
Iowa Legislative Fiscal Bureau

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Update On Trust Fund Transfer Status

ISSUE

The balances of several trust funds were transferred to the General Fund at the end of FY 1991 for a 2-year period. During the 1993 Legislative Session, HF 669 made the transfer of the fund balances permanent, but provided "fencing" language that requires the receipts for the funds be used only for the purposes originally collected.

AFFECTED AGENCIES

Various

CODE AUTHORITY

House File 669 (Trust Funds Transfer Bill), enacted by the 1993 General Assembly

BACKGROUND

During the 1991 Legislative Session, the Governor proposed transferring the ending balances of 33 trust funds (estimated at \$30.7 million) by eliminating their trust fund status and depositing the receipts directly in the General Fund. The General Assembly approved HF 173 (First FY 1991 Deappropriations Bill) authorizing the transfer of the FY 1991 ending balances of 27 trust funds into the General Fund. House File 173 also authorized the deposit of trust fund receipts into the General Fund for FY 1992 and FY 1993. The funds and their FY 1991 ending balances were to be restored at the end of FY 1993.

During the 1993 Legislative Session, HF 669 was approved making the transfer of the ending balances and deposit of receipts for the affected trust funds permanent. House File 669 also included "fencing" language that requires the receipts deposited relative to the affected funds be used only for the purposes collected. For example, all receipts that would have been deposited in the Credit Union Revolving Fund will be tracked separately and must be used or made available for appropriation to the Credit Union Division of the Department of Commerce.

The purpose in making the trust fund transfers was to benefit the General Fund for cash flow availability. Although the trust fund amounts are segregated within the General Fund they are still available cash resources in the balance of the General Fund. One of the initial concerns with the original plan to transfer the trust fund balances was it would reduce efforts to move toward Generally Accepted Accounting Principles (GAAP). The "fencing" language in HF 669

alleviates this concern according to the Auditor of State and the Department of Revenue and Finance.

Another concern was raised by the Attorney General. In an opinion issued March 27, 1991, the Attorney General concluded that the statutes creating the 5 Department of Commerce funds and 2 of the agricultural funds (Pesticide and Fertilizer Trust Funds) contained language indicating legislative restriction on the use of those funds. The cost to repay the FY 1991 ending balances of these 7 funds is \$5.3 million.

CURRENT SITUATION

The receipts that would have been deposited in the affected trust funds continue to be deposited in the General Fund as they have since the beginning of FY 1992. Attachment I illustrates the original ending balance estimates, actual balances transferred,

actual receipts for each of the funds since FY 1992, and the amounts that have been appropriated from the General Fund for departments or programs originally funded by the trust funds. The benefit to the General Fund is illustrated in Table 1 below.

Table 1

	Amount Appropriated	Amount Collected	Benefit to General Fund
FY 1991 Ending Balances			\$ 22,842,336
FY 1992 Actual	\$ 36,677,228	\$ 39,243,341	\$ 2,566,113
FY 1993 Actual*	\$ 38,814,545	\$ 41,274,015	\$ 2,459,470
FY 1994 Estimated	\$ 37,936,780	\$ 42,400,000	\$ 4,463,220
Total			<u>\$ 32,331,139</u>

*FY 1993 collections are actual; expenditures are not yet final.

ALTERNATIVES

1. No action. The Legislature could chose to take no action and the affected trust fund receipts would continue to be deposited in the General Fund with the restriction that they be made available for appropriation for the purposes collected.
2. Restore the Commerce, Fertilizer, and Pesticide Trust Funds. The cost to repay the FY 1991 ending balances of these funds is \$5.3 million. The General Fund would also lose the ability to use the excess receipts over appropriations for these funds for cash flow purposes. The excess is estimated to be \$4.0 million for FY 1994.
3. Restore all the trust funds, but repay the balances only for the Commerce, Fertilizer, and Pesticide Funds, and require that funds with an excess of receipts over appropriations be required to make transfers to the General Fund. This has been done on occasion informally by the Department of Management. Certain funds, such as the Commerce funds, were required to make transfers annually. For example, the Banking Division was required to make a transfer of \$60,000 to the General Fund. Likewise, the Insurance Division had a formula designed to keep the amount necessary to fund the Division's appropriation in the trust fund and the remainder was transferred to the General Fund. Again, the cost to repay the balances for the 7 funds would be \$5.3 million. However, the General Fund would retain the excess of receipts over expenditures estimated at \$4.0 million for FY 1994.

