January 25, 2023

The Honorable Senator Rachel Zenzinger
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

Dear Chair Zenzinger:

On behalf of Governor Jared Polis, the Office of State Planning and Budgeting (OSPB) appreciates the Committee's support to date for the Governor's supplemental budget requests for FY 2022-23, and submits this package of comeback requests for the Committee's consideration.

The Committee denied or modified, and requested comebacks, for the following requests:

Governor's Office of Economic Development & International Trade
- S-02 CHIPS Act Capacity and Matching Support

Health Care Policy and Finance
- S-21 One-Time Increase in Payments for Denver Health

Department of Personnel and Administration
- S-03 Fleet Fuel Cost Increase for DOC, DNR, and DPS

Department of Revenue
- S-01 Racing Compliance Requirements (comeback requested today 1/25/23, Dept will respond by 1/27/23)

The Committee denied the following requests and informally requested a comeback for the following requests:

Department of Natural Resources
- S-01 COGCC Mission Change Operational and Reg Support
- S-03 Keep Colorado Wild Pass Implementation Support

The Committee adopted the JBC Staff recommendation to delay action and requested a comeback on the following requests:

Department of Corrections
- Prison and medical caseload adjustments (DOC S-01 and S-02). The Department will provide responses to the specific questions identified in the JBC Staff document presented January 24, 2023, by January 27, 2023.

Respectfully,

Lauren Larson
Executive Director

CC:
Representative Shannon Bird, Joint Budget Committee Vice Chair
Senator Jeff Bridges, Joint Budget Committee
Representative Emily Sirota, Joint Budget Committee
Senator Barbara Kirkmeyer, Joint Budget Committee
Representative Rod Bockenfeld, Joint Budget Committee
Carolyn Kampman, JBC Staff Director

Attachments:

Attachment A: Comebacks by Department in alphabetical order

Attachment A:
Comebacks by Department in Alphabetical Order

Office of the Governor - Office of Economic Development and International Trade

Request Title: OEDIT S-02 CHIPS Act Capacity and Matching Support

JBC Action: JBC Staff recommended the request; however, the Committee denied the request and requested a comeback to address questions including state strategy and how/when the funds would be spent, why the additional FTE is needed, and why a continuous appropriation would be necessary.

	Original Request	JBC Action	Comeback Request
Total Funds	$5,000,000	$0	$5,000,000
FTE	0.3	0.0	0.3
General Fund (transfer)	$5,000,000	$0	$5,000,000
Cash Fund (Economic Development Fund)	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Comeback: The Governor's Office respectfully requests the JBC approve the Office of Economic Development and International Trade (OEDIT) S-02 request for a $5.0 million General Fund transfer to the Economic Development Cash Fund and 0.3 FTE. This fund is continuously appropriated and thus fulfills the need for at least three years of appropriation authority to allow for the Economic Development Commission to expend the funds flexibly and for their highest and best use, as is discussed in more detail below. This funding is necessary to ensure that Colorado draws down substantial funds from the $280 billion federal CHIPS Act and cements its place as a leader in the semiconductor industry, with a specific focus on rural communities across the state. Colorado's CHIPS Act strategy will focus on two components: (1) supporting and investing in rural, underserved, and non-Denver metro communities across Colorado; and (2) supporting the transformational growth of the institutions, manufacturers and their supply chains, and employers within the semiconductor industry currently based in or looking to operate in Colorado. Accordingly, this funding would be used specifically for the following purposes:

- State matching funds to companies as the federal CHIPS Act grants, prioritize, or require state and local incentives - more specific information to come in February upon release of the Notice of Funding Opportunity (NOFO) by the Department of Commerce; and

- Strategy and implementation 1 FTE with rural emphasis and issue-area expertise to implement overarching strategy, rural technical assistance, and support underserved communities in recruiting and developing new semiconductor entities.

The paragraphs below provide further detail on this request and address each of the concerns raised by Joint Budget Committee members.

