
ISSUE REVIEW

Fiscal Services Division

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515.281.3566

Uses of Iowa's General Fund Surplus and Reserve Funds

ISSUE

This **Issue Review** provides historical information on the uses of Iowa's General Fund surplus revenues and the State's two reserve funds to offset declines in tax revenue deposited into the State's General Fund, as well as their additional uses such as mitigating the impacts of natural disasters at the State and local level. The report covers the period of FY 1994 to estimated FY 2021. This **Issue Review** also includes a broad overview of the condition of the General Fund budget over time in an effort to provide some context related to the use of General Fund surplus revenues and the reserve funds.

Not included in this **Issue Review** is an in-depth look at the statutory requirements relating to the use of General Fund surplus dollars or reserve funds. See the **Issue Review** titled [State of Iowa Expenditure Limitation Process](#) for additional information on the statutory requirements of the reserve funds.

RELEVANT CODE SECTIONS

Iowa Code sections [8.55](#), [8.56](#), and [8.57](#)

BACKGROUND

Once the State's finances for a fiscal year are finalized, the General Fund surplus (ending balance) is distributed to various funds. These funds include the Cash Reserve Fund, the Generally Accepted Accounting Principles (GAAP) Deficit Reduction Account, and the Iowa Economic Emergency Fund. This current configuration of the State reserve funds was established in 1992, with the enactment of Iowa's expenditure limitation law.¹ In addition to the reserve funds, the Taxpayers Trust Fund (later changed to the Taxpayer Relief Fund) was created in 2013. This Fund can receive a portion of the excess surplus funds if certain conditions are met.²

The cash balances in the reserve funds allow the State to cash flow expenditures so the General Fund maintains a positive cash balance throughout the fiscal year. The reserve funds also provide sources of revenue that policymakers can use to assist in balancing the budget during fiscal years that experience unexpected reductions in tax revenue.

On occasion, General Fund surplus dollars have been diverted prior to the distribution of moneys to the Cash Reserve Fund in order to fund programs that would have otherwise been funded from the General Fund. These diversions were largely done to help balance the State's

¹ 1992 Iowa Acts, ch. [1227](#) (SF 2351 — State Budget and Financial Control Act).

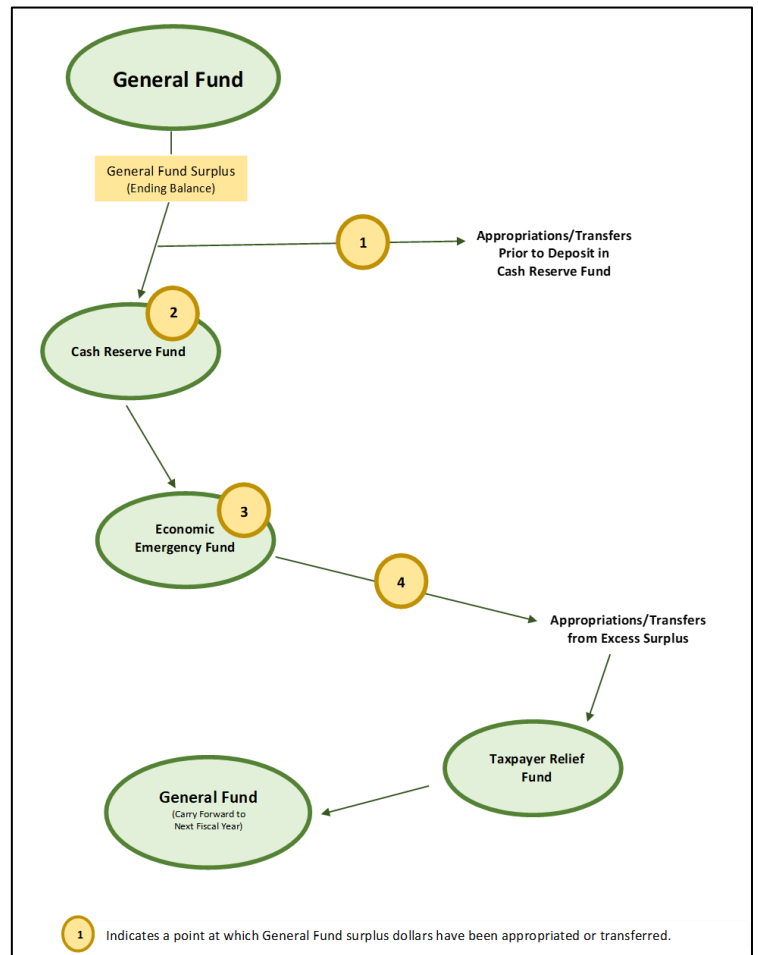
² 2011 Iowa Acts, ch. [123](#), §§28 – 32; and Iowa Code [§8.57E](#).

General Fund budget during periods of revenue declines or to keep the growth of General Fund appropriations at a lower level.

The GAAP Deficit Reduction Account was created with the purpose of transitioning the State to conform to GAAP by the end of FY 1995. The purpose of GAAP is to ensure that financial reporting is consistent between state and local governments. The principles of GAAP are established by the Governmental Accounting Standards Board (GASB). The State's GAAP deficit was eliminated in 1994, and Iowa now uses accounting procedures that are consistent with GAAP. Because of Iowa's compliance with GAAP, the GAAP Deficit Reduction Account is not actively used.

Lawmakers have used the General Fund surplus in multiple ways in the budgeting process to offset General Fund revenue reductions or to offset appropriation reductions to State programs. The chart to the right shows the four points at which appropriations and transfers³ have been made from the surplus as the funds flow through the statutory process. These appropriations and transfers have generally required provisions of the Iowa Code that govern the distribution of the surplus to be made inapplicable in session law. The four points include:

1. Making appropriations and transfers from the surplus prior to being deposited into the Cash Reserve Fund.
2. Making appropriations and transfers directly from the Cash Reserve Fund.
3. Making appropriations and transfers directly from the Economic Emergency Fund.
4. Making appropriations and transfers from the excess surplus dollars after the balances in the Cash Reserve Fund and the Economic Emergency Fund have reached the statutory maximum limit.

