

MEMORANDUM



JOINT BUDGET COMMITTEE

TO JBC Members
FROM JBC Staff
DATE March 11, 2022
SUBJECT Figure Setting - Comeback Packet 4

Included in this packet are staff comeback memos for the following items:

Operating Common Policies, page 1 (Tom Dermody): Capitol Complex Leased Space (*Technical issue*)

Operating Common Policies, page 6 (Tom Dermody): Liability Allocations for Higher Education (*Technical issue*)

Law, page 7 (Scott Thompson): Legal Services Common Policy (*New item*)

Governor, page 11 (Scott Thompson): OIT Common Policy (*New item*)

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
 FROM Tom Dermody, JBC Staff (303-866-4963)
 DATE March 9, 2022
 SUBJECT Operating Common Policies – Capitol Complex Leased Space

During Figure Setting for Operating Common Policies on February 10, 2022, the Joint Budget Committee approved staff's recommendation for the Capitol Complex Lease Space common policy. However, upon reviewing staff's modeling and assumption, several errors that requiring correction were found.

- In calculating the Capitol Complex Leased Space program costs, staff assumed a utilities cost of \$5.3 million, which incorrectly included principal payments for the program's energy performance contract. These payments are included in the Energy Performance Depreciation item, resulting in a double counting of these costs in staff's original assumptions. The correct estimate for utilities costs in FY 2022-23 is \$3,398,380.
- In calculating the departmental allocations, staff's assumptions did not account for a reduction in total square footage of Capitol Complex Leased Space. From FY 2021-22 to FY 2022-23, total square footage was reduced by 1,000 square feet.
- In calculating the departmental allocations, staff's assumption did not account for the vacating by the Department of Natural Resources of two floors at the Centennial Building (1313 Sherman St., Denver). The total vacated square footage is 22,408. The cost of maintaining this square footage is transferred to the Department of Personnel and totals \$420,779 General Fund in FY 2022-23.

The effect of these corrections is a lower recommended total appropriation for the Capitol Complex Lease Space common policy. The below table summarizes the difference between Figures Setting and staff's revised recommendation.

DIFFERENCE BETWEEN FIGURE SETTING AND REVISED RECOMMENDATION FOR FY 2022-23 CAPITOL COMPLEX LEASED SPACE					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS
Figures Setting recommendation	\$17,802,302	\$9,086,516	\$2,525,088	\$5,002,976	\$1,187,722
Revised recommendation	15,808,778	8,068,997	2,242,325	4,442,737	1,054,719
Difference	(\$1,993,524)	(\$1,017,519)	(\$282,763)	(\$560,240)	(\$133,003)

4. CAPITOL COMPLEX LEASED SPACE

The Department of Personnel operates a facilities maintenance program for Denver, Grand Junction, and Camp George West properties totaling approximately 1.3 million square feet. Pursuant to Section 24-82-101, C.R.S., the Department is responsible for the maintenance of the buildings' plumbing, electrical, elevator, and HVAC systems, as well as custodial and grounds maintenance.

(1) *Denver.* The Department maintains ten addresses in the Capitol Hill Campus (653,024 sq. ft.), one address in the North Campus (89,534 sq. ft.), and two addresses in Lakewood (101,430 sq. ft.). Each of these campuses, though funded by the Capitol Complex program, have distinct rental rates that mirror the locations and uses of the various properties.

(2) *Grand Junction*: The Department maintains a building with 35,145 square feet, which is staffed by 1.0 FTE who is responsible for building maintenance. Other functions, including additional building maintenance, custodial services, and grounds maintenance are contracted to private vendors.

(3) *Camp George West*: This building contains 305,077 square feet for five different departments. The Department's responsibilities include all site and grounds maintenance.

Facilities Maintenance is predominantly funded by reappropriated funds deposited in the Department of Personnel Revolving Fund created in Section 24-30-1108 (1), C.R.S. Funding consists of user fees from state agencies billed through Capitol Complex Leased Space line items in department budgets based on square foot lease rates and square footage occupancy.

