FISCAL UPDATE June 24, 2002

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Governor Item Vetoes and Signs HF 2625 – FY 2002 Adjustments and Transfers Act



**Item Vetoes – HF 2625** On June 4, the Governor item vetoed and signed HF 2625 (FY 2002 Adjustments and Transfers Act). The Act, approved by the Legislature during the 2002 Second Special Session, transferred funds to the General Fund, Medical Assistance, and to several other appropriations and programs. The Act also:

* Modified the General Fund reserve requirements.
* Required applicants or recipients of the Medical Assistance Program to report changes in income or resources on a monthly basis to maintain eligibility. The State fund savings for FY 2003 was estimated at $3.0 million. The Governor stated this requirement creates an additional layer of bureaucracy and additional costs for the Department of Human Services (DHS) and the requirement to report changes in such factors is being done currently.
* Created a three-tiered system of co-payments for Medical Assistance prescriptions. The new language required recipients of prescription drugs in the Medical Assistance Program to pay co-payments for each covered drug prescription and refills in accordance with the revised co-payment structure established in Division V of the Act. The State fund savings for FY 2003 was estimated at $1.0 million. The Governor stated that the change in co-payment would increase the costs of prescription drugs for Iowans most in need and that pharmacists would be required to dispense the prescribed drugs whether co-payments are paid or not.
* Permits mental disability intermediate care facilities to be charged a fee by the Department of Human Services.
* Removed a statutory requirement that the Legislature enact school budget allowable growth provisions within the first 30 days of submission of the Governor’s budget to the Legislature. The Governor vetoed this provision

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and stated that the 30-day requirement was necessary to ensure that education funding did not get bogged down in last minute budget negotiations.

* Specified the intent of the Legislature is that the Department of Personnel focus on duplicative job functions in the agencies of the executive branch. The Governor vetoed this provision and stated the work was already being done.



* Requires that the Department of Management ensure compliance with restriction on Executive Branch reimbursement for employee educational costs. The Governor vetoed this section and stated that with a shrinking State workforce, every effort must be made to ensure the remaining workers are adequately trained.
* Reduced the FY 2003 appropriation to the State Library and established a task force to determine the necessity for a State medical library, and if found to be necessary, the proper location of the library. The Governor vetoed this provision and stated that closing the library was shortsighted and unnecessary.
* Allowed value-added agriculture tax credits earned by specified cooperatives to be distributed to the cooperative’s members.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Governor Item Vetoes and Signs HF 2627 - FY 2003 Omnibus Appropriations II Act

**Item Vetoes – HF 2627** The Governor item vetoed and signed HF 2627 (FY 2003 Omnibus Appropriations II Act) on June 13. This Act was approved by the General Assembly during the Second Special Session on May 28.



**Funding Summary** The Act, as approved by the General Assembly, appropriated a net total of $1.321 billion from the General Fund and 15,708.7 FTE positions. When combined with previously enacted appropriations, the FY 2003 General Fund appropriations total $4.473 billion. This is a decrease of $137.8 million compared to the FY 2002 estimated net appropriations. The Act also appropriated $181.1 million from non-General Fund sources and made transfers from other funds to the General Fund totaling $71.0 million for FY 2003.

**Funding Impact of Vetoes** Highlights of the vetoes related to funding are outlined below:



* Division III – Economic Development. The Governor vetoed an appropriation of $67,000 from the Employment Security Contingency Fund (Penalty and Interest) to the Department of Workforce Development for collection of labor market information. The Department has identified federal funds that can be used for collection of the data.
* Division VI – Human Services (see also additional article). The Governor vetoed language increasing drug co-payments under the Medicaid Program. The Governor stated the increase in co-payments of $1 is a financial burden for low income Iowans. While this veto will not increase direct appropriations to the Department of Human Services, it will result in an additional cost of $3.0 million to the Medicaid Program in FY 2003.

The Governor vetoed language requiring nursing facilities to be certified by both Medicaid and Medicare to be eligible to receive reimbursements under the Medicaid Program. The Governor stated this provision was unnecessary because he has already instructed the Department of Human Services to prepare administrative rules to address dual certification. This veto will result in an additional cost of $1.0 million to the Medicaid Program in FY 2003.

* Division X – Capitals and Infrastructure. The Governor vetoed the reduction of the Rebuild Iowa Infrastructure Fund appropriation of $600,000 to the State Library Division of the Department of Education for the Enrich Iowa Library Program. The Governor stated that the reduction in funding would stifle progress made in improving educational opportunities for Iowa children.
* Division XI – State Employees – Printed Documents and Program Elimination – Furloughs – Miscellaneous. The Governor vetoed the elimination of educational reimbursements for State employees. The veto eliminates potential savings related to this elimination. No estimate of the potential savings is available.

The Governor vetoed language that would have limited the amount of printed documents provided by State government to the public. The veto eliminates potential savings related to this reduction in printing costs. No estimate of the potential savings is available.

The Governor vetoed a provision that would have increased the amount of job program credits that could be allocated to the Accelerated Career Education (ACE) Program from $3.0 million to $4.2 million. The Governor stated that the ACE Program should not benefit at the expense of other economic development tools.



The Governor vetoed two sections related to elimination of the New Jobs Tax Credit for businesses. The language would have allowed an increase in the cap for tax credit for the ACE Program (see previous item). The Governor stated the language would eliminate a valuable tool available to communities and developers to attract businesses.

**Statutory Language** The Governor vetoed a number of intent language and statutory language provisions. These vetoes are outlined in detail in the Governor’s veto message. Detail regarding the language vetoes will be provided in individual subcommittee blurbs in a future issue of the LFB’s ***Fiscal Update***.

STAFF CONTACT: Mary Shipman (Ext. 14617) Holly Lyons (Ext. 17845)

Governor signs Division VI (Human Services) of HF 2627



**Human Services Item Vetoes** The Governor signed Division VI of HF 2627, the FY 2003 Omnibus Budget Act, on June 13. Division VI of HF 2627 (FY 2003 Omnibus Appropriations II Act) appropriates $713.2 million and 5,448.7 FTE positions to the Department of Human Services. Appropriations of $11.5 million for the Healthy and Well Kids in Iowa (***hawk-i***) Program and $14.9 million for the Mental Health/Developmental Disabilities Growth Factor were enacted during the Regular Session in SF 2326 (Omnibus FY 2003 Appropriations II Act) and HF 2623 (Salary Act). Within Division VI of HF 2625 (FY 2002 Adjustments and Transfers Act), the appropriation to the FY 2003 Medical Assistance Program in HF 2627 was reduced by $3.7 million. Within Division II of HF 2625, there is $9.0 million transferred from various nongeneral funds to the Medical Assistance Program appropriation for FY 2002. Because these are nongeneral funds, the comparison does not include this increase action. When the actions from these three Acts and Bills are combined, the FY 2003 General Fund appropriation to the Department of Human Services is $735.9 million and 5,448.7 FTE positions, a decrease of $19.3 million and 300.4 FTE positions compared to the estimated net FY 2002 appropriation. This is also a decrease of $100,000 and an increase of 68.2 FTE positions compared to the Governor’s revised recommendation for FY 2003. Detail regarding the appropriations can be found in the ***Fiscal Update*** dated June 4.

