



**Auditor of State
David A. Vaudt**

“Budgeting — Iowa’s Future”

Business Record’s 2010 Economic Forecast

January 26, 2010

State of Iowa General Fund Budget

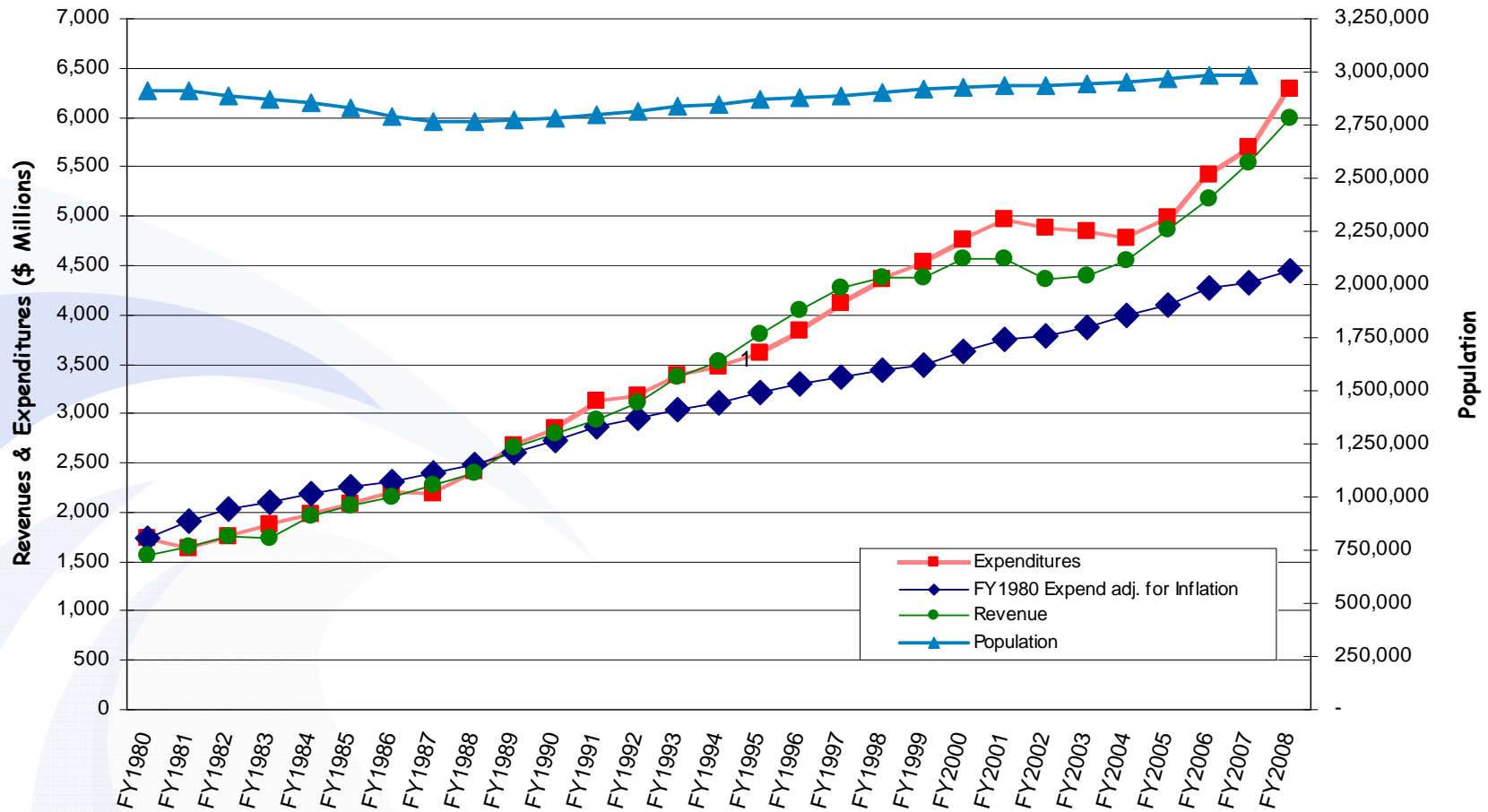
- Brief Historical Perspective
- FY10 Budget
- Looking Ahead to FY11



State of Iowa - General Fund Budget Historical Perspective Summary

- Lack of clarity – expenditure shifts (“charge card” costs) excluded; distorts year-to-year comparisons
- Unsustainable spending growth – i.e., FY2008 of 10%
- Spending gap – reliance on one-time/limited time resources; **ongoing** expenditures continually exceed ongoing revenues

