



Nick's News from the  
**Iowa House of Representatives**  
 State of Iowa  
*Eighty-Third General Assembly*  
 Week 10: March 16-19

**Nick Wagner**  
 State Representative HD36  
 Address: State Capitol, Des Moines, IA 50319  
 Phone: (515) 281-7479  
 E-Mail: [nick.wagner@legis.state.ia.us](mailto:nick.wagner@legis.state.ia.us)  
 Website: [www.WagnerforIowa.com](http://www.WagnerforIowa.com)

**Tenth Week of the 83rd General Assembly**

Funnel week is behind us in the state legislature and this week we had a very busy debate schedule. A list of bills passed this week is in the right hand column of the newsletter. We anticipate work on the budget next week as we are still pushing to get out of session a little earlier than the normal 110 days.

**Fears of Downgraded Revenue**

On Friday, March 20 at 10 a.m., the Revenue Estimating Conference (REC) will meet to review and revise the general fund revenue estimates for FY 2009 and FY 2010. According to two members of the REC, the estimates for both fiscal years are expected to decrease.

This is significant because right now the state budget has a projected ending balance of \$30 million due to the de-appropriations bill passed earlier in the session, but if the estimate Friday decreases more than this then the state is again in the red. Some estimates are that we will be up to \$100 million short for 2009. Unfortunately, with only three months left in the fiscal year, there are not enough available funds to cut so we can't do another de-appropriations bill. The deficit will have to be filled with dollars from the Economic Emergency Fund (EEF) or cash reserves. The reduction also creates a problem for the budget in 2010 because the reduction in revenue for this year will forward to 2010.

We are set to begin working on the 2010 budget next week and Republicans again this week expressed an interest in going through the budget line-by-line and finding potential savings. I have concerns with the budget due to the hole we are already in as well as the likelihood that 2010 will see decreases in revenue and increases in refunds. It is very important in times like this that we establish priorities and cut spending instead of raising taxes.

**February Tax Receipts**

On March 16, 2009, the bipartisan Legislative Service Agencies Fiscal Bureau used data from the State accounting system, including non-General Fund accounts to publish an analysis of the total net tax receipts for the past twelve months through February 28, 2009. According to the publication, the amount of tax receipts collected in February 2009 totaled \$531.7 million. When compared to February 2008, Iowa experienced a \$39.6 million or 6.9% decrease in revenue. If current trends continue, Iowa's financial outlook is grim.

Major Taxes and their contribution to this decrease include:

- Individual Income Tax – a \$8.6 million or 4.9% decrease.
- Corporate Income Tax – a \$26.2 million or 91.9% decrease.
- Sales/Use Tax – a \$4.6 million or 1.6% decrease.
- Cigarette & Tobacco Tax – a \$1.2 million or 6.8% decrease.

Some may look at this and see tax decreases, but unfortunately these decreases are not due to lower tax rates but to lower sales and revenue by businesses and individuals. It is interesting to note that there was also a decrease in tobacco tax which was raised by \$1 in the past couple of years.

**On a Positive Note**

Penford Products of Cedar Rapids was awarded a \$2 million half forgivable loan and half a five-year no interest loan from the Iowa Department of Economic Development (IDED) to assist in their flood recovery. This award will help retain 241 jobs in Cedar Rapids at an average annual salary of \$69,900. I would like to extend my congratulations to Penford Products and thank them for seeking to protect Iowa jobs.



**Bills Passed:**

- |                        |                        |
|------------------------|------------------------|
| <a href="#">HF 243</a> | <a href="#">HF 707</a> |
| <a href="#">HF 266</a> | <a href="#">HF 710</a> |
| <a href="#">HF 315</a> | <a href="#">HF 713</a> |
| <a href="#">HF 317</a> | <a href="#">HF 720</a> |
| <a href="#">HF 380</a> | <a href="#">HF 723</a> |
| <a href="#">HF 477</a> | <a href="#">HF 735</a> |
| <a href="#">HF 487</a> | <a href="#">SF 27</a>  |
| <a href="#">HF 488</a> | <a href="#">SF 49</a>  |
| <a href="#">HF 502</a> | <a href="#">SF 50</a>  |
| <a href="#">HF 505</a> | <a href="#">SF 118</a> |
| <a href="#">HF 562</a> | <a href="#">SF 137</a> |
| <a href="#">HF 571</a> | <a href="#">SF 209</a> |
| <a href="#">HF 670</a> | <a href="#">SF 237</a> |
| <a href="#">HF 671</a> | <a href="#">SF 241</a> |
| <a href="#">HF 672</a> | <a href="#">SF 288</a> |
| <a href="#">HF 676</a> | <a href="#">SF 295</a> |
| <a href="#">HF 684</a> | <a href="#">SF 305</a> |
| <a href="#">HF 697</a> | <a href="#">SF 364</a> |
| <a href="#">HF 705</a> | <a href="#">SF 365</a> |
| <a href="#">HF 706</a> |                        |

