

FISCAL UPDATE

March 3, 2003

Legislative Fiscal Bureau

(515)-281-5279 FAX 281-8451
<http://staffweb.legis.state.ia.us/lfb>

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE MEETING

Commerce Fees

The Administration and Regulation Appropriations Subcommittee met on February 25. The Legislative Fiscal Bureau staff made a presentation concerning the Department of Commerce General Fund appropriations and fees.

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the Legislative Fiscal Bureau (LFB) web site at:
http://staffweb.legis.state.ia.us/lfb/subcom/admin_reg/admin_reg.htm.

STAFF CONTACT: Ron Robinson (Ext. 16256)

ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE MEETINGS

Housing Development



On February 26, Lana Pals, Southwest Iowa Coalition, presented an overview of revolving loan funds and housing developments. In 1995, the Southwest Iowa Coalition formed the Grow Iowa Foundation Inc., a non-profit organization that provides grants and low-interest loan capital for community development, business start-ups, business expansion, water and sewer infrastructure, and housing. Currently, the Foundation offers three low-interest loan programs for business and housing developments. Two of the programs offered are intermediary relending programs and one is a private loan pool.

Immigrant Statistics

On February 27, Mark Grey, Director of the New Iowans Program, University of Northern Iowa, presented statistics on immigrants and refugees in Iowa's economy that included:

- Immigrants represented approximately 67.0% of Iowa's population growth from 1990-2000.
- The Latino population grew by 153.0% from 1990-2000 and is now Iowa's largest minority population.
- The number of foreign-born Iowa residents doubled from 1990-2000.
- In 1990, Latinos owned 3,707 homes. In 2000, this number increased to 9,291 homes.
- Latinos age 16 and older represented 69.0% of the labor force in 2000 compared to 68.0% of Caucasians.
- Median per capita income in 1999 for Caucasians was \$20,249 compared to \$10,848 for Latinos.

IN THIS ISSUE:

Appropriations Subcommittee Meetings:
Administration/Regulation, pg. 1
Economic Development, pg. 1
Health/Human Services, pg. 2
Justice System, pg. 2
Trans/Infrastructure/Capitals, pg. 3

Government Oversight Committee Mtg., pg. 5
SF 202 – Property Tax Credit Supplemental, pg. 6
SF 211 – Allowable Growth, pg. 6
Medical Assistance Staff Meeting, pg. 7
Board of Corrections Meeting, pg. 7

More Information Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at: http://staffweb.legis.state.ia.us/lfb/subcom/econ_dev/econ_dev.htm

STAFF CONTACT: Russ Trimble (Ext. 14613)

**HEALTH AND HUMAN SERVICES APPROPRIATIONS
SUBCOMMITTEE MEETINGS**

Subcommittee Meetings The Health and Human Services Appropriations Subcommittee met February 25-27. The following was discussed:

Health Services Joan Discher, Magellan Health Services, provided information relating to the contract for Medicaid relative to the Iowa Plan, the managed care portion of the Medicaid Program.

Iowa Priority Program David Fries, Director of the Iowa Priority Program, provided information regarding the enrollment, estimated savings, and contracts with pharmaceutical companies relative to the Program for seniors in Iowa.

State Resource Centers Gordon Allen, Deputy Attorney General, provided information regarding the federal Department of Justice concerns for the State Resource Centers located in Glenwood and Woodward.

Net Budgeting Staff from the Department of Human Services and the Veterans Home provided information regarding the process for and impact of net budgeting compared to the typical State appropriation process.

Outcomes Health Care Tom Halterman, Outcomes Pharmaceutical Health Care, reviewed the process taken by the entity to provide pharmaceutical savings to various unions, municipalities, and private corporations.

More Information Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at: http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm

STAFF CONTACT: Sue Lerdal (Ext. 17794) Jennifer Vermeer (Ext. 14611) Lisa Burk (Ext. 17942)

**JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE
MEETINGS**

Subcommittee Meetings The Justice System Appropriations Subcommittee met February 25-27 and heard the following presentations:

Iowa Prison Industries Deputy Director Roger Baysden presented an overview of the functions, duties, and programs of Iowa Prison Industries. Warden John Mathes and Deputy Warden Cornell Smith presented information regarding inmate work programs and prison gardens.

