

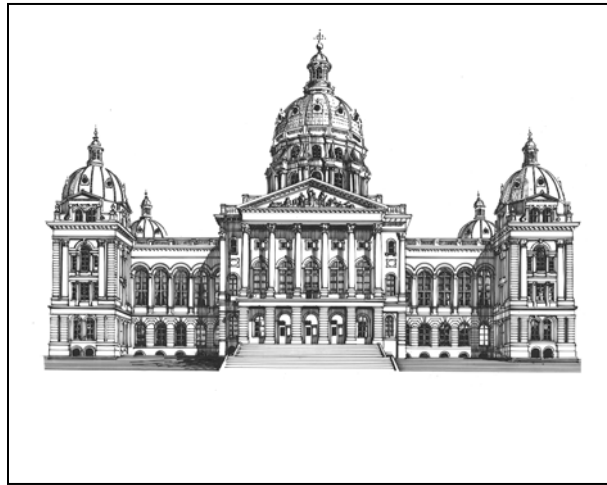
Iowa House of Representatives State Representative Cecil Dolecheck Dolecheck's Details

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**For the week of January 25th-January 29th,
2010**



Review of Governor's Budget FY 2011

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 with in 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.

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. Some of the ideas like increasing unclaimed property and federal grants appear to be dubious at best.

Auditor Takes Issue with Two of the Governor's Proposals

On Monday, January 25, Auditor Vautt released his initial review of the Governor Culver's proposed state government reorganization plan. The Auditor took issue with two of the proposals: shifting the funding for the State Patrol to the Road Use Tax Fund (RUTF) and increasing the amount of unclaimed property funds.

The Auditor begins "Based upon my review, while the majority of the savings / revenue increases appear to warrant further scrutiny and evaluation, two recommendations are improperly categorized as savings."

Auditor Vautt said the first item inaccurately called savings in the consultant's report is the proposal to 'support operations of the Iowa State Patrol with the Road Use Tax Fund.'

“Currently, the operations of the State Patrol are paid for from the General Fund. This proposal to instead fund the State Patrol from the Road Use Tax Fund does not produce any savings for Iowa taxpayers. Taking costs from one pot of taxpayers’ money and moving those costs to another pot of taxpayers’ money does not reduce spending. In this case, every dollar that is scooped from the Road Use Tax Fund to support the Iowa State Patrol operations decreases the resources available to construct and maintain Iowa’s roads—a primary purpose of the Road Use Tax Fund. One also has to seriously question the validity of such a recommendation in light of a recent report which concluded the monies collected in Iowa’s Road Use Tax Fund are already inadequate for the construction and maintenance of Iowa’s roads and bridges. Under this proposal, annual road construction and maintenance work would be reduced by \$50 million a year, or \$250 million over a five-year period—meaning Iowa’s transportation infrastructure would further deteriorate and hundreds of construction-related jobs each year could be lost. Simply shifting costs out of the General Fund does not result in savings for the taxpayers of Iowa.”

The second item in the consultant’s report incorrectly claiming to provide savings is the proposal to modernize “Iowa’s unclaimed property search capabilities.” According to the consultant’s report, unclaimed property comes “to the states who act as custodians of the property until it can be returned to its rightful owner.” While Iowa already handles this responsibility for a wide range of unclaimed property, the consultant identified two types of unclaimed property where Iowa could help match more property with its owners—unclaimed assets from demutualized insurance companies and unclaimed U.S. bonds. According to the consultant’s report, the total value of these assets would be \$40 million in year one and approximately \$200 million over a five-year period. These assets belong to the taxpayers and must be returned to them. The only way these assets could provide revenue for the State’s budget is if the assets are not returned to Iowa taxpayers. If the State carries out its duty to match and return the property to its rightful owners, no revenue will be generated for the State to spend. Taking possession of unclaimed property belonging to Iowans does not result in taxpayers’ savings.”

The Auditor concluded his report by stating “As the Governor and Legislature struggle with severe budget problems, they will be relying on the recommendations in the consultant’s report to produce savings needed to help balance the budget. That’s why it is so important to understand where the consultant’s purported savings clearly fall short of being true taxpayers’ savings. Armed with this knowledge elected officials can make better decisions about how the consultant’s savings recommendations will or will not reduce the cost of government in order to deal with the nearly \$1 billion budget gap they face today.”

I have similar concerns about these two proposals as well other recommendations by the consultant that do not reduce spending but rather increase revenue to the state or shift existing programs to other funding sources.

What do you think? Email me your thoughts. My e-mail address is : cecil.dolecheck@legis.state.ia.us

House Visitors include : Students from Southwestern Community College, The Adams County Ambassadors, and Kelly Tobin, Soil Commsioner from Taylor County.

Information about my legislative forum schedule, past newsletters and biography can be found at www.iowahouserepublicans.com/members/cecil-dolecheck

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