State of Iowa – General Fund Budget Historical Perspective – Population, Expenditures*, and Revenues



*Adjusted for all resources

State of Iowa – General Fund Budget Historical Perspective – Lack of Clarity (\$ in Millions)

	<u>Reported Expenditures</u>	<u>Expenditures Shifted</u>		<u>“True Total Expenditures”</u>
		<u>Amount</u>	<u>%</u>	
FY00	\$ 4,764	-	-	\$ 4,764
FY01	\$ 4,887	\$ 86	1.8	\$ 4,973
FY02	\$ 4,608	\$ 266	5.8	\$ 4,873
FY03	\$ 4,534	\$ 317	7.0	\$ 4,851
FY04	\$ 4,517	\$ 259	5.7	\$ 4,776
FY05	\$ 4,558 (A)	\$ 430	9.4	\$ 4,988
FY06	\$ 5,028	\$ 397	7.9	\$ 5,425
FY07	\$ 5,320	\$ 393	7.3	\$ 5,713
FY08	<u>\$ 5,950</u>	<u>\$ 422</u>	<u>7.2</u>	<u>\$ 6,372</u>
Estimate FY09	<u>\$ 5,961</u>	<u>\$ 585 (B)</u>	<u>10.0</u>	<u>\$ 6,546</u>

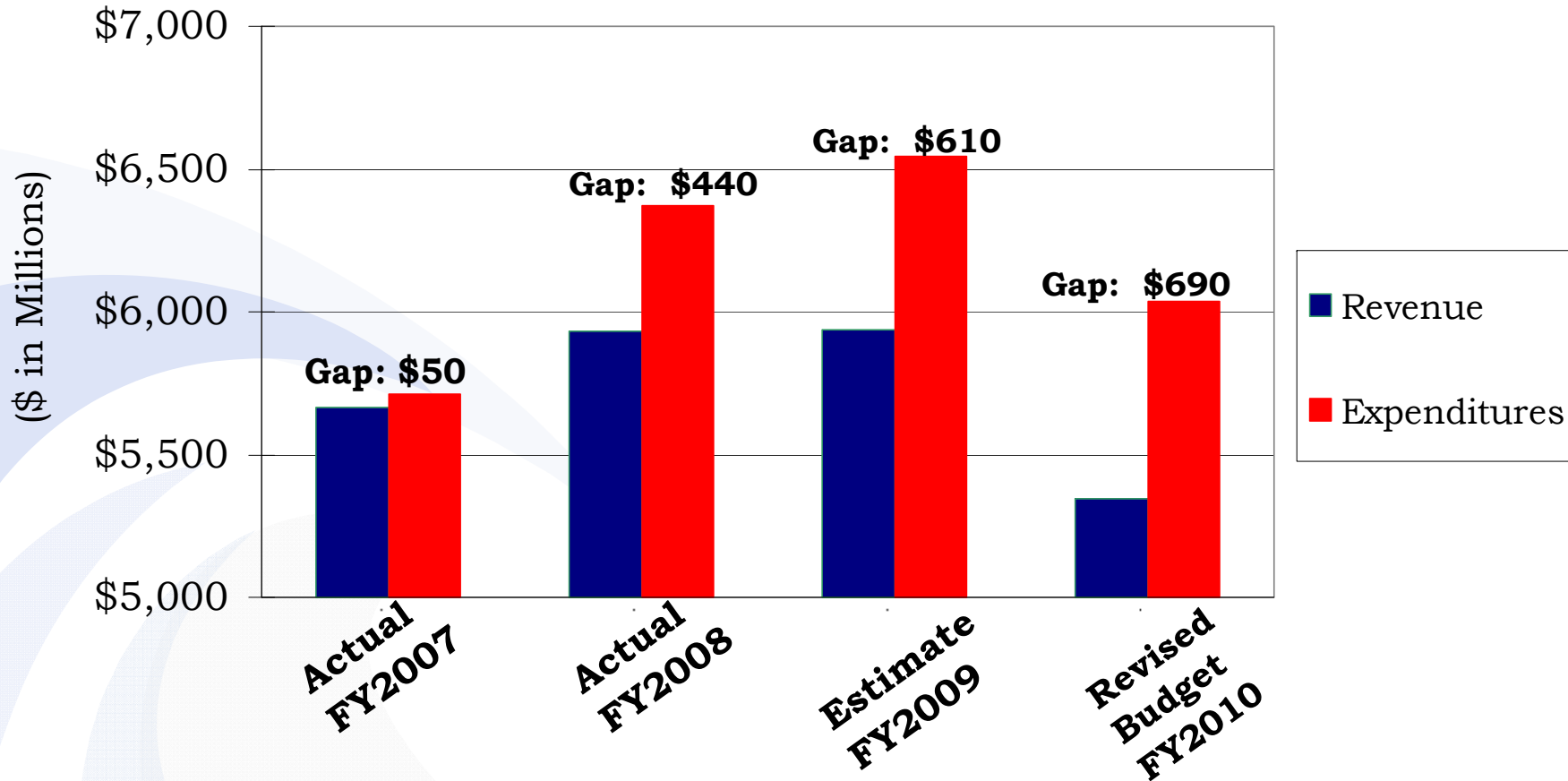
<p>(A) Excludes \$45.6 million Cash Reserve Fund repayment. (B) Includes \$150 million Federal stimulus monies.</p>

