

M I N U T E S

LEGISLATIVE COUNCIL

SEPTEMBER 29, 1982

The eighteenth meeting of the 1981-1982 Legislative Council was called to order at 1:05 p.m., Wednesday, September 29, 1982 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 James E. Briles
Senator C. Joseph Coleman
Senator C. W. Hutchins
Senator John W. Jensen
Senator Lowell L. Junkins
Senator William D. Palmer
Senator Ray Taylor
Senator Dale L. Tieden
Representative Robert T. Anderson
Representative Donald B. Avenson
Representative John H. Clark
Representative John H. Connors
Representative Ingwer L. Hansen
Representative Lester D. Menke
Representative Larry Pope
Representative Richard W. Welden

Other persons present for the meeting were:

Mr. Ron Mosher, State Comptroller
Mr. Doug Gross, Governor's Office
Mr. Serge Garrison, Legislative Service Bureau
Mr. Thane 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.

Senator Briles moved that the minutes of the August 11, 1982 meeting be approved as mailed to Council members, and the motion was adopted. Representative Connors moved that the Legislative Council receive the Educational Leave Report, and the motion was adopted.

Chairperson Hultman called for the report of the Service Committee. Speaker Stromer commented that the Service Commit-

tee had met immediately preceding the Council meeting and it was not possible to present its recommendations in writing. He asked that the Legislative Council approve the following:

1. That Mr. Clarence Key, Jr. be employed as an Assistant Citizens' Aide/Ombudsman in the Office of Citizens' Aide at Pay Grade 24 and an annual salary of \$17,430.40.

2. That Mr. Allan Swainston be employed as a Legislative Fiscal Analyst in the Legislative Fiscal Bureau at Pay Grade 24 and an annual salary of \$17,810.

3. That Mr. Scot Beckenbaugh be employed as a Research Analyst I in the Legislative Service Bureau at Pay Grade 24 and an annual salary of \$17,430.40.

4. That Mr. Bill Angrick be authorized to commence a search for a replacement for Ms. Linda Leon Hoffmann, Legal Analyst, who has resigned.

Speaker Stromer moved the adoption of the Report, and the motion was seconded by Representative Connors. The motion was adopted. Mr. Angrick introduced Mr. Key to Council members.

Chairperson Hultman called for a report from Mr. Garrison concerning the printing contract for the 1983 Iowa Code. Mr. Garrison explained that Mr. Vern Lundquist, Superintendent of Printing, has received bids for printing the 1983 Iowa Code from three printing firms. He explained that there are three different contracts issued for Code publication, including update, typeset, and printing. He indicated that the request is for the printing contract and although the cost may seem high, many copies of the Code are sold at the actual printing cost. Mr. Garrison explained that although the West Publishing Company of St. Paul, Minnesota, bid of \$226,863.48 was the low bid, Mr. Lundquist recommended that the next higher bid from the W. C. Brown Company of Dubuque, Iowa, for \$230,358.96 be accepted. Mr. Garrison stated that Mr. Lundquist recommends the Brown Company because the West Publishing Company's bid does not meet the specifications and would involve a change of page size. He also commented that the W. C. Brown firm is located in Iowa and a contract of this size would be helpful to the Iowa economy. Representative Menke asked for the names of other firms that have printed the Iowa Code in recent years. Mr. Garrison responded that he believes Wallace Homestead Company and possibly a Minneapolis firm have printed the Code in recent years.

Senator Coleman moved that the Legislative Council approve the recommendation of Mr. Lundquist that the W. C. Brown Company be authorized to print the Code at the cost listed in the bid. Representative Menke seconded the motion, and it carried.

Chairperson Hultman called for a report of the Legislative Fiscal Committee. Representative Welden read the report of the Legislative Fiscal Committee, a copy of which is attached and by this reference made a part of these minutes. Representative Welden indicated that the person offered the Legislative Fiscal Director position, Mr. Larry Isaak, will, if he accepts the offer, be on the job about November 1, 1982. He indicated that Representative Schnekloth and Chairperson Hultman had met with Mr. Isaak and had agreed upon moving expenses and expenses incidental to the move involved in obtaining suitable housing. Representative Welden moved that the Report of the Legislative Fiscal Committee be approved.

Representative Connors moved that the Legislative Council go into executive session to discuss personnel. Representative Connors withdrew his motion and asked for comments about the selection of Mr. Isaak. Representative Welden commented that the Fiscal Director Search Committee had selected three competent, qualified persons as finalists for the position and it was the judgment of the Legislative Fiscal Committee that under the present circumstances, Mr. Isaak best filled the qualifications for the position. Representative Welden's motion to adopt the Report of the Legislative Fiscal Committee carried. Chairperson Hultman introduced Mr. Isaak to the Legislative Council.

