

Iowa Budget Facts

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Convened by the Sierra Club

Co-sponsored by the Science and Environmental Health Network

Here is a compilation of information that gives you a snapshot of Iowa's finances. Most of it was taken from two sources: Ballotopedia and Governor Reynolds's 2018-2019 budget proposal and message from January of 2018.

https://dom.iowa.gov/sites/default/files/documents/2018/01/bib_fy2019_0.pdf

You can read the 2017 financial report from the Governor's office here:

https://dom.iowa.gov/sites/default/files/documents/2016/01/bbb_final_1.12.2016.pdf

There are a couple of things that stand out.

- 1) Education and Medicaid together account for 2/3 of the budget.
- 2) Sales tax and income tax account for a large portion of revenue (about 89%).
- 3) Revenue from sales taxes is declining because more people are buying things on-line.
- 4) While the Iowa courts have taken significant cuts in the past years, 14.7 million dollars of court fines and fees are being diverted out of the general fund and into paying bonds for a maximum security prison.
- 5) State money is deposited in many banks around the state, including bad actors like Wells Fargo. Over 20 million dollars is deposited in Wells Fargo. The list of banks holding state money can be found at:
https://www.iowatreasurer.gov/media/cms/Treasurers_Annual_Report_June_30_20_6_E6202ADB61AD.pdf
- 6) Most of the goals and key initiatives of Governor Reynolds are directly or indirectly focused on creating a "competitive business environment."

- Between fiscal years 2015 and 2016, total government spending in Iowa increased by approximately \$0.7 billion—from \$21.9 billion in fiscal year 2015 to an estimated \$22.7 billion in 2016. This represents a 3.4-percent increase.⁽¹⁾
- In Iowa in fiscal year 2015, 48 percent of total tax revenues came from sales taxes and gross receipts. Income taxes accounted for 41.1 percent of total state tax collections.
- Education accounted for 41.6 percent of state expenditures in fiscal year 2015, while 22.7 percent went to Medicaid.

State spending by function as a percent of total expenditures, FY 2015

State	K-12 education	Higher education	Public assistance	Medicaid	Corrections	Transportation	Other
Iowa	16.1%	25.5%	0.5%	22.7%	2.1%	8.6%	24.7%
Kansas	30.2%	17.7%	0.1%	21.7%	2.4%	7.7%	20.1%
Nebraska	14.5%	23.6%	0.4%	16.9%	3%	7.7%	34.0%
Missouri	22.9%	4.8%	0.6%	36.1%	2.8%	8.2%	24.5%

The state operates on an annual budget cycle. The sequence of key events in the budget process is as follows:^{[16][17]}

1. Budget instruction guidelines are sent to state agencies in **June** or **July**.
2. Agency requests are submitted to the governor by **October 1**.
3. Agency hearings are held in **November** and **December**.
4. Public hearings are held in **December**.
5. The governor submits his or her proposed budget to the Iowa State Legislature by **February 1**.
6. The legislature adopts a budget in **April** or **May**.
7. The fiscal year begins in **July**.

Iowa is one of 44 states in which the governor has line item veto authority. The governor is constitutionally and statutorily required to submit a balanced budget. In turn, the legislature is statutorily required to adopt a balanced budget.^[17]

Governor Reynolds stated program initiatives

https://dom.iowa.gov/sites/default/files/documents/2018/01/bib_fy2019_0.pdf

- Creating a Competitive Business Environment 7
- Training Iowans for the Jobs of Today and Tomorrow 9
- Educating Our Children for the Knowledge Economy 12
- Developing the Most Innovative Energy Policy 16
- Supporting Strong and Healthy Families 19
- Supporting Our Men and Women in Uniform 22
- Feeding the World and Promoting Conservation 24
- A Future with Data Analytics

Three sources of revenue:

Personal Income Tax. This tax was enacted in 1934 and imposed on Iowa taxable income of individuals and estates and trusts. Individuals under 65 years of age with a net income of less than \$9,000 (\$13,500 if married) are generally not required to pay Iowa income tax or file a tax return. Individuals who are at least 65 years of age are generally subject to the tax if their income exceeds \$24,000 (\$32,000 if married). Social Security benefits and all military retirement pay are exempt from taxation. Iowa has a progressive tax structure of nine rates on individual tax ranging from 0.36 to 8.98 percent. Due to the allowance of a deduction for federal taxes (federal deductibility), most taxpayers do not pay the top percentage.

