

FEB 6 2002

APPROPRIATIONS

HOUSE FILE 2240
BY SENG

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act revising the state general fund expenditure limitation and
2 providing for transfers and an applicability date.

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

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HF 2240

1 Section 1. Section 8.21, unnumbered paragraph 2, Code
2 Supplement 2001, is amended to read as follows:

3 If the governor is required to use a lesser amount in the
4 budget process because of ~~a-later-meeting-of-the-state-revenue~~
5 ~~estimating-conference-under-section-8.22A, subsection-3~~
6 issuance of a revised state general fund expenditure
7 limitation under section 8.54, subsection 4, the governor
8 shall transmit recommendations for a budget in conformance
9 with that requirement within fourteen days of ~~the-later~~
10 ~~meeting-of-the-state-revenue-estimating-conference~~ the date
11 the revision was issued.

12 Sec. 2. Section 8.22A, subsection 4, Code Supplement 2001,
13 is amended by striking the subsection.

14 Sec. 3. Section 8.22A, subsection 5, Code Supplement 2001,
15 is amended by adding the following new paragraphs:

16 NEW PARAGRAPH. e. The amount of tax refunds payable from
17 revenues.

18 NEW PARAGRAPH. f. The amount of a revenue reduction for a
19 fiscal year.

20 Sec. 4. Section 8.54, subsections 1 through 3, Code
21 Supplement 2001, are amended to read as follows:

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

24 ~~a.--"Adjusted-revenue-estimate"--means-the-appropriate~~
25 ~~revenue-estimate-for-the-general-fund-for-the-following-fiscal~~
26 ~~year-as-determined-by-the-revenue-estimating-conference-under~~
27 ~~section-8.22A, subsection-3, adjusted-by-subtracting-estimated~~
28 ~~tax-refunds-payable-from-that-estimated-revenue-and-as~~
29 ~~determined-by-the-conference, adding-any-new-revenues-which~~
30 ~~may-be-considered-to-be-eligible-for-deposit-in-the-general~~
31 ~~fund.~~

32 a. "Revenue reduction" means a reduction in revenue to the
33 general fund of the state projected for a fiscal year due to a
34 statutory reduction or elimination of a tax or fee that is
35 enacted after the initial expenditure limitation amount for

1 that fiscal year was established.

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

18 c. "State general fund expenditure limitation" or
19 "expenditure limitation" means the state general fund
20 expenditure limitation computed in accordance with this
21 section.

22 2. There is created a state general fund expenditure
23 limitation for each fiscal year ~~beginning-on-or-after-July-1,~~
24 ~~1993,~~ calculated computed as provided in this section.

25 3. ~~Except-as-otherwise-provided-in-this-section,-the~~ The
26 revenue estimating conference at the meeting held on or before
27 December 15 shall compute the initial state general fund
28 expenditure limitation amount in accordance with this
29 subsection for the succeeding fiscal year. The initial state
30 general fund expenditure limitation amount for a fiscal year
31 shall be ~~ninety-nine~~ one hundred percent of the adjusted
32 revenue-estimate aggregate amount appropriated from the
33 general fund of the state for the previous fiscal year, as
34 adjusted by applying any of the adjustment factors listed in
35 subsection 3A that are applicable to that aggregate amount.

1 If an adjustment factor listed in subsection 3A becomes
2 applicable after the initial expenditure limitation amount for
3 a fiscal year was computed while the general assembly is in
4 session, the initial expenditure limitation amount shall be
5 revised by applying the applicable adjustment factor.

6 Sec. 5. Section 8.54, Code Supplement 2001, is amended by
7 adding the following new subsection:

8 NEW SUBSECTION. 3A. An initial or revised expenditure
9 limitation amount shall be subject to revision to the extent
10 any of the following adjustment factors are applicable:

11 a. Changes made to the aggregate amount appropriated from
12 the general fund of the state for the previous fiscal year
13 shall be applied to the aggregate amount as follows:

14 (1) Any uniform reductions to appropriations ordered by
15 the governor in accordance with section 8.31 shall be
16 subtracted.

17 (2) Any enacted appropriation reduction shall be
18 subtracted.

19 (3) Any appropriation amount that was subject to a veto or
20 item veto by the governor shall be subtracted unless the
21 appropriation amount was approved by the general assembly,
22 notwithstanding the governor's objections, in accordance with
23 article III, section 14, of the Constitution of the State of
24 Iowa.

25 (4) Any enacted supplemental appropriation shall be added.

26 b. Changes made that will affect the amount available for
27 appropriation for the fiscal year to which the expenditure
28 limitation is applicable shall be applied to the aggregate
29 amount appropriated from the general fund of the state for the
30 previous fiscal year as follows:

31 (1) Any revenue reduction shall be subtracted.

32 (2) Any new revenue shall be added.

33 (3) If an estimate issued by the revenue estimating
34 conference pursuant to section 8.22A, subsection 5, for either
35 the fiscal year to which the expenditure limitation applies or

1 the preceding fiscal year, increases or decreases by more than
2 five percent from the latest comparable estimate, the
3 expenditure limitation amount shall be adjusted accordingly.

4 (4) The moneys available for appropriation from the actual
5 balance of the future fund created in section 8.57B as of
6 November 30 of the fiscal year preceding the fiscal year to
7 which the state general fund expenditure limitation applies
8 shall be added in computing the initial expenditure
9 limitation. If at any time while the general assembly is in
10 session during the fiscal year preceding the fiscal year to
11 which the state general fund expenditure limitation is
12 applicable, there is a new appropriation or transfer enacted
13 or any other action taken that will reduce or increase the
14 balance of the future fund available for appropriation for the
15 fiscal year to which the expenditure limitation is applicable,
16 the expenditure limitation amount shall be revised
17 accordingly.

