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APPROPRIATIONS

HOUSE FILE 142  
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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 142*

1 Section 1. Section 8.22A, subsection 3, Code 2003, is  
2 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 2003, is amended  
28 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 2003, is amended

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

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

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

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

13 Sec. 4. Section 8.54, subsections 3, 4, and 5, Code 2003,  
14 are amended to read as follows:

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

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

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

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

34 4. a. The state general fund expenditure limitation  
35 amount provided for in this section shall be used by the

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

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

32 c. If a revenue reduction affecting the original state  
33 general fund expenditure limitation computed in subsection 3  
34 is enacted, the original expenditure limitation shall be  
35 revised by subtracting one hundred percent of the revenue

1 reduction amount.

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

14 Sec. 5. APPLICABILITY. This Act is first applicable to  
15 the budget for the fiscal year beginning July 1, 2004, and  
16 ending June 30, 2005.

17 EXPLANATION

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

31 The bill provides that the portion of the expenditure  
32 limitation amount attributable to 90 percent of the adjusted  
33 revenue increase estimate plus 90 percent of the amount  
34 projected to be transferred from the Iowa economic emergency  
35 fund to the general fund is to be considered to be a

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

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

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

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

4 The provisions of the bill are first applicable to the  
5 budget for fiscal year 2004-2005.

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