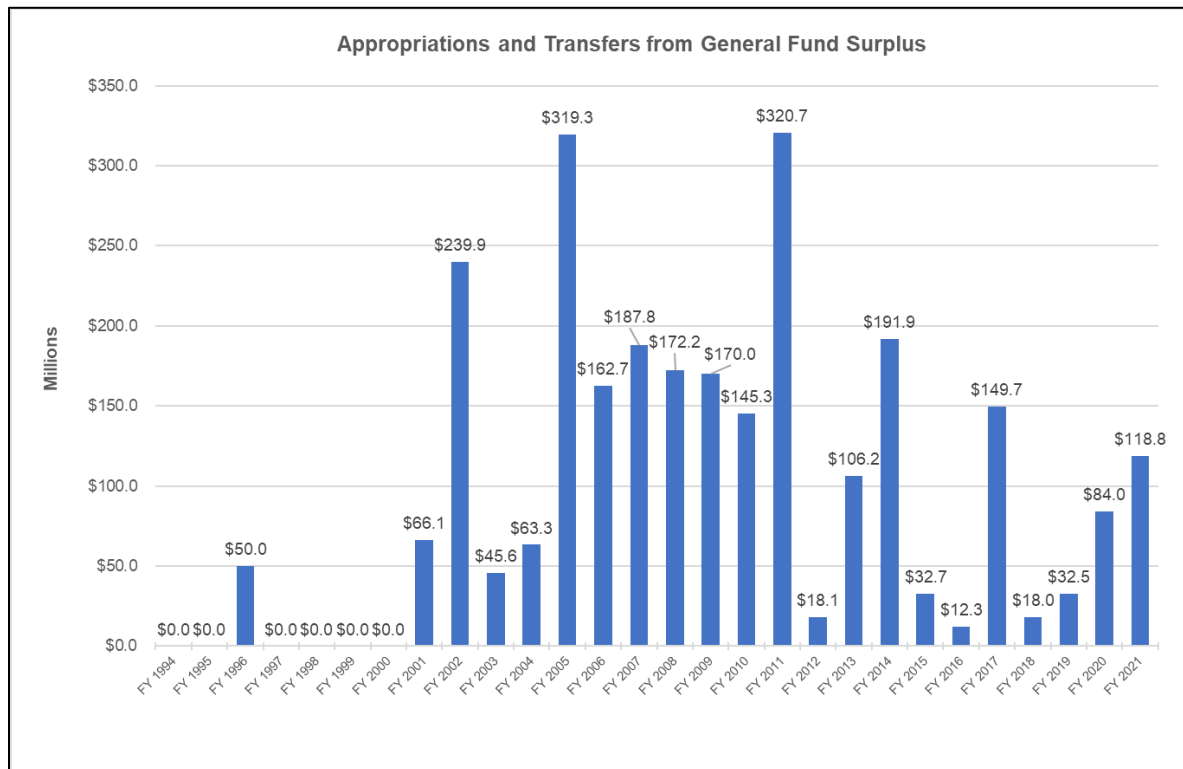


IMPACT ON THE IOWA BUDGET

Since FY 2001, the General Fund surplus and the reserve funds have been routinely used to augment the State's General Fund budget. A summary of how the General Fund surplus and the reserve funds have been used is discussed below (**Figure 1**).

³ The terms "appropriations" and "transfers" both refer to the movement and expenditure of funds. While the two terms are often used interchangeably, "appropriations" generally refers to a line item within session law that provides spending authority for a program or project, whereas "transfers" generally refers to the movement of dollars between funds.

Figure 1



FY 2002 – FY 2004 Budgets. According to the [National Bureau of Economic Research](#), the recession of 2001 lasted for approximately eight months, from March to November 2001. This had a significant impact on the FY 2002 budget. The initial General Fund budget for FY 2002 was based on a net revenue estimate of \$4.894 billion. By the close of the fiscal year, revenues dropped by 8.3%, or approximately \$408.0 million. Total General Fund revenues for FY 2002 ended the fiscal year 4.1% below the FY 2001 level.

To help balance the budget, two transfers from the reserve funds to the General Fund were enacted during the 2002 Second Extraordinary Session.⁴ These included a \$105.0 million transfer from the Economic Emergency Fund and a \$90.0 million transfer from the Cash Reserve Fund. In addition, a supplemental appropriation of \$44.9 million from the Economic Emergency Fund was enacted during the 2002 regular Session for State School Aid to supplement the General Fund appropriation.⁵ The net impact to the FY 2002 General Fund budget from the reserve funds was \$239.9 million. This represents 5.1% of the total year-end General Fund revenues for FY 2002.

General Fund revenues continued to decline through FY 2003 and ended the fiscal year 3.2% (\$150.9 million) below FY 2002. In addition, FY 2003 ended the fiscal year with a \$45.8 million deficit. To eliminate the deficit, a transfer of \$45.8 million was made from the FY 2004 Cash Reserve Fund revenue to the General Fund to close out FY 2003.⁶

Net General Fund revenues increased 3.4% (\$154.4 million) in FY 2004 compared to FY 2003. The increase brought total General Fund revenues back to the FY 2001 level. In both FY 2003 and FY 2004, the reserve funds were used to help fund the Environment First Fund and the

⁴ 2002 Iowa Acts, Second Extraordinary Session, ch. [1001](#), §§2 and 3.

⁵ 2002 Iowa Acts, ch. [1166](#), §1.

⁶ 2004 Iowa Acts, ch. [1170](#), §1.

Rebuild Iowa Infrastructure Fund (RIIF) as a result of transfers that were made from these funds to the General Fund.

FY 2005 – FY 2008 Budgets. From FY 2004 to FY 2008, General Fund revenues grew at an average annual rate of 6.8% and appropriations increased by an average annual rate of 6.9%. Lawmakers were still relying on surplus revenues to fund programs that were normally funded from the General Fund. These included the property tax credit programs and the [Senior Living Trust Fund](#), which was primarily used to fund Medicaid.

During the 2004 Legislative Session, an appropriation of \$159.6 million was made from the Cash Reserve to a newly created Property Tax Credit Fund to fund the State's four property tax credit programs in FY 2005.⁷ These programs were previously funded directly from the General Fund through standing appropriations. The four property tax credit programs include:

- [Homestead Property Tax Credit](#)
- [Agricultural and Family Farm Tax Credits](#)
- [Military Service Tax Credit](#)
- [Elderly and Disabled Tax Credit](#)

During the 2005 Legislative Session, a supplemental appropriation of \$159.7 million was made from the FY 2005 General Fund surplus to the Property Tax Credit Fund prior to the surplus dollars being distributed to the Cash Reserve Fund.⁸ The appropriation was allowed to carry forward and was used to fund the State's property tax credits in FY 2006. The impact to the FY 2005 General Fund budget from the reserve funds was \$319.3 million, which was 6.5% of the total General Fund revenues for FY 2005.

The practice of funding the property tax credits from the General Fund surplus continued through FY 2008, albeit at reduced levels. From FY 2005 to FY 2008, a total of \$710.9 million was appropriated from the General Fund surplus and the Cash Reserve Fund to fund the property tax credits. By FY 2009, the funding for the tax credits was transitioned back to the General Fund.

From FY 2007 to FY 2009, the surplus was used to fund the Senior Living Trust Fund, which was originally created in 2000 to receive nursing facility payments through intergovernmental agreements, as well as grants and federal revenue from public nursing facilities participating in Iowa's Medicaid program. Over this three-year period, a total of \$197.0 million was transferred from the General Fund surplus to the Senior Living Trust Fund.

FY 2009 – FY 2011 Budgets. The recession of 2008,⁹ which lasted for approximately 18 months (from December 2008 to September 2009), had a significant impact on the State budget from FY 2009 to FY 2011. During this period, the State received considerable assistance from the federal government through the [American Recovery and Reinvestment Act \(ARRA\) of 2009](#). Over this three-year period, Iowa received approximately \$1.109 billion in federal stimulus payments.

By the close of FY 2009, tax revenues declined \$314.4 million (5.1%) compared to the estimate used to balance the initial budget. To balance the budget, the Governor implemented a 1.5% across-the-board reduction totaling \$89.1 million. An additional \$101.5 million in deappropriations were also enacted. These actions resulted in total reductions of \$190.6 million (3.2%) to General Fund appropriations. During this time, the State was also still responding to the effects of the 2008 flooding, which had caused wide-spread damage to communities

⁷ 2004 Iowa Acts, ch. [1175](#), §259.

