

FISCAL UPDATE

October 5, 2005

Legislative Services Agency

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

FISCAL COMMITTEE MEETING

Meeting

The Legislative Fiscal Committee met on September 28.

Revenue Updates

The LSA provided an update on FY 2005 revenues. The total General Fund revenues for FY 2005 were \$91.5 million (1.6%) higher than previously estimated and \$341.9 million (6.4%) higher than FY 2004. Accruals are currently estimated at \$-35.8 million compared to the original estimate of \$-55.5 million. Final accrual numbers will be available in mid-October.

Energy Costs

The LSA provided information on the impact of increased energy costs on the Iowa economy. If current conditions continue, there could be a sizeable reduction to General Fund revenues.

Revenue Reporting

The LSA presented an **Issue Review** highlighting the reporting of State tax revenues to the U.S. Census Bureau by the Department of Administrative Services in comparison to actual revenues recorded in the State's accounting system.

General Fund Update

The LSA provided an update on the status of General Fund revenues and expenditures for FY 2005. The FY 2005 General Fund surplus is currently projected to be \$161.7 million, which is \$85.7 million more than previously estimated. The increase is due to a \$91.5 million increase in revenues. Expenditures are projected to be \$6.4 million higher than estimated and reversions \$6.7 million less than estimated.

FY 2007 Increases



The Committee received a report from the LSA outlining the FY 2007 built-in and anticipated appropriations increases. The LSA currently estimates \$584.7 million in total appropriations increases for FY 2007. Of this, \$457.1 million (78.2%) is for increases in Medical Assistance (Medicaid), Property Tax Credits, and School Foundation Aid.

Medicaid

The LSA provided an update on FY 2005 Medicaid expenditures and the FY 2006 estimated supplemental amount. Medicaid revenues for FY 2005 totaled \$629.0 million and expenditures \$622.4 million, resulting in an ending balance of \$6.6 million that will revert to the Senior Living Trust Fund. The FY 2006 supplemental appropriation is estimated to be \$52.0 million.

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hawk-i

The LSA presented information on the FY 2005 Healthy and Well Kids in Iowa (*hawk-i*) expenditures and FY 2006 budgeted expenditures.

Transfers

The LSA presented information on FY 2005 appropriations transfers to the Department of Inspections and Appeals, the Iowa Law Enforcement Academy, and the Civil Rights Commission from the Department of Human Services.

Honey Creek Park



The Director of the Department of Natural Resources presented information outlining the need for additional bonding authority for the Honey Creek Destination State Park. The Department is requesting an increase of \$7.1 million in bonding authority to fully fund the development costs of the Park. The Department is currently authorized for \$28.0 million in bonding authority and is requesting this be increased to \$35.1 million.

Wallace Building

The Department of Administrative Services presented options for renovating the Wallace Building or demolishing the structure and constructing a new building on the Capitol Complex.

Revenue Processing

The Department of Revenue presented information on the processing of General Fund receipts into the accounting system and the decline of the FY 2005 withholding receipts resulting from changes in the withholding tables.

More Information

Documents from the September 28 meeting may be accessed on the LSA web site at:

<http://staffweb.legis.state.ia.us/lfb/committee/fiscalcomm/fiscalco.htm>.

Additional information is available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934) Sue Lerdal (Ext. 17794)

GOVERNMENT OVERSIGHT MEETING

Oversight Meeting

The Government Oversight Committee met on September 19-20.

Iowa Prison Industries

Director Gary Maynard, Department of Corrections, and Roger Baysden, Iowa Prison Industries, discussed the value of providing inmates with work that creates products and services for use by State and private agencies.

Record Preservation

Staff from several State agencies, including the State Archivist, provided information regarding preservation, storage, and retrieval of important information and public access to records.

DHS and Public Health

Staff from the Departments of Human Services and Public Health provided an updated analysis of similar programs in these agencies and answered questions about those programs and efforts to consolidate services provided, funding, and administrative costs.

Dept. of Natural Resources



Jon Tack, Department of Natural Resources (DNR), and Wes Ehrecke, Iowa Gaming Association, discussed the procedures followed for selecting a Program Coordinator for the Permanently Moored Vessel Program in DNR. A contract was approved by the Natural Resource Commission and awarded to a company based in Illinois. The Committee decided to request an Attorney General's opinion regarding the process used to bid and select the

contractor, including the requirement to give preference to a company based in Iowa.

Gambler's Treatment

Staff from the Department of Public Health and contractors that provide gambling treatment discussed the status of services provided, the allocation of appropriated and carryover funds, and the individuals in treatment and in need of treatment.

Gaming Questions



Information was presented by the Departments of Inspections and Appeals and Public Safety, Division of Criminal Investigation, regarding the following:

- Electronic and Mechanical Devices – Discussed the differences between Lottery machines and licensed and illegal amusement machines and the need for further enforcement efforts.
- Social Gaming – Provided an overview regarding the extent of social gaming in Iowa, including poker tournaments in bars and among high school kids, contests, enforcement problems caused by conflicts in the Code of Iowa, and possible legislative solutions the Committee should consider.

Subcommittee Meeting

A subcommittee meeting was held to discuss HSB 302 (Starvation and Dehydration of Persons with Disabilities Prevention Bill). This included presentations by representatives from the medical and legal professions and long-term care providers.

More Information

The next meeting is scheduled for October 31 and November 1. Additional information is available from LSA upon request or on the web site at: http://www4.legis.state.ia.us/scripts/lisa/docmgr/docmgr_comdocs.dll/showtypeFC?id=true&type=ih&fy=2005&com=41.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Sam Leto (Ext. 16764)
Richard Nelson (25822)

COMMISSIONS APPROVE DEPARTMENT OF NATURAL RESOURCES FY 2007 BUDGET REQUEST

Budget Request

The Natural Resource and the Environmental Protection Commissions approved the FY 2007 budget request for the Department of Natural Resources on September 28, which includes:

General Fund



A General Fund request of \$19.5 million, an increase of \$1.8 million compared to estimated FY 2006 for the following:

- \$800,000 for local watershed improvement efforts.
- \$500,000 for State Park operations and safety.
- \$250,000 for the Healthy Iowa Lakes and Wetlands Demonstration Program.
- \$100,000 for continuation of the Energy Program.
- \$100,000 for the Pollution Prevention Intern Program.

