



Lunch & Learn Presentation
Infrastructure Funding
February 18, 2013

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Infrastructure Funding Sources

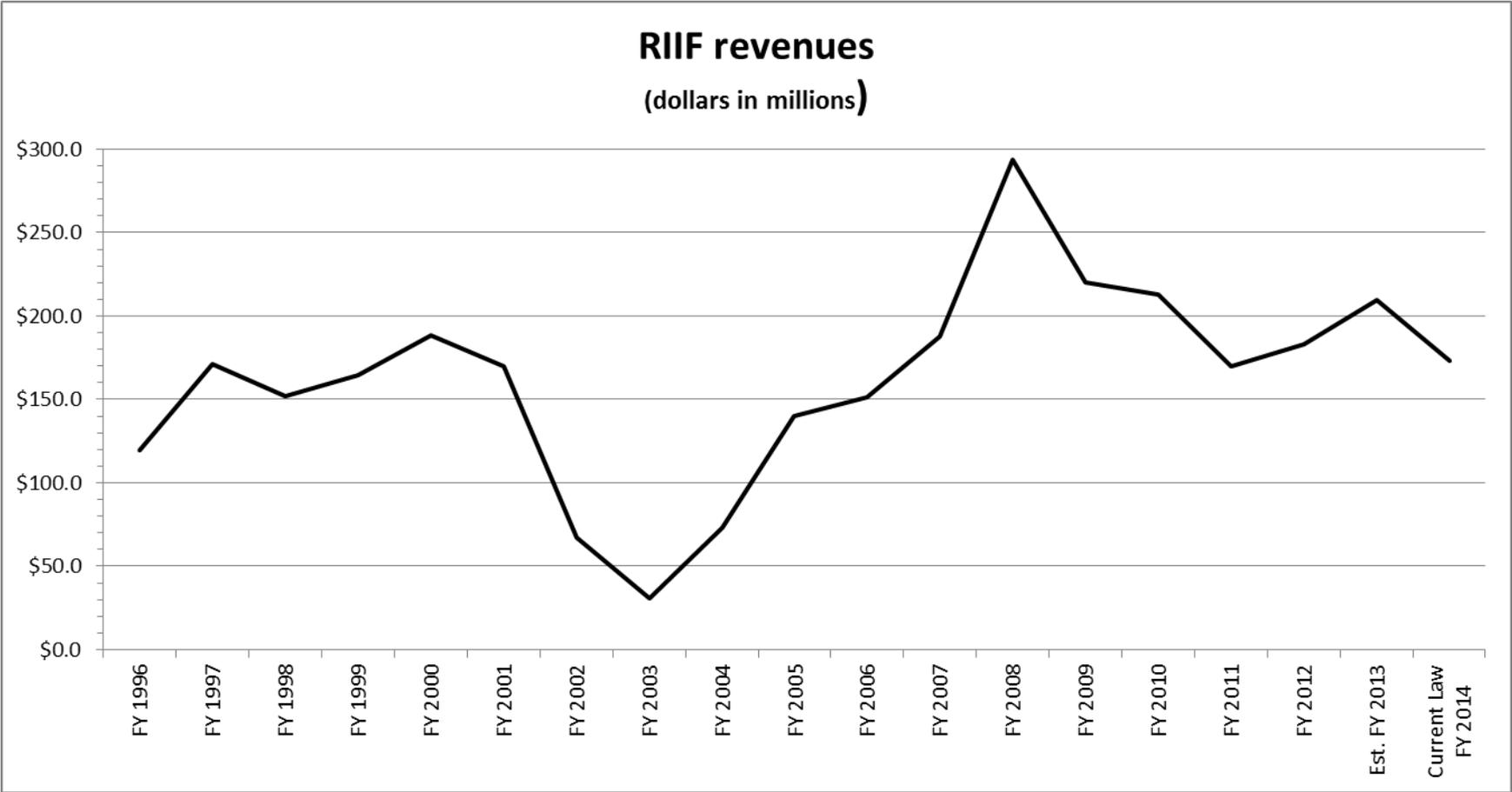
- Current
 - ◆ Rebuild Iowa Infrastructure Fund (RIIF)
 - ◆ Technology Reinvestment Fund (TRF)

