

FISCAL UPDATE

September 13, 2004

Legislative Services Agency

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SPECIAL SESSION OF THE 2004 GENERAL ASSEMBLY

Special Session

The General Assembly met in Special Session on September 7 and passed legislation to address the June 16 Iowa Supreme Court ruling that invalidated provisions of the Grow Iowa Values Fund.

Legislation Passed

The General Assembly passed HF 2581 (Economic Development and Business Tax Reduction Act) and SF 2311 (Economic Stimulus Appropriations Act), which were signed by the Governor.

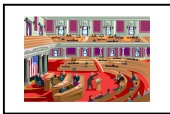
More Information

Additional information is available from the Legislative Services Agency (LSA) upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

FISCAL IMPACT OF THE SPECIAL SESSION ON THE GENERAL FUND BALANCE

Fiscal Impact



The business tax reductions enacted in HF 2581 (Economic Development and Business Tax Reduction Act) and the appropriations enacted in SF 2311 (Economic Stimulus Appropriations Act) reduced the estimated FY 2005 General Fund ending balance by \$63.2 million. Increases totaling \$3.4 million in estimated FY 2005 standing appropriations also contributed to reducing the ending balance from \$114.3 million to \$47.7 million. The General Assembly enacted tax law changes that reduced revenues by a total of \$56.7 million for FY 2005 and increased appropriations by \$6.5 million. The following is a copy of the General Fund balance sheet:

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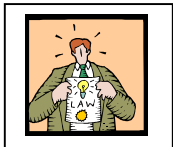
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STATE OF IOWA
GENERAL FUND BALANCE

(Dollars in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	
	Enacted	6/30/2004 Enacted	9/7/2004 Enacted
Estimated Funds Available:			
Estimated Receipts			
Revenue Est. Conference			
Receipts (Dec. REC)	\$ 5,195.0	\$ 5,257.1	\$ 5,257.1
REC Adj. (3/19/04 REC)	32.2	39.5	39.5
Revenue Adjustments	0.0	- 62.5	- 119.2
Total Revenues	<u>5,227.2</u>	<u>5,234.1</u>	<u>5,177.4</u>
Tax Refunds	- 725.5	- 696.0	- 696.0
Accruals	11.7	1.9	1.9
Total Funds Available	<u>4,513.4</u>	<u>4,540.0</u>	<u>4,483.3</u>
Estimated Appropriations:			
General Fund	4,573.5	4,464.3	4,467.7
Governor's Item Veto		- 0.1	- 0.1
2.5% Across the Board Reduction 10/03	- 82.5		
Across the Board Restoration	8.3		
Suppl. Approp To Sec. of State - HAVA	0.8		
SF 2059 DPH/DHS	0.4		
SF 2311 Workforce Development			6.5
Total Appropriations	<u>4,500.5</u>	<u>4,464.2</u>	<u>4,474.1</u>
Reversions:			
Regular	- 10.0	- 10.0	- 10.0
Operations	- 2.5	- 2.5	- 2.5
Anticip. Reversion - Indigent Care - SF 2298		- 26.0	- 26.0
Net Appropriations	<u>4,488.0</u>	<u>4,425.7</u>	<u>4,435.6</u>
Ending Balance prior to			
 Cash Reserve Transfer	<u>\$ 25.4</u>	<u>\$ 114.3</u>	<u>\$ 47.7</u>

Legislation Enacted



Legislation enacted during the Special Session also impacts the Cash Reserve Fund. Senate File 2311 appropriates \$10.7 million from the Federal Economic Stimulus and Jobs Holding Fund to the Cash Reserve Fund to replace \$10.7 million in claims approved by the State Appeals Board and paid from the General Fund in FY 2004. The claims against the State were for funds awarded to companies from the Grow Iowa Values Fund appropriations prior to the Supreme Court's ruling on June 15, 2004. It was necessary to appropriate the funds to the Cash Reserve Fund for accounting purposes.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

SENATE FILE 2311 – ECONOMIC STIMULUS APPROPRIATIONS ACT

Economic Stimulus



Senate File 2311 (Economic Stimulus Appropriations Act) created the Federal Economic Stimulus and Jobs Holding Fund and deposits the proceeds from the 2003 Federal Jobs and Growth Tax Relief Reconciliation Act into the Fund. The Act also appropriated a total of \$100.0 million from the Fund to economic development programs previously funded by the Grow Iowa Values Fund. The appropriations take effect upon enactment and are retroactively applicable to July 1, 2003. The following table provides the appropriations made to the various programs.

	FY 2005
Strategic Marketing	\$ 6,782,949
Financial Assistance & Incentives	61,045,652
Targeted State Parks	475,806
Loan Guarantee Fund	5,728,402
Regents & Private Inst.	10,058,162
Workforce Training	3,848,668
Job Retention Program	1,000,000
Endow Iowa Grants	155,303
Endow Iowa Tax Credits	155,303
Cash Reserve Fund	10,749,754
Total	\$ 99,999,999

Original Appropriation

The original Grow Iowa Values Fund appropriations in HF 683 (Grow Iowa Values Fund Appropriations Act) were repealed by SF 2311. These appropriations totaled \$277.5 million over a four-year period from FY 2004 - FY 2007.

Strategic Marketing



Strategic Marketing – \$6.8 million. The Act required the majority of the appropriation be expended pursuant to existing contracts or approved projects. The Strategic Marketing Program was established to market Iowa as a lifestyle, increase the State’s population and wealth, and expand and stimulate the State’s economy.

Business Incentives

Financial Assistance and Incentives to Business – \$61.0 million. The Act required \$36.9 million of the appropriation to be expended pursuant to existing contracts or approved projects. Currently, there are 36 existing contracts or approved projects that will receive funding. All 36 are expected to receive some funding for the first and second year of the projects.

State Parks



State and Destination Parks – \$476,000. The Department of Natural Resources (DNR), in cooperation with the Department of Economic Development (DED), developed an expenditure plan for the improvement of State and destination parks for economic development purposes. Three projects will be funded by the DNR and will require local matching funds, including:

- Brushy Creek State Recreation Area (\$225,000) – Will involve construction of camping cabins.
- Nine Eagles Park (\$113,000) – Will provide funding for a lodge shelter.

- Stone State Park (\$138,000) – Will provide upgrades to the Park through construction of a new shower building, two camping cabins, and through upgrading the electrical capacity of the Park.

Credit Guarantee

Loan and Credit Guarantee Fund – \$5.7 million. The purpose of the Program is to assist qualified businesses that employ up to 200 persons. The Fund provides for the following:

- The payment of claims pursuant to loan and credit guarantee agreements.
- Payment of the DED’s administrative expenses for the Program.
- The purchase or buyout of liens, mortgages, or security interests.
- The purchase of insurance to cover the default of loans through the Program.

Education



Regents and Private Institutions – \$10.1 million. Of the \$10.1 million appropriated, \$4.0 million is allocated to the University of Iowa, \$4.0 million to Iowa State University, and \$2.0 million to the University of Northern Iowa. Activities for which the appropriation may be expended include:

- Multi-use goods manufacturing processes approved by the federal Food and Drug Administration and protein purification facilities for plant, animal, and chemical manufactured proteins.
- Accelerating new business creation.
- Innovation accelerators and business parks.
- Incubator facilities.
- Upgrading federal Food and Drug Administration drug approval laboratories in Iowa City to a larger multi-client goods manufacturing processes facility.
- Crop and animal livestock facilities for the growing of transgenic crops and livestock, protein extraction facilities, containment facilities, and bioanalytical, biochemical, chemical, and microbiological support facilities.
- A national center for food safety and security.
- Advanced laboratory space.

