ISSUE REVIEW

Fiscal Services Division

October 4, 2011

Rebuild Iowa Infrastructure Fund (RIIF)

ISSUE

The State has several resources that provide funding for infrastructure-related projects. The Rebuild Iowa Infrastructure Fund (RIIF), established in Code Section 8.57(6), is the primary funding source for State financed public infrastructure-related expenditures. This ***Issue Review*** provides an overview and history of the RIIF, revenues deposited in the RIIF, recent funding trends, and a timeline of items affecting RIIF for future planning.

CODE AUTHORITY

Code Section 8.57(6)

BACKGROUND AND INITIAL FUNDING OF RIIF

The General Assembly created the predecessor of the RIIF in SF 2318 (Budget Processes Act) during the 1994 Legislative Session by creating a Rebuild Iowa Infrastructure Account and authorizing monies deposited in the Generally Accepted Accounting Principles (GAAP) Deficit Reduction Account to be transferred to the new Infrastructure Account in lieu of appropriation of the monies to the Economic Emergency Fund. The new account did not receive funds and was not used that first fiscal year.

In the 1995 Legislative Session, the General Assembly first funded the RIIF for FY 1996 and changed the name from "Account" to "Fund" through SF 475 (State Financial Provisions Act) and HF 584 (Rebuild Iowa Infrastructure Act). House File 584 appropriated $50.0 million from the GAAP Deficit Reduction Account to the RIIF. In addition, SF 475 dedicated interest earnings from the Economic Emergency Fund and the Cash Reserve Fund (rainy day funds) to be credited to the RIIF and specified that the interest and earnings on moneys in the RIIF be retained there.

During the 1996 Legislative Session, HF 2421 (FY 1997 Transportation, Infrastructure, and Capitals Appropriation Act) amended Code Section 8.57 to allow all State wagering tax receipts in excess of the $60.0 million that transferred to the General Fund to deposit into the RIIF. The first deposit was made retroactive for FY 1996. With the addition of the wagering taxes, the first year of funding in FY 1996 for RIIF resulted in approximately $119.6 million being deposited into the Fund.

Table 1 shows the history of revenues for the RIIF, including the wagering taxes and related revenues, interest earned, balance forward, and other revenues. The items that are negative in the "Other" column are due to transfers from the RIIF to the General Fund for those fiscal years. Specifically, the amounts transferred to the General Fund (decreasing moneys available for appropriations from the RIIF) were $15.5 million in FY 2003, $10.0 million in FY 2004, and $37.0 million in FY 2009.

Table 1
REBUILD IOWA INFRASTRUCTURE FUND REVENUES
(Dollars in Millions)

Fiscal Year	Wagering Taxes/ Related Revenues	Interest	Other	Balance Forward	Total Revenues
FY 1996	$ 46.2	$ 23.4	$ 50.0	$ 0.0	$ 119.6
FY 1997	69.6	29.6	0.0	71.7	170.9
FY 1998	85.1	32.3	0.0	34.4	151.8
FY 1999	103.4	30.7	2.2	28.1	164.4
FY 2000	123.9	32.1	2.2	30.4	188.6
FY 2001	111.4	35.8	2.6	20.3	170.1
FY 2002	50.0	3.2	4.0	10.3	67.5
FY 2003	27.7	0.9	-11.6	13.9	30.9
FY 2004	79.7	0.2	-7.7	1.0	73.2
FY 2005	107.2	4.6	13.1	14.8	139.7
FY 2006	106.3	12.5	2.3	30.1	151.2
FY 2007	128.7	30.9	2.8	25.0	187.4
FY 2008	211.3	32.9	0.0	49.7	293.9
FY 2009	206.7	18.3	-37.0	32.2	220.2
FY 2010	188.1	4.9	25.1	-5.4	212.7
Est. FY 2011	137.0	2.5	16.5	6.3	162.3
Est. FY 2012	139.7	2.5	15.9	8.8	166.9

CHANGES IN CODE SECTION 8.57(6) ALLOCATIONS OF WAGERING TAXES

In the 2000 Legislative Session, the General Assembly made changes to Code Section 8.57 allocations by allocating $20.0 million in wagering tax revenue to pay the debt service payments on revenue bonds issued for the Vision Iowa and School Infrastructure Programs. After the deposit of $60.0 million to the General Fund, $20.0 million for debt service on Vision Iowa and School Infrastructure bonds, the remainder of wagering tax receipts was deposited to the RIIF.

