

**MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
July 29, 2003**

The Legislative Fiscal Committee of the Legislative Council met July 29, 2003. The following members were present:

- Senator Jeff Lamberti, Co-chairperson
- Representative Bill Dix, Co-chairperson
- Senator Robert Dvorsky
- Senator Michael Gronstal for Senator Joe Bolkcom
- Senator Larry McKibben
- Senator Neal Schuerer
- Representative Libby Jacobs
- Representative Pat Murphy
- Representative Don Shultz
- Representative Kent Kramer for Representative Jamie Van Fossen

The following agenda items took place:

- Approved minutes of the December 19, 2002, meeting.
- Received a Revenue Update:
 - FY 2003 – 2004 Balance Sheets
 - Dennis Prouty, Director of the Legislative Services Agency (LSA), provided a revenue update. The Projected General Fund Ending Balance for FY 2003 is \$2.0 million. The FY 2004 General Fund ending balance is estimated to be \$103.4 million.
 - Tobacco Settlement Trust Fund – Endowment for Iowa's Health Account, was reviewed by Dave Reynolds, LSA. It was noted that the estimated ending balance of \$26.5 million is lower than previous estimates due to the suspension of tobacco settlement residual revenue that resulted from the downgrade of RJ Reynolds debt rating. This will result in a \$14.9 million reduction in the Endowment in FY 2004.
 - Healthy Iowans Tobacco Trust Fund (HITT) - The estimated FY 2004 ending balance is \$61,000.
 - Tobacco Settlement Trust Fund, Restricted Capital Fund, the FY 2007 estimated ending balance is \$6.7 million after future obligations are taken into consideration. Because this Fund is comprised of a one-time source of revenue, the FY 2007 balance is more relevant for budgeting purposes than the FY 2004 balance.
 - Rebuild Iowa Infrastructure Fund shows an estimated ending balance for FY 2004 of -\$31.5 million. If the lawsuit is resolved, estimated payments for FY 2003 will be \$40.0 million.
 - Environment First Fund shows a projected ending balance of \$458 for FY 2004.

- Heard an update on the United States Supreme Court Ruling on June 9, 2003, by Julie Pottorff, Attorney General's Office.
 - The Court reversed and remanded the Racing Association of Central Iowa (RACI) case back to the Iowa Supreme Court for its reconsideration.
 - The case is scheduled to be reviewed August 26.
- Received an update from Ms. Pottorff regarding the Fair Labor Standards Act (FLSA) lawsuits concerning State employees back pay. The amount for the four cases is estimated to cost \$18.0 million.
 - The Department of Corrections (DOC) case was settled for \$2.4 million, scheduled to be paid over a three-year period.
 - The Department of Transportation (DOT) case is estimated at \$9.0 million which does not include attorney fees.
 - The Department of Natural Resources (DNR) case involves six employees and a judgment of \$70,000.
 - The Department of Public Safety (DPS) is on appeal and is approximately \$5.0 million.
 - Of the four cases involved, only the DOC case is totally funded from the State General Fund. The case relating to the DOT is from the Road Use Tax Fund, the DNR case will be paid from the Fish and Wildlife Game Fund and the majority of the DPS case will be paid from the Road Use Tax Fund.
- Reviewed the Lease Purchase Notices received since the last meeting as presented by Dave Reynolds:
 - Department of Corrections - \$200,000 for Vehicle Purchases at Sixth Judicial District.
 - Department of Corrections - \$112,200 for Vehicle Purchases at First Judicial District.
 - Department of Human Services - \$301,000 for Purchase of a Patient Detection System at the Cherokee Mental Health Institute (MHI).
 - Board of Regents - \$773,000 for a property purchase by the University of Iowa.
 - Board of Regents - \$353,000 for improvements to Jack Trice Stadium at Iowa State University.
- Discussed with Brian Gentry from the Governor's Office the vetoes and item vetoes of:
 - HF 692 – Taxation Changes, Grow Iowa Values, and Regulatory Reform Act
 - HF 683 – Grow Iowa Values Fund Appropriations Act
 - HF 614 – Voter Registration Act
- Reviewed the Appropriations Transfers received since last meeting:
 - These included:
 - The FY 2004 transfer of \$15.2 million from Department of Human Services (DHS) – Medical Assistance (Medicaid) to the Salary Adjustment Fund and Judicial Branch Operations.
 - The FY 2003 transfer of \$727,500 from various DHS appropriations to State Supplementary Assistance, Independence MHI, and Personal Assistance.
 - The FY 2003 transfer of \$11,000 from the Department of Revenue and Finance Operations to Cigarette Stamp Printing.