⁸ 2005 Iowa Acts, ch. [179](#), §4.

⁹ [National Bureau of Economic Research](#)

statewide. At the close of FY 2009, the General Fund had a deficit of \$45.3 million. As a result, a transfer of \$45.3 million was made from the Economic Emergency Fund to balance the budget.¹⁰ In FY 2009, a total of \$170.0 million from the Economic Emergency Fund and the General Fund surplus was used in FY 2009 to offset appropriation reductions, provide disaster assistance to communities and individuals, and to balance the budget.

In October 2009, the Revenue Estimating Conference (REC) lowered the FY 2010 revenue estimate by 7.1% (\$415.4 million), which caused a projected budget shortfall for FY 2010 of \$317.8 million. In response, the Governor implemented a 10.0% across-the-board reduction, reducing General Fund appropriations by \$564.4 million. Additional reductions to FY 2010 appropriations were also enacted, bringing the total reduction to \$654.4 million (11.0%) compared to FY 2009. Many of the cuts, particularly to School Aid and Medicaid, were offset by federal ARRA funds. The State also used \$145.3 million from the Cash Reserve Fund to help balance the FY 2010 budget.

While General Fund revenues were recovering in FY 2011, the recovery was not reflected in the revenue estimates until after the initial FY 2011 budget was enacted. As a result, growth in General Fund appropriations was relatively flat at 0.9% (\$47.3 million) compared to FY 2010. Although the growth in actual General Fund appropriations was minimal, funds from the federal ARRA dollars and the Cash Reserve Fund were used to supplement State spending during FY 2011. These included appropriations of approximately \$299.0 million in ARRA funds and a total of \$320.6 million from the Cash Reserve Fund and the surplus prior to deposit in the Cash Reserve Fund.

FY 2012 – FY 2016 Budgets. From FY 2010 to FY 2013, the General Fund surplus grew to record levels. By FY 2013, the General Fund surplus grew to a record \$927.7 million, which was 13.7% of net receipts for that year (**Figure 2**). One of the major factors that contributed to this growth was the FY 2010 reduction to General Fund appropriations. Appropriations from the General Fund in FY 2010 decreased by \$654.4 million (11.0%) compared to FY 2009, largely due to the 10.0% across-the-board reduction mentioned above. In addition, appropriations enacted for FY 2011 increased only slightly and still remained 10.2% below FY 2009. While appropriations in FY 2010 and FY 2011 were down, net General Fund revenues began to increase. Net revenue growth for FY 2012 and FY 2013 was 13.5% and 9.7%, respectively, which led to record carryforward balances and surpluses (**Figure 3**).

From FY 2012 to FY 2016, appropriations from the Economic Emergency Fund and excess surplus revenues were still being made, although at a reduced level. Two law changes went into effect during FY 2013 that changed the distribution of surplus funds. The first change moved the standing unlimited General Fund appropriation for the Performance Duty to the Economic Emergency Fund.¹¹ The second was the creation of the Taxpayers Trust Fund, which could receive up to \$60.0 million from the excess surplus.¹² The Taxpayers Trust Fund and its successor, the Taxpayer Relief Fund,¹³ were created to provide tax relief for Iowans by using the excess General Fund surplus after the reserve funds are at their maximum balances. While the overall purpose of the two funds is similar, there are some fundamental differences in how the funds function. The primary difference is that the proceeds in the Taxpayers Trust Fund could be distributed to qualified taxpayers via an income tax credit. When the Taxpayers Trust Fund provisions were amended in 2018, the tax credit was repealed, the Fund was

¹⁰ Iowa Code §8.55.

¹¹ 2011 Iowa Acts, ch. 131, §§10 – 39.

¹² 2011 Iowa Acts, ch. 123, §§28 – 32.

¹³ 2018 Iowa Acts, ch. 1161, §§47 – 57.

renamed to the Taxpayer Relief Fund, and any balance in the Fund became subject to an appropriation by the General Assembly.

In FY 2014, the General Assembly transferred \$116.1 million to the State Bond Repayment Fund from the excess General Fund surplus dollars. The funds were for the defeasance of certain revenue bonds.¹⁴

FY 2017 – FY 2021 Budgets. During FY 2017, General Fund revenue estimates were lowered by the REC, resulting in a projected budget shortfall of \$130.4 million. To bring the budget back into balance, a transfer of \$131.1 million from the Cash Reserve Fund was enacted.¹⁵ The enacted legislation also included General Fund appropriations for FY 2018 (\$20.0 million) and FY 2019 (\$111.1 million) to reimburse the Cash Reserve Fund for the FY 2017 transfer.

After the FY 2017 budget was enacted and the General Assembly adjourned the 2017 Legislative Session, revenue collections continued to come in below projections. At the close of the fiscal year, the FY 2017 General Fund budget had a deficit of \$13.0 million. In accordance with Iowa Code section [8.55](#), a transfer of \$13.0 million was made from the Economic Emergency Fund to the General Fund at the direction of the Governor to eliminate the budget deficit. Iowa Code section 8.55 also required that an appropriation of \$13.0 million be made from the General Fund to the Economic Emergency Fund in FY 2018 to reimburse the Fund for the FY 2017 transfer.

Net General Fund revenues increased in FY 2018 and FY 2019 and no appropriations or transfers from the reserve funds were made beyond the statutory requirements of the Performance of Duty and the Taxpayer Relief Fund.

On March 9, 2020, the Governor signed a [proclamation](#) designating a State of Disaster Emergency in response to the outbreak of COVID-19. Additional proclamations were also issued that temporarily closed schools and certain businesses and implemented health and safety directives designed to slow the spread of the virus. The General Assembly also recessed the 2020 Legislative Session in March for approximately two and a half months due to concerns over the COVID-19 pandemic. The pandemic caused a significant increase in [layoffs](#) and led to an economic downturn, which also impacted State tax revenues. The REC met on May 29, 2020, to incorporate potential impacts of the economic crisis, and revised the previous FY 2020 and FY 2021 revenue estimates from the March REC meeting down by 1.8% and 4.4% respectively.

