

REPORT OF THE LEGISLATIVE FISCAL COMMITTEE
TO THE
LEGISLATIVE COUNCIL

June 9, 1988

The Legislative Fiscal Committee met at 10:00 A.M., June 9, 1988, in Room 24 of the State Capitol Building with Chairperson Tom Jochum presiding.

The Committee reviewed and made the following recommendations on the Appropriations Subcommittee Visitation Oversight Requests:

Transportation and Law Enforcement: Denied, asked request be reworked and resubmitted.

Administration: Denied

Education: Denied, and asked Subcommittee to consider Phase III of the Education Excellence program.

Justice: Directed Subcommittee to prioritize capital needs, identify other needs and type of beds needed (minimum and medium security).

Human Services: Denied, asked request be reworked and resubmitted.

Health and Human Rights: Requested revision of request to include just statutory members for three days, meeting late in the 1988 interim, and request could be considered at next meeting.

Economic Development: Denied request because of interim study on subject.

Larry Wilson, Director, Department of Natural Resources, appeared before the Committee to discuss the development of Brushy Creek and was given a list of questions for his response.

A three member subcommittee was appointed to review the mandated studies and studies referred to the Fiscal Committee by the Studies Committee of the Council.

The Department of Human Services presented a report on the Mandated Studies. A copy of these reports are on file in the Fiscal Bureau.

Pat Cavanaugh, Director, Department of Management, presented an update on FY '88 reversions, FY '88 projected ending balance, and the FY '89 appropriations and revenue projection. Mr. Cavanaugh was requested to prepare a salary adjustment distribution report month by month.

The Committee also requested that Mr. Cavanaugh submit a financial statement for state government listing all current assets and liabilities according to GAAP and an itemized listing of all outstanding indebtedness for all state agencies by October 1, 1988.

Senator Holden presented an amendment to S.F. 2341 which he had introduced last session. A copy of this amendment is attached for presentation to the Council.

A subcommittee was named to study capital expenditures on an on-going basis and the feasibility of developing a separate legislative capital expenditures committee. The five members appointed were: Senator Welsh, Chair, Senator Holden, Representative Jochum, Representative Doderer and Representative Schnekloth.

Pat Cavanaugh, appearing as a representative of the Governor's Office on the "Bill of Rights," stated they are working with DHS to pursue enhancement of MH/MR/DD services. Chairperson Jochum announced that the names of Arthur Hedberg and Senator Bruner will be submitted to the Governor for his approval as two of the nine members of the Enhanced MH/Mr/DD Services Plan Oversight Committee, pursuant to H.F. 2447, Sec. 14.

675b

NOTE: The amendment to SF 2341 on the following page is an attachment to this report.

Approved for introduction
SENATE LEGAL COUNSEL

SENATE FILE 2341

1 Amend Senate File 2341 as follows:

2 1. Page 3, by inserting after line 7 the
3 following:

4 "Sec. ____ Section 8.35A, Code 1987, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 5. The director of the department
7 of management shall prepare and submit to the
8 legislative fiscal committee by October 1, ~~of each year 1988~~
9 all of the following:

10 a. A financial statement for state government
11 listing all current assets and liabilities according
12 to generally accepted accounting principles.

13 b. An itemized listing of all outstanding bonded
14 indebtedness for all state agencies."

15 2. By renumbering as necessary.

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Edgar H. Holden

EDGAR H. HOLDEN

George R. Kenley

Julia Gentleman

John Jensen

E. S. Schwengel

Paul Cook

Wilhelm Perich

Jack M. Deiter

Richard W. ...

Lew Holt

Richard ...

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Ray Taylor

Joseph ...

William W. Diebman

Till ...

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Don ...

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James Wells

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REPORT OF THE
STUDIES COMMITTEE OF THE LEGISLATIVE COUNCIL

JULY 13, 1988

The Studies Committee of the Legislative Council met on July 13, 1988, and makes the following recommendations:

1. That the Compulsory School Attendance Interim Study Committee be approved for two additional Senate members and two additional House members.
2. That the Rail Line Assistance Interim Study Committee be approved for two additional Senate members and two additional House members.
3. That the Juvenile Justice Advisory Committee be approved for four meeting days.
4. That action on the proposed interim study guidelines be deferred until the next meeting of the Council.
5. That the members proposed for the independent transportation-related studies be accepted.
6. That the proposed Fiscal Committee visitation requests be approved as distributed except for the additional legislative members contained in item #4.
7. That the proposed Fiscal Committee studies to be performed by the Legislative Fiscal Bureau be approved.