In the 2001 Legislative Session, SF 533 (Tobacco Settlement Trust Fund Appropriations Act) directed specified amounts from wagering taxes to deposit in the Endowment for Iowa's Health Account from FY 2002 through FY 2007. During this period, RIIF revenues were reduced by $80.0 million for FY 2002, $75.0 million for FY 2003, and $70.0 million annually for FY 2004 through FY 2007.

The wagering tax allocations were adjusted in the 2009 and 2010 Legislative Sessions. First, HF 811 (FY 2010 Health and Human Services Appropriations Act) increased the pre-RIIF allocation to $86.0 million by eliminating $6.0 million that had been deposited in the Gambling Treatment Fund and increasing the allocation to the General Fund to $66.0 million. That change did not affect the net amount of revenue deposited in the RIIF because the $6.0 million had previously been allocated prior to the Code Section 8.57 allocations.

Beginning in FY 2011, SF 376 (Revenue Bonding and I-JOBS Program Act) provided a new allocation of $55.0 million to pay for the debt service on the revenue bonds that were authorized for the 2009 and 2010 issuances. Also, SF 2389 (FY 2011 Infrastructure Appropriations Act) added a $3.75 million allocation for a Federal Subsidy Holdback Fund, created in Code Section 12.89A, to provide debt service payments if the annual federal subsidy on the Build America Bonds (issued in the 2009 revenue bond issuance) is not received. The Treasurer of State will transfer the allocation to the RIIF once the federal subsidy is received.[1] In addition, unneeded funds from the $55.0 million for debt service are transferred annually by the Treasurer of State to the RIIF.

After the changes enacted in the 2009 and 2010 Legislative Sessions, the Code Section 8.57(6) allocations of the State's wagering tax revenue are as follows:

- $55.0 million for Revenue Bonds Debt Service
- $3.75 million to the Federal Subsidy Holdback Fund
- $15.0 million to the Vision Iowa Fund
- $5.0 million to the School Infrastructure Fund
- $66.0 million total to the General Fund
- ***Remainder*** to the RIIF (amount changes depending on annual gaming tax receipts).

CURRENT SITUATION – RIIF REVENUES

Under the structure of the allocations in Code Section 8.57(6), the impact of the changes in the wagering tax allocations is felt solely in the RIIF. State gaming tax receipts provide most of the revenue for the RIIF. For example, in FY 2012, wagering tax revenue and related revenues[2] (including transfer of unneeded funds for debt service) is estimated to result in $139.7 million, or 83.7% of RIIF revenue.

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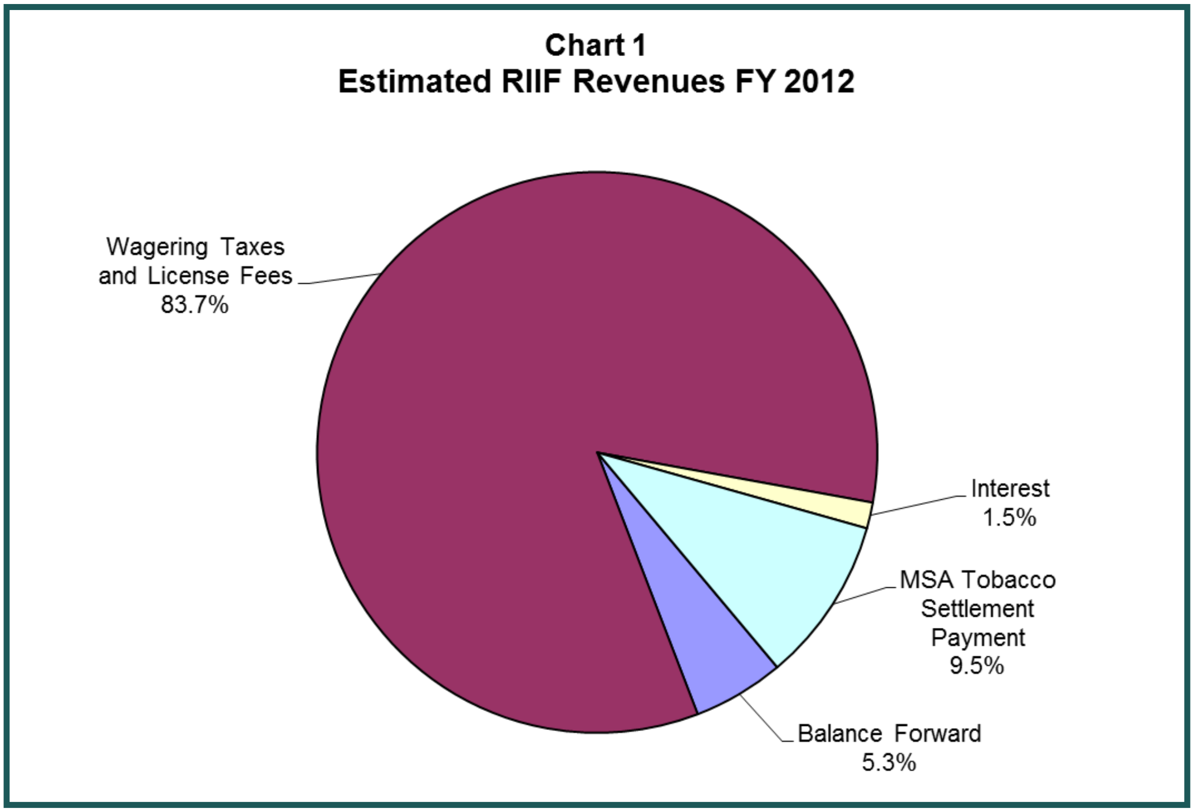
[1] Iowa Code § 12.89A

