

FISCAL UPDATE

June 27, 2005

Legislative Services Agency

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LEGISLATIVE SERVICES AGENCY PUBLISHES 2005 FISCAL FACTS

2005 Fiscal Facts



The Legislative Services Agency (LSA) published the 2005 Fiscal Facts on June 14, which includes data related to overall revenues and expenditures of State government, as well as detail regarding pertinent and recently discussed topic areas. The data provided for FY 2006 represents action taken by the 2005 General Assembly and does not reflect all veto action by the Governor.

More information

A copy of the booklet will be provided to each legislator and is also available on the LSA web site at:

http://staffweb.legis.state.ia.us/lfb/docs/fiscal_facts/ffacts.htm

STAFF CONTACT: Holly Lyons (Ext. 17845) Beth Lenstra (Ext. 16301)

OFFICE OF CONSUMER ADVOCATE – INCREASE IN FY 2005 GENERAL FUND ALLOCATION

Notification



The LSA received notification from the Department of Management that pursuant to Section 475A.6, Code of Iowa, the Office of Consumer Advocate's FY 2005 General Fund allocation has been increased by \$150,000. The increase is for a contract to hire Synapse Energy Economics, Inc., to fully analyze the proposed sale of the Duane Arnold Energy Center. The additional costs will be assessed and collected from utility companies.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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**DEPARTMENT OF HUMAN SERVICES – FY 2005
APPROPRIATIONS TRANSFER**

Transfer Request

The Fiscal Services Division of the LSA received notification of a request to transfer funds within the Department of Human Services (DHS) pursuant to Section 8.39, Code of Iowa. The Department is transferring \$725,000 from the Mental Illness/Mental Retardation/Developmental Disabilities State Cases Program to the Civil Commitment Unit for Sexual Offenders (CCUSO) at Cherokee for FY 2005.

Reason for Transfer

The State Cases Program is expected to have a surplus of State funds at the close of FY 2005. The FY 2006 appropriation provided for the CCUSO is less than the projected need, which would require a supplemental appropriation. The transfer will avoid the need to provide a supplemental appropriation for the CCUSO in FY 2006.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

**DEPARTMENT OF HUMAN SERVICES INSTITUTION
TRANSFERS**

Transfers



Senate File 2298 (FY 2005 Omnibus Appropriations Act) permitted the Department of Human Services (DHS) to transfer funds internally between various categories of facilities without the notice required under Section 8.39, Code of Iowa. For FY 2005, the DHS has made the following transfers:

- \$25,000 from the Mental Health Institute at Independence to the Mental Health Institute at Cherokee.
- \$40,000 from the Mental Health Institute at Mount Pleasant to the Mental Health Institute at Clarinda.
- \$58,000 from the State Resource Center at Woodward to the State Resource Center at Glenwood.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

**DEPARTMENT OF TRANSPORTATION – FY 2005
APPROPRIATIONS TRANSFER**

Transfer Request



The Fiscal Services Division of the LSA received notification of a request to transfer funds within the Department of Transportation (DOT) pursuant to Section 8.39, Code of Iowa. The Department is transferring \$230,000 from Indirect Cost Recovery to the Workers' Compensation appropriation for FY 2005. The transfer is necessary in order to cover an increase in workers' compensation premiums at the DOT.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

GOVERNOR SIGNS AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS ACT – HF 808

Ag./DNR Act

The Governor signed HF 808 (FY 2006 Agriculture and Natural Resources Appropriations Act) on June 14. The Act appropriates a total of \$35.3 million and 1,520.6 FTE positions from the General Fund and \$36.9 million from other funds.

Dept. of Agriculture

The Act appropriates \$18.4 million and 415.1 FTE positions from the General Fund for the Department of Agriculture and Land Stewardship, an increase of \$428,000 and 2.6 FTE positions compared to estimated net FY 2005.

Dept. of Natural Resources

The Act appropriates \$16.9 million and 1,105.5 FTE positions from the General Fund for the Department of Natural Resources (DNR). This is a decrease of \$102,000 and no change in FTE positions compared to estimated net FY 2005.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR ITEM VETOES ECONOMIC DEVELOPMENT APPROPRIATIONS ACT – HF 809

Legislation Enacted



The Governor item vetoed and signed HF 809 (FY 2006 Economic Development Appropriations Act) on June 9. The Act appropriates \$73.0 million from the General Fund to the Department of Economic Development, Iowa Workforce Development, the Public Employment Relations Board, and the Regents' Economic Development programs. This is an increase of \$50.1 million compared to estimated net FY 2005, which does not include the supplemental appropriation. The increase is due to the \$50.0 million appropriation to the Grow Iowa Values Fund.

Other Funds

The Act also appropriates \$4.0 million in FY 2006 to the Department of Economic Development (DED) from the Workforce Development Fund and provides standing, limited appropriations totaling \$50.0 million from the Grow Iowa Values Fund in FY 2006 through FY 2015.

Supplemental Appropriation

The Act also provides a \$500,000 General Fund supplemental appropriation to the DED for FY 2005 for sole source grant costs associated with hosting the National Special Olympics. The appropriation is allowed to carry forward to subsequent fiscal years and takes effect upon enactment.

Standing Approps. Act

House File 882 (FY 2006 Standing Appropriations Act) reduced the appropriation to the DED, Administration Division, by \$115,000.