- Other
 - ◆ Bond Proceeds from Tax-Exempt Bonds
 - Revenue Bonds Capitals Fund (RBC)
 - Revenue Bonds Capitals II Fund (RBC2)
 - FY 2009 Prison Bonding Fund (PBF)

Rebuild Iowa Infrastructure Fund

- RIIF is established in Iowa Code section 8.57(5)
 - ◆ First funded in 1995 Legislative Session and additional retroactive action in 1996 Legislative Session added to first year of funding
 - For FY 1996 – total of \$119.6 million deposited in the RIIF
- RIIF purpose is for vertical infrastructure
 - ◆ During 1996 Legislative Session, HF 2421 added the definition of vertical infrastructure to the RIIF effective beginning FY 1998

History of RIIF Revenues



History of RIIF Revenues

(Dollars in Millions)

<u>Fiscal Year</u>	<u>Wagering Taxes/ Related Revenues</u>	<u>Interest</u>	<u>Other</u>	<u>Balance Forward</u>	<u>Total Revenues</u>
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
FY 2011	145.2	1.6	17.0	6.3	170.1
FY 2012	147.7	1.7	16.7	16.8	183.0
Est. FY 2013	155.5	1.7	37.0	15.5	209.6
Current Law FY 2014	156.6	1.7	16.0	-0.9	173.4

Vertical Infrastructure Definition in Iowa Code section 8.57(5)(c)

- Moneys in the RIF in a fiscal year must be used as directed by the General Assembly for public vertical infrastructure projects.
- From FY 1998 until FY 2011, the definition was:
 - ◆ 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.
- HF 648 of the 2011 Legislative Session expanded the definition to include:
 - ◆ “*debt service payments on academic revenue bonds issued in accordance with Chapter 262A.*”
 - Beginning FY 2012, expanded definition allows the Board of Regents tuition replacement appropriation to be made from the RIF, within the purpose defined
- If appropriation does not meet definition – “notwithstanding” used
 - ◆ Examples of recent uses - operating or administrative costs, project management, lake restoration projects, railroad improvements for freight rail, and marketing for regional sports authorities

Percentage of Appropriations that Notwithstanding Iowa Code section 8.57(5)(c) Definition of Vertical Infrastructure

	<u>Appropriated from RIIF</u>	<u>Appropriations that Notwithstanding</u>	<u>Percentage that Notwithstanding</u>		
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%		
FY 2011	153,455,212	145,715,212	95.0%		
FY 2012**	\$ 167,983,269	\$ 80,400,000	47.9%		
Estimated FY 2013	210,551,517	65,100,000	30.9%		
Governor's Recs FY 2014	194,898,938	46,660,000	23.9%		
				Without tuition replacement***	
				\$ 60,461,604	43.4%
				75,890,380	29.0%
				133,423,000	58.9%
				125,731,654	60.8%
				121,409,800	79.1%

Notes:

*Years with asterisks show when infrastructure and capital projects were funded in large part from various restricted capital funds that received net proceeds from tax-exempt revenue bond issuances.

**Beginning in FY 2012, the definition of vertical infrastructure was expanded to include the tuition replacement appropriation to the Board of Regents, thus reducing the percentage calculation. For example, without the expanded definition, the percentage for FY 2012 would have been 62.3% and the percentage for FY 2013 would have been 42.9%.

