

Legislative Services Agency Fiscal Services Division

Presentation to the House Appropriations Committee

State of Iowa General Fund Budget Projection

January 29, 2014

Jeff Robinson, Senior Legislative Analyst
Dave Reynolds, Senior Legislative Analyst

Legislative Services Agency Fiscal Services Division

- ❑ Projection is intended to provide a longer-term perspective of the General Fund budget to assist the General Assembly in evaluating future budget decisions.
- ❑ Projects Revenues and Appropriations to FY 2020.
- ❑ Provides two alternative projections
 - ❑ Base Scenario
 - ❑ Recession Scenario

Revenue Assumptions

Base Scenario

- ❑ FY 2014 and FY 2015 – Based on the October REC estimate.
- ❑ FY 2016 – FY 2020 – Based on annual revenue growth of 3.8%. Equals the average adjusted annual growth for FY 2002 – FY 2013.
- ❑ Projected revenues adjusted for incremental changes for the various state tax credits listed in IDR's Contingent Liability Report.

Revenue Assumptions

Recession Scenario

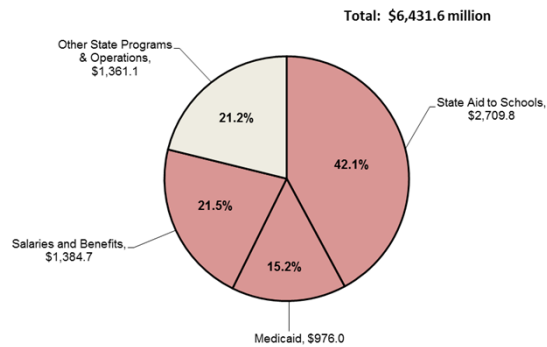
- ❑ FY 2014 and FY 2015 – Based on the October REC estimate.
- ❑ Based on past economic cycles, assumes a recession will impact the General Fund in FY 2016 and FY 2017.
- ❑ Assumes negative revenue growth of 2.0% for both years. Based on growth rates of the past four fiscal years that were impacted by two most recent economic recessions.
- ❑ Assumes a recovery for FY 2018 – FY 2020. Estimates based on annual revenue growth of 6.7%.

Appropriation Assumptions

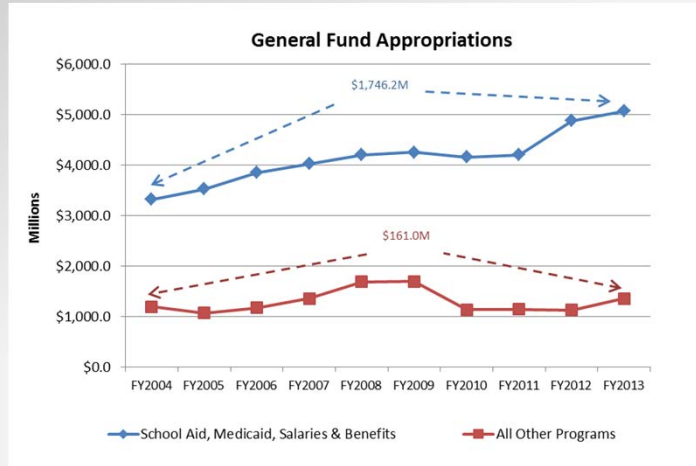
- ❑ Base level Appropriations grouped into four broad categories:
 - ❑ State Aid to Schools
 - ❑ Medicaid
 - ❑ State Employee Salaries and Benefits
 - ❑ All Other Appropriations
- ❑ For the projection period, the following two categories were added:
 - ❑ Commercial Property Tax Act
 - ❑ Education Reform Act

Appropriation Assumptions

**FY 2013
General Fund Appropriations**
(Dollars in Millions)



Appropriation Assumptions

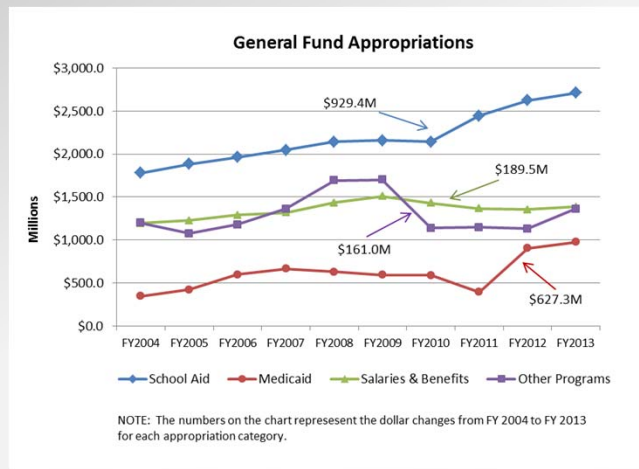


LSA: Fiscal Services Division



7

Appropriation Assumptions



NOTE: The numbers on the chart represent the dollar changes from FY 2004 to FY 2013 for each appropriation category.

