

MEMORANDUM

TO: Joint Budget Committee

FROM: Caroline Smith, JBC Staff (303) 866-4963

DATE: January 25, 2010

RE: Staff comebacks, FY 2009-10 supplemental requests for the Department of Personnel and Administration

This memo includes two staff comebacks for the Department of Personnel and Administration: (1) a follow-up to the Department's request to address a letternote error for indirect cost recoveries; and (2) a staff comeback to reallocate indirect cost recoveries to supplant General Fund elsewhere in the Department's budget

STAFF COMEBACK #1

Department Priority #1: Correction of Indirect Costs from Department of Labor and Employment Letternote

Staff had requested additional time to analyze this request, so that staff could collaborate with the Department of Labor and Employment in the process of identifying a solution.

Department Request: The Department of Personnel and Administration (DPA) requested an increase of \$156,610 General Fund, and a corresponding decrease of \$156,610 reappropriated funds (statewide indirect cost recoveries), due to miscommunication about a letternote in the FY 2009-10 Long Bill. The FY 2009-10 Long Bill commits \$156,610 statewide indirect cost recoveries from the Department of Labor and Employment (Labor) to DPA *and* also back to Labor itself. DPA states that as a result, it is unable to use this portion of its statewide indirect cost recoveries. **The Department requests \$156,610 General Fund to backfill for the indirect cost recoveries that it is unable to collect from Labor.**

- ☐ **Updated Recommendation:** Staff did not recommend the Department's request. Staff agrees that DPA is unable to collect the indirect cost recoveries from Labor, but does not agree that the solution is to backfill with General Fund. Staff met with Labor and DPA to identify the following solution. It is acceptable to both departments and does not require General Fund backfill:
- ☐ Staff recommends that within the Department of Labor's Long Bill, to reduce the indirect cost recovery appropriation for the Executive Director's Office, letternote (b), by \$20,000. **Labor said it could absorb a corresponding reduction to its Personal Services line item.**

- ❑ Staff recommends that within DPA's Long Bill, to reduce the (2) Division of Human Resources, (A) Human Resource Services, (1) State Agency Services, Personal Services line item by \$12,826 reappropriated funds, and also reducing the same amount from the corresponding letternote (a). **The Department reports that it can absorb this reduction within its current appropriation.**
- ❑ The furlough adjustments reduced statewide indirect cost recoveries within Personal Services line items throughout the Long Bill, but did not reallocate the dollars to be used elsewhere. Additionally, the Department's request applied ARRA funds to supplant indirect cost recoveries, but did not reallocate the indirect cost recoveries elsewhere in the budget. Staff applied these dollars to backfill for the remainder of the funds that were restricted by Labor's Long Bill.

STAFF COMEBACK #2

Request to use statewide indirect cost recoveries and Procurement Card rebates to supplant General Fund within the Department of Personnel's Long Bill.

Staff Request: Staff requests to apply statewide indirect cost recoveries and Procurement Card rebates to supplant General Fund within the Department of Personnel's Long Bill. These fund sources, which primarily originate as cash funds and federal funds, are used to supplant and offset General Fund. When they are reduced but not reallocated within the budget, the State loses the opportunity to capture the General Fund savings.

The Department applied this practice to achieve General Fund savings in its August budget reduction package. Staff requests to continue this practice for the ARRA and furlough adjustments. The reallocations are relatively small amounts individually, but **in total combine for over \$300,000 of General Fund savings**. The refinancing primarily occurs within the Office of the State Controller.