This file contains the following documents:

1. December 16, 2013, JBC Staff memo titled: "Department of Personnel Proposed Bills".

2. December 16, 2013, JBC Staff document titled: "FY 2014-15 Staff Budget Briefing Department of Personnel".

MEMORANDUM

TO: Joint Budget Committee

FROM: Alfredo Kemm, JBC Staff (303-866-4549)

SUBJECT: Department of Personnel Proposed Bills

DATE: December 16, 2013

The Department asked staff to formally comment to the Committee on two proposed bills that the Department discussed with staff.

Bill 1: Continuous Appropriations Authority for Workers' Compensation Claims

The Department would like continuous spending authority for the workers' compensation claims payments and claims-related payments that is currently provided for the other risk programs: liability and property. Statute allows continuous spending authority for these programs *other than the direct and indirect administrative costs of operating the risk management system.* The Department would seek similar treatment for workers' compensation.

Background

Most recently the Department submitted a 1331, interim supplemental request for workers' compensation claims payments in June of this year. The Department requested an additional $1,367,406 reappropriated funds spending authority for its Workers' Compensation Premiums line item in Risk Management for FY 2012-13. Staff recommended $1.5 million to ensure the Department had enough spending authority based on the Department's assessment that its request was based on a lean to mid-range projection. Actual expenditures exceeded the supplemental appropriation by an additional $139,000.

Staff's primary concern with the 1331 was that the request suggested that claims were higher than budgeted. Staff's analysis found that claims were projected below budget, but litigation and other administrative and program expenses were higher than budgeted. The following table outlines information presented by staff in the 1331 presentation to the Committee:

June 2013 Analysis of 1331 Request for Workers' Compensation Claims

Workers' Compensation Premiums Line Item Expenses	FY 2012-13 Request	JBC Staff Recommend.	Department 1331 Projection	Projected Over/(Under)
Prospective Claims Payout	$34,907,605	$34,907,605		
DHS Prior Year Claim Payments	150,000	150,000		
Subtotal Claims Payments	**35,057,605**	**35,057,605**	**34,297,915**	**(759,690)**
Excess Policy	449,893	449,893	513,964	64,071
CDLE Permit	2,000	2,000	2,000	0
CDLE Surcharge	500,000	500,000	364,256	(135,744)
Subtotal Other Policy Expenses	**951,893**	**951,893**	**880,220**	**(71,673)**

June 2013 Analysis of 1331 Request for Workers' Compensation Claims				
Workers' Compensation Premiums Line Item Expenses	**FY 2012-13 Request**	**JBC Staff Recommend.**	**Department 1331 Projection**	**Projected Over/(Under)**
Litigation	**500,000**	**500,000**	**1,885,784**	**1,385,784**
TPA Fees	2,150,000	2,150,000	2,400,216	250,216
Loss Control Incentives	50,000	50,000	4,650	(45,350)
Actuarial Services	39,500	39,500	23,500	(16,000)
RMIS Service Fees	45,816	45,816	12,409	(33,407)
Broker Service Fees	13,943	13,943	14,000	57
Subtotal Program and Admin Expenses	**2,299,259**	**2,299,259**	**2,454,775**	**155,516**
Workers' Compensation Premiums Line Item	**38,808,757**	**38,808,757**	**39,518,694**	**709,937**
Other Expenses Included in Premiums, But Not Identified in Budget Request				
Medical Bill Review	0	0	634,490	634,490
Indexing Fee	0	0	22,978	22,978
Subtotal Other Expenses Not Identified in Budget Request	**0**	**0**	**657,468**	**657,468**
				-
Total Projected Workers' Compensation Premiums Line	**$38,808,757**	**$38,808,757**	**$40,176,162**	**$1,367,405**
Litigation to Claims Ratio	1.4%	1.4%	5.5%	
Program and Admin Exp to Claims Ratio	6.6%	6.6%	9.1%	
Measures of Understatement in Budget Request				
Litigation Over Budget			277.2%	
Program and Admin Exp Over Budget			35.4%	

Claims payments have to be paid whether within an annual or continuous appropriations structure. Litigation and legal expenses have historically been considered as included in continuous appropriations authority for the property and liability programs. The Department has historically included other program and administrative expenses within the *premiums* line items, which was the line item considered to have continuous spending authority in the property and liability programs. At figure setting last year, staff recommended and the Committee approved splitting the *premiums* line items to better identify various program expenses and better identify administrative expenses that are annually appropriated from claims-related expenses that are continuously appropriated.

Staff's Position on the Department's Proposed Bill

Staff is not opposed to the Department's request for continuous appropriations authority within the structure currently provided for the property and liability programs. However, staff would recommend that the Committee and the General Assembly more carefully consider the provisions that define which expenses constitute continuously appropriated program expenses and which constitute annually appropriated administrative expenses and consider better defining or specifying such expense elements and which should be afforded the automatic payment characteristics of continuous spending authority.

Staff has been concerned that the risk management programs may have been understating legal expenses through the budget process. However legal expenses are considered within continuous spending authority for the property and liability programs. The Department considers the TPA Fees and Loss Control line item which pays for the State's third party administrator contract with Broadspire as well as internal workers' compensation program loss control efforts as a *premiums* or claims-related expense. Staff continues to believe that these might be more appropriately considered administrative expenses that should be annually appropriated because of the range and optional nature of the oversight services provided externally through contract or internally by program. Quality of oversight provided should be judged based on the resources expended. Claims and legal expenses related to claims tend to fall outside of the program's management controls in any given year.

Staff would take a position more supportive of the Department's proposed legislation if it included additional legislative guidance and statutory clarity regarding the types of expenses allowed within the continuous spending authority requested.

Bill 2: Excess Reserve Exemption for Central Services Funds

The Department would like exemption from the 16.5 percent excess reserve limit for funds 601, Integrated Document Solutions (IDS), and 610, Capitol Complex. The Department requests this exemption in order to allow the accumulation of funds for the express purpose of paying for future capital expenditures.

Reserves, Depreciation, and Capital Replenishment

Future capital expenditures will have to be paid one of three ways:

1. by General Fund;
2. by increased fees to customer agencies; or
3. from accumulated fund balances.

Historically, larger capital purchases are made by General Fund, either directly or through the Capital Construction Fund. Setting aside the General Fund option, the payment for capital expenditures by additional fees or from accumulated fund balance is essentially a question of time rather than source:

- customer agencies pay fees in excess of program operating expenses in years preceding a capital purchase allowing an accumulation of fund balance; or
- customer agencies pay fees in excess of program operating expenses in years following a capital purchase to pay for the capital purchase.

The disadvantage to paying higher fees in advance is that customer agencies may not know what they are paying for with the excess intended for future capital purchases. Additionally, it is staff's understanding that the federal government would not pay fees that include an element for advance payment for capital.

In practice, the Department does make requests for capital improvements – usually information technology systems – in which there is an accumulated fund balance that would fund such a purchase. Staff has communicated to the Committee over the course of providing budget recommendations that while such funding options appear to allow for a capital equipment purchase without raising customer fees, the fund reserve that is used for purchasing capital could just as well be spent lowering customer fees. The choice is not – *spend it because it was accumulated and we have it*, but rather *spend it on capital equipment or return it to the customers who previously overpaid through lower fees going forward*.

While the Department has, on occasion, accumulated fund reserves that are eventually spent on capital purchases, the objective of generating a reserve specifically for that purpose should be discouraged.

However, there is an instance which is allowed and could be considered within the context of the Department's proposed legislation. Depreciation is or should be collected through fees to pay for capital expenditures. This is the one way that the federal government allows the State to bill for capital expenditures: after the State's investment in capital, through a depreciation expense. Additionally, the federal government will only pay such a fee if that fee is charged to all fund sources. So depreciation is or should be collected within a fee.

Since depreciation is not a cash flow expense, the program fund balance automatically accumulates the portion of the fee that is depreciation. The flow chart shown in attachment 2 illustrates this cash flow pattern into the fund balance. In this case, a fund may accumulate a reserve and possibly an excess reserve by appropriately capturing depreciation. In this case, it is also then arguably appropriate for a reserve or excess reserve to be spent on future capital expenditures since the funds were collected on a principle related to the depletion of capital.

Staff's initial comments to the Department suggested that staff might be supportive of such legislation if it was restricted to capturing depreciation and if depreciation could be segregated within a capital replenishment subaccount or otherwise clearly identified in fund balance reports. The Department has shared with staff follow-up comments suggesting that a subaccount or separate capital account is probably not workable because of federal government requirements, and the Department's preferred solution would be to identify a portion of reserve as such a capital reserve in fund balance-related reports.

Staff's Position on the Department's Proposed Bill

Staff is not opposed to this request in concept, under certain conditions, but would continue to reserve judgment on taking a position until details can be provided. Staff does not support a straightforward statutory exemption to the excess reserve requirement. Staff would support a statutory exemption that includes provisions specifying that excess reserves:

1. Are intended for capital purchases;
2. Consist only of accumulated depreciation; and
3. That fund balance reports clearly segregate and identify depreciation-generated, capital replenishment reserves.

Bill 2: An Additional Consideration – Integrated Document Solutions Fund Deficit

This Department legislative proposal closely follows in time, and may be related to, the State Controller's Overexpenditure Report for FY 2012-13, which identified the Integrated Document Solutions Fund 601 as being in deficit as of the end of that fiscal year. When that report was received at the end of summer, staff began looking into the issues related to the deficit and expected to have an issue brief to present to the Committee if findings warranted.

Staff is still unable to determine, or accurately assess and report on what may have taken place to generate a deficit. However, staff continues to be concerned about this issue and this memo has afforded staff the opportunity to share some larger questions with the Committee that staff was not ready to present within an issue brief.

The Controller identified a deficit of $319,504 and the Controller's letter states that the deficit is due to various factors including an under-earning of projected revenue. The letter goes on to specify that under-earning is partly due to depreciation not having been factored into rate-setting through FY 2012-13. Additionally, the letter states that the program experienced billing problems for a two-week period in April-May 2013 with no ability to recover information needed for billings to state agencies. The Department states that the deficit is primarily due to the program not including depreciation in its rates. Additionally, the Department states that it lost two weeks of metering billing data and estimates the loss at $126,682.

Staff determined that statute requires the Department to include depreciation in its rate-setting for this program and therefore the Department is appropriately including depreciation going forward. However staff was initially concerned about two items related to this issue:
1. empty spending authority unnecessarily remaining in program line items; and
2. whether depreciation was the reason for the deficit.

Empty Spending Authority

Staff recommended and the Committee approved eliminating contingency line items for the program at figure setting last year. OSPB requested that these line items remain and the Committee approved that request on the basis that it was *empty spending authority* anyway and would only be accessed if the program received additional business. Staff's concern was that the program appeared to be doing less business over time and therefore did not need the additional spending authority in its budget.

The Department's central services, generally, are required to be purchased by state agencies. The only exception is through a waiver granted by the Department. The Department states that its consolidated central services save the State money by more efficiently provided such services at a single point. In principle, this appears to be true. However, in practice, it is also possible to over-charge or over-collect for services if a central service program is not efficiently providing services. And since it holds monopoly power in providing these services, there is no competing service provider to ensure or compel efficiency.

Prices are set by projecting the business volume expected for a given year and ensuring that program operating costs are covered as close to a zero profit as possible. However, when operating costs are higher than they need to be to service a given level of business volume, the price is necessarily going to be higher than it should be. The program may claim that it is justified in having excess capacity in the event that unexpected business comes in. But higher than necessary business volume projections that exceed historical trends – what customer agencies are actually buying, and possibly including identifiable potential projects that may come in, means that customer agencies are paying for the excess capacity held by the program. Empty spending authority in this case may be a contributing factor to higher prices than necessary in order to support a program with excess capacity.

The deficit issue identified by the State Controller suggested that not only had the program not received the volume of business it expected, it had received much less in generating a deficit. However, the Department's schedule 9 (included as attachment 1) included in this year's budget request includes an operating cash flow summary with revenue of $19.2 million and expenses of $18.2 million which actually generated a net operating cash flow of just under plus $1.0 million for the IDS program in FY 2012-13. <u>The program's operating revenue and expenses were not the cause of the deficit.</u>

Depreciation
The program had an operating, net positive cash flow in FY 2012-13. The deficit generated in this fund account was not due to program operating revenues and expenses, but was rather located in the balance sheet, and therefore might be caused by depreciation. Had depreciation been included in rate setting, the program would have generated more revenue with higher prices that included depreciation.

Specifically, the Department identifies alternately, about $476,000 expensed in its operating income statement or $401,000 shown as the one-year change in accumulated depreciation on the program fund's balance sheet. The operating cash flow generated a $1.0 million surplus; depreciation could be considered to account for about 40.0 to 48.0 percent of this surplus. <u>On this basis, the program covered its operating expenses and depreciation and contributed a surplus of at least $0.5 million.</u>

Schedule 9 Balance Sheet
In FY 2012-13, the program is in deficit by $319,504 after a beginning year balance of plus $503,735, for a total decrease in fund balance of $823,239. Staff's understanding of balance sheets is that changes in cash position come from three general places:

- adjustments from operating cash flow;
- investment (spending), or other adjustments, in long-term or capital assets; and
- changes in liabilities.

The program's operating cash flow contributed just under a plus $1.0 million. What happened to $1.8 million – $1.0 million from operating and $0.8 million change in fund balance – in this fund on the balance sheet?

Cash Assets
The schedule 9 shows that there was a change in cash assets of minus $1.0 million. Typically, cash assets correlate with program cash flow. In this case, the program cash flow was plus $1.0 million and cash assets were minus $1.0 million for a difference between the two of about $2.0 million.

Long-term/Capital Assets
Changes in long-term assets included on the schedule 9 shows a minus $363,717 change. Long-term assets essentially include capital assets minus depreciation. So had there been a purchase of capital assets with cash, such a change would have been reflected at about equal to the cash assets change. Additionally, depreciation is included so no adjustment is necessary to account for that.

Liabilities
Liabilities shown on schedule 9 were reduced by $780,333 over the fiscal year, reducing the $1.8 million not otherwise accounted for in the schedule 9 to about $1.0 million.

Schedule 9 Balance Sheet Conclusion
It appears that approximately $1.0 million is unaccounted for in the operating and finance information presented in the schedule 9.

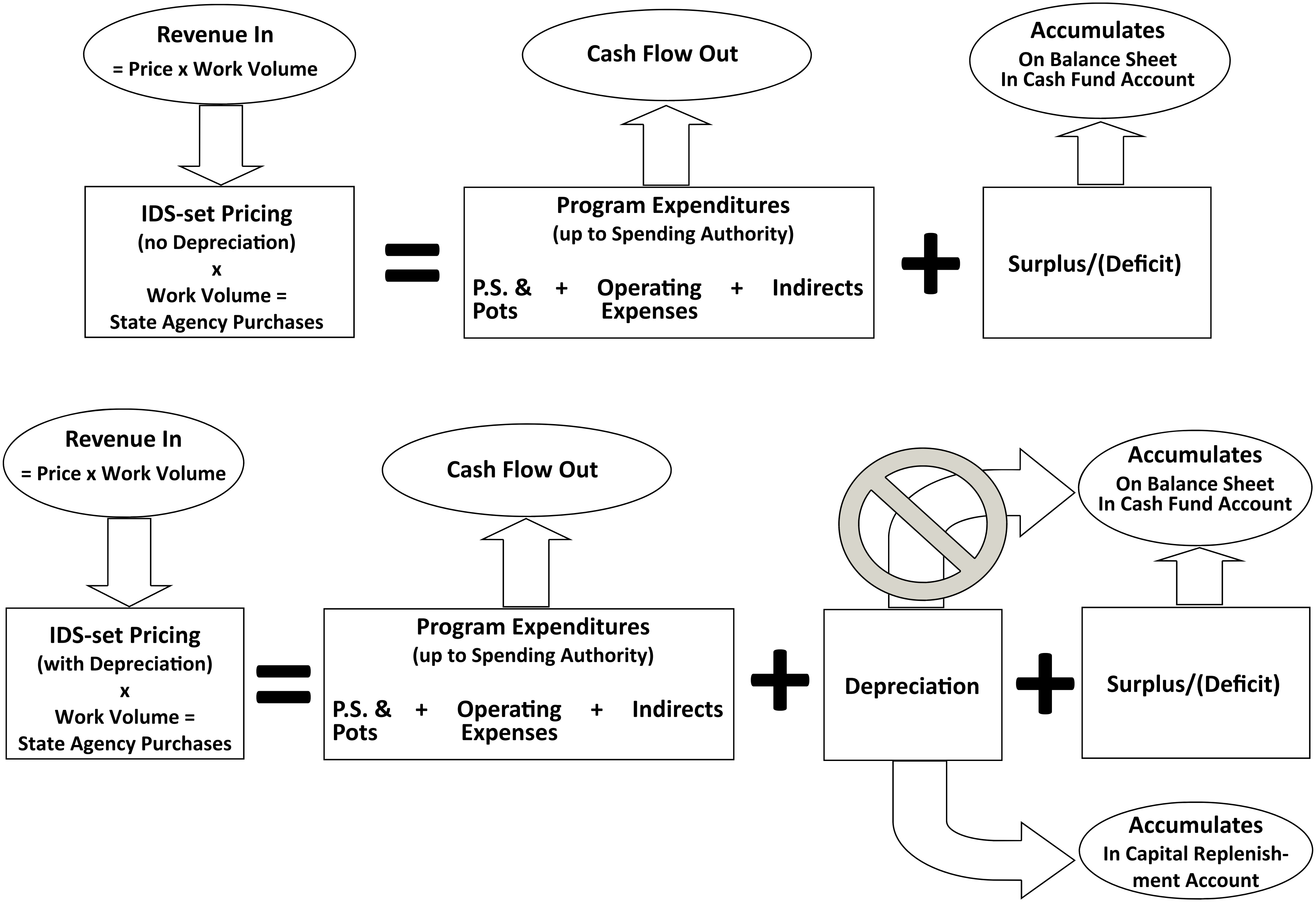
Staff is expecting to meet with the Department regarding this issue, but has not yet had that meeting. Nevertheless, staff is concerned that the Department's proposed legislation may be related to this issue particularly and at this point staff is unsure about what took place in the IDS program that generated the deficit.

It does not appear that not including depreciation in pricing is responsible for the deficit as identified by the Department and in the State Controller's letter. The program's operating surplus indicates that the programs services were overpriced in FY 2012-13 by $1.0 million. Including depreciation in pricing would have generated a greater operating surplus. A greater surplus of $400,000 to $475,000 would have prevented the fund balance from being in deficit, but does not explain where the additional $1.0 million in cash assets were expended or placed. Staff's position on the Department's proposed legislation will ultimately be dependent on having this issue resolved.

Schedule 9: Cash Funds Reports
Department of Personnel & Administration
FY 2014-15 Budget Request
Fund 601 - Central Services Fund
24-30-1108, C.R.S. (2013)

	Actual	Actual	Appropriated	Requested
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Year Beginning Fund Balance (A)	***$527,225***	***$503,735***	***-$319,504***	***$1,689,464***
Changes in Cash Assets	-$126,661	-$1,043,581	$747,093	$0
Changes in Non-Cash Assets	$297,327	-$196,275	-$68,192	$0
Changes in Long-Term Assets	$70,305	-$363,717	$1,496,982	$0
Changes in Total Liabilities	-$264,460	$780,333	-$166,915	$0
TOTAL CHANGES TO FUND BALANCE	**-$23,490**	**-$823,240**	**$2,008,968**	**$0**
Assets Total	***$6,429,681***	***$4,826,108.59***	***$7,001,992***	***$7,001,992***
Cash (B)	$672,092	-$315,540	$431,233	$431,233
Inventory	$823,274	$626,999	$558,807	$558,807
Other Assets	$11,401	$7,979	$7,979	$7,979
Capital Assets	$4,509,527	$4,149,231	$5,646,214	$5,646,214
Other Assets(Detail as necessary)	$0	$0	$0	$0
Receivables	$413,387	$357,438	$357,759	$357,759
Liabilities Total	***$5,925,946***	***$5,145,613.03***	***$5,312,528***	***$5,312,528***
Cash Liabilities (C)	$1,361,604	$1,603,223	$1,770,138	$1,770,138
Long Term Liabilities	$4,564,341	$3,542,390	$3,542,390	$3,542,390
Ending Fund Balance (D)	***$503,735***	***-$319,504***	***$1,689,464***	***$1,689,464***
Logical Test	TRUE	TRUE	TRUE	TRUE
Net Cash Assets - (B-C)	***-$689,512***	***-$1,918,762***	***-$1,338,905***	***-$1,338,905***
Change from Prior Year Fund Balance (D-A)	***-$23,490***	***-$823,240***	***$2,008,968***	***$0***
Cash Flow Summary				
Revenue Total	$21,189,811	$19,219,914	$21,278,351	$21,278,351
Fees	$0	$19,219,914	$21,278,351	$21,278,351
Interest	$0	$0	$0	$0
Expenses Total	$21,213,301	$18,232,282	$20,531,578	$21,278,351
Cash Expenditures	$21,213,301	$18,232,282	$20,531,578	$21,278,351
Change Requests (If Applicable)	$0	$0	$0	$0
Net Cash Flow	-$23,490	$987,632	$746,773	$0

IDS Cash Flow Models for Pricing Without and With Depreciation



COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2014-15 STAFF BUDGET BRIEFING

DEPARTMENT OF PERSONNEL

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

Prepared By:
Alfredo Kemm, JBC Staff
December 16, 2013

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

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DEPARTMENT OF PERSONNEL

Department Overview

The Department generally provides centralized human resources and administrative support functions for the State.

The **Executive Director's Office** includes the Office of the State Architect, the Colorado State Archives, the Colorado State Employee Assistance Program (C-SEAP), and the Address Confidentiality Program.

The **State Personnel Board**, located in the Department but constitutionally independent, oversees the State Personnel System pursuant to Article XII, Sections 13, 14, and 15 of the Colorado Constitution.

The **Division of Human Resources** establishes statewide human resource programs and systems to meet constitutional and statutory requirements and provides support services to state agency human resource offices.

The **State Office of Risk Management** in the Division of Human Resources administers and negotiates the state's coverage for workers' compensation, property, and liability insurance.

The **Division of Central Services** exists to maximize efficiencies for the state through consolidated common business services and includes Integrated Document Solutions, State Fleet Management, and Facilities Maintenance.

The **Integrated Document Solutions** unit provides document- and data-related support services, including print and design, mail operations, digital imaging, data entry, and manual forms and document processing.

State Fleet Management provides oversight for all vehicles in the state fleet including managing vehicle purchasing and reassignment; fuel, maintenance, repair and collision management; and auction, salvage and the State Motor Pool.

The **Office of the State Controller** maintains the state’s financial records, in part through the Colorado Financial Records System (COFRS), the state's accounting system.

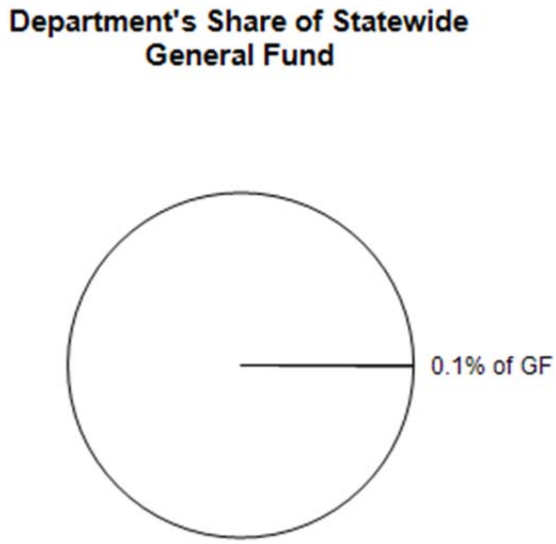
The **Office of Administrative Courts** provides a statewide, centralized, independent administrative law adjudication system, including hearing cases for workers' compensation, public benefits, professional licensing, and Fair Campaign Practices Act complaints filed with the Secretary of State.

