

MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
January 11, 2000

The Legislative Fiscal Committee of the Legislative Council met January 11, 2000, in Room 116 of the State Capitol Building. Co-chairperson, Representative Dave Millage, called the meeting to order at 2:10 p.m. Other members present were:

Senator Derryl McLaren, Co-chairperson
Senator Tom Flynn
Senator Pat Harper
Senator JoAnn Johnson
Senator Mary Kramer
Representative Libby Jacobs
Representative Pat Murphy
Representative Don Shoultz
Representative James Van Fossen

Other legislators present included: Senators Bartz, Fraise, Hedge, Kibbie, Judge, Rife, and Soukup; and Representatives Alons, Arnold, Boggess, Drees, Falck, Frevert, Greiner, Horbach, Houser, Johnson, Kettering, Klemme, Kuhn, Mertz, Rayhons, Stevens, Teig, Thomas, Weigel, and Wise.

APPROVAL OF MINUTES

Representative Van Fossen made a motion to approve the minutes of the Legislative Fiscal Committee Meeting held December 8, 1999, (**Attachment A**). The minutes were approved.

REVENUE UPDATE

Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), presented a revenue update (**Attachment 1**).

In the LFB's Summary of the 2000 Budget and Governor's Recommendations document is a balance sheet that indicates for FY 2000, the Governor's ending balance is \$113.9 million and for FY 2001, it is \$53.4 million. He is using the Revenue Estimating Conference's (REC) estimate that was produced in December and added \$58.9 million in revenue adjustments to the General Fund for FY 2001. He has proposed a deappropriation and budget reduction transfer bill for \$30.0 million. Receipts continue to fluctuate and are not at the 3.7% estimated by the REC.

STATE INDEBTEDNESS

Dave Reynolds, LFB, reviewed **Attachment B**, a follow up from the December meeting on State Indebtedness.

Attachment B is a memo from Frank Stork, Executive Director, Board of Regents, which responds to questions from the December Fiscal Committee meeting regarding the Academic Building Revenue Bonds. This includes a table showing the relationship between the total indebtedness for revenue bonds, and tuition replacement and shows how the tuition replacement is calculated.

One of the questions asked at the December meeting was when do tuition replacement payments peak and when do they start to decline. In 2001, the debt service payments will reach a maximum point and will start declining after that.

Representative Millage stated he received the 1996 projection of debt service and noted there is a difference between 2002 and 2010. He stated that three years ago authorization was given to "push back" one particular bond. He asked if the Regents have pushed back other bonds in the last few years. Mr. Reynolds responded they refunded some bonds last year (FY 1999). Representative Millage asked if that requires legislative approval. Mr. Reynolds stated he did not think so.

Representative Millage stated the effect of the refunding is to push the cost out more into the future. Mr. Reynolds stated it reshuffles the debt. The debt has not been extended beyond the retired date of 2020. It reshuffles the annual amounts over the repayment period.

Pam Elliott, Director of Business and Finance, Board of Regents, explained that when revenue bonds are refinanced, it is to take advantage of lower interest rates. There may be some refunds. By taking advantage of refunds, it lowers the tuition replacement funding in the out years.

Representative Millage requested that Frank Stork contact him.

ICN DEBT PAYMENT SCHEDULE

Dave Reynolds, LFB, presented an update on the debt payment schedule for the Iowa Communications Network (ICN) (**Attachment C**).

Attachment C is in response to questions concerning the ICN Certificates of Participation. Some of the information was obtained from the FY 1995 Comprehensive Annual Financial Report (CAFR) which includes a table showing the first five debt service payments on the ICN Certificates of Participation (COPs). The table also shows the total combined debt after FY 2000. The total debt including principal and interest for the ICN COPs is \$161.3 million. Also included was a table showing the annual debt service payments which indicates the debt is scheduled to be retired in FY 2007.

The debt was incurred in 1991-1992. The first payments were made in 1996. Interest was capitalized during the first four years with no payments made.

NEW JUDICIAL BUILDING

David Boyd, Deputy State Court Administrator, presented a cost estimate of the proposed new Judicial Building.

The total project cost was estimated several years ago at \$21.7 million including design, development, planning, construction, and all fees. The Legislature appropriated \$1.7 million to begin the planning process and last year committed \$20.0 million for construction from the Infrastructure Fund. The original projections were based on a study done two years ago for the Courts at the request of the Legislature. Approximately 90.0% of the design development phase is completed. This will be followed by a construction document phase, and then bids. The scope of the project has increased during the design phase to a total project cost of approximately \$30.0 million. The current \$21.7 million appropriation will be enough through FY 2001, additional funds of approximately \$8.3 million will be needed in FY 2002.

Representative Millage stated the cost estimate was 50% higher than anticipated one year ago. Mr. Boyd stated it was in the 30% to 35% range. Most of the increase is in the scope of the building design and programming, not in terms of the cost. In reviewing the actual design and programming, and visiting other states for ideas of what was needed in this building, a few things were added in the design process.

