

M I N U T E S

IOWA LEGISLATIVE COUNCIL

October 14, 1981

The ninth meeting of the 1981-1982 Legislative Council was called to order at 11:10 a.m., Wednesday, October 14, 1981, in Committee Room 22 of the State House, Des Moines. Council members present were:

Senator Calvin O. Hultman, Chairperson
Speaker Delwyn Stromer, Vice Chairperson
Lieutenant Governor Terry Branstad
Senator Gary L. Baugher
Senator James E. Briles
Senator C. Joseph Coleman
Senator C. W. Hutchins
Senator Lowell L. Junkins
Senator John S. Murray
Senator Richard R. Ramsey
Senator Ray Taylor
Representative Robert G. Anderson
Representative Donald D. Avenson
Representative John H. Clark
Representative John H. Connors
Representative Ingwer L. Hansen
Representative Lester D. Menke
Representative Lawrence Pope
Representative Richard W. Welden

Other persons present for the meeting were:

Mr. Gerald D. Bair, Director, Department of Revenue
Mr. Richard Jacobs, Director, Research and Management Services
Division, Department of Revenue
Mr. Gerry Rankin, Director, Legislative Fiscal Bureau
Mr. Bill Angrick, Citizens' Aide
Mr. Thane R. Johnson, Legislative Service Bureau
Ms. Diane Bolender, Legislative Service Bureau

Also present were a number of other Iowa legislative staff persons, news media representatives, and other interested individuals.

Representative Menke moved that the minutes of the previous meeting be approved as mailed to the Council members, and the motion was adopted.

Representative Connors moved that the Legislative Council receive the Educational Leave Report. Members of the Council questioned information on the Educational Leave Report that

indicated that Ms. Rhonda Haley, General Counsel, of the Department of Transportation, was receiving reimbursement for having completed a course entitled "Introduction to Law" at the Des Moines Area Community College. They asked the Legislative Service Bureau to obtain additional information. (Subsequent to the meeting, information was obtained that Ms. Haley is not in fact the general counsel for the Department of Transportation, but is a secretary in the Office of the General Counsel.)

Speaker Stromer moved that the following recommendations of the Service Committee be approved by the Legislative Council:

1. That the Capitol Tour Guides be authorized to order stationery similar to that presented to the Service Committee, except that the names of individual tour guides not be included on the letterhead.

2. That the Capitol Tour Guides be authorized to order uniforms at the time the pages' uniforms are ordered by the House of Representatives and Senate.

3. That two Capitol Tour Guides be on duty during the Japanese Ceremony at the State House on Sunday, October 18, 1981.

4. That the Office of Citizens' Aide be authorized to employ Mr. G. Kent Renegar as Assistant Citizens' Aide/Ombudsman at Grade 24, Step 1.

5. That the Office of Citizens' Aide be authorized to make a bid to the United States Association of Ombudsmen to hold the 1982 Annual Conference of that organization in Des Moines. Representative Connors seconded the motion, and it carried.

Chairperson Hultman asked Council members to review correspondence from Ms. Diane Bolender on behalf of the Public Retirement Systems Subcommittee of the Senate and House Committees on State Government requesting authorization for the Subcommittee to expend up to \$5,000 for actuarial cost studies from funds appropriated pursuant to section 2.12 of the Code. Senator Coleman moved that the Subcommittee be authorized to expend up to the \$5,000 amount for actuarial cost studies. Representative Connors seconded the motion, and it carried. A copy of Ms. Bolender's letter is on file in the Legislative Service Bureau.

Chairperson Hultman asked Council members to review a letter from Mr. Burnette Koebernick of the Legislative Service Bureau requesting an additional day's meeting for the Contract and Bidding Procedures Subcommittee of the Senate and House Committees on State Government. It was noted that the Subcommittee was authorized two meetings and is asking for a third meeting in order to complete its study. Representative Connors moved that the Subcommittee be authorized a third meeting. Senator Baugher seconded the motion,

commenting that at the Small Business Subcommittee Hearing, testimony included comments about the necessity for uniformity in bidding procedures. The motion carried.

In response to a question from Representative Welden, Speaker Stromer stated that it is assumed that the House of Representatives will be able to meet its proposed budget for interim expenditures.

