COMMONWEALTH OF MASSACHUSETTS’S FEDERAL COST ALLOCATION EXPERIENCE

HOWARD MERKOWITZ
DEPUTY COMPTROLLER
Massachusetts Comptroller’s Office negotiates Rates for most state departments

- 30-40 department rates negotiated annually
- SWCAP (Section I only) and indirect rate preparation contracted out to Maximus
- For SWCAP, Commonwealth provides all information to Maximus who prepares and submits to federal HHS and negotiates the plan
Indirect Cost Recovery Negotiations

• For indirect rates, Maximus communicates directly with departments to collect information; Comptroller’s Office facilitates data collection if necessary.

• Because the Commonwealth appropriates funds for indirect expenditures in each department’s General Fund admin account, departments do not retain recoveries (about $45M annually).
Federal government is backlogged in approving Commonwealth’s SWCAP and indirect rates

- FY2019 SWCAP approved last week by HHS; FY2020 still pending; no estimate as to when it will be approved.

For FY19, MA Comptroller submitted 30 indirect cost proposals to the federal government, and still has 2 unapproved proposals

- Median time to approval was 250 days
Indirect Cost Recovery Negotiations

- FY20 quickest approval 17 days (Dept of Energy)
- FY20 slowest approval 538 days (Dept of Justice)

For FY20, MA Comptroller has also submitted 30 indirect cost rate proposals

- 9 proposals have been approved, with median time between submission and approval of 119 days (even DOJ is moving more quickly)
MA Comptroller also submits the Commonwealth’s fringe benefit and payroll tax proposal to the federal government (HHS)

- Generally submitted to HHS in January for the following fiscal year, and approved in June prior to the start of the fiscal year.
Questions?

Thank You!

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