The Studies Committee received the following reports:

1. The independent transportation-related studies.
2. An update on interim study appointments and announced the following appointments to the membership of the Higher Education Task Force:

Edgar H. Bittle, Des Moines
Roxanne Conlin, Des Moines
Susan Clouser, Coon Rapids
Judy McCoy, Dubuque
Harry Slife, Cedar Falls
Arthur Neu, Carroll
(one appointment remains to be made)

3. The Education Foundation ad-hoc committee of the Legislative Council will be meeting on July 20, 1988.

Respectfully submitted,

Senator Bill Hutchins,
Chairperson



DENNIS C. PROUTY
DIRECTOR
515/281-5279

STATE CAPITOL
DES MOINES, IOWA
50319

STATE OF IOWA
LEGISLATIVE FISCAL BUREAU

MEMORANDUM

TO: Members of the Legislative Council
FROM: Dennis C. Prouty *DJP*
DATE: July 13, 1988 (680b)
RE: Proposed changes to the Code of Iowa necessary
to improve the budget and appropriations process.

Last interim, legislative leadership requested that alternatives be developed to improve the budget and appropriations process. Several alternatives were developed, ranging from modifications to the current process to the actual development of a legislative budget. Members of joint leadership chose to modify the current system, while maintaining the future capability of developing a legislative budget.

In a document distributed to all members of the General Assembly in September, 1987, the Fiscal Bureau outlined the procedural changes, enforcement of current statutory requirements and recommended changes to the Code of Iowa necessary to enhance and improve the current budget and appropriations process.

During the past legislative session, many of the procedural changes, enforcement of current statutory requirements, and increased legislative oversight activities were effected. The recommended Code changes were not implemented. In light of the procedural changes and the increased oversight activities which were implemented this past session, I have reviewed my earlier recommended Code changes, and made some necessary modifications and additions.

The following pages outline these proposed Code changes which I submit for your consideration during the 1989 legislative session.

- o Current Code language states that, commencing September 1, the director of the Department of Management (DOM) shall provide weekly budget tapes to the Legislative Fiscal Bureau (LFB) reflecting finalized agency budget requests for the following fiscal year as submitted to the Governor. The proposed Code change is to strike the word "finalized" from this requirement.

Benefit to legislators: The Department of Management will not transmit an agency request until the agency has "signed off" on or approved, the request. Often this does not occur until shortly before the November 15 deadline when all agency requests are to be in final form and transmitted by tape to the LFB. This Code change would enable the LFB to begin analyzing the agency requests at an earlier date in the budget process, and allow legislators and staff to become more informed about the agency requests and issues prior to session.

Code Section affected: Chapter 8.35A(2)

- o Require the final computer tape containing all department requests be transmitted to the LFB by November 1 (current Code date is November 15). In addition, as part of the enforcement of Chapters 8.23 and 8.40, require the Department of Management to submit the previous year's appropriation level as the budget request for those agencies which fail to meet the September 1 deadline. The Governor should also be required to submit the previous year's appropriation (or less) for those agencies which fail to "finalize" their budgets by the November 1 deadline. The director of the Department of Management should also be prohibited from changing any of the "historical" data or the department requests after the November 1 deadline.

Benefit to legislators:

1. Advancing this date by two weeks will allow the LFB staff to prepare an in-depth analysis during the month of November for distribution to legislators in mid-December.
2. Enforcing the September 1 date (Chapter 8.23, Code of Iowa), by requiring the DOM to submit the previous year's appropriation level as the budget request for agencies failing to meet the deadline would ensure that the LFB analysis is based on accurate data and encourage the agencies to submit their requests to the Department of Management in a timely manner.

3. Enforcing the November 1 date by requiring the Governor to recommend the previous year's appropriation or less for those agencies which fail to meet the deadline and prohibiting the change of any historical data or department requests after the November 1 deadline would also ensure that the LFB analysis is based on accurate data. Last fall, the LFB staff began their analysis of the department requests using the November 16 budget tape. Subsequent tapes received from the Department of Management contained changes in the FY 1987 actual appropriation column, the estimated FY 1988 column, as well as changes in the departments' requests. These changes amounted to several million dollars and affected numerous agencies.

