

FILED MAR 29 1994

SENATE FILE 2318
BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SSB 2261)

Passed Senate, Date ^(P. 10:30) 4/5/94 Passed House, Date ^(P. 12:11) 4/15/94
Vote: Ayes 49 Nays 0 Vote: Ayes 99 Nays 0
Approved May 16, 1994

A BILL FOR

1 An Act relating to state budget processes.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 2318

1 Section 1. Section 8.54, Code 1993, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 8. The governor shall not submit and the
4 general assembly shall not pass a budget which in order to
5 balance assumes reversion of a specific amount of the total of
6 the appropriations included in the budget.

7 Sec. 2. NEW SECTION. 8.62 USE OF REVERSIONS.

8 For the purposes of this section, "operational
9 appropriation" means an appropriation providing for salary,
10 support, administrative expenses, or other personnel-related
11 costs. Notwithstanding the provisions of section 8.33 or any
12 other provision of law to the contrary, if on June 30 of the
13 fiscal years ending in 1995 and 1996, a balance of an
14 operational appropriation remains unexpended or unencumbered,
15 not more than fifty percent of the balance may be encumbered
16 by the agency to which the appropriation was made and used as
17 provided in this section and the remaining balance shall be
18 deposited in the cash reserve fund created in section 8.56.
19 Moneys encumbered under this section shall only be used by the
20 agency during the succeeding fiscal year for employee training
21 and for technology enhancement. Unused moneys encumbered
22 under this section shall be deposited in the cash reserve fund
23 on June 30 of the succeeding fiscal year. On or before June
24 30, 1996, and 1997, an agency encumbering funds under this
25 section shall report to the joint appropriations subcommittee
26 which recommends funding for the agency, the legislative
27 fiscal bureau, the department of management, and the
28 legislative fiscal committee of the legislative council
29 detailing how the moneys were expended. Moneys shall not be
30 encumbered under this section from an appropriation which
31 received a transfer from another appropriation pursuant to
32 section 8.39. This section is repealed on September 1, 1997.

33 EXPLANATION

34 This bill relates to state budget processes by establishing
35 requirements for potential appropriation reversions. Section

1 8.54, relating to the general fund expenditure limitation, is
2 amended by adding a new subsection in which the governor is
3 prohibited from submitting and the general assembly is
4 prohibited from passing a budget which includes provision for
5 reversion of a specific amount of the total of the appro-
6 priations included in the budget.

7 In a new section, tentatively numbered 8.62, the bill
8 affects appropriations in fiscal years 1994-1995 and 1995-1996
9 by authorizing state agencies to encumber up to 50 percent of
10 unused operational appropriations which would otherwise revert
11 to the fund from which appropriated. The encumbered funds
12 must be used during the succeeding fiscal year for the
13 purposes of employee training and technology enhancement. The
14 remaining portion of the unused appropriation and encumbered
15 moneys which are not used during the succeeding fiscal year
16 shall be deposited in the cash reserve fund. Moneys cannot be
17 encumbered from an appropriation which received a transfer
18 from another appropriation.

19 The agency must report to the joint appropriations
20 subcommittee which recommends funding for the agency, the
21 legislative fiscal bureau, the department of management, and
22 the legislative fiscal committee of the legislative council
23 detailing how the moneys were expended. The report must be
24 submitted by June 30 of the fiscal year succeeding the fiscal
25 year in which the moneys were encumbered. The provision
26 permitting the encumbering of funds is repealed on September
27 1, 1997.

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**SENATE FILE 2318
FISCAL NOTE**

A fiscal note for Senate File 2318, as passed by the Senate, is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2318, as passed by the Senate, prohibits the Governor from submitting and the Legislature from passing, a budget including appropriations with specified reversions. The bill also allows State agencies to encumber up to 50.0% of the unused appropriations to General Fund Operations accounts for FY 1994 and FY 1995 for employee training and technology enhancement. The remainder of the unused appropriation would be deposited in the Cash Reserve Fund. Appropriations receiving Section 8.39, Code of Iowa transfers could not be encumbered for employee training and technology enhancement. The bill states that if the amount encumbered would cause a General Fund deficit, the Department of Management would determine the amount needed to eliminate the deficit and that amount would be prorated among the agencies and the encumbered amount would be reduced by the agency's share of the proration.

The Governor, Supreme Court, and the General Assembly would be required to develop a 5-year strategic plan providing long term goals and objectives for the State. The plan will be presented to the Governor and the General Assembly at the same time. An annual update is required. The first plan will be for FY 1996 and will be submitted by the executive and judicial branches in December 1994.

The bill also requires the Revenue Estimating Conference to estimate tax refunds for the fiscal years revenue estimates are provided. Within 14 days after the Governor's budget is released, the conference will meet and estimate the effect of any revenue provisions included in the Governor's budget if enacted. If a new revenue is enacted while the General Assembly is in session, the conference will meet within 14 days of enactment to determine the effect of the revenue. The bill redefines the scope of expenditure so the Iowa economic emergency fund, the Cash Reserve Fund, or the GAAP Deficit Fund are excluded.

ASSUMPTIONS:

1. The reverted amount would equal the average reversions to the General Fund from operating budgets for FY 1991, FY 1992, and FY 1993.
2. The departments would use the maximum of 50.0% for training or technology enhancements.
3. No Section 8.39 transfers would occur.

Fiscal Effect:

The average annual amount reverted to the General Fund from operating budgets in FY 1991 - 1993 was \$10.7 million. Under Senate File 2318, moneys would not revert to the General Fund. Instead, \$5.3 million would be used for technology enhancements and training and the remainder would be deposited in the Cash Reserve Fund.

(LSB 4211sv.2, TAF)

House (P. 1676) 4/14/94 Amended/Do Pass
W/126166

SENATE FILE **2318**
BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SSB 2261)

(AS AMENDED AND PASSED BY THE SENATE APRIL 5, 1994)

~~_____~~ - New Language by the Senate

Passed Senate, Date ^(P. 1030) 4-5-94 Passed House, Date ^(P. 2318) 4/15/94
Vote: Ayes 49 Nays 0 Vote: Ayes 99 Nays 0

Approved May 16, 1994

Passed 4/15/94
vote 50-0 (p. 1332)

Passed 4/18/94
vote 100-0 (p. 1872)

A BILL FOR

1 An Act relating to state budget processes.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2318

DIVISION I
REVERSIONS

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3 Section 1. Section 8.54, Code 1993, is amended by adding
4 the following new subsection:

5 NEW SUBSECTION. 8. The governor shall not submit and the
6 general assembly shall not pass a budget which in order to
7 balance assumes reversion of a specific amount of the total of
8 the appropriations included in the budget.

9 Sec. 2. NEW SECTION. 8.62 USE OF REVERSIONS.

10 For the purposes of this section, "operational
11 appropriation" means an appropriation from the general fund of
12 the state providing for salary, support, administrative
13 expenses, or other personnel-related costs. Notwithstanding
14 the provisions of section 8.33 or any other provision of law
15 to the contrary, if on June 30 of the fiscal years ending in
16 1995 and 1996, a balance of an operational appropriation
17 remains unexpended or unencumbered, not more than fifty
18 percent of the balance may be encumbered by the agency to
19 which the appropriation was made and used as provided in this
20 section and the remaining balance shall be deposited in the
21 cash reserve fund created in section 8.56. Moneys encumbered
22 under this section shall only be used by the agency during the
23 succeeding fiscal year for employee training and for
24 technology enhancement. Unused moneys encumbered under this
25 section shall be deposited in the cash reserve fund on June 30
26 of the succeeding fiscal year. On or before June 30, 1996,
27 and 1997, an agency encumbering funds under this section shall
28 report to the joint appropriations subcommittee which
29 recommends funding for the agency, the legislative fiscal
30 bureau, the department of management, and the legislative
31 fiscal committee of the legislative council detailing how the
32 moneys were expended. Moneys shall not be encumbered under
33 this section from an appropriation which received a transfer
34 from another appropriation pursuant to section 8.39. This
35 section is repealed on September 1, 1997.

1 Sec. 3. CONTINGENCY PROVISION FOR USE OF REVERSIONS. For
2 the fiscal year beginning July 1, 1994, and ending June 30,
3 1995, if the sum of the moneys that agencies would encumber
4 under section 8.62 as enacted by this Act would cause a
5 deficit in the general fund of the the state, the department
6 of management shall determine the amount of that sum which is
7 necessary to eliminate the potential deficit. The department
8 shall prorate the determined amount among the agencies and
9 moneys encumbered by an agency under section 8.62 shall be
10 reduced to the extent of that proration.

11 DIVISION II

12 STRATEGIC PLANNING

13 Sec. 4. NEW SECTION. 8.63 STRATEGIC PLANNING.

14 1. The governor, supreme court, and general assembly shall
15 each develop a five-year strategic plan for their respective
16 branch of government. The governor and general assembly shall
17 also develop a five-year strategic plan providing long-term
18 goals and objectives for the state. The strategic plans shall
19 be annually updated and new five-year plans developed for each
20 succeeding five-year period.

21 2. Following presentation of the initial executive branch
22 strategic plan, yearly updates of the plan shall be submitted
23 as part of the governor's annual budget proposal to the
24 general assembly under section 8.22. The plan shall utilize
25 information obtained pursuant to section 8.52, include all
26 relevant budget projections, and include the plans developed
27 by each department and establishment of government for that
28 department or establishment in accordance with this section.
29 The governor shall provide an overall compilation of the plans
30 and identify the governor's top five priorities for the
31 ensuing fiscal year in the annual budget message required
32 under section 8.22. The plan by each department or
33 establishment shall be submitted to the governor at the same
34 time and with the budget materials required under section 8.23
35 and shall be considered at the public hearing required

1 pursuant to section 8.26. A department's or establishment's
2 plan shall be submitted to the general assembly at the same
3 time it is submitted to the governor. The plan for each
4 department and establishment shall provide budget projections
5 and requirements, long-term and short-term goals, and other
6 information relating to implementation of the plan, including
7 but not limited to all of the following:

8 a. Identifying and providing a time line for the critical
9 goals and objectives to be accomplished during the five-year
10 period.

11 b. Providing detailed estimates of the related costs.

12 c. Identifying the other resources, policy considerations,
13 and any cooperative involvement by other departments and
14 agencies of state government necessary to attain the critical
15 goals and objectives.

16 d. Identifying performance indicators for measuring the
17 accomplishment of the critical goals and objectives.

18 e. Submitting an annual progress report based upon the
19 performance indicators.

20 3. The strategic planning elements required in subsection
21 2, paragraphs "a" through "e", shall be addressed in the
22 strategic plans developed by the legislative and judicial
23 branches of state government. The supreme court's plan shall
24 be submitted to the general assembly on or before the first
25 business day in January. The general assembly's strategic
26 plan shall be considered in a concurrent resolution and is
27 subject to approval by a constitutional majority of the
28 members of each chamber.

29 4. The initial strategic plans required by this section
30 shall apply to the 1995-1996 fiscal year and shall be
31 submitted by the executive and judicial branches in December
32 1994.

