

## More Pro-Growth Policies Needed in Iowa's Budget

By John Hendrickson

The 2016 Fiscal Year budget was a divisive issue for the Iowa Legislature. Disagreement centered on spending for education and the closure of two state mental-health facilities. Since Iowa's state government is a divided government between Republican Governor Terry Branstad, a Republican-controlled House, and a Democrat-controlled Senate, the budget was a work of compromise, and not everyone was satisfied with the outcome. As the *Des Moines Register* reported:

House Speaker Kraig Paulsen hailed the agreement as upholding Republicans' pledges to hold down spending to match revenues. Senate Majority Leader Michael Gronstal called the agreement a compromise. Some education officials expressed disappointment; one said the proposed funding would lead to teacher job cuts.<sup>1</sup>

The budget agreement establishes state spending at almost \$7.2 billion. The projected revenue for Fiscal Year 2016 is estimated to be \$7.195 billion.<sup>2</sup> Part of the budget agreement focuses on one-time funding for K-12 education:

The package would provide a 2.62 percent increase in state funding for kindergarten-through-12th grade schools for the coming academic year. That includes a 1.25 percent increase in the base funding for school aid, plus a one-time expenditure of \$55.7 million...<sup>3</sup>

Analysts at Iowans for Tax Relief (ITR), a grassroots organization committed to fighting for Iowa's taxpayers, argued that Iowans "should applaud Legislators for approving a budget that spends less than the state takes in and follows the 99% expenditure limit."<sup>4</sup> Iowa House Republicans offered a similar analysis by arguing that they held the line on spending:

When the 2015 legislative session ended on June 5, the Fiscal Year 2016 budget was set at \$7.1752 billion. This spending level is 99.87 percent of the \$7.1847 billion in on-going revenue that the state is expected to collect into the General Fund during FY 2016. As compared to the state's outdated expenditure limitation law, the adopted budget spends just 97.48 percent of the maximum amount allowed. Overall spending in FY 2016 will increase by \$180.9 million (2.59%) over the 2015 spending level of \$6.9943 billion.<sup>5</sup>

Overall education and Medicaid continue to be the larger drivers of state government spending, with education claiming 41.18 percent of the budget for state aid to schools and 8.21 percent for funding higher education through Iowa's Regents universities, and Medicaid consumes 18.16 percent of spending.<sup>6</sup> A breakdown of the budget includes:

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- \$3.4634 billion for standing appropriations
- \$1.8394 billion for health and human services
- \$992.2 million for education
- \$743.0 million for justice systems
- \$51.8 million for administration and regulation
- \$42.3 for economic development
- \$43.1 for agriculture and natural resources<sup>7</sup>

A legitimate concern exists that health-care costs, especially for Medicaid, will continue to increase and place greater demands on the budget. In addition, education will also continue to demand more money whether it is K-12, community colleges, or the Regent universities.

The analysts at ITR correctly note that one problem of this budget is the one-time spending, which will result in a "strong temptation to continuously approve one-time spending year after year":<sup>8</sup>

Legislators can brag all they want about passing a balanced budget, but the truth is more complicated. In addition to that balanced budget, leadership of both parties took more than \$120 million from state cash accounts and spent it for one-time funding of many expenses. Compromise is difficult in a split Legislature, but taxpayers should not be the ones paying for a bad solution to Legislative deadlock. Using one-time funding to create additional spending, when both the general fund budget and education funding were already receiving an increase, is deceiving. Spending one-time money for expenses that the recipients will want to continue in future years sets a dangerous precedent. It also depletes money that should be given back to the taxpayers through tax relief.<sup>9</sup>

The budget compromise reached by Governor Branstad and the Legislature is not necessarily reckless, but improvement can be made. Policy ideas from priority-based budgeting, expanding school choice, and studying various ways of privatizing services will save taxpayers money and bring greater efficiency to public policy. The state Legislature will also have to prepare for the escalating costs of entitlements and pensions. Thankfully, Iowa is in a lot better shape than other states.

From a taxpayer perspective, the Legislature may have produced a "fiscally responsible budget," but this session was not a victory for taxpayers.<sup>10</sup> Unfortunately, "almost no taxpayer-friendly bills were seriously considered in either chamber."<sup>11</sup> As ITR argued, "Legislators passed a 45% tax increase on all Iowans by approving a ten-cents

increase to Iowa’s motor fuel tax and then failed to pass any significant tax relief or reform.”<sup>12</sup>

Perhaps in the next legislative session there will be a greater emphasis on pro-growth economic policies that focus on spending and tax reform.