- The FY 2003 transfer of \$300,000 from the Information Technology Department to Department of General Services Utility Account.
- Discussed with Randy Bauer, Department of Management, the appropriations transfers.
- Co-chairperson Dix requested a listing of Section 8.39, Code of Iowa appropriations transfers that have taken place at the beginning of previous fiscal years. Mr. Bauer indicated he would provide that information to the Committee.
- Reviewed various Medical Assistance (Medicaid) related expenditures with Jennifer Vermeer (LSA). This included:
 - The FY 2003 and FY 2004 Medicaid expenditures.
 - The impact from the increase in the federal reimbursement for Medicaid.
 - An update regarding the Healthy Well Kids in Iowa (*hawk-i*) Program. The FY 2003 ending balance is estimated at \$4.0 million.
 - An update regarding HF 619 (Medicaid Cost Containment Act).
 - A request from Senator Lamberti regarding the status of the Preferred Drug List (PDL) with HF 619.
 - A request from Senator Lamberti regarding the Federal Department of Justice review of the State Resource Centers at Woodward and Glenwood.
- Received information from Lisa Burk, LSA, on the Foster Care/Adoption Subsidy and Child/Family Services expenditures.
- Heard from Dean Ibsen, Department of Administrative Services, who reviewed the situation with the Central Lutheran Church Property located north of the State Capitol.
- Reviewed with Babak Armajani, Public Strategies Group (PSG), and Doug Wulf, LSA, an update regarding SF 453 (Reinvention of Government Act).
 - Representative Shoultz requested for local governments in the innovative area to assist in budget reductions that have taken place.
 - Committee members requested information from PSG concerning any planned proposals that may be presented to the Legislature in 2004. They would like to have this information by November 1.
- Reviewed with Jim Chrisinger, Department of Management, the termination of the Project Addendum with the Public Strategies Group for Entrepreneurial Management at the Department of Administrative Services.
- Discussion of meeting dates for remainder of the Interim and topics for future meetings.
 - September 23 meeting with possible topics:
 - A revenue update.
 - Medicaid Update, the Preferred Drug List and *hawk-i*.
 - Iowa Communications Network (ICN) with a report from the Governor's ad hoc committee.
 - A gambling review and lawsuit status update.
 - A prison population update, including progress of construction at Luster Heights and Clarinda locations.
 - A review of education funding changes for the institutions of the Department of Human Services.
 - A review of the natural gas shortage.
 - A wind generation energy update.

- A Senior Living Trust Fund update.
- October 21 meeting suggested topics:
 - An update from the Public Strategies Group about meetings with local governments.
- December 17 meeting suggested topics:
 - An update on school district insurance pool.
 - A report on the Grow Iowa Value Funds from Governor's Office.
- Adjournment – Motion by Senator Dvorsky to adjourn the meeting at 1:55 p.m. The motion was seconded and passed unanimously.

Attachments for Legislative Fiscal Committee Meeting July 29, 2003

Attachment A – Minutes of December 19, 2002, meeting.

http://staffweb.legis.state.ia.us/lfb/subcom/fiscal_comm/docs_handouts/Attach%20A-MinutesDec19.pdf

Attachment B – FY 2003 and FY 2004 Balance Sheets for the General Fund and various other funds. http://staffweb.legis.state.ia.us/lfb/subcom/fiscal_comm/docs_handouts/Attach%20B-FY2003%20Balance%20sheets.pdf

Attachment C – Copies of Governor's Item Veto Messages for HF 692, HF 683, and HF 614.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach C - Item Vetoes.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach C - Item Vetoes.pdf)

Attachment D – Various Appropriations Transfer Notices.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach D - Appropriations Transfers.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach D - Appropriations Transfers.pdf)

Attachment E – Lease Purchase Notifications.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach E - Lease Purchases.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach E - Lease Purchases.pdf)

Attachment F – Update for Medicaid, the Healthy and Well Kids in Iowa (*hawk-i*) Program, changes to the federal Family Medical Assistance Program (FMAP) rates, and an update for HF 619.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach F - hawk-i.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach F - hawk-i.pdf)

Attachment G – Update for Foster Care and Adoption Subsidy Expenditures.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach G - CFS Spreadsheet.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach G - CFS Spreadsheet.pdf)

Attachment H – Update regarding HF 453 and the Reinvention of Government Act.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach H - SF 453 - Reinvention of Govt Act.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach H - SF 453 - Reinvention of Govt Act.pdf)

Attachment I – Summary of Termination of a Project Addendum relating to the Public Strategies Group and the Department of Administrative Services.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach I - Termination of PSG Project.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach I - Termination of PSG Project.pdf)

Attachment J – Summary of the Central Lutheran Church property near the State Capitol.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach J- Lutheran Church Appraisal.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Attach J- Lutheran Church Appraisal.pdf)

Attachment 1 – Payment to Public Strategies Group.

http://staffweb.legis.state.ia.us/lfb/subcom/fiscal_comm/docs_handouts/0703Attach1.pdf

Attachments provided to the Committee for information:

Military Pay Differential information from the Department of Revenue and Finance.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Other - Military Pay.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Other - Military Pay.pdf)

Information regarding FTE positions within the Office of the State Auditor.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Other - Auditor's Report on FTEs.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Other - Auditor's Report on FTEs.pdf)

Indigent Defense Fund Allocations from the State Public Defender.

[\\augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Indigent Defense Fund.pdf](http://augustus\outbox\lfb\WwwOut\Sub_Com\fiscal_comm\docs_handouts\Indigent Defense Fund.pdf)