

FISCAL UPDATE

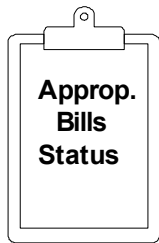
February 28, 2005

Legislative Services Agency

(515)-281-5279 FAX 281-8027

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

STATUS OF APPROPRIATIONS BILLS



Appropriations Subcommittee Bills		
Appropriations Subcommittee	LSB/File#	Status
Transportation	HSB 172 SSB 1150	HSB 172 passed House Appropriations on February 23.
Other Appropriations Bills		
FY 2007 Allowable Growth Rate Bill	SF 36	Signed by Governor on February 2.
Military Pay Differential Program Changes Bill	SF 75	Passed Senate on January 27.

HOUSE APPROPRIATIONS COMMITTEE PASSES TRANSPORTATION APPROPRIATIONS BILL – HSB 172

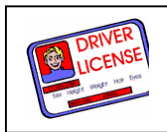
Appropriations Bill



The House Appropriations Committee passed HSB 172 (FY 2006 Transportation Appropriations Bill) on February 23. The Bill appropriates a total of \$294.7 million and 3,376.0 FTE positions to the Department of Transportation (DOT) from the following sources:

- \$243.2 million from the Primary Road Fund
- \$51.4 million from the Road Use Tax Fund
- \$101,000 from the General Fund

Total Funding



The total funding represents a net increase of \$7.8 million compared to estimated FY 2005. The significant funding increase is a \$9.4 million appropriation for the construction of a new facility to house the Motor Vehicle Division administrative offices, which includes the Des Moines Driver's License Station. The Bill also includes funding decreases for DOT operations totaling \$2.4 million and 45.0 FTE positions compared to estimated FY 2005. The reductions were requested by the DOT and recommended by the Governor.

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More Information

The Notes on Bills and Amendments for HSB 172 is available on the Legislative Services Agency (LSA) web site at:
<http://www3.legis.state.ia.us/noba/index.jsp>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

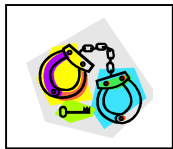
HOUSE PASSES FALSE COMPARTMENTS BILL – HF 173

Bill Passage

The House passed HF 173 (False Compartments Bill) on February 23. The Bill makes it a crime to possess, use, or control a false compartment in a vehicle with the intent to store, conceal, smuggle, or transport contraband.

The Bill also makes it a crime to construct, build, alter, or fabricate a false compartment or to install or attach such a compartment to a vehicle with the intent to store, conceal, smuggle, or transport contraband. A violation is a serious misdemeanor. A vehicle is defined as a motor vehicle, air craft, recreational vehicle, water craft, or other conveyance.

Correctional Impact



The creation of a new offense carries the potential for a correctional impact on court caseloads, prisons, county jails, and Community-Based Corrections (CBC) resources.

Most people involved in false compartment searches would be charged with aggravated misdemeanors or felonies associated with controlled substances, stolen property, or weapons violations and would already be serving time in prison, jail, or CBC. To the extent such compartments were found and the people involved were not being charged with offenses carrying greater penalties associated with the discovery of the compartment, there would be a correctional impact under the Bill.

There is no readily available data involving how often vehicle compartments are involved in current searches for controlled substances, stolen property, or weapons violations; therefore, the correctional impact of HF 173 cannot be determined.

Fiscal Impact

The fiscal impact of HF 173 cannot be determined due to insufficient information. The State's cost for one serious misdemeanor conviction ranges from \$101 to \$4,100.

More Information

The Fiscal Note for HF 173 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index.jsp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

SENATE PASSES METHAMPHETAMINE PRECURSOR BILL – SF 169

Bill Passage

The Senate passed SF 169 (Methamphetamine Precursor Bill) on February 17.

Legislation



The Bill relates to the regulation of substances that are precursors to amphetamine and methamphetamine. The Bill restricts bail for persons charged with the manufacture, delivery, possession with intent to deliver, or distribution of methamphetamine, by requiring offenders to be supervised and to undergo random drug tests as a condition of release on bail.

