

MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the Legislative Council
December 13, 2013

The Legislative Fiscal Committee of the Legislative Council met December 13, 2013, in Room 116 of the State Capitol Building in Des Moines.

The meeting was called to order at 9:30 a.m. by Senator Dvorsky, Co-Chairperson, with the following members present:

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

Senator Feenstra and Representative Sands were excused.

The minutes were approved.

The following agenda items were discussed:

State of Iowa Cash Management and Defeasance of Iowa Debt

Stefanie Devin, Deputy State Treasurer. Ms. Devin provided information about both cash management and debt defeasance. ([Attachment III](#))

CASH MANAGEMENT TOPIC

Questions/Comments:

Senator Bolkcom: Who is the primary bank for the State of Iowa and how much cash does Iowa have on hand?

Answer: Wells Fargo is the primary bank used and Iowa has approximately \$4.0 billion on hand.

Representative Soderberg: What is the average certificate of deposit (CD) term?

Answer: Terms range from six months to one year. There is typically a public online auction each calendar quarter for banks to bid on holding these funds.

Senator Bolkcom: Why do we have one primary bank?

Answer: The bank is not really holding the money but investing it. Using one bank saves the state money in transaction costs.

Representative Jacoby: What is the rate we are getting CDs today?

Answer: As a pool, the rate is about 0.30%. The federal interest rates drive the market. The Treasurer starts bids at 0.25% above the federal treasury note rate which is currently almost 0.0%.

Senator Dvorsky: What is the criteria for choosing the main bank?

Answer: Criteria is usually let out for bids.

****REQUEST:** Senator Dvorsky asked the Treasurer's Office to provide the statutory criteria for banks holding pooled funds.

BOND DEFEASANCE TOPIC

REQUEST – Representative Soderberg: Asked for a list of remaining outstanding bonds, including the balance remaining, the interest rates, and whether the bonds are callable or redeemable.

Representative Cownie: Asked if the Honey Creek bondholders will continue to get the same interest rate.

Answer: Yes.

Senator Whitver: What is the interest earnings rate on escrow funds?

Answer: Not much. Very low rate.

Representative Soderberg: Asked about the interest rates on the defeased bonds.

Answer: Various rates, issued at different times. The I-Jobs bonds were 3.85%, the Honey Creek bonds were at 4.6%, and the school infrastructure bonds were at 2.0%.

Senator Danielson: Where can the bond savings be found in the LSA materials?

Answer: A portion shows on the balance sheet. Some cannot be statutorily shown yet. Needs a clarification.

Senator Bolcom: How often is the bid let for the major bank?

Answer: Last time was 2011 and it is a four-year term.

Senator Bolcom: How are bank services paid and how much are they in a year?

Answer: They invoice for services and the annual cost is approximately \$400,000.

Update on the Iowa Health and Wellness Plan

Jennifer Vermeer, Medicaid Director and Chuck Palmer, Director of the Department of Human

Services. Ms. Vermeer provided background and other information regarding the Iowa Health and Wellness Plan (the Iowa healthcare expansion). The federal Centers for Medicaid and Medicare Services (CMS) recently approved Iowa's plan. ([Attachment V](#))

Questions/Comments:

Senator Dvorsky: Asked if there was anything the General Assembly could do to assist those counties that have not currently been designated a primary care area (in other words, they are on a fee-for-service basis).

Answer: Not a concern yet. The process is ongoing and the status may change as negotiations continue.

Senator Bolcom: The University of Iowa Hospitals and Clinics (UIHC) has a concern that they had relationships with 13,000 patients and only 3,000 were autoassigned to UIHC.

Answer: Federal rules require autoassignment to the closest location. Those patients can choose to be reassigned to UIHC.

Representative Cownie: Governor has an initiative to provide a tax incentive to physicians to practice in rural areas. Will that help in rural counties?

Answer: Yes. It should.

