

JOINT BUDGET COMMITTEE



STAFF FIGURE SETTING FY 2024-25

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 2024 STAFF RECOMMENDATION

OPERATING COMMON POLICIES CHANGE AND COMPARISON SUMMARY TABLE					
	FY 2023-24 APPROP.	FY 2024-25 RECOMMEND.	CHANGE FROM PRIOR YEAR	FY 2024-25 REQUEST	DIFFERENCE FROM REQUEST
Administrative Law Judge Services					
Program Costs - Base	\$7,654,339	\$7,778,841	\$124,502	\$7,519,698	\$259,143
Fund Balance Reserve Adjustment	(2,121,205)	(842,230)	1,278,975	(1,052)	(841,178)
Total Allocation - ALJ Services	\$5,533,134	\$6,936,611	\$1,403,477 25.4%	\$7,518,646	(\$582,035) (7.7%)
Workers' Compensation					
Program Costs	\$36,013,804	\$36,311,219	\$297,415	\$35,658,869	\$652,350
Fund Balance Reserve Adjustment	(8,093,551)	(1,865,790)	6,227,761	(78,281)	(1,787,509)
Total Allocation - Workers' Compensation	\$27,920,253	\$34,445,429	\$6,525,176 23.4%	\$35,580,588	(\$1,135,159) (3.2%)
Liability					
Program Costs	\$23,328,517	\$29,076,829	\$5,748,312	\$22,349,170	\$6,727,659
C-SEAP Funding	2,522,031	2,430,304	(91,727)	2,482,054	(51,750)
Fund Balance Reserve Adjustment	370,035	(2,834,105)	(3,204,140)	(7,057,621)	4,223,516
Total Allocation - Liability	\$26,220,583	\$28,673,028	\$2,452,445 9.4%	\$17,773,603	\$10,899,425 61.3%
Property					
Program Costs	\$19,068,243	\$26,669,681	\$7,601,438	\$26,673,730	(\$4,049)
Fund Balance Reserve Adjustment	(6,925,119)	321,827	7,246,946	909,442	(587,615)
Total Allocation - Property	\$12,143,124	\$26,991,508	\$14,848,384 122.3%	\$27,583,172	(\$591,664) (2.1%)
Total Allocation - Payments to Risk and Property Funds	\$38,363,707	\$55,664,536	\$17,300,829 45.1%	\$45,356,775	\$10,307,761 22.7%
Capitol Complex Leased Space					
Program Costs	\$18,498,702	\$19,283,187	\$784,485	\$19,556,405	(\$273,218)
Fund Balance Reserve Adjustment	(3,138,086)	(3,185,751)	(47,665)	1,372,135	(4,557,886)
Total Allocation - Capitol Complex Leased Space	\$15,360,616	\$16,097,436	\$736,820 4.8%	\$20,928,540	(\$4,831,104) (23.1%)
CORE Operations					
Program Costs	\$15,569,069	\$12,496,380	(\$3,072,689)	\$12,379,652	\$116,728
Payment from Supplier Database Cash Fund	(4,399,709)	(7,413,952)	(3,014,243)	(6,307,347)	(1,106,605)
Fund Balance Reserve Adjustment	(2,419,764)	(2,587,050)	(167,286)	(2,244,001)	(343,049)
Total Allocation - CORE Operations	\$8,749,596	\$2,495,378	(\$6,254,218) (71.5%)	\$3,828,304	(\$1,332,926) (34.8%)
Total – Op. Common Policies Paid by Allocation	\$95,927,306	\$115,639,390	\$19,712,084 20.5%	\$113,212,853	\$2,426,537 2.1%
Document Solutions Group for Dept. of State					
Program Costs	\$9,904,027	\$11,343,632	\$1,439,605	\$11,343,632	\$0
Fund Balance Reserve Adjustment	291,815	310,590	18,775	310,590	0
Total Allocation for Departments of State and Revenue	\$10,195,842	\$11,654,222	\$1,458,380 14.3%	\$11,654,222	\$0 0.0%
Vehicle Replacement Lease/Purchase approp.	\$25,024,639	\$25,513,287	\$488,648	\$25,513,287	\$0
			2.0%		0.0%
Total Allocation for State Fleet	\$25,024,639	\$25,513,287	\$488,648 2.0%	\$25,513,287	\$0 0.0%
Statewide Indirect Cost Plan	\$23,876,821	\$27,674,528	\$3,797,707	\$27,674,528	\$0
			15.9%		0.0%
Statewide Indirect Cost Plan	\$23,876,821	\$27,674,528	\$3,797,707 15.9%	\$27,674,528	\$0 0.0%

DECISION ITEMS AFFECTING COMMON POLICIES

R5 CORE OPERATING RESOURCES: The recommendation includes an increase of \$450,000 reappropriated funds spending authority to purchase professional services for the stabilization of the CORE upgrade post-implementation, enabling new functionality development in CORE, addressing customer-agency needs, and assisting with transition to quarterly software releases.

R7 ANNUAL FLEET VEHICLE REPLACEMENTS: The recommendation is to approve the Department's request for an increase of \$1,999,374 reappropriated funds for the Vehicle Replacement Lease/Purchase line item in Fleet Management. The recommendation includes a total of 725 vehicles, consisting of 534 alternative fuel vehicles (including 358 electric vehicles), and 191 standard vehicles. The recommendation requires an increase of \$488,648 total funds, including \$168,865 General Fund, allocated to user agencies.

Additionally, staff recommends a change in the analytical methodology applied by JBC staff to future fleet vehicle replacement requests. Staff is proposing taking a more proactive approach to determining the annual replacement of vehicles in the state fleet. Rather than winnow down the Department's final list of replacement candidates, staff is proposing to preemptively establish the methodology and criteria to be used by the Department in creating their list of replacements. During figure setting, this would allow staff to verify the application of the established methodology and to recommend any changes to the replacement selection criteria prior to the Department beginning its annual assessment of replacement candidates. Staff will engage with the Department and State Fleet Management to assess any changes to the current methodology and criteria that will ensure the state fleet is meeting its operational needs in a cost effective manner. Staff recommends that the Department continue to use its current replacement methodology and criteria for the FY 2025-26 budget cycle submission.

BA2 SWICAP TECHNICAL ADJUSTMENT: The recommendation includes an increase of \$56,445 total funds statewide, including an increase of \$609,430 General Fund, to correct a technical error in the allocations of statewide indirect costs. The Statewide Indirect Cost Allocation Plan (SWICAP) currently includes Institutions of Higher Education (IHEs) in the cost allocation pool for Professional Development which totals \$8.0 million. Classified employees of IHEs are not eligible for this type of Professional Development services, so the SWICAP submitted on Nov. 1, 2023, must be revised to remove IHEs from this portion of the cost pool and reassign the costs proportionately to qualifying agencies.

COMMON POLICY RECOMMENDATION TABLES

1. ADMINISTRATIVE LAW JUDGE SERVICES

ADMINISTRATIVE LAW JUDGE SERVICES FY 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2022-23	FY 2023-24	FY 2024-25			
	UTILIZATION	APPROPRIATION	REQUEST	RECOMMENDATION	REQ/REC DIFF	TOTAL ADJUSTMENT
Agriculture ¹	0.0%	\$22,148	\$750	\$704	(\$46)	(\$21,444)
Early Childhood	0.3%	55,072	21,691	20,366	(1,325)	(34,706)
Education	3.0%	187,253	223,241	209,603	(13,638)	22,350
Health Care Policy & Finance	11.9%	544,650	876,047	822,526	(53,521)	277,876
Higher Education ¹	0.0%	0	612	574	(38)	574
Human Services	12.0%	663,443	889,491	834,562	(54,929)	171,119
Labor and Employment	64.5%	3,597,976	4,893,842	4,472,982	(420,860)	875,006
Law ¹	0.0%	1,118	551	517	(34)	(601)
Local Affairs	0.1%	410	10,203	9,580	(623)	9,170
Public Health & Environment	1.5%	69,416	112,906	106,008	(6,898)	36,592
Public Safety ¹	0.0%	310	551	517	(34)	207
Regulatory Agencies	5.4%	336,998	397,210	372,715	(24,495)	35,717
Revenue ¹	0.0%	1,196	1,667	1,565	(102)	369
State	0.7%	32,857	48,950	45,959	(2,991)	13,102
Transportation	0.6%	32,492	40,934	38,433	(2,501)	5,941
TOTAL	100.0%	\$5,545,339	\$7,518,646	\$6,936,611	(\$582,035)	\$1,391,272

¹ FY 2022-23 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 2024-25 appropriation of \$6,936,611 total funds**, with the Department allocations summarized above. A change to the methodology calculating the total program cost has been incorporated this year to include the costs of translation and interpretation service; this change adds \$130,674 to program costs and is split between three departments: Human Services, Labor and Employment, and Regulatory Agencies.

2. WORKERS' COMPENSATION

WORKERS' COMPENSATION FY 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2023-24	FY 2024-25				
	APPROP.	ACTUARIAL ALLOCATION	REQUEST	RECOMMENDED	REQ/REC INCREM.	TOTAL ADJUSTMENT
Agriculture	\$201,026	0.9%	\$308,986	\$299,675	(\$9,311)	\$98,649
Corrections	6,494,251	22.0%	7,820,532	7,584,884	(235,648)	1,090,633
Education	228,947	1.0%	344,501	334,121	(10,380)	105,174
Governor	159,145	0.6%	205,990	199,783	(6,207)	40,638
Health Care Policy and Financing	184,274	0.7%	262,815	254,896	(7,919)	70,622
Higher Education	1,842,737	7.6%	2,706,288	2,624,742	(81,546)	782,005
Human Services						
Cost Allocation Share	7,576,773	27.7%	9,837,818	9,476,384	(361,434)	1,899,611
Prior Year WC Claim Payments	<u>65,000</u>		<u>65,000</u>	<u>65,000</u>		

WORKERS' COMPENSATION FY 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2023-24	FY 2024-25				
	APPROP.	ACTUARIAL ALLOCATION	REQUEST	RECOMMENDED	REQ/REC INCREM.	TOTAL ADJUSTMENT
Human Services subtotal	7,641,773		9,902,818	9,541,384		
Judicial	999,545	2.6%	909,199	881,803	(27,396)	(117,742)
Labor and Employment	547,996	1.7%	607,317	589,017	(18,300)	41,021
Law	181,482	0.7%	248,609	241,118	(7,491)	59,636
Legislature	72,593	0.3%	120,753	117,114	(3,639)	44,521
Local Affairs	103,305	0.4%	156,269	151,560	(4,709)	48,255
Military and Veterans Affairs	106,097	0.4%	142,062	137,782	(4,280)	31,685
Natural Resources	1,105,642	4.2%	1,481,000	1,436,374	(44,626)	330,732
Personnel	281,995	1.2%	408,429	396,122	(12,307)	114,127
Public Health and Environment	362,963	1.3%	447,496	434,012	(13,484)	71,049
Public Safety	1,580,286	5.6%	2,003,079	1,942,722	(60,357)	362,436
Regulatory Agencies	198,234	0.8%	269,918	261,785	(8,133)	63,551
Revenue	487,491	1.5%	546,940	530,460	(16,480)	42,969
State	78,177	0.3%	95,892	93,003	(2,889)	14,826
Transportation	5,159,663	18.5%	6,581,039	6,382,738	(198,301)	1,223,075
Treasury	6,964	0.0%	10,655	10,334	(321)	3,370
Allocation Totals	\$28,024,586	100.00%	\$35,580,587	\$34,445,429	(\$1,135,158)	\$6,420,843
<i>Percentage change from prior year</i>						<i>22.9%</i>

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

Workers' Compensation increases 22.9 percent, or \$6.4 million.

