

MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
June 20, 2002

The Legislative Fiscal Committee of the Legislative Council met June 20, 2002, in Room 116 for the morning session, and Room 19 for the afternoon session, in the State Capitol Building, Des Moines, Iowa. The afternoon session was a joint meeting with the Legislative Oversight Committee. Co-chairperson, Representative Dave Millage, called the meeting to order at 10:10 a.m. Other members present were:

Senator Jeff Lamberti, Co-Chairperson
Senator Tom Flynn
Senator Pat Harper
Senator Paul McKinley
(designee for Senator Larry McKibben)
Senator Neal Schuerer
Representative Libby Jacobs
Representative Pat Murphy
Representative Don Shoultz
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 17, 2001 (**Attachment A**). The minutes were approved.

REVENUE UPDATE

Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), presented a revenue update. He reviewed **Attachments 1, B, C, and D**. **Attachment 1** is a balance sheet showing the estimated Funds Available and Estimated Appropriations for FY 2002 and FY 2003. Also included were revenue adjustments, transfers made in legislation during the Second Special Session, appropriations for FY 2003 passed by the Legislature, and the flow of General Fund revenues after expenditure limitation.

Attachment B is a FY 2003 Tracking Document, **Attachment C** is a review of the Governor's item vetoes, and **Attachment D** shows the FY 2004 "Built-in increases". Committee members discussed the information provided in these documents.

Representative Van Fossen requested information on the number of employees the State has reduced. Mr. Prouty will provide this information at the next meeting.

In discussing **Attachment D**, FY 2004 "Built-in Increases", it was noted that these numbers will change before FY 2004 begins.

Representative Millage requested information on the cost of funding the current salary package (in FY 2004) for the next meeting.

STATE GAMING TAX RECEIPTS

Dennis Prouty, Director, LFB, and Ron Robinson, LFB, presented information on the State Gaming Tax Receipts.

Mr. Prouty reviewed **Attachment E**, the Supreme Court Decision regarding the difference in methods used by the State to tax the race tracks and the excursion gambling boats. The Supreme Court reversed the decision of the Polk County District Court. This will require both types of entities to be taxed at the same rate, which will reduce State revenues by approximately \$38 million in FY 2003. The State of Iowa recently lost another lawsuit regarding overtime pay for Department of Public Safety employees. This loss is estimated to cost the State \$30 million plus interest. Representative Millage noted that the LFB was not informed about this case. He requested that the Attorney General's Office provide a listing of pending court cases that might have a potential fiscal liability to the State.

Attachment F, shows the impact of the decision on the Rebuild Iowa Infrastructure Fund (RIIF), **Attachment G**, is a spreadsheet showing the State Gaming Tax Receipts – 20.0% to 25.0%; **Attachment 2**, Marginal Tax paid by Racetracks above 20.0% CY 1997 through June 11, 2002; and **Attachment 3**, shows the State Gaming Tax Receipts.

APPROPRIATIONS TRANSFERS

Holly Lyons, LFB, reviewed **Attachments H and I**.

- **Attachment H** is an 8.39 Appropriations Transfer for \$1,027,744 from the Department of Human Services, Medical Assistance to the Department of Human Services, State Supplementary Assistance.
- **Attachment I** is an 8.39 Appropriations Transfer for \$36,000 from the Governor's Office, General Office to Terrace Hill Quarters (\$33,000) and Terrace Hill Operations (\$3,000).

COMMITTEE DISCUSSION – 2002 INTERIM ISSUES

A discussion was held regarding the 2002 Interim Issues to be addressed by the Fiscal Committee. **Attachment J** is a listing of topics covered by the Fiscal Committee since the 1996 interim. **Attachment K** is a listing of *Issue Reviews* completed during the 2001 Interim.