Workforce Training



Workforce Training and Economic Development Funds – \$3.8 million. The Act required \$743,000 be expended pursuant to existing contracts or approved projects. Workforce training and economic development funds at each community college will be utilized for the following:

- Accelerated Career Education projects.
- Iowa Job Training projects under Chapter 260F, Code of Iowa.
- Career Academies.
- Programs and courses that provide vocational and technical training.
- Programs for in-service training and retraining.

Repeal of Funds

Senate File 2311 repeals the Code of Iowa section relating to the workforce training and economic development funds on June 30, 2010.

Job Retention

Job Retention Program – \$1.0 million. The Act allows the DED and community colleges to enter into an agreement to establish a job retention project. Some of the requirements of an agreement must include an investment of at least \$15.0 million by a participating business; a statement from the business indicating the business employs either 1,000 employees or more, or at least 4.0% of the county’s resident labor force; a commitment from the business that it will remain in Iowa and stay open for at least 10 years from the date of the agreement.

Endowment Grants



Endow Iowa Grants – \$155,000. The DED has identified a lead philanthropic entity to encourage the development of qualified community foundations in the State. The Board of the entity will award Endow Iowa Grants to qualified community foundations and affiliate organizations, and ensure that certain specified criteria are met. The Iowa Council of Foundations was awarded the contract as the lead philanthropic entity.

Endowment Credits

Endow Iowa Tax Credits – \$155,000. The Act deposits this appropriation into the General Fund to partially replace lost General Fund revenue as a result of tax credits already granted. The original Grow Iowa Values Fund legislation allowed a taxpayer to claim a tax credit equal to 20.0% of a taxpayer’s endowment gift to a qualified community foundation. The aggregate amount of tax credits authorized was not to exceed \$2.0 million, and an individual taxpayer’s award was not to exceed 5.0% of the aggregate. A total of \$1.3 million in Endow Iowa Tax Credits was issued prior to the Supreme Court ruling on June 16.

Cash Reserve

Cash Reserve Fund Appropriation – \$10.7 million. The appropriation will offset the General Fund reduction as a result of the August 27, 2004, decision of the State Appeals Board. The Board approved funding of \$10.7 million from the General Fund for the payment of claims against the State for funds appropriated from the Grow Iowa Values Fund and obligated prior to the Iowa Supreme Court decision. The \$10.7 million was allocated as follows:

- Strategic Marketing - \$255,000.
- Workforce Training and Economic Development Funds - \$3.0 million.
- Loan and Credit Guarantee Fund - \$10,000.
- Iowa Cultural Trust Fund - \$476,000.
- Financial Assistance and Incentives to Business - \$6.8 million.
- Department of Economic Development Administration and Board Expenses - \$145,000.

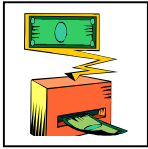
General Fund



General Fund Appropriations for Workforce Development Field Offices – \$6.5 million for FY 2005, \$6.5 million for FY 2006, and \$3.3 million for FY 2007. In prior years, field offices were funded by the Administrative Contribution Surcharge that was paid by Iowa employers. The surcharge, which was originally scheduled to sunset on July 1, 2003, was extended to July 1, 2006, through the enactment of HF 692 (Taxation Changes, Grow

Iowa Values and Regulatory Reform Act). Since HF 692 was invalidated by the Iowa Supreme Court on June 16, the original sunset date of July 1, 2003, became law. As specified in the Code of Iowa, collections were allowed to be continued through the end of calendar year 2003. Surcharges that had been collected after December 31, 2003, were set aside in escrow and will be refunded to businesses.

Fund Balances



Approximately \$3.1 million was collected for the first two quarters of calendar year 2004. The Department of Workforce Development has been using carry-forward funds in the Administrative Contribution Surcharge Fund to cover Program expenses. In FY 2006, when the appropriation is reduced by 50.0%, the Department intends to request an appropriation from the interest earnings on the Unemployment Compensation Reserve Fund.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Russ Trimble (Ext. 14613) and David Reynolds (Ext. 16934)

HOUSE FILE 2581 – ECONOMIC DEVELOPMENT AND BUSINESS TAX REDUCTION ACT

Legislation Enacted

House File 2581 (Economic Development and Business Tax Reduction Act) reenacted various economic development programs originally enacted in HF 692 (Taxation Changes, Grow Iowa Values and Regulatory Reform Act) and funded by the Grow Iowa Values Fund. House File 692, which was enacted during the 2003 Special Session, was invalidated by the Iowa Supreme Court on June 16, 2004.

Economic Development



Economic Development Programs – House File 2581 does not reenact the Grow Iowa Values Fund or the Boards that were created in HF 692. Instead, the economic development programs will be funded by the Federal Economic Stimulus and Job Holdings Fund created in SF 2311 (Economic Stimulus Appropriations Act).

Tax Changes

Income Tax Changes – The Act retroactively couples Iowa’s corporate and personal income tax code with two federal tax law changes.

- The first change allows businesses to expend a larger portion of a qualified acquisition in the year of purchase (as opposed to utilizing a multi-year depreciation schedule). This change applies to tax years beginning on or after January 1, 2003, through 2005.
- The second change allows businesses to depreciate qualified capital investments more rapidly than under current Iowa depreciation schedules. This is accomplished by allowing a business to claim an additional 50.0% depreciation allowance in the year of purchase. The Act allows for the additional depreciation for qualified purchases made after March 5, 2003, and prior to January 1, 2005.

Fiscal Impact

These tax changes are projected to reduce net General Fund revenue by \$87.2 million over two fiscal years, which includes \$56.9 million in FY 2005 and \$30.3 million in FY 2006.

Workers’ Comp.

Workers’ Compensation – The Act makes changes to workers’ compensation benefits and procedures, which includes:



- Requiring an employer to hold an employee harmless for the cost of care until the employer notifies the employee that the care is no longer being authorized.
- Specifying the employer is not liable for compensating an employee's preexisting disability that occurred at another place of employment or for causes unrelated to employment.
- Requiring the computation of workers' compensation involving a permanent partial disability to be based on the reduction of the employee's earning capacity in relation to earning capacity prior to the injury.

Civil Action Bonds

Civil Action Appeal Bonds – House File 2581 also reaffirms and reenacts provisions pertaining to supersedeas bonds contained in SF 2306 (Civil Action Appeal Bonds Act), which were invalidated by the Iowa Supreme Court ruling. The provisions allow a court to set a bond in excess of 110.0% of a money judgment upon making certain findings that justify the amount set.

More Information

Additional information is available from the Legislative Services Agency (LSA) upon request.

STAFF CONTACT: David Reynolds (Ext. 16934) and Russ Trimble (Ext. 14613)

APPROPRIATIONS TRANSFER FOR INDIGENT DEFENSE

Transfer of Funds



The Fiscal Services Division of the Legislative Services Agency (LSA) received notification of a request to transfer funds pursuant to Section 8.39, Code of Iowa. The notice requests a transfer of up to \$2.9 million for the Indigent Defense Program within the Office of the State Public Defender. The Program provides legal counsel to indigent defendants in criminal court proceedings.

