

Joint Budget Committee



Staff Figure Setting FY 2025-26

Operating Common Policies

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

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared by:

Tom Dermody, JBC Staff

January 30, 2025

Joint Budget Committee Staff

200 E. 14th Avenue, 3rd Floor • Denver • Colorado • 80203

Telephone: (303) 866-2061 • TDD: (303) 866-3472

<https://leg.colorado.gov/agencies/joint-budget-committee>

Contents

Summary of 2025 Staff Recommendation	1
Decision Items Affecting Common Policies	2
➔ R1 Office of Administrative Courts (OAC) staffing	2
➔ R2 State property risk valuation	4
➔ R7 Annual fleet vehicle replacements	5
➔ BA1 Risk Management common policy adjustment	10
➔ BA3 Supplier Database Cash Fund waiver	11
➔ Staff-initiated Capitol Complex Leased Space common policy construction adjustment	12
Common Policy Summary Tables	13
Administrative Law Judge Services	13
Workers' Compensation	14
Payment to Risk Management and Property Funds	15
Capitol Complex Leased Space	16
CORE Operations	16
Vehicle Lease Payments	17
Document Solutions Group Common Policy for Departments of Revenue and State	18
Statewide Indirect Cost Assessments	19
Common Policy Builds	21
Administrative Law Judge Services	21
Workers' Compensation	23
Payment to Risk Management and Property Funds	28
Capitol Complex Leased Space	36
CORE Operations	40
Vehicle Lease Payments	43
Document Solutions Group Common Policy for Departments of Revenue and State	44
Statewide Indirect Cost Assessments	47

How to Use this Document: The Department Overview contains a table summarizing the staff recommended changes. Brief explanations of each change follow the table. Each division description includes a similar table but does not repeat the brief explanations. Sections following the Department Overview and the division summary tables provide more details about the changes.

To find decision items, look at the Decision Items Affecting Multiple Divisions or the most relevant division. This applies to both decision items requested by the department and recommended by the staff. Decision items appear in the requested priority order within sections.

Summary of 2025 Staff Recommendation

Operating Common Policies Change and Comparison Summary Table

Common Policy	FY 2024-25 Approp.	FY 2025-26 Recommend.	Change From Prior Year	FY 2025-26 Request	Difference from Request
Administrative Law Judge Services					
Program Costs - Base	\$7,778,841	\$11,703,036	\$3,924,195	\$11,445,270	\$257,766
Fund Balance Reserve Adjustment	-842,230	-252,990	589,240	-280,847	27,857
Total Allocation - ALJ Services	\$6,936,611	\$11,450,046	\$4,513,435 65.1%	\$11,164,423	\$285,623 2.6%
Workers' Compensation					
Program Costs	\$36,311,219	\$36,999,061	\$687,842	\$36,973,136	\$25,925
Fund Balance Reserve Adjustment	-1,865,790	-2,654,695	-788,905	-2,513,617	-141,078
Total Allocation - Workers' Compensation	\$34,445,429	\$34,344,366	-\$101,063 -0.3%	\$34,459,519	-\$115,153 -0.3%
Liability					
Program Costs	\$28,854,205	\$22,449,506	-\$6,404,699	\$22,472,863	-\$23,357
C-SEAP Funding	2,483,380	2,725,680	242,300	2,725,680	0
Fund Balance Reserve Adjustment	-2,834,105	-301,233	2,532,872	-10,407,415	10,106,182
Total Allocation - Liability	\$28,503,480	\$24,873,953	-\$3,629,527 -12.7%	\$14,791,128	\$10,082,825 68.2%
Property					
Program Costs	\$26,669,681	\$30,802,527	\$4,132,846	\$30,805,093	-\$2,566
Fund Balance Reserve Adjustment	321,827	10,844,713	10,522,886	10,874,184	-29,471
Total Allocation - Property	\$26,991,508	\$41,647,240	\$14,655,732 54.3%	\$41,679,277	-\$32,037 -0.1%
Total Allocation - Payments to Risk and Property Funds	\$55,494,988	\$66,521,193	\$11,026,205 19.9%	\$56,470,405	\$10,050,788 17.8%
Capitol Complex Leased Space					
Program Costs	\$19,283,189	\$20,807,398	\$1,524,209	\$20,550,376	\$257,022
Fund Balance Reserve Adjustment	-3,185,751	-3,961,824	-776,073	-3,351,059	-610,765
Total Allocation - Capitol Complex Leased Space	\$16,097,438	\$16,845,574	\$748,136 4.6%	\$17,199,317	-\$353,743 -2.1%
CORE Operations					
Program Costs	\$12,496,380	\$12,688,624	\$192,244	\$12,624,615	\$64,009
Payment from Supplier Database Cash Fund	-7,413,952	-6,848,171	565,781	-1,754,039	-5,094,132
Fund Balance Reserve Adjustment	-2,587,050	-3,758,338	-1,171,288	-3,444,822	-313,516
Total Allocation - CORE Operations	\$2,495,378	\$2,082,115	-\$413,263 -16.6%	\$7,425,754	-\$5,343,639 -72.0%
Total – Op. Common Policies Paid by Allocation	\$115,469,844	\$131,243,294	\$15,773,450 13.7%	\$126,719,418	\$4,523,876 3.6%
Vehicle Replacement Lease/Purchase approp.	\$29,254,879	\$35,074,465	\$5,819,586	\$35,074,465	\$0
Total Allocation for State Fleet	\$29,254,879	\$35,074,465	\$5,819,586 19.9%	\$35,074,465	\$0 0.0%
Document Solutions for Depts. of State and Revenue					
Program Costs	\$11,343,631	\$12,263,017	\$919,386	\$12,263,017	\$0
Fund Balance Reserve Adjustment	310,590	395,116	84,526	395,116	0
Total Allocation for Departments of State and Revenue	\$11,654,221	\$12,658,133	\$1,003,912 8.6%	\$12,658,133	\$0 0.0%

Operating Common Policies Change and Comparison Summary Table

Common Policy	FY 2024-25 Approp.	FY 2025-26 Recommend.	Change From Prior Year	FY 2025-26 Request	Difference from Request
Statewide Indirect Cost Plan	\$27,674,528	\$22,974,956	-\$4,699,572	\$22,974,956	\$0
Statewide Indirect Cost Plan	\$27,674,528	\$22,974,956	-\$4,699,572 -17.0%	\$22,974,956	\$0 0.0%

Decision Items Affecting Common Policies

→ R1 Office of Administrative Courts (OAC) staffing

Request: The Department requests an increase of \$292,468 in reappropriated funds spending authority and 2.8 FTE in FY 2025-26 to address caseload growth and retention in the Office of Administrative Courts.

Recommendation: **Staff recommends the Committee approve \$225,805 reappropriated funds and 2.7 FTE** in FY 2025-26. The recommendation annualizes to \$286,836 reappropriated funds and 3.0 FTE in FY 2026-27 and ongoing.

R1 OAC staffing - JBC Staff Recommendation		
Element	FY 2025-26	FY 2026-27 and ongoing
Person services	\$202,339	\$224,821
FTE	2.7	3.0
Operating expenses	23,466	3,840
Centrally appropriated costs	0	58,175
Total	\$225,805	\$286,836

Analysis: The Office of Administrative Courts (OAC) provides an independent administrative law adjudication system for state agencies to resolve cases that concern worker's compensation, public benefits (food stamps, Colorado Works/TANF, Medicaid, etc.), professional licensing board work involving license denial, revocation, suspension or other discipline, teacher dismissal cases, and when a citizen has filed a complaint under the Fair Campaign Practices Act. The recommended \$225,805 reappropriated funds are included in the Administrative Law Judge Services common policy recommended by staff. Revenue for this increase is generated through cost allocations to various state agencies; based on estimated fund splits for these cost allocations, 13.0 percent (\$29,243) of that revenue originates as General Fund.

For Medicaid cases, federal regulations require that a final agency decision (FAD) be issued no later than 90 days from the date the appeal is filed. The Department of Health Care Policy and Financing (HCPF) issues the final agency decisions after the OAC issues an initial decision. HCPF applied for and received a temporary waiver of the 90-day FAD requirement. However, according to HCPF, the federal Centers for Medicare and Medicaid indicated that no extensions of the waiver will be granted. The Department requests funding for three new staff to align with growing Medicaid caseload and federal regulations regarding processing times. The addition of more staff will also help to relieve some of the strain felt in resolving other types of cases within the OAC. The new staff consist of one Administrative Law Judge II, one Technician III, and one Technician IV.

Colorado Medicaid Population	
Fiscal Year	Monthly Average
FY 2014-15	1,161,157
FY 2015-16	1,296,986
FY 2016-17	1,346,114
FY 2017-18	1,315,217
FY 2018-19	1,261,365
FY 2019-20	1,213,955
FY 2020-21	1,397,370
FY 2021-22	1,561,558
FY 2022-23	1,674,964
FY 2023-24	1,359,622
FY 2024-25*	1,253,336
FY 2025-26*	1,340,055
<i>12-year Growth</i>	<i>15.4%</i>
<i>6-year Growth</i>	<i>10.4%</i>

* Projected caseload provided by HCPF.

For Fiscal Years 2019-20 through 2022-23, OAC received an annual average of 3,550 cases, of which approximately 1,920 were Medicaid cases. The Medicaid covered population in Colorado has grown since the expansion of Medicaid in January 2014. In FY 2019-20, the Medicaid covered population was 1.21 million. At the peak of Medicaid enrollment during the pandemic in FY 2022-23, the population rose to 1.67 million. The projected Medicaid population in FY 2025-26 is 1.34 million, or 10.4 percent greater than pre-pandemic levels, after the public health emergency unwind.

The OAC tracks the median amount of time it takes for a clerk to process appeals and schedule hearings. The OAC also tracks the number of days a case is open. A closed case means that an Administrative Law Judge has issued a decision on the merits or the matter was closed for other reasons. The closure date typically demonstrates the length of time that a party must wait for a decision on their appeal.

Medicaid Appeal Case Turnaround Time			
	FY 2022-23	FY 2023-24	Reduction of Days
Median days between receipt of appeal and clerk creation of new case	23	1	-22
Median days before scheduled hearing	99	36	-63
Median days from date appeal is filed to case closure	108	39	-69

Beginning in FY 2022-23, the General Assembly provided funding for additional temporary staffing to address the public health emergency unwind. These additional resources resulted in reductions in case processing times. For Medicaid cases, the median number of days:

- to open a case decreased by 22 days;
- for a hearing to be scheduled decreased by 63 days; and
- for case closure decreased by 69 days.

Department of Human Services Public Benefits Appeal Case Turnaround Time			
	FY 2022-23	FY 2023-24	Reduction of Days
Median days between receipt of DHS appeal and clerk creation of new case	12	3	-9
Median days before scheduled hearing	71	46	-25
Median days from date appeal is filed to case closure	77	63	-14

The temporary staffing also had a secondary effect of improving case processing times for public benefits cases administered by the Department of Human Services. For public benefits cases, the median number of days:

- to open a case decreased by 9 days;
- for a hearing to be scheduled decreased by 25 days; and
- for case closure decreased by 14 days.

→ R2 State property risk valuation

Request: The Department requests an increase of \$600,000 reappropriated funds spending authority in Fiscal Year 2025-26 and ongoing. The Department reports that some of the State’s property insurance carriers are requiring a valuation of all owned and leased buildings and their contents in order to fully underwrite the financial loss exposure of the State Office of Risk Management’s property program. The additional funding will allow the State Office of Risk Management to conduct a full valuation of state properties, which it anticipates will take five years. This cycle will need to be repeated continuously in order to maintain accurate valuation records for insurers.

Recommendation: **Staff recommends approval of the request.**

Analysis: The property portion of the Risk Management common policy pays for commercial insurance and associated deductibles for insurance coverage of state properties. The program provides property loss coverage for state assets, including building and content value. The property program is funded from the Self-Insured Property Fund, created in Section 24-30-1510.5, C.R.S. The recommended \$600,000 reappropriated funds are included in the property portion of the Risk Management common policy recommended by staff. Revenue for this increase is generated through cost allocations to the various state agencies; based on estimated fund splits for these cost allocations, 37.6 percent (\$225,344) of that revenue originates as General Fund.

Historically, insurance carriers allowed blanket coverage of properties, so the Department was not required to conduct a full property valuation. Due to an increase of severe weather events, and in response to higher claims costs, carriers now only insure to the amount listed on the statement of values and require valuations of properties to ensure accuracy. The state’s property valuation has not been assessed in more than 20 years. Given the current state of the insurance industry, the Risk Management program expects that the state’s property valuation will need to be updated regularly in order to effectively cover future property losses.

The current insured value of the State’s property is assessed based on purchase price, build price, properties of similar type, and other sources of information. Annual inflationary updates

are applied by the insurance brokers, but these do not constitute actual replacement cost valuations. Insurers require a better picture of the risk they are insuring and the current values are based on old, potentially under-valued estimates. Insurance recovery is limited to the total insured values the Department reports, meaning in the event of a total loss, the uninsured costs (i.e., those costs above current estimated value) would fall back on the state. The Department reports that, for example, during the Marshall Fire the Department of Transportation suffered a total loss of a garage building, but the total insured value was roughly half of the replacement cost.

→ R7 Annual fleet vehicle replacements

Request: The Department requests an increase of \$5,697,217 reappropriated funds to replace 552 vehicles in the State’s fleet. Of the vehicles to be replaced, the Department has identified 470 as potential alternative fuel vehicles (AFV). For individual state agencies, this request will require an increase of \$7.2 million in total funds for the respective Vehicle Lease Payments line item appropriations, with an estimated \$1.8 million increase in General Fund in FY 2025-26. The request includes non-prioritized requests affecting multiple departments statewide.

