

M I N U T E S

IOWA LEGISLATIVE COUNCIL

September 19, 1985

PRELIMINARY BUSINESS

The sixth meeting of the 1985-1986 Iowa Legislative Council was called to order at 2:00 p.m. by the Chairman, Senator Lowell L. Junkins, on Thursday, September 19, 1985 in Committee Room 22 of the State House, Des Moines, Iowa. Members present in addition to the Chairman were:

Speaker Donald D. Avenson, Vice Chairman
Senator C. Joseph Coleman
Senator Donald V. Doyle
Senator Lee Holt
Senator Calvin O. Hultman
Senator C. W. (Bill) Hutchins
Senator David M. Readinger
Senator Dale Tieden
Senator Joe Welsh
Representative Bob Arnould
Representative Dale M. Cochran
Representative John H. Connors
Representative William H. Harbor
Representative Tom Jochum
Representative Lowell E. Norland
Representative Delwyn Stromer
Representative Richard W. Welden

Also present were:

Mr. Ned Chiodo, Chairman, World Trade Center Selection
Advisory Committee
Dr. Ed Stanek, Director, Iowa Lottery Commission
Mr. Donovan Peeters, Director-designate,
Legislative Service Bureau
Mr. Roger Gallentine, Manager of Human Resources
Consulting Practice, Arthur Young & Co.
Mr. Dennis Prouty, Director, Legislative Fiscal Bureau
Mr. Bill Angrick, Citizens' Aide
Mr. Thane Johnson, Senior Research Analyst
Legislative Service Bureau
Ms. Diane Bolender, Senior Research Analyst
Legislative Service Bureau

Also present were other legislative staff persons, representatives of the news media, and other interested persons.

REPORT FROM THE WORLD TRADE CENTER SELECTION ADVISORY COMMITTEE

Chairman Junkins recognized Mr. Chiodo for a report on the activities of the World Trade Center Selection Advisory Committee. Mr. Chiodo explained that the Committee commenced meeting in May in order to fulfill the legislative mandate prescribed in House File 225. He indicated that the members educated themselves about what a world trade center should be, using both travel and research. He indicated that as of July 1, the Committee accepted trade center proposals and following review, narrowed the selection to two proposals. He stated that the Committee then decided upon the proposal presented by Mr. John Ruan and pursued negotiations on his initial proposal. He noted that it was necessary to negotiate changes in the initial proposal because the legislation provides an appropriation of \$30,000,000 in lottery money that can be used only for construction purposes. Mr. Chiodo explained that if the funding is used only to build the building, there is no way to fund the operation of the building.

Mr. Chiodo explained that the Committee had attempted to persuade the developer to fund the operational portion of the building, but that was not possible. Mr. Chiodo stated that there are two problems with the legislation. They are:

1. No operating moneys are available between the signing of the agreement and the completion of the building.
2. It would not be possible for Iowa to protect its interests in the building under the legislation.

He listed a number of issues that require clarification. These include how to determine the services that could be included in the project, how the project would be controlled, how the project would fit in with the educational institutions of the state, how the project would be available to the businesses of Iowa, and what it would cost.

Mr. Chiodo stated that he believes that there is a potential market for Iowa products in the world, but Iowa currently has no overall plan in place for marketing those products. In response to a question from Representative Harbor, Mr. Chiodo stated that although the Committee has not technically dissolved, it would be almost impossible to conform to the deadline dates prescribed in the statute. Representative Harbor asked for Mr. Chiodo's recommendations. Mr. Chiodo responded that he believes the General Assembly should allow some entity to conduct additional planning and research for at least one year prescribing how Iowa could become more active in the world market.

CREATION OF WORLD TRADE CENTER STUDY COMMITTEE

Speaker Avenson moved that the Legislative Council authorize expansion and extension of the Committee's goals. This would include adding two additional members to the five member committee with the new members selected by the joint leadership. He suggested extending the life of the Committee for another year and a quarter, until December, 1986, with sufficient budget to develop a world trade expansion plan. He moved that \$250,000 be available to the Committee to perform a feasibility study. He indicated that the appropriation of moneys will require legislative action during the 1986 Session to obtain funds from the lottery fund. Speaker Avenson indicated that his motion contemplates that the funds would be immediately available from section 2.12 of the Code of Iowa and will be reimbursed by lottery dollars when they have been appropriated. Speaker Avenson indicated that the expansion of the Committee would involve a new citizen study using the same members and adding two members. In response to a question from Representative Stromer, Speaker Avenson clarified his motion and stated that the newly-formed Committee would work outside the mandates of House File 225 and would be considered a newly-formed Committee created by the Legislative Council.