Competitive action needed now: The US Department of Commerce has stated that, "the Department expects to give preference to projects that include state and local incentive packages that maximize regional and local competitiveness, invest in the surrounding community, and prioritize broad economic gains." Accordingly, the funding provided through this request is critical to each step of the state's strategy to draw down CHIPS Act funds, starting with those steps that will take place (and are already in motion) in fiscal year 2022-23 (planning and NOFO) and continuing into future fiscal years.

In these early planning stages (i.e., the current stage), the funding will *provide assurance of state backing to private sector companies* compiling information to start applications and will incentivize additional private companies to begin the application process. Once the NOFO for CHIPS funding is announced, *expected in February*, this funding will allow for OEDIT's Economic Development Commission to start prioritizing which private projects may receive the funding. Finally, once companies submit applications to the Department of Commerce, the inclusion of matching funding will become a key attribute of applications from Colorado companies, which will have a head start on applications and be able access early funds.

Multi-year action ahead, building on accountability structure already in place: While it is critical for these funds to be dedicated immediately this fiscal year for the reasons discussed above, the depth and complexity of the types of projects targeted by the CHIPS Act mean that most will take more than one state fiscal year to complete. Thus, it is important that the *funds be appropriated for at least three years* to allow for the Economic Development Commission to expend the funds flexibly and for their highest and best use. Using the Economic Development Fund as the vehicle for this expenditure allows for this flexibility as the fund is continuously appropriated. This also ensures that appropriate measures are taken as it pertains to *statewide representation, accountability, and transparency*. In particular, it is worth noting the following regarding the Economic Development Commission:

- The Commission is a bipartisan board comprised of 11 members including a statutory requirement that certain members stem from the Western Slope;
- The Commission must provide an annual report to the General Assembly by November 1 each year regarding the previous year's projects;
- The Commission's controls ensure that grants are not issued until all contingencies have been met by the business receiving the grant; and
- OEDIT may not expend any of these funds without direct approval of the Commission.

Strategy and implementation FTE needed, rural emphasis: The FTE component of this request is also critical to the success of Colorado's CHIPS Act applications, in particular as it relates to the state's ability to engage and prioritize rural communities. For one, the CHIPS Act is a new and complicated federal policy and the semiconductor sector is highly complex and specialized. Therefore, OEDIT must hire a FTE with unique expertise to support the comprehensive execution of the state's CHIPS Act strategy. Additionally, OEDIT's current staffing does not have the operational bandwidth to provide the technical assistance and grant administration services to rural and underserved communities, which are the primary focus of the state's CHIPS Act strategy.

Health Care Policy and Financing

Request Title: S-21 One-Time Increase in Payments for Denver Health

JBC Action: The JBC adopted the JBC Staff recommendation to deny the request. JBC Staff noted that the request did not include sufficient justification for the need. Some JBC members requested a comeback.

	Original Request	JBC Action	Comeback Request
Total Funds	$1,423,920	$0	$1,423,920
FTE	0.0	0.0	0.0
General Fund	$1,423,920	$0	$1,423,920
Cash Funds	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Comeback: OSPB and Health Care Policy and Financing (HCPF) respectfully request the JBC approve the HCPF S-21 request for $1,423,920 one-time General Fund to support Denver Health. Denver Health is a critical part of the healthcare system and is facing unique financial challenges. Denver Health is the safety net provider for the city and county of Denver and serves a higher share of Medicaid members and uninsured patients than any other urban hospital. Denver Health provides this critical community benefit, but it also creates a significant strain on its financial resources. As an independent hospital that is not part of a large hospital system, Denver Health is unable to tap into the financial resources of a large hospital system (e.g., UCHealth, SCL/Intermountain) that has more commercially-insured patients and large financial reserves.

In addition, Denver Health is facing financial hardships due to the impacts of the pandemic and challenging economic circumstances. Factors contributing to the challenging economic environment for Denver Health include:

- Labor shortages that have led to greater reliance on more costly contract labor;
- Large increases in Medicaid enrollment during the pandemic and public health emergency; high inflation; and
- The downturn in stock and bond markets.

While some of these factors may change with the broader economic cycles, Denver Health's financial hardships are immediate and cannot be sustained.

