



Projected FY 2019 Built-in and Anticipated General Fund Expenditure Increases and Decreases

The built-in and anticipated expenditure estimates are used to help determine the projected condition of the General Fund budget for the next fiscal year. This budget projection is intended to provide a starting point for the General Assembly to begin making budget decisions during the next legislative session. The estimates reflect incremental increases above the enacted appropriation amounts from the previous fiscal year. The estimates are divided into two categories: built-in expenditures and anticipated expenditures.

Built-in Expenditures

A built-in expenditure is a projected change to the previous year's enacted appropriation that is associated with a standing appropriation established by statute, an entitlement program, or a multiyear appropriation set by statute. Legislative action is required to change the standing appropriation provisions of the Iowa Code.

Anticipated Expenditures

An anticipated expenditure is a projected increase associated with a cost that a State agency or program will incur in the next budget year that will likely require additional appropriated funds. An anticipated expenditure can also include funds that are needed to replace the previous fiscal year's one-time or time-limited appropriations in order to maintain a recurring program cost at the previous year's level.

FY 2019 Built-in and Anticipated Expenditure Estimates

The Legislative Services Agency (LSA) is projecting \$251.0 million in total built-in and anticipated expenditure increases for FY 2019. The projection includes \$204.4 million in General Fund built-in increases and \$46.6 million in anticipated expenditure increases. The following tables provide a list of the FY 2019 estimates. Additional details for each of the estimates are also provided. The LSA will continue to monitor the estimated changes to State programs throughout the 2018 Legislative Session to refine the impact on the FY 2019 budget.

LSA Staff Contact: Dave Reynolds (515.281.6934) dave.reynolds@legis.iowa.gov

FY 2019 General Fund Built-in and Anticipated Expenditures	
(Dollars in Millions)	
	LSA Estimate
<u>Built-in Changes</u>	
1. Management – Net Cash Reserve Appropriation	\$ 91.1
2. Human Services – Medical Assistance	65.1
3. Management – Technology Reinvestment Fund	17.5
4. Education – Instructional Support Program	14.8
5. Education – K-12 School Foundation Aid	3.8
6. Management – State Appeal Board Claims	3.3
7. Revenue – Homestead Property Tax Credit	3.0
8. College Aid – College Work Study Standing	2.8
9. Education – Nonpublic School Transportation	2.4
10. Economic Development Authority – World Food Prize	0.6
11. Cultural Affairs – County Endowment Fund	0.1
12. Revenue – Military Service Tax Credit and Exemption	-0.1
Subtotal	<u>\$ 204.4</u>
<u>Anticipated Expenditure Changes</u>	
13. Management – Salary Annualization	\$ 31.4
14. Human Services – Child Care Assistance	13.6
15. Corrections – Drug Costs at Oakdale	1.0
16. Human Services – Field Operations	0.6
Subtotal	<u>\$ 46.6</u>
Total	<u>\$ 251.0</u>

FY 2019 ESTIMATED GENERAL FUND EXPENDITURES

Built-in Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2019 Change (4)
1. Management – Net Cash Reserve Fund Appropriation	<p>Iowa Code sections 8.56 and 8.57 establish the Cash Reserve Fund (CRF) and dictate the flow of surplus revenues to the CRF and the uses of the Fund. The General Fund surplus is transferred to the CRF until the CRF reaches 7.5% of the Adjusted Revenue Estimate. The General Assembly may appropriate from the CRF for nonrecurring, emergency expenditures if the appropriation is the only subject matter of the Bill, and if the appropriation does not cause the Fund’s balance to be less than 3.75% of the Adjusted Revenue Estimate. An appropriation that reduces the balance below 3.75% must be approved by a three-fifths majority in both the Senate and the House of Representatives, and signed by the Governor.</p> <p>During the 2017 Legislative Session, legislation was enacted that transferred \$131.1 million from the CRF to the General Fund to help eliminate a projected budget shortfall for FY 2017. For FY 2018 and FY 2019, two General Fund appropriations were enacted to reimburse the CRF for the \$131.1 million transfer. These appropriations included \$20.0 million in FY 2018 and \$111.1 million in FY 2019.</p>	<ul style="list-style-type: none"> This estimate reflects the increase in the General Fund appropriation to the CRF as enacted in 2017 Iowa Acts, ch. 170 (SF 516 - Standing Appropriations Act). 	\$91.1

