

FISCAL UPDATE Article

Fiscal Services Division

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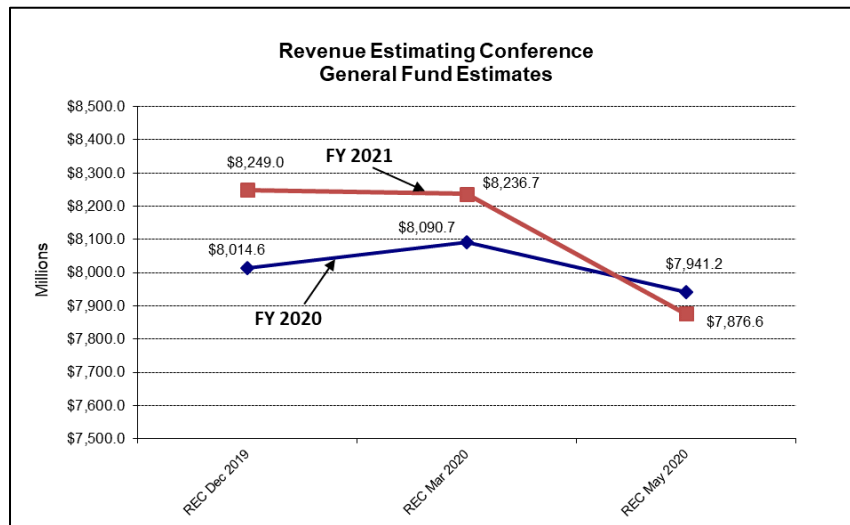
END OF SESSION — BUDGET RECAP FOR 2020 LEGISLATIVE SESSION

The 2020 Legislative Session proved to be a unique and challenging session due to the COVID-19 pandemic. Due to concerns over COVID-19, the General Assembly recessed the Legislative Session on March 17, 2020, for approximately two and a half months. The Session was resumed on June 3, and the General Assembly adjourned the 2020 Legislative Session on June 14.

The Revenue Estimating Conference (REC) met in December 2019 and March 2020 prior to the economic slowdown brought on by the COVID-19 pandemic. The REC met for a third time on May 29, 2020, to revise the FY 2020 and FY 2021 revenue estimates to incorporate potential impacts of the economic crisis.

Despite the challenges associated with the declining State tax revenues that stemmed from the economic slowdown, the 2020 General Assembly passed a balanced budget for FY 2021 and revised the FY 2020 General Fund budget. The information below provides a summary of the status of the State's General Fund budget for FY 2020 and FY 2021.

Revenue Estimating Conference (REC). The REC met on May 29, 2020, and lowered the FY 2020 and FY 2021 revenue estimates by 1.8% and 4.4%, respectively. This represents revenue reductions of \$149.5 million for FY 2020 and \$360.1 million for FY 2021, compared to the FY 2021 March estimates.



The REC also 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 have an estimated shortfall of \$68.2 million.

Fiscal Year 2020 Budget. The total resources available for the FY 2020 General Fund budget are estimated at \$8.132 billion. This includes the May REC estimate of \$7.941 billion, revenue adjustments

passed by the 2020 General Assembly of negative \$4.5 million, and a carryforward balance of \$195.6 million.

In addition, the General Assembly passed supplemental appropriations totaling \$185.6 million for FY 2020 (**Table 1**), which included a \$70.0 million appropriation to the RIIF to eliminate the estimated shortfall in the Fund, due to the mandatory closure of the casinos. Other significant supplemental appropriations included \$89.0 million for the Medicaid program and \$21.0 million to assist local governments with flood mitigation. The General Fund ending balance for FY 2020 is estimated at \$312.9 million.

Table 1

FY 2020 General Fund Supplemental Appropriations		Legislative
(In Millions)		Action
<u>Bill Number</u>		<u>FY 2020</u>
SF 2408	Human Services - Medicaid	\$ 89.0
HF 2642	Appropriation to RIIF	70.0
SF 2144	Flood Mitigation	21.0
HF 2643	Public Safety - Overtime	2.4
SF 2408	State Children's Health Insurance	1.7
SF 2408	Human Services - Glenwood Supplemental	0.6
SF 2408	Regents - University of Iowa Hygenic Lab	0.5
SF 2144	Human Services - Glenwood Supplemental	0.3
	Total	<u>\$ 185.6</u>

*Numbers may not equal totals due to rounding.