The staff recommends a total allocation of \$34.4 million for Workers' Compensation. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance.

3. PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS RECOMMENDED ALLOCATION			
DEPARTMENT	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND	REQ/REC INCREM.
Agriculture	\$349,638	\$418,801	\$69,163
Corrections	7,496,558	9,318,427	1,821,869
Education	671,902	821,832	149,930
Governor	967,398	1,402,262	434,864
Health Care Policy and Financing	159,111	249,605	90,494
Higher Education	9,236,837	9,518,889	282,052
Human Services	3,538,579	4,043,601	505,022
Judicial	1,363,229	1,883,868	520,639
Labor and Employment	302,552	417,709	115,157
Law	297,425	468,794	171,369
Legislature	97,122	147,074	49,952
Local Affairs	111,752	157,641	45,889
Military and Veterans Affairs	844,920	857,295	12,375
Natural Resources	2,551,447	2,925,596	374,149
Personnel	2,104,311	2,196,847	92,536
Public Health and Environment	937,596	1,322,508	384,912
Public Safety	5,055,363	7,909,917	2,854,554
Regulatory Agencies	240,079	345,613	105,534
Revenue	560,631	812,424	251,793
State	104,384	150,413	46,029

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS RECOMMENDED ALLOCATION			
DEPARTMENT	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND	REQ/REC INCREM.
Transportation	8,350,011	10,270,044	1,920,033
Treasury	15,931	25,373	9,442
Allocation Totals	\$45,356,776	\$55,664,536	\$10,307,760
Percentage change from prior year			22.7%

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

Payment to Risk Management and Property Funds increases by 22.7 percent, or \$10.3 million. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance for the liability component, as well as the use of the liability excess policy and legal services requested appropriations in the Department's operating budget.

4. CAPITOL COMPLEX LEASED SPACE

CAPITOL COMPLEX LEASED SPACE PROGRAM COSTS					
	FY 2023-24 APPROP.	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Personal Services	\$4,165,305	\$4,479,757	\$4,422,634	(\$57,123)	\$257,329
Benefits POTS	1,317,748	1,544,065	1,544,065	0	226,317
OTT and Operating Common Policies	1,759,617	2,175,484	2,175,484	0	415,867
Operating Expenses	3,563,699	3,621,929	3,504,090	(117,839)	(59,609)
Administrative Overhead	445,254	451,674	451,674	0	6,420
Capitol Complex Repairs	56,520	56,520	56,520	0	0
Capitol Complex Security	589,345	637,377	610,189	(27,188)	20,844
Utilities	3,737,619	3,681,723	3,681,370	(353)	(56,249)
Indirect Cost Assessment	490,737	535,018	464,303	(70,715)	(26,434)
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
CCLS Program Costs	\$18,498,702	\$19,556,405	\$19,283,187	(\$273,218)	\$784,485
Subtotal					
Fund Balance Adjustment	(3,138,086)	1,372,135	(3,185,751)	(4,557,886)	(47,666)
Total for Allocation	\$15,360,617	\$20,928,540	\$16,097,436	(\$4,831,104)	\$736,819
<i>Annual Growth of Allocation</i>					4.8%

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	\$2,613,508
Parking at 1525 Sherman	28,800
Conference Center Rental	5,200
Total	\$2,647,508

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

The changes to the Capitol Complex changes equal an increase of 4.8 percent, or \$736,819. 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 2024-25 ANNUAL FLEET RECOMMENDED DEPARTMENT ALLOCATIONS								
DEPARTMENT	FY 2023-24 APPROPRIATION	FY 2024-25						
		REQUESTED APPROPRIATION	RECOMMENDED APPROPRIATION	TOTAL INCREMENTAL CHANGE	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS
Appropriated Agencies								
Agriculture	\$364,820	\$376,145	\$376,145	\$11,325	\$4,698	\$6,471	\$0	\$156
Corrections	3,459,902	3,637,220	3,637,220	177,318	151,075	26,243	0	0
Early Childhood	8,906	7,738	7,738	(1,168)	(1,168)	0	0	0
Education	35,112	38,683	38,683	3,571	3,020	0	551	0
Governor's Office	23,185	23,303	23,303	118	118	0	0	0
Human Services	1,367,595	1,436,690	1,436,690	69,095	34,077	0	35,018	0
Judicial Branch	259,140	282,917	282,917	23,777	23,777	0	0	0
Labor And Employment	255,706	250,133	250,133	(5,573)	(490)	(2,268)	(64)	(2,752)
Law	83,975	95,901	95,901	11,926	4,715	2,130	4,001	1,079
Local Affairs	134,148	121,638	121,638	(12,510)	(8,845)	(2,663)	(1,002)	0
Military and Veterans Affairs	93,969	94,848	94,848	879	413	0	0	466
Natural Resources	5,203,394	5,695,939	5,695,939	492,545	38,669	448,327	1,783	3,766
Personnel	244,250	278,300	278,300	34,050	0	16	34,034	0
Public Health & Environ	498,738	425,334	425,334	(73,404)	(6,577)	(60,809)	(6,018)	0
Public Safety	11,618,623	11,293,949	11,293,949	(324,674)	(73,956)	(233,898)	(11,929)	(4,891)
Regulatory Agencies	412,563	499,075	499,075	86,512	0	86,512	0	0
Revenue	943,837	939,111	939,111	(4,726)	(660)	(4,066)	0	0
State	16,776	16,363	16,363	(413)	0	(413)	0	0
Appropriated Totals	\$25,024,639	\$25,513,287	\$25,513,287	\$488,648	\$168,865	\$265,583	\$56,374	(\$2,174)
		Req/Rec Incr.	\$0					
Non Appropriated Agencies								
Higher Education	\$1,577,001	\$1,763,617	\$1,763,617	\$186,616				
Transportation	3,631,997	3,679,601	3,679,601	\$47,604				
Statewide Total	\$30,233,637	\$30,956,505	\$30,956,505	\$722,868				
		Req/Rec Incr.	\$0					

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

For statewide fleet replacement vehicles:

- Total statewide Vehicle Lease Payments increase 2.4 percent, or \$722,868 million total funds.
- Staff recommends approving the request to replace a total of 725 vehicles, consisting of 534 alternative fuel vehicles (including 358 electric vehicles), and 191 standard vehicles.
- Staff recommends an appropriation of \$25.5 million for statewide allocations to departments.

6. CORE OPERATIONS

CORE OPERATIONS FY 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2023-24	FY 2024-25				
	APPROPRIATION	UTILIZATION	REQUEST	RECOMMEND.	REQ/REC INCREM.	TOTAL ADJUSTMENT
Agriculture	\$129,937	1.7%	\$65,541	\$42,721	(\$22,820)	(\$87,216)
Corrections	337,446	3.4%	129,430	84,365	(45,065)	(253,081)
Early Childhood	71,546	0.6%	23,933	15,600	(8,333)	(55,946)
Education	228,808	2.7%	101,833	66,377	(35,456)	(162,431)
Governor	421,801	5.0%	192,380	125,397	(66,983)	(296,404)
Health Care Policy/ Financing	134,190	1.4%	54,201	35,330	(18,871)	(98,860)
Higher Education	191,421	2.1%	82,221	53,593	(28,628)	(137,828)
Human Services	800,112	10.1%	387,493	252,577	(134,916)	(547,535)
Judicial	1,569,573	18.4%	703,255	458,398	(244,857)	(1,111,175)
Labor and Employment	340,070	3.8%	144,508	94,194	(50,314)	(245,876)
Law	38,349	0.5%	18,456	12,030	(6,426)	(26,319)
Legislature	32,645	0.3%	13,105	8,542	(4,563)	(24,103)
Local Affairs	423,327	4.7%	181,679	118,422	(63,257)	(304,905)
Military and Veteran Affairs	52,571	0.5%	20,699	13,492	(7,207)	(39,079)
Natural Resources	544,817	6.1%	232,695	151,676	(81,019)	(393,141)
Personnel	245,181	2.8%	106,404	69,357	(37,047)	(175,824)
Public Health and Environment	921,191	9.2%	353,844	230,644	(123,200)	(690,547)
Public Safety	344,184	3.7%	142,251	92,723	(49,528)	(251,461)
Regulatory Agencies	280,922	3.1%	120,047	78,249	(41,798)	(202,673)
Revenue	804,958	10.7%	409,035	266,618	(142,417)	(538,340)
State	14,820	0.2%	7,278	4,744	(2,534)	(10,076)
Transportation	123,596	1.4%	53,801	35,069	(18,732)	(88,527)
Treasury	434,192	7.4%	284,216	185,258	(98,958)	(248,934)
Allocation Totals	\$8,485,657	100%	\$3,828,305	\$2,495,377	(\$1,332,929)	(\$5,990,281)
<i>Percentage Change from FY 2023-24</i>						<i>(70.6%)</i>

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

CORE Operations decrease 70.6 percent, or \$6.0 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 2024-25 DSG RECOMMENDED ALLOCATIONS								
DEPT.	LINE ITEM	FY 2023-24	FY 2024-25					
		APPROP.	REC'D	TOTAL BASE ADJ.	GENERAL FUND	CASH FUNDS	REAPP. FUNDS	FEDERAL FUNDS
Revenue	IDS Print Production	\$5,326,432	\$6,031,318	\$704,886	\$704,886	\$0	\$0	\$0
Revenue	Document Management	4,383,166	4,957,923	574,757	638,678	(63,921)	0	0

FY 2024-25 DSG RECOMMENDED ALLOCATIONS								
DEPT.	LINE ITEM	FY 2023-24	FY 2024-25					
		APPROP.	REC'D	TOTAL BASE ADJ.	GENERAL FUND	CASH FUNDS	REAPP. FUNDS	FEDERAL FUNDS
State*	Document Management	741,956	664,980	(76,976)	0	(76,976)	0	0
Total		\$10,451,554	\$11,654,221	\$1,202,667	\$1,343,564	(\$140,897)	\$0	\$0

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

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

The Document Solutions Group common policy total allocated costs increased by 11.5 percent from the prior fiscal year, or \$1.2 million total funds. The increase is primarily driven by increase in printing services provided to the Department of Revenue.

