

SEAN SCANLON
STATE COMPTROLLER



TARA DOWNES
DEPUTY COMPTROLLER



STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
165 Capitol Ave.
Hartford, CT 06106

Appropriations Subcommittee Working Session – 3/15/2023
OSC Responses to Appropriations Committee Questions

1. Can OSC provide a fringe benefits summary analysis ?

The Governor's fringe benefit budget proposal would streamline the process of Higher Education block grant appropriations by using the General Fund to cover retirement benefits for all employees in the Connecticut State Colleges and Universities system and UConn & UConn Health. The institutions would cover active benefits costs for all employees (group life, medical insurance, social security etc.) A breakdown of the proposal can be found in Attachment 1.

2. Has the Comptroller read the FY21 audit findings? What is his plan to fix things?

The State Comptroller has read the audit findings and APA recommendations from last year's State Financial Operations Audit and would like to reiterate our agency's response:

The Office of the State Comptroller (OSC) agrees with this audit finding. The OSC Budget and Financial Analysis Division (BFA) will continue to work with state agencies to improve the clarification and written instructions as well as on-site visits, training, and telephone access for specific questions. BFA has added an online Power Point presentation to assist agencies in the proper submission of accounting information. BFA also provides copies of the audit findings APA has identified with the next years closing package. OSC offers to facilitate meetings between agency staff responsible for GAAP reporting. BFA will continue to remind agencies of past problems in an effort to avoid repeating similar mistakes in the future. These efforts have reduced errors in specific reporting areas, although challenges remain. The current ACFR preparation process is manually intensive, requiring more than 3,700 hours a year just in the OSC. For this reason, OSC is looking to implement ACFR software for FY 2023 which would streamline the process and allow us more time for analysis and review.

OSC Responses to Representative Nuccio Requests for Information for the Subcommittee Work Session

Headcount Questions:

1. What is the authorized headcount, the funded headcount and the filled headcount for your area?

The authorized headcount is 283 full-time General Fund positions. We currently have 250 full-time employees, are working on filling 20 vacancies, and there is funding available for a few more positions depending on the salary of the position being refilled.

2. *If there is change in headcount (either up or down) please provide an explanation of the change.*

One full-time position will be added in the FY 2024-2025 budget for the Multi-state Prescription Purchasing Consortium in our Healthcare Policy and Benefit Services Division.

3. *Are there any vacant positions in your headcount?*

Yes, our authorized headcount includes 40 vacant positions (18 of which are scheduled to be filled). Some of the vacancies are very old and have been replaced with newly established positions, but still appear on our vacancy reports. The 18 vacancies scheduled to be filled are budgeted as full-time, full-year employees. The anticipated start dates vary as vacancies are filled throughout the year when positions are open. Some of the vacant positions are on hold and are scheduled to be filled later in the year.

4. *How many vacancies did you have at year end on 06/30?*

At year end on 6/30/2022 we had 55 vacancies. Throughout that fiscal year we had 37 employees leave state service and we filled 26 vacancies. (Note: Many of our retirements and refills happened on or after 7/1/2022 which is FY23).

5. *What is the average cost of an FTE for your area?*

The average cost of an FTE for OSC is \$99,372.68.

6. *What is the average fringe cost of an FTE in the Comptroller's area?*

Based on year-to-date FY 2023, OSC average fringe benefit rates are as follows:

Fringe Benefit Account	Fringe Benefit Description	Fringe Benefit Rate
50410	Group Life	0.11%
50420	Medical Insurance	16.15%
50430	Unemployment Compensation	0.18%
50441	FICA Social Security	6.20%
50442	Medicare	1.45%
50471	SERS Retirement	67.40%
	Average FB Rate for FTE	91.49%

The group life and medical insurance rates are based on actual premiums. Unemployment and SERS Retirement are based on calculated fringe benefit rates that are reviewed and approved by the U.S Department of Health and Human Services each year through the Statewide Cost Allocation Plan (SWCAP) agreement – see Attachment 2. The FICA Social Security and Medicare percentages are based on Federal payroll tax rates.

Lapse Questions:

Please refer to the below table to see OSC's lapsed accounts, the lapse balance, and what drove the lapse. In the Carryforward Description, please see how OSC proposes to use selected lapses for one-time expenses. See Attachment 3.

1. Were there any lapsing accounts on 06/30?

- If yes, what were the accounts?* See Columns A-C
- If yes, what was the lapse balance?* See Column D
- If yes, what drove the lapse? What spending didn't occur that was planned to occur?* See Column E

2. If there is a lapsing balance, do you anticipate it carrying forward? See Column F

- If yes, how do you propose to use that lapse?* See Column G
- Will it be for one-time expenses?* Yes
 - If so, what are those one-time expenses?* See Column G
- If ongoing expense is that expense built into this budget in FY 25?* N/A