Item Veto



The Governor vetoed a provision in the Act that would have prohibited the DED from charging a public nonprofit organization a fee for displaying brochures in welcome centers. The Governor stated the revenue collected from public nonprofit organizations was essential to ensuring that the welcome centers remain open seven days a week.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Russell Trimble (Ext. 14613)

GOVERNOR ITEM VETOES EDUCATION APPROPRIATIONS ACT – HF 816

Legislation Enacted



The Governor item vetoed and signed HF 816 (FY 2006 Education Appropriations Act) on June 6. The Act appropriates \$957.2 million and 19,613.5 FTE positions from the General Fund to the Department for the Blind, the College Student Aid Commission, the Department of Cultural Affairs, the Department of Education, and the Board of Regents. This is an increase of \$64.2 million and a decrease of 30.7 FTE positions compared to estimated net FY 2005.

Item Vetoes

The Governor item vetoed the following provisions:

- The requirement that the Board of Educational Examiners convene a working group to review current teacher and administrator preparation and licensure and make recommendations for improvement. The Governor indicated that funding was inadequate to complete the study.
- Language requiring the Board of Regents, the Department of Management, and the LSA collaborate to determine the estimated need for the Tuition Replacement appropriation. The Governor stated that collaboration among these entities is no longer necessary because the Board retains a financial advisor to estimate the Tuition Replacement appropriation need.
- The requirement that the Department of Education establish a value-added assessment system and the allocation of funds for that purpose from the Student Achievement and Teacher Quality Program. The Governor stated the system would be redundant and could have long-range unintended effects on existing State and local assessment systems.
- The requirement that \$5,000 of the Student Achievement and Teacher Quality allocation for National Board Certification Awards be used to conduct a study of the impact of National Board Certification on student achievement. The Governor stated the cost of the study would exceed the allocation and various studies under way nationally will provide sufficient information on which to base a decision regarding future funding of the Awards.



More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270) Mary Shipman (Ext. 14617)

GOVERNOR ITEM VETOES HEALTH AND HUMAN SERVICES APPROPRIATIONS ACT – HF 825

Legislation Enacted

The Governor item vetoed and signed HF 825 (FY 2006 Health and Human Services Appropriations Act) on June 14. The Act appropriates \$997.1 million and 6,858.5 FTE positions from the General Fund to the Departments of Elder Affairs, Public Health, Human Services, the Commission on Veterans Affairs, and the Veterans Home for FY 2006.

Other Funds



The Act also appropriates the following from other funds:

- \$8.1 million from the Gambling Treatment Fund to the Department of Public Health for substance abuse and gambling addiction treatment.
- \$100.3 million and 13.0 FTE positions from the Senior Living Trust Fund to the Departments of Elder Affairs, Human Services, Inspections and Appeals, and the Iowa Finance Authority.
- \$142.7 million in Temporary Assistance to Needy Families (TANF) funds to the Department of Human Services (DHS).
- \$22.9 million from the Hospital Trust Fund for the Medical Assistance (Medicaid) Program.

Standing Approps. Act

House File 882 (FY 2006 Standings Appropriations Act) reduced FY 2006 General Fund appropriations provided in HF 825 by \$11.6 million and increased the FY 2006 Senior Living Trust Fund appropriation for Medicaid by \$9.4 million.

Medicaid Reform

House File 841 (IowaCare Medicaid Reform Act) eliminated the \$22.9 million appropriation from the Hospital Trust Fund for Medicaid that was provided in HF 825. The Act also reduced the General Fund appropriations \$47.4 million for the four Mental Health Institutes and eliminated the University of Iowa Hospitals and Clinics Indigent Care appropriation, as the funds are provided from the IowaCare Account.

Item Vetoes



The Governor's item vetoes include:

- Requirements related to implementation of cost savings for the Medicaid Preferred Drug List (PDL). The Governor stated the requirements were impractical, would create an unnecessary barrier to effective implementation of the PDL, and would provide preferential treatment to drug manufacturers.
- Language directing the DHS to continue contracting with current service providers for mental health services provided to the homeless rather than requesting competitive bids. The Governor stated he supports the competitive bidding process to get the best value and service possible.

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)

**GOVERNOR ITEM VETOES JUSTICE SYSTEM AND
JUDICIAL BRANCH APPROPRIATIONS ACTS – HF 811 AND
HF 807**

Legislation Enacted



The Governor item vetoed and signed HF 811 (FY 2006 Justice System Appropriations Act) and HF 807 (FY 2006 Judicial Branch Act) on June 14. The Acts appropriate a total of \$532.4 million and 7,846.2 FTE positions from the General Fund. House File 811 also appropriates \$1.7 million in Microsoft funds and \$800,000 from the Healthy Iowans Tobacco Trust for FY 2006.

FY 2005 Supp. Approps.

House File 811 also includes FY 2005 supplemental appropriations totaling \$14.4 million.

Revenue Increase

House File 807 also provides new filing fees that will result in approximately \$337,000 in additional annual revenue to the General Fund.

Governor's Vetoes



The Governor vetoed intent language in HF 811 directing the Eighth Community-Based Corrections District Department to implement a drug court, stating the language was unnecessary since funding was not included. The Governor also vetoed an allocation in HF 811 of \$200 for the mailing of a notice to all affected agencies or emergency service providers informing the agencies of autopsy requirements.

More Information

Additional information is available from the LSA upon request.

