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# Iowa Fiscal Partnership

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## Iowa Lags in States' Game of Budget Catch-Up State Spending Falls Compared with Income Growth

MOUNT VERNON, Iowa – State government spending – by one measure – shrank more in Iowa than in any state over the last six years.

A new survey from the Center on Budget and Policy Priorities (CBPP) shows that Iowa's general fund spending declined from 6.3 percent to 5.2 percent as a percentage of personal income between fiscal year 2000 and fiscal year 2007. Iowa ranked 50th in spending growth by this measure.

While Iowa's General Fund budget has risen from about \$4.76 billion in fiscal year 2000 to just under \$5.3 billion in the new fiscal year, this surface appearance of a spending increase masks the real context of rising costs and less reliable sources of revenue to sustain the increase.

### On the web

The new report, "States Still Playing Catch-Up in New Budgets," from the Center on Budget and Policy Priorities, is available on the web at <http://www.cbpp.org/8-2-06sfp.htm>.

"Just like families, the state faces increased costs" said David Osterberg, executive director of the nonpartisan Iowa Policy Project (IPP).

"There are more Iowans than there were six years ago, and they have more income and require more public services," Osterberg added. "Yet, when the growth in spending is compared to the growth in incomes of Iowans, we find that spending has dropped markedly."

The CBPP survey also noted that despite the six-year decline in spending relative to income, Iowa in the last two years has increased general fund spending at about the same rate as other states.

Osterberg and Peter Fisher, IPP research director, said it was important to understand that spending is only part of the equation. Also important is the reliability of funding, and the continued prospect of reduced federal assistance that will put new pressures on state governments.

— more —

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“Iowa is still playing catch-up,” Osterberg said. “Even with the recent growth in spending, Iowa is behind its previous commitments. And the Legislature has continued to cut taxes, which raises the issue of long-term sustainability of critical services.”

Fisher noted Iowa is still recovering from across-the-board spending cuts in FY2002 (4.3 percent) and FY2004 (2.25 percent), large cuts to higher education and property tax credits, and massive borrowing from special funds such as the Senior Living Trust Fund.

For higher education alone, before adjusting for inflation, Iowa is spending \$90 million less in FY2007 than in FY2001. Taking inflation into account, the drop would be even larger.

“Even with revenues rebounding, the question remains how Iowa will both meet its ongoing commitments without tapping special funds as legislators have done repeatedly, and at the same time repay those funds, such as the Senior Living Trust, Economic Emergency Fund, and the Endowment for Iowa’s Health,” Fisher said.

The CBPP study offers a fresh perspective on the issues examined in the 2004-05 series of reports, “Our Vanishing Budgets: Iowa’s Response to the Fiscal Crisis in the States,” from the Iowa Fiscal Partnership (IFP), a joint venture of the IPP in Mount Vernon/Iowa City and another nonpartisan, nonprofit policy analysis organization, the Child & Family Policy Center in Des Moines. IFP reports are on the web at <<http://www.iowafiscal.org>>.

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