Fiscal Impact

The bail restrictions of SF 169 will impact Community-Based Corrections (CBC) District Departments. The costs are anticipated to range from approximately \$454,000 and 7.5 additional FTE positions to \$730,000 and 12.0 additional FTE positions (staff and testing supplies) in FY 2006. Annualized costs are anticipated to range from approximately \$908,000 and 15.0 additional FTE positions to \$1.5 million and 24.0 additional FTE positions in FY 2007.

More Information

The Fiscal Note for SF 169 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index/jsp>.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

**SENATE PASSES MOTOR VEHICLE REGULATION BILL –
HF 216**

Bill Passage

The Senate passed HF 216 (FY 2006 Motor Vehicle Regulation Bill) on February 24. The Bill makes numerous technical changes to the Department of Transportation (DOT), including requiring a \$10.00 fee for a school bus endorsement.

School Bus Driver Fee



There are currently 10,142 school bus drivers in Iowa. Federal law requires that all school bus drivers receive a school bus endorsement by September 30, 2005. The number of schools that will pay the school bus endorsement fee or will reimburse the driver for the fee is unknown. It is estimated that 90.0% of drivers will pay the fee and not be reimbursed.

Fiscal Impact

The estimated fiscal impact of HF 216 is an increase of between \$90,000 and \$100,000 to the Road Use Tax Fund in FY 2006. The programming costs associated with the DOT adding the endorsement are \$65.00 per hour and are anticipated to be minimal. The fees will be paid from the DOT's Motor Vehicle Division's base budget, which consists of Road Use Tax Fund and Primary Road Fund moneys.

More Information

The Fiscal Note for HF 216 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/index/jsp>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

WAYS & MEANS BILLS

Bill Passage

The House Ways and Means Committee approved HF 26 (Pension and Social Security Income Tax Phase-out Bill) on February 23.

HF 26

The Bill, as amended by the Committee, begins a phase-out of income taxes on Social Security and retirement income. The phase-out starts with tax year 2006. The General Fund revenue reduction associated with HF 26 is projected as follows:



- FY 2006 - \$4.3 million
- FY 2007 - \$54.1 million
- FY 2008 - \$108.8 million
- FY 2009 - \$166.9 million
- FY 2010 - \$224.6 million
- FY 2011 - \$249.2 million

HSB 19



The House Ways and Means Committee also approved HSB 19 (Tax and Fee Increase Vote-of-the-People Constitutional Amendment Bill) on February 23. The Bill provides for a proposed amendment to the Iowa Constitution. The proposed amendment requires any legislation that increases taxes or fees by more than 1.0% of total State General Fund revenue to also receive approval of a majority of the voters in the State at a General Election. The proposed amendment allows the Legislature, at the Governor's request, to approve emergency revenue increases by a two-thirds vote of both chambers.

More Information

Additional information is available from the LSA upon request.

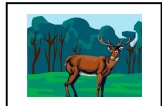
STAFF CONTACT: Jeff Robinson (Ext. 14614)

AGRICULTURE AND NATURAL RESOURCES
APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Agriculture and Natural Resources Appropriations Subcommittee met the week of February 21 and conducted the following business:

Chronic Wasting



On February 22, Dr. John Schiltz, State Veterinarian, discussed Chronic Wasting Disease (CWD). This is a neurological disease of deer and elk that is similar to bovine spongiform encephalopathy (Mad Cow Disease) that occurs in deer and elk.

Natural Resources

On February 23, Mike Brandrup, Department of Natural Resources (DNR), discussed the various programs in the Conservation and Recreation Division. This included programs related to forestry, fishing, wildlife, and law enforcement.

