

House File 148 - Introduced

HOUSE FILE 148
BY COMMITTEE ON STATE
GOVERNMENT

(SUCCESSOR TO HF 1)

A BILL FOR

1 An Act relating to state expenditure and oversight requirements
2 by establishing an organized system of reviews and ongoing
3 repeal dates for programs and projects administered by
4 executive branch departments, revising state expenditure
5 limitations and related state budget requirements, and
6 revising the process for establishing the state percent
7 of growth and including effective date and applicability
8 provisions.

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

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DIVISION I
PROGRAM REVIEW

Section 1. NEW SECTION. 8.71 Ongoing program review —
repeal dates.

1. The general assembly finds that a regular review of the programs and projects administered by state government is necessary to determine whether each program and project is effectively and efficiently meeting the needs for which created and whether the needs remain applicable. The general assembly further finds that a regular, systematic review process can identify the programs and projects that are no longer relevant or functioning at a desirable level and can eliminate or reorganize those programs and projects so that state resources can be used most effectively or diverted to other priorities.

2. The committees on state government of the senate and house of representatives shall propose legislation for consideration by the Eighty-fourth General Assembly, 2012 Session, providing a staggered schedule for establishing an automatic repeal date for each program or project administered by a department of state government over the succeeding five-year period. The committees on state government shall consult with the office of the governor and the department of management in formulating the staggered schedule and the office and department shall cooperate in providing necessary information requested by either committee. The repeal date provisions shall be implemented in a manner so that any program or project that is reauthorized by law is again subject to automatic repeal five years after reauthorization.

DIVISION II
STATE EXPENDITURE LIMITATIONS

Sec. 2. Section 8.22A, Code 2011, is amended to read as follows:

8.22A Revenue estimating conference.

1. The state revenue estimating conference is created consisting of the governor or the governor's designee, the

1 director of the legislative services agency or the director's
2 designee, and a third member agreed to by the other two.

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

12 3. By For purposes of the state general fund expenditure
13 limitation and other expenditure limitations under section
14 8.54, by December 15 of each fiscal year the conference
15 shall agree to a revenue estimate revenue estimates for the
16 amounts of moneys subject to an expenditure limitation under
17 section 8.54 for the fiscal year beginning the following July
18 1. ~~That~~ The estimate amounts shall be used by the governor
19 in the preparation of the budget message under section 8.22
20 and by the general assembly in the budget process. If the
21 conference agrees to a different estimate at a later meeting
22 which projects a greater amount of revenue than the initial
23 estimate amount agreed to by December 15, the governor and the
24 general assembly shall continue to use the initial estimate
25 amount in the budget process for that fiscal year. However,
26 if the conference agrees to a different estimate at a later
27 meeting which projects a lesser amount of revenue than the
28 initial estimate amount, the governor and the general assembly
29 shall use the lesser amount in the budget process for that
30 fiscal year. As used in this subsection, "*later meeting*"
31 means only those later meetings which are held prior to the
32 conclusion of the regular session of the general assembly and,
33 if the general assembly holds an extraordinary session prior
34 to the commencement of the fiscal year to which the estimate
35 applies, those later meetings which are held before or during

1 the extraordinary session.

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

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

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

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

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

32 (3) The actual amount of the lottery revenues deposited in
33 the general fund for the five most recently completed fiscal
34 years, adjusted for inflation through the close of the most
35 recently completed fiscal year.

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

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

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

13 The conference shall also agree to estimates of the items
14 enumerated in paragraphs "a" through "d" for the current fiscal
15 year and for the fiscal year subsequent to the following fiscal
16 year.

17 6. At the meeting in which the conference agrees to the
18 revenue estimates for the following fiscal year in accordance
19 with subsection 3, the conference shall agree to the amount
20 available in the cash reserve fund as of the close of the
21 previous fiscal year that may be appropriated for nonrecurring
22 emergency expenditures as provided in section 8.56, subsection
23 5.

