

MEDICAID FORECAST FOR FY 2006 AND FY 2007

Medicaid Forecast

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on August 25 to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2006 and FY 2007. The three staffs meet monthly to discuss and agree on a range for expenditures for the current fiscal year.

FY 2006



House File 825 (FY 2006 Health and Human Services Appropriations Act), as amended by HF 882 (FY 2006 Standing Appropriations Act), HF 841 (IowaCare Medicaid Reform Act), HF 2347 (Health Care Transformation Account Act), and HF 2734 (FY 2007 Health and Human Services Appropriations Act), included total State funding of \$742.8 million for Medicaid for FY 2006. This included a \$19.0 million supplemental appropriation provided in HF 2734.

Fiscal Year 2006 ended with a Medicaid surplus of an estimated \$11.1 million. Pursuant to provisions in HF 2734, the DHS will be allowed to carry forward \$500,000 for expenditures related to Medicare Part D, and \$10.6 million will be deposited into the Senior Living Trust Fund. Final data for FY 2006 included:

- A 3.4% increase in average monthly enrollment over FY 2005.
- A 10.8% increase in cost per person served compared to FY 2005.
- An overall expenditure increase of 14.6% compared to FY 2005.

FY 2007

House File 2734 included total State funding of \$759.2 million, which is not likely to fully cover Medicaid costs in FY 2007. For FY 2007, the three staffs agreed to an estimated shortfall of \$31.0 to \$50.0 million, with a midpoint of \$40.5 million compared to the FY 2007 appropriation. The total State funding for Medicaid in FY 2007 is an estimated increase of \$47.4 to \$66.4 million compared to estimated FY 2006. This includes the following costs and assumptions:

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- An estimated \$22.2 million due to enrollment increases.
- An estimated \$7.0 million to fund an estimated 1.0% in the medical inflation rate.
- \$2.6 million to annualize the increased cost of Medicare buy-in due to increased Medicare premiums.
- \$25.0 million to fund additional costs due to the Federal Medical Assistance Percentage (FMAP) decreasing from 63.61% to 61.98%.
- \$18.6 million to fund a 3.0% provider rate increase.
- \$1.4 million to fund an increase in the personal needs allowance from \$30 to \$50 per month for residents of nursing facilities.
- \$1.0 million to fund Medicaid for children aging out of the foster care system up to age 21.
- \$250,000 to fund a matching grant for the Iowa Health Care Collaborative.
- \$13.5 million in various savings related to the Iowa Medicaid Enterprise, the Medicaid Family Planning Waiver, and the federal Deficit Reduction Act of 2005.
- \$4.0 million to pay the nursing facilities one-third of the Skilled Nursing Facility Market Basket Index for the second quarter of FY 2007 and to increase nursing facility rates to the FY 2007 cap.
- \$7.4 million to fund increased costs associated with the change from the Adult Rehabilitation Option and Rehabilitative Treatment Services to the Remedial Services Program.

Citizenship Requirement

The Federal Deficit Reduction Act of 2005 required verification of citizenship during the Medicaid eligibility screening process. It is anticipated that this requirement will have an impact on the Medicaid budget. The DHS is coordinating with the Department of Public Health to assist Medicaid applicants with obtaining the required documents. The DHS also plans to assume any expense associated with an applicant obtaining a birth certificate.

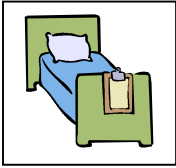
RTS Services



Beginning July 1 of this year, the DHS began de-linking Medicaid Rehabilitative Treatment Services (RTS) from the Child Welfare System. Changes to Adult Rehabilitative Option (ARO) services also began on July 1. Both changes are the result of the federal Centers for Medicare and Medicaid Services (CMS) requirements related to documentation and eligibility. Starting January 1, 2007, services formerly provided under RTS and ARO will be provided through the Remedial Services Program (RSP). Eligibility will be determined by a Licensed Practitioner of the Healing Arts, and services will be provided by Medicaid-enrolled Remedial Service Providers. Providers can transition to the new RSP anytime before January 1.

New service definitions will likely result in increased costs to the State and counties, as some services formerly matched with federal funds will now be paid with 100.0% State or county funds. The increased State cost for Medicaid is estimated to be \$7.4 million for FY 2007 and is included in the estimated supplemental need amount.

