

IOWA ECONOMIC SCORECARD

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Where Do We Stand?

by Deborah D. Thornton, Research Analyst

As 2011 draws to a close and we eagerly anticipate moving into the new year of 2012, it seems reasonable to use this issue of the IOWA ECONOMIC SCORECARD to review the standing of the Iowa state government on a wide variety of economic data.

The amount of debt our governments are carrying is of great concern, both nationally and at the state level. Much has been, and will continue to be, written about the federal debt, so I won't attempt to address it here. The information on state debt is a bit easier to digest along with our Thanksgiving turkey.

The non-partisan organization State Budget Solutions issued their review of state debt in all 50 states at the end of October. Most of this data comes from their report.¹

The total debt for all states combined is over \$4 trillion for FY2011 – the fiscal year ended in July 2011. This is, unfortunately, up from \$1.4 trillion in FY2010, a 300 percent increase.² Last year the states with the highest debt per capita were Connecticut, Hawaii, Massachusetts, New Jersey, and New Mexico. This year Massachusetts drops out, replaced by North Dakota. Massachusetts, however, remains in the top 10, along with California, Delaware, Rhode Island, and Oregon. The amount of debt in Connecticut is just over \$5,400 for each resident. The states with the lowest debt, Nebraska, Wyoming, and Indiana owe less than \$200 per resident.³

Fortunately, the news for the state of Iowa is better this year than last. We moved from 28 to 23 in the Economic Outlook Ranking, and jumped up even more in the Economic Performance category, from 41 to 28. This bodes well for future economic growth in 2012 and beyond.

Part of this positive increase is caused by Legislative efforts to reduce the current budget gap. In FY2010 Iowa had a budget gap of \$1.4 billion. For FY2011 that has fallen to only \$1.1 billion, and we have moved up from 24 to 22. Another good indicator is that Iowa, along with 23 other states, is not using loans to pay our unemployment payments. This is a very good thing. In contrast, the California unemployment system is almost \$9 billion in debt.

However, our debt per capita ranking fell from 16 to 19 as state debt increased from \$780 per resident to \$1,026, almost a 50 percent jump. Outstanding state debt, without pension liability, was just over \$3 billion.⁴ If you include the future cost of pensions and health care for state government employees the total state debt increases significantly. The liability for these promises drives the total debt to almost \$26 billion. A year ago this liability was only \$6.8 billion. Much of this increase was driven by early retirements of state employees over the last few years, shown by the FY2010 to FY2011 change.⁵ On a long-term basis, this liability must be managed and accounted for and will continue to be a concern.

Fortunately, Governor Terry Branstad seems to understand that just because the tax collections have stabilized and the state budget picture appears solid, the longer-term liabilities cannot be ignored. Branstad spokesman Tim Albrecht recently said, "Our goals remain the same: a two-year budget, fitting

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within the framework of a five-year budget projection, job-creating tax reductions, and a 15 percent reduction in the cost of government."⁶ Along with this, the Governor and Legislature must address the long-term pension and health care liabilities. The best way to do this is to control the current spending and build reserves. Continued economic growth encouraged by stable or lowering tax rates, combined with spending restraint, will in the long run result in an even more favorable debt situation.

The table on the next page outlines the Iowa-specific numbers from FY2010 and FY2011.

In contrast to Iowa, several of the neighboring states in our region are not faring as well. This issue was discussed last winter in the Public Interest Institute BRIEF #18-5 "Glad We're Iowa, not Illinois." Illinois still has one of the lowest Economic Outlook and Economic Performance rankings in the country, at 44 and 48 respectively. This is driven by the increases to both the maximum personal income tax (from 3 to 5%) and corporate income tax (from 7.3 to 9.5%). These taxes were increased during the last Legislative session in order to try to address the debt problems. No other state in the region increased its state personal income tax in the last year. The maximum corporate income tax increased in both Illinois and Missouri (from 5.81% to 6.24%).⁷

The per capita debt in Illinois is now up to \$2,234, with Wisconsin not far behind at \$2,144. The state of Illinois has billions of dollars of unpaid bills. The most recent reports put the size of the unpaid bills at over \$5 billion, with more than \$1.4 billion overdue by more than two months.⁸ Any small business owner, who provided goods and services to the state of Illinois in good faith – and owes their suppliers and employees – is in a tough position.

