



January 29, 2010

Memorandum To: Chief Fiscal Officers
From: David A. Ellis, Assistant Director, Office of Budget & Management
Subject: Cost Savings Days

The purpose of this memorandum is to remind agencies to incorporate the payroll impact of cost savings days (CSDs) in their draws on federal grants. This memorandum first outlines the CSD process as it relates to the GRF fund balance and CSD-related reporting tools available to agency fiscal staff.

CSD Process & Relationship to the General Revenue Fund Balance

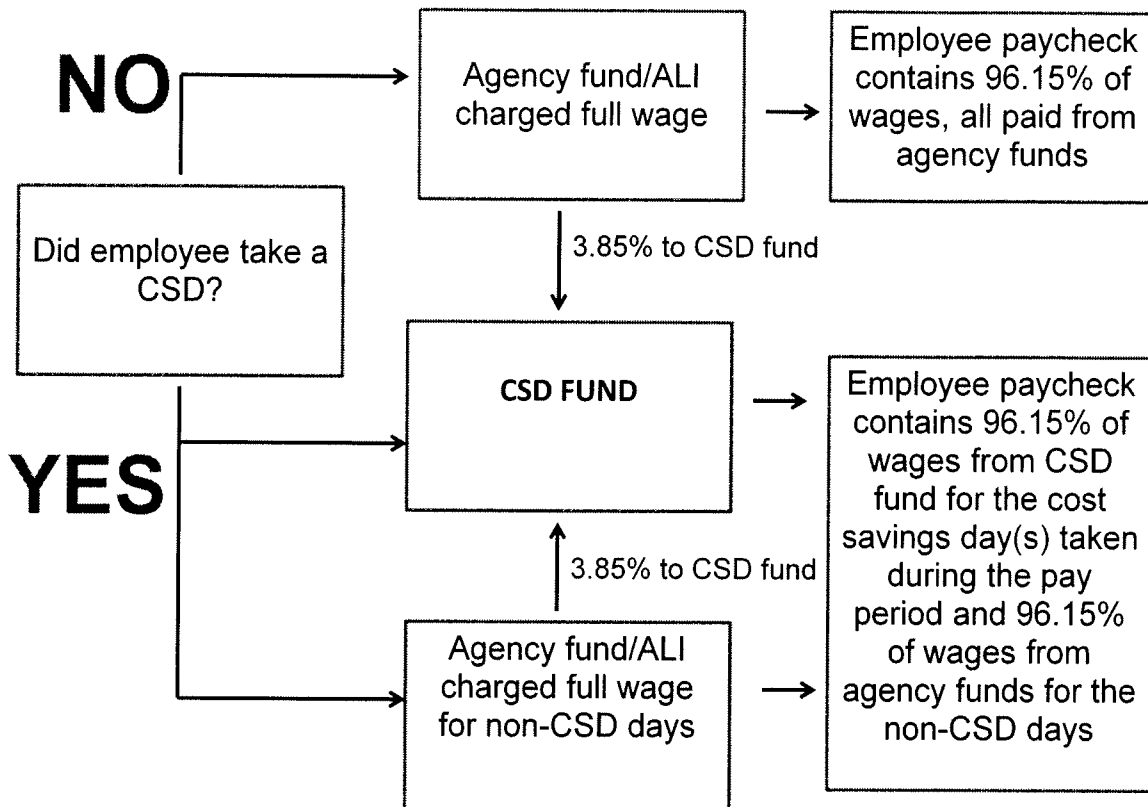
CSDs enable the state to realize payroll savings without permanent changes to the current pay structure. These payroll savings are estimated to be of assistance to the GRF ending fund balance in two ways:

- GRF: Approximately \$65 million of savings in each year of the FY 2010-2011 biennium will be realized through appropriation lapses in GRF payroll line items.
- Non-GRF: Approximately \$41 million in cash will be transferred to the GRF each year in conjunction with appropriation lapses for payroll in specified rotary accounts.

The basic process to achieve savings is outlined below:

- 1) In each two-week cycle, the agency will be charged for full, unreduced wages for all hours except CSDs taken off.
- 2) The employee will see a deduction for CSDs on each paycheck that is equal to 3.85%. That amount will be transferred to the Cost Savings Fund. Note that this works similar to a health insurance deduction.
- 3) When employees use CSDs, they will be paid for those days off from the Cost Savings Fund instead of agency funds.
- 4) By the end of the year, the agency will pay out the value of only 25 pay periods since the ten CSDs (equivalent of one pay period) will be paid from the Cost Savings Fund.
- 5) As a result, by the end of the fiscal year, the agency will have a full pay period (the ten CSDs taken) left in agency account 500 payroll allotments.
- 6) The payroll allotment remaining in the agency appropriation will be lapsed and used toward the GRF balance as described below.

An illustration of this process is shown below.



The **GRF portion** of an agency’s remaining payroll funds are scored as a lapse in the GRF balance sheet. This lapse – approximately \$65 million per year – will be counted in an aggregate summary in the GRF disbursement estimates.

The **non-GRF portion** of an agency’s remaining payroll funds are scored as a transfer in for the GRF balance sheet. This transfer in – approximately \$41 million per year – will be available when specific non-GRF, non-federal payroll resources are lapsed in rotary accounts pursuant to the process outlined above. OBM will transfer cash related to the payroll lapse from these funds to the GRF by the end of each fiscal year. This cash will be used as a resource to meet GRF ending fund balance estimates in each year of the biennium.

It is important to note that some non-GRF payroll funds are inaccessible and were not included in the savings calculations. These include constitutionally protected funds, federal funds, and funds with other special circumstances. OBM has finished a review of individual non-GRF funds with payroll obligations in order to establish a final list of non-GRF funds that will be exempted from cash transfers for CSDs and other payroll savings.

Reporting Tools Available to Agency Fiscal Staff

The Department of Administrative Services’ (DAS) Human Resources Division (HRD) has developed Cognos reports to review employees’ CSD usage. DAS HRD has made your human

resources divisions aware of these reports and also provided them to agency human resources officers at the December 2, 2009 HCM user group meeting. It is imperative that agency fiscal and human resources officers confer to ensure that all employees use all their CSDs this fiscal year so that all anticipated savings are achieved. If you have questions about the DAS HRD Cognos reports, please contact the Office of Policy Development at (614) 752-5393 or DASHRD.HRPolicy@das.state.oh.us.

In addition, DAS's Office of Collective Bargaining provided your agency labor relations administrators with updated CSD information and reports broken down by bargaining unit at the January 28, 2010 meeting of the Labor Relations Advisory Council.

Management Techniques for Assuring Proper Draws of Federal Funds

Fiscal officers should use all available tools, including the reports described above and existing OAKS FIN queries and reports, to determine the appropriate amount of federal funding to draw down. Most importantly, agencies should request a federal drawdown only for those hours actually worked (subtracting CSDs used) in order to avoid improperly requesting federal funds in violation of Cash Management Improvement Act requirements.

In particular, because payroll is two weeks in arrears, agencies can start with each pay period's payroll journal to determine how much in wages and benefits is payable from federal funds for the upcoming Friday's payroll and draw down those amounts from federal grants. Assuming agencies already had some procedure like this to determine how much to draw from federal grants, that practice should continue to suffice.

In cases where multiple federal grants are contained within one federal fund, the payroll journal alone may not be sufficient to identify the amounts to draw down from each grant. Agencies need to be diligent about tracking CSD days taken by federally funded employees, using the Cognos reports and/or their own methods.

If you have questions about how to proceed with your agency's specific situation, please contact your OBM budget analyst.

Cc: OBM Analysts