

Under current law, the ACO receives administrative support from the Department of Administrative Services (DAS) through interagency agreement. The agreement defines administrative support as the following: budget, revenue receipts, disbursements, general accounting and reporting, internal financial controls, contract management, fixed asset record management, personnel services, and payroll services. Of note is that “administrative support” is not interpreted to include direct support of ACO operational activities or facility space requirements.

DAS reports that the draft 2007-09 contract for its agreement with ACO (based on current law) is for \$28,982 for 24-months.

Under this measure, the administrative duties outlined above would be by interagency agreement between ACO and BOLI rather than DAS. BOLI would support an ACO budget of approximately \$505,701 (2.00 FTE). BOLI anticipates the need to hire one permanent half-time Accounting Technician 2 position at a cost of \$32,886 for 18-months of the 2007-09 biennium and \$43,560 for 24-months of the 2009-11 biennium to undertake the additional duties required by this measure. Associated services and supplies would be approximately \$11,200 and \$6,900 respectively (reflecting the elimination of \$6,000 of one-time costs for computer equipment and office furniture). The estimated total fiscal impact for BOLI would be \$44,086 for 18-months of the 2007-09 biennium and \$50,460 for 24-months of the 2009-11 biennium. These expenditures would be funded with General as Other Funds transferred from ACO. Depending upon how the ACO/BOLI contract is drafted, these costs could change. BOLI plans to return to the Emergency Board once the actual workload impact is known (based on contract negotiations with ACO) for any needed position authority and Other Funds expenditure limitation.

Since this measure does not become law until January 1, 2008, ACO would continue to receive administrative support from DAS for the first six months of the 2007-09 biennium at an estimated cost of \$7,241 General Fund. After that DAS would no longer provide ACO with administrative services.

DAS would see a reduction in revenue in the amount of \$21,741 General as Other Funds for 18-months of the 2007-09 biennium and \$28,982 for a 24-month period. DAS reports that it would not have a corresponding reduction in expenditure limitation or position authority. The Legislative Fiscal Office notes, however, that in absence of such a reduction, the remaining customers of DAS services could expect higher assessment charges for their services in order for DAS to have sufficient revenue to cover existing costs, unless new customers are added.

The \$22,345 General Fund needed by ACO to cover the potential increase in administrative support charges has been provided for in the ACO 2007-09 budget (House Bill 5001).