Fiscal Year 2021 Budget. The total resources available for the FY 2021 General Fund budget are estimated at \$8.085 billion, which is a reduction of \$47.5 million (0.6%) compared to FY 2020. This includes the May REC estimate of \$7.877 billion, net revenue adjustments passed by the 2020 General Assembly of negative \$39.1 million, and a carryforward balance of \$247.3 million. The expenditure limitation for FY 2021 was \$8.006 billion, which is 99.0% of the total available resources.

The General Assembly appropriated a total of \$7.779 billion from the General Fund for FY 2021, which is a reduction of \$45.9 million (0.6%) compared to the revised FY 2020 appropriations after factoring in the supplemental appropriations. The FY 2021 appropriations are also \$227.4 million below the expenditure limitation. The General Fund ending balance for FY 2021 is estimated at \$311.3 million (**Table 2**).

The General Assembly passed [HF 2641](#) (Department of Revenue Omnibus Bill), which is estimated to reduce General Fund revenues by a net total of \$41.9 million in FY 2021 (**Table 3**). The Bill reduces revenues from personal and corporate income taxes and the State sales/use tax.

Table 2

State of Iowa			
Projected Condition of the General Fund			
(In Millions)			
	Actual	Revised	Legislative
	FY 2018	FY 2020	Action
			FY 2021
Resources			
Receipts (Mar 2019 Est)	\$ 7,858.9	\$ 8,090.7	\$ 8,236.7
May REC Adjustment	0.0	- 149.5	- 360.1
Net Receipts	7,858.9	7,941.2	7,876.6
Revenue Adjustments	0.0	- 4.5	- 39.1
Subtotal Receipts	7,858.9	7,936.7	7,837.5
Surplus Carryforward	71.0	195.6	247.3
Total Available Resources	\$ 7,929.9	\$ 8,132.3	\$ 8,084.8
Expenditure Limitation			\$ 8,005.9
Estimated Appropriations and Expenditures			
Appropriations	\$ 7,480.2	\$ 7,642.6	\$ 7,778.5
Adjustments to Standing Appropriations	- 2.8	- 3.8	0.0
Supplemental/Deappropriations	168.6	185.6	0.0
Total Appropriations	\$ 7,646.0	\$ 7,824.4	\$ 7,778.5
Reversions	- 5.4	- 5.0	- 5.0
Net Appropriations	\$ 7,640.6	\$ 7,819.4	\$ 7,773.5
Ending Balance - Surplus	\$ 289.3	\$ 312.9	\$ 311.3
Under (Over) Expenditure Limitation			\$ 227.4

Table 3

General Fund Revenue Adjustments by Bill			
Legislative Action			
(In Millions)			
Bill No.	Description	Legislative	
		Action	
		FY 2020	FY 2021
HF 2641	Department of Revenue Omnibus Bill	\$ - 4.5	\$ - 41.9
HF 2340	529 Plan Out-of-State Private Schools	0.0	- 0.2
SF 457	Criminal Surcharge and Court Fee Reform	0.0	0.3
HF 760	Hotel and Motel Local Sales Tax	0.0	2.7
Total Revenue Adjustments		\$ - 4.5	\$ - 39.1

Significant General Fund Appropriations. For FY 2021, there were numerous increases and decreases for State agencies and programs (**Table 4**). The two programs that received the largest increases were State Foundation School Aid and the State Children’s Health Insurance (Hawki) Program. [Senate File 2142](#) (Supplemental State Aid Act) was signed into law on March 12, 2020, and increased the State cost per pupil (SCPP) by 2.3%. The increase in the SCPP, along with adjustments to State Foundation School Aid in other legislation, resulted in a net increase in the General Fund State Foundation School Aid appropriation of \$91.3 million (2.8%) compared to the funding for FY 2020. The Hawki Program received an increase of \$16.5 million (78.2%), which reflects the Hawki Forecasting Group’s estimate for the Program from its meeting held on May 22, 2020.