The request helps to address Denver Health's severe financial situation. It had significant operating losses in 2022 and currently has less than 100 days cash on hand (for comparison:

the most recent data show the median for urban hospitals is 245 days and UC Health has 469 days cash on hand).

The Department's most recent financial data shows Denver Health had a 0.8% total profit margin in 2021 while Colorado's nonprofit hospitals overall had a 14.5% total profit margin in the same period.

	2019 Total Profit Margin	2020 Total Profit Margin	2021 Q1-Q3 Total Profit Margin
Denver Health	10.6%	8.2%	0.8%

Hospital/Type	Median Days Cash on Hand
Denver Health	<100
Denver Urban Hospitals	245
UC Health	469

The Department's S-21 request is intended to quickly provide Denver Health with financial assistance to address its current shortfalls. The request is the maximum amount of financial assistance available under existing statute and within the budget process to direct the 10 percent of administrative funds to Denver Health.

Importantly, this request is just one part of a broader and longer-term effort in partnership with Denver Health, which includes funding available to Denver Health through the Healthcare Affordability and Sustainability Fee to the extent allowable under federal requirements, as well as other resources.

Department of Natural Resources

Request Title: S-01 COGCC Mission Change Operational and Reg Support

JBC Action: The Joint Budget Committee denied the request as recommended by JBC Staff. JBC Staff suggested that the Department would not have sufficient time to hire 18 positions between the passage of the supplemental bill and the end of FY 2022-23. Staff also noted that approval of this request might presuppose approval for a portion of DNR FY 2023-24 R-01 request, which will be considered during the FY 2023-24 figure setting.

	Original Request	JBC Action	Comeback Request
Total Funds	$607,975	$0	$607,975
FTE	4.5	0.0	4.5
General Fund	$0	$0	$0
Cash Fund (Oil and Gas Conservation and Emergency Response Fund)	$607,975	$0	$607,975
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Comeback: OSPB and the Department of Natural Resources (DNR) respectfully request the Committee approve DNR's S-01 request for $607,975 cash funds to manage increased workload emanating from new rules and procedures enacted following S.B. 19-181. The Department is prepared and confident in their ability to recruit the requested FTE in a timely manner.

Pressing need to address current and building permit backlog: When the supplemental request was submitted, the Planning and Permitting Unit at COGCC *already had a 6.5 month backlog* (11,430 staff hours) in processing permits, oil and gas development plans (OGDPs), and comprehensive area plans (CAPs). Since November, COGCC has received 13 new Oil and Gas Development Plans and 19 new Form 2As to review, which require approximately 3,034 additional staff hours to review and approve. As of November 8, 2022, since the beginning of calendar year 2022, the Environment Unit had received 960 reported spills and 2,422 open remediation projects. On average, it takes 13 staff hours to investigate spills and 14 staff hours to work on remediation projects.

The urgency of recruiting now: While the Department looks forward to further engaging with the Committee on the additional 11.0 FTE that are requested through DNR FY 24 R-01, the 18.0 FTE requested now are needed to address this growing backlog as soon as possible. Without approval to hire these positions now, the backlog will continue to grow into the next

fiscal year, and the longer the backlog is allowed to grow now, the longer it will take to clear in the future.

Recruitment process: The Committee expressed reservations about the Department's ability to recruit quick enough to meet the stated staffing needs in the current fiscal year, if the full supplemental request was approved. The recruitment process was an important part of the Department's thought process in how to formulate the necessary budget requests as well. The Department requested eighteen out of the 29 FTE needed overall through this supplemental after carefully considering the balance between the urgency of the work at hand and the Department's ability to recruit quickly. Because the request includes multiple positions within a single job class, *many of these positions can be filled from a single recruitment sprint* and COGCC is prepared to hire the approved number of positions rapidly in the current fiscal year and the remaining positions, if eventually approved during figure setting, at the beginning of the next fiscal year. Separating the overall recruitment needs into these two periods will help COGCC succeed in that process.

Furthermore, the funds requested are *cash funds* and if some of the approved funds remain unspent at the end of the current fiscal year, they will *continue to remain available* for future appropriations by the Committee. Approval of the supplemental simply affords the Department additional time and flexibility to begin the recruitment process and address the already growing backlog as early as possible.

