



# State of Iowa Financial Update

REVENUE AND BUDGET IMPLICATIONS OF  
COVID-19

June 4, 2020



# Introduction

This report is the second in a series designed to provide the General Assembly with updates on the State budget as Iowa responds to coronavirus 2019 (COVID-19). **Since the first [update on May 14, 2020](#), the Medicaid Forecasting Group met on May 22, 2020 and the Revenue Estimating Conference (REC) met on May 29, 2020.** The REC decreased the estimated FY 2020 net General Fund receipts projection by \$149.5 million compared to the FY 2020 REC March estimate considering recent economic changes due to the COVID-19 pandemic. Pursuant to Iowa Code section [8.21](#), since the REC reduced the revenue estimate, the Governor is required to use the lesser amount in the budget process. The Governor has 14 days from May 29, 2020, the date of the most recent REC meeting, to revise the budget submitted to the Legislature in January 2020. As of the publication date of this document, the Governor has not transmitted her recommendations to the Legislature. The REC decreased the FY 2021 estimate by \$360.1 million compared to the FY 2021 March estimate.

LSA staff contacts for the sections on federal legislation, State revenues, and State budget are listed at the end of the sections. Contacts for the section on subcommittee issues are listed by appropriations subcommittee. **This document provides the following updated information compared to the May 14, 2020 document.**

- **More information on Federal Stimulus Awards including table of awards by agency (page 3), detailed table of funding received to date (pages 8-11), the Governor's planned allocations, and updated table of YTD Revenue and Expenditures of the Coronavirus Relief Fund.**
- **State Revenue Update using June 2 revenue numbers (page 12).**
- **State Budget Update using the May 29 REC forecast (page 16).**
- **The Subcommittee section was updated if there was new or changed information from the May 14 document and includes new Medicaid Forecast discussion, and discussion on increasing enrollment (page 25).**

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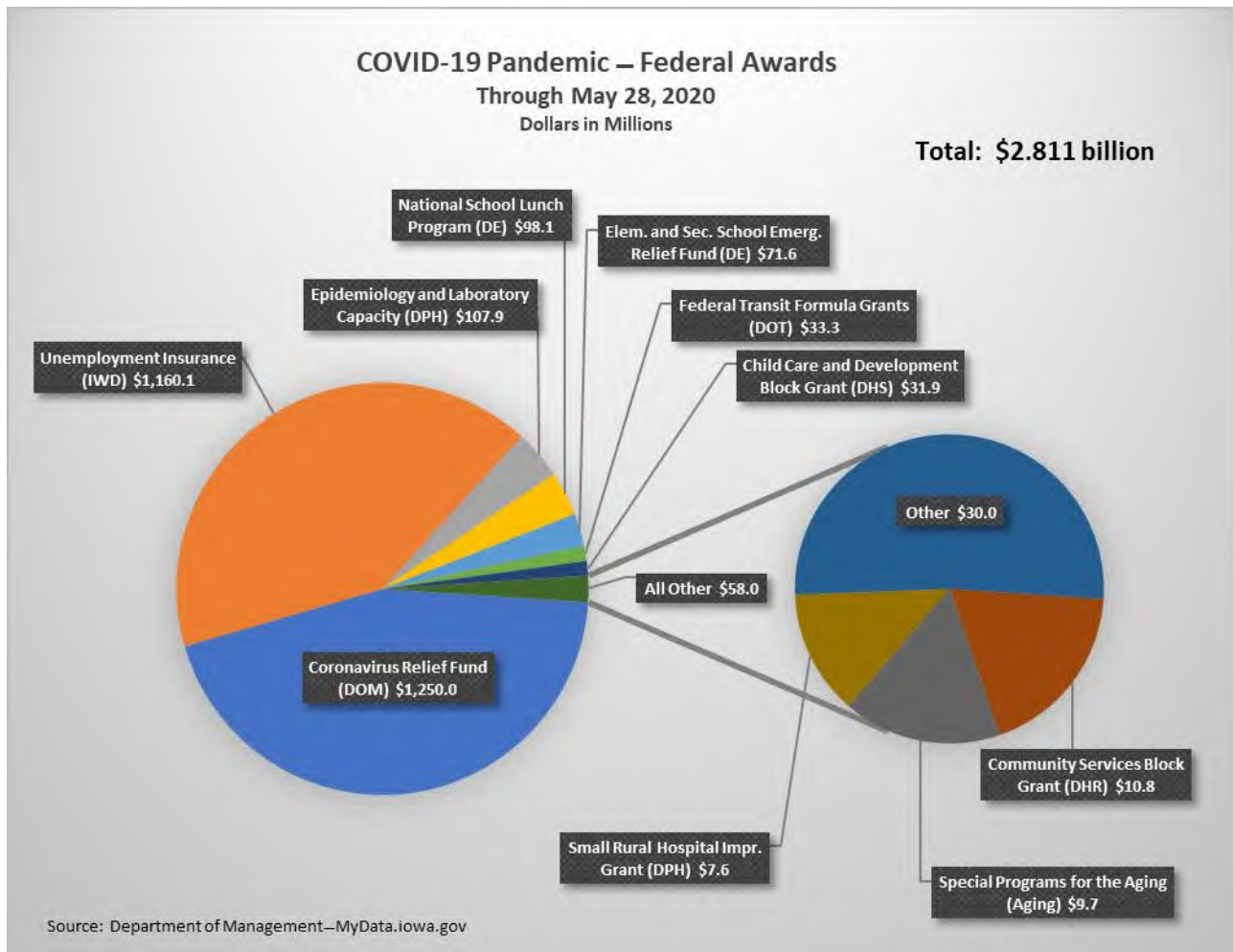
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## Federal Grant Awards Reported by State Agencies

Through May 28, 2020, State agencies have reported federal awards totaling \$2.811 billion to address a wide variety of expenses related to the COVID-19 pandemic (**Figure 1**). The numbers in the chart represent the funds awarded to State departments after notification from federal agencies that the federal grants are available for expenditure. The numbers will be updated as State departments receive additional notifications of awards.

Figure 1



### Iowa Departments Represented on the Above Chart

- DOM - Department of Management
- IWD - Department of Workforce Development
- DPH - Department of Public Health
- DE - Department of Education
- DOT - Department of Transportation
- DHS - Department of Human Services
- DHR - Department of Human Rights
- IDA - Department on Aging

The federal funds discussed in this document are associated with funds that have reporting requirements for grant recipients as specified in Section 15011 of [H.R. 748](#) (Coronavirus Aid, Relief, and Economic Security [CARES] Act). These federal funds are also referred to as “covered funds,” which means any funds, including loans, that are made available to nonfederal entities under the following acts:

- [H.R. 6074](#) — Coronavirus Preparedness and Response Supplemental Appropriations Act
- [H.R. 6201](#) — Families First Coronavirus Response Act
- H.R. 748 — CARES Act
- Any other federal Act primarily making appropriations for COVID-19 response and related activities under Section 15010(6) of the CARES Act.

Grant recipients are required to report information on a quarterly basis to the Office of the Special Inspector General for Pandemic Recovery of the U.S. Department of the Treasury. The information is to include:

- The total amount of covered funds received.
- The amount of covered funds expended or obligated for each project or activity.
- A detailed list of all projects or activities for which covered funds were expended or obligated, including:
  - The name of the project or activity.
  - A description of the project or activity.
  - The estimated number of jobs created or retained by the project or activity, where applicable.
- Detailed information on any level of subcontracts or subgrants awarded by the covered recipient or its subcontractors or subgrantees.

**Figure 2** shows the federal awards by State agency. The table does not reflect all of the funding provided in the federal acts, but focuses on funding that will flow through Iowa State government agencies. Items such as stimulus funding to individuals and families are not included. Iowa residents have received \$2.660 billion in direct federal Economic Impact Payments (EIP). These payments are discussed in the State Revenue Update section of this document.

**Figure 2**  
**Federal Awards by State Agency**  
**As of May 28, 2020**  
In Millions

<b>State Department</b>	<b>Award Amount</b>
Department of Management	\$ 1,250.0
Workforce Development	1,160.1
Department of Education	170.0
Department of Public Health	126.5
Department of Human Services	34.3
Department of Transportation	33.3
Department of Human Rights	15.0
Department on Aging	10.7
Governor's Office of Drug Control Policy	5.8
Secretary of State	4.8
Department of Cultural Affairs	0.4
<b>Total</b>	<b>\$ 2,810.9</b>

A detailed spreadsheet (**Awarded Federal Funding to Date**) listing all of the federal awards by State agency is available at the end of this section. The federal awards listed only include funds actually awarded to departments. Additional funding allocated through the CARES Act is not included if the funds have not been awarded to the department yet. The Legislative Services Agency will also continue to monitor federal funds received and expended by State agencies and report this information to the Legislature.

### Coronavirus Relief Fund

The following provides an update on the status of the Iowa Coronavirus Relief Fund (ICRF), which received \$1.250 billion in federal funds through the CARES Act on April 20, 2020. As of June 2, 2020, there have been transfers totaling \$95.6 million from the Fund for various State programs designed to assist with relief effort for the COVID-19 pandemic.

**Figure 3**

<b>Iowa Coronavirus Relief Fund</b>	
<b>Year-to-Date Revenues and Expenses</b>	
As of June 2, 2020	
In Millions	
	FY 2020
<b>Revenues</b>	
Federal Support	\$ 1,250.0
Total	\$ 1,250.0
<b>Expenditures</b>	
<b>Economic Development Authority</b>	
Small Business Disaster Assistance Fund	\$ 70.0
AmeriCorps	0.1
<b>Agriculture &amp; Land Stewardship</b>	
Pass the Pork Program	0.5
<b>Human Services</b>	
Double Up Food Program	1.0
Feeding Iowans	1.0
<b>Homeland Security &amp; Emergency Management</b>	
Feeding Iowans Initiative - Food Banks	1.0
<b>Iowa Finance Authority</b>	
COVID-19 Iowa Eviction and Foreclosure Prevention Program	22.0
Total	\$ 95.6
<b>Balance</b>	\$ 1,154.4

Provisions of the CARES Act and guidance from the U.S. Department of the Treasury will provide direction to states and other grant recipients concerning the qualified uses of the Coronavirus Relief Fund (CRF) grants. The latest U.S. Treasury Guidance may be found [here](#).

The funds can cover costs that are necessary expenditures incurred due to the COVID-19 public health emergency that were not previously accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the period that began March 1, 2020, and ends on December 30, 2020. Any unexpended CRF funds revert back to the federal government on December 30. Necessary expenditures may also include expenditures incurred to allow the states to respond directly to the emergency, such as by addressing medical or public health needs. Necessary expenditures also include those incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures. The funding cannot be used to backfill the loss of state revenues that have resulted from the economic impacts of COVID-19, but may be used as a cash management tool. For example, changing the tax filing deadlines may cause cash flow issues for states. The U.S. Treasury has indicated that states can use CRF funds essentially as a tax anticipation note to mitigate cash flow issues.