Representative Cochran expressed the belief that Speaker Avenson's motion is the appropriate manner in which to proceed since he has always believed a feasibility study was necessary. He commented on the Price Waterhouse Study that was conducted for an interim committee studying the world trade center concept during the 1984 legislative interim.

Chairman Junkins repeated Speaker Avenson's motion emphasizing that the motion includes the appointment of a new committee with five of the seven members the same as those on the World Trade Center Selection Advisory Committee and an appropriation of \$250,000.

Representative Stromer noted that House File 225 provides for reporting to the Executive Council and he wondered whether this meeting had taken place. Mr. Chiodo responded that the World Trade Center Selection Advisory Committee met with Governor Branstad and has asked to be placed on the agenda for an Executive Council meeting. He added that the Governor's office is receptive to initiation of a planning process for world trade.

Representative Stromer asked how it is envisioned that the \$250,000 would be expended. Speaker Avenson responded that he envisions that moneys would be used to conduct market studies and feasibility studies and for employment of staff. Speaker Avenson indicated that he envisions that the Committee would report to the Legislative Council by December, 1986 in the same manner as other study committees, and their recommendations will be passed on to the appropriate standing committees of the General Assembly. Mr.

Chiodo stressed that it is not his intention to begin with the concept that a building is the logical conclusion.

Senator Readinger asked about whether the General Assembly will be delayed a year if the report is not made until December, 1986. Speaker Avenson responded that he believes that there are no advantages to debating the proposal again in 1986. Senator Readinger asked whether legislators should be included on the Committee. Speaker Avenson responded that it is difficult to find legislators that are unbiased in their views about the world trade center, and he believes seven citizen members is a workable number. He stated that he believes that Mr. Chiodo should continue to serve as chair of the Committee.

Representative Welden asked whether Speaker Avenson envisions that the direction of the new committee would be to develop ideas for expanding Iowa's trade rather than focusing on construction of a world trade center. Speaker Avenson expressed agreement. Mr. Chiodo interjected that he believes that the term "trade center" includes programs and services for expanding the trade of small and medium-sized businesses and does not mean the construction of a large building. Speaker Avenson's motion was adopted on a voice vote.

LEGISLATIVE FISCAL COMMITTEE - REVIEW OF FISCAL HEALTH OF THE STATE

Senator Hultman moved that the Legislative Fiscal Committee be assigned the task of monitoring the fiscal health of the state during the interim and that it also develop actions and alternatives that can be taken so that cuts in state appropriations will not cause increases in property taxes. Senator Hultman's motion was adopted.

LEGISLATIVE STAFF AGENCIES - BUDGET REDUCTION

Chairman Junkins assigned the Service Committee the task of visiting with the directors of the legislative agencies under the Council and making recommendations to the Legislative Council concerning a reduction in each legislative agency's budget of 3.85 percent to match the 3.85 percent reductions that must be made by state executive agencies.

EDUCATIONAL LEAVE REPORT AND STUDY COMMITTEE

Representative Welden moved that the Legislative Council receive and file the Educational Leave Report, and the motion was adopted. A number of Council members pointed out examples from the Educational Leave Report which illustrate state employees taking college courses which they should have completed in order to be eligible for the position for which they are employed. Chairman Junkins appointed a subcommittee consisting of Senator

Hultman, Chairman, Representative Welden and Representative Connors to study the educational leave law and make recommendations. Senator Hultman moved that the Legislative Council send a request to all executive agencies asking them to curtail educational leave activities for the remainder of the fiscal year, and the motion was adopted.

APPROVAL OF MINUTES OF PRIOR MEETING

Senator Holt moved that the minutes of July 17, 1985 be approved as distributed to the Council members, and the motion was adopted.

REPORT OF THE SERVICE COMMITTEE

Chairman Junkins called for the Service Committee Report. Representative Connors explained that the Service Committee has two reports. He moved that the Legislative Council adopt the recommendation of the Service and Search Committee, a copy of which is attached and by this reference made a part of these minutes. Representative Connors introduced Mr. Donovan Peeters, the selection of the Service and Search Committee for Director of the Legislative Service Bureau, to the Legislative Council. He noted that the recommendation of the Service and Search Committee was unanimous. In response to a question from Representative Harbor, Mr. Peeters described his qualifications for the position. Representative Harbor asked whether Mr. Peeters can meet the requirements for nonpartisanship. Mr. Peeters responded that his former position in Maryland required him to be both nonpolitical and nonpartisan. He also indicated that his former position had confidentiality requirements as well. The motion to adopt the Service and Search Committee Report carried. Mr. Peeters expressed his appreciation to the Service and Search Committee and especially to Representative Connors who served as its Chairman.

