

Countdown to a Shutdown?

Failure to pass a budget would impact all Iowans

Even as the Iowa House prepares to pass an “omnibus” bill on the budget and many nonbudgetary policy items, gridlock at the State Capitol has Iowa hurtling on a course toward a government shutdown. The General Assembly, in its seventh week of overtime, has been unable to agree to a budget for Fiscal Year 2012, which begins July 1. While there are no public plans being offered by the Governor in the event of a possible shutdown, the absence of a new budget would force some state offices and services to temporarily close.

Hundreds of thousands of Iowans would feel the effects of a shutdown, because we all rely on the public structures and systems that state government provides.

What Would a Shutdown Mean?

Iowa finances the state’s activities on a yearly basis, with the fiscal year beginning July 1 and ending June 30. A shutdown would be the result of the Legislature failing to pass a budget in time for the upcoming fiscal year.

The result: thousands of “nonessential” state employees furloughed without pay, the temporary cessation of many state services, the closure of state offices and parks, and the halting of cash flow from the state to service-providers and local governments. Highway patrol officers, corrections personnel and operations, and other necessary workers and operations would continue through a shutdown. State aid payments to schools are funded at a base level through a standing appropriation that does not expire with the 2011 fiscal year.

State Parks Closures

State park closures would be among the most visible signs of a shutdown. Just in time for the start of the long July Fourth weekend, a shutdown would slam shut the gates of state parks on one of their busiest weekends of the year, and hit nearby communities’ economies as well.

In 2010, Iowa’s 67 state parks drew over 2.2 million visitors in July alone. By mid-May, Iowa’s State Parks Bureau, a division of the Department of Natural Resources (DNR), already booked nearly 800 camping, cabin, shelter, or day-use lodge reservations for arrival on July 1.¹ Many hundreds more will arrive either prior to Friday, July 1, or on the days following. A shutdown would effectively cancel those reservations, not to mention the unreserved plans of thousands more Iowa families, to enjoy Iowa’s parks.

But a shutdown would not simply change plans for Iowa families. DNR, which generates much of its operating budget through user fees, would lose out on a major source of revenue. If the state parks’ campgrounds were full for the three-night weekend, camping revenue to DNR could exceed \$200,000. From just the reservations noted above, DNR anticipates bringing in \$27,000 in revenues.²

Local businesses would suffer. A 2000 survey of Iowa state park users, conducted by the Center for Social and Behavioral Research at the University of Northern Iowa, found that the average party of four spent an average of \$51.50 on food, fuel, lodging, equipment, and other expenses for each state park visit.³ Multiplied many times for each party visiting the state parks on a holiday weekend, that figure would mean millions of dollars in forgone revenue to Iowa’s businesses.

Applications for Public Services Would Halt

A shutdown would mean delay processing of applications by thousands of Iowans who qualify for Medicaid, *hawk-i*, IowaCare, food assistance, and child care assistance. Throughout FY2011, an average of 1,270 Iowans have enrolled in Medicaid each month;⁴ *hawk-i* and IowaCare have grown by an average of 710 and 897 each month, respectively.⁵ A state government shutdown would stop new applications to Medicaid, *hawk-i* and IowaCare, among other program, until normal state government functions resume — even though the needs would not stop. For some Iowans, this could lead to critical delays in health care. Many patients enroll in public health coverage, such as IowaCare, at the time they are admitted to a hospital.

Payment for Services

In addition to the thousands of state-service recipients who would be affected, thousands of service providers across the state would also be harmed. Though not as visible as park closures, the drying up of funds could hurt thousands of independent, private organizations whom the state pays to provide services to qualifying residents.

For example, many private organizations, such as child care providers, receive state funding to provide services for children in lower-income families. Many of these agencies must submit their billing to area Empowerment Boards at the end of each quarter to receive payment for services rendered. The end of the second quarter, of course, coincides with the end of the state fiscal year. A shutdown would mean that payment for services rendered by private entities on behalf of the state would be delayed.

Payment delays would severely hurt these private organizations, many of which do not have cash reserves, and are entirely or partially reliant upon state funding to continue their operations. Moreover, payment delays would spill over and affect the very populations such agencies aim to serve. Depending on the number of publicly financed slots they usually fill, they could either close classrooms and dismiss teachers, or fill all their slots with children whose parents can foot the bill on their own, leaving no slots for low-income children who participate in state-funded child care programs.

It is unclear whether payments to hospitals, clinics, and health care providers that participate in joint federal-state programs, such as Medicaid, *hawk-i*, and IowaCare would continue to receive payment for services. If payments to medical providers stopped in the event of a shutdown, millions of dollars in payments would be delayed. Medicaid, *hawk-i*, and IowaCare make an average of nearly \$90 million in payments each month.⁶

Cash-flow problems would also impact individuals. Iowa provides scholarships for child care workers to receive certain credentials in the T.E.A.C.H. program. A shutdown would leave potential T.E.A.C.H. recipients in a state of limbo, unsure whether they would be attending college in the fall to earn their certification.

Conclusion

The examples cited above are not an exhaustive list of impacts of a potential state government shutdown. Yet they show how important public structures funded or authorized by the state are critical to Iowans' lives. Failure to reach a budget deal would negatively impact thousands of Iowans, from the most vulnerable, to those seeking weekend recreation, to businesses that rely on sales to users of state parks.

¹ Sherry Arntzen, State Parks Bureau, personal correspondence with Iowa Fiscal Partnership, May 19, 2011.

² Arntzen.

³ Melvin E. Gonnerman, Jr., Gene M. Lutz, Stephanie Ingram, Sara Stoeber, "Survey of Iowa State Park and Recreation Area Users," Center for Social and Behavioral Research, University of Northern Iowa, January 2001. <http://www.csbs.uni.edu/dept/csbr/pdf/DNR_Park_User_Report-2001.pdf>.

⁴ Jess Benson, "Monthly Medicaid Forecast – April 2011," Fiscal Division, Iowa Legislative Services Agency, May 3, 2011. <<http://www.legis.iowa.gov/DOCS/lsaReports/medicaid/2011/April.pdf>>.

⁵ Jess Benson, Fiscal Division, Iowa Legislative Services Agency, personal correspondence with IFP, May 19, 2011.

⁶ Benson, personal correspondence.