



**Auditor of State**

**Rob Sand**

***State of Iowa Budget Review***

**December 2020**

# **Budgets Benefit from State Auditor PIE (Public Innovations & Efficiencies)**

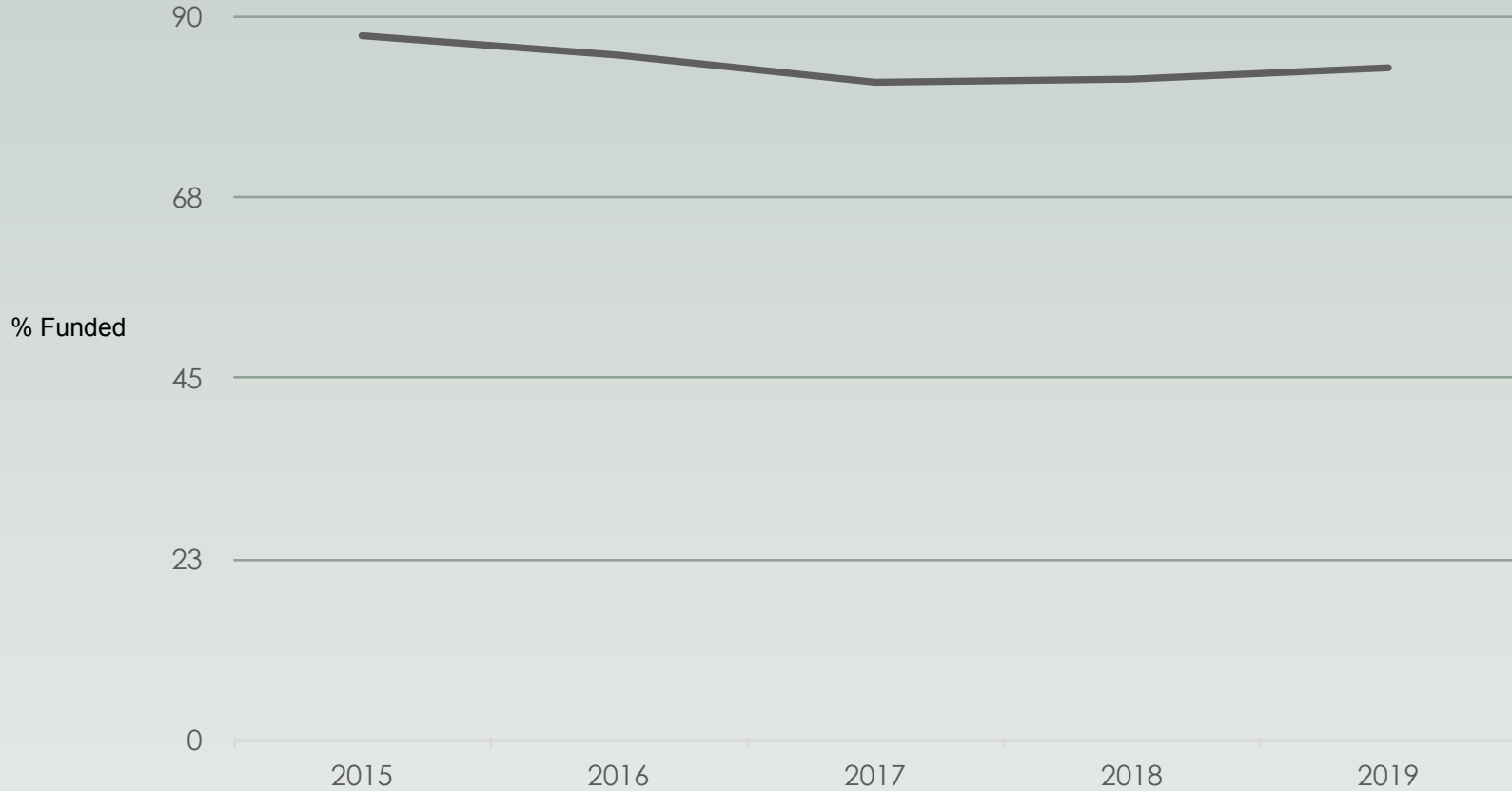
- New program to pinch taxpayer pennies.
- PIE Chart: collects, then distributes basic money-saving practices and asks public entities which they use.
- PIE Contest: we will be able to compare future PIE charts for any public entity to their past PIE charts, and recognize those that have added the most innovations and efficiencies.
- PIE Recipes: collecting money-saving ideas from the Iowa entities that created them, adding them to the PIE Chart.
- Currently have a response from an entity in 75 of 99 Counties.
- **Please submit by December 31, 2020 to be entered for 2020's PIE Contest.**
- Go to [auditor.iowa.gov/pie](http://auditor.iowa.gov/pie) for more information.

