Tort Liability Fund

Section 670.7 of the Code of Iowa permits the Extension District to levy a separate tax for the cost of tort liability benefits. This levy is in addition to the regular Education Operating Fund levy; however, the Tort Liability levy is only allowed when the regular Education Operating Fund levy is at its maximum limitation imposed by statute. These limitations for the Extension Districts are noted in Extension Law, Section 176A.10 and also in the Iowa Department of Management (IDOM) Budget Instructions.

The Tort Liability Fund includes payment of the District Liability insurance premiums (General, Auto, Professional and Umbrella Excess) and the Directors and Officers insurance premiums.

Once the maximum levy limitation is reached, the Extension District has the choice to:

1. levy for Tort Liability in addition to the regular Education Operating Fund levy; or
2. record expenses as a regular expense in the Education Operating Fund.

Before the maximum levy limitation is reached, the District would handle the expense as a regular expense in the Education Operating Fund.

Moneys received from separate additional levy must be used for the following purposes:

1. Only for liability purposes
2. District Liability insurance costs
3. Public Officials/Errors and Omissions insurance costs

Procedures for the Tort Liability Fund

If a Tort Liability expense is anticipated in a future fiscal year and the Education Operating Fund is being levied at its maximum limitation, the Extension District may levy for Tort Liability through the regular budget process. The Extension District may have a positive or a negative Tort Liability Fund carry forward amount for any year.

When the Tort Liability funds are received they should be recorded as a deposit in Current Tax income account (#40010) in the Operating Tort Fund (OTU). When expenses are incurred, the invoices should be paid and recorded in the Tort Liability expense account (#90000) in the Operating Tort Fund (OTU).

If the District has officially levied for the Tort Liability Fund through the regular budgeting process, there will be a specific dollar amount that you anticipate receiving during the fiscal year for which you levied. When the county receives the bill for Tort Liability expenses before the tax dollars have been deposited in your account by the County Treasurer, you can pay the bill and show it as an expense the Tort Liability expense account (#90000) in the Operating Tort Fund (OTU).
When the tax dollars for the Tort Liability Fund are deposited into your bank account by the County Treasurer at a later date in that fiscal year, you will show the receipt as a deposit in Current Tax income account (#40010) in the Operating Tort Fund (OTU).

The Tort Liability Fund balance is the net of the Tort Liability income account #40010 in the Operating Tort Fund (OTU) and the Tort Liability expense account #90000 in the Operating Tort Fund (OTU). Any deficit in the Operating Tort Fund (OTU) is covered by the Educational Operating Fund (OCU).

Tort Liability funds available would consist of any positive amount in the Operating Tort Fund (OTU) that was carried forward from the previous fiscal year plus the amount the Extension District will receive from a Tort Liability Fund levy for the current year or any negative amount in the fund that was carried forward from the previous fiscal year plus the amount the Extension District will receive from a Tort Liability Fund levy for the current year.

For example -- Let's assume you will have $1,000 in your Tort Liability fund in the current year. This consists of $200 carry forward from the previous year plus $800 you levied for in the current year. You are billed for $1,500 in Tort Liability expenses in the current year. You pay the $1,500 invoice from the Tort Liability Fund (OTU). The remaining $500 deficit in the Tort Liability Fund will be covered by a future Tort Liability Fund levy and/or the Education Operating Fund (OCU).

<table>
<thead>
<tr>
<th>Previous Year Carry Forward</th>
<th>$ 200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year Tort Liability levy Plus</td>
<td>$ 800</td>
</tr>
<tr>
<td>Tort Liability expense Minus</td>
<td>$ 1500</td>
</tr>
<tr>
<td>Tort Liability expense Education Operating Fund advance (covered by a future levy)</td>
<td>$500</td>
</tr>
</tbody>
</table>

The Extension Council minutes should reflect that the Council is aware at the time they approve payment of the expense that it is being paid by Education Operating fund advanced monies, which will later be "reimbursed or offset" by the Tort Liability Fund tax income.

**Budgeting for the Tort Liability Fund**

The Extension District may officially levy for the Tort Liability Fund through the regular budgeting process. If you have made this levy in past years, you need to show the beginning balance (if any) and previous year’s receipts and expenditures.