



# State Budget Update

*October 29, 2015*

# Iowa's Economy – What's Happening?

## Iowa's ag economy is slowing down

- *Commodity prices lower than last year*
- *Livestock prices coming down*
- *Strong dollar, weak Asian economies having an impact*
- *Ag-related industries seeing reduced demand, layoffs*

## Leading Economic Indicator Index Remains Down

- *Dept. of Revenue measure has fallen every month this year*

## Sales Tax Revenue Not Growing As Projected

- *March REC called for 5% sales tax growth; currently at 1.14%*
- *Economic Development incentives being cashed in*
- *People not spending as much*

# Revenue Estimating Conference Forecast

**March 19, 2015**

***FY 2016***

Ongoing Revenue	\$7.1755 billion
<u>Appropriations</u>	<u>\$7.1717 billion</u>
FY 2016 Ending Balance	\$ 351.7 million

**October 13, 2015**

***FY 2016***

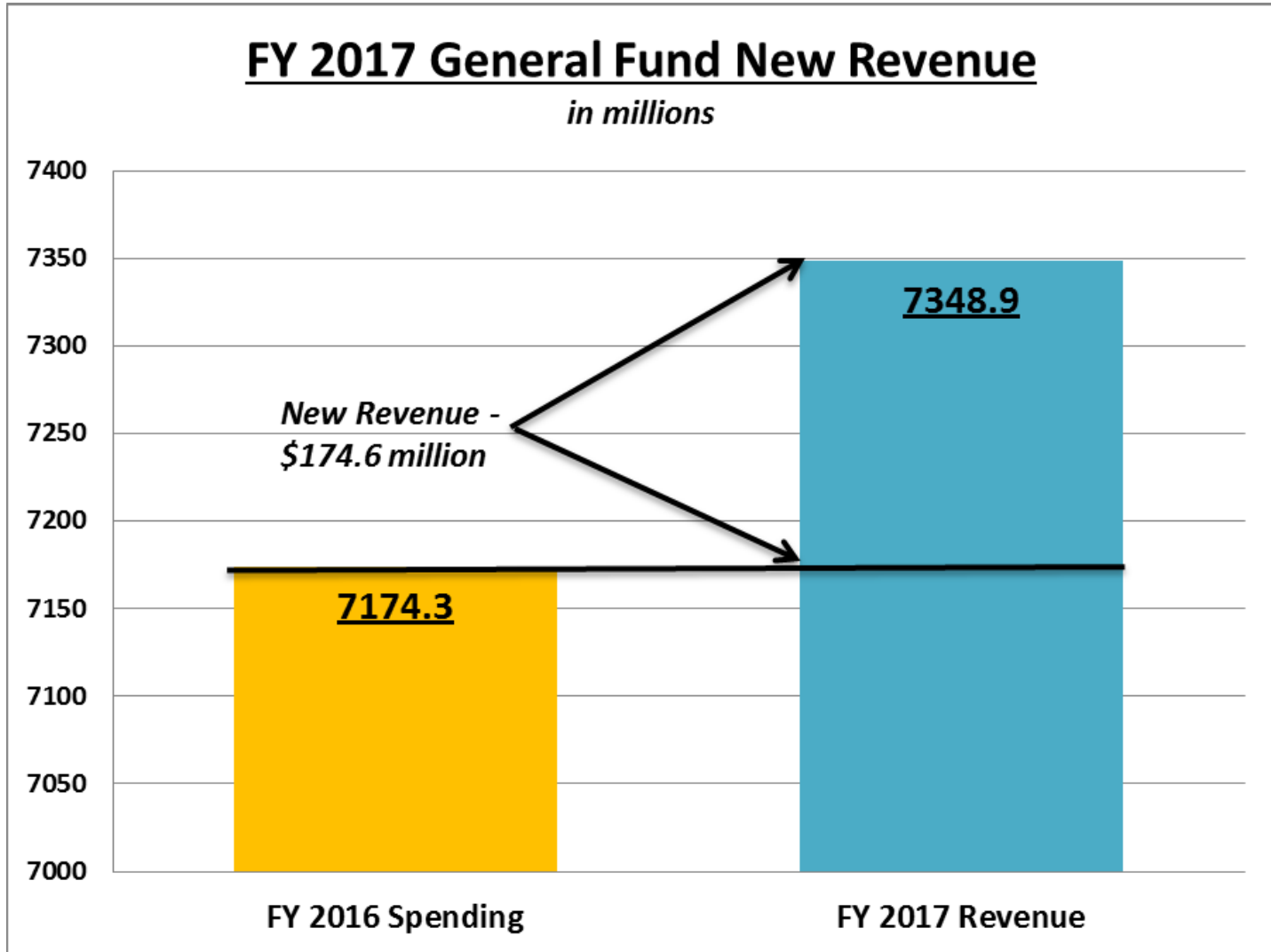
Ongoing Revenue	\$7.0545 billion
<u>Net Appropriations (LSA)*</u>	<u>\$7.1743 billion</u>
FY 2016 Ending Balance	\$ 263.7 million

