

This Adobe Acrobat file contains the following three supplemental packets that were presented to the Joint Budget Committee for the Office of the Governor:

<b>Supplemental Packet</b>		<b>Adobe Acrobat Page Numbers</b>
1.	March 1, 2007, Memo Addressing a Supplemental Submitted by the Department	Pages 2 through 13
2.	January 25, 2007, Additional Supplementals Submitted by the Department	Pages 14 through 19
3.	January 16, 2007, Regular Supplemental Packet	Pages 20 through 26

# MEMORANDUM

**TO:** Members of the Joint Budget Committee

**FROM:** Bernie Gallagher, JBC Staff (866-4957)

**SUBJECT:** Office of the Governor, FY 2006-07 Supplemental Staff Recommendation, Government Efficiency Management Study (GEMs)

**DATE:** March 1, 2007

## Supplemental # 1 - Government Efficiency Management Study (GEMs)

	Request	Recommendation
Total - General Fund	\$700,000	\$0

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** YES  
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]

This request meets the criteria for a *new data* as the spending authority requested by the Governor's Office could not have been included in the FY 2007-08 budget request.

### Department Request:

The Governor's Office, Office of State Planning and Budgeting, has requested **one-time \$700,000 General Fund** spending authority to conduct a Government Efficiency Management study (GEMs) with the intent of finding the state significant financial savings that can be redirected to governmental priorities through identifying cost neutral or cost reducing ways to improve customer service, eliminating unnecessary or redundant services, and developing new, more effective ways to deliver services. In addition, the Governor's Office is **requesting roll-forward** spending authority of these funds in FY 2007-08, as the project will span both fiscal years FY 2006-07 and FY 2007-08. The Governor's Office indicates that **the request is the result of new data** as the GEMs project is a new Governor's Office priority that could not have been requested during the regular FY 2006-07 budget cycle.

The GEMs project is projected to take nine to twelve months to conduct and is intended to be a "bottom-up" review which will identify ways to improve customer service, eliminate unnecessary or redundant services, and implement innovative ways to deliver essential services. **It is important to note that in conjunction with the GEMs project, the Governor's Office will be launching an additional evaluation and quality improvement project to increase the effectiveness of state government, of which the funding amounts and sources are still unknown.** It is estimated by the Governor's Office that through this process significant savings or cost avoidance can be achieved that can be redirected to other state policy priorities.

The Governor's Office is requesting \$700,000 General Fund to hire a consultant to lead the GEMs project and to assist state agencies in identifying opportunities for improved efficiencies, as well as identify strategies to optimize existing state government revenue sources consistent with state law. The study will include the participation of the Governor's Office staff as well as from a state employee council (Task Force) consisting of representatives from each department. The GEMs will be conducted within the context of current constraints of state revenue and expense laws and is intended to contract services for a one-year period with up to four, one-year optional renewals.

A consultant will be selected from a competitive bidding system based on several evaluation factors, including:

- The *technical soundness* of the consultant's proposed work within the context of current constraints of state revenue and expense laws.
- How well the proposed approach reflects an *understanding of and compatibility with* Colorado's decentralized structure.
- The proposed requirement for the *commitment of state personnel*, including *reasonableness* to accomplish objectives, and the *secondary impact* to existing systems.
- Price.
- Projected cost savings, including the time period over which the savings will accrue and how *realistic* the projections appear to be.
- The *consultant's experience, qualifications, and key personnel*, and the extent to which the qualifications, experience, and past performance will likely foster successful, on-time performance.

In a three-phase process, with each phase concluding with a report, the selected contractor will be responsible for the following:

Table 1. GEMs Timeline and Deliverables		
Phase	Completion Date	Deliverables
1	01-Aug-07	<ul style="list-style-type: none"> <li>• <i>Analyzing the performance</i> of Colorado Executive Branch Departments and recommend ways to save money through more efficient operations.</li> <li>• <i>Analyze state-government revenue sources</i> and recommend strategies to maximize revenue from existing sources.</li> </ul>

Table 1. GEMs Timeline and Deliverables		
Phase	Completion Date	Deliverables
		<ul style="list-style-type: none"> <li>• <i>Work with a state employee task force</i> composed of a representative from each department to enhance the outcomes of the performance and revenue reviews listed above.</li> <li>• <i>Educate key Executive Branch Department personnel and leadership</i> on techniques to conduct on-going performance and financial reviews so that they may be active participants in the review process.</li> <li>• <i>Conduct financial analysis of the cost savings and revenue enhancing recommendations</i> including a five year forecast detailing on an annual basis the costs to implement the recommendations, the savings that will be generated and additional revenue that can be achieved.</li> </ul>
2	01-Dec-07	<ul style="list-style-type: none"> <li>• Work with the Governor's Office Communication's Office and Executive Branch Department's communication staff to <i>develop and implement a communication plan</i>.</li> <li>• Have a <i>preliminary implementation plan</i> including a timeline, a budget, prioritization, and anticipated results. The plan should also outline potential setbacks to successful implementation and proposed solutions to mitigate these issues.</li> <li>• <i>Consideration</i> of state law, current state practices, and current state budget constraints.</li> </ul>
3	29-Feb-08	The full completion of all points listed in Phases 2 & 3.