Representative Connors moved that items 1 through 5 on the Service Committee Report of September 19 be adopted by the Legislative Council and the motion carried. A copy of the Service Committee Report is attached and by this reference made a part of these minutes. With regard to the 6th item on the Report relating to the comparative worth study of the legislative branch, Representative Connors noted that Representative Stromer raised the issue that Arthur Young & Co. is on a list of companies that do not subscribe to the Sullivan principles for the Republic of South Africa. Representative Connors explained that the General Assembly had enacted Senate File 110 last session that prohibits pension funds and funds of the State Board of Regents from being used to purchase investments from companies that do not subscribe to the Sullivan principles and it appears that the Legislative Council should follow the General Assembly's philosophy.

Representative Connors introduced Mr. Gallentine from Arthur Young & Co. and asked him for comments. Mr. Gallentine commented that he had been asked by the Service Committee to determine the firm's position relating to the Sullivan principles. He indicated that conversations with counsel in New York had indicated that Arthur Young & Co. favors the Sullivan principles but has not signed up with the African National Congress that maintains the list. Representative Harbor expressed the belief that although he favors the Sullivan principles, he does not believe that the General Assembly should allow another country to influence its decisions concerning a company that has proven its qualifications. Both Representative Stromer and Representative Connors commented that they believe the General Assembly has spoken rather clearly about its views relating to the Sullivan principles. Representative Harbor moved that the portion of the 6th recommendation relating to the Sullivan Principles be stricken. Senator Welsh interjected that the members of the Service Committee had not had time to thoroughly review the position of Arthur Young & Co., and the recommendation is that the Service Committee receive a written record of Arthur Young & Company's position. In light of Senator Welsh's comments, Representative Harbor withdrew his motion to amend the 6th recommendation.

Representative Harbor asked whether it is important to continue a study of comparable worth for the legislative branch in light of the recent decision by the United States Circuit Court of Appeals as it relates to comparable worth in the state of Washington. Representative Connors indicated that the case is being appealed to the United States Supreme Court. He also noted that it is a policy of the Iowa General Assembly that comparable worth be instituted. The motion to adopt the 6th recommendation carried with Representative Welden voting no and the other members who were present voting in the affirmative.

Representative Connors asked unanimous consent that the 7th recommendation be amended by striking the word "will" and inserting the word "may". There were no objections. He moved that the Legislative Council approve the 7th recommendation, as amended, and the motion carried.

REPORT ON THE IOWA LOTTERY

Chairman Junkins recognized Dr. Stanek who explained that legislation establishing the Iowa Lottery had required that the Iowa Lottery Commission submit its budget to the Legislative Council for the period August 1, 1985 through January 31, 1986. A copy of the proposed budget is attached and by this reference made a part of these minutes. He stated that the Iowa Lottery Commission expects because of Iowa's population and the sales in other states that have established lotteries, that lottery sales in Iowa will equal \$100 to \$150 million per year. He stated that in order to break even it is necessary that 30,000,000 lottery

tickets be sold in a year. He added that \$153 million dollars in sales will be needed to fully fund what was appropriated from lottery revenues and he stated that the Iowa Lottery Commission will do the best it can to achieve these results.

Dr. Stanek stated that the budget he has presented assumes that there will be \$125 million per year in lottery sales and \$70 million in sales during the first six months. Dr. Stanek listed a number of circumstances that exist that present obstacles toward reaching these goals. He described the situation that there is no metropolitan area of one million or more persons in this state which causes problems in distribution and advertising. He noted that there are fewer opportunities to sell lottery tickets because of the high percentage of the population that is rural and because of seasonal factors affecting the rural environment. He also noted that there is no regular television station in southwest Iowa and there is direct competition with the Illinois lottery in eastern Iowa. He also commented that liquor stores sell lottery tickets and they are closed on Sundays. With regard to marketing obstacles, Dr. Stanek stated that there is not presently enough jackpot awareness and the Iowa Lottery Commission will be working on this. He also stated that two aspects of the law need to be amended during the next session of the General Assembly. He indicated that bars and taverns need to be eligible to be licensed to sell lottery tickets and the law relating to eligibility for licensure if an individual has a felony conviction needs to be changed to exempt felony convictions of board members of corporate establishments not located in this state.

