

SUBCOMMITTEE RECOMMENDATION

Department of Revenue

Cost Allocation

To: Ways and Means Full Committee
From: General Government Subcommittee
Carrier: Representative Smith

On February 4th, the General Government Subcommittee received a report from the Department of Revenue on cost allocation.

As directed by the Legislature, the Department of Revenue has been working to modernize its outdated cost allocation methodology. The agency received recommendations from an external consultant on a modernized methodology and held two workshops on the changes with impacted external partners. The new methodology incorporates both direct and indirect costs and allocates costs based on multiple drivers. Full implementation of the new methodology will require both administrative and legislative changes. Once implemented, the agency will continue to work with the consultant to update the methodology during each biennial budget development cycle to ensure administrative charges accurately reflect supporting data.

The General Government Subcommittee recommends acknowledging receipt of the report with instruction that the Department of Revenue include any adjustments to administrative charges for agency programs as part of its 2027-29 budget development, including a proposed legislative concept to enact any statutory changes necessary to implement the modernized cost allocation methodology.