

MINUTES
LEGISLATIVE FISCAL COMMITTEE
OF THE LEGISLATIVE COUNCIL
August 29, 2001

The Legislative Fiscal Committee of the Legislative Council met August 29, 2001, in Room 116 of the State Capitol. Co-chairperson, Senator Jeff Lamberti, called the meeting to order at 10:05 a.m. Other members present were:

Representative Dave Millage, Co-chairperson
Senator Dick Dearden
(designee for Senator Pat Harper)
Senator Tom Flynn
Senator Paul McKinley
(designee for Senator Larry McKibben)
Representative Pat Murphy
Representative Don Shoultz
Representative James Van Fossen

APPROVAL OF MINUTES

Representative Van Fossen made a motion to approve the minutes of the meeting July 24, 2001, (**Attachment A**). The minutes were approved.

REVENUE UPDATE

Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), presented a revenue update. Mr. Prouty stated that revenues to date are down 5.0%. **Attachment B** is a balance sheet showing a comparison of the General Fund with the Governor's original recommendations for FY 2002, and current law at that time. The Governor's recommendation in January was an ending balance of \$93.5 million, after the Revenue Estimating Conference (REC) meeting in March, the Governor's revised budget in March was reduced to an \$8.2 million FY 2002 ending balance. At the end of the 2001 Legislative Session, \$8.9 million was the estimated ending balance. The balance sheet was updated to show actual receipts of \$16.0 million less than projected, leaving a negative ending balance of \$7.6 million, with reversions, accruals, and refunds still to be determined.

The REC will meet in October to review the FY 2002 and make an initial projection for FY 2003.

APPROPRIATIONS TRANSFERS

Holly Lyons, LFB, reviewed five notices of proposed transfers of funds under Section 8.39, Code of Iowa, that have been received by the LFB since the last Committee meeting (**Attachments C, D, E, and 1**).

- **Attachment C** is a summary of the 8.39 transfers for FY 2001.
- Transfer not to exceed \$536,071 to the Parks Division (\$386,071) and the Environmental Protection Division (\$150,000) from the Department of Natural Resources, Administrative Division (\$200,000), Forestry Division (\$150,000) and the Energy & Geological Resources Division (\$100,000) and the Department of Education, General Administration (\$86,071). *Actual transfer amount is \$341,071. See Attachment 1.*
- Transfer not to exceed \$31,000 to the Department of General Services, Utilities Account from the Department of General Services, Operations Account.
- Transfer not to exceed \$475,000 to the Department of Inspections and Appeals, Indigent Defense, from the Department of Corrections, Fort Dodge Institution.
- Tobacco Settlement Fund - Department of Human Services - A total of \$5,236,329 to the Hospital Rate Increase (\$4,827,852) and to the to non-institutional providers (\$408,477) reimbursed under the resource-based relative value system. Transfer is made from Home Habilitative Day Care (\$4,126,174), Respite Care (\$897,602, Critical Access Hospitals (\$156,925), and other provider increases transferred (\$55,628).
- Transfer not to exceed \$75,000 to the Mental Health Institute at Independence from the Eldora (\$30,000), Toledo (\$10,000) and the State Cases Program (\$35,000).
- **Attachment 2** relates to the Medical Assistance Program for FY 2001.

LEASE PURCHASE NOTIFICATION

Dave Reynolds, LFB, reviewed a Lease Purchase Notification (**Attachment F**)

- \$592,000 for the Department of Human Services to purchase a freezer addition to the Central Distribution Center at the Woodward Resource Center.

MEDICAL ASSISTANCE

Director Jessie Rasmussen, and Jan Clausen, Department of Human Services (DHS), were present to answer questions regarding the \$19.9 million Code of Iowa, Section 8.39, transfer to the Medical Assistance Program from other appropriations in the Department (**Attachments G and 2**).

- **What does the DHS project the FY 2002 State dollar deficit in the Medical Assistance Program to be? What does the Governor plan to do for FY 2002 to cover this deficit? (i.e. supplemental or spending reductions)**

The Department is working on a projected funding level need for FY 2002. At this point it is assumed there is the potential for a shortfall given the number of Iowans eligible for Medicaid is 16,808 more in the first month of FY 2002 than was assumed in the budget. The Department is using a number of strategies to determine a projected year-end estimate,

including analyzing the reasons for the growth in the number of Iowans eligible for Medicaid. The growth has been most significant in children receiving Title XIX funded services. The Department is working to identify the causes of the growth to determine if an assumption of continued growth at the FY 2001 level is appropriate. The Department continues to review multiple cost containment options both for FY 2002 and 2003 with a goal to manage the Program within the funds available. Preliminary estimates indicate a potential funding shortfall of \$20.0 to \$25.0 million in FY 2002. The Department is also surveying other states concerning shortfalls and projections.