**For a full text of these bills and others please visit:**

<http://www.legis.state.ia.us>

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

<https://coolice.legis.state.ia.us/secure/default.asp?Category=BillWatch&Service=BWSignIn>

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.



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### **Borrowing through Bonding**

There has been much talk lately at the Capitol about bonding. Both the Governor and Democrats in the Legislature have proposed bonding projects. The Governor's plan would borrow \$750 million using gambling revenue to pay for the bonds, which is currently used for infrastructure purposes through the Rebuild Iowa Infrastructure Fund (RIIF). The Democrat's plan does not specify a funding source and would require that the legislature appropriate funds each year. There is also a difference in the total amount of bonding by \$50 million.

Democrat's Plan (\$700 Million paid back with legislative allocation each year):

- \$325 million for flood recovery projects
- \$200 million for new public buildings or repairs, high-speed Internet in rural areas, alternative energy projects at public buildings and commercial rail spurs
- \$175 million for projects that were on previous bonding list for which bonds were never issues due to the market

Governor's Plan (\$750 Million paid back with gambling revenue):

- \$250 million for transportation projects, especially road and bridge safety, including \$200 million for roads and bridges and \$50 million to other modes of transportation
- \$175 million to complete important projects already scheduled, such as improvements to the Iowa Veterans Home and our Community Colleges
- \$150 million for public buildings, disaster relief, mitigation projects, housing and other flood-related infrastructure not covered by FEMA, CDBG or other sources
- \$100 million for water quality and waste water improvement projects
- \$75 million for local infrastructure, broadband technology, and alternative energy infrastructure

I remain skeptical of any requests to borrow hundreds of millions of dollars through bonding. We cannot borrow and spend our way out of a bad economy. Borrowing the money and using gambling dollars directs that money away from RIIF which has traditionally funded these types of projects. This means that the money that used to be spent on the infrastructure will be able to be used for future needs, but those needs will remain. Estimates on the total cost of the bonds including repaid interest are about \$1.2 billion for the governor's plan! It does not make sense to commit Iowa taxpayers to an extra \$500 million just to spend the money now. We could complete these projects with a pay as you go attitude by reducing our spending in other areas. One of the problems with repayment using the gambling revenues is that they are not stable, and most gambling referendums are only for 10 years, so the state would have to remove the option of a vote by the people.

Over the past few years the budgeting practices have used up the state checking accounts, used up the savings accounts and now we want to max out our credit cards with no clear way to repay that debt.

I suggest that we use the money as it was intended out of the RIIF, instead of moving the money to the general fund to be used for other items. This allows us to build these projects as we go, does not rely on potentially unstable sources, and keeps us in good financial shape.

### **HF 397 Proposes an Automatic Property Tax Increase**

Last week the House Local Government Committee voted out HF 397, which mandates a minimum 40 and 1/2 cent township fire protection levy. The bill also creates more taxing authority by raising the maximum levy rate to 80 cents. Current Iowa law permits a 40 and 1/2 cent levy for fire protection but does not mandate the levy. The levy is currently capped at 67 and 1/2 cents. But mandating a property tax increase isn't going to insure quality fire protection service. I campaigned on NOT raising taxes. The cost to raise those fire districts to the level prescribed in HF 397 is \$2.6 million. Property taxes could increase **by \$15.7 million** if all townships go to the new 80 cent maximum levy.

I am wholly committed to protecting the safety and well being of all Iowans. I am willing to look at all possible solutions. But a knee-jerk mandatory tax increase isn't the answer.