Built-in Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2019 Change (4)
2. Human Services – Medical Assistance <i>Appropriation</i>	<p>Medical Assistance is a state/federal entitlement program that provides medical services to eligible low-income recipients. To qualify for federal funding, the State must reimburse providers for certain mandatory services.</p> <p>The State has the option to provide coverage for additional services and can elect to expand coverage to optional eligibility groups. Iowa is currently covering most of the optional services and optional eligibility groups that qualify for federal matching funds. The State also has the ability to set the rates it uses to reimburse service providers, within federal guidelines.</p>	<ul style="list-style-type: none"> • An increase of \$2.3 million to replace the previous year’s estimated shortfall. • An increase of \$57.2 million due to the elimination of various one-time funding sources. • An increase of \$22.4 million to provide for the first federal health insurance fee payment. • An increase of \$21.6 million to fund the emerging trends and risk corridor adjustment. • An increase of \$1.5 million for increased cost of services and enrollment growth. • An increase of \$11.9 million due to a loss of Medicaid recoveries and other revenues. • An increase of \$7.2 million to replace federal funding due to a reduction in the Iowa Health and Wellness Program Federal Medical Assistance Percentage (FMAP) rate. • A decrease of \$59.0 million to reflect the new regular Medicaid FMAP rate. 	\$65.1

Built-in Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2019 Change (4)
3. Management – Technology Reinvestment Fund <i>Standing Limited Appropriation</i>	Iowa Code section 8.57C establishes a General Fund standing appropriation of \$17.5 million to the Technology Reinvestment Fund (TRF) for the purchase of computers, software, and other technology and equipment.	<ul style="list-style-type: none"> For FY 2018, the General Fund appropriation to the TRF was suspended. Technology projects routinely funded from the TRF were instead funded from the Rebuild Iowa Infrastructure Fund (RIIF). This estimate assumes the General Fund appropriation of \$17.5 million to the TRF will be funded for FY 2019, in accordance with Iowa Code section 8.57C. 	\$17.5
4. Education – Instructional Support <i>Standing Limited Appropriation</i>	Provides additional funding of up to 10.0% of the regular program district cost to be used for general operations. Funding comes from property taxes or a combination of property taxes and income surtax, and from State aid. Iowa Code requires the State aid portion to be capped at \$14.8 million.	<ul style="list-style-type: none"> No funding was provided for the Program in FY 2018. Under current law, the Program will be funded from the General Fund at \$14.8 million for FY 2019. 	\$14.8
6. Education – K-12 School Foundation Aid <i>Standing Unlimited Appropriation</i>	The school foundation aid program establishes limits and controls on local school district spending authority. Through the school aid formula, the program determines the amount of State aid and local property tax used in funding the majority of school district budgets. During the 2017 Legislative Session, the General Assembly did not establish the State percent of growth for FY 2019. If no rate is established during the 2018 Legislative Session, the State percent of growth rates will default to 0.0%.	<ul style="list-style-type: none"> Supplemental State aid is assumed to be 0.0%. An increase in statewide taxable valuations of 4.45%. An increase of \$15.0 million to restore the additional reduction to the AEAs. 	\$3.8

Built-in Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2019 Change (4)
6. Management – State Appeal Board Claims <i>Standing Unlimited Appropriation</i>	<p>The State Appeal Board authorizes claims under Iowa Code chapters 25 and 669 for the payment of bills, fees, refunds, credits, and State tort claims.</p> <p>Payments for the above claims are made from the General Fund appropriation or fund of original certification of the claim. If moneys are not available in the appropriation or fund, then the payment is made from the State Appeal Board standing appropriation.</p>	<ul style="list-style-type: none"> • The amount budgeted from the General Fund for FY 2017 Appeal Board costs is \$3.0 million. • The FY 2019 estimate assumes total costs of \$6.3 million, an increase of \$3.3 million compared to the FY 2018 budget. The FY 2019 estimate is based on an adjusted five-year average of actual claims. 	\$3.3
7. Revenue – Homestead Tax Credit <i>Standing Unlimited Appropriation</i>	<p>Iowa Code section 425.1 provides a standing unlimited appropriation from the General Fund for the Homestead Tax Credit. The tax credit provides property tax relief to encourage home ownership. The current credit is equal to the actual levy on the first \$4,850 of actual value of each homestead with a minimum annual tax credit of \$62.50. To be eligible for the annual credit, the taxpayer must own and occupy the property as a homestead on July 1 of each year, declare residency in Iowa for income tax purposes, and occupy the property for at least six months of each calendar year.</p>	<ul style="list-style-type: none"> • For FY 2019, the appropriation for the Homestead Tax Credit is projected to be \$138.1 million. This estimate is \$3.0 million more than the amount budgeted for FY 2018. 	\$3.0
8. College Aid – College Work Study Standing <i>Standing Limited Appropriation</i>	<p>Iowa Code section 261.85 provides a standing appropriation of \$2.8 million for the College Work Study Program. The Program provides funding to colleges and universities to supplement federal work-study funds. The State funding does not serve as a match for the federal funds.</p>	<ul style="list-style-type: none"> • For FY 2018, the standing appropriation was suspended and the Program was not funded. • Under current law, the Program will be funded from the General Fund at \$2.8 million for FY 2019. 	\$2.8