**Item Vetoes** The Governor item vetoed the following in HF 2627:

* Section 112, subsection 6, last sentence, regarding legislative notification prior to adoption of emergency rules for the Family Investment Program, the Food Stamp Program, and the Medical Assistance Program, indicating that this could delay rules where federally required.
* Section 115, subsection 8, regarding continuation of prior year language for number of beds allowed in a community setting for persons with mental retardation, indicating that with implementation of the home and community based waivers, this language is no longer needed.



* Section 117, subsection 1, regarding legislative input prior to entering into or extending managed care contracts for mental health or substance abuse services, indicating that the current process for securing contracts and obtaining comments is sufficient and language is not necessary.
* Section 119, subsection 5, regarding legislative notification if additional federal child care funds are received beyond anticipated, indicating that staff resources are limited.
* Section 120, subsection 1, unnumbered paragraph 2, which indicates the Iowa Juvenile Home in Toledo serve only females in FY 2003, indicating the language has been included for several appropriations bills and never funded.
* Section 121, subsection 9, regarding criteria for tracking of delinquent youth for various services, indicating the criteria was developed in the past.
* Section 121, subsection 18, regarding privatization of foster care and adoption services, indicating additional funds were not provided to do so.
* Section 132, last sentence of subsection 2, regarding submittal of legislation by the Department to parallel Code language with Departmental reorganization that has taken place, indicating that is the responsibility of Legislative Branch agencies.
* Section 135, subsection 2, regarding the Department reporting to the Legislative and Executive Branches on new sources of income which may be used to supplement State funds appropriated, indicating that this would infringe on Executive Branch duties and Department flexibility.
* Section 135, subsection 3, regarding legislative input into amendments of State plans which have an effect on State appropriations, indicating that this would infringe on Executive Branch duties and Department flexibility.
* Section 137, subsection 1b(3), regarding increases to copayments of each covered drug prescription and refill, indicating this would add a financial burden to both participants and pharmacists.
* Section 138, which exempted a certain health care facility from certain safety code and physical plant requirements, indicating this may cause a State liability risk and may place the residents of the facility at risk.
* Section 141 and Section 151, subsection 2(c), which reduced administrative requirements for field staff of the Department for targeted case management efforts, indicating that the requirements are necessary if federal approval for the waiver is being requested.
* Section 142 and Section 151, subsection 2(f), relating to nursing facilities being “dual certified” for reimbursement purposes for Medicare and Medicaid, indicating that administrative rule action under way by the Department will require the same without impacting the facilities, which would not benefit the State by being “dual certified”.

**Other Bills** Other Bills or Acts of interest impacting the FY 2003 budget of the Department of Human Services include, but are not limited to (please refer to other articles in this ***Fiscal Update*** or the ***Fiscal Updates*** of April 22 and June 4):



* House File 2613: Senior Living Trust Fund and Hospital Trust Fund appropriations.
* House File 2615: Healthy Iowans Tobacco Trust (HITT) appropriations.
* House File 2582: Federal Block Grant appropriations.
* House File 2614: Infrastructure appropriations.
* House File 2623: Salary, Statutory Changes, and Corrective Changes.
* House File 2245: FY 2002 Medical Assistance supplemental appropriations.
* Senate File 2304: FY 2002 Budget Adjustments.
* House File 2625: FY 2002 Adjustments and Transfers (2nd Special Session).

**More Information** Additional information and the Notes on Bills and Amendments (NOBA) for this Bill and other Acts relating to the budget for the Department of Human Services are available from the Legislative Fiscal Bureau or at the web site: [www.staffweb.legis.state.ia.us/lfb/noba](http://www.staffweb.legis.state.ia.us/lfb/noba).

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

FY 2003 School District Budget Protests

**Appeals Board Ruling** The State Appeals Board ruled in favor of four school districts that had their FY 2003 budgets protested. The school districts involved were:

* Cedar Rapids School District
* Wapsie Valley School District
* Davenport School District
* Manson Northwest Webster School District

**Public Hearing** Prior to the State Appeals Board decision, a public hearing was held in each school district in May to examine and discuss the basis of the protest.

**More Information** For further information regarding the budget protests, contact the Legislative Fiscal Bureau.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

New Economy State Rankings

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**State Rankings** The 2002 State New Economy Index has been published by the Progressive Policy Institute. The index uses 21 economic indicators to measure the degree to which state economies are structured and operate according to the principles of the New Economy and adapt to the changes in the economy. The report suggests that states that focus on boosting skills, entrepreneurship, technology, and quality of life are best prepared for the New Economy. The states rank as follows:

**Iowa’s Ranking** The details for Iowa’s 38th position ranking are presented in the following table:

**Web Site** The entire report may be found at <http://www.neweconomyindex.org/states/>.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

Water Damage at the Hoover Building

**Emergency Allocation** The Executive Council of Iowa, on June 10, approved emergency allocations totaling $384,000 for the Department of General Services, Iowa Communications Network (ICN), and the Information Technology Department (ITD), due to water damage that occurred on Levels A and B at the Hoover Building on March 3.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Changes in tax credits on Gasoline

**Tax Credit Change** House File 716, passed by the 2001 General Assembly, provides a tax credit of 2.5 cents per gallon of ethanol-blended gasoline in stations above a threshold of 60% of all gasoline sold. It is estimated the tax credits will reduce General Fund receipts by $500,000 in FY 2003 and $1.3 million in FY 2004.

**Rate Change** House File 716 also provides for changes in tax rates based on the gallons of ethanol-blended gasoline sold in the State between January 1 and December 31 of each year. The rates apply for the period beginning the following July 1 and ending June 30 of each year. The legislation allows the tax rates to change each July 1 depending on the percentage of ethanol-blended gasoline sold during the previous calendar year (CY). Currently, the State taxes gasoline at 20.0 cents per gallon and ethanol at 19.0 cents.



Tax Credit

**New Tax Schedule** The following tax schedule will be implemented on July 1, 2002, and will be effective through June 30, 2007. The legislation provides that after June 30, 2007, the excise tax on gasoline will go back to 20.0 cents, and gasohol will increase from 19.0 cents to 20.0 cents per gallon.

**Fiscal Impact** For CY 2001, the market share of ethanol-blended gasoline was 53.7%. Since this percentage is within the 50-55% range, the tax on regular gasoline will increase by 0.1 cent on July 1, 2002. The result is an estimated increase of $820,000 (.20%) to the Road Use Tax Fund in FY 2003. The increased revenue will be used to help offset losses in Road Use Tax Fund revenues due to the increasing market share of ethanol-blended gasoline.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

LOTTERY REVENUES AND EXPENDITURES THROUGH APRIL



**April Rev./Exp.** Through April, FY 2002 Lottery game revenues increased $9.0 million from the FY 2001 level. Lottery prize expenses increased $2.7 million, operating expenses increased $1.7 million, and transfers to State funds increased $4.3 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

**Comparison to FY 2001** Fiscal year sales through April, compared to the same time period of FY 2001, were as follows:

* Instant ticket sales decreased $3.5 million (5.2%).



* Pick 3 sales increased $717,000 (22.7%).
* Multi-State Powerball sales increased $8.4 million (20.0%).
* Rolldown sales decreased $678,000 (37.3%).
* Freeplay Replay sales decreased $274,000 (48.2%).
* Cash 4 Life sales decreased $481,000 (100.0%).
* Daily Game sales increased $84,000 (2.5%).
* Pull-tab sales increased $462,000 (2.2%).

