COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2010-11 STAFF BUDGET BRIEFING

DEPARTMENT OF PERSONNEL AND ADMINISTRATION

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

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FY 2010-11 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF PERSONNEL AND ADMINISTRATION

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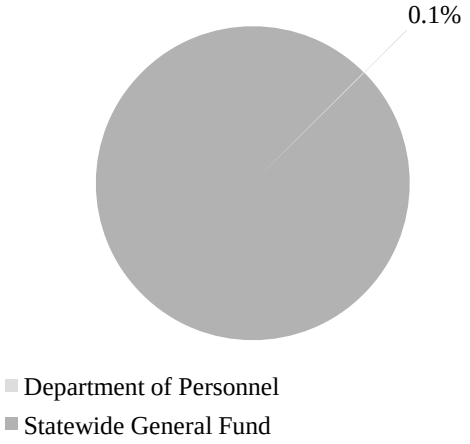
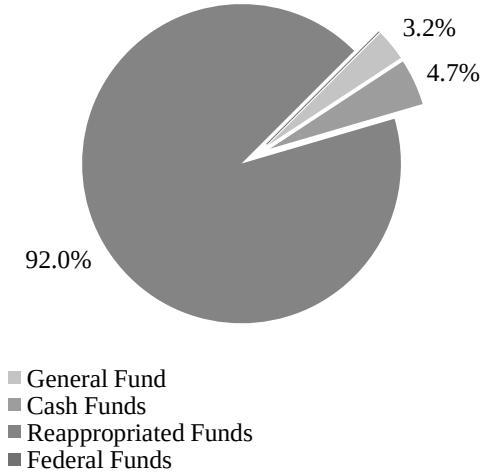
FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

GRAPHIC OVERVIEW

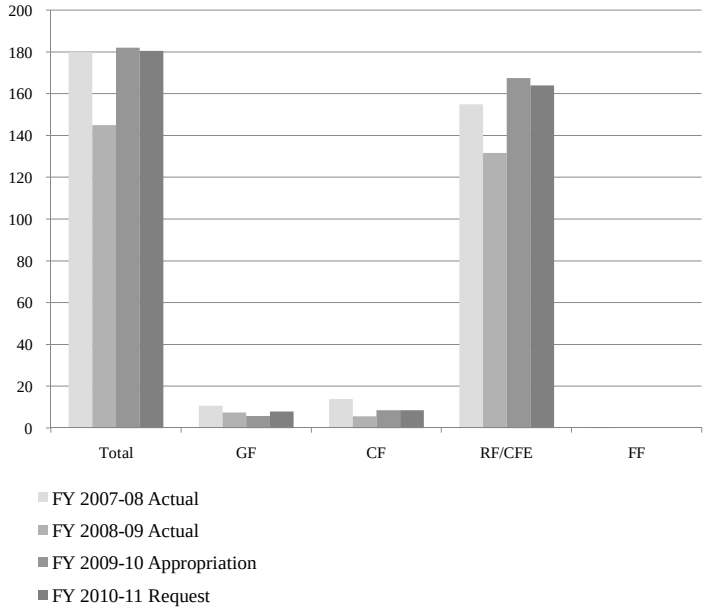
Department's Share of Statewide General Fund



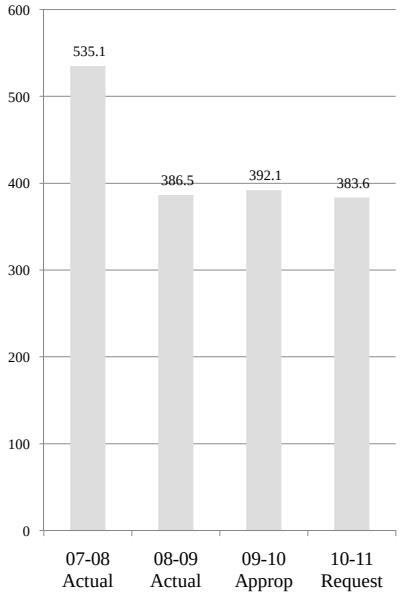
Department Funding Sources



Budget History
(Millions of Dollars)

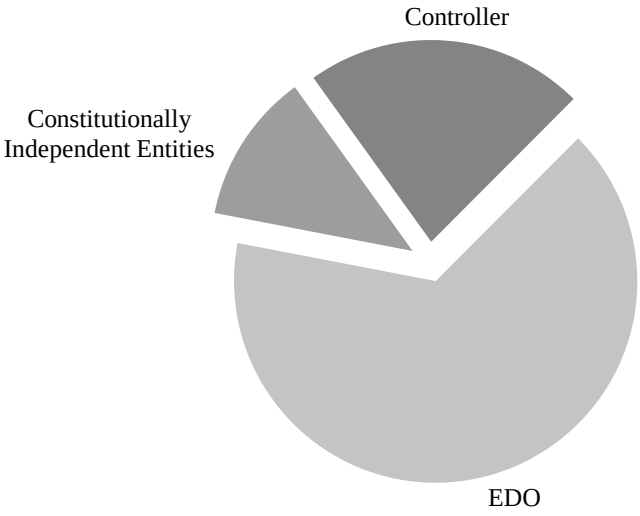


FTE History

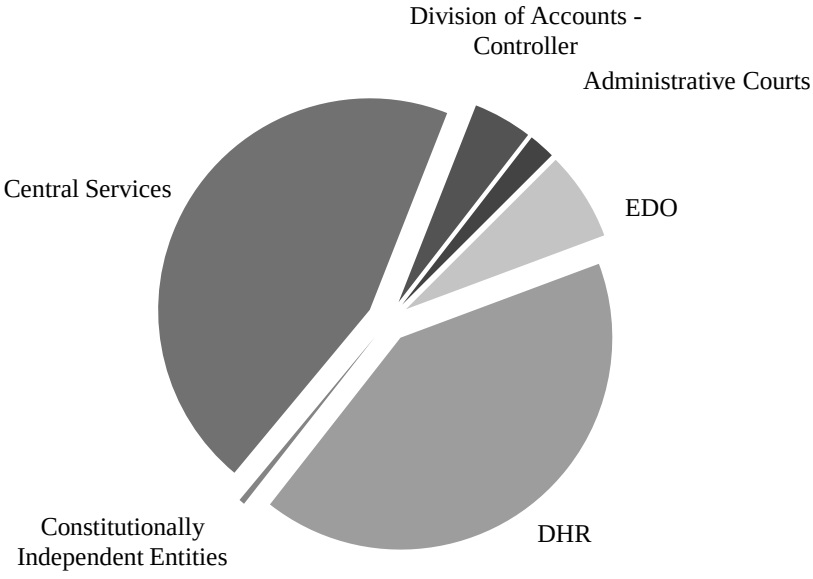


Unless otherwise noted, all charts are based on the FY 2009-10 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

DEPARTMENT OVERVIEW

Key Responsibilities

- ❑ Provides support services for other state agencies, such as: (1) maintains archives and public records; (2) maintains buildings in the Capitol Complex; (3) provides administrative law judge services; (4) administers state purchasing agreements; and (5) manages liability, property, and workers' compensation insurance programs; and (6) oversees central collections.

- ❑ The Risk Management program administers and negotiates the state's coverage for workers' compensation, property, and liability insurance.

- ❑ Administers that State's total compensation survey, which compares how the State's salary, group benefits, and other employee compensation practices compare to the market. The purpose is to ensure that the State can recruit, retain, and motivate a qualified workforce.

- ❑ Operates the State Fleet Management Program, which manages 5,620 vehicles statewide.

- ❑ Maintains the state's financial records through the Office of the State Controller, in part by utilizing the Colorado Financial Records System (COFRS).

- ❑ Administers and oversees the State Personnel System pursuant to Article XII, Sections 13, 14, and 15 of the Colorado Constitution, also called the "Civil Service Amendment".

Factors Driving the Budget

Number of State Employees

The number of State employees drives numerous aspects of the budget, impacting appropriations such as: (1) salaries; (2) benefits; (3) contributions to the State's pension system; (4) workers' compensation policies; (5) liability and property insurance; (6) leased space; and (7) short-term disability premiums.

- The State's workforce is most commonly measured in terms of Full Time Equivalent (FTE) positions. **Each FTE position represents 2,080 hours of state employment.**

- **FTE positions are not equivalent to actual employees**. For example, an FTE position can be filled by two part-time employees. Also, the State routinely contracts for both full- and part-time positions. These employees may receive a paycheck, but aren't included in the FTE count (1.0 FTE represents 2,080 hours of work, while a contracted position is reimbursed based on completing a job). The following tables compare actual to appropriated FTE, as well as the number of paychecks disbursed by the State.

FTE Based on Regular Paid Hours[1/]

Position	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Permanent classified	21,688	21,895	22,177	23,047	23,519
Permanent non-classified	4,406	4,482	4,541	4,793	5,061
Temporary	718	687	748	747	690
Total *actual* FTE	**26,812**	**27,064**	**27,466**	**28,587**	**29,270**
Total *appropriated* FTE	28,351	28,536	29,107	30,211	31,138
Difference	**1,539**	**1,472**	**1,641**	**1,624**	**1,868**

1/ Retrieved from the Centralized Personnel Payroll System

Number of Paychecks

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Permanent classified	22,762	22,998	23,800	24,382	24,661
Permanent non-classified	4,612	4,829	5,555	5,998	5,868
Total paychecks[1/]	**27,374**	**27,827**	**29,355**	**30,380**	**30,529**

1/ Total paychecks can exceed the number of FTE (2,080 hours) because several part-time employees can comprise one FTE position.

Risk Management

The Risk Management division is comprised of property, liability, and workers' compensation coverage. Factors driving the budget are the number and costs of claims.

- ❑ **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 worth in excess of $9.0 billion. Unlike the other two risk managment categories, property is not self-insured, and frequently there are large, single incidents that can drive up the cost of being insured. Some of the property claims could be avoided or reduced by *improved inspection and maintenance practices*. For example, between FY 2005-06 and FY 2008-09, the State paid $3.7 million due solely to the collapse of State property.

- ❑ **Liability** claims are funded by the Risk Management Fund pursuant to Section 24-30-1510 (1), C.R.S. They include: (1) federal claims for employement discriminiation; (2) federal claims for civil rights violations; and (3) allegations of negligence on the part of a State agency or employee, such as auto accidents and injuries occurring in a State building. The proportion of the liability claims that are due to federal employment laws ($6.6 million for FY 2008-09) suggests that costs can be managed by better hiring practices (i.e. job fit) and *training management* to address the situations that place the State at risk for employment lawsuits.

- ❑ **Workers' compensation** claims are funded by the State Employee Workers' Compensation Account (Section 24-30-1510.7 (1), C.R.S.). These vary depending upon Department, but the top causes (slip and fall and repetitive motion) span departments, suggesting that *safety training programs* could help to control these costs.

- ❑ *Incurred costs* are the total paid and total reserve for claims that have a loss date during that fiscal year. *Expenditures* are what the State paid on claims during a given fiscal year, including payments on claims with loss dates in prior years.