Innovation Center



On February 24, Pat Paustian and Jon Johnson, Department of Agriculture and Land Stewardship, discussed the various programs in the Iowa Innovations Center. The Center was started in December 2003 with a \$1.0 million federal grant. The Center provides business planning and financial assistance to value-added producers and processors in Iowa.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=33>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings



The Economic Development Appropriations Subcommittee met the week of February 21 and conducted the following business:

- On February 22, Dennis Jordan, Vice President of Project Development, Priority One (the economic development division of the Cedar Rapids Chamber of Commerce), presented on the Technology Corridor and regional economic development efforts pursued by the Cedar Rapids area.
- On February 23, Dennis Murdock, President, Iowa Capital Investment Corporation, and Jim Thorp, Managing Executive Director, Aavin Equity Partners, presented on venture capital efforts in Iowa.
- On February 24, Rick Dickinson, Director, Greater Dubuque Development Corporation, discussed economic development efforts currently being pursued in the Dubuque area.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=34>.

STAFF CONTACT: Russell Trimble (Ext. 14613)

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Health and Human Services Appropriations Subcommittee met the week of February 21 and conducted the following business:

Strengthening Families



On February 22, information on strengthening families, including a discussion on the Earned Income Tax Credit (EITC), was provided by Ira Barbell and Miriam Shark, Annie E. Casey Foundation; Mary Ruth Herbers, Center for Economic Progress; Chuck Palmer and Kim Ingram, Institute for Social and Economic Development; and Mary Fairchild, National Conference of State Legislatures (NCSL).

Empowerment

On February 23, information on Community Empowerment was provided by Shanell Wagler, Department of Management; Darshini Jayawardena, Cerro Gordo, Hancock, and Worth Counties Empowerment; Sandra Potter Marquardt, Scott County Empowerment; and Scott Caldwell, Success by Six Coordinator, United Way of the Quad Cities. In addition, Director Mary Hansen and Julie McMahon, Department of Public Health, and Steve Scott, Prevent Child Abuse Iowa, provided information on the Healthy Opportunities for Parents to Experience Success (HOPES) Program.

Illegal Drugs & Children



On February 24, information on the impact of methamphetamine on children and families was provided by Greg Lorber, Department of Human Services; Dr. Andrew Barden, Medical Director, Newborn Intensive Care, St. Luke's Hospital, Cedar Rapids; and John Garringer, Executive Director, Area Substance Abuse Council, Cedar Rapids. In addition, Carla Pope, Iowa Finance Authority, provided information on post substance abuse treatment subsidized housing opportunities.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=37>.

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

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

Subcommittee Meetings

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met the week of February 21 and conducted the following business:

Dept. of Public Defense

The Department of Public Defense is requesting a total of \$6.7 million for Infrastructure projects that would be matched with \$34.4 million in federal funds. The Governor is recommending \$3.0 million for projects that would be matched with approximately \$18.0 million.

Iowa Public Television

Iowa Public Television (IPTV) presented the Governor's recommendation of \$2.0 million for the replacement of three analog transmitters. An update was also provided on the status of the digital conversion of IPTV's transmitter sites.

Dept. of Economic Dev.



The Department of Economic Development presented information on the following programs:

- Accelerated Career Enhancement (ACE) Program – Information was provided concerning the benefits of the Program that is operated through the community colleges. The Governor is recommending \$5.5 million from the Iowa Values Bridge Financing Fund to maintain funding at the FY 2005 level.
- Community Attraction and Tourism Program – Information was presented on the demand for the Program funds and projects that have been funded in the past. For FY 2006, the Program will be funded through two standing appropriations, including \$5.0 million from the Rebuild Iowa Infrastructure Fund (RIIF) and \$7.0 million from the General Fund. The Governor is recommending notwithstanding the \$7.0 million General Fund appropriation and appropriating \$6.2 million from the Iowa Values Bridge Financing Fund.
- Brownfield Redevelopment Program – Information was provided on previous grants awarded through the Program. The Governor is recommending \$500,000 from the Environment First Fund to maintain funding at the FY 2005 level.

County Fairs

The Iowa Association of County Fairs presented information on the benefits that the previous year's funding had on Iowa's county fairs. The Association is requesting \$1.0 million for FY 2006 from the RIIF. The Governor did not recommend funding for FY 2006.

State Fair

The Iowa State Fair Authority presented information on the infrastructure needs at the State Fairgrounds. The Authority is requesting \$1.0 million from the RIIF for improvements. The Governor did not recommend funding for FY 2006.

