



## Early Childhood Iowa Encumbered/Obligated Funds Policy

### **Iowa law:**

256I.9(4)(e) allows Early Childhood Iowa Area (ECIA) boards to provide information about funding that is encumbered or obligated. The law states:

e. The amount of school ready children grant funding an area board may carry forward from one fiscal year to the succeeding fiscal year shall not exceed twenty percent of the grant amount for the fiscal year. All of the school ready children grant funds received by an area board for a fiscal year which remain unencumbered or unobligated at the close of a fiscal year shall be carried forward to the succeeding fiscal year. However, the grant amount for the succeeding fiscal year shall be reduced by the amount in excess of twenty percent of the grant amount received for the fiscal year.

### **What are encumbered/obligated funds?**

An encumbrance is a portion of a budget set aside for spending that is required by law or a contract. Similar to a budget, an encumbrance is a projection and not yet a reality. As a contractor submits claims for work performed, etc., the “encumbrance” disappears in that amount and become an actual expense. However, sometimes conditions change over the course of the contract year (for example, an employee quits and the contractor is unable to fill the position) and projected spending declines. When this situation happens, the board should discuss projected spending with the contractor and potentially adjust the encumbered amount down.

### **Can our board encumber funds that are not expended within the effective dates of the contract?**

Maybe. The contract identifies the start and end dates in which the contractor must perform the work detailed in the scope of services. If the work is not performed within the effective dates of the contract, then the funds are no longer encumbered. However, there may be rare circumstances, such as a natural disaster toward the end of the contract period, which prevented the contractor from completing the work. In this situation, the board may encumber the funds and allow the contractor to complete the work within a short period of time after the original end date of the contract. Note: To allow the contractor to complete the work, the board must amend the contract end date.

### **How long after the end of the state fiscal year can our board encumber funds?**

If there is a rare circumstance (i.e., natural disaster) and the contractor is unable to complete the work as required in the contract by the end date, the board may encumber funds up to 60 calendar days after the end of the state fiscal year that the contract was in effect.

#### *Example:*

ABC ECI area has a contract the XYZ public health agency to provide four dental screening clinics. The effective dates of the contract are from 7/1/14 to 6/30/15. There is a screening clinic schedule for June 10, 2015 and there is a flood the beginning of June in the community where the clinic is scheduled. The board discussed the option of rescheduling the screening clinic in July with XYZ agency. Both parties agreed to amend the end date in the contract to allow XYZ agency to hold the screening clinic in July. The XYZ agency rescheduled and provided the clinic on July 22, 2015.