CAPITOL COMPLEX LEASED SPACE PROGRAM COSTS

The following table outlines total Facilities Maintenance – Capitol Complex program costs for allocation to state agencies through the *Capitol Complex Leased Space* and *Maintenance of Legislative Space* line items that include program overhead costs consisting of staff and administrative expenses; building and maintenance costs; depreciation and energy and utility costs; and a fund balance reserve adjustment. Personal services, operating expenses, repairs, security, and indirect costs are based on figure setting recommendations for the next fiscal year. Operating and OIT common policy items are estimated by the Department on current fiscal year appropriations and internal Department allocations to programs and divisions. Utilities, depreciation, and campus splits are based on Department allocations and methodologies.

CAPITOL COMPLEX LEASED SPACE PROGRAM COSTS					
	FY 2021-22 APPROP.	FY 2022-23 REQUEST	FY 2022-23 RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Personal Services	\$3,574,314	\$3,685,039	\$3,637,669	(\$47,370)	\$63,355
Benefits POTS	1,132,592	1,242,489	1,242,489	0	109,897
OIT and Operating Common Policies	1,580,893	1,759,072	1,759,072	0	178,179
Operating Expenses	2,705,456	2,783,370	2,705,456	(77,914)	0
Administrative Overhead	415,081	401,242	401,242	0	(13,839)
Capitol Complex Repairs	56,520	56,520	56,520	0	0
Capitol Complex Security	539,977	556,176	555,986	(190)	16,009
Utilities	3,370,656	3,398,380	3,398,380	0	27,724
Indirect Cost Assessment	1,177,859	1,213,195	338,799	(874,396)	(839,060)
Depreciation	290,000	290,000	290,000	0	0
Energy Performance Depreciation	2,140,000	2,140,000	2,140,000	0	0
Sprint Leased Tower Space	(47,618)	(47,618)	(47,618)	0	0
CCLS Program Costs Subtotal	\$16,935,730	\$17,477,865	\$16,477,995	(\$999,870)	(\$457,735)
Fund Balance Adjustment	(453,384)	(1,544,066)	(669,219)	874,847	(215,835)
Total for Allocation	\$16,482,346	\$15,933,799	\$15,808,776	(\$125,023)	(\$673,570)
<i>Annual Growth of Allocation</i>					-4.1%

DEPRECIATION

This cost accounts for the depreciation of equipment. The federal government only allows recovery of capital costs through depreciation. This allows the State to recover funding outlays for capital expenses in Capitol Complex.

ENERGY PERFORMANCE DEPRECIATION

This item is associated with Phase 4 of the Department's energy performance contracts. The Department finances improvements to buildings by signing agreements with vendors to perform capital improvements to energy systems. Federal requirements provide that this item be recovered through program costs with depreciation.

SPRINT LEASED TOWER SPACE

The Department leases land to Sprint for a cell tower at Camp George West, which generates this revenue.

FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation.

CAPITOL COMPLEX FACILITIES FUND		
RECOMMENDED RESERVE ADJUSTMENT CALCULATION	REQUESTED	NOV 1. SUBMISSION ¹
FY 2021-22		
Beginning Cash Balance	\$4,853,123	\$3,895,787
Revenues	16,482,346	16,482,346
Expenditures	(16,749,479)	(16,749,479)
Ending Fund Balance	4,585,990	3,628,654
Capital Asset Reserve Set Aside Balance	(1,600,000)	(1,600,000)
Net Available Operating Fund Balance	\$2,985,990	\$2,028,654
	REQUESTED	RECOMMENDED
FY 2022-23		
Expenditure Base	\$17,477,865	\$16,477,995
Targeted Operating Reserve	8.25%	8.25%
Fund Balance Targeted Operating Res.	1,441,924	1,359,435
Total Target Reserve	\$3,041,924	\$2,959,435
Fund Balance Reserve Adjustment	(\$1,544,066)	(\$669,219)

¹ Figures taken from Schedule 9.