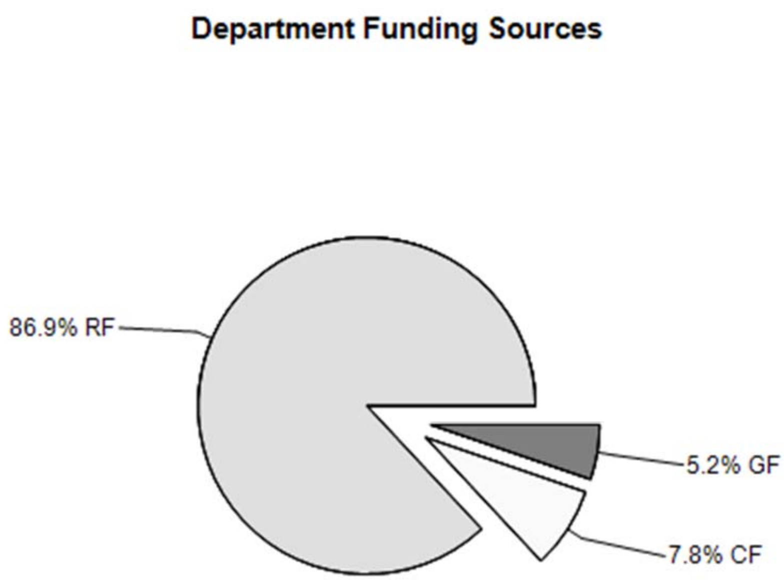
Department Budget: Recent Appropriations

Funding Source	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15 *
General Fund	$4,118,272	$6,603,153	$9,131,974	$8,544,797
Cash Funds	11,790,909	12,565,917	13,628,813	13,272,224
Reappropriated Funds	141,948,754	145,017,102	151,445,199	153,901,564
Federal Funds	0	0	0	0
Total Funds	**$157,857,935**	**$164,186,172**	**$174,205,986**	**$175,718,585**
Full Time Equiv. Staff	394.3	396.9	392.6	386.1

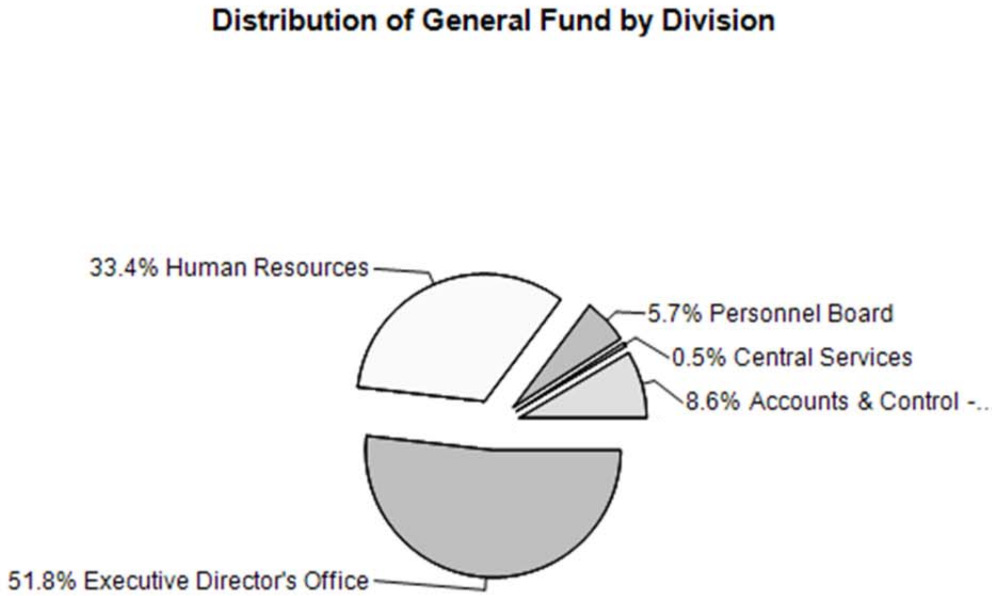
*Requested appropriation.

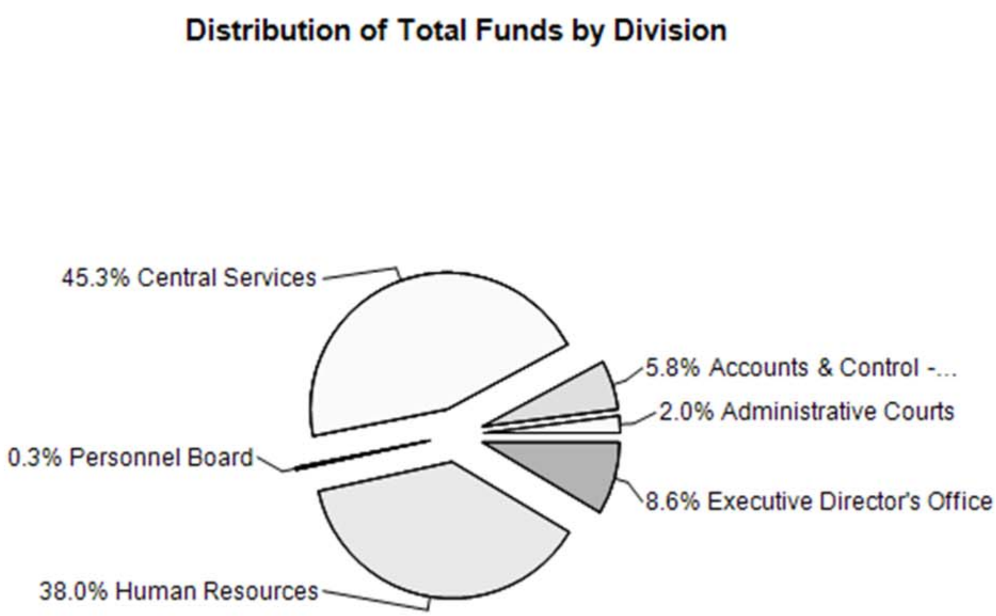
Department Budget: Graphic Overview





All charts are based on the FY 2013-14 appropriation.





All charts are based on the FY 2013-14 appropriation.

General Factors Driving the Budget

The Department's FY 2014-15 budget request consists of 4.9 percent General Fund, 7.6 percent cash funds, and 87.6 percent reappropriated funds. The primary source of reappropriated funds is user fees transferred from other agencies for the provision of statewide services. Some of the major factors driving the Department's budget are discussed below.

Number of State Employees

The Department administers the state's programs related to employee compensation and benefits. Statewide expenditures for these programs are driven by the number of employees, the percentage of employees who choose to participate in optional benefit plans, and the Department's contracts with the benefit providers. The following table shows the number of FTE appropriated statewide, excluding all employees in the Department of Higher Education.

State Employees (excluding Department of Higher Education Employees)								
	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY11-12	FY 12-13	FY 13-14
Total FTE	29,106.7	30,211.0	31,142.5	31,070.5	31,466.9	30,657.3	30,559.8	30,787.2

The Department's Executive Director serves as the State Personnel Director, and pursuant to Section 24-50-104 (4) (c), C.R.S., submits to the Governor and the Joint Budget Committee of the General Assembly, annual recommendations and estimated costs for salaries and group benefit plans for state employees. For FY 2013-14, salary survey line items totaled $48.1 million statewide, including $23.7 million General Fund, and provided a 2.0 percent across-the-board pay increase. For FY 2013-14, the merit pay line items totaled $21.4 million statewide, including $11.4 million General Fund, and provided funding for raises according to a formula that rewards performance, but also gave greater percentage increases to employees at the lower end of the pay range.

The Total Compensation Common Policies briefing will address issues related to this factor.

Risk Management

The Office of Risk Management administers liability, property, and workers' compensation insurance coverage. Factors driving the budget are the number of claims and their costs, as well as division staffing and how the Department allocates expenses internally.

- The State is self-insured for the Liability Program. Liability claims are funded by the Risk Management Fund, pursuant to Section 24-30-1510 (1), C.R.S. These types of claims include federal claims for employment discrimination, federal claims for civil rights violations, and allegations of negligence on the part of a state agency or employee, such as auto accidents or injuries that occur in a state building.

- The Property Program purchases commercial insurance and pays associated deductibles to cover state properties and assets. Property claims are funded by the Self-Insured Property Fund, pursuant to Section 24-30-1510.5 (1), C.R.S. This type of insurance covers state buildings and their contents, and the Department insures over 6,000 properties that are valued in excess of $9.0 billion.

- The State is self-insured for the Workers' Compensation Program. Workers' compensation claims are funded by the State Employee Workers' Compensation Account in the Risk Management Fund, pursuant to Section 24-30-1510.7 (1), C.R.S.

Appropriations and allocations to state agencies for risk management coverage are calculated using actuarially-determined prospective claims losses. The larger institutions of higher education administer their own risk management programs, and those funds are not included in the following table.

Statewide Risk Management Services - Premiums and Program Management Expenses						
	FY 09-10 Actual	**FY 10-11 Actual**	**FY 11-12 Actual**	**FY 12-13 Actual**	**FY 13-14 Approp.**	**FY 14-15 Request**
Workers' Compensation Premiums	40,945,315	35,441,933	33,565,516	40,447,902	39,020,820	40,637,676
Property Premiums	8,121,258	7,881,786	7,824,968	7,668,912	7,984,015	7,299,621
Liability Premiums and Legal Services	6,915,373	7,532,919	7,215,260	7,680,580	7,940,300	7,764,857
TOTAL Premiums & Legal	**55,981,946**	**50,856,638**	**48,605,744**	**55,797,394**	**54,945,135**	**55,702,154**
Workers' Comp. TPA Fees and Loss Control	n/a	n/a	n/a	n/a	2,200,000	2,450,000
Risk Management Services Administrative Expense	754,886	888,064	875,926	876,974	1,328,047	1,386,721
TOTAL Program Management	**754,886**	**888,064**	**875,926**	**876,974**	**3,528,047**	**3,836,721**
Program Management Expense Percentage	1.33%	1.72%	1.77%	1.55%	6.03%	6.44%
TOTAL Risk Management	**56,736,832**	**51,744,702**	**49,481,670**	**56,674,368**	**58,473,182**	**59,538,875**
Additional Payments from State Claims Board	n/a	n/a	n/a	n/a	2,835,738	2,835,738

The Workers' Comp. TPA Fees and Loss Control line item provides funding for the State's workers' compensation third party administrator (TPA), Broadspire, and the Department's loss control initiatives and is included in calculating the program management expenses percentage of Risk Management. Prior to the 2013 Long Bill, these expenses were commingled in the *Workers' Compensation Premiums* line item. Prior to the 2013 Long Bill certain administrative or program management expenses were commingled within the funding for all three Risk Management Program *Premiums* line items, including actuarial and broker services and the risk management information system. These funds are now identified in the Risk Management Program Administrative Cost section of Risk Management Services.

The Additional Payments from State Claims Board line item provided $2.8 million in General Fund in a 2013 Long Bill amendment for the purpose of funding additional claims related to the Lower North Fork Fire as provided in Section 24-10-114 (5) (b), C.R.S. While this amendment was adopted as one-time funding and did not include a fiscal statement for out-year funding, the Department has retained this appropriation in its FY 2014-15 request.

State Fleet Management

Pursuant to Section 24-30-1104 (2) (a), C.R.S., the State Fleet Management Program (Fleet) manages the state motor pool, coordinates the maintenance and repairs for state vehicles, auctions older vehicles, and purchases vehicles that are financed by a third-party company. Fleet is funded by reappropriated funds in the Motor Fleet Management Fund, pursuant to Section 24-30-1115, C.R.S.

Fleet Management Program Appropriations and Expenditures Analysis

	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13
Total Fleet Long Bill Appropriation [/1]	$34,368,009	$39,431,801	$42,101,025	$43,602,451	$42,834,398
Total Fleet Actual Expenditure	32,920,488	32,033,596	36,669,122	39,194,682	38,778,051
Fleet Vehicles	5,800	5,817	5,903	5,912	5,912
Average Annual Cost per Vehicle	**$5,676**	**$5,507**	**$6,212**	**$6,630**	**$6,559**
Change in Average Cost		-3.0%	12.8%	6.7%	-0.7%
Vehicle Lease/Purchase Long Bill Appropriation	$12,558,203	$13,984,778	$16,599,436	$16,521,437	$15,686,775
Vehicle Lease/Purchase Expenditure	11,880,388	12,188,713	14,519,741	14,695,589	14,125,831
Average Annual Lease/Purchase Payment per Vehicle	**$2,048**	**$2,095**	**$2,460**	**$2,486**	**$2,389**
Lease/Purchase Percent of Total per Vehicle Cost	36.3%	38.2%	39.7%	37.6%	36.4%
Fleet Operating Expenses Long Bill Appropriation	$20,677,433	$24,127,500	$24,131,346	$25,728,564	$25,728,564
Fleet Operating Expenses Expenditures	19,731,929	18,492,680	20,675,568	23,066,149	23,124,509
Average Annual Fleet Op. Expense per Vehicle	**$3,402**	**$3,179**	**$3,503**	**$3,902**	**$3,911**
Operating Expenses Percent of Total per Vehicle Cost	60.3%	57.9%	56.6%	59.0%	59.6%
Vehicle Management Fee (auction pool vehicles) [/2]	**$23**	**$27**	**$36**	**$27**	**$30**
Fleet Admin Long Bill Appropriation	$1,132,373	$1,319,523	$1,370,243	$1,352,450	$1,419,059
Fleet Admin Expenditures [/3]	1,308,171	1,352,203	1,473,813	1,432,944	1,527,711
Average Annual Fleet Admin Costs per Vehicle	**$226**	**$232**	**$250**	**$242**	**$258**
Admin Expense Percent of Total per Vehicle Cost	4.0%	4.2%	4.0%	3.7%	3.9%

[/1] The FY 2013-14 Long Bill Appropriation totals $44,845,691 for 5,932 vehicles. The FY 2014-15 request totals $45,971,215 for 5,950 vehicles.

[/2] The Vehicle Management Fee shown is for auction pool vehicles. The Division of Wildlife is the only non-auction pool agency in Fleet and pays a higher fee because they retain the auction proceeds from their vehicles to replenish federal funding received. Fees for the Division of Wildlife vehicles from FY 08-09 through FY 12-13 were $35, $40, $45.50, $40, and $35.

[/3] Fleet Admin Expenditures include compensation-related POTS expenditures that are appropriated in the Executive Director's Office.

Vehicles in the state fleet incur both fixed and variable costs. Fixed costs include vehicle lease payments and Fleet's vehicle management fee, and are funded in the Vehicle Lease Payments line item in individual department budgets and paid into the Motor Fleet Management Fund. Variable costs include the cost of repairs, maintenance, fuel, and insurance for state agency vehicles and are funded in individual department Operating Expenses line items and paid into the Motor Fleet Management Fund.

Vehicle lease payments to finance companies are paid from Fleet's, *Vehicle Replacement Lease, Purchase or Lease/Purchase* line item. The vehicle management fee funds Fleet's administrative overhead including personal services, administrative operating expenses, leased space, and indirect costs. Fleet's Operating Expenses line item is mostly comprised of statewide fleet operating costs (maintenance, fuel, insurance), with the exception of administrative operating expenses covered by the vehicle management fee. The 2013 Long Bill split out a Fuel and Automotive Supplies line item from the program Operating Expenses line item to identify administrative operating expenses separately.

Leases vary between 72 and 120 months, with the exception of State Patrol vehicles that are 48-month leases. Non-CSP vehicles are first evaluated for replacement at 100,000 miles, but the average vehicle is replaced at 140,000 miles. State Patrol vehicles are first evaluated for replacement at 80,000 miles, and are typically replaced at 110,000 miles.

Summary: FY 2013-14 Appropriation & FY 2014-15 Request

Department of Personnel	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	$172,942,077	$9,154,163	$12,354,837	$151,433,077	$0	393.4
Other Legislation	1,263,909	(22,189)	1,273,976	12,122	0	(0.8)
TOTAL	**$174,205,986**	**$9,131,974**	**$13,628,813**	**$151,445,199**	**$0**	**392.6**
FY 2014-15 Requested Appropriation						
FY 2013-14 Appropriation	$174,205,986	9,131,974	$13,628,813	$151,445,199	$0	392.6
R1 Total Compensation Vendor	300,000	300,000	0	0	0	0.0
R2 Transparency Online Project Modernization	142,235	142,235	0	0	0	0.0
R3 Central Collections Investment in Customer Service	389,022	0	389,022	0	0	0.0
R4 Address Confidentiality Program Resources	60,308	60,308	0	0	0	0.0
CP1 Annual Fleet Vehicle Request	587,159	0	0	587,159	0	0.0
CP2 Camp George West Utilities Transfer	(330,643)	0	0	(330,643)	0	0.0
CP Risk Management Programs Base Adjustments	857,304	0	0	857,304	0	0.0
CP Capitol Complex Base Adjustments	265,924	0	0	265,924	0	0.0
Non-prioritized requested changes	173,010	45,569	23,097	104,344	0	0.0
NP - Additional Vehicle Requests	78,845	0	0	78,845	0	0.0
Centrally appropriated line items	534,887	197,744	203,130	134,013	0	0.0
Indirect cost assessment adjustments	244,479	0	262,038	(17,559)	0	0.0
Annualize prior year funding	(1,241,476)	(161,526)	(1,198,285)	118,335	0	(6.5)
Statewide IT common policy adjustments	(548,455)	(314,722)	(39,732)	(194,001)	0	0.0
Fund source adjustments	0	(856,785)	4,141	852,644	0	0.0
TOTAL	**$175,718,585**	**$8,544,797**	**$13,272,224**	**$153,901,564**	**$0**	**386.1**
Increase/(Decrease)	$1,512,599	($587,177)	($356,589)	$2,456,365	$0	(6.5)
Percentage Change	0.9%	(6.4%)	(2.6%)	1.6%	0.0%	(1.7%)

Description of Requested Changes

R1: Total Compensation Vendor: The request includes a $300,000 increase in General Fund to contract with a consultant to conduct a custom compensation market study and benefit market analysis report on a biennial basis, to fulfill a statutory responsibility that is currently performed by Division of Human Resources, State Agency Services, Compensation Unit staff.

R2: Transparency Online Project Modernization: The request includes a $142,235 increase in General Fund in FY 2014-15 to support the implementation of an updated Transparency Online Project (TOP) system and $5,000 General Fund for ongoing licensing costs beginning in FY 2015-16. The FY 2014-15 request includes $100,000 to implement the new TOP system and $42,235 for personal services and operating expenses for a temporary position equivalent to 0.5 FTE to support implementation.

R3: Central Collections Investment in Customer Service: The request includes a $389,022 increase in cash fund spending authority for FY 2013-14 for the Central Collections Services unit to handle increased collections work volume. The FY 2013-14 request includes $192,306 cash funds for personal services and operating expenses for the equivalent of 3.6 FTE in temporary staff for FY 2013-14 only and $196,716 cash funds for non-staff-related operating expenses. The request annualizes to $196,716 in out years for ongoing operating expenses related to increased collections volume.

R4: Address Confidentiality Program Resources: The request includes a $60,308 increase in General Fund for personal services and operating expenses for the equivalent of 1.4 FTE in temporary staff for FY 2014-15.

CP1: Annual Fleet Vehicle Request: The request includes a $587,159 increase in reappropriated funds for the vehicle replacement lease/purchase line item and increases appropriations to state agencies vehicle lease payments line items by $2,271,687 in FY 2014-15 for the replacement of 777 vehicles, which includes 295 compressed natural gas vehicles.

CP2: Camp George West Utilities Transfer: The request includes a $330,643 decrease in reappropriated funds for the Capitol Complex utilities line item in FY 2014-15 and ongoing. The request includes the replacement of utilities paid for by state agencies at Camp George West through the Capitol Complex Leased Space line item with direct billing to those agencies from Xcel Energy. Utilities will be paid for by state agencies operating expenses or utilities line items, resulting in a cost-neutral solution and eliminating the current double-count in the budget for these payments.

CP Risk Management Program Base Adjustments: The request includes an $857,304 increase in reappropriated funds spending authority for risk management program base adjustments.

CP Capitol Complex Base Adjustments: The request includes a $265,924 increase in reappropriated funds spending authority for Capitol Complex base adjustments.

Non-prioritized requested changes: The request includes the Department's share of annual fleet vehicle replacement adjustments, and the following changes from the Office of Information Technology: secure Colorado phase II, eliminate redundant applications, Capitol Complex network resiliency, IT service management ecosystem, and DTRS operations increase.

NP Additional Vehicle Requests: The request includes a $78,845 increase in reappropriated funds spending authority for the *Vehicle Replacement Lease, Purchase, or Lease/Purchase* line item for new vehicle-related requests from the Department of Corrections, the Department of Natural Resources, and the Department of Regulatory Agencies.

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; workers' compensation; administrative law judges; payment to risk management and property funds; and leased space and Capitol complex leased space.

Indirect Cost Assessment Adjustments: The request includes a $244,479 increase in total funds that reflects adjustments to indirect cost assessment lines as a result of the Statewide Indirect Cost Plan.

Annualize prior year funding: The request includes adjustments related to prior year legislation and budget actions.

Statewide IT common policy adjustments: The request includes adjustments to line items appropriated for: purchase of services from the computer center; Colorado state network; management and administration of the Governor's Office of Information Technology (OIT); communications services payments; information technology security, and COFRS modernization.

Fund source adjustment: The request includes an increase in cash and reappropriated funds offset by a decrease in General Fund related to funding from statewide indirect cost recoveries received from other agencies.

Issue: JBC Use of the Department's Proper Legal Name

The constitutional and statutory name for the Department is the Department of Personnel, despite the Department's commonly used name, the Department of Personnel and Administration, which has also been used in appropriations bills since the 2003 Long Bill.

SUMMARY:

- Statute identifies the proper name of the Department as the Department of Personnel in Section 24-1-128, C.R.S., consistent with subsection (4) of section 14 of Article XII of the Colorado Constitution.

- The Department refers to itself as and is commonly referred to as the Department of Personnel and Administration or DPA. Since 2003, the Department has been identified as the Department of Personnel and Administration in the Long Bill and in supplementals affecting fiscal years beginning with the 2003 Long Bill.

- House Bill 04-1373, *Concerning modifications to the "State Personnel System Act"*, changed the Department's name to the Department of Personnel and Administration. However the name change was effective only upon approval of matching changes to the Constitution contained in H.C.R. 04-1005, which <u>was not approved</u> by the voters in the 2004 election.

- Section 2-5-103 (1) (c), C.R.S., requires the Revisor of Statutes in the Office of Legislative Legal Services to *correct inaccurate references to the titles of officers, departments, or other agencies of the state and to other statutes, and make such other name changes as are necessary to be consistent with the law currently in effect*. The annual Revisor's Bill historically has included amendments to strike "and Administration" from references to the Department when erroneously included in statute.

- Although appropriations bills are not statute, they are Colorado law.

RECOMMENDATION:

Staff recommends that the Committee expressly affirm the use of the Department's proper statutory and constitutional name, the Department of Personnel, rather than the commonly used Department of Personnel and Administration, for the Long Bill and supplemental appropriations bills as these documents are Colorado law. Additionally, for the purpose of ensuring consistency regarding this issue, staff recommends that the Committee also expressly affirm the use of the Department's proper statutory and constitutional name for related documents prepared by JBC staff.

DISCUSSION:

Statute identifies the proper name of the Department as the Department of Personnel in Section 24-1-128, C.R.S., consistent with subsection (4) of section 14 of Article XII of the Colorado Constitution. Article 50.3 of Title 24, C.R.S., added in H.B. 95-1362 (*Concerning the merger of the department of administration into the department of personnel*), abolished the Department of Administration and transferred the duties, functions, and divisions of the Department to the Department of Personnel.

House Bill 04-1373, *Concerning modifications to the "State Personnel System Act"*, attempted to change the Department's name to the Department of Personnel and Administration. However the name change was effective only upon approval of matching changes to the Constitution contained in H.C.R. 04-1005, which was not approved by the voters in the 2004 election. Nevertheless, the Department has referred and continues to refer to itself as, and therefore has commonly come to be referred as, the Department of Personnel and Administration or DPA.

Since 2003, the Department has been identified as the Department of Personnel and Administration in the Long Bill and in supplementals affecting fiscal years beginning with the 2003 Long Bill (eg. the 2004 supplemental appropriation for the Department includes a 2003 supplemental appropriation to the Department of Personnel and Administration as well as a 2002 supplemental appropriation to the Department of Personnel).