24 Sec. 3. Section 8.39, Code 2011, is amended to read as
25 follows:

26 **8.39 Use of appropriations — transfer.**

27 1. Except as otherwise provided by law, an appropriation or
28 any part of it shall not be used for any other purpose than that
29 for which it was made. However, with the prior written consent
30 and approval of the governor and the director of the department
31 of management, the governing board or head of any state
32 department, institution, or agency may, at any time during the
33 fiscal year, make a whole or partial intradepartmental transfer
34 of its unexpended appropriations for purposes within the scope
35 of such department, institution, or agency. Such transfer

1 shall be to an appropriation made from the same funding source
2 and within the same fiscal year. The amount of a transfer made
3 from an appropriation under this subsection shall be limited
4 to not more than one-tenth of one percent of the total of all
5 appropriations made from the funding source of the transferred
6 appropriation for the fiscal year in which the transfer is
7 made.

8 2. If the appropriation of a department, institution, or
9 agency is insufficient to properly meet the legitimate expenses
10 of the department, institution, or agency, the director, with
11 the approval of the governor, may make an interdepartmental
12 transfer from any other department, institution, or agency of
13 the state having an appropriation in excess of its needs, of
14 sufficient funds to meet that deficiency. Such transfer shall
15 be to an appropriation made from the same funding source and
16 within the same fiscal year. The amount of a transfer made
17 from an appropriation under this subsection shall be limited
18 to not more than one-tenth of one percent of the total of all
19 appropriations made from the funding source of the transferred
20 appropriation for the fiscal year in which the transfer is
21 made. An interdepartmental transfer to an appropriation which
22 is not an entitlement appropriation is not authorized when
23 the general assembly is in regular session and, in addition,
24 the sum of interdepartmental transfers in a fiscal year to an
25 appropriation which is not an entitlement appropriation shall
26 not exceed fifty percent of the amount of the appropriation
27 as enacted by the general assembly. For the purposes of
28 this subsection, an entitlement appropriation is a line item
29 appropriation to the state public defender for indigent defense
30 or to the department of human services for foster care, state
31 supplementary assistance, or medical assistance, or for the
32 family investment program.

33 3. Prior to any transfer of funds pursuant to subsection
34 1 or 2 of this section or a transfer of an allocation from
35 a subunit of a department which statutorily has independent

1 budgeting authority, the director shall notify the chairpersons
2 of the standing committees on budget of the senate and the
3 house of representatives and the chairpersons of subcommittees
4 of such committees of the proposed transfer. The notice from
5 the director shall include information concerning the amount
6 of the proposed transfer, the departments, institutions or
7 agencies affected by the proposed transfer and the reasons for
8 the proposed transfer. Chairpersons notified shall be given at
9 least two weeks to review and comment on the proposed transfer
10 before the transfer of funds is made.

11 4. Any transfer made under the provisions of this section
12 shall be reported to the legislative fiscal committee on a
13 monthly basis. The report shall cover each calendar month and
14 shall be due the tenth day of the following month. The report
15 shall contain the following: The amount of each transfer; the
16 date of each transfer; the departments and funds affected;
17 a brief explanation of the reason for the transfer; and
18 such other information as may be required by the committee.
19 A summary of all transfers made under the provisions of
20 this section shall be included in the annual report of the
21 legislative fiscal committee.

22 Sec. 4. Section 8.54, Code 2011, is amended to read as
23 follows:

24 **8.54 General fund expenditure limitation and other**
25 **expenditure limitations.**

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

28 a. "*Adjusted revenue estimate*" means the appropriate revenue
29 estimate for the general fund for the following fiscal year as
30 determined by the revenue estimating conference under section
31 8.22A, subsection 3, adjusted by subtracting estimated tax
32 refunds payable from that estimated revenue, adding accruals
33 determined in accordance with section 8.22A, subsection 5, and
34 as determined by the conference, adding any new revenues which
35 may be considered to be eligible for deposit in the general

1 fund.

2 b. "Inflation" means the percentage change in the consumer
3 price index for all urban consumers, midwest region, published
4 by the United States department of labor, bureau of labor
5 statistics.

6 c. "New revenues" means moneys which are received by the
7 general fund of the state due to increased tax rates and fees
8 or newly created taxes and fees over and above those moneys
9 which are received due to state taxes and fees which are in
10 effect as of January 1 following the December state revenue
11 estimating conference. "New revenues" also includes moneys
12 received by the general fund of the state due to new transfers
13 over and above those moneys received by the general fund of
14 the state due to transfers which are in effect as of January
15 1 following the December state revenue estimating conference.
16 The department of management shall obtain concurrence from the
17 revenue estimating conference on the eligibility of transfers
18 to the general fund of the state which are to be considered as
19 new revenue in determining the state general fund expenditure
20 limitation.

