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APPROPRIATIONS

HOUSE FILE 2471
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and CORMACK

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act revising the requirements for the state general fund
2 expenditure limitation and providing an applicability date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2471

1 Section 1. Section 8.22A, subsection 3, Code Supplement
2 2001, is amended to read as follows:

3 3. By December 15 of each fiscal year the conference shall
4 agree to a revenue estimate for the fiscal year beginning the
5 following July 1. That estimate shall be used by the governor
6 in the preparation of the budget message under section 8.22
7 and by the general assembly in the budget process. In
8 addition, the conference shall agree to a projection of the
9 amount that will be transferred to the general fund of the
10 state from the Iowa economic emergency fund pursuant to
11 section 8.55, subsection 2, and as a result may be
12 appropriated for the fiscal year beginning the following July
13 1. If the conference agrees at a later meeting to a different
14 ~~estimate-at-a-later-meeting-which-projects-a-greater-amount-of~~
15 ~~revenue amount to be transferred~~ than the initial estimate
16 projected amount agreed to by December 15, the governor and
17 the general assembly shall continue to use the initial
18 estimate projected amount in the budget process for that
19 fiscal year. However, if the conference agrees at a later
20 meeting to a ~~different-estimate-at-a-later-meeting-which~~
21 ~~projects-a~~ lesser amount ~~of-revenue~~ than the initial estimate
22 projected amount, the governor and the general assembly shall
23 use the lesser amount in the budget process for that fiscal
24 year. As used in this subsection, "later meeting" means only
25 those later meetings which are held prior to the conclusion of
26 the regular session of the general assembly.

27 Sec. 2. Section 8.22A, subsection 5, Code Supplement 2001,
28 is amended by adding the following new paragraphs:

29 NEW PARAGRAPH. e. The amount of a revenue reduction for a
30 fiscal year.

31 NEW PARAGRAPH. f. The amount of revenue increases to the
32 general fund of the state for the current and succeeding
33 fiscal years with the portion that is due to new revenue
34 identified separately.

35 Sec. 3. Section 8.54, subsection 1, Code Supplement 2001,

1 is amended to read as follows:

2 1. For the purposes of section 8.22A, this section, and
3 sections 8.55 through 8.57:

4 a. "Adjusted revenue estimate" means the appropriate
5 revenue estimate for the general fund for the following fiscal
6 year as determined by the revenue estimating conference under
7 section 8.22A, subsection 3, adjusted by subtracting estimated
8 tax refunds payable from that estimated revenue and as
9 determined by the conference, adding any new revenues which
10 may be considered to be eligible for deposit in the general
11 fund.

12 b. "Adjusted revenue increase estimate" means the
13 appropriate estimate for revenue increase to the general fund
14 for the following fiscal year as determined by the revenue
15 estimating conference, adjusted by subtracting estimated tax
16 refunds payable from that estimated revenue increase. To the
17 extent not included in the net revenue credited to the general
18 fund of the state in the most recently completed fiscal year,
19 previously enacted new revenues shall be included in the
20 estimate.

21 c. "Net revenue" means the actual amount of revenue
22 credited to the general fund of the state for a fiscal year,
23 as adjusted by subtracting tax refunds paid from that revenue.

24 b- d. "New revenues" means moneys which are projected to
25 be received by the state due to increased tax rates and fees
26 or newly created taxes and fees over and above those moneys
27 which are received due to state taxes and fees which are in
28 effect as of January 1 following the December state revenue
29 estimating conference meeting. "New revenues" also includes
30 moneys projected to be received by the general fund of the
31 state due to new transfers over and above those moneys
32 received by the general fund of the state due to transfers
33 which are in effect as of January 1 following the December
34 state revenue estimating conference meeting. The department
35 of management shall obtain concurrence from the revenue

1 estimating conference on the eligibility of transfers to the
2 general fund of the state which are to be considered as new
3 revenue in determining the state general fund expenditure
4 limitation.

5 e. "Revenue reduction" means a reduction in revenue to the
6 general fund of the state projected for a fiscal year due to a
7 statutory reduction or elimination of a tax or fee that is
8 enacted after the initial expenditure limitation amount for
9 that fiscal year was established.

10 f. "State general fund expenditure limitation" or
11 "expenditure limitation" means the state general fund
12 expenditure limitation computed in accordance with this
13 section.

14 Sec. 4. Section 8.54, subsections 3, 4, and 5, Code
15 Supplement 2001, are amended to read as follows:

16 3. Except as otherwise provided in this section, the state
17 general fund expenditure limitation for a fiscal year shall be
18 ninety-nine-percent-of-the-adjusted-revenue-estimate computed
19 in accordance with this section at a meeting of the revenue
20 estimating conference by December 15 of the fiscal year
21 preceding the fiscal year to which the expenditure limitation
22 applies. The expenditure limitation shall be equal to the sum
23 of the following:

24 a. One hundred percent of the net revenue credited to the
25 general fund of the state in the most recently completed
26 fiscal year.

27 b. Ninety percent of the adjusted revenue increase
28 estimate for the following fiscal year.

29 c. Ninety percent of the amount projected by the revenue
30 estimating conference under section 8.22A that will be
31 transferred to the general fund of the state from the Iowa
32 economic emergency fund pursuant to section 8.55, subsection
33 2, for the fiscal year to which the expenditure limitation
34 applies.

