

# MEMORANDUM

**TO:** Joint Budget Committee  
**FROM:** Alfredo Kemm, JBC Staff (303-866-4549)  
**SUBJECT:** Staff Comeback – Supplementals for Operating Common Policies  
**DATE:** January 26, 2015

Staff recommends additional adjustments for the following Department of Personnel supplemental requests:

- S4 Capitol Complex Leased Space Adjustment
- S5 Administrative Law Judge Allocation Adjustment

For Capital Construction, staff recommends an additional adjustment and includes one tabled item:

- JS3 DPS Operating S1 Request – Transfer H.B. 13-1020 Surplus to CCF
- S11 Add DYC to Behavioral Health Institutes, Electronic Health Records and Pharmacy System Replacement

## SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #4 CAPITOL COMPLEX LEASED SPACE ADJUSTMENT

Department Operating	Request	Recommendation
<b>Total</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
FTE	0.0	0.0
General Fund	0	85,872
Cash Funds	0	1,356,737
Reappropriated Funds	0	(1,442,609)

All Departments – CP Allocations	Request	Recommendation
<b>Total</b>	<b><u>\$1,134,964</u></b>	<b><u>\$0</u></b>
FTE	0.0	0.0
General Fund	926,501	0
Cash Funds	20,522	0
Reappropriated Funds	85,355	0
Federal Funds	102,586	0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of a technical error.	

**Department Request:** The Department requests an additional \$1,134,964 in common policy allocation billings to state agencies for Capitol Complex Leased Space line items, with fund splits as outlined in the table above.

**Staff Revised Recommendation:** Staff recommends that the Committee approve \$85,872 General Fund, \$1,356,737 cash funds, and a decrease of \$1,442,609 reappropriated funds for the Facilities Maintenance – Capitol Complex subdivision, bottom-line funded appropriation.

**Staff Analysis:** Staff originally recommended and the Committee denied the request. This was based on analysis which showed that the Department's own figures showed that the Capitol Complex program would end the year with a \$15,000 surplus, and therefore there was no need for additional funding. The following table is the original table.

<b>Capitol Complex Facilities Fund FY 2014-15 Fund Balance Projection</b>			
	<b>Figure Setting Recommend. /Approp.</b>	<b>Department Supplemental Request</b>	<b>JBC Staff Supplemental Recommend.</b>
<b>FY 2014-15</b>			
Beginning Fund Balance	\$5,041,317	\$2,790,416	\$3,268,663
Revenue	10,717,075	10,751,077	10,717,075
Expenditures	<u>(13,526,518)</u>	<u>(13,526,518)</u>	<u>(13,526,518)</u>
<b>Ending Fund Balance</b>	<b>\$2,231,874</b>	<b>\$14,975</b>	<b>\$459,220</b>
<b>Supplemental Recommended Allocation</b>			<b>\$0</b>

The Department submitted additional information to staff which suggests that the revenue figure submitted was inaccurate. The corrected figure is included in the following table.

<b>Capitol Complex Facilities Fund – Revised Department Revenue FY 2014-15 Fund Balance Projection</b>			
	<b>Figure Setting Recommend. /Approp.</b>	<b>Department Supplemental Request</b>	<b>JBC Staff Supplemental Recommend.</b>
<b>FY 2014-15</b>			
Beginning Fund Balance	\$5,041,317	\$2,790,416	\$3,268,663
Revenue	10,717,075	10,717,075	10,717,075
Expenditures	<u>(13,526,518)</u>	<u>(13,526,518)</u>	<u>(13,526,518)</u>
<b>Ending Fund Balance</b>	<b>\$2,231,874</b>	<b>(\$19,027)</b>	<b>\$459,220</b>

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Based on the updated revenue figure, the Department's figures are suggesting a deficit of \$19,000. Additionally the Department provided a trial balance worksheet for the program which identifies an end-of-year deficit of \$85,872.

It is unclear to staff why the Department's schedule 9, from which staff generates a fund balance starting point when calculating fund balance reserves, should generate a projection about a half million dollars off of the Department's accounting figures. It is possible that the Department's use of the capital outlay reserve provided in legislation from last year, may be causing a reduction in cash and an offsetting increase in that reserve. Because that is a new element in cash fund management, those adjustments should work their way through into more accurate fund balance projections in coming years. The cause of this request was the use in fund balance reserve projections of the total fund balance rather than the cash balance, and that difference appears to be about \$1.4 million. Staff projected a fund balance reserve of \$2.2 million. The difference of \$0.8 million may be the first year of recognizing the capital outlay reserve over last fiscal year and the current fiscal year.

On that basis, **staff recommends that the Committee provide enough resources for the program to eliminate the Department-projected deficit of \$85,872. However, rather than a common policy allocation which requires 17 departments who make payments to Capitol Complex to make an adjustment, staff recommends funding this request with a straight General Fund appropriation in the Capitol Complex subdivision.** The subdivision is bottom-line funded in the budget. Staff also recommends an offsetting adjustment to the reappropriated funds amount.

