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Governor-elect Terry Branstad says budget cuts in the upcoming year will include reductions in the lowa governor's office staff and security detail, and he will ask other state agencies to make similar cuts.

Branstad did not specify the number of positions that will be eliminated in his office, but said that he would have only one legislative liaison instead of two. He also said he would likely not fill some deputy-chief-of-staff positions. He said reducing his security detail will allow the state to put more state troopers on the road. He also said he'll lead by example with a goal of cutting the cost of state government by 15 percent over five years to align state spending with ongoing revenues.

House Speaker-elect Kraig Paulsen (R-Hiawatha) reiterated that a deappropriations bill making cuts to the current fiscal year will be among the first in the 2011 legislative session, saying every government agency will be required to justify the money it receives. The starting point will be cuts proposed by House Republicans over the past two years. Paulsen said he's heard evidence of Medicaid dollars going to some who are ineligible because the Department of Human Services has not been doing its due diligence.

"We're very open to making cuts in state government," said Senate Majority Leader Mike Gronstal (D-Council Bluffs). "I think we showed that last year when we did about a quarter of a billion dollars. We'll certainly look at other suggestions this year."

Gronstal said Democrats support better enforcement of Medicaid dollars to make sure they only go to those who are eligible. However, he said there aren't easy answers to curb Medicaid costs. "The reality is: This is a challenge for state government," he said. "For the newly eligible people on Medicaid, it's a disaster in their lives and we're not going to double that disaster by throwing them off the rolls."

House Minority Leader Kevin McCarthy (D-Des Moines) predicted that additional cuts will be a greater challenge than anticipated. McCarthy said it's easy as the minority party to talk about what you want to do, but the majority party must govern and abide by the fiscal impact as determined by the nonpartisan Legislative Services Agency.

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Branstad will spend the holidays holding regional budget and policy hearings across the state to gather information as he crafts his proposed budget due by January 31.

The budget hearings will be held the week before Christmas and the week between Christmas and New Year's Day, Branstad said. He's also working with the Iowa Newspaper Association and Iowa Broadcasters Association to hold a session January 6 to educate people about the spending process.

State Revenue Committee Boosts Budget Estimates

The Revenue Estimating Conference (REC) has bumped up its net general fund revenue estimate for Fiscal Year 2011, to \$5.791 billion from its October estimate of \$5.757 billion.

The REC declined to take into account the positive impact an extension of Bush-era tax cuts at the federal level would have on state revenue, instead deciding to make its Fiscal Year 2012 estimate based on those tax cuts not being extended.

The Legislative Services Agency estimates the tax cuts would have a positive impact on Fiscal Year 2012 net general fund receipts to the tune of \$147 million, as the lower federal taxes would mean more money coming to the state due to federal-deductibility laws.

Incoming House Appropriations Committee Chair Scott Raecker (R-Urbandale) said he's glad the REC didn't add to the Fiscal Year 2012 estimate based on the likely extension of federal tax cuts.

"That's a conservative viewpoint," Raecker said. "You should not be estimating based on things that may happen; it should be on the best knowledge you have, so I really commend the committee on taking a conservative approach."

Branstad Outlines Plans to Cut Corporate, Commerical Property Taxes

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Branstad found a receptive audience to his tax proposals when he spoke before members of the Iowa Taxpayers Association at the group's 75th-annual meeting and tax symposium at the Sheraton West Des Moines.

Branstad outlined how he planned to cut the corporate income tax from its top rate of 12 percent to 6 percent, reduce the commercial property tax from 100 percent to 60 or 65 percent over four or five years, and have no corporate income tax for the first three years for true start-up businesses.

"I hope we can move forward on some of his proposals," said Ed Wallace, president of the Iowa Taxpayers Association.

Branstad acknowledged that it could cost a half-billion dollars over five years for the state to help local governments with revenue that's lost as it phases down its commercial property tax. But he said local governments actually saw an increase in revenue from new commercial development when the state got rid of the tax on machinery and equipment.

"The state of lowa, with a budget of over \$6 billion, could indeed provide that much in terms of assistance to local governments," Branstad said of the half-billion-dollar estimate. "But part of that can also be offset by the growth that comes from the new commercial property that comes on board."

Wallace agreed that there would be a \$500-million price tag over four or five years to make those commercial property tax changes. "I think it's doable, but you're going to have to see consolidation of some government services on the local level and also at the state level," he said. "Those are hard decisions, and it appears that Governor Branstad is going to make some hard decisions."

Branstad also said he plans to cut in half the percentage increase possible on agricultural and residential property.

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There's currently a 4-percent limit on how much taxes can be raised for those two classes of property. Branstad said that should be lowered to 2 percent to make sure that the lowering of commercial property taxes is not done at the expense of other classes of property.

"That would still give some growth to local governments, but I think we need to protect local property taxes," he said. "I want to not only reduce the commercial property taxes, but I want to protect the homeowners and the farmers as well."

Vander Plaats Calls for Remaining Justices to Resign

The remaining four justices on the Iowa Supreme Court should resign due to their unanimous decision legalizing same-sex marriage in the state and the message voters sent November 2 in ousting Chief Justice Marsha Ternus and Justices David Baker and Michael Streit, Bob Vander Plaats said this week.

"They weren't voted off because their last names were Ternus, Streit, and Baker," Vander Plaats said. "If all seven of them were on the ballot, then all seven of them would have been voted off."

While Vander Plaats said he is not planning a formal campaign to get the remaining justices to resign, he said he believes it would be the honorable thing for them to do.