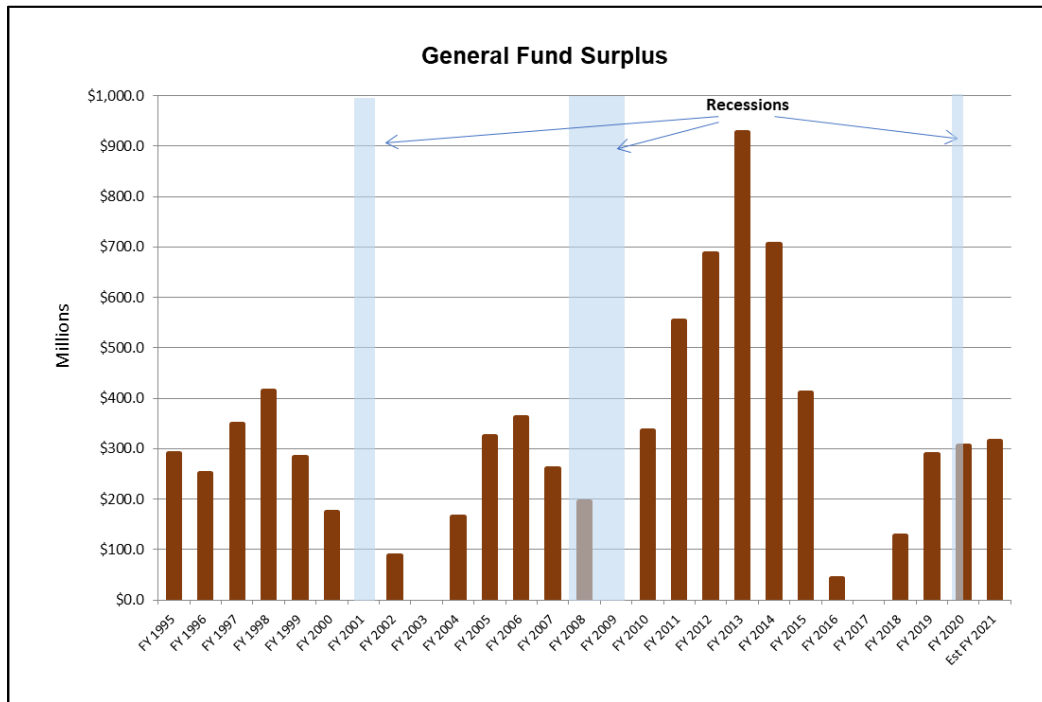
Prior to the pandemic, the condition of the General Fund budget was sound and the projected ending balances for FY 2020 and FY 2021 were sufficient to cover the REC's revised revenue reductions from their May meeting. However, the RIIF budget was experiencing an estimated shortfall of \$69.0 million in FY 2020 due to the loss of State wagering tax revenue from the mandatory closure of Iowa's casinos from March 17 to June 1, 2020, due to the COVID-19 pandemic. In order to balance the RIIF budget, a General Fund supplemental appropriation of \$70.0 million was appropriated to the RIIF. Legislation was also enacted that amended a portion of Iowa Code section 8.55 to transfer the excess General Fund surplus to the Taxpayer Relief Fund.¹⁶ The amended language transferred \$70.0 million of the excess surplus dollars, which under current law would otherwise have been deposited in the Taxpayer Relief Fund, back to the General Fund.

¹⁴ [State Obligations Report May 31, 2019](#), Attachment C.

¹⁵ 2017 Iowa Acts, ch. [170](#), §§13 – 15.

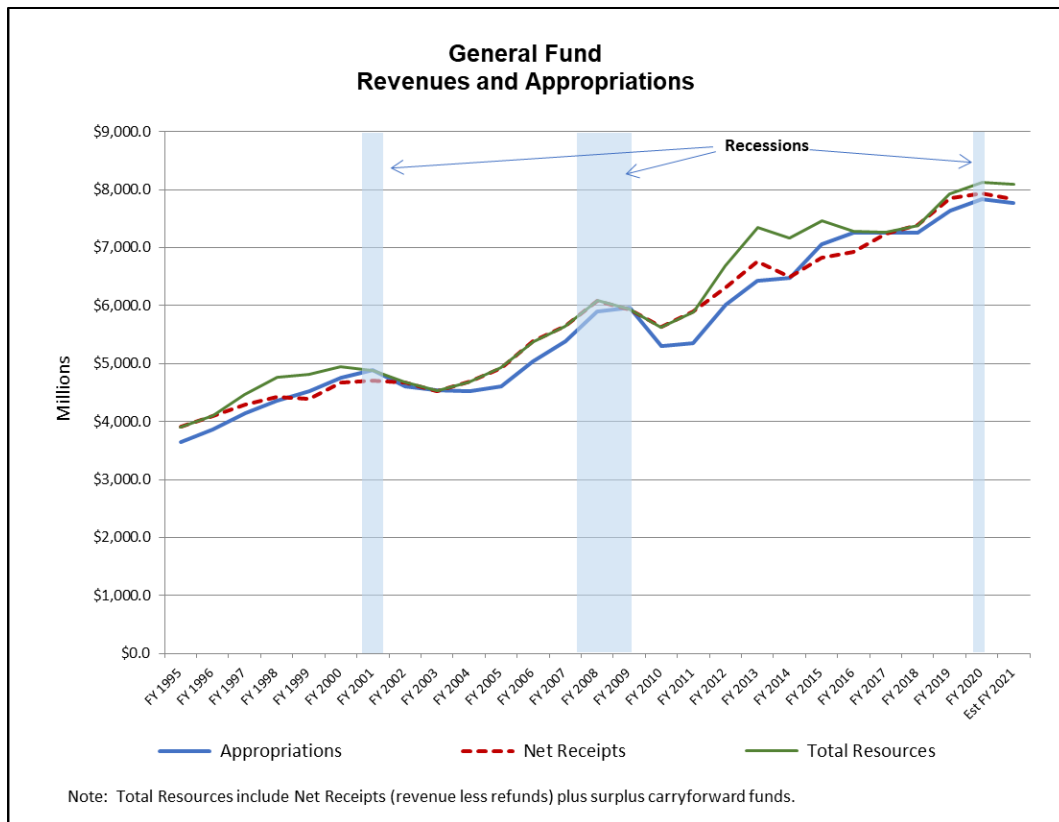
¹⁶ 2020 Iowa Acts, ch. [1120](#), §15.

Figure 2



Note: A definition of Recession can be found at the [National Bureau of Economic Research](http://www.bls.gov) website.

Figure 3



Note: Total Resources include Net Receipts (revenue less refunds) plus surplus carryforward funds.

GENERAL FUND SURPLUS — APPROPRIATIONS AND TRANSFERS

The information below provides an explanation of the appropriations and transfers from the reserve funds and from the excess General Fund surplus dollars by fiscal year. Footnotes referencing session law or the Iowa Code section where the appropriation or transfer was enacted are also included. The appropriations and transfers are listed by fiscal year in **Figure 4**.

FY 1996. The RIIF was created in FY 1995¹⁷ and first funded in FY 1996 with a transfer from excess surplus revenues after the Cash Reserve Fund balance was at the maximum, but prior to the funds being deposited in the Economic Emergency Fund.¹⁸ The transfer totaled \$50.0 million.

FY 2001. At the close of FY 2001, the General Fund ended the fiscal year with a deficit of \$66.1 million. A provision in 2001 Iowa Code section [8.55](#) allowed funds to be transferred from the Economic Emergency Fund to pay the \$66.1 million shortfall in the General Fund.

FY 2002

- Two transfers to the General Fund were enacted during the 2002 Second Extraordinary Session.¹⁹ These included a \$105.0 million transfer from the Economic Emergency Fund and a \$90.0 million transfer from the Cash Reserve Fund.
- A supplemental appropriation of \$44.9 million from the Economic Emergency Fund was enacted during the 2002 regular Session for State School Aid.²⁰

FY 2003

- An appropriation of \$25.0 million was made from the Economic Emergency Fund for State School Aid in FY 2003.²¹
- An appropriation of \$16.6 million from the Cash Reserve Fund was made to the Environment First Fund for FY 2003.²²
- An appropriation of \$2.2 million from the Cash Reserve Fund was made to the RIIF for FY 2003.²³
- A supplemental appropriation of \$1.8 million from the Cash Reserve Fund was provided for costs associated with the Military Pay Differential Program.²⁴ The Program was designed to provide payments to State employees who were activated for military active duty in an amount equal to the difference between their State salaries and their military pay so that when the State employees were serving in active duty they would not make less than the salary of their State jobs.

