The Iowa Budget Then and Now

June 2025

Common Sense Institute (CSI) ***is a non-profit free-enterprise think tank dedicated to the protection and promotion of Iowa's economy.***

We believe sound fiscal and economic research is essential to uphold Iowa's economic vitality, future, and individual opportunity.

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Key Findings

- **FY26 will mark the first deficit since FY16 and the largest since at least FY00.** This year's expected $917 million shortfall will reduce total state surpluses and reserve funds from about $7 billion in FY2025 to just over $6.1 billion in FY2026. Rather than indicating risk to the state's fiscal situation, the shortfall reflects a decade of fiscal restraint by state budgeters, which allowed policymakers to return surpluses to Iowans via recent tax cuts.

- **In FY26, Iowa's total appropriations budget amounted to $11.06 billion.** The General Fund composed 85.2% of total appropriations, at $9.42 billion. Other remaining funds amounted to $1.63 billion. Together this is a $581 million, or 5.6%, increase from FY25.

- **State spending has outpaced inflation and population growth since 2000.** Inflation-adjusted appropriations per Iowan has increased 15.9% from $2,920 in FY00 to $3,386 in FY26. Over the last fiscal year, per Iowan appropriations grew 3.5% from $3,272 in FY25.

- **Health and Human Services accounted for over half, 53%, of new general fund appropriations in FY26.** This is a stark increase from FY25, of which the category only received 25% of new appropriations. In FY25 and FY26, Education received 66% and 44% of new appropriations, respectively. This will be the first fiscal year since FY22 HHS received more new funding than Education.

- **Education and Health Services will compose 77.4% of all general fund appropriations in FY26.** This is up from 76.3% (+1.1%) in FY25, 69% (+8.4%) in FY10, and 56.1% (+21.3%) in FY00.

Methodology

The findings of this report are generated using data from the Iowa Department of Management and annual appropriations reports compiled by Iowa's Legislative Services Agency. These reports draw from the state's budget packages, which are drafted by the Governor's office then revised and approved during each year's legislative session. They include appropriations to each of the state government's departments from all funds including the General Fund, Cash Funds, Federal Funds, and other miscellaneous Funds. This report categorizes various government agencies into general subject areas to give readers a broad view of the state's budget priorities.

General Funds: General purpose revenue is deposited into the General Fund and used for the state's core programs such as education, health care, human services, corrections, and general government (*e.g.,* the legislature and Governor's office). General Fund revenue is typically sourced through various taxes and fees.

Appropriated Funds are funds subject to legislative appropriation. The general fund is the largest appropriated fund, however the legislature also appropriates money from various other funds for specific purposes such as transportation and the environment.

Federal Funds are moneys received from the federal government to support specific purposes and programs. Though the state spends this money, Congress rather than the state legislature appropriates the funds; the state legislature has little or no control over them. However, Congress delegates authority to the legislature to allocate some federal funds, particularly federal grant dollars, at legislators' discretion in the annual state budget. This report does not address these funds due to data limitations at the time of release.

The **Cash Reserve Fund** and **Economic Emergency Fund** are special-purpose funds funded from general fund surpluses. The cash fund acts similarly to a rainy-day fund, providing financial assistance in times of revenue shortfall or budgetary pressures. The emergency fund addresses more extreme financial crises, such as natural disasters, economic recessions, etc. State statute allows the legislature to allocate only 7.5% of the total surplus to the state's cash fund and 2.5% to its emergency funds.

The **Taxpayer Relief Fund** exists to offset revenue losses from tax cuts if necessary to prevent state budget shortfalls. See CSI's June 2024 report, *Iowa's 2024 Income Tax Cuts*, for more.

Departments by Spending Category in this Report

Administration and Regulation

Auditor of State
Iowa Ethics & Campaign Disclosure Board
Department of Commerce
Department of Human Rights
Department of Management
Public Information Board
Secretary of State
Treasurer of State
Department of Revenue
Department of General Services
Oversight and Communication
Information Technology
Governor/Lt. Governor's Office
Governor's Office of Drug Control Policy
Executive Council
Rebuild Iowa Office
Energy Independence

Transportation

Department of Transportation

Legislative Department

Legislature

Health and Human Services

Department of Aging
Department of Public Health
Department of Human Services

Veteran Affairs

Department of Veteran Affairs
Iowa Veterans Home

Justice System

Attorney General
Civil Rights Commission
Department of Inspections and Appeals
Judicial Branch
Law Enforcement Academy
Department of Public Defense
Department of Public Safety
Homeland Security and Emergency Management

Corrections

Department of Corrections
Board of Parole

Agriculture and Natural Resources

Agriculture and Land Stewardship
Department of Natural Resources

Economic Development

Department of Cultural Affairs
Economic Development
Iowa Finance Authority
Public Employment Relations Board
Iowa Workforce Development
Department of Personnel
IPERS Administration
State Fair Authority Capital

Education

Department of Education
Department for the Blind
Iowa Vocational Rehabilitation Services
Iowa Public Television

Higher Education

Board of Regents
College Student Aid Commission

State Government Appropriations
Flow of Tax Revenue from the Taxable Source to Categories

Tax Revenue Collection

- Income Taxes
- Sales/Use Taxes
- Corporate Taxes
- Fees
- Federal Receipts

State Funds Available for Appropriations

- General Fund
- Appropriated Non-general Funds
- Non-appropriated Federal Funds

Spending Categories

- Administration and Regulation
- Agriculture and Natural Resources
- Economic Development
- K-12 Education
- Higher Education
- Health and Human Services
- Veteran Affairs
- Justice System
- Corrections
- Transportation
- Legislative Department

The image above illustrates the flow of state appropriations from tax revenue sources to the state departments that the legislature authorizes to spend state revenue. General Fund expenditures are limited to 99% of the adjusted appropriable revenue estimate determined by the Revenue Estimating Conference.