Dept. of Corrections Interim Director John Baldwin, Department of Corrections (DOC), presented a summary of the DOC budget request for FY 2004. The Governor is recommending an increase of \$6.6 million compared to the estimated net FY 2003 appropriation. This includes:



- An increase of \$4.0 million to fund FY 2003 salary adjustment from the General Fund in FY 2004. Salary adjustment was funded from other funds in FY 2003 and is not included in the base General Fund operating budgets for FY 2004.
- An increase of \$500,000 for sewer and water rate increases at Fort Madison and Oakdale.
- An increase of \$2.1 million to annualize the operating costs of the 200-bed Clinical Care Unit at Fort Madison. Another \$1.1 million for the Clinical Care Unit is included in the DOC's request for appropriations from the Healthy Iowans Tobacco Trust Fund.
- A decrease of \$657,000 to annualize savings associated with installing security fences at Fort Madison, Anamosa, and Mount Pleasant.
- An increase of \$600,000 to restore the FY 2003 furlough reductions in the Fourth, Fifth, Sixth, and Seventh Community-Based Corrections (CBC) District Departments.

CBC District Court

CBC District Directors Curt Campbell and Gary Hinzman presented information regarding the CBC District Departments' role as an alternative to prison. The CBC District Department has estimated an increase of \$9.8 million is required to protect public safety and supervise more offenders at the community level. Information was also provided for alternative proposals at the Cherokee Mental Health Institute and the Knoxville Treatment Facility.

InnerChange Freedom

The Subcommittee received testimony from Inner Change Freedom Initiative (IFI) representatives. This is a faith-based substance abuse treatment program operating at the Newton Correctional Facility.

More Information

Copies of agendas, minutes, and selected materials distributed to the Subcommittee members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/justice/justice/htm>.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Dean (Ext. 17846)

**TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS
APPROPRIATIONS SUBCOMMITTEE MEETING**

Subcommittee Meeting

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met February 25 and heard presentations from several agencies and organizations. The presentations are summarized below.

Department of Corrections

The DOC presented their FY 2004 high priority infrastructure requests and the projects recommended by the Governor. The Governor is recommending a total of \$7.8 million for the following projects:

- \$7.5 million for the second-year costs associated with the construction of the 170-bed expansion and replacement of the power plant at the Iowa Medical Classification Center at Oakdale. The project will require appropriations of \$11.7 million in FY 2005 and \$11.7 million in FY 2006.
- \$333,000 for the third-year debt service payment associated with an electrical system upgrade at Iowa State Penitentiary at Fort Madison.

The Department presented information concerning the need for a new community-based correction facility at Davenport. The Department requested \$6.5 million to construct a new 100-bed facility. The Governor did not recommend the funding.

Dept. of Public Defense



The Department of Public Defense presented the FY 2004 Governor's recommendations for infrastructure projects. The Governor has recommended a total of \$2.8 million for the following projects:

- \$1.1 million for construction of the Boone Readiness Center. The State funds will be matched with \$4.3 million in federal funds.
- \$1.3 million for maintenance and renovation projects at National Guard facilities. The Department estimates the State funds will be matched with \$4.1 million in federal funds. The funds will likely be used for the following projects:
 - Camp Dodge Water System Renovation – \$186,000
 - Camp Dodge Electric System Renovation – \$134,000
 - Storm Lake Armory Renovation/Addition – \$250,000
 - Spencer Armory Renovation/Addition – \$250,000
 - Ottumwa Armory Renovation – \$250,000
 - Camp Dodge Armory Renovation – \$200,000
- \$461,000 for the third year of funding for the construction of a Readiness Center in Estherville to support National Guard training. These funds were appropriated in HF 742 (FY 2002 Infrastructure Appropriations Act).

Dept. of Cultural Affairs

The Department of Cultural Affairs presented the FY 2004 Governor's recommendations for infrastructure projects. The Governor has recommended a total of \$980,000 for the following projects:

- \$830,000 for funding of the Historical Preservation Grant Program. The funds are used to provide financial assistance for the purpose of acquisition, repair, rehabilitation, and development of historic sites. The funds are awarded on a competitive grant basis and, by rule, applicants are required to provide at least 50.0% of the project cost.
- \$150,000 for continued funding for the preservation of the Iowa Battle Flag collection. The Department estimates that an additional \$600,000 in State funding will be needed to complete the preservation work.