State of Iowa – General Fund Budget Historical Perspective— Unsustainable Spending Growth (\$ in Millions)

	Actual	Original Budget		2-year
	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	
Revenues	<u>\$5,723</u>	<u>\$5,990</u>	<u>\$6,282</u>	
Revenue growth		<u>\$267</u>	<u>\$292</u>	<u>\$559</u>
		<u>4.7%</u>	<u>4.9%</u>	<u>9.8%</u>
True total expenditures*	<u>\$5,713</u>	<u>\$6,291</u>	<u>\$6,589</u>	
Expenditure growth		<u>\$578</u>	<u>\$298</u>	<u>\$876</u>
		<u>10.1%</u>	<u>4.7%</u>	<u>15.3%</u>
2-year expenditure growth as % of revenue growth				<u>156.7%</u>

*Adjusted for all resources

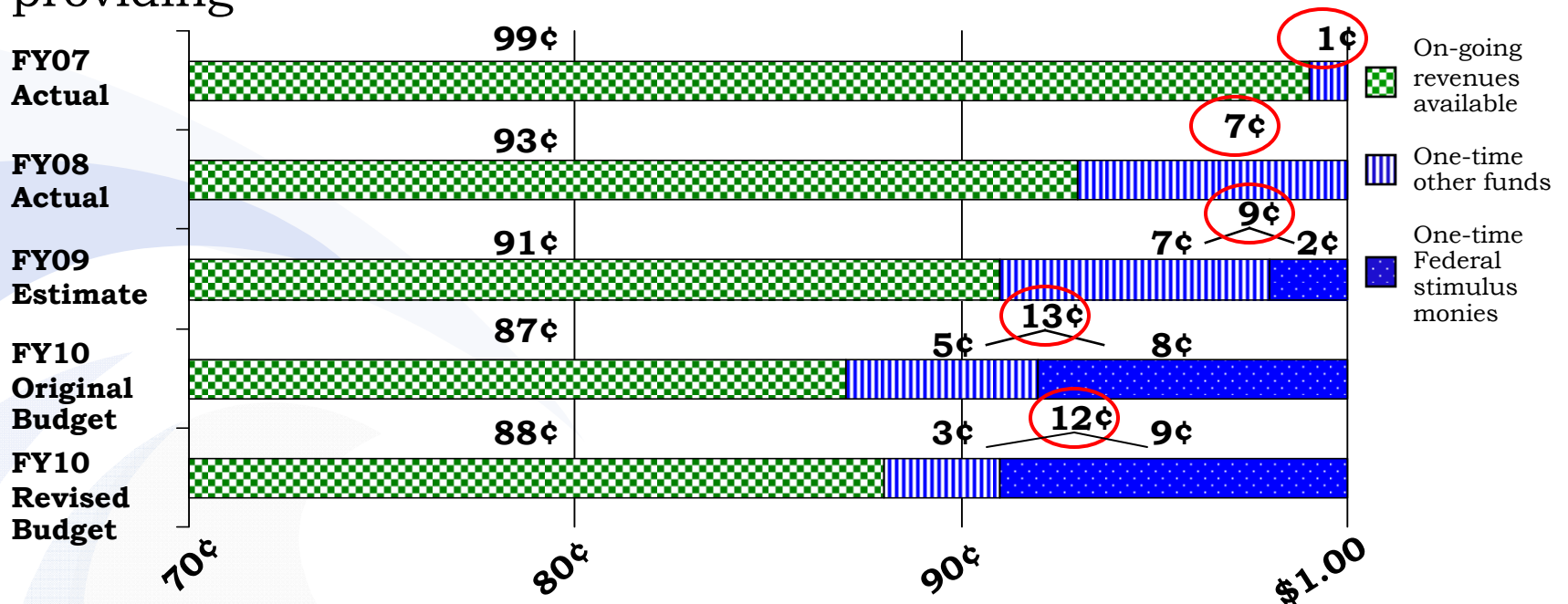
State of Iowa – General Fund Budget Historical Perspective— Spending Gap