33 DIVISION III
34 EXPENDITURE LIMITATION

35 Sec. 5. Section 8.22A, Code 1993, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 4. At the meeting in which the conference
3 agrees to the revenue estimate for the following fiscal year
4 in accordance with the provisions of subsection 3, the
5 conference shall agree to an estimate for tax refunds payable
6 from that estimated revenue. Within fourteen days of the
7 transmission of the governor's budget to the general assembly
8 pursuant to section 8.21, the conference shall meet and agree
9 to an estimate for any revenue provision included in the
10 governor's budget which would be a new revenue if the
11 provision was to be enacted. If a new revenue is enacted
12 which has not been previously estimated by the conference and
13 the general assembly remains in session, the conference shall
14 meet and agree to an estimate for the new revenue within
15 fourteen days of the date of enactment. The estimates
16 required by this subsection shall be used in determining the
17 adjusted revenue estimate under section 8.54.

18 Sec. 6. Section 8.54, subsection 1, unnumbered paragraph
19 1, and paragraph a, Code 1993, are amended to read as follows:

20 For the purposes of section 8.22A, this section, and
21 sections 8.55 through 8.57:

22 a. "Adjusted revenue estimate" means the appropriate
23 revenue estimate for the general fund for the following fiscal
24 year as determined by the revenue estimating conference under
25 section 8.22A, subsection 3, adjusted by subtracting estimated
26 tax refunds payable from that estimated revenue and as
27 determined by the conference, adding any new revenues which
28 may be considered to be eligible for deposit in the general
29 fund.

30 Sec. 7. Section 8.54, subsection 6, Code 1993, is amended
31 to read as follows:

32 6. The scope of the expenditure limitation under
33 subsection 3 shall not encompass federal funds, donations,
34 constitutionally dedicated moneys, and moneys in expenditures
35 from state retirement system moneys, and does not encompass an

1 appropriation to the Iowa economic emergency fund created in
2 section 8.55, an appropriation to the cash reserve fund
3 created in section 8.56, or an appropriation to eliminate the
4 GAAP deficit in accordance with section 8.57.

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SENATE FILE 2318

S-5444

1 Amend Senate File 2318 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "DIVISION _____
5 REVERSIONS".

6 2. Page 1, line 9, by inserting before the word
7 "providing" the following: "from the general fund of
8 the state".

9 3. Page 1, by inserting after line 32 the
10 following:

11 "Sec. _____. CONTINGENCY PROVISION FOR USE OF
12 REVERSIONS. For the fiscal year beginning July 1,
13 1994, and ending June 30, 1995, if the sum of the
14 moneys that agencies would encumber under section 8.62
15 as enacted by this Act would cause a deficit in the
16 general fund of the the state, the department of
17 management shall determine the amount of that sum
18 which is necessary to eliminate the potential deficit.
19 The department shall prorate the determined amount
20 among the agencies and moneys encumbered by an agency
21 under section 8.62 shall be reduced to the extent of
22 that proration.

23 DIVISION _____
24 STRATEGIC PLANNING

25 Sec. _____. NEW SECTION. 8.63 STRATEGIC PLANNING.

26 1. The governor, supreme court, and general
27 assembly shall each develop a five-year strategic plan
28 for their respective branch of government. The
29 governor and general assembly shall also develop a
30 five-year strategic plan providing long-term goals and
31 objectives for the state. The strategic plans shall
32 be annually updated and new five-year plans developed
33 for each succeeding five-year period.

34 2. Following presentation of the initial executive
35 branch strategic plan, yearly updates of the plan
36 shall be submitted as part of the governor's annual
37 budget proposal to the general assembly under section
38 8.22. The plan shall utilize information obtained
39 pursuant to section 8.52, include all relevant budget
40 projections, and include the plans developed by each
41 department and establishment of government for that
42 department or establishment in accordance with this
43 section. The governor shall provide an overall
44 compilation of the plans and identify the governor's
45 top five priorities for the ensuing fiscal year in the
46 annual budget message required under section 8.22.
47 The plan by each department or establishment shall be
48 submitted to the governor at the same time and with
49 the budget materials required under section 8.23 and
50 shall be considered at the public hearing required

S-5444

-1-

S-5444

Page 2

1 pursuant to section 8.26. A department's or
2 establishment's plan shall be submitted to the general
3 assembly at the same time it is submitted to the
4 governor. The plan for each department and
5 establishment shall provide budget projections and
6 requirements, long-term and short-term goals, and
7 other information relating to implementation of the
8 plan, including but not limited to all of the
9 following:

10 a. Identifying and providing a time line for the
11 critical goals and objectives to be accomplished
12 during the five-year period.

13 b. Providing detailed estimates of the related
14 costs.

15 c. Identifying the other resources, policy
16 considerations, and any cooperative involvement by
17 other departments and agencies of state government
18 necessary to attain the critical goals and objectives.

19 d. Identifying performance indicators for
20 measuring the accomplishment of the critical goals and
21 objectives.

22 e. Submitting an annual progress report based upon
23 the performance indicators.

24 3. The strategic planning elements required in
25 subsection 2, paragraphs "a" through "e", shall be
26 addressed in the strategic plans developed by the
27 legislative and judicial branches of state government.
28 The supreme court's plan shall be submitted to the
29 general assembly on or before the first business day
30 in January. The general assembly's strategic plan
31 shall be considered in a concurrent resolution and is
32 subject to approval by a constitutional majority of
33 the members of each chamber.

34 4. The initial strategic plans required by this
35 section shall apply to the 1995-1996 fiscal year and
36 shall be submitted by the executive and judicial
37 branches in December 1994.

38 DIVISION

39 EXPENDITURE LIMITATION

40 Sec. ____ . Section 8.22A, Code 1993, is amended by
41 adding the following new subsection:

42 NEW SUBSECTION. 4. At the meeting in which the
43 conference agrees to the revenue estimate for the
44 following fiscal year in accordance with the
45 provisions of subsection 3, the conference shall agree
46 to an estimate for tax refunds payable from that
47 estimated revenue. Within fourteen days of the
48 transmission of the governor's budget to the general
49 assembly pursuant to section 8.21, the conference
50 shall meet and agree to an estimate for any revenue

S-5444

-2-

S-5444

Page 3

1 provision included in the governor's budget which
2 would be a new revenue if the provision was to be
3 enacted. If a new revenue is enacted which has not
4 been previously estimated by the conference and the
5 general assembly remains in session, the conference
6 shall meet and agree to an estimate for the new
7 revenue within fourteen days of the date of enactment.
8 The estimates required by this subsection shall be
9 used in determining the adjusted revenue estimate
10 under section 8.54.

11 Sec. _____. Section 8.54, subsection 1, unnumbered
12 paragraph 1, and paragraph a, Code 1993, are amended
13 to read as follows:

14 For the purposes of section 8.22A, this section,
15 and sections 8.55 through 8.57:

16 a. "Adjusted revenue estimate" means the
17 appropriate revenue estimate for the general fund for
18 the following fiscal year as determined by the revenue
19 estimating conference under section 8.22A, subsection
20 3, adjusted by subtracting estimated tax refunds
21 payable from that estimated revenue and as determined
22 by the conference, adding any new revenues which may
23 be considered to be eligible for deposit in the
24 general fund.

25 Sec. _____. Section 8.54, subsection 6, Code 1993,
26 is amended to read as follows:

27 6. The scope of the expenditure limitation under
28 subsection 3 shall not encompass federal funds,
29 donations, constitutionally dedicated moneys, and
30 moneys in expenditures from state retirement system
31 moneys, and does not encompass an appropriation to the
32 Iowa economic emergency fund created in section 8.55,
33 an appropriation to the cash reserve fund created in
34 section 8.56, or an appropriation to eliminate the
35 GAAP deficit in accordance with section 8.57."

36 4. By renumbering as necessary.

By LARRY MURPHY

S-5444 FILED APRIL 5, 1994

ADOPTED

(P.1030)

SENATE FILE 2318

S-5449

1 Amend Senate File 2318 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Sec. _____. Section 8.6, Code 1993, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 9A. MANAGEMENT REVIEW. To
7 prepare a management review as provided in sections
8 8.63 through 8.73."

9 2. Page 1, by inserting after line 32 the
10 following:

11 "Sec. _____. NEW SECTION. 8.63 MANAGEMENT REVIEW
12 OF EXECUTIVE BRANCH PROGRAMS AND FUNCTIONS --
13 AUTHORIZATION AND PURPOSE.

14 1. The director shall biennially prepare a
15 management review schedule with input from the
16 legislative fiscal bureau detailing the periodic
17 functional review of the programs and functions of the
18 executive branch of state government. This periodic
19 review is intended to assure the cost-effective
20 delivery and quality performance of state services, in
21 order to maintain a balanced state budget, a healthy
22 state economy, and the confidence of Iowa citizens in
23 government. The primary purpose of the management
24 review is to determine whether or not there is a
25 continuing, genuine public need for the program or
26 function under review and, if so, to determine whether
27 or not the public need is served. The management
28 review is also intended to assure statutory,
29 administrative, and fiscal efficiency in the executive
30 branch of state government. The management review
31 shall be submitted to the governor and the general
32 assembly in the second year of each legislative
33 biennium.

34 2. The purpose of the management review is to
35 provide a mechanism designed to increase the
36 accountability and efficiency of state government
37 through increased managerial oversight and scrutiny of
38 programs, functions, and performance. The director is
39 granted broad authority to recommend termination,
40 reduction, or reorganization of programs or functions
41 unless the responsible agency implements reforms
42 specified by the director and the general assembly.

43 3. The director shall have the powers and duties
44 to prepare and implement the annual management review
45 as provided in sections 8.64 through 8.73.

46 Sec. _____. NEW SECTION. 8.64 DEFINITIONS.

47 As used in section 8.63, this section, and sections
48 8.65 through 8.73, unless the context otherwise
49 requires:

50 1. "Management review" means the review of a

S-5449

S-5449

Page 2

1 department's program conducted under the director's
2 authority as provided by sections 8.65 through 8.73.
3 2. "Program" means a program or function of an
4 executive branch agency, whether the program is
5 created by statute, administrative rule, or internal
6 procedure.

7 Sec. ____ . NEW SECTION. 8.65 MANAGEMENT REVIEW
8 RULES.

9 The director shall adopt rules pursuant to chapter
10 17A to implement sections 8.63 and 8.64, this section,
11 and sections 8.66 through 8.73. The rules shall
12 include, but are not limited to, the following:

13 1. A schedule assigning an automatic repeal date
14 to each department's programs as identified by the
15 director, once within a ten-year cycle. A
16 department's programs may be subdivided by the
17 director, and the parts of a program may be subject to
18 automatic repeal in different legislative bienniums,
19 with particular programs or functions exempted, to
20 facilitate the director's review.

21 2. The information required to be submitted by a
22 department in connection with a management review of
23 its organization or programs.

24 3. Additional standards, methodologies, or
25 criteria for review of programs, consistent with the
26 requirements of this chapter.

27 4. A mechanism to implement recommendations
28 contained in a management review report.

29 Sec. ____ . NEW SECTION. 8.66 DIRECTOR'S
30 MANAGEMENT REVIEW RESPONSIBILITIES AND DUTIES.

31 1. The director shall perform the following
32 duties.

