

MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
July 6, 2005

The Legislative Fiscal Committee of the Legislative Council met July 6, 2005, in Room 116, in the Capitol Building. The meeting was called to order at 10:05 a.m. by Representative Bill Dix, Co-Chairperson, with the following members present:

- Senator Jeff Angelo, Co-Chairperson
- Senator Joe Bolkcom
- Senator Robert Dvorsky
- Representative Sandy Greiner
- Representative Mark Kuhn
- Representative Paul Shomshor
- Representative Jamie Van Fossen

Also present was Representative Ralph Watts.

The following agenda items were discussed:

- **Minutes Approved:** The minutes of the December 16, 2004, meeting were approved as presented.
- **Rules for the Committee.** Rules for the Committee meetings for the 2005-2006 biennium were reviewed and adopted.
- **FY 2005 Revenue Update.** Jeff Robinson, Legislative Services Agency (LSA), presented revenue information. Discussion included:
 - General Fund cash receipts for FY 2005 were \$73.0 million above the April 2005 estimate of the Revenue Estimating Conference (REC). The FY 2005 revenues will be adjusted when all accruals are credited to the Fund. Personal Income Tax growth was responsible for the majority of the revenue increase. Mr. Robinson stated that while income tax withholding receipts grew, there has been a decrease of approximately \$27.0 million since May 2005 which is cause for some concern. The reason for the decrease is not known and the Department of Revenue could not provide an adequate explanation. Sales and Use Tax receipts as well as corporate taxes also contributed to the increase revenue growth. In total, FY 2005 gross revenues (excluding transfers) increased \$311.0 million (5.9%) compared to FY 2004.
 - Co-Chairman Dix stated that the Department of Revenue should be challenged to provide more information concerning fluctuations in receipts and to be consistent from year to year in crediting revenues to the General Fund. The Committee members requested to have a representative from the Department present at the next meeting.
- **Fund Balance Updates** Dave Reynolds, LSA, presented fund balance information on the following funding sources:
 - **General Fund** – The estimated FY 2005 ending balance after the enactment of supplemental appropriations is \$235.6 million. The General Assembly appropriated \$159.6 million from this ending balance for FY 2006 property tax replacement programs resulting in a projected

FY 2005 General Fund surplus of \$75.9 million. The estimated FY 2006 ending balance is \$64.1 million which was \$1.6 million below the expenditure limitation.

- **Cash Reserve Fund** – The projected FY 2006 ending balance is \$298.2 million, which is \$75.9 million more than the estimated FY 2005 ending balance. The statutory maximum balance for FY 2006 is \$367.7 million, which is 7.5% of the adjusted revenue estimate.
- **Economic Emergency Fund** – The projected FY 2006 ending balance in this Fund remains unchanged at \$3.3 million compared to FY 2005. The statutory maximum balance for FY 2006 is \$122.6 million, which is 2.5% of the adjusted revenue estimate.
- **Rebuild Iowa Infrastructure Fund (RIIF)** – The estimated FY 2005 ending balance is \$24.6 million and does not include a \$3.0 million table game license fee from Dubuque Greyhound Park and Casino, included in prior RIIF balance sheets. The estimated FY 2006 ending balance is \$2.4 million.
- **Vertical Infrastructure Fund** – This Fund was established in the 2004 Legislative Session and first funded in the FY 2006 with an appropriation of \$15.0 million from the RIIF. The 2005 General Assembly appropriated \$15.0 million from the RIIF for FY 2007 and \$50.0 million per year for FY 2008 and FY 2009. All of the FY 2006 revenues were appropriated for various capital projects and the majority of the FY 2007 – FY 2009 revenues is appropriated for major facility maintenance.
- **Restricted Capital Fund** – This Fund was established in FY 2002 to receive a one-time deposit of bond proceeds from Tobacco Securitization. The estimated ending balance for FY 2005 and FY 2006 is \$57.2 million and \$15.0 million respectively. It is projected that all of the proceeds in the Fund will be depleted by the end of FY 2007.
- **Healthy Iowans Tobacco Trust Fund** – The estimated FY 2005 and FY 2006 ending balances are \$264,000 and \$135,000 respectively.
- **Senior Living Trust Fund** – The estimated FY 2005 and FY 2006 ending balances are \$138.2 million and \$31.1 million respectively. Under current law the Senior Living Trust Fund will receive a portion of the FY 2006 General Fund surplus to be used in FY 2007. It is estimated the Fund will receive approximately \$30.0 million from the FY 2006 surplus.
- **Endowment for Iowa's Health Account** – The estimated FY 2005 and FY 2006 ending balances are \$38.8 million and \$59.0 million respectively. This Fund is the primary funding source for the Healthy Iowans Tobacco Trust Fund.
- **Medicaid FY 2005 and FY 2006 Update:** Jennifer Vermeer, LSA, provided the FY 2004 and FY 2005 Medicaid expenditures and budget information. Approximately 600 applications have been processed for the new IowaCare Program as of July 5.
 - In response to inquiry from Senator Bolckcom, Ms. Vermeer indicated the transition is underway between the Indigent Care population to the IowaCare Program.
 - In response to Senator Angelo, Ms. Vermeer noted that although unemployment has decreased, the positions don't necessarily have insurance benefits.
 - Ms. Vermeer stated that the estimated FY 2006 shortfall for Medicaid is between \$30.0 million and \$45.0 million.
- **hawk-i Program Update.** Jennifer Vermeer, LSA, provided an update on the *hawk-i* Program. The Committee members expressed their appreciation to Ms. Vermeer for her work with the Committee and Legislature and wished her well in her new position at the Department of Human Services.

