



State of Iowa Financial Update

REVENUE AND BUDGET IMPLICATIONS OF
COVID-19

May 14, 2020



This report is the first in a series designed to provide the General Assembly with updates on the State budget as Iowa responds to coronavirus 2019 (COVID-19). On March 9, 2020, Governor Reynolds declared a state of emergency to address the COVID-19 outbreak, and on March 13, 2020, President Trump issued a proclamation declaring a national emergency. **It should be noted that the Legislative Services Agency (LSA) currently does not have sufficient data available to adequately determine the impact from the economic slowdown due to the COVID-19 pandemic on State tax revenues. Once sufficient data becomes available, it will be analyzed to determine the potential impact on the State budget. As of May 14, 2020, legislative leadership and the Governor have requested the Revenue Estimating Conference (REC) to meet prior to the reconvening of the Legislature on June 3, 2020. No date for the REC meeting has been set.**

LSA Staff contacts for the sections on federal legislation, State revenues, and State budget are listed at the end of the sections. Contacts for the section on subcommittee issues are listed by budget subcommittee. This document will provide updates on the following:

- Federal legislation, including additional federal funds received by the State.
- State revenues, including economic trends, General Fund revenues, and other fund revenues.
- State budget, including supplemental appropriations, reserve funds, transfers, and emergency appropriations.
- Various appropriations, subcommittee issues.

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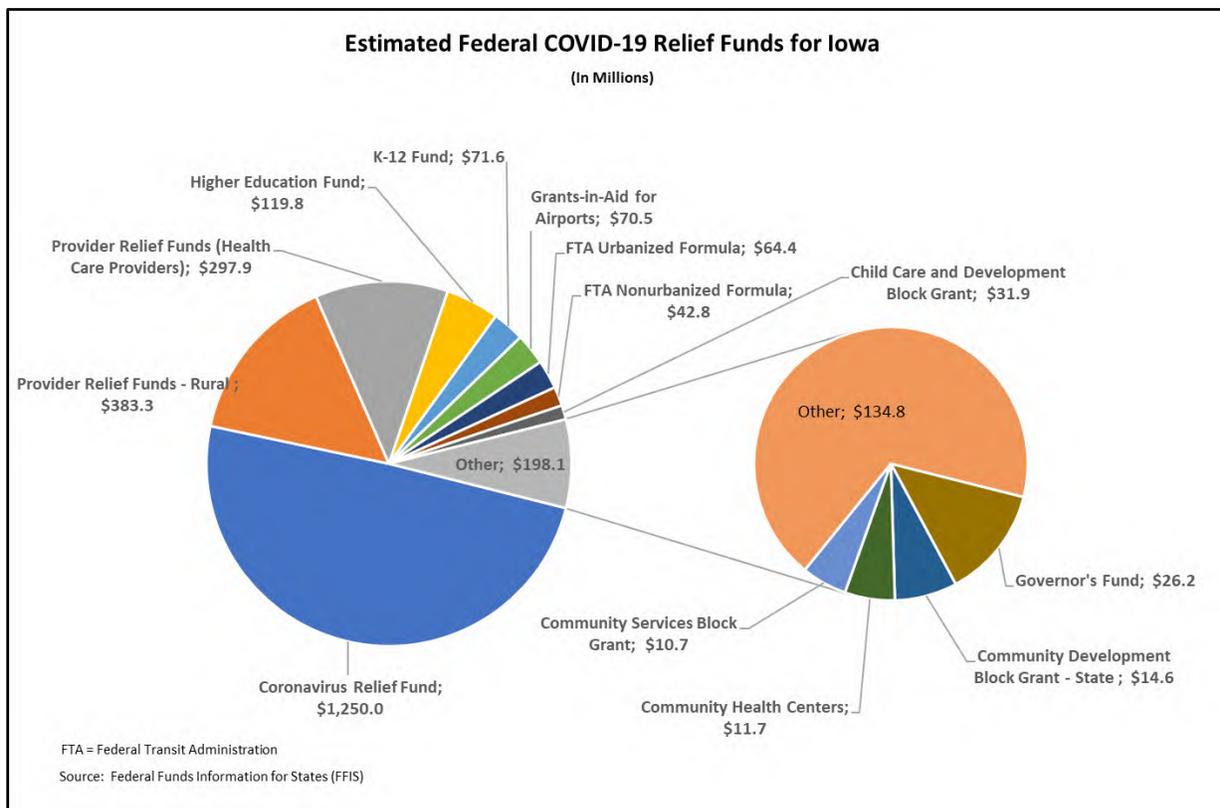
Federal COVID-19 Relief Funding for Iowa

In response to the COVID-19 emergency, four federal acts have been enacted to provide relief to states (available summaries listed on next page):

- [H.R. 6074](#) — Coronavirus Preparedness and Response Supplemental Appropriations Act
- [H.R. 6201](#) — Families First Coronavirus Response Act
- [H.R. 748](#) — Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- [H.R. 266](#) — Paycheck Protection Program and Health Care Enhancement Act

The federal legislation allocates an estimated total of \$2.530 billion to the State of Iowa (**Figure 1**). Direct stimulus payments to taxpayers and nongrant funding are not included in this figure. The following chart shows the total estimated federal fund relief allocated to the State and local governments.

Figure 1



Coronavirus Relief Fund

The \$1.250 billion allocated to Iowa from the Coronavirus Relief Fund (CRF) was received and is under the administration of the Department of Management. The CRF may be used to cover costs that are necessary expenditures incurred due to the COVID-19 public health emergency that were not previously accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the period that begins March 1, 2020, and ends on December 30, 2020.

Necessary expenditures may include expenditures incurred to allow the State of Iowa to respond directly to the emergency, such as by addressing medical or public health needs. Necessary expenditures also include those incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related

business closures. The funding cannot be used to backfill the loss of State revenues that have resulted from the economic impacts of COVID-19, but may be used as a cash management tool. For example, changing the tax filing deadlines may cause cash flow issues for states. The U.S. Treasury has indicated that states can use CRF funds essentially as a tax anticipation note.

Other Grants

The federal legislation allocated approximately 56 different grants to the State and local governments for a variety of different purposes related to the COVID-19 response. Other grants available include, but are not limited to: K-12 and higher education funds; family violence prevention; child care; resources for older Americans; Centers for Disease Control and Prevention and hospital grants; mental health services; justice assistance grants; emergency food assistance; housing assistance; transportation aid; and election security grants. The LSA is compiling and updating a detailed spreadsheet on the available funds.

The LSA is monitoring funding details and federal guidelines as they continue to change. The most recent treasury guidelines for the Coronavirus Relief Fund is available [here](#). Contact our office for more information.

Federal Legislation Summaries

- National Conference of State Legislatures H.R. 6074 Summary — [Congress Appropriates at Least \\$1.05 Billion to States, Territories, Tribes to Combat COVID-19](#)
- Fiscal Services Division, **Fiscal Update Article** — [H.R. 6201 Families First Coronavirus Response Act Supplemental Appropriations](#)
- Fiscal Services Division, **Fiscal Update Article** — [H.R. 748 Coronavirus Aid, Relief, and Economic Security Act Appropriations](#)
- Fiscal Services Division, **Fiscal Update Article** — [Federal Paycheck Protection Program and Health Care Enhancement Act \(H.R. 266\) Summary — COVID-19](#)

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General Fund Revenues

Figure 2

General Fund Revenues, March 19 through May 5				
(in millions)				
Revenue Source	2019	2020	\$ Change	% Change
Big Three				
Withholding	\$ 500.2	\$ 476.7	\$ -23.5	-4.7%
Estimate Payments	78.2	64.7	-13.5	-17.3%
Payments With Returns	336.5	48.7	-287.8	-85.5%
Individual Income Tax	\$ 914.9	\$ 590.1	\$ -324.8	-35.5%
Sales/Use Tax	\$ 439.7	\$ 421.6	\$ -18.1	-4.1%
Corporate Income Tax	\$ 194.4	\$ 110.5	\$ -83.9	-43.2%
Other Taxes				
Inheritance Tax	\$ 4.6	\$ 9.9	\$ 5.3	115.2%
Insurance Premium Tax	7.6	0.7	-6.9	-90.8%
Beer/Liquor Tax	1.3	0.0	-1.3	-100.0%
Franchise Tax	22.7	13.2	-9.5	-41.9%
Miscellaneous Tax	0.6	1.0	0.4	66.7%
Total Taxes	\$ 1,585.8	\$ 1,147.0	\$ -438.8	-27.7%
Other Receipts	\$ 39.7	\$ 35.4	\$ -4.3	-10.8%
Refunds				
Cash Refunds				
Individual Income Tax Refunds	\$ -377.1	\$ -360.0	\$ 17.1	-4.5%
Sales/Use Tax Refunds	-9.3	-10.8	-1.5	16.1%
Corporate Income Tax Refunds	-21.7	-8.5	13.2	-60.8%
Other Refunds	0.2	0.2	-0.0	0.0%
Total Cash Refunds	\$ -407.9	\$ -379.1	\$ 28.8	-7.1%
School Infrastructure Refunds	\$ -84.4	\$ -79.1	\$ 5.3	-6.3%
Net Revenue	\$ 1,133.2	\$ 724.2	\$ -409.0	-36.1%

Some portion of the revenue reduction experienced between mid-March and the end of July will be a real reduction in tax collections, while some portion will be the result of tax due date delays initiated by the State in response to the COVID-19 outbreak. It will not be until the delayed tax payments have been deposited that the economic impact of recent events can be reasonably calculated. The following discusses significant impacts by tax type displayed in **Figure 2**.

