

**2003 DRAFTING REQUEST**

**Senate Amendment (SA-SB44)**

Received: **04/25/2003**

Received By: **agary**

Wanted: **As time permits**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Dyck**

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

Drafter: **agary**

May Contact:

Addl. Drafters:

Subject: **Transportation - miscellaneous**

Extra Copies: **TNF, PJH**

Submit via email: **YES**

Requester's email:

Carbon copy (CC:) to:

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**Pre Topic:**

LFB:.....Dyck, Paper 788 -

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**Topic:**

Indirect cost appropriation

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**Instructions:**

See Attached

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**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	agary 04/25/2003	csicilia 04/25/2003	jfrantze 04/28/2003	_____	mbarman 04/28/2003		

FE Sent For:

<END>

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/?	agary	/ 1 ajs 4/25 OB	To 4/28	Self 4/28			

FE Sent For:

<END>



## Legislative Fiscal Bureau

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

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April 24, 2003

Joint Committee on Finance

Paper #788

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

[LFB 2003-05 Budget Summary: Page 445, #12]

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#### **CURRENT LAW**

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.

Federal transportation 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. DOT does not have authority, however, to use federal indirect reimbursements.

#### **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, Natural Resources, Public Instruction, and Workforce Development, and the University of Wisconsin, currently have federal indirect cost appropriations. As with the proposed DOT appropriation, the indirect appropriations in these agencies receive a portion of the total federal grant, not an additional amount.

5. 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 Highway 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, since the expenditure of funds from federal appropriations is not legally limited to the amounts in the statutory appropriations schedule, DOT would not be required to make such a request or obtain the Committee's or the Legislature's approval to expend federal funds for reimbursement of indirect costs from this appropriation.

6. 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.

7. Governor Thompson included a similar provision to create a federal indirect appropriation in his budget submission for the 1999-01 biennium. The Legislature, however, did not approve the provision.

## ALTERNATIVES

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

2. Delete provision.

Prepared by: Jon Dyck

## Gary, Aaron

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**From:** Dyck, Jon  
**Sent:** Thursday, April 24, 2003 4:25 PM  
**To:** Gary, Aaron; Hurley, Peggy  
**Subject:** RE: CDL

To answer your question, Aaron, Faith did the summary, but then handed everything to me, so you can do the draft for me.

I'll take this opportunity to provide instructions on the Committee's action from today:

Paper 770: The Committee adopted the Governor's position. No one wanted to eliminate the plate replacement requirement, so no draft needed.

Paper 771: The Committee adopted alternative #2. So, I think that means that section 2593 should be eliminated and section 2604 should be amended to include single and multi-trip permits. DOT had suggested language that they sent as part of the errata exercise. Let me know if you did not get a copy of that.

Paper 772: The Committee went with the Governor. No draft.

Paper 773: Deferred.

No other changes on the motor vehicles section. I had done a motion on the emissions inspection program that I thought was going to pass, but it did not. Let me know if you'd like to see a copy for future reference.

No State Patrol changes.

Paper 785: The Committee adopted alternative 2, which will require a nonstatutory provision. Let me know if you have questions on this one. Also, could you tell me which one of you will be working on this?

Paper 786: Purely fiscal. No draft.

Paper 787: Purely fiscal. No draft.

\* Paper 788: The Committee went with alternative 2, so we need a draft to yank the indirect cost appropriation.

**Jon Dyck, Fiscal Analyst**  
**Legislative Fiscal Bureau**  
**1 E. Main, Suite 301**  
**(608) 266-9919**

-----Original Message-----

**From:** Gary, Aaron  
**Sent:** Thursday, April 24, 2003 11:02 AM  
**To:** Dyck, Jon  
**Subject:** RE: CDL

Jon,

Re OCR, I know that Faith was working on this one. Should I consider this e-mail as the request for the yank, or will there be something more "formal" coming over from you or Faith? Thanks. Aaron

Aaron R. Gary  
*Legislative Attorney*  
*Legislative Reference Bureau*  
608.261.6926 (voice)  
608.264.6948 (fax)  
aaron.gary@legis.state.wi.us

-----Original Message-----

soon  
turned  
in 4/25

cjs

D-Note

LFB:.....Dyck, Paper 788 - Indirect cost appropriation

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

**SENATE AMENDMENT ,**

**TO 2003 SENATE BILL 44**

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

2 **1.** Page 361, line 1: delete lines 1 to 4.

3 **2.** Page 1124, line 19: delete lines 19 to 21.

4 (END)

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRBb0109/1dn

ARG:/.....

gjs

ATTN: Jon Dyck

The attached amendment "yanks" the provision in SB-44 relating to a federal indirect cost appropriation for DOT. The new chapter 20 schedule prepared by LFB should accordingly omit any entry for s. 20.395 (4) (ay).

Aaron R. Gary  
Legislative Attorney  
Phone: (608) 261-6926  
E-mail: aaron.gary@legis.state.wi.us

✓



**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRBb0109/1dn  
ARG:cjs:juf

April 28, 2003

ATTN: Jon Dyck

The attached amendment "yanks" the provision in SB-44 relating to a federal indirect cost appropriation for DOT. The new chapter 20 schedule prepared by LFB should accordingly omit any entry for s. 20.395 (4) (ay).

Aaron R. Gary  
Legislative Attorney  
Phone: (608) 261-6926  
E-mail: [aaron.gary@legis.state.wi.us](mailto:aaron.gary@legis.state.wi.us)



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRBb0109/1  
ARG:cjs:jf

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