Changes in Utility Tax Program Cost Counties Millions

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Changes in Utility Tax Program Cost Counties

Millions

During FY 2004, county governments will receive more than $3 million less in utility excise tax revenues than they anticipated. About 56% of the shortfall, more than $1.7 million, is concentrated in only 13 counties. The primary reason for this shortfall is a legal settlement between the Iowa Department of Revenue and Interstate Power and Light Company (IP&L), the Iowa subsidiary of Alliant Energy. The settlement requires local governments to credit IP&L $3 million over the next 3 years; it also reduces the tax rate IP&L is charged when it delivers electricity and natural gas. Compounding the revenue loss is the fact that the settlement was reached after March 15th, the certification deadline for county budgets. ISAC asked representatives of the Department of Management, the Department of Revenue and the Iowa Utilities Board to help county officials understand why this budget shortfall occurred, and why it won’t happen again. (Some answers have been edited by ISAC.)

1) Briefly explain the utility property tax replacement program.

Iowa Code chapter 437A states that the purposes of the program are to:
• Replace property taxes imposed on electricity and natural gas providers with a taxation system which removes tax costs as a factor in a competitive environment by imposing like generation, transmission, and delivery taxes on similarly situated competitors.
• Preserve revenue neutrality and debt capacity for local governments and taxpayers.
• Preserve neutrality in the allocation and cost impact of any replacement tax among and upon consumers of electricity and natural gas in this state.
• Provide a system of taxation which reduces existing administrative burdens on state government.

The Legislature found that with the advent of restructuring of the electric and natural gas utility industry, a competitive environment would most likely replace the regulated monopoly environment.

Previously, utility companies were subject to property taxes levied on their production and transmission facilities. If those property tax levies would have continued in a restructured environment, the property tax costs would have put Iowa-based utility companies at a competitive disadvantage because out-of-state suppliers of energy would not have paid the Iowa property tax.

2) Did the ‘restructuring of the electric and natural gas utility industry’ that was mentioned as the main purpose of implementing the excise tax system ever occur? If so, has the new excise tax system aided the competitiveness of Iowa utility companies? If not, why not go back to the old property tax system?

Restructuring has occurred and continues to occur, although not exactly in the ways anticipated. For natural gas, competition had already become a reality before the change to the replacement tax system. It continues to be a real force, as most large customers are free to shift usage between utilities and competing suppliers. The old property tax system treated those head-to-head competitors differently. The centrally assessed utilities carried a greater tax burden than other gas suppliers, such as gas merchant companies or companies that had gas bypass facilities. The replacement tax system has equalized that burden so that all gas merchants compete on an equal footing.

For electricity, restructuring has not proceeded as expected at the time the replacement tax was adopted. The Iowa Legislature declined to adopt the form of retail competition under consideration. Thus the head-to-head form of competition did not emerge in Iowa. Nevertheless, the wholesale part of the market under federal regulation has become more competitive. This includes the generation and transmission sectors. There have been several proposals for non-utility generating plants that would have been in uncertain or favorable situations under the property tax system. Under the old property tax system these companies would have had a property tax advantage over Iowa utility companies. Transmission assets are still under utility ownership now, but the Iowa utilities proposed a transmission-only company (Translink). Under the property tax system, Translink’s tax status might have been
doubtful. Under the replacement tax system, the transfer would be tax-neutral.

It is therefore reasonable to state that the replacement tax system has improved the competitiveness of electric markets in Iowa, both for Iowa usage and for export. That is a better statement of the policy objective than whether the change “aided the competitiveness of Iowa utility companies.” The change was designed to leave no parties worse off whether or not the restructuring proceeded. Although restructuring has proceeded differently than expected, the replacement tax has been successful in generating the predicted level of revenue without distorting competitive relationships within the industry.

3) This year only six counties budgeted enough for utility taxes. Why do you think this happened?

This was the first year without the so-called “true-up” which was intended to keep replacement taxes in line with general property tax equivalents. In many counties the property tax equivalent ended up considerably higher than replacement taxes. A typical county budgeting to receive a property tax equivalent would have ended up short. But even if a county took into consideration past revenue history, and had budgeted historical replacement tax amounts (as opposed to what the general property tax equivalent indicated), the settlement with IP&L would have reduced replacement tax revenues in 91 counties.

The difference between the general property tax equivalent and current replacement tax can largely be attributed to increases in company asset values that have no new replacement tax revenue associated with them. This happens when companies replace existing assets with new assets and there are no new energy deliveries. Construction work in progress is another asset which drives up general property tax equivalents; however, these assets do not increase replacement tax revenues until they are put into service.

A matter which came into play after local government budgets were finalized was the settlement of outstanding tax litigation between the Department of Revenue and IP&L (see response to question four below). The settlement resulted in the issuance of a prior-year credit and a reduction in delivery tax rates pursuant to Iowa Code §437A.8(7). The prior-year credit represents amounts local governments owe back to the utility. The valuation periods for 1993-1997 were also counted for under the replacement tax system. This was done under Iowa Code §437A.8(7). After three years of active litigation, the parties settled all valuation issues for the 1993-1998 years. The settlement resulted in a credit against replacement taxes owed by IP&L and which were agreed to be spread over a three year period. No other valuation appeals exist which potentially could create a credit of similar magnitude.

