest loans versus conversion grants for nursing facilities. Ms. Rasmussen noted that if this were to occur, it would be necessary to change language in the existing Code. She explained that one of the positive points for offering low-interest loans versus grant funds was that the Senior Living Trust Fund could be sustained for a longer period of time; however, the negative aspect would be the potential for slowing down the process due to the change.

STAFF CONTACT: Lisa Burk (Ext. 16765)

Special Meeting of the Council on Human Services



**Special Meeting** The Council on Human Services met December 20 via teleconference and moved to delay further action on the following administrative rules regarding Medicaid services. This action delayed the following administrative rule proposed changes:

* Eliminate the Medically Needy Program within the Medicaid Program for most adults effective February 1, 2002.
* Eliminate the Medically Needy Program within the Medicaid Program for most adults effective March 1, 2002.

**Action Delayed**  The Council agreed to delay any action until the January 9 meeting to possibly change Medical services in accordance with the Executive Order 24 (4.3% across-the-board reduction). Director Rasmussen told the Council members of the Governor’s intent to introduce a bill early next Legislative session to designate revenues to address the 4.3% across-the-board reduction relating to Medical services in lieu of reductions.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

December hawk-i Board Meeting

**Board Meeting** The Healthy and Well Kids in Iowa (***hawk-i***) Board met December 17 and conducted the following business:

**Reports** The Board reviewed the following correspondence and reports:



* Correspondence from the DHS Director, Jessie Rasmussen, to Tommy Thompson, Secretary of Health and Human Services, following up on a request from Governor Vilsack to allow a Section 1115 demonstration waiver which would allow eligible families the option of enrolling their children into the Children’s Health Insurance Program or Medicaid. To date, no action has been taken on the request.
* Correspondence from the ***hawk-i*** Board to Covering Kids and Families National Program Office regarding the endorsement of the Iowa Department of Public Health as the lead organization for the current Iowa Covering Kids State Coalition. The Board is seeking the funding available from the national Program and is expecting Robert Wood Johnson Foundation funding to help sustain and expand the Iowa Program.



**Administrator’s Report** The Board received the Administrator’s Report:

* DHS Reorganization – Cathy Anderson, acting Division Administrator for Medical Services, reviewed the changes being made within the DHS.
* Budget – The federal funding for the Children’s Health Insurance Program budget for FY 2002 is reduced by approximately $10.5 million (32.0%) from the FY 2001 authorization. The impact on the Iowa Program will be felt in FY 2004, as carry over funding from 1998 through FY 2001 remains available.
* Enrollment & Statistics – This information is generated from the computer system of the current fiscal agent. It has been determined that enrollment information included in monthly reports has been understated. System changes are underway and are expected to reflect higher enrollment numbers. The amount of increase has not been determined.
* Outreach Update – Ongoing efforts to reach uninsured children and uninsured families were discussed with the Board. The DHS and outreach groups continue to have positive impacts despite lack of media campaign and a coordinator. The Board wants to approach the Human Services Appropriations Subcommittee with a request for funds for outreach. Senator Veenstra will assist with putting this item on the Subcommittee agenda for this next session.
* Dental Issues – The Board discussed the issue of access of dental services to *hawk-i* children. Options for improving access include privatizing via a managed care provider and having the Legislature review the child dental access issues in the next Legislative Session.
* Health Insurance Flexibility and Accountability (HIFA) Initiative – The Board was provided with a copy of the report from Centers for Medicare and Medicaid Services (CMS) reviewing the current opportunities for States to expand insurance coverage for lower-income citizens through Medicaid and SCHIP as part of the response to the problem of affordable coverage and uninsurance. This initiative is considered a viable option by the Center for states which have lost, or are projected to lose, unused SCHIP funding. Only Arizona has an approved application at this time.

**Next Meeting** The next Board meeting is scheduled for January 28, 2002.

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

STAFF CONTACT: Sam Leto (Ext. 16764)

Natural Resource Commission Holds Meeting

**Commission Meeting** The Natural Resource Commission held a meeting in Des Moines on December 13. The following items were discussed:



* Al Farris, Administrator of the Parks, Recreation, and Preserves Division, asked the Commission to approve a contract with the Smith Group for a total of $193,000 for overall development of the Destination Park. Services will include further definition of the master plan, preparation of road and utility concept statements, preparation of a wastewater feasibility plan and future design of wastewater collection. The contract was approved.
* Mr. Farris asked the Commission to approve the recommendations for the Lake Rehabilitation Grant Review Program. Recommendations included a grant for $32,000 to Clear Lake and $58,000 to the Rathbun Land and Water Alliance. The grants were approved.