8. STATEWIDE INDIRECT COST ASSESSMENTS

FY 2024-25 STATEWIDE INDIRECT COST PLAN				
DEPARTMENT	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	TOTAL FUNDS
Agriculture	\$349,669	\$26,812	\$46,445	\$422,926
Corrections	74,410	52,861	9,378	136,649
Education	357,763	310,997	200,660	869,420
Governor	59,901	6,317	113,981	180,199
Governor - OIT	0	448,714	0	448,714
Health Care Policy and Financing	276,775	132,407	650,625	1,059,807
Higher Education	3,317,446	1,039,340	512,885	4,869,671
Human Services	359,388	688,409	688,855	1,736,652
Judicial	133,388	4,604	2,439	140,431
Labor and Employment	576,659	6,311	876,085	1,459,055
Law	55,962	232,704	4,166	292,832
Local Affairs	106,996	239,099	427,127	773,222
Military and Veterans Affairs	8,961	1,198	199,775	209,934
Natural Resources	1,618,028	74,254	169,208	1,861,490
Personnel	0	2,550,992	0	2,550,992
Public Health and Environment	660,080	179,819	661,121	1,501,020
Public Safety	1,789,741	310,172	88,262	2,188,175
Regulatory Agencies	1,039,413	80,698	32,840	1,152,951
Revenue	1,851,078	25	12,828	1,863,931
State	309,041		563	309,604
Transportation	3,640,912	5,941	0	3,646,853
TOTAL	\$16,585,611	\$6,391,674	\$4,697,243	\$27,674,528

DIFFERENCES FROM PRIOR YEAR

The following table summarizes the proposed statewide indirect cost recoveries for FY 2024-25 and compares it to the plan for the prior year.

FY 2024-25 STATEWIDE INDIRECT COST PLAN				
	FY 2023-24	FY 2024-25	CHANGE	PERCENT CHANGE
Cash Funds	\$13,939,955	\$16,585,611	\$2,645,656	19.0%
Reappropriated Funds	5,473,118	6,391,674	918,556	16.8%
Federal Funds	4,463,748	4,697,243	233,495	5.2%
Total	\$23,876,821	\$27,674,528	\$3,797,707	15.9%

Indirect cost recoveries increased 15.9 percent, or \$3.8 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 2024-25 allocation is determined by the FY 2022-23 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 anticipated figure setting recommendations for the next fiscal year (FY 2024-25), which will be presented at a later date. 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 2023-24) appropriations and the program's estimated share of the Department total.

FY 2024-25 ADMINISTRATIVE LAW JUDGE SERVICES PROGRAM COSTS				
DESCRIPTION	FY 2023-24 APPROPRIATION	FY 2024-25 REQUEST	FY 2024-25 RECOMMENDED	DIFFERENCE FROM REQ
Personal Services	\$4,411,949	\$4,309,354	\$4,680,008	\$370,654
Benefits POTS	1,276,886	1,203,091	1,203,091	0
Operating and OIT Common Policies	1,395,612	1,693,099	1,693,099	0
Operating Expenses	391,233	172,233	60,722	(111,511)
Indirect Costs	178,659	141,921	141,921	0
<i>ALJ Program Costs Subtotal</i>	<i>\$7,654,339</i>	<i>\$7,519,698</i>	<i>\$7,778,841</i>	<i>\$259,143</i>
JBC Fund Bal Adjustment	(2,121,205)	(1,052)	(842,230)	(841,178)
Total	\$5,533,134	\$7,518,646	\$6,936,611	(\$582,035)

Newly embedded in the program cost calculations are translation and interpretation services costs provided to departments. To date, three departments have utilized these services: Human Services, Labor and Employment, and Regulatory Agencies. The projected total FY 2024-25 cost for these services is \$130,674, which are allocated to the aforementioned departments based on service utilization rates for FY 2022-23.

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 2024-25). The FY 2023-24 beginning fund balance is taken from the Department's FY 2024-25 submitted budget documentation (Schedule 9) for the Administrative Hearings Cash Fund. Staff **recommends a fund balance reserve adjustment decrease of \$842,230.**

ADMINISTRATIVE COURTS CASH FUND		
RECOMMENDED RESERVE ADJUSTMENT CALCULATION	REQUESTED	RECOMMENDED ¹
FY 2023-24		
Beginning Fund Balance	\$2,279,857	\$2,279,857
Revenue	5,621,664	5,652,499
Expenditures	(7,519,030)	(6,687,307)
Ending Fund Balance	\$382,491	\$1,245,049
	REQUESTED	RECOMMENDED
FY 2024-25		
Expenditure Base (PS+OE+IC)	\$4,623,508	\$4,882,651
Fund Balance Target Reserve	8.25%	8.25%
Fund Balance Reserve Amount	\$381,439	\$402,819
Fund Balance Reserve Adjustment	(\$1,052)	(\$842,230)

¹ Figures taken from Schedule 9.

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 2024-25) allocation is determined by the most recent actual year's (FY 2022-23) 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 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2022-23	FY 2023-24	FY 2024-25			
	UTILIZATION	APPROPRIATION	REQUEST	RECOMMENDATION	REQ/REC DIFF	TOTAL ADJUSTMENT
Agriculture ¹	0.0%	\$22,148	\$750	\$704	(\$46)	(\$21,444)
Early Childhood	0.3%	55,072	21,691	20,366	(1,325)	(34,706)
Education	3.0%	187,253	223,241	209,603	(13,638)	22,350
Health Care Policy & Finance	11.9%	544,650	876,047	822,526	(53,521)	277,876
Higher Education ¹	0.0%	0	612	574	(38)	574
Human Services	12.0%	663,443	889,491	834,562	(54,929)	171,119
Labor and Employment	64.5%	3,597,976	4,893,842	4,472,982	(420,860)	875,006
Law ¹	0.0%	1,118	551	517	(34)	(601)
Local Affairs	0.1%	410	10,203	9,580	(623)	9,170
Public Health & Environment	1.5%	69,416	112,906	106,008	(6,898)	36,592
Public Safety ¹	0.0%	310	551	517	(34)	207
Regulatory Agencies	5.4%	336,998	397,210	372,715	(24,495)	35,717
Revenue ¹	0.0%	1,196	1,667	1,565	(102)	369
State	0.7%	32,857	48,950	45,959	(2,991)	13,102
Transportation	0.6%	32,492	40,934	38,433	(2,501)	5,941
TOTAL	100.0%	\$5,545,339	\$7,518,646	\$6,936,611	(\$582,035)	\$1,391,272

¹ FY 2022-23 Utilization appears as zero due to rounding.

The following table details the department allocations for translation and interpretation services for FY 2024-25. These figures are included in the allocations shown above.

ESTIMATED FY 2024-25 TRANSLATION/INTERPRETATION SERVICE BY DEPARTMENT				
	FY 2022-23 ACTUAL EXPENDITURES	FY 2022-23 UTILIZATION PERCENTAGE	FY 2023-24 ESTIMATED EXPENDITURES	FY 2024-25 RECOMM. ALLOCATIONS
Human Services	\$332	0.5%	\$455	\$625
Labor and Employment	68,992	99.3%	94,634	129,806
Regulatory Agencies	129	0.2%	177	243
Total	\$69,453	100.0%	\$95,266	\$130,674

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 2023-24 APPROP.	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND.	LIABILITY SHARE	PROPERTY SHARE	WORKERS' COMP. SHARE
Program Allocation Share			100%	43.0%	7.0%	50.0%
Personal Services	\$897,602	\$1,075,933	\$1,018,053	\$437,763	\$71,264	\$509,027
Benefits POTS	228,502	277,989	277,989	119,535	19,459	138,994
Operating and OIT Common Policies	235,666	271,375	271,375	116,691	18,996	135,687
Operating Expenses	63,668	65,018	65,018	27,958	4,551	32,509
Indirect Costs	282,494	365,942	365,942	157,355	25,616	182,971
Total Risk Mgt Costs for Allocation	\$1,707,932	\$2,056,257	\$1,998,377	\$859,302	\$139,886	\$999,188

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 2023-24 APPROP.	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND.	DIFFERENCE FROM REQUEST
Program Costs	\$853,966	\$1,028,079	\$999,188	(\$28,890)
Workers' Compensation Claims	30,815,125	30,156,210	30,156,210	0
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	991,636	(0)
W.C. Legal Services	1,356,445	1,338,526	2,019,767	681,241
Actuarial and Broker Services	44,453	154,811	154,811	0
Risk Management Information System	64,433	74,607	74,607	0
DHS Prior Year Claim Payouts	65,000	65,000	65,000	0
Workers' Compensation Program Costs Subtotal	\$36,013,804	\$35,658,869	\$36,311,219	\$652,351
Fund Balance Reserve Adjustment	(8,093,551)	(78,281)	(1,865,790)	(1,787,509)

WORKERS' COMPENSATION PROGRAM COSTS				
	FY 2023-24 APPROP.	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND.	DIFFERENCE FROM REQUEST
Total for Allocation	\$27,920,253	\$35,580,588	\$34,445,429	(\$1,135,158)

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 2024-25 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 ¹	
FY 2023-24	
Beginning Fund Balance	\$8,783,417
Revenue Estimate	33,933,859
Expenditure Estimate	(36,013,804)
Transfer to Liability Fund	0
FY 2024-25	
Estimated Beginning Fund Balance	\$6,703,472
Targeted Fund Balance % Expenses/Claims	5%/10%
TARGET FUND BALANCE FY 2024-25	4,837,682
Fund Balance Reserve Adjustment	(1,865,790)

¹ Figures taken from Schedule 9.