Code Sections affected: Chapter 8.23 and 8.35A(2)

- o Require that the Revenue Estimating Conference prepare an estimate by December 1 (current date is December 15) of each year for the current fiscal year and for the fiscal year beginning the following July 1. Other proposed changes to Chapter 8.22A include: requiring that the third member of the Conference be from outside state government, and that member shall be reimbursed for their actual expenses incurred in the performance of their duties and may be eligible to receive per diem as provided in Chapter 7E.6.

Benefit to legislators: Changing the date of the December conference would enable leadership to begin considering legislative revenue and spending priorities in December and establish revenue and spending limits for each appropriations subcommittee and Ways & Means committees by February 15.

The other changes would ensure that the third member is from outside state government and independent of the Executive and Legislative branches. Providing per diem and expenses would treat the non-state employee member of the Conference like other state board and commission members.

Code Section affected: Chapter 8.22A

- o Require the Department of Management to prepare a public budget containing DOM recommendations by December 1.

Benefit to legislators: Chapter 8.25 requires DOM to prepare a "tentative budget" containing DOM's appropriation recommendations to the Governor. This change would require

that this "tentative budget" be made public and departments could then respond to this recommended budget in the Governor's public hearings, rather than merely presenting a recap of their budget request.

Code Section affected: Chapter 8.25

- o Require that the final computer tape containing the Governor's Recommendations and final agency requests be transmitted to the LFB by January 1. (Current Code requirement is January 1 or no later than the Governor's budget document is delivered to the printer).

Benefit to legislators: The Governor's budget book is usually not delivered to the printer until one week before the Governor's budget message to the General Assembly, which is generally in mid-January. Changing this date would assure the LFB adequate time preparing an analysis of the Governor's budget and make this analysis available to legislators within one week of the Governor's budget address. The analysis would include an explanation of projected revenues and an explanation of differences between the current year's appropriation, the department request, and the Governor's recommendation.

Code Section affected: Chapter 8.35A (2)

- o Require that the director of the Department of Management provide the following additional information to the LFB:
 1. By July 1, the monthly planned expenditures for each appropriation, for the fiscal year, in the form and level of detail requested by the bureau. Chapter 8.35A(1) should also be changed to require that the LFB receive by the 15th of each month, updates regarding changes to the monthly planned expenditures and that any changes be explained in writing by the director of the Department of Management.
 2. By July 1, the projected full time equivalent (FTE) position level for each appropriation for the fiscal year, in the form and level of detail requested by the bureau. DOM should also provide monthly updates on personnel utilization; the actual and projected versus budget personnel services expenditures and FTE positions.
 3. Current law requires the director to transmit the total record of an appropriation, including reversions and transfers for the prior fiscal year ending June 30, to the LFB. The Code should be

changed to include the actual FTE position level for the prior fiscal year in this report.

Benefit to legislators:

1. Currently, DOM does provide the monthly planned expenditures to the LFB. This change would be codifying current practice. Requiring DOM to provide monthly updates regarding changes in the planned expenditures would enhance the LFB's expenditure oversight activities
2. DOM does not currently provide the FTE data to the LFB. This Code change would enable the LFB to track FTE positions throughout the fiscal year and examine the actual expenditures for personnel services compared to the budgeted level of expenditures. This information would aid the LFB in answering questions such as: a) Is the department actually filling all of the authorized FTE positions; b) How long are positions being held vacant; and c) Are budgeted salary dollars being used for salaries? This is what has been termed "FTE tracking" and is an important oversight function.

Code Section affected: Chapter 8.35A(1)

- o Require that the LFB be notified at the same time the appropriations chairpersons are notified of an appropriation transfer and also require that the LFB receive the monthly report of all Chapter 8.39 transfers. Currently, DOM must notify the chairperson of the appropriations committees and the chairpersons of the appropriation subcommittee of the proposed transfers. DOM also makes a monthly report of all transfers to the Fiscal Committee.