The \$1.250 billion allocated to Iowa from the federal Coronavirus Relief Fund (CRF) was received and is under the administration of the Department of Management. The federal CRF funds that Iowa received were deposited into the Iowa Coronavirus Relief Fund (ICRF). Currently, the Governor of Iowa has the

authority to allocate the funds from the ICRF to State programs through [2019 Iowa Acts chapter 134, section 19](#) (2019 Federal Block Grant Act). However, the General Assembly does have the ability to exercise its authority to appropriate from the ICRF to State programs.

On May 29, 2020, Governor Kim Reynolds announced new plans for the allocation of a major portion of the ICRF funds. **Figure 4** details the allocations announced by the Governor.

**Figure 4**

<b>Iowa Coronavirus Relief Fund Governor's Planned Expenditures</b>	
29-May-20	
	FY 2020
<b><u>Revenues</u></b>	
Federal Support (CARES Act)	\$ 1,250,000,000
<b><u>Planned Expenditures</u></b>	
<b>Relief for Iowa Businesses</b>	\$ 215,000,000
<i>Small Business Relief</i>	
<i>Housing Assistance</i>	
<i>Workforce Initiatives</i>	
<i>Feeding Iowa</i>	
<b>Relief for Iowa Farmers</b>	100,000,000
<b>Relief for Iowa Communities</b>	125,000,000
<i>Reimbursement Program for Cities and Counties</i>	
<b>Relief for Iowa Health Care Providers</b>	50,000,000
<i>Home and Community Based Providers</i>	
<i>Substance Use Providers</i>	
<i>Mental Health Providers</i>	
<b>Expanding Access to Tele-work, Tele-health, Tele-learn</b>	85,000,000
<i>Broadband Expansion and IT Upgrades</i>	
<b>State Response to COVID-19</b>	125,000,000
Total	\$ 700,000,000
<b>Balance</b>	\$ 550,000,000

Additional information provided by the Department of Management on the federal stimulus funds awarded is available here: <https://data.iowa.gov/stories/s/kv83-znff>

At least 28 states and territories have created or proposed ways to track, oversee, and distribute information relating to federal stimulus funds. Governors are creating new entities, state agencies are documenting projects, and legislatures are forming commissions or committees to monitor the federal CARES Act funds. Examples of state action related to federal stimulus fund expenditures include:

- **Alabama** — The Alabama legislature approved a measure that gives the governor the authority to spend up to \$200.0 million of CARES Act funds for the most immediate COVID-19-related expenses. Legislators are expected to return in a special session and appropriate the remainder of the state's \$1.800 billion allocation.
- **Kansas** — The Strengthening People and Revitalizing Kansas Taskforce has been created to lead the state's economic recovery. The task force will be responsible for the statewide distribution of significant CARES Act funding. A 5-member executive committee will oversee the process, and the task force will have a steering committee with an additional 15 members, who will form three subcommittees.

- Mississippi — Mississippi lawmakers and Governor Tate Reeves reached an agreement over control of the state’s \$1.250 billion allocation from the CARES Act. The legislature will appropriate the funds and the governor will administer them.
- Missouri — Governor Michael Parson created a working group to make recommendations on the best use of the CARES Act funding. The group will study and analyze the federal relief available to Missouri, its citizens, and businesses under the CARES Act and identify the best practices to use in applying that relief. The state treasurer will lead the group, working with key legislative budget members, the Office of Administration’s Budget and Planning Division, and members of Missouri’s congressional delegation.

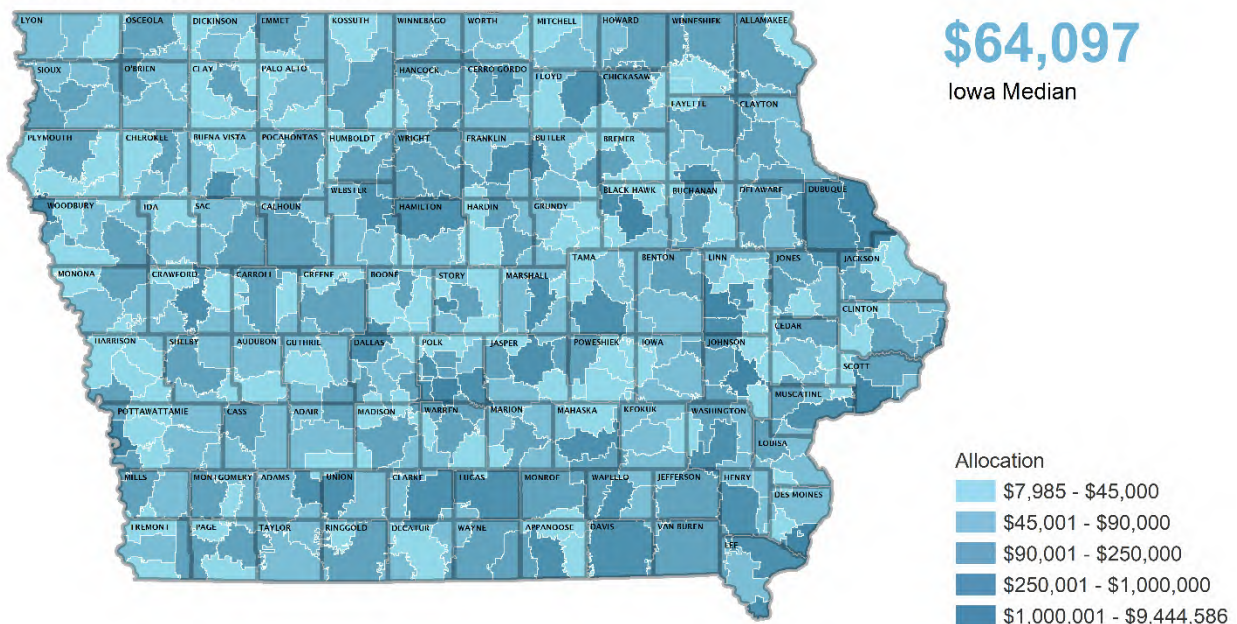
Additional information on the actions taken by other states and territories may be found on the National Conference of State Legislatures [website](#).

**Elementary and Secondary School Emergency Relief Fund**

Iowa received \$71.6 million under the Elementary and Secondary School Emergency Relief (ESSER) portion of the CARES Act, \$64.4 million of which will go to all Iowa school districts for the purpose of mitigating the effects of the COVID-19 pandemic.

**Figure 5**

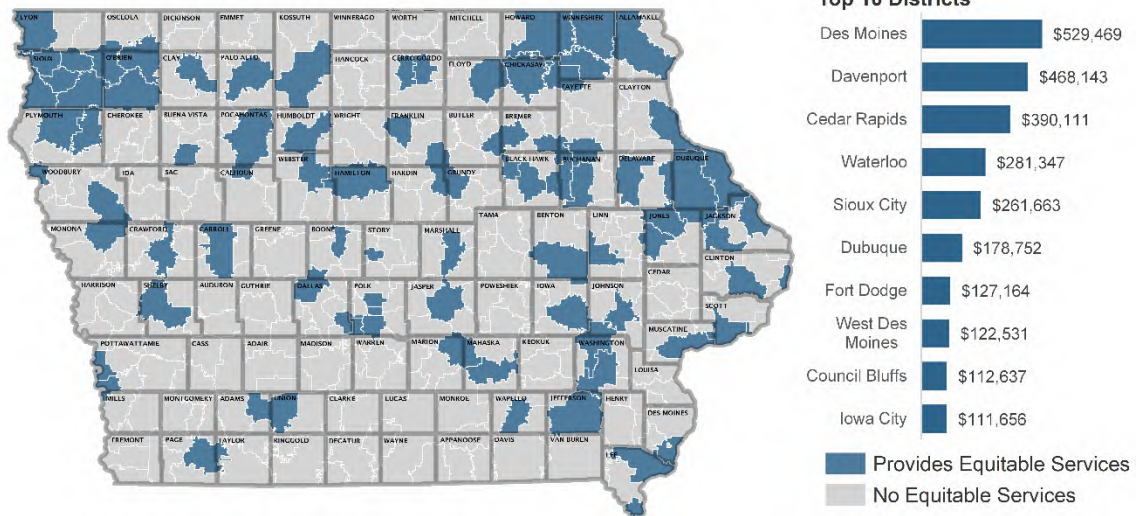
**Allocations by School District**



As part of the ESSER funds, all participating accredited nonpublic schools will be allocated an equitable share, allowing them to receive services related to COVID-19 disaster relief in that amount. Nonpublic schools do not receive actual dollars.

Figure 6

School Districts Providing Equitable Shares to Nonpublic Schools



When applying for funds, school districts designate the allowable spending categories on which the funds are intended to be spent. School districts and nonpublic schools are also required to submit year-end reports on the amount of funds expended in each of the allowable categories. The CARES Act allows the U.S. Secretary of Education to require additional reports from states on a more frequent basis if requested. For additional information on the ESSER funds prepared by the Iowa Department of Education, click [here](#).

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The following pages are a detailed spreadsheet (**Awarded COVID-19 Federal Funding to Date**) listing all of the federal awards by State agency.



