

State of Iowa Budget Goes Deeper in the Red



The Revenue Estimating Conference has reduced its income projection for this year due to tougher economic conditions for Iowans.

The current projection for Fiscal Year 2026 estimates a shortfall of \$400 million that will come out of the State Reserve to balance the budget at year's end.*

The Revenue Estimating Council (REC) was created to assist the Governor and Legislature in projecting State income from Iowa taxes, fees, and the Lottery.

The three-member panel of economics experts evaluates Iowa's economic conditions every three months and issues a report to assist Legislators.

Any shortfall at the end of FY 2026 will come out of the State Reserve, just like it did last year.

Last year, FY 2025, the Republican-led Iowa Legislature withdrew nearly a billion dollars from the State Reserve fund to balance the budget because the previous Republican Legislature cut State income taxes far below what they ended up spending during the year..

And now, poor management and harder economic times have increased the FY26 shortfall to an additional \$400 million.

No wonder the Legislature recently rushed to pass a new temporary tax on health insurance companies for a few months to get them through the worsening budget shortfall on their watch!

- **Source:** [Revenue Estimating Conference](#) report March 12, 2026 at the Iowa Department of Management website.