[2] Related revenues include any license fees being paid by the casinos. For example, the new Lyon County casino is paying $1.0 million annually for five fiscal years through FY 2014.

Chart 1 shows the percentages of RIIF revenues for estimated FY 2012 as of the March 2011 Revenue Estimating Conference.



Interest Earnings: The RIIF earns interest from the rainy day funds, retains interest earned on the RIIF, and also receives interest from the Environment First Fund. In FY 2008, interest revenue provided $32.9 million to the RIIF. This occurred before the recession and while the rainy day funds were full. During the 2009 and 2010 Legislative Sessions, the General Assembly made appropriations from the rainy day funds. This, along with the impact of the recession on interest rates, affected estimated interest for RIIF revenues. Interest revenue deposited in the RIIF was $18.3 million for FY 2009 and $4.9 million for FY 2010, a decrease of approximately 73.2% compared to FY 2009.

Decreases in Revenues: Beginning in FY 2009 and FY 2011, the land-based and riverboat casinos, respectively, are allowed to receive an annual tax credit for five years. The tax credits were authorized in the 2004 Legislative Session in HF 2302 (Gambling Act).[3] The budget impact of this tax credit is funded approximately 91.0% by the State and approximately 9.0% by the counties. The annual reduction to RIIF revenues is estimated to be $4.2 million annually for the land-based casinos and $5.4 million for the riverboat casinos.

Overall revenue from wagering taxes deposited in RIIF for FY 2010 was reduced by $18.6 million, a decrease of 9.0% compared to FY 2009. For FY 2011, approximately $43.1 million of the $55.0 million wagering tax receipts allocation for revenue bond debt service is being used for debt service on the 2009 revenue bonds, including a small portion depositing in the Debt

[3] 2004 Iowa Acts, Chapter 1136, § 37, 64.

Service Reserve Fund, and $11.9 million will be transferred back to the RIIF. In FY 2012, the amount of debt service from the revenue bonds will increase to approximately $54.1 million due to the 2010 revenue bond issuance. The revenues to the RIIF will be reduced by the total amount needed for debt service for the life of the bonds, and any unneeded amounts from the $55.0 million will transfer back to the RIIF before the close of the fiscal year.

Additions to Revenues: From FY 2005 to FY 2009, the RIIF received an additional $8.0 million annually in revenues from license fee payments for the riverboat expansion approved during the 2004 Legislative Session.[4] In addition, the $1.0 million license fee for the new Lyon County casino was received in FY 2010. Also in FY 2010, the remaining balance ($8.4 million) from the Vertical Infrastructure Fund was transferred to the RIIF.[5] In March 2011, the Revenue Estimating Conference estimated an overall increase of $13.6 million in State wagering tax revenue for FY 2012 compared to estimated FY 2011, due to the new Lyon County casino.

