

MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL

June 11, 2001

The Legislative Fiscal Committee of the Legislative Council met June 11, 2001, in Room 116, State Capitol Building, Des Moines, Iowa. Co-chairperson, Representative Dave Millage, called the meeting to order at 10:05 a.m. Other members present were:

Senator Jeff Lamberti, Co-Chairperson
Senator Joe Bolkcom
(designee for Senator Tom Flynn)
Senator Pat Harper
Senator Neal Schuerer
Representative Libby Jacobs
Representative Pat Murphy
Representative Jamie Van Fossen

APPROVAL OF MINUTES

Representative Van Fossen made a motion to approve the minutes of the Legislative Fiscal Committee meeting held December 6, 2000, (**Attachment A**). The minutes were approved.

ADOPTION OF COMMITTEE RULES FOR 2001-2002 BIENNIUM

Representative Van Fossen made a motion to adopt the proposed Committee Rules for 2001-2002 Biennium (**Attachment B**). The motion was approved.

REVENUE UPDATE

Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), presented a revenue update. He reviewed **Attachment C**, a General Fund Balance Sheet showing the estimated funds available and estimated appropriations for Fiscal Years 2001 and 2002. Revenue adjustments and transfers were reviewed and the appropriations for FY 2002. The flow of General Fund Revenues after Expenditure Limitation in the Cash Reserve Fund (CRF), the GAAP Deficit Reduction Account, and the Economic Emergency Fund (EEF) after vetoes were discussed.

The item vetoes were standing appropriations that the Legislature reduced during the Session, including certain educational standing items. The Governor item vetoed the reductions to the standing appropriations, therefore restoring funding to the FY 2002 level. The new estimated ending balance prior to cash reserve transfers for FY 2002 is \$50.9 million.

Representative Millage commented he felt the spirit of the expenditure limitation law had been broken, either the Governor with his item-vetoes and his failure to make any reductions to meet those item vetoes or the Legislature has broken, if not the intent, the word of the law, certainly the spirit of the law has been violated. Mr. Prouty responded the expenditure limitation as it is presently written, ends as soon as the Legislature adjourns. The expenditure limitation law probably needs to be revisited along with other problems or situations in the current law such as the definition of reversions. The Legislature is taking one definition of reversion, and the Governor is taking another one. This needs to be redefined.

Dennis Prouty, LFB, reviewed **Attachments D & E**, the Governor's item vetoes. The LFB prepared a special edition of the Fiscal Update with all the item vetoes in it. The ones that affect the General Fund are in **Attachment E**.

Dave Reynolds, LFB, reviewed **Attachment F**, the Rebuild Iowa Infrastructure Fund (RIIF), after vetoes. The Governor's item vetoes had only one minor effect on RIIF. He vetoed \$90,000 for the Borrow Pit Redevelopment Program from the Environment First Fund.

Dave Reynolds, LFB, reviewed the capital appropriations in **Attachment G**, the Tobacco Settlement Trust Fund, after vetoes. The Governor item vetoed \$400,000 for the Court Avenue Bridge, and \$250,000 for a new Highway Patrol Post to be constructed in Mason City for FY 2002.

Representative Millage asked when construction is scheduled to start on the State Medical Laboratory facility and where it will be located. Mr. Reynolds responded he did not know. Representative Millage requested this information be available at the Fiscal Committee Meeting on June 25.

Dave Reynolds, LFB, reviewed **Attachment 1**, Projected FY 2003 Built-in and Anticipated Expenditures. The information is very preliminary and will need to be refined. The large items for incremental built-ins are K-12 School Aid, Medical Assistance, Education Technology/School Improvement and State Children's Health Insurance Program. The large items for anticipated expenditures include Collective Bargaining Salary Packages and Corrections Fort Madison Special Needs Unit operational costs. The total projected increase in anticipated expenditures for FY 2003 is \$260.0 million.

Representative Millage asked if assumptions were made on school enrollment and if valuations as of July 1 were available. Shawn Snyder, LFB, responded that valuations are being finalized by the Department of Management at this time. An assumption of a 5% increase in valuations was used in January, but valuations will be lower than the assumption. Representative Millage asked how much additional State funding would be necessary. Mr. Snyder responded one half percent, possibly \$2.5 million. Representative Millage asked that the final numbers be emailed to Committee members before the Special Legislative Session on June 19. Mr. Snyder stated he would do that.

