

FISCAL UPDATE Article

Fiscal Services Division

October 15, 2021



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LSA GENERAL FUND BALANCE SHEET UPDATE (OCTOBER 2021)

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met October 15, 2021, and revised the General Fund revenue estimates for FY 2022 and FY 2023. The REC agreed to an FY 2022 estimate of \$8.934 billion, an increase of \$133.6 million (1.5%) compared to actual FY 2021. The FY 2023 estimate agreed to by the REC is \$9.075 billion, which reflects an increase of \$140.5 million (1.6%) compared to the FY 2022 estimate.

FY 2021 and FY 2022 Budget Update. Figure 1 compares the General Fund budget estimates for FY 2021 and FY 2022 at the close of the 2021 Legislative Session to the actual FY 2021 numbers and the revised FY 2022 budget.

The FY 2021 General Fund budget ended the fiscal year with a \$1.239 billion balance, which was \$751.0 million more than the previous estimate of \$487.6 million. Net receipts ended the fiscal year at \$8.801 billion, which was \$737.1 million (9.1%) above the estimate used at the close of the 2021 Legislative Session. Net appropriations ended the fiscal year \$1.0 million (0.01%) lower than estimated due to small changes in standing appropriation adjustments.

The revised estimate of total available resources for FY 2022 reflects an increase of \$677.0 million (8.0%) compared to the estimate at the close of the 2021 Legislative Session. The revised FY 2022 surplus is estimated at \$1.048 billion.

Figure 1

General Fund Budget						
FY 2021 and FY 2022 Point-in-Time Comparisons						
(Dollars in Millions)						
	FY 2021			FY 2022		
	End of Session	Actual	Change	End of Session	Oct 2021 Estimate	Change
Resources						
Net Receipts	\$ 8,063.5	\$ 8,800.6	\$ 737.1	\$ 8,288.5	\$ 8,934.2	\$ 645.7
Surplus Carryforward	246.9	246.9	0.0	202.0	233.3	31.3
Total Available Resources	\$ 8,310.4	\$ 9,047.5	\$ 737.1	\$ 8,490.5	\$ 9,167.5	\$ 677.0
Appropriations and Expenditures						
Enacted Appropriations	\$ 7,778.5	\$ 7,778.5	\$ 0.0	\$ 8,118.5	\$ 8,118.5	\$ 0.0
Adjustments to Standing Appropriations	5.1	4.1	- 1.0	0.0	5.8	5.8
Net Supplemental/Deappropriations	44.2	44.2	0.0	0.0	0.0	0.0
Total Appropriations	\$ 7,827.8	\$ 7,826.8	\$ - 1.0	\$ 8,118.5	\$ 8,124.3	\$ 5.8
Reversions	- 5.0	- 17.9	- 12.9	- 5.0	- 5.0	0.0
Net Appropriations	\$ 7,822.8	\$ 7,808.9	\$ - 13.9	\$ 8,113.5	\$ 8,119.3	\$ 5.8
Ending Balance – Surplus	\$ 487.6	\$ 1,238.6	\$ 751.0	\$ 377.0	\$ 1,048.2	\$ 671.2

Note: Numbers may not equal totals due to rounding.

FY 2023 Budget Projection. The Legislative Services Agency (LSA) budget projection for FY 2023 shown in **Figure 2** provides a preliminary analysis of the condition of the General Fund budget for the next fiscal year. The estimates that comprise the FY 2023 projection are based on the following factors and assumptions:

