

FISCAL UPDATE

August 21, 2003

Legislative Services Agency

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

CHARTER AGENCY UPDATE

Charter Agencies

Charter Agency

The Department of Management (DOM) has announced the General Fund decreases from the Departments that are Charter Agencies. The reductions are as follows:

- Department of Natural Resources: \$200,000
- Department of Revenue and Finance: \$1,000,000
- Department of Public Safety: \$200,000
- Department of Corrections: \$500,000
- Department of Human Services: \$1,000,000
- Iowa Veterans Home: \$1,300,000
- Alcoholic Beverages Division: \$1,250,000
- Grants to Charter Agencies from the \$3.0 million appropriation: \$1,550,000

General Fund

With the \$8.0 million in additional revenue required from the Iowa Lottery Authority, this provides the \$15.0 million as required in SF 453 (Reinvention of Government Act). Upon release of which budget units the Departments intend to reduce to meet the specified reductions, additional information will be provided. The DOM has also released a list of 39 items delineating the flexibility the Charter Agencies will receive. There will be a link on the General Assembly's web site to the Charter and Public Strategies Group (PSG) information.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Douglas Wulf (Ext. 13250)

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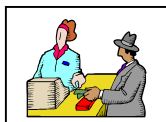
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STREAMLINED SALES TAX PROJECT UPDATE

Sales Tax

Iowa adopted a model Streamlined Sales Tax Project (SSTP) as part of HF 683 (Economic Development, Taxation, Financial, and Regulatory Reform Act). The Act provided standard definitions and procedures for non-nexus out-of-state retailers to use in collecting and remitting sales tax to participating states. Retailer participation in the Project agreement is voluntary.

National Update



The agreement is to become effective when at least 10 states representing at least 20.0% of the population of the 45 sales tax states have enacted compliance legislation. According to the July 11, 2003, edition of the Iowa Taxpayers Association *Legislative Bulletin*, 17 states with a sufficient 20.4% of the population have adopted the agreement. When the agreement would become effective is currently at issue, as the enabling legislation in several states contained future effective dates. Iowa's effective date is July 1, 2004.

Increased Taxes

Once the agreement becomes effective and as long as out-of-state retailers agree to participate, Iowa and the other compliance states should begin to receive additional sales and use tax revenue. The amount of revenue will depend on the level of voluntary retailer participation and the sales volume from the State.

Current System

The sales and use tax collected and remitted will be taxes due from the consumer under current law. As the sales and use tax system currently operates, the consumer rarely remits the tax to the State.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

AUGUST MEETING OF THE COUNCIL ON HUMAN SERVICES

Human Services Council



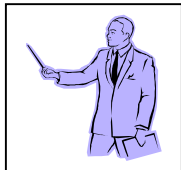
The Council on Human Services met August 13 and conducted the following business:

- Adopted the following administrative rules:
 - Changes to reporting requirements for food stamps. The fiscal impact is estimated to be \$87,000 in additional federal funds.
 - Placed the following administrative rules on notice for adoption at a future meeting:
 - The application of credits in county billings for institutions or programs operating under net budgeting. There is no fiscal impact.
 - Continuation of the parental child support obligation pilot projects. There is no fiscal impact compared to the existing pilot project funded by \$100,000 of Temporary Assistance to Needy Families (TANF) funds.
 - Updates to procedures relating to recovery of overpayments within the PROMISE JOBS Program, the Healthy and Well Kids in Iowa (*hawk-i*) Program, and the State Income Offset Program. There is an anticipated annual savings of \$12,000 in federal funds.

- Received an update regarding the Child Welfare Redesign required by SF 453 (Reinvention of Government Act).
- Received an update regarding the Mental Health Redesign.
- Received an update regarding the Medicaid Preferred Drug List (PDL) required in HF 619 (Medicaid Cost Containment Act). Medicaid Director Gene Gessow indicated that:



- The current fiscal agent (ACS/Consultec) has agreed to amend the current contract to increase the number of pharmaceuticals placed on the prior authorization list and to have a portion of the amendment to the contract be a performance-based contract, with payments to the fiscal agent dependent on savings to the Medicaid Program. Changes will be initiated in January 2004. The number of prior authorizations is predicted to increase from the current 5,000, to 20,000 per month.
- The estimated annual savings of \$7.0 million may not be feasible in FY 2004 and will be more likely in FY 2005.
- The changes to the existing fiscal agent contract will not impact the planned issuance of a new Request for Proposal (RFP) for the Medicaid fiscal agent in lieu of a contract extension.
- Mental health pharmaceuticals may not be exempted from the prior authorization process in the future.
- Received information regarding the Iowa Youth Connection Council.
- Discussed concerns of the members, including:
 - The importance of prevention programs and the need to focus resources on these programs, as well as providing follow-up after treatment programs.
 - Front-line social worker staff ratios to both supervisors and caseloads.
 - Recipient fees paid for child care assistance.
 - Opportunities to reduce health care costs through home delivery and distribution of certain medications.
- Heard from Director Concannon regarding:



- Plans to strengthen operation of the 800-telephone line for child protection, which is currently staffed after hours by a switchboard operator at the Eldora Training School.
- Status of budget preparations that are anticipated to be available to the Council at the September meeting.
- Status of negotiations with the federal Department of Justice in regard to the operations of the Glenwood and Woodward Institutions.
- Status of the transfer of clients from Oakdale to Cherokee for the Sexual Predator Commitment Program scheduled to begin September 15.
- Distribution of Healthy and Well Kids in Iowa (*hawk-i*) Program applications to all public and private schools in the State.
- Update on the conversion of the food stamp process to Electronic Benefit Transfer (EBT).

- Update on the agreement for the Department to be a Charter Agency that may free the Department from certain regulatory processes, especially in the area of contracting.
- Response to the initial findings of the federal Office of Inspector General.

