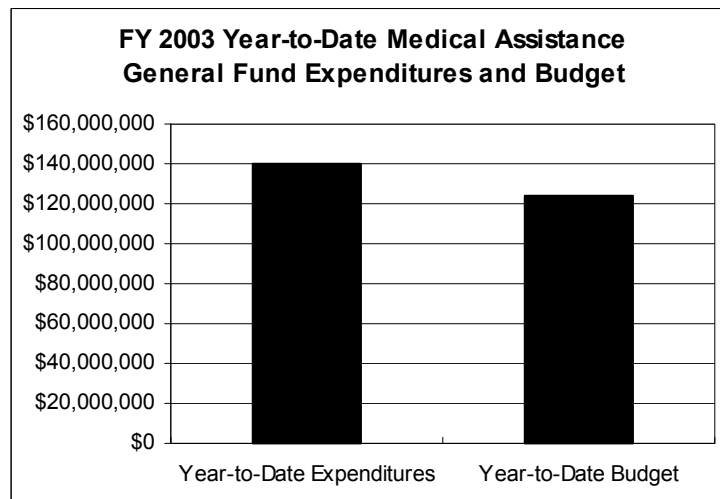


FY 2003 MEDICAL ASSISTANCE EXPENDITURE UPDATE

Medical Assistance



For the week ending October 28, 2002, the FY 2003 State Fund expenditures for the Medical Assistance (Medicaid) Program in the Department of Human Services were \$5.8 million. This is \$1.3 million above the weekly budget of \$4.6 million established by the Department. Year-to-date State Fund expenditures are \$140.5 million, which is \$16.3 million (13.1%) above the \$124.2 million budgeted year-to-date by the Department for the fiscal year.



More Information

More information is available from the Legislative Fiscal Bureau.

STAFF CONTACT: Sam Leto (Ext. 16764)

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DEPARTMENT FOR THE BLIND FY 2004 BUDGET REQUEST

FY 2004 Budget Request



The Department for the Blind is requesting \$1.6 million and 106.5 FTE positions from the General Fund for FY 2004. This is an increase of \$148,000 (9.9%) and no change in FTE positions compared to estimated FY 2003. The changes include:

- An increase of \$135,000 for federal maintenance of effort requirement.
- An increase of \$14,000 to fund FY 2003 salary adjustment funds from the General Fund.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Lisa Burk (Ext. 17942) Russell Trimble (Ext. 14613)

CIVIL RIGHTS COMMISSION FY 2004 BUDGET REQUEST

FY 2004 Budget Request



The Civil Rights Commission is requesting \$907,000 and 28.0 FTE positions for FY 2004, an increase of \$21,000 (2.4%) and a decrease of 7.0 FTE positions (20.0%) compared to estimated FY 2003. The Department budget requests are compared to the estimated FY 2003 appropriation, which does not include salary adjustment. The FY 2003 salary adjustment was funded from non-General Fund sources. The increase requested by the Commission is to restore the FY 2003 salary adjustment with General Fund dollars. The decrease of 7.0 FTE positions will be through attrition or lay-offs that have occurred or will occur by the end of FY 2003.

STAFF CONTACT: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 17942)

DEPARTMENT OF ELDER AFFAIRS FY 2004 BUDGET REQUEST

FY 2004 Budget Request



The Department of Elder Affairs is requesting \$4.0 million and 27.5 FTE positions from the General Fund for FY 2004. This is an increase of \$59,000 (1.5%) and no change in FTE positions compared to estimated FY 2003. The changes include:

- An increase of \$37,000 to fund FY 2003 salary adjustment funds from the General Fund.
- An increase of \$21,000 to provide State match for a portion of the federal funds received for the Senior Internship Program, formerly the Retired Iowans Community Employment Program. The amount requested is the match required to secure \$189,000 in federal funding. There is a 9-to-1 match rate on these federal funds, or for every dollar the State provides, nine dollars is secured in federal funds.

Senior Living Trust

In addition, the Department is requesting \$7.6 million and 6.0 FTE positions from the Senior Living Trust Fund for FY 2004 to provide home and community-based services for seniors. This is an increase of \$1.0 million (15.2%) and no change in FTE positions compared to estimated FY 2003.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Lisa Burk (Ext. 17942) Russell Trimble (Ext. 14613)

DEPARTMENT OF HUMAN RIGHTS FY 2004 BUDGET REQUEST**FY 2004 Budget Request**

The Department of Human Rights is requesting \$1.7 million and 32.5 FTE positions from the General Fund for FY 2004. This is an increase of \$35,000 (2.1%) and no change in FTE positions compared to estimated FY 2003. The changes include:

- An increase of \$31,000 to fund FY 2003 salary adjustment funds from the General Fund for six divisions within the Department.
- An increase of \$4,000 to restore grant funds for the lowans in Transition Program in the Division on the Status of Women. For FY 2003, the Division received a 4.0% reduction for furlough savings; however, the reduction was applied in error to the Division's entire General Fund appropriation as opposed to the operating budget, which reduced the amount available for these grants.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Lisa Burk (Ext. 17942) Russell Trimble (Ext. 14613)

GOVERNOR'S OFFICE OF DRUG CONTROL POLICY FY 2004 BUDGET REQUEST**FY 2004 Budget Request**

The Governor's Office of Drug Control Policy is requesting \$255,000 and 8.0 FTE positions from the General Fund for FY 2004. This is no change in funding and a decrease of 3.0 FTE positions (27.3%) compared to estimated FY 2003. The changes include:

- A decrease of 2.0 FTE positions to transfer the Substance Abuse Free Environment (SAFE), the Drug-Free Workplace Education, and the Iowa Mentoring Partnership Program functions to the Department of Public Health. The administrative costs associated with these FTE positions are 100.0% federally funded.
- A decrease of 1.0 FTE position due to reduced funding for administrative support.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Lisa Burk (Ext. 17942) Russell Trimble (Ext. 14613)

DEPARTMENT OF PUBLIC HEALTH FY 2004 BUDGET REQUEST**FY 2004 Budget Request**

The Department of Public Health has requested \$24.7 million and 418.6 FTE positions, an increase of \$202,000 (0.8%) and 2.7 FTE positions (2.7%) compared to estimated FY 2003. The Department budget requests are compared to the estimated FY 2003 appropriation, which does not include salary adjustment. The FY 2003 salary adjustment was funded from non-General Fund sources. The increase requested by the Department is to restore the FY 2003 salary adjustment with General Fund dollars.

Other Funds

The Department has also requested the following appropriations from other sources of funding:

Gambling Treatment



Gambling Treatment Fund –The Department is requesting \$3.7 million, a decrease of \$65,000 compared to estimated FY 2003. The decrease is due to an upward adjustment made to the estimated FY 2003 budget for the Gambling Treatment Program, which occurred after the budget request was submitted. Of the \$3.7 million requested, \$2.0 million would be appropriated to the Gambling Treatment Program and \$1.7 million would be appropriated to Addictive Disorders for Substance Abuse Treatment.

Tobacco Trust Fund

Healthy Iowans Tobacco Trust Fund – The Department is requesting \$19.3 million, an increase of \$1.8 million compared to estimated FY 2003. For FY 2003, the Department was allowed to carry forward \$1.8 million of the FY 2002 one-time \$2.0 million appropriation for the Knoxville Substance Abuse Treatment Facility, which was unexpended for FY 2002. In FY 2003, the carry forward is being used for Substance Abuse Treatment (\$1.8 million) and partial funding of the State Poison Control Center (\$27,000). The Department is requesting that an appropriation be made for FY 2004 to replace the one-time funding. If the Department does not receive this funding, the maintenance of effort requirement for federal Substance Abuse Treatment dollars may be jeopardized and the Department could lose federal dollars in FY 2005 or FY 2006.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 17942)

COMMISSION OF VETERANS AFFAIRS FY 2004 BUDGET REQUEST

FY 2004 Budget Request



The Commission of Veterans Affairs has requested \$15.3 million and 850.9 FTE positions, an increase of \$998,000 (0.7%) and no change in FTE positions compared to estimated FY 2003. The Department budget requests are compared to the estimated FY 2003 appropriation, which does not include salary adjustment. The FY 2003 salary adjustment was funded from non-General Fund sources. The increase requested by the Commission is mainly to restore the FY 2003 salary adjustment with General Fund dollars. Other General Fund requests include:

- Iowa Veterans Home – an increase of \$79,000 for replacement of an x-ray machine and processor.
- Veterans Affairs Administration – an increase of \$17,000 to fund a replacement car so the Executive Director can travel statewide to address veterans' concerns.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 17942)