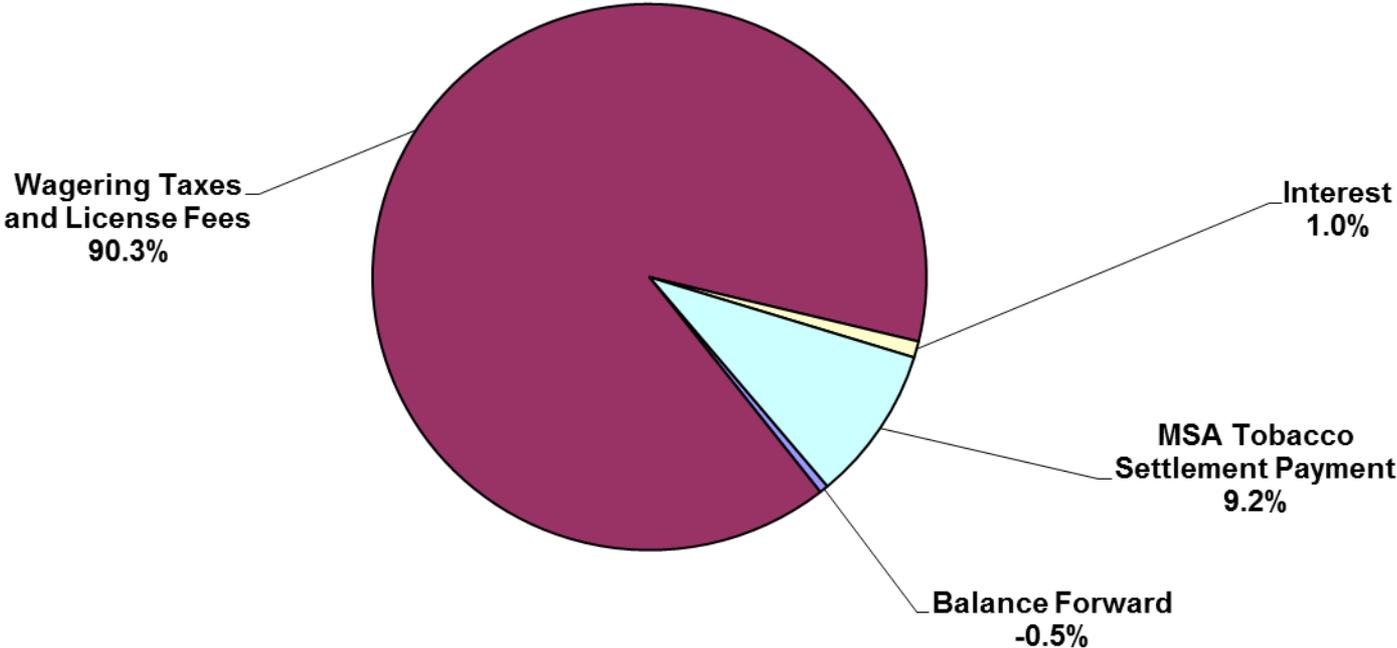
***In order to compare recent years before the vertical infrastructure definition change and the years beginning with FY 2012, the notwithstandings level has been calculated as what it would have been without the tuition replacement appropriation.

RIIF – Revenues

- Current revenue sources:
 - ◆ **Remainder** of State wagering taxes after other Iowa Code section 8.57 allocations are made
 - ◆ Interest earnings from the Cash Reserve and Economic Emergency Fund (rainy day funds)
 - ◆ Interest earnings from RIIF and the Environment First Fund
 - ◆ Unsecuritized 22.0% of tobacco settlement payments

RIIF Resources

Estimated FY 2014



Wagering Tax Allocations

- Current wagering tax allocations in Iowa Code section 8.57 are as follows, and occur in this order:
 - ◆ \$55.00 million to revenue bond debt service
 - ◆ \$3.75 million for federal subsidy holdback fund
 - ◆ \$1.25 million to General Fund (the beginning of the GF portion)
 - ◆ \$15.00 million Vision Iowa bonds debt service
 - ◆ \$5.00 million School Infrastructure bonds debt service
 - ◆ \$64.75 million to General Fund (for a total of \$66.00 million to the GF)
 - ◆ **Remainder** to RIIF (amount changes depending on wagering tax receipts)