Spending gaps have been bridged by shifting costs to other funds and special accounts (Senior Living Trust Fund, Tobacco settlement funds, etc.)

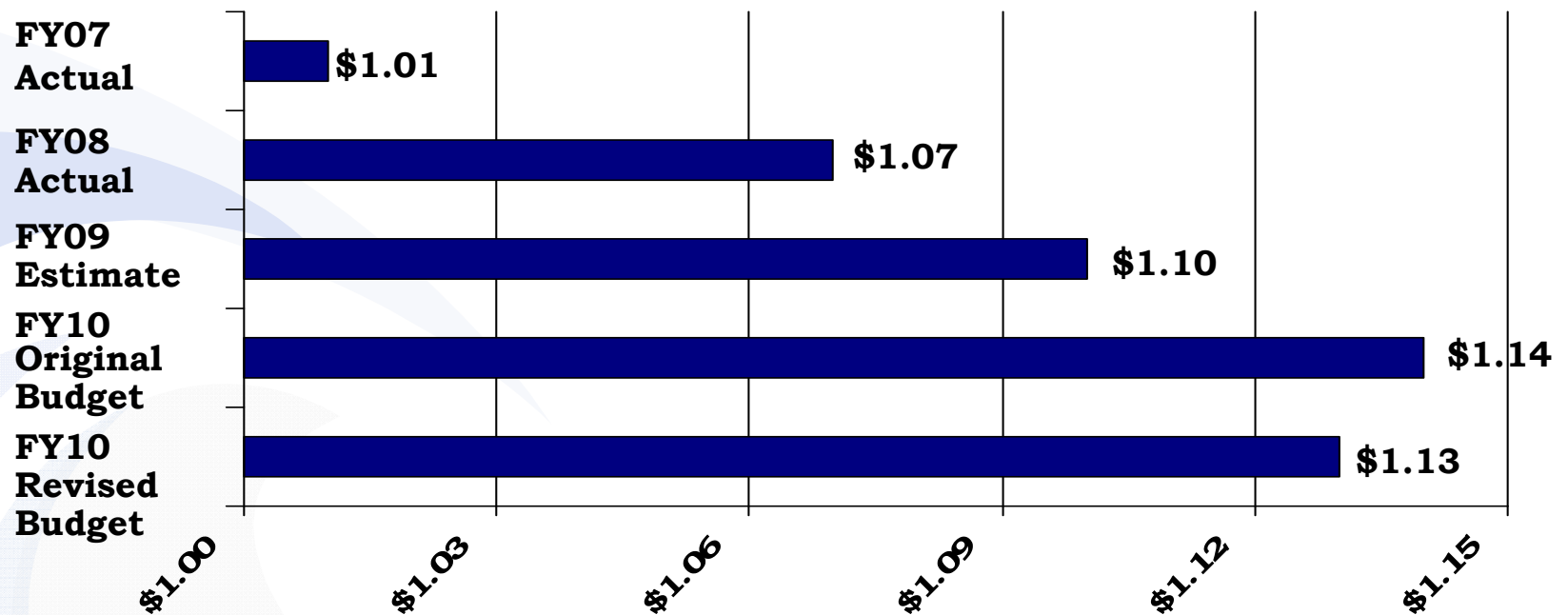
State of Iowa FY10 General Fund Budget On-going Spending Supported by One-time Monies