33 a. Conduct a thorough review of all information
34 furnished by each department administering a program
35 under management review.

36 b. Obtain, verify, and review any reports, audits,
37 or actions taken by other departments concerning the
38 program under management review, including, but not
39 limited to, recent reports prepared by:

40 (1) The auditor of state.

41 (2) A legislative interim study or standing
42 committee.

43 (3) The legislative fiscal bureau or legislative
44 service bureau.

45 (4) The treasurer of state.

46 (5) Special governmental task forces or
47 committees.

48 c. Submit the final management review report to
49 the governor and the general assembly, on or before
50 January 1 of the second year of a legislative

S-5449

-2-

S-5449

Page 3

1 biennium. The report shall contain at least the
2 following elements:

3 (1) Evaluation of each program reviewed.
4 (2) Recommendations regarding each program
5 reviewed, including any conditions for reauthorization
6 suggested by the director.

7 2. A department administering a program subject to
8 management review shall provide all assistance and
9 information reasonably required by the director.

10 Information provided to the director shall also be
11 submitted to the legislative fiscal bureau. The
12 director shall cooperate with the legislative fiscal
13 bureau to facilitate, to the greatest extent possible,
14 requests for information made by the legislative
15 fiscal bureau in connection with a management review.

16 Sec. ____ . NEW SECTION. 8.67 MANAGEMENT REVIEW
17 EXPENSES.

18 The department of management may adopt rules
19 providing for the payment of management review
20 expenses by the department responsible for
21 administering a program under management review.

22 Sec. ____ . NEW SECTION. 8.68 CRITERIA FOR REVIEW.

23 The director shall not presume that a genuine
24 public need continues for a program, or that the
25 program is serving the identified public need. The
26 administering department must show, through the
27 criteria for review, that there is a continuing public
28 need, and that the program is serving that public need
29 in an administratively or fiscally effective manner.
30 The criteria shall include but are not limited to all
31 of the following:

32 1. The purpose of the statute, administrative
33 rule, or internal procedure establishing a program,
34 and the manner of operation of the program designed to
35 achieve this purpose.

36 2. The extent to which the purpose for which the
37 program was created remains a continuing public need.

38 3. The extent to which the program has succeeded
39 in serving the public need or furthering the public
40 purpose for which the program was created.

41 4. An independent determination or citizen input,
42 apart from information supplied by the administering
43 department or by persons having a direct interest in
44 the continued existence of the program, that the
45 absence of the program would be detrimental to the
46 public health, safety, or welfare.

47 5. An assessment of the program's administrative
48 and fiscal efficiency, including alternative methods
49 of achieving the stated or implicit objectives of the
50 statute, administrative rule, or internal procedure

S-5449

-3-

S-5449

Page 4

1 establishing the program, and a determination whether
2 or not these alternative methods would achieve the
3 objectives.

4 6. Determination as to whether the statute,
5 administrative rule, or internal procedure provides a
6 clear mandate to the department administering the
7 program, and that the department has complied with
8 this mandate through its administration of the
9 program.

10 7. Determination as to whether other programs,
11 activities, or departments of state government have
12 the same or similar objectives. If so, a comparison
13 of the costs and effectiveness between programs,
14 activities, or departments and identification of
15 unnecessary duplication with the program under review
16 shall be included.

17 8. Determination as to whether services provided
18 or purposes served by the program are in competition
19 with the private sector or may be better provided by
20 the private sector, either without governmental
21 assistance or under contract to the government.

22 9. Determination as to whether applications and
23 formal public complaints filed with the administering
24 department have been processed effectively and fairly.

25 10. Determination as to whether the program has
26 been operated by the administering department in an
27 open and accountable manner, with public access to
28 records and meetings, and with safeguards against
29 possible conflicts of interest.

30 11. Identification of the potential impact in
31 terms of federal intervention or loss of federal funds
32 if the program is terminated.

33 Sec. ____ . NEW SECTION. 8.69 MANAGEMENT REVIEW
34 REPORT.

35 1. The management review report shall contain all
36 of the following material for each program reviewed:

37 a. A complete description of the program and its
38 administering department, including the program's
39 objectives and a detailed outline of the management of
40 the program by the administering department.

41 b. A review of all relevant material obtained in
42 the course of the review.

43 c. A determination of whether a continuing public
44 need for the program exists, and whether the program
45 is appropriately serving that public need.

46 d. An evaluation of the program under the review
47-criteria of section 8.68.

48 e. A recommendation concerning the program's
49 reauthorization. If the director recommends
50 reauthorization, the reauthorization shall be

S-5449

-4-

S-5449

Page 5

1 submitted to the general assembly as part of the
2 governor's legislative package.

3 2. If the general assembly enacts legislation
4 reauthorizing a program, the program shall not be
5 subject to termination pursuant to a rule adopted
6 under section 8.65 for at least ten years. However,
7 the program may be subject to management review in the
8 fifth biennium following the program's
9 reauthorization.

10 3. The final report shall contain the management
11 review schedule for the programs subject to
12 termination on June 30 of the second calendar year
13 following the year in which the report is submitted.
14 The schedule shall be adopted in rule in accordance
15 with section 8.65.

16 4. The director may recommend any or all of the
17 following:

18 a. Continuance of a program.

19 b. Termination of a program or abolishment of the
20 program's administering department.

21 c. The consolidation, merger, or transfer of a
22 program or department unit from one department to
23 another.

24 d. The termination of a program, unless certain
25 conditions are met or modifications made within a
26 specified period of time.

27 e. Budget limitations for a program.

28 f. Changes in fees to assure that the costs of a
29 regulatory program are borne by the regulated industry
30 or group.

31 g. Other managerial changes to assure service
32 delivery in an administratively and fiscally efficient
33 manner.

34 h. Legislation to implement a recommendation,
35 concerning a program, other than termination.

36 i. Legislation relating to an administering
37 department, program, related agency or department, or
38 a program's underlying public need.

39 Sec. ____ . NEW SECTION. 8.70 TERMINATION OF A
40 PROGRAM.

41 1. If the director recommends the termination of a
42 program, and the program is not reestablished by an
43 Act of the general assembly, the program shall be
44 automatically terminated and the relevant portions of
45 its authorizing Act repealed effective June 30
46 following the submission of the director's report,
47 unless reauthorized by an Act of the general assembly.
48 A program which is reauthorized by legislative
49 enactment shall not be subject to automatic
50 termination for at least ten years. However, the

S-5449

-5-

S-5449

Page 6

1 program may be subject to management review in the
2 fifth biennium following the program's
3 reauthorization.

4 2. If in the course of terminating a program or
5 transferring a program to another agency, its
6 administrative department is terminated, each lesser
7 included board, council, agency, or other subdivision
8 is also automatically terminated at the same time and
9 under the same conditions, unless the lesser included
10 agency is specifically exempted from termination by
11 the director or by affirmative action of the general
12 assembly prior to June 30 immediately following the
13 biennial submission of the final management review
14 report.

15 Sec. ____ . NEW SECTION. 8.71 PROPOSED TRANSITION
16 PLAN.

17 1. If a program is recommended by the director for
18 termination, the administering department shall submit
19 a transition plan for the review of the director. If
20 the department fails to submit an acceptable
21 transition plan, the director shall prepare the
22 transition plan. A transition plan must be approved
23 by the director.

24 2. The director shall adopt rules pursuant to
25 chapter 17A establishing criteria which a transition
26 plan must address. The rules shall include, but are
27 not limited to, all of the following: conclusion of
28 operations, operating funds, transfer of property and
29 records, and repayment of outstanding bonded
30 indebtedness.

31 3. All statutory references to the terminated
32 program shall be invalid upon expiration of that
33 agency's concluding fiscal year, unless specifically
34 retained by affirmative action of the general
35 assembly.

36 Sec. ____ . NEW SECTION. 8.72 CODE EDITOR TO
37 CONFORM CODE TO MANAGEMENT REVIEW RESULTS.

38 If a rule of the director adopted pursuant to
39 sections 8.65 through 8.71 and section 8.73 has the
40 effect of repealing a section of the Code in whole or
41 in part, the Code editor shall conform the Code to
42 reflect the reorganization of state government as
43 implemented by a management review rule. The Code
44 editor shall annually prepare a separate Code editor's
45 bill to reflect changes made pursuant to the
46 management review report of two years preceding.

47 Sec. ____ . NEW SECTION. 8.73 MERIT SYSTEM
48 EMPLOYEES.

49 If the termination of a program pursuant to this
50 chapter results in unemployment for a merit system

S-5449

-6-

Lost
4-5-94

S-5449

Page 7

1 employee, the employee shall receive first preference
2 in all other state employment opportunities which
3 subsequently arise for which the displaced employee is
4 qualified. In addition, the employee shall have right
5 of first refusal of such opportunities until the
6 employee is permanently employed.

7 Sec. ____ . INTENT. It is contemplated by the
8 governor and the general assembly that this Act may in
9 the future entail wide-ranging effects on the
10 operations of state government, including, but not
11 limited to, the organization, structure, and authority
12 of, and appropriations to any and all executive branch
13 programs. However, because maintaining the continuing
14 regulatory, administrative, and fiscal efficiency and
15 effectiveness of all programs is of critical
16 importance, it is the intent of this Act that such
17 effects be deemed to have the full force and effect of
18 law, and take priority over inconsistent provisions of
19 law or practice.

20 Sec. ____ . DEPARTMENT OF MANAGEMENT -- REVIEW. The
21 department of management shall be subject to
22 management review in the first year of the ten-year
23 review cycle."

24 3. By numbering, renumbering, and changing
25 internal references as necessary.

By BRAD BANKS

S-5449 FILED APRIL 5, 1994

LOST

P. 1030

SENATE FILE 2318

H-6166

1 Amend Senate File 2318, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 2, line 5, by striking the words "the
4 state" and inserting the following: "state".

5 2. Page 4, by striking lines 6 through 15 and
6 inserting the following: "from that estimated
7 revenue. The estimates".

8 3. By striking page 4, line 30 through page 5,
9 line 4 and inserting the following:

10 "DIVISION _____
11 GAAP ITEMS _____

12 Sec. _____. Section 8.53, unnumbered paragraph 1,
13 Code 1993, is amended to read as follows:

14 For the fiscal year beginning July 1, 1992, and the
15 two ~~three~~ succeeding fiscal years, the governor shall
16 recommend in the governor's budget and the general
17 assembly shall provide funds to eliminate the state
18 generally accepted accounting principles (GAAP)
19 deficit, as reported in the state's comprehensive
20 annual financial report issued during the prior fiscal
21 year, and taking into account the revised GAAP
22 standards that are projected to be in place by the
23 fiscal year ending in 1995, either through the
24 appropriation of specific funds to provide an
25 adjustment in the GAAP deficit or by setting funds
26 aside in a special account in an amount equal to the
27 GAAP deficit.