The Governor's Office submitted to staff information outlining how other states have benefitted from similar performance reviews, including New Mexico, Texas, California, and Iowa. It was reported that these states have found savings of 2.0 to 7.0 percent of funds reviewed, once reforms were fully implemented. The following summarizes the efficiency management studies conducted in other states:

- ❑ **New Mexico** – "Moving New Mexico Forward" – the August 2003, performance review cited specific suggestions that could save taxpayers \$379 million over five years. The savings are derived from the discontinuation of unnecessary contracts, technology-driven applications to automate government services, increasing fraud recovery, maximizing federal dollars for TANF and foster care, and energy efficient temperature controls, lighting, and various other energy-related improvements. The

second phase of the New Mexico plan conducted in July, 2004, made another 56 recommendations identifying \$90 million in savings over five years.

- **Texas** – The Texas Performance Review was started in 1990 during a state budget crisis. The goal of the review was to challenge "the basic assumptions underlying all state agencies and programs, and services offered by the state". The state has conducted performance reviews similar to the request every two years and are thematic emphasizing such operational aspects as electronic efficiencies, or in the case of the January 2003, "Limited Government, Unlimited Opportunity" report in response to a budgetary downturn. This report delivered the following recommendations:

- Consolidate agencies
- Apply private sector practices
- Reducing unneeded asset holdings
- Better utilization of technology
- Improve the cost recoveries of health care
- Establish a database to reduce the number of uninsured motorists

- **California** – The stated goal for the California Performance Review (CPR) is to restructure, reorganize, and reform state government to make it more responsive to the needs of its citizens and business community. The CPR was developed using five guiding principles:

1. Put people first
2. Save taxpayer dollars
3. Be accountable and efficient
4. Be visionary and innovative
5. Be productive and performance-driven

Using customer service concepts, the CPR report refers to state workers as Customer Service Representatives and suggests that state government benchmark the best customer service practices in the private sector and establish similar standards for all state departments. The plan included the following cost-efficient strategies:

- Consolidate purchasing strategies
- Use "smart cards" for Medicaid recipients and low-income WIC services users
- Implementation of DMV "kiosks" and biennial vehicle registration
- Increasing college and university non-resident tuition
- Joining a multi-state lottery and expanding the state lottery

- **Iowa** – Due to severe revenue shortfalls in May 2001, Iowa conducted a performance

review called the "Iowa Reinvention Partnership" which was a top-to-bottom review conducted by the Public Strategies Group (PSG). In 2002, the review exposed over \$71 million in savings and avoided costs and likewise \$106 million in 2003. Most of the savings were from workforce reductions, early retirements, and departmental streamlining. The second phase of the state's efficiency improvement process entails the "Charter Agencies" approach where various state agencies are offered greater administrative flexibility in exchange for contributable savings and measurable benefits.

**Staff Analysis:**

In evaluating this request staff reviewed (1) the merits of previous state government efficiency studies; (2) other factors akin to the analysis of government efficiency germane to Colorado's budgetary restraints; and (3) the technical aspects of the supplemental request.

1. **Previous State Government Efficiency Studies.** In evaluating the Office of the Governor's request, staff researched previously conducted government efficiency studies to learn about why these studies were initiated and the impact, if any, these studies had on the state's operational efficiency. Two studies were evaluated – Priority Colorado (2005) and New Century Colorado (2000).
  - a. *Priority Colorado: Balancing the Budget while Preserving TABOR and Colorado's Quality of Life (February, 2005)*
    - i. Published by The Independence Institute and The Reason Foundation in February 2005, the report reviewed the budget of the State of Colorado and concluded that between \$347.5 million and \$615.2 million in budgetary savings could be achieved by utilizing the following eight steps: asset divestiture, getting back to core functions, consolidation, criminal sentencing reform, Medicaid reform, realigning education strategies, procurement and collection reform, and competitive sourcing.
    - ii. JBC staff responded to the report on February 21, 2005 and generally *concluded that the premises upon which Priority Colorado were based were inherently flawed* for the following reasons:
      - (1) **All State Government is Wasteful.** The Priority Colorado report assumes that all state governments are inherently inefficient and wasteful, and that Colorado is comparable to other states that have found ways to eliminate inefficiencies. JBC staff conclude that the vast majority of the recommendations made by the Priority Colorado report do not apply to Colorado, in particular because many such

recommendations have long been implemented.