It is staff's understanding that the 2003 Long Bill change to the Department of Personnel and Administration, while premature, may have been made in anticipation of the legislation pursued in 2004. The failure of the referred constitutional provision to be approved by the voters in the 2004 election should have entailed a return to the use of the Department's proper name in the Long Bill in 2005. However after two years in appropriations bills, and the Department's ongoing use of its preferred name in both official and informal communications, the Department's preferred name became the default name used in appropriations bills and by JBC staff generally in other documents.

Section 2-5-103 (1) (c), C.R.S., requires the Revisor of Statutes to *correct inaccurate references to the titles of officers, departments, or other agencies of the state and to other statutes, and make such other name changes as are necessary to be consistent with the law currently in effect.* Similarly, Section 24-50.3-106 (2), C.R.S., authorizes the Revisor to amend or delete provisions to make the statutes consistent with the transfer from the Department of Administration to the Department of Personnel. The 2013 *Revisor's Bill*, H.B. 13-1300, included amending references to the Department's name by striking "and administration" in two locations in the statutes. The appendix for the bill, which includes reasons for all non-substantive revisions included in the bill, states:

> *Errors in the Senate Judiciary Committee Report amending the introduced version of SB08-206 incorrectly reference the department of personnel, created in section 24-1-128, as the department of personnel and administration.*

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue does not address the Department of Personnel's performance plan. This briefing issue addresses Committee policy regarding the use of the Department's proper statutory and constitutional name by JBC staff in appropriations laws and other documents.

Issue: Legislative Digital Policy Advisory Committee Update

House Bill 13-1182 created the Legislative Digital Policy Advisory Committee (LDPAC) for the purpose of defining a plan for digitizing deteriorating legislative audio records housed at the State Archives. Additionally, the LDPAC was charged with considering the transition of the State's ongoing legal records – statutes, session laws, and administrative law – within the context and requirements of the Uniform Electronic Legal Materials Act (UELMA).

SUMMARY:

- The Department of Personnel's FY 2013-14 request item R4, Preservation of Historical Records at the Colorado State Archives, included the request for an additional $300,000 General Fund, ongoing, for operating expenses to fund preservation services. The Department's request was framed within the context of the need to digitize deteriorating legislative audio records but lacked a well-defined plan, timeline, or benchmark goals for such and the overarching project goal was loosely stated as funding for *preservation services*.

- Staff recommended and the Committee approved the Department's request for funding a Preservation Archivist to manage the migration, preservation, conservation, and collection integrity planning for the Colorado State Archives in the interest of better managing the immediate concern of deteriorating legislative audio records and for providing ongoing digital records policy planning.

- Staff recommended and the Committee approved the creation of the LDPAC – a library, records, and data storage and access professionals workgroup from across government branches – to better define and plan for the immediate need to digitize the deteriorating legislative audio records and to consider other State legal records that fall within the scope of UELMA in order to define a more consistent and coordinated approach to the State's digital records access and storage policies.

- The LDPAC submitted its report to the JBC and the Committee on Legal Services on November 1, recommending a five-year plan funded by General Fund, with defined standards for audio record digitization, and a request to continue the LDPAC beyond January 1, 2014, for the purpose of guiding that digitization process, continuing the process of addressing uniform digital records policies for all branches of government within the current institutional framework for records creation, storage, and access, and to continue the process of addressing the evolution toward the provision of legal records within UELMA.

RECOMMENDATION:

Staff recommends that the Committee accept the recommendations from the LDPAC for addressing the immediate funding needs for digitizing audio records at the State Archives through a five-year plan funded by General Fund and for continuing the LDPAC beyond January 1, 2014.

Staff recommends that the Committee:

- Consider funding an additional $300,000 General Fund in operating expenses the first year through a supplemental appropriation for the current fiscal year.
- At figure setting, fund an ongoing amount of $300,000 General Fund for FY 2014-15 with an annualization of this funding for three additional years.
- Pursue legislation to continue the LDPAC for at least a two-year period to include reports to the Committee annually on October 1.

DISCUSSION:

The Legislative Digital Policy Advisory Committee and H.B. 13-1182

The Legislative Digital Policy Advisory Committee (LDPAC) was created in H.B. 13-1182 primarily for the purpose of defining standards, a timeline, and funding options for digitizing deteriorating legislative audio records and secondarily for the purpose of considering the State's digital records policy within the Uniform Electronic Legal Materials Act (UELMA) created by H.B. 12-1209.

The LDPAC was proposed for the purpose of better addressing the Department's R4 request for additional resources for State Archives. Staff recommended and the Committee funded the portion of the request for a Preservation Archivist to manage the migration, preservation, conservation, and collection integrity planning for the Colorado State Archives. The Department also requested an additional $300,000 General Fund in operating expenses for preservation services. The Department's request was framed within the need to digitize deteriorating legislative audio records, but the Department's goal or outcome was less defined in scope and timing.

The LDPAC submitted its report to the Committee as well as to the Committee on Legal Services on November 1st, and is attached as appendix I. The statutory LDPAC members included the State Archivist, the Supreme Court Librarian, the State Librarian, the Director of the Office of Legislative Legal Services, and designees from Legislative Council, the Senate, and House of Representatives. There was additional participation from representatives from the Secretary of State's office and the Department of Personnel. The LDPAC met 12 times from June through October.

The LDPAC provided recommendations for digital file formats and for the order of digitizing existing audio record types that defines a short-term period of 9-12 months and a long-term period of five years or less for the completion of this project. The LDPAC was charged with identifying potential vendors and project cost but was not able to do this within the five to six months provided. The LDPAC did provide recommended steps for project completion and in its organization provides a structure for overseeing ongoing RFI/RFP processes. The LDPAC recommends a five-year period of General Fund appropriations for the completion of the digitization project and includes the concept of transitioning funding to cash-funding mechanisms beyond that.

The LDPAC was also charged with considering the completion of the digitization project within the larger context of requirements related to UELMA for the secondary purpose of providing guidance on policies related to the implementation of UELMA for statutes, session laws, and administrative law for the State. The LDPAC was successfully able to consider the environment for standards defined within UELMA in providing file standards and migration processes for the audio records. However, the LDPAC was not able to arrive at a more thorough consideration of policies and planning for UELMA within the five to six months provided.

Because of the work remaining, related to the statutory charge for the workgroup, and the success and effectiveness of the workgroup in addressing the digitization of audio records and the future of digital records for the State, the LDPAC is recommending continuation of its workgroup. The statute creating the LDPAC is scheduled to repeal on January 1, 2014.

Conclusion

The LDPAC adopted recommendations for information technology media standards for the migration, storage, and archiving of audio records. While the LDPAC did not provide a more detailed timeline or cost plan for the digitization of legislative audio records, the attention applied to this issue from a broad group of professionals across government branches, professionally involved in and best positioned to understand the issues, provides a comfort level and confidence in funding this project that was not present a year ago at the time of the Department's request. Additionally, since last year, changes made at the Department of Personnel regarding oversight of the State Archives at the executive management level similarly provide comfort and confidence in making a recommendation to fund this project at this time.

The LDPAC provided a loosely defined, five-year process for digitizing audio records through an increased appropriation of General Fund for that purpose, with the goal of transitioning to other forms of funding ongoing needs for the project outside of General Fund beyond that five-year period. At this point, staff cannot more definitively comment on the workgroup's funding transition concept, but expects to work with representatives from the LDPAC and from State Archives and the Department in making recommendations as necessary to the Committee for the purpose of effecting such a transition or for providing ongoing funding or pursuing other funding methods.

Staff recommends continuing the LDPAC, allowing it to function as the digital records management policy experts. Some staff involvement, formally outside of the LDPAC, can help the workgroup by defining more appropriate or effective funding structures or mechanisms to achieve those ends. While providing input regarding funding options, opportunities, possibilities and limits might assist the LDPAC on an ongoing and direct manner, in the interest of remaining independent of the LDPAC regarding funding needs and recommendations to the Committee, it is best that staff remain formally outside of the workgroup.

The charge to the LDPAC to also consider mid- to long-term planning for digital records within UELMA within a single legislative interim was a much larger request. While the LDPAC did not come to a conclusion that would allow them to make a recommendation related to this charge at this time, the more important aspect was that those mid- and long-term policies as related to UELMA be considered when arriving at specific recommendations for the immediate need for the digitization of legislative audio records. It appears that the LDPAC functioned successfully as a policy workgroup and ongoing policies related to digital records and UELMA should continue to be addressed through the structure of this workgroup. Additionally, continuing the workgroup provides ongoing oversight of the digitization of legislative audio records at the State Archives.

The LDPAC recommends funding the digitization of audio records project through a General Fund appropriation for the five-year period, but did not define a dollar amount. The Department requested an additional $300,000 per year, ongoing. The only estimate available to base a total project cost is a few years old and identifies a total estimated cost of $2.5 million. **Staff recommends that the Committee begin by funding this project at $300,000 per year for a five-year period. Additionally, staff recommends that the Committee consider beginning funding with a supplemental appropriation for the current fiscal year in order to allow State Archives to begin the digitization project immediately.**

The advantage to maintaining the LDPAC as an ongoing workgroup is in its multi-branch composition of records creation, storage, and access professionals required to address current and future needs for State digital records management. Currently, responsibility for digital records management rests among a spectrum of state agencies in all branches. It is reasonable and preferable that consistent and considered solutions for addressing information technology and records management processes are best shared and identified through such a collaboration in the interest of efficiency and budget impact.

Staff recommends that the Committee pursue legislation to continue the LDPAC for at least a two-year period, to include reports to the Committee on October 1 of each year. Staff recommends that the LDPAC should be comprised of, additionally, representatives from the Secretary of State's office and from the Executive Director's Office of the Department of Personnel, the Revisor of Statutes from the Office of Legislative Legal Service, the Legislative Council Librarian, and a representative from the information technology section of Legislative Council. Also, staff recommends that the workgroup's tasks and responsibilities be amended to address monitoring and oversight of the digitization of audio records project at the State Archives and ongoing recommendations for addressing UELMA.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue addresses the Department of Personnel's performance plan in its goal to *Modernize DPA Systems*. Specifically, this issue addresses the Department's outcome goal for July 1, 2014, to *Assess and Develop Strategy for the Digitization of Legislative Audio Recordings*.

Issue: Statewide Indirect Cost Plan for Figure Setting and JBC Indirects Policy Update

This issue brief presents the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2014-15 and provides an update on JBC (committee and staff) policy items related to the budget treatment of indirect costs by state agencies, including the Indirect Costs Excess Recovery Fund created in S.B. 13-109.

SUMMARY:

- The State Controller's Office has prepared a statewide indirect cost plan for FY 2014-15 that is estimated to recover approximately $17.2 million from cash, reappropriated, and federal funds.
- Senate Bill 13-109 (State Agency Indirect Cost Recovery) created the Indirect Costs Excess Recovery Fund with departmental accounts whereby excess recoveries in one year can be used in future years to make up for an under-recovery, rather than reverting to the General Fund in the year of excess recovery.
- The State Controller's Office first report for the fund as of the end of FY 2012-13 identified $1.8 million in excess recoveries from six departments.

RECOMMENDATION:

1. Statewide Indirects:

a) **Staff recommends that the Committee approve the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2014-15** for use in figure setting for FY 2014-15 department budgets. The plan is estimated to recover approximately $17.2 million from cash funds, reappropriated funds, and federal funds.

b) **Staff recommends that the Committee modify the policy for the use of statewide indirect cost recoveries from all departments,** except for the Judicial and Legislative Departments. **Statewide indirect cost recoveries should be paid to the Governor's Office for offsetting General Fund in that office,** rather than offsetting General Fund within departments. The Judicial and Legislative Departments should continue to offset General Fund from statewide indirect cost recoveries within their department budgets.

2. Departmental Indirects and Figure-setting Appendix: Staff recommends that the Committee continue the policy that requires figure-setting documents to include an appendix that outlines or explains:

a) the methodology for calculating departmental indirects;

b) indirect cost assessments at the program or division level;

c) the use of departmental indirect cost recoveries to offset General Fund in the Executive Director's Office or other central administration division; and
d) the reason for any variance from the collection of statewide indirects as provided in the Statewide Indirect Cost Plan.

3. Long Bill: Staff recommends that the Committee continue the policy that requires the standard appearance of indirect costs in the FY 2014-15 Long Bill that includes:

a) indirect cost assessment line items for each program or division from which indirect costs are to be recovered;
b) reappropriated fund letter notes specifying the amount of departmental indirect cost recoveries that offset General Fund in central administration divisions; and
c) a standardized letter note reference providing potential access to funds from the Indirect Costs Excess Recovery Fund pursuant to S.B. 13-109 and created in Section 24-75-1401 (2), C.R.S., for all departments.

Consistent with the treatment of statewide indirect cost recoveries included in recommendation number 1, the Judicial and Legislative Departments should continue to identify the use of statewide indirect cost recoveries and departmental indirect cost recoveries in letter notes. The Office of the Governor should similarly identify the amount used from its own statewide indirect cost recoveries as well as the amount used from each department's statewide indirect cost recoveries in letter notes.

Staff also requests that the Committee grant permission to all staff analysts to make adjustments as necessary to amounts and fund splits at the end of figure setting.

DISCUSSION:

Statewide Indirect Cost Plan

While some centrally-provided services are billed directly, the purpose of the Statewide Indirect Cost Plan (formally labeled the 2015 Statewide Indirect Cost Appropriation/Cash Fees Plan by the Office of the State Controller and the Office of State Planning and Budgeting) is to allocate the unbilled costs of statewide central service agencies 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.

- 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.

- Certain departments such as the Departments of State and Transportation do not have General Fund or in the case of the Department of Labor have less General Fund than statewide indirect cost recoveries, in which case their excess statewide indirect recoveries, historically, have been transferred to offset General Fund in the Department of Personnel and the Office of the Governor.

- The statewide indirect cost plan for FY 2014-15 from the State Controller's Office is estimated to recover approximately $17.2 million from cash funds, reappropriated funds, and federal funds. The plan includes $0.9 million more than it did for FY 2013-14, representing an increase of 5.7 percent.

The following tables summarize the proposed statewide indirect cost recoveries for FY 2014-15. The first table compares the FY 2014-15 amounts to the current fiscal year and the second table outlines the amount and fund source by department.

FY 2014-15 Statewide Indirect Cost Plan Annual Change				
	FY 2013-14	**FY 2014-15**	**Change**	**Percent Change**
Cash Funds	$7,252,022	$8,192,012	$939,990	13.0%
Reappropriated Funds	5,711,179	6,268,143	556,964	9.8%
Federal Funds	3,358,330	2,785,077	(573,253)	-17.1%
Total	**$16,321,531**	**$17,245,232**	**$923,701**	**5.7%**

FY 2014-15 Statewide Indirect Cost Plan				
Department	**Cash Funds**	**Reapprop. Funds**	**Federal Funds**	**Total**
Agriculture	$140,100	$5,164	$11,178	$156,442
Corrections	51,404	30,791	6,016	88,211
Education	194,596	97,178	201,997	493,771
Governor	83,319	0	149,834	233,153
Governor - OIT	0	350,223	0	350,223
Health Care Policy and Financing	122,479	21,941	519,069	663,489
Higher Education	704,500	1,665,743	191,742	2,561,985
Human Services	279,282	29,551	261,551	570,384
Judicial	141,927	2,793	3,966	148,686
Labor and Employment	374,154	0	400,970	775,124
Law	86,875	202,050	45,365	334,290
Legislature	2,541	71,916	0	74,457

FY 2014-15 Statewide Indirect Cost Plan				
Department	**Cash Funds**	**Reapprop. Funds**	**Federal Funds**	**Total**
Local Affairs	66,329	113,112	163,463	342,904
Military and Veterans Affairs	1,567	55	122,897	124,519
Natural Resources	1,214,668	62,757	225,856	1,503,281
Personnel	265,663	3,486,110	0	3,751,773
Public Health and Environment	321,906	10,635	386,402	718,943
Public Safety	1,209,435	51,056	80,976	1,341,467
Regulatory Agencies	344,834	4,329	8,075	357,238
Revenue	674,375	2,013	5,659	682,047
State	128,921	0	62	128,983
Transportation	1,783,137	60,725	0	1,843,862
TOTAL	**$8,192,012**	**$6,268,142**	**$2,785,078**	**$17,245,232**

Indirect Costs Excess Recovery Fund

The 2012 Interim Workgroup on Indirect Costs, consisting of JBC staff, OSPB staff, State Controller's Office staff, and state agency budget staff, identified an issue related to the collection of indirect costs that could lead to a multi-year over-collection and under-collection cycle for federal funded programs. Further contributing to potential multi-year disjunctions in the indirect cost recovery process, the Statewide Indirect Cost Plan prepared by the State Controller's Office is built on a three-fiscal year delay in order to allocate statewide indirect cost assessments based on actual expenditures.

Senate Bill 13-109 created the Indirect Costs Excess Recovery Fund for the purpose of reducing budget adjustments related to the over- and under-collection of indirect costs in a given fiscal year. When a state agency collects excess indirect cost recoveries – over-collects – the funds are transferred to the agency's account in the fund at the end of the fiscal year rather than reverting to the General Fund. The excess funds accrued in an agency's account are available in future years and are expected to alleviate the need for supplemental appropriations to adjust budgeted indirect cost assessments among cash and federal funded programs, or to provide General Fund, in years when the agency under-collects indirect cost recoveries.

Fiscal data related to General Fund reversions from excess recoveries that was provided by the State Controller's Office late in the Committee's bill consideration process suggested that there may or may not be a cyclical pattern to over- and under-collections. Nevertheless, staff recommended proceeding with the bill as a solution to a potentially identified issue and as a way to monitor over-collections in future years.

Additionally, due to the data provided by the State Controller's Office, and due to JBC staff understanding of indirect costs from the budget perspective as it differs from the accounting perspective, staff recommended and the Committee requested a performance audit through the Legislative Audit Committee (LAC) of the indirect cost assessment and recovery process as state agencies are practicing them from budget through accounting. The Office of the State Auditor's (OSA) recommendation to the LAC was to include a review of the indirect cost element as a part of the statewide financial audit, which was approved by the LAC, rather than complete a performance audit as requested. The OSA will address indirect cost recoveries using the following steps in the Fiscal Year 2013 Statewide Financial Audit:

- Develop an audit questionnaire to collect information from a sample of state agencies on their processes for recovering indirect costs and recording indirect cost recoveries in COFRS, and identification of any changes to their processes for recovering indirect costs after implementation of Senate Bill 13-109.

- Report on any identified differences in agency practices for recovering and recording indirect costs. If significant differences are identified, an audit recommendation may be made to the Office of the State Controller to take steps to make the process of indirect cost recovery and reporting more consistent.

The Fiscal Year 2013 Statewide Financial Audit is expected to be released in February 2014.

Senate Bill 13-109 also required the State Controller to report on the excess recovery fund to the Committee. The first report was submitted on October 29th for FY 2012-13. The report is attached as Appendix H. The following table outlines the departments accruing a balance in the fund as of June 30, 2013, and compares the excess recoveries to the total indirect cost recoveries letter-noted in the 2012 Long Bill.

FY 2012-13 Indirect Costs Excess Recovery Fund Comparison with Long Bill

Department	Indirect Costs Excess Recovery Fund Balance	FY 2012-13 Statewide Indirect Cost Assessment	Total Indirect Cost Recoveries Letter-noted in 2012 Long Bill	Excess Recovery Percentage of Total Recoveries in 2012 Long Bill
Corrections	$250,455	$578,650	$0	n/a
Education	806,338	409,189	2,735,859	29.5%
Local Affairs	313,493	244,947	1,870,705	16.8%
Natural Resources	109,677	1,301,170	6,961,000	1.6%
Public Safety	209,185	1,110,401	8,565,797	2.4%
Regulatory Agencies	75,821	304,520	3,664,889	2.1%
Indirect Costs Excess Recovery Total	**$1,764,969**			

The first column of data shows the accrued balance by department and total excess recoveries. The second column is shown merely as a reference point to show each department's statewide indirect cost assessment. The third column represents the total indirect cost recoveries that are letter-noted in the budget. This column represents the expected or budgeted General Fund offsets. The final column shows the percentage of over-collection as compared to the total budgeted.

A higher percentage indicates that the budgeted amount of indirects may be lower than it should be. It might also represent a one-year over-collection due to unexpected federal funds for which the fund was created. A better understanding of which might be the case can only be ascertained over several years of monitoring the fund.

Specifically, the Department of Corrections budget in the 2012 Long Bill identifies no indirect cost recoveries for the purpose of offsetting General Fund as a budget element. The Department of Corrections is apparently collecting indirect costs through an off-budget process. However, it is not possible to assess whether the Department of Corrections is applying indirect cost recoveries for the purpose of offsetting General Fund since the budget does not delineate the offset of General Fund with indirect cost recoveries.

The Departments of Education and Local Affairs appear to have collected substantially more in indirect cost recoveries than is budgeted. Additional years of monitoring this fund should provide a better understanding of whether there is a *budget* problem related to indirect cost recoveries for these departments. The Departments of Natural Resources, Public Safety, and Regulatory Agencies appear to have collected a modest amount – 1.6 to 2.4 percent – over budgeted amounts, indicative of reasonable budget projections for indirects. Similarly, all other departments not accruing a balance in the fund are assumed to have under-collected or collected the budgeted amount, but the fund as a monitoring tool does not provide information on these departments.

Conclusion

The attempt to provide a more uniform and transparent indirect costs assessment and recovery process continues as a *work in progress*. On that basis, staff recommends predominantly continuing Committee policy regarding the treatment of indirect costs in figure setting and the Long Bill as delineated in the staff recommendation section. As included in the recommendation section, staff is recommending one critical change to existing Committee policy:

- **Staff recommends that statewide indirect cost recoveries at the department level be paid to the Office of the Governor (Office) for offsetting General Fund within the Office, rather than offsetting General Fund within the departments' central administration divisions.**

Staff recommends that the Committee exempt the Judicial and Legislative Departments from this element given inherent separation of powers issues among the constitutional branches. The Department of Treasury is not assessed for statewide indirect costs and the Department of State has historically paid its statewide indirect cost assessment to the Department of Personnel and would instead make its payment to the Office.

Based on this recommendation, statewide indirect cost recoveries for FY 2014-15 are estimated to offset $17.0 million (all departments except Judicial and Legislative Departments) in General Fund in the Office. The FY 2014-15 General Fund request for the Office totals $30.8 million. The FY 2013-14 General Fund appropriation totaled $22.1 million after a $2.4 million offset from indirect cost recoveries within the Office and as paid by the Department of Transportation. The current request and appropriation amounts suggest that the total of statewide indirect cost recoveries can be completely absorbed by the Office as a General Fund offset.

This recommendation provides the following advantages to the Committee and the General Assembly:

- The choice to use statewide indirect cost recoveries in the departments of origin or in the Office of the Governor is a budget neutral decision.
- It places the responsibility for ensuring that executive branch agencies are recovering statewide indirects, as established by the State Controller's Office, by OSPB, and by the JBC, in the one place in the budget that can ensure recovery.
- It enhances transparency in simplifying the budget by concentrating the use of statewide indirect cost recoveries in one department.
- It enhances transparency and understanding in the budget by more straightforwardly General Funding executive branch departments central administration divisions, limiting the *sleight of hand* that might be used to argue for increased base funding or funding policy changes through reappropriated funds that are otherwise General Fund decisions.
- It eliminates the potential disjunction experienced in past years in assigning other departments' indirect cost recoveries for funding either the Office of the Governor or the Department of Personnel.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue does not address the Department of Personnel's performance plan. This briefing issue discusses the Statewide Indirect Cost Plan for FY 2014-15, prepared by the State Controller's Office, and its adoption for FY 2014-15 state department figure setting and JBC policies related to the budget treatment of indirect costs.

Issue: CP-1 Annual Fleet Vehicle Request

The Department of Personnel requests replacement of 777 vehicles, including 295 compressed natural gas (CNG) vehicles in FY 2014-15. The first year of lease payments for financing along with adjustments for prior years' financing agreements will increase appropriations for state agencies' vehicle lease payments line items by $2.3 million in total funds and increase the Department's vehicle replacement lease/purchase line item by $587,000 reappropriated funds in FY 2014-15.

