



Colorado General Assembly  
Joint Budget Committee

# JOINT BUDGET COMMITTEE STAFF FY 2017-18 BUDGET BRIEFING SUMMARY

*Department of Personnel  
and Statewide Compensation Common Policies*

The Department of Personnel is responsible for administering the state personnel system, which includes approximately 32,000 full time equivalent (FTE) staff, excluding the Department of Higher Education. In addition, the Department provides general support services for state agencies which include: oversight of procurement and financial activities and CORE operations; state archives; maintenance of Capitol Complex buildings, provision of central business services, and management of the State's motor vehicle fleet; administrative law judge services; coordination of capital construction and controlled maintenance projects and centralized lease management; administration of the State's personnel selection, classification, compensation, and employee benefit programs; and oversight of the State's liability, property, and workers' compensation insurance programs. The Department's FY 2016-17 appropriation represents approximately 0.7 percent of statewide operating appropriations and 0.1 percent of statewide General Fund appropriations.

## FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF PERSONNEL					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
<b>FY 2016-17 APPROPRIATION:</b>					
HB 16-1405 (Long Bill)	189,285,533	13,145,504	16,006,122	160,133,907	421.0
Other Legislation	926,978	0	922,028	4,950	0.5
<b>TOTAL</b>	<b>\$190,212,511</b>	<b>\$13,145,504</b>	<b>\$16,928,150</b>	<b>\$160,138,857</b>	<b>421.5</b>
<b>FY 2017-18 APPROPRIATION:</b>					
FY 2016-17 Appropriation	\$190,212,511	13,145,504	\$16,928,150	\$160,138,857	421.5
R1 Administrative Courts Electronic Case Management System	54,429	0	0	54,429	0.0
R2 Annual Fleet Vehicle Request	2,859,694	0	0	2,859,694	0.0
NP1 Resources for Administrative Courts	109	0	109	0	0.0
NP2 Annual Fleet Vehicle Request	164,407	0	0	164,407	0.0
NP3 Secure Colorado	43,260	11,550	4,110	27,600	0.0
NP4 Deskside Staffing	17,300	4,620	1,644	11,036	0.0
NP5-8 New Vehicle NP Requests	40,679	0	0	40,679	0.0
Statewide Indirect Cost Assessment Adjustment	1,795,729	0	228,590	1,567,139	0.0
CORE Operations Base Adjustments	6,720	0	(2,898,884)	2,905,604	0.0
Other	259	0	0	259	0.0
Fund Source Adjustment	0	(2,137,784)	(15,651)	2,153,435	0.0
Annualize Prior Year Legislation	(701,079)	69,371	(799,076)	28,626	0.8
Centrally Appropriated Line Items	(307,669)	56,768	(358,553)	(5,884)	0.0
Capitol Complex Base Adjustments	(235,694)	0	0	(235,694)	0.0
Risk Management Base Adjustments	(126,482)	0	0	(126,482)	0.0
Annualize Prior Year Budget Actions	(42,307)	(85,000)	0	42,693	0.0
<b>TOTAL</b>	<b>\$193,781,866</b>	<b>\$11,065,029</b>	<b>\$13,090,439</b>	<b>\$169,626,398</b>	<b>422.3</b>
<b>INCREASE/(DECREASE)</b>	<b>\$3,569,355</b>	<b>(\$2,080,475)</b>	<b>(\$3,837,711)</b>	<b>\$9,487,541</b>	<b>0.8</b>
Percentage Change	1.9%	(15.8%)	(22.7%)	5.9%	0.2%

**R1 ADMINISTRATIVE COURTS ELECTRONIC CASE MANAGEMENT SYSTEM:** The request includes a \$54,429 increase in reappropriated funds in FY 2017-18, annualizing to \$16,429 after that. The request pays only for licensing costs of an online, electronic case management system (E-CAM) already developed by OIT for the Colorado Civil Rights Division. The additional development and implementation of the E-CAM system for Administrative Courts will be absorbed by OIT. As a statewide central service provided to state agencies, total state agency appropriations for Administrative Law Judge Services would increase by like amounts, equivalent to a 1.0 percent increase in FY 2017-18 and a 0.3 percent increase in out years. The General Fund impact in FY 2017-18 will total \$6,434 and \$1,942 in out years based on current state agency utilization.

