

FISCAL UPDATE Article

Fiscal Services Division

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LSA GENERAL FUND BALANCE SHEET UPDATE (DECEMBER 2025)

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met December 11, 2025, and revised the General Fund revenue estimates for FY 2026 and FY 2027. The REC agreed to an FY 2026 estimate of \$8.158 billion, a decrease of \$784.7 million (-8.8%) compared to actual FY 2025. The FY 2027 estimate agreed to by the REC is \$8.499 billion, which reflects an increase of \$341.0 million (4.2%) compared to the new FY 2026 estimate.

FY 2025 and FY 2026 Budget Update. Figure 1 compares the General Fund budget estimates for FY 2025 and FY 2026 at the close of the 2025 Legislative Session to the actual FY 2025 numbers and the October estimate of the FY 2026 budget.

The FY 2025 General Fund ended the fiscal year with a \$1.882 billion balance, \$180.5 million lower than projected at the close of the 2025 Legislative Session. Net receipts for the fiscal year totaled \$8.942 billion, \$189.0 million below the last estimate. Net appropriations ended the fiscal year \$8.3 million higher than estimated due to increases to standing appropriations and a higher level of appropriation reversions.

The revised estimate of total available resources for FY 2026 is a decrease of \$383.6 million compared to the estimate at the close of the 2025 Legislative Session. This change is due to a decrease in net receipts of \$334.5 million, a decrease in the surplus carryforward of \$219.6 million, and an increase in the transfer from the Taxpayer Relief Fund (TPRF) of \$170.6 million. The revised FY 2026 surplus is now estimated to be \$1.223 billion.

Figure 1

| General Fund Budget | | | | | | |
|---|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
| FY 2025 and FY 2026 Point-in-Time Comparisons | | | | | | |
| In Millions | | | | | | |
| | FY 2025 | | | FY 2026 | | |
| | End of Session | Actual | Change | End of Session | Dec 2025 Estimate | Change |
| Resources | | | | | | |
| Net Receipts | \$ 9,131.2 | \$ 8,942.2 | \$ - 189.0 | \$ 8,492.0 | \$ 8,157.5 | \$ - 334.5 |
| Surplus Carryforward | 1,872.1 | 1,885.7 | 13.6 | 2,076.1 | 1,856.5 | - 219.6 |
| Taxpayer Relief Fund Transfer | 0.0 | 3.3 | 3.3 | 462.9 | 633.4 | 170.6 |
| Total Available Resources | \$ 11,003.3 | \$ 10,831.2 | \$ - 172.1 | \$ 11,031.0 | \$ 10,647.4 | \$ - 383.6 |
| Appropriations and Expenditures | | | | | | |
| Enacted Appropriations | \$ 8,918.0 | \$ 8,918.0 | \$ 0.0 | \$ 9,422.8 | \$ 9,422.8 | \$ 0.0 |
| Adjustments to Standing Appropriations | 29.4 | 52.7 | 23.3 | 0.0 | 6.5 | 6.5 |
| Net Supplemental/Deappropriations | - 2.0 | - 2.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Appropriations | \$ 8,945.4 | \$ 8,968.7 | \$ 23.3 | \$ 9,422.8 | \$ 9,429.3 | \$ 6.5 |
| Reversions | - 5.0 | - 20.0 | - 15.0 | - 5.0 | - 5.0 | 0.0 |
| Net Appropriations | \$ 8,940.4 | \$ 8,948.7 | \$ 8.3 | \$ 9,417.8 | \$ 9,424.3 | \$ 6.5 |
| Ending Balance – Surplus | \$ 2,062.9 | \$ 1,882.4 | \$ - 180.5 | \$ 1,613.2 | \$ 1,223.1 | \$ - 390.1 |

Note: Totals may not sum due to rounding

FY 2027 Budget Projection. The Legislative Services Agency (LSA) budget projection for FY 2027 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 2027 projection are based on the following factors and assumptions:

