

REPORT
IOWA COMMISSION ON INTERSTATE COOPERATION

April, 1983

PURPOSE

Section 28B.2, 1983 Code of Iowa, states that the functions of the Iowa Commission on Interstate Cooperation are:

- "1. To carry forward the participation of this state as a member of the council of state governments.
2. To encourage and assist legislative, executive, administrative, and judicial officials and employees of this state to develop and maintain friendly contact by correspondence, conference, and otherwise, with officials and employees of other states, of the federal government, and of local units of government.
3. To encourage cooperation between this state and other units of government in addition to the adoption of compacts and uniform laws and in working relationships with officials of other states."

MEMBERSHIP

Section 28B.1, 1983 Code of Iowa, establishes the Commission's membership at thirteen:

- "1. Five members of the Senate to be appointed by the President thereof;
2. Five members of the House of Representatives to be appointed by the Speaker of the House;
3. Three administrative officers to be appointed by the Governor.

The Governor, the President of the Senate, and the Speaker of the House of Representatives shall be ex officio honorary nonvoting members of the Commission.

The director of the Legislative Service Bureau shall serve as secretary of the Commission."

Members of the Iowa Commission on Interstate Cooperation during the 1981-1982 biennium were:

Governor Robert D. Ray, Ex officio
Lieutenant Governor Terry E. Branstad, Ex officio
Treasurer of State Maurice Barringer
Speaker Delwyn Stromer, Ex officio
Senator Calvin O. Hultman
Senator Jack Hester

Senator A. R. Kudart
Senator Arthur Small
Senator Berl Priebe
Representative Philip Davitt
Representative Raymond Lageschulte
Representative Tom Lind
Representative Wendell Pellett
Representative Joseph Welsh
Mr. Gerald D. Bair, Director of Revenue
Mr. Clayton Ringgenberg, Institute of Public Affairs, University
of Iowa

In addition, Senator Richard F. Drake and Representative Lester Menke participated as members of the program panel for the 1982 Midwestern Conference and on the Midwestern Conference Education Task Force, respectively.

MIDWESTERN CONFERENCE

The Midwestern Conference of the Council of State Governments was formally created in 1945. There are twelve-member states with a formal contact through each states' Commission on Interstate or Intergovernmental Cooperation. The eleven member states of the Midwestern Conference in addition to Iowa are: Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

As stipulated in the Conference Rules, "the purposes and objectives of the Conference are to foster and encourage intergovernmental cooperation in the Midwest through joint consideration of common problems, the interchange of information, sharing of knowledge and experience, and where desirable, a development of joint programs, to the end that state government may be strengthened and improved." Any topic of concern to state governments is within the purview of the Conference and its task forces. The Conference may take policy positions on these topics.

The Conference has an annual meeting which lasts for two and one-half days. In addition, there are various task forces meeting throughout the year to study and recommend solutions or policy positions on assigned problems or topics.

COMMITTEES AND TASK FORCES

Section 28B.3, 1983 Code of Iowa, provides for the utilization of committees:

"The commission shall establish such committees as it deems advisable, in order that they may confer and formulate proposals concerning respective means to secure intergovernmental harmony, and may perform such other functions for the commission in the obedience of its decision."

During the 1981-1982 biennium, the Midwestern Conference established six task forces to carry out its biennial planning and study program.

AGRICULTURAL TRANSPORTATION

Noting that the Midwestern farmer is at times faced with critical transportation problems, the Agricultural Transportation Task Force undertook a study to chart the general flow of agricultural products in the region at the present time as well as develop a forecast for the future. The Task Force worked in conjunction with the United States Department of Agriculture and staffs of the Midwestern states Departments of Agriculture. In addition a subcommittee was created to determine the possibility of working with the Southern Legislative Conference Agriculture Committee on a joint project.

BUSINESS DEVELOPMENT

The Business Development Task Force conducted a two-year study to identify actions that states may take to assist in returning the Midwest to a sound economy. Issues studied were: state business climates, aid to existing businesses and older cities, new business and product development, capital for business development, and innovative state programs for businesses. The Task Force focused on factors which produce good business climate, business tax incentives, the importance of infrastructure, and a review of those states with successful business climates.