28 Sec. _____. Section 8.57, Code 1993, is amended by
29 adding the following new subsections:

30 NEW SUBSECTION. 5. This subsection applies to the
31 schedule developed and moneys provided for the purpose
32 of eliminating Iowa's GAAP deficit which, in
33 accordance with subsection 2, is required to be
34 submitted at the time of the governor's budget.
35 Commencing with the budget for the fiscal year
36 beginning July 1, 1996, and in subsequent fiscal
37 years, the department of management shall include in
38 the schedule obligations listed in the state
39 comprehensive annual financial report prepared in
40 accordance with generally accepted accounting
41 principles. If the schedule includes an obligation
42 for which a statute authorizes payment, the department
43 shall include a proposal to amend the statute to
44 require payment in the fiscal year to which the
45 obligation is charged. Items included in the schedule
46 pursuant to this subsection shall be paid by the
47 department as provided in subsection 2.

48 NEW SUBSECTION. 6. A rebuild Iowa infrastructure
49 account is created under the authority of the
50 department of management. Moneys in the account shall

H-6166

H-6166

Page 2

1 be used as directed by the general assembly for public
2 infrastructure-related expenditures. The general
3 assembly may provide that all or part of the moneys
4 deposited in the GAAP deficit reduction account
5 created in this section shall be transferred to the
6 infrastructure account in lieu of appropriation of the
7 moneys to the Iowa economic emergency fund.

8 Sec. 100. Section 257.16, unnumbered paragraph 2,
9 Code 1993, is amended to read as follows:

10 All state aids paid under this chapter, unless
11 otherwise stated, shall be paid in monthly
12 installments beginning on September 15 of a budget
13 year and ending on or about June 15 of the budget year
14 as determined by the department of management, ~~taking~~
15 ~~into consideration the relative budget and cash~~
16 ~~position of the state resources. However, an amount~~
17 ~~of state school foundation aid equal to the general~~
18 ~~allocation of the school district as determined under~~
19 ~~section 485A.2 and the amount of the tax credit for~~
20 ~~livestock pursuant to section 442.27 subsection 2, as~~
21 ~~it appeared in the 1987 Code, shall be paid to the~~
22 ~~school district on July 15 of the subsequent fiscal~~
23 ~~year, and the appropriation for this amount shall be~~
24 ~~made for the fiscal year during which the payment is~~
25 ~~made. -- However, the state aid paid to school districts~~
26 ~~under section 257.13 shall be paid in monthly~~
27 ~~installments beginning on December 15 and ending on~~
28 ~~June 15 of a budget year.~~

29 Sec. 200. Section 260D.12, Code 1993, is amended
30 to read as follows:

31 260D.12 PAYMENT OF APPROPRIATION.

32 Payment of appropriations for distribution under
33 this chapter or of appropriations made in lieu of such
34 appropriations, shall be made by the department of
35 revenue and finance in four installments due on or
36 about August 15, November 15, February 15, and May 15
37 of a budget year and on or about August 15 of the next
38 following budget year, and installments shall be as
39 nearly equal as possible, as determined by the
40 department of revenue and finance, ~~taking into~~
41 consideration the relative budget and cash position of
42 the state resources.

43 ~~The payment made on or about August 15 of the next~~
44 ~~following budget year is an account receivable for the~~
45 ~~budget year.~~

46 Sec. 300. Section 285.2, unnumbered paragraph 5,
47 Code 1993, is amended to read as follows:

48 Claims shall be accompanied by an affidavit of an
49 officer of the public school district affirming the
50 accuracy of the claim. By February 1 and by July June

H-6166

H-6166

Page 3

1 15 of each year, the department shall certify to the
2 department of revenue and finance the amounts of
3 approved claims to be paid, and the department of
4 revenue and finance shall draw warrants payable to
5 school districts which have established claims.
6 Claims shall be allowed where practical, and at the
7 option of the public school district of the pupil's
8 residence, subject to approval by the area education
9 agency of the pupil's residence, under section 285.9,
10 subsection 3, the public school district of the
11 pupil's residence may transport a pupil to a school
12 located in a contiguous public school district outside
13 the boundary lines of the public school district of
14 the pupil's residence. The public school district of
15 the pupil's residence may contract with the contiguous
16 public school district or with a private contractor
17 under section 285.5 to transport the pupils to the
18 school of attendance within the boundary lines of the
19 contiguous public school district. The public school
20 district in which the pupil resides may contract with
21 the contiguous public school district or with a
22 private contractor under section 285.5 to transport
23 the pupil from the pupil's residence or from
24 designated school bus collection locations to the
25 school located within the boundary lines of the
26 contiguous public school district, subject to the
27 approval of the area education agency of the pupil's
28 residence. The public school district of the pupil's
29 residence may utilize the reimbursement provisions of
30 section 285.1, subsection 3.

31 Sec. 400. Section 303.18, unnumbered paragraph 2,
32 Code Supplement 1993, is amended to read as follows:

33 The historical division shall repay ~~a portion of~~
34 the amount of the loan together with annual interest
35 payments due on the balance of the loan over a ten-
36 year period commencing with the fiscal year beginning
37 July 1, 1987. Payments shall be made from gross
38 receipts and other moneys available to the historical
39 division. The historical division shall solicit
40 voluntary contributions on behalf of the historical
41 division, at the entrance and other locations
42 throughout the state historical building for purposes
43 of raising funds for making payments under this
44 section. Payments of both principal and interest made
45 by the state historical division under this section
46 shall be paid quarterly and shall be considered
47 interest earned on the permanent school fund to the
48 extent necessary for payment of interest to the first
49 in the nation in education foundation under section
50 257B.1A.

H-6166

H-6166

Page 4

1 Sec. _____. Section 421.31, subsection 5, Code 1993,
2 is amended to read as follows:

3 5. ACCOUNTS. To keep the central budget and
4 proprietary control accounts of the state government
5 in accordance with generally accepted accounting
6 principles. Budget accounts are those accounts
7 maintained to control the receipt and disposition of
8 all funds, appropriations, and allotments.
9 Proprietary accounts are those accounts relating to
10 assets, liabilities, income, and expense. For each
11 fiscal year, the financial position and results of
12 operations of the state shall be reported in a
13 comprehensive annual financial report prepared in
14 accordance with generally accepted accounting
15 principles, as established by the governmental
16 accounting standards board.

17 Sec. _____. GAAP DEFICIT REDUCTION ACCOUNT.

18 1. The department of management shall utilize the
19 moneys deposited during the fiscal year beginning July
20 1, 1994, and succeeding fiscal years, in the GAAP
21 deficit reduction account created in section 8.57 for
22 payment of the following list of items. Any items
23 included in a schedule developed by the department
24 pursuant to section 8.57, subsection 5, as enacted by
25 this Act, shall be in addition to the list provided in
26 this section. Notwithstanding the Code section
27 specified in the list or any provision to the
28 contrary, payment of an item included in the list
29 shall be in the same fiscal year the item is due or
30 the expense of the item is incurred. Payment for the
31 items shall be made in the following descending
32 priority order:

- 33 a. Education of children placed in foster care.
- 34 b. Women, infants, and children program.
- 35 c. Education of children placed by the district
36 court.
- 37 d. Human services decategorization projects.
- 38 e. Permanent school fund loan.
- 39 f. Franchise tax.
- 40 g. Expenditures incurred by school districts for
41 vocational education aid to secondary schools.
- 42 h. Nonpublic school transportation paid under
43 section 285.2.
- 44 i. Notwithstanding chapter 260D for state
45 financial aid, including general financial aid to
46 merged areas in lieu of personal property tax
47 replacement payments under section 427A.13, to merged
48 areas to be used for expenditures incurred by the
49 community colleges.
- 50 j. School aid property credits paid under section

H-6166

-4-

H-6166

Page 5

1 257.16.

2 k. Accrued salaries.

3 2. If a specific appropriation made by the
4 Seventy-fifth General Assembly, 1994 Session, for the
5 fiscal year beginning July 1, 1995, and ending June
6 30, 1996, is paid in whole or part under this section,
7 the specific appropriation shall be reduced by the
8 amount paid under this section.

9 Sec. ____ . CONTINGENT EFFECTIVE DATE. Sections
10 100, 200, 300, and 400 of this division shall take
11 effect upon the publication date of the state
12 comprehensive annual financial report prepared in
13 accordance with generally accepted accounting
14 principles which indicates that the payment of the
15 obligation described in the section is made in
16 accordance with generally accepted accounting
17 principles. A report shall be made by the department
18 of management to the Code editor on or before the
19 publication date of the report."

20 4. Title page, line 1, by inserting after the
21 word "processes" the following: "and providing
22 effective dates."

By COMMITTEE ON APPROPRIATIONS
CORBETT of Linn, Chairperson

H-6166 FILED APRIL 14, 1994

*adopted 4-15-94**(P1811)*

SENATE FILE 2318

H-6237

1 Amend the amendment, H-6166, to Senate File 2318,
2 as amended, passed, and reprinted by the Senate, as
3 follows:

4 1. Page 1, line 15, by striking the words "two
5 three" and inserting the following: "two".

6 2. Page 1, by striking lines 21 through 23 and
7 inserting the following: "year, and taking into
8 account the revised GAAP standards that are projected
9 to-be in place by for the fiscal year ending in 1995,
10 either through the".

11 3. Page 1, by inserting after line 27 the
12 following:

13 "Sec. _____. Section 8.55, subsection 1, Code 1993,
14 is amended to read as follows:

15 1. The Iowa economic emergency fund is created.
16 The fund shall be separate from the general fund of
17 the state and the balance in the fund shall not be
18 considered part of the balance of the general fund of
19 the state. The moneys in the fund shall not revert to
20 the general fund, notwithstanding section 8.33, unless
21 and to the extent the fund exceeds the maximum
22 balance. However, the fund shall be considered a
23 special account for the purposes of section 8.53.

24 Sec. _____. Section 8.56, subsection 1, Code 1993,
25 is amended to read as follows:

26 1. A cash reserve fund is created in the state
27 treasury. The cash reserve fund shall be separate
28 from the general fund of the state and shall not be
29 considered part of the general fund of the state
30 except in determining the cash position of the state
31 as provided in subsection 3. The moneys in the cash
32 reserve fund are not subject to section 8.33 and shall
33 not be transferred, used, obligated, appropriated, or
34 otherwise encumbered except as provided in this
35 section. Notwithstanding section 12C.7, subsection 2,
36 interest or earnings on moneys deposited in the cash
37 reserve fund shall be credited to the Iowa economic
38 emergency fund. Moneys in the cash reserve fund may
39 be used for cash flow purposes provided that any
40 moneys so allocated are returned to the cash reserve
41 fund by the end of each fiscal year. However, the
42 fund shall be considered a special account for the
43 purposes of section 8.53.