Further, the department request the continuation of their standard methodology for determining replacement vehicles, including updating the minimum miles required for the replacement of patrol motorcycles from 40,000 miles to 60,000 miles. Additionally, the Department excluded 48 vehicles from the replacement list based on the availability of suitable alternative fuel vehicles, as a one-time exclusion.

Recommendation/Analysis:

- 1 Staff recommends the Committee approve the requested increase of \$5,697,217 reappropriated funds in the Department of Personnel’s Vehicles Replacement Lease or Purchase line item.
- 2 Staff recommends the Committee approve the replacement of the requested 552 vehicles. However, based on updated departmental funding needs and supplemental adjustments recently approved by the Committee, staff recommends a statewide increase of \$5,819,585 total funds, including an estimated \$1,519,316 General Fund, in FY 2025-26 for the first year cost of the 552 replacement vehicles.
- 3 Staff recommends the continuation of the standard methodology used by the Fleet Management Program for determining replacements. This does not include the exclusion of vehicles for replacement based on the availability of alternative fuel vehicles.

Fleet Management Replacement Methodology

For FY 2025-26, the Department’s initial screening of the state’s 6,730 vehicle fleet identified 1,875 potential vehicles (27.9 percent) for replacement. The initial candidate list is generated from the Colorado Automotive Reporting System (CARS) using a minimum threshold for further replacement consideration. The criteria for this initial screen are:

- greater than 130,000 miles as of June 2024; or

- 20 years or older at the time that the proposed replacement would occur and has been used for at least 250 miles per month over the last four years; or
- at 10 years old and has maintenance costs greater than 100.0 percent of the average maintenance cost for its body type and has passed a manual maintenance review; or
- remaining revenue is at least \$7,500 and has less than 175,000 miles.

Colorado State Patrol vehicles must meet at least one of the following criteria to be considered for replacement:

- at least 100,000 miles for vehicles as of June 2024; or
- at least than 60,000 miles for patrol motorcycles.

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

- The agency to which a vehicle is assigned has expressed a desire to retain the vehicle or that a vehicle that may meet one of the above criteria is in good condition compared to others with similar use. Agency input is also utilized to keep vehicles from the initial screening on the list and on the rare occasion add them to it if they are in exceptionally poor condition, create an unacceptable safety risk, or is no longer meeting the functional requirements of the agency.
- The Department also considers recent repairs and maintenance performed on each vehicle on the initial screen list. For vehicles that have had repairs performed that exceeded \$7,500 within the last 12 months, it is assumed that ongoing maintenance costs will be reduced in the short-term.
- Vehicles in low cost, short distance work functions such as facilities maintenance, which are most often assigned to campus-type facilities, receive reduced priority for replacement. When vehicles in these roles are identified, it is often more cost effective to replace these vehicles with one that has been returned to the Department's motor pool, but has not been sold, which may no longer be suitable for high usage functions.
- Very high mileage vehicles receive a higher priority for replacement due to anticipated breakdowns of major components. Under the current analysis performed by the Department, the threshold for very high mileage vehicles is 175,000 miles. Vehicles in this category have decreased reliability and increased safety concerns. The Department notes that in a less restrictive funding environment, it would reduce this threshold.

Finally, the Department prioritizes the remaining vehicles by comparing vehicles to the average maintenance costs for vehicles of similar age and type. Those that have a considerably higher than average cost will rank higher than those with lower than average costs. State Patrol vehicles are not prioritized due to their unique replacement schedule, which requires a 4-year replacement cycle.

For the FY 2025-26 request, the Fleet Program identified all vehicles that could be replaced with a known alternative fuel vehicle (AFV) to maximize the number of AFVs in the fleet. For model year 2022, hybrid technologies have become more broadly available and can provide significant fuel savings across the spectrum of the vehicle platforms. Heightened focus on electric vehicle powertrains are envisioned for the state fleet. For all other AFV selections the location of the

vehicle was not used to disqualify it from AFV assignment to give the agencies more flexibility in where they are assigned. Location is important when assigning the new AFV vehicles, but it was not used to eliminate any vehicles off the suspect list. If an AFV has a lifecycle cost that is within 10 percent of the cost of a similar combustion engine vehicle, the Department includes it as a potential AFV application.

State Fleet Replacement Methodology Results	
Reason for Replacement	Number of Vehicles
1 - High age and mileage vehicles	29
2 - Non-DPS vehicles with high mileage	342
3 - CDPS vehicles	187
4 - High age and cost vehicles	79
5 - Maintenance cost review	-5
6 - Agency feedback	-14
7 - Remaining revenue assessment	-18
8 - No AFV/EV potential (Not CDPS)	-48
Total vehicles for replacement	552

The last replacement reason (step 8) listed in the table above is a discretionary decision recommended by the Department to provide a measure of budgetary relief. The removal of the 48 vehicles with no alternative fuel or electric vehicle replacement potential results in a net savings of \$204,316 total funds, including \$114,133 General Fund. However, this should be considered a one-time adjustment, as it is unlikely the potential for an alternative fuel or electric vehicle replacement will change. Also, the delay in replacing those vehicles will result in an increase in out-year costs as ongoing maintenance will be required and the cost to purchase suitable replacements is likely to increase.

JBC Staff Historic Methodology

Prior to FY 2024-25, JBC staff would recommend replacement criteria that varied from the Department’s and use the requested replacements as a starting point to further trim the list of potential vehicles to be replaced. These criteria were:

- 1 Projected high mileage by June 2025.
 - a Colorado State Patrol (CSP) vehicles – 100,000 miles.
 - b CSP Motorcycles – 40,000 miles.
 - c Other law enforcement vehicles – 125,000 miles.
 - d Standard vehicles – 150,000 miles. This is equal to 15,000 miles per year over 10 years.
- 2 Over 15 years old.
- 3 High maintenance cost that is 100 percent greater than average for the vehicle type.

These three criteria essentially superseded State Fleet Management criteria 1-4. JBC staff applied the above criteria directly to the Department’s final list of vehicles for replacement, which generally resulted in fewer vehicles being approved for replacement than requested. The process caused the weight of the Department’s prioritization to diminish, and the Department expressed concern that these criteria contributed to increased maintenance costs and reduced fleet readiness.

As a result of these concerns, last year JBC staff recommended, and the Committee approved, a change to the analytical methodology applied by JBC staff. Rather than winnow down the Department’s final list of replacement candidates, staff preemptively establishes the methodology and criteria to be used by the Department in creating their list of replacements. During figure setting, staff verifies the application of the established methodology and recommends any changes to the replacement selection criteria prior to the Department beginning its annual assessment of replacement candidates. Staff recommends the continuation of this practice.

Cost Comparison of Methodologies

As part of the November 1 budget submission, JBC staff receives documents detailing characteristics of each vehicle the Department is requesting to replace. These characteristics include vehicle age, average cost per mile to maintain, average miles traveled, vehicle type, owner agency, and cost to purchase. Using the data provided, staff developed the table below to provide a cost comparison of three different methodologies for evaluating the requested replacements. The costs in the table are for the first year of ownership, rather than the life-cycle costs, because the first year of ownership (i.e., FY 2025-26) is of the most immediate concern to the appropriations process for the Long Bill.

Cost Comparison of Replacement Criteria for State Fleet Vehicles			
Element	Current Method	Historic JBC Criteria	Historic JBC Criteria + Marginal Group
Cost to purchase new vehicles	\$6,736,947	\$5,387,794	\$5,989,730
Maintenance cost of new vehicles	746,440	569,405	682,153
Maintenance cost of vehicles not replaced	0	219,973	64,287
Avoided maintenance cost of replaced vehicles	-1,085,722	-865,749	-979,235
Net cost of replacement	\$6,397,665	\$5,311,423	\$5,756,936
# of vehicles replaced	552	404	478
% of requested vehicles	100.0%	73.2%	86.6%
Average annual net cost per vehicle replaced	\$11,590	\$13,147	\$12,044
Difference from request (net \$)	n/a	-1,086,242	-640,730
Difference from request (vehicles)	n/a	-148	-74

The above table illustrates the difference in cost between the current replacement methodology and the criteria historically used by JBC staff. The column to the far right (“Historic JBC Criteria + Marginal Group”) shows the cost of a modified set of historic JBC criteria. Each year, with the application of the historic JBC criteria to the list of requested replacement, there was a subset of vehicles that fell just outside of those criteria. For this year’s list, 148 vehicles would not be recommended for replacement based on historic JBC criteria. However, 74 of those 148 vehicles would either meet the age requirement (>15 years old) or the mileage requirement (>150,000 miles), or both, in time for the following year’s request. The historic JBC criteria and marginal group column assumes the replacement of those 74 vehicle for illustrative purposes.

The application of historic JBC criteria results in fewer vehicles replaced at a lower total cost in the budget year than the Department’s request, but the per vehicle unit cost is higher. The net

replacement cost of the Department’s request is \$6.4 million and the unit cost is \$11,590 per replaced vehicle. The net replacement cost of historic JBC criteria is \$5.3 million and the unit cost is \$13,147. The net cost and unit cost of replacements under the historic JBC criteria and marginal group falls in between the two. This cost comparison suggests that there are some economies of scale and that the savings of avoided maintenance costs tips the analysis in favor of the current replacement methodology. From a statewide cost allocation perspective, the historic JBC criteria provides short-term budgetary relief, but results in greater out-year costs.

Statewide Impact on FY 2025-26 Incremental Cost Adjustments					
Element	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Staff recommendation	\$5,819,586	\$1,519,316	\$3,930,526	\$252,756	\$116,988
Historic JBC criteria	5,211,097	1,394,032	3,510,101	205,857	101,107
Difference	\$608,489	\$125,284	\$420,425	\$46,899	\$15,881

Recommended Replacement Vehicles

Staff recommends replacement of all 552 requested vehicles, including 470 alternative fuel or hybrid vehicles (AFVs). The replacement recommendation includes a statewide increase in Vehicle Lease Payments line items of \$5.8 million total funds, including \$1.5 million General Fund. This recommendation does not include adjustments for additional state agency vehicles requested through separate department request items.

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

FY 2025-26 Annual Fleet Recommended Department Allocations							
Department	FY 2024-25 Appropriation	Recommended Appropriation	FY 2025-26				
			Total Incremental Change	General Fund	Cash Funds	Reapprop Funds	Federal Funds
Appropriated Agencies							
Agriculture	\$506,605	\$600,741	\$94,136	\$48,812	\$44,257	\$0	\$1,067
Corrections	3,637,220	4,568,540	931,320	794,484	136,836	0	0
Early Childhood	8,906	8,026	-880	-880	0	0	0
Education	45,751	45,211	-540	-457	0	-83	0
Governor’s Office	23,303	17,449	-5,854	-5,854	0	0	0
Human Services	1,436,690	1,597,108	160,418	79,091	0	81,327	0
Judicial Branch	307,165	301,633	-5,532	-5,532	0	0	0
Labor And Employment	250,133	295,709	45,576	4,007	18,544	522	22,503
Law	95,901	104,090	8,189	3,364	1,324	2,826	675
Local Affairs	135,725	158,338	22,613	12,275	7,753	2,584	0
Military and Veterans Affairs	112,588	135,712	23,124	10,968	0	0	12,157
Natural Resources	7,121,323	9,108,894	1,987,571	173,691	1,790,228	4,918	18,734
Personnel	278,300	262,163	-16,137	0	-24	-16,113	0
Public Health & Environment	425,334	473,909	48,575	4,167	40,000	4,408	0
Public Safety	13,299,412	15,622,264	2,322,852	391,446	1,697,187	172,367	61,852
Regulatory Agencies	615,049	754,631	139,582	0	139,582	0	0
Revenue	939,111	1,008,509	69,398	9,734	59,664	0	0
State	16,363	11,538	-4,825	0	-4,825	0	0
Appropriated Totals	\$29,254,879	\$35,074,465	\$5,819,586	\$1,519,316	\$3,930,526	\$252,756	\$116,988

FY 2025-26 Annual Fleet Recommended Department Allocations							
Department	FY 2024-25 Appropriation	Recommended Appropriation	Total Incremental Change	FY 2025-26			
				General Fund	Cash Funds	Reapprop Funds	Federal Funds
Non Appropriated Agencies							
Higher Education	\$1,763,617	\$2,297,666	\$534,049				
Transportation	3,679,601	4,779,948	1,100,347				
Statewide Total	\$34,698,097	\$42,152,079	\$10,251,657				

→ BA1 Risk Management common policy adjustment

Request: The Department requests an increase of \$64,671 reappropriated funds spending authority for the Risk Management program in FY 2025-26 and ongoing to accommodate adjustments in anticipated expenses. In addition, the request aligns spending authority for state agencies with the revised common policy, taking into consideration technical adjustments and up-to-date large liability claims estimates.

Recommendation: **Staff recommends approval of the request.**

Analysis: The Department submitted this budget amendment to make technical adjustments in the cost allocation calculations for the various state agencies impacted by the Risk Management common policy, which sets appropriations for Workers’ Compensation and Payment to Risk Management and Property Funds line items across state agencies. These adjustments correct the cost allocations for all state agencies based on corrected allocations for the Department of Higher Education. This correction accounts for the portion of the Department of Higher Education’s allocation that is anticipated to be paid by institutions of higher education. Institutions of higher education costs are shown for informational purposes only.

