



A Weak Foundation

By Laura P. Keith

The Grow Iowa Values Fund (GIVF), previously referred to as the Grow *Government* Values Fund by the Public Interest Institute, seeks to “expand and stimulate the state economy, increase the wealth of Iowans, and increase the population of the state.”¹

Iowa House Representatives Wise and Petersen presented a bill to continue to fund the GIVF. In House File 60, currently in the House Economic Growth Committee, they suggest that funding for the GIVF as well as Vision Iowa, the School Infrastructure Fund, and the State’s General Fund be borrowed from taxpayers in the form of bonds until new state revenue starts pouring in.² Their plan, however, goes against the very purpose of the GIVF and will turn into a fiscal crisis for the State of Iowa.

The taxpayers that will pay the way for the GIVF? The gambling industry.³ Though not officially noted as taxes, “gambling revenue” is just that — state-required fees that go into Iowa’s Treasury to fund public projects.

H.F. 60 requires that the gambling revenues, which will increase as new casinos open across the state, will be high enough to pay for the bonded money and interest on those bonds from this year plus the ensuing years. The hope is that the gambling industry will boom and be the savior of Iowa’s economy.

Exploiting this tax base is a mistake. Not only is the revenue unstable, the back-up plan for “insufficient funds” is to draw from — get this — an even shakier revenue source: the state lottery.⁴ Whoever wins the next lottery in Iowa could be blamed for ruining Iowa’s budget in the next few years. In fact, a special fund called “Vision Iowa” was created to bring more tourists to Iowa, with its funds stemming from gambling revenues, such as race tracks and casinos. Already it depends on lottery revenues as back up.⁵ Moreover, part of the Vision Iowa fund goes to education, specifically to improve buildings. The official Iowa Lottery website features a section called “Where the Money Goes,” claiming up to 62% of its revenue is going toward the part of the Vision Iowa fund that is channeled into education.⁶ Tourism, education — both are funded in part through gambling revenue and backed up by lottery revenue, so why not economic development, too?

If the Iowa Legislature insists on depending on the gambling industry to fix Iowa’s economic woes, decrease the regulation and tax burden on these businesses. This will attract and create more gambling business for our state, which means growth in jobs, population, and tax revenue. (This does not take into account, however, social and net consequences on Iowa’s economy, addressed in *Institute Brief: Gambling in Iowa: Risking Our Future?*)⁷ On the contrary, in deregulating the gambling industry,

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Iowa will be less dependent on, and not have its economic growth controlled by, an industry that has such mixed results. For example, if the future does not bode well for the gambling industry in Iowa, will our state government be compelled to bail it out in order to continue economic growth, costing even more tax dollars from every Iowan for a growing arm of government? I don't think that is a bright prospect.

Finally, consider the role of government. Is it up to eleven officials nominated by the Governor to choose market winners and losers for Iowa?⁸ Iowa already depends on gambling revenue, along with racing and lottery revenues, for about 120 million dollars every year.⁹ That means 2.5 percent of the state's income is tied to gambling, racing, or lottery revenue. Put in perspective, this is a small number, but is the slow increase of that percent, or the coerced use of gambling to fund more economic growth in Iowa, a wise decision?

For the Grow Iowa Values Fund to operate, the money must come from a more reliable source than gambling revenues, including the Iowa Lottery. The best source for tax revenue is Iowa's citizens. In other words, according to the GIVF plan, Iowa's citizens will have to pay more in taxes to get more jobs into the state.

In order to truly "expand and stimulate the state economy, increase the wealth of Iowans, and increase the population of the state," I suggest a change in approach. Instead of relying on shaky revenue sources already stretched thin, the Legislature should draw from reliable sources. Instead of spending more tax dollars, the Legislature should cut some. Instead of offering tax-credits that will cause shortfalls in the state's budget, the Legislature should re-think its programs and re-evaluate its budget. To continue tax increases, despite more jobs, will leave Iowa's economic growth prospects the same as when she started: dim.

ENDNOTES:

¹ House File 60: Wise and Petersen, Page 17 Line 2-4, <<http://coolice.legis.state.ia.us/Legislation/Bills/HouseFiles/Introduced/HF60.html>> (January 24, 2005).

² Dan Gearino, "Iowa Values Fund in Friendlier Territory; but Questions Remain," *Globe Gazette* December 28, 2004, pp. A1-A2.

³ *Ibid*, A2.

⁴ House File 60: Wise and Petersen, Page 9 Line 29- Page 10 Line 5.

⁵ Vision Iowa Program, <<http://www.visioniowa.org/vision.html>> (February 25, 2005).

⁶ Iowa Lottery, "Where the Money Goes," <http://www.ialottery.com/PressRoom/PressRoom_WhereTheMoneyGoes.html> (February 25, 2005).

⁷ Please read Laura P. Keith's "Gambling in Iowa: Risking Our Future?," *Public Interest Institute: Institute Brief* Vol. 11, No. 33, November 2004.

⁸ Please read Amy Frantz's "Markets, Not Government, Should Determine Economic Winners," *Public Interest Institute: Institute Brief*, Vol. 9, No. 33, November 2002.

⁹ Dennis C. Prouty, "Monthly General Fund Receipts through December 31, 2004," *Iowa General Assembly Legislative Services Agency*, January 3, 2005, p. 4, <<http://staffweb.legis.state.ia.us/lfb/mrmemo/mrmemo.html>> (February 7, 2005).

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