Nursing Facility Issues



The DHS submitted a State Plan Amendment (SPA) to the federal CMS that would have allowed nursing facilities to be paid one-third of the Skilled Nursing Facility Market Basket Index for the last quarter of FY 2006 and increase nursing facility rates to spend up to the FY 2006 cap. Since public notice was not given prior to the start of the final quarter of the fiscal year, the SPA was approved for only the last four days of FY 2006 at a total cost of \$450,000, with a State share of \$164,000.

Legislative leaders and the Governor directed the DHS to resubmit this SPA for the quarter beginning October 1, 2006. The amendment allows nursing facility rates to be adjusted to pay up to the FY 2007 cap of \$177,701,264. This is an increase of \$10.5 million in total dollars and a cost of \$4.0 million to the State. Since the cap is not equivalent to an appropriation, the funding for this increase had not previously been considered and is included in the FY 2007 supplemental appropriation estimate.

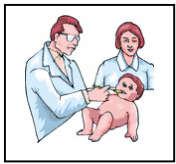
More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

TRANSITION OF STATE CASES PROGRAM TO COUNTIES TO PROCEED

Decision to Proceed



House File 2780 (Mental Health Revisions Act) required the Department of Human Services (DHS) to determine by September 1 whether the transition of the State Cases Program (those individuals receiving services without a county of legal settlement) could occur based on estimated expenditures and available funding. If the DHS decision was to proceed, counties would be responsible starting October 1 for the costs and for determining the services for which clients are eligible.

The DHS collected estimated expenditures for each of the known cases from the counties where the clients would be served. The DHS then subtracted possible adjustments from that estimate, including:

- Medicaid-eligible services.
- Duplication of clients.
- Elimination of prescription costs after the first quarter of the transition.
- Transfer of persons from State Cases to the Medicaid Waiver.
- An additional 10.0% reduction in expenditures from counties.

The DHS provided the data to the counties and the LSA two days prior to the deadline. The data provides for three quarters of estimated expenditures and the DHS cost reductions. The DHS reviewed county concerns regarding the data.

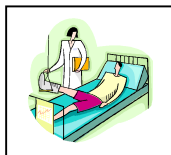
Revision to Expenditures

The DHS announced on September 1 that the estimated cost for the transition is within the budget and will proceed on October 1. The DHS released revised expenditure data based on concerns presented by the counties on August 30. The following table provides both the original estimates and revised estimates.

Three Quarters Estimated FY 2007 State Cases Expenditures

Category	Original Estimate	Revised Estimate
County Estimated Costs	\$11,446,248	\$11,407,275
<u>DHS estimated savings/reductions</u>		
Eliminate costs from persons not served	\$268,455	\$268,455
Charging services to Medicaid	419,667	174,036
Duplicated persons	23,007	23,007
Single county episodic charge	8,898	8,898
Eliminate prescriptions starting in second quarter	1,224,830	1,102,347
Transfer to MR Waiver	583,412	460,997
Additional 10.0% reduction	534,258	575,230
Total Estimated savings	\$ -3,062,527	\$ -2,612,970
<u>Additional Costs</u>		
Episodic Hospitalizations	919,570	919,570
Total DHS Estimated Costs	\$9,303,291	\$9,713,874
Funding Available for Three Quarters	\$10,139,964	\$10,139,964
Balance Remaining for Possible Obligations	\$836,673	\$426,090

Changes to ARO



The impact of the elimination of the Adult Rehabilitative Option (ARO), which was to originally occur on November 1, was not included in the estimated costs. The DHS data indicates an estimated \$281,988 impact per month to the State Cases Program with this elimination. The DHS plans to submit additional administrative rules to implement a Habilitative Service permitted under new federal legislation. Although emergency administrative rules may not be in effect, the DHS plans to have this new service reimbursed starting January 1. The DHS did not provide an estimate for how much may be derived from this federal reimbursement.

On September 14, the DHS announced the delay of the proposed rule changes eliminating the Adult Rehabilitative Option (ARO). The rules will now be effective on January 1, when the proposed Habilitative Service may be available to replace certain services provided under the ARO. This will eliminate the two-month estimated impact of \$563,976 on State Cases that had not been included in the DHS expenditures.

Since emergency rules may not be in effect for this change, a January 1 effective date may not be possible. The proposed action also requires a federally-approved State Plan Amendment to the Medicaid Program. Delay of approval at the State or federal level will cause the original estimated monthly cost of \$281,988 to continue past December. This possibility has not been included in the cost impact for the State Cases Program.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Kerri Johannsen (Ext. 14611)

HF 807**JUROR PAY INCREASED FOR EXTENDED SERVICE**

House File 807 (FY 2006 Judicial Branch Appropriations Act) amended Section 607A.8, Code of Iowa, to permit the Supreme Court to adopt rules to allow additional compensation for jurors whose service exceeded seven days. State law sets the compensation for jurors at \$10 per day. The Supreme Court approved a rule that increases the compensation to \$50 per day after seven days.