18 Sec. 6. Section 8.54, subsection 4, Code Supplement 2001,
19 is amended to read as follows:

20 4. a. The state general fund expenditure limitation
21 amount ~~provided for~~ computed in accordance with this section
22 shall be used by the governor in the preparation of the budget
23 under section 8.22 and approval of the budget and by the
24 general assembly in the budget process. ~~if a source for new~~
25 ~~revenues is proposed, the budget revenue projection used for~~
26 ~~that new revenue source for the period beginning on the~~
27 ~~effective date of the new revenue source and ending in the~~
28 ~~fiscal year in which the source is included in the revenue~~
29 ~~base shall be an amount determined by subtracting estimated~~
30 ~~tax refunds payable from the projected revenue from that new~~
31 ~~revenue source, multiplied by ninety-five percent. If a new~~
32 ~~revenue source is established and implemented, the original~~
33 ~~state general fund expenditure limitation amount provided for~~
34 ~~in subsection 3 shall be readjusted to include ninety-five~~
35 ~~percent of the estimated revenue from the new revenue source.~~

1 b. If any adjustment is made while the general assembly is
2 in session resulting in a revised expenditure limitation
3 amount for a fiscal year that is lower than the initial
4 amount, the governor shall transmit revised budget
5 recommendations in accordance with section 8.21 and the
6 general assembly shall utilize the revised expenditure
7 limitation amount in the budget process for the fiscal year.

8 Sec. 7. Section 8.54, subsection 5, Code Supplement 2001,
9 is amended by striking the subsection.

10 Sec. 8. Section 8.55, subsection 2, Code Supplement 2001,
11 is amended to read as follows:

12 2. The maximum balance of the fund is the amount equal to
13 five percent of the adjusted revenue estimate for the fiscal
14 year. If the amount of moneys in the Iowa economic emergency
15 fund is equal to the maximum balance, moneys in excess of this
16 amount shall be transferred to the ~~general~~ future fund created
17 in section 8.57B.

18 Sec. 9. NEW SECTION. 8.57B FUTURE FUND.

19 1. The future fund is created. The fund shall be separate
20 from the general fund of the state and the balance in the fund
21 shall not be considered part of the balance of the general
22 fund of the state. The moneys credited to the fund are not
23 subject to section 8.33 and shall not be transferred, used,
24 obligated, appropriated, or otherwise encumbered except as
25 provided in this section.

26 2. a. Except as provided in paragraph "b", the moneys in
27 the future fund shall only be used pursuant to an
28 appropriation made by the general assembly.

29 b. Moneys in the future fund may be used for cash flow
30 purposes during a fiscal year provided that any moneys so
31 allocated are returned to the fund by the end of that fiscal
32 year.

33 c. Except as provided in section 8.58, the future fund
34 shall be considered a special account for the purposes of
35 section 8.53 in determining the cash position of the general

1 fund of the state for the payment of state obligations.

2 3. Notwithstanding section 12C.7, subsection 2, interest
3 or earnings on moneys deposited in the future fund shall be
4 credited to the rebuild Iowa infrastructure fund.

5 Sec. 10. APPLICABILITY. This Act is first applicable to
6 the budget for the fiscal year beginning July 1, 2003, and
7 ending June 30, 2004.

8 EXPLANATION

9 This bill revises the state general fund expenditure
10 limitation. Under current law, the expenditure limitation
11 amount for a fiscal year is established through adjustment of
12 the revenue estimates made for a fiscal year by the revenue
13 estimating conference in December of the previous fiscal year.
14 The bill establishes the expenditure limitation amount for a
15 fiscal year based upon the aggregate of the appropriations
16 made from the general fund of the state for the previous
17 fiscal year. The bill makes numerous conforming changes
18 throughout Code chapter 8, the budget and financial control
19 Act.

20 Code section 8.22A, relating to the revenue estimating
21 conference, is amended. The conference remains responsible
22 for making budget estimates that are used in the budget
23 process; however, language requiring the overall revenue
24 estimate to be used in establishing the expenditure limitation
25 is eliminated. The requirement in current law for the
26 conference to estimate the amount of tax refunds payable from
27 revenue is moved and a new requirement is established to
28 estimate the amount of an enacted revenue reduction's effect
29 to reduce revenues available for expenditure under the
30 previously calculated state general fund expenditure
31 limitation amount for a fiscal year.

32 Code section 8.54, relating to the state general fund
33 expenditure limitation, is extensively amended. The bill
34 defines the terms "revenue reduction" and "expenditure
35 limitation" and requires the revenue estimating conference to

1 calculate the initial expenditure limitation amount for a
2 fiscal year. If any of the factors change after the initial
3 amount is established, the initial expenditure limitation
4 amount is to be revised. The governor is required to revise
5 the submitted budget if the revision results in a lower amount
6 while the general assembly is in session.

7 New Code section 8.57B establishes the future fund. The
8 fund is separate from the general fund of the state. Any
9 moneys remaining at the close of a fiscal year after the cash
10 reserve fund and the Iowa economic emergency fund are full are
11 transferred to the future fund. The balance in the future
12 fund available for appropriation is included in the
13 calculation of the expenditure limitation.

14 The provisions of the bill are first applicable to the
15 budget for fiscal year 2003-2004.

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