

Senate Study Bill 3246 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON DVORSKY)

A BILL FOR

1 An Act relating to the state expenditure limitations and
2 related state budget requirements, making transfers and
3 revising appropriations, and including applicability
4 provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 8.22A, Code 2009, is amended to read as
2 follows:

3 **8.22A Revenue estimating conference.**

4 1. The state revenue estimating conference is created
5 consisting of the governor or the governor's designee, the
6 director of the legislative services agency or the director's
7 designee, and a third member agreed to by the other two.

8 2. The conference shall meet as often as deemed necessary,
9 but shall meet at least quarterly. The conference may use
10 sources of information deemed appropriate. At each meeting,
11 the conference shall agree to estimates for both the current
12 and succeeding fiscal years for the general fund of the state,
13 lottery revenues to be available for disbursement, and from
14 gambling revenues and from interest earned on the cash reserve
15 fund and the economic emergency fund to be deposited in the
16 rebuild Iowa infrastructure fund.

17 3. By For purposes of the state general fund expenditure
18 limitation and other expenditure limitations under section
19 8.54, by December 15 of each fiscal year the conference
20 shall agree to a revenue estimate revenue estimates for the
21 amounts of moneys subject to an expenditure limitation under
22 section 8.54 for the fiscal year beginning the following July

23 1. ~~That~~ The estimate amounts shall be used by the governor
24 in the preparation of the budget message under section 8.22
25 and by the general assembly in the budget process. If the
26 conference agrees to a different estimate at a later meeting
27 which projects a greater amount of revenue than the initial
28 estimate amount agreed to by December 15, the governor and the
29 general assembly shall continue to use the initial estimate
30 amount in the budget process for that fiscal year. However,
31 if the conference agrees to a different estimate at a later
32 meeting which projects a lesser amount of revenue than the
33 initial estimate amount, the governor and the general assembly
34 shall use the lesser amount in the budget process for that
35 fiscal year. As used in this subsection, "*later meeting*"

1 means only those later meetings which are held prior to the
2 conclusion of the regular session of the general assembly and,
3 if the general assembly holds an extraordinary session prior
4 to the commencement of the fiscal year to which the estimate
5 applies, those later meetings which are held before or during
6 the extraordinary session.

7 4. At the meeting in which the conference agrees to the
8 revenue estimate for the general fund of the state for the
9 following fiscal year in accordance with the provisions of
10 subsection 3, the conference shall agree to an estimate for tax
11 refunds payable from that estimated revenue. The estimates
12 required by this subsection shall be used in determining the
13 adjusted revenue estimate under section 8.54.

14 5. At the meeting in which the conference agrees to the
15 revenue estimate for the general fund of the state for the
16 succeeding fiscal year in accordance with the provisions of
17 subsection 3, the conference shall also agree to the following
18 estimates which shall be used by the governor in preparation of
19 the budget message under section 8.22 and the general assembly
20 in the budget process for the succeeding fiscal year:

21 a. The amount of lottery revenues that will be deposited in
22 the general fund for the following fiscal year ~~to be available~~
23 ~~for disbursement~~ following the deductions made pursuant to
24 section 99G.39, subsection 1. This estimate shall be included
25 in the conference's estimate of general fund revenues and shall
26 be calculated as the sum of the following, divided by seven,
27 as agreed to by the conference:

28 (1) The conference's estimate of the amount of lottery
29 revenues to be deposited in the general fund for the succeeding
30 fiscal year.

31 (2) The conference's estimate of the amount of lottery
32 revenues to be deposited in the general fund for the current
33 fiscal year.

34 (3) The actual amount of the lottery revenues deposited in
35 the general fund for the five most recently completed fiscal

1 years, adjusted for inflation through the close of the most
2 recently completed fiscal year.

3 *b.* The amount of revenue for the following fiscal year from
4 gambling revenues and from interest earned on the cash reserve
5 fund and the economic emergency fund to be deposited in the
6 rebuild Iowa infrastructure fund under section 8.57, subsection
7 6, paragraph "e".

8 *c.* The amount of accruals of those revenues collected by or
9 due from entities other than the state on or before June 30 of
10 the fiscal year but not remitted to the state until after June
11 30.

12 *d.* The amount of accrued lottery revenues collected on or
13 before June 30 of the fiscal year but not transferred to the
14 general fund of the state until after June 30.

