
ISSUE REVIEW

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Iowa Department of Commerce Revolving Fund

ISSUE

This **Issue Review** provides an overview of the Department of Commerce Revolving Fund's funding sources and the funding structure of Department of Commerce agencies.

AFFECTED AGENCIES

Department of Commerce

- Division of Banking
- Credit Union Division
- Utilities Board (including funds collected on behalf of the Office of the Consumer Advocate)
- Insurance Division

CODE AUTHORITY

Iowa Code sections [546.2](#) and [546.12](#)

BACKGROUND

The Department of Commerce Revolving Fund (also called the Commerce Revolving Fund) was created by the General Assembly during the 2009 Legislative Session through [House File 809](#) (FY 2010 Administration and Regulation Appropriations Act). The Act was amended, adding a requirement for the Iowa Insurance Division to administer the Commerce Revolving Fund. Later, the FY 2012 Administration and Regulation Appropriations Act, [House File 646](#), repealed the July 1, 2011, sunset date of the Commerce Revolving Fund. The Division of Banking (IDOB), Credit Union Division (ICUD), Utilities Board (IUB), Insurance Division (IID), and Office of the Consumer Advocate (OCA) deposit regulatory and license fee revenues collected by each agency into an account created for each agency within the Commerce Revolving Fund.

Acronyms Used in This **Issue Review**

IDOB	Iowa Division of Banking
ICUD	Iowa Credit Union Division
IUB	Iowa Utilities Board
IID	Iowa Insurance Division
OCA	Office of the Consumer Advocate

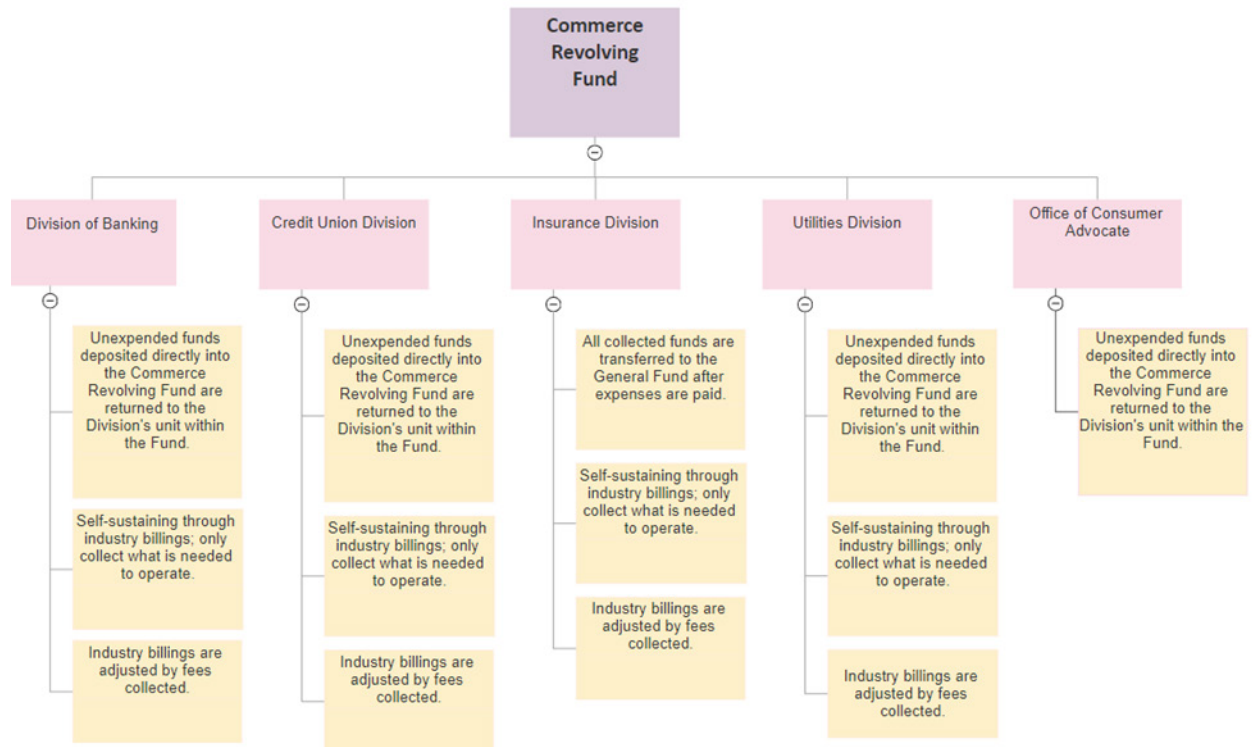
Operating costs for each agency are paid from each agency's Commerce Revolving Fund account using the Department of Administrative Services (DAS) Integrated Information for Iowa (I/3) State Accounting System, as authorized through agency appropriations made by the General Assembly.

