

# M I N U T E S

## IOWA LEGISLATIVE COUNCIL

July 17, 1985

The fifth meeting of the 1985-1986 Iowa Legislative Council was called to order at 1:40 p.m. by the Chairman, Senator Lowell L. Junkins, on Wednesday, July 17, 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 Joe Welsh  
Representative Bob Arnould  
Representative Dale M. Cochran  
Representative John H. Connors  
Representative William H. Harbor  
Representative Lowell E. Norland  
Representative Delwyn Stromer  
Representative Richard W. Welden

Also present were:

Mr. Burnette Koebernick, Acting Director,  
Legislative Service Bureau  
Mr. Dennis Prouty, Director,  
Legislative Fiscal Bureau  
Mr. Bill Angrick, Citizens' Aide  
Mr. Joseph O'Hern, Chief Clerk, House of Representatives  
Ms. Marie Thayer, Secretary of the Senate  
Representative Tom Swartz  
Mr. Thane Johnson, Senior Research Analyst,  
Legislative Service Bureau  
Mr. Ron Rowland, Legal Counsel,  
Legislative Service Bureau  
Ms. Gail Garfield Schwartz, Garfield Schwartz Associates  
Ms. Diane Bolender, Senior Research Analyst,  
Legislative Service Bureau

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

Senator Holt moved that the minutes of the June 19, 1985 Legislative Council meeting be approved as distributed to members and the motion was adopted. Representative Connors moved that the Legislative Council receive and file the Educational Leave Report, and the motion was adopted.

Chairman Junkins recognized Representative Connors for the Service Committee Report, a copy of which is attached and by this reference made a part of these minutes. Representative Connors moved adoption of the Report. Representative Stromer seconded the motion, and commented that the deadline date for the final report for the comparable worth study was moved from December 13, 1985 to April 1, 1986 in order that the consultant could evaluate legislative employees during the legislation session. Representative Connors interjected that the RFP was sent to nineteen potential bidders, and responses were received from seven, with six firms indicating that they were interested in bidding. Representative Connors' motion was adopted.

Chairman Junkins recognized Speaker Avenson for the Report of the Studies Committee, a copy of which is attached and by this reference made a part of these minutes. Speaker Avenson reviewed the Studies Committee Report and added that in addition to the items included in the Report, the Studies Committee also recommends that the Legislative Council increase the membership of the Education Excellence Study Committee from ten legislative members to twenty legislative members, with eight citizen members, and with former Governor Robert Fulton and former Lieutenant Governor Arthur Neu serving as Co-Chairpersons.

Speaker Avenson commented that the leadership has made appointments of citizen members for the various study committees but will not be releasing the names until all respective members have been contacted about their willingness to serve. Speaker Avenson included as part of his motion authorization for the leadership to fill in the appointments of other citizen members if some are unable to serve. Chairperson Junkins added that the names of the legislative members of the various study committees will be distributed during the meeting. Copies of the membership are available from the Legislative Service Bureau. Speaker Avenson's motion to approve the Studies Committee Report, including his additions, carried.

Speaker Avenson commented that Representative Harbor has resigned from membership on the Economic Development Study Committee. Representative Stromer moved that the Legislative Council approve the appointment of Representative Janet Metcalf to take Representative Harbor's place, and the motion was adopted.

Senator Hutchins and Representative Swartz, Co-Chairpersons of the Economic Development Study Committee, introduced Ms. Gail Garfield Schwartz, to present three reports that have been drafted for the Economic Development Study Committee. Copies of the reports may be obtained from the Legislative Service Bureau. The three reports are entitled COST AND PRODUCTION FACTORS: ENERGY; COST AND QUALITY OF PRODUCTION FACTORS: INFRASTRUCTURE; and COST AND QUALITY OF PRODUCTION FACTORS: CAPITAL. Ms. Garfield Schwartz stated that land, infrastructure, and energy production factors are favorably priced with a comparative quality with that offered in other states. She emphasized that there is land available for industry and business to use and that the infrastructure is basically good. With regard to recommendations relating to infrastructure, Ms. Garfield Schwartz recommended that a state plan for infrastructure should be developed to provide a context within which investment decisions can be made. She commented that the Department of Water, Air and Waste Management and the Department of Transportation respond to the most pressing infrastructure needs, and this form of response prevents Iowa from realizing the maximum return on its infrastructure investments. She recommended that those infrastructure needs be met only in areas from which a return in economic development will be received. She noted that the recent legislative session enacted legislation which establishes a RISE (Revive Iowa's Sound Economy) fund which is a program of development-related road investments that use economic development as a criteria.

With regard to energy, Ms. Garfield Schwartz commented that the cost per kilowatt hour in Iowa for electricity is lower than the United States average, but is not lower than the surrounding states. She also commented that the industrial electricity rates in Iowa are favorable to those rates listed for sunbelt states. She noted that the gas utility rates are also quite favorable to those of other states, but are not quite as favorable as the electricity rates. Ms. Garfield Schwartz's conclusion is that energy prices should not be a barrier to economic development. Senator Coleman suggested that Ms. Garfield Schwartz should have attempted to obtain 1985 figures so that rate increases made during the last six months could be included.

