



Projected FY 2020 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 2020 Built-In and Anticipated Expenditure Estimates

The Legislative Services Agency (LSA) is projecting \$31.5 million in total built-in and anticipated expenditure increases for FY 2020. The projection includes \$19.8 million in net General Fund built-in increases and \$11.7 million in anticipated expenditure increases. The following tables provide a list of the FY 2020 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 2019 Legislative Session to refine the impact on the FY 2020 budget.

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Projected FY 2020 Built-In and Anticipated
General Fund Expenditure Increases and Decreases

FY 2020 General Fund Built-In and Anticipated Expenditures	
(In Millions)	
	LSA Estimate
<u>Built-in Changes</u>	
1. Human Services – Medical Assistance	\$ 80.0
2. Management – Technology Reinvestment Fund	17.5
3. Education – Instructional Support Program	14.8
4. Human Services – hawk-i Program	12.0
5. Education – K-12 School Foundation Aid	6.1
6. Human Services – Adoption Subsidy Program	3.6
7. Management – State Appeal Board Claims	2.9
8. College Aid – College Work Study	2.8
9. Education – Nonpublic School Transportation	2.0
10. Human Services – Child and Family Services	1.4
11. Economic Development Authority – World Food Prize	0.6
12. Economic Development Authority – Tourism Marketing	0.3
13. Cultural Affairs – County Endowment Fund	0.1
14. Management – Transportation Equity Fund	-11.2
15. Management – FY 2019 One-Time Cash Reserve Appropriation	-113.1
Subtotal	<u>\$ 19.8</u>
<u>Anticipated Expenditure Changes</u>	
16. Management – Salary Annualization	\$ 8.3
17. Human Services – Adoption Subsidy Program	2.9
18. Corrections – Pharmaceutical Costs at Oakdale	0.5
Subtotal	<u>\$ 11.7</u>
Total	<u><u>\$ 31.5</u></u>

FY 2020 ESTIMATED GENERAL FUND EXPENDITURES

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2020 Change (4)
1. Human Services – Medical Assistance <i>Standing Unlimited 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 \$64.3 million to replace the unfunded need from FY 2019. • An increase of \$6.0 million to replace one-time funding in FY 2019. • An increase of \$19.6 million due to an increase in the MCO withholding payment due to shifting to a calendar year. • An increase of \$28.7 million for increased cost of services and enrollment growth. • An increase of \$5.2 million due to funding related to HF 2456 (FY 2019 Mental Health Complex Needs Act). • A decrease of \$7.6 million due to increased drug rebates and other recoveries. • An increase of \$16.9 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 \$53.1 million to reflect the new regular Medicaid FMAP rate. 	\$80.0
2. Management – Technology Reinvestment Fund <i>Standing Limited Appropriation</i>	<p>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.</p>	<ul style="list-style-type: none"> • For FY 2019, the General Fund appropriation to the TRF was suspended and replaced by an appropriation from the Rebuild Iowa Infrastructure Fund (RIIF) of \$14.4 million. • The General Fund appropriation of \$17.5 million to the TRF will be restored for FY 2020, in accordance with Iowa Code section 8.57C. 	\$17.5

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2020 Change (4)
3. 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, this estimate assumes the program will be funded from the General Fund at \$14.8 million for FY 2020. 	\$14.8
4. Human Services – hawk-I Program <i>Standing Unlimited Appropriation</i>	<i>Hawk-i</i> is a State/federal program that provides medical and dental insurance to eligible recipients with incomes between 133.0% and 300.0% of the federal poverty level. The program receives a 72.0% federal match.	<ul style="list-style-type: none"> • An increase of \$0.5 million to replace carryforward from the prior fiscal year. • An increase of \$0.2 million due to a 2.5% increase in member months paid to the MCOs. • An increase of \$8,600 due to a 3.0% increase to the administrative contract. • A decrease of \$0.2 million due to a decrease in the Health Insurer Fee. • An increase of \$11.4 million due to an adjustment in the regular FMAP rate and the phaseout of the 23.0% enhanced FMAP rate to 11.5%. 	\$12.0
5. 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 2018 Legislative Session, the General Assembly did not establish the State percent of growth for FY 2020. If no rate is established during the 2019 Legislative Session, the State percent of growth rates will default to 0.0%.	<ul style="list-style-type: none"> • Under current law, this estimate assumes that supplemental State aid will decrease by \$0.8 million in FY 2020. The estimate includes the following factors: • The per pupil percent of growth will be 0.0% • An increase in statewide taxable valuations of 4.4%. • An increase of \$15.0 million to restore the additional reduction to the Area Education Agencies. 	\$ -6.1