- (2) **One-Time Sources of Revenue.** JBC staff concluded that the Priority Colorado report focuses on one-time sources of revenue and increases in available revenue to solve Colorado's budget situation, which reflects a basic misunderstanding of how TABOR operates.
- (3) **Double Counting.** The report contains several instances of double counting savings by applying flat percentage reductions to items that are then later reduced by a flat percentage reduction in another part of the report.
- (4) **Misunderstood Education Revenues.** The report indicates that the majority of K-12 education revenues are not subject to TABOR which is incorrect.
- (5) **Misunderstood Organizational Structure.** The report suggests that significant savings could be achieved if more state services were centralized, however this is a misunderstanding by the authors of the report as many state functions are already centralized.
- (6) **Misunderstood Departmental Administration.** The authors of the report do not understand the nature of line item appropriations contained in each department's Executive Director's Office within the Long Bill.

iii. **Staff Analysis of the Priority Colorado Study:** It is important to note that this report was financed and conducted by a third party and as such may have included ideological leanings which may have misguided recommendations made within the study. In as much, the fact that misguided and misinformed recommendations can easily be conjured up by ill-informed third party contractors should serve as a reminder of the complexity of Colorado's budgetary restrictions driven by constitutional and statutory law. And that if the General Assembly wishes to fund this request, that when the Governor's Office selects a contractor for the role, they *are urged by staff to select a consultant whom clearly and fully understands the state's operational processes and budgetary environment in which they will be applying their cost savings and cost avoidance methodologies.*

b. *New Century Colorado (NCC) (January, 2000)*

i. State expenditure: \$2.1 million General Fund.

- ii. Statewide reengineering effort focused on identification and development of plans for improving state business operations and practices through the application of technology.
- iii. The NCC program was accomplished by obtaining a contractor, identifying and accomplishing "quick wins" (opportunities which can be easily achieved and generate savings), and making recommendations for future projects associated with the application of technology.
- iv. The June 2000, "Transforming State Government" report provided five key recommendations (goals), which were comprised of many objectives. The five overarching goals included improvements to the following:
  - (1) Electronic Framework
  - (2) Enterprise Infrastructure
  - (3) Centralized Knowledge Management
  - (4) Statewide Capital Asset Management
  - (5) Reengineering Strategies
- v. **Staff Analysis of the New Century Colorado Initiative:** New Century Colorado was the first comprehensive state government transformation planning effort in the age of the Internet. The goals included making state government more efficient, effective, and user friendly, transforming state government through innovative technology solutions, improve access and interaction with state government, and increase collaboration and sharing of information within state government. As a result of this initiative, the state has implemented a robust online licensing and registrations system, developed a single state web portal, implemented a centralized statewide Multi-use Network (MNT), as well as other improvements to the enable the state to utilize technology as a medium to delivering services.

However, in light of substantial problems concerning the functionality and limitations of several large IT installations, *staff concludes that while NCC initiated an organized approach to institutionalizing IT into the state's business processes, opportunities for improvements upon strides made from the NCC initiative continue to exist and require effective and sustainable solutions.*

## 2. Other Factors Germane to Colorado's Operational Efficiency

- a. **Colorado In Relation to Other States' Efficiency Initiatives.** There are commonalities shared by the various state efficiency management studies, provided by the Governor's Office. Many include recommendations to consolidate various



state service entities, the effective application of technology, addressing health care program cost drivers, applying various state asset management strategies, and initiating innovative ways to improve efficiency through inter-departmental competition. It is important to note that while these recommendations are likely well advised for the states they were specifically developed for and *may have* some application to the state of Colorado's operational efficiency, it is important to note that **the state has addressed many of these issues, but is constrained due to the following reasons**, as outlined by JBC staff in a February 2006 review of the Iowa Charter Agency Initiative:

- i. **Personnel Rules.** The State of Colorado has limitations on the personnel system that are delineated in Article XII, Section 13 of the Colorado Constitution. These provisions limit flexibility of agencies to hire applicants quickly. House Concurrent Resolution 04-1005 referred a measure to the voters. This measure would have amended the Constitution to increase the flexibility in the personnel system. Notably, 60.8 percent of the voters voted against this measure in the 2004 election.
- ii. **Exempt from FTE Limitations.** Through the Long Bill appropriation, the General Assembly limits the ability of agencies to hire more FTE than are authorized. In future years, the General Assembly could choose to eliminate references to FTE in the Long Bill and other special bills. The agencies would then have more flexibility. However, it is important to note that this would be a transfer of power from the legislative branch to the executive branch. Ultimately, this could cause increased budgetary pressures due to the difficulties associated with laying off state employees because of the state personnel rules. Historically, the limitation on FTE was intended to prevent agencies from hiring employees for short-term projects, when the intent of the General Assembly was to provide sufficient resources on a shorter term (or one-time) basis. Once an FTE is hired, it is very difficult to eliminate the position.
- iii. **Potential to Increase Flexibility.** Increased flexibility for state agencies is one of the stated benefits of Iowa's Charter Agency Initiative. Flexibility can be offered in the budget process through the consolidation of line items. The following two observations can be made regarding Colorado's budget. First, there is an inherent tradeoff between accountability and flexibility. Second, Colorado's budget already offers a significant amount of flexibility, especially in areas where the General Assembly has taken a position that more flexibility is useful or desired.
- iv. **Tradeoff Between Flexibility and Accountability.** More flexibility may result in less accountability for agencies.

- v. **Current Budgetary Flexibility.** There are a number of examples where the Colorado General Assembly has authorized budgetary flexibility. For example, footnotes are used to authorize roll forward authority and to authorize that certain line items may be used for more than one purpose.
  - vi. **The General Assembly Has Previously Examined This Issue.** In response to the revenue shortfall, the General Assembly convened an interim committee in the autumn of 2003 to study the state's governmental organization. Titled the *Interim Committee on State Government Expenditures*, all executive branch agencies, as well as the judicial branch, the treasury, and the Secretary of State presented their analysis on the structure of Colorado's government. Civil service reform was the most frequent issue brought to the Committee's attention. Moreover, certain departments indicated that flexibility was desirable and, with flexibility, more efficient operations could be achieved.
- b. **A History of Budget Refinement.** In FY 2001-02, General Fund revenues fell approximately \$981 million and another \$94 million in FY 2002-03. Thus, over two years, General Fund revenues declined almost \$1.1 billion, or approximately 17 percent. The General Assembly took a three-pronged approach in addressing the state's budget difficulties. First, it transferred about \$1.2 billion in cash funds to the General Fund over the course of three budget years. Second, it freed up General Fund revenues and funding for specific programs by establishing new and increasing existing fees. Third, it cut spending. General Fund expenditures decreased by \$221 million in FY 2001-02 and \$96 million in FY 2002-03, before increasing by \$82 million in 2003-04. *Staff is skeptical that the GEMs initiative will be able to uncover substantial cost savings and cost avoidance subsequent to the aggressive budgetary cuts made to departments as a result of the state's economic downturn.*
  - c. **Role of the JBC and its Staff in Controlling Spending.** The JBC and its staff play an ongoing role in questioning and challenging the executive branch in its budget requests and in the administration of state funds throughout the year. JBC staff members do not hesitate in recommending budget cuts, program elimination and cost saving measures, at various points throughout the year. This process provides vigorous oversight of the state's operating efficiency, making the discovery of further substantial cost savings or cost avoidance challenging.
3. **Technical Aspects of the Supplemental Request**
- a. **Timing of the Supplemental Request.** Staff is concerned why this late supplemental request for FY 2006-07 was not submitted as a budget amendment to the FY 2007-08 budget request. The Governor's Office has indicated that because

of the timeline outlined in the request for proposal (RFP), the project requires an initial report deliverable by August 1, 2007. According to the Governor's Office, this date was added so that the *possible* savings achieved through the study could be incorporated into the Office of State Planning and Budgeting budget development calendar for the subsequent year. And that the supplemental time frame is necessary in order to provide funding to the contractor to accomplish the goals set forth in the RFP. However, while staff agrees that the expense for this supplemental request was "not reasonably foreseeable", pursuant to Section 24-37-304 (1) (b.5), C.R.S., ***staff believes that the urgency for the request is not requisite with the expediency in which the funds are being requested by the department as the timeline outlined in a department-issued RFP does not necessitate the urgency of the General Assembly to appropriate funding for an elective government initiative.***