¹⁷ 1994 Iowa Acts, ch. [1181](#), §11, as amended by 1995 Iowa Acts, ch. [214](#), §16.

¹⁸ 1995 Iowa Acts, ch. [213](#), §1.

¹⁹ 2002 Iowa Acts, Second Extraordinary Session, ch. [1001](#), §§2 and 3.

²⁰ 2002 Iowa Acts, ch. [1166](#), §1.

²¹ 2002 Iowa Acts, ch. [1167](#), §5.

²² 2003 Iowa Acts, ch. [169](#), §1.

²³ 2003 Iowa Acts, ch. [179](#), §5.

²⁴ 2003 Iowa Acts, ch. [179](#), §21.

FY 2004

- A transfer of \$45.8 million was made from the Cash Reserve Fund to the General Fund to close out FY 2003.²⁵
- \$17.5 million was appropriated from the Cash Reserve Fund to the RIIF for the purpose of funding the Environment First Fund. A provision was also included in the legislation that required \$17.5 million to be transferred from the RIIF back to the Cash Reserve Fund if a tax on gambling games at casinos that conduct racing was enacted by the 80th General Assembly.²⁶ The \$17.5 million was transferred back to the Cash Reserve Fund in FY 2004 with the enactment of the Gambling and Miscellaneous Changes Act ([HF 2302](#)) on May 6, 2004, which authorized gambling games at racetrack enclosures and established a tax on gambling games.²⁷

FY 2005

- An appropriation in the amount of \$159.6 million was made from the Cash Reserve Fund to the Property Tax Credit Fund to fund the State's property tax credits in FY 2005.²⁸ The Property Tax Credit Fund was created for the purpose of funding four of the State's property tax credit programs: the Homestead Property Tax Credit, Agricultural and Family Farm Tax Credits, Military Service Tax Credit, and Elderly and Disabled Tax Credit. The tax credit programs were previously funded directly from the General Fund through specific standing appropriations.
- A supplemental appropriation of \$159.7 million was made from the FY 2005 General Fund surplus to the Property Tax Credit Fund prior to the surplus dollars being appropriated to the Cash Reserve Fund. The appropriation was used to fund the State's property tax credits in FY 2006.²⁹
- The Cash Reserve Fund received an appropriation of \$45.5 million from the General Fund in FY 2005 in accordance with Iowa Code section [8.57\(1\)\(a\)](#). This section requires an appropriation equal to 1.0% of the Adjusted Revenue Estimate to be made if the Cash Reserve Fund balance is equal to or less than 6.5% of the Adjusted Revenue Estimate. If the balance in the Cash Reserve Fund is greater than 6.5% but less than 7.5% of the Adjusted Revenue Estimate, the appropriation will be the amount necessary to bring the balance to 7.5%.

FY 2006

- An appropriation of \$159.9 million was made to the Property Tax Credit Fund from the FY 2006 General Fund surplus prior to the appropriation of any funds to the Cash Reserve Fund.³⁰ The appropriation was used to fund the State's property tax credits in FY 2007.
- An appropriation of \$2.8 million was made to the Board of Regents from the FY 2006 General Fund surplus prior to the appropriation of any funds to the Cash Reserve Fund.³¹

²⁵ 2004 Iowa Acts, ch. [1170](#), §1.

²⁶ 2004 Iowa Acts, ch. [1172](#), §1.

²⁷ 2004 Iowa Acts, ch. [1136](#).

²⁸ 2004 Iowa Acts, ch. [1175](#), §259.

²⁹ 2005 Iowa Acts, ch. [179](#), §4.

³⁰ 2006 Iowa Acts, ch. [1185](#), §5.

³¹ 2006 Iowa Acts, ch. [1185](#), §39.

FY 2007

- An appropriation of \$131.9 million was made from the FY 2007 General Fund surplus prior to the appropriation and distribution of any funds to the Cash Reserve Fund to the Property Tax Credit Fund.³² The appropriation was used to partially fund the State's property tax credits in FY 2008. In addition, the General Assembly appropriated \$28.0 million from the General Fund to the Property Tax Credit Fund, which funded the tax credits at the FY 2006 level.
- A total of \$55.9 million was transferred from the General Fund surplus to the Senior Living Trust Fund in FY 2007 in two separate transfers. The first was a transfer of \$49.9 million from the General Fund surplus prior to the dollars being appropriated to the Cash Reserve Fund. The second transfer was \$6.0 million from the excess surplus dollars that were available after the balances in the Cash Reserve Fund and Economic Emergency Fund were at the statutory maximum.

Beginning in 2002, legislation was enacted over the course of several years that set up a mechanism to transfer a portion of the General Fund surplus to the Senior Living Trust Fund.³³ The process was amended numerous times over the course of about nine years. The final iteration required that the General Fund surplus dollars be transferred to the Senior Living Trust Fund until such time as the total amount transferred to the Senior Living Trust Fund in the aggregate equaled \$300.0 million. The transfer requirements ultimately included using surplus funds prior to the appropriation of such funds to the Cash Reserve Fund and surplus dollars that were in excess of the amounts needed to maximize the balances of the reserve funds. The \$300.0 million transfer requirement also included transfers from sources other than the General Fund surplus, including the Endowment for Iowa's Health Account and Medicaid surplus dollars.

FY 2008

- A total of \$72.4 million was transferred from the General Fund surplus to the Senior Living Trust Fund in FY 2008 in two separate transfers. The first was a transfer of \$53.5 million from the General Fund surplus prior to its deposit into the Cash Reserve Fund. The second transfer was \$18.9 million from the excess surplus dollars that were available after the balances in the Cash Reserve Fund and Economic Emergency Fund were at the statutory maximum. These transfers were made in accordance with 2007 Iowa Code sections [8.55](#) and [8.57](#).
- An appropriation of \$99.8 million was made from the FY 2008 General Fund surplus prior to the appropriation to the Cash Reserve Fund to the Property Tax Credit Fund.³⁴ The appropriation was used to partially fund the State's property tax credits in FY 2009. The General Assembly appropriated an additional \$44.4 million from the General Fund to the Property Tax Credit Fund, which funded the tax credits at the FY 2006 level.

FY 2009

- A total of \$56.0 million was appropriated from the Economic Emergency Fund in FY 2009 for programs to help mitigate the damages and hardships associated with the flooding of 2008.³⁵ The \$56.0 million included three appropriations:

³² 2007 Iowa Acts, ch. [215](#), §5.

³³ 2002 Iowa Acts, ch. [1169](#).

³⁴ 2008 Iowa Acts, ch. [1191](#), §5.

³⁵ 2009 Iowa Acts, ch. [169](#).