The **recommended fund balance reserve adjustment is a decrease of \$1.9 million**. 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 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2023-24	FY 2024-25				
	APPROP.	ACTUARIAL ALLOCATION	REQUEST	RECOMMENDED	REQ/REC INCREM.	TOTAL ADJUSTMENT
Agriculture	\$201,026	0.9%	\$308,986	\$299,675	(\$9,311)	\$98,649
Corrections	6,494,251	22.0%	7,820,532	7,584,884	(235,648)	1,090,633
Education	228,947	1.0%	344,501	334,121	(10,380)	105,174
Governor	159,145	0.6%	205,990	199,783	(6,207)	40,638
Health Care Policy and Financing	184,274	0.7%	262,815	254,896	(7,919)	70,622
Higher Education	1,842,737	7.6%	2,706,288	2,624,742	(81,546)	782,005
Human Services						
Cost Allocation Share	7,576,773	27.7%	9,837,818	9,476,384	(361,434)	1,899,611
Prior Year WC Claim Payments	<u>65,000</u>		<u>65,000</u>	<u>65,000</u>		
Human Services subtotal	7,641,773		9,902,818	9,541,384		
Judicial	999,545	2.6%	909,199	881,803	(27,396)	(117,742)
Labor and Employment	547,996	1.7%	607,317	589,017	(18,300)	41,021
Law	181,482	0.7%	248,609	241,118	(7,491)	59,636
Legislature	72,593	0.3%	120,753	117,114	(3,639)	44,521
Local Affairs	103,305	0.4%	156,269	151,560	(4,709)	48,255
Military and Veterans Affairs	106,097	0.4%	142,062	137,782	(4,280)	31,685
Natural Resources	1,105,642	4.2%	1,481,000	1,436,374	(44,626)	330,732
Personnel	281,995	1.2%	408,429	396,122	(12,307)	114,127
Public Health and Environment	362,963	1.3%	447,496	434,012	(13,484)	71,049
Public Safety	1,580,286	5.6%	2,003,079	1,942,722	(60,357)	362,436
Regulatory Agencies	198,234	0.8%	269,918	261,785	(8,133)	63,551

WORKERS' COMPENSATION FY 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2023-24	FY 2024-25				
	APPROP.	ACTUARIAL ALLOCATION	REQUEST	RECOMMENDED	REQ/REC INCREM.	TOTAL ADJUSTMENT
Revenue	487,491	1.5%	546,940	530,460	(16,480)	42,969
State	78,177	0.3%	95,892	93,003	(2,889)	14,826
Transportation	5,159,663	18.5%	6,581,039	6,382,738	(198,301)	1,223,075
Treasury	6,964	0.0%	10,655	10,334	(321)	3,370
Allocation Totals	\$28,024,586	100.00%	\$35,580,587	\$34,445,429	(\$1,135,158)	\$6,420,843
<i>Percentage change from prior year</i>						22.9%

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 2024-25 RECOMMEND.
Adams State University	0.0%	\$0
Arapahoe Community College	5.1%	134,124
Auraria Higher Education Center	10.3%	270,348
College Access Network/College Assist	0.0%	0
College Invest	0.8%	20,735
Colorado Commission on Higher Education	1.0%	26,510
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	8.4%	221,003
Community College of Aurora	2.8%	72,968
Community College System	3.7%	96,590
CSU - Global	1.7%	43,308
Denver Community College	3.8%	99,740
Front Range Community College	8.7%	228,353
History Colorado	1.7%	45,671
Lamar Community College	1.1%	28,610
Metropolitan State University of Denver	12.1%	318,381
Morgan Community College	1.4%	37,009
Northeastern Junior College	2.3%	60,107
Northwestern Community College	3.1%	80,842
Occupational Ed. Division	0.0%	0
Otero Junior College	5.0%	130,975
Pikes Peak Community College	10.3%	269,823
Private Occupational	0.0%	525
Pueblo Community College	6.2%	163,784
Red Rocks Community College	8.7%	228,615
Trinidad State Junior College	1.8%	46,720
Western State Colorado University	0.0%	0
Allocation Totals	100.0%	\$2,624,742

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 2023-24 APPROP.	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND.	LIABILITY SHARE	PROPERTY SHARE	WORKERS' COMP. SHARE
Program Allocation Share			100%	43.0%	7.0%	50.0%
Personal Services	\$897,602	\$1,075,933	\$1,018,053	\$437,763	\$71,264	\$509,027
Benefits POTS	228,502	277,989	277,989	119,535	19,459	138,994
Operating and OIT Common Policies	235,666	271,375	271,375	116,691	18,996	135,687
Operating Expenses	63,668	65,018	65,018	27,958	4,551	32,509
Indirect Costs	282,494	365,942	365,942	157,355	25,616	182,971
Total Risk Mgt Costs for Allocation	\$1,707,932	\$2,056,257	\$1,998,377	\$859,302	\$139,886	\$999,188

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 (C-SEAP) 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 C-SEAP 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 C-SEAP costs that are included in liability program allocation.

C-SEAP PROGRAM COSTS				
	FY 2023-24	FY 2024-25		
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREM.
Personal Services	\$1,242,155	\$1,289,341	\$1,244,641	(\$44,700)
Benefits POTS	356,037	445,396	445,396	0
Operating and OIT Common Policies	3,064	22,427	22,427	0
Operating Expenses	365,968	400,148	400,148	0
Indirect Costs	98,891	93,293	86,243	(7,050)
Total Risk Mgt Costs for Allocation	458,981	253,876	253,876	0

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;
- C-SEAP costs
- The Cyber Security Liability Policy and
- A fund balance reserve adjustment.

LIABILITY PROGRAM COSTS				
	FY 2023-24	FY 2024-25		
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREM.
Risk Management Program Costs	\$734,411	\$884,243	\$859,302	(\$24,941)
Liability Claims (Prospective Losses)	10,391,477	9,559,668	9,559,668	0
Liability Excess Policy	2,390,081	2,390,081	5,405,081	3,015,000
Liability Legal Services	6,594,816	5,195,907	8,933,507	3,737,600
Actuarial and Broker Services	130,299	134,208	134,208	0
Risk Mgt. Information System	72,433	74,606	74,606	0
Liability Program Costs Subtotal	\$20,313,517	\$18,238,713	\$24,966,372	\$6,727,659
Cyber Security Liability Policy	3,015,000	4,110,457	4,110,457	0
C-SEAP Funding	2,522,031	2,482,054	2,430,304	(51,750)
Fund Balance Reserve Adjustment	370,035	(7,057,621)	(2,834,105)	4,223,516
Total for Allocation	\$26,220,583	\$17,773,603	\$28,673,028	\$10,899,425

FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation.

RISK MANAGEMENT FUND (LIABILITY) ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2023-24	
Beginning Fund Balance	\$0
Revenue	55,089,310
Expenditures	(50,057,677)
Ending Fund Balance	\$5,031,633

RISK MANAGEMENT FUND (LIABILITY) ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2024-25	
Beginning Fund Balance	\$5,031,633
Cash Flow Reserve	
Expenditures (estimated)	(24,831,224)
Cash Flow Reserve Percentage	5.00%
<i>Cash Flow Reserve Amount</i>	<i>1,241,561</i>
Excess Claims Reserve	
Liability Claims Estimate	\$9,559,668
Excess Claims Reserve Percentage	10.00%
<i>Extraordinary Claims Reserve Amount</i>	<i>955,967</i>
TARGET FUND BALANCE FY 2024-25	2,197,528
Fund Balance Reserve Adjustment	(\$2,834,105)

¹ Figures taken from Schedule 9 and account for the Committee's FY 2023-24 supplemental action regarding the Risk Management Fund.

Staff **recommends a fund balance reserve adjustment of a decrease of \$2.8 million.** Staff recommends an *operating cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2024-25. 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 2024-25 RECOMMENDED ALLOCATION				
DEPARTMENT	ACTUARIAL ALLOCATION	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND.	REQ/REC INCREM.
Agriculture	0.7%	\$120,789	\$194,861	\$74,072
Corrections	17.6%	3,123,858	5,039,522	1,915,664
Education	1.5%	258,935	417,723	158,788
Governor	4.0%	717,858	1,158,075	440,217
Health Care Policy and Financing	0.8%	147,958	238,691	90,733
Higher Education	4.3%	756,568	1,220,523	463,955
Human Services	5.1%	915,294	1,476,586	561,292
Judicial	4.9%	866,380	1,397,676	531,296
Labor and Employment	1.1%	191,665	309,201	117,536
Law	1.6%	280,057	451,798	171,741
Legislature	0.5%	81,986	132,263	50,277
Local Affairs	0.4%	76,079	122,733	46,654
Military and Veterans Affairs	0.3%	48,054	77,522	29,468
Natural Resources	3.8%	675,733	1,090,117	414,384
Personnel	1.2%	216,915	349,935	133,020
Public Health and Environment	3.6%	638,148	1,029,484	391,336
Public Safety	26.3%	4,668,433	7,531,287	2,862,854
Regulatory Agencies	1.0%	174,392	281,336	106,944
Revenue	2.3%	415,667	670,569	254,902
State	0.4%	76,051	122,688	46,637
Transportation	18.6%	3,307,367	5,335,566	2,028,199
Treasury	0.1%	15,416	24,870	9,454
Allocation Totals	100.0%	\$17,773,603	\$28,673,028	\$10,899,425

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 2024-25 RECOMMEND.
Adams State University	0.0%	\$0
Arapahoe Community College	3.6%	43,695
Auraria Higher Education Center	2.9%	35,883
College Access Network/College Assist	0.0%	0
College Invest	0.6%	7,689
Colorado Commission on Higher Education	1.6%	19,528
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	8.9%	108,505
Community College of Aurora	1.6%	19,528
Community College System	11.0%	134,013
CSU - Global	1.7%	21,237
Denver Community College	3.2%	39,423
Front Range Community College	6.3%	77,381
History Colorado	1.7%	20,383
Lamar Community College	0.6%	7,445
Metropolitan State University of Denver	34.8%	424,620
Morgan Community College	0.9%	10,496
Northeastern Junior College	1.2%	14,158
Northwestern Community College	1.1%	12,938
Occupational Ed. Division	0.0%	0
Otero Junior College	1.6%	19,895
Pikes Peak Community College	7.3%	89,586
Private Occupational	0.0%	122
Pueblo Community College	2.7%	32,832
Red Rocks Community College	3.9%	46,990
Trinidad State Junior College	2.8%	34,175
Western State Colorado University	0.0%	0
Allocation Totals	100.0%	\$1,220,523

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).

