

**MINUTES**  
**LEGISLATIVE FISCAL COMMITTEE**  
**of the LEGISLATIVE COUNCIL**  
**September 13, 2006**

The Legislative Fiscal Committee of the Legislative Council met September 13, 2006, in Room 22, in the Capitol Building. The meeting was called to order at 11:15 a.m. by Representative Scott Raecker, Co-Chairperson, with the following members present:

- Senator Robert Dvorsky
- Senator James Seymour for Senator Jeff Angelo
- Senator Joe Bolkcom
- Senator Thomas Courtney
- Senator Paul McKinley for Senator Mark Zieman
- Representative Sandy Greiner
- Representative Mark Kuhn
- Representative Paul Shomshor

The following agenda items were discussed:

- **Minutes Approved:** The minutes of the December 19, 2005, meeting were approved as presented.
- **Honey Creek Destination State Park.** Arnie Sohn, Department of Natural Resources, provided information on the Honey Creek Destination State Park, including the project description, key partners, private management partner, construction manager, designer, engineer, private matching fund requirements/status, bond authority status and timetable, and construction timetable. The ground breaking ceremony is scheduled for October 2006, with the grand opening scheduled for Memorial Day weekend of 2008. Bonds in the amount of \$32.0 million to \$33.0 million will be issued to provide the \$28.0 million in proceeds needed for the project.

In response to questions, Mr. Sohn:

- Replied to Representative Greiner that appropriate measures were taken for endangered species and historical significance. He added that an indoor water park was included and then discussed possible revenues from the State Park.
- Responded to Co-Chairperson Raecker that the language adopted by the 2006 General Assembly was sufficient for the necessary amount of funding.
- **Update on Capitol Complex Building Construction Projects.** Mollie Anderson, Director, Department of Administrative Services, presented an update on the Capitol Complex Building Construction Projects. Ms. Anderson stated that office leases in Des Moines cost the State \$8.0 million per year for approximately 500,000 square feet. Factors being considered to determine which agencies in leased space will be relocated to the new building include funding sources of the leases, with focus on the General Fund; office leases with the largest square

footage; and the expiration date of the office leases. Criteria for the site selection of the new building include proximity to parking, targeted versus available square footage, possible occupants and site relationships, energy considerations, and traffic patterns.

One of the new building sites selected is north of the Iowa Workforce Development Building. The building will house an estimated 600 employees. The Iowa Utilities Board and Office of Consumer Advocate Building will be located east of the maintenance building near East 14<sup>th</sup> Street.

In response to questions, Ms. Anderson:

- Discussed with Co-Chairperson Raecker regarding parking options, alternatives for the fleet pool, and a possible second parking garage.
- Agreed to provide Senator McKinley the square footage leased twenty years ago and ten years ago.
- Discussed the West Terrace project and the limitations of property acquisition.
- Indicated that the Iowa Utilities Board Building is expected to be completed in FY 2009 or FY 2010.
- **Group Care Waiting List.** Verne Armstrong, Department of Human Services (DHS), reviewed the group care waiting list. A cap on the number of placements was first enacted in 1992 and in 1996, the cap on the number of placements was changed to a statewide expenditure target for group foster care. The Department is permitted to exceed this target by five percent provided the overall budget for children and family services is not exceeded.

Mr. Armstrong indicated the DHS and Juvenile Court Services agree on a formula each year to allocate a portion of the statewide expenditure target to each of the eight DHS service areas. The State appropriation for group foster care for FY 2006-2007 is \$37.1 million. This funds an average daily population of approximately 1,140 beds.

In response to questions, Mr. Armstrong:

- Replied to Co-Chairperson Raecker, that to fund the estimated 111 children on the waiting list would be an additional annual cost of \$3.6 million.
- Provided additional information to Senator McKinley regarding the redistribution of available group care beds on a State-wide basis.
- **Medicaid** – Implementation of 3.0% Provider Increase. Jennifer Vermeer, DHS, presented the status of the federal Medicaid reimbursement rate increase authorized by the General Assembly for FY 2007 for most providers. The Committee also discussed the federal Centers for Medicare and Medicaid Services (CMS) decision not to approve the additional fourth quarter increase in FY 2006 for nursing facilities funded by the General Assembly.

In response to an inquiry from Co-chairperson Raecker, Ms. Vermeer indicated that the CMS requires public notice prior to federal approval and with the enactment of the legislation not occurring until June, it was not possible to meet that requirement in April for the fourth quarter payment. *Note: After the meeting, the Governor and legislators directed the DHS to apply for a State Plan*

*Amendment (SPA) to provide the funds in FY 2007 that were not received for the nursing facilities from the FY 2006 fourth quarter increase. The amendment allows nursing facility rates to be adjusted to pay up to the FY 2007 cap of \$177.7 million. This is an increase of \$10.5 million in total dollars and a cost of \$3.9 million to the State. Since the cap is not equivalent to an appropriation, the funding for this increase had not previously been considered and is included in the FY 2007 supplemental appropriation estimate.*

- **Case Management.** Lisa Burk, Legislative Services Agency, presented an update on Case Management as a Medicaid-covered service.
- **Medicaid FY 2006 Update:** Kerri Johannsen, LSA, provided an update on the FY 2006 Medicaid expenditures and budget information. The FY 2006 State appropriation for Medicaid was \$704.4 million. An estimated shortfall between \$17.0 million and \$37.0 million is anticipated.

Ms. Johannsen explained that the impact of the federal Medicare Part D prescription drug program and the positive impact of the Iowa Care Program in lieu of an expected loss of federal funds are two major reasons for decrease in the needed FY 2006 Medicaid supplemental enacted during the Legislative Session.

