

# JOINT BUDGET COMMITTEE



## STAFF FIGURE SETTING FY 2023-24

### OPERATING COMMON POLICIES

(Changes to Operating Costs assumptions, State Agency Allocations for Administrative Law Judge Services, Workers' Compensation, Payment to Risk Management and Property Funds, Capitol Complex Leased Space, Vehicle Lease Payments, CORE Operations, Document Solutions Group, and Statewide Indirect Cost Plan)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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## HOW TO USE THIS DOCUMENT

The Operating Common Policies Change and Comparison Summary Table outlines program costs, fund balance reserve adjustment, and total allocation for each common policy; and provides a comparison to the prior year and to the Department request.

The Common Policy Recommendation Tables section functions as an executive summary of common policy recommendations. This section contains a table for each common policy outlining the staff recommended allocations to state agencies. This section includes a brief discussion of major changes from the prior year as well as differences from the request.

The Common Policy Build sections provide additional detail about build methodology, common policy program cost components, fund reserve adjustments, and state agency usage allocations for each common policy.

## SUMMARY OF 2023 STAFF RECOMMENDATION

OPERATING COMMON POLICIES CHANGE AND COMPARISON SUMMARY TABLE					
	FY 2022-23 APPROP.	FY 2023-24 RECOMMEND.	CHANGE FROM PRIOR YEAR	FY 2023-24 REQUEST	DIFFERENCE FROM REQUEST
<b>Administrative Law Judge Services</b>					
Program Costs - Base	\$6,948,821	\$5,533,134	(\$1,415,687)	\$6,100,493	(\$567,359)
Fund Balance Reserve Adjustment	(322,369)	(2,121,205)	(1,798,836)	(1,421,875)	(699,330)
<b>Total Allocation - ALJ Services</b>	<b>\$6,626,452</b>	<b>\$3,411,929</b>	<b>(\$3,214,523)</b> <b>(48.5%)</b>	<b>\$4,678,618</b>	<b>(\$1,266,689)</b> <b>(27.1%)</b>
<b>Workers' Compensation</b>					
Program Costs	\$36,252,633	\$36,013,804	(\$238,829)	\$35,868,184	\$145,620
Fund Balance Reserve Adjustment	(4,801,604)	(8,093,551)	(3,291,947)	(8,260,455)	166,904
<b>Total Allocation - Workers' Compensation</b>	<b>\$31,451,029</b>	<b>\$27,920,253</b>	<b>(\$3,530,776)</b> <b>(11.2%)</b>	<b>\$27,607,729</b>	<b>\$312,524</b> <b>1.1%</b>
<b>Liability</b>					
Program Costs	\$20,714,634	\$23,328,517	\$2,613,883	\$23,331,999	(\$3,482)
C-SEAP Funding	2,328,274	2,522,031	193,757	2,475,765	46,266
Fund Balance Reserve Adjustment	1,883,804	370,035	(1,513,769)	2,209,984	(1,839,949)
<b>Total Allocation - Liability</b>	<b>\$24,926,712</b>	<b>\$26,220,583</b>	<b>\$1,293,871</b> <b>5.2%</b>	<b>\$28,017,748</b>	<b>(\$1,797,165)</b> <b>(6.4%)</b>
<b>Property</b>					
Program Costs	\$18,702,992	\$18,948,688	\$245,696	\$18,948,688	\$0
Fund Balance Reserve Adjustment	(5,831,343)	(6,925,119)	(1,093,776)	(6,644,112)	(281,007)
<b>Total Allocation - Property</b>	<b>\$12,871,649</b>	<b>\$12,023,569</b>	<b>(\$848,080)</b> <b>(6.6%)</b>	<b>\$12,304,576</b>	<b>(\$281,007)</b> <b>(2.3%)</b>
<b>Total Allocation - Payments to Risk and Property Funds</b>	<b>\$37,798,361</b>	<b>\$38,244,152</b>	<b>\$4,095,126</b> <b>10.8%</b>	<b>\$40,322,324</b>	<b>(\$2,078,172)</b> <b>(5.2%)</b>
<b>Capitol Complex Leased Space</b>					
Program Costs	\$16,390,286	\$14,789,451	(\$1,600,835)	\$15,431,231	(\$641,780)
Fund Balance Reserve Adjustment	(453,384)	(517,288)	(63,904)	(1,544,066)	1,026,778
<b>Total Allocation - Capitol Complex Leased Space</b>	<b>\$15,936,902</b>	<b>\$14,272,163</b>	<b>(\$1,664,739)</b> <b>(10.4%)</b>	<b>\$13,887,165</b>	<b>\$384,998</b> <b>2.8%</b>
<b>CORE Operations</b>					
Program Costs	\$15,054,020	\$15,501,108	\$447,088	\$15,410,822	\$90,286
Payment from Supplier Database Cash Fund	(2,223,407)	(4,399,709)	(2,176,302)	(4,399,708)	(1)
Fund Balance Reserve Adjustment	(1,680,788)	(3,421,911)	(1,741,123)	(2,257,537)	(1,164,374)
<b>Total Allocation - CORE Operations</b>	<b>\$11,149,825</b>	<b>\$7,679,488</b>	<b>(\$3,470,337)</b> <b>(31.1%)</b>	<b>\$8,753,577</b>	<b>(\$1,074,089)</b> <b>(12.3%)</b>
<b>Total – Op. Common Policies Paid by Allocation</b>	<b>\$102,962,569</b>	<b>\$91,527,985</b>	<b>(\$11,434,584)</b> <b>(11.1%)</b>	<b>\$95,249,413</b>	<b>(\$3,721,428)</b> <b>(3.9%)</b>
<b>Document Solutions Group for Dept. of State</b>					
Program Costs	\$10,049,919	\$10,105,089	\$55,170	\$10,105,089	\$0
Fund Balance Reserve Adjustment	287,102	295,451	8,349	295,451	0
<b>Total Allocation for Departments of State and Revenue</b>	<b>\$10,337,021</b>	<b>\$10,400,540</b>	<b>\$63,519</b> <b>0.6%</b>	<b>\$10,400,540</b>	<b>\$0</b> <b>0.0%</b>
Vehicle Replacement Lease/Purchase approp.	\$23,885,809	\$24,235,806	\$349,997	\$24,545,156	(\$309,350)
			1.5%		(1.3%)
<b>Total Allocation for State Fleet</b>	<b>\$23,885,809</b>	<b>\$24,235,806</b>	<b>\$349,997</b> <b>1.5%</b>	<b>\$24,545,156</b>	<b>(\$309,350)</b> <b>(1.3%)</b>
Statewide Indirect Cost Plan	\$18,751,830	\$23,876,821	\$5,124,991	\$23,876,821	\$0
			27.3%		0.0%
<b>Statewide Indirect Cost Plan</b>	<b>\$18,751,830</b>	<b>\$23,876,821</b>	<b>\$5,124,991</b> <b>27.3%</b>	<b>\$23,876,821</b>	<b>\$0</b> <b>0.0%</b>

## COMMON POLICY RECOMMENDATION TABLES

### 1. ADMINISTRATIVE LAW JUDGE SERVICES

Administrative Law Judge Services FY 2023-24 Recommended Allocation						
Department	FY 2021-22	FY 2021-22	Final FY 2023-24			
	Utilization	Appropriation	Request	Recommendation	Req/Rec Diff	Total Adjustment
Agriculture	0.4%	\$19,491	\$24,419	\$22,148	(\$2,271)	\$2,657
Early Childhood	1.0%	0	60,719	55,072	(5,647)	55,072
Education	3.4%	140,578	206,454	187,253	(19,201)	46,675
Health Care Policy & Finance	9.8%	890,065	600,498	544,650	(55,848)	(345,415)
Higher Education <sup>1</sup>	0.0%	322	0	0	0	(322)
Human Services	12.0%	1,093,489	731,471	663,443	(68,028)	(430,046)
Labor and Employment	65.0%	4,131,795	3,966,907	3,597,976	(368,931)	(533,819)
Law <sup>1</sup>	0.0%	1,042	1,233	1,118	(115)	76
Local Affairs <sup>1</sup>	0.0%	0	453	410	(43)	410
Personnel	0.0%	11,926	0	0	0	(11,926)
Public Health & Environment	1.0%	45,002	63,075	57,209	(5,866)	12,207
Public Safety <sup>1</sup>	0.0%	3,229	342	310	(32)	(2,919)
Regulatory Agencies	6.1%	531,448	371,554	336,998	(34,556)	(194,450)
Revenue <sup>1</sup>	0.0%	322	1,319	1,196	(123)	874
State	0.6%	71,968	36,226	32,857	(3,369)	(39,111)
Transportation	0.6%	8,144	35,823	32,492	(3,331)	24,348
<b>TOTAL</b>	<b>100.0%</b>	<b>\$6,948,821</b>	<b>\$6,100,493</b>	<b>\$5,533,134</b>	<b>(\$567,359)</b>	<b>(\$1,415,687)</b>

<sup>1</sup> FY 2021-22 Utilization appears as zero due to rounding.

### DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

JBC staff agrees with the Department's requested departmental allocations; however; to account for the higher than requested Administrative Hearings Cash Fund adjustment, staff **recommends the Committee approve a total FY 2023-24 appropriation of \$5,533,134 total funds**, with the Department allocations summarized above. No major changes to the program were proposed this year.

### 2. WORKERS' COMPENSATION

Workers' Compensation FY 2023-24 Recommended Allocation						
Department	FY 2022-23	Actuarial Allocation	FY 2023-24			
	Approp.		Request	Recommended	Req/Rec Increm.	Total Adjustment
Agriculture	\$176,126	0.7%	\$198,776	\$201,026	\$2,250	\$24,900
Corrections	6,956,967	23.3%	6,421,558	6,494,251	72,693	(462,716)
Education	235,883	0.8%	226,383	228,946	2,563	(6,937)
Governor	175,952	0.6%	157,364	159,145	1,781	(16,807)
Health Care Policy and Financing	194,996	0.7%	182,211	184,274	2,063	(10,722)
Higher Education	2,154,395	6.6%	1,822,110	1,842,737	20,627	(311,658)
Human Services						
Cost Allocation Share	9,429,018	27.4%	7,491,235	7,641,773	150,538	(1,787,245)
Prior Year WC Claim Payments	<u>65,000</u>		<u>65,000</u>	<u>65,000</u>		
Human Services subtotal	9,494,018		7,556,235	7,706,773		
Judicial	1,254,896	3.6%	988,357	999,545	11,188	(255,351)
Labor and Employment	588,134	2.0%	541,111	547,237	6,126	(40,897)
Law	191,851	0.7%	179,450	181,482	2,032	(10,369)

Workers' Compensation FY 2023-24 Recommended Allocation						
Department	FY 2022-23	FY 2023-24				
	Approp.	Actuarial Allocation	Request	Recommended	Req/Rec Incr.	Total Adjustment
Legislature	62,902	0.3%	71,780	72,593	813	9,691
Local Affairs	103,789	0.4%	102,149	103,305	1,156	(484)
Military and Veterans Affairs	83,356	0.4%	104,909	106,097	1,188	22,741
Natural Resources	1,336,669	4.0%	1,093,266	1,105,642	12,376	(231,027)
Personnel	207,264	1.0%	278,838	281,995	3,157	74,731
Public Health and Environment	380,557	1.3%	358,900	362,963	4,063	(17,594)
Public Safety	1,909,077	5.7%	1,562,597	1,580,286	17,689	(328,791)
Regulatory Agencies	217,012	0.7%	196,015	198,234	2,219	(18,778)
Revenue	487,491	1.4%	380,987	385,299	4,312	(102,192)
State	75,482	0.3%	77,302	78,177	875	2,695
Transportation	5,101,357	18.5%	5,101,909	5,159,663	57,754	58,306
Treasury	6,290	0.0%	5,522	5,584	62	(706)
<b>Allocation Totals</b>	<b>\$31,394,464</b>	<b>100.00%</b>	<b>\$27,607,729</b>	<b>\$27,920,253</b>	<b>\$377,524</b>	<b>(\$3,409,211)</b>
<i>Percentage change from prior year</i>						<i>(10.9%)</i>

## DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

Workers' Compensation decreases 11.2 percent, or \$3.5 million.

The staff recommends a total allocation of \$27.9 million for Workers' Compensation. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance. The recommendation includes the assumed approval of the Department's BA5 request for a technical adjustment to the calculation of legal services related to Workers' Compensation.

