



REVENUE ESTIMATING CONFERENCE (REC) DATE SET

Meeting Date. The Revenue Estimating Conference (REC) will meet on Wednesday, October 7 at 1:00 p.m. in the Supreme Court Chambers (Room 103) of the Capitol Building. The Conference will be reviewing the revenue estimate for FY 2010.

STAFF CONTACT: Jeff Robinson (Ext. 14614) Shawn Snyder (Ext. 17799)

ARRA – TITLE I, PART A – EDUCATION WAIVERS REQUESTED

Waivers Requested. On behalf of school districts The Iowa Department of Education is applying for waivers from the U.S. Department of Education for the American Recovery and Reinvestment Act (ARRA) Title I, Part A Program. The waivers requested include:

- Statutory and regulatory requirements related to socioeconomic status and public school choice.
- Requirements of a school district's obligation to spend at least 20.0% of the FY 2009, Title I, Part A, Subpart 2 allocation on transportation for public school choice and socioeconomic status.
- The responsibility of a school in need of improvement to spend 10.0% of Title I, Part A funds on professional development.
- The responsibility of a school in need of improvement to spend 10.0% of the FY 2009, Title I, Part A, Subpart 2 allocation on professional development.
- The responsibility of a school district to calculate the per pupil amount for socioeconomic status based on the FY 2009 Title I, Part A, Subpart 2 allocation.
- The prohibition on the State Department's ability to grant school district waivers of the carryover limitation more than once every three years.

Approval of these waiver requests is currently pending. Additional information is available at:
http://www.iowa.gov/educate/index.php?option=com_content&view=article&id=1731&Itemid=2552

STAFF CONTACT: Shawn Snyder (Ext. 17799)

HEALTH CARE REFORM AND MEDICAID EXPANSION

Health Care Reform. One of the major issues of the federal discussion on health care reform is an expansion of Medicaid up to 133.0%-150.0% of the federal poverty level (FPL) with the federal government providing 100.0% funding initially and the State picking up a portion of the cost over time. Approximately 18 months ago, the Lewin Group was commissioned to do a study for the State to estimate the cost of expanding Medicaid to 150.0% of the FPL. The Lewin Group estimated that there would be a total of 335,879 parents and non-custodial adults eligible below 150.0% of the FPL at a total cost of between \$391 and \$439 per month. If all eligible non-custodial adults and parents are enrolled in the Program the cost is estimated to be \$1.72 billion annually. This estimate does not take into account inflation, mandatory provider increases, or other mandatory services that are also being discussed as part

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of health care reform. If State was required to provide their share of the cost at the FY 2009 match rate of 37.60% the total State cost would be \$646.8 million. No final decisions have been made at the federal level, but depending on how much eligibility is increased and when the federal government asks states to start contributing their share, costs to the State could be significant. A link to the Lewin Group report can be found at: <http://www.legis.state.ia.us/Isadocs/IntComHand/2009/IHAMV000.PDF>

STAFF CONTACT: Jess Benson (Ext. 14611)

MEDICAID FORECAST FOR FY 2009 AND FY 2010

Medicaid Forecast. Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on August 28, 2009, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2009 and FY 2010. The forecasting group meets monthly to discuss estimated expenditures and to agree on a range for the current and upcoming fiscal years.

FY 2009. Senate File 2425 (FY 2009 Health and Human Services Appropriations Act) included total State funding of \$886.2 million for Medicaid. Other funding sources included \$5.5 million to rebase hospitals in HF 2700 (FY 2009 Standings Appropriations Act) and \$2.8 million to cover additional children eligible for Medicaid in HF 2539 (FY 2009 Health Care Reform Act). The State appropriations from all funding sources for Medicaid for FY 2009 total \$894.5 million. This is an increase of \$45.7 million compared to FY 2008.

FY 2009 Stimulus. On February 17, 2009, the President signed the American Recovery and Reinvestment Act (ARRA) of 2009. The Act provides a 6.2% increase in the Federal Medical Assistance Percentage (FMAP) match over 27 months, with nine of the months falling in State FY 2009. An increase in the FMAP formula offsets State dollars needed to fund the Medicaid Program. For FY 2009, it is estimated the FMAP change will reduce the amount of State funds needed to fund the Medicaid program by \$110.0 million.