Funds Transferred From

The State agencies that may transfer funds to the Program are listed below. All agencies included in the list may not necessarily contribute to the transfer.

- Civil Rights and College Student Aid Commissions.
- Departments of Administrative Services, Agriculture and Land Stewardship, Commerce, Corrections, Cultural Affairs, Economic Development, Education, Elder Affairs, Human Rights, Human Services, Natural Resources, Public Defense, Public Safety, Revenue, Veterans Affairs, and Workforce Development.
- Department for the Blind and the Board of Parole.

Amounts Unknown



Actual amounts to be transferred from each agency cannot be determined at this time due to validation and verification issues associated with the transition to the new State accounting system. The average annual increase in spending for the Indigent Defense Program is 6.6% over the last 10 years. However, the FY 2004 General Fund appropriation is \$1.0 million less than the amount actually spent in FY 2003.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

APPROPRIATIONS TRANSFER FOR THE IOWA LAW ENFORCEMENT ACADEMY

Transfer of Funds The Fiscal Services Division of the LSA received notification of a request to transfer funds pursuant to Section 8.39, Code of Iowa. The notice requests a transfer of \$150,000 from the Department of Public Safety, Iowa State Patrol Division, to the Iowa Law Enforcement Academy.

Transfer Purpose The transfer is necessary due to a significant drop in basic course attendance at the Academy, which impacted receipts for 2004.

More Information Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

DEPUTY DIRECTOR OF OFFENDER SERVICES APPOINTED

Deputy Appointed



Director Gary Maynard, Department of Corrections, appointed Jeanette Bucklew as Deputy Director of Offender Services. The position was vacant due to the appointment of Lowell Brandt as the Warden for the Iowa Medical Classification Center at Oakdale.

Responsibilities

The Deputy Director of Offender Services is responsible for administrative oversight and supervision of offender programs in both the community and prisons. These programs include education, re-entry, drug court, substance abuse treatment, and sex offender treatment.

Previous Experience

Ms. Bucklew previously served as Deputy Director of the Western Region and was responsible for administrative oversight of correctional operations in the community and prisons in the western portion of the State.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

2003 SURVEY OF JUDICIAL SALARIES

State Courts Survey



The National Center for State Courts released the results from a judicial salary survey completed in October 2003. The following chart provides the ranking of the top five states according to real salaries and salaries adjusted for cost-of-living increases.

General Jurisdiction Trial Court Judges

	<u>Real Salaries</u>	<u>Rank</u>		<u>Cost of Living Adjusted Salaries</u>	<u>Adjusted Rank</u>
District of Columbia	\$ 154,700	1	Michigan	\$ 139,749	1
California	\$ 143,838	2	Delaware	\$ 135,276	2
New Jersey	\$ 141,000	3	Illinois	\$ 134,913	3
Delaware	\$ 140,200	4	Arkansas	\$ 133,398	4
Michigan	\$ 139,919	5	Florida	\$ 133,347	5
Iowa	\$ 109,810	26	Iowa	\$ 116,417	16

Surrounding States

The following chart provides Iowa's ranking compared to six other surrounding states.

Calendar Year 2003 States Surrounding Iowa Salary Comparison

	<u>Supreme Court Justice</u>	<u>Appeals Court Judge</u>	<u>District Court Judge</u>
Illinois	\$ 158,000	\$ 158,103	\$ 136,546
Iowa	\$ 125,000	\$ 120,100	\$ 109,810
Minnesota	\$ 143,000	\$ 129,674	\$ 114,700
Missouri	\$ 126,000	\$ 123,000	\$ 108,000
Nebraska	\$ 119,000	\$ 119,276	\$ 110,330
South Dakota	\$ 103,000	\$ 100,671	\$ 95,910
Wisconsin	\$ 130,000	\$ 122,418	\$ 108,950
Iowa's Rank	5th of 7	5th of 7	4th of 7

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

BOARD OF CORRECTIONS MEETING**Board Meeting**

The Board of Corrections met on August 6 at the Iowa Correctional Institution for Women at Mitchellville. Warden Diann Wilder Tomlinson highlighted the following recent updates at the facility:

- Unit 5 has been closed. Approximately 12 inmates from that Unit are now in the general population with other inmates, serving as inmate mentors.
- The Institution is partnering with the Animal Rescue League of Iowa to acclimate dogs and cats for adoption.
- A hospice has been created in Unit 4 in cooperation with Central Iowa Hospice. Inmates have been trained to serve in the hospice.
- The Inmate Work Program has been expanded. Inmates are now working at the Alcoholic Beverages Division in Ankeny, Camp Dodge, Starc Armory, and the Iowa Law Enforcement Academy.
- One inmate crew per week works in Pioneer Cemeteries.

Budget Process

Director Gary Maynard and Deputy Director John Baldwin, Department of Corrections, explained the budget process for requesting funds in FY 2006. Pursuant to statute, the Department will request a 75.0% base budget plus restoration packages. The Department will also provide separate "offers" using a buyer/seller concept, which resembles zero-based budgeting. The budget will be presented using the following priorities:

- Basic life care, including food service, housing, medical, dental, mental health, housekeeping supplies, routine maintenance, laundry, clothing, building repairs, utilities, grounds maintenance, infrastructure, and information technology.
- Risk management and risk identification. Risk management holds offenders accountable for their actions. Risk identification uses data to determine the optimum placement of the offender on Iowa's Continuum of Corrections Sanctions that ranges from prison (highest level) to administrative monitoring (lowest level).
- Offender re-entry. This offer improves offender re-entry into the community by using evidence-based programming.

- Correctional education. This offer provides funds for the Department to contract with community colleges to provide education services to inmates.

Next Meeting The next meeting is scheduled for September 24 at the Central Office in Des Moines.

More Information Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

DEPARTMENT OF CORRECTIONS ENTERS INTO PARTNERSHIP AGREEMENT WITH THE PUBLIC STRATEGIES GROUP

Partnership The Department of Corrections (DOC) has entered into a partnership agreement with the Public Strategies Group (PSG). The agreement defines the structure of the partnership as permissive with no projects specified.

Project Agreements The agreement permits future appendices to delineate specific projects in the following categories:



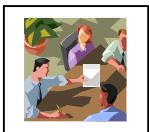
- Type One, Share-In Savings, where the DOC and the PSG partner together to find and share in savings in specific areas. The DOC may benefit from the savings captured, while the PSG would earn a percentage of the savings. No set percentage is specified in the agreement. The Iowa Corrections Offender Network (ICON) is specifically excluded from Type One activities.
- Type Two, Share-In Revenues, where the DOC and the PSG partner together to find or generate additional revenue. The DOC may benefit from the additional revenue generated, while the PSG would earn a percentage of the revenue. No set percentage is specified in the agreement. The ICON is specifically excluded from Type One activities.
- Type Three, DOC Leadership Initiatives, where the DOC and the PSG partner together for management improvements, training activities, cultural change, and other transformation activities. The PSG will not be paid a separate fee for this, as Type Three projects are categorized as “reinvention services” under the Master Agreement between the PSG and the State.

More Information Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

BOARD OF EDUCATION APPROVES STATE’S FIRST TEACHER INTERN PREPARATION PROGRAM

Board Meeting At the August meeting of the State Board of Education, the Board gave a one-year conditional approval to Iowa’s first Teacher Intern Preparation Program. The Franciscan University in Clinton, formerly known as Mount St. Clare, will offer most of the course work for the Program online. Multiple field experiences will be required as well.