Dr. Stanek announced that just prior to the meeting the Iowa Lottery Commission had repaid the entire \$3,159,700 that was loaned to the Commission for startup costs.

Senator Doyle asked about the administrative costs. Dr. Stanek responded that the cost of advertising cannot exceed four percent of the ticket revenue and currently the advertising costs are less than that amount. He noted that initially administrative expenses are higher because of nonrecurring expenditures. He commented that during the second six months of the fiscal year the Iowa Lottery Commission costs will be higher because of the implementation of the on-line lottery. He indicated that the Lottery Commission will conduct an indepth financial analysis and study of different types of on-line sales systems.

Senator Readinger commended Dr. Stanek for the fine job he has accomplished in getting the lottery in operation.

Senator Tieden asked about how the Lottery Commission will determine the locations of the establishments which will have the on-line lottery. Dr. Stanek responded that there are currently 3,200 establishments selling instant lottery tickets and from 500 to 700 more will be added if it is possible to license taverns and

bars. Dr. Stanek explained that it is anticipated that from 750 to 1000 computer terminals will be available for licensees to sell on-line lottery tickets at a cost of approximately \$10,000 each. He commented that each terminal must be located in an area in which there is sufficient traffic to justify this cost.

Senator Welsh asked for further information about the data processing costs. Dr. Stanek responded that the costs include the cost of the computer, computer terminals in regional offices, and other data processing costs.

Senator Welsh noted that the budget includes payments for reimbursement of costs to the Attorney General, the Auditor of State, and the Division of Criminal Investigation of the Department of Public Safety. Dr. Stanek explained that the legislation requires that the Auditor of State, or a certified public accounting firm appointed by the Auditor, shall conduct quarterly and annual audits. The legislation also provides for payment from lottery moneys of the reasonable expenses incurred by the Attorney General's Office in enforcing the chapter and payment to the Division of Criminal Investigation (DCI) of the Department of Public Safety for investigative services.

Dr. Stanek added that the Attorney General was required to employ an additional individual and the DCI has hired five agents who are exclusively working on lottery matters, including background investigations of all employees, vendors of services and equipment, and applicants for licenses. Dr. Stanek added that the Lottery Commission currently employs 100 full-time permanent individuals and 20 part-time temporary individuals who are being phased out. He indicated that additional people may be needed for market analysis.

Speaker Avenson asked about whether those persons licensed to sell on-line lottery tickets will be required to make an investment in the cost of this system. Dr. Stanek replied that the Lottery Commission will attempt to recoup as much as is possible of the costs. Senator Tieden asked Dr. Stanek to consider area as well as sales in placing the computer terminals for the on-line lottery.

Representative Arnould expressed the belief that there are some cities in the state that do not have as many licensed establishments to sell lottery tickets as others. Dr. Stanek responded that both the Cedar Rapids and Davenport areas have establishments that could be selling lottery tickets, but at this time the sales employees are overworked and have not been able to spend as much time in those cities.

Senator Hutchins noted that the travel and subsistence allowance is high. Dr. Stanek responded that the travel expenses include the purchase of 30 vehicles that are used by 30 full-time

employees to deliver lottery tickets and to discuss the sales experience and lottery awareness with the employees of the licensed establishments.

Representative Norland expressed interest in seeing the budget for the remaining five months of the fiscal year. Dr. Stanek responded that the legislation requires that he present to the General Assembly the budget for the remaining portion of the fiscal year. He stated that he expects that the nonrecurring expenses will no longer be required during the second part of the fiscal year. He also commented that he expects that revenues from instant ticket sales will be lower and that expenses for the on-line lottery will be commencing with higher revenues from on-line lottery sales. Representative Norland asked whether any expenditures for the on-line lottery will be incurred before February 1, 1986. Dr. Stanek stated that he is not positive as some expenditures for communications may be necessary. He added that he will attempt to negotiate agreements in which payments are delayed as long as possible.

Representative Norland stated that he would like to see the remaining five months' budget as quickly as possible. Dr. Stanek agreed that he would forward the budget as it relates to the instant games for the next five months as soon as possible, but it will be two to two and one-half months before the on-line lottery budget can be completed. Chairman Junkins asked Dr. Stanek to provide the Legislative Council with additional information at its next Council meeting. Senator Hultman moved that the Legislative Council receive the report from the Iowa Lottery Commission, and the motion carried.