**Awarded COVID-19 Federal Funding to Date (June 1, 2020)**

<b>State Department</b>	<b>Federal Program Title</b>	<b>Award Description</b>	<b>Award Amount</b>
Iowa Department on Aging	Special Programs for the Aging, Title III, Part C, Nutrition Services	To provide meals in a congregate setting in response to the COVID-19 emergency.	\$ 783,831
Iowa Department on Aging	Special Programs for the Aging, Title III, Part C, Nutrition Services	To provide meals via home delivery (including drive-through and to-go) in response to the COVID-19 emergency.	\$ 1,567,661
Governor's Office of Drug Control Policy	Coronavirus Emergency Supplemental Funding Program	Coronavirus Emergency Supplemental Funding Program	\$ 5,754,321
Iowa Office of the Secretary of State	2018 HAVA Election Security Grants	Coronavirus Aid, Relief, and Economic Security Act (CARES)	\$ 4,843,615
Iowa Department of Human Services (Assistance)	Child Care and Development Block Grant	Child care	\$ 31,899,093
Iowa Workforce Development	Unemployment Insurance	Federal Pandemic Unemployment Compensation - additional unemployment funding for claimants	\$ 350,352,000
Iowa Workforce Development	Unemployment Insurance	Emergency unemployment administration	\$ 10,053,959
Iowa Department of Education	National School Lunch Program	USDA Child Nutrition Program CARES Act grants to states	\$ 98,070,209
Iowa Department of Human Services (General Administration)	Emergency Food Assistance Program (Administrative Costs)	Funding for administration costs of the commodity program	\$ 735,827
Iowa Department of Public Health	National Bioterrorism Hospital Preparedness Program	To support health care coalitions, emergency medical services (EMS), Ebola treatment centers to help them identify, isolate, assess, transport, and treat COVID-19 patients; to prepare these entities for future special pathogen disease outbreaks; recipients may request retroactive compensation for HCCs and health care facilities, including special pathogen treatment centers dating back to January 20, 2020.	\$ 662,156
Iowa Department of Public Health	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communication, and other preparedness and response activities	\$ 6,347,829

**Awarded COVID-19 Federal Funding to Date (June 1, 2020)**

Iowa Department of Public Health	Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	Funding to provide crisis intervention services, mental and substance abuse disorder treatment, and other related intervention services.	\$ 2,000,000
Iowa Department of Public Health	HIV Care Formula Grants	Ryan White HIV/AIDS Program Part B COVID-19 Responses - Assist with access to HIV care and treatment for low-income people living with HIV.	\$ 173,373
Iowa Department of Public Health	Small Rural Hospital Improvement Grant Program	Funds will support rural hospitals which are seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. One-hundred percent of funds will pass through to hospitals.	\$ 7,588,530
Iowa Department of Human Services (Assistance)	Stephanie Tubbs Jones Child Welfare Services Program	Child welfare services	\$ 476,722
Iowa Department of Management	Coronavirus Relief Fund	The Coronavirus Relief Fund may be used to cover costs that are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020, for State of Iowa; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.	\$ 1,250,000,000
Iowa Department of Education	Grants to States	This funding is to be used to help the State Library of Iowa prevent, prepare for, and respond to COVID-19, including to expand digital network access, purchase internet access, purchase internet- accessible devices, and provide technical support services.	\$ 285,087
Iowa Workforce Development	Unemployment Insurance	Federal Pandemic Unemployment Compensation - additional unemployment funding for claimants	\$ 177,300,000
Iowa Department of Education	Elementary and Secondary School Emergency Relief Fund	Elementary and Secondary School Emergency Relief Fund	\$ 71,625,561
Iowa Department on Aging	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	To provide home and community based services in response to the COVID-19 emergency.	\$ 1,959,577
Iowa Department on Aging	Special Programs for the Aging, Title III, Part C, Nutrition Services	To provide meals via home delivery (including drive-through and to-go) in response to the Coronavirus Emergency.	\$ 4,702,984
Iowa Department on Aging	National Family Caregiver Support, Title III, Part E	To pay for direct support professionals, caregivers trained to help with ADLs, to assist disabled individuals in response to the COVID-19 emergency.	\$ 993,985

**Awarded COVID-19 Federal Funding to Date (June 1, 2020)**

Iowa Department of Public Health	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	To establish or enhance the ability to identify cases, conduct contact tracking and follow-up, as well as implement containment measures, improve morbidity and mortality surveillance, enhance testing capacity, control COVID-19 in high-risk settings, and work with health care systems to manage and monitor system capacity.	\$ 7,053,143
Independence Mental Health Institute (Human Services)	Provider Relief Fund	Additional funding to help offset costs of providing services during pandemic	\$ 52,360
Cherokee Mental Health Institute (Human Services)	Provider Relief Fund	Additional funding to help offset costs of providing services during pandemic	\$ 59,774
Iowa Department on Aging	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	Office of State Long Term Care Ombudsman activity in response to the COVID-19 emergency	\$ 195,958
Iowa Department on Aging	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	Expanding care transitional support for at-risk populations in response to the COVID-19 emergency	\$ 450,000
Iowa Department of Human Rights	Community Services Block Grant	Community Services Block Grant to help prevent, prepare for or respond to COVID-19	\$ 10,821,398
Iowa Department of Cultural Affairs	Promotion of the Humanities Federal/State Partnership	To support arts programs, services, and activities associated with carrying out the agency's National Endowment for the Arts-approved strategic plan, as well as salaries, administration costs, and related subgranting to the nonprofit arts sector in response to the COVID-19 pandemic.	\$ 442,700
Iowa Department of Human Services (General Administration)	Emergency Food Assistance Program (Administrative Costs)	Reimburse food bank additional administration expenses	\$ 1,103,741
Iowa Department of Transportation	Federal Transit Formula Grants	This federal award utilizes CARES Act funding to prevent, prepare for, and respond to COVID-19. Projects included in this grant are only operations, planning, and/or capital projects, with no substantial functional, location, or capacity change.	\$ 33,288,313
Iowa Department of Public Health	Epidemiology and Laboratory Capacity For Infectious Diseases (ELC)	COVID-19 Paycheck Protection Program and Health Care Enhancement Act Response Activities - cross-cutting emerging issues	\$ 100,843,972
Iowa Department of Public Health	National Bioterrorism Hospital Preparedness Program	Emergency supplemental funding to support the urgent preparedness and response needs of hospitals, health systems, and health care workers on the front lines of the pandemic.	\$ 1,802,092

**Awarded COVID-19 Federal Funding to Date (June 1, 2020)**

Iowa Department of Human Rights	Low-Income Home Energy Assistance	The CARES Act supplemental Low-Income Home Energy Assistance Program funding is to help prevent, prepare for, or respond to home energy needs surrounding the national emergency created by COVID-19.	\$ 4,221,430
Iowa Workforce Development	Unemployment Insurance	Additional Unemployment Pandemic Compensation	\$ 255,158,000
Iowa Workforce Development	Unemployment Insurance	Additional Unemployment Pandemic Compensation	\$ 367,190,000
<b>TOTAL</b>			<b>\$ 2,810,859,201</b>

Source: mydata.iowa.gov

## General Fund Revenues

Figure 7

General Fund Revenues, March 19 to June 2				
Dollars in Millions				
Tax Item	2019	2020	\$ Change	% Change
Withholding	\$ 748.1	\$ 767.1	\$ 19.0	2.5%
Estimate Payments	91.2	80.6	-10.6	-11.6%
Payments with Returns	428.5	62.0	-366.5	-85.5%
<b>Individual Income Tax</b>	<b>\$ 1,267.8</b>	<b>\$ 909.7</b>	<b>\$ -358.1</b>	<b>-28.2%</b>
Sales/Use Tax	\$ 648.8	\$ 604.8	\$ -44.0	-6.8%
Corporate Income Tax	\$ 237.2	\$ 125.0	\$ -112.2	-47.3%
Other Taxes	\$ 109.5	\$ 96.0	\$ -13.5	-12.3%
<b>Total Taxes</b>	<b>\$ 2,263.3</b>	<b>\$ 1,735.5</b>	<b>\$ -527.8</b>	<b>-23.3%</b>
<b>Tax Refunds</b>				
Cash Refunds				
Individual Income Tax Refunds	\$ -537.8	\$ -478.9	\$ 58.9	-11.0%
Sales/Use Tax Refunds	-11.4	-19.1	-7.7	67.5%
Corporate Income Tax Refunds	-26.9	-11.8	15.1	-56.1%
Other Refunds	-1.5	-2.5	-1.0	66.7%
<b>Total Cash Refunds</b>	<b>\$ -577.6</b>	<b>\$ -512.3</b>	<b>\$ 65.3</b>	<b>-11.3%</b>
<b>School Infrastructure Refunds</b>	<b>\$ -126.1</b>	<b>\$ -124.0</b>	<b>\$ 2.1</b>	<b>-1.7%</b>
<b>Net General Fund Taxes</b>	<b>\$ 1,559.6</b>	<b>\$ 1,099.2</b>	<b>\$ -460.4</b>	<b>-29.5%</b>

Figure 7 provides a breakdown of major revenue and refund sources. The data used to develop the table includes State tax deposits and tax refunds issued from March 19 through June 2 for calendar years 2019 and 2020. Over that time frame, net State General Fund tax revenue declined \$460.4 million and 29.5% year-over-year. Much of the significant decrease experienced over the time frame resulted not from the business closures, job losses, and other impacts of COVID-19, but instead from the tax due date delays.

Some portion of the revenue reduction experienced between mid-March and the end of July will be a real reduction in tax collections, while some portion will be the result of tax due date delays initiated by the State in response to the COVID-19 outbreak. It will not be until the delayed tax payments have been deposited that the economic impact of recent events can be reasonably calculated. The following discusses significant impacts by tax type displayed in Figure 7.

### Individual Income Tax Withholding — Modest increase.

Revenues have increased by a modest 2.5% compared to the same dates last year. Two factors have combined to keep withholding growth positive. First, a tax due date situation that occurs several times each year is providing a positive boost of \$15.0 to \$20.0 million to comparisons. This boost will reverse with the June 10, 2020, due date. Second, tax revenue has been aided over the period by a \$31.2 million increase in income tax withholding received from Unemployment Insurance payments.

### Individual Income Tax Estimate Payments — Various factors impacting payments.

Estimate payment deposits are due on a quarterly basis for taxpayers with income sources that are subject to State income taxation but not subject to income tax withholding. The estimate payment for the first quarter of 2020 was due on April 30. A Department of Revenue (IDR) [order](#) providing a temporary alternative method of calculating the minimum amount of an estimate payment may have caused the first

quarter reduction, or the reduction may have been the result of taxpayers adjusting payments to reflect lower tax year 2020 income expectations.

### **Individual Income Tax Payments with Returns — Delayed, but not impacted.**

The IDR's [order](#) issued on March 19, 2020, delayed the due date for tax year 2019 individual income tax final payments from April 30, 2020, to July 31, 2020. Traditionally, the State has received a large influx of these payments starting around April 15. This year, the payment deposits were limited; this is likely a result of the due date delay. Since the payments represent tax year 2019 activity, the revenue reduction is not the result of the recent economic situation.

### **Sales/Use Tax — Starting to show weakness.**

Revenues have decreased by 6.8% compared to the same dates last year. The negative tax revenue consequences of the business closures, restrictions on gathering, and other aspects of the pandemic, combined with the IDR's withholding and sales tax remittance deferral program, are likely to increase in the coming weeks and months.

### **Corporate Income Tax — Delayed, but not impacted yet.**

The IDR's order issued on March 19, 2020, delayed the due date for tax year 2019 corporate income tax final payments from April 30, 2020, to July 31, 2020. Since the payments represent tax year 2019 activity, the revenue reduction is not the result of the recent economic situation.

## **U.S. Economic Indicator Data**

### **Federal Economic Impact Payments — \$2.660 billion to Iowa residents.**

On May 2, 2020, the federal Internal Revenue Service (IRS) [released](#) an updated summary of the number and amount of [Economic Impact Payments](#) (EIP) issued to the residents of each state. Payments are made from the federal treasury to eligible U.S. citizens and U.S. resident aliens and are part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The EIP, which are subject to income limits, are equal to \$1,200 per adult and \$500 per qualifying child.