**R2 ANNUAL FLEET VEHICLE REQUEST:** The request includes a \$2.9 million increase in reappropriated funds for the Vehicle Replacement Lease/Purchase line item for the Fleet Management Program. The request is to replace 824 fleet vehicles statewide, including 408 designated as potential compressed natural gas (CNG) vehicles. The request includes a \$1.3 million increase in state agency appropriations for Vehicle Lease Payments line items, that includes a \$136,712 decrease in General Fund. The anticipated 2018 lease-purchase contract totals \$1.1 million in FY 2017-18, annualizing to \$5.5 million in FY 2018-19 and remaining out years for the contract. Excluding decrease adjustments in prior year lease-purchase contracts for vehicles taken out of service, state agency Vehicle Lease Payments will increase by the difference (\$4.5 million) in FY 2018-19 for the planned vehicle replacement purchases in this request; the request does not identify the General Fund impact in out years related to that annualization. However, the Department projects \$2.4 million in maintenance and fuel savings related to the request.

**NP1 RESOURCES FOR ADMINISTRATIVE COURTS:** The request includes the Department's share of the adjustment for the Administrative Courts request.

**NP2 ANNUAL FLEET VEHICLE REQUEST:** The request includes the Department's share of annual fleet vehicle replacement adjustments.

**NP3 SECURE COLORADO:** The request seeks an increase of \$43,260 total funds, including \$11,550 General Fund, to cover the Department's share of the OIT request.

**NP4 DESKSIDE STAFFING:** The request seeks an increase of \$17,300 total funds, including \$4,620 General Fund, to cover the Department's share of the OIT request.

**NP5-8 NEW VEHICLE NP REQUESTS:** The requests include a \$40,679 increase in reappropriated funds spending authority for the Vehicle Replacement Lease/Purchase line item for 22 vehicles in FY 2017-18 and an additional four vehicles in FY 2018-19, for new vehicle requests from the Office of the State Public Defender in Judicial (4), the Department of Revenue (3), the Department of Public Safety (11 in FY 2017-18 plus 4 in FY 2018-19), and the Department of Law (4).

**STATEWIDE INDIRECT COST ASSESSMENT ADJUSTMENT:** The request includes a net increase of \$1.8 million cash and reappropriated funds for adjustments to departmental indirect cost assessments included in the Statewide Indirect Cost Plan.

**CORE OPERATIONS BASE ADJUSTMENTS:** The request includes a \$6,720 increase in reappropriated funds for CORE Operations base adjustments for the Payments for CORE and Support Modules line item. This adjustment

includes a \$2.9 million refinance of fund source from the Supplier Database Cash Fund (cash funds) to state agency user fees (reappropriated funds).

**OTHER:** The request includes a base adjustment for a leased space contract escalator for Administrative Courts of \$259 reappropriated funds.

**FUND SOURCE ADJUSTMENT:** The request includes a decrease of \$2.1 million General Fund and \$16,000 cash funds offset by an increase in reappropriated funds related to increased funding available from statewide indirect cost recoveries and other cash funds refinancing.

**ANNUALIZE PRIOR YEAR LEGISLATION:** The request includes a net decrease of \$701,079 total funds, including an increase of \$69,371 General Fund, for adjustments related to prior year legislation as outlined in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize SB13-276 Disability Investigational and Pilot Support Procurement	\$82,000	\$0	\$82,000	\$0	0.0
Annualize HB13-1286 Suspend Recovery Audits	58,777	58,777	0	0	0.8
Annualize HB16-1467 First-time Home Buyer	21,276	0	0	21,276	0.0
Annualize SB15-270 Create the Office of the State Architect	6,193	6,193	0	0	0.0
Annualize SB16-040 MJ Owner Changes	4,950	0	0	4,950	0.0
Annualize SB16-120 Review by Medicaid Client	4,401	4,401	0	0	0.0
Annualize HB16-1194 Income Tax Deduct	2,400	0	0	2,400	0.0
Annualize HB16-1408 Cash Fund Allocations	(879,745)	0	(879,745)	0	0.0
Annualize HB16-1362 License Plate Auction Transfer	(1,331)	0	(1,331)	0	0.0
<b>TOTAL</b>	<b>(\$701,079)</b>	<b>69,371</b>	<b>(\$799,076)</b>	<b>\$28,626</b>	<b>0.8</b>

**CENTRALLY APPROPRIATED LINE ITEMS:** The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; Capitol complex leased space; and payments to OIT.