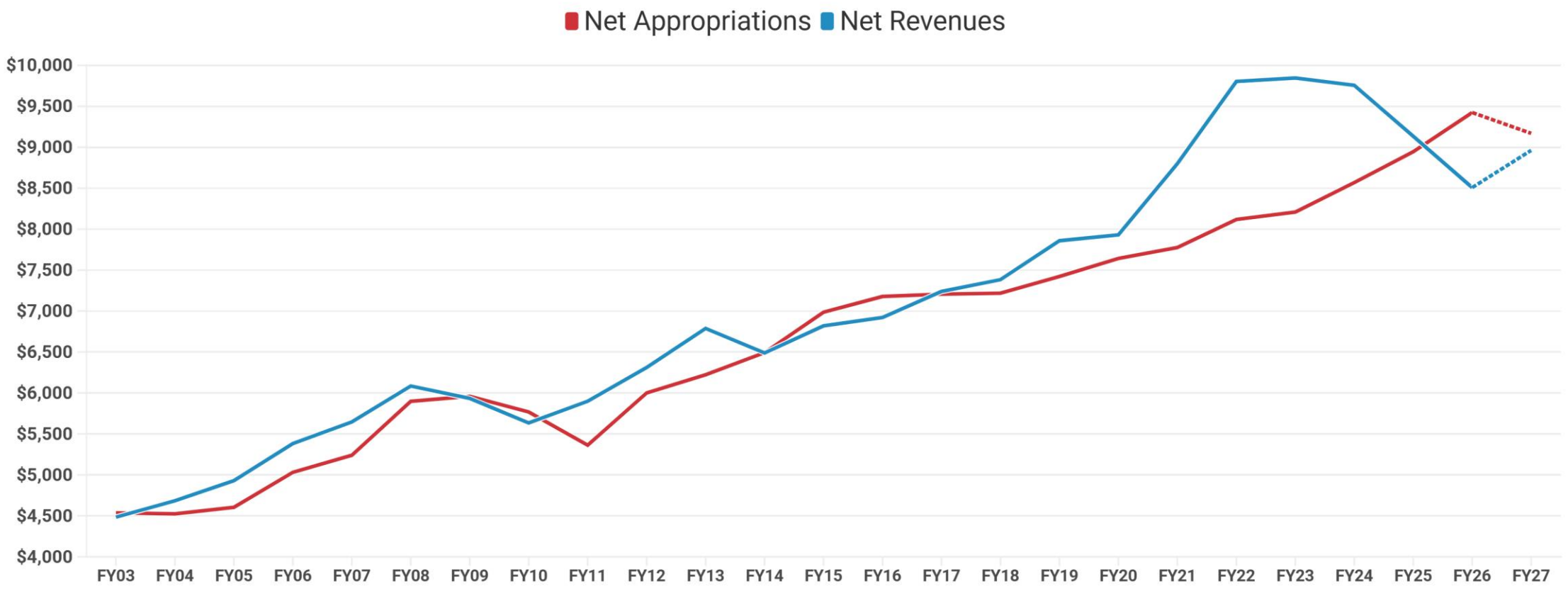
Annual Appropriations
How Much Money Does the Iowa State Government Appropriate?

Fiscal Year 2026 Appropriations
$11,057,717,237

Sum of General Fund Appropriations	$9,424,305,862
Sum of Non-General Fund Appropriations	$1,633,411,375
Spending Subject to Annual Legislative Appropriation	$11,057,717,237

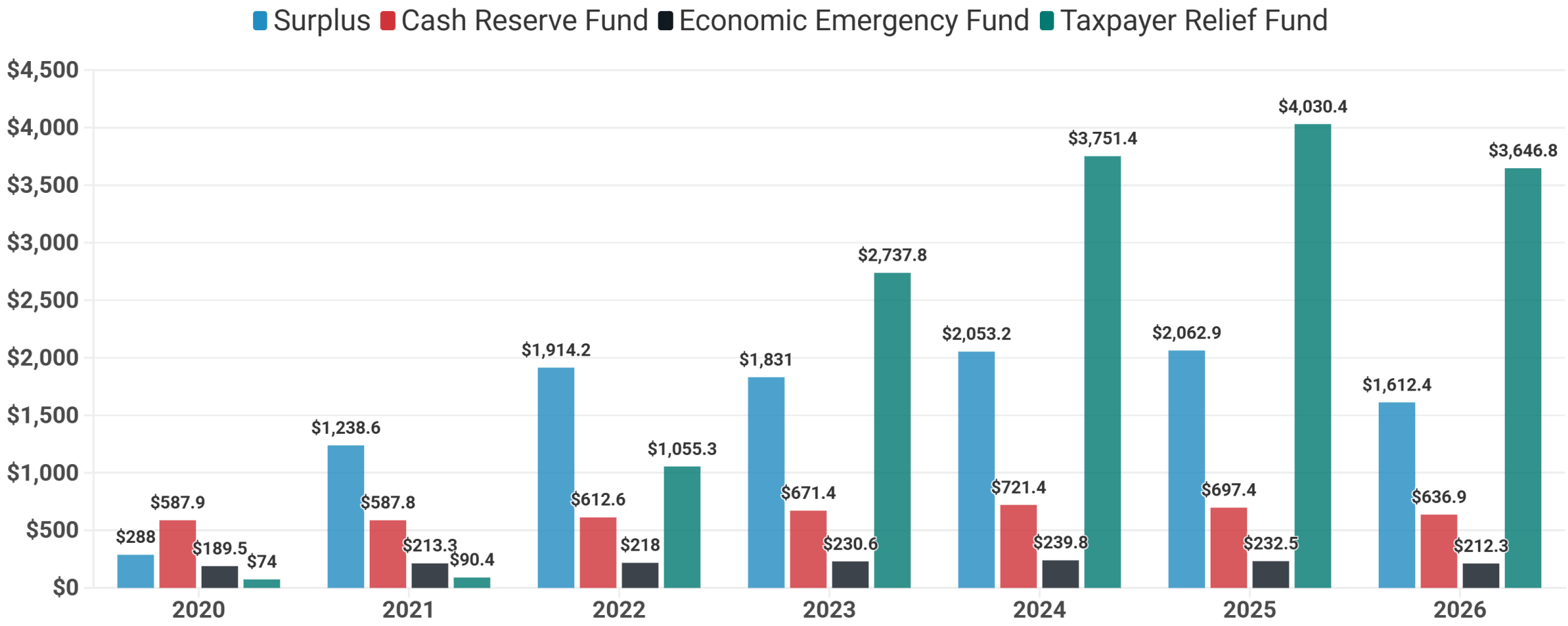
Each year, the state legislature approves and the governor signs a budget that allocates state revenue to government departments. The current budget cycle, fiscal year 2026, runs from July 1, 2025, through June 30, 2026. This year's general fund budget approximated $9.4 billion. Additional legislative appropriations amount to approximately $1.6 billion. In total, the legislature appropriated about $11.1 billion for FY26.