- ❑ On the following page is a table that reflects recent trends in Risk Management.

Risk Management								
	FY 2005-06		FY 2006-07		FY 2007-08		FY 2008-09	
	Funds	Claims	Funds	Claims	Funds	Claims	Funds	Claims
Property Losses								
Total incurred	$4,851,333	106	$15,807,291	131	$6,817,516	107	$2,490,180	129
Total expenses	5,818,914		6,556,767		9,047,174		7,997,934	
Liability Losses								
Total incurred	4,622,215	1,365	4,453,853	1,543	4,787,357	1,530	4,419,753	1,378
Total expenses	5,271,058		4,540,332		4,951,379		6,435,247	
Workers' Comp.								
Total incurred	19,454,196	3,704	22,211,485	3,865	23,088,785	4,059	19,777,047	3,717
Total expenses	26,517,136		30,686,971		34,115,340		36,202,854	
Total	**$37,607,108**	**5,175**	**$41,784,070**	**5,539**	**$48,113,893**	**5,696**	**$50,636,035**	**5,224**

State Fleet Program

Pursuant to Section 24-30-1104 (2) (a), C.R.S., the State Fleet Management Program (SFM) provides the following services: (1) purchases vehicles; (2) manages maintenance and repairs; (3) manages the fleet; (4) auctions older vehicles; and (5) manages the State Motor Pool. SFM is funded by reappropriated funds that are transferred from other user agencies.[1] *Please note:* For the purposes of this document, **"vehicle" is an all-inclusive term that refers to the entire fleet, ranging from motorcycles to 1-ton pieces of equipment.**

- **Fixed costs** are the vehicle lease payments and the Department's vehicle management fee. Leases vary between 72 and 120 months, with the exception of State Patrol vehicles, whose leases are for 48 months. The average *fixed cost per mile* is $0.15 (cost and financing only). Departments are assessed an average vehicle management fee of $26.50 per vehicle, per month, to fund the SFM's overhead costs.

- **Variable costs** are determined by how much the vehicle is used. The average variable *operating cost per vehicle* is $0.22 per mile (fuel and maintenance only).

[1] State Fleet Management is funded by fees from user agencies that are deposited in the Motor Fleet Management Fund [see Section 24-30-1115 (1), C.R.S.].

- Vehicles are first evaluated for **replacement** at 100,000 miles, but the average vehicle is replaced at 140,000 miles. The exception is for State Patrol vehicles, which are first evaluated for replacement at 80,000 miles, and are typically replaced at 110,000 miles.

- Additional data on the distribution of State fleet vehicles can be found in Appendix D.

Appropriated Vehicles by Department, FY 2009-10

Department	Vehicles	Department	Vehicles
Corrections	1,143	Regulatory Agencies	55
Natural Resources	1,124	Labor	52
Transportation	840	Judicial	43
Public Safety	761	Local Affairs	41
Higher Education	526	Governor	33
Human Services	448	Law	30
Revenue	212	Military Affairs	21
Public Health	105	Education	14
General State Services	86	Department of State	1
Agriculture	85	**Total**	**5,620**

State Fleet Vehicles Overview								
	FY 2005-06 Actual	**FY 2006-07 Actual[1/]**	**FY 2007-08 Actual**	**FY 2008-09 Actual**	**FY 2009-10 Approp**	**% Fleet**	**% Miles**	**% Fuel**
Pick-up, 4x4	1,203	1,327	1,320	1,417	1,442	25.7	26.0	30.0
SUV, 4x4	896	923	972	964	959	17.1	19.2	17.3
Sedan, reg	856	858	850	827	829	14.8	15.8	9.8
Sedan, Law	589	601	621	634	635	11.3	20.2	20.3
Large van	445	442	457	486	473	8.4	6.2	7.8
Pick-up, 4x2	322	299	275	277	268	4.8	2.4	2.7
Small van	259	234	218	226	233	4.1	3.3	2.8
Buses	58	90	94	93	90	1.6	1.1	2.4
Maint. utility	52	56	58	51	49	0.9	0.6	0.9
Equip. >1 ton[1/]	23	312	318	327	309	5.5	1.8	4.3
Trucks <1 ton[1/]	21	42	38	39	37	0.7	0.2	0.3
Motorcycles	20	23	22	22	21	0.4	0.3	0.1
Hybrid sedans	19	36	88	215	225	4.0	2.1	0.9
Hybrid SUV's	6	14	16	49	50	0.9	0.7	0.4
Total[2/]	**4,769**	**5,257**	**5,347**	**5,627**	**5,620**	**100.0**	**100.0**	**100.0**
Total cost[3/]	**$30,149,905**	**$32,511,372**	**$37,395,486**	**$36,200,920**	**$40,971,018**	n/a	n/a	n/a

1/ The significant increase in certain vehicles between FY 2005-06 and FY 2006-07 reflects S.B. 06-015, which consolidated an additional 483 vehicles within State Fleet Management.
2/ Totals may not sum to 100.0 percent due to rounding.
3/ Includes vehicles leases, operations, insurance, maintenance, & fuel. Please note that the FY 2009-10 appropriation includes $4.8 million in contingency spending authority to cover up to a $1.00 increase per gallon in the price of fuel.

Integrated Document Solutions (IDS)

IDS has facilities in Denver and Pueblo, and provides services such as: (1) print operations; (2) mail operations; (3) graphic design; (4) data entry; and (5) imaging services. The most significant recent growth has been for mail services and scanning and content management (document services). The division is funded by reappropriated funds transferred from user agencies.

- **Scanning and content management** services have increased as the State continues its records automation. Additionally, IDS has assumed responsibilities for mainframe printing projects such as the Colorado Benefits Management System (CBMS) mailings.

- **Mail** services have increased as more agencies realize the benefits of services such as presorting, bulk mailing, and other postage discounts that are available through IDS. The Department has recently implemented "address cleansing," which saves between 8.0 percent and 10.0 percent in postage by reducing address errors. During FY 2008-09, *IDS saved $1,254,205 in postage costs*, which included approximately $250,339 General Fund.

Integrated Document Solutions (IDS) *Document Management Only*: Workload Indicators

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Estimate[1/]
Total microfilm images	8,957,923	8,576,517	9,274,013	9,254,419	4,940,550	990,633
Image scanning	3,420,425	4,215,400	4,818,821	5,230,786	9,330,068	14,223,615
Keystrokes[2/]	446,497,365	450,575,868	444,572,277	432,990,432	437,869,371	478,293,632
EDW storage (Kbytes)	283,169,114	734,119,193	1,297,306,201	1,664,158,717	2,164,260,864	2,259,000,000
Copies produced	29,683,938	31,637,777	34,463,999	34,327,197	30,541,955	33,042,667
Outsourced print	242,414	352,603	536,163	547,281	515,825	616,250
Outsourced impressions (est.)	12,120,717	17,630,133	26,808,150	27,364,050	25,791,267	30,812,500
Total cost	**$2,934,677[3/]**	**$3,172,624**	**$3,450,537**	**$3,715,452**	**$3,639,012**	**$5,873,204**

1/ The FY 2009-10 appropriation includes an additional 20.0 percent contingency spending authority.
2/ Keystrokes are related to entering income tax data into the Department of Revenue's system. This activity drives at least $1.8 million per year.
3/ The FY 2004-05 amount is an estimate based upon trend data.

Integrated Document Solutions (IDS) *Mail Only*: Workload Indicators						
	FY 2004-05 Actual	**FY 2005-06 Actual**	**FY 2006-07 Actual**	**FY 2007-08 Actual**	**FY 2008-09 Actual**	**FY 2009-10 Estimate[1/]**
Mail routes	7	9	11	13	13	13
Mail stops	225	274	263	275	277	264
Delivery miles driven	179,203	229,560	375,016	407,031	415,979	475,020
Pieces of mail processed[2/]	12,119,839	19,954,990	15,880,802	13,979,543	15,099,099	17,084,796
Postage	$4,649,059	$4,965,990	$4,618,660	$6,601,402	$7,477,651	$8,075,863
Total cost	**$7,237,820[3/]**	**$7,539,396**	**$7,845,318**	**$9,725,891**	**$10,711,895**	**$18,179,570**

1/ The FY 2009-10 amount includes an additional 20.0 percent contingency spending authority. House Bill 09-1150 also increased the spending authority in anticipation of the potential expansion of DCS services statewide.
2/ The 2005-06 total reflects the first year of CBMS. For subsequent years, the Department combined multiple mailings to a single house in one envelope.
3/ This amount is an approximation based on trend data.

Factors driving the Capitol Complex budget are included on the following page.

Capitol Complex

Pursuant to Section 24-82-101, C.R.S., the Department manages 1.2 million square feet throughout the State, primarily located in: (1) Denver; (2) Grand Junction; (3) Camp George West; and (4) the North Denver Campus. Each location has distinct rental rates that reflect variances between the locations and each property's specific use.

- ❑ The Department's responsibilities include: (1) maintains plumbing, electrical, and HVAC systems; (2) custodial work; (3) grounds maintenance; and (4) building security.

Capitol Complex: Factors Driving the Budget						
	FY 2005-06 Actual	**FY 2006-07 Actual**	**FY 2007-08 Actual**	**FY 2008-09 Actual**	**FY 2009-10 Estimate**	**Change from FY 2005-06**
Base square footage	1,235,014	1,235,014	1,235,014	1,233,939	1,276,787	3.4%
Electricity KWh	32,908,706	31,798,519	32,749,900	32,412,556	31,528,383	(4.2)%
Electricity cost	$2,274,278	$2,063,394	$2,175,046	$2,385,954	$2,435,400	7.08%
Natural Gas (therms)	317,988	345,010	360,762	320,696	340,175	6.98%
Natural gas cost	$330,461	$276,560	$300,261	$235,003	$193,963	(41.31)%
Water & sewer (gallons)	31,502,058	27,753,318	27,722,927	27,160,719	28,235,390	(10.4)%
Water & sewer cost	$254,953	$242,305	$241,985	$262,117	$254,166	(0.3)%
Steam (Mlbs)	22,947	21,940	23,855	18,969	21,208	(7.6)%
Steam cost	$216,404	$325,581	$152,004	$139,439	$61,589	(71.5)%
Total cost[1/]	**$9,475,689**	**$10,010,797**	**$10,221,840**	**$12,191,060**	**$10,738,004**	**13.3%**

1/ Please note that the total costs include expenses not reflected in this table.

FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1	0	0	0	0	0	0.0
FTE Reallocation						
Various Line Items. The Department requests to reallocate 3.5 FTE, and $62,648 reappropriated funds, from the Executive Director's Office and the Division of Human Resources to the Office of the State Controller. The purpose is to more accurately reflect how the Department distributes its resources. *Statutory authority: Sections 24-1-107 and 24-1-128, C.R.S.*						
2	0	(41,434)	0	0	(41,434)	0.0
Employee Benefits Services' Operating Reduction						
Division of Human Resources, Employee Benefits. The Department requests to reduce this division's operating expenses line item by $41,434 cash funds. When the Innovative Health program was established in 2007, the Department was appropriated $64,000 for printing and postage costs. The Department is able to reduce the Operating Expenses line item by $41,434 cash funds by completing most of the correspondence electronically. *Statutory authority: Section 24-1-107, C.R.S.*						
3	0	0	2,549,157	0	2,549,157	0.0
Annual Fleet Vehicle Replacements						
Central Services, Fleet Management. The Department requests $2,549,157 reappropriated funds to replace 173 fleet vehicles, which include 153 vehicles for the Department of Public Safety, Colorado State Patrol. *Statutory authority: Section 24-82-801 (2) C.R.S.*						
Total - Decision Items	**0**	**(41,434)**	**2,549,157**	**0**	**2,507,723**	**0.0**
Non-Prioritized Statewide Decision Items						
NPSWDI-1	0	(69,780)	0	0	(69,780)	0.0
SW Common Policy - OIT Consolidation						
Multiple Divisions. The impact of the consolidation of the Office of Information Technology within the Governor's office.						
Total - Non-Prioritized Statewide Decision Items	**0**	**(69,780)**	**0**	**0**	**(69,780)**	**0.0**
Non-Prioritized DPA Corresponding Spending Authority Items						
NP-1	0	0	31,740	0	31,740	0.0
Fleet Vehicle Lease for Corrections DI-2						

Decision Item	GF	CF	RF	FF	Total	FTE
Central Services. Corresponding vehicle lease spending authority in the Department of Personnel, Central Services, Fleet Management Program and Motor Pool Service, Vehicle Replacement Lease, Purchase or Lease/Purchase line item for additional vehicle request in the Department of Corrections.						
NP-2	0	0	12,000	0	12,000	0.0
Fleet Vehicle Lease for Department of Public Safety **Central Services.** Corresponding vehicle lease spending authority in the Department of Personnel, Central Services, Fleet Management Program and Motor Pool Service, Vehicle Replacement Lease, Purchase or Lease/Purchase line item for additional vehicle request in the Department of Public Safety, Division of Criminal Justice.						
NP-3	0	0	19,410	0	19,410	0.0
Fleet Vehicle Lease for Department of Public Safety **Central Services.** Corresponding vehicle lease spending authority in the Department of Personnel, Central Services, Fleet Management Program and Motor Pool Service, Vehicle Replacement Lease, Purchase or Lease/Purchase line item for additional vehicle request in the Department of Public Safety, Division of Fire Safety.						
Total - Non-Prioritized DPA Corresponding Spending Authority Items	**0**	**0**	**63,150**	**0**	**63,150**	**0.0**
Total	**0**	**(111,214)**	**2,612,307**	**0**	**2,501,093**	**0.0**

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Department of Personnel and Administration

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2009-10 appropriation and its FY 2010-11 request.

Total Requested Change, FY 2009-10 to FY 2010-11 (millions of dollars)[2]

Category	GF	CF	RF	FF	Total	FTE
FY 2009-10 Appropriation	$5.9	$8.6	$167.4	$0.0	$181.9	392.1
FY 2010-11 Request	8.0	8.6	163.9	0.0	180.5	383.6
Increase / (Decrease)	$2.1	$0.0	($3.5)	$0.0	($1.4)	(8.5)
Percentage Change	35.6%	0.0%	-2.1%	n/a	-0.8%	-2.2%

The following table highlights the individual changes contained in the Department's FY 2010-11 budget request, as compared with the FY 2009-10 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2009-10 to FY 2010-11

Category	GF	CF	RF	FF	Total	FTE
Executive Director's Office						
Common policy base adjustments	$2,339,091	$139,221	($773,250)	$0	$1,705,062	0.0
SWDI - OIT statewide staff consolidation	0	62,802	547,275	0	610,077	0.0
SWDI-Vehicle lease payments (DI#3)	0	0	33,461	0	33,461	0.0
Adjustment from personal services reduction	0	0	32,279	0	32,279	0.0
Employment security contract payment, contractual adjustment	375	0	225	0	600	0.0
FTE reallocation (DI#1)	0	0	0	0	0	(1.5)
Refinance per H.B. 08-1320	0	122,952	(122,952)	0	0	0.0

[2] Please note: Staff's FY 2009-10 appropriation amount does not include the impact of the August 24, 2009 budget reduction proposals. The Department's calculations did include the August reductions. As a result, the totals in the "Total Requested Change" table do not match the totals for the "Requested Changes, FY 2009-10 to FY 2010-11" table. The latter table just reflects the changes for the FY 2010-11 budget.

Category	GF	CF	RF	FF	Total	FTE
OIT payments to computer center (August reduction)	(63,088)	0	(89,619)	0	(152,707)	0.0
Annualize August reduction, PR Director (#2)	(3,657)	0	(96,084)		(99,741)	(1.0)
Annualize August reduction, eliminate HIPAA staff (#3)	(77,916)	0	0	0	(77,916)	(1.0)
Annualize August reduction, reduction of Workers' Comp volatility (#10)	(14,168)	(1,599)	(41,313)	0	(57,080)	0.0
Annualize August reduction, eliminate OSA contractor programs (#5)	(46,326)	0	0	0	(46,326)	(1.0)
Annualize August reductions, impact on common policies	(15,365)	0	0	0	(15,365)	0.0
August reduction, Capitol complex building maintenance (#9)	(9,631)	0	(5,071)	0	(14,702)	0.0
Annualize mail and postage increase	0	0	(7,921)	0	(7,921)	0.0
August reduction, Workers' Comp contract review (#7)	(1,089)	(123)	(3,176)	0	(4,388)	0.0
Other	16,019	10,841	8,241	0	35,101	0.0
Subtotal	**$2,124,245**	**$334,094**	**($517,905)**	**$0**	**$1,940,434**	**(4.5)**
Division of Human Resources						
Workers' Comp common policy adjustment	0	0	1,094,145	0	1,094,145	0.0
Property premiums common policy adjustment	0	0	408,847	0	408,847	0.0
Adjustment from personal services reduction	0	0	37,408	0	37,408	0.0
Refinance per H.B. 08-1320	0	(806,359)	806,359	0	0	0.0
Annualize August reduction, Risk management reduction of volatility (#10)	0	0	(2,907,505)	0	(2,907,505)	0.0
Liability common policy adjustment	0	0	(1,010,105)	0	(1,010,105)	0.0
Annualize August reduction, risk management contract review (#7)	0	0	(547,863)	0	(547,863)	0.0
Annualize August reduction, Talent Management Unit (#4)	0	0	(199,776)	0	(199,776)	(3.0)

Category	GF	CF	RF	FF	Total	FTE
Annualize August reduction, Communications unit (#1)	0	0	(87,252)	0	(87,252)	(1.0)
Indirect cost base adjustment	0	0	(86,223)	0	(86,223)	0.0
FTE reallocation (DI #1)	0	0	(62,648)	0	(62,648)	(2.0)
Employee benefits services operating reduction (DI #2)	0	(41,434)	0	0	(41,434)	0.0
Annualize S.B. 09-066 PERA merger, defined contribution plan	0	(21,676)	0	0	(21,676)	(0.5)
Annualize mail and postage increase	0	0	(1,472)	0	(1,472)	0.0
Subtotal	**$0**	**($869,469)**	**($2,556,085)**	**$0**	**($3,425,554)**	**(6.5)**
Constitutionally Independent Entitites						
Annualize mail and postage increase	($264)	$0	$0	$0	($264)	0.0
Subtotal	**($264)**	**$0**	**$0**	**$0**	**($264)**	**0.0**
Central Services						
Vehicle replacements (DI #3)	0	0	2,549,157	0	2,549,157	0.0
Indirect costs base adjustment	0	0	558,337	0	558,337	0.0
Adjustment from personal services reduction	0	0	154,105	0	154,105	0.0
NP DI - Vehicle request, Department of Corrections (DI #2)	0	0	31,740	0	31,740	0.0
NP DI - Vehicle request, Department of Public Safety, Fire Safety	0	0	19,410	0	19,410	0.0
NP DI - Vehicle request, Department of Public Safety, Criminal Justice	0	0	12,000	0	12,000	0.0
Annualize mail services equipment updgrade	0	0	(1,428,000)	0	(1,428,000)	0.0
OIT staff consolidation	0	0	(512,124)	0	(512,124)	0.0
Annualize August reduction, reduce building maintenance (#9)	0	0	(175,258)	0	(175,258)	0.0
Annualize August reduction, eliminate noxious weed abatement (#11)	0	0	(44,187)	0	(44,187)	0.0
Annualize mail and postage increase	0	0	(151)	0	(151)	0.0

Category	GF	CF	RF	FF	Total	FTE
Subtotal	**$0**	**$0**	**$1,165,029**	**$0**	**$1,165,029**	**0.0**
Division of Accounts and Control - Controller						
Indirect costs base adjustment	0	0	170,468	0	170,468	0.0
FTE reallocation (DI #1)	0	0	62,648	0	62,648	3.5
Adjustment from personal services reduction	44,059	0	16,775	0	60,834	0.0
Refinance per H.B. 08-1320	0	1,490,828	(1,490,828)	0	0	0.0
Annualize August base reduction, Talent Management Unit (#4)	(199,776)	0	199,776	0	0	0.0
Annualize August reduction, PR Director (#2)	(96,084)	0	96,084	0	0	0.0
Annualize August reduction, Communications unit (#1)	(87,252)	0	87,252	0	0	0.0
Annualize S.B. 09-066, State procurement supplier databases	0	(701,888)	0	0	(701,888)	0.0
OIT staff consolidation	0	(69,780)	0	0	(69,780)	0.0
Annualize August reduction, eliminate State Purchasing Office Administrative II position	(38,796)	0	0	0	(38,796)	0.0
Annualize mail and postage increase	(838)	0	0	0	(838)	0.0
Subtotal	**($378,687)**	**$719,160**	**($857,825)**	**$0**	**($517,352)**	**3.5**
Administrative Courts						
Adjustment from personal services reduction	$0	$0	$83,800	$0	$83,800	0.0
Indirect costs base adjustment	0	0	(82,993)	0	(82,993)	0.0
Annualize staffing changes	0	0	(5,228)	0	(5,228)	0.0
Annualize mail and postage increase	0	0	(1,221)	0	(1,221)	0.0
Subtotal	**$0**	**$0**	**($5,642)**	**$0**	**($5,642)**	**0.0**
Total Change	**$1,745,294**	**$183,785**	**($2,777,656)**	**$0**	**($848,577)**	**(7.5)**

FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

BRIEFING ISSUE

ISSUE: Proposed Legislation by the Public Employees Retirement Association (PERA)

The Public Employees Retirement Association's (PERA) net assets have decreased from $41.4 billion as of December 31, 2007, to $30.9 billion as of July 31, 2009. Three of PERA's divisions have infinite amortization periods, and there is a possibility of the funds becoming insolvent within the next 30 years. PERA has developed a legislative package that increases employer and employee contributions, and decreases certain benefits for retirees.