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 2023-24	FY 2024-25		
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREM.
Risk Management Program Costs	\$119,555	\$143,935	\$139,886	(\$4,049)
Property Policies				
Property & boiler policies	12,281,071	12,281,071	12,281,071	0
Auto physical damage	111,475	111,475	111,475	0
Terrorism premium	97,500	97,500	97,500	0
Flood Zone A premium	500,000	500,000	500,000	0
Crime policy	235,330	235,330	235,330	0
Fine arts	16,205	16,205	16,205	0
Property Policies Subtotal	\$13,241,581	\$13,241,581	\$13,241,581	\$0
Policy Deductibles and Payouts	5,524,375	13,100,000	13,100,000	0
Actuarial and Broker Services	110,299	113,608	113,608	0
Risk Mgt. Information System	72,433	74,606	74,606	0
Property Program Costs Subtotal	\$5,707,107	\$13,288,214	\$13,288,214	\$0
Fund Balance Reserve Adjustment	(6,925,119)	909,442	321,827	(587,616)
Total for Allocation	\$12,143,124	\$27,583,173	\$26,991,508	(\$591,665)

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 2024-25. 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 ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2023-24	
Beginning Fund Balance	\$9,668,076
Revenue	12,143,124
Expenditures	(19,443,868)
Ending Fund Balance	\$2,367,332
FY 2024-25	
Beginning Fund Balance	\$2,367,332
Operating Cash Flow Reserve	
Expenditures (estimate)	(\$27,583,173)
Cash Flow Reserve Percentage	5.0%
<i>Cash Flow Reserve Amount</i>	<i>1,379,159</i>
Extraordinary Claims Reserve	
Deductibles and Payouts Estimate	\$13,100,000
Extraordinary Claims Reserve Percentage	10.0%
<i>Extraordinary Claims Reserve Amount</i>	<i>1,310,000</i>
TARGET FUND BALANCE FY 2024-25	2,689,159
Fund Balance Reserve Adjustment	\$321,827

¹ Figures taken from Schedule 9.

The staff recommended reserve totals \$2.7 million, which requires an increase of \$321,827 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 2024-25. **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 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2023-24	PROPERTY VALUE	PROP. VALUE	FY 2024-25		
	APPROP.		ALLOCATION	REQUEST	RECOMMEND.	REQ/REC INCREM.
Agriculture	\$269,885	\$100,240,592	0.8%	\$228,849	\$223,940	(\$4,909)
Corrections	7,368,817	1,915,333,918	15.9%	4,372,700	4,278,905	(93,795)
Education	727,516	180,888,101	1.5%	412,967	404,109	(8,858)
Governor	1,006,102	109,303,699	0.9%	249,540	244,187	(5,353)
Health Care Policy and Financing	252,280	4,885,392	0.0%	11,153	10,914	(239)
Higher Education	6,116,392	3,714,535,038	30.7%	8,480,269	8,298,366	(181,903)
Human Services	3,247,542	1,149,053,683	9.5%	2,623,285	2,567,015	(56,270)
Judicial	1,745,132	217,630,281	1.8%	496,849	486,192	(10,657)
Labor and Employment	288,946	48,570,836	0.4%	110,887	108,508	(2,379)
Law	393,081	7,607,556	0.1%	17,368	16,995	(373)
Legislature	142,809	6,629,779	0.1%	15,136	14,811	(325)
Local Affairs	117,844	15,625,617	0.1%	35,673	34,908	(765)
Military and Veterans Affairs	430,892	349,043,814	2.9%	796,866	779,773	(17,093)
Natural Resources	1,575,650	821,601,673	6.8%	1,875,714	1,835,479	(40,235)
Personnel	1,104,094	826,718,990	6.8%	1,887,396	1,846,911	(40,485)
Public Health and Environment	1,083,657	131,164,397	1.1%	299,448	293,025	(6,423)
Public Safety	4,596,081	169,483,221	1.4%	386,930	378,630	(8,300)
Regulatory Agencies	322,015	28,772,220	0.2%	65,687	64,278	(1,409)
Revenue	729,517	63,497,403	0.5%	144,964	141,855	(3,109)
State	175,809	12,410,334	0.1%	28,333	27,725	(608)
Transportation	6,679,986	2,208,783,285	18.3%	5,042,644	4,934,478	(108,166)
Treasury	24,135	225,424	0.0%	515	504	(11)
Allocation Totals	\$38,398,182	\$12,082,005,252	100.00%	\$27,583,173	\$26,991,508	(\$591,665)
<i>Percentage change from prior year</i>						<i>-1.5%</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 2024-25 RECOMMEND
Adams State University	\$0	0.0%	\$0
Arapahoe Community College	211,957,225	5.4%	448,181
Auraria Higher Education Center	830,091,547	21.2%	1,755,219
College Access Network/College Assist	37,037	0.0%	78
College Invest	889,424	0.0%	1,881
Colorado Commission on Higher Education	599,221	0.0%	1,267
Colorado School of Mines	0	0.0%	0

PROPERTY ALLOCATION FOR HIGHER EDUCATION			
	PROPERTY VALUE	PROP. VALUE ALLOCATION	FY 2024-25 RECOMMEND
Colorado State University - Pueblo	488,081,347	12.4%	1,032,043
Community College of Aurora	50,145,359	1.3%	106,032
Community College System	0	0.0%	0
CSU - Global	0	0.0%	0
Denver Community College	43,910,830	1.1%	92,849
Front Range Community College	324,772,873	8.3%	686,729
History Colorado	209,990,456	5.4%	444,023
Lamar Community College	81,894,552	2.1%	173,165
Metropolitan State University of Denver	203,399,570	5.2%	430,086
Morgan Community College	71,007,398	1.8%	150,144
Northeastern Junior College	167,557,124	4.3%	354,298
Northwestern Community College	99,949,971	2.5%	211,343
Occupational Ed. Division	211,421,974	5.4%	447,049
Otero Junior College	88,244,125	2.2%	186,591
Pikes Peak Community College	294,424,152	7.5%	622,557
Pueblo Community College	187,272,703	4.8%	395,986
Red Rocks Community College	225,154,636	5.7%	476,087
Trinidad State Junior College	133,723,970	3.4%	282,758
Western State Colorado University	0	0.0%	0
Allocation Totals	\$3,924,525,494	100.0%	\$8,298,366

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 2024-25 REQUEST	FY 2024-25 RECOMMEND	REQ/REC INCREM.
Agriculture	\$349,638	\$418,801	\$69,163
Corrections	7,496,558	9,318,427	1,821,869
Education	671,902	821,832	149,930
Governor	967,398	1,402,262	434,864
Health Care Policy and Financing	159,111	249,605	90,494
Higher Education	9,236,837	9,518,889	282,052
Human Services	3,538,579	4,043,601	505,022
Judicial	1,363,229	1,883,868	520,639
Labor and Employment	302,552	417,709	115,157
Law	297,425	468,794	171,369
Legislature	97,122	147,074	49,952
Local Affairs	111,752	157,641	45,889
Military and Veterans Affairs	844,920	857,295	12,375
Natural Resources	2,551,447	2,925,596	374,149
Personnel	2,104,311	2,196,847	92,536
Public Health and Environment	937,596	1,322,508	384,912
Public Safety	5,055,363	7,909,917	2,854,554

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS RECOMMENDED ALLOCATION			
DEPARTMENT	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND	REQ/REC INCREM.
Regulatory Agencies	240,079	345,613	105,534
Revenue	560,631	812,424	251,793
State	104,384	150,413	46,029
Transportation	8,350,011	10,270,044	1,920,033
Treasury	15,931	25,373	9,442
Allocation Totals	\$45,356,776	\$55,664,536	\$10,307,760
Percentage change from prior year			22.7%

4. CAPITOL COMPLEX LEASED SPACE

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

(1) *Denver*: The Department maintains ten addresses in the Capitol Hill Campus (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 302,883 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 2023-24 APPROP.	FY 2024-25 REQUEST	FY 2024-25 RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Personal Services	\$4,165,305	\$4,479,757	\$4,422,634	(\$57,123)	\$257,329
Benefits POTS	1,317,748	1,544,065	1,544,065	0	226,317
OIT and Operating Common Policies	1,759,617	2,175,484	2,175,484	0	415,867
Operating Expenses	3,563,699	3,621,929	3,504,090	(117,839)	(59,609)
Administrative Overhead	445,254	451,674	451,674	0	6,420
Capitol Complex Repairs	56,520	56,520	56,520	0	0
Capitol Complex Security	589,345	637,377	610,189	(27,188)	20,844
Utilities	3,737,619	3,681,723	3,681,370	(353)	(56,249)
Indirect Cost Assessment	490,737	535,018	464,303	(70,715)	(26,434)
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
CCLS Program Costs	\$18,498,702	\$19,556,405	\$19,283,187	(\$273,218)	\$784,485
Subtotal					
Fund Balance Adjustment	(3,138,086)	1,372,135	(3,185,751)	(4,557,886)	(47,666)
Total for Allocation	\$15,360,617	\$20,928,540	\$16,097,436	(\$4,831,104)	\$736,819
<i>Annual Growth of Allocation</i>					<i>4.8%</i>

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 ¹
FY 2023-24		
Beginning Cash Balance	\$4,399,458	\$6,958,126
Revenues	15,659,640	15,808,775
Expenditures	(18,217,827)	(16,390,287)
Ending Fund Cash Balance	1,841,271	6,376,614
Capital Asset Reserve Set Aside Balance	(1,600,000)	(1,600,000)
Net Available Operating Fund Balance	\$241,271	\$4,776,614
	REQUESTED	RECOMMENDED
FY 2024-25		

CAPITOL COMPLEX FACILITIES FUND		
RECOMMENDED RESERVE ADJUSTMENT CALCULATION	REQUESTED	RECOMMENDED ¹
Expenditure Base	\$19,556,405	\$19,283,187
Targeted Operating Reserve	8.25%	8.25%
Fund Balance Targeted Operating Res.	1,613,403	1,590,863
Total Target Reserve	\$3,213,403	\$3,190,863
Fund Balance Reserve Adjustment	\$1,372,132	(\$3,185,751)

¹ Figures taken from Schedule 9.