Iowa Net Revenues and Appropriations FY03 to FY26 (millions)



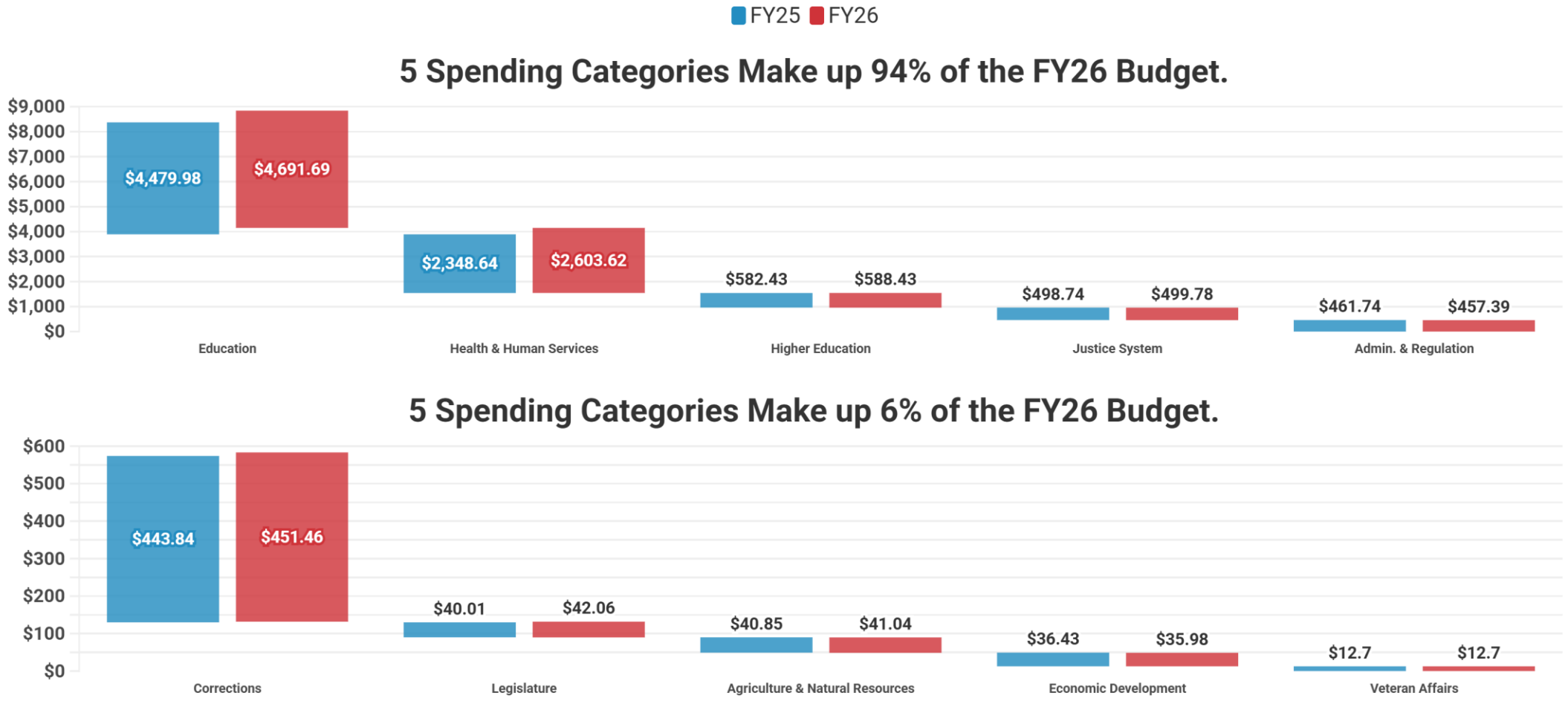
Net general fund revenues exceeded appropriations starting for nine consecutive fiscal years from FY17 through FY25. This allowed the state to build ongoing surpluses and reserve funds. These surpluses have allowed the state to reduce income taxes while maintaining annual growth in the state budget. After revenue estimating revisions, Iowa's budget surplus is estimated to amount to $189 million for FY25. Revenues are expected to fall to $8.5 billion in 2026, causing an estimated deficit of -$916 million for FY26. Legislators aim to fill this deficit gap by tapping into excess surplus funds kept in the Taxpayer Relief Fund (TRF) and other funds. The REC estimates $8.9 billion in revenue in FY27, an increase of 5.3% from FY26. This could amount to a -$207 million deficit assuming the 24-year general fund trend.

Cash Reserve, Emergency, TRF, and Surplus Funds Since 2020 (millions)



