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## FISCAL TOPICS

Fiscal Services Division

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# Unemployment Compensation Reserve Fund

## History and Purpose

The Unemployment Compensation Reserve Fund (Reserve Fund) was authorized by 2003 Iowa Acts, chapter [179](#) (Miscellaneous Appropriations, Reductions, Revenue Adjustments, and Other Matters Act). The Reserve Fund was repealed in 2024 Iowa Acts, chapter [1162](#) (Work-Based Learning Act). The Reserve Fund is separate and distinct from the Unemployment Compensation Trust 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 Iowa Department of Workforce Development (IWD) administers the Program in Iowa. Revenues from the unemployment compensation tax are held in the Unemployment Compensation Trust Fund and the Reserve Fund and are used to pay benefits to eligible workers. The interest earned on the moneys in the Reserve Fund are deposited into the Reserve Fund.

## Reserve Fund Balance

The Reserve Fund balance was established by allocating employer contributions between the Unemployment Compensation Trust Fund and the Reserve Fund. The Reserve Fund stopped receiving an allocation of unemployment compensation taxes once it reached \$150.0 million. **Figure 1** shows the balance in the Reserve Fund from FY 2015 through FY 2024.

If the Reserve Fund balance drops below \$150.0 million, a percentage of the unemployment compensation taxes would be used to replenish the Reserve Fund. The Director of the IWD determines the percentage, which is limited to not more than 50.0% of the unemployment compensation tax or \$50.0 million per calendar year.

2024 Iowa Acts, chapter 1162, transfers approximately \$30.0 million from the Reserve Fund to the Workforce Opportunity Fund, with the remaining balance being transferred to the Unemployment Compensation Trust Fund. Interest earnings on moneys in the Reserve Fund are transferred to the Special Employment Security Contingency Fund. As of December 12, 2024, no transfers have been made.

**Figure 1**  
**Reserve Fund Balance**

(Dollars in Millions)

Fiscal Year	Reserve Fund
2015	\$ 150.0
2016	150.8
2017	150.8
2018	151.6
2019	152.9
2020	153.0
2021	150.8
2022	151.1
2023	152.5
2024	158.0

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## More Information

Unemployment Insurance Statistics: [workforce.iowa.gov/labor-market-information/indicators/ui-statistics](http://workforce.iowa.gov/labor-market-information/indicators/ui-statistics)

U.S. Department of Labor, Employment and Training Administration:

[oui.doleta.gov/unemploy/DataDashboard.asp](http://oui.doleta.gov/unemploy/DataDashboard.asp)

LSA Staff Contact: Evan Johnson (515.281.6301) [evan.johnson@legis.iowa.gov](mailto:evan.johnson@legis.iowa.gov)

### Use of the Reserve Fund

Moneys in the Reserve Fund could only be used to pay unemployment benefits to the extent that moneys in the Unemployment Compensation Trust Fund were insufficient to pay benefits during a calendar quarter. Moneys from interest earned on the Reserve Fund could only be used by the IWD upon appropriation by the General Assembly and for administrative costs to collect the reserve contributions. If the Reserve Fund contributions were used for the payment of benefits, an allocation plan would have been established with the U.S. Department of Labor to allocate the administrative cost to collect the Reserve Fund contributions since federal funding could not be used to administer the Reserve Fund.

Each year from FY 2007 to FY 2025, the annual Economic Development Appropriations Act made inapplicable the funding limitation in Iowa Code chapter [96](#) and appropriated from the interest earned on the Reserve Fund to partially fund the operation of the IWD field offices. The amount of interest that was available for appropriation fluctuated based on the principal balance of the Reserve Fund and interest rates. The Reserve Fund interest appropriation was the second source utilized by the IWD once the General Fund appropriation for field offices was depleted. **Figure 2** shows the interest earned in the Reserve Fund from FY 2015 through FY 2024.

Fiscal Year	Interest Revenue
2015	\$ 0.5
2016	0.8
2017	1.1
2018	1.8
2019	2.9
2020	3.0
2021	0.5
2022	0.3
2023	3.6
2024	7.5

### Related Statutes and Administrative Rules

Iowa Code chapter [96](#)

Iowa Administrative Code [871](#)