Additionally, the budget amendment updates fund balance reserve adjustments, which are used to ensure sufficient reserves to cover program costs, for the Self-insured Property Fund (Property Fund) and the State Employee Workers' Compensation Account in the Risk Management Fund (Worker’s Compensation Fund). The revised Property Fund balance adjustment is \$10.9 million, to ensure fund solvency as property claims payments are projected to continue to grow. The revised Workers’ Compensation Fund adjustment is a decrease of \$2.5 million, which reduces the amount of program costs that are allocated to the various state agencies. These fund balance reserve adjustments are further revised by JBC staff recommendations for each common policy. Please see the Worker’s Compensation and Payment to Risk Management and Property Funds common policy builds later in this document for more details.

Lastly, a technical correction in prospective losses from the actuarial report for the property program in FY 2025-26 led to the request for an additional \$64,671 of reappropriated spending authority in FY 2025-26 and ongoing.

→ BA3 Supplier Database Cash Fund waiver

Request: The Department and Governor’s Office of State Planning and Budgeting (OSPB) requests the Committee grant cash fund waivers, pursuant to Section 24-75-402 (8), C.R.S., for the Supplier Database Cash Fund.

Recommendation: **Staff recommends denial of the request** because the fund does not currently require a waiver.

Analysis: Cash funds are subject to reserve requirements detailed in Section 24-75-402, C.R.S. The current statutory reserve requirement is 16.5 percent of a cash fund’s fiscal year expenditures. This requirement is applied to a fund’s uncommitted reserve balance, excluding any long-term assets, amounts associated with multi-year appropriations (e.g., capital construction), nonmonetary assets, and revenue from non-fee sources. Waivers are generally considered and granted for cash funds that have excess uncommitted reserves for three or more fiscal years in a row because cash funds that meet this criterion are subject to a spending restriction place by the State Controller, pursuant to Section 24-75-402 (12), C.R.S. The Joint Budget Committee may grant a cash fund waiver to temporarily exempting a cash fund from the statutory maximum reserve or set an alternative maximum reserve.

Supplier Database Cash Fund

The Supplier Database Cash Fund, created in Section 24-102.202.5 (2)(a), C.R.S., is connected to the CORE Operations common policy and receives revenue from rebates on statewide price agreements. In calculating the balance adjustment for the Fund during the setting of the CORE Operations common policy, staff sets a target fund balance pegged to the previous fiscal year’s year-end balance, because the upcoming fiscal year’s expenditures are unknown at that point. The Supplier Database Cash Fund was granted a two-year cash fund waiver (FY 2022-23 and FY 2023-24) during the FY 2023-24 figure setting process. As a result, the proverbial countdown clock on compliance restarted at the beginning of FY 2024-25, which means the Fund is not at risk of a State Controller spending restriction until at least FY 2026-27.

Supplier Database Cash Fund Revenue and Expenditures				
Element	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Beginning balance	\$5,895,806	\$8,874,453	\$9,526,943	\$6,380,879
Revenue	5,893,239	7,209,581	5,305,473	5,305,473
Expenditures	-2,914,592	-6,557,091	-8,451,537	-6,904,050
End balance	\$8,874,453	\$9,526,943	\$6,380,879	\$4,782,302
Statutory reserve (16.5% of expenditures)			-1,394,504	-1,139,168
Uncommitted fee reserve balance			\$2,774,723	\$1,052,845

JBC staff monitors and manages the Supplier Database Cash Fund balance through the annual figure setting process. Based on figure setting for the CORE Operations common policy, staff projects that the Fund will be in compliance with its statutory maximum reserve by the end of FY 2025-26. This projection takes into account the IT Capital request to use the Supplier Database Cash Fund to pursue the collection of information on present State procurement systems and processes and to implement a new system or integrate with, and improve, existing

systems. The IT Capital request seeks to use \$3.7 million of the Fund’s balance over a three-year period and, if approved, that amount would be excluded from the uncommitted fee reserve balance calculation pursuant to Section 24-75-402 (2)(h)(II), C.R.S. A cash fund waiver recommendation will be considered when it is statutorily necessary.

→ Staff-initiated Capitol Complex Leased Space common policy construction adjustment

Recommendation/Analysis: Staff recommends an adjustment to the methodology for calculating the allocated costs for the Capitol Complex Leased Space (CCLS) common policy to account for square footage anticipated to be under construction during the budget year (e.g., FY 2025-26). This recommendation is one of the budget balancing options presented by staff during the November 18, 2024 briefing for the Department of Personnel.

General Fund is appropriated to the Department of Personnel to cover the allocated program costs for vacant square footage in the Capitol Complex. The current methodology does not distinguish between square footage that is vacant but usable or vacant and under construction. In FY 2024-25, \$2.2 million General Fund is appropriated for all vacant square footage, regardless of its usability.

The current cost allocation methodology sets the annual cost for each state agency utilizing Capitol Complex leased space. The proposed change would prorate vacant square footage for the amount of time in a given fiscal year for which it is under construction. For example, if a 50,000 square foot space is under construction for half a fiscal year, 25,000 square feet would be included in the cost allocations for the CCLS common policy. This will not substantially change the total cost of the CCLS common policy, but will reduce the General Fund obligation for the policy while more equitably distributing its costs to user agencies.

Capitol Complex Leased Space Adjusting for Square Footage Under Construction in FY 2025-26						
Item	Statewide Allocated Cost	Adjustment From Prior Year	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Including sq ft under construction	\$16,846,096	\$671,177	\$905,361	-\$477,441	\$169,034	\$74,253
Excluding sq ft under construction	16,845,578	670,659	411,782	-364,295	475,702	147,468
Net savings	-\$518	-\$518	-\$493,579	\$113,146	\$306,668	\$73,215

The Department reports that in FY 2025-26 two Capitol Complex property will experience significant construction preventing full-year usage. The renovation and construction of the Capitol Annex (1375 Sherman St.; 64,234 square feet) will be substantially completed by October 2025. Construction at the 1570 Grant St. property is expected to begin in May of 2025 and be substantially completed by May of 2026. Using staff’s proposed methodology change for CCLS common policy cost allocations, the Capitol Annex and 1570 Grant St. properties would be prorated to 37,470 square feet and 2,985 square feet, respectively. This would result in a net savings of \$518 total funds, including a decrease of \$493,579 General Fund. The General Fund reduction is largely offset by increases in cash funds, reappropriated funds, and federal funds as the common policy costs are reallocated to user agencies. Detailed CCLS cost assumptions and allocations are provided later in this document.

Common Policy Summary Tables

The following tables summarize staff’s recommendations for each operating common policy. As part of those recommendations, staff assumes the Joint Budget Committee grants the required authority for staff to make the necessary adjustments to the affected line items across all state agencies, and the authority to work with those affected agencies to ensure accurate fund splits.

JBC staff respectfully requests Committee grant permission to make all necessary adjustments to the affected departments to implement the Committee’s decisions regarding operating common policies, and for permission for individual analysts to work with their departments to ensure correct fund source allocations.

Administrative Law Judge Services

Administrative Law Judge Services FY 2025-26 Recommended Allocation						
Department	FY 2023-24 Utilization	FY 2024-25 Appropriation	Final FY 2025-26			
			Request	Recommendation	Diff. from Request	Total Adjustment
Agriculture	0.1%	\$704	\$10,564	\$10,835	\$271	\$10,131
Early Childhood ¹	0.0%	20,366	2,751	2,822	71	-17,544
Education	2.2%	209,603	245,143	251,414	6,271	41,811
Health Care Policy & Finance	20.5%	822,526	2,293,426	2,352,098	58,672	1,529,572
Higher Education	0.0%	574	0	0	0	-574
Human Services	14.4%	834,562	1,603,867	1,644,899	41,032	810,337
Labor and Employment	56.1%	4,472,982	6,263,311	6,423,546	160,235	1,950,564
Law ¹	0.0%	517	420	431	11	-86
Local Affairs	0.1%	9,580	6,595	6,764	169	-2,816
Public Health & Environment	0.2%	115,007	27,618	28,325	707	-86,682
Public Safety ¹	0.0%	517	0	0	0	-517
Regulatory Agencies	6.1%	372,715	680,548	697,959	17,411	325,244
Revenue	0.1%	1,565	11,089	11,373	284	9,808
State	0.1%	48,950	10,312	10,576	264	-38,374
Transportation	0.1%	38,433	8,779	9,004	225	-29,429
Total	100.0%	\$6,948,601	\$11,164,423	\$11,450,046	\$285,623	\$4,501,445

¹ FY 2023-24 Utilization appears as zero due to rounding.

Differences from prior year and from the request

JBC staff agrees with the Department’s requested departmental allocations and recommends the additional resources requested in R1 (OAC staffing); however, to account for the lower than requested Administrative Hearings Cash Fund adjustment, staff **recommends the Committee approve a FY 2025-26 appropriation of \$11,450,046 total funds**, with the Department allocations summarized above.

Workers' Compensation

Workers' Compensation FY 2025-26 Recommended Allocation						
Department	FY 2024-25 Approp.	FY 2025-26				
		Actuarial Allocation	Request	Recommended	Difference From Request	Recommended Adjustment
Agriculture	\$299,675	0.8%	\$264,838	\$264,452	-\$386	-\$35,223
Corrections	7,584,883	23.3%	8,007,044	7,995,368	-11,676	410,485
Early Childhood	66,234	n/a	66,499	66,300	-199	66
Education	334,121	0.9%	312,990	312,534	-456	-21,587
Governor	199,783	0.5%	182,291	182,025	-266	-17,758
Health Care Policy and Financing	254,896	0.7%	230,443	230,107	-336	-24,789
Higher Education	2,624,742	6.7%	2,287,236	2,283,900	-3,336	-340,842
Human Services						
Cost allocation share	9,476,384	28.2%	9,702,694	9,688,546	-14,148	212,162
Prior year WC claim payments	65,000		65,000	65,000	0	0
<i>Human Services subtotal</i>	<i>9,541,384</i>		<i>9,767,694</i>	<i>9,753,546</i>	<i>-14,148</i>	<i>212,162</i>
Judicial	881,803	2.6%	894,257	892,954	-1,303	11,151
Labor and Employment	589,017	1.5%	529,676	528,903	-773	-60,114
Law	241,118	0.7%	223,564	223,238	-326	-17,880
Legislature	117,114	0.4%	151,336	151,115	-221	34,001
Local Affairs	151,560	0.4%	141,018	140,812	-206	-10,748
Military and Veterans Affairs	136,682	0.4%	137,578	137,377	-201	695
Natural Resources	1,436,375	4.1%	1,396,417	1,394,381	-2,036	-41,994
Personnel	396,122	1.0%	354,264	353,747	-517	-42,375
Public Health and Environment	434,012	1.2%	395,537	394,960	-577	-39,052
Public Safety	1,942,722	5.7%	1,943,290	1,940,457	-2,833	-2,265
Regulatory Agencies	261,785	0.7%	233,883	233,542	-341	-28,243
Revenue	530,460	1.3%	440,250	439,608	-642	-90,852
State	95,892	0.3%	89,426	89,295	-131	-6,597
Transportation	6,382,738	18.8%	6,462,731	6,453,306	-9,425	70,568
Treasury	10,334	0.0%	13,758	13,738	-20	3,404
Allocation Totals	\$34,513,452	100.0%	\$34,526,020	\$34,475,665	-\$64,503	-\$37,787
<i>Percentage change from prior year</i>						<i>-0.1%</i>

Differences from prior year and from the request

Workers' Compensation decreases 0.1 percent, or a reduction of \$37,787.

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

Payment to Risk Management and Property Funds

Payment to Risk Management and Property Funds Recommended Allocation					
Department	FY 2024-25 Appropriation	FY 2025-26 Request	FY 2025-26 Recommend	Difference from Request	Recommended Adjustment
Agriculture	\$418,801	\$449,802	\$520,432	\$70,630	\$101,631
Corrections	9,318,427	9,619,715	11,668,124	2,048,409	2,349,697
Early Childhood	3,653	3,726	4,303	577	650
Education	821,832	862,621	1,024,799	162,178	202,967
Governor	1,402,262	912,310	1,276,886	364,576	-125,376
Health Care Policy and Financing	249,605	140,937	225,510	84,573	-24,095
Higher Education	9,518,889	13,469,706	13,906,821	437,115	4,387,932
Human Services	4,043,601	4,725,290	5,241,275	515,985	1,197,674
Judicial	1,883,868	1,594,845	2,169,664	574,819	285,796
Labor and Employment	417,709	301,195	392,166	90,971	-25,543
Law	468,794	263,528	425,259	161,731	-43,535
Legislature	147,074	89,135	134,288	45,153	-12,786
Local Affairs	157,641	115,476	157,407	41,931	-234
Military and Veterans Affairs	857,295	1,242,766	1,268,201	25,435	410,906
Natural Resources	2,925,596	3,250,916	3,532,751	281,835	607,155
Personnel	2,196,847	3,014,110	3,122,472	108,362	925,625
Public Health and Environment	1,322,508	941,838	1,275,077	333,239	-47,431
Public Safety	7,909,917	4,582,474	7,307,252	2,724,778	-602,665
Regulatory Agencies	345,613	230,652	320,147	89,495	-25,466
Revenue	560,631	576,665	820,278	243,613	259,647
State	104,384	110,208	156,118	45,910	51,734
Transportation	10,270,044	9,963,051	11,554,656	1,591,605	1,284,612
Treasury	25,373	13,167	21,611	8,444	-3,762
Allocation totals	\$55,370,364	\$56,474,131	\$66,525,497	\$10,051,366	\$11,155,133
<i>Percentage change from prior year</i>					20.1%

Differences from prior year and from the request

Staff recommends a total allocation of \$66.5 million total funds for Payment to Risk Management and Property Funds. Payment to Risk Management and Property Funds increases by 20.1 percent, or \$11.2 million. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance for the liability component, as a result of the statutory requirement in Section 24-30-1511.5 (2), C.R.S., that the Risk Management Fund be reimbursed for a transfer to the Self-insured Property Fund.

