
FISCAL UPDATE Article

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

REVISED GENERAL FUND BUDGET AND FY 2020 PROJECTION

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met on October 16, 2018, and revised the General Fund revenue estimates for FY 2019 and FY 2020. The FY 2019 and FY 2020 estimates were revised upward by \$101.7 million (1.3%) and \$102.9 million (1.3%), respectively, compared to the March 2018 estimates (adjusted for post-REC law changes).

FY 2018 and FY 2019 Budget Update. Table 1 compares the General Fund budget estimates for FY 2018 and FY 2019 at the close of the 2018 Legislative Session to the actual, year-end FY 2018 numbers and the revised FY 2019 budget.

The FY 2018 General Fund budget ended the fiscal year with a \$127.3 million balance, which was \$95.6 million more than the previous estimate of \$31.7 million. Net receipts ended the fiscal year at \$7.384 billion, which was \$103.3 million (1.4%) more than the estimate used at the close of the 2018 Legislative Session. Net appropriations ended the fiscal year \$7.7 million (0.1%) higher than estimated due to increases to standing appropriations totaling \$6.8 million and reversions being \$0.9 million less than estimated.

The increase in the FY 2018 General Fund surplus results in an estimated \$92.6 million¹ being carried forward into FY 2019, increasing the total estimated funds available to \$7.835 billion. This is an increase of \$193.5 million (2.5%) compared to the total funds available for FY 2019 estimated at the close of the 2018 Legislative Session.

During the 2018 Legislative Session, the General Assembly enacted appropriations totaling \$7.480 billion for FY 2019. In August 2018, the Department of Human Services reached an agreement with the two managed care organizations (MCOs) that manage Iowa's Medicaid Program. The agreement includes capitation rate increases totaling \$103.0 million for the MCOs in FY 2019. The increased costs will result in a shortfall of \$64.3 million in Medicaid funding for FY 2019. For estimating purposes it is assumed that a supplemental appropriation of \$64.3 million will be needed to fully fund the Program. The revised FY 2019 surplus is \$295.4 million, which is \$129.2 million more than previously estimated.

¹ The FY 2019 surplus carryforward of \$92.6 million represents the excess funds from FY 2018 General Fund surplus of \$127.3 million after the Cash Reserve Fund and Economic Emergency Fund requirements were met.

Table 1

General Fund Budget						
FY 2018 and FY 2019 Point-in-Time Comparisons						
(Dollars in Millions)						
	FY 2018			FY 2019		
	End of Session	Actual	Change	End of Session	Oct 2018 Estimate	Change
Funds Available:						
Net Receipts	\$ 7,280.6	\$ 7,383.9	\$ 103.3	\$ 7,640.4	\$ 7,742.1	\$ 101.7
Surplus Carryforward	0.0	0.0	0.0	0.8	92.6	91.8
Total Funds Available	\$ 7,280.6	\$ 7,383.9	\$ 103.3	\$ 7,641.2	\$ 7,834.7	\$ 193.5
Appropriations and Expenditures:						
Enacted Appropriations	\$ 7,268.6	\$ 7,268.6	\$ 0.0	\$ 7,480.2	\$ 7,480.2	\$ 0.0
Adjustments to Standings	9.0	15.8	6.8	0.0	0.0	0.0
Net Supplemental/Deappropriations	- 23.3	- 23.3	0.0	0.0	64.3	64.3
Total Appropriations	\$ 7,254.3	\$ 7,261.1	\$ 6.8	\$ 7,480.2	\$ 7,544.5	\$ 64.3
Reversions	- 5.4	- 4.5	0.9	- 5.2	- 5.2	0.0
Net Appropriations	\$ 7,248.9	\$ 7,256.6	\$ 7.7	\$ 7,475.0	\$ 7,539.3	\$ 64.3
Ending Balance – Surplus	\$ 31.7	\$ 127.3	\$ 95.6	\$ 166.2	\$ 295.4	\$ 129.2

FY 2020 Budget Projection. The Legislative Services Agency (LSA) budget projection for FY 2020 shown in **Table 2** provides a preliminary analysis of the condition of the General Fund budget for the next fiscal year. The estimates for FY 2020 are based on the following factors and assumptions:

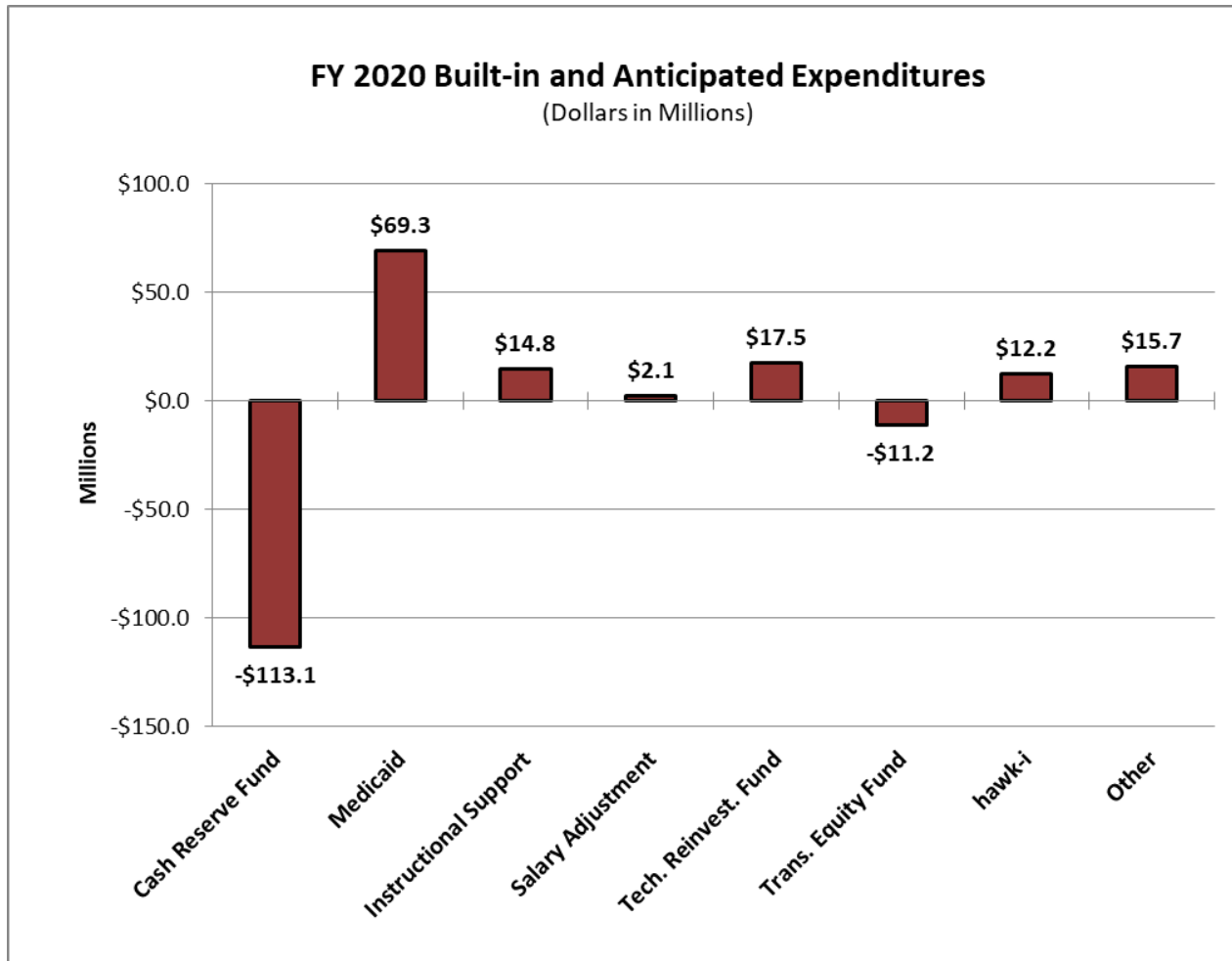
- The FY 2020 REC revenue estimate of \$7.873 billion set on October 16, 2018. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. This estimate is included in the calculation of the FY 2019 expenditure limitation.
- A carryforward balance of \$264.2 million from the revised FY 2019 General Fund surplus after the estimated reserve fund requirements are met.
- The expenditure limitation for FY 2020 is estimated to be \$8.058 billion.
- The enacted appropriations from FY 2019 (\$7.480 billion) are used as the baseline for FY 2020 appropriations.
- The LSA's estimated net built-in and anticipated expenditure changes for FY 2020 total \$7.3 million. **Chart 1** summarizes the FY 2020 built-in and anticipated expenditures. The estimated built-in and anticipated expenditures reflect the incremental increases above the baseline appropriations for FY 2019. Offsetting much of the projected increase for FY 2020 is a reduction of \$113.1 million associated with a one-time appropriation in FY 2019 to the Cash Reserve Fund. This appropriation will not be necessary in FY 2020.
- The projected FY 2020 appropriations totaling \$7.488 billion include the base amount of \$7.480 billion plus the \$7.3 million in built-in and anticipated expenditure changes.
- Reversions are estimated to total \$5.0 million for FY 2020. Reversions are appropriated funds that remain unexpended at the close of the fiscal year and are deposited back in the General Fund.