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

GOVERNOR SIGNS THE INFRASTRUCTURE APPROPRIATIONS ACT – HF 875

Legislation Enacted

The Governor signed HF 875 (FY 2006 Infrastructure Appropriations Act) on June 15. The Act appropriates a total of \$124.0 million for FY 2006, \$19.0 million for FY 2007, \$44.5 million for FY 2008, and \$42.0 million for FY 2009. The following table provides total appropriations by funding source.

Infrastructure Appropriations Bill
(Dollars in Millions)

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|----------------------------------|-----------------|----------------|----------------|----------------|
| General Fund | \$ 0.8 | \$ 0 | \$ 0 | \$ 0 |
| Rebuild Iowa Infrastructure Fund | 43.3 | 9.0 | 4.5 | 2.0 |
| Restricted Capital Fund | 29.6 | 0 | 0 | 0 |
| Environment First Fund | 35.0 | 0 | 0 | 0 |
| Vertical Infrastructure Fund | 15.0 | 10.0 | 40.0 | 40.0 |
| Storm Water Discharge Fees | 0.3 | 0 | 0 | 0 |
| Total | \$ 124.0 | \$ 19.0 | \$ 44.5 | \$ 42.0 |

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

GOVERNOR ITEM VETOES STANDING APPROPRIATIONS ACT – HF 882

Legislation Enacted



The Governor item vetoed and signed HF 882 (FY 2006 Standing Appropriations Act) on June 16. The Act appropriates a total of \$103.0 million from the General Fund. This is a decrease of \$65.4 million compared to estimated net FY 2005 for the affected budget units in the Act. The Act also appropriates \$173.8 million from other funds. This is an increase of \$14.1 million compared to estimated net FY 2005 for the affected budget units. In addition, the Act adds 2.8 FTE positions to the Department of Commerce.

Item Vetoes

The Governor's item vetoes include:

- Sales tax exemption for construction of residential treatment facilities. The exemption was expected to affect two projects currently in progress. The

Governor stated he does not support providing special tax status to two specific projects.



- Expansion of the definition of good cause for late open enrollment applications for school districts. The Governor stated this change was intended to accompany a change to move the authority for determining good cause to the resident district. Without the change of good cause determination provided to the resident district, open enrollment decisions may not be based on the best interest of the student. The Governor stated he is committed to working with the General Assembly and other stakeholders to resolve this issue in the future.
- Effective date provisions for HF 770 (Food Establishment and Regulatory Authority Bill). The Bill was vetoed by the Governor, making these provisions unnecessary.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Shipman (Ext. 14617) Robin Madison (Ext. 15270)

GOVERNOR ITEM VETOES HEALTHY IOWANS TOBACCO TRUST ACT – HF 862

Legislation Enacted

The Governor item vetoed and signed HF 862 (FY 2006 Healthy Iowans Tobacco Trust Act) on June 14. The Act appropriates \$66.3 million from the Healthy Iowans Tobacco Trust Fund to the Departments of Public Health, Human Services, Corrections, Education, and the Department for the Blind.

Governor's Veto



The Governor vetoed a \$60,000 allocation to the Iowa Correctional Institution for Women at Mitchellville, stating a similar value-based program at the Newton Correctional Facility is the subject of a constitutional challenge in the federal court system. The Governor stated the program should not be expanded to other correctional facilities until the federal courts resolve the issues and provide direction as to what is and is not permissible.

More Information

Additional information is available from the LSA upon request.

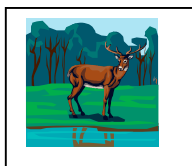
STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Vermeer (Ext. 14611)

GOVERNOR SIGNS DEER HARVEST ACT – SF 206

Deer Harvest Act

The Governor signed SF 206 (Deer Harvest Act) on June 3. The Act makes the following changes:

- Specifies 6,000 non-resident hunters that purchase an antlered or any-sex deer license must purchase an additional antlerless deer license for \$100.
- Specifies all resident and non-resident hunters pay a \$1.00 fee for the Help Us Stop Hunger (HUSH) Program.
- Allows the Natural Resource Commission to establish special deer hunts to reduce the deer population in counties that have unused antlerless deer licenses.
- Defines farm deer and specifies regulations for keeping whitetail deer on a hunting preserve.
- Specifies a joint study will be completed by the Departments of Agriculture and Land Stewardship and Natural Resources regarding the keeping of whitetail deer



on hunting preserves. The report will be presented at the Government Oversight Committee meeting in November 2005.

Fiscal Impact

The estimated fiscal impact of SF 206 is an increase in revenue of \$355,000 for the HUSH Program and an increase in revenue of \$277,000 for the Fish and Wildlife Trust Fund for FY 2006 and each year thereafter.

More Information

The Fiscal Note for SF 206 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR SIGNS BOAT REGISTRATION ACT – HF 828

Boat Registration Act

The Governor signed HF 828 (Boat Registration Act) on May 20. The Act makes the following changes:



- Increases the \$30.00 triennial registration fee to \$36.00 for motorboats or sailboats that are more than 16 feet but less than 26 feet in length.
- Increases the \$60.00 triennial registration fee to \$75.00 for motorboats or sailboats that are 26 feet or more but less than 40 feet in length.
- Increases the \$112.50 triennial registration fee to \$150.00 for motorboats or sailboats that are 40 feet in length or longer.

Fiscal Impact

The estimated fiscal impact of HF 828 is an increase of \$962,000 for FY 2007 and every year thereafter in the Boat Registration Fees Account. The estimated fiscal impact from the county writing fee increase, by changing it from a biennial to a triennial fee, is an annual decrease of \$13,000 per year.

