

MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
June 14, 2007

The Legislative Fiscal Committee of the Legislative Council met June 14, 2007, in Room 22, in the Capitol Building. The meeting was called to order at 9:15 a.m. by Senator Robert Dvorsky, Co-Chairperson, with the following members present:

- Representative Jo Oldson, Co-Chairperson
- Senator Jeff Angelo
- Senator Staci Appel for Senator Joe Bolkcom
- Senator Jeff Danielson
- Senator Pat Ward for Senator Larry McKibben
- Representative Ralph Watts for Representative Scott Raecker
- Representative Mark Kuhn
- Representative Tom Sands

The following agenda items were discussed:

- **Minutes Approved:** Upon a motion by Senator Angelo, seconded by Co-Chairperson Representative Oldson, the minutes of the January 8, 2007, meeting were approved as presented.
- **Rules of Procedure:** Upon a motion by Senator Danielson, the proposed Rules of Procedure for the 2007-2008 Interim were approved as presented.
- **State Revenue Update:** Jeff Robinson, Legislative Services Agency (LSA), provided an update on year-to-date General Fund receipts for FY 2007. It was reported that FY 2007 General Fund receipts are on target to meet the Revenue Estimating Conferences (REC) estimate of \$5.613 billion. This is an increase of 4.3% compared to FY 2006. Mr. Robinson also presented the 12-Month Total Net Tax Report that provides information on all taxes deposited into all State funds. The Report shows that tax receipts have increased 5.7% during the 12-month period ending May 2007 compared to the prior 12 months.
- **Report on Fund Balances:** Dave Reynolds, LSA, reviewed the current status of the General Fund balance sheet after the Governor's item vetoes, and the status of the reserve funds. The only veto affecting the General Fund was an item veto of \$150,000 from FY 2007 supplemental appropriations. It was reported that the Cash Reserve and Economic Emergency Funds are projected to be at the statutory maximums for FY 2008, with cash balances in both funds totaling \$592.4 million. Mr. Reynolds also provided an overview of several non-General Fund sources.
- **Item Vetoes:** Lisa Burk and Dave Reynolds of the LSA presented a summary of the Governor's item vetoes of appropriations and language from the various FY 2008 appropriations Acts.

- **General Fund Appropriation Report:** Mr. Reynolds presented on General Fund appropriations listing the FY 2007 item vetoes, as well as the allocation of the FY 2008 salary adjustment funds. It was brought to the attention of the Committee that of the \$106.8 million appropriated for salary adjustment, only \$92.9 million was needed for distribution to State agencies. Joel Lunde of the Department of Management stated that staff will work with the LSA in reviewing the payroll and employment data used in the salary projections to improve the accuracy of future estimates.
- **Medicaid:** Jess Benson, LSA, updated the Committee on the status of FY 2007 funding for the Medicaid Program. It is anticipated that only \$6.0 million of the \$12.0 million Medicaid supplemental appropriation will be needed for FY 2007. The remaining \$6.0 million is expected to revert to the Senior Living Trust Fund.
- **Healthy and Well Kids in Iowa Program (*hawk-i*):** Mr. Benson reviewed the current status of the *hawk-i* Program. Iowa will be receiving \$14.0 million in federal funds to cover the projected shortfall for the Program in FY 2007. Congress has yet to reauthorize the Program.
- **Appropriation Transfers:** Mr. Reynolds reviewed the following appropriations transfers received from various State agencies since the September 2006 meeting.
 - Department of Administrative Services: \$473,000 from Ankeny Laboratory construction project to the West Capitol Terrace Project.
 - Department of Human Rights: \$20,000 from Criminal and Juvenile Justice Planning Division to the Status of African Americans Division.
 - Secretary of State: \$200,000 from Business Services to Voter Registration and Elections.
 - Department of Human Rights: \$15,000 from Criminal and Juvenile Justice Planning Division to the Persons with Disabilities Division.
 - Department of Human Services: \$300,000 from Woodward State Resource Center to the Civil Commitment Unit for Sexual Offenders.
- **Lease Purchase Notifications:** Cornell Smith, Warden, Fort Dodge Correctional Facility, presented two lease purchase proposals the Department is considering to enhance security at the Fort Dodge Correction Facility. The lease purchases are summarized below:
 - \$210,000 for a digital video recording system at the Fort Dodge Correctional Facility.
 - \$532,000 for door control hardware and software at the Fort Dodge Correctional Facility.

Director Mollie Anderson, Department of Administrative Services, presented a proposal to purchase 10 acres of real estate from Mercy Medical at a cost of \$6.0 million. The property is located adjacent to the Capitol Complex and includes the Mercy Capitol hospital facility and several other buildings. The Department would acquire the property through a lease purchase agreement totaling \$8.0

million over a 20-year period. Six million dollars would be used to purchase the real estate and \$2.0 million would be used to make needed improvements to the hospital facility to accommodate specific needs of State functions that would be relocated to the facility. Ms. Anderson stated that the Department would like to move forward with signing the real estate agreement in order to lock-in the \$6.0 million purchase price. She stated that the financing agreement would not be finalized for another two years to accommodate Mercy Medical's plans to relocate to a new site.

- **Interim Topics:** Committee members discussed issues for future meetings of the Fiscal Committee. These included:
 - Issues relating to the retirement of State employees
 - Review of the State agencies' telecommuting policies
 - Substance Abuse Treatment Programs
 - Use of the Gambler's Treatment Fund
 - Review of the Tuition Grant Program
 - Issues relating to the use of space in the Capitol Building
 - Status of the Property Tax Assessment Appeal Board
 - Review of the Chapter 260E Program reporting requirements
 - Review of the impact of Tax Increment Financing (TIF) on increasing property taxes and school funding
 - Review of the criteria for approving Tax Increment Financing (TIF) and the status of the new TIF reporting system and the impact of combined reporting
 - Review of the growth of enterprise zones and the budget implications
 - Review of the projected growth of tax expenditure programs and the implications for the State budget
 - Review of State policies and the practice of State institutions/prisons telephone fees and charges
 - Predatory lending; review data on payday loan lending; and review predatory lending reform efforts occurring in other states
 - Review credit card application solicitations and policies on public university and community college campuses.
- **Next meeting date:** The next meeting of the Fiscal Committee is scheduled for September 2007 on a date yet to be determined.
- **Adjournment** – The meeting adjourned at 11:15 a. m.

**Attachments for Legislative Fiscal Committee Meeting
June 14, 2007**

- A. Minutes from meeting on January 8, 2007
- B. Rules of Procedure for 2007-2008 Interim
- C.1. Revenue Update
- C.2. Total Tax Memo
- D. General Fund Balance Sheet
- E. Other Fund Balance Sheets
- F. Governor's Vetoes from 2007 Session
- G. FY 2008 Appropriations Report
- H. Medicaid Update
- I. **hawk-i** Update
- J. Appropriation Transfers
 - J.1 Department of Corrections Lease Purchase
 - J.2 Department of Administrative Services Lease Purchase
 - J.3 Mercy Capitol Acquisition
 - J.4 Mercy Capitol Issues
- K. Fiscal Committee Powers and Procedures