

The following file contains four documents:

- A table summarizing JBC Staff Estimate of Common Policy and DPA Supplementals' Impact to the General Fund.
- January 23, 2007, JBC staff document summarizing FY 2006-07 Department of Personnel and Administration and Common Policy Supplemental packet prepared by JBC staff.
- January 29, 2007, JBC staff document listing technical comebacks on the January 23, 2007, Department of Personnel Common Policy Supplemental packet prepared by JBC staff.
- March 14, 2007, Department of Personnel Supplemental regarding an adjustment to a vehicle lease letternote.

**DEPARTMENT OF PERSONNEL AND ADMINISTRATION  
 FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
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**JBC Staff Estimate of Common Policy and DPA Supplementals'  
 Impact to the General Fund\***

	<b>DPA Impact</b>	<b>State Impact</b>
Statewide Supplemental #1 - GGCC Mid-year Supplemental True-up (DPA Allocation)	1,960,997	282,688
Statewide Supplemental #2 - Fleet Operating Spending Authority Increase	0	0
Statewide Supplemental #3 - Risk Management and Workers' Compensation Adjustments	152,922	2,035,714
Statewide Supplemental #4 - Multiuse Network Payments Telecomm Truth-in-Rates	0	(103,689)
Statewide Supplemental #5 - Communications Services Mid-year Supplemental True-up	1,151	217,885
Statewide Supplemental #6 - Capitol Complex Leased Space Technical Adjustments	8,187	447,375
Statewide Supplemental #7 - Administrative Law Judge Services Mid-year Supplemental True-up	(2,516)	(69,549)
Statewide Supplemental #8 - Statewide Vehicle Lease Line Reconciliation	0	(399,808)
Supplemental #9 (DPA Supplemental #1) - Document Solutions Group Increase for CBI Project	0	0
Previously Approved 1331 Supplemental - Fleet Fuel Emergency Supplemental	<u>0</u>	<u>0</u>
<b>Totals for All Supplementals</b>	<b>2,120,741</b>	<b>2,410,616</b>

\* JBC staff estimate is based on Department of Personnel and Administration supplemental requests, individual department requests and JBC staff recommendation. DPA Impact is the increase of General Fund to the Department of Personnel. State Impact represents the additional burden to the General Fund for FY 2006-07 as a result of common policy supplementals.

**COLORADO GENERAL ASSEMBLY**

**JOINT BUDGET COMMITTEE**



**FY 2006-07 SUPPLEMENTAL:  
DEPARTMENT OF  
PERSONNEL AND ADMINISTRATION  
  
PRIORITIZED AND NON-PRIORITIZED  
REQUESTS**

**JBC Working Document - Subject to Change**

**Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:**

**Viktor Bojilov, JBC Staff**

**January 23, 2007**

**For Further Information Contact:**

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

**DEPARTMENT OF PERSONNEL AND ADMINISTRATION  
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Totals for All Supplementals	6	N.A.

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>DEPARTMENT OF PERSONNEL AND ADMINISTRATION</b>					
<b>Executive Director - Richard Gonzales</b>					
<b>Statewide Supplemental #1 - GGCC Mid-year Supplemental True-up (DPA Allocation)</b>					
<i>(1) EXECUTIVE OFFICE</i>					
Purchase of Services from Computer Center	<u>1,230,591</u>	<u>1,107,058</u>	<u>2,750,824</u>	<u>2,750,824</u>	<u>3,857,882</u>
General Fund	1,019,111	1,034,198	1,960,997	1,960,997	2,995,195
Cash Funds Exempt	211,480	72,860	789,827	789,827	862,687
<b>Statewide Supplemental #2 - Fleet Operating Spending Authority Increase</b>					
<i>(4) CENTRAL SERVICES</i>					
<i>(C) Fleet Management Program and Motor Pool Services</i>					
Operating Expenses - CFE*	16,792,626	17,405,339	2,007,669	734,047	18,139,386
<p>* Pursuant to Section 24-75-209, C.R.S., the Controller has restricted the FY 2006-07 appropriation by \$413,295, which is the amount of overexpenditure for FY 2005-06. Staff notes that the JBC approved an increase in spending authority for FY 2005-06 by \$224,144 CFE through a June 20, 2006, 1331 Supplemental.</p> <p>The FY 2006-07 appropriation includes \$15.6 million from H.B. 06-1385 and \$1.8 million from S.B. 06-15.</p>					
<b>Statewide Supplemental #3 - Risk Management and Workers' Compensation Adjustments</b>					
<i>(1) EXECUTIVE OFFICE</i>					

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Workers' Compensation	<u>235,128</u>	<u>255,779</u>	<u>29,697</u>	<u>29,697</u>	<u>285,476</u>
General Fund	60,484	65,796	7,639	7,639	73,435
Cash Funds	1,301	1,415	164	164	1,579
Cash Funds Exempt	173,343	188,568	21,894	21,894	210,462
Payment to Risk Management and Property Funds	<u>395,721</u>	<u>560,147</u>	<u>564,781</u>	<u>564,781</u>	<u>1,124,928</u>
General Fund	101,795	144,091	145,283	145,283	289,374
Cash Funds	2,189	3,098	3,124	3,124	6,222
Cash Funds Exempt	291,737	412,958	416,374	416,374	829,332
<i>(2) DIVISION OF HUMAN RESOURCES</i>					
<i>(C) Risk Management Services</i>					
Liability Premiums	<u>5,271,058</u>	<u>6,170,969</u>	<u>2,174,577</u>	<u>2,174,577</u>	<u>8,345,546</u>
Cash Funds	357,275	418,272	147,394	147,394	565,666
Cash Funds Exempt	4,913,783	5,752,697	2,027,183	2,027,183	7,779,880
Property Premiums	<u>5,818,914</u>	<u>5,846,006</u>	<u>2,959,843</u>	<u>2,959,843</u>	<u>8,805,849</u>
Cash Funds	446,206	448,283	226,966	226,966	675,249
Cash Funds Exempt	5,372,708	5,397,723	2,732,877	2,732,877	8,130,600
Workers' Compensation Premiums	<u>26,517,136</u>	<u>30,075,696</u>	<u>230,148</u>	<u>230,148</u>	<u>30,305,844</u>
Cash Funds	3,229,716	3,663,139	28,031	28,031	3,691,170
Cash Funds Exempt	23,287,420	26,412,557	202,117	202,117	26,614,674
<b>Total for Statewide Supplemental #3</b>	<u>38,237,957</u>	<u>42,908,597</u>	<u>5,959,046</u>	<u>5,959,046</u>	<u>48,867,643</u>

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
General Fund	162,279	209,887	152,922	152,922	362,809
Cash Funds	4,036,687	4,534,207	405,679	405,679	4,939,886
Cash Funds Exempt	34,038,991	38,164,503	5,400,445	5,400,445	43,564,948
<b>Statewide Supplemental #4 - Multiuse Network Payments Telecomm Truth-in-Rates</b>					
<i>(1) EXECUTIVE OFFICE</i>					
Multiuse Network Payments - CFE	89,936	89,122	(52,865)	(52,865)	36,257
<i>(6) DIVISION OF INFORMATION TECHNOLOGY</i>					
<i>(E) Network Services</i>					
Operating Expenses	<u>13,699,794</u>	<u>15,657,556</u>	<u>0</u>	<u>0</u>	<u>15,657,556</u>
Cash Funds	1,618,630	1,849,939	0	0	1,849,939
Cash Funds Exempt	12,081,164	13,807,617	0	0	13,807,617
<b>Total for Statewide Supplemental #4</b>	<u>13,789,730</u>	<u>15,746,678</u>	<u>(52,865)</u>	<u>(52,865)</u>	<u>15,693,813</u>
Cash Funds	1,618,630	1,849,939	0	0	1,849,939
Cash Funds Exempt	12,171,100	13,896,739	(52,865)	(52,865)	13,843,874
<b>Statewide Supplemental #5 - Communications Services Mid-year Supplemental True-up</b>					
<i>(1) EXECUTIVE OFFICE</i>					
Communications Services Payments	<u>4,881</u>	<u>5,196</u>	<u>(4,045)</u>	<u>(4,045)</u>	<u>1,151</u>
General Fund	1,541	0	1,151	1,151	1,151
Cash Funds Exempt	3,340	5,196	(5,196)	(5,196)	0

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>Statewide Supplemental #6 - Capitol Complex Leased Space Technical Adjustments</b>					
<i>(1) EXECUTIVE OFFICE</i>					
Capitol Complex Leased Space	<u>1,037,901</u>	<u>1,153,035</u>	<u>(3,452)</u>	<u>(3,452)</u>	<u>1,149,583</u>
General Fund	484,085	539,826	8,187	8,187	548,013
Cash Funds Exempt	553,816	613,209	(11,639)	(11,639)	601,570
<b>Statewide Supplemental #7 - Administrative Law Judge Services Mid-year Supplemental True-up</b>					
<i>(1) EXECUTIVE OFFICE</i>					
Administrative Law Judge Services	<u>2,440</u>	<u>2,516</u>	<u>(1,934)</u>	<u>(1,934)</u>	<u>582</u>
General Fund	2,440	2,516	(2,516)	(2,516)	0
Cash Funds Exempt	0	0	582	582	582
<b>Statewide Supplemental #8 - Statewide Vehicle Lease Line Reconciliation</b>					
<i>(1) EXECUTIVE OFFICE</i>					
Vehicle Lease Payments	<u>110,215</u>	<u>182,271</u>	<u>(48,764)</u>	<u>(48,764)</u>	<u>133,507</u>
General Fund	272	2,910	0	0	2,910
Cash Funds Exempt	109,943	179,361	(48,764)	(48,764)	130,597
<i>(4) CENTRAL SERVICES</i>					
<i>(C) Fleet Management Program and Motor Pool Services</i>					