**Ticket Sales** Total Lottery sales through April were $148.8 million, an increase of $9.0 million (6.4%) compared to April 2001. July through April 2002 sales for the Pull-Tabs, Daily Game, Powerball, and Pick 3 were above sales for the same period during FY 2001. Included in the sales amount is the receipt of $1.2 million due to the demutualization of Principal Mutual Insurance Company, and $1.8 million net settlement proceeds from a settlement with Scientific Games, Inc., which was the vendor for the replacement of store terminals.

**Hot Lotto** Hot Lotto, which was not offered until April 7, 2002, had sales through April of $284,000. Hot Lotto replaced Rolldown, which ended April 6, 2002.

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**Estimated Transfers** The May Revenue Estimating Conference (REC) projected FY 2002 Lottery profit transfers to the General Fund will total $38.6 million. Actual profit transfer for FY 2001 was $35.4 million. Therefore, the REC is currently estimating General Fund Lottery transfers will increase $3.2 million (9.0%) in FY 2002 than in FY 2001. Through April, FY 2002 transfers to the General Fund are $4.3 million (15.1%) above FY 2001.

House File 2627 (FY 2003 Omnibus II – Second Special Session) requires the lottery to deduct $500,000 from its calculated retained earnings before making lottery proceeds transfers to the State General Fund during FY 2003. The impact will be an increased one-time transfer of $500,000 during FY 2003.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $7.3 million in sales tax during FY 2002.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Interim Director of the ICN Appointed

**Interim Director** Michael Bacino has been appointed as the interim executive director of the Iowa Communications Network (ICN), effective July 1. Mr. Bacino replaces Harold “Tommy” Thompson, who is scheduled to retire June 30.

**Background** Mr. Bacino has been with the ICN for the past three and a half years, first serving as director for the Network Services Division and most currently serving as Deputy Director of the ICN, Services Delivery Division. Prior to working for the ICN, Mr. Bacino worked for the Iowa National Guard for 27 years. His last position with the Guard was as Chief of Staff for the Adjutant General of the Iowa Army National Guard.

**National Search** The Iowa Telecommunications and Technology Commission (ITTC) will be appointing a permanent Executive Director later in the year after conducting a national search.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Governor Appoints Mark Haverland as Interim Director for the Department of Elder Affairs

**Interim Director** The Governor appointed Mark Haverland as the Interim Director for the Department of Elder Affairs after the resignation of Director Judy Conlin on June 3, 2002.

**Background** Mr. Haverland does consulting work for Weidner Consulting of Austin, Texas, which conducts “Managing for Results” planning consultation with local and state governments around the country, and he also serves as pastor of the United Methodist Church in Polk City.

**Former Legislator** In addition, Mr. Haverland served 12 years in the Iowa House of Representatives, specializing in health care and human services issues. He has a Bachelor of Arts Degree from Princeton University and Masters Degrees from Harvard Divinity School and Harvard’s John F. Kennedy School of Government.

STAFF CONTACT: Lisa Burk (Ext. 17942)

Highway Construction Contracts

**Highway Contracts** 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 following contracts totaling approximately $25.5 million and $20.6 million were awarded in March and April, respectively.

**March Contracts March Contracts**

 **Polk County**



* $11.7 million to Cedar Valley Corp., of Waterloo. The project includes grading and replacing approximately 1 mile of pavement along I-35 at the Douglas Avenue interchange in Urbandale.
* $7.5 million to Reilly Construction Co., Inc., of Ossian for the following projects in Des Moines:

$6.5 million to replace approximately 1 mile of pavement from Center Street to north of I-235, and from 24th Street east to 19th Street.

$985,000 for a new water main along I-235 at the future Cottage Grove Avenue interchange.

* $6.3 million to Corell Contractor, Inc., of West Des Moines. This contract was let by the DOT’s Office of Contracts, but was executed and administered by the City of Des Moines. The project includes grading and adding approximately 1 mile of new pavement along Martin Luther King Jr. Parkway, from Ingersoll Avenue north to Center Street in Des Moines.

**April Contracts April Contracts**



 **Dallas County**

* $8.9 million to two contractors as a joint venture: Jensen Construction Co., of Des Moines and United Contractors, Inc., of Johnston. The following I-235 projects in West Des Moines were awarded:

$6.5 million to grade and replace approximately 1.5 miles of pavement along I-80 at the 74th Street interchange.

$2.3 million to replace the 74th Street bridge just west of the I-80/I-35 interchange.

$92,000 to replace traffic signs at the 74th Street interchange.

 **Polk County**

* $11.7 million to United Contractors, Inc., of Johnston for the following I-235 projects in Des Moines:

$9.0 million for approximately 1 mile of pavement grading from University Avenue to Guthrie Avenue.

$958,000 for a new bridge at University Avenue over the Union Pacific Railroad.

$539,000 for a new bridge over East 21st Street.

$950,000 for a new bridge over Easton Boulevard.

$215,000 to update the sewer system from the junction with Easton Boulevard and Delaware Avenue, southeast along East 21st Street.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

FY 2002 Medical Assistance Expenditure Update



**Medical Asst. Program** For the week ending June 17, the FY 2002 State dollar expenditures for the Medical Assistance Program in the Department of Human Services were $15.0 million. This is $6.3 million below the adjusted weekly budget of $21.3 million established by the Department. Year-to-date State dollar expenditures are $459.6 million, or $3.1 million above the $456.5 million adjusted year-to-date budget by the Department for the fiscal year. The FY 2002 estimated net State funding for Medical Assistance is now $522.1 million after actions taken by the General Assembly during the most recent regular and special legislative sessions. The Department has revised the FY 2002 weekly budget allocation for the Medical Assistance Program to reflect the change in State funding and this update reflects those changes.

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

STAFF CONTACT: Sam Leto (Ext. 16764)

Environmental Protection Commission Meeting

**Commission Meeting** The Environmental Protection Commission held their monthly meeting May 20. Some of the issues discussed included:



* The Commission held their annual election. The following officers were elected: Kathryn Murphy, Chairperson; Gary Priebe, Vice Chairperson; and Rita Venner, Secretary.
* Director Jeff Vonk discussed the reorganization of the Department and introduced Liz Christianson as the new Deputy Director and Wayne Gieselman as the new Environmental Services Division Administrator.
* Linda Hanson, Management Services Division Administrator, provided a financial update for the third quarter of FY 2002. At the end of the third quarter, the Department had a General Fund balance of $550,000. The Governor requested that the Department revert funds for FY 2002 and the projected reversion is $200,000. In order to revert funds, the Department is leaving vacant positions unfilled and delaying purchases of equipment.
* The Commission was asked to approve a contract with the Metro Waste Authority that will provide a satellite facility that will handle the disposal of hazardous material in Hardin County. The contract was for $47,000 and was approved by the Commission.
* The Commission was asked to approve a contract amendment with Pointer Environmental, Inc., for $140,000. The change will allow the company to remove hazardous chemicals from 56 Iowa schools. The amendment was approved.
* The Commission was asked to approve a contract amendment between the Department of Natural Resources and the University of Iowa Hygienic Laboratory for $36,000. The amendment provides additional services to the Energy and Waste Management Bureau for the period of July 1, 2002, to September 30, 2002. The services will include assistance for pollution prevention, review comprehensive solid waste plans, and provide general information to the public.
* Jack Riessen, Water Quality Bureau, gave a presentation on the procedures used to develop water quality based effluent limits for point source discharges relating to National Pollutant Discharge Elimination System (NPDES) permits. Effluent guidelines are technology-based standards that regulate direct and indirect pollution discharges.
* The Commission was asked to approve the Final Rule on Water Quality Standards. This included a new process for deriving water-quality based effluent limits for point source discharges and language change for the Clean Water Act Section 401 Certification Program. There were six public hearings held around the State with 70 comments supporting the change and four opposing. The procedures allow facilities to discharge higher pollutant loads but continue to protect water quality and aquatic life. The Final Rule was approved.
* The Commission was asked to approve the Final Rule regarding the Drinking Water Revolving Fund, State Revolving Fund for Wastewater Treatment, and the State Revolving Fund for Onsite Systems. The changes establish a 3.0% interest rate, provide flexibility in loan repayment schedules, and allow Clean Water Capitalization Grants from the federal Environmental Protection Agency (EPA) to be used to subsidize the Onsite Wastewater Assistance Fund. The Final Rule was approved.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Iowa TELECOMMUNICATIONS and Technology Commission April Report