More Information

The Fiscal Note for HF 828 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR SIGNS COOPERATIVE ASSOCIATIONS ACT – HF 859

Co-op Act

The Governor signed HF 859 (Cooperative Associations Act) on May 20. The Act makes the following changes:



- Details hybrid cooperative provisions that have characteristics similar to a cooperative association and a limited liability company.
- Specifies the types of businesses that must file a biennial report with the Secretary of State by March 31 of each even-numbered year.
- Specifies the powers and duties of the hybrid cooperative, members, and directors.
- Specifies methods for profit and loss distribution, business mergers, and dissolution.

Fiscal Impact

The estimated fiscal impact of HF 859 is an increase of \$2.5 million to the General Fund for FY 2006 and every even year after.

More Information

The Fiscal Note for HF 859 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR SIGNS SNOWMOBILE REGULATION ACT – HF 879**Snowmobile Act**

The Governor signed HF 879 (Snowmobile Registration Act) on May 20. The Act makes the following changes:

- Implements an electronic registration and renewal system for snowmobiles.
- Allows a one-time registration fee of \$25.00 for a snowmobile that is more than 30 years old.
- Requires a non-resident to pay an annual fee of \$15.00 to obtain a user permit when operating a snowmobile in Iowa.
- Allows that an unregistered snowmobile can be registered for a cost of \$20.00 after September 1 of each year. This includes a \$5.00 registration fee for the remainder of the current year and \$15.00 for the following year. The snowmobile owner saves \$10.00 on the current year registration.
- Consolidates existing law related to snowmobiles under Chapter 321G, Code of Iowa.

**Fiscal Impact**

The estimated fiscal impact of HF 879 is an increase of \$75,000 for FY 2006 and \$100,000 for FY 2007 and each year thereafter in the Snowmobile Registration Fees Account.

More Information

The Fiscal Note for HF 879 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR SIGNS SEED CAPITAL FUNDS ACT – HF 831**Legislation Enacted**

The Governor signed HF 831 (Seed Capital Funds Act) on June 13. The Act does the following:

- Extends the period for which unused tax credits can be issued for equity investments in qualifying businesses or community-based seed capital funds.
- Caps the amount of tax credits that may be issued in any one fiscal year at \$3.0 million.
- Changes various criteria a qualifying business must meet in order to receive investments that are eligible for tax credits.
- Allows capital commitment requirements to be waived if the fund is an Iowa-based seed capital fund with at least 40.0% of its committed capital subscribed by community-based seed capital funds.
- Changes the measurement period for which a community-based seed capital fund is required to invest a certain percentage of its capital in qualifying businesses from the 36th to the 48th month.



- Prohibits an investor from receiving an additional tax credit for the investor's share of investments in an Iowa-based seed capital fund with at least 40.0% of its committed capital subscribed by community-based seed capital funds.
- Allows a community-based seed capital fund to invest up to 60.0% of its committed capital in an Iowa-based seed capital fund with at least 40.0% of its committed capital subscribed by community-based seed capital funds.

Fiscal Impact

The Act will reduce General Fund revenues by an estimated \$1.0 million annually for eight fiscal years beginning in FY 2009.

More Information

The Fiscal Note for HF 831 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Russell Trimble (Ext. 14613)

THE GOVERNOR SIGNS HOUSING DEVELOPMENT TAX CREDIT ACT – HF 857

Legislation Enacted



The Governor signed HF 857 (Housing Development Tax Credit Act) on May 12. The Act allows for the transfer of up to \$3.0 million in housing business investment tax credits per year for projects started on or after July 1, 2005, in blighted or Brownfield areas within an enterprise zone. The Act also allows un-issued tax credits to be carried forward and used in subsequent fiscal years.

Housing Units

It is anticipated that one project will result in between 725 and 750 new housing units over a five-year period (145-150 units per year). In addition to this project, it is estimated that 50 additional units will result each year. These projects will be awarded and allowed to transfer tax credits under the Act.

Fiscal Impact

It is estimated that the Act will reduce General Fund revenue by approximately \$810,000 to \$840,000 in FY 2006. From FY 2007 through FY 2010, General Fund revenue will be reduced annually by \$3.5 to \$3.6 million. In FY 2011, General Fund revenue will be reduced by an estimated \$2.9 to \$3.0 million, and by \$900,000 annually beginning in FY 2012 due to the completion of the project involving 725 to 750 new housing units.

More Information

The Fiscal Note for HF 857 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Russell Trimble (Ext. 14613)

GOVERNOR SIGNS GROW IOWA VALUES FUND ACT – HF 868

Legislation Enacted

The Governor signed HF 868 (Grow Iowa Values Fund Act) on June 9. The Act establishes the Grow Iowa Values Fund and contains a number of provisions related to tax and program policies relating to economic development in the State.