* Mr. Farris asked the Commission to approve a Notice of Intended Action that increases rental rates for cabins and lodges at State Parks. A public hearing was held on November 26, 2001, and there were no comments. The Notice was approved.
* Mr. Farris asked the Commission to approve a Notice of Intended Action with regard to the Endangered and Threatened Plant and Animal Species listing. The Commission amended the Notice by moving the river otter from the endangered category to the threatened category. The Notice was approved as amended.
* Mike Brandup, Administrator of the Parks and Prairies Division, asked the Commission to approve the sale of 21,000 board feet of walnut from the Yellow River State Forest. Bids were submitted for the purchase of the timber and the highest bid was $27,000. The Commission approved the sale of the timber.
* Linda Hanson, Administrator of the Administrative Services Division, presented the following land acquisitions for approval by the Commission. All acquisitions were approved. They included:
* Big Sioux River – 20 acres donated in Sioux County by the Sioux County Sportsmen’s Club.
* Gullpoint Park – 30 acres for $100,000 in Dickinson County. The land is being offered by the Iowa Natural Heritage Foundation and will be paid with funds from the Resource Enhancement And Protection (REAP) Open Spaces account.
* Gladfelter Marsh – 155 acres for $205,000 in Hancock County. Funds will be from the North American Wetland Conservation Act Fund.
* Loess Hills State Forest – 160 acres for $353,000 and 160 acres for $262,000 in Harrison County. Funds will be from the REAP Open Spaces account.
* Linda Hanson introduced members of the Keepers of the Land Volunteer Program. She explained that there were over 26,000 volunteers that donated over 87,000 hours for a cost savings of $1.25 million.
* Jeff Vonk, Director of the Department of Natural Resources, explained the reorganization of the Department. The reorganization will reduce the number of Divisions from seven to three and reduces the number of Bureaus from 21 to 16. The Department is reorganizing the State Parks, which increases the number of Park Rangers.

**Next Meeting** The next meeting will be held on February 14, in Des Moines.

STAFF CONTACT: Deb Kozel (Ext. 16767)

December Meeting of the Council on Human Services



**Council Meeting** The Council on Human Services met December 12. The Council adopted the following administrative rule changes that are anticipated to have a fiscal impact. For more information on other administrative rule changes adopted by the Council in December, please contact the Fiscal Bureau.

* Change policies regarding certain transplant costs within the Medicaid Program. State savings of $1.9 million are to be replaced by federal revenues.
* Delay the implementation of the occupancy rate impacting Medicaid reimbursement for nursing facilities from 80.0% to 85.0% from July 1, 2002, to July 1, 2003. The fiscal impact may be up to $1.0 million.
* Change policies regarding various child day care grant programs. There may be a fiscal impact and the information indicates federal funds may be affected.
* Implement child welfare targeted case management services under Medicaid. Additional federal funds are expected, dependent upon the timing and approval of the State Plan Amendment from the Centers for Medicare and Medicaid.

**Notice for Action** The Council placed several administrative rule changes on notice for action at future meetings. The following rule changes are estimated to have a fiscal impact. For more information on the other rule changes placed on notice for action by the Council, please contact the Fiscal Bureau.

* Change elements of the Family Investment Program (FIP) for certain persons receiving Supplemental Security Income (SSI) benefits, decreasing the time involved for the Limited Benefit Plan resolution process, and eliminate the Iowa Transitional Assistance for Direct Education Costs Program. There may be an unspecified amount of increase in administrative costs within the Promise Jobs Program. Additional persons eligible for the Supplemental Security Income benefits and the Family Investment Program will permit the children within the families to be eligible for benefits for more than the 60-month limit, since the federal limit does not apply to the families receiving Supplemental Security Income benefits. The cost for this is not specified. Decreasing the time period for the Limited Benefit Plan resolution process is estimated to save $324,000 in FY 2003 in funds from the Temporary Assistance to Needy Families (TANF) appropriation.