House File 822 (FY 2010 Infrastructure Appropriations Act) provided that beginning in FY 2010, the 22.0% unsecuritized tobacco settlement payments will deposit additional revenue to RIIF. For FY 2010, the tobacco payments totaled $16.7 million and for FY 2011 the payments are estimated at $15.9 million. The estimated payments range from $14.1 million to $19.0 million between FY 2010 and FY 2046, when the last of the debt service on the tobacco bonds is paid. After FY 2046, it is anticipated that the entire amount of tobacco settlement payments will be available again as revenue.

For FY 2010, these additions were not enough to offset the decreases in revenues from wagering taxes and interest. During the 2010 Legislative Session, the General Assembly took action to adjust the FY 2010 appropriations from RIIF.

During the 2011 Legislative Session, the General Assembly followed the structure of the debt service of the 2009 and 2010 bond issuances and provided for transfer back to the RIIF of any unneeded funds for debt service on the school infrastructure bonds. As mentioned previously, the wagering tax allocation is $5.0 million, but the debt service on the school infrastructure bonds has been $3.5 million. It is anticipated that $1.5 million will return to the RIIF as a revenue from the unused portion of that allocation.

Table 2 shows the estimated RIIF revenues,[6] appropriations, and available funds as of June 2011. Funding trends related to the appropriations are discussed in more detail below.

[4] 2004 Iowa Acts, Chapter 1136.

[5] The Vertical Infrastructure Fund (VIF) was established in Code Section 8.57B in the 2004 Legislative Session (FY 2005 Omnibus Appropriations Act) and received $15.0 million from the RIIF for FY 2006. House File 875 (FY 2006 Infrastructure Appropriations Act) in the 2005 Legislative Session added three fiscal years of funding to the VIF from the RIIF as follows: $15.0 million in FY 2007, and $50.0 million in both FY 2008 and FY 2009. During the 2008 Legislative Session, SF 2432 (FY 2009 Infrastructure Appropriations Act) eliminated the VIF and transferred the balance of the VIF to the RIIF. The transfer was supposed to occur in FY 2009, but did not happen until FY 2010.

[6] Estimates for revenues are determined by several factors. For the wagering tax estimates, the gambling tax numbers agreed to by the Revenue Estimating Conference (REC) provide the basis for how much is shown as depositing in the RIIF. The December estimate based on the REC is the one used on the RIIF balance sheets for the Legislative Session, plus any license fees being paid. Estimates for the amount from tobacco settlement payments are typically from a third party analyst, such as Global Insights. Interest estimates for out years are typically held steady from the current fiscal year. The estimate for the current fiscal year is reviewed by the Legislative Services Agency and the Department of Management before the Legislative Session. At that time, several factors are considered, including the rate of return on the State's pooled investments, the average balances in the RIIF and how quickly the projects will draw down on the appropriations, interest earned for the prior fiscal year, interest earned for the current fiscal year at that point, and the federal interest rate.

Rebuild Iowa Infrastructure Fund
Current Law Appropriations and Estimates as of June 2011
(Dollars in Millions)

	Actual FY 2008	Actual FY 2009	Actual FY 2010	Est. FY 2011	Est. FY 2012	Est. FY 2013	Est. FY 2014
Revenues							
Balance Forward	$ 49.7	$ 32.2	$ -5.4	$ 6.3	$ 8.9	$ 0.9	$ 0.0
Wagering Taxes/Related Revenues	211.3	206.7	188.1	119.9	133.5	133.1	133.1
Wagering Tax - Transfers from TOS[1]	0.0	0.0	0.0	17.1	6.1	6.1	6.1
Interest	32.9	18.3	4.9	2.5	2.5	2.5	2.5
Other Revenue	0.0	0.1	8.4	0.0	0.0	0.0	0.0
Tobacco Settlement Payment/Endowment Transfer	0.0	0.0	16.7	16.5	15.9	15.9	16.0
Transfer to General Fund	0.0	-37.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	293.9	220.3	212.7	162.3	166.9	158.6	157.7
Appropriations							
Environment First Fund[2]	40.0	42.0	42.0	33.0	33.0	35.0	42.0
Housing Trust Fund[2]	0.0	3.0	3.0	1.0	3.0	3.0	3.0
Vertical Infrastructure Fund[3]	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Technology Reinvestment Fund[4]	0.0	17.5	14.5	10.0	15.5	0.0	0.0
Grow Iowa Values Fund[4]	0.0	50.0	23.0	38.0	15.0	0.0	0.0
Other Appropriations	172.1	113.9	124.3	71.4	99.5	86.5	72.7
Total Appropriations	**262.1**	**226.4**	**206.8**	**153.4**	**166.0**	**124.5**	**117.7**
Reversions	-0.4	-0.7	-0.4	0.0	0.0	0.0	0.0
Available for Appropriation						***34.1***	***40.0***
Ending Balance	$ 32.2	$ -5.4	$ 6.3	$ 8.9	$ 0.9	$ 0.0	$ 0.0