The Committee also inquired about existing vacancies. The Department does not anticipate that any current vacancies will interfere with its capacity to move forward with hiring for the requested new positions, if approved, and does not expect to have ongoing vacancy savings either. COGCC currently has 12 vacancies (out of a total of 147.8 FTE) - all unrelated to this request. Out of the 12 vacant positions, 8 will be filled imminently and the recruiting process for the remaining 4 is also underway.

Due to timing of the legislation and subsequent rule-making, this supplemental is the first possible time for the Department to bring the request: Following the passage of S.B. 19-181, the Commission not only needed to promulgate new rules, but subsequently also create new operating procedures and forms to be able to implement those rules. It was not possible to understand the full scope of the ongoing resources necessary to fulfill the mission of S.B. 19-181, until all of these processes and procedures were fully developed. This development process and the analysis of required resources for implementation was only complete after the FY 2022-23 budget was already set in the 2022 legislative session.

The fiscal note for S.B. 19-181 anticipated these budget needs but acknowledged that it was not possible to estimate the full cost of implementation at that time. The final fiscal note stated that "Depending on the rules adopted by the COGCC, the DNR may require additional FTE beginning in FY 2020-21 and FY 2021-22 to implement new regulatory requirements. This cost has not been estimated."

In an effort to operate with utmost fiscal responsibility, the Commission did not request additional resources during that 2022 budget cycle because they wanted to ensure that all possible operational efficiencies were clearly identified and implemented before requesting additional spending authority from the General Assembly. The Commission simply did not have enough information or clarity to make a thoughtful and well-explained budget request any earlier. Since then, the supplemental submission in front of the Committee now was the first and most appropriate point in the established budget process for the Department to bring the identified FY 2022-23 budget and staffing needs in front of the Committee.

Department of Natural Resources

Request Title: S-03 Keep Colorado Wild Pass Implementation Support

JBC Action: The JBC denied the request as recommended by JBC Staff. JBC Staff recommended denial of the request because Staff did not believe it met supplemental criteria and noted that the request exceeded the costs estimated in the fiscal note for S.B. 21-249.

	Original Request	JBC Action	Comeback Request
Total Funds	$2,236,941	$0	$2,236,941
FTE	0.4	$0	0.4
General Fund	$0	$0	$0
Cash Fund (Parks and Outdoor Recreation Cash Fund)	$2,236,941	$0	$2,236,941
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Comeback: OSPB, the Department of Natural Resources (DNR), and Colorado Parks and Wildlife (CPW) respectfully request that the Committee approve the S-03 request to support the rollout of the Keep Colorado Wild Pass. The request includes funding for outreach materials, a staff person to coordinate outreach content, customer service staffing to implement the Keep Colorado Wild pass, and contract services and temporary staffing to improve measurement of park visitation statewide.

Investing in this program now will lead to larger revenue generation going forward. DNR submitted this request in support of implementation of the Keep Colorado Wild Pass, which was created by S.B. 21-249. The bill had strong bipartisan support in the General Assembly, generating excitement and momentum for the new, lower cost pass option for accessing our state parks system. The revenue generated from this new pass, if the program is successful, would provide stable and sustainable finances to support the state parks system, backcountry avalanche safety, and backcountry search and rescue volunteers. CPW is an enterprise and investing into the success of this program using their existing cash funds would ensure a much larger revenue generation going forward to support these vital programs on an ongoing basis. This timely investment would produce a return-on-investment for CPW, backcountry rescuers and Coloradans trying to engage in outdoor activities safely, for years to come.

Early implementation revealed significant additional costs to ensure successful rollout, including with counties, and these costs were not known during the fiscal note development process. This investment is needed now because during the planning and implementation

process, CPW became aware of significant additional costs necessary to ensure as many Coloradans as possible were aware of the benefits of the new pass and received the necessary support in navigating this new program. *Timely outreach and customer support* was identified as a critically needed investment for the program to be successful in meeting the goals of S.B. 21-249. These needs were unfortunately not foreseen when the fiscal note was drafted due to the unique and novel nature of the program that is in effect a CPW program *implemented by the Department of Revenue and County Clerks and Recorders* to collect fees for access to state parks through the vehicle registration process. This structure is outside any prior experience for any of the agencies and public employees involved in the implementation, as well as for Coloradans.

