

How to Trim \$760 Million from Iowa's Budget

Written by Ed Failor Jr.
Friday, 08 January 2010 09:54

- [Download Altova DiffDog 2009](#)
- [Buy OEM Dreamweaver CS5: The Missing Manual](#)
- [Discount - ARTS PDF Aerialist Professional](#)
- [Buy OEM Global Delight Voila 3 MAC](#)
- [Buy OEM Autodesk Sketchbook Designer 2011](#)
- [29.95\\$ Infinite Skills - Learning Adobe Audition CS6 cheap oem](#)
- [Buy OEM Microsoft Expression Studio 3](#)
- [Download GRAHL PDF Annotator 3](#)
- [299.95\\$ Solidworks 2009 Premium SP4 \(32-bit\) cheap oem](#)
- [Buy Lynda.com - Ruby on Rails Beyond the Basics \(en\)](#)
- [Buy OEM BeLight Software Live Interior 3D Pro Edition MAC](#)
- [Buy OEM Lynda.com - ASP.NET Essential Training](#)
- [Discount - Adobe Dreamweaver CS5.5 Student And Teacher Edition](#)
- [Buy OEM Pinnacle Studio 16 Ultimate](#)
- [Buy OEM Autodesk Building Design Suite Ultimate 2014 \(32-bit & 64-bit\)](#)

On Monday, the Iowa legislature will convene for the 2010 legislative session, and Iowans across the state will hold their breath, waiting to see if Governor Chet Culver and legislators will increase taxes. Iowans are all painfully aware the state budget is in terrible shape with a billion-dollar spending gap.

In October, the governor issued a simplistic 10-percent across-the-board budget cut, subjecting Iowans to property-tax increases, reductions in services, and a bigger budget disaster for next year. The state budget cannot be fixed by short-term reactionary measures; I chose to suggest state-budget-savings measures to Governor Culver and the legislature, with the following criteria for each recommendation:

- cumulatively reduce state spending by 10 percent;
- hold K-12 education funding harmless;
- hold-public safety funding harmless;
- no mass layoffs; and
- no property-tax or any other tax increases.

My first recommendation was to eliminate the Department of Economic Development, Iowa Values Fund, and the Iowa Power Fund, then gradually reduce both the personal- and corporate-income-tax rates, with eventual elimination of both taxes. The 2007 "Rich States, Poor States ALEC-Laffer State Economic Competitiveness Index" found greater economic growth in the states with no income tax; these states saw a 23-percent growth in jobs, where

How to Trim \$760 Million from Iowa's Budget

Written by Ed Failor Jr.

Friday, 08 January 2010 09:54

the highest-income-tax states only saw a 12-percent job growth. Iowans cannot afford to allow government to pick winners and losers for economic development; it is time the governor and the legislature make a significant change to the way our state does business, accelerate job creation and growth by lowering then eliminating income taxes. This recommendation would be a budget savings of \$87.5 million.

Another problem facing our state is the substantial pay gap between state employees in Iowa and Iowans in private-sector employment. According to the U.S. Department of Labor's Bureau of Labor Statistics, the average annual wages for Iowa private-sector workers is \$35,256. In the state-government sector, average annual wages are \$51,688. I said Governor Culver should implement a state-employee pay reduction of 5 percent, and no pay increase this year. This would help bring state-employee salaries more in-line with the private sector. Governor Culver and the state employee union agreed to a short-term pay reduction in December. While this is a good first step, it does nothing to correct the considerable pay gap between Iowa state employees and Iowans in the private sector, which needs to be addressed. This measure would save \$261 million in the state budget.

Today, 138 of the registered lobbyists (nearly 20 percent of the entire registry) are taxpayer-funded. Iowa taxpayers are actually paying for state employees to lobby Iowa legislators for more taxpayer dollars. While most Iowans believe they are sending their hard-earned money to fund essential government services, part of it is to pay for state-government employees to lobby for more of our tax dollars. Ending the current practice of taxpayer-funded lobbying would save \$4 million.

Lawmakers could see further budget reduction through changing state-employee health-insurance benefits. Today, many state employees with a single-coverage health-insurance plan and a fair number of state employees with family coverage pay no premium. This is a tremendous benefit to our state employees; however, the state-run Hawk-I program, which is designed to provide health-insurance coverage for lower-income Iowa children, requires families to pay a monthly premium based upon their income. Some lower-income Iowa families pay as much as \$40 a month for Hawk-I coverage for their children. Lawmakers should change the current system and ask state employees to pay an additional \$40 a month for their health-insurance premium. This could save as much as \$24 million in the state budget.

To maximize our state tax dollars, selling Iowa prisons to the private sector would take away the built-in structural inefficiency of government and save as much as \$39 million from the operation of private prisons. Both cost savings and more-efficient operations are excellent reasons for

How to Trim \$760 Million from Iowa's Budget

Written by Ed Failor Jr.

Friday, 08 January 2010 09:54

state leaders to look at significantly changing the way Iowa government functions.

Combining the administration system of the Iowa Regent Universities -- reducing the bureaucratic burdens, merging three different payroll and information-technology systems, and eliminating duplicative administrative functions -- could trim as much as \$62 million from the state budget. Although there is limited empirical data on the cost savings of merging public universities, this savings is easily attainable through reducing duplication and administration.

Unfortunately, the state-budget chaos did not happen overnight. It is the result of several years of bypassing the spending limit -- accelerating the rate of state spending and growing government at a pace faster than Iowa taxpayers could actually afford. Had there been a stronger spending limitation in place, the additional \$179 million would have been spent in the proper budget year, not building up large state budgets to a level that could not be maintained. I recommend that our state leaders amend the Iowa Constitution with a strong spending limit, one that limits state-government spending to 99 percent of tax revenues from the previous year. This would prohibit a back-door way around the spending law, and would help to stabilize the state budget by spending Iowans' tax dollars in proportion with revenues.

This year, Governor Culver and the legislature should not pass up the opportunity to make state government better for Iowa taxpayers. Another area lawmakers need to address to shrink the expense of state government is to move to a centralized structure for information technology. Today, Iowa's state government has 25 different e-mail systems, dozens of different storage systems, and 2,000 servers on the Capitol Complex and around the state for state-government operations. In 2005, the State of Indiana transferred the state's various e-mail systems to a single consolidated system, saving Indiana taxpayers more than \$14 million.

While illegal immigration is a highly controversial topic in our state, it is also an issue that has a financial cost to Iowa taxpayers. A 2007 issue review by the Legislative Services Agency estimates the total cost of 70,000 illegal immigrants to the State General Fund at \$107.4 million. With a high cost to Iowa taxpayers, something must be done to begin to reduce the cost. To achieve state cost reduction, the state should require all parents to show proof of legal residency when they enroll their children in Iowa schools. If parents are unable to show documentation proving they are legal residents, authorities would then take the appropriate steps to enforce the law on the parents only.

Our lawmakers need to go into the 2010 legislative session with the goals of increasing

How to Trim \$760 Million from Iowa's Budget

Written by Ed Failor Jr.

Friday, 08 January 2010 09:54

government efficiency, reducing redundancy, and getting government out of the way of Iowa families so we all can prosper. These suggestions will help Iowa climb out of the economic hole -- shrinking the budget deficit without increasing taxes, and curbing state spending by \$762.8 million.

Ed Failor Jr. is president of Iowans for Tax Relief (TaxRelief.org).