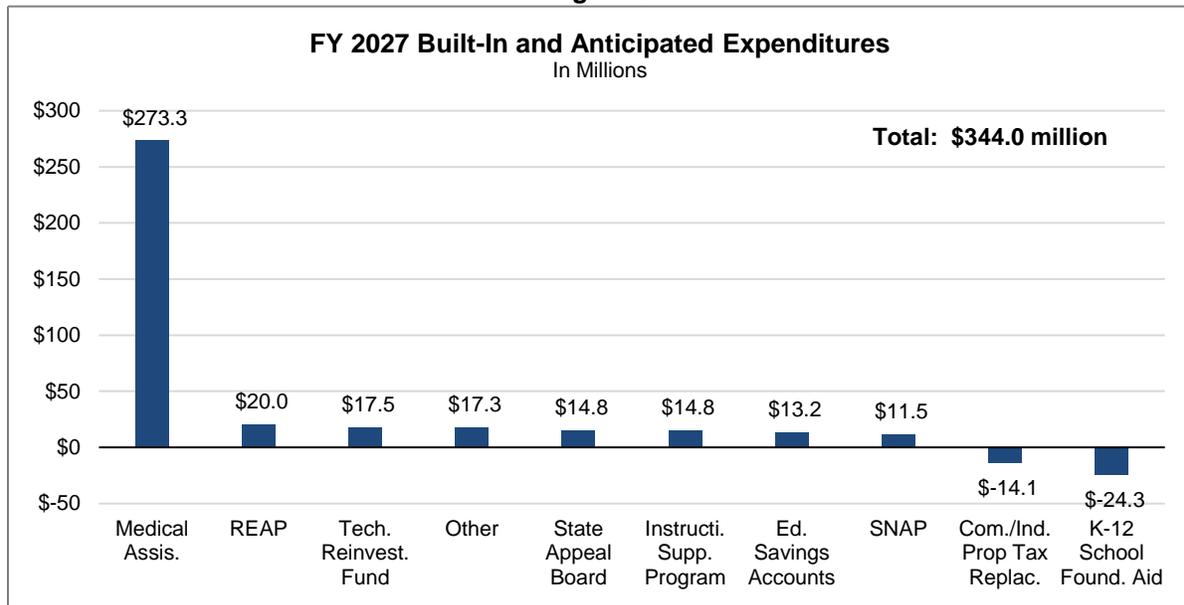
- The FY 2027 REC revenue estimate of \$8.499 billion was set on December 11, 2025. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. This estimate is included in the calculation of the FY 2027 expenditure limitation.
- The balance carried forward into FY 2027 is expected to be \$1.181 billion after estimated reserve fund and TPRF requirements are met.
- For FY 2027, \$634.9 million is estimated to be transferred from the TPRF to the General Fund. This transfer is not included in the expenditure limitation for FY 2027.
- The expenditure limitation for FY 2027 is currently estimated to be \$9.595 billion.
- The enacted FY 2026 appropriations totaling \$9.429 billion are used as the baseline for FY 2027 appropriations.
- The LSA's estimated built-in and anticipated expenditure changes for FY 2027 total \$344.0 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 2027 General Fund surplus is projected to total \$546.2 million.

Figure 2

| Projected Condition of the General Fund | | | |
|--|---------------------------|------------------------------|------------------------------|
| In Millions | | | |
| | Actual FY 2025 | Estimated FY 2026 | Projected FY 2027 |
| Resources | | | |
| Net Receipts (Dec 11, 2025, REC Est.) | \$ 8,942.2 | \$ 8,157.5 | \$ 8,498.5 |
| Subtotal | <u>\$ 8,942.2</u> | <u>\$ 8,157.5</u> | <u>\$ 8,498.5</u> |
| Surplus Carryforward | 1,885.7 | 1,856.5 | 1,181.1 |
| Transfer from the Taxpayer Relief Fund | 3.3 | 633.4 | 634.9 |
| Total Available Resources | <u>\$ 10,831.2</u> | <u>\$ 10,647.4</u> | <u>\$ 10,314.5</u> |
| Expenditure Limitation (Excludes Estimated FY 2027 TPRF Transfer) | | | \$ 9,594.6 |
| Appropriations and Expenditures | | | |
| Appropriations | \$ 8,918.0 | \$ 9,422.8 | \$ 9,429.3 |
| Adjustments to Standing Appropriations | 52.7 | 6.5 | 0.0 |
| Built-In and Anticipated Increases | 0.0 | 0.0 | 344.0 |
| Supplemental/Deappropriations | - 2.0 | 0.0 | 0.0 |
| Total Appropriations | <u>\$ 8,968.7</u> | <u>\$ 9,429.3</u> | <u>\$ 9,773.3</u> |
| Reversions | - 20.0 | - 5.0 | - 5.0 |
| Net Appropriations | <u>\$ 8,948.7</u> | <u>\$ 9,424.3</u> | <u>\$ 9,768.3</u> |
| Ending Balance – Surplus | <u>\$ 1,882.4</u> | <u>\$ 1,223.1</u> | <u>\$ 546.2</u> |
| Note: Totals may not sum due to rounding | | | |

Figure 3



Taxpayer Relief Fund. The balance in the TPRF is estimated to be \$3.482 billion for FY 2026 and \$2.916 billion for FY 2027 (**Figure 4**). The TPRF is subject to two statutory provisions that determine whether funding is deposited in or transferred from the Fund. The first provision requires a deposit from the General Fund surplus into the TPRF when certain financial conditions are met. Current estimates require the return of the entire General Fund surplus to the General Fund in FY 2026 and FY 2027, meaning no funding will be deposited into the TPRF through this mechanism. The second provision requires a transfer from the TPRF to the General Fund when net appropriations exceed net receipts. The transfer is 50.0% of the difference between net appropriations and net receipts. In FY 2025, a transfer of \$3.3 million was made, and transfers of \$633.4 million and \$635.0 million are estimated for FY 2026 and FY 2027, respectively.