COLLEGE STUDENT AID COMMISSION FY 2004 BUDGET REQUEST

FY 2004 Budget Request

The Commission is requesting \$52.5 million from the General Fund for FY 2004. This is an increase of \$3,500 compared to estimated FY 2003. The increase is for replacement of salary adjustment funding that was funded from a one-time funding source for FY 2003.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Mary Shipman (Ext. 14617)

BOARD OF REGENTS FY 2004 BUDGET REQUEST**FY 2004 Budget Request**

The Board of Regents has requested a total of \$635.4 million from the General Fund for FY 2004. This is an increase of \$36.4 million (6.1%) compared to estimated FY 2003. Requested increases include:

- \$24.9 million to replace salary adjustment funding that was provided from a one-time source for FY 2003.
- \$11.5 million for strategic investments. The increases by institution include:
 - \$5.0 million at the University of Iowa, as follows:
 - \$2.0 million to restore faculty positions.
 - \$2.3 million for continued expansion of the Public Health Initiative.
 - \$0.4 million for economic development.
 - \$0.3 million for opening new buildings.
 - \$4.0 million at Iowa State University, as follows:
 - \$3.5 million to rebuild faculty ranks.
 - \$0.5 million for economic development.
 - \$2.0 million at the University of Northern Iowa to increase faculty.
 - \$0.3 million at the Iowa School for the Deaf to hire a director of education and for programming and operation costs at the new recreation complex.
 - \$0.2 million at the Iowa Braille and Sight Saving School for restoration of summer services.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Mary Shipman (Ext. 14617)

DEPARTMENT OF TRANSPORTATION FY 2004 BUDGET REQUEST**FY 2004 Budget Request**

The Department of Transportation (DOT) is requesting \$269.8 million for total operations, special purpose projects, capital projects, and grant programs for FY 2004. This is an increase of \$1.1 million (0.4%) compared to estimated FY 2003. Of this amount, the DOT is requesting \$264.6 million for operations and special purpose expenses and 3,538.0 FTE positions. This is a decrease of \$1.3 million (0.5%) and 16.0 FTE positions (0.5%) compared to estimated FY 2003.

Fund Sources

Of the total \$269.8 million, \$2.8 million is being requested from the General Fund, an increase of \$2.8 million (100.0%) compared to estimated FY 2003. In addition to the General Fund, \$266.9 million is being requested from the Road Use Tax Fund and the Primary Road Fund, a decrease of \$1.8 million

(0.7%) compared to estimated FY 2003. The significant budget changes are discussed below. Additional detail will be forthcoming in a separate document from the Legislative Fiscal Bureau.

Operations



Operations Budget

- Operations – An increase of \$503,000 to fund increases in existing leases, telecommunications tariffs, and existing equipment and software maintenance agreements.
- Motor Vehicle – A decrease of \$526,000 to eliminate 16.0 FTE positions due to the issuance of driver’s licenses being shifted to counties.

Special Purpose

Special Purpose Projects

- Driver’s License Issuance Lease – A decrease of \$1.2 million for the cost of the Digitized Imaging System used for issuing driver’s licenses.

Capitals

Capital Projects

- Garage Replacements – A new request of \$2.0 million for garage replacements. The Department has not yet determined locations.
- Scale Surface Repair – A new request of \$200,000 for surface repair at two scale sites near Missouri Valley.

Grant Programs



Grant Program Appropriations

- Rail Assistance – An increase of \$600,000.
- Aviation Assistance – An increase of \$2.2 million.

More Information

For additional information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

MEETING OF THE MEDICAID INFRASTRUCTURE GRANT WORKGROUP

Workgroup Meeting



The Medicaid Infrastructure Grant Workgroup met October 16 and discussed the following items:

- Meeting attended by Workgroup members during the month included the Real Choices Ad Hoc Meeting, the Iowa Respite Care Conference, and County Board Meetings. Future meetings include People First at the State Fairgrounds.
- Workplan Strategy:
 - The Workgroup discussed the success of the ICN session in September, which highlighted the Personal Assistance Services Program. There were over 250 participants throughout the State. Each participant was allowed to provide written feedback to the Workgroup either at the sites or via email. The comments and questions were discussed at the meeting, with Workgroup members to develop responses for distribution back to all the participants. Also, a session video was made and copies will be available to interested groups.
 - The Workgroup has members who are members of the Real Choices Workgroup. In many cases there is a parallel with the Personal Assistance

Services Program. Members agreed that there is a linkage between the two Workgroups, which would benefit both Workgroups and help to better educate individuals on choices available. The Workgroup members will make this linkage a priority.

- Subcommittee Reports:
 - A brochure for the Personal Assistance Services Program is being edited for content, but no completion or publishing date was discussed.
 - A subcommittee has been named for development of a provider training manual relating to Personal Assistance Services Program. A first meeting is planned prior to the next Workgroup Meeting.
- Next Steps:
 - Certain members of the Workgroup will meet with individual provider groups and interested parties to share the message of the Personal Assistance Services Program.

STAFF CONTACT: Sam Leto (Ext. 16764)

MEDICAL ASSISTANCE STAFF MEETING

Meeting

Staff from the Department of Human Services and the Legislative Fiscal Bureau met November 5 to review financial data for FY 2003 utilization and expenditures for the Medical Assistance (Medicaid) Program. The staff met to develop a range for a projection of State funded expenditures for FY 2003 using historic, current, and FY 2003 expenditure information. The amount of State funding in the Program for FY 2003 is \$500.9 million. The State funding represents the combination of General Fund, Senior Living Trust Fund, Hospital Trust Fund, and tobacco funds. The expenditures for FY 2002 were \$516.0 million from a final appropriation of \$521.9 million.

Projected Shortfall



Future Review

A range of projected shortfall for FY 2003 was agreed upon of \$56.0 million to \$77.0 million. The information used in developing the projections included average monthly eligibles, a projected State fund cost per eligible, and historical expenditure growth in major Program categories.

The range of projected expenditures for FY 2003 as well as the proposed FY 2004 budget request for this Program from the DHS will be reviewed at future Staff meetings. The Legislative Fiscal Committee and the Program Elimination Commission are also reviewing the Iowa Medicaid Program during the interim.

More Information

Additional information is available upon request.

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

NOVEMBER MEETING OF THE COUNCIL ON HUMAN SERVICES

Council Meeting

The Council on Human Services met November 13 and conducted the following business:

Admin. Rules Approved

The Council approved administrative rules relating to:

**Administrative
Rules**

- Policy change to the Medical Assistance Program relating to scope of nurse mid-wife services as federally required. Fiscal information indicates no cost should be incurred.
- Policy change to the Medical Assistance Program allowing qualified children's hospitals to receive federal disproportionate-share payments. Fiscal information indicates no cost should be incurred.
- Policy change to the Medical Assistance Program implementing a fee for privately operated Intermediate Care Facilities for persons with Mental Retardation (ICF/MR) assessed at 6.0% of total revenues. Fiscal information indicates an increase in revenues of \$3.7 million annually for the Medical Assistance Program and no cost to providers.
- Policy change to the Medical Assistance Program setting identical standards for Home and Community Based Services supported community living services under both mental retardation and brain injury waivers for approving living units over four beds under and exception to policy. Fiscal information indicates no cost should be incurred.
- Changes to the training requirements for foster care and adoptive parents as required by the General Assembly. Fiscal information indicates no cost should be incurred.
- Policy change to the Medical Assistance Program reducing the reimbursement for transportation provided by automobile to 20 cents per mile. Fiscal information indicates a savings of \$620,000 for seven months.
- Policy change to the Medical Assistance Program rules relating to methods of setting and collecting data for state maximum allowable cost for drugs. Fiscal information indicates no fiscal impact for this technical change.
- Policy change to the Medical Assistance Program rules clarifying that nursing homes participating in the funding of the Senior Living Trust Fund are allowed to receive an annual administrative fee. Fiscal information indicates no cost impact for this technical change.
- Policy change to the Family Investment Program (FIP) for payment of benefits via direct deposit to a financial institution or by electronic funds transfer. Fiscal information indicates no cost should be incurred.

