

441—25.13(331) Regional finances.

25.13(1) *Regional service payments.* The department will distribute funds from the mental health and disability services regional service fund to regions in accordance with Iowa Code section 225C.7A. Funds will be distributed in July, October, January, and April.

25.13(2) *Funding.* Funding for non-Medicaid mental health and disability services and children's behavioral health services is under the control of the governing board and shall:

a. Be maintained to limit administrative burden and provide public transparency regarding financial processes.

b. Be maintained in a combined account.

c. Be used to fund services in accordance with the regional service system management plan and the performance-based contract.

d. Be maintained in a county mental health and disability services fund for the deposit of regional service payments for those counties exempted under Iowa Code section 331.389. Expenditures to be made from the county mental health and disability services fund will not be made from any other fund of the county. The exempted county mental health and disability services fund is considered to be the same as a region combined account and is subject to the same requirements as a region combined account.

25.13(3) *Accounting system and financial reporting.* The accounting system and financial reporting to the department shall conform to Iowa Code section 331.391 and include all non-Medicaid mental health and disability expenditures. Information shall be separated and identified in a uniform chart of accounts, including but not limited to the following: expenses for administration; purchase of services; and enterprise costs for which the region is a service provider or is directly billing and collecting payments.

25.13(4) *Ending fund balance.* Each region shall certify to the department of human services on or before December 1 the region's cash flow amount in the combined account at the conclusion of the most recently completed fiscal year.

a. A region must submit the ending fund balance on forms specified by the department.

b. The certified ending fund balance shall exclude encumbered amounts for which resources already have been committed and been approved by the department in accordance with subrule 25.13(7).

c. A certified submission must:

(1) Be approved by the region's governing board prior to submittal to the department.

(2) Be signed by the chairperson of the regional governing board and the regional chief executive officer.

25.13(5) *Ending balance limitations.*

a. A region's certified ending fund balance as determined in subrule 25.13(4) will not exceed a percentage of the region's actual expenditures for the preceding fiscal year. The ending balance limitations are as follows:

(1) For the fiscal year beginning July 1, 2021, the ending balance shall be no more than 40 percent of the actual expenditures of that year.

(2) For the fiscal year beginning July 1, 2022, the ending balance shall be no more than 20 percent of the actual expenditures of that year.

(3) For the fiscal year beginning July 1, 2023, and each succeeding fiscal year thereafter, the ending balance shall be no more than 5 percent of the actual expenditures of that year.

b. If a region has an ending fund balance more than the limitation, the department will reduce the current fiscal year's remaining quarterly regional service payments equal to the excess ending fund balance amount.

c. If withholding a region's remaining quarterly payments does not sufficiently effectuate the required reduction, the region shall pay to the department any additional excess ending fund balance amount.

d. The amount of reductions to regional service payments and amounts paid to the department under paragraph 25.13(5) "c" shall be transferred and credited to the regional incentive fund.

25.13(6) *Acceptable encumbrances.* A region shall report to the department moneys for which a commitment is imposed and binding.

a. Financial obligations entered into by the region may be considered an acceptable encumbrance under the following circumstances:

(1) Existence of evidence as demonstrated by a contract or purchase order that details the services to be delivered and cost to the region.

(2) Entry of the region into executed contracts or binding commitments shall occur through formal action of the region's governing board.

b. Acceptable encumbrances shall be entered into and fulfilled according to the time frames outlined below:

(1) For the fiscal year beginning July 1, 2021, funds shall be obligated by the end of the fiscal year. Services shall be fully executed and moneys expended by June 30, 2023.

(2) For the fiscal year beginning July 1, 2022, funds shall be obligated by the end of the fiscal year. Services shall be fully executed and moneys expended by December 31, 2023.

(3) For the fiscal year beginning July 1, 2023, and each succeeding fiscal year thereafter, funds shall be obligated by the end of the current fiscal year. Services shall be fully executed and moneys expended by August 31 of the subsequent fiscal year.

c. Up to 10 percent of the direct and purchased administration expenditure total identified in the region's current approved annual service and budget plan may be claimed as an encumbrance.

d. Requests to encumber funds toward multiyear projects with the purpose to provide access to required core services shall be limited to actual needs for the current fiscal year.

25.13(7) *Encumbrance reporting and approval.*

a. The region shall submit a detailed accounting of encumbered funds to the department on or before July 31 on forms specified by the department.

(1) The department may request additional information to determine whether the region's reported contracts and binding commitments qualify as acceptable encumbrances.

(2) A plan for expenditure, including a description of activities related to required core services, shall accompany documentation for multiyear projects.

b. By August 31, the department shall notify the region, in writing, of the decision and the accepted amount to be considered encumbered. The decision of the department is final.

c. Regional commitments that are denied as acceptable encumbrances shall be included in the calculation of the ending fund balance for the previous fiscal year.

d. Encumbrances that are not fulfilled within the time frames specified in subrule 25.13(6) shall be included in the ending fund balance amount.

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