SUMMARY:

- The Fleet Management Program (Fleet) recommends replacement of 777 vehicles, including 295 CNG vehicles. The FY 2014-15 total request includes state agency requests for an additional 18 vehicles for a total request of 795 new vehicles and a fleet of 5,950 total vehicles for FY 2014-15.

- The FY 2014-15 request represents the replacement of 13.1 percent of the 5,932 fleet vehicles total in FY 2013-14, generating an average vehicle lifecycle of replacement equal to about 7 years and 7 months. The FY 2013-14 budget included the replacement of 635 vehicles, representing replacement of 10.7 percent of the 5,912 vehicles in FY 2012-13, generating an average lifecycle of replacement equal to about 9 years and 4 months.

- The request includes 196 vehicle replacements for the Colorado State Patrol (CSP), which are considered for replacement at 80,000 miles and four years old, or greater than 40,000 miles for motorcycles. The FY 2013-14 budget included the replacement of 139 CSP vehicles.

- The non-CSP vehicles recommended for replacement average 148,349 miles. Vehicles are considered for replacement if projected to have greater than 100,000 miles in the replacement year, or are 16 years old or older.

RECOMMENDATION:

Staff recommends that the Committee:

- **Continue existing policies and processes related to figure setting for vehicle replacements and additions.**
- **Continue the practice established last year to address the Department's annual supplemental mid-year true-up related to department vehicle lease payments line items and the Department's vehicle replacement lease/purchase line item at figure setting for the next fiscal year rather than in a supplemental for the current fiscal year.**

DISCUSSION:

When considering fleet vehicles, staff recommends the following steps or methodology for best understanding the issues related to vehicle replacement:

<u>Steps in the Budget Process</u>

Fleet Management Program

1. Based on mileage generally and knowledge specifically regarding the maintenance costs of particular vehicles, the Fleet Management Program (Fleet) prepares a recommended list of replacement vehicles.

2. Based on the recommended list of replacement vehicles, additional vehicles requested, and adjustments for payments for prior year financing agreements, the Department prepares the appropriations request for department vehicle lease payments line items and the Department's vehicle replacement lease/purchase line item in Fleet.

JBC

3. The Fleet/Department of Personnel analyst prepares a list of recommended replacements for each department and includes questions and points for department analysts to ask or consider when recommending the list of replacement vehicles in department figure setting.

4. Each department analyst makes recommendations to the Committee for vehicle replacements and for requests for additional vehicles for the analyst's department.

5. The Fleet/Department of Personnel analyst compiles the list of Committee approved replacements and additional vehicles and prepares final appropriation amounts for department vehicle lease payments line items and for the Department of Personnel's vehicle replacement lease/purchase line item in Fleet, for inclusion in the Long Bill.

Staff recommends that the Committee continue this process for figure-setting.

Supplemental Mid-year True-up

Historically, the Department has submitted an annual, supplemental, mid-year true-up for department vehicle lease payments line items and the Department's vehicle replacement lease/purchase line item in Fleet. The Department's reason for this is to make adjustments to department vehicle lease payments line items based on the actual purchase schedule for vehicles midway through the year. In other words, the Department prepares its budget based on the total number of vehicles in the replacement request, but does not know when particular vehicles will be delivered. It estimates all vehicles on a formula that provides that all non-CSP vehicles will be delivered approximately eight months into the year on average and will therefore experience four months of lease payments on average in the first year. Similarly, CSP vehicles will be delivered approximately six months into the year on average and will therefore experience six months of lease payments on average in the first year.

Last year, for the 2013 supplemental for FY 2012-13, the Department submitted its supplemental true-up request with its annual fleet replacement request as a budget amendment only days before the annual supplemental request was presented to the Committee. Staff prepared a memo for the Committee due to the inability to include and address the request within the supplemental document. Due to the lateness of the supplemental request, staff recommended that the Committee not address the adjustments included in the supplemental request at that time, and instead consider those adjustments within figure setting recommendations for FY 2013-14. The Committee approved that process and adjustments were included in the FY 2013-14 budget to true-up vehicle lease payments line items from FY 2012-13.

Staff expects that the Department will again submit a supplemental true-up for the current fiscal year. However, **staff recommends that the Committee continue the policy that was established last year and not address the fleet true-up at supplemental time, and rather incorporate the true-up into the FY 2014-15 budget.**

Staff's recommendation is based on the belief that the supplemental true-up is generally unnecessary. Mid-year supplemental appropriation requests primarily regard the need to increase spending authority. On this basis, there are two things that should matter to the Department and to Fleet:

1. Does the vehicle replacement lease/purchase line item have enough spending authority to accommodate payments through that line?

2. Do the departments contribute enough revenue, in total, to the Fleet program, to cover the Fleet program's expenses that are paid from the departments' vehicle lease payment line items?

If the answer is yes to both of those questions, then there is no need for a mid-year true-up. And as a part of the annual budget process, individual department adjustments – increases or decreases – can more efficiently and just as accurately be made on an annual basis. Specifically, considering number 1: if the Department needs additional spending authority in the vehicle replacement lease/purchase line item, then that item in itself is a reasonable supplemental appropriation request in and of itself, and does not involve a request that includes every department.

The 2012 supplemental request for FY 2011-12 included a decrease of $929,000 to the Department's vehicle replacement lease/purchase line item and a net decrease of $928,000 to department vehicle lease payments line items. The 2013 supplemental request for FY 2012-13 included the request for a decrease of $420,000 to the Department's vehicle replacement lease/purchase line item and a net decrease of $1.7 million to department vehicle lease payments line items.

While individual departments may experience projected increases to their vehicle lease payments line items by mid-year, the general pattern is that the mid-year, supplemental true-up predominantly decreases appropriations. If those departments that experience such a projected increase are able to be adjusted in the next year's budget without adversely affecting the needed revenue or cash flow for Fleet, then the mid-year true-up is more of an exercise in accounting than budgeting.

Additionally, the answer to question number 2 above is always yes, if revenue is considered over at least a two-year period. A lower-than-necessary payment in one year, is adjusted upward by the amount necessary in the next. If all or most departments are experiencing a need to increase spending authority in a given year, then a mid-year true-up might be justified and necessary. Based on recent history, this is not the case. Based on the experience of last year, it does not appear to have disrupted Fleet's ability to fund its operations in the current fiscal year.

Vehicle Replacement Budget Management Key Metrics and Indicators

There is a lot of data available with which to consider the Fleet Program and the purchase of replacement vehicles. Staff recommends thinking about vehicle replacement in the following ways to effectively manage vehicle replacement appropriations and monitor expenditures:

1. Fleet vehicle replacement should be considered as a percentage of the total fleet for the purpose of establishing a schedule over a number of years that replaces vehicles on a reasonable lifecycle. Contributing to this consideration, is Fleet's capacity to process vehicle replacements. Staff's understanding is that currently Fleet has the capacity to process 600-800 vehicles per year, with 800 being an absolute stretch for its current resources and operations space. The following table illustrates vehicle replacement lifecycle indicators since FY 2008-09, including average age in years based on the percentage of vehicles replaced in a given year and average lifetime miles per vehicle based on Fleet's stated average of 13,000 miles per year per vehicle.

Fleet Management Program - Vehicle Replacement Lifecycle Analysis

	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Approp.	FY 14-15 Request
Total Vehicles in Fleet	5,800	5,817	5,903	5,912	5,912	5,932	5,950
Growth in Fleet Vehicles	n/a	0.3%	1.5%	0.2%	0.0%	0.3%	0.3%
Replacement Vehicles Requested	955	693	178	318	600	716	777
Replacement Vehicles Approved	**900**	**624**	**175**	**287**	**585**	**635**	**n/a**
Percentage Approved of Requested	94.2%	90.0%	98.3%	90.3%	97.5%	88.7%	n/a
Percentage of Total Fleet Replaced	**15.5%**	**10.7%**	**3.0%**	**4.9%**	**9.9%**	**10.7%**	**13.1%**
Average Replacement Lifecycle (years)	**6.44**	**9.32**	**33.73**	**20.60**	**10.11**	**9.34**	**7.66**
Average Annual Miles per Vehicle	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Projected Lifetime Miles per Vehicle	83,778	121,188	438,509	267,791	131,378	121,443	99,550

2. The first year of vehicle lease payments will be lower than ongoing years for a given year's lease-purchase financing agreement. It should be understood that when Fleet initiates a financing agreement in a given year, future years' payments required will have the effect of increasing the vehicle replacement lease/purchase payments line item without engaging in any additional vehicle purchases. This functions as an implied 'annualization' but is formally incorporated through the fleet replacement request using annual incremental corrections rather than through a fixed annualization schedule.

Fleet Management Program - Lease/Purchase Line Item Appropriation Analysis

Lease Payments Due by COP/Trust Year	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
COP 2005	$1,300,397	$450,657	$0	$0	$0
COP 2006	2,450,567	1,741,300	1,739,608	871,450	0
TRUST 2007	1,955,219	1,570,216	1,480,475	1,314,303	35,513
TRUST 2008	2,453,089	1,723,308	1,381,072	1,247,015	1,133,911
TRUST 2009	3,088,876	3,049,756	2,424,479	1,997,887	1,791,790
TRUST 2010	2,205,651	2,198,682	2,127,228	1,395,128	1,231,286
TRUST 2011	1,387,213	1,679,511	1,516,489	1,467,205	578,287
TRUST 2012	521,380	1,748,501	2,155,993	2,155,993	2,146,870
TRUST 2013	0	879,414	2,859,768	3,194,386	3,194,386
TRUST 2014	0	0	816,542	3,904,570	3,904,570
TRUST 2015	0	0	0	959,599	4,774,792
Total Lease Payments Due	15,362,392	15,041,345	16,501,654	18,507,536	18,791,405
Unforeseen @1.5% (Accidents, denied repairs, etc.)	230,436	225,620	247,525	277,613	281,871
Lease/Purchase Payment Spending Authority Needed	$15,592,828	$15,266,965	$16,749,179	$18,785,149	$19,073,276
Long Bill Appropriation	16,521,437	15,686,775	18,014,816	n/a	n/a
Supplemental Mid-year True-up Appropriation	$15,592,829	n/a	n/a	n/a	n/a

3. Nevertheless, when all payments are totaled for all years' financing agreements, **the average lease/purchase cost per vehicle can be discerned and should be tracked and understood as a trend,** rather than considering cost data at a point in time for a particular year. Stay focused on the change in per-vehicle lease-purchase cost over years, rather than on a single year's lease-purchase amount.

Fleet Management Program - Vehicle Lease/Purchase Expenditures and Appropriations Trend Analysis

	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Approp.	FY 14-15 Request
Total Fleet Long Bill Appropriation	$34,368,009	$39,431,801	$42,101,025	$43,602,451	$42,834,398	$44,845,691	$45,971,215
Total Fleet Actual Expenditure/1	32,744,689	31,924,920	36,549,682	39,069,420	38,778,051	$43,580,054	n/a
Fleet Vehicles	5,800	5,817	5,903	5,912	5,912	5,932	5,950
Average Annual Cost per Vehicle	**$5,676**	**$5,507**	**$6,212**	**$6,630**	**$6,559**	**$7,347**	**$7,726**
Change in Average Annual Cost	n/a	-3.0%	12.8%	6.7%	-0.7%	12.0%	5.2%
Replacement Vehicles	900	624	175	287	585	635	777
Vehicle Lease/Purchase L.B. Approp.	$12,558,203	$13,984,778	$16,599,436	$16,521,437	$15,686,775	$18,014,816	$18,863,994
Vehicle Lease/Purchase Expenditure/1	11,880,388	12,188,713	14,519,741	14,695,589	14,125,831	$16,749,179	n/a
Average Annual Lease/Purchase Payment per Vehicle	**$2,048**	**$2,095**	**$2,460**	**$2,486**	**$2,389**	**$2,824**	**$3,170**
Change in Average Annual Lease/Purchase Payment	n/a	2.3%	17.4%	1.1%	-3.9%	18.2%	12.3%
Lease/Purchase Percent of Total per Vehicle Cost	36.1%	38.0%	39.6%	37.5%	36.4%	38.4%	41.0%

/1 FY 13-14 Expenditure data reflects mid-year adjustment of vehicle lease/purchase payment line item only.

4. The vehicle management fee should be monitored along with administrative expenses over time. This fee is a standard, per month, per vehicle fee that is included in departments' vehicle lease payments line items that is used to pay the administrative expenses of the program. The fee and administrative expenses since FY 2008-09 are outlined in the following table.

Fleet Management Program - Vehicle Management Fee and Administrative Expenses Analysis

	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Approp.	FY 14-15 Request
Total Vehicles in Fleet	5,800	5,817	5,903	5,912	5,912	5,932	5,950
Growth in Fleet Vehicles	n/a	0.3%	1.5%	0.2%	0.0%	0.3%	0.3%
Vehicle Management Fee (auction pool vehicles) [/1]	**$23**	**$27**	**$36**	**$27**	**$30**	**$22**	**n/a**
Percentage Change in Vehicle Management Fee	n/a	15.2%	34.0%	-25.4%	13.2%	-26.7%	n/a
Fleet Admin L.B. Appropriation	$1,132,373	$1,319,523	$1,370,243	$1,352,450	$1,419,059	$1,316,582	$1,592,928
Fleet Admin Expenditures [/2]	1,308,171	1,352,203	1,473,813	1,432,944	1,527,711	n/a	n/a
Average Annual Fleet Admin Costs per Vehicle	**$226**	**$232**	**$250**	**$242**	**$258**	**$222**	**$268**
Admin Expense Percent of Total per Vehicle Cost	4.0%	4.2%	4.0%	3.7%	3.9%	3.0%	3.5%

[/1] The Vehicle Management Fee shown is for auction pool vehicles. The Division of Wildlife is the only non-auction pool agency in Fleet and pays a higher fee because they retain the auction proceeds from their vehicles to replenish federal funding received. Fees for the Division of Wildlife vehicles from FY 08-09 through FY 13-14 were $35, $40, $45.50, $40, $35, and $32.50.

[/2] Fleet Admin Expenditures include compensation-related POTS expenditures that are appropriated in the Executive Director's Office.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue does not address the Department of Personnel's performance plan. This issue presents information and recommendations to the Committee for budget processes related to the Fleet Management Program and the annual request for replacement vehicles.

Issue: FY 2014-15 Department Request Items

The Department of Personnel has submitted four Department requests and two common policy-related requests.

SUMMARY:

- R1 – Total Compensation Vendor is a request for $300,000 General Fund in FY 2014-15 and every two years thereafter to contract with a consultant to conduct a compensation market study and benefit market analysis report.

- R2 – Transparency Online Project (TOP) Modernization is a request for $142,000 General Fund in FY 2014-15 and $5,000 General Fund ongoing for the Office of the State Controller (OSC) to integrate the current TOP system with the Colorado Operations Resource Engine (CORE) also known as COFRS Modernization.

- R3 – Central Collections Investment in Customer Service is a request for $389,000 in cash funds in FY 2014-15 and $197,000 in cash funds ongoing for Central Collections Services to handle increased collections accounts and work volume.

- R4 – Address Confidentiality Program Resources is a one-year request for $60,000 General Fund in FY 2014-15 to better handle an increased caseload.

- CP1 – Annual Fleet Vehicle Request is addressed in its own issue brief in this document.

- CP2 – Camp George West Utilities Transfer is a request for a decrease of $331,000 in reappropriated funds in FY 2014-15 and ongoing for having state agencies located at Camp George West pay utilities directly rather than through Capitol Complex.

- Three of the four Department items request one-year, temporary staffing – equivalent to 5.5 FTE but officially shown at 0.0 FTE – for policy change items that are expected to require ongoing staffing for support.

DISCUSSION:

R1 – Total Compensation Vendor
The Department is requesting an additional $300,000 General Fund in FY 2014-15 and every two years thereafter to contract with a consultant to conduct a compensation market study and benefit market analysis report.

Staff Concerns
This request would fulfill a role currently required by statute for the purpose of providing prevailing compensation to officers and employees of the State and carried out by the Compensation Unit in State Agency Services in the Division of Human Resources (DHR). The Department is not requesting an equivalent decrease in personal services freed up by contracting this function. Instead, the Department's request states that contracting this report will allow *the DHR staff to perform other duties that should be addressed per industry standard*. Anecdotally, the total compensation analyst shared with the Department analyst that the Department has contracted for such a study for the last two years. Staff expects to hear back from the Department regarding follow-up questions related to this request and is confident that a considered recommendation will be made to the Committee at figure setting.

R2 – Transparency Online Project Modernization
The request for Transparency Online Project (TOP) Modernization is for an additional $142,000 General Fund in FY 2014-15 and $5,000 General Fund ongoing for the Office of the State Controller (OSC) to integrate the current TOP system with the Colorado Operations Resource Engine (CORE) also known as COFRS Modernization. The current TOP website was created by the Office of Information Technology (OIT) and the OSC with existing resources using COFRS and the Financial Data Warehouse (FDW). The Department's request states that statute requires the State to maintain a searchable website for taxpayers that includes revenue and expenditure data. The current TOP system will not be able to be carried forward with the implementation of CORE/COFRS Modernization.

Staff Concerns
The request appears reasonable for the purpose of complying with statute related to financial transparency through the TOP system. However, the request includes $42,235 in funding for a one-year temporary position with personal services and operating expenses for the equivalent of 0.5 FTE, at a General Professional V level, to support system implementation and identify system upgrades. While the request is to fund this temporary position for one year, the request also states that the proposed solution will require ongoing support, to be reassessed, stating that *after the first year of operation, the resources needed to continue the TOP website development and management will be reassessed along with other long-term OSC operational needs*.

Staff asked the Department (emphasis added):

> *Why request temporary staff – equivalent to 0.5 FTE in PS and 1.0 FTE in OE but officially 0.0 FTE – rather than straightforwardly request 0.5 FTE and <u>make an adjusting request after assessing the needs following CORE implementation</u>?*

The Department responded as follows (emphasis added):

> *The Department requested temporary staff for its TOPS Modernization project because it anticipates that CORE implementation will impact permanent resource needs in the State Controller's Office. <u>It is the Department's preference to give itself the most flexibility by requesting temporary staff that can be released from service if the need for FTE changes after full implementation.</u> The Department is aware that <u>it has requested a short term solution to a long term problem</u>, but will*

> *continue to evaluate its needs and address permanent resource needs through future budget requests as necessary.*

It is staff's understanding that the Department would retain the flexibility to hire temporary staff rather than permanent staff, if it better suited the Department's needs, regardless of whether the resource request was appropriated as permanent FTE.

The Department's request includes the following statement (emphasis added):

> *The Department <u>will require ongoing resources</u> for system support and continuous system improvement, but <u>will wait until CORE is fully implemented to assess the permanent staffing needs</u> in the State Controller's Office to see whether or not this duty can be absorbed within existing resources.*

The Department states that CORE is expected to be fully implemented on July 1, 2015. Based on this schedule, at the earliest the Department would assess its needs in the first few months of FY 2015-16, and possibly have the assessment completed with a permanent request item related to this temporary request in November 2015, two years from now. The timing does not fit a request for a one-year temporary staffing solution.

While a policy change item may appropriately – and transparently – include a request for temporary staffing (officially 0.0 FTE), this request clearly states that the project has a need for ongoing staff support. Without an assessment, this policy change item as presented requires ongoing staffing. The intention to engage in an assessment or reassessment is fine – and the opportunity and willingness to assess resource needs for programs should remain an ongoing consideration for an organization. It is reasonable that a recommendation for decreased staffing should be as valid as a recommendation for increased staffing after a reassessment. But a request for temporary staffing within a policy change item that is projected to require a similar level of staffing beyond the temporary timeframe is not transparent within the budget process. It is even more questionable based on a time schedule that cannot deliver an assessment by the end of the temporary request period.

<u>R3 – Central Collections Investment in Customer Service</u>

The Department's request is for $389,000 in cash funds in FY 2014-15 and $197,000 in cash funds ongoing for Central Collections Services to handle increased work volume. This request also includes the request for temporary staff equivalent to 3.6 FTE. Similarly, the Department's request states that ongoing resource needs will be assessed through a *Lean* project.

Staff Concerns

As with the R2 request, staff's concerns are primarily related to the request for temporary staffing for a request that presents a program workload scenario that will continue to need requested resources beyond the next fiscal year. A lean project can assess the resources for the unit and then make recommendations for the adjustment of resources that increase or decrease as determined by the lean project. The request for temporary resources for the presentation of a projected ongoing resource shortage similarly lacks transparency within the budget process.

Aside from the temporary staffing issue, staff is concerned that the Department is including growth projections of 30.0 percent for FY 2014-15 and of 20.0 percent for FY 2015-16 for a unit that has experienced an average growth rate of 4.4 percent in active accounts over the last three fiscal years of actual data and experienced a decrease of 1.0 percent in active accounts between FY 2011-12 and FY 2012-13, the last year of actual data available. At this time there appears to be no justification for such projected growth rates based on data presented in the request. Staff is confident that a considered recommendation will be made to the Committee at figure setting.

R4 – Address Confidentiality Program Resources

The Department's request is for $60,000 General Fund in FY 2014-15 to handle an increased caseload for the Address Confidentiality Program (ACP). As with the three previous requests, the request is for one-year funding that includes temporary staffing equivalent to 1.4 FTE. The request similarly states that a Lean project will be completed to assess permanent needs. The Department states that the decision to initiate a lean study was made at the end of FY 2012-13 and is expected to be completed by March 2014.

Staff asked the Department why it chose not to make an adjusting request as necessary following the lean study rather than request temporary staffing and the Department responded as follows:

> *To the extent that there was some question as to whether or not an FTE should be permanent or temporary and a Lean project is being considered, it was decided that the Department should give itself the most flexibility by requesting temps that could be released from service if the Lean process identified efficiencies that reduced the overall need for FTE.*

Again, it is staff's understanding that the Department retains the flexibility to hire temporary staff rather than permanent staff, if it better suited the Department's needs, regardless of whether the resource request was appropriated as permanent FTE.

Staff Concerns

As with the previous three requests, staff's concern is related to the temporary nature of the request given the workload data presented that indicates an ongoing need. Additionally, staff presented the issue of the ACP's growing caseload relative to its funding to the Committee last year, with a proposed solution related to the current funding stream through expanded offender surcharges. That solution was not pursued, but the Department pursued legislation to allow General Funding for the program. Staff's concern regarding the need for additional resources for the program based on fulfilling its current statutory requirements has not changed. On that basis, staff supports the Department's request in principle. However, staff is again concerned with the presentation of this request as a one-year, temporary staffing need for a resource and staffing need that staff identified over a year ago and is clearly ongoing regardless of a Lean project determination.

CP1 – Annual Fleet Vehicle Request

The Department's annual fleet vehicle replacement request is addressed in its own issue brief in this document.

CP2 – Camp George West Utilities Transfer

This Capitol Complex common policy request is for a decrease of $331,000 in reappropriated funds in FY 2014-15 and ongoing. The request is budget neutral and requires that state agencies located at Camp George West pay for utilities directly. Currently, Capitol Complex collects utility payments from state agencies and then pays the utilities. Now that Camp George West includes individual metering, there is no longer a need for the pass-through funding or appropriation. This request simply decreases the Department's appropriation. Other state agencies continue to pay for utilities through their operating expenses or utilities line items directly to utility companies rather than to Capitol Complex.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue addresses the Department's request items which relate directly to the Department of Personnel's performance plan's strategic policy initiatives to *Improve DPA Customer Service*, *Modernize DPA Systems*, and *Reinvest in the Workforce*. The Department's primary four request items each address elements related to these initiatives.

Appendix A: Number Pages

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

DEPARTMENT OF PERSONNEL
Kathy Nesbitt, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

This division provides policy direction to and manages the fiscal and budgetary affairs of all divisions within the Department. It also reviews all statewide contracts and promotes statewide affirmative action and equal opportunity programs. The primary source of cash funds and reappropriated funds are indirect cost recoveries and user fees from other State agencies.