REPORT OF THE COMPUTER OUTREACH COMMITTEE

Senator Hutchins gave the report of the Computer Outreach Committee, a copy of which is attached and by this reference made a part of these minutes. Senator Hutchins indicated that it is anticipated that the Legislative Council will monitor the first 20 subscribers to the legislative computer system before adding additional subscribers. He stated that it is the intention of the Computer Outreach Committee that all possible interested individuals be notified that they may be subscribers, and a lottery or some similar method would be used to select the 20 individuals.

Representative Welden asked who the subscribers might be. Senator Hutchins responded that they might be lobbyists or state agencies. Representative Welden asked about the information to which the members of the General Assembly will have access. Senator Hutchins responded that members of the General Assembly would have access to the full menu that is available to the General Assembly today. He commented that the Legislative Council should update its policy concerning the use of computer information for legislative campaigns.

Representative Norland asked whether adding subscribers to the computer will interfere with the General Assembly's use of the computer. Senator Hutchins commented that Mr. Scharf, Director of the Computer Support Bureau, has responded in the negative. Representative Arnould added that it would be written into the contract with the subscribers that anytime their use interfered with the use by the General Assembly, the subscribers would be turned off. Senator Hutchins' motion to adopt the report of the Computer Outreach Committee carried.

REPORT OF THE STUDIES COMMITTEE

Speaker Avenson presented the report of the Studies Committee and asked unanimous consent that the 12th recommendation read "two additional members from each house." There were no objections. Representative Stromer asked whether the Public Retirement Systems Study Committee will be looking at the judicial retirement system. Speaker Avenson responded that the Public Retirement Systems Study Committee has asked for two additional days and it will be studying equity among the systems, including contribution rates, and whether the systems are actuarially sound. Representative Stromer noted that often the Public Retirement Systems Study Committees have excluded TIAA-CREF and the judicial retirement system from their deliberations and he hopes that the Study Committee will review all public retirement systems.

Representative Cochran commented that he has some concerns about allowing citizen members to have full voting rights on study committees. Speaker Avenson responded that the Excellence in Education Task Force involved many citizen members, and its report then became a public report. He expressed the belief that the recommendations of a committee containing citizen members will not stray too far from legislative views since the General Assembly will have the final say as to what is adopted of the recommendations. The motion by Speaker Avenson to adopt the Studies Committee Report carried.

REVIEW OF THE SUPREME COURT RULES

Senator Doyle moved that the Legislative Council receive the Supreme Court Rules, commenting that he and Representative Jay, as Chairmen of the Judiciary Committees, and the Legislative Service Bureau have no objections to the rules and there should be no delays in their implementation. The motion was adopted.

INTERPRETATION OF THE "ONE-SUBJECT RULE" FOR LEGISLATIVE BILLS

Representative Stromer moved that the Legislative Council proceed with filing a petition in the district court asking whether Senate File 395 meets requirements of Article III, Section 29 (the "one-subject rule" for legislative bills), of the

Constitution of the State of Iowa. Representative Delwyn Stromer, Representative Dick Welden, Representative Dotty Carpenter, and Senator Lee Holt will be listed as plaintiffs along with any other members of the Legislative Council who wish their names to be included. He indicated that his motion contemplates using the same procedure as was used by the Legislative Council in its law suit concerning the item veto of the Governor. He explained that further guidelines are needed in the future as to what is meant by the requirement that legislation contain a single subject. Senator Hutchins moved that the Legislative Council defer action on the motion and refer it to the Legislative Procedures Committee. A Roll call vote was requested with nine affirmative votes by Chairman Junkins, Speaker Avenson, Senators Coleman, Doyle and Hutchins and Representatives Arnould, Cochran, Connors, Yochum, and Norland and five negative votes by Senators Holt, Readinger, and Tieden and Representatives Stromer and Welden. It was noted that motions of the Legislative Council require eleven affirmative votes.

Representative Stromer withdrew his motion with the stipulation that for the next Legislative Council meeting the Administration Committee will prepare a report on the feasibility of asking the courts to look at Article III, Section 29, of the Constitution of the State of Iowa as it relates to Senate File 395. Representative Norland suggested that the Legal Counsels of the House and Senate could prepare a brief on the meaning of this section of the Constitution. Representative Stromer's motion carried.

NEXT MEETING

Chairman Junkins announced that the next meeting of the Legislative Council will be on the call of the Chairman and Vice Chairman.

ADJOURNMENT

The Legislative Council adjourned at 4:15 p.m.

Respectfully submitted,

DIANE BOLENDER
Senior Research Analyst