

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: **05/11/99**

Received By: **nilsepe**

Wanted: **As time permits**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Dyck**

This file may be shown to any legislator: **NO**

Drafter: **nilsepe**

May Contact:

Alt. Drafters:

Subject: **Transportation - miscellaneous**

Extra Copies: **tnf**

Pre Topic:

LFB:.....Dyck - Paper #973,

Topic:

Federal indirect cost reimbursement

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	nilsepe 05/12/99			_____			
/1			kfollet 05/12/99	_____	lrb_docadmin 05/12/99		

FE Sent For:

<END>

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: **05/11/99**

Received By: **nilsepe**

Wanted: **As time permits**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Dyck**

This file may be shown to any legislator: **NO**

Drafter: **nilsepe**

May Contact:

Alt. Drafters:

Subject: **Transportation - miscellaneous**

Extra Copies: **tnf**

Pre Topic:

LFB:.....Dyck - Paper #973,

Topic:

Federal indirect cost reimbursement

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
1/?	nilsepe	1 5/12 jlg	5/12/99 kjt	kf/hmh 5/12/99			

FE Sent For:

<END>



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

60287

May 11, 1999

Joint Committee on Finance

Paper #973

Federal Indirect Cost Reimbursement Appropriation (DOT -- Other Divisions)

[LFB 1999-01 Budget Summary: Page 617, #13]

CURRENT LAW

-0599/4

State agencies are allowed to receive reimbursements from the federal government for the indirect costs of administering programs that are funded with federal aid or grants. These reimbursements can be used for administrative purposes, program purposes, funding of positions, payment of federal aid disallowances or other purposes authorized by law.

A recent change in federal law allows state agencies charged with administering federal transportation programs to be reimbursed for indirect administrative costs, such as procurement, accounting, payroll, personnel, data processing and facilities management.

GOVERNOR

Create a federal, continuing appropriation for indirect cost reimbursements associated with administering federal transportation programs. Specify that the appropriation could first receive reimbursements of indirect costs incurred on the effective date of the bill.

DISCUSSION POINTS

1. The federal indirect cost appropriation would be used to pay the costs of functions that cannot easily be assigned to a single program, but which are necessary for the operation of multiple federal programs. For instance, an accounting system must be established to track the encumbrance and expenditure of federal highway funds. Since this system serves many programs, the cost of establishing and maintaining it cannot easily be allocated to one FED appropriation. Under current law, this cost is paid with state transportation fund dollars.

2. The appropriation created by the bill would initially have no funding. DOT

indicates that a transfer of funds from federal program appropriations to this appropriation would be requested after the federal government approves the state's plan for indirect cost reimbursement. Eventually, the full cost of various functions associated with the federal programs, such as accounting, payroll, procurement or data processing would be paid from this appropriation. The funding would be transferred from the various Department of Transportation FED appropriations based on an indirect cost rate. For instance, the cost of performing payroll functions may be allocated based on the number of FTE in each FED appropriation.

3. Establishing an indirect cost appropriation would not increase the amount of federal aid received by the state. Instead, a portion of the funding that the state currently receives would be reallocated to the indirect cost appropriation from other FED appropriations. This would reduce the amount of federal highway aid that could be spent directly on transportation programs. It could, however, also reduce the amount of state transportation fund revenue that needs to be spent on performing these administrative functions.

4. Other state agencies, such as the Departments of Agriculture, Trade and Consumer Protection, Health and Family Services and Natural Resources, currently have federal indirect cost appropriations. In the case of most of the federal programs administered by these agencies, the amount of the federal indirect cost reimbursement is established as a percentage of the total program payment, and this amount is received in addition to the program grant. Any amounts received as indirect cost reimbursement cannot be spent on the program for which the grant is received.

5. The advantage of establishing indirect cost appropriations in programs where a portion of the federal aid is received specifically for indirect cost reimbursement is to allow for the expenditure of those funds on indirect costs. The payment of these costs with federal funds may allow state funds that would have otherwise been used for indirect costs to be used for other purposes. In the case of the proposed DOT indirect cost appropriation, the federal funds would not be received specifically for the purpose of paying indirect costs, but would instead be a set-aside of total federal program funds. Although the costs that are paid through this appropriation would otherwise be paid for by SEG funds, the FED funds that would be placed in this appropriation could otherwise be used for transportation programs.

6. The procedures that DOT would use to allocate indirect costs to the Department's federal programs have not yet been developed. DOT would be required to get the approval of the Federal Highways Administration for any plan for indirect cost reimbursement. In addition, since the bill would not provide any funding in this appropriation, it is DOT's intent to request funding transfers from other FED appropriations, either from the Joint Committee on Finance, under s. 13.10, or in a subsequent biennial budget request. If DOT does make such a request, the Committee or the Legislature would have the opportunity to consider the advantages or disadvantages of using federal aid to reimburse indirect costs.

However, DOT would not be required to make such a request or obtain the Committee's or the Legislature's approval to make transfers of federal funds for this purpose.

7. The creation of a federal indirect cost appropriation would give DOT more flexibility in paying administrative costs. However, continuing to fund these costs through SEG appropriations may enhance legislative review of DOT's administrative costs.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to create a federal indirect cost appropriation for DOT.

②. Maintain current law.

ddet governor

Prepared by: Jon Dyck

1999

Date (time) needed SOON

LRB b. 028711

BUDGET AMENDMENT

LFB ← WFO + PAs
Please Note

Pen: jlg:

See form **AMENDMENTS — COMPONENTS & ITEMS.**

AMENDMENT
TO 1999 ^{AS} ~~AB~~ 133 OR 1999 SB 45

At the locations indicated, amend the bill as follows:

#. Page 413, line 5: delete lines 5 to 8. ✓

#. Page 1463, line 12: delete lines 12 to 14. ✓

(END) ✓

#. Page, line:

#. Page, line:

#. Page, line:

#. Page, line:



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0287/1
PEN:jlg:kjf

LFB:.....Dyck – Paper #973, Federal indirect cost reimbursement

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 413, line 5: delete lines 5 to 8.

3 **2.** Page 1463, line 12: delete lines 12 to 14.

4 (END)