(A) Department Administration

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	1,620,184	1,648,932	1,587,245	1,607,994	
FTE	20.1	20.2	17.8	17.8	
General Fund	0	0	0	0	
Cash Funds	0	0	15,648	15,648	
Reappropriated Funds	1,620,184	1,648,932	1,571,597	1,592,346	
Health, Life, and Dental	2,080,111	1,705,332	2,481,671	2,601,341	
General Fund	561,139	591,519	650,977	757,541	
Cash Funds	134,855	114,574	155,633	261,056	
Reappropriated Funds	1,384,117	999,239	1,675,061	1,582,744	
Short-term Disability	33,417	27,810	38,335	46,442	
General Fund	11,758	11,572	13,036	16,940	
Cash Funds	2,366	1,375	2,867	3,921	
Reappropriated Funds	19,293	14,863	22,432	25,581	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
S.B. 04-257 Amortization Equalization Disbursement	523,557	506,438	732,739	854,336	
General Fund	180,979	214,939	244,685	310,311	
Cash Funds	37,438	25,118	56,004	72,155	
Reappropriated Funds	305,140	266,381	432,050	471,870	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	420,544	435,292	660,716	800,939	
General Fund	145,278	184,804	220,112	290,916	
Cash Funds	30,084	21,567	50,559	67,645	
Reappropriated Funds	245,182	228,921	390,045	442,378	
Salary Survey	0	0	664,921	335,921	
General Fund	0	0	136,518	119,668	
Cash Funds	0	0	83,711	29,319	
Reappropriated Funds	0	0	444,692	186,934	
Merit Pay	0	0	299,879	297,340	
General Fund	0	0	86,049	92,923	
Cash Funds	0	0	22,253	29,205	
Reappropriated Funds	0	0	191,577	175,212	
Shift Differential	31,283	26,428	47,088	49,698	
Cash Funds	4	0	0	0	
Reappropriated Funds	31,279	26,428	47,088	49,698	
Workers' Compensation	216,983	220,543	213,489	245,296	
General Fund	58,630	60,409	56,549	63,788	
Cash Funds	18,805	19,018	19,462	25,565	
Reappropriated Funds	139,548	141,116	137,478	155,943	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Operating Expenses	90,924	95,474	124,531	99,531	
General Fund	0	0	25,000	0	
Reappropriated Funds	90,924	95,474	99,531	99,531	
Legal Services	182,376	142,813	245,026	245,026	
General Fund	152,746	118,684	175,203	175,203	
Cash Funds	6,824	9,464	11,158	15,299	
Reappropriated Funds	22,806	14,665	58,665	54,524	
Administrative Law Judge Services	3,070	4,697	6,236	13,739	
Cash Funds	0	4,697	6,124	12,287	
Reappropriated Funds	3,070	0	112	1,452	
Purchase of Services from Computer Center	2,631,147	127,402	1,689,638	0 *	
General Fund	0	72,997	438,816	0	
Cash Funds	293,948	5,369	55,478	0	
Reappropriated Funds	2,337,199	49,036	1,195,344	0	
Colorado State Network	178,927	420,164	268,501	0 *	
General Fund	0	115,084	71,120	0	
Cash Funds	0	36,230	24,478	0	
Reappropriated Funds	178,927	268,850	172,903	0	
Management and Administration of OIT	92,896	35,884	0	0 *	
General Fund	25,102	9,829	0	0	
Cash Funds	8,051	3,094	0	0	
Reappropriated Funds	59,743	22,961	0	0	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
COFRS Modernization	0	288,061	288,061	288,061	
General Fund	0	128,128	128,128	74,907	
Cash Funds	0	16,396	16,396	30,022	
Reappropriated Funds	0	143,537	143,537	183,132	
Information Technology Security	0	0	20,602	0 *	
General Fund	0	0	5,368	0	
Cash Funds	0	0	837	0	
Reappropriated Funds	0	0	14,397	0	
Payment to Risk Management and Property Funds	463,141	682,310	566,716	604,566	
General Fund	125,140	186,894	150,110	157,213	
Cash Funds	40,140	58,837	51,661	63,007	
Reappropriated Funds	297,861	436,579	364,945	384,346	
Vehicle Lease Payments	82,097	77,846	84,173	82,180 *	
Cash Funds	0	2,190	2,128	2,128	
Reappropriated Funds	82,097	75,656	82,045	80,052	
Leased Space	1,222,432	1,243,943	666,423	316,949	
General Fund	437,764	454,180	258,016	0	
Cash Funds	16,219	86,062	49,776	0	
Reappropriated Funds	768,449	703,701	358,631	316,949	
Capitol Complex Leased Space	846,033	837,576	2,155,209	1,936,942	
General Fund	0	611,783	1,123,815	1,105,744	
Cash Funds	33,434	32,971	230,621	261,677	
Reappropriated Funds	812,599	192,822	800,773	569,521	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Communication Services Payments	889	1,517	1,284	0 *	
General Fund	889	758	640	0	
Reappropriated Funds	0	759	644	0	
Payments to OIT	0	0	0	1,606,573 *	
General Fund	0	0	0	300,012	
Cash Funds	0	0	0	50,532	
Reappropriated Funds	0	0	0	1,256,029	
SUBTOTAL - (A) Department Administration	10,720,011	8,528,462	12,842,483	12,032,874	(6.3%)
FTE	20.1	20.2	17.8	17.8	0.0%
General Fund	1,699,425	2,761,580	3,784,142	3,465,166	(8.4%)
Cash Funds	622,168	436,962	854,794	939,466	9.9%
Reappropriated Funds	8,398,418	5,329,920	8,203,547	7,628,242	(7.0%)

(B) Statewide Special Purpose

(I) Colorado State Employees Assistance Program

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	609,415	621,754	715,500	779,777	
FTE	9.2	8.9	11.0	11.0	
Reappropriated Funds	609,415	621,754	715,500	779,777	
Operating Expenses	51,860	52,155	53,794	53,794	
Reappropriated Funds	51,860	52,155	53,794	53,794	
Indirect Cost Assessment	106,194	130,199	110,018	78,310	
Reappropriated Funds	106,194	130,199	110,018	78,310	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL -	767,469	804,108	879,312	911,881	3.7%
FTE	9.2	8.9	11.0	11.0	0.0%
Reappropriated Funds	767,469	804,108	879,312	911,881	3.7%
(II) Office of the State Architect					
Office of the State Architect	453,825	467,004	467,005	467,005	
FTE	5.0	5.0	5.0	5.0	
General Fund	453,825	467,004	467,005	0	
Reappropriated Funds	0	0	0	467,005	
SUBTOTAL -	453,825	467,004	467,005	467,005	0.0%
FTE	5.0	5.0	5.0	5.0	0.0%
General Fund	453,825	467,004	467,005	0	(100.0%)
Reappropriated Funds	0	0	0	467,005	0.0%
(III) Colorado State Archives					
Personal Services	507,077	494,513	588,111	610,170	
FTE	6.7	7.2	9.9	10.0	
General Fund	388,551	373,474	405,594	299,146	
Cash Funds	108,035	110,302	153,446	153,446	
Reappropriated Funds	10,491	10,737	29,071	157,578	
Operating Expenses	38,676	81,759	62,447	57,744	
General Fund	33,433	76,516	62,447	0	
Reappropriated Funds	5,243	5,243	0	57,744	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL -	545,753	576,272	650,558	667,914	2.7%
FTE	6.7	7.2	9.9	10.0	1.0%
General Fund	421,984	449,990	468,041	299,146	(36.1%)
Cash Funds	108,035	110,302	153,446	153,446	0.0%
Reappropriated Funds	15,734	15,980	29,071	215,322	640.7%
(IV) Address Confidentiality Program					
Program Costs	111,876	128,822	0	0	
FTE	1.0	1.3	0.0	0.0	
Cash Funds	111,876	128,822	0	0	
SUBTOTAL -	111,876	128,822	0	0	0.0%
FTE	1.0	1.3	0.0	0.0	0.0%
Cash Funds	111,876	128,822	0	0	0.0%
(V) Other Statewide Special Purpose					
Test Facility Lease	119,842	119,842	119,842	119,842	
General Fund	119,842	119,842	0	0	
Reappropriated Funds	0	0	119,842	119,842	
Employment Security Contract Payment	18,000	15,725	20,000	20,000	
General Fund	11,264	8,989	11,264	11,264	
Reappropriated Funds	6,736	6,736	8,736	8,736	
SUBTOTAL -	137,842	135,567	139,842	139,842	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	131,106	128,831	11,264	11,264	0.0%
Reappropriated Funds	6,736	6,736	128,578	128,578	0.0%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL - (B) Statewide Special Purpose	2,016,765	2,111,773	2,136,717	2,186,642	2.3%
FTE	21.9	22.4	25.9	26.0	0.4%
General Fund	1,006,915	1,045,825	946,310	310,410	(67.2%)
Cash Funds	219,911	239,124	153,446	153,446	0.0%
Reappropriated Funds	789,939	826,824	1,036,961	1,722,786	66.1%
TOTAL - (1) Executive Director's Office	12,736,776	10,640,235	14,979,200	14,219,516	(5.1%)
FTE	42.0	42.6	43.7	43.8	0.2%
General Fund	2,706,340	3,807,405	4,730,452	3,775,576	(20.2%)
Cash Funds	842,079	676,086	1,008,240	1,092,912	8.4%
Reappropriated Funds	9,188,357	6,156,744	9,240,508	9,351,028	1.2%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

(2) DIVISION OF HUMAN RESOURCES

The Division of Human Resources administers the statewide classified personnel system and employee benefits programs. It also manages the Office of Risk Management, including the procurement of property, casualty, and workers' compensation insurance policies.

(A) Human Resource Services

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
(I) State Agency Services					
Personal Services	1,599,726	1,616,572	1,617,780	1,976,763 *	
FTE	14.6	14.7	19.2	19.2	
General Fund	0	0	0	300,000	
Reappropriated Funds	1,599,726	1,616,572	1,617,780	1,676,763	
Operating Expenses	78,252	88,412	88,496	88,496	
Reappropriated Funds	78,252	88,412	88,496	88,496	
Employee Engagement Survey	0	0	215,000	0	
General Fund	0	0	215,000	0	
SUBTOTAL -	1,677,978	1,704,984	1,921,276	2,065,259	7.5%
FTE	14.6	14.7	19.2	19.2	0.0%
General Fund	0	0	215,000	300,000	39.5%
Reappropriated Funds	1,677,978	1,704,984	1,706,276	1,765,259	3.5%
(II) Training Services					
Training Services	142,659	0	0	0	
FTE	1.2	0.0	0.0	0.0	
Cash Funds	51,294	0	0	0	
Reappropriated Funds	91,365	0	0	0	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Training Services Contingency Funds	47,987	0	0	0	
Cash Funds	17,655	0	0	0	
Reappropriated Funds	30,332	0	0	0	
Personal Services	0	395,880	596,152	600,246	
FTE	0.0	2.8	4.0	4.0	
Cash Funds	0	47,002	33,417	33,417	
Reappropriated Funds	0	348,878	562,735	566,829	
Operating Expenses	0	86,122	80,542	80,542	
Cash Funds	0	0	6,888	6,888	
Reappropriated Funds	0	86,122	73,654	73,654	
Indirect Cost Assessment	9,414	13,898	4,552	27,605	
Cash Funds	0	0	0	9,938	
Reappropriated Funds	9,414	13,898	4,552	17,667	
SUBTOTAL -	200,060	495,900	681,246	708,393	4.0%
FTE	1.2	2.8	4.0	4.0	0.0%
Cash Funds	68,949	47,002	40,305	50,243	24.7%
Reappropriated Funds	131,111	448,898	640,941	658,150	2.7%
SUBTOTAL - (A) Human Resource Services	1,878,038	2,200,884	2,602,522	2,773,652	6.6%
FTE	15.8	17.5	23.2	23.2	0.0%
General Fund	0	0	215,000	300,000	39.5%
Cash Funds	68,949	47,002	40,305	50,243	24.7%
Reappropriated Funds	1,809,089	2,153,882	2,347,217	2,423,409	3.2%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
(B) Employee Benefits Services					
Personal Services	701,434	712,954	778,013	805,260	
FTE	9.6	8.8	12.0	12.0	
Cash Funds	701,434	712,954	778,013	805,260	
Operating Expenses	28,549	41,958	58,324	58,324	
Cash Funds	28,549	41,958	58,324	58,324	
Utilization Review	26,153	0	40,000	40,000	
Cash Funds	26,153	0	40,000	40,000	
H.B. 07-1335 Supplemental State Contribution Fund	1,284,916	1,292,424	1,273,980	1,273,980	
Cash Funds	1,284,916	1,292,424	1,273,980	1,273,980	
Indirect Cost Assessment	209,719	119,427	60,236	247,138	
Cash Funds	209,719	119,427	60,236	247,138	
SUBTOTAL - (B) Employee Benefits Services	2,250,771	2,166,763	2,210,553	2,424,702	9.7%
FTE	9.6	8.8	12.0	12.0	0.0%
Cash Funds	2,250,771	2,166,763	2,210,553	2,424,702	9.7%
(C) Risk Management Services					
Personal Services	602,347	657,472	753,646	813,647	
FTE	8.8	8.9	11.5	11.5	
Reappropriated Funds	602,347	657,472	753,646	813,647	
Operating Expenses	53,073	68,203	68,427	68,427	
Reappropriated Funds	53,073	68,203	68,427	68,427	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Actuarial and Broker Services	0	0	326,516	272,000 *	
Reappropriated Funds	0	0	326,516	272,000	
Risk Management Information System	0	0	137,448	137,448	
Reappropriated Funds	0	0	137,448	137,448	
Additional Payments from Recommendation by the State Claims Board Pursuant to Section 24-10-11 (5) (b), C.R.S.	0	0	2,835,738	2,835,738	
General Fund	0	0	2,835,738	2,835,738	
Indirect Cost Assessment	178,656	52,088	42,010	95,199	
Reappropriated Funds	178,656	52,088	42,010	95,199	
Liability Claims	4,831,358	5,404,465	4,584,689	4,381,124 *	
Reappropriated Funds	4,831,358	5,404,465	4,584,689	4,381,124	
Liability Excess Policy	0	0	299,151	339,223 *	
Reappropriated Funds	0	0	299,151	339,223	
Liability Legal Services	2,383,902	2,276,115	3,056,460	3,044,510 *	
Reappropriated Funds	2,383,902	2,276,115	3,056,460	3,044,510	
Property Policies	7,824,968	7,668,912	5,074,822	4,604,422 *	
Reappropriated Funds	7,824,968	7,668,912	5,074,822	4,604,422	
Property Deductibles and Payouts	0	0	2,909,193	2,600,000 *	
Reappropriated Funds	0	0	2,909,193	2,600,000	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Workers' Compensation Claims	33,565,516	40,447,902	36,983,838	38,600,694 *	
Cash Funds	0	0	100,000	0	
Reappropriated Funds	33,565,516	40,447,902	36,883,838	38,600,694	
Workers' Compensation TPA Fees and Loss Control	0	0	2,200,000	2,450,000 *	
Reappropriated Funds	0	0	2,200,000	2,450,000	
Workers' Compensation Excess Policy	0	0	951,893	951,893	
Reappropriated Funds	0	0	951,893	951,893	
Workers' Compensation Legal Services	0	0	1,085,089	1,085,089	
Reappropriated Funds	0	0	1,085,089	1,085,089	
SUBTOTAL - (C) Risk Management Services	49,439,820	56,575,157	61,308,920	62,279,414	1.6%
FTE	8.8	8.9	11.5	11.5	0.0%
General Fund	0	0	2,835,738	2,835,738	0.0%
Cash Funds	0	0	100,000	0	(100.0%)
Reappropriated Funds	49,439,820	56,575,157	58,373,182	59,443,676	1.8%
TOTAL - (2) Division of Human Resources	53,568,629	60,942,804	66,121,995	67,477,768	2.1%
FTE	34.2	35.2	46.7	46.7	0.0%
General Fund	0	0	3,050,738	3,135,738	2.8%
Cash Funds	2,319,720	2,213,765	2,350,858	2,474,945	5.3%
Reappropriated Funds	51,248,909	58,729,039	60,720,399	61,867,085	1.9%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

(3) CONSTITUTIONALLY INDEPENDENT ENTITIES

This division provides support for the State Personnel Board authorized in Article XII, Sections 13 through 15, of the Colorado Constitution. The Board has the authority to adopt by rule a uniform grievance procedure to be used by all principal departments and agencies for classified employees in the State personnel system.

(A) Personnel Board

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	462,849	469,646	473,603	473,603	
FTE	4.8	4.6	4.8	4.8	
General Fund	462,287	469,521	472,425	472,425	
Cash Funds	562	125	1,178	1,178	
Operating Expenses	19,087	16,307	20,505	20,505	
General Fund	0	0	20,505	20,505	
Reappropriated Funds	19,087	16,307	0	0	
Legal Services	24,984	25,493	30,056	30,056	
General Fund	24,984	25,493	30,056	30,056	
TOTAL - (3) Constitutionally Independent Entities	506,920	511,446	524,164	524,164	0.0%
FTE	4.8	4.6	4.8	4.8	0.0%
General Fund	487,271	495,014	522,986	522,986	0.0%
Cash Funds	562	125	1,178	1,178	0.0%
Reappropriated Funds	19,087	16,307	0	0	0.0%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

(4) CENTRAL SERVICES

This division provides statewide support services, such as mail services, travel management, printing, copying, document reproduction, and data entry. It also administers the statewide fleet program, which purchases and manages vehicles for state agencies. The Facilities Maintenance section manages the buildings and grounds of the Capitol Complex, the Grand Junction State Services Building, and Camp George West.

(A) Administration

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	670,543	740,516	649,250	668,785	
FTE	8.7	9.4	8.0	8.0	
Cash Funds	0	141,976	0	0	
Reappropriated Funds	670,543	598,540	649,250	668,785	
Operating Expenses	61,325	47,594	58,445	58,445	
Cash Funds	0	6,761	0	0	
Reappropriated Funds	61,325	40,833	58,445	58,445	
Indirect Cost Assessment	115,630	110,094	51,840	57,138	
Cash Funds	0	13,623	0	0	
Reappropriated Funds	115,630	96,471	51,840	57,138	
Federal Funds	0	0	0	0	
SUBTOTAL - (A) Administration	847,498	898,204	759,535	784,368	3.3%
FTE	8.7	9.4	8.0	8.0	0.0%
Cash Funds	0	162,360	0	0	0.0%
Reappropriated Funds	847,498	735,844	759,535	784,368	3.3%
Federal Funds	0	0	0	0	0.0%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
(B) Integrated Document Solutions					
Personal Services	0	5,349,133	5,898,212	5,680,761	
FTE	0.0	95.7	106.4	99.1	
Cash Funds	0	472,012	133,509	133,509	
Reappropriated Funds	0	4,877,121	5,764,703	5,547,252	
Personal Services Contingency	0	0	468,656	468,656	
Cash Funds	0	0	8,106	8,106	
Reappropriated Funds	0	0	460,550	460,550	
Operating Expenses	0	11,351,711	12,507,407	12,647,135	
Cash Funds	0	819,930	971,105	971,105	
Reappropriated Funds	0	10,531,781	11,536,302	11,676,030	
Operating Expenses Contingency Funds	0	0	700,365	700,365	
Cash Funds	0	0	9,506	9,506	
Reappropriated Funds	0	0	690,859	690,859	
Utilities	0	63,373	69,000	69,000	
Reappropriated Funds	0	63,373	69,000	69,000	
Mail Equipment Purchase	0	223,753	223,754	223,754	
General Fund	0	46,129	46,130	46,130	
Cash Funds	0	46,129	0	0	
Reappropriated Funds	0	131,495	177,624	177,624	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Address Confidentiality Program	0	0	128,823	204,131	*
FTE	0.0	0.0	2.0	2.0	
General Fund	0	0	0	60,308	
Cash Funds	0	0	128,823	143,823	
Indirect Cost Assessment	0	920,565	384,732	699,536	
Reappropriated Funds	0	920,565	384,732	699,536	
SUBTOTAL - (B) Integrated Document Solutions	0	17,908,535	20,380,949	20,693,338	1.5%
FTE	0.0	95.7	108.4	101.1	(6.7%)
General Fund	0	46,129	46,130	106,438	130.7%
Cash Funds	0	1,338,071	1,251,049	1,266,049	1.2%
Reappropriated Funds	0	16,524,335	19,083,770	19,320,851	1.2%

(B) Integrated Document Solutions

(I) Reprographics Services

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	1,135,942	0	0	0	
FTE	22.8	0.0	0.0	0.0	
Cash Funds	102,550	0	0	0	
Reappropriated Funds	1,033,392	0	0	0	
Personal Services Contingency Funds	48,725	0	0	0	
Reappropriated Funds	48,725	0	0	0	
Operating Expenses	3,296,885	0	0	0	
Reappropriated Funds	3,296,885	0	0	0	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Operating Expenses Contingency Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Indirect Cost Assessment	158,482	0	0	0	
Reappropriated Funds	158,482	0	0	0	
SUBTOTAL -	4,640,034	0	0	0	0.0%
FTE	22.8	0.0	0.0	0.0	0.0%
Cash Funds	102,550	0	0	0	0.0%
Reappropriated Funds	4,537,484	0	0	0	0.0%
(II) Document Solutions Group					
Personal Services	2,592,877	0	0	0	
FTE	45.5	0.0	0.0	0.0	
Cash Funds	112,346	0	0	0	
Reappropriated Funds	2,480,531	0	0	0	
Personal Services Contingency Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Operating Expenses	427,148	0	0	0	
Reappropriated Funds	427,148	0	0	0	
Utilities	65,296	0	0	0	
Reappropriated Funds	65,296	0	0	0	
Indirect Cost Assessment	211,542	0	0	0	
Reappropriated Funds	211,542	0	0	0	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL -	3,296,863	0	0	0	0.0%
FTE	45.5	0.0	0.0	0.0	0.0%
Cash Funds	112,346	0	0	0	0.0%
Reappropriated Funds	3,184,517	0	0	0	0.0%
(III) Mail Services					
Personal Services	1,409,292	0	0	0	
FTE	38.3	0.0	0.0	0.0	
Cash Funds	771,934	0	0	0	
Reappropriated Funds	637,358	0	0	0	
Personal Services Contingency Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Operating Expenses	7,977,923	0	0	0	
Cash Funds	25,887	0	0	0	
Reappropriated Funds	7,952,036	0	0	0	
Operating Expenses Contingency Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Mail Equipment Purchase	225,871	0	0	0	
General Fund	46,129	0	0	0	
Reappropriated Funds	179,742	0	0	0	
Indirect Cost Assessment	226,720	0	0	0	
Reappropriated Funds	226,720	0	0	0	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL -	9,839,806	0	0	0	0.0%
FTE	38.3	0.0	0.0	0.0	0.0%
General Fund	46,129	0	0	0	0.0%
Cash Funds	797,821	0	0	0	0.0%
Reappropriated Funds	8,995,856	0	0	0	0.0%
SUBTOTAL - (B) Integrated Document Solutions	17,776,703	0	0	0	0.0%
FTE	106.6	0.0	0.0	0.0	0.0%
General Fund	46,129	0	0	0	0.0%
Cash Funds	1,012,717	0	0	0	0.0%
Reappropriated Funds	16,717,857	0	0	0	0.0%
(C) Fleet Management Program and Motor Pool Services					
Personal Services	693,015	709,062	737,783	768,754	
FTE	13.0	13.0	14.0	14.0	
Reappropriated Funds	693,015	709,062	737,783	768,754	
Operating Expenses	21,852,233	23,124,509	214,271	214,271	
Reappropriated Funds	21,852,233	23,124,509	214,271	214,271	
Fuel and Automotive Supplies	0	0	25,514,293	25,514,293	
Reappropriated Funds	0	0	25,514,293	25,514,293	
Operating Expenses Contingency Funds	1,213,916	0	0	0	
Reappropriated Funds	1,213,916	0	0	0	
Vehicle Replacement Lease/Purchase	14,695,589	14,125,831	18,014,816	18,863,994 *	
Reappropriated Funds	14,695,589	14,125,831	18,014,816	18,863,994	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Indirect Cost Assessment	614,667	681,276	364,528	609,903	
Reappropriated Funds	614,667	681,276	364,528	609,903	
SUBTOTAL - (C) Fleet Management Program and Motor Pool Services	39,069,420	38,640,678	44,845,691	45,971,215	2.5%
FTE	13.0	13.0	14.0	14.0	0.0%
Reappropriated Funds	39,069,420	38,640,678	44,845,691	45,971,215	2.5%
(D) Facilities Maintenance - Capitol Complex					
Personal Services	0	2,752,762	2,803,256	3,039,966	
FTE	0.0	53.8	55.2	55.2	
Reappropriated Funds	0	2,752,762	2,803,256	3,039,966	
Operating Expenses	0	1,883,926	2,696,625	2,696,625	
Reappropriated Funds	0	1,883,926	2,696,625	2,696,625	
Capitol Complex Repairs	0	56,520	56,520	56,520	
Reappropriated Funds	0	56,520	56,520	56,520	
Capitol Complex Security	0	375,064	385,384	385,384	
Reappropriated Funds	0	375,064	385,384	385,384	
Utilities	0	4,839,505	4,900,852	4,836,133 *	
Cash Funds	0	115,900	290,276	290,276	
Reappropriated Funds	0	4,723,605	4,610,576	4,545,857	
Indirect Cost Assessment	0	455,882	2,067,945	1,399,867	
Reappropriated Funds	0	455,882	2,067,945	1,399,867	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Capitol Complex Custodial	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Capitol Complex Controlled Maintenance	0	0	0	0	
Reappropriated Funds	0	0	0	0	
SUBTOTAL - (D) Facilities Maintenance - Capitol Complex	0	10,363,659	12,910,582	12,414,495	(3.8%)
FTE	0.0	53.8	55.2	55.2	0.0%
Cash Funds	0	115,900	290,276	290,276	0.0%
Reappropriated Funds	0	10,247,759	12,620,306	12,124,219	(3.9%)