21 2. a. There is created a state general fund expenditure
22 limitation for each fiscal year calculated as provided in this
23 section.

24 b. There is created a gambling revenue expenditure
25 limitation calculated as provided in this section. The
26 limitation applies to revenues received by the state that
27 are attributable to gambling and available for appropriation
28 but are not credited to the general fund of the state. The
29 gambling revenue expenditure limitation does not include
30 lottery revenue.

31 c. An expenditure limitation shall be used for the portion
32 of the budget process commencing on the date the revenue
33 estimating conference agrees to a revenue estimate for the
34 following fiscal year in accordance with section 8.22A,
35 subsection 3, and ending with the governor's final approval

1 or disapproval of the appropriations bills applicable to that
2 fiscal year that were passed prior to July 1 of that fiscal
3 year in a regular or extraordinary legislative session.

4 3. Except as otherwise provided in this section, the state
5 general fund expenditure limitation for a fiscal year shall be
6 ninety-nine percent of the adjusted revenue estimate of the
7 general fund average, as agreed to by the revenue estimating
8 conference. The general fund average for a fiscal year is the
9 sum of the following, divided by seven:

10 a. The adjusted revenue estimate for the succeeding fiscal
11 year.

12 b. The revenue estimate for the current fiscal year,
13 adjusted by subtracting estimated tax refunds payable from that
14 estimated revenue and as determined by the conference, adding
15 any new revenues which may be considered to be eligible for
16 deposit in the general fund.

17 c. The net revenue for the general fund of the state for
18 the five most recently completed fiscal years, adjusted by
19 subtracting tax refunds paid from the revenue and adjusted for
20 inflation through the close of the most recently completed
21 fiscal year.

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

25 a. The gambling revenues estimate for the succeeding fiscal
26 year.

27 b. The gambling revenues estimate for the current fiscal
28 year.

29 c. The net gambling revenues for the five most recently
30 completed fiscal years, adjusted for inflation through the
31 close of the most recently completed fiscal year.

32 4. 5. The state general fund expenditure limitation amount
33 and the gambling revenue expenditure limitation amount provided
34 for in this section shall be used by the governor in the
35 preparation of the budget under section 8.22 and approval of

1 the budget and by the general assembly in the budget process.
 2 If a source for new revenues is proposed, the budget revenue
 3 projection used for that new revenue source for the period
 4 beginning on the effective date of the new revenue source and
 5 ending in the fiscal year in which the source is included in
 6 the revenue base shall be an amount determined by subtracting
 7 estimated tax refunds payable from the projected revenue from
 8 that new revenue source, multiplied by ninety-five percent. If
 9 a new revenue source is established and implemented that would
 10 affect an expenditure limitation amount, the original ~~state~~
 11 ~~general fund~~ expenditure limitation amount provided for in
 12 subsection 3 shall be readjusted to include ninety-five percent
 13 of the estimated revenue from the new revenue source.

14 ~~5. For fiscal years in which section 8.55, subsection 2,~~
 15 ~~results in moneys being transferred to the general fund, the~~
 16 ~~original state general fund expenditure limitation amount~~
 17 ~~provided for in subsection 3 shall be readjusted to include the~~
 18 ~~moneys which are so transferred.~~

19 6. The scope of the expenditure limitations
 20 under ~~subsection 3~~ this section shall not encompass federal
 21 funds, donations, constitutionally dedicated moneys, moneys
 22 appropriated from the cash reserve fund or Iowa economic
 23 emergency fund, and moneys in expenditures from state
 24 retirement system moneys.

25 7. The governor shall transmit to the general assembly, in
 26 accordance with section 8.21, a budget which does not exceed
 27 the ~~state general fund expenditure limitation~~ expenditure
 28 limitations under this section. The general assembly shall
 29 pass a budget which does not exceed the ~~state general fund~~
 30 ~~expenditure limitation~~ expenditure limitations. The governor
 31 shall not transmit a budget with recommended appropriations
 32 in excess of the ~~state general fund expenditure limitation~~
 33 expenditure limitations and the general assembly shall not
 34 pass a budget with appropriations in excess of the ~~state~~
 35 ~~general fund expenditure limitation~~ expenditure limitations.

