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**SJR 9** – Expenditure Limitation Constitutional Amendment (LSB2639XS)  
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Fiscal Note Version – New

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**Description**

**Senate Joint Resolution 9** (SJR 9) proposes an amendment to the Iowa Constitution that creates a State General Fund expenditure limitation requirement to be used for 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 estimate determined before January 1 by the REC, 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 determined before January 1 by the REC, 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 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 appropriation bills in a manner that causes the final appropriations to exceed the expenditure limitation.

Senate Joint Resolution 9 requires the General Assembly to enact legislation to implement the provisions of the constitutional amendment after it is ratified by Iowa voters.

**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 9 that increases the current year estimate 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%.

## Fiscal Impact

The fiscal impact of SJR 9 cannot be determined, as it is dependent on future revenue collections, revenue estimates, and appropriation decisions. However, ratification of the Resolution could possibly reduce future General Fund appropriations compared to current law.

Based on an analysis of State General Fund revenue estimates and appropriation levels over the last 10 legislative sessions, if the expenditure limitation requirements in SJR 9 had been in place in each of those fiscal years, the appropriations would have been lower than the enacted appropriations in seven of the fiscal years. The Resolution would have had no impact on appropriations in three of the fiscal years. The fiscal impact of SJR 9 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).

<b>Comparison of Enacted General Fund Appropriations to the Expenditure Limitation as Recalculated under SJR 9</b>						
(Dollars in Millions)						
<b>Fiscal Years Impacted</b>	<b>Enacted Appropriations</b>	<b>Expenditure Limitation Under SJR 9</b>	<b>Reduction</b>	<b>Reduction as a % of Actual</b>	<b>Calculation Used</b>	
FY 2009	\$ 6,133.0	\$ 6,091.9	\$ -41.1	-0.7%	99.0%	
FY 2012	5,999.7	5,877.6	-122.1	-2.0%	99.0%	
FY 2013	6,222.6	6,161.7	-60.9	-1.0%	99.0%	
FY 2014	6,490.1	6,422.0	-68.1	-1.0%	99.0%	
FY 2015	6,958.9	6,893.8	-65.1	-0.9%	99.0%	
FY 2016	7,175.2	7,048.6	-126.6	-1.8%	104.0%	
FY 2017	7,350.6	7,305.2	-45.4	-0.6%	99.0%	
Average	<u>\$ 6,618.6</u>	<u>\$ 6,543.0</u>	<u>\$ -75.6</u>	<u>-1.1%</u>		

\* SJR 9 would not have had an impact on appropriation levels for FY 2008, FY 2010, and FY 2011.

Senate Joint Resolution 9 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 9 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 9. 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 impact of SJR 9 on FY 2009 was 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 9.

The Resolution 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 Taxpayers Trust Fund are fulfilled, the remaining surplus dollars carry forward to the next fiscal year.

**Source**

Legislative Services Agency

/s/ Holly M. Lyons

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March 13, 2017

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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.

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