- b. **Project Prioritization.** In section 4.5 of the RFP issued by the Governor's Office, a three-phase schedule is provided outlining what deliverables are due and when (Table 1). It is staff's concern that it is not until Phase II (due December 1, 2007), that contractors must manifest several deliverables with "consideration of state law, current state practices, and current state budget constraints." Staff believes that consideration of state law, current state practices, and current state budget constraints are keystones in the development of any viable government efficiency management project and that the RFP does not reflect this importance until well after the project has been initiated. While the RFP does indicate among its first proposal evaluation criteria that, "how well the proposed approach reflects an understanding of an compatibility with conducting the proposed work within the context of current constraints of state revenue and expense laws, current state practices, and current state budget constraints", this requirement, however, isn't given the same priority within the proposed timeline put forth in the RFP. ***Staff recommends that the Governor's Office amend the requirements of the project to heighten the priority of the consideration of state law, current state practices, and current state budgetary constraints in the GEMs project into the requirements set for Phase 1.***
- c. **Indirect Costs of the Study.** The cost of study (\$700,000 General Fund) is not inclusive of the resource vacuum created by the personnel needs of the GEMs project, and therefore will have additional indirect costs associated with the time requirements needed to fulfill the goals set forth by the GEMs management team. For example, management selected to serve on the GEMs Task Force will have to allocate time to addressing questions from the selected contractor as well as the GEMs Management Team. It is likely that the time required to provide the necessary information or analyzing specific issues will be at the expense of the selected personnel organizational and possibly statutory duties. ***While the departments will likely be able to absorb costs associated with the resource needs of the request, these costs, however should be noted.***

- d. **Indeterminable Cost Savings or Cost Avoidance.** Any savings from the Government Efficiency Management study can not be identified until the expenditure of \$700,000 is made. Therefore, *real savings and cost avoidance can not be determined prior to the expenditure of the funds*. More specifically, whether the savings are from personal services or from operating costs can not be identified until after the initial investment is expended.
- e. **Additional Evaluation and Quality Improvement Project.** It is mentioned in the Governor's Office supplemental request for the GEMs project the following:

**"... in conjunction with the GEMs project, the Governor's Office will be launching an additional evaluation and quality improvement project** to increase the effectiveness of state departments. This project, akin to the Iowa Charter Agency process, will also be implemented with guidance from the GEMs project manager. With the full breadth of these additional responsibilities, this project is projected to last three years."

Staff is concerned with the future implications that accompany the implementation of the GEM study and the uncertain level of funding any future government efficiency initiatives would require from the General Assembly.

**Staff Recommendation:**

Staff does not recommend approval of the supplemental request based on the following points:

1. *The purported cost savings and cost avoidance, that the GEM study and all subsequent studies and initiatives are intended to expose, may not exceed the costs associated with conducting the study and implementing any of the study's findings.* Furthermore, identified cost savings and cost avoidance opportunities captured by government efficiency studies conducted in other states with differing (and often less restrictive) budgetary restraints, have little or no relevance to Colorado as many of the cost savings instruments have already been implemented by the state. Thus, cost savings and costs avoidance opportunities revealed through the GEMs project may not be as substantial as claimed.
2. Given the substantial budgetary cuts made in response to the budgetary crisis the state endured only a few years ago, *staff is skeptical that the GEMs initiative will be able to uncover substantial cost savings and cost avoidance beyond what was identified and eliminated by the General Assembly during the budgetary crisis.*
3. The *JBC and its non-partisan staff offer continuous in-house departmental operational*

*efficiency oversight* and essentially serve as internal efficiency regulators to ensure proper utilization of state funding. Therefore, hiring a consultant to parallel work already being accomplished with additional state funding may not be prudent.

4. If the substantial General Fund request of \$700,000 is approved, this action ***will require sacrificing other state priorities*** which are solely or partially funded by General Fund. Staff believes that *this request is elective and not essential to carrying out the duties of the state* and that other state functions may need to take precedence.
5. The ***RFP on which the request from the Governor's Office is based fails to adequately prioritize the consideration of state law, current state practices, and current state budget constraints*** and as such staff is concerned that the consultants whom will be selected, if this request is approved, will be hired under a pretense in which these issues are not more highly prioritized.
6. ***If the request was submitted as a budget amendment*** to the FY 2007-08 budget request, staff may have had a more favorable opinion of the petition for funding, however since the request was made as a supplemental for FY 2006-07, staff does not recognize the urgency with which the Governor's Office claims it needs the funding for FY 2006-07. Staff contends that if it were submitted as a budget amendment, the costs associated with this study would likely have been more effectively mitigated through both the Executive Branch budgetary development process as well as funded through the Legislative Branch budget setting process.