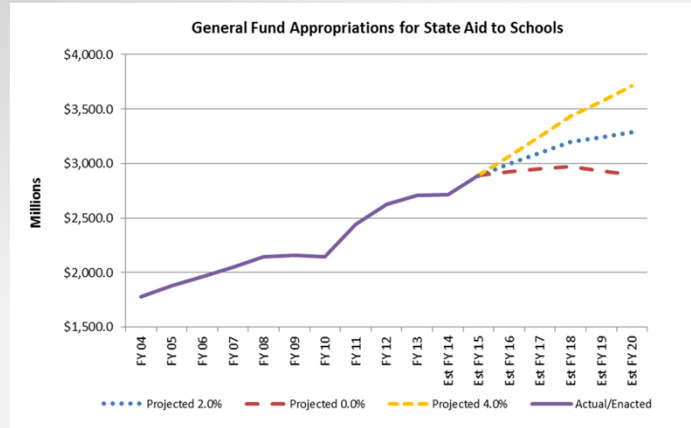
LSA: Fiscal Services Division



8

Appropriation Assumptions

State Aid to Schools - Projection based on 2.0% State Percent of Growth.



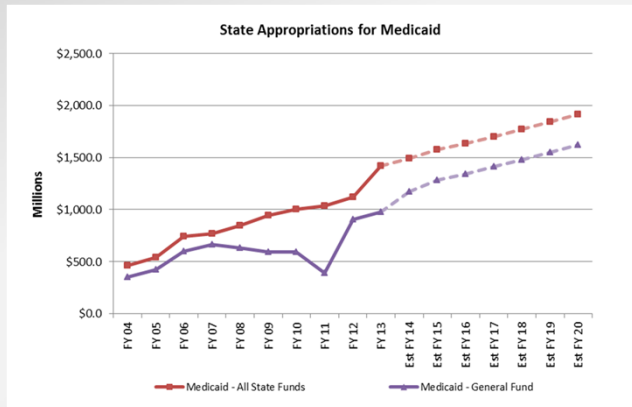
LSA: Fiscal Services Division



9

Appropriation Assumptions

Medicaid - Projection assumes an average annual growth rate of 4.8% for FY 2016 to FY 2020. Assumes the FMAP Rate will remain at 56.14% and that enrollment and utilization will increase at 4.0% annually.



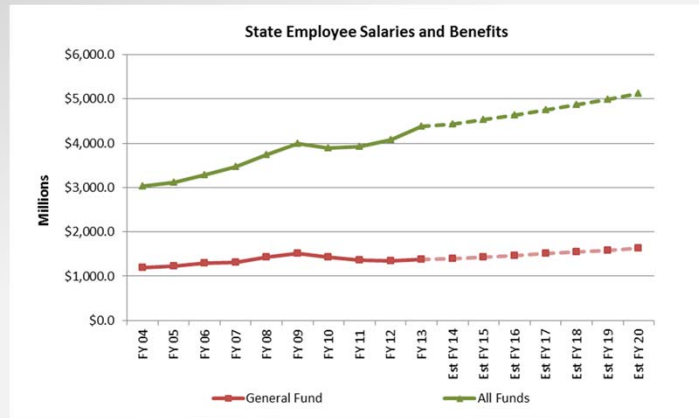
LSA: Fiscal Services Division



10

Appropriation Assumptions

- State Employee Salaries and Benefits - Projected to grow at a rate of 2.5% annually.



LSA: Fiscal Services Division

Appropriation Assumptions

Commercial Property Tax

Projected Property Tax Reimbursement (Dollars in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Commercial/Industrial Reimbursement	\$ 78.7	\$ 162.5	\$ 153.7	\$ 153.7	\$ 153.7	\$ 153.7
Commercial/Industrial/Rail Property Tax Credit	50.0	100.0	125.0	125.0	125.0	125.0
Total General Fund Appropriations	\$ 128.7	\$ 262.5	\$ 278.7	\$ 278.7	\$ 278.7	\$ 278.7