For every dollar of on-going spending, one-time monies are providing—



State of Iowa FY10 General Fund Budget On-going Revenues vs. On-going Spending

For every \$1.00 of on-going available revenues, we somehow think we can spend—

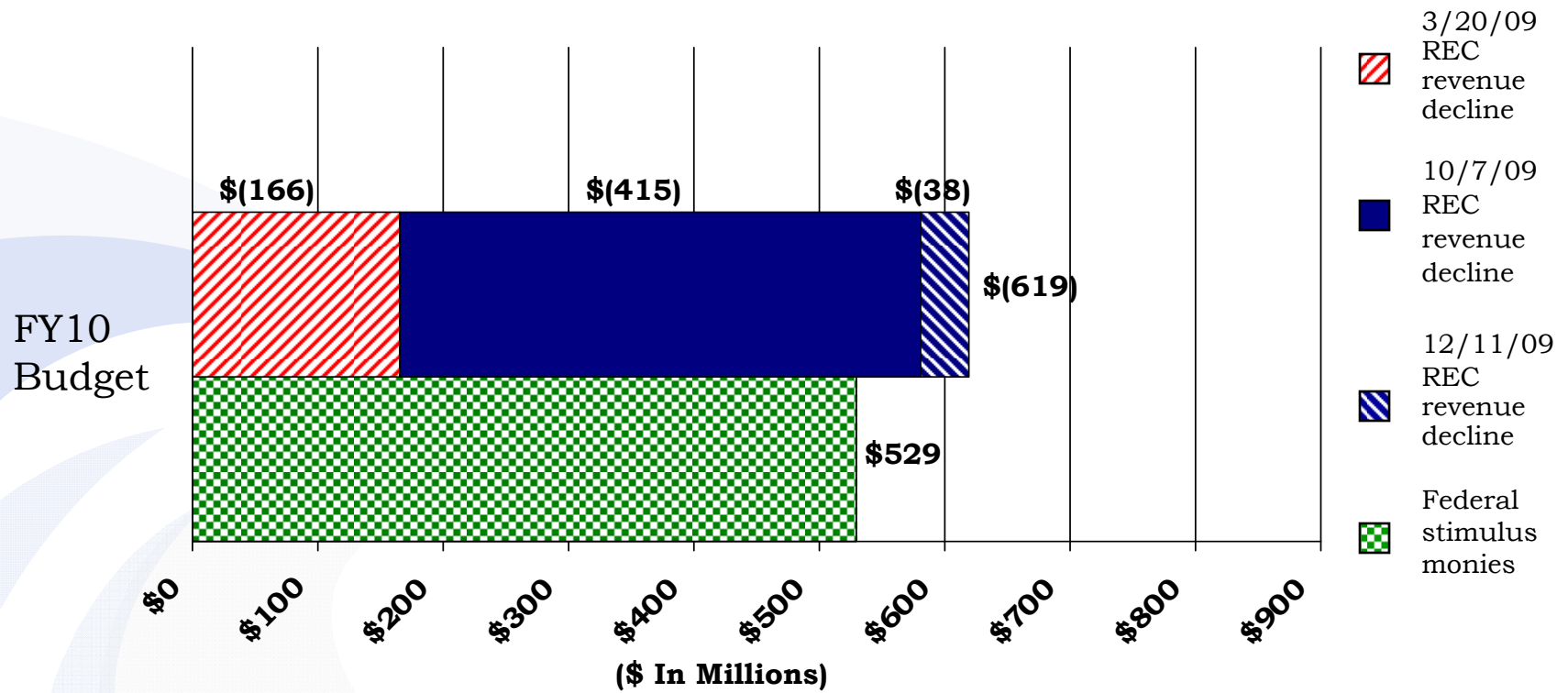


State of Iowa - General Fund Budget Wasn't This a Time to be Fiscally Conservative?

Here's what the experts were saying during the **2008** legislative session:

- If the current downturn follows the path of previous recessions, 35 to 40 states could face budget cuts in 2009. That's largely because of a lag before economic effects show up in states' revenues. (National Governors' Association, Executive Director Raymond Scheppach, March 2008)
- I'm beginning to think this (downturn) is going to be long and deep. (Center on Budget and Policy Priorities, Deputy Director Iris J. Lav, March 2008)

