



Auditor of State
Mary Mosiman, CPA
State of Iowa FY17
Budget Review

Last updated: February 1, 2017

State of Iowa Budget

Remarks today will focus on:

- Review Standard:
 Sound Budgeting Principles
- A Review of the Numbers
- Budget Highlights

State of Iowa Budget

Sound Budgeting Principles

- Avoid use of one-time resources for ongoing expenses.
- Avoid multiyear accelerating commitments.
- Avoid new automatic, or “standing,” appropriations.
- Accurately determine revenue and expenses.
- Align expenses and revenue in the same fiscal year.
- Avoid shifting program funding to property taxes or fees.
- Avoid diversion of funds statutorily authorized for a specific objective to other purposes.

Source: Iowa Taxpayers' Association

State of Iowa Budget Sound Budgeting Principles

Following sound budgeting principles produces budgets which are:

- Complete
- Transparent
- Sustainable

State of Iowa Budget

Projected Condition of the General Fund Budget

(\$ in Millions)

	Actual FY15	Final Action FY16	Adjusted Final Action FY16	Final Action FY17
Resources:				
Receipts	\$8,090.9	\$8,482.0	\$8,378.4	\$8,682.8
Refunds	(967.9)	(953.0)	(995.2)	(1,011.0)
School Infrastructure Refunds	(450.5)	(473.7)	(460.0)	(470.2)
Accruals (Net)	19.6	20.0	16.0	29.6
Transfers	127.6	100.2	106.4	96.2
Subtotal Net Receipts	\$6,819.7	\$7,175.5	\$7,045.6	\$7,327.4
Revenue Adjustments	-	11.2	(97.6)	52.6
Surplus Carryforward	647.2	330.0	367.3	45.6
Total Available Resources	\$7,466.9	\$7,516.7	\$7,315.3	\$7,425.6
Expenditure Limitation		\$7,444.2		\$7,350.8
Estimated Appropriations and Expenditures:				
Enacted Appropriations	\$7,063.4	\$7,175.2	\$7,174.3	\$7,350.6
Net Appropriation Adjustments	-	(3.5)	72.4	-
Total Appropriations	\$7,063.4	\$7,171.7	\$7,246.7	\$7,350.6
Reversions	(7.2)	(6.7)	(6.7)	(5.0)
Net Appropriations	\$7,056.2	\$7,165.0	\$7,240.0	\$7,345.6
Ending Balance - Surplus	\$410.7	\$351.7	\$75.3	\$80.0

Source: LSA

State of Iowa Budget General Fund Appropriations

(\$ in Millions)

	Final Action FY16	Final Action FY17	FY16-17 Change
Admin & Reg	\$539.1	\$569.9	\$30.8
Ag & Natural Resources	43.1	43.1	-
Economic Development	43.8	43.1	(0.7)
Education	3,957.3	4,106.3	149.0
Health & Human Services	1,840.0	1,837.0	(3.0)
Justice	748.4	751.2	2.8
Transportation	-	-	-
Total Appropriations - General Fund	<u>\$7,171.7</u>	<u>\$7,350.6</u>	<u>\$178.9</u>

State of Iowa Budget

Other Funds Appropriations

(\$ in Millions)

	Final Action FY16	Final Action FY17	FY16-17 Change
Admin & Reg	\$64.5	\$64.6	\$0.1
Ag & Natural Resources	89.5	89.1	(0.4)
Economic Development	34.0	34.1	0.1
Education	40.6	40.6	-
Health & Human Services	453.2	439.1	(14.1)
Justice	18.3	13.4	(4.9)
Transportation	527.1	542.5	15.4
Total Appropriations - Other Funds	<u>\$1,227.2</u>	<u>\$1,223.4</u>	<u>(\$3.8)</u>

State of Iowa Budget Total Appropriations (\$ in Millions)

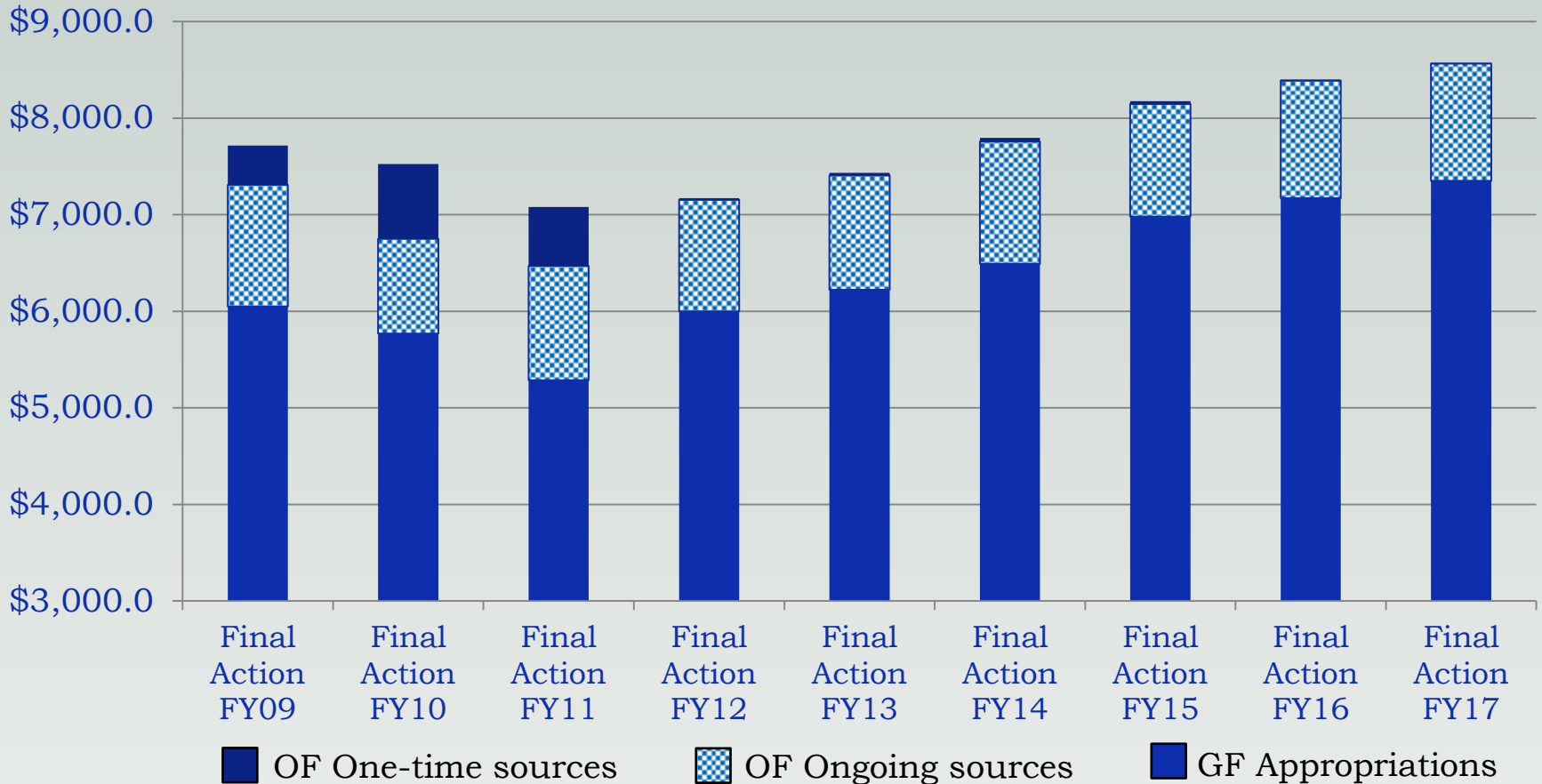
	Final Action FY16	Final Action FY17	FY16-17 Change
Admin & Reg	\$603.6	\$634.5	\$30.9
Ag & Natural Resources	132.6	132.2	(0.4)
Economic Development	77.8	77.2	(0.6)
Education	3,997.9	4,146.9	149.0
Health & Human Services	2,293.2	2,276.1	(17.1)
Justice	766.7	764.6	(2.1)
Transportation	527.1	542.5	15.4
Total Appropriations - All Funds	<u>\$8,398.9</u>	<u>\$8,574.0</u>	<u>\$175.1</u>

