
FISCAL UPDATE Article

Fiscal Services Division

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LSA GENERAL FUND BALANCE SHEET UPDATE (HF 2739)

[House File 2739](#) makes several changes that alter the most recent FY 2027 Legislative Services Agency (LSA) budget projection that was published ([Fiscal Update Article](#)) after the March 2026 Revenue Estimating Conference (REC). This article will provide an update on the General Fund balance sheet based on the changes in the Act.

Act Summary. House File 2739 makes the following changes that pertain to the General Fund balance sheet:

- Creates the health care-related tax and, subject to approval by the Centers for Medicare and Medicaid Services (CMS), requires Health Maintenance Organizations (HMOs) to pay the following tax rate against taxable funds:
 - 3.50% from January 1, 2026, through September 30, 2026.
 - 0.95% after October 1, 2026.
- Renames the Medicaid Managed Care Organization (MCO) Premiums Fund as the Medicaid MCO Health Care Tax Fund (MCO HCTF). The new Fund is appropriated to the Department of Health and Human Services (HHS) for Medicaid.
- Transfers \$347.0 million from the Taxpayer Relief Fund (TPRF) to the General Fund in accordance with Iowa Code section [8.57E\(2\)\(a\)](#).
- Adjusts the expenditure limitation calculation for FY 2028 and FY 2029 by including the anticipated transfer from the TPRF for the same fiscal year. The Act does not change the expenditure limitation calculation for FY 2027.
- Makes an FY 2026 supplemental appropriation of \$89.0 million from the General Fund to the HHS for Medicaid.

General Fund Balance Sheet. These changes affect the LSA projections for FY 2026 and FY 2027 revenues and expenditures. A more complete summary of the Act has been [published](#). Changes to the General Fund balance sheet due to HF 2739 are listed by fiscal year below:

- FY 2026: The Act is estimated to decrease General Fund revenue by \$6.6 million, transfers \$347.0 million from the TPRF to the General Fund, and appropriates \$89.0 million for Medicaid.
- FY 2027: The Act is estimated to decrease General Fund revenue by \$13.2 million and is estimated to decrease the need for Medicaid included in the built-in and anticipated increases by \$89.0 million, the FY 2026 supplemental appropriation, and by \$171.7 million, the total tax estimated to be deposited into the MCO HCTF.

FY 2026 Budget Update. The estimate of the total funds available for the General Fund in FY 2026 is \$11,015.3 million, which includes the March REC estimated net receipts of \$8,111.1 million, \$6.6 million in revenue adjustments due to HF 2739, \$1,868.2 million from the FY 2025 surplus carryforward, \$695.7 million from the TPRF under current law, and \$347.0 million from the TPRF due to HF 2739.

During the 2025 Legislative Session, appropriations totaling \$9,422.8 million were enacted for FY 2026. The appropriations have been adjusted to reflect a net decrease of \$2.4 million to standing appropriations. House File 2739 creates a supplemental appropriation of \$89.0 million for Medicaid in FY 2026. After HF 2739, the FY 2026 General Fund surplus is estimated to be \$1,519.5 million.

Updated FY 2027 Budget Projection. The LSA's General Fund budget projection is intended to assist the General Assembly in evaluating budget decisions for the next fiscal year. The estimates for FY 2027 are based on the following factors and assumptions:

- The FY 2027 REC revenue estimate set at the March 12 meeting is \$8,471.6 million. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. Due to HF 2739, these revenues are reduced by \$13.2 million.
- For FY 2027, \$616.7 million is estimated to be transferred from the TPRF to the General Fund under current law.
- The updated expenditure limitation for FY 2027 is estimated to be \$9,857.2 million based on the revenue adjustments under HF 2739 and the changes to the expenditure limitation calculation in HF 2739.
- The enacted appropriation and standing appropriation adjustment level from FY 2026 (\$9,420.4 million) is used as the baseline for estimated FY 2027 appropriations.
- On February 26, 2026, the Governor signed [SF 2201](#) (Supplemental State Aid Act). This Act increases several appropriations by a total of \$169.1 million compared to estimated FY 2026. This Act establishes the State percentage of growth for FY 2027, which determines standing appropriations for K-12 State Foundation Aid, Education Savings Accounts, Charter Schools, and the Transportation Equity Fund. The Act also makes appropriations for support salaries for education support personnel.
- Due to HF 2739, the projection reduces the estimated General Fund built-in increase required to fund Medicaid by the \$89.0 million FY 2026 supplemental, and by \$171.7 million, which is the additional tax revenue deposited in the MCO HCTF and available for Medicaid.
- The LSA's estimated built-in increases and anticipated expenditure changes for FY 2027 now total \$107.3 million. Appropriations include Medicaid, Resource Enhancement and Protection (REAP), the Technology Reinvestment Fund (TRF), State Appeal Board Claims, the Instructional Support Program, and the Supplemental Nutritional Assistance Program (SNAP).
- The projected FY 2027 appropriations, totaling \$9,696.8 million, include the baseline appropriation of \$9,420.4 million plus \$169.1 million in appropriation increases due to 2026 legislative action, and \$107.3 million in built-in increases and anticipated expenditures. There are several built-in and anticipated expenditure increases for FY 2027 that routinely do not receive funding. For estimating purposes, these items are included in the FY 2027 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 based on the above assumptions. The projected appropriations level for the fiscal year totals \$9,696.8 million before estimated reversions. The FY 2027 General Fund surplus is projected to total \$866.8 million.