(D) Facilities Maintenance

(I) Capitol Complex Facilities

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	2,505,112	0	0	0	
FTE	50.4	0.0	0.0	0.0	
Reappropriated Funds	2,505,112	0	0	0	
Operating Expenses	1,618,758	0	0	0	
Reappropriated Funds	1,618,758	0	0	0	
Capitol Complex Repairs	56,452	0	0	0	
Reappropriated Funds	56,452	0	0	0	
Capitol Complex Security	367,663	0	0	0	
Reappropriated Funds	367,663	0	0	0	
Utilities	3,430,523	0	0	0	
Reappropriated Funds	3,430,523	0	0	0	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Indirect Cost Assessment	457,027	0	0	0	
Reappropriated Funds	457,027	0	0	0	
SUBTOTAL -	8,435,535	0	0	0	0.0%
FTE	50.4	0.0	0.0	0.0	0.0%
Reappropriated Funds	8,435,535	0	0	0	0.0%
(II) Grand Junction State Services Building					
Personal Services	44,773	0	0	0	
FTE	1.0	0.0	0.0	0.0	
Reappropriated Funds	44,773	0	0	0	
Operating Expenses	104,142	0	0	0	
Reappropriated Funds	104,142	0	0	0	
Utilities	82,987	0	0	0	
Reappropriated Funds	82,987	0	0	0	
SUBTOTAL -	231,902	0	0	0	0.0%
FTE	1.0	0.0	0.0	0.0	0.0%
Reappropriated Funds	231,902	0	0	0	0.0%
(III) Camp George West					
Personal Services	68,888	0	0	0	
FTE	1.0	0.0	0.0	0.0	
Reappropriated Funds	68,888	0	0	0	
Operating Expenses	101,659	0	0	0	
Reappropriated Funds	101,659	0	0	0	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Utilities	410,882	0	0	0	
Reappropriated Funds	410,882	0	0	0	
SUBTOTAL -	581,429	0	0	0	0.0%
FTE	1.0	0.0	0.0	0.0	0.0%
Reappropriated Funds	581,429	0	0	0	0.0%
SUBTOTAL - (D) Facilities Maintenance	9,248,866	0	0	0	0.0%
FTE	52.4	0.0	0.0	0.0	0.0%
Reappropriated Funds	9,248,866	0	0	0	0.0%
TOTAL - (4) Central Services	66,942,487	67,811,076	78,896,757	79,863,416	1.2%
FTE	180.7	171.9	185.6	178.3	(3.9%)
General Fund	46,129	46,129	46,130	106,438	130.7%
Cash Funds	1,012,717	1,616,331	1,541,325	1,556,325	1.0%
Reappropriated Funds	65,883,641	66,148,616	77,309,302	78,200,653	1.2%
Federal Funds	0	0	0	0	0.0%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request		Request vs. Appropriation

(5) DIVISION OF ACCOUNTS AND CONTROL - CONTROLLER

The State Controller's office manages the financial affairs for all State departments. These responsibilities include: (1) statewide financial reporting; (2) providing policy and procedural guidance; (3) managing State contracts; and (4) developing the statewide indirect cost allocation plan. The Division receives cash funds from the Supplier Database Cash Fund (Section 24-102-202.5, C.R.S.) and rebates associated with the Procurement Card Program.

(A) Office of the State Controller

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request		Request vs. Appropriation
Personal Services	2,529,645	2,518,581	2,624,808	2,785,187	*	
FTE	28.5	29.2	33.3	33.5		
General Fund	570,467	2,143,660	746,798	783,380		
Cash Funds	272,555	374,921	1,152,617	1,152,617		
Reappropriated Funds	1,686,623	0	725,393	849,190		
Operating Expenses	110,177	104,981	140,868	237,115	*	
General Fund	0	0	34,870	131,117		
Cash Funds	82,407	86,783	105,998	105,998		
Reappropriated Funds	27,770	18,198	0	0		
Recovery Audit Program Disbursements	0	14,267	1,000	1,000		
Cash Funds	0	14,267	1,000	1,000		
SUBTOTAL - (A) Office of the State Controller	2,639,822	2,637,829	2,766,676	3,023,302		9.3%
FTE	28.5	29.2	33.3	33.5		0.6%
General Fund	570,467	2,143,660	781,668	914,497		17.0%
Cash Funds	354,962	475,971	1,259,615	1,259,615		0.0%
Reappropriated Funds	1,714,393	18,198	725,393	849,190		17.1%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
(B) State Purchasing Office					
Personal Services	706,808	805,769	805,769	837,285	
FTE	7.2	8.0	9.5	9.5	
General Fund	0	0	0	31,516	
Cash Funds	706,808	805,769	805,769	805,769	
Operating Expenses	25,979	26,796	27,000	27,000	
Cash Funds	25,979	26,796	27,000	27,000	
Statewide Travel Management Program	0	0	100,857	136,912	
FTE	0.0	0.0	2.0	2.0	
Cash Funds	0	0	100,857	136,912	
DIPS Procurement	0	0	1,173,976	1,255,976	
Cash Funds	0	0	1,173,976	1,255,976	
SUBTOTAL - (B) State Purchasing Office	732,787	832,565	2,107,602	2,257,173	7.1%
FTE	7.2	8.0	11.5	11.5	0.0%
General Fund	0	0	0	31,516	0.0%
Cash Funds	732,787	832,565	2,107,602	2,225,657	5.6%
(C) Supplier Database and e-Procurement					
Personal Services	193,917	767,274	428,426	439,139	
FTE	2.2	4.5	7.0	7.0	
Cash Funds	193,917	767,274	428,426	439,139	
Operating Expenses	1,124,476	909,432	2,501,539	1,328,360	
Cash Funds	1,124,476	909,432	2,501,539	1,328,360	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL - (C) Supplier Database and e-Procurement	1,318,393	1,676,706	2,929,965	1,767,499	(39.7%)
FTE	2.2	4.5	7.0	7.0	0.0%
Cash Funds	1,318,393	1,676,706	2,929,965	1,767,499	(39.7%)
(D) Collections Services					
Personal Services	754,822	924,528	924,596	1,102,269 *	
FTE	15.1	17.7	20.0	20.0	
Cash Funds	754,822	924,528	924,596	1,102,269	
Operating Expenses	348,655	637,482	349,085	570,277 *	
Cash Funds	348,655	637,482	349,085	570,277	
Private Collection Agency Fees	675,154	892,542	800,000	800,000	
Cash Funds	675,154	892,542	800,000	800,000	
Indirect Cost Assessment	270,124	288,718	250,433	307,044	
Cash Funds	270,124	288,718	250,433	307,044	
SUBTOTAL - (D) Collections Services	2,048,755	2,743,270	2,324,114	2,779,590	19.6%
FTE	15.1	17.7	20.0	20.0	0.0%
Cash Funds	2,048,755	2,743,270	2,324,114	2,779,590	19.6%
TOTAL - (5) Division of Accounts and Control - Controller	6,739,757	7,890,370	10,128,357	9,827,564	(3.0%)
FTE	53.0	59.4	71.8	72.0	0.3%
General Fund	570,467	2,143,660	781,668	946,013	21.0%
Cash Funds	4,454,897	5,728,512	8,621,296	8,032,361	(6.8%)
Reappropriated Funds	1,714,393	18,198	725,393	849,190	17.1%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

(6) ADMINISTRATIVE COURTS

This division provides an independent adminstrative law adjudication system for state agencies in order to resolve cases that deal with workers' compensation, human services, and regulatory law. The Division offers a full range of alternative dispute resolution options, including evidentiary hearings, settlement conferences, and mediation.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	3,192,556	3,171,255	3,241,253	3,427,211	
FTE	37.3	36.4	40.0	40.5	
General Fund	0	0	0	52,393	
Cash Funds	144,211	0	105,916	105,916	
Reappropriated Funds	3,048,345	3,171,255	3,135,337	3,268,902	
Operating Expenses	128,286	507,020	143,260	148,913	
General Fund	0	0	0	5,653	
Reappropriated Funds	128,286	507,020	143,260	143,260	
Indirect Cost Assessment	185,047	15,853	171,000	230,033	
Cash Funds	0	0	0	8,587	
Reappropriated Funds	185,047	15,853	171,000	221,446	
TOTAL - (6) Administrative Courts	3,505,889	3,694,128	3,555,513	3,806,157	7.0%
FTE	37.3	36.4	40.0	40.5	1.2%
General Fund	0	0	0	58,046	0.0%
Cash Funds	144,211	0	105,916	114,503	8.1%
Reappropriated Funds	3,361,678	3,694,128	3,449,597	3,633,608	5.3%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
TOTAL - Department of Personnel	144,000,458	151,490,059	174,205,986	175,718,585	0.9%
FTE	352.0	350.1	392.6	386.1	(1.7%)
General Fund	3,810,207	6,492,208	9,131,974	8,544,797	(6.4%)
Cash Funds	8,774,186	10,234,819	13,628,813	13,272,224	(2.6%)
Reappropriated Funds	131,416,065	134,763,032	151,445,199	153,901,564	1.6%
Federal Funds	0	0	0	0	0.0%

Appendix B: Recent Legislation Affecting Department Budget

2012 Session Bills

S.B. 12-150: Centralizes management of certain state public finance transactions in the State Treasurer's Office. Decreases the FY 2012-13 Long Bill appropriation for the Division of Accounts and Control – Controller, Office of the State Controller in the Department of Personnel by $42,961 General Fund and 0.5 FTE.

H.B. 12-1193: Supplemental appropriation to the Department of Personnel for FY 2011-12 and FY 2010-11.

H.B. 12-1246: Changes the payday schedule for employees compensated on a biweekly basis to reverse a payday shift enacted in 2003 that moved the last payment of the fiscal year into the next fiscal year. Reversing the payday shift for employees compensated on a biweekly basis returns the payment for these employees to the fiscal year in which the employee earns the pay. Makes the following appropriations:

DEPARTMENT	Total	General Fund	Reappropriated Funds	Federal Funds
Agriculture	$9,456	$9,456	$0	$0
Corrections	136,460	136,460	0	0
Education	173,373	173,373	0	0
Governor	1,895	1,895	0	0
Health Care Policy and Financing	285,719	157,109	0	128,610
Human Services	984,145	726,924	257,221	0
Judicial	16,115	16,115	0	0
Law	8,799	8,799	0	0
Legislature	69,278	69,278	0	0
Local Affairs	793	793	0	0
Natural Resources	228,047	228,047	0	0
Public Health and Environment	6,885	6,885	0	0
Public Safety	25,473	25,473	0	0
Revenue	133,783	133,783	0	0
Treasury	794	794	0	0
Total	$2,081,015	$1,695,184	$257,221	$128,610

H.B. 12-1335: General appropriations act for FY 2012-13.

2013 Session Bills

S.B. 13-076: Exempts a member of the General Assembly and staff from legislative service agencies from fees charged by the State Archives associated with requests for legislative material related to official legislative duties.

S.B. 13-099: Supplemental appropriation for the Department of Personnel for FY 2012-13.

S.B. 13-200: Expands Medicaid eligibility for adults to 133 percent of the federal poverty level (FPL). Appropriates 12,122 in reappropriated funds from the Department of Health Care Policy and Financing to the Department for the provision of administrative law judge services.

S.B. 13-230: General appropriations act for FY 2013-14.

S.B. 13-263: Requires the Department of Personnel to enter into competitive negotiations for the development of a comprehensive master plan for the Capitol Complex, with final approval from the Office of State Planning and Budgeting and the Capital Development Committee. Requires that all real estate-related capital requests by executive branch departments or the legislative branch for the Capitol Complex be evaluated by the Office of State Planning and Budgeting and the Capital Development Committee against the Capitol Complex Master Plan.

S.B. 13-271: Repeals the prohibition on using General Fund for the Address Confidentiality Program in the Department for the protection of victims of domestic violence, sexual offenses, or stalking.

S.B. 13-276: Relocates the Coordinated Care for People with Disabilities Fund and renames it the Disability Investigational and Pilot Support Fund (Fund). Requires the Fund to be used for grants and loans to projects or programs that study or pilot new and innovative ideas, which will lead to an improved quality of life or increased independence for people with disabilities. Outlines the requirements and membership of the disability-benefit support contract committee. Appropriates $1,173,976 cash funds from the Disability Investigational and Pilot Support Fund to the Department for FY 2013-14.

S.B. 13-285: Requires a claimant to be reimbursed by the employer or workers' compensation carrier for medical treatment provided if the employer, after notice of the injury, fails to provide medical treatment. Appropriates $100,000 cash funds from the State Employee Workers' Compensation Account in the Risk Management Fund to the Department in FY 2013-14 for claims related to the implementation of the act.

S.B. 13-288: Modifies provisions regarding tort claims against the State brought under the "Colorado Governmental Immunity Act" (CGIA) as follow:

- Clarifies the existing method for exceeding the CGIA limit based on the State Claims Board (Board) recommendation and authorization by the General Assembly through a bill.

- In connection with a recommendation made by the Board to make a payment to one or more claimants resulting from a claim of an injury arising out of the March 2012 Lower North Fork Wildfire that is received by the General Assembly while adjourned sine die, certified by the Department of Law that the Board process has been satisfied, authorizes the Office of the State Controller to pay one or more additional payments to such claimants from moneys previously appropriated by bill until such specifically appropriated moneys are exhausted or replenished.

- In connection with any claim arising out of an injury that does not arise out of the Lower North Fork wildfire, where the Board has made a recommendation to the General Assembly for an additional payment while the General Assembly has adjourned sine die, the payment is authorized where all of the members of the Joint Budget Committee have voted to authorize the additional payment; except that the act prohibits payment from being made until the General Assembly has ratified by bill the authorization to make the payment.

H.B. 13-1184: Consolidates the Electronic Procurement Program Account in the Supplier Database Cash Fund with the Supplier Database Cash Fund and provides interest and unexpended moneys remain in the fund.

H.B. 13-1286: Suspends recovery audits for three years in order to allow the Colorado Financial Reporting System (COFRS) modernization project to be completed and all relevant data to be entered into the modernized COFRS system before the next series of recovery audits is conducted. Decreases the appropriation for the Office of the State Controller by $58,777 General Fund and 0.8 FTE in FY 2013-14.

H.B. 13-1292: Requires the Department of Labor and Employment to enforce and impose fines on contractors that violate the 80 percent labor law by hiring less than 80 percent of Colorado residents for construction projects financed in whole or part by state funds. Directs the Department of Personnel to administer a resident bidder preference, and allows competitive sealed best value bidding for construction projects. Appropriates $36,588 General Fund in FY 2013-14 to the Department for computer programming costs and legal services.

H.B. 13-1298: Modifies employment policies related to personnel in the Senior Executive Service and specified departmental positions who are not in the state personnel system as follows:

- Salaries are based on policies established by the State Personnel Director;
- If an employee in the Senior Executive Service is dismissed for failure to perform, he or she is not permitted to appeal directly to the State Personnel Board;
- Senior Executive Service employees have no right to any position within the State; and
- Departmental employees are not entitled to anniversary-based merit increases.

Appendix C: Update on Long Bill Footnotes & Requests for Information

Long Bill Footnotes

There were no Long Bill footnotes that required follow-up by the Department.

Requests for Information

The Department is requested to work with the Public Employee's Retirement Association to provide information within existing resources on how the state's retirement benefits compare to prevailing practice by November 1, 2013. In addition, the Department is requested to provide recommendations regarding: (1) the level of detail and analysis and the costs required to perform a reliable comparison of the state's retirement benefits to prevailing practice; and (2) how frequently the state would need to analyze retirement benefits to ensure that state compensation matches prevailing compensation, given that retirement benefits may change less frequently than other components of compensation.

Department Response – Please see Appendix F for the Department's response.

Appendix D: Indirect Cost Assessment Methodology

Explanation of Indirect Cost Assessment Methodology

The Department is a central services agency and therefore its departmental indirect costs are included within the Statewide Indirect Cost Plan. The Statewide Indirect Cost Plan sets indirect cost assessments by division for the Department.

Appendix E: Change Requests' Relationship to Measures

This appendix will show how the Department of Personnel indicates each change request ranks in relation to the Department's priorities and what measures the Department is using to gauge success of the request.

Change Requests' Relationship to Performance Measures			
R	**Change Request Description**	**Goals / Objectives**	**Measures**
R1	Total Compensation Vendor	Improve effectiveness and accuracy of salary survey by contracting an outside vendor rather than handling in-house. Free up internal staff to perform other duties.	None provided. No relationship to performance plan provided. This request is related to the Department's outcome goal for reinvesting in the workforce but is not included as a project in the Department's performance plan.
R2	Transparency Online Project Modernization	Transition the Transparency Online Project (TOP) system to the Colorado Operations Resource Engine (CORE), also known as COFRS modernization, in order to maintain compliance with statute.	Continue to comply with statutory requirements for publishing state financial data. No relationship to performance plan provided. This request is related to the Department's outcome goal for modernizing information technology systems generally and implementing CORE specifically.
R3	Central Collections Investment in Customer Service	Increased resources to support an increase in collections volume.	Increase in collections work volume overall as well as maintaining or increasing staff workload ratios. No relationship to performance plan provided. This request is related to the Department's outcome goal for improving customer service but is not included as a project in the Department's performance plan.
R4	Address Confidentiality Program Resources	Increased resources to support an expanding caseload.	Overall program caseload growth. No relationship to performance plan provided. This request is related to the Department's outcome goal for improving customer service but is not included as a project in the Department's performance plan.

Colorado
Department of Personnel & Administration

John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Kara Veitch
Deputy Executive Director

November 1, 2013

Senator Steadman, Chair
Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, CO 80203

Henry Sobanet, Director
Governor's Office of State Planning and Budgeting
200 East Colfax, Room 111
Denver, CO 80203

Dear Senator Steadman and Mr. Sobanet:

The following text provides the response to the Department of Personnel & Administration's RFI #1, which reads as follows:

Department of Personnel and Administration – The Department is requested to work with the Public Employee's Retirement Association to provide information within existing resources on how the state's retirement benefits compare to prevailing practice by November 1, 2013. In addition, the Department is requested to provide recommendations regarding: (1) the level of detail and analysis and the costs required to perform a reliable comparison of the state's retirement benefits to prevailing practice; and (2) how frequently the state would need to analyze retirement benefits to ensure that state compensation matches prevailing compensation, given that retirement benefits may change less frequently than other components of compensation.

Introduction

The response to this request for information is in two distinct parts. Section 1 contains an analysis of current contribution rates to retirement plans between the State of Colorado and the prevailing marketplace. The Department of Personnel & Administration and the Public Employees' Retirement Association worked cooperatively to produce this section within existing resources. *Section 1 represents the full extent to which DPA and PERA can assess the comparative value of the State's retirement benefits without additional appropriations.*

Section 2 contains an assessment of the costs associated with performing a thorough comparison of the State's retirement benefits to prevailing practice.

Executive Director's Office
633 17th St., Suite 1600
Denver, CO 80202
O: 303-866-3000 | F: 303-866-2102
www.colorado.gov/dpa

Section 1

Comparison of Contribution Levels

In its Annual Compensation Report for FY 2014-15, DPA has published a comparison of the cost of the State's contributions for retirement benefits, including PERA, to the prevailing market. The analysis presented in that report includes the following components: Social Security, Medicare, Contributions to the Defined Benefit or Defined Contribution plans, Amortization Equalization Disbursement (AED), and tax deferred matching.

When we compare these factors in isolation between the market and the State sector, the market lags. However, when we attempt to make a comprehensive direct comparison of the market and State retirement costs, we find it is not possible without additional analysis. The data we do have provides an incomplete picture for three reasons:

- First, the current compensation survey indicates that actual salaries of State workers lag the market by an average 6.3 percent.
- Second, it should be noted that the inclusion of something comparable to the State's Amortization Equalization Disbursement payment is wholly excluded from the market calculation. The AED payment is intended to stabilize the various segments of the PERA population and ensure that the plan is addressing any unfunded liabilities. To the extent that a comprehensive comparison of the State's retirement benefit to the market would include similar components in each, an adjustment factor that would fund Social Security's unfunded liabilities would reduce the gap between the employer contributions shown below.[1]
- Third, the analysis presented in the Annual Compensation Report does not take into account a comparison of the current or future value of retirement benefits. This component would likely be included in a comprehensive analysis of the State's contributions to retirement versus the market.

TABLE 1 – FY 2013-14 Total Percent Employer Contribution

Components of Pension Benefits	Market	State
Social Security	6.20%	NA
Medicare	1.45%	1.45%
DB/DC Contribution	NA	10.15%
AED for PERA	NA	3.60%
Average Tax Deferred Matching	4.45%	NA
Total Contribution from Employer	**12.10%**	**15.20%**

[1] Source: Annual Compensation Survey Report for FY 2014-15

For comparative purposes, the Department has also prepared a table comparing employees' contribution levels for retirement benefits. This analysis includes Social Security, Medicare, Contributions to the Defined Benefit or Defined Contribution plans, and the Supplemental Amortization Equalization Disbursement (SAED). This analysis focuses on required employee contributions, and excludes voluntary contributions made by both State employees and their counterparts in the marketplace to 401 (k) and 457 retirement plans. This table demonstrates that State employees are also required to pay substantially more for retirement benefits than their counterparts.

It is important to note that State statute contemplates the SAED as employee contributions to PERA, rather than as *employer* contributions. C.R.S. 24-51-411 (1) directs the State to reduce employees' appropriated salary growth by 0.5% each year in order to fund SAED payments. In the absence of SAED, it is assumed that State employees' salaries would currently be 3.25% higher.

Table 2 – FY 2013-14 Total Percent Employee Contribution*

Component of Pension Contributions	Market	State
Social Security	6.20%	NA
Medicare	1.45%	1.45%
DB/DC Contribution	NA	8.00%
SAED for PERA	NA	3.25%
Total Contribution from Employee	**7.65%**	**12.70%**

* These figures represent contribution rates for PERA's State division, excluding State Troopers.

Section 2

Resources Necessary for a Thorough Analysis:

The Department and PERA have worked together to estimate the cost of a study to provide a comprehensive picture of PERA's relationship to the total compensation of State employees compared with practices in the prevailing marketplace. Separately, two additional studies will be useful in the discussion of the PERA retirement benefit and the solvency of the fund. As part of its FY 2014-15 budget package, OSPB has set aside $500,000 to pay for the studies detailed below:

1) A Comprehensive Retirement Benefits Analysis

DPA and PERA worked together to identify an estimate of the resources necessary to perform a comprehensive retirement benefits analysis that could be and should be incorporated into the overall total compensation analysis. It is assumed that additional FTE would not be necessary within DPA to oversee such a study with appropriate contract management, data provision, quality control, and reporting efforts. DPA also believes that, with approval of its FY 2014-15 decision item concerning the annual total compensation study, it can successfully incorporate such an analysis into a comprehensive assessment of total compensation.