**CAPITOL COMPLEX BASE ADJUSTMENTS:** The request includes a \$235,694 decrease in reappropriated funds spending authority for a Capitol Complex base adjustment for utilities.

**RISK MANAGEMENT BASE ADJUSTMENTS:** The request includes a net decrease of \$126,482 reappropriated funds for risk management base adjustments. In order of dollar amount by increase and then decrease, adjustments determined by the State's actuary include:

- a 14.3 percent increase of \$571,000 for liability legal services;
- a 1.2 percent increase of \$433,000 for workers' compensation claims;
- a 5.2 percent increase of \$270,000 for property policies;

- a 4.1 percent increase of \$14,000 for liability excess policy;
- a 21.7 percent decrease of \$1.5 million for liability claims;
- a 2.9 percent decrease of \$72,000 for workers' compensation legal services; and
- an 8.4 percent decrease of \$69,000 for workers' compensation excess policy.

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS:** The request includes a net decrease of \$42,307 total funds, including a decrease of \$85,000 General Fund, for adjustments related to prior year budget actions as outlined in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS				
	TOTAL FUNDS	GENERAL FUND	REAPPROPRIATED FUNDS	FTE
Annualize FY13-14 CP2 Employee Engagement Survey	\$215,000	\$215,000	\$0	0.0
Annualize FY16-17 BANP5 CBMS 1095-B Client	59,844	0	59,844	0.0
Annualize FY16-17 NP3 West Slope Asset Mgt	3,864	0	3,864	0.0
Annualize FY16-17 R1 OAC Resources	2,175	0	2,175	0.0
Annualize FY16-17 BANP3 Income Tax Refund	325	0	325	0.0
Annualize FY14-15 R1 Total Comp Vendor	(300,000)	(300,000)	0	0.0
Annualize FY16-17 R1 OAC Resources	(23,515)	0	(23,515)	0.0
<b>TOTAL</b>	<b>(\$42,307)</b>	<b>(85,000)</b>	<b>\$42,693</b>	<b>0.0</b>

## SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

**ISSUE 1: TOTAL COMPENSATION REQUEST OVERVIEW:** The FY 2017-18 total compensation request includes a 2.5 percent across-the-board (ATB) increase and no merit pay increase for state employees. The Governor's Office of State Planning and Budgeting (OSPB) estimates the ATB will total \$48.8 million total funds, including \$26.2 million General Fund. The executive request also includes a request for legislation to transfer the balance of the State Employee Reserve Fund (SERF), created to fund state employee merit pay, and estimated at \$46.9 million at the end of FY 2015-16, to the General Fund for general balancing needs.

**ISSUE 2: FUNDING MERIT PAY:** The current merit pay system evolved to provide a performance-based, incentive-oriented increase system to replace the automatic step increase system. Step increases provided a system for salary growth within a pay range classification. However, performance pay and merit pay systems have not been regularly or consistently funded. The unfunded incentive system will inevitably lead to a diminished outcome as the incentives built into the system create the reverse in which higher performing employees leave the workforce and lower performing employees remain.

**ISSUE 3: PERA UPDATE AND S.B. 10-001 REPORT:** PERA's, Senate Bill 10-001 Report was issued in December 2015. Provisions in S.B. 10-001 require reports every five years and this is the first. This informational issue describes PERA's financial position at of the end of calendar year 2015 and findings in the S.B. 10-001 report.

**ISSUE 4: CASH FUNDS EXCESS RESERVES FOLLOW-UP:** House Bill 15-1261, Maximum Reserve for Cash Funds with Fee Revenue, amended Section 24-75-402, C.R.S. This JBC bill amended statutes related to cash funds excess reserves to improve compliance and JBC and General Assembly oversight of cash-funded program revenue

management. In addition to other amendments, repeal dates were added to provide a periodic review and reconsideration about whether cash funds should remain exempt beyond a limited period of time. Current exemptions will repeal on July 1, 2017.

## FOR MORE INFORMATION

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**TO READ THE ENTIRE BRIEFING:** [http://leg.colorado.gov/sites/default/files/fy2017-18\\_perbrf.pdf](http://leg.colorado.gov/sites/default/files/fy2017-18_perbrf.pdf)