

SPECIAL EMPLOYMENT SECURITY CONTINGENCY FUND

PENALTY AND INTEREST (P and I)

STATE FISCAL YEAR 2016

Communications: Funding from P and I is used for projects such as agency-wide advertising, brochures and pamphlets, which are difficult to determine how to charge the 50 plus programs in the agency. The effort involved in determining accurate allocations exceeds the benefit received. Some of these projects are allowable with federal funds, while others may be subject to limitations placed in the federal regulations under the OMNI Circular, 2 CFR. \$100,000

Labor Market Information : Funding from the federal Bureau of Labor Statistics is not sufficient to pay for all the expenses involved in collecting employee, employer and other business related data. P and I funds have been used historically, to cover the shortfall. \$525,000

Unemployment Division : The Unemployment Division is responsible for the collections of penalty and interest funds. In order for the state of Iowa to keep the P and I dollars, we are required to pay for the cost of collection from those funds and cannot charge the federal unemployment grant for this expense. \$100,000

Overhead : This general category is used when IWD has expenses incurred that are not allowed under federal regulations or the cost was paid too late to charge to a federal program. Historically, this has included such issues as the state/union agreement on back pay of travel expenditures or health insurance. Whenever IWD has costs determined to be unallowable by federal or state audit, those costs are charged here as well. Although, we have had limited unallowable costs in the past 7 years, the agency must ensure that sufficient funds are available in the event this occurs. \$500,000

IWD Call Center: Funds set aside for the upkeep, repairs and other special work that may be necessary at the 150 Dsm St. office. This building is jointly owned by the federal government and the state. Again, it is difficult to determine how to properly allocate a given expense between the federal funds and state funds and ensure we do not incur costs subject to disallowance. The P and I funds are used to avoid any such questioning of our allocation. \$100,000

Worker's Compensation: The "Perfect" software system has not been completed and IWD has reserved funds to complete that project and some contingency funding in the event of cost overruns. \$152,000

Director's Office: Funds are set aside for special projects at the direction of the Governor or the Director of IWD. \$50,000

Infrastructure/Field Operations: Funding for maintenance and improvements to 19 local offices used by IWD. This is an on-going effort with various offices around the state. Funds may be necessary to expand integrations for more partners due to the Workforce Investment Opportunity Act (WIOA). It does not appear that the federal government is going to provide sufficient funding to that program to address transition costs. \$1,000,000

Infrastructur/Administration: The 150 Dsm St. and especially the 1000 E. Grand office are in need of major improvements/remodeling. Very limited dollars have been spent over the past 18 years to keep the building in workable condition. Carpeting, painting, light fixtures, ceiling tiles, etc., all are in need of replacement. The building has past the point where minor repairs will give the employees a safe and clean working environment. Due to asbestos abatement requirements, this work will be expensive and time consuming. Further delays in starting this endeavor will only increase the eventual cost of this project. \$1,500,000

Administrative Services Division: Some of the functions performed within the Financial Management Bureau are not allowable costs under federal programs. The activities are allowable, however, not with federal funds. This includes the maintenance of books of account for the Employer's Council of Iowa as well as the books for the IWD Foundation. In addition, any financial work that is performed for litigation, Freedom of Information Act requests, etc., may or may not be allowable with federal funds. It is in the best interest of the agency to charge those costs against P and I and not be subject to questioned costs \$100,000

Permanent Loans: IWD has placed P and I funds in several federal and enterprise cash accounts as our cash flow. This is done to ensure that we do not have any point in time where the federal government could say we were drawing down excess cash. Although we draw funds down a minimum of three times per week, there are also times where emergencies come up that require an overnight payment and the federal funds cannot be received in time to cover the expense. Therefore, P and I dollars are permanently placed in those accounts to ensure timely payment of every invoice or claim. \$1,200,000

Temporary Loans: Due to the on-going Continuing Resolutions from congress, it is necessary to maintain a reserve a funds to be loaned to various federal programs. This occurs especially in the Fall of each year, but at times this has gone as long as 5 months before final federal grants were awarded. In fact, the federal shutdown in 2013 could have caused a great deal of funds to be loaned had it lasted much longer than it did. The amount necessary to reserve varies from year to year and is unknown with any certainty. \$2,000,000

Cash Flow: Due to the way the I3 Accounting system operates each night, funds are necessary for cash flow purposes as transactions go into an account and are moved to another account in that same evening's processing. Although the cash is available in the account where the transaction finally lands, it also has to be in the account where it is temporarily posted. Because of necessity of cost pooling expenses, this cash flow funding is critical. \$850,000

**SPECIAL EMPLOYMENT SECURITY CONTINGENCY FUND
PENALTY AND INTERESTY
STATE FISCAL YEAR 2016
RECAP OF FUNDS AVAILABLE AND ESTIMATED BUDGET**

COMMUNICATIONS	\$100,000
LABOR MARKET INFORMATION	\$525,000
UNEMPLOYMENT/COLLECTION	\$100,000
OVERHEAD	\$500,000
CALL CENTER	\$100,000
WORKER'S COMPENSATION	\$152,000
DIRECTOR'S OFFICE	\$50,000
INFRASTRUCTURE, FIELD	\$1,000,000
INFRASTRUCTURE, ADMINISTRATION	\$1,500,000
ADMINISTRATIVE SERVICES	\$100,000
PERMANENT LOANS	\$1,200,000
TEMPORARY LOANS	\$2,000,000
CASH FLOW	<u>\$850,000</u>
TOTAL BUDGET FOR SFY 2016	\$8,177,000
ESTIMATED CARRYOVER FROM SFY 2015	\$7,994,534
ESTIMATED NEW RECEIPTS IN SFY 2016	<u>\$2,000,000</u>
TOTAL REVENUE AVAILABLE, SFY 2016	\$9,994,534