Fish & Wildlife Funds

A request of \$34.3 million for operations in the Fish and Wildlife Bureau, an increase of \$1.8 million compared to estimated FY 2006 for fuel expenditures and other program enhancements.

Environment First Fund

A request of \$23.5 million from the Environment First Fund, an increase of \$3.0 million compared to estimated FY 2006 for the following:

- A request of \$12.0 million for the Resource Enhancement and Protection (REAP) Fund, which is an increase of \$1.0 million.
- A request of \$2.7 million for Marine Fuel Tax Capital Projects, which is an increase of \$400,000.
- A request of \$2.0 million for the Lake Restoration Program, which is an increase of \$500,000.
- A request of \$275,000 for Air Quality Livestock Monitoring Program, which is an increase of \$275,000.
- A request of \$3.8 million for Water Quality Monitoring Program, which is an increase of \$800,000.
- A request of \$2.0 million for State Park operations. This maintains the current level of funding.
- A request of \$500,000 for Water Supply Program. This maintains the current level of funding.
- A request of \$195,000 for the Geographic Information System Data. This maintains the current level of funding.
- A request of \$100,000 for the Keepers of the Land Volunteer Program. This maintains the current level of funding.



More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767)

IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION APPROVES FY 2007 BUDGET REQUEST FOR THE IOWA COMMUNICATIONS NETWORK

Budget Approval

The Iowa Telecommunications and Technology Commission approved the Iowa Communications Network's (ICN) FY 2007 budget request on September 15.

Budget Request

The ICN has one budget offer totaling \$2.0 million for major equipment replacement. In FY 2006, the ICN received \$1.7 million from the Rebuild Iowa Infrastructure Fund (RIIF) to replace aging equipment and allow the State to receive continued Universal Service Funds to offset school and library video rates.



More Information

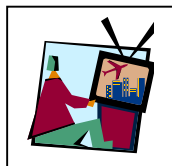
Additional information may be accessed on the ICN web site at: www.icn.state.ia.us or by contacting the LSA.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION INCREASES FY 2007 VIDEO RATES

8.0% Increase

The Iowa Telecommunications and Technology Commission increased the FY 2007 video rate schedule by 8.0% on September 15. The following chart illustrates the impact of the increase.



	Charge Per Hour, Per Site	
	FY 2006	FY 2007
K-12 Use	\$ 14.36	\$ 14.36
Community Colleges/K-12 Use with other adults	6.40	6.91
Community Colleges	8.10	8.75
Regents/Private College Use	8.10	8.75
Other Training Use	8.50	9.18
Administrative Use	15.50	16.74
Federal and Telemedicine Use	55.70	67.50

K-12 Users

The K-12 users are eligible for a 58.0% video service discount through the Universal Service Fund if the proper paperwork is completed. The K-12 discounted rate for FY 2006 is \$6.03. The FY 2007 discounted rate will be \$6.91.

More Information

Additional information may be accessed on the ICN web site at: www.icn.state.ia.us or by contacting the LSA.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

FY 2005 APPROPRIATIONS TRANSFERS TO THE DEPARTMENT OF INSPECTIONS AND APPEALS, IOWA LAW ENFORCEMENT ACADEMY, AND CIVIL RIGHTS COMMISSION

Appropriations Transfers

The Fiscal Services Division of the LSA received three FY 2005 appropriations transfer notifications pursuant to Section 8.39, Code of Iowa.

Indigent Defense



The first notice states that \$1.1 million has been transferred to the Department of Inspections and Appeals, Indigent Defense Program, for FY 2005 due to an increase in the number of indigent defendants and claims filed by private attorneys. The Program reimburses private attorneys for providing legal counsel to indigent people accused of committing a crime. Funds totaling \$800,000 were transferred from the Department of Human Services (DHS) from State Supplementary Assistance, and \$264,000 was transferred from the DHS from State Cases.

ILEA

The second notice states that the Iowa Law Enforcement Academy (ILEA) received an appropriations transfer of \$41,000 from the DHS from State Cases. The transfer was necessary due to lower than expected attendance at the basic level law enforcement training academy in FY 2005.

Civil Rights Commission

The third notice states that the Civil Rights Commission received an appropriations transfer of \$78,000 from the DHS from State Cases. The transfer was necessary due to an unanticipated reduction in federal receipts in FY 2005.

State Cases Program Funds were available to transfer from the DHS due to less than anticipated FY 2005 expenditures. The DHS transferred out a total of \$1.2 million from the State Cases appropriation in FY 2005.

More Information Additional information is available from the LSA upon request.

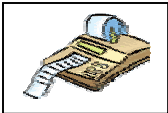
STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Acton (Ext. 17846)
Sue Lerdal (Ext. 1-7794)

FY 2005 APPEAL BOARD DECISION SUMMARY

State Appeals Summary The following chart summarizes the State Appeal Board decisions for FY 2005 by department, category of expenditure, and amounts. Chapter 25, Code of Iowa, provides authority to the Board to approve claims against the State. The total amount of claims paid by the Board was \$8.5 million in FY 2005.

