

Fiscal TOPICS

Updated January 2012



Rebuild Iowa Infrastructure Fund (RIIF)

The State has several resources that provide funding for infrastructure-related projects. The Rebuild Iowa Infrastructure Fund (RIIF), established in Iowa Code section 8.57(6), is the primary funding source for public infrastructure-related expenditures.

Funding the RIIF

The General Assembly first funded the RIIF in the 1995 Legislative Session when \$50.0 million was appropriated from the Generally Accepted Accounting Principles (GAAP) Deficit Reduction Account to the RIIF. In addition, legislation 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, the General Assembly amended Iowa Code section 8.57 to provide that all State wagering tax receipts in excess of \$60.0 million deposit in the RIIF. In the 2000 Legislative Session, the Legislature created the Environment First Fund (EFF) that receives a standing appropriation from the RIIF. Interest earned on the EFF is deposited in the RIIF.

Iowa Code section 8.57(6) Allocations of State's Wagering Taxes

In the 2000 Legislative Session, the General Assembly made changes to Iowa 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 again 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, however, because the \$6.0 million had previously been allocated prior to the Iowa 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 Iowa 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 back to the RIIF once the federal subsidy is received. In addition anything unneeded from the \$55.0 million for debt service is transferred annually by the Treasurer of State to the RIIF.

After the changes enacted in the 2009 and 2010 Legislative Sessions, the Iowa 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 wagering tax receipts).

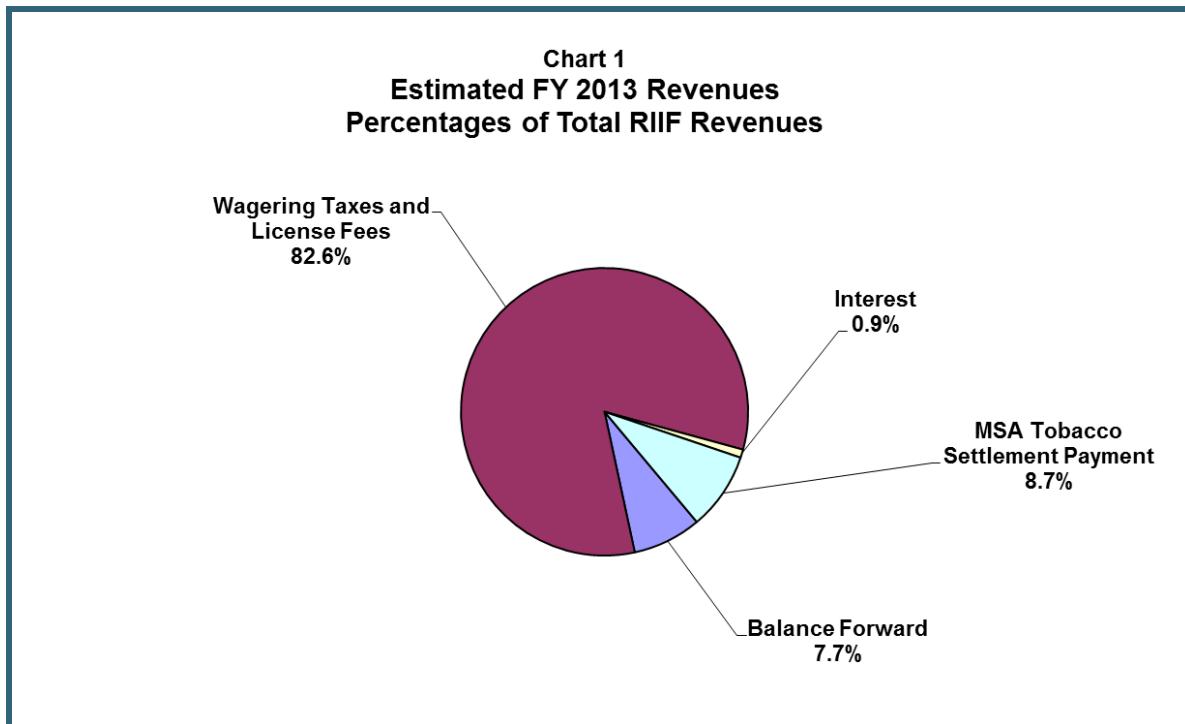
More Information

For a more detailed discussion of the RIIF, see the [Issue Review](#) published in October 2011.

