

# House and Senate Agree on Budget Targets

Last week House Republicans and Senate Democrats reached an agreement on the funding levels for the FY 2017 budget. They agreed on a total budget amount of \$7.349 billion. The Legislature is limited to spending \$7.351 billion out of the General Fund under the state's expenditure limitation law. So the agreed upon amount falls just under the legal expenditure limitation amount. This budget amount includes the additional funding already authorized by the FY 2017 Supplemental School Aid bills, which increased school funding by 2.25 percent.

The Governor, House, and Senate set their own individual targets earlier in the session. The budget submitted by the Governor in January, based on the previous REC estimate, spent \$7.412 billion. Initial Senate Democrat targets spent \$7.409 billion. Initial House Republican targets spent \$7.320 billion. Now all are agreed upon \$7.349 billion, an amount below the Governor and the Senate's original number and higher than the House's original number.

The new joint budget target of \$7.349 billion not only lives within the 99% expenditure limitation law, it also lives within the House budgeting principle of keeping spending less than the ongoing revenue. We think it is best to budget like Iowa families and businesses by not spending more than the state collects. We are committed to funding priorities of Iowans' in a responsible way.

The budget target of \$7.349 billion is broken down into several individual smaller budget targets:

Administration and Regulation	\$ 50.8 million
Agriculture and Natural Resources	\$ 43.1 million
Economic Development	\$ 43.1 million
Education	\$ 1.009 billion
Health and Human	\$ 1.837

Services	billion
Justice Systems	\$ 748.2 million
Standings	\$ 3.617 billion
<b>TOTAL</b>	<b>\$ 7.349 billion</b>

## How Iowa's Ending Balance Has Been Used

With the discussion on the state budget and school aid funding, how has the state's ending balance been used over the past few years? Often portrayed as a "surplus" by some, in reality the ending balance is the revenue collected by the state but not spent. This is why we refer to the ending balance as an "overpayment" by the taxpayers. Below is a list of the various ways portions of the ending balance have been returned to the taxpayers or used in other one-time ways that help address priorities of Iowans.

**Returning it to the taxpayers** – During the 2015 and 2016 legislative sessions, revenue coupling bills have been passed in which the state adopted most of the changes made that year in federal tax law. These bills both took funds from the ending balance and returned them to the taxpayers. The amounts were \$98.98 million in 2015 and \$97.6 million in 2016.

**Taxpayers Trust Fund** - Some funds that may have gone into the ending Balance were deposited into the Taxpayers Trust Fund. \$60 million dollars was deposited in the Taxpayers Trust Fund in FY 2013 and FY 2014. Taxpayers were returned \$84.6 million in FY 2014 and \$27.4 million in FY 2015. There is still \$8.1 million in the Taxpayers Trust Fund that will also be returned to the taxpayers.

**Lower State Tax collections** - In the past two years, the revenue forecast for the General Fund has not been met by actual tax collections. In those cases, the ending balance is used to fill in the gap between projected revenues and actual revenues. In FY 2015, \$127 million of the ending

balance was used to fund the difference. It is expected that the amount needed in FY 2016 will be \$128.7 million.

**Filling the Cash Reserve Fund and the Economic Emergency**

**Fund** – By law, the state’s two reserve funds are required to equal 10 percent of the General Fund budget for that particular year. Over the last few years, funds remaining in the ending balance have been used to add to the reserve funds to bring them up to the required levels. Here is the amount of funds used to meet the statutory requirement of 10% of the General Fund being held in reserve:

FY 2013 - \$21.1 million

FY 2014 - \$47.2 million

FY 2015 – \$26.8 million

FY 2016 – \$22.3 million

**Natural Disaster Relief** – In 2011, the Legislature decided to have the state’s share of disaster aid payments and state-funded disaster relief (known as Performance of Duty) to be paid annually out of the Economic Emergency Fund. The ending balance would then refill the EEF once the payments have been made. Here are the amounts that have been paid in recent years for Performance of Duty:

FY 2013 - \$26.15 million

FY 2014 - \$15.8 million

FY 2015 - \$32.7 million

FY 2016 – payment has yet to be made

**Paying off state debt** – During the 2013 legislative session, the General Assembly took a portion of the ending balance - \$113.8 million - and used that money to pay off four series of bonds issued by the state. The bonds were:

- Honey Creek Premier Destination Park Bonds
- 2002 Prison Infrastructure Revenue Bonds;
- 2010 Taxable I-Jobs Bonds; and
- School Infrastructure Bonds.

**Making Strategic, One-time Investments in Iowa** - During the 2013 and 2015 legislative sessions, the General Assembly also took part of the ending balance for one-time investments. In 2013, the amount spent on

these was \$64.5 million on economic development initiatives, completing various infrastructure projects at the Dept. of Corrections and the Board of Regents, and assisting UNI. In 2015, the amount spent was \$57 million, with \$43 million of this to supplement the Medicaid program. Additional resources were spent on radio communications equipment for the Department of Public Safety, a one-time peak of commercial and industrial property tax replacement claims, and mental health services.

**Initial Investment into the State's Water Quality Initiative** – In 2013, the Legislature made a substantial investment in the Water Quality initiative established by the Dept. of Agriculture, Dept. of Natural Resources, and Iowa State University. As part of the Strategic Investments and Debt Reduction bill, the legislature provided an initial investment of \$20 million for the initiative.

Feel free to contact me with ideas, thoughts, and concerns. My phone is 319-987-3021 or you can email me at [sandy.salmon@legis.iowa.gov](mailto:sandy.salmon@legis.iowa.gov). I want to hear what you are thinking and will listen to your input. Together we will work to make a difference for the future of Iowa. Thank you very much for the honor of representing you!

Sincerely,

***Sandy***