

## QUESTIONS FOR BFM

1. How many of the transferred positions are vacant now?  
**No positions are being transferred; 5 agency budgets are being reduced as an offset for the Authority and FTE which are moving to BFM. Agencies will have to find a way to absorb the FTE and budgetary reductions within their existing operations. In at least one case there was a vacant position that the agency had tried to fill for similar accounting duties, and the agency simply will not be able to fill that position internally.**
2. What funds are used to cover them? (At least 1 was federal.)  

<b>DOT – 3040</b>	<b>State Highway Fund</b>
<b>GFP – 3125</b>	<b>Parks and Recreation</b>
<b>DOL – 2012</b>	<b>Federal Indirect Costs</b>
<b>DSS – 2004</b>	<b>Federal TANF</b>
<b>DHS – 2003</b>	<b>Human Services Federal</b>
3. Are the same people who do the CAFR work now at the agencies the ones actually coming to BFM?  
**That would depend entirely upon whether or not the individual applied for the position and met the qualifications. If the agency wanted to keep the person or partial duties of the person, they would have to reassign that person new duties to account for the duties moved to BFM.**
  - a. Now much training will be involved?  
**Extensive and ongoing training is expected. This, of course, depends on the qualifications of the individuals who are hired, but increasing financial reporting requirements are going to require a staff that is constantly remaining aware of and being educated on changes in Governmental Accounting Standards. BFM is also preparing an in depth training program aimed at keeping both the BFM positions and the agency related positions up to the latest regulations and mandates that the state must be proficient in.**
4. Are all of the new positions going to be filled by July 1<sup>st</sup>, or are we talking about a partial year for some of the positions?  
**BFM would begin hiring as soon as is practical, as we would be responsible for all these duties July 1. As you will also recall from the presentation, much of the work will begin as we end this fiscal year, therefore we will need to be up to full strength by or before July 1.**
5. Have all agencies budgeted for the charge-backs to cover these positions? (The total is almost ½ as much as last year's space allocation which was budgeted for all agencies.)
  - A. Is this effectively a back-door budget cut?  
**Without knowing exactly what a "back-door budget cut" is, it can be said that these costs will be wrapped into the rest of the central accounting system billing and charged back out to the users of the service (across state government.) The rate is changed each quarter based on actual costs and can be affected by a variety of things. This will just be one of those factors.**  
  
**Taking into account only the expected increase for these 5 FTE, the estimated increase to LRC based on the on the last three fiscal year average billings, would be \$2.09 per month. We expect the amount spread across all agencies to be very**

**minimal as all agencies, including the constitutional offices and Board of Regents will receive support from BFM.**

B. Is BFM going to try and cover this with transfers?

**No**

C. The Budgetary Accounting Fund still has a balance larger than the total cost—even after the transfer of about \$4 million last year to the General Fund. Why is it necessary to collect from all the state agencies for the reorganization? (The other agencies do not appear to get additional benefits besides continuation of the same CAFR under the new arrangement?)

**As Commissioner Dilges explained during his budget hearing, after negotiations we were able to transfer the \$4 million into the general fund. The federal government holds the position that the balance in that fund would not belong to the state general fund and would make us return to them any funds transferred for purposes other than for what use of the fund is intended. We must continue billing out the costs of our services according to our cost allocation plan.**

**All agencies and in fact all citizens of the state gain benefits through the completion of the CAFR, again as detailed by Commissioner Dilges during his presentation. Some of those include retaining our bond rating, obtaining federal grants, and perhaps most of all just the general accountability of government to its citizens.**

**If we decide not to bill for these costs, we will never have the possibility of future transfers from the budgetary accounting fund to the general fund. We will also lose the ability that we've negotiated to bill the federal government for generally funded programs. This would be like giving away free money and would be a huge mistake.**

6. We understand these current positions at the agencies do not work exclusively on the CAFR.

**Correct.**

a. Will this continue when they move to BFM?

**Because the CAFR is the final statement of the state's financial position, virtually anything of a financial nature could be considered CAFR related including entering invoices or receipting cash. These positions will not perform those sorts of day-to-day duties, but will work on the areas where the additional requirements being placed on the state make certain expertise necessary, such as reconciling many of the components that make up the CAFR.**

b. If not, how does the agency work get done?

**The agencies will still retain most of their budget and accounting staff. These staff will continue to perform the day-to-day functions just as they do today.**

7. Is there any tangible benefit from a better CAFR?

**Commissioner Dilges explained the various problems we, as a state, will face as these increased requirements on financial reporting continue to build. Failure to meet the standards set out in law not only doesn't serve the citizens of the state, it will result in increased audit findings, jeopardize millions of dollars in federal grants, and have a negative impact on the state's bond rating. We have little option but to address this issue, either through a centralized group in the bureau where the statutory responsibility resides, or recruit and**

**pay individuals in every single agency of state government to meet these requirements. It is likely to approach the question as there is a huge tangible benefit by making sure the qualify of the CAFR does not diminish.**

8. What about the agencies OTHER than the 5 involved in transfers? Will they continue to support the CAFR work the OLD way?

**These positions in BFM will be serving all of state government.**