



March 15, 2010

### STATUS OF APPROPRIATIONS BILLS As of March 12, 2010

Appropriation Bills		
Subcommittee Bills		
Administration and Regulation	SF 2367	Passed Senate - 3-10
Agriculture and Natural Resources	HF 2525	Passed House Approps Committee - 3-9
Economic Development	HF 2522	Passed House Approps Committee - 3-8
Education	SSB 3248	Passed Senate Approps Committee - 3-11
Health and Human Services	HSB 736	Passed House Approps Committee - 3-11
Justice System	HF 2523	Passed House Approps Committee - 3-9
Judicial Branch	HF 2521	Passed House Approps Committee - 3-9
Other Bills		
Government Reorganization and Efficiency Bill	SF 2088	Signed by the Governor - 3-10
FY 2010 Appropriation Adjustments Bill	SF 2366	Passed House Approps Committee - 3-8
FY 2010 Supplemental Appropriations Bill	SF 2151	Signed by the Governor - 3-4
Block Grant Appropriations Bill (federal funds)	HF 2519	Passed House Approps Committee - 3-8

### REVENUE ESTIMATING CONFERENCE – MARCH 2010

**REC Meeting.** The Revenue Estimating Conference met on March 11, 2010, and slightly increased the estimated General Fund receipts for FY 2010 by \$0.9 million. Additionally, the FY 2011 estimate for General Fund receipts increased \$33.1 million (0.6%) compared to the December estimate.

**FY 2010 Estimate.** The REC estimate for FY 2010 net General Fund receipts, including transfers, is now \$5.402 billion, a decrease of \$531.9 million (-9.0%) compared to actual FY 2009. Actual net General Fund cash revenue (excluding transfers) decreased \$265.1 million through March 11, 2010. Changes from the December estimate include:

- A decrease of \$73.1 million in gross income tax receipts compared to the December estimate. The new estimate is a decrease of \$193.2 million (- 5.8%) compared to FY 2009. Through March 11, 2010, gross Income tax receipts decreased \$90.3 million (-4.1%). Job losses and reductions in capital gains may continue to cause reductions in income tax the remainder of the fiscal year.
- An increase in gross sales/use tax of \$34.8 million compared to the December estimate. The updated estimated represents a decrease of \$87.4 million (- 3.8%) compared to FY 2009. Through March 11, 2010, gross sales/use tax has decreased \$47.9 million.
- An increase of \$22.0 million in gross corporate tax receipts compared to the December estimates. The new estimate is a decrease of \$53.3 million compared to FY 2009. Actual gross corporate tax receipts decreased \$20.0 million through March 11.

**FY 2011 Estimate.** The REC estimate for FY 2011 net General Fund receipts, including transfers, was set at \$5.436 billion, an increase of \$34.2 million (0.6%) compared to the March REC estimate for FY 2010. The revised estimate is \$33.1 million more than the December FY 2011 estimate. Although it is anticipated that the recession is over, job and revenue growth is not expected to be robust. Major changes to the FY 2011 estimate compared to the December projections include:

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- A decrease of \$23.2 million in gross income tax receipts.
- An increase of \$38.9 million in gross sales/use tax receipts.
- An increase of \$28.2 million in gross corporate tax receipts.

The following tables provide a summary of the changes made in the March REC meeting.