Statistics

According to the State Court Administrator's Office, approximately 64,000 Iowans receive a jury summons each year. In calendar year 2005, there were approximately 900 jury trials in Iowa. On average, 20 trials per year last longer than seven days. Since 1994, there has been a 40.0% decrease in the number of jury trials per year. In FY 2005, the State paid approximately \$1.1 million in jury compensation. The rate increase for extended service is projected to cost an average of \$250,000 per year.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

LEGISLATIVE FISCAL COMMITTEE MEETING**Fiscal Comm. Meeting**

The Legislative Fiscal Committee met on September 13.

Honey Creek Park

The Committee received an update on Honey Creek Destination State Park from the Department of Natural Resources.

Building Projects

Director Mollie Anderson, Department of Administrative Services (DAS), provided information on Capitol Complex building construction projects.

DHS Updates

Verne Armstrong, Department of Human Services (DHS), provided an update on Group Care waiting lists.

Jennifer Vermeer, DHS, discussed the federal status of the 3.0% Medicaid reimbursement rate increase authorized by the General Assembly for FY 2007 for most providers. The Committee also discussed the federal Centers for Medicare and Medicaid Services (CMS) delay in approving an additional fourth quarter increase in FY 2006 for nursing facilities.

Case Management

Lisa Burk, LSA, provided an update on Case Management for seniors as a Medicaid approved service.

Medicaid/Hawk-i

Kerri Johannsen, LSA, provided FY 2006 and FY 2007 Healthy and Well Kids in Iowa (*hawk-i*) information, and FY 2006 and FY 2007 Medicaid expenditure information.

Revenue Projections

Jeff Robinson, LSA, provided FY 2006 and FY 2007 State revenue information and projections.

General Fund Budget Dave Reynolds, LSA, presented the current status of the State General Fund budget, projected expenditure increases for FY 2008, and the balances of selected non-General Fund sources. Various FY 2006 appropriation transfers and two proposed lease purchase agreements from State agencies were also reviewed.

Federal Funds Sue Lerdal, LSA, discussed historical federal funding levels for Iowa and surrounding states.

More Information The next meeting has not been scheduled. Handouts from the meeting are available on the web site at:
http://www.legis.state.ia.us/scripts/docmgr/docmgr_comdocs.dll/showtypeFC?id=true&type=ih&fy=2005&com=46

STAFF CONTACT: Sue Lerdal (Ext. 17794) David Reynolds (Ext. 16934)
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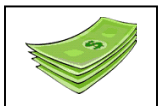
GOVERNMENT OVERSIGHT COMMITTEE MEETING

Oversight Meeting The Government Oversight Committee met on September 18 and 19.

I/3 System The Committee received an update from the Department of Administrative Services (DAS) regarding the Integrated Information for Iowa (I/3) System. The Committee received the current status of the major components of the System and the future goals by users in the Executive and Legislative Branches.

Iowa Values Fund The Committee received information regarding the Iowa Values Fund. Deputy Director Tina Hoffman, Department of Economic Development, provided an overview. Toby Shine, Chairperson, Due Diligence Committee and private business owner, provided the Committee with his insight of the Iowa Values Fund.

Proposed Bonuses



The Committee discussed proposed payments to individuals using surplus funding from the 2005 National Governor's Association. Cynthia Eisenhower, Governor's Office, provided background concerning the proposal and responded to questions. The proposed bonuses were not provided, and the surplus funding was distributed between the General Fund and the State Fair Blue Ribbon Committee.

More Information The next meeting is scheduled for October 30 and 31. Additional information is available from the LSA upon request and on the Committee web site at:
<http://www3.legis.state.ia.us/ga/committee.do?id=41>

STAFF CONTACT: Sam Leto (Ext. 16764) Douglas Wulf (Ext. 13250)
Richard Nelson (2-5822)

INSTITUTE FOR TOMORROW'S WORKFORCE MEETING

Board Meeting The Board of Directors of the Institute for Tomorrow's Workforce (ITW) met on September 19 in West Des Moines.