	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Vehicle Replacement Lease, Purchase or Lease/Purchase	<u>11,504,611</u>	<u>13,650,327</u>	<u>(1,189,376)</u>	<u>(1,189,376)</u>	<u>12,460,951</u>
Cash Funds	1,691,364	1,847,561	0	0	1,847,561
Cash Funds Exempt	9,813,247	11,802,766	(1,189,376)	(1,189,376)	10,613,390
<b>Total for Statewide Supplemental #8</b>	<u>11,614,826</u>	<u>13,832,598</u>	<u>(1,238,140)</u>	<u>(1,238,140)</u>	<u>12,594,458</u>
General Fund	272	2,910	0	0	2,910
Cash Funds	1,691,364	1,847,561	0	0	1,847,561
Cash Funds Exempt	9,923,190	11,982,127	(1,238,140)	(1,238,140)	10,743,987
<hr/>					
<b>Supplemental #9 (DPA Supplemental #1) - Document Solutions Group Increase for CBI Project</b>					
<i>(4) CENTRAL SERVICES</i>					
<i>(B) Integrated Document Factory</i>					
<i>(2) Document Solutions Group</i>					
Personal Services - CFE	2,674,041	2,433,690	274,560	274,560	2,708,250
<hr/>					
<b>Previously Approved 1331 Supplemental - Fleet Fuel Emergency Supplemental</b>					
<i>(4) CENTRAL SERVICES</i>					
<i>(C) Fleet Management Program and Motor Pool Services</i>					
Operating Expenses - CFE	14,858,755	16,155,187	522,064	224,144	16,379,331
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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
DEPARTMENT OF PERSONNEL AND ADMINISTRATION					
TOTALS for ALL Departmental line items	150,331,437	164,122,867	10,213,727	8,642,185	172,765,052
FTE	<u>504.4</u>	<u>541.3</u>	<u>0.0</u>	<u>0.0</u>	<u>541.3</u>
General Fund	8,148,578	7,368,126	2,120,741	2,120,741	9,488,867
Cash Funds	10,391,867	12,153,774	405,679	405,679	12,559,453
Cash Funds Exempt	131,654,584	144,479,967	7,687,307	6,115,765	150,595,732
Federal Funds	136,408	121,000	0	0	121,000

Key:

"N.A." = Not Applicable

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**Statewide Supplemental #1 - GGCC Mid-year Supplemental True-up (DPA Allocation)**

**Department of Personnel and Administration share of Supplemental request.**

	<b>Request</b>	<b>Recommendation</b>
Total	<u>\$2,750,824</u>	<u>\$2,750,824</u>
General Fund	1,960,997	1,960,997
Cash Funds Exempt	789,827	789,827

**Statewide adjustments to billings.**

	<b>Request</b>	<b>Recommendation</b>
Total	<u>\$64,081</u>	<u>\$94,286</u>
General Fund	278,133	282,688
Cash Funds	363,653	117,294
Cash Funds Exempt	1,084,793	1,029,003
Federal Funds	(1,662,498)	(1,334,699)

<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]	
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:** This supplemental request is for a statewide increase in appropriations related to departmental usage of the Department of Personnel and Administration's Computer Center (also known as the General Government Computer Center or GGCC). The Department of Personnel and Administration is requesting an increase of \$2,750,824 including \$1,960,997 General Fund. On a statewide basis, increases are for a total of \$94,286 including \$282,688 General Fund (the General Fund increase is larger than the total increase because the Department is recommending a prior period adjustment to billing methodology as a result of a federal audit. The methodology is described in the narrative).

The request includes three components. First, this supplemental request is the result of a billing methodology first implemented for FY 2001-02. For FY 2006-07, actual usage for FY 2004-05 was used as an estimate for FY 2006-07 because data from FY 2005-06 was not yet available. The request realigns all department appropriations for Purchase of Services from Computer Center based upon updated utilization data for FY 2005-06. Second, the request includes a component that provides for an update to the total recoverable

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program costs. Third, the request includes a new addition to the supplemental request in the current fiscal year. This additional request addresses concerns from federal auditors related to the distribution of prior year over and under collections by agency and by service from FY 2004-05 and Fy 2005-06.

**Background:** Starting at the end of FY 2003-04 through the end of FY 2004-05, the Department implemented a process to refine the Data Center rates. One of the primary reasons for initiating a "rate refresh" project was to ensure accuracy with regard to utilization data. Utilization data combined with recoverable costs are a substantial determining factor in the cost allocation model, and resulting appropriations and billings to State departments. This is a concern with regard to federal auditors, who review all aspects of the cost allocation model to ensure that there is no inappropriate cross-subsidization, especially relating to federally funded agencies.

The new methodology was approved by the federal Division of Cost Allocation (DCA) and was utilized during FY 2005-06 statewide supplemental and FY 2006-07 figure setting. This new methodology allowed the Department with an ability to capture utilization levels and associated costs by individual service, rather than in aggregate as in the past. Ultimately, all activities performed at the Data Center were assigned/distributed to applicable services. This step included 11 primary activities that were identified below:

- Administer Business;
- Provide Administrative Support;
- Develop Offerings;
- Administer Software;
- Support Hardware;
- Support Operational Computing Infrastructure;
- Operate Computing Facility;
- Assist Mainframe Customers;
- Assist Non-Mainframe Customers;
- Administer Applications;
- Provide Consulting.

Once this new allocation methodology was provided to the DCA for review, the DCA requested that the Department analyze data from the last two fiscal years using the new allocation methodology in order to determine whether individual agencies were over or undercharged for each specific service that they utilize.

The major finding of the new methodology is that the Department was coding certain items as part of the Data Center "infrastructure" or to specific customer agencies that instead should have been billed to the Department of Personnel and Administration.

Based upon Department negotiations with the DCA, there will be a one-time prior year adjustment for FY

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2004-05 and FY 2005-06. In future fiscal years, the Department requests that the adjustment (referred to by DCA as a budget to actual adjustment) be made as part of the supplemental request, but that it will only be associated with the most recently completed fiscal year.

**Analysis:** Based on the new methodology, over the past two fiscal years the Department has significantly underbilled itself for services and over and underbilled other departments for Computer Center services. The Department has expressed a concern to JBC staff that if the requested adjustment is not made, the State would be subject to a 20 percent penalty based on the total estimated Federal Financial Participation (FFP) for the State. The Department has also quoted the Office of Management and Budget (OMB) Circular A-87. Circular A-87 "establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally-recognized Indian tribal governments (governmental units)."

The Department states that "OMB circular A-87 establishes that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes."

The table below shows FY 2006-07 appropriations as set during figure setting:

<b>FY 2006-07 Figure Setting for Purchase of Services from Computer Center</b>			
Department	FY 2004-05 Utilization Rates (in percentages)	FY 2006-07 Appropriations	General Fund Portion of Appropriations
Agriculture	0.018	\$2,143	\$2,143
Corrections	0.281	33,262	33,262
Education	0.078	9,233	9,233
Governor	0.019	2,249	2,249
HCPF	0.801	94,815	31,173
Higher Education	0.054	6,392	0
Human Services	42.598	5,042,336	2,200,436
Judicial	0.860	101,798	101,799
Labor	12.103	1,432,635	0
Law	0.256	30,303	30,303
Legislature	0.075	8,878	8,878

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<b>FY 2006-07 Figure Setting for Purchase of Services from Computer Center</b>			
Department	FY 2004-05 Utilization Rates (in percentages)	FY 2006-07 Appropriations	General Fund Portion of Appropriations
Local Affairs	0.029	3,433	3,433
Military Affairs	0.016	1,894	1,894
Natural Resources	1.462	173,057	6,686
Personnel	9.352	1,107,058	1,034,198
Public Health	1.359	160,865	0
Public Safety	0.374	44,270	0
Reg Agencies	0.202	23,911	263
Revenue	29.360	3,475,351	3,469,849
State	0.007	829	0
Treasury	<u>0.007</u>	<u>829</u>	<u>829</u>
<b>Subtotal - Appropriated</b>	<b>99.31</b>	<b>\$11,755,541</b>	<b>\$6,936,628</b>
Higher Education	0.398	47,111	0
Local Gov't	0.005	592	0
Transportation	<u>0.285</u>	<u>33,783</u>	<u>0</u>
<b>Subtotal - Non Appropriated</b>	<b>0.69</b>	<b>81,486</b>	0
<b>TOTAL</b>	<b>100.00</b>	<b>\$11,837,027</b>	<b>\$6,936,628</b>

The FY 2006-07 department appropriations based on the table above resulted in total General Fund appropriations of \$6.9 million and \$4.9 million from all other funding sources.