General Assembly website: <https://www.legis.iowa.gov/index.aspx>

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State wagering taxes provide most of the revenue for the RIIF. For example, 85.4% of RIIF revenue for FY 2011 was from wagering tax receipts and related license fees. Wagering tax revenue is estimated to result in 81.2% of RIIF revenue in FY 2012 and 82.6% in FY 2013. **Chart 1** shows the percentage for each category of RIIF revenues for estimated FY 2013.



Recent Changes to Revenues

In the 2011 Legislative Session, the General Assembly followed the structure of the debt service on the 2009 and 2010 bond issuances and provided for the transfer back to the RIIF from any unneeded amounts 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 revenue from the unused portion of that allocation.

Vertical Infrastructure and Notwithstandings

During the 1996 Legislative Session, HF 2421 (FY 1997 Transportation, Infrastructure, and Capitals Appropriation Act) amended Iowa 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 Iowa 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 notwithstanding the statutory definition. During the time the definition has been in place, the percentage of appropriations that notwithstanding has ranged from 14.5% to 98.9%, with an average of 56.7%. 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."

The 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 came from one of the Infrastructure-related funds. For FY 2009 through FY 2012, the entire amount, \$24.3 million,

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 able to provide for the Board of Regents tuition replacement appropriation from the RIIF within the purpose defined.

Standing, Multiyear, and Other Appropriations from the RIIF

Iowa Code provides two existing standing appropriations from the RIIF. Iowa Code section [8.57A](#) provides \$42.0 million annually for the EFF and Iowa Code section [16.181A](#) provides \$3.0 million annually for the Housing Trust Fund. In the past, the General Assembly has reduced the standing appropriations for one or more fiscal years. For example, for FY 2011 and FY 2012, the EFF was reduced to \$33.0 million.

The RIIF is somewhat unique within the State budget in that there are often out-year appropriations and multiyear appropriations made. While these previously enacted appropriations may be altered during a legislation session, until that time the appropriations are current law appropriation on the books and reduce what remains available in the estimated RIIF. For example, estimated FY 2013 and FY 2014, have \$124.5 million and \$117.7 million, respectively, in current law appropriations from the RIIF. Generally, appropriations from the RIIF have a four-year reversion date to allow funding to remain available for the capital projects.

Table 1 shows the estimated RIIF revenues, current law appropriations, and available funds as of December 2011.

Table 1
Rebuild Iowa Infrastructure Fund
(Dollars in Millions)
As of December 2011

	Actual FY 2010	Actual FY 2011	Est. FY 2012	Est. FY 2013	Est. FY 2014
Revenues					
Balance Forward	\$ -5.4	\$ 6.3	\$ 16.8	\$ 14.1	\$ 0.0
Wagering Taxes/Related Fees	188.1	125.9	141.5	144.4	144.4
Wagering Taxes - Transfers from TOS*	0.0	19.3	6.2	6.2	6.2
Interest	4.9	1.6	1.6	1.7	1.8
Other Revenue	8.4	0.0	0.0	0.0	0.0
Tobacco Settlement/Endowment Transfer	16.7	17.0	15.9	15.9	16.0
Total Revenues	212.7	170.1	182.0	182.3	168.4
Appropriations					
Environment First Fund**	42.0	33.0	33.0	35.0	42.0
Housing Trust Fund**	3.0	1.0	3.0	3.0	3.0
Technology Reinvestment Fund***	14.5	10.0	15.5	0.0	0.0
Grow Iowa Values Fund***	23.0	38.0	15.0	0.0	0.0
Other Appropriations	124.3	71.4	101.4	86.5	72.7
Total Appropriations	206.8	153.4	167.9	124.5	117.7
Reversions	-0.4	-0.1	0.0	0.0	0.0
Available for Appropriation				57.8	50.7
Ending Balance	\$ 6.3	\$ 16.8	\$ 14.1	\$ 0.0	\$ 0.0

*Beginning FY 2011, the transfer from 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 \$1.5 million).

**Standing appropriation.

***Normally funded by the General Fund.