

Federal Funding Is Essential To Saving Iowa's Public Services

By Ryan Zamarripa July 10, 2020

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 For a full list of sources, please see "Federal Funding Is Essential To Saving State and Local Public Services: State-by-State Fact Sheets," available at <https://www.americanprogress.org/?p=487191>.

The COVID-19 pandemic and resulting recession are wreaking havoc on Iowa; the state is facing a massive revenue shortfall, which will significantly affect its budget and ability to provide crucial services. Federal funding is needed to help Iowa, along with the local governments within the state, ensure that health care, education, transportation, first responders, and other services continue uninterrupted. The picture is already bleak: Since the pandemic started, the state has lost [31,000](#) public sector jobs. The economic gravity of the shortfall cannot be stressed enough. Without further federal aid to state and local governments, Iowa is projected to lose [57,000](#) private and public jobs by the end of 2021. The recent resurgence of the virus only compounds the urgency and should dispel all complacency.

The coronavirus pandemic has decimated Iowa's economy.

- In May, Iowa had an unemployment rate of [10 percent](#), one of the highest rates ever recorded, with roughly [120,000](#) more state residents out of work than in February.
- As of early July, approximately [370,000](#) Iowans, representing [21.1 percent](#) of the state's February labor force, have filed unemployment insurance claims since the beginning of March. Some estimates are projecting a [double-digit](#) unemployment rate well into 2021.

Iowa's tax revenues are plummeting, creating a severe funding crisis for schools, health care, and other critical services. The Iowa state government has projected a budget shortfall of \$150 million in FY 2020 and \$360 million in FY 2021, representing declines of 2 percent and 4 percent, respectively.

Cities in Iowa are facing serious revenue shortfalls as well. Des Moines alone has recently projected a budget shortfall of \$17.8 million, according to local sources. The National League of Cities estimates that cities will experience \$360 billion in revenue loss through FY 2022, which will force them to significantly cut spending on crucial services or raise taxes on already recession-battered residents. Studies on the Great Recession have found that forcing states to deal with severe budget constraints through austerity dampen long-term gross domestic product (GDP), prolong spells of high unemployment, and extend recessions.

Between February and May, 31,000 public sector workers were laid off in Iowa.

- The National Education Association has estimated that by the end of FY 2022, Iowa could lose roughly 21,300 education jobs as a result of the decline in the state general revenues that fund education.

These job losses could get much worse. A recent analysis conducted by the Economic Policy Institute estimates that without federal action, Iowa will lose a combined total of 57,000 public and private jobs by the end of 2021.

Health care in Iowa is also in jeopardy. The Urban Institute has projected that Medicaid caseloads could increase by as much as 168,000, or 28.5 percent, through FY 2021—a massive and unprecedented spike. Iowa desperately needs help to cover those who are newly unemployed and expected to enroll in Medicaid and to offset extra Medicaid costs related to COVID-19. Without proper funding, the state will be unable to treat at-risk patients, keep families healthy, or provide lifesaving care. Funding Medicaid is critical to ensuring that Iowa can respond effectively to the coronavirus public health crisis and the current economic recession.

The **Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act**, which passed the U.S. House of Representatives on May 15 with bipartisan support, includes provisions that would help Iowa avoid additional layoffs and devastating cuts to services.

Specifically, it would:

- Allocate \$5.8 billion to the government of Iowa and \$3.5 billion to its localities over a span of two years, saving thousands of jobs and helping to maintain the uninterrupted delivery of public services such as health care, first responders, and safe drinking water.
- Increase Iowa's Federal Medical Assistance Percentage (FMAP) and provide an additional \$930 million in Medicaid dollars to Iowa over an 18-month period.
- Provide \$793 million for education in Iowa, including \$516 million for public K-12 schools and \$238 million to public colleges and universities, which would save an estimated 6,800 jobs supporting K-12 education and 1,100 supporting higher education. This funding would help strengthen distance learning and teaching strategies to keep students and teachers healthy.

Conclusion

As the recession stretches into the second half of 2020, it is becoming increasingly clear that states and localities are at the forefront of combating the pandemic and its economic fallout. From keeping students enrolled in remote learning programs to equipping community health centers with the protective gear needed to safely treat COVID-19 patients, state and local involvement can be seen and felt everywhere.

It is likely that both the coronavirus pandemic and the recession it led to are far from over. To help ease the financial pressures that states and localities are currently facing, it is imperative that the federal government pass legislation to:

1. Allocate at least \$915 billion in direct grants to states, localities, tribes, and territories.
2. Increase the Medicaid FMAP by at least 14 percentage points until June 30, 2021.
3. Provide at least \$90 billion to the State Fiscal Stabilization Fund to support both public schools and public colleges and universities.

Congress must act to get states and localities the aid they desperately need. Iowa and its residents can't afford to wait.

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