1 The governor shall not approve or disapprove appropriation
2 bills or items of appropriation bills passed by the general
3 assembly in a manner that would cause the final budget approved
4 by the governor to exceed the ~~state general fund expenditure~~
5 limitation expenditure limitations. In complying with the
6 requirements of this subsection, the governor and the general
7 assembly shall not rely on any anticipated reversion of
8 appropriations in order to meet the ~~state general fund any~~
9 expenditure limitation.

10 Sec. 5. Section 8.56, subsections 2 and 3, Code 2011, are
11 amended to read as follows:

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

14 (1) Appropriations made to the fund pursuant to section
15 8.57.

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

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

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

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

27 3. The moneys in the cash reserve fund shall only be used
28 pursuant to an appropriation made by the general assembly. ~~An~~
29 Except as provided in subsection 5, an appropriation shall be
30 made in accordance with subsection 4 from the cash reserve fund
31 only for the fiscal year in which the appropriation is made.
32 The moneys shall only be appropriated by the general assembly
33 for nonrecurring emergency expenditures and shall not be
34 appropriated for payment of any collective bargaining agreement
35 or arbitrator's decision negotiated or awarded under chapter

1 20. Except as provided in section 8.58, the cash reserve fund
2 shall be considered a special account for the purposes of
3 section 8.53 in determining the cash position of the general
4 fund of the state for the payment of state obligations.

5 Sec. 6. Section 8.56, Code 2011, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION. 5. If the adjusted revenue estimate
8 for the succeeding fiscal year is less than ninety-eight
9 percent of the general fund average for that fiscal year under
10 section 8.54, subsection 3, an appropriation for nonrecurring
11 emergency expenditures from the cash reserve fund may be made
12 to provide additional funding for the succeeding fiscal year.
13 However, the amount of such appropriation shall not exceed
14 the difference of ninety-eight percent of such general fund
15 average minus the adjusted revenue estimate for the succeeding
16 fiscal year. The amount of such appropriation shall not exceed
17 twenty-five percent of the ending balance in the cash reserve
18 fund in the most recently completed fiscal year.

19 Sec. 7. Section 284.3A, subsection 4, Code 2011, is amended
20 to read as follows:

21 4. The teacher salary supplement district cost as
22 calculated under section 257.10, subsection 9, and the area
23 education agency teacher salary supplement district cost
24 as calculated under section 257.37A, subsection 1, are not
25 subject to a uniform reduction in accordance with section
26 8.31. Notwithstanding any provision of law to the contrary,
27 if the governor orders budget reductions in accordance with
28 section 8.31, a collective bargaining agreement negotiated
29 under chapter 20 and in effect on the date the budget reduction
30 was ordered shall be reopened and renegotiated by the boards of
31 directors of school districts and area education agencies and
32 the employee organizations representing the employees of the
33 school districts and area education agencies.

34 Sec. 8. Section 809A.17, subsection 3, Code 2011, is amended
35 to read as follows:

1 related state budget requirements, and revising the process
2 for establishing the state percent of growth for purposes of
3 the school foundation program. The bill is organized into
4 divisions.

5 PROGRAM REVIEW. This division addresses regular review
6 of programs and projects administered by executive branch
7 departments by providing for implementation of an organized
8 system of ongoing repeal dates for the programs and projects.
9 Code section 8.2 defines the term "department" to mean any
10 executive department, commission, board, institution, bureau,
11 office, or other agency of the state government, that uses,
12 expends, or receives any state funds.

13 New Code section 8.71 states legislative findings as to
14 the purposes for performing a regular review of programs and
15 projects. The committees on state government of the senate and
16 house of representatives are directed to propose legislation
17 for the Eighty-fourth General Assembly, 2012 Session, providing
18 a staggered schedule for establishing an automatic repeal date
19 for each program or project administered by a department over
20 the succeeding five-year period. The standing committees on
21 state government are required to consult with the office of
22 the governor and the department of management in formulating
23 the staggered schedule and the office and the department are
24 required to cooperate in providing information requested by
25 either committee. The repeal date provisions are required to
26 be implemented in a manner so that any program or project that
27 is reauthorized by law is again subject to automatic repeal
28 five years after reauthorization.

29 STATE EXPENDITURE LIMITATIONS. This division relates to the
30 state general fund expenditure limitation and related state
31 budget requirements.

