

REPORTS OF INTERIM SUBCOMMITTEES OF
STANDING COMMITTEES OF THE
63rd IOWA GENERAL ASSEMBLY
Submitted to the
LEGISLATIVE COUNCIL
December 16-17, 1969

PREFACE

Chapter 69, section 16(4)(b), Acts of the Sixty-third General Assembly, First Session, empowers the Legislative Council to authorize meetings of subcommittees of standing committees of the Senate and House of Representatives during the interim between sessions of the General Assembly. Under procedures adopted by the Legislative Council, and explained to standing committee chairmen, at the Council's June 11, 1969 organizational meeting, a total of 26 subcommittees of standing committees were authorized to meet and work during the interim between the first and second regular sessions of the Sixty-third General Assembly.

The Legislative Council has no authority to require reports from, nor to act upon recommendations of, subcommittees of standing Senate and House of Representatives committees. However, the Council requested that each of the subcommittees which it had authorized to meet during the 1969 interim submit to the Council at its meeting on December 16-17, 1969, a report of its interim activities for informational purposes. Nearly all of the subcommittees which the Council had authorized to meet during the interim did so; those which did not either had not utilized their authority to meet, or were prevented by circumstances from submitting a report at the time designated by the Council.

The reports of interim subcommittees received by the Legislative Council on December 16-17 have been compiled in this document to facilitate review of the reports by members of the General Assembly and other interested persons. Where a report is designated as final, the subcommittee submitting the report considered that its work was completed for the 1969 interim. Reports submitted by subcommittees which indicated an intent to hold one or more meetings after December 17 and before the convening of the 1970 session are designated progress reports.

Where requested to do so, the Legislative Service Bureau assisted with the preparation of the reports of interim subcommittees. In other cases, the chairman of the subcommittee took the responsibility for preparation of the report.

LEGISLATIVE SERVICE BUREAU
JANUARY, 1970

TABLE OF CONTENTS

	Page
Standing Committees on Agriculture	5
Subcommittee on Relocation of Department of Agriculture Offices and Laboratories	6
Standing Committees on Cities and Towns	10
Subcommittee on Accounting and Budgeting	11
Subcommittee on Compensation of Municipal Employees	13
Subcommittee on Revenue Problems	14
Subcommittee on Transportation Problems	17
Standing Committees on Commerce	19
Subcommittee on Automobile Dealership Franchises	20
Subcommittee on Commerce Commission	22
Subcommittee on Consumer Credit Code	25
Comments of Consumer Credit Code Subcommittee Chairman	29
Subcommittee on Financial Institutions	32
Subcommittee on Insurance	35
Minority Report from Subcommittee on Insurance	37
Standing Committees on Judiciary	40
Subcommittee on Judicial Redistricting	41
Standing Committees on Schools	43
Subcommittee on School Code	44
Subcommittee on School Standards	46
Subcommittee on School Transportation	48
Standing Committees on Social Services	53
Subcommittee on Finance	54
Subcommittee on Nursing Home Study	56

TABLE OF CONTENTS (continued)

Page

Standing Committees on Transportation	58
Subcommittee on Functional Classification of Highways	59
Subcommittee on Farm Machinery and Trailers	64
Subcommittee on Interstate Truck Registration Reciprocity	67
Subcommittee to Study Pending Transportation Committee Bills	69
Standing Committees on Ways and Means	71
Subcommittee on Personal Property Tax Replacement	71
Subcommittee on Property Tax Replacement in the School Aid Formula	73

STANDING COMMITTEES ON AGRICULTURE

The Legislative Council on July 9, 1969 authorized the formation of a single joint interim subcommittee of the Senate and House Agriculture Committees, to study the possible relocation of the offices and laboratories of the state Department of Agriculture.

SUBCOMMITTEE ON RELOCATION OF
DEPARTMENT OF AGRICULTURE OFFICES AND LABORATORIES
OF THE
AGRICULTURE STANDING COMMITTEE
INTERIM REPORT

On July 22, I was notified that the Iowa Legislative Council had approved a study of the possible relocation of the Department of Agriculture Offices and Laboratories into a single building as proposed in House File 530.

The Iowa Legislative Council authorized one joint Senate-House subcommittee of five members, to meet twice, to make this study.

This study committee is composed of Senators Clarke and Keith and Representatives Kruse, Pierson and myself. It should be noted that Senator Clarke and Representative Kruse are members of the State Government Committees in their respective Houses. Senator Clarke is also a member of the Capitol Planning Commission.

It was thought advisable to have the chairmen of the subcommittees on Agricultural appropriations present at the meetings of the study committee on the relocation of the Department Offices and Laboratories. These people are Senator Curran and Representative Shaw.

Copies of the Capitol Planning Commission's progress report to the Sixty-third General Assembly were distributed at the first meeting of the study committee.

This report on estimated space requirements, calls for the Department of Agriculture to vacate its division offices in the Capitol Building for the use of elective officials and the General Assembly. The report also calls for the Agriculture laboratories to vacate their present location at East Seventh and Court, for Archives' use.

The Capitol Planning Commission further proposes a new Agriculture Office and Laboratory building, to be located on the Capitol grounds in the area south of Court Street and east of Twelfth Street.

The building was planned for 100,000 square feet of floor space. Since then new duties have been added to the Department of Agriculture such as meat inspection, moisture meter inspection and consumer protection services. The Federal Government also requires certain laboratory standards to qualify for some Federal Aids and equipment. Some of the affiliated promotion groups have indicated a desire to be a part of the Depart-

ment of Agriculture, as did the Sheep Association in the last session.

In view of the projections for the next fifteen years it was suggested that the space requirements be updated.

I received an invitation from the Capitol Planning Commission to attend their December 3 meeting. At that meeting, the Commission gave unanimous approval for a somewhat larger building than proposed.

Mr. Bunker, an architect and a member of the Capitol Planning Commission, agreed to attend our next study committee meeting and answer questions in regard to the proposed building.

L. B. Liddy, Secretary of the Iowa Department of Agriculture, Robert Lounsberry, Deputy Secretary, Donald Booten, chief chemist of the Department of Agriculture, Kenneth Fulk, Secretary of the Iowa State Fair Board, Gail Danielson, of the Iowa Beef Producers Association, Mike Ford of the Iowa Swine Producers Association, Corywn Hicks of the Iowa Horticulture Society, Sidney Gross of the Iowa Farmers Union, and Sandra Githens, Research Analyst of the Legislative Service Bureau, were present at the first meeting of the study committee. After hearing these people and after some discussion the following motion was made and approved by the study committee:

"That due to the present lack of space, the present laboratory decentralization, administration problems resulting from the different locations of the various agencies within the Department, the increased consumer demands for protection and quality controls, the priority that Agriculture plays in Iowa's economy, and to increase the efficiency and economy of the Iowa Department of Agriculture, that this study committee recommends to the Legislature that there is need for an Agriculture Office and Laboratory Building on the Capitol grounds."

Secretary Liddy was asked to estimate the space requirements for the next fifteen years as requested by the Capitol Planning Commission.

Mr. Bunker was present at the second meeting of the study committee and outlined some of the proposed features of the building. Namely that the building would be of stone construction and not more than three stories in height, to complement and relate to the Capitol building. Also that the building would be constructed so that additions could be made without detracting from its appearance. That there was ample room in the location to do this and to provide parking space. He also

stated that the natural slope would permit a drive-in basement for heavy equipment, such as weight trucks.

I wrote to sixteen of the leading Agricultural states asking them if they had Agricultural buildings, how they were financed, their number of employees, and their space requirements. Most of them had the problem of scattered facilities. Some of them had done something about it. Illinois has approved a \$10,000,000 building, financed by a premium fund which comes from pari-mutuel betting. California has the former Highway Commission building, which is quite a building even to an auditorium. Georgia has the most pretentious building of all, financed by a legislative appropriation. Wisconsin has a similar situation.

Most states agreed that the footage for our proposed building was conservative for the number of employees and the services required.

Presently there are uncommitted funds of \$1,337,143.90 in the Department of Agriculture trust funds. The authority to create this fund, and its use, is set out in section 159.23 of the Code.

To date the interest from this fund has gone into the General Fund.

There have been reversions from the Department of Agriculture to the General Fund of several million dollars in past years. The latest reversion was \$900,000 in October. So the Iowa Department of Agriculture is not a prodigal son or poor relation.

There is some valid argument that inspection fees should be used only for laboratory equipment. However legislative appropriations and/or revenue bonds financed by fees or services are possible means of financing an Agricultural building.

Senate File 537, passed in the last session, gave the Board of Regents authority to establish fees and charges, to issue revenue bonds payable solely from such fees and charges, and to refund bonds from these fees and charges, to construct and equip academic and administrative buildings. It is also the intent that revenue bonds supplement and not supplant appropriations. So there is a precedent established.

A motion was made that the Director of the Legislative Service Bureau, Serge H. Garrison, present at the meeting, draw a rough draft of a bill following some of the procedures outlined in House File 530 and the desires of the study committee pertaining to an Agriculture building. Motion carried unanimously.

The committee agreed to review the bill when the Legislature reconvenes.

Respectfully submitted,

REPRESENTATIVE CHARLES F. STROTHMAN
Subcommittee Chairman

STANDING COMMITTEES ON CITIES AND TOWNS

The Legislative Council on July 9, 1969, authorized the formation of six joint interim subcommittees of the Senate and House Cities and Towns Committees, to study:

1. Municipal accounting and budgeting
2. Compensation of municipal employees
3. Innovated treatment of blighted areas
4. Recreation problems
5. Revenue problems
6. Transportation problems

However, no appointments were made to any of the authorized interim subcommittees from the House Cities and Towns Committee. Members of the Senate Cities and Towns Committee appointed to several of the authorized subcommittees did meet one or more times. Reports were submitted to the Legislative Council by the subcommittees on accounting and budgeting, compensation of municipal employees, revenue problems, and transportation problems. Most of these reports were designated as reports of Senate subcommittees.

Subcommittee on Accounting and Budgeting
of the
Standing Committees on Cities and Towns

NOTE: The following is the text of the minutes of the Subcommittee's only meeting, held the same day the Subcommittee's report was presented orally to the Legislative Council. The minutes were subsequently submitted in lieu of a written report.

"The first meeting of the Accounting & Budgeting Subcommittee of the Standing Committees on Cities & Towns was called to order at 10 a.m., Tuesday, December 16, 1969, in Room 24, State House, Des Moines, Iowa, by the Committee Chairman, Senator Wayne Keith, with the following members in addition to the Chairman present:

Senator Alden J. Erskine
Senator Chester O. Hougen

Other persons present were:

Mr. K. C. Henke, Jr., Office of Planning & Programming
Mr. J. Robert Krebill, Office of Planning & Programming
Mr. M. O. Grummert, Iowa Taxpayers Association
Mr. Charles A. Morrison, Des Moines City Manager's Office
Mr. W. Kenneth Gearhart, Office of Planning & Programming
Mr. C. W. Ward, State Auditor's Office
JoAnn Brown, Legislative Service Bureau
Mr. Howard Bell, Municipal Laws Review Study Committee
Mr. J. Michael Casey, City of D.M. Budget & Research Office
Mr. Gerald Pecinovsky, City of Des Moines Finance Department
John M. Walsh, State Senator
Mr. N. E. Hays, League of Municipalities

Chairman Keith introduced Mr. A. N. McDonald representing the firm of Baster, McDonald & Co., Berkley, California, who reported on accounting and budgeting procedures as recommended by his firm.

Significant remarks in Mr. McDonald's presentation were as follows: Cities & Towns should prepare meaningful budgets which could be understood by the general public; budgets should be made to cover a longer period of time; departments should spell out why money is needed and what performance can be expected from the expenciture.

Senator Hougen moved that this committee recommend the League of Municipalities, the Office of Planning & Programming, and Mr. Angus McDonald, Consultant, prepare an outline and give suggestions relative to legislation needed to implement ideas presented, and present a report to the Accounting & Budgeting Subcommittee as soon as the Legislature meets in 1970. Motion seconded by Senator Erskine and adopted on a voice vote.

The Subcommittee meeting adjourned at 2:00 p.m.

