

## **Catching Up: Context for 2012 Budget Decisions in Iowa**

**By Andrew Cannon**

With a new legislative session under way, last June seems like a distant memory. As summer began, Iowa lawmakers were locked in a budget stalemate, as June 30th — the end of the fiscal year, crept nearer and nearer. With little time to spare, the General Assembly passed a rash of bills, creating the Fiscal Year 2012 budget.

Budget-making season is again upon us. Governor Branstad recently released his proposed FY2013 budget recommendations and in the coming months, the General Assembly will draft and vote on appropriations bills to create the FY13 budget. This brief looks at the FY12 budget and the Governor's FY13 recommendations, and how they compare to previous years' budgets. Additionally, the brief examines appropriations for several different functions, including education, health care, income supports, environmental protection and investments in Iowa's workforce.

### ***Annual vs. Biennial Budgeting***

One of the earliest issues to arise in the FY12 budget discussions was a proposal to change Iowa's budget process. Presently, Iowa's budget is created each year, as directors of executive agencies submit department budget requests to the Governor, who in turn uses these requests to recommend a budget, which is submitted to the General Assembly at the beginning of the legislative session. The Legislature may adopt, alter or ignore the governor's recommendations in its appropriations process.

Governor Terry Branstad proposed moving to a biennial budgeting process, in which a new budget would be created every two years, as is the process in 19 states.<sup>1</sup> Governor Branstad claimed a biennial process would improve stability and predictability in the budgeting process.<sup>2</sup>

However, institutional and legal constraints, as well as concerns about the practicability of a true biennial budget, limited Iowa lawmakers' adoption of a biennial budget. Members of the General Assembly were hesitant to yield some of their responsibilities, and Iowa state law requires an estimate of available funds prior to the appropriations process.<sup>3</sup> Each December, the Revenue Estimating Conference — a body consisting of representatives from the Department of Management, the Department of Revenue and a public representative chosen by the Governor — estimates total revenues for both the remainder of that fiscal year and for the upcoming fiscal year, starting on July 1.

Apart from these challenges, biennial budgets come with difficulties of their own, and may not, in fact, be as predictable as biennial budget advocates suggest.<sup>4</sup> Revenue estimates must be completed more than two years in advance of the legislative session. A comparison of revenue estimate errors of states with biennial budgets vs. states with annual budgets illuminates this difficulty. In states with biennial budgets, revenue estimates were off by an average of 2.18 percent; annual budget states by contrast showed only a 1.04 percent average error.<sup>5</sup> The budgets of states with biennial processes were no less disrupted by the recession than states with annual processes.<sup>6</sup>

Ultimately, lawmakers compromised, building FY13 funding into their budget at half of the FY12 level, with plans to complete the funding for FY13 in the 2012 legislative session. Governor Branstad’s FY13 recommendations largely adhered to the half-and-half plan, holding FY13 funding for most programs, departments and agencies at FY12 levels.

**The General Fund, Other Funds and ‘One-Time’ Funds**

Iowa’s public systems and structures are financed by a host of different funds. The largest by far is the General Fund, which finances most state government functions. Personal and corporate income tax and sales tax revenues, among others, are deposited in the General Fund.<sup>7</sup>

Each December, the Revenue Estimating Conference forecasts the resources that will be available to the General Fund. By law, the Governor and the Legislature may appropriate no more than 99 percent of this body’s General Fund revenue estimates.<sup>8</sup>

At the end of the fiscal year on June 30th, any remaining balance in the General Fund is then deposited in Iowa’s two “Rainy Day” funds — The Cash Reserve Fund (CRF) and the Economic Emergency Fund (EEF). Once the CRF reaches 7.5 percent of the General Fund appropriable revenues, any remaining balance flows to the EEF, which is limited to 2.5 percent of the General Fund.

In addition to these three funds, Iowa has many other funds, each with their own revenue streams and each to be used for designated purpose. Each of the largest funds is described below:

- The Rebuild Iowa Infrastructure Fund (RIIF), financed by interest on the two rainy-day funds and wagering tax receipts beyond \$80 million, is for public infrastructure-related expenditures;<sup>9</sup>
- The Senior Living Trust Fund (SLTF), funded by transfers of federal Medicaid money to the state government in the early 2000s, finances long-term health care services to low- to moderate-income seniors;<sup>10</sup>
- Environment First Fund (EFF) receives a \$35 million appropriation from the RIIF, with some variation, each year from the General Fund, for conservation and environmental protection programs, such as water quality monitoring, watershed protection, and others;<sup>11</sup>

