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## **Talking Points for the Governor's Budget**

- Under the Iowa Constitution, the Governor proposes a budget and the Legislature approves a budget. The release of the Governor's proposal is a starting point for the development of House Republican budget targets.
- When the FY 2011 budget is adjusted for all general fund expenditures, it spends \$6.3 billion. The Governor's recommendation for FY 2012 is just over \$6.1 billion, or a decrease of \$185 million compared to adjusted FY 2011.
- The Governor promised to cut the budget and create jobs. His budget request does both as most agencies are cut by 6 percent and he proposes to reduce the corporate income tax and reduce commercial property taxes.
- This is the first budget proposal in five years to align ongoing revenue with ongoing spending and it does it in the first year (FY 2012).
- In addition to the supplemental appropriations for indigent defense and mental health in HF 45, the Governor proposes \$21 million of supplemental appropriations to backfill health and public safety cuts that were part of Culver's \$84 million in cuts.
- The Governor recommends changing the corporate income tax from a graduated system of 6%, 9% and 12% to a flat 6% rate. This reduces corporate income tax revenue by roughly \$200 million per year once it is fully implemented.
- In order to replace the revenue lost by reducing the corporate income tax, the Governor increases the tax on casino profits from the current rate of 22 percent to 36 percent. This generates \$200 million per year in new revenue.
- The Governor proposes that new corporate property be taxed at 60% of value and existing corporate property be reduced to 60% (from the current 100%) over the next 5 years. He proposes making up one-half of the \$500 million reduction in revenue and local governments will be forced to make up the other half.
- The Governor does not propose any funding for the Culver salary increases. The agencies must give the raises (15 percent over 2 years) but they have to fund the raises within the money they are appropriated for operations.