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## FISCAL UPDATE Article

Fiscal Services Division

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### LSA GENERAL FUND BALANCE SHEET UPDATE (MARCH 2021)

**Revised Revenue Estimates.** The Revenue Estimating Conference (REC) met March 19, 2021, and revised the General Fund revenue estimates for FY 2021 and FY 2022. The REC agreed to an FY 2021 estimate of \$8.079 billion, an increase of \$148.3 million (1.9%) compared to actual FY 2020. The FY 2022 estimate agreed to by the REC is \$8.386 billion, which reflects an increase of \$306.7 million (3.8%) compared to the revised FY 2021 estimate.

**FY 2021 Budget Update.** The estimate of total funds available for the General Fund in FY 2021 is \$8.326 billion, which includes the March REC estimate of \$8.079 billion and \$246.9 million from the FY 2020 surplus carryforward. During the 2020 Legislative Session, appropriations totaling \$7.779 billion were enacted for FY 2021. The appropriations have been adjusted to reflect a net increase of \$5.1 million to standing appropriations. A supplemental appropriation of \$21.0 million was enacted during the 2021 Legislative Session for costs associated with a contract to replace the State's budget, accounting, and human resources systems by July 2022. The FY 2021 General Fund surplus is currently estimated at \$526.2 million.

**Updated FY 2022 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 2022 are based on the following factors and assumptions:

- The FY 2022 REC revenue estimate set at the March 19 meeting is \$8.386 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 2022 is higher than the REC estimate set in December 2020, the December estimate is required to be used for the calculation of the FY 2022 expenditure limitation.
- The expenditure limitation for FY 2022 is estimated to be \$8.399 billion.
- The enacted appropriations and standing appropriation adjustments from FY 2021 (\$7.784 billion) are used as the baseline for FY 2022 appropriations.
- The LSA's estimated built-in and anticipated expenditure changes for FY 2022 total \$121.7 million. The estimate includes a 2.4% increase to the percent of growth to the State cost per pupil that is used in the calculation of the FY 2022 State school aid appropriation. The 2.4% was enacted in [SF 269](#) (FY 2022 Supplemental State Aid Act), which also included an increase of \$10 to the State cost per pupil for FY 2022. The changes in SF 269 result in an increase of \$36.5 million to State school aid in FY 2022 compared to FY 2021. Senate File 269 also increased the funding for the School Transportation Equity Fund by \$768,000. **Figure 2** summarizes the FY 2021 built-in and anticipated expenditures. These estimates reflect the incremental increases above the baseline appropriations.
- The projected FY 2022 appropriations, totaling \$7.905 billion, include the baseline amount of \$7.784 billion plus the \$121.7 million in built-in and anticipated expenditures. This total represents an increase of \$100.7 million (1.3%) compared to the estimated FY 2021. 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.

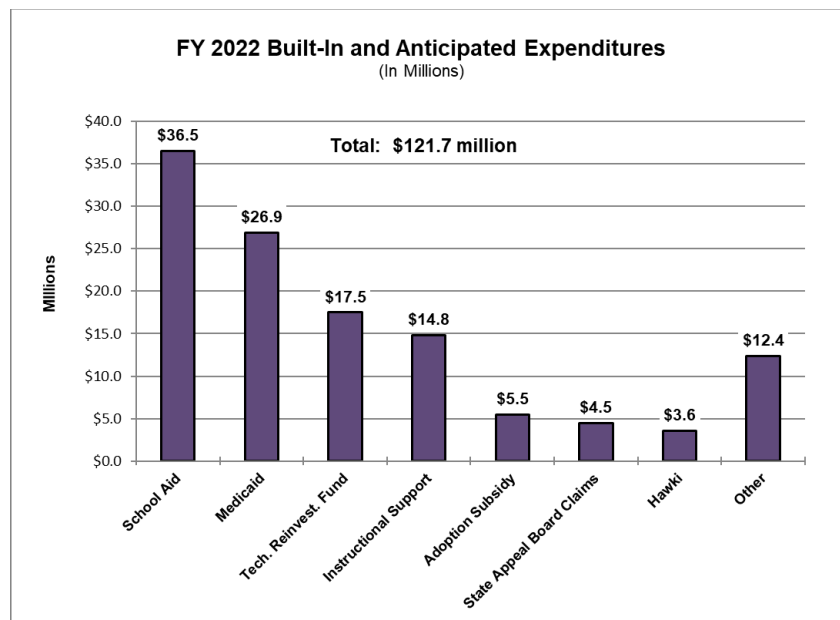
**Figure 1** shows the projected General Fund budget for FY 2022 based on the above assumptions. The projected appropriations, totaling \$7.905 billion (before reversions), are \$493.2 million below the estimated expenditure limitation. The FY 2022 General Fund surplus is projected to total \$700.8 million.