A	B	C	D	E	F	G
Fund	SID	Account Description	Amount	Comments	Carry Forward	Carryforward Description
General Fund						
11000	10010	Personal Services	118,972.27	Timing in filling vacancies	no	
11000	10020	Other Expenses	3.56	small lapse	no	
11000	12005	Unemployment Compensation	3,948,955.59	Deficiency bill transferred \$5 million. Lower than anticipated costs	yes	Budget bill transferred \$3 million to Premium Pay
11000	12007	Higher Education Alternate Retirement	940,870.53	lower than anticipated costs	no	
11000	12008	Pension & Retirement-Other Statutory	258,820.64	FAC of \$80,000 to this account	yes	Budget bill transferred \$219,000 to Premium Pay
11000	12010	Group Life Insurance	51,593.96	remaining balance after FAC transfer of \$700,000 due to increased costs	no	
11000	12011	Social Security Tax - Employers	5,479,585.06	Deficiency bill transferred \$5 million from this account, FAC of \$2.8 million, remaining balance	yes	Budget bill transferred \$ 4 million to Premium Pay
11000	12012	State Employees Health Service Cost	9,722,716.48	Deficiency bill transferred \$25 million, \$3.5 million transferred within Fringe Benefit accounts, surplus due to increased retirements	no	
11000	12013	Retired State Employees Health Srv. Cost	2,460,662.59	lower retiree health costs	no	
11000	12016	Tuition and Travel Reimbursement	7,251,468.02	Timing of settled union contracts	yes	Applications being processed
11000	12018	Other Post Employment Benefits	5,200,139.99	Timing in filling vacancies, increased retirements	yes	Budget bill transferred \$5 million tp Premium Pay
11000	12608	SERS Defined Contribution Match - Tier IV	2,247,595.76	Timing in filling vacancies, increased retirements	no	
Other Funds:						
12060	35698	CT Essential Workers Fund	33,631,877.52	Lower participation than anticipated	yes	\$32 million transferred to Premium Pay Account
Transportation Fund						
12001	12005	Unemployment Compensation	234,838.50	Lower than anticipated costs	no	
12001	12010	Group Life Insurance	7,920.41	increased rates, \$60,000 from FAC, remaining balance	no	
12001	12011	Social Security Tax - Employers	124,711.98	Timing in filling vacancies, increased retirements	no	
12001	12012	State Employees Health Service Cost	1,485,247.54	Increased Retirements	no	
12001	12018	Other Post Employment Benefits	75,677.73	Timing in filling vacancies, increased retirements	no	
12001	12608	SERS Defined Contribution Match - Tier IV	93,580.99	Timing in filling vacancies, increased retirements	no	

In addition, OSC received \$30M in General Fund carry-forward funds in FY 2023 to support the Premium Pay Program:

Carryforward

Provide Funding for Connecticut Premium Pay Account

Other Expenses	-	30,000,000	30,000,000
Total - Carryforward Funding	-	30,000,000	30,000,000

Background

The Connecticut Premium Pay account is a separate, nonlapsing account within the General Fund established to fund the Connecticut Premium Pay program. Moneys in the account shall be expended by the Comptroller or a designated third-party administrator. The Connecticut Premium Pay program will provide payment to full and part-time essential workers who meet specific eligibility criteria on a first-come, first-serve basis through June 30, 2024.

Legislative

Provide funding of \$30 million to support administration and implementation of the Connecticut Premium Pay Account. Sections 143 and 144 of PA 22-118 (as amended by PA 22-146), the FY 23 Revised Budget, relates to this.

ARPA Questions:

- Did you receive any ARPA funding in your department?* No.

- a. *If yes, have you assumed the programs/staffing established with the ARPA funding is now in your General Fund budget as an ongoing expense?* N/A
 - b. *If not all, how much?* N/A
 - c. *Are there still ARPA funds included in this budget?* N/A
2. *If yes, how much of this budget is continuation of ARPA funding?* N/A
 - a. *How much ARPA do you still have in the budget that may need to be picked up as ongoing expenses in out years?* N/A

General Questions:

1. *Is there anything you would change about this budget?*

The Office of the State Comptroller requests to keep funding for the Women's Business Development Council within our office.

2. *Is there anything you would add to this budget?*

1. My office will need an additional \$220,000 in FY25 for licensing related to the increase in Core-CT users from the Teacher's Retirement System. This was not included in our original budget request because the TRS implementation to Core-CT had not been approved at the time.
2. The Other Expenses (OE) budget provided is adequate in all areas except for the inflationary increases for CORE-CT. While better than the 0% increase in previous years, the 2.2% increase for FY24 and 1.7% increase for FY25 is not adequate to meet our needs. Our CORE-CT contracts, including with Oracle, have at least 4% increases for all hardware and software. This increase is not a projection made by OSC, but a contractual increase that will occur.
3. The Comptroller's Office is interested in purchasing software to assist with the Annual Comprehensive Financial Report (ACFR) process. This report provides state-wide statements on the basis of Generally Accepted Accounting Principles (GAAP). Public companies in the U.S. must follow GAAP for their financial statements, and this presentation is useful and necessary for the rating agencies and bondholders in evaluating Connecticut's financial position.

The current process is manually intensive, and it is estimated that the Office of the State Comptroller's office alone spends over 3,700 hours per year on the ACFR. This leaves little time for review and analysis, so errors are found by field auditors, resulting in a recurring finding regarding GAAP Forms errors. Agencies also spend a considerable amount of time providing information and the Auditors of Public Accounts in auditing the ACFR.

A majority of states have ACFR software, and OSC would like to purchase software from Workiva, which is already used in 24 states including CA, FL, GA, MA, RI, NH, PA, and TX. This software solution is estimated to save 50-75% of time once implemented. This will allow sufficient time for review and analysis, so errors are prevented.

Software subscription and implementation costs would be approximately between \$250,000-\$500,000 in FY 2024 and \$70,000-\$110,000 in FY 2025. The software is

cloud-based and does not require significant IT resources to implement. In addition, the vendor meets all organizational and operationally recognized security standards (SOC 1 Type II, SOC 2, FedRAMP, HIPPA, and GDR) and current DAS contracts exist.

Even pessimistic estimates (25% time savings) would produce an ROI of 120%. Likely estimate is 160% and optimistic (75% time savings) would produce an ROI of greater than 200%. Please see Attachment 4 for more information.

