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CGI news: Tax-cut-driven state revenues declines set up ongoing structural deficits

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DES MOINES, Iowa—Common Good Iowa today released the following statement from Executive Director Anne Discher on new state revenue estimates from the Revenue Estimating Conference:

“If there’s one thing everybody agrees on, it’s that the tax cuts the Legislature has passed over the last handful of years were definitely going to reduce state revenue. That was the line today from members of the Revenue Estimating Conference, which met to sign off on revenue projections for the current fiscal year and the next one.

“Can’t argue.

“But when Republican leaders, including Governor Reynolds, say that all is going to plan, there’s nothing to see here? That’s where hot takes diverge.

“The REC report released today projects a 9% drop in revenue for FY 2026 from the last fiscal year, which ended in June. They also issued their first full projection for FY 2027, a modest increase from this fiscal year. Although that would be a welcome turn, it’s a prediction that should be accepted with great caution.

“If all were proceeding according to plan, one would think they would be meeting their projections, not falling short again and again. But at nine different points in REC forecasts across three fiscal years, officials have cut revenue projections from the preceding forecast.

“The fact is, tax cuts simply never pay for themselves.

“And Iowa faces fiscal challenges not only from state tax cuts, but from other sources, too, including growing costs for private-school vouchers, a new slew of tax cuts and Medicaid and SNAP responsibilities courtesy of this summer’s federal reconciliation bill and a slowing economy.

“The state now anticipates bringing in \$8.1 billion in FY 2026, to cover an FY 2026 state budget of \$9.4 billion. Even if revenue were to tick up slightly in FY 2027, as the REC projects, it will still fall short of what’s required for a balanced budget.

“The good news is, fixing a structural budget deficit may take political will, but it isn’t a mystery. We call on lawmakers to take a beat, walk away from plans for more tax cuts and start building consensus on how we will raise the revenue we will need to meet lowans’ needs: great public schools, affordable health care and child care, and clean water to drink.”

For more on Iowa’s budget, read our new backgrounder, “Iowa faces ‘perfect storm’ of budget challenges,” [online](#) or attached to this email.

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