

NEWSLETTER FROM REPRESENTATIVE TOM SANDS

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My Committee Summaries

Appropriations

The release of Governor Vilsack's Fiscal Year (FY) 2006 budget proposal is less than a week away so the Appropriations Committee held a hearing on Monday the 24th to review his new budgeting system named "Purchasing Results."

Purchasing Results starts from scratch and uses an entirely different dynamic to invest each dollar to achieve the best results for Iowans. Under the newly proposed system the Governor and Legislature will be the buyer of services on the taxpayers' behalf. The state agencies are the sellers of the services. Is high school economics class coming back to you at all?

Purchasing Results sets up a marketplace where buyers try to get the best deal that they can from sellers. Conversely, sellers have a strong incentive to offer high value because value drives the buyers' decisions. The better the results per dollar, the better the chance an offer will be funded.

The first part of the process is to establish the results area and indicators which identify the overall results Iowans want, with indicators that tell us how the state is doing in achieving the results. At the end of the day, there will be "funded priorities" and "unfunded priorities." The point is to focus on the \$4.5 million being funded, not the \$100 million (or whatever amount) that isn't being funded.

Commerce, Regulation & Labor

Iowa's insurance industry is headed for potential expansion according to the Insurance Commissioner of Iowa. In her initial appearance before the Commerce, Regulation and Labor Committee on Thursday the 20th, Susan Voss said the conversations she has had with different companies in the past few months have given her the indication that some insurance companies are considering expanding their operations in Iowa.

The biggest challenge facing Iowa related to insurance is health care coverage. The Insurance Division is projecting that rates will increase by 7.7 percent in the next year. This rate of growth is lower than previous years. What this means for the future is still a matter of debate, but hoping for lower growth in health care costs may, unfortunately, be wishful thinking. The division is working with the business community and insurers to identify ways to make health care coverage more accessible for small businesses.

Administration and Regulation Appropriations Subcommittee

This week brought the Iowa State Auditor, David A. Vaudt, to the subcommittee meeting on Tuesday. He gave an intriguing presentation on budgeting and Iowa's future. The main point of interest that I would like to convey involves the rate of general expenditures and inflation. From the early eighties until the early nineties the rate of expenditures and the rate of inflation were at a constant with each other as they should have been. However, starting sometime in the mid-1990s, inflation stayed at the same constant growth but Iowa's expenditures started to significantly increase far past the rate of inflation. The reason for this occurrence is that most of the focus for Iowa's budget since the mid-1990s has been on revenues but **spending is the issue!** The expenditure growth of the last few years is not sustainable and to ensure that taxes do not increase we need to enact clarity in the budget process. It is critical that budget decisions are based upon valid, meaningful comparisons that are derived from true total expenditures.

It is also important that the funds that have been borrowed from, in order to compensate the expenditures, be repaid. I am going to fight to ensure that the high priority funds begin to be repaid. I will also encourage the Legislature to speak honestly about funds that may not be replenished due to the expenditures of previous years.

In other news, I have sent a questionnaire out via email and it can also be found in the newspapers soon. I need your opinions concerning some hot issues of debate from the House floor. If you did not get one please contact me and please forward it on to people that may not otherwise receive it. It is important that I receive information from the people of District 87 so I can fulfill my position adequately.

Until next time,
Tom Sands