3. *Is there anything you would remove from this budget?* N/A
4. *Is there any legislation that was passed you feel you are not adequately prepared to enforce?*
 - a. *If so, what would we need to change to make it administer-able?* N/A

Per OPM							
CURRENT							
Account	Description	UConn	UCHC	CSU	CCCs	BAA	Total
50410	Group Life	336,850	223,915	185,470	292,872	4,856	\$ 1,043,962
50420	Medical Insurance	45,125,226	44,346,682	36,571,772	34,685,322	922,931	\$ 161,651,932
50430	Unemployment Comp	325,021	257,486	229,598	245,130	5,221	\$ 1,062,457
50441	FICA	12,174,716	9,234,407	9,361,886	11,165,320	206,176	\$ 42,142,505
50442	Medicare	2,992,272	2,326,675	2,201,669	2,665,362	48,219	\$ 10,234,217
50471	SERS Retirement (Regular Duty)	129,992,679	97,168,097	103,871,073	111,507,636	2,301,454	\$ 444,840,939
50472	SERS Retirement (Hazard Duty)	8,066,608	205,484	3,904,315	1,173,937	0	\$ 13,350,344
50472	ARP Retirement	2,020,137	4,292,993	36,663	2,577,630	6,955	\$ 8,934,377
50473	Teachers Retirement	452,343	(111,564)	155,354	919,391	283	\$ 1,415,807
Total		201,485,851	157,944,175	156,517,800	165,232,620	3,498,094	684,676,541

UNIT SUPPORTED SHARE							
Account	Description	UConn	UCHC	CSU	CCCs	BAA	Total
50410	Group Life	342,400	228,470	92,168	43,369	3,186	\$ 709,593
50420	Medical Insurance	52,203,495	41,835,231	18,743,496	470,844	470,844	\$ 117,560,024
50430	Unemployment Comp	582,928	458,812	238,105	120,639	7,686	\$ 1,408,170
50441	FICA	17,421,102	14,012,486	9,919,734	3,872,560	312,181	\$ 45,538,063
50442	Medicare	4,770,926	4,176,308	2,460,106	965,906	75,123	\$ 12,448,369
50471	SERS Retirement (Regular Duty)	45,713,614	70,388,198	27,088,576	191,917	1,331,396	\$ 144,713,700
50472	SERS Retirement (Hazard Duty)	2,836,727	148,852	2,021	0	0	\$ 4,005,808
50472	ARP Retirement	32,846,967	24,901,485	15,916,518	7,445,827	388,487	\$ 81,499,284
50473	Teachers Retirement	164,186	705,675	2,220,223	1,433,882	48,749	\$ 4,572,717
Total		156,882,348	156,855,516	77,697,134	18,383,079	2,637,653	412,455,729

Per OSC							
Description	University of Connecticut Health Center (UHC) FY 2021-22	University of Connecticut (UOC) FY 2021-22	BOR - Connecticut State University System (CSU) FY 2021-22	BOR - Community College System* FY 2021-22	BOR - Charter Oak College FY 2021-22	Total Higher Education Units FY 2021-22	
Group Life	223,915	336,850	185,469.67	292,871.63	4,855.73	1,043,962.22	
Medical Insurance	44,346,682	45,125,226	36,571,771.96	34,685,321.74	922,930.94	161,651,932.32	
Unemployment	257,486	325,021	229,598.41	245,129.87	5,221.33	1,062,456.68	
FICA	9,234,407	12,174,716	9,361,885.82	11,165,319.94	206,176.13	42,142,504.70	
Medicare	2,326,675	2,992,272	2,201,669.44	2,665,362.06	48,218.63	10,234,217.31	
SERS Retirement	97,371,327	137,100,907	107,691,985.29	112,679,451.66	2,278,911.47	457,122,582.51	
ARP Retirement	4,292,993	2,020,137	36,662.78	2,577,630.05	6,954.53	8,934,377.00	
Teachers Retirement	(111,564)	452,343	155,354.13	919,391.49	283.15	1,415,807.38	
Total	157,941,922	200,527,471	156,434,398	165,230,498	3,473,552	683,607,840	

Per OSC							
(Includes Statutory FB Transfers) Description	University of Connecticut Health Center (UHC) FY 2021-22	University of Connecticut (UOC) FY 2021-22	BOR - Connecticut State University System (CSU) FY 2021-22	BOR - Community College System FY 2021-22	BOR - Charter Oak College FY 2021-22	Total Higher Education Units FY 2021-22	
Group Life	228,469	342,400	92,168	43,369	3,186	709,592.93	
Medical Insurance	41,835,232	52,203,495	18,743,496	4,306,958	470,844	117,560,024.84	
Unemployment	458,811	592,928	238,105	120,639	7,686	1,408,169.87	
FICA	14,012,485	17,421,102	9,919,734	3,872,560	312,181	45,538,062.39	
Medicare	4,176,307	4,770,926	2,460,106	965,906	75,123	12,448,369.24	
SERS Retirement	70,535,418	48,213,316	28,085,033	193,937	1,318,355	148,346,058.97	
ARP Retirement	24,901,484	32,846,967	15,916,518	7,445,827	388,487	81,499,283.28	
Teachers Retirement	705,675	164,186	2,220,223	1,433,882	48,749	4,572,716.96	
Total	156,853,882	156,545,322	77,675,384	18,383,079	2,624,612	412,082,278	

Per OPM							
Proposal							
Account	Description	UConn	UCHC	CSU	CCCs	BAA	Total
50410	Group Life	0	0	0	0	0	\$ -
50420	Medical Insurance	0	0	0	0	0	\$ -
50430	Unemployment Comp	0	0	0	0	0	\$ -
50441	FICA	0	0	0	0	0	\$ -
50442	Medicare	0	0	0	0	0	\$ -
50471	SERS Retirement (Regular Duty)	175,706,293	167,556,295	130,959,649	111,699,553	3,632,850	\$ 589,554,639
50472	SERS Retirement (Hazard Duty)	0	354,336	4,922,523	1,175,958	0	\$ 17,356,152
50472	ARP Retirement	34,867,104	29,194,477	15,953,181	10,023,457	395,442	\$ 90,433,661
50473	Teachers Retirement	616,531	594,111	2,375,577	2,353,273	49,033	\$ 5,988,524
Total		222,093,262	197,699,219	154,210,930	125,252,240	4,077,324	763,332,976
Change		20,607,411	39,755,044	(2,306,870)	(39,980,379)	581,229	18,656,435

