

Lessard-Sams Outdoor Heritage Council

Agenda Item Memo

DATE: November 13, 2012

SUBJECT: **Action:** Calculating Direct and Necessary Expenses in Support of OHF Projects

Background: The law appropriating OHF funds says “Money appropriated in this section may not be spent on activities unless they are directly related to and necessary for a specific appropriation and are specified in the accomplishment plan approved by the Lessard-Sams Outdoor Heritage Council. Money appropriated in this section must not be spent on indirect costs or other institutional overhead charges that are not directly related to and necessary for a specific appropriation.” The idea behind this law is each fund source should pay its fair share of the costs created by the programs funded, including direct support service costs. By paying its fair share the OHF avoids being subsidized or supported by other funds such as the Water Recreation Fund or the Fish and Game Fund.

Based on this law, the DNR has developed a methodology to estimate the cost of “DNR Shared Services” and included that amount in DNR draft accomplishment plans before the Council. The amounts included are:

Draft Accomplishment Plan	Recommended Amount	DNR Direct Support Services
2c. DNR WMA, SNA and NPB Acquisition, Ph. V	\$4,940,000	\$47,899
2g. DNR Grassland, Ph. V	\$2,220,000	\$182,555
4e. McGregor Marsh Wetland Protection	\$1,750,000	\$8,223
4g. Accelerated Wetland and Shallow Lake Enhancement, Ph. V	\$1,790,000	\$129,927
4h. Pelican Lake Enhancement	\$2,000,000	\$0
5a. DNR Aquatic Habitat, Phase V	\$5,250,000	\$187,900
5f. Lower Mississippi River Habitat Partnership, Ph. III	\$1,260,000	\$12,436
5i. Conservation Partners Legacy Grants Program, Ph. V	\$3,860,000	\$33,608
6a. Contract Management	\$175,000	\$0
6c. Restoration Evaluations, Ph. III	\$92,000	\$7,627
6d. High-Priority Pre-Transaction Services	\$50,000	\$4,267
TOTAL	\$23,387,000	\$614,442

The purpose of this agenda item is to provide Council members with a thorough understanding of the estimation methodology used by DNR and to approve the direct and necessary costs as reasonable estimates. Your packet contains DNR’s explanation of how they arrived at the DNR Direct Support Services amounts above. Based on that understanding the council might:

- Forward the upcoming recommendations to the legislature with the language shown above approving the method of estimating the amounts listed in the table.

- To list in law items to be excluded from payment with the appropriation.
- Limit direct support services charges to 3.36% of the sum of the personnel, other equipment and tools, and supplies and materials budget items. (3.36% is the average of the FAW, EWR, and FO division direct rates.)
- Take no action.
- Ask DNR to appear at the December 11, 2012 meeting for further discussion or to provide more detail on the estimation method.

Suggested Procedure: Select from the bullets above or compose an alternative motion.

Suggested Motion: Motion to limit direct support services charges to 3.36% of the sum of the personnel, other equipment and tools, and supplies and materials budget items.

DNR Direct and Necessary Costs for FY14 Outdoor Heritage Fund Programs

Background

There are many costs directly related to and necessary for the support Legacy programs and projects. The Laws of 2011 added language that clarifies that Legacy Funds appropriations may only be used for activities that “...are directly related to and necessary for a specific appropriation.”

The DNR developed an approach (applies to all Legacy Funds and the Environment and Natural Resources Trust Fund) that utilizes the following guiding principles:

Consistency – Applies across all divisions, bureaus, and regions in DNR.

Ease of Implementation – Amount of staff time required, difficulty of query and demonstration.

Transparency – Well-defined parameters, clear documentation, justification, and methodology.

Reproducibility – Can be easily calculated and demonstrated by reviewing the methodology.

Fund Integrity – Funds are used correctly, according to their stated purposes.

Adaptable – Captures the unique characteristics of each project.

Cost Types

Direct Project Costs – These are costs that are directly tied to a specific project or program. Costs are coded (by hour or specific expenditure) to the appropriation as the project progresses.

Department Direct Support Services – These are the costs related to the work provided by human resources, safety, computer support, financial processing, department planning services, materials management and communication services for each project. Over the past several years, the DNR has transitioned to a model where these professional business services are paid for by the operating units that utilize the services. The legislature approved this transition through the Laws of 2005, Chapter 1, Section 3, and Laws of 2007, Chapter 57, Section 4, where the DNR was directed to transfer appropriations from professional business services to the divisions.

Division Direct Support Services – These are the costs related to the work of division management including central and regional management services, central office business/accounting services, and central and regional clerical support services for each project.