Staff recommends an operating cash flow fund balance reserve equal to 8.25 percent for FY 2022-23. This results in a reductions of \$669,219 allocated out to state agencies.

STATE AGENCY UTILIZATION AND ALLOCATION

The following table outlines square footage allocation by agency.

SQUARE FOOT ALLOCATION BY STATE AGENCY						
DEPARTMENT	TOTAL DENVER	PIERCE ST	NORTH CAMPUS	GRAND JUNCTION	CAMP GEORGE WEST	TOTAL ALL BUILDINGS
Corrections	0	0	0	0	46,696	46,696
Correctional Industries	0	0	0	0	18,672	18,672
Education	46,890	0	0	0	0	46,890
Legislature	142,740	0	0	0	0	142,740
Governor, Lt Governor, OSPB	19,780	0	0	0	0	19,780
OIT	13,853	0	0	1346	0	15,199
Health Care Policy and Financing	33,264	0	0	0	0	33,264

SQUARE FOOT ALLOCATION BY STATE AGENCY						
DEPARTMENT	TOTAL DENVER	PIERCE ST	NORTH CAMPUS	GRAND JUNCTION	CAMP GEORGE WEST	TOTAL ALL BUILDINGS
Human Services	89,429	0	0	0	0	89,429
Local Affairs	38,107	0	0	3783	0	41,890
Military and Veterans Affairs	0	0	0	0	55,865	55,865
Natural Resources	56,869	0	0	0	0	56,869
Personnel	216,845	0	82,034	2,853	0	301,732
Public Health and Environment	0	0	0	4,477	0	4,477
Public Safety	93,326	0	0	0	182,536	275,862
Regulatory Agencies	0	0	0	0	0	0
Revenue	0	89,031	2,119	5,919	0	97,069
Transportation	0	0	0	13,917	308	14,225
Treasury	3,351	0	0	0	0	3,351
Labor & Employment	0	0	5,381	2,850	0	8,231
Total Square Footage Billed	754,454	89,031	89,534	35,145	304,077	1,272,241

The following table outlines the common policy allocation and additional costs paid by the General Assembly.

GENERAL ASSEMBLY PAYMENTS TO THE DEPARTMENT OF PERSONNEL FOR MAINTENANCE OF LEGISLATIVE SPACE	
Capitol Complex Leased Space Allocation	\$2,680,382
Parking at 1525 Sherman	28,800
Conference Center Rental	5,200
Total	\$2,714,382

Conference center rental is billed to agencies by occurrence and not included in capitol complex allocation rates. Rather than pay by occurrence, the General Assembly has agreed to pay for an estimated 26 days of conference center use through its payments to the Department of Personnel for Maintenance of Legislative Space, which will be trued up annually through the capitol complex leased space common policy. Similarly, parking at 1525 Sherman Street is billed directly to employees parking in the lot; however, the General Assembly pays \$120 per month per space for its 20 parking spaces at the lot through the Maintenance of Legislative Space line item.

The following table outlines the Capitol Complex Leased Space Allocation recommendation.

CAPITOL COMPLEX LEASED SPACE FY 2022-23 RECOMMENDED ALLOCATION					
DEPARTMENT	FY 2021-22	FY 2022-23			TOTAL ADJUSTMENT
	APPROPRIATION	REQUEST	RECOMMENDED	REQ/REC DIFFERENCE	
Agriculture	\$0	\$0	\$0	\$0	\$0
Corrections	59,492	59,217	57,186	(2,031)	(2,306)
Education	917,789	886,487	880,504	(5,983)	(37,285)
Governor	670,624	647,851	643,274	(4,577)	(27,350)
Health Care Policy and Financing	651,086	628,878	624,634	(4,244)	(26,452)
Higher Education	0	0	0	0	0
Human Services	1,750,416	1,690,716	1,679,304	(11,412)	(71,112)
Judicial	0	0	0	0	0
Labor and Employment	42,555	41,400	40,488	(912)	(2,067)