<b>FY 2010 Revenue Estimating Conference Projection</b>				
Dollars in Millions				
	<u>Actual</u> <u>FY 2009</u>	<u>December</u> <u>FY 2010</u> <u>Estimate</u>	<u>March</u> <u>FY 2010</u> <u>Estimate</u>	<u>Increase</u> <u>(Decrease)</u> <u>to Estimate</u>
Income Tax	\$3,330.7	\$3,210.6	\$3,137.5	\$-73.1
Sales/Use Tax	2,327.4	2,205.2	2,240.0	34.8
Corporate Tax	416.5	341.2	363.2	22.0
Insurance Tax	90.0	82.0	84.0	2.0
Cigarette Tax	215.8	201.1	201.9	0.8
Other Taxes	149.2	135.5	138.7	3.2
Total Taxes	<u>\$6,529.6</u>	<u>\$6,175.6</u>	<u>\$6,165.3</u>	<u>\$-10.3</u>
Other Receipts	391.9	367.5	362.2	-5.3
Gross Tax & Other Receipts	\$6,921.5	\$6,543.1	\$6,527.5	\$-15.6
Accruals (Net)	17.2	-13.9	-14.2	-0.3
Refund (Accrual Basis)	-803.9	-901.0	-901.0	0.0
Schl. Infr. Refunds (Accrual)	-385.8	-369.3	-363.8	5.5
Total Net Receipts	\$5,749.0	\$5,258.9	\$5,248.5	\$-10.4
Transfers (Accrual Basis)	185.0	142.3	153.6	11.3
Net Receipts Plus Transfers	<u>\$5,934.0</u>	<u>\$5,401.2</u>	<u>\$5,402.1</u>	<u>\$0.9</u>

<b>FY 2011 Revenue Estimating Conference Projection</b>				
Dollars in Millions				
	<u>Estimate</u> <u>FY 2010</u>	<u>December</u> <u>FY 2011</u> <u>Estimate</u>	<u>March</u> <u>FY 2011</u> <u>Estimate</u>	<u>Increase</u> <u>(Decrease)</u> <u>to Estimate</u>
Income Tax	\$3,137.5	\$3,225.6	\$3,202.4	\$-23.2
Sales/Use Tax	2,240.0	2,228.2	2,267.1	38.9
Corporate Tax	363.2	341.1	369.3	28.2
Insurance Tax	84.0	89.4	90.2	0.8
Cigarette Tax	201.9	197.0	199.9	2.9
Other Taxes	138.7	142.9	141.6	-1.3
Total Taxes	<u>\$6,165.3</u>	<u>\$6,224.2</u>	<u>\$6,270.5</u>	<u>\$46.3</u>
Other Receipts	362.2	365.8	351.9	-13.9
Gross Tax & Other Receipts	\$6,527.5	\$6,590.0	\$6,622.4	\$32.4
Accruals (Net)	-14.2	18.2	18.5	0.3
Refund (Accrual Basis)	-901.0	-898.0	-916.0	-18.0
Schl. Infr. Refunds (Accrual)	-363.8	-374.2	-367.1	7.1
Total Net Receipts	\$5,248.5	\$5,336.0	\$5,357.8	\$21.8
Transfers (Accrual Basis)	153.6	67.2	78.5	11.3
Net Receipts Plus Transfers	<u>\$5,402.1</u>	<u>\$5,403.2</u>	<u>\$5,436.3</u>	<u>\$33.1</u>

<b>Revenue Estimating Conference Projection</b>				
Dollars in Millions				
	Actual FY 2008	Actual FY 2009	Estimated FY 2010	Estimated FY 2011
Income Tax	\$3,359.7	\$3,330.7	\$3,137.5	\$3,202.4
Sales/Use Tax	2,000.2	2,327.4	2,240.0	2,267.1
Corporate Tax	483.8	416.5	363.2	369.3
Insurance Tax	111.7	90.0	84.0	90.2
Cigarette Tax	229.5	215.8	201.9	199.9
Other Taxes	152.7	149.2	138.7	141.6
Total Taxes	<u>\$6,337.6</u>	<u>\$6,529.6</u>	<u>\$6,165.3</u>	<u>\$6,270.5</u>
Other Receipts	380.8	391.9	362.2	351.9
Gross Tax & Other Receipts	\$6,718.4	\$6,921.5	\$6,527.5	\$6,622.4
Accruals (Net)	-24.0	17.2	-14.2	18.5
Refund (Accrual Basis)	-674.8	-803.9	-901.0	-916.0
Schl. Infrs. Refunds (Accrual)	0.0	-385.8	-363.8	-367.1
Total Net Receipts	\$6,019.6	\$5,749.0	\$5,248.5	\$5,357.8
Transfers (Accrual Basis)	64.9	185.0	153.6	78.5
Net Receipts Plus Transfers	<u>\$6,084.5</u>	<u>\$5,934.0</u>	<u>\$5,402.1</u>	<u>\$5,436.3</u>
Year-over-year Incr./Decr.	<u>\$438.2</u>	<u>\$-150.5</u>	<u>\$-531.9</u>	<u>\$34.2</u>