Staff recommends an operating cash flow fund balance reserve equal to 8.25 percent for FY 2024-25. This results in a reduction of \$3,185,751 to the allocation 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	56,469	0	0	0	0	56,469
Correctional Industries	140,059	0	0	0	0	140,059
Early Childhood	26,834	0	0	0	0	26,834
Education	31,019	0	0	901	0	31,920
Legislature	72,298	0	0	0	0	72,298
Governor, Lt Governor, OSPB	0	0	5,381	2,993	0	8,374
OIT	45,800	0	0	3783	0	49,583
Health Care Policy and Financing	0	0	0	0	53,932	53,932
Human Services	44,982	0	0	0	0	44,982
Labor & Employment	112,390	0	80,901	2,724	0	196,015
Local Affairs	0	0	0	4,478	0	4,478
Military and Veterans Affairs	105,663	0	0	0	206,305	311,968
Natural Resources	0	0	0	0	0	0
Personnel	0	88,791	3,252	5,306	0	97,349
Public Health and Environment	0	0	0	14,835	0	14,835
Public Safety	3,351	0	0	0	0	3,351
Regulatory Agencies	114,761	0	0	143	42646	157,550
Revenue	753,626	88,791	89,534	35,163	302,883	1,269,997
Transportation	56,469	0	0	0	0	56,469
Treasury	140,059	0	0	0	0	140,059
Vacant	26,834	0	0	0	0	26,834
Total Square Footage Billed	31,019	0	0	901	0	31,920

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	\$2,613,508
Parking at 1525 Sherman	28,800
Conference Center Rental	5,200
Total	\$2,647,508

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 2024-25 RECOMMENDED ALLOCATION					
DEPARTMENT	FY 2023-24	FY 2024-25			
	APPROPRIATION	REQUEST	RECOMMENDED	REQ/REC DIFFERENCE	TOTAL ADJUSTMENT
Education	\$1,117,901	\$1,370,130	\$1,053,714	(\$316,416)	(\$64,187)
Governor	1,456,809	1,415,091	1,088,278	(326,813)	(368,531)
Human Services	1,332,664	1,754,195	1,349,084	(405,111)	16,420
Labor and Employment	41,377	79,878	61,595	(18,283)	20,218
Legislative	2,520,527	3,398,308	2,613,508	(784,800)	92,981
Local Affairs	709,967	1,159,050	891,319	(267,731)	181,352
Military and Veteran Affairs	49,659	60,840	46,487	(14,353)	(3,172)
Natural Resources	860,440	1,091,416	839,366	(252,050)	(21,074)
Personnel	2,164,028	3,393,898	2,613,253	(780,645)	449,225
Public Health and Environment	38,600	56,566	43,430	(13,136)	4,830
Public Safety	2,120,230	2,796,471	2,149,502	(646,969)	29,272
Revenue	894,871	1,249,662	961,905	(287,757)	67,034
Transportation	123,945	187,394	143,877	(43,517)	19,932
Treasury	61,119	81,307	62,530	(18,777)	1,411
Vacant (allocated to Personnel as GF)	2,355,485	2,834,406	2,179,592	(654,814)	(175,893)
Allocation Totals	\$15,847,623	\$20,928,612	\$16,097,440	(\$4,831,172)	\$249,817
<i>Percentage change from prior year</i>					<i>1.58%</i>

Based on prior year appropriations, approving the staff recommendation has an estimated increase of \$145,444 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 2024-25 CAPITOL COMPLEX LEASED SPACE			
	ESTIMATED FUND SPLITS BASED ON FY 2023-24 APPROPRIATIONS	FY 2024-25	
		ESTIMATED TOTAL FUND SPLITS	ESTIMATED INCREMENTAL FUND SPLITS
General Fund	58.2%	\$9,371,982	\$145,444
Cash Funds	12.8%	2,056,023	31,907
Reappropriated Funds	24.1%	3,880,295	60,218
Federal Funds	4.9%	789,142	12,247
Total	100.0%	\$16,097,440	\$249,817

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.

DECISION ITEMS AFFECTING THIS COMMON POLICY

→ R7 ANNUAL FLEET VEHICLE REPLACEMENTS

REQUEST: The Department requests an increase of \$1,999,374 reappropriated funds for the Vehicle Replacement Lease/Purchase line item in Fleet Management. The Department request includes a total of 725 vehicles, consisting of 534 alternative fuel vehicles (including 358 electric vehicles), and 191 standard vehicles. Approving the Department request requires an increase of \$488,648 total funds, including \$168,865 General Fund, allocated to user agencies.

RECOMMENDATION/ANALYSIS: **Staff recommends the Committee approve the request.**

Additionally, staff recommends a change in the analytical methodology applied by JBC staff to future fleet vehicle replacement requests. Staff is proposing taking a more proactive approach to determining the annual replacement of vehicles in the state fleet. Rather than winnow down the Department's final list of replacement candidates, staff is proposing to preemptively establish the methodology and criteria to be used by the Department in creating their list of replacements. During figure setting, this would allow staff to verify the application of the established methodology and to recommend any changes to the replacement selection criteria prior to the Department beginning its annual assessment of replacement candidate. Staff will engage with the Department and State Fleet Management to assess any changes to the current methodology and criteria that will ensure the state fleet is meeting its operational needs in a cost effective manner. **Staff recommends that the Department continue to use its current replacement methodology and criteria for the FY 2025-26 budget cycle submission.**

COMPARISON OF VEHICLE REPLACEMENT METHODOLOGIES

STATE FLEET MANAGEMENT METHODOLOGY

For FY 2024-25, the Department's initial screen identified 1,875 potential vehicles for replacement. The initial candidate list is generated from the Colorado Automotive Reporting System (CARS) using a minimum threshold for further replacement consideration. The criteria for this initial screen are:

- All vehicles must have greater than 100,000 miles for vehicles and be four years old; and greater than 40,000 miles for patrol motorcycles.
- A vehicle that will be 19 years old or older at the time that the proposed replacement would occur.

Vehicles that make it past the initial screen are reviewed and certain manual adjustments are made to retain vehicles if they fall into one of several categories:

- The agency to which a vehicle is assigned has expressed a desire to retain the vehicle or that a vehicle that may meet one of the above criteria is in good condition compared to others with similar use. **Agency input** is also utilized to keep vehicles from the initial screen on the list and on the rare occasion add them to it if they are in exceptionally poor condition, create an unacceptable safety risk, or is no longer meeting the functional requirements of the agency.

- The Department also considers **recent repairs and maintenance** performed on each vehicle on the initial screen list. For vehicles that have had repairs performed that exceeded \$7,500 within the last 12 months, it is assumed that ongoing maintenance costs will be reduced in the short-term.
- **Vehicles in low cost, short distance work functions** such as facilities maintenance, which are most often assigned to campus-type facilities, receive reduced priority for replacement. When vehicles in these roles are identified, it is often more cost effective to replace these vehicles with one that has been returned to the Department's motor pool, but has not been sold, which may no longer be suitable for high usage functions.
- **Very high mileage vehicles** receive a higher priority for replacement due to anticipated breakdowns of major components. Under the current analysis performed by the Department, the threshold for very high mileage vehicles is 175,000 miles. Vehicles in this category have decreased reliability and increased safety concerns. The Department notes that in a less restrictive funding environment, it would reduce this threshold.

Finally, the Department prioritizes the remaining vehicles by comparing vehicles to the average maintenance costs for vehicles of similar age and type. Those that have a considerably higher than average cost will rank higher than those with lower than average costs. State Patrol vehicles are not prioritized due to their unique replacement schedule.

For the FY 2024-25 request, the Fleet Program identified all vehicles that could be replaced with a known alternative fuel vehicle (AFV) to maximize the number of AFVs in the fleet. For model year 2022, hybrid technologies have become much more broadly available and can provide significant fuel savings across the spectrum of the vehicle platforms. Heightened focus on electric vehicle powertrains are envisioned for the state fleet. For all other AFV selections the location of the vehicle was not used to disqualify it from AFV assignment to give the agencies more flexibility in where they are assigned. Location is important when assigning the new AFV vehicles, but it was not used to eliminate any vehicles off the suspect list. If an AFV has a lifecycle cost that is within 10 percent of the cost of a similar combustion engine vehicle, the Department includes it as a potential AFV application.

STATE FLEET MANAGEMENT REPLACEMENT CRITERIA			
	VEHICLE CATEGORY	CRITERIA	VEHICLE COUNT
1	High Age and High Mileage Vehicles	20+ years and 250 miles per month	3
2	Non CDPS Vehicles with High Mileage	130,000+ miles	516
3	CDPS Vehicles	CSP/CBI: 100,000+ miles Motorcycles: 40,000+ miles Other, except large: 130,000+ miles Other, large: 175,000+ miles	206
4	High Age and High Cost Vehicles	10+ years and 100% of maintenance differential	128
5	Maintenance Cost Review	Manual review	-11
6	Agency Feedback	Agency review	-104
7	Remaining Revenue Assessment	\$7,500+ and less than 175,00 miles	-13
Total requested replacements - FY 24-25			725

JBC STAFF HISTORIC METHODOLOGY

Using the requested replacements as a starting point, JBC staff further trims the list of potential vehicles to be replaced. Since FY 2015-16, JBC staff has recommended, and the Committee approved, replacement criteria that varied from the Department's and required a vehicle meet one of three standards:

- 1 Projected high mileage by June 2025.
 - a. Colorado State Patrol (CSP) vehicles – 100,000 miles.

- b. CSP Motorcycles – 40,000 miles.
 - c. Other law enforcement vehicles – 125,000 miles.
 - d. Standard vehicles – 150,000 miles. This is equal to 15,000 miles per year over 10 years.
- 2 Over 15 years old.
 - 3 High maintenance cost that is 100 percent greater than average for the vehicle type.

These three criteria essentially supersede State Fleet Management criteria 1-4. JBC staff applies the above criteria directly to the Department's final list of vehicles for replacement, which generally results in fewer vehicles being approved for replacement than requested. The process may have caused the weight of the Department's prioritization to diminish, and the Department has expressed concern that these criteria contribute to increased maintenance costs and reduced fleet readiness.

COST COMPARISON

As part of the November 1 budget submission, JBC staff receives documents detailing characteristics of each vehicle the Department is requesting to replace. These characteristics include vehicle age, average cost per mile to maintain, average miles traveled, vehicle type, owner agency, and cost to purchase. Using the data provided, staff developed the table below to provide a cost comparison of three different methodologies for evaluating the requested replacements. The costs in the table are for the first year of ownership, rather than the life-cycle costs, because the first year of ownership (i.e., FY 2024-25) is of the most immediate concern to the appropriations process for the Long Bill.

The data provided in Department's documentation afforded staff the opportunity to consider the most effective and defensible method to calculate maintenance costs and net cost of replacement. The documentation included:

- the vehicle-specific 4-year average cost per mile (CPM) to maintain each requested replacement;
- the anticipated cost of maintenance for each vehicle based on body type, owner agency, and age; and
- the anticipated cost of maintenance for each vehicle based on body type, owner agency, and vehicle mileage.