Future Action on Rules

The Council placed the following administrative rules on notice for action at future meetings of the Council:

- Policy change to the Family Investment Program (FIP) to add eligibility for "battered aliens" regardless of their date of entry to the United States as required by the last General Assembly. Fiscal information indicates an expected cost of \$15,000 for partial year implementation in FY 2003.
- Increase the State Cases Program reimbursement rates by 4.3%, returning the rates to what was in existence prior to the 4.3% reduction. The reduction was implemented in December 2001. The administrative rule change is expected to cost \$180,000 for a half-year of implementation in FY 2003.
- Policy change to the Food Stamps Program relating to work requirements, penalties, elimination of the Workfare Program, and change in period for counting benefits for able-bodied adults. Fiscal information indicates no cost for funding of food stamp benefits that are 100% federal funded. Costs associated with administrative changes are expected to be minimal.

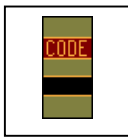


- Policy change to the Medical Assistance Program that clarifies and expands coverage for durable medical equipment and supplies. Fiscal information indicates no cost should be incurred
- Technical-only policy change to the Medical Assistance Program that updates criteria for Iowa Plan substance abuse services. Fiscal information indicates no cost should be incurred.
- Creates a new administrative code chapter and changes other chapters for the Medicaid Program, to establish service standards and an authorization process for case management services for persons with mental retardation, chronic mental illness, or a developmental disability. Fiscal information indicates no cost should be incurred.

Approved Proposals

The Council approved the following proposals for legislative action requested by the Department of Human Services. The fiscal impact for each was not included as in previous years and the LFB will be obtaining the fiscal impact of each proposal.

- Change the statutory definition of “health care provider” to include “employees of a Department of Human Services institution” to permit prosecution under a Class D Felony for those employees when assaulted.
- Eliminate the Family Investment Program (FIP) truancy policy due to a limited number of families affected and the amount of resources required to enforce the policy. The policy was suspended for FY 2003 in HF 2627.
- Change the statute to allow FIP participants the same policy for determining motor vehicle equity value as in Medicaid and Food Stamps. An estimated 16 new families would be eligible for the FIP because of the change.
- A technical change to correct reference for a parent seeking child support when a non-custodial parent is not a resident of the State. An estimated 12 families would be affected per year.
- Change the statutory definition of “multidisciplinary team” to include individuals with knowledge relating to domestic violence, regarding child abuse assessments.
- A technical change in the Medicaid for Employed Persons with Disabilities Program to correct the term “poverty line” to “poverty guidelines” and to clarify the base cost for determining maximum premiums to be paid.
- Codify current session law regarding county funding providing the match for federal funding under the Adult Rehabilitation Option in the Medical Assistance (Medicaid) Program.
- Correct the statute regarding estate recovery in the Medicaid Program as required by the federal government to comply with the Medicaid State Plan.
- Clarify the statute regarding the State’s responsibility for the non-federal share of costs of the provider participation fee leveraging strategy for Intermediate Care Facilities for Persons with Mental Retardation (ICF/MR.)



Member Concerns

Council members discussed concerns and interests including:

- The process for the Intermediate Care Facility for the Mentally Retarded (ICF/MR) fee and the use of the fee to draw additional federal funds while reimbursing the facilities in one month and retrieval of the same amount the following month.



- Appreciation of the communications staff and the State's media for various articles regarding issues impacting the Department of Human Services.
- Information received regarding the revised foster care and adoptive parent training education for new and future parents seeking the training.
- Access to the reporting toll free telephone numbers.
- The financial status of Magellan Behavioral Care of Iowa, an entity that holds a contract with the DHS for managed care for substance abuse and mental health treatment within the Medicaid Program.
- The opening target date of May 1, 2003, for the Sexual Predator Commitment Program being transferred from the Classification Center at Oakdale operated by the Department of Corrections to the Mental Health Institute at Cherokee.

Director's Comments

Director Rasmussen made comments regarding:



- The FY 2003 and FY 2004 budget status, with an expected \$300.0-\$400.0 million in commitments in FY 2004 for State government obligations.
- The FY 2004 budget and policy hearings being planned by the Governor but not yet scheduled.
- The group foster care waiting list issue and funding feasibilities.
- The effort under way with the John Casey Foundation to apply for funds for independent living options for those "aged-out" of foster care.
- Utilization of the Youth State Advisory Board composed of youth within the juvenile system for recommendations for changes within the delivery system of youth services.
- Use of funding to provide support systems for foster care youth attending college.

Medical Waiver Consolidation The Council received information regarding the consolidation of the six existing Medicaid waivers. The existing protocols will be extended to all waivers and that will expand the services currently provided by most waivers. The federal Centers for Medicare and Medicaid Services (CMS) has endorsed this effort, and the consolidated waivers must continue to meet federal cost effectiveness criteria. Implementation is expected in calendar year 2003 and will require changes to existing computer systems and training for field staff.

Child/Family Services The Council received information regarding the Child and Family Services Review process, a federal review scheduled within the DHS system in May 2003.

Child Welfare Utiliz. The Council received information regarding the changes under way in the child welfare utilization management process, in which intake and ongoing assessments for the needs of the child will be more uniform across the State.

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

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

BOARD OF REGENTS NOVEMBER MEETING

Regents Meeting

The Board of Regents met on November 13 and 14 at Iowa State University (ISU) in Ames. Significant agenda items included:

Strategic Plans

The Board made a preliminary review of strategic plans for each institution. Each of the institutions presented a progress report regarding their strategic plans.

Tuition & Fee Increases

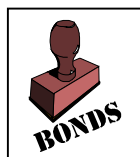


The Board approved tuition and fee increases for Fall 2003. After proposing and discussing increased tuition and fees during the September and October meetings, the Board gave final approval to the proposed increases with a 7-2 vote. The two Board members voting no were Neala Arnold, a University of Iowa (SUI) student who serves as the student representative on the Board, and David Neil, President of the United Auto Workers (UAW) State Community Action Program. The approved tuition rate of \$4,342 for Fall 2003 is an increase of \$650 (17.6%) at each of the universities for resident undergraduate students.

Legislative Program

The Board intends to pursue several statutory changes to promote efficiencies. These changes were identified as part of an organizational review completed by a private firm hired by the Board. The study indicated several areas of regulatory relief would allow the Board to improve business practices, such as competitive bidding. If the statutory changes are approved, it would move the Board and institutions closer to "independent agency" status.

Banking Committee



The Banking Committee recommended, and the Board approved the following:

- A resolution for sale and award of \$25.0 million of Hospital Revenue Bonds for the SUI Hospitals and Clinics. The bonds are to be used for construction and equipping facilities for image-guided radiation therapy services and mechanical and other supporting facilities.
- Bond issuance schedule for calendar year 2003.
- A resolution to fix the sale date for \$6.2 million of Indoor Multipurpose Use and Training Facility Revenue Bonds for ISU.
- A resolution to fix the sale date for \$9.5 million of Dormitory Revenue Bonds for the University of Northern Iowa (UNI).
- A resolution establishing a self-liquidating Memorial Union Facility and approving a Memorandum of Agreement between and among the ISU Memorial Union Corporation, the Government of the Student Body at ISU, and the Board of Regents.

Fall Enrollment Report

Part II of the Fall Enrollment Report provides the following characteristics of enrolled students: quality of new freshmen (ACT scores), transfer students, collegiate unit, admission to professional education, residence, international students, age, gender, disabilities, Iowa postsecondary students, and enrollment projections. The Regents project that total enrollment will decrease by 679 students (0.9%) between 2002 and 2012.

Governance Reports



The Board received the following Governance Reports:

- Governance Report on Student Retention and Graduation Rates. The Regents institutions continue to graduate more than 60.0% of entering full-time freshmen within six years. This exceeds the national average of 58.0% among NCAA Division I schools. Individual results include:
 - SUI – the six-year graduation rate decreased from 64.9% to 64.4%. The four-year graduation rate decreased from 37.6% to 35.8%.
 - ISU – the six-year graduation rate increased from 63.7% to 65.3%. The four-year graduation rate increased from 27.0% to 29.2%.
 - UNI – the six-year graduation rate increased from 64.2% to 66.5%. The four-year graduation rate increased from 28.8 % to 29.5%.
- Governance Report on Deferred Maintenance. The estimated amount of deferred maintenance in general fund facilities and utilities as identified by the institutions is \$145.7 million.
- Governance Report on Fire and Environmental Safety. From FY 1993 through FY 2002, fire safety projects (excluding components of major renovation projects) totaled \$33.6 million in general fund facilities. The total for FY 2002 was \$2.6 million. These projects were completed by using a variety of university funds including building renewal, interest on investments, bonds, and special appropriations.
- Governance Report on Purchasing. The Report provides information regarding purchasing efforts and compliance with State purchasing statutes.
- Governance Report on Fringe Benefits. The Report provides information concerning insurance, retirement, and vacation and sick leave programs. The Report also details the cost of fringe benefits and provides brief descriptions of the various programs. Total employer cost of insurance and retirement programs at the Regents institutions for FY 2002 was \$308.9 million. This is an increase of 4.3% compared to FY 2001.