A more detailed spreadsheet of the estimates is available at: <http://www.legis.state.ia.us/Fiscal/qre/>

STAFF CONTACTS: Jeff Robinson (515-281-4614) and Shawn Snyder (515-281-7799)

## FEBRUARY MEDICAID FORECAST

**Forecasting Group.** Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on March 5, 2010, 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 2010 Stimulus.** For FY 2010, the American Reinvestment and Recovery Act of 2009 (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 ARRA also provides for additional FMAP increases based on state unemployment rates that will save the State an additional \$67.5 million for a total of \$212.6 million.

**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 brought 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.** To qualify for tier two of the Medicaid FMAP enhancement, Iowa's unemployment rate needs to have a three-month average of 6.2%. In August, Iowa qualified with a three-month average of 6.5%. The FMAP increase is estimated to offset the amount of State Medicaid funds needed by an additional \$17.5 million in FY 2010.

**FY 2010.** House File 811 (FY 2010 Health and Human Services Appropriations Act) 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 Appropriations Act) to annualize hospital rebasing, 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.** Due to decreased State revenues in FY 2009, the State did not have sufficient funds to transfer \$39.1 million to the Senior Living Trust Fund for FY 2010 as originally estimated. House File 811 appropriates the balance of the Fund to the Medicaid Program. The balance available for FY 2010 is \$17.7 million.

**FY 2010 Across-the-Board Reduction.** On October 8, 2009, the Governor announced a 10.0% across-the-board (ATB) reduction for all General Fund appropriations and the Health Care Trust Fund. This reduction amounted to \$83.7 million for the Medicaid Program. With the ATB reduction, the new funding total for the Medicaid Program for FY 2010 is \$768.4 million.

**FY 2010 Range.** For FY 2010, the forecasting group agreed to a range of a supplemental need of \$1.0 million to a surplus of \$15.0 million, with a midpoint of a \$7.0 million surplus. The range includes the 6.2% ARRA FMAP adjustment and both tier one and two unemployment FMAP increases. The budget reduction plans submitted to the Governor by the DHS were also included in these estimates.

**FY 2011 Range.** For FY 2011, the forecasting group agreed Medicaid will have a supplemental need of \$127.0 to \$155.0 million, with a midpoint of \$141.0 million, when compared to the adjusted FY 2010 appropriation. The adjusted FY 2010 appropriation includes the 10.0% ATB reduction and statutory appropriations for a total of \$730.8 million. The range includes the 6.2% FMAP increase, including tier one and two of the FMAP unemployment increase. The range also assumes there will be \$37.0 million in funding available from the Senior Living Trust Fund for FY 2011 and that a minimum of \$28.0 million from the Department's reduction strategies submitted to the Governor will continue in FY 2011. In addition the range takes into account a reduction \$35.9 million for a lower State contribution for the Medicare clawback payment to the federal government.

**Enrollment Increase.** Medicaid continues to see rapid enrollment growth. In FY 2009, the program added a total of 31,794 individuals, including 25,935 children. In the first seven months of FY 2010, the program added an additional 17,946 individuals for total program enrollment of 363,338.

