



## **Second Day of Legislative Session Begins with a 700 Million Dollar Bonding Proposal!**

On Monday, January 12, 2009, the Iowa Legislature met at the Statehouse. As with every new Session of the Legislature, opening day was filled with Legislators taking the Oath of Office, posing for pictures with their families, and choosing their seats.

On Tuesday, January 13, Governor Culver delivered his Condition of the State speech. In the speech, Culver proposed a \$700 million bonding (borrowing) proposal! Over twenty years, taxpayers would be on the hook for a \$56 million annual payment on the bonds.

To spend the taxpayers money, a new government agency, dubbed the Rebuild Iowa Infrastructure Authority would be created. The new agency would create, then issue up to \$700 million of bonds for all infrastructure purposes (roads, utility grid, telecommunications, public buildings, rail, trails).

Culver called the borrowing boondoggle the "Rebuild Iowa Investment Bonds," but it was never mentioned how much will actually go to rebuild parts of the state which were devastated by the severe weather of 2008.

If the Governor and the Legislature were serious about funding infrastructure, they would not have shifted \$90 million of infrastructure money last session to fund non-infrastructure projects in 2008. The Governor's plan borrows from the future to buy past opportunities.

Culver had the audacity to tell Iowans on Tuesday, *"This is the first time [sic] our state's history we've earned a Triple-A bond rating. And I intend to use it!"* This would be like someone who receives credit card offers in the mail saying, 'I have a good credit rating, I'm going to apply for every one of these offers, then I intend to max them out!'

Iowans for Tax Relief **OPPOSES** bonding for expenditures which should be funded through other mechanisms. Iowans for Tax Relief prefers plans based on a pay-as-you-go concept for government infrastructure projects.

One does not need to look back very far to see how overextending financial obligations can have a dramatic effect on the economy. The state and nation is currently in an economic crisis as a result of individuals overextending personal debt. Individuals have to pay their way out of debt; Iowa taxpayers should not have to finance risky government schemes, such as the one the Governor proposed this week.

The Governor said there won't be the need to raise taxes to pay back the bonds. Sounds nice, but these bonds will have to be paid back within twenty years. If Culver really could see into the future, we wouldn't have the budget problems we do today.

Usually, the Condition of the State Speech is the time when the Governor delivers his budget and legislative priorities to the Legislature. However, Governor Culver is waiting for Congress to send money in the form of a state bailout before he will release his budget on January 30.

If you would like to read the Governor's speech, it is available online through:

[http://www.governor.iowa.gov/news/2009/01/13\\_1.php](http://www.governor.iowa.gov/news/2009/01/13_1.php)

Watch upcoming editions of The Watchdog for details on the Governor's budget and proposed tax increases.

### **Senate Ways and Means Committee Meets; Presentation on City Income Tax Increase**

On the first day of the Legislative Session, the Senate Ways and Means Committee heard two presentations, one on the income surtax and one on city property taxes. As you might recall from the December 30, 2008 Interim Edition of "The Watchdog," a new tax, a city income tax, was recommended by Legislative Property Tax Study Committee.

It's rare for the first Legislative Committee Meeting to be more than an organizational meeting. Senator Bolkcom (D-Iowa City) sent a clear signal to Iowans the city income tax is a real option.

During the presentation, the Committee was presented with the fact under the maximum 20% rate for income surtax; the state has the capacity to increase taxes on Iowans by \$475.8 million with this tax alone.

If a city income tax were used for property tax relief, the equivalent property tax reduction would be an average of \$210 (on a \$150,000 home). The average amount of income surtax paid would be \$264. The individual taxpayers would see a tax increase of \$54. Commercial property would see the reduction.

There was no bill introduced on the city income tax in the Legislature this week, but the Legislature is scheduled to be in Session until May 1.