FISCAL TOPICS
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LSA LEGISLATIVE SERVICES AGENCY
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Flood Mitigation Program and Sales Tax Funding

History and Purpose

The Flood Mitigation Program was created in 2012. The Program provides a State funding source to finance flood mitigation projects undertaken by approved local governments. The funding source is a diversion of State sales tax revenue from the State General Fund to the approved local governments. The Iowa Flood Mitigation Board manages the Program.

The Department of Revenue provides assistance in determining the amount of funding available to each of the approved local governments. The amount of funding available each quarter is determined by comparing the retail sales within a specific geographic area[1] in a given quarter to the amount of retail sales in that same area for that same quarter in a base year. No provision is made in the calculation for ordinary retail sales growth within the area since the base year. The calculated State sales tax from the retail sales growth is available to the local governments for flood mitigation finance. Local governments are permitted to issue bonds that will be repaid with the sales tax revenue made available under the Program.

Table 1
Flood Mitigation Funding Summary
In Millions

Local Government	Approved Sales Tax Funding	Sales Tax Funding Time Frame	Total Funds, All Public Sources	Budgeted Bond Debt
Burlington	$ 26.2	2016-2035	$ 64.2	$ 11.1
Cedar Falls	5.7	2015-2020	12.3	0.0
Cedar Rapids	269.4	2014-2035	650.0	0.0
Coralville	9.8	2014-2027	25.2	0.0
Council Bluffs	57.0	2015-2034	130.0	0.0
Des Moines *	111.1	2016-2035	319.0	0.0
Dubuque	98.5	2014-2033	248.2	76.1
Iowa City	8.5	2014-2021	63.4	6.0
Storm Lake	4.1	2015-2033	8.0	3.1
Waverly	5.6	2014-2025	13.5	9.1
Total	$ 595.9		$ 1,533.8	$ 105.4

* City of Des Moines and Metropolitan Wastewater Reclamation Authority

The Board is allowed to approve sales tax funding for local government projects. A local government is allowed to receive sales tax revenue for flood mitigation for up to 20 years after the local government's

[1] For nine cities, the geographic area for the increment calculation is the entire city. For the Des Moines/Metropolitan Wastewater Reclamation Authority, the geographic area encompasses Des Moines and many surrounding cities.

More Information

Iowa Flood Mitigation Board: homelandsecurity.iowa.gov/flood-mitigation-board/

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project has been approved by the Board.[2] No local government is allowed to receive more than $15.0 million in sales tax revenue under the Program in any one fiscal year. The first quarterly sales from which sales tax revenue growth could be calculated and transferred for the Program was the third quarter of FY 2014. Sales tax allocations to six of the 10 local governments continue through at least FY 2033.

The Board has approved a total of $595.9 million in sales tax funding for the projects of 10 approved local governments. The funding schedule runs from FY 2014 through FY 2035. The total sales tax funding approved, sales tax diversion time frames, total funds from all sources,[3] and project bond debt are provided in **Table 1**. **Table 1** reflects reports filed by the approved local governments through the end of April 2021. The reported debt column represents original debt to be repaid with diverted sales tax revenue. Some debt repayment may have occurred since the original debt amount was reported. Iowa Code section 418.14 authorizes the issuance of bonds that are to be repaid in whole or in part with the sales tax revenue authorized under the Program.

Current Budget Impact

Sales tax funding of the Flood Mitigation Program negatively impacts State General Fund revenue through periodic transfers out of the State General Fund to the Sales Tax Increment Fund. The transfers to the Sales Tax Increment Fund decrease, dollar for dollar, State General Fund revenue for the year.

For FY 2014 through FY 2021, a total of $185.4 million has been transferred from the State General Fund to the Sales Tax Increment Fund. Of the $185.4 million, a total of $184.4 million has been remitted to the 10 approved local governments, leaving a balance in the Sales Tax Increment Fund of $1.0 million, as shown in **Table 2**.

Iowa Code section 418.12(4)(a) limits the aggregate amount that may be remitted in a fiscal year to any single local government to $15.0 million and to all local governments to no more than $30.0 million. The State Accounting System indicates that for FY 2021, the total amount of sales tax remitted to the city of Cedar Rapids was $15.9 million, and the total amount remitted to all cities exceeded the $30.0 million annual limit in both FY 2020 and FY 2021.

Table 2
Flood Mitigation Program
Sales Tax Increment Fund

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Beginning Balance	$ 0	$ 154,611	$ 12,148,548	$ 3,050,921	$ 5,155,493	$ 6,140,404	$ 3,165,616	$ 4,476,711	$ 0
Sales Tax Revenue	$ 2,185,642	$ 26,738,512	$ 20,899,482	$ 29,073,364	$ 24,644,752	$ 23,134,203	$ 31,448,842	$ 27,249,091	$ 185,373,888
Distributions:									
Burlington	$ 0	$ 0	$ 275,873	$ 332,461	$ 28,260	$ 487,628	$ 374,301	$ 315,032	$ 1,813,555
Cedar Falls	0	451,401	1,876,183	1,748,086	1,086,649	0	495,550	0	5,657,869
Cedar Rapids	1,556,798	8,206,381	8,169,718	9,491,970	8,703,405	11,061,567	14,947,101	15,916,162	78,053,102
Coralville	0	1,046,201	1,926,102	1,471,023	1,469,475	1,468,990	947,387	462,561	8,791,739
Council Bluffs	0	1,484,181	1,695,000	1,035,510	2,638,666	3,663,923	2,714,491	1,998,910	15,230,681
Des Moines	0	0	11,992,859	7,618,687	4,217,932	2,771,792	3,644,827	4,098,064	34,344,161
Dubuque	332,469	2,718,293	2,782,187	3,742,982	3,536,157	4,400,028	4,445,637	5,951,737	27,909,490
Iowa City	84,474	519,914	924,753	1,074,890	1,320,609	1,549,650	1,804,030	1,213,310	8,491,630
Storm Lake	22,579	57,421	80,000	80,000	106,907	130,886	184,890	219,880	882,563
Waverly	34,711	260,783	274,434	373,183	551,781	574,527	579,533	582,560	3,231,512
Total	$ 2,031,031	$ 14,744,575	$ 29,997,109	$ 26,968,792	$ 23,659,841	$ 26,108,991	$ 30,137,747	$ 30,758,216	$ 184,406,302
Ending Balance	$ 154,611	$ 12,148,548	$ 3,050,921	$ 5,155,493	$ 6,140,404	$ 3,165,616	$ 4,476,711	$ 967,586	$ 967,586

Annual reports from the Flood Mitigation Board, local government applications for approval, and semiannual progress reports from the approved local governments are available from the Iowa Flood Mitigation Board.

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[2] Division VI of HF 2459 (FY 2017 Standing Appropriations Act) granted the Board authority to extend the 20-year funding limit under specified circumstances.
[3] Total funds from all public sources is a budgeted amount and includes the diverted sales tax revenue, other State funds, federal funds, and funds from local government revenue sources.