Notes:
1) Transfer from TOS includes the unneeded amounts for debt service on various revenue bonds that are paid by wagering tax allocations and the amount from the wagering tax allocation ($3.75 million) in case the federal subsidies on the Build America Bonds are not received.
2) Standing appropriations from the RIIF.
3) Eliminated in 2008 Session. Transfer from remaining VIF balance is reflected in Other Revenue for FY 2010.
4) Normally funded by a General Fund appropriation, but for FY 2009 to FY 2012, funded from the RIIF. The Grow Iowa Values Fund sunsets at end of FY 2012.

APPROPRIATIONS FROM RIIF – FUNDING TRENDS

Vertical Infrastructure and Notwithstandings: During the 1996 Legislative Session, HF 2421 (FY 1997 Transportation, Infrastructure, and Capitals Appropriation Act) amended Code Section 8.57 and established the definition of vertical infrastructure that placed restrictions on the use of moneys from the RIIF effective beginning in FY 1998. Until the 2011 Legislative Session, the definition in Code Section 8.57(6)(c) was:

> *Moneys in the fund in a fiscal year shall be used as directed by the general assembly for public vertical infrastructure projects. For the purposes of this subsection, "vertical infrastructure" includes only land acquisition and construction, major renovation and major repair of buildings, all appurtenant structures, utilities, site development, and recreational trails. "Vertical infrastructure" does not include routine, recurring maintenance or operational expenses or leasing of a building, appurtenant structure, or utility without a lease–purchase agreement.*

All expenditures from the RIIF must comply with the vertical infrastructure definition. Projects that do not meet the definition of vertical infrastructure require language that notwithstands the statutory definition. During the time the definition has been in place, the percentage of appropriations that notwithstand has ranged from 14.5% to 98.9%, with an average of 56.7%. **Table 3** shows the annual dollar amount of the notwithstandings and percentages through FY 2011.

Table 3
Percentage of Rebuild Iowa Infrastructure Fund Appropriations that Notwithstand Code Section 8.57(6)(c) - Definition of Vertical Infrastructure

		Total Amount Appropriated from RIIF	Total Amount from Appropriations that Notwithstand	Percentage that Notwithstand
FY 1998		$ 124,662,052	$ 18,026,302	14.5%
FY 1999		134,979,952	23,628,352	17.5%
FY 2000		170,281,040	50,425,885	29.6%
FY 2001		165,187,378	63,805,004	38.6%
FY 2002	*	53,983,168	52,650,000	97.5%
FY 2003	*	29,627,172	29,294,004	98.9%
FY 2004	*	58,607,254	47,376,686	80.8%
FY 2005	*	109,620,213	59,549,377	54.3%
FY 2006	*	126,786,033	52,183,792	41.2%
FY 2007	*	139,259,753	70,791,585	50.8%
FY 2008		262,046,489	86,220,361	32.9%
FY 2009	*	226,392,658	157,728,412	69.7%
FY 2010	*	206,778,845	150,037,066	72.6%
Est. FY 2011	*	153,456,087	145,393,587	94.7%
Average Percentage - FY 1998 to FY 2011:				**56.7%**

*Years with asterisks are when infrastructure and capital projects were funded in large part from various restricted capital funds that received proceeds from bond issuances and had to be used on capital projects per federal Internal Revenue Code, thus providing new resources for infrastructure funding.

During the 2011 Legislative Session, HF 648 (FY 2012 Infrastructure Appropriations Act) expanded the definition of vertical infrastructure to include:

> *"debt service payments on academic revenue bonds issued in accordance with Chapter 262A."*

Academic revenue bonds are issued by the Board of Regents for capital projects at the Board of Regents universities that would meet the definition of vertical infrastructure. The tuition replacement appropriation pays most of the debt service on the academic revenue bonds. The appropriation was first funded from the General Fund, but beginning in FY 2002, a portion was funded from one of the infrastructure-related funds. For the period of FY 2006 to FY 2008, $14.0 million was funded from the General Fund and $10.3 million from the RIIF. For FY 2009 through FY 2012, however, the entire annual amount of $24.3 million[7] for the tuition replacement appropriation has been funded from the RIIF. Without the change, the appropriation would need notwithstanding language, but by expanding the definition, the General Assembly will be authorized to provide the Board of Regents tuition replacement appropriation from the RIIF within the purpose defined. For FY 2012, the expanded definition reduced the percentage level of notwithstandings from 63.1% to 48.4%.