CAPITOL COMPLEX LEASED SPACE FY 2022-23 RECOMMENDED ALLOCATION					
DEPARTMENT	FY 2021-22	FY 2022-23			
	APPROPRIATION	REQUEST	RECOMMENDED	REQ/REC DIFFERENCE	TOTAL ADJUSTMENT
Law	0	0	0	0	0
Legislative	2,793,884	2,698,595	2,680,382	(18,213)	(113,502)
Local Affairs	780,494	754,150	748,490	(5,660)	(32,004)
Military and Veteran Affairs	50,843	50,608	48,873	(1,735)	(1,970)
Natural Resources	1,551,708	1,075,147	1,067,890	(7,257)	(483,818)
Personnel and Administration	4,083,047	4,368,921	4,335,973	(32,948)	252,926
Public Health and Environment	40,967	39,903	38,952	(951)	(2,015)
Public Safety	1,981,538	1,929,749	1,912,171	(17,578)	(69,367)
Regulatory Agencies	0	0	0	0	0
Revenue	902,495	874,505	866,380	(8,125)	(36,115)
State	0	0	0	0	0
Transportation	139,820	124,319	121,354	(2,965)	(18,466)
Treasury	65,590	63,353	62,925	(428)	(2,665)
Allocation Totals	\$16,482,348	\$15,933,799	\$15,808,778	(\$125,021)	(\$673,570)
<i>Percentage change from prior year</i>					<i>-4.09%</i>

Based on prior year appropriations, approving the Staff recommendation has an estimated decrease of \$343,798 General Fund. JBC staff analysts will be directed to work with their agencies to determine a fund mix that is appropriate and include those adjustments in their Long Bill sections. The following tables estimates the fund splits for the total appropriation and for the incremental adjustment.

ESTIMATED FUND SPLITS FOR FY 2022-23 CAPITOL COMPLEX LEASED SPACE			
	ESTIMATED FUND SPLITS BASED ON FY 2021-22 APPROPRIATIONS	FY 2022-23	
		RECOMMENDED TOTAL FUND SPLITS	RECOMMENDED INCREMENTAL FUND SPLITS
General Fund	51.0%	\$8,068,997	(\$343,798)
Cash Funds	14.2%	2,242,325	(95,540)
Reappropriated Funds	28.1%	4,442,737	(189,293)
Federal Funds	6.7%	1,054,719	(44,939)
Total	100.0%	\$15,808,778	(\$673,570)

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
 FROM Tom Dermody, JBC Staff (303-866-4963)
 DATE March 9, 2022
 SUBJECT Operating Common Policies – Liability Allocation of Higher Education
 (Informational Only)

During the Comeback presentation on March 7, 2022, staff presented a comeback for the Payments to Risk Management and Property Funds common policy. As part of that presentation, staff provided an informational table for the Liability Allocations of Higher Education. This table utilized an incorrect Allocations Total to determine the by-institution allocations. Below is the corrected table.