Fiscal Impact

The table below provides the General Fund costs of the tax and program policies contained in the Act. The fiscal impact of research and development tax credits that may be awarded under the High Quality Job Creation

Program cannot be determined and, therefore, is not included. In addition, the cost of the Business Accelerator Program and the Iowa Business Resource Center Program, as well as the cost of providing financial assistance to Economic Development Regions and Enterprise Areas and the cost of administration of the High Quality Job Creation Program, are not included. An appropriation or allocation to cover these costs is contained in HF 809 (FY 2006 Economic Development Appropriations Act).

| Estimated General Fund Cost of HF 868 (In Millions) | | | | | | |
|--|---------------|----------------|----------------|----------------|----------------|----------------|
| Tax Credit | FY 06 | FY 07 | FY 08 | FY 09 | FY 10 | FY 11 & beyond |
| High Quality Job Creation Program | | | | | | |
| Projects above \$1.0 million | | | | | | |
| Investment Tax Credit Increase | | \$ 1.1 | \$ 2.2 | \$ 3.3 | \$ 4.4 | \$ 5.5 |
| Sales and Use Tax Rebate Increase | | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| Subtotal | | 4.0 | 5.1 | 6.2 | 7.3 | 8.4 |
| Projects below \$1.0 million | | | | | | |
| Investment Tax Credit Increase | | 0.7 | 1.4 | 2.1 | 2.8 | 3.5 |
| Sales and Use Tax Rebate Increase | | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Subtotal | | 1.5 | 2.2 | 2.9 | 3.6 | 4.3 |
| Wage and Benefits Tax Credit | | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| R&D Tax Credits for Innovative Renewable Energy | | 1.0 | - | - | - | - |
| Endow Iowa Tax Credits | 1.0 | 2.0 | 2.0 | 1.0 | - | - |
| Econ. Development Region Revolving Fund Tax Credit | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Historic Rehab. & Cult. Ent. Tax Credit Increase | | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Total Fiscal Impact of Tax Credits | <u>\$ 3.0</u> | <u>\$ 24.5</u> | <u>\$ 25.3</u> | <u>\$ 26.1</u> | <u>\$ 26.9</u> | <u>\$ 28.7</u> |
| Program & Policy | | | | | | |
| State Property Appeal Board (5.0 FTEs) | | 0.2 | 0.5 | 0.5 | 0.5 | 0.5 |
| Commercialization Specialist & Tech. Officer (2.0 FTEs) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| E-85 Cost Share | 0.3 | 0.3 | 0.3 | | | |
| Administration - Wage and Benefit Tax Credit Program (includes 0.3 FTEs) | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Fiscal Impact of Program & Policy | <u>\$ 0.6</u> | <u>\$ 0.7</u> | <u>\$ 1.0</u> | <u>\$ 0.7</u> | <u>\$ 0.7</u> | <u>\$ 0.7</u> |
| Total Fiscal Impact of HF 868 (Includes a total of 7.3 FTEs) | <u>\$ 3.6</u> | <u>\$ 25.2</u> | <u>\$ 26.3</u> | <u>\$ 26.8</u> | <u>\$ 27.6</u> | <u>\$ 29.4</u> |

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Russell Trimble (Ext. 14613)

GOVERNOR SIGNS SEX OFFENDER ACT – HF 619**Sex Offender Act****Penalties Enhanced**

The Governor signed HF 619 (Sex Offender Act) on June 14. The Act enhances penalties for sex offenders, requires treatment, mandates certain supervision requirements, changes the Sex Offender Registry, and requires DNA testing and limited risk assessments.

House File 619 enhances the penalty for lascivious acts with a child from a Class D to a Class C felony for certain acts; the age of the offender is lowered from 18 to 16 years of age. The Act creates a new Class A felony. If an offender commits a second or subsequent offense for sexual abuse in the second or third degree, lascivious acts with a child, or any combination thereof, then the penalty is a Class A felony (life in prison). The Act creates a special sentence of lifetime supervision for offenders convicted of certain Class C or B felonies and 10 years for certain Class D felony or misdemeanor convictions. Early discharge from the special sentence is permitted.

Sex Offender Treatment Offenders in prison are not eligible for earned time reduction of sentence unless they participate in and complete a sex offender treatment program. The Act directs the Department of Corrections (DOC) and Community-Based Corrections (CBC) District Departments to place certain offenders (those whose victim was a minor) on electronic monitoring for a period of at least five years.

Sex Offender Registry The Act makes certain changes to the Sex Offender Registry, including risk assessments and annual photographs. The Act requires the DOC and Departments of Public Safety and Human Services to develop methods and procedures for the risk assessment of certain sex offenders (those whose victim was a minor). The Act requires DNA profiling of all felons.

Community Supervision The new special sentence will increase the length of stay on CBC supervision. The correctional impact will first occur in CBC in FY 2008 since the original sentence must be served before the special sentence begins. In FY 2008, it is estimated that an additional 298 sex offenders will be supervised in CBCs. This figure increases to 599 in FY 2009 and continues to increase in future fiscal years.

Prison System



The Act increases the incarceration rate and the length of stay for sex offenders (more sex offenders will be sentenced to prison for a longer period than under current law). The correctional impact will first occur in FY 2008 in the State prison system because the current sentence must be served before the impact of enhanced penalties occurs. It is estimated the prison population will increase by 54 offenders in FY 2008, 103 in FY 2009, and 171 in FY 2010. The impact on the prison system after FY 2010 will be substantial as Class C offenders begin to lose earned time and spend more time in prison.

Fiscal Impact The overall fiscal impact of the Act is estimated to be \$5.2 million in FY 2006 and \$6.6 million in FY 2007. These estimates do not include additional costs of contested cases related to risk assessments. Depending on the number of contested cases, additional costs of \$616,000 may be incurred by the DOC and the Department of Public Safety. Costs are anticipated to increase in future fiscal years due to anticipated increases in costs for the Correctional System (mandated electronic tracking and monitoring).