Administrative

 **Rules**

* Eliminate the entrepreneurial training waiver within the Family Investment Program (FIP). Fiscal impact is expected to be minimal for State and TANF funding due to the limited number of waivers approved in the past.
* Eliminate State funds for burial assistance. For FY 2002, there was $50,000 budgeted for this purpose.

**Action Delayed** The Council approved a motion to delay action upon Medical Assistance (Medicaid) reductions until a later date.

**Director’s Report** Director Rasmussen reported to the Council regarding:



* The status of the reorganization at the field office level and the central office level. She specified that final determination for the Service Area geographic boundaries was to be made soon.
* Indicated that the FY 2002 projected deficit of Medicaid has been increased by the DHS from $20.0 - $25.0 million to $25.0 - $30.0 million.
* Indicated that the Governor did not want to eliminate the Medically Needy Program for adults within the Medical Assistance Program to meet the 4.3% across-the-board reduction. She noted that meetings had been held between the Governor and the Legislative leadership regarding possible additional revenues in lieu of elimination of the Medically Needy Program.

**Discussion** Council members discussed:

* The need for legislators to understand the importance of the Medical Assistance Program (Medicaid).
* Exploration of alternative reductions to the Medicaid Program.

**Plan for Behavioral Health** The Council received an update from Joan Discher of the Merit Behavioral Care Corporation regarding services provided for the Iowa Plan for Behavioral Health. The Iowa Plan is a managed care plan for mental health and substance abuse services for a portion of the Medicaid Program recipients.

**Lt. Governor** Lieutenant Governor Pederson discussed:

* Issues relating to mental health and developmental disabilities.



* Concern of the Governor and Lt. Governor regarding the proposed elimination of the Medically Needy Program and a request that the Council delay action pending possible additional meetings between the Governor and Legislative leadership.
* Support of the proposal by the Iowa State Association of Counties and the Central Point of Coordination Administrators for seven changes impacting mental health services across the State. Details of the Report are available on the web site of the Iowa State Association of Counties at: [www.iowacounties.org/newhottopics.htm](http://www.iowacounties.org/newhottopics.htm).

**Waiver Consolidation** The Council received a Waiver Consolidation update from Cathy Anderson. The Legislative Fiscal Bureau is in the process of requesting the possible financial impact to the merger of six waivers into three. Waivers are granted by the federal government to permit States to provide various services outside of the regulation parameters.

**Other Business** The Council heard from Linda Hinton regarding an overview of the mental health redesign proposal by the Iowa State Association of Counties, previously delineated when noting the information received from Lt. Governor Pederson. Ms. Hinton also presented information regarding the Children’s Mental Health Initiative underway between the Departments of Human Services, Public Health, and Education.

**Next Meeting** The next Council meeting is January 16.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

DECEMBER MEETING OF MEDICAID INFrASTRUCTURE GRANT WORKGROUP

**Work Group Meeting** The Medicaid Infrastructure Grant Workgroup met on December 12 and conducted the following business:



* Report to Governor and Legislature - Report on Personal Assistance Services has been distributed to the Governor and Legislature. Members of the Workgroup want to meet with them, discuss the Report, and request funding for Personal Assistance Services.
* DHS Reorganization - The Workgroup reviewed the Department’s reorganization and the 4.3% across-the-board appropriation reductions for FY 2002.
* Personal Assistance Services Options - The Workgroup reviewed cost options developed to provide the Governor and Legislature with service alternatives based on limited resources. The Workgroup decided to draft an addendum to the report to include these options.
* Consumer Directed Attendant Care - The Workgroup discussed how Consumer- Directed Attendant Care relates and differs from Personal Assistance Services. Grant funds will be used to provide training on Consumer-Directed Attendant Care when the DHS reorganization is settled.

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

STAFF CONTACT: Sam Leto (Ext. 16764)

Board of Corrections Meeting



**Board Meeting** The Board of Corrections met December 7 in Des Moines. Fred Scaletta, Department of Corrections (DOC), presented information regarding the prison system’s inmate telephone system. The current system was implemented September 2001, and rates increased substantially for local calls. However, the rates are comparable to surrounding states. The system requires inmates to pre-pay for their telephone usage. The inmate’s account is charged for each call he or she makes. Family members may send money to the DOC specifically for telephone calls; the only deduction from these funds is the State sales tax and federal excise tax, if applicable. The DOC is projecting a profit of approximately $760,000 that will be spent on programs that benefit inmates, such as the education program.