15 6. At the meeting in which the conference agrees to the
16 revenue estimates for the succeeding fiscal year in accordance
17 with subsection 3, the conference shall agree to the amount
18 available in the cash reserve fund as of the close of the
19 previous fiscal year that may be appropriated for nonrecurring
20 emergency expenditures as provided in section 8.56, subsection
21 4.

22 Sec. 2. Section 8.31, subsection 5, Code 2009, is amended
23 to read as follows:

24 5. If the governor determines that the estimated budget
25 resources during the fiscal year are insufficient to pay all
26 appropriations in full, the reductions shall be uniform and
27 prorated between all departments, agencies, and establishments
28 upon the basis of their respective appropriations. However,
29 this subsection is not applicable to the standing
30 appropriations made for state aid to schools in chapter 257.
31 The appropriations made in chapter 257 for a fiscal year shall
32 only be subject to reduction by enactment of an amendment to
33 the allowable growth amount established for that fiscal year in
34 section 257.8 or by other enactment revising the amount of an
35 appropriation made in chapter 257.

1 Sec. 3. Section 8.54, Code 2009, is amended to read as
2 follows:

3 **8.54 General fund expenditure limitation and other**
4 **expenditure limitations.**

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

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

16 *b.* "Inflation" means the percentage change in the consumer
17 price index for all urban consumers, midwest region, published
18 by the United States department of labor, bureau of labor
19 statistics.

20 *c.* "New revenues" means moneys which are received by the
21 general fund of the state due to increased tax rates and fees
22 or newly created taxes and fees over and above those moneys
23 which are received due to state taxes and fees which are in
24 effect as of January 1 following the December state revenue
25 estimating conference. "*New revenues*" also includes moneys
26 received by the general fund of the state due to new transfers
27 over and above those moneys received by the general fund of
28 the state due to transfers which are in effect as of January
29 1 following the December state revenue estimating conference.
30 The department of management shall obtain concurrence from the
31 revenue estimating conference on the eligibility of transfers
32 to the general fund of the state which are to be considered as
33 new revenue in determining the state general fund expenditure
34 limitation.

35 2. *a.* There is created a state general fund expenditure

1 limitation for each fiscal year calculated as provided in this
2 section.

3 b. There is created a gambling revenue expenditure
4 limitation calculated as provided in this section. The
5 limitation applies to revenues received by the state that are
6 attributable to gambling and available for appropriation but
7 are not credited to the general fund of state. The gambling
8 revenue expenditure limitation does not include lottery
9 revenue.

10 c. An expenditure limitation shall be used for the portion
11 of the budget process commencing on the date the revenue
12 estimating conference agrees to a revenue estimate for the
13 following fiscal year in accordance with section 8.22A,
14 subsection 3, and ending with the governor's final approval
15 or disapproval of the appropriations bills applicable to that
16 fiscal year that were passed prior to July 1 of that fiscal
17 year in a regular or extraordinary legislative session.

18 3. Except as otherwise provided in this section, the state
19 general fund expenditure limitation for a fiscal year shall be
20 ~~ninety-nine percent of the adjusted revenue estimate.~~ of the
21 general fund average, as agreed to by the revenue estimating
22 conference. The general fund average for a fiscal year is the
23 sum of the following, divided by seven:

24 a. The adjusted revenue estimate for the succeeding fiscal
25 year.

26 b. The revenue estimate for the current fiscal year,
27 adjusted by subtracting estimated tax refunds payable from that
28 estimated revenue and as determined by the conference, adding
29 any new revenues which may be considered to be eligible for
30 deposit in the general fund.

31 c. The net revenue for the general fund of the state for
32 the five most recently completed fiscal years, adjusted by
33 subtracting tax refunds paid from the revenue and adjusted for
34 inflation through the close of the most recently completed
35 fiscal year.

1 4. The gambling revenue expenditure limitation for a fiscal
2 year shall be the sum of the following, divided by seven, as
3 agreed to by the revenue estimating conference:

4 a. The gambling revenues estimate for the succeeding fiscal
5 year.

6 b. The gambling revenues estimate for the current fiscal
7 year.

8 c. The net gambling revenues for the five most recently
9 completed fiscal years, adjusted for inflation through the
10 close of the most recently completed fiscal year.

