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Iowa's State Budget: Fiscal Year 2004 Update

- Total state spending (both General and Non-General Funds) was up more than 20% above inflation from Fiscal Year (FY) 1994 until the first year of the budget crisis, FY 2001. Even with the recent spending cuts, spending is still up 6.9% above inflation from FY 1994 – FY 2004.
- PII's analysis shows that if spending limits based on inflation and population growth had been in place since FY 1994, the state government would be spending \$131 million less than it will in FY 2004. PII believes that the State Legislature should consider amending the State Constitution to limit future spending increases to inflation and population growth.
- There are other, and easier, steps the State Legislature can take to limit spending and give state taxpayers a break. Iowa law states that the Governor and State Legislature are supposed to limit General Fund spending to 99% of state revenue. PII's study shows that the 99% limit is routinely exceeded during the good years because the state spends budget surpluses. From FY 1997 to FY 2001 the 99% was exceeded four times, to the amount of more than \$600 million. PII proposes changing the budget statute so that future budget surpluses are returned to the taxpayers.
- When the Legislative session begins in January, Legislators and the Governor will be working on the state's budget for Fiscal Year 2005. Public Interest Institute hopes Iowa's policy-makers will consider the budget reforms proposed in this study.

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