REQUEST – Senator Dvorsky: Requested some kind of response (perhaps a memo) on the status of the UIHC patients and some recommendations or alternatives in how to address the concerns.

Representative Jacoby: Asked for clarification about the time frame, because the federal health care expansion was enacted at least two years ago.

Answer: The Iowa program bill was enacted in May and signed in June. There were also some reimbursement strategies that were required by legislation to be included in the Program. By the time those were put in place and resolved, only about six weeks remained to complete the process.

Senator Danielson: Asked for clarification about when emergency room use would be appropriate and reimbursable and who will determine that.

Answer: Hospitals and emergency room personnel are very familiar with the medical codes and what currently qualifies under Medicaid.

Senator Danielson: Asked for clarification about a discussion under the federal Affordable Care Act (ACA) regarding incentives to prevent hospital readmission.

Answer: There are incentives under Medicaid (specifically under Medicare) to prevent hospital readmission by making sure the proper care and medical instructions are given in the emergency room. The process will be very similar to the current process under Medicaid.

Senator Danielson: Asked if these plans provide mental health parity (mental health issues treated on par with physical medical conditions).

Answer: Yes. Mental health parity is a requirement of all plans.

Representative Oldson: Asked about the timeframe for the agreement with CMS.

Answer: The agreement is effective until December 31, 2016.

Senator Bolcom: Asked for clarification about premium amounts.

Answer: Not final, but premiums will probably be \$5 for 50.0% of FPL, \$7 for 75.0% of FPL, and no more than 2.0% of income for those with income in excess of 133.0% of FPL. Medically exempt or hardship cases will not pay premiums.

Senator Bolcom: Asked about the debt collection process.

Answer: There is some debt collection done through the offset process.

Senator Bolcom: Asked for an example of what happens if someone fails to pay their premium.

Answer: For those with income up to 100.0% of FPL, will incur debt for unpaid premiums, but will never be disenrolled. For those with income in excess of 100.0% of FPL, a series of notices and grace periods will occur before enrollment is terminated.

Senator Danielson: If you are disenrolled for nonpayment of premium, you are technically breaking the law. Is Iowa going to report those folks to federal or state officials?

Answer: There is no plan or mechanism to report nonpayment.

Representative Jacoby: Does not have a problem with requiring premiums, but rather the process with how the premiums will be paid.

Answer: The Department of Human Services will work with the hospitals and medical providers on the process. The goal of the Department is to have as many as possible get premiums waived through the healthy behavior requirement (do health assessment and visit their doctor). For those that comply, this will waive the premiums for an entire year.

Update on Disaster Recovery

Patrick Hall and John Benson, Department of Homeland Security. Mr. Hall and Mr. Benson updated the Committee regarding use of federal disaster funds received for various weather-related events beginning in 2007. There are currently 18 open presidential disasters that have received funding in Iowa. Mr. Hall reviewed the total funds received for each disaster and funds expended to date. As of November 30, 2013, total funds approved for all projects include \$1.9 billion in federal funds and state matching funds of \$134.3 million. ([Attachment VI](#))

Questions/Comments:

Senator Bolcom: Does the State have a role in disagreements with FEMA?

Answer: Yes. The State is involved.

Representative Soderberg: Commented that in terms of the northwest Iowa weather disaster, FEMA is changing rules retroactively and requiring unprecedented testing and standards for rural electric cooperatives.

Answer: Yes. The Kansas City office is violating federal regulations and this issue is currently under appeal. This is a known issue when the federal FEMA office allows regional offices to set their own policy that is in conflict with federal rules.

Senator Bolcom: Stated that he is on a national FEMA advisory committee and could communicate and/or assist with complaints.

Iowa Public Employees Retirement System (IPERS)

Donna Mueller, CEO. Ms. Mueller provided background information and the funding status for IPERS. ([Attachment VIII](#))

Questions/Comments:

Representative Soderberg: What is the forecasted trend of active members versus retirees?

Answer: At IPERS they never assume an increase in retirees, they always assume a static number.

