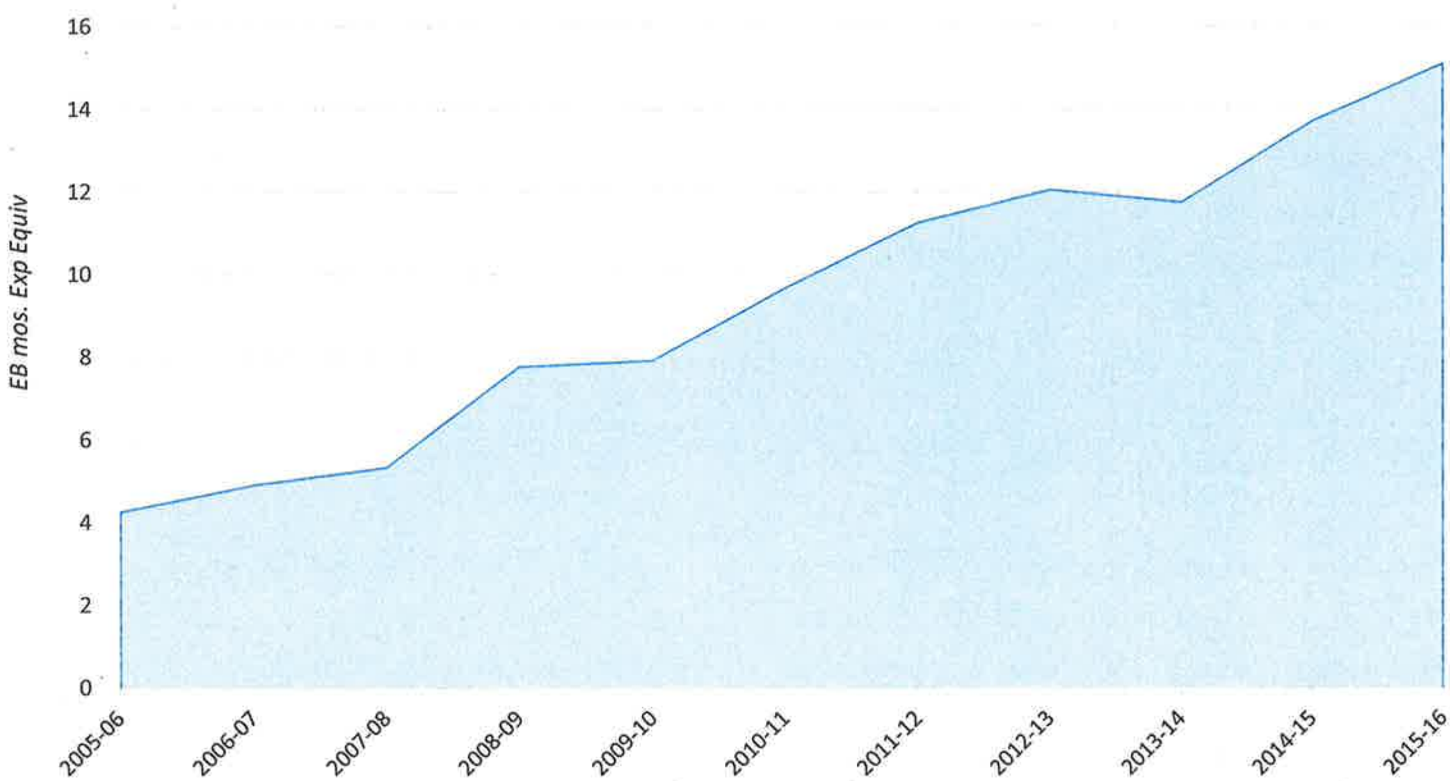
LEGISLATIVE RESOLUTION 502

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVOLVING FUNDS



NOVEMBER 2016

LEGISLATIVE RESOLUTION 502

PREPARED FOR THE APPROPRIATIONS COMMITTEE

2016 LEGISLATIVE INTERIM

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Legislative Resolution 502 Report

Background

The purpose of Legislative Resolution (LR) 502 (See Attachment 1) is to study the use of Revolving Funds within the Department of Administrative Services (AS). Every two years, as a part of the biennial budget request process, agencies request funding for the change in rates charged by AS for centralized services.

The Department of Administrative Services (AS) is established by State Statute 81-101 and has the responsibility to provide centralized support services to state agencies, boards, and commissions. These functions are headed by the agency director through eleven (11) separate divisions. The divisions are as follows.

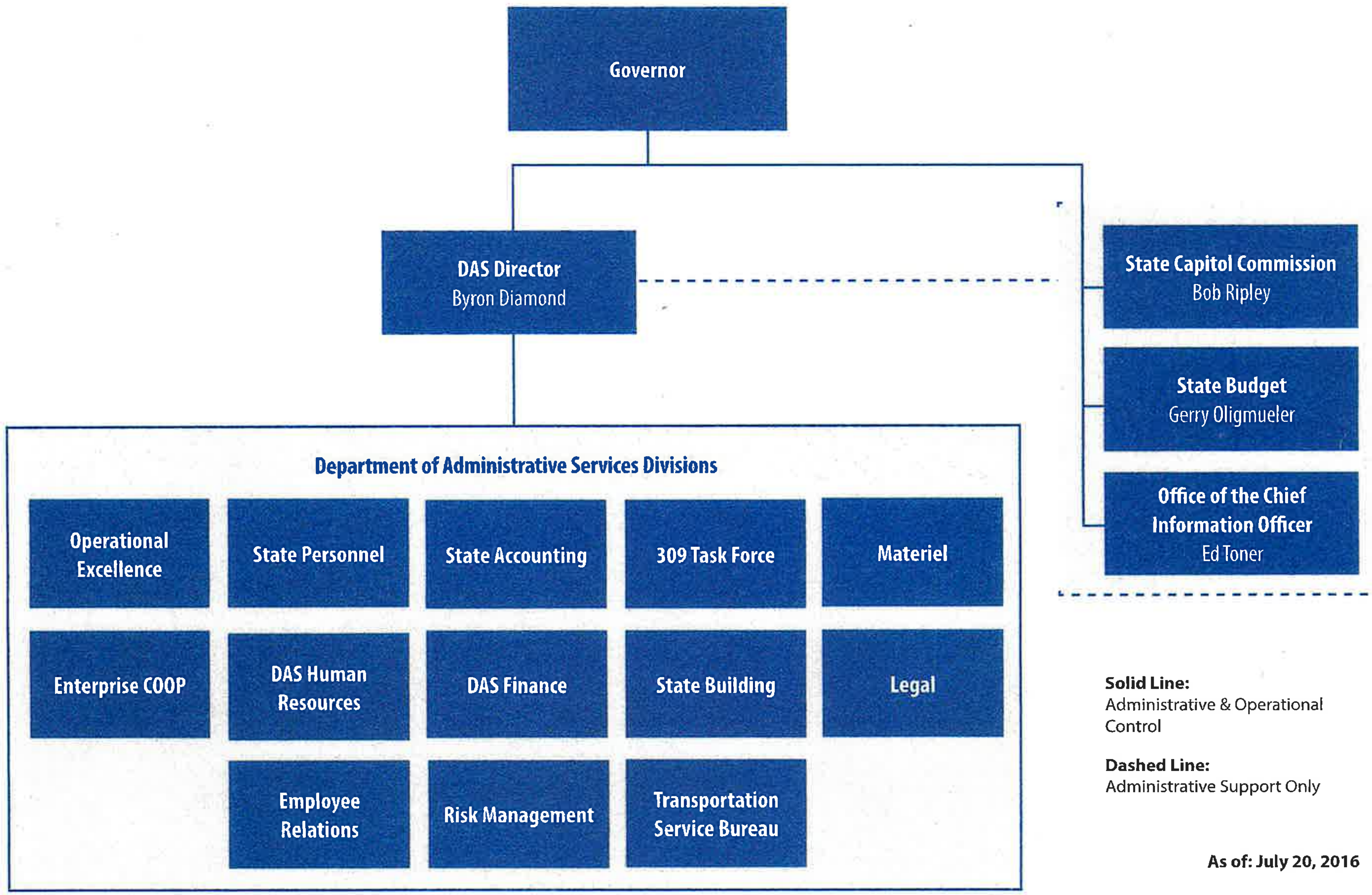
- 309 Task Force
- State Accounting
- State Building
- Employee Relations
- Materiel
- State Personnel
- Transportation Services Bureau
- State Budget
- Capitol Commission
- Chief Information Officer

Page 2 provides the organizational chart for AS.

Organizational Structure

Department of Administrative Services

Divisions & Administrative Supported Agencies



Solid Line:
Administrative & Operational Control

Dashed Line:
Administrative Support Only

As of: July 20, 2016

Revolving Fund Definition and Use

According to the State Accounting System, revolving funds are defined as accounts for the operation of state agencies which provide goods and services to other departments or agencies within state government.

As shown in Figure 1 on page 4, revolving funds account for 3.01% of total expenditures, excluding the University of Nebraska, the State College System and the Community Colleges.

Figure 2 on page 5 shows that Administrative Services accounts for 90.15% of revolving fund expenditures excluding the University of Nebraska, the State College System and the Community Colleges.

Figure 1: State agency expenditures by fund type, excluding higher education

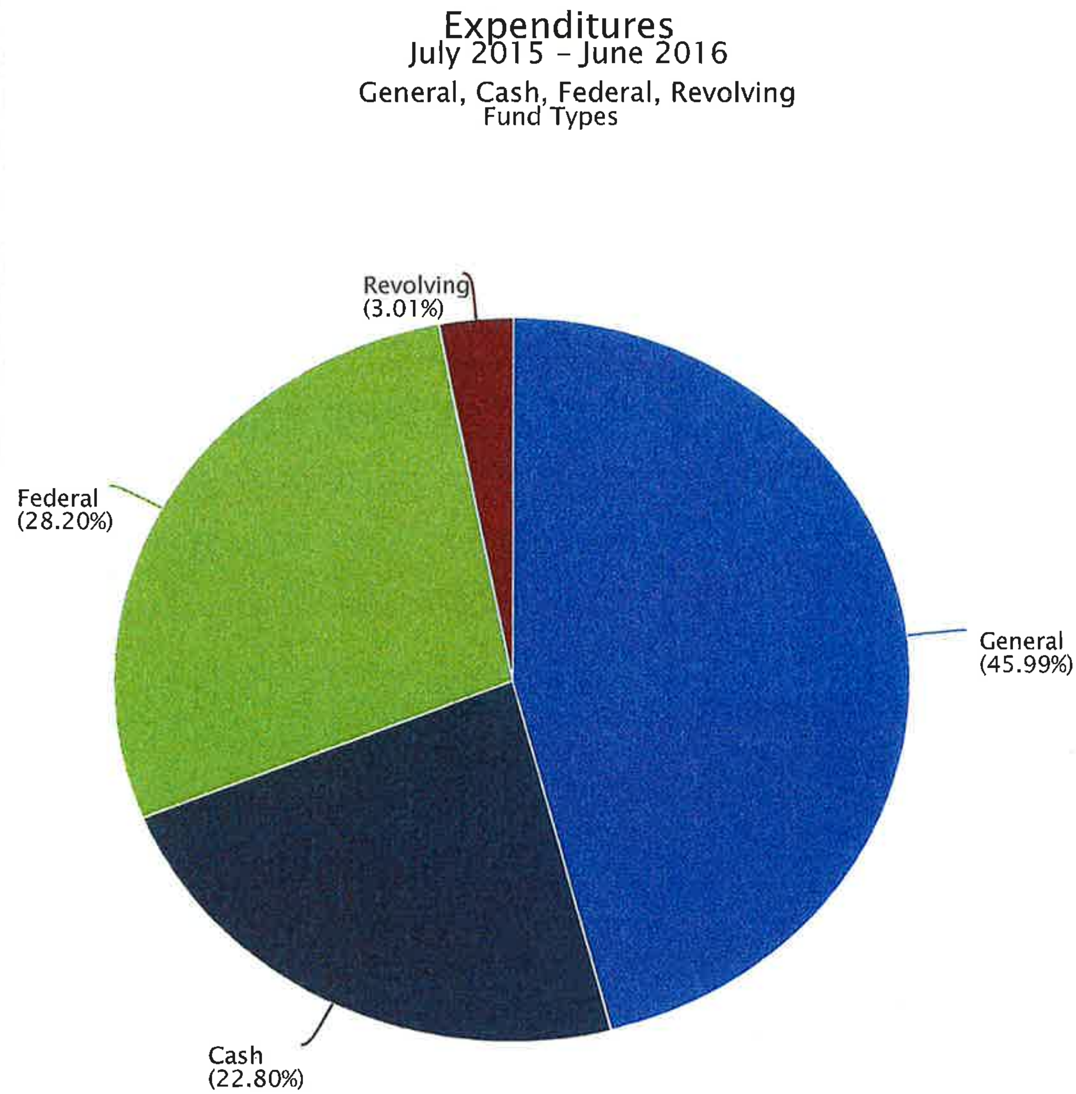
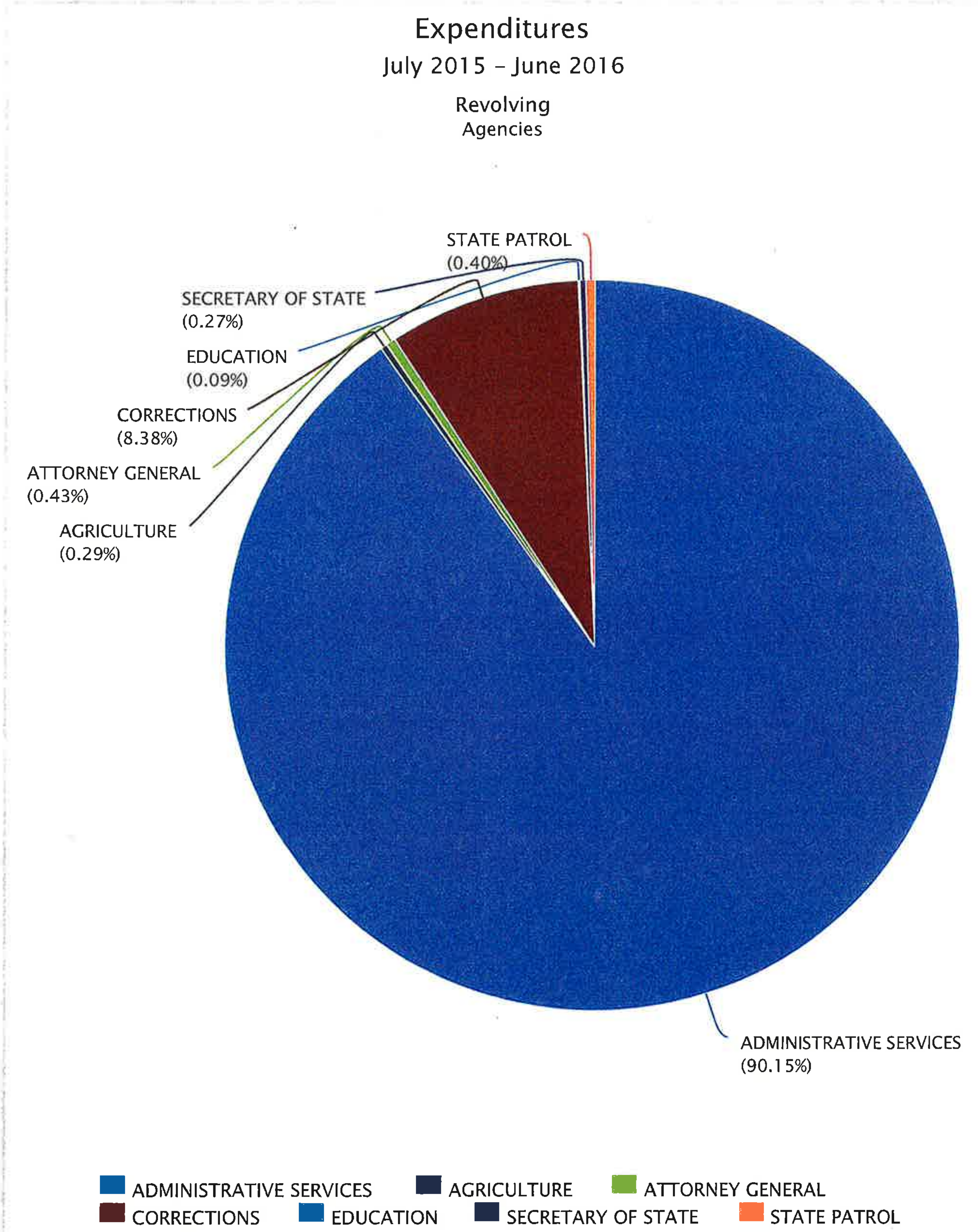


Figure 2: Revolving fund expenditures by agency, excluding higher education



ADMINISTRATIVE SERVICES

REVOLVING FUNDS

This section summarizes each Administrative Services revolving fund as follows.

