

MINUTES

IOWA LEGISLATIVE COUNCIL

February 20, 1992

PRELIMINARY BUSINESS

The tenth meeting of the 1991-1992 Legislative Council was called to order by Chairperson, Speaker Bob Arnould, at 12:27 p.m., Thursday, February 20, 1992, in Senate Room 22, Statehouse, Des Moines, Iowa. Members present in addition to Chairperson Arnould were:

Senator Bill Hutchins, Vice Chairperson
Senator Leonard L. Boswell
Senator Donald V. Doyle
Senator Michael Gronstal
Senator Wally E. Horn
Senator John Jensen
Senator Jim Lind
Senator Jean Lloyd-Jones
Senator Dale L. Tieden
Senator Maggie Tinsman
Representative Janet Adams
Representative Clifford O. Branstad
Representative Kay Chapman
Representative John H. Connors
Representative Roger A. Halvorson
Representative Thomas J. Jochum
Representative Wayne McKinney, Jr.
Representative Michael K. Peterson
Representative Harold Van Maanen

Also present were Ms. Diane E. Bolender, Director, Legislative Service Bureau; Mr. Richard Johnson, Deputy Director, Legislative Service Bureau; Mr. Dennis Prouty, Director, Legislative Fiscal Bureau; Mr. William Angrick, Citizens' Aide/Ombudsman; Mr. Jack Dwyer, Secretary of the Senate; Mr. Joseph O'Hern, Chief Clerk of the House of Representatives; Mr. Sandy Scharf, Director, Computer Support Bureau; Mr. John Pollack, Administrator, Legal and Committee Services Division, Legislative Service Bureau; Mr. Thane R. Johnson, Senior Research Analyst, Legislative Service Bureau; other legislative staff; representatives of the news media; and other interested persons.

ROLL CALL AND MINUTES

Chairperson Arnould noted that the roll was taken as the members of the Council arrived and recognized Vice Chairperson Hutchins who moved to approve the minutes of the meeting of December 19, 1991, as submitted. The motion was adopted.

NEW COUNCIL MEMBER

Chairperson Arnould recognized and welcomed Senator Michael Gronstal, President of the Senate, as a new member of the Legislative Council replacing Senator Joseph J. Welsh who resigned as President of the Senate.

PROGRESS REPORT -- TAX FAIRNESS AND EQUITY STUDY COMMITTEE

Chairperson Arnould recognized Ms. Myrt Levin, Chairperson, Tax Fairness and Equity Study Committee, to report on the progress of the Committee and submit a request for funding consultant services. It was noted that under the charge given to the Study Committee by the Legislative Council, the Study Committee was authorized to hire a consultant and was directed to present a recommendation for a consultant to the Studies Committee and to the Legislative Council. Ms. Levin stated that the Committee concluded that the current software models used by the Legislative Fiscal Bureau and the Department of Revenue and Finance are outdated and cannot provide the Committee and the General Assembly with the tax impacts which changes in the state tax structure would produce. She added that the Committee has concluded that in order to make specific recommendations concerning the fairness and equity of the current state tax structure, a new software model will be needed to provide accurate information regarding the impact which specific changes in the tax law will have on individuals, businesses, and the economic competitiveness of Iowa compared to other states. She added that two other states, Florida and Alabama, have computer software which will provide detailed impact analyses of various tax options similar to that in which the Committee is interested.

Chairperson Levin stated that the Committee received four bids out of approximately 40 requests for proposals sent to consultants, and after review of the four bids, two were considered viable by the Committee. The tax structure model submitted by Peat Marwick was selected over the other bidder by the Committee for a fee of not to exceed \$200,000, she continued. Ms. Levin remarked that, if the Peat Marwick proposal is accepted, the retail sales and use tax portion of the model will be available to the General Assembly by March 27, 1992. In conclusion, she stated that the Committee recommends the acceptance of the Peat Marwick proposal and believes that the cost of the tax model to the state will be recaptured in the first

year alone due to tax collection efficiencies made possible through the accurate, detailed information received from the tax model.