The General Fund share of requested Capitol Complex Leased Space appropriations represents 81.6 percent of the total appropriation. Were the \$85,872 amount to be allocated, General Fund would pay for \$70,100. **Rather than allocate to 17 departments for less than \$16,000 in non-General Fund sources, staff recommends that the Committee fund the entire amount with General Fund.**

As shown in the first table above for department operating adjustments, the recommendation provides that previously approved total spending authority for the program would remain unchanged. However the fund source amounts would be adjusted to reflect access to General Fund for the amount specified as the need. The existing common policy allocations to state agencies will still deliver the same reappropriated fund revenue to the program. So similarly, staff recommends an adjustment from reappropriated funds to cash funds in the Capitol Complex subdivision bottom-line appropriation to reflect only the \$10,717,075 of reappropriated funds revenue expected to be received from state agencies in the current fiscal year. The remaining appropriation will be reflected as cash funds coming from reserves in the Department of Personnel Revolving Fund.

Staff believes that a projected deficit representing 0.6 percent of total program operating costs (\$86,000 on \$13.5 million) should simply be absorbed by the program through cost-cutting as necessary. However, rather than risk an OSPB comeback for the entire request, staff is

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recommending this revised recommendation as a reasonable solution that is acceptable to the Department.

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**SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #5  
ADMINISTRATIVE LAW JUDGE ALLOCATION ADJUSTMENT**

Department Operating	Request	Original Recommend.	Revised Recommend.
<b>Total</b>	<b><u>(\$58,046)</u></b>	<b><u>(\$58,046)</u></b>	<b><u>(\$58,046)</u></b>
FTE	(0.5)	(0.5)	(0.5)
General Fund	(58,046)	(58,046)	(58,046)
Cash Funds	0	0	0
Reappropriated Funds	0	0	0

All Departments – CP Allocations	Request	Original Recommend.	Revised Recommend.
<b>Total</b>	<b><u>\$328,763</u></b>	<b><u>\$96,567</u></b>	<b><u>\$129,986</u></b>
FTE	0.0	0.0	0.0
General Fund	39,949	12,094	16,280
Cash Funds	255,632	74,428	100,183
Reappropriated Funds	2,821	854	1,151
Federal Funds	30,361	9,191	12,372

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of a technical error in the Department's methodology used in FY 2013-14 and other data not available when the original appropriation was made.	

**Department Request:** The Department requests an additional \$328,763 total funds for common policy billing allocations to state agencies for the ALJ Services line item. Additionally, the Department requests a decrease of 0.5 FTE and \$58,046 General Fund related to H.B. 13-1292 (Keep Jobs in Colorado Act).

**Staff Revised Recommendation:** As originally recommended, staff recommends that the Committee approve the Department requested decrease of 0.5 FTE and \$58,046 General Fund. Staff recommends that the Committee approve a total of \$129,986 in additional common policy allocations to state agencies for ALJ Services line items.

**Staff Analysis:** Staff originally recommended and the Committee voted to approve \$100,000 in total allocations, including \$97,000 in additional allocations to state agencies. This amount would prevent the OAC from experiencing a cash fund deficit but would not fund an additional amount to restore a fund balance reserve as included in the Department's request. The following table is the original fund balance projection table identifying \$100,000 in total recommended allocations. The difference is accounted by the share that is allocated to cash funds revenue from miscellaneous school districts.

<b>Cash Fund Table 3: Administrative Courts Cash Fund Revised FY 2014-15 Fund Balance Projection</b>	
<i>FY 2014-15</i>	
Beginning Fund Balance	\$581,783
Revenue	4,125,407
Expenditures	(4,806,719)
<b>Ending Fund Balance</b>	<b>(\$99,529)</b>
<i>FY 2014-15</i>	
Expenditure Base (PS+OE+IC)	\$3,748,111
Fund Balance Target Reserve	5.0%
Fund Balance Reserve Amount	187,406
<b>Fund Balance Reserve Adjustment</b>	<b>\$286,935</b>
<b>Supplemental Recommended Allocation</b>	<b>\$99,529</b>

The Department continues to be concerned that their accounting projections are nevertheless showing an end-of-year deficit for the program cash fund. Without addressing the reasons for the variance at this time, staff recommends making additional adjustments based on the Department's projections to ensure that the cash fund does not end the year in deficit.

With the original staff recommended allocations, the Department identifies an end-of-year deficit in the fund balance of \$30,457. With the original supplemental recommendation amount of \$99,529, the Department identifies a total need of \$129,986. Staff recommends the following allocations which include the total need identified by the Department. Staff also recommends funding the identified need entirely with allocations to state agencies (rather than include cash fund sources) to ensure that the Department generates enough revenue to prevent a deficit.