## 3. PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS RECOMMENDED ALLOCATION			
DEPARTMENT	FY 2023-24 REQUEST	FY 2023-24 RECOMMEND	REQ/REC INCR.
Agriculture	\$284,276	\$269,885	(\$14,391)
Corrections	7,787,313	7,368,817	(418,496)
Education	772,152	727,516	(44,636)
Governor	1,034,411	972,647	(61,764)
Health Care Policy and Financing	269,351	252,280	(17,072)
Higher Education	6,372,133	6,116,392	(255,741)
Human Services	3,418,186	3,247,542	(170,644)
Judicial	1,854,976	1,745,132	(109,844)
Labor and Employment	305,456	287,928	(17,527)
Law	419,682	393,081	(26,601)
Legislature	152,299	142,809	(9,491)
Local Affairs	125,220	117,844	(7,376)
Military and Veterans Affairs	444,688	430,892	(13,796)
Natural Resources	1,645,033	1,575,650	(69,383)
Personnel	1,142,944	1,104,094	(38,850)
Public Health and Environment	1,152,085	1,083,657	(68,428)
Public Safety	4,902,979	4,596,081	(306,899)
Regulatory Agencies	342,795	322,015	(20,780)
Revenue	776,668	729,517	(47,151)
State	187,323	175,809	(11,514)
Transportation	7,038,560	6,679,985	(358,575)
Treasury	25,778	24,135	(1,644)
<b>Allocation Totals</b>	<b>\$40,454,310</b>	<b>\$38,363,707</b>	<b>(\$2,090,603)</b>

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS RECOMMENDED ALLOCATION			
DEPARTMENT	FY 2023-24 REQUEST	FY 2023-24 RECOMMEND	REQ/REC INCREM.
Percentage change from prior year			(5.2%)

#### DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

Payment to Risk Management and Property Funds increases by 10.8 percent, or \$4.1 million. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance for the property component. The recommendation includes the assumed approval of the Department’s BA5 request for a technical adjustment to the calculation of legal services related to Liability.

#### 4. CAPITOL COMPLEX LEASED SPACE

CAPITOL COMPLEX LEASED SPACE PROGRAM COSTS					
	FY 2022-23 APPROP.	FY 2023-24 REQUEST	FY 2023-24 RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Personal Services	\$3,637,669	\$3,755,982	\$3,637,669	(\$118,313)	\$0
Benefits POTS	1,295,409	1,395,364	1,317,748	(77,616)	22,339
OIT and Operating Common Policies	1,456,986	1,759,617	1,759,617	0	302,631
Operating Expenses	2,705,456	3,005,456	3,563,699	558,243	858,243
Administrative Overhead	407,593	445,254	445,254	0	37,661
Capitol Complex Repairs	56,520	56,520	56,520	0	0
Capitol Complex Security	555,986	589,345	589,345	0	33,359
Utilities	3,563,009	3,737,619	3,737,619	0	174,610
Indirect Cost Assessment	338,799	490,737	490,737	0	151,938
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	(57,141)	(57,141)	(57,141)	0	0
<b>CCLS Program Costs</b>	<b>\$16,390,286</b>	<b>\$17,608,752</b>	<b>\$17,971,066</b>	<b>\$362,314</b>	<b>\$1,580,780</b>
<b>Subtotal</b>					
Fund Balance Adjustment	0	(2,177,521)	(3,181,616)	(1,004,095)	(3,181,616)
<b>Total for Allocation</b>	<b>\$16,390,286</b>	<b>\$15,431,231</b>	<b>\$14,789,451</b>	<b>(\$641,780)</b>	<b>(\$1,600,835)</b>
<i>Annual Growth of Allocation</i>					-9.8%

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	\$2,570,295
Parking at 1525 Sherman	28,800
Conference Center Rental	5,200
<b>Total</b>	<b>\$2,604,295</b>

#### DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

The changes to the Capitol Complex changes equal a decrease of 10.4 percent, or \$1.6 million. The primary difference between the request and the recommendation is the application of a lower than requested fund balance adjustment.

## 5. VEHICLE LEASE PAYMENTS

FY 2023-24 ANNUAL FLEET RECOMMENDED DEPARTMENT ALLOCATIONS								
DEPARTMENT	FY 2022-23 APPROPRIATION	FY 2023-24						
		REQUESTED APPROPRIATION	RECOMMENDED APPROPRIATION	TOTAL INCREMENTAL CHANGE	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS
<b>Appropriated Agencies</b>								
Agriculture	\$381,404	\$373,978	\$368,212	(\$13,192)	(\$5,543)	(\$7,469)	\$0	(\$180)
Corrections	3,621,238	3,496,774	3,459,902	(161,336)	(137,458)	(23,878)	0	0
Education	36,302	35,112	35,112	(1,190)	(1,006)	0	(184)	0
Governor's Office	152,206	162,539	157,959	5,753	659	0	5,094	0
Human Services	1,194,994	1,392,245	1,367,595	172,601	84,578	0	88,023	0
Judicial Branch	251,846	253,451	252,140	294	294	0	0	0
Labor And Employment	209,850	256,600	255,539	45,689	4,019	18,573	524	22,573
Law	88,783	83,975	83,975	(4,808)	(1,872)	(893)	(1,594)	(449)
Local Affairs	117,744	105,597	105,597	(12,147)	(10,911)	0	(1,236)	0
Military and Veterans Affairs	81,399	93,969	91,978	10,579	4,507	0	0	6,072
Natural Resources	5,097,079	5,209,558	5,097,111	32	2	29	0	0
Personnel	208,201	246,592	244,250	36,049	0	17	36,032	0
Public Health & Environment	331,447	450,015	448,158	116,711	0	106,149	10,562	0
Public Safety	11,087,612	10,976,673	10,921,428	(166,184)	(18,093)	(137,779)	(6,183)	(4,128)
Regulatory Agencies	276,795	408,068	397,563	120,768	0	120,768	0	0
Revenue	738,765	983,234	932,511	193,746	27,204	166,542	0	0
State	10,144	16,776	16,776	6,632	0	6,632	0	0
<b>Appropriated Totals</b>	<b>\$23,885,809</b>	<b>\$24,545,156</b>	<b>\$24,235,806</b>	<b>\$349,997</b>	<b>(\$53,621)</b>	<b>\$248,691</b>	<b>\$131,039</b>	<b>\$23,887</b>
		Req/Rec Incr.	(\$309,350)					
<b>Non Appropriated Agencies</b>								
Higher Education	\$1,161,081	\$1,599,764	\$1,577,001	\$415,920				
Transportation	2,813,077	3,764,025	3,631,997	\$818,920				
<b>Statewide Total</b>	<b>\$27,859,967</b>	<b>\$29,908,944</b>	<b>\$29,444,804</b>	<b>\$1,584,837</b>				
		Req/Rec Incr.	(\$464,140)					

### DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

For statewide fleet replacement vehicles:

- Total statewide Vehicle Lease Payments increase 5.7 percent, or \$1.6 million total funds.
- Staff recommends replacement of 416 of 583 requested vehicles, including 273 alternative fuel and hybrid vehicles.
- Staff recommends an appropriation of \$24,235,806 for statewide allocations to departments.
- Staff's recommended statewide vehicle lease payments is 1.5 percent lower than the request for all state agencies and 1.3 percent lower than the request for appropriated state agencies.

## 6. CORE OPERATIONS

CORE OPERATIONS FY 2023-24 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2022-23		FY 2023-24			
	APPROPRIATION	UTILIZATION	REQUEST	RECOMMEND.	REQ/REC INCREM.	TOTAL ADJUSTMENT
Agriculture	\$156,241	1.69%	\$148,223	\$130,036	(\$18,187)	(\$26,205)
Corrections	446,137	3.89%	340,453	298,678	(41,775)	(147,459)
Early Childhood	0	0.82%	72,183	63,326	(8,857)	63,326
Education	245,466	2.64%	230,845	202,520	(28,325)	(42,946)

CORE OPERATIONS FY 2023-24 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2022-23	FY 2023-24				
	APPROPRIATION	UTILIZATION	REQUEST	RECOMMEND.	REQ/REC INCREM.	TOTAL ADJUSTMENT
Governor	449,634	4.86%	425,558	373,341	(52,217)	(76,293)
Health Care Policy/ Financing	169,033	1.55%	135,385	118,773	(16,612)	(50,260)
Higher Education	256,309	2.21%	193,126	169,429	(23,697)	(86,880)
Human Services	1,295,497	9.22%	807,241	708,190	(99,051)	(587,307)
Judicial	1,887,328	18.09%	1,583,558	1,389,251	(194,307)	(498,077)
Labor and Employment	430,413	3.92%	342,993	300,907	(42,086)	(129,506)
Law	49,216	0.50%	43,713	38,349	(5,364)	(10,867)
Legislature	37,302	0.38%	32,935	28,894	(4,041)	(8,408)
Local Affairs	617,841	4.88%	427,099	374,693	(52,406)	(243,148)
Military and Veteran Affairs	75,708	0.69%	59,969	52,611	(7,358)	(23,097)
Natural Resources	624,718	6.28%	549,674	482,227	(67,447)	(142,491)
Personnel	304,732	2.83%	247,366	217,013	(30,353)	(87,719)
Public Health and Environment	1,081,804	10.62%	929,398	815,359	(114,039)	(266,445)
Public Safety	417,115	3.97%	347,251	304,642	(42,609)	(112,473)
Regulatory Agencies	365,367	3.24%	283,425	248,648	(34,777)	(116,719)
Revenue	1,680,683	10.49%	918,237	805,567	(112,670)	(875,116)
State	23,056	0.17%	14,952	13,117	(1,835)	(9,939)
Transportation	156,522	1.42%	124,698	109,397	(15,301)	(47,125)
Treasury	379,703	5.66%	495,294	434,520	(60,774)	54,817
<b>Allocation Totals</b>	<b>\$11,149,825</b>	<b>100%</b>	<b>\$8,753,576</b>	<b>\$7,679,489</b>	<b>(\$1,074,087)</b>	<b>(\$3,470,336)</b>
<i>Percentage Change from FY 2022-23</i>						<i>(31.1%)</i>

### DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

CORE Operations decrease 31.1percent, or \$3.5 million. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance.

### 7. DOCUMENT SOLUTIONS GROUP COMMON POLICY FOR DEPARTMENTS OF REVENUE AND STATE

The following table summarizes changes to the Department of Revenue and the Secretary of State’s Office for a common policy for services utilized by each with the Document Solutions Group at Integrated Document Solutions in Pueblo.

FY 2023-24 DSG RECOMMENDED ALLOCATIONS							
DEPARTMENT	FY 2022-23	FY 2023-24					
	APPROPRIATION	REC'D	TOTAL BASE ADJ.	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Revenue	\$9,379,108	\$9,363,133	(\$15,975)	(\$231,784)	\$0	\$0	\$0
State*	670,811	741,956	71,145	0	170,568	0	0
<b>Total</b>	<b>\$10,049,919</b>	<b>\$10,105,089</b>	\$55,170	(\$231,784)	\$170,568	\$0	\$0

\* The Department of State’s appropriation includes funding for contractual services utilized in the initiative process.



## 8. STATEWIDE INDIRECT COST ASSESSMENTS

FY 2023-24 STATEWIDE INDIRECT COST PLAN				
DEPARTMENT	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	TOTAL FUNDS
Agriculture	\$336,318	\$26,696	\$33,526	\$396,540
Corrections	40,985	40,253	80,238	161,476
Education	298,053	276,391	293,052	867,496
Governor	33,531	1,541	66,194	101,266
Governor - OIT	0	273,371	0	273,371
Health Care Policy and Financing	198,368	107,638	616,613	922,619
Higher Education	3,168,975	424,155	943,056	4,536,186
Human Services	341,310	360,976	728,893	1,431,179
Judicial	137,853	4,766	6,492	149,111
Labor and Employment	687,688	9,061	716,278	1,413,027
Law	46,806	190,988	5,130	242,924
Local Affairs	146,567	362,841	186,244	695,652
Military and Veterans Affairs	15,557	1,232	193,906	210,695
Natural Resources	1,177,442	56,372	144,424	1,378,238
Personnel	0	2,861,082	0	2,861,082
Public Health and Environment	518,404	166,717	330,433	1,015,554
Public Safety	1,320,700	213,631	80,461	1,614,792
Regulatory Agencies	1,087,832	91,560	25,919	1,205,311
Revenue	1,682,724	49	7,707	1,690,480
State	329,242	0	5,182	334,424
Transportation	2,371,600	3,798	0	2,375,398
<b>TOTAL</b>	<b>\$13,939,955</b>	<b>\$5,473,118</b>	<b>\$4,463,748</b>	<b>\$23,876,821</b>

### DIFFERENCES FROM PRIOR YEAR

The following table summarizes the proposed statewide indirect cost recoveries for FY 2023-24 and compares it to the plan for the prior year.

