

FISCAL UPDATE Article

Fiscal Services Division

September 20, 2017



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

FISCAL YEAR 2017 ACCRUAL AND FISCAL YEAR 2018 CONDITION

FY 2017 Revenue. The Department of Management announced the completion of work related to the fiscal year hold open period that accounts for accruals. Fiscal Year 2017 accrued revenue totaled \$73.5 million, an increase of \$43.5 million compared to the adjusted March FY 2017 Revenue Estimate.

FY 2017 Revenue Estimating Conference Projection						
(Dollars in Millions)						
	Actual	Adj. March		Increase	Increase	Percentage
	FY 2016	FY 2017	FY 2017	(Decrease)	(Decrease)	Change
		Estimate	Actual	March	to Actual	to Actual
				Estimate	FY 2016	FY 2016
Income Tax	\$4,355.5	\$4,531.9	\$4,468.9	\$-63.0	\$113.4	2.6%
Sales/Use Tax	2,810.5	2,852.4	2,812.3	-40.1	1.8	0.1%
Corporate Tax	520.5	520.4	549.7	29.3	29.2	5.6%
Insurance Tax	119.7	120.5	114.8	-5.7	-4.9	-4.1%
Other Taxes	159.5	157.9	155.3	-2.6	-4.2	-2.6%
Total Taxes	\$7,965.7	\$8,183.1	\$8,101.0	\$-82.1	\$135.3	1.7%
Other Receipts	297.0	304.3	310.2	5.9	13.2	4.4%
Gross Tax & Other Receipts	\$8,262.7	\$8,487.4	\$8,411.2	\$-76.2	\$148.5	1.8%
Accruals (Net)	14.2	30.0	73.5	43.5	59.3	417.6%
Refund (Accrual Basis)	-1,018.3	-1,061.1	-1,059.8	1.3	-41.5	4.1%
Schl. Infr. Refunds (Accrual)	-466.9	-473.5	-460.4	13.1	6.5	-1.4%
Total Net Receipts	\$6,791.7	\$6,982.8	\$6,964.5	\$-18.3	\$172.8	2.5%
Transfers (Accrual Basis)	129.4	255.2	262.5	7.3	133.1	102.9%
Net Receipts Plus Transfers	\$6,921.1	\$7,238.0	\$7,227.0	\$-11.0	\$305.9	4.4%

FY 2017 Balance Sheet. For FY 2017, standing appropriations were \$3.9 million higher than estimated, and reversions were \$0.3 million higher than estimated. These two appropriation adjustments, combined with the estimated ending balance, led to a revenue shortfall of \$13.0 million.

State of Iowa			
General Fund Budget for FY 2017			
(Dollars in Millions)			
	FY 2017		
	End of Session	Actual	Change
Funds Available:			
Receipts	\$ 7,106.0	\$ 7,095.9	\$ - 10.1
Cash Reserve Fund Transfer	131.1	131.1	0.0
Net Revenue Adjustments	0.9	0.0	- 0.9
Subtotal Net Receipts	<u>7,238.0</u>	<u>7,227.0</u>	<u>- 11.0</u>
Surplus Carryforward (EEF Excess)	18.2	18.2	0.0
Total Funds Available	<u>\$ 7,256.2</u>	<u>\$ 7,245.2</u>	<u>\$ - 11.0</u>
Appropriations and Expenditures:			
Enacted Appropriations	\$ 7,347.8	\$ 7,351.7	\$ 3.9
Net Supplemental/Deappropriations	- 88.2	- 88.2	0.0
Total Appropriations	<u>\$ 7,259.6</u>	<u>\$ 7,263.5</u>	<u>\$ 3.9</u>
Reversions	- 5.0	- 5.3	- 0.3
Net Appropriations	<u>\$ 7,254.6</u>	<u>\$ 7,258.2</u>	<u>\$ 3.6</u>
Ending Balance - Surplus	<u>\$ 1.6</u>	<u>\$ - 13.0</u>	<u>\$ - 14.6</u>

Pursuant to Iowa Code section [8.55\(3\)\(c\)](#), the Governor will transfer \$13.0 million from the Economic Emergency Fund to balance FY 2017 General Fund budget. A General Fund appropriation will be made in FY 2018 in accordance with Iowa Code section [8.55\(3\)\(d\)](#) to reimburse the Economic Emergency Fund. The combined balance of the reserve funds for FY 2017, after the \$13.0 million transfer is made, is estimated at \$605.3 million. The following table compares the FY 2017 estimated and actual reserve funds balances. It should be noted that the numbers listed under the actual column are considered preliminary, due to potential changes that may occur upon final review of FY 2017.