Next Meeting

The next meeting of the Board is scheduled for January 15-16 at the University of Iowa in Iowa City.

STAFF CONTACT: Mary Shipman (Ext. 14617)

ENVIRONMENTAL PROTECTION COMMISSION HOLDS MEETING

Commission Meeting

The Environmental Protection Commission held their monthly meeting November 18. The following was discussed:



- Linda Hanson, Management Services Division Administrator, asked the Commission to approve the Department of Natural Resources' budget request for FY 2004. The Commission approved the following:
 - A General Fund request of \$15.8 million and 1,559.8 FTE positions for FY 2004. This is an increase of \$640,000 (4.2%) and no change in FTE positions compared to the estimated FY 2003 appropriation.
 - A Tobacco Settlement Trust Fund request of \$3.0 million for the continued development of the destination park near Lake Rathbun. This is an increase of \$2.0 million (33.3%) compared to the estimated FY 2003 appropriation.



- A Tobacco Settlement Trust Fund request of \$2.5 million for the Restore the Outdoors Program. This is no change in funding compared to the estimated FY 2003 appropriation.
- An Environment First Fund request of \$29.0 million. This is an increase of \$20.6 million (71.3%) compared to the estimated FY 2003 appropriation.
- A Fish and Wildlife Trust Fund appropriation of \$30.0 million. This is an increase of \$850,000 (2.8%) compared to the estimated FY 2003 appropriation.

- Citizens from Humboldt County made presentations during the Public Participation phase of the meeting. They asked the Commission to hold a public hearing regarding the issuance of a construction permit to the D & S Cattle Company. The Commission decided to hold a public hearing on December 3, 2002, in Des Moines.
- The Commission was asked to approve a contract for \$69,000 with Reed, Stowe, and Yanke, a company that will hold six workshops around the State to educate the public about the illegal dumping of solid waste. Funding is from the Solid Waste Alternatives Program (SWAP). The contractor has held similar workshops in Missouri and Texas. The contract was approved.
- The Commission was asked to approve a contract for \$50,000 with AURA Consulting, to provide project management and information technology for implementation of the One Stop Project. The One Stop Project will transform and streamline existing environmental reporting systems to the National Environmental Information Exchange Network. The contract will be funded with federal funds from the United States Environmental Protection Agency. The contract was approved.



Next Meeting

The Environmental Protection Commission will meet on December 3, to review the construction permit issued to Humboldt County and on December 16, for the regular monthly meeting.

STAFF CONTACT: Debra Kozel (Ext. 16767)

COLLEGE STUDENT AID COMMISSION NOVEMBER MEETING

Commission Meeting



The College Student Aid Commission met November 19 at the Commission office in Des Moines. Significant agenda items included:

- The Commission authorized staff to enter into a 28E agreement with officials from the Opportunities for Success USA charitable foundation to provide fundraising for the Foster Child Grant Program.
- Award Reductions. The Commission approved second semester award reductions of \$400 for tuition grant recipients and \$45 for vocational-technical tuition grant recipients. These reductions are for full-time students.
- The Commission authorized the Executive Director, with consent of counsel, to finalize an expanded 28E agreement with Iowa Student Loan Service Corporation (a subsidiary of Iowa Student Loan Liquidity Corporation) to create an Iowa-based guarantor-servicing unit. The current servicing agreement with Sallie Mae expires in November 2003. Staff estimated annual savings of \$1.5 million resulting from reductions in the current contract.

- The Commission authorized staff to issue a request for proposals for marketing and publication design services for the 2003 calendar year. The contract budget is \$55,000.

STAFF CONTACT: Mary Shipman (Ext. 14617)

MEETING OF THE MEDICAL ASSISTANCE ADVISORY COUNCIL

Advisory Council



The Medical Assistance Advisory Council met November 6 and conducted the following business:

- Reviewed the number of persons eligible and expenditures for the Medical Assistance Program (Medicaid) year-to-date in FY 2003 compared to FY 2002.
- Reviewed proposed administrative rule relating to the implementation of an assessment fee on Intermediate Care Facilities for Persons with Mental Retardation that are not owned by the State.
- Discussed action by the Council on Human Services to restore the 3.0% provider cut to certain service providers. Concerns were expressed that cuts in reimbursement to other providers were not restored. A motion carried to send a letter to the Council on Human Services and to the Governor, expressing the need to restore the 3.0% provider cut to all affected providers.
- Reviewed a list of Medicaid reimbursement methodologies currently utilized for services provided by the Iowa Medicaid Program.
- Reviewed historical data representing 10 years of provider reimbursements in various Department programs.
- Discussed a previously recommended resolution to the General Assembly for a Medicaid "Rainy Day" Fund that would allow the Department access to year-end balances of State funds from the Medical Assistance Program appropriations to be used for future Medicaid expenditures. A motion was approved to re-submit the resolution as amended, to both the Governor and the General Assembly prior to the next Legislative session for consideration and action.
- Department staff presented materials on a conference to be held December 8-9 in Ames relating to understanding the federal Health Insurance Portability and Accountability Act requirements. This Act affects both private and public health providers, including the Medicaid Program. Registration for the conference may be done on-line @ www.iowasnip.org or by fax @ (515/283-9366).
- The Request for Proposal (RFP) process for the Medicaid fiscal agent has started. The Department expects release of the RFP after January 1, 2003, to be awarded next spring. The effective date is July 1, 2003.
- Department staff presented information regarding the current contractor of the Iowa Behavioral Health Plan. This health plan provides for both mental health and substance abuse services through a federally approved Medicaid waiver. The contractor has current financial uncertainties created by decreases in stock market and debt load that may make it insolvent. The Department may decide to offer these services as provided previous to the waiver, or may initiate a new Request for Proposal for a new contractor. The Department is working with the Attorney General's Office and the Insurance Division to determine contract options.



More Information

For more information, contact the Legislative Fiscal Bureau.

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

MEETING OF THE HEALTHY AND WELL KIDS IN IOWA (HAWK-I) BOARD

October Meeting

The Healthy and Well Kids in Iowa (*hawk-i*) Board met October 21 and conducted the following business:

Correspondence & Reports

The Board reviewed the following correspondence and reports:

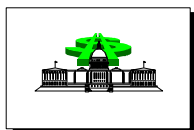
- A Letter from Iowa Health Solutions and a response from the Department relating to providing financial incentives to Health Maintenance Organizations for expanding their service areas into other counties.
- A news release that indicates the estimated number of uninsured Americans in 2001 increased by 1.4 million (3.5%) over 2000.
- A news article relating to states utilizing electronic applications for Medicaid and State Children's Health Insurance Programs.

Administrator's Report

The Board received the Administrator's Report:



- Budget: FY 2002 ended with a \$2.8 million State fund balance which carries forward to FY 2003. The State funding for FY 2003, with the carry forward from FY 2002, totals \$14.5 million. As of September 30, 2002, the actual year-to-date expenditures were \$2.3 million.
- Federal Allotments: For the federal fiscal years 1998 through 2001, the average annual federal allotment was \$32.5 million. For federal fiscal year 2002, the federal allotment for Iowa is \$22.4 million and for federal fiscal year 2003, the federal allotment for Iowa is \$21.4 million. That is an average reduction of \$10.6 million (32.6%) from the previous years. States were required to revert unspent allotments from federal fiscal years 1998 through 2000 to the federal treasury on October 1, 2002. Iowa will revert an estimated \$16.7 million for that period. Congress is being requested to allow states to keep all unspent allotments to meet future needs and to help states cope with reductions in their allotments.
- Enrollment Statistics: The Board reviewed current enrollment statistics for children on Medicaid (Title XIX) and on the State Children's Health Insurance Program (SCHIP) (Title XXI). Through September 2002, 142,100 children were on Medicaid and 25,400 children were on SCHIP.
- Federal Regulations: A new federal rule was published in the Federal Register on October 2, 2002, which would expand health care coverage under SCHIP for unborn children and would include pre-natal care for expectant mothers. This would require a State plan amendment and Legislative approval.
- Annual report to the Legislature: The Board agreed to the recommendation by the Administrator to prepare the legislative report similar to previous years. The Board will review a draft at the November meeting and finalize it in December.



