
FISCAL UPDATE Article

Fiscal Services Division

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LSA GENERAL FUND BALANCE SHEET UPDATE (MARCH 2022)

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met March 10, 2022, and revised the General Fund revenue estimates for FY 2022 and FY 2023. The REC agreed to an FY 2022 estimate of \$9.171 billion, an increase of \$370.5 million (4.2%) compared to actual FY 2021. The FY 2023 estimate established by the March REC is \$9.156 billion, which reflects a decrease of \$14.8 million (-0.2%) compared to the revised FY 2022 estimate.

FY 2022 Budget Update. The estimate of total funds available for the General Fund in FY 2022 is \$9.404 billion, which includes the March REC estimate of \$9.171 billion and \$233.3 million from the FY 2021 surplus carryforward. During the 2021 Legislative Session, appropriations totaling \$8.120 billion were enacted for FY 2022. The appropriations have been adjusted to reflect a net increase of \$6.4 million to standing appropriations. The FY 2022 General Fund surplus is currently estimated at \$1.285 billion.

Updated FY 2023 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 2023 are based on the following factors and assumptions:

- The FY 2023 REC revenue estimate set at the March 10 meeting is \$9.156 billion. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. The estimated [fiscal impact](#) associated with the enactment of [HF 2317](#) (2022 Income Tax Rate Reduction and Exemptions Act) is incorporated into the March REC estimate for FY 2023.
- The expenditure limitation for FY 2023 is estimated to be \$9.057 billion.
- The enacted appropriation and standing appropriation adjustment level from FY 2022 (\$8.125 billion) is used as the baseline for estimated FY 2023 appropriations.
- The LSA's estimated built-in and anticipated expenditure changes for FY 2023 total \$235.4 million. The estimate includes a 2.5% increase to the percent of growth to the State cost per pupil that is used in the calculation of the FY 2023 State school aid appropriation. The 2.5% increase was enacted in [HF 2316](#) (FY 2023 Supplemental State Aid Act). The changes in HF 2316 result in an increase of \$172.0 million to State school aid in FY 2023 compared to FY 2022. The built-in estimated appropriation adjustment also includes \$71.2 million for mental health and disability services (MHDS) regional funding adjustments and a reduction of \$73.1 million in the Commercial and Industrial Property Tax Replacement appropriation. Both of these changes are the result of the enactment of [SF 619](#) (2021 Taxation and Other Provisions Act). **Figure 2** summarizes the FY 2023 built-in and anticipated expenditures. These estimates reflect the incremental increases above the baseline appropriations.
- The projected FY 2023 appropriations, totaling \$8.360 billion, include the baseline amount of \$8.125 billion plus the \$235.4 million in built-in and anticipated expenditures. This total represents an increase of \$235.4 million (2.9%) compared to estimated FY 2022. It should be noted that there are several built-in and anticipated expenditure increases for FY 2023 that routinely do not receive funding. For estimating purposes, these items are included in the FY 2023 estimate because under current law, the Iowa Code requires the funds to be appropriated unless the General Assembly acts to change, suspend, or remove the Iowa Code language that dictates the built-in appropriation increase.

Figure 1 shows the projected General Fund budget for FY 2023 based on the above assumptions. The projected appropriations level for the fiscal year, totaling \$8.360 billion before estimated reversions, is

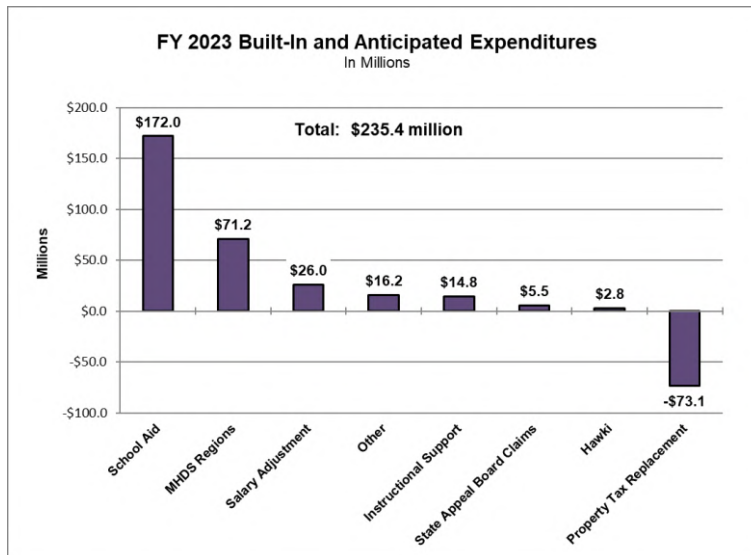
\$696.7 million below the estimated expenditure limitation. The FY 2023 General Fund surplus is projected to equal \$975.8 million.

Figure 1

State of Iowa			
Projected Condition of the General Fund			
In Millions			
	Actual FY 2021	Estimated FY 2022	LSA Projection FY 2023
Resources			
Net Receipts (Dec. 31, 2021, REC Est.)	\$ 8,800.6	\$ 9,060.6	\$ 9,210.6
Revenue Adjustments	0.0	0.0	- 236.3
March REC Adjustment	\$ 0.0	\$ 110.5	\$ 182.0
Subtotal	<u>\$ 8,800.6</u>	<u>\$ 9,171.1</u>	<u>\$ 9,156.3</u>
Surplus Carryforward	246.9	233.3	174.8
Total Available Resources	<u>\$ 9,047.5</u>	<u>\$ 9,404.4</u>	<u>\$ 9,331.1</u>
Expenditure Limitation			\$ 9,057.0
Appropriations and Expenditures			
Appropriations	\$ 7,778.5	\$ 8,118.5	\$ 8,124.9
Adjustments to Standing Appropriations	4.1	6.4	0.0
Built-In and Anticipated Increases	0.0	0.0	235.4
Supplemental/Deappropriations	44.2	0.0	0.0
Total Appropriations	<u>\$ 7,826.8</u>	<u>\$ 8,124.9</u>	<u>\$ 8,360.3</u>
Reversions	- 17.9	- 5.0	- 5.0
Net Appropriations	<u>\$ 7,808.9</u>	<u>\$ 8,119.9</u>	<u>\$ 8,355.3</u>
Ending Balance – Surplus	<u>\$ 1,238.6</u>	<u>\$ 1,284.5</u>	<u>\$ 975.8</u>

* The FY 2023 LSA projected appropriations level is the FY 2022 enacted appropriations level plus the FY 2022 adjustments to standing appropriations.

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 2022 and FY 2023. The combined balances are estimated at \$816.8 million for FY 2022 and \$897.5 million in FY 2023.

Figure 3

State of Iowa Reserve Funds			
In Millions			
	Actual FY 2021	Estimated FY 2022	Estimated 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	1,284.5
Total Funds Available	\$ 893.4	\$ 1,826.4	\$ 1,897.1
Transfer to Economic Emergency Fund	- 305.6	- 1,213.8	- 1,224.0
Balance	\$ 587.8	\$ 612.6	\$ 673.1
<i>Maximum 7.5%</i>	\$ 587.8	\$ 612.6	\$ 673.1
Economic Emergency Fund			
Funds Available			
Balance Brought Forward	\$ 189.5	\$ 213.3	\$ 204.2
Excess from Cash Reserve Fund	305.6	1,213.8	1,224.0
Executive Council – Performance of Duty	- 30.8	- 26.5	- 26.5
Total Funds Available	\$ 464.3	\$ 1,400.6	\$ 1,401.7
Excess Surplus	- 268.4	- 1,196.4	- 1,177.3
FY 2021 Perf. of Duty Expense Adjustment	17.4	0.0	0.0
Other	0.0	0.0	0.0
Balance	\$ 213.3	\$ 204.2	\$ 224.4
<i>Maximum 2.5%</i>	\$ 195.9	\$ 204.2	\$ 224.4
Distribution of Excess Surplus			
Transfer to General Fund	\$ 246.9	\$ 233.3	\$ 174.8
Transfer to Taxpayer Relief Fund	21.5	963.1	1,002.5
Total	\$ 268.4	\$ 1,196.4	\$ 1,177.3
Combined Reserve Fund Balances			
Cash Reserve Fund	\$ 587.8	\$ 612.6	\$ 673.1
Economic Emergency Fund	213.3	204.2	224.4
Total	\$ 801.1	\$ 816.8	\$ 897.5
Statutory Maximum			
Cash Reserve Fund	\$ 587.8	\$ 612.6	\$ 673.1
Economic Emergency Fund	195.9	204.2	224.4
Total	\$ 783.7	\$ 816.8	\$ 897.5

Taxpayer Relief Fund. For FY 2023, the ending balance in the Taxpayer Relief Fund is estimated at \$2.056 billion (**Figure 4**). The balance includes an estimated surplus transfer of \$1.003 billion from the Economic Emergency Fund.

Figure 4

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	1,002.5
Interest	0.1	0.2	0.2
Total Funds Available	\$ 95.7	\$ 1,053.7	\$ 2,056.4
Expenditures			
Homestead Tax Credit	\$ - 2.8	\$ 0.0	\$ 0.0
Elderly & Disabled Tax Credit	-2.5	0.0	0.0
Transfer to the General Fund	0.0	0.0	0.0
Ending Balance	\$ 90.4	\$ 1,053.7	\$ 2,056.4

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