

**MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
June 17, 2004**

The Legislative Fiscal Committee of the Legislative Council met June 17, 2004. The meeting was called to order at 10:08 a.m. with the following members present:

- Senator Jeff Angelo, Co-chairperson
- Representative Bill Dix, Co-chairperson
- Senator Robert Dvorsky
- Senator Joe Bolkcom
- Senator Paul McKinley for Senator Larry McKibben
- Representative Mark Kuhn
- Representative Don Shoultz
- Representative Jamie Van Fossen

The following agenda items were discussed:

- **Minutes:** On a motion by Senator Bolkcom, the minutes of the December 17, 2003, meeting were approved.
- **Iowa Supreme Court's Ruling:** Discussed the Iowa Supreme Court's ruling which reversed the District Court's decision on the Governor's exercise of item vetoes of House File 692. The effect of the Governor's item vetoes was to eliminate the economic development priorities while preserving the Grow Iowa Values Fund. Much of the proceeds earmarked for the Grow Iowa Values Fund have been awarded to projects. Due to the Supreme Court decision, which nullified various Grow Iowa Values Fund programs and Board authority, a special legislative session may be necessary in order for contracts to be paid.
- **Revenue Update:** Received a revenue update including a report on current General Fund revenues for FY 2004 and FY 2005.
 - Holly Lyons, Director, Fiscal Services Division, Legislative Services Agency (LSA), provided a revenue update. Revenues are currently ahead of the Revenue Estimating Conference (REC) projection for FY 2004. In April, the REC projected 1.8% growth (\$92.5 million) for FY 2004. General Fund receipts through May 31 have increased 4.2% (\$192.3 million) compared to the same period a year ago.
- **FY 2004 – 2005 Balance Sheets:**
 - Dave Reynolds and Beth Lenstra, LSA, presented updates on FY 2004 – FY 2005 balance sheets for the following funds:
 - General Fund
 - Rebuild Iowa Infrastructure Fund

- Environment First Fund
 - Tobacco Settlement Trust Fund – Restricted Capital Fund
 - Healthy Iowans Tobacco Trust Fund
 - Tobacco Settlement Trust Fund – Endowment for Iowa's Health Account
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- **FY 2006 Built-in Expenditure Increases and Decreases:** Dave Reynolds, LSA, reviewed preliminary estimates of the FY 2006 Built-in Expenditure Increases and Decreases. The current estimate for FY 2006 expenditure increases is \$479.5 million.
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- **Governor's Item Vetoes and Lay-off Plans:**
 - Cynthia Eisenhauer, Director, and Joel Lunde, Department of Management (DOM); and Dusky Terry, Office of the Governor; reviewed the Governor's Item Vetoes on legislation passed during the 2004 Legislative Session.
 - Senator Angelo inquired about the Governor's plans for changes in the State agencies budgeting process. Ms. Eisenhauer indicated changes are being discussed. Committee discussion included:
 - Positive thinking about the budgeting process.
 - Budgeting in categories which cross agencies, such as children, which programs are now funded in various departments.
 - Ability for legislators to be more aware of what is being funded in other budget subcommittees.
 - Executive Branch layoff plans, which are expected to be less than 400 in FY 2005.
 - Senator McKinley suggested it would be beneficial to review programs in the Department of Economic Development due to legislation that was line item vetoed by the Governor dealing with language that insures companies or businesses have a commercially viable biotech product or service.
 - Senator McKinley requested information on the number of State of Iowa employees who have retired and then were rehired as consultants, particularly in the Department of Education.
 - Senator McKinley asked for the statutory authority that allows the Department of Natural Resources to develop a retail sales organization.
 - Senator McKinley stated the Department of Economic Development (DED) has notified non-profit organizations that the Department plans to charge for distribution of literature from the organizations in Iowa Welcome Centers and inquired regarding the authority to do so.
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- **On-Line Benefit Programming**
 - Ed Holland, Department of Administrative Services, Information Technology Enterprise; and Jon Shanahan, Chief Operations Officer, businessolver, provided background information and advantages of State employee on-line benefit capabilities.
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- **Integrated Information for Iowa (I/3) System**
 - Sharon Sperry, Department of Administrative Services, Information Technology Enterprise, summarized the Integrated Information for Iowa (I/3) Project Status. Discussion included budget, finance, and payroll processes.