Capitol Complex Leased Space

Capitol Complex Leased Space FY 2025-26 Recommended Allocation					
Department	FY 2024-25 Appropriation	FY 2025-26			Total Adjustment
		Request	Recommended	Difference from Request	
Education	\$1,053,714	\$1,215,168	\$1,288,751	\$73,583	\$235,037
Governor	1,088,278	1,228,928	1,302,538	73,610	214,260
Higher Education	0	971,152	968,045	-3,107	968,045
Human Services	1,349,084	1,424,401	1,510,654	86,253	161,570
Labor and Employment	61,605	66,542	66,105	-437	4,500
Legislative	2,647,508	2,759,416	2,926,508	167,092	279,000
Local Affairs	891,319	940,180	993,730	53,550	102,411
Military and Veteran Affairs	46,847	62,741	60,973	-1,768	14,126
Natural Resources	839,367	886,227	939,891	53,664	100,524
Personnel	2,613,254	2,658,130	2,789,706	131,576	176,452
Public Health and Environment	43,430	44,788	43,498	-1,290	68
Public Safety	2,149,092	2,321,751	2,441,046	119,295	291,954
Revenue	961,905	75,194	73,921	-1,273	-887,984
Transportation	187,394	148,377	144,103	-4,274	-43,291
Treasury	62,530	66,021	70,019	3,998	7,489
Vacant (allocated to Personnel as GF)	2,179,592	2,330,381	1,226,090	-1,104,291	-953,502
Allocation totals	\$16,174,919	\$17,199,397	\$16,845,578	-\$353,819	\$670,659
<i>Percentage change from prior year</i>					<i>4.1%</i>

The following table outlines the common policy allocation and additional costs paid by the General Assembly.

General Assembly Payments to the Department of Personnel for Maintenance of Legislative Space	
Capitol Complex Leased Space Allocation	\$2,926,508
Parking at 1525 Sherman	28,800
Conference Center Rental	5,200
Total	\$2,960,508

Differences from prior year and from the request

Staff recommends a total allocation of \$16.8 million total funds for Capitol Complex Leased Space. The changes to the Capitol Complex changes equal an increase of 4.1 percent, or \$670,653. The primary difference between the request and the recommendation is the application of a lower than requested fund balance adjustment.

CORE Operations

CORE Operations FY 2025-26 Recommended Allocation						
Department	FY 2024-25 Appropriation	FY 2025-26			Difference from Request	Total Adjustment
		Utilization	Request	Recommendation		
Agriculture	\$42,721	1.6%	\$122,402	\$34,321	-\$88,081	-\$8,400

CORE Operations FY 2025-26 Recommended Allocation						
Department	FY 2024-25 Appropriation	FY 2025-26				
		Utilization	Request	Recommendation	Difference from Request	Total Adjustment
Corrections	84,365	3.5%	257,912	72,316	-185,596	-12,049
Early Childhood	15,600	1.0%	76,470	21,441	-55,029	5,841
Education	66,377	2.6%	192,054	53,850	-138,204	-12,527
<i>Gov's main</i>	49,704	1.7%	122,960	34,477	-88,483	-15,227
<i>OIT</i>	81,643	2.2%	164,061	46,001	-118,060	-35,642
Governor	131,347	3.9%	287,021	80,478	-206,543	-50,869
Health Care Policy and Financing	35,330	1.7%	127,961	35,879	-92,082	549
Higher Education	53,592	2.1%	159,101	44,611	-114,490	-8,981
Human Services	252,577	10.0%	746,012	209,175	-536,837	-43,402
Judicial	458,398	17.7%	1,314,191	368,488	-945,703	-89,910
Labor and Employment	94,194	3.7%	278,238	78,016	-200,222	-16,178
Law	12,030	0.6%	41,094	11,522	-29,572	-508
Legislature	8,542	0.4%	26,745	7,499	-19,246	-1,043
Local Affairs	118,422	4.8%	359,027	100,668	-258,359	-17,754
Military and Veteran Affairs	13,492	0.6%	43,727	12,261	-31,466	-1,231
Natural Resources	151,676	6.5%	481,188	134,921	-346,267	-16,755
Personnel	69,357	3.0%	223,603	62,696	-160,907	-6,661
Public Health and Environment	230,644	9.8%	727,632	204,021	-523,611	-26,623
Public Safety	92,723	4.1%	301,025	84,405	-216,620	-8,318
Regulatory Agencies	78,249	3.3%	246,027	68,984	-177,043	-9,265
Revenue	266,618	9.6%	709,787	199,018	-510,769	-67,600
State	4,744	0.2%	13,827	3,877	-9,950	-867
Transportation	47,536	1.4%	100,516	28,184	-72,332	-19,352
Treasury	185,258	7.9%	590,194	165,485	-424,709	-19,773
Allocation totals	\$2,513,792	100.0%	\$7,425,754	\$2,082,115	-\$5,343,638	-\$431,676
<i>Percentage change from prior year</i>						<i>-17.2%</i>

Differences from prior year and from the request

Staff recommends a total allocation of \$2.1 million total funds for CORE Operations. CORE Operations decreased by 17.2 percent, or \$431,676. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance for the Supplier Database Cash Fund.

Vehicle Lease Payments

FY 2025-26 Annual Fleet Recommended Department Allocations							
Department	FY 2024-25 Appropriation	Recommended Appropriation	FY 2025-26				
			Total Incremental Change	General Fund	Cash Funds	Reapprop Funds	Federal Funds
Appropriated Agencies							
Agriculture	\$506,605	\$600,741	\$94,136	\$48,812	\$44,257	\$0	\$1,067
Corrections	3,637,220	4,568,540	931,320	794,484	136,836	0	0
Early Childhood	8,906	8,026	-880	-880	0	0	0
Education	45,751	45,211	-540	-457	0	-83	0

FY 2025-26 Annual Fleet Recommended Department Allocations							
Department	FY 2024-25 Appropriation	Recommended Appropriation	FY 2025-26				
			Total Incremental Change	General Fund	Cash Funds	Reapprop Funds	Federal Funds
Governor's Office	23,303	17,449	-5,854	-5,854	0	0	0
Human Services	1,436,690	1,597,108	160,418	79,091	0	81,327	0
Judicial Branch	307,165	301,633	-5,532	-5,532	0	0	0
Labor And Employment	250,133	295,709	45,576	4,007	18,544	522	22,503
Law	95,901	104,090	8,189	3,364	1,324	2,826	675
Local Affairs	135,725	158,338	22,613	12,275	7,753	2,584	0
Military and Veterans Affairs	112,588	135,712	23,124	10,968	0	0	12,157
Natural Resources	7,121,323	9,108,894	1,987,571	173,691	1,790,228	4,918	18,734
Personnel	278,300	262,163	-16,137	0	-24	-16,113	0
Public Health & Environment	425,334	473,909	48,575	4,167	40,000	4,408	0
Public Safety	13,299,412	15,622,264	2,322,852	391,446	1,697,187	172,367	61,852
Regulatory Agencies	615,049	754,631	139,582	0	139,582	0	0
Revenue	939,111	1,008,509	69,398	9,734	59,664	0	0
State	16,363	11,538	-4,825	0	-4,825	0	0
Appropriated Totals	\$29,254,879	\$35,074,465	\$5,819,586	\$1,519,316	\$3,930,526	\$252,756	\$116,988
Non Appropriated Agencies							
Higher Education	\$1,763,617	\$2,297,666	\$534,049				
Transportation	3,679,601	4,779,948	1,100,347				
Statewide Total	\$34,698,097	\$42,152,079	\$10,251,657				

Differences from prior year and from the request

For statewide fleet replacement vehicles:

- Total statewide Vehicle Lease Payments increase 19.9 percent, or \$5.8 million total funds.
- **Staff recommends approving the request to replace a total of 552 vehicles and a total allocation of \$42.2 million total funds for vehicle lease payments**, consisting of 470 alternative fuel vehicles (including 233 electric vehicles), and 82 standard vehicles.
- Staff recommends an appropriation of \$35.1 million for statewide allocations to departments.

Document Solutions Group Common Policy for Departments of Revenue and State

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

FY 2025-26 DSG Recommended Allocations							
Department	FY 2024-25 Appropriation	FY 2025-26					
		Rec'd	Total Base Adj.	General Fund	Cash Funds	Reappropriat ed Funds	Federal Funds
Revenue	\$10,989,241	\$11,855,607	\$866,366	\$873,956	-\$7,590	\$0	\$0
State*	664,980	802,526	137,546	0	137,546	0	0
Total	\$11,654,221	\$12,658,133	\$1,003,912	\$873,956	\$129,956	\$0	\$0

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

Differences from prior year and from the request

Staff recommends a total allocation of \$12.7 million total funds for document solutions support for the Departments of Revenue and State. The Document Solutions Group common policy total allocated costs increased by 8.6 percent from the prior fiscal year, or \$1.0 million total funds. The increase is primarily driven by increase in printing services provided to the Department of Revenue.

Statewide Indirect Cost Assessments

FY 2025-26 Statewide Indirect Cost Plan				
Department	Total Funds	Cash Funds	Reappropriated Funds	Federal Funds
Agriculture	\$242,499	\$191,522	\$16,618	\$34,359
Corrections	61,633	19,475	35,112	7,046
Early Childhood	176,389	36,541	1,204	138,644
Education	1,069,847	437,080	350,189	282,578
Governor	362,645	100,579	4,673	257,393
Governor - OIT	684,388	0	684,388	0
Health Care Policy and Financing	881,600	277,887	79,516	524,197
Higher Education	5,038,168	4,825,094	30,797	182,277
Human Services	1,171,143	283,574	343,821	543,748
Judicial	133,665	126,995	4,292	2,378
Labor and Employment	611,569	353,553	3,054	254,962
Law	180,230	31,165	145,653	3,412
Local Affairs	560,455	171,671	210,025	178,759
Military and Veterans Affairs	163,923	4,688	1,042	158,193
Natural Resources	1,449,321	1,253,517	51,388	144,416
Personnel	2,614,496	0	2,614,496	0
Public Health and Environment	817,665	393,269	127,326	297,070
Public Safety	1,440,860	1,165,465	181,069	94,326
Regulatory Agencies	823,423	745,132	57,244	21,047
Revenue	1,646,741	1,625,801	1,858	19,082
State	238,824	238,811	0	13
Transportation	2,605,472	2,605,394	78	0
Total	\$22,974,956	\$14,887,213	\$4,943,843	\$3,143,900

Differences from prior year and from the request

Staff recommends approval the **Statewide Indirect Cost Plan (above)** prepared by the **State Controller's Office for FY 2025-26**. The following table summarizes the proposed statewide indirect cost recoveries for FY 2025-26 and compares it to the plan for the prior year.

FY 2024-25 Statewide Indirect Cost Plan				
Fund Type	FY 2024-25	FY 2025-26	Change	Percent Change
Cash Funds	\$16,585,611	\$14,887,213	-\$1,698,398	-10.2%
Reappropriated Funds	6,391,674	4,943,843	-1,447,831	-22.7%
Federal Funds	4,697,243	3,143,900	-1,553,343	-33.1%
Total	\$27,674,528	\$22,974,956	-\$4,699,572	-17.0%

Indirect cost recoveries decreased 17.0 percent, or \$4.7 million.

Common Policy Builds

Administrative Law Judge Services

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

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

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

The costs of providing Administrative Law Judge Services are allocated to state agencies, based upon actual usage for the most recent fiscal year for which actual data is available. The FY 2025-26 allocation is determined by the FY 2023-24 actual number of administrative law judge and paralegal hours used by agency. The common policy allocations to state agencies are calculated to fully fund the program's costs plus fund a cash fund balance reserve adjustment to maintain a standard reserve percentage from year to year.

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

Program Costs

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

Personal services, operating expenses, and indirect costs are based on anticipated figure setting recommendations for the next fiscal year (FY 2025-26), which will be presented at a later date. Program share of departmental benefits POTS, legal services, OIT, and operating common policy items are provided by the Department and based on current year (FY 2024-25) appropriations and the program's estimated share of the Department total.