44 Sec. _____. Section 8.57, subsections 2 and 3, Code
45 1993, are amended to read as follows:

46 2. Moneys appropriated under subsection 1 shall be
47 first credited to the cash reserve fund. To the
48 extent that moneys appropriated under subsection 1
49 would make the moneys in the cash reserve fund exceed
50 the cash reserve goal percentage of the adjusted

H-6237

-1-

H-6237

Page 2

1 revenue estimate for the fiscal year, the moneys are
2 appropriated to the department of management to be
3 spent for the purpose of eliminating Iowa's GAAP
4 deficit, including the payment of items budgeted in a
5 subsequent fiscal year which under generally accepted
6 accounting principles should be budgeted in the
7 current fiscal year. These moneys shall be deposited
8 into a GAAP deficit reduction account established
9 within the department of management. Unspent moneys
10 in this account shall be available for expenditure for
11 subsequent fiscal years. The department of management
12 shall annually file with both houses of the general
13 assembly at the time of the submission of the
14 governor's budget, a schedule of the items for which
15 moneys appropriated under this subsection for the
16 purpose of eliminating Iowa's GAAP deficit, including
17 the payment of items budgeted in a subsequent fiscal
18 year which under generally accepted accounting
19 principles should be budgeted in the current fiscal
20 year, shall be spent in the fiscal year commencing
21 July 1 following the date of the filing of the report.
22 The schedule shall indicate the fiscal year in which
23 the spending for an item is to take place and shall
24 incorporate the items detailed in 1994 Iowa Acts,
25 Senate File 2318, section 600. The schedule shall
26 list each item of expenditure and the maximum
27 estimated dollar amount of moneys to be spent on that
28 item for the fiscal year. The department of
29 management may submit during a regular legislative
30 session an amended schedule for legislative
31 consideration. If moneys appropriated under this
32 subsection are not enough to pay for all listed
33 expenditures, the department of management shall
34 allocate distribute the payments among the listed
35 expenditure items. Moneys appropriated to the
36 department of management under this subsection shall
37 not be spent on items other than those included in the
38 filed schedule. After elimination of the GAAP
39 deficit, including elimination of the making of any
40 appropriation in an incorrect fiscal year, any moneys
41 in the GAAP deficit reduction account shall be
42 appropriated to the Iowa economic emergency fund.
43 3. To the extent that moneys appropriated under
44 subsection 1 exceed the amounts necessary for the cash
45 reserve fund to reach its maximum balance and the
46 amounts necessary to eliminate Iowa's GAAP deficit,
47 including elimination of the making of any
48 appropriation in an incorrect fiscal year, the moneys
49 shall be appropriated to the Iowa economic emergency
50 fund."

H-6237

-2-

H-6237

Page 3

- 1 4. Page 1, line 29, by striking the word
2 "subsections" and inserting the following:
3 "subsection".
- 4 5. Page 1, by striking lines 30 through 47.
- 5 6. Page 1, line 48, by striking the figure "6"
6 and inserting the following: "5".
- 7 7. Page 2, by striking lines 14 through 16 and
8 inserting the following: "as determined by the
9 department of management, taking into consideration
10 the relative budget and cash position of the state
11 resources. ~~However,--an-amount~~".
- 12 8. Page 2, by striking lines 36 and inserting the
13 following: "about November 15, February 15, and May
14 15, and August 15".
- 15 9. Page 2, by striking lines 40 through 42 and
16 inserting the following: "department of revenue and
17 finance, taking into consideration the relative budget
18 and cash position of the state resources."
- 19 10. Page 2, line 50, by striking the words "by
20 July" and inserting the following: "by July on or
21 about".
- 22 11. Page 4, by striking lines 4 through 6 and
23 inserting the following: "proprietary control
24 accounts of the general fund of the state and special
25 funds, as defined in section 8.2, of the state
26 government. Upon elimination of the state deficit
27 under generally accepted accounting principles,
28 including the payment of items budgeted in a
29 subsequent fiscal year which under generally accepted
30 accounting principles should be budgeted in the
31 current fiscal year, the recognition of revenues
32 received and expenditures paid and transfers received
33 and paid within the time period required pursuant to
34 section 8.33, shall be in accordance with generally
35 accepted accounting principles. Budget accounts are
36 those accounts".
- 37 12. Page 4, line 17, by striking the word
38 "Sec. ___." and inserting the following: "Sec.
39 600."
- 40 13. Page 4, line 18, by striking the figure "1."
- 41 14. Page 4, by striking lines 22 through 26 and
42 inserting the following: "payment of the following
43 list of items. Notwithstanding the Code section".
- 44 15. Page 4, line 32, by inserting after the word
45 "order" the following: ", where feasible".
- 46 16. Page 4, line 33, by striking the word "a."
47 and inserting the following: "1."
- 48 17. Page 4, line 34, by striking the word "b."
49 and inserting the following: "2."
- 50 18. Page 4, line 35, by striking the word "c." and

H-6237

-3-

H-6237

Page 4

- 1 inserting the following: "3."
- 2 19. Page 4, line 37, by striking the word "d."
- 3 and inserting the following: "4."
- 4 20. Page 4, line 38, by striking the word "e."
- 5 and inserting the following: "5."
- 6 21. Page 4, line 39, by striking the word "f."
- 7 and inserting the following: "6."
- 8 22. Page 4, line 40, by striking the word "g."
- 9 and inserting the following: "7."
- 10 23. Page 4, line 42, by striking the word "h."
- 11 and inserting the following: "8."
- 12 24. Page 4, line 44, by striking the word "i."
- 13 and inserting the following: "9."
- 14 25. Page 4, line 50, by striking the word "j."
- 15 and inserting the following: "10."
- 16 26. Page 5, line 2, by striking the word "k." and
- 17 inserting the following: "11."
- 18 27. Page 5, by striking lines 3 through 8 and
- 19 inserting the following:
- 20 "12. Other items included in the schedule filed by
- 21 the department of management in accordance with
- 22 section 8.57."
- 23 28. By renumbering as necessary.

By CORBETT of Linn

H-6237 FILED APRIL 15, 1994

*Adopted 4-15-94
(P 1910)*

HOUSE AMENDMENT TO
SENATE FILE 2318

S-5695

1 Amend Senate File 2318, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 2, line 5, by striking the words "the
4 state" and inserting the following: "state".

5 2. Page 4, by striking lines 6 through 15 and
6 inserting the following: "from that estimated
7 revenue. The estimates".

8 3. By striking page 4, line 30 through page 5,
9 line 4 and inserting the following:

10 "DIVISION _____
11 GAAP ITEMS _____

12 Sec. _____. Section 8.53, unnumbered paragraph 1,
13 Code 1993, is amended to read as follows:

14 For the fiscal year beginning July 1, 1992, and the
15 two succeeding fiscal years, the governor shall
16 recommend in the governor's budget and the general
17 assembly shall provide funds to eliminate the state
18 generally accepted accounting principles (GAAP)
19 deficit, as reported in the state's comprehensive
20 annual financial report issued during the prior fiscal
21 year, and taking into account the revised GAAP
22 standards that are ~~projected-to-be~~ in place by for the
23 fiscal year ending in 1995, either through the
24 appropriation of specific funds to provide an
25 adjustment in the GAAP deficit or by setting funds
26 aside in a special account in an amount equal to the
27 GAAP deficit.

28 Sec. _____. Section 8.55, subsection 1, Code 1993,
29 is amended to read as follows:

30 1. The Iowa economic emergency fund is created.
31 The fund shall be separate from the general fund of
32 the state and the balance in the fund shall not be
33 considered part of the balance of the general fund of
34 the state. The moneys in the fund shall not revert to
35 the general fund, notwithstanding section 8.33, unless
36 and to the extent the fund exceeds the maximum
37 balance. However, the fund shall be considered a
38 special account for the purposes of section 8.53.

39 Sec. _____. Section 8.56, subsection 1, Code 1993,
40 is amended to read as follows:

41 1. A cash reserve fund is created in the state
42 treasury. The cash reserve fund shall be separate
43 from the general fund of the state and shall not be
44 considered part of the general fund of the state
45 except in determining the cash position of the state
46 as provided in subsection 3. The moneys in the cash
47 reserve fund are not subject to section 8.33 and shall
48 not be transferred, used, obligated, appropriated, or
49 otherwise encumbered except as provided in this
50 section. Notwithstanding section 12C.7, subsection 2,

S-5695

S-5695

Page 2

1 interest or earnings on moneys deposited in the cash
2 reserve fund shall be credited to the Iowa economic
3 emergency fund. Moneys in the cash reserve fund may
4 be used for cash flow purposes provided that any
5 moneys so allocated are returned to the cash reserve
6 fund by the end of each fiscal year. However, the
7 fund shall be considered a special account for the
8 purposes of section 8.53.

9 Sec. ____ . Section 8.57, subsections 2 and 3, Code
10 1993, are amended to read as follows:

11 2. Moneys appropriated under subsection 1 shall be
12 first credited to the cash reserve fund. To the
13 extent that moneys appropriated under subsection 1
14 would make the moneys in the cash reserve fund exceed
15 the cash reserve goal percentage of the adjusted
16 revenue estimate for the fiscal year, the moneys are
17 appropriated to the department of management to be
18 spent for the purpose of eliminating Iowa's GAAP
19 deficit, including the payment of items budgeted in a
20 subsequent fiscal year which under generally accepted
21 accounting principles should be budgeted in the
22 current fiscal year. These moneys shall be deposited
23 into a GAAP deficit reduction account established
24 within the department of management. Unspent moneys
25 in this account shall be available for expenditure for
26 subsequent fiscal years. The department of management
27 shall annually file with both houses of the general
28 assembly at the time of the submission of the
29 governor's budget, a schedule of the items for which
30 moneys appropriated under this subsection for the
31 purpose of eliminating Iowa's GAAP deficit, including
32 the payment of items budgeted in a subsequent fiscal
33 year which under generally accepted accounting
34 principles should be budgeted in the current fiscal
35 year, shall be spent in-the-fiscal-year-commencing
36 July-1-following-the-date-of-the-filing-of-the-report.
37 The schedule shall indicate the fiscal year in which
38 the spending for an item is to take place and shall
39 incorporate the items detailed in 1994 Iowa Acts,
40 Senate File 2318, section 600. The schedule shall
41 list each item of expenditure and the maximum
42 estimated dollar amount of moneys to be spent on that
43 item for the fiscal year. The department of
44 management may submit during a regular legislative
45 session an amended schedule for legislative
46 consideration. If moneys appropriated under this
47 subsection are not enough to pay for all listed
48 expenditures, the department of management shall
49 allocate distribute the payments among the listed
50 expenditure items. Moneys appropriated to the

S-5695

-2-

S-5695

Page 3

1 department of management under this subsection shall
2 not be spent on items other than those included in the
3 filed schedule. After elimination of the GAAP
4 deficit, including elimination of the making of any
5 appropriation in an incorrect fiscal year, any moneys
6 in the GAAP deficit reduction account shall be
7 appropriated to the Iowa economic emergency fund.

8 3. To the extent that moneys appropriated under
9 subsection 1 exceed the amounts necessary for the cash
10 reserve fund to reach its maximum balance and the
11 amounts necessary to eliminate Iowa's GAAP deficit,
12 including elimination of the making of any
13 appropriation in an incorrect fiscal year, the moneys
14 shall be appropriated to the Iowa economic emergency
15 fund.

16 Sec. ____ . Section 8.57, Code 1993, is amended by
17 adding the following new subsection:

18 NEW SUBSECTION. 5. A rebuild Iowa infrastructure
19 account is created under the authority of the
20 department of management. Moneys in the account shall
21 be used as directed by the general assembly for public
22 infrastructure-related expenditures. The general
23 assembly may provide that all or part of the moneys
24 deposited in the GAAP deficit reduction account
25 created in this section shall be transferred to the
26 infrastructure account in lieu of appropriation of the
27 moneys to the Iowa economic emergency fund.