UNIT SUPPORTED SHARE							
Account	Description	UConn	UCHC	CSU	CCCs	BAA	Total
50410	Group Life	679,250	452,385	277,637	336,241	8,042	\$ 1,753,555
50420	Medical Insurance	97,328,721	86,181,914	55,315,268	38,992,280	1,393,775	\$ 279,211,957
50430	Unemployment Comp	907,950	716,297	467,704	365,769	12,908	\$ 2,470,627
50441	FICA	29,595,817	23,246,893	19,281,620	15,037,880	518,358	\$ 87,680,588
50442	Medicare	7,763,198	6,502,983	4,661,776	3,631,289	123,341	\$ 22,662,587
50471	SERS Retirement (Regular Duty)	0	0	0	0	0	\$ -
50472	SERS Retirement (Hazard Duty)	0	0	0	0	0	\$ -
50472	ARP Retirement	0	0	0	0	0	\$ -
50473	Teachers Retirement	0	0	0	0	0	\$ -
Total		136,274,936	117,100,472	80,004,004	58,363,458	2,056,423	393,799,294
Change		(20,607,411)	(39,755,044)	2,306,870	39,980,379	(581,229)	(18,656,435)

Difference							
Description	University of Connecticut Health Center (UHC)	University of Connecticut (UOC)	BOR - Connecticut State University System (CSU)	BOR - Community College System*	BOR - Charter Oak College	Total Higher Education Units	
Group Life	-	-	-	-	-	-	
Medical Insurance	-	-	-	-	-	-	
Unemployment	-	-	-	-	-	-	
FICA	-	-	-	-	-	-	
Medicare	-	-	-	-	-	-	
SERS Retirement	(2,254)	958,380	83,402.71	(1,171,788.66)	22,542.53	(109,717.07)	
ARP Retirement	-	-	-	-	-	-	
Teachers Retirement	-	-	-	-	-	-	
Total	(2,254)	958,380	83,403	(1,171,789)	22,543	(109,717)	

Difference							
Description	University of Connecticut Health Center (UHC)	University of Connecticut (UOC)	BOR - Connecticut State University System (CSU)	BOR - Community College System*	BOR - Charter Oak College	Total Higher Education Units	
Group Life	0	-	-	(0)	-	0.24	
Medical Insurance	(0)	-	-	-	-	(0.36)	
Unemployment	0	-	-	-	-	0.48	
FICA	0	-	-	-	-	0.42	
Medicare	0	-	-	0	-	0.24	
SERS Retirement	1,632	337,026	(996,414)	0	13,941	(644,715.89)	
ARP Retirement	0	-	-	-	-	0.24	
Teachers Retirement	-	-	-	-	-	-	
Total	1,633	337,026	(996,414)	0	13,941	(644,715)	

The following chart shows the budget adjustments that would be necessary as a result of this proposal:

	Budget Change
11000-OSC15200-12010	Insurance - Group Life
11000-OSC15200-12012	State Employees Health Service Cost
11000-OSC15200-12011	Employers Social Security Tax
11000-OSC15200-12614/12615	St. Em. Retirement Contrib. - Normal/UAL
11000-UOC67000-12139	Operations Expenses (UConn)
11000-UHC67000-12139	Operations Expenses (UCHC)
11000-BOR77700-12533	Connecticut State University
11000-BOR77700-12532	Community Tech College System
11000-BOR77700-12531	Charter Oak State College
Total Appropriation Changes	(85,009,544)
GF Rev	Unemployment Compensation
GF Rev	Higher Ed Alternative Retirement System
GF Rev	Teachers' Retirement System
Total Revenue Changes	(85,009,544)
Net Change in balance	0

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STATE COMPTROLLER



TARA DOWNES
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STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
165 Capitol Ave.
Hartford, CT 06106

MEMORANDUM NO. 2023-02

January 10, 2023

TO THE HEADS OF ALL STATE AGENCIES

Attention: Chief Fiscal Officers or Business Managers

Subject: Statewide Cost Allocation Plan for the Fiscal Year 2022-2023

Attached is the approved **2022-2023 Statewide Cost Allocation Plan**, dated December 09, 2022.

Section I: Costs Distributed through Statewide Cost Allocation

This section contains the approved fixed central service costs by grantee agencies as listed in Exhibit A. The costs are to be incorporated into agency indirect cost proposals prepared using the appropriate fiscal year costs and other cost statements based upon the same fiscal year costs.

All state agencies receiving Federal or any other grants, or private funds, etc., **must** compute an indirect cost rate for each fiscal year of their Federal or other programs. The proposal is to be submitted for approval to the agency's cognizant Federal department or agency within six months after the close of each fiscal year. Generally, Federal cognizance of a particular state agency is assigned to that Federal department with the largest dollar involvement.

This indirect cost rate shall enable the State to recover both agency and statewide indirect costs as permitted by Federal regulations.

Central service costs are distributed to various "super agencies" and an "all others" category. *Please note - the super agencies listed in Exhibit A typically contain more than one state agency.*

REQUESTS FOR A BREAKDOWN OF COSTS ALLOCABLE TO A PARTICULAR STATE AGENCY CONTAINED WITHIN THESE LARGER ORGANIZATIONAL STRUCTURES SHOULD BE ADDRESSED TO:

Office of the State Comptroller
Budget and Financial Analysis Division - Cost Unit
165 Capitol Avenue
Hartford, Connecticut 06106-1775

Memorandum No. 2023-02

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January 10, 2023

Section II: Costs Distributed through Billing Mechanisms

The categories listed in Section II of the SWCAP are approved to have their costs billed to Federal programs directly as the services or goods provided for herein are used by the programs.