Chairperson Hultman asked Council members to review correspondence from Mr. Michael Goedert of the Legislative Service Bureau requesting two additional meeting days for the Small Business Problems Subcommittee. Senator Baugher explained that one meeting has been held, and that meeting included a public hearing the evening before the meeting. He noted that the Subcommittee has developed five areas for further consideration and he anticipates that it will take two additional days in order for the Subcommittee to complete its task. Senator Baugher moved that the Legislative Council approve the two additional days. Speaker Stromer commented that the Studies Committee this interim had initially limited some studies to either one or two days in order to determine the magnitude of their task. Senator Baugher's motion carried.

Senator Briles asked for one additional day on behalf of himself and Representative Danker, Chairpersons of the County Government Committees, in order for the Joint County Government Committees to hold their annual two-day meeting, which includes hearing testimony from affected county officers and developing recommendations. Senator Hutchins asked whether these two-day meetings will need to continue with the implementation of county home rule. Senator Briles expressed hope that this would not be the case, but indicated that this would be the first time the Committees had met with county officers since county home rule had been ratified.

Speaker Stromer reported that Representative Danker had conversed with him about the possibility of holding a meeting in order to review the recommendations of a committee appointed to look at changes in county finance structure. Senator Briles agreed that if the joint Committees have sufficient time during the two-day meeting they can look at these recommendations. He noted that the Committee looking at county finance was appointed by the Governor. He also added that the Iowa State Association of Counties will present its proposals at the first day's joint meeting and these proposals will probably include the recommendations relating to county finance. Senator Murray expressed support for approving the two-day meeting, but asked Senator Briles and Representative Danker to assess whether there is a decrease in the number of the recommendations of persons presenting information to the Committees in order to determine whether the two-day meetings will need to continue in the future. Senator Briles agreed, and the motion carried.

The Legislative Council recessed for lunch at 11:30 a.m. and reconvened at 1:45 p.m. with the same Council members who had been present during the morning session. In addition, Senator Rolf V. Craft and Representative Douglas Ritsema were present as members of the Block Grant Committee of the Legislative Council.

Chairperson Hultman called for the report of the Studies Committee. Representative Clark moved that the following persons be named as members of the Obscenity Study:

Senator John Murray, Temporary Co-chairperson
Senator A. R. (Bud) Kudart
Senator Ray Taylor
Senator C. Joseph Coleman
Senator Bob Carr
Representative Joe Gross, Temporary Co-chairperson
Representative Sonja Egenes
Representative Virgil Corey
Representative Bob Arnould
Representative Minnette Doderer

The motion carried on a voice vote.

Chairperson Hultman called on Mr. Bair. Mr. Bair stated that the Iowa Department of Revenue has conducted an analysis of the impact of selected provisions of the Economic Recovery Tax Act of 1981 on Iowa tax receipts during the fiscal years beginning July 1, 1981 and July 1, 1982. Copies of the Department's analysis were distributed to Council members and are on file in the Legislative Service Bureau. He indicated that the analysis also includes some examples of Iowa and federal individual income tax for the 1981 and 1982 tax years. Mr. Bair explained that the Department had selected the eight major provisions of the federal legislation which would have a possible significant impact on total state income tax receipts. He called upon Mr. Jacobs for further comments.

Mr. Jacobs stated that in addition to analyzing each of the eight major areas, the Department of Revenue is currently studying twenty-four more provisions and their impacts on the Iowa individual income tax receipts. He stated that a second phase report will be available before the General Assembly convenes in January. Mr. Jacobs stated that a Federal Internal Revenue Code update bill will be required next session, but the General Assembly will be required to make decisions as to which of the federal changes with which it wishes to conform. He indicated that in the current year state revenue could increase by up to \$6,000,000 as a result of the federal changes and up to \$18,000,000 during the next fiscal year.

Mr. Jacobs stated that if the state of Iowa adopts only those federal revenue changes for the state of Iowa which will increase

the revenues in Iowa, between a \$50,000,000 and \$60,000,000 revenue increase can be expected. Mr. Jacobs stated that it will more than likely be necessary to process some amended returns no matter what decisions the General Assembly makes. He asked Council members to review with him a chart prepared by the Legislative Fiscal Bureau which lists the provisions with a significant impact on total state income tax receipts, the impact if Iowa adopts the federal change, and the dollar impact for both fiscal year 1982 and fiscal year 1983. A copy of this chart is attached to these minutes and by this reference made a part thereof.

Lieutenant Governor Branstad asked whether it is a realistic option for Iowa to consider not going along with the changes made in the federal tax structure with regard to accelerated cost recovery systems for depreciation. He indicated that if Iowa does not use the same deductions for depreciation, it would be very confusing for the taxpayers. Mr. Bair responded in the affirmative, and commented that most states try to achieve some semblance of unity with the federal tax laws.

