Written by Lynn Campbell
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Governor-elect Terry Branstad and incoming Department of Management Director Dave Roederer said Thursday that state expenditures are expected to exceed revenues by $605 million in Fiscal Year 2012 – more than twice as large as the gap projected by the nonpartisan Legislative Services Agency.

“We’ve got a big challenge,” Branstad said. “A lot of one-time money has been used for ongoing expenses. We want to stop what we consider to be bad budgeting practices and really get us back into an affordable, sustainable way to deliver the best quality services in the most efficient and economical way that we can.”

In a budget presentation Thursday at the Capitol to reporters and editors, Roederer said the projected budget “deficit” would be $1 billion for Fiscal Year 2013, nearly $1.2 billion for Fiscal Year 2014, and $1.3 billion for Fiscal Year 2015.

“We can’t keep doing business as usual,” Roederer said. “It’s unsustainable. We’re going to have to change that.”

The Legislative Services Agency (LSA) on Thursday said the estimated budget gap for Fiscal Year 2012 is $263 million, which is below the average spending gap of $424 million over the past decade. The gap grew over the past three years during the recession and topped $1 billion in the current fiscal year.

When asked about the difference in estimates, Dave Reynolds, a senior legislative analyst with the LSA’s fiscal services division, said it’s probably due to the $327.4 million that would transfer back to the state’s general fund once its rainy-day funds are filled.

“That’s correct,” Branstad said. “We have already talked with the new speaker of the House and Republican leadership in the House, and they believe that money should go to reduce taxes.”

Branstad said the excess from the rainy-day funds is one-time money left over at the end of the

fiscal year. Under the new Republican leadership, that money wouldn't be transferred back to the general fund but would instead be used for tax relief.

Both Branstad and Roederer on Thursday criticized Governor Chet Culver for ordering an $84-million budget reduction this week (halfway into the fiscal year) as part of the state's government reorganization and efficiency efforts.

Roederer said the Department of Human Services was expecting to have to come up with $14 million in savings, but found out that its share is actually $26 million.

"This is the kind of surprises that we don't want to ever happen in the future." Branstad said. "We want to get stability and predictability in budgeting, and we'd much rather under-promise but then be able to be sure we can deliver what we say we're going to do."

Culver ordered $83.7 million in efficiency savings from the state's general fund, which is the last part of a $300-million reform and reorganization effort for fiscal year 2011.

"We have made an effort to allocate the $83.7 million among state agencies and departments in a serious, targeted, thoughtful manner," Culver said. "Rather than impose an across-the-board reduction, we have allocated these savings based on each department's proposed savings under the State Early Retirement Program. In addition, we have identified efficiencies from Executive Order 20 and SF 2088 for such items as consolidation of cell-phone contracts, reduced subscriptions, improved centralized purchasing, better vehicle-fleet management, [and] negotiation of information-technology contracts ... ."

Culver also ordered that some funds be put back into appropriations for the departments of Corrections, Human Services, and Safety, as well as several smaller agencies. Culver also ordered the Department of Management to transfer $5 million from the Cash Reserve Fund.

House GOP Proposes $500 Million in Budget Cuts

Iowa's voluntary preschool program for four-year-olds, the Iowa Power Fund, the Grow Iowa Values Fund, the Iowa core curriculum, and money for passenger rail would all be eliminated under a plan for $500 million in budget savings over three years released by Iowa House Republicans.

In other changes under the budget-cutting plan, state workers would be charged for health insurance, the Iowa Communications Network would be sold or leased, the state's mental-health law would be repealed, and the state would end all benefits to illegal immigrants.

The Taxpayers First Act would also:

• Create a Tax Relief Fund to capture any remaining general-fund surplus and direct it back to taxpayers;

• Eliminate Just Eliminate Lies, Quitline Iowa, and other smoking-cessation efforts;

• Eliminate $8.5 million for rail projects, returning funds to the original source;

• Eliminate $30 million for sustainable communities and heated sidewalks; and

• Cut Area Education Associations by $10 million, having them use reserves or make cuts to fund the difference.

House Study Bill 1 will be the first bill approved this year on the floor of the Iowa House. Republicans plan to enact cost savings in the Fiscal Year 2011, 2012, and 2013 budgets.

House Democrats contended that the plan saves less money than Republican pledged. "After promising to save $200 million to $300 million in the current fiscal year, Republicans have

dramatically missed their own goal by several hundred million dollars," said House Minority Leader Kevin McCarthy (D-Des Moines). "The plan outlined by House Republicans today stunningly spends $23 million more from the state's general fund than was approved during the 2010 session. Including savings outside the general fund, the plan only saves a paltry one-third of 1 percent."

Citing an analysis from the Legislative Services Agency, McCarthy said the Republican plan also rewards big tobacco companies by ending smoking-cessation efforts that help Iowans kick the smoking habit.

"Unfortunately, the Republican plan puts our kids and small businesses last," said state Representative Tyler Olson (D-Cedar Rapids), who is ranking member of the House Appropriations Committee. "I'm extremely disappointed that the largest cost-saving measure suggested by Republicans is to kick four-year-olds out of preschool next year. Republicans also eliminated an effort to help small businesses expand and create new jobs. House Democrats will work with Republicans to make state government more efficient, but we won't do it at the expense of hard-working families and small businesses."

