



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Richard D. Johnson, CPA
Auditor of State

Attachment G

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October 15, 2001

To the Members of the General Assembly

Attached is a copy of the Ten Point Plan I presented to Governor Vilsack and members of the Executive Council two weeks ago. I asked the Governor to consider these points in light of what I saw as a critical shortfall in expected revenue for the current fiscal year.

Since my meeting with the Executive Council two weeks ago, the Governor's staff has discovered that last year's projected \$200,000 year-end budget balance has turned into a \$58 million deficit. The Governor has covered this by using the state's Economic Emergency Fund balance. At this point we are unsure how this might impact the state's financial statement opinion.

Last week, the Revenue Estimating Conference reduced its estimate of revenue growth for the current year from 4.5% to 1.9%. After considering additional projected refunds, this translates into a \$158 million reduction in anticipated revenue. However, since late July, year-to-date General Fund revenue has actually been running below the same period last year, so additional revenue shortfalls of \$175 million will occur if this trend is not reversed.

After the Revenue Estimating Conference issued its revised estimates last week, the Governor decided to implement item 3 of my suggested Ten Point Plan by ordering a 4.3% across-the-board cut in General Fund appropriations. While the 4.3% across-the-board cut of \$208 million is a good start at addressing the shortfall, I believe it will be inadequate to address the following:

1. Already recognized estimated \$25 million shortfall in Medicaid appropriation for the current fiscal year.
2. The recently recognized budget deficit of \$58 million from last fiscal year.
3. The potential for an additional \$175 million shortfall in the current year's General Fund revenues.
4. The Governor's plan to request re-appropriation of substantial funds for public safety and education programs.
5. Potential additional shortfall in General Fund revenues resulting from economic decisions related to the September 11 attack on America.

As you prepare for the Governor's requested special session of the Legislature next month, I would encourage you to consider my recommendation for addressing the ongoing revenue shortfall. I would be glad to discuss any of these issues with you.

Sincerely,

Handwritten signature of Richard D. Johnson in cursive script.
Richard D. Johnson

Att.
cc: Governor Tom Vilsack
Members of the Executive Council



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9/28/01

WE ARE AT WAR.

NO MORE CAN WE RESPOND TO REVENUE SHORTFALL WITH SHORT TERM SOLUTIONS.

TEN POINT PLAN TO ADDRESS REVENUE SHORTFALL

1. In cooperation with bargaining units, freeze salaries of all state employees to avoid massive layoffs.
2. Commit to no more new programs without their own source of revenue
3. Across-the-board cuts for all programs except public safety related programs.
4. Re-negotiate overhead costs for outsourced programs.
5. Halt implementation of new programs for FY 2002 unless other programs are eliminated.
6. Assess viability of projects that will stimulate job growth and Iowa economy.
7. Restrict non-essential out-of-state travel.
8. Reduce use of consultants by 50%.
9. Implement an early retirement program.
10. Develop contingencies for further reductions.