Nationally, 152.2 million payments totaling \$257.995 billion have been issued for an average payment of \$1,695. For Iowa recipients, 1.5 million payments totaling \$2.660 billion have been issued for an average payment of \$1,801.

The \$2.660 billion Iowa amount equals:

- 1.0% of the U.S. total EIP.
- 23.6% of the amount Iowa residents owed in federal income tax for tax year 2017 (excluding the adjustment for any refundable tax credits).
- 1.6% of total calendar year 2019 Iowa personal income.

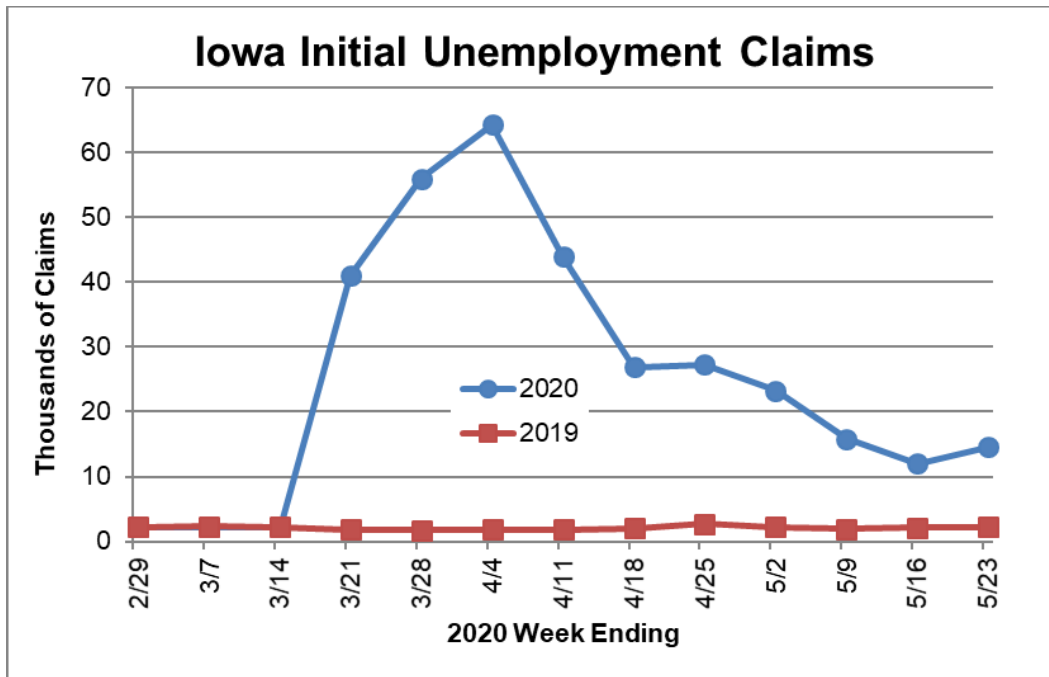
The Department of Revenue has determined that the structure of the EIP is such that the payment will not be considered taxable income for Iowa income tax purposes.

## **Iowa Economic Indicator Data**

### **Iowa Unemployment Applications — Unprecedented levels.**

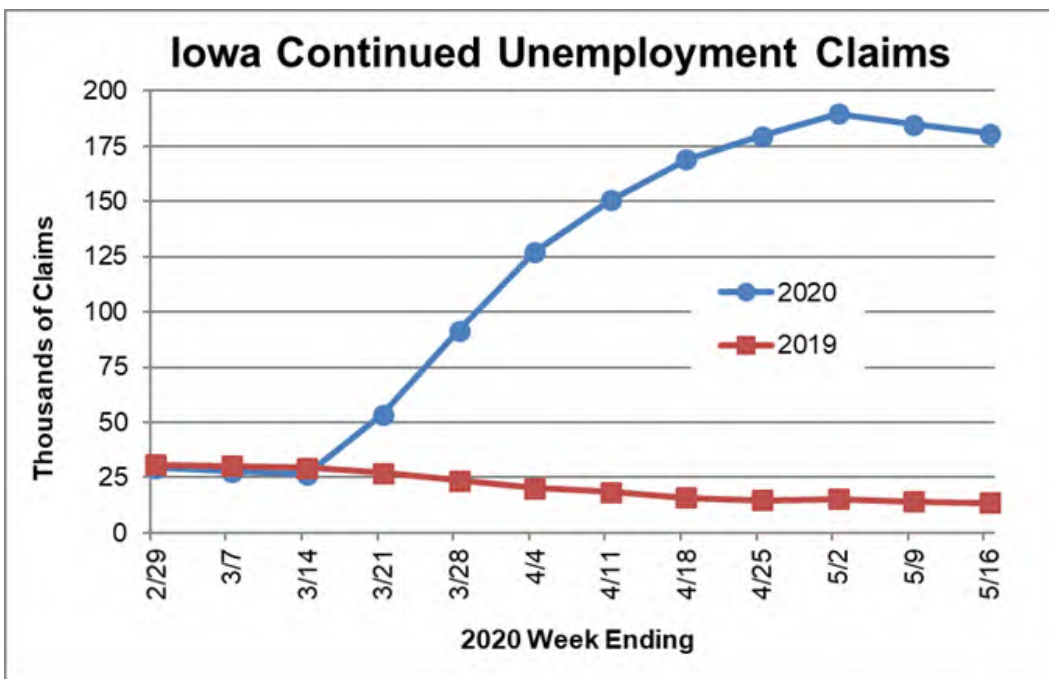
Nationally and in Iowa, initial claims for unemployment levels quickly reached unprecedented levels once the impact of COVID-19 and the resulting mandated closure orders began in mid-March. Iowa initial claims (applications for the first week of unemployment) traditionally average around 2,100 in March, April, and May. In 2020, the average for the 10 weeks from March 21 through May 23 has been 32,483 claims. For the week ending April 4, 2020, Iowa initial claims equaled a record 64,194 (**Figure 8**). The pre-COVID-19 Iowa initial claims record (14,603) occurred in December 2001.

Figure 8



Continued unemployment claims represent the number of people receiving unemployment benefits for a given week. Iowa continued claims for March through May 2019 averaged 20,500 each week. For 2020, the average for the eight weeks from March 28 through May 16 has been 159,119 claims. For the week ending May 2, 2020, Iowa continued claims equaled a record 189,643 (Figure 9). The pre-COVID-19 Iowa continued claims record (68,112) occurred in January 2010.

Figure 9



**Other Fund Revenues****Figure 10**

<b>Other Fund Tax Revenues, March 19 to June 2</b>				
Dollars in Millions				
<b>Other Fund Taxes</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>\$ Change</b>	<b>% Change</b>
Gambling Tax	\$ 70.6	\$ 6.2	\$ -64.4	-91.2%
Fuel Tax	159.9	159.0	-0.9	-0.6%
Vehicle Sales Tax	67.9	55.2	-12.7	-18.7%
Cigarette/Tobacco Tax	43.2	42.6	-0.6	-1.4%
Miscellaneous Other Taxes	19.7	18.9	-0.8	-4.1%
Tax Refunds	-13.0	-12.1	0.9	-6.9%
<b>Total Other Fund Taxes</b>	<b>\$ 348.3</b>	<b>\$ 269.8</b>	<b>\$ -78.5</b>	<b>-22.5%</b>

**Gambling Tax — \$6.0 million decrease each week of closure.**

The Governor's March 17, 2020, order temporarily closed Iowa's State-regulated gambling casinos. The \$64.4 million reduction in gambling tax revenue is a direct result of this action (**Figure 10**). The gambling tax revenue loss will continue at a rate of around \$6.0 million for each week the casinos remain closed.

**Vehicle Sales Tax (Fee for New Registration) — \$12.7 million below FY 2019.**

May 10, 2020, was the due date for counties to remit the tax collected from the sale of vehicles, which is paid by vehicle purchasers when the vehicle is first registered. That deposit represents vehicles registered in April 2020. The May 10 deposit in 2020 was \$22.9 million, while the same deposit in 2019 was \$35.5 million.

**Additional Iowa-Related Information**

Revenue Estimates website: [www.legis.iowa.gov/publications/fiscal/quarterlyRevenueEstimate](http://www.legis.iowa.gov/publications/fiscal/quarterlyRevenueEstimate)

Iowa Economic Trends website: [www.legis.iowa.gov/publications/fiscal/economicTrends](http://www.legis.iowa.gov/publications/fiscal/economicTrends)

COVID-19 Analysis and Resources website:  
[www.legis.iowa.gov/publications/information/covid19Resources](http://www.legis.iowa.gov/publications/information/covid19Resources)

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# State Budget Update

**Figure 11** shows the current status of Iowa's General Fund budget for FY 2020 and FY 2021 based on recent revenue estimates agreed to by the Revenue Estimating Conference (REC) on May 29, 2020. The balance sheet was updated to incorporate the revised REC estimates, which lowered the FY 2020 and FY 2021 revenue estimates by 1.8% and 4.4% respectively. This represents a revenue reduction of \$149.5 million for FY 2020 and \$360.1 million for FY 2021.

For FY 2020, the revised estimate reduces the ending balance from \$539.3 million to \$389.8 million. The revised ending balance for FY 2021 is estimated at \$207.1 million, which is \$179.0 million less than the previous estimate.

In addition to the estimated revenue reduction of \$360.1 million in FY 2021, other changes include:

- A revised surplus carryforward from FY 2020 to FY 2021, which is estimated to be \$36.1 million more than previously estimated due to a reduction in the reserve fund balance requirements as a result of the lower FY 2021 REC revenue estimate.
- A reduction to the built-in and anticipated expenditure estimate of \$145.0 million largely due to an increase of 6.2% in the Federal Medicaid Assistance Percentage (FMAP) for Medicaid through the [COVID-19 economic stimulus package](#).

**Figure 10** compares the revised General Fund budget estimates to the previous estimates from March. The FY 2021 estimate represents the Legislative Services Agency (LSA) budget projection and is based largely on laws in place at the time of this publication.