- \$24.0 million to the Iowa Finance Authority for the Jumpstart Housing Assistance Program. The program provided housing assistance to individuals meeting certain income guidelines who were affected by a natural disaster.
- \$10.0 million to the Department of Human Services (DHS) for the Iowa Unmet Needs Disaster Grant Program. This appropriation was reduced by \$2.2 million with the enactment of [SF 478](#) (FY 2010 Standing Appropriations Act).³⁶ The \$2.2 million was appropriated to the Rebuild Iowa Office for disaster assistance programs.³⁷
- \$22.0 million to the Homeland Security and Emergency Management Division of the Department of Public Defense for city and county community disaster grants.
- At the close of FY 2009, the General Fund budget ended the fiscal year with a \$45.3 million shortfall. The Governor issued [Executive Order 18](#), authorizing the transfer of \$45.3 million from the Economic Emergency Fund to bring the budget back into balance. The transfer was made in accordance with Iowa Code section [8.55](#).
- A total of \$68.7 million was transferred from the General Fund surplus to the Senior Living Trust Fund in FY 2009 in two separate transfers. The first was a transfer of \$48.3 million from the General Fund surplus prior to its deposit into the Cash Reserve Fund. The second transfer was \$20.4 million from the excess surplus dollars that were available after the balances in the Cash Reserve Fund and Economic Emergency Fund were at the statutory maximum. These transfers were made in accordance with 2009 Iowa Code sections [8.55](#) and [8.57](#).

FY 2010. During the 2009 Legislative Session, [SF 478](#) (FY 2010 Standing Appropriations Act) was enacted, which transferred and appropriated a total of \$145.3 million from the Cash Reserve Fund.³⁸ The transfers and appropriations included:

- A transfer of \$65.0 million to the General Fund to offset reductions in the General Fund revenue estimates for FY 2010.
- An appropriation of \$25.6 million to the Executive Council to offset a reduction to the General Fund appropriation for costs associated with the Performance of Duty. The Performance of Duty appropriation is a standing unlimited appropriation that is used to provide funding for emergency repairs to State property if sufficient funds are not available in a State agency budget. The appropriation can also be used to fund a portion of the match for local governmental entities in areas where presidential disasters have been declared.
- An appropriation of \$54.7 million to the Property Tax Credit Fund to offset reductions to General Fund appropriations for property tax credit programs.

FY 2011

- Numerous appropriations were made from the Cash Reserve Fund in FY 2011 to help balance the General Fund budget due to declining revenue estimates that resulted from the 2008 economic recession. The appropriations included:³⁹
 - \$54.7 million to the Property Tax Credit Fund.

³⁶ 2009 Iowa Acts, ch. [179](#), §175.

³⁷ 2009 Iowa Acts, ch. [179](#), §§177 and 178.

³⁸ 2009 Iowa Acts, ch. [179](#), §§9 and 10.

³⁹ 2010 Iowa Acts, ch. [1193](#).

- \$10.6 million for the Performance of Duty appropriation under the purview of the Executive Council. This appropriation was largely used for mitigation of damage caused by natural disasters.
- \$187.8 million to the DHS for the Medicaid program.
- A total of \$6.6 million to the Iowa Finance Authority for disaster assistance programs. This included an appropriation of \$2.1 million for the rehabilitation and renovation of the federal courthouse located in Cedar Rapids to meet flood mitigation standards and \$4.5 million for flood damage in Linn County.
- \$5.0 million to the Department of Management to be used to offset appropriation reductions to State agencies that were required in 2010 Iowa Acts, chapter [1193](#), section 27.
- \$4.0 million to the Department of Education for the Statewide Voluntary Preschool Program for four-year-olds.
- \$2.0 million to the Office of Energy Independence for deposit in the Iowa Power Fund.
- \$540,000 to the Department of Education for the Iowa Jobs for America's Graduates (I-JAG) Program.
- \$500,000 to the DHS for Child and Family Services.
- \$300,000 to the Department of Natural Resources (DNR) for the cost of office space leases.
- \$300,000 to the Department of Management for operational expenses.
- \$168,000 to the Department of Administrative Services for operational costs at Terrace Hill.
- \$48.2 million was transferred from the General Fund surplus to the Senior Living Trust Fund in FY 2011 prior to the deposit of the General Fund surplus into the Cash Reserve Fund. This transfer was made in accordance with 2009 Iowa Code section [8.57](#).

FY 2012

- \$7.2 million was appropriated to the DHS for the Property Tax Relief Fund to be used for mental health and developmental disability services property tax relief.⁴⁰
- \$2.9 million was appropriated to the DNR to repair damage caused by flooding of the Missouri River at Lewis and Clark, Lake Manawa, and Wilson Island State parks.⁴¹
- In 2011, legislation was enacted that changed the funding source for the Performance of Duty appropriation from the General Fund to the Economic Emergency Fund.⁴² The amount appropriated for the Performance of Duty in FY 2012 was \$8.0 million.

FY 2013

- An appropriation of \$20.0 million from the Economic Emergency Fund was made to the RIIF in FY 2013.⁴³ The funds were used to supplement revenues in the RIIF to be used for infrastructure-related projects.

⁴⁰ 2012 Iowa Acts, ch. [1128](#), §7.

⁴¹ 2012 Iowa Acts, ch. [1138](#), §89.

⁴² 2011 Iowa Acts, ch. [131](#), §§10 – 39.

⁴³ 2012 Iowa Acts, ch. [1136](#), §15.

- A transfer of \$60.0 million to the Taxpayers Trust Fund was made in FY 2013 from the excess surplus dollars that were available after the balances in the Cash Reserve Fund and Economic Emergency Fund were at the statutory maximum.⁴⁴ This was the first year that the Taxpayers Trust Fund received any funding since its creation.
- An Economic Emergency Fund appropriation of \$26.2 million was made for the Performance of Duty in FY 2013.

FY 2014

- In FY 2014, \$116.1 million was transferred to the State Bond Repayment Fund from the excess General Fund surplus dollars after the balance in the Economic Emergency Fund reached the statutory maximum, and the first \$60.0 million of the excess was transferred to the Taxpayers Trust Fund.⁴⁵ The funds were transferred in order to defease various revenue bonds issued in prior years, which included: School Infrastructure bonds, I-JOBS 2010 Taxable Series bonds, 2002 Prison Infrastructure bonds, and Honey Creek Premier Destination Park bonds.
- A transfer of \$60.0 million to the Taxpayers Trust Fund was made in FY 2014 from the excess surplus dollars that were available after the balances in the Cash Reserve Fund and Economic Emergency Fund were at the statutory maximum.
- An Economic Emergency Fund appropriation of \$15.8 million was made for the Performance of Duty in FY 2014.

FY 2015. An Economic Emergency Fund appropriation of \$32.7 million was made for the Performance of Duty in FY 2015.

FY 2016. An Economic Emergency Fund appropriation of \$12.3 million was made for the Performance of Duty in FY 2016.

FY 2017

- A transfer of \$131.1 million from the Cash Reserve Fund was enacted in [SF 516](#) (2017 Standing Appropriations Act).⁴⁶ The legislation also included General Fund appropriations for FY 2018 (\$20.0 million) and FY 2019 (\$111.1 million) to the Cash Reserve Fund to reimburse the Fund for the FY 2017 appropriation.
- A transfer of \$13.0 million was made from the Economic Emergency Fund at the direction of the Governor to eliminate a 2017 General Fund budget deficit that occurred after the close of the fiscal year. In accordance with 2017 Iowa Code section [8.55](#), a \$13.0 million General Fund appropriation was made to the Economic Emergency Fund in FY 2018 to reimburse the Fund for the FY 2017 transfer.

FY 2018. An Economic Emergency Fund appropriation of \$18.0 million was made for the Performance of Duty in FY 2018.

⁴⁴ 2011 Iowa Acts, ch. [123](#), §§28 – 32.

⁴⁵ 2013 Iowa Acts, ch. [143](#).