***FY 2017 - Preliminary***

Ongoing Revenue	\$7.3489 billion
<u>Net Appropriations (LSA)</u>	<u>\$7.4332 billion</u>
FY 2017 Ending Balance	\$ 150.6 million

\* - Includes \$2.6 million school aid adjustment

# What does this mean?



# LSA FY 2017 Projection

## Built-in Changes:

LSA projects FY 2017 built-in increases totaling **\$195 million**, including:

- Teacher Leadership - **\$53.5 million** (*final year of implementation*)
- Commercial Property Tax Relief Credit - **\$25 million**
- Medicaid - **\$65 million** (*includes savings from Modernization*)
- Health & Wellness Program - **\$25 million** (*first year of state funding*)
- REAP - **\$20 million** (*to be funded by GF according to Iowa Code*)
- High-need Schools assistance - **\$10 million**

## Anticipated Increases:

LSA projects other FY 2017 adjustments totaling **\$74.1 million**, including:

- Salary Adjustment - **\$68.6 million**
- DOC Hepatitis C drug costs - **\$1.3 million**
- Other Justice Systems Issues - **\$4 million**

# LSA FY 2017 Projection – What's Not Included

- **Increase in Supplemental State Aid for Schools**
- **Additional funding for Regents universities**

*BOR request is \$49.2 million increase*

- **Additional funding for Community Colleges**

*Expected request to be \$10 million increase*

- **Additional funding for Medicaid provider rate increases**
- **Additional cost of complying with new federal child care requirements**