Intern License The Teacher Intern License was established in 2002, but there had been no preparation programs established to implement it. The License serves as an alternative route to licensure for those who already possess a Bachelor’s Degree and experience in another field and wish to teach in high school. To

be licensed as a Teacher Intern, the applicant must complete 12 semester hours of required coursework and be offered a one-year teaching position by a local school district. Upon completion of the one-year classroom internship and additional required coursework, the applicant is eligible for licensure as a second-year teacher.

Online Master's Degree



In addition to the Teacher Intern Program, the Franciscan University sought the Board's approval of two other new online Master's Degrees. The Board gave a one-year conditional approval to a Master of Arts in Teaching for Initial Secondary Licensure, as well as a Master of Arts in Teaching Based on the Teacher Intern Program. The combination degree is intended to meet the needs of under-resourced Catholic schools in partnership with the University of Notre Dame's Alliance for Catholic Education. It will require a two-year teaching commitment in a Catholic school. The stand-alone Teacher Intern Program does not require that commitment and is open to anyone wanting to teach in public or nonpublic schools.

Department Review

All three programs will be subject to a full review by the Department of Education in FY 2006.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

COMMUNITY COLLEGES TUITION AND FEES INCREASE FOR 2004-2005

Tuition & Fees

With approval from the State Board of Education, the Department of Education issued the 2004-2005 Community Colleges Tuition and Fees Report. For the 2004-2005 academic year, the average annual full-time tuition based on 15 credit hours (\$2,754) has increased by \$183, or 7.1% over the previous year. The average increase in fees is \$26.18, or 7.2%.

Report Date

In past years, the Report has been issued in November. As a result of the earlier publication date this year, the Report includes FY 2003 revenue data. The Department will publish updated 2004 revenue information as part of the Condition of Community Colleges Report in January.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

FY 2004 AND FY 2005 MEDICAL ASSISTANCE PROGRAM ESTIMATES

Medicaid Estimates



FY 2004

Staff members from the Department of Management, Department of Human Services (DHS), and the Fiscal Services Division of the LSA, met on August 20 to discuss estimated expenditures for the Medical Assistance (Medicaid) Program for FY 2004 and FY 2005. The three staffs meet monthly to discuss estimated expenditures for the current fiscal year and to agree upon a range for expenditures.

The three staffs agreed to an estimated range of a deficit of \$2.0 million to a surplus of \$2.0 million for FY 2004. The estimate accounts for the increased funding due to the federal Fiscal Relief for Medicaid and the \$2.5 million in

increased revenue from the expansion of the Intermediate Care Facilities for Mental Retardation (ICF/MR) provider fee to include the State Resource Centers, as enacted in HF 2134 (Medicaid Savings Act).

FY 2005

When the FY 2005 Medicaid budget of \$568.5 million was enacted, it was discussed that the funding level was not likely sufficient to cover the full cost, and a FY 2005 shortfall is projected. The agreed upon range for the FY 2005 shortfall is \$40.0 to \$68.0 million compared to the FY 2005 appropriation.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

MEDICAL ASSISTANCE CRISIS INTERVENTION TEAM

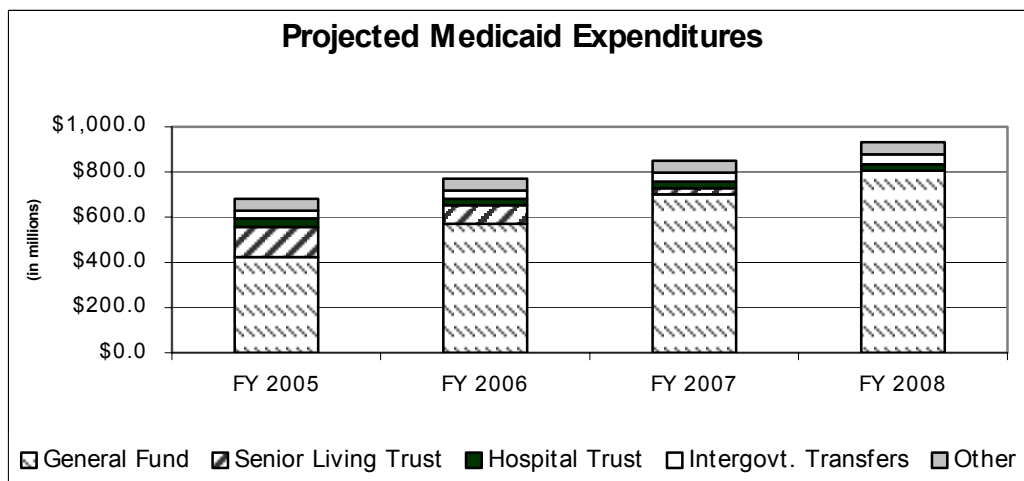
Medical Assistance

The Medical Assistance Crisis Intervention Team, created by SF 2298 (FY 2005 Omnibus Appropriations Act), met on August 2 in Sioux City. The Department of Human Services (DHS) provided the Team with spending projections for the Medicaid Program through FY 2008 under two different growth scenarios.

Cost Estimates



The first scenario assumes that recent cost and enrollment growth rates will continue, but at a slightly slower rate each year, and the Intergovernmental Transfers (IGTs) will also continue. Under this scenario, General Fund expenditures increase from \$423.0 million in FY 2005 to \$805.4 million in FY 2008, an increase of \$382.4 million. Of this General Fund increase, \$134.3 million is due to the depletion of the Senior Living Trust Fund in FY 2006 and FY 2007. The remaining increase is due to annual growth in Medicaid caseloads and costs ranging from approximately \$75.0 to \$86.5 million each year.



Alternate Estimate

The second scenario assumes that the IGTs are eliminated in FY 2006 and adds a 2.0% inflationary adjustment to the historical cost growth rates. This

increases the FY 2008 General Fund amount to \$931.5 million, which is \$126.1 million higher than the estimate under the first scenario.

Medicaid Reduction Option



The DHS also presented an analysis of options for reductions to Medicaid, which addressed both service and eligibility reductions. The analysis included a scoring system based on an assigned point value for various attributes of the options, such as whether the option was allowed under federal law or would cause problems with access to health care. The projections and options analysis can be found on the DHS web site at: <http://www.dhs.state.ia.us/publications.asp>.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

AUGUST COUNCIL ON HUMAN SERVICES MEETING

Council Meeting

The Council on Human Services met on August 11 and conducted the following business:

Admin. Rules



Approved the following Administrative Rules:

- Updates to Child Care Assistance Policies to combine all policies into a central chapter. The fee schedule is also updated with annual poverty level changes, and the monthly gross income table is replaced with percentage guidelines. There is no estimated fiscal impact.
- Adds a new category for State Supplementary Assistance to allow federal matching funds to be drawn down for Medicare premium payments, pursuant to HF 2134 (Medicaid Savings Act). The estimated net State savings is \$3.8 million in FY 2005.
- Technical changes to Medicaid home and community-based waivers. There is no estimated fiscal impact.
- Adds dental hygiene as a Medicaid covered service in Maternal Health Centers. Minimal fiscal impact.
- Allows the Child Support Recovery Unit to assist parents in suspending and terminating support obligations when only some of the children in the order live with the obligor and the order has a step change provision. Minimal fiscal impact.
- Expands the Intermediate Care Facilities for Mental Retardation (ICF/MR) assessment fee to the State Resource Centers, pursuant to HF 2134 (Medicaid Savings Act). The estimated State savings is \$2.5 million in FY 2004.
- Establishes a Refugee Foundation to receive available private or grant funds to supplement federal funds available to support refugees. The fiscal information received from the Department of Human Services (DHS) during the 2004 Legislative Session indicated there should be no State cost to operate the Foundation. Information received for the Administrative Rules process indicated the cost cannot be determined.
- Allows a deduction from income in the Food Assistance Program for excess medical expense when a recipient receives a Medicare prescription drug discount card or credit. There is no estimated fiscal impact.

