

MEMBER: Senator Jack Donahue **PROPOSAL#** Donahue #02 **REFERRED TO AG on:** Dup & Non-Essen Svcs
SUBJECT: Full Cost Recovery **DATE REPORTED BY AG:** November 5, 2009 **REPORT:** Favorable
COMMISSION ACTION: ADOPTED **DATE:** November 23, 2009 **RECOMMENDATION #:** 170

RECOMMENDATION: Certain government services and processes be identified as activities to be funded in whole or in part through “full cost recovery” of expenses by the user or customer; that the criteria for setting the amount of cost recovery be established in consultation with the Society of Louisiana Certified Public Accountants; and the data and information used, as well as the process employed to calculate the specific charge, and any audits thereof, be displayed on the department's or agency’s website.

Summary Description/Nature of Change	Key/Implementation Responsibilities	Need	Action Needed	Benefit/Saving	Done/ Study
<p>Certain government services and processes be identified as activities to be funded in whole or in part through “full cost recovery” of expenses by the user or customer; criteria for setting the amount of cost recovery be established in consultation with the Society of Louisiana Certified Public Accountants; and the data and information used, as well as the process employed to calculate the specific charge, and any audits thereof, be displayed on the department's or agency’s website.</p>	<p>Departments, agencies and the Legislature</p>	<p>It is reasonable public policy to allocate costs to the party benefitting from the government service or process. If the activity is entirely for the public good, then the taxpayer should fund it. When it is a private benefit, the user or customer should fund it. When there is both a public and private good, the costs could be apportioned between the two. It is a legitimate budget practice to test past funding decisions periodically as a matter of equity and shift costs when appropriate.</p>	<p>Governor issue Executive Order (EO) providing that departments and agencies would be required to recover costs of certain services or processes through full cost recovery. EO would establish activity to be funded through full cost recovery, criteria for setting the amount for cost recovery and all charges existing and new would be subject to these criteria. The process would also apply for determining whether the expense recovery would be for all costs of the activity or a proportion thereof.</p>	<p>Departments and agencies administering identified services and processes would have to follow criteria established in EO to set costs. State General Fund savings would be realized as activities move from taxpayer funded to user or customer funded. Also, this process would be a first step and tool for the state to begin prioritization of exactly what goods and services it will provide for its citizens. State General Fund should be eliminated for goods and services which do not match priorities. \$180 Million Dollar Savings (Marcatus)</p>	<p>Commission's work is done with recommendation. EO could be issued once activities and criteria are determined and policy decisions could be made in the 2010 Legislative Session.</p>