Built-in Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2019 Change (4)
9. Education - Nonpublic School Transportation <i>Standing Unlimited Appropriation</i>	Iowa Code section 285.2 provides for the payment of approved claims of public school districts for transportation services for nonpublic school pupils.	<ul style="list-style-type: none"> The FY 2018 appropriation was capped at \$8.2 million. Under current law, the Program will be funded from the General Fund at an estimated \$10.6 million. This represents an increase of \$2.4 million. 	\$2.4
10. Economic Development Authority – World Food Prize <i>Standing Limited Appropriation</i>	Iowa Code section 15.368(1) appropriates \$1.0 million annually from the General Fund for the World Food Prize award.	<ul style="list-style-type: none"> The FY 2018 General Fund appropriation was limited to \$0.4 million in SF 513 (FY 2018 Economic Development Appropriations Act). The World Food Prize also received an FY 2018 appropriation of \$0.3 million from the RIIF in HF 643 (FY 2018 Infrastructure Appropriations Act). Under current law, the Program will be funded from the General Fund at \$1.0 million for FY 2019, an increase of \$0.6 million compared to the estimated FY 2018 appropriation. 	\$0.6
11. Cultural Affairs – County Endowment Fund <i>Standing Limited Appropriation</i>	Iowa Code section 99F.11(3)(d)(1) appropriates \$0.5 million from a portion of the State Wagering Tax revenue deposited in the General Fund for the County Endowment Fund. This is a grant program for cities and nonprofit, tax-exempt community organizations for the development of community programs that provide local jobs for Iowa residents and promote Iowa’s historic, ethnic, and cultural heritages.	<ul style="list-style-type: none"> The FY 2018 appropriation was capped at \$0.4 million in SF 513 (FY 2018 Economic Development Appropriations Act). Under current law, the Program will be funded from the General Fund at \$0.5 million for FY 2019, an increase of \$0.1 million compared to the estimated FY 2018 appropriation. 	\$0.1

Built-in Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2019 Change (4)
12. Revenue – Military Service Tax Credit and Exemption <i>Standing Unlimited Appropriation</i>	Iowa Code section 426A.1A provides a standing unlimited appropriation from the General Fund to reimburse local governments for the Military Service Tax Credit and Exemption.	<ul style="list-style-type: none"> For FY 2019, the appropriation for the Military Service Tax Credit and Exemption is projected to be \$2.0 million. This estimate is \$0.1 million less than the amount budgeted for FY 2018. 	\$ -0.1

Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2019 Change (4)
13. Management – Salary Annualization <i>Appropriation</i>	Salary annualization represents the increased salary cost for the next fiscal year associated with employees who received salary increases during part of the current fiscal year. Salary adjustment includes the salary annualization and the estimated increase for salary steps, benefits, and the across-the-board salary increases for FY 2019.	<ul style="list-style-type: none"> • The estimated cost for General Fund salary annualization for all State agencies is \$31.4 million for FY 2019. • The estimate includes \$23.4 million for employees paid through centralized payroll and \$8.0 million for the Regents institutions. 	\$31.4
14. Human Services – Child Care Assistance <i>Appropriation</i>	Child Care Assistance (CCA) is an eligibility-based benefit for payment to an eligible child care provider selected by the parent. The benefit is provided to low-income families to improve family stability and self-sufficiency and to enable parents to be employed or in school. The CCA is not an entitlement program. Waiting lists and disenrollment of participants are allowable.	<ul style="list-style-type: none"> • An increase of \$6.5 million to match the FY 2018 need of the Program. • An increase of \$1.7 million is needed to replace one-time funds appropriated for FY 2018. • An increase of \$5.4 million to cover case load and expenditure growth. • Total available Temporary Assistance for Needy Families (TANF) funds could impact this estimate. This estimate assumes a status quo TANF appropriation. 	\$13.6
15. Corrections – Drug Costs at Oakdale <i>Appropriation</i>	The Department of Corrections (DOC) is required to meet the community standard of care in providing medical care to offenders in prison. The DOC Central Pharmacy is at the Iowa Medical and Classification Center (IMCC) at Oakdale.	<ul style="list-style-type: none"> • This estimate funds the cost of Hepatitis C drugs and other drug cost increases to IMCC. 	\$1.0

Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2019 Change (4)
16. Human Services – Field Operations <i>Appropriation</i>	The Field Operations appropriation to the DHS provides funding for staff that directly and indirectly supports the delivery of protective services, case management services, eligibility determinations, basic support services, and support for providers.	<ul style="list-style-type: none"> For FY 2019, an additional \$0.6 million is needed to replace one-time funds appropriated for Field Operations in FY 2018. 	\$0.6