

# **Governor Branstad Unveils His Budget Proposal**

The 2015 legislative session is underway! We began Monday with the swearing-in ceremony when we take the oath of office to support the Constitutions of the United States and of the state of Iowa and to promise to the best of our ability to discharge the duties of the office, while asking for God's help, "so help me God". A very sobering moment as we prepare to do business on behalf of the people of Iowa. Tuesday the Governor delivered his Condition of the State address and Wednesday Chief Justice Cady of the Iowa Supreme Court delivered his Condition of the Judiciary address. We had a full chamber with the senators and many family and friends looking on.

## **Budget Overview**

Governor Branstad released his budget the same day he addressed the chamber and here are its highlights:

The governor's budget spends \$7.3410 billion in FY 2016, an increase of \$346.7 million over FY 2015 or 4.95 percent. Branstad's FY 2016 proposal spends more money than the Revenue Estimating Conference's December ongoing revenue estimate of \$7.1946 billion. The gap between ongoing revenue and the Governor's budget is approximately \$146.4 million.

For FY 2017, the Governor is proposing a General Fund budget of \$7.5252 billion. This would be an increase of \$184.2 million or 2.50 percent.

Each of the past four years, the budget passed by the Legislature has spent less than what the Governor proposed. The FY 2016 budget will continue this trend.

90 percent of Iowa's budget goes to three areas - School aid (\$2.9 billion), wages and benefits for state employees (\$2.1 billion), and Medicaid (\$1.6 billion).

Over the past decade, state revenue has grown by 4.1 percent annually, state spending on K-12 education grew by 4.2 percent, and Medicaid grew by 11.7 percent.

55 percent of the Governor's FY 2016 budget proposal is targeted to education.

The House is looking forward to working with Governor Branstad and the Senate to put together a budget that keeps Iowa in a strong financial position.

## **School Funding**

State Aid to Schools over the last four years (FY 11-15) has increased \$402.3 million or 16.28%. If Education Reform dollars are included that number jumps to \$452.2 million or 18.30%. If the Governor's plan for FY 16 is included that number jumps to \$537.1 or 21.74%.

That is a tremendous investment in our K-12 schools over the last 4-5 years especially considering statewide enrollment has been relatively flat.

In FY 2016, according to the Governor, Iowa spends about \$10,900 per K-12 student every year. That means in a class of 20, the taxpayers are spending almost \$220,000 per classroom.

The state's share of education funding is at its highest level in the last 30 years.

Governor Branstad's proposal increases Supplemental State Aid by \$50 million and provides the second installment of \$50 million for the teacher leadership component of the 2013 Education reform law. AEA funding is once again being reduced by \$15 million. This increase of \$84.8 million raises State school aid funding to \$3.0086 billion. Implementation of this figure for FY 2016 means schools received an additional **\$537.1 million** from the General Fund since FY 2011, a **21.74% increase** over five years.

Governor Branstad also proposed giving Iowa's three state universities a 1.75% increase (\$8.768 million) in their general aid funding to maintain the tuition freeze for in-state students getting their bachelor degrees. In recent weeks, the Board of Regents revised their position by stating that this

funding is necessary for them to extend the freeze for a third year. The Governor also provides \$4 million to begin implementation of the Board of Regents' performance-based funding formula. This amount is below the \$13 million requested by the Regents for the University of Iowa.

For community colleges, the Governor increases community college general aid funding by 1.75 percent or \$3.522 million. For Iowa's private colleges, the Governor increases funding for the Tuition Grant program by \$4 million. This is an 8.26% increase over the FY 2015 level. The tuition grant for students at for-profit colleges are increased by \$200,000 or 10.1 percent.

## **Medicaid and Health Care Funding**

To address the continual growth in Medicaid, the Governor is proposing major reforms. He expands the use of managed care in Medicaid and other cost containment initiatives, lowering state expenditures by \$70.2 million in FY 2016. The Governor funds the rebasing of Medicaid rates for hospitals, nursing homes, and home health agencies. The Governor is not recommending a supplemental appropriation for Medicaid in FY 2015.

Medicaid is the second biggest program in state government, and without major reform it will continue take funding away from other priorities like schools.

The Governor is proposing to end the mental health equalization payments to counties, which amounted to \$30.6 million in FY 2015.

Another major proposal of the Governor is to phase out services at the Clarinda and Mount Pleasant mental health institutes. The potential elimination of mental health and substance abuse treatment beds at these two beds is raising questions about the ability of those in the rural parts of southern Iowa to access acute levels of care, while also putting additional pressure on the remaining two MHI's (Cherokee and Independence) and other facilities.

## **Conclusion**

The Governor's budget proposal is a good first step in the appropriations process, and we are once again committed to conducting a line-by-line review to ensure that taxpayers' dollars are wisely spent.

We are committed to passing a stable and sustainable budget that does not spend more than the state's on-going revenue, does not use one-time funds to pay for ongoing expenses, does not underfund intentionally entitlements to balance the books, and returns unused tax dollars to Iowa taxpayers.

Feel free to contact me with ideas, thoughts, and concerns. My phone is 319-987-3021 or you can email me at [sandy.salmon@legis.iowa.gov](mailto:sandy.salmon@legis.iowa.gov) . I want to hear what you are thinking and will listen to your input. Together we will work to make a difference for the future of Iowa. Thank you very much for the honor of representing you!

Sincerely,

***Sandy***