Representative Millage stated that in viewing the Balance Sheet for estimated FY 2002, the ending balances and various cash reserves, the Emergency Economic Fund will have an approximately \$9.0 million shortfall to meeting the maximum allowed. Mr. Prouty responded that is correct.

DISCUSSION OF GOVERNOR'S ITEM VETOES

Randy Bauer, Budget Director, Department of Management, and representatives from the Departments were available to respond to questions on the Governor's item vetoes.

Mr. Bauer responded to a question by Senator Schuerer regarding the expenditure limitation. He stated that in looking to the actual wording of the law, Chapter 8.54(7), Code of Iowa, states the Governor shall submit and the General Assembly shall pass a budget which does not exceed the State general expenditure limitations. He doesn't believe the law has been violated. He believes and the Attorney General believes that the correct interpretation of the statute is that Chapter 8 states that the Governor shall not submit and the General Assembly shall not pass a budget which in order to balance assumes reversion of a specific amount of the total of the appropriations included in the budget. The Attorney General is of the opinion and the previous governor shared the opinion that phrase is referring to balancing the expenditure limitation.

Mr. Bauer further stated that the item veto power is a constitutionally provided power by statute, and cannot be removed. The Department of Management believes that the expenditure limitation relates specifically to that, expenditure, not to appropriations. There are reversions, which are unexpended appropriations.

Representative Millage stated the Legislature does not agree with the Governor on reversions and that language was put into the Code, after reversions were used to balance the budget. The purpose of the statutory language was to prevent the use of reversions to balance the budget.

Representative Millage discussed the ending balance after the Governor's item vetoes and expressed his opinion that the Legislature is above the expenditure limitation. Mr. Bauer disagreed.

OVERSIGHT/COMMUNICATIONS COMMITTEE UPDATE

Doug Wulf, LFB, reviewed **Attachment 2**, Scheduled Meetings for the Legislative Oversight Committee, 2001 Interim, including topics for discussion at each meeting. The date of October 16 was added after the calendar was put together.

He also reviewed the request of Representatives Jenkins and Millage to Rich Jones, National Conference of State Legislatures (NCSL), to evaluate the legislative process, look at the legislative staff and agencies generally.

The Oversight Committee meeting on June 25 will include a presentation by NCSL personnel from 1:30 p.m. to 3:00 p.m. In the morning session, the Oversight Committee

will be looking at state budgeting practices. Representative Millage recommended the meeting be held jointly with the Fiscal Committee.

Representative Millage expressed concern about how to avoid the Fiscal Committee and Oversight Committee overlapping in responsibilities. In reviewing the statutory definition of Fiscal Committee and what the duties are, he believes that the Oversight Committee is duplicating them. Mr. Wulf stated he did not have a copy of the charge to the Oversight Committee with him, but the Oversight Committee's statutory right is very broad. The Committee could basically look at anything within, or that would improve the performance of State government.

Representative Millage asked if that was in the Code. Mr. Wulf stated it is in statutory language and in the Council minutes when the creation of the Oversight Committee was approved.

Representative Jacobs stated the original intent of the Oversight Committee was more of a strategic, longer-term focus and perhaps the Committee has strayed a bit.

Representative Millage asked if the Oversight Committee was to be involved in more technology, and to review technology. Representative Jacobs answered that yes, the use of technology and the long-term strategic view of how to integrate technology and reengineer State government. Representative Millage stated this is probably an issue for the Legislative Council to consider.

LEASE PURCHASES SINCE THE SESSION ENDED

Dave Reynolds, LFB, presented a lease purchase from the Department of General Services for \$325,500 for lighting and other electrical upgrades to the Historical Building and the Grimes Building (**Attachment H**). The Department is working with the State of Iowa Facilities Improvement Corporation (SIFIC) to manage the project and coordinate the lease-purchase financing for the improvements. The principal amount is \$270,000 and interest is \$55,500 over a seven-year period at an estimated rate of 4.7%. An estimated annually utility savings of \$59,500 is intended to offset the lease payment.

was present to answer questions.

Senator Schuerer asked Dan Lane from SIFIC if there was a guarantee that there would be savings. Mr. Lane responded that this specific program has 12 years of experience with State facilities and has not yet had a bad experience with materials.

Senator Schuerer stated one of the issues in the Senate Commerce Committee was dealing with total energy outsource which is very similar to what is being done here, the only other connection or concern with the private contracting groups is that it gets around the bidding process. Senator Schuerer requested the Fiscal Bureau and Service Bureau research as to why this approach is acceptable and the other approach was not acceptable. Mr. Lane responded all the work will be done by two firms that presently have contracts with the State of Iowa.