State of Iowa Budget

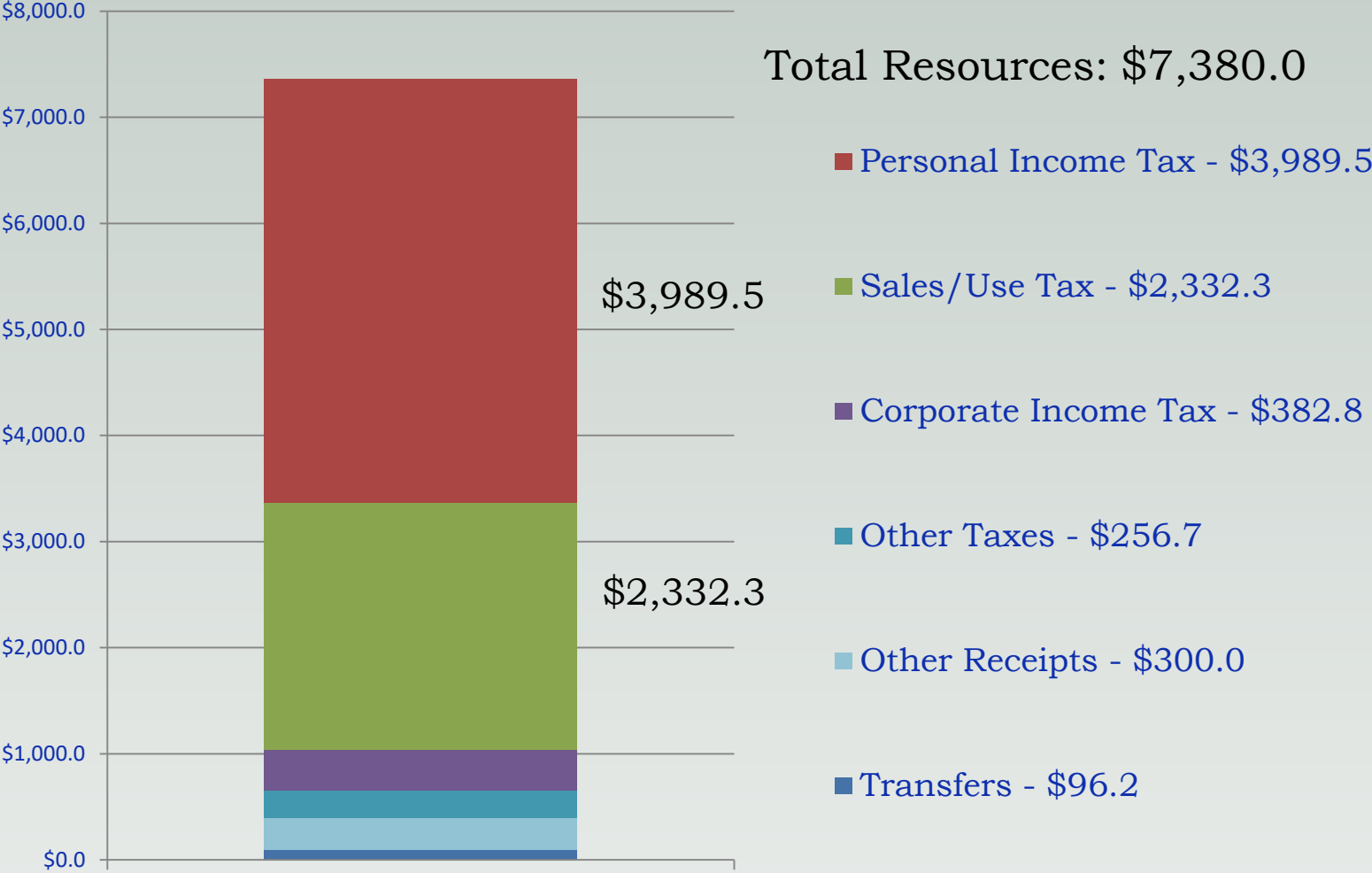
Total Appropriations – General Fund (GF) and Other Funds (OF)

(\$ in Millions)

Total Appropriations: \$8,574

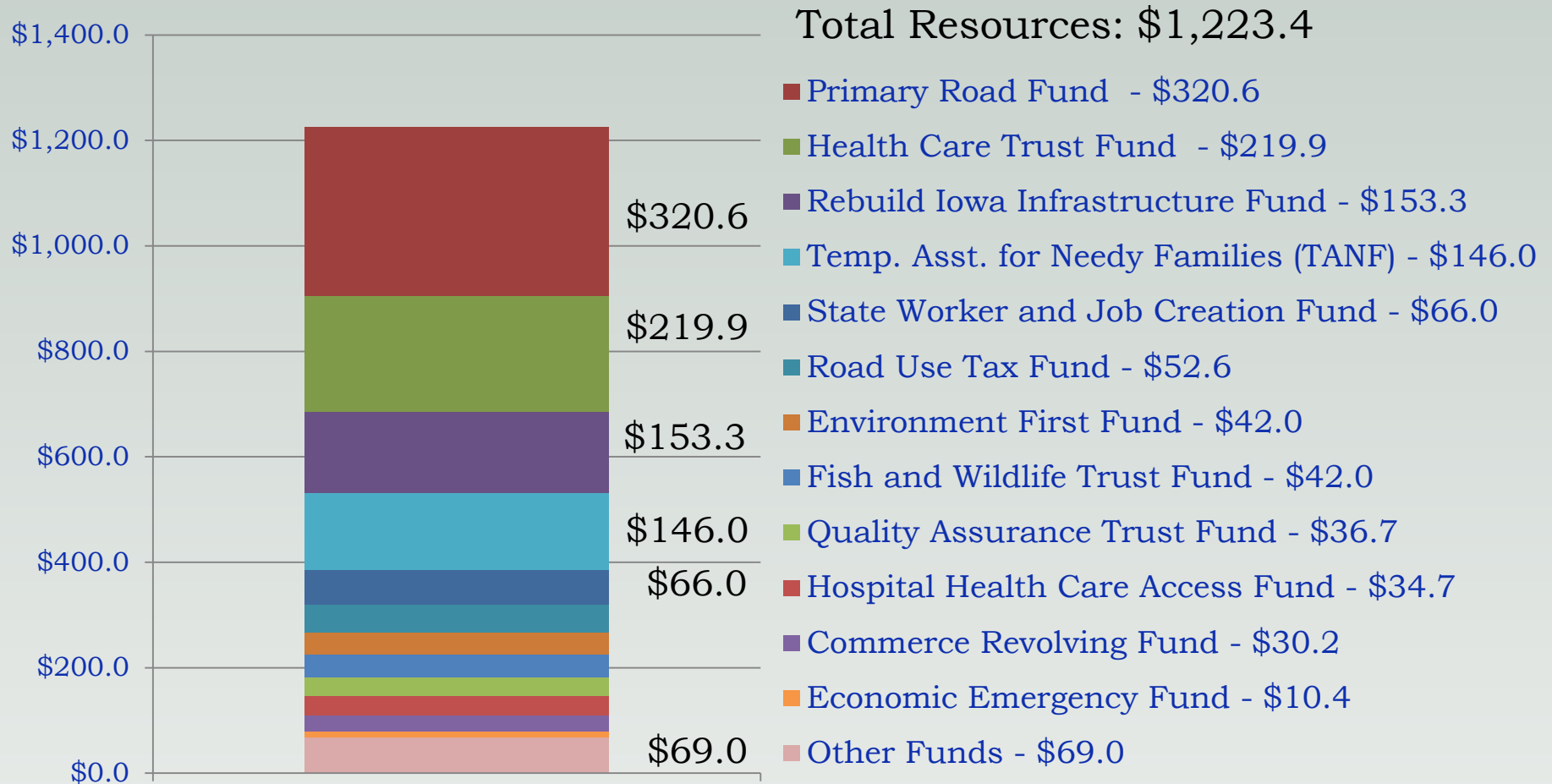


State of Iowa Budget FY17 Resources – General Fund (\$ in Millions)



Breakdown does not include \$22.6 million of legislative adjustments, but the adjustments are included in the total.