**Table 1. General Fund Appropriations Up, Other Fund Appropriations Down in FY12 (\$millions)**

Funding Source	FY10	FY11	FY12*	FY13**	FY13 \$
					Change from FY12
Net General Fund Appropriations	5,104.1	5,155.8	5,999.7	6,243.9	244.20
<i>Other Funds</i>					
Recovery Act	642.1	302.6	0.0	0.0	0.00
Rebuild Iowa Infrastructure Fund	150.3	110.5	117.5	132.0	14.50
Cash Reserve Fund	25.6	217.7	0.0	0.0	0.00
Primary Road Fund	302.4	301.8	298.3	303.2	4.90
IowaCare Fund	122.8	147.3	158.3	165.2	6.90
Health Care Trust Fund	106.9	106.9	106.4	106.0	-0.40
Road Use Tax Fund	52.9	51.6	50.3	50.3	0.00
Hospital Health Care Access Trust	0.0	40.0	40.0	34.7	-5.30
Fish and Wildlife Trust	38.8	38.8	38.8	40.0	1.20
Economic Emergency Fund	0.0	0.0	38.7	28.5	-10.20
Environment First Fund	42.0	33.0	33.0	33.0	0.00
Quality Assurance Fund	2.3	33.7	29.0	26.5	-2.50
Commerce Revolving Fund	26.7	27.1	27.4	27.2	-0.20
Iowa Public Employee Retirement System	18.0	17.7	17.7	17.7	0.00
Technology Reinvestment Fund	14.8	10.1	15.5	15.0	-0.50
Pharmaceutical Settlement Account	1.3	4.0	10.9	2.7	-8.20
Gaming Enforcement Revolving Fund	0.0	9.8	9.8	10.3	0.50
Health Care Transformation Fund	5.4	5.2	8.3	8.7	0.35
DIA - Gaming Regulatory Revolving Fund	0.0	0.0	5.6	0.0	-5.60
Revenue Bonds Capitals Fund	317.5	38.4	4.9	0.0	-4.90
Revenue Bonds Capitals II Fund	0.0	146.0	4.0	0.0	-4.00
Underground Storage Tank	0.2	26.6	0.7	0.0	-0.70
Senior Living Trust Fund	49.6	49.6	0.0	0.0	0.00
Property Tax Credit Fund	149.8	146.0	0.0	0.0	0.00
Other	36.5	29.2	56.6	37.2	-19.4
Total Non-General Fund Sources	2,248.6	2,048.8	1,018.6	1,026.8	8.2
Total of All State Funds	7,352.7	7,204.6	7,032.6	7,270.7	252.4

\*Estimated. \*\*Governor’s recommendations.  
Source: Legislative Services Agency, Fiscal Division.

- The Groundwater Protection Fund (GWF) is filled through fees collected at sanitary landfills, taxes on pesticide and fertilizer sales, hazardous waste products, and penalty fees for violations of environmental regulations. The GWF is used to prevent groundwater contamination;
- The Road Use Tax Fund (RUTF), financed through vehicle registration and driver’s license fees, motor fuel taxes, use tax on vehicle purchases, and other sources, disperses funds via formula to the state Department of Transportation, city and county governments for road construction and maintenance;
- The Hospital Health Care Access Trust Fund (HHCAT), financed through assessments on Iowa hospitals, provides some of the state’s required Medicaid contribution.<sup>12</sup>

The funds listed above, along with many other non-General Fund sources, are displayed in Table 1. While overall General Fund appropriations are up considerably in FY13 and FY12 from FY11, overall appropriations — General Fund appropriations and non-General Fund source appropriations — are about \$34 million lower than FY11.

It is important to note that a large share of the “other funds” in FY10 and FY11, as well as a large share in FY09, came from the American Recovery and Reinvestment Act, or federal stimulus legislation.

In 2009, the Recovery Act provided Iowa with \$168.6 million in funding; that figure increased in FY10 and FY11 to \$642.1 million and \$302.6, respectively.<sup>13</sup> That funding allowed Iowa to avoid making damaging cuts to critical services, such as public education and health care.

In recent months, much has been made of previous General Assemblies’ use of “one-time funds” — non-General Fund sources without revenue streams used to fund ongoing services and programs, including the federal Recovery Act — and the reduced use of such funds in the FY12 budget and in the governor’s FY13 recommendations.<sup>14</sup>

As noted above, many of the other funds are statutorily dedicated for specific purposes. The Rebuild Iowa Infrastructure Fund, for instance, is to be used for capital improvements, while the Road Use Tax Fund is used to improve roads and highways throughout the state.

