



NEWS RELEASE

March 20, 2009
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FOR IMMEDIATE RELEASE FRIDAY MARCH 20, 2009
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Revenue Report Heightens Need for Stimulus, Tax Reform *REC Report Shows Iowa's Revenue Problem Worsening*

DES MOINES, Iowa — Drastically dropping revenues point to the need for state officials to use federal stimulus funds as intended: to address immediate budget shortfalls and boost the sagging economy, Iowa Fiscal Partnership (IFP) analysts said Friday.

“The ball is now in the hands of the Governor and Legislature, to make sure the state doesn’t make hasty and unnecessary cuts that can damage the Iowa economy and deny services when they’re seriously needed,” said Charles Bruner, executive director of the Child & Family Policy Center, following the release of new revenue projections from the state Revenue Estimating Conference (REC).

“Today’s estimates from the REC remove any doubt: Iowa lawmakers must use these temporary federal funds to restore the proposed cuts to the 2010 budget and maintain state spending to help the economy during this severe downturn,” Bruner said.

The Revenue Estimating Conference on Friday projected a further drop of almost \$130 million this fiscal year, and \$270 million next fiscal year, compared with its estimates in December. The governor already had cut the current fiscal year 2009 budget 1.5 percent across the board, and had recommended deeper cuts for many services for the next budget year, beginning July 1.

Lawmakers now must craft a new budget that works with resources as projected by REC.

IFP analysts said the report Friday reinforces three points:

- Funds already cut from the budget can be restored with stimulus money;
- Restoring funding and avoiding further cuts are important measures to help the economic recovery and to keep services going at a time when Iowa citizens need them most;
- Immediate use of stimulus funds and needed tax reforms are necessary to bridge the revenue gap created by the recession.

Beth Pearson, a research analyst at the Iowa Policy Project, said the state must use stimulus funds to fill short-term revenue holes caused by the weak economy, but should also shore up the foundations of the state’s long-term revenue structure, starting with reforms of corporate tax policy.

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“Stimulus funds will help for the near future, but to bring long-term stability to the state’s revenue structure, we must stop the erosion caused by wasteful and unaccountable corporate tax credits,” Pearson said.

Bruner and Pearson said the funds provided through the federal stimulus package, known as American Recovery and Reinvestment Act (ARRA), are designed to help the state restore funding and prevent further budget cuts, following a 1.5 percent cut for this year and planned 6.5 percent cuts in many programs for the fiscal year 2010 budget.

“If the Governor and legislators use the money as intended, it will help the state honor its commitments in education and health-care funding,” Bruner said.

IFP analysis is based on expected ARRA funding from an increase in the federal Medicaid reimbursement, which helps the state keep up with increased use of Medicaid while protecting other services; and two block grants designed to help states with fiscal stabilization.

Recent IFP reports — at www.iowafiscal.org — have noted Iowa’s state spending has declined as a percent of the state’s economy, while corporate tax expenditures have exploded in recent years. Much of the latter happens without review through the regular appropriations process, because the spending comes through the tax code and details are kept confidential.

“There are no more excuses for ignoring the revenue side of our budget equation. While the revenue shortfalls highlighted today by the REC are largely due to the effects of the national recession, our weak revenue system — weakened by tax giveaways — has made it harder for Iowa to cope with the recession,” Pearson said.

“The next few weeks present a crucial opportunity for the Governor and legislators to help forestall further weakening of the Iowa economy by putting stimulus dollars to work.”

The Iowa Fiscal Partnership is a joint budget policy analysis initiative of two nonpartisan, nonprofit, Iowa-based groups – the Iowa Policy Project in Iowa City/Mount Vernon, and the Child & Family Policy Center in Des Moines. IFP reports are available at www.iowafiscal.org.

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EDITOR’S NOTE: The Iowa Fiscal Partnership will release a detailed analysis of Iowa’s budget and ARRA funding early next week.