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Initial Review of Governor's FY 2011 Budget

Does the Governor's Budget Spend Less than the State Takes in?

No. In addition to general fund appropriations of \$5.32 billion, the Governor uses \$387 million in one-time money to increase spending:

- \$207.5 million from the Cash Reserve Fund
- \$37.7 million from the Senior Living Trust Fund for Medicaid
- \$48 million in stimulus money for education and general purpose
- \$94.2 million in stimulus for Medicaid expenditures

Total spending on general fund items is \$5.707 billion

Does the Governor's Budget Raise Taxes?

Yes. The Governor claims to fund 2 percent allowable growth for K-12 education at \$333 million. This is \$233 million from the general fund and \$100 million from the Cash Reserve Fund. LSA estimates that 2 percent will cost \$514 million in FY 2011. Therefore, he underfunds the 2 percent by \$170 million. Since the spending authority remains, the \$170 million can be made up within property tax increases. The Governor also proposes other property tax increases by funding the property tax credits below last year's level and funding the State Patrol out of the Road Use Tax Fund. Both will increase property taxes. Federal deductibility may also be on the line to make the budget numbers balance for the majority party.

How much is the reorganization savings and is it real?

Unclear. The Governor plugs in \$341 million in reorganization savings. Some of the things (IT consolidation, reducing the fleet, eliminating phantom employees) were House Republican ideas from last year, but the Government Reorg bill comes nowhere near the projected \$300+ million in savings. Some of the ideas like increasing unclaimed property and federal grants appear to be dubious at best. Also, \$50 million of the savings is for shifting the State Patrol into the RUTF and that is unlikely to happen.

Democrats Push Gambling Expansion

A bill suggested by Democrat House Majority Leader Kevin McCarthy would allow Iowa's 17 state-regulated casinos to add popular card games like poker and blackjack in ballrooms and convention rooms where gambling is currently not allowed. Some of these casinos already have "poker rooms," but they are too small to hold large poker tournaments. "This is not new gaming; this is existing gaming," McCarthy said in The Des Moines Register. McCarthy went on to say that this expansion would increase tax revenue for the state.

The new poker tournaments suggested by the bill would be held periodically. They would be in casino ballrooms and convention rooms that are separate from where slot machines are. Nobody under the age of 21 would be allowed in the room and there would be no smoking. McCarthy did not say how much Iowa stood to gain from the gambling expansion, but he guessed it would be in the tens of millions.

McCarthy said this is not the only change in gambling that will be considered this session, others include:

- Striking the requirement that localities vote every eight years on whether to keep a casino, and allowing casinos to opt out of such referendums for a state fee. Localities would still have the ability to petition for a referendum if they choose.
- Lowering the gambling setoff threshold to \$3,000. Casinos currently run the names of those winning over \$10,000 in a database to check if they owe any debt to the state and withhold the debt amount.
- Allowing "advance deposit wagering" which would let gamblers, who are not physically at the casino, wager on races if they have an account.

All of Iowa's state-regulated casinos are due for referendum votes this November. McCarthy expects this legislation to be debated in late February or the beginning of March.

Dog Breeder Bill Expands

The Legislature was unable to find consensus in its efforts to crack down on unscrupulous dog breeders last year. This led to an interim study of the issue, which has produced HSB 604. While everyone agrees that bad actors should be addressed swiftly and with force, the new legislation does not stop there.

A key feature of HSB 604 is the wide array of new and raised fees. A solely USDA licensed facility today will see their State fees increased from \$20 a year to \$175 a year. A facility that today is licensed both federally and by the State will see their State fees increased from \$60 a year to \$175. Surprisingly, this bill does not just focus on breeders.

Local animal shelters or pounds might be interested to know this bill has new fees for them as well. Animal shelters are often the ones who take care of the neglected animals the Legislature is trying to protect. They do not pay a fee today, but HSB 604 would require \$75 annually. A boarding kennel will see their fees raised from \$30 a year to \$175.

An amendment to the bill contains a mandate that veterinarians report to the Iowa Department of Agriculture and Land Stewardship when they examine an animal and determine if it is a "threatened animal." The amendment offers no guidance for a veterinarian to determine if an animal is threatened. It does provide for criminal penalties if there is a second or subsequent failure to report by a veterinarian.

The bill contains new and stiff penalties for facilities that are found to be in violation of the new law. A facility that is authorized by the State can be fined up to a \$500 civil penalty for each day a violation continues. Facilities that are not authorized by the State and are operating outside of regulation can be fined up to a \$1000 civil penalty for each day a violation continues.

HSB 604 was voted on in the Public Safety Committee and approved on a party-line vote today, January 28.

Upcoming legislative forums with Senator Randy Feenstra and Rep. Dwayne Alons:

Friday, January 29, Cedar Rock Grill, Rock Valley, 12:00 noon

Friday, January 29, Market Place Grille, Inwood, 2:00 p.m.

Saturday, January 30, Forster Community Bldg, Rock Rapids, "Eggs and Issues", 8:00 a.m.

Saturday, February 13, Pizza Ranch, Sioux Center, 12:00 noon