

**MINUTES**  
**LEGISLATIVE FISCAL COMMITTEE**  
**of the Legislative Council**  
**November 7, 2013**

The Legislative Fiscal Committee of the Legislative Council met November 7, 2013, in the Triton Room on the East Campus of Iowa Central Community College in Fort Dodge.

A welcome message was extended by Senator Daryl Beall on behalf of President Dan Kinney who was unable to attend. Jim Kersten, Vice President of External Relations and Government Affairs for Iowa Central Community College, gave brief remarks and welcomed the Committee.

The meeting was called to order at 9:45 a.m. by Representative Chuck Soderberg, Co-Chairperson, with the following members present:

- Senator Robert Dvorsky, Co-Chairperson
- Representative Chuck Soderberg, Co-Chairperson
- Representative Dave Jacoby
- Representative Jo Oldson
- Representative Tom Sands
- Senator Joe Bolkcom
- Senator Jeff Danielson
- Senator Jack Whitver

Senator Feenstra and Representative Cownie were excused. Other legislators in attendance included Representatives Helen Miller and Daniel Lundby and Senator Daryl Beall.

The minutes were approved.

The following agenda items were discussed:

***Statewide Interoperable Communications Systems Board:***

- **Chairman – Thomas Lampe.** Mr. Lampe is the Interoperability Officer for the Department of Public Safety (DPS) and the Chairman of the Statewide Interoperable Communications System Board. The Board was established by legislation in 2007 and tasked with 13 specific mandates to improve public safety communication. There are 15 voting members on the Board (nine from local agencies and six from state agencies) and four nonvoting legislative members. To date, most of the funding has been provided through federal grants with the bulk of the funds going to municipal governments. A portion of the funds have been used for training and to pay a Statewide Interoperability Coordinator (SWIC) in the DPS. The last federal grant was received in 2010 and has now expired. Funds for the SWIC will expire in February 2014. The initial funding proposal for a new statewide public safety communications system had a price tag of \$336.0 million. This funding proposal was modeled after the system currently operated in Minnesota. The General Assembly asked the Board to continue to review this proposal and determine if savings could be achieved. As of November 1, 2013, a Request for Proposals (RFP) has been issued to garner bids for a system using current State

infrastructure. The RFP requires bidders to focus on and take advantage of the current infrastructure available in Iowa (current towers, etc.).

- **Waverly Police Department — Officer Jason Leonard.** Officer Leonard is the Captain of the Waverly Police Department and also serves as the Vice Chairman of the Statewide Board. Officer Leonard described the scene at a recent robbery in Maynard where several public safety agencies (city police, city fire, and state) responded and gave examples of the poor communication between the various public safety radio types and systems. One dedicated umbrella public safety communication system, as proposed by the Board, would resolve these communication issues.

**Questions/Comments:**

**Representative Soderberg:** The federal government has sold off excess radio frequency bandwidth. Is the current frequency need going to remain the same or might it change in the future?

**Answer:** Yes. The current frequency of 700 MHz is standard nationally and will remain so.

**Representative Soderberg:** Will the DOT be included in the statewide system?

**Answer:** Yes.

**Senator Danielson:** What amount is needed to fund the SWIC position for the next year?

**Answer:** The SWIC is currently a contract position and is paid with federal funds that will expire in February 2014. The cost to add a full-time equivalent position (FTE) for the SWIC will depend on the salary range for the position. The current contract cost is approximately \$13,300 per month (\$159,600 annually) and this includes salary and overhead.

**Senator Danielson:** Is there any kind of estimate of the cost for proposals that may result from the outstanding RFP? And what the funding source may be?

**Answer:** No estimate is available at this time. However, current proposals call for the infrastructure (towers) to be leased.

**Senator Danielson:** Will you be introducing legislation for the 2014 Legislative Session?

**Answer:** That is done through local boards.

**Senator Danielson Comment:** Perhaps the Statewide Board should submit legislation to the State Government Committees in the House and Senate.

**Representative Sands:** What will the \$336.0 million buy?

**Answer:** Buys a system in the 700 MHz band to provide a common public safety dedicated communications network for video, audio, and data.

