
Iowa Fiscal Partnership

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Out of the Mainstream: Iowa and the Fiscal Crisis New Report Compares Responses of Iowa, Other States

DES MOINES, Iowa (Sept. 29, 2004) – Iowa’s handling of the recent fiscal crunch differed markedly from other states as Iowa opted to cut revenues at a time services already were being threatened, according to a new report.

“Iowa is not in the mainstream of other states in its response to the fiscal crisis of the last few years. We have eroded our ability to provide public services in ways that will require significant work to repair,” said Charles Bruner, executive director of the Child & Family Policy Center (CFPC) and a co-author of the report with Mike Crawford, senior research and administrative associate for the CFPC.

The report is the first of several to be released in the coming weeks by the Iowa Fiscal Partnership, an initiative of the CFPC and the Iowa Policy Project, two Iowa-based nonprofit, nonpartisan organizations that collaborate on Iowa tax and budget policy analysis.

The series will illustrate the impact of Iowa’s budget decisions on education, human services, local governments and fiscal stability during the fiscal crisis of 2001-2004. Among findings of the first report, which compares responses of Iowa and other states to those challenges:

- Iowa already had contained general fund growth more than other states from 1995 through 2001, but also enacted somewhat larger tax cuts from 1996 to 2001 than those enacted in other states. Between 2001 and 2004, unlike the national trend, Iowa actually cut general fund spending and reduced taxes further.

- While states overall increased general fund spending by 7 percent from 2001 to 2004, Iowa actually cut general fund spending almost 8 percent during the period. Only Michigan (10.6 percent) and South Carolina (9.6 percent) cut spending more.

- States overall raised taxes 4.3 percent from 2001 to 2004; Iowa cut taxes 2.2 percent.

- While Iowa’s K-12 education spending growth was lower than that for the country overall, K-12 expenditures fared better than general-fund expenditures as a whole.

- States that did increase taxes from 2002-2004 went to a variety of sources for revenue. The largest source came in personal income taxes, with cigarette and tobacco taxes next, followed by sales and use taxes and corporate income taxes.

Iowa Fiscal Partnership reports will be available on the web at www.iowafiscal.org. The CFPC is on the web at www.cfpciowa.org, and the IPP is at www.iowapolicyproject.org.