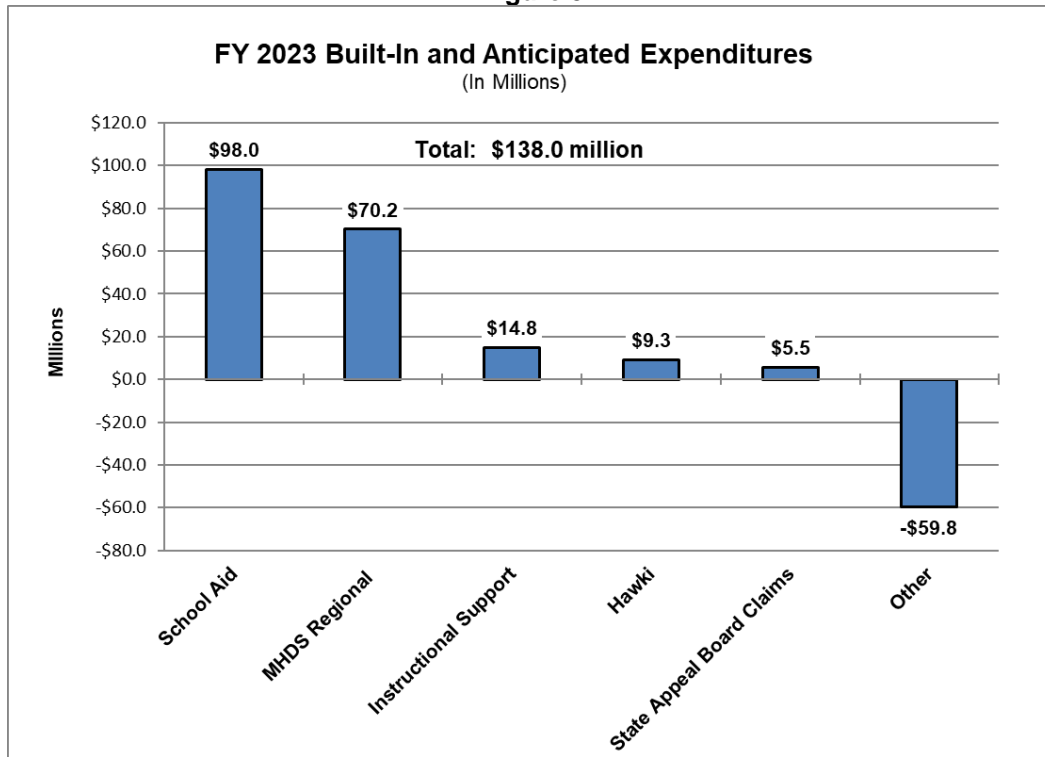
- The FY 2023 REC revenue estimate of \$9.075 billion was set on October 15, 2021. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. This estimate is included in the calculation of the FY 2023 expenditure limitation.
- A carryforward balance of \$166.9 million from the revised FY 2022 General Fund surplus is expected after the estimated reserve fund and Taxpayer Relief Fund requirements are met.
- The expenditure limitation for FY 2023 is estimated to be \$9.151 billion.
- The enacted appropriations from FY 2022 (\$8.124 billion) are used as the baseline for FY 2023 appropriations.
- The LSA's estimated built-in and anticipated expenditure changes for FY 2023 total \$138.0 million. **Figure 3** summarizes the built-in and anticipated expenditures. The estimate reflects the incremental increases above the baseline appropriation.
- 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.

Based on the above assumptions, the FY 2023 General Fund surplus is projected to total \$984.3 million.

Figure 2

State of Iowa			
Projected Condition of the General Fund			
(In Millions)			
	Actual FY 2021	Estimated FY 2022	LSA Projection FY 2023
Resources			
Net Receipts (Oct. 15, 2021, REC Est.)	\$ 8,800.6	\$ 8,934.2	\$ 9,074.7
Surplus Carryforward	246.9	233.3	166.9
Total Available Resources	\$ 9,047.5	\$ 9,167.5	\$ 9,241.6
Expenditure Limitation			\$ 9,150.9
Appropriations and Expenditures			
Appropriations	\$ 7,778.5	\$ 8,118.5	\$ 8,124.3
Adjustments to Standing Appropriations	4.1	5.8	0.0
Built-In and Anticipated Expenditures	0.0	0.0	138.0
Supplemental/Deappropriations	44.2	0.0	0.0
Total Appropriations	\$ 7,826.8	\$ 8,124.3	\$ 8,262.3
Reversions	- 17.9	- 5.0	- 5.0
Net Appropriations	\$ 7,808.9	\$ 8,119.3	\$ 8,257.3
Ending Balance – Surplus	\$ 1,238.6	\$ 1,048.2	\$ 984.3

Figure 3



Note: Of the -\$59.8 million in the Other category, all but \$0.5 million is property tax replacement.

Reserve Funds. The balances in the State's two reserve funds (**Figure 4**) are projected to be at the statutory maximum for both FY 2022 and FY 2023. The combined balances are estimated at \$816.8 million for FY 2022 and are projected to increase to \$907.5 million in FY 2023.

Figure 4**State of Iowa Reserve Funds**

(In Millions)

	Actual FY 2021	Estimated FY 2022	Projected FY 2023
Cash Reserve Fund			
Funds Available			
Balance Brought Forward	\$ 587.9	\$ 587.8	\$ 612.6
General Fund Transfer from Surplus	305.5	1,238.6	1,048.2
Total Funds Available	\$ 893.4	\$ 1,826.4	\$ 1,660.8
Transfer to Economic Emergency Fund	- 305.6	- 1,213.8	- 980.2
Balance	\$ 587.8	\$ 612.6	\$ 680.6
<i>Maximum 7.5%</i>	\$ 587.8	\$ 612.6	\$ 680.6
Economic Emergency Fund			
Funds Available			
Balance Brought Forward	\$ 189.5	\$ 213.3	\$ 204.2
Excess from Cash Reserve Fund	305.6	1,213.8	980.2
Executive Council - Performance of Duty	- 30.8	- 26.5	- 25.0
Total Funds Available	\$ 464.3	\$ 1,400.6	\$ 1,159.4
Excess Surplus	- 268.4	- 1,196.4	- 932.5
FY 2021 Perf. of Duty Expense Adjustment	17.4	0.0	0.0
Emergency Appropriation - SF 2408	0.0	0.0	0.0
Iowa Coronavirus Relief Fund Transfer	0.0	0.0	0.0
Balance	\$ 213.3	\$ 204.2	\$ 226.9
<i>Maximum 2.5%</i>	\$ 195.9	\$ 204.2	\$ 226.9
Distribution of Excess Surplus			
Transfer to General Fund	\$ 246.9	\$ 233.3	\$ 166.9
Transfer to Taxpayer Relief Fund	21.5	963.1	765.6
Total	\$ 268.4	\$ 1,196.4	\$ 932.5
Combined Reserve Fund Balances			
Cash Reserve Fund	\$ 587.8	\$ 612.6	\$ 680.6
Economic Emergency Fund	213.3	204.2	226.9
Total	\$ 801.1	\$ 816.8	\$ 907.5
Statutory Maximum			
Cash Reserve Fund	\$ 587.8	\$ 612.6	\$ 680.6
Economic Emergency Fund	195.9	204.2	226.9
Total	\$ 783.7	\$ 816.8	\$ 907.5
* An adjustment of \$17.4 million was made to the FY 2021 Performance of Duty appropriation to account for actual year-end expenditures being less than the estimate of \$30.8 million. The adjustment occurred during the FY 2020 "hold-open" period, which was after the excess FY 2020 General Fund surplus dollars were transferred back to the General Fund for FY 2021.			

Taxpayer Relief Fund. The balance in the Taxpayer Relief Fund is estimated at \$1.054 billion in FY 2022 and \$1.819 billion in FY 2023 (**Figure 5**). The estimated General Fund surplus transfer to the Fund is \$963.1 million in FY 2022 and \$765.6 million in FY 2023.

Figure 5

Taxpayer Relief Fund			
(In Millions)			
	Actual FY 2021*	Estimated FY 2022	Projected FY 2023
Funds Available			
Balance Brought Forward	\$ 74.1	\$ 90.4	\$ 1,053.7
General Fund Surplus Transfer	21.5	963.1	765.6
Interest	0.1	0.2	0.0
Total Funds Available	\$ 95.7	\$ 1,053.7	\$ 1,819.3
Expenditures			
Homestead Tax Credit	\$ - 2.8	\$ 0.0	\$ 0.0
Elderly & Disabled Tax Credit	-2.5	0.0	0.0
Ending Balance	\$ 90.4	\$ 1,053.7	\$ 1,819.3

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

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Doc ID 1231137