Funding Trend - Using Tax-Exempt Bond Proceeds for Capital Projects: During the years with asterisks in **Table 3,** the availability of other resources for capital projects allowed the General Assembly to make changes to RIIF revenues or include appropriations that increased the percentage of notwithstandings in RIIF increased. For example, when the General Assembly reduced RIIF revenues by directing wagering taxes for six fiscal years to the Endowment for Iowa's Health Account in the 2001 Legislative Session, the new Tobacco Settlement Trust Fund - Restricted Capital Fund (RCF) was receiving proceeds from the securitization of the tobacco payments under the Master Settlement Agreement. The RCF provided $540.1 million and interest to capital appropriations beginning in FY 2002.

During FY 2002 and FY 2003, the General Assembly transferred $15.5 million and $10.0 million, respectively, from the RIIF to the General Fund. The refunding of the bonds that funded the RCF provided another restricted capital fund called the Endowment for Iowa's Health Restricted Capitals Fund (RC2) that provided $107.6 million in proceeds and interest for capital projects beginning in FY 2007.

In 2009 and 2010, the net bond proceeds deposited in the Revenue Bonds Capitals Fund (RBC) and the Revenue Bonds Capitals II Fund (RBC2), $545.0 million and $150.0 million, respectively, provided infrastructure and capital appropriations while the RIIF provided funds to and in place of the General Fund. In FY 2009, the General Assembly transferred $37.0 million from the RIIF to the General Fund. In addition, for FY 2009 through FY 2012, the funding source for the Technology Reinvestment Fund and the Grow Iowa Values Fund was shifted from the General Fund to the RIIF. These appropriations have historically been set at $17.5 million and $50.0 million, respectively, but were reduced for FY 2010 through FY 2012. As mentioned, for FY 2009 through FY 2012, the entire $24.3 million for the tuition replacement appropriation that the Board of Regents uses to pay the debt service on academic revenue bonds was funded from the RIIF rather than being funded partially from the General Fund.

Although not part of the bond proceeds, the Vertical Infrastructure Fund (VIF) did provide another resource for the General Assembly to use for vertical infrastructure rather than appropriations directly from the RIIF. The VIF received its appropriations from the RIIF (*see* footnote 3, *supra)* and was intended to be used solely for vertical infrastructure projects. The definition for vertical infrastructure matched that of RIIF, except did not include recreational trails. During FY 2006 to FY 2008, while the VIF was funded, appropriations from the VIF were primarily related to major maintenance and other State building construction and maintenance projects.

Funding Trend - Standing Appropriations: There are two existing standing appropriations from the RIIF; they are $42.0 million for the Environment First Fund (EFF)[8] and $3.0 million for

[7] Due to additional academic revenue bond issuances planned by the Board of Regents and authorized by the General Assembly, the amount needed for tuition replacement is expected to increase beginning in FY 2013.
[8] Iowa Code § 8.57A.

the Housing Trust Fund[9]. In the 2000 Legislative Session, SF 2453 (FY 2001 Infrastructure Appropriations Act) created the EFF to receive an appropriation from the RIIF. At that time, the appropriation was $35.0 million. The amount was increased to $40.0 million in the 2007 Legislative Session in SF 601 (FY 2008 Standings Appropriations Act) and again in the 2008 Legislative Session in SF 2432 (FY 2009 Infrastructure Appropriations Act) when it was increased to its current statutory level of $42.0 million. The Housing Trust Fund standing appropriation was added in the 2008 Legislative Session in SF 2432.

In the past, the General Assembly has reduced standing appropriations for one or more fiscal years. For example, in FY 2011 the General Assembly reduced both standing appropriations from the RIIF for that fiscal year. Senate File 2389 (FY 2011 Infrastructure Appropriations Act) reduced the EFF appropriation to $33.0 million and the Housing Trust Fund to $1.0 million. Funding for some of the projects that normally receive appropriations from the EFF was provided from the bond proceeds in the RBC and RBC2 during the 2010 Legislative Session. In addition, $2.0 million for Housing Trust Fund grants was provided from the RBC. In FY 2012, HF 648 (FY 2012 Infrastructure Appropriations Act) reduced the EFF appropriation to $33.0 million for FY 2012 and $35.0 million for FY 2013. It is slated to return to $42.0 million in FY 2014.

