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## MEMORANDUM

**TO:** Members, Utah State Board of Education

**FROM:** Joel Coleman  
Interim Chief Executive Officer

**DATE:** September 5, 2014

**INFORMATION:** USOR Quarterly Budget Review

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### **Background:**

In its August 8, 2014 meeting, the Board approved a budget calendar outlining due dates for division budget reviews. The USOR will present a quarterly budget review based on the budget calendar.

### **Key Points:**

The Finance Committee will receive the financial report and have the opportunity to ask questions concerning fiscal operations for the USOR.

### **Anticipated Action:**

No action is required.

**Contact:** Russ Thelin, USOR Executive Director, 801-538-7540  
Bruce Williams, Associate Superintendent, 801-538-7514



# Utah State Office of Rehabilitation

Quarterly Report to the Utah Board of Education

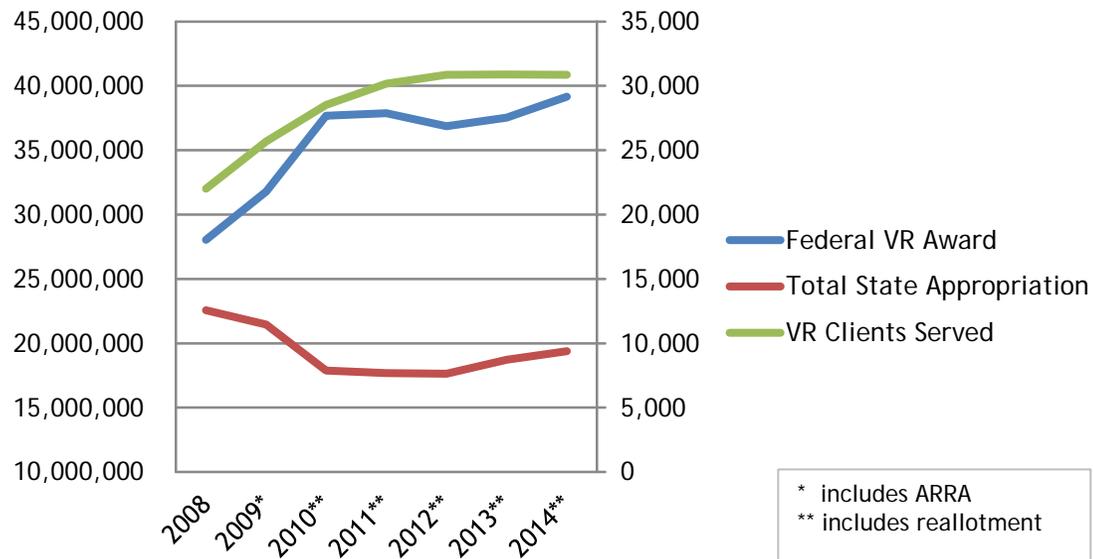
Finance Committee

September 5, 2014

# Structural Imbalance History

From 2009 to 2012, USOR experienced a dramatic increase in the number of individuals applying for vocational rehabilitation (VR) services while at the same time experiencing funding and compliance challenges (see chart below). Note that the federal fiscal year is 10/1/xx - 9/30/xx and the state fiscal year is 7/1/xx - 6/30/xx; resulting in funding challenges related to timing .

Funding Sources and VR Clients Served



# Structural Imbalance History

- u USOR was able to balance the budget for a few years using Federal carryover, ARRA funds and other one-time monies.
- u USOR had an unprecedented number of case service expenditures during SFY13, which stressed the agencies financial resources given the timing of receiving available state and federal funding.
- u USOR needed a long-term budget plan to consider client service demand vs. funding.
- u USOR developed a 4-year plan to eliminate the structural imbalance and improve the budget process.

# Goals for Year One

(SFY 2014 7/1/13 - 6/30/14)

- u Increase Revenue
  - u Request additional state funds to match additional one-time available 2014 Federal funds
- u Decrease Expenditures
  - u Reassign Staff resulting in reduced overall FTE within the agency
  - u Implement Other Cost Saving Measures (e.g. technology initiative, client service initiatives, etc.)
- u Create a USOR Staff Position to Help Design and Monitor the SFY 2015 Budget and Increase Compliance

# Year One: How Did We Do?

- u Increased Revenue:
  - u State funding was increased by over \$1.6 million. Those funds were used as match for \$8 million in Federal funds which were received in August 2014.
- u Decreased Expenditures
  - u Expenditures decreased 3.9% or \$3.2 million from \$81.1 million in SFY13 to \$77.9 million in SFY14
  - u The actual structural imbalance is approximately \$5.2 million (contingent on booking the accrual), which is 32.9% or \$2.6 million less than the estimated imbalance of \$7.8 million.
- u A comprehensive budget for SFY15 was developed and entered into BASE. This budget does not include the use of any one-time Federal funds.
- u USOR has begun monthly budget monitoring and will be developing additional tools and projections with a newly hired Compliance and Quality Assurance Coordinator

# Goals for Year Two

## (SFY 2015 7/1/14 - 6/30/13)

- u Design new tools and policies and procedures, to more accurately monitor spending and determine budget projections
- u Continue regularly monitoring expenditures and the results of the previous year cost-cutting measures related to policy changes
- u Analyze state and Federal funding levels based on program needs and determine if an Order of Selection may be necessary
- u Apply for a waiver of the maintenance of effort requirement and determine if a potential Federal interest liability exists.
- u Analyze the need for one-time Federal funding at a reduced percentage (ie. 35% less than prior year) based on:
  - u Client service expenditures
  - u Approval/denial of a Federal waiver

# Goals for Years Three and Four (SFY 2016/SFY2017)

- u Continue to monitor expenditures and develop additional cost-cutting measures as needed
- u Refine budget projection process while accounting for compliance requirements
- u Develop additional policies as needed to assure compliance with new rules (OMB "Omni" Circular) and law (Rehabilitation Act, 2014)
- u Reduce need for one-time Federal money 35% each year