*Initial estimate is \$8 million, pending release of federal regulations*

- **Technology Reinvestment Fund appropriation coming from GF, not RIIF**

*Code calls for \$17.5 million, spent \$10.8 million in FY 16*

# Supplemental School Aid

## FY 2017 Amounts

1% - \$40.9 million

2% - \$83.1 million

2.45% - \$102.1 million

3% - \$125 million

4% - \$168.1 million

**SOURCE:** *Legislative Services Agency*

## Where does Iowa rank?

### *Total Per Pupil Spending*

US Average - \$10,700

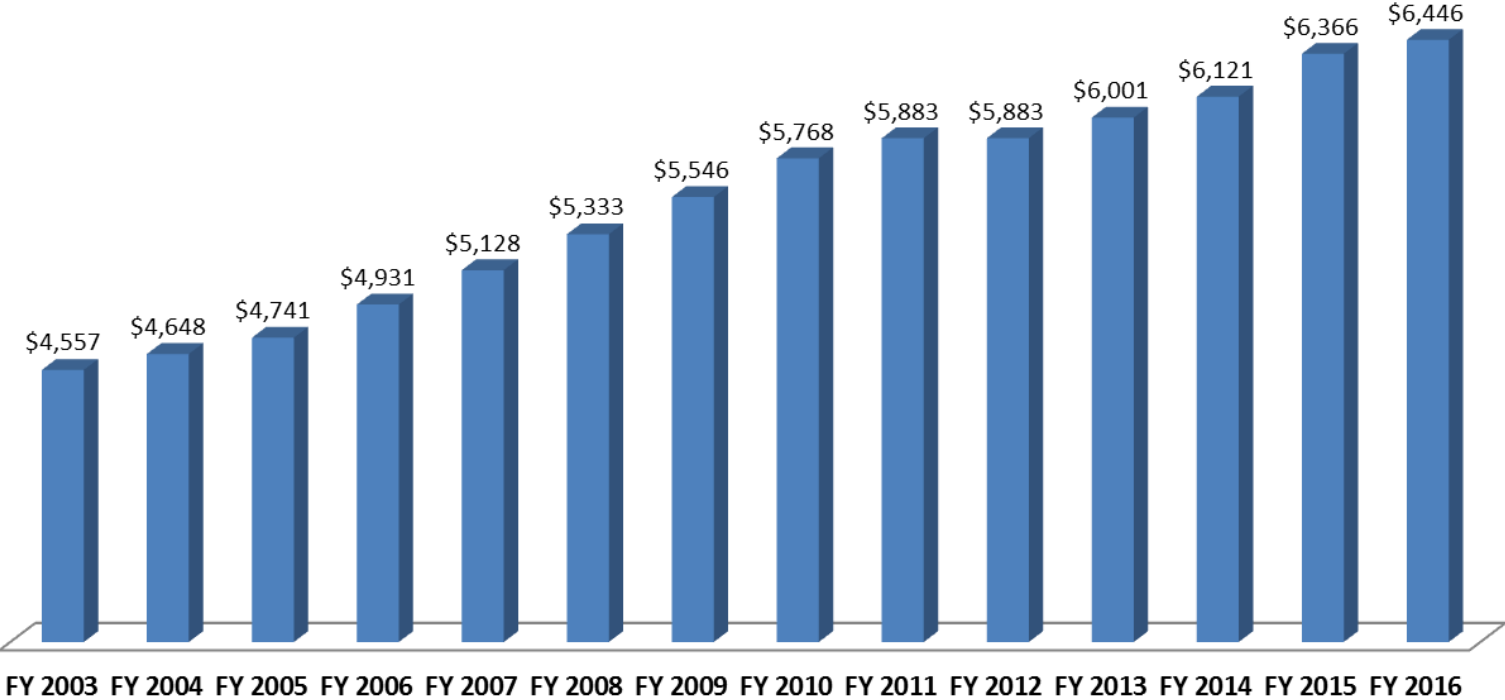
Iowa - **\$10,313**

*Iowa ranks 27<sup>th</sup>*

**SOURCE:** *States Ranked According to Per Pupil Public Elementary-Secondary School System Finance Amounts: Fiscal Year 2013 (Table 11), "Public Education Finances: 2013", US Census Bureau, June 2015*