Senator Taylor asked for the cumulative effect on an individual taxpayer. Mr. Jacobs responded that as a rough estimate, there will be about a \$100,000,000 to \$150,000,000 reduction in federal taxes in Iowa for the 1982 fiscal year and this reduction will increase from \$500,000,000 to \$550,000,000 in reduced federal taxes for the 1983 fiscal year.

Senator Craft asked whether there are significant interactions among the eight major provisions, noting that the revenue impacts have been made individually for each of the eight. Mr. Jacobs responded that if the revenue estimates had been made as a package, the result would have been about the same as the individual estimates.

Representative Avenson noted that if one combines the lowest estimate for each of the eight provisions, the total is about a \$6,000,000 loss to a \$5,000,000 gain. He asked why these figures differ from those provided by the Department of Revenue. Mr. Jacobs responded that the Department of Revenue used like estimates when it calculated the total impact.

Representative Pope expressed the belief that the Legislative Council cannot make assumptions about the impact of the federal tax changes in Iowa until the General Assembly determines what actions it will take with regard to each of these provisions as they are used in the Iowa tax laws. He indicated that the precedent of following federal changes is not automatic.

Representative Avenson asked about the time frame for making the decisions with regard to the Iowa tax laws. Mr. Bair responded that the sooner the General Assembly acts, the better, especially for the deductions for depreciation. Representative Avenson urged

members present that the General Assembly should make its decisions early in the session.

Noting that the Department of Revenue had distributed copies of examples of Iowa and federal income taxes for the 1981 and 1982 tax years for \$10,000, \$20,000, and \$40,000 incomes, Representative Anderson asked whether it would be possible to obtain figures on incomes of from \$70,000 to \$100,000. Mr. Jacobs responded in the affirmative, indicating that the Department of Revenue would provide the information.

Senator Baugher, speaking as the Co-chairperson of the Small Business Problems Subcommittee, expressed the belief that the owners of small businesses would be hurt if the state of Iowa does not use the same deductions for depreciation as the federal government.

Chairperson Hultman thanked Mr. Bair and Mr. Jacobs for their presentations and called for comments from Mr. Rankin. Mr. Rankin stated that at the request of the Block Grants Committee, the Legislative Fiscal Bureau had sent letters to all department heads asking specific questions regarding the effects of the federal block grants and categorical grants. He distributed copies of replies that had been received as of 12:00 noon, October 14, 1981. Copies of the replies are on file in the Legislative Service Bureau.

Mr. Rankin stated that he had visited with National Conference of State Legislature staff personnel during the morning in order to obtain the latest information about the second round of budget cuts which President Reagan has indicated will equal \$12,000,000,000. He stated that the Reagan administration officials are making allocations to states on a monthly basis instead of a quarterly basis at the level of President Reagan's March budget requests.

Chairperson Hultman thanked Mr. Rankin for his comments.

Representative Avenson distributed copies of a proposal developed by the Democratic party members of the Legislative Council and asked Council members to review it. A copy of the proposal is attached and by this reference made a part of these minutes. Representative Avenson asked for the appointment of special, select subcommittees composed of one Republican and one Democrat from each of eight appropriations subcommittees and from the Ways and Means Committees, to hold a series of six public hearings, one in each Congressional district, by November 20th in order to develop legislation arising from the impact of federal budget and revenue cuts. He stated that by using the legislative public hearings data the subcommittees should advance proposed legislation by December 15th. Representative Avenson expressed the belief that the General Assembly should not wait for the executive branch to make decisions as to what programs should be eliminated.

Speaker Stromer responded that some comments of Representative Avenson are valid and the Democrats' proposal is one approach, but other approaches may also be workable. Speaker Stromer also commented that there is no evidence that the continuing resolutions will not continue beyond the November 20th deadline and information is not available as to the amount of money that will be appropriated to send to Iowa. Speaker Stromer moved that the proposal, along with any other proposals which may be contemplated by Council members, should be referred to the Studies Committee of the Legislative Council and the Studies Committee should propose the best way to deal with the problem. Representative Pope seconded Speaker Stromer's motion, commenting that he, as well as other legislators, has been meeting on an almost daily basis with various affected community groups and at this time the groups do not have any decisions about how to act.

Representative Avenson stressed the importance of early action by the General Assembly. He expressed the belief that the affected community groups are aware of the programs that will be affected, and they are knowledgeable about which of their programs are successful and which might be eliminated.

