

# JOINT BUDGET COMMITTEE



## STAFF BUDGET BALANCING FY 2020-21

## INDIRECT COST EXCESS RECOVERY FUND

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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## HOW TO USE THIS DOCUMENT

The **first section [not included in this document]** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **second section** of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

A **third section [not included in this document]** of the document includes additional staff recommendations and options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

## SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

INCREASE AVAILABLE GENERAL FUND - STATUTORY CHANGE REQUIRED			
FY 2020-21 REVENUE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS
Indirect Costs Excess Recovery Fund transfer to General Fund	\$8,381,753	\$0	\$9,200,000

### → INDIRECT COSTS EXCESS RECOVERY FUND TRANSFER TO GENERAL FUND

*JBC ACTION AS OF 3/16/20:* The Committee has not taken any action to date.

*RECOMMENDATION:* Staff recommends the Committee sponsor legislation to transfer \$8,381,753 from the Indirect Costs Excess Recovery Fund to the General Fund in June 2020.

*ANALYSIS:*

*Key Considerations:* No immediate health, life, or safety impact/ Does not affect vulnerable population

*Additional Background:* The Indirect Costs Excess Recover Fund, created in Section 25-75-1401 (2), C.R.S., consists of separate accounts “for each principle department of state government,” except for the Department of Higher Education. Each of the separate accounts consists of money collected by a department for indirect costs for a fiscal year “in excess of the actual amount expended” within that fiscal year. The Fund, and each account within it, is subject to annual appropriation by the General Assembly for use by the relevant department to pay for any indirect costs incurred in excess of their collections.

The various accounts within the Fund can build up a balance over time, as departments collect more indirect cost recoveries than necessary from their various divisions and agencies. As of April 13, 2020, the Fund had a total balance of \$15.6 million across nine department accounts. Staff’s transfer recommendation represents 53.6 percent of the aggregate Fund balance.

INDIRECT COSTS EXCESS RECOVERY FUND TRANSFER ANALYSIS			
DEPARTMENT ACCOUNTS	FUND BALANCE (APRIL 13, 2020)	JBC STAFF RECOMMENDED RESERVE	BALANCE AVAILABLE FOR TRANSFER
Agriculture	\$99,444	\$99,444	\$0
Corrections	90,196	90,196	0
Education	1,133,892	500,000	633,892
Human Services	6,147,057	2,098,053	4,049,004
Local Affairs	43,249	43,249	0
Natural Resources	190,655	190,655	0
Public Health and Environment	2,262,754	1,802,822	459,932
Public Safety	4,358,538	2,160,000	2,198,538
Regulatory Agencies	1,300,483	260,097	1,040,386
Total	\$15,626,268	\$7,244,515	\$8,381,753

For those accounts with a current balance less than \$200,000, no transfer is recommended. For all other accounts, a minimum account balance of \$225,000 was retained unless otherwise noted. For each account identified to contribute to the recommended transfer, JBC Staff’s recommended reserve takes into consideration planned FY 2020-21 usage by each department.