Rebuild Iowa Coalition

Representatives of the Rebuild Iowa Coalition presented a proposal that involves the State issuing \$200.0 million in short-term bonds for the purpose

of funding infrastructure improvements to State facilities and the Grow Iowa Values Fund.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=40>.

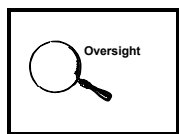
STAFF CONTACT: David Reynolds (Ext. 16934)

GOVERNMENT OVERSIGHT MEETINGS

Committee Meetings

The Government Oversight Committee met during the week of February 21 and conducted the following business:

HAVA Update



On February 22, Charlie Krogmeier, Secretary of State's Office, provided an update on the implementation of the federal Help America Vote Act (HAVA). Mr. Krogmeier explained that the contract for the required statewide centralized voter registration system was signed on January 18, and the Office was working with County Auditors in the development of necessary computer software changes.

In April or May, a pilot project with 12 counties will be implemented to test the new system. By December, all 99 counties are expected to be utilizing the new system. Mr. Krogmeier also discussed the distribution formula for HAVA funding for counties and provided a spreadsheet with the maximum amount each county will receive under the formula.

Insurance Division



On February 23, Susan Voss, Insurance Commissioner, Department of Commerce, provided an overview of the Division's responsibilities and activities that include securities; the Senior Health Insurance Information Program (SHIIP); medical malpractice insurance; health, life, homeowners, and auto insurance; and working with various groups on consumer concerns. Ms. Voss provided statistics relating to the number of consumer complaints filed against insurance companies, the number of founded complaints, and the amount of money recovered on behalf of Iowans. Ms. Voss stated that the working relationship with the insurance industry is good and that collaboration to resolve issues continues.

More Information

Copies of agendas, minutes, and selected handouts distributed to Committee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?=41>.

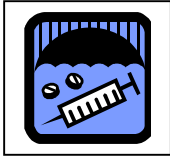
STAFF CONTACT: Douglas Wulf (Ext. 13250) Sam Leto (Ext. 16764)

MEDICAID ESTIMATES FOR FY 2005 AND FY 2006

Medicaid Estimates

Staff from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on February 18 to discuss estimated expenditures for the Medical Assistance (Medicaid) Program for FY 2005 and FY 2006. The staffs meet monthly to discuss estimated expenditures for the current fiscal year and to agree on a range for expenditures.

FY 2005

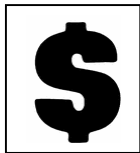


When the FY 2005 Medicaid budget of \$568.5 million was enacted, it was discussed that the funding was not likely sufficient to cover the full cost. A shortfall for FY 2005 is projected. The agreed upon range for the FY 2005 shortfall is \$60.0 to \$70.0 million compared to the FY 2005 appropriation. The range from January was \$60.0 to \$74.0 million compared to the FY 2005 appropriation.

FY 2006

The three staffs agreed to an estimated range of an increase of \$100.0 to \$140.0 million for FY 2006. This increase is relative to the original FY 2005 appropriation, prior to any FY 2005 supplemental appropriation, and assumes that Iowa will continue to receive revenue from the Intergovernmental Transfers (IGTs) and that the Senior Living Trust Fund will be depleted at the end of FY 2006.

It is likely that the IGTs will be discontinued in FY 2006. This increases the range by \$66.0 million to a range of \$166.0 to \$206.0 million for FY 2006. The range from December was \$166.0 to \$214.0 million.



The FY 2006 estimates include the following additional assumptions:

- Savings from the Iowa Medicaid Enterprise, the Preferred Drug List (PDL), and other initiatives.
- No reimbursement rate increases for Medicaid providers, except those required by current law, such as the \$7.0 million increase for the re-basing of nursing facility rates.
- The Senior Living Trust Fund will have a balance of \$0 at the end of FY 2006.
- The number of "slots" for each Home and Community-Based Services Waiver is frozen at the current level.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

SENIOR LIVING COORDINATING UNIT MEETING

SLCU Meeting

The Senior Living Coordinating Unit met on February 18 and conducted the following business:

SHIIP

Kris Gross, Department of Commerce, Insurance Division, provided information regarding the Senior Health Insurance Information Program (SHIIP).