28 Sec. 100. Section 257.16, unnumbered paragraph 2,
29 Code 1993, is amended to read as follows:

30 All state aids paid under this chapter, unless
31 otherwise stated, shall be paid in monthly
32 installments beginning on September 15 of a budget
33 year and ending on or about June 15 of the budget year
34 as determined by the department of management, taking
35 into consideration the relative budget and cash
36 position of the state resources. ~~However, an amount~~
37 ~~of state school foundation aid equal to the general~~
38 ~~allocation of the school district as determined under~~
39 ~~section 405A.2 and the amount of the tax credit for~~
40 ~~livestock pursuant to section 442.2, subsection 2, as~~
41 ~~it appeared in the 1987 Code, shall be paid to the~~
42 ~~school district on July 15 of the subsequent fiscal~~
43 ~~year, and the appropriation for this amount shall be~~
44 ~~made for the fiscal year during which the payment is~~
45 ~~made. --However, the state aid paid to school districts~~
46 ~~under section 257.13 shall be paid in monthly~~
47 ~~installments beginning on December 15 and ending on~~
48 ~~June 15 of a budget year.~~

49 Sec. 200. Section 260D.12, Code 1993, is amended
50 to read as follows:

S-5695

-3-

S-5695

Page 4

1 260D.12 PAYMENT OF APPROPRIATION.

2 Payment of appropriations for distribution under
3 this chapter or of appropriations made in lieu of such
4 appropriations, shall be made by the department of
5 revenue and finance in four installments due on or
6 about November 15, February 15, and May 15, and August
7 15 of a budget year and-on-or-about-August-15-of-the
8 next-following-budget-year, and instaliments shall be
9 as nearly equal as possible, as determined by the
10 department of revenue and finance, taking into
11 consideration the relative budget and cash position of
12 the state resources.

13 ~~The payment made on or about August 15 of the next~~
14 ~~following budget year is an account receivable for the~~
15 ~~budget year.~~

16 Sec. 300. Section 285.2, unnumbered paragraph 5,
17 Code 1993, is amended to read as follows:

18 Claims shall be accompanied by an affidavit of an
19 officer of the public school district affirming the
20 accuracy of the claim. By February 1 and by July on
21 or about June 15 of each year, the department shall
22 certify to the department of revenue and finance the
23 amounts of approved claims to be paid, and the
24 department of revenue and finance shall draw warrants
25 payable to school districts which have established
26 claims. Claims shall be allowed where practical, and
27 at the option of the public school district of the
28 pupil's residence, subject to approval by the area
29 education agency of the pupil's residence, under
30 section 285.9, subsection 3, the public school
31 district of the pupil's residence may transport a
32 pupil to a school located in a contiguous public
33 school district outside the boundary lines of the
34 public school district of the pupil's residence. The
35 public school district of the pupil's residence may
36 contract with the contiguous public school district or
37 with a private contractor under section 285.5 to
38 transport the pupils to the school of attendance
39 within the boundary lines of the contiguous public
40 school district. The public school district in which
41 the pupil resides may contract with the contiguous
42 public school district or with a private contractor
43 under section 285.5 to transport the pupil from the
44 pupil's residence or from designated school bus
45 collection locations to the school located within the
46 boundary lines of the contiguous public school
47 district, subject to the approval of the area
48 education agency of the pupil's residence. The public
49 school district of the pupil's residence may utilize
50 the reimbursement provisions of section 285.1,

S-5695

-4-

S-5695

Page 5

1 subsection 3.

2 Sec. 400. Section 303.18, unnumbered paragraph 2,
3 Code Supplement 1993, is amended to read as follows:

4 The historical division shall repay ~~a portion of~~
5 the amount of the loan together with annual interest
6 payments due on the balance of the loan over a ten-
7 year period commencing with the fiscal year beginning
8 July 1, 1987. Payments shall be made from gross
9 receipts and other moneys available to the historical
10 division. The historical division shall solicit
11 voluntary contributions on behalf of the historical
12 division, at the entrance and other locations
13 throughout the state historical building for purposes
14 of raising funds for making payments under this
15 section. Payments of both principal and interest made
16 by the state historical division under this section
17 shall be paid quarterly and shall be considered
18 interest earned on the permanent school fund to the
19 extent necessary for payment of interest to the first
20 in the nation in education foundation under section
21 257B.1A.

22 Sec. _____. Section 421.31, subsection 5, Code 1993,
23 is amended to read as follows:

24 5. ACCOUNTS. To keep the central budget and
25 proprietary control accounts of the general fund of
26 the state and special funds, as defined in section
27 8.2, of the state government. Upon elimination of the
28 state deficit under generally accepted accounting
29 principles, including the payment of items budgeted in
30 a subsequent fiscal year which under generally
31 accepted accounting principles should be budgeted in
32 the current fiscal year, the recognition of revenues
33 received and expenditures paid and transfers received
34 and paid within the time period required pursuant to
35 section 8.33, shall be in accordance with generally
36 accepted accounting principles. Budget accounts are
37 those accounts maintained to control the receipt and
38 disposition of all funds, appropriations, and
39 allotments. Proprietary accounts are those accounts
40 relating to assets, liabilities, income, and expense.
41 For each fiscal year, the financial position and
42 results of operations of the state shall be reported
43 in a comprehensive annual financial report prepared in
44 accordance with generally accepted accounting
45 principles, as established by the governmental
46 accounting standards board.

47 Sec. 600. GAAP DEFICIT REDUCTION ACCOUNT.

48 The department of management shall utilize the
49 moneys deposited during the fiscal year beginning July
50 1, 1994, and succeeding fiscal years, in the GAAP

S-5695

-5-

S-5695

Page 6

1 deficit reduction account created in section 8.57 for
2 payment of the following list of items.
3 Notwithstanding the Code section specified in the list
4 or any provision to the contrary, payment of an item
5 included in the list shall be in the same fiscal year
6 the item is due or the expense of the item is
7 incurred. Payment for the items shall be made in the
8 following descending priority order, where feasible:
9 1. Education of children placed in foster care.
10 2. Women, infants, and children program.
11 3. Education of children placed by the district
12 court.
13 4. Human services decategorization projects.
14 5. Permanent school fund loan.
15 6. Franchise tax.
16 7. Expenditures incurred by school districts for
17 vocational education aid to secondary schools.
18 8. Nonpublic school transportation paid under
19 section 285.2.
20 9. Notwithstanding chapter 260D for state
21 financial aid, including general financial aid to
22 merged areas in lieu of personal property tax
23 replacement payments under section 427A.13, to merged
24 areas to be used for expenditures incurred by the
25 community colleges.
26 10. School aid property credits paid under section
27 257.16.
28 11. Accrued salaries.
29 12. Other items included in the schedule filed by
30 the department of management in accordance with
31 section 8.57.
32 Sec. ____ . CONTINGENT EFFECTIVE DATE. Sections
33 100, 200, 300, and 400 of this division shall take
34 effect upon the publication date of the state
35 comprehensive annual financial report prepared in
36 accordance with generally accepted accounting
37 principles which indicates that the payment of the
38 obligation described in the section is made in
39 accordance with generally accepted accounting
40 principles. A report shall be made by the department
41 of management to the Code editor on or before the
42 publication date of the report."
43 4. Title page, line 1, by inserting after the
44 word "processes" the following: "and providing
45 effective dates."

RECEIVED FROM THE HOUSE

S-5695 FILED APRIL 16, 1994

*Senate concurred as amended
4/14/94 (p. 1332)*

SENATE FILE 2318

S-5711

1 Amend the House amendment, S-5695, to Senate File
2 2318, as amended, passed, and reprinted by the Senate,
3 as follows:

4 1. Page 1, by inserting after line 4 the
5 following:

6 "_____. By striking page 2, line 11 through page 3,
7 line 32."

8 2. Page 1, by striking line 11 and inserting the
9 following:

10 "MANAGEMENT OF FUNDS

11 Sec. _____. Section 8.39, subsection 2, Code 1993,
12 is amended to read as follows:

13 2. If the appropriation of a department,
14 institution, or agency is insufficient to properly
15 meet the legitimate expenses of the department,
16 institution, or agency, the director, with the
17 approval of the governor, may make an
18 interdepartmental transfer from any other department,
19 institution, or agency of the state having an
20 appropriation in excess of its needs, of sufficient
21 funds to meet that deficiency. An interdepartmental
22 transfer to an appropriation which is not an
23 entitlement appropriation is not authorized when the
24 general assembly is in regular session and, in
25 addition, the sum of interdepartmental transfers in a
26 fiscal year to an appropriation which is not an
27 entitlement appropriation shall not exceed fifty
28 percent of the amount of the appropriation as enacted
29 by the general assembly. For the purposes of this
30 subsection, an entitlement appropriation is a line
31 item appropriation to the department of human services
32 for foster care, state supplementary assistance, or
33 medical assistance, or for the family investment
34 program."

By LARRY MURPHY

S-5711 FILED APRIL 18, 1994
ADOPTED (p. 1382)

SENATE AMENDMENT TO HOUSE AMENDMENT TO SENATE FILE 2318
H-6275

1 Amend the House amendment, S-5695, to Senate File
2 2318, as amended, passed, and reprinted by the Senate,
3 as follows:

4 1. Page 1, by inserting after line 4 the
5 following:

6 "____. By striking page 2, line 11 through page 3,
7 line 32."

8 2. Page 1, by striking line 11 and inserting the
9 following:

10 "MANAGEMENT OF FUNDS

11 Sec. ____ . Section 8.39, subsection 2, Code 1993,
12 is amended to read as follows:

13 2. If the appropriation of a department,
14 institution, or agency is insufficient to properly
15 meet the legitimate expenses of the department,
16 institution, or agency, the director, with the
17 approval of the governor, may make an
18 interdepartmental transfer from any other department,
19 institution, or agency of the state having an
20 appropriation in excess of its needs, of sufficient
21 funds to meet that deficiency. An interdepartmental
22 transfer to an appropriation which is not an
23 entitlement appropriation is not authorized when the
24 general assembly is in regular session and, in
25 addition, the sum of interdepartmental transfers in a
26 fiscal year to an appropriation which is not an
27 entitlement appropriation shall not exceed fifty
28 percent of the amount of the appropriation as enacted
29 by the general assembly. For the purposes of this
30 subsection, an entitlement appropriation is a line
31 item appropriation to the department of human services
32 for foster care, state supplementary assistance, or
33 medical assistance, or for the family investment
34 program."

RECEIVED FROM THE SENATE

H-6275 FILED APRIL 18, 1994

House Concurred
4/18/94
(P. 1872)

SENATE FILE 2318
FISCAL NOTE

A fiscal note for Senate File 2318 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2318, as passed by the Senate, prohibits the Governor from submitting and the Legislature from passing, a budget including appropriations with specified reversions. The bill also allows State agencies to encumber up to 50.0% of the unused appropriations to General Fund Operations accounts for FY 1995 and FY 1996 for employee training and technology enhancement. The remainder of the unused appropriation would be deposited in the Cash Reserve Fund. Appropriations receiving Section 8.39, Code of Iowa transfers could not be encumbered for employee training and technology enhancement. The bill states that if the amount encumbered would cause a General Fund deficit, the Department of Management would determine the amount needed to eliminate the deficit and that amount would be prorated among the agencies and the encumbered amount would be reduced by the agency's share of the proration.

