

DEPARTMENT OF REGULATORY AGENCIES
FY 2025-26 JOINT BUDGET COMMITTEE HEARING AGENDA

Wednesday, December 18, 2024

3:30 pm – 4:30 pm

3:30-3:35 Introductions and Opening Comments

Presenter: Patty Salazar, Executive Director

Slides 3-7

3:35-3:40 Common Questions

Main Presenters:

Patty Salazar, Executive Director

Justin Lippard, DORA Budget Director

Topics:

Question 1: Page 1, Questions 1 in the packet, Slides 9

3:40-4:00 General Factors Driving the Budget

Patty Salazar, Executive Director

Justin Lippard, DORA Budget Director

Topics:

Question 2: Page 1, Questions 2 in the packet, Slides 10

Question 3: Page 3, Questions 3 in the packet, Slides 10-14

Question 4: Page 3-4, Questions 4 in the packet, Slides 15

4:00-4:30 Budget Reductions Issue

Patty Salazar, Executive Director

Justin Lippard, DORA Budget Director

Topics:

- Question 5: Page 4, Questions 5 in the packet, Slides 16
- Question 6: Page 4, Questions 6 in the packet, Slides N/A
- Question 7: Page 5-6, Questions 7 in the packet, Slides 17

DEPARTMENT OF REGULATORY AGENCIES
FY 2025-26 JOINT BUDGET COMMITTEE HEARING

Wednesday, December 18, 2024

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COMMON QUESTIONS FOR DISCUSSION AT DEPARTMENT HEARINGS

- 1 Please describe any budget requests that replace one-time General Fund or ARPA-funded programs with ongoing appropriations, including the following information:
 - a. Original fund source (General Fund, ARPA, other), amount, and FTE;
 - b. Original program time frame;
 - c. Original authorization (budget decision, legislation, other);
 - d. Requested ongoing fund source, amount, and FTE; and
 - e. Requested time frame (one-time extension or ongoing).

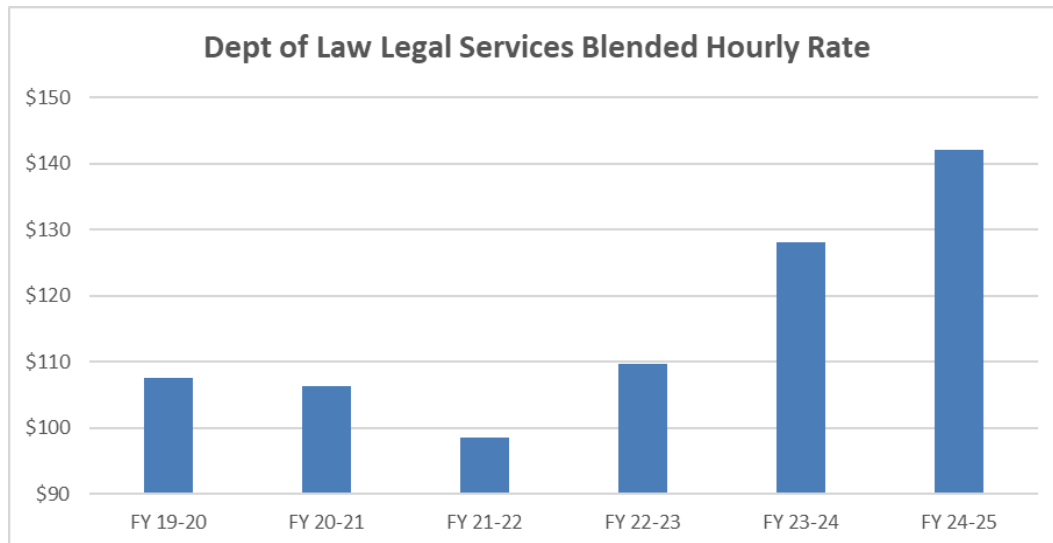
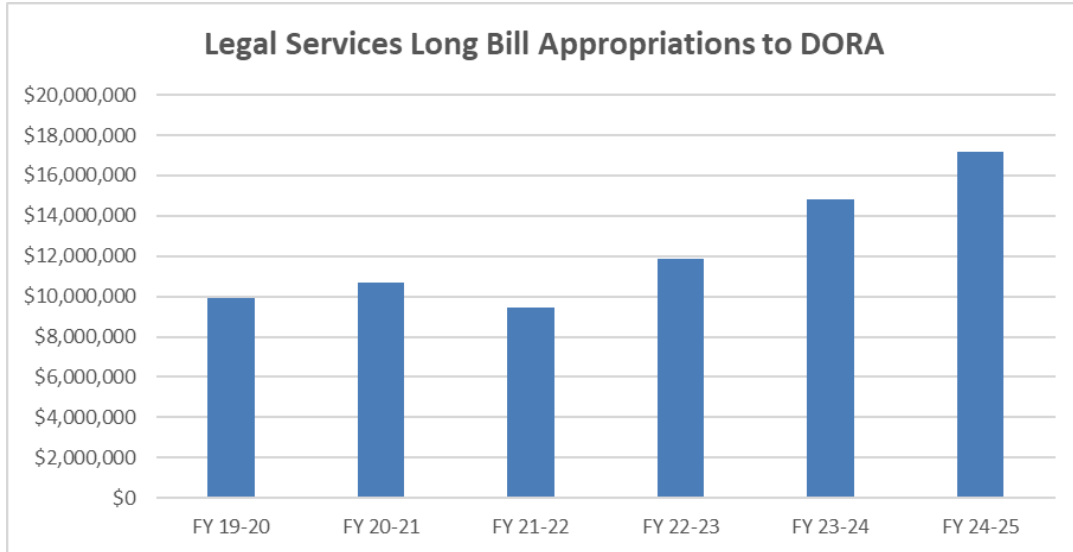
Response: The Department has no such funds or budget requests.