Senator Schuerer commented that one of the concerns was that local school districts didn't have the ability to do this in trying to correct codes so they could enter into the total energy outsource. He asked if this type of approach could be applied to what is trying to be accomplished through the total energy outsource. Mr. Lane answered there is another program with the Department of Natural Resources that public schools can use. Senator Schuerer stated he would like to look at that more.

COMMITTEE DISCUSSION – 2001 INTERIM ISSUES & MEETING DATES

A discussion was held regarding the 2001 Interim Issues to be addressed by the Fiscal Committee. **Attachment I** is a listing of topics covered by the Fiscal Committee since the 1995 interim. **Attachment J** is a listing of *Issue Reviews* completed during the 2000 Interim. **Attachment K** is a calendar to set dates for the meetings during the interim.

Representative Millage read the responsibilities of the Fiscal Committee from the Code of Iowa. He stated it would be appropriate at the July meeting to review State facilities that have been cited for violations of any federal, state, or local law regulation, or have been decertified or notified of desertification by any federal, state, or local entity.

A function of the Fiscal Committee is reorganization to make a continuous study of all offices, departments, boards, bureaus and commissions of State government. Another function is to determine the policy and conduct of the administrative of a legislative database; and determine the information needs of the General Assembly and report to the Director of General Services for a data base management system.

Tentative dates and topics selected by Committee members for the 2001 Interim include:

June 25, a joint meeting with the Legislative Oversight Committee, focusing on the State budgeting practices and meeting with NCSL representatives.

July 24, focus on examination of the Fiscal Committee Charge, update on school infrastructure, Vision Iowa Program, and an update on tobacco securitization. Report on Medical Lab facilities, where will be located and if building is started. Review State facilities that have received any citations or recommendations from the federal government or other entities.

August 29 reserved for examinations included in Fiscal Committee charge.

September 26, meet at the University of Northern Iowa, discuss educational issues, including the effectiveness of programs such as reading class size initiative, teacher pay, how the new teacher pay component is working with allowable growth. Of the amount appropriated, the amount that goes to allowable growth and the amount that goes to collective bargaining.

October 24, meeting with State agencies and Department of Human Services personnel. Invite agencies to discuss how the FY 2002 fiscal year is doing with reduced funding, how they have restructured and reorganized, how they have addressed the FTE positions,

what has happened to programs, and if this offers more flexibility. Discuss long-term care trust fund including the appropriation and nursing home violations.

November 28, perhaps meeting at either the Fort Dodge Prison or the Fort Madison Prison, dedicated to Justice/Judicial Systems, including a presentation on the budget impact, presentations or reports from the courts, Community Based Corrections, and Public Safety. It was also suggested to involve county attorneys and sheriff's office personnel. Are required standards being met in these areas?

December 17, recommendations and indebtedness.

Other suggested topics not assigned a specific time were: update on salary adjustment including health insurance premiums/fund; and technology topics.

In response to a question by Senator Harper, Representative Millage stated that the Fiscal Committee should make specific recommendations to the Legislative Council pursuant to the statutory charge.

Representative Millage suggested requesting the Legislative Council to approve hiring NCSL or one of the national court organizations to make recommendations on how to improve the justice/judicial systems for a more efficient operation.

Representative Van Fossen suggested making recommendations to the Council if there are loopholes in the expenditure limitation law. Representative Millage commented this would probably be considered next week.

OTHER BUSINESS

Representative Millage stated he had two items of business that pertain to transfers and reversions. He asked the status of the Medicaid funding. Holly Lyons, LFB, stated a report on reversions was on today's agenda, but it was determined that it is too early to report on FY 2001 reversions. There will likely be several transfers within the next two or three weeks, and Medicaid is short of funding.

Representative Millage asked Karla McHenry, DHS, if she had any information regarding Medicaid shortfall. Ms. McHenry answered no, but she could provide an update at the next meeting including information on drug rebates. Sue Lerdal, LFB, stated there would be a Human Services Council meeting on Wednesday and on the agenda is FY 2001 project review.

Representative Murphy requested periodical updates on the salary adjustment and health insurance, including funding in the reserves. He also suggested having individuals report on the Governor's reorganization and how it is handled by the departments and agencies.

ADJOURNMENT

Representative Van Fossen made a motion to adjourn the meeting at 11:30 a.m.