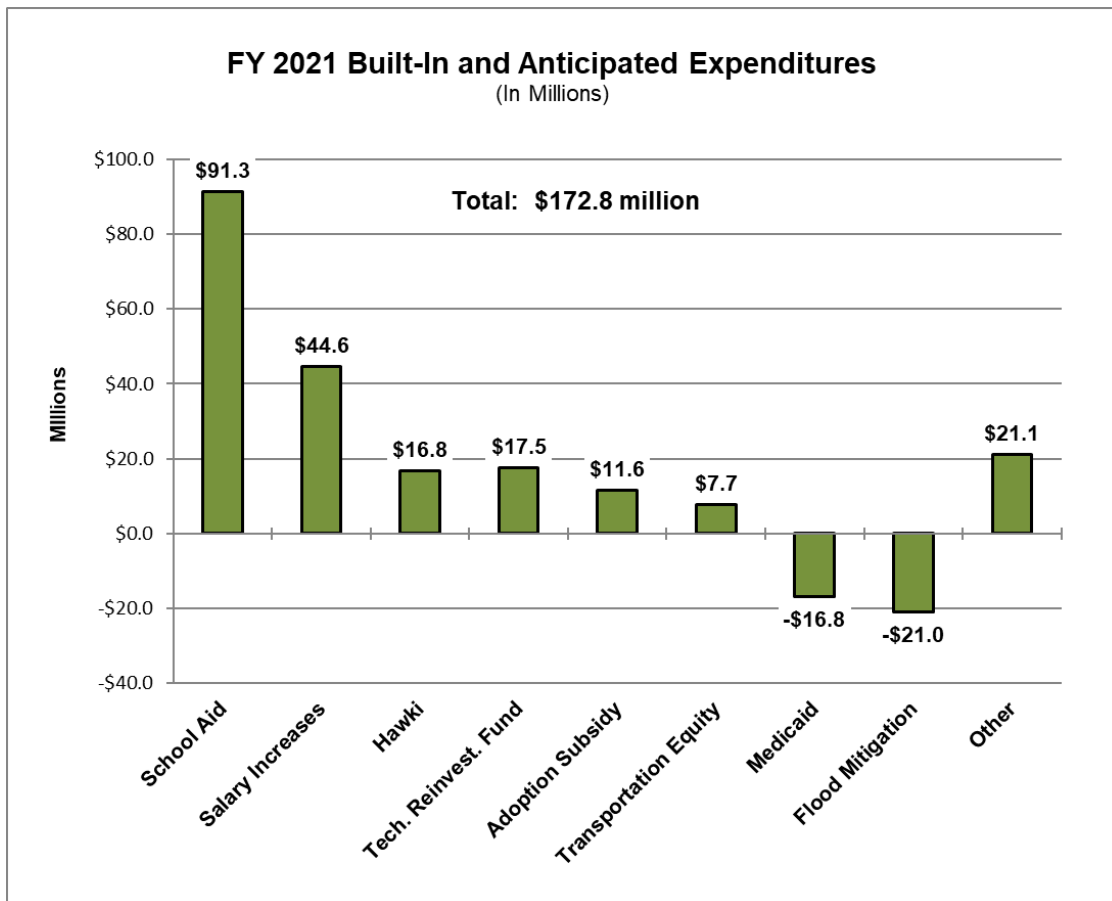
**Figure 11**

Changes to the General Fund Balance Sheet								
(In Millions)								
	Mar. 12, 2020 Estimated FY 2020	May 29, 2020 Revised FY 2020	Change FY 2020	Percent Change	LSA Projections			
					Mar. 12, 2020 FY 2021	May 29, 2020 FY 2021	Change FY 2021	Percent Change
<b>Resources</b>								
Net Receipts (March 12, 2020, REC Est.)	\$ 8,090.7	\$ 8,090.7	\$ 0.0		\$ 8,236.7	\$ 8,236.7	\$ 0.0	
REC Adjustment (May 29, 2020)	0.0	- 149.5	- 149.5		0.0	- 360.1	- 360.1	
<b>Total Net Receipts</b>	<b>\$ 8,090.7</b>	<b>\$ 7,941.2</b>	<b>\$ - 149.5</b>	<b>-1.8%</b>	<b>\$ 8,236.7</b>	<b>\$ 7,876.6</b>	<b>\$ - 360.1</b>	<b>-4.4%</b>
Surplus Carryforward	195.6	195.6	0.0		214.2	250.3	36.1	
<b>Total Available Resources</b>	<b>\$ 8,286.3</b>	<b>\$ 8,136.8</b>	<b>\$ - 149.5</b>	<b>-1.8%</b>	<b>\$ 8,450.9</b>	<b>\$ 8,126.9</b>	<b>\$ - 324.0</b>	<b>-3.8%</b>
<b>Expenditure Limitation</b>					<b>\$ 8,368.5</b>	<b>\$ 8,048.1</b>	<b>\$ - 320.4</b>	
<b>Appropriations and Expenditures</b>								
Appropriations	\$ 7,638.8	\$ 7,638.8	\$ 0.0		\$ 7,752.0	\$ 7,752.0	\$ 0.0	
Built-In and Anticipated Expenditures	0.0	0.0	0.0		317.8	172.8	- 145.0	
Supplemental/Deappropriations	113.2	113.2	0.0		0.0	0.0	0.0	
<b>Total Appropriations</b>	<b>\$ 7,752.0</b>	<b>\$ 7,752.0</b>	<b>\$ 0.0</b>	<b>0.0%</b>	<b>\$ 8,069.8</b>	<b>\$ 7,924.8</b>	<b>\$ - 145.0</b>	<b>-1.8%</b>
Reversions	- 5.0	- 5.0	0.0		- 5.0	- 5.0	\$ 0.0	
<b>Net Appropriations</b>	<b>\$ 7,747.0</b>	<b>\$ 7,747.0</b>	<b>\$ 0.0</b>		<b>\$ 8,064.8</b>	<b>\$ 7,919.8</b>	<b>\$ - 145.0</b>	
<b>Ending Balance – Surplus</b>	<b>\$ 539.3</b>	<b>\$ 389.8</b>	<b>\$ - 149.5</b>	<b>-27.7%</b>	<b>\$ 386.1</b>	<b>\$ 207.1</b>	<b>\$ - 179.0</b>	<b>-46.4%</b>
<b>Under (Over) Expenditure Limitation</b>					<b>\$ 298.7</b>	<b>\$ 123.3</b>		

**FY 2021 Budget Projection.** The estimates that comprise the FY 2021 LSA projection are based on the following factors and assumptions:

- The FY 2021 REC revenue estimate is \$7.877 billion, set on May 29, 2020. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted and incorporates the potential impact of the COVID-19 pandemic on revenues. This estimate is included in the calculation of the FY 2021 expenditure limitation.
- There is a carryforward balance of \$250.3 million from the revised FY 2020 General Fund surplus after the estimated reserve fund and Taxpayer Relief Fund requirements are met.
- The expenditure limitation for FY 2021 is estimated to be \$8.048 billion.
- The enacted appropriations, including supplemental appropriations, from FY 2020 (\$7.752 billion) are used as the baseline for the FY 2021 appropriations.
- The LSA’s estimated net built-in and anticipated expenditure changes for FY 2021 total \$172.8 million. These expenditures are summarized in **Figure 12**. The estimate reflects the incremental increases above the FY 2021 baseline appropriation estimate.
- Reversions are estimated to total \$5.0 million. Reversions are appropriated funds that remain unexpended at the close of the fiscal year and are deposited back in the General Fund.

**Figure 12**



**Reserve Funds.** The balances in the State's two reserve funds are projected to total \$766.9 million for FY 2020 and \$787.6 million for FY 2021 (**Figure 13**). The balance in the Economic Emergency Fund was reduced by \$17.0 million due to the transfer of funds to the Small Business Disaster Recovery Financial Assistance Program to provide financial assistance to small businesses affected by the COVID-19 pandemic.

Figure 13

<b>State of Iowa Reserve Funds</b>			
(In Millions)			
	<b>Actual FY 2019</b>	<b>Estimated FY 2020</b>	<b>Projected FY 2021</b>
<b><u>Cash Reserve Fund</u></b>			
<b>Funds Available</b>			
Balance Brought Forward	\$ 442.4	\$ 571.6	\$ 587.9
General Fund Transfer from Surplus	127.3	289.3	389.8
Special General Fund Appropriation	113.1	0.0	0.0
<b>Total Funds Available</b>	<b>\$ 682.8</b>	<b>\$ 860.9</b>	<b>\$ 977.7</b>
Transfer to Economic Emergency Fund	- 111.2	- 273.0	- 387.0
<b>Balance</b>	<b>\$ 571.6</b>	<b>\$ 587.9</b>	<b>\$ 590.7</b>
<i>Maximum 7.5%</i>	\$ 571.6	\$ 587.9	\$ 590.7
<b><u>Economic Emergency Fund</u></b>			
<b>Funds Available</b>			
Balance Brought Forward	\$ 177.9	\$ 185.6	\$ 179.0
Excess from Cash Reserve Fund	111.2	273.0	387.0
Executive Council – Performance of Duty	- 14.2	- 7.0	- 16.7
<b>Total Funds Available</b>	<b>\$ 274.9</b>	<b>\$ 451.6</b>	<b>\$ 549.3</b>
FY 2019 Perf. of Duty Expense	\$ - 4.9	\$ 0.0	\$ 0.0
Excess Surplus	- 84.4	- 255.6	- 352.4
Transfer to Small Bus. Disaster Assistance Prog.	0.0	- 17.0	0.0
<b>Balance</b>	<b>\$ 185.6</b>	<b>\$ 179.0</b>	<b>\$ 196.9</b>
<i>Maximum 2.5%</i>	\$ 190.5	\$ 196.0	\$ 196.9
<b><u>Distribution of Excess Surplus</u></b>			
Transfer to General Fund	\$ 71.0	\$ 195.6	\$ 250.3
Transfer to Taxpayer Relief Fund	13.4	60.0	102.1
<b>Total</b>	<b>\$ 84.4</b>	<b>\$ 255.6</b>	<b>\$ 352.4</b>
<b><u>Combined Reserve Fund Balances</u></b>			
Cash Reserve Fund	\$ 571.6	\$ 587.9	\$ 590.7
Economic Emergency Fund	185.6	179.0	196.9
<b>Total</b>	<b>\$ 757.2</b>	<b>\$ 766.9</b>	<b>\$ 787.6</b>

**Taxpayer Relief Fund.** Based on the current REC estimates and budget assumptions for FY 2020, it is estimated that the Taxpayer Relief Fund will have a balance of \$73.8 million in FY 2020 and \$175.9 million in FY 2021 (**Figure 14**). This includes a General Fund surplus transfer of \$60.0 million during FY 2020 and an estimated transfer of \$102.1 million in FY 2021.

Figure 14

<b>Taxpayer Relief Fund</b>			
(In Millions)			
	<u>Actual FY 2019</u>	<u>Estimated FY 2020</u>	<u>Projected FY 2021</u>
<b>Funds Available</b>			
Balance Brought Forward	\$ 8.4	\$ 13.5	\$ 73.8
General Fund Surplus Transfer	13.4	60.0	102.1
Interest	0.1	0.3	0.0
<b>Total Funds Available</b>	<u>\$ 21.9</u>	<u>\$ 73.8</u>	<u>\$ 175.9</u>
<b>Expenditures</b>			
Transfer to the General Fund	\$ - 8.4	\$ 0.0	\$ 0.0
<b>Ending Balance</b>	<u>\$ 13.5</u>	<u>\$ 73.8</u>	<u>\$ 175.9</u>

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# Subcommittee Issue Update

For additional information, including information on Testlowa, unemployment, and child care, please refer to the Subcommittee Issue Update section of the May 14, 2020, [State of Iowa Financial Update](#).