FY 2009 Adjustments. In December 2008, the Governor issued an across-the-board (ATB) General Fund and Health Care Trust Fund reduction of 1.5%. The ATB reduced the overall Medicaid appropriation by \$10.0 million for FY 2009 to \$884.5 million. House File 811 (FY 2010 Health and Human Services Appropriations Act) deappropriated \$52.0 million to reflect the additional federal stimulus funds. The new total State appropriation from all sources for FY 2009 is \$832.5 million.

FY 2009 Range. For FY 2009, the forecasting group agreed that there will be a surplus of \$36.0 million to \$40.0 million with a midpoint of a \$38.0 million surplus. The range includes the 1.5% ATB reduction, the 6.2% FMAP increase, and the \$52.0 million deappropriation that was part of HF 811.

FY 2010 Stimulus. For FY 2010, the ARRA provides the same 6.2% FMAP increase in all 12 months and is estimated to offset the amount of State Medicaid funds needed by \$145.1 million. The Act also provides for additional FMAP increases based on states' unemployment rates.

FY 2010 Unemployment. On June 19, 2009, the Bureau of Labor Statistics released the latest unemployment rates that showed Iowa's rate jumped from 5.1% in April of 2009 to 5.8% in May, and 6.2% in June. This increase brings Iowa's three-month average above 5.2% and qualifies the State for an additional FMAP increase under the ARRA. The FMAP increase is estimated to offset the amount of State Medicaid funds needed by an additional \$40.0 million in FY 2010.

Tier Two Unemployment. If Iowa's unemployment rate is 5.9% or greater in August, Iowa will qualify for an additional level of ARRA unemployment stimulus. To qualify the unemployment rate must reach a 3-month average of 6.2%. The unemployment rate was 6.2% in June and 6.5% in July.

FY 2010. House File 811 included total State funding of \$854.6 million for Medicaid for FY 2010. Other funding sources included \$8.6 million from HF 820 (FY 2010 Federal Funds Act) to annualize hospital

rebased, continued coverage for children, and interpreter services for Medicaid. Senate File 478 (FY 2010 Standing Appropriations Act) provided an additional \$4.3 million to increase funds for disproportionate share hospital payments. The State appropriations from all funding sources for Medicaid for FY 2010 total \$867.5 million. This is an increase of \$35.0 million compared to estimated net FY 2009. Significant program changes include:

- An increase of \$2.4 million to cover additional eligible children.
- An increase of \$1.8 million to annualize the hospital rebase.
- An increase of \$6.0 million to rebase nursing facilities.
- An increase of \$237,000 for interpreter services.
- An increase of \$103,000 for a 5.0% provider rate increase for Family Planning Providers.
- A decrease of \$500,000 to eliminate funding for the Iowa Health Care Collaborative.
- An increase of \$4.3 million to increase payments to disproportionate share hospitals.

Senior Living Trust Fund. With the recent State revenue outlook, it is unlikely that there will be \$39.1 million available in the Senior Living Trust Fund for FY 2010 as originally estimated. House File 811 appropriates the balance of the Fund to the Medicaid Program and the forecasting group agreed to lower the estimated balance available for appropriation to the Program to \$16.1 million for FY 2010.

FY 2010 Adjustments. For FY 2010, with the changes to the Senior Living Trust Fund and expected carryforward from FY 2009, the new total State appropriation from all sources for FY 2009 is \$850.0 million.

FY 2010 Range. For FY 2010, the forecasting group agreed that there will be a surplus of \$32.0 million to \$72.0 million with a midpoint of \$52.0 million surplus compared to the FY 2010 appropriation of \$850.0 million. The range includes the 6.2% unemployment and FMAP increases.

