



Committee on Accountable Government Review Iowa Legislature's Fiscal Year 2011 Budget

Prelude

This is a budgeting process review of the Iowa Legislature's FY 2011 budget. The goal of this review is to encourage the key fiscal policy developers and lawmakers of Iowa to consider these criteria in the future. These principles for Accountable

Government were developed by Iowa Taxpayers Association in 2003 and the practice of budget evaluation has continued regularly since then. **To be clear, it is not the purpose or intent of this effort to render subjective judgment or declaratory comment on the merits of individual programs sanctioned by the various legislative or executive department actions.**

Each of the Iowa Taxpayers Association's eight "Principles for Sound Budgeting" is listed below. Each principle is accompanied with examples, if applicable, from the Legislature's FY 2011 budget. Pursuant to our evaluation, a plus sign (+) indicates the Legislature's budget abided by the principle and a negative sign (-) indicates the Legislature's deviated from the principle.

Sound Budgeting Principles/Review

Avoid the use of one-time or time-limited sources for ongoing expenses.

- The Legislature's budget continuously relies upon the use of one-time and time-limited sources of revenue for ongoing general fund expenses. When those funds no longer exist, a gap as large as \$700 million in the budget will be present and a new revenue source will need to be identified to fund those expenditure commitments. The use of Federal Stimulus (American Recovery and Reinvestment Act - ARRA) money was used for on-going expenses.
- Medicaid, an ongoing expense, is funded in FY11 with \$ 240 million from ARRA, a time-limited revenue source.
- An additional \$267 million in shifted general fund expenses are funded with Reserve Funds.

Avoid implementing new programs for a partial fiscal year.

- + New programs have not been implemented for a partial fiscal year.

Avoid multi-year accelerating commitments.

- + No multi-year accelerating commitments were implemented.

Avoid new automatic, or “standing,” appropriations.

- + The Legislature avoided new “standing” appropriations.

Accurately determine revenue and expenses.

- + The budget abides by this principle.

Align expenses and revenue in the same fiscal year.

- Net receipts for FY 2010 were -\$234.7 Million (-4.1%) less than expenditures.

Avoid shifting program funding to property taxes or fees.

- Funds property tax credits below projected levels of demand with the exception of the military tax credit and the elderly and disabled tax credit which were fully funded this year. Contrary to state law, the following property tax credits are under-funded by these percentages:

Homestead = under-funded by 35.6%

Ag Land and Family Farm = under-funded by 18.6%

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

- Diverts \$ 95.2 million from the Rebuild Iowa Infrastructure Fund (RIIF) to non-infrastructure items. This diversion is contrary to existing law and has been accomplished through “notwithstanding” the statutory requirement.

The Rebuild Iowa Infrastructure Fund is authorized by law for specific objectives and therefore we oppose the use of “notwithstanding” language which diverts resources from these funds.