The list below outlines some of the new information identified after the fiscal note was published:

- At the time the fiscal note was drafted, CPW had envisioned relying on its standard outreach and communications approaches for implementation – using earned media, press releases, internet postings, and social media channels. However, in working with the DOR, County Clerk and Recorders, and focus groups, CPW learned that these traditional approaches would only serve to inform CPW's already existing customer base, and would not *effectively engage all registered vehicle owners* as was intended by S.B. 21-249.
- To make the process easier for Coloradans on an ongoing basis, it was decided that the vehicle owners' decision to opt-in or opt-out of the Keep Colorado Wild Pass would be allowed to automatically carry over from year to year - *meaning that the first year of the rollout was critical to long-term success of the pass*. To ensure success, CPW committed to supporting a comprehensive communication and customer service plan, with expenditures starting in FY 2022-23, to provide Coloradans a clear understanding of the new pass and their options around it.
- It was identified that important issues such as *options for refunds*, options for owners of multiple vehicles etc. needed to be addressed through public communication and customer support.
- Due to *data privacy* concerns, CPW was unable to access customer records from the DOR system to facilitate a targeted and low-cost direct email marketing option for customers who have upcoming renewals. This data issue was not realized by the involved parties until after the bill had been signed and the two agencies began to work through the memorandum of understanding for implementation.
- While working through the details of the implementation, CPW also realized the importance of providing information widely to encourage participation in year one, due to the novelty of the pass itself as well as the mechanism of providing the pass on vehicle registration cards.

<u>Mitigating impact on County Clerks and DMVs:</u> Due to the reasons listed above, the outreach communications were significantly more costly than CPW originally contemplated in the fiscal note analysis. However, this approach, in conjunction with increased CPW customer service staffing, *relieves DMV staff and County Clerk and Recorders* from answering questions and

providing customer service about CPW products - which otherwise would be a huge workload increase for those other public employees who do not have the necessary prior experience or expertise on CPW product options and programs currently. By funding the outreach so far within existing spending authority, CPW has already been able to address some of these questions through mailers, flyers and posters, which directs individuals to CPW's call center and website to help customers understand the pass and its benefits, and answer more detailed questions about the process and available refunds.

The 2.7 million mailers that were sent to every household in Colorado in November were extremely effective. CPW saw an immediate public response in increased web traffic with almost 12,000 visitor sessions to the Keep Colorado Wild page on the division's website generated directly through the postcard mailing, as well as increased calls to the customer service numbers. CPW believes continuation of these types of proactive and responsive outreach, and timely customer service, would produce a significant ROI by ensuring that engagement remains high and participation is consistent throughout the critical first years of the program, which in turn will ensure that the program can meet its revenue goals and commitment to fund vital state services including state parks, backcountry search and rescue, and avalanche safety consistently on an ongoing basis.

CPW has already reallocated resources to the maximum extent possible. When these mission-critical needs were identified, CPW reallocated funds and staff resources within their existing authority to this purpose but that meant other work had to take a back seat for the moment. Delaying this work until the next budget cycle was not operationally feasible or fiscally prudent, and would have compromised the work already completed, falling short of the expectations of the recreational community. Not allocating sufficient resources to the rollout of the pass in its first year could have jeopardized the long-term success of the program, and would certainly have slowed the transition to this new funding model for the State Parks system, Backcountry Search and Rescue, and the Colorado Avalanche Information Center. However, because these needs were fully realized only after the 2022 legislative session had already set the FY 2022-23 budget, this supplemental submission in front of the Committee now was the first and most appropriate point in the established budget process for CPW to bring those budgetary needs in front of this Committee. Without the requested additional spending authority, CPW will need to continue to cut back on other programs and other activities that support Coloradans in our outdoors in order to ensure the success of this new program.