Lawsuit Settled Co-Chairperson Marvin Pomerantz noted that the Executive Committee, on behalf of the Board, had settled the lawsuit filed by several media organizations claiming that the Board had violated the Open Meetings statute

by meeting in closed session on July 27. The settlement required the ITW to pay \$9,000 in attorney fees and court costs. Mr. Pomerantz told the Board that he had personally paid all the costs of the settlement because the closed session occurred as a result of his guidance to the Board.

Advisory Workgroups



Susan Sexton, Learning Point Associates (LPA), reviewed the status and plans for the advisory workgroups related to the educational delivery system and teacher pay for performance studies. The workgroups met on September 21 and are scheduled to meet again on October 18 at Drake University and November 3 at the Des Moines Area Community College campus in West Des Moines.

James Guthrie, Vanderbilt University, joined the meeting by telephone and discussed information that will be presented to the workgroups at those meetings. On October 18, Michael Wolkoff, a labor economist from the University of Rochester, will present information on teacher salary trends in and across Iowa, as well as comparisons to border states and other occupations. He will also address the issue of teacher turnover. Also on October 18, Mark Cannon, Vanderbilt University, will discuss pay-for-performance incentives in the private and nonprofit sectors, and Mr. Guthrie will illustrate the spectrum of possible pay-for-performance plans available to Iowa and seek the reaction of the workgroups. On November 3, Mr. Guthrie will present preliminary recommendations to the workgroups for their reaction.

Other Public Input

Ms. Sexton noted that the general public will have the opportunity to provide public input through a web site, although the timing for that has not yet been determined. She also noted that six focus groups are planned, as well as two townhall meetings and a telephone survey.

Focus Groups

Circe Stumbo, West Education Policy of Iowa City, explained the plans for the focus groups. Learning Point Associates has subcontracted with her organization to coordinate those. Focus groups are planned over the next month in Muscatine, Council Bluffs, Oelwein, Centerville, Sioux City, and Fort Dodge. At least one Board member suggested that they consider having one in the Des Moines area.



Focus group participants are being selected to include educators, other school staff, parents, students, business people, and representatives of higher education. There will be approximately 25 participants, and each focus group will break into sub-groups at some point during the two-hour session. Ms. Stumbo noted that participation will be by invitation only and the sessions will be closed to the media, but the overall results will be made public. Board member Doug Gross noted that focus groups are not decision-making bodies and, therefore, not subject to the Open Meetings statute.

Townhall Meetings

Westwind Education Policy is also coordinating the townhall meetings, which are planned for early to mid-November, possibly in Council Bluffs and Evansdale. The purpose of the meetings would be to gather reaction to LPA's preliminary recommendations regarding the educational delivery system and teacher compensation incentives. Board members suggested that at least three meetings be planned to cover the western, central, and eastern portions of the state. It was noted that the Iowa Communications Network (ICN) could possibly be used.

Telephone Survey



Ms. Sexton noted that LPA has subcontracted with Selzer and Company of Des Moines to conduct a telephone survey later this week. The poll will randomly survey 400 registered voters regarding the educational delivery system and teacher compensation. The survey instrument was not available for the Board to review. The Board agreed that several members should meet with Ann Selzer to discuss the possibility of a larger sample size and surveying likely voters and to review the survey instrument.

21st Century Skills

Arie VanderPloeg, LPA, facilitated a Board discussion of 21st century skills and learner performance.

More Information

The next meeting is scheduled for October 17. Agendas and meeting minutes are available on the ITW web site at: <http://www.tomorrowworkforce.org/minutes-agendas.html>. Additional information is available from the LSA upon request.

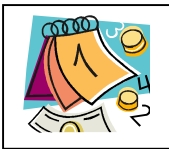
STAFF CONTACT: Robin Madison (Ext. 15270)

TEACHER PAY FOR PERFORMANCE COMMISSION MEETING

Commission Meeting

The Teacher Pay for Performance Commission (PPC) met on September 20 in Des Moines. Members Robert Koob and Jan Reinicke updated the Commission on the previous day's meeting of the Institute for Tomorrow's Workforce (ITW) Board of Directors.

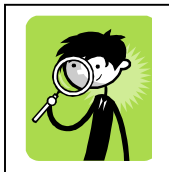
Timeline



Jodie Butler, ITW Executive Director, and Susan Sexton, Learning Point Associates (LPA), discussed the process for studying pay-for-performance incentives and a timeline for reporting to the Commission. The Commission will receive a draft of the ITW recommendations for the November 17 meeting and have an opportunity for input. The ITW Board will approve the final recommendations on December 12.