**Budget Report** The Iowa Telecommunications and Technology budget to actual report for the first ten months of FY 2002 shows the following:

* Video Services - The ICN has produced approximately 238,800 hours of video hours in FY 2002. Billings for video services are ahead by $630,000 compared to this time in FY 2001.
* Voice Services – Due to increased toll-free usage, FY 2002 Voice Services revenues are ahead of budget projections by 0.9%. In addition, FY 2002 voice expenses are below budget projections by 6.4%.
* Data Services – Gross revenues from data services are 7.6% above budget expectations. Direct data expenses are 3.9% over budget projections.
* Installation Revenues – Installation revenues for the month of April were $32,400.
* Subscription Revenues – Subscription revenues are 3.0% under budget projections through the end of April.
* Indirect and General Administrative Expenses – Indirect expenses were 16% under budget projections and 11.8% below FY 2001 expenses through April 2002. General Administrative expenses are over budget projections by 3.5%.
* Equipment Expenditures – The ICN has limited purchases of equipment to critical needs.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Iowa Commission for the Blind Authorizes use of Interest Income from Gifts and Bequests Fund to be Used to Cover anticipated state appropriation Shortfall for FY 2003



**Interest Use Authorized** The Iowa Commission for the Blind passed a unanimous motion at the March 27 meeting that authorized the use of up to $192,000 from interest earned by the Department’s Gifts, Bequests, and Program Income Fund to cover an anticipated State appropriation shortfall for FY 2003. Division V, Section 96, of HF 2627 (FY 2003 Omnibus II Appropriations Bill) appropriates $1.5 million to the Department for the Blind, a decrease of $196,000 compared to the estimated net FY 2002 appropriation.

**Statute** Sections 216B.3 and 216B.6, Code of Iowa, permits the Department for the Blind to accept gifts, grants, devices, or bequests of real or personal property from any source for the use and purposes of the Department. Notwithstanding Sections 8.33 and 12C.7, Code of Iowa, the interest accrued from these moneys does not revert to the General Fund.

**Two Funds** Gifts to the Department are deposited into two funds, the Gifts, Bequests, and Program Income Fund, and the Frank Moore Fund. The revenue of these two funds includes gifts from estates, donations, federal dollars, and interest income, and the Department reports that many donations are given with restrictions on use. In general, the funds are administered to individuals for non-recurring needs that cannot be met by other resources.

**Fund Balances** The Iowa Finance Accounting System (IFAS) indicated the total of the two funds combined was an estimated $3.1 million on May 17, 2002. The Gifts, Bequests, and Program Income Fund had an estimated balance of $2.4 million with estimated interest earnings to date for FY 2002 of $88,000. The Frank Moore Fund had an estimated balance of $684,000 with estimated interest earnings to date of $25,000 for FY 2002.

**Interest** The Gifts, Bequests, and Program Income Fund earned an estimated $141,000 in interest and had an estimated value of $2.3 million at the end of FY 2001, and the Frank Moore Fund earned $39,000 in interest and had a value of $659,000 at the end of FY 2001.



**FY 2002 Appropriation** For estimated net FY 2002, the Department for the Blind received a General Fund appropriation of $1.7 million. The current legislative proposal for the Department is a General Fund appropriation of $1.5 million for FY 2003, a decrease of approximately $196,000 compared to the FY 2002 estimated net appropriation.

STAFF CONTACT: Lisa Burk (Ext. 17942)

May Meeting of Staff for the Medical Assistance Program Projection

**Projection Meeting** Staff from the Department of Human Services, Department of Management, and the Legislative Fiscal Bureau met May 22 for the monthly review of the financial data for FY 2002 and FY 2003 utilization and expenditures for the Medical Assistance (Medicaid) Program.



**FY 2002 Projection** Based upon the information for the ten months of expenditures for FY 2002, the projected need at year-end was expected to exceed the funds available, which was total funding of $1.6 billion and State funding of $513.1 million. The State funds represent a combination of General Fund, Senior Living Trust Fund, Hospital Trust Fund, a portion of the Mental Health property tax relief funds, and tobacco funds.

**Shortfall Range** The range of shortfall on the date of the meeting for FY 2002 from State funds was $5.4 million to $10.5 million, resulting in needed State funds of $518.5 million to $523.6 million. Staff concluded that the reasons for the shortfall continued to be an increase in the number of individuals eligible for the Program, as well as increases in the cost per case for inpatient, outpatient, and home health care service categories.

**Available Funds – FY 2002** The General Assembly, at its Second Special Session meeting May 28, increased the FY 2002 appropriation by a total of $9.0 million through one-time transfers from various accounts and funds. This increases the total FY 2002 available State funding to $522.1 million.



**FY 2003 Projection** For FY 2003, the total State funds available for the Medicaid Program within the various appropriations bills from the previously delineated sources is $500.9 million. The range of expected expenditures will be reviewed at the next staff meeting, and will consider various enacted revenue and expenditure changes during the Regular Session and Second Special Session. Staff discussed the continued growth of Iowans accessing health care through Medicaid and the impact of that growth on the FY 2003 Medicaid appropriation. Current eligibility levels (number of persons eligible for Medicaid) are greater than the average monthly number of eligibles (persons) used for the calculations for Medicaid in FY 2003. Absent a decline in the number of persons eligible for Medicaid, expenditures may exceed the funding currently available for FY 2003. Staff will also be reviewing the possible impact of the nursing facilities decreasing the number of beds being reimbursed within facilities, which increases the occupancy rate and increases the cost per bed for which Medicaid reimburses.

**Future Meetings** The three entities will continue to meet monthly to review the FY 2002 and FY 2003 expenditures and projections, and to discuss the proposed FY 2004 budget request due from the Council on Human Services in September.

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

Meeting of Healthy and well kids board

***hawk-i* Board** The Healthy and Well Kids in Iowa (***hawk-i***) Board met May 20 and conducted the following business:

**New Members** Susan Salter and Wanda Hardwick were introduced as new Board members. There is one vacancy remaining on the Board.

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

* Correspondence and news articles were explained and reviewed. This included information from the Kaiser Foundation, Mid-South News, John Deere Health Pharmacy Network, Coventry Health Care, National Alliance of State CHIP Directors, and the Health Consumer Advisory Council.

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



* Legislative Update – DHS staff provided the Board with a status of the FY 2003 legislation and appropriations. The FY 2003 appropriation for the Children’s Health Insurance Program totals $11.5 million. The Governor has signed the various pieces of legislation related to this Program. The chairperson stated that he has received verbal commitments from certain legislators assuring that appropriate funding will be provided for this Program to assure no waiting lists or reductions in the number of children currently enrolled in the Program.
* Budget:

FY 2003: See Legislative Update above.