EDUCATION

The Education Task Force studied the following four major areas: teacher preparation, certification and supply, monitoring of federal actions in the areas of block grants and the future of or successor to the United States Department of Education, a survey of the Midwestern states to determine the state level of support for school districts, and analysis of high school graduation requirements.

ENERGY

Realizing energy, cheap or otherwise, is not found in great abundance in most Midwestern states, the Energy Task Force began its study with an inventory of regional energy sources, traditional as well as alternative. The Task Force reviewed the various mechanisms which are used for financing energy projects including financing through the private sector and examined the role of state energy regulatory commissions.

LEGISLATIVE OVERSIGHT

After reviewing a two-year study on the current procedures, structure and financing of state court systems, the Legislative Oversight Task Force considered the specific issues of unified versus decentralized court systems, state versus local financing, judicial selection, personnel management, growth and information systems, and the development of court rules and procedures.

TAXATION

Because of financial constraints and competition among the states, the states are being forced to reexamine many of the tax exemptions and incentives to determine their effectiveness. The Taxation Task Force concentrated on the development of a catalog of various tax exemptions and incentives, an assessment of the impact of these programs on the state of origin and neighboring states, and a study of the impact of tax avoidance efforts by large multinational corporations.

COMMISSION ACTIVITIES

During the 1981-1982 biennium, the Iowa Interstate Cooperation Commission participated in one annual Midwestern Conference and in task force meetings which are held two or three times during each year.

The 1981 Annual Meeting of the Midwestern Conference of the Council of State Governments was held in Detroit, Michigan, August 13-16. Because of an Extraordinary Session of the Sixty-ninth General Assembly, the Iowa delegation did not attend the 1981 Annual Meeting.

The Conference adopted four substantive resolutions. The first called upon the federal government to insure that defense funds are spent equitably throughout the nation. The second called for a restructuring of the federal matching formula for Medicaid and Aid to Families with Dependent Children so that it recognizes a state's unemployment rate, tax effort, program efficiencies, caseload, cost of living, and per capita income. The resolution further called upon the General Accounting Office to consult with organizations such as the Council of State Governments when restructuring the formula. Thirdly, the Conference called for amending the Clean Air Act in regard to motor vehicle emissions in a manner to insure future standards adequately protect public health and welfare and are cost beneficial. Fourthly, the Conference urged that in the allocation of federal funds the importance of maintaining the nation's agricultural transportation system be considered and not just the states' population.

Conference panels and sessions focused on three major issues: The impact on the Midwest of the new federal fiscal policies and federalism, the economic future of the region and making the best use of its resources, and what some of the Midwestern states are doing in response to the current fiscal constraints.

On the subject of the impact of new federal fiscal policies, United States Senator Carl M. Levin, U.S. Senator from Michigan, pointed out that the cuts would have a disproportionate impact on the Midwest and the Northeast. This point was reinforced shortly thereafter by Professor Thomas Anton of the University of Michigan, who summarized his paper, "Federal Spending in the North Central States: Retrospect and Prospect." Among those who presented a discussion of the federal budget was Dr. Raymond C. Scheppach of the Congressional Budget Office who explained the relationship of the nation's economic health to the President's budget assumptions

and what the impact of different economic scenerios would be. Two members of the Administration, Ms. Winnifred Austermann from the Office of Management and Budget and Mr. Alan F. Holmer, Deputy Assistant to the President for Intergovernmental Affairs, responded to the issue of the fiscal impact on the Midwestern states. Ms. Austermann reported on the reconciliation process and the block grants, while Mr. Holmer conveyed the Administration's desire to work with the states in promoting the new federalism.

The plenary session on the use of the Midwest's resources for economic growth consisted of two panels. The first focused on the region's natural resources; its water, its land, and its people. Mr. James Fish, Executive Director, Great Lakes Commission, outlined the increasing urgency of the nation's water problems, while Ms. Leora Day from the U.S. Department of Agriculture conveyed the Administration's desire to help protect the nation's farmland. Finally, Dr. Ray Thelwell of the National Association for the Advancement of Colored People expressed his view that the states must consider the impact on its human resources as it plans to deal with fiscal constraints.

