

MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the Legislative Council
October 18, 2012

The Legislative Fiscal Committee of the Legislative Council met October 12, 2012, in Room 4, in the Scheman Hall at Iowa State University, in Ames. The meeting was called to order at 10:06 a.m. by Senator Robert Dvorsky, Co-Chairperson, with the following members present:

- Senator Robert Dvorsky, Co-Chairperson
- Representative Scott Raecker, Co-Chairperson
- Senator Jeff Danielson
- Representative Peter Cownie
- Representative Dave Jacoby
- Representative Tyler Olson
- Representative Thomas Sands

Senators Bolkcom, Dix, and Feenstra were excused. Other legislators in attendance included Representatives Heddens and Wessel-Kroeschell. The minutes were approved and a welcome message was extended by:

- President Craig Lang, Board of Regents
- President Pro Tem, Bruce Rastetter, Board of Regents

The following agenda items were discussed:

Regents Budget Overview:

Board of Regents—Patrice Sayre, Chief Budget Officer, Board of Regents

Ms. Sayre presented the Board of Regents FY 2014 budget request that included cost-savings measures that have been implemented.

Questions/Comments:

Representative Sands: When you talked about cuts to appropriations and increases in tuitions rates, why was there an increase in tuition rates in FY 2003 when the amount appropriated increased?

Answer: There was probably a growth in inflation that year. The budget is built looking at inflation first and then reviewing additional needs.

Senator Danielson: I support the goal of tuition freeze as it could be described as a hidden tax for students and families. When resources are provided to the Regents there is no guarantee that tuition

will not increase. The budget request is around \$80.0 million but that does not include the salary adjustment. If there was a three percent increase in salaries, can you provide how much that would be?

Answer: Not including the Iowa Hospital people, the amount would be about \$40.0 million.

Representative Jacoby: I have another question on the appropriations/tuition chart in your presentation. Does the graph include computer fees and other fees charged to the students?

Answer: No, this does not include any mandatory fees—only tuition rates.

Representative Raecker: Are the special schools included in the efficiency study you discussed?

Answer: The special schools are not included in the efficiency study. Currently, special schools are involved in the Feasibility Study and Planning Committee in the Department of Management. Diana Gonzalez, Board of Regents, also commented the study will identify service gaps to children that are blind or deaf and will include recommendations for ways to improve school services.

Ms. Sayre also commented that a one percent increase in resident undergraduate tuition rates raises about \$2.4 million. However, a one percent cut in General Fund appropriations equates to a reduction of \$4.0 to \$5.0 million in general university funds.

Senator Dvorsky: I would like more information on the specialty schools and the feasibility study.

Answer: An update will be provided at the December Fiscal Committee meeting.

Iowa State University (ISU)—Steven Leath, President

President Leath reported ISU is the land grant university with a strong focus on science and technology. Enrollment is up 22.0% and there are over 31,000 students. The University has a decentralized financial management system that provides incentives to colleges that operate efficiently. The President presented the ISU budget requests.

Questions/Comments:

Representative Cownie: Commented on the research triangle in North Carolina and wanted to know about the President's vision for ISU.

Answer: Prior to coming to ISU there was already talk of a research area between Des Moines and Ames. In North Carolina, there are three major research parks, and President Leath would like to see ISU as the northern anchor for an Iowa research park. The vision is to grow the ISU research park in order to compete with Illinois and North Carolina. The University is committed to creating good jobs for the graduates at all three Regent universities.

Representative Jacoby: The first question is why doesn't a 20.0% growth rate offset a 20.0% reduction? The second question relates to the DuPont Ethanol plant locating in Nevada, and are there concerns with the commercial property tax rate.

Answer: The percentage number for growth does not equate to tuition as the resident student tuition does not cover all of the costs per student that attend ISU. Increasing the number of resident students does not provide additional funding. The nonresident tuition rate is closer to the actual costs per student for attending ISU. The DuPont Company was not thrilled with commercial property tax but liked the location near ISU, and that was the reason they chose the location.

Representative Cownie: Commented that the model research park should be publicized statewide. He also asked about the companies that were unsuccessful.

Answer: A company can't be afraid to fail but you need to take risk to move forward. Even some companies at the North Carolina State Research Park were unsuccessful.

Representative Raecker: Asked to see the true cost to educate an Iowa student and then compare to the tuition rate.

Answer: The per student education cost was provided by President Lang. President Leath outlined how the ISU budget request lined up with the Board of Regent budget requests.

Representative Raecker: Asked how much of the \$39.5 million in set-aside funds will be allocated to ISU and also asked about capital projects for ISU.

Answer: The amount per institution for set-aside funds has been divided up. With regards to the capital project, there is a request for a Biosciences Research building.

University of Northern Iowa (UNI), Ben Allen, President

President Allen presented UNI's budget requests for FY 2014. He also reported that 92.0% of the students attending UNI are from Iowa and that 74.0% of the graduates remain in Iowa. In addition, 42.0% of the revenue at UNI is from resident tuition. Reductions to the UNI budget included closing Malcolm Price Laboratory, reducing General Fund support to athletic programs, and restructuring and closing some academic programs.

Questions/Comments:

Senator Danielson: If there is a zero increase in tuition and there were 900 less students than the previous year, can UNI continue to operate?

Answer: By keeping quality programs at a lower cost, UNI will be able to maintain operations. Also enrollment next year is unknown and moving forward students and parents understand the strengths of the University.

