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## FISCAL TOPICS

Fiscal Services Division

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Des Moines, Iowa 50319

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# Special Employment Security Contingency Fund

## Purpose and History

The Special Employment Security Contingency Fund (also known as the Penalty and Interest Fund or P & I Fund) was established with the enactment of 1970 Iowa Acts, chapter [1055](#) (Employment Security Contingency Fund Act).<sup>1</sup> Revenue for the Fund is derived from interest, fines, and penalties collected from employers on unemployment delinquent contributions and reports under Iowa Code section [96.14](#). Moneys collected from employers are transferred from the clearing account to the Fund.

The Fund was created with a cap of \$50,000. If, on July 1, the Fund exceeded this cap by \$10,000 or more, the amount over \$50,000 was transferred to the Unemployment Compensation Fund.<sup>2</sup> This automatic transfer was repealed by 1982 Iowa Acts, chapter [1126](#) (Unemployment Compensation Temporary Tax Act), and the balance of the Fund now remains continuously available.

## Reporting

The Iowa Department of Workforce Development (IWD) is required to annually report to the Economic Development Appropriations Subcommittee on its plans for expenditures from the Fund during the next State fiscal year. The report must describe the specific expenditures and explain why the expenditures are to be made from the Fund and not from federal administrative funds.<sup>3</sup>

## Use of Funds

The moneys in the Fund are intended to act as a revolving fund to cover expenditures for which federal funds have been requested and not yet received. The federal funds will be credited to the Fund once they are received. The moneys in the Fund are not available for use if federal funds would otherwise be available to pay for the administration of the IWD.

The moneys in the Fund may also be used for administrative costs that are found not to have been properly and validly chargeable against federal grants or other funds, received for the IWD. The moneys in the Fund are specifically made available to replace, within a reasonable time, any moneys received by the State in the form of grants from the federal government for administrative expenses which, because of any action or contingency, have been expended for purposes other than, or more than, those necessary for the proper administration of the IWD.<sup>4</sup>

The IWD may appear before the Executive Council to request authorization of moneys to meet unanticipated emergencies as an expense from the appropriations addressed in Iowa Code section [7D.29](#) ([Performance of Duty](#)). The primary purpose of the Performance of Duty appropriation is to provide funding for emergency repairs to State property if sufficient funds are not available in a State agency budget.<sup>5</sup>

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<sup>1</sup> Iowa Code [§96.13](#)(3).

<sup>2</sup> Iowa Code [§96.9](#).

<sup>3</sup> Iowa Code [§96.13](#)(3)(b).

<sup>4</sup> Iowa Code [§96.13](#)(3)(a)(1).

<sup>5</sup> Iowa Code [§96.13](#)(3)(c).

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## More Information

Iowa Department of Workforce Development: [workforce.iowa.gov](http://workforce.iowa.gov)  
LSA Staff Contact: Evan Johnson (515.281.6301) [evan.johnson@legis.iowa.gov](mailto:evan.johnson@legis.iowa.gov)

The IWD or any employee of the IWD is indemnified for any damages and legal expenses incurred, as a result of the good-faith performance of the IWD's or the employee's official duties, for any claim for civil damages not specifically covered by the Iowa Tort Claims Act.<sup>6</sup> Any payment is to be paid from the Fund.<sup>7</sup>

### Appropriations from the Fund

The Economic Development Appropriations Act provides an annual appropriation from the Fund to partially fund the operation of the IWD field offices. The appropriation for FY 2024 is approximately \$2.4 million. The Fund appropriation for field offices is the third source utilized by the IWD once the General Fund and the interest from the Unemployment Compensation Reserve Fund are depleted.

The IWD is also authorized by the annual Economic Development Appropriations Act to expend the revenues that are not appropriated, and the IWD has been using that authority. Anticipated expenses for FY 2024 are presented in IWD's annual Fund [report](#).

**Figure 1** shows the Fund's revenues, expenditures, cashflow needs as estimated by the IWD, and available balance after considering the estimated cash needed to cover expenses until the payment for those expenses is received.

**Figure 1 — Special Employment Security Contingency Fund Revenue, Expenditures, and Available Balance**

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Beginning Balance	\$ 8,814,632	\$ 7,740,940	\$ 8,177,078	\$ 7,375,849	\$ 7,410,742
Revenue	2,287,329	2,105,241	1,777,079	2,728,251	3,727,873
Total Resources	\$ 11,101,961	\$ 9,846,181	\$ 9,954,157	\$ 10,104,100	\$ 11,138,614
Agency Expenditures	\$ 1,594,938	\$ 978,008	\$ 812,224	\$ 2,693,358	\$ 2,956,424
Appropriated	1,766,084	691,094	1,766,084	0	2,416,084
Total Expenditures	\$ 3,361,022	\$ 1,669,102	\$ 2,578,308	\$ 2,693,358	\$ 5,372,508
Carryforward	\$ 7,740,940	\$ 8,177,078	\$ 7,375,849	\$ 7,410,742	\$ 5,766,107
Cashflow Needs	\$ 4,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000
Unassigned Balance	\$ 3,540,940	\$ 5,977,078	\$ 5,175,849	\$ 5,210,742	\$ 3,566,107

Totals may not sum due to rounding.

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<sup>6</sup> Iowa Code ch. [669](#).

<sup>7</sup> Iowa Code [§96.17](#).