4) Why did Interstate Power and Light receive a tax credit? Is it likely that more credits similar to the one being received by IP&L will be issued in coming years to other companies?

IES Utilities and Interstate Power Company, currently merged into Interstate Power and Light, had centrally assessed appeals for assessment years 1993 through 1998 in which they claimed the Department of Revenue overvalued their operating property. The valuation periods for 1993-1997 were also the basis for deriving the delivery tax rates for electricity and natural gas for the various service areas. Any change in the utilities’ valuations for these years as a result of their existing appeals under the old property valuation system had to be accounted for under the replacement tax system. This was done under Iowa Code §437A.8(7). After three years of active litigation, the parties settled all valuation issues for the 1993-1998 years. The settlement resulted in a credit against replacement taxes owed by IP&L and which were agreed to be spread over a three year period. No other valuation appeals exist which potentially could create a credit of similar magnitude.

5) What information is given to counties to use in budgeting for utility taxes? What county official receives the information? What department sends it to them and when?

Budgeting instructions for utility replacement tax are included within the overall county budget instructions provided to county auditors by the Department of Management in November. Since FY 2004 was the first year without the “true-up”, county auditors were also sent a spreadsheet comparing estimated property taxes with actual replacement excise taxes for FY 2003 to be used in estimating replacement excise taxes for FY 2004 budgets.

Included with the July/August mailing of replacement tax data to be billed by county treasurers, the Department of Management requests that treasurers “dummy apportion” prior-year credit amounts in order to obtain amounts specific to each levying authority. Using a prescribed cover letter, treasurers are asked to notify levying authorities of the prior-year credit amounts that the authority will be short for the budget year, and if applicable, that the authority can expect similar losses in the subsequent years of the settlement period. This puts levying authorities “on notice” with estimated prior-year credit loss amounts expected in future years of the settlement.

6) How does SF 275 of the 2003 legislative session change the utility property tax and when will the changes go into effect?

SF 275 requires the Department of Revenue to provide taxable gas & electric utility valuations to county auditors, along

continued to page 6
7) If the new taxable valuations are “driven by estimated replacement tax revenues,” will they bear any relation to taxable valuations under the old property tax system? It seems that changing the method of calculating valuations will result in the general property tax equivalent no longer being equivalent to the revenue that would have been generated under the old property tax system. If that is indeed the case, how will the Department be able to ensure that the new system is indeed revenue neutral for local governments, as it was intended?

The current general property tax equivalent (GPTE) is not intended to be a comparison to the old property tax system. The centrally assessed property valuations under the old system were derived from the stock and debt approach (weighted at 50%) and the income approach (weighted at 40%). The cost approach was weighted at 10%. Therefore, value was driven largely by stock prices and income levels and resulted in large fluctuations of value, both up and down, on a yearly basis. The GPTE is calculated from a change in book value from year to year. The change in book value is not a recognized appraisal technique that was utilized under the old property tax system. In reality, with the poor stock market and declining utility revenues for some companies, the replacement tax revenue may have been higher over the last few years as compared to any actual tax revenue that would have been produced under the old property tax system. SF 275 as passed this last legislative session will now give counties a more accurate GPTE to use in the budget process for the future with the taxable valuation calculations.

Revenue neutrality was initially accomplished in 1999 when the replacement tax went into effect. When the comparison between the GPTE and replacement tax was analyzed at that time, the tax dollars were very similar (GPTE was $136,869,264 and replacement taxes were $136,581,254). This comparison had validity then because the valuations used to compute the 1999 GPTE were predominately determined using the old central assessment methodologies. Beyond that first year of implementation, there was no legislative intent to ensure that the replacement tax would be the equivalent to the old property tax valuation method. The replacement tax dollars will increase in the future as new utility facilities are put into service in the state of Iowa and consumption of electricity and natural gas increases. It was intended that this would result in a more stable and consistent tax from year to year versus the large fluctuation in value experienced under the old system. That has been the case up to this point.

8) Will the new taxable valuations of utilities that SF 275 requires be provided to county auditors and be available prior to the budget certification date, so that local governments can budget accurately? What is the estimated date that auditors should expect to receive that information for the FY 2005 budget?

Yes, the Department of Revenue will provide the new taxable valuations, along with the assessed valuations, prior to budget certification dates. It is anticipated that the valuations will be delivered on or before the end of November.

The statutory delivery date is October 31 but the new process required to produce the taxable valuations prescribed in SF 275 is requiring an extensive rebuilding of the current software system. The Department of Revenue is committing many thousands of dollars for contract software support. In addition, both the Department of Revenue and the Department of Management are collectively committing hundreds of employee hours to the software design, build, and testing processes to ensure that the project is completed just as soon as practically possible.

9) Will the utility excise tax likely be consistently less than the general property tax equivalent in the long run?