The second panel which dealt with "Manufacturing and the Auto Industry" consisted of representatives from both the industry and government addressing the problem of the viability of an important industry and the problem of interregional and interstate competition for industry. The final plenary session had representatives of South Dakota, Illinois, and Minnesota report on how their states are dealing with fiscal constraints.

In addition to the plenary sessions, each of the Conference's six Task Forces, Agricultural Transportation, Business Development, Education, Energy, Legislative Oversight, and Taxation, held meetings and developed biennial work plans.

The 1982 Annual Meeting of the Midwestern Conference of the Council of State Governments was held in Oconomowoc, Wisconsin, on July 11-14.

Noted speakers addressing the Conference were Ms. Julia Walsh, investment firm chairwoman, stock exchange official, and Wall Street Week panelist; Mr. Paul Duke, veteran political analyst and moderator of Washington Week in Review; and Mr. Carl Rowan, syndicated columnist, commentator, and editor.

Two of the resolutions adopted at the Conference were water-related. One called for the states in the region to strive for water management and conservation. The second resolution called for a moratorium on new water diversions from the Great Lakes for use outside the basin area until a thorough assessment can be made of the impact and that any diversion should be with the concurrence of the Great Lakes states, the Canadian provinces, the U.S. government, and the federal government of Canada. Other resolutions called for a nuclear weapons freeze and reduction, and the development of an adequate farm-to-market road system.

The 1982 Conference panel discussions centered around the topics of "Who Owns the Water?", Federalism and Fiscal Management, and What Can Be Done About Infrastructure?

On the topic of "Who Owns the Water?", Ms. Karen Langland, Senior Policy Analyst, Nebraska Governor's Office, stated that Nebraska believes it owns at least a share of the water, but a recent U.S. Supreme Court decision (Sporhase and Moss vs. Nebraska, 50 U.S. Law Week 5115, July 2, 1982) changed that belief. Under the facts of the suit, Sporhase and Moss own land in both Nebraska and Colorado. Colorado would not give them a permit to irrigate their Colorado land so they decided to sink a well on their Nebraska land to do the job. The drilling of a well in Nebraska requires a permit from the Nebraska Department of Water Resources if the following conditions are met: It must be in interest of water conservation; it must be in the public interest; and there must be reciprocity with the state receiving the water. The Nebraska Department of Water Resources denied Sporhase and Moss the right to transfer water from Nebraska to Colorado because Colorado does not have a reciprocity. The Nebraska courts agreed, but the United States Supreme Court ruled that water in this case is an article of commerce and a state cannot "own" its water. This decision was based on the fact that 80 percent of the water goes into irrigated agriculture and all of those agricultural commodities are involved in the chain of commerce, crossing state lines. The Court also stated that it is not necessary for Colorado to have enacted a law of reciprocity because Nebraska cannot require it. There is no reasonable relationship between the reciprocity clause in the Nebraska law and the conservation of water.

Mr. Warren R. Neufeld, Secretary of Water and Natural Resources, South Dakota, explained the proposed sale of Missouri River water to the Energy Transportation Systems, Inc. He stated that the proposed sale of water from the Oahe Reservoir is an alternative to the use of western South Dakota and Montana groundwater for the coal slurri pipeline operation. He added that South Dakota would received \$9 million a year for the sale of water and the ETSI also agreed to let to western South Dakota communities with poor water supplies to tap into the pipeline system.

According to Mr. Neufeld it would take 17 ETSI's projects to cause any measurable difference in the water level in the Oahe Reservoir and it would take a million acre foot withdrawal to measure the difference in the flow of water at the mouth of the Missouri River in Missouri. He added that South Dakota does not agree with downstream states that there should be some multilateral approval of transfers of water from the Missouri River reservoirs. He added that South Dakota believes that the Missouri River water should be apportioned and a decision reached on what each state's share should be. However, the use of the water by each state should be its own decision.

