

Fiscal Services Division Legislative Services Agency Fiscal Note

SF 2215 - IFA Investment of Funds (LSB 5271 SV)
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Fiscal Note Version - New

Description

Senate File 2215 allows the Iowa Finance Authority to establish separate funds within the Office of the Treasurer of State to invest proceeds from the issuance of bonds with the State's pooled investments. Under current law, the Authority invests bond proceeds into guaranteed investment contracts (GICs) pending the use of the funds for the intended purpose. These are typically short-term investments. This Bill would allow the Authority to use a State pooled investment account as an alternative to a guaranteed investment contract when it becomes economically feasible.

Assumptions

1. The Iowa Finance Authority issues bonds under the FirstHome Program about three times per year at approximately \$45.0 million to \$50.0 million per issue.
2. The rate of return on guaranteed investment contracts has ranged from 1.12% to 1.81% in calendar year 2002 and 2003. The rate of return on the State pooled investments has been approximately 0.81% to 0.89% higher than the guaranteed investment contracts during this same period.

Fiscal Impact

Senate File 2215 would allow the Iowa Finance Authority to generate additional interest revenue for programs administered by the Authority (i.e., housing and the State Revolving Fund programs) during times when the rate of return on the State's pooled investments is greater than the guaranteed investment contract rates.

If current market conditions persist, the Authority could earn an additional \$250,000 to \$300,000 annually to benefit programs administered by the Authority.

Source

Iowa Finance Authority

Dennis C Prouty

March 4, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, [Code of Iowa](#). Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