**Representative Sands:** What will be the total overall cost when both state and local governments are included?

**Answer:** This is difficult to estimate. The \$336.0 million estimate is to construct the statewide system. Additional funds will be needed for maintenance and local governments may need or want to invest their own funds to improve local coverage. Indiana has a system that is considered a model for the nation.

**Senator Dvorsky:** Iowa has one shot to get the funding for this right and a lot of it will be one-time funding. Iowa currently has a lot of one-time money available and it is imperative that the Board and the state clearly communicate the funding needs.

**Update on Iowa Insurance Exchange:** **Nick Gearhart, Iowa Commissioner of Insurance for the Insurance Division of the Department of Commerce,** provided background information and updated the Committee regarding the Insurance Exchange. Mr. Gearhart distributed material that compared Iowa rates to other surrounding states. Enrollment numbers are not currently available, but more information will be available in the next week. Approximately 700,000 Iowans do not have employer-provided health insurance. The rollout has been bumpy and the Insurance Division is currently participating in a series of 20 town hall meetings to facilitate the enrollment process. Ten insurance carriers submitted plans for Iowa, six were medical. Two of these plans are available statewide and four are available in parts of Iowa. For assistance purposes, there is a local website available to compare plans and there are trained and certified navigators available to provide assistance.

**Questions/Comments:**

**Representative Soderberg:** Are there means in place to track folks that have had changes in insurance, for instance lost their insurance? Can Iowans identify a provider list?

**Answer:** Some data does exist regarding Iowans that have lost or had their insurance canceled. Provider lists are available in most cases if you go to the individual carrier websites.

**Representative Sands:** Are there projections for cancellation of small group plans?

**Answer:** Eventually all will probably be canceled but many will be grandfathered for at least a year.

**Representative Sands:** How will the federal health care changes affect the risk pools? Won't these changes drive costs up?

**Answer:** There will be one risk pool for individuals and one for small business groups. Underwriting is now limited to four risk factors: age, location, size of family, and smoking. Preexisting conditions have been eliminated. Theoretically, if enough young and healthy people purchase insurance and join the overall pool, the costs should decrease, but this will not be known for sure for two to three years.

**Senator Bolcom:** Asked for clarification regarding the number of Iowans that will be affected.

**Answer:** Approximately 70,000 to 120,000 Iowans will use the Exchange. In addition, approximately 35,000 will be eligible for expanded Medicaid coverage based on their income.

**Senator Bolcom:** When are you considered enrolled? And do you have to send a check?

**Answer:** You are considered enrolled when you get the transmittal and confirmation from the company you have chosen and receive your enrollment card. You must submit a check for the first month premium.

**Senator Whitver:** Asked about the status of background checks for navigators.

**Answer:** Iowa navigators are going through background checks.

**Representative Jacoby:** Is Iowa behind in terms of enrollment compared to other states and is Iowa's population considered healthier than other states?

**Answer:** Iowa is right on target for enrollments. Carriers report that Iowa as a pool is a healthier state than many others.

**Senator Dvorsky:** What can the General Assembly do to facilitate the process?

**Answer:** Initially, Iowa is using the federal marketplace (exchange). It is a policy decision to determine whether Iowa should create their own marketplace (exchange) or use the one provided by the federal government. There is a 3.5% fee that carriers pay to be included in the federal marketplace (exchange). Rhode Island has chosen the state route, but experience will show whether enough people will utilize that to make it more cost-effective than the federal system. Kentucky probably has the most successful state-based exchange (marketplace) and is considered a role model for other states.

**Representative Soderberg:** Asked if the Insurance Division could give the Committee periodic updates on enrollment and other issues related to the health care process.

***Department of Administrative Services (DAS) – Replacement of State Payroll System and Human Resources Management Information System:***

- ***Michelle Minnehan, Chief Operating Officer of the DAS Human Resources Enterprise.*** Ms. Minnehan referred to the memo that was provided to the Committee as [Attachment D](#). An RFP is currently being considered to garner bids for a new system. The DAS is recommending an outside consultant be used to help formulate the RFP.
- ***Lon Anderson, Chief Deputy Director.*** In regards to the RFP for radio purchases discussed earlier, the DAS has hired an outside consultant to help draft the RFP.

