2017 Legislative Session Begins!

I hope all of you enjoyed a very Merry Christmas and are looking forward to a Happy New Year in 2017! Today January 9\textsuperscript{th} the 2017 legislative session begins!

I am looking forward to seeing you at my town hall meetings, which, all except for Waverly’s, will be held on Saturday mornings. Those meetings are set as follows:

Saturday Jan.21st in Waverly at the city library from 1 to 2 p.m.
Saturday Jan. 28\textsuperscript{th} in Sumner at the city library from 9 to 10 a.m.
Saturday Jan. 28\textsuperscript{th} in Readlyn at the city library from 11 to Noon.
Saturday Feb. 4\textsuperscript{th} in Denver at the community room from 9 to 10 a.m.
Saturday Feb. 4\textsuperscript{th} in Dunkerton at the city library from 11 to Noon.
Saturday Feb. 11\textsuperscript{th} in Plainfield at the community room from 9 to 10 a.m.
Saturday Feb. 11\textsuperscript{th} in Frederika at the community room from 11 to Noon.
Saturday Feb. 18\textsuperscript{th} in Janesville at city hall from 9 to 10 a.m.
Saturday Feb. 18\textsuperscript{th} in Tripoli at the city library from 11 to Noon.

State Budget Picture

The Revenue Estimating Conference (REC) met in December and the three members agreed to significantly lower their projection for the current fiscal year (FY 17) and to again lower their forecast for Fiscal Year 2018.

The REC lowered their estimate for FY 2017 (current fiscal year) to $7.2119 billion. With the new figure, the revenue shortfall is projected to be $110.8 million. LSA is also projecting that Medicaid may need an FY 2017 supplemental appropriation of $22 million, which would add to the overall amount. This means that one of the first things the legislature must do when we meet is to de-appropriate from this current fiscal year’s (FY 17) budget in order to make sure it is balanced. We will be looking for programs that are not as effective for the dollars spent or for areas of duplication and inefficiency so that we can make the most of the taxpayer’s dollar.
All three members of the REC said state revenue continues to show signs of growth, but this growth is muted. They said the lowered estimate was due to the fact that the agriculture sector and related manufacturing industries are still feeling the impact of lower commodity prices. This was compounded by the strength of the dollar. The group believes ag-related income collections are bottoming out in tax year 2016.

The impact of the election and the change in policies expected to occur also are adding to the uncertainty. While tax reform and review of regulatory matters will happen in the new administration, the timing and form of the changes have yet to be seen and make it difficult for economists and others to project how they will impact the economy. The REC did find Iowa’s employment numbers to be a positive. Iowa and the nation continue to experience increasing employment and some wage growth, but these positive factors have not shown up in state revenue figures.

As for next fiscal year, FY 2018, which will be the budget the legislature will put together this coming session, all three members of the REC were significantly more confident when compared to FY 2017. It is believed that many businesses are taking losses in tax year 2016, which should help corporate tax collections. Also, any improvement in agricultural income has a substantial impact on state revenue. The continued wage pressure due to a shortage of qualified workers to fill many of the open jobs in the state should also drive up income tax collections.

The REC agreed to a revenue estimate of $7.5563 billion for FY 2018. This is the amount the legislature is required by law to use to build the state’s budget. While it is higher than FY 17’s, this amount is significantly lower that their previous estimates for FY 18.

From that estimate, the non-partisan Legislative Services Agency (LSA) has calculated that the expenditure limitation for Fiscal Year 2018 would be $7.4807 billion. This is the limit the legislature can spend set by law. This figure is $268.8 million above the new revenue level for FY 2017, or an increase of 4.2 percent in collections.

The REC’s forecast of additional revenue for next year may lead some in the Capitol to call for additional spending in FY 2018. They need to remember that FY 2017 will be the fourth straight year that actual state revenue did not meet the official Revenue Estimating Conference forecast, and there is
no guarantee that FY 2018 will break that streak. In addition LSA has provided the legislature with a number of built-in adjustments and anticipated changes that will eat into that new funding. We will have to be careful with the funding commitments we make so that our budget remains stable, sustainable and predictable while at the same time funding our priority areas of education, Medicaid and public safety.

At the end of the day we must make sure we spend less than the state takes in, do not use one-time money to fund ongoing needs, and do not balance the budget by intentionally underfunding programs.

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 . 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