
FISCAL UPDATE Article

Fiscal Services Division

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LSA GENERAL FUND BALANCE SHEET UPDATE (MARCH 2020)

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met March 12, 2020, and revised the FY 2020 and FY 2021 General Fund revenue estimates from December 2019. The REC revised the FY 2020 estimate upward by \$76.1 million and lowered the FY 2021 estimate by \$12.3 million (**Table 1**).

Table 1

Revenue Estimating Conference General Fund Estimates (In Millions)						
	Dec Est FY 2020	March Est FY 2020	March vs Dec	Dec Est FY 2021	March Est FY 2021	March vs Dec
Net Receipts	\$ 8,014.6	\$ 8,090.7	\$ 76.1	\$ 8,249.0	\$ 8,236.7	\$ - 12.3

FY 2020 Budget Update. The estimated total of funds available for FY 2020 is \$8.286 billion, which includes the March REC estimate of \$8.091 billion and \$195.6 million from the FY 2019 surplus carryforward. During the 2019 Legislative Session, the General Assembly enacted appropriations totaling \$7.644 billion for FY 2020. The appropriations have been adjusted to reflect a net reduction of \$4.9 million to standing appropriations and an increase of \$112.1 million for estimated supplemental appropriation needs. The FY 2020 General Fund surplus is estimated to be \$540.4 million.

Updated FY 2021 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 2021 are based on the following factors and assumptions:

- The FY 2021 REC revenue estimate set at the March 12 meeting is \$8.237 billion. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. Because the March estimate for FY 2021 is lower than the REC estimate set in December 2019, the March estimate is required to be used for the calculation of the FY 2021 expenditure limitation.
- The expenditure limitation for FY 2021 is estimated to be \$8.387 billion.
- The enacted appropriations and standing appropriation adjustments from FY 2020 (\$7.639 billion) are used as the baseline for FY 2021 appropriations.
- The LSA's estimated built-in and anticipated expenditure changes for FY 2021 total \$458.2 million. This estimate is \$117.8 million higher than the estimate released in January 2020. The reason for the increase is to account for the enactment of [SF 2142](#) (School Supplemental State Aid Act) on March 12, 2020, and [SF 2164](#) (School Transportation Equity Act) on February 25, 2020. Senate File 2142 increases the State cost per pupil for FY 2021 school aid by 2.3%, which is an estimated increase of \$106.3 million compared to FY 2020. Senate File 2164 increases the funding for the School Transportation Equity Fund by \$7.7 million and also includes an increase of \$10 to the State cost per pupil for FY 2021.

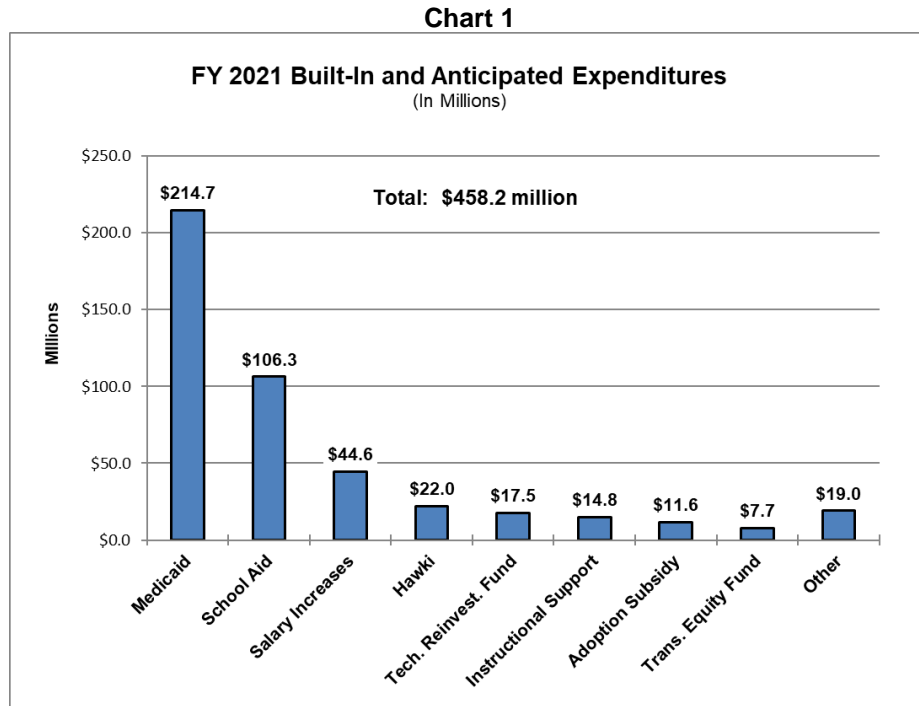
Chart 1 summarizes the FY 2021 built-in and anticipated expenditures. These estimates reflect the incremental increases above the baseline appropriations.

