



Vilsack's Budget: Increased Spending, Higher Taxes, & More Debt

by David Hogberg

Governor Tom Vilsack has hit the trifecta! Not only does he want to increase taxes and spending, he also wants to put the state into debt. If Governor Vilsack is looking for his legacy as Governor, he may have just found it.

Like all tax-and-spenders, Vilsack is crying poverty. According to the Governor's Budget Report, General Fund spending in the last three years is down 8%.¹ Also like all tax-and-spenders, he called on Iowans to "sacrifice," making use of that word twelve times in his Condition of the State Speech.² If spending doesn't increase, the Governor claims, 3,900 teachers will be laid off and 9,000 eligible children will not receive state-funded health care.³

Vilsack blames the current budget crisis on the decline in tax revenue. Yet his actions as Governor demonstrate where the true problem lies:

-In his first two years as Governor, General Fund spending was up about 7.9%, approximately the same amount that it has been reduced in the last three years.

-Governor Vilsack supported a \$40 million plan to reduce class size despite already declining K-12 enrollment. He also supported a \$250 to \$300 million plan to boost teacher pay despite average teacher pay being 33% more than average private sector pay.

-Instead of taking the \$100 million that the federal government sent to Iowa last year and using it to shore up this year's budget, Governor Vilsack spent it on corporate welfare via the Grow Iowa Values fund.

-In 1999 Governor Vilsack agreed to a \$97.2 million raise for state employees, and in 2001 he agreed to a \$144.7 million raise. Last year, in the midst of a budget crisis, he negotiated a \$101 million raise. Had the State Legislature not reduced some of the Governor's salary increases for state employees, the cumulative cost of the pay raises would be \$1.2 billion instead of the current \$991 million.

-In his negotiation with state employees last year, Vilsack gave away the ability of the state to cut costs by furloughing state employees. Guess state employees aren't the Iowans that Vilsack had in mind when he called on Iowans to "sacrifice."

Overspending got us into this mess, but now the Governor wants to compound the problem. He wants a 6.2% increase in General Fund spending. Consider that last year inflation was 2.3%, and population growth from 2001-2002 was 0.16%. In other words, he wants an increase that is 2.7 times higher than inflation and 38 times higher than population growth. Furthermore, the Governor proposes increased

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spending on “priorities” such as tourism advertising (\$500,000), replacement of his salary transfer from last year (\$15.2 million), tobacco cessation efforts (\$500,000), class-size reduction (\$29.3 million), and the Historical Preservation Grant Program and battle flag preservation (\$900,000).

The Governor also expressed concern for economic growth in his budget message. Yet most of the services included in Governor Vilsack’s proposed expansion of the sales tax base — read “raise taxes” — are business services. He wants to impose the sales tax on services such as engineering, accounting, public relations, consulting, surveying, and tax preparation. The proposed sales tax hike will cost taxpayers about \$208 million. One wonders how raising taxes on the services businesses purchase will help economic growth in Iowa.

It is also worth noting that one of the services not included in Vilsack’s sales tax expansion is attorneys’ fees. Perhaps the reason is that trial lawyers are some of Vilsack’s biggest supporters. Or perhaps attorneys were also not the Iowans the Governor had in mind when he called on Iowans to sacrifice.

Finally, Vilsack wants to sink the state into debt. He proposes \$300 million in bonding, including \$150 million for the Vision Iowa and Cultural and Tourism funds, \$18.3 million to Iowa Public Television for finalizing Digital Television conversion, and \$15.4 million to the Board of Regents for various capital projects.

What is most disturbing is that some Republicans are willing to go along with this boondoggle.⁴ A few have even expressed support for raising the cigarette tax and expanding the sales tax.⁵

Overspending during the good years is what led to the current budget mess. Increasing spending this year will only leave Iowa in worse shape should the budget crisis continue next year. Raising taxes will not only punish Iowa taxpayers, it will make the state even less business friendly. In short, Governor Vilsack’s budget proposal will only make things worse in the long run.

ENDNOTES:

¹*Iowa Budget Report: Fiscal Year 2005*, January 2004,

<http://www.governor.state.ia.us/agenda/2004/FY05_Budget_rec/index.html> (January 20, 2004).

²Governor Tom Vilsack, *Condition of the State Address*, January 13, 2004,

<<http://www.governor.state.ia.us/agenda/2004/cos/index.html>> (January 20, 2004).

³Mary Rae Bragg, “Vilsack Stumps for Tax Hikes,” *Telegraph Herald*, p.1A, col.2, January 16, 2003.

⁴Lynn Okamoto, “Lawmakers to Consider Vision Iowa Expansion,” *Des Moines Register*, January 22, 2003, <<http://desmoinesregister.com/news/stories/c4780934/23326076.html>> (January 22, 2003).

⁵Steve Martens, “Heaton and Fraise Say Vilsack Plan Makes Sense,” *Mt. Pleasant News*, p.1, January 14, 2003.

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