11 ~~4.~~ 5. The state general fund expenditure limitation amount
12 and the gambling revenue expenditure limitation amount provided
13 for in this section shall be used by the governor in the
14 preparation of the budget under section 8.22 and approval of
15 the budget and by the general assembly in the budget process.
16 If a source for new revenues is proposed, the budget revenue
17 projection used for that new revenue source for the period
18 beginning on the effective date of the new revenue source and
19 ending in the fiscal year in which the source is included in
20 the revenue base shall be an amount determined by subtracting
21 estimated tax refunds payable from the projected revenue from
22 that new revenue source, multiplied by ninety-five percent. If
23 a new revenue source is established and implemented that would
24 affect an expenditure limitation amount, the original state
25 general fund expenditure limitation amount provided for in
26 subsection 3 shall be readjusted to include ninety-five percent
27 of the estimated revenue from the new revenue source.

28 ~~5. For fiscal years in which section 8.55, subsection 2,~~
29 ~~results in moneys being transferred to the general fund, the~~
30 ~~original state general fund expenditure limitation amount~~
31 ~~provided for in subsection 3 shall be readjusted to include the~~
32 ~~moneys which are so transferred.~~

33 6. The scope of the expenditure limitation limitations
34 under subsection 3 this section shall not encompass federal
35 funds, donations, constitutionally dedicated moneys, moneys

1 appropriated from the cash reserve fund, Iowa economic
2 emergency fund, or nonrecurring expenditure fund, and moneys in
3 expenditures from state retirement system moneys.

4 7. The governor shall transmit to the general assembly, in
5 accordance with section 8.21, a budget which does not exceed
6 the ~~state general fund expenditure limitation~~ expenditure
7 limitations under this section. The general assembly
8 shall pass a budget which does not exceed the ~~state general~~
9 ~~fund expenditure limitation~~ expenditure limitations. The
10 governor shall not transmit a budget with recommended
11 appropriations in excess of the ~~state general fund expenditure~~
12 ~~limitation~~ expenditure limitations and the general assembly
13 shall not pass a budget with appropriations in excess of
14 the ~~state general fund expenditure limitation~~ expenditure
15 limitations. The governor shall not approve or disapprove
16 appropriation bills or items of appropriation bills passed
17 by the general assembly in a manner that would cause the
18 final budget approved by the governor to exceed the ~~state~~
19 ~~general fund expenditure limitation~~ expenditure limitations.
20 In complying with the requirements of this subsection, the
21 governor and the general assembly shall not rely on any
22 anticipated reversion of appropriations in order to meet ~~the~~
23 ~~state general fund~~ any expenditure limitation.

24 Sec. 4. Section 8.55, subsection 2, paragraph a, Code 2009,
25 is amended to read as follows:

26 a. The maximum balance of the fund is the amount equal
27 to two and one-half percent of the adjusted revenue estimate
28 for the fiscal year. If the amount of moneys in the Iowa
29 economic emergency fund is equal to the maximum balance, moneys
30 in excess of this amount shall be transferred to the ~~general~~
31 ~~fund~~ nonrecurring expenditures fund.

32 Sec. 5. Section 8.56, subsections 2 and 3, Code 2009, are
33 amended to read as follows:

34 2. a. Moneys shall be credited to the cash reserve fund
35 from all of the following:

1 (1) Appropriations made to the fund pursuant to section
2 8.57.

3 (2) The state's share of the proceeds under chapter 809A.

4 (3) Moneys collected in the settlement or prosecution
5 of a claim by the state that are not otherwise specifically
6 allocated in accordance with law to another fund.

7 (4) Other moneys designated by law or by the executive
8 council as one-time revenues and which are not otherwise
9 specifically allocated by law to another fund.

10 b. The maximum balance of the cash reserve fund is the
11 amount equal to the cash reserve goal percentage, as defined in
12 section 8.57, multiplied by the adjusted revenue estimate for
13 the general fund of the state for the current fiscal year.

14 3. The moneys in the cash reserve fund shall only be used
15 pursuant to an appropriation made by the general assembly.
16 ~~An~~ Except as provided in subsection 5, an appropriation shall
17 be made in accordance with subsection 4 from the cash reserve
18 fund only for the fiscal year in which the appropriation is
19 made. The moneys shall only be appropriated by the general
20 assembly for nonrecurring emergency expenditures and shall
21 not be appropriated for payment of any collective bargaining
22 agreement or arbitrator's decision negotiated or awarded under
23 chapter 20. Except as provided in section 8.58, the cash
24 reserve fund shall be considered a special account for the
25 purposes of section 8.53 in determining the cash position
26 of the general fund of the state for the payment of state
27 obligations.

