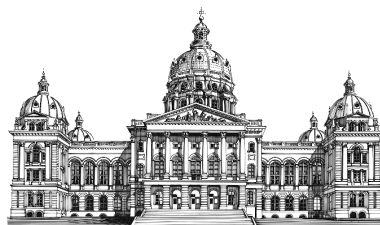

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State Capitol
Des Moines, IA 50319
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Department Of Public Defense - Cash Flow

ISSUE

The Military Division of the Department of Public Defense (DPD) develops cash flow problems during the last quarter of each fiscal year as a result of delays in federal reimbursements for salaries for National Guard personnel, and operations and maintenance of National Guard facilities.

AFFECTED AGENCIES

Military Division of the DPD

CODE AUTHORITY

Chapter 29, Code of Iowa

BACKGROUND

For FY 1993, the Military Division was appropriated \$3,363,161 (including funds for salary increases) and budgeted \$6,731,153 in federal receipts. These funds are used to pay both State and federal salaries of National Guard personnel, and operation and maintenance costs of National Guard facilities.

Federal funds are disbursed to the Department on a reimbursement basis. Reimbursements are received within 15 to 30 days. The State incurs the expense and sends the invoice to the federal agency for approval before the reimbursement can take place. This requires the DPD to use State appropriated funds to pay the expenses when they are incurred which causes a funding shortfall in the final months of the fiscal year.

CURRENT SITUATION

In April 1993, the Military Division began operating with a negative balance in the appropriation account. For the DPD to continue to pay bills, special authorization was required from the Department of Management (DOM) and the Department of Revenue and Finance (DRF) to allow the DPD to borrow funds from the General Fund to cover payroll and contractual expenses until reimbursements are received from the federal government. However, according to the Auditor of State, this process does not account for revenues and expenditures in the appropriate fiscal years.

ALTERNATIVES

Currently, the DPD, DOM, and DRF have no alternative but to overspend the Military Division appropriation and borrow from the General Fund. If the authorization was not allowed, the DPD would either default on federal contract agreements or fail to meet payroll.

For FY 1994, the Transportation and Safety Appropriations Subcommittee approved authorizing language which will give the DPD the authority to go into deficit spending on a cash accounting basis as long as there are sufficient receipt invoices to cover the deficit. This provides the formal authorization to overspend the appropriation and addresses the Auditor of State's concerns.

The DPD is working with the United States Property and Fiscal Office to speed up the reimbursement process (through wire transfers) or to provide funds in advance of expenditures. These procedures are not expected to be in place prior to FY 1995.

BUDGET IMPACT

As of May 31, 1993, the Military Division appropriation account had a deficit of \$518,000. The table below shows the current budget situation of the Department. The deficit will be eliminated when the Department receives outstanding federal reimbursements. A significant portion of the reimbursements will not be received until after June 30, 1993.

Department of Public Defense
FY 1993 Budget
Through May 31, 1993

Revenues

General Fund	\$	3,363,161
Federal Funds		4,856,743
Other		38,380
Total	\$	8,258,284

Expenses

Personal Services	\$	5,887,820
Facility Maint.		477,081
Utilities		987,056
Other		1,424,762
Total	\$	8,776,719
Deficit	\$	-518,435

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