The following sections highlight budget issues and topics related to appropriations subcommittees. Please consult the Fiscal Services Division [staff directory](#) to contact the Division with questions or for additional information.

## **Agriculture and Natural Resources**

**State Parks.** As of May 22, 2020, campgrounds, cabin rentals, bathrooms, and shower areas were opened at State parks. The Department of Natural Resources (DNR) is specifying that no additional guests are allowed at campsites beyond the individuals specified on the reservation and has kept some campsites closed to ensure social distancing. All programs and events scheduled at State parks are still canceled, and visitor centers, playgrounds, museums, and nature centers will remain closed. Visitors are encouraged to visit State parks and forests and are allowed to use trails, roads, and shorelines, as well as boat ramps for access to lakes and rivers. As of May 27, 2020, year-to-date camping revenue has increased by \$116,000 (17.2%) compared to FY 2019. Current information on State park usage is available on the DNR [website](#).

**Hunting and Fishing Licenses.** All of Iowa's ponds, rivers, and streams are available for fishing, and there have been no changes to fishing regulations. The DNR asks people to practice social distancing and keep groups to fewer than 10 people. The spring turkey hunting seasons began with a youth-only hunting season on April 5, 2020, and all spring turkey hunting seasons ended on May 12, 2020. There were no changes to hunting regulations. As of May 27, 2020, year-to-date revenue collected for hunting and fishing licenses increased by \$5.7 million (22.9%). A hunting or fishing license can be purchased anytime [online](#) and can be printed on paper or stored electronically.

**Food Assistance.** The United States Department of Agriculture (USDA) is accepting applications for the [Coronavirus Food Assistance Program](#) through August 28, 2020. Producers that have experienced losses due to a 5.0% or greater price decline may be eligible. Other losses covered by the Program include disruptions in the market supply chain and increased market costs due to COVID-19. Eligible commodities include:

- Nonspecialty crops: Malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, and hard red spring wheat.
- Wool.
- Livestock: Cattle, hogs, and sheep (lambs and yearlings only).
- Dairy products.
- Specialty crops.
- Fruits: Apples, avocados, blueberries, cantaloupe, grapefruit, kiwifruit, lemons, oranges, papaya, peaches, pears, raspberries, strawberries, tangerines, tomatoes, and watermelons.
- Vegetables: Artichokes, asparagus, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, garlic, iceberg lettuce, romaine lettuce, dry onions, green onions, peppers, potatoes, rhubarb, spinach, squash, sweet potatoes, and taro.
- Nuts: Almonds, pecans, and walnuts.
- Other: Beans and mushrooms.

**Pass the Pork Program.** The Department of Agriculture and Land Stewardship (DALs) received \$500,000 from the Iowa Coronavirus Relief Fund to fund the [Pass the Pork Program](#) on May 28, 2020. The Pass the Pork Program allows Iowa farmers to donate pigs they cannot send to slaughter to Iowa food banks. The pigs are donated to local meat lockers to process and package. The funding the DALs received will pay for processing, transportation, and other related costs. In addition, Iowa beef producers will also be participating in the Program.

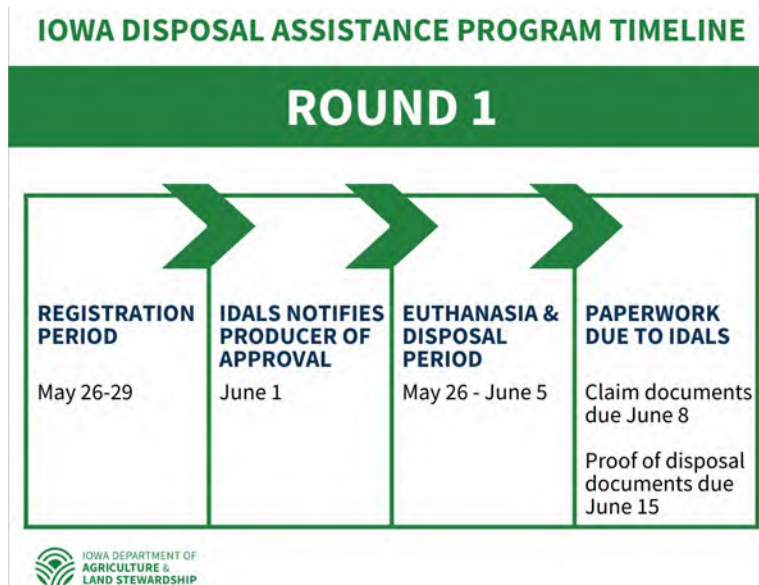
**Animal Mortality.** The USDA is assisting producers with the disposal of animals that are not being slaughtered due to the temporary closure of meat processing plants. The [Coronavirus and USDA Assistance for Farmers](#) website provides information on several programs including the Emergency Animal Mortality Management practice, which makes payments to swine producers based on the type of

disposal. Prior to payment, a swine mortality certification from a veterinarian is required. Payments include:

- Burial: \$74.28 per animal unit (\$89.14 for historically underserved producers).
- Carcass disposal other than burial: \$111.53 per animal unit (\$191.20 for historically underserved producers).
- Incineration: \$219.88 per animal unit (\$263.86 for historically underserved producers).
- Disposal at landfill or render: \$0.05 per pound (\$0.06 for historically underserved producers).

The DALs implemented the [Iowa Resource Coordination Center](#) to assist producers in animal disposal or with other related issues. A producer can complete an online form or call the DALs (515.725.1005) for assistance. The Department also launched the [Iowa Disposal Assistance Program](#) to alleviate the impact of disposal to pork producers (**Figure 15**).

Figure 15



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**Economic Development**

**Iowa Small Business Relief Program.** The Iowa Small Business Relief Program provides financial assistance to small businesses that have been impacted by the COVID-19 pandemic. The Program offers eligible small businesses grants ranging from \$5,000 to \$25,000 and permits the deferral of sales and use taxes or withholding taxes and the waiver of penalty and interest. The Small Business Relief grants will assist eligible businesses in maintaining operations or reopening businesses following the COVID-19 pandemic. The grants cannot be used to pay debts incurred prior to March 17, 2020. The grant amount will be determined by the level of impact, including the loss of sales revenue and employees. The Program is not first-come, first-served but is based on level of impact. A total of \$124.5 million has been made available. The Program has been allocated \$17.0 million from the Economic Emergency Fund, \$7.5 million from Iowa Values Fund repayments and recaptures, \$100.0 million from the CARES Act, and interest related to the allocated funds. As of May 27, 2020, a total of \$78.3 million has been granted to almost 4,200 Iowa recipients. Information on the awards can be found [here](#).

For information on unemployment, please see the State Revenue section in this document.

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**Education**

**K-12 Schools.** On May 20, 2020, Governor Kim Reynolds [announced](#) that schools may reopen for school-sponsored activities and learning effective June 1, 2020, but only to the extent that such activities and learning are consistent with guidance from the Department of Education (DE), the Iowa High School Athletic Association, and the Iowa Girls High School Athletic Union. The DE has provided [reopening guidance](#), [school facilities guidance](#), and [summer sports guidance](#).

Schools are required to submit a Return to Learn Plan to the DE by July 1, 2020. The plans will outline ways learning disruptions will be addressed and may include summer school, enrichment activities, or other opportunities to address the needs of students. The requirement for schools to start no earlier than August 23 has been waived to give schools flexibility for the 2020-2021 school year. The DE has provided [Return to Learn Plan guidance](#) and additional support through an [Iowa Return to Learn Support website](#).

**Higher Education.** Iowa’s institutions of higher education now have access to the Higher Education Emergency Relief Fund (HEERF) funding allocated to them in the CARES Act. HEERF funding for all higher education institutions in Iowa, including private nonprofit and private for-profit institutions, can be found in a [Fiscal Update Article](#) published April 20, 2020 (**Figure 16**).

**Figure 16**

<b>Higher Education CARES Act Allocations</b>			
<b>Sector</b>	<b>Institution</b>	<b>Total Allocation</b>	<b>Min. Allocation to Students</b>
<b>Public 4-Year Institutions</b>			
	Iowa State University	\$ 21,698,857	\$ 10,849,429
	University of Iowa	16,171,354	8,085,677
	University of Northern Iowa	7,618,737	3,809,369
<b>Private Nonprofit 4-Year Institutions</b>			
	Allen College	\$ 282,895	\$ 141,448
	Briar Cliff University	853,293	426,647
	Buena Vista University	1,123,792	561,896
	Central College	928,577	464,289
	Clarke University	768,693	384,342
	Coe College	1,525,647	762,824
	Cornell College	845,562	422,781
	Des Moines University	422,290	211,145
	Divine Word College	52,060	26,030
	Dordt College	1,082,435	541,218
	Drake University	2,224,225	1,112,113
	Emmaus Bible College	313,744	156,872
	Faith Baptist Bible College	297,034	148,517
	Graceland University	1,147,199	573,600
	Grand View University	1,805,328	902,664
	Grinnell College	1,190,471	595,236
	Iowa Wesleyan University	699,320	349,660
	Loras College	1,272,730	636,365
	Luther College	1,380,684	690,342
	Maharishi University of Management	408,145	204,073
	Mercy College of Health Sciences	805,957	402,979
	Morningside College	1,147,631	573,816
	Mount Mercy University	1,221,083	610,542
	Northwestern College	822,778	411,389
	Palmer College of Chiropractic	809,390	404,695
	Saint Ambrose University	205,492	1,027,466
	Simpson College	1,453,050	726,525
	University of Dubuque	2,637,393	1,318,697
	Upper Iowa University	221,375	1,105,188
	Wartburg College	1,289,269	644,635
	William Penn University	1,485,340	742,670