Delayed Rules

The Council delayed action regarding Administrative Rule changes for Child Support Recovery until the September meeting.

Future Admin. Rules



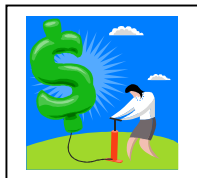
Approved the following Administrative Rules for action at future meetings (those duplicative of the rules adopted at the meeting are not provided below):

- Makes changes to how the Medicaid for Employed Persons with Disabilities (MEPD) premiums are applied. Allows for a refund under certain circumstances. There is no estimated fiscal impact.
- Pursuant to SF 2298 (FY 2005 Omnibus Appropriations Act), adds a new coverage group under the Medical Assistance (Medicaid) Program, limited to family planning services. This requires federal approval by the Centers for Medicare and Medicaid Services (CMS). There is an estimated net savings of \$562,000 in FY 2005.
- Heard an overview regarding the State's Child Protection System.
- Jan Clausen, DHS, provided a budget update. The DHS expects unspecified FY 2005 supplemental fund needs for the Sexual Predator Commitment Program, the Glenwood and Woodward State Resource Centers, and the Medical Assistance (Medicaid) Program.

Director Report

Director Kevin Concannon provided the following information:

- Negotiations have been completed regarding the federal Department of Justice settlement for the Woodward and Glenwood State Resource Centers, pending official approval at the federal and State levels.
- Child welfare and juvenile justice system redesign implementation is underway. The DHS has hired a contractor to look at methods for simplifying reporting requirements.
- Announced a \$1.0 million grant to expand outreach efforts in the Food Stamp Program.
- Mental Health redesign efforts are currently focusing on children and youth.
- Announced a \$48,000 grant from the National Governor's Association for efforts toward rebalancing the State's long-term care system.
- Announced that the Milbank Foundation will be providing financial technical assistance for the Long-Term Care System Task Force appointed by the Legislative Council.
- State departments will be required to submit FY 2006 budgets to the Governor's Office and the Department of Management in two ways, including a "purchasing results" methodology and the statutorily required 75.0% base budget method. The Department will provide the Council with the offers submitted when completed.
- The Medicaid Crisis Intervention Team has held two meetings, with four more scheduled. The DHS Medicaid staff is working to compile and provide data on specific Medicaid services to specific populations for these meetings.
- The Department remains in negotiations with the federal Centers for Medicare and Medicaid Services (CMS) to maintain certain Intergovernmental Transfers (IGTs), which will total an estimated \$75.0 million in future State revenues.





- The Medicaid Enterprise will be located on Army Post Road in Des Moines.
- The Medicaid Data Warehouse functions will be performed in-house using State employees at a cost of \$600,000. Contract bids provided were more expensive, at approximately \$1.0 million.
- The implementation of the State's new I/3 budget system has presented some challenges and has slowed down vendor payments across State government.

Next Meeting

The next meeting is scheduled for September 14-15.

More Information

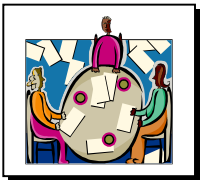
Additional information is available from the LSA upon request.

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

MENTAL HEALTH PLANNING AND ADVISORY COUNCIL**Council Meeting**

The Mental Health Planning and Advisory Council met on August 2 and conducted the following business:

- Made various appointments to the Council membership.
- Received information regarding the return of federal funds remaining from previous federal Block Grant awards.
- Discussed the nonexpenditure of a federal three-year grant of approximately \$200,000, which the Department of Human Services (DHS) plans to merge with the funds from a potential \$450,000 three-year Data Infrastructure Grant for data gathering related to the Adult Mental Health Redesign proposals. In addition to these funds, the DHS has applied for a \$3.0 million grant also relating to data needs. The Council approved a motion to keep the specific funds awarded for the Mental Health Planning and Advisory Council data for the federal Block Grant application process separate from the merger of funds planned by the DHS, if approval for the carryforward of the unexpended funds is received from the federal Center for Mental Health Services.
- Reviewed the federal Block Grant application that is required to be submitted by September 1, 2004. The anticipated federal funding is \$2.7 million. Related information is available by accessing the web site at: www.icmentalhealth.org.

**Next Meeting**

The next meeting is scheduled for September 27.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

OLMSTEAD REAL CHOICES CONSUMER TASK FORCE MEETING**Task Force Meeting**

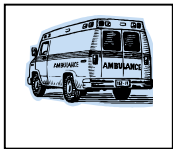
The Olmstead Real Choices Consumer Task Force met on July 27 and conducted the following business:

- Reviewed the written work plan for the related 2004 Real Choices Systems Change grants, which include:
 - An extension of the 2001 Real Choices grant, if approved by the federal Centers for Medicare and Medicaid Services (CMS). The amount of



available funds from this mechanism has not been provided to the Legislative Services Agency (LSA).

- Funds from a Medicaid Infrastructure Grant. The amount of available funds from this mechanism has not been provided to the LSA.
- Funds from a Youth Transition Grant from the federal Social Security Administration. The amount of available funds from this mechanism has not been provided to the LSA.
- Requested funds of \$300,000 from a federal Real Choices Rebalancing Initiative Grant relating to person-centered planning and a self-directed service delivery system.
- Requested funds of \$500,000 from a federal Real Choices Home and Community-Based Services Quality Assurance and Improvement System.
- Requested funds of \$1.0 million from a federal Integrating Long-Term Supports with Affordable Housing grant.
- Discussed the process underway for the Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury Commission redesign of the adult and children's mental health systems.
- Discussed input from the Task Force regarding the Medical Assistance Crisis Intervention Team public hearings across the State.
- Discussed the need for coordination of multiple proposed nursing facility preadmission screenings underway.
- Discussed the Governor's Executive Order 27 relating to State agencies complying with the concepts of the United States Supreme Court Olmstead decision.



Next Meeting

The next meeting of the Ad Hoc Committee of the Task Force is scheduled for September 10, and the next meeting of the Task Force is scheduled for October 26.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

SENIOR LIVING COORDINATION UNIT MEETING

Senior Living Unit



The Senior Living Coordinating Unit met on August 20 and conducted the following business:

- Discussed a potential name change for the Senior Living Coordinating Unit and an expansion of duties.
- Elected Director Mary Hansen, Department of Public Health, to serve as Vice Chairperson.
- Director Mark Haverland, Department of Elder Affairs, reported on the following:
 - The Long-Term Care Plan developed by the Department is anticipated to be published in early January after additional town meetings with seniors are held this fall.