Department of Personnel and Administration

Request Title: S-03 Fleet Fuel Cost Increase for DOC, DNR, and DPS

JBC Action: The JBC adopted the JBC Staff recommendation to approve a modified request. The Staff recommendation recommended removing DPA's FY 2021-22 overexpenditure restriction and providing them with a $3.5M increase in RF for increased fuel and maintenance costs. The JBC denied the NP request for increased appropriations for DOC ($1.7M), DNR ($3.4M), and DPS ($4.4M) to account for high fuel and maintenance costs.

	Original Request - Operating Adjustments for DNR, DOC, and DPS	JBC Action - Operating Adjustments for DNR, DOC, and DPS	Comeback Request - Operating Adjustments for DNR, DOC, and DPS
Total Funds	9,530,030	$0	9,530,030
FTE	0.0	0.0	0.0
General Fund	2,748,646	$0	2,748,646
Cash Funds	6,381,174	$0	6,381,174
Reappropriated Funds	325,647	$0	325,647
Federal Funds	74,563	$0	74,563

Comeback: OSPB, DPA, DPS, DNR, and DOC respectfully request the Committee approve the non prioritized impacts of the DPA S-03 Fleet Fuel Cost Increase for DOC ($1,740,850), DNR ($3,378,275), and DPS ($4,410,905). This comeback request will ensure the departments are able to cover variable vehicle mileage rate increases caused by high fuel and maintenance costs and avoid cutting funding to other operational needs. Additionally, JBC Staff indicated an alternative solution to fund these requests through a centralized line within the affected departments' Executive Director's Office. While this alternative solution is appreciated, it would present some operational challenges. Each fleet vehicle is mapped to an accounting template that indicates how the vehicle must be charged. The JBC Staff alternative would necessitate a one-time remapping to the alternative appropriation, or extensive manual tracking in lieu of the current automated solution.

Non-prioritized requests were submitted for these three departments because they have the highest volume of vehicle use, and the estimated mileage impact on their operating budgets cannot be absorbed within existing resources. Since CDOT has flexibility between its administration and operational line items, an NP was not submitted.

DPA sets the variable rates in June of each year for the upcoming fiscal year to fully fund the departments' costs and uses estimates of the cost of gas, maintenance services, and department miles traveled. When the FY 2022-23 variable rate was set, it was anticipated

there may be challenges for certain departments with high mileage due to uncertainty in the labor and supply chain markets. Every car class has its own variable rate depending on the make, model, and mileage.

	FY 2020-21 Variable	FY 2022-23 Variable
Est. Price of Gas	$2.50	$4.00
Mileage travel	Department specific	Department specific
Maintenance	Car type dependent	Car type dependent

When the variable rate for FY 2022-23 was set, the price of gas exceeded $4.00 per gallon on average. The Department intended to recuperate sustained fund balance losses; however, the recovery was anticipated to be much more gradual. While the price of gas has declined, there remains the likelihood that for the three identified departments the actual miles traveled will exceed current appropriations in the absence of additional funding through this request. Therefore, DPA cannot practically recalculate the variable rate for each vehicle to reflect actual gas price trends.

The supplemental process was the first opportunity the Department had to request modification to the current appropriation and ensure that the departments with the highest mileage were not at risk of overspending their appropriations due to factors outside of their control. The departments identified in the supplemental account for 79.7% of the statewide miles traveled.

Department	FY 2022-23 Updated Estimate of Miles Traveled	Percent of Statewide Miles excluding DHE
DOC	8,173,007	13.5%
DNR	12,748,207	21.1%
DPS	17,829,633	29.5%
CDOT	9,409,345	15.6%

<u>DPS Programs and Potential Impacts</u>

The Department of Public Safety operates a fleet of 1,225 vehicles, of which 935 are for the Colorado State Patrol (CSP). This also includes specialty vehicles for the Division of Fire Prevention and Control for fire-related emergencies, the Colorado Bureau of Investigations, and Office of Emergency Management, which are all public safety-related programs. If the request is not approved, the Department will not have adequate funding to reimburse DPA for variable vehicle mileage rates. Additionally, <u>the Department will have to delay completion of important projects such as repair and maintenance on the CSP facilities located throughout</u>

the state, upgrades to equipment that are at end of service life, upgrades to computers for staff, as well as safety equipment included in the law enforcement platform vehicles.