Based on informal discussions between PERA and a number of potential vendors, it is estimated that the costs for a comprehensive retirement benefit analysts would range between $76,000 and $112,000. Funding for such a study would ideally need to be appropriated in the Department of Personnel & Administration's Division of Human Resources, Employee Benefits Services program line items.

DPA recommends that, given the changing landscape in retirement systems for large employers, this type of analysis should occur at least every five years. Ideally, a biennial study would ensure that policymakers are well-informed of changes in the prevailing marketplace.

2) Analysis of the Cost to Convert Colorado to a Defined Contribution Retirement Benefit

In recent years, much public discussion has centered on the concept of replacing PERA's Defined Benefit plan with a Defined Contribution (or related concept) plan more akin to what exists in the prevailing marketplace. Such a policy change should be accompanied with rigorous analyses that show the impact of the change on prevailing compensation, incremental impacts on the ability to meet unfunded liabilities, and the impact on retirement security. DPA, OSPB, and PERA have determined that a study is needed to allow policymakers and the public to understand more fully the full range of impacts to State employees, retirees, and Colorado taxpayers of moving from the current system to a different one.

3) Analysis to Understand the Impacts of Unmet Actuarial Assumptions

DPA and OSPB also recommend a third study. As with item 2, the discourse surrounding PERA's existing unfunded liability frequently centers on the actuarial assumptions behind the unfunded liability calculation. While much attention has been paid to the assumed 8.0% rate of return on investment, the actuarial modeling of the pension plan is complicated and intricate, with many important assumptions. As the PERA board chooses actuarial assumptions, it performs its due diligence in good faith and with fiduciary duties in mind. Understanding that these are informed estimations, the actual full performance of the assumptions is only known later. As such, the debate on the appropriateness of any particular variable lacks the ability to reach a certain conclusion. Thus, we believe the more appropriate concern is to have the best knowledge of when the <u>failure to meet</u> key assumptions poses serious risk. We believe the State would benefit from an analysis that provides insight into understanding the risks of not meeting key assumptions and the implications thereof. These "trigger" points could prove valuable to managing and understanding the financial solvency of the PERA Trust Fund.

OSPB's $500,000 FY 2014-15 set-aside assumes that any funds not expended on the "Comprehensive Retirement Benefits Analysis" would be used for the "DB-DC Conversion" and "Actuarial Assumption Trigger" studies.

Additional Points of Consideration

There are a number of areas of concern that will need to be understood and addressed for these analyses to be included in the next year's Annual Compensation Report:

1. DPA, PERA, OSPB and the vendor would have to establish confidentiality agreements with regard to all data involved in this analysis.
2. Contractual relationships between a prospective vendor, DPA, and PERA would need to ensure that PERA remains in compliance with State and federal laws governing trusts. Most likely, any contract would have to be established in DPA, which will require the full Request for Proposal (RFP) process. This process can be time consuming. Under the best case scenario, the Department would take approximately three to four months to get the vendor in place.
3. Some data that would be considered crucial for an accurate and complete analysis may not be easily obtained. This could drive unforeseen costs in the proposed studies, or limit their ultimate usefulness.
4. To the extent that the State's data is relatively easy to incorporate into the vendor's models and the analysis necessary to establish commonalities and areas of comparison is not extremely complicated, the State would not require additional FTE to process the information going to and coming from the vendor. However, due to the relatively unknown set of knowledge, skills, and abilities required to facilitate this type of analysis, the Department may require additional temporary resources to adequately address the needs of the vendor and provide a comprehensive analysis.

Please let me know if you have any questions or need additional information.

Sincerely,

Kara Veitch for

Kathy Nesbitt
Executive Director
Department of Personnel & Administration

Cc:
Senator Mary Hodge, Joint Budget Committee
Senator Kent Lambert, Joint Budget Committee
Representative Crisanta Duran, Vice-Chair, Joint Budget Committee
Representative Jenise May, Joint Budget Committee
Representative Cheri Gerou, Joint Budget Committee
John Ziegler, Joint Budget Committee, Staff Director
Alfredo Kemm, Joint Budget Committee, Staff
Joy Huse, Joint Budget Committee, Staff
Erick Scheminske, Office of State Planning and Budgeting, Deputy Director
Cassie Rutter, Office of State Planning and Budgeting, Staff

OFFICE OF STATE PLANNING AND BUDGETING

FY 2014 - 2015 STATEWIDE APPROPRIATIONS/CASH FEES PLAN

DEPARTMENT	GF	GFX	CF	RE	FF	TOTAL
DEPARTMENT OF PERSONNEL & ADMINISTRATION						
DPA - AEA - ADMINISTRATION	$0	$0	$0	$57,138	$0	$57,138
DPA - AEA - REPROGRAPHICS	0	0	0	699,536	0	699,536
DPA - AEA - FLEET MANAGEMENT	0	0	0	609,903	0	609,903
DPA - AEA - CAPITOL BUILDINGS	0	0	0	1,399,867	0	1,399,867
DPA - CENTRAL COLLECTIONS	0	0	0	307,044	0	307,044
DPA - ADMINISTRATIVE COURTS	0	0	8,587	221,446	0	230,033
DPA - EMPLOYEE BENEFITS	0	0	247,138	0	0	247,138
DPA - RISK MANAGEMENT	0	0	0	95,199	0	95,199
DPA - CSEAP	0	0	0	78,310	0	78,310
DPA - TRAINING	0	0	9,938	17,667	0	27,605
GOVERNOR'S OFFICE OF INFORMATION TECHNOLOGY						
GOIT - ADMINISTRATION	0	0	0	78,358	0	78,358
GOIT - COMPUTING SERVICES	0	0	0	233,530	0	233,530
GOIT - COMMUNICATION - NETWORK	0	0	0	36,440	0	36,440
GOIT - COMMUNICATION SERVICES	0	0	0	1,895	0	1,895
AGRICULTURE	28,644	221	140,100	5,164	11,178	185,307
CORRECTIONS	2,606,865	3,263	51,404	30,791	6,016	2,698,339
EDUCATION	698,422	2,088	194,596	97,178	201,997	1,194,281
GOVERNOR	33,517	74	83,319	0	149,834	266,744
HEALTH & ENVIRONMENT	88,373	269	321,906	10,635	386,402	807,585
HIGHER EDUCATION	0	0	704,500	1,665,743	191,742	2,561,985
TRANSPORTATION	0	0	1,783,137	60,725	0	1,843,862
HUMAN SERVICES	1,258,458	35,675	279,282	29,551	261,551	1,864,517
JUDICIAL	814,200	1,646	141,927	2,793	3,966	964,532
LABOR & EMPLOYMENT	0	0	374,154	0	400,970	775,124
LAW	76,842	55	86,875	202,050	45,365	411,187
LOCAL AFFAIRS	110,103	0	66,329	113,112	163,463	453,007
MILITARY AFFAIRS	57,101	6	1,567	55	122,897	181,626
NATURAL RESOURCES	281,149	2,468	1,214,668	62,757	225,856	1,786,898
PUBLIC SAFETY	284,561	392	1,209,435	51,056	80,976	1,626,420
REGULATORY AGENCIES	12,228	0	344,834	4,329	8,075	369,466
REVENUE	360,876	1,000	674,375	2,013	5,659	1,043,923
DEPT OF HEALTH CARE & FINANCING	602,051	0	122,479	21,941	519,069	1,265,540
SECRETARY OF STATE	0	0	128,921	0	62	128,983
TOTAL ASSESSED ALLOCATED COSTS	**$7,313,390**	**$47,157**	**$8,189,471**	**$6,196,227**	**$2,785,077**	**$24,531,322**
NON-ASSESSED ALLOCATED COSTS:						
LEGISLATURE	1,083,983	1,244	2,541	71,916	0	1,159,684
NON-STATE AGENCIES	419,441	0	0	0	0	419,441
TREASURY - ELDERLY TAX	46,461	0	0	0	0	46,461
TREASURY - UNCLAIMED PROPERTY	1,841,878	0	0	0	0	1,841,878
TREASURY - INVESTMENTS IN TRUST	277,794	0	0	0	0	277,794
TREASURY - LOCAL GOVERNMENT	392,790	0	0	0	0	392,790
PERSONNEL-ARCHIVES PUBLIC SERVICE	189,153	0	0	0	0	189,153
CAPITOL COMPLEX - VACANT SPACE	324,091	0	0	0	0	324,091
	$11,888,981	**$48,401**	**$8,192,012**	**$6,268,143**	**$2,785,077**	**$29,182,614**

OFFICE OF STATE PLANNING AND BUDGETING

FY 2014 - 2015 STATEWIDE APPROPRIATIONS/CASH FEES PLAN

DEPARTMENT	CF	RE	FF	TOTAL
DEPARTMENT OF PERSONNEL & ADMINISTRATION				
DPA - AEA - ADMINISTRATION	$0	$57,138	$0	$57,138
DPA - AEA - REPROGRAPHICS	0	699,536	0	699,536
DPA - AEA - FLEET MANAGEMENT	0	609,903	0	609,903
DPA - AEA - CAPITOL BUILDINGS	0	1,399,867	0	1,399,867
DPA - CENTRAL COLLECTIONS	0	307,044	0	307,044
DPA - ADMINISTRATIVE COURTS	8,587	221,446	0	230,033
DPA - EMPLOYEE BENEFITS	247,138	0	0	247,138
DPA - RISK MANAGEMENT	0	95,199	0	95,199
DPA - CSEAP	0	78,310	0	78,310
DPA - TRAINING	9,938	17,667	0	27,605
GOVERNOR'S OFFICE OF INFORMATION TECHNOLOGY				
GOIT - ADMINISTRATION	0	78,358	0	78,358
GOIT - COMPUTING SERVICES	0	233,530	0	233,530
GOIT - COMMUNICATION - NETWORK	0	36,440	0	36,440
GOIT - COMMUNICATION SERVICES	0	1,895	0	1,895
AGRICULTURE	140,100	5,164	11,178	156,442
CORRECTIONS	51,404	30,791	6,016	88,211
EDUCATION	194,596	97,178	201,997	493,771
GOVERNOR	83,319	0	149,834	233,153
HEALTH & ENVIRONMENT	321,906	10,635	386,402	718,943
HIGHER EDUCATION	704,500	1,665,743	191,742	2,561,985
TRANSPORTATION	1,783,137	60,725	0	1,843,862
HUMAN SERVICES	279,282	29,551	261,551	570,384
JUDICIAL	141,927	2,793	3,966	148,686
LABOR & EMPLOYMENT	374,154	0	400,970	775,124
LAW	86,875	202,050	45,365	334,290
LOCAL AFFAIRS	66,329	113,112	163,463	342,904
MILITARY AFFAIRS	1,567	55	122,897	124,519
NATURAL RESOURCES	1,214,668	62,757	225,856	1,503,281
PUBLIC SAFETY	1,209,435	51,056	80,976	1,341,467
REGULATORY AGENCIES	344,834	4,329	8,075	357,238
REVENUE	674,375	2,013	5,659	682,047
DEPT OF HEALTH CARE & FINANCING	122,479	21,941	519,069	663,489
SECRETARY OF STATE	128,921	0	62	128,983
TOTAL ASSESSED ALLOCATED COSTS	**$8,189,471**	**$6,196,227**	**$2,785,077**	**$17,170,775**
NON-ASSESSED ALLOCATED COSTS:				
LEGISLATURE	2,541	71,916	0	74,457
	$8,192,012	**$6,268,143**	**$2,785,077**	**$17,245,232**

Colorado
Department of Personnel
& Administration
Office of the State Controller

John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Robert Jaros
State Controller

October 29, 2013

John Ziegler, Director
Joint Budget Committee
200 E. 14th Avenue, 3rd Floor
Denver CO 80203

Dear Mr. Ziegler,

In accordance with CRS 24-75-1401 (2)(4), attached is the Indirect Costs Excess Recovery Fund report as of June 30, 2013.

This report shows the revenues, expenditures and fund balances recorded in the fund. Both revenues and fund balance for this fund were $1,764,969. Because there have been no appropriations from this newly created fund, there were no expenditures as of June 30, 2013.

This report is currently being reviewed by the Office of the State Auditor and is subject to revision based on their findings.

If you have questions regarding the information in this report, please contact Bhavna Punatar in my office at (303) 866-4344 or Bhavna.punatar@state.co.us.

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachments: Indirect Cost Excess Recoveries_ FY2012-13

Office of the State Controller
633 17th St., Suite 1500
Denver, CO 80202
O: 303-866-6200 | F: 303-866-4138
www.colorado.gov/dpa

Indirect Cost Excess Recovery Fund

Revenue, Expenditure and Fund Balance for the Fiscal Year Ending 2012-13

Agency	Department Name	Revenues	Expenses	Fund Balance
CAA	CORRECTIONS	($250,455)	$0	$250,455
DAA	EDUCATION	(806,338)	0	806,338
NAA	LOCAL AFFAIRS	(313,493)	0	313,493
PAA	NATURAL RESOURCES	(109,677)	0	109,677
RAA	PUBLIC SAFETY	(209,185)	0	209,185
SAA	REGULATORY AGENCIES	(75,821)	0	75,821
Total - Excess Indirect Recovery		($1,764,969)	$0	$1,764,969

COLORADO SUPREME COURT LIBRARY
2 East 14th Avenue
Denver, CO 80203
720-625-5105

November 1, 2013

Sent via e-mail to Mr. Alfredo Kemm

Representative Crisanta Duran
Colorado State Capitol
200 East Colfax
Denver, CO 80203

Dear Representative Duran:

The Legislative Digital Policy Advisory Committee respectfully submits the attached report, as required pursuant to House Bill 13-1182.

All members of the committee, or their designees, have reviewed and approved the final version of the report, and have authorized me to share it with your committee in the attached PDF format.

We thank you for the opportunity to participate in this process, and will make ourselves available to answer any questions you might have related to the report at your upcoming hearing.

Very truly yours,

Dan Cordova

Dan Cordova
Colorado Supreme Court Librarian
Chair, Legislative Digital Policy Advisory Committee

Legislative Digital Policy Advisory Committee (LDPAC)

Report to the

Joint Budget Committee
and
Committee on Legal Services

Members of the LDPAC

Dan Cordova, Chair	Colorado Supreme Court Librarian
Gene Hainer, Vice-Chair	Colorado State Librarian
Dan Cartin	Director, Office of Legislative Legal Services
Korwynn Kolar	Designee, Chief Clerk of the House of Representatives
Susan Liddle	Designee, Legislative Council Staff
Max Majors	Designee, Secretary of the Senate
George Orlowski	State Archivist

November 1, 2013

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Digitization of Legislative Audio Recordings

CHARGE	LDPAC RESPONSE
Define the optimal digital audio format.	The optimum digital audio format is .wav for archival purposes and mp3 format for public access.
Digitize taped archived recordings to the optimal digital file format.	Analog-to-digital conversion will be a dual extraction process where digital files are created in both the optimal digital format (.wav) and the consumer digital access format (mp3) (see Appendix B). Metadata, using best practices, will be created with the migration of the digital files and will be imbedded with those same digital files.
Migrate digital recordings to the optimum format.	Digitization and migration of the 1973-74 analog tapes first, followed by the remaining analog tapes from 1975 through 1997. Investigate the transfer of digital files on the Freedom system to a non-proprietary format. Address the digital data tapes from 1998 through 2001 last.
Provide the information technology system for ongoing archival storage and access.	Original tapes will be relabeled, cataloged and stored in environmentally controlled location. Digital files will be housed in remotely operated digital ("Cloud") storage with mirrored storage in local servers or other digital storage devices.
Identify and prioritize at least two funding options for the plan.	A benchmarked, 5-year appropriation to State Archives above current levels from the General Fund. Collaboration and savings through an economy of scale with similar agencies. Additional spending authority of any cash fund surplus from fees.
Recommend a policy for limited storage for archived recordings, perpetual archival storage, and public access to digital legislative recordings.	Follow the Library of Congress National Recording Preservation Plan. Limited storage will consist of the preservation of both machinery and the tapes within environmentally controlled storage areas. Perpetual storage will include both the original audio and the digital files. Customer access will be through the General Assembly webpage with a link to the servers administered by the various departments.

EXECUTIVE SUMMARY

Implementing Uniform Electronic Legal Materials Act
(UELMA)

CHARGE	LDPAC RESPONSE
Recommend a policy for limited-term legislative storage, perpetual archival storage, and public access to electronic legislative records.	The General Assembly, or vendors by agreement with the General Assembly, should maintain not only a secure digital depository for public access, but also a separate system for reliable, perpetual archival storage of electronic legislative records, utilizing cloud storage, secure off-site servers, eBooks, paper books, or similar electronic means that ensure secure, perpetual preservation of the records.
Identify potential authentication systems for an electronic records authentication system, including the vendors and the costs to the state.	Some form of mark-up language combined with a digital signature secured by a hash key is likely the best of the known systems for authenticating future legislative digital records. The Secretary of State's experience moving forward will help verify the accuracy of that premise.
Recommend the best electronic records authentication system for the state and funding options.	All of the information necessary for determining the best and most cost effective electronic records authentication system for the legislature (or the entire state) is not yet available. In addition to the actions listed above, the LDPAC would like to completely survey all U.S. states that have passed UELMA legislation regarding actions they have taken to comply, concerns they have, and/or barriers they face. We would also like to more fully survey Colorado government and its partners regarding current digitization projects already undertaken, specifically their selected processes and procedures.
Any other information that the LDPAC determines to be relevant.	Colorado is at the forefront of UELMA implementation. The LDPAC should continue with additional members added.

4

INTRODUCTION

Background. A budget request submitted in November 2012 by the Colorado State Archives highlighted the need to preserve Colorado's permanent legal and historical records, both print and legislative audio. These records provide critical historical context to complex legislative and legal issues throughout the state and are at risk of being permanently lost if immediate and ongoing steps are not taken to preserve them.

Currently, legislative recordings from 1973 through 1981 are very difficult to access because of machine and tape degradation due to age. Legislative recordings between 1982 and 1998 could become inaccessible due to the unavailability of historical machines used to play the specialized, multi-track recordings. Additionally, the legislative tapes from 1998 through 2001 are becoming difficult to access due to the degradation of the tapes and the unstable nature of the historical proprietary software. Recordings on the Freedom System (2002-2011) are in a proprietary format. Each era of audio recording utilizes a different historical machine, which are unique proprietary multi-track tape reproducers manufactured in those specific eras, or are recordings in proprietary digital formats.

While these recordings are currently still accessible to professionals trained in the treatment and preservation of historical recordings, the fragility of the machines and the recordings themselves make it impossible to make the legislative recordings available directly to customers. As a result, each of these recordings must be individually accessed by a trained archivist and a digital recording must be made on an ad hoc basis for the customer. This ad hoc approach is not efficient and does not address the increasing inaccessibility of large volumes of historical recordings.

House Bill 13-1182, which created the Legislative Digital Policy Advisory Committee, was introduced in response to the concerns identified in the State Archives' budget request. The LDPAC is required to develop plans for converting existing archived recordings of legislative proceedings into a digital format and implementing the Uniform Electronic Legal Material Act.

COMMITTEE CHARGE

The Legislative Digital Policy Advisory Committee consists of the following individuals, or their designees:

- State Archivist;
- Supreme Court Librarian;
- State Librarian;
- Director of Research of the Legislative Council;
- Director of the Office of Legislative Legal Services;

- Chief Clerk of the House of Representatives; and
- Secretary of the Senate.

Pursuant to House Bill 13-1182, the Legislative Digital Policy Advisory Committee was charged to develop a plan to digitize the archived recordings that:

- Defines the optimal digital audio file format;
- Identifies potential vendors and the cost to the state to:
  - digitize taped archived recordings to the optimal digital audio file format;
  - migrate digital archived recordings to the optimal digital audio file format; and
  - provide the information technology system for the ongoing archival storage and access;
- Identifies and prioritizes at least two funding options for the plan, including any grant opportunities or licensing contracts;
- Recommends a policy for limited-term storage of archived recordings, perpetual archival storage, and public access to all digital legislative audio recordings; and
- includes any other information that the LDPAC determines to be relevant.

The LDPAC was also to develop a plan for implementation of the "Uniform Electronic Legal Material Act" (hereinafter UELMA) for legislative electronic records that:

- Recommends a policy for limited-term legislative storage, perpetual archival storage, and public access to electronic legislative records;
- Identifies potential authentication systems for an electronic records authentication system, including the vendors and the costs to the state;
- Recommends the best electronic records authentication system for the state;
- Identifies funding options for the authentication system; and
- Includes any other information that the LDPAC determines to be relevant.

The committee must report its finding to the Committee on Legal Services and the Joint Budget Committee by November 1, 2013. The LDPAC repeals January 1, 2014.

COMMITTEE ACTIVITIES

The LDPAC met 12 times from June through October 2013 and discussed issues related to digitizing the analog recordings from 1973-2001 as well as potential authentication systems for electronic records to use to comply with UELMA.

Topics discussed during LDPAC meetings and recommendations made by the LDPAC are discussed below.

LDPAC RECOMMENDATIONS

Digitization of Legislative Audio Recordings

Audio recordings of all legislative hearings are stored at the Colorado State Archives, and date back to 1973. These recordings comprise several thousand audio tapes in five different formats. For purposes of the LDPAC, analog audio files from 1973 to 2001 were examined. In this time period, three distinct recording systems were used, including two different reel-to-reel systems and a digital data tape system. All of the tapes during this time period can only be played on their proprietary system. The ability to access these tapes is impacted by age, wear and tear over the years, as well as the deteriorating condition of the playback machines. A detailed overview of the status of the legislative recordings at the Colorado State Archives is included as Appendix A.

The LDPAC recommends the following plan to digitize the archived recordings:

1. **Define the optimal digital audio format.** The optimal format for audio preservation is PCM wav (.wav) format, as this is a universal audio format used in compact disks, professional audio and most audio applications. It is a lossless format from which all other formats (including mp3) can be down-sampled and compressed. The LDPAC recommends that the .wav format be used for archival storage and the mp3 format be used for public access. Archival standards suggest either high-definition audio or standard CD audio as the best formats from which to derive all other access formats, and to insure readability in the future.

2. **Identify potential vendors to digitize in the optimum format, migrate digital recordings to the optimum format, and provide the information technology system for the ongoing archival storage and access**.

Short term strategies: In the short term, State Archives should work towards stabilizing its existing analog machines and tapes, and look for ways to enhance these machines to make digitization easier. State Archives is currently working with Jonathan Broyles of Image and Sound Forensics (Parker, CO) to re-build and maintain existing audio tape machines. State Archives has also estimated the amount of storage space necessary to archive the audio content in its digital form. In addition, State Archives is investigating long-term preservation of the actual audio tapes. The LDPAC recommends that State Archives continue these short term endeavors while it works towards long term digital solutions and estimates a 9-12 month timeline for the short term strategies.

Long term strategies: Long term digitization will be a difficult process for State Archives. State Archives worked with Image and Sound Forensics to establish a cost baseline for long term digitization. Current cost estimates from potential vendors are $2,478,100; however, the LDPAC knows that much of the expertise in the digitization of analog to digital exists in the music industry. For instance, it was shared in the committee that the Grateful Dead producers were on the cutting edge of salvaging analog tapes and digitizing them. The LDPAC recommends an additional 12 months to research similar solutions in other industries (i.e., music industry and Department of Defense). Along with results of the short-term baseline, the LDPAC will be able to recommend a more definite figure. The LDPAC believes that long term solutions can occur within a five year period.

The LDPAC recommends that State Archives should do one or more of the following:

- Verify the established baseline through an advertised RFI/RFQ
- Document the knowledge, skills and abilities required to continue audio tape conversion
- Hire additional staff needed to complete conversion of audio tapes in-house
- Advertise for vendor completion of audio tape conversion through the RFP process

A. Digitize taped archived recordings to the optimal digital file format. Transfer and digitization of the analog tape-based legislative recordings will be accomplished by modifying existing Dictaphone and Magnasync playback devices to allow for multi-track fast speed extraction. Utilizing Library of Congress best practices, the analog-to-digital conversion will be a dual extraction process where digital files are created in both the optimal digital format (.wav) and the consumer digital access format (MP3) (see Appendix B). Metadata, using best practices, will be created with the migration of the digital files and will be imbedded with those same digital files. Steps will be in place to handle issues with tape degradation as needed (see Appendix C).