- The National Governor's Association awarded the State \$48,000 to assist in building strategies to increase community-living options and decrease the need for institutional care.
- Director Kevin Concannon, Department of Human Services (DHS), provided an update on the activities and meeting schedule for the Medical Assistance Crisis Intervention Team.
- Received an update regarding issues anticipated to be addressed by the 2005 General Assembly from legislators in attendance.
- Lisa Burk, Legislative Services Agency (LSA), reported that the Legislative Council appointed a Long-Term Care Task Force consisting of 10 legislators. The first meeting is tentatively scheduled for September 16. Ms. Burk also provided an update regarding projections for the Senior Living Trust Fund.
- Linda Hildreth, Department of Elder Affairs, provided an update on proposed changes to the dependent adult abuse law.
- Deanna Clingan-Fischer, Department of Elder Affairs, reviewed a proposal for the establishment of a Substitute Decision Maker Program.
- Sherri Pollard, Polk County Attorney's Office, discussed the need for a more extensive system of oversight for Consumer Directed Attendant Care in order to combat fraud and abuse.
- Lila Starr, DHS, provided an update on implementation efforts for the Iowa Plan for Community Development.
- Established a subcommittee to study and provide recommendations on potential Long-Term Care Continuum Demonstration Projects.
- Mikayla Funaro, DHS, reported the State is anticipating receiving a grant from the Robert Wood Johnson Foundation in September that will assist in identifying how a cash and counseling program would operate in the State.
- Joel Wulf, Department of Elder Affairs, provided an update regarding the use of the Program of All Inclusive Care for the Elderly (PACE) grant.
- Mary Anderson, Department of Elder Affairs, provided an update on the three-year federal Resource Center grant that will assist with integrating three separate systems for the disabled and the aging.
- Greg Anliker, Department of Elder Affairs, provided an update on the three-year federal Seamless System grant designed to reduce duplication of data entry in the Case Management Program for the Frail Elderly (CMPFE). Mr. Anliker also provided statistical reports on home and community-based services and unmet service needs for services funded from the Senior Living Trust Fund.
- Approved the disbandment of the Community-Based Adult Services (CBAS) Committee. The duties of the Committee will be handled in the future by ad hoc groups as necessary.
- Lynn Christensen, DHS, reported that the third Request for Proposal (RFP) for nursing facility conversion grants will be completed over the next two months.



Next Meeting

The next meeting is scheduled for October 15.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

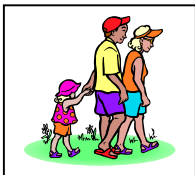
Council Meeting



STATE CHILD CARE ADVISORY COUNCIL MEETING

The State Child Care Advisory Council met on August 12 and conducted the following business:

- Received information regarding transportation provided in child care centers and heard oversight recommendations provided by the National Transportation Safety Board (NTSB). An ad hoc group will make recommendations before January 1, 2006, for changes to transportation rules that reflect the changes enacted in SF 2066 (Child Restraint Act) and will also consider the recommendations of the NTSB.
- Received a professional development update, which focused on the creation of a web-based childcare registry using lowAccess. A mock-up of the web site is anticipated to be available in October 2004.
- Discussed using a sliding fee versus a step fee scale for clients eligible for childcare assistance. The pros and cons of the two systems, as well as the fiscal impact, will be discussed further at the October meeting. Providers and advocates were asked to provide data for this discussion prior to the next meeting, and a subcommittee was appointed to study the issue.
- Received an update regarding the implementation of the voluntary Quality Rating System (QRS) for child care providers. Council members were encouraged to provide input on the proposed structure of the QRS by completing the survey on the Iowa Child Care and Early Education Network web site at: www.iowachildnetwork.org.
- Discussed and provided input regarding the Early Learning Standards Initiative.
- Received the FY 2004 final reports for activities under the Iowa Childcare and Early Education Network.
- Received an update and preliminary study results for Module V, Beginning Together, training that was held on June 8-12, 2004.



Next Meeting

The next meeting is scheduled for October 14.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

Commission Meeting



MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES CHILDREN'S OVERSIGHT COMMITTEE MEETING

The Children's Oversight Committee of the Mental Health, Mental Retardation, Developmental Disability, and Brain Injury Commission met on July 30 and conducted the following business:

- Heard from the Commission Chairperson that requested the Committee to not design a service system or identify additional children to be served, but rather plan the Statewide session to be held on October 21 to gather information.
- Selected Jim Rixner and Ann Riley as Committee co-chairpersons.

- Discussed a plan for the Statewide session to be held on October 21.

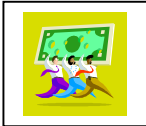
Next Meeting

The next meeting is scheduled for August 27.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

CHILD WELFARE REDESIGN UPDATE**Welfare Redesign**

The 2003 General Assembly passed SF 453 (Reinvention of Government Act), which required the Department of Human Services (DHS) to redesign child welfare and juvenile justice services into an outcome-based system, with implementation to begin in January 2004. The project became known as, "Better Results for Kids in the 21st Century."

Implementation Team

Since January 2004, the DHS Implementation Team has been finalizing implementation details and conducting roll-out sessions with DHS staff. In July 2004, two Statewide Iowa Communications Network (ICN) conferences were held to present an overview of the design and layout implementation plans.

Roll-out Focus

The roll-out includes the transition toward a family-centered system rather than focusing only on assisting the abused child with the use of family team meetings, as well as implementing a Community Care Initiative for cases where the assessed risk of abuse is low and the child is older than the age of six.

Schedule

The implementation of the Community Care Initiative is not scheduled to begin until January 2005 and may include referring families to a community-based service provider in situations where the DHS does not have a formal case. Some of the anticipated results are lower caseloads for social workers, allowing more time to handle tough cases and better services for lower-risk ones. Additionally, it is being considered how the Initiative can be used to best purchase outcomes, as well as the type of contract that might be developed to accomplish this. The DHS has also hired a consultant to streamline the documentation process in child welfare cases.

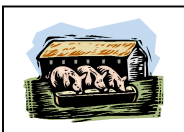
More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

ENVIRONMENTAL PROTECTION COMMISSION MEETING**Commission Meeting**

The Environmental Protection Commission met on August 16 and discussed the following:

Confined Animal Rules

The Commission received information on the proposed rule changes related to confined animal feeding operations and the guidelines from the federal Environmental Protection Agency (EPA). One of the proposed changes discussed was the issuance of a federal National Pollutant Discharge Elimination System (NPDES) permit for animal feeding operators in Iowa. There are approximately 1,800 facilities that will be required to obtain a permit.

Organic Composting

The Commission approved the Final Rule related to organic materials composting facilities. Changes relate to mixed material composting, stormwater management, operator certification requirements, and a technical correction.

Landfarming Rule

The Commission also approved the Final Rule related to the landfarming of petroleum contaminated soils. The rules will create two new types of permits, including a single landfarm applicator permit and a multi-use landfarm permit. Landfarming is aboveground remediation used to reduce petroleum concentrations in soil.

Controlled Burning



The Commission approved the proposed rules related to the burning of demolished buildings. The changes reduce the number of controlled burns that can take place within a 0.6 mile radius of a city, establishes record-keeping requirements for controlled burns, allow cities to establish a burn site located outside the city's limits, and adds landscape and residential waste to materials that cannot be burned with a demolished building.

Drinking Water Plan

The Commission approved the FFY 2005 Drinking Water State Revolving Fund Intended Use Plan as required by the federal EPA. The Plan includes a list of proposed projects that will receive loans and also specifies that 2.0% of the Fund is dedicated to pay for technical support to small drinking water systems.