<b>ALJ Services FY 2014-15 Requested and Recommended Supplemental Allocation and Fund Splits</b>								
<b>Department</b>	<b>FY 2014-15 Allocation</b>	<b>FY 2014-15 Supplemental Request</b>	<b>Original Supplemental Recommend.</b>	<b>Revised Supplemental Recommend.</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reapprop. Funds</b>	<b>Federal Funds</b>
Agriculture	0.03%	\$101	\$31	<b>\$41</b>	\$0	\$41	\$0	\$0
Education	3.76%	11,979	3,626	<b>4,881</b>	0	4,038	843	0
Health Care Policy and Financing	9.12%	29,089	8,806	<b>11,854</b>	4,606	1,321	0	5,927
Higher Education	0.06%	205	62	<b>83</b>	0	83	0	0
Human Services	14.03%	44,746	13,546	<b>18,234</b>	11,278	511	0	6,445
Labor	63.84%	203,638	61,649	<b>82,985</b>	0	82,985	0	0
Law	0.73%	2,335	707	<b>952</b>	0	952	0	0
Personnel	0.35%	1,126	341	<b>459</b>	0	410	49	0
Public Health and Environment	0.20%	634	192	<b>259</b>	0	0	259	0
Regulatory Agencies	6.74%	21,492	6,507	<b>8,758</b>	396	8,362	0	0
Revenue	0.25%	791	239	<b>322</b>	0	322	0	0
State	0.80%	2,558	774	<b>1,042</b>	0	1,042	0	0
Transportation	0.09%	285	86	<b>116</b>	0	116	0	0
<b>TOTAL</b>	<b>100.00%</b>	<b>\$328,763</b>	<b>\$96,567</b>	<b>\$129,986</b>	<b>\$16,280</b>	<b>\$100,183</b>	<b>\$1,151</b>	<b>\$12,372</b>

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### **JS3 – DPS OPERATING S1 REQUEST – TRANSFER H.B. 13-1020 SURPLUS TO CCF**

The Committee accepted staff's recommendation to return \$3.6 million from the State Employee Reserve Fund to the General Fund so that the Department of Public Safety can carry out HB 13-1020. The recommendation included transferring \$2.8 million (\$2,756,822) to the Capital Construction Fund. The original HB13-1020 appropriation totaled \$6,351,002 General Fund.

The Department had received roll-forward authority for FY14-15 but failed to let the State Controller know, and instead of reverting to the General Fund, the appropriation in the bill was transferred to the State Employee Reserve Fund at the end of FY13-14.

Because we are now recognizing those funds through a transfer, it is more appropriate to recognize the appropriation for those funds in FY14-15 as well.

**Staff asks the Committee permission to reflect the \$3.6 million (\$3,594,180) transfer to the General Fund in the Department of Public Safety operating budget as an appropriation as well.**

This is essentially the roll-forward authority being recognized officially as an appropriation in the budget. Roll-forwards are generally not recognized. But because of the need to transfer from another fund into the General Fund, without the appropriation it will appear as if there is an additional \$3.6 million General Fund in General Fund tracking.

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Reprinted from the staff document:

### **Supplementals Recommended by the JTC**

#### **S11 – BEHAVIORAL HEALTH SERVICES, MENTAL HEALTH INSTITUTES, ELECTRONIC HEALTH RECORD AND PHARMACY SYSTEM REPLACEMENT (DEPARTMENT OF HUMAN SERVICES)**

	<b>Request</b>	<b>Recommendation</b>
<b>Total</b>	<b><u>\$935,000</u></b>	<b><u>\$935,000</u></b>
Capital Construction Fund	935,000	935,000
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

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<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.	

**Department Request:** The Department requests an additional \$935,000 Capital Construction Fund to add the Division of Youth Corrections (DYC) to the electronic health record (EHR) and pharmacy information system for the Mental Health Institutes, funded in FY 2014-15.

**Staff Recommendation:** Staff recommends that the Committee approve the request. Staff is not recommending out-year program operating base reduction annualizations for this request.

**Staff Analysis:** The Department's electronic health record and pharmacy information system for the Mental Health Institutes was approved and totaled \$9.85 million Capital Construction Fund in FY 2014-15. The Department seeks to add DYC to this system. The project would replace a number of separate, loosely integrated systems and result in a comprehensive EHR system that is fully integrated with clinical operations and systems. An August 2014 audit by the Office of the State Auditor identified issues related to medication management at DYC and recommended that the Department consider implementing a single, integrated EHR.

The Department estimates \$45,000 per site for 10 facilities to create wireless environments for this system, for a total cost of \$450,000. Software and licensing is expected to total \$400,000 and the project includes a 10.0 percent contingency of \$85,000.

The Joint Technology Committee recommended funding this request. Staff recommends that the Committee approve this request that will allow the DYC EHR to be developed and implemented within the larger EHR system for the Mental Health Institutes. At this time staff does not recommend out-year program operating base reduction annualizations due to the scale of the supplemental relative to the original appropriation. The original appropriation was approved prior to the staff recommendation for Committee policy to take such out-year base reductions. This supplemental appropriation totals less than 10.0 percent of the original appropriation. However, staff recommends that if the entire project – the original and supplemental appropriations – require additional future supplementals to complete the project, staff may recommend such out-year annualizations in future budget item recommendations.

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