



Committee on Accountable Government Fiscal Year 2009 Budget Review Governor Culver's Budget Recommendations

Prelude

This is a budgeting process review of Governor Culver's Fiscal Year 2009 budget recommendations. 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 Governor's FY 2009 proposed budget recommendations. Pursuant to our evaluation, a plus sign (+) indicates the Governor's budget recommendation abided by the principle and a negative sign (-) indicates the Governor's recommendation deviated from the principle.

Sound Budgeting Principles/Review

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

- The State 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 large gap in the budget will be present and a new revenue source will need to be identified to fund those expenditure commitments. An example would be the reliance on taxable bond proceeds from the tobacco securitization fund.
- + Medicaid, an ongoing expense, is not funded with any money from the Senior Living Trust Fund (SLTF), a time-limited revenue source.

Avoid implementing new programs for a partial fiscal year.

- + The budget abides by this principle.

Avoid multi-year accelerating commitments.

- The Governor's FY 2009 budget includes \$332.6 million in funding that is associated with the FY 2008 estimated built-in and anticipated expenditures.

Avoid new automatic, or "standing," appropriations.

- Expansion of the Hawk-I health program in the amount of \$4.8 million for FY 2009, \$14.8 million for FY 2010, and \$24.8 million for FY 2011

Accurately determine revenue and expenses.

- + The budget abides by this principle.

Align expenses and revenue in the same fiscal year.

- + Builds upon a performance based budgeting process, "Budgeting for Results." The theory is to start with all revenues currently available and expend those resources only on the expenditures that achieve the most value and the ultimate goal identified by the State. Rather than building upon the current base budget, the Governor has attempted to align available revenues to those identified expenses in the same fiscal year. As a practice, this is a good first step.
- Perpetuates the difficulties in aligning expenses with actual revenues collected in the same fiscal year, when there is a continued reliance on one-time and time-limited sources for ongoing expenses. The Governor recommended \$81.8 million from the FY 2008 year-end General Fund surplus prior to its appropriation and distribution to the Senior Living Trust Fund and the Cash Reserve Fund and an FY 2009 General Fund appropriation of \$78.2 million. This is an increase of \$50.2 million from the General Fund for FY 2009, but funds the tax credits at the same level as FY 2008.

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 the Governor recommends to fully fund this year. Contrary to state law, the following property tax credits are under-funded by these percentages:
 - Homestead = under-funded by 29%
 - Ag Land and Family Farm = under-funded by 12%

The effect is a shortfall in funding for property tax credits which could result in increased property taxes or not fully funding these tax credits to those who qualify.

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

- Diverts \$ 90 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. In total, the Governor’s Non-General Fund Appropriations Shifted to the General Fund total \$177.7 million.

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.