Unfortunately, the Governor and state Legislature are deadlocked and unwilling to significantly cut spending or to take on new debt and the resulting higher taxes. Vendors providing services to the state of Illinois would be well advised to require payment up-front for all goods and services.

Nebraska is the state with the lowest debt in our region at \$21 per capita, followed by South Dakota at \$533. South Dakota and Nebraska rank number three and five in overall total debt, when including the pension and retiree health care commitments. These two states also have the lowest current budget gaps, at only \$102 and \$326 million respectively.⁹ This is an enviable position for state government and their citizens to be in. Their debt and liabilities are manageable, in contrast to Illinois.

The total national increase in debt and long-term liabilities by all 50 states, though the "Great Recession" is officially over, is concerning. As individual households know, it is much easier to slap down that credit card for something you want today than it is to have the discipline to pay it off later.

Iowa Two-year Comparison of Key State Economic and Debt Factors

	Max Personal Income Tax Rate (%) (1)	Max Corporate Income Tax Rate (%) (2)	Economic Outlook Ranking (3)	Economic Performance Ranking (4)	Debt Per Capita (5)	Debt Per Capita Rank	Outstanding Debt (In Thousands) (6)	Oustanding Debt Ranking	Total Budget Gap (In Thousands) (7)	Total Budget Gap Rank	Total Debt w/ AEI Pension UAAL (In Thousands) (8)	Total Debt w/ AEI Pension UAAL Ranking
Iowa												
FY2011	8.98	12	23	28	\$1,026	19	\$3,085,315	17	\$1,100,000	22	\$25,989,741	15
FY2010	8.98	12	28	41	\$780	16	\$2,342,414	15	\$1,400,000	24	\$6,841,508	9

Sources: 1. "State Individual Income Tax Rates," Federation of Tax Administrators, January 1, 2011, <http://www.taxadmin.org/fta/rate/ind_inc.pdf>.

2. "Range of State Corporate Income Tax Rates," Federation of Tax Administrators, January 1, 2011, <http://www.taxadmin.org/fta/rate/corp_inc.pdf>.

3. Arthur B. Laffer et. al., "Economic Performance Ranking," Rich States, Poor States (2011), <http://www.alec.org/AM/pdf/tax/11rsps/RSPS_4thEdition1.pdf>.

4. Arthur B. Laffer et. al., "Economic Outlook Ranking," Rich States, Poor States (2011), <http://www.alec.org/AM/pdf/tax/11rsps/RSPS_4thEdition1.pdf>.

5. Obtained from "Ratio of Outstanding Debt by Type" from each state's CAFR for the most recent available fiscal year.

6. Ibid.

7. Table 3: Total FY2011 Budget Gaps, "States Continue to Feel Recessions Impact," Center on Budget and Policy Priorities, June 17, 2011, <<http://www.cbpp.org/cms/?fa=view&id=711>>.

8. Total Debt 2011 w/ AEI Pension UAAL is calculated total of Outstanding Debt/AEI Pension UAAL, OPEB UAALs, Unemployment Trust Fund Loans, and FY 2011 Budget Gap.

As we move into the 2012 Legislative session in January, many Legislators, and possibly even the Governor, are going to argue that we need new spending on education, transportation, and health care. As shown by states such as Illinois, there are as many ways to spend our tax dollars as there are Legislators to offer proposals. Though Iowa stands in a fairly good position relative to other states, we must not become complacent. Iowa voters must continue to hold the Legislators and Governor accountable for spending, the budget, and debt. Programs must be justified and proven to be worth the cost.

