

**MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
October 21, 2003**

The Legislative Fiscal Committee of the Legislative Council met October 21, 2003. The meeting was called to order at 10:05 a.m. with the following members present:

- Senator Jeff Lamberti, Co-chairperson
- Representative Bill Dix, Co-chairperson
- Senator Michael Gronstal for Senator Robert Dvorsky
- Senator Joe Bolkcom
- Senator Larry McKibben
- Senator Neal Schuerer
- Representative Mark Kuhn
- Representative Don Shultz
- Representative Jamie Van Fossen

Member not present:

- Representative Libby Jacobs

The following agenda items were discussed:

- **Minutes:** Approved minutes of the September 23, 2003, meeting.
- **Revenue Update:** Received a revenue update including a report on current General Fund balances for FY 2003 and FY 2004.
 - Holly Lyons, Director, Fiscal Services Division, Legislative Services Agency (LSA), provided a revenue update and information from the October 10 meeting of the Revenue Estimating Conference (REC). The revised FY 2004 estimate for net General Fund receipts was decreased by \$142.2 million. The REC also developed the first estimate for FY 2005 receipts. That estimate projects net revenues will be \$10.4 million below the level projected for FY 2004.
 - Dave Reynolds, LSA, reviewed the Governor's 2.5% Across-the-Board Reduction. Randy Bauer, Budget Director, Department of Management, was present to answer questions. The six Charter Agencies are exempt from the across-the-board reductions as required in SF 453 (Reinvention of Government Act). Co-Chairperson Dix indicated the Legislative Branch will reduce its budget by the 2.5% reduction and indicated the Judicial Branch will make its own decision regarding the reduction.
- **Medicaid:** Jennifer Vermeer, LSA, reviewed various Medical Assistance (Medicaid) related expenditures. This included:
 - The FY 2004 Medicaid expenditures.
 - An update regarding the Healthy and Well Kids in Iowa (*hawk-i*) Program.
- **Capitol Security:** Jennifer Acton, LSA, presented information from an *Issue Review* regarding security issues within the Capitol Complex. Senator Bolkcom and Representative Shultz questioned the need for the current level of security within the

Capitol Complex. Lt. Dave Garrison, Department of Public Safety, stated there have been several encounters with visitors to the Capitol Complex since September 11, 2001. Mr. Garrison also stated the total number of incidents at the Capitol Building has decreased since security has been present at the Building entrances.

- **National Highway Traffic Safety Administration Incentives (0.08%):** Jennifer Acton, LSA, presented information regarding the federal funds available for the enactment of the 0.08% blood alcohol content limit.
- **Discussion of Agenda Topics for December 17:** These include:
 - Revenue Update – REC – Possible invitation of an economist to review the economy and a member of the REC for a review of the estimates.
 - Balance Sheet Updates, including:
 - General Fund
 - Rebuild Iowa Infrastructure Fund (RIIF)
 - Restricted Capital Fund
 - Senior Living Trust Fund
 - Endowment for Iowa Health Account
 - Healthy Iowans Tobacco Trust
 - Update on FY 2005 Built-in Increases and Decreases
 - FY 2005 Department Requests
 - Lease Purchases and Transfers
 - School District Insurance Pool Study
 - Update on the Grow Iowa Values Fund
 - State Indebtedness Report
 - Update on the actuarial soundness of the Iowa Public Employment Retirement System (IPERS) and the Judicial Retirement Fund
 - Various statutory reports due in December or January
 - Reinvent Government Progress Report
 - Racing Association of Central Iowa (RACI) Case Update
 - Impact of RACI Case on RIIF
 - Public Strategies Group (PSG) Update – Timeline of PSG activities/Quarterly Report Update
- **On-Line Benefit Enrollment for State Employees:** Ed Holland, Human Resources Enterprise, Department of Administrative Services, reviewed the On-Line Program for employee benefit enrollment and reasons for changing to this Program.
- **Reinvent Government:**
 - Sue Lerdal, LSA, reviewed the progress report for SF 453 (Reinvention of Government Act). She also presented an update on Charter Agencies.