FY 2002: DHS staff presented financial information for the month ended April 30, 2002. Based on expenditures year-to-date, the Program has spent $7.3 million (60.0%) of the annual State funds budgeted ($12.2 million). The DHS indicates that many children coming into the Program have been determined eligible for the Medical Assistance Program and therefore the costs are not assignable to the ***hawk-i*** Program. Because of this, the DHS indicated the unused funds balance at year-end may be greater than previously estimated.

* Enrollment & Statistics – The latest statistics indicate enrollments of 11,622 in Medicaid Expansion and 13,531 in ***hawk-i*** through April. The DHS indicates that there are approximately 775 children, which will be retroactively approved in the Medical Assistance Program and added to the monthly enrollment numbers. This will be reflected as adjustments to the enrollment numbers provided by the fiscal agent.
* Waiting list: The DHS will not institute a waiting list for this Program until after the financial books are closed on September 1, 2002, if necessary.
* Outreach: The DHS will not renew Outreach contracts for FY 2003 until the Board meets next month to review proposals from DHS staff on priorities. DHS staff stated that available funding for FY 2003 may be less than FY 2002, which would limit the funds available for Outreach contracts. DHS management wants to make certain that current eligible children in the Program are not affected by funding reductions. The earliest that Outreach contracts may be renewed appears to be September 2002.



**Contracts Approved** The Board approved a three-year contract with the University of Iowa to perform assessments mandated by State legislation on the ***hawk-i*** Program in Iowa.The amount of the contract is $116,415.

 The Board approved a FY 2003 contract for Iowa Health Solutions to continue to provide health care to uninsured eligible children in Iowa. The FY 2003 contracts for Wellmark and John Deere will be presented to the Board at the June meeting.

**Chairpersons** The Board approved the selection of Eldon Huston as Chairperson and Terri Vaughn as Co-Chairperson for FY 2003.

STAFF CONTACT: Sam Leto (Ext. 16764)

Meeting on Health Insurance Portability and Accountability Act (HIPAA)

**Advisory Group Meeting** A meeting of the Administrative Simplification-Fiscal Agent Technical Advisory Group was held May 21. The Group is working on implementation of the Health Insurance Portability and Accountability Act (HIPAA). The items discussed included:



* Workshop by Centers on Medicare and Medicaid Services (CMS): Staff of the federal Centers were in Des Moines on May 14-16 to provide a workshop on the Health Insurance Portability and Accountability Act for the Department of Human Services (DHS). The workshop provided technical assistance and focused on changes required in the administration of the Medicaid Program in Iowa to comply with the requirements. The Group discussed the elements of the workshop. A majority of the members of the Group expressed concerns on the work expectations that may be required, the time frame for completion, and the limited financial resources available. Staff from the federal Centers identified limited resources as a key issue for Iowa to comply with the requirements.
* Sub-Groups developed: The Group reviewed a list of activities necessary for completion prior to federal deadlines. Specific sub-groups were formed for completion and accountability of the required activities. The activities were categorized in three major themes relating to communications, billings, and coding. The sub-groups will meet independent of the entire Group and will make status reports at the monthly Group meetings.
* The intra-agency Policy Team provided an overview of the expected requirements. The DHS policy and fiscal agent (Consultec) staffs have been collecting procedure code information to determine what standard codes can be used for implementation for the past year. There are approximately 27,000 codes.
* Funding: HF 2615 (Healthy Iowans Tobacco Trust Act) appropriated $2.1 million for costs related to compliance with the Health Insurance Portability and Accountability Act in FY 2003. The total cost for Medicaid Systems is projected to be $32.2 million. The State funds are matched with federal funds at a 90.0% federal match.

**More Information** For more information, contact the Legislative Fiscal Bureau.

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

June Meeting of the Council on Human Services

**Council Meeting** The Council on Human Services met by teleconference on June 12 and conducted the following business:

**Administrative Rules** Administrative Rule Action:



* Changes to the income limits and sliding fee scale for the child care subsidy. There is no fiscal impact anticipated.
* Policy change to the Medical Assistance Program for institutional costs for use in asset transfer and trusts. There is no fiscal impact anticipated.
* Policy change to the Medical Assistance Program for Estate Recovery Program. There is no fiscal impact anticipated.

**Future Rule Action** Future administrative rule action will include:

* Policy change to the Medical Assistance Program for reimbursement to rehabilitation agencies. There is no fiscal impact anticipated.

**Discussion** The Council heard from Council members regarding:

* Intent of the public hearing in July regarding the FY 2004 budget to focus on doing more with less resources and encouraging partnerships.
* Release of a federal Welfare Reform Report this week and discussion of the outcomes interpretation.  **The Council requested that DHS staff come to a future Council meeting to provide additional information.**
* Release of the Medical Assistance Advisory Group (MAAG) Report as required by June 1. Contents of the Report were discussed.
* A possible change in monthly Council meeting dates with a decision expected before the October meeting.

**Director’s Comments** The Council heard from Director Rasmussen regarding:

* Development of management strategies based on FY 2003 appropriations.
* The Governor has signed the FY 2002 adjustments and transfer legislation with several item vetoes. The FY 2003 appropriations legislation was signed by the Governor with item vetoes.
* Budget concerns for the DHS include:

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Child Welfare funding is reduced in State and federal dollars. This may impact the following:

* Training for Social Workers in Field Operations.
* Loss of funds from the proposed transfers of activities to the Department of Inspections and Appeals not restored to the DHS, which is required to continue these activities.
* Decisions on what services will need to be reduced or eliminated, including volunteer services for children who are not DHS clients.

Medicaid underfunding while the number of persons eligible for Medicaid continues to increase.

Salary funding for the institutions.

Field Operations increase in demand with a decrease in dollars for staff. There are currently 100 vacancies of front line positions within the budget unit.

* Proposed Actions include:

Meetings with union representatives.

Meetings with the Governor to minimize impact of funding reductions.

Strategic planning as required by the Accountable Government Act. These are due to the Governor and will be effective July 1.

Early Out Program for AFSCME and non-union staff to save salary dollars. The impact to the DHS may be significant due to large number of eligible staff.

Migration of separate Information Technology (IT) Department to the Iowa Department of Information Technology to pool resources. A Customer Council, representing department directors, is scheduled to meet regularly to prioritize information technology needs.

**Next Meeting** The next Council meeting is scheduled for July 10 at the State Historical building and is scheduled to include a public hearing on the FY 2004 budget request. Additional information is available upon request.

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

June Board of Corrections Meeting



**Board Meeting** The Board of Corrections met June 7 at the Iowa Correctional Institution for Women in Mitchellville. Warden Diann Wilder Tomlinson welcomed Board members and guests to the facility and the new chapel that opened Mother’s Day. Warden Wilder Tomlinson provided a brief overview of programs at the Institution, such as substance abuse treatment and the Pets And Women Succeeding (PAWS) Program that operates in cooperation with the Animal Rescue League of Iowa. The inmates train and teach the dogs that are then adopted by private families through the Animal Rescue League of Iowa. The Warden stated these programs are in jeopardy due to budget reductions. The Institution’s table of organization has been reduced by 13.0 FTE positions and inefficiencies have increased. There is a substantial staff morale problem, and experienced staff are seeking alternative employment.

**New Chapel** Former Lieutenant Governor Joy Corning welcomed the Board and guests to the new chapel, which was constructed primarily by donations.