These three different methods of calculating maintenance costs result in a wide range of maintenance costs, between \$2.3 million and \$7.0 million over two years. For the second and third bullet above, the Department provided two years of anticipated maintenance costs for each vehicle, including the anticipated maintenance costs if those vehicles were replaced. However, these two cost projection methods relied on by-department, by-body type generic maintenance cost data based on age and mileage. The use of this data results in maintenance projections at the higher end of the observed range. In developing the cost comparison, staff utilized the vehicle-specific 4-year average cost per mile to maintain because it represents the most granular data available for each requested vehicle and, in staff's opinion, provides the most accurate assessment of each vehicles anticipated maintenance costs.

Staff chose to limit the comparison to the first year of ownership in order to limit the number of assumptions that would have to be made to project out-year maintenance costs. The generic maintenance cost data provided by the Department included first and second year data, but the 4-year average CPM data is most useful in assessing the anticipated first year cost. Limiting the comparison to the first year of ownership also reduces the potential for the propagation of errors in assumptions.

It should be noted that staff did run similar cost comparisons as the one illustrated below using the 2-year cost data provided; while the cost figures were different, the relative comparison was similar.

COST COMPARISON OF REPLACEMENT CRITERIA FOR STATE FLEET VEHICLES (FIRST YEAR COSTS)			
	DEPARTMENT REQUEST	JBC CRITERIA	JBC+ CRITERIA
Cost to purchase new vehicles	\$7,621,485	\$6,265,361	\$7,125,910
Maintenance cost of new vehicles	889,367	731,840	848,202
Maintenance cost of vehicles not replaced	0	199,373	61,047
Avoided maintenance cost of replaced vehicles	(1,170,329)	(970,955)	(1,109,281)
Net cost of replacement	\$7,340,524	\$6,225,619	\$6,925,877
# of vehicles replaced	725	557	669
% of requested vehicles	100.0%	76.8%	92.3%
Average annual net cost per vehicle replaced	\$10,125	\$11,177	\$10,353
<i>Difference from request (net \$)</i>	<i>n/a</i>	<i>(\$1,114,904)</i>	<i>(\$414,646)</i>
<i>Difference from request (vehicles)</i>	<i>n/a</i>	<i>(168)</i>	<i>(56)</i>

The above table illustrates the difference in cost between the Department's criteria and the criteria historically used JBC staff. The column to the far right ("JBC+ Criteria") shows the cost of a modified set of JBC criteria. Each year, with the application of the JBC criteria to the list of requested replacement, there is always a subset of vehicles that fall just outside of those criteria. For this year's list, 168 vehicles would not be recommended for replacement based on historic JBC criteria. However, 112 of those vehicles would either meet the age requirement (>15 years old) or the mileage requirement (>150,000 miles), or both, in time for next year's request. The JBC+ Criteria column assumes the replacement of those 112 vehicle for illustrative purposes.

The application of historic JBC criteria results in fewer vehicles replaced at a lower total cost than the Department's request, but the per vehicle unit cost is higher. The net replacement cost of the Department's request is \$7.3 million and the unit cost is \$10,125 per replaced vehicle. The net replacement cost of historic JBC criteria is \$6.2 million and the unit cost is \$11,177. The net cost and unit cost of replacements under the JBC+ criteria fall in between the two. This cost comparison suggests that there are some economies of scale and that the savings of avoided maintenance costs tips the analysis in favor of the Department's request.

RECOMMENDED REPLACEMENT VEHICLES

Staff recommends replacement of all 725 requested vehicles, including 534 alternative fuel or hybrid vehicles (AFVs). The replacement recommendation includes a statewide increase in Vehicle Lease Payments line items of \$488,648 total funds, including \$168,865 General Fund. This recommendation does not include adjustments for additional state agency vehicles requested through separate department request items.

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

FY 2024-25 ANNUAL FLEET NUMBER OF VEHICLES REQUESTED AND RECOMMENDED				
DEPARTMENT	FY 2024-25 VEHICLES REQUESTED	FY 2024-25 AFV REQUESTED	FY 2024-25 VEHICLES RECOMMENDED	FY 2024-25 AFV RECOMMENDED
Appropriated Agencies				
Agriculture	9	9	9	9
Corrections	87	0	87	0

FY 2024-25 ANNUAL FLEET NUMBER OF VEHICLES REQUESTED AND RECOMMENDED				
DEPARTMENT	FY 2024-25 VEHICLES REQUESTED	FY 2024-25 AFV REQUESTED	FY 2024-25 VEHICLES RECOMMENDED	FY 2024-25 AFV RECOMMENDED
Governor's Office	0	0	0	0
Human Services	26	22	26	22
Judicial Branch	7	7	7	7
Labor And Employment	12	11	12	11
Law	0	0	0	0
Local Affairs	2	2	2	2
Military and Veterans Affairs	5	5	5	5
Natural Resources	156	137	156	137
Personnel	4	4	4	4
Public Health and Environment	6	5	6	5
Public Safety	181	56	181	56
Regulatory Agencies	14	9	14	9
Revenue	22	21	22	21
Appropriated Totals	531	288	531	288
Non-appropriated Agencies				
Higher Education	95	77	95	77
Transportation	99	91	99	91
Statewide Total	725	456	725	456

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 2024-25 ANNUAL FLEET RECOMMENDED DEPARTMENT ALLOCATIONS								
DEPARTMENT	FY 2023-24 APPROPRIATION	FY 2024-25						
		REQUESTED APPROPRIATION	RECOMMENDED APPROPRIATION	TOTAL INCREMENTAL CHANGE	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS
Appropriated Agencies								
Agriculture	\$364,820	\$376,145	\$376,145	\$11,325	\$4,698	\$6,471	\$0	\$156
Corrections	3,459,902	3,637,220	3,637,220	177,318	151,075	26,243	0	0
Early Childhood	8,906	7,738	7,738	(1,168)	(1,168)	0	0	0
Education	35,112	38,683	38,683	3,571	3,020	0	551	0
Governor's Office	23,185	23,303	23,303	118	118	0	0	0
Human Services	1,367,595	1,436,690	1,436,690	69,095	34,077	0	35,018	0
Judicial Branch	259,140	282,917	282,917	23,777	23,777	0	0	0
Labor And Employment	255,706	250,133	250,133	(5,573)	(490)	(2,268)	(64)	(2,752)
Law	83,975	95,901	95,901	11,926	4,715	2,130	4,001	1,079
Local Affairs	134,148	121,638	121,638	(12,510)	(8,845)	(2,663)	(1,002)	0
Military and Veterans Affairs	93,969	94,848	94,848	879	413	0	0	466
Natural Resources	5,203,394	5,695,939	5,695,939	492,545	38,669	448,327	1,783	3,766
Personnel	244,250	278,300	278,300	34,050	0	16	34,034	0
Public Health & Environ	498,738	425,334	425,334	(73,404)	(6,577)	(60,809)	(6,018)	0
Public Safety	11,618,623	11,293,949	11,293,949	(324,674)	(73,956)	(233,898)	(11,929)	(4,891)
Regulatory Agencies	412,563	499,075	499,075	86,512	0	86,512	0	0
Revenue	943,837	939,111	939,111	(4,726)	(660)	(4,066)	0	0
State	16,776	16,363	16,363	(413)	0	(413)	0	0
Appropriated Totals	\$25,024,639	\$25,513,287	\$25,513,287	\$488,648	\$168,865	\$265,583	\$56,374	(\$2,174)
		Req/Rec Increm.	\$0					

FY 2024-25 ANNUAL FLEET RECOMMENDED DEPARTMENT ALLOCATIONS								
DEPARTMENT	FY 2023-24 APPROPRIATION	FY 2024-25						
		REQUESTED APPROPRIATION	RECOMMENDED APPROPRIATION	TOTAL INCREMENTAL CHANGE	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS
Non Appropriated Agencies								
Higher Education	\$1,577,001	\$1,763,617	\$1,763,617	\$186,616				
Transportation	3,631,997	3,679,601	3,679,601	\$47,604				
Statewide Total	\$30,233,637	\$30,956,505	\$30,956,505	\$722,868				
		Req/Rec Incr.	\$0					

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.

DECISION ITEMS AFFECTING THIS COMMON POLICY

→ R5 CORE OPERATING RESOURCES

REQUEST: The Department request includes an increase of \$450,000 reappropriated funds spending authority to purchase professional services for the stabilization of the CORE upgrade post-implementation, enabling new functionality development in CORE, addressing customer-agency needs, and assisting with transition to quarterly software releases.

RECOMMENDATION: Staff recommends approval of this request.

ANALYSIS: The CORE application was built on a technology platform that was developed in the early 2000s. In the FY 2022-23 Long Bill (H.B. 22-1329), the General Assembly approved a \$9.8 million IT Capital project to upgrade the CORE system. This upgrade is financed with certificates of participation (COPs) that end on December 15, 2031. The CORE system is also supported payments for the contract with the software vendor for ongoing support of the CORE financial system, which ends in FY 2034-35.

The COP financing allows the Department to enter into a new agreement that extends and restructures the previous contract to upgrade CORE, and includes two new modules to enhance functionality for day-to-day processing and annual reporting. Given the highly remote nature of work that state agencies are currently implementing, the ability to update financial, contract, and business transactions faster and from nearly any location on any device is a critical improvement. The upgrade allows improved data exchanges and processes for agencies who have since upgraded their own systems following the original implementation of CORE.

In the FY 2022-23 IT Capital Construction request, the Department identifies the need to fund discretionary services in order to ensure the success of the CORE upgrade. The discretionary services are estimated to have a yearly average cost of \$425,000 from FY 2023-24 until FY 2027-28, and a

\$102,000 yearly average cost thereafter. These discretionary services are funded through the operating budget.

The Department began making adjustments to its appropriations starting in FY 2023-24, utilizing the common policy base adjustment methodology. Adjustments are made for fluctuations in costs associated with contracts, software and licensing updates, products, consulting, as well as inflationary increases. The Department is also allocating expenses for these upgrades to the user agencies using the same common policy methodology. Most agencies will see an overall decrease in allocations compared to the original CORE financing payments that are included in those operating line items. The Department will incorporate the discretionary adjustment into the common policy methodology and department allocations.