Figure 4

Taxpayer Relief Fund
In Millions

| | Actual FY 2025 | Estimated FY 2026 | Projected FY 2027 |
|------------------------------------|-------------------|----------------------|----------------------|
| Funds Available | | | |
| Balance Brought Forward | \$ 3,751.5 | \$ 4,034.2 | \$ 3,481.5 |
| Transfer from General Fund Surplus | 129.8 | 0.0 | 0.0 |
| Interest | 170.1 | 80.7 | 69.5 |
| Total Funds Available | \$ 4,051.4 | \$ 4,114.9 | \$ 3,551.0 |
| Expenditures | | | |
| Transfer for School Aid | \$ - 13.9 | \$ 0.0 | \$ 0.0 |
| Transfer to the General Fund | -3.3 | -633.4 | -634.9 |
| Ending Balance | \$ 4,034.2 | \$ 3,481.5 | \$ 2,916.1 |

Note: Totals may not sum due to rounding.

Reserve Funds. The balances in the State's two reserve funds (**Figure 5**) are projected to be at the statutory maximum for both FY 2026 and FY 2027. The combined balances are estimated to be \$849.2 million for FY 2026 and \$849.9 million for FY 2027.

Figure 5**State of Iowa Reserve Funds**

In Millions

| | Actual FY 2025 | Estimated FY 2026 | Projected FY 2027 |
|---|---------------------------|------------------------------|------------------------------|
| Cash Reserve Fund | | | |
| Funds Available | | | |
| Balance Brought Forward | \$ 721.4 | \$ 697.4 | \$ 636.9 |
| Transfer from General Fund Surplus | 2,053.4 | 1,882.4 | 1,223.1 |
| Total Funds Available | \$ 2,774.8 | \$ 2,579.8 | \$ 1,860.0 |
| Transfer to Economic Emergency Fund | - 2,077.4 | - 1,942.9 | - 1,222.6 |
| Balance | \$ 697.4 | \$ 636.9 | \$ 637.4 |
| <i>Maximum 7.5%</i> | \$ 697.4 | \$ 636.9 | \$ 637.4 |
| Economic Emergency Fund | | | |
| Funds Available | | | |
| Balance Brought Forward | \$ 239.8 | \$ 193.4 | \$ 212.3 |
| Excess from Cash Reserve Fund | 2,077.4 | 1,942.9 | 1,222.6 |
| Executive Council - Performance of Duty | - 61.2 | - 22.4 | - 20.0 |
| Disaster Recovery | 0.0 | - 23.3 | - 21.2 |
| Total Funds Available | \$ 2,256.0 | \$ 2,090.7 | \$ 1,393.6 |
| Excess Surplus | - 2,023.5 | - 1,878.4 | - 1,181.1 |
| Performance of Duty (POD) Adjustment | - 25.5 | 0.0 | 0.0 |
| POD Adj - Nuisance Property Remediation | - 2.0 | 0.0 | 0.0 |
| POD Adj - Home Rehab Program | - 11.6 | 0.0 | 0.0 |
| Balance | \$ 193.4 | \$ 212.3 | \$ 212.5 |
| <i>Maximum 2.5%</i> | \$ 232.5 | \$ 212.3 | \$ 212.5 |
| Distribution of Excess Surplus | | | |
| Transfer for School Aid | \$ 8.0 | \$ 21.9 | \$ 0.0 |
| Transfer to General Fund | 1,885.7 | 1,856.5 | 1,181.1 |
| Transfer to Taxpayer Relief Fund | 129.8 | 0.0 | 0.0 |
| Total | \$ 2,023.5 | \$ 1,878.4 | \$ 1,181.1 |
| Combined Reserve Fund Balances | | | |
| Cash Reserve Fund | \$ 697.4 | \$ 636.9 | \$ 637.4 |
| Economic Emergency Fund | 193.4 | 212.3 | 212.5 |
| Total | \$ 890.8 | \$ 849.2 | \$ 849.9 |
| Statutory Maximum | | | |
| Cash Reserve Fund | \$ 697.4 | \$ 636.9 | \$ 637.4 |
| Economic Emergency Fund | 232.5 | 212.3 | 212.5 |
| Total | \$ 929.9 | \$ 849.2 | \$ 849.9 |

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