Figure 16 Continued

<b>Higher Education CARES Act Allocations (Continued)</b>			
<b>Sector</b>	<b>Institution</b>	<b>Total Allocation</b>	<b>Min. Allocation to Students</b>
<b><u>Private For-Profit 4-Year Institutions</u></b>			
	Hamilton Technical College	\$ 380,408	\$ 190,204
	Waldorf University	467,220	248,610
<b><u>Public 2-Year Institutions</u></b>			
	Des Moines Area Community College	\$ 7,345,999	\$ 3,673,000
	Eastern Iowa Community College	2,709,712	1,354,856
	Hawkeye Community College	1,769,048	884,524
	Indian Hills Community College	2,199,657	1,099,829
	Iowa Central Community College	3,053,198	1,526,599
	Iowa Lakes Community College	966,888	483,444
	Iowa Valley Community College	1,352,571	676,286
	Iowa Western Community College	3,175,383	1,587,692
	Kirkwood Community College	6,336,610	3,168,305
	North Iowa Area Community College	1,293,311	646,656
	Northeast Iowa Community College	1,835,580	917,790
	Northwest Iowa Community College	422,535	211,268
	Southeastern Community College	1,155,058	577,529
	Southwestern Community College	587,388	293,694
	Western Iowa Tech Community College	2,023,618	1,011,809
<b><u>Private Nonprofit 2-Year Institutions</u></b>			
	Saint Luke's College	\$ 136,761	\$ 68,381
<b><u>Private For-Profit 2-Year (or Less) Institutions</u></b>			
	Capri College (Cedar Rapids)	\$ 252,527	\$ 126,264
	Capri College (Davenport)	222,923	111,462
	Capri College (Dubuque)	253,210	126,605
	EQ School of Hair Design	132,044	66,022
	Faust Institution of Cosmetology	65,010	32,505
	Iowa School of Beauty (Des Moines)	169,529	84,765
	Iowa School of Beauty (Ottumwa)	56,508	25,254
	Iowa School of Beauty (Sioux City)	106,997	53,497
	La' James College of Hairstyling and Cosmetology (Mason City)	120,456	60,228
	La' James International College (Cedar Falls)	22,241	11,121
	La' James International College (Davenport)	28,646	14,323
	La' James International College (Fort Dodge)	15,386	7,693
	La' James International College (Iowa City)	34,528	17,264
	La' James International College (Johnston)	33,414	16,707



The State universities provided the following estimates of financial impact related to the pandemic (Figure 17):

Figure 17

<b>COVID-19 Impact on State Universities (as estimated May 15, 2020)</b>		
Estimated through August 23, 2020, except where noted.		
	<u>Net Revenue Loss</u>	<u>Additional Expenses</u>
University of Iowa	\$ 52,401,000	\$ 9,544,000
Potential lost interest	27,000,000 annual	
Hospitals and Clinics	56,126,000 per month	8,080,000 per month
Hygienic Laboratory	50,000 per month	1,710,000 per month
Dental College Clinics	2,250,000 per month	
Iowa State University	\$ 66,528,328	\$ 2,288,447
Potential lost interest	9,450,000 annual	
University of Northern Iowa	\$ 18,142,894	\$ 402,180

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**Health and Human Services****Medicaid Forecast**

**Medicaid Forecast May 2020.** Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on May 22, 2020, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2020 and FY 2021 (**Figure 18**). The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming fiscal years.

**Figure 18**

<b>Medicaid Balance Sheet</b>			
	Actual FY 2019	Estimated FY 2020	Estimated FY 2021
<b>Medicaid Funding</b>			
Carryforward from Previous Year	\$ 36,170,463	\$ 87,888,114	\$ 120,613,153
Palo Replacement Generation Tax	1,408,668	1,204,161	602,080
Health Care Trust Fund	202,680,114	197,755,241	182,830,000
Nursing Facility Quality Assurance Fund	34,138,988	54,100,000	56,305,139
Hospital Trust Fund	33,920,554	33,920,554	33,920,554
Medicaid Fraud Fund	612,518	150,000	150,000
Transfer Decategorization Reversion	2,932,149	907,404	0
CFS Foster Care Transfer	5,000,000	0	0
<b>Total Non-General Fund Sources</b>	<b>\$ 316,863,454</b>	<b>\$ 375,925,474</b>	<b>\$ 394,420,926</b>
<b>General Fund Appropriation</b>	<b>1,337,646,375</b>	<b>1,427,381,675</b>	<b>1,427,381,675</b>
General Fund Supplemental	150,300,000	88,982,734	0
<b>Total General Fund Sources</b>	<b>\$ 1,487,946,375</b>	<b>\$ 1,516,364,409</b>	<b>\$ 1,427,381,675</b>
<b>Total Medicaid Funding</b>	<b>\$ 1,804,809,829</b>	<b>\$ 1,892,289,883</b>	<b>\$ 1,821,802,601</b>
<b>Estimated State Medicaid Need</b>	<b>\$ 1,572,484,966</b>	<b>\$ 1,823,945,331</b>	<b>\$ 1,932,562,873</b>
FMAP Changes	-58,940,360	-53,120,556	-32,412,311
6.2% FMAP Adjustment — COVID-19	0	-125,000,000	-62,500,000
Health and Wellness Program Expenditures	7,200,000	16,900,000	13,454,459
Adjustment Due to Gov. Line Item Veto	-195,000	-195,000	0
MCO Capitation Increase	109,907,245	67,834,927	0
Risk Corridor Payments	21,817,026	0	0
Habilitation Risk Pool Adjustment	40,425,283	0	0
MCO Incentives	9,600,000	0	0
CY 2018 Health Insurer Fee Payment	14,622,555	0	0
FY 2020 Appropriations Act Changes	0	27,926,781	0
Nursing Facility Rebase	0	13,385,247	0
Adult and Children MH Funding	0	0	2,914,448
<b>Total Estimated Medicaid Need</b>	<b>\$ 1,716,921,715</b>	<b>\$ 1,771,676,730</b>	<b>\$ 1,854,019,469</b>
<b>Balance (Underfunded If Negative)</b>	<b>\$ 87,888,114</b>	<b>\$ 120,613,153</b>	<b>\$ -32,216,868</b>
MCO – Managed Care Organization	CFS – Child and Family Services		
FMAP – Federal Medical Assistance Percentage	MH – Mental Health		

**Fiscal Year 2019.** Medicaid ended FY 2019 with a \$87.9 million surplus. Of that, \$81.4 million was due to funds set aside for the final capitation payment for UnitedHealthcare and the remaining \$6.5 million was for payments related to the FY 2018 and FY 2019 pharmacy carve-out, both of which will be paid in FY 2020.

**Fiscal Year 2020 Estimate.** For FY 2020, the Forecasting Group estimates Medicaid will have a surplus of \$120.6 million above what was appropriated in [HF 766](#) (FY 2020 Health and Human Services Appropriations Act) and the \$89.0 million provided in [SF 2408](#) (FY 2020 Supplemental and Continuing Appropriations Act). The increase is mainly due to the 6.2% Federal Medical Assistance Percentage (FMAP) increase provided by the federal [COVID-19 economic stimulus package](#). The increase provides approximately \$62.5 million per quarter beginning January 1, 2020. The Forecasting Group is assuming the State will receive at least three quarters of the enhanced FMAP. As a condition of receiving the enhanced FMAP, the State is not allowed to disenroll anyone from Medicaid during the national emergency caused by COVID-19.

**Fiscal Year 2021 Estimate.** For FY 2021, the Forecasting Group estimates Medicaid will need an additional \$32.2 million. This does not include an increase in capitation payments to the managed care organizations (MCOs) for FY 2021, but does include the following:

- An increase of \$89.0 million to replace the unfunded need from FY 2020.
- An increase of \$900,000 due to lower revenue from the Health Care Trust Fund, Palo Replacement Generation Tax revenue, and decategorization revenue.
- An increase of \$35.5 million for MCO and fee-for-service enrollment increases and other revenue and expenditure changes.
- An increase of \$26.4 million due to the reinstatement of the federal Health Insurer Fee.
- An increase of \$15.6 million for Medicare Part A and B premium payments and the Medicare Part D clawback payment.
- A decrease of \$6.6 million due to an increase in drug rebates and other recoveries.
- An increase of \$3.0 million for increased funding related to adult and children's mental health programs.
- A net decrease of \$19.0 million to reflect the increase in the regular FMAP rate. The impact from the FMAP rate increase is offset by a decrease from 91.5% to 90.0% in the Iowa Health and Wellness Program (IHAWP) FMAP rate.
- A decrease of \$120.6 million due to carryforward from FY 2020.
- A decrease of \$62.5 million as a result of an additional quarter of 6.2% enhanced FMAP.
- A net increase of \$58.7 million due to COVID-19-related expenditures, mainly enrollment increases.
- An additional increase of \$11.8 million due to decreased revenue from the Health Care Trust Fund.

**Fiscal Year 2021 Uncertainty.** Several states have reported substantial increases in new Medicaid and Children's Health Insurance Program (CHIP) enrollment as a result of the COVID-19 pandemic. Iowa has realized Medicaid enrollment impacts as a result of disenrollment suspension; however, significant impacts in new enrollment have not yet occurred. While a significant increase in new enrollment has not yet been seen, it is likely that Iowa will see an impact. The first reported case of COVID-19 in the U.S. was on January 21, 2020; Iowa's first reported case was more than six weeks later on March 8. This [document](#) by the National Association of Medicaid Directors (NAMDM) provides further explanations for why the surge is yet to come.

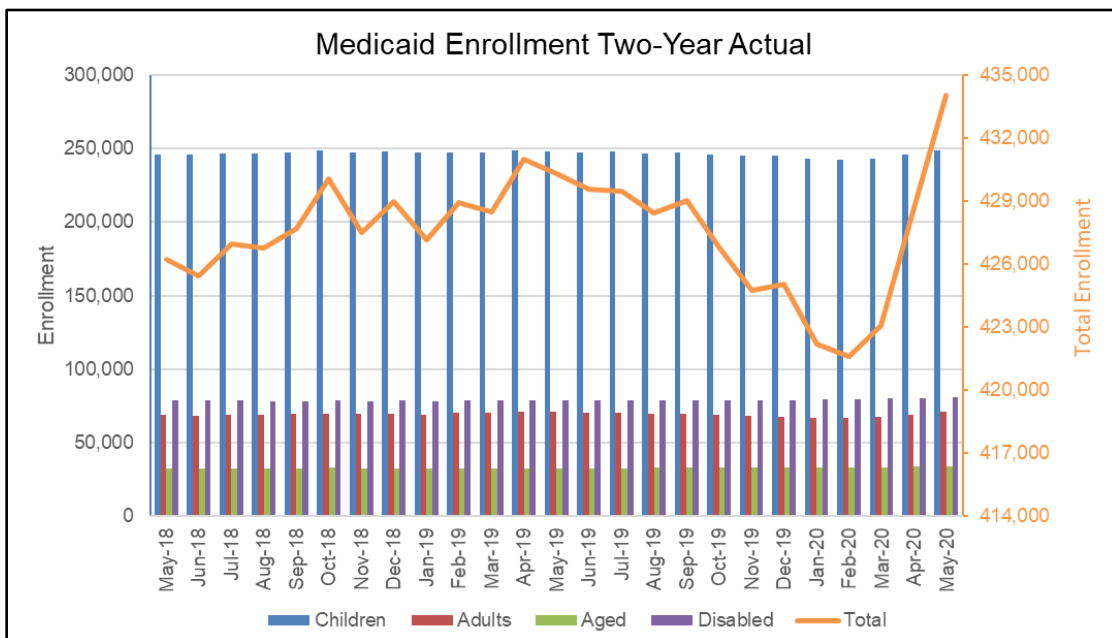
**Medicaid Enrollment.** **Figure 19** details Medicaid and IHAWP enrollment changes by month. Enrollment tends to fluctuate on a monthly basis, and those fluctuations can be as large as 3,000 individuals in Medicaid in a normal month. In April, Medicaid enrollment grew by 5,607, with an additional 5,331 in May. IHAWP enrollment grew by 5,390 in April and 3,522 in May. Total enrollment for Medicaid has increased by 4,419 individuals for FY 2020, and IHAWP enrollment has increased by 13,635 individuals. A portion of the increase in both programs is likely due to the federal requirement for receiving the 6.2% enhanced FMAP, which requires states not to disenroll anyone currently on a state health insurance program.