SUMMARY:

- ❑ Based on the December 31, 2008, Comprehensive Annual Financial Report (CAFR), PERA's market valuation of investment portfolio was valued at $30.8 billion, which is a decline of $12.3 billion (28.6 percent) during the calendar year.

- ❑ PERA lists an infinite amortization period for all divisions except for the Local Government.

- ❑ According to PERA, without changes to the contribution and benefits structure, it is possible that certain divisions will reach 0.0 percent funding within the next 30 years.

- ❑ PERA has proposed a legislative package to address what it believes are some of the underlying issues. These primary proposals include increasing the State and employee contribution rates, as well as reducing the Cost of Living Adjustment (COLA). The legislation would also adjust how the retirement age is calculated.

RECOMMENDATION:

Given the possibility that legal challenges could arise, staff recommends that the Committee consult with Legislative Legal Services about legislation impacting PERA retirees' benefits and employee contribution rates.

DISCUSSION:

BACKGROUND

PERA was founded in 1931 and is an instrumentality of the State. It is governed by a 16-member board of trustees. PERA covers all State employees, school districts, the State's judicial system, some municipalities, and other local government entities. For most members, PERA is a substitute

for Social Security. About 430,000 members and retirees and provides retirement and other benefits to employees of over 400 public employers in the State.

CURRENT FINANCIAL SITUATION

The largest flow into a retirement plan over the long-term comes from investment income this represents over 58.0 percent of PERA's inflows over the past 25 years. The economic downturn has had a significant impact on PERA and its financial situation. Based on the December 31, 2008, Comprehensive Annual Financial Report (CAFR), PERA's market valuation of investment portfolio was valued at $30.8 billion, which is **a decline of $12.3 billion (28.6 percent) during the calendar year**. The CAFR states that the present value of liabilities exceed asset value by $30 billion.

- ❑ Pursuant to Section 24-51-211, C.R.S., the amortization period of 30 years shall be deemed actuarially sound. At the end of 2008, given the current contribution rates, all funds except for the Local Government Division exceeded the 30-year amortization period.

Funding Status of Colorado PERA (as of 12/31/08)

Trust Fund	Unfunded Actuarial Liabilities (millions)	Funding Ratio	Amortization Period with Current Funding	Amortization Period with Future Contribution Rate Increases
State	$6,584	67.9%	Infinite	Infinite
School	9,267	70.1	Infinite	75 years
Local Government	905	76.4	29 years	19 years
Judicial	57	80.2	Infinite	48 years

- ❑ According to PERA, without changes to the contribution and benefits structure, it is possible that certain divisions will reach 0.0 percent funding within the next 30 years.

PERA LEGISLATIVE PROPOSAL

PERA has proposed what it refers to as the "2-2-2 Plus" plan, the major components of which call for a 2.0 incremental increase in the AED, a 2.0 percent incremental increase in the SAED, a 2.0 percent cap on the Cost of Living adjustment.

Amortization Equalization Disbursement

Pursuant to Section 24-51-411, C.R.S., the AED was implemented January 1, 2006. It increased at a rate of 0.5 percent per year the first two years, and is continuing to increase incrementally at 0.4 percent per year through 2012, when it caps at 3.0 percent.

- ❑ PERA's proposal will continue the incremental increase for the *State and School divisions only*. The AED would continue to increase by 0.4 percent per year through 2017, when it would reach a new cap of 5.0 percent.

- ❑ The Local Government and Judicial Divisions would have their AED rate frozen at the 2010 level (2.2 percent).

- ❑ If an employee continues to work after retirement for a PERA employer, the PERA employer would have to pay AED contributions for that employee. Currently, the employer does not pay AED contributions for someone who returns to work after retirement.

Supplemental Amortization Equalization Disbursement
Pursuant to Section 24-51-441, C.R.S., beginning January, 2008, PERA employers were required to contribute a supplemental AED. This amount is to come from those moneys designated for salary increases, prior to the funds being distributed to the employees. The percentage contribution rate shall increase by 0.5 percent through 2013, when it will reach its cap of 3.0 percent.

- ❑ PERA's proposal will continue the incremental increase by 0.5 percent annually through 2017, to reach a new cap of 5.0 percent. When a divisional trust fund reaches 110.0 percent funding, the SAED will be adjusted downward.

- ❑ The Local Government and Judicial Divisions would have their SAED rate frozen at the 2010 level (1.5 percent).

- ❑ If an employee continues to work after retirement for a PERA employer, the PERA employer would have to pay SAED contributions for that employee. Currently, the employer does not pay SAED contributions for someone who returns to work after retirement.

- ❑ A table illustrating the impact of PERA's proposal on AED and SAED contribution rates follows on the next page.

PERA Contribution Rates, as a percentage of Salary for State Division						
		PERA Employer	AED	SAED	Employee Contribution	Total Contribution
Current Statute	January 2007	10.15	1.0	n/a	8	11.15
	January 2008	10.15	1.4	0.5	8	20.05
	January 2009	10.15	1.8	1	8	20.95
	January 2010	10.15	2.2	1.5	8	21.85
	January 2011	10.15	2.6	2	8	22.75
	January 2012	10.15	3.0	2.5	8	23.65
PERA Proposal	January 2013	10.15	3.4	3	8	24.55
	January 2014	10.15	4.8	3.5	8	26.45
	January 2015	10.15	4.2	4	8	26.35
	January 2016	10.15	4.6	4.5	8	27.25
	January 2017	10.15	5.0	5	8	28.15

Cost of Living Adjustment

Reduces the current 3.5 percent annual Cost of Living Adjustment (COLA) to an amount equal to the Consumer Price Index, with a cap of 2.0 percent, effective on the date the bill becomes law. The COLA would be adjusted annually, based upon the actuarial funded status of the plan.

- ❑ Implements a one calendar-year delay on receiving the COLA after retirement. This would apply to all retirements effective January 1, 2011, or later. (Note that a one-year delay on the COLA is already in place for employees hired on or after January 1, 2007.)

Highest Average Salary

The highest average salary (HAS) calculations would change from three years to five years. Additionally, there would be an 8.0 percent cap on salary increases for the years factored within the HAS. (The 8.0 percent salary cap is currently in place for members hired on or after January 1, 2007). The Judicial division would be exempt.

Earned Service Credit

Currently, when an employee leaves PERA employment, he or she receives a 50.0 percent match on the employee dollar contribution portion of the account. PERA's legislation would establish a five-year earned service credit vesting requirement for the 50.0 percent refund match for contributions after January 1, 2011.

Rule of 90
For employees with less than five years of service - implement a modified rule of 90 (age and service add to 90), with a minimum retirement age of 60, with 30 years of service. The Rule of 90 would apply until the employee reaches age 65, at which time he or she could retire with any amount service credit.

STAFF ANALYSIS

Potential Legal Challenges
It is possible that retirees may challenge whether reducing the COL A is permissible under the contract clause of the Constitution. Staff recommends that the Committee consult with Legislative Legal Services about how to proceed with this legislative proposal.

Solving the Problem
It is unclear to staff whether this will actually address the issue of making PERA a health pension fund. It was not fiscally healthy prior to the economic downturn, It appears to staff that even with PERA's package, the State division would have an infinite amortization period.

FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

BRIEFING ISSUE

INFORMATIONAL ISSUE: Total Compensation

Recent audits of the State's total compensation survey process have found great potential for improvement in how the State evaluates total compensation. Given the significant fiscal impact of the total compensation dollars (over $1.0 billion), it is concerning that the Department has found it challenging to follow industry standards and best practices.

SUMMARY:

- ❑ Numerous audits of the Department's annual evaluation of total compensation identified fundamental, and recurring, issues with how the State conducts its annual total compensation review. It also appears that the Department has found it challenging to implement recurring audit recommendations from the prior 3 audits.

- ❑ Pursuant to Section 24-50-104 (1) (a) (II), C.R.S., which requires the State Personnel Director to establish technically and professionally sound survey methodologies to assess prevailing total compensation practices and costs.

- ❑ The Department does not evaluate the value of the State's group benefits (health, life, and dental) or the retirement system in comparison to the market, and as a result **it is impossible to know whether the State's total compensation will recruit, retain, and motivate a qualified workforce (as required by statute)**.

DISCUSSION:

BACKGROUND

Pursuant to Section 24-50-104 (1) (a) (I), C.R.S., total compensation includes (but is not limited to) salary, group benefit plans (health, life, and dental insurance), retirement benefits, performance awards, incentives, premium pay practices, and leave. The Department of Personnel and Administration (DPA) is required to conduct an annual review of the State's total compensation system to determine if it is comparable with other public and private sector employers (Section 24-50-104 (1) (a) (II), C.R.S.). The purpose is to ensure the State's ability to recruit, retain, and motivate a qualified workforce.

Statute requires the State Auditor to contract with a private firm every four years to conduct an evaluation of the Department's process for assessing the State's total compensation (Section 24-50-104 (4) (b), C.R.S.). Staff reviewed the two most recent audit reports, released in July, 2005, and

May, 2009. Although the audits were conducted by different contractors, and four years apart, they identified the same **fundamental, recurring concerns with the Department's total compensation review process**.

During FY 2008-09, the State paid over $1.0 billion in salaries, not including contributions to employee group insurance plans (health, life, and dental) or retirement plans. Given the significant fiscal impact of the total compensation system, it is concerning that the Department has found it challenging to implement the recommendations from prior audit reports and to adhere to industry best practices. As a result, the General Assembly is unable to fully evaluate how the State's total compensation system compares to the market, and whether the Department's recommendations maximize the funds within the total compensation system.

It is important to note that **the majority of the concerns within this briefing issue precede the Department's current administration**. Additionally, the administration has indicated that it is adopting new methodologies for the total compensation survey. Staff's two primary concerns are that: (1) the Department, as a whole, has not adopted the recurring recommendations from prior audits; and (2) the methodology used within the FY 2010-11 review continues to employ flawed practices. There are numerous ways in which the Department can better align itself with industry standards.

SALARY MARKET COMPARISON

Actual vs. Range

Contrary to industry best practices, through FY 2009-10, the Department did not compare *actual* state employee pay with *actual* pay for benchmark positions, or the State's actual salary midpoints with the actual midpoints for comparable positions.[3] Instead, the Department compares the benchmark positions' salary *range* midpoints to the market salary *range* midpoints.[4] DPA's Annual Compensation Survey Report for FY 2010-11 reflects the continued use of salary range midpoints as a metric for comparison.

- ❑ The July, 2005 audit report states that "the overwhelming majority of organizations set their pay ranges based on actual pay in the market for a position, NOT based on reported range midpoints."[5]

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[3] Salary midpoints represent the amount an employee is paid if fully competent and performing adequately. A benchmark position has similar characteristics to jobs performed in other organizations and can serve as points of comparison.

[4] for an example, see page 1 of the Director's total compensation FY 2010-11 recommendation letter (August 4, 2009).