No. As detailed above, the new taxable valuation upon which the general property tax equivalent is computed, will be driven by estimated replacement tax revenues. The general property tax equivalent should run fairly close to the replacement taxes. Keep in mind however, the Interstate Power and Light Company settlement will affect two additional budget years.
Former Cherokee County Auditor Barb Huey has taken the position of Deputy Secretary of State, effective September 29, 2003. Her duties will include managing the election and voter registration divisions and overseeing implementation of the Help America Vote Act (HAVA). Huey said, “I am excited about the new challenges I will encounter working with Secretary Culver and his staff. The opportunity Secretary Culver presented allows me the ability to continue to work with the 99 county auditors and other members of the Iowa State Association of Counties on the administration of elections, as well as advance professionally in my new position as Deputy Secretary of State.”

(Taken from the Buffalo Center Tribune, September 18)

County officials in Scott County are putting a friendly face with county government in a unique way. The band BureauCats was recently formed and is almost entirely comprised of Scott County employees. The band debuted at Circle Tap in Davenport on September 12 for a benefit performance. The group dedicated all of the money raised by the donations – plus funds from those who purchased black-and-red BureauCats t-shirts – for the ISAC Scholarship Fund, which provides college scholarships to county employees’ children. The BureauCats first took root in May when facilities and support services director Dave Donovan and auditors office operations manager Kurt Ullrich were talking after a meeting and discovered they both played instruments. Receptionist Kristina Bernal was recruited as a singer, election deputy Mark Sokolik was added as a guitarist, and motor vehicle supervisor Rhonda Skahill was hired as guitarist, keyboard player and backup vocalist. The only thing missing was a drummer, luckily Curt Lichter, a rep for Union-Hoermann Printing, was found. For their potential audience, it helps put a face on government and all of its bureaucracy.

(Taken from Go!, September 11)

Four counties have been selected to be part of a two-year pilot project to test a new Iowa property tax system that is intended to simplify the system. Warren, Cerro Gordo, Woodbury, and Dickinson counties will be a part of the project. Legislators hope to replace the current system of taxing residential, commercial and industrial property based on market values to a system based on sale price. The value of the property would be based on a structure’s square footage and a lot’s acreage and the value would only change if the property is expanded and sold. A Property Tax Implementation Committee, created by the Department of Revenue, will conduct the study. (Editors note: ISAC’s representative on the committee is Story County Assessor Gary Bilyeu. Other county representatives include Polk County Treasurer Mary Maloney, Black Hawk County Auditor Grant Veeder and Lucas County Assessor Tim McGee, each representing their respective affiliates.)

(Taken from the Record-Herald & Indianola Tribune, Sept. 10)

The Scott County Board of Supervisors had an open house of the newly renovated Scott County Administrative Center on Thursday, September 11. The Scott County Administrative Center was initially a warehouse for Merchants Transfer & Storage Co. and was purchased by Scott County in the early 1970’s to house the Health Department and Community Health Care, and was named the Bicentennial Building. As court-related functions expanded in Scott County, the Board of Supervisors saw the need to restructure their county offices. In 1996, Community Health Care moved out and this opened up space for use for county offices, and initiated the $5.6 million renovation of all six floors of the building. In July 2002, the administration office, human resources, facility and support services moved out of the lower level of the courthouse to the 6th Floor of the Administrative Center, and the Community Services and Health departments moved to the fourth floor. In August of this past summer, the treasurer’s office, auditor’s office, county and city assessors’ offices and recorder’s office made the move to the first and fifth floors. The work also included the addition of a board room on the first floor which seats approximately 100 people. The board room flares out in circular design near the center’s main entrance. During the open house, present and past Board members had a ribbon cutting ceremony and county employees gave tours of the newly renovated offices. In addition, the Board unveiled “The American Spirit of the Common Man” memorial funded through a grant by the Iowa Department of Cultural Affairs. The memorial symbolizes the courage of the American Spirit and honors all citizens who lost their lives simply as a result of being an American. This bronzed memorial at the entrance and a spacious new lobby welcomes visitors to the newly renovated office space. This renovation project is part of a $14 million remodeling plan for the courthouse and the administrative center that will continue through 2010.
Financially Attainable Housing
Crucial Part Of Community Development

“The worst of a modern stylish mansion is that it has no place for ghosts.”
- Oliver Wendell Holmes

“Ask about your neighbors, then buy the house.” - Jewish proverb

In my September column, a central topic was the much discussed economic development program passed during the 2003 legislative session. In early September and again in early October of each year, ISAC hosts its policy steering committee meetings. Among the issues discussed in the Land Use and Rural Affairs Committee this fall were several matters which could be bundled together under a general community economic development heading. One of the issues has appeared within the covers of the Association’s annual legislative “wish list” booklet since 1996. The issue is housing.

Past Housing Conferences

Even though we have always been told that the trinity of basic human needs are food, clothing, and shelter, the latter usually does not receive much attention during the clamor over economic development. The usual mantra is “new businesses, new businesses, new businesses” and “jobs, jobs, jobs.” Are these important factors in attempting to attain economic security? Of course. But without available and financially attainable housing, the jobs, jobs, jobs will be less likely to appear.

