



Nick's News from the
Iowa House of Representatives
 State of Iowa
Eighty-Third General Assembly
 Week 2: January 18th-22nd, 2009

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Second week of the 83rd General Assembly

The second week of the legislative session was pretty slow. We have started moving a few bills through committees to get them ready for floor debate. A major concern is that in a rush to get bills passed, some are pressing to try to pass bills without using the current process required. This limits the time that the public has to review and provide comment to the legislature. I will continue to stand up and demand we follow the appropriate process for passing bills. As always, if you have any questions, or if there is some way that I can help please do not hesitate to contact me by phone or e-mail. I enjoy your responses.

State Budget Update - Spending Gap is \$1.1 Billion

After the Revenue Estimating Conference meeting on December 11, Fiscal Services released the updated general fund balance sheet for FY 2011. **The balance sheet shows that with the new revenue estimates, the spending gap for FY 2011 is \$1.117 billion.**

The spending gap is simply the difference between built-in spending (spending previously approved by the Legislature or mandated by the Iowa Code) and estimated revenue. The Democrats are claiming that because of school aid and other standing appropriations, the Legislature faces a spending gap each and every year. This is a factual statement. However, in the past decade, the spending gap has ranged from \$150 million in FY 2008 to \$450 million in FY 2004 with an average gap of \$225 million. Spending gaps began to sky rocket, going from just over \$400 million in FY 2009 to \$800 million in FY 2010 and now \$1.1 billion in FY 2011.

According to Fiscal Services, built-in spending for FY 2011 is \$1.28 billion. The largest budget items on the list are as follows:

- K-12 school aid (ATB cut and one-time money) - \$542.7 million
- Medicaid (in addition to stimulus dollars) - \$189.2 million
- Collective bargaining salary increases - \$102.9 million
- Regents (replace one-time money) - \$80.3 million
- Homestead Property Tax Credit - \$78.7 million
- Grow Iowa Values Fund - \$50 million *
- Community colleges (replace one-time funds) - \$25.6 million

* The past two years, the Values Fund was funded in the Rebuild Iowa Infrastructure Fund

The estimated one-time stimulus funds remaining is \$48 million and the REC estimates an increase in general fund revenue in FY 2011 of \$103 million. When the \$151 million in revenue is deducted from the built-in spending, it leaves a spending gap of \$1.117 billion.

Some Democrats are claiming that the gap is “closer to \$500 million.” This is because they do not intend to backfill the \$542 million for school aid. (*The Governor recommended backfilling \$142 million of school aid in his Condition of the State speech.*) That means while the spending will still occur, it will not be funded with state tax dollars but rather property tax dollars. This is a shift from the state budget to the local budgets of the school districts, and even if they have the reserves to cover part of this shift many will not, and property taxes will be where these dollars are collected.

House Republicans believe in being transparent to taxpayers when it comes to budget numbers and budgeting decisions. Again, I will have vote for any budget that spends more than we take in, and I will also not be in favor of a budget that transfers these costs to the property tax payer.

Many want to know what we will do to either fill or eliminate this gap. Some of the suggestions were in last week's newsletter, but the bottom line is that we must prioritize the responsibilities and services of state government and cut costs to reflect those priorities and spend less than we receive. I believe the tough budget does offer opportunity for improvement of the services that are provided by state government and in allow for a major overhaul of state government. In the coming weeks the legislature will be looking at a bill that addresses some government re-organization.



Committee News

Commerce

Assignment of Bills

Local Government (Ranking Member)

Assignment of Bills

Transportation

Assignment of Bills

Ways and Means

Cancelled

Admin. & Reg. Appropriation Subcommittee

Introduction, and Interviews

Filed Bills

If you would like updates on legislation that is of interest to you, please visit the Iowa General Assembly Bill and Code Watch website:

www.legis.state.ia.us/index.html

This site will help you stay informed on bills scheduled for action on the House and Senate floors. There is no subscription or monthly fee. In order to function, the Bill Watch system must have JavaScript enabled in your browser.



Nick's News from the
Iowa House of Representatives
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Eighty-Third General Assembly
Week 1: January 11th-15th, 2009

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Culver Leaves Potential for \$400 million Property Tax Increase

In the Governor's Condition of the State last week he proposed to cover just a fraction of the \$540 million that has been approved and promised by the legislature for K-12 funding. The \$540 million hole in the school aid formula for FY11 was created by two across-the-board cuts, the usage of one-time TARP money (federal stimulus) money, passage of 2 percent allowable growth and the statewide voluntary preschool program.

Here's a quick breakdown of the \$540 million funding hole:

- \$238 million - Culver's October 2009 - FY10 10 percent ATB
 - \$32 million - Culver's December 2008 - FY09 1.5 percent ATB
 - \$200 million - One-time TARP (Federal Stimulus funding)
 - \$43 million - 2 percent allowable growth for K-12 school aid
 - \$20 million - Estimated increase in 4 yr old preschool program
 - \$7 million - 2 percent allowable growth for categoricals (Teacher Comp, Class Size, Professional Dev.)
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- **\$542 million - TOTAL K-12 school aid formula funding hole**

Culver promised to partially backfill part of the \$235 million gap created by the October ATB cut with \$100 million from cash reserves and to fund 2 percent allowable growth for the K-12 funding formula. That leaves an overwhelming \$400 million that will likely fall on Iowa property taxpayers due to the state failing to fund all of the promised spending per pupil.

Tax Credit Review

Tax credits got a lot of attention in the past year due to the mismanagement and lack of oversight for the film tax credits. This has sparked an interest to review or eliminate tax credits. As tax credits and tax deductions are reviewed during the 2010 session, and I think they should be, we will look to see that they are serving the intended purpose and that they provide a fair return for the investment. As we look at the credits we need to also understand that the reason we have tax credits is to encourage business growth in specific areas. They are almost admittance that our overall tax policies are hard on businesses and residents. A more favorable tax climate for all may be the best way to stimulate growth.

We need to be very leery of blanket elimination of tax credits. Iowans are dealing with job losses, employers are struggling to stay open and the last thing they need are higher tax bills. Many small businesses are able to use tax credits to help hire, purchase equipment, and grow. When a tax credit is capped or eliminated, it is the same thing as a tax increase to the business, and the customers of that business. The only entity that benefits from higher taxes is government. Raising taxes is not the answer to Iowa's budget problems, providing an environment that fosters business growth and creating jobs is the answer we need.

Thank you for the opportunity to serve you in the Iowa House and as always if you have any questions, concerns, or ideas to improve government please contact me through e-mail, phone, Facebook, or Twitter.

Thanks,