FY 2005 Appeal Board Claims Paid

Department	Category of Expenditure	FY 2005 Amount
Administrative Services	Contract Termination	\$ 188,000
Corrections	Discrimination/Harassment	\$ 179,000
	Attorney/Mediation Fees	17,000
	Wrongful Death	55,000
	Segregation Issues	20,000
	Civil Rights	2,000
	Fair Labor Standards Act (FLSA) Cases	1,163,000
	Personal Injury/Attorney Fees	123,000
	Toxic Mold	87,000
	Sexual Misconduct/Attorney Fees	20,000
	8th Amendment	7,000
	Sexual Harassment/Attorney Fees	5,000
	Sexual Assault/Attorney Fees	80,000
	Miscellaneous	4,000
	Corrections Total	\$ 1,762,000
Human Services	FMLA/Attorney Fees	\$ 29,000
	Court Costs	100
	Attorney Fees	17,000
	Wrongful Discharge/Attorney Fees	9,000
	Physical Abuse/Attorney Fees	351,000
	Emotional Distress/Attorney Fees	100,000
	Human Services Total	\$ 506,100
Iowa Fair Authority	Wrongful Discharge/Attorney Fees (\$75,100 paid by Iowa Fair Authority)	\$ 16,200
Iowa State University	Sexual Discrimination	\$ 16,000
Natural Resources	Sexual Discrimination	\$ 59,000
	Personal Injury	31,000
	Natural Resources Total	\$ 90,000
Public Defense	CIVIC Repay Federal Funds	\$ 700,000
Public Safety	Attorney Fees/Court Costs	\$ 800
Public Safety/DNR	FLSA Cases/Attorney Fees	\$ 3,074,000
Public Strategies Group	Contract Addenda	\$ 91,000
University of Iowa	Personal Injury/Attorney Fees	\$ 58,000
University of Iowa Hospitals and Clinics (UIHC)	Attorney Fees/Mediation Fees	\$ 1,500
	Medical Negligence/Attorney Fees/Mediation	156,000
	Medical Malpractice/Attorney Fees/Mediation	1,080,000
	Wrongful Death	625,000
	Confidentiality	5,000
	UIHC Total	\$ 1,867,500
University of Northern Iowa	Disability Discrimination	\$ 50,000
Workforce Development	Sexual Harassment/Emotional Distress	\$ 106,500
	FY 2005 Total Paid	\$ 8,526,100

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Sue Lerdal (Ext. 17794)

INDIGENT DEFENSE CLAIMS PAID BY THE STATE APPEAL BOARD

Indigent Defense Claims



The Fiscal Services Division of the LSA was recently notified that approximately \$101,000 in indigent defense claims were paid by the State Appeal Board in May, June, and August 2005. Indigent Defense provides legal counsel to indigent defendants in criminal court proceedings. Payments were made to private attorneys, court reporters, investigators, interpreters, expert witnesses, psychiatrists, and psychologists.

Previous Years' Claims

The Board paid approximately \$690,000 in indigent defense claims from September 2004 to August 2005. The claims dated from previous fiscal years and were paid in FY 2005.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

CONSOLIDATED INTERACTIVE VIRTUAL INFORMATION CENTER (CIVIC) PROGRAM SETTLEMENT AGREEMENT

Settlement Agreement



The federal National Guard Bureau and the State of Iowa entered into a cooperative agreement in September 2000 to support the Consolidated Interactive Virtual Information Center (CIVIC). The CIVIC cooperative agreement was terminated in September 2002. The Program was financed through the federal government and supported by a private partner, International Simulation and Training Systems, LLC, of Urbandale, Iowa.

Terms and Conditions

According to terms and conditions of the settlement between the State and federal government, the State agreed to pay the federal government \$5.7 million (settlement amount), plus interest at a rate of 2.95% from February 10, 2005, until the settlement is paid in full. The State will pay the \$5.7 million in the following installments:

- \$700,000 on or before June 30, 2005.
- At least \$1.0 million on or before June 30, 2006.
- At least \$1.0 million on or before June 30, 2007.
- The outstanding balance of the settlement amount, plus accrued interest on or before June 30, 2008. The State may pay the settlement amount, plus accrued interest, before June 30, 2008, without any penalties or charges.

According to the Agreement, all payments are to be made by electronic transfer. The first payment of \$700,000 was sent by wire transfer in August.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

NEW IOWANS INTERIM STUDY COMMITTEE PUBLIC HEARING HELD IN DES MOINES

Public Hearing

The New Iowans Interim Study Committee held a public hearing on September 26 at East High School in Des Moines.

Committee Purpose



The Committee was established to review the impact of the growing population of immigrants, migrant workers, and refugees who are relocating to the State, often referred to as “New Iowans.”

A series of public hearings will be held around the State to discuss topics that impact New Iowans, including, but not limited to, educational needs and opportunities, health care, job creation and outreach efforts, and public safety issues.

Speakers

The Committee heard from various individuals representing State government, the auto insurance industry, the Des Moines Police Department, a physician, an elementary school principal, a business owner and employer, and private citizens.

More Information

Three additional public hearings are scheduled, including Storm Lake on September 27, Ottumwa on October 4, and Davenport on October 6. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

SEPTEMBER BOARD OF REGENTS MEETING

Regents Meeting

The Board of Regents met on September 14-15 at the University of Northern Iowa in Cedar Falls.

Hospitals and Clinics

The Board met as trustees for the University of Iowa (SUI) Hospitals and Clinics. Business included the Director’s report, operating statistics for FY 2005, an update on IowaCare, new scorecard metrics, and discussions of capital expenditures and quality measures.

Economic Development

The Economic Development Committee reviewed Grow Iowa Values Fund proposals for each of the universities and received a presentation and report from the University of Northern Iowa (UNI) regarding Ag-Based Industrial Lubricants (ABIL) and Environmental Lubricants Manufacturing (ELM).

Investments

The Investment Committee reviewed the Cash Management Report for the quarter ended June 3, 2005, and summary of investment performance; reviewed the overall Regents investment policy; received the annual review of banking and broker relationships; and discussed alternatives for short-term investments.