Benefit to legislators: The director of the Department of Management does notify the director of the LFB of appropriation transfers made under Chapter 8.39A. This change would codify current practice and ensure legislative review of appropriation transfers prior to their occurrence. The General Assembly should also consider limiting transfer authority and at the very minimum, the Fiscal Committee should require a sufficient explanation as to why the transfer is required and why the source of the transferred funds has funds available for the transfer. Other methods of limiting transfer authority could include:

1. Eliminate Chapter 8.39, which allows interdepartmental and intradepartmental appropriation transfers. The General Assembly could approve a bill dealing with necessary transfers during the

legislative session. A 1983 survey by NCSL shows that the majority of states do not allow appropriation transfers between departments, and a number of states allow only limited transfers between programs within a department.

2. Require the approval of a legislative committee (such as the Fiscal Committee) prior to the transfer of any funds.
3. Allow subcommittee chairpersons, appropriations committee members or Fiscal Committee members to protest proposed transfers and delay the transfer process until the Fiscal Committee has had a chance to review it.

Limiting transfer authority will ultimately strengthen the legislative oversight function and help answer the question: Are funds being spent as they were intended to be spent by the Legislature?

Code Section affected: Chapter 8.39

- o Require the Department of Management to provide the LFB with copies of approved or modified allotments of State funds.

Benefit to legislators: Currently, requisitions for allotments of appropriations are approved by the director of the Department of Management subject to review by the Governor. This Code change would enhance the budget oversight activities of the LFB, and assist members of the General Assembly in determining if appropriated funds are spent as intended.

Code Section affected: Chapter 8.31

- o Require that when an official report is required by law to be submitted to the General Assembly or its members, the report shall be accompanied by a cover letter citing the relevant statutory provisions and be submitted to the following:

1. The Lieutenant Governor and the Speaker of the House.
2. House and Senate majority and minority leaders.
3. The Secretary of the Senate and the Chief Clerk of the House.
4. The directors of the Legislative Fiscal Bureau and the Legislative Service Bureau.

Benefit to legislators: This Code change would enhance legislative oversight activities by providing for

distribution of mandated reports to legislators and staff.

Code Section affected: Chapter 17.11 (new section)

o Technical Code changes:

1. In Chapter 8.35A(3), require that the director of the Department of Revenue and Finance as well as the director of the Department of Management communicate any changes or anticipated changes to the budgeting system or the accounting system in writing to the LFB prior to implementation.

Rationale: As a result of state government reorganization, the Department of Revenue and Finance is responsible for the state accounting system.

2. In Chapter 8.40, the reference to the state comptroller should be changed to the director of the Department of Management.

Rationale: There is no longer a state comptroller. Most of the functions of that position have been assumed by the director of the department of Management.

Proposed procedure changes:

The following changes are proposed procedure changes which I recommend the House and Senate Rules Committees consider:

- o Restrict conference committees from adding new items or deleting items in the bill which have already been agreed upon by both chambers. Some possible methods of restricting conference committees include:
 1. If new items are introduced, require a two thirds vote of the conference committee to approve the addition. The same requirement could apply if a conference committee would want to delete an item already approved by both chambers.
 2. Allow conference committees to pass out an appropriation bill and a statutory bill.

Benefit to legislators: Such a procedure change would help maintain the integrity of decisions made during the legislative appropriations process.

- o Rules discouraging the mandating of studies and evaluations in appropriation bills.

Benefit to legislators: Requests for studies should be presented to the Legislative Council. The Council is charged with reviewing study proposals and allocating staff resources to the approved studies.

Procedural changes implemented during 1988 session

The following procedural changes were implemented during the 1988 session in an effort to improve the budget and appropriations process. These changes should be continued.

1. Continued enforcement of Chapters 8.23 and 8.40 regarding the dates that department budgets are to be submitted to the Department of Management.
2. Mid-December meeting of appropriations subcommittee chairpersons, ranking members and LFB staff.
3. Spending targets established and communicated by leadership by mid-February.
4. "Appropriation Funnel", including one bill per appropriations subcommittee. However, do not implement the funnel at the same time as the regular bill funnel.
5. Highlighting statutory language in appropriation bills (noted in LFB bill summaries).
6. Enrolled appropriation bills sent to the Governor prior to the end of session.
7. Utilize visitation committees and expand the Fiscal Committee's function.