FY 2023-24 STATEWIDE INDIRECT COST PLAN				
	FY 2022-23	FY 2023-24	CHANGE	PERCENT CHANGE
Cash Funds	\$10,671,133	\$13,939,955	\$3,268,822	30.6%
Reappropriated Funds	5,177,996	5,473,118	295,122	5.7%
Federal Funds	2,902,701	4,463,748	1,561,047	53.8%
<b>Total</b>	<b>\$18,751,830</b>	<b>\$23,876,821</b>	<b>\$5,124,991</b>	<b>27.3%</b>

Indirect cost recoveries increased 27.3 percent, or \$5.1 million.

## COMMON POLICY BUILD SECTIONS

### 1. ADMINISTRATIVE LAW JUDGE SERVICES

The Office of Administrative Courts (OAC) provides an independent administrative law adjudication system for state agencies to resolve cases that concern worker's compensation, public benefits (food stamps, Colorado Works/TANF, Medicaid, etc.), professional licensing board work involving license denial, revocation, suspension or other discipline, teacher dismissal cases, and when a citizen has filed a complaint under the Fair Campaign Practices Act.

The OAC operates at three locations, including the main office in Denver, the Western Regional Office in Grand Junction, and the Southern Regional office in Colorado Springs. It also provides hearings at other regional locations around the State.

The OAC is cash funded through fees from state agency users and non-state entities. The cash funds source is fees from non-state agencies. The reappropriated funds source is fees from state agencies. Fee revenue is deposited into the Administrative Courts Cash Fund, created in Section 24-30-1001 (3), C.R.S.

The costs of providing Administrative Law Judge Services are allocated to state agencies, based upon actual usage for the most recent fiscal year for which actual data is available. The FY 2023-24 allocation is determined by the FY 2021-22 actual number of administrative law judge and paralegal hours used by agency. The common policy allocations to state agencies are calculated to fully fund the program's costs plus fund a cash fund balance reserve adjustment to maintain a standard reserve percentage from year to year.

While non-state agencies, including miscellaneous school districts, use the OAC, this cash funds revenue stream is variable and is billed directly by use. Cash funds revenue is held as reserve in the fund balance in the year received. The fund balance reserve is adjusted annually to maintain an adequate operating cash flow reserve from year-to-year. So recognition of cash funds revenue is automatically included in the following year's fund balance reserve adjustment to ensure fairness for state agency common policy allocations.

#### **ALJ SERVICES PROGRAM COSTS**

The following table outlines total administrative law judge services program base costs for allocation to state agencies that include program costs and a fund balance reserve adjustment.

Personal services, operating expenses, and indirect costs are based on figure setting recommendations for the next fiscal year (FY 2023-24), which were made immediately prior to those in this packet. Program share of departmental benefits POTS, legal services, OIT, and operating common policy items are provided by the Department and based on current year (FY 2022-23) appropriations and the program's estimated share of the Department total.

FY 2023-24 ADMINISTRATIVE LAW JUDGE SERVICES PROGRAM COSTS				
DESCRIPTION	FY 2022-23 APPROPRIATION	FY 2023-24 REQUEST	FY 2023-24 RECOMMENDED	DIFFERENCE FROM REQ
Personal Services	\$4,560,383	\$4,707,249	\$4,411,949	(\$295,300)
Benefits POTS	1,130,862	1,068,615	1,276,886	208,271
Operating and OIT Common Policies	1,307,364	1,395,612	1,395,612	0
Operating Expenses	172,233	172,233	391,233	219,000
Indirect Costs	99,227	178,659	178,659	0
<b>ALJ Program Costs Subtotal</b>	<b>\$7,270,069</b>	<b>\$7,522,368</b>	<b>\$7,654,339</b>	<b>\$131,971</b>
JBC Fund Bal Adjustment	(322,369)	(1,421,875)	(2,121,205)	(699,330)
<b>Total</b>	<b>\$6,947,700</b>	<b>\$6,100,493</b>	<b>\$5,533,134</b>	<b>(\$567,359)</b>

**FUND BALANCE RESERVE ADJUSTMENT**

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends continuing an 8.25 percent fund balance reserve calculated on the estimated program expenditure base of personal services, operating expenses, and indirect costs for the next fiscal year (FY 2023-24). The FY 2022-23 beginning fund balance is taken from the Department's FY 2023-24 budget request for the Administrative Hearings Cash Fund. Staff **recommends a fund balance reserve adjustment decrease of \$2,121,205.**

ADMINISTRATIVE COURTS CASH FUND		
RECOMMENDED RESERVE ADJUSTMENT CALCULATION	REQUESTED	RECOMMENDED
<b>FY 2022-23</b>		
Beginning Fund Balance	\$1,501,315	\$1,501,314
Revenue	6,947,700	7,018,496
Expenditures	(6,612,731)	(5,987,603)
<b>Ending Fund Balance</b>	<b>\$1,836,284</b>	<b>\$2,532,207</b>
	REQUESTED	RECOMMENDED
<b>FY 2023-24</b>		
Expenditure Base (PS+OE+IC)	\$5,023,141	4,981,841
Fund Balance Target Reserve	8.25%	8.25%
Fund Balance Reserve Amount	\$414,409	\$411,002
<b>Fund Balance Reserve Adjustment</b>	<b>(\$1,421,875)</b>	<b>(\$2,121,205)</b>

**STATE AGENCY UTILIZATION AND ALLOCATION**

The costs of providing administrative law judge services are allocated to state agencies, based upon actual usage for the most recent fiscal year that actual data is available. The next fiscal year (FY 2023-24) allocation is determined by the most recent actual year's (FY 2021-22) utilization of administrative law judge and paralegal hours by agency. The following table outlines **recommended allocations for the program base.**

Administrative Law Judge Services FY 2023-24 Recommended Allocation						
Department	FY 2021-22	FY 2021-22	Final FY 2023-24			
	Utilization	Appropriation	Request	Recommendation	Req/Rec Diff	Total Adjustment
Agriculture	0.4%	\$19,491	\$24,419	\$22,148	(\$2,271)	\$2,657
Early Childhood	1.0%	0	60,719	55,072	(5,647)	55,072
Education	3.4%	140,578	206,454	187,253	(19,201)	46,675

Administrative Law Judge Services FY 2023-24 Recommended Allocation						
Department	FY 2021-22	FY 2021-22	Final FY 2023-24			
	Utilization	Appropriation	Request	Recommendation	Req/Rec Diff	Total Adjustment
Health Care Policy & Finance	9.8%	890,065	600,498	544,650	(55,848)	(345,415)
Higher Education <sup>1</sup>	0.0%	322	0	0	0	(322)
Human Services	12.0%	1,093,489	731,471	663,443	(68,028)	(430,046)
Labor and Employment	65.0%	4,131,795	3,966,907	3,597,976	(368,931)	(533,819)
Law <sup>1</sup>	0.0%	1,042	1,233	1,118	(115)	76
Local Affairs <sup>1</sup>	0.0%	0	453	410	(43)	410
Personnel	0.0%	11,926	0	0	0	(11,926)
Public Health & Environment	1.0%	45,002	63,075	57,209	(5,866)	12,207
Public Safety <sup>1</sup>	0.0%	3,229	342	310	(32)	(2,919)
Regulatory Agencies	6.1%	531,448	371,554	336,998	(34,556)	(194,450)
Revenue <sup>1</sup>	0.0%	322	1,319	1,196	(123)	874
State	0.6%	71,968	36,226	32,857	(3,369)	(39,111)
Transportation	0.6%	8,144	35,823	32,492	(3,331)	24,348
<b>TOTAL</b>	<b>100.0%</b>	<b>\$6,948,821</b>	<b>\$6,100,493</b>	<b>\$5,533,134</b>	<b>(\$567,359)</b>	<b>(\$1,415,687)</b>

<sup>1</sup> FY 2021-22 Utilization appears as zero due to rounding.

## 2. WORKERS' COMPENSATION

Risk Management Services protects the State's human resource and property assets through the administration of liability, property, and workers' compensation coverage for state agencies. Services include accident investigation, legal defense, safety training, hazard mitigation, building inspection, insurance procurement, claim evaluation, and data collection. Risk Management Services is funded by reappropriated funds from the Risk Management Fund created in Section 24-30-1510 (1)(a), C.R.S., the Self-insured Property Fund created in Section 24-30-1510.5 (1)(a), C.R.S., and the State Employee Workers' Compensation Account in the Risk Management Fund created in Section 24-30-1510.7 (1)(a), C.R.S.

The workers' compensation program is used to pay workers' compensation benefits to state employees. The State is self-insured for workers' compensation claims. The two broad categories of workers' compensation payments are medical payments and indemnity payments. Indemnity benefits include settlements for permanent injuries and lost wages. The maximum workers' compensation benefits for lost wages are established by the Department of Labor and Employment pursuant to Section 8-47-106, C.R.S. There is no maximum payment for medical benefits. The Workers' Compensation Program is funded from the State Employee Workers' Compensation Account, a separate account within the Risk Management Fund, pursuant to Section 24-30-1510.7, C.R.S. Money in the account are continuously appropriated for the purposes of the account other than the direct and indirect administrative costs of operating the risk management system, including legal services, litigation expenses, and third-party administrator expenses.

### RISK MANAGEMENT PROGRAM COSTS

The following table outlines total risk management program overhead costs for allocation to risk programs. Risk management's personal services, operating expenses, and indirect costs are based on figure setting recommendations for the next fiscal year. Program share of departmental benefits pots and OIT and operating common policy items are estimated by the Department and based on current

fiscal year appropriations. Each risk program pays a share of Risk Management Services' administrative costs.

RISK MANAGEMENT PROGRAM COSTS						
	FY 2022-23 APPROP.	FY 2023-24 REQUEST	FY 2023-24 RECOMMEND.	LIABILITY SHARE	PROPERTY SHARE	WORKERS' COMP. SHARE
Program Allocation Share			100%	43.0%	7.0%	50.0%
Personal Services	\$872,365	\$894,145	\$897,602	\$385,969	\$62,832	\$448,801
Benefits POTS	218,744	217,110	228,502	98,256	15,995	114,251
Operating and OIT Common Policies	288,389	235,666	235,666	101,337	16,497	117,833
Operating Expenses	63,668	67,488	63,668	27,377	4,457	31,834
Indirect Costs	277,930	277,930	282,494	121,472	19,775	141,247
<b>Total Risk Mgt Costs for Allocation</b>	<b>\$1,721,096</b>	<b>\$1,692,339</b>	<b>\$1,707,932</b>	<b>\$734,411</b>	<b>\$119,555</b>	<b>\$853,966</b>

### WORKERS' COMPENSATION PROGRAM COSTS

The following table outlines total workers' compensation program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Workers' compensation third party administrator (TPA) fees and loss control programs;
- Workers' compensation claims, excess policy, and legal expenses;
- Actuarial and broker services attributable to workers' compensation;
- Workers' compensation share of the Risk Management Information System; and
- A fund balance reserve adjustment.

WORKERS' COMPENSATION PROGRAM COSTS				
	FY 2022-23 APPROP.	FY 2023-24 REQUEST	FY 2023-24 RECOMMEND.	DIFFERENCE FROM REQUEST
Program Costs	\$862,403	\$822,461	\$853,966	\$31,506
Workers' Compensation Claims	30,815,125	30,559,906	30,815,125	255,219
W.C. TPA Fees and Loss Control	1,850,000	1,850,000	1,850,000	0
W.C. Excess Policy	964,382	991,636	964,382	(27,254)
W.C. Legal Services	1,586,837	1,356,445	1,356,445	0
Actuarial and Broker Services	44,453	150,302	44,453	(105,849)
Risk Management Information System	64,433	72,434	64,433	(8,001)
DHS Prior Year Claim Payouts	65,000	65,000	65,000	0
<b>Workers' Compensation Program Costs Subtotal</b>	<b>\$36,252,633</b>	<b>\$35,868,184</b>	<b>\$36,013,804</b>	<b>\$145,620</b>
Fund Balance Reserve Adjustment	(4,801,604)	(8,260,455)	(8,093,551)	166,904
<b>Total for Allocation</b>	<b>\$31,451,029</b>	<b>\$27,607,729</b>	<b>\$27,920,253</b>	<b>\$312,524</b>

### WORKERS' COMPENSATION CLAIMS

This figure includes prospective claim payments defined by risk management from figures provided by the program actuary. There are two broad categories of workers' compensation claims: indemnity benefits and medical benefits. *Indemnity benefits* include settlements for permanent injuries and lost wages. The maximum workers' compensation benefits for lost wages are established by the

Department of Labor and Employment pursuant to Section 8-47-106, C.R.S. There is no maximum for medical benefits.