Additional Information The Fiscal Note for HF 619 is available on the LSA web site at: <http://www3.legis.state.ia.us/fiscalnotes/>.

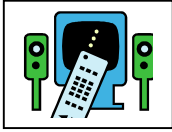
STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Acton (Ext. 17846)

AUDIT REPORT – IOWA COMMUNICATIONS NETWORK

Audit Findings The LSA received a copy of the FY 2004 audit report for the Iowa Communications Network (ICN).

FY 2004 Overview During FY 2004, the ICN had \$33.0 million in operating revenues, which included \$488,000 in General Funds to operate video. Part III appropriations were \$2.7 million and covered the payment for related fiber leases and equipment maintenance. The ICN delivered 271,000 hours of full-motion, interactive video to authorized users.

Non-Compliance



Section 7A.30, Code of Iowa, requires all departments to keep an up-to-date inventory of real and personal State property. The ICN's general ledger did not reconcile to the Access database which is used to track capital assets. There was an additional \$232,000 in the Access database. Also, the total amount of accumulated depreciation did not tie to the manual depreciation spreadsheet maintained by the ICN. The audit recommended that the ICN implement procedures to ensure accurate reporting and compliance with the Code of Iowa. The ICN has adjusted the general ledger to ensure that the fixed asset balance reconciles with the fixed asset inventory and has taken steps to ensure that adequate documentation is maintained. The response was accepted.

Reportable Condition

The ICN is responsible for maintaining an accurate inventory listing. Three of 22 items could not be located at the time of the audit. The ICN has taken steps to ensure that adequate documentation is maintained that supports the recorded valuation of inventory items. The response was accepted.

More Information

A copy of the Audit Report is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

**MENTAL HEALTH, MENTAL RETARDATION,
DEVELOPMENTAL DISABILITIES, AND BRAIN INJURY
COMMISSION MEETING**

Commission Meeting

The Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury Commission met on June 16.

Commission Business

The Commission received a presentation on accreditation and continuances of accreditation; approved various facility accreditation and continuances of accreditation; appointed Bill Gorman to the Aging and Disability Resource Center Advisory Board; and discussed the scheduled meetings for the Children's Oversight Committee.

DHS Issues Update



Director Concannon, Department of Human Services (DHS), provided the following information:

- An update regarding HF 841 (IowaCares Medicaid Reform Act). This includes the DHS waiver request for the 300 Children in Need of Assistance (CINA) services and changes in criteria for nursing facility admissions. The \$40.0 million one-time Intergovernmental Transfer (IGT) revenue is also included.
- The FY 2007 budget request process, incorporating the budget offer process and the budget requests into a single set of information.
- The satisfaction regarding the FY 2006 appropriations received for DHS programs and services.
- An update regarding the federal Medicare Prescription Drug Part D Program, with the prescription plans being encouraged to offer more prescription categories per drug class.
- An update regarding the application to the federal Substance Abuse and Mental Health Services Administration in the Dubuque area for services to children and adolescents with mental health needs.

More DHS Updates

Mary Nelson, DHS, provided the following information:

- The action by the General Assembly's Administrative Rules Review Committee in response to concerns regarding rules requiring counties to submit certain data for those receiving mental health services.
- The action regarding the appeals process for legal settlement disputes between counties and the respective administrative rules to implement that legislative requirement.
- Programs under way to receive funding for transitioning youth into adulthood.

Legislative Participation

Commission members expressed concerns regarding the lack of Commission participation by members of the General Assembly, as well as legislation proposed by certain legislators serving on the Commission.

Other Business



The Commission received information regarding the fall meeting of the Alliance for Full Participation that will be held in Washington D.C., which is a nationwide effort to promote services to those with disabilities. The Commission also discussed the Adult System Redesign and proposed future discussion for a potential fall retreat of the Commission.

Next Meeting

The next meeting is scheduled for July 21. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

SENIOR LIVING COORDINATING UNIT MEETING

SLCU Meeting

The Senior Living Coordinating Unit met on June 17.

LTC Plan

The Unit discussed the issues to be included in the Long-Range Plan for Long-Term Care.

SLP Update



The following updates were provided regarding the Senior Living Program:

- Eileen Creager and Lin Christiansen, Department of Human Services (DHS), provided information on the FY 2004 and FY 2005 conversion grants. The Unit approved the recommendation that eight facilities receive a total of \$3.0 million in grants for nursing facility conversion to assisted living and long-term care service development using funds appropriated for this purpose in FY 2005.
- Jenny Knust, Iowa Finance Authority, provided information regarding the Assisted Living Rent Subsidy Program and the use of revolving loan funds appropriated for assisted living and home and community-based services.
- Lisa Burk, Legislative Services Agency, provided an update on projections for the Senior Living Trust Fund. At the close of FY 2006, it is estimated that the Fund will have an ending balance of \$31.1 million.

Other Reports

The following other reports and information were provided:

- Eileen Creager, DHS, provided information regarding the Program for All-Inclusive Care for the Elderly (PACE), noting that the Department received funding in HF 825 (FY 2006 Health and Human Services Appropriations Act) for a PACE Coordinator in FY 2006.