Representative Millage stated the Governor did not recommend the \$10.0 million that the Legislature appropriated last year and asked Mr. Boyd if he knew the Governor recommended deappropriation of that funding and how the Courts would proceed if the Governor's budget passes with the \$10.0 million removed. Mr. Boyd responded the Courts were advised after the Governor had made the decision in his budget to remove the second \$10.0 million and were advised that his intent was to appropriate it in FY 2002. The Governor believes the second \$10.0 million will not be needed until after July 1, 2001. The Courts disagree. That decision was made without prior consultation and represents a problem for the Courts.

Representative Millage asked if the Governor advised the Courts that they should bond for the new building. Mr. Boyd responded no. Representative Millage commented that the Governor still wants to pay for the building from the Infrastructure Fund. Mr. Boyd stated they were told the \$10.0 million plus whatever additional funding was necessary would be included in the Governor's FY 2002 budget.

Representative Millage asked how much of the \$10.0 million has been spent this year. Mr. Boyd responded that none of the \$10.0 million had been spent, they were still utilizing the \$1.7 million.

Representative Mertz asked Mr. Boyd to explain why the need for two court rooms. Mr. Boyd responded in this building (the Capitol) there is just one court room, the new building has been designed for two court rooms, thus the Supreme Court and Court of Appeals can be holding court at the same time. Representative Mertz asked how much could be saved if one court room was eliminated. Mr. Boyd responded that very little would be saved.

Representative Shoultz asked the current status of the project. Mr. Boyd responded that the construction documents are almost completed and about ready for bids. Representative Shoultz asked that with the Governor's infrastructure recommendation, could ground breaking be delayed until such time that the Courts need only the first \$10 million by the end of FY 2000. Mr. Boyd responded, yes, if that is what the Legislature decides should be done. He added that the Court's instructions have been to move as fast as possible to vacate the Capitol Building.

Representative Jacobs asked if there was a delay in construction, how that would impact the overall cost of the project; how would it impact any changes in the Capitol space, and would there be an increase in future costs. Mr. Boyd stated in terms of delay, the increased cost is estimated to be between 5% and 7% per year.

Representative Horbach stated this project was established with a budget of \$21.7 million. However, during the planning stage it has increased 35%. Why did the Courts spend the money, knowing they would not stay within those boundaries. Mr. Boyd stated that during the interim, the Courts had conversations with leadership in both bodies and with both parties; and were told to continue to plan.

IOWA AGRICULTURE FINANCE CORPORATION

Representatives of the Iowa Agriculture Finance Corporation (IAFC) were present (**Attachments D, E, F, & G**). Representative Millage stated for the purpose of the minutes it has been requested that the Iowa Agriculture Finance Corporation people introduce themselves as they speak and to speak loudly and clearly, as this is being recorded.

Daniel Winegarden, President, and four members of the Board of the Iowa Agriculture Finance Corporation were present: Duane Acker, Vice Chairman, Iowa Agriculture Finance Corporation, from Atlantic, free-lance participant in several value-added activities; Wayne Seaman, from Carroll, just retired as General Manager of West Central Cooperative; Jeff Plagge, Waverly, a banker; and Steve Morain, General Counsel of the Iowa Farm Bureau Federation. Members of the Board not attending were Chairman Tom Urban, former Chairman of Pioneer; John Bloomhall, Cedar Rapids, with Diamond Feed Mills; Leslie Miller, Treasurer, Knoxville, a banker; Bill Horan, a producer and Past President of the Iowa Corn Growers Association; and Paul Hill, Ellsworth, a producer involved in a turkey processing cooperative. All board members are volunteers. Bob Helmick is the General Counsel and Dan Winegarden is the only employee. Mr. Acker explained the election process for the Board of Directors.

Informational material was sent to Fiscal Committee members for their review and additional copies were available at this meeting. Identical material was distributed to all members of the Legislature. Mr. Acker expressed appreciation for the opportunity to meet with this Committee and members of the Legislature. He was impressed by the history of the legislative consideration in the past; by the genius of the legislation in establishing a private sector corporation with private sector directors; the future of the legislation, especially the intent and desire, in addition to the financial support provided; and the fact that the State money needs to be repaid.

Topics discussed included:

- The Act is very complicated and controversial with initial intent of the Legislature to help provide funding for a meat processing plant in Iowa and other value-added products to compete with mega operations and to help Iowa producers.
- What has been done, what is planned to be done, to enhance value-added issues including producers.
- Pending projects.
- What is the tecTERRA fund, and the creation of tecTERRA as a general partnership.
- Cybus Capital Market's duties and responsibilities to the Iowa Agriculture Finance Corporation.
- Marketing Iowa's products.
- Use of Ethanol.
- Cybus Capital Market's compensation.
- The importance of communication between IAFC and the Legislature.
- Benefits provided employees of IAFC.
- Cybus as managing partnership is to seek, find, and recommend projects.
- Current status of "outside" capital, sources, and funding amounts.

More information on any of the above topic discussions is available from the Fiscal Bureau.

After much discussion, Senator McLaren concluded that the IAFC has not, after 18 months, fulfilled its mission of lending money to farmers. The Corporation, therefore, was not meeting legislative intent and Senator McLaren stated that the direction of the Corporation must change.

OTHER BUSINESS

Attachment H is a memo from Richard Varn, Chief Information Officer, Information Technology Services, concerning Enterprise Data Warehouse lease/purchase update and is for informational purposes only.

ADJOURNMENT

Senator McLaren made a motion to adjourn the meeting at 4:55 p.m.