Fringe Benefit Cost Recovery

The approved 2022-2023 fixed fringe benefit recovery rates for Unemployment Compensation and Retirement plans for covered payroll are listed in Exhibit B. The approved 2022-2023 fringe benefit recovery actual costs for Medical Insurance, Group Life Insurance, FICA-Social Security, FICA-Medicare for covered payroll are directly identified by individual employee.

Covered payroll is all personal services expenditures for positions paid from Federal grants, Grants other than Federal, and other than General Fund accounts.

Fringe Benefit actual cost components for Medical Insurance, Group Life Insurance, FICA-Social Security, and FICA-Medicare are used along with the negotiated rates for Unemployment Compensation and the applicable Retirement plan.

For informational purposes, listed below are the breakdowns of the statewide fringe benefit recovery rates by fringe benefit component. These rates were originally published in **Memorandum No. 2022-14**, dated July 1, 2022.

<u>Component</u>	<u>FY 2022-23 Rate</u>
SERS - Regular Employees	67.40%
Alternate Retirement Plan	14.60%
Teachers Retirement Plan	38.89%
SERS - Hazardous Duty	91.49%
Judges/Compensation Commissioners	111.34%
Unemployment Compensation	0.18%

In addition, the rates listed below have been calculated based on the existing Federal tax rates.

FICA-Social Security Tax Rate (of applicable wages up to Federal maximum limit)	6.20%
FICA-Medicare Tax Rate (of applicable wages - no maximum limit)	1.45%

Memorandum No. 2023-02

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January 10, 2023

Workers' Compensation Costs. Any agency Indirect Cost Proposal or Cost Allocation Plan based on the costs of FY 2023 should include the 2022-2023 Statewide Cost Allocation Plan cost allocated to the agency and the actual cost of workers' compensation claims paid on behalf of the agency during the 2022-2023 fiscal year.

Agencies with a specific Worker's Compensation appropriation should use the total expenditures of that appropriation in their Indirect Cost Proposal or Cost Allocation Plan.

For all other agencies, a separate schedule of 2022-2023 Workers' Compensation costs paid on their behalf will be published at a later date when available. The published Workers' Compensation amounts should be included in these agencies' Indirect Cost Proposals or Cost Allocation Plans.

If you have any questions regarding this memorandum please call the Cost Reporting Unit, Budget and Financial Analysis Division at 860-702-3416.

DocuSigned by:
Sean Scanlon
03479587B0B543C...
SEAN SCANLON
STATE COMPTROLLER



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Portfolio
Cost Allocation Services

1301 Young Street, Suite 1140
Dallas, TX 75202
PHONE: (214) 767-3261
FAX: (214) 767-3264
EMAIL: CAS-Dallas@psc.hhs.gov

December 9, 2022

Ms. Natalie Braswell
Comptroller
Office of the State Comptroller
State of Connecticut
165 Capitol Avenue
Hartford, Connecticut 06106

Dear Ms. Braswell:

The Cost Allocation Agreement approving central service costs of the State of Connecticut for FYE 6/30/2023 is being sent to you for signature. This Agreement reflects an understanding reached between your institution and a member of my staff concerning the central service costs that may be included in the costs of your departments and agencies for further allocation to Federal Grants and Contracts performed by those departments and agencies. The Agreement must be signed by an authorized representative of your institution and returned to me at CAS-NY@psc.hhs.gov. We will make the agreement available to the appropriate Federal agencies for their use.

As a result of this negotiation, the State will address the following in its subsequent submissions:

1. Central Service Plan - Section I

- a. The State should submit a written explanation or analysis of any significant proposed increase in an individual component of the plan over the previous year. A significant increase would be ten percent or more over the actual amount negotiated the previous year for any component. Individual components of the plan would include the Auditors of Public Accounts, Office of the State Comptroller, etc.

2. Central Service Plan - Section II (Non - Fringe Benefits)

- a. Section E.3., of Appendix V to Part 200 (2 CFR 200 - Uniform Guidance), lists the information that must be provided for all billed central services, including internal service funds, as part of the cost allocation plan for Section II Billed Costs. In addition, ASMB C-10, "A Guide for State, Local and Indian Tribal Governments", Part 4, discusses the documentation requirements and provides sample formats for submitting the necessary information. It is required that all subsequent plans include the required documentation.
- b. The State should submit a complete copy of the annual financial statements for each of

Ms. Natalie Braswell

-2-

December 9, 2022

the Internal Service Funds (ISFs) included in the Cost Allocation Agreement. In addition, a copy of the most recently completed audit of the ISFs by the State Auditors of Public Accounts should be submitted.