Figure 19

FY 2020	Regular Medicaid					Total	IHAWP Total
	Children	Adults	Aged	Disabled			
July	124	-291	120	-85		-132	502
August	-831	-356	100	61		-1,026	380
September	205	-101	211	296		611	844
October	-1,203	-880	-2	-132		-2,217	123
November	-866	-814	-174	-225		-2,079	1,219
December	76	-252	78	396		298	1,279
January	-2,037	-855	-30	66		-2,856	-704
February	-833	46	27	194		-566	-143
March	602	212	169	465		1,448	1,223
April	3,053	1,767	404	383		5,607	5,390
May	2,752	1,963	130	486		5,331	3,522
Total FY 2020	1,042	439	1,033	1,905		4,419	13,635
Grand Total	248,377	71,050	33,784	80,786		433,997	182,293

Figure 20 shows monthly Medicaid enrollment over the past two years. The Medicaid Program has seen a large spike in enrollment over the past two months. The Medicaid Forecasting Group anticipates enrollment will continue to grow as unemployment continues and with nobody being disenrolled. The Iowa Department of Human Services (DHS), the Iowa Department of Management, and the Legislative Services Agency (LSA) are tracking these changes and analyzing their potential impact on Medicaid for FY 2020 and FY 2021. The LSA will provide updates on enrollment and expenditure projections in this publication in the coming months.

Figure 20

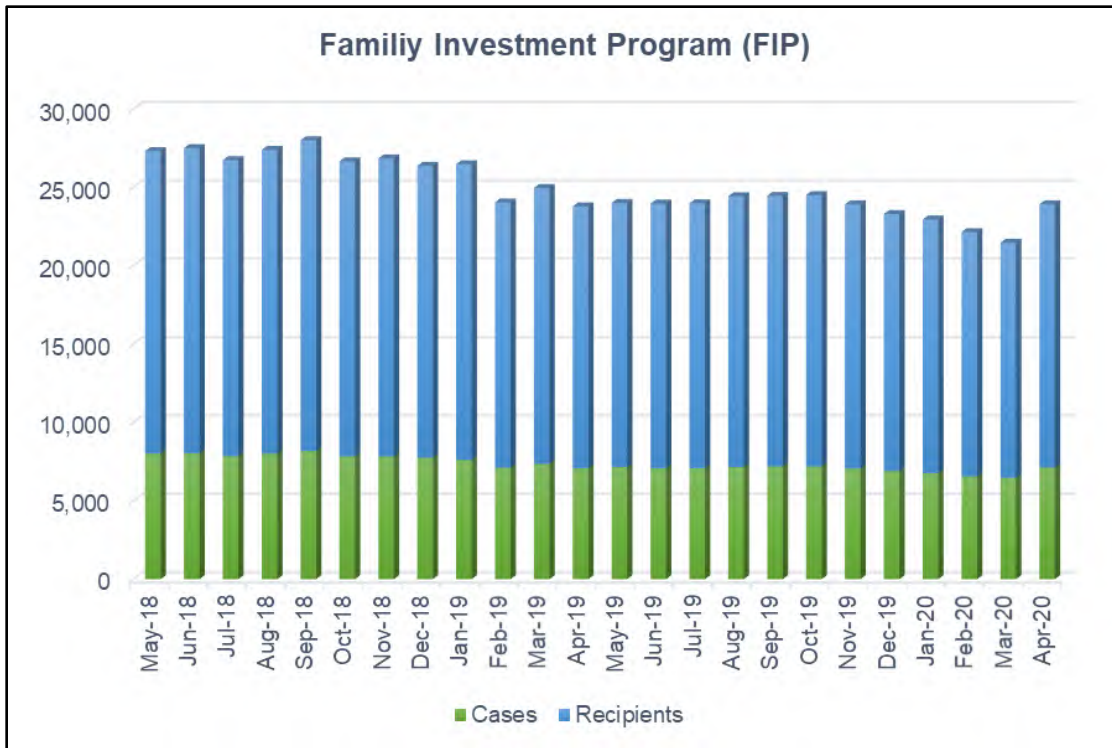


**Family Investment Program (FIP) and Supplemental Nutrition Assistance Program (SNAP)**

**FIP Enrollment.** The FIP is Iowa's Temporary Assistance to Needy Families (TANF) Program. The Program provides cash assistance to needy families as they become self-supporting so that children may be cared for in their own homes or in the homes of relatives. In FY 2019, the average monthly FIP payment was \$349.63 for one-parent households; \$447.45 for two-parent households; and \$274.75 for caretaker households.

**Figure 21** illustrates an increase of 658 cases in April (10.2%), ending a steady decline in both the total number of cases and total number of recipients over the past two years. The number of cases is likely going to continue to grow as unemployment increases.

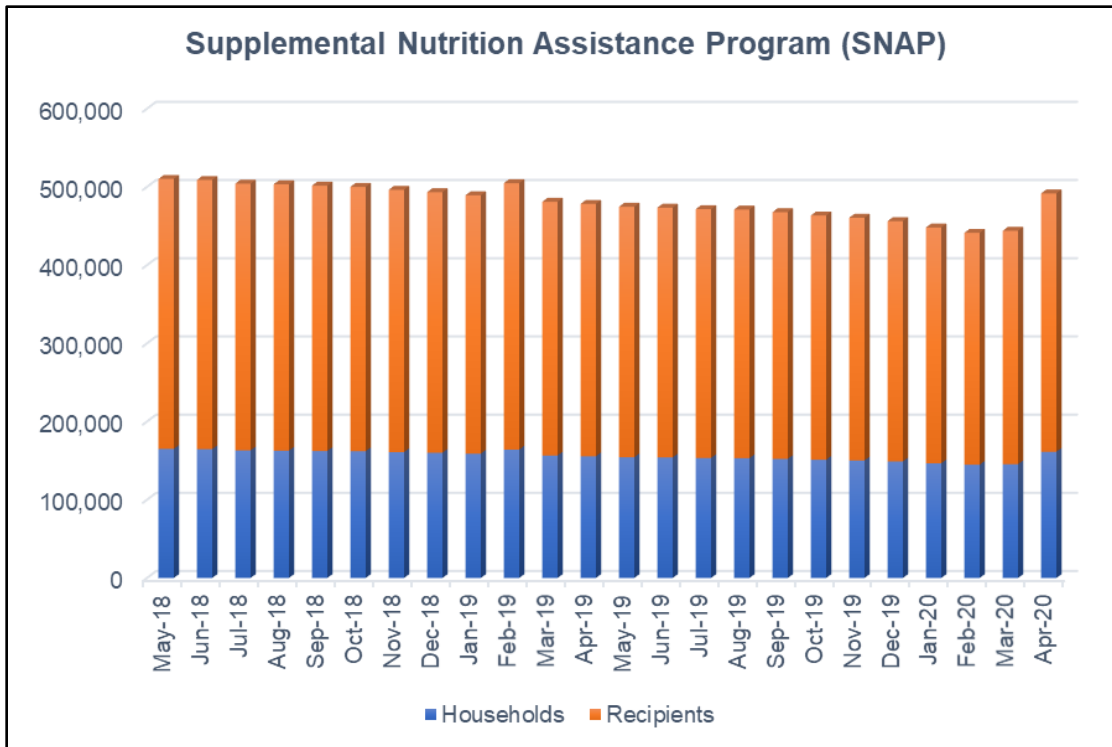
**Figure 21**



SNAP is a federally funded program that provides benefits to low-income Iowans to purchase food. To be eligible for the Program, a family must have household income not to exceed 160.0% of the federal poverty level. For a family of three, that equals a gross annual income of approximately \$34,752. The average benefit is \$226.90 per month per household or \$109.05 per month per individual.

Figure 22 shows a gradual decline in Program enrollment over the past two years, with a sharp increase in April of 31,918 recipients (10.7%). Like the FIP, SNAP will likely continue to see caseload growth as unemployment increases. May recipient numbers will be available later in June.

Figure 22



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**Justice System**

**Judicial Branch.** On May 22, 2020, the Iowa Supreme Court issued a [supervisory order](#) stating that face-to-face court proceedings will commence July 13, 2020, and jury trials will commence September 14, 2020. Some counties may begin face-to-face proceedings before July 13 if the county courthouse is open to the public and the court operations in that county meet COVID-19 safety protocols recommended by State court administration. An additional May 22 [order](#) also established the Jumpstart Family Law Task Force to recommend temporary policies and procedures for family law matters as Iowa courts work toward the resumption of normal operations, including ways to prioritize family law cases that have been postponed by COVID-19.

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**Transportation, Infrastructure, and Capitals**

**Department of Transportation.** Additional information regarding Road Use Tax Fund distributions for June will be available soon in a **Fiscal Update Article** and will be highlighted in a later edition of this document.

**Rebuild Iowa Infrastructure Fund (RIIF).** The Revenue Estimating Conference (REC) met on May 29, 2020, and revised revenue estimates for wagering taxes. A revised balance sheet for the RIIF is below (**Figure 23**).

**Figure 23**

<b>Rebuild Iowa Infrastructure Fund</b>					
	Actual FY 2019	Initial Est.	FY 2020		Estimated FY 2021
			Adjustments	Est. Net	
<b>Revenues and Resources</b>					
Balance Forward	\$ 10.9	\$ 10.9	\$ 0.0	\$ 10.9	
Total Casino Wagering Tax	163.3	159.8	(69.1)	90.7	138.6
Interest	15.7	16.0	0.0	16.0	17.0
MSA Tobacco Payments	10.9	10.8	0.0	10.8	10.8
MSA Tobacco Litigation Settle.	2.2	2.2	0.0	2.2	2.2
<b>Total Resources</b>	<b>\$ 203.0</b>	<b>\$ 199.7</b>	<b>\$ -69.1</b>	<b>\$ 130.6</b>	<b>\$ 168.6</b>
<b>Appropriations</b>					
Enacted Appropriations	\$ 193.7	\$ 198.9	\$ 0.0	\$ 198.9	\$ 99.6
Reversions	-1.5	0.0	0.0	0.0	0.0
<b>Ending Balance</b>	<b>\$ 10.9</b>	<b>\$ 0.9</b>		<b>\$ -68.2</b>	<b>\$ 69.0</b>

Note: The balance carried forward to FY 2021 has been excluded.

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