- Fund name and number
- Fund description
- Based upon Administrative Services – State Accounting Division monthly reports, an 11-year history of fund activity to include:
  - Beginning balance
  - Revenue
  - Expenditures
  - Ending balance
  - Ending balance as a percent of expenditures
  - Ending balance as a percent of expenditures expressed as a monthly equivalent
  - A graph showing the ending balance as a percent of expenditures expressed as a monthly equivalent

Administrative Services revolving funds included among these summaries are:

Fund Number	Fund Name
51650	Administration Revolving Fund
56500	State Building Revolving Fund
56510	Materiel Revolving Fund
56520	IDSD Revolving Fund
56530	Telecommunications Revolving Fund
56540	Central Stores Revolving Fund
56550	Capitol Buildings Parking Revolving Fund
56560	IMS Revolving Fund
56570	TSB Revolving Fund
56580	Surplus Property Revolving Fund
56650	Accounting Revolving Fund
58010	Temporary Employee Revolving Fund
58030	Training Revolving Fund
58040	Personnel Revolving Fund
58041	Talent Management Revolving Fund
58910	State Insurance Revolving Fund
58920	Workers' Compensation Revolving Fund

Fund Name: Administration Revolving Fund

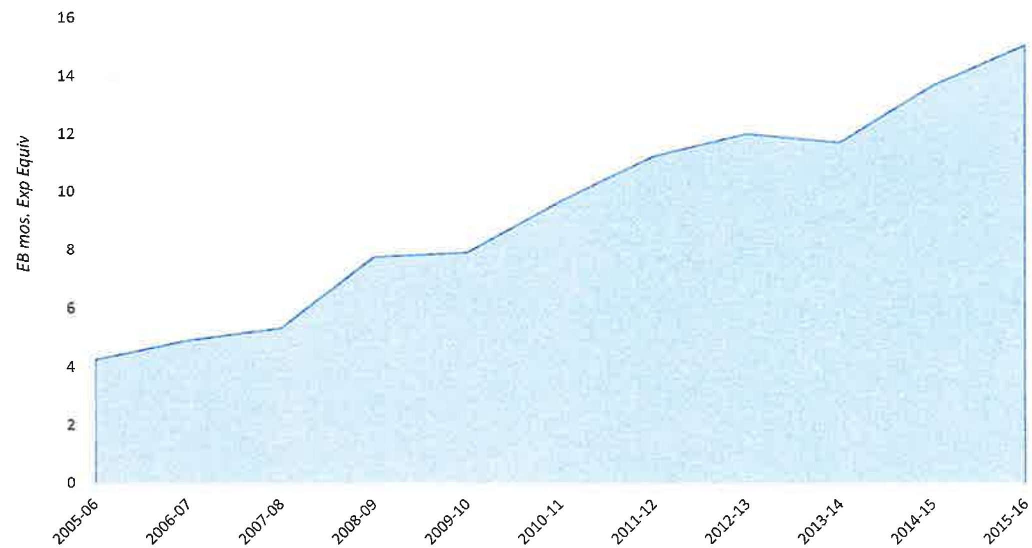
Fund #: 51650

Description:

The Administration Revolving Fund was created by Administrative Services to defray the costs incurred while administrating the other divisions of the agency. The Administration Program includes funding for the Director's office and other associated administrative expenses.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	255,320	405,440	499,819	794,563	1,108,009	1,337,782	1,671,859	1,843,593	2,023,570	1,791,501	2,111,246
Total Revenue	1,291,046	1,314,707	2,081,367	2,025,030	2,256,845	2,406,889	2,137,695	2,195,472	1,598,795	2,166,426	2,277,974
Total Expenditures	(1,140,926)	(1,220,328)	(1,786,622)	(1,711,585)	(2,027,072)	(2,072,812)	(1,965,960)	(2,015,495)	(1,830,864)	(1,846,681)	(1,944,028)
Ending Balance (EB)	405,440	499,819	794,563	1,108,009	1,337,782	1,671,859	1,843,593	2,023,570	1,791,501	2,111,246	2,445,192
EB as a % of Expend.	35.54%	40.96%	44.47%	64.74%	66.00%	80.66%	93.78%	100.40%	97.85%	114.33%	125.78%
EB mos. Exp Equiv	4	5	5	8	8	10	11	12	12	14	15

Comments:

See also page 27 for further explanation

Notes:

Fund Name: State Building Revolving Fund

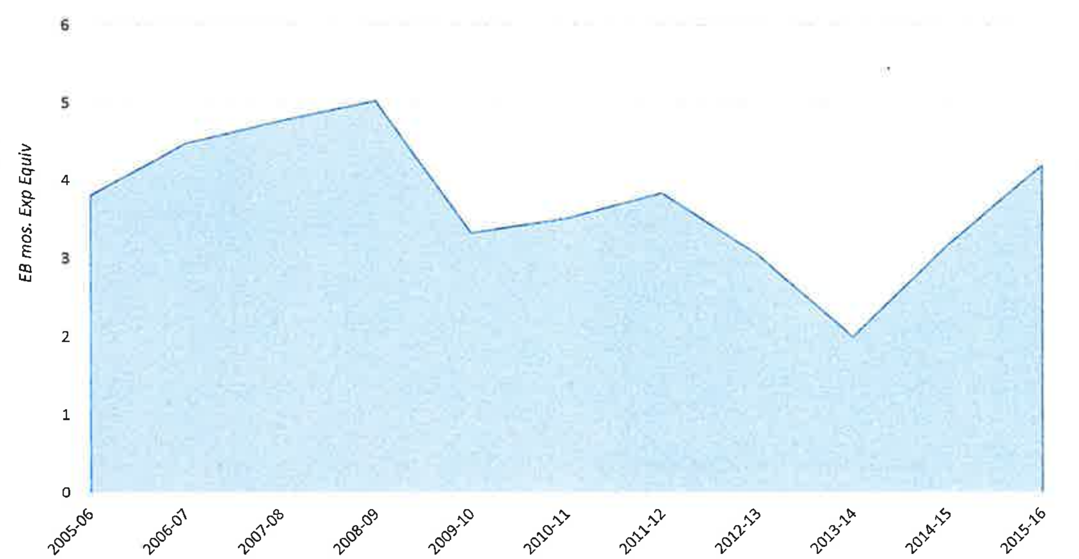
Fund #: 56500

Description:

Amounts credited to the State Building Revolving Fund are predominated by rental charges assessed to state agencies by the State Building Division. Generally, these receipts fall within two categories: 1) rental charges for space occupied by state agencies in state-owned facilities administered by the division and 2) rental charges for space occupied by state agencies in non state-owned facilities that is centrally leased by the division. Receipts are also generated as the result of work orders to meet special needs and requests of building tenants (state agencies). Correspondingly, expenditures from the fund primarily relate to administration, operation and maintenance of the state-owned facilities and rental expenses incurred by the division as it acts as the central agent leasing space occupied by various state agencies.

Transfers from the fund to the Capitol Security Revolving Fund are authorized pursuant to Sec. 81-2004.06. (See Agency 64 – Fund 56400)

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	8,169,635	8,593,396	10,015,832	11,529,064	13,380,298	9,522,370	9,386,949	10,159,187	8,787,030	6,016,179	8,231,012
Total Revenue	27,482,228	28,224,226	30,490,520	33,756,857	30,454,436	31,921,609	32,537,277	33,204,266	33,388,759	33,372,413	34,665,709
Total Expenditures	(27,058,466)	(26,801,791)	(28,977,289)	(31,905,622)	(34,312,365)	(32,057,030)	(31,765,039)	(34,576,424)	(36,159,609)	(31,157,580)	(31,780,827)
Ending Balance (EB)	8,593,396	10,015,832	11,529,064	13,380,298	9,522,370	9,386,949	10,159,187	8,787,030	6,016,179	8,231,012	11,115,895
EB as a % of Expend.	31.76%	37.37%	39.79%	41.94%	27.75%	29.28%	31.98%	25.41%	16.64%	26.42%	34.98%
EB mos. Exp Equiv	4	4	5	5	3	4	4	3	2	3	4

Comments:

See also page 26 for further explanation

Notes:

Fund Name: Materiel Revolving Fund

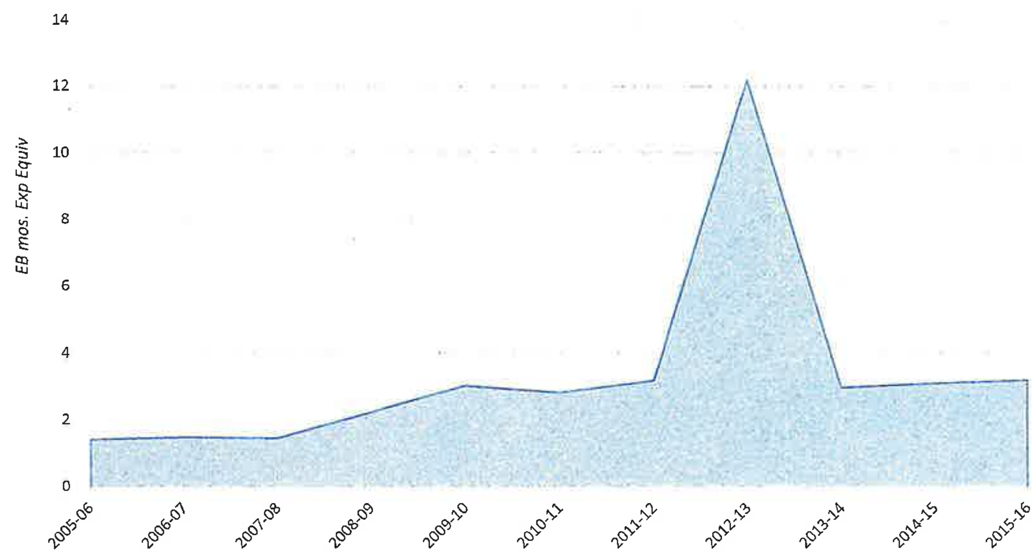
Fund #: 56510 (includes 56512, 56513, 56514, and 56515

Description:

The Materiel Revolving Fund is the fund from which the majority of Materiel Division's subprograms operate. The subprograms that utilize this fund are the Print Shop, Copy Services, Purchasing and since FY 1986-87, Central Mail. These operations deposit revenues and make payments to vendors from this fund. Annually, rates charged by services are reviewed and analyzed in order to prevent abuses and to insure agencies are getting a competitive product.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	2,311,441	1,787,338	1,913,208	1,947,585	2,829,436	3,615,316	3,226,948	3,714,689	9,665,473	5,429,823	4,540,847
Total Revenue	14,484,555	15,448,007	16,047,004	16,038,724	15,112,227	13,356,153	14,532,521	15,470,931	17,772,515	16,783,748	17,847,562
Total Expenditures	(15,008,658)	(15,322,137)	(16,012,627)	(15,156,873)	(14,326,347)	(13,744,521)	(14,044,780)	(9,520,147)	(22,008,164)	(17,672,724)	(17,704,265)
Ending Balance (EB)	1,787,338	1,913,208	1,947,585	2,829,436	3,615,316	3,226,948	3,714,689	9,665,473	5,429,823	4,540,847	4,684,145
EB as a % of Expend.	11.91%	12.49%	12.16%	18.67%	25.24%	23.48%	26.45%	101.53%	24.67%	25.69%	26.46%
EB mos. Exp Equiv	1	1	1	2	3	3	3	12	3	3	3

Comments:

Notes:

Fund Name: IDSD Revolving Fund

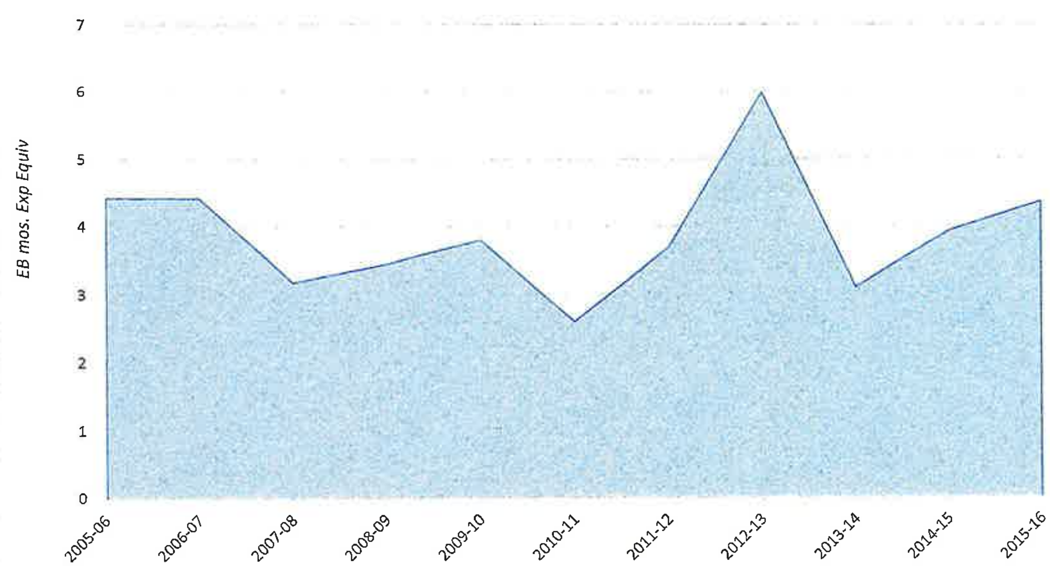
Fund #: 56520

Description:

The IDSD consists of a network of IBM AS/400 computers for state and county applications. Major statewide applications include vehicle titling and registration and the court automation system serving all county and district courts, including child support enforcement functions. County offices have the option to run applications to serve their local needs. The CIO has established flat rates for third-party application. These are available on request.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	904,474	912,700	949,261	698,716	700,711	711,302	572,890	757,199	1,150,682	689,965	782,962
Total Revenue	2,482,469	2,615,234	2,391,729	2,443,059	2,258,787	2,515,704	2,654,400	2,703,561	2,216,994	2,489,597	2,464,801
Total Expenditures	(2,474,244)	(2,578,673)	(2,642,275)	(2,441,063)	(2,248,197)	(2,654,116)	(2,470,091)	(2,310,078)	(2,677,711)	(2,396,600)	(2,382,279)
Ending Balance (EB)	912,700	949,261	698,716	700,711	711,302	572,890	757,199	1,150,682	689,965	782,962	865,484
EB as a % of Expend.	36.89%	36.81%	26.44%	28.71%	31.64%	21.58%	30.65%	49.81%	25.77%	32.67%	36.33%
EB mos. Exp Equiv	4	4	3	3	4	3	4	6	3	4	4

Comments:

Notes:

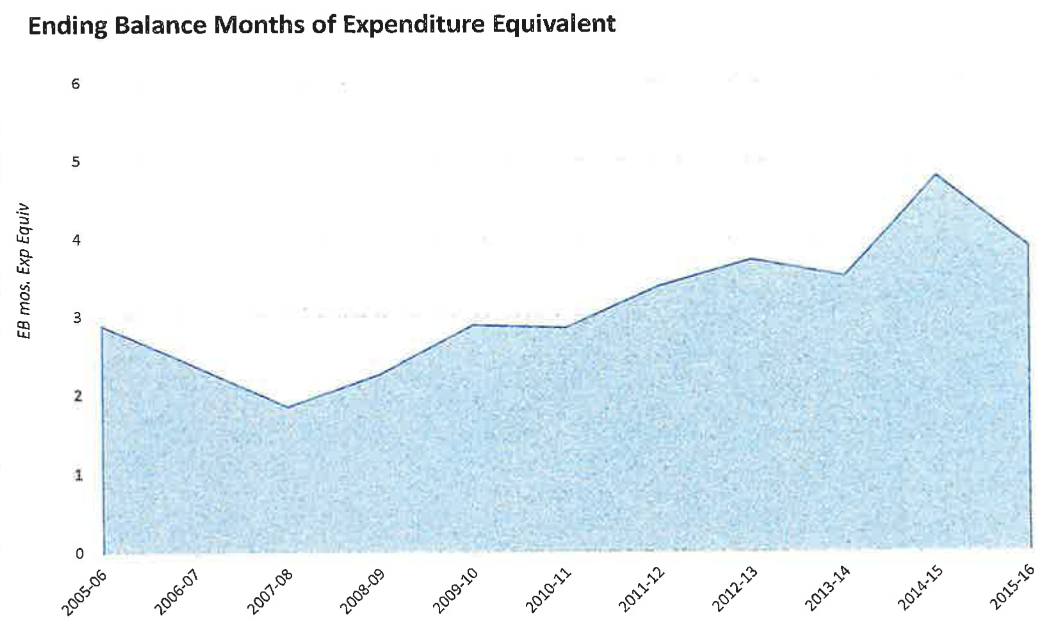
Fund Name: Telecommunications Revolving Fund

Fund #: 56530

Description:

The Communications Revolving Fund is the operational fund for the Communications Division of AS. This fund reflects all revenues and expenditures associated with this program. Activities include voice, data, and video services to state agencies and non-state agencies. This fund includes expenses and revenues for the Statewide Distance Education Network.

Transfers from the fund are not authorized under existing law.



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	2,481,770	4,978,134	4,619,005	3,682,491	4,171,114	5,922,953	6,527,261	9,820,694	10,389,964	10,884,146	13,627,634
Total Revenue	22,087,167	22,983,150	23,008,740	22,590,110	26,369,812	28,084,375	38,153,068	34,066,836	37,732,242	36,862,638	36,765,473
Total Expenditures	(20,690,803)	(23,342,279)	(23,945,255)	(22,101,487)	(24,617,973)	(27,480,067)	(34,859,635)	(33,497,565)	(37,238,060)	(34,119,150)	(38,050,931)
Ending Balance (EB)	4,978,134	4,619,005	3,682,491	4,171,114	5,922,953	6,527,261	9,820,694	10,389,964	10,884,146	13,627,634	12,342,176
EB as a % of Expend.	24.06%	19.79%	15.38%	18.87%	24.06%	23.75%	28.17%	31.02%	29.23%	39.94%	32.44%
EB mos. Exp Equiv	3	2	2	2	3	3	3	4	4	5	4

Comments:

Notes:

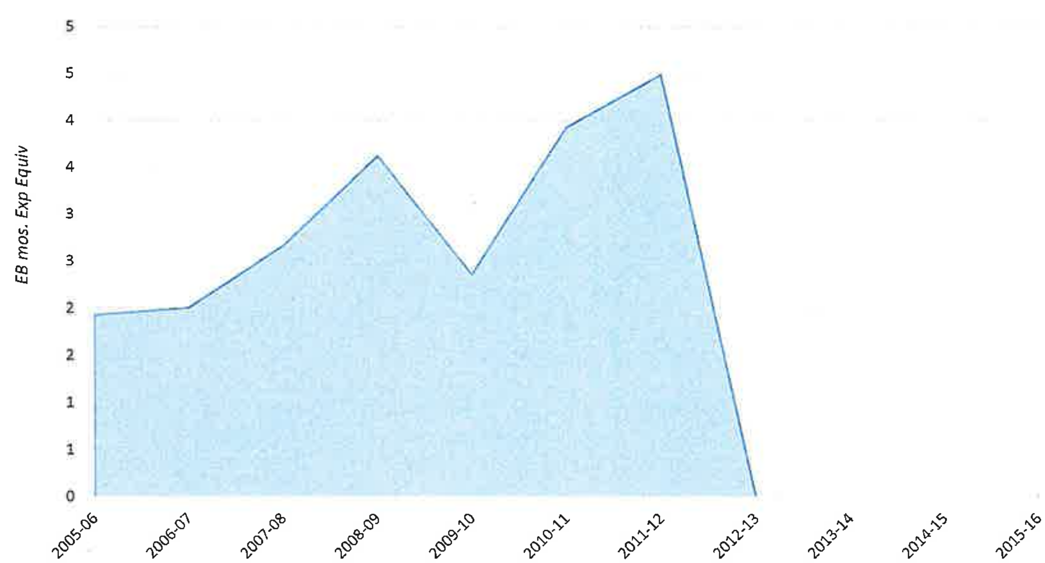
Fund Name: Central Stores Revolving Fund

Fund #: 56540 and 56541

Description:

The Central Store's Revolving Fund is used by the central procurement operations of AS Materiel. The fund accounts for the purchase and resale of miscellaneous supplies and other personal property used by state government in its operations. As indicated below, a flat mark-up rate is applied to the cost of all products sold to pay operational expenses.

Transfers from the fund are not authorized under existing law.



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	254,158	557,190	634,573	787,765	946,082	652,136	1,032,895	1,202,077	0	0	0
Total Revenue	3,764,724	3,871,079	3,698,448	3,289,621	3,017,761	3,530,156	3,377,732	2,454,699	0	0	0
Total Expenditures	(3,461,692)	(3,793,696)	(3,545,255)	(3,131,304)	(3,311,707)	(3,149,397)	(3,208,551)	(3,656,776)	0	0	0
Ending Balance (EB)	557,190	634,573	787,765	946,082	652,136	1,032,895	1,202,077	0	0	0	0
EB as a % of Expend.	16.10%	16.73%	22.22%	30.21%	19.69%	32.80%	37.46%	0.00%	#DIV/0!	#DIV/0!	#DIV/0!
EB mos. Exp Equiv	2	2	3	4	2	4	4	0	#DIV/0!	#DIV/0!	#DIV/0!

Comments:

Beginning in fiscal year 2013-14 this fund was combined into the Materiel Revolving Fund.

Notes:

Fund Name: Capitol Bldgs. Parking Revolving Fund

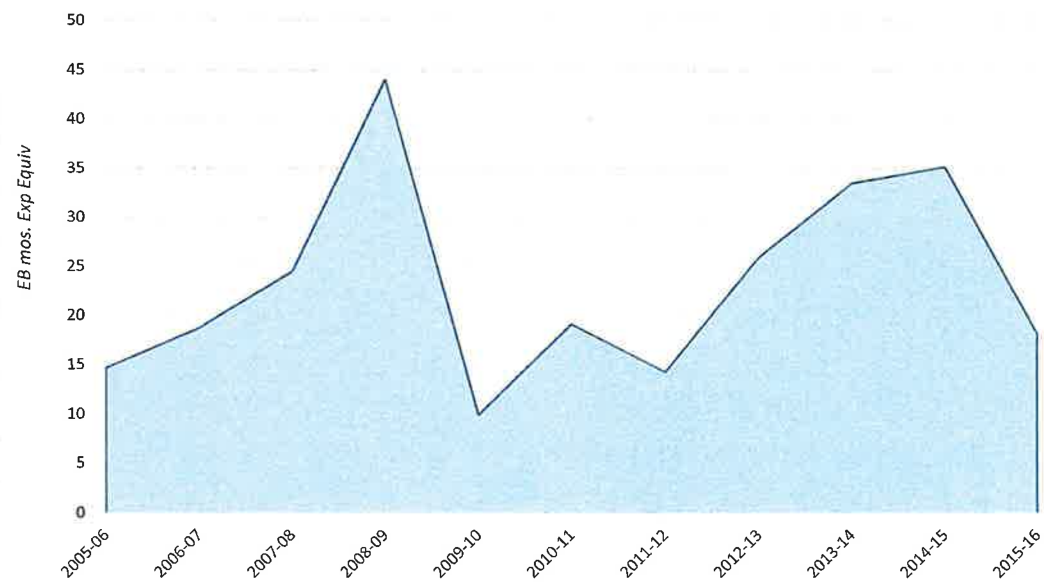
Fund #: 56550 and 56551

Description:

Receipts from parking charges for employee, state vehicle, and public parking are deposited to the Capitol Buildings Parking Revolving Fund. Such amounts are used to operate, maintain and improve parking facilities.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	2,076,938	1,783,144	1,859,462	2,046,699	4,128,156	2,423,238	2,243,987	1,833,213	2,058,005	2,366,174	2,672,665
Total Revenue	1,159,661	1,265,187	1,187,797	3,204,742	1,206,792	1,223,398	1,128,149	1,174,896	1,153,780	1,216,028	1,207,941
Total Expenditures	(1,453,455)	(1,188,869)	(1,000,560)	(1,123,285)	(2,911,710)	(1,402,650)	(1,538,923)	(950,105)	(845,610)	(909,538)	(1,542,702)
Ending Balance (EB)	1,783,144	1,859,462	2,046,699	4,128,156	2,423,238	2,243,987	1,833,213	2,058,005	2,366,174	2,672,665	2,337,904
EB as a % of Expend.	122.68%	156.41%	204.56%	367.51%	83.22%	159.98%	119.12%	216.61%	279.82%	293.85%	151.55%
EB mos. Exp Equiv	15	19	25	44	10	19	14	26	34	35	18

Comments:

See also page 26 for further explanation

Notes:

Fund Name: IMS Revolving Fund

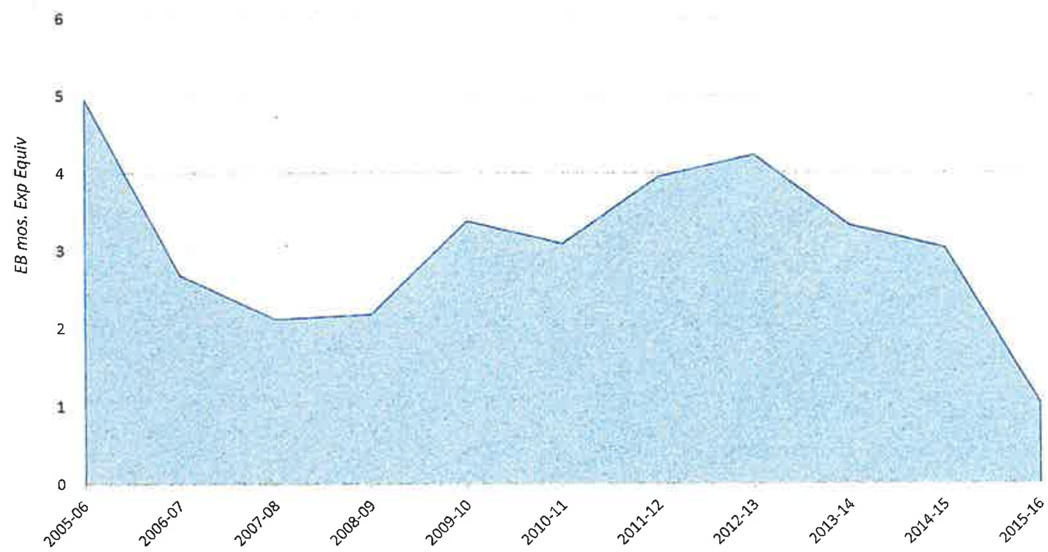
Fund #: 56560

Description:

The Data Processing Revolving Fund is the operational fund for the Information Management Services Division of AS. This fund reflects all revenues and expenditures associated with this program. Activities include maintaining mainframe computing resources, application development, web application development and hosting, enterprise content management, email and related services, and other information technology services.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	14,791,909	15,523,753	9,968,999	6,688,685	6,927,033	10,390,670	11,170,473	14,469,549	16,299,735	13,997,472	13,533,761
Total Revenue	39,350,781	38,976,948	34,629,589	38,318,841	40,307,454	44,150,216	47,167,255	47,986,681	48,208,988	53,121,112	55,698,617
Total Expenditures	(37,518,936)	(44,531,703)	(37,909,902)	(38,080,494)	(36,843,816)	(43,370,413)	(43,868,179)	(46,156,495)	(50,511,251)	(53,584,823)	(63,769,947)
Ending Balance (EB)	15,523,753	9,968,999	6,688,685	6,927,033	10,390,670	11,170,473	14,469,549	16,299,735	13,997,472	13,533,761	5,462,431
EB as a % of Expend.	41.38%	22.39%	17.64%	18.19%	28.20%	25.76%	32.98%	35.31%	27.71%	25.26%	8.57%
EB mos. Exp Equiv	5	3	2	2	3	3	4	4	3	3	1

Comments:

Notes:

Fund Name: TSB Revolving Fund

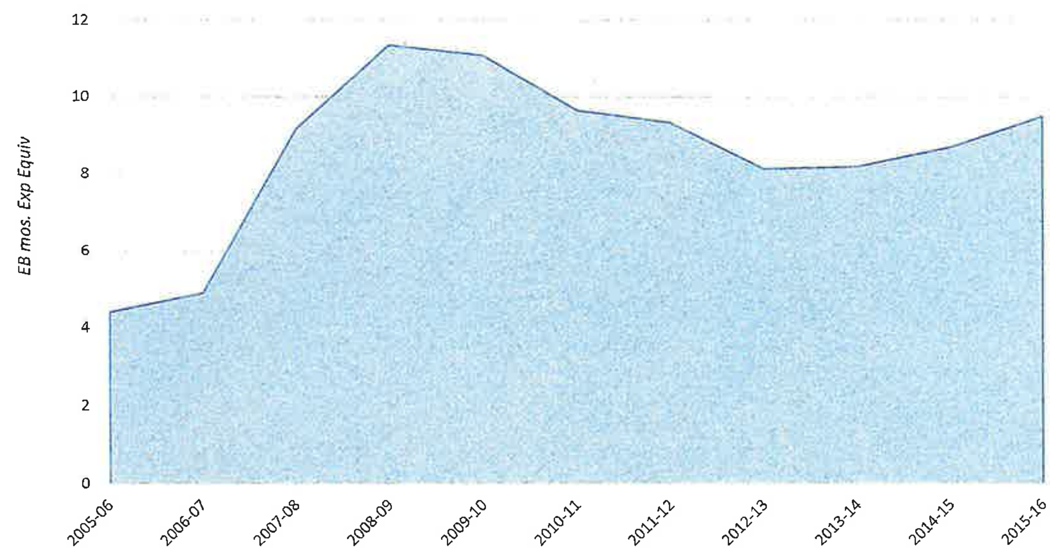
Fund #: 56570, 56571, and 56572

Description:

The TSB Revolving Fund consists of two accounts which correspond with the two components of TSB fees for rental and monthly leasing of vehicles. The base lease or rental rate is established to recover the original cost of vehicle acquisition and a per mile rate which covers all other expenses including vehicle maintenance, insurance and fuel. These two fee components are deposited in their respective accounts.