Senator Murray reported that he and Representative Welden, as Chairpersons of the Appropriations Committees, agreed last January that a basic review of priorities of all state programs is needed. He explained that they had instructed the Legislative Fiscal Bureau to begin developing a questionnaire, listing all programs and developing a priority structure, to be given to members of the General Assembly. He stated that he expected the development of this priority list to be commencing late this year so that there is basic information on the priorities of programs. He explained that once this priority list has been developed, the General Assembly can use this information in conjunction with the amount of federal moneys available, the amount of state revenue, and the amount of the state set-aside and make legislative decisions. Representative Avenson responded that he does not object to the development of such a priority list, but the ranking by the members of the General Assembly will not necessarily reflect the attitudes and opinions of local government officials, clients, and providers. Senator Murray expressed disagreement, commenting that most members of the General Assembly are currently conversing with local officials, clients, and providers in order to determine the impact of the federal budget cuts.

Senator Junkins expressed the belief that the proposal provides an opportunity for the General Assembly to be innovative and make decisions that are not the result of recommendations from the executive branch. He expressed the belief that decisions would not be made prior to knowing the depth of the federal budget cuts and that sending the proposal to the Studies Committee will delay any decisions for another month.

Representative Anderson stressed that the proposals of President Reagan grant the states additional responsibility in determining how federal dollars are going to be spent and the General Assembly needs to accept its responsibilities in making the decisions and not allow the executive branch to determine how the money can best be spent. He urged that the General Assembly proceed to develop a dialogue with local government officials.

Representative Welden responded that the priority list being developed and determined by members of the General Assembly would include contact with affected groups in each legislator's district. He expressed the belief that this input would be greater than that which could be obtained from six public hearings held throughout the state. Representative Pope expressed the belief that the use of the Studies Committee will provide an orderly process.

Representative Anderson expressed the belief that it is not necessary that the General Assembly wait to know the exact amount of the budget cuts in order to act. He also stressed early action.

Senator Hutchins observed that the procedure used by Senator Baugher's Small Business Problems Subcommittee was to hold hearings first in order to obtain a picture of the problems and this is what the Democrat's proposal has contemplated. Senator Baugher responded that the proposal has valid points and suggested that the Legislative Council develop a compromise action plan. He commented that he will vote to send the proposal to the Studies Committee. He expressed hope that there will be an opportunity for public input prior to action by the General Assembly.

Senator Murray also commented that he hopes that the Legislative Council can develop a bipartisan approach to obtaining information so that the General Assembly will be prepared to make decisions in January.

Senator Briles called for the question on Speaker Stromer's motion to send the proposal and any other proposals to the Studies Committee for consideration. The motion carried on a voice vote.

Chairperson Hultman called for the report of the Administration Committee. Senator Briles moved adoption of the report, a copy of which is attached and by this reference made a part of these minutes.

Senator Junkins asked about the third recommendation which recommends that the Council authorize the formation of an in-house committee of legislative and agency staff personnel to prepare a request for proposal with an early December deadline on bids by contractors. He expressed concern that agency personnel would be participating in developing the request for proposal and stressed that the agency personnel should only be used to assemble

information and not to participate in making decisions about what would be studied. Senator Hultman responded that Senator Junkin's statement was the intent of the Administration Committee. Mr. Rankin agreed that the agency personnel would only be used as resource persons and not participate in the decision-making process. Senator Junkins asked the Legislative Fiscal Bureau to also survey other states that may have used consulting firms for similar studies. Mr. Rankin agreed.

With regard to the first recommendation which relates to the artwork for the renovation of the first floor legislative committee rooms, Senator Murray expressed the belief that the General Assembly was restoring rooms to the same quality that had existed 100 years ago and in the restoration, well over one-half of one percent of the cost was for artwork. He stated that he did not agree that the application of the arts amendment should be rejected solely on the basis of a rejection of the Attorney General's opinion that the statute included significant renovations, but the rejection should be based upon the artwork contained in the room. Speaker Stromer seconded Senator Briles' motion to approve the Report of the Administration Committee, and it carried.

Chairperson Hultman announced that the next Council meeting will be held November 4th and a Studies Committee meeting will either be held on November 4th prior to the Council meeting or on November 3rd.

The Legislative Council adjourned at 3:20 p.m.

Respectfully submitted,

DIANE BOLENDER
Senior Research Analyst

THANE R. JOHNSON
Senior Research Analyst