FISCAL TOPICS

Fiscal Services Division

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Expenditure Limitation

Overview

The expenditure limitation was created in 1992 Iowa Acts, chapter 1227, and was first used for development of the FY 1994 budget. The expenditure limitation, as specified under Iowa Code section 8.54, is the percentage limit of available revenue the Iowa General Assembly may appropriate from the General Fund during passage of the annual budget for a fiscal year. The expenditure limitation is calculated for each fiscal year as the sum of the following:

- 99.0% of the Revenue Estimating Conference (REC) estimate (the lower estimate from the December or March meeting per Iowa Code section 8.22A).
- 95.0% of new revenue enacted, including refunds, that was not included in the REC estimate.
- 100.0% of revenue decreases enacted that were not included in the REC estimate.
- 100.0% of the estimated General Fund surplus (excess from the Economic Emergency Fund).

Figure 1 shows the calculation of the FY 2027 expenditure limitation.

Figure 1 — FY 2027 Expenditure Limitation Calculation
(in Millions)

		Enacted FY 2027		
		Amount	Percent	Expend. Limit
Revenue Estimating Conference Total (March 2026 Estimate)		$ 8,471.6	99%	$ 8,386.9
Revenue Adjustments:				
HF 960	Communications Network Equipment Sales Tax Exemption Act	- 0.9	100%	- 0.9
HF 990	Cannabidiol Dispensaries, Maximum Number of Licensees Act	0.2	95%	0.1
HF 2739	Health Maintenance Organization Taxes, Supplemental Appropriations, and Transfers Act	- 13.2	100%	- 13.2
HF 2757	Nuclear Electric Generation Facilities, Sales Tax Exemption Act	- 20.1	100%	- 20.1
HF 2768	Administration and Regulation Appropriations Act	- 12.8	100%	- 12.8
HF 2783	Education Appropriations Act	- 0.6	100%	- 0.6
HF 2799	Economic Development, Tax Credit Programs and Load Forecasting Act	- 0.8	100%	- 0.8
SF 2168	Reemployment Case Management and Unemployment Insurance Processing Act	- 1.5	100%	- 1.5
SF 2231	Educational Programs, Eligibility of Sectarian Programs and Costs Act	- 0.5	100%	- 0.5
SF 2289	Gambling, State Building Code, and Residential Care Facilities Act	- 7.8	100%	- 7.8
SF 2492	Corporate Income Tax, Section 951A Income Act	- 9.2	100%	- 9.2
Subtotal Revenue Adjustment		$ - 67.1		$ - 67.1
Transfer from General Fund Surplus		$ 1,488.0	100%	$ 1,488.0
Total Adjustments		$ 1,420.9		$ 1,420.9
Expenditure Limitation				$ 9,807.8

More Information

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Appropriations Process

According to Iowa Code section 8.22A, by December 15 each year, the REC is required to agree to an updated revenue estimate for the following fiscal year that begins July 1. The REC is a three-member panel with members drawn from the Governor's Office (or designee), the Legislative Services Agency, and a member of the public. As part of revenue estimates, the REC includes all revenues to and refunds from the General Fund, including tax levies and assessments, nontax receipts, accrual revenues, refunds, refund reimbursements, sales tax payments to the Secure an Advanced Vision for Education (SAVE) Fund, Iowa Lottery revenues, and other transfers to the General Fund.

According to Iowa Code section 8.54(7), the Governor is required to transmit a proposed budget that does not exceed the existing General Fund expenditure limitation. The expenditure limitation may be updated during the budget process by a new REC projection for the applicable fiscal year. Any legislation passed by the General Assembly that increases or decreases revenue after the most recent REC estimate is required to be integrated into the expenditure limitation as necessary. Once the expenditure limitation is set during the Legislative Session, the General Assembly uses that expenditure limitation to pass a General Fund budget before the start of the next fiscal year (July 1). The Governor may sign, veto, or line-item veto appropriations bills for the next fiscal year. However, according to Iowa Code section 8.54(7), the Governor cannot, in the course of approving or disapproving legislation or pieces of legislation, exceed the expenditure limitation. The Governor and the General Assembly are also disallowed from relying on anticipated reversions to the General Fund after a fiscal year to meet the expenditure limitation. **Figure 2** details the expenditure limitation used by the General Assembly and actual appropriations for FY 2017 through FY 2025.

Figure 2 — Historical Expenditure Limitations and Actual Appropriations
(in Millions)

Fiscal Year	Expenditure Limitation	Actual Appropriations*
2017	$ 7,350.8	$ 7,263.5
2018	7,296.7	7,261.1
2019	7,545.0	7,646.0
2020	7,837.3	7,832.9
2021	8,023.0	7,826.8
2022	8,287.9	8,136.6
2023	9,037.5	8,221.4
2024	10,397.1	8,569.1
2025	11,164.1	8,968.7

*Actual appropriations include supplemental appropriations and deappropriations, but do not include reversions.

Source: Graybook

2026 Legislative Changes

Prior to the 2026 Legislative Session, the expenditure limitation did not include any moneys transferred to the General Fund from the Taxpayer Relief Fund (TPRF) pursuant to Iowa Code section 8.57E for a given fiscal year. However, 2026 Iowa Acts, House File 2739 (Health Maintenance Organization Taxes, Supplemental Appropriations, and Transfers Act), adds the anticipated transfer from the TPRF to the General Fund to the expenditure limitation calculation for FY 2028 and FY 2029 only. In addition, 2026 Iowa Acts, Senate File 2472 (Property Taxation Act), subtracts $125.0 million from the expenditure limitation calculation for FY 2028 only.

Related Statutes and Administrative Rules

Iowa Code chapter 8

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