Respectfully submitted,

ELEANOR LUNDBERG
Subcommittee Secretary"

Subcommittee on Compensation of Municipal Employees
of the
Senate Committee on Cities and Towns
Final Report

The Subcommittee on Compensation of Municipal Employees was created by the Senate Committee on Cities and Towns during the 1969 interim study period. The following Senators were appointed to the Subcommittee:

Senator Raiph W. Potter, Chairman
Senator Pearle P. DeHart
Senator Andrew G. Frommelt

The Subcommittee was assigned the responsibility to review municipal retirement and pension laws and programs in Iowa.

The Subcommittee held two meetings to complete their assignment. The first meeting was held on November 24 to which the following guests were invited to present testimony:

Mr. George A. Wilson, Iowa Chiefs of Police Association
Mr. Fenton R. Isaacson, Consulting Actuary,
Milliman & Robertson, Inc.
Mr. George Parks, State, County, and Municipal Employees--
AFL-CIO
Mr. George Wilson, Attorney at Law
Mr. D. W. Rayburn, Iowa State Policemen's Association
Mr. Ed H. Longnecker, Director of I.P.E.R.S.
Mr. John Connors, Iowa Fire Fighters Association

At the second Subcommittee meeting on December 9, Mr. Ed Longnecker and Mr. John Connors were again present to discuss methods of improving the municipal retirement and pension systems. The two guests agreed to submit specific recommendations to the Senate Committee on Cities and Towns prior to the next regular session.

The Legislative Service Bureau compiled and distributed research materials relating to retirement and pension systems and copies of municipal retirement and pension bills pending before the Sixty-third General Assembly.

The Subcommittee made no recommendations regarding substantive changes in present municipal retirement and pension laws but agreed that further study will be necessary to evaluate suggested recommendations that are designed to consolidate existing retirement and pension plans and improve portability, vested rights, and other employee benefits.

Subcommittee on Revenue Problems

of the

Senate Committee on Cities and Towns

NOTE: The following is an excerpt from the minutes of the Subcommittee's third meeting, held December 6, 1969, submitted to the Legislative Council as the Subcommittee's report of its interim activities.

"The Subcommittee reviewed the ideas, suggestions and recommendations recorded in the two previous meetings at which the following organizations were represented by:

1. Senator Walsh, Chairman of Cities and Towns Committee, Senate
2. Mr. William Forst, Director of Department of Revenue
3. Mr. Ballard B. Tipton, Administrator for Property Tax, Department of Revenue
4. Representatives of the Governor's Economy Committee assigned to finances of cities and towns
5. Mr. Ken Henke, Director of Municipal Affairs, State of Iowa
6. Mr. Robert Hayes, League of Iowa Municipalities
7. Mr. Sid Gross, representing Farmers Union

and agreed to authorize the Chairman, Senator Kosak, to make the following report to the Iowa Legislative Council and request Iowa Legislative Service Bureau to prepare legislation for presentation to the Senate Cities and Towns Committee and the Iowa Legislature:

1. Any additional funds available from state economy should be distributed to the Cities and Towns on the basis of population.
2. Implement Home Rule by removal of all millage limitations.
3. We would suggest and support removal of the 30 mil. property tax limitation in Cities and Towns.
4. Remove all limitations of functional funds for Cities and Towns.
5. In order to afford additional alternative for Cities and Towns, Counties and other Municipalities to finance their major priority of services requested by their people, the committee suggest and supports 'Local Option Taxes' to permit by referendum only, and by majority vote of the people the following:

- A) Sales and Use Tax
- B) Gross payroll tax with refund credit for property tax paid such as, 'homestead exemption' to what ever amount the people of the municipality decide
- C) Vehicle Tax
- D) Other local option taxes if authorized by referendum.

Chairman Kosek made the general statement that we are not increasing taxes, we are making it possible for the Cities and Towns, Counties and other Municipalities to completely exercise more Home Rule in financing top priority services to the people of their communities.

Senator Palmer made a motion that the above statements be approved by the committee, seconded by Senator DeHart. Carried unanimously."

(Included with the Subcommittee's report submitted to the Council was an exhibit entitled "Collection of Local Non-property Taxes by the State", a photocopy of which is attached.)

COLLECTION OF LOCAL NON-PROPERTY TAXES BY THE STATE

Over the past few years an increasing number of states have authorized local governments to levy non-property taxes as a means of securing additional revenues. Today many cities, counties, and even school districts levy the same kinds of taxes that are levied by the state. In order to levy such taxes, local governments typically have set up tax collection machinery which creates added administrative costs and increases the cost of tax compliance to the tax-paying public, while at the same time the effectiveness of local tax collection is hampered because of the limited local funds available for tax administration.

In the sales tax field, states such as California, Illinois, Mississippi, New Mexico, and Utah have, for some time, authorized a state agency to collect locally levied sales taxes. In addition to sales taxes, a number of states permit local governments to levy taxes on income, gasoline, alcoholic beverages, cigarettes and tobacco, amusements, motor vehicles, and others. During 1963, Colorado enacted broad legislation which would permit a state agency to collect any non-property tax for a local government where the state and local government levy the same tax.

The suggested legislation below is based on the Colorado statute. It should clearly be noted that this legislation does not in any sense constitute an authorization for local government to levy non-property taxes. It merely provides for a procedure where the state, on a reimbursable basis, can collect local government non-property taxes where such taxes are otherwise authorized by state law.

Suggested Legislation

[Title should conform to state requirements]

(Be it enacted, etc.)

1 *Section 1. Authority to contract.* The director of [tax department] is hereby authorized to
2 negotiate and contract with any political subdivision of the state for the purpose of arranging for the
3 collection by the [tax department] of any tax levied by a political subdivision of the state which is al-
4 so levied and collected by the [tax department] for the state. Such agreements shall include a fee to
5 be paid by the political subdivision to the [tax department] in such amount as may be necessary fully
6 to cover the cost of collection of the local portion of the tax by the [tax department.] Pursuant to
7 the agreement the director shall transmit to such political subdivisions on or before [date] all taxes so
8 collected on behalf of such political subdivisions less the agreed upon collection fee.

TRANSPORTATION SUBCOMMITTEE
FOR SENATE CITIES AND TOWNS COMMITTEE

The transportation subcommittee of the Cities and Towns standing committee in the Senate, consisting of Senator Walsh, Senator Hougen, and Chairman Senator Thordsen, held meetings in Room 24A on November 12, 1969 and on December 15, 1969.

Among those present at these meetings were Mr. Mike Casey, Budget and Research Officer, City of Des Moines, Mr. Chuck White, Iowa Motor Truck Association, Mr. Richard Thornton, Des Moines, Mr. Joe Dowling, Secretary of Iowa Transit Association, Mr. LeRoy Rolfe, Council Bluffs, President of the Iowa Transit Association, Mr. J. R. Coupal, Jr., Highway Commission, Ames, Iowa, Mr. J. L. Hall, Wheeler Lumber Bridge Supply Company and Iowa Industrial Traffic League, Mr. Herman Batts, Director of Traffic and Transportation, City of Des Moines, Iowa.

The subcommittee heard testimony concerning mass transportation in our larger cities and also the future for transit in Iowa. Testimony was also brought out the need for a coordinating agency such as a Department of Transportation on a state level. It was also brought to our attention to explore the Code on existing laws pertaining to overall length of busses and restricted speed zones.

The subcommittee feels something must be done on water transportation, dock facilities. The people and the state must take action to provide for the growth of industry within our state. We must take such action that Iowa will never become a "thru" state, a "causeway" state in the flow of transportation and movement of products and merchandise. There is a future in the state of Iowa on water transportation, especially in the Missouri Valley. But there is a certain amount of work to be done.

It has been brought out that we are heading for the day when we are going to see air cargo in Iowa. Helicopter service from airports to interested points--and this is something that demands a lot of comprehensive study. How is this going to be handled--who is going to pay for it--the state? We are going to have to establish some sort of a rate system. We have carriers who have already said that they would certainly like to get in on the grandfather rights to establish air cargo service in the state of Iowa.

It has been suggested that there is a segment of population that must be provided transportation. The State of Iowa is not getting its fair share of federal money being allotted for

mass transit.

A recommendation was made that future legislation be established for a parking system for cities and coordinated with transit systems....cities have a definite problem in moving vehicles out of the city.

It is the feeling of the members of this subcommittee that there is a need for some type of legislation and it is the goal of this subcommittee to prepare something to present to the members during the second half of the 63rd General Assembly.

/s/ Harold A. Thordsen

SENATOR HAROLD A. THORSEN
Chairman, Subcommittee

STANDING COMMITTEES ON COMMERCE

The Legislative Council on July 9, 1969 authorized the formation of five joint interim subcommittees of the Senate and House Commerce Committees, to study:

1. Franchising of new car dealers
2. Effectiveness of the Commerce Commission in enforcing existing laws and regulations
3. The Uniform Consumer Credit Code
4. Uniform taxation and regulation of all financial institutions
5. Regulation of certain aspects of the insurance industry

In addition to reports of each of these subcommittees, a minority report was submitted to the Council by one member of the Insurance Subcommittee.

SUBCOMMITTEE REPORT ON AUTOMOBILE
DEALERSHIP FRANCHISES - SENATE FILE 539

Interim Report

The Subcommittee on Automobile Dealership Franchises was created by the Committee on Commerce during the 1969 interim study period. The Subcommittee was authorized four meetings. The following legislators were appointed to the Subcommittee:

Senator Jim Griffin, Chairman
Senator Harold A. Thordsen
Senator J. Donald Weimer
Representative Frank A. Crabb
Representative Dennis L. Freeman
Representative Clair Strand

The Subcommittee held its first meeting in Council Bluffs at the Holiday Inn on September 22, 1969, at which time the Subcommittee members heard testimony and facts were presented to substantiate the automobile dealers view. The entire meeting was devoted to the dealers.

The second meeting of the Subcommittee was held at Johnny's and Kay's in Des Moines on October 27, 1969. This meeting was devoted entirely to the automobile manufacturers. Evidence was presented by the manufacturers that the charges by the dealers were not substantiated and that no legislation was needed.

The Subcommittee held its third meeting at the Capitol on November 21, 1969. At that meeting the entire day was made available to both the dealers and manufacturers to answer the charges that were leveled at each other in the previous two meetings. The Subcommittee benefited very much from these three meetings because it was able to view objectively the facts presented.

The fourth Subcommittee meeting was held December 8, 1969 at the Capitol to discuss the merits of S. F. 539 as presented to the Subcommittee. Discussion by the Subcommittee on the whole was lively and all sides of the situation were brought to light. General agreement indicated that there was some need for legislation, but not as written in S. F. 539.

At this time Chairman Griffin presented to all parties concerned a rewritten franchise bill referred to in the minutes as the "Griffin Bill". After some discussion by the members, Representative Crabb moved that the Committee recommend that the bill as revised by Chairman Griffin be returned to the Commerce Committees

of the House and Senate for further study during the Second Session of the Sixty-third General Assembly. The motion was seconded by Representative Strand. The motion carried.

Chairman's Recommendation

It is the Chairman's belief that a consensus has been reached and one more meeting would enable the Subcommittee to make a specific recommendation with respect to the redraft of the proposed bill and conclude the Subcommittee's work. It is not contemplated or desired that any additional testimony be heard. Therefore it is respectfully requested, and it is the recommendation of the Chairman, that one additional meeting of the Subcommittee be authorized prior to January 1, 1970 and, because of the shortness of time, the Subcommittee be instructed to make its report directly to the Commerce Committee of each House with copies to members of the Legislative Council.

Respectfully submitted,

Senator Jim Griffin,
Chairman

COMMERCE COMMISSION SUBCOMMITTEE
OF THE
STANDING COMMITTEES ON COMMERCE

Final Report

The Legislative Council at its July meeting approved a request, filed by Senator Robert R. Rigler and Representative Harold O. Fischer, Chairmen of the Commerce Committees of the General Assembly, for the establishment of a subcommittee to study the Iowa State Commerce Commission and its regulatory activities. The Legislative Council authorized a six-member subcommittee of the Standing Committees on Commerce to hold nine meetings. The members are:

Senator Robert R. Rigler, Chairman
Representative Robert M. Kreamer, Vice Chairman
Senator William F. Denman
Senator James A. Potzger
Representative Lynn F. Battles, Sr.
Representative Rayman D. Logue

At its first meeting the Subcommittee toured the Commerce Commission facilities at the Valley Bank Building in Des Moines, and at subsequent meetings heard testimony from members of the Commerce Commission, employees of the Commerce Commission, and representatives of the railroad industry, bonded warehouses, grain dealers associations, pipeline companies, utility companies, and landowners.