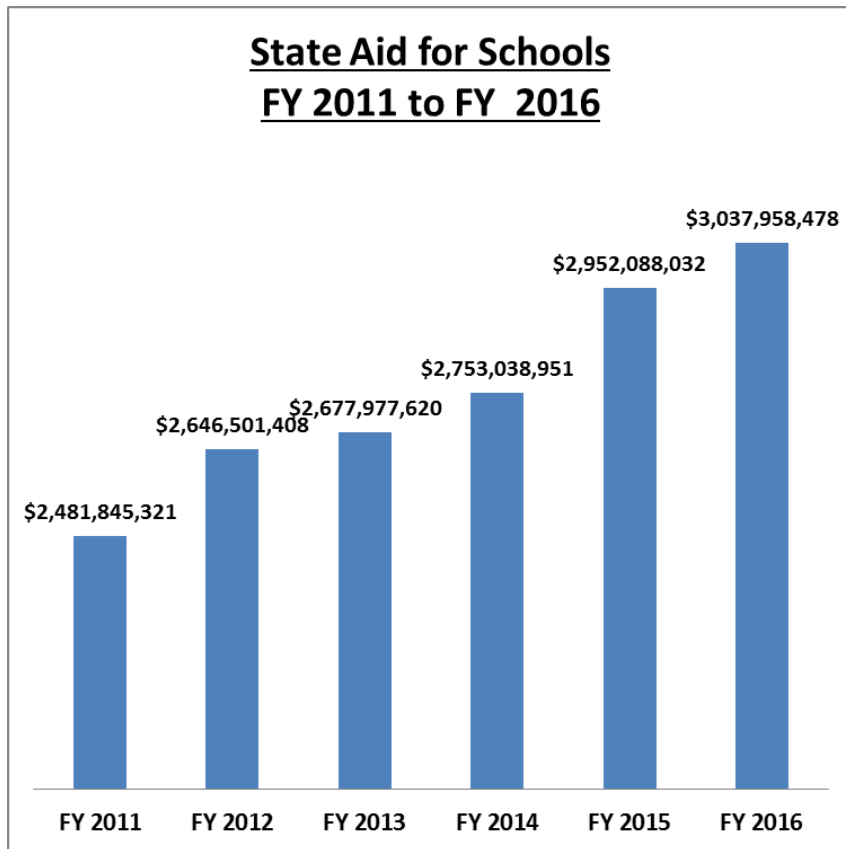
# State Per Pupil Spending Growth

State Cost Per Pupil  
FY 2003 to FY 2016





# State Funding for Schools over the last Five Years



## Supplemental State Aid Increases

**FY 2012** - \$178 million  
**FY 2013** - \$30 million  
**FY 2014** - \$65 million +  
           \$57 million\*  
**FY 2015** - \$148 million  
**FY 2016** - \$84.8 million +  
           \$55.7 million\*\*

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**Total** – \$505.8 million +  
           \$57 million\*