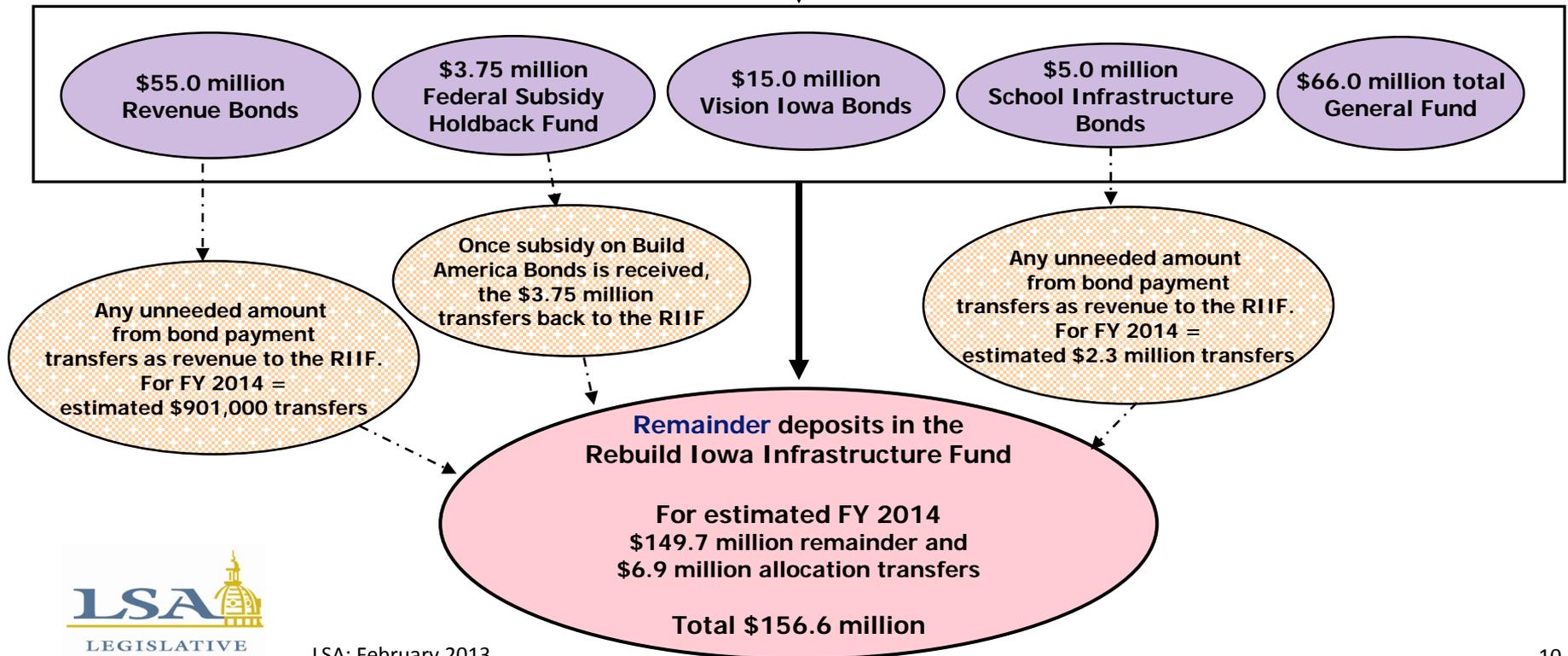
Distribution of State Wagering Taxes

Iowa Code section 8.57(5) Allocations

Land-based and riverboat casinos
pay State wagering taxes

Estimated FY 2014 - \$294.4 million*

*includes related license fees paid



REVENUE ESTIMATING CONFERENCE

December 12, 2012

	% Change FY 12 vs. FY 11			REC FY 13 Estimate	% Change FY 13 Est. vs. FY 12	REC FY 14 Estimate	% Change FY 14 Est. vs. FY 13	REC FY 13 Estimate	% Change FY 13 Est. vs. FY 12	REC FY 14 Estimate	% Change FY 14 Est. vs. FY 13	
	FY 11 Actual	FY 12 Actual	FY 11 Actual	11-Oct-12	Actual	11-Oct-12	Estimate	12-Dec-12	Actual	12-Dec-12	Estimate	
Tax Receipts												
Personal Income Tax	\$3,461.7	\$3,634.3	5.0%	\$3,826.4	5.3%	\$3,956.6	3.4%	\$3,823.6	5.2%	\$3,947.1	3.2%	
Sales/Use Tax	2,381.4	2,505.3	5.2%	2,600.3	3.8%	2,683.6	3.2%	2,582.3	3.1%	2,664.5	3.2%	
Corporate Income Tax	394.5	520.7	32.0%	580.9	11.6%	600.0	3.3%	593.0	13.9%	624.9	5.4%	
Inheritance Tax	66.4	77.6	16.9%	81.5	5.0%	123.7	51.8%	85.2	9.8%	132.6	55.6%	
Insurance Premium Tax	97.1	101.4	4.4%	103.8	2.4%	105.5	1.6%	104.0	2.6%	103.3	-0.7%	
Cigarette Tax	200.1	103.1	-48.5%	101.9	-1.2%	98.7	-3.1%	103.1	0.0%	101.0	-2.0%	
Tobacco Tax	27.2	16.3	-40.1%	16.1	-1.2%	15.6	-3.1%	16.7	2.5%	17.4	4.2%	
Beer Tax	14.3	14.3	0.0%	14.5	1.4%	14.6	0.7%	14.8	3.5%	15.0	1.4%	
Franchise Tax	36.3	41.5	14.3%	43.9	5.8%	41.7	-5.0%	45.8	10.4%	43.5	-5.0%	
Miscellaneous Tax	1.1	1.1	0.0%	1.1	0.0%	1.1	0.0%	1.1	0.0%	1.1	0.0%	
Total Tax Receipts	\$6,680.1	\$7,015.6	5.0%	\$7,370.4	5.1%	\$7,641.1	3.7%	\$7,369.6	5.0%	\$7,650.4	3.8%	
Other Receipts												
Institutional Payments	\$10.0	\$12.9	29.0%	\$13.8	7.0%	\$13.8	0.0%	\$14.5	12.4%	\$14.5	0.0%	
Liquor Profits	89.3	94.6	5.9%	94.6	0.0%	95.0	0.4%	94.6	0.0%	95.0	0.4%	