**Visitation Rule Changes** Assistant Director Michael Savala reviewed proposed changes to the Department’s visitation rules. Assistant Director Savala had presented proposed visitation policy changes to the Administrative Rules Review Committee, which requested the changes to the Department’s proposal. After discussion, the Board approved the rules unanimously.

**FY 2003 Funding Level** Deputy Director John Baldwin reviewed the Department’s funding level for FY 2002 and FY 2003. Due to budget reductions, the Department’s funding level for FY 2003 is similar to the FY 2000 funding level. However, the prison population has increased by 512 inmates since June 30, 2000. The inmate population reached a record high count of 8,158 inmates on June 7, 2002.

**Discussion on Layoffs** Board member Don Tietz asked if it is a viable option to lay off staff when the prison population is increasing. Deputy Director Baldwin indicated that layoffs were probably not viable. Board member Tietz indicated that releasing low-risk inmates early might not be viable, either, as these inmates assist in operating the Institutions (for example, grounds keepers and kitchen workers).



**Prison System Cost** Deputy Director Baldwin stated that the Legislature was cognizant of the Department’s issues. While the budget was reduced, other State agencies’ budgets received greater reductions. He also indicated that Iowa’s incarceration rate ranked 37th nationally, and in terms of costs, Iowa’s prison system ranked 48th. Only West Virginia and Mississippi spent less per citizen on corrections. Iowa’s prison system serves the cheapest meals nationwide, at $1.40 per plate.

**Supervisor-to-staff Ratio** Deputy Director Baldwin stated that the supervisor-to-staff ratio is one to 12.5 FTE positions across the corrections system. The Governor’s goal is one to 12.0 FTE positions. Supervisory staffing is dependent on the physical design of the facilities and 24-hour coverage. Director Kautzky noted that a one-to-12 supervisor-to-staff ratio might be applicable to agencies that operate only on an 8-hour basis. Agencies that operate 24 hours per day, seven days per week, may require a closer review.

**Budget Reductions** Director Kip Kautzky indicated that budget reductions would be based on the following principles:



* Staff safety.
* Constitutional requirements.
* Financial efficiencies. For example, 41.0% of Community-Based Corrections (CBC) budgets are dedicated to residential facilities. However, the facilities serve only 5.0% of the population in CBC. CBC facilities may be closed due to budget reductions. Director Kautzky stated that, “We are losing residential capacity when we need them most.” He also said that closing CBC facilities is “contrary to sound judgment and contrary to current law.” The CBC facilities serve as a relief valve for the Institutions. Mr. Kautzky indicated that either caseloads in CBC would skyrocket or CBC facilities will be closed; neither option is good. Director Kautzky said that treatment has been reduced and there may be no treatment and rehabilitation opportunities in prisons and CBC District Departments in FY 2003. Director Kautzky said, “We are on a constitutional collision course” in the prisons and “We are stacking them (inmates) up like cordwood”.

**Next Meeting** The next Board meeting is scheduled for July 12 at Fort Des Moines in the Fifth Judicial District Department of Correctional Services.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

State Soil Conservation Committee Holds Meeting

**Committee Meeting** The State Soil Conservation Committee met in Des Moines on June 6.

**Presentations** The following presentations were made:

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State Soil Conservation Committee

Dave Williams, Leopold Center, discussed the Groundwater Protection Fund appropriation to the Leopold Center. The General Assembly during the Second Special Session transferred $1.0 million from the Leopold Center to the General Fund in HF 2627 (FY 2003 Omnibus II Appropriations Bill). This transfer reduces funding for competitive grants for projects such as manure management, weed management, water quality, soil erosion control, swine production, and other areas related to sustainable agriculture.

Patty Judge, Secretary of Agriculture, talked to the Committee about the budget reductions for FY 2003. She explained that the General Fund budget had been reduced by $2.5 million over the past year and that the $8.0 million deappropriation to the Resource Enhancement and Protection Fund (REAP) eliminated funding for water quality programs and FTE positions in the Department of Agriculture and Land Stewardship. The Department is preparing the FY 2004 budget, and Judge indicated there would be severe reductions.

Jim Gillespie, Division of Soil Conservation, reported there will be fewer incentives available for FY 2003 due to the deappropriation of $4.0 million to the Soil Conservation Cost Share Program and the elimination of $1.5 million in funding for the Conservation Reserve Program (CRP) as passed by the General Assembly in HF 2627 (FY 2003 Omnibus II Appropriations Bill).

Bill McGill, Division of Soil Conservation, reported that REAP projects were recalled due to the $8.0 million REAP deappropriation. He also explained that there would not be a REAP Congress in July unless the members agreed to pay their own expenses. The REAP Congress was scheduled to meet on July 13, 2002.

Ken Towe, Division of Soil Conservation, reported that limestone producers pay $42,000 per year in fees that are deposited into the General Fund and then appropriated to the Division for reclamation activities. This money was not reduced by any deappropriation.

Dean Lemke, Division of Soil Conservation, discussed the recall of new projects for closing of agriculture drainage wells due to the deappropriation of $1.5 million in HF 2627 (FY 2003 Omnibus II Appropriations Act) and the transfer of $1.1 million from the Alternative Drainage Assistance Fund to the Medical Assistance Program in HF 2625 (FY 2002 Adjustments and Transfers Act). Lemke reported that 177 potential sites for the Conservation Reserve Enhancement Program (CREP) had been identified. Currently there are 38 sites enrolled in the Program and 40 additional sties have submitted applications for the Program.

Bill Ehm, Division of Soil Conservation, discussed the budget constraints for FY 2003 and for FY 2004 and reported that the Division would review ways to save money rather than lay people off. Ehm reported the Department would be closed on June 7 for their third furlough day.

Leroy Brown, Natural Resources Conservation Services, provided a brief update on money available from the Farm Security Act. It is estimated that Iowa could receive $4.0 million for the Environmental Quality Incentives Program (EQIP) and $15.0 million for the Wetlands Reserve Program (WRP).

Lyle Asell, Department of Natural Resources, reported that 88 deer samples were tested for Chronic Wasting Diseases and that none of the tests were positive. He explained that an additional 50 samples were in the process of being tested.

The Committee held their annual election and Russ Brandes was elected Chairperson and John Sellers was elected Vice Chairperson.

**Next Meeting** The next meeting will be held in Forest City on August 2. The annual tour will be held in the Forest City area on August 1.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Board of Regents Meeting - May

**Board Meeting** The Board of Regents met on May 15 at the Iowa Braille and Sight Saving School in Vinton and on May 16 at the University of Iowa. Significant agenda items included:



**Educational Coordination** Interinstitutional Committee on Educational Coordination – The Board approved a proposal to establish a M.S. Program in Veterinary Diagnostic and Production Animal Medicine at Iowa State University (ISU). The Board reviewed a post-audit report of the B.A. Program for Performing Arts at ISU and recommended continuation of the Program. The Board also reviewed a statement from the Committee regarding copyright procedures.

**Banking Committee** Report of the Banking Committee – The Board approved resolutions passed by the Banking Committee as follows:

* Sale and award of $6.1 million Parking System Bonds for ISU.
* Issuance of up to $8.0 million of University of Iowa (SUI) Facilities Corporation Revenue Bonds for the Medical Education and Biomedical Research Facility.