Figure 1

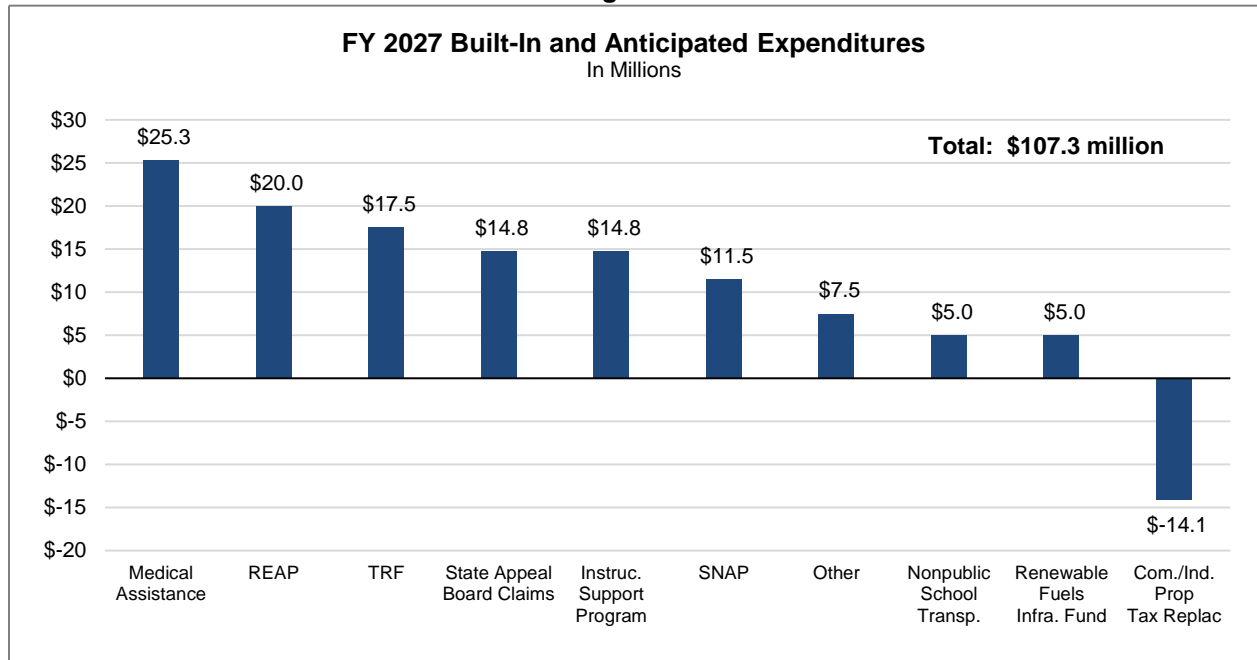
General Fund Balance Sheet – HF 2739			
In Millions			
	Actual FY 2025	Estimated FY 2026	Projected FY 2027
Resources			
Net Receipts (Dec 11, 2025, REC Est.)	\$ 8,942.2	\$ 8,157.5	\$ 8,498.5
Net Receipts Adjust. (Mar 12, 2026, REC Est.)	0.0	- 46.4	- 26.9
Revenue Adjustments - HF 2739	0.0	- 6.6	- 13.2
Subtotal	\$ 8,942.2	\$ 8,104.5	\$ 8,458.4
Surplus Carryforward	1,885.7	1,868.2	1,483.5
Transfer from the Taxpayer Relief Fund (TPRF)	3.3	695.7	616.7
Transfer from the TPRF - OBBBA	0.0	347.0	0.0
Total Available Resources	\$ 10,831.1	\$ 11,015.3	\$ 10,558.6
Expenditure Limitation			\$ 9,857.2
Appropriations and Expenditures			
Appropriations	\$ 8,918.0	\$ 9,422.8	\$ 9,420.4
Adjustments to Standing Appropriations	52.7	- 2.4	0.0
2026 Legislative Action	0.0	0.0	169.1
Built-In and Anticipated Increases	0.0	0.0	107.3
Supplemental/Deappropriations	- 2.0	89.0	0.0
Total Appropriations	\$ 8,968.7	\$ 9,509.4	\$ 9,696.8
Reversions	- 20.0	- 13.6	- 5.0
Net Appropriations	\$ 8,948.7	\$ 9,495.8	\$ 9,691.8
Ending Balance – Surplus	\$ 1,882.4	\$ 1,519.5	\$ 866.8
Note: Totals may not sum due to rounding.			

Figure 2

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	\$ 3,112.6
Transfer from General Fund Surplus	129.8	0.0	0.0
Interest	170.1	121.0	80.0
Total Funds Available	\$ 4,051.4	\$ 4,155.3	\$ 3,192.6
Expenditures			
Transfer for School Aid	\$ - 13.9	\$ 0.0	\$ 0.0
Transfer to the General Fund	-3.3	-695.7	-616.7
Transfer to the General Fund - OBBBA	0.0	-347.0	0.0
Ending Balance	\$ 4,034.2	\$ 3,112.6	\$ 2,575.9
Note: Totals may not sum due to rounding.			

Figure 3 represents estimated built-in increases and anticipated expenditures after reductions to the Medicaid built-in due to the FY 2026 supplemental appropriation of \$89.0 million, and estimated deposit of \$171.7 million into the MCO HCTF.

Figure 3



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