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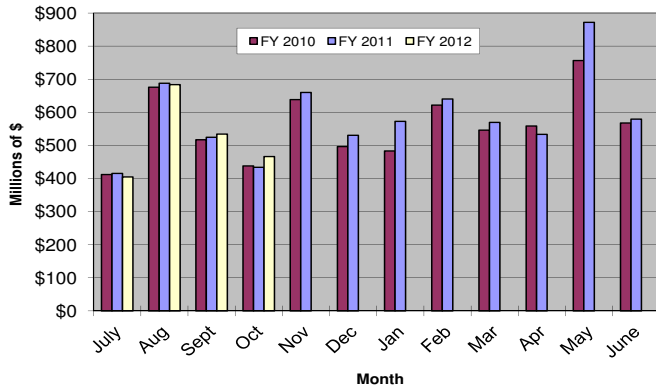
State Budget Solutions - FY2011 State Debt Analysis - Upper Plains Region

Upper Plains Region - by State	Max Personal Income Tax Rate (%) (1)	Max Corporate Income Tax Rate (%) (2)	Economic Outlook Ranking (3)	Economic Performance Ranking (4)	Debt Per Capita (5)	Debt Per Capita Ranking	Outstanding Debt (In Thousands) (6)	Oustanding Debt Ranking	FY2011 Total Budget Gap (In Thousands) (7)	FY2011 Total Budget Gap Ranking	Total Debt 2011 w/ AEI Pension UAAL (In Thousands) (8)	Total Debt 2011 w/ AEI Pension UAAL Ranking
Illinois	5	9.5	44	48	\$2,234	36	\$28,843,970	41	\$13,500,000	46	\$280,595,828	46
Iowa	8.98	12	23	28	\$1,026	19	\$3,085,315	17	\$1,100,000	22	\$25,989,741	15
Minnesota	7.85	9.8	37	41	\$1,236	21	\$6,088,363	25	\$4,000,000	35	\$70,806,990	33
Missouri	6	6.25	9	38	\$813	13	\$4,870,308	20	\$730,000	16	\$66,307,890	32
Nebraska	6.84	7.81	32	26	\$21	1	\$37,586	1	\$329,000	6	\$7,805,175	5
South Dakota	N/A	N/A	2	11	\$533	7	\$434,053	4	\$102,000	3	\$6,585,256	3
Wisconsin	7.75	7.9	30	44	\$2,144	35	\$12,123,372	47	\$3,500,000	34	\$81,154,800	35
U.S. Total	N/A	N/A	N/A	N/A	N/A	N/A	\$600,441,546	N/A	\$132,999,000	N/A	\$4,238,306,708	N/A

Sources: See table above.

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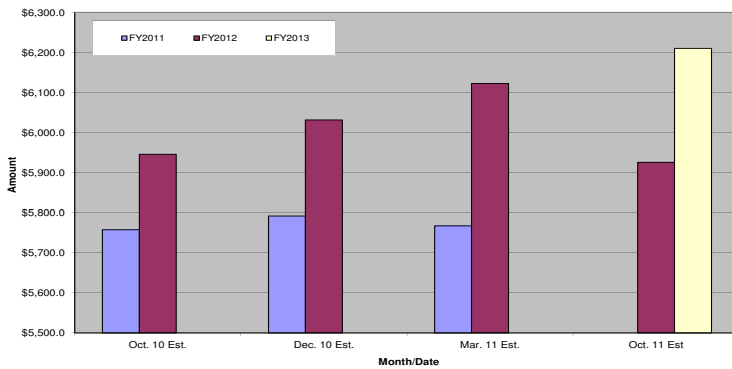
Iowa's Monthly State Revenue and Estimated Net Yearly Revenue (in millions)



Monthly State Revenue:

Monthly FY2012 state revenue was \$404.8 million in July, the first month of the fiscal year. This is almost \$11 million less than in July of 2010. While collections have increased in September, the year-to-date total remains \$5 million below last year.