**Testimony** The Board received testimony from several prison-issues groups. They complained about excessive telephone rates and stated the Department should not make a profit from the inmate telephone system. The programs funded from the profits are worthwhile; the programs should be funded from the General Fund. Telephone rates for inmates and their families could be lowered if the DOC was not generating a profit. The DOC responded that it was highly unlikely that the programs would be funded from the General Fund, given State revenue projections.

**Award Received** District Director Gary Hinzman presented Board member Art Neu with the first annual National Association of Probation Executives award. The award is named for Art Neu, who as the Lieutenant Governor in the 1970’s, was instrumental in developing Chapter 905, Code of Iowa, which is the operating authority for the current Community-Based Corrections (CBC) system in Iowa.

**Population Update** Director Kautzky updated the Board on the current inmate population. Prison admissions were less than releases for the month of November. The inmate population was 8,031 on December 7, a decrease of 71 inmates (0.8%) compared to the start of the fiscal year.



**Across-the-board Reduction** Director Kautzky presented updated information to the Board regarding the impact of the across-the-board reduction. The DOC had $3.0 million restored to its budget during the Second Extraordinary Session of the General Assembly. The net reduction was $8.0 million for a 3.2% across-the-board reduction. Institutions were reduced by $6.3 million, or 3.3%. The CBC District Departments were reduced by $1.4 million, or 2.3%. Central Office appropriations were reduced by $297,000. The number of staff laid off is dependent on the number of staff who accept early retirement or the buy-out option. The DOC will not know how many staff are impacted until February 1, 2002. The DOC will continue to provide updates to the Board.

**Level of Skills Inventory** Associate Director Lowell Brandt provided information regarding the DOC’s risk assessment tool, the Level of Skills Inventory – Revised (LSI-R). He also provided information concerning prison staff and CBC staff working with the Board of Parole to release low-risk inmates. This effort may be the reason for the prison population remaining relatively stable during FY 2002.

**Next Meeting** The Board will meet on January 30 in Des Moines, to coincide with the Iowa Corrections Association Legislative Coffee.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Department of Transportation FY 2003 Budget Request

####  FY 2003

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**FY 2003 Budget Request** The Department of Transportation (DOT) is requesting $265.8 million in total operations, special purpose, capital projects, and programs for FY 2003, a decrease of $12.0 million (4.3%) compared to estimated net FY 2002. Of this amount, the DOT is requesting $242.9 million in operation expenses and 3,554.0 FTE positions. This is a decrease of $13.1 million (5.1%) and 403.0 FTE positions (10.2%) compared to estimated net FY 2002. The 403.0 FTE positions included 2.0 positions that are not appropriated by the General Assembly, but are funded through the Department’s two revolving funds.

**Other Funds** Of the $265.8 million, $2.8 million is being requested from the General Fund, an increase of $123,000 (4.5%) compared to estimated net FY 2002. The estimated net FY 2002 General Fund appropriation includes the 4.3% across-the-board reduction. In addition to the General Fund, $263.0 million is being requested from other funding sources, a decrease of $12.1 million (4.4%) compared to estimated net FY 2002.

**Significant Changes** The request must still be examined by the Department of Management and the Governor. The significant budget changes are discussed below.

**Operations Budget** The Department is requesting$191,000 to transfer three employees from the Highway Budget Unit to the Operations Budget Unit.

**Special Purpose** Significant Changes in the Special Purpose Budget Unit include:



* $5.0 million to rewrite the current vehicle registration system. This is a new request for FY 2003. The appropriation is needed to hire a consultant to redesign the outdated system. The Department is requesting $10.0 million for two years; this is the first of two years.
* $50,000 for a projected increase in reimbursements to the State Auditor’s Office.
* $300,000 to transfer the budget for Transportation Maps from the Operations Budget Unit to Special Purpose. Transportation Maps were previously funded at $262,000 from Operations. The $38,000 increase is to have large-print maps made in addition to the regular maps.
* $40,000 for the Mississippi River Parkway Commission. The Mississippi River Parkway Commission was previously funded at $30,000 from the Planning Budget Unit. The Department is asking for an increase of $10,000 due to increased annual organization dues and operation costs, in addition to needing matching funds for a National Scenic Byway Grant received by the Commission.