Education & Student Affairs



The Education and Student Affairs Committee conducted the following business:

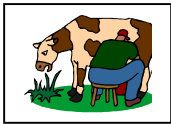
- Approved various program name and course changes.
- Approved elimination of the undergraduate major and minor in Inter-American Studies at SUI and the Bachelor of Science in Applied Physics Program at Iowa State University (ISU).
- Approved the request for a new Master of Science program in Clinical Investigation at SUI.
- Reviewed the Iowa Braille and Sight Saving School Task Force work plan, the Iowa Lakeside lab FY 2006 budget, and the annual Distance Education Report.

- Ratified the appointment of Cindy Browne as Executive Director of Iowa Public Radio.

Property & Facilities

The Property and Facilities Committee conducted the following business:

- The Committee recommended and the Board approved a FY 2007 capital appropriations request of \$25.0 million to correct deferred maintenance and fire safety deficiencies.
- The Committee recommended and the Board approved the following related to the ISU Dairy Farm operations:
 - A lease agreement with the City of Ankeny for continued use of the ISU Ankeny Dairy Farm site following the sale to the City until relocation of ISU's dairy farm operations are complete.
 - A purchase agreement with the Committee for Agricultural Development (CAD) for acquisition of land south of Ames as a site for ISU's new dairy facilities.



Tuition Policy

The Board reviewed proposed changes to the policy for setting tuition. The proposal is the result of a task force of Board members and is lengthier than the current policy. The policy provides for input from university presidents and uses the Higher Education Price Index (HEPI) as one of the benchmarks. The current policy relies heavily on HEPI.

FY 2007 Budget Request

The Board adopted the following FY 2007 funding requests to be forwarded to the Governor for consideration:

- \$40.0 million increase for the universities and Board Office. New funds would be used to improve salaries, establish new faculty positions in critical areas, and preserve research and outreach services.
- \$550,000 increase for the special schools to approximate K-12 allowable growth.

Bonding Resolutions

The Board approved the following bonding resolutions:

- \$12.8 million of UNI academic revenue bonds for science buildings and Russell Hall renovation projects.
- \$13.5 million of SUI facilities corporation revenue bonds for purchase, renovation, and equipment for the Old Capitol Town Center.
- \$20.0 million of ISU academic revenue bonds to partially fund the Veterinary Teaching Hospital and Diagnostic Lab project and Phase I of the Coover Hall addition and renovation and to correct fire and environmental safety deficiencies. The bonds will be scheduled for sale at the November meeting.



More Information

The next meeting of the Board is scheduled for November 2-3 at the University of Iowa in Iowa City. Additional information regarding the Board meeting, including the full text of agenda docket memos, may be accessed on the Board's web site at: <http://www2.state.ia.us/regents/>. Additional information is available from the LSA upon request.

IOWA LEARNING TECHNOLOGY COMMISSION MEETING

Commission Meeting



The Iowa Learning Technology Commission met on September 23 in Des Moines. The meeting was facilitated by Jeff Berger, Department of Education, who presented a draft of a grant application based on the application school districts use to apply for federal Enhancing Education Through Technology (E2T2) grants. John O'Connell, Technology Consultant, Department of Education, presented information on data gathered from a recent school technology survey.

Grant Specifications

The Commission reached consensus regarding several provisions in the draft grant application, including:

- \$450,000 will be distributed in grants, with \$50,000 remaining for evaluation costs and Commission expenses.
- The Commission will award no less than five competitive grants.
- The minimum award will be \$20,000.
- A minimum local match of 25.0% will be required and may consist of public or private, federal, state, or local funds.
- At least one grant will be awarded to school districts in each of four enrollment-size categories.



Content Requirements

The Commission discussed the guiding principles described in the draft application. Members discussed whether and how to specifically address issues of diversity and the achievement gap. Members also discussed evaluation requirements, expectations regarding district-vendor partnerships, and the overall goals for establishing pilot projects.

More Information

The next meeting is scheduled for October 7 in Des Moines via the Iowa Communications Network (ICN). Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

COUNCIL ON HUMAN SERVICES SPECIAL MEETING

Council Meeting

The Council on Human Services met via conference call on September 27 and approved three additional joint budget offers.

Iowans with Disabilities

The Department of Human Services (DHS), Iowa Workforce Development (IWD), and the Division of Vocational Rehabilitation Services (DVRS) submitted an offer to expand a joint pilot project Statewide at a cost of \$600,000. The pilot links PROMISE JOBS applicants to DVRS services. The State funding would draw down an estimated \$1.1 million in federal match.

FIP

The DHS, in coordination with IWD and the Department of Human Rights, will submit an offer to dedicate high-performance employment bonuses from the federal government to the PROMISE JOBS and Family Development and Self-Sufficiency (FaDDS) Programs. Currently, any bonuses go toward general Family Investment Program (FIP) funding.

Heath and Education



In addition, the DHS, in coordination with the Departments of Education, Human Rights, Management, Public Health, and Economic Development, will submit a budget offer to provide for the following:

- Maintain and improve Iowa's Quality Rating System for child care providers at a cost of \$450,000, dedicated to inspector training and achievement bonuses.
- Improve child care regulation, including \$735,000 and 22.0 FTE positions to perform pre-registration assessments, consultations, and continued monitoring of facilities.
- Increase provider rates to the 2004 Market Rate Survey level from the current 2002 level at a cost of \$3.3 million.
- Increase professional development opportunities for child care providers at a cost of \$1.2 million.
- Expand availability of Technical and Nurse Consultants at a cost of \$2.3 million.

More Information

The next meeting is scheduled for October 20 at the Mount Pleasant Mental Health Institute. Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611) Lisa Burk (Ext. 17942)
Sue Lerdal (Ext. 17794)

SEPTEMBER COUNCIL ON HUMAN SERVICES MEETING

Council Meeting

The Council on Human Services met on September 13-14 and approved the Department of Human Services (DHS) budget request for FY 2007. A total of \$1.2 billion was requested from the General Fund, an increase of \$209.3 million compared to estimated FY 2006.