\* - one-time funding

\*\* - one-time funding approved by Legislature but vetoed by the Governor

**SOURCE:** "2012 – 2015 Fiscal Reports", Legislative Services Agency

# Health Care Programs Growing Faster

## DHS Health Care Enrollment

*FY 2003*

Medicaid –	253,364
HAWK-I –	24,060
<b>TOTAL –</b>	<b>277,394</b>

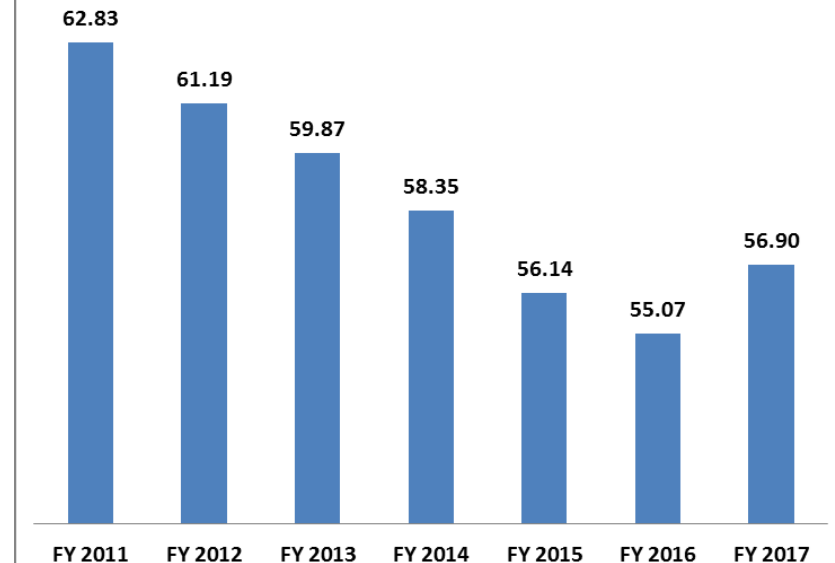
*FY 2016*

Medicaid –	415,054
HAWK-I –	56,146
IHWP -	142,742
<b>TOTAL –</b>	<b>613,942</b>

**In 2003, 1 out of 11 lowans were covered by a DHS health care program. Today, that number is 1 out of 5 lowans.**

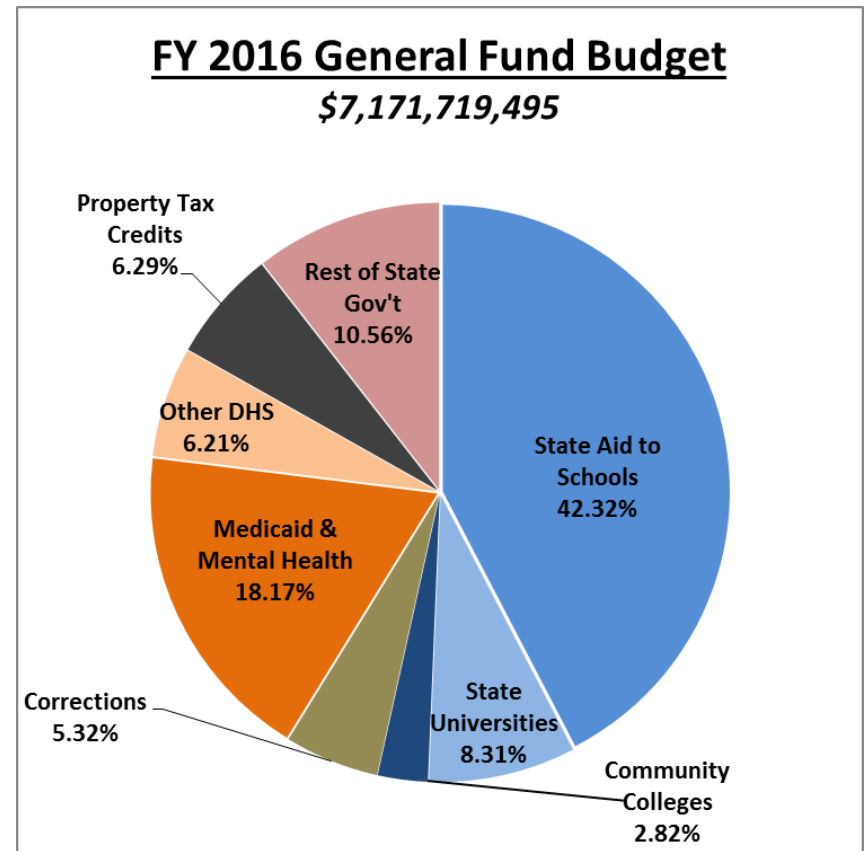
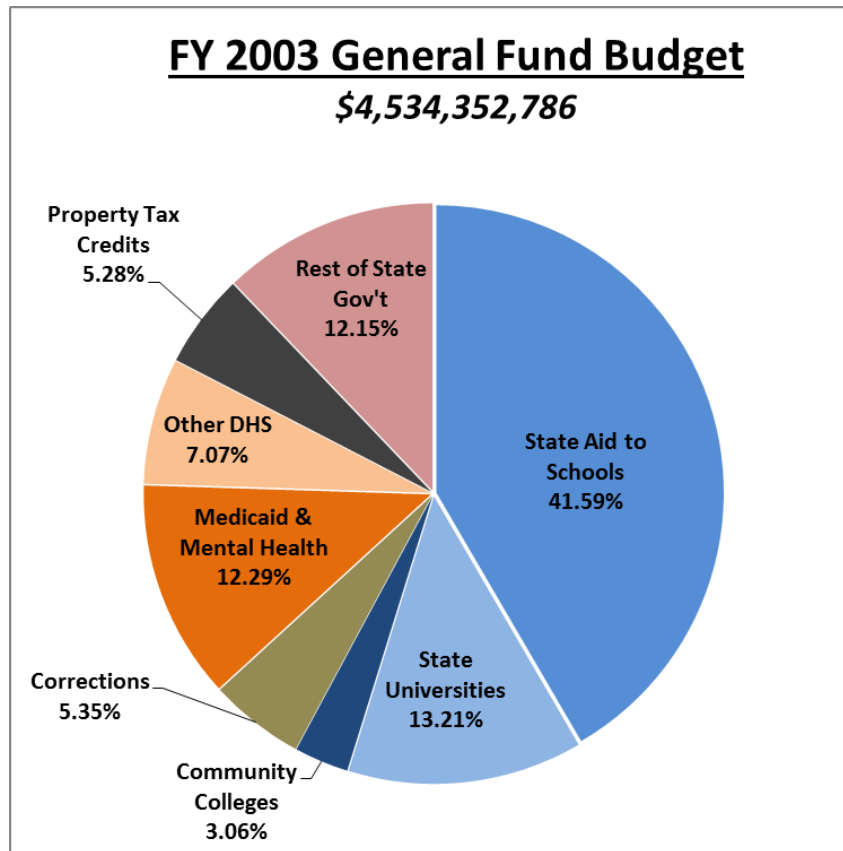
## Federal Share (%) of Iowa Medicaid Costs

*FY 2011 to FY 2017*



The drop in Federal Medicaid match rate meant Iowa spent an additional \$270 million on Medicaid in FY 2016.

# How the Growth in Health Care Costs is Impacting Iowa's Budget



**While Medicaid's share of the State Budget has grown significantly, it is clear that State Aid for schools has been protected by the Legislature.**

*Chart Source: 2004 & 2015 Fiscal Reports, Legislative Services Agency*

# 2015-2016 Budgeting Principles

In these uncertain times, House Republicans are committed to these principles to produce a balanced and sustainable state budget:

- 1. We will spend less than the state collects;*
- 2. We will not use one-time money to fund on-going needs;*
- 3. We will not balance the budget by intentionally underfunding programs; and*
- 4. We will return unused tax dollars to Iowa's taxpayers.*