- c. The State is required to submit more detailed information regarding revenues and expenditures for the Department of Information Technology and Telecommunications. The information, previously required by fund, must now be provided for each individual billing rate/service category. As highlighted in Section 4.7, and as shown in Illustration 4-7, in ASMB C-10, A Guide for State, Local and Tribal Governments, the required information for each billing rate must include the following: the beginning balance for the fiscal year, actual and imputed revenue, A-87 (now 2 CFR 200) allowable costs, working capital reserve (60 days), contributed capital, and the ending balance for the fiscal year.
- d. The State must include information for each Section II billed costs on how adjustments for billed central services will be processed. Section G.4., of Appendix V to Part 200, discusses the alternative methods for making the adjustment for the difference between the revenue and the allowable costs. The adjustment method should be provided for each Section II Billed Cost

3. Central Service Plan - Section II (Fringe Benefits)

- a. The final settlement of the fringe benefit rate components for the FYE June 30, 2021, resulted in carry-forward amounts that were included in the fixed rate components for the FYE June 30, 2023 respectively. The under/(over) recoveries of costs from final settlement of the FYE June 30, 2021 actual rates that must be considered in determining the actual fringe benefit rates for FYE June 30, 2023:

<u>Rate Component</u>	<u>FYE 6/30/23</u>
SERS Regular Employees	\$(112,858,528)
SERS Hazardous Duty Employees	\$ (22,627,899)
Alternate Retirement Plan	\$ (1,355,729)
Teachers Retirement	\$ (2,788,626)
Unemployment Compensation	\$ 223,069

- b. The State should provide an annual reconciliation of the State Employees' Retirement System salary and wage base(s) used in the fringe benefit rate proposal to the comparable salary and wage base shown in the audited financial statements and the actuary report.
- c. The State should submit a summary of annual activity for each of the health plans for which the State is self-insured.
- d. It was agreed that the total adjustment of \$14,757,976 for the Teachers Retirement COLA included in the rate calculations from FY 2010 through FY 2014, will be credited back through the rate in five equal installments of \$2,951,595.20 beginning in FY 2017. In FY2021, the fifth installment was credited back.

Ms. Natalie Braswell

-3-

December 9, 2022

Your cost allocation plan and fringe benefit rate proposal for the fiscal year ending June 30, 2024, based on your actual costs for the fiscal year ended June 30, 2022, is due in our office by December 31, 2022.

Please acknowledge your concurrence with the comments and conditions cited above by signing this letter in the space provided below and returning a signed copy of the letter, along with the signed copy of the Cost Allocation Agreement, to CAS-NY@psc.hhs.gov.

If you have any questions, please contact Pamela Page of my staff at 214-767-6505.

Sincerely,

Darryl W.
Mayes -S

Digitally signed by Darryl W. Mayes -S
DN: c=US, o=U.S. Government,
ou=HHS, ou=PSC, ou=People,
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Darryl W. Mayes
Deputy Director
Cost Allocation Services

Enclosures

Concurrence:

DocuSigned by:

Sean Scanlon

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Signature

Sean Scanlon

Name

Comptroller

Title

1/10/2023

Date

**COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS**

EIN #: 06-6000798

DATE: December 9, 2022

STATE/LOCALITY:

State of Connecticut
Office of the State Comptroller
165 Capitol Avenue
Hartford, CT 06106

FILING REF: The preceding
agreement was dated
September 22, 2022

SECTION I: ALLOCATED COSTS

The central service costs listed in Exhibit A, attached, are approved on a Fixed basis and may be included as part of the costs of the State/local departments and agencies indicated during the fiscal year ending June 30, 2023 for further allocation to Federal grants, contracts, and other agreements performed at those departments and agencies.

SECTION II: BILLED COSTS

In addition to Section I, which provides for services furnished but not billed, the services listed below are furnished and billed to departments and agencies:

1. Fringe Benefits (See Special Remarks)
2. DAS/ISF – Print
3. DAS/ISF – Fleet Operations
4. DAS/BEST – Technical Services
5. DAS – Correctional Industries

STATE/LOCALITY: State of Connecticut

DATE: December 9, 2022

SECTION III: CONDITIONS

The amounts approved in Section I and the billings for the services listed in Section II are subject to the following conditions:

- A. **LIMITATIONS:** (1) Charges resulting from this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. (2) Such charges represent costs incurred by the State/locality which are legal obligations of the State/locality and are allowable under OMB Uniform Guidance (2 CFR 200). (3) The same costs that are treated as indirect costs are not claimed as direct costs. (4) Similar type of costs is accorded consistent accounting treatment. (5) The information provided by the State/locality which was used to establish this Agreement is not later found to be materially incomplete or inaccurate.
- B. **ACCOUNTING CHANGES:** This Agreement is based on the accounting system purported by the State/locality to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the Cognizant Agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from an allocated cost to a billed cost. Failure to obtain such approval may result in cost disallowances.
- C. **FIXED AMOUNTS:** If fixed amounts are approved in Section I of this Agreement, they are based on an estimate of the costs for the period covered by the Agreement. When the actual costs for this period are determined, adjustments will be made to the amounts of a future year to compensate for the difference between the costs used to establish the fixed amounts and actual costs.
- D. **BILLED COSTS:** Charges for the services listed in Section II will be billed in accordance with rates established by the State/locality. These rates will be based on the estimated costs of providing the services. Adjustments for variances between billed costs and the actual allowable costs of providing the services, as defined by OMB Uniform Guidance (2 CFR 200), will be made in accordance with procedures agreed to between the State/locality and the Cognizant Agency.
- E. **USE BY OTHER FEDERAL AGENCIES:** This Agreement was executed in accordance with the authority in OMB Uniform Guidance (2 CFR 200), and should be applied to grants, contracts and other agreements covered by this Circular, subject to any limitations in Paragraph A above. The State/locality may provide copies of this Agreement to other Federal Agencies to give them early notification of the Agreement.
- F. **SPECIAL REMARKS:**
Equipment Definition - Equipment means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

FRINGE BENEFIT RATE:

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE**</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
Fixed	07/01/22	06/30/23	*	All	All Programs

STATE/LOCALITY: State of Connecticut

DATE: December 9, 2022

* The State of Connecticut uses a combination of direct identification and negotiated fringe benefit rates to claim fringe benefit costs. The fixed fringe benefit rate components, negotiated for each of the Retirement Systems (SERS, ARP, and Teachers), and for Unemployment Compensation, are listed below. Fringe benefit costs for Group Life Insurance, FICA-Social Security, FICA-Medicare, and Medical Insurance are directly identified by individual employee and are not part of the fringe benefit rates shown below.