B. Migrate digital recordings to the optimum format. The LDPAC recommends the digitization of the 1973-74 analog tapes first. These are the oldest tapes and should be able to be completed in accordance with the with Library of Congress best practices.

The LDPAC then recommends digitizing the remaining analog tapes from 1975 through 1997. The prioritization of these tapes may be determined by significant legislative issues, and not necessarily sequentially. The LDPAC also recommends the transfer of the Freedom system to a non-proprietary format. This will allow some of the most recent legislative audio to be available to the public in an accessible digital format.

Finally, the LDPAC recommends that the digital data tapes from 1998 through 2001 be migrated last. While these tapes and the platform may be the most fragile, the LDPAC recognized that at this time, these recordings are also the most difficult to transfer. In addition, the LDPAC and State Archives have been unable to find a vendor who will work with these tapes. The LDPAC believes that this prioritization will provide the greatest success to the whole digitization project.

The LDPAC recommends the following timeline for converting and migrating audio tapes:

- Short-term: 9-12 months
- Long-term: Currently unknown; preferably five years or less.

C. Provide the information technology system for ongoing archival storage and access. Original antiquated tapes will be relabeled, cataloged and stored in environmentally controlled environment both prior to and after digitization. Digital files will be housed in remotely operated digital ("Cloud") storage with mirrored storage in local servers or other digital storage devices to possibly include traditional disc or solid-state digital storage or long-term refreshable digital tape storage facilities.

Based upon a limited sample of interviews by LDPAC members and presentations to the group at large, the LDPAC believes that storage and access requirements can be grouped together or contracted separately. The LDPAC has already begun the investigation phase concerning possible partners in this endeavor.

The LDPAC recommends compiling a more complete list of proprietary or open source software vendors already contracting with the State of Colorado for inclusion in any future bid process.

The LDPAC recognizes that a total cost is not yet estimable; any attempt to prematurely calculate the number will result in over-paying. The space and related cost for storing digitized audio tape content are only a portion of the amount needed; the space/cost for storing prospective electronic data related to UELMA compliance should be calculated and added to this figure. Taken together, economies of scale are available.

For example, an unlimited cloud storage contract can accompany an enterprise contract, sometimes with generous discounts associated with group licenses for simultaneous access.

3. Identify and prioritize at least two funding options for the plan. There are several viable funding options for the digitization of legislative audio: general funding appropriation, grant money and appropriated transfer of cash from the State Archives cash fund balance. The LDPAC would recommend that the prioritization of these options begin with a benchmarked, 5-year appropriation to State Archives above current levels from the General Fund for audio tape conversion and a content management system capable of searching, accessing, and manipulating the data formatted according to the UELMA recommendations. Cooperation between the various programs subject to UELMA will streamline expenditure by assisting the establishment of the UELMA format, recommend hardware and software standards for creating and editing primary law statewide, recognize State Archives as the official depository of retrospective print materials over 20 years old, and maximize State money already expended under the DPA umbrella.

In addition to the economies of scale associated with storing and accessing the audio tape content and the prospective digital content created pursuant to UELMA, the LDPAC recognizes the potential for significant savings to all state agencies who print through DPA/IDS if that unit is selected as the printer of choice for retrospective textual materials corresponding to the audio tape content. Such savings appear to be at least an off-set (more likely a net savings) to the General Fund over the number of years that Archives requests dollars for audio conversion. This approach has the attendant benefit of making all primary law from Statehood through the present available online, in the same format, and similarly searchable.

In exchange for the State Archives providing free access to retrospective primary law materials after audio conversion, the governmental bodies contemplating participation in UELMA could agree to match grant funded monies annually required, up to, but not exceeding, the five-year period during which State Archives would provide the assistance described above. This is a real choice based upon the highly collaborative conversation that the LDPAC has created, and universal agreement that free access to primary law is our common goal; still, it is a distant second choice if for no other reason than it shifts the burden of funding State Archives to other branches of government who already deposit legal content there.

An archival contract for the above-described services in association with one or more similarly-situated state archives in the Rocky Mountain region or beyond might also offer a bargaining position strong enough to discount the retail price of conversion and content management such that it might be affordable using grant funded monies only. This is the least preferred option, since it potentially subordinates the preferred timeline for converting the Colorado audio content to the vagaries of vendor negotiation in a multi-jurisdiction scenario.

The LDPAC has several reasons for the above listed priorities. First, the current state of the legislative audio tapes and equipment is such that immediate funds need to be earmarked to address the situation. Grant money, while attractive, is not guaranteed and this would lead only to additional delays. Moreover, the LDPAC found that many of the available grants are not available to the State of Colorado because grants require that the information being digitized be free to the public. This is not the case right now with the State Archives as it must charge fees to insure adequate funding. The LDPAC believes that with an initial general fund appropriation and the appropriated spending of the State Archives cash fund balance over the next 5 years, the groundwork will be laid so that general fund money can be phased out. The cash fund balance, matching grant monies from state agencies, and external grants could then potentially fund the digitization after the initial 5 year period.

4. Recommend a policy for limited storage for archived recordings, perpetual archival storage, and public access to all digital legislative recordings. All standards for best practices concerning storage of both short-term and perpetual recordings will be according to guidelines and practices from the Library of Congress National Recording Preservation Plan as well as other standard best practice publications. Limited storage will consist of the preservation of both rare and antiquated machinery and the tapes within environmentally sound storage areas. Ongoing maintenance will insure the operation of these machines to provide public access during the legislative transfer process.

Perpetual storage will include both the original audio artifacts and the newly created digital files, with best archival practices as a guide to the preservation of both. Analog files will be put in environmentally controlled spaces that insure that they can be accessed indefinitely for file restoration or other needs. Digital files will be stored in their higher-resolution format (archival) and in their customer access (compressed) format in at least three locations, to include a remote server, a mirrored site, and one locally under the control of the State Archives, either as an in-house server or long-term digital storage format (such as tape).

Customer access will be through the General Assembly webpage, so as to create the least confusion in the public as to the origination of the recordings, and then linked to the servers administered by the various departments that will include both the audio files and related printed file materials.

The LDPAC recommends the following funding approaches and requirements for defining short-term legislative storage, perpetual archival storage, and ongoing public access to digital legislative audio records.

- Discontinue access fees for other governmental units in Colorado

- If access fees cannot be discontinued, establish one-time subscription fee schedule to be paid to State Archives as early in the fiscal year as possible (to facilitate fiscal planning), and set a date beyond which access fees will not be paid.
- If access fees must be paid for longer than one fiscal year, add one FTE to State Archives sufficiently skilled, and cross-trained, to fulfill legislative history requests more rapidly.
- Enterprise funding from non-governmental marketplace
- Shared allocation with IDS (General Fund)

5. Other relevant information to be considered. The LDPAC strongly recommends that the committee continue after January 1, 2014. Even if the LDPAC is not statutorily mandated, the members of the committee unanimously agreed that the collaboration between the three branches of government was invaluable and useful service for the citizens of Colorado. The LDPAC had extensive discussions concerning a federated search system in which each governmental entity provides data to a central hub so that Coloradoans need to go only to one location to gain historical legal information. The LDPAC would like to continue to discuss this option for future implementation.

In addition, the LDPAC discussed several options to provide raw data free to citizens, including enhanced data, such as an e-book subscription, to users for a subscription fee. Such a system would allow State Archives to apply for more grants, as it would be providing information to citizens free of charge. It would also allow State Archives to continue charging fees to users for enhanced services.

Implementation of the Uniform Electronic Legal Material Act (UELMA)

The Uniform Electronic Legal Material Act ("UELMA") was enacted in Colorado in 2012. (H.B. 12-1209 codified at C.R.S. 24-71.5-101, et seq.). It is the legislative response to the increasing demand for electronic distribution of legal information by state governments, and the security concerns related to potential alteration of that information, whether accidentally or maliciously, before it reaches an individual user.

UELMA requires an official publisher of legal material that is published only in an electronic record to designate the electronic record as official and to: (1) authenticate the origin and document integrity of the record; (2) provide for the preservation and security of the electronic record in electronic or non-electronic form; and (3) ensure the legal material is available for permanent public use. An official publisher that publishes legal material in a record other than an electronic format may designate an electronic record as official if UELMA's requirements for authentication, preservation, and permanent availability are met.

UELMA's scope in Colorado is limited: The legal materials it applies to are the Colorado Constitution, Session Laws, and Colorado Revised Statutes, for which the General Assembly is the official publisher, and state agency rules, for which the Secretary of State is the official publisher. (24-71.5-102 (2), (3), C.R.S.).

UELMA does not require any particular technology for authenticating and preserving electronic legal materials. The General Assembly and Secretary of State can choose the same or different technology for authentication and preservation of these legal materials.

Because the Secretary of State currently publishes the official version of Colorado's administrative rules and regulations in electronic format, they must comply with UELMA requirements by March 31, 2014.

The Secretary of State's schedule for complying with UELMA required the dedication of appropriated resources and ultimately a commitment to comply before the LDPAC was able to meaningfully assist in that agency's decision-making process. The SOS has selected one of the authentication methods identified as potentially viable in the LOC/DIIPP white paper. (Appendix D). It remains to be seen if the relatively small volume of records that the SOS publishes each year can be scaled to work in the much larger volume legislative environment.

The printed version of the Colorado Constitution, Session Laws, and Colorado Revised Statutes published by the General Assembly currently is the official record of these legal materials. The General Assembly is not required to comply with UELMA until it designates an electronic format as its official record. For the Colorado Revised Statutes, that designation will require legislation.

UELMA-related information and LDPAC recommendations. Section 24-80-114 (4), C.R.S., directs the LDPAC to develop a plan for implementing UELMA for legislative records, and to report on specific aspects of that plan. The following work resulted in the LDPAC's recommendations and, is required by law to be included in this report.

Eight states, including Colorado, have adopted some form of UELMA; six others introduced it but did not adopt it last session. There is no fully-functioning model from another state that Colorado can use as a template, so we are leading the way nationally on implementation.

For purposes of an implementation plan, the committee considered digital records relating to the specified legal materials enumerated in UELMA, i.e., the Colorado Constitution, the Session Laws of Colorado, the Colorado Revised Statutes, state agency rules, and any other items that could be legal materials under the UELMA, including legislative audio recordings. Other legal materials that might also be included in UELMA are published appellate court opinions, court rules, legislative journals and calendars, versions of bills, executive orders, and attorney general formal opinions.

During its meetings, the LDPAC members reported on research into known digitization initiatives in various stages of implementation at the federal level and in other states, identified similar information regarding on-going scanning programs in Colorado, met with information technology experts (i.e., government IT professionals, consultants, vendors), and studied the UELMA plan being implemented by the Secretary of State's Office, which participated in several of the LDPAC meetings.

1. **Recommendation for a policy for limited-term legislative storage, perpetual archival storage, and public access to electronic legislative records.**

In lieu of recommending a preferred digital authentication system for legislative records, the LDPAC offers the following consensus statements in support of its conclusion that further research is necessary.

Electronic legislative records should be easily accessible and widely available to the public at no cost.

A 1-2-3 approach to preservation is advised. That is, one original copy should be maintained in two independent locations and made available on three different platforms if not formats. The General Assembly, or vendors by agreement with the General Assembly, should maintain not only a secure digital depository for public access, but also a separate system for reliable, perpetual archival storage of electronic legislative records, utilizing cloud storage; secure off-site servers, eBooks, paper books, or similar electronic means that ensure secure, perpetual preservation of the records.

This process should begin with the end-users' experience clearly defined.

A centralized administration for statewide UELMA compliance (hub and spokes content management structure) would maximize efficiency and reduce unnecessary time and expense. Such a structure would also provide the general public a better customer service experience when inevitable questions arise about how to navigate the system. Other advantages are the ability to identify, negotiate and provide common equipment, software and training for the creation of and conversion to common formats, statewide.

A common language is necessary to forecast and manage emerging technology. Should the General Assembly decide to include retrospective (historical) primary law into the UELMA digital records depository, a shared vocabulary will assist in the conversion of those documents to digital form. The same is true of preserving historical administrative rules and regulations. It is the committee's opinion that end users would be better served and the Secretary of State's workflow assisted if the Code of Colorado Regulations were numbered in a uniform manner. We acknowledge that this would require legislative action, and that the transition process would have to be phased. Such a change is not absolutely necessary, however, should it be desired, this would be an expedient moment to begin the dialogue, as correlation tables could be created and linked to prospective digital files under UELMA.

2. Identification of potential authentication systems for an electronic records authentication system, including vendors and the costs to the state.

The plan being implemented by the Secretary of State will produce an HTML format created using JAVA-code, which is then converted to an archival PDF that is authenticated using a proprietary Adobe certificate. The Secretary of State's Office has elected to manage its authentication system in-house.

The LDPAC currently believes that some form of mark-up language combined with a digital signature secured by a hash key is likely the best of the known systems for authenticating future legislative digital records. The Secretary of State's experience moving forward will help verify the accuracy of that premise.

The Office of Legislative Legal Services currently contracts with a vendor to print its official primary law. A conversation with that vendor would be a next step toward UELMA compliance. The state should also consider advertising to other vendors via an RFI/RFQ to further explore available options and to quantify associated costs.

3. Recommendation for the best electronic records authentication system for the state and funding options for the authentication system.

All of the information necessary for determining the best and most cost effective electronic records authentication system for the legislature (or the entire state) is not yet available. In addition to the actions listed above, the Committee would like to completely survey all U.S. states that have passed UELMA legislation regarding actions they have taken to comply, concerns they have, and/or barriers they face. We would also like to more fully survey Colorado government and its partners regarding current digitization projects already undertaken, specifically their selected processes and procedures.

4. Other relevant information to be considered.

As discussed previously, the LDPAC should continue to meet for the purpose of evaluating information that best implements UELMA and facilitates access to electronic legal materials by Colorado's citizens at no charge. Ongoing communication between the legislative, judicial, and executive branches of Colorado state government may, in addition to ensuring efficiencies in implementing UELMA, result in the recommendation of future legislative changes necessary to that implementation. It may also result in helpful recommendations relating to the ongoing conversion of legislative audio tapes.

As the legislature faces no deadline to comply with UELMA, the LDPAC respectfully requests a one-year extension to more completely research the information and technical requirements necessary to optimally implement the UELMA portion of its charge. Alternatively, the LDPAC could meet as an informal inter-branch group on a regular basis to evaluate information that will further the implementation of UELMA.

The members of the LDPAC unanimously agree that the collegiality and cooperation among the group contributed to a highly informative and productive process. If allowed to continue, the group recommends adding the Director of the Business and Licensing Division of the Secretary of State's Office, the Legislative Council Librarian, the Revisor of Statutes, the Senior IT Manager of the Legislative Counsel, and the Director of Statewide Programs in the Department of Personnel and Administration to the next iteration of the LDPAC.

In addition, the LDPAC would like to thank the following non-members who provided generously of their time, energy and expertise:

- State Archive staff, including Lance Christensen and Tracie Seurer
- The Director of Statewide Programs & Chief Administrative Law Judge, Matthew Azer
- Secretary of State staff members, including D.J. Davis, Deanna Maiolo, Phil Gehlich, Setareh Saadat, Carla Hoke, Joe Ingle and Ben Rector
- State Library staff member Deborah MacLeod
- Legislative Council Librarian Molly Otto
- Legislative Council IT staff Manish Jani and Zack Wimberly
- Legislative Legal Services staff Ed DeCecco
- Jonathan Broyles of Image & Sound Forensics

APPENDIX A

The Status of the Legislative Tapes at the Colorado State Archives

Issue: The Legislative Tapes at the Colorado State Archives are in danger of becoming unusable due to the age of the recordings and the rarity of the antiquated orphan machines designed to play them.

Part 1 - The Tapes: The Legislative Tapes at the Colorado State Archives comprise several thousand audiotapes utilizing five different formats. Of these, a partial group of tapes ¼ inch tapes (containing recordings of the House and Senate Chambers from 1973) were transferred to a digital format in 2006 and a further group of cassettes (containing committee hearings from early 1973) were transferred to a digital format in 2012. There are three distinct formats and types:

1973 – 1981: Half-inch 10 track tape held on NAB 10 ½” reels, playable on Dictaphone Corporation 4000/5000 logging machines only. One track holds SMPTE-style code in H/M/S format.[1] All tapes in this collection suffer from varying degrees of hydrolysis, sticky-tape syndrome and other defects that are the result of age and decay, the emulsions in the tapes and poor storage conditions. <u>Many tapes have suffered breakage</u>, have poor splices and suffer from <u>loss of data</u>.

1982 – 1998: 1-inch 20 track logging tape on NAB 10 ½” reels, playable only on Magnasync/Moviola Company logging machines and fitted with custom-built SMPTE-style readers, or machines modified to emulate these proprietary devices. One track holds time code in D/H/M/S format.[2] While the tapes are in good condition, they too are exhibiting early signs of wear and oxide loss due to age and storage issues. <u>Many tapes have suffered breakage</u> and have poor splices and <u>loss of data</u>.

1997 – 2004: 4mm 4 GB DDC data tapes, playable only on the software platform designed by Lanier and abandoned in 2001. The tapes are proprietary data burst format, loaded onto a Windows 3.1-based system utilizing software that is incompatible with modern operating systems. The data on the tapes is fragile and while there are backups of many of the tapes, many of the originals are <u>no longer recognized by the system and are unplayable</u>. While some years of these tapes are repeated in other formats, there is no replacement for the years 1999 – 2001. Neither the tapes nor the software designed for them were intended for extended life or use.

[1] Hour/Minute/Second. Hours are on a 24-hour clock. SMPTE refers to the Society of Motion Picture and Television Engineers and is one format of time code in use in film, television and in any situation where specific time and synchronization is required.

[2] Day/Hour/Minute/Second. 365-day calendar with 24-hour clock format.

In the case of all systems, the tapes hold several days of hearings with all rooms in use recorded at the same time. All of the tapes can only be played on their proprietary systems. Wear and non-archival storage facilities have adversely impacted all of the tapes, which are also affected by the deteriorating condition of the playback machines.

The total numbers for each format of tape are:

1. 1973 – 1982: 1,144 Half-inch Tapes
2. 1982 – 1998: 881 1 inch Tapes
3. 1998 – 2004: 167 DDC Tapes (1999 – 2001: 100 DDC Tapes)

(Note: if only tapes not covered by overlapping formats are considered, the DDC tapes for which there is no other format is 100 total).

Part 2 - The Machines: As stated earlier, there are three types of machines that play these recordings. All are either proprietary and unique, or use software that is proprietary, unsupported and on an antiquated platform. These machines should only be operated by individuals with specific training and expertise in analog tape systems, transfer formats and digital audio workstations, with an emphasis on industry experience and audio archival methodology. The three systems and their condition follows:

1973 – 1981: Dictaphone 4000/5000
These machines are open-reel players, manufactured by Dictaphone. They have push-button mechanisms and a separate SMPTE-style module located above the reels. Both Dictaphone machines were repaired by Jonathan Broyles of Image And Sound Forensics(R) in 2012, a process which replaced rubber parts, many electronic components and returned both machines to functional operation at a total cost of $5000 each. At the present time, these machines should have many years of functionality, assuming operation by trained personnel and periodic maintenance, calibration and repair.

1982 – 1998: Magnasync/Moviola
These machines are open-reel players with custom-built time-code readers installed. Unlike the Dictaphone machines, these machines maintain constant contact with the tape even during fast-winding.

With the loss of functionality of these machines, Dictaphone 5000 machines were utilized and modified to handle these tapes and to read the time code on them. Two machines are being fitted in this manner, at a cost of $5000 each, and are scheduled to be in service in November 2013.

1999-2001: DDC Computers (Window 3.1 OS, Lanier software with 4mm Data Drives). There are two of these machines, both of which are functional. One machine has had its data drive rebuilt. While the machines are fairly stable, they are 1st generation Pentium machines with unsupported operating systems that may become more fragile with age. Additionally, the tapes were of a format never intended for daily use, and are becoming unstable with age.

APPENDIX B

Digital formats: the initial transfer storage format from tape should be the highest quality that will capture with "no loss" from tape to digital format. Since the bandwidth of the recorders is specified at 300 to 3000Hz (-3dB), and since these analog recorders have a typical useful frequency response to 6000Hz, the minimum digital format should be 12KHz sample rate and 16bit amplitude resolution to ensure that all of the usable bandwidth of the audio format is captured.

The ideal file format will be one that reaches beyond simply preservation and exceeds the minimum standards. Many universities and the Library of Congress recommend a high definition standard of 92KHz/24 bit resolution, also known as 'high definition audio.' For the purposes of these recordings, this would result in a very large file size. For the purposes of easier access and standardization, the recommended format is the CD standard of 44.1KHz/16 bit. This is both for best audio preservation as well as for ease of access in the future. This is also an optimum format for down-sampling to access formats.

Storage requirements. This would be for the preservation format as well as the compressed format for public access. code audio should also be recorded from one of the channels on the tape. Information such as time and origination should be preserved at the point of transfer as part of the metadata stream.

The formula for stating the size of audio files in a lossless wav format is:
MB/Hour = x bits/sample * x samples/second * bytes/8 bits * KB/1024 bytes * MB/1024KB * 60 seconds/minute * 60 minutes/hour * number of channels. For 44.1/16 audio, this would result in 605mb per hour or .591gb per hour of data. Assuming the current estimate of 500,000 hours of audio, this would indicate 295 terabytes of data storage necessary for the archival format storage needs.

Calculating the public access MP3 format audio, results in MP3 at a 128 bit rate would result in 56.3 MB/hour or approximately 28 terabytes of data.

Total storage needs would result in a requirement of at least 323 terabytes of storage. However, the true amount of storage necessary would be contingent on the actual amount of hours per year, which cannot be determined until a full year of audio is transferred.

APPENDIX C

Examination and Research of Potential Tape Problems [1]

After examination and testing of the ½" and 1" tapes from the Colorado Archives I have been able to determine that the Dictaphone (½") recorded tapes' back coating is deteriorating due to absorption of moisture or hydrolysis of the tape's back coating[1]. Further, an examination of the material that deposits on the tape heads contains mostly back coating and very little iron oxide and is the same as the material found on the tape lifters which contact the back side of the tape. The deteriorating back coating is transferring to the front/recording surface through contact when the tape is wound on a reel [1]. The longer this goes unchecked, the more the deteriorating back coating will break down and transfer to the front surface of the tape which could eventually "glue" the layers of the tape together making it unplayable. The contamination of the recording surface with the deteriorating back coating will interfere with the playback quality by putting a space between the recording surface and the playback head. This type of signal loss is very difficult or impossible to be fully compensated for by downstream digital processing [3].

Dictaphone tapes exhibiting this deterioration require head and tape guide cleaning after approximately 15 minutes of playback [2].

Further examination shows that the Magnasync tapes (1") do not have a back coating and also do not exhibit any symptoms of hydrolysis deterioration. The oxide build up that appears on the playback heads after 8 hours of use appears to be more or less consistent with normal tape wear [1][2].

Possible Solutions Include:

1. Chemical Removal of Back Coating

2. Environmental Controls

3. Vacuum Dehydrator

References

1. Jonathan Broyles, Senior Forensic Examiner, Image And Sound Forensics®, Parker, Colorado.
2. Lance Christensen, Digital and Audio Archivist, Colorado State Archives.
3. Bertram, H.N. and E.F. Cuddihy, "Kinetics of the Humid Aging of Magnetic Recording Tape, IEEE Trans. Magn., MAG-18, No. 5, pp993-999, Sep. 1982.

APPENDIX D

The LDPAC reviewed the following 32 page White Paper concerning Minnesota's UELMA strategies. For brevity of this report, a hyperlink has been provided.

Minnesota Historical Society – "Preserving State Government Digital Information:

http://www.mnhs.org/preserve/records/legislativerecords/carol/docs_pdfs/MHS-NDIIPP_FinalReport02_29_2012.pdf