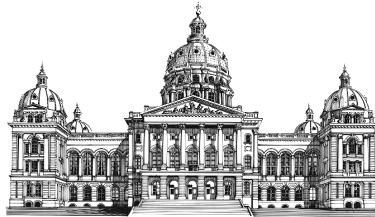


Iowa Legislative Fiscal Bureau



Dennis Prouty
(515) 281-5279
FAX 281-8451

State Capitol
Des Moines, IA 50319
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Departmental Plans for Use of FY 1995 Reversions

ISSUE

The 1994 General Assembly passed SF 2318 (Budget Processes Act) allowing departments to retain 50.0% of the General Fund operational reversions for FY 1995 and FY 1996 for technological enhancement and employee training. This ***Issue Review*** will examine departments' intended use of the reversions for FY 1995 as provided in this Act.

AFFECTED AGENCIES

All

CODE AUTHORITY

Section 8.62, Code of Iowa

BACKGROUND

Section 8.33, Code of Iowa provides for the reversion of appropriated funds at the end of each fiscal year to the source of the funds. Generally, unencumbered and unobligated balances as of August 31 are reverted to the appropriate funding source each fiscal year. The above section may be superseded by annual appropriations acts' provisions for specific appropriation reversions.

The 1994 General Assembly passed SF 2318, allowing the departments to retain 50.0% of the unencumbered and unexpended amount of the operational appropriations as of June 30, 1995, for employee training and technological enhancement during the following fiscal year. The remaining operational appropriations and the programmatic appropriations were reverted at the end of FY 1995 to the General Fund as provided for in Section 8.33. The provision is also in effect for FY 1996 operational appropriations. Unused money as of June 30 of the succeeding fiscal year will be deposited in the Cash Reserve Fund.

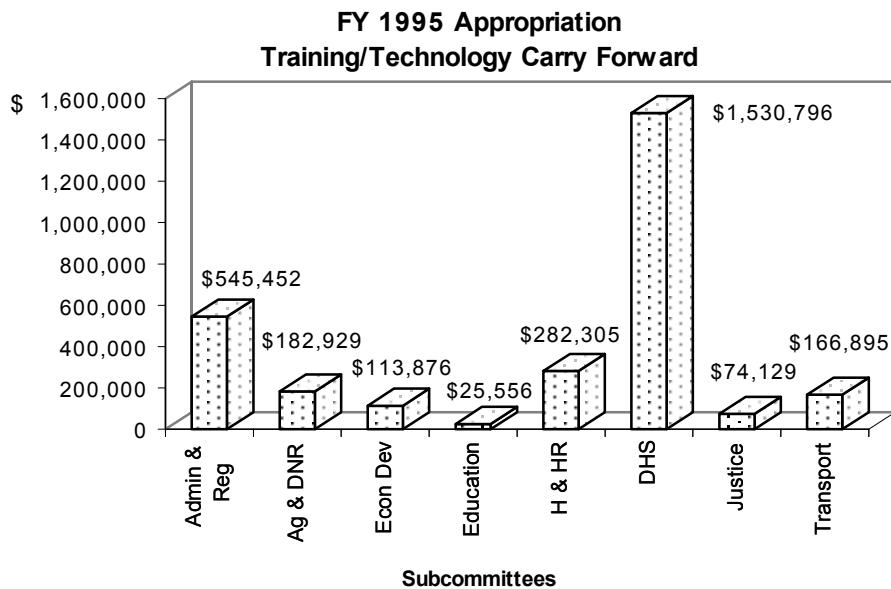
Departments participating in the use of reversions must report to the respective Joint Appropriations Subcommittee, Legislative Fiscal Bureau, Department of Management, and the Legislative Fiscal Committee by June 30, 1996, and 1997. Departments are not allowed to encumber money from an appropriation which received a transfer from another appropriation pursuant to the Code of Iowa, Section 8.39. If the General Fund has a deficit,

the Department of Management may reapportion the carry forward funds to eliminate the potential deficit.

Section 8.62 is repealed on September 1, 1997.

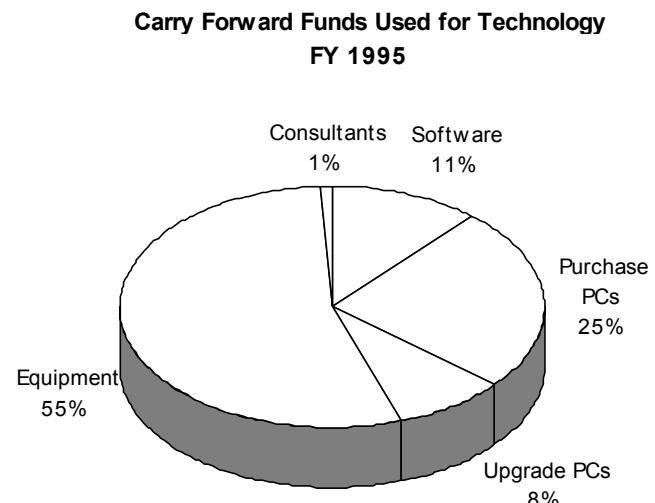
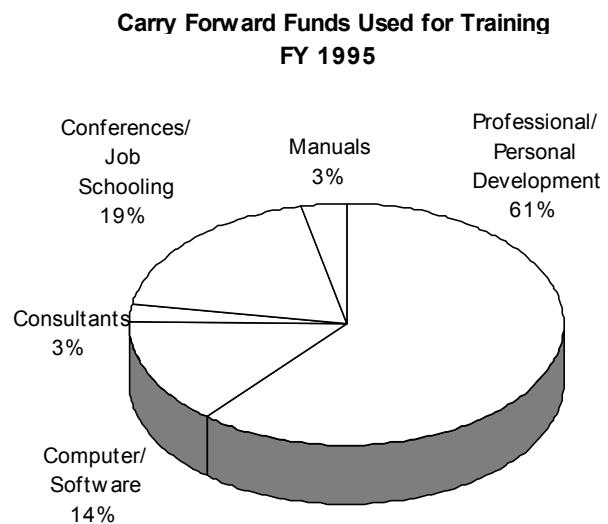
CURRENT SITUATION