<u>Rate Component</u>	<u>FYE 6/30/23</u>
SERS Regular Employees	67.40%
SERS Hazardous Duty Employees	91.49%
Alternate Retirement Plan (ARP)	14.60%
Teachers Retirement	38.89%
Unemployment Compensation	0.18%

**Base: Salaries and wages of covered employees (See comments below, Notes 1 & 2).

Treatment of Fringe Benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs.

NOTE 1

Fringe Benefit Rates: Fringe benefit rates are determined for Unemployment Compensation and each applicable Retirement System shown above. Each fringe benefit component is captured in the Statewide Accounting system using expenditure account codes. Fringe benefit rates are maintained on file by, and are available from, the State of Connecticut, Office of the State Comptroller.

NOTE 2

Treatment of Paid Absences: Vacation, holiday, sick leave pay and other absences are included in salaries and wages and are claimed on grants, contracts, and other agreements as a part of the normal costs for salaries and wages. Separate claims for the costs of these paid absences are not made.

STATE/LOCALITY: State of Connecticut

DATE: December 9, 2022

ACCEPTANCE:

BY THE STATE/LOCALITY:

STATE OF CONNECTICUT

(STATE/LOCALITY)

DocuSigned by:

Sean Scanlon

03479587808543C...

(SIGNATURE)

Sean Scanlon

(NAME)

Comptroller

(TITLE)

1/10/2023

(DATE)

BY THE COGNIZANT AGENCY ON

BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)

Darryl W. Mayes -S

Digitally signed by Darryl W. Mayes -S
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ou=People, 0.9.2342.19200300.100.1.1=2000131669,
cn=Darryl W. Mayes -S
Date: 2023.01.06 07:08:16 -05'00'

(SIGNATURE)

Darryl W. Mayes

(NAME)

Deputy Director, Cost Allocation Services

(TITLE)

December 9, 2022

(DATE)

HHS Representative: Pamela Page

Telephone: 214-767-6505

State of Connecticut
Consolidated Statewide Cost Allocation Plan
Summary of Fixed Costs By Department Groupings

Super Agencies

Summary Totals By Super Agencies	Auditor of Public Accounts	Office of State Treasurer	Office of State Comptroller	Office of Policy and Management	Department of Administrative Services
Department Of Agriculture	\$ -	\$ 1,921	\$ 79,219	\$ (5,134)	\$ 219,442
Business Regulations	-	6,026	200,346	118,885	78,345
Department Of Children & Families	549,578	64,134	1,081,112	2,262,987	7,054,061
Consumer Protection	-	4,224	170,212	211,950	(411,472)
Department Of Corrections	121,011	150,080	2,453,343	3,931,522	14,902,302
Economic Development	-	5,311	117,420	(345)	(107,090)
State Board Of Education	53,778	70,359	1,824,090	615,378	8,069,681
Environmental Protection	-	37,689	931,633	825,859	2,158,659
Department Of Public Health	67,330	24,599	752,452	1,015,618	2,475,211
Higher Education	154,258	465,146	6,309,568	352,201	6,975,067
Department Of Social Services	1,791,380	40,692	684,197	2,084,565	4,080,930
DSS DAS-Collections	-	-	-	-	6,215,680
Judicial Department	66,744	138,099	2,595,063	156,607	1,179,426
Department Of Labor	467,232	33,400	1,066,990	583,351	(69,119)
Department Of Mental Health	159,163	96,130	2,207,771	1,926,692	8,875,726
Department Of Developmental Services	229,646	75,514	1,501,957	2,194,917	6,506,005
Department Of Motor Vehicles	-	21,260	391,868	253,450	891,936
Department Of Public Safety	56,178	55,561	1,138,372	1,181,725	6,217,322
Department Of Revenue Services	-	14,246	473,958	453,584	1,446,014
Department Of Transportation	20,667	129,068	6,380,641	1,319,264	4,332,530
All Others	65,898	85,505	1,514,801	627,577	9,038,520
Totals	\$ 3,802,862	\$ 1,518,964	\$ 31,875,012	\$ 20,110,653	\$ 90,129,175

State of Connecticut
Consolidated Statewide Cost Allocation Plan
Summary of Fixed Costs By Department Groupings

Super Agencies

Summary Totals By Super Agencies	Department of Information Technology	Department of Public Works	Office of The Attorney General	Payment In Lieu of Taxes	Tuition Reimbursement
Department Of Agriculture	\$ 41,133	\$ 267,869	\$ 629,311	\$ 205,692	\$ 7,668
Business Regulations	150,673	200,447	207,086	62,333	14,355
Department Of Children & Families	1,139,946	3,408,122	6,481,491	1,724,544	664,647
Consumer Protection	98,807	1,195,353	482,611	72,791	31,984
Department Of Corrections	1,288,958	1,850,229	3,118,812	9,914,545	442,958
Economic Development	62,075	583,078	243,819	49,823	1,431
State Board Of Education	(280,349)	2,182,302	192,884	4,479,493	522,598
Environmental Protection	887,402	2,176,763	1,110,040	411,759	86,842
Department Of Public Health	420,585	4,209,545	318,040	446,807	(56,749)
Higher Education	663,790	738,887	1,315,296	37,374,731	70,803
Department Of Social Services	977,077	2,339,451	334,422	209,046	189,135
DSS DAS-Collections	-	-	-	-	-
Judicial Department	263,448	596,730	475,397	5,332,851	-
Department Of Labor	1,579,350	353,585	533,250	138,930	31,695
Department Of Mental Health	1,043,554	1,769,750	594,718	2,587,303	376,994
Department Of Developmental Services	561,507	1,616,010	414,264	560,287	(20,385)
Department Of Motor Vehicles	687,591	-	532,617	224,452	57,098
Department Of Public Safety	4,085,630	1,020,660	922,697	2,033,452	46,658
Department Of Revenue Services	242,370	2,029,789	184,461	204,229	272,557
Department Of Transportation	1,332,380	-	1,296,708	5,331,706	137,128
All Others	1,512,651	3,577,355	1,426,912	2,643,328	78,135
Totals	\$ 16,758,577	\$ 30,115,925	\$ 20,814,837	\$ 74,008,102	\$ 2,955,551

