

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
FROM Alfredo Kemm, JBC Staff (303.866.4549)
DATE February 17, 2017
SUBJECT Staff Comeback – Personnel and Statewide Compensation Policies, POTS Fund Splits

At the Department of Personnel figure setting, staff provided a separate memo which identified that fund splits reflected in the Department budget request for personal services lines differed from fund splits reflected in the salary base included in the compensation template. This difference results in POTS appropriations that proportionally include more General Fund than other fund types when compared to the fund splits in the Department-wide personal services request.

Staff recommended that the Committee allow staff to adjust POTS fund splits to match the proportions included in the Department's personal services requests. The Committee tabled staff's recommendation and requested additional information from the Department for an explanation for the variance between the fund splits in the requested personal services lines and the fund splits in the salary base in the compensation template. Additionally, the Committee requested that staff similarly review the same for all departments.

- Based on further review of this issue, staff recommends no change to fund splits generated in the compensation templates at this time.

Staff is concerned that while there are reasons and explanations for variances, some reasons and explanations may not be best practice for budget transparency.

The primary budget element which appears as reappropriated funds in the budget but is considered General Fund appropriations is the use of indirect cost recoveries. The sole purpose of identifying indirect cost recoveries in the budget is to *offset* General Fund. In Department and statewide review of the POTS fund splits issue, staff included the amount identified as indirect cost recoveries as General Fund to adjust for this offset. However, although staff had already adjusted for this in analysis, this reason was a standard first explanation of variances from many departments.

Staff agrees that indirect cost recoveries fluctuate from year to year based on the annual adjustments in the indirect cost plan, and that indirect cost recoveries are intended to offset General Fund, therefore expenses paid for by indirect cost recoveries should properly be considered General Fund expenses.

In some cases, certain cash fund sources might be considered by a department to be cash funds which do not originate from typical program fee-generated sources and which are considered to be *one-time* cash funds and are used to *offset* General Fund.

An example of this are procurement card rebates used in the Division of Accounts and Control in the Department of Personnel. Such funds are used to pay for – or offset General Fund – in the Financial Operations and Reporting subdivision (the State Controller's Office) and the Procurement and Contracts subdivision. The Department views these funds as *bonus* funds used to offset

expenses that would otherwise be paid for with General Fund. However, these funds are included in the budget consistently from year to year. Such funds should perhaps be considered standard, available cash funds (which are spent on programs related to the purpose of their collection) rather than considered as bonus funds for programs that are otherwise General Funded.

Staff believes that cash funds that are used to support staff resources for a given program should similarly be used to pay for the POTS appropriations for those staff.

This may require a rebalancing of available funds which would lead to a similar overall outcome in appropriation. However, (1) given the scale of variance identified in this analysis and (2) given the flexibility provided for the allocation of POTS appropriations across a department, fully allocating cash funds for FTE in personal services appropriations and relying on General Fund for POTS appropriations for those FTE diminishes budget transparency. Tracking actual expenditures becomes more vague for the budget-setting process and the proper consideration of necessary appropriation amounts to support state agency programs from appropriate fund sources.

While at this time, staff does not make a specific recommendation to the Committee regarding this concern, staff will continue to research this issue and may bring recommendations to the Committee next year for addressing this concern.

Additionally, staff identified expenditure items included entirely as or set within personal services lines, which do not support program staff resources and in some cases support no FTE. Such expenditure items might include payments for contract services. Because these variances occur in departments outside of staff's working knowledge, it is difficult for staff to identify whether this is a problem and what solutions might be available.

Again, staff will continue to research this issue and bring recommendations at a future point.

The following tables outline staff's analysis of departments' personal services requests in comparison to their identified salary base in the compensation templates.

Personal Services request - Compensation Template salary base Comparison Analysis					
Agriculture	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	21,809,105	5,855,897	14,991,835	346,079	615,294
Fund Type Percentages	100.0%	26.9%	68.7%	1.6%	2.8%
Compensation Template - salary base	17,445,137	5,252,382	12,023,537	0	169,218
Fund Type Percentages	100.0%	30.1%	68.9%	0.0%	1.0%
Salary Base percent of Request	80.0%	89.7%	80.2%	0.0%	27.5%

Personal Services request - Compensation Template salary base Comparison Analysis

