

FISCAL UPDATE Article

Fiscal Services Division

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LSA GENERAL FUND BALANCE SHEET UPDATE (OCTOBER 2023)

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met October 12, 2023, and revised the General Fund revenue estimates for FY 2024 and FY 2025. The REC agreed to an FY 2024 estimate of \$9.753 billion, a decrease of \$92.5 million (-0.9%) compared to actual FY 2023. The FY 2025 estimate agreed to by the REC is \$9.576 billion, which reflects a decrease of \$176.5 million (-1.8%) compared to the new FY 2024 estimate.

FY 2023 and FY 2024 Budget Update. Figure 1 compares the General Fund budget estimates for FY 2023 and FY 2024 at the close of the 2023 Legislative Session to the actual FY 2023 numbers and the revised FY 2024 budget.

The FY 2023 General Fund budget ended the fiscal year with a \$1.831 billion balance, \$86.3 million higher than projected at the close of the 2023 Legislative Session. Net receipts for the fiscal year totaled \$9.845 billion, \$87.9 million above the last estimate. Net appropriations ended the fiscal year \$1.6 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 2024 is an increase of \$115.0 million compared to the estimate at the close of the 2023 Legislative Session. The revised FY 2024 surplus is now estimated to be \$2.120 billion.

Figure 1

General Fund Budget						
FY 2023 and FY 2024 Point-in-Time Comparisons						
In Millions						
	FY 2023			FY 2024		
	End of Session	Actual	Change	End of Session	Oct 2023 Estimate	Change
Resources						
Net Receipts	\$ 9,757.4	\$ 9,845.3	\$ 87.9	\$ 9,643.0	\$ 9,752.8	\$ 109.8
Surplus Carryforward	197.3	197.3	0.0	875.2	880.4	5.2
Total Available Resources	\$ 9,954.7	\$ 10,042.6	\$ 87.9	\$ 10,518.2	\$ 10,633.2	\$ 115.0
Appropriations and Expenditures						
Enacted Appropriations	\$ 8,214.8	\$ 8,209.0	\$ - 5.8	\$ 8,517.3	\$ 8,518.5	\$ 1.2
Adjustments to Standing Appropriations	0.0	12.3	12.3	0.0	0.0	0.0
Net Supplemental/Deappropriations	0.0	0.0	0.0	0.0	0.0	0.0
Total Appropriations	\$ 8,214.8	\$ 8,221.3	\$ 6.5	\$ 8,517.3	\$ 8,518.5	\$ 1.2
Reversions	- 5.0	- 9.9	- 4.9	- 5.0	- 5.0	0.0
Net Appropriations	\$ 8,209.8	\$ 8,211.4	\$ 1.6	\$ 8,512.3	\$ 8,513.5	\$ 1.2
Ending Balance – Surplus	\$ 1,744.9	\$ 1,831.2	\$ 86.3	\$ 2,005.9	\$ 2,119.7	\$ 113.8

FY 2025 Budget Projection. The Legislative Services Agency (LSA) budget projection for FY 2025 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 2025 projection are based on the following factors and assumptions:

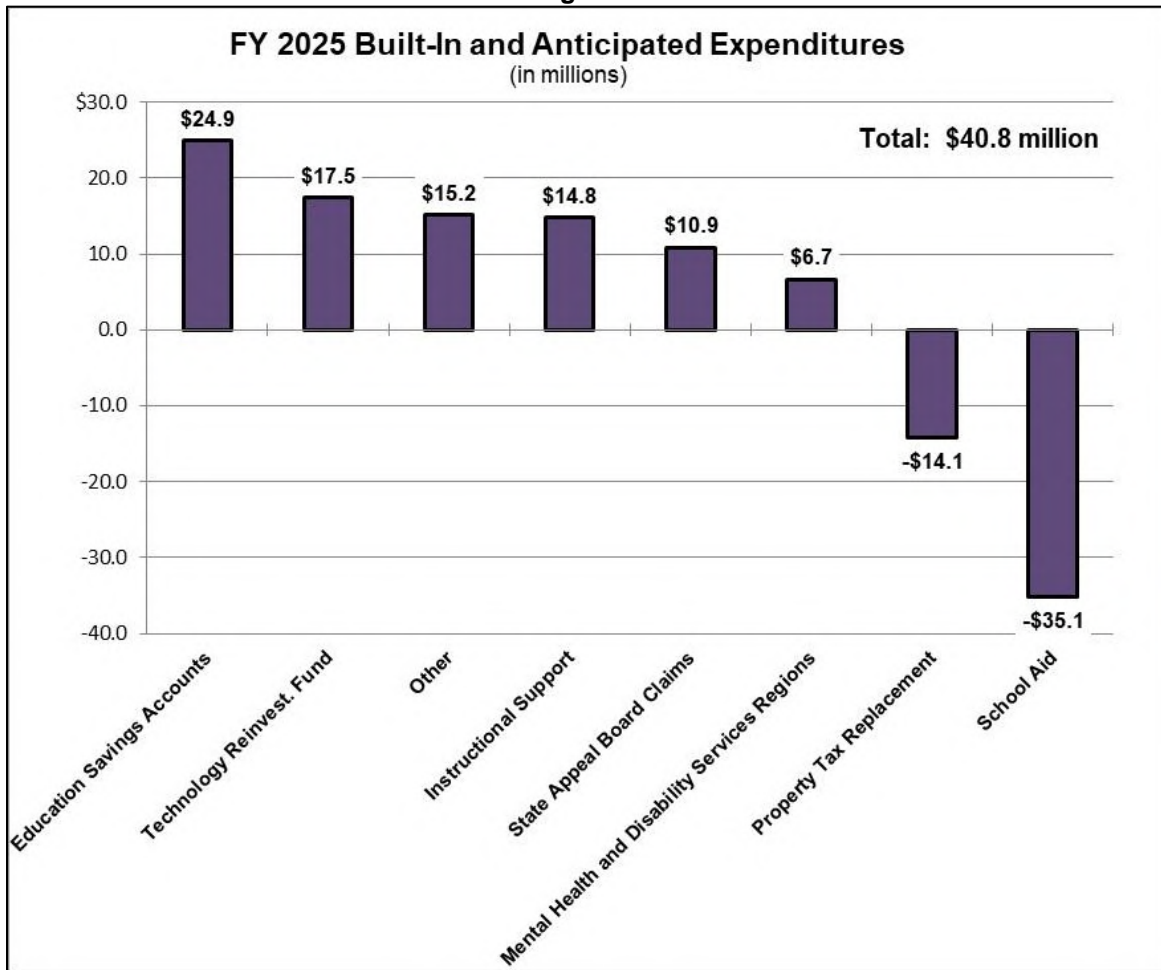
- The FY 2025 REC revenue estimate of \$9.576 billion was set on October 12, 2023. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. This estimate is included in the calculation of the FY 2025 expenditure limitation.
- A carryforward balance of \$1.976 billion from the revised FY 2024 General Fund surplus is expected after the estimated reserve fund and Taxpayer Relief Fund requirements are met.
- The expenditure limitation for FY 2025 is currently estimated to be \$11.456 billion.
- The enacted FY 2024 appropriations totaling \$8.519 billion are used as the baseline for FY 2025 appropriations.
- The LSA’s estimated built-in and anticipated expenditure changes for FY 2025 total \$40.8 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 2025 General Fund surplus is projected to total \$2.998 billion.

Figure 2

State of Iowa			
Projected Condition of the General Fund			
In Millions			
	<u>Actual FY 2023</u>	<u>Estimated FY 2024</u>	<u>LSA Projection FY 2025</u>
Resources			
Net Receipts (Oct. 12, 2023, REC Est.)	\$ 9,845.3	\$ 9,752.8	\$ 9,576.3
Revenue Adjustments	0.0	0.0	0.0
Subtotal	<u>\$ 9,845.3</u>	<u>\$ 9,752.8</u>	<u>\$ 9,576.3</u>
Surplus Carryforward	197.3	880.4	1,975.8
Total Available Resources	<u>\$ 10,042.6</u>	<u>\$ 10,633.2</u>	<u>\$ 11,552.1</u>
Expenditure Limitation			\$ 11,456.3
Appropriations and Expenditures			
Appropriations *	\$ 8,209.0	\$ 8,518.5	\$ 8,518.5
Adjustments to Standing Appropriations	12.3	0.0	0.0
Built-In and Anticipated Increases	0.0	0.0	40.8
Supplemental/Deappropriations	0.0	0.0	0.0
Total Appropriations	<u>\$ 8,221.3</u>	<u>\$ 8,518.5</u>	<u>\$ 8,559.3</u>
Reversions	- 9.9	- 5.0	- 5.0
Net Appropriations	<u>\$ 8,211.4</u>	<u>\$ 8,513.5</u>	<u>\$ 8,554.3</u>
Ending Balance – Surplus	<u>\$ 1,831.2</u>	<u>\$ 2,119.7</u>	<u>\$ 2,997.8</u>
* The FY 2025 LSA projected appropriations level is the FY 2024 enacted appropriations level plus the FY 2024 adjustments to standing appropriations.			