A total of \$228.9 million was also requested from Other Funds for FY 2007, a decrease of \$53.8 million compared to estimated FY 2006. This includes funding from Temporary Assistance to Needy Families (TANF), the Healthy Iowans Tobacco Trust, and the Senior Living Trust Fund.

FY 07 Gen. Fund Request



The General Fund budget request includes the following changes for FY 2007:

- Economic Assistance - An increase of \$3.5 million, including:
 - An increase of \$2.6 million for the Family Investment Program (FIP).
 - An increase of \$856,000 for the Child Support Recovery Program.
- Medical Services (Medicaid) - An increase of \$171.9 million, including:
 - An increase of \$165.0 million for the Medicaid. This includes a shift of \$47.9 million from the Senior Living Trust Fund to the General Fund.
 - An increase of \$500,000 for Medical Contracts.
 - An increase of \$6.4 million for the Healthy and Well Kids Iowa (*hawk-i*) Program.
- Child Care - An increase of \$5.8 million, including:



- An increase of \$4.5 million for caseload growth.
- An increase of \$1.5 million to annualize the FY 2006 provider rate increase.
- Toledo Juvenile Home - An increase of \$394,000, including:
 - An increase of \$330,000 to add beds to the Enhanced Girls Program.
 - An increase of \$64,000 for operational inflation.
- Eldora Training School - An increase of \$92,000, including:
 - An increase of \$68,000 for operational inflation.
 - An increase of \$24,000 for Phase 1 of a two-year accreditation process from the American Correctional Association.
- Child and Family Services - An increase of \$8.1 million, including:
 - An increase of \$5.1 million to replace Temporary Assistance to Needy Families (TANF) funds used for graduated sanctions and decategorization programs in FY 2006.
 - An increase of \$1.1 million for child safety and offender rehabilitation programs.
 - An increase of \$1.1 million to extend services for youth transitioning from foster care to adulthood.
 - An increase of \$463,000 for changes in the Federal Matching Assistance Participation (FMAP) rate for child welfare services.
 - An increase of \$213,000 to maintain foster care rates at the level required by the Code of Iowa.
 - An increase of \$50,000 to provide additional staff and upgraded equipment for the Child Abuse Hotline.
 - An increase of \$27,000 to provide additional part-time law clerks to reduce the backlog of child abuse appeals.
 - An increase of \$11,000 to maintain supervised apartment living maintenance rates at the level required by the Code of Iowa.
 - An increase of \$8,000 for administrative costs.
 - An increase of \$6,000 for changes in the FMAP rate for independent living services.
- Adoption Subsidy - An increase of \$987,000, including:
 - An increase of \$349,000 to maintain adoption subsidy maintenance rates at the level required by the Code of Iowa.
 - An increase of \$338,000 for caseload growth.
 - An increase of \$300,000 for changes in the Federal Matching Assistance Participation (FMAP) rate.
- Family Support Subsidy - An increase of \$432,000, including:



- An increase of \$335,000 to provide State match for a possible grant from the federal Substance Abuse and Mental Health Services Administration (SAMHSA).
- An increase of \$97,000 to expand the Children-At-Home Program to six additional counties to serve 150 additional families.
- Mental Health/Mental Retardation/Developmental Disabilities/Brain Injury - An increase of \$9.7 million, which includes the following significant changes:
 - An increase of \$234,000 for the Mental Health Institute at Cherokee.
 - An increase of \$593,000 for the Mental Health Institute at Clarinda.
 - An increase of \$331,000 for the Mental Health Institute at Independence.
 - An increase of \$384,000 for the Mental Health Institute at Mount Pleasant.
 - A decrease of \$1.4 million for the State Resource Center at Glenwood.
 - An increase of \$598,000 for the State Resource Center at Woodward.
 - An increase of \$149,000 for the State Cases Program.
 - An increase of \$350,000 for a new budget unit for renovation of a private facility in Northeast Iowa to a "step-down" facility.
 - An increase of \$839,000 for the Sexual Predator Commitment Program.
 - An increase of \$7.3 million for Mental Health Allowed Growth enacted in HF 882 (FY 2006 Standing Appropriations Act).
 - An increase of \$335,000 to provide State match for a possible grant from the federal Substance Abuse and Mental Health Services Administration (SAMHSA).
- Administration - An increase of \$8.7 million, including:
 - An increase of \$8.5 million for Field Operations.
 - An increase of \$219,000 for General Administration.



FY 07 Other Funds

The budget request includes the following changes for Other Funds for FY 2007:

- Temporary Assistance to Needy Families (TANF) - A decrease of \$5.9 million, including:
 - A decrease of \$1.6 million for the FIP and PROMISE JOBS Programs.
 - An increase of \$211,000 to supplement federal Social Services Block Grant (SSBG) transfers.
 - A decrease of \$4.5 million for Child and Family Services programs.
- Healthy Iowans Tobacco Trust Fund - A request for \$39.9 million, which is no change compared to estimated FY 2006.
- Senior Living Trust Fund - A decrease of \$47.9 million for Medicaid, which is offset by an increase in General Funds.



Adm. Rules

The Council approved the following Administrative Rules for adoption:

- Implements a new Children's Mental Health Services Waiver under Medicaid. The Department will use \$1.3 million from the Child and Family Services budget for this purpose.
- Changes the method of payment for shelter care, and clarifies contract initiation under a Request for Proposal (RFP).

Noticed Rules

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

- Increases the premiums for Medicaid for people with disabilities that have income over 150.0% of the Federal Poverty Level. Minimal fiscal impact.
- Eliminates Medicaid coverage for prescription drugs included in the federal Medicare Part D Prescription Drug Program for those eligible. The fiscal impact exchanges federal benefits in return for a State payment of the same estimated amount.

Roads Plan

The Council received an update on the Park and Institutional Roads Plan.