[5] "Performance Audit of the Colorado Department of Personnel & Administration's 2005 Annual Total Compensation Survey Report." Prepared by Milliman, Inc., July, 2005. Available on the Office of the Colorado State Auditor's website, http://www.leg.state.co.us/OSA/coauditor1.nsf/ReportPublic?openform. For this quote, see

- ❑ Fox, Lawson & Associates echo these concerns in the 2009 audit report, stating that this comparison does not typically reflect current market conditions. Annual changes in midpoints are only a reflection of how those *guidelines* have changed on a year-to-year basis, and **do not indicate if the State is or is not competitive with *prevailing* market salaries.**[6] (emphasis added)

ADJUSTMENTS TO SALARY AMOUNTS AND RANGES

Salary Increases

The Department bases its initial recommendations for salary survey increases on the amount that the market's salary structures have moved from the prior year. It measures the percentage of movement, then adjusts State salaries accordingly. Both the 2005 and 2009 audit reports express concern that this method does not reflect actual market trends, and could cause salaries to deviate from the market over time. According to Fox, Lawson & Associates (2009):

> Instead of comparing midpoints, the Department measures how much market salary structures have moved upward or downward since the prior year and makes recommendations that the State salary structures move a similar amount. **This process, however, assumes that the State's salary structures are set appropriately in the first place, and that actual salaries are set appropriately within those structures, which is not the case**. (emphasis added)

Range Movement

Changes to employees' base pay and adjustments to the salary ranges (the minimum and maximum amounts within the salary range) are typically two separate decisions. Industry best practices are to move the range minimum no more than half of the salary survey increase, which equates to approximately 1.5 percent to 1.8 percent annually.[7] However, the Department adjusts the salary range the same amount as the inflationary increase, so that the minimum and maximum amounts move at the same rate as employee increases.

The Department reports that it can take 22 years for an employee to progress from the salary range minimum to the maximum, and uses this example as an indication that the General Assembly should appropriate more funds for salary increases. Staff notes that as long as the minimum and maximum

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pages 25 - 26.

[6] "Annual Compensation Survey Performance Evaluation, Department of Personnel & Administration." Prepared by Fox, Lawson & Associates, May, 2009. Available on the Office of the Colorado State Auditor's website, http://www.leg.state.co.us/OSA/coauditor1.nsf/ReportPublic?openform. For this quote, see page 7.

[7] Staff reviewed total compensation surveys from other states, spoke with industry professionals, and researched industry standards.

of a salary range move at the same rate as an employee's salary increases, it's highly unlikely that an employee will ever progress to the top of the range.

PERFORMANCE-BASED VS. INFLATIONARY INCREASES

Market salary movement includes both salary survey and performance-based pay. However, the Department's analysis combines these amounts and recommends the new total as the inflationary increase, to be applied equally to everyone within each occupational group. This is contrary to industry best practices, which dictate that in a pay for performance system, employees move through the pay range based primarily on performance (not inflationary) increases.

The Department states that performance-based pay is chronically underfunded as a result of decisions by the General Assembly. However, it is the *Department's* decision to allocate a large portion of the available funds for inflationary increases instead of performance-based increases. Several audits have recommended that the State change this practice, yet it appears that these recommendations have yet to be adopted. This type of disproportionate funding can cause morale and retention issues.

GROUP BENEFITS

Pursuant to Section 24-50-104 (1) (a) (I), C.R.S., in addition to salaries, the total compensation system is comprised of group benefits such as health, life, and dental insurance. Although it is not statutorily required, best practices are to include retirement benefits, as well. The total compensation survey is to value these benefits in comparison to the market, and to incorporate this information as part of the analysis of the State's total compensation as a whole. The Department values the State's group benefits by comparing the employer's contribution dollar amount with the market's average employer contribution dollar amount. Staff was unable to identify another state that compared group benefits in this manner.

This type of analysis simply makes a percentage comparison against the market average - it does not consider the *plan's benefits themselves*, nor other employee costs such as deductibles and copays. Amongst the 12 states that staff researched, not one valued its benefits in this manner. According to the Fox, Lawson & Associates audit report, "**the Department's approach focuses more on the employer contribution to the cost of benefits without adequate attention to the value of the benefits.**"[8]

Despite repeated recommendations to the contrary, the State continues to apply this methodology, as evidenced by the Department Director's FY 2010-11 total compensation recommendation letter. It recommends the employer contribution to premiums at 90.0 percent of market employer contributions for medical, 85.0 percent for dental, and 72.0 percent for life insurance. Based on

[8] Page 19 (2009)

these statistics alone, **it would appear that Colorado's group benefits are competitive with the market. But this is not an accurate representation.** According to Hewitt Associates, an average employee's out-of-pocket costs, including premiums, are $3,826 annually.[9] The FY 2008-09 average Colorado state employee costs were $8,705, which is more than double the market average.

In addition to the monetary value of the benefits, the State's analysis should also incorporate how its employees value those benefits, and the ones they use the most. The industry standard is then to structure the benefit plan so that those benefits with the greatest value and use are provided at the lowest possible cost.

DATA CONCERNS

Data Source

Both the 2005 and 2009 audit reports found that the Department expended unnecessary resources conducting its own data analysis when the same information is attainable from national surveys, for $125 each. The national survey data is also more reliable than much of the Department's own information. The Department's response to this recommendation in the 2009 audit report was that it "will incorporate the additional survey sources, as appropriate, to the extent permitted by available budgeted operating funds. Current appropriations may preclude the purchase of the additional surveys recommended."[10] Since the Department also declined to adopt the same recommendations *prior* to the economic downturn, **it is unclear to staff why the current fiscal conditions impede the Department's ability to adopt this recommendation.** For example, the applicable line item reverted $34,206 for FY 2007-08 and $28,781 for FY 2008-09. There is no reason that the Department is unable to prioritize $1,000 to purchase the data.

Data Volatility

Data points that either decreased by more than 1.0 percent or increased more than 5.0 percent from the previous year are considered to be "extremely volatile" and not reliable. *About 34.0 percent of the data points from the Department's surveys would be considered extremely volatile by industry standards*. When there is a high degree of volatility in a large percentage of survey data, it raises concerns about the overall validity of the data and whether the data actually reflect market conditions.[11] The volatility does not appear to have significantly impacted the overall results because once the data are aggregated, the effects of the problems on specific aspects of analysis are minimized. However, **staff considers the inclusion of such volatile data as an indication of the larger data analysis concerns within the Department's total compensation survey**. Staff's

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[9] Retrieved from http://www.hewittassociates.com.

[10] Page 11

[11] Fox, Lawson & Associates, page 10.

understanding is that concerns about data volatility could be addressed by using the national data surveys.

IMPLICATIONS FOR THE GENERAL ASSEMBLY

Fiscal Concerns

State concerns: The survey's technical faults hinder the General Assembly's ability to know how the State's total compensation compares to the market, and thus to make informed decisions about how to best use limited funds to recruit, retain and motivate qualified employees. It also makes it difficult to assess whether the Department's recommendations are justified. An example of the significant fiscal importance of the total compensation survey process can be found on page 6 of the May 2009 audit report:

> On the basis of its survey findings and conclusions, the Department determined that the State's Fiscal Year 2010 salaries should be adjusted by $66.0 million to bring the State up to market levels. We question whether the full amount of this adjustment was necessary since, on average, State actual salaries are already at or above prevailing rates for all occupational groups.[12]

Staff notes that this does not necessarily mean that the funds should not be used for total compensation - rather, the question is whether the funds are being maximized within the larger context of total compensation. For example, it is possible that a portion of the funds could have a greater impact if used to improve group benefits or incentive pay.

Transparency

During FY 2008-09, 39.6 percent of the State's FTE (excluding higher education) were a part of the Department of Corrections or the Department of Human Services, primarily associated with 24-hour facilities. Pursuant to Section 24-50-104 (1) (f), C.R.S., "initial hiring shall typically be at the minimum rate in the pay grade. On a showing of recruiting difficulty or other unusual condition, the appointing authority may authorize the appointment of a person at a higher base salary and pay grade."

Staff's understanding is that in order to recruit employees, the 24-hour facilities (in particular) must routinely hire new staff at 20.0 percent to 25.0 percent above the minimum salary range. Staff questions why the salary survey doesn't incorporate these recruiting difficulties into its salary adjustments, thus increasing the minimum salary range for these positions to more accurately reflect

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[12] Please note: This excerpt **does not imply that the State's total compensation is above market value.** It is not atypical for one aspect of the total compensation (salary) to be higher than market value to offset another component, such as group benefits, for being below market value. However, staff is unable to fully analyze this relationship because the group *benefits themselves* were not valued in comparison to the market.

reality. Legislative Council and Joint Budget Committee staff commonly use the minimum salary range in the fiscal analysis for new FTE, which does not reflect the routine hiring practices. Staff does not question whether the departments should have this ability, rather staff's interest is that the Committee knows how the funds will actually be administered and the full amount being paid for personal services.

FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

BRIEFING ISSUE

INFORMATIONAL ISSUE: Outcomes of Prior Actions to Reduce State Fleet Expenditures

During prior fiscal downturns, the Legislative and the Executive branch implemented several policies with the purpose of generating savings and efficiencies within the State fleet. However, the intended savings did not fully materialize. They were typically offset by increased expenditures elsewhere in the State budget.

SUMMARY:

- ❑ Prior efforts to generate savings within the State fleet included postponing vehicle replacements and across the board mandates to reduce vehicles or mileage by a certain percent.
- ❑ Most of the savings were offset by increased expenditures elsewhere in the fleet or the State budget. In order to generate the intended savings, any actions must be coupled with a mandated reduction in employee travel.
- ❑ The fleet's composition makes it difficult to achieve across the board reductions, some of which never fully occurred during the prior downturn.

DISCUSSION:

FLEET BACKGROUND

Colorado's State fleet is comprised of 5,620 vehicles, although please note that within this document "vehicle" refers to all motorized vehicles, from motorcycles to large equipment within the Department of Transportation. The fleet's average cost per mile is $0.37, which includes the cost of the vehicle, fuel, maintenance, insurance, etc. The operating cost, which is only fuel and maintenance, averages $0.22 per mile.

The Department of Personnel and Administration's (DPA) fleet line items are funded with reappropriated funds, which are dollars first appropriated to the user agencies and then transferred to DPA to offset the costs of services. The Long Bill line item amounts represent *spending authority* to utilize those moneys transferred from other departments. In order to actually reduce the fleet-related expenditures in the State budget, one must also reduce the original appropriations for the user agencies themselves, typically within their Operating Expenses line items.

The total State savings generated by any fleet reduction initiative - whether reducing vehicles, mileage, or fuel - depend upon reducing employee travel. Staff found that approximately 80.0 percent of the savings from prior initiatives were offset by: (1) increased use of remaining State vehicles; and (2) an increase in personal vehicle mileage reimbursements.

PRIOR INITIATIVES

Prior initiatives to reduce State fleet expenditures included postponing vehicle replacements and across the board reductions such as percentage reductions in the number of vehicles or the amount of fleet mileage. These efforts must be accompanied by mandated reductions in employee travel, and the cost of travel, otherwise the expenses are just transferred elsewhere in the State budget. This cost transfer offset most of the fleet savings that were generated during the last downturn, as evidenced by the increased expenditures for personal vehicle reimbursements and the increased mileage placed on other fleet vehicles.