Outreach Update

Outreach Update: Jane Borst, Department of Public Health (DPH), provided the Board with an outreach update. As of October 2002, twenty-six applications were submitted which would provide outreach to all 99 counties in Iowa. The applications are being reviewed by a team of DPH and DHS staff, to assure the standards approved earlier by the Board are in the proposals. The DPH expects to issue contracts by November 1, with training scheduled for November 14. Ms. Borst anticipates that all applications will be approved.

November Meeting The Healthy and Well Kids in Iowa (*hawk-i*) Board met on November 18 and conducted the following business:

Correspondence & Reports Department staff presented and discussed with the Board several items including:

- A letter to Blue Bird Midwest, Mt. Pleasant, IA, providing outreach information on the *hawk-i* Program for employees losing their jobs due to plant closure.
- An article on the State of Massachusetts capping enrollment into its uninsured health program for kids.
- An article on the Iowa Covering Kids Project receiving a \$48,000 grant from the Wellmark Foundation.
- An article from The Urban Institute regarding things persons should know about the federal State Children's Health Insurance Program, including graphs and charts.

Generic Drug Program



Wellmark Generic Drug Program Update: Wellmark staff provided the Board with the latest information statistics on effectiveness of the Program. Members of the Board expressed concerns based on calls received from parents about the education both medical professionals and parents have about the program and options available. Wellmark will consider another mailing to all providers and participants in the Program. The goal is to have 90.0% of prescriptions be generic. It is currently 63.0%. The Chairperson of the Board requested that Department and Wellmark staff meet to review the current outcomes of this Program and to report back at the next Board meeting.

Report

Review of *hawk-i* Program Survey Analysis Report: Staff from the Health Policy Council at the University of Iowa gave the Board an overview of current survey results from participants and families enrolled in the *hawk-i* Program. This is an annual update which the Board approves each year. The Board heard that the results continue to reflect positive feedback about the effects of the Program on uninsured kids and families. The presenter indicated that Iowa is doing a very good job and that no changes in the Program were recommended. The final report will contain several demographic and statistical analyses. The Board moved to approve the draft report and it will be sent to the Board for distribution.

Benefit Change Recomm.

Benefit Change Recommendations by the Clinical Advisory Committee: The Board received an updated chart of recommended benefit changes to the *hawk-i* Program. The Committee's recommended changes are the same as in prior years and were approved by previous *hawk-i* Boards for submission to the General Assembly. The Board moved to approve the list and send it to the Legislature and the Governor.

Administrator's Report

Administrator's Report: DHS Staff provided the Board with updates to the FY 2003 budget and enrollment numbers year-to-date through October 2003. Approximately \$3.1 million (21.2%) of the estimated FY 2003 budget has been spent year-to-date. The enrollment for the month of October was 25,876.

Annual Report

Annual Report to the Legislature: A draft report was provided to the Board for comments and edits prior to the next Board Meeting. The DHS staff will update for comments and present to the Board for approval.

Outreach Update

Outreach Update: Staff from the Department of Public Health provided the Board with information about the Outreach Coordinator position being posted by the Department of Personnel on November 15, the approval of all applications for contracts to provide outreach in all 99 counties of the State, and training provided to local outreach coordinators.

More Information

For further information, contact the Legislative Fiscal Bureau.

STAFF CONTACT: Sam Leto (Ext. 16764)

DEMOLITION SITE TASK FORCE HOLDS MEETING

Demolition Task Force

The Demolition Site Task Force held their final meeting on November 8, at the State Capitol. Legislators in attendance included Senator Behn, Representative Drake, and Representative Fallon. Senator Bolcom participated using a teleconference call. Brian Tormey, Department of Natural Resources, began discussing the report draft that was previously sent to the Task Force members. The members agreed that a one-page summary would be attached to the Task Force report and submitted to the General Assembly prior to the end of the year. The Task Force discussed the following items to include in the report:

- The feasibility of establishing a mobile debris processing system in rural Iowa communities that would recycle construction and demolition waste.
- Review of existing financial assistance programs that provide incentives for development of new buildings versus the restoration of existing buildings.
- Provide additional assistance programs for the restoration and maintenance of existing buildings.
- Adopt the United States Housing and Urban Development's Nationally Applicable Recommendation Rehabilitation Provisions building code to aid in the restoration of Iowa's historic buildings.
- Development of incentives for reduction, reuse, and recycling programs to local landfills and local governments.
- Provide financial assistance to companies and organizations that reuse or recycle construction and demolition materials.
- Encourage the use of State and local inmate labor on deconstruction projects.
- Encourage the use of the National Fire Protection Association Standards for live fire training exercises.
- Purchase an additional mobile unit for fire training. The estimated cost of one unit is \$350,000.
- Explore the phase-out of the existing open burning law.

**Copies Available**

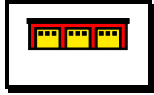
The Department will provide copies of the Task Force Report to members prior to distribution to the General Assembly. As specified in Senate File

2325 (FY 2003 Oversight Government Reform Act), the Report must be submitted by January 1, 2003.

STAFF CONTACT: Debra Kozel (Ext. 16767)

RED OAK NATIONAL GUARD ARMORY RENOVATED

Armory Renovated



The renovation of the National Guard Armory in Red Oak has been completed. The 12,300 square foot building was originally constructed in 1954. The interior and exterior renovation totaled \$961,000. Exterior changes included tuckpointing the outside of the building, installing a new roof, and resurfacing the parking lot. Interior changes included the installation of new offices, a supply room, a kitchen, classrooms, locker rooms, and restrooms. The renovation also included replacing the heating, ventilation, and air conditioning systems. The building will be dedicated November 17.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

NEW CHIEF JUDGE FOR THIRD JUDICIAL DISTRICT

New Judge Named



The Iowa Supreme Court announced that District Court Judge Michael Walsh will succeed Judge Richard Vipond as chief judge for the Third District. Judge Vipond will retire December 31, 2002. The Third Judicial District is comprised of 16 counties in northwest Iowa and is served by 22 full-time judicial officers, 15 part-time judicial officers, and 172 support staff.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

PUBLIC FORUMS ON JUDICIAL DISTRICT REORGANIZATION

Public Forums

A 25-person committee has been meeting during the interim on the topic of reorganizing the judicial districts. There are currently eight judicial districts and 14 judicial election districts in Iowa.

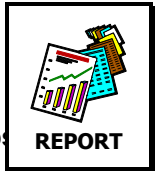
Five Proposals

There are five draft proposals that reconfigure the judicial districts and judicial election districts only. Public meetings were held in the following areas:

- November 11: West Des Moines, Valley High School with ICN sites at Mason City, Creston, Eddyville-Blakesburg, Fort Dodge, and Marshalltown.
- November 12: Cedar Rapids, Kirkwood Community College with ICN sites at Waterloo, Davenport, West Burlington, Dubuque, and Decorah.
- November 14: Carroll, Carroll-Kuemper High School, with ICN sites at Milford-Okoboji, Sioux City, and Council Bluffs.

Reason for Redistricting

Each meeting was from 7:00 p.m. to 9:00 p.m. and was linked to other locations around the State via the State's fiber optic network (ICN). The primary reason for redistricting was due to a National Center for State Court's workload study that shows Iowa has enough judicial officers to handle the workload but that some districts have too few judges while others have more than enough. The five proposed maps reallocate current judicial resources across the State in two, three, four, and five judicial districts.

Report Due in December

Map **REPORT** **b**

The Committee plans to submit its report to the Iowa Supreme Court in December. The Court will consider whether to recommend a plan for new judicial districts and judicial election districts to the General Assembly. The General Assembly has the exclusive authority to change the number and boundaries of the judicial districts and the judicial election districts.

The maps and other documentation can be found on the judicial branch web site at www.judicial.state.ia.us.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

NEW COMMANDANT AT THE IOWA VETERANS HOME
New Commandant


Governor Vilsack has named Byron Coghlan to be the new Commandant of the Iowa Veterans Home in Marshalltown. Coghlan, a native of Albia, Iowa, is a veteran of the U.S. Air Force, having served from 1969-1973. Mr. Coghlan has a bachelor's degree in sociology and a master's degree in social work and has served in various positions with the Department of Veterans Affairs in Iowa, Illinois, Maryland, Tennessee, and Nebraska. In 1985, he opened the Vietnam Veterans Outreach Center in the Quad Cities and a satellite office in Cedar Rapids. Coghlan's most recent positions were in Nebraska, where from 2000 to 2001 he worked as program director at Richard H. Young Hospital in Kearney and since September 2001 has served as Administrator/Commandant of the Nebraska Veterans Home in Grand Island. Coghlan replaces Commandant Jack Dack who served 32 years at the Iowa Veterans Home before retiring January 31, 2002.