# State of Iowa Budget

4 Things Today:

- Pensions
- Sound Budgeting Principles
- A Review of the Numbers
- Budget Issues

# Iowa's Net Pension Liability is Stable



Source: Iowa Comprehensive Annual Financial Reports (IPERS only)

# **State of Iowa Budget**

## **Sound Budgeting Principles**

- 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.
- Avoid diversion of funds statutorily authorized for a specific objective to other purposes.

# State of Iowa Budget Budgeting Principle Violations

- Avoid use of one-time resources for ongoing expenses.
  - Governor putting nearly \$500,000 from the CARES Act funds for pandemic relief, to cover her personal staff salaries that are not presumed to qualify.
- Align expenses and revenue in the same fiscal year.
  - Need to stop doing Medicaid supplemental funding. Pandemic funds fix that for 1 year only.
- Avoid shifting program funding to property taxes or fees.
  - Should not end the “backfill” from property tax cut.
- Avoid diversion of funds statutorily authorized for a specific objective to other purposes.
  - Governor putting \$21M of CARES Act funds into Workday violates this principle. On notice to correct any others.

# State of Iowa Budget

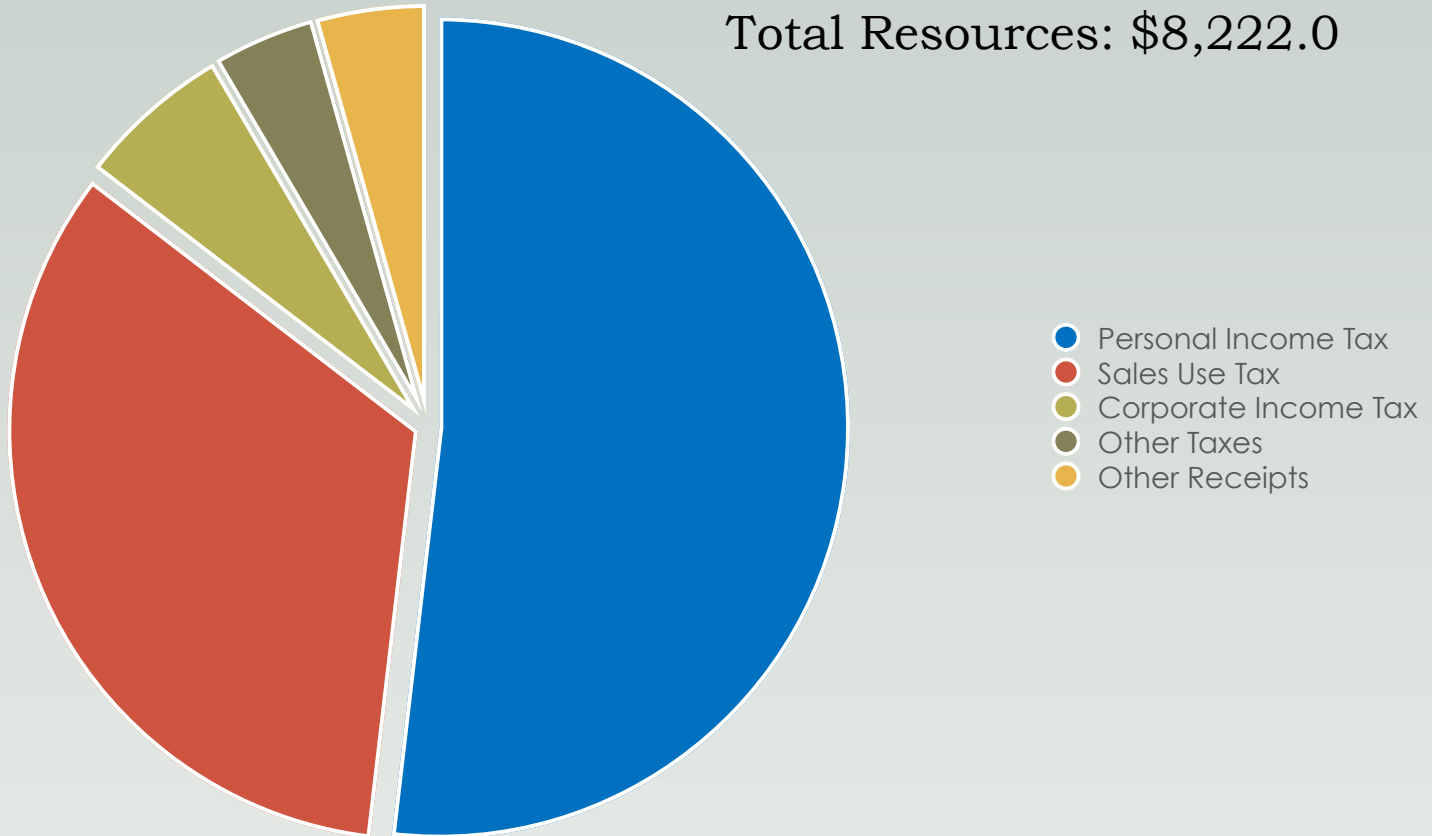
## Projected Condition of the General Fund Budget