Corrections	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	394,280,419	380,536,967	5,940,322	7,528,470	274,660
Fund Type Percentages	100.0%	96.5%	1.5%	1.9%	0.1%
Compensation Template - salary base	359,570,359	349,728,918	9,841,441	0	0
Fund Type Percentages	100.0%	97.3%	2.7%	0.0%	0.0%
Salary Base percent of Request	91.2%	91.9%	165.7%	0.0%	0.0%

Education	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	93,691,769	18,289,106	35,967,893	9,372,745	30,062,025
Contracts incl. in PS	44,172,951	1,084,829	29,657,563	682,078	12,748,481
PS net of contracts	49,518,818	17,204,277	6,310,330	8,690,667	17,313,544
Fund Type Percentages	100.0%	34.7%	12.7%	17.6%	35.0%
Compensation Template - salary base	49,676,996	17,665,140	6,706,394	5,404,857	19,900,605
Fund Type Percentages	100.0%	35.6%	13.5%	10.9%	40.1%
Salary Base percent of Request	53.0%	96.6%	18.6%	57.7%	66.2%
Salary Base percent of PS net	100.3%	102.7%	106.3%	62.2%	114.9%

Governor - Non-OIT	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	20,344,495	8,327,169	10,413,494	143,301	1,460,531
Fund Type Percentages	100.0%	40.9%	51.2%	0.7%	7.2%
Compensation Template - salary base	13,108,880	6,256,868	4,154,204	1,732,994	964,814
Fund Type Percentages	100.0%	47.7%	31.7%	13.2%	7.4%
Salary Base percent of Request	64.4%	75.1%	39.9%	1209.3%	66.1%

Governor - OIT	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	108,890,302	2,877,297	0	106,013,005	0
Fund Type Percentages	100.0%	2.6%	0.0%	97.4%	0.0%
Compensation Template - salary base	79,115,308	668,525	0	78,446,783	0
Fund Type Percentages	100.0%	0.8%	0.0%	99.2%	0.0%
Salary Base percent of Request	72.7%	23.2%	n/a	74.0%	n/a

Health Care Policy and Financing	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	33,987,045	12,862,855	3,171,631	1,096,293	16,856,266
Fund Type Percentages	100.0%	37.8%	9.3%	3.2%	49.6%
Compensation Template - salary base	35,141,380	13,065,565	2,906,193	825,822	18,343,800
Fund Type Percentages	100.0%	37.2%	8.3%	2.3%	52.2%
Salary Base percent of Request	103.4%	101.6%	91.6%	75.3%	108.8%

Personal Services request - Compensation Template salary base Comparison Analysis

Higher Education	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	13,445,943	3,171,338	9,433,747	43,592	797,266
Fund Type Percentages	100.0%	23.6%	70.2%	0.3%	5.9%
Compensation Template - salary base	13,325,356	378,450	7,545,685	2,594,011	2,807,210
Fund Type Percentages	100.0%	2.8%	56.6%	19.5%	21.1%
Salary Base percent of Request	99.1%	11.9%	80.0%	5950.7%	352.1%

Human Services	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	375,591,077	208,294,904	27,867,170	67,396,810	72,032,193
Fund Type Percentages	100.0%	55.5%	7.4%	17.9%	19.2%
Compensation Template - salary base	239,708,528	161,963,242	8,057,555	43,124,940	26,562,791
Fund Type Percentages	100.0%	67.6%	3.4%	18.0%	11.1%
Salary Base percent of Request	63.8%	77.8%	28.9%	64.0%	36.9%

Labor and Employment	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	56,927,120	1,360,874	21,007,894	679,745	33,878,607
Fund Type Percentages	100.0%	2.4%	36.9%	1.2%	59.5%
Compensation Template - salary base	85,360,517	4,828,759	30,751,980	657,531	49,122,247
Fund Type Percentages	100.0%	5.7%	36.0%	0.8%	57.5%
Salary Base percent of Request	149.9%	354.8%	146.4%	96.7%	145.0%

Law	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	48,200,800	12,052,048	6,002,108	28,619,993	1,526,651
Fund Type Percentages	100.0%	25.0%	12.5%	59.4%	3.2%
Compensation Template - salary base	45,165,791	11,830,366	5,292,179	27,059,276	983,971
Fund Type Percentages	100.0%	26.2%	11.7%	59.9%	2.2%
Salary Base percent of Request	93.7%	98.2%	88.2%	94.5%	64.5%