Individual Income Tax Withholding — Starting to show weakness.

Revenues have decreased by 4.7% compared to the same dates last year. The negative tax revenue consequences of the business closures, restrictions on gathering, and other aspects of the pandemic, combined with the Department of Revenue's (IDR) withholding and sales tax remittance deferral program, are likely to increase in the coming weeks and months.

Individual Income Tax Payments With Returns — Delayed, but not impacted.

The IDR's [order](#), issued on March 19, 2020, delayed the due date for tax year 2019 individual income tax final payments from April 30, 2020, to July 31, 2020. Traditionally, the State has received a large influx of

these payments starting around April 15. This year, the payment deposits were limited; this is likely the result of the due date delay. Since the payments represent tax year 2019 activity, the revenue reduction is not the result of the recent economic situation.

Sales/Use Tax — Starting to show weakness.

Revenues have decreased by 4.1% compared to the same dates last year. The negative tax revenue consequences of the business closures, restrictions on gathering, and other aspects of the pandemic, combined with the IDR's withholding and sales tax remittance deferral program, are likely to increase in the coming weeks and months.

Corporate Income Tax — Delayed, but not impacted yet.

The IDR's order issued on March 19, 2020, delayed the due date for tax year 2019 corporate income tax final payments from April 30, 2020, to July 31, 2020. Since the payments represent tax year 2019 activity, the revenue reduction is not the result of the recent economic situation.

U.S. Economic Indicator Data

Federal Economic Impact Payments — \$2.212 billion to Iowa residents.

On May 8, 2020, the federal Internal Revenue Service (IRS) [released](#) a summary of the number and amount of [Economic Impact Payments](#) (EIP) issued to the residents of each state. Payments are made from the federal treasury to eligible U.S. citizens and U.S. resident aliens and are part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The EIP, which are subject to income limits, are equal to \$1,200 per adult and \$500 per qualifying child.

Nationally, 127.5 million payments totaling \$216.675 billion have been issued for an average payment of \$1,699. For Iowa recipients, 1.2 million payments totaling \$2.212 billion have been issued for an average payment of \$1,798.

The \$2.212 billion Iowa amount equals:

- 1.0% of the U.S. total EIP.
- 19.7% of the amount Iowa residents owed in federal income tax for tax year 2017 (excluding the adjustment for any refundable tax credits).
- 1.3% of total calendar year 2019 Iowa personal income.

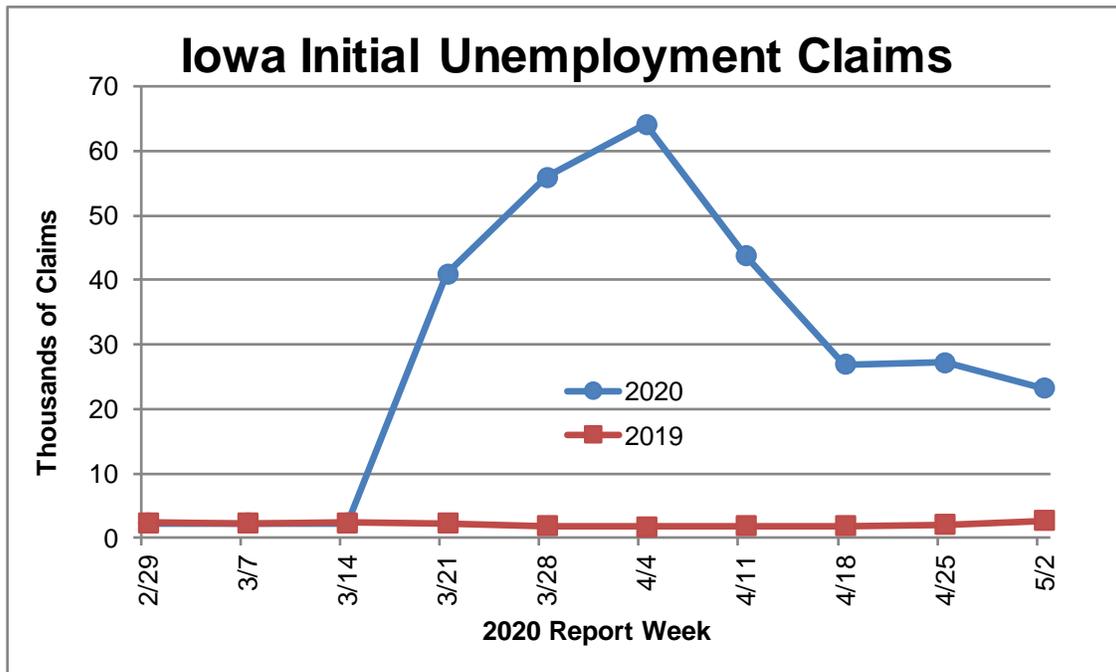
The Department of Revenue has determined that the structure of the EIP is such that the payment will not be considered taxable income for Iowa income tax purposes.

Iowa Economic Indicator Data

Iowa Unemployment Applications — Unprecedented levels.

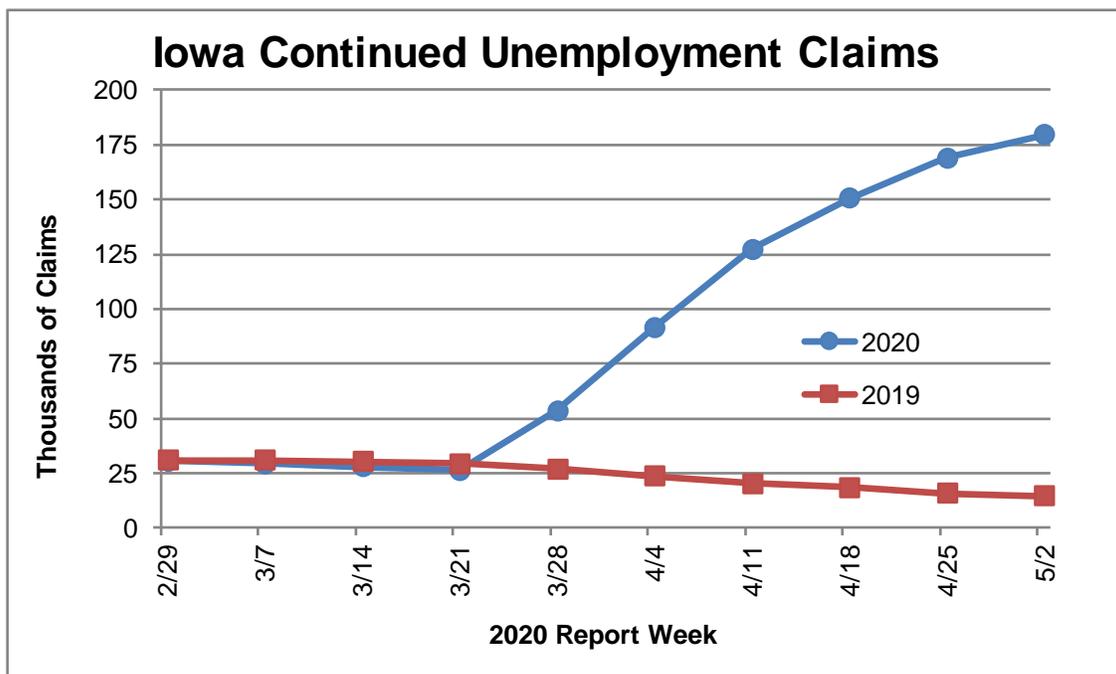
Nationally and in Iowa, initial claims for unemployment levels quickly reached unprecedented levels once the impact of COVID-19 and the resulting mandated closure orders began in mid-March. Iowa initial claims (applications for the first week of unemployment) traditionally average around 2,300 in March and April. In 2020, the average since the March 21 report has been 40,300 claims. For the week ending April 4, 2020, Iowa initial claims equaled a record 64,194 (**Figure 3**). The pre-COVID-19 Iowa initial claims record (14,603) occurred in December 2001.