Transfers from the fund are authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	3,372,996	2,796,490	3,005,618	4,756,488	6,252,696	6,709,750	6,213,708	6,103,800	5,577,936	5,815,265	5,732,189
Total Revenue	7,025,896	7,554,151	7,971,547	8,097,040	7,710,208	7,221,866	7,728,177	7,693,825	8,749,027	7,829,691	8,052,162
Total Expenditures	(7,602,402)	(7,345,023)	(6,220,677)	(6,600,832)	(7,253,154)	(7,717,907)	(7,838,085)	(8,219,688)	(8,511,698)	(7,912,767)	(7,694,741)
Ending Balance (EB)	2,796,490	3,005,618	4,756,488	6,252,696	6,709,750	6,213,708	6,103,800	5,577,936	5,815,265	5,732,189	6,089,610
EB as a % of Expend.	36.78%	40.92%	76.46%	94.73%	92.51%	80.51%	77.87%	67.86%	68.32%	72.44%	79.14%
EB mos. Exp Equiv	4	5	9	11	11	10	9	8	8	9	9

Comments:

Notes:

Fund Name: Surplus Property Revolving Fund

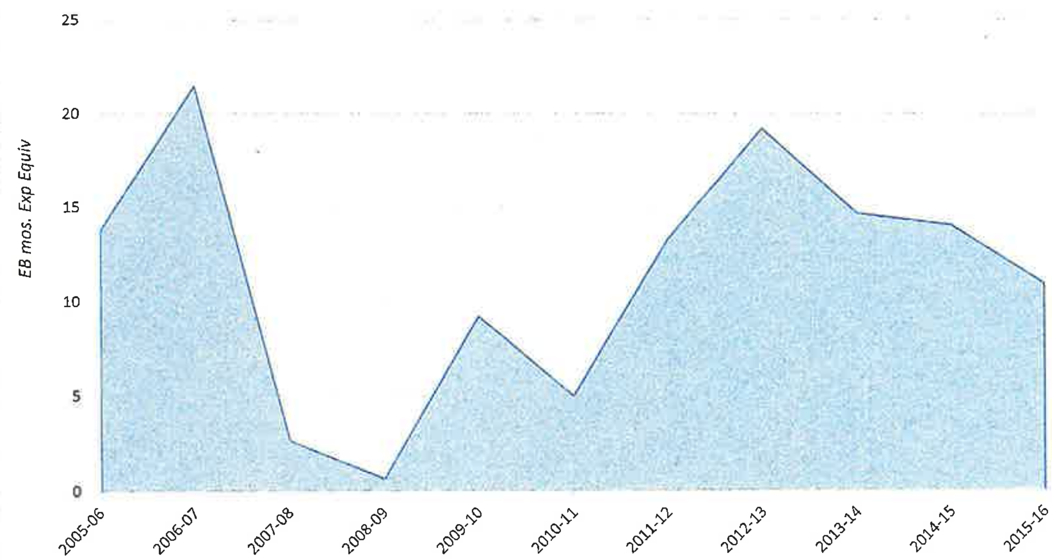
Fund #: 56580

Description:

The Surplus Property Division of AS Materiel utilizes the Surplus Property Revolving Fund to handle its fiscal operations. The Surplus Property Operations charge a flat percent against the sale price of each item sold by them. This Division will sell agency surplus along with political subdivision surplus at the rates indicated.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	214,670	250,475	357,179	108,386	9,468	187,922	103,330	255,141	388,201	389,725	366,451
Total Revenue	253,616	306,006	242,647	77,900	422,828	164,968	381,292	375,363	320,311	289,836	288,727
Total Expenditures	(217,810)	(199,303)	(491,440)	(176,819)	(244,374)	(249,560)	(229,481)	(242,302)	(318,787)	(313,110)	(343,134)
Ending Balance (EB)	250,475	357,179	108,386	9,468	187,922	103,330	255,141	388,201	389,725	366,451	312,044
EB as a % of Expend.	115.00%	179.21%	22.05%	5.35%	76.90%	41.40%	111.18%	160.21%	122.25%	117.04%	90.94%
EB mos. Exp Equiv	14	22	3	1	9	5	13	19	15	14	11

Comments:

Notes:

Fund Name: Accounting Revolving Fund

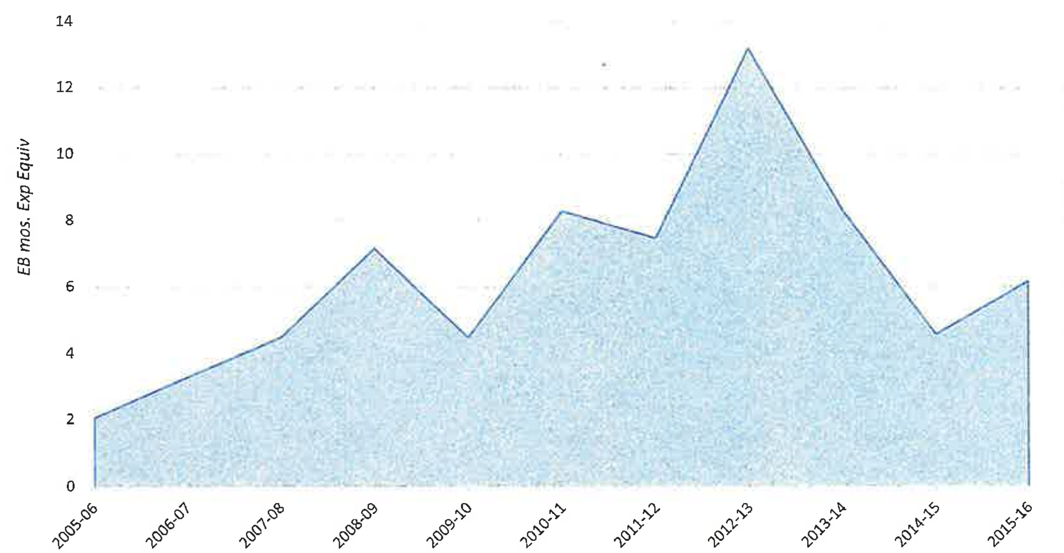
Fund #: 56650

Description:

This revolving fund was created in 1995 (LB 325) to deposit payment for services rendered by the Accounting Division to prepare warrants, process payroll, process transaction accounts, and other services as determined by the Director of Administrative Services.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	656,226	832,807	1,279,109	1,845,088	2,502,398	1,845,294	2,637,206	2,695,238	3,775,966	3,379,679	2,161,508
Total Revenue	5,056,139	5,112,651	5,502,385	4,850,667	4,285,982	4,617,957	4,396,851	4,516,755	4,499,369	4,478,929	4,659,521
Total Expenditures	(4,879,558)	(4,666,349)	(4,936,406)	(4,193,358)	(4,943,085)	(3,826,044)	(4,338,820)	(3,436,027)	(4,895,657)	(5,697,100)	(4,506,654)
Ending Balance (EB)	832,807	1,279,109	1,845,088	2,502,398	1,845,294	2,637,206	2,695,238	3,775,966	3,379,679	2,161,508	2,314,375
EB as a % of Expend.	17.07%	27.41%	37.38%	59.68%	37.33%	68.93%	62.12%	109.89%	69.03%	37.94%	51.35%
EB mos. Exp Equiv	2	3	4	7	4	8	7	13	8	5	6

Comments:

Notes:

Fund Name: Temp. Employee Pool Revolving Fund

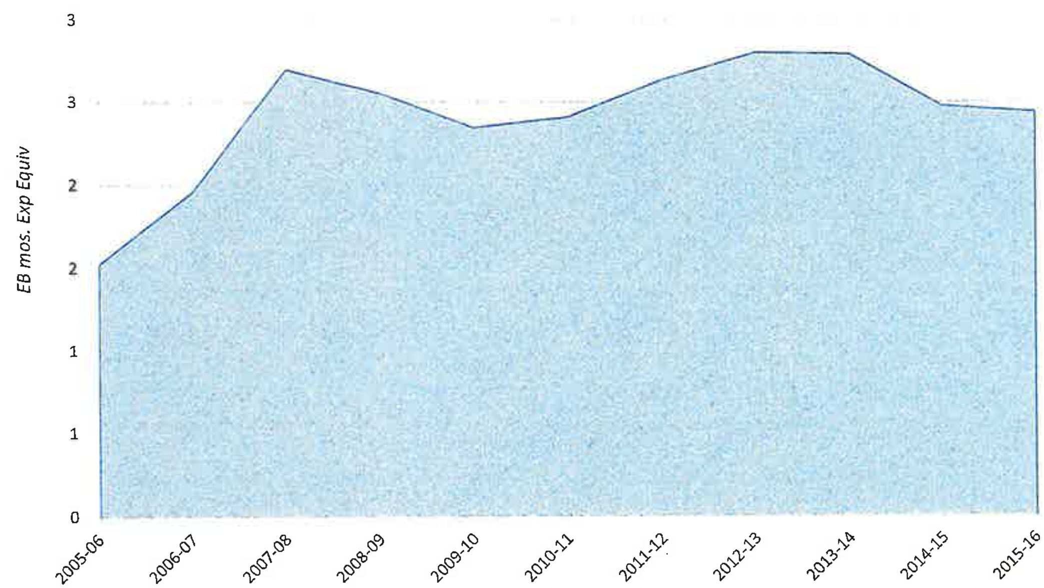
Fund #: 58010

Description:

The Temporary Employee Pool Revolving Fund is administered by the personnel division of the Department of Administrative Services. The fund consists of fees paid by state agencies to the division for temporary employment services. Actual charges to agencies vary on usage. The actual hourly rate includes 24% to cover FICA, unemployment, workers' compensation, and program administrative costs. If a temporary employee is eligible and enrolls in a health plan the premium cost is billed to the agency.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	346,018	621,181	897,925	823,363	850,944	1,087,496	1,130,117	1,373,245	1,450,262	1,390,325	1,236,026
Total Revenue	5,173,363	5,779,381	3,587,564	4,023,854	5,806,488	5,677,567	6,502,314	6,291,811	5,914,631	5,846,958	6,327,876
Total Expenditures	(4,898,200)	(5,502,637)	(3,662,126)	(3,996,273)	(5,569,936)	(5,634,946)	(6,259,186)	(6,214,794)	(5,974,569)	(6,001,257)	(6,288,031)
Ending Balance (EB)	621,181	897,925	823,363	850,944	1,087,496	1,130,117	1,373,245	1,450,262	1,390,325	1,236,026	1,275,871
EB as a % of Expend.	12.68%	16.32%	22.48%	21.29%	19.52%	20.06%	21.94%	23.34%	23.27%	20.60%	20.29%
EB mos. Exp Equiv	2	2	3	3	2	2	3	3	3	2	2

Comments:

Notes:

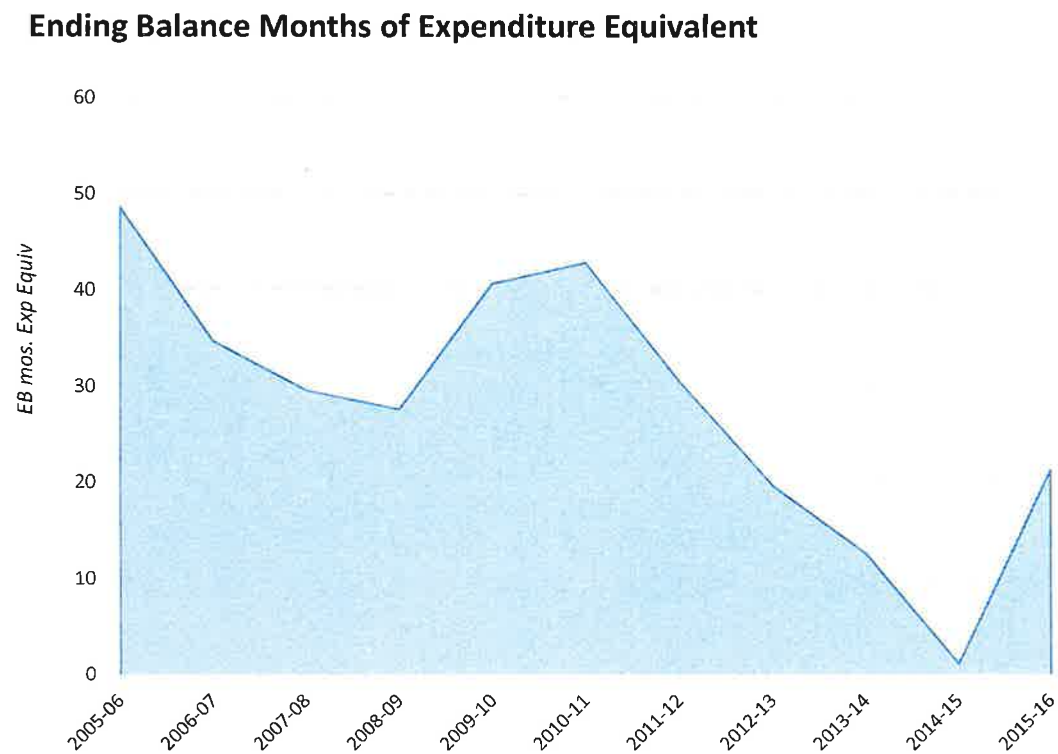
Fund Name: Training Revolving Fund

Fund #: 58030

Description:

The Training Revolving Fund is administered by the personnel division of the Department of Administrative Services. Funds are received by personnel from agencies whose employees participate in the various training programs to cover the cost of those programs.

Transfers from the fund are not authorized under existing law.



