



# Budget Implications for Creating a Central Panel for Administrative Hearings

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# Administrative Hearing Expenditures

- Expenditure data covering cases defined in Office of Performance Evaluations study
- Some of the case numbers have been reduced to cover data provided by the agency
- Data was not independently verified
- Agencies excluded from this study were the Department of Water Resources, Department of Labor, Industrial Commission and the Public Utilities Commission
- Some agencies were not able to provide information either because they did not have records dating back to 2011 or did not respond to email requests



# LSO Findings

- Average Total Annual Expenditures were \$1,477,500
- Average Annual Number of Cases were 1,412
- Spending per case averaged \$1,046
- Health and Welfare had the lowest spending per case at \$568
- Professional Engineers and Land Surveyors Board reported the highest spending per case at \$35,841
- The median for all state agencies was \$3,259 per case



# Idaho Compared to Other “Central Panel” States

State	Annual budget amount \$	Number of cases filed yearly	Number of hearings conducted yearly	Cost per hearing (budget ÷ # of hearings)	Number of ALJs	Average hearings caseload per ALJ yearly	Number of decisions/orders yearly	Number of staff excluding ALJs
Kansas	\$968,463	3,400	1,224	\$791	5	245	3,000	4
Massachusetts	\$1,200,000	889	245	\$4,898	10	25	985	2
North Dakota	\$1,474,026	658	286	\$5,154	4.3	67	288	2
<b>Idaho</b>	<b>\$1,477,492</b>	<b>n/a</b>	<b>1,412</b>	<b>\$1,046</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Arizona	\$1,623,475	4,469	1,421	\$1,142	6	237	1,421	5
Wyoming	\$1,972,688	1,398	519	\$3,801	8	65	4,079	8
North Carolina	\$2,550,519	10,184	202	\$12,626	8	25	1,257	13
Alaska	\$2,674,700	2,436	2,436	\$1,098	9.6	254	601	4
Iowa	\$3,338,907	12,046	4,573	\$730	18	254	12,752	4
Colorado	\$3,900,000	13,500	2,800	\$1,393	18	156	3,500	18

Source: “2015 Comparison of states with centralized administrative hearing tribunals” Louisiana Division of Administrative Law



# Budget Implications

	Personnel	Operating	Office Equipment	Total
<b>State Employee Model</b>	\$842,800	\$639,200	\$18,000	\$1,500,000
<b>Contractor Model</b>	\$175,700	\$1,320,300	\$4,000	\$1,500,000
<b>Difference</b>	<b>\$667,100</b>	<b>(\$681,100)</b>	<b>\$14,000</b>	<b>\$0</b>

- State Employee Model has a chief judge, admin assist, financial tech, 6 administrative law judges, and \$491,200 for the equivalent of 2.04 full time contract ALJs @ \$125/hr.
- Contractor Model has a chief judge, admin assistant, and the equivalent of 4.84 full-time contract ALJs @ \$125/hr.
- Fixed costs for rent, utilities, IT, travel and training are the same.



# How To Pay for the Central Panel

- Cost Recovery
  - Agency would receive a General Fund appropriation
  - In year 3 General Fund would recover costs apportioned to each agency and the use of the central panel
- Direct Billing
  - Agency would receive a dedicated fund appropriation, and transfer starting cash to that fund from the General Fund, plus an additional amount to help offset future costs
  - Agencies requiring services would also need additional appropriation to pay for the services, their current appropriation may include costs to currently cover administrative hearings, but it may require additional resources to pay for a central panel



# Cost Recovery vs. Direct Billing

Cost Recovery	Direct Bill (fee for service)
1. Year 1 General Fund Appropriation	1. General Fund Cash Transfer for estimates from agencies using services plus additional for cash flow  Agencies may require an additional appropriation because of their own fixed costs
2. Year 2 New Agency calculates cost for each agency using service after year end. Agencies notified of costs accrued in Year 1 and ask for increase in next year's budget	2. Potential need to have contracts with each agency to determine costs accurately
3. Year 3 Agencies should have appropriate amount of budget to pay for service from year 1, allocate those costs to appropriate fund and that amount is deposited in the General Fund	3. May require occasional cash infusion from the General Fund, if cash from agencies run short or they spend through appropriation with a large case



# Cost Recovery

- Strengths
  - General Fund appropriation covers costs, don't need to worry about the agency running out of funds in year 4
  - General Fund will recover costs from agencies in year 3 and from there on out
- Weaknesses
  - Additional General Fund expenditures and appropriations than current state government base
  - General Fund will not recover costs immediately
  - Will not be able to recover costs of office equipment or vehicle purchases
- Opportunities
  - Create a central panel that won't potentially be limited to available cash
- Threats
  - Subject to budget cuts in economic downturn





# Direct Billing

- Strengths
  - Minimize additional costs to the General Fund, run as a “paygo” agency
  - Appropriation won’t show up as a General Fund appropriation
- Weaknesses
  - Requires a large General Fund cash infusion
  - Potential to run out of operating cash and would require supplemental cash infusion from the General Fund
- Opportunities
  - Keep costs to agencies and taxpayers low to begin
- Threats
  - Running out of cash and won’t be able to perform function until the Legislature can appropriate funds

