

FISCAL UPDATE Article

Fiscal Services Division

December 14, 2022



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LSA GENERAL FUND BALANCE SHEET UPDATE (DECEMBER 2022)

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met December 14, 2022, and revised the General Fund revenue estimates for FY 2023 and FY 2024. The REC agreed to an FY 2023 estimate of \$9.615 billion, a decrease of \$188.2 million (-1.9%) compared to actual FY 2022. The FY 2024 estimate agreed to by the REC is \$9.626 billion, which reflects an increase of \$10.3 million (0.1%) compared to the new FY 2023 estimate.

FY 2022 and FY 2023 Budget Update. Figure 1 compares the General Fund budget estimates for FY 2022 and FY 2023 at the close of the 2022 Legislative Session to the actual FY 2022 numbers and the revised FY 2023 budget.

The FY 2022 General Fund budget ended the fiscal year with a \$1.914 billion balance, \$629.8 million higher than projected at the close of the 2022 Legislative Session. Net receipts for the fiscal year totaled \$9.803 billion, \$632.3 million above the last estimate. Net appropriations ended the fiscal year \$2.8 million higher than estimated due to a combination of increases to standing appropriations and a higher level of appropriation reversions.

The revised estimate of total available resources for FY 2023 is an increase of \$495.4 million compared to the estimate at the close of the 2022 Legislative Session. The revised FY 2023 surplus is now estimated to be \$1.602 billion.

Figure 1

General Fund Budget						
FY 2022 and FY 2023 Point-in-Time Comparisons						
In Millions						
	FY 2022			FY 2023		
	End of 2022 Session	Actual	Change	End of 2022 Session	Dec 2022 Estimate	Change
Resources						
Net Receipts	\$ 9,171.1	\$ 9,803.4	\$ 632.3	\$ 9,134.6	\$ 9,615.2	\$ 480.6
Surplus Carryforward	233.3	233.6	0.3	177.0	191.8	14.8
Total Available Resources	<u>\$ 9,404.4</u>	<u>\$ 10,037.0</u>	<u>\$ 632.6</u>	<u>\$ 9,311.6</u>	<u>\$ 9,807.0</u>	<u>\$ 495.4</u>
Appropriations and Expenditures						
Enacted Appropriations	\$ 8,118.4	\$ 8,118.4	\$ 0.0	\$ 8,209.1	\$ 8,209.1	\$ 0.0
Adjustments to Standing Appropriations	6.5	18.0	11.5	0.0	0.6	0.6
Net Supplemental/Deappropriations	0.1	0.1	0.0	0.0	0.0	0.0
Total Appropriations	<u>\$ 8,125.0</u>	<u>\$ 8,136.5</u>	<u>\$ 11.5</u>	<u>\$ 8,209.1</u>	<u>\$ 8,209.7</u>	<u>\$ 0.6</u>
Reversions	- 5.0	- 13.7	- 8.7	- 5.0	- 5.0	0.0
Net Appropriations	<u>\$ 8,120.0</u>	<u>\$ 8,122.8</u>	<u>\$ 2.8</u>	<u>\$ 8,204.1</u>	<u>\$ 8,204.7</u>	<u>\$ 0.6</u>
Ending Balance – Surplus	<u>\$ 1,284.4</u>	<u>\$ 1,914.2</u>	<u>\$ 629.8</u>	<u>\$ 1,107.5</u>	<u>\$ 1,602.3</u>	<u>\$ 494.8</u>

FY 2024 Budget Projection. The Legislative Services Agency (LSA) budget projection for FY 2024 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 2024 projection are based on the following factors and assumptions:

- The FY 2024 REC revenue estimate of \$9.626 billion was set on December 14, 2022. 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 2024 expenditure limitation.
- A carryforward balance of \$857.3 million from the revised FY 2023 General Fund surplus is expected after the estimated reserve fund and Taxpayer Relief Fund requirements are met.
- The expenditure limitation for FY 2024 is currently estimated to be \$10.387 billion.
- The enacted FY 2023 appropriations totaling \$8.210 billion are used as the baseline for FY 2024 appropriations.
- The LSA's estimated built-in and anticipated expenditure changes for FY 2024 total \$36.9 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 2024 General Fund surplus is projected to total \$2.241 billion.

Figure 2

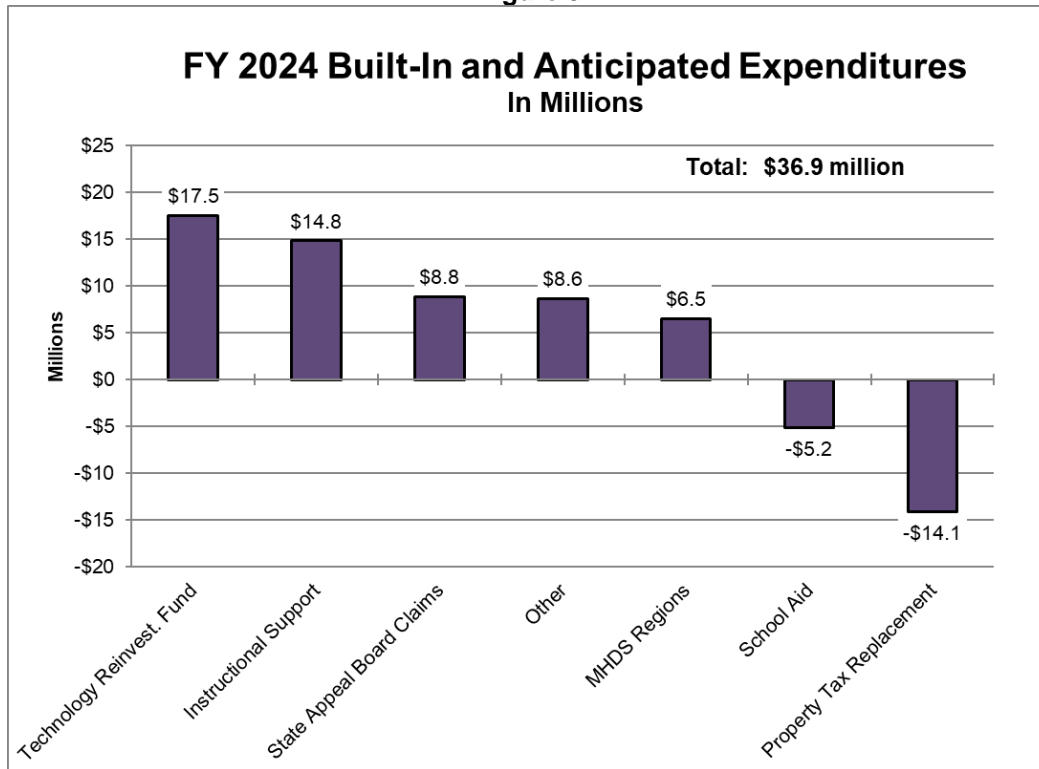
**State of Iowa
Projected Condition of the General Fund**

In Millions

	Actual FY 2022	Estimated FY 2023	LSA Projection FY 2024
Resources			
Net Receipts (Dec. 14, 2022, REC Est.)	\$ 9,803.4	\$ 9,615.2	\$ 9,625.5
Revenue Adjustments	0.0	0.0	0.0
Subtotal	<u>\$ 9,803.4</u>	<u>\$ 9,615.2</u>	<u>\$ 9,625.5</u>
Surplus Carryforward	233.6	191.8	857.3
Total Available Resources	<u>\$ 10,037.0</u>	<u>\$ 9,807.0</u>	<u>\$ 10,482.8</u>
Expenditure Limitation			\$ 10,386.5
Appropriations and Expenditures			
Appropriations *	\$ 8,118.4	\$ 8,209.1	\$ 8,209.7
Adjustments to Standing Appropriations	18.0	0.6	0.0
Built-In and Anticipated Increases	0.0	0.0	36.9
Supplemental/Deappropriations	0.1	0.0	0.0
Total Appropriations	<u>\$ 8,136.5</u>	<u>\$ 8,209.7</u>	<u>\$ 8,246.6</u>
Reversions	- 13.7	- 5.0	- 5.0
Net Appropriations	<u>\$ 8,122.8</u>	<u>\$ 8,204.7</u>	<u>\$ 8,241.6</u>
Ending Balance – Surplus	<u>\$ 1,914.2</u>	<u>\$ 1,602.3</u>	<u>\$ 2,241.2</u>

* The FY 2024 LSA projected appropriations level is the FY 2023 enacted appropriations level plus any FY 2023 adjustments to standing appropriations.

Figure 3



Taxpayer Relief Fund. The balance in the Taxpayer Relief Fund is estimated to be \$2.698 billion for FY 2023 and \$3.376 billion for FY 2024 (Figure 4). The estimated General Fund surplus transfer to the Fund is \$1.635 billion in FY 2023 and \$662.6 million in FY 2024.

Figure 4

	Actual FY 2022	Estimated FY 2023	Projected FY 2024
Funds Available			
Balance Brought Forward	\$ 90.4	\$ 1,055.3	\$ 2,697.9
General Fund Surplus Transfer	963.1	1,634.8	662.6
Interest	1.8	7.8	15.0
Total Funds Available	<u>\$ 1,055.3</u>	<u>\$ 2,697.9</u>	<u>\$ 3,375.5</u>
Expenditures			
Homestead Tax Credit	\$ 0.0	\$ 0.0	\$ 0.0
Elderly & Disabled Tax Credit	0.0	0.0	0.0
Transfer to the General Fund	0.0	0.0	0.0
Ending Balance	<u>\$ 1,055.3</u>	<u>\$ 2,697.9</u>	<u>\$ 3,375.5</u>

Reserve Funds. The balances in the State's two reserve funds (**Figure 5**) are projected to be at the statutory maximum for both FY 2023 and FY 2024. The combined balances are estimated to be \$895.2 million for FY 2023 and \$962.5 million for FY 2024.

Figure 5**State of Iowa Reserve Funds**

In Millions

	Actual FY 2022	Estimated FY 2023	Estimated FY 2024
Cash Reserve Fund			
Funds Available			
Balance Brought Forward	\$ 587.8	\$ 612.6	\$ 671.4
General Fund Transfer from Surplus	1,238.4	1,914.2	1,602.3
Total Funds Available	<u>\$ 1,826.2</u>	<u>\$ 2,526.8</u>	<u>\$ 2,273.7</u>
Transfer to Economic Emergency Fund	- 1,213.6	- 1,855.4	- 1,551.8
Balance	<u>\$ 612.6</u>	<u>\$ 671.4</u>	<u>\$ 721.9</u>
<i>Maximum 7.5%</i>	\$ 612.6	\$ 671.4	\$ 721.9
Economic Emergency Fund			
Funds Available			
Balance Brought Forward	\$ 213.3	\$ 217.7	\$ 223.8
Excess from Cash Reserve Fund	1,213.6	1,855.4	1,551.8
Executive Council – Performance of Duty	- 26.0	- 22.7	- 15.1
Total Funds Available	<u>\$ 1,400.9</u>	<u>\$ 2,050.4</u>	<u>\$ 1,760.5</u>
Excess Surplus	- 1,196.7	- 1,826.6	- 1,519.9
Performance of Duty Adjustment *	13.5	0.0	0.0
Balance	<u>\$ 217.7</u>	<u>\$ 223.8</u>	<u>\$ 240.6</u>
<i>Maximum 2.5%</i>	\$ 204.2	\$ 223.8	\$ 240.6
Distribution of Excess Surplus			
Transfer to General Fund	\$ 233.6	\$ 191.8	\$ 857.3
Transfer to Taxpayer Relief Fund	963.1	1,634.8	662.6
Total	<u>\$ 1,196.7</u>	<u>\$ 1,826.6</u>	<u>\$ 1,519.9</u>
Combined Reserve Fund Balances			
Cash Reserve Fund	\$ 612.6	\$ 671.4	\$ 721.9
Economic Emergency Fund	217.7	223.8	240.6
Total	<u>\$ 830.3</u>	<u>\$ 895.2</u>	<u>\$ 962.5</u>
Statutory Maximum			
Cash Reserve Fund	\$ 612.6	\$ 671.4	\$ 721.9
Economic Emergency Fund	204.2	223.8	240.6
Total	<u>\$ 816.8</u>	<u>\$ 895.2</u>	<u>\$ 962.5</u>
* An adjustment of \$13.5 million was made to the FY 2022 Performance of Duty item to account for expenditures during FY 2022 being lower than originally projected.			

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