- **Department of Human Services Appropriation Transfer.** Sue Lerdal, LSA, reviewed the \$725,000 Appropriation Transfer from MI/MR/DD State Cases Program to the Sexual Predator Commitment Program.
- **Department of Human Services – Adult Rehabilitative Option Audit Results.** Sue Lerdal, LSA, reviewed the Adult Rehabilitative Option Audit Results for FFY 2002. The federal audit found insufficient documentation, resulting in the requirement that \$6.2 million be repaid by the State of Iowa to the federal government. Jennifer Vermeer will provide information regarding payment recoupment and Sue Lerdal will follow-up on the 65 cases of the 100 cases in the sample not completed correctly. Kate Walton, DHS, stated that some of the findings were challenged resulting in the final amount.
- **Department of Economic Development – Community Development Block Grant Program.** Hank Manning, Team Leader, Community Facilities and Services, reviewed his handout on the Community Development Block Grant (CDBG) and HOME Resources. Representative Watts inquired as to research studies for funding of wind-energy projects at municipalities.
- **Governor's Item Vetoes.** Sue Lerdal, LSA, reviewed the Governor's Item Vetoes for the 2005 Legislative Session.
- **Appropriation Transfers.** The following appropriation transfers received since the December 16, 2004, meeting were reviewed by Dave Reynolds, LSA.
 - FY 2005 Department of Transportation - \$230,000 from Indirect Cost Recovery to Workers' Compensation.
 - FY 2005 Department of Human Rights - \$20,000 from Central Administration to the Division of the Status of African Americans.
 - FY 2005 Department of Public Defense - \$70,000 from Compensation and Expense to Military Division.
 - FY 2005 Department of Public Defense - \$96,329 from Compensation and Expense to Military Division.
 - FY 2005 Department of Corrections - \$250,000 from Clarinda Correctional Facility to the 2nd and 8th Judicial Districts; and \$50,000 from Newton Correctional Facility to the 1st Judicial District.
- **Lease Purchase Notifications.** The following lease purchase notifications received since December 16, 2004, meeting were reviewed by Dave Reynolds, LSA.
 - Department of Public Safety - \$2,435,000 for Automated Fingerprint Information System (AFIS).
 - Department of Corrections - \$250,000 for Security Control System upgrades at the North Central Correctional Facility in Rockwell City.
 - Department of Revenue - \$165,000 to replace desktop computers. This request was withdrawn as it was funded from a different source.

- **Discussion of topics for next meeting and future meeting dates.**
 - Next meeting is scheduled for Wednesday, September 28, 2005. Topics to be discussed include:
 - Update on Medicaid.
 - Representative from Department of Revenue to discuss method of processing revenues and what can be done to improve present system.
 - Wallace Building – potential places to locate a new building and perhaps a report from the study by the Capital Projects Committee of the Legislative Council.
 - Review FY 2007 budget, including built-in and anticipated expenditure increases.
- **Adjournment** – Upon motion by Representative Van Fossen, the meeting adjourned at 11:45 a.m.

**Attachments for Legislative Fiscal Committee Meeting
July 6, 2005**

- A. [Minutes from December 16, 2004, Meeting](#)
- B. [Proposed Rules for Fiscal Committee – 2005/2006](#)
- C. [Revenue Update – Income Tax Returns & Estimates, Income Tax Withholding, Sales & Use, Corporate Tax, Other Taxes, Other Revenue, Total Gross Revenue, Refunds, General Fund Net Cash Receipts \(Excludes Transfers\), Revenue Estimating Conference April 8, 2005.](#)
- D. [General Fund Balance Sheet](#)
- E. [Cash Reserve Fund Balance Sheet](#)
- F. [Rebuild Iowa Infrastructure Fund](#)
- G. [Vertical Infrastructure Fund](#)
- H. [Tobacco Settlement Trust Fund – Restricted Capital Fund](#)
- I. [Healthy Iowans Tobacco Trust Fund](#)
- J. [Senior Living Trust Fund](#)
- K. [Endowment for Iowa's Health Account](#)
- L. [Medicaid FY 2005 and FY 2006 Update](#)
- M. [hawk-i Program update](#)
- N. [Dept. of Human Services Appropriation Transfer](#)
- O. [Governor's Item Vetoes](#)
- P. [Appropriation Transfer – FY 2005 Dept. of Transportation](#)
- Q. [Appropriation Transfer – FY 2005 Dept. of Human Rights](#)
- R. [Appropriation Transfer – FY 2005 Dept. of Public Defense](#)
- S. [Appropriation Transfer – FY 2005 Dept. of Public Defense](#)
- T. [Appropriation Transfer – FY 2005 Dept. of Corrections](#)
- U. [Lease Purchase Notification – Dept. of Public Safety](#)
- V. [Lease Purchase Notification – Dept. of Corrections](#)
- W. [Lease Purchase Notification – Dept. of Revenue](#)
- 1. [Dept. of Human Services Adult Rehabilitative Option Audit Results](#)

Information Only Documents:

[DHS Child and Family Services and Adoption Subsidy Expenditure Information](#)
[Military Pay Differential Report](#)