

SB

131



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SPONSOR STATEMENT

Senate Bill 131

ADMIN COSTS VILLAGE PUBLIC SAFETY OFFICERS

Senate Bill 131, an act related to grants to nonprofit regional corporations for village public safety officers (VPSO), limits the amount of administrative overhead that the nonprofit corporations are able to charge against grants received from the state.

VPSOs serve as the first line of public defense in many villages. In FY 99, approximately 5.5 million dollars were passed from the Department of Public Safety to the nonprofit corporations overseeing VPSOs. Four million dollars went toward salaries and benefits of 84 officers covering 82 villages; the balance of funding went to administration (approximately 27.5% or 1.5 million dollars). SB 131 will provide consistency in administrative costs among the nonprofit providers as they manage their respective programs.

Department of Public
 Safety
 Division of Alaska State Troopers
 VPSO Grants
 FY97 FY98 FY99

Summary of Direct Administrative Costs

<u>Direct Costs</u>	FY 97 Grants	FY 98 Grants	FY 99 Grants
VPSO Salaries	\$2,381,085	\$2,394,448	\$2,827,412
VPSO Overtime	\$31,135	\$28,100	\$15,100
VPSO Benefits	\$851,271	\$878,206	\$1,040,344
VPSO Travel	\$133,750	\$134,150	\$125,880
subtotal	\$3,397,241 68.4%	\$3,434,904 68.5%	\$4,008,736 72.6%
<u>Administrative Costs</u>			
Coordinator Salary	\$315,621	\$322,036	\$322,036
Clerk Salary	\$29,617	\$20,074	\$20,074
Cor/Clk Benefits	\$104,257	\$107,438	\$107,438
Coordinator Travel	\$42,735	\$38,235	\$38,235
Administration	\$32,880	\$34,198	\$34,198
Liability Insurance	\$122,970	\$134,720	\$122,715
subtotal	\$648,080 13.1%	\$656,701 13.1%	\$644,696 11.7%
Indirect Costs	\$920,179 18.5%	\$923,895 18.4%	\$870,068 15.8%
CONTRACT TOTALS:	\$4,965,500.00	\$5,015,500.00	\$5,523,500.00



TANANA CHIEFS CONFERENCE, INC.



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April 7, 1999

Senate Finance Committee
State of Alaska
Fax 465 3756

Honorable Committee Members,

I wish to speak against the SB 131, which seeks to limit the Village Public Safety Officers program administrative indirect charges to 15%. I will explain why I'm against it, AND offer alternative.

The How & Why of Indirect Rates:

An indirect rate's purpose, is to allow a fair and equitable charge to all programs - State, Federal or local, for the general administration of the corporation. These rates are reviewed yearly by a Federal cognizant agency. In this review, any unallowed costs are excluded from the calculation. Thus, ALL programs are assured:

**They are only paying actual and allowed costs of running the program, and
Their program is not charged more than some other more "needy" program.**

The Alternative:

Accept the federally negotiated rate for all entities with such a rate. It is far more equitable and easier to limit overall funding, than it is to limit indirect charges. The program will run much better when there is local control and flexibility.

Benefit:

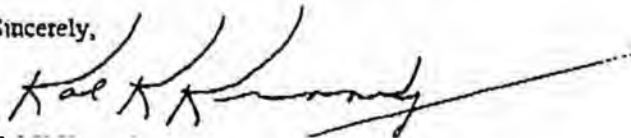
State or Federal programs are then assured they are NOT paying more than their fair share of administration, through a process that is reviewed every year by an outside auditor!

So I respectfully request:

**LET'S USE THE SYSTEM THAT IS IN PLACE, and NOT LOOSE THE BENEFIT OF THE
OUTSIDE INDIRECT REVIEW PROCESS,**

**ALLOW THE NEGOTIATED INDIRECT RATE, WHEN ONE EXISTS, TO TAKE PRECEDENCE
OVER AN ARBITRARY 15% RATE.**

Sincerely,



Kal K Kennedy
Contract Compliance Officer
Tanana Chiefs Conference

CITY OF AKUTAN

AKUTAN



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Date: April 7, 1999
To: Senate Community & Regional Affairs Committee
From: City of Akutan
Subject: SB 131 - VPSO Program

Please accept this letter as our written testimony in opposition to Senate Bill 131. The bill threatens to eliminate our VPSO program because the regional non-profits are unable to administer the program with only 15 percent administrative costs.