State of Connecticut
Consolidated Statewide Cost Allocation Plan
Summary of Fixed Costs By Department Groupings

Super Agencies

Summary Totals By Super Agencies	Sub-Total	Adjustment From 2021 Fixed Costs	Total
Department Of Agriculture	\$ 1,447,123	\$ -	\$ 1,447,123
Business Regulations	1,038,496	-	1,038,496
Department Of Children & Families	24,430,621	-	24,430,621
Consumer Protection	1,856,459	-	1,856,459
Department Of Corrections	38,173,760	-	38,173,760
Economic Development	955,521	-	955,521
State Board Of Education	17,730,214	-	17,730,214
Environmental Protection	8,626,646	-	8,626,646
Department Of Public Health	9,673,438	-	9,673,438
Higher Education	54,419,747	-	54,419,747
Department Of Social Services	12,730,895	-	12,730,895
DSS DAS-Collections	6,215,680	-	6,215,680
Judicial Department	10,804,364	-	10,804,364
Department Of Labor	4,718,664	-	4,718,664
Department Of Mental Health	19,637,801	-	19,637,801
Department Of Developmental Services	13,639,723	-	13,639,723
Department Of Motor Vehicles	3,060,271	-	3,060,271
Department Of Public Safety	16,758,255	-	16,758,255
Department Of Revenue Services	5,321,207	-	5,321,207
Department Of Transportation	20,280,094	-	20,280,094
All Others	20,570,681	-	20,570,681
Totals	\$ 292,089,658	\$ -	\$ 292,089,658

Fund	SID	Account Description	Amount	Comments	Carry Forward	Carryforward Description
General Fund						
11000	10010	Personal Services	118,972.27	Timing in filling vacancies	no	
11000	10020	Other Expenses	3.56	small lapse	no	
11000	12005	Unemployment Compensation	3,948,955.59	Deficiency bill transferred \$5 million, Lower than anticipated costs	yes	Budget bill transferred \$3 million to Premium Pay
11000	12007	Higher Education Alternate Retirement	940,870.53	lower than anticipated costs	no	
11000	12008	Pension & Retirement-Other Statutory	258,820.64	FAC of \$80,000 to this account	yes	Budget bill transferred \$219,000 to Premium Pay
11000	12010	Group Life Insurance	51,593.96	remaining balance after FAC transfer of \$700,000 due to increased costs	no	
11000	12011	Social Security Tax - Employers	5,479,585.06	Deficiency bill transferred \$5 million from this account, FAC of \$2.8 million, remaining balance	yes	Budget bill transferred \$ 4 million to Premium Pay
11000	12012	State Employees Health Service Cost	9,722,716.48	Deficiency bill transferred \$25 million, \$3.5 million transferred within Fringe Benefit accounts, surplus due to increased retirements	no	
11000	12013	Retired State Employees Health Srv. Cost	2,460,662.59	lower retiree health costs	no	
11000	12016	Tuition and Travel Reimbursement	7,251,468.02	Timing of settled union contracts	yes	Applications being processed
11000	12018	Other Post Employment Benefits	5,200,139.99	Timing in filling vacancies, increased retirements	yes	Budget bill transferred \$5 million tp Premium Pay
11000	12608	SERS Defined Contribution Match - Tier IV	2,247,595.76	Timing in filling vacancies, increased retirements	no	

Other Funds:

12060	35698	CT Essentail Workers Fund	33,631,877.52	Lower participation than anticipated	yes	\$32 million transferred to Premium Pay Account
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Transportation Fund

12001	12005	Unemployment Compensation	234,838.50	Lower than anticipated costs	no	
12001	12010	Group Life Insurance	7,920.41	increased rates, \$60,000 from FAC, remaining balance	no	
12001	12011	Social Security Tax - Employers	124,711.98	Timing in filling vacancies, increased retirements	no	
12001	12012	State Employees Health Service Cost	1,485,247.54	Increased Retirements	no	
12001	12018	Other Post Employment Benefits	75,677.73	Timing in filling vacancies, increased retirements	no	
12001	12608	SERS Defined Contribution Match - Tier IV	93,580.99	Timing in filling vacancies, increased retirements	no	

ACFR Software
Range for Approps Committee

	Total FY 24	FY 25 & Ongoing
<i>Base Platform:</i>		
Workiva Reporting Platform	123,000	66,150
Implementation Costs	98,500	
Base Platform	221,500	66,150
<i>Add Leases:</i>		
GASB 87, 94, and 96 Lite Solution	51,250	- Assume Oracle Lease Module FY 2025
GASB 87 Implementation	44,700	
Total Lease Add	95,950	-
Base Platform + Leases	317,450	66,150
<i>Add GAAP Packages:</i>		
Workiva Connected Financial Reporting Platform - with GAAP Packages	40,000	42,000
Implementation Costs	138,500	
Total GAAP Package Add	178,500	42,000
Base Platform + Leases + GAAP Packages	495,950	108,150

FY 24 Implementation Cost Range - Approximately \$225,000 to \$500,000

FY 25 & Ongoing Cost Range - Approximately \$70,000 to \$110,000

Note: FY 2024 includes FY 2023 costs (temporarily funded through timing differences in Oracle Cloud implementation costs)
Excludes Aftermarket support