28 Sec. 6. Section 8.56, Code 2009, is amended by adding the
29 following new subsection:

30 NEW SUBSECTION. 5. If the adjusted revenue estimate
31 for the succeeding fiscal year is less than ninety-eight
32 percent of the general fund average for that fiscal year under
33 section 8.54, subsection 3, an appropriation for nonrecurring
34 emergency expenditures from the cash reserve fund may be made
35 to provide additional funding for the succeeding fiscal year.

1 However, the amount of such appropriation shall not exceed
2 the difference of ninety-eight percent of such general fund
3 average minus the adjusted revenue estimate for the succeeding
4 fiscal year. The amount of such appropriation shall not exceed
5 twenty-five percent of the ending balance in the cash reserve
6 fund in the most recently completed fiscal year.

7 Sec. 7. NEW SECTION. **8.57E Nonrecurring expenditure fund.**

8 1. A nonrecurring expenditure fund is created under the
9 authority of the department of management. The fund shall
10 consist of appropriations made to the fund and transfers of
11 interest, earnings, and moneys from other funds as provided by
12 the law. The fund shall be separate from the general fund of
13 the state and the balance in the fund shall not be considered
14 part of the balance of the general fund of the state. However,
15 the fund shall be considered a special account for the purposes
16 of section 8.53, relating to generally accepted accounting
17 principles.

18 2. Notwithstanding section 12C.7, subsection 2, interest or
19 earnings on moneys in the fund shall be credited to the fund.

20 3. For the purposes of this section, unless the context
21 otherwise requires:

22 *a. "Vertical infrastructure"* includes only land acquisition
23 and construction, major renovation, and major repair of
24 buildings or facilities, all appurtenant structures, utilities,
25 and site development. "Vertical infrastructure" does not
26 include routine, recurring maintenance, debt service, or
27 operational expenses or leasing of a building, appurtenant
28 structure, or utility without a lease-purchase agreement.

29 *b. "State debt"* includes any payment for principal,
30 interest, a sinking fund, purchase price, a redemption premium,
31 or an interest rate exchange on bonds issued and sold by the
32 state.

33 4. Moneys in the nonrecurring expenditure fund shall
34 only be appropriated for vertical infrastructure, payment of
35 state debt, tax rebates, maintenance or construction of roads

1 and highways, including bridges, and grants or cost share to
2 establish soil and water conservation practices. Moneys in
3 the fund shall not be appropriated for the costs of any state
4 employee full-time equivalent position, as defined in section
5 8.36A, or related costs.

6 Sec. 8. Section 8.58, Code 2009, is amended to read as
7 follows:

8 **8.58 Exemption from automatic application.**

9 1. ~~To the extent that moneys appropriated under section~~
10 ~~8.57 do not result in moneys being credited to the general fund~~
11 ~~under section 8.55, subsection 2, moneys~~ Moneys appropriated
12 under section 8.57 and moneys contained in the cash reserve
13 fund, rebuild Iowa infrastructure fund, environment first fund,
14 nonrecurring expenditure fund, and Iowa economic emergency fund
15 shall not be considered in the application of any formula,
16 index, or other statutory triggering mechanism which would
17 affect appropriations, payments, or taxation rates, contrary
18 provisions of the Code notwithstanding.

19 2. ~~To the extent that moneys appropriated under section~~
20 ~~8.57 do not result in moneys being credited to the general fund~~
21 ~~under section 8.55, subsection 2, moneys~~ Moneys appropriated
22 under section 8.57 and moneys contained in the cash reserve
23 fund, rebuild Iowa infrastructure fund, environment first fund,
24 nonrecurring expenditure fund, and Iowa economic emergency fund
25 shall not be considered by an arbitrator or in negotiations
26 under chapter 20.

27 Sec. 9. Section 809A.17, subsection 3, Code 2009, is amended
28 to read as follows:

29 3. The state share of the cash proceeds from forfeited
30 property shall be credited to the cash reserve fund. Forfeited
31 property that is not cash or sold may be used by the department
32 of justice in the enforcement of the criminal law. The
33 department may give, sell, or trade forfeited property that is
34 not cash or sold to any other state agency or to any other law
35 enforcement agency within the state if, in the opinion of the

1 attorney general, ~~it~~ the forfeited property will enhance law
2 enforcement within the state.

3 Sec. 10. APPLICABILITY. This Act applies beginning July 1,
4 2010, for the budget process for the succeeding fiscal year.