LIABILITY ALLOCATION FOR HIGHER EDUCATION		
	ACTUARIAL ALLOCATION	FY 2022-23 RECOMMEND.
Adams State University	0.0%	\$0
Arapahoe Community College	2.5%	65,892
Auraria Higher Education Center	2.3%	62,124
College Access Network/College Assist	0.0%	0
College Invest	0.6%	14,688
Colorado Commission on Higher Education	1.5%	38,666
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	12.6%	334,810
Community College of Aurora	1.7%	45,017
Community College System	8.1%	215,382
CSU - Global	1.8%	47,055
Denver Community College	5.2%	138,905
Front Range Community College	4.6%	121,654
History Colorado	1.6%	41,832
Lamar Community College	0.7%	18,441
Metropolitan State University of Denver	31.0%	822,157
Morgan Community College	1.0%	26,680
Northeastern Junior College	1.2%	32,318
Northwestern Community College	1.3%	35,474
Occupational Ed. Division	0.0%	0
Otero Junior College	1.3%	35,154
Pikes Peak Community College	10.8%	287,214
Private Occupational	0.0%	795
Pueblo Community College	3.4%	89,864
Red Rocks Community College	2.7%	70,744
Trinidad State Junior College	4.2%	111,458
Western State Colorado University	0.0%	0
Allocation Totals	100.0%	\$2,656,323

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
FROM Scott Thompson, JBC Staff (303-866-4957)
DATE March 11, 2022
SUBJECT Department of Law: Recommended Legal Services Rate for FY 2022-23

On February 15, 2022, the Committee acted on the Department of Law's budget request, including funding for personnel and operating expenses for the Legal Services to State Agencies (LSSA) section of the Long Bill.

To calculate the appropriation to each state agency for the purchase legal services, and the corresponding appropriations to the Department of Law to receive and expend such payments, the Committee needs to approve an hourly legal services rate for FY 2022-23. These rates multiplied by the three-year average hours of legal services provided determines the final appropriations for each agency or program.

STAFF RECOMMENDATION:

To date, the Committee has taking action on all common policies, which impact the determination of the legal services rate. However, if budget constraints require the Committee to make changes to any of its common policy decisions it may impact legal services rates significantly enough to warrant an adjustment to the staff recommendation. **Staff is presenting a recommendation based on most recent Committee action.** Staff requests permission to adjust the rate in the event changes are *de minimus*, but should the rate change significantly, staff will return with updated calculations.

To calculate appropriations for legal services line items statewide, JBC Staff recommends the Committee approve the following rates for FY 2022-23. The shading color links cells between the various tables.

FY 2022-23 RECOMMENDATED LEGAL SERVICES RATES	
Attorney rate	\$109.94
Legal Assistant rate	\$83.72
Blended rate	\$106.06

These rates will also be included in the final footnote that details the General Assembly's intent on legal service rates, which the Committee will review with the other Footnotes.

CALCULATION OF THE LEGAL SERVICES BILLING RATES

Once the cost of operating the LSSA section has been determined through figure setting, this cost must be translated into billing rates that will cover the estimated costs. Appropriations for legal services are calculated using one uniform rate for attorneys and another uniform rate for legal assistants. Staff and the Department calculate these rates as separate components:

- 1 An "attorney" component that covers the salaries and the associated Public Employees' Retirement Association (PERA) and Medicare expenses for the attorneys who supply the legal services;

- 2 A "legal assistant" component that covers the salaries and the associated PERA and Medicare expenses for legal assistants who supply the legal services; and
- 3 A "common" component that covers other expenses of the LSSA section, including administrative support staff, the Deputy Attorneys Generals that are funded through the LSSA section and supervise groups of attorneys, operating and litigation expenses, licensing fees, and various other centrally appropriated line items (e.g., Carr Center leased space, employee health benefit expenses, etc.) not included in the personnel costs in the first two components.

The following two tables (1 and 2) compute these components.

TABLE 1: ATTORNEY AND LEGAL ASSISTANT COMPONENTS OF THE LEGAL SERVICES RATES			
	A = SALARY AND RELATED COSTS	B = HOURS BILLED	A/B = ATTORNEY OR LEGAL ASSISTANT COMPONENT OF RATE
Attorneys	\$30,760,873	436,320	\$70.50
Legal Assistants	3,363,425	75,960	44.28
Total	\$34,124,298	512,280	

TABLE 2: COMMON COMPONENT OF THE LEGAL SERVICES RATES	
Total cost of operating the LSSA section	54,330,550
- Salary and related cost of attorneys	(30,760,873)
- Salary and related costs of legal assistants	(3,363,425)
a = Common costs	\$20,206,252
b Total hours billed by attorneys and legal assistants	512,280
a/b = Common component of hourly rate	\$39.44

The total cost of the LSSA section includes allocations of centrally appropriated items as well as indirect cost recoveries collected by the LSSA section.