- Director Haverland, Department of Elder Affairs (DEA), provided information on the National Governor's Association (NGA) grant, reporting that legislation for universal assessments was not enacted during the 2005 Legislative Session; however, the workgroup will continue to meet in order to examine the issues that impeded legislation.
- Dick Harmon, DEA, provided the home and community-based services and unmet needs reports.
- Director Kevin Concannon, DHS, provided information regarding the impact of HF 841 (IowaCare Medicaid Reform Act) and the status of negotiations with the federal Centers for Medicare and Medicaid Services (CMS) in order to implement the provisions contained in the Act.

SLCU Membership

Certificates of appreciation were presented to Francis Hawthorne and Pete Conroy, whose terms on the Unit expire this summer. The names of the replacement members were not announced.

More Information

The next meeting is scheduled for August 19. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

JUNE COUNCIL ON HUMAN SERVICES MEETING

Council Meeting

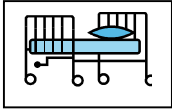
The Council on Human Services met on June 15 at the Cherokee Mental Health Institute.

Adm. Rules



The Council adopted the following Administrative Rules:

- Clarifications to the grounds for terminating certain services and limitations on the appeals process. No fiscal impact.
- Elimination of various payments and reimbursements based on agreement with the federal Centers for Medicare and Medicaid Services (CMS) for termination of Intergovernmental Transfer (IGT) revenues. The State loses \$66.1 million in IGT revenue and is in the process of receiving a State Medicaid Plan Waiver to be able to match \$55.2 million in other State and county revenue to use as a match for federal funding.
- A decrease in the income limit for the supplement for Medicare- and Medicaid-eligible individuals with the State Supplementary Assistance (SSA) Program. The State savings of \$2.1 million in the Medical Assistance (Medicaid) Program and the minimal cost to the State Supplementary Assistance Program is reflected in the FY 2006 appropriation. The Department now estimates a savings of \$1.9 million.
- Establishment of a coverage group for women who are Medicaid-eligible after pregnancy or have an income under 200% of the federal poverty level. It is estimated the first year will generate a General Fund savings of \$573,000 and an estimated savings of \$2.4 million in the second year, which is the net savings due to a decrease in the number of births.
- Updates eligibility when calculating the average institutional care cost while utilizing a Miller Trust for transfer of assets. The estimated fiscal impact is between \$100,000 and \$500,000 due to additional individuals being eligible for Medicaid.



- Provides a 3.0% reimbursement rate increase for most Medicaid providers. The fiscal impact is \$16.5 million in State funds, which was provided in the FY 2006 appropriation for the Medicaid Program, and a \$28.8 million increase in federal matching funds.
- Changes the source of reference data for certain pharmacy claims. No fiscal impact.
- Changes drug co-payment policies. The estimated fiscal impact is a loss of co-payment revenue of \$874,000 and a loss of \$1.5 million in federal funds for FY 2006.
- Implements the process for federal Medicare Part D drug subsidy eligibility. The fiscal impact is \$2.7 million in State funds, which was provided in HF 825 (FY 2006 Health and Human Services Appropriations Act) to provide additional staff to undertake these responsibilities and other Medicaid Reform activities.
- Increases various foster family and purchase-of-service reimbursement rates and provides a contract initiation for emergency juvenile shelter providers. The fiscal impact is \$1.1 million in State funds, which was provided in HF 825, and an increase of \$801,000 in federal funds. The fiscal impact for the increase in social services provider rates is an estimated \$280,000 in State funds, which were provided in HF 825, and an increase of \$69,000 in federal matching funds.
- Adjusts child abuse assessment documentation to reflect current practice and adds duties to Child Protective Services Citizen Review Panels. No fiscal impact.
- Changes timeframes for completion of dependent adult abuse reevaluations and assessment reports. No fiscal impact.
- Changes the access to dependent adult abuse information to permit information to be available during an unemployment compensation claim. No fiscal impact.
- Increases various Rehabilitative Treatment Support Services (RTSS) and social services provider reimbursement rates by 3.0%. The fiscal impact is \$1.9 million in State funds, which was provided in HF 825, and an increase of \$1.1 million in federal matching funds for FY 2006.
- Implements the IowaCare Program. With the plan to maximize federal funding, the minimum shortfall in replacing the Intergovernmental Transfer (IGT) revenue with other federal funding matched with State and county funds is \$12.9 million.

Noticed Rules



The Council approved the following Administrative Rules for adoption at a future meeting:

- Implements a process for legal settlement disputes between counties or a county and the State. The amount of money considered outstanding receivables should decrease due to the specific time frames required in the legislation enacted in 2004. The State is only responsible for those individuals determined to be a State Case and not for all of the disputes; therefore, the fiscal impact should be negligible.
- Allows an exception to the required Social Security number for Medicaid benefits. The fiscal impact is an increase to the Medicaid Program for State match. The number of possible inmates that would be eligible has not been determined. Permitting the Department of Corrections and the University of Iowa Hospitals and Clinics to draw federal funds for this purpose would provide a cost savings in these budgets.

- Limits Medicaid-covered drugs to a 30-day supply at one time. Most prescriptions are currently limited to 30 days; however, some are available for a 90-day supply. There will be a one-time cost savings due to the transfer of dually eligible clients to the new Medicare Part D prescription drug benefit. The estimated State savings is \$44,000 for FY 2006.
- Changes the definition of child with special needs for possible future adoption subsidy. The Department indicates the fiscal impact cannot be determined, as it is unknown how many families will be impacted in the future.

