



Iowa Department of
Administrative Services

Director's Office

Thomas J. Vilsack, Governor
Sally J. Pederson, Lt. Governor

Mollie K. Anderson, Director

January 26, 2006

TO: MEMBERS OF THE ADMINISTRATION AND REGULATION
APPROPRIATIONS SUBCOMMITTEE
FROM: Mark Johnson, Legislative Liaison
RE: Proposed Repayment Plan – FY05 Cashflow Appropriation – \$1,889,610

During the 2004 Legislative session, DAS received a General Fund appropriation in an amount of \$1,889,610 to be used for cashflow purposes associated with the activities of six specific revolving funds. The appropriated amount was distributed amongst the six identified funds in a manner to insure that expenses could be met for a two month period. The cashflow amounts are necessary given that billings for the related activities are made in arrears (approximately 30 days), with an additional time (up to 30 days) after the billing date before payment is received. This results in a time period of up to 60 days during which costs (primarily payroll costs) must be met prior to the receipt of revenue associated with the related billings.

The 2005 Legislature reduced the DAS FY06 General Fund appropriation for general operations by \$359,560 and authorized the Department to expend an amount not to exceed \$359,560 for general operations out of the original cashflow appropriation. The legislation also directs DAS to develop a plan for repayment of the total amount of the cashflow appropriation.

The plan developed and recommended by DAS is to again expend \$359,560 in FY07 for general operations from the general fund monies appropriated for cashflow purposes. DAS further recommends that the same action be taken for the next 3 following fiscal years (FY 08, 09, 10) with a final amount to be expended in similar fashion in FY11 of \$91,810. Following this schedule will result in the complete repayment of the \$1,889,610 cashflow appropriation to the General Fund in a manner that will permit DAS to appropriately manage this repayment process and not negatively impact the services that DAS provides to its state agency customers.

To facilitate the implementation of this plan and ensure that DAS can continue to pay its bills in a timely fashion consistent with state requirements, given the continued reduction of the available cashflow amount over the identified fiscal years, DAS also recommends that legislation be enacted that allows DAS to combine the balances of specific identified DAS funds for purposes of determining available resources for the payment of amounts owed. This recommendation should be subject to the following requirements:

1. Appropriate notice by DAS to the Department of Management (DOM) and the legislature of the fund balances to be utilized for this purpose.
2. DOM approves the specific funds.
3. At no time should the total balance of the identified funds be negative.
4. At the end of the fiscal year, all identified funds must have a positive balance.
5. That this proposal be consistent with any other applicable GAAP requirements.

Please contact me if you have any questions or concerns regarding this plan.