



The Future of Limited Government in Iowa

By John R. Hendrickson

The future of limited government in Iowa is unclear. The Legislature has to deal with a \$6.4 billion budget, which is an increase of at least \$1 billion in just a few years. In addition, the Legislature is considering implementing a state-wide smoking ban and terminating the School Infrastructure Local Option (SILO) tax and replacing it by increasing the state's sales tax. The battle over the budget represents the future fiscal direction Iowa will take, and the smoking ban and the repeal of the SILO tax represent the possibility of government take-over of issues that rightfully belong to citizens.

In February, Auditor of State David A. Vautt released the Auditor's office review of the FY 2009 budget. "While the Governor's [Chet Culver] Fiscal Year 2009 budget proposal makes significant progress in enhancing clarity, reducing the spending gap, and lowering spending growth, it sets Iowa up for some difficult challenges in the following fiscal year."¹

Vautt described Governor Culver's budget as maxing out "Iowa's charge cards."² In addition, the funds that were used to "balance the budget" in previous fiscal years (the Senior Living Trust Fund, the Property Tax Credit Fund, and tobacco funds) have been exhausted.³ "The depletion of these funds in Fiscal Year 2009 creates a \$193 million hole for Fiscal Year 2010," concluded Vautt.⁴

Vautt's review also noted that state spending still continues to surpass revenue collections and the "expenditure growth of 16% over a two-year period still outpaces anticipated ongoing revenue growth of 12% over the same time period."⁵ In addition, with a shaky national economy and the possibility of a recession, Vautt warned that the \$600 million resting in the Rainy Day fund is a "false sense of security," and the "\$361 million spending gap built into the Fiscal Year 2010 budget, a substantial revenue shortfall, could wipe out the 'Rainy Day' funds."⁶

The state budget is not the only significant issue confronting the future of limited government in Iowa. The Legislature is also considering depriving citizens of decisions that should be made on a local basis. The House and Senate have passed a controversial measure to institute a state-wide smoking ban, although a conference committee will have to hammer out the details and await a final legislative vote and signature from the Governor.

Tobacco has become public enemy number one, and last session the Legislature instituted a \$1 per pack tax increase on tobacco products. Tobacco use has consequences, but the question must be asked whether or not this issue is a state issue that demands prohibition by the Legislature. Under our system of federalism and the Founding Fathers' view that "government closest to the people is best," the smoking issue should be left to counties and local governments to decide whether or not to ban smoking in public places. Government should not mandate businesses choice to allow or prohibit smoking. Many restaurants are becoming smoke-free, but people have the right to choose where to spend their money. No one forces an individual to dine at, or work at, an establishment that permits smoking.

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The same can be said for the SILO tax. House File 2066, if passed through the Legislative process, would terminate the SILO tax and increase the sales tax from 5.0% to 6.0%.⁷ The bill also calls for a tax increase (from 5.0% to 6.0%) on the motor vehicle use tax, and the revenues would be used for transportation improvement in the Twenty-first Century (TIME-21) Fund.⁸

Replacing the SILO tax is an inefficient policy, as was clearly pointed out in Deborah Thornton's Public Interest Institute POLICY STUDY *Is the SILO LOSST?*⁹ The original intent of the SILO tax was to allow local taxpayers the decision whether or not to allow a tax increase for various school infrastructure projects, and the increase would have to be voted on after a ten year period. Local taxpayers handled the SILO tax on their own basis and believed that this tax structure was based on the respective community's blessing. The Legislature is trying to assume too much power and take too many decisions away from individuals, whether that is the SILO tax or the smoking ban.

The Legislature is also sitting on the Iowa Marriage Amendment, which would define and protect the institution of marriage as joining one man and one woman. With the Amendment being stalled in the Legislature, citizens of Iowa will not be able to vote whether or not to constitutionally protect the most fundamental institution of society, marriage and family.

The Iowa Legislature, as with other Legislative assemblies, is facing a series of long-term difficult problems, some of which include entitlements (Medicaid), transportation, health-care, and education. In addition, the Legislature will need to address overall taxation issues, such as property taxes, and further creating a better business climate for economic development.

The American Legislative Exchange Council (ALEC) recently published a report on state economic competitiveness. The authors of the report are two distinguished economists, Arthur Laffer and Stephen Moore, who evaluated the individual states on a variety of variables that are placed into the broad context of economic freedom. The report ranks Iowa 27 out of 50 overall in terms of economic outlook and the State received the highest sub ranking for being a right-to-work state, which is also under assault by this Legislature.¹⁰

Iowa must not venture down the road of big-government and the nanny-state. If Iowa is to be competitive as a state, it must start addressing problems in a direction toward limited government and free enterprise. As Thomas Jefferson stated, "A wise and frugal government...shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government."¹¹

(Endnotes)

¹David A. Vaudt, *State Auditor Vaudt Reviews Governor's Fiscal Year 2009 Budget: While Making Progress, Challenges Loom for Fiscal Year 2010*, Office of Auditor of State, February 12, 2008.

²*Ibid.*

³*Ibid.*

⁴*Ibid.*

⁵*Ibid.*

⁶*Ibid.*

⁷Legislative Services Agency, Fiscal Note for HF 2066, Des Moines, Iowa.

⁸*Ibid.*

⁹*Is the SILO LOSST?* can be found at www.limitedgovernment.org.

¹⁰Arthur B. Laffer and Stephen Moore, *Rich States Poor States: ALEC-Laffer State Economic Competitiveness Index*, American Legislative Exchange Council, 2007, p. 70.

¹¹Matthew Spalding (ed.), *The Founders' Almanac: A Practical Guide to the Notable Events, Greatest Leaders & Most Eloquent Words of the American Founding*, The Heritage Foundation, Washington, D.C., 2002, p. 157.

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