

FINAL REPORT

**LOCAL INFRASTRUCTURE NEEDS
STUDY COMMITTEE**

Presented to the Legislative Council
and the Iowa General Assembly
February 1997

Prepared by the Legislative Service Bureau



Legislative
Service
Bureau

FINAL REPORT

LOCAL INFRASTRUCTURE NEEDS STUDY COMMITTEE

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MEMBERS

Senator Larry Murphy,
Co-chairperson

Senator Steven Hansen

Senator John Jensen

Senator Jim Lind

Senator Albert Sorensen

Representative Barry Brauns,
Co-chairperson

Representative Chuck Gipp

Representative Donna Barry

Representative Deo Koenigs

Representative Steve Warnstadt

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AUTHORIZATION AND APPOINTMENT

The Local Infrastructure Needs Interim Committee was created by the Legislative Council. The charge of the Study Committee was as follows:

Study the issue of local infrastructure and associated bonding and state financial assistance needs. Assess the status of local infrastructure and the resources which local governments have available to assist in providing for long-term infrastructure needs, including a study of the approval requirements for local bond referenda. Include recommendations for a system of prioritization or other processes for selection of projects.

The Study Committee was granted two meeting days. The meetings were held on November 26 and December 17.



Local Infrastructure Needs Study Committee

1. Committee Proceedings.

a. November 26, 1996, Meeting:

Overview. At its first meeting, the Committee heard testimony from a variety of private and public interests associated with the issue of public infrastructure.

State Infrastructure Funding. Mr. David Reynolds, Legislative Fiscal Bureau, made a presentation on the state's efforts pertaining to infrastructure, including establishment of the Rebuild Iowa Infrastructure Fund, and recent state appropriations for infrastructure.

Councils of Governments. Mr. Tim Ostroski of the Southern Iowa Council of Governments (SICOG) made a presentation on the efforts of SICOG and other councils of governments to assist local governments in financing infrastructure projects. He cited a program established by SICOG, which, in partnership with federal agencies and local lenders, provides infrastructure financing assistance to local governments.

City Needs. Mayor Ann Hutchinson spoke on the difficulties encountered by many Iowa communities which are faced with a growing need for infrastructure construction, repair, and replacement. She noted that cities have been able to make some gains on needed infrastructure improvements through the use of general obligation bonds, lease purchase and loan agreements, and local option sales tax proceeds.

Builders and Contractors. Ms. Lori Elliott of Associated Builders and Contractors also made a presentation to the Committee. Associated Builders and Contractors is a national construction management association which represents over 19,000 construction and construction-related firms. Associated Builders and Contractors is involved primarily in training and, on the local level, advocacy. Associated Builders and Contractors works closely with the Rebuild Iowa Coalition which supports reducing Iowa's bond referendum super majority requirement of 60 percent to a simple majority.

Master Builders of Iowa. Mr. Scott Norvell and Mr. James Obradovich of Master Builders of Iowa informed the Committee that for every additional \$1 million spent on infrastructure in Iowa, 36.7 jobs in Iowa are created. They suggested that the state make available local infrastructure grants and loans and that the General Assembly reform the current bond referendum requirements.

Bond Counsel. Mr. Ken Haynie, a partner in the Ahlers Law Firm of Des Moines, spoke about bond financing by local governments. Mr. Haynie stated that the state needs to inject more rationality and symmetry into the property tax system because that is the primary source of infrastructure funding for local governments. He also stated that local governments need a source of revenue other than property tax, such as the local option sales tax, which they can utilize to finance infrastructure.

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b. December 17, 1996, Meeting:

Infrastructure Study. Dr. James Rowings, College of Engineering, Iowa State University, discussed the results of a statewide public infrastructure study which was conducted on behalf of the Iowa General Assembly in 1995.

Auditor of State. The Honorable Richard Johnson, Auditor of State, proposed that an Iowa Foundation Plan for School Infrastructure be developed to bring the needs of local school facilities into condition for the technological challenges of the next century.

School Boards. Ms. Susan Donovan, Director of Government Relations, Iowa Association of Schools Boards, presented the association's recommendation that would allow school bond issues to be passed by a simple majority of the district voters and authorize the local school board to levy a combination of property taxes and income surtaxes to repay the indebtedness. The association also supports legislation which would include local governments, Area Education Associations, and community colleges in state infrastructure funding.

