Senate Democrats’ Budget Targets Bring Back Memories of Governor Culver, Raise Questions

On Tuesday morning, Senate Democrats released their FY 2017 budget targets. This step kicks off the next phase in 2016 legislative session, as budget work now moves to center stage. But the Senate Democrats’ description of their budget targets was virtually devoid of any details. And what information they did reveal shows an uglier reality – a return to Chet Culver-budgeting practices that make promises to Iowans that aren’t fulfilled.

Senate Democrats’ targets would authorize the budget subcommittees to move forward with appropriations bill that spend $7,408,965,514 in the upcoming fiscal year. This amount would be $2.1 million below the spending level proposed in Governor Branstad’s budget. The Senate majority claims their budget proposal spends $4.7 million less than the state’s expenditure limitation law. But it is impossible to tell if this is correct or not, because Senate Democrats did not release a copy of their balance sheet showing what they expect for state revenue in FY 2017. Also, they did not release any calculation showing how they determined they were below the expenditure limitation.

Senate Democrats will claim that their real number for spending is actually $7.3983 billion, as they are proposing to implement an early retirement incentive program starting in October 2016. According to their spreadsheet, the state would save $10.6 million from doing this for the last 9 months of the fiscal year. But that’s all they released about this idea yesterday. Last year, they had a similar proposal except the “savings” within departmental budgets due to the so-called early retirement plan in FY 2016 would have been offset by a supplemental appropriation in FY 2015 which the agencies would have been allowed to carry-forward into FY 2016. The net result, no savings to the state taxpayers but a big payout to Senate Democrats’ top supporters - AFSCME.

Within the global number, there are some differences between the Senate Democrats and the Governor’s proposal. The Senate’s proposal for the Administration & Regulation budget is $679,331 less than the Governor’s number. Economic Development would receive $56,000 more than what the Governor proposed. The Justice Systems budget subcommittee, which oversees the Judicial Branch and Justice Systems budget bills, would receive $2 million less than the Governor’s proposal.

The education funding picture under the Senate Democrats’ budget is a bit murky. For the Education budget subcommittee, the Senate proposes a spending level $9.5 million above the Governor’s level. In their statement about the budget targets, Senate Democrats stated they believed their funding level provides a path for the Board of Regents to freeze tuition during the next school year. But the Board has said they needed almost $20 million to keep tuition at the current levels. This would leave no additional funding for community colleges or the Iowa Tuition Grant, which both received under the Governor’s budget. Also, there is no mention of the new K-12 education initiatives that many Senate Democrats have spent a substantial amount of time attacking the Governor for not funding, like remedial reading efforts.

State funding for K-12 education is contained within the Standing appropriations. Senate Democrats announced that they would be providing schools an additional 4 percent in supplemental state aid. This would be $65.8 million more than the Governor’s
proposed increase of 2.45 percent. But the Senate Democrats’ budget target for standing appropriations is only $2.95 million more than the Governor’s budget. So where does the missing $62.9 million for schools come from?

There aren’t many options for Senate Democrats to come up with an amount of that size. Either they are intentionally underfunding the property tax credits, thus forcing local governments to raise property taxes on Iowans. Or they would be authorizing a four percent increase in school funding, but only fund part of that amount. Under this scenario, the difference is passed onto local property taxpayers to provide the difference. Either way, Iowans should grab their wallets because Senate Democrats are trying to take more of their money through property taxes.

Maybe the biggest mystery in the Senate budget targets is Medicaid. Senate Democrats told the press that their Health and Human Services target increased funding for Medicaid, but they were not assuming any savings from the implementation of the Medicaid modernization plan. A comparison of the health and human services spending levels proposed by the Governor and the Senate shows the Governor spending $13 million more than the Senate. But that’s just the beginning of the mystery.

The Governor’s budget includes the $121.8 million in savings to the General Fund that would come about from its implementation. Senate Democrats said they were not assuming implementation of Medicaid modernization. That would mean they would be spending an additional $121.8 million in FY 2017 on Medicaid. But that money is nowhere in their budget proposal. Those costs somehow disappear from the ledger into thin air, just like Andy DuFresne and Warden Norton’s money vanished from Shawshank prison. Unfortunately for Iowa taxpayers, those costs don’t flee to Mexico. They either have to be paid by the state or health care provider reimbursement rates would have to be reduced by at least 3 percent.

Another unanswered question from the Senate Democrats’ budget targets is what happens with coupling Iowa’s tax code with the federal tax extenders package signed by President Obama. Since the Senate Democrats did not release a balance sheet, there is no way to tell if they are planning on supporting the House Republican coupling plan, choosing to adopt the Governor’s proposal, or simply just stiffing the taxpayers by doing nothing.

Without a balance sheet, more information on tax coupling and Medicaid savings, all Iowans are left with are questions for Senate Democrats as they try to understand their budget plan.