Next Meeting

The next meeting of the Council is scheduled for September 9 and 10, which is anticipated to include discussion and adoption of the FY 2005 proposed budget for the Department of Human Services.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Jennifer Vermeer (Ext. 14611)
Lisa Burk (Ext. 17942)

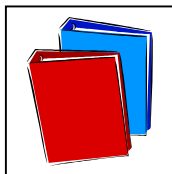
STATE BOARD OF HEALTH HOLDS MEETING

State Heath Board



The State Board of Health met on July 9 and conducted the following business:

- Reelected current President Ted George and Vice President Cheryll Jones to serve as officers for the Board.
- Heard from Director Hansen regarding:
 - The development of an advocacy versus lobbying packet and grassroots efforts with local Boards of Health.
 - The development of a Department program description book that will include those served and the funds associated with the programs.
 - Obesity as a public health issue and efforts to work with businesses and employers, and provide public health messages with regard to the issue.
 - The need for the development of and resources for a database to include public health issues, as well as research and project information.
- Received information regarding all legislation passed and enacted during the 2003 Session that related to the Department of Public Health.
- Received an update that meetings would be held to develop a report to the Government Oversight Committee regarding a potential Department merger with the Department of Human Services (DHS).
- Received an update on the following diseases: West Nile, Monkey Pox, and Severe Acute Respiratory Syndrome (SARS). To date for 2003, there have been three wild birds and one chicken that tested positive for West Nile, but cases are not expected to peak until August and September. In addition, there have been no reported cases of human or animal Monkey Pox and all animals that were associated with the disease were removed from the State. Also, there have been no cases of SARS in Iowa.
- Received information on the completed Statewide Bioterrorism Needs Assessment.
- Received an update on preparations for the Barn Raising IV Conference to be held August 14 and 15 in Des Moines, as well as the status of the "Lighten Up Iowa Campaign."
- Received an update regarding the Department's role with the workgroup designed to address the federal Olmstead Decision and Executive Order 27.



- Adopted administrative rules with regard to the following:
 - Out-of-Hospital Do-Not-Resuscitate Orders
 - Immunization of Persons Attending Elementary or Secondary Schools or Licensed Child Care
 - Minimum Physical Standards for Residential Care Facilities and for Nursing Facilities

Next Meeting

The next meeting will be held on September 10.

STAFF CONTACT: Lisa Burk (Ext. 17942)

STATE EMPOWERMENT BOARD MEETING**State Empowerment**

The State Empowerment Board met on July 11 and conducted the following business:

- Increased the number of Board meetings from four to six per year. January 9, March 5, May 7, July 9, and September 10 were chosen as the dates for the meetings to be held in 2004, with the November meeting date to be determined.
- Received a presentation commemorating the fifth anniversary of Community Empowerment that noted accomplished goals and future objectives.
- Received presentations and discussed information with State and local members of the North Carolina Partnership for Children regarding the North Carolina Smart Start Program.

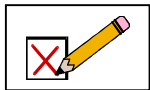
More Information

The next meeting will be held on October 3.

STAFF CONTACT: Lisa Burk (Ext. 17942)

**CHILD WELFARE AND JUVENILE JUSTICE SYSTEM
REDESIGN – BETTER RESULTS FOR KIDS IN THE 21ST
CENTURY UPDATE****Child Welfare**

The project to redesign Iowa's Child Welfare and Juvenile Justice System has been given a formal name, "Better Results for Kids in the 21st Century." Senate File 453 (Government Reinvention Act) required the Department of Human Services (DHS) to redesign child welfare and juvenile justice services into an outcomes-based system with implementation to begin in January 2004. The DHS reports the project is on schedule and the new design and implementation plan will be available in October 2003.

Redesign Goals

Senate File 453 identified six purposes for the redesign that ranged from safety for children to accountability to communities, included design principles, and required that a Stakeholder Panel be created to do the following:

- Ensure that those who have a "stake" or interest in the system have a voice in the DHS redesign process.
- Represent and articulate a wide spectrum of perspectives in child welfare and juvenile justice.

- Give honest and open feedback about concepts and proposed design elements.

Stakeholder Panel

The project began with a listening phase that gathered responses from town meetings, focus groups, and individual interviews that were shared with a 65-member Stakeholder Panel. The Stakeholder Panel has held three meetings, with the next scheduled for August 28 in Des Moines. Several providers are included on the Stakeholder Panel, but an additional meeting was held on July 24 for providers with current contracts with the State for child welfare and juvenile delinquency services to gather additional input.

Steering Committee

A Steering Committee to advise and consult on all aspects of the redesign was also established by DHS Director Concannon. Two meetings have been held where updates on the current status of the redesign project, the Steering Committee's role, the process planned for the redesign, and target dates were provided. The next meeting is scheduled for September 4 in Des Moines.

Design Team



A design team of up to 16 individuals will meet on August 18 and 19 in Williamsburg to brainstorm about the design of the new system. The team will consist of three members from the DHS, three members from juvenile court services, three members from the Public Strategies Group (PSG), up to five individuals from outside the State that work in child welfare services, and one individual from outside the field. The Steering Committee and the Stakeholder Panel will review proposals developed by the design team and an additional public forum will be scheduled to provide input on the proposed design.

Monitoring Committee

Senate File 453 also required a Legislative Monitoring Committee be appointed to oversee the redesign project. Members of the Monitoring Committee include Senators Veenstra, Tinsman, and Hatch, and Representatives Heaton, Boal, Foege, and Heddens. The Monitoring Committee is scheduled to meet on August 18 in Des Moines.

More Information

Information regarding the progress of redesign efforts can also be accessed on the DHS web site at:
<http://www.dhs.state.ia.us/BetterResultsforKids/default.asp>.

STAFF CONTACT: Lisa Burk (Ext. 17942)

FY 2003 IOWA COMMUNICATIONS NETWORK BUDGET REPORT


ICN Budget



The Iowa Communications Network (ICN) Budget Report is prepared on a modified accrual basis. All revenue and expenses are reported on full accrual basis and equipment expenses are recorded at purchase price. Using this method, the budget-to-actual report shows net cash from operations of \$3.7 million, with net cash from operations and equipment purchases of \$1.1 million.