Commission members discussed whether to schedule a meeting in December to review the final recommendations. It was agreed to wait until November 17 to determine whether a December meeting would be necessary. Currently, the PPC is scheduled to meet October 18, November 17, and January 4. House File 2792 (Additional Education Funding Act) requires the PPC to provide a report and recommendations to the General Assembly and Governor by January 15, 2007.

LPA Study



James Guthrie, Vanderbilt University, joined the meeting by telephone to discuss ideas and concerns regarding the LPA study and the recommendations to be made by the ITW. It was noted that legislation requires the PPC to pilot pay-for-performance incentives in 10 school districts during the 2007-2008 school year. Commission members and Mr. Guthrie agreed that it was possible the recommendations would not lend themselves to implementation that quickly. There was consensus that, if necessary, the PPC would be willing to recommend that the Legislature extend the timeline to permit, for instance, the development of data-gathering and student performance measurement tools.

RFP for External Evaluator

Judy Jeffrey, Department of Education, presented a draft of a Request for Proposal (RFP) for an external evaluator for the pay-for-performance pilots.

Because time was running short, it was agreed that the Department will highlight the portions of the draft RFP that require the Commission's input and schedule a telephone conference with members to finalize the RFP.

More Information

The next meeting will be a telephonic meeting on October 2 to discuss the RFP for external evaluator. The next regular meeting is scheduled for October 18. Agendas and meeting minutes are available on the ITW web site at: http://www.dom.state.ia.us/pfp_commission/meeting.html. Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

STATE BOARD OF EDUCATION MEETING

State Board Meeting

The Board of Education met on September 14 in Des Moines. During the meeting, Board members heard from gubernatorial candidates Chet Culver and Jim Nussle (by telephone) about their plans for education.

Early Childhood Funding



Lana Michelson and LauraBelle Sherman-Proehl, Department of Education, reviewed a variety of federal programs that support early childhood education, including the Individuals with Disabilities Act (IDEA) Early Access Part C (birth to age three) and Early Childhood Special Education Part B (ages three to five); Even Start; Title I preschools; and Head Start and Early Start. They discussed the relationships between State and federal early childhood programs and the difficulties in gathering statistics on early childhood programming and participation.

Federal Funding Decrease

During the discussion, it was noted that federal funding for IDEA Part C is decreasing at the same time that expanded eligibility rules are increasing the number of children eligible. Ms. Michelson noted that 34 states provide additional funds for Part C programming, but Iowa does not. A 2004 federal requirement to track progress on 14 indicators shows that most early childhood special education classrooms in Iowa are achieving mediocre results. The best results are achieved in Head Start classrooms and those classrooms with greater inclusion of general education students.

Charter High School



The recommendation for approval of the Panorama Community School District charter school application was tabled until more information on the rigor of the programming for the charter high school can be gathered. The application identifies the charter high school's vision as providing individualized learning plans for each student to attain high school graduation and complete a career pathway. Board members became concerned about rigor because the individualized plans would allow flexibility in graduation requirements.

In 2002, legislation was enacted to authorize up to 10 charter schools in Iowa, and a federal grant to fund 10 charters for three years was received. There are now seven charters operating and one in the implementation stages. If approved, Panorama would be the ninth charter. The federal funding expires at the end of the current year.

In 2006, legislation was enacted to authorize an additional 10 charter schools, but Iowa was not successful in obtaining federal funding for additional schools.

Ashford Masters Program

The Board extended conditional approval of Ashford University's Master of Arts in Teaching (MAT) Practitioner Preparation Program to July 1, 2007, for the limited purpose of permitting program completion by approximately 66 candidates scheduled to student teach in the spring of 2007. The on-line MAT programs originally received conditional approval in August 2004, pending a full review. The full review was completed in 2006, and the programs are not being recommended for full approval.

FY 2008 Budget



Lee Tack, Department of Education, reviewed the Department's preliminary FY 2008 budget request. It included an additional \$18.3 million for the Student Achievement and Teacher Quality Program above the \$35.0 million FY 2008 increase provided in HF 2792 (Additional Education Funding Act). The preliminary budget request also included \$19.8 million for new programs and an increase of \$12.1 million for community colleges. In addition to the 4.0% allowable growth in school aid enacted in 2006, the Department recommended that the \$15.5 million reduction to Area Education Agency (AEA) funding be restored in FY 2008.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

COMMISSION OF VETERANS AFFAIRS MEETING

Commission Meeting

The Commission of Veterans Affairs met on September 22. The Commission received updates regarding the U.S. Department of Veterans Affairs, the Veterans Hospital in Iowa City, and the Veterans Hospital in Des Moines.