The Governor, Supreme Court, and the General Assembly would be required to develop a 5-year strategic plan providing long term goals and objectives for the State. The plan will be presented to the Governor and the General Assembly at the same time. An annual update is required. The first plan will be for FY 1996 and will be submitted by the executive and judicial branches in December 1994.

The bill also requires the Revenue Estimating Conference to estimate tax refunds for the fiscal years revenue estimates are provided. Within 14 days after the Governor's budget is released, the conference will meet and estimate the effect of any revenue provisions included in the Governor's budget if enacted. If a new revenue is enacted while the General Assembly is in session, the conference will meet within 14 days of enactment to determine the effect of the revenue. The bill redefines the scope of expenditure so the Iowa economic emergency fund, the Cash Reserve Fund, or the GAAP Deficit Fund are excluded.

ASSUMPTIONS:

1. The reverted amount would equal the average reversions to the General Fund from operating budgets for FY 1991, FY 1992, and FY 1993.
2. The departments would use the maximum of 50.0% for training or technology enhancements.
3. No Section 8.39 transfers would occur.

Fiscal Effect:

The average annual amount reverted to the General Fund from operating budgets in FY 1991 - 1993 was \$10.7 million. Under Senate File 2318, moneys would not revert to the General Fund. Instead, \$5.3 million would be used for technology enhancements and training and the remainder would be deposited in the Cash

-2-

Reserve Fund.

(LSB 4211sv.4, T

FILED APRIL 12, 1994

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2318
FISCAL NOTE

A fiscal note for Senate File 2318 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2318 prohibits the Governor from submitting and the Legislature from passing, a budget including appropriations with specified reversions. The bill also allows State agencies to encumber up to 50.0% of the unused appropriations for FY 1995 and FY 1996 for employee training and technology enhancement. The remainder of the unused appropriation would be deposited in the Cash Reserve fund. Appropriations receiving Section 8.39 Code of Iowa transfers could not be encumbered.

Assumptions:

1. The reverted amount would equal the average reversions to the General Fund and Other Funds from operating budgets for FY 1991, FY 1992, and FY 1993. Note that in FY 1993 departments were required to revert a portion of moneys budgeted for equipment and travel to the General Fund.
2. The departments would use the maximum of 50.0% for training or technology enhancements.
3. No Section 8.39 transfers would occur.

Fiscal Effect:

The average annual amount reverted to the General Fund from operating Budgets in FY 1991 - 1993 was \$10.7 million. Senate File 2318 would not allow the moneys to be reverted to the General Fund. Instead, \$5.3 million could be used for technology enhancements and training and the remainder would be deposited in the Cash Reserve Fund.

The average annual amount reverted to the Other Funds from Operating Budgets in FY 1991 - 93 was \$6.8 million. These moneys would not revert to the appropriating fund. Instead, \$3.4 million could be used for technology enhancements and training and an equal amount would be deposited in the Cash Reserve Fund.
(LSB 4211sv.3, TAF)

FILED APRIL 12, 1994

BY DENNIS PROUTY, FISCAL DIRECTOR

**SENATE FILE 2318
FISCAL NOTE**

A fiscal note for Amendment H-6166 to Senate File 2318 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-6166 to SF 2318 makes various changes to the State budget processes. The only item in the amendment with a fiscal impact to the General Fund is the requirement that State Aid to schools to be paid by June 15 of the fiscal year the expenses are incurred, regardless of the cash position of the General Fund.

Other items:

1. Requires certain items to be paid from the Generally Accepted Accounting Principles (GAAP) Deficit Account. There is no impact to the General Fund for these items, because the necessary funds will be available in the GAAP Deficit Account due to the flow of funds per the expenditure limitation statute.
2. Creates the Rebuild Iowa Infrastructure Account. Allows the General Assembly to transfer funds to the Account that normally would have been appropriated from the GAAP Deficit Account to the Economic Emergency Fund.

Assumptions:

1. Senate File 2318, as amended by the Senate, had a fiscal impact to the General Fund due to a change in handling reversions. That fiscal impact remains unchanged by the House Appropriations Committee amendment.
2. The requirement in H-6166 that School Aid be paid in the appropriate fiscal year will not go into effect until FY 1997.

Fiscal Effect:

Senate File 2318 as amended by the Senate:

The average annual amount reverted to the General Fund from operating budgets in FY 1991 - 1993 was \$10.7 million. Under Senate File 2318, moneys would not revert to the General Fund. Instead, \$5.3 million would be used for technology enhancements and training and the remainder would be deposited in the Cash Reserve Fund.

Amendment H-6166 to SF 2318:

The amendment requires School Aid payments to be paid by June 15 of the fiscal year appropriated, effective upon the publication date of the Certified Annual Financial Report (CAFR) in which all GAAP items have been eliminated. The amount of School Aid payments not paid in the appropriate year, but accounted for in the correct fiscal year, have ranged from \$180.0 to \$300.0 million.

(LSB 4211sv.6, TAF)

Murphy. Chair
Boswell
Gronstal
McLaren
Lind

SSB-2261

Appropriations

SENATE FILE 238
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON MURPHY)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to state budget processes.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 8.54, Code 1993, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 8. The governor shall not submit and the
4 general assembly shall not pass a budget which in order to
5 balance assumes reversion of a specific amount of the total of
6 the appropriations included in the budget.

7 Sec. 2. NEW SECTION. 8.62 USE OF REVERSIONS.

8 For the purposes of this section, "operational
9 appropriation" means an appropriation providing for salary,
10 support, administrative expenses, or other personnel-related
11 costs. Notwithstanding the provisions of section 8.33 or any
12 other provision of law to the contrary, if on June 30 of the
13 fiscal years ending in 1995 and 1996, a balance of an
14 operational appropriation remains unexpended or unencumbered,
15 not more than fifty percent of the balance may be encumbered
16 by the agency to which the appropriation was made and used as
17 provided in this section and the remaining balance shall be
18 deposited in the cash reserve fund created in section 8.56.
19 Moneys encumbered under this section shall only be used by the
20 agency during the succeeding fiscal year for employee training
21 and for technology enhancement. Unused moneys encumbered
22 under this section shall be deposited in the cash reserve fund
23 on June 30 of the succeeding fiscal year. On or before June
24 30, 1996, and 1997, an agency encumbering funds under this
25 section shall report to the joint appropriations subcommittee
26 which recommends funding for the agency, the legislative
27 fiscal bureau, the department of management, and the
28 legislative fiscal committee of the legislative council
29 detailing how the moneys were expended. Moneys shall not be
30 encumbered under this section from an appropriation which
31 received a transfer from another appropriation pursuant to
32 section 8.39. This section is repealed on September 1, 1997.

33 EXPLANATION

34 This bill relates to state budget processes by establishing
35 requirements for potential appropriation reversions. Section

1 8.54, relating to the general fund expenditure limitation, is
2 amended by adding a new subsection in which the governor is
3 prohibited from submitting and the general assembly is
4 prohibited from passing a budget which includes provision for
5 reversion of a specific amount of the total of the appro-
6 priations included in the budget.

7 In a new section, tentatively numbered 8.62, the bill
8 affects appropriations in fiscal years 1994-1995 and 1995-1996
9 by authorizing state agencies to encumber up to 50 percent of
10 unused operational appropriations which would otherwise revert
11 to the fund from which appropriated. The encumbered funds
12 must be used during the succeeding fiscal year for the
13 purposes of employee training and technology enhancement. The
14 remaining portion of the unused appropriation and encumbered
15 moneys which are not used during the succeeding fiscal year
16 shall be deposited in the cash reserve fund. Moneys cannot be
17 encumbered from an appropriation which received a transfer
18 from another appropriation.

19 The agency must report to the joint appropriations
20 subcommittee which recommends funding for the agency, the
21 legislative fiscal bureau, the department of management, and
22 the legislative fiscal committee of the legislative council
23 detailing how the moneys were expended. The report must be
24 submitted by June 30 of the fiscal year succeeding the fiscal
25 year in which the moneys were encumbered. The provision
26 permitting the encumbering of funds is repealed on September
27 1, 1997.

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SENATE FILE 2318

AN ACT
RELATING TO STATE BUDGET PROCESSES AND PROVIDING EFFECTIVE
DATES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I
REVERSIONS

Section 1. Section 8.54, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The governor shall not submit and the general assembly shall not pass a budget which in order to balance assumes reversion of a specific amount of the total of the appropriations included in the budget.

Sec. 2. NEW SECTION. 8.62 USE OF REVERSIONS.

For the purposes of this section, "operational appropriation" means an appropriation from the general fund of the state providing for salary, support, administrative expenses, or other personnel-related costs. Notwithstanding the provisions of section 8.33 or any other provision of law to the contrary, if on June 30 of the fiscal years ending in 1995 and 1996, a balance of an operational appropriation remains unexpended or unencumbered, not more than fifty percent of the balance may be encumbered by the agency to which the appropriation was made and used as provided in this section and the remaining balance shall be deposited in the cash reserve fund created in section 8.56. Moneys encumbered under this section shall only be used by the agency during the succeeding fiscal year for employee training and for technology enhancement. Unused moneys encumbered under this section shall be deposited in the cash reserve fund on June 30 of the succeeding fiscal year. On or before June 30, 1996, and 1997, an agency encumbering funds under this section shall

report to the joint appropriations subcommittee which recommends funding for the agency, the legislative fiscal bureau, the department of management, and the legislative fiscal committee of the legislative council detailing how the moneys were expended. Moneys shall not be encumbered under this section from an appropriation which received a transfer from another appropriation pursuant to section 8.39. This section is repealed on September 1, 1997.

Sec. 3. CONTINGENCY PROVISION FOR USE OF REVERSIONS. For the fiscal year beginning July 1, 1994, and ending June 30, 1995, if the sum of the moneys that agencies would encumber under section 8.62 as enacted by this Act would cause a deficit in the general fund of the state, the department of management shall determine the amount of that sum which is necessary to eliminate the potential deficit. The department shall prorate the determined amount among the agencies and moneys encumbered by an agency under section 8.62 shall be reduced to the extent of that proration.

DIVISION II
EXPENDITURE LIMITATION

Sec. 4. Section 8.22A, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 4. At the meeting in which the conference agrees to the revenue estimate for the following fiscal year in accordance with the provisions of subsection 3, the conference shall agree to an estimate for tax refunds payable from that estimated revenue. The estimates required by this subsection shall be used in determining the adjusted revenue estimate under section 8.54.

Sec. 5. Section 8.54, subsection 1, unnumbered paragraph 1, and paragraph a, Code 1993, are amended to read as follows:

For the purposes of section 8.22A, this section, and sections 8.55 through 8.57:

a. "Adjusted revenue estimate" means the appropriate revenue estimate for the general fund for the following fiscal year as determined by the revenue estimating conference under section 8.22A, subsection 3, adjusted by subtracting estimated

tax refunds payable from that estimated revenue and as determined by the conference, adding any new revenues which may be considered to be eligible for deposit in the general fund.

