

# PUBLIC INTEREST INSTITUTE

## FACT SHEET

Number 03-02

January 3, 2003

### Trimming Iowa's Budget, Part II

Fact Sheet 03-01 suggested specific cuts Iowa's Legislators can make to address the FY 2004 budget shortfall. This Fact Sheet and Fact Sheet 03-03 list other ideas that they can employ to achieve further savings:

- **Across-the-Board Cuts:** One of the simplest methods to address the Iowa budget deficit is to impose across-the-board cuts on all state agencies. Table 1 below shows what various across-the-board cuts in the Iowa General Fund, ranging from 1% to 3%, would amount to.

Percent Cut	Amount Saved	Percent Cut	Amount Saved
1.0	\$44,688,158	2.1	\$93,845,133
1.1	\$49,156,974	2.2	\$98,313,949
1.2	\$53,625,790	2.3	\$102,782,764
1.3	\$58,094,606	2.4	\$107,251,580
1.4	\$62,563,422	2.5	\$111,720,396
1.5	\$67,032,238	2.6	\$116,189,212
1.6	\$71,501,053	2.7	\$120,658,028
1.7	\$75,969,869	2.8	\$125,126,844
1.8	\$80,438,685	2.9	\$129,595,659
1.9	\$84,907,501	3.0	\$134,064,475
2.0	\$89,376,317		

- **Entitlement Reform:** Change the state Medicaid program to one that employs vouchers or refundable tax credits. This would induce Medicaid consumers to economize, thereby holding down costs for the state. On welfare, adopt a "pay after performance" model for recipients of Temporary Assistance for Needy Families (TANF). Under current Iowa law, recipients of welfare must sign a "Family Investment Agreement" (FIA) promising to take specific steps toward self-sufficiency. For those recipients unwilling to cooperate with an FIA, benefits are reduced after three months and suspended after six months. Under the pay after performance model, recipients would have to comply with the FIA *before* they receive their monthly benefits. Failure to comply without a legitimate reason results in an automatic reduction of benefits to \$1.

Source: David Hogberg, *Iowa Economic Scorecard*, January 2003, "How Iowa Government Can Reduce Spending."

By David Hogberg, Research Analyst

public.interest.institute@limitedgovernment.org Phone: 319-385-3462 Fax: 319-385-3799