- Babak Armanjani, Public Strategies Group (PSG), presented an update on the focus items within Reinvention of Government. He reviewed the "Smart Spending Phase 2 Project Deliverables and Outcomes" for each of the following including their goals and timelines:
 - Child Welfare Reform
 - Local Government - John Easter, Iowa State Association of Counties; and Susan Judkins, Iowa League of Cities; reviewed the concerns that their respective organizations have regarding the State-Local Governments proposals.
 - Charter Agencies – six agencies have agreed to become Charter Agencies. They are the Department of Human Services; Iowa Veterans Home; Department of Revenue; Department of Natural Resources; Department of Commerce, Alcoholic Beverages Division; and the Department of Corrections.
 - The discussion included:
 - Development and measure of FY 2004 budget baselines for comparison of increased revenues.
 - The fee paid to the PSG and timing for payment. The contract indicates that the PSG will receive 5.0% when the additional revenues are certified and a second 5.0% when outcome results are confirmed with a cap of \$6.3 million.
 - Concern regarding the progress and challenges in communication within the process.
- **Valuation Impact Upon School Aid:** Dwayne Ferguson, LSA, provided information regarding a \$20.0 million increase to the FY 2005 estimate for the State cost for K-12 School Aid funding due to the recent decline in property valuations.
 - Dick Stradley, Department of Revenue, explained the reason for the decline of 2.0% in comparison with the previous estimate of an increase of 2.0% in property valuations. He explained the purpose of the Property Tax Implementation Committee, and reviewed the subcommittees' members and responsibilities. The Committee will consider equalization, assessment limitations, and assessment limitations with levy limits plus rollbacks; and will review non-profit governments and responsibility for costs incurred by such use of property tax revenues; definitions of categories and classes; and possible property tax system challenges.
 - Mr. Stradley presented a summary of 2003 Tentative Equalization Adjustments, Assessor Revaluation Actions and Equalization actions between agricultural, residential, and commercial land. Cerro Gordo, Woodbury, Warren, and Dickinson counties are participating in the pilot project.
- **Request:** Senator Gronstal requested information on the Legislative Council lawsuit against the Governor: how much has been paid to date to the attorneys, whether or not the expenses are billed and paid monthly, and the status of the lawsuit. Ms. Lyons indicated the legal expenditures as of October 21 regarding the item veto lawsuit are \$48,498. Senator Gronstal requested the Legislative Fiscal Committee advise the Legislative Council to limit legal costs at \$200,000. Co-chairperson Dix agreed that such a limit should be possible.
- Senator Bolkcom stated that the K-12 school systems be able to present challenges of the 2.5% across-the-board appropriation reduction at the December meeting. Members agreed to also include the Board of Regents in the presentation.
- **Adjournment:** Motion by Senator Gronstal to adjourn the meeting at 1:55 p.m. The motion was seconded and passed unanimously.

**Attachments for Legislative Fiscal Committee Meeting
October 21, 2003**

Attachment A – Minutes of the September 23, 2003, meeting
Attachment B – Projected General Fund Balance FY 2003 and FY 2004
Attachment C – FY 2004 Across-the-Board Reductions
Attachment 2 – Summary of October Revenue Estimating Conference
Attachment D – SF 453 Reinvention of Government Act – LSA Summary
Attachment E – DOM Letter/Update on Charter Agency savings and revenue plans
Attachment F – Charter Agency Update and Related Issues
Attachment G – Reinvention Progress Update
Attachment 1 – September 2003 Iowa Reinvention Update (PSG)
Attachment 3 – “Smart Spending Phase 2 Project Deliverables and Outcomes”
Attachment 4 – Statement by the Iowa State Association of Counties
Attachment H – Medicaid FY 2004 Program Financial Report
Attachment I – Healthy and Well Kids in Iowa (*hawk-i*) Program FY 2004
Attachment J – *Issue Review*, “Capitol Complex Security”
Attachment K – National Highway Traffic Safety Administration Funding
Attachment L – DAS Update from Human Resources Enterprise, for On-Line Enrollment and Change Tool
Attachment M – Change in Property Valuations
Attachment 5 – Department of Revenue – Property Tax Overview
Attachment N – 2003 Interim Issues for Fiscal Committee Meetings – December 17, 2003

Attachments provided to the Committee for information:

FY 2003 Child Welfare Expenditure Report
FY 2004 Child Welfare Expenditure Report
Charter Agency Charter: Department of Human Services
Charter Agency Charter: Iowa Veterans Home
Charter Agency Charter: Department of Revenue
Charter Agency Charter: Department of Natural Resources
Charter Agency Charter: Department of Commerce, Alcoholic Beverages Division
Charter Agency Charter: Department of Corrections
August Reinvention of Government Report
Follow-up Memo Regarding State Motor Vehicle Fuel Efficiency
DGS Corporate Average Fuel Economy FY 2003 Annual Report
DGS Average Fuel Economy Compliance Letter to the DNR
Follow-up Memo Regarding FY 2003 Appropriation Transfer to Governor’s Office
DOM Reinvent Internet Link: <http://iowa.regov.org/>