The hourly legal rates are then computed as follows:

TABLE 3: CALCULATION OF HOURLY LEGAL RATES	
Attorney component (from Table 1)	\$70.50
+ Common component (from Table 2)	39.44
Hourly attorney rate	\$109.94
Legal assistant component (from Table 1)	\$44.28
+ Common component (from Table 2)	39.44
Hourly legal assistant rate	\$83.72

The blended legal rate, which is used to convert the estimated hours to be billed into recommended appropriations for the Long Bill, is calculated using total recommended appropriations and total hours billed:

TABLE 4: CALCULATION OF BLENDED LEGAL RATE	
Total of Appropriations for LSSA section	\$54,330,550
÷ Total hours billed	512,280
= Blended Legal Rate	\$106.06

The blended legal rate for FY 2022-23 represents an increase of \$7.75 per hour (7.3 percent) compared to the FY 2020-21 blended legal rate of \$106.32.

As noted last year and during briefing, the legal services rate for the 2022-23 fiscal year returns to one closer to those calculated prior to the FY 2021-22 rate. This was based on the decision last year to authorize a one-time spend down of the Department’s fund reserve.

Approving JBC staff recommendation will result in the follow amounts being allocated through the Long bill legal services line items.

Recommended Legal Services Allocation by Client Agency		
LONG BILL DEPARTMENT	CLIENT AGENCY	FY 2022-23 APPROPRIATION
Agriculture	Agriculture and State Fair	\$973,423
Corrections	Corrections	3,903,156
Education	Education	1,022,808
Governor's Office	Governor's Office	888,487
Governor's Office	Governor's Energy Office, Legal Services	761,548
Governor's Office	Office of Information Technology, Legal Services	359,099
Health Care Policy and Financing	Health Care Policy and Financing	962,034
Human Services	Human Services	4,403,626
Judicial	Judicial	236,331
Judicial	Alternate Defense Council	10,537
Judicial	Child Protection Ombudsmen	16,891
Judicial	Child Representation	14,682
Judicial	Independent Ethics Commission	105,841
Judicial	Attorney Regulation Counsel	14,344
Judicial	Public Defender	7,333
Judicial	Office of the Public Guardianship	71,396
Judicial	Respondent Parents Counsel	5,741
Labor and Employment	Labor and Employment	885,820
Law	Attorney General’s Office	85,277
Legislature	General Assembly	22,078
Local Affairs	Local Affairs	241,491
Military and Veterans Affairs	Military and Veterans Affairs	20,911
Natural Resources	Natural Resources	5,650,505
Personnel	Personnel and Administration	459,020
Personnel	Personnel Board	61,818
Personnel	Risk Management And Workers Compensation	7,356,399
Public Health and Environment	Public Health and Environment	4,878,252
Public Safety	Public Safety	375,271
Regulatory Agencies	Regulatory Agencies	11,112,927
Revenue	Revenue	5,864,006
State	State	880,070
Transporation	Transporation	1,641,994
Treasury	Treasury	283,492
Higher Education	Commission on Higher Education	100,314
Higher Education	Arapahoe Community College	3,312
Higher Education	Adams State University	72,813
Higher Education	Auraria Higher Education Center	0
Higher Education	Board of Governors	0
Higher Education	Aurora Community College	0
Higher Education	Community College of Auraria	0
Higher Education	Community College of Denver	0
Higher Education	CCCOES	14,997

