

Iowa prepares massive cuts to social spending

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The US state of Iowa, confronting a \$700 million budget shortfall caused by plummeting tax revenue, increasing demand for social services, and the end of one-time federal stimulus money, is preparing deep cuts to social spending and to the jobs and pay of state workers.

Recently elected Governor Terry Branstad, a Republican, at the end of January proposed cutting the state budget by \$185 million to \$6.8 billion for fiscal year 2011-2012. According to the *Quad-City Times*, Branstad's plan will save \$89 million by not funding scheduled raises and by leaving state agencies to cope with cuts of 5 percent to 8 percent. The newspaper estimates that 1,500 jobs will be threatened with elimination. Over the next five years, Branstad has declared his intention of cutting spending by 15 percent.

The cuts will only exacerbate the social crisis in this Midwestern state. The poverty rate among Iowa's 3 million residents increased to 11.8 percent in 2009 from 11 percent when the recession began in 2007. Child poverty is at 15.1 percent, up from 13.1 percent in 2007. Iowa's official unemployment rate increased from 3.9 percent in December of 2007 to approximately 6.3 percent last December, and the median income has dropped by \$900 in just two years.

Under Branstad's proposal, school districts in the state will be left to raise taxes entirely through the regressive flat-rate property tax assessment. He would also reduce funding for voluntary universal preschool education from \$71 million to \$43 million. More than 20,000 children in Iowa's school districts will likely be affected.

While the Board of Regents of the state university system had requested a \$19.1 million increase in funding for next year, Branstad has proposed a \$28 million reduction—which will inevitably result in pay freezes and tuition increases. In 1981, state funding

accounted for about 77 percent of public university costs. State funding has been reduced to 42 percent this academic year—making this year the first time when “tuition has been the primary source of funding.” Community colleges are also expected to face over \$6 million in cuts.

House Republicans are also pushing for a 20 percent tax cut in each of Iowa's tax brackets—which would disproportionately benefit the rich and cause a \$204 million reduction in revenues next year—while Branstad calls for cutting the corporate tax rate in half to 6 percent. He is also setting aside \$320 million in this fiscal year's surplus to serve as tax breaks for major corporations.

The stale and false argument made in support of such tax cuts is that they will spur further investment from “the business community” and lead to job growth. In reality, big business will only hoard the extra cash in its coffers. US corporations are currently sitting on a cash stockpile estimated at \$2 trillion.

Indeed, as Iowa's tax revenues were shrinking over the past decade, politicians of both parties advanced corporate tax credits that have “severely and increasingly cut into state revenues,” according to a report by the Iowa Fiscal Partnership (IFP). It is forecast that between fiscal years 2009 and 2014 existing corporate tax credits will result in a loss of \$600 million in revenue. Additionally, various tax loopholes have allowed large out-of-state corporations to transfer profits from Iowa to their subsidiaries in states without corporate income taxes, amounting to a loss of \$60 million to \$120 million in corporate tax revenues every year, according to the IFP.

Branstad is also proposing cuts to state regulatory agencies such as the Department of Inspections and Appeals, which he feels has been “too aggressive” in inspecting nursing homes and other such facilities. Funding to this agency is expected to be reduced by 5

percent from last year, leaving it at \$9.5 million. Cutting funding to such regulatory agencies drastically lessens their ability to monitor and regulate care facilities for basic standards and quality control.

The only tax increase Branstad is contemplating is a gas tax, despite campaigning against it in his bid for the governorship. Like all regressive taxes, the burden will be felt disproportionately by the working class.

The Democrats offer no alternative. The previous Democratic governor, Chet Culver, pushed through a 10 percent across-the-board reduction in spending in the fall of 2009, thus beginning a wave of layoffs and forced early retirements in the public sector. For the current fiscal year 2010-2011 (which ends June 30), Culver issued a list of over \$84 million in legislatively mandated cuts. These cuts included \$27.3 million to human services and \$6 million to community colleges.

Democratic leaders are entirely in agreement with Branstad that the state's fiscal crisis must be paid for by the working class. Regarding school funding, for example, Senate Majority Leader Mike Gronstal demands only that funding growth should be "somewhere above zero."

Branstad is also angling to renegotiate the contracts of state workers with the help of the American Federation of State, County and Municipal Employees. Danny Homan, president of AFSCME, is "prepared to sit down with Branstad whenever he wants, but the union will not negotiate its positions in the media," the *Des Moines Register* reports.



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