GENERAL FACTORS DRIVING THE BUDGET

- 2 *[Rep. Taggart]* On legal services, has the Department done or is the Department doing some kind of forensic audit to identify whether there are drivers of this magnitude of legal expenses so that the General Assembly could clean them up?

Response: The Department is statutorily required to use the Department of Law for attorney services and does not directly control the level of appropriations made to the Department of Law for this purpose, nor does it have statutory authority to audit Department of Law expenditures. The JBC common policy is that the Department of Law must receive 100% of any legal appropriation, regardless of the work performed. The JBC Staff analyst for this Department is in charge of funding recommendations, which prevents DORA from having any role in determining this budget.

Concerning the significant increases in the legal budget increases in the rate for legal services are a major factor. For the same work, legal rate increases have increased from \$107.60 per hour in FY 19-20 to \$142.09 per hour in FY 24-25. This can be seen in the following two tables:



As a secondary factor, new legislation passed by the General Assembly has added approximately \$2.4 million in new legal appropriations since FY 20-21. This has also contributed to the increase in legal appropriations to DORA.

Worth noting, the Department, via its initiative, has, over the years, formalized processes to expedite settlements of regulatory matters that would otherwise require legal hours spent in the Department of Law. During FY 23-24, the Division of Professions and Occupations attempted to expedite settlement within board-defined parameters of 1,150 disciplinary matters across virtually all its licensing boards, issues that would otherwise require the expenditure of legal services at much higher costs. Of these, **865 were successfully settled, avoiding an estimated 8,650 legal hours (10 hours per matter, which is conservative), which equates to \$1,229,078 in avoided legal expenditures.**

- 3 *[Sen. Bridges]* Why is legal services the number one cost, and why is it increasing so much?