Video Subsidies

In an effort to reduce the reliance on General Funds, the ICN reduced its video subsidization by \$1.1 million in FY 2003. The ICN also decreased revenues in voice services by \$750,000 and video receipts by \$2.3 million. The reduction in FY 2003 was due to the ICN customers' eligibility for Universal Service Account Carrier (USAC) discounts on video services.

Video Services	The FY 2003 Video Services revenues were 2.7% under budget projections, but 73.9% ahead of billings in FY 2002. Higher education billings for video were 9.5% ahead of projections. The K-12 USAC video billings were 9.7% below budget projections.
Voice Services	The FY 2003 Voice Services revenues were 1.9% under budget projections and \$750,000 less than in FY 2002. The largest sources of revenue are toll free usage, local access, and inmate calling.
Data Services	The FY 2003 Data Services revenues were below budget projections by 5.4% and behind FY 2002 by \$23,000. Revenue from Subscription Services was 5.2% ahead of budget projections and the same as FY 2002.
Installation Charges	The FY 2003 Installation Charges revenue was 42.2% ahead of budget projections. The primary source of revenue was the installation of telephones.
Indirect Expenses	The ICN indirect expenses were 12.2% under budget for FY 2003. This was primarily due to plant expenses being \$809,000 under budget projections and system maintenance being \$439,000 under budget projections. General administrative expenses were 6.2% under budget projections, primarily due to vacancy factor savings.
	
More Information	Additional information or a copy of the report is available from the LSA upon request.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

DEPARTMENT OF CORRECTIONS – REALLOCATION NOTICE

Fund Reallocation



The Legislative Services Agency (LSA), Fiscal Services, was recently notified of several reallocations of funds within the Prison and the Community-Based Corrections (CBC) Systems. A total of \$472,000 was reallocated within the Prison System as follows:

Money allocated from the following:

- \$260,000 from the Fort Dodge Correctional Facility. The Facility had funds available to transfer due to savings in the support budget, such as equipment, outside repairs, and supplies, plus salary savings due to high staff turnover.
- \$125,000 from the Newton Correctional Facility. The Facility had funds available to transfer due to savings in the support budget, such as travel, supplies, food, and outside services.
- \$87,000 from the Iowa State Penitentiary. The Facility had funds available to transfer due to savings in the supplies line item.

Money allocated to the following:

- \$200,000 to the Iowa Medical Classification Center at Oakdale. The Facility overspent the salary budget and certain line items within the support budget.
- \$40,000 to the Clarinda Correctional Facility due to a shortfall in the professional services line item.

- \$154,000 to the Iowa Correctional Institution for Women at Mitchellville. The Facility's support budget was overspent for items such as food, drugs and biologicals, and outside services.
- \$60,000 to the North Central Correctional Facility at Rockwell City. The Facility's support budget was overspent for such items as food, supplies, professional and scientific services, and outside services.
- \$18,000 to the Federal Prisoners Contractual Account. The Account reimburses the federal Bureau of Prisons for housing high-risk Iowa inmates. The cost of housing these prisoners in the federal system has increased.

CBC Systems



A total of \$275,000 was reallocated within the CBC system as follows:

Money allocated from the following:

- \$50,000 from the Fifth CBC District Department due to salary savings generated from vacant positions.
- \$225,000 from the Fourth CBC District Department due to not opening the new Women's Residential Facility in Council Bluffs.

Money allocated to the following:

- \$50,000 to the Sixth CBC District Department due to overspending the salary budget.
- \$145,000 to the First CBC District Department due to overspending the salary budget and local income not meeting anticipated levels.
- \$80,000 to the Eighth CBC District Department due to overspending the salary budget.

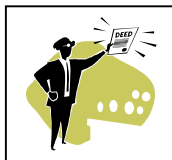
More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

STATE PUBLIC DEFENDER'S OFFICE – REALLOCATION NOTICE

Fund Reallocation



More Information

The Legislative Services Agency (LSA), Fiscal Services, was recently notified of a reallocation of \$200,000 from the Indigent Defense Fund to the Office of the State Public Defender. The FY 2003 reallocation is required due to an increase in the number of cases handled by local public defender offices. It is less expensive for local public defenders to provide counsel to indigent defendants (\$224 per case) than for private sector attorneys (\$446 per case).

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

2002 JUDICIAL BRANCH ANNUAL COURT CASE FILING REPORT

Annual Report



The Judicial Branch released its 2002 Annual Report on July 28. The 2002 filings for civil and criminal cases increased, while case filings for juvenile, probate, small claims, and simple misdemeanors decreased. The overall case filings totaled 1,073,341. Case filings increased by 7,909 filings, or 0.7% overall, compared to 2001.

Criminal Filings

Criminal filings increased from 85,466 filings in 2001 to 87,921 (3.0%) in 2002. Felonies increased from 23,402 filings in 2001 to 26,423 (12.9%) filings in 2002. First and Second offense OWI (Operating While Intoxicated) increased by 408 cases, while Third offense OWI filings increased by 134 cases. Drunk driving cases represented 23.0% of the criminal docket in 2002. Twenty percent of the criminal filings involved illegal drugs. There were 733 sexual abuse felony filings and 6,256 domestic abuse indictable criminal cases.

Civil Filings

In 2002, there were 75,615 civil filings. This was an increase of 3.4% compared to 2001 filings. Of this amount, 48,126 were domestic relations cases and 27,489 were law and equity matters. Fifty-five percent of the tort cases involved motor vehicles.

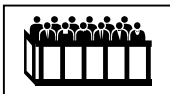
Juvenile Filings

In 2002, there were 12,329 juvenile filings. This is a decrease of 1.2% compared to the 2001 filings. Of this amount, 7,022 were delinquency filings, 5,234 were Children in Need of Assistance filings, and 73 were other child welfare matters. Twenty-seven percent of the delinquency matters involved violence and 22.0% of the cases were drug and alcohol related. There were 1,924 actions to terminate parental rights. Over the last two years, there has been a 49.0% increase in termination cases. There were 7,971 hospitalization and commitment proceedings. Of the 7,022 cases concerning hospitalization or commitment of adults, 28.0%, or 2,022 cases, were related to substance abuse.