**Capital Projects** The Department is making the following requests for capital projects:

* $2.0 million for Phase 4 and completion of the redesign of the Ames Administration Building. Phase 4 includes redesign of the basement in the Administration Building.
* $200,000 to fund utility improvements at rural maintenance locations throughout the State. This is a new request for FY 2003. The improvements include connecting lines for local water, sewer, and natural gas.
* $1.7 million to build a new scale lot in Cedar County. This is a new request for FY 2003. The appropriation would go toward the purchase of land and construction of a building, scale, ramps, and a parking and inspection area.

**Program Approps.** The Department is requesting the following funding:

* $26,000 compared to estimated net FY 2002 to restore the 4.3% across-the-board reduction for Railroad Assistance.
* $97,000 compared to estimated net FY 2002 to restore the 4.3% across-the-board reduction for Aviation Assistance.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Department of Agriculture and Land Stewardship Holds Legislative Agenda Meeting

**FY 2003 Issues/Budget** The Department of Agriculture and Land Stewardship presented their legislative and budget requests for FY 2003 on December 12.

**Success Stories** Patty Judge, Secretary of Agriculture, described some of the success stories that the Department has experienced in the past year. They include:

* There are only two cases of Pseudorabies in the State of Iowa, which is a decrease of 420 cases compared to the previous year.
* A summary of the steps taken to prevent foreign animal diseases, such as Foot and Mouth Disease, in Iowa. The Department has an emergency response plan in place in case of an outbreak within the State.



* Expansion of the Organic Certification Program as the number of organic farmers increases.
* Expansion of the wine and grape industry as the number of growers increase. This enables local wineries to purchase grapes within the State.
* Expansion of ethanol production in the State. Four new ethanol production plants began construction during 2001, and two new plants will begin ethanol production in January.
* Enactment of the Conservation Reserve Enhancement Program (CREP) that was signed by the United States Secretary of Agriculture during the State Fair.

**Beginning Farm Loan Prg.** Jeff Ward, Agriculture Development Authority Director, reported there were 150 loans closed in 2001, for a total of $24.0 million in the Beginning Farm Loan Program and the default rate of the loans is one percent.

**Consumer Protection** Ron Rowland, Consumer Protection and Regulatory Affairs Director, discussed the accomplishments of the Division. They include:

* Development of a pilot program that reduced the amount of pesticide used in Iowa schools.
* Received a $305,000 grant from the federal Environmental Protection Agency (EPA) to purchase equipment that increases the Pesticide Laboratory’s ability to test pesticide residues.
* Processed over 150 grain indemnity claims as a result of the Crestland Cooperative closure.
* Found traces of methyl tertiary butyl ether (MTBE) in Iowa gasoline samples. Enforcement action is pending.

**FY 2003 Budget Request** The Division is requesting the following for FY 2003:

#### FY 2002

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* An increase of $87,000 and 1.0 FTE position for a veterinarian to deal with foreign animal diseases.
* An increase of $283,000 for programs that are mandated in the Code of Iowa.
* An increase of $50,000 and 1.0 FTE position for a Grain Warehouse Examiner.
* An increase of $150,000 for the purchase of an information system that would be used to record samples tested in the laboratory.
* An increase of $70,000 to restore funding for the Gypsy Moth Program.

**Market Devel./Admin. Serv.** Mary Jane Olney, Market Development and Administrative Services Director, discussed the accomplishments of the Division. They include:



* Increased the number of livestock sales reported. Sales for 600,000 feeder cattle, 90,000 cattle, and 40,000 sheep were reported in 2001.
* Implemented grain and livestock information on the Department’s web site. This information can be viewed at: <http://www2.state.ia.us/agriculture/index.html>.
* Increased participation of the elderly in the Farmer’s Market Nutrition Program.
* Increased the number of certified organic growers from 30 to 90 in 2001.
* Increased the use of the Department’s web site by offering on-line licenses and registrations.

**Grape Production Program** The Division is requesting $101,000 and 1.0 FTE position for a State Viticulturist to establish a grape production program in Iowa.