Senator Danielson: There are concerns for the local community as well. As demand has increased for college education, there is a concern that there was a decrease in students in the Cedar Valley area as students are important to local businesses and the economy.

Representative Sands: What was the ratio of in-state and out-of-state students with regards to the 900 student drop.

Answer: The drop in enrollment was consistent between in-state and out-of-state as well as freshman, sophomore, junior, and seniors. There was an increase in multi-cultural students. No one group was much larger than another.

Representative Raecker: What is the budget plan for the \$2.7 million decrease in revenue?

Answer: Using part of the \$4.0 million in appropriations received for FY 2013 will help balance the reduction.

Representative Raecker: The State has provided financial support of \$4.0 million for three years to UNI. Will this money be needed for the fourth year?

Answer: The support is needed because the University has to invest in the areas where the student demand is higher. The UNI must also use technology to expand the classroom size for a few classes to save on expenditures. The UNI also needs to develop partnerships with agencies and organizations to increase growth.

Representative Cownie: Can you do better in recruiting and increasing enrollment and have you reviewed the student application process and criteria?

Answer: The three Regents institutions have the same enrollment index score. A student below the index score may be admitted with additional information. The staff at UNI is developing a budget model to assist in recruiting students.

President Craig Lang, Board of Regents, had additional comments on tuition. The tuition at UNI is higher and has been more difficult to maintain. A future roadshow covering all of Iowa is planned to identify the Regents institutions in different ways so they don't compete with each other. Also, the search for a new President at UNI has begun as that will affect future student decisions.

University of Iowa Budget Request, Flood Recovery Update, and 30-Year Capital Plan – Sally Mason, President

President Mason presented the University of Iowa budget request with a focus on Strategic Academic Priorities funded by the General Education Fund. Enrollment at the University is at all-time high at over 31,000 students due to the investment made in student success. Student success means higher retention rates and higher graduation rates. The budget requests discussed included \$5.6 million for the General Education Fund, \$7.0 million for Entrepreneurship, and \$865,000 for the State Hygienic Laboratory.

Flood Recovery Update – the expenditures to date for flood recovery are \$215.2 million with a total recovery budget of \$862.5 million. A timeline was presented for major project completion.

Iowa Hospitals and Clinics Capital Plan – the projects for the 30-year capital plan were presented in three groups. Group one includes projects completed from 2011 to 2013, group two includes projects for 2013 to 2016, and group three includes projects to be completed from 2016 to 2022.

Questions/Comments:

Representative Raecker: Stressed the importance of identifying the use of Entrepreneurship money and encouraged the University of Iowa to talk to ISU about the Research Park project.

Answer: The University is working with ISU.

Economic and Practical Impact of the 2012 Drought, Cathann Kress, Vice President for Extension and Outreach

Ms. Kress discussed issues related to the drought and programs and information provided by ISU Extension and Outreach. Areas discussed included agriculture, dealing with stress, residential home and yard problems, financial concerns, and other business and community issues.

Questions/Comments:

Senator Danielson: Can you quantify the effect of the drought on farm income?

Answer: Information is still being gathered but will be available soon.

Representative Sands: Unlike other droughts, the revenue loss may be difficult to calculate as the price of grain, livestock, and land is much higher than in previous years.

Answer: That is correct and the drought will have effects in future years.

Tuition Set-Aside Program Update, Diane Gonzalez, Board of Regents

Ms. Gonzalez provided an update on the Tuition Set-Aside Program. Recommendations included:

- Year 1 – creating a new State-funded financial aid program with State appropriations for Iowa undergraduate students with an estimated cost of \$39.5 million to implement.
- Year 2 – the Board of Regents will reduce Iowa undergraduate tuition by a commensurate rate for students demonstrating need with funding from the State-funded student financial aid program money.
- Year 5 – the Board of Regents will review the success of the State-funded student financial aid program.

Questions/Comments:

Representative Raecker: Can you provide a breakdown of the set-aside amount by resident/nonresident and by institution and, what is the direct impact to the student with regards to tuition? For example, if 20 cents per dollar was for set-aside and now that is being reduced, how will that affect students receiving financial aid?

Representative Jacoby: You may want to encourage the Foundation to raise money.

Answer: It is difficult to determine how the set-aside reduction will equate to scholarship dollars and how much money would be needed.

Other Discussion Items:

Legislative Services Agency (LSA) Discussion Items:

Due to time constraints, the LSA did not make presentations. The reports to be presented by the LSA will be provided at the December meeting.

Future Meetings Requests:

It was requested that the LSA, caucus staff, and Fiscal Committee chairpersons review options for a voluntary contribution health insurance premium plan for Legislative Branch employees, similar to that implemented through Executive Order 78, and submit a report to the Fiscal Committee prior to the next meeting. It was also requested that an update be provided on the Special Schools Feasibility Study.

Tour

Fiscal Committee members participated in a tour of the ISU campus that included a tour of the BioCentury Research Farm. Participants from ISU included:

- Dr. Robert Brown, Director of the Bioeconomy Institute.

- Larry Johnson, Director of the BioCentury Research Farm.
- Dr. Wendy Wintersteen, Dean of Agriculture and Life Sciences.

The following link to the Legislative Fiscal Committee website includes the attachments discussed at the meeting: <https://www.legis.iowa.gov/Schedules/committee.aspx?GA=84&CID=511>.