Recommended Legal Services Allocation by Client Agency

LONG BILL DEPARTMENT	CLIENT AGENCY	FY 2022-23 APPROPRIATION
Higher Education	Colorado State University	214,600
Higher Education	University of Colorado - Boulder	123,935
Higher Education	University of Colorado - Health Science	0
Higher Education	State Colleges Employee Disability Insurance Trust	4,195
Higher Education	Fort Lewis College	77,736
Higher Education	Front Range Community College	32,449
Higher Education	College Assist	75,334
Higher Education	State Historical Society of Colorado	31,229
Higher Education	Institute of Cannabis Research	13,688
Higher Education	Lamar Community College	7,230
Higher Education	Metropolitan State University of Denver	295,323
Higher Education	Colorado School of Mines	127,154
Higher Education	Colorado Mesa University	124,320
Higher Education	University of Northern Colorado	39,009
Higher Education	Northwestern Community College	0
Higher Education	Collegeinvest	2,539
Higher Education	Otero Junior College	3,532
Higher Education	Auraria Parking Enterprise	0
Higher Education	Pikes Peak Community College	0
Higher Education	Private Vocational Schools	19,668
Higher Education	Pueblo Community College	16,831
Higher Education	Red Rocks Community College	0
Higher Education	Colorado State University - Pueblo	8,433
Higher Education	Colorado Scholarship Initiative	0
Higher Education	Trinidad State Junior College	5,299
Higher Education	Western State Colorado University	164,006
Higher Education	CSU Global	0
Higher Education	Northeastern Junior College	0
Higher Education	Colorado Mountain College	38,513
Higher Education	Morgan Community College	883
Higher Education	University of Colorado - Colorado Springs	9,571
Total		\$55,203,520
Total for Higher Education Client Agencies		\$1,626,912
Other Client Agencies		\$53,576,608

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Scott Thompson, JBC Staff (303-866-4957)
DATE March 11, 2022
SUBJECT Office of the Governor Comeback: Office of Information Technology Common Policy Agency Allocations

RECOMMENDATION: The purpose of this memo is to approve the recommended changes to the Office of Information Technology (OIT) common policy allocated throughout the Long Bill via the Payments to OIT centrally appropriated line item. The JBC staff recommendation is detailed by agency at the end of the memo, including the base allocation and incremental changes associated with already approved decision items.

BACKGROUND: There are two components to the creation of the base common policy budget each fiscal year: service utilization and recoverable costs. These are forecasted annually as part of the rate development process for each OIT Common Policy service offering, and department budgets include an appropriation for their estimated base service utilization. The JBC staff recommendation is to approve the amounts for the Payments to OIT line item, but to give individual JBC staff analysts the authority to work with their agencies to determine the right fund splits.

OIT's forecasted recoverable costs for each service include forecasted costs for salaries, benefits, personal services, operating expenses, equipment, depreciation, and other expenses related to the direct cost of delivering that service. Shared division management costs are incorporated into the rate for each billable service offering within that OIT organizational division, based on the relative percentage each service comprises of the total services in the allocation pool (i.e., weighted average). In FY 2020-21 and earlier, Common Policy service cost estimates were generated using historical budgets based on Long Bill Appropriations. Beginning in FY 2021-22, in order to align service rates more closely with actual costs (and simplify comparisons to other public and private organizations), Common Policy base service cost estimates are now generated using the most recent actual expenditures as the starting point. Adjustments are then made to the forecast to remove any one-time costs from the prior year, and annualize recent decision item increases or decreases.

Also starting with FY 2021-22 OIT transitioned to Real-time Billing for Common Policy services. This transition was part of the overall statewide IT Transformation vision to:

- build increased agency IT accountability and ownership;
- ensure collaborative IT governance and oversight;
- provide additional transparency into OIT's service offerings; and
- create a more nimble and process-oriented IT organization.