Simple Misdemeanors

There were 783,273 simple misdemeanor cases (including scheduled violations). Sixty-two percent of the simple misdemeanors (486,792) involved violations. Other statutory misdemeanors represented the remaining 11.0% (83,779). Domestic abuse matters accounted for 3,834 simple misdemeanor filings.

Jury Trials



In 2002, there were 938 jury trials. There were 338 civil jury trials (eight-person jury), 484 criminal jury trials (12 person jury), and 116 simple misdemeanor trials (six-person jury). The decrease in the number of jury trials from 2001 to 2002 was 1.9%.

More Information

Additional information is available from the LSA upon request. The Judicial Branch 2002 Annual Statistic Report is available on the web site at: <http://www.judicial.state.ia.us/orders/reports>.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

CRIMINAL JUSTICE INFORMATION SYSTEM MEMORANDUM OF UNDERSTANDING

Criminal Justice



The Memorandum of Understanding is the first step in developing a Statewide-integrated criminal justice information system. The Crime Identification Technology Act, Public Law 105-251, authorized federal grants for the State to promote the integration of justice system information and identification technology.

The Governor's Office and the Judicial Branch have agreed to establish a governance structure to guide the design, development, and implementation. A broad representative advisory committee will devise strategies and make recommendations to the Executive Board. The Board will include the Governor, the Chief Justice of the Iowa Supreme Court, the Director of Administrative Services, and the State Court Administrator, and will review recommendations submitted by the Advisory Committee.

The Advisory Committee will be comprised of four representatives of the Judicial Branch, four representatives of the Executive Branch, one representative from the Iowa County Attorney's Association, one from the Iowa State Sheriff's and Deputies Association, one from the Iowa Association of Chiefs of Police and Peace Officers, one from the Iowa League of Cities, one from the Iowa Association of County Supervisors, two members from the Senate and two from the House of Representatives. Members will serve a three-year term beginning on July 1 of the year the appointment is made.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

**DEPARTMENT OF PUBLIC SAFETY APPEAL BOARD
DECISION****Public Safety**

The Legislative Services Agency, Fiscal Services, received information regarding the June 2003 State Appeal Board settlements and judgments. The Department of Public Safety (DPS) had a total of \$6,600 in funds paid from the General Fund.

The June payments were due to the *Farley v. State* case that included three DPS officers and was related to overtime issues covering a three-year period. The officers were working as sergeants for the Capitol Police Division. The sergeant job classification is a supervisory position. The case has a similar argument as the *Raper v. State* case that dealt with Patrol supervisors being denied overtime pay. *Farley v. State* was handled separately from other overtime cases.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

AUGUST BOARD OF CORRECTIONS MEETING**Corrections Board**

The Board of Corrections met on August 1 at the Iowa Medical Classification Center at Oakdale. Warden Rusty Rogerson welcomed the Board to the facility and provided a brief overview of the services provided. He also updated the Board on the construction of a new 170-bed Special Needs Unit, and noted the establishment of a hospice for inmates that was created through voluntary efforts.

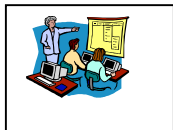
Golden Dome Awards

Director Gary Maynard recognized staff that were either nominated for or had won the Governor's Golden Dome Award. Nominees for Employee of the Year included Rick Frankfurt from the Anamosa State Penitentiary and Mike Strabala from the Iowa Medical Classification Center at Oakdale. Winners included James Michael Brown from the Iowa Medical Classification Center at Oakdale and Russ Behrends from the Anamosa State Penitentiary. He also recognized the Iowa Corrections Worker of the Year, as awarded by the Iowa Corrections Association, Margot Bilanin from Oakdale.

Mission Statement

Director Maynard then provided an overview of the vision and mission for the Department of Corrections (DOC). He explained how the vision and mission tie to the State budget request. The Eastern Division of the DOC provided a summary of the FY 2005 budget request. The Eastern Division includes the Iowa State Penitentiary at Fort Madison, the Anamosa State Penitentiary, the Iowa Medical Classification Center at Oakdale, the Mount Pleasant Correctional Facility, and the Newton Correctional Facility. The Eastern Division also includes the First, Sixth, Seventh, and Eighth Community-Based Corrections (CBC) District Departments. The FY 2005 budget highlights include funding for:

- The replacement of FY 2004 salary adjustment funds that had been funded through an appropriation transfer in FY 2004.



- The reduction of the vacancy factor. Institutions and CBC District Departments are required to hold positions vacant due to the under funding of salaries and support budget increases.
- The restoration of funds that were reduced by prior years' budget reductions to restore prison diversion programs in the CBC District Departments.
- The increased pharmaceutical costs in the Institutions.
- The creation of a training position devoted to each Institution and CBC District Department.
- The replacement of expiring federal funds for treatment programs in the CBC District Departments.
- The creation of Institutional programs to enhance offenders' return to the community. These programs include work, mental health, and substance abuse treatment.
- The drug costs of parolees who are released from the Institutions with a prescription.
- The upgrade of the Institutions' telemedicine machines.
- The upgrade of systems in CBC District Departments to support the Iowa Corrections Offender Network (ICON).
- The replacement of vehicle depreciation funds. The DOC was exempt from paying into the Vehicle Depreciation Fund in FY 2002, and depreciation expenses were eliminated from the Institutions' budgets.
- Miscellaneous requests for funding include:
 - The Sixth CBC District Department's Certificate of Participation (COPS) with a State appropriation rather than relying on local income.
 - A rent increase to include repairs at the Davenport Work Release Facility in the Seventh CBC District Department.
 - The restoration of drug testing supplies in the Sixth CBC District Department.
 - The connection of the water system to the city at the Anamosa State Penitentiary.
 - The creation of a Transitional Care Unit at the Iowa Medical Classification Center at Oakdale in space that is being vacated by the Department of Human Services.
 - The supervision of serious misdemeanants in the Seventh CBC District Department.
 - The cost of Hepatitis C testing at the Iowa Medical Classification Center at Oakdale.

