
FISCAL TOPICS

Fiscal Services Division

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Unemployment Compensation Reserve Fund

History and Purpose

The Unemployment Insurance Reserve Fund (Reserve Fund) was authorized by the 2003 enactment of [SF 458](#) (Miscellaneous Appropriations, Reductions, Revenue Adjustments, and Other Matters Act) and codified in Iowa Code section [96.9\(8\)](#). The Reserve Fund is separate and distinct from the Unemployment Compensation Fund established in Iowa Code section [96.9\(1\)](#). All moneys collected as reserve contribution are deposited in the Reserve Fund.

An unemployment compensation tax is imposed on the taxable wage base of most employers to finance Iowa's Unemployment Compensation Program. The U.S. Department of Labor oversees the unemployment system, but each state administers and finances its own program. The Department of Workforce Development (IWD) administers the Program in Iowa. Revenues from the unemployment compensation tax, referred to as "employer contributions," are held in the Unemployment Compensation Fund and the Reserve Fund and used to pay benefits to eligible workers. The interest earned on the moneys in the Reserve Fund is deposited in the Reserve Fund.

Reserve Fund Balance

The Reserve Fund balance is established by allocating employer contribution between the Unemployment Compensation Fund and the Reserve Fund. The Reserve Fund does not receive an allocation of the employer contributions once the balance in the Reserve Fund reaches \$150.0 million. The Reserve Fund has had a balance of \$150.0 million since the end of calendar year (CY) 2015.

If the Reserve Fund balance drops below \$150.0 million, a percentage of employer contributions collected is deemed to be Reserve Fund contributions and used to replenish the Reserve Fund.¹ The Director of the IWD determines the percentage, which is limited to not more than 50.0% of the employer contribution tax rate or \$50.0 million per calendar year.

The Iowa Unemployment Compensation Fund Status Report for CY 2018 can be found [here](#). The report includes information about the Unemployment Compensation Fund and the Reserve Fund. Included is information about contributions and the balance of the funds.

¹ Iowa Code § [96.9\(8\)\(b\)](#).

More Information

Unemployment Insurance Statistics:

www.iowaworkforcedevelopment.gov/unemployment-insurance-statistics

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Use of the Reserve Fund

Moneys in the Reserve Fund are only used to pay unemployment benefits to the extent that moneys in the Unemployment Compensation Fund are insufficient to pay benefits during a calendar quarter. As specified in Iowa Code section [96.9\(8\)\(e\)](#), moneys from interest earned on the Reserve Fund can only be used by the IWD upon appropriation by the General Assembly and for administrative costs to collect the reserve contributions. The Reserve Fund contribution is not currently being collected. If the Reserve Fund contribution is utilized in the future, an allocation plan would need to be established with the U.S. Department of Labor to allocate the administrative cost to collect the Reserve Fund contribution since federal funding cannot be used to administer the Reserve Fund.

The Economic Development Appropriations Act provides an annual appropriation of the interest earned on the Reserve Fund to partially fund the operation of the IWD field offices. The amount of interest that is available for appropriation fluctuates based on the principal balance of the Reserve Fund and interest rates. The Reserve Fund interest appropriations were initially estimated at \$4.0 million. However, due to the lower interest rates available on accounts, the Reserve Fund has not been generating as much revenue as originally estimated. The Reserve Fund interest appropriation is the second source utilized by the IWD once the General Fund appropriation for field offices is depleted.

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