Local Affairs	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	12,760,907	3,886,357	2,063,493	4,037,569	2,773,488
Fund Type Percentages	100.0%	30.5%	16.2%	31.6%	21.7%
Compensation Template - salary base	13,302,454	2,855,505	1,719,342	5,948,592	2,779,015
Fund Type Percentages	100.0%	21.5%	12.9%	44.7%	20.9%
Salary Base percent of Request	104.2%	73.5%	83.3%	147.3%	100.2%

Personal Services request - Compensation Template salary base Comparison Analysis

Military and Veterans Affairs	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	8,916,497	3,411,233	115,149	0	5,390,115
Fund Type Percentages	100.0%	38.3%	1.3%	0.0%	60.5%
Compensation Template - salary base	9,258,407	3,232,449	91,842	0	5,934,116
Fund Type Percentages	100.0%	34.9%	1.0%	0.0%	64.1%
Salary Base percent of Request	103.8%	94.8%	79.8%	n/a	110.1%

Natural Resources	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	133,949,399	23,527,144	92,878,161	487,726	17,056,368
Fund Type Percentages	100.0%	17.6%	69.3%	0.4%	12.7%
Compensation Template - salary base	117,935,731	19,164,748	92,265,584	3,222,036	3,283,363
Fund Type Percentages	100.0%	16.3%	78.2%	2.7%	2.8%
Salary Base percent of Request	88.0%	81.5%	99.3%	660.6%	19.3%

Personnel	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	31,151,248	7,965,867	4,889,188	18,296,193	0
Fund Type Percentages	100.0%	25.6%	15.7%	58.7%	0.0%
Compensation Template - salary base	27,265,853	9,714,824	1,837,718	15,713,311	0
Fund Type Percentages	100.0%	35.6%	6.7%	57.6%	0.0%
Salary Base percent of Request	87.5%	122.0%	37.6%	85.9%	n/a

Public Health and Environment	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	132,335,390	15,641,308	45,045,562	12,439,969	59,208,551
Fund Type Percentages	100.0%	11.8%	34.0%	9.4%	44.7%
Compensation Template - salary base	109,203,351	13,153,675	37,767,264	12,236,358	46,046,054
Fund Type Percentages	100.0%	12.0%	34.6%	11.2%	42.2%
Salary Base percent of Request	82.5%	84.1%	83.8%	98.4%	77.8%

Public Safety	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	154,286,599	31,139,043	102,357,778	12,492,250	8,297,528
Fund Type Percentages	100.0%	20.2%	66.3%	8.1%	5.4%
Compensation Template - salary base	142,283,659	33,762,490	94,675,546	8,749,022	5,096,601
Fund Type Percentages	100.0%	23.7%	66.5%	6.1%	3.6%
Salary Base percent of Request	92.2%	108.4%	92.5%	70.0%	61.4%

Personal Services request - Compensation Template salary base Comparison Analysis

Regulatory Agencies	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	47,571,462	1,016,971	42,650,531	3,476,814	427,146
Fund Type Percentages	100.0%	2.1%	89.7%	7.3%	0.9%
Compensation Template - salary base	40,500,090	1,481,898	36,441,171	2,397,606	179,415
Fund Type Percentages	100.0%	3.7%	90.0%	5.9%	0.4%
Salary Base percent of Request	85.1%	145.7%	85.4%	69.0%	42.0%

Revenue	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	99,048,238	41,211,122	56,764,963	532,229	539,924
Fund Type Percentages	100.0%	41.6%	57.3%	0.5%	0.5%
Compensation Template - salary base	82,540,994	35,384,853	47,058,743	97,398	0
Fund Type Percentages	100.0%	42.9%	57.0%	0.1%	0.0%
Salary Base percent of Request	83.3%	85.9%	82.9%	18.3%	0.0%

State	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	11,958,194	0	11,958,194	0	0
Fund Type Percentages	100.0%	0.0%	100.0%	0.0%	0.0%
Compensation Template - salary base	9,174,356	0	9,174,356	0	0
Fund Type Percentages	100.0%	0.0%	100.0%	0.0%	0.0%
Salary Base percent of Request	76.7%	n/a	76.7%	n/a	n/a

Treasury	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personal Services request	2,286,849	466,828	1,820,021	0	0
Fund Type Percentages	100.0%	20.4%	79.6%	0.0%	0.0%
Compensation Template - salary base	2,231,091	1,387,761	843,330	0	0
Fund Type Percentages	100.0%	62.2%	37.8%	0.0%	0.0%
Salary Base percent of Request	97.6%	297.3%	46.3%	n/a	n/a