MEMORANDUM

July 1, 1998

TO: Review Board

FROM: T. Jeremy Gunn
Tracy J. Shycoff

SUBJECT: FY 1998 Budget Expenditures, Projections, and Proposal for "Staff Incentives"

This is a slightly revised version of the budget memo that was distributed prior to the June 17 meeting. There are 3 principal changes: *first*, it provides a new Option 3 in Part II that includes a pre-September 30 staff cutback; *second,* it includes a new Part III that identifies projected costs of certain optional items that the Review Board may wish to consider; and *third*, it removes all financial incentives for the position of Executive Director.[1]

I. FY 1998 Budget Expenditures and Projections

The total funds available to us for FY 1998 are $2,181,827. This total derives from our appropriation of $1.6 million for FY 1998 and our carry-over funds from FY 1995 that total $581,827.[2] Of this $2.1 million total, we have spent or obligated, as of May 31, a total of $1,312,776 as follows:

Outlays as of May 31, 1998	$1,286,837 (see Attachment A)
Outstanding Obligations as of 5/31/98	25,939 (see Attachment B)
Total outlays and expenditures as of 5/31/98	$1,312,776

We thus have available to us $869,051 to complete FY 1998 as follows:

[1] The Executive Director has been removed from the proposed financial incentives package so that there will be no question about the appearance of a conflict of interest. The proposal was premised on our appraisal of needs of the Review Board and the staff.

[2] Of this amount, $100,000 was earmarked for close-down expenses. This leaves us a working appropriation amount of $2,081,827. Because several of our anticipated costs during the next four months will be related to close-down, We have not segregated this amount from our total appropriation.

Total appropriation	$2,181,827
Outlays and Obligations as of 5/31/98	1,312,776
Funds remaining as of 5/31/98	$ 869,051

Attachment C contains our estimates of Projected Spending for the remainder of FY 1998, but does not include any funds for "staff incentives," which are discussed in Part II below. It is important to note that the projections make the following assumptions:

Rent remains constant (guaranteed)
GSA support remains constant (guaranteed)
Staff levels will remain constant through September 30 (conservative estimate[3])
Board will meet for 10 days (current plan)
Communications, supplies, equipment costs remain constant (on track)
Staff and invitational travel decreases over prior years (on track[4])
Annual leave cash-out (conservative estimate)
Final Report cost of $50,000 (conservative guess)
No severance payments[5]

With these assumptions, we believe that a conservative estimate of our current projected budget surplus, without any staff incentives, is $153,901.

II. Proposal for "Staff Incentives"

During the final wrap-up of the Board's work, one of the crucial factors is whether there will be sufficient, high-quality staff members available to complete the work. For obvious reasons, neither we nor the staff knows what the future holds in terms of potential job offers or starting dates. There currently is a significant degree of anxiety among staff members regarding their future prospects. We believe that providing a significant financial incentive for staff members to stay through September will further three goals: *first*, providing a financial incentive for staff members to

[3]By "conservative" we mean the highest, reasonably possible cost. We expect that the actual figures will be lower, meaning that we are reasonably likely to have a larger budget surplus than these estimates would suggest.

[4]Principal staff travel for FY98 was Tom Samoluk travel from Boston.

[5]We have concluded that, under our statute, no severance payments need be made.

negotiate with potential employers and to delay a start-date until October 1; *second,* provide a modest financial cushion for those who are not able to find work immediately, and *third*, provide a morale boost.

We have considered different ways that an incentive program might work and have considered whether it would be more appropriate to target key employees or to make the offer one across-the-board. We have also considered proposing flat amounts as well as awards pegged to current salary or to the amount of time served. We would like to outline briefly what we believe to be the two best options, and then provide a third option that assumes a mandated staff reduction.

Option 1:

Each staff member, except the Executive Director, who stays through September 30 (or who is voluntarily released by the Board prior to September 30[6]) receives an incentive award equivalent to one month's salary. The projected cost of such an incentive program is $75,106 (see Attachment D).

Projections 6/1/98 to 9/30/98 (w/Option 1)		790,256
Outlays and Obligations as of 5/31/98	1,312,776	
Total FY 98 Spending	$2,103,032	

Total appropriation	2,181,827
Total FY 98 Spending	2,103,032
Option 1 Projected budget surplus	$78,795

Option 2:

Each staff member, except the Executive Director, who stays through September 30 (or who is released by the Board prior to September 30) receives the equivalent of one month's salary *and* 2% of his or her final month's salary for *each* month worked at the Review Board. The projected cost of such an incentive program is $121,663 (see Attachment D). (This incentive program rewards not only staying through the end, but recognizes the total amount of time served.)

[6] If all work were to be completed before September 30, and if a given staff member wishes to leave after that point, we presume that the staff member would nevertheless be able to receive the incentive payment.

Projections 6/1/98 to 9/30/98 (w/Option 2)	836,813
Outlays and Obligations as of 5/31/98	1,312,776
Total FY 98 Spending	$2,149,589

Total appropriation	2,181,827
Total FY 98 Spending	2,149,589
Option 2 Budget surplus	$32,238

Given the conservative nature of our estimates, we believe that a projected surplus of $32,238 is quite reasonable, and would likely leave additional leeway for additional bonuses on an *ad hoc* basis at close-down.

Option 3.

In his June 22 e-mail to Jeremy, which was copied to the Review Board, Bill asked that we look at the possibility of a graduated staff layoff. For many reasons, which we can explain to the Board, we believe it is not practical to have any sizeable layoff prior to September 1. If we were to consider a layoff of staff members prior to September 30, one obvious option would be to let 6 full-time staff members go on September 1, keeping a core of 14 full-time staff. If this were to be done -- and if all other variables were to remain constant -- this would effect a net savings of $19,730. For reasons stated above and for reasons that can be more fully elaborated on July 7, we recommend against following such an option.

Part III.

Additional options, not identified in Parts I or II above include:

Travel for two Board members to Russia and Belarus	$10,000.	
Digitizing Zapruder film		$30,000.
Costs of duplicating CBS materials	$30,000.	
Each additional one-day Board meeting		$ 1,600.
Cost of purchasing KGB records		$?.

We are available to go over these figures with you and the Board to answer any questions that may arise.

Attachments