State Fire Marshal. Mr. Roy Marshall, State Fire Marshal and State Building Code Commissioner, reported that approximately 10 percent of the K-12 school buildings have serious fire safety deficiencies. He noted also that approximately 10 percent of the K-12 buildings have inadequate electrical systems which will not accommodate the installation of new technologies.

Governor's Committee. Mr. Edgar Hansell, Nyemaster Law Firm and Ms. Janet Phipps, Director, Department of General Services, Co-chairpersons, Infrastructure Subcommittee of the Governor's Committee on Government Spending Reform, discussed the recommendations of the Governor's Committee regarding state infrastructure. The recommendations included refining the definitions relating to infrastructure as provided in the Iowa Code, establishing a Rebuild Iowa Infrastructure Board to oversee the repair and renovation process, establishing a capital asset management program, and providing separate funding for routine and preventive maintenance, emergency repair and maintenance, repair and replacement, renovation, and new construction.

County Views. Ms. Cris Plocher, Iowa Association of Counties, and Mr. Harry Graves, Executive Director, Buchanan County Conservation Board, urged that a state infrastructure financing program be developed to assist local capital projects. Mr. Graves noted that there are a number of county recreational facilities with structures such as low-head dams which cannot be realistically repaired or replaced with available county financial resources.

Iowa Finance Authority. Mr. Ted Chapler, Executive Director, Iowa Finance Authority, presented several financing methods which could be used to support infrastructure projects by school districts or other local governmental agencies. These methods included a revolving fund, a bond principal write down option, and a local government credit enhancement option.



Local Infrastructure Needs Study Committee

2. Recommendations.

During discussion, it was the consensus of the Study Committee that its recommendations should follow the direction established in the 1996 Rebuild Iowa Infrastructure Fund legislation. The Study Committee adopted the following recommendations:

a. That the definitions relating to the Rebuild Iowa Infrastructure Fund legislation should be amended to reflect the recommendations of the Governor's Committee on Government Spending Reform (Section 8.57, subsection 5, paragraph c, Code of Iowa). The terms include: vertical infrastructure, horizontal infrastructure, emergency repair and replacement, operations, routine maintenance, preventive maintenance, repair and replacement, deferred maintenance, new construction, and renovation.

b. The Rebuild Iowa Infrastructure Fund should have a continuing source of funding.

c. The Rebuild Iowa Infrastructure Fund should receive all gambling revenue exceeding the first \$60 million annually and all interest transfers from reserve funds. The tax rate on the gross receipt of gambling revenue from racetrack casinos and excursion boat casinos should be increased to 36 percent of the adjusted gross receipts above the first \$3 million. The proceeds of the fund should be used to support both state and local infrastructure projects.

d. A local government infrastructure revolving fund should be established with an appropriation of \$100 million from the State General Fund to provide supplemental funding for local government infrastructure projects. The fund should be administered by the State Capitol Planning Commission with expanded membership.

e. An appropriation of \$20 million annually from the State General Fund from any revenue above the first \$40 million of gambling revenue to fund a one percent allowable growth in the school aid foundation which shall be credited to the schoolhouse fund of each K-12 public school district.

f. The deficiencies identified in a report of the State Fire Marshal to the board of directors of a K-12 school district shall be included in the minutes of the meeting at which the report was received.

g. The General Assembly should provide for an update of the statewide infrastructure studies which have been completed.

3. Written Materials on File with the Legislative Service Bureau.

a. Iowa Legislative Fiscal Bureau - Issue Review, Rebuild Iowa Infrastructure Fund.

b. Associated Builders and Contractors of Iowa - Summary of Testimony.

c. Iowa League of Cities - Summary of Testimony.

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- d. Master Builders of Iowa - Packet of Information, including a description of Master Builders of Iowa, Inc.; a list of members of the Rebuild Iowa Coalition; Iowa's vertical infrastructure; an inventory of construction needs, by Professor James Rowings, Iowa State University; and an article from the September 26, 1995, issue of FW Magazine entitled "State of the States 1995."
- e. Auditor of State Richard Johnson - Summary of Testimony.
- f. Iowa Association of School Boards - Summary of Testimony.
- g. "Infrastructure" portion of Final Report of Governor's Committee on Government Spending Reform.
- h. Iowa State Association of Counties - Summary of Testimony.
- i. Fontana Dam Case Study by Mr. Harry Graves.
- j. Mr. Ted Chapler - Summary of Testimony.

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