County Grant Program

Plans for the distribution of the Veterans County Grant Program were discussed. Administrative rules will be necessary to provide matching grants of up to \$10,000 per county.

Veterans Trust Fund

The Commission discussed proposed expenditures of the interest from the Veterans Trust Fund. Administrative rules will be necessary to implement the expenditures. It is estimated that \$150,000 in interest will be generated in FY 2007. House File 2797 (FY 2007 Standing Appropriations Act) provided the available uses for interest income. The distributed proposal included uses beyond those specified in HF 2797.

FY 2008 Budget Request



The Commission approved the FY 2008 budget request, including:

- Department of Veterans Affairs - An increase of \$378,139 compared to estimated FY 2007 for positions and operating costs relating to the Cemetery as follows:
 - Annualization of the Cemetery Director position scheduled to start January 2007.
 - One full-time Secretary and one full-time Maintenance Leader starting July 2007.
 - Maintenance workers of 3.3 FTE positions and summer help of 1.5 FTE positions starting September 1, 2007.
 - Operating costs of \$125,860.



- Decrease of \$50,000 for elimination of the agreement with the Retired Senior Volunteer Program (RSVP) for pension claims.
- Iowa Veterans Home - No change in funding compared to estimated net FY 2007.
- Educational Assistance - No change in funding compared to estimated net FY 2007.
- Injured Veterans Program - An increase of \$1.0 million compared to estimated net FY 2007. The Program is operated from a supplemental appropriation of \$1.0 million for FY 2006. It was reported that more than 50.0% of the \$1.0 million has been awarded to more than 65 eligible veterans. Director Palmersheim noted that the more recent applications are from those on active duty.
- Home Ownership Program - An increase of \$2.0 million compared to estimated net FY 2007. The Program is operated from a supplemental appropriation of \$2.0 million for FY 2006. An estimated \$250,000 remains to be distributed in grants of up to \$5,000 per eligible veteran.
- County Grant Program - No change in funding compared to estimated net FY 2007. Discussion included the desire for all counties to have a Veterans Affairs Director.
- Trust Fund - An increase of \$500,000 compared to estimated net FY 2007.

RSVP Claims

The Commission discussed the FY 2007 allocation of \$50,000 for the RSVP pension claim activity and expressed dissatisfaction with the contracts signed by Director Palmersheim. The Commission asked that the contracts be amended to require a certain number of claims filed per month in lieu of a certain number of contacts.

Veterans Updates

Commandant Steen provided an update regarding activities at the Iowa Veterans Home, and Director Palmersheim provided an update of activities for the Department of Veterans Affairs.

Administrative Rules

The Commission approved revisions to the administrative rules, changing various definitions and provided services language.

Legislative Agenda

The Commission approved various legislative recommendations from the Iowa Veterans Council for consideration during the 2007 Legislative Session. The Commission chose not to profile these but to allow individual legislators to file the proposals.

More Information

The next meeting is scheduled for January 3, 2007. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

SUBSTITUTE DECISION MAKER TASK FORCE MEETING

Task Force Meeting

The Substitute Decision Maker Task Force met on September 18. The Task Force has several subcommittees, and updates were provided on forms, training, and power of attorneys.

Support Efforts

A discussion was held regarding advocacy and awareness efforts. Several Task Force members will attend the Senior Living Coordinating Unit and the

Department of Elder Affairs Commission meetings on October 20 to provide information and solicit support for an Office of Substitute Decision Maker.

Funding Request

The Department of Elder Affairs plans to request \$635,000 to implement an Office of Substitute Decision Maker in FY 2008. This includes \$156,000 and 1.5 FTE positions for a State Office and \$480,000 for two local programs.

More Information

A formal meeting will not be scheduled for October. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

SEPTEMBER BOARD OF CORRECTIONS MEETING

FY 2008 Budget Request



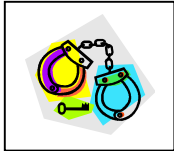
The Board of Corrections met on September 14 in Des Moines to review and approve the FY 2008 budget request. The Board approved a total of \$343.2 million from the General Fund for the operating budget, an increase of \$29.6 million (9.4%) compared to estimated FY 2007. This includes:

- \$1.9 million for food, fuel, and pharmacy cost increases.
- \$632,000 for fee increases that are reimbursed to the Department of Administrative Services.
- \$1.8 million for sex offender treatment and supervision.
- \$2.0 million for evidence-based practices and training.
- \$1.1 million for treatment issues in Community-Based Corrections (CBCs).
- \$300,000 for substance abuse assessment at the Iowa Medical Classification Center at Oakdale.
- \$1.6 million for case management in CBCs.
- \$1.5 million for the education program in the prison system.
- \$100,000 to study the Therapeutic Community initiative.
- \$17.4 million to annualize operating costs of the 178-bed Special Needs Unit at the Iowa Medical Classification Center at Oakdale.
- \$1.3 million, which includes:
 - \$112,000 to replace expired federal funds for a drug court in the First CBC District Department.
 - \$196,000 for Central Office staff for a health and safety compliance officer and to replace expired federal funds (Prison Rape Elimination Act).
 - \$500,000 to fund the ongoing operating costs of the Iowa Corrections Offender Network (ICON).
 - \$400,000 for the County Confinement Account, which reimburses counties for holding certain alleged violators of parole, work release, and Operating While Intoxicated (OWI) conditions in local jails.
 - \$145,000 for the Anamosa State Penitentiary's share of the recent upgrade to the city's water system.



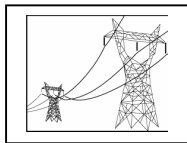
HITT

The Board also approved a request of \$4.2 million from the Healthy Iowans Tobacco Trust, which is a decrease of \$310,000 (7.0%) compared to current law. The reduction eliminates funding of the faith-based treatment program at the Newton Correctional Facility.

Capital Projects

The Board approved the request of \$18.0 million for capital projects, including:

- \$5.0 million for additional CBC beds. An additional need of \$39.0 million is projected in future fiscal years. Projects include potential facilities in Waterloo, Sioux City, Ottumwa, and Des Moines.
- \$1.0 million to complete the mental health facility in the Sixth CBC District Department.
- \$2.5 million to complete the Fort Dodge CBC residential facility.
- \$2.0 million to upgrade security systems in all nine prisons. An additional need of \$2.0 million is projected for each of the next four fiscal years.
- \$2.7 million to provide therapeutic community beds at the Fort Dodge Correctional Facility (\$1.2 million) and the Iowa Correctional Institution for Women at Mitchellville (\$1.5 million).
- \$2.0 million for new boilers at the Anamosa State Penitentiary.
- \$1.3 million to replace the hot water loop at the Newton Correctional Facility and upgrade the electrical system at the Correctional Release Center.
- \$1.0 million for a 300-bed Special Needs Unit and minimum-security beds at the Iowa Correctional Institution for Women at Mitchellville.
- \$333,000 for the final lease-purchase payment of the electrical upgrade at the Iowa State Penitentiary at Fort Madison.

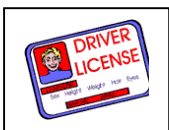
**Vertical Infrastructure**

The Board approved the request of \$38.9 million for vertical infrastructure projects that include health, life, and fire safety issues; critical deferred maintenance projects; compliance with the Americans with Disabilities Act (ADA); and infrastructure issues.

More Information

The next meeting is scheduled for October 3 at the Therapeutic Treatment Community in Sheridan, Illinois. The following meeting is scheduled for November 3 at the Iowa Medical Classification Center at Oakdale. Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

REPORT ISSUED ON FEDERAL REAL ID ACT**Background**

The federal REAL ID Act was passed on May 11, 2005, as part of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, creating national standards for the issuance of State driver's licenses and non-operator identification cards. The Act is to be implemented by May 11, 2008. After that time, federal agencies will no longer accept a driver's license or identification card that does not meet requirements of the Act.

National Costs

A new report issued by the National Governors Association, the National Conference of State Legislatures, and the American Association of Motor Vehicle Administrators, entitled, "The REAL ID Act: National Impact Analysis," states that implementation will cost more than \$11.0 billion nationwide. This includes an estimated one-time cost of \$1.0 billion and \$10.0 billion for on-going costs over the first five years of implementation. To date, the federal government has not provided funding for implementation.

State Costs



The Department of Transportation (DOT) estimates that implementation will cost Iowa \$22.0 million annually. Costs include:

- \$19.6 million for additional staff. The Department is anticipating a 90.0% increase in transaction times, resulting in the doubling of operational expenses.
- \$2.5 million for issuing an average of 825,000 driver's licenses and non-operator IDs annually. The Act requires that all U.S. driver's licenses and non-operator ID holders be re-credentialed within five years of the May 2008 compliance deadline.