Figure 3



Continued unemployment claims represent the number of people receiving unemployment benefits for a given week. Iowa continued claims for March and April 2019 averaged 25,200 each week. For 2020, the average since the week of March 28 has been 128,600 claims. For the week ending May 2, 2020, Iowa continued claims equaled a record 179,610 (**Figure 4**). The pre-COVID-19 Iowa continued claims record (68,112) occurred in January 2010.

Figure 4



Other Fund Revenues

Figure 5

Other Fund Tax Revenues, March 19 through May 5				
(in millions)				
Other Fund Taxes	FY 2019	FY 2020	\$ Change	% Change
Gambling Tax	\$ 45.2	\$ 6.2	\$ -39.0	-86.3%
Fuel Tax	112.1	109.7	-2.4	-2.1%
Vehicle Sales Tax	29.9	31.1	1.2	4.0%
Miscellaneous Other Taxes	31.9	32.7	0.8	2.5%
Tax Refunds	-5.7	-5.2	0.5	-8.8%
Total Other Fund Taxes	\$ 213.4	\$ 174.5	\$ -38.9	-18.2%

Gambling Tax — \$6.0 million decrease each week of closure.

The Governor’s March 17, 2020, order temporarily closed Iowa’s State-regulated gambling casinos. The \$39.0 million reduction in gambling revenue is a direct result of this action. The gambling revenue loss will continue at a rate of around \$6.0 million for each week the casinos remain closed.

Surrounding States — Revenue or Expenditure Adjustments in Response to COVID-19*

According to the National Conference of State Legislatures (NCSL), as of May 3, 2020, 30 states had enacted FY 2021 budgets. Sixteen of those states enacted biennial budgets during their 2019 sessions, before the COVID-19 pandemic. Some states have already taken action to address FY 2021 budget gaps resulting from COVID-19. Listed below are recent actions taken by states surrounding Iowa.

Illinois: The Governor’s Office of Management and Budget revised FY 2021 general fund state source revenues down by \$4.600 billion from a base revenue estimate of \$38.500 billion. (Published April 15, [Governor’s Office of Management and Budget.](#))

Kansas: In April, the [Consensus Estimating Group](#) lowered general fund estimates for FY 2020 and FY 2021 estimates by a combined \$1.200 billion from November 2019 estimates. This reflects a 10.8% reduction from the November 2019 estimates. Fiscal year 2021 estimates declined by \$445.0 million, or 5.8%. (Published April 20.)

Minnesota: According to the Department of Management and Budget, as of May 5, 2020, Minnesota is [projecting](#) a deficit of \$2.426 billion for the current biennium. The deficit is almost \$4.000 billion below February forecasts. General fund revenue is projected to be \$2.610 billion, or 7.4% less than the previous forecast. Compared to the previous forecast, sales tax revenue is projected to be \$1.350 billion, or 11.2% less than previously forecast, and the corporate franchise tax is projected to generate \$405.0 million, or 13.0% less than previously forecast. Minnesota has a biennial budget.

Missouri: The legislative session has been extended to resolve the budget.

South Dakota: No revenue forecast adjustments to date. The FY 2021 budget was enacted in late March.

Wisconsin: No revenue forecast adjustments to date; biennial budget. According to the [Wisconsin State Journal](#) (May 1, 2020), the Governor is calling for a 5.0% across-the-board reduction for all state executive branch agencies for the remainder of FY 2020.

*Unless otherwise noted, source of information is the National Conference of State Legislatures [website](#).

Additional Iowa-related Information

Revenue estimates website: www.legis.iowa.gov/publications/fiscal/quarterlyRevenueEstimate

Iowa Economic Trends website: www.legis.iowa.gov/publications/fiscal/economicTrends

COVID-19 Analysis and Resources website:

<https://www.legis.iowa.gov/publications/information/covid19Resources>

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The following information is an overall summary of Iowa’s General Fund budget for FY 2020 and FY 2021 in an effort to assist the General Assembly with the decision-making process for the next fiscal year. The overview provides various tables showing financial information on the State’s General Fund budget, as well as an FY 2021 budget projection developed by the Legislative Services Agency (LSA).

The General Fund balance sheet in **Figure 6** is based on revenue estimates agreed to by the Revenue Estimating Conference (REC) on March 12, 2020. These estimates were made prior to any known economic impact of the COVID-19 pandemic on State tax revenues. The economic slowdown from COVID-19 is likely to have a significant fiscal impact on State tax revenues. However, the impact on revenues cannot be estimated at this time due to the timing of State tax revenue collections.

Figure 6

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	214.2
Total Available Resources	<u>\$ 7,929.9</u>	<u>\$ 8,286.3</u>	<u>\$ 8,450.9</u>
Expenditure Limitation			\$ 8,368.5
Appropriations and Expenditures			
Appropriations	\$ 7,480.2	\$ 7,643.7	\$ 7,638.8 ²
Adjustments to Standing Appropriations	- 2.8	- 4.9 ¹	0.0
Built-In and Anticipated Expenditures	0.0	0.0	431.0
Supplemental/Deappropriations	168.6	113.2	0.0
Total Appropriations	<u>\$ 7,646.0</u>	<u>\$ 7,752.0</u>	<u>\$ 8,069.8</u>
Reversions	- 5.4	- 5.0	- 5.0
Net Appropriations	<u>\$ 7,640.6</u>	<u>\$ 7,747.0</u>	<u>\$ 8,064.8</u>
Ending Balance – Surplus	<u>\$ 289.3</u>	<u>\$ 539.3</u>	<u>\$ 386.1</u>

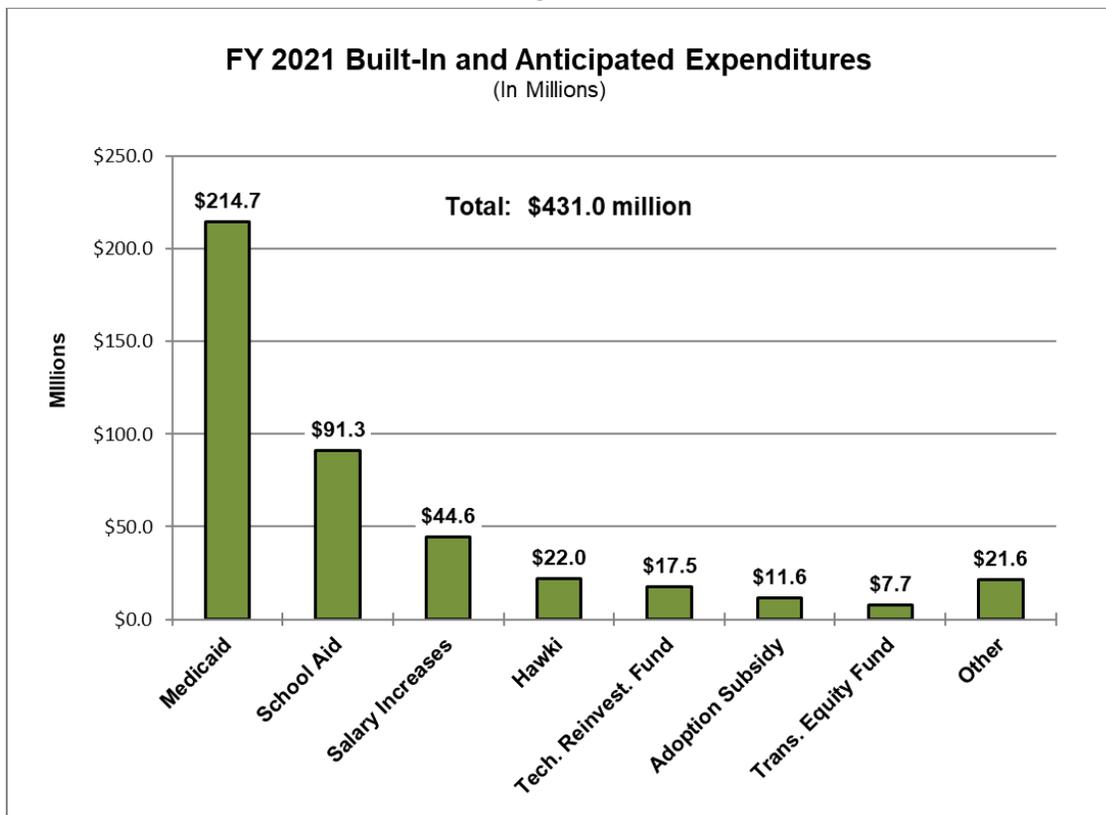
¹ The estimated FY 2020 standing appropriations were revised to reflect a \$5.6 million reduction to State School Aid and net increases totaling \$0.7 million to other standing appropriations.