More Information

The next meeting is scheduled for October 20. A detailed spreadsheet for the FY 2007 budget request may be accessed on the web site at: http://staffweb.legis.state.ia.us/lsadocs/SC_InterimDocs/2006/SISLL003.PDF. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942) Kerri Johannson (Ext. 14611)
Sue Lerdal (Ext. 17794)

COMMISSION OF VETERANS AFFAIRS MEETING
Commission Meeting

The Commission of Veterans Affairs met on September 14 and approved the FY 2007 budget request for the Commission Office and the Iowa Veterans Home.

Commission Office

The FY 2007 budget request for the Commission Office is \$562,000, an increase of \$230,000 compared to estimated FY 2006. This includes:

- \$99,000 for two Service Officers.
- \$80,000 for a Cemetery Director.
- \$50,000 for an increase in the Retired Senior Volunteer Program (RSVP) Veteran Identification Project.

Veterans Home

The FY 2007 budget request for the Iowa Veterans Home is \$19.1 million, an increase of \$692,000 compared to estimated FY 2006. This includes:

- \$492,000 for a behavioral unit.
- \$200,000 for a community re-entry program.

Other Business

The Commission also reviewed the recent announcement of the State Cemetery location, reviewed the Veterans Trust Fund and the License Plate Fund balances, and discussed legislative initiatives for the 2006 Session.

More Information

The next meeting is scheduled for January 4, 2006. A detailed spreadsheet for the FY 2007 budget request may be accessed on the web site at: http://staffweb.legis.state.ia.us/lsadocs/SC_InterimDocs/2006/SISLL003.PDF. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

AGING SERVICES CABINET MEETING

Cabinet Meeting

The Aging Services Cabinet met on September 22.

FY 07 Budget Offers

Josh Mandelbaum, Governor's Office, reported that departments will submit FY 2007 budget requests using the purchasing results format that was used last year. Departments formed Buying Teams that advised the Governor on the prioritization of resources. Department requests are based on budget offers that will achieve desired results.

Medicaid

Jennifer Vermeer, Department of Human Services (DHS), reported on the progress of the implementation of various Medicaid waivers and reforms that are the result of HF 841 (IowaCare Medicaid Reform Act).

Elder Affairs



Betty Grandquist, Area Agencies on Aging, and Judy White, Department of Elder Affairs (DEA), provided an overview of the Case Management Program for the Frail Elderly that is administered by the DEA.

Mary Anderson, DEA, provided an update regarding the seamless system and the Aging and Disability Resource Center.

DIALOGUE

Director Steve Young, Department of Inspections and Appeals, discussed DIALOGUE, which is a new, interactive communication initiative that will involve stakeholders and other interested parties in regulatory oversight issues.

Healthy Communities

Director Mary Hansen, Department of Public Health, reported that 28 local grants will be awarded using \$3.0 million in federal funds provided for healthy community initiatives. Of these, 22 will offer programs that impact seniors. In total, the Department received 130 applications for the grants.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942) Kerri Johannsen (Ext. 14611)

SEPTEMBER BOARD OF CORRECTIONS MEETING

Board Meeting

The Board of Corrections met on September 22, at the Johnston Historical Society Barn. Ms. Mary Jane Paez provided an overview of the inmate labor involved in restoring the barn and house that had been donated to the Johnston Historical Society.

Employee Recognition

Director Gary Maynard reported that the Department of Corrections (DOC) held its first Statewide employee recognition last week where 350 employees received awards. The next recognition will be held in the spring.

Hurricane Relief

Director Maynard also reported that the DOC has partnered with the Louisiana and Mississippi Departments of Corrections for Hurricane Katrina

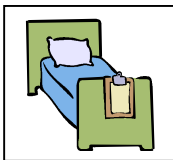
relief. Fundraisers are being held to generate assistance for employees of those departments.

FY 2007 Budget



The Board approved the FY 2007 General Fund budget request of \$320.0 million, an increase of \$26.9 million (9.2%) compared to estimated FY 2006. Increases include:

- \$432,000 for increased reimbursements to the Department of Administrative Services. The majority of the increase is due to worker's compensation payments.
- \$4.3 million for increased costs of food, fuel, and pharmacy.
- \$776,000 to maintain existing staff in Central Office.
- \$1.3 million for operating costs associated with the implementation of HF 619 (Sex Offender Act).
- \$152,000 to connect the Anamosa State Penitentiary to the City of Anamosa's water system.
- \$750,000 for the Iowa Corrections Offender Network (ICON), the DOC's database.
- \$712,000 for offender re-entry programs.
- \$238,000 for centralized assessment of all offenders entering the prison system at the Iowa Medical Classification Center at Oakdale.
- \$1.5 million to address mental health needs of offenders.
- \$2.3 million to provide 39.0 FTE positions to address workload issues within the Community-Based Corrections (CBC) District Departments.
- \$62,000 to provide a position within Central Office to monitor substance abuse treatment at the community level.
- \$174,000 to replace expiring federal funds for a drug court in the Seventh CBC District Department and a victim coordinator in the Eighth CBC District Department.
- \$190,000 to replace expiring federal funds for a therapeutic community substance abuse treatment program at the Iowa Correctional Institution for Women at Mitchellville.
- \$1.8 million to increase funding for the prison-based education program for offenders.
- \$12.2 million for the new 178-bed Special Needs Unit at the Iowa Medical Classification Center at Oakdale. This amount provides \$3.4 million for one-time costs of equipment and \$8.8 million for six months of staff costs. The facility is expected to open in January 2007. An additional six months of funding will be requested in FY 2008 to annualize operating costs of the facility.



HITT Budget

The Board approved the FY 2007 Healthy Iowans Tobacco Trust (HITT) budget request of \$2.8 million, a decrease of \$310,000 (9.9%) compared to estimated FY 2006. The DOC is not requesting funds for the InnerChange Freedom Initiative (IFI) Program at the Newton Correctional Facility.