The composition of the State fleet makes it challenging to achieve across-the-board reductions because approximately 20.0 percent of the vehicles are exempt from such reductions. This places a disproportionate impact on the remainder of the fleet, which can then be difficult, or unrealistic, to achieve.

POSTPONING VEHICLE REPLACEMENT

Audits and legislative reports from multiple states conclude that postponing vehicle replacements increases operating costs within the following year, and that these increases then carry forward for several years. This is particularly true in states that require a higher average mileage at replacement, such as Colorado, because vehicles typically are not considered for replacement until they are already at the end of their useful life. If the replacement is postponed by a year, the vehicle typically requires at least one high-cost repair in order to continue operating.

Example: In 2003, Kansas drastically reduced its fleet and implemented a moratorium on vehicle replacements during 2004 and 2005. Legislative audits for 2007 and 2009 found that the initiative did not produce the overall intended savings because expenses increased elsewhere within the budget. For example, after adjusting for inflation, repair costs increased by 19.8 percent between calendar years 2006 and 2008. Kansas officials have attributed the increase to the reduced fleet size, the 2004 and 2005 moratorium on vehicle replacements, and that vehicles are required to remain in the fleet longer. According to the audit, it is "not clear whether increases in total vehicle-related expenditures are caused by inefficient vehicle use or other policy changes, such as the moratorium on vehicle purchases or increased mileage requirements."[13]

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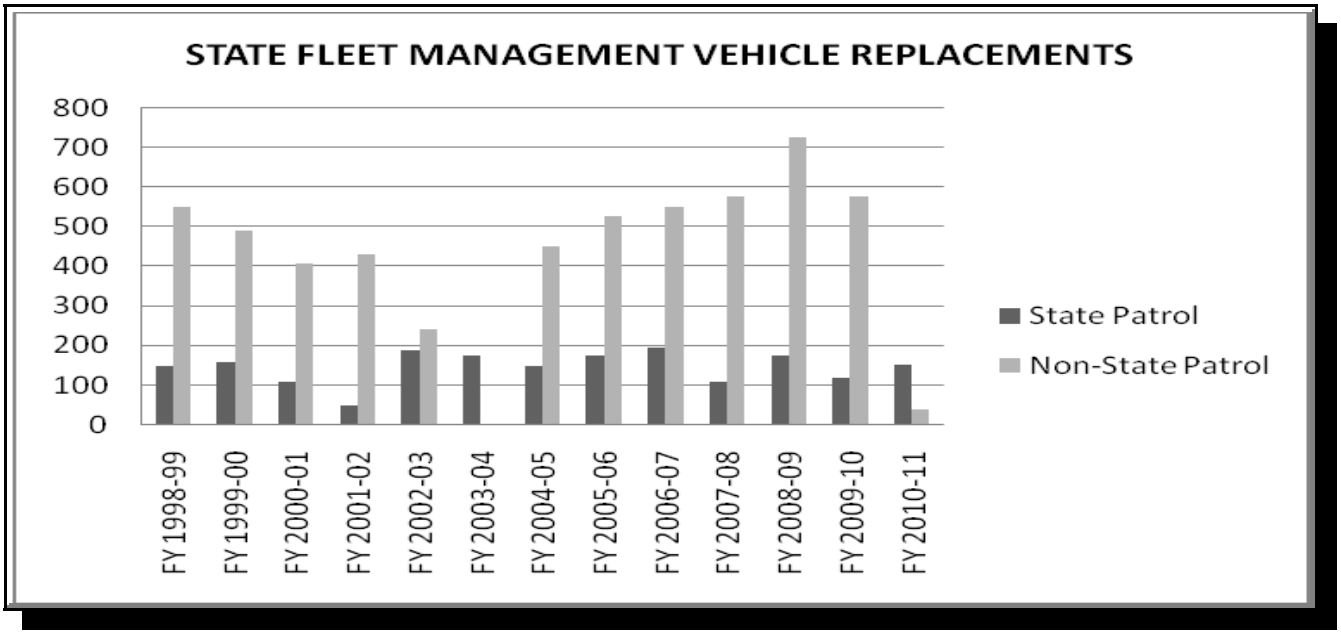
[13] Legislative Division of Post Audit. "Performance Audit Report. Vehicle Travel: Determining Whether the State is Becoming More Cost Efficient With its Vehicle Fleet." A Report to the Legislative Post Audit Committee, State of Kansas. July 2009. Page 11.

Prior replacement delays

During the prior downturn, Colorado replaced only 243 non-Colorado State Patrol (CSP) vehicles during FY 2002-03 and no non-CSP vehicles during FY 2003-04. Additionally, it did not replace any General Fund vehicles during the three years between FY 2002-03 and FY 2004-05 (see the *State Fleet Management Vehicle Replacements* chart on the following page).



Maintenance expenses

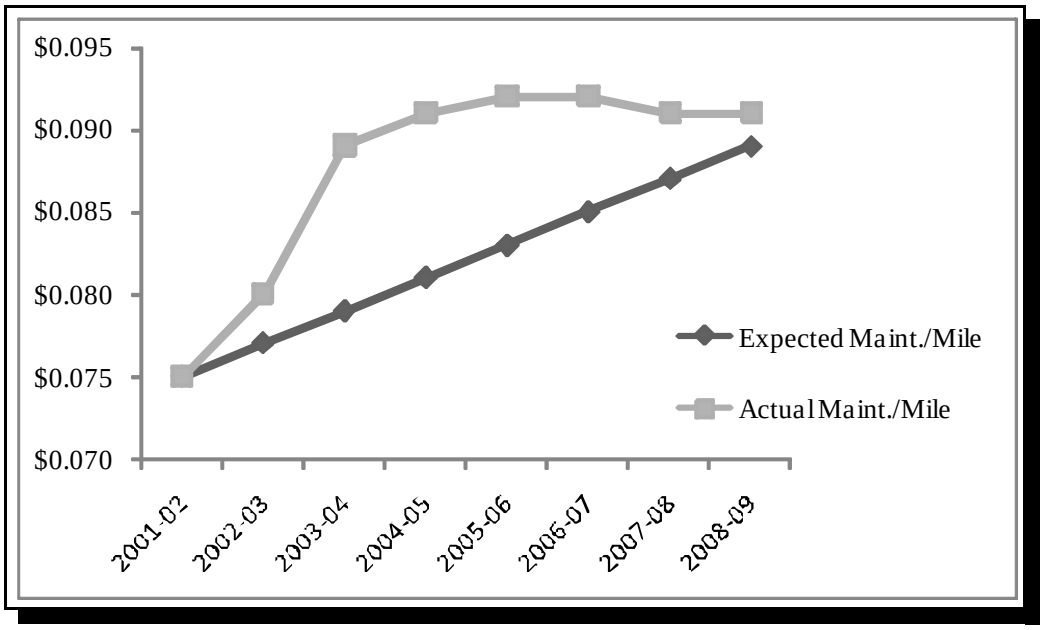
The following table and chart illustrate the actual impact on maintenance costs that the Department attributes to postponing replacements during FY 2002-03 and FY 2003-04. Prior to 2002, these expenses increased at an average of 2.5 percent per year, and staff applied this inflation rate to determine the "expected maintenance per mile" numbers. The maintenance costs start to increase at a greater than anticipated rate during FY 2002-03, but the difference is particularly noticeable during FY 2003-04 and FY 2004-05. The increased maintenance expenses carry forward to future years until the replacement cycle catches up again. The Department reports that the postponed replacements increased maintenance costs by a combined amount of $3.2 million between FY 2002-03 and FY 2008-09.

The table and chart also illustrate that after FY 2005-06, when the vehicle replacements resumed, the average maintenance cost per mile began to stabilize and that by FY 2008-09 it was almost on target with the anticipated amount as adjusted for inflation.

Additional Maintenance Expense Due to Postponing FY 2002-03 and FY 2003-04 Replacements					
Fiscal Year	**Expected Maint./Mile[1/]**	**Actual Maint./Mile**	**Difference in Maint. Costs**	**Annual Miles (in millions)**	**Additional Maint. Expense**
2001-02	$0.08	$0.08	n/a	76,011	n/a
2002-03	.077	.080	0.003	74,222	$222,666
2003-04	0.079	.089	0.010	73,117	736,654
2004-05	0.081	.091	0.010	73,204	739,498
2005-06	0.083	.092	0.009	69,573	631,683
2006-07	0.085	.092	0.007	69,434	486,483
2007-08	0.087	.091	0.004	72,549	281,604
2008-09	0.089	.091	0.002	70,969	120,903
Additional Maintenance Expense: FY 2002-03 through FY 2008-09					**$3,219,490**

1/ Assumes a 2.5 percent rate of inflation.

The chart below graphs the actual and expected maintenance costs per mile between FY 2001-02 and FY 2008-09. The distance between the two lines reflects the additional $3.2 million in maintenance costs that the Department attributes to postponing vehicle replacement during the prior downturn.



Request for replacements: FY 2010-11

The Department's FY 2010-11 request limited vehicle replacements to only those that are essential for health, life, and safety purposes. Of these, 153 vehicles are for the Colorado State Patrol (CSP).

Of the non-CSP vehicles, one is for the Department of Local Affairs, one is for the Department of Public Health and Environment, three are for the Department of Revenue, and 20 are for the Department of Natural Resources. The non-CSP vehicles average over 138,000 miles each, with several exceeding 200,000 miles. Staff anticipates that although the State will save dollars on annual lease payments, the departments will incur significant additional operating expenses. Revenue from selling replaced vehicles at auction offsets the State Fleet Management fee. The departments pay higher management fees during years for which there is less auction revenue.

ACROSS THE BOARD REDUCTIONS

Across the board reductions, such as a 10.0 percent reduction in the number of vehicles or a 5.0 percent reduction in mileage, are difficult to achieve because 20.0 percent of the fleet is typically exempt due to the vehicle's purpose. For example, it is not feasible for the State Patrol to reduce the number of its vehicles, mileage, or fuel consumption. The same applies to the large equipment that CDOT uses for road repairs, and to maintenance utility vehicles, which perform necessary safety functions. The following table identifies the portion of the fleet that is typically exempt from such reductions. While only 20.0 percent of the vehicles are exempt, they represent 24.0 percent of the miles and 28.0 percent of the fuel consumption, leaving a disproportionate burden on the remaining 80.0 percent of the fleet. Also, as mentioned earlier, unless actual employee travel is reduced, these types of reductions also just transfer the expenses elsewhere within the State budget.