Suggested topics included:

- An update on a regular basis, monthly or less frequently, on Medicaid and *hawk-i*, including a comparison of the budget and the current expenditures.
- Periodic updates on FLSA Court Case and Racing and Gaming Court Case.
- Restructuring of State government, inviting Cynthia Eisenhauer, Director, Department of Management; and Stephen Gleason, Director, Department of Public Health.
- July - Report from either the Governor or the Department of Management on how they propose to balance the FY 2003 budget. Ask for realistic projections, including revenues and actual expenditures.
- Look at understanding how Chapter 20, Code of Iowa, impacts salaries of State employees. Review the arbitration component of Chapter 20.
- Review the organizational changes in the Secretary of State's Office.
- The duplication of information technology within departments and across the State's departments and employees.
- Review how much money needs to be spent, not how much is available to be spent.
- Responsibilities of the Legislative Fiscal Committee compared to responsibilities of the Legislative Oversight Committee.
- Factors that are a part of the Revenue Estimating Conference.
- Sales tax receipts, does sales tax need to be increased to increase State revenues.
- The property tax system.
- Visit one of the Regents schools, information on tuition increases and capitals.
- Teachers' salaries for K-12.
- Information on the current prison population.
- A presentation by the Iowa Department of Personnel on workers' compensation.
- Environmental funding issues that are tied directly to gambling revenues.
- An update on interim of pharmaceuticals (later in year).
- Look at recommendations by child care workers in Dubuque to make the system work better.
- A report from Dennis Prouty on his new responsibilities as Acting Director of the Legislative Service Bureau and the Computer Support Bureau, in addition to Director of the Legislative Fiscal Bureau. Include input from some Legislators, before the Council makes a recommendation for reorganization to the General Assembly in January.
- What other states are doing to balance their budgets.
- July – an infrastructure report.

COMMITTEE DISCUSSION – POTENTIAL DATES FOR FUTURE MEETINGS.

The Committee discussed potential meeting dates for this interim. They are:

- July 25
- August 22
- September 25 – possibly meet with Oversight Committee

- October 16, meeting at Iowa State University in Ames
- November 20
- December 19

MEDICAL REPORT FOR THE MEDICAL ASSISTANCE ADVISORY GROUP

The Medical Report for the Medical Assistance Advisory Group was mandated by HF 2245, 2002 Medicaid Supplemental Act. The Report is due to the Fiscal Committee by June 1, 2002.

Jessie Rasmussen, Director, Department of Human Services, and Cathy Anderson, Department of Human Services, were present to review the Report and answer questions. Ms. Rasmussen stated that the Department is required to submit their budget in August or September for the next fiscal year, and there are many changes between then and when the Legislature meets in January. The number of eligible persons for Medicaid continues to increase, driving up costs.

Senator McKinley requested a list of members in the Medical Assistance Advisory Group.

LUNCH

The meeting recessed at 12:00 for lunch.

JOINT MEETING

The Committee held a joint meeting with the Legislative Oversight Committee in Room 19, following lunch.

Opening remarks were made by the chairpersons of both committees. Senator Lundby and Representative Jenkins, Oversight Co-chairpersons; and Senator Lamberti and Representative Millage, Fiscal Co-chairpersons.

Dennis Prouty, Director, LFB, and Staff, reviewed **Item 3**, Iowa's Revenue Estimating Process and Historical Data. This included a history of the revenue estimating process and various taxes that impact Iowa's General Fund.

Mike Lipsman, Department of Revenue and Finance, was asked if information is available regarding tax code changes that involve tax credits, exemptions, and reductions. Mr. Lipsman noted that the Department issues an annual report on State tax actions at the end of each Legislative Session and he will provide copies of the past three to five years of the report to members of both Committees.

Additionally, Mr. Lipsman was asked if he could generate a break out of average tax refunds for individuals by income category for the past several years. He said he would have the information by the Committees' next meeting.

**VIDEO CONFERENCE WITH ARTRURO PEREZ, NATIONAL CONFERENCE
OF STATE LEGISLATURES (NCSL), REVENUE ESTIMATING IN THE
STATES**

Artruro Perez, NCSL, discussed the revenue shortfalls encountered by a majority of the states. He explained the difference in the revenue estimating processes between states and factors that resulted in a few states not being impacted during this economic recession.

Mr. Perez was asked to identify any state that might serve as a model for Iowa to contact and discuss the revenue estimating process. Mr. Perez said he would let both Committees know if he thought any other state might be appropriate to contact.

Mr. Perez was also asked if he could put together a ten-year history of how the various states have done in revenue estimating, comparing what they initially estimated for each year and the amount of actual receipts collected for those years. Mr. Perez said he would try to have that information by the next Oversight Committee meeting.

ADJOURNMENT

Representative Murphy made a motion to adjourn the Fiscal Committee meeting at 2:00 p.m.