⁴⁶ 2017 Iowa Acts, ch. [170](#), §§13 – 15.

FY 2019

- An Economic Emergency Fund appropriation of \$19.1 million was made for the Performance of Duty in FY 2019.
- A transfer of \$13.4 million to the Taxpayer Relief Fund was made in FY 2019 from the excess surplus dollars that were available after the balances in the Cash Reserve Fund and Economic Emergency Fund were at the statutory maximum.

FY 2020

- The Economic Emergency Fund appropriation for the Performance of Duty in FY 2020 is estimated at \$7.0 million.
- A transfer of \$60.0 million to the Taxpayer Relief Fund was made in FY 2020 from the excess surplus dollars that were available after the balances in the Cash Reserve Fund and Economic Emergency Fund were at the statutory maximum.
- During the 2020 Legislative Session, a provision was enacted that appropriated an amount up to 10.0% of the FY 2020 balance of the Economic Emergency Fund to be used for purposes approved by the Governor.⁴⁷ Ten percent of the FY 2020 balance of the Economic Emergency Fund was equal to \$19.6 million. The appropriation was provided in response to the economic crisis resulting from the COVID-19 pandemic. In March and April 2020, the Governor made two transfers totaling \$17.0 million (8.7% of the balance) from the Economic Emergency Fund to the Iowa Economic Development Authority's [Iowa Small Business Relief Program](#) to be used to assist businesses affected by the COVID-19 pandemic. On June 24, 2020, the Governor transferred \$17.0 million from federal Coronavirus Relief Funds to the Economic Emergency Fund to reimburse it for the earlier transfer.

FY 2021

- The Economic Emergency Fund appropriation for the Performance of Duty in FY 2021 is estimated to be \$16.7 million.
- A transfer of \$32.1 million to the Taxpayer Relief Fund is estimated for FY 2021 from the excess surplus dollars that were available after the balances in the Cash Reserve Fund and Economic Emergency Fund were at the statutory maximum.
- Legislation was enacted during the 2020 Legislative Session that amended a portion of Iowa Code section [8.55](#) that transfers the excess General Fund surplus after the balances in the Cash Reserve Fund and Economic Emergency Fund are at the statutory maximum to the Taxpayer Relief Fund. The amended language transfers \$70.0 million of the excess surplus dollars back to the General Fund.⁴⁸ The purpose of the transfer is to reimburse the General Fund for a FY 2020 supplemental appropriation of \$70.0 million to the RIIF. The RIIF budget experienced an estimated shortfall in FY 2020 of \$69.0 million of lost State wagering tax revenue due to the mandatory closure of Iowa's casinos from March 17 to June 1, 2020, due to the COVID-19 pandemic.

⁴⁷ 2020 Iowa Acts, ch. [1019](#), §11.

⁴⁸ 2020 Iowa Acts, ch. [1120](#), §15.

Figure 4

Appropriations and Transfers from the General Fund Surplus and Reserve Funds		
(In Millions)		
Appropriation/Transfer	Amount	Source
FY 1996		
Transfer to Rebuild low a Infrastructure Fund	\$ 50.0	Excess surplus
FY 2001		
Transfer to General Fund	\$ 66.1	EEF
FY 2002		
Transfer to General Fund	\$ 105.0	EEF
Appropriation to School Foundation Aid	44.9	EEF
Transfer to General Fund	90.0	CRF
Total	<u>\$ 239.9</u>	
FY 2003		
Appropriation to School Foundation Aid	\$ 25.0	EEF
Transfer to Environment First Fund	16.6	CRF
Transfer to Rebuild low a Infrastructure Fund	2.2	CRF
Military Pay Differential Appropriation	1.8	CRF
Total	<u>\$ 45.6</u>	
FY 2004		
Transfer to Rebuild low a Infrastructure Fund	\$ 17.5	CRF
Transfer to General Fund	45.8	CRF
Total	<u>\$ 63.3</u>	
FY 2005		
Property Tax Credit Fund Appropriation	\$ 159.7	Surplus prior to CRF
Property Tax Credit Fund Appropriation	159.6	CRF
Total	<u>\$ 319.3</u>	
FY 2006		
Property Tax Credit Fund Appropriation	\$ 159.9	Surplus prior to CRF
Board of Regents Allocation	2.8	Surplus prior to CRF
Total	<u>\$ 162.7</u>	
FY 2007		
Property Tax Credit Fund Appropriation	\$ 131.9	Surplus prior to CRF
Senior Living Trust Fund	49.9	Surplus prior to CRF
Senior Living Trust Fund	6.0	Excess surplus
Total	<u>\$ 187.8</u>	
FY 2008		
Property Tax Credit Fund Appropriation	\$ 99.8	Surplus prior to CRF
Senior Living Trust Fund	53.5	Surplus prior to CRF
Senior Living Trust Fund	18.9	Excess surplus
Total	<u>\$ 172.2</u>	

CRF = Cash Reserve Fund
EEF = Economic Emergency Fund
Surplus prior to CRF = Refers to spending of surplus dollars before they are transferred to the CRF.
Excess surplus = Refers to spending of surplus funds that remain after the reserve fund balances are at the statutory maximum.

Figure 4 (cont.)

Appropriations and Transfers from the General Fund Surplus and Reserve Funds		
(In Millions)		
Appropriation/Transfer	Amount	Source
FY 2009		
Senior Living Trust Fund	\$ 48.3	Surplus prior to CRF
Disaster Assistance	56.0	EEF
Transfer to General Fund	45.3	EEF
Senior Living Trust Fund	20.4	Excess surplus
Total	\$ 170.0	
FY 2010		
Transfer to General Fund	\$ 65.0	CRF
Property Tax Credit Fund Appropriation	54.7	CRF
Executive Council - Performance of Duty	25.6	CRF
Total	\$ 145.3	
FY 2011		
Appropriation to Medicaid	\$ 187.8	CRF
Appropriation for Property Tax Credits	54.7	CRF
Senior Living Trust Fund	48.2	Surplus prior to CRF
Executive Council - Performance of Duty	10.6	CRF
Appropriation for Flood Mitigation Projects	6.6	CRF
Dept. of Management - Departments Shortfall Contingency	5.0	CRF
Preschool Program Appropriation	4.0	CRF
Appropriation to low a Power Fund	2.0	CRF
low a Jobs for America's Graduates	0.5	CRF
Child and Family Services - Shelter Care	0.5	CRF
Dept. of Natural Resources - Facility Rent	0.3	CRF
Dept. of Management - Operations	0.3	CRF
Dept. of Administrative Services - Terrace Hill Operations	0.2	CRF
Total	\$ 320.7	
FY 2012		
Mental Health Property Tax Relief Fund	\$ 7.2	EEF
Missouri River Flood Damage	2.9	EEF
Executive Council - Performance of Duty	8.0	EEF
Total	\$ 18.1	
FY 2013		
Appropriation to Rebuild low a Infrastructure Fund	\$ 20.0	EEF
Executive Council - Performance of Duty	26.2	EEF
Taxpayers Trust Fund	60.0	Excess surplus
Total	\$ 106.2	
FY 2014		
Executive Council - Performance of Duty	\$ 15.8	EEF
Taxpayers Trust Fund	60.0	Excess surplus
Bond Repayment Fund	116.1	Excess surplus
Total	\$ 191.9	
FY 2015		
Executive Council - Performance of Duty	\$ 32.7	EEF
FY 2016		
Executive Council - Performance of Duty	\$ 12.3	EEF

Figure 4 (cont.)

