

Happy Independence Day!

On July 2, 1776, the Second Continental Congress ended its debate and approved a resolution proposed on June 7th by Richard Henry Lee of Virginia and seconded by John Adams of Massachusetts declaring the 13 American colonies' independence from Great Britain:

“Resolved: That these United Colonies are, and of right ought to be, free and independent States, that they are absolved from all allegiance to the British Crown, and that all political connection between them and the State of Great Britain is, and ought to be, totally dissolved.”

John Adams was so excited that he wrote one of his many letters to his wife, Abigail, back home in Massachusetts:

“The Second Day of July 1776, will be the most memorable Epocha, in the History of America.—I am apt to believe that it will be celebrated, by succeeding Generations, as the great anniversary Festival. It ought to be commemorated, as the Day of Deliverance by solemn Acts of Devotion to God Almighty. It ought to be solemnized with Pomp and Parade, with Shews, Games, Sports, Guns, Bells, Bonfires and Illuminations from one End of this Continent to the other from this Time forward forever more.”

Adams continues: “You will think me transported with Enthusiasm but I am not. -- I am well aware of the Toil and Blood and Treasure, that it will cost Us to maintain this Declaration, and support and defend these States. - Yet through all the Gloom I can see the Rays of ravishing Light and Glory. I can see that the End is more than worth all the Means. And that Posterity will triumph in that Days Transaction, even although We should rue it, which I trust in God We shall not.”

John Adams prophetic words were very accurate in terms of how we would celebrate our independence and the eventual tremendous blessings and success that would ensue for our nation. But the date we celebrate “the great anniversary festival” turned out to be July 4th. This was the day the Second Continental Congress adopted Thomas Jefferson's Declaration of Independence in which, before God and with a “firm reliance” upon Him, the delegates severed the American colonies' ties with Great Britain,

explained why they did so, and pledged to each other “our Lives, our Fortunes, and our sacred Honor.”

Auditor Reviews FY 18 Budget

State Auditor Mary Mosiman released her office’s review of the FY 2018 budget, finding that the Fiscal Year 2018 budget is stable and responsible. The annual budget review found that the General Assembly and the Governor “showed fiscal discipline and budgeting responsibility by making sure the State’s expenditures did not exceed its resources”.

The auditor’s review found that the new state budget complied with the sound budgeting principles the Auditor’s Office has used for several years to assess budgets. These include:

- Avoid use of one-time resources for ongoing expenses;
- Avoid multiyear accelerating commitments;
- Avoid new automatic, or “standing” appropriations;
- Accurately determine revenue and expenses;
- Align expenses and revenue in the same fiscal year;
- Avoid shifting program funding to property taxes or fees; and
- Avoid diversion of funds statutorily authorized for a specific objective to other purposes.

The Auditor also said that the quick action by the Legislature and the Governor’s office in addressing the revenue shortfalls in FY 2017 was important to maintaining good budgeting practices. The Auditor specifically cited the plan to repay the Cash Reserve Fund as a good step taken to maintain fiscal discipline.

Auditor Mosiman recognized that the state needs to review how revenue forecasting is done, to help improve the accuracy of those figures. She also raised concerns about the growth of tax credits in the state budget and the lack of consistent projections for return on investment from these credits.

When asked by the press about the State Treasurer’s desire to start raising funds through short-term borrowing, the Auditor said such strategies does not solve the problem of revenue meeting forecast expectations.

Moody's Investor Service, one of the three major fiscal rating agencies found that the state of Iowa has sufficient funds to maintain services. Moody's released a recent report finding the state on solid financial ground. "The state still has ample budgetary reserves," Moody's stated. "Even after drawing on reserve funds to close a late-year budget gap, its rainy day funds will total more than \$500 million or about 7 percent of revenues."

Moody's report reaffirmed Iowa's AAA bond rating, the highest grade given. Moody's said Iowa's fiscal policies had helped it to withstand times of revenue volatility. Even after having to borrow money from the Cash Reserve Fund, Iowa's reserves were still a "substantial buffer" protecting the state's fiscal status. Moody's position was backed by an expectation that the state would adjust spending patterns, bringing them into line with lower than expected revenue collections.

But they also pointed out that the state's revenue forecasts had been "overly optimistic." These would need to be revised down, and subsequent spending plans to be adjusted to ensure fiscal balance in a time of lower revenue growth for the state.

Moody's report stood in stark contrast to the cries of State Treasurer Michael Fitzgerald, whose comments may have created a sense of panic among Iowans. The outside, nonpartisan review by financial professionals painted a much more stable picture which should help bolster Iowans' confidence in the fiscal plan for the next fiscal year and beyond.

Feel free to contact me with ideas, thoughts, and concerns. My phone is 319-987-3021 or you can email me at sandy.salmon@legis.iowa.gov. I want to hear what you are thinking and will listen to your input. Together we will work to make a difference for the future of Iowa. Thank you very much for the honor of representing you!

Sincerely,

Sandy