Response: The Department is required by statute to use the Department of Law for any legal services, and the Department's mission is to regulate over 1.1 million licensees (1/5th of the State's population). Meeting our statutory obligation to take regulatory action against a regulated entity or a licensed individual while ensuring due process can be a reasonably lengthy process requiring legal work via mediations, settlements, administrative law proceedings, and even, ultimately, litigation. For this reason, DORA represents one out of every three legal hours in the State and 35% of the Department of Law's total budget for providing legal services to state agencies. As noted above, rate increases requested by the Department of Law and approved by JBC are the primary driver of cost increases to DORA, as well as new legislation that creates new regulations or that expands or alters our regulatory authority requires the expenditure of legal resources for such things as rulemaking and enforcement.

- 4 *[Sen. Bridges]* Looking at S.B. 23-291 (table at the bottom of page 7), what are these 5.8 FTE and \$1.3 million in additional appropriations doing? How are these resources being used to carry out the purposes of the bill?

Response: SB23-291 changed many areas of the PUC's and UCA's work to achieve the bill's objective of improving energy affordability. This has resulted in several rulemakings, conducting studies, and a new pilot program to connect low-income Coloradans with bill assistance programs and hiring additional staff.

The PUC had three significant rulemakings: Proceedings No. 24R-0192G, 24R-0410E, and 24R-0168EG. However, This does not include ongoing adjudicatory work to ensure compliance with SB291 requirements—including reviewing and approving annual rate trend reports and tariff filings (including eliminating gas line extension construction allowances) and ensuring each rate case filing adheres to SB291. Rulemaking requires the combined contributions of the PUC's advisory staff, administrative law judges, administrative and legal assistants, and communications staff. The PUC was allocated 3.3 additional FTE and one temporary (one-year) FTE to support SB291's implementation.

The Commission has hired two advisors and an additional Administrative Law Judge to assist in SB291 work and increased workload across the PUC. An Affordability Program Manager was hired in 2024. The Commission is currently working to hire an additional Marketing and Communications Specialist and an additional economist—both of which will support SB291-related efforts. Lastly, the Commission has hired temporary employees to help staff heating season programs such as the Utility Bill Help program described below.

Comparably, the UCA has participated in the four significant rulemakings: 23R-0408EG Temporary Rules for Implementation, 24R-0410E Utility/ Customer Fuel Costs, 24R-0192G Financial Incentives, 24R-0168EG Prohibited Costs. These rulemakings account for Sections 2,3,4, and 5. In addition, the UCA has advocated for Section 2 and Section 3

implementation in two rate cases: 24AL-0275E (Black Hills Electric) and 24AL-0049G (Public Service Company of Colorado). The Commission has ordered outcomes consistent with the UCA's advocacy and the sponsor's expressed intent of the bill.

Additional UCA proceedings with SB23-291 components:

- 23AL-0579G Atmos elimination of construction allowance
- 23AL-0631G BH elimination of construction allowance
- 23AL-0635G CNG elimination of construction allowance
- 23AL-0636G PSCo elimination of construction allowance
- 23M-0464EG Customer connections and disconnections
- 23A-0392EG PSCo clean heat plan
- 24D-0074G CNG 11-mile natural gas pipeline

The UCA has posted a job announcement for three FTE (Rate/ Financial Analyst III) to conduct the activities outlined in SB23-291. The announcement closes on December 18, 2024 with an anticipated hire date of March 1, 2025. The one-time appropriation of \$23,285 for associated operating expenses was allocated and spent.

BUDGET REDUCTIONS ISSUE

- 5 *[Sen. Bridges]* Please address whether transfers of interest (Statewide R1) would make sense for Department cash funds. Is there a policy reason that the Department's cash funds were not included in Statewide R1?

Response: The Department is unaware of any policy reason why Department cash funds were excluded from the proposal. However, the amount of interest retained in Department cash funds is significantly smaller than the funds identified, which may be a contributing factor.

- 6 *[Rep. Sirota]* Please address the significant reversions that are shown in the table on page 16, especially for the PUC, the Office of Utility Consumer Advocate, the Division of Professions and Occupations, and other divisions with significant reversions.

