



Fiscal Note

Fiscal Services Division



[SF 2286](#) – Public Funds, Regulation of Joint Investments and Deposits of Securities (LSB5867SV.1)

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Fiscal Note Version – As amended and passed by the Senate

Description

[Senate File 2286](#) relates to the investment of public funds and does the following:

- Permits the uninsured portion of any public funds invested through a depository to be invested in insured deposits or certificates of deposit that are placed in or issued by a credit union, if certain requirements are met.
- Beginning April 30, 2027, limits the percentage of a political subdivision’s public funds that may be invested in a joint investment trust to 25.0%, calculated as an average of all the political subdivision’s public funds over the previous two fiscal years. A political subdivision that exceeds the 25.0% due to fluctuations in fund balances, earnings, or valuation is not in violation as long as the political subdivision acts in good faith to restore compliance within 30 days.
- Restricts the payments that a joint investment trust may make to only pay for direct investment management, administrative, custodial, or other bona fide operational services to the trust.
- Requires the governing body of a political subdivision to execute a written acknowledgment before depositing or investing public funds with a joint investment trust organized under Iowa Code chapter [28E](#).
- Removes corporate central credit unions organized under Iowa Code section [533.213](#) from the list of entities with which a credit union receiving public funds may deposit securities, and allows a credit union that receives public funds to deposit the securities with a securities broker-dealer registered as a member of the financial industry regulatory authority pursuant to a bailment agreement or a pledge custody agreement.

Background

Political subdivisions, such as counties, cities, and school districts, collect funds on an intermittent basis and then invest those funds to generate additional revenue. Public subdivisions have the ability, but are not required, to join their investments together in a pooled investment trust. Two trusts used by political subdivisions in the State are the [Iowa Schools Joint Investment Trust \(ISJIT\)](#) and the [Iowa Public Agency Investment Trust \(IPAIT\)](#).

The IPAIT and the ISJIT invest most funds in one of the following four categories: U.S. government agency obligations, U.S. Treasury Notes, deposit accounts, and repurchase agreements. Each of these investments provides return on the investment, with varying levels of liquidity. The repurchase agreements may include overnight trusts, where at the end of the day, a trust sells funds to a financial institution and the financial institution agrees to sell the funds plus interest back to the trust at the beginning of the next day. This allows the trust, and therefore the political subdivision, to earn interest from the funds while leaving the funds liquid for expenditure as needed. The ISJIT and IPAIT have daily interest rates and allow political subdivisions to withdraw deposits on any given day.

According to the Iowa Association of School Boards (IASB), the ending cash and investment balances for school districts and Area Education Agencies (AEAs) were \$5.754 billion in FY 2024 and \$5.755 billion in FY 2025.

The ISJIT and IPAIT charge operating fees and other expenses for the management of the moneys for the political subdivisions. According to the [ISJIT 2025 Annual Financial Report](#) and the [IPAIT 2025 Annual Comprehensive Financial Report](#), these fees totaled approximately \$3.9 million for the ISJIT and approximately \$3.3 million for the IPAIT in FY 2025. The FY 2025 ending balance was approximately \$1.383 billion for the ISJIT and approximately \$1.080 billion for the IPAIT. Deposits change significantly throughout the year based on the needs of political subdivisions.

According to the Urban Education Network (UEN), multiple school districts reported initiating a request for proposal (RFP) with local financial institutions and the ISJIT at the same time.

Assumptions

- Future interest rates and investment incomes cannot be determined.
- Future investment trust balances cannot be determined.
- Fee liabilities are at least partially dependent on investment trust balances and, therefore, cannot be determined.
- Current and future fee structures charged by investment trusts and by local financial institutions are unknown.
- It is unknown whether financial institutions in Iowa would accept additional deposits that would not be permitted to be deposited with investment trusts under the Bill.
- It is unknown if there are additional administrative costs to political subdivisions as a result of the Bill.
- It is unknown what proportion of investment income received by political subdivisions is attributable to investment trusts.
- It is unknown how the allowable average of a political subdivision's public funds deposited in an investment trust will be calculated.
- It is unknown if the investment income for a political subdivision will change as a result of the entity that the funds are deposited with.

Fiscal Impact

Senate File 2286 may impact how political subdivisions invest public funds, which may impact investment returns, fees, and administrative costs paid by political subdivisions. Any potential fiscal impact cannot be determined, but may be significant.

Sources

Iowa Division of Banking
Iowa Division of Credit Unions
Iowa Insurance Division
Iowa League of Cities
Urban Education Network
Iowa Association of School Boards
Iowa Public Agency Investment Trust, [2025 Annual Comprehensive Financial Report](#)
Iowa Schools Joint Investment Trust, [2025 Annual Financial Report](#)
Legislative Services Agency analysis

/s/ Jennifer Acton

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The Fiscal Note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this Fiscal Note is available from the Fiscal Services Division of the Legislative Services Agency upon request.