

**MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
September 23, 2003**

The Legislative Fiscal Committee of the Legislative Council met September 23, 2003. The following members were present:

- Senator Jeff Lamberti, Co-chairperson
- Representative Bill Dix, Co-chairperson
- Senator Robert Dvorsky
- Senator Joe Bolkcom
- Senator Larry McKibben
- Representative Libby Jacobs
- Representative Don Shoultz
- Representative Jamie Van Fossen

Members not present:

- Senator Neal Schuerer
- Representative Mark Kuhn

The following agenda items were discussed:

- **Minutes:** Approved minutes of the July 29, 2003, meeting.
- **Revenue Update:** Received a revenue update including a report on current General Fund balances for FY 2003 and FY 2004.
 - Dennis Prouty, Director of the Legislative Services Agency (LSA), provided a revenue update and information from the August 9 Revenue Estimating Conference. The revised FY 2004 revenue estimate was adjusted upward by \$66.0 million, from \$5.119 billion to \$5.185 billion. The revised estimate also represents an increase of \$138.0 million compared to the estimated FY 2003. Mr. Prouty also discussed the impact of revised General Fund balances for FY 2003 and FY 2004, including the revised estimates for FY 2003 accruals and reversions. It was reported that FY 2003 accruals are estimated to be \$68.2 million below the original estimate, which results in an estimated shortfall of \$63.9 million for FY 2003. The final numbers for FY 2003 will not be available until October.
 - Mike Ralston, Director of the Department of Revenue, answered questions regarding the accruals and the impact on the FY 2003 balance.
- **FY 2005 Built-in Expenditures:** Dave Reynolds, Fiscal Services Division of the LSA, reviewed the FY 2005 built-in expenditures and anticipated increases. The FY 2005 built-in budget increases are estimated at \$236.1 million. The LSA will continue to refine the estimates and update the Committee in December.
- **Projected Fuel Costs:** Reviewed a document provided by Mary Beth Mellick of the Fiscal Services Division regarding projected increases in fuel costs by State agencies.

- **Appropriation transfers:**
 - Beth Lenstra, Fiscal Services Division, presented information on a proposed transfer of \$499,000 within the Department of Inspections and Appeals relating to Indigent Defense. The transfer was necessary to cover expenses in the Indigent Defense Account.
 - Dave Reynolds, Fiscal Services Division, presented information on a proposed transfer of \$80,000 from the Department of Revenue to the Governor's Office. The transfer was necessary to cover greater than anticipated expenses in the Governor's General Office Account.
- **Department of Human Services (DHS) K-12 Funding:** Received information regarding using the K-12 funding formula for educational costs at the four institutions of the Department of Human Services (DHS) serving children.
 - Lee Tack, Department of Education, provided an overview and answered questions relating to the K-12 special education weighting and how the Department of Human Services (DHS) institutions are incorporated into K-12 funding.
 - Sally Cunningham, DHS, provided information regarding the educational services provided at the Mental Health Institutes at Cherokee and Independence and the two Juvenile Institutions.
- **DHS Department of Justice Investigation:** Sally Cunningham, DHS, reviewed the status of a pending settlement with the Federal Department of Justice for the State Resource Centers at Glenwood and Woodward. The Department will likely need to add staff to bring the facilities into compliance with the Department of Justice ruling. The cost of compliance is currently estimated at \$5.0 million for FY 2005 for additional professional staff at the two Centers. It was noted that more information will be known in the next one to two months.
- **Medicaid:** Jennifer Vermeer, Fiscal Services Division, reviewed various Medical Assistance (Medicaid) related expenditures. This included:
 - The FY 2003 and FY 2004 Medicaid expenditures.
 - The impact from the increase in the federal reimbursement for Medicaid.
 - An update regarding the Healthy and Well Kids in Iowa (*hawk-i*) Program.
 - An update regarding HF 619 (Medicaid Cost Containment Act).
 - The status of the Preferred Drug List (PDL) with HF 619.
- **Senior Living Trust Fund:** Lisa Burk, Fiscal Services Division, reviewed the projected financial status of the Senior Living Trust Fund. It was reported that projected revenues in the Trust Fund are only sufficient to fund existing programs at the FY 2004 levels through FY 2005.
- **Prison Population:** Dick Moore and Lettie Prell, Criminal Juvenile Justice Planning Division, presented the Iowa Prison Population Forecast for FY 2003 through FY 2013 and answered questions from the Committee.
- **Department of Corrections:** John Baldwin, Department of Corrections, provided an update of the expansion projects at the Luster Heights and Clarinda Correctional Facilities. He stated that the projects were proceeding on budget.
- **Wind Energy:** John Pearce, Department of Commerce, presented information on Iowa's wind energy generation capacity and potential capacity expansion.

- **Reinvent Government:** Doug Wulf, Fiscal Services Division, provided the periodic update concerning implementation of the Reinvention of Government Act (HF 453).
- **Iowa Communications Network:** John Gillispie, Director of the Iowa Communications Network (ICN), updated the Committee on the alternatives reviewed by the ICN Ad Hoc Discussion Group. The Group is examining alternatives associated with the privatization of the ICN.
- **Topic Discussion:** The Committee discussed topics for the October 21 meeting. These included:
 - Revenue Update and Balance Sheets
 - Public Strategies Group (PSG) and local governments
 - Update of Medicaid expenditures and the Healthy and Well Kids in Iowa (*hawk-i*) Program
 - Capitol Security Issues
 - National Highway Traffic Safety Administration Incentives (0.08%)
- **Adjournment:** Motion by Representative Van Fossen to adjourn the meeting at 2:03 p.m. The motion was seconded and passed unanimously.

**Attachments for Legislative Fiscal Committee Meeting
September 23, 2003**

Attachment A – Minutes of the July 29, 2003, meeting
Attachment 1 – General Fund Accruals and Reversions
Attachment 2 – Projected General Fund Balance FY 2003 and FY 2004
Attachment 3 – FY 2005 General Fund Built-Ins
Attachment Provided at Meeting – Revenue Estimating Conference Forecasting
Attachment B – Impact of the Projected Rise in Fuel Costs on State Agencies' FY 2004 Budgets
Attachment C – Appropriations Transfer Notices
Attachment D – Department of Education Power Point regarding K-12 Funding for DHS Institutions
Attachment E – FY 2004 K-12 Funding for DHS Institutions
Attachment F – DHS Educational Budget for Institutions
Attachment G – Federal Department of Justice Report Update for Glenwood and Woodward State Resource Centers
Attachment H – Medicaid FY 2003 Expenditures
Attachment I – Healthy and Well Kids in Iowa (*hawk-i*) Program FY 2003 Expenditures
Attachment J – DHS Medicaid Cost Containment Efforts
Attachment 4 – Federal Prescription Drug Proposals
Attachment K – Senior Living Trust Fund Revenues and Expenditures
Attachment Provided at Meeting – Prison Population Forecast
Attachment L – Status of Wind Generation
Attachment M – Status of Reinvention of Government Act
Attachment Provided at Meeting – August Reinvention Update
Attachment N – Sale of the ICN Concept Paper
Attachment O – Iowa Association of Municipal Utilities – ICN Information
Attachment P – ICN Ad Hoc Discussion Group Matrix
Attachment Q – LSA *Issue Review* – Update on the ICN
Attachment R – October and December Meetings Proposed Topics

Attachments provided to the Committee for information:

Military Pay Differential information from the Department of Revenue and Finance
Charter Agency Memo on Savings
Charter Agency Benefits and Flexibilities
Charter Agency Frequently Asked Questions
PSG – Local Government Savings Strategies