² The FY 2021 baseline appropriation is equal to the FY 2020 enacted appropriations and the adjustments to standing appropriations.

FY 2021 Budget Projection. The LSA budget projection for FY 2021 provides an analysis of the condition of the General Fund budget for the next fiscal year, prior to any economic impact of the COVID-19 pandemic. The estimates that comprise the FY 2021 projection are based on the following factors and assumptions:

- The FY 2021 REC revenue estimate of \$8.237 billion set on March 12, 2020. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. This estimate is included in the calculation of the FY 2021 expenditure limitation.
- A carryforward balance of \$214.2 million from the revised FY 2020 General Fund surplus after the estimated reserve fund and Taxpayer Relief Fund requirements are met.
- The expenditure limitation for FY 2021 is estimated to be \$8.369 billion.
- The enacted appropriations from FY 2020 (\$7.639 billion) are used as the baseline for FY 2021 appropriations.
- The LSA's estimated net built-in and anticipated expenditure changes for FY 2021 total \$431.0 million. These expenditures are summarized in **Figure 7**. The estimate reflects the incremental increases above the FY 2021 baseline appropriation estimate.
- Reversions are estimated to total \$5.0 million. Reversions are appropriated funds that remain unexpended at the close of the fiscal year and are deposited back in the General Fund.

Figure 7



Reserve Funds. The balances in the State's two reserve funds are projected to total \$766.9 million for FY 2020 and \$823.7 million for FY 2021 (**Figure 8**). The balance in the Economic Emergency Fund was reduced by \$17.0 million due to the transfer of funds to the Small Business Disaster Recovery Financial Assistance Program to provide financial assistance to small businesses affected by the COVID-19 pandemic.

Figure 8

State of Iowa Reserve Funds			
(In Millions)			
	Actual FY 2019	Estimated FY 2020	Projected FY 2021
Cash Reserve Fund			
Funds Available			
Balance Brought Forward	\$ 442.4	\$ 571.6	\$ 587.9
General Fund Transfer from Surplus	127.3	289.3	539.3
Special General Fund Appropriation	113.1	0.0	0.0
Total Funds Available	\$ 682.8	\$ 860.9	\$ 1,127.2
Transfer to Economic Emergency Fund	- 111.2	- 273.0	- 509.4
Balance	\$ 571.6	\$ 587.9	\$ 617.8
<i>Maximum 7.5%</i>	<i>\$ 571.6</i>	<i>\$ 587.9</i>	<i>\$ 617.8</i>
Economic Emergency Fund			
Funds Available			
Balance Brought Forward	\$ 177.9	\$ 185.6	\$ 179.0
Excess from Cash Reserve Fund	111.2	273.0	509.4
Executive Council – Performance of Duty	- 14.2	- 7.0	- 16.7
Total Funds Available	\$ 274.9	\$ 451.6	\$ 671.7
FY 2019 Perf. of Duty Expense*	\$ - 4.9	\$ 0.0	\$ 0.0
Excess Surplus	- 84.4	- 255.6	- 465.8
Transfer to Small Bus. Disaster Assistance Prog.	0.0	- 17.0	0.0
Balance	\$ 185.6	\$ 179.0	\$ 205.9
<i>Maximum 2.5%</i>	<i>\$ 190.5</i>	<i>\$ 196.0</i>	<i>\$ 205.9</i>
Distribution of Excess Surplus			
Transfer to General Fund	\$ 71.0	\$ 195.6	\$ 214.2
Transfer to Taxpayer Relief Fund	13.4	60.0	251.6
Total	\$ 84.4	\$ 255.6	\$ 465.8
Combined Reserve Fund Balances			
Cash Reserve Fund	\$ 571.6	\$ 587.9	\$ 617.8
Economic Emergency Fund	185.6	179.0	205.9
Total	\$ 757.2	\$ 766.9	\$ 823.7

Taxpayer Relief Fund. Based on the current REC estimates and budget assumptions for FY 2020, it is estimated that the Taxpayer Relief Fund will have a balance of \$73.5 million in FY 2020 and \$325.1 million in FY 2021 (**Figure 9**). This includes a General Fund surplus transfer of \$60.0 million during FY 2020 and an estimated transfer of \$251.6 million in FY 2021. The Taxpayer Relief Fund estimate for FY 2021 is based on General Fund revenue estimates prior to any economic impact of the COVID-19 pandemic.

Figure 9

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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Subcommittee Issue Update

The following sections highlight budget and topic issues related to appropriations subcommittees. Please consult the Fiscal Services Division [staff directory](#) for questions or additional information.

Administration and Regulation

Testlowa Contract. On April 14, 2020, the Iowa Department of Administrative Services signed the Testlowa contract with Nomi Health, Inc. (Nomi). For a total cost of \$26.0 million, Nomi will facilitate COVID-19 testing across the State by providing all needed testing supplies, hardware, 10 polymerase chain reaction (PCR) machines, 540,000 testing kits, and personal protective equipment (PPE) for 6 mobile testing locations. Testing information is available at testiowa.com.

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Agriculture and Natural Resources

State Parks. Governor Reynolds signed a proclamation on April 7, 2020, that closed all public campgrounds, cabins, yurts, and playgrounds. The Iowa Department of Natural Resources (DNR) allows people to visit State parks and forests for day use only provided people abide by social distancing guidelines. This includes the use of trails, roads, river access for boating, and grassy open spaces. All campgrounds, cabins, lodges, and restrooms have been closed until May 14, 2020. In addition, all events at State parks have been cancelled until May 14, 2020. This includes all State park 100th anniversary events. Although the spring camping season is just beginning, as of May 5, 2020, camping revenue is down \$895,000 compared to FY 2019.

On May 6, 2020, Governor Reynolds signed a proclamation that allows public or private campgrounds to reopen on May 8, 2020. The campground must implement reasonable measures for social distancing and other measures to reduce the transmission of COVID-19.

Commodity Purchases. The United States Department of Agriculture (USDA) announced on May 4, 2020, that \$470.0 million from the [Section 32 Program](#) would be used to buy food commodities in the third quarter and the food would be distributed to communities nationwide. The purchases will provide aid to food producers and the food will be distributed to food banks and other organizations.

The Section 32 Program began in 1935 and receives an annual appropriation that is 30.0% of annual customs receipts. The customs moneys are transferred to two departments. These include the Child Nutrition Account in the USDA and the Department of Commerce for fisheries activities.

The Agricultural Marketing Service (AMS) administers the USDA funds and will be issuing solicitations in June and accepting deliveries in July. Purchase amounts for commodities related to Iowa include:

- \$30.0 million for chicken products.
- \$120.0 million for dairy products.
- \$30.0 million for pork products.
- \$50.0 million for turkey products.

Information on [selling](#) food to the USDA and detailed information on all [purchasing requests](#) is available on the [USDA](#) website.

Animal Mortality. The USDA is assisting producers with the disposal of animals that are not being slaughtered due to the temporary closure of meat processing plants. The [Coronavirus and USDA Assistance for Farmers](#) website provides information on several programs including the Emergency Animal Mortality Management practice, which makes payments to swine producers based on the type of disposal. Prior to payment, a swine mortality certification from a veterinarian is required and payments include:

- Burial: \$74.28 per animal unit (\$89.14 for historically underserved producers).
- Carcass disposal other than burial: \$111.53 per animal unit (\$191.20 for historically underserved producers).

- Incineration: \$219.88 per animal unit (\$263.86 for historically underserved producers).
- Disposal at landfill or render: \$0.05 per pound (\$0.06 for historically underserved producers).

As of May 7, 2020, there were 5,000 market hogs euthanized in Iowa. The federal Natural Resources Conservation Services (NRCS) estimates there will be 500,000 to 600,000 hogs disposed of over the next six weeks. The Iowa Department of Agriculture and Land Stewardship (DALS) has implemented the [Iowa Resource Coordination Center](#) to assist producers in animal disposal or with other related issues. A producer can complete an online form or call the DALS (515.725.1005) for assistance.