FY 2010	Children	Adults	Aged	Disabled	Total
July	1,427	211	38	32	1,708
August	2,829	1,295	126	443	4,693
September	1,180	546	(6)	208	1,928
October	1,539	977	32	264	2,812
November	3,048	533	70	391	4,042
December	960	(561)	(61)	(2)	336
January	494	(445)	(146)	113	16
February	1,760	436	(36)	251	2,411
<b>Total</b>	<b>13,237</b>	<b>2,992</b>	<b>17</b>	<b>1,700</b>	<b>17,946</b>

STAFF CONTACT: Jess Benson (515-281-4611)

## SCHOOL BUDGET REVIEW COMMITTEE MEETING PHASE I MODIFIED ALLOWABLE GROWTH REQUESTS

The School Budget Review Committee (SBRC) met on March 11, 2010, and provided decisions regarding school district requests for modified allowable growth to provide funding for Phase I of the Educational Excellence Program. Phase I of the Educational Excellence Program and State funding for the Program was eliminated at the end of FY 2009. Of the 51 school districts that requested modified allowable growth at the meeting, 14 received approval from the SBRC totaling \$760,000. The rest of the requests were denied. Nine additional districts have requested modified allowable growth and the SBRC decision regarding those requests will be made at the May meeting.

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## BOARD OF CORRECTIONS MEETING

**Board Meeting.** The Board of Corrections met March 5, 2010, at the Department of Corrections (DOC) Central Office. Director John Baldwin announced the groundbreaking ceremony for the new maximum security prison will occur April 22 at Fort Madison. He updated the Board on an inmate assault on a correctional officer; the incident is being investigated by the Department of Public Safety, Division of Criminal Investigation. Three offenders came to the officer's assistance and are eligible for earned time reduction. Any criminal charges will be filed in Henry County.

**Project Labor Agreement.** The DOC is in negotiations for the first Project Labor Agreement (PLA) to be issued in the State for site development at Fort Madison. Iowa Prison Industries donated beds and furniture to the Hearts for Home project in Des Moines, for women displaced when the YWCA closed.

**Telemedicine.** The DOC used to have an extensive telemedicine system. The system ceased in August 2009 when University of Iowa Hospitals and Clinics determined the equipment and software was outdated. Health Services Director Dr. Deol and technology staff at Oakdale are working to restart the system to save staff and travel costs.

**Legislation Concerns.** Director Baldwin indicated concerns about SF 2088 (State Government Reorganization Bill) and language that eliminates a supervisor's ability to bump back to previously held positions. He stated it would change how the corrections system operates and the DOC would be required to create a separate training program for supervisors hired from outside the corrections system. The Director cited HF 2523 (FY 2011 Justice System Appropriations Bill) and indicated that funding for operating the 180 minimum security beds at the farms was eliminated twice, the Luster Heights Prison Camp is not funded but intent language remains in the Bill, and Iowa Prison Industries operations are impeded. Director Baldwin stated that if the Revenue Estimating Conference results in more funds being available, the DOC requires an additional \$28.0 million.

**Vacant Positions.** The DOC is starting the hiring process to replace approximately 200 vacant positions in the prison system. At least 188 staff have indicated they will be taking early retirement and there are 174 vacancies since the beginning of FY 2010. According to the Director, the DOC lost 537 positions in the previous nine years. There are constitutional issues regarding treatment, medical, and security that the DOC must address.

**Inmate Telephone System.** Fred Scaletta updated the Board regarding the inmate telephone system. It is a debit system so all calls are pre-paid. Offenders are permitted 20 telephone numbers they may call and these numbers are screened for security purposes. Receipts for use of the system are deposited in the Telephone Rebate Fund and used for offender education, victim programs, plus religious and legal services.

**Maintenance Projects.** Mickel Edwards provided information to the Board regarding maintenance projects within the prison system. These projects include kitchen renovations, water tower repairs, well drilling, roof replacements, tuck pointing, and sewer repairs.

**Legal Services.** Assistant Attorney General William Hill provided an overview of legal services provided by the Office of the Attorney General. Most cases are generated by offenders in maximum security, segregation, or by sex offenders. There are fewer use of force cases because cell extractions are now videotaped. There are currently 297 cases pending in FY 2010 that include post conviction relief and civil law suits filed by offenders. There is a general downward trend in cases.

