

MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
June 22, 2000

The Legislative Fiscal Committee of the Legislative Council met June 22, 2000, in the Speaker's Conference Room of the State Capitol Building. Co-chairperson, Representative Dave Millage, called the meeting to order at 10:15 a.m. Other members present were:

Senator Derryl McLaren, Co-chairperson
Senator Pat Harper
Representative Pat Murphy
Representative Don Shultz

APPROVAL OF MINUTES

Senator Harper made a motion to approve the minutes of the Legislative Fiscal Committee Meeting held January 11, 2000, (**Attachment A**). The minutes were approved.

REVENUE UPDATE

Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), presented a revenue update. He reviewed the revised General Fund Balance Sheet (**Attachment 1**) and the changes made since Session adjourned. With two adjustments, the ending balance is \$87.0 million for June 30, 2001. The Expenditure Limitation is \$4,882.6 million and the expenditures are \$4,880.0 million.

Representative Millage asked what the revenues were today. Mr. Prouty responded that revenues to date are 4.6 % ahead of a year ago. He noted that at the April meeting, the Revenue Estimating Conference lowered the refund figure to \$525.0 million.

Representative Millage asked if there was a net increase of \$30 million, what that would do to the ending balance for FY 2001. Mr. Prouty responded it would drive it up \$30 million.

Senator McLaren asked what the effect would be for FY 2002. Mr. Prouty responded the technology money (\$7.5 million) is a reversion for FY 2000, although the same amount of reversions have been estimated for FY 2001. Thus it would be a 4.2% growth on a higher number.

Holly Lyons, LFB, presented the Governor's item vetoes (**Attachment C**). Representative Millage commented it appears that all of the item vetoes except the Rebuild Iowa Infrastructure Fund (RIIF), dealt with language and not money. Lynn

Barney, Department of Management, responded the \$300,000 was item vetoed in Human Services. Representative Millage asked what the \$300,000 appropriation was for. Sue Lerdal, LFB, responded it was designated for brain injury (Intermediate Care Facilities for the Mentally Retarded [ICF/MR]).

Representative Millage stated that in the RIIF, the extension of the "Restore the Outdoors" was vetoed. He asked if there was money "setting in the ag drainage well fund". Mr. Barney responded there is at least two years of appropriations in the Fund. Representative Millage asked why the money had not been used. Dave Reynolds, LFB, responded that the Department was waiting for standards from the Environmental Protection Agency to determine how much State money is needed.

Dave Reynolds, LFB, discussed the Rebuild Iowa Infrastructure Fund, after vetoes (**Attachment D**). An ending balance of \$1.5 million is projected in FY 2001 and total revenues projected are \$165.8 million. The Vision Iowa Program is funded from gambling receipts before they go into the RIIF.

Dennis Prouty, LFB, reviewed the balances in the Cash Reserve and Economic Emergency Funds after vetoes (**Attachment E**). Mr. Prouty stated this information is continually updated. Fiscal Year 2000 estimated ending balance is \$229.9 million for the Cash Reserve Fund and \$229.9 million for the Economic Emergency Fund. He also reviewed the flow of General Fund Revenues after Expenditure Limitation.

Representative Millage asked if there were any projected changes in the Generally Accepted Accounting Practices (GAAP) that would require more money to be placed in these funds. Mr. Prouty responded the largest one he is aware of is the unfunded liability for sick leave and vacation which would be a hit to the General Fund when the standard is implemented.

Representative Millage asked if it would be a hit to the General Fund or if it would be money that would have been reverted to the General Fund. Mr. Prouty stated the amount would have to be acknowledged in the balance sheet.

Representative Shoultz stated that the money going back into the General Fund is subject to the appropriations limitations of 99%. Mr. Prouty responded no, ending balance funds that go back into the General Fund can be used at 100% the following year. Mr. Prouty explained how the expenditure limitation is calculated. The normal receipts that come in during the year, are calculated at 99%, while the Economic Emergency Fund transfer for the ending balance is 100%. The estimated refunds, accrued revenue changes, and transfers are calculated for the estimated amount. Because the tobacco settlement money is new revenue, it has to come in to the calculation at 95%. If it is still around next year, it will be at 99% as an established revenue.

Representative Shoultz asked if the ending balance counts as revenue and is put in at 100% taking 99% of the total. Mr. Prouty replied no, it counts at 100%.

FY 2001 "Built-in increases" (**Attachment F**) were reviewed by Dennis Prouty, LFB. He emphasized that this is the first attempt at built-in expenditures for FY 2002 and cautioned members that this is an estimate as FY 2000 is not over and FY 2001 has not begun.

Representative Millage asked about the Machinery and Equipment (M&E) tax reduction stating \$21 million was appropriated as replacement funds this year. Mr. Prouty stated the M&E is to be phased out.

Senator McLaren commented that it appears the balance sheet will show a zero balance at the end of FY 2001 and that revenue growth will just cover anticipated increases in expenditures and nothing else.