Interest	3.0	2.5	-16.7%	2.5	0.0%	2.5	0.0%	2.5	0.0%	2.5	0.0%	
Fees	30.1	29.2	-3.0%	25.6	-12.3%	26.3	2.7%	26.5	-9.2%	27.4	3.4%	
Judicial Revenue	101.6	113.8	12.0%	113.9	0.1%	113.9	0.0%	113.9	0.1%	113.9	0.0%	
Miscellaneous Receipts	38.4	37.7	-1.8%	30.9	-18.0%	30.9	0.0%	31.8	-15.6%	31.5	-0.9%	
Racing and Gaming	66.0	66.0	0.0%	40.0	-39.4%	66.0	65.0%	40.0	-39.4%	66.0	65.0%	
Total Other Receipts	\$338.4	\$356.7	5.4%	\$321.3	-9.9%	\$348.4	8.4%	\$323.8	-9.2%	\$350.8	8.3%	
Gross Tax & Other Receipts												
	\$7,018.5	\$7,372.3	5.0%	\$7,691.7	4.3%	\$7,989.5	3.9%	\$7,693.4	4.4%	\$8,001.2	4.0%	
Accruals (Net)	\$15.0	\$61.3		\$16.8		\$9.1		\$16.0		\$-1.3		
Refund (Accrual Basis)	\$-826.0	\$-820.6	-0.7%	\$-896.0	9.2%	\$-932.0	4.0%	\$-870.5	6.1%	\$-915.1	5.1%	
School Infrs. Refunds (Accrual)	\$-394.1	\$-410.6	4.2%	\$-426.6	3.9%	\$-440.3	3.2%	\$-432.1	5.2%	\$-444.3	2.8%	
Total Net Receipts	\$5,813.4	\$6,202.4	6.7%	\$6,385.9	3.0%	\$6,626.3	3.8%	\$6,406.8	3.3%	\$6,640.5	3.6%	
Transfers (Accrual Basis) **												
Lottery	\$64.9	\$76.0	17.1%	\$78.5	3.3%	\$80.0	1.9%	\$79.5	4.6%	\$82.0	3.1%	
Other Transfers	20.7	32.7	58.0%	18.1	-44.6%	17.3	-4.4%	30.8	-5.8%	17.3	-43.8%	
Net Receipts Plus Transfers	\$5,899.0	\$6,311.1	7.0%	\$6,482.5	2.7%	\$6,723.6	3.7%	\$6,517.1	3.3%	\$6,739.8	3.4%	
Estimated Gambling Revenues Deposited To Other Funds	\$203.7	\$218.7	7.4%	\$246.2	12.6%	\$222.2	-9.7%	\$246.2	12.6%	\$227.4	-7.6%	
Interest Earned on Reserve Funds	\$1.5	\$1.6	6.7%	\$1.6	0.0%	\$1.6	0.0%	\$1.6	0.0%	\$1.6	0.0%	

There were no law change adjustments to the October REC estimates

Estimates for wagering taxes are included on the Revenue Estimating Conference work sheet when the REC meets.

