



NEWS RELEASE

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Put Everything on Table in Balancing State Budget

DES MOINES, Iowa (Jan. 13, 2009) — Governor Culver noted everything should be considered in balancing Iowa's budget at a time of recession and projected revenue shortfalls, Iowa Fiscal Partnership analysts said today.

In his Condition of the State address to the General Assembly, the governor asked lawmakers to “agree that everything's on the table with respect to balancing the budget and finding cost savings in state government.”

“That is an important statement because putting all spending on the table includes spending through the tax code as well as spending through appropriations,” said Victor Elias, senior associate for the nonpartisan Child & Family Policy Center (CFPC) in Des Moines. “Now is not the time to protect wasteful and unaccountable spending through the tax code. Much of that kind of spending has not been on the table before now.”

IFP analysts cited three important policy points that emerged in Culver's speech today:

- Asserting that “everything is on the table,” which supports the need to review all spending, including spending through the tax code that is rarely examined by legislators, and much of which is confidential.

- Protecting investments in green-collar jobs, education, improving access to health care, and renewable energy.

- Advising that lawmakers watch the federal economic recovery package being developed in Washington; this package may affect state choices.

“This fiscal crisis means we can no longer avoid reforming our leaky and expensive corporate tax structure, and closing corporate tax loopholes. This is good in itself to promote transparency and accountability. More than that, it is essential in order to protect the investments that the Governor mentioned today,” said Beth Pearson, research associate for the nonpartisan Iowa Policy Project (IPP) in Iowa City.

“Without better accountability for and protection of our revenue sources, it will be difficult to protect our investments in both the near and long term,” she added. “In addition, state budget decisions have the potential to either improve the economy or worsen the recession. Our choices must be carefully targeted.”

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Elias noted the Research Activities Credit as one program ripe for reform. Companies are able to receive “refundable” credits for research costs, meaning the credit not only can eliminate taxes owed, but also result in cash payments to companies that pay no Iowa income tax. The state treasury paid more than \$30 million to such companies through this program in 2005, with no legislative oversight.

“Companies should not be receiving secret checks from the state under the pretense that they involve taxes. They are simply expenditures made under cover of the tax code, and they need the same scrutiny as appropriations,” Elias said. “This is all about finding the savings that the Governor noted today — and would not increase the taxes of anyone. We need transparency in this program, just like budget appropriations, and we need to limit the amount of dollars we’re spending through this device.”

The Iowa Fiscal Partnership is a joint budget analysis initiative of IPP and CFPC. Reports on the Research Activities Credit and other fiscal issues are available on the IFP website, www.iowafiscal.org.

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