Representative Millage stated the Senior Living Trust Fund did not cost the General Fund anything last year, but will cost \$13.3 million this year. He asked where funding sources for the Senior Living Trust Fund are. Deb Anderson, LFB, responded there was an increase in Senior Living Trust Funds to the General Fund in money received from the federal government.

Sue Lerdal, LFB, commented that over a five-year period, Iowa was projected to receive over \$300 million. However, after Session was over, the Department was told that only \$100 million would be received for each of the first two years and nothing after that.

Representative Murphy stated the State is supposed to go to an acuity base and asked if that would increase costs for the State budget. Ms. Anderson stated it was her understanding that in FY 2002 there will still be a combination.

Senator Harper asked if an interim committee had been appointed to study the M&E Tax issue. Mr. Prouty stated he did not know, but the Legislative Council will be meeting next Tuesday. Senator Harper stated she was interested in this Committee looking at whether funding is adequate to replace the M&E Tax.

Estimated reversions and allocations from the Reversion Technology Fund (**Attachment G**) were presented by Jeff Robinson, LFB. **Table 1** shows the revertible amount for the past three years, which is the amount of money left over from appropriations and not expended.

The FY 2000 calculated revertible amount is \$6.8 million. Revertible amounts at the end of the fiscal year may be used as specified by the Code of Iowa and the General Assembly.

Representative Millage asked when information on the FY 2000 reversions would be available. Mr. Robinson responded in September or October.

Representative Millage asked if Medicaid received a large drug rebate. Deb Anderson, LFB, responded the rebates are received through out the year but look artificially high at the end of the fiscal year because there are no expenditures to match against. Mr.

Robinson stated the variables shown in **Table 1 of Attachment G** are related to variables in the medical system.

CURRENT WEATHER CONDITIONS IN IOWA

Harry Hillaker, State Climatologist, presented the current weather conditions in Iowa. He reviewed the historical Iowa precipitation for September through May time period from 1873/1874 to 1999/2000 and the Mature LaNina Events from June 1 to December 31, 1887 to 1999. Mr. Hillaker also reviewed the Iowa estimated soil moisture (inches of water in top five feet of soil) as of June 21, 2000, by area. He presented the Iowa crop condition for this time of year from 1988 to 2000.

Mr. Hillaker compared the drought severity index by division throughout the United States and the prognostic six to ten day total precipitation made on June 21, 2000, valid June 27 to July 1, 2000. He also reviewed on a county-by-county basis in Iowa, the January 1, 1999 to June 22, 2000 precipitation received, which ones were normal, and those above or below normal for this time of year.

He emphasized the need of water for livestock, and the concern this presents in southern Iowa. Mr. Hillaker concluded that Iowa is not hurting that badly on a statewide basis, but there is great concern in some local areas, specifically in southwest Iowa. He said the temperature will play a significant role in the next few weeks.

Representative Millage asked if it was too early to estimate crop yields for this year. Mr. Hillaker stated it was too early as recent rains have improved crop prospects.

OVERSIGHT/COMMUNICATIONS COMMITTEE UPDATE

Douglas Wulf, LFB, presented an update of the Oversight/Communications Committee. The Legislative Oversight Committee has met twice since the end of session and will meet each month during the interim except October.

Issues that the Committee will be considering include:

- Implementation of the new Information Technology Department.
- Over billing problems with the federal government.
- Technology and economic growth in Iowa.
- The new federal technology center, currently \$90 million in a federal appropriations bill is earmarked for Camp Dodge to develop an education technology information center.
- Subsidization of the Iowa Communications Network (ICN).

- Access to high speed internet connections in rural Iowa for businesses and private citizens.
- Fraud in the child care industry, specifically overbilling by facilities receiving State money.
- Review of the cost and supply of fuel and how it is impacting Iowa, both agriculture and business sectors.
- Establishing some type of permanent funding stream for technology projects.
- Department of General Services for explanation of how RIIF funds are being used and establishing a new vision for the ICN from the Legislative perspective.
- Future goals for the ICN.

APPROPRIATIONS TRANSFERS SINCE THE SESSION ENDED

Holly Lyons, LFB, presented the Section 8.39, Code of Iowa appropriations transfers since the Session ended. **Attachment 2** is a summary of the proposed transfers that have been received. Representatives from the departments and the Department of Management were present to answer questions.