This **Issue Review** will provide a summary of each agency's responsibilities, types of fees collected, total fees collected annually, and expenditures. The **Issue Review** will also review the accounting practices associated with the Commerce Revolving Fund, including the true-up accounting method, reversions, and annual transfers to the General Fund.

Fund Deposits and Annual Appropriations

All funds collected for the Commerce Revolving Fund are deposited using the DAS I/3 State Accounting System. All moneys are commingled into one fund, but are deposited under each division's unit number for accounting purposes. Each division is responsible for maintaining its own internal accounting systems for its revenues and expenditures as deposited or paid by the State Accounting Enterprise. Previously, the Division of Banking shared an accounting system with the Credit Union Division, and the Iowa Utilities Board shared an accounting staff with the Office of Consumer Advocate and the Insurance Division; however, the entities now maintain their own accounting systems and staff. The flowchart below explains how Commerce Revolving Fund deposits are managed.

Commerce Revolving Fund Flowchart



The IID, IDOB, ICUD, and IUB receive the authority to spend a specified amount of Commerce Revolving Fund dollars each legislative session, as appropriated in the Administration and Regulation Appropriations Bill. The authorized spending amount is not to exceed the amount each entity receives in fees annually. The Office of the Consumer Advocate's Commerce Revolving Fund spending authority is specified within the Justice System Appropriations Bill. Additionally, although part of the Department of Commerce, the Iowa Alcoholic Beverages Division (IABD) and the Professional Licensing Board (PLB) within the Division of Banking do not receive a Commerce Revolving Fund appropriation. Instead, these entities receive an appropriation from the General Fund in the Administration and Regulation Appropriations Bill.

The IDOB (with the exception of the PLB), the ICUD, and the IUB operate under what is referred to as a true-up accounting method. The true-up accounting method considers prior-year data in assessing estimated fees to each licensee and permit holder at the beginning of each calendar year. Due to this practice, the greatest amount of revenue is deposited into the Commerce Revolving Fund around December 31 and January 31 of each calendar year. If a division has charged an entity too much in fees, the division credits the additional fee revenue to the entity's billing for the next year and adjusts the rates accordingly. If the entity has not paid enough in fees at the close of the fiscal year, a temporary transfer is completed until all fee receipts have been deposited and the Commerce Revolving Fund is then held harmless. In general, the IDOB, ICUD, and IUB collect only the amount they spend. All moneys are maintained in the Commerce Revolving Fund.

**Table 1. Commerce Revolving Fund Fees, Licenses, and Permits Revenue
FY 2017 to FY 2019**

Entity	FY 2017	FY 2018	FY 2019
Banking Division	\$ 10,229,002	\$ 10,643,819	\$ 10,770,712
Credit Union Division	1,629,680	1,692,943	2,155,370
Insurance Division	20,041,484	19,897,255	19,904,529
Utilities Board	9,134,665	7,086,623	5,441,522
Office of Consumer Advocate	3,157,154	2,778,775	1,933,026
Receipts Total	\$ 44,191,985	\$ 42,099,415	\$ 40,205,159

**Table 2. Commerce Revolving Fund Appropriations
FY 2017 to FY 2019**

Entity	FY 2017	FY 2018	FY 2019
Banking Division	\$ 10,499,790	\$ 11,145,778	\$ 11,145,778
Credit Union Division	1,869,256	1,869,256	2,204,256
Insurance Division	5,485,889	5,485,889	5,485,889
Utilities Board	9,210,405	9,040,405	8,732,098
Office of Consumer Advocate	3,137,588	3,137,588	3,137,588
Fund Total	\$ 30,202,928	\$ 30,678,916	\$ 30,705,609

**Table 3. Reversions to Commerce Revolving Fund Unit
FY 2017 to FY 2019**

Entity	FY 2017	FY 2018	FY 2019
Banking Division	\$ 603,548	\$ 1,169,277	\$ 342,331
Credit Union Division	484,898	376,007	54,096
Insurance Division	6,551,977	5,908,328	7,646,023
Utilities Board	1,203,575	1,037,101	1,163,356
Office of Consumer Advocate	331,828	386,796	475,838
Reversions Total	\$ 9,175,826	\$ 8,877,509	\$ 9,681,644

Each entity reverts any funds remaining after expenses are paid to its respective Commerce Revolving Fund unit. In the table above, the IID's reversions are deposited into the IID's special funds and are only used for the purposes specified within each special fund. The entities do not have access to the funds deposited into these units unless given spending authority by the General Assembly through an annual Commerce Revolving Fund appropriation.