State of Iowa Budget FY17 Resources Supporting Other Fund Appropriations (\$ in Millions)



State of Iowa Budget Resources

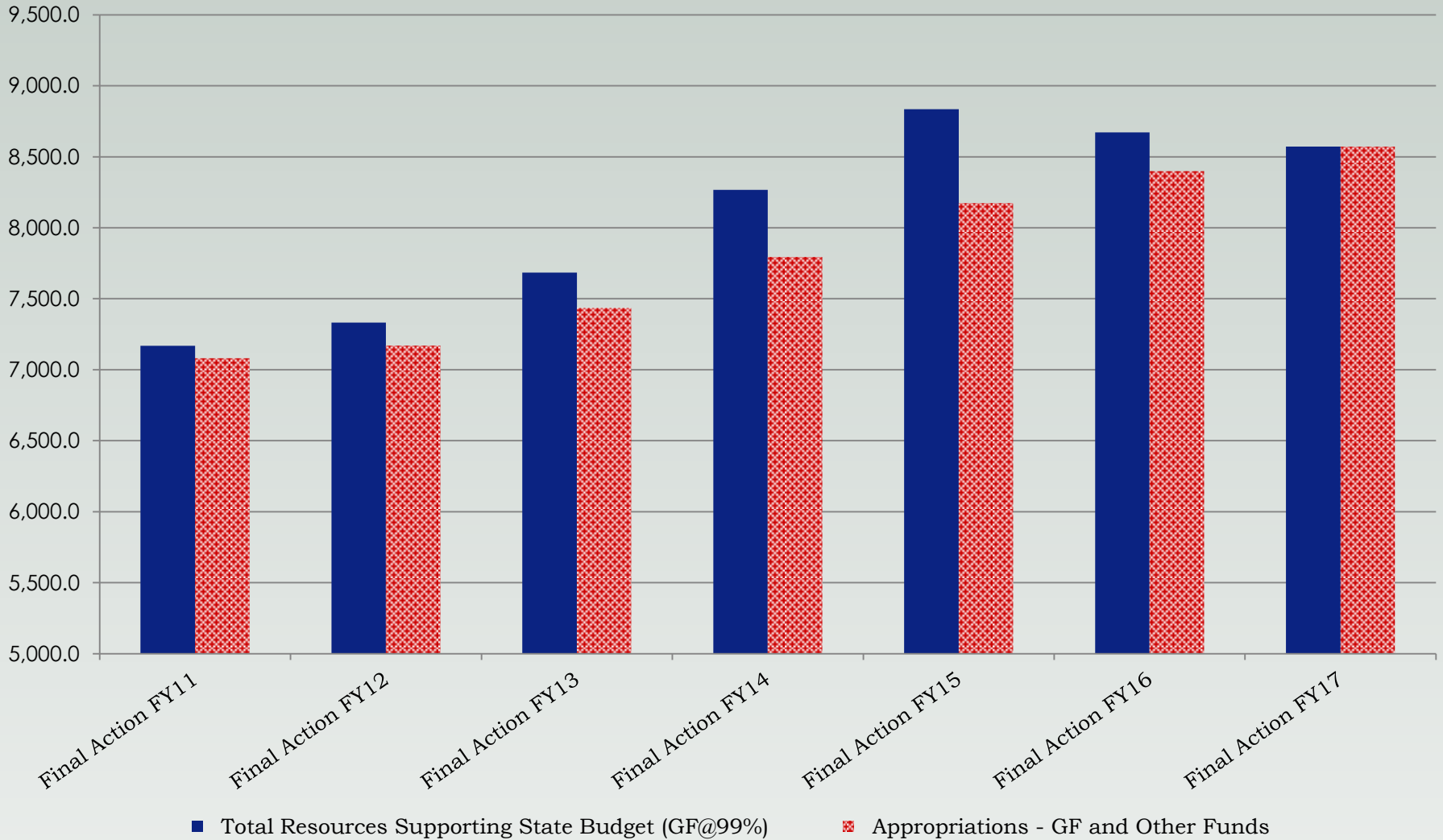
(\$ in Millions)

	Final Action FY17
December 2015 REC GF Revenue Estimate	\$7,327.4
Revenue Adjustments	52.6
Surplus Carryforward	<u>45.6</u>
Adjusted GF Revenue Estimate	7,425.6
Resources Supporting Other Fund Expenditures	<u>1,223.4</u>
Budgeted Resources	8,649.0
Resources Subject to Spending Limitation	<u>(74.8)</u>
Resources Supporting State Budget	<u><u>\$8,574.2</u></u>

State of Iowa Budget Budget Summary (\$ in Millions)

	Final Action <u>FY17</u>
Resources Supporting State Budget	\$8,574.2
Total Appropriations – All Funds	<u>(8,574.0)</u>
Over/Under	<u><u>\$0.2</u></u>

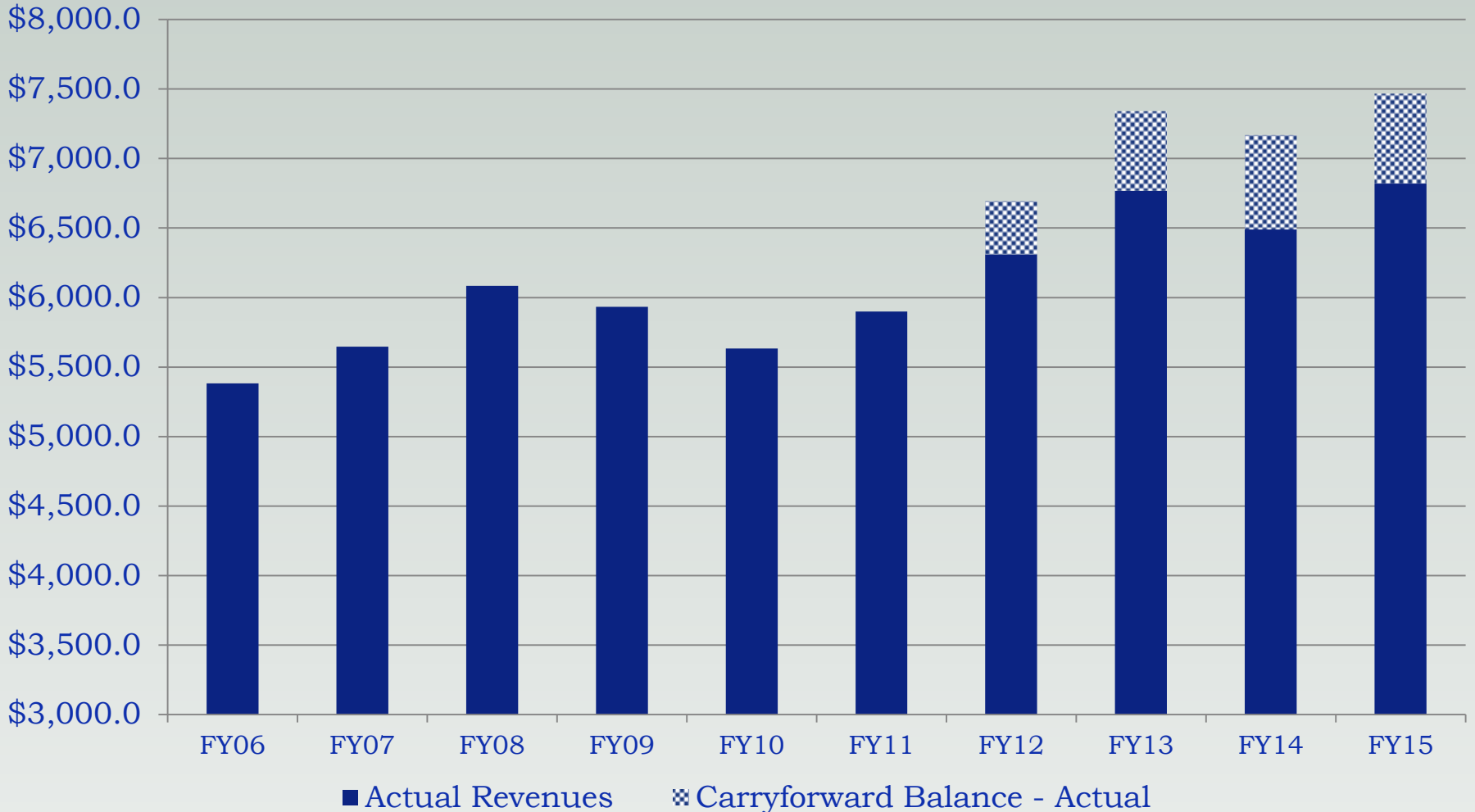
State of Iowa Budget Comparison: Resources/Appropriations (\$ in Millions)