Response: First and foremost, *each dollar of DORA's budget is supported via a fee charged to a regulated individual or entity.* For this reason, a critical component of the Department's fiscal management is that the budget is not spent simply because it is there. The Department has often reported to the Committee over the years its philosophy that *there is no difference between General Funds and cash funds, with respect to the fact that what is being spent is money obtained directly from consumers and residents.* It is fair to say that the need to keep fee revenue as low as possible is not a new issue for the Department but something that is continually sought each and every year.

In addition to this philosophy, several factors routinely drive reversions, and this is certainly true for DORA as well:

- **New legislation has created very sharp increases in spending authority, which takes time to appear in longer-term spending patterns.** During the last four legislative sessions, the General Assembly has enacted 80 separate special bills appropriating almost \$15.1 million and 81 FTE. This has affected PUC, UCA, and DPO. Additionally, ballot measures such as regulation of natural medicines have added to the Department's regulatory scope.
- **Limitations on revenue have sometimes prevented spending available budget.** For instance, a statutory cap exists on fixed utility revenue for the Public Utilities Commission, which required legislative remedy via SB 21-272. This has primarily affected PUC.
- **Unique skill sets can make it difficult to recruit for specialized positions.** New legislative mandates for entities such as PUC have required very specialized skills with it becoming necessary seek to recruit out-of-state for certain positions. This has primarily affected PUC.
- **Last and most significantly, the Department does not routinely seek to create extra positions to consume as much budget as possible. This is visible in the actual FTE use reported in the budget request across fiscal years, which shows the Department consistently filling staff at a level that is within FTE appropriations. Given the nature of fee revenue to the Department, expenditures are not structured to hit a maximum spending target.** This is true for all divisions across the Department.

In summary, reversions of cash fund authority result from a philosophy that does not prioritize maximum spending for its own sake. If there is interest in any further information in any particular area, the department can provide additional information as needed and will work with the JBC staff to provide it.

7 Please respond to JBC staff's additional options for General Fund relief.

Response: The Department understands and appreciates the State budget situation and remains more than open to providing the JBC Staff with any and all information to make informed recommendations on funding for FY 25-26 appropriations and beyond. The Department understands and supports the role of the JBC Staff in making tough recommendations and the spirit of the JBC Staff proposals.

The Department has two specific areas of feedback:

Action to Limit Revenue Proceeds from Appropriations Change. First, concerning the issue of limiting revenue, the Department is not supportive of any legal requirement or special bill to reduce revenue by a certain amount or percentage for two clear and understandable reasons:

1. First, existing statute already requires the Department to match revenue to spending; as such, budget reductions will automatically drive reduced revenue.
2. Multiple-year license cycles do not enable the Department to logistically comply with immediate revenue directives -- much of the revenue we receive this year,

for instance, comes from fees that were charged over the last several years -- in some cases back in FY 21-22. So, it is not logistically possible to comply with explicit targets or directives on revenue for a given fiscal year.

Because the General Assembly creates revenue impacts when it makes appropriations, changes to appropriations are the only way to accomplish revenue changes. The Department understands that the JBC Staff will make recommendations for appropriations levels that reflect the realities of the State budget situation.

Cash Fund Transfers. Second, concerning the proposal to take fund balance from the Excess Indirects Recovery Cash Fund, the Department believes this resource will likely be required (in whole or in part) in response to ongoing efforts to target small fund balances in its cash funds. As such, the Department pledges to continuously work with the JBC analyst to identify an amount that can be safely taken without undue consequence.

Department of Regulatory Agencies JBC Hearing

Joint Budget Committee
December 18, 2024



COLORADO
Department of
Regulatory Agencies

Department Overview



COLORADO
Department of
Regulatory Agencies

DORA Mission & Vision

The **Department of Regulatory Agencies** (DORA) is dedicated to **preserving the integrity of the marketplace** and is committed to promoting **a fair and competitive business environment** in Colorado.

Consumer protection is our mission.