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	72,023	68,781	61,957	53,971	43,271	46,102	41,123	30,209	19,147	9,968	859
Total Revenue	13,744	14,585	13,892	8,118	16,442	6,545	961	617	296	115	654,468
Total Expenditures	(16,987)	(21,410)	(21,877)	(18,818)	(13,611)	(11,525)	(11,874)	(11,680)	(9,475)	(9,223)	(236,568)
Ending Balance (EB)	68,781	61,957	53,971	43,271	46,102	41,123	30,209	19,147	9,968	859	418,759
EB as a % of Expend.	404.90%	289.39%	246.71%	229.94%	338.72%	356.82%	254.41%	163.93%	105.20%	9.32%	177.01%
EB mos. Exp Equiv	49	35	30	28	41	43	31	20	13	1	21

Comments:

See also page 27 for further explanation

Notes:

Fund Name: Personnel Revolving Fund

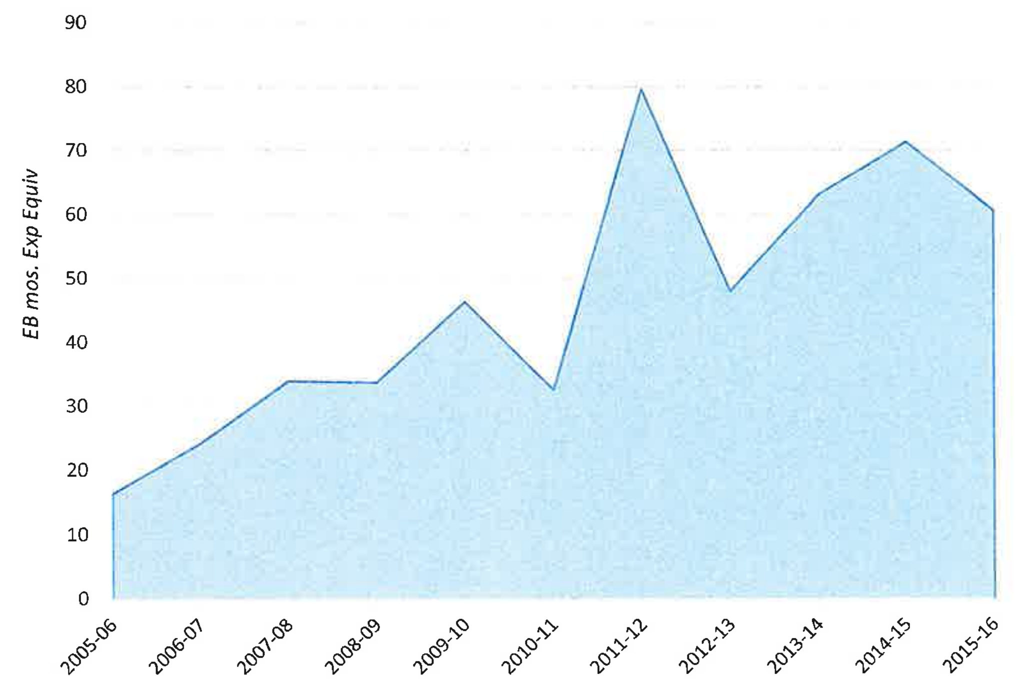
Fund #: 58040

Description:

The Personnel Division Revolving Fund was administratively created in 1996. The fund is used for activities associated with a coordinated advertising system for state government employment advertising and the state's employee recognition program.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	105,909	134,546	181,547	251,990	295,063	302,935	264,715	285,419	282,379	291,483	305,932
Total Revenue	127,245	137,042	159,561	148,012	86,279	59,253	63,722	67,620	64,571	65,928	76,589
Total Expenditures	(98,608)	(90,041)	(89,119)	(104,939)	(78,407)	(97,473)	(43,018)	(70,660)	(55,467)	(51,478)	(63,211)
Ending Balance (EB)	134,546	181,547	251,990	295,063	302,935	264,715	285,419	282,379	291,483	305,932	319,311
EB as a % of Expend.	136.45%	201.63%	282.76%	281.18%	386.36%	271.58%	663.49%	399.63%	525.50%	594.30%	505.15%
EB mos. Exp Equiv	16	24	34	34	46	33	80	48	63	71	61

Comments:

See also page 27 for further explanation

Notes:

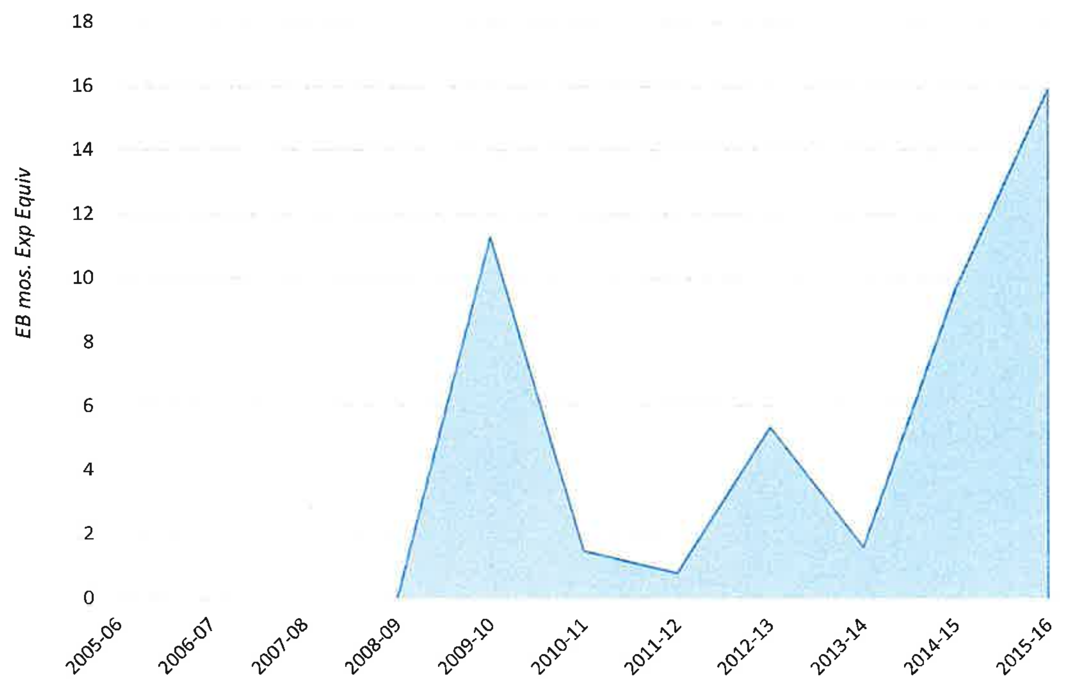
Fund Name: Talent Mgt Revolving Fund

Fund #: 58041

Description:

This fund was administratively created in May 2009 to account for the activities associated with the Human Resource Management System (HRMS). Funds used to establish the Human Resource Management System came from various fund balances within the Department of Administrative Services (DAS). Currently, DAS charges each agency within the State Personnel System a fee to support functionality and associated interfaces.

Transfers from the fund are not authorized under existing law.



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	0	0	0	0	365,159	180,913	73,053	32,257	160,810	87,464	380,592
Total Revenue	0	0	0	365,159	8,035	491,260	451,486	489,085	587,671	763,702	664,644
Total Expenditures	0	0	0	0	(192,282)	(599,120)	(492,281)	(360,532)	(661,016)	(470,574)	(449,048)
Ending Balance (EB)	0	0	0	365,159	180,913	73,053	32,257	160,810	87,464	380,592	596,187
EB as a % of Expend.	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	94.09%	12.19%	6.55%	44.60%	13.23%	80.88%	132.77%
EB mos. Exp Equiv	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	11	1	1	5	2	10	16

Comments:

See also page 27 for further explanation

Notes:

Fund Name: State Insurance Revolving Fund

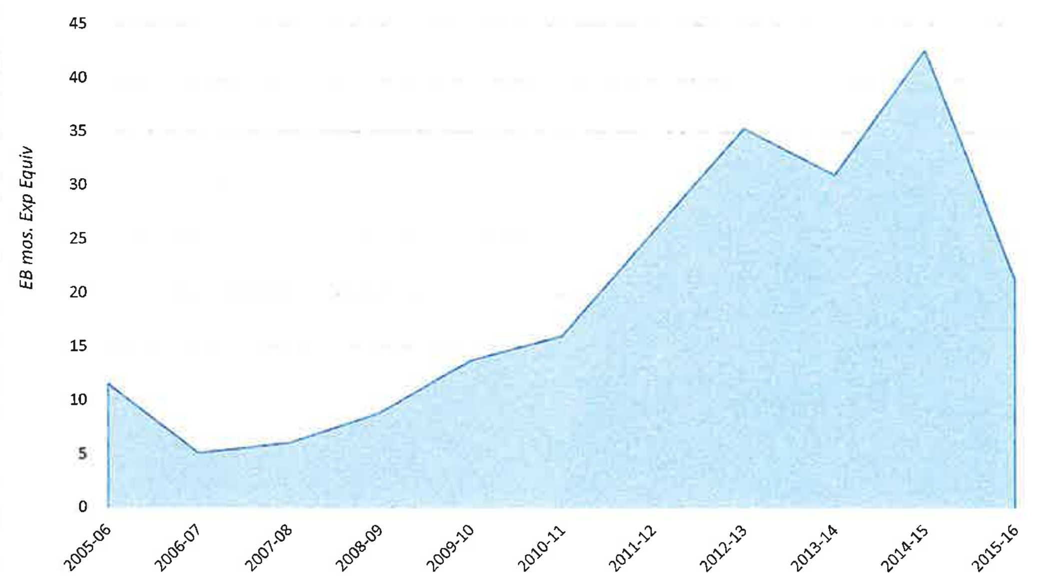
Fund #: 58910

Description:

The State Insurance Fund allows the risk manager to purchase insurance policies covering select state liabilities. For example, one auto policy is purchased to cover all motor fleets, one airplane policy covers planes owned by Aeronautics, State Patrol and Game and Parks. This central purchasing of a statewide policy allows consistency and control over insurance coverage received. No fees are paid but agencies will reimburse the fund at a pro rata share of their liability in each specific policy. The risk manager also bills the agencies the amount of the policy deductible if there is a claim/loss.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	1,984,703	3,468,579	2,583,232	2,544,623	3,236,823	4,405,213	7,130,097	8,791,017	11,014,677	12,028,080	13,566,379
Total Revenue	5,081,041	5,164,173	4,997,295	5,061,588	5,007,090	8,047,662	5,764,367	5,959,631	5,662,142	5,348,398	5,318,851
Total Expenditures	(3,597,165)	(6,049,521)	(5,035,904)	(4,369,388)	(3,838,700)	(5,322,778)	(4,103,446)	(3,735,972)	(4,648,739)	(3,810,100)	(6,783,549)
Ending Balance (EB)	3,468,579	2,583,232	2,544,623	3,236,823	4,405,213	7,130,097	8,791,017	11,014,677	12,028,080	13,566,379	12,101,681
EB as a % of Expend.	96.43%	42.70%	50.53%	74.08%	114.76%	133.95%	214.23%	294.83%	258.74%	356.06%	178.40%
EB mos. Exp Equiv	12	5	6	9	14	16	26	35	31	43	21

Comments:

See also page 27 for further explanation

Notes:

Fund Name: Workers' Comp. Revolving Fund

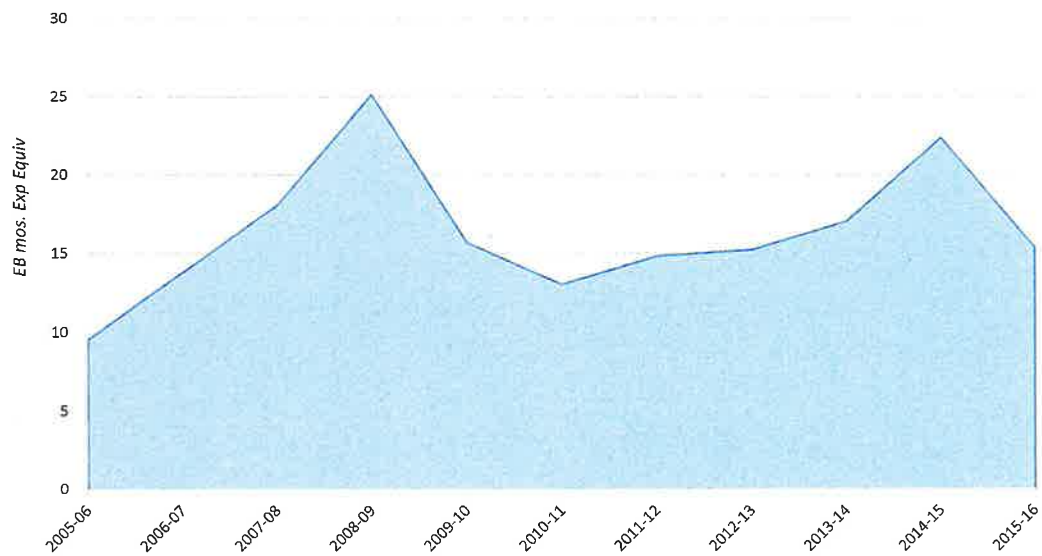
Fund #: 58920

Description:

Since 1989, the State Claims Board has had the authority to charge agencies a premium for workers' compensation claims incurred. The Risk Manager is charged with tracking workers' compensation claim payments by agencies and bill accordingly, however, it operates just as an insurance policy and those who don't have claims subsidize those with claims. All workers' compensation payments for all state employees are paid from this fund. Beginning in FY2006, assessments are based on actuarial studies that identify actual claims and loss history for each agency.

Transfers from the fund are not authorized under existing law.

Ending Balance Months of Expenditure Equivalent



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance	5,799,860	9,505,130	13,400,754	17,494,659	22,600,181	19,441,770	17,947,490	18,018,771	18,260,216	21,014,539	25,147,120
Total Revenue	15,621,996	15,533,573	15,702,772	15,892,483	11,694,307	15,010,713	14,628,121	14,605,596	17,550,817	17,624,562	16,859,649
Total Expenditures	(11,916,725)	(11,637,949)	(11,608,867)	(10,786,961)	(14,852,717)	(16,504,993)	(14,556,840)	(14,364,152)	(14,796,494)	(13,491,981)	(18,413,916)
Ending Balance (EB)	9,505,130	13,400,754	17,494,659	22,600,181	19,441,770	17,947,490	18,018,771	18,260,216	21,014,539	25,147,120	23,592,853
EB as a % of Expend.	79.76%	115.15%	150.70%	209.51%	130.90%	108.74%	123.78%	127.12%	142.02%	186.39%	128.13%
EB mos. Exp Equiv	10	14	18	25	16	13	15	15	17	22	15

Comments:

See also page 26 for further explanation

Notes:

SUMMARY OF INFORMATION

Summary of Information Provided by Administrative Services

The following is a summary of the information provided by Administrative Services. The full text of the questions asked and responses provided can be found at Attachment 2.