**Questions/Comments:**

**Representative Soderberg:** So you are thinking of purchasing or leasing an existing product or system?

**Answer:** Yes.

**Senator Danielson:** Do you have a ballpark number on the overall cost? Has the cost of a consultant been requested or budgeted?

**Answer:** Since the RFP has not yet been released, no cost estimates are currently available so a formal funding request is at least a year away. Funding for a consultant has not been estimated, nor has funding been requested.

**Representative Oldson:** Is there data available about what kind of system is utilized by other states?

**Answer:** Yes. There is an annual national conference. Approximately 50.0% of the states represented at the conference are discussing a new system or have a current RFP out for a new system.

***Update on General Fund Revenue (Legislative Services Agency)***

- **Holly Lyons, Director, Fiscal Services Division.** Ms. Lyons indicated that state departments have submitted their budget requests and the Fiscal Division summary will be published in December. The Revenue Estimating Conference will meet on December 12, 2013. Iowa's federal medical assistance percentage (FMAP) will decrease and this will increase Iowa's cost for Medicaid by approximately \$80.7 million in FY 2015. The decrease in FMAP is due to an increase in Iowa's per capita income compared to other states. There will be more information available on this in December.
- **Jeff Robinson, Senior Analyst, Fiscal Services Division.** Mr. Robinson reviewed the revenue and economic outlook for Iowa and results from the October Revenue Estimating Conference. Revenues are not as robust as might be desired. Much of this is a result of comparison to the previous year when tax revenues increased due to sales of capital assets and other taxpayer responses to pending federal tax law changes.

**Questions/Comments:**

**Representative Sands:** Isn't Iowa ahead of the rest of the nation because of our agricultural economy?

**Answer:** Yes, the ag economy is a huge advantage for Iowa and surrounding states because there is steady growth and no huge highs and lows.

**Senator Dvorsky:** There is a lot of construction going on in my area and there seems to be a lot more hiring going on. Won't those offset some of the revenue decline?

**Answer:** That may be true, but job growth is not reflected in withholding tax payments. The Department of Revenue just released statistics on new construction and industrial growth for 2012 and those numbers look good. However, construction growth should be reflected in sales and use tax growth and that is not really the case for the current fiscal year.

**Representative Jacoby:** Can you provide more information about sales tax growth? Why the steady growth? Is there any connection to corporate income tax?

**Answer:** Sales and use tax growth is at 1.5%. There is no obvious explanation why this is not higher given the recovering economy. There are lots of factors in play and no one factor seems to be the cause. There is really no connection between corporate income tax growth and sales and use tax growth. Corporate tax is difficult to predict given extensions and other timing issues.

**Representative Sands:** Is there a connection between the increase in sales tax and the decrease in withholding tax? Could it be family debt loads increased and available funds are being used to satisfy debt payments?

**Answer:** Yes, that's possible.

**General Fund Balance Sheet.** Dave Reynolds (LSA Staff) reviewed the following:

- Memo showing the status of the General Fund budget for FY 2013 and FY 2014, and a preliminary projection for FY 2015. ([Attachment F](#))
- Changes in the FY 2013 and FY 2014 General Fund budget. This document reflects new Medicaid and school aid estimates. ([Attachment F.1](#))

**Questions/Comments:**

**Representative Jacoby:** Where is the number for the backfill of commercial property tax? And how much is that per year and for 10 years?

**Answer:** For FY 2015, that number is built into the balance sheet at \$128.7 million. It is phased in over several years and will end up at approximated \$250.0 million to \$280.0 million per year. So in round numbers over 19 years the total will be \$2.5 billion to \$3.0 billion. Exact numbers can be provided.

**Senator Whitver:** Mentioned that he had requested a long-term projection (five years) and understands this is being prepared. Judging by the balance sheets presented today, it looks like the state will have an ongoing deficit of \$100.0 million. The ending balance is dropping by \$200.0 million in this comparison. The General Assembly will need to look long term to preserve the reserve funds.

**Representative Sands:** Of the \$272.0 million built-in expenditure total, how much are the automatic spending amounts?