Iowa Insurance Division

The Iowa Insurance Division's accounting practice in terms of the Commerce Revolving Fund and its disbursements acts as a hybrid of the other divisions' systems and its own accounting system. The Division collects fees as all other divisions do, and deposits them into the Commerce Revolving Fund. Those fees indirectly fund all of the Division's bureaus, with the exception of the Company Regulation Bureau. The Company Regulation Bureau is funded by billing insurance companies based on the costs of examination. The fee revenue the Company Regulation Bureau receives is also deposited into the Commerce Revolving Fund.

At the end of each fiscal year, the Division takes the difference of what has been appropriated at the beginning of the fiscal year from the total amount of these fees and reverts the remaining revenue back to the General Fund.

To meet cash flow needs within the Department of Commerce, the division administrator of each agency may temporarily use funds from the General Fund to cover expenses outside of funds available from the Commerce Revolving Fund. However, in recent years, the Insurance Division has retained approximately \$5.0 to \$10.0 million within the Commerce Revolving Fund to ensure the Commerce Revolving Fund entities do not borrow from the General Fund until fees have been collected to cover expenses.

A Commerce Revolving Fund carryforward balance is often due to unspent federal funds and special funds. Department of Commerce entities may receive federal grants for a given fiscal

year, and remaining funds at the end of the fiscal year can be carried forward. Additionally, the Department of Commerce also oversees several special funds, and the moneys that are not spent during the fiscal year can be carried forward instead of reverting to the General Fund. These special funds have very strict guidelines on the reason for disbursement and how moneys may be disbursed. These funds also receive fee revenue outside of the fee revenue that is deposited into the Commerce Revolving Fund. For example, at the Insurance Division, these other funds include the Investor Education Fund, Regulatory Fund, Cemetery Fund, Settlement Fund, Clearing Fund, and Investor Restitution Fund, all of which are monitored and overseen by the Insurance Division.

However, one unique example of an unspent balance that was carried forward was unspent dollars for the Iowa Utilities Board building project. This balance brought forward was last authorized in [House File 646](#) (FY 2012 Administration and Regulation Appropriations Act), which permitted any remaining funds to be used for the energy-efficiency building project and for relocation costs. The unspent amount of approximately \$476,000 was carried forward to FY 2019 and was spent completely in FY 2020.

Division of Banking

The Division of Banking collects various fees annually. The Legislative Services Agency (LSA)'s [Fee Project](#) provides additional detail for fees collected across State government and also includes a detailed list of all fees collected by Department of Commerce entities. The fees collected by the Division include, but are not limited to, the following:

- Bank and holding company fees
- Debt management and settlement fees
- Delayed deposit service fees
- Fees to finance companies
- Fees to mortgage bankers, brokers, mortgage loan originators, and closing agents

Credit Union Division

The Credit Union Division collects five fees annually, and these fees are only collected by the Credit Union Division and not the Division of Banking:

- **Annual Operating Fee:** A fee paid by credit unions to the Division. Credit unions are billed proportionately according to actual funds spent by the Division. This fee comprises the majority of the Division's annual appropriation, as appropriated through the Commerce Revolving Fund.
- **Software Sharing Agreement Fee with the State of Texas:** A fee for the assessed cost to the Credit Union Division for hosting the Texas Chartered Credit Union's quarterly reporting data. The Division's Information Technology (IT) Specialist reviews the data and uploads it into a reporting system ([Federal 5300 Call Report System](#)). The fee is designed to cover the costs of the Division's and IT Specialist's working hours invested to host the data. The revenue generated from this fee is used to defray the annual operating assessment paid by credit unions.
- **Lender Credit Card Act Fee:** A fee assessed to credit union creditors that are engaged in consumer credit card transactions but are not authorized to do so.¹

¹ Iowa Code ch. [533](#)

- **Foreign Branch Fee:** An annual fee paid by credit unions that are chartered in other states but have branches located in Iowa. Any funds collected from this fee decrease the annual operating assessment paid by credit unions.
- **Regulatory Penalty Fee:** A regulatory fine assessed against State-chartered credit unions for various Iowa Code violations.

In FY 2019, the Credit Union Division began collecting a conversion fee from credit unions converting from federally chartered credit unions to State-chartered credit unions.

Iowa Utilities Board

- **Cable Franchise Fees (Initial, Service Area Revision, and Termination):** Cable or video service cannot be provided without a certificate of franchise authority.² The franchise must be issued by the Iowa Utilities Board³ or a municipality.⁴ The Board has been issuing certificates since 2008. Various monthly franchise fees are assessed to cable providers for the initial provision of services, the revision of service areas, and the termination of services.
- **Certified Natural Gas Provider Fee:** The Board is directed to certify all competitive natural gas providers (and aggregators providing natural gas services) in the State.⁵ A monthly fee of \$125 is assessed to all providers and aggregators.
- **Iowa Energy Center and Center for Global and Regional Environmental Research:** The Board is directed to collect an assessment on utilities for the Iowa Energy Center and Center for Global and Regional Environmental Research. The fee will sunset after June 30, 2022.⁶
- **Pipeline Fee:** Pipeline companies are required to pay an annual inspection fee of \$0.50 per mile of pipeline in the State.⁷