STAFF CONTACT: Russell Trimble (Ext. 14613)

GOVERNOR'S TASK FORCE ON THE DEPARTMENT OF ELDER AFFAIRS RELEASES FINDINGS AND RECOMMENDATIONS
Task Force Findings

Task Force Goals

On October 31, the findings and recommendations of the Governor's Task Force on the Department of Elder Affairs were released. The statewide Task Force was convened to provide recommendations on how to strengthen the core mission of the Department in order to best serve the interests of seniors.

The Governor identified three specific goals for the Task Force, including:

- Identify and determine how the core mission of the Department could be strengthened.
- Identify the work the Department does and make recommendations on how to improve effectiveness in performance of these tasks.
- Identify the tasks that would be the primary responsibility of the Department.

Core Department Functions


The Task Force held three meetings and identified six core functions for the Department during discussions, including:

- Advocate for older Iowans.
- Develop policy relative to the current and future needs of older Iowans.

- Assure that public and private services addressing the needs of older lowans are available and accessible to all.
- Assess the current and future needs of older lowans through the regular collection, analysis, and sharing of information.
- Inform, educate, and empower older lowans on aging issues.
- Research new insights and innovative solutions to meet the service expectations of younger, healthy, and retired lowans.

Copies Available

Within these six core functions, the Task Force identified 17 tasks as being the primary responsibilities of the Department and determined related strategies. Copies of the complete report with the findings and recommendations of the Task Force are available upon request from the Legislative Fiscal Bureau (LFB), or the report may be accessed via the web site at: www.idph.state.ia.us/dir_off/DEA/deataskforcefinal.pdf.

STAFF CONTACT: Lisa Burk (Ext. 17942)

LOTTERY REVENUES AND EXPENDITURES FOR FY 2002

FY 2002 Rev./Expenditures

Through June, FY 2002 Lottery game revenues increased \$8.3 million from the FY 2001 level. Lottery prize expenses increased \$3.3 million, operating expenses increased \$1.1 million, and transfers to other State funds increased \$3.6 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.



STATE LOTTERY

July Through June
(Dollars in millions)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>Increase/ Decrease</u>	<u>% Increase</u>
Fiscal Year Beginning Balance	\$ 2.4	\$ 2.2	\$ -0.2	
Game Revenues	\$ 168.4	\$ 176.7	\$ 8.3	4.9%
Interest	0.9	0.9	0.0	4.4%
Total Revenue	\$ 169.3	\$ 177.6	\$ 8.3	4.9%
Prize Expense	\$ 96.7	\$ 100.0	\$ 3.3	3.4%
Operating Expense	36.8	37.9	1.1	2.9%
Transfer of Profits	35.9	39.5	3.6	10.0%
Total Expense	\$ 169.5	\$ 177.4	\$ 7.9	4.7%
June Ending Balance	\$ 2.2	\$ 2.3	\$ 0.2	

Comparison to FY 2001



Fiscal year 2002 sales compared to the same time period of FY 2001 were as follows:

- Instant ticket sales decreased \$3.4 million (4.3%).
- Pick 3 sales increased \$915,000 (24.0%).
- Multi-State Powerball sales increased \$8.3 million (16.8%).
- Rolldown sales decreased \$970,000 (46.0%).
- Freeplay Replay sales decreased \$286,000 (45.0%).
- Cash 4 Life sales decreased \$481,000 (100.0%).
- Daily Game sales increased \$57,000 (1.4%).
- Pull-tab sales increased \$601,000 (2.3%).

Ticket Sales

Total FY 2002 Lottery sales were \$176.7 million, an increase of \$8.3 million (4.9%) compared to FY 2001. FY 2002 sales for Pick 3, Powerball, Daily Game, and Pull-tabs were above sales for FY 2001. Included in the sales amount is the receipt of \$1.2 million due to the demutualization of Principal Mutual Insurance Company, and \$2.8 million net settlement proceeds from a settlement with Scientific Games, Inc. Scientific Games, Inc. was the vendor for the replacement of store terminals.

Hot Lotto

Hot Lotto, which was not offered until April 7, 2002, had FY 2002 sales of \$1.3 million. Hot Lotto replaced Rolldown, which ended April 6, 2002.

Estimated Transfers

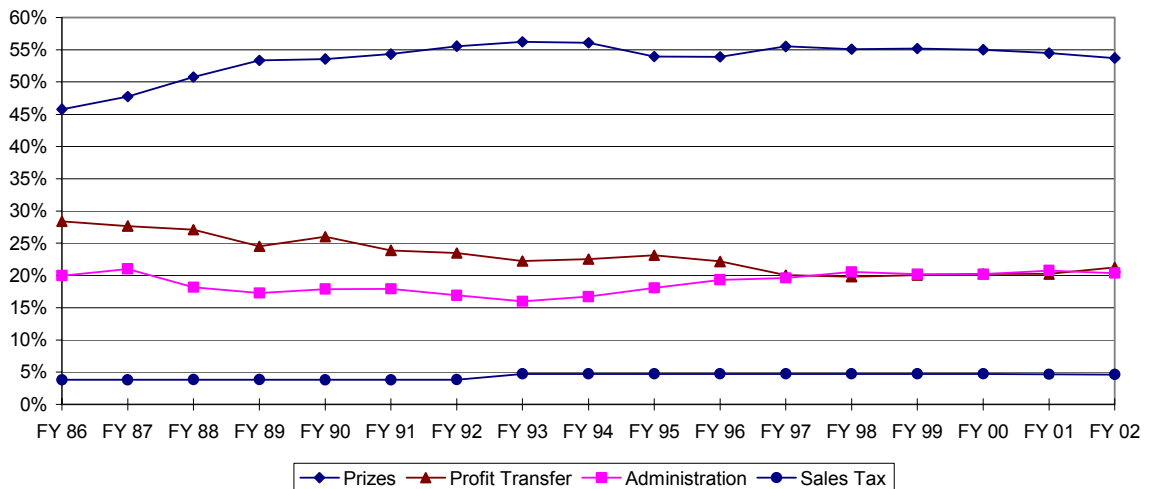
The May Revenue Estimating Conference (REC) projected FY 2002 Lottery profit transfers to the General Fund would total \$38.6 million. Actual General Fund transfers for FY 2001 were \$35.4 million. Therefore, the REC estimated General Fund Lottery transfers would be \$3.2 million (9.0%) higher in FY 2002 than in FY 2001. Through June, fiscal year transfers to the General Fund were \$3.6 million (10.1%) above FY 2001 and \$0.4 million (1.0%) above the REC estimate for FY 2002.

Expenditures



The following chart shows what happened to an average dollar expended on a lottery ticket in Iowa. For FY 2002, 53.7% was returned to the players as prizes, 20.4% was used to administer the lottery (including retailer and vendor compensation), 4.6% was transferred to the State as sales tax, and 21.2% was transferred to the State as profit. Percentages do not add to

Lottery Expenditures as a Percent of Revenue



100.0% due to changes in the Lottery's ending balance. Sales tax transfers do not equal 5.0% due to the inclusion of interest and fees in the revenue amounts.

Sales Tax

In addition to the amount transferred to the State as profits, the Lottery has transferred \$8.6 million in sales tax during FY 2002.

STAFF CONTACT: Ron Robinson (Ext. 16256)

ROAD USE TAX FUND: REVENUE UPDATE AND FIVE-

ROAD USE TAX FUND RECEIPTS
FY 2002 vs. FY 2001
(Dollars in Millions)



	Actual FY 2001	Actual FY 2002	Change FY 2002 vs FY 2001	Percent Change
Motor Vehicle Use Tax	\$ 212.9	\$ 231.4	\$ 18.5	8.7%
Motor Vehicle Fuel Tax	396.5	399.0	2.5	0.6%
Registration/Title Fees & Misc.	342.4	358.3	15.9	4.6%
Underground Tank Fees	19.4	19.4	0.0	0.1%
Driver License Fees	11.8	8.4	-3.4	-28.7%
Interest	10.3	8.7	-1.6	-15.2%
Other	8.3	10.9	2.6	30.8%
TOTAL RECEIPTS	\$ 1,001.7	\$ 1,036.1	\$ 34.4	3.4%

NOTE: Numbers may not equal totals due to rounding.