Quarterly Estimated Net Receipts

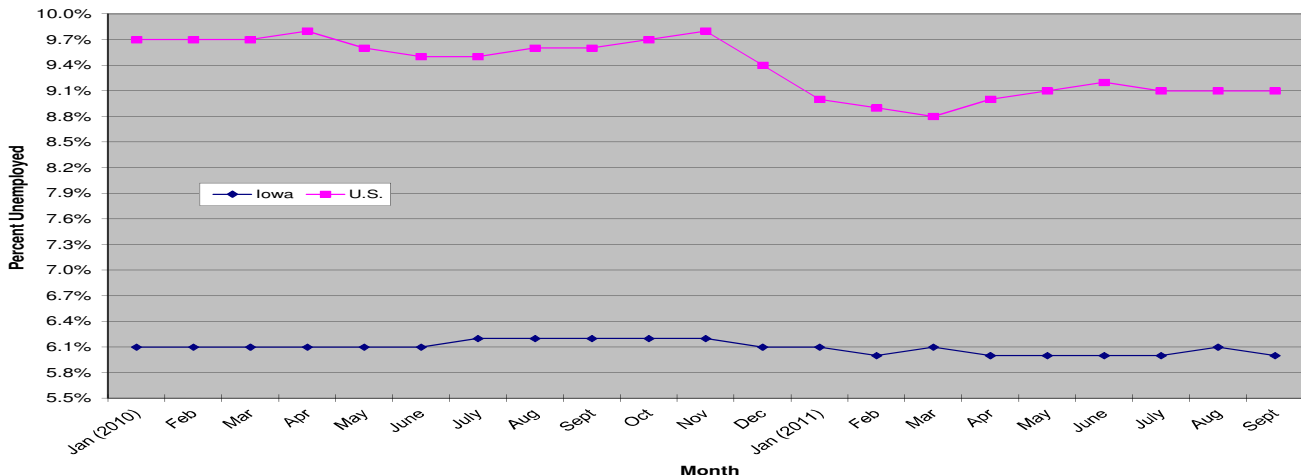


Estimated Net Yearly Revenue:

The revised Revenue Estimating Conference October estimate for FY2012 is \$5,925.7 million, down from the March estimate of \$6,122.2 million by almost \$200 million. The official December 2010 estimate, the basis for the FY2012 budget, was \$6,031.3 million. The REC continues to be overly optimistic about revenue changes.

Source: Legislative Services Agency "Monthly General Fund Revenue Memo," and Revenue Estimating Conference Report