While the limited resources of this conference enabled it to point out the basic inadequacies of housing availability and to make recommendations, significant background findings about housing stock and availability were not assembled until five years later.

In 2000, the Iowa Finance Authority (IFA) acted as the host for what became known as the Housing Roundtable. Representatives of IFA, the Department of Economic Development, the Iowa Rural Development Council, the Coalition for Housing and the Homeless, housing developers, Fannie Mae, the Iowa League of Cities, and ISAC, among others, met on a regular basis to discuss housing issues and strategy. IFA, as a part of the House Roundtable’s efforts, commissioned a study of existing housing. The study, entitled “Assessing Iowa’s Housing Needs,” was led by Dr. Heather MacDonald of the University of Iowa.

By: Robert Mulqueen
ISAC Public Policy Analyst

Housing Strategy for the State

In December 2000, Governor Vilsack convened the Governor’s Housing Task Force. That group, using the MacDonald study as a major resource, proposed a housing strategy for the state. Utilizing this task force proposal and newly available census data, Dr. MacDonald and her team revised the earlier report and, in concert with IFA, published “Housing and Community Development in Iowa: Meeting the Challenges of the Next Decade” in January 2003. This updated edition of the report examines trends in “Iowa’s demand for and supply of housing in Iowa over the 1990s.” It states that the rapid growth in some parts of the state resulted in very tight housing availability, while in the areas of the state burdened with stagnant local economies poor housing quality is a constant problem.

The report explains that the home ownership rate is low for young couples, single parent families, low and moderate income families, people of color, and for those with physical disabilities. There is little promise of improvement in the current economy. According to the report, aside from the goal of housing affordability, Iowa must take advantage of the existence of a considerable amount of older housing stock by finding the finances to rehabilitate houses in both small towns and larger cities. This impressive report is available on ISAC’s website.

The Creation of Local Housing Trust Funds

The notion that housing issues are the policy concern only of city councils has, hopefully, been dispelled with. Even though the vast majority of dwellings in this state have been and will continue to be within the city limits, housing’s problems are a central part of regional community development and economic security.

A valuable tool for meeting our housing needs is the creation of local housing trust funds. These are defined as a public fund which is a depositary for dedicated public revenue used to produce and preserve affordable housing and is established on a permanent basis. A conference on the creation of local housing trust funds was held in Des Moines on September 9, co-sponsored by the Iowa Finance Authority and the Iowa Coalition for Housing and the Homeless. Over 70 people were in attendance, most representing cities, councils of government, or community action programs. Those in attendance were urged to become familiar with section 101 of Senate File 458. This part of the act, passed this spring, provides for a state housing trust fund. Part of this fund is to be among the possible sources of funding for local trust funds. Much time was allocated to “how to” remarks on local housing trust funds, those which have already been established in cities and counties around the nation, and about how to create and sustain local trusts in Iowa. Counties should become a partner in such efforts and help lead the often ignored challenge of this crucial part of community development.
Who Ever Said Running A Jail Is Easy?

Arresting Foreign Nationals

The Vienna Convention on Consular Relations has been in force in the United States since it was ratified in 1969. It provides that if a sheriff’s office arrests a foreign national (i.e., anyone who is not a U.S. citizen), the sheriff’s office needs to give him a sort of international Miranda warning: it has to advise him that he has the right to have the sheriff’s office contact a consulate from his native country and advise them of the arrest.

Actually, the Vienna Convention makes a distinction – if the inmate is from certain countries, the sheriff’s office has to notify their consulate. These countries include China and the United Kingdom, as well as some countries I’ve never heard of like Kiribati and Tuvalu.

If the inmate is from any other country, the sheriff’s office has to tell the inmate that he has the right to have the consulate notified, but it is not mandatory that the consulate be notified.

While the Vienna Convention is not new, the problem is that, defense attorneys, including those in Iowa, have begun arguing that failure to follow the provisions of the Vienna Convention should result in the dismissal of criminal charges against the defendant.

While the 8th Circuit and the Iowa Supreme Court have not agreed with this argument, it only makes sense to comply with the treaty, and give defense attorneys one less argument to raise in court. County sheriffs do not want to be in court and be cross-examined by aggressive criminal defense attorneys as to why they failed to comply with this treaty.

There is an excellent publication available at the State Department’s website that explains the Vienna Convention. It’s at: http://travel.state.gov/consul_notify.html.

The publication has forms that sheriffs can use to notify foreign consulates of an arrest. It has the “Miranda warning” in 50 languages. It has the fax numbers for all of the consulates in the U.S. It also answers commonly asked questions, such as:

1) Do I have to ask everyone if they are a foreign national? No, but if you become aware that they are, then the treaty provisions apply.
2) Does this treaty apply to illegal aliens? Yes.
3) How long do we have to notify the foreign consulate? It should happen within 24 hours, it must happen within 72 hours.