Endnotes:

<sup>1</sup>William Petroski, “Budget deal calls for \$7.3 billion in state spending,” *Des Moines Register*, June 1, 2015, <<http://www.desmoinesregister.com/story/news/politics/2015/06/01/iowa-legislature-budget-details/28310913/>> accessed on August 25, 2015.

<sup>2</sup>Mary Mosiman, “Auditor of State: Iowa’s Financial Forecast, July 2015,” Office of Auditor of State Mary Mosiman, July 2015, <[http://auditor.iowa.gov/press/Budget\\_2015-07.pdf](http://auditor.iowa.gov/press/Budget_2015-07.pdf)> accessed on August 25, 2015.

<sup>3</sup>Petroski.

<sup>4</sup>Iowans for Tax Relief, “End of Session: Legislature Adjourns,” *Watchdog*, June 9, 2015, <[http://www.taxrelief.org/reports/0000/0247/2015\\_ITR\\_End\\_of\\_Session\\_Watchdog.pdf](http://www.taxrelief.org/reports/0000/0247/2015_ITR_End_of_Session_Watchdog.pdf)> accessed on August 25, 2015.

<sup>5</sup>Iowa House Republican Newsletter, “FY 2016 Budget Maintains House Republican Commitment to Iowans’ Budget Priorities and Budgeting Principles,” June 25, 2015, <<http://www.iowahouserepublicans.com/wp-content/uploads/Caucus-Newsletter-6-25-2015.pdf>> accessed on August 25, 2015.

<sup>6</sup>Ibid.

<sup>7</sup>Ibid.

<sup>8</sup>Iowans for Tax Relief, “End of Session: Legislature Adjourns.”

<sup>9</sup>Iowans for Tax Relief, “Post Session: Winners and Losers,” *Watchdog*, June 15, 2015, <[http://www.taxrelief.org/reports/0000/0248/2015-6-15\\_Post\\_Session\\_Watchdog.pdf](http://www.taxrelief.org/reports/0000/0248/2015-6-15_Post_Session_Watchdog.pdf)> accessed on August 25, 2015

<sup>10</sup>Iowans for Tax Relief, “End of Session: Legislature Adjourns.”

<sup>11</sup>Iowans for Tax Relief, “Post Session: Winners and Losers.”

<sup>12</sup>Iowans for Tax Relief, “End of Session: Legislature Adjourns.”

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## Reflecting on Labor Day

By John Hendrickson

Calvin Coolidge is most often remembered for his dry wit, silence, and conservative economic and foreign policies, but he is not often remembered as a friend of labor. Coolidge himself was an example of the Protestant work ethic, and he viewed work as honorable. As Coolidge stated:

I cannot think of anything that represents the American people as a whole so adequately as honest work. We perform different tasks, but the spirit is the same. We are proud of work and ashamed of idleness. With us there is no task which is menial, no service which is degrading. All work is ennobling and all workers are ennobled.<sup>1</sup>

Coolidge acknowledged the importance of Labor Day when he stated that “this high tribute is paid in recognition of the worth and dignity of the men and women who toil.”<sup>2</sup> Coolidge’s political and moral philosophy, along with his patriotism, formed his conservative worldview. He understood that having a successful economy and decent wages depended on following fiscal prudence. It also meant following a spirit of Americanism, as he stated:

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We do not need to import any foreign economic ideas or any foreign government. We had better stick to the American brand of government, the American brand of equality, and the American brand of wages. America had better stay American.<sup>3</sup>

Coolidge argued that three policies helped in protecting the rise in American wages. These included “restrictive immigration,” a “tariff for protection,” and “economy of expenditure.”<sup>4</sup> Coolidge argued that “these are some of the policies which I believe we should support, in order that our country may not fail in the character of the men and women which it produces.”<sup>5</sup> Coolidge understood that if business was supported and encouraged by sound public policies it would “provide profitable employment.”<sup>6</sup> Coolidge also argued that he did “not want to see any of the people cringing suppliants for the favor of the Government, when they should be masters of their own destiny.”<sup>7</sup>

President Calvin Coolidge understood that following an economic policy rooted in constitutional limited government would provide the best opportunity for a strong and vibrant middle class. The Coolidge Administration is an example on how to not only support labor, but expand the American middle class.

#### Endnotes:

<sup>1</sup> Calvin Coolidge, “Address delivered to a group of Labor Leaders, who called on the White House, September 1, 1924,” in *Foundations of the Republic*, University Press of the Pacific, Honolulu, Hawaii, 2004, p. 75.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid., p. 81.

<sup>4</sup>Ibid., pp. 83-84.

<sup>5</sup>Ibid., p. 85.

<sup>6</sup>Ibid.

<sup>7</sup>Ibid.

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