- **Appropriation Transfers presented by Dave Reynolds, LSA:**
 - FY 2004 Department of Transportation (DOT), \$402,820 – from Indirect Cost Recovery and Personnel Reimbursement categories to the Workers' Compensation category.
 - Because the DOT is self-insured, Senator McKinley requested information on the DOT's total annual payroll and total Workers' Compensation expenditures.
 - FY 2004 Department of Revenue, \$12,000 – from Operations appropriation to the Cigarette Stamp Printing Program.
- **Lease Purchases were reviewed by Dave Reynolds, LSA:**
 - Department of Human Services - \$736,303 for facility improvements at the Glenwood Resource Center. (\$490,000 in principal; \$246,303 in interest) Senator McKinley requested additional information on the life expectancy of the washers as part of this lease purchase compared to the repayment plan.
 - Department of Revenue - \$115,800 for the replacement of desktop computers. (\$110,000 principal and \$5,800 in interest)
- **Medicaid FY 2004 and FY 2005 Update – Sue Lerdal, LSA,** reviewed federal changes for Medicaid that are under possible consideration. The Iowa enrollment of the Medicaid Program continues to be higher than forecasted for FY 2004. Senator McKinley requested information on regional trends, rural versus urban Iowa, for Medicaid enrollees.
- ***Healthy and Well Kids in Iowa (hawk-i) Program Update – Sue Lerdal, LSA,*** reviewed the FY 2004 and FY 2005 budget and expenditures.
- **Discussion of topics for next meeting and future meeting dates:**
 - The next meeting is scheduled for August 5.
 - Preliminary topics for discussion include:
 - Per diem cost of caring for prisoners and ways of reducing costs.
 - Update on Prison population.
 - Review the Department of Administrative Services competitive bidding process for various contracts.
 - Update on Capitol Building renovation.
 - Biotechnology transfer development.
- **Adjournment –** Upon motion by Senator Bolkcom, the meeting was adjourned at noon. The motion passed unanimously.

**Attachments for Legislative Fiscal Committee Meeting
June 17, 2004**

Attachment A – Minutes of the December 17, 2003, meeting
Attachment B – Revenue Update
FY 2004 – 2005 Balance Sheets
Attachment C – General Fund
Attachment D – Rebuild Iowa Infrastructure Fund
Attachment E – Environment First Fund
Attachment F – Tobacco Settlement Trust Fund – Restricted Capital Fund
Attachment G – Healthy Iowans Tobacco Trust Fund
Attachment H – Tobacco Settlement Trust Fund – Endowment for Iowa's Health Account
Attachment I – FY 2006 Built-in Expenditure Increases and Decreases
Attachment J – Governor's Item Vetoes
Attachment K – Appropriations Transfer – FY 2004 Department of Transportation
Attachment K.1 – Appropriations Transfer – Dept. of Revenue & Finance
Attachment L – Lease Purchase – Dept. of Human Services - \$490,000 for Glenwood Resource Center
Attachment M – Lease Purchase – Department of Revenue - \$115,800
Attachment N – Medicaid FY 2004 and FY 2005 – Update
Attachment O – *hawk- i* Program Update
Attachment P – Discussion of topics for next meeting and future meeting dates
Attachment 1 – Benefitsolver System Overview
Attachment 2 – Integrated Information for Iowa I/3 Project Status Presentation to Fiscal Committee

Attachments provided to the Committee for information:

Military Pay Differential
Child and Family Services Expenditures
Adoption Subsidy Expenditures
Senior Living Trust Fund