Charter Agency



Board members discussed the impact of being named a Charter Agency. The Director indicated he believes the designation will result in improved efficiencies. The DOC is required to reduce the General Fund appropriation to the DOC by \$500,000 as a Charter Agency; however, the Department is permitted to retain 50.0% of the FY 2004 reversion to the General Fund. The

Board is scheduled to meet on September 5 in Marshalltown and September 19 at the Corrections Training Center in West Des Moines.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

STATE SOIL CONSERVATION COMMITTEE SPONSORS TOUR

Conservation Committee

The State Soil Conservation Committee sponsored a tour of various conservation projects in southern Iowa on July 31. Representative Richard Arnold was in attendance. The projects included:

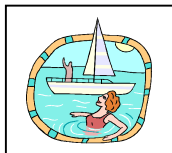
- A tour of a lake restoration cost share project at the Red Haw Lake State Park. This was a joint project between the Department of Agriculture and Land Stewardship, the Department of Natural Resources (DNR), and the federal Natural Resource Conservation Services (NRCS).
- A tour of a farm owned by Corwin Fee located near Attica, Iowa. This demonstration farm includes examples of buffer strips, plow strips, and grazing systems. Cost share funding has been received from the federal Conservation Security Program.
- A tour of several abandoned mines reclamation projects. Currently, there are 230 abandoned mines and 30 reclamation sites in Iowa. Federal funding pays for the majority of the reclamation. In FY 2003, the Department of Agriculture and Land Stewardship received \$1.7 million in federal funds from a General Fund appropriation of \$125,000. Sites toured included:
 - The McVay reclamation project with 75 acres that has been divided into three contracts. This land was strip-mined between 1937 and 1971. The first contract was completed at a cost of \$427,000. The second contract is in progress, with an estimated cost of \$735,000, and the third contract will begin in May 2004, with an



McVay Reclamation site.

estimated cost of \$618,000.

- The Wilcox reclamation project that reclaimed 200 acres that was divided into five contracts. This project began in 1988 and was completed in 1994. The land is used for multiple purposes, such as wildlife habitat, hunting, and fishing.
- The Trinkle reclamation project that reclaimed 104 acres and is in a five-year maintenance program. During the maintenance period, landowners are discouraged from using the land for grazing or other purposes to stabilize the growth of plants and other vegetation.



- A tour of the Lake Rathbun development site that will become the Honey Creek Destination Park. The Park is a joint project of the Rathbun Lake Resort Group, Army Corps of Engineers, the DNR, and the Chariton Valley Resource Conservation and Development Council. The DNR provided an update on the Lake Rathbun watershed projects.
- A tour of various switchgrass sites that are used for the biomass fuel project. Currently, there are 6,000 acres in the project with 1,700 acres being harvested this year. The next switchgrass test fire will be held in December 2004.

Next Meeting

The next meeting will be held on September 4 in Des Moines.

STAFF CONTACT: Debra Kozel (Ext. 16767)

YEAR-END ROAD USE TAX FUND RECEIPTS

Road Fund



Road Use Tax Fund (RUTF) actual receipts increased \$20.6 million (2.0%) in FY 2003 over FY 2002. In comparing actual versus projected receipts for FY 2003, actual receipts were \$11.1 million (1.1%) higher than the DOT's projection. Revenues for Driver's License Fees and Other Fees were significantly higher in FY 2003 compared to FY 2002, while Motor Vehicle Use Tax, Interest, and Motor Carrier Fines had a combined decrease of 6.8%. All other receipts had a combined increase of 3.7%.

Motor Vehicle Use Tax

The FY 2003 Motor Vehicle Use Tax receipts decreased \$15.0 million (6.5%) compared to FY 2002. The decrease can be attributed to a reduction in new vehicle sales. New car and truck sales decreased 10.6% compared to FY 2002, while new multipurpose vehicle sales decreased by 4.4%.

Motor Vehicle Fuel Tax

The FY 2003 Motor Vehicle Fuel Tax revenues increased \$15.8 million (4.0%) compared to FY 2002. The increase is primarily due to a 2.3% increase in fuel consumption compared to FY 2002. Although fuel consumption has increased over the past two years, the growth rate remains modest, mainly due to the increase in the market share of ethanol. The sale of ethanol-blended gasoline increased 14.8% in FY 2003 compared to FY 2002, whereas regular gasoline sales decreased 11.7%. This caused the market share of ethanol to increase from 53.7% in FY 2002 to 60.1% in FY 2003. Since ethanol was taxed at 1.1 cents less than gasoline in FY 2003, increasing the market share of ethanol decreases fuel tax collections. For FY 2004, ethanol is taxed at 1.3 cents less than gasoline.

Taxable Gallons of Fuel Sold
Year End

(Millions of Gallons)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Change</u>	<u>Percent Change</u>
Gasoline	721.6	637.3	-84.3	-11.7%
Ethanol	836.2	959.6	123.4	14.8%
Diesel	559.3	568.7	9.4	1.7%
Total	<u>2,117.1</u>	<u>2,165.6</u>	<u>48.5</u>	<u>2.3%</u>

Market Share of Ethanol to Gasoline	53.7%	60.1%	6.4%	11.9%
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Note: The market share of ethanol is calculated from total gasoline and ethanol sales. Diesel fuel is not included in the calculation.

Driver's License Fees

The FY 2003 Driver's License Fees increased \$4.6 million (54.8%) compared to FY 2002. The increase was primarily due to an increase in the term of driver's license issuance. Effective in FY 2003, the period that a driver's license could be renewed was changed to five years.