Southern Iowa Authority

Representatives from the Southern Iowa Development and Conservation Authority presented a request for \$250,000 for projects to protect county infrastructure and rural development from soil erosion and destabilization of stream channels.

Destination State Park

Representatives from the Destination State Park Project presented information concerning the future development of the Park located near Lake Rathbun. In FY 2002 and FY 2003, the State appropriated a total of \$2.0 million. The Governor is recommending \$3.0 million for FY 2004 for the Park. Information was provided to the Subcommittee detailing a

need for \$15.0 million in State funding over three years, which would leverage \$43.6 million.

STAFF CONTACT: Dave Reynolds (Ext. 16934) Mary Beth Mellick (Ext. 18223)

GOVERNMENT OVERSIGHT COMMITTEE MEETINGS

Oversight Meetings

The Government Oversight Committee met February 25 and 26.

Iowa Ag Finance



On February 25, the Committee heard presentations from the following individuals related to the Iowa Agricultural Finance Corporation.

- Dan Winegarden, Iowa Agricultural Finance Corporation, provided an overview of the history and operations of the Corporation.
- Jeff Jobe, Rural Business Co-op Program, United States Department of Agriculture, provided information on the various agricultural finance and support programs the Program provides.
- Charlie Krogmeier, Agribusiness Association, presented information on suggested legislative changes necessary to allow the Iowa Agricultural Finance Corporation to provide funding for companies similar to Trans Ova, a company developing genetic modifications to cattle to provide pharmaceuticals for human use.

Legislation Passed

On February 26, the Committee discussed and approved the following legislation:

- Senate Study Bill 1112 and House Study Bill 198 (Appreciation of the Program Elimination Commission Bill), companion bills recognizing the work of the Program Elimination Commission (PEC) members.
- House Study Bill 169 and Senate Study Bill 1074 (Life Science Funding Bill), companion bills on the life science enterprises. These bills would allow companies like Trans Ova to receive available venture capital funding from the Iowa Agricultural Finance Corporation.

More Information

Copies of agendas, minutes, and selected materials distributed to Committee members are available on the LFB web site at:

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

STAFF CONTACT: Douglas Wulf (Ext. 13250) Sam Leto (Ext. 16764)

SENATE FILE 202 – PROPERTY TAX CREDIT SUPPLEMENTAL, PASSES SENATE

Property Tax Credit



Senate File 202 passed the Senate on February 26 and makes appropriations for two FY 2003 property tax credit reimbursements:

- Appropriates \$532,000 to the Department of Revenue and Finance to fully fund the FY 2003 reimbursement to counties for industrial machinery, equipment, and computers property tax replacement claims.
- Appropriates \$355,000 to restore the reduction made during the Second Special Session in 2002 to the Elderly and Disabled Tax Credit reimbursement. Excess funding is to be carried forward to FY 2004 and proportionately distributed to these same taxpayers.

The Bill also repeals Section 427B.19B, Code of Iowa, that permitted counties to reevaluate industrial machinery, equipment, and computers to offset a shortfall in these State reimbursements.

More Information

A copy of the Notes on Bills and Amendments (NOBA) is available from the LFB or on the web site: <http://staffweb.legis.state.ia.us/lfb/>.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

SENATE FILE 211 – ALLOWABLE GROWTH, PASSES SENATE AND HOUSE

Allowable Growth

Senate File 211 (FY 2003 Allowable Growth Bill) establishes a 2.0% allowable growth for the State's K-12 public schools for FY 2005. This is the allowable growth level recommended by the Governor. The Bill passed the Senate Education Standing Committee during the morning of February 26, while the House Education Standing Committee passed a companion bill, HF 340. During the evening, the Senate passed the Bill without amendment. On February 27, the House substituted SF 211 for the House version and passed the Bill, sending it to the Governor.