YEAR FORECAST

Road Use Tax Fund

Road Use Tax Fund Receipts: Actual FY 2002 Road Use Tax Fund (RUTF) receipts increased \$34.4 million (3.4%) over FY 2001. In comparing actual vs. estimated receipts for FY 2002, actual receipts were \$44.4 million (4.5%) higher than the DOT's forecast. The following table compares actual RUTF receipts by revenue type for FY 2001 and FY 2002. Of the increased revenues, 47.5% is allocated to the Primary Road Fund, 32.5% to Secondary and Farm-to-Market Road Funds, and 20.0% to the City Street Fund.

Vehicle Use Tax

Motor Vehicle Use Tax: The increase in motor vehicle use tax receipts is due primarily to the increase in vehicles sold in FY 2002. The most recent twelve-month period for sales of new auto, truck, and multi-purpose vehicle sales show that sales from June 2001 to May 2002 have increased 6.1% compared to the prior twelve-month period. Vehicle sales thus far in FY 2003 have fluctuated significantly: June receipts decreased 15.2% compared to June of FY 2002, while July receipts increased 17.1% compared to July of last year. August remained relatively the same compared to August of FY 2001 (an increase of 0.1%).

Fuel Tax



Motor Vehicle Fuel Tax: Motor vehicle fuel tax revenues increased \$2.5 million (0.6%) in FY 2002 compared to FY 2001. The increase is mainly the

result of increased fuel consumption in FY 2002. Fuel consumption in Iowa was 1.2% higher in FY 2002 than in FY 2001.

Registration & Title Fees

Registration & Title Fees: Registration and title fees increased \$15.9 million (4.6%) compared to the same period in FY 2001. The increase may be due partly to the increase in new vehicle sales. Reliable data concerning vehicle registration fees will not be available until June 2003. As of September 2002, registration fees were comparatively the same as September of last year.

Driver's License Fees



Driver's License Fees: Driver's license fees decreased \$3.4 million (28.7%) compared to FY 2001. The decrease is primarily due to the normal license issuance cycle. Receipts for driver's license fees are projected to be 21.4% higher in FY 2003 than in FY 2002.

Interest

Interest: Interest rates for the Road Use Tax Fund decreased 15.2% in FY 2002 compared to FY 2001. The decrease can be attributed to a decrease in pooled interest rates. The average pooled interest rate in FY 2001 was 6.3%, while the average rate in FY 2002 was 5.4%.

Other Revenue

Other Revenue: Other revenue types experienced a combined increase of \$2.6 million (30.8%) in FY 2002 compared to FY 2001. Motor carrier fines increased \$386,000 (17.4%), while miscellaneous license and permit fees increased \$125,000 (37.1%). Changes in other revenue sources were relatively insignificant in terms of total dollar changes.

Five Year Forecast



The Department of Transportation (DOT) has released a new five-year funding forecast for the Road Use Tax Fund. For FY 2003, the DOT is projecting an increase of \$9.4 million (0.9%) over FY 2002, and an average annual increase of \$13.2 million (1.3%) from FY 2003 to FY 2007. The following table shows the Department's latest Road Use Tax Fund revenue forecast by revenue type.

	Estimated FY 2003	Estimated FY 2004	Estimated FY 2005	Estimated FY 2006	Estimated FY 2007
Motor Vehicle Use Tax	\$ 230.7	\$ 232.1	\$ 237.5	\$ 243.0	\$ 244.0
Motor Vehicle Fuel Tax	398.2	400.3	401.1	401.3	402.5
Registration/Title Fees & Misc.	367.3	371.7	377.7	389.5	399.9
Underground Tank Fees	19.2	19.2	19.2	19.2	19.2
Driver License Fees	10.2	13.4	11.4	8.5	10.9
Interest	8.9	8.8	9.0	10.0	10.0
Other	11.0	11.0	11.0	11.0	11.8
TOTAL RECEIPTS	<u>\$ 1,045.5</u>	<u>\$ 1,056.5</u>	<u>\$ 1,066.8</u>	<u>\$ 1,082.4</u>	<u>\$ 1,098.3</u>

NOTE: Numbers may not equal totals due to rounding.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

**FY 2002 SEXUALLY VIOLENT PREDATOR PROGRAM
ANNUAL PROGRESS REPORT RELEASED BY THE
ATTORNEY GENERAL**

Report Released

The Attorney General has released an annual progress report regarding the FY 2002 Sexually Violent Predator Program. The Report:



- Reviews the definition of a “sexually violent predator” and the criteria for admission to the Program.
- Provides a patient profile for the 31 clients served in FY 2002, with the average age of 44.6 years and the average age of the victim being 13.6 years.
- Indicates that for the first three years of the Program, 59 cases of the 1,500 cases were reviewed for potential admission, 35 went to trial, and 31 of the 35 were civilly committed to the Program.
- Reviews the challenges as determined by the Attorney General, including:
 - Time commitment of the pretrial litigation and costs incurred for the pretrial detention period.
 - Criminal violations incurred by a client during the time of pretrial and commitment.
 - Differences in treatment for mental health needs for those with traditional civil commitment and those with specialized civil commitment.
 - Need for long-term planning, including additional security needs after relocation of the Program at the Mental Health Institute at Cherokee.
 - Need for a formal evaluation of the Program to identify strengths and weaknesses.
- Includes recommendations, which are:
 - Ensure adequate funding and staffing for the secure unit at Cherokee.
 - Develop transitional release programs with client expectations and ensuring public safety.
 - Conduct a formal evaluation of the Program.

Copy Available

A copy of the Report can be found on the LFB web site at http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/interim_2002.htm.

More Information

Additional information is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Beth Lenstra (Ext. 16301)

COMMUNITY-BASED CORRECTIONS - FY 2001 AUDIT REPORT

Audit Report



The Legislative Fiscal Bureau (LFB) has received the FY 2001 combined audit report for the eight Community-Based Corrections (CBC) District Departments. The CBC District Departments’ operating authority is Chapter 905, Code of Iowa. The Department of Corrections (DOC) provides assistance and support to the District Departments, and each District Department is responsible for establishing services that meet the needs of its judicial district. Each District Department has its own board of directors, and is administered by a District Director who is appointed and employed by the Board.

Revenues vs. Expenditures

FY 2001 total revenue for the eight CBC District Departments was \$69.1 million and ranged from \$3.8 million at the Fourth CBC District Department to

\$15.7 million at the Fifth CBC District Department. Total revenues include the State General Fund appropriation, direct federal grants, interest earnings, local grants, and offender fees. The FY 2001 total expenditures were \$68.8 million and ranged from \$3.8 million at the Fourth CBC District Department to \$15.5 million at the Fifth CBC District Department. The Second, Third, Fourth, Sixth, and Seventh CBC District Departments had no findings reported by the Office of the Auditor of State. Listed below are the remaining District Departments' findings.

Finding - 1st CBC



The First CBC District Department had one finding related to internal control:

- Receipts: Facility residents are required to submit their personal funds to the District Department; the funds are held in bank accounts separate from the District Department's bank account. The Residential Officers receive funds from the clients and provide a written receipt to the clients. The funds are then deposited into an in-house safe. A Residential Officer and a bookkeeper periodically remove the collections from the safe, balance the funds with receipt records, and prepare the deposit. The bookkeeper then gives the deposit to a supervisor who makes the actual bank deposit. From June 8 through August 24, 2001, the bookkeeper of the Waterloo Residential Facility circumvented internal control procedures by withholding deposits from the supervisor until the next set of collections was removed from the safe. The bookkeeper was able to use money from the first cash collection and replace the cash from the next collection. The bookkeeper also withheld collections for personal use from October 26, 2001, through February 26, 2002, when the shortage was discovered. The bookkeeper's employment was then terminated. The February 26 deposit was \$1,840 less than receipt records. The Office of the Auditor of State recommended that cash collections should be deposited in the bank at least twice per week, that the Department should pursue recovery of the shortage, and the receipts need to provide more detailed information. The Department responded that the cash shortage would be part of the former bookkeeper's plan of restitution, and that no General Fund dollars would be used to resolve the issue. The Department filed a claim through its insurance company, but the policy included a \$1,000 deductible. The Department has since updated its internal control procedures to:
 - Require facility bank deposits occur at least twice per week.
 - Require voided receipts to be signed by the staff that voided it, include the reason for voiding it on the receipt, and include the date of voiding it.