FY 2006 Budget

The Department of Natural Resources (DNR) provided the proposed FY 2006 budget. The Governor is proposing a new Purchasing Results Budget System that develops programs that relate to the State's Leadership Agenda goals. The budget presented included the following:

- General Fund request of \$17.0 million for FY 2006, which maintains the current level of funding.
- Other non-General Fund requests included the following, which maintain the current level of funding:
 - Environment First Fund - \$20.6 million.
 - Fish and Wildlife Operations - \$31.2 million.
 - Underground Storage Tank Fund - \$200,000.
 - Boat Registration Fees Transfer - \$1.4 million.



Area Tour

The Department sponsored a tour of environmental projects within the area that included:

- Beach monitoring at the Lake of Three Fires.
- Lake dredging and other federal 319 water projects.
- Problems facing smaller communities that need wastewater treatment systems and the lack of funding available to meet those needs.

Next Meeting

The next meeting is scheduled for September 20.

More Information

Additional information is available from the LSA upon request. For review of Commission agendas, minutes, and other related information, access the DNR web site at: <http://www.iowadnr.com/>

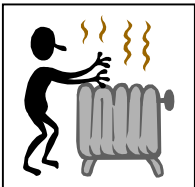
STAFF CONTACT: Debra Kozel (Ext. 16767)

COMMISSION ON COMMUNITY ACTION AGENCIES MEETING

Commission Meeting

The Commission on Community Action Agencies met on August 20 and discussed the following:

- Commemoration of the 40th anniversary of the federal Economic Opportunity Act that created the Community Action Agencies.
- The National Community Action Partnership Academy training program. Approximately 100 Iowa Community Action Agency professionals took 16 days of training over a six-month period to sharpen skills and be made aware of the latest techniques and practices. Iowa is known as the only State-level organization involved in the training.
- The Division of Community Action Agencies has been working with the Department of Human Services (DHS) to allow local Agencies to become more involved in the Food Assistance Program (formerly Food Stamp Program) by providing information on energy assistance eligibles that would also be eligible for the Food Assistance Program.
- The Division is currently a member of a DHS advisory group that is looking at ways to increase the amount of federal funds coming to Iowa and to increase outreach to needy Iowans regarding available services and programs to assist low-income persons. The Agencies can currently accept applications for the Food Assistance Program from those eligible for the energy assistance program. Those applications must now go to DHS for certification.
- The Agencies want the ability to provide more outreach to low-income persons eligible for the federal energy assistance and food assistance programs. It was also stated that as energy costs go up, there is a potential for an increase in the number of eligibles for both energy assistance and food assistance programs. The Agencies are also looking for resources to provide staff and support to assist with this outreach effort. A 50.0% federal match is available for administrative costs associated with and approved in the federal Food Assistance Program. The Agencies will need to provide the other 50.0% match from local funding.
- At the next meeting of the local Agencies, there will be discussion regarding more outreach to increase the number of Iowans accessing the federal Earned Income Tax Credit (EITC).
- The funding for the Family Development and Self-Sufficiency (FaDSS) Program is approximately \$5.1 million for FY 2005, which is no change compared to FY 2004. The FaDSS Council is reviewing FY 2005 grantee applications and will allocate an estimated \$4.9 million of this amount to grantees. The balance is available for administration.
- Low-Income Home Energy Assistance Program (LIHEAP):
 - The average winter fuel costs for 2005 are estimated to be \$1,049 versus \$602 in 2002. This is approximately a 75.0% increase.
 - The FFY 2005 funding for the LIHEAP is not expected to increase significantly over the FY 2004 level of \$33.5 million. Approximately 82,400



households received an average of \$314 in benefits in FFY 2004. The funding is also allocated to the Weatherization Program (15.0%), to the Energy Crisis Intervention Program (5.0%), and for administration (10.0% or less).

- The Commission approved the amended State FY 2005 LIHEAP Plan. The amendment deletes the definition of the “Working Poor” from the characteristics used in Payment Matrix. The term “Working Poor” was not applied consistently by the local Agencies and applicants were not treated equally. The Payment Matrix is the tool that is used to calculate the amount of energy assistance that can be awarded to each applicant. The point values on the Payment Matrix were adjusted to reflect the change. There were no comments regarding the amended State Plan at the public hearings held.



- The Commission approved an amendment to the Community Services Block Grant State Plan. The Plan is now used jointly with the Community Food and Nutrition (CFN) application. The amendment will change how the approximately \$31,000 CFN funding that is received annually by the DCAA will be used in FY 2005. Prior to this amendment, the funding was granted out and used through a Request for Proposal (RFP) process for special projects that meet CFN guidelines by local Agencies and Legal Aid. The amendment asks that the Division of Community Action Agency be permitted to use these funds to assist the LIHEAP eligibles to apply for the Food Assistance Program by providing outreach and upgrades of computer software to help allow intake by local Agencies. The federal Office of Community Support must formally approve the amendment and has indicated unofficial acceptance of the change.

More Information

Additional information is available from the LSA upon request.

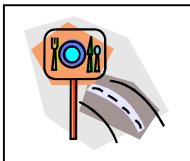
STAFF CONTACT: Sam Leto (Ext. 16764)

LINCOLN HIGHWAY: NOT ELIGIBLE FOR INCLUSION IN NATIONAL PARK SYSTEM

History

The Lincoln Highway was created in the early 1920’s as the first coast-to-coast highway. The Highway passes through 14 states, including United States Highway 30 in Iowa.

Resource Study



In December 2000, Congress directed the National Park Service (NPS) to evaluate the significance of the Lincoln Highway and develop alternatives for the preservation and use of remaining segments of the Highway. In response, the National Park Service Midwest Regional Office conducted a Special Resource Study to determine whether the Highway is nationally significant and should be added to the National Park System.

Criteria

According to the NPS, a resource must meet specific criteria to be considered nationally significant. The Study, released in May, concluded that the Lincoln Highway “does not retain a high degree of integrity as a true, accurate, and relatively unspoiled example of a resource,” and does not include features that would remind travelers of the Highway’s history. The Lincoln Highway was therefore deemed ineligible for inclusion in the National Park System.

Alternatives

The Study suggests alternatives that do not involve inclusion in the National Park System, but that would offer the potential for financial support to states for preservation of the Lincoln Highway.

Funding

From 1993 to 2004, Iowa received approximately \$2.4 million in federal Transportation Enhancement Funding for the following Lincoln Highway projects across the State:

- City of Colo – Reed/Niland Corner “One-Stop” Restoration.
- City of Woodbine – Lincoln Way Rehabilitation and Restoration Project.
- Benton County – The Youngville Café.
- Carroll County – Carroll Depot Courtyard Development.
- Greene County – Lions Club Tree Park Lincoln Highway Interpretive Site.
- Greene County and the Lincoln Highway Association (sponsors) – Book: *Guide to the Bridges of the Lincoln Highway Corridor in Iowa*.
- Greene County and the Lincoln Highway Association (sponsors) – Book: *The History of Bridge Building in Iowa*.
- Harrison County – Lincoln Highway State Entry Point Interpretive Center.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

REVITALIZE IOWA'S SOUND ECONOMY GRANTS AWARDED

RISE Grants

The Department of Transportation (DOT) Commission recently awarded an estimated \$593,000 in grants from the Revitalize Iowa's Sound Economy (RISE) program to the cities of Sioux Center and Orange City, and Webster County.

