



PUBLIC INTEREST INSTITUTE FACT SHEET

Number 02-10

November 20, 2002

The Crisis in Iowa's State Budget

- A primary source of Iowa's budget problems is spending. Spending in the first two years of the Vilsack Administration increased an average of 4.23%. That is more than twice the rate of inflation (1.89%) for that period, and is more than nine times the rate of population growth (0.46%).
- Much of the spending problem can be found in the Non-General Fund. From FY 1999-2003, spending in the General Fund has decreased -1.35%. By contrast, spending in the Non-General Fund has risen 49.46%!
- Since FY 1999 the budget functions of Administration and Regulation, and Transportation, Infrastructure, and Capitals are up 12.99% and 21.95%, respectively.
- The Rainy Day Fund has been drained by over \$300 million, or more than 60%.
- A short-term solution to the budget crisis is an across-the-board cut in the General Fund of 2.24%. This would save just over \$100 million.
- Long term solutions include spending limits based on inflation and population growth, and *reasonable* pay increases for state employees. Had Iowa enacted spending limits in 1995, the state would have saved \$2.5 billion. Had state employee salaries been limited to an increase for inflation in FY 2001, the state would have saved \$24 million.

Source: David Hogberg and Amy K. Frantz, Policy Study 02-4, "Iowa's State Budget: Spending Our Way to a Crisis."

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