
FISCAL UPDATE Article

Fiscal Services Division

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LSA GENERAL FUND BALANCE SHEET UPDATE (MARCH 2019)

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met March 15, 2019, and revised the FY 2019 and FY 2020 General Fund revenue estimates from December 2018. The REC revised the FY 2019 estimate upward by \$5.0 million and lowered the FY 2020 estimate by \$20.0 million (**Table 1**).

	Dec Est	March Est	March	Dec Est	March Est	March
	<u>FY 2019</u>	<u>FY 2019</u>	<u>vs Dec</u>	<u>FY 2020</u>	<u>FY 2020</u>	<u>vs Dec</u>
Net Receipts	\$7,728.6	\$ 7,733.6	\$ 5.0	\$7,868.4	\$ 7,848.4	\$ - 20.0

FY 2019 Budget Update. The estimated total of funds available for FY 2019 is \$7.805 billion, which includes the March REC estimate of \$7.734 billion and \$71.0 million from the FY 2018 surplus carryforward. During the 2018 Legislative Session, the General Assembly enacted appropriations totaling \$7.480 billion for FY 2019. The appropriations have been adjusted to reflect a net reduction of \$5.4 million to FY 2019 standing appropriations and an increase of \$144.5 million in estimated supplemental appropriation needs. The FY 2019 General Fund surplus is estimated to be \$190.5 million.

Updated FY 2020 Budget Projection. The Legislative Services Agency's (LSA) General Fund budget projection is intended to assist the General Assembly in evaluating budget decisions for the next fiscal year. The estimates for FY 2020 are based on the following factors and assumptions:

- The FY 2020 REC revenue estimate of \$7.848 billion set at the March 15 meeting. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate was adopted. Because the March estimate is lower than the REC estimate set in December 2018, the March estimate is used for the calculation of the FY 2020 expenditure limitation.
- The expenditure limitation for FY 2020 is estimated to be \$7.870 billion.
- The enacted appropriations from FY 2019 (\$7.280 billion) and the adjustment to standings appropriations (\$-5.4 million) are used as the baseline for FY 2020 appropriations (\$7.475 billion).
- The LSA's estimated built-in and anticipated expenditure changes for FY 2020 total \$141.8 million. This estimate is \$110.3 million higher than the estimate released in December 2018. The reason for the increase is to account for the enactment of [HF 306](#) (School Supplemental State Aid Act) and [HF 307](#) (School Transportation Equity Act), which were signed into law on February 19, 2019. **Chart 1** summarizes the FY 2020 built-in and anticipated expenditures. The estimated built-in and anticipated expenditures reflect the incremental increases above the baseline appropriations for FY 2020.
- The projected FY 2020 appropriations, totaling \$7.617 billion, include the base amount of \$7.475 billion plus the \$141.8 million in built-in and anticipated expenditures. This total represents a decrease of \$2.7 million (0.04%) compared to the estimated FY 2019 appropriations shown on the balance sheet (**Table 2**). It should be noted that there are several increases estimated for FY 2020

that routinely do not receive funding. For estimating purposes, these items are included in the FY 2020 estimate because under current law, the Iowa Code requires the funds to be appropriated unless the General Assembly places a temporary suspension on the appropriation. In addition, the FY 2019 estimate includes certain expenses that State agencies will incur in FY 2020 regardless of whether or not the expenses are funded. The largest of these expenses is an estimated \$8.3 million in increased salary costs. If additional funding is not appropriated, agencies will be required to fund the increases with existing resources. Since FY 2009, appropriations have not been adjusted to cover increased salary costs.

- Reversions are estimated to total \$5.0 million for FY 2020. Reversions are appropriated funds that remain unexpended at the close of the fiscal year and are deposited back in the General Fund.

Table 2 shows the projected General Fund budget for FY 2020 based on the above assumptions. The projected appropriations, totaling \$7.617 billion (before reversions), are \$253.5 million below the estimated expenditure limitation. The FY 2020 General Fund surplus is projected to total \$337.0 million.