The increases were offset by appropriations reductions. The three largest reductions included two one-time appropriations made in FY 2020 that included \$21.0 million for flood mitigation assistance to local governments and the \$70.0 million supplemental appropriation to eliminate the projected budget shortfall in the RIIF. The appropriation for Medicaid was also reduced by \$56.8 million for FY 2021 primarily due to an increase of 6.2% in the Federal Medical Assistance Percentage (FMAP).

The majority of the FY 2021 General Fund appropriations for State programs’ and agencies’ operations were status quo compared to FY 2020.

Table 4**Significant Changes to General Fund Appropriations**

(In Millions)

Programs/Appropriations	Est Net FY 2020	Legislative	Change	Percent Change
		Action FY 2021		
State Foundation School Aid	\$ 3,285.4	\$ 3,376.8	\$ 91.3	2.8%
Human Services – State Children’s Health Insurance	21.1	37.6	16.5	78.2%
Education – Transportation Equity Fund	11.2	19.0	7.8	69.6%
Human Services – Eldora Training School	13.9	16.0	2.1	15.1%
Public Safety – Overtime	2.4	0.0	- 2.4	-100.0%
Regents Institutions	576.7	569.0	- 7.7	-1.3%
Flood Recovery Assistance	21.0	0.0	- 21.0	-100.0%
Medical Assistance (Medicaid)	1,516.4	1,459.6	- 56.8	-3.7%
Appropriation to RIIF	70.0	0.0	- 70.0	-100.0%
Subtotal	<u>\$ 5,518.1</u>	<u>\$ 5,478.0</u>	<u>\$ - 40.1</u>	<u>-0.7%</u>
All Other Net Appropriations	2,306.2	2,300.5	- 5.7	-0.2%
Total	<u>\$ 7,824.3</u>	<u>\$ 7,778.5</u>	<u>\$ - 45.8</u>	<u>-0.6%</u>

*Numbers may not equal totals due to rounding.

State Reserve Funds. The combined balances in the State’s reserve funds are estimated to total \$783.7 million for FY 2021, which fills the reserves to the statutory maximum of 10.0% of the adjusted revenue estimate. The estimated FY 2020 reserve funds ending balance is \$17.0 million less than the statutory maximum due to a transfer of \$17.0 million from the Economic Emergency Fund to the Small Business Disaster Recovery Financial Assistance Program to provide financial assistance to small businesses affected by the COVID-19 pandemic (**Table 5**).

Table 5

State of Iowa Reserve Funds			
(In Millions)			
	Actual	Est Net	Legislative
	FY 2019	FY 2020	Action
			FY 2021
Reserve Fund Balances			
Cash Reserve Fund	\$ 571.6	\$ 587.9	\$ 587.8
Economic Emergency Fund	185.6	179.0	195.9
Total	\$ 757.2	\$ 766.9	\$ 783.7
Reserve Fund Statutory Maximums			
Cash Reserve Fund	\$ 571.6	\$ 587.9	\$ 587.8
Economic Emergency Fund	190.5	196.0	195.9
Total	\$ 762.1	\$ 783.9	\$ 783.7

Taxpayer Relief Fund. The Taxpayer Relief Fund is estimated to have a balance totaling \$105.9 million in FY 2021 (**Table 6**). The Fund has an estimated carryforward balance of \$73.8 million and is estimated to receive an additional \$32.1 million from the FY 2020 General Fund surplus. The moneys in the Taxpayer Relief Fund can only be spent pursuant to an appropriation by the General Assembly for purposes of providing tax relief to Iowans.