After hearing testimony and studying information prepared by the Legislative Service Bureau, the Subcommittee makes the following recommendations:

1. That a bill be drafted to require public utilities to inform their customers, by means of a form letter enclosed in the regular monthly billing, of proposed rate changes or any procedural changes affecting the customer. The bill requires that the public utility cite its statutory authority to effect such a change, the redress available to the customer, and the time and place where a hearing on the rate change will be held.

2. That a bill be drafted authorizing city councils, county boards of supervisors, and the Iowa State Highway Commission to repair grade crossings and assess railroads for the costs of such repairs when railways are derelict in their duty to properly maintain grade crossings.

3. That the Commerce Commission employ the most qualified professional staff persons available in order to enable it to adequately regulate utilities and protect the Iowa public. The Committee urges the Commerce Commission to engage in an enthusiastic recruiting program as quickly as possible. The Committee understands that in the past the Commerce Commission has been unable to pay salaries commensurate with the duties of its employees. Although testimony at Subcommittee meetings indicates that the merit system council is revising salary schedules for Commerce Commission employees, the Subcommittee urges the merit system council to give full cooperation in the endeavors of the Commerce Commission to hire professional staff.

4. That before the 1971 legislative session the General Assembly study the feasibility of abolishing the Commerce Commission, the Highway Commission, and the Aeronautics Commission and establishing a Department of Transportation.

5. That a bill be drafted to allow the Commerce Commission to publish its annual report in any manner which it deems advisable. The Subcommittee urges that representatives of the railroad industry and the Commerce Commission cooperate in recommending legislation to the 1971 session of the General Assembly which will modernize the annual report of the Commerce Commission and which will provide that meaningful information be published in the annual report.

6. That the Commerce Commission recommend to the 1971 session of the General Assembly deletions and revisions of out-of-date sections of Chapters 474, 478, 479, and any other sections of the Code which relate to regulation by the Commerce Commission. Testimony by Mr. Leo Steffan, Commerce Counsel, indicated that certain sections of the Code relating to the Commerce Commission are obsolete.

7. That the budget of the Railroad Division should be increased. The staff, consisting of a superintendent and one secretary, is inadequate to perform the required duties. The Subcommittee recommends that the Commerce Commission study alternative ways to finance the regulation of railroads, and suggests that consideration be given to the assessment of railroads on a per-mile basis similar to the manner in which electric utilities are taxed in Iowa and similar to Wisconsin legislation. The Subcommittee believes that such an assessment will allow railroads to finance their own inspections.

8. That the Warehousing Division of the Commerce Commission remain in the Commerce Commission. At this time there appears to be no real reason to move the Warehousing Division to the Department of Agriculture.

9. That the grain dealers associations and the Commerce Commission cooperate in a study of the feasibility of changing the

method of computing bonded warehouse license fees and consider the possibility of basing the license fee on the capacity of the warehouse, and make recommendations to the 1971 session of the General Assembly. The Subcommittee believes that more state warehouse inspectors are needed, and such inspectors must be adequately paid.

10. That a bonding company established by the state for licensed warehouses is not necessary at this time. It was suggested by the grain dealers associations that such a bonding company be established, but the Subcommittee does not see a need at this time for such establishment.

11. That a bill be drafted to allow persons whose property is damaged by the construction of a pipeline to seek injunctive relief.

12. That a bill be drafted to amend section 490.4 of the Code to require the Commerce Commission to inspect damage to real and personal property resulting from the construction of pipelines and to require inspection to determine that the property has been restored to its original condition.

13. That a bill be drafted to repeal the provisions of section 474.9 and section 479.94, subsection 1, which allow members of the Commerce Commission and its staff to receive free passes from the railroads and other common carriers. The Subcommittee further recommends that section 479.94, subsection 16, which allows members of the Conservation Commission to receive free passes to ride common carriers, be deleted.

14. That the Commerce Commission and the Iowa Development Commission meet with major shippers and industry personnel including railroad representatives, to discuss amendments to section 479.116 which requires that damage claims be settled within forty days for intrastate shipments and within ninety days for interstate shipments.

The Subcommittee studied the feasibility of requiring that all public utility corporations use licensed real estate agents to solicit the purchase of private property for public use, but decided to await recommendations of the Eminent Domain Study Committee on this and other matters relating to eminent domain.

The Subcommittee did not consider the Commerce Commission's regulation of trucks because of studies by subcommittees of the Standing Committees on Transportation.

Consumer Credit Code Subcommittee
of the
Committees on Commerce

Final Report

The Consumer Credit Code Subcommittee was created by Committees on Commerce during the 1969 interim study period. The following legislators were appointed to the Subcommittee:

Representative Stanley T. Shepherd, Chairman
*Senator Joseph Flatt
Senator Harold A. Thordsen
Senator J. Donald Weimer
Representative Trave E. O'Hearn
Representative Berl E. Priebe

*Resigned

The Subcommittee was assigned the study of the Uniform Consumer Credit Code as promulgated by the National Conference of Commissioners of Uniform State Laws. The Subcommittee was specifically assigned the responsibility to review the substantive provisions of the proposed Uniform Consumer Credit Code and to determine whether or not the Code should be recommended for adoption by the General Assembly.

The Subcommittee held two separate meetings and two joint meetings with the Subcommittee on Financial Institutions of the Committees on Commerce. The Subcommittee on Financial Institutions was studying a related topic on revolving credit, credit cards and check credit. The separate meetings were held on August 14 and October 10, and joint meetings were held on November 25 and December 9.

Due to the length and technical provisions of the proposed Code, the Subcommittee invited Mr. Neil Butler, a staff member of the National Conference of Commissioners of Uniform State Laws, to the first meeting to explain its major substantive provisions. The Subcommittee also invited representatives of consumer interest groups, retail business organizations, and banking and finance industry organizations to its meetings to present their respective views and recommendations. A list of the invited guests is attached to this report and by this reference is made a part thereof.

Some of the reasons cited by proponents of the proposed Code for recommending its adoption are as follows:

1. The Code would simplify, clarify, and integrate the law governing retail installment sales, consumer credit, small loans and usury.

2. The Code would exempt Iowa creditors from Federal enforcement of Truth-in-Lending and substitute Iowa administrative enforcement therefor.

3. The Code would mark a significant advance in protections for all credit consumers.

4. The Code would place interest rate ceilings at a level which would permit consumer creditors to extend credit to all types of credit risks.

5. The Code would protect consumer buyers, lessees, and borrowers against unfair practices by some suppliers of consumer credit with due regard for the interests of legitimate creditors.

Mr. L. Richard Freese, Jr., an attorney for J. C. Penney Company, prepared a document which was designed to analyze and compare the proposed Uniform Consumer Credit Code with existing Iowa credit statutes. This document was distributed to the members of the Subcommittee. A copy of this research document and proponent's statements are filed in the Legislative Service Bureau office.

Some of the reasons cited by opponents of the proposed Code are as follows:

1. The Code is an incredibly long, complex, cumbersome statutory maze which is uniformly weighted in favor of the creditor.

2. The Code would increase interest rate ceilings which will tend to become the effective rates rather than ceilings below which competition would determine the effective rates.

3. Current Iowa credit laws which are individually tailored to the various credit purposes, types of loans and methods of operation of consumer creditors have proven to be successful regulatory tools.

4. "Free entry" provisions of the Code which are designed to foster greater credit competition may be detrimental to the interests of consumers and creditors rather than beneficial.

5. There may be considerable merit to implementing a separate law which is designed to protect consumer rights without specific limitations to credit transactions alone.

A copy of statements in opposition to the Code which were presented by Mr. Alvin W. Jordan, Iowa Credit Union League, and Mr. Edward Berlin, an attorney for the Consumer Federation of America, are filed in the Legislative Service Bureau office.

At the December 9 meeting, the Subcommittee concluded that a continued study would be necessary to fully evaluate the provisions of the proposed Code. As a result, the Subcommittee recommends that the Committees on Commerce of the Sixty-third General Assembly provide for the continued study of the Uniform Consumer Credit Code and revolving credit, credit cards and check credit and that the present members of the Subcommittees on the Uniform Consumer Credit Code and Financial Institutions be appointed to the continued study.

Respectfully submitted,

Representative Stanley T. Shepherd, Chairman

Consumer Credit Code Subcommittee

Guest List

Mr. Neil Butler, National Conference of Commissioners of
Uniform State Laws
Professor Allan D. Vestal, Commissioner on Uniform State Laws
Mr. John L. McCabe, J. C. Penney Co.
Mr. L. Richard Freese, Jr., J. C. Penney Co.
Mr. Rick Raphael, J. C. Penney Co.
Mr. George J. Wallace, Associate Professor,
The University of Iowa Law School
Mr. Robert G. Whitley, Jr.,
The University of Iowa Law School
Mr. A. W. Jordan, Iowa Credit Union League
Mr. Peter Westergaard,
Iowa Consumers League & Iowa Credit Union League
Mr. Wendell B. Gibson, Iowa Bankers Association
Mr. Robert A. Krane, Iowa-Des Moines National Bank
Mr. Clarke E. Bailey, Director,
Industrial Loan Division, Office of Auditor of State
Mr. Elmer L. Burgeson, O'Dean Finance Company
Mr. Arthur E. Lindquist, Jr., Iowa Bankers Association
Mr. Frank A. Stewart, O'Dean Finance Company
Mr. O. A. Swartz, Siouxland Credit Corporation
Mr. Paul C. Eide, President, Iowa Industrial Loan Association
Mr. Larry L. Breeding, Dial Finance Company
Mr. Peter Henter, Iowa Retail Federation
Mr. Edward Berlin, Consumer Federation of America
Mr. Lloyd Jackson, Iowa Insurance Department
Mr. Edward Kallemyn, Mortgage Guarantee Insurance Corporation
Mr. William Vess, Montgomery Ward
Mr. John Bryant, Morris Plan Company
Mr. John E. Peterson, Dial Finance Company
Mr. George A. Wilson, Iowa Consumer Finance Association
Mr. George Lindeman, Commissioner on Uniform State Laws
Professor Richard F. Dole, Jr., Commissioner on Uniform State Laws
Mr. L. M. Fitzgerald, Massey Ferguson Credit Corporation

Comments of Consumer Credit Code Subcommittee Chairman

Mrs. Virginia Knauer, the President's special assistant for consumer affairs is facing an almost impossible task. Mr. Nixon's proposed consumer legislation would establish a new office of consumer affairs, to be headed by Mrs. Knauer. Her first order of business would be to coordinate all federal activities in the consumer protection field, helping to establish priorities to resolve conflicts.

All federal ACTIVITIES COVER A GREAT AMOUNT of ground. According to a survey, at least 39 federal agencies, offices and departments are engaged in one consumer activity or another, with many of them working in numerous fields.

To take only one of the better known programs, so-called "truth-in-lending", administration is scattered among ten different agencies:

- The Agriculture Department.
- The Bureau of Federal Credit Union.
- The Civil Aeronautics Board.
- The Comptroller of the Currency.
- The Federal Deposit Insurance Corporation.
- The Federal Home Loan Bank Board.
- The Federal Reserve Board.
- The Federal Trade Commission.
- The Interstate Commerce Commission.
- The National Commission on Consumer Finance.

Mrs. Knauer's task of coordination would be simpler if consumer protection were entirely new,

BUT IT ISN'T...

Consumers make up the biggest voting bloc of all, including absolutely everyone.

Over the years the agencies' operations have been encrusted with bureaucracy...so coordination will involve much more than devising the best way for government to proceed; it will mean that someone will either have to persuade--or force--a great many federal units out of old habits.

Even the best of businesses does not provide perfect products or services; that is, and will continue to be an imperfect world...everyone has his own horror stories.

The problems have actually grown with affluence since so many more items are offered and the average American is faced with many more decisions...lately inflation has made wrong decisions all the more costly.

Who, exactly, is going to see that consumers get what they've got coming to them...Mrs. Knauer's new office, in addition to pulling order out of the existing bureaucratic chaos, would initiate research, recommend program improvements and act as a sort of clearing house for consumer complaints.

Bear in mind this is federal government control...beyond that, the President proposes a new division of consumer protection in the Justice Department...there would also be a new consumer protection law, to be enforced by the Justice Department and U.S. attorneys around the land; consumers could go to court to seek redress for damages...and that's far from all...the Federal Trade Commissions would be "revitalized", consumer education would be expanded...in short, the federal government would get awfully busy in these areas.