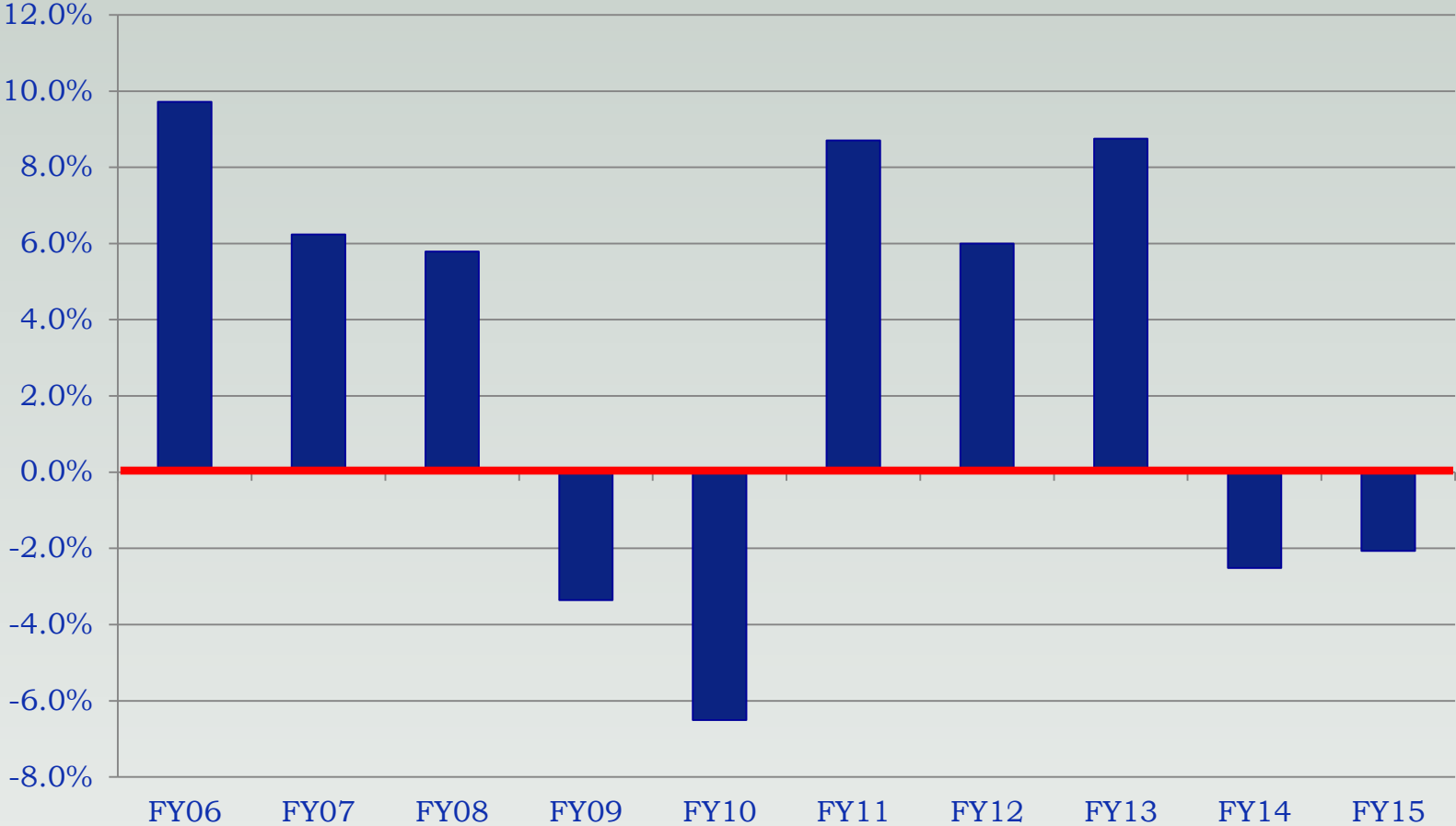
State of Iowa Budget

- Budgeting Principle – “Avoid using one-time resources for ongoing expenses.”
- Surplus carryforward is not a reliable, ongoing source of revenue.
- \$10.4 million of appropriations from the Economic Emergency Fund – a one-time/limited time source.