**Soil Conservation Division** Ken Tow, Soil Conservation Division Director, discussed the accomplishments of the Division. They include:

* Processed over $5.3 million in soil conservation cost share claims from landowners that provided more than $10.0 million in conservation measures.
* Allocated Resource Enhancement and Protection (REAP) Funds to 882 applicants for water quality practices.
* Implemented the Conservation Reserve Enhancement and Program (CREP) for water quality improvement.
* Enrolled 74,000 acres in the Conservation Reserve Program (CRP).
* Implemented the Integrated Farm Management Demonstration Program. The Program had over 150 participants and information was provided to other producers using Field Day Demonstrations that were held around the State.

**Budget Request** The Division is requesting the following for FY 2003:

* An increase of $2.5 million and 24.0 FTE positions from the Environment First Fund for the Soil Conservation Cost Share Program.
* An increase of $200,000 from the Rebuild Iowa Infrastructure Fund (RIIF) to participate in the Soil Survey Program.

**Other Requests** Other Department legislative requests included:

* Expansion of the farm winery industry through the implementation of a farm winery tax.
* A certification program for dog and elk production in Iowa.
* Compensation for loss of inventory to growers of nursery stock and fruit trees due to deer destruction.
* Implementation of tax credits for renewable fuel production.
* Expansion of the federal Environmental Protection Agency’s Revolving Fund to provide low interest loans to producers to comply with rules regarding confined animal feeding operations.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Department of General Services - Routine Maintenance Quarterly Report



**Quarterly Report Received** The Department of General Services submitted the quarterly report on routine maintenance to the Legislative Fiscal Bureau on November 16 for the quarter ending September 30, 2001. The Report details the allocation and expenditure of funds appropriated for routine maintenance in FY 2001 and FY 2002. The General Assembly appropriated $2.0 million for FY 2001 and $2.0 million for FY 2002 to the Department for routine maintenance needs of State facilities. The Governor’s Vertical Infrastructure Advisory Committee established the policy to distribute the funds to State agencies on a square-foot basis.

**Maintenance Funding** The following tables summarize the quarterly reports and show the total allocations for each State agency and the amount expended and encumbered through September 30, 2001.

**Exceeding Allocation** In some instances, the amount expended by an agency has exceeded its allocation. The Report states the amounts expended that exceed the allocation will be funded by the agency’s operating budgets.

 The routine maintenance appropriations remain available for expenditure for four years from the date the funds were appropriated.

**Copies Available** Copies of the Report are available from the Legislative Fiscal Bureau.

STAFF CONTACT: David Reynolds (Ext. 16934)

Board of Regents Hires New Executive Director

**New Director** The Board of Regents has hired Greg Nichols as the new Executive Director. Nichols comes to the Board from Governor Vilsack’s staff, where he served as the Policy Director and Education Advisor. Prior to working for the Governor, Nichols worked for the Iowa Senate Democratic caucus staff. Nichols will oversee a staff of 23 that provides administrative support to the Board of Regents. The Board oversees the operation of the three State universities and two special schools.



**Salary** Nichols is a graduate of Iowa State University and received a master’s degree in public policy from Rutgers University. Nichols’ salary will be $126,200.

 Nichols succeeds Frank Stork, who left the Board on July 1 for a position with Wellmark/Blue Cross. Bob Barak, the Deputy Executive Director, had been serving as interim Executive Director.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Community College Licensure Task Force Issues Recommendations

**Recommendation** The Community College Licensure Task Force, established in HF 480, issued its final recommendations on December 6. The community colleges were represented on the task force by three faculty members, an administrator, and a trustee. The membership also included a member of the State Board of Education and the Executive Director of the Board of Educational Examiners. Janice Friedel, representing the Community College Division of the Department of Education, chaired the task force.



**Survey of 50 States** On behalf of the task force, the Department of Education conducted a 50-state survey of community college directors regarding faculty licensure requirements, minimum qualifications, and hiring practices. The Task Force report includes the results of the survey, as well as the following recommendations:

* Eliminate licensure of community college faculty by the Board of Educational Examiners, with language preserving their status as practitioners under Chapter 279, Code of Iowa, and preserving their rights under Chapter 20, Code of Iowa.
* Require community colleges to develop plans for hiring and developing quality staff, ensuring compliance with accreditation, articulation, and transfer standards. The Task Force recommendations include a detailed description of the plans, which must be submitted to the Department of Education by June 30, 2003. Licensure would cease and implementation of the plans would begin July 1, 2003.
* Monitor the plans through the community college accreditation process, modifying the accreditation rules as needed. During the first three years of implementation, the Department of Education would review plans and conduct site visits to assure compliance and progress. Results of the site visits would be included in the accreditation process. Following the third year, the review cycle would be consistent with the accreditation cycle.

