



STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR
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DEPARTMENT OF MANAGEMENT
CYNTHIA P. EISENHAUER, DIRECTOR

October 3, 2003

The Honorable Jeff Lamberti
State Senator
910 E. First Street, Suite 210
Ankeny, Iowa 50021

The Honorable Bill Dix
State Representative
317 S. Walnut
Shell Rock, Iowa 50670

Dear Senator Lamberti and Representative Dix:

I thought you might appreciate an update on Charter Agency savings and revenue plans. As you know, the departments and divisions designated as Charter Agencies have agreed to either reduce expenditures or increase revenues in return for various operational flexibilities. The following table provides the breakdown on expenditure reduction and revenue enhancements as well as explanation of the rationale and method for determining a baseline for analysis of attainment of the revenue enhancement goal.

Department	Expenditure Reduced	Revenue Increased	Total
Human Services	\$1,000,000		\$ 1,000,000
Corrections	\$ 500,000		\$ 500,000
Natural Resources	\$ 50,000	\$ 150,000	\$ 200,000
Revenue		\$1,000,000	\$ 1,000,000
Veterans Home		\$1,300,000	\$ 1,300,000
Alcoholic Beverages		\$1,250,000	\$ 1,250,000
Uncommitted Grant Funds*	\$1,550,000		\$ 1,750,000
Lottery		\$8,000,000	\$ 8,000,000
All Departments Total			\$14,800,000

* It is possible that DPS may choose to become a charter agency depending on the level of federal funding received in which case their General Fund expenditures will be reduced by \$200,000 bringing the total amount of savings and revenue to \$15 million.

Department of Human Services (DHS)

As with all the Charter Agencies, the DHS will utilize various flexibilities to achieve savings. At the current time, it is not possible to specifically identify which appropriations will be reduced because of these efficiencies. Because it is their largest (and hence most flexible) appropriation, the DHS has currently reduced the general fund appropriation for Medical Assistance by \$1,000,000, but this will ultimately not be the source of their reduction. The Department will make transfers from other appropriations to Medical Assistance that total \$1,000,000 during the current fiscal year.

Department of Corrections

The Department has chosen to apply its \$500,000 reduction proportionally among appropriations to its facilities, central office, and community based corrections districts. It expects that each entity will use their flexibilities to achieve proportionate levels of savings.

Department of Natural Resources (DNR)

Because the DNR has a single general fund appropriation, it will be reduced by \$50,000. The DNR is still formulating the specifics of its revenue enhancement, and we will provide you that information within the next week.

Department of Revenue

The Department of Revenue has identified two methods for achieving its target of an additional \$1,000,000 in revenue. The Department will reduce the amount of interest paid out on refunds by more quickly issuing refunds. As a baseline, the Department will use FY 2002 and 2003 timelines for issuing refunds and then compare them to FY 2004 timelines. For example, if it took an average of eight months to issue refunds in 2003 and six months in 2004, the State will have saved an average of 1.2%. This will be multiplied by the amount of tax refunded to determine interest savings.

The second method for increasing revenue will be through assessments from audit programs. The Department will identify the new examiners hired, assign them an audit program that the Department would not have been able to do without the additional hiring. Revenue collected from these new audit programs will be counted towards the \$1 million.

Veterans Home

The Iowa Veterans Home has a single general fund appropriation. It will be reduced by \$1,300,000. Because the Veterans Home is on net budgeting, additional revenue they generate may be utilized by the Veterans Home for program and staff costs.

Alcoholic Beverages Division (ABD), Department of Commerce

ABD calculates that their status quo baseline is \$38,770,313. This represents the net of the total ABD transfer of \$49,000,000 minus license sales (\$9,033,587), local authority payments (\$2,605,231), Sunday sales transfers (\$766,000), and wine tax receipts (\$4,567,331). Their Charter Agency revenue target is \$40,020,313. ABD has identified several methods for attaining this level of additional revenue. These include implementing a variable wholesale liquor market program; increasing investment in supplier-discounted products; increasing the current split case fee; selling division assets; decreasing operating expenses through the utilization of technology; and, with the approval of the Department of Management, leasing office or warehouse space to state agencies.

As always, please feel free to contact me if you have any questions.

Sincerely,

Cynthia P. Eisenhauer