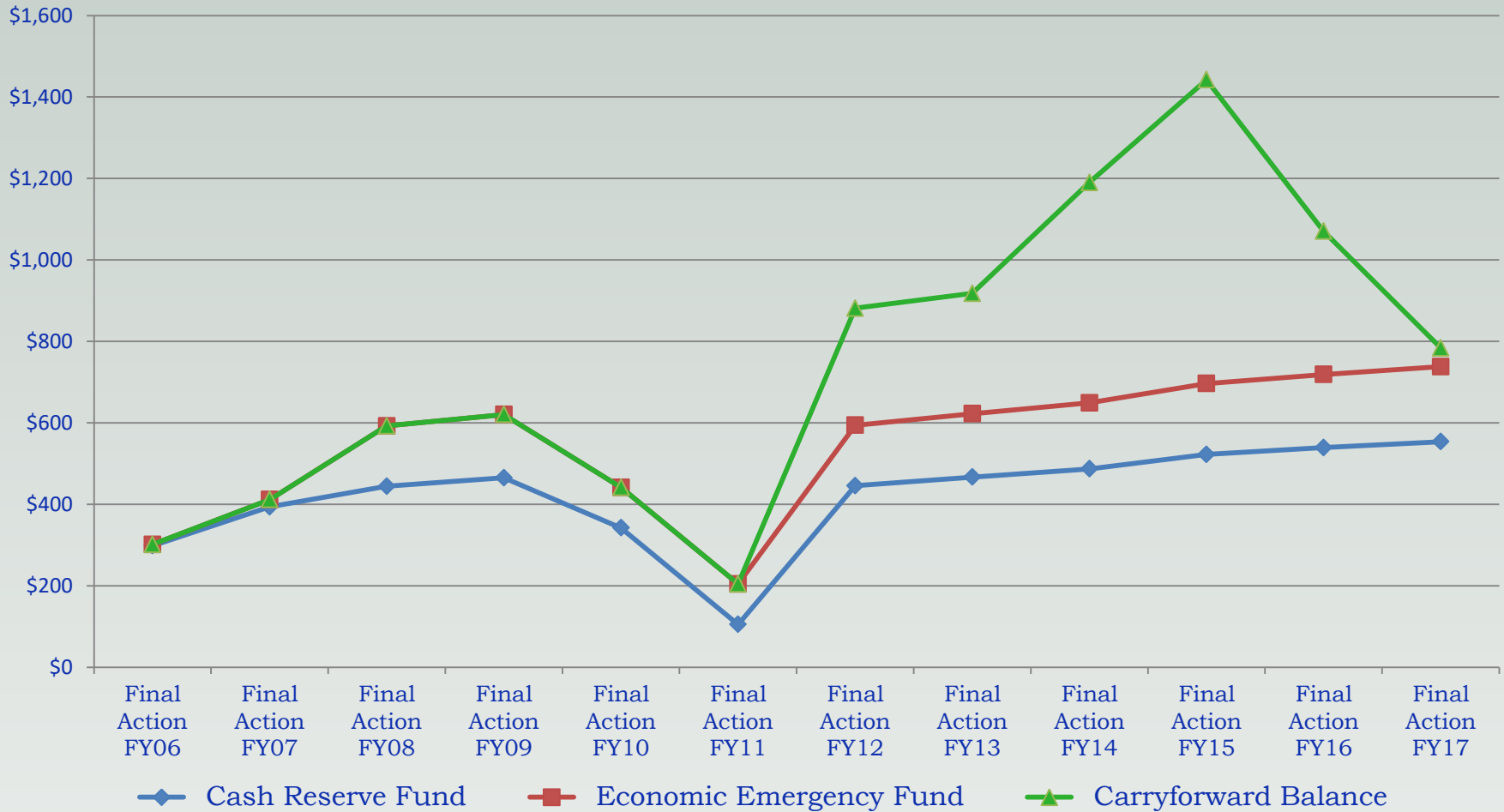
State of Iowa Budget Actual General Fund Resources (\$ in Millions)



State of Iowa Budget Actual General Fund Resource Variance From December REC Revenue Estimate



State of Iowa Budget Combined Reserve Funds (\$ in Millions)



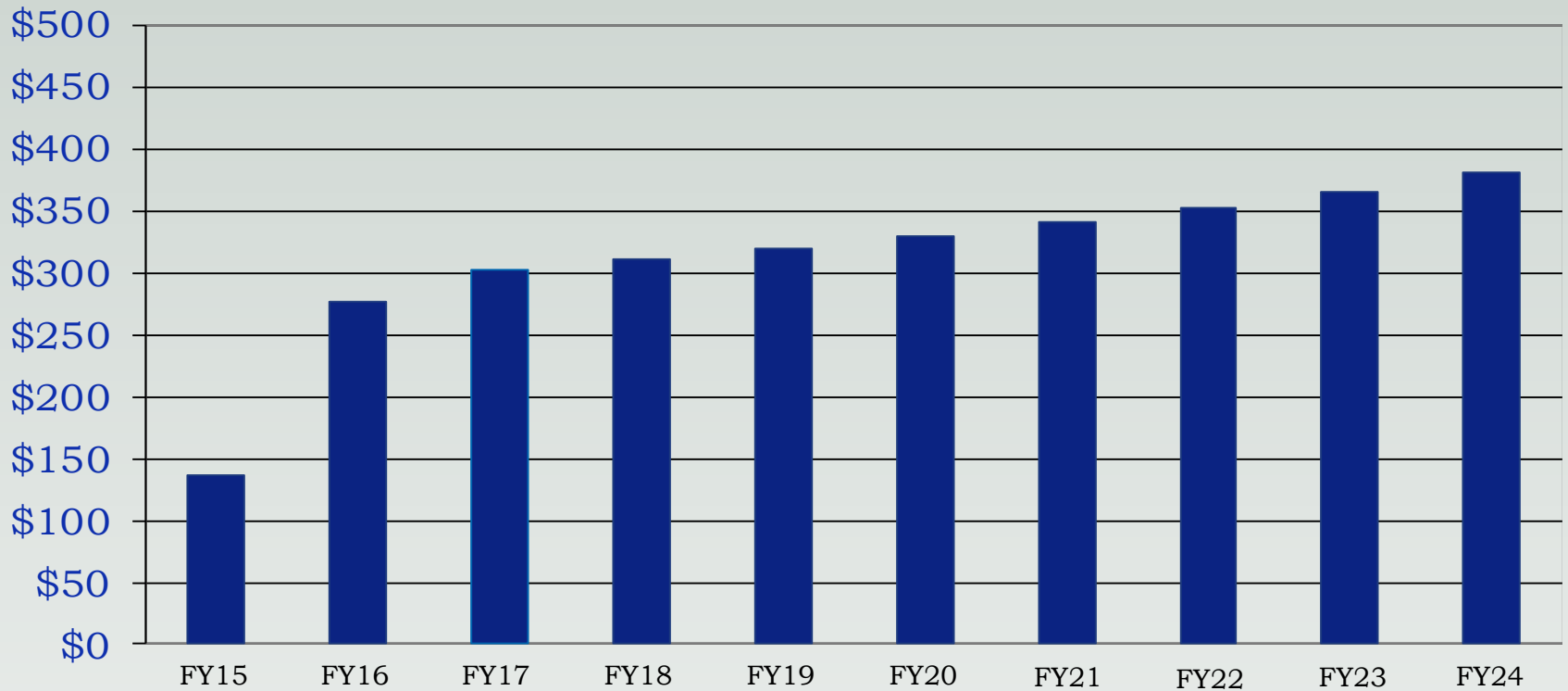
State of Iowa Budget FY17 Budget Topics

- Property Tax Reform
- Education
- Medicaid
- Transportation
- Federal Funds
- Pension Systems
- Tax Credits