The truth is that consumer protection, if it is to be effective, must be the work of diverse hands...for one thing, the best legal defense against consumer fraud, WHERE IT DOES EXIST, would be effective action, by STATE AND LOCAL GOVERNMENT...I doubt that the nation is quite ready for an army of federal policemen large enough to roam all the states.

Business, too, can and should police itself...it is the opinion among many of our businessmen that they had better pay considerably more attention to the matter of self-policing than we have in the past in order to dampen the pressure of federal government on us.

If states and localities don't want the federal government intruding ever more deeply into their operations many of them also will have to become better policemen.

If everyone does his part, this mission would not appear quite so impossible.

There is the situation as far as the federal government and Mrs. Knauer is concerned.

How about the states looking themselves over to correct flaws, if necessary, before the federal government moves in.

The consumer credit protection act of 1968 (Truth-in-lending law) directed the establishment of a national commission on consumer finance to study and appraise, the functioning and structure of the consumer finance industry as well as consumer credit transactions generally...the commission was charged with submitting a report to the President and the Congress by Jan. 1, 1971...the law provided that the commission would be composed of three U.S. Senators, three members of the House, and three public members, including the Chairman, to be appointed by the President.

The commission was authorized funds...but none were appropriated; and the President (1968) in the closing days of his administration appointed three public members, but failed to designate a chairman...thus, though the commission was named, it never became operative. Now the present President has appointed three new public members and has requested funds to activate the commission to accomplish its assigned mission...the appointments, however, according to some authorities, have created little enthusiasm among consumers generally.

As you well know, Credit is big business today...in fact, it is the American way of life.

Let me give you one example of one segment of this economy; CREDIT UNIONS. In December 1959, they had \$3.2 billion in installment credit...now (December 1969) they probably have \$11½ billion in installment credit. At the beginning of 1960, they had \$4.4 billion in savings...now they have \$13½ billion in savings...over half of their loans, savings, and assists came during the 1960's.

New Credit Cards...how will they effect our economy?... will they cause a surge of credit buying and cause a situation that will create a turmoil in the field of bankruptcy?

Late papers, TV and Radio have stressed the needs for uniform laws in the states to cover consumers...one paper had one entire page devoted to this subject...this only proves that soon consumers are going to get angry and look toward us for the answers. If we need to make changes to protect the consumers we had better find out as soon as possible...if we decide not to adopt the entire UCCC we should proceed to determine what should be done and that is the reason for our recommendation for further study. At no time have we given favor to one side or the other, and our only desire is to be fully informed of the existing conditions in the state of Iowa pertaining to the protection of the consumers.

/s/ S. T. SHEPHERD
State Representative

CHAIRMAN'S REPORT OF THE
ACTIVITY OF THE
FINANCIAL INSTITUTIONS SUBCOMMITTEE
OF THE
STANDING COMMITTEES ON COMMERCE

The areas of study conducted by this Subcommittee were the operations and administration of financial institutions governed by the State of Iowa.

In general, the committee considered the possibility of a single supervisory agency to administer all financial institutions; uniform taxation of all financial institutions; allocation of revenue from the taxing of this type of business and the possibility distribution of revenue to local governing bodies; the relationship of and comparison of administration of the state agencies when similar state and federal institutions are functioning in the state; exemption of federal lending agencies from state law; supervision of revolving credit accounts; and supervision of credit cards and credit card vendors.

The committee concluded after two meetings unanimously that taxation, revenue allocation from taxing financial institutions were the business of the Ways and Means Committee.

In addition, there was a close parallel in the study by the Subcommittee on the Uniform Consumer Credit Code in the areas of revolving credit accounts and credit card and credit card supervision. In addition, the Subcommittee on Insurance had as an agenda item the supervision of credit life, health and accident insurance.

The Subcommittee unanimously agreed that any further action taken be taken jointly with the Subcommittee on the Uniform Consumer Credit Code, for joint consideration of the control of financial institutions since the proposed Code would entail a single administrator of financial institutions, supervision of vendors using revolving credit accounts, issuance of credit life insurance, and rates to be applied to consumer financing by the financial institutions.

This Subcommittee did meet jointly with the Subcommittee on the Uniform Consumer Credit Code and the conclusion of the joint meeting unanimously suggests that the Code and the provisions therein be given further consideration by the full Commerce Committees of the House and Senate and that the assignment of any further Subcommittees at the discretion of the Committee Chairmen be members of the interim Subcommittees to implement continuity of the study.

During the study of all of the foregoing, this Subcommittee Chairman also personally would note that in the area of credit life, health and accident insurance there are many unanswered questions concerning present law and proposed legislation. Some of the areas that I have been unable to bring to conclusion presently that have not been answered are:

1. Why the differential in the rates charged by the same company when the sale is made through various vendors?
2. Should large volume vendors have preferential rates for their customers on an actuarial rate basis? If so, what is the actuarial background for differential in the rates?
3. Is the large volume vendor of credit life, health and accident insurance that remits his premium on an average monthly balance basis to be considered as having paid the total premium tax on his total charges to the borrower for the insurance? If not, how should this computation be changed?
4. As proposed by the Insurance Commissioner in an opinion issued in his hearing that the insurance charge be made on the basis of a percentage benchmark, I would ask whether this might not tend to increase the rate since the company having the highest loss ratio would not be able to prove a necessary increase in the rate with the unscrupulous vendor changing to the higher rate company for the purpose of making additional commissions?
5. Should there be a rate differential for the issuance of a certificate on a so-called group policy vs the issuance of individual policies?
6. With the use of a group policy by the financial institution/vendor, are the so-called dividends a commission or a true insurance dividend? If they are a dividend should the return of these dividends be paid to the borrower rather than to the financial institution/vendor? If they are a true dividend, should they continue to be paid on a variable scale based on the loss-ratio as at present which is similar to and may be easily compared to a reciprocal commission paid on and for the sale of casualty insurance?

7. Should a maximum rate charge allowable for the companies be established rather than a stated rate since competition might establish a rate lower than the set rate which would be of advantage to the general public?

For the reason that there are still the foregoing questions that have been unanswered by the insurance companies and the vendors/financial institutions, I would recommend that prior to the passage of what I consider necessary legislation in this area, that the full Commerce Committees chairmen give full consideration to the establishment of joint committee study of this area of insurance legislation. At the suggestion of the Council or the chairmen of the respective Commerce Committees, I will furnish all of the background information in this area that I presently have and any continuing information that I receive in answer to my outstanding inquiries.

/s/ Edgar J. Koch,
Subcommittee Chairman

INSURANCE SUBCOMMITTEE
OF THE
STANDING COMMITTEES ON COMMERCE

Final Report

The Insurance Subcommittee was created by the joint action of the Standing Committees on Commerce to study and submit recommendations concerning problems in the insurance industry. The membership of the Insurance Subcommittee, as appointed by the respective Commerce Committee Chairmen, is as follows:

Representative Harold O. Fischer, Chairman
Senator James E. Briies
Senator Gene W. Glenn
Senator Jim Griffin
Representative Theodore R. Ellsworth
Representative James H. Schwartz

The Insurance Subcommittee considered a wide variety of problems concerning the insurance industry, and in so doing received information and testimony from a considerable number of individuals knowledgeable in the field. Among the problems considered are the following:

1. Establishment and regulation of group credit insurance rates.
2. Control of variable annuity contracts.
3. Arbitrary cancellation of automobile insurance policies.
4. The "no fault" concept of automobile insurance coverage.
5. Cancellation of insurance agency contracts by insurance companies.
6. The sale of title insurance by Iowa licensed insurers.
7. Regulation and control of insurance holding companies.
8. Group credit insurance premium tax assessment procedures.
9. Taxation of health insurance premiums collected by the Blue Cross-Blue Shield companies, or the exemption from taxation of health insurance premiums collected by private insurers.
10. The "use and file" method of establishing insurance rates.
11. Conflict of interest laws relating to insurance company directors and officers.

12. The effect upon insurance policyholders and claimants of insurance companies becoming insolvent.

The Insurance Subcommittee recommends that the Standing Committees on Commerce endorse the enactment of the following legislative proposals:

1. The Model Credit Insurance Bill, as amended and recommended by the Commissioner of the Department of Insurance ("Commissioner's Bill").
2. Senate File 203, Sixty-third General Assembly, (as passed by the Senate), relating to cancellation and nonrenewal of automobile insurance policies, as amended by the deletion of sections 10 and 14 providing for a hearing before the commissioner and a penalty clause respectively.
3. House File 633, Sixty-third General Assembly, relating to the encouragement of competition among certain casualty insurance companies in rate making, as amended pursuant to suggestion by the American Insurance Association.
4. A bill relating to conflicts of interest of officers and directors of insurance companies.
5. A bill containing the provisions of the Model Insurance Holding Company System Regulatory Act, as amended pursuant to suggestion by the Insurance Department.
6. A bill to exempt from taxation all premiums collected by private insurance companies for hospital and medical insurance policies.
7. A bill to require insurance companies to submit one year's notice of intent to cancel agency contracts.
8. Iowa Insurance Guaranty Association Act, an act to avoid financial loss to individuals due to the insolvency of an insurer.

The eight recommended bills and amendments are currently being prepared by the Legislative Service Bureau for introduction or filing.

INSURANCE SUBCOMMITTEE OF THE STANDING

COMMITTEES ON COMMERCE

MINORITY REPORT

FILED BY: SENATOR GENE W. GLENN

DEC. 15, 1969

Except insofar as my vote on specific legislative proposals coincided with those of the majority of the Subcommittee, I dissent from the Majority Report filed herein.

The pervasive malaise of contemporary democracy - that of government guided by self-interested groups and organizations - has imbedded itself firmly upon the deliberations and findings of the Subcommittee. When such influences clearly dominate legislative recommendations, the public interest necessitates full information on the processes that are operative.

In composition, the six-member Subcommittee has four members, a majority, who are engaged in the insurance business. While admittedly more knowledgeable, perhaps, than the average legislator on the intricacies of insurance matters, the possibility of personal interest in legislative policies enacted into law looms much larger. It may fairly be presumed that the tendency of industry-oriented legislators will be toward a reduction of public regulation, and the advancement of such formulas as will result in higher yields to the industry. In microcosm, the Subcommittee structure cannot be depicted as representative of the Iowa Legislature.

In procedure, the minutes evidence a grievous imbalance of presentation. Although requested by the undersigned, no public hearing was held on matters considered by the Subcommittee. Correspondence received from constituents suggests injustices that have occurred under present regulations, and which may persist unless remedial action is taken. The Subcommittee might well have benefited from the citation of personal experiences by those most affected - the general public.

Reconsideration of legislative action completed by the Iowa Senate during the 1st Session of the 63rd General Assembly by the Senate Subcommittee members appears violative of the spirit if not the rules of the Senate. Technically, S.F. 203, the automobile insurance cancellation bill, had been placed beyond our jurisdiction, having been sent to the House subsequent to its passage. Yet, the Senate Subcommittee members voted upon a motion recommending adoption of the measure with deletion of two significant provisions. The essence of bicameralism requires independent consideration by the two houses of legislative proposals; when one house has worked its will, the matter then moves to the other body. If veto power is vested in the hands of three Senators, two of whom voted on the losing side when the two amendments in question were considered, then the considered action of the whole Senate may be labelled a nullity.

Inordinate reliance upon the positions of industry spokesmen permeated the Subcommittee's deliberations. Apart from Subcommittee members, counsel, and representatives of the Insurance Commissioner's office, the persons in attendance at Subcommittee meetings and offering statements on legislative proposals overwhelmingly represented the insurance and banking industry, with many having been registered lobbyists in the 1st Session of the 63rd General Assembly. As the minutes disclose, the positions urged by such special interest advocates bear striking resemblance to the recommendations adopted in the Majority Report in nearly all instances. One possible exception may be that of the Blue Cross-Blue Shield representative.

In anticipation of the contention that all or nearly all of the recommendations adopted were approved by the Insurance Commissioner's office, thereby safeguarding the public interest, several observations may be appropriate. One, the whole Legislature - not the Commissioner - is entrusted with legislative decisions as to what constitutes sound public policy. Two, the Commissioner is placed in a somewhat untenable position when his views are solicited concerning matters that enlarge or circumscribe his regulatory authority. No incumbent Commissioner would choose to appear unduly bureaucratic in his posture on such matters, and particularly not when the majority party hoists the untrammelled standard of free enterprise above all other economic virtues. Three, by the very nature of his position, the Commissioner is subjected to subtle pressures from the industry and its representatives that tend inevitably to blur objectivity of position. Nothing herein should be construed as a personal reflection upon the incumbent officeholder.