*WORKERS' COMPENSATION TPA FEES AND LOSS CONTROL*

This figure includes fees paid to the State's third party administrator (TPA), Broadspire, for contracted TPA services. This figure also includes loss control incentives used for agencies with initiatives to reduce workers' compensation claims. For FY 2023-24 the Department anticipates its TPA fees to remain constant.

*WORKERS' COMPENSATION EXCESS POLICY*

This figure includes the insurance policy purchased to cover the possibility of a catastrophic workers' compensation loss, required by the Colorado Department of Labor and Employment (CDLE) for a self-insurance permit. The cost of the policy is calculated on payroll. Also included are payments to the CDLE for permit fees and surcharges imposed on self-insured employers, which funds the Subsequent Injury Fund.

*WORKERS' COMPENSATION LEGAL SERVICES*

This figure represents the cost the Department anticipates spending for legal representation at workers' compensation hearings and for expert opinions provided through the TPA contract, which is included in actuarial projections provided by the State's actuary.

*RMIS SERVICE FEES*

The Department contracts for data management and technical support for the Risk Management Information System that tracks claims for all risk management programs. The Department splits the cost for the RMIS equally among the three risk management programs.

*DHS PRIOR YEAR CLAIM PAYOUTS*

This is a payment for Department of Human Services (DHS) prior year claims payments for certain DHS institutions claims – all permanent, total disability claims – that were open when the Department joined the State risk pool. This component was included in claims prior to FY 2017-18.

**FUND BALANCE RESERVE ADJUSTMENT**

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends an operating *cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for the next fiscal year. Staff also recommends an *extraordinary claims* fund balance reserve calculated at 10.0 percent of the workers' compensation claims estimate.

WORKERS' COMPENSATION FUND BALANCE ADJUSTMENT <sup>1</sup>	
<b>FY 2022-23</b>	
Beginning Fund Balance	\$17,783,858
Revenue Estimate	31,451,029
Expenditure Estimate	(36,252,633)
Transfer to Liability Fund	0
<b>FY 2023-24</b>	
Estimated Beginning Fund Balance	\$12,982,254
Targeted Fund Balance % Expenses/Claims	5%/10%
TARGET FUND BALANCE FY 2022-23	4,888,703
<b>Fund Balance Reserve Adjustment</b>	<b>(8,093,551)</b>

<sup>1</sup> Figures taken from Schedule 9.

The recommended fund balance reserve adjustment decrease totals \$8,093,551. Actuarial projections relied upon by the Department exceed the actual claims made against the program leading to a large fund balance. Revenue represents current fiscal year total allocations (billings) to state agencies and expenditures represents current fiscal year appropriated program costs. Transfers identified in the table are authorized by statute, which allows the Department to transfer between Workers' Compensation, Property, and Liability Funds to address negative cash balances that occur when claims exceed the actuarial projections.

**STATE AGENCY ALLOCATION**

The program's actuary projects the State's total workers' compensation needs by analyzing prior year's losses. Using this same data, the actuary then estimates the allocation for each agency as a percent of the total (including each institution of Higher Education). The following table outlines the recommended state agency allocations for the next fiscal year. **Staff recommends that the Committee approve the state agency allocations included in the table.**

Workers' Compensation FY 2023-24 Recommended Allocation						
Department	FY 2022-23	FY 2023-24				
	Approp.	Actuarial Allocation	Request	Recommended	Req/Rec Increment	Total Adjustment
Agriculture	\$176,126	0.7%	\$198,776	\$201,026	\$2,250	\$24,900
Corrections	6,956,967	23.3%	6,421,558	6,494,251	72,693	(462,716)
Education	235,883	0.8%	226,383	228,946	2,563	(6,937)
Governor	175,952	0.6%	157,364	159,145	1,781	(16,807)
Health Care Policy and Financing	194,996	0.7%	182,211	184,274	2,063	(10,722)
Higher Education	2,154,395	6.6%	1,822,110	1,842,737	20,627	(311,658)
Human Services						
Cost Allocation Share	9,429,018	27.4%	7,491,235	7,641,773	150,538	(1,787,245)
Prior Year WC Claim Payments	<u>65,000</u>		<u>65,000</u>	<u>65,000</u>		
Human Services subtotal	9,494,018		7,556,235	7,706,773		
Judicial	1,254,896	3.6%	988,357	999,545	11,188	(255,351)
Labor and Employment	588,134	2.0%	541,111	547,237	6,126	(40,897)
Law	191,851	0.7%	179,450	181,482	2,032	(10,369)
Legislature	62,902	0.3%	71,780	72,593	813	9,691
Local Affairs	103,789	0.4%	102,149	103,305	1,156	(484)
Military and Veterans Affairs	83,356	0.4%	104,909	106,097	1,188	22,741
Natural Resources	1,336,669	4.0%	1,093,266	1,105,642	12,376	(231,027)
Personnel	207,264	1.0%	278,838	281,995	3,157	74,731
Public Health and Environment	380,557	1.3%	358,900	362,963	4,063	(17,594)
Public Safety	1,909,077	5.7%	1,562,597	1,580,286	17,689	(328,791)
Regulatory Agencies	217,012	0.7%	196,015	198,234	2,219	(18,778)
Revenue	487,491	1.4%	380,987	385,299	4,312	(102,192)
State	75,482	0.3%	77,302	78,177	875	2,695
Transportation	5,101,357	18.5%	5,101,909	5,159,663	57,754	58,306
Treasury	6,290	0.0%	5,522	5,584	62	(706)
<b>Allocation Totals</b>	<b>\$31,394,464</b>	<b>100.00%</b>	<b>\$27,607,729</b>	<b>\$27,920,253</b>	<b>\$377,524</b>	<b>(\$3,409,211)</b>
<i>Percentage change from prior year</i>						<i>(10.9%)</i>

**ALLOCATION FOR INSTITUTIONS OF HIGHER EDUCATION**

The following table outlines the allocation for institutions of higher education.

WORKERS' COMPENSATION ALLOCATION FOR HIGHER EDUCATION		
	ACTUARIAL ALLOCATION	FY 2023-24 RECOMMEND.
Adams State University	0.0%	\$0
Arapahoe Community College	4.7%	87,161
Auraria Higher Education Center	10.0%	183,905
College Access Network/College Assist	0.0%	0
College Invest	0.7%	12,531
Colorado Commission on Higher Education	0.9%	16,953
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	7.2%	133,230
Community College of Aurora	2.7%	49,754
Community College System	3.5%	63,574
CSU - Global	1.7%	31,695
Denver Community College	4.2%	78,132
Front Range Community College	9.4%	173,033
History Colorado	1.3%	24,693
Lamar Community College	0.8%	15,479
Metropolitan State University of Denver	11.7%	216,153
Morgan Community College	1.3%	23,218
Northeastern Junior College	2.3%	42,936
Northwestern Community College	3.0%	55,835
Occupational Ed. Division	0.0%	0
Otero Junior College	4.4%	80,712
Pikes Peak Community College	12.2%	223,893
Private Occupational	0.0%	553
Pueblo Community College	6.4%	118,119
Red Rocks Community College	9.1%	167,689
Trinidad State Junior College	2.4%	43,489
Western State Colorado University	0.0%	0
<b>Allocation Totals</b>	<b>100.0%</b>	<b>1,842,737</b>

### 3. PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

#### RISK MANAGEMENT PROGRAM COSTS

The following table outlines total risk management program overhead costs for allocation to risk programs. Risk management's personal services, operating expenses, and indirect costs are based on figure setting recommendations for the next fiscal year. Program share of departmental benefits pots and OIT and operating common policy items are estimated by the Department and based on current fiscal year appropriations. Each risk program pays a share of Risk Management Services' administrative costs.

RISK MANAGEMENT PROGRAM COSTS						
	FY 2022-23 APPROP.	FY 2023-24 REQUEST	FY 2023-24 RECOMMEND.	LIABILITY SHARE	PROPERTY SHARE	WORKERS' COMP. SHARE
Program Allocation Share			100%	43.0%	7.0%	50.0%
Personal Services	\$872,365	\$894,145	\$897,602	\$385,969	\$62,832	\$448,801
Benefits POTS	218,744	217,110	228,502	98,256	15,995	114,251
Operating and OIT Common Policies	288,389	235,666	235,666	101,337	16,497	117,833
Operating Expenses	63,668	67,488	63,668	27,377	4,457	31,834
Indirect Costs	277,930	277,930	282,494	121,472	19,775	141,247
<b>Total Risk Mgt Costs for Allocation</b>	<b>\$1,721,096</b>	<b>\$1,692,339</b>	<b>\$1,707,932</b>	<b>\$734,411</b>	<b>\$119,555</b>	<b>\$853,966</b>



### 3A. LIABILITY PROGRAM

The State is self-insured for the Liability Program. The program provides coverage to state agencies and employees for tort and federal claims, including those arising out of the scope of employment. Judgments for liabilities that do not involve federal law are limited by the Governmental Immunity Act pursuant to Section 24-10-114, C.R.S., limiting awards to \$424,000 per person and \$1,195,000 per occurrence. This act does *not* apply to liabilities that pertain to federal law (Americans with Disabilities Act, age discrimination, gender discrimination, racial discrimination, etc.), and there is no damage limit for these awards. This line is funded from the Risk Management Fund created in Section 24-30-1510 (1) (a), C.R.S. Moneys in the fund are *continuously appropriated* for purposes of the fund, *other than the direct and indirect administrative costs of operating the risk management system*, pursuant to Section 24-30-1510 (1) (a), C.R.S.

#### C-SEAP PROGRAM COSTS

The Colorado State Employees Assistance Program (CSEAP) offers counseling to employees and managers on workplace issues such as absenteeism, sexual harassment, substance abuse, time management, violence in the workplace, and other types of personal problems that may be affecting an employee's ability to perform well at work. Section 24-50-604 (1)(k)(IV), C.R.S., provides that funding for the program may include, but need not be limited to, the Group Benefit Plans Reserve Fund created in Section 24-50-613 (1), C.R.S., the Risk Management Fund created in Section 24-30-1510 (1)(a), C.R.S., and interest derived from the investment of these funds. Since FY 2013-14, funding for CSEAP has been provided from the Risk Management Fund through liability program cost allocations to state agencies pursuant to Section 24-30-1510 (3)(g), C.R.S.

The following table outlines CSEAP costs that are included in liability program allocation.

CSEAP Program Costs				
	FY 2022-23	FY 2023-24		
	Approp.	Request	Recommend.	Req/Rec Incr.
Personal Services	\$1,141,491	\$1,201,547	\$1,242,155	\$40,608
Benefits POTS	318,353	350,379	356,037	5,658
Operating and OIT Common Policies	223,820	365,968	365,968	0
Operating Expenses	92,618	98,891	98,891	0
Indirect Costs	458,981	458,981	458,981	0
<b>Total Risk Mgt Costs for Allocation</b>	<b>\$2,235,263</b>	<b>\$2,475,765</b>	<b>\$2,522,031</b>	<b>\$46,266</b>

#### LIABILITY PROGRAM COSTS

The following table outlines total liability program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Liability claims, excess policy, and legal services expenses;
- Actuarial and broker services attributable to liability;
- Liability share of the Risk Management Information System;
- CSEAP costs
- The Cyber Security Liability Policy and

- A fund balance reserve adjustment.