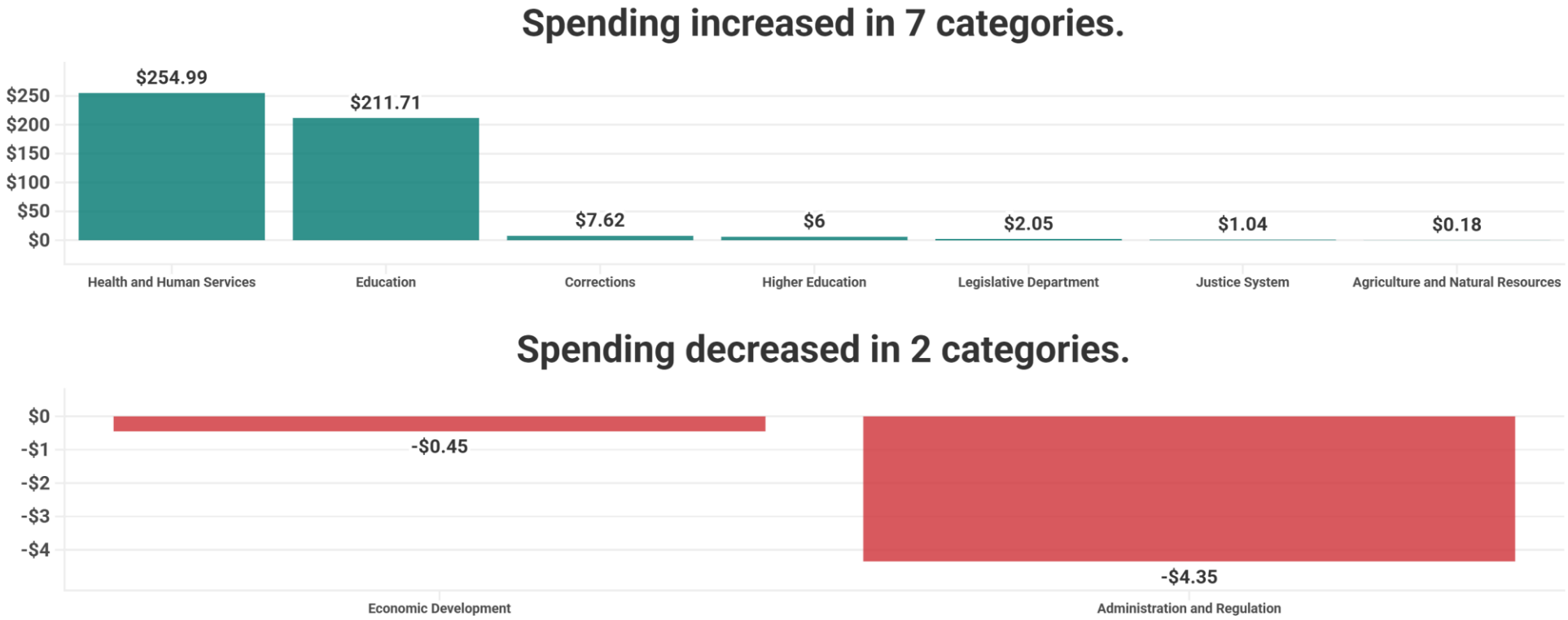
Iowa experienced a $1.8 billion, or 616.4%, increase in its surplus funds from 2020 to its peak in 2025. The state has maintained an ongoing surplus exceeding $1 billion since 2020 despite multiple rounds of tax cuts, even reaching over $2 billion in 2024 and 2025. According to LSA estimates, the surplus funds will decline by $450.5 million, or 21.8%, in 2026 to make up the expected $916 deficit. The three other major funds, will also see slight declines. The CRF is expected to decline by $60.5 million (-8.7%), the EERF by $20.2 million (-8.7%), and the TRF by $383.6 million (-9.5%). Together these four reductions will offset the deficit.

General Fund Appropriation by Spending Category: FY25 and FY26 (millions)



From FY25 to FY26, the General Fund's operating total grew by $478 million from $8.9 billion to $9.4 billion, or 5.4%. This is up from $376 million (+4.4%) from FY24 to FY25. In FY26, the five largest budget categories, as identified by CSI, accounted for 93.8% of General Fund appropriations. This share is up from 91.5% in FY00 and 93.6% in FY25, reflecting a continued decline in the proportion allocated to smaller departments.

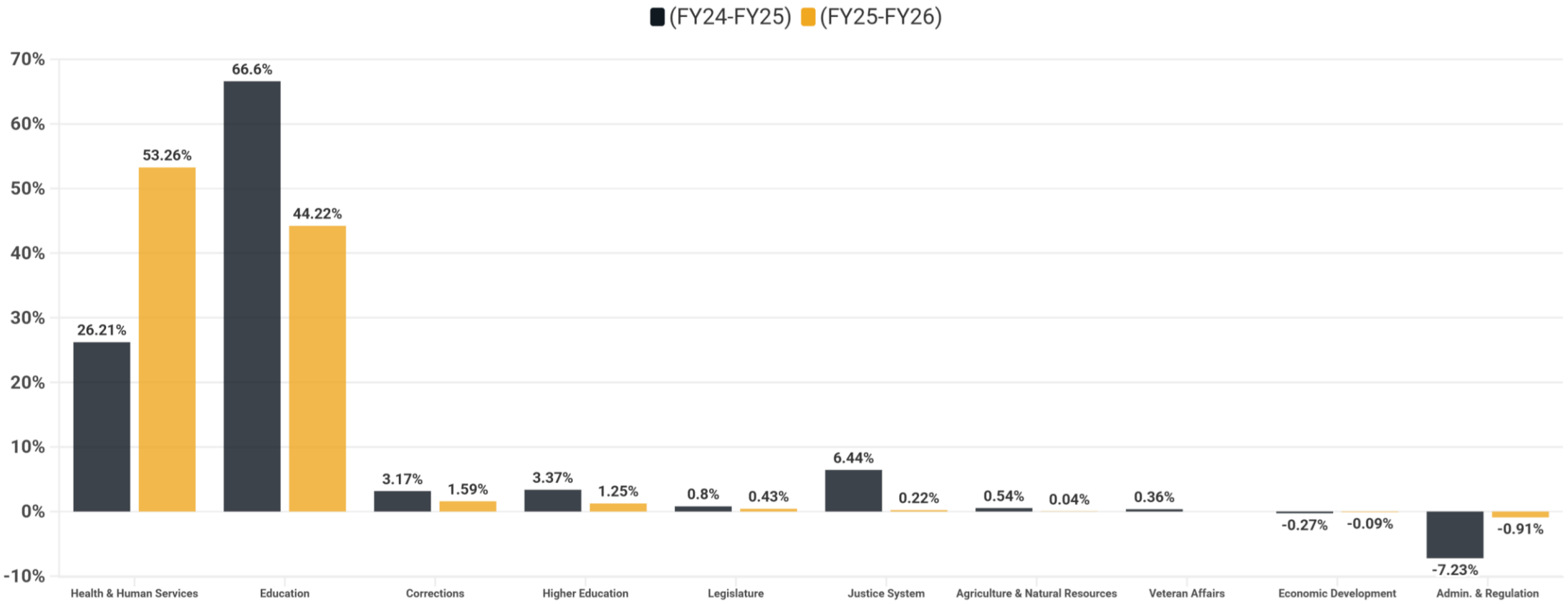
Change in General Fund Appropriations by Spending Category: FY25 to FY26 (millions)



Education and Health & Human Service saw the largest nominal year-over-year increases of $212 and $255 million, or 4.7% and 10.9%, respectively. Health and Human Services saw a $210 million increase in FY26 to fund preexisting Medicaid obligations. Two major departments had a decline in appropriations, totaling $4.8 million. The remaining seven departments had an increase in appropriations, totaling $483.6 million.