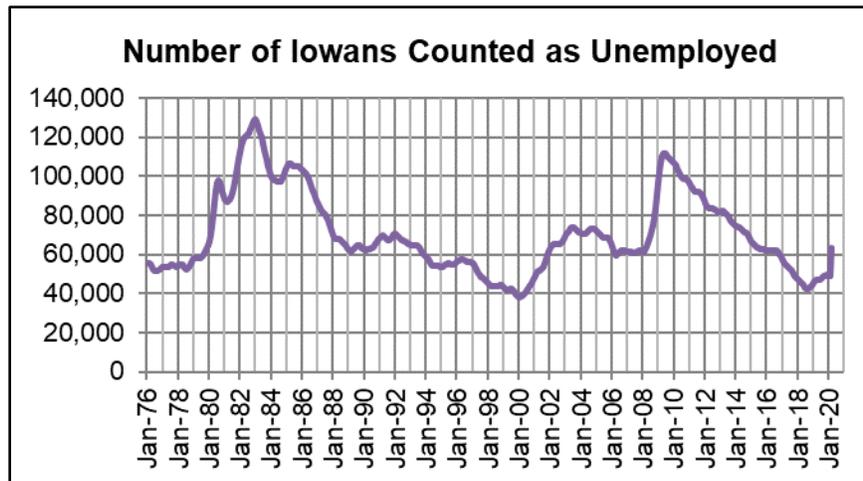
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Economic Development

Unemployment/Employment

Unemployment. At the low point of the last U.S. recession, Iowa’s unemployment rate peaked at 6.6% (May through August 2009). The unemployment rate has generally declined since that time, and Iowa’s March 2020 seasonally adjusted unemployment rate was 3.7%.

Figure 10

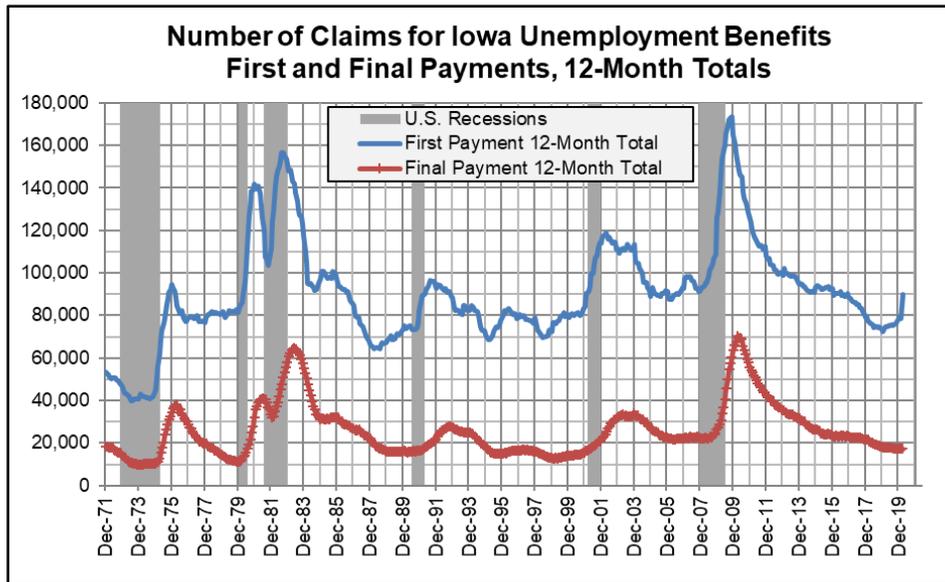


Unemployment Benefits First and Final Payments. For March 2020, the number of Iowans receiving their first unemployment payment for the benefit year totaled 15,846, which was 7,911 above the previous month. Over the last 12 months, the number of Iowans receiving their first unemployment payment for the benefit year totaled 89,739 (blue line), an increase of 11,052 compared to last month’s annual total.

Over the past 12 months, the number of Iowans receiving their final unemployment payment (exhaustion of benefit eligibility) totaled 17,315 (red line in **Figure 11**). This is one of the lowest levels of final payments since 2001. At 1,896, the March 2020 reading was 419 above the final payment number from the previous month.

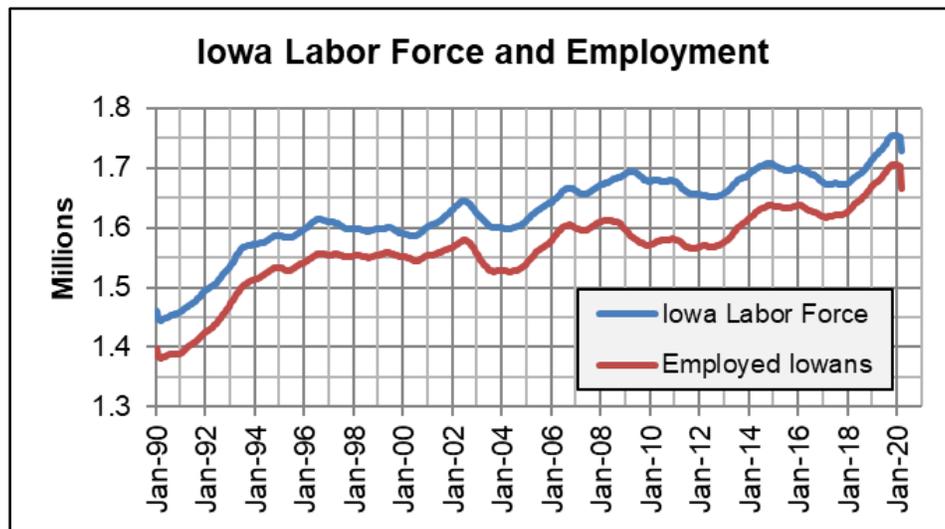
The impact of COVID-19 on unemployment statistics will continue to mount as weekly claims are reflected in the monthly and yearly statistics. The unemployment rate is equal to the number of unemployed persons divided by the labor force. If a person drops out of the labor force and is no longer looking for work, the person will not be counted as unemployed and the unemployment rate will not be as high as it otherwise would be if the person was still looking for work and was considered unemployed.

Figure 11



Labor Force and Employment. Employed lowans (the number of lowans reporting that they currently have a job) decreased by 38,046 in March (**Figure 12**). At 1,665,305, the number of employed lowans is just above the number for November 2018. Iowa’s labor force (includes those employed plus those unemployed and looking for work) decreased by 23,802 compared to the previous month. At 1,728,819, the number of lowans in the labor force is just above the number for April 2019. The number of unemployed lowans totaled 63,514 in March, a level that is 16,757 above the level one year ago. The impact of COVID-19 is beginning to show in Iowa’s labor force and employment numbers.

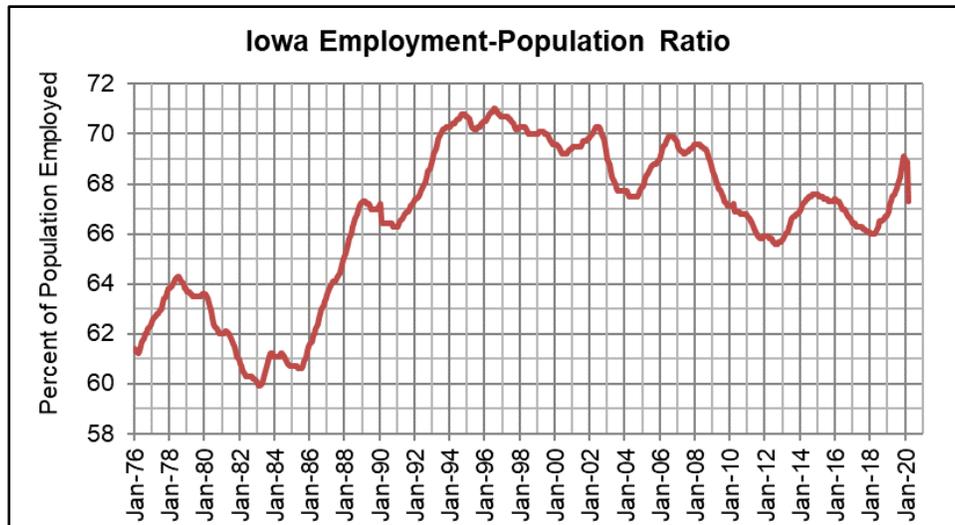
Figure 12



Employment-Population Ratio. At the start of the last U.S. recession (December 2007), Iowa’s Employment-Population Ratio was at 69.6%, meaning that 69.6% of Iowa’s civilian, noninstitutionalized population age 16 and over reported having a job. That ranked Iowa seventh highest in the country, with a rate 6.7 percentage points higher than the national average of 62.9%. Employment-Population Ratios declined during and after the recession, both in Iowa and nationally, and rebounded before COVID-19 impacted employment. The March 2020 67.3% Iowa ratio is the fourth highest in the nation and is 7.4 percentage points above the current national average (59.9%). Nebraska (68.2%), the District of

Columbia (68.0%), and North Dakota (67.7%) currently have the highest ratios. The states with the lowest ratios are West Virginia (53.3%) and Mississippi (52.6%). It is likely that this ratio will decline in future months.