DIVISION III

MANAGEMENT OF FUNDS

Sec. 6. Section 8.39, subsection 2, Code 1993, is amended to read as follows:

2. If the appropriation of a department, institution, or agency is insufficient to properly meet the legitimate expenses of the department, institution, or agency, the director, with the approval of the governor, may make an interdepartmental transfer from any other department, institution, or agency of the state having an appropriation in excess of its needs, of sufficient funds to meet that deficiency. An interdepartmental transfer to an appropriation which is not an entitlement appropriation is not authorized when the general assembly is in regular session and, in addition, the sum of interdepartmental transfers in a fiscal year to an appropriation which is not an entitlement appropriation shall not exceed fifty percent of the amount of the appropriation as enacted by the general assembly. For the purposes of this subsection, an entitlement appropriation is a line item appropriation to the department of human services for foster care, state supplementary assistance, or medical assistance, or for the family investment program.

Sec. 7. Section 8.53, unnumbered paragraph 1, Code 1993, is amended to read as follows:

For the fiscal year beginning July 1, 1992, and the two succeeding fiscal years, the governor shall recommend in the governor's budget and the general assembly shall provide funds to eliminate the state generally accepted accounting principles (GAAP) deficit, as reported in the state's comprehensive annual financial report issued during the prior fiscal year, and taking into account the revised GAAP standards that are projected-to-be in place by for the fiscal year ending in 1995, either through the appropriation of

specific funds to provide an adjustment in the GAAP deficit or by setting funds aside in a special account in an amount equal to the GAAP deficit.

Sec. 8. Section 8.55, subsection 1, Code 1993, is amended to read as follows:

1. The Iowa economic emergency fund is created. The fund shall be separate from the general fund of the state and the balance in the fund shall not be considered part of the balance of the general fund of the state. The moneys in the fund shall not revert to the general fund, notwithstanding section 8.33, unless and to the extent the fund exceeds the maximum balance. However, the fund shall be considered a special account for the purposes of section 8.53.

Sec. 9. Section 8.56, subsection 1, Code 1993, is amended to read as follows:

1. A cash reserve fund is created in the state treasury. The cash reserve fund shall be separate from the general fund of the state and shall not be considered part of the general fund of the state except in determining the cash position of the state as provided in subsection 3. The moneys in the cash reserve fund are not subject to section 8.33 and shall not be transferred, used, obligated, appropriated, or otherwise encumbered except as provided in this section. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the cash reserve fund shall be credited to the Iowa economic emergency fund. Moneys in the cash reserve fund may be used for cash flow purposes provided that any moneys so allocated are returned to the cash reserve fund by the end of each fiscal year. However, the fund shall be considered a special account for the purposes of section 8.53.

Sec. 10. Section 8.57, subsections 2 and 3, Code 1993, are amended to read as follows:

2. Moneys appropriated under subsection 1 shall be first credited to the cash reserve fund. To the extent that moneys appropriated under subsection 1 would make the moneys in the cash reserve fund exceed the cash reserve goal percentage of

the adjusted revenue estimate for the fiscal year, the moneys are appropriated to the department of management to be spent for the purpose of eliminating Iowa's GAAP deficit, including the payment of items budgeted in a subsequent fiscal year which under generally accepted accounting principles should be budgeted in the current fiscal year. These moneys shall be deposited into a GAAP deficit reduction account established within the department of management. Unspent moneys in this account shall be available for expenditure for subsequent fiscal years. The department of management shall annually file with both houses of the general assembly at the time of the submission of the governor's budget, a schedule of the items for which moneys appropriated under this subsection for the purpose of eliminating Iowa's GAAP deficit, including the payment of items budgeted in a subsequent fiscal year which under generally accepted accounting principles should be budgeted in the current fiscal year, shall be spent ~~in the fiscal year commencing July 1 following the date of the filing of the report.~~ The schedule shall indicate the fiscal year in which the spending for an item is to take place and shall incorporate the items detailed in 1994 Iowa Acts, Senate File 2318, section 17. The schedule shall list each item of expenditure and the maximum estimated dollar amount of moneys to be spent on that item for the fiscal year. The department of management may submit during a regular legislative session an amended schedule for legislative consideration. If moneys appropriated under this subsection are not enough to pay for all listed expenditures, the department of management shall ~~allocate~~ distribute the payments among the listed expenditure items. Moneys appropriated to the department of management under this subsection shall not be spent on items other than those included in the filed schedule. After elimination of the GAAP deficit, including elimination of the making of any appropriation in an incorrect fiscal year, any moneys in the GAAP deficit reduction account shall be appropriated to the Iowa economic emergency fund.

3. To the extent that moneys appropriated under subsection 1 exceed the amounts necessary for the cash reserve fund to reach its maximum balance and the amounts necessary to eliminate Iowa's GAAP deficit, including elimination of the making of any appropriation in an incorrect fiscal year, the moneys shall be appropriated to the Iowa economic emergency fund.

Sec. 11. Section 8.57, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 5. A rebuild Iowa infrastructure account is created under the authority of the department of management. Moneys in the account shall be used as directed by the general assembly for public infrastructure-related expenditures. The general assembly may provide that all or part of the moneys deposited in the GAAP deficit reduction account created in this section shall be transferred to the infrastructure account in lieu of appropriation of the moneys to the Iowa economic emergency fund.

Sec. 12. Section 257.16, unnumbered paragraph 2, Code 1993, is amended to read as follows:

All state aids paid under this chapter, unless otherwise stated, shall be paid in monthly installments beginning on September 15 of a budget year and ending on or about June 15 of the budget year as determined by the department of management, taking into consideration the relative budget and cash position of the state resources. ~~However, an amount of state-school-foundation-aid equal to the general allocation of the school-district as determined under section 485A.2 and the amount of the tax credit for livestock pursuant to section 442.27, subsection 2, as it appeared in the 1987 Code, shall be paid to the school-district on July 15 of the subsequent fiscal year, and the appropriation for this amount shall be made for the fiscal year during which the payment is made. However, the state aid paid to school-districts under section 257.13 shall be paid in monthly installments beginning on December 15 and ending on June 15 of a budget year.~~

Sec. 13. Section 260D.12, Code 1993, is amended to read as follows:

260D.12 PAYMENT OF APPROPRIATION.

Payment of appropriations for distribution under this chapter or of appropriations made in lieu of such appropriations, shall be made by the department of revenue and finance in four installments due on or about November 15, February 15, and May 15, and August 15 of a budget year ~~and on or about August 15 of the next following budget year~~, and installments shall be as nearly equal as possible, as determined by the department of revenue and finance, taking into consideration the relative budget and cash position of the state resources.

~~The payment made on or about August 15 of the next following budget year is an account receivable for the budget year.~~

Sec. 14. Section 285.2, unnumbered paragraph 5, Code 1993, is amended to read as follows:

Claims shall be accompanied by an affidavit of an officer of the public school district affirming the accuracy of the claim. By February 1 and ~~by July~~ on or about June 15 of each year, the department shall certify to the department of revenue and finance the amounts of approved claims to be paid, and the department of revenue and finance shall draw warrants payable to school districts which have established claims. Claims shall be allowed where practical, and at the option of the public school district of the pupil's residence, subject to approval by the area education agency of the pupil's residence, under section 285.9, subsection 3, the public school district of the pupil's residence may transport a pupil to a school located in a contiguous public school district outside the boundary lines of the public school district of the pupil's residence. The public school district of the pupil's residence may contract with the contiguous public school district or with a private contractor under section 285.5 to transport the pupils to the school of attendance within the boundary lines of the contiguous public school

district. The public school district in which the pupil resides may contract with the contiguous public school district or with a private contractor under section 285.5 to transport the pupil from the pupil's residence or from designated school bus collection locations to the school located within the boundary lines of the contiguous public school district, subject to the approval of the area education agency of the pupil's residence. The public school district of the pupil's residence may utilize the reimbursement provisions of section 285.1, subsection 3.

Sec. 15. Section 303.18, unnumbered paragraph 2, Code Supplement 1993, is amended to read as follows:

The historical division shall ~~repay a portion of~~ the amount of the loan together with annual interest payments due on the balance of the loan over a ten-year period commencing with the fiscal year beginning July 1, 1987. Payments shall be made from gross receipts and other moneys available to the historical division. The historical division shall solicit voluntary contributions on behalf of the historical division, at the entrance and other locations throughout the state historical building for purposes of raising funds for making payments under this section. Payments of both principal and interest made by the state historical division under this section shall be paid quarterly and shall be considered interest earned on the permanent school fund to the extent necessary for payment of interest to the first in the nation in education foundation under section 257B.1A.

Sec. 16. Section 421.31, subsection 5, Code 1993, is amended to read as follows:

5. ACCOUNTS. To keep the central budget and proprietary control accounts of the general fund of the state and special funds, as defined in section 8.2, of the state government. Upon elimination of the state deficit under generally accepted accounting principles, including the payment of items budgeted in a subsequent fiscal year which under generally accepted accounting principles should be budgeted in the current fiscal year, the recognition of revenues received and expenditures

paid and transfers received and paid within the time period required pursuant to section 8.33, shall be in accordance with generally accepted accounting principles. Budget accounts are those accounts maintained to control the receipt and disposition of all funds, appropriations, and allotments. Proprietary accounts are those accounts relating to assets, liabilities, income, and expense. For each fiscal year, the financial position and results of operations of the state shall be reported in a comprehensive annual financial report prepared in accordance with generally accepted accounting principles, as established by the governmental accounting standards board.

Sec. 17. GAAP DEFICIT REDUCTION ACCOUNT. The department of management shall utilize the moneys deposited during the fiscal year beginning July 1, 1994, and succeeding fiscal years, in the GAAP deficit reduction account created in section 8.57 for payment of the following list of items. Notwithstanding the Code section specified in the list or any provision to the contrary, payment of an item included in the list shall be in the same fiscal year the item is due or the expense of the item is incurred. Payment for the items shall be made in the following descending priority order, where feasible:

1. Education of children placed in foster care.
2. Women, infants, and children program.
3. Education of children placed by the district court.
4. Human services decategorization projects.
5. Permanent school fund loan.
6. Franchise tax.
7. Expenditures incurred by school districts for vocational education aid to secondary schools.
8. Nonpublic school transportation paid under section 285.2.
9. Notwithstanding chapter 260D for state financial aid, including general financial aid to merged areas in lieu of personal property tax replacement payments under section 427A.13, to merged areas to be used for expenditures incurred by the community colleges.

10. School aid property credits paid under section 257.16.

11. Accrued salaries.

12. Other items included in the schedule filed by the department of management in accordance with section 8.57.

Sec. 18. CONTINGENT EFFECTIVE DATE. Sections 12, 13, 14, and 15 of this division shall take effect upon the publication date of the state comprehensive annual financial report prepared in accordance with generally accepted accounting principles which indicates that the payment of the obligation described in the section is made in accordance with generally accepted accounting principles. A report shall be made by the department of management to the Code editor on or before the publication date of the report.

LEONARD L. BOSWELL
President of the Senate

HAROLD VAN MAANEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2318, Seventy-fifth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved May 16, 1994

TERRY E. BRANSTAD
Governor