

*Withdrawn  
1/22/04*

MAR 18 2003

HOUSE FILE 626  
BY COMMITTEE ON ECONOMIC GROWTH

**APPROPRIATIONS**

(SUCCESSOR TO HSB 34)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

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

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*HF 626*

1 Section 1. Section 8.54, Code 2003, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 1A. a. For the purposes of this  
4 subsection, unless the context otherwise requires:

5 (1) "Annual inflation factor" means the sum of the annual  
6 monetary inflation factor and the annual population change  
7 factor with all of that percent change added to one hundred  
8 percent. The annual inflation factor shall not be less than  
9 one hundred percent.

10 (2) "Annual monetary inflation factor" means an index,  
11 expressed as a percentage, determined by the department of  
12 revenue and finance by October 15 of the calendar year in  
13 which the fiscal year for which the factor is determined  
14 ended, which reflects the purchasing power of the dollar as a  
15 result of inflation during that fiscal year. In determining  
16 the annual monetary inflation factor, the department of  
17 revenue and finance shall use the annual percent change, but  
18 not less than zero percent, in the gross domestic product  
19 price deflator computed for the second quarter of the calendar  
20 year by the bureau of economic analysis of the United States  
21 department of commerce. The annual monetary inflation factor  
22 shall be expressed as a percentage rounded to the nearest one-  
23 tenth of one percent.

24 (3) "Annual population change factor" means the percentage  
25 change in the state's annual population estimate for July 1 of  
26 a calendar year as compared to the state's annual population  
27 estimate on July 1 of the fiscal year which ended in that  
28 calendar year. The population estimate used to calculate the  
29 annual population change factor shall be the estimate issued  
30 annually in December by the United States bureau of the  
31 census.

32 (4) "Base year appropriation amount" means the amount  
33 calculated as follows:

34 (a) The sum of the amounts appropriated from the general  
35 fund of the state in each fiscal year of the fiscal period

1 beginning July 1, 1997, and ending June 30, 2002.

2 (b) Multiplying the sum in subparagraph subdivision (a) by  
3 the product of the annual inflation factor for each fiscal  
4 year of the fiscal period beginning July 1, 1997, and ending  
5 June 30, 2002.

6 (c) Dividing the amount calculated in subparagraph  
7 subdivision (b) by five.

8 (5) "Cumulative inflation factor" means the product of the  
9 annual inflation factor for the fiscal year ending on June 30,  
10 2003, and all annual inflation factors for subsequent fiscal  
11 years as determined pursuant to this subsection.

12 b. An adjusted base year appropriation amount shall be  
13 calculated for purposes of determining the state general fund  
14 expenditure limitation by multiplying the base year  
15 appropriation amount by the most recently calculated  
16 cumulative inflation factor. The adjusted base year  
17 appropriation amount shall be established annually at or about  
18 the time of the meeting of the revenue estimating conference  
19 held annually by December 15.

20 Sec. 2. Section 8.54, subsection 3, Code 2003, is amended  
21 to read as follows:

22 3. Except as otherwise provided in this section, the state  
23 general fund expenditure limitation for a fiscal year shall be  
24 ninety-nine the lesser of the following amounts:

- 25 a. Ninety-nine percent of the adjusted revenue estimate.
- 26 b. The adjusted base year appropriation amount determined  
27 in accordance with subsection 1A.

28 EXPLANATION

29 This bill revises the requirements for establishing the  
30 state general fund expenditure limitation under Code section  
31 8.54.

32 Under current law, the annual expenditure limitation used  
33 by the governor and general assembly in budget deliberations  
34 is established based upon 99 percent of the adjusted revenue  
35 estimate for the succeeding fiscal year. The bill provides

1 for calculation of an initial base year appropriation amount  
2 that is subject to annual adjustment. The bill requires the  
3 expenditure limitation to be the lesser of either 99 percent  
4 of the adjusted revenue estimate figure or the adjusted base  
5 year appropriation amount. The base year appropriation amount  
6 is defined by the bill as the annual average total  
7 appropriations from the general fund of the state during the  
8 five-year fiscal period beginning July 1, 1997, and ending  
9 June 30, 2002. The base year appropriation amount is subject  
10 to an annual adjustment inflation factor consisting of the sum  
11 of an annual monetary inflation factor and an annual  
12 population change factor.

13 The annual monetary inflation factor according to the bill  
14 is determined by the department of revenue and finance for  
15 purposes of indexing the state's personal net income tax and  
16 the population change factor is the percentage change in the  
17 state's population, based upon estimates issued by the U.S.  
18 census bureau. The department of revenue and finance's  
19 inflation factor is equal to the percentage change in the  
20 gross domestic product implicit price deflator for the fiscal  
21 year ending in the calendar year plus 100 percent.

22 The base year appropriation amount is subject to annual  
23 adjustment by applying the cumulative inflation factor. The  
24 cumulative inflation factor is derived as the product of the  
25 inflation factor for the fiscal year ending June 30, 2003, and  
26 all annual inflation factors for subsequent years.

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Kramer, Chr.  
Lalk  
Swaim

SF 0626

HSB 34  
ECONOMIC GROWTH

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
ECONOMIC GROWTH BILL BY  
CHAIRPERSON HOFFMAN)

Passed House, Date \_\_\_\_\_

Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act establishing a growth restriction for the state general  
2 fund expenditure limitation.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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2 Section 1. Section 8.54, subsection 2, Code 2003, is  
3 amended by adding the following new paragraph:

4 NEW PARAGRAPH. aa. "Inflation factor" means the sum of  
5 the most recently issued annual inflation factor determined by  
6 the department of revenue and finance in accordance with  
7 section 422.4, and the percentage change in the state's annual  
8 population estimate for July 1 of the fiscal year in progress  
9 as compared to the state's annual population estimate for July  
10 1 of the previous fiscal year. The change in the population  
11 estimate shall be expressed as a percentage rounded to the  
12 nearest one-tenth of one percent. The population estimate  
13 used to calculate the inflation factor shall be the most  
14 recent estimate issued annually in December by the United  
15 States bureau of the census. The inflation factor shall not  
16 be less than one hundred percent.

17 Sec. 2. Section 8.54, subsection 3, Code 2003, is amended  
18 to read as follows:

19 3. Except as otherwise provided in this section, the state  
20 general fund expenditure limitation for a fiscal year shall be  
21 ninety-nine percent of the adjusted revenue estimate.  
22 However, the state general fund expenditure limitation amount  
23 for a fiscal year shall not exceed the state general fund  
24 expenditure limitation amount for the previous fiscal year  
25 multiplied by the inflation factor calculated at or about the  
26 time of the meeting of the revenue estimating conference held  
27 annually by December 15.

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#### EXPLANATION

29 This bill establishes a growth restriction for the state  
30 general fund expenditure limitation under Code section 8.54  
31 based upon a defined inflation factor.

32 The inflation factor is calculated as the sum of the annual  
33 inflation factor determined by the department of revenue and  
34 finance for purposes of indexing the state's personal net  
35 income tax and the percentage change in the state's

1 population, based upon estimates issued by the U.S. census  
2 bureau. The department of revenue and finance's inflation  
3 factor is equal to the percentage change in the gross domestic  
4 product implicit price deflator for the fiscal year ending in  
5 the calendar year plus 100 percent. The expenditure  
6 limitation amount for a fiscal year cannot exceed the  
7 expenditure limitation amount for the previous fiscal year  
8 multiplied by the inflation factor.

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