While not concurring in the supporting statements on legislative matters contained in the Majority Report in but a few instances, I shall limit specific observations on legislative recommendations to the following:

S.F. 203

This measure should be enacted as passed by the Senate; the hearings and penalty provisions should not be deleted. According to the Insurance Commissioner, an estimated 30,000-40,000 Iowans had their automobile insurance policies cancelled last year on grounds defined as other than valid by the bill. The only recourse provided these unfortunates is a complaint to the Commissioner, with only occasional redress, or the purchase of high-risk insurance.

A statutorily-defined hearing procedure would ensure due process of law. Every citizen then might know such procedure was available, and invoke it upon necessity. A great many Iowans do not presently know of the existence of the Commissioner's office, and its services. Moreover, its procedures are indefinite, redress depending upon the aggressiveness of the investigation, tenacity in confronting the offending carrier, and ultimately the willingness of the carrier to reverse or adjust its position. Clearly, precise legal standards embodied in a hearings clause would be more protective of the motorist.

The penalty provision would remove an offending carrier from its present status of immunity; individuals are subjected to penalties when they violate laws, why should not insurance companies be subjected to similar sanctions? Moreover, a conviction or multiple convictions would provide the Insurance Commissioner with a sound basis for refusing to permit a violating carrier from doing business in Iowa.

H.F. 633

I oppose enactment of the so-called "Use and File" bill. This proposal, if adopted, would bypass the existing requirement of advance approval on automobile and casualty insurance rates by the Insurance Commissioner, allowing the carriers to increase their rates whenever and in what amounts they should choose. Specific objections include these:

One, the regulatory authority of the Insurance Commissioner would be greatly reduced. Upon a finding that a class of insurance was "competitive" - a guideline, it may be observed, so loose in concept as to be practically indistinct - the Commissioner might promulgate rules permitting self-determined premium rates. Thereafter, under the Subcommittee amendment, if the Commissioner were to conclude that such class of insurance was no longer "competitive", he might after hearing amend or withdraw his original order. Contrary to published reports, the bill does not give the Commissioner specific authority to disapprove rates after they are filed; his authority is limited to a determination of "competitiveness."

Two, no evidence was presented to the Subcommittee that the present system of advance approval is injurious to the public welfare or to the insurance industry in the State of Iowa. While apprehension was expressed that a "political" Commissioner might at some future time emerge, no such present contention was raised.

Three, it is apparent that the insurance industry objective in supporting this bill is to enable the carriers to increase premium rates without effectual State regulation. A higher profit-motive thus appears to be the rationale behind this legislation. Manifestly, such reason is inconsistent with the public interest that should serve as our guide in legislating.

Four, no showing has been made that the present system for setting rates imperils the solvency of the insurance industry. While underwriting profits may be slender, the over-all health of the industry - as demonstrated by a Staff Study of the Senate Antitrust Subcommittee in Washington, released just two weeks ago - is indisputable, with average after-tax earnings in the 1959-1968 decade of 10.5 percent. Sufficient flexibility is present in our existing rate structure to permit adjustments when economic circumstances so warrant.

Credit Insurance Bill

While I favor the enactment of this legislation, I voted no in Subcommittee because of partisan political considerations injected. A similar bill, H.F. 671, introduced in the House of Representatives, March 26, 1969, by Representative Gannon, was bypassed by the Subcommittee because as one Subcommittee member observed, the sponsor was of the wrong political party. It is deplorable that such an attitude should prevail when worthy legislation is under consideration.

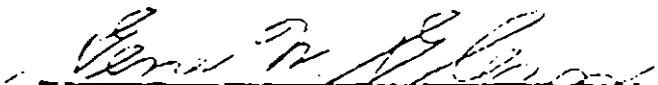
Health Insurance Tax

While I concur in the Subcommittee recommendation that the tax on health insurance premiums should be repealed, I submit that private carriers should be required to abide by similar legislative controls in regard to rate approval, employee salaries, and non-profit status, currently imposed upon Blue Cross-Blue Shield. Unduly large profit yields in this area penalize those citizens who need protection most, and are least able to afford it.

Recommendation

For all the reasons aforesaid urged, I recommend to the Standing Committee on Commerce that the Majority Report of this Subcommittee be rejected, and this Minority Report adopted.

Respectfully Submitted,


GENE W. GLENN
STATE SENATOR, SUBCOMMITTEE MEMBER

STANDING COMMITTEES ON JUDICIARY

The Legislative Council on July 9, 1969, authorized the formation of four joint interim subcommittees of the Senate and House Judiciary Committees, to study:

1. Family court and divorce law proposals
2. Judicial redistricting
3. Retirement plan for judges' widows, and proposals for a judicial disciplinary system
4. Unified trial court proposals

Only the first two authorized subcommittees actually organized and met during the 1969 interim.

No written report was submitted to the Legislative Council by the Family Court and Divorce Subcommittee. Representative William Hill, Subcommittee Chairman, appeared at the Council meeting on December 16 and reported that the Subcommittee members had given further study during the interim to Senate File 4 and House File 4, the bills recommended by the 1967-69 Divorce Laws Study Committee. Representative Hill indicated that the Subcommittee members from the Senate and from the House agree upon the desirability of revising present divorce laws, but do not agree upon the priority which should be assigned to consideration of the family court concept embodied in Senate File 4 and House File 4.

The report of the Subcommittee on Judicial Redistricting appears on the following two pages.

Subcommittee on Judicial Redistricting
of the
Standing Judiciary Committees

December 19, 1969

Iowa Legislative Council
c/o Legislative Service Bureau
State House
Des Moines, Iowa

Gentlemen:

This is in the nature of a report on the activities of the joint subcommittee on judicial redistricting of the Judiciary Committee of the House and the Senate. This subcommittee has had two meetings, and considers its work completed so far as it can go prior to the legislative session.

The first of the two meetings was devoted to a discussion of the proposal by the Iowa State Bar Association to change the formula on which judges are allotted to the various districts so that the number of the judges in the district could be based either on population or on case load, rather than on both factors. A rather extensive discussion was had with completely inconclusive results because of the lack of complete information. At this time, requests for information were made from the Bar Association on the total cost of such change in the formula, the number of judges added, whether or not additional authority for the Chief Justice of the Supreme Court was necessary for good judicial administration, etc.

At the second meeting, the State Bar Association presented the committee with some additional data. This indicated that the number of additional judges would be rather high, and the Bar Association presented another alternative to change the formula under which the districts would remain as they presently are, except that each district would have the same number of judges that it had prior to the 1965 adoption of the formula unless both case load and population factors had increased to the point where an additional judgeship was indicated, or both had decreased to show the loss of a judge. It was further developed that the Chief Justice of the Supreme Court now had authority to recall retired judges, and to assign presently active judges from one district to another, and in the opinion of the Bar Association had adequate authority to provide for good judicial administration if that authority were to be used. There was some indication that the previous Chief Justice either was too busy, or was reluctant to use this authority in many cases.

The new proposal was also fully discussed. The consensus was that this was probably a stopgap measure which would work to relieve the growing crisis. It was generally felt, however, that some redistricting was going to be inevitable. The further feeling was expressed that this was an extremely difficult matter politically since most of the members of the Bar Association, and many of the members of the Judiciary were strongly opposed to any redistricting. It was, therefore, proposed that a further investigation be made by the Judiciary Committees of the House and Senate into the possibility of delegating the authority and the responsibility of setting up efficient judicial districts to the Supreme Court of Iowa. It was proposed that guidelines as to the minimum number of districts and the minimum number of judges might be written into the statutory enactment, and that requirement should be made that the court take into account such factors as geography, population, case load, and such other factors as might be pertinent.

Should this report be approved by the Legislative Council, the undersigned as Chairman of the Senate Judiciary Committee, would propose to appoint an active subcommittee to follow up on this matter by personal contact with members of the Supreme Court and others to determine both the feasibility and the acceptability of such a proposal.

Respectfully submitted,

s/Lucas J. De Koster,
Chairman

LDK:avw

STANDING COMMITTEES ON SCHOOLS

The Legislative Council on July 9, 1969, authorized the formation of three joint interim subcommittees of the Senate and House Schools Committees, to study:

1. Revision of present school laws
2. Standards for curriculum and staff
3. Transportation of public school students

Reports of the first two subcommittees appear on the following pages. No written report was submitted by the Subcommittee on School Transportation, however the Subcommittee Chairman, Senator W. Charlene Conklin, appeared before the Legislative Council on December 17 to present two bills developed by the Subcommittee. Copies of the bills are included in this compilation. It will be noted that the main bill, entitled "A Bill For An Act relating to public school transportation", bears a rather detailed explanation.

School Code Subcommittee
of the
Standing Committees on Schools

FINAL REPORT

To: Legislative Council, December 16, 1969

From: Representative Walter V. Langland, Chairman

Subject: Progress report of the School Code Study Subcommittee

Membership: Senators Conklin, McGill, Ollenburg, Orr and Parker
Representatives Brinck, Kehe, Kreamer, Roorda and
Langland

Directive: "Recodification, clarification and repeal of obsolete
code sections relating to Schools."

However, the Standing Committee chairman suggested that we not deal with Ch. 285 on transportation and Ch. 280 on Standards, since special subcommittees were assigned to these areas.

Since our meeting time was limited, the committee decided to initially, at least, concentrate on repeal of obsolete code sections relating to schools, and then possibly clarification of sections needing such.

Meetings: The subcommittee held three meetings, as authorized, the first being in October and the last two in November.

Consultant: Leonard Abels, legal consultant was assigned to work with our subcommittee. He was with us at all three meetings and for his assistance we were most grateful.

Most of our bill draft is the direct result of his work. He prepared a list of supposedly obsolete areas in the school code which we quite carefully reviewed as a group and, with some minor changes and additions have presented in this bill draft.

Content: Most of the material in this draft should be non-controversial, at least our subcommittee felt that it should be. A couple changes however, are of a substantive nature. We propose to repeal the 6-year school board terms in cities of over 125,000 population (which is now only Des Moines, but might soon also include Cedar Rapids) and propose making all school board elections for 3-year terms, including that of County Boards. Our subcommittee felt that since school elections are now held annually in the merged areas of the state, there was no logical reason (such as economy) for having biennial elections in Des Moines or for County Board membership, which are currently also 6-year terms.

In a separate bill, provision is made for run-off elections where a number of candidates file for one or two offices and no one receives the required majority (such as might be the case when all candidates run at large.) Mr. Abels informed us that this provision for a run-off (after the regular election) generally conforms with an alternate method for municipal elections.

Another point of clarification to avoid voter confusion is our recommendation that in all school corporation elections the polls close at 8 p.m. (See page 8 of draft) Currently some polls close at 7 p.m. and some at 8 p.m. However, the Board, by resolution, can change the voting hours.

Basically, the purpose of this somewhat lengthy bill draft is to revise and update the statutes relating to schools by eliminating obsolete provisions and duplications. It is calculated that this bill will shorten the school laws by approximately four thousand words, without sacrifice of useful content, outside of the substantive changes which I have mentioned.

Our subcommittee wrote to several other education oriented groups in an effort to gather additional material for our deliberations. Among them were:

The Iowa Ass'n of School Administrators
The Education Department at the U. of Iowa and
The Iowa Ass'n of Non-Public Schools.

The only specific recommendation obtained from these groups was that a complete recodification of the school laws should be done. Our subcommittee will probably give this recommendation further thought, since we hope to meet at least once more during the early part of the legislative session. However, there are some strong arguments against such a wholesale overhaul of our school laws, which will not go into at this time.

Our committee seeks to be in contact with the Governor's Educational Advisory Committee which is currently functioning.

Leroy Peterson attended part of our last meeting and briefed us on the current status of activities within the purview of this Governor's committee. He stated that a progress report is expected the early part of next year, hopefully while we are still in session. At that time, our committee might wish to consider whatever recommendations they might make.