Other Revenue Types



Other revenue types experienced a combined increase of \$3.5 million (9.0%) in FY 2003 compared to FY 2002. Interest income decreased \$1.4 million (16.1%), and motor carrier fines decreased \$200,000 (7.7%). These decreases were offset by an increase in underground storage tank fees of \$1.1 million (5.8%), and increases in miscellaneous or other fees of \$4.0 million (48.2%). Other fees include car rental tax, motor vehicle dealer licenses, salvage theft exam fees, and waste tire management fees.

Waste Tire

Waste tire management fees increased from \$500,000 to \$3.1 million in FY 2003 compared to FY 2002 due to legislation passed in 2002. House File 2554 (FY 2002 Tire and Waste Tire Initiatives Act) required that from FY 2003 through FY 2007, 20.0% of funds collected from certificates of title be deposited into the Waste Tire Management Fund, with the remainder deposited into the Road Use Tax Fund.

Receipts

The following table compares actual Road Use Tax Fund receipts by revenue type for FY 2002 and FY 2003. Of the total revenues, 47.5% is allocated to the Primary Road Fund, 32.5% to Secondary and Farm-to-Market Road Funds, and 20.0% to the City Street Fund.

Road Use Tax Fund Receipts

Year End

(Dollars in Millions)

	<u>Actual FY 2002</u>	<u>Actual FY 2003</u>	<u>Change FY 2002 vs. FY 2003</u>	<u>Percent Change</u>
Motor Vehicle Use Tax	\$ 231.4	\$ 216.4	\$ -15.0	-6.5%
Motor Vehicle Fuel Tax	399.0	414.8	15.8	4.0%
Registration/Title Fees & Misc.	358.3	370.0	11.7	3.3%
Underground Tank Fees	19.4	20.5	1.1	5.8%
Driver's License Fees	8.4	13.0	4.6	54.8%
Interest	8.7	7.3	-1.4	-16.1%
Other Fees	8.3	12.3	4.0	48.2%
Motor Carrier Fines	2.6	2.4	-0.2	-7.7%
Total Receipts	<u>\$ 1,036.1</u>	<u>\$ 1,056.7</u>	<u>\$ 20.6</u>	<u>2.0%</u>

Note: Totals may not add due to rounding.

More Information

Additional information is available from the LSA upon request.

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DISTRACTED DRIVING GUIDELINES ISSUED

Cell Phone Usage



The lack of data regarding cell phone use and vehicle crashes has warranted traffic safety officials at the national level to set new guidelines for tracking cell phone use while driving. Although safety officials agree that drivers should avoid using cell phones while driving, the Governors Highway Safety Association, a national policy group, is urging states to refrain from enacting such legislation until further research and data are available.

Uniform Crash Criteria

The Model Minimum Uniform Crash Criteria (MMUCC) Guideline is attempting to collect data on cell phone usage and automobile crashes. The Model Minimum Uniform Crash Criteria Guideline, created in 1998 by the Governors' Highway Safety Association, in conjunction with the National Highway Traffic Safety Administration, the Federal Highway Administration, and the Federal Motor Carrier Safety Administration, is a voluntary set of guidelines that helps states collect consistent, reliable crash data. The guidelines help to more effectively identify traffic safety problems, establish goals and performance measures, and monitor the progress of programs. The guidelines are updated every five years.

Distracted Drivers

The recently published second edition of the Model Minimum Uniform Crash Criteria Guideline includes distracted driver criteria. Law enforcement officers will be asked to check one of the following conditions:

- Not distracted.
- Electronic communication devices (cell phone, pager).
- Other electronic devices (navigation device, palm pilot, etc.).
- Other inside the vehicle.
- Other outside the vehicle.
- Unknown.

Iowa DOT

Due to the complexity and expense of updating Iowa's crash criteria database, the Department of Transportation (DOT) states that the new criteria probably will not be added until the guidelines are revised in 2008, at which time the criteria may be changed or updated.

Iowa Criteria



Although the State will not add the new criteria for at least another five years, Iowa is one of 16 states that already collects crash data on distracted driving, including cell phone use. Prior to 2001, Iowa crash criteria included the category "Distracted or Inattentive Driving." In 2001, the DOT and Department of Public Safety (DPS) expanded the definition to add the following four items, and law enforcement officers were allowed to check two of the four:

- Distracted by passenger.
- Distracted by use of phone or other device.

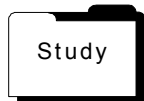
- Distracted by fallen object.
- Fatigued.

National Level

According to the National Conference of State Legislatures (NCSL), in 2002, legislators in 31 states considered approximately 100 bills regarding distracted driving:

- 24 states considered legislation to prohibit the use of handheld phones while driving.
- 11 states considered measures to improve data collection or study the relationship between driver distractions and crashes.
- Five states, including Iowa, looked at legislation that would have increased penalties or negligence for drivers who crash while using cell phones.
- Six states considered prohibiting school bus drivers from using cell phones.
- Six states looked at prohibiting young drivers from using cell phones.

Only five states, however, considered complete prohibition of cell phones and other communications technology while driving.

AAA Study

A recent study released on distracted drivers by the American Automobile Association concluded that cell phone distraction occurred in only 30.0% of the subjects tested. In contrast, 97.0% of those tested leaned over to reach for something, 91.0% played with radio controls, 47.0% read or wrote (mostly while stopped), 46.0% groomed themselves, and 71.0% ate or drank.

More Information

Additional information is available from the LSA upon request.

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CONGRESSIONAL ACTION NEEDED FOR CONTINUATION OF STATE HIGHWAY PROJECTS

Transportation Equity

The Transportation Equity Act of the 21st Century (TEA-21) was enacted in June 1998. The Act authorized spending levels for Iowa's State transportation programs over a six-year period (FFY 1998 through FFY 2003). With the September 30 reauthorization date approaching, and the House and Senate adjourned for the August recess, it is unlikely that a full six-year reauthorization will occur by September 30.