Sioux Center

Sioux Center was awarded a RISE Local Development Grant totaling \$109,000, or up to 50.0% of the total RISE eligible project cost, whichever is less, for the grading, paving, and extension of 14th Street Northeast in the Sioux Center Industrial Park. The extension will provide access to six lots for development.

Orange City

Orange City was awarded a RISE Immediate Opportunity Grant totaling \$184,000, or up to 80.0% of the total RISE eligible project cost, whichever is less, for the grading and paving of 14th Street Southeast. The project will provide access to a proposed site for Carbon Fiber Med Tec Manufacturing. The grant is contingent on the creation of 55 new jobs at the manufacturing plant. The project will assist in an estimated \$2.1 million in associated capital investment.

Webster County

Webster County was awarded a RISE Immediate Opportunity Grant totaling \$300,000, or up to 80.0% of the total RISE eligible project cost, whichever is less, for the grading and paving of Hayes Avenue, south of Iowa 7, and the construction of turning lanes on Iowa 7. The project will provide access to a proposed site for the VeraSun Ethanol Plant in the North Central Agricultural Park of Fort Dodge. The grant is contingent on the creation of 50 new jobs at the plant. The project will assist in an estimated \$106.6 million in associated capital investment.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

AUDIT REPORT – DEPARTMENT OF CORRECTIONS INSTITUTIONS

Audit Report

The LSA received the FY 2003 combined audit report for the nine Institutions controlled by the Department of Corrections (DOC).

General Fund



The total General Fund expenditures for FY 2003 were \$190.9 million, an increase of \$7.8 million (4.3%) compared to FY 2002. Expenditures ranged from \$7.4 million at the North Central Correctional Facility at Rockwell City to \$34.9 million at the Iowa State Penitentiary at Fort Madison. The average daily cost per inmate was \$62.45 in FY 2003, an increase of 0.4% compared to FY 2004. The average number of inmates increased by 3.8% over the same period.

No Audit Findings

There were no audit findings at the following Institutions: Iowa Medical and Classification Center at Oakdale, Clarinda Correctional Facility, North Central Correctional Facility at Rockwell City, Iowa Correctional Institution for Women at Mitchellville, Newton Correctional Facility, and the Fort Dodge Correctional Facility.

Recommendations

The Auditor's recommendations for improvements and the agency responses for the remaining Institutions are listed below:

State Penitentiary

Iowa State Penitentiary at Fort Madison:

- Statutory requirements – Section 554D.114, Code of Iowa, permits cancelled checks to be retained in electronic format and requires both the front and back of the check to be electronically retained. The Institution does not retain the back of the check as required. The Institution responded that the back of the check will be available in the future.
- Statutory requirements – Section 7A.30, Code of Iowa, requires each Institution to keep a written, detailed current inventory of all real and personal property belonging to the State and under the Institution's charge, control, and management. One asset was not included on the current inventory list; two assets were improperly omitted; two assets did not have a state identification tag attached; a complete inventory was not taken during FY 2003; and depreciation amounts were incorrectly reported on the Generally Accepted Accounting Principles (GAAP) package. The Institution responded that assets are added to the inventory list when warrants are issued. Corrections have been made to the inventory list and the GAAP package.



Anamosa Penitentiary

Anamosa State Penitentiary:

- Internal Control – The commissary inventory records at the Luster Heights Prison Camp are not documented. As a result, a current inventory balance cannot be calculated, and the accuracy of the reported balance could not be verified. The Institution responded that the policy has been reviewed and updated, and most inmate purchases are now accomplished through the Iowa Prison Industries Canteen.

Mt. PleasantMount Pleasant Correctional Facility:

- Statutory requirements – Section 7A.30, Code of Iowa, requires each Institution to keep a written, detailed current inventory of all real and personal property belonging to the State and under the Institution's charge, control, and management. Eight assets did not have a State identification tag attached, and computer software was included on the list. The Institution responded that the assets have been tagged, and the software has been deleted from the database. Adjustments have been made to the FY 2004 GAAP package.
- Section 904.311, Code of Iowa, allows Institutions to retain a contingent fund for payment of freight, postage, commodities, salaries, inmate allowances, and bills. The Institution wrote a check from the contingent fund to an employee who did not receive a paycheck because the timesheet was submitted late. The employee reimbursed the contingent fund three days later. The Institution responded that it would follow the Department of Revenue's payroll guidelines in the future.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

AUDIT REPORT – COMMUNITY-BASED CORRECTIONS
Audit Report

The LSA received the FY 2003 combined audit report for the eight Community-Based Corrections (CBC) District Departments. Pursuant to Chapter 905, Code of Iowa, the Department of Corrections (DOC) provides assistance and support to each of the eight CBC District Departments. Each CBC District Department is responsible for establishing services necessary to provide a community-based correctional program that meets the needs of that judicial district. Each District Department is under the direction of a board of directors and is administered by a Director employed by the Board.

Revenue

The total revenues ranged from \$4.3 million at the Fourth CBC District Department to \$15.0 million at the Fifth CBC District Department. The total expenditures ranged from \$4.3 million at the Fourth CBC District Department to \$15.3 million in the Fifth CBC District Department. Expenditures exceeded revenues in the Fifth CBC District Department due to spending carryover funds from receipts earned in the previous fiscal year.

Recommendations

The following CBC District Departments received no recommendations for improvements: Second, Third, Fourth, Sixth, and Seventh. The Auditor's recommendations for improvements and the agency responses for the remaining District Departments are listed below:

First CBCFirst CBC District Department:

- Internal control procedures – The District Department's policy is that all checks at the Dubuque Residential Facility will have dual signatures. Several checks were identified that did not have dual signatures. The District Department responded that the policy has been reviewed with management and staff at the facility, and the policy will be adhered to in the future.
- Statutory requirements – Section 554D.114, Code of Iowa, permits cancelled checks to be retained in electronic format and requires both the front and back of the check to be electronically retained. The District Department does not retain



the back of the check as required. The District Department responded that the back of the check will be available in the future.

Fifth CBC

Fifth CBC District Department:

- Internal control procedures – District Departments are required to submit Generally Accepted Accounting Principles (GAAP) packages annually. The District Department reported receivables for supervision fees in the GAAP package. However, reconciliations were not performed for supervision fees receivable, and a detailed listing of the receivables was not available to verify the amount reported in the GAAP package. The District Department responded that it will begin to perform monthly reconciliations of supervision fees receivables. It will also create a detailed listing of supervision fees receivable for the GAAP package.
- Statutory requirements – The Board meeting held on September 13, 2002, was a closed session regarding a personnel issue and no minutes were taken. The meeting was not in compliance with Section 21.5, Code of Iowa. The District Department responded that future meetings will be in compliance.



Eighth CBC

Eighth CBC District Department:

- Internal control procedures – The District Department does not segregate duties in relation to collection, deposit preparation, and reconciliation functions. Check-signing responsibilities are not properly segregated. The District Department responded that due to budget limitations, staff size is limited. Duties will be segregated as much as possible in the future.
- Internal control procedures – The District Department performs monthly bank reconciliations between the bank balance and the agency fund balance for the resident accounts. The District Department does not prepare a monthly reconciliation between the month end agency fund balance and the total balance of individual resident accounts. The District Department responded that these reconciliations are performed weekly, and supporting documentation for these weekly reconciliations will be retained.
- Statutory requirements – The District Department does not obtain cancelled checks from two bank accounts for client funds. The District Department responded that it began receiving these cancelled checks in July 2003.

More Information

Additional information is available from the LSA upon request.

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