**Other Reports** Other reports received by the Board included:



* Report on Regents University Collaboration and Cooperation – The Report summarizes 95 projects that involve two or more of the Board of Regents universities. Projects range from sharing lectures to complex joint ventures. Most of the collaborative efforts relate to teaching.
* Report on Legislative Session – The Board received a Report regarding activities of the regular 2002 Legislative Session.
* Annual Governance Report on Regional Study Centers – The Board of Regents universities participate in two independent graduate study centers located in the Quad Cities and Sioux City. The universities also cooperate in providing a resource center in Council Bluffs and provide offerings at the downtown Des Moines Higher Education Collaborative.
* Allocation of Mandatory Student Fees and Designated Tuition for the 2002-2003 Academic Year – In the fall of each year, the Board establishes base tuition and mandatory fees for each of the universities for the following academic year. At the subsequent May Board meeting, the Board allocates student fees. The two distinct types of allocations made include:

Certain mandatory student fees.

A portion of tuition specifically designated as student fees.

* Annual Report on Child Care – Each of the Regents universities provides on-campus childcare centers and participates in community referral services. All of the campus centers operate at full capacity with extensive waiting lists.

#### FY 2002

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**FY 2002 Budgets** Revised FY 2002 Budgets - State appropriations to the Board of Regents for FY 2002 have been reduced by a total of $81.9 million as follows:

* 6.0% reduction ($40.6 million) to the base budget appropriations compared to FY 2001.
* 4.3% across-the-board reduction ($28.6 million) in November 2001.
* 1.0% across-the-board reduction and furlough allocation reduction ($12.6 million) in March 2002.

**Reductions** The original institutional budgets approved by the Board in July 2001 reflected the 6.0% base reductions. After the 4.3% reduction, revised budgets were brought to the Board for approval in November 2001. The budgets submitted for approval at this meeting reflect the additional 1.0% and furlough reductions, in addition to other adjustments. These other adjustments include:

**Increased Revenues** The SUI increased revenues a total of $2.1 million. The revenue increase results from increased tuition revenues due to increased enrollments and increased reimbursed indirect cost revenues due to the additional external support for sponsored research.

 The SUI Hospitals and Clinics has experienced higher than expected volumes resulting in increased revenues of $10.0 million. The revenues will result in increased expenditures of $7.0 million for professional and scientific supplies and $3.0 million for salaries.

 ISU increased tuition revenue by $1.6 million due to increased enrollments.

**Early Retirement** Early Retirement of Superintendent Johnson of the Iowa School for the Deaf – The Board approved a request for early retirement by Superintendent Bill Johnson of the Iowa School for the Deaf. The retirement would be effective September 1, 2003.

**Next Meeting** The next meeting of the Board will be held June 19 and 20 at Iowa State University in Ames.

STAFF CONTACT: Mary Shipman (Ext. 14617)

State Board of Education Meeting



**Board Meeting** The State Board of Education met via the ICN on June 6. In addition to routine business, the Board received a report on gender and racial/ethnic equity in community college vocational programs and approved notices of intent to adopt rules relating to charter schools, open enrollment, and school bus inspections. The board also approved a reorganization plan submitted by Area Education Agencies (AEAs) 3 and 5 that would merge the two AEAs effective July 1, 2003.

**Charter Schools** Charter Schools – The new rules that will be noticed result primarily from legislation passed by the General Assembly in the 2002 regular session. Senate File 348, signed by the Governor in April, establishes a process for creating charter schools. The Act is effective upon receipt of federal funds for charter schools under the No Child Left Behind Act, and the new rules are proposed contingent upon that funding.

**Open Enrollment** Open Enrollment and Bus Inspections – House File 2515, signed by the Governor on April 30, made numerous revisions to statute related to the duties of the Department of Education. The proposed revision of rules for open enrollment and school bus inspections implement that legislation. Among other things, the rules would allow the Department to charge school districts a fee of $15 per bus for inspections required twice annually. The fee is offset by a reduction in costs to school districts for driver physical examinations.



**AEA Reorganization** AEA Reorganization – Legislation passed by the General Assembly in 2001 provided a process for area education agencies to voluntarily reorganize. AEA 3 and AEA 5 are the first to consider merging under the statute. Under the plan approved by the board, the new AEA will be divided into 9 director districts. The two existing AEA boards will continue to function through FY 2003, but a new joint board will be elected in director district conventions in September and will begin meeting immediately to direct the transition. The two AEAs are currently sharing an administrator and a business manager as a result of recent retirements. The new joint board will make all future appointments and hiring decisions for the reorganized agency. Among the plan’s features are the creation of three service centers, utilizing existing AEA facilities and each serving multiple field offices. School districts within the new AEA will be no farther than the adjacent county from one of the service centers.

**Vocational Education** Equity in Vocational Education – The Community College Division presented a report developed in response to a request from the Board for enrollment data and trends in career and technical education programs at the community colleges. The data is reported as the number and percent of program majors that are segregated by gender or race/ethnicity. The data is grouped by the program categories of agriculture, business, industrial technology, health occupations, family and consumer sciences, and marketing. Comparisons are made between FY 1999, FY 2000, and FY 2001.

**Gender Balance/Diversity** The report finds that four of the six categories improved in regard to gender balance between FY 1999 and FY 2001, with the business category showing the greatest improvement. In regard to racial/ethnic diversity, the categories of business and family and consumer sciences have the greatest diversity, while agriculture has the most programs with no minority students enrolled.

**Presentation** The presentation included information on laws and regulations pertaining to gender and racial/ethnic diversity, as well as how the community colleges and the Division use the data presented to determine where initiatives are needed to address segregation.

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

STAFF CONTACT: Robin Madison (Ext. 15270)

Meeting of the Medical Assistance Advisory Council

**Advisory Council Meeting** The Medical Assistance Advisory Council met on June 5 and discussed the following:



* Review of actual eligibles and expenditures for the Medical Assistance Program (Medicaid) through May 2002.  Elgibles increased 8.4% over May 2001, and expenditures increased 11.0 % over May 2001.
* Fiscal Agent Contract with Consultec, Inc., has been modified due to funding reductions in FY 2003.  These include:

Payments to providers will be made bimonthly instead of weekly, starting July 1, 2002.

Phone coverage will be reduced for provider inquiries.

Provider Training will be on an as needed basis versus annually.

Publications to providers will be limited and online versus hard copy.

Reductions in staff have taken place.

* Review of the Medical Assistance Advisory Group report released to legislators on June 3.
* Review of the DHS Medical Assistance projection process and comments from Department of Management and LFB staff. The Council had indicated interest in the projection process used and what role it could have in the process.

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* FY 2003 budget was discussed. The information included:

A projected shortfall in Medical Assistance is anticipated.  The Medical Assistance Projection staff will be meeting to determine the extent of the shortfall. A range will be developed.

The DHS staff indicated that the Governor is expected to sign the FY 2003 appropriation bill and that he will veto some items, including proposed reductions/savings in the Medical Assistance Program.

* The Council approved a resolution developed by a subgroup within the Council. The resolution recommends the establishment of a rainy day fund specifically for Medical Assistance (Medicaid) and an increase in cigarette taxes. The resolution will be distributed to the entire Legislature, the Governor, and the DHS Council on Human Services.
* The next meeting is scheduled for August 7, 2002.

**More Information** For more information, contact the Legislative Fiscal Bureau.

STAFF CONTACT: Sam Leto (Ext. 16764)

Meeting on the Health Insurance Portability and Accountability Act

**Advisory Group Meeting** The Administrative Simplification-Fiscal Agent Technical Advisory Group met on June 5 and June 18. This Group is working on the implementation of the Health Insurance Portability and Accountability Act (HIPAA). The items discussed include:

**June 5 Meeting** June 5 meeting:

* Communications



The Group continued discussion of a communications process to providers and other entities.