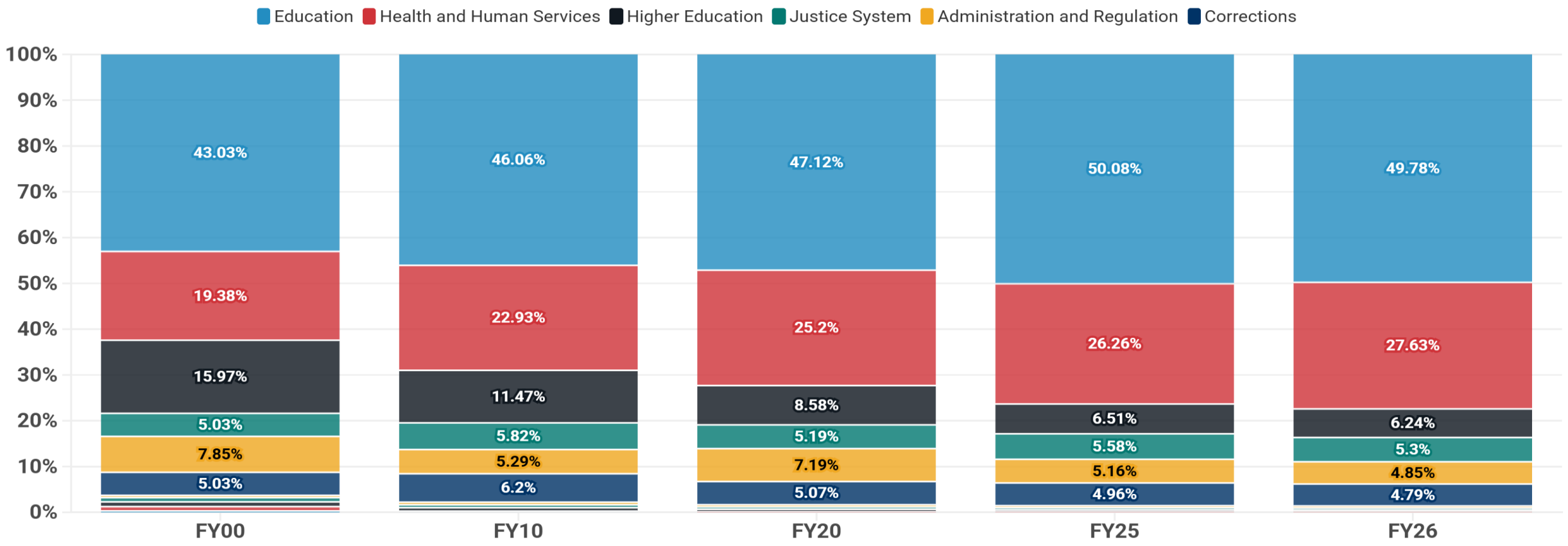
Which Departments Contributed Most to General Fund Budget Growth in FY26?

The values represent each category's percent share of the increase in General Fund appropriations from FY24 to FY25 and from FY25 to FY26. A positive value indicates the share increased over this period and a negative value indicates a declining share.



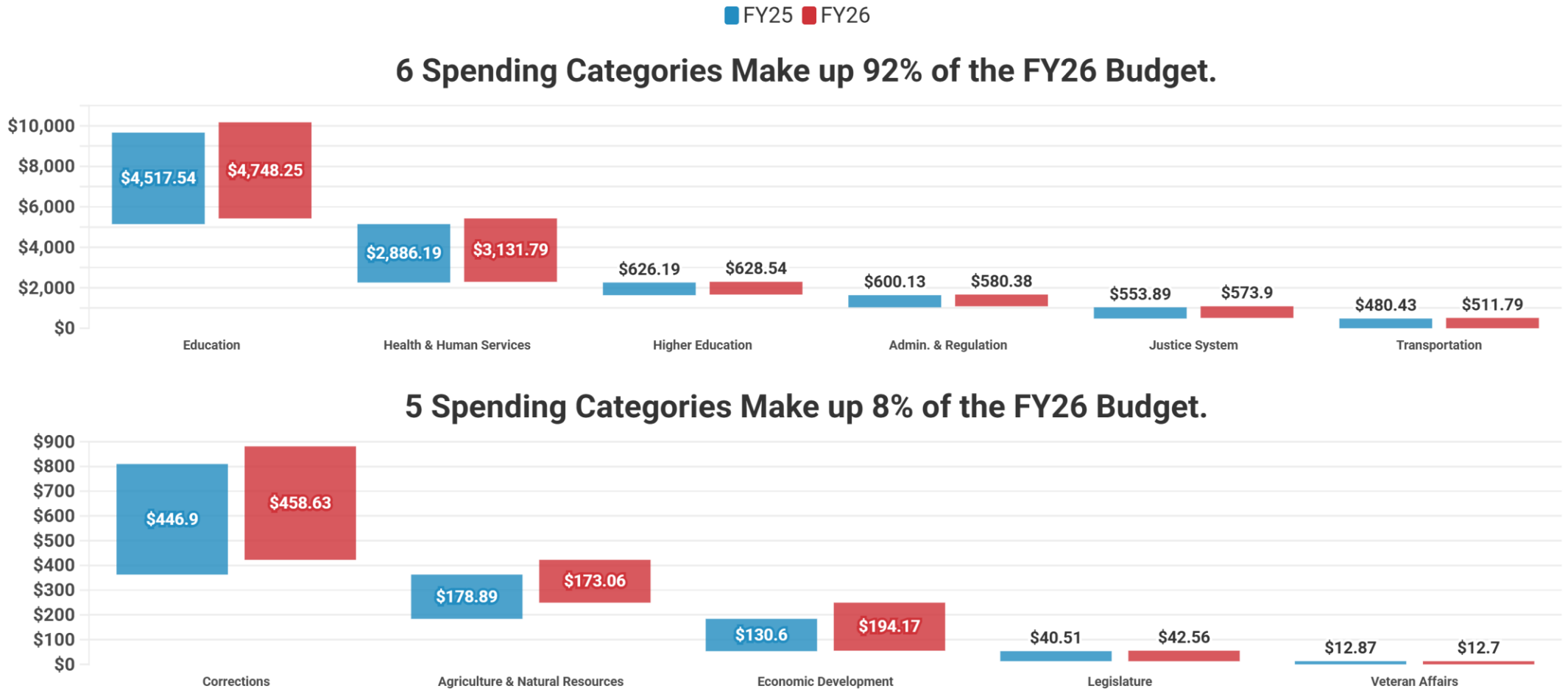
Education and Health & Human Services saw the large increase in share of general fund appropriations, making up a combined 97.5% of all newly appropriated funds in FY26. Due primarily to this year's increase in Medicaid-related appropriations, this year's budget contributions vary significantly from last year's. In FY25, Education constituted 66.6% of the additional general fund appropriations, while Health & Human Services only 26.2%. The next highest department in FY25 was the Justice System at 6.4%, which only saw 0.22% of the growth for FY26. Administration and Regulation declined in appropriations for the second year in a row.