Intermodal Surface

When the Intermodal Surface Transportation Efficiency Act (ISTEA) was set to expire in 1997, the DOT Appropriations Act provided liquidating cash from the Highway Trust Fund to cover new obligations of carryover contract authority balances of state apportioned funds, administrative funds, and balances in allocated programs. The Transportation Equity Act of the 21st Century, however, specifically prohibits such action upon expiration of the current law without legislative action by Congress. Additionally, the Federal Highway Administration will have only \$13.0 million of carryover administrative contract authority on October 1, which is much less than in previous years. The Administration states this amount will only cover approximately three weeks of basic administrative expenses.

Federal Input

Federal transportation officials say that Congress must implement the following actions upon return from the August recess, in order for the Federal Highway Administration to continue making payments of existing obligations and continue operations:

- Amend Title 26 of the United States Code or enact a revenue bill to allow expenditures from the Highway Trust Fund for liquidation of new obligations by states and by the Federal Highway Administration (FHWA) incurred after September 30, 2003.
- Provide new amounts of sufficient contract authority or other budget authority for administrative expenses to allow the Federal Highway Administration to continue to administer TEA-21.
- Pass an appropriations act or continuing resolution to make liquidating cash available from the Highway Trust Fund.

More Information

Additional information is available from the LSA upon request.

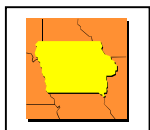
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HIGHWAY CONSTRUCTION CONTRACTS

Highway Contracts

The Department of Transportation (DOT) notifies the Legislative Services Agency, Fiscal Services, of all highway construction contracts in excess of \$5.0 million. The following contracts totaling \$33.5 million were awarded in June:

Dubuque County



A contract for \$16.0 million was awarded to Flynn Company, Inc., of Dubuque for the following projects along United States (U.S.) Highway 151:

- \$7.9 million to replace approximately 14 miles of pavement from east of Cascade to west of U.S. Highway 61.
- \$8.0 million to replace approximately 5 miles of pavement from south of county road X44 to north of county road D65.
- \$56,000 to install traffic signs from northeast of Cascade to southeast of U.S. Highway 61.
- \$47,000 to install lighting at the Iowa 38 (Monticello) interchange.

Lee County

A contract for \$10.8 million was awarded to Fred Carlson Co., Inc., of Decorah for the following projects along Iowa 394:

- \$5.0 million to grade and replace approximately 2.5 miles of pavement from south of county road W62 to north of county road J56.
- \$5.5 million to grade and replace approximately 3.5 miles of pavement from the Des Moines River Bridge to south of 285th Street.
- \$218,000 to install traffic signs from south of 320th Street to south of 190th Street.
- \$96,000 to install lighting from the junctions of relocated Iowa 394 with U.S. Highway 218, and relocated U.S. Highway 218 with Iowa 2.

Jefferson County

A contract for \$6.7 million was awarded to Fred Carlson Co., Inc., of Decorah to grade and replace approximately 4 miles of pavement along U.S. Highway 34 between the Fairfield and Mount Pleasant bypasses.

More Information

Additional information is available from the LSA upon request.

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DEPARTMENT OF TRANSPORTATION COMMISSION APPROVES ROAD AND RAIL GRANTS

Road & Rail Grants**Cerro Gordo County**

The Department of Transportation (DOT) Commission recently approved the following road and rail grants:

Rebuild Iowa's Sound Economy Fund (RISE) Grants

Cerro Gordo County requested \$1.5 million to assist in grading and paving 1.5 miles of roadway to provide access to a new industrial park immediately south of Mason City. Industries targeted for the area include warehousing, distribution, and value-added agriculture. The DOT Commission awarded \$765,000, or up to 50.0% of the total project cost, whichever is less, from the city and county share of the RISE Fund, with an equal amount coming from both.

City of Sheldon

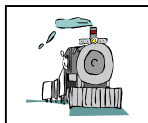
The City of Sheldon requested \$186,000 to assist in the grading and paving of 678 feet of 35th Avenue to a new industrial park in the northeast corner of the city. The park will be located near the future Iowa 60 Bypass. The DOT Commission awarded \$93,000, or up to 50.0% of the total project cost, whichever is less, from the city share of the RISE Fund.

City of Sioux Center

Sioux Center requested \$186,000 to assist in the grading and paving of 1,100 feet of 20th Street Northwest. The road is currently a gravel road off U.S. Highway 75. An existing company is expanding at this location, and will invest approximately \$5.5 million in the site. The city is contributing \$400,000 for improvements and utilities, and has also received Community Economic Betterment Account (CEBA) funding from the Department of Economic Development (DED). The DOT Commission awarded \$105,000, or up to 50.0% of the total project cost, whichever is less, from the city share of the RISE Fund.

City of Sioux City

Sioux City requested \$1.4 million to assist in the grading and paving of a 3,800-foot extension of Terminal Drive. The extension will provide access to a new industrial area in Hoeven Valley, and will assist in the expansion of existing industries. The DOT Commission awarded \$700,000, or up to 50.0% of the total project cost, whichever is less, from the city share of the RISE Fund.

Rail Economic Development (RED) Grant**Osceola County**

Osceola County requested \$2.6 million to assist in the construction of a rail spur on the Union Pacific Railroad. The project is necessary to provide rail service for a new Spirit Lake ethanol facility, south of the City of Ashton. The proposed local participation is estimated at \$2.5 million. The project will create 40 new jobs at Spirit Lake Ethanol within two years of project

completion. The average starting wage will be \$10.93 per hour, which is 106.0% of Osceola County's average wage rate. The DOT Commission was awarded \$85,000 or up to 60.0% of the total project cost, whichever is less, from the Rail Economic Development Grant.

More Information

Additional information is available from the LSA upon request.