FY 2025-26 Administrative Law Judge Services Program Costs				
Description	FY 2024-25 Appropriation	FY 2025-26 Request	FY 2025-26 Recommended	Difference from Req
Personal services	\$4,680,008	\$4,806,041	\$5,008,380	\$202,339
Benefits POTS	1,203,091	1,302,081	1,302,081	0
Operating and OIT Common Policies	1,693,099	1,633,376	1,633,376	0
Operating expenses	60,722	172,233	195,699	23,466
FY 25-26 IT Cap request - Court Case Management	0	3,375,426	3,375,426	0
Indirect costs	141,921	156,113	188,074	31,961
Program costs subtotal	\$7,778,841	\$11,445,270	\$11,703,036	\$257,766
Fund balance reserve adjustment	-842,230	-280,847	-252,990	27,857
Total	\$6,936,611	\$11,164,423	\$11,450,046	\$285,623

Fund Balance Reserve Adjustment

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends continuing an 8.25 percent fund balance reserve calculated on the estimated program expenditure base of personal services, operating expenses, and indirect costs for the next fiscal year (FY 2025-26). The FY 2024-25 beginning fund balance is taken from the Department's FY 2025-26 submitted budget documentation (Schedule 9) for the Administrative Hearings Cash Fund. Staff **recommends a fund balance reserve adjustment decrease of \$252,990.**

Administrative Courts Cash Fund		
Element	Requested	Recommended
FY 2024-25		
Beginning balance	\$1,225,337	\$1,225,337
Revenue	6,936,611	6,936,611
Expenditures	-7,464,105	-7,464,105
Ending balance	\$697,843	\$697,843
FY 2025-26		
Expenditure base (PS+OE+IC)	\$5,054,503	\$5,392,153
Target reserve %	8.25%	8.25%
Reserve amount	\$416,996	\$444,853
Reserve adjustment	-\$280,847	-\$252,990

State Agency Utilization and Allocation

The costs of providing administrative law judge services are allocated to state agencies, based upon actual usage for the most recent fiscal year that actual data is available. The next fiscal year (FY 2025-26) allocation is determined by the most recent actual year's (FY 2023-24) utilization of administrative law judge and paralegal hours by agency. The following table outlines **recommended allocations for the Administrative Law Judge Services common policy.**

Administrative Law Judge Services FY 2025-26 Recommended Allocation						
Department	FY 2023-24 Utilization	FY 2024-25 Appropriation	Final FY 2025-26			
			Request	Recommendation	Diff. from Request	Total Adjustment
Agriculture	0.1%	\$704	\$10,564	\$10,835	\$271	\$10,131
Early Childhood ¹	0.0%	20,366	2,751	2,822	71	-17,544
Education	2.2%	209,603	245,143	251,414	6,271	41,811
Health Care Policy & Finance	20.5%	822,526	2,293,426	2,352,098	58,672	1,529,572
Higher Education	0.0%	574	0	0	0	-574
Human Services	14.4%	834,562	1,603,867	1,644,899	41,032	810,337
Labor and Employment	56.1%	4,472,982	6,263,311	6,423,546	160,235	1,950,564
Law ¹	0.0%	517	420	431	11	-86
Local Affairs	0.1%	9,580	6,595	6,764	169	-2,816
Public Health & Environment	0.2%	115,007	27,618	28,325	707	-86,682
Public Safety ¹	0.0%	517	0	0	0	-517
Regulatory Agencies	6.1%	372,715	680,548	697,959	17,411	325,244
Revenue	0.1%	1,565	11,089	11,373	284	9,808
State	0.1%	48,950	10,312	10,576	264	-38,374
Transportation	0.1%	38,433	8,779	9,004	225	-29,429
Total	100.0%	\$6,948,601	\$11,164,423	\$11,450,046	\$285,623	\$4,501,445

¹ FY 2023-24 Utilization appears as zero due to rounding.

Workers' Compensation

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

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

Risk Management Program Costs

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

Risk Management Program Costs						
	FY 2024-25 Appropriation	FY 2025-26 Request	FY 2025-26 Recommendation	Liability Share	Property Share	Workers' Comp. Share
	Program allocation share		100.0%	41.0%	7.0%	52.0%
Personal services	\$1,018,053	\$1,099,509	\$1,099,512	\$450,800	\$76,966	\$571,746
Benefits POTS	303,403	257,643	257,643	105,634	18,035	133,974
Operating and OIT Common Policies	290,510	355,384	355,384	145,707	24,877	184,800
Operating expenses	65,018	65,018	65,018	26,657	4,551	33,809
Indirect costs	365,942	402,536	402,536	165,040	28,178	209,319
Total costs for allocation	\$2,042,926	\$2,180,090	\$2,180,093	\$893,838	\$152,607	\$1,133,648

Workers' Compensation Program Costs

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

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

Workers' Compensation Program Costs				
Element	FY 2024-25 Appropriation	FY 2025-26 Request	FY 2025-26 Recommendation	Difference from Request
Program costs	\$999,188	\$1,107,723	\$1,133,648	\$25,925
Workers' compensation claims	30,156,210	30,222,640	30,222,640	0
W.C. TPA fees and loss control	1,850,000	1,850,000	1,850,000	0
W.C. excess policy	991,636	1,562,367	1,562,367	0
W.C. legal services	2,019,767	1,929,105	1,929,105	0
Actuarial and broker services	154,811	159,455	159,455	0
Risk Management Information System	74,607	76,845	76,845	0
DHS prior year claim payouts	65,000	65,000	65,000	0
Program costs subtotal	\$36,311,219	\$36,973,136	\$36,999,061	\$25,925
Fund balance reserve adjustment	-1,865,790	-2,513,617	-2,654,695	-141,078
Total for allocation	\$34,445,429	\$34,459,519	\$34,344,366	-\$115,152

Workers' Compensation Claims

This figure includes prospective claim payments defined by risk management from figures provided by the program actuary. There are two broad categories of workers' compensation claims: indemnity benefits and medical benefits. *Indemnity benefits* include settlements for permanent injuries and lost wages. The maximum workers' compensation benefits for lost wages are established by the Department of Labor and Employment pursuant to Section 8-47-106, C.R.S. There is no maximum for medical benefits.

Workers' Compensation TPA Fees and Loss Control

This figure includes fees paid to the State's third party administrator (TPA), Broadspire, for contracted TPA services. This figure also includes loss control incentives used for agencies with initiatives to reduce workers' compensation claims. For FY 2025-26 the Department anticipates its TPA fees to remain constant.

Workers' Compensation Excess Policy

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

Workers' Compensation Legal Services

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

RMIS Service Fees

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

DHS Prior Year Claim Payouts

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

Fund Balance Reserve Adjustment

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

Workers' Compensation Fund Balance Adjustment	
Element	Amount (\$)
FY 2024-25	
Beginning fund balance	\$8,223,490
Revenue estimate	34,445,429
Expenditure estimate	-35,201,807
FY 2025-26	
Est. beginning fund balance	\$7,467,112
Targeted fund balance % expenses/claims	5%/10%
Target fund balance	\$4,878,717
Adjustment for CDEC allocation	-\$66,300
<i>Recommended reserve adjustment</i>	<i>-\$2,654,695</i>

The **recommended fund balance reserve adjustment is a decrease of \$2.7 million**. Actuarial projections relied upon by the Department exceed the actual claims made against the program leading to a large fund balance. Revenue represents current fiscal year total allocations (billings) to state agencies and expenditures represents current fiscal year appropriated program costs. Transfers identified in the table are authorized by statute, which allows the Department to transfer between Workers' Compensation, Property, and Liability Funds to address negative cash balances that occur when claims exceed the actuarial projections.

State Agency Allocation

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

Workers' Compensation FY 2025-26 Recommended Allocation						
Department	FY 2024-25 Approp.	FY 2025-26			Difference From Request	Recommended Adjustment
		Actuarial Allocation	Request	Recommended		
Agriculture	\$299,675	0.8%	\$264,838	\$264,452	-\$386	-\$35,223
Corrections	7,584,883	23.3%	8,007,044	7,995,368	-11,676	410,485
Early Childhood	66,234	n/a	66,499	66,300	-199	66
Education	334,121	0.9%	312,990	312,534	-456	-21,587
Governor	199,783	0.5%	182,291	182,025	-266	-17,758
Health Care Policy and Financing	254,896	0.7%	230,443	230,107	-336	-24,789

Workers' Compensation FY 2025-26 Recommended Allocation						
Department	FY 2024-25 Approp.	FY 2025-26				
		Actuarial Allocation	Request	Recommended	Difference From Request	Recommended Adjustment
Higher Education	2,624,742	6.7%	2,287,236	2,283,900	-3,336	-340,842
Human Services						
Cost allocation share	9,476,384	28.2%	9,702,694	9,688,546	-14,148	212,162
Prior year WC claim payments	65,000		65,000	65,000	0	0
<i>Human Services subtotal</i>	<i>9,541,384</i>		<i>9,767,694</i>	<i>9,753,546</i>	<i>-14,148</i>	<i>212,162</i>
Judicial	881,803	2.6%	894,257	892,954	-1,303	11,151
Labor and Employment	589,017	1.5%	529,676	528,903	-773	-60,114
Law	241,118	0.7%	223,564	223,238	-326	-17,880
Legislature	117,114	0.4%	151,336	151,115	-221	34,001
Local Affairs	151,560	0.4%	141,018	140,812	-206	-10,748
Military and Veterans Affairs	136,682	0.4%	137,578	137,377	-201	695
Natural Resources	1,436,375	4.1%	1,396,417	1,394,381	-2,036	-41,994
Personnel	396,122	1.0%	354,264	353,747	-517	-42,375
Public Health and Environment	434,012	1.2%	395,537	394,960	-577	-39,052
Public Safety	1,942,722	5.7%	1,943,290	1,940,457	-2,833	-2,265
Regulatory Agencies	261,785	0.7%	233,883	233,542	-341	-28,243
Revenue	530,460	1.3%	440,250	439,608	-642	-90,852
State	95,892	0.3%	89,426	89,295	-131	-6,597
Transportation	6,382,738	18.8%	6,462,731	6,453,306	-9,425	70,568
Treasury	10,334	0.0%	13,758	13,738	-20	3,404
Allocation Totals	\$34,513,452	100.0%	\$34,526,020	\$34,475,665	-\$64,503	-\$37,787
<i>Percentage change from prior year</i>						<i>-0.1%</i>

Allocation for Institutions of Higher Education

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

Workers' Compensation Allocation for Higher Education		
Institution	Actuarial Allocation	FY 2025-26 Recommendation
Adams State University	0.0%	\$0
Arapahoe Community College	5.7%	131,096
Auraria Higher Education Center	11.3%	258,537
College Access Network/College Assist	0.0%	0
College Invest	0.8%	17,586
Colorado Commission on Higher Education	0.9%	21,469
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	8.2%	186,138
Community College of Aurora	3.3%	74,455
Community College System	3.8%	87,017
CSU - Global	1.6%	37,228
Denver Community College	3.7%	85,418
Front Range Community College	8.8%	200,755
History Colorado	1.9%	43,622
Lamar Community College	1.0%	21,925
Metropolitan State University of Denver	10.5%	240,038

Workers' Compensation Allocation for Higher Education		
Institution	Actuarial Allocation	FY 2025-26 Recommendation
Morgan Community College	1.3%	28,777
Northeastern Junior College	2.5%	56,412
Northwestern Community College	2.9%	65,548
Occupational Ed. Division	0.0%	0
Otero Junior College	4.9%	112,139
Pikes Peak Community College	10.3%	234,328
Private Occupational	0.0%	457
Pueblo Community College	6.8%	154,163
Red Rocks Community College	8.6%	195,730
Trinidad State Junior College	1.4%	31,061
Western State Colorado University	0.0%	0
Allocation totals	100.0%	\$2,283,900

Payment to Risk Management and Property Funds

Risk Management Program Costs

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

Risk Management Program Costs						
Element	FY 2024-25 Appropriation	FY 2025-26 Request	FY 2025-26 Recommendation	Liability Share	Property Share	Workers' Comp. Share
	Program allocation share		100.0%	41.0%	7.0%	52.0%
Personal services	\$1,018,053	\$1,099,509	\$1,099,512	\$450,800	\$76,966	\$571,746
Benefits POTS	303,403	257,643	257,643	105,634	18,035	133,974
Operating and OIT Common Policies	290,510	355,384	355,384	145,707	24,877	184,800
Operating expenses	65,018	65,018	65,018	26,657	4,551	33,809
Indirect costs	365,942	402,536	402,536	165,040	28,178	209,319
Total costs for allocation	\$2,042,926	\$2,180,090	\$2,180,093	\$893,838	\$152,607	\$1,133,648

Liability Program

The State is self-insured for the Liability Program. The program provides coverage to state agencies and employees for tort and federal claims, including those arising out of the scope of employment. Judgments for liabilities that do not involve federal law are limited by the Governmental Immunity Act pursuant to Section 24-10-114, C.R.S., limiting awards to \$424,000 per person and \$1,195,000 per occurrence. This act does *not* apply to liabilities that pertain to

federal law (Americans with Disabilities Act, age discrimination, gender discrimination, racial discrimination, etc.), and there is no damage limit for these awards. This line is funded from the Risk Management Fund created in Section 24-30-1510 (1) (a), C.R.S. Moneys in the fund are *continuously appropriated* for purposes of the fund, *other than the direct and indirect administrative costs of operating the risk management system*, pursuant to Section 24-30-1510 (1) (a), C.R.S.

C-SEAP Program Costs

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

The following table outlines C-SEAP costs that are included in liability program allocation.

CSEAP Program Costs				
Item	FY 2024-25 Appropriation	FY 2025-26		Difference From Request
		Request	Recommendation	
Personal services	\$1,244,641	\$1,449,239	\$1,449,239	\$0
Benefits POTS	482,851	399,326	399,326	0
Operating and OIT Common Policies	408,719	504,559	504,559	0
Operating expenses	93,293	93,293	93,293	0
Indirect costs	253,876	279,264	279,264	0
Total costs for allocation	\$2,483,380	\$2,725,680	\$2,725,680	\$0

Liability Program Costs

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

- Risk management program overhead costs;
- Liability claims, excess policy, and legal services expenses;
- Actuarial and broker services attributable to liability;
- Liability share of the Risk Management Information System;
- C-SEAP costs;
- The cyber security liability policy; and
- A fund balance reserve adjustment.

Liability Program Costs				
Element	FY 2024-25 Appropriation	FY 2025-26		
		Request	Recommendation	Difference From Request
Risk Management program costs	\$859,303	\$917,196	\$893,838	-\$23,358
Liability claims (prospective losses)	9,559,668	8,981,259	8,981,259	0
Liability excess policy	5,405,081	0	0	0
Liability legal services	8,710,882	8,662,436	8,662,436	0
Actuarial and broker services	134,208	138,234	138,234	0
Risk Mgt. Information System	74,606	76,845	76,845	0
Program subtotal	\$24,743,748	\$18,775,970	\$18,752,613	-\$23,358
Cyber security liability policy	4,110,457	3,696,893	3,696,893	0
C-SEAP funding	2,483,380	2,725,680	2,725,680	0
Fund balance reserve adjustment	-2,834,105	-10,407,415	-301,233	10,106,182
Total for allocation	\$28,503,480	\$14,791,128	\$24,873,953	\$10,082,825

Fund Balance Reserve Adjustment

The following table outlines the fund balance reserve adjustment recommendation.