Capital Projects

The Board approved the FY 2007 budget request of \$43.3 million for capital projects, which includes:

- \$333,000 for lease-purchase payments of the electrical upgrade at the Iowa State Penitentiary at Fort Madison.
- \$1.8 million for the renovation of the Anamosa State Penitentiary's food service.
- \$1.4 million for the Fort Dodge CBC Facility.
- \$3.9 million for the Davenport CBC Facility.
- \$211,000 for rental costs at the Capitol Complex.
- \$35.7 million for major maintenance projects.

Additional Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

AUDIT REPORT – DEPARTMENT OF CULTURAL AFFAIRS

Audit Report

The State Auditor issued the FY 2004 Audit Report of the financial statements of the Department of Cultural Affairs on September 16. There were no findings related to federal funds.

Internal Control



The Auditor recommended that the State Historical Society Library in Iowa City deposit cash at least weekly and have an independent person reconcile the initial receipts listing and the amounts recorded and deposited. The Department responded that, due to limited staffing in the Iowa City office, timely deposits are sometimes difficult to make. The Department agreed to make every effort to deposit cash within 10 working days of receipt, as required by the Code of Iowa. The Department also agreed to establish a receipt log in the Iowa City office so that Des Moines staff can compare it to actual deposits. The Auditor accepted the Department's response.

Statutory Requirements



The Audit Report noted that the files for the three Historical Resource Development Program Emergency Grants funded in FY 2004 did not contain a steering committee review, critique, and scoring to determine the seriousness of the grant request. Such documentation is needed to demonstrate that the project required emergency funding, rather than applying for funding through the regular annual grant process. The Department responded that grant award files will be monitored for completeness in FY 2005. The Auditor accepted the Department's response.

The Audit Report noted several problems with the Department's administration of the Character Counts through the Arts Grants Program. The Program allows the awarding of grants once to each school per fiscal year, and recipients must file a final report with the Department and formally notify a legislator of the grant activity. The audit found that two schools were granted \$200 awards twice during the fiscal year. Other findings included three different versions of the final report and two files that did not include the required legislative notification letters. The Department responded that the Program will be monitored in FY 2005 to ensure that duplicate awards are prevented and that files are complete. A single final report will be used for all grantees. The Auditor accepted the Department's response.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

AUDIT REPORT – DEPARTMENT OF CORRECTIONS (DOC) INSTITUTIONS

Audit Report

The LSA received the FY 2004 combined Audit Report for the nine Institutions under the Department of Corrections (DOC).

General Fund

The total General Fund expenditures for FY 2004 were \$203.9 million, an increase of \$13.0 million (6.8%) compared to FY 2003. Expenditures ranged from \$8.0 million at the North Central Correctional Facility at Rockwell City to \$38.7 million at the Iowa State Penitentiary at Fort Madison. The average daily cost per inmate was \$65.35 in FY 2004, an increase of 4.6% compared to FY 2003. The average number of inmates increased by 2.1% over the same period.

Recommendations

The following Institutions received no recommendations for improvements: Anamosa State Penitentiary, Iowa Medical and Classification Center at Oakdale, North Central Correctional Facility at Rockwell City, Newton Correctional Facility, and the Fort Dodge Correctional Facility. The Auditor's recommendations for improvements and the agency responses for the remaining Institutions are below.

Iowa State Penitentiary

The Audit Report cited one finding related to statutory requirements:



Section 7A.30, Code of Iowa, requires each Institution to keep a written, detailed, current inventory of all real and personal property belonging to the State and under the Institution's charge, control, and management. One asset was not included on the current inventory list; three were improperly omitted; six did not have a State identification tag attached; deletions were not properly supported; and depreciation amounts were incorrectly reported on the Generally Accepted Accounting Principles (GAAP) package. The Institution responded that assets are added to the inventory list when warrants are issued. Corrections have been made to the inventory list and the GAAP package.

Mt. Pleasant

The Audit Report cited one finding related to statutory requirements:

The Institution uses a perpetual inventory system to account for inmate clothing. Annual inventory counts did not agree with the quantity on hand per the perpetual inventory system for seven of 15 items tested. The Institution responded that quarterly spot checks are conducted of perpetual inventory locations. Monthly spot checks will be implemented in the future.

Clarinda

The Audit Report cited one finding related to internal control and one related to statutory requirements:



The Institution did not maintain an initial listing of checks and cash received through the mail. The Institution responded that it has implemented a system of comparing cash receipts records with checks received.

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 will be available in the future.

Mitchellville

The Audit Report cited one finding related to statutory requirements:

Section 7A.30, Code of Iowa, requires each Institution to keep a written, detailed, current inventory of all real and personal property belonging to the State and under the Institution's charge, control, and management. Two of the five assets deleted were not properly approved. The Institution responded that it has reviewed policies and procedures for asset management with staff.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

**AUDIT REPORT – COMMUNITY-BASED CORRECTIONS
DISTRICT DEPARTMENTS**

Audit Report

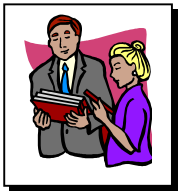
The LSA received the FY 2004 combined Audit Report for the eight Community-Based Corrections (CBC) District Departments. Pursuant to Chapter 905, Code of Iowa, the Department of Corrections (DOC) provides assistance and support to each of the eight CBC District Departments. Each District Department is responsible for establishing services necessary to provide a community-based correctional program that meets the needs of that judicial district. Each District Department is under the direction of a board of directors, and is administered by a Director employed by the Board.

Recommendations

The Second, Fourth, and Seventh CBC District Departments received no recommendations for improvements. The Auditor's recommendations for improvements and the agency responses for the remaining District Departments are listed below.