The underlying assumption is that if the foreign consulate knows about the arrest of one of its citizens, it can make sure that the person is treated well.

One reason to abide by the Vienna Convention is that it may make criminal prosecutions run more smoothly.

Another reason that counties need to take this seriously is that it is a reciprocal treaty. It imposes a duty on counties. But it also means that if an American citizen is arrested in Tuvalu or Kiribati, someone there is going to notify the U.S. Embassy. Which is what we would expect. It works both ways.

RLUIPA

I’ve discussed the federal Religious Land Use and Institutionalized Persons Act of 2000 (RLUIPA) before, but in the context of land use. The law also applies to jails.

The Act is codified at 42 USC Section 2000. Its purpose is to prohibit jail regulations that impinge on the religious practices of jail inmates. Examples of religious practices that inmates have demanded in RLUIPA cases so far include kosher diets, lacto-ovo-vegetarian diets, candles, beards, use of Muslim names, and tarot cards.

Inmates who challenge a specific jail regulation must first show that the regulation imposes a substantial burden on their religious practices. Jail officials must then show the existence of some compelling interest that justifies the burden. Jail safety and security issues may well constitute a compelling state interest. Inconvenience, cost, or administrative difficulty generally does not rise to the level of a compelling state interest.

Jail officials must also show that there are no less restrictive means to achieving that compelling interest. Successful plaintiffs can get attorneys fees, injunctive relief and monetary damages. Not all Iowa jails are covered by this law. RLUIPA only applies to sheriff’s departments that receive federal financial assistance.

There is no Supreme Court test of RLUIPA yet, but three jail cases have been decided in various federal courts and 12 more have been filed. The Eighth Circuit decided a RLUIPA case in 2002. In Love v. Evans, an inmate at the Arkansas State Penitentiary requested a kosher diet in keeping with his Jewish faith. The prison offered to give him a pork-free diet instead. He sued under RLUIPA.

The district court judge found that the prison’s refusal to offer a kosher diet substantially burdened his practice of his religion, and found no compelling state interest, since all the prison argued was that kosher meals were more expensive, and fixing kosher meals slowed the delivery of food to prisoners. The judge ordered the prison to provide the inmate with kosher foods, and also ordered that he be given $15 a week to buy kosher commissary items. The 8th Circuit affirmed the district court decision.

Parting Ponderable:

Last words of famous people:

“I should never have switched from Scotch to Martinis.”
~~ Humphrey Bogart, d. January 14, 1957

“I’m bored with it all.”
Before slipping into a coma. He died 9 days later.
~~ Winston Churchill, d. January 24, 1965

“That was the best ice-cream soda I ever tasted.”
~~ Lou Costello, d. March 3, 1959
**Don’t Be Fooled**

Drugs! You see information about them all the time on TV. Ads are filled with blue skies, sunny days and happy people frolicking through a green field. The pharmaceutical ads are filled with the promise of better quality of life, if only you use their new wonder drug.

Americans are using prescription drugs to manage health conditions and prevent problems more now than ever before. One main reason is that drug companies spent $2.5 billion on direct-to-consumer advertising in 2000, which is up 14% from 1999. This trend has and will continue. Do you know that in the year 2000 Nike spent $78 million and Pepsi $125 million on advertising? The spending on Vioxx alone was $160 million.

For the nine largest pharmaceutical companies, an average of 27% of their revenue goes toward marketing, advertising, and administration. Studies have shown that more is spent on these three things than research and development! Only 11% goes to research and development - one of the main reasons given for the high cost of drugs.

Don’t be influenced by this over-the-top effort to get you to use their new drugs. Many people come into a doctor’s office specifically asking for the latest drug they saw during their favorite show last night. There are often other drugs that can manage the medical problem just as well.

The Federal Drug Administration regulates and monitors the quality of all drugs, both brand and generic, very carefully. The generic manufacturer must provide evidence that the drug has the same active ingredients and the same blood levels in the body as the original brand-name product. The good news is generics cost less than one-third the price of the name-brand drug on average, according to the National Association of Chain Drug Stores (2001).

When you need a prescription drug, ask your doctor or pharmacist if an FDA-approved generic equivalent is available. You also might want to notice, when you do get a brand name drug, the cost. Often, it is on the receipt. You might be surprised. By choosing lower-cost generic drugs, we can help control the amount we all pay for health care.

Don’t be manipulated by advertising; take an active part in your own care. Go to Wellmark.com under “Pharmacy” to find out what generics are available for your prescriptions.

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**File Management**

**Q: Is there a simple way to organize documents on my computer?**

**A:** Yes, there are a couple different ways that a person can organize their computer documents. One tip that I found early on that has helped in keeping my files organized is the creation of folders. A folder enables you to store individual documents in one defined area on your computer’s hard drive or out on your network. Picture it to be a large file cabinet. Inside that file cabinet you store folders that contain individual papers; this is the exact same concept just in an electronic format. You can store as many folders as you wish or none at all. I have found that some individuals use only one folder per year and name it thus. Others use many folders and name them by projects they are working on. Therefore, you can create and name as many folders as you wish.