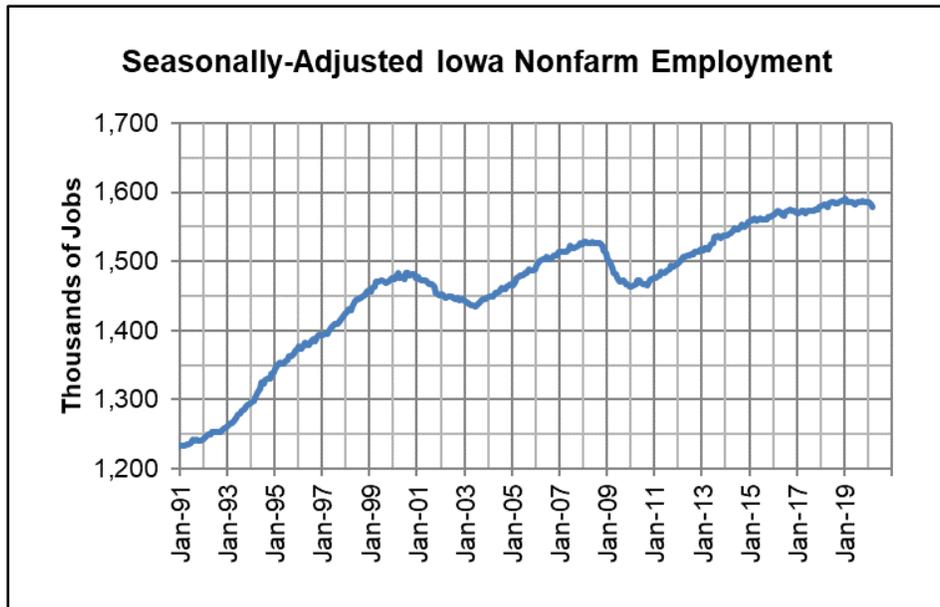
Figure 13



Nonfarm Employment. The most recent U.S. recession began in December 2007, but Iowa nonfarm employment growth did not turn negative until October 2008. Year-over-year job growth remained negative until late 2010. From October 2010 through December 2015, nonfarm payrolls increased at a 17,900-job annual pace. For the next two years, annual job growth averaged 5,900. Annual job growth averaged 10,600 in calendar year 2018 and 2,300 in calendar year 2019.

According to March 2020 numbers and using the seasonally-adjusted nonfarm employment series, Iowa employment first exceeded its prerecession peak (January 2008 = 1,528,000) in July 2013, and with the 1,577,800 March 2020 reading, employment is 50,200 jobs above the 2008 prerecession peak (**Figure 14**). The March 2020 employment estimate is a decrease of 3,500 jobs compared to the previous month and a decrease of 7,100 jobs (-0.4%) compared to March 2019. The impact of COVID-19 on employment statistics will continue to mount as weekly claims are reflected in the monthly and yearly statistics.

Figure 14



Compared to the previous March, nonfarm employment changes by selected major industry category include:

Major Industry Category	Jobs	Change
Construction	1,400	1.8%
Manufacturing	-3,100	-1.4%
Trade, Transportation, and Utilities	-4,100	-1.3%
Financial Activities	600	0.5%
Professional and Business Services	-2,000	-1.4%
Education and Health Services	-1,700	-0.7%
Leisure and Hospitality	1,200	0.8%

Unemployment Insurance Enrollment and Benefits Distributed in Response to COVID-19.

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act ([H.R. 748](#)), enacted on March 27, 2020, provides emergency administration grants to states’ unemployment trust funds and instructs states to ease eligibility requirements and access to unemployment compensation for claimants, including waiving work search requirements and the waiting week. Iowa is eligible for \$5.0 million in Administration Base grants and \$5.0 million in Supplemental Administration grants.

Section 2104 of the [CARES Act](#) provides temporary unemployment compensation of \$600 per week until July 31, 2020, which is in addition to and at the same time as regular state and federal unemployment insurance benefits.

Financial Assistance

Iowa Small Business Relief Program. The Iowa Small Business Relief Program provides financial assistance to small businesses that have been impacted by the COVID-19 pandemic. The Program offers eligible small businesses grants ranging from \$5,000 to \$25,000 and permits the deferral of sales and use taxes or withholding taxes and the waiver of penalty and interest. The Small Business Relief grants will assist eligible businesses in maintaining operations or reopening businesses following the COVID-19 pandemic. The grants cannot be used to pay debts incurred prior to March 17, 2020. The grant amount will be determined by the level of impact, including the loss of sales revenue and employees. The Program is not first-come, first-served but is based on level of impact. A total of

\$124.0 million has been made available. The Program has been allocated \$17.0 million from the Economic Emergency Fund, \$7.0 million from Iowa Values Fund repayments and recaptures, and \$100.0 million from the CARES Act. As of May 7, 2020, a total of \$64.7 million has been granted to over 3,300 Iowa recipients. Information on the awards can be found [here](#).

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Education

K-12 Schools. Under the CARES Act, funding with the most direct impact to K-12 schools will be distributed through the Governor's Emergency Education Relief Fund and the Elementary and Secondary School Emergency Relief (ESSER) Fund. Iowa is eligible to receive \$26.2 million from the Governor's Emergency Education Relief Fund. Iowa has received \$71.6 million from the ESSER Fund, and the Department of Education (DE) has released [allocations](#) of the \$64.4 million that will be distributed to school districts. As mandated by the CARES Act, allocations to school districts are based on the Title 1 Part A formula. Nonpublic schools had the choice to participate in the ESSER Fund distribution, and participating accredited nonpublic schools were allocated an equitable share based on certified enrollment, allowing them to receive services related to COVID-19 disaster relief in that amount. Allowable uses of ESSER funds can be found in a [Fiscal Update Article](#) published May 7, 2020. The DE will reserve the remaining 10.0% of federal funds for grants and statewide emergency needs, including up to 0.5% for administrative costs at the State level.

All districts and nonpublic schools must submit a Return to Learn plan to the DE by July 1, 2020. These plans are to address needs for the 2020-2021 school year including:

- Ensuring that remote learning options are available for all students.
- Planning to help students catch up on the learning they may have missed during school closures.
- Integrating public health strategies into schools.
- Enabling schools to move between on-site and remote learning as needed.
- Determining the school calendar including the option to add days or hours to the State required minimum instructional time by starting prior to August 23, 2020.

Higher Education. The Education Stabilization Fund within the CARES Act includes funding for institutions of higher education. The funding is referred to as the Higher Education Emergency Relief Fund (HEERF). The funding is being distributed directly to the institutions, with a requirement that at least 50.0% of the funds be issued by the institutions as grants to students impacted by the pandemic. Each institution is permitted to determine the criteria for those grants. There is no maintenance of effort requirement to receive the funds. The allocation to institutions is based on enrollment of Pell Grant and non-Pell Grant recipients.

The Board of Regents universities in Iowa will receive a total allocation of \$45.5 million from the HEERF. Iowa's 15 community colleges will receive a total of \$36.2 million.

Funding for all higher education institutions in Iowa, including private nonprofit and private for-profit institutions, can be found in a [Fiscal Update Article](#) published April 20, 2020.

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Health and Human Services

Medicaid FMAP. The [Families First Coronavirus Response Act](#), signed into law on March 18, 2020, provided a 6.2% increase to the states' regular Federal Medical Assistance Percentage (FMAP) for each quarter in which the national emergency caused by COVID-19 remains in effect. To qualify for the enhanced match rate, the State is required to:

- Maintain eligibility standards, methodologies, and procedures that are no more restrictive than those in effect on January 1, 2020.

- Not increase premiums above those in effect on January 1, 2020.
- Maintain enrollment for individuals enrolled prior to the passage of the legislation and those enrolled after the passage of the legislation through the end of the month in which the national emergency is in effect, unless the individual requests termination of eligibility or is no longer a resident of the State (i.e., all individuals remain enrolled in Medicaid during the national emergency).
- Cover COVID-19 testing and treatments without cost sharing.