Commissioner’s Office and Regional Directors – These costs are not considered direct and necessary and are NOT INCLUDED in the cost calculations.

Methodology

DNR uses an approach similar to one used by the Federal government to determine its indirect cost rate.

- Each division determines their own rate by calculating the percentage of necessary and direct costs over all applicable costs. **This will not be an across the board percentage applied to all divisions and projects equally.**
- Direct and necessary costs are determined on a project by project basis. Adjustments are made for projects that include acquisition funding or large contract and pass-through dollars.
- The department will monitor the allocation methodology through the annual spending plan development process. Follow up review will be provided during periodic reporting meetings.

Calculation

Please see the attached calculation spreadsheets for each DNR program.

Costs Included in Direct and Necessary Calculation

Costs	Department Direct Support Services	Division Direct Support Services	Direct Project
Staff Salary (including sick, leave, benefits)			X
Supplies/equipment - project specific			X
Contracts			X
Training - project specific			X
Computing Fleet			X
Project Travel/Fleet			X
Project Cell Phones			X
Professional Services (AG, L&M, etc.) - project specific			X
Unemployment			X
Professional Business Services	X		
Central Office Management and Clerical Salary/Fringe		X	
Regional Management and Clerical Salary/Fringe		X	
Business Management Salary/Fringe		X	
Management Supplies & Expenses		X	
Management Workers Comp		X	

Direct and Necessary Cost Example Services Provided Over the Life of the Programs

Following are examples of the types of direct and necessary cost activities that projects utilize which incur costs (this listing is not all-inclusive of the direct and necessary services provided):

Human Resources: Each of these positions requires HR services including:

- Hiring
- Payroll – every other week
- Performance Management
- Training (safety, defensive driving, workplace behavior, sexual harassment, others...)
- Unemployment/Workers Compensation
- Lay-off and recall processing

Financial:

- Procurement Services
 - This project will be purchasing other equipment/tools, supplies & materials.
- Contracts Administration
 - This project will enter into restoration and enhancement contracts which will require RFP development, bids, awards and/or sole source contracting.
- Accounts Payable
 - Process travel authorizations, purchasing card payments
 - Process payments for supplies, equipment and contracts
- Prepare budgets, SWIFT
 - Appropriations must be set up in both the state's budgeting system and the state's accounting system (SWIFT); funding must be loaded into SWIFT
 - Year-end fiscal close-out/Department spending plan development and certification
- Financial Reporting
 - As a part of the department budget, periodic reporting will be performed
- Internal Audit and OLA audit facilitation

Information Technology:

- Computers, Tech Support, Email, Network Services

Communications:

- Press releases, media support, website presence

Division Support:

Projects utilize Fish & Wildlife division and regional leadership, business office and clerical support and related supplies and expenses.

PROGRAM TITLE: **DNR WMA, SNA, and NPB Acquisition**

Division	Total LSOHC Allocation	Fee Title or Easement Acquisition	Pass-through Grants	Single-source Contract	All Other Costs	Division Direct		Department		Total Direct and Necessary Costs	
						Rate	Direct Rate	Direct Costs	Department Direct Costs	Division Direct Costs	Necessary Costs
EWR	\$1,000,000	\$805,000		\$14,000	\$165,994	4.63%	4.41%	\$7,320		\$15,006	
FAW	\$3,940,000	\$3,540,000			\$367,107	2.79%	6.17%	\$10,242	\$22,651	\$32,893	
FOR					\$0	2.66%	4.78%	\$0	\$0	\$0	
P&T					\$0	3.30%	6.77%	\$0	\$0	\$0	
PRE-TOTAL (pre-Direct/Necessary)					\$4,892,101						

Calculation - multiply "All Other Costs" by Division and Department Direct rates; Acquisition, Pass-through grants, and Single-source Contracts are not included in calculation of D&N costs

****TOTAL Direct and Necessary Costs** \$47,899

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$4,940,000

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Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements
(do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROJECT TITLE: **DNR Grasslands, Ph. V**

Total LSOHC Allocation	Easement Acquisition	Easement	Fee Title or		Division Direct Rate	Division Direct Costs	Department Direct Rate	Department Direct Costs	Total Direct and Necessary Support Services
			Fee Title or Easement	Acquisition					
EWR					4.63%	\$ -	4.41%	\$ -	\$ 0
FAW	\$2,220,000				2.79%	\$ 2,037,445	6.17%	\$ 125,710	\$ 182,555
FOR					2.66%	\$ -	4.78%	\$ -	\$ 0
P&T					3.30%	\$ -	6.77%	\$ -	\$ 0
PRE-TOTAL (pre-Direct/Necessary)						\$2,037,445			