Figure 3



Taxpayer Relief Fund. The balance in the Taxpayer Relief Fund is estimated to be \$3.665 billion for FY 2024 and \$3.855 billion for FY 2025 (Figure 4). The estimated General Fund surplus transfer to the Fund is \$872.5 million in FY 2024 and \$134.6 million in FY 2025.

Figure 4

	Actual FY 2023	Estimated FY 2024	Projected FY 2025
Funds Available			
Balance Brought Forward	\$ 1,055.4	\$ 2,738.0	\$ 3,664.6
General Fund Surplus Transfer	1,634.8	872.5	134.6
Interest	47.8	54.1	56.1
Total Funds Available	<u>\$ 2,738.0</u>	<u>\$ 3,664.6</u>	<u>\$ 3,855.2</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>\$ 2,738.0</u>	<u>\$ 3,664.6</u>	<u>\$ 3,855.2</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 2024 and FY 2025. The combined balances are estimated to be \$961.9 million for FY 2024 and \$957.6 million for FY 2025.

Figure 5

State of Iowa Reserve Funds			
In Millions			
	Actual FY 2023	Estimated FY 2024	Estimated FY 2025
Cash Reserve Fund			
Funds Available			
Balance Brought Forward	\$ 612.6	\$ 671.4	\$ 721.4
General Fund Transfer from Surplus	1,914.2	1,831.2	2,119.7
Total Funds Available	<u>\$ 2,526.8</u>	<u>\$ 2,502.6</u>	<u>\$ 2,841.1</u>
Transfer to Economic Emergency Fund	- 1,855.4	- 1,781.2	- 2,122.9
Balance	<u>\$ 671.4</u>	<u>\$ 721.4</u>	<u>\$ 718.2</u>
<i>Maximum 7.5%</i>	\$ 671.4	\$ 721.4	\$ 718.2
Economic Emergency Fund			
Funds Available			
Balance Brought Forward	\$ 218.0	\$ 230.6	\$ 240.5
Excess from Cash Reserve Fund	1,855.4	1,781.2	2,122.9
Executive Council – Performance of Duty	- 17.5	- 18.4	- 13.6
Total Funds Available	<u>\$ 2,055.9</u>	<u>\$ 1,993.4</u>	<u>\$ 2,349.8</u>
Excess Surplus	- 1,832.1	- 1,752.9	- 2,110.4
Performance of Duty Adjustment *	6.8	0.0	0.0
Balance	<u>\$ 230.6</u>	<u>\$ 240.5</u>	<u>\$ 239.4</u>
<i>Maximum 2.5%</i>	\$ 223.8	\$ 240.5	\$ 239.4
Distribution of Excess Surplus			
Transfer to General Fund	\$ 197.3	\$ 880.4	\$ 1,975.8
Transfer to Taxpayer Relief Fund	1,634.8	872.5	134.6
Total	<u>\$ 1,832.1</u>	<u>\$ 1,752.9</u>	<u>\$ 2,110.4</u>
Combined Reserve Fund Balances			
Cash Reserve Fund	\$ 671.4	\$ 721.4	\$ 718.2
Economic Emergency Fund	230.6	240.5	239.4
Total	<u>\$ 902.0</u>	<u>\$ 961.9</u>	<u>\$ 957.6</u>
Statutory Maximum			
Cash Reserve Fund	\$ 671.4	\$ 721.4	\$ 718.2
Economic Emergency Fund	223.8	240.5	239.4
Total	<u>\$ 895.2</u>	<u>\$ 961.9</u>	<u>\$ 957.6</u>
* An adjustment of \$6.8 million was made to the FY 2023 Performance of Duty item to account for expenditures during FY 2023 being lower than originally projected.			

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