The table below presents an analysis of the Department's FY 2006-07 supplemental request:

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<b>FY 2006-07 Supplemental Request for Purchase of Services from Computer Center</b>					
Department	FY 2005-06 Actual Utilization Rates (in percentages)	FY 2006-07 Sub- Total Based on FY 06 Utilization	FY 05 Retroactive Budget to Actual Adjustments	FY 06 Retroactive Budget to Actual Adjustments	FY 2006-07 Supplemental Allocations Request
Agriculture	0.008	\$904	(\$1,337)	(\$1,216)	(\$1,649)
Corrections	0.100	11,683	(20,146)	(21,362)	(29,825)
Education	0.051	6,035	(3,955)	(3,198)	(1,118)
Governor	0.580	68,136	(1,189)	64,369	131,316
HCPF	0.152	17,788	(89,893)	(76,049)	(148,154)
Higher Education	0.255	29,988	(1,544)	23,010	51,454
Human Services	38.354	4,503,301	170,516	(568,115)	4,105,702
Judicial	1.258	147,661	(46,918)	43,984	144,727
Labor	7.678	901,560	(221,037)	(530,751)	149,772
Law	0.358	42,082	1,637	11,260	54,979
Legislature	0.259	30,410	(3,418)	20,973	47,965
Local Affairs	0.025	2,877	(1,907)	(574)	396
Military Affairs	0.006	740	(1,485)	(1,140)	(1,885)
Natural Resources	2.956	347,020	78,281	168,591	593,892
Personnel	20.905	2,454,538	95,516	1,307,828	3,857,882
Public Health	3.614	424,314	34,300	256,139	714,753
Public Safety	0.885	103,912	54,545	57,920	216,377
Reg Agencies	0.164	19,233	(13,232)	(4,764)	1,237
Revenue	22.076	2,592,090	145,449	(891,673)	1,845,866
State	0.005	587	(794)	(246)	(453)
Treasury	<u>0.044</u>	<u>5,201</u>	<u>(783)</u>	<u>4,228</u>	<u>8,646</u>
<b>Subtotal - Appropriated</b>	<b>99.73</b>	<b>\$11,710,060</b>	<b>\$172,606</b>	<b>(\$140,786)</b>	<b>\$11,741,880</b>
Higher Education	0.132	15,511	(25,247)	(3,523)	(13,259)

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<b>FY 2006-07 Supplemental Request for Purchase of Services from Computer Center</b>					
Department	FY 2005-06 Actual Utilization Rates (in percentages)	FY 2006-07 Sub- Total Based on FY 06 Utilization	FY 05 Retroactive Budget to Actual Adjustments	FY 06 Retroactive Budget to Actual Adjustments	FY 2006-07 Supplemental Allocations Request
Local Gov't	0.029	3,452	(392)	3,288	6,348
Transportation	<u>0.107</u>	<u>12,505</u>	<u>(14,247)</u>	<u>(21,028)</u>	<u>(22,770)</u>
<b>Subtotal - Non Appropriated</b>	<b>0.27</b>	<b>31,468</b>	<b>(39,886)</b>	<b>(21,263)</b>	<b>(29,681)</b>
<b>TOTAL</b>	<b>100.00</b>	<b>\$11,741,528</b>	<b>\$132,720</b>	<b>(\$162,049)</b>	<b>\$11,712,199</b>

The table below presents the FY 2006-07 JBC Staff supplemental appropriations recommendation for Departments' Purchase of Services from Computer Center line items:

<b>FY 2006-07 JBC Staff Supplemental Appropriations Recommendation for Departments' Purchase of Services from Computer Center line items</b>					
Department	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	TOTAL
Agriculture	\$0	\$0	\$0	\$0	\$0
Corrections	0	0	0	0	0
Education	0	0	0	0	0
Governor	131,316	0	0	0	131,316
HCPF	0	0	0	0	0
Higher Education	0	25,681	25,774	0	51,455
Human Services	1,796,949	23,500	2,954	2,282,300	4,105,703
Judicial	144,726	0	0	0	144,726
Labor	0	122,454	27,319	0	149,773
Law	54,978	0	0	0	54,978
Legislature	47,966	0	0	0	47,966
Local Affairs	397	0	0	0	397



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<b>FY 2006-07 JBC Staff Supplemental Appropriations Recommendation for Departments' Purchase of Services from Computer Center line items</b>					
Department	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	TOTAL
Military Affairs	0	0	0	0	0
Natural Resources	22,945	570,947	0	0	593,892
Personnel	2,995,195	0	862,687	0	3,857,882
Public Health	0	115,696	523,082	75,974	714,752
Public Safety	172,107	0	44,270	0	216,377
Reg Agencies	13	1,140	84	0	1,237
Revenue	1,844,078	0	1,787	0	1,845,865
State	0	0	0	0	0
Treasury	<u>8,645</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,645</u>
<b>Subtotal - Appropriated</b>	<b>\$7,219,316</b>	<b>\$859,418</b>	<b>\$1,487,957</b>	<b>\$2,358,274</b>	<b>\$11,924,965</b>
Higher Education	0	0	0	0	0
Local Gov't	0	0	6,348	0	6,348
Transportation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Subtotal - Non Appropriated</b>	<b>0</b>	<b>0</b>	<b>6,348</b>	<b>0</b>	<b>6,348</b>
<b>TOTAL</b>	<b>\$7,219,316</b>	<b>\$859,418</b>	<b>\$1,494,305</b>	<b>\$2,358,274</b>	<b>\$11,931,313</b>

Staff's recommendation results in a statewide total increased costs of \$94,286. Staff's recommendation also results in a statewide total increase in appropriations of \$282,688 from the General Fund. Staff's recommendation differs from the Department request because staff is adjusting for negative appropriations and including non-appropriated line items.

The Department has indicated to JBC staff that in cases where the resulting final allocation for an agency for FY 2006-07 is negative, the supplemental appropriation for that agency should be reduced to zero and the balance due will be credited back to the applicable department. The Department will credit the agencies in the current fiscal year for the prior period adjustment.

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**Staff Recommendation:**

**Staff recommends that the committee approve the Department's request for adjustment in billing methodology in order to address the concerns of the federal Division of Cost Allocations (DCA).**

**Staff recommends that department total appropriations be adjusted according to the FY 2006-07 JBC Staff Supplemental Appropriations Recommendation table above.**

**Staff recommends that in cases where the resulting final allocation for an agency for FY 2006-07 is negative, the supplemental appropriation for that agency should be reduced to zero and the balance due be credited back to the applicable department. The Department of Personnel and Administration will credit the agencies in the current fiscal year for the prior period adjustment.**

**Statewide Supplemental #2 - Fleet Operating Spending Authority Increase**

	<u>Request</u>	<u>Recommendation</u>
Cash Funds Exempt	\$2,007,669	\$734,047

<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]	
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:** The Department requests \$2,007,669 Cash Funds Exempt (subsequently updated by Department) spending authority increase for FY 2006-07 for the Department's Central Services, Fleet Management Program and Motor Pool Services, Operating Expenses line in order to cover an increase in miles driven, fuel and maintenance expenses related to the approximately 5,370 vehicles in the state fleet.

The table below summarizes the assumptions used to calculate the FY 2006-07 Long Bill appropriation, the estimated need that the Department had calculated and included in its FY 2006-07 budget amendment request, the supplemental request submitted by the Department on January 2, 2007, the supplemental request update submitted by the Department on January 26, 2007, and the JBC staff calculation of what the appropriation should be.

JBC staff has calculated the recommendation amount of \$734 thousand by adding the H.B. 06-1385 appropriation of \$15.6 million with the S.B. 06-15 appropriation of \$1.8 million and subtracting from the FY 2006-07 JBC Staff Calculation Amount from the table below.

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<b>FY 2006-07 Fleet Operating Expenses History of Appropriations</b>					
	<b>FY 2006-07 Long Bill</b>	<b>FY 2006-07 DPA Estimate</b>	<b>FY 2006-07 Supplemental Request</b>	<b>FY 2006-07 Updated Supplemental Request</b>	<b>FY 2006-07 JBC Staff Calculation</b>
<b>Mileage</b>	<b>68,025,295</b>	<b>69,000,000</b>	<b>70,500,000</b>	<b>70,500,000</b>	<b>70,500,000</b>
Miles per Gallon	17.50	16.50	16.50	16.50	16.50
Annual Gallons	3,887,160	4,181,818	4,272,727	4,272,727	4,272,727
Price per Gallon	\$2.09	\$2.08	\$2.30	\$2.294	\$2.294
Fuel Expense	\$8,111,843	\$8,698,182	\$9,835,818	\$9,801,636	\$9,801,636
Maintenance Cost/Mile	\$0.0960	\$0.0980	\$0.0920	\$0.0920	\$0.0920
Maintenance Expense	\$6,530,428	\$6,760,860	\$6,486,000	\$6,486,000	\$6,486,000
<b>Total Fuel &amp; Maintenance</b>	<b>\$14,642,271</b>	<b>\$15,459,042</b>	<b>\$16,321,818</b>	<b>\$16,287,636</b>	<b>\$16,287,636</b>
Accident Cost/Mile	\$0.0106	\$0.0103	\$0.0105	\$0.0105	\$0.0105
Accident Expense	\$721,068	\$713,796	\$740,250	\$740,250	\$740,250
SFM Business Operations	\$124,000	\$124,000	\$174,000	\$174,000	\$174,000
Auction Fees	\$118,000	\$118,000	\$115,000	\$115,000	\$115,000
<b>Sub-Total</b>	<b>\$15,605,339</b>	<b>\$16,414,838</b>	<b>\$17,351,068</b>	<b>\$17,316,886</b>	<b>\$17,316,886</b>
<b>S.B. 06-15</b>	<b>\$1,800,000</b>	<b>\$0</b>	<b>\$1,233,750</b>	<b>\$822,500</b>	<b>\$822,500</b>
<b>FY 07 Restriction</b>	<b>\$0</b>	<b>\$0</b>	<b>\$413,295</b>	<b>\$413,295</b>	<b>\$0</b>
<b>Total*</b>	<b>\$17,405,339</b>	<b>\$16,414,838</b>	<b>\$18,998,113</b>	<b>\$18,552,681</b>	<b>\$18,139,386</b>

\*Total may not add to Department's estimate and requests due to assumptions used in estimating FY 2006-07 approved appropriations as well as rounding.

**FY 2006-07 Long Bill Appropriation Calculation**

Pursuant to Section 24-30-1104 (2)(a), C.R.S., the Department of Personnel is directed to "Establish and operate a central state motor vehicle fleet". However, the statute is not clear on the Department's duties in terms of determining how many miles each department is supposed to drive per year. The Joint Budget

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Committee has interpreted Section 24-30-1104 (2)(a), C.R.S., to mean a more proactive role for the Department in managing to its appropriation.