State of Iowa Reserve Funds			
(Dollars in Millions)			
	Estimated	Actual	
<u>Cash Reserve Fund (CRF)</u>	<u>FY 2017</u>	<u>FY 2017</u>	<u>Change</u>
Funds Available			
Balance Brought Forward	\$ 539.2	\$ 539.2	\$ 0.0
Gen. Fund Transfer from FY 2016 Surplus	44.1	44.1	0.0
Total Funds Available	\$ 583.3	\$ 583.3	\$ 0.0
General Fund to Transfer	-131.1	-131.1	0.0
Excess Transferred to EEF	-29.8	-29.8	0.0
Balance	\$ 422.4	\$ 422.4	\$ 0.0
<u>Economic Emergency Fund (EEF)</u>			
Funds Available			
Balance Brought Forward	\$ 189.9	\$ 189.9	\$ 0.0
Excess from Cash Reserve	29.8	29.8	0.0
Total Funds Available	\$ 219.7	\$ 219.7	\$ 0.0
Appropriations & Transfers			
Excess Transferred to General Fund	\$ - 18.2	\$ - 18.2	\$ 0.0
General Fund Transfer ¹	0.0	-13.0	-13.0
Executive Council - Performance of Duty	-17.0	-5.6	11.4
Balance	\$ 184.5	\$ 182.9	\$ - 1.6
<u>Combined Reserve Fund Balance</u>			
Cash Reserve Fund	\$ 422.4	\$ 422.4	\$ 0.0
Economic Emergency Fund	184.5	182.9	-1.6
Total CRF and EEF	\$ 606.9	\$ 605.3	\$ - 1.6
¹ \$13.0 million will be transferred from the FY 2017 balance of the Economic Emergency Fund to the General Fund pursuant to Iowa Code section 8.55(3)(c).			

FY 2018 Revenues. Through September 19, 2017, and on a cash year basis, FY 2018 net General Fund revenue is up \$158.2 million (10.7%). Now that the accrual process is complete for FY 2017, it is possible to calculate FY 2018 net revenue growth on a fiscal year basis. Since a significant amount of the net revenue growth that has occurred since June 30 was determined in the accrual process to have been FY 2017 growth, FY 2018 growth on a fiscal year basis, while still solid, is much lower than the 10.7% cash year growth indicates. The following table presents net General Fund revenue growth, by major source, on a fiscal year basis. Growth through September 19, 2017, totals \$55.8 million (5.5%). Please note that the calculations do not include transferred revenue.

Fiscal Year Basis FY 2018 GF Revenue Growth Calculation, through Sep. 19, 2017

Excludes transfer revenue. Dollars in millions.

	<u>FY 2017</u>	<u>FY 2018</u>	<u>GF \$ Increase</u>	<u>GF % Increase</u>
Income Tax	\$ 560.1	\$ 568.2	\$ 8.1	1.4%
Sales/Use Tax	387.0	403.6	16.6	4.3%
Corporate Income Tax	49.4	75.8	26.4	53.4%
Other Taxes	63.7	60.8	-2.9	-4.6%
<u>Other Receipts</u>	<u>32.3</u>	<u>32.0</u>	<u>-0.3</u>	<u>-0.9%</u>
Total Gross Receipts	\$ 1,092.5	\$ 1,140.4	\$ 47.9	4.4%
Tax Refunds	-40.8	-33.1	7.7	-18.9%
School Infrastructure	-39.8	-39.6	0.2	-0.5%
Net Revenue	<u>\$ 1,011.9</u>	<u>\$ 1,067.7</u>	<u>\$ 55.8</u>	<u>5.5%</u>

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