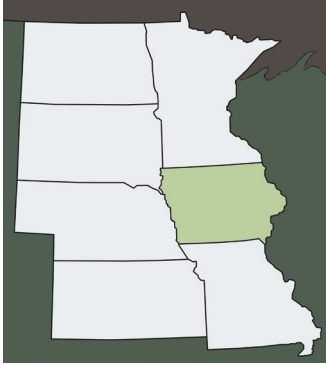# IOWA Budget Report Card

IOWA'S CONSERVATIVE BUDGETING practices helped it achieve top A average grades for fiscal 2015 through 2019 in budget maneuvers and legacy costs. In four of the five years studied, the state had an unblemished record in avoiding any of the one-time maneuvers—such as special fund transfers or deferring expenditures—that many states have used to achieve balance. Only in 2017 did Iowa slip slightly: When the state faced a projected gap between revenues and expenditures, it enacted $25.1 million in special fund transfers to the general fund as part of that year's budget.

In legacy costs, Iowa's annual contributions to its public worker pension were aligned consistently with actuarial recommendations; in 2019, its pension funding ratio was 85 percent, 14 percentage points above the total for all states. Iowa's minimal retiree health care offerings mean that its liability for other postemployment benefits (OPEB), primarily health care, was too small to factor into its grade in the category.

Iowa's C average in transparency reflected a failure to report on tax expenditures annually or biennially—something forty-two other states do. The most recent tax expenditure report was dated 2015. Its C in budget forecasting stemmed from its short horizon for revenue forecasts, which cover only two years. Thirty-two states have projections that look ahead for three years or more. Iowa budget documents also lack explanations to support projections of revenue growth.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	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: Preparing for the Storm* at VolckerAlliance.org.

IOWA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	X	X	X	X	X	●	●	●	●	●
Revenue Growth Projections	X	X	X	X	X					
5-YEAR AVERAGE C										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	●
Revenue and Cost Shifting	✓	✓	X	✓	✓			●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	85%	82%	82%	84%	85%					
5-YEAR AVERAGE A										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	B	B	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	X	X					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X	●	●	●	●	●
Discloses Tax Expenditures	X	X	X	X	X					
5-YEAR AVERAGE C										

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.