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Lawmakers weigh options for cash held by cities, counties

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Iowa cities, counties and schools have roughly \$3.5 billion of cash reserves or ending balances, and lawmakers are considering options to require that they dip into those accounts, Gov. Chet Culver said Monday.

"That's a discussion we're having with legislators right now - whether or not there will be a requirement that some of those reserves be used before they get additional state assistance," he said.

Culver didn't say whether he supported the idea. Phil Roeder, a spokesman for the governor, said it could be weeks before a decision about reserve funds was made.

Even so, the discussion quickly raised concern.

"Because the governor was very irresponsible in his budgeting practices over the last two years, he's assumed that everybody is that irresponsible," said Rep. Nick Wagner, a former Marion city councilman and the ranking Republican on the House Local Government Committee. "Now he wants them to help cover his mistakes over the last two years, and I just don't think that's an appropriate response."

Advocates for local governments, including Wagner, said the ending balances are misleading.

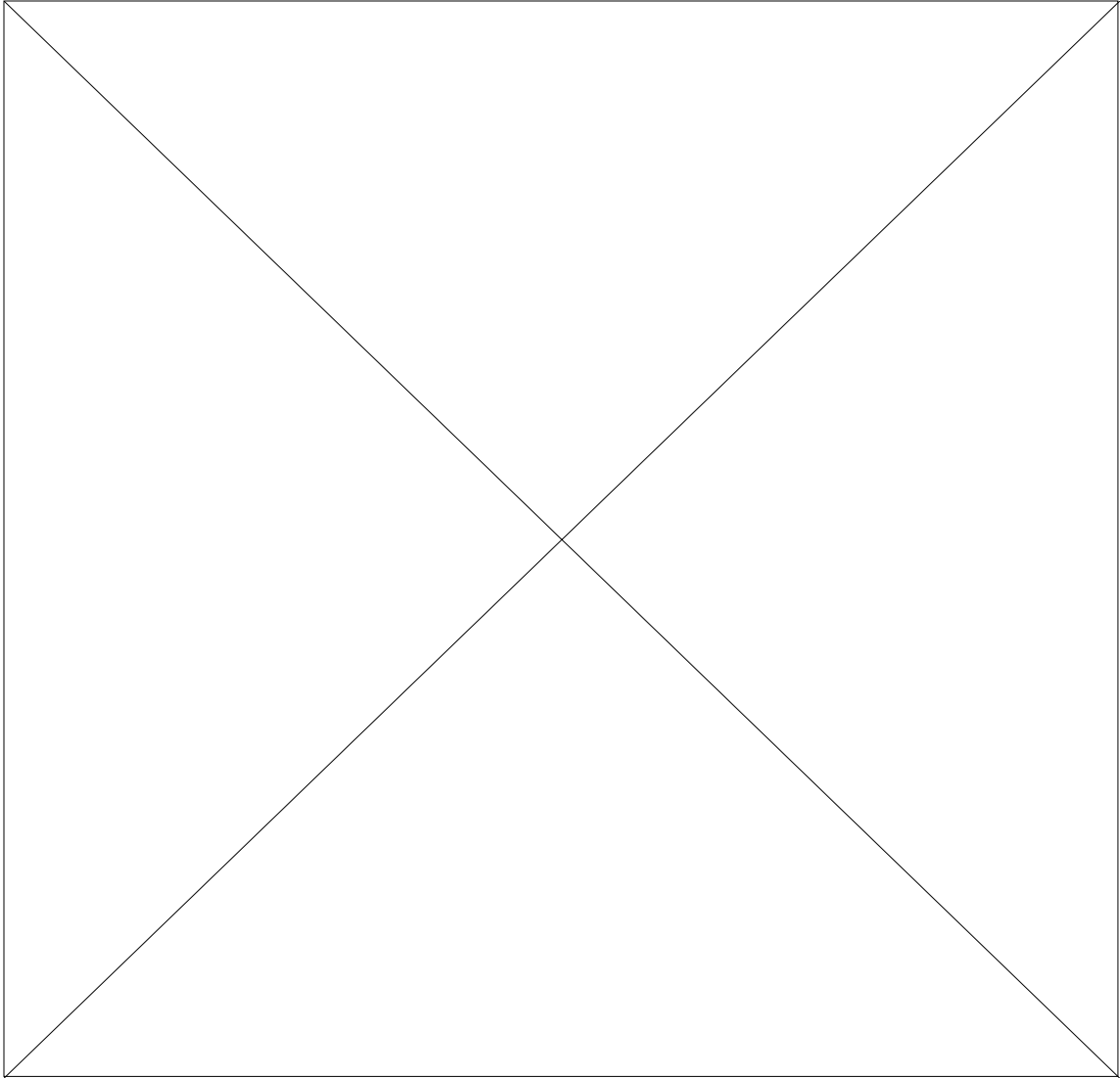
Local governments often save millions of dollars before beginning major projects, such as sewer improvements. While the money is technically in local government accounts, it's designated for those projects, advocates said.

Local government officials also regularly try to keep as much as 25 percent of their budget on hand to pay ongoing expenses. That's necessary because much of their revenue comes in twice a year from tax collections. Without reserves, local governments would be unable to pay employees for months on end, advocates said.

Cities that run utilities typically carry even bigger balances in case of disasters, such as ice storms, said Alan Kemp, executive director of the Iowa League of Cities.

Schools, under Culver's budget recommendations, would receive a 2 percent increase in state aid for next year instead of the 4 percent previously budgeted. They could make up the shortfall - about \$75 million - with reserves. School reserves currently total almost \$330 million, the state's management department has estimated.

Rep. Mary Gaskill, D-Ottumwa, head of the Local Government Committee and a former Wapello County auditor, said she understood the need for reserves. But, Gaskill said, it's appropriate and fair to review whether some local governments should spend some reserve money before dipping into state emergency money.



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