First CBC District

The Audit Report cited one finding related to internal control:



The District Department reported receivables for supervision fees in its Generally Accepted Accounting Procedures (GAAP) package. Monthly reconciliations were not performed and a detailed listing of year-end receivables was not generated to support the GAAP package information. The District Department responded that it will perform monthly reconciliations of supervision fees receivable. It will also incorporate a detailed listing of receivables to support the GAAP package.

Third CBC District

The Audit Report cited one finding related to internal control and one related to statutory requirements:

Deposits

Offenders housed at the residential facilities are required to submit paychecks and miscellaneous income to staff for deposit. There is no independent review of the amount of the deposit entered into the computer system to the amount deposited in the financial institution. The District

Department responded that the recommended reconciliation and review is now completed each month.

Cancelled Checks

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 District Department does not retain the back of the check as required. The District Department responded that the back of the check will be available in the future.

Fifth CBC District

The Audit Report cited one finding related to internal control and one related to segregation of duties:

Monthly Reconciliations



The District Department reported receivables for supervision fees in its Generally Accepted Accounting Procedures (GAAP) package. Monthly reconciliations were not performed and a detailed listing of year-end receivables was not generated to support the GAAP package information. The District Department responded that it will perform monthly reconciliations of supervision fees receivable. It will also incorporate a detailed listing of receivables to support the GAAP package.

Offenders housed at the residential facilities are required to submit paychecks and miscellaneous income to staff for deposit. There is no independent review of the amount of the deposit entered into the computer system to the amount deposited in the financial institution. The District Department responded that the recommended reconciliation and review is now completed each month.

Sixth CBC District

The Audit Report cited the following findings related to internal control and segregation of duties:

Monthly Reconciliations

The District Department reported receivables for supervision fees in its Generally Accepted Accounting Procedures (GAAP) package. Monthly reconciliations were not performed and a detailed listing of year-end receivables was not generated to support the GAAP package information. The District Department responded that it will perform monthly reconciliations of supervision fees receivable. It will also incorporate a detailed listing of receivables to support the GAAP package.



Offenders housed at the residential facilities are required to submit paychecks and miscellaneous income to staff for deposit. There is no independent review of the amount of the deposit entered into the computer system to the amount deposited in the financial institution. The District Department responded that the recommended reconciliation and review is now completed each month.

Administrative Fee

The Audit Report also cited the following finding regarding statutory requirements:

The District Department implemented an administrative fee of \$50 for self-supervised offenders and \$100 to all other offenders, effective July 1, 2004. The fee is paid to the Community Corrections Improvement Association (CCIA), an Internal Revenue Code 501C (3) charitable organization that serves as a private foundation arm of the District Department. The CCIA

contracts for certain services for offenders on behalf of the District Department. The following items were noted:

- The District Department cannot identify a specific reference in the Code of Iowa that authorizes the fee.
- Neither the District Department nor the Attorney General provided written documentation that the Attorney General considers this fee to be legal.
- The collected fees are deposited directly into CCIA's bank accounts. The fees and related expenses are not reported on the District Department's financial statements even though it remains responsible for the services provided. The CCIA is not included as a component of the District Department in its GAAP package.
- The District Department's fiscal manual requires the administrative fee to be paid before the supervision fee authorized by Section 905.14, Code of Iowa.
- The arrangement between the CCIA and the District Department is unusual in as much as the CCIA is contracting for services on behalf of the District Department. Usually, a foundation raises money and turns the funds over to the organization that then contracts for services.



The Auditor recommended that the District Department obtain a written response from the Attorney General regarding the legality of the fee. If the fee is legal, then the amount collected should be deposited into the District Department's bank accounts and receipts should be recorded in the financial statements. The District Department should contract directly with vendors for providing services to offenders. The supervision fee should be collected before the administrative fee. If the administrative fee is not legal, then the District Department should immediately discontinue the fee and issue refunds to offenders.

District Dept. Response

The District Department responded that there was a long practice over 20 years of charging and collecting fees for services rendered to offenders. The administrative fee is a combination of other fees the District Department used to charge to specific offenders for certain services. Combining several fees into one fee streamlined collection of multiple fees, reduced administrative costs of fee collection, and usually reduced the amount collected from most of the offenders. Fees continue to be collected and receipts and expenditures are included in the District Department's financial statements. The Attorney General has not yet consented to a legal review of the issue.

Capital Projects Fund



The District Department maintains a Capital Projects Fund. There is no documentation that the Sixth CBC District Department Board approved the transfer or loan for \$79,000 from the Capital Projects Fund to the District Department's operating budget. As of September 2004, \$61,000 had been repaid. Board meeting minutes should document the approval of all inter-fund transfers or loans. The minutes should include the terms of the loan, such as the repayment schedule and interest rate. The District Department responded that the outstanding loan amount was repaid by June 2005. Any future loans will be documented in the Board meeting minutes.

Annual Report

The contract between the DOC and the District Department requires an annual report from the District Department by December 1 for the previous fiscal year. The FY 2004 Annual Report was not filed on time. The District

Department will provide the annual report to the DOC in a timely manner in the future.

Eighth CBC District

The Audit Report cited one finding related to internal control and two related to statutory requirements:

Segregation of Duties

The responsibilities for collection, deposit preparation, and reconciliation functions should be separated from the duties of recording and accounting of receipts. The District Department responded that due to budget constraints, staff size is limited. The District Department will continue to segregate duties as much as possible.

Annual Report

The contract between the DOC and the District Department requires an annual report from the District Department by December 1 for the previous fiscal year. The FY 2004 Annual Report was not filed on time. The District Department will provide the annual report to the DOC in a timely manner in the future.

Cancelled Checks

The District Department does not obtain cancelled checks for two client bank accounts. During FY 2002, the District Department had six vendors who met the criteria for personal services contracts pursuant to procedures of the Department of Revenue and Finance. Personal services contracts were not written for these six vendors. The District Department responded that the banks would be contacted to arrange for the return of cancelled checks. The District Department will write personal services contracts for all vendors providing specialized services over \$1,000 in the future.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)