Iowa Priority

David Friese, Iowa Priority Program, provided an update regarding the Program.

Conversion Grants



Lynn Christiansen, Department of Human Services (DHS), provided an update on the use of FY 2005 conversion grant funds that are provided from an appropriation from the Senior Living Trust Fund. Ms. Christiansen reported that a total of \$5.1 million is anticipated to be awarded in eight grants for assisted living units and seven for long-term care services.

IFA Revolving Funds	Carla Pope, Iowa Finance Authority, provided information on the use of the \$7.0 million in Revolving Loan Funds, as well as the Assisted Living Rent Subsidy Program, which are funded by the Senior Living Trust Fund.
Governor's Recs.	Lisa Burk, LSA, provided information on the Governor's FY 2005 and FY 2006 recommendations for appropriations from the Senior Living Trust Fund.
PACE	Joel Wulf, Department of Elder Affairs, provided an update regarding the Program for All-Inclusive Care for the Elderly (PACE) grant award.
Medicaid	Director Kevin Concannon, DHS, provided an update regarding the Medical Assistance (Medicaid) Program, including information on the amount needed to supplement the Program in FY 2005, as well as needs for FY 2006.
Long-Term Care	Director Mark Haverland, Department of Elder Affairs, provided information on the progress of the National Governor's Association (NGA) work group. Director Haverland also provided a draft of the Long-Range Plan for Long-Term Care in Iowa.
Unmet Needs Report	Dick Harmon and Greg Anliker, Department of Elder Affairs, provided information regarding unmet home and community-based service needs, including the report covering FY 2004.
MH Commission	Jim Overland, DHS, provided an update on the activities of the Mental Health and Disabilities Commission.
Next Meeting	The next meeting is scheduled for April 15. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

REDUCTION IN FEDERAL BYRNE GRANT FUNDS

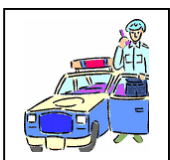
New JAG Grant



The federal Byrne Grant and the federal Local Law Enforcement Block Grant (LLEBG) have been combined into the Byrne Justice Assistance Grant (JAG). For FFY 2005, the funding level for the two is \$529.0 million, a 15.0% decrease compared to FFY 2004.

In FFY 04 (State FY 05), Iowa received \$5.3 million. In FFY 05 (State FY 06), Iowa will receive \$3.1 million. Currently, the competitive grant application process is underway to determine grantees. The application process began on February 16, with applications due April 11. The preliminary distribution of awards will be announced on June 1, and the actual awards will be distributed on July 1. (There is a two-week appeal process.) The decrease in funding from FFY 04 to FFY 05 is \$2.2 million (41.5%).

Formula Reallocation



The funding decrease may be offset with approximately \$900,000 in local direct funding to approximately 17 jurisdictions. The funds will go directly from Washington, D.C., to local communities. The total net decrease that Iowa will see from FFY 04 to FFY 05 is \$1.3 million (a 24.5% decrease from the two programs combined). Congress has maintained the bifurcated formula, but the percentages have been re-allocated from 79.0% Byrne funds and 21.0% LLEBG funds in FFY 2004 to a 50.0% per capita formula and 50.0% crime rate formula on a reduced appropriation amount for FFY 2005.

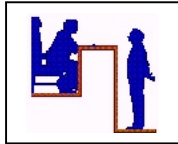
More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

INDIGENT DEFENSE CLAIMS PAID BY THE STATE APPEAL BOARD

Indigent Defense Claims



The LSA was recently notified that approximately \$139,000 in Indigent Defense claims were paid by the State Appeal Board in February 2005. Indigent Defense provides legal counsel to indigent legal defendants in criminal court proceedings. Payments were made to private attorneys, investigators, court reporters, and interpreters. All of the claims were submitted late, with the majority dated from FY 2004.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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