FY 2011. For FY 2011, even with available carryforward from FY 2010, there will be a significant need for additional funds. The ARRA funding expires after the first half of the fiscal year and enrollment growth shows no signs of slowing down. Although the estimating group has made no formal estimates, preliminary LSA estimates show the Program could need an additional \$100.0 million to \$150.0 million in State funds for the fiscal year.

Enrollment Increase. Medicaid continues to see rapid enrollment growth. In FY 2009 the program added a total of 31,794 individuals and 25,935 were children. In the first two months of FY 2010 the program added an additional 6,401 individuals for total program enrollment of 351,793.

| Medicaid Enrollment Increases/(Decreases) for FY 2010 | | | | | |
|-------------------------------------------------------|----------|--------|------|----------|-------|
| FY 2010 | Children | Adults | Aged | Disabled | Total |
| July | 1,427 | 211 | 38 | 32 | 1,708 |
| August | 2,829 | 1,295 | 126 | 443 | 4,693 |
| Total | 4,256 | 1,506 | 164 | 475 | 6,401 |

STAFF CONTACT: Jess Benson (Ext. 14611)

CHILD CARE AND ADOPTION SUBSIDY PROGRAM FY 2009 AND FY 2010 PROJECTIONS

Projections Workgroup: Staff from the Department of Management, the Department of Human Services, and the Fiscal Services Division of the Legislative Services Agency met August 25 to discuss estimated Child Care and Adoption Subsidy expenditures for FY 2009 and FY 2010. The projections workgroup is established in Chapter 234.47, Code of Iowa, to estimate the expenditures and revenues for these two expenditures.

Child Care Subsidy Program

FY 2009: Senate File 2425 (FY 2009 Health and Human Services Appropriations Act) included State funding of \$41.3 million for Child Care Services that included an appropriation of \$1.5 million for a 2.00% provider reimbursement rate increase effective October 1, 2008. This is a decrease of \$3.4 million compared to FY 2008.

FY 2009 Adjustments: In December 2008, the Governor issued an across-the-board (ATB) General Fund reduction of 1.50%. The ATB reduced State funding for the Child Care Subsidy Program by \$862,000 for FY 2009. The new total State appropriation for FY 2009 is \$40.4 million.

FY 2009 Range: For FY 2009 the forecasting group agreed to an estimated surplus of \$16.5 million that will carryforward to FY 2010.

FY 2010: House File 811 (FY 2010 Health and Human Services Appropriations Act) included State funding of \$37.9 million for Child Care Services. This is a decrease of \$2.5 million compared to the estimated net FY 2009.

FY 2010 Range: For FY 2010 the forecasting group agreed to an estimated range of surplus of \$8.8 million to \$13.8 million with a midpoint of a \$11.3 million surplus that will carryforward to FY 2011.

Stimulus: On February 17, 2009, the President signed the American Recovery and Reinvestment Act (ARRA) of 2009. The Act provided an increase of approximately \$18.1 million for the Iowa allocation for the federal FY 2009 Child Care Development Block Grant (CCDBG). The funding is available through FY 2011. The targeted funds for quality expansion and infant and toddler care of approximately \$2.4 million have been appropriated for FY 2010 in HF 820 (FY 2010 Federal Funds Appropriations Act). Approximately \$15.8 million remains available for the potential shortfall in FY 2011 based on early projections of the Projections Workgroup.

Adoption Subsidy Program

The Workgroup agreed that the June projections were still relevant for the Adoption Subsidy Program and did not need to be re-evaluated at this time. The information below reflects the June projections.

FY 2009: Senate File 2425 included State funding of \$34.2 million for the Adoption Subsidy Program for FY 2009. This is an increase of \$2.2 million compared to FY 2008.

FY 2009 Adjustments: The December 2008 ATB issued by the Governor reduced State funding for the Adoption Subsidy Program by \$513,000 for FY 2009. House File 820 reduced the appropriation further by transferring \$1.2 million from the General Fund appropriation to the Human Services Reinvestment Fund to reflect the additional federal stimulus funds for FY 2009. The new total for State funding is \$32.5 million for FY 2009.

FY 2009 Range: For FY 2009 the forecasting group agreed to an estimated surplus of \$100,000 for FY 2010.