DORA Organizational Chart




DEPARTMENT OF REGULATORY AGENCIES
Patty Salazar, Executive Director

Deputy Executive Director, Ginny Brown
 Communications & Stakeholder Engagement
 Legislative Affairs
 Energy Modernization
 Colorado Office of Policy, Research, & Regulatory Reform

 **EXECUTIVE DIRECTOR'S OFFICE**
 (35.7 FTE)

Chief Administrative Officer, Marisol Larez
 Human Resources Office
 Budget Office
 Department Operations
 Office of Accounting & Purchasing

 **DIVISION OF BANKING**
 Ken Boldt, Commissioner
 (44.6 FTE)

 **COLORADO CIVIL RIGHTS DIVISION**
 Aubrey Sullivan, Director
 (41.8 FTE)

 **DIVISION OF CONSERVATION**
 Aaron Welch, Director
 (6.0 FTE)

 **DIVISION OF FINANCIAL SERVICES**
 Mark Valente, Commissioner
 (15.6 FTE)

 **DIVISION OF INSURANCE**
 Michael Conway, Commissioner
 (120.3 FTE)

 **OFFICE OF THE UTILITY CONSUMER ADVOCATE**
 Cindy Schonhaut, Director
 (14.0 FTE)

 **DIVISION OF PROFESSIONS & OCCUPATIONS**
 Samuel Delp, Director
 (235.5FTE)

 **PUBLIC UTILITIES COMMISSION**
 Rebecca White, Director
 (140.1 FTE)

 **DIVISION OF REAL ESTATE**
 Marcia Waters, Director
 (48.9 FTE)

 **DIVISION OF SECURITIES**
 Tung Chan, Commissioner
 (24.0 FTE)

DORA By The Numbers

- **726.5** FTE
- **\$144.8 M** Budget (FY 24-25)
- More than **50** Boards, Commissions and Advisory Committees
- **50+** Regulatory programs
- **1,180,938** individual licensees
- **82,063** regulated business and institutions

What DORA Regulates

Financial Services



Accounting Firms
Broker-Dealer Firms
Broker-Dealer Sales Representatives
Certified Public Accountants
Investment Adviser Firms
Investment Adviser Representatives
Money Transmitters
Mortgage Broker-Dealers
Mortgage Loan Originators
State-Chartered Savings & Loans
State-Chartered Commercial

Banks

Insurance

Insurance Agents/Brokers
Insurance Companies

Real Estate, Buildings & Repair



Appraisers
Architects
Electricians
Engineers
Homeowners Associations (via HOA Information and Resource Center)
Land Surveyors
Landscape Architects
Plumbers
Radon Professionals
Real Estate Brokers
Title Insurance Agents/Agencies

Cosmetology

Barbers
Barber/Cosmetology Shops
Cosmetologists
Estheticians
Hair Stylists

Hair Technicians

Healthcare & Wellness

Acupuncturists
Addiction Counselors
Athletic Trainers
Audiologists
Chiropractors
Dental Hygienists
Dentists
Direct-entry Midwives
Hearing Aid Providers
Marriage and Family Therapists
Massage Therapists
Natural Medicine Facilitators
Naturopathic Doctors
Nurses and Nurse Aides
Nursing Home Administrators
Occupational Therapists
Optometrists
Pharmacists and Pharmacies
Physical Therapy
Physicians (all types)
Physician Assistants
Professional Counselors
Psychiatric Technicians
Psychologists
Respiratory Therapists
Speech Language Pathologists
Social Workers
Surgical Assistants/Surgical Technologists
Veterinarians and Veterinary Technicians

Transportation



Children's Activity and Charter Buses, Limousines, Off-road Charters, Moving Companies (household goods), Non-consensual Towing, Passenger Tramways, Shuttles, Taxis and Transportation Network Companies (TNC's)
Public Highway Railroad Crossings
Rail Fixed Guideway (RFG)

Utilities



Investor-owned electric, gas, steam and water, some telecommunications services

Other

Bail Bonds/Bail Bonds Agents
Combative Sports
Conservation Easement Holders
Conservation Easement Tax Credits
Funeral Homes, Crematories
Medicare Assistance - home of State Health
Insurance Assistance Program (SHIP)
Medicare Assistance - Senior Medicare Patrol (SMP)
Outfitters
Enforce anti-discrimination laws