The 2.0% allowable growth level brings the FY 2005 State cost per pupil to \$4,741, an increase of \$93 (2.0%) per pupil compared to FY 2004. At this level, State Aid is projected to total \$1,873.6 million, an increase of \$42.3 million (2.3%) compared to FY 2004. Property taxes funding the Foundation formula and the budget guarantee are projected to be \$1,045.2 million, an increase of \$24.0 million (2.4%) compared to FY 2004. A total of 237 school districts are projected to receive the budget guarantee for a cost of \$30.4 million in FY 2005.

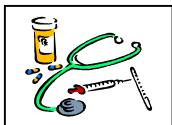
More Information

School district level allowable growth projections and budget guarantee estimates are available on the LFB web site at: http://staffweb.legis.state.ia.us/lfb/subcom/ed_standing/ed_standing_docs.htm.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

MEDICAL ASSISTANCE STAFF MEETING

Medicaid Overview



Staff from the Department of Human Services, Department of Management, and the Legislative Fiscal Bureau met February 21 to review enrollment and expenditure data for the Medical Assistance Program (Medicaid). The staffs meet each month to develop a range of projected State expenditures for FY 2003 and FY 2004 using recent data on enrollment, expenditures, and utilization of services.

Enrollment during FY 2003 continues to increase, although at a slightly lower rate than in FY 2002. The past five months, in particular, showed more moderate growth rates. Although February enrollment increased by a higher rate, the slower growth of the previous four months allowed the staffs to agree to lower the projected shortfall estimate for FY 2003. Previously, the shortfall was projected to range from \$55.0 million to \$77.0 million for FY 2003. The revised range is \$48.0 million to \$60.0 million. In January, the Governor recommended an FY 2003 supplemental appropriation of \$57.1 million.

Estimated Funds

The previous estimate for the amount of increased funds required for FY 2004 was \$78.0 million to \$110.0 million. The staffs agreed to lower the range to \$75.0 million to \$100.0 million. In January, the Governor recommended an increase of \$52.0 million for FY 2004. Based on the agreed upon range, \$23.0 million to \$48.0 million in savings would be needed to reach the Governor's recommended funding level for FY 2004.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Jennifer Vermeer (Ext. 14611) Lisa Burk (Ext. 17942)

BOARD OF CORRECTIONS MEETING

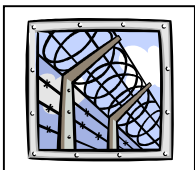
Corrections Meeting



The Board of Corrections met at the DOC Central Office in Des Moines on February 27. Interim Director John Baldwin informed the Board that the prison population was at an all-time record high of 8,511 inmates (125.0% of designed capacity). He indicated the DOC is implementing certain practices to use a multi-faceted approach to manage the record number of offenders under its jurisdiction:

- The DOC Central Office staff toured the prisons last week and discussed implementing Staff Initiated Releases (SIR) with correctional counselors. The counselors would screen cases and make recommendations to the Board of Parole for release.
- Community-Based Corrections (CBC) District Directors, the Board of Parole, and Central Office staff met to review the current Work Release Program, statutory authority, and policies and practices. The Board of Parole is working with the CBC District Departments to expand the use of home-based Work Release. This would shorten the length of stay at Work Release Facilities, thereby reducing the waiting list for offenders who have been waiting in prison for a Work Release Facility bed.
- The DOC is using the Iowa Corrections Offender Network (ICON) to identify inmates for early release. The system has improved communications between staff in the CBC and the prisons.
- The DOC is working with the General Assembly in exploring sentencing options and funding requirements.

Board Chair Suellen Overton requested more information regarding Staff Initiated Releases. Mr. Baldwin indicated the counselors select non-violent inmates who may have received some substance abuse treatment, but have not completed a treatment program in prison. These selected inmates cannot have a recent history of violence, either in prison or while being supervised in the community. The counselors are using the Board of Parole's risk assessment and the DOC's risk and needs assessment. Some inmates may be referred to the Board of Parole prior to receiving any treatment in prison.



Mr. Baldwin also indicated the DOC is implementing a policy of planning for an offender's eventual release back to the community at the time that offender enters the prison system. Currently, the DOC plans for release toward the end of an offender's prison stay.

The Board questioned whether the federal court system has indicated any concerns regarding the Iowa prison system's overcrowding. Mr. Baldwin

stated he had no indication that the federal court was considering taking action at this time.