Chairperson Hultman noted that a request had been made that Mr. Mosher and Mr. Gross be present at the Legislative Council meeting to discuss the outlook for the budget in Iowa for the current fiscal year. He called for comments from Mr. Mosher. Mr. Mosher distributed copies of a number of items of information which he thought would be of benefit to Legislative Council members. Copies of any of the information that have not been attached to these minutes are available from the Legislative Service Bureau upon request. Mr. Mosher distributed a comparison of selected economic projections in order to illustrate where Iowa's revenue projections lie in comparison to two national economic forecasts. A copy of the comparison is attached and by this reference made a part of these minutes. Mr. Mosher indicated that he is comparing projections by Data Resources, Inc., the Congressional Budget Office, and those of his office. He stressed the consistency between each of the three forecasts and noted that there was a dramatic revision downward by all three in September compared to estimates made last January or February.

Mr. Mosher also distributed a summary of a report updating economic and budget projections of the Congressional Budget Office. He noted that the report was issued September 1, 1982 and that the report states that "the CBO still expects a recovery beginning in the second half of this year, though at a somewhat slower rate than seemed likely last winter." In addi-

tion, Mr. Mosher distributed a copy of economic forecast highlights and assumptions prepared by Data Resources, Inc.

Mr. Mosher also distributed a press release issued on September 15, 1982 by the Office of State Comptroller. He noted that the press release contains a revision in the revenue estimates due to the continuing sluggish nature of the economy. Mr. Mosher stated that the estimate was revised downwards \$77.1 million and Governor Ray set forth a program to offset the revenue shortfall. He explained that these include special reversions totaling \$7.5 million, reversions obtained from reduced administrative expenses totaling \$23 million, and reversions requiring legislative action totaling \$14.2 million. Mr. Mosher also commented that in any fiscal year there will be regular reversions from state agencies in addition to the special reversions. He noted that the regular reversion figure for the fiscal year ending June 30, 1982 was \$8.1 million and he is estimating that about \$11 million will be reverted on June 30, 1983.

Chairperson Hultman called for questions. Representative Anderson commented that Mr. Mosher had previously stated that the general fund balance should be from \$60 million to \$100 million at the end of any fiscal year, and now Mr. Mosher is anticipating that the general fund balance will only be \$2 million. He asked whether such a slim balance has ever occurred previously. Mr. Mosher responded that for the fiscal year ending June 30, 1971, the total general fund balance was virtually zero. Representative Anderson asked whether Mr. Mosher anticipates any problem. Mr. Mosher stated that his office spends a lot of time monitoring the cashflow situation and has been paying state aid on a monthly rather than a quarterly basis.

Representative Anderson asked whether Mr. Mosher is comfortable with only a projected \$2 million balance in the general fund at the end of the current fiscal year. Mr. Mosher responded in the negative.

Representative Anderson asked to what degree Iowa's economy is similar to the national economy. Mr. Mosher responded that both on the federal level and at the state level, it has been apparent from February to September that estimates must be revised. Representative Anderson asked when Mr. Mosher anticipates that Iowa revenues will begin increasing. Mr. Mosher responded that economists are projecting an improvement taking place during the second quarter of the fiscal year in spite of low August receipts. He commented that although an upturn in the economy may occur at the same time in this state as it does on the national level, the recovery may not be of the same magnitude. He acknowledged that his office is projecting no improvement in farm income or retail sales for this year and that his estimates for recovery are not as high as those na-

tional projections. Mr. Mosher stated that he believes that there will be some growth in the economy during the fourth quarter of this calendar year and the first two quarters of next year. He added that there can be some improvement in selected taxes even though there may not be an overall economic improvement.

Representative Avenson asked for a clarification of projected growth levels for the fiscal year. Mr. Mosher responded that he has estimated a growth in taxes for this fiscal year of 6.1%, providing a 4.7% increase in net receipts.

Representative Avenson quoted from a report prepared by the Legislative Fiscal Bureau that stated that as of this date sales tax receipts are down 1.3% and corporate income taxes are up 9.3%. Mr. Mosher responded that personal income tax receipts are also up.

Representative Avenson asked when Mr. Mosher projects that the economy will begin improving, since he has projected a 4.7% increase in overall revenue. Mr. Mosher commented that he sees no economic growth during the first quarter of the fiscal year, some economic growth during the second quarter, and that the pace ought to accelerate during the third and fourth quarters. Representative Avenson expressed the belief that he has not seen any economic growth.

Representative Avenson asked whether Mr. Mosher is comfortable that the efficiencies the Governor has made, and projected ending balance in the general fund of \$2 million, will be adequate. Representative Welden interjected that he believes that the General Assembly has obligated the state to spend a certain amount of dollars based upon collecting sufficient revenue to cover those amounts during the year. He noted that differing percentages of revenue are collected each month and it is necessary for state government to monitor from month to month and to compensate for any unanticipated revenue losses.

Representative Avenson asked Representative Welden whether he believes employment figures will be up for November. Representative Welden stated that he does not believe employment figures will be up until next spring. Representative Avenson expressed the belief that the budget cuts that have been made are not deep enough to meet the revenue projections. He also noted that Mr. Mosher has made some recommendations that will require legislative approval, and he suggested that the members of the Appropriations Committees meet in Des Moines after the elections to start to make some decisions.