The statutory purpose of a number of funds, however, is broad enough that legislators have often understood that such funds could be used to finance ongoing state expenses, or services and functions that have traditionally been funded by the General Fund.

**Table 2. Reliance on Other Funds For General Fund Activity Has Increased Over Decade (\$ millions)**

Though not a new practice, in recent years legislators had increasingly relied on other funds to finance traditionally General Fund programs and services.<sup>15</sup>

Table 2 shows the ratio of Other Funds used for General Fund purposes over the past decade.

For instance, in FY02, 5.5 percent of total appropriations came from other funds. In FY09, just as the recession was beginning to hit Iowa, the use of other funds comprised about 9 percent of total appropriations.

Fiscal Year	General Fund Appropriations	Other Fund Appropriations	Total Appropriations	Other Fund Appropriations as percentage of Total Appropriations
FY02	4,607.5	265.8	4,873.3	5.45%
FY03	4,534.4	316.6	4,851.0	6.53%
FY04	4,524.5	259	4,783.5	5.41%
FY05	4,606.2	430.1	5,036.3	8.54%
FY06	5,031.7	397.1	5,428.8	7.31%
FY07	5,384.7	364.7	5,749.4	6.34%
FY08	5,888.0	334.4	6,222.4	5.37%
FY09	5,783.4	570.6	6,354.0	9.98%
FY10	5,104.1	918.8	6,022.9	15.26%
FY11	5,155.8	799	5,954.8	13.42%
FY12	5,999.7	271.6	6,271.3	4.33%

Source: Legislative Services Agency, Fiscal Division.

While there is certainly merit in reducing the use of one-time money for the continuing expenses of the state, one-time-fund critics sometimes let strict adherence to that concept get the best of them. For instance, Recovery Act dollars were used precisely as intended: targeted, timely and temporary relief so that states could continue funding critical services, such as K-12 education and health services to individuals and families. State revenues declined precipitously during the worst of the recession; the Recovery Act bridged that drop-off in revenues until a time when revenues improved as the economy regained strength. The same can be said for use of \$38.7 million from one of the rainy-day funds since high unemployment and reduced revenues during the year must constitute the rainy revenue day that the fund was designed to cover.

**Distribution of Funds**

Since the development of the state school-aid formula in the early 1970s, the largest share of General Fund appropriations has gone to financing pre-K-12, special and higher education. That remains true for the FY12 budget and the governor’s FY13 recommendations. As with previous years, education comprises the largest share of the governor’s proposed FY13 budget, though at a slightly smaller proportion than in previous years.

Figure 1 at right illustrates the share of General Fund appropriations for each of the main state government functions in FY12. The governor’s FY13 recommendations distribute general funds almost identically as FY12. Health and human services comprise the next largest share of General Fund appropriations, at just over a quarter of the total. Nearly two-thirds of health and human services appropriations go to Medicaid and the *hawk-i* children’s health program, discussed further below.

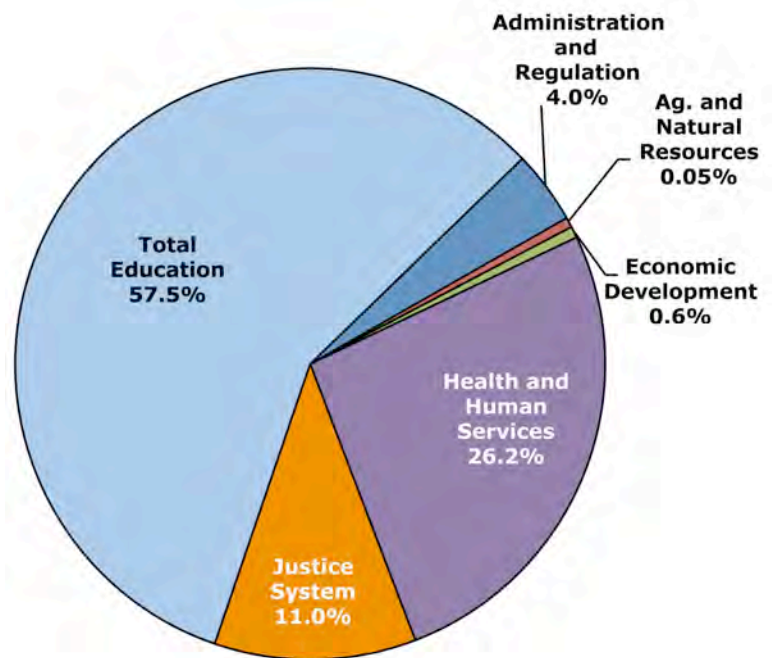
**PK-12 Education**

Each year, the state appropriates funds to schools through the State Foundation School Aid formula. The money is then divvied out to districts based on a per pupil cost, set by the state. State Foundation School Aid funds cover 87.5 percent of the per-pupil cost in a combination of state revenue and local property taxes; local property taxes cover the remaining cost. This formula puts more state aid into districts with lower property values than districts with higher property values.