**More Information** For further information, contact the LFB or the Department of Education at 281-8260.

STAFF CONTACT: Robin Madison (Ext. 15270)

Department of Education Evaluates the Impact of National Board Certification on Teaching Quality



**Report Received** The Department of Education has reported the results of a study of the National Board Certification Pilot Project and its impact on teaching quality and professional development. House File 766, enacted by the 1999 General Assembly, established the pilot project and required the study of its impact by December 1, 2001.

**Findings** According to the study’s general findings, “. . . teachers who have been involved in National Board Certification in Iowa are more involved in professional development activities and provide more professional services to their school districts. They also demonstrate significant differences in teaching quality when compared to teachers who have not been involved in the certification process.” The report notes that there may be pre-existing differences between teachers who pursue and complete certification and those who do not, making it impossible to infer causality from the study.

**Survey Participants** The study’s findings are based on survey responses from 564 teachers in three categories: National Board Certified teachers, teachers nearing completion of the certification process, and teachers not involved in the certification process.

**Information Collected** The survey gathered information from teachers regarding:

* Participation in professional development activities.
* Plans to continue teaching.
* Use of a variety of classroom teaching practices.
* Involvement in collaborative activities with colleagues.
* Participation in reflective practices, such as incorporation of parental feedback and recent research findings.

**Principals** In addition, responses from 134 principals of teachers involved in certification were reported. The principals reported positive changes in professional development and teaching quality as a result of the certification process, although their perceptions were not as positive as those of the teachers.

**Pilot Project** The National Board Certification Pilot Project provides reimbursement of registration fees to teachers pursuing certification by the National Board for Professional Teaching Standards. Half of the fee is reimbursed upon application, and the remaining half is reimbursed upon successful completion of the program. The registration fee is $2,300 for the 2001-2002 school year. The pilot project also provides an annual stipend of $2,500 per year for up to ten years to those teachers achieving certification.



**Appropriations** The General Assembly appropriated $1.0 million in FY 2000 and $1.4 million in FY 2001 for the pilot project. For FY 2002, the program was included as part of the Student Achievement and Teacher Quality Program. House File 413 (Student Achievement & Teacher Quality Act) allocated up to $1.9 million for National Board Certification awards from the Program’s FY 2002 Healthy Iowans Tobacco Trust Fund appropriation.

STAFF CONTACT: Robin Madison (Ext. 15270)

.08 Blood Alcohol concentration – Funding Sanctions and Financial Incentives



**Federal Action** The following funding sanctions and financial incentives have been approved at the federal level for states that pass the .08 Blood Alcohol Concentration standard for driving while intoxicated. Provisions of the sanctions and incentives are subject to change, however, when reauthorization of the Transportation Equity Act of the 21st Century (TEA-21) takes effect on October 1, 2003.

**Funding Sanctions** Funding Sanctions - The Federal FY 2001 Transportation Appropriations Act requires the Secretary of Transportation to withhold certain highway funds from a state that does not have in place a law establishing a .08 standard. The estimated impact on Iowa, which takes effect on October 1, 2003, is as follows:

* 2%, or $4.7 million, would be withheld on October 1, 2003 (FFY 2004 funds)
* 4%, or $9.4 million, would be withheld on October 1, 2004 (FFY 2005 funds)
* 6%, or $14.0 million, would be withheld on October 1, 2005 (FFY 2006 funds)
* 8%, or $18.7 million, would be withheld on October 1, 2006 (FFY 2007 funds)
* 8% each year thereafter

**Effective Dates/Provisions** As the Federal FY 2001 Transportation Appropriations Act currently dictates, if Iowa adopts the .08 standard within four years of the sanction – by September 30, 2007 – any funds previously withheld would be reimbursed. This provision does not take effect, however, until October 1, 2003, at which time reauthorization of TEA-21 also takes effect. It is anticipated the provision will be debated during the reauthorization of TEA-21.