U.S. and Iowa's Unemployment, January 2010 - Present

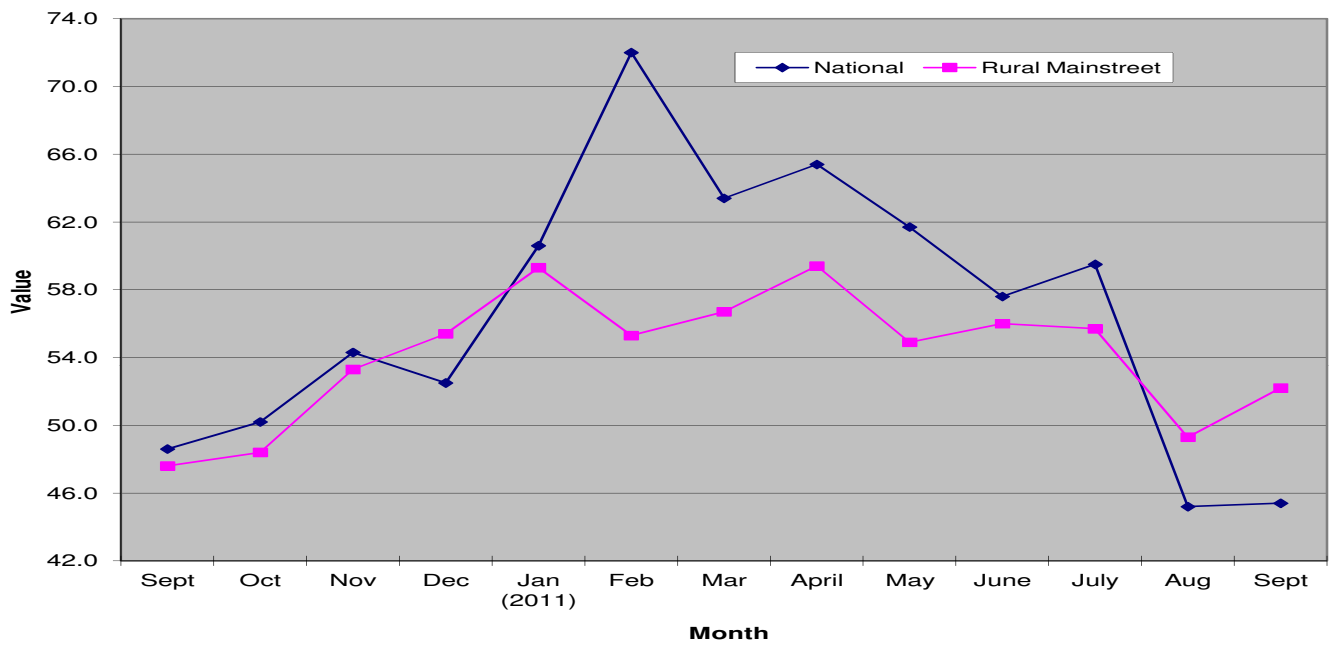


Nationally, unemployment remained at 9.1% throughout the 3rd quarter. The long-term unemployed number (jobless for 27+ weeks) was 6.2 million, accounting for 44.6 percent of the total. Involuntary part-time workers rose to 9.3 million, while another 2.5 million people quit looking for work. The Iowa rate was 6.0%, basically unchanged, though the number employed fell to 1,560,900, the lowest since November 2009.

Source: Iowa Workforce Development, Labor Market Information Bureau, "Monthly Unemployment Rate News"

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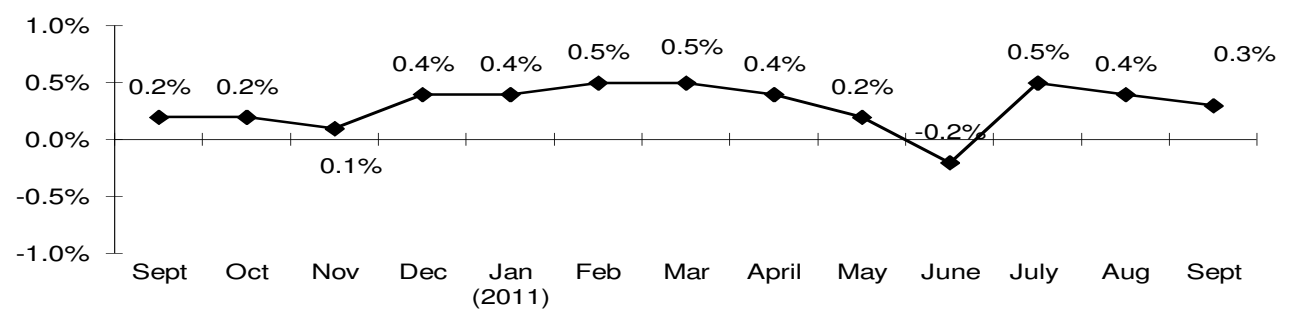
Consumer Confidence Index



The national Consumer Confidence Index (CCI) continued to drop from the February high of 72 to 45.4 in September. According to the Conference Board those “claiming business conditions are ‘good’ decreased to 11.7% from 14.1%, while those claiming business conditions are ‘bad’ remained virtually unchanged at 40.4%.” RMI creator Ernie Goss said, “While survey results do not indicate recessionary conditions, they clearly show that Rural Mainstreet economic growth is slowing.” The CEO of the Wyoming National Bank said, “What is curtailing our business is superfluous regulations.”

Source: Conference Board, “Consumer Confidence Survey” and Creighton University




Consumer Price Index, Monthly Change



The seasonally adjusted Consumer Price Index increased in July, August, and September. September’s increase was 0.3%, driven by increases in energy and food. Specifically, “Food at Home” increased by 0.6% for the third month in a row. The indexes for apparel, used cars, and recreation all decreased. The 12-month change in the all items index was almost 4% in September. Significantly, the energy index has risen 19.3 percent over the last year, while the food index has increased 4.7%.