Professor James MacDonald, University of Wisconsin Law School, stated that the law has not decided who owns water and probably never will. He stated that the question is who has authority over the water. He stated that the Great Lakes states probably do not have the authority to export water without the approval of the federal government and an amendment to the Boundary Water Treaty of 1909. He also stated that he believes that the federal government has the authority to allocate water if legislation is adopted by

Congress. He stated that Congress can also adopt legislation prohibiting diversions.

A second topic of discussion at the 1982 Midwestern Conference was Federalism and Fiscal Management.

Wisconsin Assembly Majority Leader Tom Loftus told attendees at the 1982 annual meeting that Wisconsin has taken a course of least resistance in coping with federal financial reductions. The state has used accounting methods such as moving payments from one biennium to the next, raising user fees, cutting state operations, raising "sin" taxes such as cigarette taxes, and increasing the sales tax from four percent to five percent. Representative Loftus also stated that he believes that Wisconsin has failed to make decisions about which services are fundamental and which tax expenditures are most essential. He also stated that there needs to be additional discussion on what responsibilities are national in scope and what responsibilities should be retained by the state.

The second panelist on Federalism and Fiscal Management was Senator Roger Moe, Majority Leader, Minnesota. Senator Moe stated that Minnesota's financial problems result from federal cutbacks, bad revenue projections and estimates, the general economic scene including agricultural reductions, and property tax relief and indexation of personal income taxes. He added that Minnesota is coping by raising user fees, cutting expenditures, temporary tax increases, and accounting maneuvers.

Senator Moe defined New Federalism as containing the following three elements:

1. Consolidation of programs in the form of block grants and shifting responsibilities from federal to state governments.
2. A reduction in red tape in the federal bureaucracy.
3. The federal government ceasing to raise certain types of taxes which will allow states to use these taxes as revenue sources.

Senator Moe commented that unfortunately all that has been accomplished in implementing the New Federalism is to turn welfare programs back to states which will result in the lowest possible benefit level structure.

Senator Richard F. Drake of Iowa pointed out that sixty percent of the federal budget is entitlement programs, twenty percent is defense, and ten percent is federal debt service. He added that the remaining ten percent is the only part of the federal government's budget over which any reasonable control can be exercised by the Congress.

Senator Drake continued that to cope with current fiscal problems in the state of Iowa, the legislature has reduced its increased aid to school districts by \$41,000,000 and the governor has had to implement a 4.6 percent across the board reduction in state expenditures. Senator Drake added that one of the biggest

problems he sees is that legislators are reluctant to take time to review government problems to see if money is really being spent wisely.

In conclusion, Mr. Bill Kelly, Director, Fiscal Affairs for the National Conference of State Legislatures, noted that the New Federalism would be easier to manage if it did not come at a time when the economy is in general disarray. He stated that 48 of the 50 states must have balanced budgets and that approximately 40 of the states are now facing budget crises of varying magnitudes.

A third panel discussion relating to the infrastructure of states was conducted by Senator Fred Kerr, Kansas; Mr. William D. Markle, Markle and Associates; and Dr. James deBettencourt, University of Illinois at Chicago Circle. During the discussion, they stated that 20 to 60 billion dollars will be needed in the 1980's for each state to keep up with the reconstruction of roads, sewers, sidewalks, jails, and other public works.

Noting that adequate infrastructure is necessary for economic development, the panel made the following suggestions for state and local governments to consider:

1. Assess the current conditions of infrastructure.
2. Conduct infrastructure capacity studies and base expansion or new investment decisions on demonstrated requirements for additional regional capacity.
3. Encourage local governments to adopt lower but uniform minimum standards for construction, undertake joint bonding for infrastructure, and merge governmental functions where possible.
4. Require life-cycle cost analysis for new construction.
5. Let some maintenance be assumed by local chambers of commerce, large private corporations, development or neighborhood groups.
6. Make service beneficiaries pay the cost of services.
7. Conduct performance audits to determine if services can be provided with less staff or in more efficient ways. If most major new highway construction is done, reduce the number of state highway engineers and contract for engineering services as needed.
8. Change engineering or public work standards.