32 Code section 8.22A, relating to the state revenue estimating
33 conference, is amended to require the conference to provide
34 estimates for the current and next two succeeding fiscal years
35 at each meeting. The conference's estimate of the lottery

1 revenues credited to the general fund for purposes of the
2 estimate used in developing the state general fund expenditure
3 limitation is revised to require the use of an adjusted
4 seven-year average. New duties are added to conform with other
5 provisions in the division.

6 Code section 8.39, relating to the authority of the
7 executive branch to make intra- and interdepartmental
8 transfers, is amended. For both types of transfers, the bill
9 provides that the amount per transfer cannot exceed one-tenth
10 of 1 percent of the sum of all of the appropriations made for
11 the fiscal year in which the transfer is made, the transfer
12 must be to an appropriation from the same funding source, and
13 the transfer must be within the same fiscal year.

14 Code section 8.54, relating to the state general fund
15 expenditure limitation, is amended in several ways. The list
16 of adjustments in the term "adjusted revenue estimate" is
17 augmented to include revenue accruals identified by the revenue
18 estimating conference. The term "inflation" is defined to
19 mean the percentage change in the consumer price index for all
20 urban consumers, midwest region, published by the United States
21 department of labor, bureau of labor statistics. The division
22 provides that the period of inflation addressed is through the
23 close of the most recently completed fiscal year.

24 A gambling revenue expenditure limitation is established
25 for the revenues received by the state that are attributable
26 to gambling and available for appropriation but are not
27 credited to the general fund of state. The gambling revenue
28 expenditure limitation does not include lottery revenue.
29 Requirements of the governor and general assembly in the budget
30 and appropriations process are made applicable to the gambling
31 revenue expenditure limitation.

32 Under current law, the state general fund expenditure
33 limitation is 99 percent of the adjusted revenue estimate for
34 the succeeding fiscal year. This one-year approach is replaced
35 to utilize an average seven-year period, consisting of net

1 revenues for the current and succeeding fiscal years, plus the
2 net revenues for the five most recently completed fiscal years,
3 as adjusted for inflation, divided by seven.

4 Code section 8.56, relating to the cash reserve fund, is
5 amended in several ways. A new listing of funding sources
6 for the fund is added. In addition to the current ending
7 balance and other appropriations in Code section 8.57, the
8 fund is to receive the state's share of proceeds under the
9 forfeiture law in Code chapter 809A, moneys collected in the
10 settlement or prosecution of a claim by the state that are not
11 otherwise allocated, and other moneys designated by law or by
12 the executive council as one-time revenues.

13 Under current law, appropriations from the cash reserve fund
14 are only authorized for emergency nonrecurring expenditures to
15 be made for the same fiscal year in which the appropriation
16 is made. The bill authorizes an appropriation for such
17 expenditures for the succeeding fiscal year when a revenue
18 reduction is anticipated that exceeds a threshold specified in
19 the bill. The amount of such an appropriation is subject to
20 various limitations.

21 Code section 284.3A, relating to teacher compensation and
22 a single salary system, is amended. The provision currently
23 provides that the teacher salary supplement district cost
24 and the area education agency (AEA) teacher salary district
25 costs are not subject to a uniform reduction in appropriations
26 ordered by the governor under Code section 8.31. The bill
27 adds that if such reduction is ordered by the governor, the
28 collective bargaining agreements for school district and AEA
29 employees are to be reopened and renegotiated.

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

33 An applicability section provides that the changes made
34 in the division apply beginning July 1, 2011, for the budget
35 process for the succeeding fiscal year.

1 STATE PERCENT OF GROWTH. This division amends Code section
2 257.8, relating to the state percent of growth used to
3 determine the regular program allowable growth and categorical
4 allowable growth appropriations in the school foundation aid
5 formula.

6 Under current law, the state percent of growth amounts are
7 to be enacted within 30 days of submission of the governor's
8 budget recommendation and apply to the school budget year which
9 commences in the calendar year one year after the calendar year
10 in which the state percent of growth amounts are enacted.

11 The bill provides instead that the state percent of growth
12 amounts for two budget years are to be enacted in each
13 odd-numbered regular legislative session. For the next budget
14 year, the regular program and categorical amounts are to be
15 enacted within 30 days of submission of the governor's budget.
16 For the budget year subsequent to the next budget year, the two
17 state growth amounts are to be enacted before adjournment of
18 the legislative session.

19 This division takes effect upon enactment and applies to the
20 school budget years beginning in 2011 and 2012.