FY 2010: House File 811 included State funding of \$34.9 million for the Adoption Subsidy Program. This is an increase of \$2.4 million compared to the estimated net FY 2009.

FY 2010 Range: For FY 2010 the forecasting group agreed to an estimated surplus of \$2.0 million for FY 2011.

Stimulus: The ARRA Act of 2009 provides a 6.20% increase in the Federal Medical Assistance Percentage (FMAP) match over 27 months, with nine months falling in State FY 2009. This increase also impacts federal Title IV-E matching funds resulting in an increase in the FMAP formula to offset State dollars needed to fund the Adoption Subsidy Program. For FY 2009, it is estimated that the FMAP change will reduce the amount of State funds needed to fund the Program by \$2.4 million. For FY 2010,

the 6.20% FMAP increase is available for all 12 months and it is estimated to offset State funds needed by \$3.3 million.

Next Meeting. The Child Care and Adoption Subsidy projections workgroup will meet again in November for continuation of the FY 2010 cost projections.

STAFF CONTACT: Deborah Helsen (Ext. 16764)

2008 DISASTER RECOVERY DATA BY COUNTY

Disaster Recovery Data. The 2008 Disaster Recovery Data is now available online by county at <http://www.legis.state.ia.us/lfb/Docs/RIO/>. The various State agencies and Departments have provided detail to the Rebuild Iowa Office and a monthly summary was previously available. The county-by-county data funding matches the monthly summary. For the data that is not yet available by county, there is a "Not available by County" choice for the remainder of the funding. The chart will be updated monthly.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

COMMUNITY ORIENTED POLICING SERVICES (COPS) FEDERAL GRANT ANNOUNCEMENT

Federal Grants Announced. The Office of Community Oriented Policing Services (COPS) issued an announcement for the Hiring Recovery Program on July 28, 2009. Of the 110 Iowa agencies that applied for funding, five agencies received a total of \$5.1 million for 22 new officers. The following chart shows the cities receiving funding, grant amounts, and number of officer positions being added.

| Grantee | Grant Amount | Officer Positions |
|---------------------|--------------|-------------------|
| City of Burlington | \$ 337,824 | 2 |
| City of Centerville | 173,842 | 1 |
| City of Waterloo | 1,062,785 | 5 |
| City of Davenport | 1,319,455 | 5 |
| City of Des Moines | 2,191,806 | 9 |
| Total | \$ 5,085,712 | 22 |

New Positions. The COPS Hiring Recovery Program provides 100.0% funding for approved entry-level salaries and benefits for three years (36 months) for newly-hired, full-time sworn officer positions (including filling existing unfunded vacancies) or for rehired officers who have been laid off, or are scheduled to be laid off at a future date, as a result of local budget cuts. All the officer positions awarded for Iowa are for new positions rather than rehired or lay-off averted positions. At the conclusion of the federal funding, grantees must retain all sworn officer positions awarded through this Program.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

BLACK HAWK COUNTY CLERK OF COURT SPECIAL INVESTIGATION

Special Audit Report. The State Auditor released a special investigation report on the Black Hawk County Clerk of Court Office for the period from January 1, 2004, through December 31, 2007. The special investigation identified \$538,000 of undeposited collections during this period. It was impossible for the Auditor to determine if additional amounts were undeposited prior to January 1, 2004, because adequate records were not available. Of the total, the report identified \$174,000 in improper cash reversals and \$362,000 in collections initially recorded as community service hours rather than cash,

check, or other monetary payment ordered by the Court. The undeposited collections also include improper balance reductions. In addition, the community service hours recorded were not supported by the appropriate documentation.

Employee Resignation. The Court employee in question was placed on administrative leave on December 18, 2007, and resigned her position, in lieu of termination, effective December 21, 2007. Total cash deposits and payments to the employee's personal accounts totaled \$47,000.