LIABILITY PROGRAM COSTS				
	FY 2022-23		FY 2023-24	
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREM.
Risk Management Program Costs	\$705,904	\$737,893	\$734,411	(\$3,482)
Liability Claims (Prospective Losses)	8,005,651	10,391,477	10,391,477	0
Liability Excess Policy	2,634,853	2,390,081	2,390,081	0
Liability Legal Services	6,755,225	6,594,816	6,594,816	0
Actuarial and Broker Services	48,567	130,299	130,299	0
Risk Mgt. Information System	64,434	72,433	72,433	0
<b>Liability Program Costs Subtotal</b>	<b>\$18,214,634</b>	<b>\$20,316,999</b>	<b>\$20,313,517</b>	<b>(\$3,482)</b>
Cyber Security Liability Policy	2,500,000	3,015,000	3,015,000	0
C-SEAP Funding	2,328,274	2,475,765	2,522,031	46,266
Fund Balance Reserve Adjustment	1,883,804	2,209,984	370,035	(1,839,949)
<b>Total for Allocation</b>	<b>\$24,926,712</b>	<b>\$28,017,748</b>	<b>\$26,220,583</b>	<b>(\$1,797,165)</b>

### FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation.

RISK MANAGEMENT FUND (LIABILITY) <sup>1</sup>	
RECOMMENDED RESERVE ADJUSTMENT	
<b>FY 2022-23</b>	
Beginning Fund Balance	\$0
Revenue	24,926,712
Expenditures	(23,042,908)
Ending Fund Balance	\$1,883,804
<b>FY 2023-24</b>	
Beginning Fund Balance	\$1,883,804
<b>Cash Flow Reserve</b>	
Expenditures (estimated)	(24,293,826)
Cash Flow Reserve Percentage	5.00%
<i>Cash Flow Reserve Amount</i>	<i>1,214,691</i>
<b>Excess Claims Reserve</b>	
Liability Claims Estimate	\$10,391,477
Excess Claims Reserve Percentage	10.00%
<i>Extraordinary Claims Reserve Amount</i>	<i>1,039,148</i>
TARGET FUND BALANCE FY 2022-23	2,253,839
<b>Fund Balance Reserve Adjustment</b>	<b>\$370,035</b>

<sup>1</sup> Figures taken from Schedule 9.

Staff recommends a fund balance reserve adjustment of \$370,035. Staff recommends an *operating cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2023-24. Staff also recommends an *excess claims* fund balance reserve calculated at 10.0 percent of the liability, continuing the recent practice of the Committee.

### STATE AGENCY ALLOCATION

The program's actuary projects the State's total liability needs by analyzing prior years' losses. Using this same data, the actuary then estimates the allocation for each agency as a percent of the total. The following table outlines the recommended allocation for the next fiscal year. **Staff recommends that**

the Committee approve the state agency allocations included in the table as the liability component of the Payment to Risk Management and Property Funds.

Liability FY 2023-24 Recommended Allocation				
Department	Actuarial Allocation	FY 2023-24 Request	FY 2023-24 Recommend.	Req/Rec Increm.
Agriculture	0.7%	\$189,497	\$177,342	(\$12,155)
Corrections	20.7%	5,789,427	5,418,071	(371,356)
Education	2.3%	651,478	609,689	(41,788)
Governor	3.3%	921,298	862,203	(59,096)
Health Care Policy and Financing	0.9%	264,282	247,330	(16,952)
Higher Education	9.3%	2,599,115	2,432,398	(166,717)
Human Services	7.9%	2,219,363	2,077,005	(142,358)
Judicial	5.8%	1,629,556	1,525,030	(104,526)
Labor and Employment	0.9%	254,514	238,188	(16,325)
Law	1.5%	411,802	385,387	(26,415)
Legislature	0.5%	145,432	136,104	(9,329)
Local Affairs	0.4%	109,035	102,041	(6,994)
Military and Veterans Affairs	0.3%	81,482	76,255	(5,227)
Natural Resources	2.7%	753,870	705,514	(48,356)
Personnel	1.0%	293,059	274,262	(18,798)
Public Health and Environment	3.6%	1,017,161	951,917	(65,245)
Public Safety	16.8%	4,715,616	4,413,139	(302,478)
Regulatory Agencies	1.1%	312,993	292,916	(20,077)
Revenue	2.5%	710,898	665,299	(45,600)
State	0.6%	174,945	163,724	(11,222)
Transportation	16.9%	4,747,378	4,442,864	(304,515)
Treasury	0.1%	25,545	23,907	(1,639)
<b>Allocation Totals</b>	<b>100.0%</b>	<b>\$28,017,748</b>	<b>\$26,220,583</b>	<b>(\$1,797,165)</b>

#### ALLOCATION FOR INSTITUTIONS OF HIGHER EDUCATION

The following table outlines the allocation for institutions of higher education.

LIABILITY ALLOCATION FOR HIGHER EDUCATION		
	ACTUARIAL ALLOCATION	FY 2022-23 RECOMMEND.
Adams State University	0.0%	\$0
Arapahoe Community College	4.3%	103,389
Auraria Higher Education Center	2.1%	50,986
College Access Network/College Assist	0.0%	0
College Invest	0.4%	8,881
Colorado Commission on Higher Education	0.8%	19,798
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	10.2%	247,462
Community College of Aurora	2.8%	68,313
Community College System	7.2%	174,256
CSU - Global	1.1%	26,467
Denver Community College	4.3%	104,765
Front Range Community College	8.6%	208,521
History Colorado	1.6%	38,218
Lamar Community College	0.9%	20,862
Metropolitan State University of Denver	28.3%	689,135
Morgan Community College	1.2%	29,920
Northeastern Junior College	1.9%	45,316
Northwestern Community College	1.4%	34,362
Occupational Ed. Division	0.0%	0
Otero Junior College	1.9%	46,711

LIABILITY ALLOCATION FOR HIGHER EDUCATION		
	ACTUARIAL ALLOCATION	FY 2022-23 RECOMMEND.
Pikes Peak Community College	9.9%	241,117
Private Occupational	0.0%	509
Pueblo Community College	3.8%	92,948
Red Rocks Community College	4.4%	106,473
Trinidad State Junior College	3.0%	73,990
Western State Colorado University	0.0%	0
<b>Allocation Totals</b>	<b>100.0%</b>	<b>\$2,432,398</b>

3B. PROPERTY

The property program pays for commercial insurance and associated deductibles for insurance coverage of state properties. The program provides property loss coverage for state assets, including building and content value. The property program is funded from the Self-Insured Property Fund, created in Section 24-30-1510.5, C.R.S. Moneys in the fund are *continuously appropriated* for purposes of the fund, *other than the direct and indirect administrative costs of operating the risk management system*, pursuant to Section 24-30-1510.5 (1) (a), C.R.S.

**RISK MANAGEMENT PROGRAM COSTS**

The property program's share of risk management overhead costs are calculated at 7.0 percent for the next fiscal year (see table at start of this section), compared to 5.0 percent for the current fiscal year.

**PROPERTY PROGRAM COSTS**

The following table outlines total property program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Property policies and policy deductibles and payouts;
- Actuarial and Broker Services attributable to property;
- Property share of the Risk Management Information System; and
- A fund balance reserve adjustment.

PROPERTY PROGRAM COSTS				
	FY 2022-23		FY 2023-24	
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREM.
<b>Risk Management Program Costs</b>	<b>\$123,515</b>	<b>\$131,986</b>	<b>\$119,555</b>	<b>(\$12,430)</b>
Property Policies				
Property & boiler policies	9,875,729	12,281,071	12,281,071	0
Auto physical damage	112,235	111,475	111,475	0
Terrorism premium	141,110	97,500	97,500	0
Flood Zone A premium	500,000	500,000	500,000	0
Crime policy	252,185	235,330	235,330	0
Fine arts	0	16,205	16,205	0
<b>Property Policies Subtotal</b>	<b>\$10,881,259</b>	<b>\$13,241,581</b>	<b>\$13,241,581</b>	<b>\$0</b>
Policy Deductibles and Payouts	7,502,820	5,524,375	5,524,375	0
Actuarial and Broker Services	254,480	110,299	110,299	0
Risk Mgt. Information System	64,433	72,433	72,433	0
<b>Property Program Costs Subtotal</b>	<b>\$7,821,733</b>	<b>\$5,707,107</b>	<b>\$5,707,107</b>	<b>\$0</b>

PROPERTY PROGRAM COSTS				
	FY 2022-23	FY 2023-24		
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREM.
Fund Balance Reserve Adjustment	(5,831,343)	(6,644,112)	(6,925,119)	(281,007)
<b>Total for Allocation</b>	<b>\$12,995,164</b>	<b>\$12,436,562</b>	<b>\$12,143,124</b>	<b>(\$293,437)</b>

## FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends a *cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2023-24. Staff also recommends an *extraordinary claims* fund balance reserve calculated at 10.0 percent of the property deductibles and payouts estimate.

Self-insured Property Fund <sup>1</sup>	
Recommended Reserve Adjustment	
<b>FY 2022-23</b>	
Beginning Fund Balance	\$12,752,160
Revenue	14,760,104
Expenditures	(19,080,674)
Ending Fund Balance	\$8,431,590
<b>FY 2023-24</b>	
Beginning Fund Balance	\$8,431,590
<b>Operating Cash Flow Reserve</b>	
Expenditures (estimate)	(\$19,080,674)
Cash Flow Reserve Percentage	5.0%
<i>Cash Flow Reserve Amount</i>	<i>954,034</i>
<b>Extraordinary Claims Reserve</b>	
Deductibles and Payouts Estimate	\$5,524,375
Extraordinary Claims Reserve Percentage	10.0%
<i>Extraordinary Claims Reserve Amount</i>	<i>552,438</i>
TARGET FUND BALANCE FY 2022-23	1,506,471
<b>Fund Balance Reserve Adjustment</b>	<b>(\$6,925,119)</b>

<sup>1</sup> Figures taken from Schedule 9.

The staff recommended reserve totals \$1,506,471, which requires a reduction of \$6,925,119 total funds, which will be allocated back to state agencies through reduced billing.

## STATE AGENCY ALLOCATION

Policy premiums are allocated to state agencies according to their property holdings (building and content values) and loss histories. The following table outlines the recommended allocation for FY 2023-24. **Staff recommends that the Committee approve the state agency allocations included in the table as the property component of the Payment to Risk Management and Property Funds.**

PROPERTY FY 20223-24 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2022-23	PROPERTY VALUE	PROP. VALUE	FY 2023-24		
	APPROP.		ALLOCATION	REQUEST	RECOMMEND.	REQ/REC INCREM.
Agriculture	\$108,634	\$83,185,351	0.8%	\$94,779	\$92,543	(\$2,236)
Corrections	2,274,773	1,753,493,756	16.1%	1,997,886	1,950,746	(47,140)
Education	119,364	105,912,408	1.0%	120,674	117,827	(2,847)

PROPERTY FY 2022-24 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2022-23	PROPERTY VALUE	PROP. VALUE ALLOCATION	FY 2023-24		
	APPROP.			REQUEST	RECOMMEND.	REQ/REC INCREM.
Governor	113,362	99,276,499	0.9%	113,113	110,444	(2,669)
Health Care Policy and Financing	4,973	4,448,704	0.0%	5,069	4,949	(120)
Higher Education	3,960,353	3,311,481,539	30.3%	3,773,018	3,683,994	(89,024)
Human Services	1,205,665	1,052,176,975	9.6%	1,198,823	1,170,538	(28,285)
Judicial	225,657	197,845,710	1.8%	225,420	220,102	(5,318)
Labor and Employment	51,213	44,710,735	0.4%	50,942	49,740	(1,202)
Law	7,889	6,915,960	0.1%	7,880	7,694	(186)
Legislature	6,875	6,027,072	0.1%	6,867	6,705	(162)
Local Affairs	16,203	14,205,107	0.1%	16,185	15,803	(382)
Military and Veterans Affairs	267,840	318,776,799	2.9%	363,206	354,636	(8,570)
Natural Resources	834,713	782,150,888	7.2%	891,163	870,136	(21,027)
Personnel	852,689	745,922,925	6.8%	849,885	829,833	(20,052)
Public Health and Environment	135,725	118,419,449	1.1%	134,924	131,741	(3,183)
Public Safety	250,431	164,443,607	1.5%	187,363	182,942	(4,421)
Regulatory Agencies	29,995	26,156,564	0.2%	29,802	29,099	(703)
Revenue	38,246	57,724,912	0.5%	65,770	64,218	(1,552)
State	11,380	10,863,571	0.1%	12,378	12,086	(292)
Transportation	2,478,948	2,010,912,067	18.4%	2,291,182	2,237,122	(54,060)
Treasury	234	204,930	0.0%	233	228	(5)
<b>Allocation Totals</b>	<b>\$12,995,162</b>	<b>\$10,915,255,528</b>	<b>100.00%</b>	<b>\$12,436,562</b>	<b>\$12,143,124</b>	<b>(\$293,438)</b>
<i>Percentage change from prior year</i>						<i>-2.3%</i>

**ALLOCATION FOR INSTITUTIONS OF HIGHER EDUCATION**

The following table outlines the allocation for institutions of higher education.