Sales and Use Tax. This tax was enacted in 1934 and imposed on the gross receipts from the purchase of tangible personal property and payment for performing enumerated services sold. Major exemptions from this tax include food or home consumption, prescription drugs and medical devices, and motor fuel and vehicles (subject to a special excise/use tax which is deposited in the Road Use Tax Fund). Also, machinery and equipment used in processing, personal property used in agricultural production, and farm machinery and equipment are exempt from this tax. A rate of 6 percent is imposed on taxable transactions. One-sixth of this amount is transferred from the General Fund to the Secure an Advanced Vision for Education (SAVE) Fund for distribution to local school districts for school infrastructure projects.

Corporate Income Tax. This tax was enacted in 1934 and imposed on Iowa net income earned by the corporations in Iowa (single sales factor). Iowa has a progressive tax structure with rates ranging from 6 to 12 percent. These percentages are brought down as corporations are allowed to deduct one-half of their federal taxes (federal deductibility).

Programs have been established over the years which receive a specific diversion of revenues before they are deposited into the General Fund. These programs include:

- Flood Mitigation Program. Established in 2012, the program provides funding to certain governmental entities for flood mitigation projects. It is estimated that \$30 million will go to the fund in Fiscal Year 2019.

- Reinvestment Districts. Established in 2013, the program allows municipalities to establish reinvestment districts and receive specified amounts of state sales tax revenues collected in those districts for use in undertaking projects in the districts. The estimate for Fiscal Year 2019 is \$1.4 million.
- Health Care Trust Fund. Starting in Fiscal Year 2014, all cigarette and tobacco taxes are deposited into the Health Care Trust Fund. This fund is used exclusively for the medical assistance (Medicaid) program. The estimates are \$218.3 million for Fiscal Year 2018 and \$217.1 million for Fiscal Year 2019.

- Gaming Revenues. As discussed in another section, gaming revenues are all diverted for specific purposes and beginning in Fiscal Year 2014, no gaming revenues are deposited into the General Fund.

- Judicial Revenues. As discussed in another section, \$14.7 million of judicial revenues are diverted to pay for prison construction bonds in Fiscal Year 2019.

- Real Estate Transfer Tax. Thirty percent, up to \$3 million, of real estate transfer tax is deposited into the State Housing Trust Fund with 5 percent of the real estate transfer tax transferred to the Shelter Assistance Fund. It is estimated that in Fiscal Year 2018 \$3 million will be deposited into the State Housing Trust Fund and \$0.9 million into the Shelter Assistance Fund and in Fiscal

- • \$1 million in Fiscal Year 2019 from RIIF for armory upgrades throughout Iowa.
- • \$0.25 million in Fiscal Year 2019 from

RIIF for upgrades at Camp Dodge.

Iowa State Fair: Construction and Remodeling Projects

- \$8.5 million in Fiscal Year 2019 from RIIF for construction and remodeling the northwest events area.

Iowa received approximately \$5.9 billion in federal aid, 31.9 percent of the state's general revenues. This came out to about \$1,914 in federal aid per capita.

The Des Moines Register reported that:

Iowa wrote nearly \$42 million in refund checks to corporations last year under a controversial tax credit program, according to a new report from the Iowa Department of Revenue.

In total, Iowa awarded more than \$66 million to corporations and individuals in 2017 through the Research and Activities Tax Credit. The program offers incentives for performing research functions in Iowa.

Much of the tax credits last year went to big corporations, including:

- **Rockwell Collins**, which claimed \$13.9 million in R&D tax credits
- **Deere & Co.**, which claimed \$7.5 million in R&D tax credits
- **Green Plains Inc.**, which claimed \$5.3 million in R&D tax credits
- **Pioneer DuPont**, which claimed \$2.6 million in R&D tax credits

Corporations claimed \$55 million in tax credits, much of which was issued as refund checks. The program issues refunds when R&D tax credit claims exceed a company's or individual's state tax liability and no state income tax is owed.

In 2017, those checks for companies and individuals totaled \$46 million. That's up from \$43.7 million in 2016, the department of revenue reports.

<https://www.desmoinesregister.com/story/money/business/2018/02/15/iowa-gave-corporations-42-million-tax-credits-2017-too-much/342412002/>