An estimate of the impact is detailed in **Figure 15**, but Iowa will receive at least two quarters of the enhanced FMAP, which totals approximately \$128.7 million across all appropriations that fund Medicaid or Healthy and Well Kids in Iowa (Hawki) recipients. The FMAP increase does not apply to the Iowa Health and Wellness Program (IHAWP).

Figure 15

Estimated Revenue — 6.2% FMAP Increase		
Appropriation	Estimated Quarterly Increase	Two Quarter Total
Medicaid	\$ 61,000,000	\$ 122,000,000
Hawki	1,700,000	3,400,000
State Resource Centers	1,500,000	3,000,000
Mental Health Institutes*	150,000	300,000
Total	\$ 64,350,000	\$ 128,700,000

* Revenue from the Mental Health Institute FMAP increase will be deposited into the General Fund.

Medicaid Enrollment. State health insurance programs such as Medicaid and IHAWP tend to be countercyclical, with enrollment generally increasing during economic downturns. The recent spike in unemployment will likely lead to increases in both Medicaid and IHAWP. Health Management Associates recently published a report estimating possible enrollment increase. A link to the report and information relating to Iowa are available in this [Fiscal Update Article](#) published April 6, 2020.

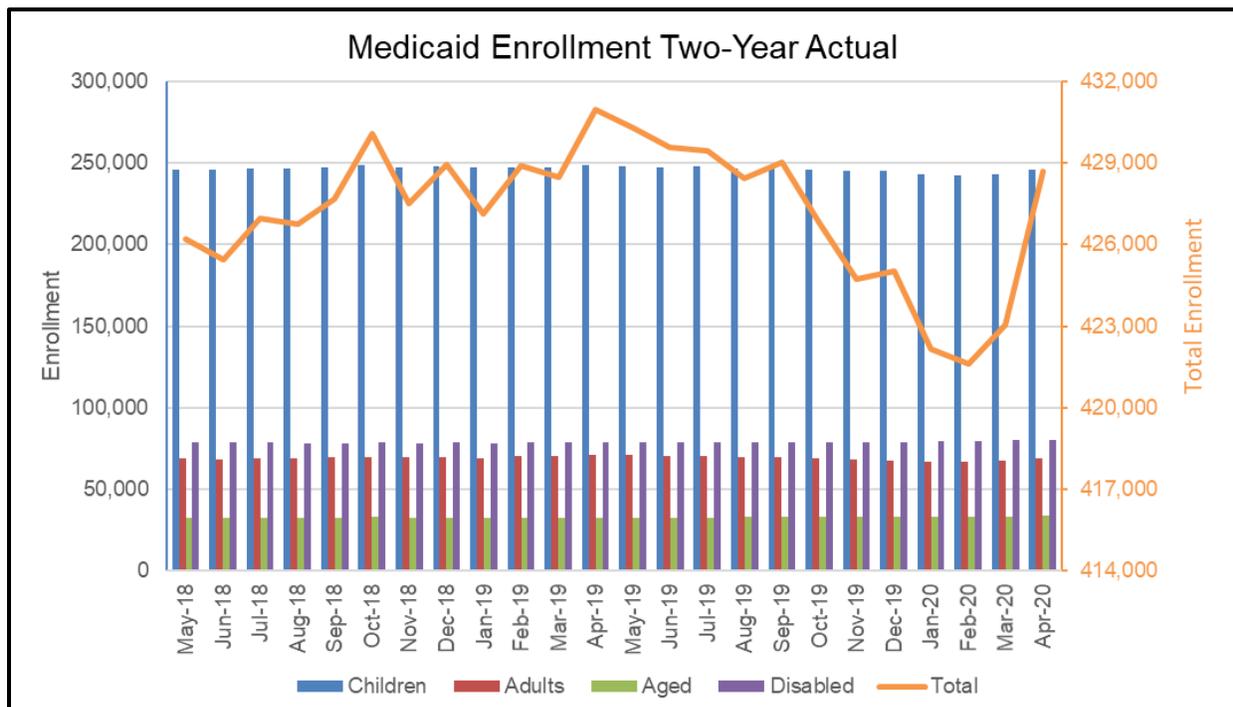
The table below (**Figure 16**) details Medicaid and IHAWP enrollment changes by month. Enrollment tends to fluctuate on a monthly basis, and those fluctuations can be as large as 3,000 individuals in Medicaid in a normal month. In April, Medicaid enrollment grew by 5,607 and IHAWP enrollment grew by 5,390, which is significantly higher than normal monthly changes in enrollment for IHAWP. Total enrollment for Medicaid is still down 912 individuals compared to the June 2019 enrollment, while the April enrollment increase in the IHAWP almost doubled the increase for the year to 10,113 individuals. A portion of the increase in both programs is likely due to the federal requirement for receiving the 6.2% enhanced FMAP, which requires states not to disenroll anyone currently on a state health insurance program.

Figure 16

FY 2020	Regular Medicaid					Total	IHAWP Total
	Children	Adults	Aged	Disabled	Total		
July	124	-291	120	-85	-132	502	
August	-831	-356	100	61	-1,026	380	
September	205	-101	211	296	611	844	
October	-1,203	-880	-2	-132	-2,217	123	
November	-866	-814	-174	-225	-2,079	1,219	
December	76	-252	78	396	298	1,279	
January	-2,037	-855	-30	66	-2,856	-704	
February	-833	46	27	194	-566	-143	
March	602	212	169	465	1,448	1,223	
April	3,053	1,767	404	383	5,607	5,390	
Total FY 2020	-1,710	-1,524	903	1,419	-912	10,113	
Grand Total	245,625	69,087	33,654	80,300	428,666	182,293	

Figure 17 shows Medicaid enrollment over the past two years. The Medicaid Program has remained relatively stable, fluctuating between 421,000 and 431,000. With the change prohibiting the State from disenrolling individuals along with the increase in unemployment, it is likely that the State will see significant enrollment increases in both Medicaid children and adult populations and IHAWP. The Iowa Department of Human Services (DHS), the Iowa Department of Management, and the Legislative Services Agency (LSA) are tracking these changes and analyzing their potential impact on Medicaid for FY 2020 and FY 2021. The LSA will provide updates in this publication in the coming months on enrollment and expenditure projections.

Figure 17



Child Care Assistance. Iowa received \$31.9 million in Child Care Development Block Grant (CCDBG) funds appropriated through the CARES Act. The DHS announced a plan to utilize these funds to provide business sustainability strategies and financial support through policy changes for the Child Care Assistance (CCA) Program and creating new funding streams for providers. The table below summarizes these strategies, with more information available in this [Fiscal Update Article](#) published May 7, 2020.

Figure 18

Child Care Development Block Grant CARES Act Funding				
	Estimated Cost (millions)		Award Maximum	
<u>Child Care Assistance Program Policy Changes</u>				
Pay for Unlimited Absences	\$	4.0		
Waive Family Copayment		2.0		
Miscellaneous Expenditures		0.2		
<u>New Programs</u>				
Monthly Stipend to Open Providers	\$	13.7	\$ 2,000	\$ 500
Stipend for Essential Employee Discounts		6.0	2,000	500
Rejuvenation Grants to Reopen Providers		6.0	1,500	600
Total	\$	31.9		

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Justice System

Attorney General/Crime Victim Assistance Division. The CARES Act allocated additional Family Violence Prevention and Services Act (FVPSA) funding to states to provide funding to support programs that prevent incidents of family violence, domestic violence, and dating violence. An estimated \$347,000 in funding is allocated to the Crime Victim Assistance Division (CVAD) of the Iowa Department of Justice. The CVAD distributes FVPSA funding through local grants to domestic abuse programs, including domestic abuse shelters and other community-based victim coalitions. The match requirement for this funding has been waived.

Department of Corrections. The Iowa Department of Corrections (DOC) plans to apply for reimbursement of costs incurred due to COVID-19 response through the CARES Act and other federal reimbursements available. There are several areas of the DOC budget that will need to be monitored over the next fiscal year due to the impacts of COVID-19:

- Costs for county confinement are higher due to prisoners not being transferred out of facilities through April and May, and the DOC must reimburse those costs.
- County-based correctional facilities (CBCs) are experiencing significant revenue changes due to the reduction in beds being used in the residential facilities, where clients pay daily rent. In addition, many clients are unemployed and are having difficulty paying their rent. Community supervision is also experiencing revenue loss from fewer supervision fees due to less client contact. The declining revenues will likely have more of an impact on the next fiscal year, and a slow recovery in revenue levels is anticipated.
- Other budget line items experiencing increased costs include: electronic monitoring, PPE expenses, and technology cost increases.