- The projected FY 2021 appropriations, totaling \$8.097 billion, include the baseline amount of \$7.639 billion plus the \$458.2 million in built-in and anticipated expenditures. This total represents an increase of \$346.1 million (4.5%) compared to the estimated FY 2020 (**Table 2**). It should be noted that there are several built-in and anticipated expenditure increases for FY 2021 that routinely do not receive funding. For estimating purposes, these items are included in the FY 2021 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.
- Reversions are estimated to total \$5.0 million for FY 2021. 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 2021 based on the above assumptions. The projected appropriations, totaling \$8.097 billion (before reversions), are \$289.6 million below the estimated expenditure limitation. The FY 2021 General Fund surplus is projected to total \$377.0 million.

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

	<u>Actual FY 2019</u>	<u>Estimated FY 2020</u>	<u>LSA Projection FY 2021</u>
Resources			
Net Receipts (Mar. 12, 2020, REC Est.)	\$ 7,858.9	\$ 8,090.7	\$ 8,236.7
Surplus Carryforward	71.0	195.6	232.3
Total Available Resources	<u>\$ 7,929.9</u>	<u>\$ 8,286.3</u>	<u>\$ 8,469.0</u>
Expenditure Limitation			\$ 8,386.6
Appropriations and Expenditures			
Appropriations	\$ 7,480.2	\$ 7,643.7	\$ 7,638.8 ³
Adjustments to Standing Appropriations	- 2.8	- 4.9 ¹	0.0
Built-In and Anticipated Expenditures	0.0	0.0	458.2
Supplemental/Deappropriations	168.6	112.1 ²	0.0
Total Appropriations	<u>\$ 7,646.0</u>	<u>\$ 7,750.9</u>	<u>\$ 8,097.0</u>
Reversions	- 5.4	- 5.0	- 5.0
Net Appropriations	<u>\$ 7,640.6</u>	<u>\$ 7,745.9</u>	<u>\$ 8,092.0</u>
Ending Balance – Surplus	<u>\$ 289.3</u>	<u>\$ 540.4</u>	<u>\$ 377.0</u>
Under (Over) Expenditure Limitation			<u>\$ 289.6</u>
¹ The estimated FY 2020 standing appropriations were revised to reflect a \$5.6 million reduction to State School Aid and net increases totaling \$0.7 million to other standing appropriations. ² Assumes enactment of supplemental appropriations to cover estimated increased costs in FY 2020 for Medicaid (\$89.0 million) and State Children’s Health Insurance (\$1.7 million). The number also reflects the enactment of \$21.0 million for flood mitigation and \$0.3 million for the Glenwood Resource Center. ³ The FY 2021 baseline appropriation is equal to the FY 2020 enacted appropriations and the adjustments to standings.			



Reserve Funds. The balances in the State’s reserve funds are estimated to be at the statutory maximum for FY 2020 and FY 2021 (Table 3).

Table 3

Combined Reserve Fund Balances
(In Millions)

	Actual FY 2019	Estimated FY 2020	Projected FY 2021
Cash Reserve Fund	\$ 571.6	\$ 587.9	\$ 617.8
Economic Emergency Fund	185.6	196.0	205.9
Total	<u>\$ 757.2</u>	<u>\$ 783.9</u>	<u>\$ 823.7</u>

Taxpayer Relief Fund. For FY 2021, the balance in the Taxpayer Relief Fund is estimated at \$325.1 million (**Table 4**). Beginning in FY 2021, the \$60.0 million cap on the General Fund surplus transfer amount to the Taxpayer Relief Fund is repealed. This results in an estimated General Fund surplus transfer of \$251.6 million to the Fund in FY 2021.

Table 4

Taxpayer Relief Fund			
(In Millions)			
	Actual FY 2019	Estimated FY 2020	Projected FY 2021
Funds Available			
Balance Brought Forward	\$ 8.4	\$ 13.5	\$ 73.5
General Fund Surplus Transfer	13.4	60.0	251.6
Interest	0.1	0.0	0.0
Total Funds Available	\$ 21.9	\$ 73.5	\$ 325.1
Expenditures			
Transfer to the General Fund	\$ - 8.4	\$ 0.0	\$ 0.0
Ending Balance	\$ 13.5	\$ 73.5	\$ 325.1

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