Share of General Fund Appropriations to each Spending Category: FY00 - FY26



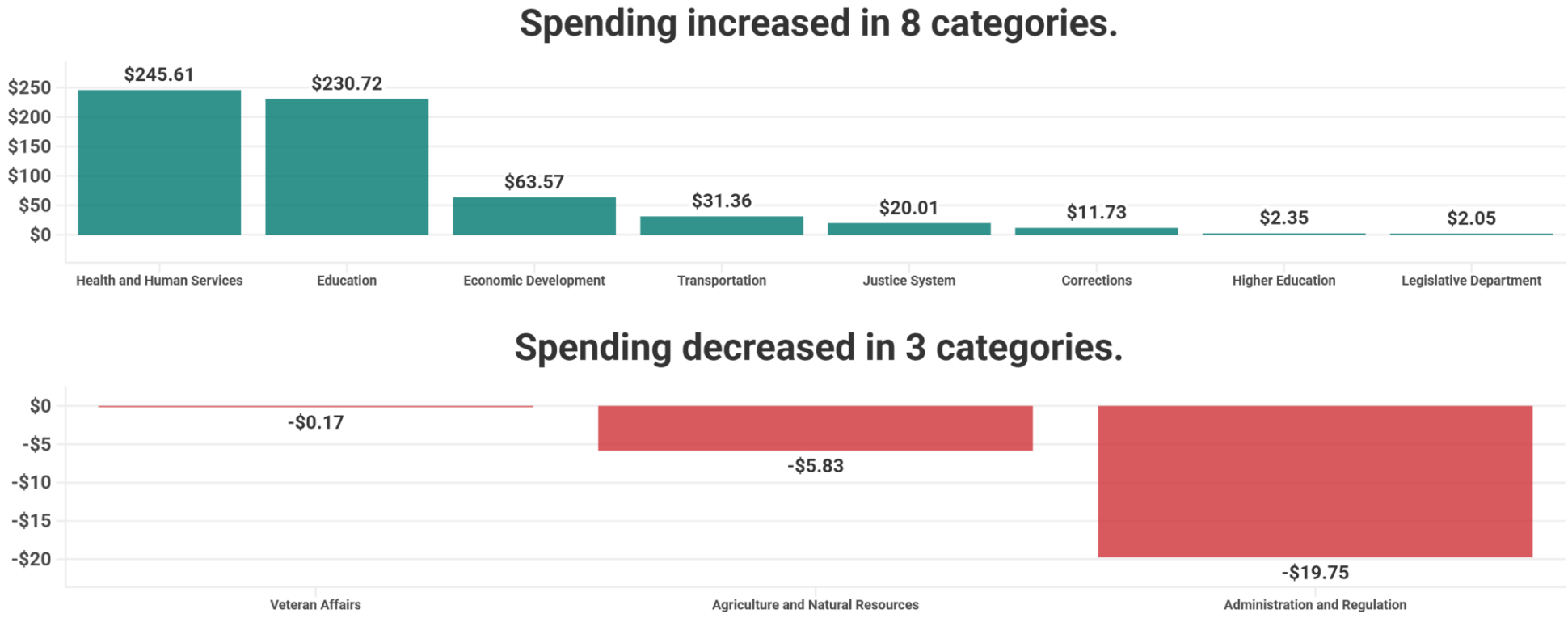
The top two departments, Education and Health & Human Services, were appropriated 77.4% of the total general fund budget in FY26. This is up from 76.3% in FY25, 72.3% in FY20, 69% in FY10, and 62.4% in FY00. Increased spending on K-12 education and Medicaid have contributed most to the growing Education and Health & Human Services budgets. The next largest combined appropriations for the justice system and corrections amounted to 10.1% in FY26, down from 10.5% in FY25.

Total State Appropriations by Spending Category: FY25 and FY26 (millions)



From FY25 to FY26, the total legislative appropriations grew by $581 million from $10.5 billion to $11.1 billion, or 5.6%. This is up from $493 million (+5.0%) from FY24 to FY25. In FY26, the six largest budget categories, as identified by CSI, accounted for 92% of all appropriations. This share is up from 90.5% in FY00 but down from 92.3% in FY25. The substantial increase of $64 million for Economic Development contributed to this slight decline.