**Answer:** On the following page, it shows \$220.0 million.

**Senator Bolcom:** This is one of the few years the state has not had a structural deficit. Where are the reserve funds physically located? Is it invested in several state banks? What about Iowa creating a state bank? North Dakota has a state bank.

**Answer:** The State Treasurer is in charge of investing the reserve funds and we believe the funds are deposited in several banks. A report can be provided.

**Follow-up Information Requested:** Senator Dvorsky requested that follow-up information be provided at the next meeting about the structural deficit and the long-term budget projection. He also asked the LSA work to work with the Department of Management (DOM) and make sure LSA and DOM are both using the same assumptions and agree on the financial outlook.

**Senator Whitver:** Would like information about where Iowa stands nationally with the 10.0% reserves.

**Answer:** Iowa's 10.0% reserve total is pretty standard, but some states have more and some have less. That information can be provided.

**Unofficial Action:** The Committee agreed to make the statutory change necessary to reduce the Military Pay Differential Report an annual, rather than a monthly, report.

**Community College Background Materials.** Robin Madison (LSA staff) reviewed information provided to the Committee as background material. (**Attachment G**) These items include:

- *Fiscal Topic* – Community College Revenue
- *Fiscal Topic* – Budget Unit: Community College General Aid
- *Factbook* – Resident Community College Tuition Statewide Average Growth and Iowa Community College Resident Tuition Rates
- *Fiscal Topic* – Community Colleges: State Funding
- *Fiscal Topic* – Community College Property Tax Revenue

**Questions/Comments:**

**Senator Whitver:** Asked about state funding for community colleges compared to other education sectors.

**Answer:** The Fiscal Services Division does a per pupil analysis and that can be provided.

**Senator Bolkcom:** Asked about 260E funding for economic development programs.

**Answer:** Deferred to the Department of Education staff.

**Community College Tuition Rates and Trends**

- **Jeremy Varner, Administrator, Division of Community Colleges, Iowa Department of Education (DE).** Distributed and reviewed Iowa's Community College Tuition and Fees Report.
- **Kent Farver, Bureau Chief, Bureau of Community Colleges, Iowa DE.** Distributed and reviewed a report regarding community college revenues.

**Senator Bolkcom:** Tuition continues to creep up. The General Assembly is interested in strategies to freeze tuition rates.

**Representative Soderberg:** Commented that a significant increase in state appropriations occurred for FY 2013 and FY 2014 that is not reflected on the DE report.

**Answer:** The new funding has not been reflected yet because of the lag in information reporting by the community colleges.

**Representative Sands:** Asked about the increase in expenditures.

**Answer:** Community colleges are very labor intensive and certainly salary growth accounts for a part of the increase. Higher education expenditures increase at a faster rate than the regular Consumer Price Index.

#### ***Community Colleges Legislative Priorities***

- ***Terry Murrell, President of Iowa Western Tech Community College at Sioux City.***
- ***Dr. Alethea Stubbe, President of Northwest Iowa Community College at Sheldon.***

Both presenters gave an overview of their colleges, programs provided, and training efforts related to business and industry in their specific locations.

#### **Questions/Comments:**

**Representative Sands:** Stated that it seems our culture has become too degree-oriented and community colleges have the flexibility to listen to the needs of employers and adapt their programs to train students appropriately. Can you provide an update on transferability of credits from one college to another?

**Answer:** Basically, the transfer of credit has been resolved. On the rare occasions it occurs, the staff at the colleges work together to resolve it.

**Senator Bolkcom:** How do community colleges manage challenges related to working students?

**Answer:** It depends on the business and their policy regarding class attendance during work hours. Community colleges are very flexible and responsive to this.

**Future Meeting Dates/Topics.** The next meeting is tentatively scheduled for December 13, 2013, in Des Moines. The Committee asked for an update about Medicaid expansion and an update from Jen Vermeer on the Iowa Health and Wellness Program.

**Meeting Materials.** The following link to the Legislative Fiscal Committee website includes the attachments discussed at the meeting:

<https://www.legis.iowa.gov/Schedules/committeeDocs.aspx?GA=85&CID=46>