BUDGET IMPACT

The total benefit to the General Fund since the trust funds were transferred at the end of FY 1991 is \$32.3 million. See Table 1 and Attachment I for specific budget information by fund.

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STATUS OF TRANSFERRED TRUST FUNDS

	Original Transfer Estimate	Actual Amount Transferred	FY 1992 Final Appropriations After Reversions	FY 1992 Actual Collections	FY 1993 Appropriations Estimated	FY 1993 Actual Collections	FY 1994 Appropriations	FY 1994 Projected Receipts
Energy Research & Development Fund	\$ 590,000	\$ 490,000	\$ 143,843	\$ 0	\$ 150,000	\$ 0	\$ 143,843	\$ 0
Pari-Mutuel Regulation Fund	370,000	270,911	1,498,875	842,081	1,642,939	729,393	1,672,245	3,500,000
Excursion Gambling Boat Revenue Fund	300,000	354,976	488,012	1,402,719	605,855	1,426,795	601,682	included in PM
State Conservation Fund	0	0	0	0	0	0	0	0
Administration Fund	0	0	0	0	0	0	0	0
Public Outdoor Recreation & Resources Fund	0	0	0	0	0	0	0	0
Milk Fund	0	68,196	619,390	476,858	644,739	537,822	636,682	500,000
Dairy Trade Practices Trust Fund	70,000	67,859	43,601	74,938	73,296	69,339	70,565	100,000
Commercial Feed Fund	110,000	64,047	684,151	805,189	809,254	788,263	786,214	800,000
Fertilizer Fund	4,500	135,739	695,286	741,864	712,250	823,061	683,791	700,000
Pesticide Fund	470,000	580,581	1,093,408	1,203,533	1,226,671	1,287,078	1,186,603	1,200,000
Motor Vehicle Fraud Account	360,000	425,000	0	193,861	0	236,381	0	200,000
Salvage Vehicle Account	100,000	114,172	0	109,475	0	57,610	0	100,000
Marine Fuel Tax Fund	2,000,000	2,083,968	3,588,356	2,096,656	2,063,256	2,526,743	2,261,311	2,300,000
Special Railroad Facility Fund	4,500,000	4,258,072	NA	1,437,633	NA	1,008,454	NA	1,400,000
State Aviation Fund	2,000,000	1,556,367	NA	2,211,165	NA	2,196,870	2,572,020	2,600,000
Railroad Assistance Fund	4,100,000	1,726,954	NA	147,730	NA	214,991	2,110,553	100,000
Rail and Aviation Projects	NA	NA	3,608,234	NA	5,045,025	0	NA	0
Security Deposit Account	1,500,000	1,428,142	368,277	408,441	570,000	0	0	0
GAAP Escrow Account	180,000	729,388	0	0	0	0	0	0
Utilities Trust Fund (includes Consumer Advocate)	490,000	2,341,202	6,110,328	5,416,897	6,735,876	4,813,072	6,875,469	6,900,000
Insurance Revolving Fund	130,000	847,689	3,922,217	7,679,090	4,496,866	9,035,938	4,667,435	8,400,000
Banking Revolving Fund	290,000	618,181	4,709,501	4,758,463	4,994,466	4,982,430	5,314,308	5,400,000
Credit Union Revolving Fund	180,000	211,506	820,733	924,883	847,035	903,463	1,039,372	1,000,000
Savings & Loan Revolving Fund	240,000	21,466	0	0	0	0	0	0
Professional Licensing Revolving Fund	480,000	619,381	747,249	1,234,485	797,700	1,168,594	864,687	1,000,000
Administrative Services Trust Fund	320,000	417,981	1,230,400	0	1,259,317	0	0	0
Public Transit Assistance Fund	2,100,000	2,716,192	5,957,095	4,409,621	5,890,000	6,721,910	6,200,000	6,200,000
Gambler's Assistance Fund (HF 479)	110,000	694,366	348,272	2,667,758	250,000	1,745,809	250,000	included in PM
Total	\$ 20,994,500	\$ 22,842,336	\$ 36,677,228	\$ 39,243,341	\$ 38,814,545	\$ 41,274,015	\$ 37,936,780	\$ 42,400,000