

Sweeney from the Statehouse 2-25-10

I would like to follow up on last week's topic discussing a balanced budget. As you know Governor Culver presented his budget to the legislative appropriation subcommittees. After review, State Auditor Vaudt said that the budget violated Iowa's constitution by spending more than 99% of state revenue. To follow up on his review, the Auditor sent a letter to Attorney General Miller to put him on notice of an impending budgetary problem.

One of the first steps in this process is for the Majority Party to decide how much each budget subcommittee can spend. On February 17, the Majority Party's targets came out, but we were only given part of the plan. Each of the seven budget subcommittees got its number, but those numbers only total up to \$2.5 billion. The state is expected to spend over \$5 billion next year. So if this was a class project, the majority party would be given an incomplete for their work so far. It seems we are putting the "cart before the horse" if we put together a budget without knowing how much money we really have to work with. That is why it is important for Iowans to understand where all of their tax dollars are going to be spent, not just some of them.

Showing the full budget lets everyone evaluate the choices facing our state. The Governor and Majority leadership have pledged not to raise the state taxes you pay. While they might keep that promise, they continue to say nothing about your property taxes. That should keep everyone on edge. By not taking a stand against property tax increases, it is very possible that the Legislature may shove some of the cost of government onto your property tax bill.

Not all of the details have been released concerning the budget, but the following facts are known.

- The Majority Party claim they are funding K-12 at the level requested by Governor Culver, which is \$170 million short of fully-funding 2 percent allowable growth and will have to be made up by the property taxpayers.
- The FY 2010 budget included \$692 million of one-time money (stimulus funds) used to cover FY 2010 general fund expenditures. We have no idea how much of the Cash Reserve Fund will be used to fund general fund expenditures in FY 2011.
- The target for HHS is \$173 million below adjusted FY 2010. Representative Oldson, House Appropriation chair, admitted that they will underfund Medicaid in order to achieve this reduction. Since Medicaid is an entitlement, that means a supplemental will be needed next January.

Combined corporate reporting has been suggested to bring in revenue to help deal with the budgetary problems. Most large multi-state corporations are comprised of a "parent" corporation and a number of subsidiary corporations owned by the parent. Combined reporting essentially treats the parent and subsidiaries as one—their incomes are combined, and the state then taxes a share of that combined income. Critics say that

adopting this practice would discourage businesses from locating here. Choosing this could make it very hard to bring jobs to Iowa.

Guests this week: Rick Brockmeyer from Eldora and his ABATE group, April Hemmes a fellow farmer from Hampton, Ingvert Appel, Eldora; Kurt & Arliss Kelsey, Iowa Falls; Don Orgel, Eldora; Joe Bonewitz, Ackley; Karen Antle, Melbourne; and a very special guest Hanna Reifschneider from Hubbard who job shadowed me. We had a great time! I think her highlight was going to the top of the Golden Dome.

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