Hospitalization has been one of the largest areas of shortfall. The Department is looking for additional strategies to bring more federal dollars into Iowa to help offset the shortfall.

Ms. Rasmussen will provide information on how many days Medicaid recipients are in hospitals. Medicaid recipients are to have a choice between HMOs and other products that are offered. Medicaid is treated as a health insurance provider, either the fee-for-service provider or the HMO. Representative Millage suggested that the Department and the Legislature work with Iowa's Congressional delegation on waivers to get relief from program requirements that are causing such large increases in costs.

Approximately 40% of HAWK-I applicants are Medicaid eligible. Federal Government officials have been asked if there is any opportunity for people to choose the HAWK-I Program as opposed to Medicaid and the responses have been no.

Once participants are approved, they remain eligible for one year, regardless of income. Recipients are required to turn in paper work whether or not there is a change in status. This has resulted in an increase in people accessing health care.

A workgroup of legislators, staff, and Executive Branch officials has been suggested but not appointed to share strategies in dealing with the Medicaid shortfall and cost containment.

- **Provide an explanation/detail of the source of the \$4.0 million in DHS appropriations transfers to offset the SFY01 Medical Assistance shortfall and the impact to those programs.**

The following transfers have been requested:

Child Support Recovery	\$1,000,000
General Administration	700,000
Field Operations	150,000
Child & Family Services	150,000
Reactive Attachment Training	48,300
MI Special Services	40,000
Mi/MR/DD State Cases	300,000
State Supplementary Assistance	80,000
Family Investment Program	300,000
Volunteers	25,000

A shortfall of \$3.9 million in Medicaid was projected in March. To offset that shortfall within the appropriation of DHS, in the Child Support Recovery Unit, General Administration and Field Operations, a hiring, purchasing, and travel freeze was implemented in March. As a result of these savings, the budget was \$1.2 million higher than budgeted.

There is approximately \$600.0 million uncollected for child support. Because there are no legal entities that allow child support debt to be written off, the balance is high.

Iowa ranks third in the United States in court orders for child support collections and 13th in the United States for child support collections in the first month they are due.

The actual appropriation transfer was for \$2.9 million.

- **Provide the impact of the transfer from the Nursing Facility Conversion to offset the shortfall in Medical Assistance on the Senior Living Program.**

This transfer has no affect on the Senior Living Program. The Department's commitment to a total of \$80.0 million for nursing facility conversion over the four-year period and the availability of funds to honor that commitment are unchanged.

FY 2002 SPENDING REDUCTION PLANS AND LAYOFF PLANS

Ron Robinson, LFB reviewed **Attachment H, A Special Edition of the Fiscal Update**. This **Update** focused on the revised spending plans and layoff plans by the Executive Branch, focusing on the General Fund impact. A copy is located at <http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>. Elected officials were not required to file a revised plan. This document will be updated before the Legislative Session in January 2002.

A breakdown on the front line positions, such as case workers, child abuse investigators, corrections officers, was requested in regard to the impact of direct service to customers. Also requested was a review of unfilled positions before the start of the current fiscal year compared to the current position was requested. Information on overtime for employees was also requested, particularly correctional officers.

Many unfunded vacant positions in Corrections were eliminated. Beth Lenstra, LFB, will provide Committee members with more information as to if these vacancies have been there for an extended period of time or if they occurred during the last fiscal year. There is a 45% to 50% turnover in personnel in the correctional institutions including correctional officers.

More information was requested on agencies contracting with outside vendors, privatization and actual cost savings. An additional column for attrition information should be included in this report.

MONTHLY WORKFORCE ATTRITION PROGRAM REPORT

Holly Lyons, LFB, reviewed the monthly Workforce Attrition Program Report (**Attachment I**). The Program was established by a bill that was passed during the Special 2001 Legislative Session. The Act requires a monthly report to the Legislative Fiscal Committee and the Legislative Fiscal Bureau.

Randy Bauer, Department of Management (DOM), explained this is a new Program and DOM is still working on how to present it on a month-to-month basis. Departments are to inform DOM when they have a person in a position to retire. The DOM will determine if that position can be filled or remain vacant.

Departments are directed to deposit into a fund, the balance between payments owed to the employee and the budgeted funds for that position. Approximately ten waiver requests have been received by DOM, two have been granted.

LUNCH

The Committee recessed for lunch at 11:30. Senator Lamberti reconvened the meeting at 12:35 p.m.