OIT reports that the implementation of Real-time Billing has had a profound impact on service provision, consumption, rate setting, and department utilization planning. In FY 2020-21 and earlier, department utilization estimates were limited by existing resources and rooted in historical service delivery. For FY 2021-22 and beyond, departments work collaboratively with OIT IT Directors and technical staff to review each Common Policy service offering and formulate a fresh utilization estimate based on anticipated service needs. Historical utilization is still the foundation, but

departments review all services and plan for any known fluctuations in the upcoming fiscal year. OIT Service Owners review department utilization estimates to ensure feasibility and resource availability. The Office of State Planning and Budgeting reviews final totals to manage the statewide cost impact of year-over-year base changes.

The Office of Information Technology strives to have agency buy-in from their clients and part of that effort was the creation of the Rates and Services Board. Established in February 2021, it provides review and approval of OIT's rates and service structure. This board consists of rotating membership including department representatives, OIT leadership, and OSPB staff. The board works to enhance the transparency, accuracy, controllability, and competitiveness of OIT's service rates. For FY 2022-23 Common Policy the board reviewed and recommended approving each of the decision items that impact the OIT common policy.

The JBC staff recommendation is summarized on the following page. The total allocations are based on the forecasted estimated usages multiplied by the rates approved by the Rates and Services Board. Additional information about the rates and services that comprise the total recommended appropriations can be found in OIT's service catalog accessible by visiting <http://sites.google.com/state.co.us/oitservicecatalog>.

RECOMMENDED APPROPRIATIONS FOR PAYMENTS TO OIT FOR FY 2022-23

DEPARTMENTS	FY 2022-23 FIGURE SETTING RECOMMENDATION	R2 TESTING SOLUTIONS	R3 CYBERSECURITY APPRENTICESHIP	R5 INTERAGENCY AGREEMENTS	BA2 CBMS ADMIN	TOTAL RECOMMENDED FY 2022-23 APPROPRIATION
Agriculture	\$2,054,509	\$1,706	\$2,629	\$122,365	(\$32,961)	\$2,148,248
Corrections	27,442,198	28,320	56,585	828,376	(513,055)	27,842,424
Education	852,071	0	5,340	0	(20,892)	836,519
General Assembly	26,592	0	2,684	0	0	29,276
Governor	1,299,004	682	1,328	134,764	(74,474)	1,361,304
Health Care Policy and Finance	9,878,452	9,554	4,870	58,037	3,477,279	13,428,192
Higher Education (appropriated)	371,864	0	1,051	37,335	(6,343)	403,907
Higher Education (not approp.)	255,791	0	0	0	(4,582)	251,209
Human Services	42,478,447	87,350	45,323	3,629,739	(262,974)	45,977,885
Judicial	5,430,300	0	43,275	0	(120,452)	5,353,123
Labor and Employment	17,106,010	33,097	11,289	2,795,402	(582,385)	19,363,413
Law	708,664	0	4,538	3,426	(17,019)	699,609
Local Affairs	2,620,386	8,189	1,743	100,581	(41,307)	2,689,592
Military and Veterans Affairs	568,379	1,024	415	11,698	(6,709)	574,807
Natural Resources	16,756,183	44,357	13,226	290,745	(286,419)	16,818,092
Personnel and Administration	5,364,994	13,307	3,569	863,719	(111,048)	6,134,541
Public Health and Environment	12,343,998	19,449	12,230	1,610,970	(220,308)	13,766,339
Public Safety	12,465,201	12,625	16,685	478,507	(248,615)	12,724,403
Regulatory Agencies	4,182,924	6,824	5,257	706,686	(84,127)	4,817,564
Revenue	18,168,771	31,050	13,946	279,775	(392,944)	18,100,598
State	394,539	0	1,273	0	(8,759)	387,053
Transportation	22,225,606	43,675	29,109	2,841,267	(440,581)	24,699,076
Treasury	152,527	0	332	105	(1,325)	151,639
Total	\$203,147,410	\$341,209	\$276,697	\$14,793,497	\$0	\$218,558,813