State Fleet Vehicles Summary

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	% Fleet	% Miles	% Fuel
Pick-up or SUV, 4x4	2,250	2,292	2,381	2,401	42.8	45.2	47.3
Sedan, reg	858	850	827	829	14.8	15.8	9.8
Van	676	675	712	706	12.5	9.5	10.6
Pick-up, 4x2	299	275	277	268	4.8	2.4	2.7
Hybrid sedans & SUV's	50	104	264	275	4.9	2.8	1.3
Motorcycles	23	22	22	21	0.4	0.3	0.1
Subtotal	**4,156**	**4,218**	**4,483**	**4,500**	**80.2**	**76.0**	**71.8**
Sedan, Law	601	621	634	635	**11.3**	**20.2**	**20.3**
Large Equipment	354	356	366	346	6.2	2	4.6
Buses	90	94	93	90	1.6	1.1	2.4
Maint. Utility	56	58	51	49	0.9	0.6	0.9
Total[1/]	**5,257**	**5,347**	**5,627**	**5,620**	**100.0**	**100.0**	**100.0**

Reducing vehicles

During FY 2002-03, the Executive Branch directed the Department of Personnel and Administration to reduce the number of fleet vehicles by 10.0 percent. This policy did not generate the intended savings for the following reasons:

- **Departments turned in their oldest cars, which were already paid for**, so there were no savings within the Vehicle Lease Payments line items. These vehicles were also infrequently used, so there was little savings due to operating costs.

- **Actual travel did not decrease**, employees just transferred the mileage to other fleet vehicles. For example, during FY 2002-03 the number of vehicles was reduced by 10.0 percent, but the mileage driven only reduced by 3.0 percent.

- **Employees drove their own vehicles and submitted the mileage for reimbursement**. Pursuant to Section 24-9-104 (2) (d), C.R.S., the State reimburses personal vehicle mileage at 90.0 percent of the prevailing Internal Revenue Service rate (95.0 percent for 4-wheel drive vehicles). As of October, 2009, the rate for a 2-wheel drive vehicle is **$0.50 per mile, an amount 43.0 percent greater than the total State cost of $0.37 per mile**.

Reducing mileage

During FY 2003-04, the Joint Budget Committee directed the State fleet to reduce its mileage by 5.0 percent. This did not generate the anticipated savings because the Department of Personnel and Administration does not have the authority to limit vehicle use in other departments. Some departments reduced fleet mileage by increasing the use of personal vehicles. As previously mentioned, it is 43.0 percent more expensive to use a private vehicle than a fleet vehicle, which offset some of the savings.

CONCLUSION

Given the State's current fiscal restrictions, it is understandable to identify avoidable costs wherever possible. The purpose of this issue is to inform the Committee about the unintended consequences of certain decisions, as well as to highlight those prior initiatives that did not generate the intended savings. It is important to note that staff's analysis does not incorporate many of the statewide policy decisions that the Committee must consider. Once those factors are included, the prior options may be more reasonable than other alternatives. Staff's second fleet vehicle issue directs the Committee to components of the fleet where it is possible to achieve savings, if it's an area the Committee is interested in pursuing.

FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

BRIEFING ISSUE

ISSUE: Commuter Vehicles

Although it is in the State's best interests for certain employees to take home a fleet vehicle, staff has identified over 1,250 commuters for whom this practice should be questioned. Colorado incurs approximately $2.5 million to $3.5 million annually to subsidize commutes, of which over $1.1 million is General Fund.

SUMMARY:

- ❑ Preliminary assessments found that approximately 22.0 percent of the State's passenger vehicles are used for commuting.[14] While all of these have been approved by the departments' Executive Directors, staff questions whether many of these job functions require the employee to take the vehicle home.

- ❑ This issue addresses only the travel between the front door of an employee's home and his or her office. It does not apply to those who work solely from their home, and does not impact the use of any vehicles once an employee is at work.

- ❑ Efforts to generate savings within the State fleet typically do not have the full desired results because they increase costs elsewhere in the State budget. If the Committee is interested in reducing fleet expenditures, staff believes that decreasing the number of commuters is likely to result in immediate, meaningful savings.

STAFF RECOMMENDATION:

Staff requests that the Committee indicate whether staff should spend more time researching this topic and developing the recommendation. If so, staff recommends that the Committee encourage departments to work with staff to identify and evaluate the number of commuters within the State. Staff would then present the Committee with more concrete numbers and proposed reductions during a future figure-setting presentation. At that time the Committee could decide whether or not it approves such a recommendation. **Staff's recommendation solely impacts whether the Committee would like to consider this option during a future presentation.** It would not change any

[14] Commuting vehicles include the Colorado State Patrol, although the entire State Patrol is currently exempt from commuting restrictions.

appropriations, nor would it indicate whether the Committee would approve a future recommendation in the future.

DISCUSSION:

BACKGROUND

Several recent reports questioned the number of Colorado state employees who are taking home State vehicles, as well as the portion of the vehicle miles that are attributable to commuting.[15] For example, a Colorado State Auditor's report states that "we question the State's policy decision allowing the general use of state-owned vehicles for commuting purposes and recommend that the State reevaluate whether the commuting program should continue" (page 42). These findings follow a national trend, and within the prior eighteen months, at least nine states have introduced legislation or executive policies that significantly limit commuting in state-owned vehicles.[16]

COMMUTERS

Pursuant to Section 24-30-1113, C.R.S., state employees are permitted to commute to work using a state-owned vehicle when authorized by the employee's Executive Director. The Executive Director may approve commuting only when it is: (1) necessary for conducting official nonpartisan state business; (2) promotes the efficient operation of the state motor vehicle fleet system; and (3) is cost-effective to the state agency. There are employees for whom it is appropriate to take home a vehicle, such as those who primarily travel directly from home to their worksite, who are *frequently* (i.e. twice a week) called out after work hours, or State Troopers who live in rural areas.

Staff's recommendation **includes only specific personnel** whose job functions should not require them to take home a vehicle, and addresses only those miles between the individual's home and office. This would **not impact the use of the vehicle during the day** and the individual assigned to that vehicle would most likely retain it. This specific plan is not intended to reduce the number of State vehicles, although it will prolong their useful life by eliminating unnecessary wear and tear.

Staff's recommendation is based on current best practices, and **is <u>not</u> intended to impact employees who:** (1) work from home; (2) *frequently* drive directly from their house to various worksites without first going to a designated reporting location; (3) *frequently* respond to emergency situations after hours; and (4) those employees for whom the Executive Directors can provide specific documentation that it is in the State's best interest to have them take a home a State vehicle.

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[15] Colorado Government Efficiency and Management Performance Review, June 2008. pp. 92-93; Report of the State Auditor: Maintenance and Use of State Vehicles, Performance Audit. State of Colorado, January 2005.

[16] Arizona, Delaware, Louisiana, Maryland, Montana, Nebraska, New Jersey, Ohio, Texas, and West Virginia.

STATE EXPENDITURES FOR COMMUTERS

The State incurs three main costs as a result of commuting: (1) operating expenses such as fuel and maintenance; (2) reduced the useful life of the vehicle; and (3) increased the State's exposure to liability expenses. Staff's best current estimate is that approximately 1,250 employees drive approximately 9.0 million miles annually for commuting purposes alone. The State's cost is approximately $2.5 million to $3.5 million for commuters, of which approximately $1.1 million is General Fund. The operating (maintenance and fuel only) expenses are approximately $1.5 million to $2.0 million total funds, of which approximately $680,000 is General Fund. However, staff notes that *these figures are estimates*, and will change if the Committee indicates staff should develop a formal recommendation.

- ❑ *Variable expenses:* The State is billed for the fuel and maintenance for State vehicles. It is impossible to separate costs due to commuting from costs due to job-related purposes, and staff's understanding is that the **State pays the full amount** of fuel and maintenance for these vehicles.

- ❑ *Capital costs:* Staff's understanding is that of those cars that are used for commuting, a significant portion of the total mileage is due to the commute itself. If one assumes a conservative estimate that 25.0 percent of a vehicle's miles are due to the commute itself, and that the average vehicle is replaced at eight years, then **commuting reduces the useful life of the vehicle** by at least two years.

- ❑ *Liability and collision damage:* During FY 2008-09, the State paid $3.3 million for vehicle-related liability claims.[17] The State fleet also incurred more than $950,000 in collision damage. The more that a vehicle is driven, the greater the likelihood that it will be involved in an accident. Allowing the unnecessary use of take-home vehicles **increases the State's exposure to liability claims**.

Initial estimates: Table 1, on the following page, includes staff's initial estimates for the number of commuters per department, as well as the overall cost to each department. Staff assumed an average round-trip commute of 30 miles. A "?" indicates that staff is uncertain about whether there are commuters within a certain department. These numbers will be updated in the event that the Committee indicates an interest in staff further researching this topic.

[17] Please note: This does not imply that any of these claims occurred during a commute.

Table 1: Initial Estimated Commuter Costs[1/]						
Department	**Total Vehicles**	**Commuters**	**Avg Cost per Mile**	**Est. Miles (annual)**	**Est. Cost (annual)**	**Operating cost *only***
Agriculture	85	?	n/a	n/a	n/a	n/a
Corrections	1143	332	$0.37	2,340,600	$866,022	519,613
Education	14	?	n/a	n/a	n/a	n/a
Governor	33	?	n/a	n/a	n/a	n/a
GSS	86	0	n/a	n/a	n/a	n/a
Higher Ed	526	4	$0.37	28,200	$10,434	6,260
Human Services	448	12	$0.37	84,600	$31,302	18,781
Judicial	43	2	$0.37	14,100	$5,217	3,130
Labor	52	?	n/a	n/a	n/a	n/a
Law	30	?	n/a	n/a	n/a	n/a
Local Affairs	41	16	$0.37	112,800	$41,736	25,042
Military Affairs	21	1	$0.37	7,050	$2,609	1,565
Natural Resources	1124	155	$0.44	1,092,750	$480,810	288,486
Public Health	105	3	$0.37	21,150	$7,826	4,696
Public Safety	761	357	$0.38	2,516,850	$956,403	573,842
Reg. Agencies	55	38	$0.37	267,900	$99,123	59,474
Revenue	212	125	$0.32	881,250	$282,000	169,200
State	1	0	n/a	n/a	n/a	n/a
Transportation	840	232	$0.34	1,635,600	$556,104	333,662
Total	**5620**	**1277**	**$0.37**	**9,002,850**	**$3,331,055**	**$1,998,633**
Total *General Fund*		**440**	**$0.37**	**3,102,000**	**$1,138,011**	**$682,807**

1/ These numbers already account for those employees whose job functions require them to work from home, and therefore are exempt from being classified as "commuters".

STATE AND/OR IRS REIMBURSEMENT

State reimbursement: Pursuant to Section 24-30-1113 (4) (a), C.R.S., any individual who receives an Executive Director's authorization to use a state-owned motor vehicle for commuting purposes is to reimburse the State at an amount that approximates the benefit derived from the use of the vehicle. This reimbursement model proved to be very unpopular and unevenly enforced. Furthermore, the 2005 audit found that anticipated reimbursements would have covered only about half of the State's cost of commuting. In FY 2005-06 the employee payment method was changed to one of imputed

income, which benefits the employee but provides no reimbursement to the State for the cost of commuting.