DNR Programs and Potential Impacts

DNR operates the state's second largest fleet with 1,275 vehicles, including 1,095 pickup trucks that can operate in rugged field conditions. DNR's fleet vehicles are used to perform critical health, public safety, search and rescue, and regulatory functions in every community in the state. This includes,compliance inspections of oil and gas wells, administration of water rights, state parks operations and law enforcement, avalanche mitigation and rescue efforts, and human/wildlife conflict response.

If the request is not approved, DNR will not have sufficient funding to pay mileage costs to DPA. Department programs will have to reduce funding for other important functions to offset the increased costs or take measures to significantly reduce miles traveled, which will negatively impact the Department's ability to serve its customers, complete critical functions, and fulfill its mission.

Additionally, DNR prefers that variable vehicle funding be implemented in the operating line items for each division and program as originally requested. Mileage is currently billed to each individual program that uses state vehicles, affecting fourteen separate line items across the Department's budget. Centrally appropriating a subset of funding for mileage as an operating expense in the Executive Director's Office would be less efficient administratively, requiring Department divisions to manually redirect a portion of their mileage costs to EDO instead of maintaining the current billing structure.

DOC Programs and Potential Impacts

The Department of Corrections operates a fleet of 1,160 vehicles, including passenger, inmate and work crew transport vans, trucks, and oversized specialty vehicles such as dump trucks, snow plows, and a large number of farm specialty vehicles. Each type of vehicle is necessary to protect the public through the supervision of approximately 13,900 offenders and 9,500 parolees. If the request is not approved, DOC will experience disruption to fleet management and planned replacement actions that provide safety equipment to operational staff in harm's way.

Fleet Cash Fund

The JBC Staff indicated the Motor Fleet Management Fund as submitted indicated positive cash flow of approximately $750,000. Please note that the Department's November 1 submissions are submitted based upon the base budget,which does not account for supplemental spending authority adjustments. Summary Schedule 9 figures are reflected in the table below. As indicated, the Fund sustained three years of losses that could no longer be borne without a substantial increase to rates. As a result, the Department raised rates for customer agencies with the largest impact to the three affected departments. Departments have sustained these increases within their existing appropriations; however, without

additional General Fund and spending authority, these agencies risk overexpenditure in affected operating budgets.

November 1 Schedule 9 Figures-Base Spending Authority						
Fiscal Year	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Beginning Fund Balance	11,689,487	12,476,982	11,009,049	8,459,934	6,333,038	4,503,841
Revenue	43,200,166	40,683,894	39,158,092	40,683,897	44,167,428*	44,167,428
Expenditures	42,412,669	42,151,830	41,707,205	47,236,187	43,416,700*	43,850,867
Ending Fund Balance	12,476,982	11,009,049	8,459,934	6,333,038	4,503,841*	2,879,909
Net Cash Flow	787,497	-1,467,936	-2,549,113	-2,126,897	750,728*	316,561

* Projected figures

The table below adjusts expenditures, in bold, to reflect the Department's request and shows the corresponding effect upon fund balance without adjustments to variable vehicle rates. As shown, the Department would have faced fund insolvency in FY 2023-24, which would have required a seismic increase in rates in FY 2023-24 to mitigate or an infusion of General Funds directly to the fund.

November 1 Schedule 9 Figures-Supplemental Spending Authority & No Rate Adjustment						
Fiscal Year	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23*	FY 2023-24*
Beginning Fund Balance	11,689,487	12,476,982	11,009,049	8,459,934	6,333,038	891,640
Revenue	43,200,166	40,683,894	39,158,092	40,683,897	44,167,428	44,167,428
Expenditures	42,412,669	42,151,830	41,707,205	47,236,187	**49,608,826**	**49,608,826**
Ending Fund Balance	12,476,982	11,009,049	8,459,934	6,333,038	891,640	-4,549,758
Net Cash Flow	787,497	-1,467,936	-2,549,113	-2,126,897	-5,441,398	-5,441,398

*Projected figures