The Department has argued that its role does not include managing to the appropriation set by the General Assembly because it does not have the authority to mandate how many miles departments drive each year. Instead, the Department believes that its role, as defined in statute, is to purchase and maintain the vehicles in the state fleet.

Individual departments pay for fleet costs out of their operating expenses line items. These line items are appropriated as a lump sum, thus, giving each department certain flexibility in deciding how much to spend on fleet related costs and how much to spend on other operating costs each year.

During the January 20, 2006 supplemental, the Department had brought to the JBC's attention that total miles driven by the state fleet are going to be close to 70 million for FY 2005-06. The JBC decided to appropriate funds to the state fleet program based on actual miles driven in FY 2004-05. The JBC also used in its estimate an average fuel economy for the state fleet of 17.5 miles per gallon. The Department had estimated the actual miles per gallon economy of the state fleet at the time to be 16.5 miles per gallon.

Staff has consulted with Legislative Legal Services on the statutory language regarding state fleet and the Department's responsibilities. Legal counsel has advised JBC staff that the statutes are not clear as to whether the Department has the authority to limit the miles driven by state fleet vehicles.

Staff has two recommendations for the Committee to consider if reducing the mileage driven by state fleet continues to be a priority for the Committee. One is to sponsor legislation that gives the Department of Personnel and Administration the authority to mandate quotas on other departments for their annual miles. Another is to reduce operating line items within department budgets. The Committee may wish to consider both alternatives together or separately, depending on what impact it aims for.

The table below illustrates another point that the Department brought to staff's attention. The Department advised staff that between FY 2002 and FY 2004 two initiatives were taken to reduce annual fleet miles driven. One was a forced reduction of the state fleet, the other was an initiative to reduce miles driven by each department by 5 percent. As the table below shows, during this period miles driven decrease from 76 million to 73 million.

<b>Actual Miles Driven by Fleet Vehicles Excluding Higher Education Institutions*</b>			
	Fleet	Higher Education	Total
FY 2001-02	69,660,768	6,350,688	76,011,456
FY 2002-03	68,265,315	5,957,861	74,223,176

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<b>Actual Miles Driven by Fleet Vehicles Excluding Higher Education Institutions*</b>			
	Fleet	Higher Education	Total
FY 2003-04	67,490,759	5,626,721	73,117,480
FY 2004-05	68,025,295	5,179,156	73,204,451
FY 2005-06	69,573,280	0	69,573,280
FY 2006-07**	70,500,000	0	70,500,000
FY 2007-08**	71,500,000	0	71,500,000

\* Pursuant to H.B. 04-1009, the governing boards of institutions of Higher Education and the Commission on Higher Education may elect to be exempt from the centralized state fleet. For FY 2004-05 and FY 2005-06, the University of Colorado (CU), Colorado State University (CSU) and Fort Lewis State College have chosen to be exempt from the centralized state fleet.

\*\* Department estimate for FY 2006-07 and FY 2007-08. The estimate for FY 2006-07 includes the impact of 33 FY 2005-06 additional vehicles for a full year and 132 FY 2006-07 additional vehicles for a partial year. Both estimates use an average of 12,000 miles per year / per vehicle.

**FY 2006-07 Updated Supplemental Request**

Based on an updated supplemental request estimate provided to staff on January 26, 2007, the Department estimates that it will need \$18.6 million spending authority for the fleet operating line item in order to be able to pay all obligations to vendors for FY 2006-07. The Department has updated the estimated miles driven by including in its estimate for FY 2006-07 the impact of 33 FY 2005-06 additional vehicles for a full year and 132 FY 2006-07 additional vehicles for a partial year. Both estimates use an average of 12,000 miles per year / per vehicle. The total increase as a result of these additional vehicles is estimated to be an additional 924 thousand fleet vehicle miles driven in FY 2006-07.

The Department has also reduced the average fuel economy estimate for the fleet based on the current average and has increased the fuel cost estimate based on current actuals and latest projections. The Department does not believe that it is realistic to expect average fuel economy to increase by one gallon over one year without significant investment in new and more economical vehicles. However, the Department does believe that as a result of the replacements in FY 2005-06, FY 2006-07 and FY 2007-08 as well as increasing the fleet with more economical vehicles will help to increase the fuel economy of vehicles in the future.

**S.B. 06-15**

This bill expanded the fleet to include all trucks, regardless of weight, except for specialized vehicles weighing one ton or more that are used by the Department of Transportation for construction or maintenance. The bill increased the Department's spending authority to account for an estimated increase in vehicles between 200 and 600. Ultimately, JBC staff used an average estimate of 400 vehicles and used the Department's estimate for fuel costs of \$2,500 and maintenance costs of \$2,000 per vehicle to appropriate \$1.8 million to the Department's fleet operating line. Since then, the Department has come up with a most recent

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estimate of 470 additional vehicles to be added to fleet. The Department estimates that the total cost per vehicle is going to be \$3,500 and that the additional vehicles will be coming into the fleet for half of FY 2006-07 to come up with an estimate of \$822 thousand.

**FY 2006-07 Restriction**

The Department submitted a 1331 Emergency Supplemental fo FY 2005-06. The regular supplemental appropriation for the Department fleet operating line item was set using FY 2004-05 actual miles driven. At the time the Department submitted the 1331 Supplemental, it had estimated that actual miles driven for FY 2005-06 will be 69.3 million (with 10 months of actual data) and close to 70 million (with 11 months of actual data), the Department had also used a higher price per gallon cost based on latest data. The Department had estimated an increased need of \$522 and \$687 thousand of spending authority for FY 2005-06. The JBC voted to approve an increase based only on the increased fuel costs of \$224,144 CFE. As a result, the Department over-expended its operating line item for FY 2005-06. This means that the Department was not able to make payments to vendors for fuel and maintenance services provided until OSPB and the State Controller approved an overexpenditure of \$413,295 CFE so that the Department can make payments to its vendors.

Pursuant to Section 24-75-209, C.R.S., the Controller has restricted the FY 2006-07 appropriation by \$413,295, which is the amount of overexpenditure for FY 2005-06. The Department is adding the restricted amount to its FY 2006-07 Supplemental Request.

**Staff Recommendation:**

**Staff recommends that the Committee approve \$18,139,386 Cash Funds Exempt total spending authority for FY 2006-07 for the Department's Central Services, Fleet Management Program and Motor Pool Services, Operating Expenses line.**

**Staff recommends that the Committee approve a supplemental appropriation increase in the amount of \$413,295 Cash Funds Exempt for FY 2005-06 for the Department's Central Services, Fleet Management Program and Motor Pool Services, Operating Expenses line. This supplemental will allow for the lifting of the restriction the State Controller has currently imposed on the Department for FY 2006-07 pursuant to Section 24-75-209, C.R.S.**

After consultation with Legislative Legal Services, staff has drafted the language that will be included as part of the Department of Personnel and Administration's FY 2006-07 supplemental bill if the Committee approves staff's recommendation. The text follows:

**SECTION XX. Appropriation.** In addition to any other appropriation, there is hereby appropriated, out of any moneys in the motor fleet management fund created in section 24-30-1115 (1), Colorado Revised Statutes, not otherwise appropriated, to the department of personnel, for the fiscal year beginning July 1, 2005, the sum of four hundred thirteen thousand two hundred ninety-five dollars (\$413,295), cash funds exempt,

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or so much thereof as may be necessary for the payment of overexpenditures of line item appropriations contained in Part XV of section 2 of chapter 354, Session Laws of Colorado 2005, as amended by section 1 of chapter 383, Session Laws of Colorado 2006. In accordance with section 24-75-109 (4) (a), Colorado Revised Statutes, all restrictions on funds for central services, fleet management program and motor pool services, operating expenses, department of personnel, for the 2006-07 fiscal year, attributable to the payment of overexpenditures for the 2005-06 fiscal year, shall be released.

**Statewide Supplemental #3 - Risk Management and Workers' Compensation Adjustments**

	<b>Request</b>	<b>Recommendation</b>
Total	<u>\$5,959,046</u>	<u>\$5,959,046</u>
General Fund	152,922	152,922
Cash Funds	405,679	405,679
Cash Funds Exempt	5,400,445	5,400,445

<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]	
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:** This supplemental request is for an increase in statewide billings for risk management services. These include the state's premiums for workers' compensation, property and liability. The Department is citing the Liability and Property programs as the primary sources of the adjustment. Increases include \$2,174,577 for liability premiums, \$2,959,843 for property premiums, and \$230,148 for worker's compensation premiums. In addition, the Department of Personnel and Administration is requesting supplemental adjustments in its share of these statewide premiums. Its specific request includes an increase of \$29,697 including including \$7,639 General Fund for workers' compensation and an increase of \$564,780 including 145,283 General Fund in risk management and property.

The Department of Personnel and Administration requests this supplemental because of the following components:

1. **Updated agency overhead.** The Department is reallocating the costs for administering the Risk Management Program. It has provided information on what it believes the source of funding should be for the program. It bases this on total premiums for each program and applies the percentages to overhead

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(personal services, operating, centrally appropriated lines like salary survey and amortization equalization disbursement (AED)). For FY 2006-07 total program overhead is \$906,965 and the Department's request allocates the overhead as follows:

- Workers' Compensation - \$579,181 (63.9 percent);
- Liability - \$159,493 (17.6 percent); and
- Property - \$168,290 (18.6 percent).

2. **Modified reserve funding levels for the Workers' Compensation Account, the Risk Management Fund, and the Self-Insured Property Fund.** The Department is revising its methodology for determining appropriate reserve levels in these funds. During FY 2006-07 figure setting process, the Department recommended the following reserve level percentages:

- Workers' Compensation - 5 percent;
- Liability - 16.5 percent;
- Property - 5 percent.