Administrative Services Development of Revolving Fund Assessment, Rate and Surcharge Levels

Each biennium budget development process for Administrative Services begins with development of agency-wide assumptions with respect to estimated costs. These include the agency's assumptions regarding costs for salaries, health insurance, utilities, repairs, maintenance, supplies, materials, contractual services, etc. The process begins with Administrative Services programs that charge various assessments, rates and surcharges relating to their programmatic functions. These include:

<u>Assessments</u>	<u>Rates</u>	<u>Surcharges</u>
Accounting / Enterprise1	Building Rental	Postage
Auto Liability	Print & Copy Services	Surplus Property
Purchasing	Transportation Service Bureau:	Contractual Ads
Director's Office:	--Vehicle Rental	Temporary Employment Pool
--Central Finance	--Mileage Rate	
--Human Resources	--Lease Rate	
--Legal	Insurance - Auto	
Human Resources Mgt. System	Insurance - Property	
	Employee Blanket Bond	

Assessments represent allocation of the net budget (budget less related revolving fund investment income estimated for the budget period and any planned draw-down of the related fund balance for the same budget period) of an Administrative Services programmatic function / service on the basis of historical statistics for the most recently completed fiscal year. Specific amounts to be charged to respective agencies of state government are computed in order to apportion the net budget amount in the form of assessments. *Rates* represent charges per unit of goods or services based upon estimated charges per unit required to support net budget amounts. *Surcharges* (or percentage markups) are used by Administrative Services when rates per unit of goods or services are not determinable and a percentage markup of the value of a good or service is deemed the best billing method.

Administrative Services - Central Finance budget analysts assigned to each of the agency's divisions begin working with the agency's program managers and administrators in January of the year biennial budget requests are submitted. Utilizing the second fiscal year of the current biennium budget as the base year, staff assess budget adjustments warranted as the result of changes in the previous biennium assumptions as well as changes in revenue and expenditure projections. This process includes a review of year-to-date revenue and expenditure data for the current fiscal year (the first year of the current budget biennium).

The final component of the process entails review of appropriate fund balances to determine if projected balances are sufficient to support planned expenditures for the current and new biennium. Projected balances as the result of this review may impact proposed assessments, rates and surcharges. If projected balances are higher than judged to be necessary, proposed assessments, rates or surcharges may be reduced accordingly to achieve reduction in projected balances. A reduction in projected balances may also be achieved by holding assessments, rates or surcharges flat with projected increases in expenditures to be supported by drawing down projected fund balances. If projected balances are lower than judged to be necessary, proposed assessments, rates or surcharges may be increased accordingly.

Proposed Administrative Services assessments, rates, and surcharges for the budget request biennium are approved by the agency's respective budget program administrators, the agency's Director, and the agency's Budget Division. The budget development assumptions and the methodology used to develop each assessment, rate and surcharge is provided to and reviewed by the Budget Division at the beginning of the process. Ultimately, the Governor provides the final review and approval of Administrative Services assessments, rates and surcharges proposed for the budget request biennium and, in turn, the related information is compiled in an appendix to budget instructions for the relevant biennium that are published by the Budget Division in late June of the year budget requests are to be submitted (i.e. June 2016 for the 2017-19 biennium).

Administrative Services' General Policies - Revolving Fund Balances

Administrative Services' general policy with respect to minimum and/or maximum revolving fund balances is the Federal A-87 guideline. This guideline states that a balance should be equal to sixty (60) days of operational expenditures, excluding capital expenditures. These balances include items outside of EnterpriseOne (E1) fund summaries, including Comprehensive Annual Financial Report (CAFR) and State Wide Cost Allocation Plan (SWCAP) Section I adjustments, total assets and liabilities and depreciation. Due to these adjustments, the allowable balances can be higher than the 60 days balance calculated using only 60 days of operational expenditures from E1.

When appropriate, Administrative Services implements a plan to reduce fund balances as provided as part of the SWCAP, Section II report, i.e. a planned rate reduction, special project (such as an E1 update), credits and/or no-bill/abatements (e.g. suspension or reduction of charges).

Some revolving funds have specific policies with respect to minimum and/or maximum balances. The State Building Fund, Capitol Buildings Parking Fund, Workers' Compensation Fund, and State Insurance Fund are all examples of funds with specific policies. These funds are addressed below.

Exceptions to Administrative Services General Policy – Specific Revolving Fund Balances

Administrative Services has identified certain revolving funds for specific exception to its general policy regarding the federal A-87 guideline as it relates to revolving fund balances.

State Building Revolving Fund [56500] – Administrative Services has determined the current optimal fund balance to be $6.0 million for this fund. The agency indicates this fund balance level to be sufficient/necessary to accommodate significant/unanticipated operating expense increases primarily in terms of utility costs as well as to provide for building repair and improvement projects as such become necessary.

Capitol Buildings Parking Revolving Fund [56550] (Lincoln and Omaha parking facilities) – Administrative Services has determined the current optimal fund balance to be $2.078 million. This includes $1.9 million (approximately 5% of the fair market value of parking assets) to support deferred repairs of the parking assets including major repairs to surface lots and parking structures and approximately $178,000 to support ongoing operational and routine maintenance expenses. Historically, Task Force for Building Renewal ("309") funds have not been allocated to finance such projects for these self-supporting parking facilities nor have General Fund amounts been appropriated for such purpose.

Workers' Compensation Claims (58920) – Administrative Services indicates that no minimum balance has been set. An Actuarial Study by AON Risk Solutions along with the Cost Allocation Study (completed for the A-87 process) projects losses plus operational costs and recommends the amount of revenue to be collected to meet those needs each year of the biennium. The fund balance is a reflection of the actual expenditure as compared to the estimated claims, at the 50% confidence level, and actual operational costs.

State Insurance Fund (58910) – The minimum fund balance is set at approximately $10 million. An Actuarial Study by AON Risk Solutions is conducted every two years. The balance is set by including the present Value of Estimated Outstanding State Insurance losses ($2.8 million); the estimated annual excess carrier premiums ($2.6 million); the projected losses at a 70% confidence level ($2.3 million); and a retention surplus ($2.5 million).

Reassessment of Revolving Fund Rates

Administrative Services indicates the reassessment of a fee rate could occur when a fund balance climbs above the intended level or conversely when a fund balances declines below the intended level.

A reassessment could also be triggered by an event, a sustained reduction in projected costs or an increase in projected costs. For example, within the Transportation Service Bureau (TSB) a higher than projected return on vehicles sold at a surplus auction could result in a monthly lease abatement or no-bill situation.

Administrative Services indicates, rates are developed a year and a half prior to the beginning of each biennium. As such, assumptions can change during that three and one-half year period. For example, an increase in utility costs or increased consumption due to extreme temperatures could result in the need by Building Division to increase a facility's rental rate.

Rates set by Administrative Services can be reduced or an assessment can be suspended or reduced at the discretion of the Director in conjunction with the Division's administrator. Other options are customer credits and rebates; no-bills and abatements; or charging rates that are less than the published rates.

Revolving Fund Balances – Review of Specific Funds

Administrative Services has identified certain revolving funds for review.

Administration Revolving Fund (51650) – This is an internal AS fund utilized to support operations in the Director's Office, Central Finance, Central Human Resources, and Central Legal. Revenues come from assessments to the AS Divisions. Over the past several year, the fund balance has increased due to several factors, most notably, vacancy savings and reappropriation of prior biennial funds. The current biennial budget includes two issues that will decrease the fund balance: a technology study ($250,000) and establishment of an ongoing IT management agreement with the CIO ($120,000 per year). The director is currently reviewing the fund and considering possible actions to reduce the balance. These actions could come in the form of special projects and credits/no-bills to AS Divisions.

Personnel Division Revolving Fund (58040) - This fund is used for activities associated with a coordinated advertising system for state government employment advertising and the state's employee recognition program. Expenditures related the State Personnel's portion of the Contractual Ad program have reduced over the past years. The state Personnel Director is reviewing the fund balance to determine a plan to reduce the balance.

Talent Management System (58041) – In FY2015-16, this fund was split into two funds and renamed. The Talent Management System Fund was renamed as Human Resources Management System (HRMS) Fund and contains the Employee Work Center and the Employee Development Center. All training activities were transferred to the Training Revolving Fund (58030). Both fund balances will continue to be monitored.

ATTACHMENT 1

LEGISLATIVE RESOLUTION

LR502
2016

ONE HUNDRED FOURTH LEGISLATURE

SECOND SESSION

LEGISLATIVE RESOLUTION 502

Introduced by Stinner, 48.

PURPOSE: The purpose of this resolution is to study the use of revolving funds within the Department of Administrative Services (DAS). Revolving funds are used to account for the financing of goods or services provided by one state agency to another on a cost-reimbursement basis. DAS has the statutory responsibility to provide centralized services to state agencies, boards, and commissions. Excluding the University of Nebraska and the Nebraska State College System, DAS accounts for 90.4 percent of all state revolving fund expenditures. This study shall include the following:

(1) A history of revolving fund expenditures and revenue for each revolving fund within DAS;

(2) A history of revolving fund balances for each revolving fund within DAS and the rationale for the levels of those balances; and

(3) An explanation of how fee structures are determined for each of the activities or centralized services within DAS that are paid for with revolving funds.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FOURTH LEGISLATURE OF NEBRASKA, SECOND SESSION:

1. That the Appropriations Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

ATTACHMENT 2

FULL TEXT OF QUESTIONS AND

ADMINISTRATIVE SERVICES RESPONSES

NEBRASKA
AdministrativeServices

Byron L. Diamond
Director

Pete Ricketts, Governor

July 14, 2016

Senator John Stinner
Room 1406
PO Box 94604
Lincoln, NE 68509

Re: LR502 – Revolving Funds of the Department of Administrative Services

Dear Senator Stinner:

Enclosed please find the responses of the Department of Administrative Services to the questions regarding LR502.

We are also enclosing the separate responses prepared by the Chief Information Officer, Ed Toner, on behalf of the OCIO.

Should you have any questions or concerns, please contact my office.

Sincerely,

Byron L. Diamond, Director
Dept. of Administrative Services

cc: Bo Botelho, Chief Operations Officer
Ann Martinez, Central Finance Controller
Ed Toner, Chief Information Officer

Legislative Resolution 502 Questions

Responses of Administrative Services

1. **Please provide a general description of the process DAS utilizes in establishing revolving fund rate levels. Please include a discussion of timelines and participants associated with the process.**

The budget development process begins with the development of agency-wide assumptions that are used to develop the budget for each assessment, rate and surcharge. Possible assumptions are salary and health insurance changes along with other operational expenses (utilities, repairs and maintenance, supplies and other raw materials, contractual services, etc.) including those that are Program specific. The Controller works with other sources, i.e. Employee Relations, Wellness, and the Director's Office to develop and finalize these assumptions.

The biennium preliminary budget development begins with Programs that have assessments, rates and/or surcharges. These include the following revolving funded programs:

Assessments	Rates	Surcharge
Accounting/E1	Building Rental	Postage
Worker's Compensation	Printing Services – Print & Copy	Surplus Property
Auto Liability	Transportation Service Bureau (TSB) Vehicle Rental	Contractual Ads
Purchasing	TSB Mileage Rate	Temporary Employment Pool (SOS)
Director's Office (Internal) – (Director's Office, Central Finance, HR & Legal)	TSB Lease Rate	
HRMS – Human Resources Management System (new FY15-16, FY16-17)	Insurance – Auto PD & Property (Building, Contents & Inland Marine)	
	Employee Blanket Bond	

The Central Finance Budget Analyst that is assigned to each Division begins working with the various Program Managers and Administrators in January of the year the biennial budget is due. Part of the process includes a review of the current fiscal year's year-to-date data [the first year of the current biennium] – both revenue and expenditures. The base year is the second year of the biennium and any adjustments are also made that are necessary due to changes in the previous biennial assumptions and/or increased expenditures or changes in revenue projections that have occurred since that budget was developed.

Next, the new biennial assumptions are applied to each year of the new biennium including program specific changes, along with other changes or additional resource needs to develop the preliminary budget. There is also a review of the corresponding utilization or projected changes in utilization for revenue projections. Historical information and industry trends are also reviewed for trends in revenue and expenditures.

The assessments and rates that are charged by Risk Management use a Cost Allocation Report that has been prepared by AON Risk Solutions. The report uses actuarial data, the Program's administrative budget and costs other than claims that are related to the Workers' Compensation and State Insurance Programs – TPA (Third Party Administrator) costs, excess State insurance premiums, etc. These costs are developed as described above by Central Finance staff and provided to AON.

The final component of the process is a review of the appropriate fund balances to determine if it is sufficient to support the planned expenditures for the current biennium and the new biennium. The projected fund balance may impact the final assessment, rate, and/or surcharge. The resulting fund review may result in an increase in the required rates or a decrease that will be supported by the existing fund balance. The other option is to hold rates flat for the next biennium and the projected increase in costs will be supported by the existing fund balance.

In general terms an assessment should equal the corresponding expenditures. For rates/surcharges using historical utilization data, units of measurement, the current fiscal year's trends, and/or production or volume data to determine the rate or surcharge that is necessary to produce sufficient revenue to cover the expenditures for the corresponding periods.

The assessments, rates, and surcharges are reviewed and approved by the Program's Administrator, the Agency's Director and the Budget Office. The budget development assumptions and the methodology used to develop each assessment, rate and surcharge is provided and reviewed by the Budget Office at the beginning of the process. Also the methodology that is used to allocate assessments to the appropriate Agency and in some cases the University and State Colleges is also provided and reviewed.

The Governor provides the final review and approval of the biennial rates. This entire process is completed early in June and the projected published rates are an appendices to the Biennial Budget Instructions that are released by the Budget Office later in June. This information is used by other Agencies to develop their biennial budget.

2. **Does the preparation of the biennium budget request for the various divisions of DAS precede, coincide with, or follow consideration and approval of the revolving fund fee rates?**

The preparation of the biennium budget request follows the consideration and approval of the revolving fund fee rates. Rates must be completed in June, while the budget submission is in September. A Program may include various assessments, rates and/or surcharge and funding types. The biennium budget request is tied to the Program's total appropriation. A Program's total revolving appropriation must be sufficient to allow for growth in the Program including an increase in the cost and/or demand for goods and services that the Program's customers require. DAS also submits budgets for Programs that are not funded by revolving rates, but are supported by General Fund or cash funds. The biennium budget request can also include a request for a new assessment or rate. For example the FY15-16, FY16-17 budget submission included a State Personnel budget issue for a new assessment to support the Human Resource Management System (HRMS).

3. **Are there general policies in place with respect to minimum and/or maximum revolving fund balances? If so, please describe the specific policies and the specific funds to which they are applied.**

The general policy in place with respect to minimum and/or maximum revolving fund balances is the Federal A-87 guideline. This guideline states that a fund balance should be equal to 60 days of operational expenditures (excluding capital expenditures). Those rolled up balances (all Materiel or TSB) are submitted annually by State Accounting in the SWCAP, (State Wide Cost Allocation Plan) Section II report. The calculations of those balances includes items outside of EnterpriseOne (E1) fund summaries, including CAFR (Comprehensive Annual Financial Report) and SWCAP Section I adjustments, total assets and liabilities and depreciation (in lieu of capital expenditures). These adjustments can result in allowable balances that are higher than the 60 days balance calculated using only 60 days of operational expenditures from E1. These calculations have included the

State Building Division and Transportation Service Bureau (TSB) Revolving Fund balances that were reported.