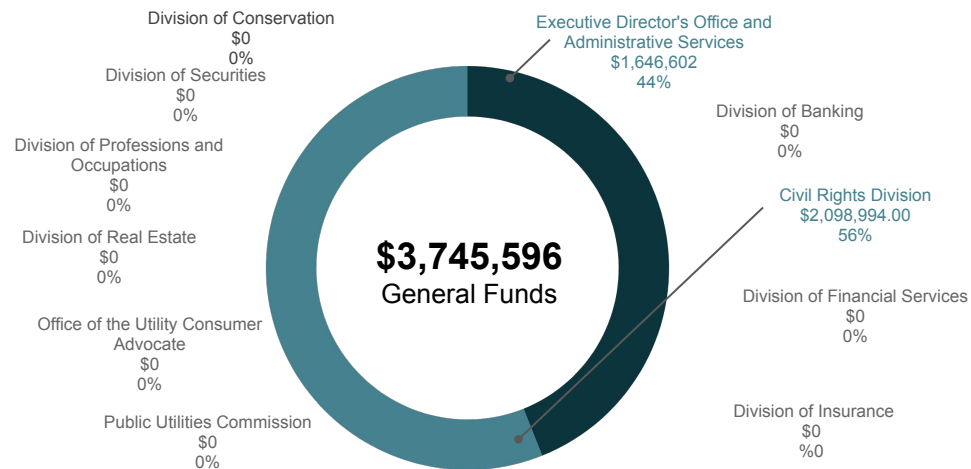
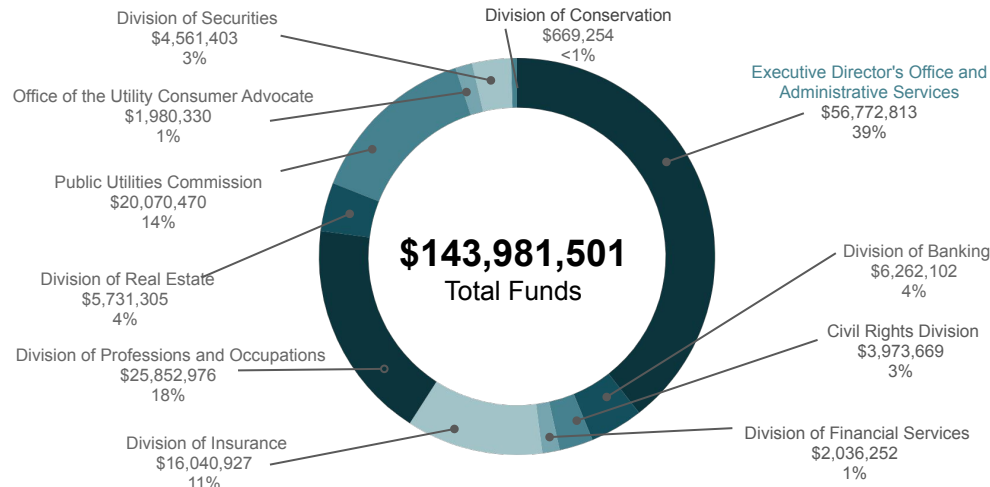
DORA FY 2025-26 Budget Request