****TOTAL Direct and Necessary Costs \$ 182,555**

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$2,220,000

Calculation (multiply "All Other Costs" by Division and Department Direct rates)

Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements
(do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROGRAM TITLE: **McGregor Marsh Wetland Protection**

Division	Total LSOHC Allocation	Easement Acquisition	Fee Title or Easement Acquisition	Pass-through Grants	Single-source Contract	All Other Costs	Division Direct Rate		Department Direct Rate		Total Direct and Necessary Costs
							Rate	Rate	Rate	Rate	
FAW	\$1,750,000	\$1,650,000			\$0	\$0	4.63%	4.41%	\$0	\$0	\$0
FOR					\$91,777	\$0	2.79%	6.17%	\$2,561	\$5,663	\$8,223
P&T					\$0	\$0	2.66%	4.78%	\$0	\$0	\$0
					\$0	\$0	3.30%	6.77%	\$0	\$0	\$0
						PRE-TOTAL (pre-Direct/Necessary)					\$1,741,777

Calculation - multiply "All Other Costs" by Division and Department Direct rates; Acquisition, Pass-through grants, and Single-source Contracts are not included in calculation of D&N costs

****TOTAL Direct and Necessary Costs** \$8,223

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$1,750,000

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Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements
(do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROJECT TITLE: **Accelerated Wetland and Shallow Lakes Enhancement, Phase V**

Total LSOHC Allocation	Easement Acquisition	Fee Title or Acquisition	Single-source		Division Direct Rate	Division Direct Costs	Department Direct Rate	Department Direct Costs	Total Direct and Necessary Support Services
			Grants	Contract					
EWR					4.63%	\$ -	-	\$ -	\$ -
FAW	\$1,790,000		\$210,000	\$ 1,450,073	2.79%	\$ 40,457	\$ 89,470	\$ 89,470	\$ 129,927
FOR					2.66%	\$ -	\$ -	\$ -	\$ 0
P&T					3.30%	\$ -	\$ -	\$ -	\$ 0
PRE-TOTAL (pre-Direct/Necessary)				\$1,660,073					

****TOTAL Direct and Necessary Costs \$ 129,927**

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$1,790,000

Calculation (multiply "All Other Costs" by Division and Department Direct rates)

Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements (do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROGRAM TITLE: **Pelican Lake Enhancement**

Division	Total LSOHC Allocation	Easement Acquisition	Fee Title or	Pass-through Grants	Single-source Contract	All Other Costs	Division Direct		Department		Total Direct and Necessary Costs	
							Rate	Rate	Direct Costs	Direct Costs	Direct Costs	Necessary Costs
EWR					\$0	\$0	4.63%	4.41%	\$0	\$0	\$0	\$0
FAW	\$2,000,000			\$2,000,000	\$0	\$0	2.79%	6.17%	\$0	\$0	\$0	\$0
FOR					\$0	\$0	2.66%	4.78%	\$0	\$0	\$0	\$0
P&T					\$0	\$0	3.30%	6.77%	\$0	\$0	\$0	\$0
PRE-TOTAL (pre-Direct/Necessary)						\$2,000,000						

Calculation - multiply "All Other Costs" by Division and Department Direct rates; Acquisition, Pass-through grants, and Single-source Contracts are not included in calculation of D&N costs

****TOTAL Direct and Necessary Costs** \$0

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$2,000,000

Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements
(do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROGRAM TITLE: **DNR Aquatic Habitat, Ph. V**

Division	Total LSOHC Allocation	EWR \$1,700,000 FAW \$3,550,000 FOR P&T	Easement Acquisition	Pass-through Grants	Single-source Contract	All Other Costs	Division Direct		Department		Total Direct and Necessary Costs	
							Rate	Rate	Direct Costs	Direct Costs	Direct Costs	Necessary Costs
			\$685,000		\$1,700,000	\$0	4.63%	4.41%	\$0	\$0	\$0	\$0
				\$580,000		\$2,097,100	2.79%	6.17%	\$58,509	\$129,391	\$187,900	\$0
						\$0	2.66%	4.78%	\$0	\$0	\$0	\$0
						\$0	3.30%	6.77%	\$0	\$0	\$0	\$0
						\$5,062,100						

Calculation - multiply "All Other Costs" by Division and Department Direct rates; Acquisition, Pass-through grants, and Single-source Contracts are not included in calculation of D&N costs

****TOTAL Direct and Necessary Costs** \$187,900

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$5,250,000

Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements
(do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROGRAM TITLE: **Lower Mississippi River Habitat Partnership, Phase III**