The General Assembly appropriated \$2.6 billion to education for FY12, meaning \$178 million more dollars for public pre-kindergarten, elementary and secondary schools than in FY11.

Despite this increase, however, funding for education in FY12 is not as generous as it appears. In FY11, the Legislature allowed school districts a 2 percent increase in the per-pupil cost used to build their

**Figure 1. Education Comprises Majority of General Fund Appropriation**



Source: Legislative Services Agency, Fiscal Division.

budgets, but underfunded that growth by \$156 million. This caused, in some districts, property-tax increases to make up for the lost state aid. In FY12, lawmakers froze the per-pupil cost — zero percent allowable growth — but funded the state’s share, mitigating some of the effect of the FY11 shortfall.

The Governor’s 2013 budget proposal also includes an increase in State Foundation School Aid, following up on 2012 legislation in which the General Assembly and Governor agreed on a 2 percent allowable increase in the per-pupil cost. In addition, a larger portion of the State Foundation Aid appropriation will go to the Statewide Voluntary Preschool Program, as the program is fully phased in.

*Preschool Funding.* Thanks to legislative action in 2007, all 4-year olds in Iowa may receive 10 hours of quality preschool instruction per week in their school districts.<sup>16</sup> In the past, funding for the Statewide Voluntary Preschool program came from two sources: a direct appropriation to the program and as part of the complex State Foundation School Aid formula.<sup>17</sup> In FY11, the Statewide Voluntary Preschool Program received a direct appropriation of \$12.2 million from the General Fund, \$4 million from the Cash Reserve Fund, and \$48.3 million through the State Foundation School Aid formula.<sup>18</sup> For FY12 all funding for the Statewide Voluntary Preschool program was built into the State Foundation School Aid formula, while the weighting formula for preschool was reduced, effectively reducing the amount provided per child enrolled in the Voluntary Preschool Program.<sup>19</sup> Overall, funding for the Statewide Voluntary Preschool Program was reduced from \$64.5 million in FY11 to \$58.4 million in FY12. It is estimated to cost \$59.7 million in FY13.<sup>20</sup> If the preschool formula had remained at previous levels and allowable growth had been set at 2 percent, the Statewide Voluntary Preschool Program would have received approximately \$70 million through the State Foundation School Aid formula.<sup>21</sup>

In addition to the Statewide Voluntary Preschool Program, Iowa also offers preschool tuition assistance and other services through the Early Childhood Iowa (ECI) program. ECI provides funding to local communities, directed by boards, for services to families and young children in the community. While ECI funds are dedicated to specific purposes, such as preschool tuition, assistance with child care, and parent education and general family support, local boards have some discretion in determining eligibility for preschool tuition assistance, and the form that parent education will take.<sup>22</sup>

While many ECI initiatives received identical levels of funding to FY11, ECI Preschool Tuition assistance was reduced by more than \$2 million, or 28 percent in FY12.<sup>23</sup> Family support and parental education and the School Ready Children Grants program were each reduced by 6 percent.<sup>24</sup> The governor’s proposed FY13 budget would hold ECI Preschool Tuition and family support and prenatal education at FY12 levels.<sup>25</sup>

*Allowable Growth.* Each year, the state appropriates funds to help local school districts cover the cost of educating their students. Those funds are distributed through a formula based on enrollment and on a state-defined per pupil cost. Generally, that per-pupil cost is allowed to increase from the previous year by a percentage set by the General Assembly, known as allowable growth. In recent years, the Legislature has allowed the per pupil cost to grow by 2 or 4 percent.<sup>26</sup> For the 2011-12 school year, the State Foundation School Aid formula is using the same per-pupil cost as the previous school year — zero percent allowable growth. Then, for 2012-13, lawmakers set it at 2 percent.

As a result of zero percent allowable growth, schools needed to set budgets that covered any actual increase in the cost of educating students, either through property tax increases or reductions in staff. As noted above, much of the \$178 million increase in state school aid will go to cover the funding gap built into the formula by the FY11 budget and to the Statewide Voluntary Preschool program, as it receives a larger share of State Foundation School Aid funds.

*Education Reform.* The governor's FY13 proposal also includes a \$17 million net additional appropriation for education reform. Governor Branstad's education reform package, released in early January,<sup>27</sup> carries an estimated price tag of \$25 million. The remaining \$8 million would be funded, under the governor's recommendations, primarily by reallocating already-appropriated funds.

### **Higher Education**

Iowa's community colleges get an \$11 million boost from FY11 levels in the FY12 budget, reaching \$163.8 million. If the Legislature heeds Governor Branstad's recommendations, community college funding in FY13 will increase by an additional \$4.5 million in FY13.<sup>28</sup> Despite this increase in funding, community college funding in FY12 remains below funding levels in FY08 and FY09. In FY08 and FY09, the General Assembly appropriated \$172 million and \$180.3 million respectively to community colleges. At the same time, community college enrollment has grown, from 88,000 students in FY08 to over 106,000 in FY11.<sup>29</sup>

Iowa's Board of Regents institutions — Iowa State University, the University of Iowa, and the University of Northern Iowa — receive about 3.5 percent less in state funding in FY12 than they did in FY11. The governor's budget proposal includes a \$23 million increase, but the Regents' funding would still be below FY10 levels. This continues the long, downward trend of state funding to Iowa's public universities; from FY02 to FY12, funding decreased nearly 21 percent, before adjusting for inflation.<sup>30</sup>

### **Health Care**

Comprising such a large portion of the budget, how to completely fund Medicaid is a perennial question. Medicaid is a public health insurance program for children, pregnant women, the elderly, persons with disabilities, and low-income families, jointly funded by the federal government and the states. The 2009 Recovery Act provided a large boost in Medicaid funding during the worst years of the recession — \$224.6 million in FY10 and \$187.1 million in FY11 Iowa but expired at the end of the fiscal year.

The expiration of that increased funding, however, presented challenges in FY12,<sup>31</sup> and will again, though to a lesser extent, in FY13.

In previous years, legislators had increasingly used non-General Fund sources to fund Medicaid. The depth of the recession — its dent in Iowa's revenues, coupled with growing Medicaid enrollment as Iowans lost their jobs and their insurance — made funding Medicaid even more challenging, even with increased federal support. In FY11, legislators used \$178.7 million from the Cash Reserve Fund — one of Iowa's rainy day funds — to meet Medicaid's funding needs. Of the \$824.2 million the state appropriated to Medicaid in FY11, only \$396.0 million came from the General Fund.

In part due to the loss of federal Recovery Act funds, not relying on one-time funds such as the Cash Reserve Fund, and continually increasing enrollment, the state's Medicaid expenses were projected to increase by \$581 million from FY11 to FY12.<sup>32</sup> Medicaid's need in FY13 is set to increase again, though this time by a relatively modest \$93.5 million.<sup>33</sup>

Legislators covered the large Medicaid funding gap in the FY12 budget by increasing the General Fund appropriation to Medicaid. Table 3, next page, demonstrates the different ways Medicaid was funded in the previous two fiscal years with FY12. The table also shows a \$17 million gap between the governor's proposed Medicaid funding and the estimated Medicaid need. The governor proposes closing this gap by cost containment strategies and a projected remaining balance from FY12.<sup>34</sup>

Though legislators closed the Medicaid shortfall in FY12 through a large General Fund appropriation, Medicaid did not sail through the session unchanged.

**Table 3. Medicaid Relies on a Number of Funding Streams**

<b>Medicaid Funding</b>	<b>Final FY10</b>	<b>FY11</b>	<b>FY12*</b>	<b>FY13**</b>
Recovery Act funds to Mental Health	25,874,211			
Senior Living Trust Fund	17,366,939	40,447,981		
Cash Reserve Fund		178,693,397		
Health Care Trust Fund	100,650,740	106,599,657	106,363,275	106,046,400
<b>Other Non-General Fund Sources</b>	42,354,813	132,008,574	108,126,912	81,751,792
<b>Total Non-General Fund</b>	<b>186,246,703</b>	<b>457,749,609</b>	<b>214,490,187</b>	<b>187,798,192</b>
<b>Total General Fund</b>	<b>590,506,619</b>	<b>395,980,876</b>	<b>909,993,421</b>	<b>958,750,766</b>
<b>Total State Medicaid Funding</b>	<b>776,753,322</b>	<b>853,730,485</b>	<b>1,124,483,608</b>	<b>1,146,548,958</b>
<b>Estimated Medicaid Need</b>	943,785,050	1,011,371,682	1,124,483,608	1,163,548,958
Recovery Act Increased Federal Share	-224,555,030	-187,141,197		
<b>Total Estimated Medicaid Need</b>	<b>719,230,020</b>	<b>824,230,485</b>	<b>1,124,483,608</b>	<b>1,163,548,958</b>
Balance (carried forward to following year)	57,523,302	29,500,000	-	

Notes: \*Estimated. \*\*Governor's recommendations.  
Source: Legislative Services Agency, Fiscal Division.