Mr. Baldwin stated the DOC has 42 people currently deployed for military duty. The DOC is filling these vacancies with the understanding the deployed staff will return to their jobs at some time in the future. There will be vacancies available for these staff when they return from deployment.

Mr. Baldwin informed the Board that staff has been hired for the second phase of operating beds at the Clinical Care Unit at Fort Madison. The next 80 beds will open at the end of March, while the remaining 80 beds will open in June.

Program Elimination

Mr. Baldwin indicated the Program Elimination Commission (PEC) recommended the creation of a CBC Czar in the Central Office, and the DOC does not support that policy change. The PEC recommended improving efficiencies at the Mental Health Institutes (MHI) operated by the Department of Human Services. Mr. Baldwin briefed the Board on several alternatives to constructing a prison:

- Create a substance abuse treatment program at the Luster Heights Prison Camp.
- Fund CBC at a level to safely supervise more offenders in the community.
- Fund the Knoxville Treatment Facility.
- Convert space at the Clarinda or the Cherokee MHI for DOC use.

DOC Lawsuit

Mr. Baldwin briefly mentioned the lawsuit filed against the DOC regarding the InnerChange Freedom Initiative Program operating at the Newton Correctional Facility. The lawsuit is based on a constitutional question regarding the separation of church and state. The Program is a faith-based substance abuse treatment program.

Mr. Baldwin informed the Board that the Department of Management has retained a consulting firm to look at cost savings throughout State government. The consultants have reviewed the DOC's policies and practices for providing inmates with prescription medicine. The consultants could not provide any alternatives to improve the current system. The consultants are reviewing the CBC system this week.

The DOC is exploring the possibility of adding venison to the menus at the prisons. This proposal involves thinning deer herds, having the deer processed at locker plants in the private sector, and purchasing the processed meat. Mr. Baldwin indicated the DOC would only implement this change if it reduced current meal expenses.

Mr. Baldwin informed the Board that one person has been released from the Civil Commitment Unit for Sex Offenders (CCUSO). The DOC has entered into an agreement with the Department of Human Services to supervise the offender, who is currently staying at Hope House in the Sixth CBC District Department.

Warden Terry Mapes and his staff were recognized for receiving a three-year license to operate a substance abuse treatment program at the Newton Correctional Facility. This program is operating at the Riverview Release Center, a minimum-security campus.

Legislative liaison Mary Chavez updated the Board on recent legislation. She indicated that HF 206 (FY 2003 Mandatory Abuse Reporting Bill) passed the House of Representatives this week. The fiscal note indicates a prison will need to be built in five years due to the policy changes in the Bill.

Sentencing Proposals

Dick Moore and Lettie Prell, Department of Human Rights, presented information on five sentencing proposals:

- Establish shorter maximum terms for certain Class B, C, and D felonies.
- Repeal the mandatory minimum term for Class C drug offenses imposed under Section 124.413, Code of Iowa.
- Modify crack cocaine penalties.
- Restore earned time for those offenders sentenced under the 85.0% law, where 85.0% of the sentence must be served in prison.
- Repeal the determinate Class D felony sentencing option.

The Board discussed the options, but took no formal action on the proposals. Mr. Baldwin indicated these proposals do not generate any immediate savings in the prison budgets but reduce the projected growth rate for the prison population. The prison population will continue to grow, but not as quickly as it is growing under current law. He stated, "Somewhere in the future, there's a prison to be built."

Assistant Director Lowell Brandt summarized substance abuse treatment programs available in the State and responded to questions from the Board.

Non-Medicaid Supp.

Mr. Baldwin briefed the Board that SF 36 (FY 2003 Non-Medicaid Supplemental Appropriations Act) was signed by the Governor. The funding for the DOC eliminated the need to furlough staff in FY 2003. The DOC has filled a limited number of positions.

Director Candidates

The Board entered into a closed session to review and choose the top three candidates for the position of Director of the DOC. The Board recommended three finalists to the Governor:

- John Baldwin, Interim Director.
- Gary Maynard, South Carolina.
- Michael Tidwell, Florida.

Governor's Candidate

The Governor is expected to propose a candidate for confirmation by the Senate in the next several weeks. The next Board meeting is scheduled for March 14 at the Training Center in West Des Moines.

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