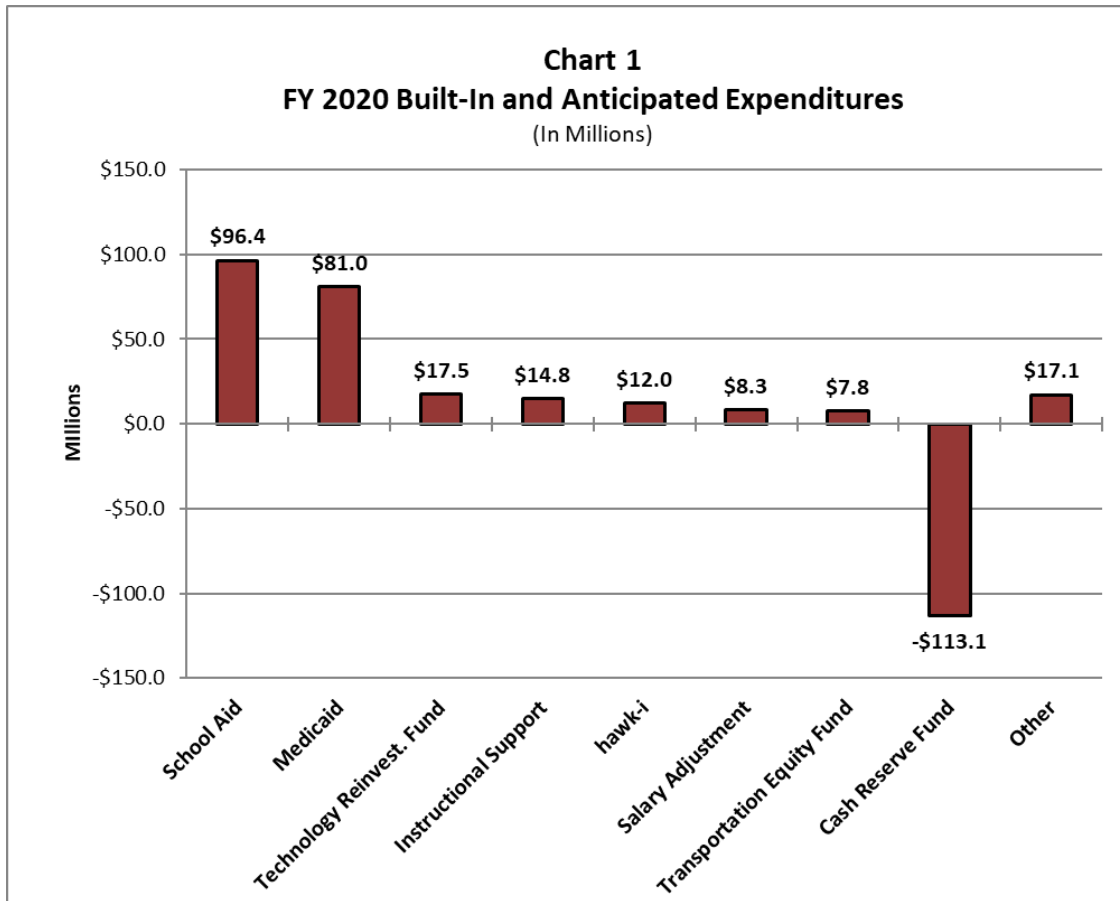
Table 2
State of Iowa
Projected Condition of the General Fund Budget
(In Millions)

	Actual	Estimated	LSA
	FY 2018	FY 2019	Projection
			FY 2020
Funds Available:			
Net Receipts/Dec. Est	\$ 7,383.9	\$ 7,728.6	\$ 7,868.4
March REC Adjustment	0.0	5.0	- 20.0
Subtotal	<u>\$ 7,383.9</u>	<u>\$ 7,733.6</u>	<u>\$ 7,848.4</u>
Surplus Carryforward	0.0	71.0	100.2
Total Funds Available	<u>\$ 7,383.9</u>	<u>\$ 7,804.6</u>	<u>\$ 7,948.6</u>
Expenditure Limitation			\$ 7,870.1
Estimated Appropriations and Expenditures:			
Enacted Appropriations/FY 2020 Baseline	\$ 7,268.6	\$ 7,480.2	\$ 7,474.8 ³
Adjustments to Standings	15.8	- 5.4 ¹	0.0
Supplemental/Deappropriations	- 23.3	144.5 ²	0.0
Built-In and Anticipated Increases	0.0	0.0	141.8
Total Appropriations	<u>\$ 7,261.1</u>	<u>\$ 7,619.3</u>	<u>\$ 7,616.6</u>
Reversions	- 4.5	- 5.2	- 5.0
Net Appropriations	<u>\$ 7,256.6</u>	<u>\$ 7,614.1</u>	<u>\$ 7,611.6</u>
Ending Balance – Surplus	<u>\$ 127.3</u>	<u>\$ 190.5</u>	<u>\$ 337.0</u>
Under (Over) Expenditure Limitation			<u>\$ 253.5</u>

1 The estimated FY 2019 standing appropriations were revised to reflect a \$6.9 million reduction to State School Aid and an increase of \$1.5 million in estimated State Appeal Board claims.

2 Assumes supplemental appropriations to cover estimated increased costs in FY 2019 for the following programs: Medicaid (\$141.1 million); Indigent Defense (\$2.5 million); Administrative Services utilities (\$0.5 million); Iowa Law Enforcement Academy relocation (\$0.3 million); and Iowa Public Television operations (\$0.1 million).

3 The FY 2020 Baseline appropriation is equal to the FY 2019 Enacted Appropriations plus the FY 2019 Adjustments to Standings.



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