DEPARTMENT OF REVENUE AND FINANCE

Mike Lipsman, Department of Revenue and Finance presented the following:

- Impact of Federal Tax Relief Act (*Attachment J*).
- Report on Tax Expenditures.

Mr. Lipsman responded to several questions. The Federal Tax rebate only takes care of individuals that had a tax liability on their 2000 federal return. Some people claimed as dependents on another return, will not be receiving a rebate. Tax withholding by the federal government is not affected by the new 10% bracket until January 1, 2002. The state death phase out tax becomes effective January 1, 2002, with a 25% increase each year for four years.

SENIOR LIVING TRUST FUND

Lisa Burk and Sam Leto, LFB, reviewed an *Issue Review*, "Senior Living Trust Fund" (*Attachment K*). This *Issue Review* provides an overview of Iowa's Senior Living Trust Fund, the Senior Living Program, and price-based case-mix nursing facility reimbursement.

Attachment L is a response from the Health Care Financing Administration Regional Office relating to federal guidelines to a state's use of the funds and what federal monitoring or auditing is done.

Judith Conlin, Director, Department of Elder Affairs, reviewed **Attachments M through R**. **Attachment M** is a review of the Senior Living Program for Fiscal Year 2001, Year to Date Combined Monthly Totals, from October 2000 through June 30, 2001. **Attachment N** is a Senior Living Program, Fiscal Year 2002 Projected Units of Service. **Attachment O** provides information on a Certified Nurse Aide Recruitment/Retention Project. **Attachment P** provides answers to questions regarding Elder Abuse Initiative. **Attachment Q** is an update on Elder Abuse Initiative. **Attachment R** provides information provided to Commissioners to the Iowa Department of Elder Affairs for consideration.

Jessie Rasmussen, Director, and Jan Clausen, Fiscal Management Division, Department of Human Services, were present to respond to questions.

TOBACCO SECURITIZATION UPDATE

Beth Lenstra, LFB, presented a Tobacco Securitization update (**Attachment 3**).

NEXT MEETING

The Committee discussed topics for the September 26 meeting scheduled to meet at the University of Northern Iowa. Following are suggested topics:

- Explicit information from the Board of Regents regarding plans for layoffs and status of layoff plans.
- Information from Regents as to where all funds come from, including tuition, state appropriations, federal grants, support from foundations; temporary treasurer's investments and the expenditures of these funds.
- How community colleges make decisions for tuition increases, how they arrive at their packages, what decisions do local boards make. There currently is a law that states if a community college board member dies, there has to be an election to replace that person before the next board meeting. Does this law need to be either changed or reviewed?
- An update on enrollments for the Regents institutions, including a detail of out-of-state enrollments, and in-state enrollments, and how tuition is budgeted.
- Information on University Foundations and community college foundations.
- Information from community colleges regarding where all their funds come from and how they are spent.
- Historical perspective from community colleges and K-12 schools for last five years broken down by category, including school lunch programs. Community colleges include administrative fees, on the job training fees, etc.

FUTURE MEETINGS

The Committee discussed topics for the October 24 meeting in Des Moines, and the November 28 meeting (justice issues).

Possible topics include:

- Human Services issues for October.
- State agencies review of FY 2002 to date.
- Report from the Iowa/Washington D.C. office on federal issues.
- The possibility of changing the November 28 meeting to November 27.
- Before next Legislative Session in January 2002, a Fiscal Update on spending and layoff plans, contracts and privatization, including a report from the Governor's Office on what they are doing and where they are in terms of budget work.
- Update on the Workforce Attrition Program.
- Update on Tobacco securitization.
- November meeting will be primarily Justice/corrections issues.

- A representative from the Department of Natural Resources to provide an update on what they are looking at spending \$1.0 million on the destination park.
- A possible report on the budget for FY 2003 if available.
- November meeting will be at Fort Madison.
- More information from Corrections on plan for layoffs and budget reductions.
- More information from the Department of Public Safety on plans for layoffs and budget reductions.

OTHER BUSINESS:

Attachment S, a followup from Mary Bryant, IOHSA Administrator.

Attachment 4, information on Community College tuition increases.

These two documents were for informational purposes only.

Dennis Prouty, LFB, explained the contents of a CD rom now available from the Legislative Fiscal Bureau. It contains a detail of 2001 Legislative Session Summary; Factbook 2000; *Issue Reviews* completed in 2000; and Fiscal Facts 2001.

ADJOURNMENT

Representative Van Fossen made a motion to adjourn the meeting at 1:40 p.m. The motion carried.