**Figure 1**

<b>State of Iowa</b>			
<b>Projected Condition of the General Fund</b>			
(In Millions)			
	Actual FY 2020	Estimated FY 2021	LSA Projection FY 2022
<b>Resources</b>			
Receipts (Dec. 11, 2020, REC Est.)	\$ 7,930.6	\$ 7,969.3	\$ 8,265.7
March REC Adjustment	0.0	109.6	119.9
<b>Net Receipts</b>	<b>\$ 7,930.6</b>	<b>\$ 8,078.9</b>	<b>\$ 8,385.6</b>
Surplus Carryforward	195.6	246.9	215.5
<b>Total Available Resources</b>	<b>\$ 8,126.2</b>	<b>\$ 8,325.8</b>	<b>\$ 8,601.1</b>
<b>Expenditure Limitation</b>			<b>\$ 8,398.5</b>
<b>Appropriations and Expenditures</b>			
Appropriations	\$ 7,642.6	\$ 7,778.5	\$ 7,783.6 <sup>1</sup>
Adjustments to Standing Appropriations	4.7	5.1	0.0
Built-In and Anticipated Expenditures	0.0	0.0	121.7
Supplemental/Deappropriations	185.6	21.0	0.0
<b>Total Appropriations</b>	<b>\$ 7,832.9</b>	<b>\$ 7,804.6</b>	<b>\$ 7,905.3</b>
Reversions	- 12.2	- 5.0	- 5.0
<b>Net Appropriations</b>	<b>\$ 7,820.7</b>	<b>\$ 7,799.6</b>	<b>\$ 7,900.3</b>
<b>Ending Balance – Surplus</b>	<b>\$ 305.5</b>	<b>\$ 526.2</b>	<b>\$ 700.8</b>

<sup>1</sup> The FY 2022 projected appropriation is based on the FY 2021 enacted appropriations plus the FY 2021 standing appropriation adjustments.

**Figure 2**



**Reserve Funds.** The balances in the State's two reserve funds (**Figure 3**) are projected to be at the statutory maximum for both FY 2021 and FY 2022. The combined balances are estimated at \$783.7 million for FY 2021 and are projected to increase to \$826.5 million in FY 2022.

**Figure 3**

<b>State of Iowa Reserve Funds</b>			
(In Millions)			
	<b>Actual FY 2020</b>	<b>Estimated FY 2021</b>	<b>Projected FY 2022</b>
<b>Cash Reserve Fund</b>			
<b>Funds Available</b>			
Balance Brought Forward	\$ 571.6	\$ 587.9	\$ 587.8
General Fund Transfer from Surplus	289.3	305.5	526.2
<b>Total Funds Available</b>	<b>\$ 860.9</b>	<b>\$ 893.4</b>	<b>\$ 1,114.0</b>
Transfer to Economic Emergency Fund	- 273.0	- 305.6	- 494.1
<b>Balance</b>	<b>\$ 587.9</b>	<b>\$ 587.8</b>	<b>\$ 619.9</b>
<i>Maximum 7.5%</i>	\$ 587.9	\$ 587.8	\$ 619.9
<b>Economic Emergency Fund</b>			
<b>Funds Available</b>			
Balance Brought Forward	\$ 185.6	\$ 189.5	\$ 195.9
Excess from Cash Reserve Fund	273.0	305.6	494.1
Executive Council – Performance of Duty	- 7.0	- 30.8	- 26.5
<b>Total Funds Available</b>	<b>\$ 451.6</b>	<b>\$ 464.3</b>	<b>\$ 663.5</b>
Excess Surplus	- 255.6	- 268.4	- 456.9
FY 2020 Perf. of Duty Expense Adjustment	- 6.5	0.0	0.0
Emergency Appropriation - SF 2408	- 17.0	0.0	0.0
Iowa Coronavirus Relief Fund Transfer	17.0	0.0	0.0
<b>Balance</b>	<b>\$ 189.5</b>	<b>\$ 195.9</b>	<b>\$ 206.6</b>
<i>Maximum 2.5%</i>	\$ 196.0	\$ 195.9	\$ 206.6
<b>Distribution of Excess Surplus</b>			
Transfer to General Fund	\$ 195.6	\$ 246.9	\$ 215.5
Transfer to Taxpayer Relief Fund	60.0	21.5	241.4
<b>Total</b>	<b>\$ 255.6</b>	<b>\$ 268.4</b>	<b>\$ 456.9</b>
<b>Combined Reserve Fund Balances</b>			
Cash Reserve Fund	\$ 587.9	\$ 587.8	\$ 619.9
Economic Emergency Fund	189.5	195.9	206.6
<b>Total</b>	<b>\$ 777.4</b>	<b>\$ 783.7</b>	<b>\$ 826.5</b>

**Taxpayer Relief Fund.** For FY 2022, the balance in the Taxpayer Relief Fund is estimated at \$331.8 million (**Figure 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 \$241.4 million to the Fund in FY 2022.

**Figure 4**

<b>Taxpayer Relief Fund</b>			
(In Millions)			
	<b>Actual FY 2020</b>	<b>Estimated FY 2021*</b>	<b>Projected FY 2022</b>
<b>Funds Available</b>			
Balance Brought Forward	\$ 13.5	\$ 74.0	\$ 90.3
General Fund Surplus Transfer	60.0	21.5	241.4
Interest	0.5	0.1	0.1
<b>Total Funds Available</b>	<b>\$ 74.0</b>	<b>\$ 95.6</b>	<b>\$ 331.8</b>
<b>Expenditures</b>			
Homestead Tax Credit	\$ 0.0	\$ - 2.8	\$ 0.0
Elderly & Disabled Tax Credit	0.0	-2.5	0.0
<b>Ending Balance</b>	<b>\$ 74.0</b>	<b>\$ 90.3</b>	<b>\$ 331.8</b>

\* The \$60.0 million statutory limit is repealed beginning in FY 2021.

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