With regard to capital, Ms. Garfield Schwartz commented that there is a definite shortage of venture capital in Iowa and a shortage of short term financing. Ms. Garfield Schwartz made a number of recommendations relating to short term financing, venture capital, farm finance, and a general recommendation. A summary of these recommendations is attached and by this reference made a part of these minutes. Ms. Garfield Schwartz explained that in Iowa, there are an extraordinary number of banks that have loan-to-asset ratios at least seven points lower than the average bank in the United States. In response to a question from Chairman Junkins comparing the conservative atmosphere of Iowa banks to the high number of bank closings, Ms. Garfield Schwartz

commented that the high bank failure rate is related to the fact that Iowa has more banks for its population than other states and many of these banks are small with low assets. She commented that her recommendations and comments about the loan-to-asset ratio relate to business and industrial loans and not necessarily to agricultural loans. Ms. Garfield Schwartz explained that in her report she has obtained data showing the loan-to-asset ratios by county as of December 31, 1984 and has also developed a farm dependency index which was calculated by dividing the number of persons employed on farms by the total number of employed persons in each county. Ms. Garfield Schwartz commented that she had expected correlation between the two charts, but the correlation level was not as high as was expected.

Ms. Garfield Schwartz also discussed charts showing average weekly earnings per employee by county and unemployment rates by county. She developed a chart illustrating the relationship of low loan-to-asset ratios and economic distress among counties.

Following a review of Ms. Garfield Schwartz's recommendations, Chairman Junkins called for questions. Representative Welden commented that the activities of the federal agricultural loan organization in this state may have distorted her figures relating to the asset-loan ratios. He commented that many farmers may have borrowed money from the Production Credit Association rather than borrowing money from their local banks. Ms. Garfield Schwartz responded that Representative Welden's comments may be true. She commented that this information could be obtained as a part of the interim study that she recommends.

Representative Welden asked whether Ms. Garfield Schwartz is recommending more regional banking in order to provide access to more money. Ms. Garfield Schwartz responded in the negative and commented that the Iowa Business Development Credit Corporation, which has been in existence for fifteen years, was set up to ease the flow of funds to firms that are not rated AA or AAA.

Representative Welden asked about Ms. Garfield Schwartz's recommendation for extending the time of deposits of government funds. Ms. Garfield Schwartz responded that the Treasurer of State has surplus funds which he deposits in banks in the state, but the deposits are limited to six-months duration. She recommends depositing the same amount of money for longer periods of time.

Senator Welsh asked for further information about Ms. Garfield Schwartz's recommendation relating to limiting state financial support for research and development to projects that have a commercial partner. Ms. Garfield Schwartz responded that other states have limited the amount that can be put into a venture unless it is an economic development expenditure. Senator Welsh interjected that funds were allocated from lottery money for research and development purposes.

With regard to her recommendation relating to improving the technical capacity of the Iowa Product Development Corporation, Ms. Garfield Schwartz expressed a belief that the Council does not include a sufficient number of persons who have qualifications relating to management, engineering, and science and she believes the membership should be expanded. Senator Welsh agreed that the General Assembly will review the membership of the Iowa Product Development Corporation. Representative Norland expressed the belief that some firms may not want "experts" looking at what they are developing. Ms. Garfield Schwartz responded that there are other sources of research and development funds, and if a recipient does not want exposure and scrutiny, let him or her obtain funds from other sources.

Chairman Junkins thanked Ms. Garfield Schwartz for her presentation.

Mr. Koebernick noted that Council members have received a copy of correspondence from Mr. William Angrick to Chairman Junkins informing Council members that Mr. Angrick has agreed to cooperate with the Small Business Advisory Council to the Small Business Division of the Iowa Development Commission regarding that Council's interest in performing advocacy and ombudsman functions for its constituency.

Mr. Koebernick announced that the Legislative Service Bureau will provide a final listing of memberships of interim study committees, including citizen advisory members, as soon as the names are available.

Representative Stromer asked for an update on the law suit concerning the Governor's authority to item veto certain legislation. Chairman Junkins noted that the lawsuit has been filed.

Senator Doyle commented that the concurrent resolutions introduced during the 1985 session of the General Assembly calling for a study of the judiciary contemplated membership on the interim study committee by members of the judiciary. He noted that the Studies Committee Report includes only members of the General Assembly. Speaker Avenson indicated that including only members of the General Assembly was an oversight. Senator Doyle, noting that the minutes of May 30, 1985 indicate that there would be three members of the judiciary, moved that the selection of members by the Court System be approved by the Legislative Council when they are submitted by the Court. The motion carried.

The next meeting of the Legislative Council will be set by the Chairman and the Vice Chairman after consultation with the Minority Leaders.

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Representative Stromer asked whether there are plans for the Fiscal Committee to meet. Senator Welsh indicated that he will inform the Legislative Council. Speaker Avenson commented that the Fiscal Committee has agreed to monitor actions of Congress on changes in the tax laws and budgets.

The Legislative Council adjourned at 3:05 p.m.

Respectfully submitted,

DIANE BOLENDER  
Senior Research Analyst