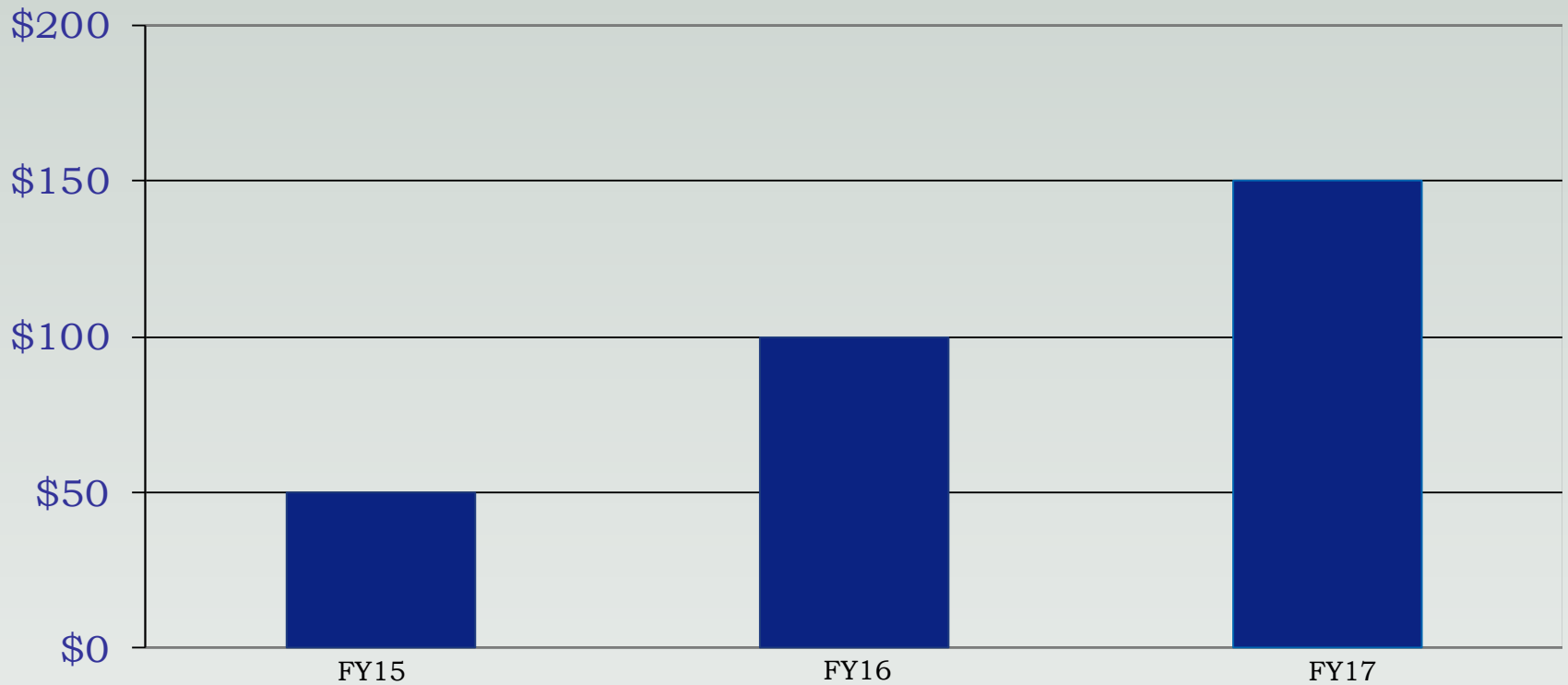
State of Iowa Budget Property Tax Reform

- Budgeting Principle – “Avoid multiyear accelerating commitments.”
- The 2013 Property Tax Reform law had a multiyear accelerating commitment that started in FY15 with an impact of \$136 million.
- The FY16 impact of property tax reform is \$253 million.
- The FY17 impact of property tax reform is \$280 million.

State of Iowa Budget Property Tax Reform State Appropriation to Local Governments (\$ in Millions)



State of Iowa Budget Teacher Leadership Program 3-Year Impact to School Aid Formula (\$ in Millions)



State of Iowa Budget Medicaid

- Budgeting Principle – “Accurately determine resources and expenses.”
- The FY17 Final Action budget underfunds the forecast by \$13 million.
 - Includes \$16.8 million of unspecified savings.
- FY16 Final Action budget underfunded the forecast by \$41 million.
 - A supplemental appropriation of \$82 million was necessary to cover the FY16 shortfall.
- FY15 Final Action budget underfunded the forecast by \$53 million.
 - A supplemental appropriation of \$43 million was necessary to cover the FY15 shortfall.

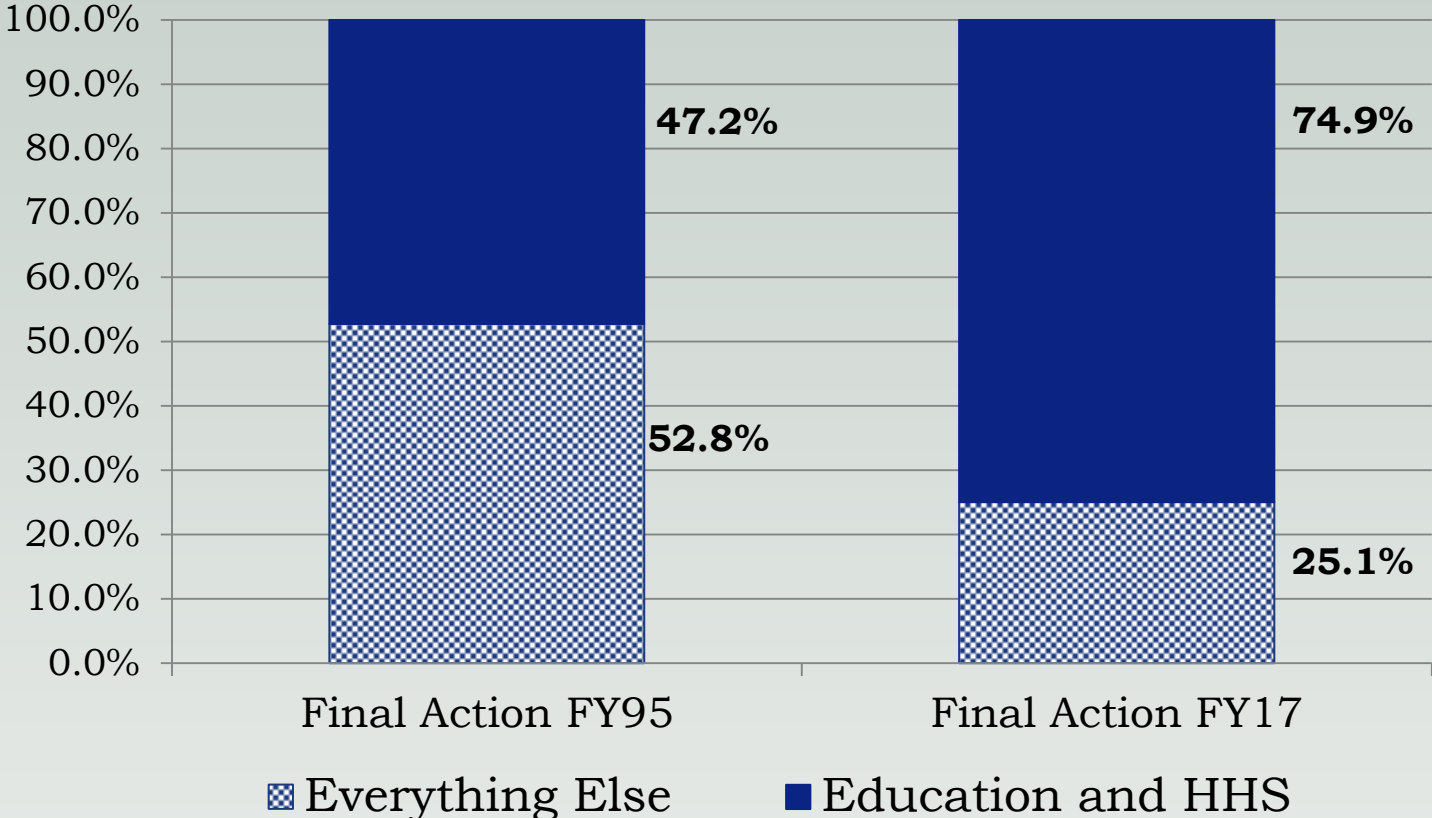
State of Iowa Budget Affordable Care Act

<u>Calendar Year</u>	<u>Federal FMAP %</u>
2014	100.00%
2015	100.00%
2016	100.00%
2017	95.00%
2018	94.00%
2019	93.00%
2020	90.00%
2021	90.00%