Funding Trend – Multi-Year and Out-Year Appropriations: The RIIF has been somewhat unique in the State's budget in that there are often out-year appropriations and multi-year appropriations made. While these appropriations may be altered during a Legislative Session (and typically are adjusted), until that time the appropriations are on the books and reduce what remains available in the estimated RIIF. For example, during the 2011 Legislative Session, HF 648 provided a total of $162.8 million in out-year funding from RIIF for the fiscal years FY 2013 through FY 2015.

One reason for the out-year funding is due to the nature of capital projects and the time it takes to go through the architectural and design process, request for proposals, bidding, contracting, breaking ground, construction, and completion of the project. With that in mind, several appropriations may be made for a project to allow the process for the capital project to get underway. The reversion timeframe for appropriations from the RIIF is typically four years to provide time for the process needed by capital projects.

Other multi-year appropriations might focus on providing a resource of funding for a particular project or program. In addition, out-year appropriations might be provided during a legislative session if there are constraints on the budget that reduce what is available to appropriate for the next fiscal year. Out-year funding is also a way to show intent for future funding for a particular project or program. Current multi-year appropriations from the RIIF are as follows:

- $5.0 million for the Community Attraction and Tourism Program until FY 2013
- $5.0 million for State park infrastructure through FY 2015

In addition, several out-year appropriations have been made in prior legislation and remain on the books. For example, prison construction management has received appropriations from the RIIF through FY 2014, and construction and related costs of the Mitchellville and Ft. Madison prisons have out-year appropriations from the RIIF through FY 2014. The construction appropriations include $14.2 million for Mitchellville and $18.3 million for Ft. Madison in FY 2013. In addition, several construction projects at the three Regents Universities have received

[9] Iowa Code § 16.181A.

authorized funding through FY 2015, providing a combined total of $110.4 million across four fiscal years.

Table 4 shows all of the current law appropriations enacted for estimated FY 2013 from the RIIF. An estimated $124.5 million in appropriations is currently enacted, thus reducing what is available to appropriate from the RIIF, unless the General Assembly changes these appropriations in the 2012 Legislative Session.

Table 4
Rebuild Iowa Infrastructure Fund
Previously Enacted and Standing Appropriations
Estimated FY 2013

Environment First Fund	$ 35,000,000
Regents - ISU Ag/Biosystems Engineering Complex, Phase II	20,800,000
DOC - ISP Ft. Madison Construction	18,269,124
DOC - ICIW Mitchellville Expansion	14,170,062
Regents - SUI Dental Science Building	12,000,000
Regents - UNI Bartlett Hall Renovation	8,286,000
Community Attraction and Tourism Grants (CAT)	5,000,000
DNR - State Park Infrastructure	5,000,000
State Housing Trust Fund	3,000,000
Regents - Fire Safety and ADA Compliance	2,000,000
DOC - Prison Construction Management	1,000,000
Total	**$ 124,525,186**

Appropriation Adjustments FY 2009 and FY 2010: During the 2009 and 2010 Legislative Sessions, the General Assembly adjusted several RIIF appropriations for the fiscal years that were underway.

In 2009, HF 414 (FY 2009 Appropriation Adjustments Act) deappropriated a total of $35.6 million from the RIIF and moved most of the projects to the RC2. The Act transferred $37.0 million from the RIIF to the General Fund. The Act deappropriated $36.9 million from the RC2 by deappropriating the funds for the New State Office Building. This action allowed the General Assembly to shift projects from the RIIF to the RC2 and transfer moneys from the RIIF to the General Fund.

In 2010, SF 2366 (FY 2010 Appropriations Adjustments Act), the General Assembly deappropriated $23.8 million from the RIIF, primarily because RIIF revenues were lower than expected. Most of the reduction was felt in the appropriation to the Grow Iowa Values Fund. The appropriation was reduced from $45.0 million to $23.0 million for FY 2010.