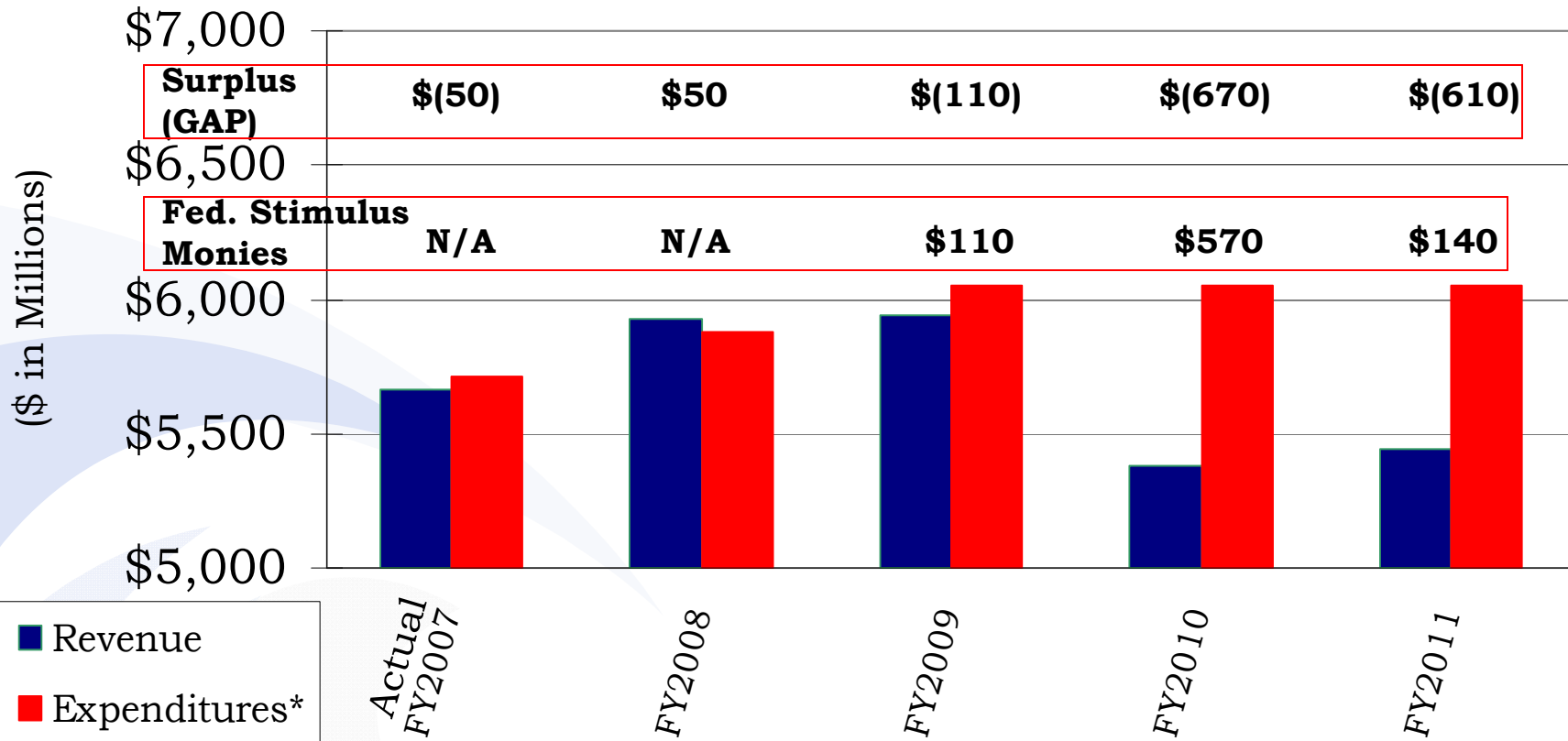
State of Iowa FY10 General Fund Budget REC Revenue Declines vs. Federal Stimulus Monies After Revised REC Estimates



Federal stimulus monies now offset 85¢ of every dollar of FY10 revenue decline – leaving only \$90 million of revenue decline not “replaced” by the Federal Government.

State of Iowa FY10 General Fund Budget

What Could Have Been—On-going Revenues vs. Spending



*On-going expenditures based upon FY2007 actual expenditures adjusted for inflation (3.3%--Actual 2007; 2.9%--Actual 2008; 0%--Assumed 2009-2010)

State of Iowa - General Fund Budget the FY2011 Outlook (\$ in Millions)

FY2011 <u>estimated</u> revenues		<u>\$ 5,403</u>
FY2011 <u>estimated</u> revenues available (A)		\$ 5,349
FY2010 true total expenditures <u>after</u> <u>10% across-the-board</u>	\$6,035	
FY2011 built-ins for education and Medicaid	<u>199</u>	<u>6,234</u>
FY2011 revenue shortfall— spending gap before revenue and other spending changes		<u>\$ (885)</u>
Spending gap as % of revenues available		<u>16.5%</u>

(A) Reflects 99% expenditure limitation

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YouTube.com – Key words “Iowa Auditor”
5-minute Iowa budget video