**Financial Incentives** TEA-21 established a financial incentive program to encourage states to adopt a .08 Blood Alcohol Concentration standard. If Iowa passes the .08 standard during the 2002 Session, Iowa would become eligible for an incentive grant in FY 2003. Depending on the number of states with a .08 law, on October 1, 2002, Iowa could receive between $1.4 million and $2.4 million.

 As of October 2001, 27 states, the District of Columbia, and Puerto Rico have adopted .08, and have received the incentive grants. As more states become eligible for the grants, the amount received by each state decreases. The incentive program sunsets on September 30, 2003; however, Congress could authorize additional years through reauthorization of TEA-21.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Highway Construction Contract



**Buchanan County** The Department of Transportation (DOT) notifies the Legislative Fiscal Bureau of all highway construction contracts in excess of $5.0 million for informational purposes. The Department awarded one contract in October totaling $7.7 million to River City Paving (a division of Mathy Construction Co.) of Kieler, WI. The project includes resurfacing 32 miles of U.S. 20 in Buchanan County, from the junction of Iowa 187, east 16 miles to the junction of Iowa 38. Both eastbound and westbound lanes will be completed.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Funding Approved for Recreational Trails

**Trails Program** Applications are received twice a year for the State Recreational Trails Program. During the 2001 Session, the General Assembly reduced the available funding for the Program from $2.0 million to $1.0 million, for a total available amount of $500,000 for each funding cycle.

**Applications Received** Twenty-one applications were received in the current funding cycle, for a total project cost of $8.5 million, with a requested amount of $3.9 million. Of the 21 applications, the Department of Transportation (DOT) Commission approved the following two from the State Recreational Trails Fund:



* $479,000 for the Missouri River Pedestrian Bicycle Bridge:
* The total cost of the bridge project is approximately $18.0 million. The grant will complete the $1.5 million commitment from the State of Iowa that will match the State of Nebraska’s $1.5 million. The Department also received a Congressional appropriation of $15.0 million for the project. The $18.0 million received in grant money equals the total cost of the project.
* $21,000 for the acquisition of a 9.5-mile segment of an abandoned railroad corridor between Prairie City and Monroe. The corridor is to be converted to a trail at a later date.
* The total cost of the corridor project is $82,000. In addition to the $21,000 grant from the State Recreational Trails Fund, the Department received a $57,000 grant from the Federal Land and Water Conservation Fund, for a total of $78,000 in grants. The Jasper County Conservation Board is sponsoring this project.
* The Iowa Interstate Railroad currently owns the Prairie City corridor. In addition to the Prairie City/Monroe corridor, the railroad has filed for abandonment of the segments between Prairie City and Otley, and Otley and Pella. The application for trail funds, however, is only for the Prairie City/Monroe corridor. Iowa Interstate Railroad had until December 31, 2001, to agree on the terms of the sale.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

FY 2002 MEDICAL ASSISTANCE EXPENDITURES UPDATE



**Medical Assistance** For the week ending January 7, 2002, FY 2002 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $12.7 million. This is $2.5 million above the weekly budget established by the Department of $10.2 million. Year-to-date General Fund expenditures are $220.4 million (24.3%) over the $196.3 million budgeted by the Department for the fiscal year.

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

STAFF CONTACT: Sam Leto (Ext. 16764)

This document can be found on the LFB web site:

<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>

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|  Management |  |  |  |
|  Personnel |  |  |  |
|  Revenue & Finance |  |  |  |
|  Secretary of State |  |  |  |
|  Treasurer |  |  |  |
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|  Iowa Public Television |  |  |  |
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|  Blind | Lisa Burk | 281-6765 | lisa.burk@legis.state.ia.us |
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|  Children’s Health Insurance Prgm  |  |  |  |
|  Family Investment Program,  Promise Jobs, Food Stamps  |  |  |  |
|  General Administration |  |  |  |
|  Medical Services |  |  |  |
|  Temporary Assistance for Needy |  |  |  |
|  Families (TANF) Block Grant |  |  |  |
|  Child Care | Sue Lerdal | 281-7794 | sue.lerdal@legis.state.ia.us |
|  County Based Services |  |  |  |
|  Field Operations |  |  |  |
|  Foster Care |  |  |  |
|  Institutions |  |  |  |
|  Juvenile Justice |  |  |  |
|  Mental Health/Mental  Retardation/Developmental  Disabilities Enhanced Services |  |  |  |
|  Social Services Block Grant |  |  |  |
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