While the FY12

Medicaid appropriation was a large net increase from FY11, some cuts to Medicaid were included. The FY12 Medicaid budget relies on a \$20 million decrease as a result of cost containment strategies proposed by Governor Branstad. HF649, the bill that funded Medicaid, requires the Department of Human Services to implement a number of those strategies.<sup>35</sup> Those strategies include increasing the use of managed care within Medicaid, limiting the number of days-supply of certain medications, introducing an \$11 copay on non-emergency care, and reducing the services covered (chiropractic services for children without a physician's referral, eliminating coverage of gastric bypass surgery, and increasing medical necessity requirements for orthodontia), among others.<sup>36</sup> Cost-containment strategies will again be part of the strategy to reduce the Medicaid need in FY13, if the Legislature follows Governor's recommendations.

Iowa's children's health insurance program, Healthy and Well Kids in Iowa, or *hawk-i*, received a \$9.1 million increase in funding compared to 2011. Governor Branstad has recommended increasing *hawk-i* funding again in FY13; the bulk of the recommended increase is "built in" — costs for the program are expected to increase prior to any legislative action, and by law, the program must be fully funded.

Iowa operates one other public health insurance program, known as IowaCare. Created in response to a change in the way Medicaid funds could be used, IowaCare is technically a Medicaid expansion program.<sup>37</sup> IowaCare provides health services to adults who do not qualify for Medicaid, either because their income exceeds Medicaid eligibility levels or they do not have dependent children, or do not categorically qualify (as a child, a pregnant woman, or a person with certain disabilities).<sup>38</sup> Funding for IowaCare programs increased from \$152.9 million in FY11 to \$164.5 million in FY12.<sup>39</sup> Governor Branstad has recommended a further \$5 million increase in FY13.<sup>40</sup>

### **Other Human Services**

A number of human services programs saw large increases in clients compared to FY11 levels. Some of the programs hardest hit by the recession's impact on the state budget were programs designed to serve Iowans who were also among the most impacted by the recession. Temporary Assistance for Needy Families and Child Care Assistance both have the stated purpose of helping parents in low-income families work while ensuring quality child care. After sustaining significant cuts during the 2010 and 2011 fiscal years, funding for both programs has increased.

The Temporary Assistance for Needy Families, or Family Investment Program (FIP) as it is known in Iowa, is a federal-state partnership program that provides the neediest families with cash assistance and promotes job preparation and work. To receive the TANF block grant from the federal government,

states must commit to contributing some of their funds to the population served by TANF.<sup>41</sup> The FIP program received a \$50.2 million appropriation for FY12, a \$19.1 million increase from FY11. Most of that increase, however, is to replace the expiration of Recovery Act dollars. Monthly FIP payments (\$361 for a family of two and \$426 for a family of three) did not increase, nor did the eligibility thresholds expand.<sup>42</sup> The governor has recommended increasing state FIP funding by an additional \$1.4 million in FY13; however, most of will be used to replace temporary funding from the federal TANF emergency fund. The recommended increase in FIP funding for FY13 is offset by a \$2.2 million decrease due to declining caseloads and departmental savings.<sup>43</sup>

Iowa’s Child Care Assistance is another critical work support program. Iowa’s child care assistance is financed through a combination of state and federal funds. Every state is granted a portion of the Child Care Development Block Grant for programs similar to Iowa’s Child Care Assistance; states may then draw down more federal funds for their program by committing a larger share of state dollars. Iowa leverages federal Child Care and Development Block Grant funds to increase the number of low-income families (at or below 145 percent of the federal poverty level, or about \$32,400 for a family of four in 2011) served by the Child Care Assistance program.<sup>44</sup> In FY13, the Child Care Assistance program caseload is projected to grow, and overall funding need is expected to grow by about \$10.4 million.<sup>45</sup> Nevertheless, Governor Branstad has proposed holding Child Care Assistance funding to FY13 levels.

Table 4 displays recent fluctuations in Iowa’s General Fund appropriations to both programs. During the

**Table 4. General Fund Appropriations for Work Supports Up in FY12**

Program	FY08	FY09	FY10	FY11	FY12*	FY13**
Family Investment Program	42,675,127	42,060,901	31,133,430	31,046,534	50,171,027	51,581,161
Child Care Assistance	37,875,701	40,483,732	32,547,646	31,637,662	53,237,662	53,237,662

Notes: \*Estimated. \*\*\*Governor’s recommendations.  
Source: Legislative Services Agency, Fiscal Services Division.

recession, Iowa’s General Fund appropriation to both programs decreased significantly. Both programs were bolstered by the Recovery Act during

the worst of the recession. In FY11, FIP and Child Care Assistance received \$17.7 and \$18.8 million, respectively, in Recovery Act funds.<sup>46</sup> Appropriations to the programs in FY12 have rebounded to make up for lost Recovery Act funds — an example of how Recovery Act funds acted as a bridge to sustain services, despite arguments of some against such use of “one-time” funding.