In reply to a question by Representative Lundby, Ms. Levin stated that the Florida tax model was recently developed by Price Waterhouse and, as a result, was not available during the much publicized Florida tax debate a few years ago.

In response to a question by Senator Boswell, Ms. Levin stated that an important feature of the proposed tax model is its use in the analysis of tax efficiency, an effort to raise more revenue without an adverse impact.

In reply to a question by Representative Lundby, Mr. Paul Durand, Legislative Fiscal Bureau, stated that the two tax analysis models currently owned by the state are not very sophisticated compared to the current proposal. He added that the variables in the models owned by the Legislative Fiscal Bureau and the Department of Revenue and Finance are quite limited, perhaps to 25 or 30. Vice Chairperson Hutchins added that the new model has a much faster turn-around time and it is much more user friendly.

Representative Chapman moved that the Legislative Council authorize the Tax Fairness and Equity Study Committee to spend not more than \$200,000 for the tax analysis software model provided by Peat Marwick consultants.

Senator Tinsman commented that she does not support the expenditure of this amount of money when revenue control and budget reform are needed in state government. She added that new taxes are not needed now and that a thorough study of the entire tax structure is needed before changes are made. She stated that purchasing the proposed model to accommodate a retail sales tax adjustment is premature. She concluded by stating that the Price Waterhouse consulting firm should have been selected for the study.

Vice Chairperson Hutchins responded that he is disappointed in Senator Tinsman's remarks. He stated that the proposal to buy the software model is not to justify a tax increase, but rather to obtain information on the impact of taxes on individuals and businesses. He urged support for the motion.

Senator Gronstal expressed the belief that he considers a vote against the purchase of the tax model as a vote saying that the current tax system in Iowa is fair and equitable. He added that he does not believe the current tax system is fair. If our goal is tax equity, he continued, data is needed to support changes to make a fairer tax structure. Representative Adams commented that accurate information to judge tax fairness is not available with the current tax models available to the state. She recommended the expenditure of the funds to obtain the tax model and the necessary accurate information.

Representative Halvorson recommended that if the tax model will be available for use on retail sales tax questions in late March, the General Assembly should discontinue further debate on those matters until it is available. Unfortunately, he added, the House plans to debate various changes in the retail sales tax earlier than late March.

Representative Lundby questioned whether or not the tax study and information related to the proposed model will meet the same fate as the recommendations of the Governor's Committee on Spending Reform. She added that it appears that most efficiency and economy studies are placed on a shelf to gather dust.

Vice Chairperson Hutchins responded that the Governor's Committee worked hard and had the best of intentions regarding the proposed reforms, but he believes many recommendations will not be implemented because they are not advisable for state government.

Concerning the use of current tax models owned by the state, Chairperson Arnould stated that the models currently are used, but the users are frustrated by the limited quality of the information produced. In reply to a question by Representative Lundby, Chairperson Arnould stated that the proposed model is user friendly and can be used by others than the staff specialists.

Representative Lundby stated that she would support the purchase if the model is available for broad bipartisan use.

In response to Senator Gronstal's earlier remarks, Representative Van Maanen stated that a vote by a Council member against the proposed expenditure of \$200,000 for a tax model does not mean that Council member believes Iowa's tax system is fair, but it shows concern about when and how to carry out the overall study of the tax structure.

In reply to a question by Senator Lind, Mr. Paul Durand, Legislative Fiscal Bureau, replied that the proposed tax model will not be useful to local governments at the present time.

There being no further questions or comments, Chairperson Arnould called for a vote on Representative Chapman's motion. The motion was adopted by a voice vote.

ADJOURNMENT

Chairperson Arnould recognized Senator Lind who moved that the Legislative Council adjourn at 12:58 p.m. The motion was adopted.

RESPECTFULLY SUBMITTED,

DIANE E. BOLENDER
Director

THANE R. JOHNSON
Senior Research Analyst

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April 21, 1992

MEMORANDUM

TO: Chairperson Arnould and Members of the Legislative Council

FROM: Diane Bolender, Director *DB*

RE: Minutes of February 20, 1992, Meeting

Enclosed are the Minutes from the February 20, 1992, meeting of the Legislative Council.