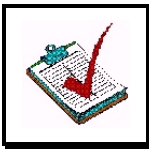
Findings - 5th CBC

The Fifth CBC District Department had five findings related to internal control:

- Electronic Data Processing Controls: The District Department does not have a written disaster recovery plan. Employees are not restricted to only those programs for which they have a work-related need. The Office of the Auditor of State recommended the District Department develop a written disaster recovery plan, and that employees have restricted access to computer programs. The District Department responded that it is currently working on a draft disaster recovery plan. The District Department is reviewing employee access to its accounting system and plans to have controls in place by July 1, 2002.
- Client Accounts Deductions: The District Department does not maintain evidence of client approval for deductions from client accounts at the Fort Des Moines Residential Facility. The Office of the Auditor of State recommended the District Department maintain documentation showing such client authorization. The District Department responded that staff has been instructed in procedures to document approval of payments.



- Transfer of Funds: A transfer of \$80,100 occurred from the Clients' Account Bank Account to the District Department's checking account in October 2000. Subsequently, \$80,000 was transferred back to the Clients' Account Bank Account in April 2001. The use of client funds to finance the District Department's operating costs is not allowable. The Office of the Auditor of State recommended that procedures be put in place to ensure that bank transfers are not allowed to occur between client funds and the District Department general bank accounts. The District Department responded that client funds were not used to finance General Fund operations, and procedures have been implemented to prevent inter-fund transfers.
- Generally Accepted Accounting Principals (GAAP) Package: The District Department's FY 2001 GAAP package contained inaccurate information. Construction in progress expenditures was improperly reported. The fund balance on the GAAP package did not agree with the Statement of Revenues and Expenditures. The Office of the Auditor of State recommended that the District Department review its GAAP package prior to submission to the Department of Revenue and Finance, to ensure accuracy. The District Department responded that it does review the GAAP package prior to submission, and it will continue to do so. The District Department also stated that the construction in progress expenditure was recorded the same as the previous year. It now understands that the method was improper, and will change it in future reports.
- Bank Reconciliations: The District Department did not perform timely bank reconciliations in FY 2001. The end of the month outstanding checklist was inaccurate. The Client Accounts Bank Account did not reconcile from the book balance to the bank balance. Certain bank reconciliations did not have proof of review (signature and date). The Office of the Auditor of State recommended that the District Department perform bank reconciliations monthly, that the checks outstanding must include checks written in prior months that have not cleared the bank, that the accounts must be reconciled from the book balance to the bank balance, and monthly reconciliations should have proof of review. The District Department responded that General Fund reconciliations were made current in the middle of the fiscal year, and they went unsigned through unintentional oversight. The Client Accounts Fund is not yet reconciled. The District Department has no documentation in its possession to demonstrate reconciliation between the book balance and the bank balance for the FY 2000 Client Accounts Bank Account that was audited over one year ago. The District Department is attempting to use reports from the automated bank account system to provide documentation. To date, it has been unsuccessful. The Office of the Auditor of State acknowledged the response, and stated that the lack of timely bank reconciliations was discussed with management at the exit conference for FY 2000. Management should bring the Client Accounts Fund Account current with reconciliations, and needs to perform monthly reconciliations in the future.



Finding – 8th CBC

The Eighth CBC District Department had one finding related to internal control:

- Segregation of Duties: The responsibilities for collection, deposit preparation, and reconciliation functions with the Fairfield Administrative Office should be separated from those functions for recording and accounting for cash receipts. Currently, the Administrative Assistant performs all of these functions while the District Director initials the bank reconciliations. The Office of the Auditor of State recommended that someone independent of the cash receipts process should compare the cash receipts to the actual amount collected, compare the receipts to an authorized deposit slip, and initial to indicate their review. The District Department responded that it would review the process and make changes as appropriate.

More Information

Please contact the LFB if you want additional information.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

**DEPARTMENT OF CORRECTIONS INSTITUTIONS - FY 2001
AUDIT REPORT**
Audit Report

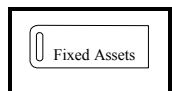
The Legislative Fiscal Bureau (LFB) has received the FY 2001 combined audit for the nine Institutions under the control of the Department of Corrections (DOC). The FY 2001 average cost per inmate ranged from \$18,286 at the North Central Correctional Facility at Rockwell City to \$35,134 for the Iowa State Penitentiary at Fort Madison. The average cost per inmate has generally remained constant or increased over the last five years at each Institution. Most increases in the average cost per inmate are related to operating additional beds to house more inmates.

Expenditures

Total General Fund expenditures were \$187.3 million in FY 2001, an increase of \$69.6 million (59.1%) compared to FY 1997. The average number of inmates has increased by 25.2% over the same period, while the average daily cost has increased by 27.0% (from \$50.73 to \$64.46 per day).

No Findings

Five Institutions had no findings reported by the Office of the Auditor of State: Iowa State Penitentiary at Fort Madison, and the Mount Pleasant, Clarinda, Newton, and Fort Dodge Correctional Facilities. Listed below are the remaining Institutions' findings.

Anamosa Findings

The Anamosa State Penitentiary had two findings related to internal control:

- **Fixed Assets:** The fixed asset system was not updated for FY 2001. Nor were FY 2000 errors corrected. Fixed assets recorded on the fixed assets system are not reconciled to the amount reported in the Generally Accepted Accounting Principals (GAAP) package. The Office of the Auditor of State recommended that the Institution take steps to ensure proper recording of activity on the fixed asset system, and the value of fixed assets needs to be reconciled with the GAAP package. The Institution responded that in the future, reconciliations would occur.
- **Compensated Absences:** A liability for compensated absences is to be reported in the GAAP package only if it is not recorded on the State's Human Resources Information System (HRIS). The GAAP package included \$62,700 for accrued holiday pay; this amount was also recorded in HRIS. The Office of the Auditor of State recommended that compensated absences not be recorded on the GAAP package. The Institution responded that it would not do so in the future.

Iowa Med. Classification Ctr.

The Iowa Medical Classification Center at Oakdale had one finding related to statutory requirements:

- **Executive Order #60:** Under Executive Order #60, each personal services contract is required to be supported by a pre-contract questionnaire. Two of six contracts reviewed did not have a pre-contract questionnaire completed. The Office of the Auditor of State recommended that all personal services contracts in excess of \$1,000 be supported by a pre-contract questionnaire. The Institution responded that it would ensure compliance with Executive Order #60.

North Central/Finding

The North Central Correctional Facility had one finding related to internal control:

- Disaster Recovery Plan: A written disaster recovery plan has not been established. Also, written confirmation has not been obtained from suppliers regarding replacement of computer hardware and supplies. The Office of the Auditor of State recommended that the Institution develop a written disaster recovery plan, and that suppliers be contacted. The Institution responded that it would comply with the State Auditor's recommendation.

Mitchellville Finding

The Iowa Correctional Institution for Women at Mitchellville had one finding related to internal control (Canteen Fund) and one finding related to statutory requirements (fixed assets):

- Canteen Fund: Inmates complete a form indicating what they want to purchase from the Canteen, and the inmates sign the form, authorizing payment from their accounts. Staff inadvertently destroyed FY 2001 records for the Canteen. The Office of the Auditor of State recommended that the Institution maintain adequate records and ensure staff knows records retention policies. The Institution responded that staff has been trained on the records retention policy.
- Fixed Assets: Section 7A.30, Code of Iowa, requires Institutions to keep a detailed, current record of all real and personal property belonging to the State. Fixed assets purchased for \$27,000 were not included as an addition to the fixed asset list. One item purchased for \$3,000 was improperly included. One of 32 items observed did not have a State fixed asset tag on it. Equipment and vehicle amounts were not properly reported on the Institution's GAAP package. The Office of the Auditor of State recommended that the Institution take the required steps to ensure the accuracy of the fixed assets list. The Institution responded that the staff has been trained on policies and procedures for maintaining the fixed asset list.



More Information

Please contact the LFB if you want additional information.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

DEPARTMENT OF CORRECTIONS - STATE APPEAL BOARD CLAIMS

Claims

The Legislative Fiscal Bureau (LFB) was recently notified of three claims paid by the State Appeal Board in September 2002 that relate to the Department of Corrections:



- \$64,000 to settle an age discrimination lawsuit out of court. The claim was filed against the Iowa Correctional Institution for Women at Mitchellville by Mr. Utter, who claimed he was not hired due to age discrimination.
- \$35,000 to Mr. Utter's attorneys for representing him.
- \$212,000 to pay Mears Law Office for attorney fees related to the federal lawsuit filed against the Iowa State Penitentiary at Fort Madison, alleging unconstitutional conditions for inmates with special needs. The case was Goff vs. Harper and the federal judge ruled against the State.

More Information

Additional information may be obtained by contacting the LFB.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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