The Department of Personnel and Administration now recommends the following reserve levels:

- Workers' Compensation - \$1,568,004 which is consistent with a 5.0 percent reserve level of other self-funded insurance programs (Group Benefit Plans specifically);
- Liability - \$1,759,592 which is consistent with S.B. 98-194 provisions calling for a 16.5 percent reserve balance; and
- Property - \$1,480,733. **This request is for an increase of the reserve balance from 5 percent to 16.5 percent.**

The Department's rationale for recommending changes in reserve levels varies with the program. First, the Department believes that there are mechanisms for controlling extraordinary claim levels for Workers' Compensation and Property programs. The Department states that the Colorado Department of Labor and Employment requires self-funded employers providing workers' compensation insurance to purchase excess insurance as additional financial protection in the event of a catastrophic claim or claims. For the Property Program, the general policies have an aggregate deductible level of \$1.25 million for each policy year; the Terrorism policy has a per-event deductible level of \$100,000.

Second, for the Liability and Property programs the Department is stating that it has experienced a high degree of strain on fund balance. For this reason, the Department is requesting that the reserve for the Property Program be increased from the current 5 percent to 16.5 percent, as is the reserve for the Liability Program. As a result of the lower than expected fund balance, the Department was forced to take out a loan for the Treasury totaling \$1.0 million. The Department has built the loan into the program for FY 2006-07 and anticipates to pay it back by the end of FY 2006-07.



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The Department lists several factors, which occurred during the prior fiscal year that lead to the shortfall in operating cash for the Property Program:

(1) The University of Northern Colorado (UNC) opted out from the Property (July 1, 2005), Liability (July 1, 2006) and Workers' Compensation (July 1, 2006) programs, as a result its share of premiums were not collected;

(2) The fund experience large, extraordinary claims just as the fiscal year drew to a close. The Department states that it is possible for the fund to experience large, extraordinary claims and that there is no way to predict when and how large such claims may be. For this reason, the Department recommends increasing the available reserve;

(3) Calculation of the actual and estimated residual deductible amounts is complicated by the fact that policies renew in September each year. This means that the Department has to take into consideration that the aggregate deductible level for one policy period may overlap fiscal years. In addition, the policy effective September, 2006, only begins to satisfy deductible levels after the first \$10,000 in payouts (per claim/incident). Previously, claims began to count against deductible levels after the first \$1,000.

(4) The Department believes that due to the different methodology for calculating the fund reserve between JBC staff and the Department, the reserve was not adequately funded in the past two budget cycles. This stems from the fact that the Property Fund is outside the scope of S.B. 98-194 as a result staff has been calculating the reserve based only on premium line expenditures and not on all program expenditures, like cash funds covered by S.B. 98-194.

**Summary of Statewide Requests**

Below are summaries of the statewide requests which combine all factors described above for workers' compensation and the risk management funds (property and liability). For workers' compensation:

<b>Statewide Workers' Compensation Supplemental Request</b>					
Department	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	<b>TOTAL</b>
Agriculture	9,270	6,286	10,256	213	<b>26,025</b>
Corrections	(1,540,604)	0	(52,740)	0	<b>(1,593,344)</b>
Education	(78,730)	(7,418)	(11,459)	(64,961)	<b>(162,568)</b>
Governor	508	0	0	0	<b>508</b>
HCPF	(8,537)	0	0	(8,537)	<b>(17,074)</b>

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<b>Statewide Workers' Compensation Supplemental Request</b>					
<b>Department</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt</b>	<b>Federal Funds</b>	<b>TOTAL</b>
Higher Education	0	4,445	11,152	0	<b>15,597</b>
Human Services	504,092	1,561	282,776	28,649	<b>817,078</b>
Judicial	140,781	0	0	0	<b>140,781</b>
Labor	271	19,022	3,664	29,846	<b>52,803</b>
Law	1,793	414	3,489	142	<b>5,838</b>
Legislature	(693)	0	0	0	<b>(693)</b>
Local Affairs	30,522	984	1,313	0	<b>32,819</b>
Military Affairs	(16,468)	0	0	(16,141)	<b>(32,609)</b>
Natural Resources	(260,158)	(38,283)	(812,971)	(1,021)	<b>(1,112,433)</b>
Personnel	7,639	164	21,894	0	<b>29,697</b>
Public Health	0	0	(13,738)	0	<b>(13,738)</b>
Public Safety	0	0	(348,033)	0	<b>(348,033)</b>
Reg Agencies	443	7,964	817	138	<b>9,362</b>
Revenue	(156,696)	(20,986)	(64,400)	0	<b>(242,082)</b>
State	0	0	0	0	<b>0</b>
Transportation	0	(628)	(75,021)	0	<b>(75,649)</b>
Treasury	76	0	0	0	<b>76</b>
<b>TOTAL</b>	<b>(1,366,491)</b>	<b>(26,475)</b>	<b>(1,043,001)</b>	<b>(31,672)</b>	<b>(2,467,639)</b>

For risk management and property:

<b>Statewide Risk Management and Property Funds Supplemental Request</b>					
<b>Department</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt</b>	<b>Federal Funds</b>	<b>TOTAL</b>
Agriculture	21,780	15,318	24,993	487	<b>62,578</b>

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<b>Statewide Risk Management and Property Funds Supplemental Request</b>					
<b>Department</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt</b>	<b>Federal Funds</b>	<b>TOTAL</b>
Corrections	1,824,537	0	62,460	0	<b>1,886,997</b>
Education	43,029	4,011	5,735	35,124	<b>87,899</b>
Governor	56,582	0	0	0	<b>56,582</b>
HCPF	21,838	0	0	21,838	<b>43,676</b>
Higher Education	0	0	0	0	<b>0</b>
Human Services	562,118	1,487	82,771	28,032	<b>674,408</b>
Judicial	28,285	0	0	0	<b>28,285</b>
Labor	249	17,473	3,366	27,414	<b>48,502</b>
Law	23,857	0	0	0	<b>23,857</b>
Legislature	6,779	0	0	0	<b>6,779</b>
Local Affairs	7,398	509	44	0	<b>7,951</b>
Military Affairs	45,803	0	0	0	<b>45,803</b>
Natural Resources	173,134	30,365	217,052	2,203	<b>422,754</b>
Personnel	145,283	3,124	416,374	0	<b>564,781</b>
Public Health	0	62	58,399	0	<b>58,461</b>
Public Safety	331,574	0	(2,248)	0	<b>329,326</b>
Reg Agencies	974	18,357	3,127	474	<b>22,932</b>
Revenue	60,602	12,081	37,396	0	<b>110,079</b>
State	0	0	0	0	<b>0</b>
Transportation	0	0	1,172,635	0	<b>1,172,635</b>
Treasury	48,383	0	0	0	<b>48,383</b>
<b>TOTAL</b>	<b>3,402,205</b>	<b>102,787</b>	<b>2,082,104</b>	<b>115,572</b>	<b>5,702,668</b>

**Staff Recommendation:**

**1. Adjustments to statewide workers' compensation and risk management and property funds appropriations which reflect updated prospective loss data obtained by the Department of Personnel**

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**and Administration.**

**2. Reallocating administrative overhead using updated figures.** Staff notes that this will not result in an increase to statewide billings.

**3. Increasing the Department's Property Program premiums line by the requested \$2,959,843.** The state has an aggregate deductible level of \$1.25 million for each policy year on its property policy. However, given the drawing down of the reserve according to the four issues the Department described, staff recommends the \$1,480,733 reserve that the department recommends. With this request the Department will in effect increase the reserve from 5.0 percent to 16.5 percent.

**4. Increasing the Worker's Compensation premiums line by the requested \$230,148.** Staff notes that the Department will maintain the current 5.0 percent reserve at the Department recommended level of \$1.6 million.

**5. Increasing the Liability Program premiums line by the requested \$2,147,577.** Based on the Department's analysis, the Department deems a 16.5 percent reserve is sufficient to handle fluctuations in the fund.

Staff has recommended the Department's request for this supplemental. It results in a statewide increase of General Fund appropriations by \$2.0 million. Additionally, it results in changes to the premiums of the three risk management programs: (1) workers' compensation premiums will increase by \$230,148; (2) liability premiums will increase by \$2,174,577; and (3) property premiums will increase by \$2,959,843.

**Statewide Supplemental #4 - Multiuse Network Payments Telecomm Truth-in-Rates**

	<b>Request</b>	<b>Recommendation</b>
Total	( <u>\$52,865</u> )	( <u>\$52,865</u> )
Cash Funds	0	0
Cash Funds Exempt	(52,865)	(52,865)

<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>
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:** This statewide supplemental request is for an increase of \$920,930 in overall billings

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to departments, including a decrease of \$103,689 General Fund. The Department of Personnel and Administration's portion of this request is for a decrease of \$52,865 cash funds exempt (transfers from other state agencies) to its multiuse network payments line. The Department is not requesting an adjustment to the operating expenses line item of its Network Services program.

The requested changes are the result of several technical corrections and adjustments to the current fiscal year appropriations to State agencies for MNT in order to realign allocations statewide to reflect updated circuit inventories (as of November, 2006). In addition, the Department request updates all recoverable cost components based on most current known factors, estimates and assumptions.

The updated recoverable costs were calculated based on current circuit inventory, the Department reports that circuit costs for FY 2006-07 have increased by nearly \$720,000 over the assumptions used during figure setting. In addition, the Department is estimating that there will be an additional \$2.1 million increase in circuit costs for FY 2007-08.