The VPSO program is extremely important to public safety coverage in our small, remote communities. State Trooper coverage in rural Alaska is sparse. Transportation and weather conditions are such that the Trooper stationed in Cold Bay cannot reach Akutan for several days if a problem arises. The VPSO often handles critical conditions on his own until help can arrive.

Please reconsider the 15 percent administrative restriction. Our regional non-profit insists they cannot administer the program at that rate. Continued VPSO coverage in our community is extremely critical

Thank you,

Erika Tntremmel
City Administrator

ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Finance



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MEMORANDUM

DATE: January 29, 1998

TO: Senator Dave Donley
ATTN: Karen Brand

FROM: Gretchen Mannis
Fiscal Analyst *GMM*

SUBJECT: VPSO Administrative Costs

The feedback from the other analysts about administrative cost rates for grants to non-profits is coming in in terms of "indirect" rates – not "administrative costs". And for indirect rates, each grant has different rules – especially if there is federal money involved. The departments don't have any central source of information about this subject, but indirect rates seem to range from 18% - 22% of direct costs.

It is important to note that most grant budgets are structured differently than the way the VPSO funding was presented. In their breakdown (attached), they broke out "direct administrative costs" from "direct costs" and lumped the direct administrative costs together with indirect costs. A more traditional approach would be to include the "direct administrative" costs with direct costs, and break out only the indirect costs.

The key is how the term "administrative" is defined. The definition used by Public Safety in this instance includes overhead recovered through approved indirect rates PLUS any direct costs that sound like they are administrative. In the strict accounting sense, however, all costs are direct that are not recovered via approved overhead rates. That is consistent across all federal programs

In the case of the VPSO program, the indirect – or overhead - costs are the "on-site overhead" and "off-site overhead". Indirect costs are calculated as a percentage of the direct costs. Therefore if the VPSO budget were recast in this manner, indirect costs would total 22.7% of direct costs in FY96 and 22.6% in FY97 (see attached worksheet).

I hope this doesn't just confuse the issue – please call with further questions.

**VPSO PROGRAM CONTRACTS COMPARISON
FY99**

VPSO Positions	5	28	11	3	5	9	7	9	7	84
Grantee	APIA	AVCP	BBNA	CHUG	KANA	KAWA	MANU	TCC	THCC	TOTAL
Fiscal Year	99	99	99	99	99	99	99	99	99	99
VPSO Salaries	187,460	947,220	347,209	66,782	126,875	321,943	240,158	384,344	205,421	2,827,412
VPSO Benefits	80,011	285,067	146,519	23,620	41,869	105,243	74,257	195,236	88,522	1,040,344
VPSO Overtime	0	3,000	5,000	0	0	5,000	0	0	2,100	15,100
VPSO Travel	16,000	30,000	13,000	3,000	5,230	16,000	8,000	26,250	8,400	125,880
Total VPSO Direct	283,471	1,265,287	511,728	93,402	173,974	448,186	322,415	605,830	304,443	4,008,736
Administration Direct	50,503	66,246	36,610	23,106	26,112	62,075	60,381	70,523	61,631	457,187
Indirect Cost Recovery	78,818	231,886	164,502	34,953	55,624	130,729	91,871	70,152	76,327	934,862
General Insurance	8,662	40,424	15,881	4,331	7,219	12,993	10,106	12,993	10,106	122,715
Total Grant	421,454	1,603,843	728,721	155,792	262,929	653,983	484,773	759,498	452,507	5,523,500
Indirect as Percentage of Total Grant	18.70%	14.46%	22.57%	22.44%	21.16%	19.99%	18.95%	9.24%	16.87%	16.93%