Source: U.S. Department of Labor, Bureau of Labor Statistics

Iowa Statewide Economic Indicators

Latest Economic Indicators	Actual Number	Amount of Change	Time Period Reported
 New Vehicle Registrations	92,506	16.3%	Sept 2010 - Sept 2011
 New Housing Permits	3,878	-2.1%	Aug 2010 - Aug 2011
 Existing Home Sales	55,600	-2.8%	June 2010 - June 2011
 Total Resident Jobs	1,560,900	-2,300	Aug - Sept 2011
 Non-Farm Employment	1,482,200	-5,700	Aug - Sept 2011
 Factory Jobs	205,500	-1,000	Aug - Sept 2011
 Initial Unemployment Claims	12,013	-16.1%	Sept 2010 - Sept 2011
 Jobless Rate	100,400	6.0%	Sept 2011
 Personal Income	\$38,084	2.7%	2009 - 2010
 Exports of Goods	\$10.9 billion	N/A	2010
 Farmland Values	\$5,064	20.0%	July 2010 - July 2011

Source: Iowa Workforce Development News and Trends, October 24, 2011,
<http://www.iowaworkforce.org/trends/>
http://www.trade.gov/mas/ian/statereports/states/tg_ian_002727.asp

More Iowa Economic Indicators, News, and Trends

by Deborah D. Thornton, Research Analyst

The Iowa Workforce Development Web site leads with a section called “News and Trends.” At the bottom of the page is a table, updated monthly, showing economic indicators.¹ The table has arrows pointing up or down, which are colored green (for good) or red (for bad) trends. For the IOWA ECONOMIC SCORECARD (IES), we reprint the table, adding more detailed information. The long-term trends for selected categories, such as Unemployment, are detailed in the graphs on pages 4-5 of this issue. Unfortunately, for the last several quarters, most of the arrows, whether pointing up or down, have been red. It seems appropriate to provide more detailed background as we prepare for 2012.

One positive indicator is that of “New Vehicle Registrations.” The total number of new vehicles registered by September of 2011 is 92,506, a 16.3 percent increase, compared to 79,541 new cars registered in September 2010. The September 2010 number was up slightly from 76,777 the year before. The “Cash for Clunkers” program ended on August 24, 2009.² This program inflated 2009 sales, reinforcing the strong growth in new car sales between then and now. As the Iowa winter sets in, be careful that you don’t hit your neighbor’s new car, and that he doesn’t hit yours!

Unfortunately both new home permits and existing home sales continue a steady downward trend. The low for single-family new home permits was in 2009 when less than 3,600 were filed, down from over 6,000 in 2007. There was a slight increase in 2010 to 3,962, but the trend has not continued in 2011. Permits for 2-, 3-, and 4-unit buildings are down over 20 percent. The value of these permits,

an indicator of the quality of the units being built, is also down, by even more (33.5 – 36.2 percent). The only category showing an increase is that of apartment units of over 5 units, up a whopping 65 percent from 2010.³ Builders are responding to the lackluster single-family growth and continued concentration of population centers in Iowa by building more apartments. Apartment living is a wise decision for many families.

Existing home sales have been all over the board. For example, a year ago – the third quarter of 2010 – existing home sales were down 45 percent from the second quarter. The actual number of homes sold was only 40,000. This was a record low, down from a high of 79,600 from January - March of 2007. Then there were fairly significant upticks (29 and 11 percent) in the fourth quarter of 2010 and first quarter 2011. However, for April - June of this year sales fell by almost 3 percent, to only 55,600 homes. The Iowa trends in both growth and drops have been more severe than in the rest of the Midwest and nationally.⁴ For those depending on home sales and the resultant spending as families move and resettle, it has been either feast or famine.

Unemployment has been discussed extensively. Both the number of Iowans working (1.56 million) and the total number in the labor force are at their lowest level since November of 2009.⁵ Two years after the recession has “ended,” people are still struggling to find work, and many have stopped looking. Personal income data, from the U.S. Department of Commerce, has a one-year lag in reporting. Therefore 2010 data is the most current. In 2010, the per capita personal income in Iowa was \$38,281. This was up from \$36,751 in 2009, a \$1,500 increase. For those who are working, their personal income is up about 4 percent. Not beating inflation, but holding steady.

The Iowa Workforce Development office stopped reporting on international trade, but because this is a critical indicator of economic growth, PII has kept the number in our trend chart. Though there is a fairly significant lag in data reporting, exports are up over a third since January 2009 and total almost \$13 billion. The recent efforts of Governor Branstad and Lt. Governor Reynolds in reaching out to Asian countries through trade missions should help this growth. As their middle classes grow, the demand for both Iowa agricultural and industrial products will increase.