Below is the statewide request:

<b>FY 2006-07 Request for Multiuse Network Adjustments</b>					
Department	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	TOTAL
Agriculture	(\$4,518)	\$0	\$0	\$0	(\$4,518)
Corrections	(82,549)	0	(46,840)	0	(129,389)
Education	(11,760)	0	0	0	(11,760)
Governor	(3,796)	0	0	0	(3,796)
Human Services	(174,606)	(2,862)	(22,899)	(85,871)	(286,238)
Judicial	(60,508)	0	0	0	(60,508)
Labor	0	(9,489)	(2,492)	(22,111)	(34,092)
Local Affairs	(5,019)	(363)	(701)	(2,859)	(8,942)
Military Affairs	(85,846)	0	0	0	(85,846)
Natural Resources	38,242	(40,569)	(1,239)	(446)	(4,012)
Personnel*	0	0	(52,865)	0	(52,865)
Public Health	0	0	(14,088)	(7,777)	(21,865)
Public Safety	0	0	(67,809)	0	(67,809)

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<b>FY 2006-07 Request for Multiuse Network Adjustments</b>					
Department	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	TOTAL
Reg Agencies	(1,812)	0	(916)	0	(2,728)
Revenue**	288,483	(31,411)	(48,127)	0	208,945
State***	0	1,486,353	0	0	1,486,353
<b>Subtotal - Appropriated</b>	<b>(\$103,689)</b>	<b>\$1,401,659</b>	<b>(\$257,976)</b>	<b>(\$119,064)</b>	<b>\$920,930</b>
Transportation	<u>0</u>	<u>0</u>	<u>71,003</u>	<u>0</u>	<u>71,003</u>
<b>Subtotal - Non Appropriated</b>	<b>0</b>	<b>0</b>	<b>71,003</b>	<b>0</b>	<b>71,003</b>
<b>TOTAL</b>	<b>(\$103,689)</b>	<b>\$1,401,659</b>	<b>(\$186,973)</b>	<b>(\$119,064)</b>	<b>\$991,933</b>

\* The Department of Personnel changed several CSEAP circuits from T-1 to DSL at significant savings.

\*\* The Department of Revenue has continued to increase their bandwidth needs as they migrate several county circuits from 64k to T-1

\*\*\* The Department of State increase reflects the projected increases in network capacity required to support HAVA and eFORT.

**Major Department Changes**

- The Secretary of State has experienced by far the most increase in its MNT allocation. State's FY 2006-07 appropriation for MNT was \$52,746. Staff notes that State did not provide a supplemental request for this increase, instead, staff has included the Department's estimate of current circuit inventory, which is projected to be over \$1.5 million. This increase reflects the projected sharp increase in network capacity that is required to support two Executive Branch and Secretary of State initiatives - HAVA (Help America Vote Act) and eFORT.
- The Department of Revenue continues to require additional circuits and circuit bandwidth in support of statewide operations. This is reflective of the increase in allocations by \$208,945. Revenue has continued to upsize critical circuits, including migration of several county circuits from 64k to T-1.
- The request includes a decrease of \$52,865 for the Department of Personnel and Administration's customer share of the recoverable MNT costs and associated billings. This reduction is in part due to savings from migrating several C-SEAP circuits from T-1 to DSL.

**Recoverable Costs Changing**

During figure setting for FY 2006-07, the Committee approved funding to recover costs for MNT which include state staff and the overhead accompanying them as well as billing due to Qwest and its consortium partners. Changes include:

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1. As mentioned earlier, the biggest increase to costs has been the increase in circuits used by departments.
2. A \$84,000 decrease in network monitoring services purchased from Qwest.
3. Equipment maintenance increase of \$50 thousand as a result of the increased number of circuits.
4. A \$72 thousand increase in LATA crossing costs. This is the tariff cost to connect the MNT circuits across the boundary between the southern and northern LATA (Local Access Transport Area) within Colorado.
5. Increases in personal services, pots, central appropriations and overhead. Although the Department is not requesting additional FTE, the request represents the Department's latest figures. The Department surveys employees in Network Services to determine where an individual spends their time. The model the Department uses is updated when necessary to account for any personnel changes. Staff notes that the Department does not request additional funding in its personal services line item for Network Services; this merely represents a reallocation of that funding.

<b>MNT Recoverable Costs for FY 2006-07 Supplemental</b>			
	FY 2006-07 Figure Setting	FY 2006-07 Supplemental	Difference
Operating Expenses			
Existing MNT Circuits	6,720,000	7,438,500	718,500
ANAP Fees	365,004	365,004	0
Non-Qwest Aggregation costs	780,000	780,000	0
Network Monitoring	480,000	396,000	(84,000)
Equipment Maintenance	550,146	500,000	(50,146)
LATA Crossing	84,000	156,000	72,000
Front Range Gigapop	120,000	120,000	0
Personal Services	731,185	798,341	67,156
POTS	62,327	91,369	29,042
Central Appropriations	52,256	183,035	130,779
Overhead	349,187	410,195	61,008
<b>Total MNT Program Costs</b>	<b>\$10,294,105</b>	<b>\$11,238,444</b>	<b>\$944,339</b>

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MNT Recoverable Costs for FY 2006-07 Supplemental			
	FY 2006-07 Figure Setting	FY 2006-07 Supplemental	Difference
Amount from NSA	1,200,000	1,080,000	(120,000)
<b>Amount from State Agencies</b>	<b>\$9,094,105</b>	<b>\$10,158,444</b>	<b>\$1,064,339</b>

**Staff Recommendation:**

1. **The Committee adjust the recoverable costs for MNT services to account for the changes identified above.** Staff notes that the Department is not requesting an increase to its operating expenses line item as it estimates that it can recover the increased billings from the departments under its current spending authority. The staff recommendation is for the Department's request.
  
2. **The Committee approve the statewide requests for MNT appropriations. Staff also recommends that the Secretary of State's appropriation for MNT be increased by \$1,486,353 as estimated by the Department.**

**Statewide Supplemental #5 - Communications Services Mid-year Supplemental True-up**

	Request	Recommendation
Total	<u>(\$4,045)</u>	<u>(\$4,045)</u>
General Fund	1,151	1,151
Cash Funds Exempt	(5,196)	(5,196)

<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>
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:** This statewide supplemental request is for an increase of \$223,116 in appropriations to the Communications Services line item in all departments participating in the program. The Department's share of the request includes an increase of \$1,151 General Fund and a decrease of \$5,196 cash funds exempt.

**Administrative Costs**

The Department states that it has updated figures available associated with the administrative costs in the



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program. It believes that by updating its recoverable costs it will be able to ensure that billings for the remainder of the fiscal year are sufficient to fund the activities of the program. The Department identifies its administrative costs as follows:

<b>Communications Services Recoverable Costs for Administrative Overhead</b>			
	FY 2006-07 Figure Setting	FY 2006-07 Supplemental	Difference
Personal Services	\$3,412,978	\$3,412,978	\$0
Centrally Appropriated Items	364,223	270,011	(94,212)
Operating Expenses	134,631	134,631	0
Training	22,000	22,000	0
Utilities	165,002	165,002	0
Leased Space	129,447	102,187	(27,260)
Local Systems	121,000	121,000	0
Snocat Purchase	230,520	230,520	0
Risk Management	62,014	47,514	(14,500)
Vehicle Lease Payments	139,810	129,205	(10,605)
Indirect Costs	342,402	342,402	0
Capitol Complex N Campus	0	12,944	12,944
Workers' Compensation	0	21,696	21,696
GGCC	0	5,463	5,463
Compensated Absences	0	306,538	306,538
Depreciation	0	23,052	23,052
<b>SUBTOTAL Recoverable Costs</b>	<b>\$5,124,027</b>	<b>\$5,347,143</b>	<b>\$223,116</b>
Less Public Safety Trust Fund (PSTF)	(212,328)	(212,328)	0
Local Govt. Imputed (PSTF)	(508,806)	(508,806)	0
Medical Services Account	(66,151)	(66,151)	0
NOAA	(121,000)	(121,000)	0
<b>Total Billings to Agencies</b>	<b>\$4,215,742</b>	<b>\$4,438,858</b>	<b>\$223,116</b>

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As the table above shows, the Department has added additional costs that it perceives must be recovered by the program for there to be sufficient billings to fund the activities of the program.

**Local Government Share Consideration**

The Department has included in its narrative a discussion of the "local government share" of the allocated billings. This refers to the "Local Govt. Imputed (PSTF)" line in the table above. The Department has stated that since 1998, the State has approved and invested approximately \$48 million for the development and implementation of the DTR system. This statewide public safety system was designed to meet the requirements of H.B. 98-1068. DPA is statutorily charged (Section 24-30-908.5, C.R.S.) with the implementation, administration, and ongoing maintenance of this system for all State and local government entities. The Department estimates that the true investment into this system so far is in excess of \$75 million, with the majority of the additional funding and resources provided by local government entities. As of January 17, 2007, 177 DTR sites are funded, 77 State owned, and 98 local government owned. Of the 177 funded so far, 133 are constructed and operational with the remaining 44 in various states of completion.

In order to entice local governments to continue to participate and invest in the DTR, the State has not been charging local governments for their share of usage of the current infrastructure. The Department believes that if it begins charging local governments, they may decide to back down or in turn begin to charge the State for using the local government infrastructure. In order to satisfy the federal Division of Cost Allocation (DCA) and make sure that there is no cross-subsidization by departments (especially those that are federally funded), the Department used to request the local government share as General Fund. During the General Fund shortages, the Department began to "cover" the local government share through funding appropriated from the Public Safety Trust Fund, which originated as General Fund.

The Department is bringing this issue to the forefront because it is noticing that the Public Safety Trust Fund may not be able to cover the local government share, in that case the Department is going begin requesting a General Fund appropriation to cover the cost of local governments. The table below shows how much has been covered in the past four years using the Publis Safety Trust Fund mechanism:

FY 2003-04 (final allocation)	294,117
FY 2004-05 (final allocation)	330,636
FY 2005-06 (final allocation)	437,855
FY 2006-07 (supplemental recommendation)	508,806
4-year Total	\$1,571,414

The Department has stated that in FY 2007-08 and in future years a General Fund appropriation may be

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necessary.

