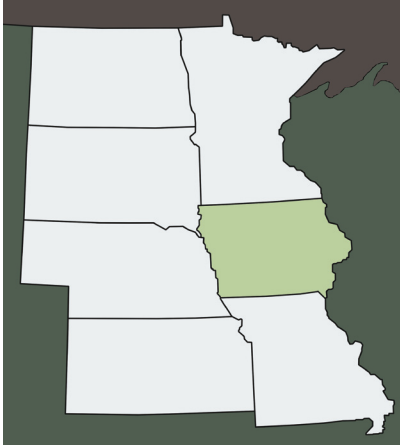


IOWA Budget Report Card



IOWA'S AVERAGE A GRADE for budget maneuvers in fiscal 2016 through 2018 reflected the state's general disdain for using one-time revenue measures to cover recurring expenditures and achieve balance. Iowa faltered in 2017, when a revenue shortfall led it to transfer \$25.1 million into the general fund from other funds—resulting in a B in the category for the year. The state did not repeat the move in 2018, however, and again earned an annual mark of A.

In contrast, Iowa scored a C average in the transparency category. The state failed to disclose deferred infrastructure replacement costs—along with forty-five other states in 2017 and 2018—and fell short in tax expenditure disclosures.

Although Iowa passed legislation in 2012 to increase the frequency of tax expenditure reports to every year from every five years, it has not produced one recently. It did provide information on the top twenty sales and use tax expenditures for fiscal 2017, however.

Iowa was one of only eight states to receive an A average in legacy costs, partly because it provides only minimal public worker postemployment benefits, such as health care.

The state, which has solid policies for maintaining and disbursing reserve funds, received a B average in that category. It missed getting an A because it does not tie the level of its rainy day fund to historical revenue volatility, a common shortcoming among states.


WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	D	A	B
Missouri	D	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D	B	D	A	C
South Dakota	B	B	A	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


IOWA Budget Report Card

BUDGET FORECASTING			
	2016	2017	2018
 CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS			
	2016	2017	2018
 CATEGORY GRADE	A	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	X	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2016	2017	2018
 CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	82%	82%	82%
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS			
	2016	2017	2018
 CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2016	2017	2018
 CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND —	

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* SOURCE Bloomberg; 2017 data also used for 2018.