- \$498.72 to the Capitol Planning Commission, Department of General Services, from the Operations Division, Department of General Services. (**Attachment H**)
- Not to exceed \$15,000 from the Governor's Office, State-Federal Relations to the General Office of the Governor. (**Attachment I**)
- Not to exceed \$500,011 to the Department of Corrections, Judicial Districts,
 - CBC 1st District \$ 67,442
 - CBC 2nd District \$ 62,209
 - CBC 3rd District \$ 64,535
 - CBC 4th District \$ 20,349
 - CBC 5th District \$144,186
 - CBC 6th District \$ 52,326
 - CBC 7th District \$ 36,639
 - CBC 8th District \$ 52,326

From the Department of Corrections, Mount Pleasant Correctional Facility (\$500,011)

- Not to exceed \$225,000, to the Department of Corrections, Judicial District, CBC 5th District, from the Department of Corrections, Fort Dodge Correctional Facility.
- Not to exceed \$180,000, to the Department of Corrections, Central office from the Department of Corrections, Fort Dodge Correctional Facility.

- Not to exceed \$130,500, within the Department of Personnel, to the Operations Division (\$79,000) and the Program Admin. and Development Division (\$51,500) from the Program Delivery Services Division (\$130,500).
- Not to exceed \$2,500, to the Iowa Ethics and Campaign Disclosure Board from the Department of Inspections and Appeals, Indigent Defense.
- Not to exceed \$13,900, to the Iowa Public Employment Relations Board from the Iowa Department of Economic Development.

Representative Millage stated it would be helpful at the beginning of the legislative session if the appropriations subcommittees could have a listing of all the transfers that took place to help them in adopting budgets.

Representative Shultz asked if the Fort Dodge facility is fully operational now and what type of facility it is. It is an intermediate facility. He also asked why expenditures appear to be very high, why was \$180,000 transfer taken from Fort Dodge. Holly Lyons, LFB, will research this and report back to the Committee.

COMMITTEE DISCUSSION

2000 Interim Issues to be addressed by the Fiscal Committee (**Attachments J & K**) were discussed by members. Included were:

- Vision Iowa and the CAT Fund. Information could include what is happening, have bonds been issued, and what type of bonds were issued, how many projects have applied for funding, what are they, administrative rules, commission membership, criteria for project approval, fundraising conflict of interest and school portion of the program.
- Tobacco securitization update with an update at each meeting on what is happening.
- Federal Updates on the Senior Trust Fund, Medicaid, Child Care, Farm Aid (impact on Iowa with the latest federal action), environmental and soil conservation issues.
- Underfunding of health insurance within the Salary Bill, how the insurance reserves work for State employees and funding health insurance.
- The HAWK-I Insurance Program for minors in Iowa, how the Program is operating and why there is a difference of premiums between HMOs and Wellmark.

- Child Care Fraud including billings for child are not provided. The Oversight Committee has included this topic in their July 18 meeting and the Committee requested a copy of the minutes of that meeting be sent to each member.
- Long term care including reimbursement on an acuity basis, how candidates were selected for interviews and percentage of patients interviewed, how decisions are made on patients needs and level of care.
- Interagency billing, how the charges are determined and the cost to each agency.
- A meeting at one of the juvenile institutions, either Toledo or Eldora. Concern regarding the declining population of the State hospitals schools and juvenile schools.
- Department of Education, teacher shortage, salary issue, review the Pomerantz Report recommendations, differential pay via subject taught, school funding disparities, what other states are doing, models used by other states.
- Meet at the University of Iowa with reports/tour of deferred maintenance and use of TTI money.
- Have an outside critique of the duplication at universities, duplication in State government departments, improvements in the budget process, faculty shortages at the Regents due to lucrative retirement packages, how are other states dealing with this.
- Machinery and Equipment Tax phase out. If an interim study committee is not approved, the Committee wants to pursue.
- Court System, allocation of resources, case citings by judicial districts, judges in each judicial district and cases per judge, with the possibility of an outside critique.
- Iowa Agriculture Finance Authority update on loans, etc.
- Invite Senator Iverson and Representative Siegrist to a meeting to explain where the money is coming from for teachers salaries, etc.
- Topics added after meeting adjourned included:
 - Prior authorization/drug costs update
 - Listing of all programs, brief description, who is served, cost of program, etc.

MEETING ATTENDANCE

Concern was expressed regarding attendance by members at the Fiscal Committee meetings. Eight members are on the Committee by statute, with the other two members appointed by leadership.

Members on the Committee by statute are allowed to ask another member of their committee to be present if the Committee member cannot be present. If a member cannot attend a Fiscal Committee meeting, they are requested to notify either Dennis Prouty or Holly Lyons of the Legislative Fiscal Bureau of their absence and who they are requesting to represent them at the meeting.

Senator Flynn and Representative Van Fossen will be advised of this.

POTENTIAL DATES FOR FUTURE MEETINGS

The Committee discussed potential meeting dates for the interim (**Attachment L**). The following dates were tentatively set:

- August 2 in Des Moines
- August 30 at a state university (changed after the meeting to a juvenile institute)
- September 27 (changed after the meeting to September 26 at the University of Iowa)
- November 15 in Des Moines
- December 13 (changed after the meeting to December 6) in Des Moines

ADJOURNMENT

Representative Murphy made a motion to adjourn the meeting at 12:10 p.m.