Unknown Costs

The Report's findings, in addition to a letter submitted to the Governor by the Director of the Department of Transportation, state that the unknown factors associated with implementation will likely increase costs. The Report states, "Lacking regulatory guidance, states were unable to estimate several elements of the Act that will almost certainly contribute additional cost and administrative burdens to the compliance process."

Recommendations

The Report provides recommendations that offer alternatives to states to help meet the compliance objectives of REAL ID. For example, the Report recommends increasing the period for which driver's licenses and non-operator IDs can be credentialed from five to 10 years to allow the cost to be spread over a longer period of time.

More Information

A copy of the Report can be found on the web site at: <http://www.nga.org/Files/pdf/0609REALID.PDF>. A copy of the letter submitted to the Governor by the Director of the Department of Transportation can be found on the web site at: http://www.governor.state.ia.us/news/2006/september/attachments/060921_RealID.pdf. Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

AUDIT REPORT – SPECIAL INVESTIGATION OF BOONE SCHOOL DISTRICT NUTRITION DEPARTMENT

Special Investigation



At the request of the Board of Directors of the Boone Community School District, the State Auditor conducted a special investigation of the Nutrition Department, examining selected financial transactions for the period August 30, 2004, through March 31, 2006. Tests and procedures were also performed for certain deposits made to the former kitchen manager's personal bank account for the period February 28, 2000, through March 31, 2006.

Improprieties Alleged

In November 2005, the Food Services Director received reports from staff that the kitchen manager, Roxane Smith, was removing cash from the cash bag before storing it overnight. Job duties were restructured and an

investigation undertaken. Ms. Smith's employment was terminated January 19, 2006, for serious mismanagement of the food service financial affairs of the District.

Audit Findings

The Audit Report estimates that \$33,500 of collections were undeposited between August 30, 2004, and November 8, 2005. Undeposited receipts prior to August 2004 could not be determined or estimated because adequate documentation was not readily available.



The Report also determined that \$8,824 of cash was deposited to Ms. Smith's personal bank account between those dates. Between February 28, 2000, and November 8, 2005, deposits to Ms. Smith's bank account included \$25,952 of cash and \$37,027 for which sufficient documentation was not available to determine if the deposits were composed of cash or non-cash items.

The auditors also identified several internal control weaknesses and recommended three improvements to control procedures.

More Information

The complete Audit Report is available on the State Auditor's web site at: <http://auditor.iowa.gov/specials/BooneCSDSpecial.pdf>. Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

AUDIT REPORT – DEPARTMENT OF CORRECTIONS INSTITUTIONS

Audit Report

The LSA received the FY 2005 combined Audit Report for the nine Institutions under the Department of Corrections (DOC).

General Fund



General Fund expenditures for FY 2005 were \$209.2 million, an increase of \$5.3 million (2.6%) compared to FY 2004. Expenditures ranged from \$8.2 million at the North Central Correctional Facility at Rockwell City to \$39.6 million at the Iowa State Penitentiary at Fort Madison. The average daily cost per inmate was \$67.06 in FY 2005, an increase of 3.0% compared to FY 2004. The average number of inmates remained stable over the same period.

Recommendations

The following Institutions received no recommendations for improvements: Iowa State Penitentiary at Fort Madison, Anamosa State Penitentiary, Iowa Medical and Classification Center at Oakdale, North Central Correctional Facility at Rockwell City, Newton Correctional Facility, and Fort Dodge Correctional Facility.

Mt. Pleasant

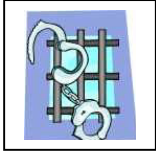
There was one finding for the Mount Pleasant Correctional Facility related to internal control. The Institution does not place a restrictive endorsement on checks received in the mail for inmates. Also, an initial listing of receipts is not prepared by the mail opener. The Institution responded that restrictive endorsements are now placed immediately on money orders received. Photocopies are made of all receipts to serve as the initial listing.

Clarinda

There was one finding for the Clarinda Correctional Facility related to statutory requirements. Section 556.11, Code of Iowa, requires checks

outstanding for more than two years to be sent to the State Treasurer's Office. The Institution did not remit these obligations and checks as required. The Institution responded that it is now remitting the aged outstanding checks and obligations to the State Treasurer's Office.

Mitchellville



There was one finding for the Iowa Correctional Institution for Women at Mitchellville related to 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 would be available in the future.

More Information

The complete Audit Report is available at:
<http://publications.iowa.gov/archive/00004094/01/0664-0000-0R00.pdf>.
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>