

For Immediate Release

Capitol Comment

Fiscal Insanity

By State Rep. Mike May

As I write one of my final columns during my last days as a member of the Iowa Legislature, it's easy to think back six years to the early days and to the things I thought my colleagues and I might accomplish for the people of District Six.

I've been part of some worthwhile improvements in the way Iowa government does its job, but these last weeks have been marred with what I can label only as insanity, and I mean the term the way Albert Einstein used it. His bon mot has become something of a cliché in recent years, but it is still true that "insanity is doing the same thing over and over and expecting different results."

That accurately describes events down here. We are in a deep financial hole which the liberal majority started digging four years ago. Now that the financial problem has become a financial crisis, the liberals have only one solution -- keep digging. And maybe pray for a money miracle.

We continue to spend more than we take in. We drain every fund we can get our hands on. We spend and borrow like there's no tomorrow. This fiscal idiocy will lead to a day when we can find no more one-time money, cannot defer our bills to next year, and will not be bailed out by Washington.

This week's column is designed to give you a look at the budgets we are working on for Fiscal Years 2011 and 2012. Numbers can put us to sleep, but I need to use them to provide a perspective on the irrational happenings in your state Capitol.

This year's FY2010 budget, after supplemental appropriations were added this session, totals about \$6 billion. There will be \$5.3 billion in general fund spending and another \$692 million spending from federal stimulus funds. There is also a little cash reserve money for ongoing expenses, all of which has left the state a balance of about \$100 million.

Total appropriations for FY2011 will be just under \$6 billion, broken down this way: about \$5.3 billion in general fund spending, \$657 million in one-time federal money, (over \$250 million in one-time federal money to Health and Human Services), \$65 million from the cash reserve fund, and \$48 million from remaining stimulus dollars. We are left with an ending balance of \$72 million.

If you haven't detected the insanity yet, perhaps looking ahead to FY2012 budget will show you what Einstein meant. The built-in FY 2012 spending increase is almost one billion dollars.

It would take nearly a 20 per cent increase in state tax revenue to fund that, and no one believes the economy will grow even close to that much. Lots of people, however, believe that continued liberal control of Iowa government could lead to a 20 per cent tax increase to finance the coming deficit. Can you afford it?

Why the impossible threshold? We used over 20 sources of one-time money (\$657 million) in the HHS budget to make this year's budget. Additionally, we will need \$167 million to fund the state's portion school aid and \$65 million for property tax credits.

Returning to the decisions that are being made on the FY2011: We are already spending \$252 million from the cash reserve fund, \$187 million from the Medicaid fund, and \$55 million from property tax credits.

If revenue meets the REC estimate, the state will end FY2011 with \$221 million. That is less than 5 per cent of the budget which means that just having the cash to meet the day-to-day bills is in question.

The majority party underfunds K-12 education by \$167 million, which means the state will again renege on its promise to pay its share of the 2 per cent allowable growth.

Schools would still be allowed what is called spending authority. That means local districts can solve the state's underfunding several ways. They can spend cash reserves if they have any. They can raise property taxes. Finally, they can cut programs and fire teachers and other employees.

Since it is hard to imagine they have much cash left, or that they will cut programs they deem critical, we are more than likely to see significant property tax increases.

This budget includes no funding for state employee salaries which will increase more than 4 per cent, meaning that hundreds of state workers will be terminated because that 4 per cent will not be funded.

This budget propels us down the same disastrous path we have followed the last three years. We are creating budgets that remind me of a child's cloud pictures in the sky -- very pretty but extremely transitory.

Despite the promises of the majority party, I think we need to remember that we began this session needing to resolve a \$1.1 billion shortfall. We have actually dealt with about one-tenth of that amount.

One years hence, in FY2012, your legislature will convene facing a billion-dollar problem; this time there will be no stimulus money to help, and the cash reserve fund will be empty. Increased revenues can not possible come close to bridging the shortfall.

We have shown no leadership or courage in dealing with an unsustainable budget that finally brings us to the brink of disaster. California here we come.

What makes this so frustrating is that we have approved spending on projects like the one in West Union that will cost millions of dollars to provide geothermal heating of streets and sidewalks.

Putting warm streets ahead of teachers and safety officers tells the story of insanity better than I can. I wish I could report this is the only example of misplaced priorities but unfortunately it is just one of the most outrageous.