LSA: Fiscal Services Division

Appropriation Assumptions

Education Reform

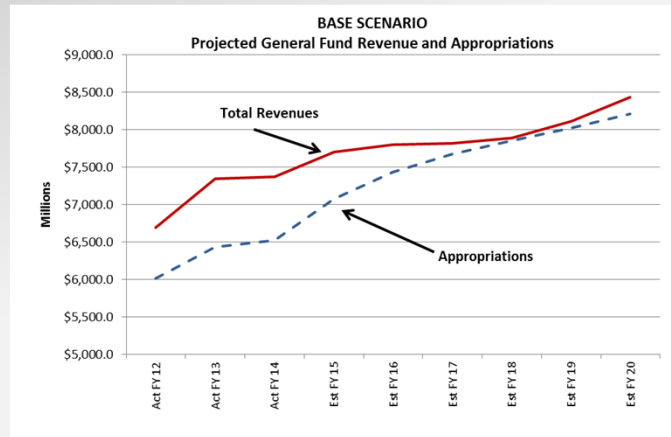
Education Reform (Dollars in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Teacher Leadership Grants and Aid	\$ 50.0	\$ 50.0	\$ 50.0	\$ 0.0	\$ 0.0	\$ 0.0
High Need School Supplemental Aid	10.0	10.0	10.0	10.0	10.0	10.0
Total General Fund Appropriations	\$ 60.0	\$ 60.0	\$ 60.0	\$ 10.0	\$ 10.0	\$ 10.0
Funded through School Aid Formula ¹	\$ 0.0	\$ 49.3	\$ 98.6	\$ 147.9	\$ 147.9	\$ 147.9

¹ HF 215 incorporates the appropriations to school districts for Teacher Leadership Grants into the School Aid formula for the next fiscal year. For this report, these estimates are included in the State School Aid projection.

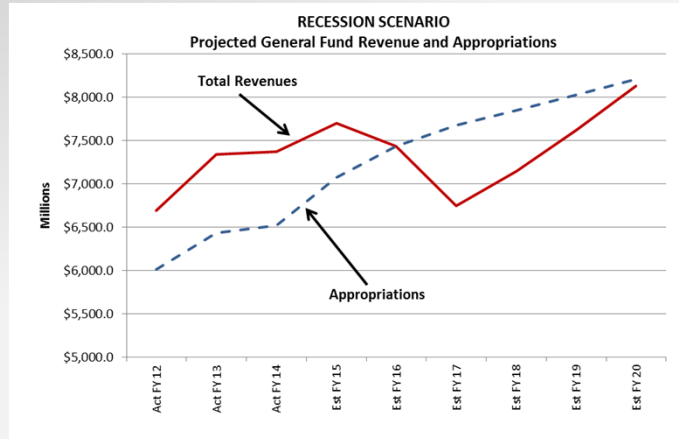
Findings

Base Scenario



Findings

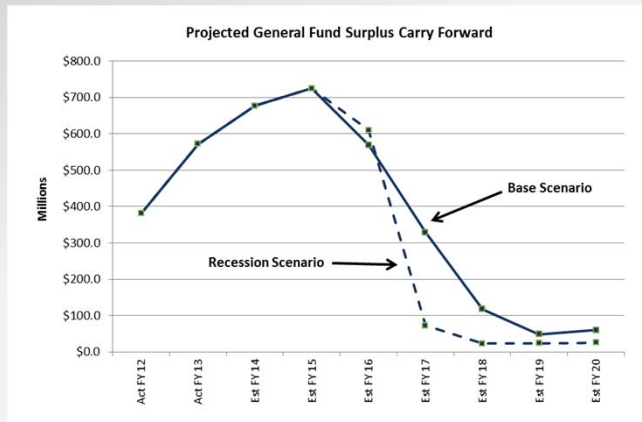
Recession Scenario



LSA: Fiscal Services
Division

Findings

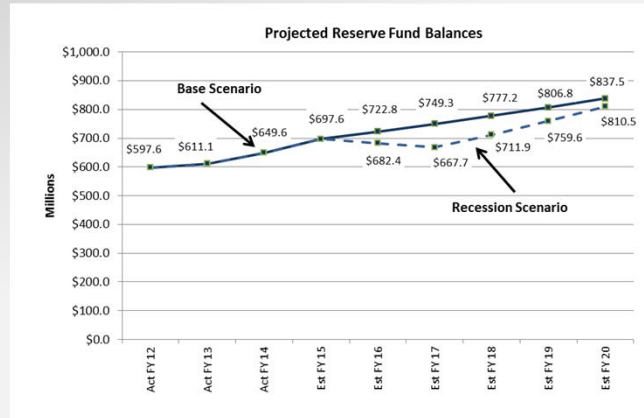
Surplus Carry Forward



LSA: Fiscal Services
Division

Findings

Reserve Fund Balances



Fiscal Services Division Websites

All official documents of the Fiscal Services Division are published electronically at:

<https://www.legis.iowa.gov/LSAReports/analysisFiscallissues.aspx>

Also available on Twitter:

www.twitter.com/iowaLSA