To create a folder, you can do it a couple of different ways. You can go into Windows Explorer or My Computer and select the location you want your new folder created and double click to open the drive. Once your directory has been selected, you will want to select “File”, “New” and “Folder.” When you click on “Folder,” a new folder will appear and you will be able to type in a name. If you accidentally click too fast and the folder becomes entitled, “New Folder,” never fear, just right click on the folder and select “Rename” from the drop down list that appears. You will now be able to entitle the folder as you deem appropriate.

Another fast method, if you are in a program and decide to create a new folder to save your document in, click on “File”, then “Open.” A popup window will appear revealing the directory, and you will need to select the folder that has a little “starburst” on it. If you hover your mouse over it, “Create New Folder” will be revealed. Once you click on this, another popup will appear and you can type the name of the new folder in the appropriate line and click “OK.” You will now have a new folder in which you can create documents into.

**Website Note:** Online meeting registrations seems to be a hit, but if you are in need of additional training on this or other Internet tools, please sign up for the seminar entitled “Go Online with ISAC” at ISAC’s Fall School of Instruction. If you have any questions or comments, please do not hesitate to contact me at 515-224-7181 or by e-mail at tnorman@iowacounties.org. Until next month, keep clicking!
CCMS Projects

Prior Authorization

Case managers have been following the prior authorization process for targeted case management (TCM) for several months now. While the process that the Department of Human Services (DHS) is using seems to be going fairly well, the process that the Magellan affiliate, Merit Behavioral Care of Iowa (MBC of Iowa) is using is proving to be fairly cumbersome. In addition, several case management programs have filed appeals regarding consumers that MBC has decertified, though the case management program believes they meet the eligibility criteria. We will continue to work with DHS and MBC to try to make the process work as smoothly as possible.

In addition, the Human Services Steering Committee has adopted a legislative objective to request that case management be removed from the state’s managed care contract in the future. The text of the legislative objective is as follows:

Problem: There are two funding streams for persons receiving Medicaid targeted case management: DHS and Magellan (MBC of Iowa) pursuant to the Iowa Plan (Iowa’s managed mental health care contract). New Chapter 90 Administrative Rules 441-90.1 (249A) provide for a standardized authorization process and eligibility criteria for both DHS and Magellan to follow. Unfortunately, Magellan continues to create a cumbersome and costly process for targeted case management. In addition, interpretations by Magellan are leading to more decertifications of individuals from targeted case management services. This is leading to appeals to the state administrative law judges and increased administrative costs.

Solution: In order to avoid conflicts between DHS and Iowa Plan processes in the future, ISAC supports legislation requiring the removal of targeted case management for persons with chronic mental illness from the managed care contract. ISAC supports the DHS role in conducting reviews of eligibility for services. In addition, ISAC would be supportive of increased scrutiny during the accreditation process performed by the DHS surveyors. The duties of the current DHS surveyors should be expanded to include determination of eligibility and the ability to deny funding if an individual does not meet the eligibility criteria set forth in the rules. Expansion of the current surveyors’ duties would be cost effective. In addition, ISAC supports the DHS prior authorization process, with retrospective review by the surveyors for all persons receiving TCM.

Case Management Electronic Billing Update

Both MBC and the Assertive Community Treatment (ACS formerly Consultec) have sent letters to Medicaid providers with instructions on how to use their new HIPAA compliant electronic billing processes. HIPAA regulations require that providers sign an agreement regarding the submission of electronic data and indicate the format they will be using. ACS is continuing to pro-

By: Deborah Westvold
ISAC Case Management Director

provide the software to providers at no additional cost. MBC will continue to utilize the current electronic billing process through December 31. After that date, providers have basically two options on how to submit electronic bills: 1) in HIPAA compliant format to their clearinghouse, either directly or through another clearinghouse that will put the billing in HIPAA compliant format for a fee; or 2) entering the billing information directly into the secure Magellan website. Because of the low volume of TCM claims of most case management programs, for most programs the best option is utilizing the Magellan website. In the future we hope to expand the Electronic Transaction Clearinghouse so that counties can enter the billing data into the Clearinghouse for submission to Medicaid.

ARO: Case Planning Update

DHS has contracted with the Iowa Foundation for Medical Care (IFMC) to provide case planning services to individuals who are eligible for the Adult Rehabilitation Option (ARO) but who don’t meet the eligibility criteria for TCM. Initially, there was confusion about whether the case management program needed to go through the prior authorization process and get a denial prior to sending the referral onto IFMC. Representatives from DHS have indicated that it is their intent that this is not necessary and that referrals can be made directly to IFMC as soon as it is determined by the case management program that the person does not meet the TCM eligibility requirements. Other options the county has for the provision of case planning for these individuals include a targeted case manager (without Medicaid reimbursement) or a county social worker.