Risk Management Fund (Liability)	
Element	Amount (\$)
FY 2024-25	
Beginning fund balance	\$3,693,197
Revenue	28,503,480
Expenditures	-24,561,054
Ending fund balance	\$7,635,623
FY 2025-26	
Beginning fund balance	\$7,635,623
Operating Cash Flow Reserve	
Expenditures (estimated)	-25,175,186
Cash flow reserve percentage	5.0%
Cash flow reserve	\$1,258,759
Excess Claims Reserve	
Liability claims estimate	-10,219,558
Excess claims reserve percentage	10.0%
Extraordinary claims reserve	\$1,021,956
Target fund balance	\$2,280,715
Standard reserve adjustment	-5,354,908
Property Fund transfer backfill	5,053,675
Recommended reserve adjustment	-\$301,233

Staff recommends a fund balance reserve adjustment of a decrease of \$301,233. Staff recommends an *operating cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2025-26. Staff also recommends an *excess claims* fund balance reserve calculated at 10.0 percent of the liability, continuing the recent practice of the Committee.

State Agency Allocation

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

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

Liability FY 2025-26 Recommended Allocation ¹						
Department	FY 2024-25 Appropriation	Actuarial Allocation	FY 2025-26			
			Request	Recommendation	Difference From Request	Rec Adjustments
Agriculture	\$194,861	0.7%	\$104,002	\$174,898	\$70,896	-\$19,963
Corrections	5,039,522	20.4%	3,012,390	5,065,878	2,053,488	26,356
Education	417,723	1.6%	238,612	401,269	162,657	-16,454
Governor	1,158,075	3.6%	535,245	900,111	364,866	-257,964
Health Care Policy and Financing	238,691	0.8%	124,084	208,670	84,586	-30,021
Higher Education	1,220,523	4.4%	655,680	1,102,644	446,964	-117,879
Human Services	1,476,586	5.1%	761,401	1,280,433	519,032	-196,153
Judicial	1,397,676	5.7%	844,086	1,419,483	575,397	21,807
Labor and Employment	309,201	0.9%	133,640	224,740	91,100	-84,461
Law	451,798	1.6%	237,284	399,036	161,752	-52,762
Legislature	132,263	0.4%	66,264	111,435	45,171	-20,828
Local Affairs	122,733	0.4%	61,572	103,544	41,972	-19,189
Military and Veterans Affairs	77,522	0.3%	38,670	65,031	26,361	-12,491
Natural Resources	1,090,117	2.8%	416,638	700,652	284,014	-389,465
Personnel	349,935	1.1%	162,179	272,733	110,554	-77,202
Public Health and Environment	1,029,484	3.3%	489,360	822,947	333,587	-206,537
Public Safety	7,531,287	27.0%	3,997,808	6,723,036	2,725,228	-808,251
Regulatory Agencies	281,336	0.9%	131,397	220,968	89,571	-60,368
Revenue	670,569	2.4%	357,618	601,399	243,781	-69,170
State	122,688	0.5%	67,396	113,339	45,943	-9,349
Transportation	5,335,566	15.8%	2,343,415	3,940,876	1,597,461	-1,394,690
Treasury	24,870	0.1%	12,389	20,834	8,445	-4,036
Allocation totals	\$28,673,026	100.0%	\$14,791,128	\$24,873,953	\$10,082,825	-\$3,799,073

¹ The Department of Early Childhood is excluded from this table because it was not part of the actuarial analysis due to its recent creation.

Allocation for Institutions of Higher Education

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

Liability Allocation for Higher Education		
Institution	Actuarial Allocation	FY 2025-26 Recommendation
Adams State University	0.0%	\$0
Arapahoe Community College	3.6%	39,376
Auraria Higher Education Center	3.3%	36,817
College Access Network/College Assist	0.0%	0
College Invest	0.6%	7,066

Liability Allocation for Higher Education		
Institution	Actuarial Allocation	FY 2025-26 Recommendation
Colorado Commission on Higher Education	1.6%	17,131
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	9.6%	105,640
Community College of Aurora	1.6%	18,123
Community College System	10.3%	113,077
CSU - Global	1.8%	19,401
Denver Community College	3.1%	34,491
Front Range Community College	6.1%	67,640
History Colorado	2.3%	24,877
Lamar Community College	0.7%	8,035
Metropolitan State University of Denver	33.4%	367,948
Morgan Community College	0.9%	9,685
Northeastern Junior College	1.5%	16,986
Northwestern Community College	1.2%	13,394
Occupational Ed. Division	0.0%	0
Otero Junior College	1.7%	18,355
Pikes Peak Community College	7.5%	82,624
Private Occupational	0.0%	119
Pueblo Community College	2.6%	28,989
Red Rocks Community College	3.8%	42,309
Trinidad State Junior College	2.8%	30,559
Western State Colorado University	0.0%	0
Allocation Totals	100.0%	\$1,102,644

Property Program

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

Property Program Costs

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

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

Property Program Costs				
Item	FY 2024-25 Appropriation	FY 2025-26		
		Request	Recommendation	Difference From Request
Risk Management program costs	\$139,886	\$155,173	\$152,607	-\$2,566
Property policies				
Property & boiler policies	\$12,281,071	\$17,223,884	\$17,223,884	\$0
Auto physical damage	111,475	246,293	246,293	0
Terrorism premium	97,500	336,115	336,115	0
Flood Zone A premium	500,000	500,000	500,000	0
Crime policy	235,330	268,936	268,936	0
Fine arts	16,205	16,692	16,692	0
Property policies subtotal	\$13,241,581	\$18,591,920	\$18,591,920	\$0
Property program costs				
Policy deductibles and payouts	\$13,100,000	\$11,264,140	\$11,264,140	\$0
Actuarial and broker services	113,608	117,016	117,016	0
Risk Mgt. Information System	74,606	76,844	76,844	0
Property valuation services (R2)	0	600,000	600,000	0
Property program costs subtotal	\$13,288,214	\$12,058,000	\$12,058,000	\$0
Fund balance reserve adjustment	321,827	10,874,184	10,844,713	-29,470
Total for allocation	\$26,991,508	\$41,679,277	\$41,647,240	-\$32,037

Fund Balance Reserve Adjustment

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends a *cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2025-26. Staff also recommends an *extraordinary claims* fund balance reserve calculated at 10.0 percent of the property deductibles and payouts estimate.

Self-insured Property Fund	
Element	Amount (\$)
FY 2024-25	
Beginning fund balance	\$0
Revenue	26,991,508
Expenditures	-35,169,681
Ending fund balance	-\$8,178,173
FY 2025-26	
Beginning fund balance	-\$8,178,173
Operating Cash Flow Reserve	
Expenditures (estimate)	-30,802,527
Cash flow reserve percentage	5.0%
Cash flow reserve amount	\$1,540,126
Extraordinary Claims Reserve	
Deductibles and payouts estimate	11,264,140
Extraordinary claims reserve percentage	10.0%
Extraordinary claims reserve amount	\$1,126,414
Target fund balance	\$2,666,540
Recommended reserve adjustment	\$10,844,713

The staff target reserve totals \$2.7 million. To achieve this target reserve, **staff recommends a fund balance reserve adjustment of an increase of \$10.8 million total funds**, which will be allocated back to state agencies through increased billing.

State Agency Allocation

Policy premiums are allocated to state agencies according to their property holdings (building and content values) and loss histories. The following table outlines the recommended allocation for FY 2025-26. **Staff recommends that the Committee approve the state agency allocations included in the table as the property component of the Payment to Risk Management and Property Funds common policy.**

Property FY 2025-26 Recommended Allocation ¹							
Department	FY 2024-25 Approp	Property Value	Prop. Value Allocation	FY 2025-26			
				Request	Recommend	Diff From Request	Rec Adjustment
Agriculture	\$223,940	\$100,240,592	0.8%	\$345,800	\$345,534	-\$266	\$121,594
Corrections	4,278,905	1,915,333,918	15.9%	6,607,325	6,602,246	-5,079	2,323,341
Education	404,109	180,888,101	1.5%	624,009	623,530	-479	219,421
Governor	244,187	109,303,699	0.9%	377,065	376,775	-290	132,588
Health Care Policy & Financing	10,914	4,885,392	0.0%	16,853	16,840	-13	5,926
Higher Education	8,298,366	3,714,535,038	30.7%	12,814,026	12,804,177	-9,849	4,505,811
Human Services	2,567,015	1,149,053,683	9.5%	3,963,889	3,960,842	-3,047	1,393,827
Judicial	486,192	217,630,281	1.8%	750,759	750,182	-577	263,990
Labor and Employment	108,508	48,570,836	0.4%	167,555	167,426	-129	58,918
Law	16,995	7,607,556	0.1%	26,244	26,224	-20	9,229
Legislature	14,811	6,629,779	0.1%	22,871	22,853	-18	8,042
Local Affairs	34,908	15,625,617	0.1%	53,904	53,862	-42	18,954
Military & Veterans Affairs	779,773	349,043,814	2.9%	1,204,096	1,203,170	-926	423,397
Natural Resources	1,835,479	821,601,673	6.8%	2,834,278	2,832,100	-2,178	996,621
Personnel	1,846,911	826,718,990	6.8%	2,851,931	2,849,739	-2,192	1,002,828
Public Health & Environment	293,025	131,164,397	1.1%	452,478	452,130	-348	159,105
Public Safety	378,630	169,483,221	1.4%	584,666	584,217	-449	205,587
Regulatory Agencies	64,278	28,772,220	0.2%	99,255	99,179	-76	34,901
Revenue	141,855	63,497,403	0.5%	219,047	218,879	-168	77,024
State	27,725	12,410,334	0.1%	42,812	42,779	-33	15,054
Transportation	4,934,478	2,208,783,285	18.3%	7,619,636	7,613,780	-5,856	2,679,302
Treasury	504	225,424	0.0%	778	777	-1	273
Allocation totals	\$26,991,508	\$12,082,005,253	100.0%	\$41,679,277	\$41,647,240	-\$32,037	\$14,655,732

¹ The Department of Early Childhood is excluded from this table because it was not part of the actuarial analysis due to its recent creation.

Allocation for Institutions of Higher Education

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

Property Allocation for Higher Education			
Institution	Property Value	Prop. Value Allocation	FY 2025-26 Recommendation
Adams State University	\$0	0.0%	\$0
Arapahoe Community College	211,957,225	5.5%	700,483
Auraria Higher Education Center	830,091,547	21.4%	2,743,313
College Access Network/College Assist	37,037	0.0%	122
College Invest	889,424	0.0%	2,939
Colorado Commission on Higher Education	599,221	0.0%	1,980
Colorado School of Mines	0	0.0%	0
Colorado State University - Pueblo	488,081,347	12.6%	1,613,027
Community College of Aurora	0	0.0%	0
Community College System	0	0.0%	0
CSU - Global	0	0.0%	0
Denver Community College	43,910,830	1.1%	145,118
Front Range Community College	324,772,873	8.4%	1,073,320
History Colorado	209,990,456	5.4%	693,983
Lamar Community College	81,894,552	2.1%	270,648
Metropolitan State University of Denver	203,399,570	5.2%	672,201
Morgan Community College	71,007,398	1.8%	234,668
Northeastern Junior College	167,557,124	4.3%	553,748
Northwestern Community College	99,949,971	2.6%	330,318
Occupational Ed. Division	211,421,974	5.5%	698,714
Otero Junior College	88,244,125	2.3%	291,632
Pikes Peak Community College	294,424,152	7.6%	973,022
Pueblo Community College	187,272,703	4.8%	618,905
Red Rocks Community College	225,154,636	5.8%	744,098
Trinidad State Junior College	133,723,970	3.5%	441,935
Western State Colorado University	0	0.0%	0
Allocation totals	\$3,874,380,135	100.0%	\$12,804,177

Payment to Risk Management and Property Funds

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

State Agency Allocation

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

Payment to Risk Management and Property Funds Recommended Allocation					
Department	FY 2024-25 Appropriation	FY 2025-26 Request	FY 2025-26 Recommend	Difference from Request	Recommended Adjustment
Agriculture	\$418,801	\$449,802	\$520,432	\$70,630	\$101,631
Corrections	9,318,427	9,619,715	11,668,124	2,048,409	2,349,697
Early Childhood	3,653	3,726	4,303	577	650
Education	821,832	862,621	1,024,799	162,178	202,967

Payment to Risk Management and Property Funds Recommended Allocation					
Department	FY 2024-25 Appropriation	FY 2025-26 Request	FY 2025-26 Recommend	Difference from Request	Recommended Adjustment
Governor	1,402,262	912,310	1,276,886	364,576	-125,376
Health Care Policy and Financing	249,605	140,937	225,510	84,573	-24,095
Higher Education	9,518,889	13,469,706	13,906,821	437,115	4,387,932
Human Services	4,043,601	4,725,290	5,241,275	515,985	1,197,674
Judicial	1,883,868	1,594,845	2,169,664	574,819	285,796
Labor and Employment	417,709	301,195	392,166	90,971	-25,543
Law	468,794	263,528	425,259	161,731	-43,535
Legislature	147,074	89,135	134,288	45,153	-12,786
Local Affairs	157,641	115,476	157,407	41,931	-234
Military and Veterans Affairs	857,295	1,242,766	1,268,201	25,435	410,906
Natural Resources	2,925,596	3,250,916	3,532,751	281,835	607,155
Personnel	2,196,847	3,014,110	3,122,472	108,362	925,625
Public Health and Environment	1,322,508	941,838	1,275,077	333,239	-47,431
Public Safety	7,909,917	4,582,474	7,307,252	2,724,778	-602,665
Regulatory Agencies	345,613	230,652	320,147	89,495	-25,466
Revenue	560,631	576,665	820,278	243,613	259,647
State	104,384	110,208	156,118	45,910	51,734
Transportation	10,270,044	9,963,051	11,554,656	1,591,605	1,284,612
Treasury	25,373	13,167	21,611	8,444	-3,762
Allocation totals	\$55,370,364	\$56,474,131	\$66,525,497	\$10,051,366	\$11,155,133
<i>Percentage change from prior year</i>					20.1%

Capitol Complex Leased Space

The Department of Personnel operates a facilities maintenance program for Denver, Grand Junction, and Camp George West properties totaling approximately 1.2 million square feet. Pursuant to Section 24-82-101, C.R.S., the Department is responsible for the maintenance of the buildings' plumbing, electrical, elevator, and HVAC systems, as well as custodial and grounds maintenance.