Appropriations and Transfers from the General Fund Surplus and Reserve Funds		
(In Millions)		
Appropriation/Transfer	Amount	Source
FY 2017		
Transfer to General Fund	\$ 131.1	CRF
Transfer to General Fund	13.0	EEF
Executive Council - Performance of Duty	5.6	EEF
Total	\$ 149.7	
FY 2018		
Executive Council - Performance of Duty	\$ 18.0	EEF
FY 2019		
Executive Council - Performance of Duty	\$ 19.1	CRF
Taxpayer Relief Fund	13.4	Excess surplus
Total	\$ 32.5	
FY 2020		
Transfer to General Fund	\$ 17.0	EEF
Executive Council - Performance of Duty	7.0	EEF
Taxpayer Relief Fund	60.0	Excess surplus
Total	\$ 84.0	
FY 2021 (Est)		
Executive Council - Performance of Duty	\$ 16.7	EEF
Taxpayer Relief Fund	32.1	Excess surplus
Transfer to General Fund	70.0	Excess surplus
Total	\$ 118.8	

SUMMARY

Since FY 2001, the General Fund surplus has been used routinely in the General Fund budget development process. The use of these funds has been more extensive during fiscal years impacted by recessions and when the surplus is used to offset reductions in State tax revenues or reductions to appropriations for State programs. While the balances have fluctuated from year to year, the ratio of the reserve fund balances to net General Fund receipts has averaged 8.4% since FY 1996 (**Figure 5**).

Figure 6 shows the annual combined balances and the statutory maximum balances of the Cash Reserve Fund and the Economic Emergency Fund from FY 1996 to FY 2021. The reserve fund balances have been at the statutory maximum for 10 of the last 25 years and are estimated to be at the maximum in FY 2021. In FY 2020, the balances in the two reserve funds reached a record total of \$783.9 million, and the balances are projected to total \$783.3 million in FY 2021.

Figure 5

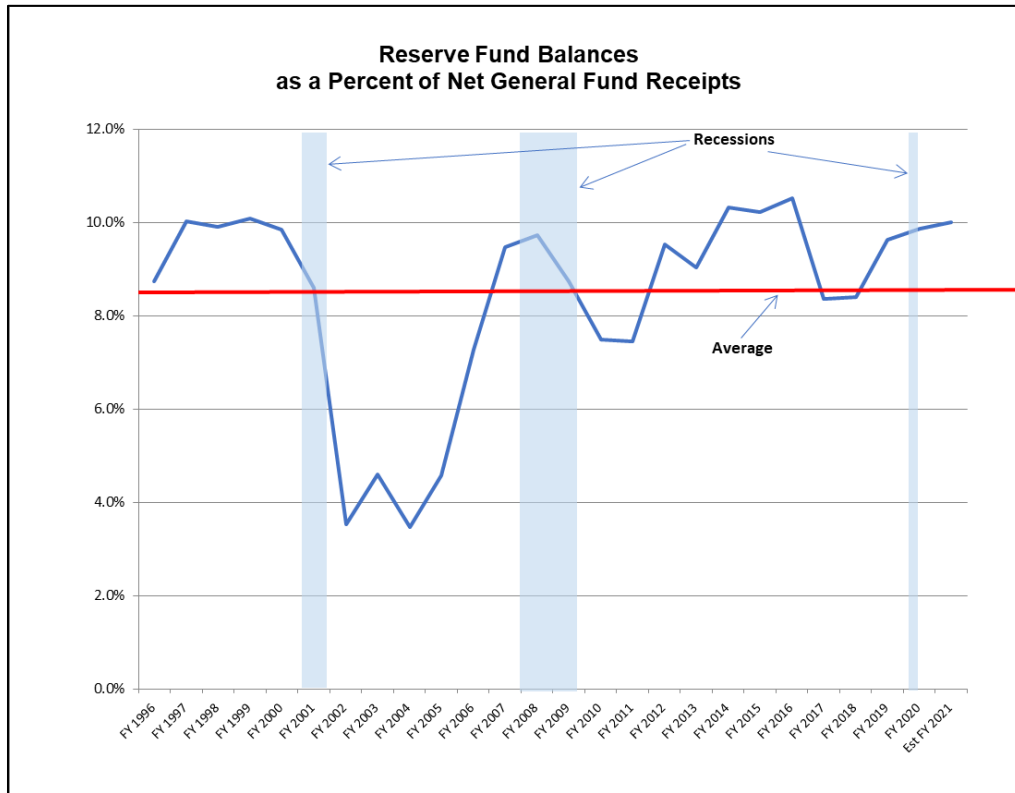
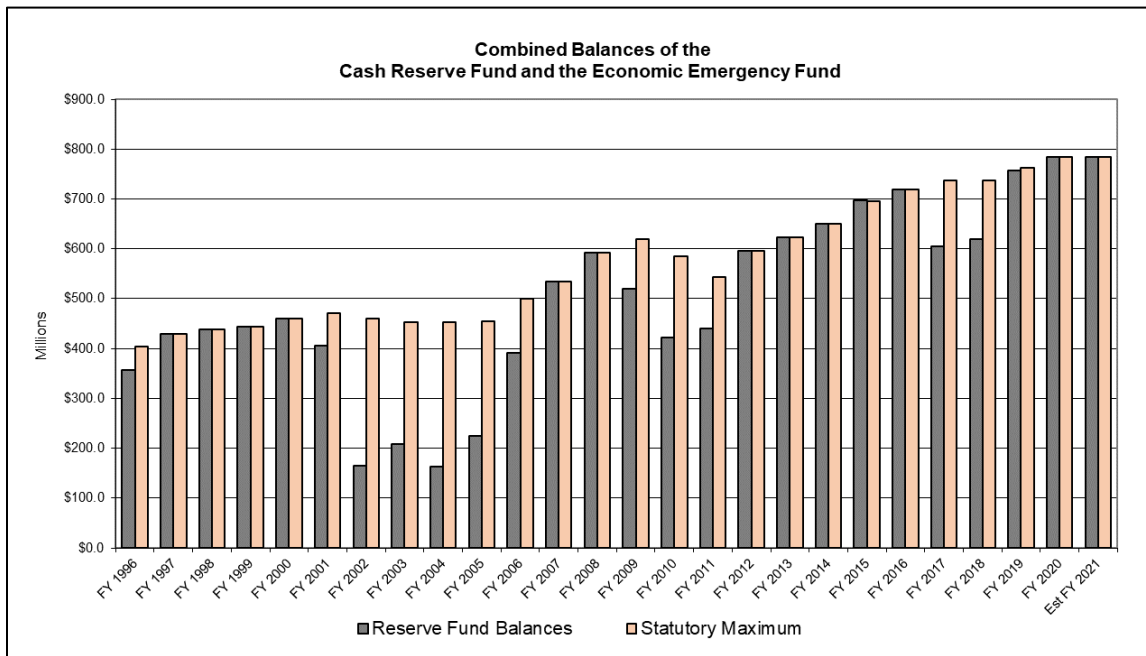


Figure 6



LSA Staff Contact: Dave Reynolds (515.281.6934) dave.reynolds@legis.iowa.gov

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