Report Copies. Copies of the report have been filed with the Black Hawk County Attorney's Office, the Division of Criminal Investigation, and the Attorney General's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

DEPARTMENT OF EDUCATION STATE BOARD MEETING

State Board Meeting: The State Board of Education met July 29 – 31 in Fort Dodge, Iowa. The agenda and meeting minutes are available at:
http://www.iowa.gov/educate/index.php?option=com_content&view=article&id=1821&catid=831&Itemid=2474

Next Meeting: The next meeting is scheduled for September 9.

STAFF CONTACT: Robin Madison (Ext. 15270) Shawn Snyder (Ext. 17799)

JUDICIAL BRANCH AUDIT REPORT

Audit Report. The State Auditor recently released the audit report for the Judicial Branch for the period dated June 30, 2008. One of the report findings stated that for the period prior to July 1, 2004, through June 30, 2008, the Judicial Branch retained \$2.2 million of income tax offset collections in error. Prior to FY 2004, Section 421.17(25)(f), Code of Iowa, permitted the Judicial Branch to retain 10.0% of income tax offset collections to defray costs of the income offset procedures. This language was amended in the 2003 Legislative Session and the retention language was eliminated. The Judicial Branch indicated they were not aware of the change in legislation and continued to retain 10.0% of the income offset collections. In FY 2009, the Judicial Branch became aware of the error and made adjustments to move the amounts retained from income offset for July 2008 through November 2008 to the State General Fund.

Recommendations and Response. The State Auditor recommended that the Judicial Branch consult legal counsel to determine the disposition of this matter. In addition, the Judicial Branch was encouraged to establish a procedure to review legislative changes on an annual basis to ensure compliance with applicable laws, rules, and regulations. The Judicial Branch agreed to this and response was accepted.

Report Online: <http://auditor.iowa.gov/reports/0960-4440-0R00.pdf>

STAFF CONTACT: Jennifer Acton (Ext. 17846)

RECENT PUBLICATIONS

Recent Publications. The Fiscal Services Division has recently published the following:

Fiscal Topics:

[Community-Based Corrections](#) – Beth Lenstra (1-6301)
[Environment First Fund](#) – Debra Kozel (1-6767)

Revenues:**Twelve-month Total Net Tax Receipts Through July 31, 2009:**<http://www.legis.state.ia.us/Isadocs/TT/2010/TTJWR001.PDF>**Monthly General Fund Receipts Memo – FY 2010 through July 31, 2009:**<http://www.legis.state.ia.us/Isadocs/MonMemo/2010/MMSLS000.PDF>

STAFF CONTACT: Mary Shipman (Ext. 14617)

MEETINGS MONITORED**Meetings Monitored:** Following is a list of meetings attended and monitored by Fiscal Services staff.

| Meeting | Date | Staff Contact |
|--------------------------------------------------------------------------------|-------------|------------------------------------------------|
| Child Welfare Advisory Council | 8/10/09 | Jess Benson (1-4611) |
| Council of Economic Advisors | 8/10/09 | Jeff Robinson (14614) Shawn Snyder (1-7799) |
| Department of Human Services Council | 8/12/09 | Jess Benson (1-4611) |
| Sentencing Subcommittee of the Criminal Code Reorganization Study Committee | 8/12/09 | Beth Lenstra (1-6301) Jen Acton (1-7846) |
| State Fire Service and Emergency Response Council | 8/13/09 | Beth Lenstra (1-6301) |
| Hawk-I Board | 8/17/09 | Jess Benson (1-4611) |
| Iowa Commission on Aging | 8/18/09 | Jess Benson (1-4611) |
| Medical Assistance Advisory Council | 8/18/09 | Jess Benson (1-4611) |
| MH/MR/DD/BI Commission | 8/20/09 | Jess Benson (1-4611) |
| Brain Injury Advisory Council | 8/21/09 | Deborah Helsen (1-7846) |
| Mental Health Interim Task Force | 8/24/09 | Jess Benson (1-4611) |
| MH/DD Stakeholder Task Force | 8/26/09 | Jess Benson (1-4611) |

MH/MR/DD/BI = Mental Health/Mental Retardation/Developmental Disabilities/Brain Injury

This document is available online at: <http://www.legis.state.ia.us/Fiscal/fiscupdt/>