- 1 **Denver:** The Department maintains ten addresses in the Capitol Hill Campus (759,560 sq. ft.), one address in the North Campus (89,534 sq. ft.), and two addresses in Lakewood (88,791 sq. ft.). Each of these campuses, though funded by the Capitol Complex program, have distinct rental rates that mirror the locations and uses of the various properties.
- 2 **Grand Junction:** The Department maintains a building with 35,163 square feet, which is staffed by 1.0 FTE who is responsible for building maintenance. Other functions, including additional building maintenance, custodial services, and grounds maintenance are contracted to private vendors.
- 3 **Camp George West:** This building contains 260,237 square feet for five different departments. The Department's responsibilities include all site and grounds maintenance.

Facilities Maintenance is predominantly funded by reappropriated funds deposited in the Department of Personnel Revolving Fund created in Section 24-30-1108 (1), C.R.S. Funding consists of user fees from state agencies billed through Capitol Complex Leased Space line items in department budgets based on square foot lease rates and square footage occupancy.

Program Costs

The following table outlines total Facilities Maintenance – Capitol Complex program costs for allocation to state agencies through the *Capitol Complex Leased Space* and *Maintenance of Legislative Space* line items that include program overhead costs consisting of staff and administrative expenses; building and maintenance costs; depreciation and energy and utility costs; and a fund balance reserve adjustment. Personal services, operating expenses, repairs, security, and indirect costs are based on figure setting recommendations for the next fiscal year. Operating and OIT common policy items are estimated by the Department on current fiscal year appropriations and internal Department allocations to programs and divisions. Utilities, depreciation, and campus splits are based on Department allocations and methodologies.

Capitol Complex Leased Space Program Costs					
Element	FY 2024-25 Appropriation	FY 2025-26 Request	FY 2025-26 Recommendation	Difference from Request	Total Adjustment
Personal services	\$4,422,634	\$4,808,565	\$4,818,268	\$9,703	\$395,634
Benefits POTS	1,544,065	1,388,179	1,388,179	0	-155,886
OIT and Operating Common Policies	2,175,484	1,861,688	1,861,688	0	-313,796
Operating expenses	3,504,090	3,980,500	3,980,500	0	476,410
Administrative overhead	451,675	565,751	565,751	0	114,076
Capitol Complex repairs	56,520	56,520	56,520	0	0
Capitol Complex security	610,189	637,377	826,076	188,699	215,887
Utilities	3,681,370	4,368,204	4,367,787	-417	686,417
Indirect cost assessment	464,303	510,733	569,770	59,037	105,467
Depreciation	290,000	290,000	290,000	0	0
Energy performance depreciation	2,140,000	2,140,000	2,140,000	0	0
Sprint leased tower space	-57,141	-57,141	-57,141	0	0
Program costs subtotal	\$19,283,189	\$20,550,376	\$20,807,398	\$257,022	\$1,524,209
Fund balance adjustment	-3,185,751	-3,351,059	-3,961,824	-610,765	-776,073
Total for allocation	\$16,097,438	\$17,199,317	\$16,845,574	-\$353,743	\$748,136
<i>Annual growth of allocation</i>					4.6%

Depreciation

This cost accounts for the depreciation of equipment. The federal government only allows recovery of capital costs through depreciation. This allows the State to recover funding outlays for capital expenses in Capitol Complex.

Energy Performance Depreciation

This item is associated with Phase 4 of the Department's energy performance contracts. The Department finances improvements to buildings by signing agreements with vendors to perform capital improvements to energy systems. Federal requirements provide that this item be recovered through program costs with depreciation.

Sprint Leased Tower Space

The Department leases land to Sprint for a cell tower at Camp George West, which generates this revenue.

Fund Balance Reserve Adjustment

The following table outlines the fund balance reserve adjustment recommendation.

Capitol Complex Facilities Fund Reserve Analysis		
Element	Requested	Recommended
FY 2024-25		
Beginning cash balance	\$7,783,801	\$6,259,946
Revenues	16,097,439	15,808,775
Expenditures	-18,834,789	-16,390,287
Ending cash balance	\$5,046,451	\$5,678,434
FY 2025-26		
Expenditure Base	\$20,550,376	\$20,807,397
Targeted Operating Reserve	8.25%	8.25%
Target reserve	\$1,695,406	\$1,716,610
Reserve adjustment	-\$3,351,045	-\$3,961,824

Staff recommends an operating cash flow fund balance reserve equal to 8.25 percent for FY 2025-26. This results in a **recommended fund balance reserve adjustment of a reduction of \$3,961,824** to the allocation to state agencies.

State Agency Utilization and Allocation

The following table outlines square footage allocation by agency.

Square Foot Allocation by State Agency						
Department	Total Denver	Pierce St	North Campus	Grand Junction	Camp George West	Total All Buildings
Education	61,678	0	0	0	0	61,678
Legislature	140,059	0	0	0	0	140,059
Governor, Lt Governor, OSPB	28,742	0	0	0	0	28,742
OIT	33,177	0	0	901	0	34,078
Higher Education-Hist CO	0	88,791	0	0	0	88,791
Human Services	72,298	0	0	0	0	72,298
Labor & Employment	0	0	5,381	2,993	0	8,374
Local Affairs	45,800	0	0	3,783	0	49,583
Military and Veterans Affairs	0	0	0	0	53,932	53,932
Natural Resources	44,982	0	0	0	0	44,982
Personnel	105,600	0	80,901	2,724	0	189,225
Public Health and Environment	0	0	0	4,478	0	4,478
Public Safety	105,663	0	0	0	206,305	311,968
Regulatory Agencies	0	0	0	0	0	0
Revenue	0	0	3,252	5,306	0	8,558
Transportation	0	0	0	14,835	0	14,835

Square Foot Allocation by State Agency						
Department	Total Denver	Pierce St	North Campus	Grand Junction	Camp George West	Total All Buildings
Treasury	3,351	0	0	0	0	3,351
Vacant - usable	58,613	0	0	143	0	58,756
Vacant - under construction (FY 2025-26)	59,597	0	0	0	0	59,597
Total Square Footage Billed	699,963	88,791	89,534	35,163	260,237	1,233,285

The following table outlines the common policy allocation and additional costs paid by the General Assembly.

General Assembly Payments to the Department of Personnel for Maintenance of Legislative Space	
Capitol Complex Leased Space Allocation	\$2,926,508
Parking at 1525 Sherman	28,800
Conference Center Rental	5,200
Total	\$2,960,508

Conference center rental is billed to agencies by occurrence and not included in capitol complex allocation rates. Rather than pay by occurrence, the General Assembly has agreed to pay for an estimated 26 days of conference center use through its payments to the Department of Personnel for Maintenance of Legislative Space, which will be trued up annually through the capitol complex leased space common policy. Similarly, parking at 1525 Sherman Street is billed directly to employees parking in the lot; however, the General Assembly pays \$120 per month per space for its 20 parking spaces at the lot through the Maintenance of Legislative Space line item.

Staff recommends that the Committee approve the state agency allocations included in the following table for the Capitol Complex Leased Space common policy.

Capitol Complex Leased Space FY 2025-26 Recommended Allocation					
Department	FY 2024-25 Appropriation	FY 2025-26			Total Adjustment
		Request	Recommended	Difference from Request	
Education	\$1,053,714	\$1,215,168	\$1,288,751	\$73,583	\$235,037
Governor	1,088,278	1,228,928	1,302,538	73,610	214,260
Higher Education	0	971,152	968,045	-3,107	968,045
Human Services	1,349,084	1,424,401	1,510,654	86,253	161,570
Labor and Employment	61,605	66,542	66,105	-437	4,500
Legislative	2,647,508	2,759,416	2,926,508	167,092	279,000
Local Affairs	891,319	940,180	993,730	53,550	102,411
Military and Veteran Affairs	46,847	62,741	60,973	-1,768	14,126
Natural Resources	839,367	886,227	939,891	53,664	100,524
Personnel	2,613,254	2,658,130	2,789,706	131,576	176,452
Public Health and Environment	43,430	44,788	43,498	-1,290	68
Public Safety	2,149,092	2,321,751	2,441,046	119,295	291,954
Revenue	961,905	75,194	73,921	-1,273	-887,984
Transportation	187,394	148,377	144,103	-4,274	-43,291
Treasury	62,530	66,021	70,019	3,998	7,489
Vacant (allocated to Personnel as GF)	2,179,592	2,330,381	1,226,090	-1,104,291	-953,502
Allocation totals	\$16,174,919	\$17,199,397	\$16,845,578	-\$353,819	\$670,659

Capitol Complex Leased Space FY 2025-26 Recommended Allocation

Department	FY 2024-25 Appropriation	FY 2025-26			Total Adjustment
		Request	Recommended	Difference from Request	
<i>Percentage change from prior year</i>					4.1%

Based on prior year appropriations, approving the staff recommendation has an estimated increase of \$386,995 General Fund. JBC staff analysts will be directed to work with their agencies to determine a fund mix that is appropriate and include those adjustments in their Long Bill sections. The following tables estimates the fund splits for the total appropriation and for the incremental adjustment.

Estimated Fund Splits for FY 2025-26 Capitol Complex Leased Space			
Fund Type	Estimated Fund Splits based on FY 2024-25 Appropriations	FY 2025-26	
		Estimated Total Fund Splits	Estimated Incremental Fund Splits
General Fund	57.7%	\$9,720,618	\$386,999
Cash Funds	13.3%	2,243,959	89,337
Reappropriated Funds	23.8%	4,004,505	159,428
Federal Funds	5.2%	876,496	34,895
Total Funds	100.0%	\$16,845,578	\$670,659

CORE Operations

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

Program Costs

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

FY 2025-26 CORE Operations Program Costs					
Cost component	FY 2024-25 Appropriation	FY 2025-26			Total Adjustment
		Request	Recommendation	Difference from Request	
Personal services	\$2,604,348	\$2,515,038	\$2,515,038	\$0	-\$89,310
Benefits POTS	739,779	694,161	694,161	0	-45,618
Operating and OIT Common Policies	1,609,225	1,743,143	1,743,143	0	284,086
Operating expenses	59,590	59,590	59,590	0	0
Payments for CORE and support modules	6,187,143	6,159,278	6,159,278	0	-27,865
CORE lease purchase payments	0	1,269,676	1,269,676	0	1,269,676
Indirect costs	167,026	183,729	247,738	64,009	80,712

FY 2025-26 CORE Operations Program Costs					
Cost component	FY 2024-25 Appropriation	FY 2025-26			Total Adjustment
		Request	Recommendation	Difference from Request	
Depreciation	1,129,269	0	0	0	-1,129,269
Program costs subtotal	\$12,496,380	\$12,624,615	\$12,688,624	\$64,009	\$192,244
Supplier Database Cash Fund reserve adjustment	-7,413,952	-1,754,039	-6,848,171	-5,094,132	565,781
IT Systems Fund reserve adjustment	-2,587,050	-3,444,822	-3,758,338	-313,516	-1,171,288
Total for allocation	\$2,495,378	\$7,425,754	\$2,082,115	-\$5,343,639	-\$413,263

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

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

Depreciation provides a 10-year straight-line depreciation schedule for the total value of the CORE asset set of \$46,477,361. The recommendation includes the correct amount of depreciation for this item. Lease-purchase payments are made in the CORE Lease Purchase Payments line item, set at \$1,269,317 for FY 2025-26. However, it is necessary to bill the depreciable value rather than the lease purchase payment in order to properly bill federal sources of revenue for their proportional share of the implementation costs of the system. The straight-line method decreases the amount of variance between fiscal years for depreciation.

Fund Balance Reserve Adjustment

The staff recommends a 16.5 percent reserve of the prior year fund balance for the Supplier Database Cash Fund and an 8.25 percent reserve for the Statewide Financial Information Technology Systems Cash Fund (SFITS). An 8.25 percent reserve is equal to approximately one month of operating revenue and 16.5 percent is two months. This results in a **recommended fund balance reserve adjustment of a reduction of \$6,848,171 from the Supplier Database Cash Fund and a reduction of \$3,758,338 from the SFTIS.**

Supplier Database Cash Fund Reserve Adjustment

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

Supplier Database Cash Fund	
Element	Amounts (\$)
FY 2024-25	
Beginning fund balance	\$9,526,943
Revenue	5,305,473

Supplier Database Cash Fund	
Element	Amounts (\$)
Expenditures	-8,451,537
Ending fund balance	\$6,380,879
FY 2025-26	
Estimated revenue	\$5,249,594
Target reserve %	16.5%
Calculated reserve	1,052,845
IT Cap request	3,729,457
Recommended reserve	\$4,782,302
<i>Reserve adjustment</i>	<i>-\$6,848,171</i>

The FY 2024-25 beginning fund balance is taken from the Department's FY 2025-26 budget request Schedule 9 for the Supplier Database Cash Fund created in Section 24-102-202.5 (2)(a), C.R.S. Revenue and expenditure amounts are from Department estimates. The Supplier Database Cash Fund receives revenues from rebates on statewide price agreements. Because this fund is not a typical, common policy operational revenue cash fund, the fund balance target reserve amount is calculated on the prior year ending fund balance. Expenditures from this fund are primarily for the purpose of offsetting the CORE Operations common policy.