BUDGET IMPACT

Reversions to the General Fund and Commerce Revolving Fund

The Commerce Revolving Fund is excluded from Iowa Code section [8.33](#), which requires that all unencumbered or unobligated balances of appropriations in a given fiscal year are to be returned to the General Fund, with the exception of funds dedicated for the purpose of capital expenditures. The OCA, the ICUD, the IDOB, and the IUB all maintain leftover funds within their unit in the Commerce Revolving Fund. However, the Insurance Division is required to transfer 40.0% of the nonexamination fees the Division collects from regulated individuals (insurance producers, public adjusters, navigators or viatical settlement brokers, securities agents, investment adviser representatives, and sales agents) to the General Fund.⁸ The Insurance Division has made a practice of transferring all collected revenues less Division expenses to the General Fund.

² Iowa Code [§477A.7](#)

³ [199 Iowa Administrative Code 44](#)

⁴ Iowa Code [§364.2](#)

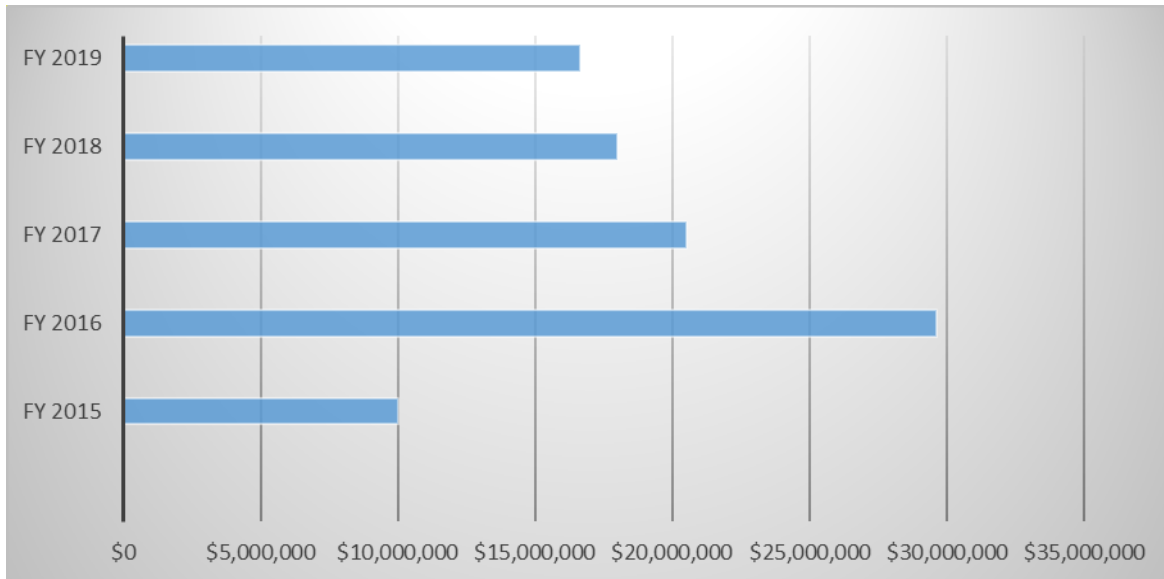
⁵ Iowa Code [§476.87](#)

⁶ Iowa Code [§476.10A](#)

⁷ Iowa Code [§479.14](#)

⁸ Iowa Code [§505.7](#)

**Table 4. Commerce Revolving Fund Reversions to General Fund
FY 2015 to FY 2019**



There was a \$3.9 million decrease in reversions to the General Fund in FY 2019 compared to FY 2017, as shown in the above graph, likely due to fees being adjusted at the end of each fiscal year.

CONSIDERATIONS

The divisions within the Department of Commerce are to provide quarterly reports to the Department of Management and the LSA on revenues billed and collected and expenditures from the Commerce Revolving Fund.⁹ As utility assessments have increased to carry out modified provisions under [Senate File 2311](#) (Energy Utilities Act), quarterly reports can provide an addendum in which any new increases in fees are detailed. These fee increases can also be tied to the LSA's [Fee Project](#), which is published on a biennial basis. Additionally, the Insurance Division can provide brief memoranda detailing transfers to the Department of Management for the purpose of depositing those funds into the General Fund.

The General Assembly may wish to consider how to treat reversions that are deposited into each Department of Commerce entity's specified unit within the State Accounting System, as these funds remain untouched unless the entities are given an increased spending authority, and these funds cannot be reverted to the General Fund under current law.

LSA Staff Contact: Angel A. Banks-Adams (515.281.6301) angel.banks-adams@legis.iowa.gov

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⁹ Iowa Code §[546.12](#)