**Vulnerability Assessments.** Assistant Deputy Director Sheryl Lockwood explained Vulnerability Assessments to the Board members. This systematic evaluation of a prison provides an audit to determine if there are any potential security threats due to physical lay out of buildings and policy implementation.

**Legislative Update.** Legislative Liaison Gary Sherzan provided a brief update to the Board. Three Bills related to the violator program, infectious diseases, and parole to detainer have survived the second funnel.

**Meeting Schedule.** Future Board meetings are tentatively scheduled as follows:

- April 9 via conference call.
- April 22 at Iowa State Penitentiary.
- May 21 at Iowa City.
- June 4 at Sioux City.
- July 12 at Mitchellville.
- August 6 at Davenport.
- August 27 at Clarinda.
- September 17 at Central Office.
- October 8 at Mason City.
- November 5 at Central Office.

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## **RECENT PUBLICATIONS**

The Fiscal Services Division has recently published the following. Click on a title to view.

[Quarterly Revenue Estimate](#)

[Monthly Revenue Memo](#)

***NOBAs (Notes on Bills and Amendments):***

[SF 2367 – Administration and Regulation Appropriations Bill](#)

[HF 2525 – Agriculture and Natural Resources Appropriations Bill](#)

[HF 2522 – Economic Development Appropriations Bill](#)

[SSB 3248 – Education Appropriations Bill](#)

[HSB 736 – Health and Human Services Appropriations Bill](#)

[HF 2523 – Justice System Appropriations Bill](#)

[HF 2521 – Judicial Branch Appropriations Bill](#)

[HF 2519 – Block Grant Appropriations Bill](#)

[SF 2366 – FY 2010 Appropriations Adjustments Bill](#)

***Fiscal Notes:***

[HF 2438 – Enticement of a Minor](#)

[SF 2368 – Disaster Loss Tax Coupling, Penalties and Interest](#)

[SF 2374 – Revenue Policy Bill](#)

[SF 2274 – Military Education Benefits](#)

[HF 2502 – Public Retirement Systems](#)

[SF 2265 – Local Government Growth and Development Planning](#)

[HF 2305 – Data Centers](#)  
[SF 2356 – Health Care Reform](#)  
[SF 2285 – Workers' Compensation](#)  
[HF 2445 – Nursing Workforce Initiatives](#)  
[HF 2382 – Choice of Doctor for Police Officers and Firefighters](#)  
[SF 2343 – Judicial Officers](#)  
[HF 2481 – Natural Resources Department Conservation and Recreation](#)  
[HF 2483 – Probate Code/Trust Code Amendments](#)  
[HF 2421 – Prevailing Wage](#)  
[HF 2504 – Flood Areas, Double Fines](#)  
[HF 2329 – Medication Therapy Management Insurance Coverage](#)  
[HF 2470 – Election Law Changes](#)  
[HF 2497 – Special Education Code Corrections](#)  
[SF 2351 – Strangulation](#)  
[HF 2492 – Department of Education Code Changes](#)  
[SF 2328 – Court Fines Collection](#)  
[SF 2268 – Disaster Recovery Case Management for Individuals](#)  
[HF 2322 – Iowa Finance Authority Programs](#)  
[HF 2486 – Consumer Credit Code Changes](#)  
[HF 2477 – Mechanic's Lien, Chapter 572 Revision](#)  
[SF 2298 – Attendance at Child in Need of Assistance Proceedings](#)  
[SF 2333 – Dependent Adult Abuse and Hospital Inspections](#)  
[SF 2316 – Flood Plain Management Policy](#)  
[SF 2365 – Kennel Regulation](#)  
[HF 2158 – Foster Children, Preparation for Adult Living](#)  
[HF 2462 – Special School Funds](#)  
[SF 2357 – Domestic Violence Offenders and Possession of Firearms](#)  
[HF 2404 – Hearing Aid Insurance Coverage for Kids](#)  
[SF 2349 – Autism Insurance Coverage](#)

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This document can be found on the LSA website: <http://www.legis.state.ia.us/Fiscal/fiscupdt/>