Respectfully submitted,

/s/ Walter V. Langland

SCHOOL STANDARDS SUBCOMMITTEE
OF THE
STANDING COMMITTEES ON SCHOOLS

Final Report

The Legislative Council at its July meeting approved a request, filed by Senator Charlene Conklin and Representative Charles Grassley, Chairmen of the Schools Committees of the General Assembly, for the establishment of a subcommittee to study the laws relating to school standards. The Legislative Council authorized a six-member subcommittee of the Standing Committees on Schools to hold three meetings. The members are:

Representative Charles E. Grassley, Chairman
Senator Lucas J. De Koster
Senator Minnette F. Doderer
Senator Richard L. Stephens
Representative Leonard C. Andersen
Representative Michael K. Kennedy

At its first meeting, the Subcommittee met with the following persons from the Department of Public Instruction:

Dr. Leroy N. Jensen, Assistant Superintendent, Instruction, State Department of Public Instruction
Dr. Wayland W. Osborn, Consultant, Planning and Development, State Department of Public Instruction
Mr. William J. Edgar, Director of Curriculum, State Department of Public Instruction
Mr. Earl L. Miller, Director of Supervision, State Department of Public Instruction

The Subcommittee was interested in the development of school standards, with special emphasis on an explanation of the implementation of the elementary guidance counselor standards and the elementary principal standards. The Subcommittee wished to learn the plans of the Department of Public Instruction for development of future standards, and the advisability of the passage of House File 204 which passed the House of Representatives during the 1969 session of the General Assembly.

The Subcommittee learned from the persons present that the Department of Public Instruction does not anticipate any new standards requirements. Persons from the Department of Public Instruction explained that although elementary principals will be required for each elementary school in 1970, the standard does not require that such persons be "full-time" principals, and they may also teach on a part-time basis. It was further learned that although the standard requires an elementary principal for each elementary school, the elementary school may have more than one attendance center.

With respect to the requirements relating to the employment of an elementary guidance counselor, the rule does not specify the employment of guidance counselors, but the rule merely states that every school must have an elementary guidance program, which program may only consist of in-service education for teachers in order that teachers may become more aware of their own guidance functions.

The Subcommittee strongly urged the Department of Public Instruction to develop explanations for each of its school standards in order that misunderstandings and misinterpretations will be avoided.

Mr. Sam Wiley, Consultant, Budget Review Committee, attended the second meeting of the Subcommittee in order to discuss the effect of proposed changes in the school aid formula on schools that are having difficulty in meeting the minimum state standards. The Subcommittee was attempting to determine whether a correlation exists between small school systems meeting only the minimum state standards and school districts exceeding the allowable growth factor in the state school aid formula. The Subcommittee determined that no recommendations can be made prior to legislative amendment to the present school aid formula.

The Subcommittee believes that it is important that the School Budget Review Committee does not become an agency for promoting and indirectly forcing school district reorganization. Mr. Wiley prepared several charts indicating the relationships among school district average daily membership, curriculum offerings, taxable value per child, proposed per-pupil reimbursement, and the teacher-pupil ratio. Copies of Mr. Wiley's charts are available in the Legislative Service Bureau offices.

The Subcommittee decided that a third meeting did not appear to be necessary.

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to public school transportation.

2 *Be It Enacted by the General Assembly of the State of Iowa:*

3 Section 1. Section two hundred eighty-five point one (285.1),
4 Code 1966, as amended by chapter three hundred fifty-six (356),
5 section twenty-six (26), Acts of the Sixty-second General Assembly,
6 is hereby amended as follows:

7 1. By striking all of subsection one (i) and inserting the
8 following in lieu thereof:

9 "The board of directors of every school corporation shall
10 provide transportation, or the costs thereof, for all resident
11 pupils attending public school, kindergarten through twelfth
12 grade, who reside more than two miles from the school designated
13 by the board for attendance. The board may provide transpor-
14 tation for resident pupils attending public school, kindergarten
15 through twelfth grade, who reside less than two miles from the
16 school designated by the board for attendance, however the par-
17 ent or guardian of such pupils shall pay the actual per pupil
18 per mile transportation cost of the school corporation, which
19 cost shall be computed on the basis of transportation costs for
20 the preceding school year.

21 Transportation may be provided for all special education
22 pupils attending public schools as specified in section two hun-
23 dred eighty-one point four (281.4) of the Code."

24 2. By striking from subsection three (3) lines seven (7)
25 through nineteen (19), inclusive, and inserting in lieu

1 thereof the following:

2 "reimbursed for such transportation service at the maximum
3 rate per mile specified in section seventy-nine point nine
4 (79.9) of the Code for each mile traveled from the residence
5 of the pupil to the school of attendance, and from such school
6 to the pupil's residence. No parent or guardian shall receive
7 a daily reimbursement in excess of the cost of two round trips
8 per day."

9 3. By striking from subsection four (4), lines eight (8)
10 through eleven (11), inclusive, and inserting in lieu thereof
11 the words "board of the district at the maximum rate per mile
12 provided in section seventy-nine point nine (79.9) of the Code
13 for each mile actually traveled, not exceeding eight miles per
14 day per family, from the pupil's residence to the bus route.

15 4. By striking from subsection five (5), line eight (8),
16 and inserting in lieu thereof the words "the state average per
17 pupil transportation cost for the preceding school year."

18 5. By striking from subsection twelve (12), line four (4),
19 the word "one-seventh" and inserting in lieu thereof the word
20 "one-tenth".

21 Sec. 2. Chapter two hundred eighty-five (285), Code 1966,
22 is hereby amended by adding the following new section:

23 "On or before the first day of July of each year, the sec-
24 retary of each district shall file reports with the department
25 of public instruction containing such transportation informa-
26 tion as the department shall require."

27 Sec. 3. Section two hundred eighty-five point four (285.4),
28 Code 1966, is hereby amended by striking from lines one (1)
29 and two (2) the words "On or before July 8, 1949, the" and
30 inserting in lieu thereof the word "The".

31 Sec. 4. Section two hundred eighty-five point eight (285.8),
32 Code 1966, is hereby amended by inserting at the end thereof
33 the following new paragraph:

34 "All unloaded school buses shall be subject to inspection at
35 any time or place by officers of the Iowa highway safety patrol.

1 No school bus shall be used for the transportation of pupils
2 when found to be unsafe until the unsafe conditions disclosed by
3 such inspection shall have been corrected. The Iowa highway
4 safety patrol shall forward copies of reports of unsafe buses
5 to the department of public instruction."

6 Sec. 5. Section two hundred eighty-five point ten (285.10),
7 subsection six (6), Code 1966, is hereby amended as follows:

8 1. By striking from line one (1) the words "May purchase"
9 and inserting in lieu thereof the word "Purchase".

10 2. By inserting in line two (2) after the word "protect"
11 the words "the school corporation and".

12 3. By inserting in line four (4) after the word "by" the
13 words "said school corporation or".

14 Sec. 6. Section two hundred eighty-five point ten (285.10),
15 subsection eight (8), Code 1966, is hereby amended as follows:

16 1. By striking from paragraph a, lines one (1) and two (2),
17 the words "Boards in consolidated, community and independent
18 districts" and inserting in lieu thereof the words "School
19 boards".

20 2. By striking paragraph b.

21 3. By striking from paragraph c, lines one (1) and two (2),
22 the words "Boards in independent and consolidated districts"
23 and inserting in lieu thereof the words "School boards", and
24 relettering the paragraph.

25 Sec. 7. Section two hundred eighty-five point eleven
26 (285.11), subsection two (2), Code 1966, is hereby repealed
27 and the remaining subsections renumbered.

28

EXPLANATION

29 Subsection 1 of section 1 deletes the varying distance fac-
30 tors for eligibility for school transportation and one uniform
31 distance of two miles is specified. It allows districts to
32 transport pupils who live less than the statutory distance, but
33 the parent or guardian must reimburse the school district for
34 such transportation service. It allows special education pupils
35 to be transported regardless of the distance they live from the

1 school designated for their attendance. The cost of transport-
2 ing such special education pupils shall be absorbed by the dis-
3 trict. Subsection 2 provides that parents or guardians who are
4 required to transport their children will be reimbursed at the
5 same rate as a public officer or employee, other than a state
6 officer or employee. Subsection 3 allows school districts to
7 require parents or guardians to transport their children a dis-
8 tance of two miles to meet the vehicle of transportation. Parents
9 or guardians are to be reimbursed at the same rate as public of-
10 ficers and employees, other than state officers and employees.
11 Parents or guardians are limited to reimbursement for eight
12 miles per day. Subsection 4 limits payments to common carriers
13 to the state average per pupil transportation cost from the pre-
14 ceding year, rather than limiting such payment to forty dollars
15 per year. The bus depreciation formula is changed to allow
16 school corporations to compute bus depreciation on the basis
17 of ten years of operation rather than seven years.

18 Section 2 requires the secretary of each school district to
19 file transportation reports with the state department of public
20 instruction.

21 Section 3 eliminates surplus language.

22 Section 4 allows the Iowa Highway Patrol to inspect unloaded
23 school buses at any time.

24 Section 5 requires that school corporations purchase liability
25 insurance for themselves as well as liability insurance for the
26 school bus driver. Such insurance is required for school corpora-
27 tions because of passage of the Tort Claims Act.

28 Section 6 deletes terminology which no longer accurately re-
29 flects Iowa school districts. Paragraph b is deleted because
30 there are no rural township districts in Iowa.

31 Section 7 deletes a subsection of the Code which is no longer
32 necessary because of amendments to section 285.1 of the Code.

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SENATE FILE

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to school bus requirements.

2 *Be It Enacted by the General Assembly of the State of Iowa:*

3 Section 1. Chapter two hundred six (206), section one
4 (1), Acts of the Sixty-third General Assembly, First Session,
5 is hereby amended by striking from line thirty-one (31) the
6 words "except school buses" and inserting in lieu thereof
7 the words "formerly used as a school bus".

8 EXPLANATION

9 This bill amends incorrect language which prohibits any
10 vehicle, other than one presently being used as a school bus,
11 from being operated on any public highway if it is painted
12 national school bus chrome. The amendment prohibits vehicles
13 formerly used as school buses from being painted national
14 school bus chrome.

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STANDING COMMITTEES ON SOCIAL SERVICES

The Legislative Council on September 10, 1969, authorized the formation of two joint interim subcommittees of the Senate and House Social Service Committees, to study:

1. Nursing homes and other residential care facilities for the chronically ill, the elderly, and persons of low income.
2. Financing of certain areas of government activity or concern in the field of social services, specifically:
 - a. Local rehabilitation facilities for alcoholics
 - b. Ability of counties to raise sufficient revenue to pay their share of cost of categorical welfare programs
 - c. Extent to which cities and towns are passing the burden of financing boards of health to the county level
 - d. Implementation of House File 68 (Chapter 165, Acts of the Sixty-third General Assembly, First Session)

The reports of the two subcommittees appear on the following pages.

REPORT TO LEGISLATIVE COUNCIL
December 17, 1969

- I. The Legislative Council authorized the Subcommittee on Finances of the Social Services Standing Committee to hold six meetings. The members of the Legislative Council felt it would take one to ten meetings to do the job.
- II. Legal Committee -- 3 Senate -- 3 House.

Senator Ernest Kosek, Chairman	Rept. Leonard C. Andersen
Senator Minnette Doderer	Rept. Michael T. Blouin
Senator Richard L. Stephens	Rept. Murray C. Lawson
- III. Definite Recommendations:
 1. House File 610 -- presently the law says that we "shall" contract with private organizations to process the payment of services for medical assistance and the Blue Cross-Blue Shield is now doing this. The word "shall" should be changed to "may" so that the Department could assume this responsibility when computers and personnel are available at a lesser cost than we are being charged for this service.
 2. Overutilization:
 - A. Vendors who furnish our 14 services. The five basic services must be provided (inpatient hospital, outpatient hospital, physician's services, skilled nursing care, diagnostic and laboratory services).
 - B. Recipients or patients -- copy of bill or charges.
Recipients -- copy of the patient's bill goes to patient and County Welfare Director.
 3. Alcoholism - special tax of 5% of the gross sales of alcohol in the state shall be used for the payment of treatment of alcoholism.
 4. House File 68 - as amended by the Senate. Implemented by allocating an additional 5% of all proceeds spent for ADC.
Note: At the present time H.F. 68 provides for the first 5% to be used for training people to work and become self-

sufficient and care of the children in Day Centers while the parent is working.