Finally, the Farmland Values indicator continues to be positive. The August report shows a 20 percent increase in prices since 2010. Far Western Iowa has seen the most growth, with prices up 24 percent for the year and up 5 percent since last March.⁶ In the October *Mainstreet Economy* survey report, Dr. Ernie Goss of Creighton University said, “Bankers are reporting very strong growth in farmland prices. One banker in Storm Lake, Iowa, reported a recent farmland sale of \$13,000 per acre. Current high agriculture commodity prices and record low interest rates are supporting these prices.”⁷

As we prepare for Thanksgiving and Christmas, there is much to be thankful for as well as much to concern us. Being informed, making wise economic decisions for our families, and working to ensure our elected officials make wise decisions is critical to the future of both our state and country.

(Endnotes)

¹ “Iowa Economy,” Iowa Workforce Development News and Trends, <<http://www.iowaworkforce.org/trends/>> accessed October 24, 2011.

² “Cash for Clunkers Ends Monday,” Car Allowance Rebate System, U.S. Department of Transportation, <<http://www.cashforclunkers.org/cash-for-clunkers-ends-monday.html>> accessed October 25, 2011.

³ “Iowa New Residential Housing Permits,” Iowa Workforce Development News and Trends, <<http://www.iowaworkforce.org/trends/house.html>> accessed October 26, 2011.

⁴ “Sales of Existing Single-Family Homes, Apartments, Condos and Co-ops,” Iowa Workforce Development News and Trends, <<http://www.iowaworkforce.org/trends/homesales.html>> accessed October 26, 2011.

⁵ “Iowa Employment Situation,” Iowa Workforce Development News and Trends, <<http://www.iowaworkforce.org/trends/emp.html>> accessed on October 26, 2011.

⁶ “Survey of Farmland Values,” Federal Reserve Bank of Chicago, August 26, 2011, <<http://www.iowaworkforce.org/trends/farmland.html>> accessed on October 24, 2011.

⁷ “Rural Mainstreet Economy Inches Forward for October: Farmland Cash Rent Expected to Grow in 2012,” *Mainstreet Economy*, Creighton University, October 2011, <<http://www.creighton.edu/business/economicoutlook/mainstreet/index.php>> accessed on October 25, 2011.

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(Endnotes)

¹ Andrew Guevara, "Report reveals aggregate state debt exceeds \$4 trillion," State Budget Solutions, October 24, 2011, <<http://www.statebudgetsolutions.org/publications/detail/report-reveals-aggregate-state-debt-exceeds-4-trillion-2>> accessed on October 25, 2011.

² Bryan Leonard, "States hide trillions in Debt," State Budget Solutions, July 22, 2010, <<https://docs.google.com/spreadsheet/ccc?key=CLfim9AN&key=0AiW-8JkWk5qGdFhKNIFQOG5UbVFmUk05SE5MaDBvUGc&hl=en&authkey=CLfim9AN#gid=0>> accessed on October 25, 2011.

³ Dylan Scott, "Combined State Debt: More Than \$4 trillion for FY2011," *Governing The States and Localities*, October 25, 2011, <<http://www.governing.com/news/state/Combined-State-Debt-More-Than-4-Trillion-For-FY-2011.html>> accessed on October 25, 2011.

⁴ Guevara.

⁵ Ibid.

⁶ Andrew Duffelmeyer, "Dems, GOP disagree on state budget picture," *The Iowa Independent*, October 26, 2011, <<http://iowaindependent.com/62804/dems-gop-disagree-on-state-budget-picture>> accessed on October 26, 2011.

⁷ Guevara.

⁸ "Few signs of movement on paying Illinois overdue bills," WTHItv.com, October 21, 2011, <<http://www.wthitv.com/dpp/news/illinois/few-signs-of-movement-on-paying-illinois-overdue-bills>> accessed on October 25, 2011.

⁹ Guevara.



IOWA ECONOMIC SCORECARD **Question of the Quarter:**

What do you think of the various economic recovery plans proposed by both President Barack Obama and Republican Presidential candidates? Send your thoughts on this issue to us at Public.Interest.Institute@LimitedGovernment.Org. We may publish your thoughts in the February 2012 issue of *IOWA ECONOMIC SCORECARD*.