

Date: April 11, 2011

Sequence: 2011-20

Topic: Costs Associated with County Lay-off of Staff

Over the past two years, ODJFS has had many conversations with DHHS regarding mass/abnormal severance pay as it related to early retirement incentive plans and the allowability of those costs. On January 5, 2011, ODJFS submitted as clearance # 6915, a proposed Fiscal Administrative Policy Letter to serve as guidance on this subject. Clearance comments submitted by several counties in response to this proposed policy led ODJFS to enter into further discussions with DHHS regarding the allowability of costs associated with lay-offs. Previous conversations with DHHS was limited to early retirement plans (**early retirement plans differ from lay-off, in that staff is offered an incentive to leave government service early.**)

DHHS has informed us that they do consider costs associated with the lay-off of staff to be abnormal severance pay. It is their contention that those costs fit within the parameters in The Implementation Guide for OMB Circular A-87 (ASMB C-10) which describes costs associated with, among other conditions, "reductions in the workforce " as costs associated with abnormal or mass severance pay.

However, conversations with DHHS have resulted in the possibility of DHHS agreeing to grant statewide approval to claim those costs within a fixed time period. Ohio's request for approval must be *based on estimates provided by the county agencies*. DHHS has requested that we provide the information to them by county agency; therefore, if approval is granted, it will be based on each county agency's individual estimate.

Any county agency that can foresee the possibility of a reduction in their workforce during SFY 12 (July 1, 2011 – June 30, 2012) and is interested in claiming FFP for the costs associated with those layoffs (payout of unused leave, unemployment benefits, etc.) must complete a survey so their estimates can be included in our request for federal approval. Counties may access the survey through the following link:

<http://www.surveymonkey.com/s/7QLCJCV>

Please remember that the costs associated with a lay-off are different than the costs associated with an early retirement incentive plan where staff is offered an incentive to leave government service early. Requests for approval to claim costs associated with incentive plans must follow the requirements stated in the draft FAPL issued as clearance # 6915. Once we have received final disposition from HHS on this issue, we will revise the proposed Policy Letter and publish it for guidance.

Surveys must be completed and submitted no later than April 30, 2011. Remember, the submittal of this estimate does not represent a commitment on the part of the county agency. The submittal of this estimate only provides an effective means to request approval to claim costs associated with a lay-off should the county find itself in these circumstances.

Please contact your ODJFS Fiscal Supervisor if you have any questions regarding this Update or early retirement incentive plans.