FMAP – Federal Medical Assistance Percentage

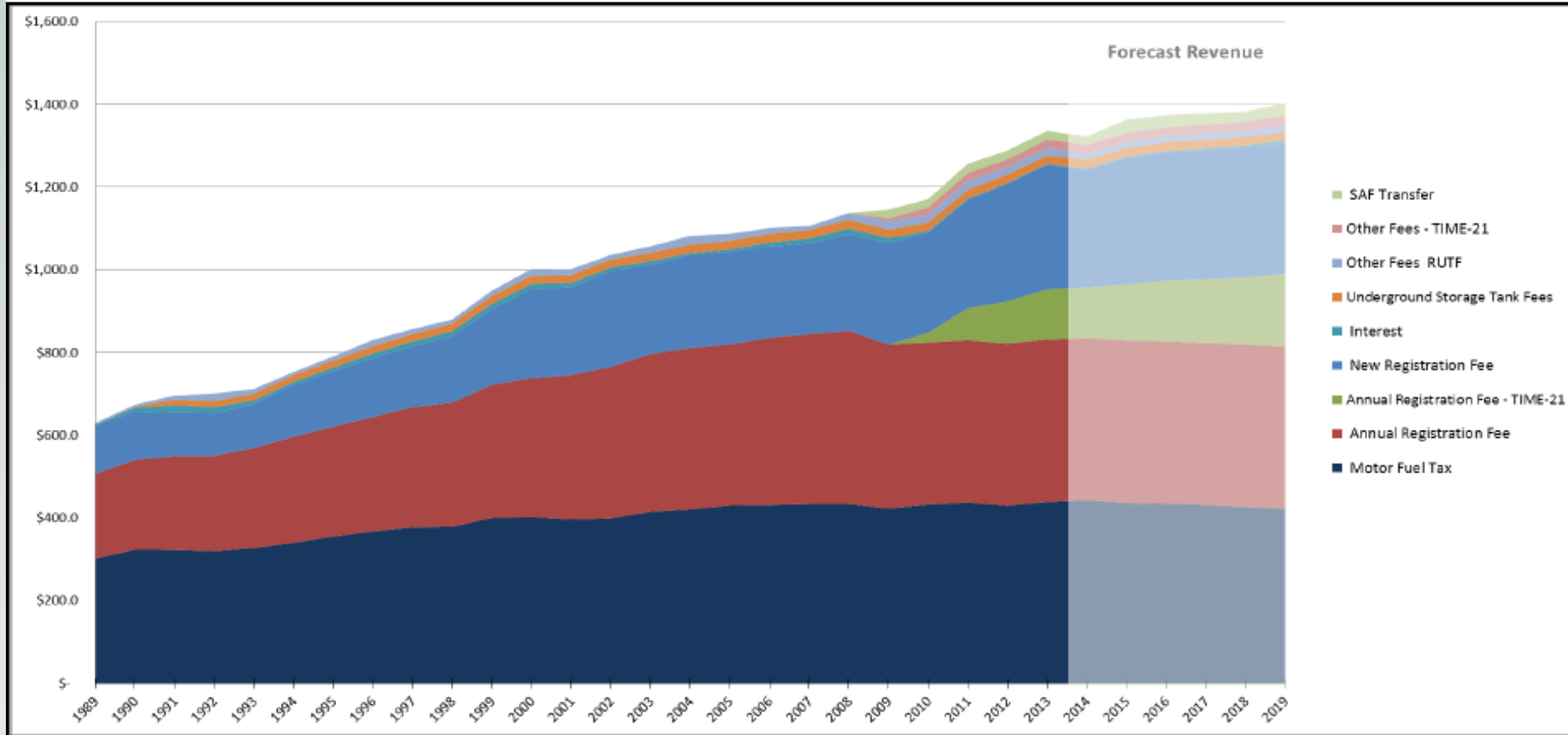
Note the FMAP percentage applies to only to new Medicaid patients enrolled as a result of the Affordable Care Act.

State of Iowa Budget Education and HHS (\$ in Millions)



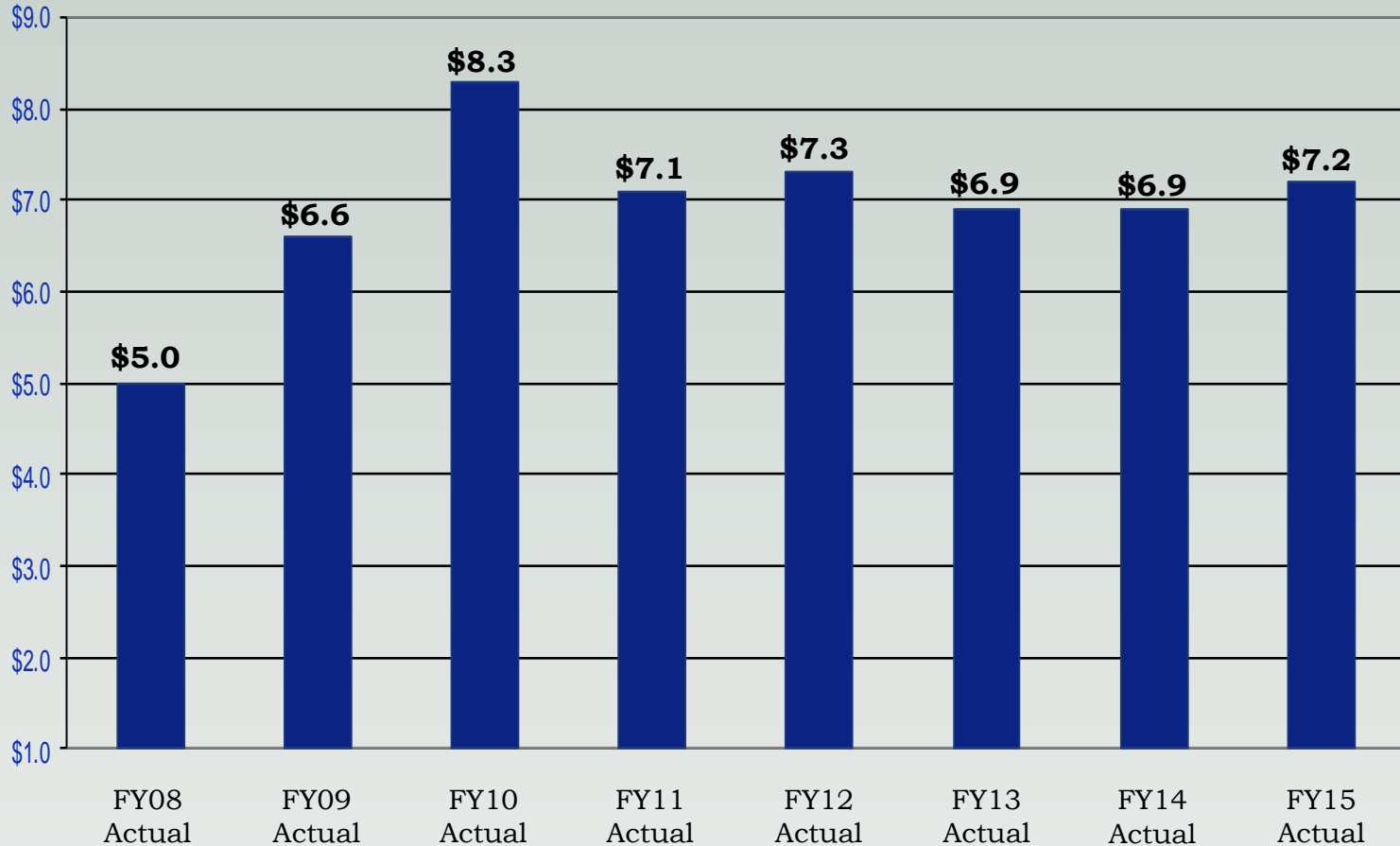
State of Iowa Budget Transportation

Total State Road Funding – Revenue Sources



Source: LSA, Recent Motor Vehicle Fuel Tax Proposals,
<https://www.legis.iowa.gov/docs/publications/IR/250095.pdf>

State of Iowa Budget Reliance on Federal Monies (\$ in Billions)