Statewide Financial Information Technology Systems Cash Fund Reserve Adjustment

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

Statewide Financial Information Technology Systems Cash Fund ¹	
Element	Amounts (\$)
FY 2024-25	
Beginning fund balance	\$7,013,094
Revenue	10,447,272
Expenditures	-12,660,497
Ending fund balance	\$4,799,869
FY 2025-26	
Expenditures	-\$12,624,615
Target reserve %	8.25%
Recommended reserve	\$1,041,531
<i>Reserve adjustment</i>	<i>-\$3,758,338</i>

¹ Figures taken from Schedule 9.

State Agency Utilization and Allocation

The costs of CORE Operations are allocated to state agencies, based upon actual usage for the most recent fiscal year for which actual data is available. The FY 2025-26 allocation is determined by the FY 2023-24 actual utilization. **Staff recommends that the Committee approve the state agency allocations included in the following table for the CORE Operations common policy.**

CORE Operations FY 2025-26 Recommended Allocation						
Department	FY 2024-25 Appropriation	FY 2025-26				
		Utilization	Request	Recommendation	Difference from Request	Total Adjustment
Agriculture	\$42,721	1.6%	\$122,402	\$34,321	-\$88,081	-\$8,400
Corrections	84,365	3.5%	257,912	72,316	-185,596	-12,049
Early Childhood	15,600	1.0%	76,470	21,441	-55,029	5,841
Education	66,377	2.6%	192,054	53,850	-138,204	-12,527
<i>Gov's main</i>	49,704	1.7%	122,960	34,477	-88,483	-15,227
<i>OIT</i>	81,643	2.2%	164,061	46,001	-118,060	-35,642
Governor	131,347	3.9%	287,021	80,478	-206,543	-50,869
Health Care Policy and Financing	35,330	1.7%	127,961	35,879	-92,082	549
Higher Education	53,592	2.1%	159,101	44,611	-114,490	-8,981
Human Services	252,577	10.0%	746,012	209,175	-536,837	-43,402
Judicial	458,398	17.7%	1,314,191	368,488	-945,703	-89,910
Labor and Employment	94,194	3.7%	278,238	78,016	-200,222	-16,178
Law	12,030	0.6%	41,094	11,522	-29,572	-508
Legislature	8,542	0.4%	26,745	7,499	-19,246	-1,043
Local Affairs	118,422	4.8%	359,027	100,668	-258,359	-17,754
Military and Veteran Affairs	13,492	0.6%	43,727	12,261	-31,466	-1,231
Natural Resources	151,676	6.5%	481,188	134,921	-346,267	-16,755
Personnel	69,357	3.0%	223,603	62,696	-160,907	-6,661
Public Health and Environment	230,644	9.8%	727,632	204,021	-523,611	-26,623
Public Safety	92,723	4.1%	301,025	84,405	-216,620	-8,318
Regulatory Agencies	78,249	3.3%	246,027	68,984	-177,043	-9,265
Revenue	266,618	9.6%	709,787	199,018	-510,769	-67,600
State	4,744	0.2%	13,827	3,877	-9,950	-867
Transportation	47,536	1.4%	100,516	28,184	-72,332	-19,352
Treasury	185,258	7.9%	590,194	165,485	-424,709	-19,773
Allocation totals	\$2,513,792	100.0%	\$7,425,754	\$2,082,115	-\$5,343,638	-\$431,676
<i>Percentage change from prior year</i>						-17.2%

Vehicle Lease Payments

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

Appropriations for the Vehicle Lease Payments line items reflect the cost of lease payments and the Department's vehicle management fee, for each agency's vehicles.

Recommended Replacement Vehicles

Staff recommends replacement of all 552 requested vehicles, including 470 alternative fuel or hybrid vehicles (AFVs). The replacement recommendation includes a statewide increase in Vehicle Lease Payments line items of \$5.8 million total funds, including \$1.5 million General Fund. This recommendation does not include adjustments for additional state agency vehicles requested through separate department request items.

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

FY 2025-26 Annual Fleet Requested and Recommended Department Allocations							
Department	FY 2024-25 Appropriation	Req & Rec Appropriation	FY 2025-26				
			Total Incremental Change	General Fund	Cash Funds	Reapprop Funds	Federal Funds
Appropriated Agencies							
Agriculture	\$506,605	\$600,741	\$94,136	\$48,812	\$44,257	\$0	\$1,067
Corrections	3,637,220	4,568,540	931,320	794,484	136,836	0	0
Early Childhood	8,906	8,026	-880	-880	0	0	0
Education	45,751	45,211	-540	-457	0	-83	0
Governor's Office	23,303	17,449	-5,854	-5,854	0	0	0
Human Services	1,436,690	1,597,108	160,418	79,091	0	81,327	0
Judicial Branch	307,165	301,633	-5,532	-5,532	0	0	0
Labor And Employment	250,133	295,709	45,576	4,007	18,544	522	22,503
Law	95,901	104,090	8,189	3,364	1,324	2,826	675
Local Affairs	135,725	158,338	22,613	12,275	7,753	2,584	0
Military and Veterans Affairs	112,588	135,712	23,124	10,968	0	0	12,157
Natural Resources	7,121,323	9,108,894	1,987,571	173,691	1,790,228	4,918	18,734
Personnel	278,300	262,163	-16,137	0	-24	-16,113	0
Public Health & Environment	425,334	473,909	48,575	4,167	40,000	4,408	0
Public Safety	13,299,412	15,622,264	2,322,852	391,446	1,697,187	172,367	61,852
Regulatory Agencies	615,049	754,631	139,582	0	139,582	0	0
Revenue	939,111	1,008,509	69,398	9,734	59,664	0	0
State	16,363	11,538	-4,825	0	-4,825	0	0
Appropriated Totals	\$29,254,879	\$35,074,465	\$5,819,586	\$1,519,316	\$3,930,526	\$252,756	\$116,988
Non Appropriated Agencies							
Higher Education	\$1,763,617	\$2,297,666	\$534,049				
Transportation	3,679,601	4,779,948	1,100,347				
Statewide Total	\$34,698,097	\$42,152,079	\$10,251,657				

Document Solutions Group Common Policy for Departments of Revenue and State

The Department of Personnel's Integrated Documents Solutions (IDS) includes a subdivision located in Pueblo that serves the scanning and document-related needs of State agencies. Until

FY 2019-20 this group, the Document Solution Group (DSG), employed an expense pooling methodology in setting the rates for all services it offers. DSG has two major customers, the Department of Revenue (DOR) and Secretary of State (SOS), in addition to several smaller customers with one-time or short-term business needs. In FY 2019-20, JBC staff recommended and the Joint Budget Committee approved a new common policy to smooth expenditures out over a 4-year period, to account for the Secretary of State’s typical work cycle.

General DPA Common Policy Methodology

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

DSG Operations Common Policy Methodology

Program Cost Pool

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

Cost Pool for DSG				
Description	FY 2024-25 Appropriated	FY 2025-26		
		Requested	Recommended	Difference from Request
Personal services	\$2,784,076	\$3,210,732	\$3,210,732	\$0
Central personnel allocation	118,176	120,746	120,746	0
DCS admin overhead share	352,672	335,457	335,457	0
PERA Direct Distribution	44,407	33,656	33,656	0
Operating expenses & personal services contracts	1,272,967	1,633,000	1,633,000	0
Indirect costs	163,417	185,793	185,793	0

Cost Pool for DSG				
Description	FY 2024-25 Appropriated	FY 2025-26		
		Requested	Recommended	Difference from Request
Operating and OIT Common Policies	1,385,956	1,424,471	1,424,471	0
Pipeline delivery costs	8,079	8,645	8,645	0
SOS North Campus	8,381	9,303	9,303	0
DOR North Campus	6,031,318	6,031,318	6,031,318	0
Program cost subtotal	\$12,169,449	\$12,993,121	\$12,993,121	\$0
Standard IDS fund balance adjustment (2.0%)	122,763	156,172	156,172	0
Fund balance adjustment (3.0% of Expenses)	187,827	238,944	238,944	0
Adjusted total	\$12,480,039	\$13,388,237	\$13,388,237	\$0
Less cost related to other customers	-825,818	-730,104	-730,104	0
Total collected in DSG common policy	\$11,654,221	\$12,658,133	\$12,658,133	\$0

Fund Balance Adjustments

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

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

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

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

Department Allocation Basis

The Department will continue to set rates for this program as it has done in the past and track volumes processed to arrive at a total billing amount for each fiscal year. This amount will be averaged with four fiscal years to accommodate for the election cycle that influences the volumes processed by the Secretary of State. The cost pool will then be allocated between SOS and DOR based on their portion of the total amounts billed. The allocation basis will maintain the two-year lag that all other Department-administered common policies utilize. For example, the FY 2025-26 common policy will be based on actual amounts that should have been billed for FY 2020-21, FY 2021-22, FY 2022-23, and FY 2023-24. The allocation is based on what has been billed based on the continued rate setting and actual volumes processed, averaged over four years.

Staff recommends that the Committee approve the state agency allocations included in the following table for the Document Solutions Group common policy.

FY 2025-26 DSG Recommended Allocations							
Department	FY 2024-25 Appropriation	FY 2025-26					
		Rec'd	Total Base Adj.	General Fund	Cash Funds	Reappropriat ed Funds	Federal Funds
Revenue	\$10,989,241	\$11,855,607	\$866,366	\$873,956	-\$7,590	\$0	\$0
State*	664,980	802,526	137,546	0	137,546	0	0
Total	\$11,654,221	\$12,658,133	\$1,003,912	\$873,956	\$129,956	\$0	\$0

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

Statewide Indirect Cost Assessments

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

- For the budget, indirect cost recoveries offset General Fund. When indirect cost assessments and recoveries are not identified in a budget, a state agency is appropriated more General Fund than necessary and indirect cost recoveries are available for use by the state agency in an off-budget manner.
- Historically, statewide indirect costs have been associated with the functions of three departments: (1) the Governor's Office, including the Office of State Planning and Budgeting (OSPB); (2) the Department of Personnel; and (3) the Department of Treasury.
- The State Controller's Office submits the statewide indirect cost plan to the federal Division of Cost Allocation for approval. The federal government must agree to the use of federal funds for these purposes.

- Statewide indirect cost assessments are identified by department and fund source. Generally, although not consistently across departments, expected recoveries have been budgeted to offset a corresponding amount of General Fund in the respective department during the figure-setting process.
- The statewide indirect cost plan for FY 2025-26 is estimated to recover approximately \$23.0 million from cash funds, reappropriated funds, and federal funds. The plan includes \$4.7 million fewer allocations than for FY 2024-25, representing a decrease of 17.0 percent in recoveries.

The following table summarizes the proposed statewide indirect cost recoveries for FY 2025-26 and compares it to the plan for the prior year.

FY 2024-25 Statewide Indirect Cost Plan				
Fund Type	FY 2024-25	FY 2025-26	Change	Percent Change
Cash Funds	\$16,585,611	\$14,887,213	-\$1,698,398	-10.2%
Reappropriated Funds	6,391,674	4,943,843	-1,447,831	-22.7%
Federal Funds	4,697,243	3,143,900	-1,553,343	-33.1%
Total	\$27,674,528	\$22,974,956	-\$4,699,572	-17.0%

Statewide Indirect Cost Assessments Detail

Staff recommends that the Committee approve the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2025-26 for use in figure setting for department budgets.

The following table outlines the plan.

FY 2025-26 Statewide Indirect Cost Plan				
Department	Total Funds	Cash Funds	Reappropriated Funds	Federal Funds
Agriculture	\$242,499	\$191,522	\$16,618	\$34,359
Corrections	61,633	19,475	35,112	7,046
Early Childhood	176,389	36,541	1,204	138,644
Education	1,069,847	437,080	350,189	282,578
Governor	362,645	100,579	4,673	257,393
Governor - OIT	684,388	0	684,388	0
Health Care Policy and Financing	881,600	277,887	79,516	524,197
Higher Education	5,038,168	4,825,094	30,797	182,277
Human Services	1,171,143	283,574	343,821	543,748
Judicial	133,665	126,995	4,292	2,378
Labor and Employment	611,569	353,553	3,054	254,962
Law	180,230	31,165	145,653	3,412
Local Affairs	560,455	171,671	210,025	178,759
Military and Veterans Affairs	163,923	4,688	1,042	158,193
Natural Resources	1,449,321	1,253,517	51,388	144,416
Personnel	2,614,496	0	2,614,496	0
Public Health and Environment	817,665	393,269	127,326	297,070
Public Safety	1,440,860	1,165,465	181,069	94,326
Regulatory Agencies	823,423	745,132	57,244	21,047
Revenue	1,646,741	1,625,801	1,858	19,082
State	238,824	238,811	0	13

FY 2025-26 Statewide Indirect Cost Plan				
Department	Total Funds	Cash Funds	Reappropriated Funds	Federal Funds
Transportation	2,605,472	2,605,394	78	0
Total	\$22,974,956	\$14,887,213	\$4,943,843	\$3,143,900