5. Implementation of House File 321. Became a law during the last session and request annual report to the Committees on Social Services and the legislature.
6. If we find that we cannot live within our present budget and cannot raise additional taxes, that the Social Services Department be instructed to cut the number of services that they offer from 14 to the five basic services which HEW require if we are to receive the same amount of federal funds that we now receive.
7. We recommend that legislation be passed authorizing the Social Services Department to negotiate contracts with private insurance companies to provide the services that we offer under Medicaid and any other appropriate services that we can have private enterprise under and service more efficiently and economically than the State of Iowa is doing at the present time. Similar to the Private Insurance Pilot trial of 600 ADC recipients for whom we understand the Social Services Department has requested Federal Government approval and funds.

ERNEST KOSEK

NURSING HOME SUBCOMMITTEE
OF THE
STANDING COMMITTEE ON SOCIAL SERVICES
INTERIM REPORT

On September 10 the Legislative Council approved the request of the Standing Committee on Social Services to study the housing problems for the chronically ill, the elderly, and those of low income who are unable to care for themselves in their own homes. The request noted that there is a critical problem in Iowa because of inadequate welfare allowances to induce operators of homes to admit welfare cases and a desire on the part of the Department of Health to phase out pre-1957 homes, those homes licensed before 1957 which do not meet present standards. The pre-1957 homes now house a majority of welfare and low income patients.

The members appointed to serve on the Subcommittee were: Senators Thomas J. Frey of Neola, George E. O'Malley of Des Moines, and Charles K. Sullivan of Sioux City; and Representatives A. June Franklin of Des Moines, Edgar H. Holden of Davenport, and Gerrit Van Roeki of Pella. At the organizational meeting, Representative Holden was elected Chairman. During the course of the four meetings, the Subcommittee heard Commissioner Dr. James F. Speers of the Department of Health, and Mr. Felix W. Pickworth and Mr. John W. DeBiak of the Health Facilities Service, Department of Health.

The Subcommittee studied the advisability of proposing legislation which would:

1. Provide several levels of health care facilities, classified by the extent of the services and care provided within the facility.
2. Base the rates or charges for care of welfare patients in a particular facility upon the classification of the facility.
3. Establish incentives for building and improving such facilities.
4. Coordinate state and federal programs which are related to the licensing of nursing homes.
5. Include in the classification system facilities operated by counties.
6. Establish more limited and less expensive categories of care for persons who are presently in custodial homes, but do not need actual nursing care.

Many of the proposed changes reflect problems that have developed since the present Chapter 135C of the Code was enacted in 1957. The Subcommittee studied Chapter 135C, proposals of the Department of Health, and laws and rules of other states. In some instances, the Subcommittee's recommendations are merely statutory enactment of a present rule or regulation promulgated by the Department of Health.

The recommendations, which are in the form of amendments and additions to Chapter 135C, are:

1. Establishing six levels of "health care facilities"; namely adult foster homes, boarding homes, custodial homes, intermediate nursing homes--Class I and Class II, and extended care facilities.

2. Licensing of all six levels of health care facilities.

3. Coordinating the rules and regulations for health care facilities which are issued by the Departments of Health and Social Services.

4. Initiating different programs within health facilities of each classification, which will help develop each resident's ability to handle his own affairs and care.

5. Establishing a care review committee at each facility, made up of professional people within the community, to periodically review the care each resident receives.

6. Requiring that each health care facility post its license to inform the public of the classification of service and care it provides.

7. Encouraging administrators of health care facilities to continually improve and upgrade the services and care within the facility.

8. Requiring that each health care facility have an individual contract setting forth the care to be provided each person admitted as a patient or resident.

The Subcommittee will meet again before the 1970 Session to formally approve the specific recommendations.

Respectfully submitted,

REPRESENTATIVE EDGAR H. HOLDEN
Subcommittee Chairman

STANDING COMMITTEES ON TRANSPORTATION

The Legislative Council on July 9, 1969, authorized the formation of four joint interim subcommittees of the Senate and House Transportation Committees, to study:

1. Farm machinery and farm trailers, and their operation on public roads.
2. Functional classification of highways, and specifically House File 394 of the 63rd General Assembly.
3. Interstate truck registration, reciprocity, and truck license fees, specifically House File 1 and House File 714 of the 63rd General Assembly.
4. Transportation bills pending and not assigned to the foregoing subcommittees, or proposed but not introduced.

The reports of each of these subcommittees appear on the following pages.

Functional Classification of Highways Subcommittee
of the
Standing Committees on Transportation
Final Report

The Functional Classification of Highways Subcommittee was created by the Committees on Transportation of the Sixty-third General Assembly during the 1969 interim study period. The following members of the Committees on Transportation were appointed to the Subcommittee:

Representative Richard Welden, Chairman
Senator Lucas J. De Koster
Senator Vernon H. Kyhl
Senator Elmer Lange
Representative Luvern W. Kehe
Representative Thomas A. Renda

The Subcommittee's assignment was to study House File 394, relating to the functional classification of highways, and its amendments and recommend any further amendments to improve the proposal.

The Subcommittee held two meetings on October 1 and November 17 to complete its assignment. The following guests attended one or both of the meetings to aid the Subcommittee in its deliberations:

Mr. R. L. Kassel, State Highway Department
Mr. G. W. Anderson, State Highway Department
Mr. W. G. Davison, Legislative Chairman, Iowa County Engineers' Association
Mr. R. G. Hileman, Public Affairs Consultant, Motor Club of Iowa
Mr. Tom McMillen, Associated General Contractors

At the conclusion of its study of House File 394, the Subcommittee agreed to the following general recommendations:

1. No streets or highways should be transferred from one jurisdiction to another under the provisions of House File 394, except as otherwise provided by law.

2. Dates should be established in House File 394 by which all streets and roads shall be classified, design and maintenance guidelines established, and a costs and needs study of each road and street classification completed. The completed study will be available to the Second Regular Session of the Sixty-fourth General Assembly to facilitate the assignment of highways to the appropriate jurisdictions and the equitable distribution of road use tax funds.

The Legislative Service Bureau drafted and revised the recommended amendments at the request of the Subcommittee. A copy of the recommended amendments to House File 394 is attached and by this reference is made a part of this report.

Respectfully submitted,

REPRESENTATIVE RICHARD WELDEN
Subcommittee Chairman

HOUSE FILE 394

Amend House File 394, as amended and passed by the House, as follows:

1. By striking from page three (3), line four (4), the words "which provide secondary access to farmsteads, and".

2. By striking from page four (4), lines thirty-three (33) and thirty-four (34), and striking from page five (5), lines one (1) through four (4), inclusive, and inserting in lieu thereof the following:

"Adequate mileage shall be included within municipalities, state parks and institutions to provide for the continuity of the primary road systems and the county trunk systems. Such mileage shall be included in the total mileage of the particular primary or secondary road system and shall also be listed separately as an extension of such primary or secondary road system."

3. By striking from page five (5), line thirty-five (35), and striking from page six (6), lines one (1) through six (6), inclusive, and inserting in lieu thereof the following subsection:

"3. File a copy of the proposed road classifications in the office of county engineer for public information and hold a public hearing before final approval of any road classification action. Notice of the date, the time, and the place of such hearing, and the filing of such proposed road classification for public information shall be published in an official

newspaper in general circulation throughout the affected area at least twenty days prior to the established date of the hearing."

4. By striking from page six (6), lines thirty (30) through thirty-four (34), inclusive, and inserting in lieu thereof the following:

"Sec. 8. The functional classification board of each county shall submit its initial classification report, including appropriate maps, to the state highway commission not later than January 1, 1971.

The state highway commission, in consultation with an advisory committee, shall establish uniform design and maintenance guidelines for the respective classification systems. The advisory committee shall consist of two state senators appointed by the president of the senate, two state representatives appointed by the speaker of the house of representatives, three persons appointed by the Iowa county engineers association, and three persons appointed by the league of Iowa municipalities.

Upon receipt of the initial reports of the county functional classification boards, the state highway commission, in consultation with the advisory committee, shall conduct a study to determine the estimated costs of administration, engineering, construction, and maintenance of the respective classification systems, based on the uniform design and maintenance guidelines.

Not later than September 1, 1971, the state highway commission shall submit a completed study of the classifications,

selected guidelines and estimated costs to the Iowa legislative council for referral to the standing committees on transportation of the senate and house of representatives."

5. By striking from page six (6), line thirty-five (35), and striking from page seven (7), lines one (1) through ten (10), inclusive, and inserting in lieu thereof the following:

"Nothing in this Act shall be construed to provide for or permit the transfer of any road or street of this state from the jurisdiction under whose control said road or street is on January 1, 1970, except that a transfer may be made as provided in section three hundred thirteen point two (313.2) of the Code or because of a change in the corporate limits of a city or town. Roads or streets established after January 1, 1970 shall be under the jurisdiction of the establishing authority."

FARM MACHINERY AND TRAILERS SUBCOMMITTEE
OF THE
STANDING COMMITTEES ON TRANSPORTATION

Final Report

December 16, 1969

Members:

Senator Wayne D. Keith
Senator Tom J. Frey
Senator Bass Van Gilst
Representative Perry L. Christensen
Representative Laverne W. Schroeder
Representative Eldon L. Stroburg

This Subcommittee held two meetings. The first meeting was of the Subcommittee only. We discussed what the problems were, how we should approach them, and who from the farm safety industry should be invited to our next meeting. The first meeting was very helpful in keeping the discussion of the second meeting pinpointed in the areas where we were searching for answers.

At the second meeting, held October 13, 1969, twelve other interested people beside the Subcommittee were in attendance. These names are listed in the minutes and for this report I shall refer to them only as they made comments. Mr. Watly of Ag-tronics, and the manufacturer of slow-moving vehicle signs, said that twenty-five states have enacted legislation concerning slow-moving vehicle signs, and that in three states, including Iowa, it is only permissive.

Mr. Glen Taylor of the Iowa Farm Bureau presented a written report, explaining their position and stated that their organization would discuss the subject at their annual meeting in November.

Dr. Norval Wardle, farm safety specialist of Iowa State University, noted that 50% of all farm accidents occur on county roads, while the Legislative interest is usually centered on state and federal highways. Mr. Wardle stated that the slow-moving vehicle sign was only half the answer. He also stated that accidents can be greatly reduced by the use of the S.M.V. sign along with the use of amber flashing lights. Dr. Wardle also recommended that legislation be drafted to require mandatory use of at least S.M.V. signs.

Mr. Taha distributed copies of the report prepared by the Department of Public Safety to the Subcommittee. This report covered S.M.V. signs, amber flashing lights, farm trailers, trailer

brakes, tow chains, vehicle population and road environment. He stated that the Department is charged with the responsibility of enforcing regulations and laws now in effect, and also it has the responsibility of establishing standards for lighting equipment. However, there is no separate division or personnel in the Department that has this as a separate and distinct responsibility. Mr. Taha further stated the Department has taken no official position concerning legislation to require mandatory use of S.M.V. signs or amber flashing lights, but has no objection to such legislation.

Mr. John Munger, representing the John Deere Company, said from the manufacturers' standpoint, it would be desirable to have safety standards in the hands of a state agency, rather than to legislate each needed change.

Dr. Wardle stated that tests by I.S.U. indicate that S.M.V. emblems and warning flashing lights should be required. He expressed doubt however that full compliance could be obtained by January 1971.

Mr. Edward Adams, Safety Specialist for the Farm Bureau, expressed reservations as to the practicality of requiring amber flashing warning lights for all slow-moving vehicles by 1971.

Mr. Craiger stated, in addition to the \$5 penalty clause for noncompliance, a grave penalty would be incurred if a non-complying vehicle were involved in a serious accident.

The question of brakes on farm trailers was raised. Dr. Wardle stated that this problem was being considered by the National Farm Safety Council at this time. He suggested that the Subcommittee might better consider speed limits for farm trailers. The Subcommittee was in general agreement that there should be a relationship between the weight of the towing vehicle and the weight of the towed vehicle if speed limits were to be established.

The question of safety chains was brought up for discussion. Dr. Wardle said this was another matter being brought up for discussion by the Farm Safety Council. The Subcommittee asked Dr. Wardle to inform them on any action or changes made by the Farm Council in regard to tow chains.

A suggestion was made that the Subcommittee go on record as favoring the enactment of Senate File 220, relating to a repeal of a \$5 registration fee on farm wagons. It was moved and seconded that the Subcommittee support the enactment of Senate File 220. Mr. Taha said the Department of Public Safety had made no real attempt to enforce the trailer regulations fee and act.

The Subcommittee went on record as favoring a study of the possibility of requiring rearview mirrors on all slow-moving self-propelled equipment.