*Staff Caveat:* However, in contrast to staff's recommendation, it is important to note that given that the state has not undergone a comprehensive government efficiency management study after several fiscal years of budgetary cuts, and given that – according to Legislative Council Staff's November 13, 2006 issue of the *Colorado Economic Chronicle* – the Colorado economy continues to expand at a healthy, yet moderate pace, staff does recognize that a government efficiency management study could potentially provide the state, if conducted effectively, an enhanced knowledge-base to better leverage state funding based on a more accurate assessment of operational efficiency.

# **COLORADO GENERAL ASSEMBLY**

## **JOINT BUDGET COMMITTEE**



### **FY 2006-07 SUPPLEMENTAL: OFFICE OF THE GOVERNOR**

## **PRIORITIZED AND NON-PRIORITIZED REQUESTS**

**JBC Working Document - Subject to Change**

**Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:**

**Bernie Gallagher, JBC Staff**

**January 25, 2007**

**For Further Information Contact:**

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**OFFICE OF THE GOVERNOR  
FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

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	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

**OFFICE OF THE GOVERNOR**  
**Governor Bill Ritter**

**Supplemental # 1 - Colorado Council on the Arts Federal and Cash Funds Exempt Spending Authority**

*(4) ECONOMIC DEVELOPMENT PROGRAMS*

Colorado Council on the Arts	<u>0</u>	<u>1,500,000</u>	<u>750,000</u>	<u>750,000</u>	<u>2,250,000</u>
Cash Funds	0	1,500,000	0	0	1,500,000
FTE	0.0	2.0	0.0	0.0	2.0
Cash Funds Exempt	0	0	50,000	50,000	50,000
Federal Funds	0	0	700,000	700,000	700,000

**Supplemental # 2 - Colorado Council on the Arts Cash Fund Roll-over Spending Authority**

*(4) ECONOMIC DEVELOPMENT PROGRAMS \*\**

Colorado Council on the Arts	<u>0</u>	<u>1,500,000</u>	<u>0</u>	<u>0</u>	<u>1,500,000</u>
Cash Funds	0	1,500,000	0	0	1,500,000
FTE	0.0	2.0	0.0	0.0	2.0
Cash Funds Exempt	0	0	0	0	0
Federal Funds	0	0	0	0	0

\*\* Staff is recommending a footnote be added to the FY 2006-07 Long Bill to provide one-time \$125,000 roll-over spending authority in FY 2007-08 from the FY 2006-07 Colorado Council on the Arts cash fund appropriation.



	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>ALL REQUESTED ITEMS</b>					
<b>OFFICE OF THE GOVERNOR</b>					
TOTALS for ALL Departmental line items	16,290,167	34,649,807	750,000	750,000	35,399,807
FTE	<u>35.7</u>	<u>39.0</u>	<u>0.0</u>	<u>0.0</u>	<u>39.0</u>
General Fund	11,774,586	6,446,279	0	0	6,446,279
FTE	32.2	30.5	0.0	0.0	30.5
Cash Funds	42,531	25,924,603	0	0	25,924,603
FTE	0.0	5.0	0.0	0.0	5.0
Cash Funds Exempt	3,309,091	362,141	50,000	50,000	412,141
FTE	1.0	1.0	0.0	0.0	1.0
Federal Funds	1,163,959	1,916,784	700,000	700,000	2,616,784
FTE	2.5	2.5	0.0	0.0	2.5

Key:

"N.A." = Not Applicable

**OFFICE OF THE GOVERNOR  
 FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Supplemental # 1 - Colorado Council on the Arts Federal and Cash Funds Exempt Spending Authority**

	<b>Request</b>	<b>Recommendation</b>
Total	<u>\$750,000</u>	<u>\$750,000</u>
Cash Funds Exempt	50,000	50,000
Federal Funds	700,000	700,000

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	<b>YES</b>
This request meets the criteria for a <i>technical error</i> as the spending authority requested by the Department should have been designated in the Long Bill (H.B. 06-1385).	

**Department Request:** The Colorado Council on the Arts within the Office of Economic Development is requesting \$50,000 cash funds exempt and \$700,000 federal funds spending authority. The Department's request for \$50,000 cash funds exempt spending authority reflects gifts, grants, and donations that the Colorado Council on the Arts receives and the \$700,000 federal funds spending authority reflects a dollar-for-dollar cash-match awarded by the National Endowment for the Arts (NEA).

In FY 2006-07, the Colorado Council on the Arts, including its employees and property, was transferred from the Department of Higher Education to the Colorado Office of Economic Development, pursuant to S.B. 06-49. This bill was accompanied by an appropriation in H.B. 06-1201 which provided \$1.5 million cash funds and 2.0 FTE to the Office of Economic Development and a like decrease in the Department of Higher Education.

