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Iowa Taxpayers Association Releases Annual Review of State's FY27 Budget

Committee finds mixed compliance with ITA Sound Budgeting Principles

DES MOINES, IA — July 8, 2026 — The Committee on Accountable Government ("Committee") of the Iowa Taxpayers Association ("ITA") today released its annual review of the Iowa General Assembly's budgeting process and the final Fiscal Year 2027 (FY27) state budget. The review evaluates the Legislature's adherence to ITA's Sound Budgeting Principles, a framework the Committee established in 2001 to promote greater accountability in state budgeting.

The 2026 Iowa Legislature passed a $9.645 billion state general fund budget for FY27, a 2.38% increase over the $9.420 billion FY26 budget passed the previous year. Accounting for HF 2739, which raised the FY26 budget to $9.509 billion, the FY27 budget represents a reasonable 1.42% increase over that adjusted baseline. Total spending across the general fund and other state funds for FY27 is projected at $11.212 billion, with the majority supporting K-12 education, the regent universities, and health and human services programs, including Medicaid.

Mixed Results Against ITA's Principles
The Committee measured the FY27 budget against ITA's three Sound Budgeting Principles:

- **Accurately determine revenue and expenses:** The budget partially abides by this Principle. The Committee found continued and accelerated use of "notwithstanding" exceptions that divert Rebuild Iowa Infrastructure Fund (RIIF) dollars to purposes outside the fund's statutory scope. Non-compliant RIIF appropriations rose by roughly $17.4 million compared to FY26.
- **Align expenses and revenue in the same fiscal year:** The budget abides by this Principle. However, the Committee noted continued concern that standing appropriations now make up 51.3% of the general fund budget, with standing appropriations for FY27 exceeding FY26 by $110.1 million.
- **Use one-time or time-limited sources only for one-time expenses:** The Legislature did not abide by this Principle. The Committee found the Legislature appropriated $9.645 billion — $707.0 million more than total ongoing revenue plus the Taxpayer Relief Fund (TPRF) transfer — spending 107.9% of ITA's Principles limitation.

Revenue Outlook and Fund Solvency
The report notes that FY26 net revenues are currently near projections, running 9.8% below FY25 levels through June 30, compared with a March estimate of a 9.5% shortfall. Even so, emergency reserves remain at their statutory maximums, and the TPRF is projected to hold a $2.6 billion balance at the end of FY27.

ITA recommended in March that the state limit general fund spending growth to 1.85% annually to preserve TPRF solvency beyond FY30. Continued spending restraint is necessary to maintain a balanced budget.

The Committee also pointed to several external risk factors that could affect Iowa's fiscal outlook for the remainder of FY26 and into FY27, including low agricultural commodity prices, rising input costs, interest rates, trade uncertainty tied to federal tariff policy, and higher energy and transportation costs linked to unrest in the Middle East.

To review ITA's "Principles of Sound Budgeting," please visit:
https://www.iowataxpayers.org/principles

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About the Iowa Taxpayers Association (ITA):
Founded in 1935, the Iowa Taxpayers Association is a business-sponsored, nonpartisan organization dedicated to promoting sound fiscal policy. ITA provides objective research and advocacy on tax and spending policies, helping shape a transparent and equitable tax system for Iowa's business community.