



## **Budget Too Big? Use the Line-Item Veto, Governor!**

By Deborah D. Thornton

The National Association of State Budget Officers (NASBO) reported back in 2002 that recovery from the 2001 recession could be “gradual” and state budget problems would lag the national recovery by “12-18 months.”<sup>1</sup> After the 2001 recession, there were \$40 billion in state budget deficits, representing 7.8 percent of general fund revenues and affecting 40 states.<sup>2</sup> The same pattern was predicted for this recovery.

According to the National Conference of State Legislatures (NCSL), the FY 2009 state budget gaps totaled \$113.2 billion, with the FY 2010 gaps increasing to \$145.9 billion.<sup>3</sup> The Center on Budget and Policy Priorities reported, “The worst recession since the 1930s has caused the steepest decline in state tax receipts on record. State tax collections, adjusted for inflation, are now 12 percent below pre-recession levels.”<sup>4</sup> Unfortunately, it has now been over 21 months since June 2009 and the “end” of the recession. Currently, 45 of the 50 states are projecting budget deficits totaling \$125 billion for FY 2012. Significant problems continue.

State budget years generally begin in July, versus October for the federal government. Therefore, state Legislatures and Governors are currently determining, or cussing and fussing – and in some cases even leaving the state – over these budgets and the taxes used to fund them. Decisions are currently being made for the fiscal year 2012 that begins in July 2011.

A national study by the Mercatus Center at George Mason University offers a suggestion for solving state budget problems – the effective use of the line-item veto by Governors during the initial establishment of the state budget. As President Harry S. Truman (1945-1953) said, “The buck stops here!”<sup>5</sup>

The Mercatus study – “TEL It Like It Is: Do State Tax and Expenditure Limits Actually Limit Spending?” – reports that based on historical state budget growth, many tax and expenditure limits (TEs) haven’t been that effective. The study mentions, almost as a throwaway line, that in contrast use of the line-item veto by Governors had significant impact on state budgets. There are various types of and limits on line-item vetoes, but a Governor who is focused on cutting spending and determined to implement promised plans may use the veto to cut either narrow or broad budget items. The report states that use of the line-item veto results in per capita budget spending of 14 percent less. Every Governor in every state except Maryland has an appropriations veto option.<sup>6</sup>

This option provides both great power and great flexibility. It also puts the responsibility for good or bad decision-making solely on their shoulders as Chief Executive. “The buck stops here,” as President Truman said.

In Iowa we currently have split control – the Governor and House of Representatives are both Republican, while the Senate is controlled by the Democrats, by a slim 26 to 24 majority.

The current Iowa state budget gap has been estimated as high as \$779 million, with a FY 2010 outstanding debt of \$2.3 billion and total state debt of over \$6.8 billion. On a per capita basis,

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this total is almost \$5,600 per person. On a fiscal year basis, for FY 2010 Iowa ranks 16<sup>th</sup> nationwide, with \$780 owed per citizen. Though our debt is significantly lower than Wisconsin at over \$2,000 and Illinois at \$1,837 per capita, we are still higher than our other neighbors – Nebraska, South Dakota, and Missouri.

The Missouri numbers are especially interesting, as the low short-term debt reflects strong action by the current Governor Jay Nixon (Democrat) to keep the budget in balance for FY 2010. In signing the FY 2010 budget last June, Nixon made over \$300 million in budget cuts, following \$450 million in Legislative cuts.<sup>7</sup> Nixon's determination to proactively address the impact of the recession is to be commended.

This is a Governor who knows how to use the line-item veto.

In Iowa, the Governor may only veto a complete section of funding in an appropriations bill. This still allows him to narrowly address provisions he does not agree with. If a Governor is serious about cutting funding and reforming government, the line-item veto is one of the most powerful tools.

This is especially true if the Legislature is divided in political control. While Governor Branstad may not have the ability to convince both branches of the Legislature to pass specific legislation and budget proposals, it is unlikely that an override of a line-item veto will occur.

Governor, get your pen out – the buck stops with you.

*Public Interest Institute's Policy Study – "Tax and Expenditure Limits II: Are There Additional Options?" – can be viewed at [www.LimitedGovernment.org](http://www.LimitedGovernment.org).*

#### (Endnotes)

<sup>1</sup> "Fact Sheet: Quick Recovery? State Fiscal Recovery Could Be Gradual, Lag National Economy 12-18 months," National Association of State Budget Officers, March 12, 2002, <<http://www.nasbo.org/LinkClick.aspx?fileticket=CJu5BM7IgA%3D&tabid=83>> accessed on February 24, 2011.

<sup>2</sup> Ibid.

<sup>3</sup> "State Budget Update 2009," National Conference of State Legislatures, November 2009, <<http://www.ncsl.org/?tabid=19251>> accessed on February 20, 2011.

<sup>4</sup> Elizabeth McNichol, Phil Oliff, and Nicholas Johnson, "States Continue to Feel Recession's Impact," Center on Budget and Policy Priorities, February 10, 2011, <<http://www.cbpp.org/cms/?fa=view&id=711>> accessed on February 22, 2011.

<sup>5</sup> "Biographical Sketch Harry S. Truman," The Harry S. Truman Library and Museum, <<http://www.trumanlibrary.org/hst-bio.htm>> accessed on February 27, 2011.

<sup>6</sup> "Gubernatorial Veto Authority with Respect to Major Budget Bill(s)," National Conference of State Legislatures, December 2008, <<http://www.ncsl.org/default.aspx?tabid=12640>> accessed on February 22, 2011.

<sup>7</sup> "Governor Signs FY 2010 Budget Bills," Missouri Senate Newsroom, June 14, 2010, <<http://www.senate.mo.gov/newsroom/Documents/CapitolBriefing/2010/2010%20Interim/CapitolBriefing061410.htm>> accessed on March 1, 2011.

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