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**AMTRAK FUNDING – NEW PLAN SHIFTS COSTS FROM
FEDERAL TO STATE**

Amtrak Funding



Increasing operational costs and a lack of available funding have resulted in a plan to streamline Amtrak's passenger rail service nationwide. On July 28, the United States Department of Transportation (U.S. DOT) submitted an Amtrak reauthorization proposal to the Bush Administration, and on July 30, the bill was introduced in the Senate. According to the legislation, over a six-year period, federal subsidies would be replaced with matching grants to states, and states would be required to subsidize unprofitable passenger rail service. The end-result would put states in control of the passenger rail system and open it up to privatization. Under the proposed bill:

- Amtrak would become three companies:
 - A private passenger rail company that runs trains under contract to states;
 - A company that operates and maintains the Northeast Corridor; and
 - A government corporation that would retain Amtrak's rights to use freight railroad tracks and the corporate name. States would contract for the right to use tracks and Amtrak's name for the passenger rail service sponsored.
- States would form multi-state compacts to invest in and run passenger railroads.
- States would submit proposals for capital investment and operations to the U.S. DOT. Eventually, states could choose a train operator from private companies and public transit agencies that would presumably bid for the contract.
- States would be responsible for operating costs instead of the federal government. The federal government, however, would pay for 50.0% of infrastructure costs.
- Amtrak's property on the Northeast Corridor would be leased to a coalition of the states Amtrak travels through between Boston and Washington. For a time, the federal government would pay for capital improvements to infrastructure and equipment.
- Temporarily, Amtrak would maintain and operate the Northeast Corridor. Eventually, private companies and public transit agencies would bid for contracts to maintain and operate the railroad.

Federal DOT



The U.S. DOT states that the proposed Amtrak bill would allow groups of states to form coalitions in order to more easily build and operate short-haul high-speed rail routes, but would probably decrease usage on coast-to-coast trains. The House and Senate are adjourned for the August recess and will only have the month of September to push the bill through Congress before the federal fiscal year ends.

Iowa Train Service

There are currently two Amtrak passenger rail trains that serve Iowa, including the California Zephyr (Chicago to San Francisco and the Southwest Chief (Chicago to Los Angeles). The California Zephyr serves seven states overall, and the Southwest Chief serves eight. If the proposed legislation were passed, Iowa would be required to collaborate with those other states to determine if they could generate the necessary funding to maintain current services and routes, or agree on what they could support. The financial implication on the Iowa DOT if the Amtrak proposal would pass is not yet known.

More Information

Additional information is available from the LSA upon request.

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INTELLIGENT TRANSPORTATION SYSTEM PROJECT
Transportation System

The Iowa Interstate 235 (I-235) reconstruction project is scheduled for completion in 2007, with significant impacts to traffic expected with the construction stages planned for 2004, 2005, and 2006. As a way to alleviate anticipated traffic impacts, the Department of Transportation (DOT) has developed the Des Moines Area Intelligent Transportation Services (ITS) Outside Services Project. The project will provide camera systems, communications infrastructure for the cameras, traffic sensors, permanent and portable message signs, a camera software interface, and a central server system to facilitate traffic management by the DOT and other agencies.

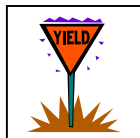
Coverage Area

The coverage area of the ITS project will include I-235 through the city of Des Moines, Interstates 35 and 80 around the west and north sections of Des Moines, and Highway 5 and Route 65 around the south and east portions of Des Moines.

Project Concerns

The DOT states that during reconstruction of I-235, the ITS project will enhance safety and efficiency of the transportation network. Specifically, the project will help address the following concerns throughout the reconstruction phase:

- Enhanced incident detection and verification. Sensors will detect a change in traffic flow and enact an alarm in the DOT's Traffic Management Center. Staff will then verify the circumstances using the cameras positioned along the freeway. Based on the circumstances, the DOT will implement appropriate incident response measures.
- Safe conveyance of peak period (maintain all existing lanes – includes holidays) and off-peak period (lane closures permitted, but minimized) traffic volumes.
- Protection of construction workers and construction activities.
- Advising the traveling public early and often of upcoming construction activities, as well as the successful completion of key elements.
- Definition of vendor staging/paving areas.

Implementation

The ITS project involves four phases of implementation, with Phase 1 beginning in October or November 2003, and Phase 4 ending in June 2004. The total cost of the project is estimated to be \$5.5 million. Of that amount,

\$4.4 million (80.0%) will be paid from federal Intelligent Transportation System (ITS) funds, and \$1.1 million (20.0%) from the Primary Road Fund.

More Information

Additional information is available from the LSA upon request.

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TRANSFER OF ROAD JURISDICTIONS UPDATE

Road Jurisdiction

Senate File 451 (Road Jurisdiction and Funding Act) allowed the transfer of jurisdiction of approximately 700 miles of State primary roads classified as Local Service Roads to cities and counties. The transfers will occur from FY 2004 through FY 2013. Senate File 451 also required the transfer of 1.8% of Primary Road Funds to a new Transfer of Jurisdiction Fund created under the Act. Road Use Tax Fund formula distributions did not change.

Primary Road Fund



On July 1, following the 47.5% Road Use Tax Fund allocation to the Primary Road Fund (\$38.9 million), 1.8% of that amount was credited to the Transfer of Jurisdiction Fund (\$680,000). The funds were then transferred to cities and counties as follows:

- \$510,000 (75.0%) to cities and counties that assumed jurisdiction of primary roads.
- \$153,000 (22.5%) to the Secondary Road Fund of all counties. Distribution among counties is based 70.0% on need and 30.0% on area.
- \$17,000 (2.5%) to the Municipal Road Fund of all cities. Distribution among cities is based on population.

Transfer of Fund

In FY 2014 and beyond, the Transfer of Jurisdiction Fund will be eliminated, and the 1.8% of Primary Road Fund moneys will be distributed to all cities and counties.

County Control

Effective FY 2005 and beyond, jurisdiction and control of approximately 360 miles of farm-to-market road extensions in cities with a population of less than 500 will be transferred to respective counties. A portion of the Street Construction Fund from cities that transfer road extensions to counties will be transferred to respective counties.

More Information

A complete list of the 700 miles of road jurisdictions transferred can be found on the DOT's web site at: http://www.dot.state.ia.us/tj_routes.htm.

Additional information is available from the LSA upon request.

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This document can be found on the LSA web site:
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>