



SJR 20 – Expenditure Limitation Constitutional Amendment (LSB1635SV)
Analyst: David Reynolds (515.281.6934) dave.reynolds@legis.iowa.gov
Fiscal Note Version – New (Same as Fiscal Note for SJR 2)

Description

Senate Joint Resolution 20 proposes an amendment to the Iowa Constitution that creates a State General Fund expenditure limitation requirement to be used when establishing a General Fund budget for a subsequent fiscal year. The proposed expenditure limitation would be the lesser of the following:

- 99.0% of the adjusted revenue estimate established by the Revenue Estimating Conference (REC) for the next fiscal year.
- The net revenue estimate for the current fiscal year in progress, increased by 4.0%.

The *adjusted revenue estimate* is defined as the most recent revenue estimate for the next fiscal year as determined by the REC before January 1, or a lower subsequent estimate, adjusted by subtracting estimated refunds.

The *net revenue estimate* is defined as the most recent revenue estimate for the current fiscal year in progress as determined by the REC before January 1, or a later lower estimate, adjusted by subtracting estimated refunds.

The Resolution defines *new revenue* as moneys received by the General Fund due to increased tax rates or fees or newly created taxes or fees, over and above those moneys received by the General Fund due to taxes and fees that were in effect as of January 1. The definition of new revenue also includes revenue transfers to the General Fund. The Resolution requires that a newly proposed revenue source be added to the expenditure limitation at 95.0% of the estimate. The Resolution also requires that any revenue decreases be applied to the expenditure limitation at 100.0%.

The Resolution prohibits the Governor from approving or disapproving appropriations bills in a manner that causes the final approved appropriations to exceed the expenditure limitation.

Senate Joint Resolution 20 requires the General Assembly to enact legislation to implement the provisions of the constitutional amendment after it is ratified by Iowa voters.

The Resolution allows the General Assembly to suspend the provisions of this amendment subject to the passage of a joint resolution by two-thirds of the members of the Senate and House, and approval by the Governor.

Background

Iowa Code section **8.54** establishes expenditure limitation requirements for Iowa's General Fund budget process. Under current law, the adjusted revenue estimate is calculated by adding new revenue to the base estimate established by the REC in December, or the March estimate if it is lower than the December estimate.

Current law does not include the alternative adjusted revenue estimate calculation included in **SJR 20**, in which the current year estimate is increased by 4.0%.

In addition, current law allows the balance from the previous year's surplus, after the reserve fund requirements are fulfilled, to carry forward to the next fiscal year and be added to the

expenditure limitation at 100.0%. This Resolution does not provide for the General Fund surplus to be added to the expenditure limitation.

Iowa Code section [49A.1](#) and the Iowa Constitution require that when an amendment to the Constitution is first passed by the General Assembly, and has been referred to the next succeeding General Assembly, the State Commissioner of Elections (Secretary of State) is required to publish the proposed amendment in two newspapers of general circulation in each Iowa congressional district once each month for three consecutive months prior to the start of the next General Assembly.

Upon passage of the same amendment by the second General Assembly, the amendment is to be published in newspapers in all 99 counties once each month for three consecutive months immediately preceding the general election.

Assumptions

- The average cost to publish an amendment in a single newspaper is \$600.
- Publication of the initial amendment would occur in eight newspapers (two in each congressional district) for a three-month period.
- Subsequent publication of the amendment would occur in 99 newspapers (one in each county) for a three-month period.

Fiscal Impact

Constitutional Amendment Publication Cost. The estimated cost to publish a proposed Constitutional amendment passed by the General Assembly during the 2019 Legislative Session would be \$14,400 (8 newspapers x 3 months x \$600). The costs would be incurred in the fall of 2020 (FY 2021).

Assuming the proposed amendment is passed a second time during the 2021 Legislative Session, the estimated cost would be \$178,200 (99 newspapers x 3 months x \$600). The costs would be incurred in the fall of 2022 (FY 2023).

The above publication costs would be incurred by the Iowa Secretary of State's Office.

Analysis of Expenditure Limitation Provisions. The fiscal impact related to the expenditure limitation provisions of [SJR 20](#) cannot be determined, as the impact is dependent on future revenue collections, revenue estimates, and appropriations decisions. However, ratification of the proposed amendment could possibly reduce future General Fund appropriations compared to current law.

Based on an analysis of State General Fund revenue estimates and appropriations levels over the last 12 legislative sessions, if the expenditure limitation requirements in [SJR 20](#) had been in place in each of those fiscal years, appropriations to the General Fund would have been lower than the enacted appropriations in seven of the fiscal years. The Resolution would have had no impact on appropriations in five of the fiscal years. The fiscal impact of [SJR 20](#) on the seven impacted fiscal years would have resulted in an average annual reduction of \$75.6 million, or 1.1% of the enacted appropriations (see the table below).

Comparison of Enacted General Fund Appropriations to the Expenditure Limitation as Recalculated Under SJR 20				
(Dollars in Millions)				
Fiscal Years Impacted	Enacted Appropriations	Expenditure Limitation Under SJR 20	Reduction	Reduction as a % of Actual
FY 2009	\$ 6,133.0	\$ 6,091.9	\$ -41.1	-0.7%
FY 2012	5,999.7	5,877.6	-122.1	-2.0%
FY 2013	6,222.6	6,161.7	-60.9	-1.0%
FY 2014	6,490.1	6,422.0	-68.1	-1.0%
FY 2015	6,958.9	6,893.8	-65.1	-0.9%
FY 2016	7,175.2	7,048.6	-126.6	-1.8%
FY 2017	7,350.6	7,305.2	-45.4	-0.6%
Average	\$ 6,618.6	\$ 6,543.0	\$ -75.6	-1.1%

Note: SJR 20 would not have had an impact on appropriations levels for FY 2008, FY 2010, FY 2011, FY 2018, or FY 2019.

[Senate Joint Resolution 20](#) would have the largest impact on fiscal years in which a General Fund surplus is carried forward from the prior fiscal year and added to the expenditure limitation. Because the provisions of [SJR 20](#) do not allow General Fund surplus carryforward funds to be added to the expenditure limitation, fiscal years that would otherwise have surplus funds would be impacted more significantly under [SJR 20](#). Six of the seven impacted fiscal years analyzed (FY 2012 through FY 2017) had surplus carryforward funds added to their respective expenditure limitations. However, the hypothetical impact of [SJR 20](#) on FY 2009 is due to the General Assembly overriding the December estimate of the REC and allowing the higher subsequent estimate to be used for the FY 2009 budget. Overriding the December estimate would not be allowed under the provisions of [SJR 20](#).

The proposed constitutional amendment does not address the disposition of a General Fund surplus that may result after the statutory reserve fund requirements are met. Under current law, once the combined balances in the Cash Reserve Fund and the Economic Emergency Fund reach 10.0% of the adjusted revenue estimate and any obligations of the Performance of Duty and Taxpayer Relief Fund are fulfilled, the remaining surplus dollars carry forward to the next fiscal year.

Sources

Legislative Services Agency
Office of the Secretary of State

/s/ Holly M. Lyons

March 6, 2019

The fiscal note for this Resolution 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.