This estimate provides the base for the wagering tax estimate on the RIF balance sheet.

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RIIF Summary Balance Sheet

Current Law Appropriations and Estimates as of December 2012
(dollars in millions)

	Actual FY 2012	Est. FY 2013	Est. FY 2014	Est. FY 2015	Est. FY 2016
Revenues					
Balance Forward	\$ 16.8	\$ 15.5	\$ -0.9	\$ 0.0	\$ 0.0
Wagering Taxes/Related Revenues	140.9	148.5	149.7	151.7	156.8
Wagering Tax - Transfers from TOS ¹	6.8	7.0	6.9	6.8	6.9
Interest	1.7	1.7	1.7	1.7	1.7
Other Revenue	0.1	21.0	0.0	0.0	0.0
Tobacco Settlement Payment/Endowment Transfer	16.7	16.0	16.0	16.1	16.2
Total Revenues	183.0	209.7	173.4	176.3	181.6
Appropriations					
Environment First Fund ²	33.0	35.0	42.0	42.0	42.0
Housing Trust Fund ²	3.0	3.0	3.0	3.0	3.0
Technology Reinvestment Fund ³	15.5	0.0	0.0	0.0	0.0
Other Appropriations	116.4	172.6	85.5	33.5	0.0
Total Appropriations	167.9	210.6	130.5	78.5	45.0
Reversions	-0.4	0.0	0.0	0.0	0.0
Available for Appropriation			42.9	97.8	136.6
Ending Balance	\$ 15.5	\$ -0.9	\$ 0.0	\$ 0.0	\$ 0.0

Notes:

1) Beginning FY 2011, the transfer from the Treasurer of State (TOS) includes the unneeded amounts for debt service on the revenue bonds issued in 2009 and 2010, the transfer back from the wagering tax allocation (\$3.75 million) for the Federal Subsidy Holdback Fund once the subsidy is received, and the amount unneeded from the debt service on the school infrastructure bonds (approximately \$2.3 million).

2) Standing appropriations from the RIIF.

3) Normally funded by a General Fund appropriation. For FY 2009 through FY 2012, funded from the RIIF. In FY 2013, the TRF is receiving \$20.0 million from wagering taxes that would have deposited in the General Fund.

Timeline of Items Affecting RIIF Revenues

- FY 2014
 - ◆ Last year of \$1.0 million Lyon County license fee paid for casino that deposits in the RIIF
 - (total paid was \$5.0 million over five fiscal years)
- FY 2015
 - ◆ Tax credits for riverboat casinos end after FY 2015
 - (tax credits reduced amount to RIIF by \$5.1 million for five fiscal years)
- FY 2020
 - ◆ Final transfer of \$15.0 million from wagering taxes to pay Vision Iowa bonds debt service
 - Final payment in FY 2021 will be made with debt service reserve fund
- FY 2021
 - ◆ Final year of payment on the School Infrastructure bonds debt service*
- FY 2034
 - ◆ Final year of payment on the 2009 revenue bonds debt service (IJOBS)*
 - After FY 2034, amount needed from the \$55.0 million in wagering tax allocation is reduced to \$10.2 million, so \$44.8 million will transfer back to the RIIF
- FY 2038
 - ◆ Final year of payment on the 2010 revenue bonds debt service (IJOBS II)*

*The final year of payment on the debt service for school infrastructure and the IJOBS revenue bonds will be paid by the debt service reserve fund, but until the debt service is completed, the wagering tax allocation continues. Any wagering taxes unneeded for debt service will transfer to the RIIF at the end of those fiscal years.