PROPERTY ALLOCATION FOR HIGHER EDUCATION			
	PROPERTY VALUE	PROP. VALUE ALLOCATION	FY 2023-24 RECOMMEND
Adams State University	\$0	0.0%	\$0
Arapahoe Community College	391,595,521	11.8%	435,647
Auraria Higher Education Center	754,628,679	22.8%	839,518
College Access Network/College Assist	33,670	0.0%	37
College Invest	808,568	0.0%	900
Colorado Commission on Higher Education	599,221	0.0%	667
Colorado School of Mines	0	0.0%	0
Colorado State University - Pueblo	0	0.0%	0
Community College of Aurora	45,640,306	1.4%	50,774
Community College System	0	0.0%	0
CSU - Global	0	0.0%	0
Denver Community College	39,918,937	1.2%	44,409
Front Range Community College	301,146,014	9.1%	335,022
History Colorado	209,331,313	6.3%	232,879
Lamar Community College	74,359,593	2.2%	82,724
Metropolitan State University of Denver	184,908,700	5.6%	205,709
Morgan Community College	61,342,256	1.9%	68,243
Northeastern Junior College	151,550,059	4.6%	168,598
Northwestern Community College	90,863,610	2.7%	101,085
Occupational Ed. Division	192,201,794	5.8%	213,823
Otero Junior College	80,452,470	2.4%	89,503
Pikes Peak Community College	234,976,689	7.1%	261,409
Pueblo Community College	170,247,912	5.1%	189,399
Red Rocks Community College	204,686,032	6.2%	227,711
Trinidad State Junior College	122,190,196	3.7%	135,936

PROPERTY ALLOCATION FOR HIGHER EDUCATION			
	PROPERTY VALUE	PROP. VALUE ALLOCATION	FY 2023-24 RECOMMEND
Western State Colorado University	0	0.0%	0
<b>Allocation Totals</b>	<b>\$3,311,481,539</b>	<b>100.0%</b>	<b>\$3,683,994</b>

### 3C. PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

The line item which funds state agency payments for the liability and property funds is Payment to Risk Management and Property Funds.

#### STATE AGENCY ALLOCATION

The following table outlines the Payment to Risk Management and Property Funds allocation, which aggregates the liability and property allocations. **Staff recommends that the Committee approve the state agency allocations included in the table for the Payment to Risk Management and Property Funds.**

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS RECOMMENDED ALLOCATION			
DEPARTMENT	FY 2023-24 REQUEST	FY 2023-24 RECOMMEND	REQ/REC INCREM.
Agriculture	\$284,276	\$269,885	(\$14,391)
Corrections	7,787,313	7,368,817	(418,496)
Education	772,152	727,516	(44,636)
Governor	1,034,411	972,647	(61,764)
Health Care Policy and Financing	269,351	252,280	(17,072)
Higher Education	6,372,133	6,116,392	(255,741)
Human Services	3,418,186	3,247,542	(170,644)
Judicial	1,854,976	1,745,132	(109,844)
Labor and Employment	305,456	287,928	(17,527)
Law	419,682	393,081	(26,601)
Legislature	152,299	142,809	(9,491)
Local Affairs	125,220	117,844	(7,376)
Military and Veterans Affairs	444,688	430,892	(13,796)
Natural Resources	1,645,033	1,575,650	(69,383)
Personnel	1,142,944	1,104,094	(38,850)
Public Health and Environment	1,152,085	1,083,657	(68,428)
Public Safety	4,902,979	4,596,081	(306,899)
Regulatory Agencies	342,795	322,015	(20,780)
Revenue	776,668	729,517	(47,151)
State	187,323	175,809	(11,514)
Transportation	7,038,560	6,679,985	(358,575)
Treasury	25,778	24,135	(1,644)
<b>Allocation Totals</b>	<b>\$40,454,310</b>	<b>\$38,363,707</b>	<b>(\$2,090,603)</b>
Percentage change from prior year			(5.2%)

### 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 1.2 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 (753,626 sq. ft.), one address in the North Campus (89,534 sq. ft.), and two addresses in Lakewood (88,791 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 35,163 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 260,237 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 2022-23 APPROP.	FY 2023-24 REQUEST	FY 2023-24 RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Personal Services	\$3,637,669	\$3,755,982	\$3,637,669	(\$118,313)	\$0
Benefits POTS	1,295,409	1,395,364	1,317,748	(77,616)	22,339
OIT and Operating Common Policies	1,456,986	1,759,617	1,759,617	0	302,631
Operating Expenses	2,705,456	3,005,456	3,563,699	558,243	858,243
Administrative Overhead	407,593	445,254	445,254	0	37,661
Capitol Complex Repairs	56,520	56,520	56,520	0	0
Capitol Complex Security	555,986	589,345	589,345	0	33,359
Utilities	3,563,009	3,737,619	3,737,619	0	174,610
Indirect Cost Assessment	338,799	490,737	490,737	0	151,938
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	(57,141)	(57,141)	(57,141)	0	0
<b>CCLS Program Costs</b>	<b>\$16,390,286</b>	<b>\$17,608,752</b>	<b>\$17,971,066</b>	<b>\$362,314</b>	<b>\$1,580,780</b>
<b>Subtotal</b>					
Fund Balance Adjustment	0	(2,177,521)	(3,181,616)	(1,004,095)	(3,181,616)
<b>Total for Allocation</b>	<b>\$16,390,286</b>	<b>\$15,431,231</b>	<b>\$14,789,451</b>	<b>(\$641,780)</b>	<b>(\$1,600,835)</b>
<i>Annual Growth of Allocation</i>					-9.8%



**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	RECOMMENDED
FY 2022-23		
Beginning Cash Balance	\$5,811,755	\$6,845,740
Revenues	15,808,775	15,808,775
Expenditures	(16,390,287)	(16,390,287)
Ending Fund Balance	5,230,243	6,264,228
Capital Asset Reserve Set Aside Balance	(1,600,000)	(1,600,000)
<b>Net Available Operating Fund Balance</b>	<b>\$3,630,243</b>	<b>\$4,664,228</b>
	REQUESTED	RECOMMENDED
FY 2023-24		
Expenditure Base	\$16,857,413	\$17,971,066
Targeted Operating Reserve	8.25%	8.25%
Fund Balance Targeted Operating Res.	1,390,737	1,482,613
Total Target Reserve	\$2,990,737	\$3,082,613
<b>Fund Balance Reserve Adjustment</b>	<b>(\$2,239,507)</b>	<b>(\$3,181,616)</b>

Staff recommends an operating cash flow fund balance reserve equal to 8.25 percent for FY 2023-24. This results in a reduction of \$3,181,616 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
Correctional Industries	0					0
Early Childhood	0					
Education	61,292					61,292
Legislature	140,059					140,059

SQUARE FOOT ALLOCATION BY STATE AGENCY						
DEPARTMENT	TOTAL DENVER	PIERCE ST	NORTH CAMPUS	GRAND JUNCTION	CAMP GEORGE WEST	TOTAL ALL BUILDINGS
Governor, Lt Governor, OSPB	22,285					22,285
OTT	30,250	0	0	901		31,151
Health Care Policy and Financing	0					0
Human Services	73,067					73,067
Labor & Employment	0		5,381	2,993		8,374
Local Affairs	37,137		0	3,783	0	40,920
Military and Veterans Affairs	0				53,932	53,932
Natural Resources	44,982					44,982
Personnel	235,539		80,901	2,710	6,256	325,406
Public Health and Environment	0			4,478		4,478
Public Safety	105,663				200,049	305,712
Regulatory Agencies	0					0
Revenue	0	88,791	3,252	5,919		97,962
Transportation	0			14,379	0	14,379
Treasury	3,351					3,351
Vacant	129,146	0	0	0	0	129,146
<b>Total Square Footage Billed</b>	<b>753,625</b>	<b>88,791</b>	<b>89,534</b>	<b>35,163</b>	<b>260,237</b>	<b>1,227,350</b>

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	\$2,570,295
Parking at 1525 Sherman	28,800
Conference Center Rental	5,200
<b>Total</b>	<b>\$2,604,295</b>

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 2023-24 RECOMMENDED ALLOCATION					
DEPARTMENT	FY 2022-23		FY 2023-24		
	APPROPRIATION	REQUEST	RECOMMENDED	REQ/REC DIFFERENCE	TOTAL ADJUSTMENT
Agriculture	\$0	\$0	\$0	\$0	\$0
Corrections	59,492	59,217	0	(59,217)	(59,492)
Early Childhood	0	0	0	0	0
Education	917,789	886,487	1,076,195	189,708	158,406
Governor	670,624	647,851	929,895	282,044	259,271
Health Care Policy and Financing	651,086	628,878	0	(628,878)	(651,086)
Higher Education	0	0	0	0	0
Human Services	1,750,416	1,690,716	1,282,946	(407,770)	(467,470)
Judicial	0	0	0	0	0

CAPITOL COMPLEX LEASED SPACE FY 2023-24 RECOMMENDED ALLOCATION					
DEPARTMENT	FY 2022-23	FY 2023-24			
	APPROPRIATION	REQUEST	RECOMMENDED	REQ/REC DIFFERENCE	TOTAL ADJUSTMENT
Labor and Employment	42,555	41,400	39,700	(1,700)	(2,855)
Law	0	0	0	0	0
Legislative	2,793,884	2,698,595	2,459,225	(239,370)	(334,659)
Local Affairs	780,494	754,150	683,408	(70,742)	(97,086)
Military and Veteran Affairs	50,843	50,608	49,659	(949)	(1,184)
Natural Resources	1,551,708	1,075,147	828,339	(246,808)	(723,369)
Personnel and Administration	4,083,047	4,368,921	2,082,094	(2,286,827)	(2,000,953)
Public Health and Environment	40,967	39,903	37,075	(2,828)	(3,892)
Public Safety	1,981,538	1,929,749	2,039,484	109,735	57,946
Regulatory Agencies	0	0	0	0	0
Revenue	902,495	874,505	835,933	(38,572)	(66,562)
State	0	0	0	0	0
Transportation	139,820	124,319	119,049	(5,270)	(20,771)
Treasury	65,590	63,353	58,839	(4,514)	(6,751)
Vacant	0	0	2,267,609	2,267,609	2,267,609
<b>Allocation Totals</b>	<b>\$16,482,348</b>	<b>\$15,933,799</b>	<b>\$14,789,451</b>	<b>(\$1,144,348)</b>	<b>(\$1,692,897)</b>
<i>Percentage change from prior year</i>					<i>-10.27%</i>

Based on prior year appropriations, approving the Staff recommendation has an estimated decrease of \$852,208 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 2023-24 CAPITOL COMPLEX LEASED SPACE			
	ESTIMATED FUND SPLITS BASED ON FY 2022-23 APPROPRIATIONS	FY 2023-24	
		RECOMMENDED TOTAL FUND SPLITS	RECOMMENDED INCREMENTAL FUND SPLITS
General Fund	50.3%	\$7,445,041	(\$852,208)
Cash Funds	11.4%	1,690,296	(193,482)
Reappropriated Funds	31.5%	4,652,139	(532,514)
Federal Funds	6.8%	1,001,974	(114,692)
<b>Total</b>	<b>100.0%</b>	<b>\$14,789,451</b>	<b>(\$1,692,897)</b>

## 5. VEHICLE LEASE PAYMENTS

In accordance with Section 24-30-1104 (2), C.R.S., the Department is responsible for operating and maintaining the State's vehicle fleet. The State Fleet Management Program purchases vehicles, manages maintenance and repairs, auctions replaced and out-of-service vehicles, and manages the State Motor Pool. The fleet program is funded by fees from user agencies that are deposited in the Motor Fleet Management Fund created in Section 24-30-1115 (1), C.R.S. Appropriations for the Vehicle Lease Payments line items reflect the cost of lease payments and the Department's vehicle management fee, for each agency's vehicles.

### RECOMMENDED REPLACEMENT VEHICLES

**Staff recommends replacement of 416 of 583 requested vehicles, including 273 alternative fuel or hybrid vehicles (AFVs). The replacement recommendation includes a statewide increase in Vehicle Lease Payments line items of \$349,997 total funds, including \$53,621 General Fund.**

This recommendation does not include adjustments for additional state agency vehicles requested through separate department request items.