The following graph depicts the 50.0% reversion from operational appropriations available for employee training and technological enhancement for FY 1995 due to SF 2318.



The carry forward for all departments totaled \$2,921,939. A few departments did not qualify for the reversion carry forward due to transferring funds to accommodate reorganization or due to shortfalls in revenues. In addition, departmental appropriations acts allowed certain departments to retain all of the reversion for specific uses such as computers or correctional officers.

Of the amount available for employee training and technological enhancement, departments have indicated plans to use an estimated 16.0% of the carry forward funds for employee training and an estimated 84.0% of the funds for technological enhancement. The following graphs depict the estimated breakdown of the carry forward funds within employee training and technological enhancement.



The following table shows the total carry forward by department for FY 1995.

FY 1995 Carry Forward by Department

Department	FY 1995 Carry Forward
Agriculture and Land Stewardship	\$ 141,113
Attorney General	0
Auditor*	219,930
Campaign Finance	1,150
Civil Rights Department	6,563
College Aid	12,984
Commerce Department	256,056
Corrections**	0
Cultural Affairs	0
Department for the Blind	0
Department of Human Rights	1,202
Economic Development**	54,454
Education	11,526
Employment Services	45,715
GASA	2,500
General Services***	30,088
Governor*	0
Human Services	1,530,796
Inspections and Appeals	212,287
Judicial	18,884
Law Enforcement	48,416
Management*	89,995
Natural Resources	41,816
PERB Board	13,707
Personnel	9,292
Public Defense	0
Public Health	11,786
Public Safety	6,828
Regents	1,046
Revenue and Finance***	0

Department	FY 1995 Carry Forward
Secretary of State*	936
State/Federal Relations	2,584
Transportation	166,895
Treasurer*	43,950
Veterans Affairs	260,255
TOTAL	\$ 3,242,754

* Departmental appropriations act allowed the department to retain entire reversion for technology.

** Departmental appropriations act allowed the department to retain all reversion from operating appropriations not included in this amount for other uses.

***Departmental divisions did not qualify due to Section 8.39, Code of Iowa transfers necessary for reorganization.

ALTERNATIVES

The General Assembly might consider the following alternatives for use of reversion funds:

- Assess departmental need for technological improvements and training each fiscal year and include as a decision package during the budgeting process.
- Remove the repeal of Section 8.62 from the Code of Iowa, allowing departments to continue carrying forward 50.0% of operating appropriation reversions after FY 1996.
- Allow departments to retain 100.0% of the operating appropriation reversions for training and technological enhancements or other specific uses, such as replacement of lost federal funds.
- Allow each appropriation subcommittee to incorporate greater flexibility of reversion funds within specific appropriation bills. For instance, the Department of Corrections is allowed to retain 100.0% of the FY 1995 operating appropriation reversion amount for correction officers.
- Repeal Section 8.62, Code of Iowa and return to original law.

BUDGET IMPACT

The General Fund received a total reversion of \$25,406,914 for FY 1995. Of this amount, \$4,730,743 was from operating appropriations. A total of \$2,921,939 was carried forward for employee training or technological enhancement in FY 1995 as a result of SF 2318. The following budget impact analysis corresponds with the potential alternatives above.

- Without the provisions in SF 2318, the \$2.9 million available for carry forward would have reverted to the General Fund. While the actual requests would vary by department, this **Issue Review** did not cover the scope of estimating departmental needs for technological improvements and training.
- Assuming similar reversions to FY 1995, there would be a \$2.9 million effect to the General Fund each fiscal year. It is important to note that reversions vary from year to year due to many factors such as staffing levels, demand for services, price of supplies and equipment.

- The FY 1995 reversion and all carry forward funds totaled \$7,973,497 from operating appropriations. This total includes the funds carried forward by departments due to SF 2318, as well as other appropriations acts specifying additional departmental uses, and the reversions from operating appropriations which received transfers in FY 1995. Under this alternative, this amount would have been available for these uses.
- The overall effect of this alternative would be equal to retaining 100.0% of the reversions by operating appropriations, if each subcommittee allowed the funds to be retained by the departments. In FY 1995 this totaled \$7,973,497. The funds could be utilized in very different ways by subcommittee to meet each department's specific requirements.
- Assuming no action in appropriation acts, the effect of this alternative would be a positive General Fund impact. In FY 1995 this totaled \$7,973,497.

STAFF CONTACT: Angie Frey (Ext. 14612) Darlene Kruse (Ext. 16256)