MH/MR/DD Case Management Specialist

ISAC is seeking an experienced individual to provide technical assistance to counties performing Medicaid case management services. The position requires in depth knowledge of targeted case management for mental health, mental retardation and developmental disabilities, including experience in delivery of Title XIX case management services; oral and written communication skills and the ability to communicate one-on-one and in groups; and the ability to interpret federal and state standards for case management services. The position requires a BA with a major or at least 30 semester hours in the behavioral sciences, education, health care, human services administration, or the social sciences (or equivalent experience), and three years experience in the delivery of services to persons with mental retardation, mental illness, or developmental disabilities. Salary range mid 30’s. Submit resumes ASAP to: ISAC, 501 SW 7th Street, Suite Q, Des Moines, IA 50309-4540.
ISAC Scholarship Raffle

It is that time of year when the ISAC Scholarship Raffle tickets are being sold. This year’s list of prizes is very impressive. They start out with 1st prize of $15,000 towards a car from an IADA participating dealer (prize not redeemable for cash) and more than 40 other prizes including bed & breakfast certificates, cash, art, quilts and much more. For a complete list of prizes visit the ISAC website: www.iowacounties.org. The tickets are $10 each and can be bought from your county treasurer or an ISAC Board member.

The drawing will be held during the ISAC ice cream social on Thursday, November 20 at 5pm. You need not be present to win. Thank you Iowa County Treasurers’ Association for making it possible to keep the ISAC Scholarship program available. The scholarships are awarded at the ISAC Spring School in March 2004 to the children of county employees.

President’s Reception For Dick Heidloff

After a long day of meetings at ISAC’s Fall School, come join ISAC President Dick Heidloff for dessert at a reception in his honor. Take the time to thank Dick for his service and commitment to ISAC. The reception will be held Wednesday night (November 19) at the Holiday Inn Airport ballrooms from 8pm-9pm. Harpist Alishia Smock will be performing during the reception. Alishia is a professional harpist with over 10 years of freelance experience. Her beautiful harp will add a touch of elegance to this event. Plan to attend!

Security Requirement

At the ISAC Fall School of Instruction, attendees will be required to wear their name badges at all times while attending conference functions. This is a requirement to ensure your safety and affiliation with the ISAC conference. For your safety it is also advised that you not wear your name badge when you leave the conference facilities. Name badges will be recycled at the end of the conference. You will find the recycling boxes in the foyer outside the ballrooms and at the ISAC registration desk.
Local Government Project

Innovation is occurring in counties today. With reductions in state aid this year and reductions due to the drop in agricultural values next year, combined with growing expenses and higher demand for services – significantly more innovation will be required in the future.

A number of initiatives are occurring over this fiscal year designed to provide assistance to local government as it navigates through these challenges. The Public Strategies Group (PSG) has been asked to assist in this effort.

The first initiative is to focus on changing and improving the state and local government relationship. Currently, there is significant mistrust in the relationship today. The opposing views can by summed up as follows:

From the state’s perspective, local governments do not manage themselves well if left on their own. Without controls, spending and taxes will go through the roof and citizens will not be protected. In addition, Iowa has way too much “government” and local governments are the barriers to reducing the amount of government.

From the local government’s perspective, state policy makers are too detached from what is occurring at the local level, always trying to micromanage the locals, dumping the state’s problems onto the locals, and making decisions based on politics instead of good government.

As a result of this mistrust, local governments experience more restrictions, increasing the cost of service delivery, while calls for the centralization and consolidation of service delivery are on the rise. The reality is that many Iowa local governments are innovators in service delivery. Local governments are best positioned to be the “solution” to too much government in Iowa, rather than the “cause” of too much government. It is also the reality that state policy makers are interested in promoting good public policy that enables local government to deliver the level of services needed at the lowest possible cost.

A clear vision of a future state-local relationship must be developed, where local governments are viewed as an innovative and efficient deliverer of public services, and state and local governments work cooperatively to maximize the effectiveness and efficiency of those services.

On the evening of October 20th and during the day of October 21st, a conference will be held to build a foundation for a new state and local relationship. The Governor, legislators, local government officials and other executive branch leaders will be involved in a dialogue to forge a new relationship that will better enable both state and local governments to provide quality services to Iowans at a cost they can afford.

From this conference, a draft framework of a new relationship will be developed. The framework will be disseminated and discussed at various forums throughout the state. A summit will be held in December to establish a consensus on the framework.

A legislative package will be developed that will be designed to ensure the principles of the new framework are reflected in the Iowa Code. The legislation will focus on providing additional flexibilities to local governments as they strive to deliver quality services with limited resources.

A second initiative underway will highlight innovations currently occurring throughout the state. PSG will identify Iowa’s best practices for key service areas and distribute information about those practices in a way that allows local governments to improve individual services or reduce expenditures. Local government success stories will be highlighted. Information on best practice and other innovations in governments beyond Iowa will also be provided through an enhanced website with government specific search capabilities. Examples of Iowa innovations will be highlighted in our biweekly newsletter. If you are aware of a practice in your county, please forward your ideas to rafferty@raffertygroup.com.