FY 2025-26 Budget Snapshot

FY 2025-26 Total Funds: \$143.9M

FY 2025-26 General Fund: \$3.7M

FY 2025-26 FTE: 730.6



Responses to Questions



COLORADO
Department of
Regulatory Agencies

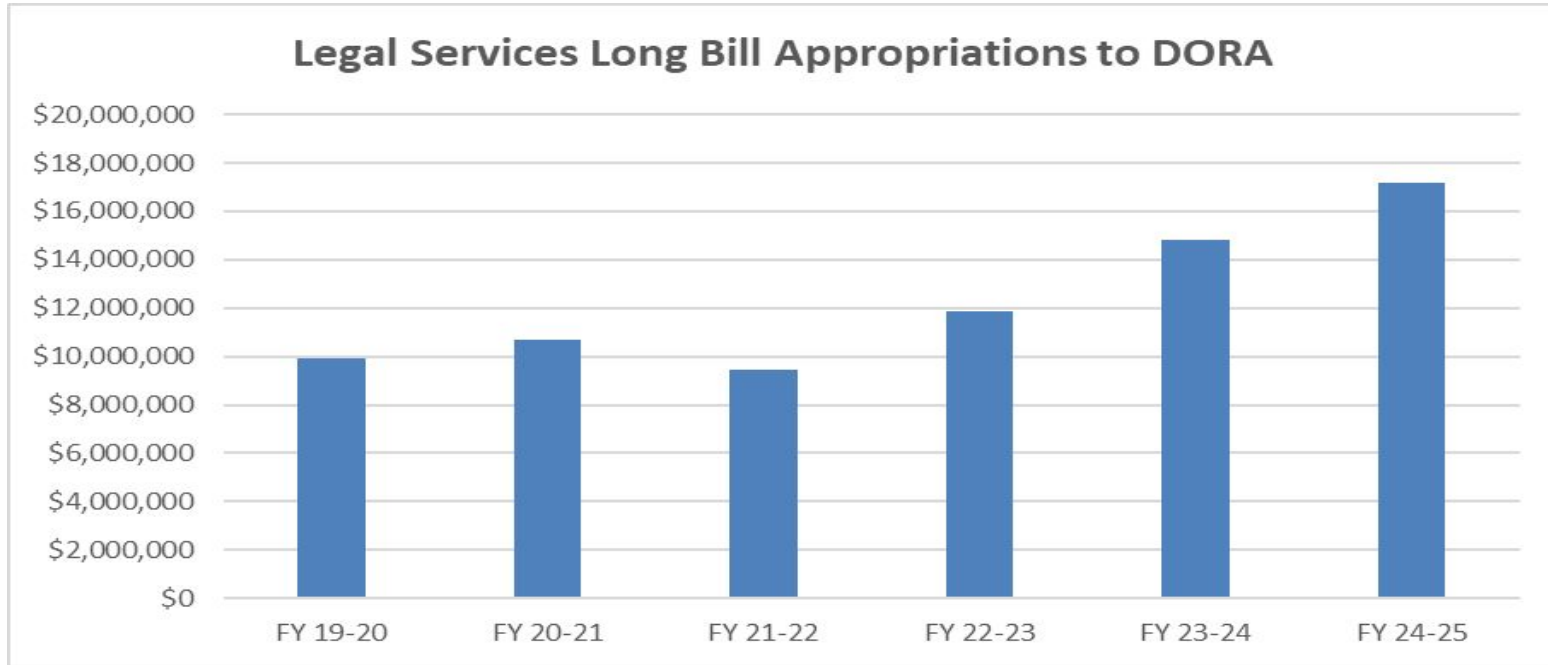
Common Questions

The Department has no such funds or budget requests related to replacing one time General Fund or ARPA funded programs.