Staff's recommended replacement criteria requires that a vehicle meet one of three standards:

1. Projected high mileage by June 2024.
  - Standard vehicles – 150,000 miles. This is equal to 15,000 miles per year over 10 years.
  - Other law enforcement vehicles – 125,000 miles.
  - Colorado State Patrol (CSP) vehicles – 100,000 miles.
  - CSP Motorcycles – 40,000 miles.
2. Over 15 years old.
3. High maintenance cost that is 100 percent greater than average for the vehicle type.

The table below summarizes the number of vehicle replacements by department.

FY 2023-24 ANNUAL FLEET NUMBER OF VEHICLES REQUESTED AND RECOMMENDED				
DEPARTMENT	FY 2023-24 VEHICLES REQUESTED	FY 2023-24 AFV REQUESTED	FY 2023-24 VEHICLES RECOMMENDED	FY 2023-24 AFV RECOMMENDED
<b>Appropriated Agencies</b>				
Agriculture	10	10	8	8
Corrections	62	59	46	43
Governor's Office	3	1	0	0
Human Services	15	13	5	4
Judicial Branch	2	2	1	1
Labor And Employment	3	3	2	2
Law	2	2	2	2
Local Affairs	2	2	2	2
Military and Veterans Affairs	2	2	1	1
Natural Resources	125	94	86	65
Personnel	2	2	1	1
Public Health and Environment	3	3	2	2
Public Safety	136	38	118	32
Regulatory Agencies	10	10	7	7
Revenue	28	28	16	16
<b>Appropriated Totals</b>	<b>405</b>	<b>269</b>	<b>297</b>	<b>186</b>
<b>Non Appropriated Agencies</b>				
Higher Education	108	75	94	63
Transportation	70	66	25	24
<b>Statewide Total</b>	<b>583</b>	<b>410</b>	<b>416</b>	<b>273</b>

### VEHICLE REPLACEMENT LEASE/PURCHASE LINE ITEM

The following table provides a summary of the JBC staff recommendation for the *replacement* vehicles only. This table does not include appropriations related to individual decision items, which are included in individual agency figure setting recommendations. The fund splits included in this table are estimates based on prior year fund split ratios. JBC staff requests permission to instruct other analysts to work with individual departments to determine the necessary fund split.

FY 2023-24 ANNUAL FLEET RECOMMENDED DEPARTMENT ALLOCATIONS								
DEPARTMENT	FY 2022-23 APPROPRIATION	FY 2023-24						
		REQUESTED APPROPRIATION	RECOMMENDED APPROPRIATION	TOTAL INCREMENTAL CHANGE	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS
<b>Appropriated Agencies</b>								
Agriculture	\$381,404	\$373,978	\$368,212	(\$13,192)	(\$5,543)	(\$7,469)	\$0	(\$180)
Corrections	3,621,238	3,496,774	3,459,902	(161,336)	(137,458)	(23,878)	0	0
Education	36,302	35,112	35,112	(1,190)	(1,006)	0	(184)	0
Governor's Office	152,206	162,539	157,959	5,753	659	0	5,094	0
Human Services	1,194,994	1,392,245	1,367,595	172,601	84,578	0	88,023	0
Judicial Branch	251,846	253,451	252,140	294	294	0	0	0
Labor And Employment	209,850	256,600	255,539	45,689	4,019	18,573	524	22,573
Law	88,783	83,975	83,975	(4,808)	(1,872)	(893)	(1,594)	(449)
Local Affairs	117,744	105,597	105,597	(12,147)	(10,911)	0	(1,236)	0
Military and Veterans Affairs	81,399	93,969	91,978	10,579	4,507	0	0	6,072
Natural Resources	5,097,079	5,209,558	5,097,111	32	2	29	0	0
Personnel	208,201	246,592	244,250	36,049	0	17	36,032	0
Public Health & Environment	331,447	450,015	448,158	116,711	0	106,149	10,562	0
Public Safety	11,087,612	10,976,673	10,921,428	(166,184)	(18,093)	(137,779)	(6,183)	(4,128)
Regulatory Agencies	276,795	408,068	397,563	120,768	0	120,768	0	0
Revenue	738,765	983,234	932,511	193,746	27,204	166,542	0	0
State	10,144	16,776	16,776	6,632	0	6,632	0	0
<b>Appropriated Totals</b>	<b>\$23,885,809</b>	<b>\$24,545,156</b>	<b>\$24,235,806</b>	<b>\$349,997</b>	<b>(\$53,621)</b>	<b>\$248,691</b>	<b>\$131,039</b>	<b>\$23,887</b>
		Req/Rec Incr.	(\$309,350)					
<b>Non Appropriated Agencies</b>								
Higher Education	\$1,161,081	\$1,599,764	\$1,577,001	\$415,920				
Transportation	2,813,077	3,764,025	3,631,997	\$818,920				
<b>Statewide Total</b>	<b>\$27,859,967</b>	<b>\$29,908,944</b>	<b>\$29,444,804</b>	<b>\$1,584,837</b>				
		Req/Rec Incr.	(\$464,140)					

## 6. CORE OPERATIONS

CORE Operations is the common policy for the state's accounting and financial reporting system, the Colorado Operations Resource Engine. In FY 2015-16, the COFRS Modernization program was transferred from the Governor's Office of Information Technology to the Division of Accounts and Control in the Department of Personnel and located in a new subdivision known as CORE Operations. Consistent with that change, state agency line items were renamed from COFRS Modernization to CORE Operations.

### CORE OPERATIONS PROGRAM COSTS

The following table outlines total CORE Operations program costs for allocation to state agencies. The table includes program costs, a payment from the Supplier Database Cash Fund, and a fund balance reserve adjustment for the Statewide Financial Information Technology Systems Cash Fund.

FY 2023-24 CORE OPERATIONS PROGRAM COSTS					
	FY 2022-23	FY 2023-24			
	APPROPRIATION	REQUEST	RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Personal Services	\$2,058,016	\$2,118,506	\$2,224,068	\$105,562	\$166,052
Benefits POTS	557,744	577,435	556,796	(20,639)	(948)
Operating and OIT Common Policies	518,039	1,393,919	1,393,919	0	875,880
Operating Expenses	59,590	59,590	64,953	5,363	5,363

FY 2023-24 CORE OPERATIONS PROGRAM COSTS					
	FY 2022-23	FY 2023-24			
	APPROPRIATION	REQUEST	RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Payments for CORE and Support Modules	6,671,656	5,890,480	5,890,480	0	(781,176)
Indirect Costs	389,935	372,646	372,646	0	(17,289)
Depreciation	4,799,040	4,998,246	4,998,246	0	199,206
<b>CORE Operations Program Costs Subtotal</b>	<b>\$15,054,020</b>	<b>\$15,410,822</b>	<b>\$15,501,108</b>	<b>\$90,286</b>	<b>\$447,088</b>
Payment from Supplier Database Cash Fund	(2,223,407)	(4,399,708)	(4,399,709)	(0)	(2,176,302)
Fund Balance Reserve Adjustment	(1,680,788)	(2,257,537)	(3,421,911)	(1,164,374)	(1,741,123)
<b>Total for Allocation</b>	<b>\$11,149,825</b>	<b>\$8,753,576</b>	<b>\$7,679,489</b>	<b>(\$1,074,088)</b>	<b>(\$3,470,336)</b>

Personal services and operating expenses are based on figure setting recommendations for the next fiscal year. Program share of departmental benefits pots and OIT and operating common policy items are estimated by the Department and based on current year appropriations; the Department's request amount differs from the recommended amount by the amount of indirect costs.

Payments for CORE and Support Modules are figure setting recommendations for the next fiscal year. This line item pays for CORE system and modules annual licensing and operating costs to CORE vendors for Managed Services, Labor Data Collection and Electronic Content Management.

Indirect costs match those included in the statewide indirect costs plan.

Depreciation provides a 10-year straight-line depreciation schedule for the total value of the CORE asset set of \$46,477,361. The recommendation includes the correct amount of depreciation for this item. Lease-purchase payments are made in the CORE Lease Purchase Payments line item at an amount lower than depreciation, set at \$4,998,246 for FY 2023-24. However, it is necessary to bill the depreciable value rather than the lease purchase payment in order to properly bill federal sources of revenue for their proportional share of the implementation costs of the system. The straight-line method decreases the amount of variance between fiscal years for depreciation.

### FUND BALANCE RESERVE ADJUSTMENT

The Department requests and staff recommends a 16.5 percent reserve of the prior year fund balance for the Supplier Database Cash Fund and an 8.25 percent reserve for the Statewide Financial Information Technology Systems Cash Fund (SFITS). An 8.25 percent reserve is equal to approximately one month of operating revenue and 16.5 percent is two months.

#### SUPPLIER DATABASE CASH FUND RESERVE ADJUSTMENT

The adjustment for the Supplier Database Cash Fund is essentially a payment for CORE Operations from the cash fund.

SUPPLIER DATABASE CASH FUND <sup>1</sup>	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2022-23	
Beginning Fund Balance	\$5,895,806
Revenue	2,985,713
Expenditures	(3,612,407)
Ending Fund Balance	\$5,269,112

SUPPLIER DATABASE CASH FUND <sup>1</sup>	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2023-24	
Fund Balance Target Reserve	16.5%
Fund Balance Reserve Amount	869,403
<b>Fund Balance Reserve Adjustment</b>	<b>(\$4,399,709)</b>

<sup>1</sup> Figures taken from Schedule 9.

The FY 2022-23 beginning fund balance is taken from the Department's FY 2023-24 budget request Schedule 9 for the Supplier Database Cash Fund created in Section 24-102-202.5 (2)(a), C.R.S. Revenue and expenditure amounts are from Department estimates. The Supplier Database Cash Fund receives revenues from rebates on statewide price agreements. Because this fund is not a typical, common policy operational revenue cash fund, the fund balance target reserve amount is calculated on the prior year ending fund balance.

*STATEWIDE FINANCIAL INFORMATION TECHNOLOGY SYSTEMS CASH FUND RESERVE ADJUSTMENT*  
 The adjustment for the SF-ITS is a more typical reserve adjustment for a common policy operational cash fund. The SF-ITS created in Section 24-30-209 (2)(a), C.R.S., was added effective May 1, 2015. Revenue and expenditures were taken from the Department’s Schedule 9 for the Fund Report. The fund balance reserve amount is calculated on expenditures that include program costs minus depreciation plus CORE Lease Purchase Payments minus payments from the Supplier Database Cash Fund. The following table outlines the fund balance reserve adjustment recommendation.

STATEWIDE FINANCIAL INFORMATION TECHNOLOGY SYSTEMS CASH FUND <sup>1</sup>	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2022-23	
Beginning Cash Balance	\$3,285,808
Revenue	13,481,316
Expenditures	(12,478,727)
Ending Fund Balance	\$4,288,397
FY 2023-24	
Expenditures	\$10,502,862
Fund Balance Target Reserve	8.25%
Fund Balance Reserve Amount	866,486
<b>Fund Balance Reserve Adjustment</b>	<b>(\$3,421,911)</b>

<sup>1</sup> Figures taken from Schedule 9.

### STATE AGENCY UTILIZATION AND ALLOCATION

The costs of CORE Operations are allocated to state agencies, based upon actual usage for the most recent fiscal year for which actual data is available. The FY 2023-24 allocation is determined by the FY 2022-23 actual utilization. The following table outlines recommended allocations.