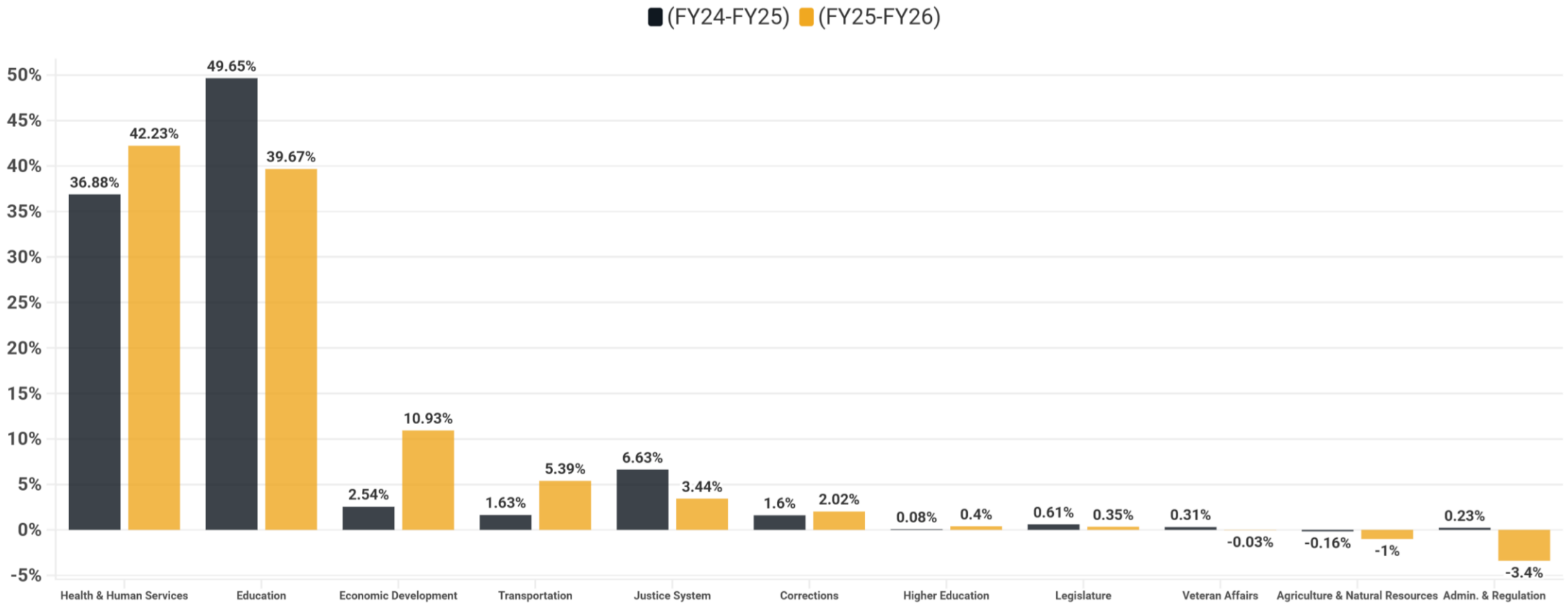
Change in Total Appropriations by Spending Category: FY25 to FY26 (millions)



Education and Health & Human Service saw the largest nominal year-over-year increases of $230.7 and $245.6 million, or 5.1% and 8.5%. Three major departments had a decline in appropriations, totaling $26 million. The remaining seven departments had an increase in appropriations, totaling $576 million. Economic Development appropriations grew $63.6 million in the last fiscal year, a significant 49% increase.

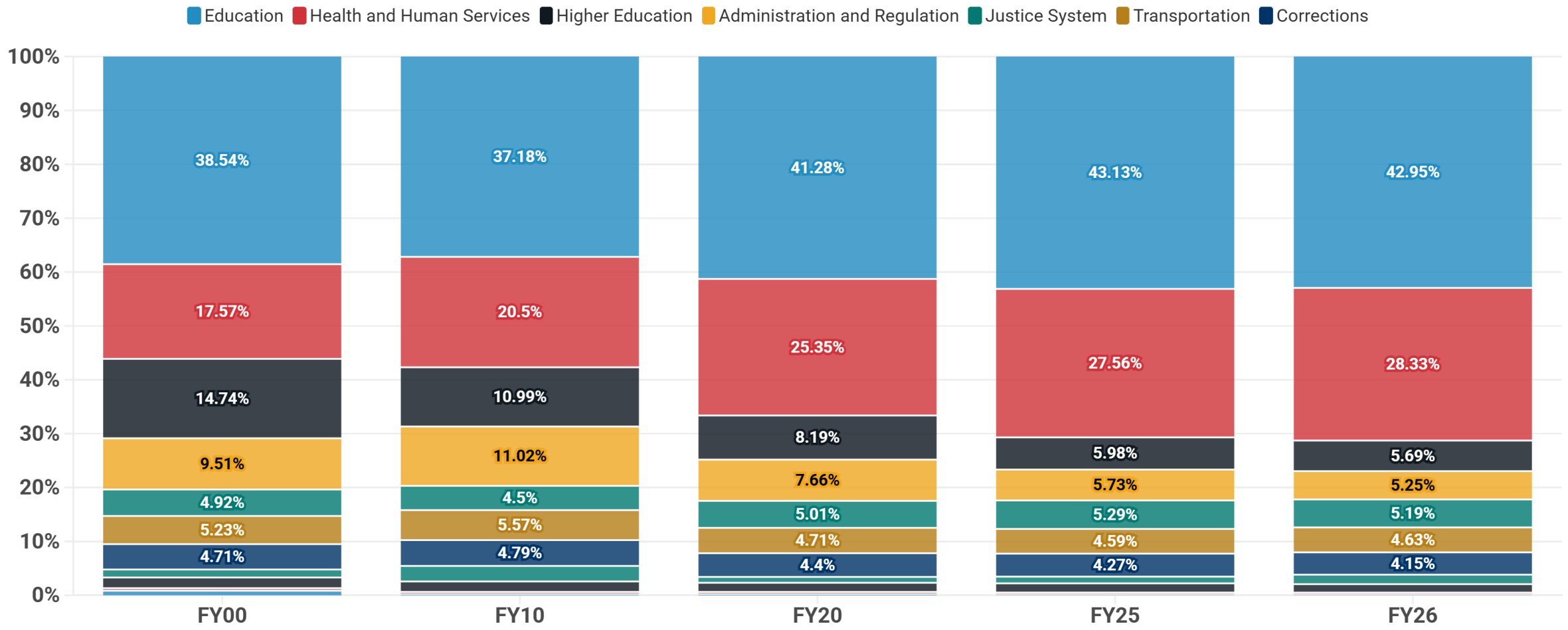
Which Departments Contributed Most to the Total Budget Growth in FY26?