### **Agriculture and Natural Resources**

In Iowa, two state agencies have some stewardship over environmental and natural resource issues. The Department of Agriculture and Land Stewardship (IDALS) oversees environmental issues inasmuch as they relate to agriculture, such as soil conservation and protecting watersheds from contamination by agricultural byproducts. The Department of Natural Resources (DNR) focuses on general environmental issues, such as maintaining state parks and recreation areas and monitoring water quality.

In recent years, an increasing share of both departments’ funding has come from non-General Fund sources. Table 5, next page, displays recent fluctuations in funding from all sources for both departments, but particularly from the General Fund. DNR in particular receives only about 13 percent of its total funding from the General Fund.<sup>47</sup> The Environment First Fund — which receives a \$35 million appropriation each fiscal year from the Rebuild Iowa Infrastructure Fund — provides a large share of IDALS overall state funding and almost the entirety of DNR’s state funding for capitals.<sup>48</sup>

Both IDALS and DNR have received appropriations from the General Fund, the Environment First Fund, the Underground Storage Tank Fund, and others. IDALS has also received funding from



Renewable Fuel Infrastructure Fund (RFIF), while DNR has received funding from the Groundwater Protection Fund (GWF) and the Fish and Wildlife Fund, which is financed through hunting, fishing and trapping licenses and fees, and other user and licensing fees.

**Table 5. General Fund Appropriations for IDALS and DNR Have Not Rebounded from Recession-Caused Budget Cuts**

Department of Ag. & Land Stewardship

Fiscal Year	General Fund	EFF	UST	RFIF	Other	Total Other Funds	Total All Funds
FY05	17,955,024	13,950,000			305,516	14,255,516	32,210,540
FY06	18,967,601	13,950,000			405,516	14,355,516	33,323,117
FY07	19,676,296	13,950,000		300,000	355,516	14,605,516	34,281,812
FY08	21,324,509	16,630,000		300,000	355,516	17,285,516	38,610,025
FY09	21,272,689	15,800,000		300,000	380,516	16,480,516	37,753,205
FY10	16,872,308	15,750,000		300,000	11,805,516	27,855,516	44,727,824
FY11	16,872,308	8,351,600	250,000	300,000	9,805,516	18,707,116	35,579,424
FY12*	16,783,504	11,925,000	250,000	500,000	305,516	12,980,516	29,764,020
FY13**	16,783,504	11,925,000	250,000	500,000	305,516	12,980,516	29,764,020

Department of Natural Resources

Fiscal Year	General Fund	EFF	Fish & Wildlife	UST	GWF	Other	Total Other Funds	Total All Funds
FY05	16,985,439	20,550,000	31,220,766	200,000	3,455,832	4,450,000	59,876,598	76,862,037
FY06	17,792,579	20,550,000	41,177,525	200,000	3,455,832	7,509,000	72,892,357	90,684,936
FY07	18,937,968	20,550,000	35,371,314	200,000	3,455,832	11,350,000	70,927,146	89,865,114
FY08	20,244,822	23,470,000	37,626,733	200,000	3,455,832	13,350,000	78,102,565	98,347,387
FY09	27,146,049	25,700,000	38,793,154	200,000	3,455,832	23,025,000	91,173,986	118,320,035
FY10	15,968,410	25,750,000	38,793,154	100,000	3,455,832	19,730,000	87,828,986	103,797,396
FY11	13,448,604	23,148,400	38,793,154	500,000	3,455,832	17,540,000	83,437,386	96,885,990
FY12*	12,266,688	20,600,000	39,951,171	400,000	3,455,832	12,559,000	76,966,003	89,232,691
FY13**	14,466,688	20,600,000	39,951,171	400,000	3,455,832	13,059,000	77,466,003	91,932,691

Note: \*Estimated. \*\*Governor's recommendation.