CORE OPERATIONS FY 2023-24 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2022-23		FY 2023-24			TOTAL ADJUSTMENT
	APPROPRIATION	UTILIZATION	REQUEST	RECOMMEND.	REQ/REC INCREM.	
Agriculture	\$156,241	1.69%	\$148,223	\$130,036	(\$18,187)	(\$26,205)
Corrections	446,137	3.89%	340,453	298,678	(41,775)	(147,459)
Early Childhood	0	0.82%	72,183	63,326	(8,857)	63,326
Education	245,466	2.64%	230,845	202,520	(28,325)	(42,946)

CORE OPERATIONS FY 2023-24 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2022-23		FY 2023-24			TOTAL ADJUSTMENT
	APPROPRIATION	UTILIZATION	REQUEST	RECOMMEND.	REQ/REC INCREM.	
Governor	449,634	4.86%	425,558	373,341	(52,217)	(76,293)
Health Care Policy/ Financing	169,033	1.55%	135,385	118,773	(16,612)	(50,260)
Higher Education	256,309	2.21%	193,126	169,429	(23,697)	(86,880)
Human Services	1,295,497	9.22%	807,241	708,190	(99,051)	(587,307)
Judicial	1,887,328	18.09%	1,583,558	1,389,251	(194,307)	(498,077)
Labor and Employment	430,413	3.92%	342,993	300,907	(42,086)	(129,506)
Law	49,216	0.50%	43,713	38,349	(5,364)	(10,867)
Legislature	37,302	0.38%	32,935	28,894	(4,041)	(8,408)
Local Affairs	617,841	4.88%	427,099	374,693	(52,406)	(243,148)
Military and Veteran Affairs	75,708	0.69%	59,969	52,611	(7,358)	(23,097)
Natural Resources	624,718	6.28%	549,674	482,227	(67,447)	(142,491)
Personnel	304,732	2.83%	247,366	217,013	(30,353)	(87,719)
Public Health and Environment	1,081,804	10.62%	929,398	815,359	(114,039)	(266,445)
Public Safety	417,115	3.97%	347,251	304,642	(42,609)	(112,473)
Regulatory Agencies	365,367	3.24%	283,425	248,648	(34,777)	(116,719)
Revenue	1,680,683	10.49%	918,237	805,567	(112,670)	(875,116)
State	23,056	0.17%	14,952	13,117	(1,835)	(9,939)
Transportation	156,522	1.42%	124,698	109,397	(15,301)	(47,125)
Treasury	379,703	5.66%	495,294	434,520	(60,774)	54,817
<b>Allocation Totals</b>	<b>\$11,149,825</b>	<b>100%</b>	<b>\$8,753,576</b>	<b>\$7,679,489</b>	<b>(\$1,074,087)</b>	<b>(\$3,470,336)</b>
<i>Percentage Change from FY 2022-23</i>						<i>(31.1%)</i>

## 7. DOCUMENT SOLUTIONS GROUP COMMON POLICY FOR DEPARTMENTS OF REVENUE AND STATE

The Department of Personnel’s Integrated Documents Solutions (IDS) includes a subdivision located in Pueblo that serves the scanning and document-related needs of State agencies. This group, the Document Solution Group (DSG), has until FY 2019-20 employed an expense pooling methodology in setting the rates for all services it offers. DSG has two major customers, the Department of Revenue (DOR) and Secretary of State (SOS), in addition to several smaller customers with one-time or short-term business needs. In FY 2019-20, with the help of Department of Personnel Staff, JBC staff recommended and the Joint Budget Committee approved a new common policy to smooth expenditures out over a 4-year period, to account for the Secretary of State’s typical work cycle.

### GENERAL DPA COMMON POLICY METHODOLOGY

Similar to the previously-existing DPA common policies such as Payments to Risk Management, Workers’ Compensation, Administrative Law Judge Services, CORE Operations, Vehicle Lease Payments and Capitol Complex Leased Space, the DSG common policy utilizes the same type of methodology; the Department estimates the total cost pool for the following fiscal year, determines the allocation percentages by department using a specific metric, and then determines the target fund balance estimate and any fund balance adjustments that may be needed. The total billing amount by cabinet/department is determined by taking the total allocable cost base plus or minus any fund balance adjustment, and multiplying this total cost by the allocation percentages by department.



## DSG OPERATIONS COMMON POLICY METHODOLOGY

### PROGRAM COST POOL

As is the standard approach for all other DPA common policies, the common policy cost pool for DSG includes operating expenses, personal services expenses, and overhead allocations. Personal services expenses include salaries aged to include projected total compensation adjustments, projected overtime and temporary labor needs based on projected volumes, and standard POTS related expenditures. Overhead allocations include the program's share of statewide common policies billed to the Department, such as Legal Services, Leased Space, Payments to Risk Management, Workers' Compensation, Administrative Law Judge Services, CORE Operations, Vehicle Lease Payments, and Payments to OIT. Operating expenses include all standard operating costs associated with providing services. Additionally, personal services contract costs necessary to support the specific equipment required by DOR are included in the cost pool. Finally, the cost pool will be reduced by the four-year average of the revenue derived by customers other than SOS and DOR.

COST POOL FOR DSG				
DESCRIPTION	FY 2022-23		FY 2023-24	
	APPROPRIATED	REQUESTED	RECOMMENDED	REQ/REC INCREM.
Personal Services	\$3,130,682	\$3,193,295	\$3,287,216	\$93,921
Central Personnel Allocation	98,514	123,772	123,772	0
DCS Admin Overhead Share	334,016	333,379	333,379	0
PERA DIRECT DISTRIBUTION	39,552	41,015	41,015	0
Operating Expenses & Personal Services Contracts	926,389	926,389	926,389	0
Indirect Costs	176,984	193,735	193,735	0
Operating and OIT Common Policies	1,125,272	1,010,561	1,010,561	0
Pipeline Delivery Costs	7,550	0	0	0
SOS North Campus	7,550	7,550	7,550	0
DOR North Campus	0	4,869,409	4,869,409	0
<b>DSG Program Cost Subtotal</b>	<b>\$5,846,508</b>	<b>\$10,699,105</b>	<b>\$10,793,026</b>	<b>\$93,921</b>
Standard IDS Fund Balance Adjustment (2.0%)	116,779	116,594	115,342	(1,252)
Fund Balance Adjustment (3.0% of Expenses)	178,672	178,389	176,473	(1,916)
<b>Adjusted Total</b>	<b>\$6,141,959</b>	<b>\$10,994,088</b>	<b>\$11,084,841</b>	<b>\$90,753</b>
Less Cost Related to Other Customers	(953,899)	(888,999)	(888,999)	0
<b>Total Collected in DSG Common Policy</b>	<b>\$5,188,060</b>	<b>\$10,105,089</b>	<b>\$10,195,842</b>	<b>\$90,753</b>

### FUND BALANCE ADJUSTMENTS

Because the DSG common policy will continue to operate out of the fund it shares with the rest of Integrated Document Solutions, the Department is proposing a methodology to ensure a reasonable fund balance similar to the one utilized by other DPA common policies.

The Department proposes that each year during the common policy build process, a review and comparison of revenue collected to actual expenses will be undertaken. If either the expense or revenue is out of balance, an adjustment will be made in the common policy allocation. If actual expenses come in higher than initially estimated, a positive fund balance adjustment is requested in the following fiscal year to bring in additional revenue in order to maintain a sufficient fund balance. However, if actual expenses come in lower than initially estimated, a negative fund balance adjustment is requested to keep the fund balance from exceeding an established target. Over time, this methodology allows the Department to true up the fund to an amount sufficient to cover actual expenses plus a minimal reserve, although there will always be a two-year lag from the actual transaction counts and the current fiscal year's common policy.

The target proposed by the Department for DSG is a 3.0 percent revenue contingency to be built into the common policy so that the program can accommodate fluctuations in actual volumes processed by the program. Without the contingency, the Department would not be able to provide services for additional unanticipated volumes for processing. These volumes can be accommodated on the expense side through the use of the existing contingency spending authority. If over time the true up shows that volumes fluctuate by more than 3.0 percent annually, the Department will seek to increase the revenue contingency reserve.

Additionally, a portion of the standard IDS (2.0 percent) fund balance adjustment will be applied to the overall cost pool for the DSG common policy. This ensures that the fund in its entirety will be moving toward the overall target on an annual basis, whether through an increase or decrease to the overall fund. The overall fund balance adjustment for IDS will be determined annually, and the portion that falls under DSG will be included as an increase or decrease the common policy cost pool. The remaining adjustments to the IDS fund balance are applied through the rates which are set annually.

**DEPARTMENT ALLOCATION BASIS**

The Department will continue to set rates for this program as it has done in the past and track volumes processed to arrive at a total billing amount for each fiscal year. This amount will be averaged with four fiscal years to accommodate for the election cycle that influences the volumes processed by the Secretary of State. The cost pool will then be allocated between SOS and DOR based on their portion of the total amounts billed. The allocation basis will maintain the two-year lag that all other Department-administered common policies utilize. For example, the FY 2023-24 common policy will be based on actual amounts that should have been billed for FY 2018-19, FY 2019-20, FY 2020-21, and FY 2022-23. In the future, the allocation will be based on what would have been billed based on the continued rate setting and actual volumes processed, averaged over four years.

FY 2023-24 DSG RECOMMENDED ALLOCATIONS							
DEPARTMENT	FY 2022-23	FY 2023-24					
	APPROPRIATION	REC'D	TOTAL BASE ADJ.	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Revenue	\$9,379,108	\$9,363,133	(\$15,975)	(\$231,784)	\$0	\$0	\$0
State*	670,811	741,956	71,145	0	170,568	0	0
<b>Total</b>	<b>\$10,049,919</b>	<b>\$10,105,089</b>	\$55,170	(\$231,784)	\$170,568	\$0	\$0

\* The Department of State's appropriation includes funding for contractual services utilized in the initiative process.

## 8. STATEWIDE INDIRECT COST ASSESSMENTS

While some centrally-provided services are billed directly, the purpose of the Statewide Indirect Cost Plan (formally labeled the Statewide Indirect Cost Appropriation/Cash Fees Plan by the Office of the State Controller) is to allocate the unbilled costs of statewide central services to user departments and institutions of higher education that benefit from these services. Such services benefit all state agencies but are otherwise impractical to bill for discretely or directly, and the indirect cost recoveries ensure that the General Fund does not support the provision of these services for cash- and federal-funded programs.

- For the budget, indirect cost recoveries offset General Fund. When indirect cost assessments and recoveries are not identified in a budget, a state agency is appropriated more General Fund than necessary and indirect cost recoveries are available for use by the state agency in an off-budget manner.
- Historically, statewide indirect costs have been associated with the functions of three departments: (1) the Governor's Office, including the Office of State Planning and Budgeting (OSPB); (2) the Department of Personnel; and (3) the Department of Treasury.
- The State Controller's Office submits the statewide indirect cost plan to the federal Division of Cost Allocation for approval. The federal government must agree to the use of federal funds for these purposes.
- Statewide indirect cost assessments are identified by department and fund source. Generally, although not consistently across departments, expected recoveries have been budgeted to offset a corresponding amount of General Fund in the respective department during the figure-setting process.
- The statewide indirect cost plan for FY 2023-24 is estimated to recover approximately \$23.9 million from cash funds, reappropriated funds, and federal funds. The plan includes \$5.1 million more allocations than for FY 2022-23, representing an increase of 27.3 percent decrease.

The following table summarizes the proposed statewide indirect cost recoveries for FY 2023-24 and compares it to the plan for the prior year.

FY 2023-24 STATEWIDE INDIRECT COST PLAN				
	FY 2022-23	FY 2023-24	CHANGE	PERCENT CHANGE
Cash Funds	\$10,671,133	\$13,939,955	\$3,268,822	30.6%
Reappropriated Funds	5,177,996	5,473,118	295,122	5.7%
Federal Funds	2,902,701	4,463,748	1,561,047	53.8%
<b>Total</b>	<b>\$18,751,830</b>	<b>\$23,876,821</b>	<b>\$5,124,991</b>	<b>27.3%</b>

**STATEWIDE INDIRECT COST PLAN**

Staff recommends that the Committee approve the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2023-24 for use in figure setting for department budgets. The following table outlines the plan.

FY 2023-24 STATEWIDE INDIRECT COST PLAN				
DEPARTMENT	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	TOTAL FUNDS
Agriculture	\$336,318	\$26,696	\$33,526	\$396,540
Corrections	40,985	40,253	80,238	161,476
Education	298,053	276,391	293,052	867,496
Governor	33,531	1,541	66,194	101,266
Governor - OIT	0	273,371	0	273,371
Health Care Policy and Financing	198,368	107,638	616,613	922,619
Higher Education	3,168,975	424,155	943,056	4,536,186
Human Services	341,310	360,976	728,893	1,431,179
Judicial	137,853	4,766	6,492	149,111
Labor and Employment	687,688	9,061	716,278	1,413,027
Law	46,806	190,988	5,130	242,924
Local Affairs	146,567	362,841	186,244	695,652
Military and Veterans Affairs	15,557	1,232	193,906	210,695
Natural Resources	1,177,442	56,372	144,424	1,378,238
Personnel	0	2,861,082	0	2,861,082
Public Health and Environment	518,404	166,717	330,433	1,015,554
Public Safety	1,320,700	213,631	80,461	1,614,792
Regulatory Agencies	1,087,832	91,560	25,919	1,205,311
Revenue	1,682,724	49	7,707	1,690,480
State	329,242	0	5,182	334,424
Transportation	2,371,600	3,798	0	2,375,398
<b>TOTAL</b>	<b>\$13,939,955</b>	<b>\$5,473,118</b>	<b>\$4,463,748</b>	<b>\$23,876,821</b>