

MEMORANDUM

TO: Members, Utah State Board of Education

FROM: Scott Jones
Deputy Superintendent of Operations

DATE: May 12-13, 2016

ACTION: Status of the Effect of the USOR Move on the Indirect Cost Pool Funding

Background:

The transition of the Utah State Office of Rehabilitation (USOR) to the Department of Workforce Services (DWS) is underway. The impact to the Utah State Board of Education is an estimated loss of \$1.8M of funding by way of the Indirect Cost Pool.

Board Strategic Plan:

This item supports the following imperative(s) and strategies in the Board's Strategic Plan:

- System Values
 - Funding
 - Oversight

Anticipated Action:

The Finance Committee will receive courses of action or recommendations from staff on potential ways to offset or cover the anticipated loss of funding. The Finance Committee will make a recommendation to the Board on what actions to take to cover the estimated amount of the loss of funding due to the USOR transition to DWS.

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Indirect Cost Rate Impact Analysis

Courses of Action

Utah State Office of Rehabilitation (USOR)
transitioning to Department of Workforce Services
(DWS)



Facts and Assumptions

FACTS

- USOR is set to transition to DWS by 1 October 2016
- The directive is to present COAs to offset or account for the loss of the Indirect Cost Pool (ICP) contributions by USOR
- USOR will continue to pay into the ICP for the period of July 1 through September 30, 2016 (first three months of SFY 17)
- USOR staff and USBE staff agree that the estimated amount of loss from ICP proceeds to the USBE is \$1.8M for the remainder of SFY 17
- Issues with actually providing the level of support billed to USOR in past years

ASSUMPTIONS

- No change to the transition date of USOR-ICP proceeds will continue for 90 days
- At least five positions (finance) currently funded by the ICP will go with USOR to DWS reducing the amount of the estimated deficit from ~\$1.8M to ~\$1.45M
- Positions funded by the ICP are correctly weighted at providing .61 or 61% of their work effort to the USOR and .39 or 39% of their work effort to the USBE
- Any action to RIF positions will result in shortfalls or increased risks to operations
- Any action to RIF positions/programs will result in raised concerns/issues to Board Members by both internal and external stakeholders-Public Relations issues



Courses of Action(COA)

- COA #1: Title: SFY 18 Implementation reducing USOR ICP funded positions
- COA #2: Title: SFY 17 Implementation reducing USOR ICP funded positions
- COA #3: Title: SFY 17 Implementation using state funded positions/programs or a combination of them and reducing USOR ICP funded positions

COMMON TO ALL THREE COAs

- Based on the assumption that five positions are going to transfer to DWS, the amount to offset or address is now ~\$1.45M in all three COAs. The five finance positions are estimated to cost \$350,000
- All three COAs do not consider a transfer of the burden to the USBE sections. Lessons learned from previous estimates of higher rates than the proposed 11.7% now "stress" the budgets of the USBE sections
- SFY 17 and SFY 18 ICP rate proposals will continue with SFY 17 subject to SFY 15 actuals and SFY 18 subject to SFY 16 actuals
- RIF of positions funded by the USOR portion of the ICP are in more than one section-decision required on whether the burden of an approved RIF process is from one section or from all sections



COA #1

SFY 18 Implementation reducing USOR ICP funded positions

Action: Implement RIF of USOR ICP funded positions effective July 1, 2017

ADVANTAGES

- Offers time for the identified positions for reduction by "Attrition."
- Ensures use of SFY 15 and SFY 16 Carry Forward ICP funds before use of any other Carry Forward
- Allows additional time to ensure that \$1.45M is necessary to offset
- Allows additional time to process Indirect Cost Rate Proposals for SFY 17 and SFY 18 where other means of offsetting the loss of revenue could be determined

DISADVANTAGES

- Perpetuates the issue of using USOR ICP contributions to fund positions that are not essentially in support of USOR for at least one more year
- Relies heavily on future USBE action to identify other Carry Forward sources than just the ICP Carry Forward to offset the required amount lost by the USOR transition



COA #2

SFY 17 Implementation reducing USOR ICP funded positions

Action: Implement RIF of USOR ICP funded positions effective July 1, 2016

ADVANTAGES

- Effectively resolves the on-going issue of funding of positions using USOR proceeds that do not "support" USOR operations
- Initiates the RIF of positions process sooner rather than later-positions are not likely justifiable since USOR is no longer under the USBE
- Reduces the potential reliance on other sources of funding to continue sustaining positions previously funded by USOR after 1 October
- Still facilitates application of ICP Carry Forward amounts so that the RIF process may go slower for particular positions easing the transition

DISADVANTAGES

- Implementation accelerates the need to ensure focus on conducting the RIF of positions correctly-at the opportunity cost of current projects
- Less time to adjust to adverse impacts in operations and/or PR type impacts
- Deters from ability to slow the RIF process should subsequent ICP calculations (SFY 17 and/or SFY 18) provide rates that are more easily absorbed by the USBE sections



COA #3

SFY 17 Implementation using state funded positions/programs or a combination of them and reducing USOR ICP funded positions

Action: Identify State Funded positions/programs and use funds to sustain positions previously funded with USOR ICP revenue

ADVANTAGES

- Identifies positions/programs that are state funded that are less of a priority or less of a loss than reductions in USOR ICP funded positions (subjective)
- Identifies and uses vacant positions or positions that are reduced by loss of attrition first
- Still facilitates application of ICP Carry Forward amounts so that the RIF process may go slower for particular positions easing the transition

DISADVANTAGES

- High potential for push back especially if programs are identified
- Relies heavily on the process of approval through GOMB/LFA for use of funding in other line item appropriations
- Once positions are reduced or eliminated it is difficult to get them back



DISCUSSION

Questions/Concerns