A third initiative will assist local governments as they further work to streamline government and drive further innovation in Iowa, while maintaining and strengthening local control. PSG will be providing assistance in several ways to assist in this effort.

Alternate approaches to deliver services in key areas will be created. The service design areas include technology (focused on creating an architecture to assist the various county offices in coordinating their technology efforts), law enforcement, fire protection and roads. A fifth area will be selected in the future. These service designs will address and identify challenges in each area. The development of alternate service delivery approaches will be an inclusive process that will involve input from a variety of stakeholders throughout the course of the coming months. If you have an interest in these areas and want to be on the email list for regular updates on these projects, please contact us at the email address below.

In addition, the Public Strategies Group is working on individual projects, designed to help facilitate and spur innovation on projects that have both statewide impact as well as local impact. Examples of these projects include working with the county recorders in assisting their electronic recording effort, providing a workshop for county treasurer’s in identifying different approaches to addressing budget cutbacks and working with individual communities on sharing or transformation projects. Additional workshops will be planned throughout the year to provide forums for local officials to think through and learn how to transform services and take different approaches to budgeting.

Counties will be forced to make changes in the years ahead. Creating the best outcome for Iowa’s citizens will require many people working together. PSG looks forward to assisting in this effort. If you are not yet receiving our biweekly email newsletter, which contains best practice information and updates on the progress of these initiatives, please forward your email to us and we will add you to the mailing list.

If you have questions, or would like to discuss how this project may assist your community, please contract me at 515-327-1131, email rafferty@raffertygroup.com or at the PSG office at 515-242-5261.
ISAC Alumni Luncheon & Meeting

The ISAC Alumni Association members will be meeting for lunch and a meeting during the ISAC Fall School of Instruction. Lunch (dutch treat) will be held at noon on Thursday, November 20 at the Crystal Tree Restaurant, located in the Holiday Inn Airport.

Following the luncheon alumni members will meet with an IPERS representative for a presentation regarding the effects of legislation on retirees.

If you are planning to retire by the end of the year, this is a special invitation for you to come join the Alumni Association for lunch and an educational meeting. Anyone who is a former elected or appointed county employee is eligible to join.

*If you plan to attend, please RSVP to Jerri Noboa at 515-244-7181 or jnoboa@iowacounties.org.*

Alumni Update: Jack Foresman

Alumni Member Jack Foresman and his tractor club “Big Red Club” recently took the honor of being the first farmers to drive their tractors to the Mt. Rushmore National Memorial. In July, 14 members of the club (past farmers) hauled their antique tractors to Custer State Park and drove their tractors around the area for two days.

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### Calendar

#### November

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<tr>
<td>5</td>
<td>CRIS Board - ISAC Office (Tentative)</td>
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<tr>
<td>6</td>
<td>CCMS Support Staff Training - Baymont Hotel, DM</td>
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<tr>
<td>12</td>
<td>CCMS East Support Group - Coral Ridge Mall, Coralville</td>
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<tr>
<td>18</td>
<td>Fam-to-Market Committee - Holiday Inn Airport, DM</td>
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<td>19</td>
<td>CCMS Board of Directors - Holiday Inn Airport, DM</td>
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<tr>
<td>19-21</td>
<td>ISAC Board of Directors - Holiday Inn Airport, DM</td>
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<tr>
<td>19</td>
<td>ISAC Fall School of Instruction - Holiday Inn Airport, DM</td>
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<tr>
<td>20</td>
<td>ISAC Alumni Luncheon &amp; Meeting - Holiday Inn Airport, DM</td>
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#### December

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<tr>
<th>Date</th>
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<tr>
<td>4</td>
<td>District II Winter Meeting - Location TBA</td>
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<tr>
<td>5</td>
<td>Annual Drainage Meeting - Holiday Inn, Fort Dodge</td>
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<tr>
<td>7-10</td>
<td>Sheriffs &amp; Deputies Winter School - Downtown Marriott, DM</td>
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<tr>
<td>9</td>
<td>CCMS Training Committee - ISAC Office</td>
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<td>9-11</td>
<td>Engineers Annual Conference - Scheman Center, Ames</td>
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#### January 2004

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<tr>
<th>Date</th>
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<tr>
<td>5-9</td>
<td>Src SDE Administration for SQL WServer - Location TBA</td>
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<tr>
<td>14</td>
<td>CPC’s Statewide Meeting - Adventureland, Altoona</td>
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<tr>
<td>21-22</td>
<td>ISAC U - Holiday Inn Airport, DM</td>
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#### February 2004

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<th>Date</th>
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<tr>
<td>8-11</td>
<td>Sheriffs &amp; Deputies Patrol School - Four Points Sheraton, DM</td>
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<tr>
<td>9-10</td>
<td>Introduction to ArcSDE Using ArcInfo 8 - Location TBA</td>
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<tr>
<td>11-12</td>
<td>Introduction to ArcSDE Using ArcInfo 8 - Location TBA</td>
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For agendas or additional information on any of the above listed meetings please visit our website at [www.iowacounties.org](http://www.iowacounties.org) and click on Upcoming Events!
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