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IFP Statement: Another view of the ‘Condition of the State’

IOWA CITY, Iowa — The Iowa Fiscal Partnership today issued this statement regarding Governor Branstad’s “Condition of the State” address:

The condition of our state is different from what Governor Branstad stated today. Our water is polluted, our job growth is exceedingly slow, our tax system favors the wealthiest and most well-connected, and our investments are waning for both public education and support of low- to moderate-income working families. There are tremendous uncertainties in health care for both children and adults in those families — uncertainties that did not exist a year ago. Iowans need to see substance behind the rhetoric as the new legislative session moves forward.

**Work supports and wages**

While the Governor continues to talk about growing Iowa’s economy and supporting strong and healthy families, his remarks and his budget proposals fail to support hardworking, low-income families with the work supports they need. Working Iowans need access to quality child care while they work. That is a costly proposition for low-income families, and Iowa’s eligibility restrictions make it difficult for many to secure assistance. After vetoing assistance for 600 children last year, the Governor did not mention the issue in his address, and his budget would provide less than current funding, and less than the Department of Human Services has requested, for this year.

Meanwhile, the Governor made no mention of the problems of wage theft or Iowa’s low minimum wage of $7.25 an hour, issues that compound pressures on low-income working families throughout our state.

**Jobs and income growth**

The Governor is offering misleading perceptions of what’s happening with jobs and incomes in Iowa.

- As he has done for the last two months, the Governor claimed to have met a five-year job-growth goal set during his 2010 campaign. **In fact, he’s only about halfway to his jobs goal.** As of November, Iowa gained about **109,000 jobs in 58 months** since he took office in January 2011. The Governor only reaches his 200,000-job goal by counting job growth in a way no economist would count them.

- Despite the Governor’s claim that families are much better off than they were in 2010 because “family incomes have grown 18.3 percent,” official U.S. Census data say otherwise. **In fact, median family income in Iowa rose just 2.4 percent from 2010 to 2014 when corrected for inflation.**

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**The Iowa Policy Project**
www.iowapolicyproject.org

**Child & Family Policy Center**
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**Education**

The Governor’s claims about growth in K-12 state spending ignore actual budgeting constraints that have been imposed on schools. Allowed per pupil spending growth has averaged less than 2 percent over the last five years — and the Governor’s 2.45 percent proposal would do little to correct that. State increases have focused on specific initiatives and on replacing property-tax dollars, not on meeting ongoing school needs. In addition, the Governor did not promote the need for lawmakers to set the following-year funding level as required by state law. School funding, in short, is too low and too late.

**Water quality and school infrastructure**

The Governor’s plan to divert sales-tax revenues to water programs from the “state penny” for school infrastructure changes the rules set by voters in approving the means to fund improvements in both areas. Iowa has to deal with both of these long-term needs. Voters approved local sales taxes for school infrastructure that were converted into a 1 percent state sales tax that would not exist but for those local votes. Likewise, voters by constitutional amendment in 2010 approved the use of a share of the next statewide sales-tax increase to be used for land and water protection and enhancement — but the question of diverting money for that purpose from schools was not on the ballot. The Governor’s plan would reduce funds available to schools over the next 13 years — a point he declined to acknowledge in his address.

**Real choices in state spending**

In his address, the Governor promoted a new “bio-renewable tax credit,” which he said would be revenue-neutral. Yet a big issue that is continually ignored at the Statehouse is the revenue drain created by business tax breaks generally — which are projected to reach $611 million in FY2017, from $540 million this year. That includes a conservative estimate of $35 million for a new sales-tax exemption for manufacturers, being implemented administratively by the Governor without action by the Legislature, and without mention in today’s address.

Iowans need to hear their leaders spell out the real budget choices we face, rather than pandering to a notion that we can get something without paying for it. The path to advancements in education, economic stability and environmental stewardship — as well as other critical areas where strong public policy and institutions are necessary — rests on strong, strategic investments. Our leaders must acknowledge that we are squandering revenues in giveaways to corporate interests, and move to correct it.

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*The Iowa Fiscal Partnership is a joint public policy analysis initiative of two nonpartisan, nonprofit Iowa-based organizations, the Iowa Policy Project in Iowa City and the Child & Family Policy Center in Des Moines. Reports are at [www.iowafiscal.org](http://www.iowafiscal.org).*