Table 2 shows the projected General Fund budget for FY 2020 based on the above assumptions. The projected appropriations that total \$7.488 billion are \$570.9 million below the estimated expenditure limitation. The FY 2020 General Fund surplus is projected to total \$654.6 million.

Table 2

State of Iowa			
Projected Condition of the General Fund Budget			
(Dollars in Millions)			
	Actual	Estimated	LSA
	FY 2018	FY 2019	Projection
	FY 2018	FY 2019	FY 2020
Funds Available:			
Net Receipts	\$ 7,383.9	\$ 7,742.1	\$ 7,872.9
Surplus Carryforward	0.0	92.6	264.2
Total Funds Available	\$ 7,383.9	\$ 7,834.7	\$ 8,137.1
Expenditure Limitation			\$ 8,058.4
Estimated Appropriations and Expenditures:			
Enacted Appropriations/FY 2020 Baseline	\$ 7,268.6	\$ 7,480.2	\$ 7,480.2
Adjustments to Standings	15.8	0.0	0.0
Supplemental/Deappropriations	- 23.3	64.3 ¹	0.0
Built-in and Anticipated Increases	0.0	0.0	7.3
Total Before Balance Adjustment	7,261.1	7,544.5	7,487.5
Adjustment to Balance Budget	0.0	0.0	0.0
Total Appropriations	\$ 7,261.1	\$ 7,544.5	\$ 7,487.5
Reversions	- 4.5	- 5.2	- 5.0
Net Appropriations	\$ 7,256.6	\$ 7,539.3	\$ 7,482.5
Ending Balance – Surplus	\$ 127.3	\$ 295.4	\$ 654.6
<p>¹ The State executed new contracts with the Medicaid managed care providers that will result in an increased cost of \$103.0 million for FY 2019. To fund the increase, it is assumed that a supplemental appropriation of \$64.3 million will be needed to fully fund the Program in FY 2019.</p>			

Chart 1



Reserve Funds. The balances in the State's two reserve funds (**Table 3**) are projected to be at the statutory maximum for both FY 2019 and FY 2020. For FY 2019, the combined balances are estimated at \$762.1 million and are projected to increase to \$787.3 million in FY 2020.

Table 3

State of Iowa Reserve Funds			
(Dollars in Millions)			
	Actual	Estimated	Projection
<u>Cash Reserve Fund</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Funds Available			
Balance Brought Forward	\$ 422.4	\$ 442.4	\$ 571.6
General Fund Transfer from Surplus	0.0	127.3	295.4
Special General Fund Appropriation	20.0	113.1	0.0
Total Funds Available	\$ 442.4	\$ 682.8	\$ 867.0
Transfer to Economic Emergency Fund	0.0	-111.2	-276.5
Balance	\$ 442.4	\$ 571.6	\$ 590.5
<i>Maximum 7.5%</i>	\$ 552.8	\$ 571.6	\$ 590.5
<u>Economic Emergency Fund</u>			
Funds Available			
Balance Brought Forward	\$ 182.9	\$ 177.9	\$ 190.5
Excess from Cash Reserve	0.0	111.2	276.5
Total Funds Available	\$ 182.9	\$ 289.1	\$ 467.0
Appropriations and Transfers			
Excess Transferred to General Fund	\$ 0.0	\$ -92.6	\$ -264.2
Excess Transferred to Taxpayer Trust Fund	0.0	0.0	0.0
Transfers to and from the General Fund	13.0	0.0	0.0
Executive Council — Performance of Duty	-18.0	-6.0	-6.0
Balance	\$ 177.9	\$ 190.5	\$ 196.8
<i>Maximum 2.5%</i>	\$ 184.3	\$ 190.5	\$ 196.8
<u>Combined Reserve Fund Balances</u>			
Cash Reserve Fund	\$ 442.4	\$ 571.6	\$ 590.5
Economic Emergency Fund	177.9	190.5	196.8
Total	\$ 620.3	\$ 762.1	\$ 787.3
<i>Maximum</i>	\$ 737.1	\$ 762.1	\$ 787.3

LSA Staff Contact: Dave Reynolds (515.281.6934) dave.reynolds@legis.iowa.gov