The Subcommittee suggested that the Legislative Service Bureau prepare a bill which will require all new self-propelled motor vehicles designed primarily for use off the highway, but occasionally operated on the highway, at speeds of 25 miles or less, to be equipped with two slow-moving vehicle warning devices consisting of flashing lights and a reflective emblem. It was requested that the Commissioner of Public Safety be authorized to prescribe the design, method of mounting, and other pertinent details relating to both devices, and that such requirements be fully complied with by January 1, 1971. The Subcommittee also requested that a second section be drafted which will require that all slow-moving self-propelled motor vehicles including used vehicles be equipped with such warning devices after a deadline to be specified at a later time.

INTERSTATE TRUCK REGISTRATION RECIPROCITY SUBCOMMITTEE
OF THE
STANDING COMMITTEES ON TRANSPORTATION

Final Report

The Interstate Truck Registration Reciprocity Subcommittee was created by the Standing Committees on Transportation with the approval of the Legislative Council during the 1969 interim. The following members of the Committees on Transportation were appointed to the Subcommittee:

Representative William E. Darrington, Chairman
Senator Eugene M. Hill
Senator Leslie C. Klink
Representative Vernon N. Bennett
Representative Keith H. Dunton
Representative Harold O. Fischer

The Subcommittee's assignment was to study problems related to interstate truck registration reciprocity and House File 1, relating to negotiation and execution of reciprocal, proration, and other agreements or declarations for fleet owners of commercial vehicles engaged in interstate commerce.

The Subcommittee held six meetings which were attended by officials and employees of the state and representatives of the trucking industry.

The Subcommittee was concerned with the pending action of the Iowa Reciprocity Board with regard to Iowa's membership in the Uniform Vehicle Registration Proration and Reciprocity Agreement, commonly referred to as the Uniform Compact. Although the Board was prorating interstate truck registration fees on the basis of compact miles, the Uniform Compact provides for prorating registration fees based on total fleet miles. In 1968, the Iowa Reciprocity Board submitted an appendix to the Uniform Compact which allowed Iowa to prorate truck registration fees for the 1969 registration year on the basis of compact miles. This appendix was approved by the member states. In August 1969, the Board resubmitted the appendix requesting an extension for the 1970 registration year. The appendix was rejected. This rejection placed Iowa in the position of either prorating registration fees on the basis of total fleet miles as provided by the Uniform Compact and contrary to the provisions of Chapter 326 of the Code or withdrawal from the Compact.

On October 20, 1969, the Attorney General ruled on the issue of whether the state could remain a member of the Uniform Compact and prorate truck registration fees on the basis of total fleet miles, in view of the fact that section 326.2 of the Code provides for the proration of truck registration fees on the basis of compact miles. The opinion of the Attorney General stated:

"Accordingly, it is our opinion that while section 326.2 gives the Board authority to 'make' proration agreements only on a compact mile basis, that section refers only to the authority of the Board 'to make' future agreements; it does not refer to the authority of the Board to continue agreements made in the past. Section 326.2 does not require the Board to take action to withdraw Iowa from the compact."

The Iowa Reciprocity Board voted two to one to prorate truck registration fees on the basis of total fleet miles with an adjustment up to 100% for Iowa-based carriers by computing miles traveled in reciprocity states as Iowa miles.

Upon concluding its study of House File 1 and the problems of the Reciprocity Board, the Subcommittee recommends the passage of House File 1 as originally filed with the addition of a clause making the bill retroactive and a publication clause and further recommends immediate action by the second regular session of the Sixty-third General Assembly.

Pending Bills Subcommittee
of the
Committees on Transportation
Final Report

The Subcommittee on Pending Bills was created by the Committees on Transportation during the 1969 interim study period. The following legislators were appointed to the Subcommittee:

Representative Dewey Goode, Chairman
Representative Edgar H. Holden, Vice Chairman
Senator Pearle P. DeHart
Senator George E. O'Malley
Representative Richard F. Drake
Representative Ed Skinner

The Subcommittee was assigned the responsibility to review the bills pending before the Committees on Transportation and make recommendations concerning their further consideration during the Second Regular Session of the Sixty-third General Assembly.

The Subcommittee held two meetings to complete its study assignment. At the first meeting on October 7, the following guests attended to aid the Subcommittee in its review of the pending bills:

Mr. Ray Henley, Field Engineer, Associated General Contractors
Mr. Howard Gunnerson, Chief Engineer, State Highway Department
Mr. Les Holland, State Highway Department
Mr. Carl F. Schach, State Highway Department

Copies of the pending bills were distributed to the members by the Legislative Service Bureau.

At the second Subcommittee meeting held on December 2, the Subcommittee agreed to recommend the following actions to the Committees on Transportation:

1. That House File 767, relating to temporary restrictions on the weight and load of motor vehicles, be amended to allow the issuance of special permits by the county boards of supervisors for local trucking purposes which would otherwise be in violation of the temporary weight and load restrictions, and, as amended, be recommended for enactment.

2. That House File 807, relating to the emergency repair, restoration or reconstruction of a highway or a bridge, be recommended for enactment.

3. That House File 770, relating to the transfer or sale of real estate between agencies of the state and its political subdivisions, be recommended for enactment.

4. That Senate File 534, relating to optional methods of restoring topsoil to borrowed areas, be recommended for enactment.

5. That Senate File 625, relating to the payment of state employees every two weeks, be recommended for enactment.

6. That House File 805, relating to the payment of special assessments on land under the control of the State Highway Commission, be recommended for enactment.

7. That a bill authorizing the payment to eligible state employees of lump sum accrued vacation allowances for all employment terminations, be introduced and recommended for enactment.

The Legislative Service Bureau was requested to draft a new bill to implement recommendation number 7 and the amendment to House File 767.

Respectfully submitted,

REPRESENTATIVE DEWEY GOODE
Subcommittee Chairman

STANDING COMMITTEES ON WAYS AND MEANS

The Legislative Council on July 9, 1969, authorized the formation of three joint interim subcommittees of the Senate and House Ways and Means Committees, to study:

1. Personal property tax replacement
2. Replacement of personal property tax in the school aid formula
3. Taxation of banks and other financial institutions

The latter subcommittee was not in a position to make a report to the Legislative Council on December 16-17. The reports of the other two subcommittees appear on the following pages.

Report to the Iowa Legislative Council

by the

Subcommittee on Property Tax Replacement in School Aid Formula
December 17, 1969

The "school aid formula" subcommittee of the Ways and Means committee has held six meetings to this date. We were charged, basically, with studying alternatives to property taxes in school financing and have attempted to follow this course of study even though many related subjects have been mentioned. We have, however, considered two other areas pertinent to school financing and will quite possibly make recommendations in these areas. These would be that somewhat stricter limitations be placed on school spending and that the State change its school aid system to a minimum foundation plan.

In attempting to determine alternatives to property taxes for school purposes we have relied heavily upon the findings and judgements of other groups having interest and information in education and taxation. We have been in touch with the Governor's Advisory Committee on Education and at our last meeting, Monday, December 15, met with their subcommittee on school finance. We have solicited presentations from organizations representing, as nearly as practical, all segments of our tax-paying society and have had general approval of the emphasis of our study. We have also asked the counsel of those who work professionally in the areas of our study. We have accumulated a great amount of material pertaining to the educational side of our study but have had some real difficulties in trying to obtain data about locally applied income taxes.

We determined early in our study that an income tax on the school district level, was the only tax that could be a residual tax in the manner that property tax is presently a residual tax. We have determined from our study, although there are some problems, that this approach is feasible for individual taxpayers. We have reluctantly come to the conclusion that this method of taxation could be applied to corporation income only with great difficulty and that we can probably maintain the property tax as industry's contribution to school funding. We are presently in the process of completing this study.

The committee was unanimous in the feeling that school budget limitations might be part of the answer to problems of taxes for school support. We may make some recommendation to our standing committees on this subject at a later date.

This committee will almost certainly propose a bill which would change the present school aid method to a basic foundation plan in connection with some of the features of the 1967 system. The basic difference being that the states' sharing of school costs be only up to the basic limit rather than being a percentage of per pupil costs regardless of amount.

We will present recommendations concerning a ceiling on property taxes for school financing purposes and we will present recommendations for the alternative method of taxation.

We have not reached the point that we can make these proposals specific although we feel that we are approaching this point. We have had some real difficulties in answering some of the questions raised by our study but feel that the time and effort would be well spent pursuing them further. We therefore respectfully request that the "school aid formula" subcommittee be permitted to call one additional meeting before the beginning of the 1970 legislative session.

Respectfully submitted,

Norman Roorda, Chairman

Personal Property Tax Replacement Subcommittee
Standing Committees on Ways and Means
Final Report

Following are the members and elected officers of the Subcommittee:

Representative Dewey Goode, Chairman
Senator Herbert Ollenburg, Vice Chairman
Senator Quentin V. Anderson
Senator William J. Reichardt
Representative Joan Lipsky
Representative D. Vincent Mayberry
Representative Fred Mohrfeld
Representative Norman G. Rodgers

Mrs. JoAnn Brown of the Legislative Service Bureau served as Subcommittee secretary through the month of October.

The Subcommittee was formed to study the possibility of replacing with other revenues all or a part of the personal property taxes collected in Iowa.

The Subcommittee began by considering the measure introduced during the last session by Senator Reichardt, which would exempt retail merchandise inventories and livestock from personal property taxation, and replace the lost revenues by a gross receipts or transaction tax of 1/8 of 1% on sales of food products and 1/4 of 1% on sales of other tangible personal property. The members received a compilation of statistics prepared by the Department of Revenue at the request of the Legislative Fiscal Director. The statistics indicated that nearly twenty-eight million dollars would be lost by exempting retail merchandise inventories and livestock from personal property tax, while the estimated receipts from the transaction tax as proposed would be only eleven and one-half million dollars.

Subcommittee members also received a memorandum relating to alternatives to personal property taxation, and a compilation of legislation in other states exempting business personalty from taxation or reducing the business personal property tax. These materials were provided by the Legislative Service Bureau.

During discussion, Subcommittee members agreed that the present personal property tax is inequitable for the following reasons:

1. Property is not assessed uniformly.
2. The tax is a burden on the businessman or farmer with high inventory and slow turnover.

3. Professional persons, and businesses such as catalog stores, pay no personal property tax.

4. The livestock industry in Iowa is being penalized by taxes which are higher than similar taxes in surrounding states.

5. Ownership of personal property is not necessarily indicative of ability to pay taxes.

The Subcommittee invited numerous representatives of organizations interested in taxation to file position papers and to appear at a hearing held November 10 in the Speaker's Room, State House, Des Moines. Since the members had previously discussed in depth the present inequities of the personal property tax structure, they requested the organizations to propose workable alternatives to the present system. Most representatives who appeared at the hearing agreed that a large part of personal property taxes should be replaced. The most frequent suggestion was a return to what is termed 100% state income tax, with the additional receipts earmarked for personal property tax replacement, and, if necessary, a business privilege tax of 1% on adjusted gross income. This would mean that the present state income tax rate structure would be increased from 3/4 of 1% to 1% on the first thousand dollars, from 1 1/2% to 2% on the next thousand dollars, and so forth.

Some members still prefer a type of gross receipts tax as a replacement, perhaps bracketed for different types of businesses, according to the average percentage of profit in each type of business. Some members believe that it is neither practicable nor desirable to eliminate and replace all of the personal property tax, because of the large amount of revenue it engenders.

Unresolved problems which were discussed by the Subcommittee include the reduction of the tax base for bonding purposes if personal property is exempted from taxation, and a method for allocating replacement tax revenues back to local governmental units.

The Subcommittee has asked for further research to be conducted by the Legislative Fiscal Director and the Legislative Service Bureau, to determine the revenues which would be obtained by a change in the state income tax rate structure, and to explore the techniques of North Dakota's new tax law and its applicability to the Iowa situation.

The Subcommittee plans to hold at least one more meeting before the 1970 legislative session, when the requested research is completed, and hopefully to develop in bill form one or more

alternatives to the present personal property tax structure for consideration by the General Assembly.

Reference materials submitted to the Subcommittee, and minutes of all Subcommittee meetings, are available in the Legislative Service Bureau office.

Representative Joan Lipsky requests that she be recorded as believing that it is not possible or expedient to repeal personal property taxes, but that inequities in the tax should be corrected so that businesses which do not maintain large inventories are included, and so that other segments of the economy do not carry an undue burden.