CORE OPERATIONS COMMON POLICY DETAIL

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 2024-25 CORE OPERATIONS PROGRAM COSTS					
	FY 2023-24	FY 2024-25			
	APPROPRIATION	REQUEST	RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Personal Services	\$2,224,068	\$2,487,620	2,604,348	\$116,728	380,280
Benefits POTS	556,796	739,779	739,779	0	182,983
Operating and OIT Common Policies	1,467,243	1,609,225	1,609,225	0	(8,186)
Operating Expenses	59,590	59,590	59,590	0	0
Payments for CORE and Support Modules	5,890,480	5,762,143	5,762,143	0	(128,337)
R5 CORE operating resources	0	425,000	425,000	0	425,000
Indirect Costs	372,646	167,026	167,026	0	(205,620)
Depreciation	4,998,246	1,129,269	1,129,269	0	(3,868,977)
CORE Operations Program Costs Subtotal	\$15,569,069	\$12,379,652	12,496,380	\$116,728	(\$3,072,688)
Payment from Supplier Database Cash Fund	(4,399,709)	(6,307,347)	(7,413,952)	(1,106,605)	(3,014,243)
Fund Balance Reserve Adjustment	(2,419,764)	(2,244,001)	(2,587,050)	(343,049)	(167,286)
Total for Allocation	\$8,749,596	\$3,828,304	\$2,495,377	(\$1,332,927)	(\$6,254,218)

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, set at

\$1,269,317 for FY 2024-25. 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 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 ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2023-24	
Beginning Fund Balance	\$8,874,454
Revenue	5,893,239
Expenditures	(5,888,708)
Ending Fund Balance	\$8,878,985
FY 2024-25	
Fund Balance Target Reserve	16.5%
Fund Balance Reserve Amount	1,465,033
Fund Balance Reserve Adjustment	(\$7,413,952)

¹ Figures taken from Schedule 9.

The FY 2023-24 beginning fund balance is taken from the Department's FY 2024-25 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 ADJUST.

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 ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2023-24	
Beginning Cash Balance	\$5,539,721
Revenue	13,704,359
Expenditures	(15,670,771)

STATEWIDE FINANCIAL INFORMATION TECHNOLOGY SYSTEMS CASH FUND ¹	
RECOMMENDED RESERVE ADJUSTMENT	
Ending Fund Balance	\$3,573,309
FY 2024-25	
Expenditures	11,954,652
Fund Balance Target Reserve	8.25%
Fund Balance Reserve Amount	986,259
Fund Balance Reserve Adjustment	(\$2,587,050)

¹ 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 2024-25 allocation is determined by the FY 2022-23 actual utilization. The following table outlines recommended allocations.

CORE OPERATIONS FY 2024-25 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2023-24	FY 2024-25				
	APPROPRIATION	UTILIZATION	REQUEST	RECOMMEND.	REQ/REC INCREM.	TOTAL ADJUSTMENT
Agriculture	\$129,937	1.7%	\$65,541	\$42,721	(\$22,820)	(\$87,216)
Corrections	337,446	3.4%	129,430	84,365	(45,065)	(253,081)
Early Childhood	71,546	0.6%	23,933	15,600	(8,333)	(55,946)
Education	228,808	2.7%	101,833	66,377	(35,456)	(162,431)
Governor	421,801	5.0%	192,380	125,397	(66,983)	(296,404)
Health Care Policy/ Financing	134,190	1.4%	54,201	35,330	(18,871)	(98,860)
Higher Education	191,421	2.1%	82,221	53,593	(28,628)	(137,828)
Human Services	800,112	10.1%	387,493	252,577	(134,916)	(547,535)
Judicial	1,569,573	18.4%	703,255	458,398	(244,857)	(1,111,175)
Labor and Employment	340,070	3.8%	144,508	94,194	(50,314)	(245,876)
Law	38,349	0.5%	18,456	12,030	(6,426)	(26,319)
Legislature	32,645	0.3%	13,105	8,542	(4,563)	(24,103)
Local Affairs	423,327	4.7%	181,679	118,422	(63,257)	(304,905)
Military and Veteran Affairs	52,571	0.5%	20,699	13,492	(7,207)	(39,079)
Natural Resources	544,817	6.1%	232,695	151,676	(81,019)	(393,141)
Personnel	245,181	2.8%	106,404	69,357	(37,047)	(175,824)
Public Health and Environment	921,191	9.2%	353,844	230,644	(123,200)	(690,547)
Public Safety	344,184	3.7%	142,251	92,723	(49,528)	(251,461)
Regulatory Agencies	280,922	3.1%	120,047	78,249	(41,798)	(202,673)
Revenue	804,958	10.7%	409,035	266,618	(142,417)	(538,340)
State	14,820	0.2%	7,278	4,744	(2,534)	(10,076)
Transportation	123,596	1.4%	53,801	35,069	(18,732)	(88,527)
Treasury	434,192	7.4%	284,216	185,258	(98,958)	(248,934)
Allocation Totals	\$8,485,657	100%	\$3,828,305	\$2,495,377	(\$1,332,929)	(\$5,990,281)
<i>Percentage Change from FY 2023-24</i>						<i>(70.6%)</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 OPERATIONS				
DESCRIPTION	FY 2023-24	FY 2024-25		
	APPROPRIATED	REQUESTED	RECOMMENDED	REQ/REC INCREM.
Personal Services	\$3,287,216	\$2,784,076	\$2,784,076	\$0
Central Personnel Allocation	123,772	118,176	118,176	0
DCS Admin Overhead Share	333,379	352,672	352,672	0
PERA DIRECT DISTRIBUTION	41,015	44,407	44,407	0
Operating Expenses & Personal Services Contracts	926,389	1,272,967	1,272,967	0
Indirect Costs	193,735	163,417	163,417	0
Operating and OIT Common Policies	1,010,561	1,385,957	1,385,957	0
Pipeline Delivery Costs	0	8,079	8,079	0
SOS North Campus	7,550	8,381	8,381	0

COST POOL FOR DSG OPERATIONS				
DESCRIPTION	FY 2023-24	FY 2024-25		
	APPROPRIATED	REQUESTED	RECOMMENDED	REQ/REC INCREM.
DOR North Campus	4,869,409	6,031,318	6,031,318	0
DSG Program Cost Subtotal	\$10,793,026	\$12,169,450	\$12,169,450	\$0
Standard IDS Fund Balance Adjustment (2.0%)	115,342	122,763	122,763	0
Fund Balance Adjustment (3.0% of Expenses)	176,473	187,827	187,827	0
Adjusted Total	\$11,084,841	\$12,480,039	\$12,480,039	\$0
Less Cost Related to Other Customers	(888,999)	(825,818)	(825,818)	0
Total Collected in DSG Common Policy	\$10,195,842	\$11,654,221	\$11,654,221	\$0

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 2024-25 common policy will

be based on actual amounts that should have been billed for FY 2019-20, FY 2020-21, FY 2021-22, 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 2024-25 DSG RECOMMENDED ALLOCATIONS								
DEPT.	LINE ITEM	FY 2023-24	FY 2024-25					
		APPROP.	REC'D	TOTAL BASE ADJ.	GENERAL FUND	CASH FUNDS	REAPP. FUNDS	FEDERAL FUNDS
Revenue	IDS Print Production	\$5,326,432	\$6,031,318	\$704,886	\$704,886	\$0	\$0	\$0
Revenue	Document Management	4,383,166	4,957,923	574,757	638,678	(63,921)	0	0
State*	Document Management	741,956	664,980	(76,976)	0	(76,976)	0	0
Total		\$10,451,554	\$11,654,221	\$1,202,667	\$1,343,564	(\$140,897)	\$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 2024-25 is estimated to recover approximately \$27.7 million from cash funds, reappropriated funds, and federal funds. The plan includes \$3.8 million more allocations than for FY 2023-24, representing an increase of 15.9 percent in recoveries.

The following table summarizes the proposed statewide indirect cost recoveries for FY 2024-25 and compares it to the plan for the prior year.

FY 2024-25 STATEWIDE INDIRECT COST PLAN				
	FY 2023-24	FY 2024-25	CHANGE	PERCENT CHANGE
Cash Funds	\$13,939,955	\$16,585,611	\$2,645,656	19.0%
Reappropriated Funds	5,473,118	6,391,674	918,556	16.8%
Federal Funds	4,463,748	4,697,243	233,495	5.2%
Total	\$23,876,821	\$27,674,528	\$3,797,707	15.9%

DECISION ITEMS AFFECTING THIS COMMON POLICY

→ BA2 SWICAP TECHNICAL ADJUSTMENT

REQUEST: The Department request an increase of \$56,445 total funds statewide, including an increase of \$609,430 General Fund, to correct a technical error in the allocations of statewide indirect costs.

RECOMMENDATION: Staff recommends approval of this request.

ANALYSIS: The Statewide Indirect Cost Allocation Plan (SWICAP) submitted on November 1, 2023 includes Institutions of Higher Education (IHEs) in the cost allocation pool for Professional Development which totals \$8.0 million. Classified employees of IHEs are not eligible for this type of Professional Development services, so the submitted SWICAP must be revised to remove IHEs from this portion of the cost pool and reassign the costs proportionately to qualifying agencies.

STATEWIDE INDIRECT COST ASSESSMENTS DETAIL

Staff recommends that the Committee approve the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2024-25 for use in figure setting for department budgets. The following table outlines the plan.

FY 2024-25 STATEWIDE INDIRECT COST PLAN				
DEPARTMENT	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	TOTAL FUNDS
Agriculture	\$349,669	\$26,812	\$46,445	\$422,926
Corrections	74,410	52,861	9,378	136,649
Education	357,763	310,997	200,660	869,420
Governor	59,901	6,317	113,981	180,199
Governor - OIT	0	448,714	0	448,714
Health Care Policy and Financing	276,775	132,407	650,625	1,059,807
Higher Education	3,317,446	1,039,340	512,885	4,869,671
Human Services	359,388	688,409	688,855	1,736,652
Judicial	133,388	4,604	2,439	140,431
Labor and Employment	576,659	6,311	876,085	1,459,055
Law	55,962	232,704	4,166	292,832
Local Affairs	106,996	239,099	427,127	773,222
Military and Veterans Affairs	8,961	1,198	199,775	209,934
Natural Resources	1,618,028	74,254	169,208	1,861,490
Personnel	0	2,550,992	0	2,550,992
Public Health and Environment	660,080	179,819	661,121	1,501,020
Public Safety	1,789,741	310,172	88,262	2,188,175
Regulatory Agencies	1,039,413	80,698	32,840	1,152,951
Revenue	1,851,078	25	12,828	1,863,931
State	309,041		563	309,604
Transportation	3,640,912	5,941	0	3,646,853
TOTAL	\$16,585,611	\$6,391,674	\$4,697,243	\$27,674,528