The values represent each category's percent share of the increase in total fund appropriations from FY24 to FY25 and from FY25 to FY26. A positive value indicates the share increased over this period and a negative value indicates a declining share.



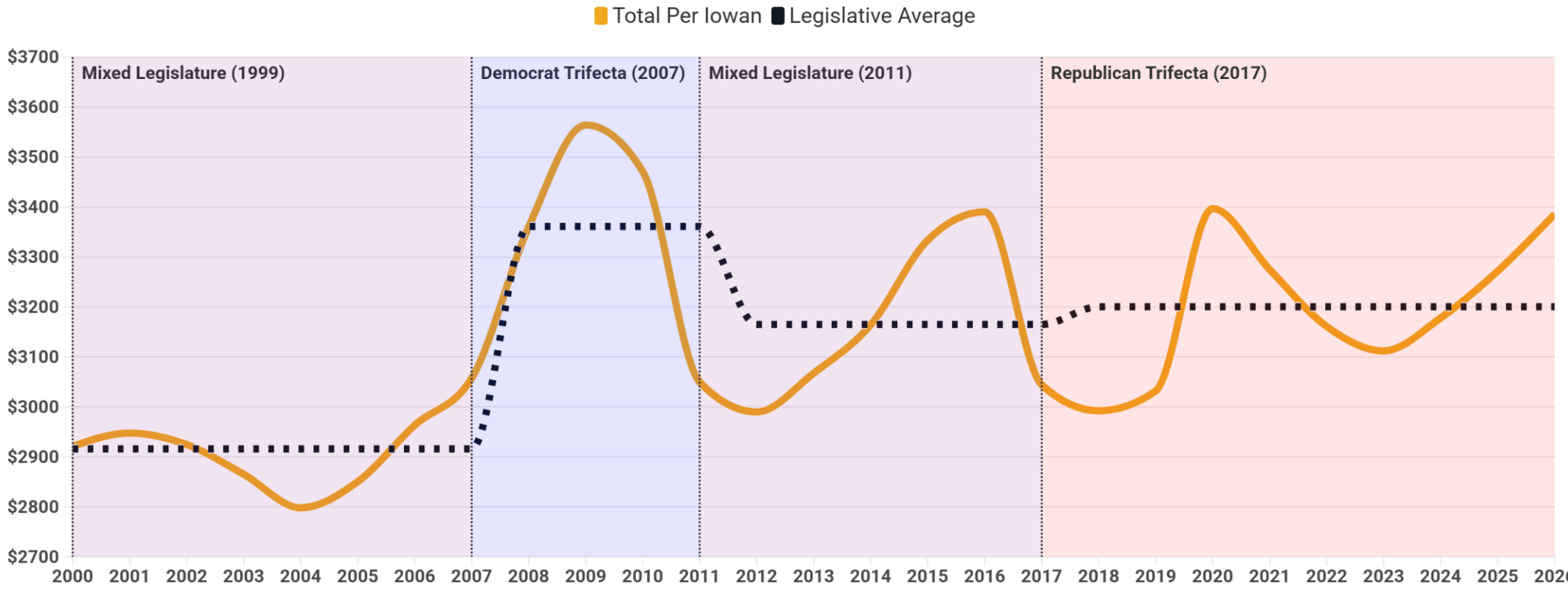
Education and Health & Human Services constituted most of the additional total fund appropriations, making up a combined 81.9% of all newly appropriated funds in FY26. In FY25, Education constituted 49.7% of the additional general fund appropriations, while Health & Human Services only 36.9%. The next highest department in FY25 was the Justice System at 6.6%, which only saw 3.4% of the growth for FY26. Unlike in the General Fund, Economic Development increased 10.9% in appropriations for FY26.

Share of Total State Appropriations to each Spending Category: FY00 - FY26



The top two departments, Education and Health & Human Services, were appropriated 71.3% of the total appropriated budget in FY26. This is up from 70.7% in FY25, 66.6% in FY20, 57.7% in FY10, and 56.1% in FY00. The next single largest department, Higher Education, was appropriated 5.7% for FY26, down from 6.0% in FY25 and 14.7% in FY00. Administration and Regulation was appropriated 5.3% for the next fiscal year, down from 5.7% in FY25 and 9.5% in FY00. These two budgeting areas have seen the most significant decline in share of appropriations over the last two and a half decades.

Total State Spending per Iowan, Adjusted for Population Growth and Inflation
(in 2026 dollars)



Adjusted for inflation and population growth, total state government appropriations per Iowan increased by 15.9% from FY00 to FY26. General funds per Iowan grew by 10.5% and appropriated non-general funds grew by 61.8%. Since FY25, total appropriations will grow 3.5%, general funds by 3.3%, and non-general funds by 4.7%. This increase slightly raised the legislative's 2017-2026 average for per-capita total appropriations. Population estimates come from the Census Bureau and inflation is derived from the Midwest CPI published by BLS. Inflation for FY26 is estimated at 2%. The dotted line represents the average per-capita appropriations for total funds during each government type (trifectas or mixed representation).

Data Sources (1/2)

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Legislative Services Agency, "Infrastructure Appropriations Bill, House File 1039," Distributed May 28, 2025, https://www.legis.iowa.gov/docs/publications/NOBA/1528827.pdf.

Legislative Services Agency, "Economic Development Appropriations Bill, Senate File 645," Distributed May 28, 2025, https://www.legis.iowa.gov/docs/publications/NOBA/1528880.pdf.

Legislative Services Agency, "Justice System Appropriations Bill, Senate File 644," Distributed May 28, 2025, https://www.legis.iowa.gov/docs/publications/NOBA/1528935.pdf.

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Legislative Services Agency, "Health and Human Services Appropriations Bill, House File 1049," Appropriation Bill Analysis, Distributed June 3, 2025, https://www.legis.iowa.gov/docs/publications/NOBA/1528947.pdf.

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Data Sources (2/2)

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Department of Management, "State Budget," https://dom.iowa.gov/state-government/state-budget.

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