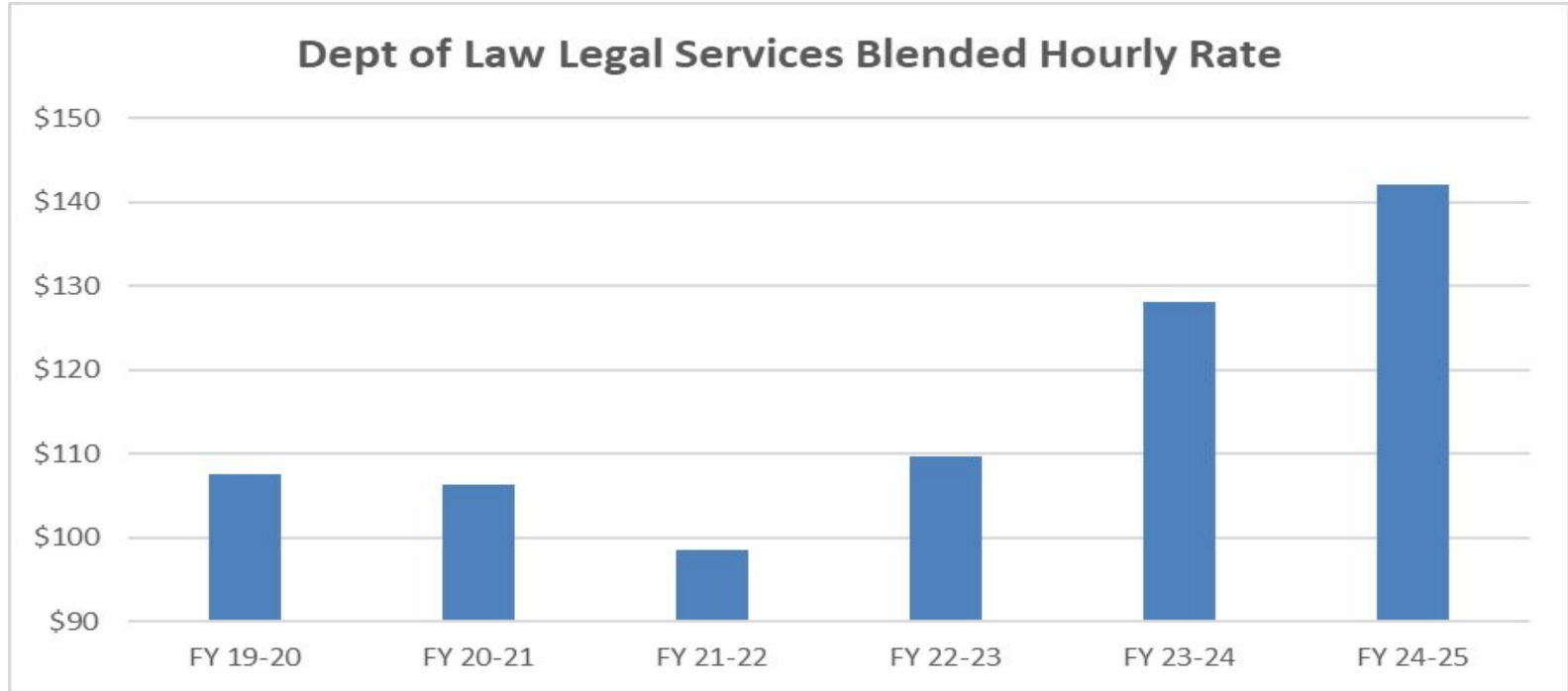
General Factors Driving the Budget

- Statutory Requirements
 - Appropriations
 - Audit
 - JBC Common policy

Legal Services



Legal Services



Expedited Settlements

1,150 disciplinary matters for all licensing boards:

- 865 or 75% settled
- 8,650 legal hours or \$1.2M in legal costs avoided

Legal Services continued

- Statutory Requires Dept of Law for legal services
- Mission to regulate 1.1M licensees (1/5th of the state's population)
- Due process - mediations, administrative law proceedings and litigation
- 35% of the Department of Law's total budget
- Rate increases for Department of Law
- New legislation

SB 23-291, Utility Regulation

- Rulemakings
 - PUC has had three significant rulemakings
 - UCA has had four significant rulemakings along with multiple others
- New staff
 - PUC FTE and temporary staff
 - UCA FTE and one-time appropriation
- PUC Studies
- PUC Pilot Program: Coloradans with bill assistance program

Budget Reductions Issues

- a. Transfers of interest (R1)
- b. Reversions
 - i. New legislation
 - ii. Limitations on revenue
 - iii. Specialized positions
 - iv. FTE Appropriations

General Fund Relief

1. Limit Revenue Proceeds from Appropriations Change
 - a. Existing statute
 - b. Multi year license cycles
2. Cash Fund Transfers

Closing



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