Senator Whitver: Asked about investment recovery. Why does it appear that IPERS has not recovered at the level that other retirement programs have?

Answer: IPERS did recover in asset valuation.

Senator Danielson: Will there be any recommendations for legislation in the 2014 Legislative Session?

Answer: No.

Senator Bolcom: What is the average monthly benefit?

Answer: Currently, the average annual benefit for all retirees is \$16,000. The annual average for recent retirees is \$20,000.

Revenue Estimating Conference

Holly Lyons and Jeff Robinson, Fiscal Services Division of the LSA. Ms. Lyons and Mr. Robinson reviewed the REC results of the December 12, 2013, meeting. ([Attachment IX](#))

Questions/Comments:

Representative Cownie: Has the drought of 2012 impacted revenue?

Answer: No. The higher crop prices typically offset the smaller yield in terms of revenue to the State.

Senator Dvorsky: How much does the agricultural economy impact revenues on a percentage basis?

Answer: It is not that significant, because agricultural product sales represent less than 5.0% of the total state gross domestic product.

General Fund Budget Projection

Jeff Robinson and Dave Reynolds, Fiscal Services Division (LSA). Mr. Robinson and Mr. Reynolds reviewed a powerpoint presentation that provided a five-year budget projection. (Agenda Item X - [Presentation](#) and [Issue Review](#))

Questions/Comments:

Senator Whitver: Is there a minimum FMAP rate?

Answer: Yes. The minimum is 50.0%.

Senator Whitver: Thanked LSA for the work on the budget projection and providing alternative scenarios to consider. He pointed out that the revenue estimates in the projection examples include the ending balance (carryover funds). Senator Whitver distributed a handout prepared by LSA that showed ongoing revenues compared to ongoing expenditures, illustrating that without the ending balances, even in FY 2015, currently authorized expenditures will exceed current revenues. Many legislators and others will be proposing ways to spend these one-time carryover funds. However, Senator Whitver suggested caution in spending one-time funds in light of possible unknown circumstances, such as additional recessionary events, weather disasters, loss of federal funds, etc.

Representative Jacoby: Commented in regard to the budget projection scenarios, the amount that expenditures exceed revenues coincides with the amount of income taxpayer funds that will be utilized to backfill commercial property tax.

Senator Bolcom: Asked for clarification about flood mitigation funding and investment districts.

Answer: The flood mitigation tax credit impact was not included in the October 2013 REC estimate, but it was included in the December REC estimate. The issue only slightly impacts FY 2014, somewhat more in FY 2015, and then in FY 2016 reaches the maximum impact of \$30.0 million.

Tax Increment Financing Report

Jeff Robinson, Fiscal Services Division (LSA). Mr. Robinson provided a handout and reviewed information regarding collection of tax increment financing data. ([Attachment XI](#))

Questions/Comments:

Senator Danielson: Commented that he would like to see something published or available that provides the TIF impact to school districts. He would also like to see some return on investment information, such as return to the General Fund or community. Is this possible?

Answer: The next step in the process is an analysis by the Department of Revenue. That report is due soon.

Road Use Tax Fund – Off-the-top Appropriations

Dave Heuton, Fiscal Services Division (LSA). Mr. Heuton provided background information regarding the RUTF and off-the-top allocations. ([Attachment XII](#))

Questions/Comments:

Representative Jacoby: Inquired about the impact of out-of-state registration revenue for recreational vehicles.

Answer: Will need to clarify, but the estimated revenue amount is \$1.0 million.

Senator Danielson: How much federal revenue comes in for the road program?

Answer: The state total is \$303.9 million. An additional amount is received by local government agencies.

Senator Danielson: Commented that the Iowa DOT is expecting no federal funds in FY 2015 due to inaction by Congress to enact a budget.

Adjournment. The Committee adjourned at 3:10 p.m.

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

<https://www.legis.iowa.gov/committees/meetings/documents?committee=704&ga=ALL>