The \$1.5 million cash funds appropriation provided for the Colorado Council on the Arts, pursuant to H.B. 06-1201, are from Limited Gaming Revenues designated for the promotion of tourism in the state. This legislation did not however appropriate cash funds exempt spending authority for gifts, grants, and donations or federal grants received by the Colorado Council on the Arts. The Department is requesting cash funds exempt and federal funds spending authority in order to expend gifts, grants, donations, and NEA federal funding in FY 2006-07.

**Staff Recommendation:** Staff recommends that cash funds exempt and federal funds spending authority be extended to the Department in order to expend gifts, grants, and donations received by the Colorado Council on the Arts for FY 2006-07.

**OFFICE OF THE GOVERNOR  
 FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Supplemental # 2 - Colorado Council on the Arts Cash Fund Roll-over Spending Authority**

	Request	Recommendation
Total	\$0	\$0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b>	<b>YES</b>
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
<i>New data</i> is available since legislation was passed during the 2006 Legislative Session.	

**Department Request:** The Department is requesting a \$125,000 increase in cash funds spending authority in FY 2007-08 from roll-over funds which were appropriated to the Colorado Council of the Arts cash fund in FY 2006-07. The Department is seeking to utilize these roll-over cash funds to create a grant program to support K-12 arts education.

**Staff Analysis:** During the 2006 Legislative Session, the General Assembly enacted legislation which impacted the Colorado Council on the Arts. Senate Bill 06-49 transferred the Colorado Council on the Arts from the Department of Higher Education to the Colorado Office of Economic Development and H.B. 06-1201 appropriated \$1.5 million cash funds and 2.0 FTE to the Office of Economic Development and a like decrease in the Department of Higher Education.

The \$1.5 million cash funds appropriation provided for the Colorado Council on the Arts, pursuant to H.B. 06-1201, did not provide the Department roll-over spending authority. However, Section 24-48.8-109 (2), C.R.S., regarding the Colorado Council on the Arts cash fund, directs that "*all moneys not expended or encumbered, and all interest earned on the investment or deposit of moneys in the fund, shall remain in the fund and shall not revert to the general fund at the end of any fiscal year.*" Thus, the Department is wishing to receive one-time spending authority to utilize \$125,000 cash funds from the Colorado Council on the Arts cash fund in FY 2007-08 from the FY 2006-07 appropriation to initiate a K-12 in-school arts learning program.

In order to provide transparency, staff recommends that a footnote be added with language specifying the General Assembly's intent regarding the Department's one-time \$125,000 increase in cash funds spending authority in FY 2007-08 from roll-over funds which were appropriated to the Colorado Council of the Arts cash fund in FY 2006-07 in order to create a grant program to support K-12 arts education.

**Staff Recommendation:** Staff recommends approval of the request, including the addition of a footnote which stipulates the General Assembly's intent regarding the Department's one-time \$125,000 increase in cash funds spending authority in FY 2007-08 from roll-over funds which were appropriated to the Colorado Council of the Arts cash fund in FY 2006-07 in order to create a grant program to support K-12 arts education.

# **COLORADO GENERAL ASSEMBLY**

## **JOINT BUDGET COMMITTEE**



### **FY 2006-07 SUPPLEMENTAL: OFFICE OF THE GOVERNOR**

### **PRIORITIZED AND NON-PRIORITIZED REQUESTS**

**JBC Working Document - Subject to Change**

**Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:**

**Bernie Gallagher, JBC Staff**

**January 16, 2007**

**For Further Information Contact:**

**Joint Budget Committee  
200 East 14th Avenue, 3rd Floor  
Denver, Colorado 80203  
Telephone: (303) 866-2061**

**OFFICE OF THE GOVERNOR  
FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

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Totals for All Supplementals	2	N.A.

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>OFFICE OF THE GOVERNOR</b>					
<b>Governor Bill Ritter</b>					
<b>Supplemental #1 - CBMS RFP Request</b>					
<i>(6) OFFICE OF COLORADO BENEFITS MANAGEMENT SYSTEM</i>					
Operating Expenses - CFE	156,570	278,897	512,400	pending	N.A.
<b>Supplemental #2 - CBMS BENDEX Update</b>					
<i>(6) OFFICE OF COLORADO BENEFITS MANAGEMENT SYSTEM</i>					
Operating Expenses - CFE	156,570	278,897	176,367	pending	N.A.
<b>Supplemental #3 - Change Office of Innovation and Technology Name in Long Bill</b> (see narrative for more detail)					