(\$ in Millions)

	Actual FY19	Actual FY20	Estimated FY21
	<u>          </u>	<u>          </u>	<u>          </u>
Resources:			
Subtotal Net Receipts	\$7,858.2	\$7,941.2	\$7,969.3
Surplus Carryforward	71.0	195.6	252.7
Total Available Resources	<u>\$7,929.2</u>	<u>\$8,132.3</u>	<u>\$8,222.0</u>
Estimated Appropriations and Expenditures:			
Enacted Appropriations	\$7,480.2	\$7,642.6	\$7,778.5
Adjustments to Standing Appropriations		\$4.7	\$5.1
Supplemental/Deappropriations	\$168.6	\$185.6	\$0.0
Total Appropriations	\$7,646.0	\$7,832.9	\$7,783.6
Reversions	(5.4)	(12.2)	(5.0)
<b>Ending Balance - Surplus</b>	<b>\$288.6</b>	<b>\$305.5</b>	<b>\$443.4</b>

# State of Iowa Budget FY21 Sources – General Fund

Total Resources: \$8,222.0





# State of Iowa Estimated FY21 Budget Summary

(\$ in Millions, net)

Resources Supporting, State Budget	<u>\$8,090.2</u>
Total Appropriations – All Funds	(7,783.6)
Reversions	(5.0)
2021 Est. Ending Balance – Surplus	<u>\$443.4</u>
2021 Cash Reserve Fund	\$587.8
2021 Economic Emergency Fund	\$195.9
Total Est. FY21 Surplus	<u>\$1,227.1</u>

# State of Iowa Budget Future Budget Challenges

- Reminder: 2017 federal tax changes gave our state budget a massive but temporary boost.
  - They will disappear in 2025 and take much of our surplus.
  - So should not make long-term changes if we want to maintain responsible budget in the long-term.
- Tax Credits
- Beating the Pandemic By Protecting Lives & Livelihoods

# We Need to Control, Measure Tax Credits.

- From FY07-FY21 General Fund revenue tax credits have increased from \$197.6 million to \$440 million, more than doubling in 14 fiscal years.
- 2016 Tax Foundation Report: Iowa DOR studies "cast doubt on the ability of many of Iowa's tax incentives to yield the intended economic results."
- 2020: We audited the New Jobs Training Program this year, and found it couldn't actually prove it was creating new jobs.

# **This is Our Rainiest Day.**

- Iowa restaurants & bars will lose \$1.4B. 88% are projecting additional decline over the next 3 months.
- 1,000 expected to close. Means a lot to small towns.
- 1 in 9 Iowans work in these small businesses. Additional closures will be a major job killer.
- 70% of economy is demand-based, from people; many hurting.
- Iowa's hospitals lost \$443M despite federal aid this year. That is on top of their financial hits from Medicaid privatization. Many in danger of closing.

# Let's Not Hoard the Umbrellas.

- But: state government estimated to be sitting on over a billion dollars by June; have \$700M+ right now. Plenty of room to protect lives and livelihoods while still being fiscal responsibility. Can increase testing, provide small business relief grants, income assistance, etc.
- Targeted spending now is the best investment towards ending the pandemic and having a “normal” to return to.
- \$290M in cash reserve fund can be spent by legislature for nonrecurring emergency expenses (because that wouldn't go below 3.75% of annual adjusted revenue).
- If 3/5ths of legislature supports it, all \$587M in the cash reserve fund can be spent.
- Legally spending all \$587M would still leave state government with hundreds of millions in surplus.
- Every day of delay hurts Iowa's health, jobs, and economy.

# Put People First.

- Relief being “up to the federal government” is opinion, not fact.
  - The Governor could have called for a special session of the Legislature any day to get those funds to Iowans. Still can.
  - Who, with the ability and responsibility to relieve suffering, would wait for Washington DC to do it instead?
- “There isn’t enough for everyone” is a rejection of fiscal, social, and personal responsibility.
  - Would a sea captain on a sinking ship have all life vests sink with it, because there’s not enough for everyone?
  - Would a combat leader reject an evacuation that only saves half the soldiers?
- Government should protecting the public, especially in a crisis.
- Doing so leaves us in better fiscal shape in the long run.

# Questions



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