Source: Legislative Services Agency, Fiscal Services Division

Each department also received funding for capitals projects through revenue bonds, the Rebuild Iowa Infrastructure Fund, and others. While DNR's General Fund support has fluctuated more widely, both have seen large cuts since FY09, when the recession hit Iowa and the state budget. Neither has recovered the funding it had prior to the recession, and appropriations to both departments were lower in FY12 than pre-recessionary years. The Governor proposes keeping funding for both agencies at FY12 levels.<sup>49</sup>

**Workforce Development**

One of the most consequential changes as a result of the 2011 legislative session will be the closure of 36 Iowa Workforce Development (IWD) offices around the state. Legislation passed by both the House and Senate would have kept all IWD offices open through FY13; however, this provision was item-vetoed by Governor Branstad.<sup>50</sup>

IWD field offices provide job-seekers with a number of services, from job fairs and listings, to assistance with résumé preparation and job placement, to signing up for unemployment insurance benefits.

In the proposed legislation, IWD field offices would have been supported with \$3.25 million from the Save Our Small Business Fund to replace expired Recovery Act Funds that had previously been used to maintain IWD offices.<sup>51</sup> Governor Branstad has alternatively proposed creating “access points” — computer stations with internet access at public libraries, community colleges, private colleges, community action agencies, County Veterans Affairs Offices, courthouses, and other public and private

spaces.<sup>52</sup> The structural shakeup to IWD was accompanied by reductions in appropriations from FY11 (\$822,780 in General Fund appropriation dollars; \$2.2 million in other fund appropriation dollars).<sup>53</sup>

## Justice System

Appropriations to the justice system — including the Departments of Justice, Corrections, Public Defense, Public Safety and some agencies within the Department of Inspections and Appeals — are on the whole, up considerably from appropriations during the recession. Altogether, however, appropriations to Iowa’s justice system remain considerably below pre-recessionary levels. This is largely a function of the Department of Corrections receiving most of justice system appropriations, as illustrated in Table 6.

**Table 6. Corrections Appropriations Still Lower Than Pre-Recessionary Levels**

Appropriations Source	FY08	FY09	FY10	FY11	FY12*	FY13*
General Fund	353,322,046	365,152,025	328,700,839	334,874,012	346,654,803	360,654,803
Non-General Fund	4,006,474	4,477,474	14,000,000			
Total Appropriations	357,328,520	369,629,499	342,700,839	334,874,012	346,654,803	360,654,803

Notes: \* Estimated. \*\* Governor’s recommendations.  
Source: Legislative Services Agency, Fiscal Services Division

Compared to fiscal years 2010 and 2011, when Iowa reduced appropriations to many public services, systems and structures in response to the recession-caused reduction in state revenues, funding for the Department of Corrections is up significantly in FY12. Nevertheless, appropriations to the department are 3 percent and 6 percent lower — before adjusting for inflation — than in FY08 and FY09, respectively. For FY13, Governor Branstad recommends increasing funding for Corrections, largely to increase staff at correctional facilities.<sup>54</sup>

Appropriations to other departments do not show as simple a trend. For instance, appropriations to the Judicial Branch have completely recovered from the recessionary lull in appropriations, while the Department of Justice, which saw an increase in appropriations in the recessionary budget years, received lower appropriations in FY12.<sup>55</sup>

## Conclusion

In addition to the two largest state functions — education and health care — the state provides a number of other important services, including supporting the ability of low-income Iowans to continue working, protecting Iowa’s environmental resources, assisting the Iowa workforce in preparing for and finding appropriate jobs and incarcerating, monitoring, and preparing offenders for re-entry.

Thanks to rebounding and stabilizing state revenues, many of these programs are funded in FY12 at levels higher than the previous two fiscal years, when Iowa revenues sagged as a result of the recession and both across-the-board and targeted cuts were made to the state budget. Lawmakers managed to fund public services, systems and structures in FY12 largely at or above FY11 level, while at the same time minimizing reliance on temporary or one-time funding sources. This trend continues in the Governor’s recommended budget for FY13, but it certainly does not get the budget back to pre-recession levels nor make any adjustments for the effects of inflation over these years.

The fact is that a number of state services and systems received fewer appropriated dollars in FY12 than they received prior to the recession, and in a few cases, even fewer appropriations than during the recession-recovery years, FY10 and FY11. It is not clear yet what such reduced funding levels — and in the case of Iowa Workforce Development, what reduced funding and an altered delivery structure — will mean for these agencies’ ability to serve Iowans.

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- <sup>6</sup> Snell.
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## Iowa Fiscal Partnership

*The Iowa Fiscal Partnership is a joint initiative of the Iowa Policy Project and the Child & Family Policy Center, two nonprofit, nonpartisan Iowa-based organizations that cooperate in analysis of tax policy and budget issues facing Iowans. IFP reports are available at <http://www.iowafiscal.org>.*

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