Table 6

Taxpayer Relief Fund			
(In Millions)			
	Actual	Estimated	Estimated
	FY 2019	FY 2020	FY 2021
Funds Available			
Balance Brought Forward	\$ 8.4	\$ 13.5	\$ 73.8
General Fund Surplus Transfer	13.4	60.0	32.1
Interest	0.1	0.3	0.0
Total Funds Available	\$ 21.9	\$ 73.8	\$ 105.9
Expenditures			
Transfer to the General Fund	\$ -8.4	\$ 0.0	\$ 0.0
Ending Balance	\$ 13.5	\$ 73.8	\$ 105.9

[House File 2642](#) (FY 2021 Infrastructure Appropriations Bill) includes a provision that changed the allocation of funds directed to the Taxpayer Relief Fund in FY 2021. Under current law, the Taxpayer Relief Fund can receive an allocation from the previous fiscal year's General Fund surplus after the two State reserve funds reach the maximum statutory balance equal to 10.0% of the adjusted revenue estimate. Once the reserve funds reach the maximum limit, the Taxpayer Relief Fund can receive a portion of the remaining surplus funds. The amount that the Taxpayer Relief Fund can receive is equal to the difference between the actual net General Fund revenue of the preceding fiscal year and the adjusted revenue estimate used in establishing the budget for that fiscal year.

Division V of HF 2642 changed this provision for FY 2021, and allocates the surplus funds in excess of the reserve fund balances as follows:

- The first \$70.0 million is to be transferred to the General Fund.
- An amount equal to the difference between the actual net General Fund revenue and the adjusted revenue estimate for FY 2020, less the first \$70.0 million, is to be transferred to the Taxpayer Relief Fund.
- The remainder of any surplus funds is to be transferred to the General Fund.

The change made in HF 2642 is only applicable to FY 2021. Beginning in FY 2022, the allocation of funds returns to current statute.

Other State Funds. For FY 2021, the General Assembly appropriated \$1.226 billion from non-General Fund sources, which represents a decrease of \$19.2 million (1.5%) compared to estimated net FY 2020 appropriations. **Table 7** summarizes the Other Funds appropriations by appropriations subcommittee.

Table 7
Other Funds Appropriations by Subcommittee
(In Millions)

	Actual	Est Net	Legislative	FY 2021 vs
	FY 2019	FY 2020	Action FY 2021	FY 2020
Administration and Regulation	\$ 55.3	\$ 57.3	\$ 57.3	\$ 0.0
Agriculture and Natural Resources	91.0	92.1	92.1	0.0
Economic Development	26.8	28.1	28.1	0.0
Education	40.3	40.3	40.3	0.0
Health and Human Services	419.6	430.5	439.0	8.5
Justice System	17.7	18.0	18.0	0.0
Transportation, Infrastructure, and Capitals	541.4	565.1	522.5	-42.6
Unassigned Standings	26.1	14.0	28.9	15.0
Grand Total	\$ 1,218.2	\$ 1,245.3	\$ 1,226.1	\$ -19.2

*Numbers may not equal totals due to rounding.

Table 8 summarizes the significant Other Funds appropriations by fund source.

Table 8
Other Funds Appropriations by Fund Source
(In Millions)

	Actual	Est Net	Legislative	FY 2021 vs
	FY 2019	FY 2020	Action FY 2021	FY 2020
Primary Road Fund	\$ 338.5	\$ 356.1	\$ 342.4	\$ -13.7
Health Care Trust Fund (Medicaid)	217.1	208.5	208.5	0.0
Rebuild Iowa Infrastructure Fund	137.3	138.8	109.7	-29.1
Temporary Assistance for Needy Families	126.9	126.1	131.0	4.9
Iowa Skilled Worker and Jobs Creation Fund	63.8	63.8	63.8	0.0
Quality Assurance Trust Fund (Medicaid)	36.7	58.6	58.6	0.0
Road Use Tax Fund	53.7	54.5	54.1	-0.4
Fish and Wildlife Trust Fund	44.0	45.1	45.1	0.0
Environment First Fund	42.0	42.0	42.0	0.0
Hospital Health Care Access Trust (Medicaid)	33.9	33.9	33.9	0.0
Commerce Revolving Fund	30.7	32.3	32.3	0.0
Technology Reinvestment Fund	14.4	18.1	18.6	0.5
Other	79.2	67.5	86.1	18.6
Grand Total	\$ 1,218.2	\$ 1,245.3	\$ 1,226.1	\$ -19.2

*Numbers may not equal totals due to rounding.

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