



Nick's News from the
Iowa House of Representatives
 State of Iowa
Eighty-Third General Assembly
 Week 3: January 25th-29th, 2009

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Third week of the 83rd General Assembly

Governor Releases 2011 Budget

The Governor released his budget this week. The proposal includes general fund appropriations equal \$5.32 billion, and the Governor also uses \$387 million in one-time money to increase spending to \$5.707 billion on general fund items. Unfortunately the budget proposal once again spends more than we take in by using one time dollars and cash reserves to pay for ongoing expenses.

Here is the breakdown of the one time and cash reserve uses:

- \$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

The Governor's budget also calls to fund a 2 percent allowable growth for K-12 education at \$333 million, \$233 million from the general fund and \$100 million from the Cash Reserve Fund. The Legislative Service Agency estimates, the 2 percent increase in allowable growth will cost a total amount of \$514 million in Fiscal Year 2011. This means that the budget submitted by the Governor will underfund the 2 percent allowable growth by \$170 million. Since the authority to spend the full amount was not reduced the shortfall of \$170 million must be covered by the local school districts funded through property taxes.

The proposal also funds the State Patrol out of the Road Use Tax Fund. Cities and counties use the Road Use Tax Fund to help pay for and complete street and road projects. By using the Road Use Tax Fund to pay for the State Patrol that means there is \$50 million less that the cities and counties receive, but they still have the need to complete street and road projects. This coupled with not funding the K-12 Education will mean those costs are shifted to the property tax payers.

A large part of the Governor's budget hinges on Government reorganization. How much is the reorganization savings and is it real? To an extent, it is unclear, but the Governor estimates that there is a potential of \$341 million in reorganization savings. Some of the things (IT consolidation, reducing the fleet, eliminating phantom employees) were House Republican ideas from last year. Also, \$50 million of the savings is for shifting the State Patrol into the RUTF as discussed above. The Legislative Services Agency has currently indicated that the current reorganization plan will only save about \$30 million. Much less than the budget proposal anticipates.

Again, I will continue to review the state budget to find places where re-organization and cutting costs is possible and I will not support any budget that spends more than we take in. This is no different than what we all face in our home budgets.

Iowa's Unemployment Rate Improves – Slightly

The unemployment rate in Iowa ticked down slightly in December. The news, combined with a flurry of announced layoffs across the state during the first month of the new year indicates economic recovery remains elusive.

On January 22, 2010, Iowa Workforce Development announced Iowa's unemployment rate dropped slightly to 6.6%, a small decrease from November's 6.7% but more than two percentage points higher than December's 2008 report of 4.4%. Currently, 110,800 Iowans are out of work, approximately 1,000 less than last month but 37,100 more than the 73,100 individuals without a job one year ago.

Total nonfarm employment in Iowa decreased by 13,200 jobs in December. The largest share of this number came in the areas of trade, transportation and utilities: -4,200, leisure and hospitality -3,300; construction -1,900 and manufacturing -1,800. The only sectors spared from the decline came in the financial activities sector and government. *(continued next page)*



Committee News

Commerce

Assignment of Bills

**Local Government
(Ranking Member)**

Assignment of Bills

Transportation

Assignment of Bills

Ways and Means

Assignment of Bills

**Admin. & Reg. Appropriation
Subcommittee**

Presentations by Alcoholic
Beverages Division, Department of
Human Rights, Rebuild Iowa
Office

Bill Watch – HSB 284

One bill to watch deals with the elimination of Federal Deductibility in Iowa. HSB 284 was assigned in Ways and Means this week to a sub-committee. This bill would eliminate Iowans ability to deduct the amount that they pay in federal taxes on their state tax return. The federal taxes are dollars that Iowans never see and don't even have a choice on how to spend and I don't believe that we should tax money that is paid to taxes.



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

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To make matters worse, several Iowa facilities announced planned layoffs in the near future. Modernfold Inc, a Dyersville company which makes movable walls is consolidating its manufacturing operations into a single shift. As a result, 30 workers will lose their jobs. In addition, Tyson Foods Inc, is scaling back its meatpacking operations at its Council Bluffs location. The move will eliminate 480 of its 1,300 positions there. Moreover, Smithfield Foods announced it is closing the John Morrell pork processing plant in Sioux City, putting an additional 1,500 western Iowans out of work. House Republicans are committed to focusing this session on putting Iowans back to work. Creating an economic environment that encourages employers to invest in Iowa and our workforce is the solution, not spending more of taxpayers hard earned dollars on risky borrowing schemes. House Republicans have proposed several commonsense solutions for job growth. They include:

- Create a favorable climate for job growth
- End the assault on employers
- Stop property tax increases headed for families and businesses
- Ensure tax credit reviews don't result in tax increases.

In addition, House Republicans strongly believe that the legislature should put the same effort into finding ways to put Iowans back to work as it did to find ways to save the state money through the government reorganization effort. By identifying, then eliminating and modifying obstacles to job growth in Iowa, we can achieve this without spending a dollar.

Thanks,