"If they self-analyze, [if] they look themselves in the mirror, I think they see there's a credibility issue with their existence on the court, there's an integrity issue with their existence on the court," he said. "And with us bringing it to light with the people of lowa, I think they're going to understand it more than ever."

Vander Plaats also said Branstad was right in calling for the Judicial Nominating Commission to be more balanced.

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Earlier in the week, Branstad said he would seek more balance in the State Judicial Nominating Commission, which is dominated by Democrats despite a 1962 constitutional amendment saying appointments should be made without regard to politics.

"Right now, it is done with regard to politics because you have 12 Democrats and only one Republican, and that didn't just happen by accident," he said. "So I think that needs to be corrected."

But Vander Plaats said he doesn't think changes to the Judicial Nominating Commission will come before Branstad appoints three new Iowa Supreme Court justices.

House Speaker-elect Paulsen said members of the House Judiciary Committee will look at the nominating process, but said that won't affect the three current vacancies on the Supreme Court.

Dvorsky Stays on as Democratic Party Chair, Strawn Likely to Follow for GOP

lowa's major political parties have decided to retain their top leaders for the next two years.

Republican Party of Iowa Chair Matt Strawn on Thursday listed accomplishments during his two years as chairman before declaring that he'll seek a second term – a move that is welcomed by members of the Republican State Central Committee who will vote on a new chair January 8.

"It's only halftime, and Iowa Republicans need to finish what we've started," Strawn declared at a news conference. "The next step is electing an Iowa Senate majority, winning a majority of our Iowa congressional delegation seats, and delivering Iowa's electoral votes to a Republican nominee for president in 2012."

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Paulsen said Strawn is a proven conservative leader who's worked tirelessly to get Republicans elected. "I am thrilled that he will be seeking re-election, and I fully support his effort," Paulsen said. "Iowa Republicans have a committed and diligent chairman in Matt Strawn."

Branstad said the Republican Party of Iowa has been stronger, more visible, and imminently more successful since Strawn became the leader.

"Matt Strawn has been an articulate and energetic leader for our party during the 2010 election cycle, and I am extremely pleased he has chosen to seek re-election as Republican Party chairman," Branstad said. "There is no better advocate, ally, and voice for Iowa Republicans as we prepare for the 2012 caucuses and general election. ... I am enthused about the opportunity to continue to work with him next cycle as we share the Republican message of more jobs, smaller and more efficient government, and better schools with the people of Iowa."

Meanwhile, Sue Dvorsky was re-elected chair of the Iowa Democratic Party in a weekend vote, running unopposed and with all members of the State Senate Committee supporting her. She will serve through 2012.

"We need to look at our victories and continue building on that success," she said. "We returned our Democratic congressmen here in lowa. We pushed back an effort to defeat Tom Miller, an effort that was of almost historic proportions. We've kept our hold on the Senate majority, which is so important when it comes to getting legislation through. At the end of the day, the Democrats have so many assets moving forward."

Dvorsky retired in June after 30 years as a special-education teacher to take over as party chair.

Branstad's Picks Show Focus on Economy, Reach Beyond Inner Circle

As Branstad's cabinet takes shape, observers say his selection of state-agency directors illustrates his focus on economic development and his ability to reach beyond his inner circle to find talent, even among people who didn't previously support him.

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"To me personally, it is a leadership strength when an individual understands that in a team or group of leaders, you blend the continuity of people you know and have worked with before, but then you bring in the proverbial new blood of people," said state Representative Rod Roberts (R-Carroll).

Roberts lost to Branstad in the June 8 Republican primary for governor, but this week was named director of the Department of Inspections & Appeals.

Likewise, state Representative Jodi Tymeson (R-Winterset) was state chair for Vander Plaats, who also lost to Branstad in the primary. Tymeson was this week named the new director of the lowa Department of Veterans Affairs in the Branstad administration.

Aside from Roberts and Tymeson, Branstad has so far announced eight other department directors that will serve in his administration:

- Mariannette Miller-Meeks, Iowa Department of Public Health;
- Chuck Palmer, Iowa Department of Human Services;
- Teresa Wahlert, Iowa Workforce Development;
- Courtney Kay-Decker, Iowa Department of Revenue;
- Dave Jamison, Iowa Finance Authority;
- Debi Durham, Iowa Department of Economic Development;

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- David Roederer, Department of Management; and
- Tim Orr, adjutant general of the Iowa National Guard.

While those appointed are clearly Republicans, Roberts and Tymeson would be considered picks outside of Branstad's inner circle. So would Jamison, the Story County treasurer who unsuccessfully ran for state treasurer this year, and Miller-Meeks, the Ottumwa ophthalmologist who twice sought to unseat Democratic U.S. Representative Dave Loebsack in the 2nd Congressional District.

However, Roederer, Wahlert, and Palmer are among those in Branstad's inner circle. Roederer was chief of staff to Branstad when he served from 1983 to 1999, while Wahlert was one of Branstad's top campaign consultants and Palmer was Department of Human Services director during Branstad's last term as governor.

At least three of Branstad's picks – Wahlert, Durham and Roederer – come from local chambers of commerce or economic-development groups. Durham is currently president of the Siouxland Chamber of Commerce, while Roederer has been executive director of the Iowa Chamber Alliance and Wahlert was president and chief executive officer of the Greater Des Moines Partnership.

This weekly summary comes from <u>lowaPolitics.com</u>, an online government and politics news service. Reporter Andrew Duffelmeyer and other correspondents contributed to this report.