Division	Total LSOHC Allocation	Fee Title or Easement Acquisition	Pass-through Grants	Single-source Contract	All Other Costs	Division Direct Rate	Department Direct Rate	Division Direct Costs	Department Direct Costs	Total Direct and Necessary Costs
EWR	\$1,260,000		\$1,110,000	\$137,564	\$137,564	4.63%	4.41%	\$6,369	\$6,067	\$12,436
FAW				\$0	\$0	2.79%	6.17%	\$0	\$0	\$0
FOR				\$0	\$0	2.66%	4.78%	\$0	\$0	\$0
P&T				\$0	\$0	3.30%	6.77%	\$0	\$0	\$0
					PRE-TOTAL (pre-Direct/Necessary)			\$1,247,564		

Calculation - multiply "All Other Costs" by Division and Department Direct rates; Acquisition, Pass-through grants, and Single-source Contracts are not included in calculation of D&N costs

****TOTAL Direct and Necessary Costs** \$12,436

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$1,260,000

Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements
(do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROGRAM TITLE: **Conservation Partners Legacy Grant Program, Phase 5**

Division	Total LSOHC Allocation	Easement Acquisition	Fee Title or	Pass-through Grants	Single-source Contract	All Other Costs	Division Direct		Department		Total Direct and Necessary Costs	
							Rate	Rate	Direct Costs	Direct Costs	Direct Costs	Necessary Costs
FAW	\$3,860,000			\$3,451,300		\$0	4.63%	4.41%	\$0	\$0	\$0	\$0
FOR						\$375,092	2.79%	6.17%	\$10,465	\$23,143	\$33,608	\$0
P&T						\$0	2.66%	4.78%	\$0	\$0	\$0	\$0
						\$0	3.30%	6.77%	\$0	\$0	\$0	\$0
						PRE-TOTAL (pre-Direct/Necessary)						
						\$3,826,392						

Calculation - multiply "All Other Costs" by Division and Department Direct rates; Acquisition, Pass-through grants, and Single-source Contracts are not included in calculation of D&N costs

****TOTAL Direct and Necessary Costs** \$33,608

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$3,860,000

Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements (do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROGRAM TITLE: **Restoration Evaluations Program, Phase 3**

Division	Total LSOHC Allocation	Easement Acquisition	Fee Title or	Pass-through Grants	Single-source Contract	All Other Costs	Division Direct		Department		Total Direct and Necessary Costs	
							Rate	Rate	Direct Rate	Direct Rate	Division Direct Costs	Department Direct Costs
EWR	\$92,000				\$84,373	\$84,373	4.63%	4.41%		\$3,906	\$3,721	\$7,627
FAW					\$0	\$0	2.79%	6.17%		\$0	\$0	\$0
FOR					\$0	\$0	2.66%	4.78%		\$0	\$0	\$0
P&T					\$0	\$0	3.30%	6.77%		\$0	\$0	\$0
PRE-TOTAL (pre-Direct/Necessary)						\$84,373						

Calculation - multiply "All Other Costs" by Division and Department Direct rates; Acquisition, Pass-through grants, and Single-source Contracts are not included in calculation of D&N costs

****TOTAL Direct and Necessary Costs** \$7,627

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$92,000

Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements
(do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

PROGRAM TITLE: High-Priority Pre-Transaction Service Acceleration for LSOHC

Division	Total LSOHC Allocation	Easement Acquisition	Fee Title or Acquisition	Pass-through Grants	Single-source Contract	All Other Costs	Division Direct		Department		Division		Department		Total Direct and Necessary Costs	
							Rate	Rate	Direct Rate	Direct Rate	Direct Costs	Direct Costs	Direct Costs	Direct Costs	Necessary Costs	Necessary Costs
EWR					\$0		4.63%	4.41%		\$0	\$0	\$0	\$0	\$0	\$0	\$0
FAW					\$0		2.79%	6.17%		\$0	\$0	\$0	\$0	\$0	\$0	\$0
FOR					\$0		2.66%	4.78%		\$0	\$0	\$0	\$0	\$0	\$0	\$0
LAM	\$50,000				\$45,733		2.41%	6.92%		\$1,102	\$3,165	\$1,102	\$3,165	\$4,267	\$4,267	\$4,267
P&T					\$0		3.30%	6.77%		\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRE-TOTAL (pre-Direct/Necessary)						\$45,733										

Calculation - multiply "All Other Costs" by Division and Department Direct rates; Acquisition, Pass-through grants, and Single-source Contracts are not included in calculation of D&N costs

****TOTAL Direct and Necessary Costs** \$4,267

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$50,000

Instructions

Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements
(do NOT include professional services/other related costs here)

Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

Single-source Contract - Insert the contract amount with single organization, agency, or vendor

All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories