

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2012-13

DEPARTMENT OF PERSONNEL

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
Alfredo Kemm, JBC Staff
January 17, 2013**

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Prioritized Supplemental Requests

SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #1 CAPITOL COMPLEX LEASED SPACE TRUE-UP

	Request	Recommendation
Total	<u>\$800,254</u>	<u>\$800,254</u>
FTE	0.0	0.0
Reappropriated Funds	800,254	800,254

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of a technical error addressed by the Department properly recognizing and recording energy performance contracts and rebate revenues within the budget.	

Department Request: The Department requests \$800,254 in reappropriated funds spending authority to recognize the principal expense for energy performance contracts and accurately account for rebates received for the purchase of equipment, in the Facilities Maintenance – Capitol Complex, Utilities line item in the Division of Central Services for FY 2012-13.

Staff Recommendation: Staff recommends that the Committee approve the Department's request.

Staff Analysis: The supplemental budget request addresses additional spending authority without the need for additional state agency common policy billings/allocations for two issues:

1. Budget recognition for energy performance contracts; and
2. The recognition of revenue and expense associated with rebates.

Prior to this request, the Department has recognized the expense for the principal portion of energy performance contracts through the fund balance but not within the budget. These expenses have been included in calculations to set common policy billings/allocations to state agencies and therefore revenue is available without additional common policy billings/allocations state agencies, but because they have not been included within the budget, the Department lacks budgetary spending authority. The inclusion of these expenses adds transparency to the budget for Capitol Complex common policy.

Specifically, the Department purchases and installs variable frequency drives (VFDs) that allow HVAC systems to run more efficiently with rebates available from Xcel Energy. In previous transactions, the State's contractors for this equipment reduced the cost of the entire contract by the amount of the rebate. The Department has determined that the proper way to account for the value of these projects and equipment purchases is to recognize the full expense of the project as

well any rebate revenue associated. As with the energy performance contracts, the recognition of the full expense of equipment along with revenue from rebates adds transparency to the budget.

**SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #2
STATEWIDE TRAINING AND DEVELOPMENT CENTER TECHNICAL
FUNDING ADJUSTMENT**

	Request	Recommendation
Total	<u>\$0</u>	<u>\$0</u>
FTE	0.0	0.0
Cash Funds	0	0
Reappropriated Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made. The prior, single, program line was split into personal services and operating expenses for FY 2012-13. Midway through the fiscal year the Department has determined that budget-neutral adjustments need to be made to fund the program's personal services and operating expenses line items more appropriately.	

Department Request: The Department requests a \$57,426 decrease in total funds for Training Services, Personal Services along with a corresponding \$57,426 increase in total funds for Training Services, Operating Expenses in the Division of Human Resources for FY 2012-13.

Staff Recommendation: Staff recommends that the Committee approve the Department's request.

Staff Analysis: The supplemental budget request allows the Department to more efficiently align its resources for this program. Staff's goal at figure-setting for FY 2012-13 in recommending splitting the prior, single program line item was to couple the Department's request for additional funding for the program with additional budget transparency regarding program expenditures for personal services and operating expenses. It is reasonable that the Department may need to adjust appropriations as it has requested.

Non-prioritized Supplemental Requests

PREVIOUSLY APPROVED SUPPLEMENTAL 1331 – ePROCUREMENT PROGRAM RESOURCES

	Request	Recommendation
Total	<u>\$566,203</u>	<u>\$566,203</u>
FTE	2.0	2.0
Cash Funds	566,203	566,203

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made. A vendor was selected through the RFP process and began on July 1, 2011 and process mapping with an integration specialist began in April 2012, both of which informed the Department of specific resources required to continue implementation of the system.	

Summary: The Committee approved this supplemental in June 2012 when the Department requested \$566,203 cash fund spending authority for FY 2012-13, from the Electronic Procurement Program Account in the Supplier Database Cash Fund for the resources to continue the implementation of the eProcurement system.

Senate Bill 09-099 added Section 24-102-202.5 (2.5), C.R.S., that required the Department to develop and implement a statewide, centralized electronic procurement system (eProcurement) to be funded through vendor fees. An eProcurement implementation vendor was selected through the RFP process and began work on July 1, 2011. Additionally, during FY 2011-12, the Governor's Office of Information Technology (OIT) Storefront project for the standardized purchase of IT goods, software, and services was identified as a Governor's Lean Initiative, and was identified as strongly linked to the eProcurement program purpose and goals.

The vendor along with an integration specialist began process mapping for eProcurement implementation in April 2012. Both the vendor and the integration specialist in discussions with the Governor's Office of Information Technology (OIT) and the OIT Storefront Lean program informed the Department of specific resources required to continue and complete implementation of the system that necessitate the current supplemental appropriation request. At the time of the supplemental request the implementation of the eProcurement system was expected to take place throughout FY 2012-13 and be completed by the end of the fiscal year.

The Department's FY 2013-14 request seeks to shift the implementation strategy in order to integrate eProcurement with COFRS II, rather than complete the development and implementation of a stand-alone system, while retaining the functionality of the system already developed, leading to an expected implementation date of July 1, 2014, for the integrated system with COFRS II.

The supplemental request included an additional 2.0 FTE for the eProcurement Program, that included two eProcurement Specialists at the General Professional III and General Professional IV levels. The Department's FY 2013-14 R-3 request for 3.0 FTE incorporates the previously approved 2.0 FTE appropriation in the 1331 supplemental.

The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves. Staff will include this supplemental in the Department's supplemental bill.

**PREVIOUSLY APPROVED SUPPLEMENTAL
1331 – LIABILITY PREMIUMS TECHNICAL TRUE-UP**

	Request	Recommendation
Total	<u>\$2,772,882</u>	<u>\$2,772,882</u>
FTE	0.0	0.0
Reappropriated Funds	2,772,882	2,772,882

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made. Specifically, the Department has settled a higher-than-expected dollar amount of claims in FY 2012-13.	

Summary: The Committee approved this supplemental on January 4, 2013. The Department requested an additional \$2,771,882 in common policy allocations to state agencies in the Payment to Risk Management and Property Fund line item for FY 2012-13, for the Liability Program in Risk Management Services in the Division of Human Resources. The Department's \$2.8 million total request was comprised of a projected \$2.4 million fund deficit and a \$0.4 million reserve fund balance. The Department estimated that \$1,635,246 of the additional allocation to state agencies is from General Fund. Based on the letter to the State Controller that comprised adjustments to all state department *payment to risk management and property* line items with fund sources and fund splits based on Department Schedule 13's for this request, staff estimates that \$1,658,570 of the additional allocation to state agencies is from General Fund.

The Department stated that it has experienced or will soon have to pay a number of unanticipated liability claims payments in FY 2012-13. The extraordinary payments include three large settlements in October that totaled \$1.2 million, a \$1.1 million payment for a single claim that was expected to be made in November, an \$800,000 payment for a single claim expected to be made in December, and a \$600,000 payment related to the Lower North Fork Fire expected to be made in February. The Department also made payments totaling \$268,000 for July through

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September. The Department's projections included an additional \$150,000 per month for November through June in addition to the anticipated extraordinary liability payments.

FY 2012-13 Summary of Liability Payouts by Month (actual July-October, projected November-June)					
July	August	September	October	November	December
\$140,292	\$64,611	\$62,931	\$1,206,765	\$1,200,000	\$1,000,000
January	February	March	April	May	June
\$150,000	\$800,000	\$150,000	\$150,000	\$150,000	\$150,000

The Department's projections for FY 2012-13 total \$5.2 million in liability payments. The figure-setting amount for the prospective losses estimate, that is actuarially determined, was \$3.9 million. Additionally, the Department provided a fund balance detail worksheet that included all program expenses including the following expenses that are not detailed in the budget request:

- Outside Legal Counsel of \$847,000;
- Adjusting Services TPA Fees of \$252,000; and
- CN PERA of \$11,000.

The Department stated that these legal and administrative expenses are included in the loss payout projections by the actuary and in the common policy request. Therefore these expenses that total an additional \$1.1 million need to be included as part of liability payments when comparing these figures to the budget request. This brings the total liability payment projection for FY 2012-13 to \$6.3 million, equal to \$2.4 million or 61.5 percent higher than actuarially projected and used at figure-setting.

The Department requested the following state agency allocation that was approved by the Committee:

Additional Liability Allocation and Payment to Risk Management by Agency			
Agency	FY 2012-13 Payment to Risk Management and Property Funds	Requested/Approved Additional Liability Allocation	Requested/Approved FY 2012-13 Payment to Risk Management and Property Funds
Agriculture	\$ 139,215	\$ 22,876	\$ 162,091
Corrections	3,087,036	806,734	3,893,770
Education	78,918	4,265	83,183
Governor	157,246	32,579	189,825
HCPF	84,444	39,397	123,841
Higher Education	3,634,349	130,658	3,765,007
Human Services	1,392,061	300,766	1,692,827

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Judicial	239,318	107,826	347,144
Labor and Employment	28,916	10,240	39,156
Law	87,949	40,207	128,156
Legislature	13,969	3,228	17,197
Local Affairs	14,752	4,595	19,347
Military and Veterans Affairs	149,905	11,177	161,082
Natural Resources	789,421	160,389	949,810
Personnel	657,049	25,261	682,310
Public Health and Environment	93,098	15,914	109,012
Public Safety	823,432	354,385	1,177,817
Regulatory Agencies	129,422	53,611	183,033
Revenue	187,392	51,853	239,245
State	27,906	9,766	37,672
Transportation	2,900,725	586,795	3,487,520
Treasury	929	360	1,289
Total	14,717,452	2,772,882	17,490,334

The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves. Staff will include this supplemental in the Department's supplemental bill.

Statewide Common Policy Supplemental Requests

This request is not prioritized and is not analyzed in this packet.

Department's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Reapprop. Funds
Liability Premiums Technical True-up	\$25,261	\$6,920	\$2,178	\$16,163
Department's Total Statewide Supplemental Requests	\$25,261	\$6,920	\$2,178	\$16,163

Staff Recommendation: This amount represents the Department's share of the *Liability Premiums Technical True-up* interim 1331 supplemental that was approved by the Committee on Friday, Jan. 4, 2013. **Staff recommends that this adjustment be included in the Department's supplemental bill.**

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Appendix A: Number Pages

	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2012-13 Requested Change	FY 2012-13 Rec'd Change	FY 2012-13 Total W/ Rec'd Change
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**DEPARTMENT OF PERSONNEL
Kathy Nesbitt, Executive Director**

Supplemental Capitol Complex Leased Space True-up

(4) CENTRAL SERVICES

(D) Facilities Maintenance - Capitol Complex

Utilities (FM-CC)	<u>0</u>	<u>4,163,025</u>	<u>800,254</u>	<u>800,254</u>	<u>4,963,279</u>
Cash Funds	0	290,276	0	0	290,276
Reappropriated Funds	0	3,872,749	800,254	800,254	4,673,003

Total for Supplemental Capitol Complex Leased Space True-up	0	4,163,025	800,254	800,254	4,963,279
<i>FTE</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Funds	0	290,276	0	0	290,276
Reappropriated Funds	0	3,872,749	800,254	800,254	4,673,003

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	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2012-13 Requested Change	FY 2012-13 Rec'd Change	FY 2012-13 Total W/ Rec'd Change
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Supplemental - Training Services Funding Adjustment

(2) DIVISION OF HUMAN RESOURCES

(A) Human Resources Services

(II) Training Services

Personal Services	653,578	(57,426)	(57,426)	596,152
FTE	1.0	0.0	0.0	1.0
Cash Funds	36,837	(3,420)	(3,420)	33,417
Reappropriated Funds	616,741	(54,006)	(54,006)	562,735
Operating Expenses	23,116	57,426	57,426	80,542
Cash Funds	3,468	3,420	3,420	6,888
Reappropriated Funds	19,648	54,006	54,006	73,654

Total for Supplemental - Training Services				
Funding Adjustment	676,694	0	0	676,694
FTE	1	0	0	1
Cash Funds	40,305	0	0	40,305
Reappropriated Funds	636,389	0	0	636,389

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	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2012-13 Requested Change	FY 2012-13 Rec'd Change	FY 2012-13 Total W/ Rec'd Change
1331 - eProcurement Program Resources					
(5) DIVISION OF ACCOUNTS AND CONTROL - CONTROLLER					
(C) Supplier Database					
Personal Services	<u>193,917</u>	<u>238,271</u>	<u>566,203</u>	<u>566,203</u>	<u>804,474</u>
FTE	2.2	4.0	2.0	2.0	6.0
Cash Funds	193,917	238,271	566,203	566,203	804,474
Total for 1331 - eProcurement Program Resources	193,917	238,271	566,203	566,203	804,474
FTE	<u>2.2</u>	<u>4</u>	<u>2</u>	<u>2</u>	<u>6</u>
Cash Funds	193,917	238,271	566,203	566,203	804,474

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	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2012-13 Requested Change	FY 2012-13 Rec'd Change	FY 2012-13 Total W/ Rec'd Change
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1331 - Liability Premiums Technical True-up

(2) DIVISION OF HUMAN RESOURCES

(C) Risk Management Services

Liability Premiums	4,831,358	4,674,104	2,772,882	2,772,882	7,446,986
Cash Funds	0	0	0	0	0
Reappropriated Funds	4,831,358	4,674,104	2,772,882	2,772,882	7,446,986

Total for 1331 - Liability Premiums Technical True-up	4,831,358	4,674,104	2,772,882	2,772,882	7,446,986
<i>FTE</i>	0	0	0	0	0
Cash Funds	0	0	0	0	0
Reappropriated Funds	4,831,358	4,674,104	2,772,882	2,772,882	7,446,986

Totals Excluding Pending Items					
PERSONNEL					
TOTALS for ALL Departmental line items	143,867,194	160,021,572	4,139,339	4,139,339	164,160,911
<i>FTE</i>	352	394.9	2	2	396.9
General Fund	3,676,943	6,596,233	0	0	6,596,233
Cash Funds	8,774,186	11,997,536	566,203	566,203	12,563,739
Reappropriated Funds	131,416,065	141,427,803	3,573,136	3,573,136	145,000,939

MEMORANDUM

TO: Joint Budget Committee

FROM: Alfredo Kemm, JBC Staff

SUBJECT: Department of Personnel Fleet Budget Amendment and Supplemental Request

DATE: January 17, 2013

A combined FY 2012-13 supplemental and FY 2013-14 budget amendment was submitted to staff by email from the Office of State Planning and Budgeting (OSPB) on Wednesday, January 16th at 10:45 a.m. The request narrative states that *the Department is combining the vehicle replacement request with its annual fleet supplemental for FY 2012-13 so that both actions might be considered simultaneously.*

Department Request

The Department requests a \$420,155 decrease in reappropriated funds for its *Vehicle Replacement Lease, Purchase or Lease/Purchase* line item for the Fleet Management Program in Central Services for FY 2012-13. The corresponding adjustment to state agencies related to the request is a \$1,655,124 net decrease to state agency *Vehicle Lease Payments* line items for FY 2012-13. Additionally, the supplemental requests the purchase of compressed natural gas (CNG) vehicles for 129 of the originally approved replacements for FY 2012-13.

The Department requests a \$2,277,661 increase in reappropriated funds for its *Vehicle Replacement Lease, Purchase or Lease/Purchase* line item for the Fleet Management Program in Central Services for FY 2013-14, relative to the base FY 2012-13 appropriation. The corresponding billings to state agencies related to the request is a \$121,300 net increase to state agency *Vehicle Lease Payments* line items for FY 2013-14, relative to the base FY 2012-13 appropriation. The request recommends the replacement of 607 vehicles, including 182 CNG vehicles.

Staff Analysis

A quantitative and alternative fuel replacement vehicle policy change analysis is not ready at this time of the Department's supplemental presentation as scheduled.

Staff Concerns

The Department's narrative states that the requests were submitted together *so that both actions might be considered simultaneously.* While it is conceivable to consider them together, it is only possible for the Committee to decide on them together at figure-setting, at the supplemental presentation, or sometime in between. Given the timing of the submission, the time necessary for staff to prepare an analysis and recommendation for the Committee, and OSPB staff's recognition that the request could not be presented to the Committee today along with the other Department supplementals, the statement suggests that the Department and OSPB might expect the Committee to introduce a second supplemental bill for the Department at a later time. A need for a follow-up supplemental bill for the Department would also entail follow-up

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supplemental bills for all of the other Departments, all of which are affected by the Fleet supplemental request.

Given these difficulties, it appears that the Committee may have no choice but to consider and decide on the Fleet supplemental for FY 2012-13 at this time of supplemental presentations and bill drafting, rather than wait for a later time.

Given the complexities of analyzing the Department's Fleet request and change in policy to include the purchase of many more CNG vehicles in its replacement vehicle request, and despite the budget amendment having been submitted past the statutory deadline, the Department's FY 2013-14 request is best considered independently and decided at figure-setting.

Staff Recommendation

Staff recommends that the Committee consider the Department's FY 2013-14 budget amendment request at figure-setting and deny the Department's supplemental request for FY 2012-13 for the following reasons:

1. **The supplemental request was submitted late.** The request was submitted substantially after the statutory deadline for supplemental requests pursuant to Section 24-37-302 (1) (b.5), which requires submission by January 1, or based upon circumstances unknown at the time of submission. This request is not related to the sudden destruction or deterioration of the state fleet and the emergency need for additional replacement vehicles, but rather to a change in Executive Branch policy related to the purchase of alternative fuel vehicles. Staff reads the second half of the provision that allows submission after January 1, as not intending to include circumstances that change based on a reconsideration of policies by the Executive Branch, given that the Executive Branch has plenty of time to consider such policy directions within the statutorily required deadlines for budget purposes.
2. **The supplemental request is unnecessary.** The request is for a decrease in the Department's spending authority and while state agency adjustments include either an increase or a decrease for individual agencies, all adjustments can be included in adjustments to FY 2013-14 appropriations. Additionally, it is clear that the Department's request to substitute CNG vehicles for 129 of the remaining replacement vehicles to be purchased in FY 2012-13 can be accomplished within the current FY 2012-13 appropriation.
3. **Staff has not had time to analyze the request** and make a considered recommendation to the Committee for approving or partially approving the request. Related, the effects that a common policy adjustment has on all department budgets will require the re-draft of all Department supplemental bills that are currently working their way through the drafting and editing process based on Committee supplemental decisions made to this point. The supplemental bill introduction deadline is January 25th.

Staff also recommends that the Committee *approve* the Department's request to substitute CNG vehicles for 129 of the remaining replacement vehicles to be purchased in FY 2012-13. That approval does not appear to require a supplemental bill amendment for the Department or other state agencies and can be accomplished within the current FY 2012-13 appropriation according to the Department's request.