5 EXPLANATION

6 This bill relates to the state general fund expenditure
7 limitation and related state budget requirements.

8 Code section 8.22A, relating to the state revenue estimating
9 conference, is amended to require the conference to provide
10 estimates for the current and succeeding fiscal year at each
11 meeting. The conference's estimate of the lottery revenues
12 credited to the general fund for purposes of the estimate used
13 in developing the state general fund expenditure limitation is
14 revised to require the use of an adjusted seven year average.
15 New duties are added to conform with other provisions in the
16 bill.

17 The portion of Code section 8.31, relating to the authority
18 of the governor to order uniform reductions in appropriation
19 allocations in the event budget resources are estimated to
20 be insufficient, is amended to exempt from that authority
21 the standing appropriations made for state aid to schools
22 under Code chapter 257. The bill provides that the school aid
23 appropriations are only subject to reduction by enactment of
24 an amendment to the allowable growth amount established for
25 that fiscal year in Code section 257.8 or by other enactment
26 revising the amount of a standing appropriation in Code chapter
27 257.

28 Code section 8.54, relating to the state general fund
29 expenditure limitation, is amended in several ways. The
30 list of adjustments in the term "adjusted revenue estimate"
31 augmented to include revenue accruals identified by the revenue
32 estimating conference. The term "inflation" is defined to
33 mean the percentage change in the consumer price index for
34 all urban consumers, midwest region, published by the United
35 States department of labor, bureau of labor statistics. The

1 bill provides that period of inflation addressed is through the
2 close of the most recently completed fiscal year.

3 A gambling revenue expenditure limitation is established
4 for the revenues received by the state that are attributable
5 to gambling and available for appropriation but are not
6 credited to the general fund of state. The gambling revenue
7 expenditure limitation does not include lottery revenue.
8 Requirements of the governor and general assembly in the budget
9 and appropriations process are made applicable to the gambling
10 revenue expenditure limitation.

11 Under current law, the state general fund expenditure
12 limitation is 99 percent of the adjusted revenue estimate for
13 the succeeding fiscal year. This one-year approach is replaced
14 to utilize an average seven-year period, consisting of net
15 revenues for the current and succeeding fiscal years, plus the
16 net revenues for the five most recently completed fiscal years,
17 as adjusted for inflation, divided by seven.

18 Code section 8.55, relating to the Iowa economic emergency
19 fund, is amended to provide that, once the fund reaches its
20 maximum balance, the excess revenues are credited to the
21 nonrecurring expenditure fund created in the bill instead of
22 the general fund.

23 Code section 8.56, relating to the cash reserve fund, is
24 amended in several ways. A new listing of funding sources
25 for the fund is added. In addition to the current ending
26 balance and other appropriations in Code section 8.57, the
27 fund is to receive the state's share of proceeds under the
28 forfeiture law in Code chapter 809A, moneys collected in the
29 settlement or prosecution of a claim by the state that are not
30 otherwise allocated, and other moneys designated by law or by
31 the executive council as one-time revenues.

32 Under current law, appropriations from the cash reserve fund
33 are only authorized for emergency nonrecurring expenditures to
34 be made for the same fiscal year in which the appropriation
35 is made. The bill authorizes an appropriation for such

1 expenditures for the succeeding fiscal year when a revenue
2 reduction is anticipated for that exceeds a threshold specified
3 in the bill. The amount of such an appropriation is subject to
4 various limitations.

5 New Code section 8.57E creates a new nonrecurring
6 expenditure fund under the department of management.
7 Appropriations from the fund are limited to vertical
8 infrastructure and payment of state debt, as these terms are
9 defined by the bill, tax rebates, maintenance or construction
10 of roads and highways, including bridges, and grants or cost
11 share to establish soil and water conservation practices.
12 Appropriations cannot be used for state employee full-time
13 equivalent positions, as this term is defined in Code section
14 8.26A, or related costs.

15 Code section 8.58, which exempts consideration of the
16 balances in the cash reserve fund and other enumerated reserve
17 funds that are separate from the general fund for various
18 formulas, triggering mechanisms, and collective bargaining
19 consideration, is amended to include the nonrecurring
20 expenditure fund in the exemption.

21 Code section 809A.17, relating to allocation of forfeited
22 property, is amended to provide that cash proceeds are credited
23 to the cash reserve fund.

24 An applicability section provides that the changes made in
25 the bill are effective beginning July 1, 2010, for the budget
26 process for the succeeding fiscal year.