When appropriate, a plan to reduce a fund balance is provided as part of the SWCAP, Section II report, i.e. a planned rate reduction, special project (E-1 upgrade), credits and/or no-bill/abatement. Some past examples include an abatement of TSB mileage and monthly vehicle lease charges and for Materiel – Copy Services, a no bill for a quarter's copier lease and copy charges.

The inclusion of liabilities is very important when calculating the fund balance for Surplus Property Revolving Fund #56580. The reported Ending Balance for 2014-15 of $411,091 includes only total assets. It doesn't include $44,639 in liabilities due to various Agencies. Those liabilities reduced the ending fund balance and the Ending Balance – Months Exp. Equiv. from 16 months to 7 months. When surplus property is sold the total gross proceeds are recorded in the fund's appropriate liability account. Once the sale is processed the surplus property revenue is recognized, the net proceeds are provided to the Agency and the liability closed.

4. **Are there fund-specific policies with respect to minimum and/or maximum revolving fund balances? If so, please describe the specific policies and the specific funds to which they are applied.**

Yes. There are some specific funds that have been determined to require additional fund balances; State Building, Capitol Building Parking, Workers' Compensation and State Insurance.

State Building - $6 million has been determined to be the optimal fund balance. This provides a higher fund balance to provided funding for projects and/or increased costs – primarily utility costs. The projected fund balance as of June 30, 2017 is sufficient to allow for many of the individual facility rental rates to remain flat, even with projected cost increases and the need for projects.

Capitol Building Parking (includes Lincoln and Omaha) - $2.078 million has been determined to be the optimal balance. This balance includes $1.9 million which is approximately 5% of the Fair Market Value of the parking assets for deferred repairs on the parking assets. The parking assets are not a part of the 309 Task Force program. The fund balance needs to be sufficient to make major repairs to surface lots, elevators, roofs or to address other structural failures.

Funding is also required for ongoing operational and routine maintenance expenses – approximately $178,000. The FY15-16 expenditures exceeded revenue by $334,762. Funds were used for striping and resurfacing of surface lots and software upgrades. Other projects are planned for the South and East garages.

Finally as adjacent property becomes available for sale, the parking program will at times be directed by the Governor and Legislature to use existing funds to purchase land/buildings to expand available parking for State Employees.

Workers Compensation – The State of Nebraska Actuarial Study of the Self-Insured Workers Compensation, Automobile Liability, Property and Automobile Physical Damage Programs as of June 30, 2015, by AON Risk Solutions projected the Present Value of Estimated Outstanding Workers Compensation Losses at $47,597,270. The 2014-15 Ending Balance was $25,147,120.

State Insurance – The appropriate fund balance was determined to be approximately $10 million. This includes funding for: the Present Value of Estimated Outstanding State Insurance Losses at 06-30-2015 of $2.8 million, $2.6 million for the estimated annual excess carrier premiums that are due annually on July 1st, $2.3 million for Projected Losses paid at a 70% confidence level (from the Actuarial Study mentioned above), and a retention surplus of $2.5 million.

The 2015-16 fund balance in E1 dropped to $12,101,681 from the 2014-15 balance of $13,566,379. The fund balance continues to be monitored as it is has been impacted by increased excess carrier premiums and self-insurance amounts due to losses.

5. **What factors and methodologies are utilized to establish the schedule of fees for each revolving fund? This may include but is not limited to cash flow issues, exposure issues, equipment replacement schedules, seasonality, unique circumstances and special projects.**

All of the items listed above, cash flow and exposure issues, equipment replacement schedules, seasonality, unique circumstances and special projects are all factors that are considered during the development of assessments, rates and/or surcharges and the required fund balances.

As discussed in the response to question number one, each rate is developed using factors and methodologies that are unique to that rate – including the data used to project expenditure, revenue, and fund balances.

6. **Have any steps been put in place or are steps planned to be put in place to reduce levels at which revolving fund balances are maintained? If so, please describe and indicate as to which revolving funds such steps have been or are planned to be applied.**

Administration Revolving Fund #51650 – Director's Office – This is an internal fund and represents the assessment to the Divisions of DAS to support the operations of the Director's Office, Central Finance, Central Human Resources and Central Legal. Prior to FY15-16 the Program had prior year carryover appropriation that could be accessed with the fund's balance to support the needs of the Agency.

The fund balance has increased over the past few years due to several factors including various vacancies – Director, Deputy Director, etc.

The current biennial budget includes two issues that are being funded with existing funds. They are a technology study for approximately $250,000 and to establish an ongoing IT management agreement with the OICO for $120,000 each year.

Currently the Director is reviewing the fund balance and possible actions which include special projects, credits/no-bill and/or to cover increased costs in the FY17-18, FY18-19 biennium with existing funds instead of an assessment increase.

Personnel Division Revolving Fund #58040 – This fund includes Contractual Ads and the statewide Employee Recognition Program. Expenditures related to State Personnel's portion of the Contractual Ad program have reduced over the past years – newspaper employment ads.

Currently the State Personnel Director is reviewing the fund balance to determine a plan to reduce the fund balance.

Talent Management System (TMS) Fund #58041 – The fund began in 2008-09 to provide funding for the Talent Management System – Employee Development Center. The system (Cornerstone) included various functions – recruitment, performance review, on-line training, etc. Expenditures were for SaaS (Software as a Service) annual fees and revenue would be generated from the sale of training bundles to various Agencies. Later the Employee Work Center (Workday) was added which included annual SaaS fees. Training was expanded to include face-to-face sessions and to set up a training room at the 1526 Building. The fund included expenditures and revenue from the face-to-face training. Historically additional agency support was required to support the two systems.

As part of State Personnel's FY15-16, FY16-17 biennial budget request included a new assessment (approximately $953,000) to support the two Human Resource Management Systems (HRMS), including the Help Desk and training needs. This request included a separation of the expenditures related to training – both on-line and face-to-face.

In July 2015, the name of the fund #58041 was changed from TMS to HRMS and the training activities were moved to an existing Fund # 58030 Training, including a transfer of $300,000.

At June 30, 2016 the HRMS fund balance was $596,187 and Training was $418,759. Both fund balances will continue to be monitored. Based on the projected June 30, 2017 fund balance the HRMS assessment will not be increased for the new biennium. The projected increased expenditures will be covered by the fund's existing balance. The balance will also allow those agencies with the larger assessment amounts to be billed quarterly instead of annually.

7. **Please indicate what would trigger a revolving fund fee rate reassessment.**

The reassessment of a fee rate could be triggered when a fund balance continues to climb above the established balance or if the fund balance declines below the established threshold.

A reassessment could also be triggered by an event or sustained reduction of projected costs. For example within the Transportation Service Bureau (TSB) a higher than projected return on vehicles sold at a Surplus auction could result in a monthly lease abatement/no-bill. TSB mileage rates have been reviewed quarterly and adjusted as needed due to lower than projected fuel costs.

The rates for a new biennium are developed a year and half prior to the beginning of that biennium, using various assumptions. Increases in expenditures and/or a decline in revenue could also result in a reassessment that would require an increase in rates. For example an increase in utility costs and/or increased consumption due to extreme temperatures could result in a need by Building Division to increase a facility's rental rate. As stated above TSB does review mileage rates. If fuel costs are higher than projected there could be the need to increase mileage costs.

8. **Can fee rates relating to DAS revolving funds be reduced or can assessments of fees be temporarily suspended at DAS's discretion?**

Yes, rates related to DAS revolving funds can be reduced and/or an assessment can be suspended or reduced at the discretion of the DAS Director in conjunction with the Division's Administrator. Other options that can be used are customer credits/rebates, no-bills/abatements or charging rates that are less than the published rates. For example do to lower fuel costs, TSB has not increased mileage rates to the published projected rates for FY15-16.

State of Nebraska

Pete Ricketts
Governor

Office of the Chief Information Officer
Ed Toner
Chief Information Officer
P.O. Box 95045
Lincoln, Nebraska 68509-5045
402-471-3560

July 6, 2016

Senator John Stinner
Room 1406
PO Box 94604
Lincoln, NE 68509

Senator Stinner,

This memo is in response to the communication dated June 15, 2016 addressed to Byron Diamond in regards to (LR) 502. While the Office of the Chief Information Officer (OCIO) is a division of the Department of Administrative Services, we feel that our business model is unique and that we should submit a separate response in regards to our rate structures and fund balances. Please see the attached documentation which serves as the response to the questions as they relate to the OCIO.

The OCIO realizes that the impact of this study could be significant. Accordingly, we would like to propose that Administrative Services, the Legislative Fiscal Office and the OCIO coordinate to gather the fund balance information that is distributed to the committee for study. This will ensure that the information that is scrutinized is agreed upon by all involved and will serve as a solid basis for ongoing discussions.

Please contact myself or Julie Heyen at 402.471.4385 with any specific questions that you may have regarding this information.

Respectfully,

Ed Toner
Chief Information Officer

1. Please provide a general description of the process DAS utilizes in establishing revolving fund fee rate levels. Please include a discussion of timelines and participants associated with the process.

   OCIO begins reviewing/developing rates for the biennium budget process in January of the year that budgets are due. Initially we only review the rates that are published in the budget instructions as those are applicable to the largest number of agencies. Those submissions are due to the Budget Office by June. Once that process is complete, OCIO addresses any other rates that may need to be altered for the upcoming biennium.

   Outside of the biennium budget process, OCIO modifies rates when either major components or the nature of the service has changed (have there been significant technological upgrades, has a licensing model changed?). OCIO normally works on rate calculation as soon as we have all the necessary information available.

   When updating rates, an analysis is done of all expenditures that would be made to provide the service. For example, does the OCIO need to purchase additional hardware/software to provide this service, or can we leverage off of equipment that we already have? How much people time will it take to set up and maintain this service? Do we have those resources available? If not, where can we get them, how much will they cost? Potential revenue sources (customers/agencies) are also discussed as well as what kind of rate structure makes sense (direct rebill, actual usage, per user charge, per license charge, etc). OCIO involves the technical manager in charge of that area, the appropriate leadership team manager and the OCIO controller in the rate discussions. OCIO also communicates with the Budget Division during this process to ensure that they're aware of the fiscal effect that this rate will have on agencies.

   After the rate is reviewed and established, it is then presented to the OCIO leadership team and the CIO for final approval. Once the rate is finalized, communication of the new rate/rate changes is made to all impacted agencies in writing.

2. Does the preparation of the biennium budget request for the various divisions of DAS precede, coincide with, or follow consideration and approval of the revolving fund fee rates?

   Calculation of rates and fees happens well in advance of budget preparation. OCIO began working on rates for the 17-19 biennium budget cycle as early as 12/2015. Those rates/fees must be finalized and approved by June, 2016 in order to be published in the budget instructions. Agencies can begin budgeting approximately 7/2016 for the biennium that begins 7/1/17.

3. Are the general policies in place with respect to minimum and/or maximum revolving fund balances? If so, please describe the general policies.

   Federal OMB Circular A-87 guidelines allow us to have approximately 60 days of operating expenditures (not including capital expenditures) as a revolving fund balance.

4. Are there fund-specific policies with respect to minimum and/or maximum revolving fund balances? If so, please describe the specific policies and the specific funds to which they are applied.

   OCIO is aware of no other policies above and beyond those stated in A-87 guidelines with respect to OCIO revolving fund balances.

5. What factors and methodologies are utilized to establish the schedule of fees for each revolving fund? This may include but is not limited to cash flow issues, exposure issues, equipment replacement schedules, seasonality, unique circumstances and special projects.

   All of the above are considered when creating a rate. Each rate is developed with details specific to it following the procedures outlined in the response to question 1.

6. Have any steps been put in place or are steps planned to be put in place to reduce levels at which revolving fund balances are maintained? If so, please describe and indicate as to which revolving funds such steps have been or are planned to be applied.

   Overall OCIO strives to have appropriate fund balances as defined by Federal A-87 guidelines. While A-87 guidelines will continue to be the measuring stick for OCIO fund balances, the following steps were taken in FY15-16 to reduce the balances for:

   IMServices (program 172-fund 56560): Purchased software from IBM in order to fully license hardware in both Lincoln and Omaha data centers. This purchase also added additional redundancy as well as decreased ongoing monthly charges. Cash available was used for this purchase, which significantly spent down the available fund balance for this fund. Existing rates will be analyzed Fall, 2016 to ensure that what is being charged to customers is still an accurate reflection of costs.

   Communications (program 173-fund 56530): The following steps were completed in order to reduce fund balance in FY 15-16:

   - Call center upgrades were purchased 5/2016. Portions were paid for with existing cash (fund balance). Remainder was purchased via Master Lease financing. These steps reduced available funds and increased program expenditures.
   - OCIO authorized four months of no bills on the Windstream Centrex charges, resulting in returning approximately $650,000.00 to user agencies.

   OCIO expects that these steps will sufficiently increase monthly program service levels and expenditures without increasing costs to agencies. Further analysis will be done FY16-17 in order to continue to get the Communications fund balance to acceptable levels.

7. Please indicate what would trigger a revolving fund fee rate reassessment.

   There are several triggers that could involve rate reassessments. Those could include the change of a business model, significant technological advances or efficiencies, among others.
   OCIO also analyzes financial statements each month. Trends over time showing increasing or decreasing fund balances would also trigger in-depth analysis on rate structures to ensure appropriate fees are being charged.

8. Can fee rates relating to DAS revolving funds be reduced or can assessment of fees be temporarily suspended at DAS's discretion?

   OCIO fee rates relative to its revolving funds can be temporarily suspended at the discretion of the OCIO.

LR502 Department of Administrative Services' Revolving Funds

Request for additional information – August 9, 2016

1. **A copy of the State of Nebraska Actuarial Study of Self-Insured Worker's Compensation, Automobile Liability, Property and Automobile Physical Damage Programs.**

   A copy of the most recent Actuarial Study as of 06-30-2015 is attached to this email.

2. **A copy of the State-wide Cost Allocation Plan submitted to the Federal Government as a part of the OMB Circular A-87 process.**

   A copy of the most recently submitted report as of 06-30-2015 is attached to this email.

3. **Please explain the differentiation among the terms "assessments, rates and surcharge."**

   Each term describes a different billing mechanism that best suits a specific type of business. Several programs within DAS use assessments. For those with an assessment, an annual budget is built that will support the needs of that program for the biennium. Historical information, trends and future/new needs are included. If there is investment income or an existing fund balance, the amount of the budget is adjusted. The assessment is then equal to the net budget. Using some form of historical data the assessment is allocated to the various users – Agencies. The assessment is published in the "Rate Book" which is an appendix to the Biennial Budget Instructions. With the information from the Rate Book an Agency knows what its cost for those services will be for the next two fiscal years. An example of an assessment is the Accounting/E1 Assessment. A budget is built to support the operations of the program which includes the technical needs of E1. Using statistics for the most recently completed fiscal year the assessment is then allocated. The statistics used to allocate the total State Accounting/E1 Assessment by Agency (which also includes the University and State Colleges) are; the total dollar amount of expenditures, total number of E1 transactions and total FTE's, i.e. what percentage is an individual Agency's amount of the total. Even when an assessment is held flat from one biennium to the next, use of the most recent statistics can result in an increase or decrease in a particular Agency's assessment.