Agency Reorganization

Bob Krebs, Department of Human Services (DHS), provided information on revisions to the Department's Table of Organization for the Division of Financial, Health, and Work Supports.

Cherokee MHI Program

Dr. Tom Deiker, Cherokee Mental Health Institute, provided an overview of the Institution's programs. A tour of the Institute was also provided, as well as an overview and tour of the Civil Commitment Unit for Sexual Offenders (CCUSO).

More Information

The next meeting is scheduled for July 13, which will include public input regarding the FY 2007 budget request. Additional information is available from the LSA upon request.

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

ENVIRONMENTAL PROTECTION COMMISSION MEETING**Commission Meeting**

The Environmental Protection Commission met on June 20.

Solid Waste Program

The Commission approved the Department of Natural Resources (DNR) recommendations for project funding under the Solid Waste Alternatives Program. This included 14 projects that will receive funding totaling \$889,000.

Underground Tanks

The Commission approved a Notice of Intended Action on an Administrative Rule related to the financial responsibility requirements for underground storage tanks. The rule changes had been reviewed by a group of stakeholders prior to the Commissioner's meeting.

Contracts Approved

The Commission approved the following contracts:

- Contract amendment of \$72,000 with the Iowa Waste Reduction Center at the University of Northern Iowa to provide technical assistance for the Small Business Assistance Program.
- Contract of \$654,000 with the Linn County Board of Health for issuance of air quality permits.
- Contract of \$710,000 with the Polk County Board of Supervisors for issuance of air quality permits.
- Contracts with the University of Iowa Hygienic Lab:
 - \$1.8 million to support the Air Quality Bureau with ambient air monitoring, ambient air modeling, and asbestos sample analysis.

- \$80,000 to conduct beach monitoring.
- \$631,000 to conduct water monitoring on impaired water bodies.
- \$436,000 to assist the DNR in determining the quality of the environment by providing lab and field services and support.
- Contracts with Iowa State University:
 - \$66,000 with the Iowa Cooperative Fish and Wildlife Research Unit for stream habitat assessment.
 - \$150,000 to conduct wetland performance monitoring and the reduction of nitrogen in the Conservation Reserve Enhancement Program (CREP).
 - \$215,000 to conduct lake monitoring.
- Contract of \$24,000 with Gold Systems, Inc., to implement an Internet entry system for water quality data.

Drinking Water

The Commission tabled the decision to approve the FFY 2006 Drinking Water State Revolving Loan Fund Intended Use Plan. The Commissioners requested that additional information be provided prior to the next meeting.

Clean Water



The Commission approved the fourth quarter update to the Clean Water State Revolving Fund Intended Use Plan. This included the approval of two new projects. One project is located at Cantril and is co-sponsored by the Rathbun Land and Water Alliance. The second project is a sewer project in Sibley.

More Information

The next meeting is scheduled for July 18. Additional information is available from the LSA upon request. The Commission agendas, minutes, and other related information may be accessed on the DNR web site at: <http://www.iowadnr.com/>

STAFF CONTACT: Debra Kozel (Ext. 16767)

BOARD OF REGENTS MEETING

Board Meeting

The Board of Regents met on June 13-14 at the Iowa School for the Deaf in Council Bluffs.

Board Action

The Board gave final approval to the following:

- Pay matrices for FY 2006 for the Regents institutions and Board Office. Pay will increase by approximately 3.0% on average.
- Five-year strategic plans for each of the universities.
- Budget adjustments for FY 2005, including:
 - Iowa State University – An increase of \$2.4 million resulting from increased tuition revenue.
 - University of Northern Iowa – An increase of \$27,000 resulting from an allocation for labor relations from the Department of Administrative Services.



- Budgets for FY 2006 – The Board postponed final action on the FY 2006 budgets to the August meeting.
- Rate increase of 6.5% for the University of Iowa Hospitals and Clinics (SUIHC). The SUIHC had proposed a 9.5% increase.

Committee Reports

The Board received reports from the following Committees:

- Investment Committee.
- Education and Student Affairs Committee – The Committee's Report included a final task force report and recommendations of the study of the Iowa Braille and Sight Saving School and a biennial report on faculty activities.
- Property and Facilities Committee.

Bond Resolution

The Board approved a preliminary bond resolution for the sale of up to \$25.0 million of Athletic Facilities Revenue Bonds for the University of Iowa. The bonds are scheduled to be sold in August 2005 and would finance a portion of the Kinnick Stadium renovation project.

Supp. Tuition Proposal

The Board deferred action on a supplemental tuition proposal until the July meeting. President Gartner indicated that the Governor was attempting to obtain additional funds for the universities that may eliminate the need for a tuition increase.

Next Meeting

The next meeting of the Board is scheduled for July 14 at Iowa State University. Additional information regarding the Board meeting is available at the Board's web site at: <http://www2.state.ia.us/regents/Meetings/>

STAFF CONTACT: Mary Shipman (Ext. 14617)

HEALTHY AND WELL KIDS IN IOWA BOARD MEETING

Hawk-i Board Meeting



The Healthy and Well Kids in Iowa (*hawk-i*) Board met on June 20. Significant agenda items included:

- Information regarding the FY 2003 outcomes of care for children served by the Healthy and Well Kids in Iowa (*hawk-i*) Program.
- Updates regarding the FY 2005 and FY 2006 budget and expenditures, as well as current enrollment data.
- Approval of various contracts with third party payers and election of new officers for FY 2006.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)