RIIF FY 2014 Appropriations

Standing and Previously Enacted – Current Law

Environment First Fund	\$	42,000,000
DOC - ICIW Mitchellville Expansion and FFE Costs		26,769,040
Regents - ISU - Ag/Biosystems Engineering Complex Phase II		21,750,000
Regents - UNI - Bartlett Hall Renovation		10,267,000
Regents - UI - Dental Science Building		9,750,000
Community Attraction and Tourism Grants		5,000,000
DNR - State Park Infrastructure		5,000,000
DOC - ISP Fort Madison Construction and FFE Costs		3,000,000
State Housing Trust Fund		3,000,000
Lake Delhi Dam Restoration		2,500,000
DCA - Historical Building and Museum Renovation		1,000,000
State Fair Cultural Center		250,000
DOC - Prison Construction Management		200,000
Total	\$	<u>130,486,040</u>

Other Infrastructure-Related Funds

- Technology Reinvestment Fund (TRF)
 - ◆ Standing appropriation of \$17.5 million from the General Fund
 - Funding shifted to the RIIF for FY 2009 through FY 2012 , reduced funding levels in FY 2010 through FY 2012
 - For FY 2013, receiving \$20.0 million in revenue from wagering taxes
 - Slated to resume as General Fund appropriation of \$17.5 million in FY 2014
 - ◆ Purpose of Fund:
 - For the acquisition of computer hardware and software, software development, telecommunications equipment, and maintenance and lease agreements associated with technology components and for the purchase of equipment intended to provide an uninterrupted power supply

Other Infrastructure-Related Funds

- Bond proceeds funds – restricted capital
 - ◆ Revenue Bonds Capitals Fund (RBC)
 - \$545.0 million in net proceeds from revenue bonds issued 2009 (IJOBS)
 - All proceeds are appropriated
 - ◆ Revenue Bonds Capitals II Fund (RBC2)
 - \$150.0 million in net proceeds from revenue bonds issued 2010 (IJOBS II)
 - All proceeds are appropriated
 - ◆ FY 2009 Prison Bonding Fund (PBF)
 - \$130.7 million in net proceeds for Fort Madison Penitentiary, authorized in the 2008 Legislative Session
 - ◆ As these bond-related funds earn interest, some additional funds will be available
- Restricted Capital – restrictions by federal law and regulations
 - ◆ Must be used for capital projects, depreciable assets with relatively long useful lives, public purpose, time limit for expenditure

Infrastructure Requests

- Infrastructure requests always exceed available funds
 - ◆ For FY 2014, departmental requests from infrastructure funds totaled \$427.2 million,* for infrastructure-related projects
 - An increase of \$226.1 million compared to estimated FY 2013
 - ◆ Of the \$427.2 million:
 - \$88.5 million represents previously enacted appropriations in the RIIF
 - \$10.4 million represents previously enacted appropriations in the TRF
 - ◆ The net total of new requests from the infrastructure budget for FY 2014 is \$328.3 million
 - Many of the requests will not be funded or not in their entirety
 - Typical first step is to see what the Governor recommends
 - Possible to change, reduce, eliminate current law appropriations

**Does not reflect appropriation from the RIIF to the EFF or to the Agricultural Drainage Wells reflected in the Agriculture and Natural Resources Subcommittee tracking, to avoid double counting.*

Infrastructure - Governor's Recommendations FY 2014

- *Additional revenues* to RIIF, \$20.6 million balance of federal CHIP contingency funds and \$1.5 million balance from the Property Tax Credit Fund
- Appropriations – \$175.4 million recommended:
 - ◆ \$151.9 million – recommendations from the RIIF*
 - ◆ \$18.0 million – recommendations from the TRF
 - ◆ \$5.5 million – one recommendation from the General Fund for DOT multimodal transportation
- No changes recommended to current law FY 2014 appropriations
- Items moving from RIIF or TRF to the General Fund
 - ◆ High Quality Jobs Program
 - ◆ Iowa Corrections Offender Network (ICON)

**Does not reflect appropriations from the RIIF to the EFF or to the Agricultural Drainage Wells reflected in the Agriculture and Natural Resources Appropriations Subcommittee tracking, to avoid double counting.*

For more information, call or e-mail:

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