Department of Homeland Security and Emergency Management. The CARES Act allocated additional funding to the Emergency Management Performance Grant (EMPG), which assists states,

territories, tribes, and local governments with their public health and emergency management activities supporting the prevention of, preparation for, and response to the ongoing COVID-19 public health emergency. Through this grant program, the Federal Emergency Management Agency (FEMA) will award funding to support planning and operational readiness for COVID-19 preparedness and response; development of tools and strategies for prevention, preparedness, and response; and ongoing communication and coordination among federal, state, local, tribal, and territorial partners throughout the response.

A total of approximately \$1.3 million was allocated under this supplemental program to the existing FY 2020 EMPG [Notice of Funding Opportunity](#) published on February 14, 2020. At this time, it remains unclear whether or not a federal match requirement (75.0% federal and 25.0% state) will be required. The Iowa Department of Homeland Security and Emergency Management (HSEMD) is actively seeking to have the match requirement waived.

Additionally, the HSEMD also received approximately \$1.0 million in supplemental funding for the Emergency Food and Shelter Program (EFSP). The grant assists local entities to meet the needs of hungry and homeless people throughout the United States and its territories by allocating federal funds for the provision of food and shelter. Program funds are used to provide the following, as determined by the local board in funded jurisdictions:

- Food, in the form of served meals or groceries.
- Lodging in a mass shelter or hotel.
- One month's rent or mortgage payment.
- One month's utility bill.
- Equipment necessary to feed or shelter people, up to a \$300 limit per item.

Up to 2.0% of the grant may be used for administrative costs, and local jurisdictions have discretion as to how to distribute funds.

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Transportation, Infrastructure, and Capitals

Department of Transportation. Due to the COVID-19 pandemic, Iowa's FY 2020 Road Use Tax Fund (RUTF) revenue is anticipated to decrease compared to FY 2019. On a cash year basis, in FY 2019 the RUTF received a total of \$1.752 billion, of which \$1.578 billion was distributed to counties, cities, and the Iowa Department of Transportation (DOT) for administration, construction, and maintenance of public roads. Of the remainder, \$52.1 million was appropriated to the DOT for administration and other purposes and \$124.1 million was allocated under the Iowa Code for a number of purposes. Additional detail on statutory allocations can be found [here](#).

Road Use Tax Fund revenues have not reflected a decline due to the pandemic as of this date. However, revenue declines are expected. The DOT is publishing daily updates on [traffic counts](#). The reduction in traffic counts has varied, but decreases have exceeded 40.0% for some days. Reductions in fuel taxes paid can be expected due to this decreased traffic. Revenues from the fee for new vehicle registration, which is a 5.0% fee for registration of newly purchase vehicles, can also be expected to decline. Compared to April 2019, the number of new vehicles registered in April 2020 decreased by 20.1%. Funds collected in April have not yet been deposited in the RUTF. The impact of COVID-19 on both of these sources will be reflected in RUTF distributions in future months.

Transportation — Federal Assistance. The CARES Act included apportionments to Iowa transit systems and Iowa airports. In total, the Federal Transit Administration is apportioning \$107.2 million to Iowa transit agencies and \$70.5 million to 79 Iowa airports. Additional information on apportionments by transit agency or airport is available upon request.

Rebuild Iowa Infrastructure Fund. Due to the COVID-19 pandemic, casinos were ordered closed on March 17, 2020, and have remained closed since. The State has collected \$215.5 million in wagering

taxes through April 30, 2020. This is down 28.7% compared to where FY 2019 ended at \$302.3 million with only two months and July accruals remaining. Pursuant to Iowa Code section [8.57](#), the funding from wagering taxes is distributed as follows:

Revenue Bonds Debt Service Fund	\$55.0 million
Vision Iowa Fund	\$15.0 million
Skilled Worker and Job Creation Fund	\$63.75 million
General Fund	\$2.25 million
Federal Subsidy Holdback	\$3.75 million
Rebuild Iowa Infrastructure Fund (RIIF)	Remaining revenue

Figure 19 reflects distributions of wagering taxes allocated by month to the RIIF and all other distributions.

Figure 19

Wagering Tax Distributions (Fees Not Included)								
	FY 2019 Distributions			FY 2020 Distributions			Difference	
	All Other	RIIF	Total	All Other	RIIF	Total		
	Distributions	Distribution		Distributions	Distribution			
July	\$ 12.2	\$ 0.0	\$12.2	\$ 11.7	\$ 0	\$11.7	\$ -0.5	
August	28.6	0.0	28.6	28.7	0	28.7	0.1	
September	24.9	0.1	25.0	24.6	0.1	24.7	-0.2	
October	23.3	0.1	23.4	29.2	0.1	29.3	5.9	
November	28.4	0.1	28.5	19.7	0.1	19.8	-8.7	
December	21.8	0.1	21.9	26.1	0.1	26.3	4.3	
January	6.2	20.2	26.4	5.4	24.7	30.1	3.7	
February	0.7	22.5	23.2	0.8	24.3	25.1	1.9	
March	0.8	25.8	26.6	0.6	19.3	19.9	-6.7	
April	0.8	24.6	25.4	0.0	0.0	0.0	-25.4	
May	1.0	30.5	31.5	0.0	0.0	0.0	-31.5	
June	0.7	22.6	23.3	0.0	0.0	0.0	-23.3	
July (Accrual)	0.2	6.1	6.3	0.0	0.0	0.0	-6.3	
Grand Total	\$149.6	\$152.7	\$302.3	\$146.8	\$68.7	\$215.5	\$ -86.7	

Figure 20 compares FY 2019 revenues, the State’s original revenue estimates for FY 2020, the State’s current revenues, and estimated FY 2020 revenues if the State does not receive more wagering taxes. Current revenues are approximately \$84.1 million below the most recent estimate made by the Revenue Estimating Conference (REC). If casinos reopen in June, the revenue outlook would improve, but the public may not immediately return to casinos. In FY 2019, revenues deposited during May, June, and the accrual period totaled \$59.2 million, or an average of \$26.5 million per month.

Figure 20

Rebuild Iowa Infrastructure Fund Revenues				
	FY 2019	FY 2020 (orig)	FY 2020 (YTD)	FY 2020 (est)
Beginning Balance	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9
Casino Wagering Tax Revenues				
Wagering Taxes and Fees	152.8	150.1	68.7	68.7
Revenue Bond Debt Service Fund Transfer	6.7	6.0	-	6.0
Federal Subsidy Holdback Fund Transfer	3.8	3.8	-	3.8
Total Casino Wagering Tax Revenues	163.3	159.8	68.7	78.5
Interest	15.7	16.0	11.5	13.0
MSA Tobacco Payments	10.9	10.8	10.9	10.9
MSA Tobacco Litigation Settlements	2.2	2.2	1.7	2.2
Revenue Total	\$ 203.0	\$ 199.7	\$ 103.7	\$ 115.5

Currently there is \$198.9 million in enacted RIIF appropriations (Environment First Fund and Technology Reinvestment Fund included) and another \$63.8 million in Skilled Worker and Job Creation Fund appropriations for FY 2020 that are funded primarily through wagering taxes. As currently allocated, wagering taxes will not be sufficient to fund the FY 2020 RIIF appropriations.

The next fiscal year will also be impacted if casino business does not return to normal. For FY 2021, the following appropriations are enacted. At its most recent meeting, the REC estimated a decline of 0.5% in wagering taxes for FY 2021. It is currently not possible to determine how casino business may be impacted when casinos reopen.

Figure 21

Rebuild Iowa Infrastructure Fund Standing and Enacted Appropriations			
FY 2021 Standing RIIF Appropriations		FY 2021 Enacted Appropriations	
Environment First Fund	\$ 42,000,000	Major Maintenance	\$ 20,000,000
State Housing Trust Fund	3,000,000	ISU Vet Lab	12,500,000
Routine Maintenance	2,000,000	Student Innovation Center	10,000,000
Capitol Building Maintenance	500,000	State Fair 4-H	4,500,000
Total	\$ 47,500,000	Long Hall Renovation	1,325,000
		UNI Tech Center	1,000,000
		Vacant Building Rehab	1,000,000
		Vacant Building Demo	1,000,000
		Camp Sunnyside	800,000
		Total	\$ 52,125,000

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