**Department Requests Based on Updated DTR Inventory and Allocation**

<b>FY 2006-07 Communications Services Supplemental Requests</b>					
Department	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	<b>Total</b>
Agriculture	(\$1,552)	\$0	(\$2,382)	\$0	(\$3,934)
Corrections	101,934	0	0	0	101,934
Education	191	0	0	0	191
Higher Education	0	0	(3,711)	0	(3,711)
Human Services	61,716	0	(306)	0	61,410
Judicial	222	0	0	0	222
Labor	0	0	0	43	43
Law	441	79	234	357	1,111
Local Affairs	4,645	0	0	4,646	9,291
Military Affairs	269	0	0	0	269
Natural Resources	48,106	32,594	288	0	80,988
Personnel	1,151	0	(5,196)	0	(4,045)
Public Health	0	0	1,423	0	1,423
Public Safety	853	783	33,494	229	35,359
Revenue	(91)	(7,438)	28	(276)	(7,777)
Transportation	<u>0</u>	<u>0</u>	<u>(55,596)</u>	<u>0</u>	<u>(55,596)</u>
<b>Total</b>	<b>\$217,885</b>	<b>\$26,018</b>	<b>(\$31,724)</b>	<b>\$4,999</b>	<b>\$217,178</b>

**Staff Recommendation:**

**Staff recommends the Committee approve the FY 2006-07 Communications Services Supplemental Requests.**

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**Statewide Supplemental #6 - Capitol Complex Leased Space Technical Adjustments**

	<b>Request</b>	<b>Recommendation</b>
Total	( <u>\$3,452</u> )	( <u>\$3,452</u> )
General Fund	8,187	8,187
Cash Funds Exempt	(11,639)	(11,639)

<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]	
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:** This statewide request is for an increase of \$486,654 to adjust appropriations in various user agencies' Leased Space Line Item. The DPA share of the statewide request is for an increase of \$8,187 General Fund and a decrease of \$11,639 cash funds exempt.

The Department is reporting that during the current budget cycle, no tenant agency changes have occurred that require updates to the square footage used in figure setting. The Department also estimates that the calculated rates for utilities are estimated to be sufficient to cover the projected need.

The Department states that two components of the current request are more notable. The first relates to a new methodology for billing tenant agencies at Camp George West for natural gas and electrical usage. The Department used to bill agencies for utilities based on square footage of occupied space. The Department subsequently installed meters and now tenants are billed based on projections of electric and natural gas usage by the meters.

The second adjustment has to do with the performance based contract with Chevron Energy Solutions throughout Capitol Complex, Grand Junction, the three Lakewood buildings and North Campus. The goal of this project is to conserve energy through tenant awareness and the replacement or upgrading of older and inefficient systems. This project began in the spring of 2002. As a result of this contract, the Department believes that it is already seeing energy savings in some of its buildings. The Department will continue to examine such savings and possibly apply them to mitigate rate hikes in future years.

For the current request, the Department is stating that in accordance with GAAP and GASB, depreciation on equipment installed in State facilities under the energy performance contract must be included as a component of recoverable costs. The energy performance depreciation has increased the allocable costs to departments by \$467,086 for FY 2006-07.

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The table below displays department requests based on the updated recoverable costs for Capitol Complex Leased Space:

<b>FY 2006-07 Capitol Complex Leased Space Supplemental Requests</b>					
Department	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	<b>Total</b>
Agriculture	\$11,528	\$2,604	\$0	\$0	\$14,132
Corrections	32,321	0	(42,203)	0	(9,882)
Education	46,133	19,459	(6,388)	(12,874)	46,330
Governor	22,060	0	0	0	22,060
HCPF	16,429	0	0	16,428	32,857
Human Services	52,698	0	0	52,697	105,395
Labor	0	(9,773)	0	0	(9,773)
Law	84,724	6,402	2,902	2,348	96,376
Legislature	116,762	0	0	0	116,762
Local Affairs	33,708	0	2,693	(3,334)	33,067
Military Affairs	996	0	0	2,275	3,271
Natural Resources	25,508	28,129	9,702	8,717	72,056
Personnel	8,187	0	(11,639)	0	(3,452)
Public Health	0	0	2,675	0	2,675
Public Safety	23,550	311	38,826	16,421	79,108
Regulatory Agencies	0	109	0	0	109
Revenue	(31,795)	(51,618)	(53,164)	(8,186)	(144,763)
Transportation	0	0	12,823	0	12,823
Treasury	<u>4,566</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,566</u>
<b>Total</b>	<b>\$447,375</b>	<b>(\$4,377)</b>	<b>(\$43,773)</b>	<b>\$74,492</b>	<b>\$473,717</b>

**Staff Recommendation:**

**Staff recommends the Committee approve the supplemental requests as presented by the table above. In particular, staff recommends an increase to agencies' Capitol Complex Leased Space line items by**

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a total of \$473,717 including \$447,375 General Fund.

**Statewide Supplemental #7 - Administrative Law Judge Services Mid-year Supplemental True-up**

	<b>Request</b>	<b>Recommendation</b>
Total	<u>(\$1,934)</u>	<u>(\$1,934)</u>
General Fund	(2,516)	(2,516)
Cash Funds Exempt	582	582

<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]	
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:** This supplemental request is for a statewide adjustment to appropriations for administrative law judge services (ALJ). The total statewide request is for a reduction of \$116,741 including a decrease of \$69,549 General Fund. The Department of Personnel and Administration's portion of the request is a reduction of \$2,516 General Fund and an increase of \$582 cash funds exempt.

This supplemental request is the result of a billing methodology first implemented for FY 2001-02. In the case of FY 2006-07, actual usage for FY 2004-05 was used as an estimate for FY 2005-06 because data from FY 2005-06 was not yet available. This request applies updated data to department usage and adjusts department appropriations accordingly. Below is the statewide request.

<b>FY 2006-07 ALJ Supplemental Request</b>			
<b>Department</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
Corrections	(\$2,928)	\$0	(\$2,928)
Education	0	47,701	47,701
HCPF	(79,963)	(79,962)	(159,925)
Human Services	15,858	10,572	26,430
Labor	0	(37,082)	(37,082)
Law	0	1,186	1,186
Personnel	(2,516)	582	(1,934)

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<b>FY 2006-07 ALJ Supplemental Request</b>			
<b>Department</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
Public Health	0	(12,367)	(12,367)
Public Safety	0	(1,237)	(1,237)
Regulatory Agencies	0	32,080	32,080
Transportation	<u>0</u>	<u>(8,665)</u>	<u>(8,665)</u>
<b>Total</b>	<b>(\$69,549)</b>	<b>(\$47,192)</b>	<b>(\$116,741)</b>

**Staff Recommendation:**

**Staff recommends the Committee approve the Department's request for supplemental adjustments for administrative law judge services**

**Statewide Supplemental #8 - Statewide Vehicle Lease Line Reconciliation**

	<b>Request</b>	<b>Recommendation</b>
Total	<u>(\$1,238,140)</u>	<u>(\$1,238,140)</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	(1,238,140)	(1,238,140)

<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>
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:** This statewide supplemental request is for reductions to the vehicle lease payment line item in each department participating in the Fleet Management Program, and it also requests an associated reduction in the Department of Personnel and Administration's Fleet Management Program which is responsible for all statewide payments for vehicles. The request is for reductions of \$1,051,461 including a reduction of \$399,808 General Fund, which is associated with individual department appropriations for vehicle leases, and a reduction of \$1,189,376 in the Fleet Management line item responsible for lease payments.

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This request has been presented to the committee for six years. Yearly, the Department conducts an analysis to determine actual funding needs for the Fleet Management Program. The analysis considers funding trends, changes in calculated annualization as vehicles are delivered at different points in the year, changes in department assignments of vehicles, and leases that are expiring (generally leases are for five year terms, except for the Colorado State Patrol, which leases vehicles for three year terms). This data is then compared to need of Fleet Management and its ability to cover the costs of its outstanding leases for the fiscal year. The statewide request presented by the Department of Personnel and Administration is summarized in the table below.

<b>FY 2006-07 Vehicle Lease Payment Reconciliation Request from DPA</b>					
Department	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	<b>Total</b>
Agriculture	(\$2,302)	(\$5,000)	\$0	\$0	(\$7,302)
Corrections	(140,000)	0	(8,529)	0	(148,529)
Governor	2,771	0	0	0	2,771
Human Services	(95,269)	(324)	(48,177)	(7,734)	(151,504)
Judicial	(32,371)	0	0	0	(32,371)
Labor	0	(1,755)	0	(4,096)	(5,851)
Law	2,210	704	1,530	1,381	5,825
Local Affairs	(7,552)	0	(1,658)	0	(9,210)
Military Affairs	96	0	0	0	96
Natural Resources	(72,597)	(25,164)	(59,384)	(2,676)	(159,821)
Personnel	0	0	(48,764)	0	(48,764)
Public Health	0	3,073	2,059	492	5,624
Public Safety	(57,751)	(4,993)	(341,731)	0	(404,475)
Regulatory Agencies	0	(42,818)	0	0	(42,818)
Revenue	2,957	(12,110)	(41,763)	0	(50,916)
State	0	(1,557)	0	0	(1,557)
Transportation -Aero	0	0	(2,659)	0	(2,659)
<b>Total</b>	<b>(\$399,808)</b>	<b>(\$89,944)</b>	<b>(\$549,076)</b>	<b>(\$12,633)</b>	<b>(\$1,051,461)</b>



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**Staff Recommendation:**

1. **Staff recommends the Committee approve the Department's request displayed in the table above for reductions in departments' vehicle lease payment line items based on year to date expenditures, projections based on November 2006 expenditures through the end of the fiscal year, approved funding for all FY 2006-07 decision items, and leases coming to term from December 2006 through June 2007.**
  
2. **A reduction of \$1,189,376 cash funds exempt (Motor Fleet Management Fund originating as transfers from other state agencies) to the Vehicle Replacement Lease, Purchase or Lease/Purchase line item in the Fleet Management Program of the Department of Personnel and Administration.**

**Supplemental #9 (DPA Supplemental #1) - Document Solutions Group Increase for CBI Project**

	<u>Request</u>	<u>Recommendation</u>
Total	\$274,560	\$274,560

<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]	
Staff and the Department agree that this supplemental is the result of new data.	