35 4. a. The state general fund expenditure limitation

1 amount provided for in this section shall be used by the
2 governor in the preparation of the budget under section 8.22
3 and approval of the budget and by the general assembly in the
4 budget process. An amount equal to that portion of the
5 expenditure limitation attributable to subsection 3,
6 paragraphs "b" and "c", shall be considered a contingent
7 funding amount. As part of the expenditure limitation
8 requirements under this section, unless the total
9 appropriations recommended by the governor or passed by the
10 general assembly are less than the expenditure limitation for
11 a fiscal year, the governor's budget recommendations under
12 section 8.22 and the general assembly in passage of the budget
13 shall incorporate contingent appropriations at least equal to
14 the contingent funding amount. If the total of the
15 appropriations recommended or passed is less than the
16 expenditure limitation, the amount of contingent
17 appropriations otherwise required may be reduced accordingly.
18 The governor and the general assembly shall identify
19 priorities for implementation of the contingent
20 appropriations.

21 b. If a source for new revenues is proposed, the budget
22 revenue projection used for that new revenue source for the
23 period beginning on the effective date of the new revenue
24 source and ending in the fiscal year in which the source is
25 included in the revenue base shall be an amount determined by
26 subtracting estimated tax refunds payable from the projected
27 revenue from that new revenue source, multiplied by ~~ninety-~~
28 five ninety percent. If a new revenue source is established
29 and implemented, the original state general fund expenditure
30 limitation amount provided for in subsection 3 shall be
31 ~~readjusted-to-include-ninety-five~~ revised by adding ninety
32 percent of the estimated revenue from the new revenue source.

33 c. If a revenue reduction affecting the original state
34 general fund expenditure limitation computed in subsection 3
35 is enacted, the original expenditure limitation shall be

1 revised by subtracting one hundred percent of the revenue
2 reduction amount.

3 5. ~~For fiscal years in which section 8.557, subsection 2,~~
4 ~~results in moneys being transferred to the general fund, the~~
5 ~~original state general fund expenditure limitation amount~~
6 ~~provided for in subsection 3 shall be readjusted to include~~
7 ~~the moneys which are so transferred.~~ If the revenue
8 estimating conference agrees under section 8.22A to a
9 projection that a lesser amount of revenue will be transferred
10 to the general fund of the state from the Iowa economic
11 emergency fund than originally projected, the original state
12 general fund expenditure limitation computed in accordance
13 with subsection 3 shall be revised to reflect the lesser
14 amount, as adjusted by the percentage specified in subsection
15 3, paragraph "c".

16 Sec. 5. APPLICABILITY. This Act is first applicable to
17 the budget for the fiscal year beginning July 1, 2003, and
18 ending June 30, 2004.

19 EXPLANATION

20 This bill revises the requirements for the state general
21 fund expenditure limitation. The initial expenditure
22 limitation would still be established for the succeeding
23 fiscal year at the time of the revenue estimating conference
24 meeting held by December 15 as it is in current law. Instead
25 of being based upon projected revenue for the succeeding
26 fiscal year, the expenditure limitation would be computed
27 based upon 100 percent of net revenue for the general fund in
28 the most recently completed fiscal year plus 90 percent of the
29 adjusted revenue increase estimate for the succeeding fiscal
30 year and 90 percent of the projected amount that will be
31 transferred to the state general fund from the Iowa economic
32 emergency fund due to that fund reaching its maximum balance.

33 The bill provides that the portion of the expenditure
34 limitation amount attributable to 90 percent of the adjusted
35 revenue increase estimate plus 90 percent of the amount

1 projected to be transferred from the Iowa economic emergency
2 fund to the general fund is to be considered to be a
3 contingent funding amount. As part of the expenditure
4 limitation budgeting requirements, unless the entire amount of
5 the expenditure limitation is appropriated, the governor's
6 budget recommendations and the general assembly in passage of
7 the budget are to incorporate contingent appropriations at
8 least equal to the contingent funding amount. If a budget
9 does not appropriate the entire amount of the expenditure
10 limitation, the amount of contingent appropriations otherwise
11 required may be reduced accordingly. In addition, the
12 governor and the general assembly shall identify priorities
13 for implementation of the contingent appropriations.

14 Code section 8.22A, relating to the revenue estimating
15 conference, is amended. The conference remains responsible
16 for making budget estimates that are used in the budget
17 process; however, language requiring the overall revenue
18 estimate to be used in establishing the expenditure limitation
19 is eliminated. New requirements are established for the
20 conference to estimate the amount that will be transferred to
21 the general fund from the Iowa economic emergency fund; the
22 amount of an enacted revenue reduction's effect to reduce
23 revenues available for expenditure under the previously
24 computed state general fund expenditure limitation for a
25 fiscal year; and the amount of revenue increases to the
26 general fund for the current and succeeding fiscal years with
27 the amount of revenue increase with the portion that is due to
28 growth identified separately.

29 Code section 8.54, relating to the state general fund
30 expenditure limitation, is extensively amended. The bill
31 defines the terms "adjusted revenue increase estimate",
32 "expenditure limitation", "net revenue", and "revenue
33 reduction", and requires the revenue estimating conference to
34 compute the initial expenditure limitation amount for a fiscal
35 year. If certain factors change after the initial amount is

1 established, the initial expenditure limitation amount is to
2 be revised. The governor is required to revise the submitted
3 budget if the revision results in a lower amount while the
4 general assembly is in session.

5 The provisions of the bill are first applicable to the
6 budget for fiscal year 2003-2004.

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