



[HF 439](#) – Zero-Based Budget, 10-Year Intervals (LSB2159YH)
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Fiscal Note Version – New

Description

[House File 439](#) requires Executive Branch agencies to utilize a zero-base budget process once every 10 years for the fiscal year beginning July 1, 2024 (FY 2025). The Bill requires State agencies to provide sufficient supporting data and explanations to justify each expenditure as though it were a new expenditure. The Bill also requires State agencies to prioritize expenditures and provide performance measures to evaluate the effectiveness of any program.

Background

Zero-base budgeting is a concept designed to identify, prioritize, and control expenditures of programs, and to measure the effectiveness of funding those programs. Under a zero-base budgeting process, every budget cycle begins with the assumption that all programs or activities funded in the prior budget must be reevaluated and justified for funding under the new budget.

Iowa Code section [8.23](#) requires State agencies to submit annual budget requests for the next fiscal year using a 75.0% base, which equates to 75.0% of the current year budget. The remaining 25.0% of the budget request, plus any increase, is justified using individual decision packages. Since FY 2009, the budget requirements in Iowa Code section [8.23](#) have been annually suspended through session law, and the budget requests of State agencies have been based on 100.0% of the current year budget with adjustments made by departments to arrive at their budget requests for the next fiscal year.

Assumptions

- The Bill will require the Department of Management (DOM) to develop new training procedures for departments using a zero-base approach to enable the departments to submit the FY 2025 budget requests by October 1, 2023. The DOM estimates that this training can be accomplished within DOM's current budget.
- No new programming will be required for the I-3 Budget System, as the base budget that is used in the current System will be zero and instances in the System will be used to build the budget requests from zero.

Fiscal Impact

The fiscal impact of [HF 439](#) cannot be determined at this time. The new zero-base budget approach will require additional work on behalf of State agencies to identify and associate expenditure classes to programs and activities at a level that is sufficient to meet the requirements of a zero-base budget. Agencies with more complex and varied programs (i.e., Department of Human Services) will require more work to develop a zero-base budget, while other agencies will require less work.

Sources

Department of Management
Legislative Services Agency

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