The Group finalized a statement to be included in the bulletin from Consultec to providers that indicates that the Department of Human Services (DHS) will submit a request to the Centers on Medicare and Medicaid (CMS) for an extension of time of one year to finalize standardization of codes used for Medicaid services.

* New contractor

The DHS has chosen Software Engineering Services (SES) of Omaha, Nebraska, to facilitate HIPAA implementation phases for Iowa.  The new contractor has experience with HIPAA implementation in other states and did complete the HIPAA assessment for Iowa. There will be dedicated staff for this project. The start date was not provided but is anticipated to be by July 1, 2002.

* Local Codes update

Staff from Consultec, the Fiscal Agent for Medicaid Claim processing and payments, is working with DHS policy staff and others to standardize service codes in accordance with the HIPAA requirements. The update indicates that most codes have been established, but there are several which require federal approval that need to be added.

* Discussion on Group Activities

The Group discussed the role of the Group but expects the new contractor to provide coordination by providing guidance and direction.

The Group also discussed handling issues and decisions that need to be made for appropriate actions by the Group. The new contractor is expected to coordinate this as well.

**June 18 Meeting** June 18 meeting:

* Introduction of SES contract staff and DHS Project Office staff assigned to HIPAA implementation.



Web Site

* Review and revisions to communication notice to be sent to all providers affected by HIPAA implementation.
* Review and discussion of the DHS HIPAA implementation communications plan. The Group expects to utilize a web site being developed for most communications. In many cases, providers are being directed to specific provider related organizations for technical assistance.
* Local Codes update: DHS policy staff and the fiscal agent continue to work on transitioning codes. Providers are being updated on the status of this transition and will be contacted directly where specific concerns or conflicts with codes are identified.
* Next meeting is scheduled for July 3.

**More Information** For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Sam Leto (Ext. 16764)

Meeting of the Healthy and Well Kids in Iowa (hawk-i) Board

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

**Prescription Drug Plan** Update on Wellmark Prescription Drug Plan: Representatives from Wellmark provided an update relating to a generic-only prescription drug program to children on the Wellmark Plan in FY 2003. The new program would save ***hawk-i*** funds and allow the premiums paid to Wellmark to be lower than originally requested by Wellmark. A communications plan was outlined by the representatives, and copies of letters to be sent out to physicians, pharmacists, and recipients, were shared with the Board. New identification cards will also be sent to recipients with the letters. The effective date anticipated is July 1.

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



* A letter from Iowa Health Solutions requesting expansion of geographic area for serving ***hawk-i*** recipients was discussed. Any expansion requires Iowa Foundation for Medical Care approval, Board action, and a contract amendment.
* Several news items from the Kaiser Foundation were discussed. These included other States’ experiences with generic prescription drug plans, extending the Children’s Health Insurance Program (CHIP), and meeting unmet health insurance needs for children.

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

* Legislative Update – DHS staff provided the Board with an update of the FY 2003 appropriations for the Program. Also discussed was new congressional debate over the unused federal CHIP funding and whether states will receive a share in the future.
* Budget:

FY 2003: The State funding for FY 2003 has been approved at $11.7 million plus carryover funding from FY 2002. The DHS estimated the FY 2002 carryover of $1.2 million and the Legislature estimated $2.5 million.



FY 2002: DHS staff presented financial information for the month ended May 31, 2002. Based on expenditures year-to-date, the Program has spent $8.2 million (67.2%) of the annual State funds budgeted ($12.2 million). The DHS continues to estimate spending of $10.7 million State funding in FY 2002. The year-end balance amount for FY 2002 appears to be larger than estimated by the DHS. This is due to less expenditures ($3.6 million year-to-date through May 31) of the Medicaid Expansion allotment, which is $5.6 million for FY 2002.

* Enrollment & Statistics – This information is generated from the computer system of the current fiscal agent. The latest statistics indicate enrollments of 11,812 in Medicaid Expansion and 13,630 in the ***hawk-i*** Program through May. Since the CHIP Program was initiated, 61,700 children have been added to the DHS Medical Assistance Program and ***hawk-i*** Program

**Contracts** Contracts for Board Consideration:



* The Board approved provider contracts with Wellmark and John Deere for FY 2003.
* The Board approved a one-year extension to the fiscal agent contract with Maximus Corporation through FY 2004. The original contract allows for two one-year extensions after the initial contract period.
* The Board approved changes to the contract with the University of Iowa for the Health Status of Kids Report.

**Outreach** Outreach Efforts:

* Covering Kids Update: An overview was provided to the new members of the Board.
* Outreach Update:

The Kaiser Family Foundation is partnering with CBS television to produce promotional spots for uninsured children and parents nationwide.

Walkers and Talkers Program: This is a door-to-door activity patterned after cities such as New Orleans, that provides families and businesses with information about the CHIP and who to contact for more information or how to apply for insurance coverage. The program is fairly new in Des Moines and is targeting low-income areas. This is in collaboration with area hospitals and the Covering Kids Program. The Board asked for regular updates from the Program organizers.

Grass Root Efforts: The DHS staff has been meeting with Department of Health (DPH) staff to improve outreach collaboration throughout the State. Currently, the outreach contracts have not been offered for FY 2003. DHS wants to enter into an interagency agreement with DPH to take over the outreach coordination. The DHS will transfer the State and federal funding to the DPH for this effort. More planning meetings between the two State agencies are being scheduled.

**Provider Network** Provider Network Analysis Report: DHS staff reviewed the latest report with the Board.

**Liaisons** Board Liaisons: The DHS wants Board members to participate in various support groups outside the regular Board meetings to provide expertise and learn more about the programs being offered. Board members will be contacted individually to determine areas of interest.

**Next Meeting** The next Board meeting is scheduled for July 15. More information is available upon request.

STAFF CONTACT: Sam Leto (Ext. 16764)

Legislative Fiscal Committee - June meeting

**Fiscal Committee Meeting** The Legislative Fiscal Committee met June 20 at the State Capitol. The Committee received updated information on revenues, including a Balance Sheet, FY 2003 Tracking Document, Governor’s item vetoes, and FY 2004 “Built-in increases”.

**State Gaming Tax Receipts** State Gaming Tax Receipts were discussed, including the Supreme Court Decision, Impact on Rebuild Iowa Infrastructure Fund (RIIF), and a spreadsheet showing State Gaming Tax Receipts.

**Appropriations Transfers** Two 8.39, Code of Iowa, appropriations were reviewed.

**2002 Interim** The Committee discussed issues to be considered during the 2002 Interim and set tentative meeting dates for the Interim. Dates selected were July 25, August 22, September 25, October 16 (ISU campus in Ames), November 20, and December 19.

**Medical Report** The Committee also received a Medical Report for the Medical Assistance Advisory Group by Jessie Rasmussen, Director, Department of Human Services; and Cathy Anderson, Department of Human Services.

**Joint Session** The afternoon session was a joint meeting with the Legislative Oversight Committee with presentations by Dennis Prouty, Director, LFB, and staff on Iowa’s Revenue Estimating Process and historical data; and a Video Conference with Arturo Perez, NCSL, on revenue estimating in the states.

STAFF CONTACT: Holly Lyons (Ext. 17845)

This document can be found on the LFB web site: <http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>