FUTURE PLANNING

In the different sections above, various items have short and long term effects on the RIIF. See **Attachment A** for a timeline that shows the different events affecting revenues and what is available for appropriations from RIIF. In the timeline, items affecting revenues are above the line and enacted expenditures are shown below. Some important dates for RIIF revenues are:

- FY 2013, last of the tax credits to land-based casinos will be paid. Without the tax credit, an estimated $4.2 million will deposit in the RIIF.
- FY 2015, last of the tax credits to the riverboat casinos will be paid. Without the tax credit an estimated $5.4 million will deposit in the RIIF.
- After FY 2021, the $20.0 million in wagering taxes that goes to pay debt service on Vision Iowa and School Infrastructure bonds will no longer be needed and will deposit into the RIIF.
- The wagering tax allocation of $55.0 million for debt service on the 2009 and 2010 revenue bonds continues through FY 2037, but after FY 2033 the amount of debt service is reduced to $10.2 million. Anything unneeded for debt service will transfer back to the RIIF before the close of the fiscal year.

In addition, the multi-year appropriations under current law will be completed by or before FY 2015. The standing appropriations of the Environment First Fund and Housing Trust Fund, however, will remain on the books unless changed by the General Assembly.

OTHER STATE APPROACHES TO FUNDING VERTICAL INFRASTRUCTURE

Many states earmark tax revenues for different purposes and dedicate specific amounts and types of revenue for certain infrastructure projects. According to a 2008 report by the National Conference of State Legislatures, at least 20 states have earmarked a revenue source for funding various types of infrastructure improvements.[10] A sampling of states and designated revenues are listed below:

- Missouri transfers 1.0% of net general revenue collections based on the preceding fiscal year to the Facilities Maintenance Reserve Fund that is used for maintaining, repairing, and renovating state facilities.[11]
- Montana uses 2.6% of cigarette tax revenue and up to 12.0% of coal severance tax revenue for infrastructure projects through the Long-Range Building Program to provide capital construction and maintenance of state-owned facilities.[12]
- Nebraska uses cigarette tax revenue and designates 7.0 cents of the 64-cent tax rate to deposit in the Building Renewal Allocation Fund for deferred maintenance and repair of state buildings.[13]
- Indiana uses wagering tax revenue from riverboat casinos and pari-mutuel land-based casinos and lottery revenue for state and local capital projects through the Build Indiana Fund.[14] The allocation is similar to the RIIF in that the remainder after several allocations deposits in the Build Indiana Fund.

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[10] National Conference of State Legislatures, Arturo Pérez, Fiscal Affairs Program, Earmarking State Taxes, September 2008.
[11] Missouri Constitution, Article IV, Section 27(b).
[12] Montana Code Annotated, Title 17, Chapter 7, Sections 201 through 213 (2009). Coal severance taxes may be used for debt service payments on building projects if bonds have been issued for projects in the Program.
[13] Nebraska Revised Statutes, Sections 77-2602 and 81-179, 2007.
[14] Indiana Code, Sections 4-31-9-3, 4-33-13-4, and 4-30-17-2 through 4-30-17-13.

- Kansas uses gaming revenues, property tax revenue, and motor vehicle property tax revenue to fund its various building funds, such as the Educational Building Fund and Correctional Institutions Building Fund.[15]

Many states use different types of bonds for infrastructure improvements. In an informal query to the NCSL Capital Budget LISTSERV, responses included several states, such as Vermont, that said their respective states use General Obligation (GO) bonds.[16] Other responses, such as Utah, mentioned that typically infrastructure projects are paid by GO bonds, revenue bonds, or general fund revenue. New Mexico uses GO bonds, severance tax bonds, and nonrecurring revenue in its General Fund for its Capital Outlay Projects.[17] According to a 1999 report by the National Association of State Budget Officers, 38 states indicated the use of revenue bonds in their capital budget processes.[18]

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[15] Kansas Statutes Annotated, Sections 76-6b01, 76-6b02, 76-6b04, 79-4803, and 79-5109
[16] General obligation bonds are secured by a state or local government pledge to pay the debt service from taxes and other resources available, therefore, they are backed by the government entity's pledge of full faith and credit and taxing power. The State of Iowa does not have any outstanding GO bonds.
[17] Legislative Finance Committee, New Mexico Legislature, "Capital Outlay Process," July 2008.
[18] National Association of State Budget Officers, Capital Budgeting in the States, November 1999.

Attachment A

Rebuild Iowa Infrastructure Fund – Timeline of Events Affecting Revenues and Expenditures