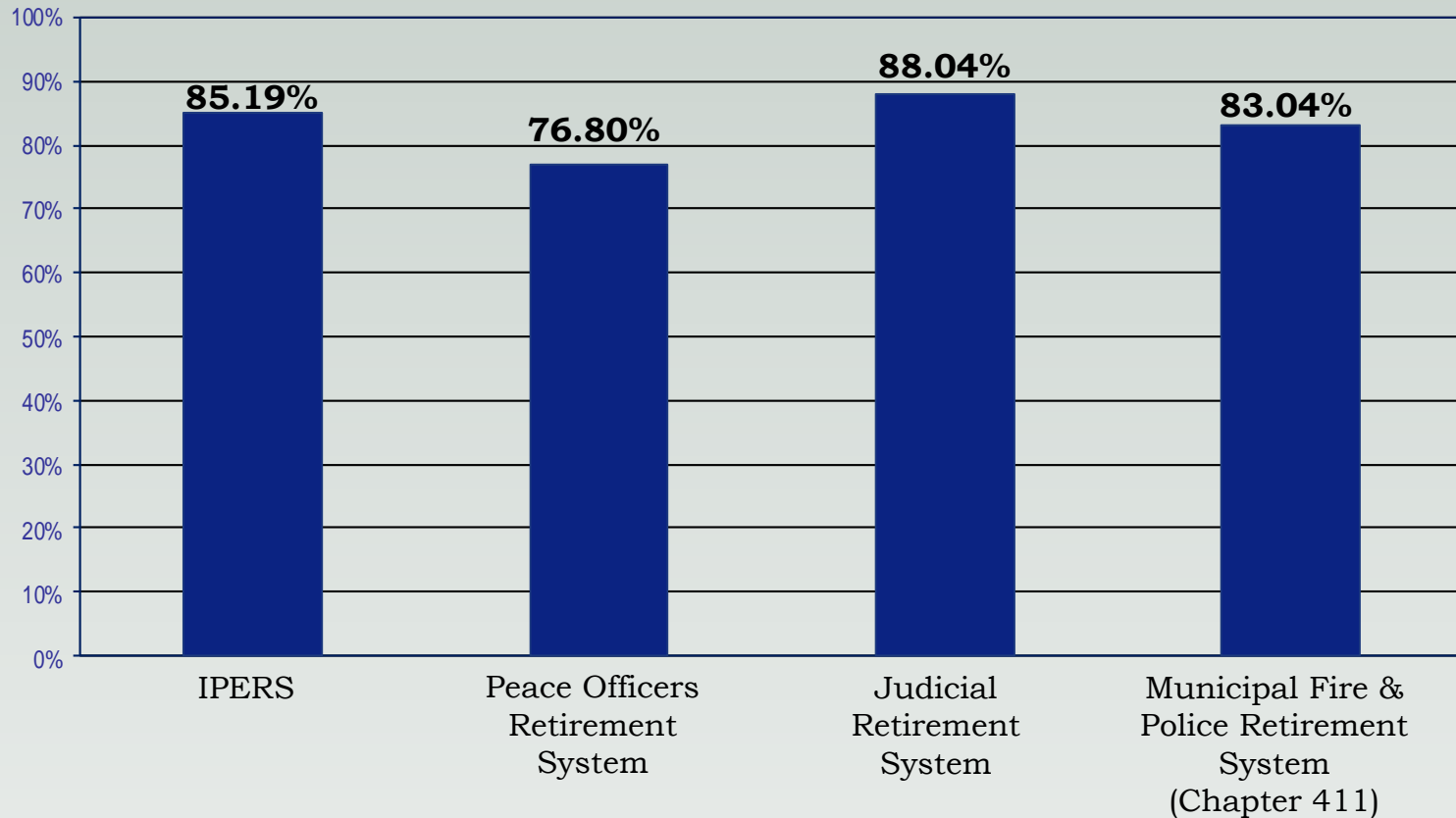


Source: AOS, State of Iowa Single Audit Reports, FY08– FY15

State of Iowa Budget

Iowa's Pension Systems

FY15 Net Pension Liability



Source: IPERS FY2015 CAFR and the individual FY2015 Annual Reports for the other Retirement Systems

State of Iowa Budget Impact of Tax Credits

- Fiscal impact of tax credits increasing
 - \$313.6 million in FY 2015
 - \$406.6 million in FY 2017
 - \$93 million increase in 2 fiscal years
- Examples of Tax Credit 2-year increases:
 - Historic Preservation tax credit increased from \$17.7 million to \$50 million
 - High Quality Job Program credit increased from \$20.3 million to \$33.2 million
 - Workforce Housing Tax Incentive increased from \$0 to \$11.6 million

State of Iowa Budget Iowa's Fiscal Highlights

Iowa's Current Fiscal Position:

- Moderate revenues
- 7th consecutive year budgeted revenues exceed budgeted expenditures
- Reserve funds filled to statutory limit

State of Iowa Budget

Iowa's Fiscal Challenges

- Surplus carryforward nearly depleted
- Deviation from sound budgeting principles
 - One-time resources used for ongoing expenses
 - Multiyear accelerating commitments
 - Underfunded costs
- Sustainability
 - Costs related to the Affordable Care Act
 - Reliance on Federal monies
- Infrastructure maintenance
- Mandated salary increases

State of Iowa Budget Conclusion

- This year's budget is stable and responsible.
- The resources supporting Iowa's FY 2017 final action budget are in line with appropriations.
- Mosiman said, "We have ongoing challenges and opportunities in Iowa's fiscal forecast. Following sound budgeting principles consistently will help prepare us for whatever the future brings by putting State government in a better position to react to various economic uncertainties. Long-term planning can provide a roadmap to help honor current and future commitments and priorities while navigating changes."

State of Iowa Budget

Investigative Reports and Impacts – FY2016

7/9/2015	UIHC – Dept of Orthopaedics	\$	1,884,168.89
7/14/2015	Sixth Judicial District (Addendum)	\$	1,643,125.48
8/7/2015	UNI – College of Education	\$	3,128.37
8/27/2015	City of Casey	\$	298,230.49
9/22/2015	Solon – Fire Dept	\$	68,724.54
10/15/2015	Dunkerton – Police Dept	\$	2,700.93
10/20/2015	City of Neola	\$	230,795.55
11/3/2015	City of Defiance	\$	10,828.78
11/5/2015	DAS – R. Lamb	\$	22,635.55
11/18/2015	NE Hamilton CSD	\$	800.15
12/29/2015	City of Hornick	\$	134,179.75
12/30/2015	Garwin – Ambulance Dept	\$	13,550.61
2/3/2016	IWD – Unemployment Insurance	\$	909,554.17
2/5/2016	Davenport – Fire Dept	\$	4,123.43
3/2/2016	Clinton CSD – Band Boosters	\$	38,353.88
3/3/2016	City of Harris	\$	12,758.16
4/13/2016	City of Dubuque - Library	\$	52,595.24
5/12/2016	City of Lakota	\$	7,768.14
5/18/2016	City of Boyden	\$	36,227.60
5/27/2016	Corning – Fire Department	\$	14,224.99
6/2/2016	Moulton – EMS	\$	22,665.08

TOTAL: \$5,411,139.78

State of Iowa Budget Sources and References

- LSA, End of Session Information 2016
<https://www.legis.iowa.gov/publications/fiscal/endofsession>
- LSA, 2005-2015 Session Fiscal Reports
- LSA, Issue Review – Federal Medical Assistance Matching Rates,
<https://www.legis.iowa.gov/docs/publications/IR/401788.pdf>
- LSA, Recent Motor Vehicle Fuel Tax Proposals,
<https://www.legis.iowa.gov/docs/publications/IR/250095.pdf>

Questions



Mary Mosiman, CPA

Mary.Mosiman@auditor.state.ia.us

515-281-5835

www.auditor.iowa.gov