Advocates of state programs identified as targets for budget cuts are counting on the Democrat-controlled Iowa Senate to prevent the cuts, and hope they can still educate lawmakers about the value of their programs.

"It's one thing to propose and another thing to get it passed," said former Iowa House Speaker Brent Siegrist, a Council Bluffs Republican who's now director of state services for the Iowa Area Education Agencies. "I think you'll see the House pass budgets that are very, very strict. They know [that] ultimately, they'll have to deal with the Senate."

Republicans will control the Iowa House 60-40 this year, but Democrats will retain their majority with 26 seats in the 50-member Iowa Senate. Any proposal would have to be approved by both chambers before reaching Branstad's desk.

During Farewell Tour, Culver Urges Iowans to Speak Up Against Cuts

Culver stopped short of direct criticism of House Republicans' $500 million in proposed budget cuts during his farewell tour of the state Wednesday, but did call on Iowans concerned about the cuts "to speak up and speak out" about the programs slated for elimination.

"There's going to be a real challenge to find that much [in cuts] unless you're talking about significant layoffs," Culver said in an interview with IowaPolitics.com during a stop in Sioux City. "We've already completely reorganized government and made it more efficient. We've saved taxpayers $300 million through our efficiency [and] reorganization steps. We've already made government lean, and it's going to be interesting to watch how these proposed savings are ultimately realized."

Culver was greeted by an estimated 60 to 75 supporters and friends at the Sioux City Public Library, one of eight stops on his farewell tour.

Culver said it's important for parents with four-year-old kids to weigh in on the debate on preschool funding. "That's how the process should work," he said. "It's way too early to know right now what's going to happen. However, it's certain that some of the ideas could have some pretty severe consequences, especially as they pertain to our children."

Potential Presidential Candidates Invited to March Event

The Iowa Faith & Freedom Coalition (IFFC) will hold a forum for 2012 presidential candidates on March 7 in Des Moines; invitations were sent out earlier this month to the top names considering a run.

The March event will be the socially conservative group's annual spring kick-off, and will this year take the format of a presidential candidate meet-and-greet.

"It is not a debate, and there will be no question-and-answer time, but it will give presidential candidates 10 minutes to make a pitch and present their vision as the voters of Iowa begin the

process of making their decisions for the first-in-the-nation caucuses," the group says. "This event is an important stop for candidates because over 60 percent of 2008 GOP caucus-goers in Iowa self-identified themselves as evangelical Christians. There will be no better opportunity to meet these voters this spring than the 2011 IFFC Spring Kick-Off."

Nearly 500 people attended the event last year, and the group expects a much larger crowd this year with the 2012 Iowa caucuses looming.

In a letter to candidates, the Iowa Faith & Freedom Coalition called itself the largest and most influential group in Iowa politics. It pointed out that it made more than 560,000 voter contacts in the past election cycle and distributed more than 300,000 voter guides to churches across the state. It also said it worked hand-in-hand with eight state-legislative candidates and noted that six of them won.

Invitations were sent to Mississippi Governor Haley Barbour, Atlanta radio host Herman Cain, South Carolina U.S. Senator Jim DeMint, Indiana Governor Mitch Daniels, former U.S. House Speaker Newt Gingrich, former Arkansas Governor Mike Huckabee, Texas U.S. Representative Ron Paul, former Alaska Governor Sarah Palin, Minnesota Governor Tim Pawlenty, Indiana U.S. Representatie Mike Pence, former Massachusetts Governor Mitt Romney, former Pennsylvania U.S. Senator Rick Santorum, and South Dakota U.S. Senator John Thune.

Judicial Commission Sees "Robust" Interest in Supreme-Court Openings

Iowa judicial branch spokesperson Steve Davis told IowaPolitics.com that interest in the three Iowa Supreme Court vacancies is "robust" and that the court hopes to begin releasing information about the applicants as early as Tuesday.

The State Judicial Nominating Commission is accepting applications for the vacancies on the Iowa Supreme Court. The terms of Chief Justice Marsha Ternus, Justice Michael Streit, and Justice David Baker ended December 31 after they were ousted in the November election.

The commission has 60 days to send a slate of nominees to the governor, who makes

appointments to the court. The deadline for applications is January 14, although to be most favorably considered, an applicant must file a letter of intent with the secretary of the commission by January 10. Commission member and Cedar Rapids attorney Steve Pace told IowaPolitics.com last month that 25 application packets were requested on the first day.

The commission plans to meet the week of January 24 to interview applicants and select a slate of nominees. The commission plans to open the interview portion of the meeting to Iowans throughout the state by streaming the interviews on the Internet.

Republican Ernst Easily Wins Senate Special Election

Montgomery County Auditor Joni Ernst, a Red Oak Republican who's a major in the Iowa Army National Guard, is Iowa's newest state senator.

Ernst easily won a special election Tuesday in Iowa Senate District 48 against Lamoni Democrat Ruth Smith, 67 to 32 percent.

She replaces Kim Reynolds, an Osceola Republican who resigned from the Senate after winning the race for lieutenant governor.

Senate District 48 includes seven counties in southern Iowa, including Montgomery, Adams, Taylor, Union, Ringgold, Clarke, and Decatur.

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