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2020 Change (4)
<p>6. Human Services – Adoption Subsidy Program <i>Standing Unlimited Appropriation</i></p>	<p>The Program is intended to achieve stable and permanent families for children who have been abused or neglected when the rights of the children’s parents have been terminated.</p>	<ul style="list-style-type: none"> Iowa Code section 234.38 requires reimbursement rates for foster care parents to be set at 65.0% of the United States Department of Agriculture (USDA) estimate for a cost to raise a child in the Midwest. 	<p>\$3.6</p>
<p>7. Management – State Appeal Board Claims <i>Standing Unlimited Appropriation</i></p>	<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 from 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 2019 Appeal Board costs is \$3.0 million. The FY 2020 estimate assumes total costs of \$5.9 million, an increase of \$2.9 million compared to the FY 2019 budget. The FY 2020 estimate is based on an adjusted five-year average of actual claims. 	<p>\$2.9</p>
<p>8. College Aid – College Work Study Standing <i>Standing Limited Appropriation</i></p>	<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 2019, the standing appropriation was suspended and the Program was not funded. Under current law, this estimate assumes the Program will be funded from the General Fund at \$2.8 million for FY 2020. 	<p>\$2.8</p>
<p>9. Education – Nonpublic School Transportation <i>Standing Unlimited Appropriation</i></p>	<p>Iowa Code section 285.2 provides for the payment of approved claims of public school districts for transportation services for nonpublic school pupils.</p>	<ul style="list-style-type: none"> The FY 2019 appropriation was capped at \$8.2 million. Under current law, this estimate assumes the Program will be funded from the General Fund at \$10.2 million. This represents an increase of \$2.0 million. 	<p>\$2.0</p>

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Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2020 Change (4)
10. Human Services – Child and Family Services <i>Standing Unlimited Appropriation</i>	Child and Family Services (CFS) programs are administered by the Department of Human Services (DHS) and provide for a multitude of child welfare and juvenile justice services. Child welfare and juvenile justice services and interventions for children, youth, and families are designed to improve safety, permanency, well-being, and community safety. The DHS Division of Child Services regulates and subcontracts appropriated State and federal funding for the delivery of community-based services and interventions.	<ul style="list-style-type: none"> • Iowa Code section 234.38 requires reimbursement rates for foster care parents to be set at 65.0% of the USDA estimate for a cost to raise a child in the Midwest. 	\$1.4
11. 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 2019 General Fund appropriation was capped at \$0.4 million. An appropriation from the Rebuild Iowa Infrastructure Fund of \$0.3 million was provided to partially offset the reduction. • Under current law, this estimate assumes the Program will be funded from the General Fund at \$1.0 million for FY 2020, an increase of \$0.6 million compared to the estimated FY 2019 appropriation. 	\$0.6
12. Economic Development – Tourism Marketing <i>Standing Unlimited Appropriation</i>	Iowa Code section 99F.11 (3)(e) appropriates a portion of the State Wagering Tax revenue to the Economic Development Authority for regional tourism marketing.	<ul style="list-style-type: none"> • The estimated annual appropriation for regional tourism marketing is \$1.2 million. • The FY 2019 appropriation was reduced to \$0.9 million. • Under current law, this estimate assumes the \$0.3 million will be restored for FY 2020. 	\$0.3

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2020 Change (4)
13. 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 2019 appropriation was capped at \$0.4 million. • Under current law, this estimate assumes the Program will be funded from the General Fund at \$0.5 million for FY 2020, an increase of \$0.1 million compared to the estimated FY 2019 appropriation. 	\$0.1
14. Management – Transportation Equity Fund <i>Standing Limited Appropriation</i>	New Iowa Code section 257.16C establishes the Transportation Equity Fund (TEF) under the control of the Department of Management (DOM). The TEF was created to provide additional funding to school districts for public school transportation costs that exceed the statewide adjusted average cost per student.	<ul style="list-style-type: none"> • For FY 2019, the appropriation to the TEF was \$11.2 million. • Under current law, there is no appropriation to the Fund for FY 2020. 	\$ -11.2
15. Management – FY 2019 One-Time Cash Reserve Fund <i>Standing Limited Appropriation</i>	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. 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. The FY 2019 appropriation was later amended to \$113.1 million.	<ul style="list-style-type: none"> • The FY 2019 appropriation to the CRF was \$113.1 million. • For FY 2020, there is no direct General Fund appropriation to the CRF. 	\$ -113.1

Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2020 Change (4)
16. Management – Salary Annualization <i>Appropriation</i>	<p>Salary annualization represents the increased salary cost for the next fiscal year associated with employees who received salary increases during a portion of the current fiscal year.</p> <p>Salary adjustment includes the salary annualization, the estimated increase for salary steps, and the across-the-board salary increases for FY 2020. The estimated cost for salary adjustment is not available for FY 2020, as the collective bargaining process is currently in progress.</p>	<ul style="list-style-type: none"> • The estimated cost for General Fund salary annualization for all State agencies is \$8.3 million for FY 2020. • The estimate includes \$2.1 million for employees paid through centralized payroll and \$6.2 million for the Regents institutions. 	\$8.3
17. Human Services – Adoption Subsidy Program <i>Appropriation</i>	<p>The Program is intended to achieve stable and permanent families for children who have been abused or neglected when the rights of the children’s parents have been terminated.</p> <p>An enhanced federal eligibility match for Title IV-E funding required that states reinvest savings into other child welfare services.</p>	<ul style="list-style-type: none"> • The current DHS reinvestment obligation from FFY 2015 to FFY 2017 is \$4.2 million. • Spending through State FY 2019 will total \$3.1 million. This leaves a \$1.1 million liability. • Preliminary estimates of savings for FFY 2018 add \$1.8 million. • Not all spending of the liability would need to happen in State FY 2020, but building obligation would need to be addressed before a “bubble” of liability would be created. 	\$2.9
18. Corrections – Drug Costs at Oakdale <i>Appropriation</i>	<p>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.</p>	<ul style="list-style-type: none"> • An estimated \$0.5 million will be needed to offset the increase in drug costs for and specialized treatment of offenders with Hepatitis C, HIV, and cancers at the IMCC. 	\$0.5