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>Statewide Supplementals</b> (see narrative for more detail)					
General Fund	N.A.	N.A.	209,441	pending	N.A.
<b>ALL REQUESTED ITEMS ARE PENDING</b>					
<b>OFFICE OF THE GOVERNOR</b>					
TOTALS for ALL Departmental line items	34,931,205	62,922,876	898,208	pending	N.A.
FTE	<u>124.3</u>	<u>139.4</u>	<u>0.0</u>	<u>0.0</u>	<u>139.4</u>
General Fund	16,048,348	11,230,755	209,441	pending	N.A.
Cash Funds	113,825	31,125,440	0	0	31,125,440
Cash Funds Exempt	6,679,572	4,044,045	688,767	pending	N.A.
Federal Funds	12,089,460	16,522,636	0	0	16,522,636

Key:

"N.A." = Not Applicable

**OFFICE OF THE GOVERNOR  
 FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Supplemental # 1 - CBMS RFP Request**

	Request	Recommendation
Cash Funds Exempt	\$512,400	Pending

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	<b>PENDING</b>
Criteria for the supplemental is pending the assessment of the Human Services, Information Technology-CBMS JBC staff analyst.	

**Department Request:** The Department requests \$512,400 cash funds exempt to procure an outside vendor that will write an RFP for the ongoing maintenance and operation of CBMS.

**Staff Recommendation:** Staff recommendation is pending the assessment of the Human Services, Information Technology-CBMS JBC staff analyst.

**Supplemental # 2 - CBMS BENDEX Update**

	Request	Recommendation
Cash Funds Exempt	\$176,367	Pending

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	<b>PENDING</b>
Criteria for the supplemental is pending the assessment of the Human Services, Information Technology-CBMS JBC staff analyst.	

**Department Request:** The Department requests \$176,367 cash funds exempt to comply with the Beneficiary Earnings and Data Exchange (BENDEX) modernization requirement, pursuant to the Medicare Modernization Act (MMA).

**Staff Recommendation:** Staff recommendation is pending the assessment of the Human Services, Information Technology-CBMS JBC staff analyst.



**OFFICE OF THE GOVERNOR  
 FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
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**Supplemental # 3 - Office of Innovation and Technology Name Change**

	Request	Recommendation
Total	\$0	\$0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	<b>YES</b>
The name of the Office of Innovation and Technology was changed in statute during the 2006 Legislative Session to the Office of Information Technology, however it remains the Office of Innovation and Technology in the Long Bill, constituting a technical error.	

**Department Request:** The Department requests no funding to change the name of the Office of Innovation and Technology to the Office of Information Technology, pursuant to Section 24-37.5-104 (5) (a) (II) and (III), C.R.S.

**Analysis:** Pursuant to the following statutes, the statutory and legislative intent of the Legislature recognizes this entity as the Office of Information Technology.

Sections 24-37.5-104 (5) (a) (II), C.R.S., "*To better reflect the current activities of this office, the office should be referred to as the "office of information technology"*".

Sections 24-37.5-104 (5) (a) (III), C.R.S., "*The name of the office in the governor's office that coordinates and directs the use of communication and information resources technologies by state agencies should accordingly be changed from the "office of innovation and technology" to the "office of information technology"*".

**Staff Recommendation:** Staff recommends that the committee approve the technical supplemental request to change the name of the entity to the Office of Information Technology, pursuant to Colorado statute.

**OFFICE OF THE GOVERNOR  
 FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Statewide Common Policy Supplemental Requests**

These requests are not prioritized and are not analyzed in this packet . These items will be acted on separately by the JBC when it makes a decision regarding common policies.

<b>The Office of the Governor's Portion of Statewide Supplemental Request</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt</b>	<b>Federal Funds</b>	<b>Total</b>	<b>FTE</b>
1. Vehicle Reconciliation	\$2,771	\$0	\$0	\$0	\$2,771	0.0
2. Workers' Compensation	508	0	0	0	508	0.0
3. Multiuse Network (MNT)	(3,796)	0	0	0	(3,796)	0.0
4. Computer Service (GGCC)	131,316	0	0	0	131,316	0.0
5. Capitol Complex Lease - Technical	22,060	0	0	0	22,060	0.0
6. Risk Management	56,582	0	0	0	56,582	0.0
Total Statewide Supplemental Requests for the Office of the Governor	209,441	0	0	0	209,441	0.0

**Staff Recommendation:** The staff recommendation for these requests is pending committee approval of common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the committee approves this common policy supplemental. If staff believes there is reason to deviate from the common policy, staff will appear before the committee later to present the relevant analysis.

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