   Another billing mechanism is a rate. A rate is appropriate when a cost per unit – either per good or service can be determined. The customer is then billed regularly based on consumption. As described above, a budget is built to determine the needs of the program. As described above, any other revenue source and/or fund balance can impact the total resources required. In order to set a rate the number of units that will be sold must also be estimated. Historical information and trends are used to develop each of these pieces. The budget is then divided by the number of estimated units that will be sold to determine the rate that is published. An example of a rate is the mileage rate that the Transportation Service Bureau (TSB) charges. A budget is developed to support the operations of TSB – salary, benefits and operational costs that include administrative overhead and those costs related to the vehicles, fuel, insurance, shop costs and other repairs and maintenance. The estimated number of miles that will be traveled statewide is then divided into the operational budget (there are some adjustments to reflect the difference in miles per gallon for different vehicles, etc.) and published in the Rate Book. An Agency can then estimate its costs based on their type of vehicle and the miles estimated to be traveled.

The final mechanism used is a surcharge. A surcharge or percentage markup is used when a price per unit is not determinable and the best billing method is a percentage increase on the dollar value of an item or service. One example of a surcharge is Materiel's postage program. Again, a budget is built to determine the needs of the program. One component of the program's costs is raw postage (which includes presort costs). This dollar amount is the cost of "raw materials" that will be purchased and resold to the Agencies. The postage and/or presort cost for each piece of mail is not the same as cost depends on weight and size. Both components use historical information and trends to estimate the numbers used. A surcharge or percentage markup is calculated that, when applied to the raw postage costs, will provide sufficient income to cover the operational costs of the program – salary and benefits and other operational costs which includes the interoffice mail program. This surcharge is also published.

4. Please explain why the Purchasing Assessment is increasing 96.5% for 2017-19 biennium?

Materiel's Purchasing Assessment was held flat since FY2009 with a $70,869 increase in FY2016 to $870,093. The $70,869 increase was the result of LB429 which created the State Contracts Database. The Assessment was not increased previously to reflect salary or health insurance increases or increases to operational expenses. In addition, as there were increasing requests for procurement assistance from the Agencies, resources and FTE's were moved from other areas within Materiel and positions upgraded to provide a higher level of expertise in the Purchasing Department. Due to the total dollar amount of the Purchasing Assessment and reluctance to increase the Assessment, the increased staff and resources were added to Materiel's Administration budget. Also, as positions became available in the Print Shop they were moved to Purchasing, without a shift in funding source. The administrative costs are allocated to the various Materiel services – printing services, mail, purchasing, etc. The Assessment for FY17-18 and FY18-19, which is an $839,440 increase from the prior assessment moves the costs of five (5) staff from Administration and three (3) staff from Print Shop to the Purchasing Assessment. This increase aligns the Purchasing Assessment and reflects the true costs of providing procurement services.

5. **Please provide an explanation of (a.) $250,000 technology study and, (b.) $120,000 to establish an on-going IT management agreement with the OCIO.**

Both of these items were 2015-2017 biennial budget requests for the Director's Office that were approved. There was no increase in the Director's Office assessment for either issue. The funding was from existing funds. The $250,000 for the technology study by a third party vendor was a one-time request. The purpose of the agency technology study was to assist in establishing a unified technology direction for the Agency. Since 2009 various divisions had introduced software from various vendors to meet the needs of the state-wide enterprise. In 2009 State Personnel began an initiative that utilizes a separate system and infrastructure (Human Resource Management System (HRMS)) for employee personnel records and other needed processes supported by the Division. In 2011 an initiative was undertaken by the State Purchasing Bureau for a procurement system to augment the existing system. This initiative was suspended to allow the pending evaluation of the Agency's use of current technology and further improvements. The State Building Division has also implemented a lease tracking system, work order tracking system and has a need for a project tracking system. In addition there is JD Edwards (E1), the State's ERP system, which was originally acquired in late 2000. Previously, several areas of additional functionality for the current ERP system that would be desirable have been identified that require further analysis. They include business analytics, improved workflow and increased ease of use of the system. The OCIO IT Manager that was the other issue would be a key participant in this process.

A review of the HRMS system and JD Edwards started in FY15-16 and is continuing. To date that process has taken place without any costs. A third party vendor was selected by Materiel to review the State's current procurement processes, to make process improvement suggestions and to assist with the analysis of current e-procurement platforms.

The second item was a request for an IT Manager position. This request would revolve fund appropriation to the Director' Office base. In the past the divisions have made technology acquisitions that have had positive impacts on their processes and services but have sometimes created integration and communication conflicts with other systems, including the State's ERP system. The Agency needed a dedicated IT expert that could focus on the use of technology by the divisions in a planned, coordinated, and strategic manner. In late 2014 using available funding in the Director's Office Program, an IT Management Agreement was signed with the OCIO to provide the expertise needed in the utilization of technology. Various OCIO staff provide billed services under such agreement. Beginning in July 2015, permanent staff (Karen Hall) was hired by the OCIO and embedded in the Agency. The OCIO provides this same arrangement with other Agencies to assist them with their IT needs.

Nebraska Legislature

Kathy Tenopir <ktenopir@leg.ne.gov>

Update LR502

Diamond, Byron <byron.diamond@nebraska.gov> Thu, Sep 29, 2016 at 8:38 AM
To: "Tenopir, Kathy" <ktenopir@leg.ne.gov>
Cc: "Botelho, Francis D. \"Bo\"" <bo.botelho@nebraska.gov>, "Martinez, Ann" <Ann.Martinez@nebraska.gov>, "Broz, Jerry" <jerry.broz@nebraska.gov>, "Oligmueller, Gerry" <Gerry.Oligmueller@nebraska.gov>

Kathy,

Please see the additional detail that Ann Martinez added to the LR502 balances below.

Please do not hesitate to call if you have any questions or concerns prior to the hearing next month.

Thanks,

Byron L Diamond – C.L.S.S.Y.B.

Director – Administrative Services

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NEBRASKA Administrative Services Director's Office

Shereece Dendy, Esq., C.L.S.S.Y.B.

State Risk Manager

Risk Division - Department of Administrative Services

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NEBRASKA Administrative Services Director's Office

From: Martinez, Ann
Sent: Wednesday, September 28, 2016 2:04 PM
To: Dendy, Shereece <shereece.dendy@nebraska.gov>
Cc: Bliemeister, Thomas <thomas.bliemeister@nebraska.gov>
Subject: RE: Update LR502

Shereece as we discussed yesterday afternoon Kathy Tenipor's questions center around the fund balances for Worker's Compensation and State Insurance. With the move away from Deposits with the TPA's that really means the money/balance you have in your "bank accounts" that are reported on the Cash Status Report.

The majority of the information below was included in the initial response to the LR502 questions in July.

Regarding the Worker's Compensation fund no minimum balance has been set. The State of Nebraska Actuarial Study of the Self-Insured Workers Compensation, Auto Liability, Property and Automobile Physical Damage Programs as of June 30, 2015, AON Risk Solutions projected the Present Value of Estimated Outstanding Workers Compensation Losses at $47,5987,270. The 2014-15 ending fund balances was $25,147,120. The ending 2015-16 balance was $23,592,853. Additional Legislative action would be required in order to fund the end the current self-insurance program and to settle/close outstanding losses as the fund balance is much less than the projected amount of the outstanding losses.

The Actuarial Study along with the Cost Allocation Study project losses plus operational costs (TPA, etc.) and recommends the amount of revenue that needs to be collected to meet those needs each year of a biennium. Unless there is a decision by management to include an additional amount to be assessed to increase the fund balance to a higher amount or equal to the amount of the estimated outstanding losses the fund balance will be a reflection of the actual expenditures as compared to the estimated claims (a 50% confidence level is used) and actual operational costs.

Regarding the Fund balance for State Insurance the minimum balance is approximately $10 million. That balance was calculated by including the Present Value of Estimated Outstanding State Insurance losses at 06-30-2015 of $2.8 million, $2.6 million for the estimated annual excess carrier premiums that are due annually on July 1st, $2.3 million for projected losses paid at a 70% confidence level (from the actuarial study mentioned above) and a retention surplus of $2.5 million (for self- insurance).

The 2015-16 fund balance in E1 dropped to $12,101,681 from the 2014-15 balance of $13,566,379. The fund balance continues to be monitored as it has been impacted by increased excess carrier premiums in 2016-17 (+$400,000) and self-insurance amounts due to losses.

Ann Martinez | Controller

Department of Administrative Services - State Accounting - Central Finance

P: 402.471.4135 | **C:** 402.297-5747

From: Dendy, Shereece
Sent: Tuesday, September 27, 2016 8:24 AM
To: Diamond, Byron <byron.diamond@nebraska.gov>
Cc: Wilken, Doug <doug.wilken@nebraska.gov>; Botelho, Francis D. "Bo" <bo.botelho@nebraska.gov>; Martinez, Ann <Ann.Martinez@nebraska.gov>; Lowry, Julie <julie.lowry@nebraska.gov>
Subject: RE: Update LR502

Byron,

Please see the highlighted portion below with the correct dollar figure. I did not add it yesterday when I sent the previous email.

Byron,

Below is Risk's information for LR502. I was not able to reach Ann today because she is out of the office. However, I will touch base with her tomorrow to see if she has any additional feedback to offer.

Each year (after June 30th), an actuarial study is completed on the State's workers' compensation and insurance programs. The information produced is used to help determine the appropriate levels in each of the fund balances. I have attempted to outline the rationale in support of the current balances, and have also cautioned of potential issues that do not support a decrease in the balances. Please let me know if you have any questions.

<u>Workers' Compensation Fund (Information as of June 30, 2015):</u>

- Loss data valued as of June 30, 2015 was provided to reach the numbers below, as well as payroll data through 2014/2015.
- The present value of estimated outstanding losses is the amount of money required to meet unpaid claims.
    - Outstanding losses = $53,947,355.00

§ This would be the estimated amount needed to settle/resolve all pending workers' compensation claims.

- The projected losses paid during FY2016-2017 through FY2017-2018. These figures below estimate how much is needed each year to pay the losses associated with workers' compensation claims.

  o 2016-2017:

    § Expected confidence level: $13,030,337

    § 70% confidence level: $14,984,888

    § 90% confidence level: $19,154,595

  o 2017-2018

    § Expected confidence level: $13,157,114

    § 70% confidence level: $15,130,681

    § 90% confidence level: $19,340,958

- Risk Management was appropriated $17,952,297 for 2016/2017. There was also a carryover of $1,657,748.00 from the previous year, which brought the balance to $19,610,045.20.

  o The $1.6 M carryover confirms that the fund balance is appropriate. Please note, that in the last part of the 2015/2016 fiscal year, there were at least 3 catastrophic claims filed: 2 deaths and 1 severe bodily injury. These claims will continue to pay out large amounts over the next several years and the anticipation of these claims were not foreseen at the time the study's completion.

- Based upon the data presented above, I believe that the workers' compensation fund should stay above the 70% confidence level projected by the actuarial study.

- As of September 20, 2016, 17% of the fund balance has been used. This is in line with the projections outlined above.

<u>State Insurance Fund (Information as of June 30, 2015):</u>

- Loss data valued as of June 30, 2015 was provided to reach the numbers below, as well as vehicle counts and automobile and property insured values.

- The present value of estimated outstanding losses is the amount of money required to meet unpaid claims.

  o Outstanding losses = $2,802,181.00

    § This would be the estimated amount needed to settle/resolve all pending insurance claims.

- The projected losses paid during FY2016-2017 through FY2017-2018. These figures below estimate how much is needed each year to pay the losses associated with insurance claims each fiscal year.

  o 2016-2017:

    § Expected confidence level: $2,042,630

    § 70% confidence level: $2,295,616

    § 90% confidence level: $2,820,512

- o 2017-2018
  - § Expected confidence level: $2,025,458
  - § 70% confidence level: $2,276,627
  - § 90% confidence level: $2,799,281

- Risk Management was appropriated $5,615,874 for 2016/2017. There was also a carryover of $164,676.17 from the previous year, which brought the balance to $5,570,550.17.
  - o The $164,676.00 carryover supports that the fund balance is appropriate. However, it is important to note that the State's insurance premiums increased by 17% for the 2016/2017 fiscal year, or $438,973.
    - § The insurance premium went from $2,522,666 to $2,961,639.
      - · Agencies are assessed a fee to pay a portion of the premium (as it relates to property, automobile, and contents coverages only). However, the additional $438,973 was not anticipated and will be paid directly from the fund. There will be no credit back for this portion.
      - · The premium increase is due to:
        - o Property loss experience;
        - o Increase in the Total Insured Value (TIV) (the State's property values increased from $2,197,370,838 to $2,339,922,215). As a result, the excess property policy limit needed to be increased.
          - § A large portion of increase came from increasing the value of the State Capitol Building.
          - § Please be advised that many of the State's buildings are severely undervalued. Appraisals are being done yearly, on selected buildings, and, if appropriate, the values are being adjusted accordingly. Therefore, the State is likely to see an increase in its TIV over the next few years.

- The Math:
  - o $5,615,874 (appropriation) - $2,961,639 (insurance premium) = $2,654,235 remaining.
  - o $2,654,235 (remaining fund balance) - $2,295,616 (projected losses paid at 70% confidence) = $358.619 (ending fund balance)

- Keep in mind that the State has suffered from a large number of claims relating to property damage. Therefore, the increase in premium is likely to continue for a few years. The premiums will continue to increase if the loss experience does not improve.
  - o Whenever there is a large loss, the State must pay $200,000 upfront before the insurance kicks in. This is for each occurrence. This is known as our self-insured retention.

- As of Sept. 20, 2016, 46% of the fund balance has been used. Again, please remember that the entire amount paid in premiums will not be 100%reimbursed to the fund.

- Based upon the data presented above, I believe that the insurance fund should stay above the 70% confidence projected by the actuarial study, more specifically around $5.6M for each fiscal year, if not increased.

General Information:

- The information to complete the actuarial study as of June 30, 2016, is being complied. This report is not expected to be complete for several months.
- Risk Management does not have an administration budget. All administrative cost are divided up between the workers' compensation fund (68%) and the state insurance fund (32%).
    - A decrease in these funds would limit the ability of Risk Management to conduct its statutory duties.

Sincerely,

Shereece Dendy, Esq., **C.L.S.S.Y.B.**

State Risk Manager

Risk Division - Department of Administrative Services

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NEBRASKA Administrative Services Director's Office

From: Dendy, Shereece
Sent: Monday, September 26, 2016 3:16 PM
To: Diamond, Byron <byron.diamond@nebraska.gov>
Cc: Wilken, Doug <doug.wilken@nebraska.gov>; Botelho, Francis D. "Bo" <bo.botelho@nebraska.gov>; Martinez, Ann <Ann.Martinez@nebraska.gov>; Lowry, Julie <julie.lowry@nebraska.gov>
Subject: RE: LR502

Byron,

Below is Risk's information for LR502. I was not able to reach Ann today because she is out of the office. However, I will touch base with her tomorrow to see if she has any additional feedback to offer.

Each year (after June 30th), an actuarial study is completed on the State's workers' compensation and insurance programs. The information produced is used to help determine the appropriate levels in each of the fund balances. I