**Department Request:**

The Integrated Document Solutions Group requests additional spending authority of \$274,560 cash funds exempt in FY 2006-07 for the Document Solutions Group (DSG) to provide data entry services for the Colorado Bureau of Investigation (CBI).

In an attempt to enter criminal fingerprints into the Colorado Crime Information Center (CCIC) system as quickly as possible despite heavy workloads, the CBI entered only the most serious criminal arrest charges into the CCIC system. This has resulted in a large backlog of criminal history data that needs to be processed and entered. The DSG will provide temporary data specialists to enter information and complete criminal history information for arrests.

The CBI has received a Federal Grant to address its backlog. The federal grant (#26-RU-15b-1-2) is for the Federal fiscal year which runs from October 1, 2006 through September 30, 2007 and is not to exceed

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FY 2006-07 SUPPLEMENTAL RECOMMENDATION  
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

\$274,560. On November 3, 2006, IDS entered into an interagency agreement with CBI to complete this project.

**Staff Recommendation:**

**Staff recommends that the Committee approve the Department's request and appropriate \$274,560 of spending authority to the Document Solutions Group, Personal Services line item.**

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**Previously Approved 1331 Supplemental - Fleet Fuel Emergency Supplemental**

	<u>Request</u>	<u>Recommendation</u>
Total	\$522,064	\$224,144

**Description of Supplemental:** In June 2006 the Department submitted a 1331 Emergency supplemental for an increase in spending authority for fleet fuel operating expenses in order to be able to collect funds from agencies paying for fleet fuel and maintenance costs. The Department's request was based on an estimated increase in fuel costs as well as an increase in miles driven by state fleet vehicles. The Committee approved an increase of \$224,144 based only on the increase in fuel prices. The Department ultimately overexpended its appropriation authority by \$413,295. Subsequently the State Controller placed a restriction in the same amount to the overexpenditure on the FY 2006-07 appropriation for the fleet operating expenses line. Staff has discussed this 1331 supplemental at length under the Statewide Supplemental #2 above.

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# MEMORANDUM

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**TO:** Joint Budget Committee

**FROM:** Viktor Bojilov

**SUBJECT:** FY 2006-07 Supplemental Common Policy Technical Comebacks

**DATE:** January 29, 2007

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## **1. Statewide Supplemental #1 - GGCC Mid-year Supplemental True-up (DPA Allocation)**

The committee has approved adjustments to various agencies' Purchase of Services from Computer Center line items appropriations for FY 2006-07, consistent with the request submitted by the Department of Personnel and Administration. The supplemental recommendation for the Department of Labor and Employment contained an adjustment that would bring the total appropriation to \$149,773, including \$122,454 cash funds and \$27,319 cash funds exempt. However, staff's recommendation did not accurately reflect the Department of Labor's request for fund split adjustments. The Department's line item should have been adjusted by a negative of (\$1,282,862) including (\$128,287) cash funds, (\$12,828) cash funds exempt, and (\$1,141,747) federal funds. The new appropriation for the Department of Labor should be \$149,774, including \$14,977 cash funds, \$1,498 cash funds exempt, and \$133,299 federal funds.

**Staff recommends that the supplemental adjustment for the Department of Labor and Employment reflect a total adjusted appropriation of \$149,774, including \$14,977 cash funds, \$1,498 cash funds exempt, and \$133,299 federal funds.** This request is consistent with the Department's request as well as the Committee's previous action.

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## **2. Statewide Supplemental #4 - Multiuse Network Payments Telecomm Truth-in-Rates**

The committee has approved adjustments to various agencies' Multiuse Network Payments line items appropriations for FY 2006-07, consistent with the request submitted by the Department of Personnel and Administration. The supplemental request for the Judicial Branch reflected a negative supplemental of (\$60,508) General Fund. However, staff had double counted this supplemental erroneously. The supplemental adjustment should have been a reduction to the General Fund by (\$30,254).

**Staff recommends that the supplemental reduction for the Judicial Branch for the Multiuse Network Payments line item be corrected to reflect a reduction to the General Fund by (\$30,254).** This request is consistent with the Department's request as well as the Committee's previous action.

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### **3. Statewide Supplemental #4 - Multiuse Network Payments Telecomm Truth-in-Rates**

The committee has approved adjustments to various agencies' Multiuse Network Payments line items appropriations for FY 2006-07, consistent with the request submitted by the Department of Personnel and Administration. The supplemental request for the Department of Corrections reflected a negative supplemental of (\$129,389), including (\$82,549) General Fund and (\$46,840) cash funds exempt. However, staff had entered this supplemental erroneously. The supplemental adjustment should have been a reduction by (\$87,233), including (\$82,549) General Fund and (\$4,684) cash funds exempt.

**Staff recommends that the supplemental reduction for the Department of Corrections for the Multiuse Network Payments line item be corrected to reflect a reduction of (\$87,233), including (\$82,549) General Fund and (\$4,684) cash funds exempt.** This request is consistent with the Department's request as well as the Committee's previous action.

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### **4. Statewide Supplemental #7 - Administrative Law Judge Services Mid-year Supplemental True-up**

The committee has approved adjustments to various agencies' Administrative Law Judge Services line items appropriations for FY 2006-07, consistent with the request submitted by the Department of Personnel and Administration. However, staff omitted to include the supplemental request for the Department of State. The Department of State supplemental request was for an increase to its Administrative Law Judge Services line item by \$16,789 cash funds.

**Staff recommends an increase in the appropriation to the Department of State, Administrative Law Judge Services line item by \$16,789 cash funds.** This request is consistent with the Department's request as well as the Committee's previous action.

# MEMORANDUM

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**TO:** Joint Budget Committee

**FROM:** Viktor Bojilov, JBC Staff

**SUBJECT:** Department of Personnel and Administration FY 2006-07 Supplemental. Division of Central Services, Fleet Management Program and Motor Pool Services, Vehicle Replacement Lease, Purchase or Lease/Purchase.

**DATE:** March 14, 2007

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The Department submitted a FY 2006-07 supplemental request on March 8, 2007, for an amendment to an existing FY 2006-07 Long Bill Letternote appearing in the Division of Central Services, Fleet Management Program and Motor Pool Services, Vehicle Replacement Lease, Purchase or Lease/Purchase. The Department's request is portrayed below:

<sup>a</sup> Pursuant to Section 24-82-801 (2), C.R.S., the Department of Personnel and Administration is authorized to enter into a lease-purchase agreement for the approved FY 2006-07 vehicle replacements and additions. The lease-purchase agreement shall be for a period of up to 8 years and shall not exceed an amount over ~~\$18,000,000~~: \$20,000,000.

Section 24-82-801 (2), C.R.S., states:

(2) Except as provided in subsection (4) of this section, no lease-purchase agreement for the acquisition of personal property to which an agency of state government is a party and which requires total payments exceeding fifty thousand dollars over the term of the agreement shall be entered into subsequent to April 9, 1990, unless such agreement is specifically authorized, prior to its execution, by a bill, other than the annual general appropriations act or a supplemental appropriations act, enacted by the general assembly or specifically authorized by appropriation in the annual general appropriation act or a supplemental appropriations act. Subsequent to authorization of a lease-purchase agreement by the general assembly, in such manner, rentals and other payments by the state under any such lease-purchase agreement may be made from moneys appropriated by the general assembly in an annual general appropriations act or a supplemental appropriations act.

The Department's estimated dollar amount for the lease-purchase agreement for FY 2006-07 vehicle replacements and additions from March 23, 2006, was for \$17,546,700. The Department had requested the letternote state \$18 million in case there were adjustments to the financing agreement and any vehicle adjustments.

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The Department presented staff with a Request for Proposal (Bid #AEA-0711-LC) from Bank of America dated September 22, 2006. In the RFP, the cost to purchase 735 new vehicles (635 replacements and 110 additional vehicles) is \$19,121,127. The Department is requesting that the letternote limitation be increased to state that the lease-purchase agreement shall not exceed \$20 million. The Department's rationale for the extra amount is to account for any changes to the contract before the final contract is signed.

Staff discussed the rationale for listing an extra amount in the letternote than the RFP is estimating. The Department believes that it is appropriate to have an extra amount, however, the Department does not have a good estimate of what that amount should be. The Department has also stated that the extra amount in the letternote may not need to be as large as the Department has requested.

Staff does not have a better estimate than the Department. Staff believes that any changes to the contract at this point should be technical in nature. Staff also believes that the amount listed on the letternote should be as close to the actual amount of the final lease-purchase agreement as possible. At this point, the best information that the Department and Staff have is for a cost of \$19,121,127.

**Staff recommendation:**

**Staff recommends that the Department of Personnel's letternote in the FY 2006-07 Long Bill be amended as follows:**

**<sup>a</sup> Pursuant to Section 24-82-801 (2), C.R.S., the Department of Personnel and Administration is authorized to enter into a lease-purchase agreement for the approved FY 2006-07 vehicle replacements and additions. The lease-purchase agreement shall be for a period of up to 8 years and shall not exceed an amount over ~~\$18,000,000~~. \$19,121,127.**