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# FISCAL UPDATE Article

Fiscal Services Division

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## GOVERNOR SUBMITS REVISED BUDGET FOR FY 2021

**Revised Budget Submitted.** On June 12, 2020, the Governor submitted a revised budget for FY 2020 and FY 2021 in response to the General Fund revenue reductions agreed to by the Revenue Estimating Conference (REC) on May 29, 2020. As a result of the REC action, the Governor is required to submit a revised budget in accordance with Iowa Code section [8.21](#). The Iowa Code provision requires the Governor to submit a revised budget within 14 days of the REC meeting when the REC estimate is lower than the December estimate. The Governor's revised budget incorporates the following appropriations acts previously enacted during the 2020 Legislative Session:

- [SF 2144](#) (FY 2020 Supplemental Appropriations Act)
- [SF 2408](#) (Supplemental and Continuing Appropriations Act)
- [SF 2164](#) (School Transportation Equity Act)
- [SF 2142](#) (Supplemental State Aid Act)

**Revised FY 2020 Budget.** On May 29, 2020, the REC lowered the FY 2020 State wagering tax revenue estimate by \$72.9 million (a reduction of 24.3%) due to the mandatory closure of Iowa's 19 casinos in response to the COVID-19 pandemic. The reduced revenue caused the Rebuild Iowa Infrastructure Fund (RIIF) budget to be out of balance by an estimated \$68.2 million. To address the FY 2020 budget shortfall in the RIIF, the Governor's revised budget includes a General Fund supplemental appropriation of \$69.0 million to the RIIF. The Governor's revised General Fund ending balance is estimated at \$320.4 million after this transfer.

**Revised FY 2021 Budget.** On May 29, 2020, the REC lowered the FY 2021 General Fund revenue estimate by \$360.1 million (4.4%), requiring the Governor to submit a revised budget. To address the revenue reduction, the Governor is recommending status quo funding at the FY 2020 level for most State agencies and programs. However, the Governor's revised budget maintains the \$91.4 million increase for State School Foundation Aid for FY 2021. The Governor is recommending a \$51.6 million reduction to the Medicaid appropriation, which aligns the FY 2021 appropriation to the Medicaid Forecasting Group's projection from its May 22, 2020, meeting. **Table 1** highlights the major appropriations changes in the Governor's revised budget for FY 2021.

**Table 1**

Governor's Revised General Fund Appropriation Recommendations			
Major Changes			
(Dollars in Millions)			
	Est Net	Revised	
	FY 2020	Gov Rec	Change
		FY 2021	
State School Foundation Aid	\$ 3,285.4	\$ 3,376.8	\$ 91.4
School Transportation Equity Fund	19.0	26.7	7.7
Medical Assistance	1,516.4	1,464.8	- 51.6
State Children's Health Insurance	21.1	39.3	18.2
Eldora Training School	14.0	16.0	2.0
All Other State Agencies and Programs	2,896.5	2,871.6	- 24.9
Total	<u>\$ 7,752.4</u>	<u>\$ 7,795.2</u>	<u>\$ 42.8</u>

The Governor's revised budget for FY 2021 is based on an estimate of available resources totaling \$8.144 billion, which includes the May REC estimate of \$7.877 billion and an estimated carryforward balance of \$266.8 million. The total available resources of the Governor's revised budget is \$330.7 million less than the budget submitted in January. In response to the reduction, the Governor is recommending appropriations totaling \$7.795 billion, which is \$297.6 million less than the December recommendation. The Governor's revised ending balance for FY 2021 is estimated at \$353.4 million.

The Governor's revised budget for FY 2021 includes a recommendation to reduce the Taxpayer Relief Fund allocation by \$69.0 million, which increases the General Fund surplus carryforward into FY 2021 by a like amount. The estimated balance in the Taxpayer Relief Fund under the Governor's revised budget is \$106.9 million for FY 2021.

**Table 2**

<b>Governor's Revised General Fund Budget</b>				
(Dollars in Millions)				
	FY 2020		FY 2021	
	Jan. Gov Rec	Revised Gov Rec	Jan. Gov Rec	Revised Gov Rec
<b>Resources</b>				
Receipts (Dec/March Est)	\$ 8,014.6	\$ 8,090.7	\$ 8,249.0	\$ 8,236.9
May REC Adjustment	0.0	- 149.5	0.0	- 360.1
Net Receipts	8,014.6	7,941.2	8,249.0	7,876.8
Revenue Adjustments	- 0.3	0.0	- 7.3	0.0
Subtotal Receipts	8,014.3	7,941.2	8,241.7	7,876.8
Surplus Carryforward	195.6	195.6	232.6	266.8
<b>Total Available Resources</b>	<b>\$ 8,209.9</b>	<b>\$ 8,136.8</b>	<b>\$ 8,474.3</b>	<b>\$ 8,143.6</b>
<b>Expenditure Limitation</b>			<b>\$ 8,382.7</b>	<b>\$ 8,064.8</b>
<b>Estimated Appropriations</b>				
Appropriations	\$ 7,638.8	\$ 7,638.8	\$ 8,092.8	\$ 7,795.2
Supplemental/Deappropriations	111.1	113.6	0.0	0.0
Subtotal	7,749.9	7,752.4	8,092.8	7,795.2
Transfer to RIF	0.0	69.0	0.0	0.0
<b>Total Appropriations &amp; Transfers</b>	<b>\$ 7,749.9</b>	<b>\$ 7,821.4</b>	<b>\$ 8,092.8</b>	<b>\$ 7,795.2</b>
Reversions	- 5.0	- 5.0	- 5.0	- 5.0
<b>Net Appropriations after Reversions</b>	<b>\$ 7,744.9</b>	<b>\$ 7,816.4</b>	<b>\$ 8,087.8</b>	<b>\$ 7,790.2</b>
<b>Ending Balance - Surplus</b>	<b>\$ 465.0</b>	<b>\$ 320.4</b>	<b>\$ 386.5</b>	<b>\$ 353.4</b>

**Reserve Fund Balance.** The State's reserve fund balances remain at the statutory maximum of \$783.9 million for FY 2020 and \$787.7 million for FY 2021.

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