- **Healthy and Well Kids in Iowa (*hawk-i*) Program Update.** Kerri Johannsen, LSA, provided an update on the *hawk-i* expenditures for FY 2006. Total State expenditures were less than projected for FY 2006. The reduction is due to the decrease in actual enrollment compared to the projected enrollment for each month of the fiscal year.

Ms. Johannsen indicated that the federal government action will be necessary to avoid a major deficit in the FY 2008 funding need for the *hawk-i* Program.

- **FY 2006 Revenue Update.** Jeff Robinson, LSA, reviewed the actual revenue receipts for FY 2006 compared to the Revenue Estimating Conference (REC) estimates. Personal income tax and corporate income tax receipts increased and tax refunds decreased.

Co-chairperson Dvorsky suggested that the \$60.0 million cap from gaming revenues be re-examined given the growth in that receipt category. Senator Bolkcom noted the flat growth in revenues in October 2000.

- **General Fund Update.** Dave Reynolds, LSA, provided an update on the General Fund revenues and expenditures for FY 2006. The estimated ending balance is \$320.3 million, with \$159.9 million used to reimburse local jurisdictions for property tax credits, \$49.9 million was credited to the Senior Living Trust Fund (SLTF), \$2.8 million was appropriated to the Board of Regents, and the remaining \$107.7 million will be credited to the Cash Reserve Fund (CRF). For FY 2008, total appropriations would exceed the State expenditure limitation by \$335.1 million, assuming the same level of appropriations plus the projected built-in and anticipated expenditures.
- **FY 2008 Built-in and Anticipated Expenditures.** Dave Reynolds, LSA, presented information on the FY 2008 projected General Fund built-in and

anticipated expenditures which would require an appropriation increase of \$615.6 million. The projected built-in changes are projected to be \$455.3 million, of which \$131.8 million is for Homestead Tax Credit, \$106.1 million for the Medicaid Program, and \$117.6 million for a four percent allowable growth under the school aid formula. The largest anticipated expenditure change is an estimated \$89.1 million for collective bargaining salary costs based on a two percent cost of living increase and step increases.

- **Non-General Fund Balance Sheets (Other Funds).** Dave Reynolds, LSA, presented updated information on the following funds:
  - Rebuild Iowa Infrastructure Fund
  - Environment First Fund
  - Vertical Infrastructure Fund
  - Tobacco Settlement Trust Fund - Restricted Capital Fund
  - Endowment for Iowa's Health Account
  - Healthy Iowans Tobacco Trust
  - Endowment for Iowa's Health Restricted Capital Fund
  - Senior Living Trust Fund
- **FY 2006 Appropriation Transfers** – LSA Staff presented an update on the FY 2006 Appropriations Transfers notices received:
  - Inspections and Appeals - \$80,000 from the Health Facilities Division to the Administration Division
  - Department of Public Health - \$20,000 from Elderly Wellness to Infectious Diseases
  - Public Employment Relations Board - \$20,000 from Business Development to General Office
  - Governor's Office - \$85,000 from General Office to the Terrace Hill Quarters
  - Department of Public Safety - \$155,000 from three divisions to the State Fire Marshal
  - Department of Human Services - \$230,000 from DHS Supplementary Assistance to Department of Public Defense (\$144,500) and the Civil Rights Commission (\$85,500)
  - Department of Human Services - \$1.7 million from Child and Family Services to the Family Investment Program
- **Lease Purchase Notifications** – Dave Reynolds, LSA, reviewed the Lease Purchase notifications received:
  - Department of Human Services - \$3.2 million for energy improvements at the Woodward State Resource Center.
  - Department of Corrections - \$77,500 for purchase and installation of laundry equipment at the Clarinda Correctional Facility.
- **Report of Federal Fund** – Sue Lerdal, LSA, reviewed historical federal funding levels for Iowa and surrounding states. Committee members discussed issues presented and the cost and inequities of funding various programs. Federal grants are authorizations and may not be received in the fiscal year authorized.

**Adjournment** – The meeting adjourned at 2:25 p.m.

**Attachments for Legislative Fiscal Committee Meeting  
September 13, 2006**

- A. Minutes from December 19, 2005, Meeting
- B. Honey Creek Premiere Destination State Park Resort Outline of Remarks by Arnie Sohn
- C. New State Buildings Progress
- D. Group Care Waiting List
- E. Case Management Update
- F. Medicaid Update for FY 2006 and FY 2007
- G. hawk-i Program Update
- H. FY 2006 General Fund Revenue
- I. General Fund Balance Sheet (Revised)
- J. FY 2008 Built-in and Anticipated Expenditure Increases
- K. Non-General Fund Balance Sheets
- L. Appropriation Transfers
  - Inspections and Appeals - \$80,000 from the Health Facilities Division to the Administration Division
  - Department of Public Health - \$20,000 from Elderly Wellness to Infectious Diseases
  - Public Employment Relations Board - \$20,000 from Business Development to General Office
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- M. Lease Purchase Notification – Department of Human Services - \$3.2 million for energy improvements at the Woodward State Resource Center
- N. Lease Purchase Notification – Department of Corrections - \$77,500 for purchase and installation of laundry equipment at the Clarinda Correctional Facility
- O. Major Federal Grants FFY 2002-2006

Information Only Documents:

DHS Child and Family Services and Adoption Subsidy Expenditure Information  
Child and Family Services FY 2007 Update  
Military Pay Differential Report  
Department of Public Safety FTE Change Notification  
DHS Waiver for Procurement Rule  
DPH Pandemic Influenza Prevention Funds  
Department of Public Safety FTE Change Notification