Senator Hutchins commented that he has read that from 80,000 to 100,000 persons have left Iowa for other employment and asked whether that trend is a continuing one. Mr. Mosher responded that figures from the Iowa Development Commission indi-

cate that in July, 1981 there were 1,373,003 persons employed in Iowa and these figures for July, 1982 are 1,340,300 persons, which is a difference of about 32,700 persons. He stated that he does not know where the 100,000 person information was obtained.

Senator Hutchins stated that it appears that for the month of August, the state collected about \$23 million less than the estimates indicated it should have. Mr. Mosher responded that the \$23 million figure would be accurate only if the state expected constant collections each month. He indicated that the Office of the State Comptroller did not estimate any growth for the first quarter of the fiscal year. In response to a question from Senator Hutchins, Mr. Mosher reiterated that he anticipates recovery to begin during the second quarter of the fiscal year.

Senator Hutchins asked how the Governor was able to make selected cuts. Mr. Mosher responded that section 8.31 of the Code requires reductions ordered by the Governor to be across the board. He stated that the current case is that the Governor has requested state administrators to not spend all the money which the various agencies have been appropriated, but there has been no ordered spending cut.

Senator Briles expressed the belief that the December sales tax revenue will be up because of Christmas sales and that both hog and cattle farmers' income tax payments will be up, because of relatively high prices for hogs and cattle.

Senator Junkins, noting that a \$2 million surplus at the end of the fiscal year is only one-tenth of one percent of the state budget, asked what the next step would be if revenues are down for the month of September. Mr. Mosher stated that he does not have a specific plan to follow, but other avenues must be reviewed. He stated that for the month of September personal income taxes appear to be up.

Senator Junkins commented that President Reagan stated at a recent press conference that it would be spring before the economic recovery begins. Mr. Mosher quoted from materials he had distributed to Council members illustrating that the Gross National Product did increase during the second and third quarters of the calendar year and the national economy has improved. Mr. Gross interjected that President Reagan was generally talking about improvement in unemployment rather than general economic improvement, and he noted that unemployment recovers slower than the general economy.

Senator Junkins expressed the belief that he sees no reason for optimism. Lieutenant Governor Branstad commented that there are other options that can be taken if the economy has not improved, noting that in January the General Assembly will

be in session and can make selective cuts if they are needed or can provide for additional revenue if it is needed. Lieutenant Governor Branstad commented that Mr. Mosher has made economic projections and has taken a conservative approach toward revenue.

Senator Junkins asked what means can be taken if the economic slump continues until March of next year. Mr. Mosher responded that if there is no economic growth during the current fiscal year, there is a potential shortfall of \$83 million. In response to a question from Senator Junkins about the frequency of modification of revenue projections, Mr. Mosher responded that his office monitors the major revenues daily and does monthly checks. He added that if changes occur and the revenue appears to be off the trend line, a new projection will be issued. Mr. Gross interjected that when the August revenue figures were available, it was apparent that revenue projection changes needed to be made and they were.

Senator Junkins asked whether Mr. Mosher shares his trend line with the members of the Legislative Fiscal Committee. Mr. Mosher responded that the Legislative Fiscal Bureau has access to all the information that the State Comptroller has and that he does not have an official trend line. Speaker Stromer commented that information he has indicates that 29 states are projecting year-end balances lower than Iowa's.

Representative Anderson indicated that he had recently heard a speech from an economist employed by the Office for Planning and Programming who stated that he did not see any trend at the national level or at the state level that the economy is improving. He asked Mr. Mosher what the indicators are that he is looking at to meet his projections. Mr. Mosher commented that the publication from the Congressional Budget Office states that "the latest data on economic activity give mixed signals and the real GNP rose by 1.3% at an annual rate in the second quarter of the year owing to a slowdown in the rate of inventory liquidation, and the Commerce Department's index of leading indicators rose between the first and second quarters, usually a sign of imminent upturn."

Senator Jensen expressed a positive outlook on the economy, noting that hogs are selling at a good price, he believes the price of corn will increase, and the interest rates quoted by banks are from 2% to 3% lower than they were at the beginning of the year.

Senator Hutchins commented that the figures Mr. Mosher has distributed are through the month of August, and he asked about September receipts. Mr. Mosher responded that information about the Iowa revenues is available the second working day after the close of a month. He indicated that as of September

29, the personal income tax receipts are up 3% or 4%, corporate income tax is flat, sales tax is flat, and use tax is up.

Chairperson Hultman thanked Mr. Mosher and Mr. Gross for their presentations. He noted that the Legislative Council members have received copies of the membership of the Nursing Study Committee. He announced that the next Legislative Council meeting is scheduled for October 14 if there is sufficient business to be conducted.

The Legislative Council adjourned at 3:40 p.m.

Respectfully submitted,

SERGE H. GARRISON
Director

DIANE BOLENDER
Senior Research Analyst