Internal Revenue Service (IRS): The IRS classifies commuting in a state-owned vehicle as a taxable fringe benefit. Unless exempt under IRS regulations, employees who commute must either reimburse the State on a monthly basis or have the dollar value of their personal commuting included in their annual taxable income. Recent State audits found that over half of the vehicles that employees classified as exempt were not. In addition to the implications for the individual employee, this also places the State at risk of financial penalties. Wisconsin recently settled with the IRS and paid $26,100 in back taxes because it should have been withholding taxes from employee paychecks, but the employees had erroneously considered themselves exempt.[18] More importantly, this method does not reimburse the State for its cost, but merely allows the IRS to tax what it considers to be a fringe benefit. Even if the State aggressively enforced IRS compliance, it would still incur the same amount of expenditures due to commuting.

CONCLUSION

The State spends at least $2.5 million annually for employees to unnecessarily take home fleet vehicles. Much of this commuting is questionable and could likely be reduced or eliminated entirely. Staff believes that this strategy to reduce fleet expenditures has a greater likelihood of producing meaningful fleet savings than any prior actions. Furthermore, since it is an ongoing expense, the State would also avoid these costs in future years. Both the Legislative and Executive branches have produced reports that support the recommendation to eliminate unnecessary commuting.

If the Committee is interested in considering this option, staff will work with the departments to develop more concrete numbers. These would then be presented to the Committee during a future figure-setting presentation.

[18] The Journal Sentinel, November 27, 2009. The nine employees worked for the Division of Emergency Management.

FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

BRIEFING ISSUE

ISSUE: Personal Services Base Reduction

The Joint Budget Committee typically decides whether it will apply a personal services base reduction, and the percentage, during the figure-setting process. The decision to apply a 1.8 percent personal services base reduction for FY 2009-10 occurred outside of the usual process, and therefore it is unclear to staff as to whether it was intended to be a one-time or an ongoing reduction.

SUMMARY:

- The Office of State Planning and Budgeting added the 1.8 percent reduction back into the FY 2010-11 budget. Historically, the Committee has carried forward this reduction as a part of the following year's base.

- The reduction was not applied as a part of the annual common policy figure-setting, and staff is not certain about whether the Committee intended for the reduction to be ongoing or one-time.

- Staff analyzed data on turnover and retirement rates, and concludes that vacancy savings exist and will carry forward into FY 2010-11. Colorado has an aging workforce and the vacancy savings will continue to accrue as retirement rates increase (as predicted).

RECOMMENDATION:

Staff recommends that the Committee clarify whether it intended for the reduction to be one-time or ongoing. The Committee may find it helpful for a representative of the Office of State Planning and Budgeting (OSPB) to attend the Department's hearing and to available to discuss why it is building the reduction back into the base.

DISCUSSION:.

BACKGROUND

The personal services base reduction is intended to capture vacancy savings, which are the savings generated when a more experienced, and higher-paid, employee is replaced by a person who is hired

at the minimum of the salary range.[19] Assuming that the average employee's salary increases at 3.5 percent annually, it will take several years for that employee's salary to increase to the amount of the person he or she replaced. However, the line item's appropriation remains the same. Thus, the department experiences vacancy savings in the year of the turnover *and* the savings are also carried forward for future years. For this reason, the Joint Budget Committee's common policies carry forward the base reduction as a part of the following year's budget base.

ANALYSIS

If the Committee intended for the base reduction to be ongoing, staff believes it is possible for the Personal Services line items to absorb the reduction.

Turnover Rates

The departments' **average turnover rate for FY 2008-09 was 7.5 percent**, which indicates that vacancy savings exist. It is also important to consider the reason for turnover, which can indicate those line items with greater savings. For example, it is likely that someone was involuntarily terminated was not performing well and thus had not progressed through the salary range. However, retirement indicates an employee who was employed by the State for many years and thus had progressed through the pay range. Retirement also signifies an employee who most likely has at least 10 years of tenure, and thus was part of the former compensation system that included anniversary pay / step increases. According to the Department of Personnel and Administration's Director's total compensation recommendation letter for FY 2010-11 (August 4, 2009), "the most tenured employees, those with 10 or more years, are grouped at the top of the range as a result of the historical step system." **Retirements indicate a greater potential for vacancy savings than other types of turnover. For FY 2008-09, 2.4 percent of the workforce retired.** Over one-quarter of the workforce is eligible to retire within the next five years, indicating that vacancy savings will continue to accrue during future years.

Personnel Policies

The General Assembly appropriates personal services dollars for the minimum amount of the salary range. Departments have the autonomy to hire employees at an amount greater than the minimum salary, which is not an uncommon practice. This indicates that there are surplus funds within the line item, and/or that the department can generate the additional dollars by holding other positions vacant. Departments do have some flexibility within the Personal Services line item.

[19] Pursuant to Section 24-50-104 (1) (f), C.R.S., "initial hiring shall typically be at the minimum rate in the pay grade."

CONCLUSION

It is unclear to staff whether OSPB's request to build the reduction back into the budget base is based on the premise that the departments do no have vacancy savings, or whether the OSPB believes it was intended as a one-time reduction. If the Committee intended the reduction to be ongoing, staff's analysis concludes that the Personal Services line items can absorb it.

If the Committee clarifies this with OSPB prior to figure-setting, JBC staff can incorporate the Committee's decision into its analysis, thus ensuring that the Committee has the most accurate portrayal of the fiscal implications of its decisions. and present the Committee with a more accurate representation of its actions. Staff recommends that the Committee discuss its intent with OSPB during DPA's budget hearing.

Fiscal Year 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Personnel and Administration

APPENDIX A: NUMBERS PAGES

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
DEPARTMENT OF PERSONNEL AND ADMINISTRATION					
Executive Director: Rich Gonzales					
(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					
Personal Services - CFE / RF	1,648,595	1,663,416	1,787,604	1,723,799	DI#1
FTE	18.6	21.5	21.5	20.5	
Health, Life, and Dental	1,943,979	1,781,461	1,724,061	2,065,561	
General Fund	427,606	579,970	45,250	432,988	
Cash Funds	61,693	0	9,532	109,255	
Cash Funds Exempt / Reappropriated Funds	1,454,680	1,201,491	1,669,279	1,523,318	
Short-term Disability	39,612	6,034	30,885	31,210	
General Fund	4,279	0	8,497	8,026	
Cash Funds	1,662	0	1,923	2,746	
Cash Funds Exempt / Reappropriated Funds	33,671	6,034	20,465	20,438	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
S.B. 04-257 Amortization Equalization Disbursement	364,549	329,919	416,106	483,266	
General Fund	38,403	44,125	116,674	125,576	
Cash Funds	15,338	0	24,816	41,986	
Cash Funds Exempt / Reappropriated Funds	310,808	285,794	274,616	315,704	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	74,805	143,957	258,830	352,387	
General Fund	6,857	19,950	71,685	89,027	
Cash Funds	3,195	0	15,510	29,268	
Cash Funds Exempt / Reappropriated Funds	64,753	124,007	171,635	234,092	
Salary Survey and Senior Executive Service	1,013,181	804,924	0	0	
General Fund	351,590	362,947	0	0	
Cash Funds	26,547	0	0	0	
Cash Funds Exempt / Reappropriated Funds	635,044	441,977	0	0	
Performance-based Pay	452,091	325,410	0	0	
General Fund	147,658	141,466	0	0	
Cash Funds	12,621	0	0	0	
Cash Funds Exempt / Reappropriated Funds	291,812	183,944	0	0	
Shift Differential	0	39,126	37,736	31,301	
Cash Funds	0	0	0	2,427	
Cash Funds Exempt / Reappropriated Funds	0	39,126	37,736	28,874	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Workers' Compensation	229,279	205,462	309,106	322,687	
General Fund	58,979	61,346	76,726	82,706	
Cash Funds	1,268	0	8,656	20,152	
Cash Funds Exempt / Reappropriated Funds	169,032	144,116	223,724	219,829	
Operating Expenses - CFE / RF	99,698	92,440	107,612	99,842	
Legal Services	369,193	363,978	227,723	227,723	
Hours	*5,126*	*4,847*	*3,021*	*3,021*	
General Fund	324,182	314,815	177,972	177,972	
Cash Funds Exempt / Reappropriated Funds	45,011	49,163	49,751	49,751	
Administrative Law Judge Services	2,511	2,414	6,191	5,301	
General Fund	0	0	0	0	
Cash Funds	0	0	0	3,956	
Cash Funds Exempt / Reappropriated Funds	2,511	2,414	6,191	1,345	
Purchase of Services from Computer Center	3,053,344	2,294,353	2,294,353	4,707,429	
General Fund	2,357,487	947,875	947,875	3,310,706	SWDI #1 -
Cash Funds	0	0	0	193,714	OIT
Cash Funds Exempt / Reappropriated Funds	695,857	1,346,478	1,346,478	1,203,009	
Multiuse Network Payments - CFE / RF	101,764	67,547	67,547	160,911	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Management and Administration of OIT	0	57,291	60,127	90,068	
General Fund	0	15,658	16,433	23,086	
Cash Funds	0	292	306	5,624	
Cash Funds Exempt / Reappropriated Funds	0	41,341	43,388	61,358	
Payment to Risk Management and Property Funds	560,892	651,845	569,539	44,797	
General Fund	144,283	194,582	141,370	11,484	
Cash Funds	3,102	0	15,949	2,797	
Cash Funds Exempt / Reappropriated Funds	413,507	457,263	412,220	30,516	
Vehicle Lease Payments	103,446	53,360	66,468	99,929	
General Fund	174	2,005	0	0	
Cash Funds Exempt / Reappropriated Funds	103,272	51,355	66,468	99,929	DI#3
Leased Space	1,431,706	1,128,278	1,270,593	1,270,593	
General Fund	482,497	372,133	414,298	414,298	
Cash Funds	17,163	15,474	17,163	17,163	
Cash Funds Exempt / Reappropriated Funds	932,046	740,671	839,132	839,132	
Capitol Complex Leased Space	1,195,160	809,098	889,810	994,125	
General Fund	571,387	559,100	582,895	564,514	
Cash Funds Exempt / Reappropriated Funds	623,773	249,998	306,915	429,611	
Communications Services Payments	849	887	887	841	
General Fund	849	887	887	841	
Cash Funds Exempt / Reappropriated Funds	0	0	0	0	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Test Facility Lease[a/] General Fund	119,842	119,842	0	0	
Employment Security Contract Payment[a/]	17,033	17,333	0	0	
General Fund	10,709	10,822	0	0	
Cash Funds Exempt / Reappropriated Funds	6,324	6,511	0	0	
Employees Emeritus Retirement[a/] General Fund	7,122	7,290	0	0	
HIPAA - Security Remediation	181,474	219,543	202,769	21,845	
FTE	2.0	1.0	1.0	0.0	
General Fund	71,246	77,263	82,651	4,735	SWDI #1 -
Cash Funds Exempt / Reappropriated Funds	110,228	142,280	120,118	17,110	OIT
					Request vs. Appropriation
SUBTOTAL (A) Department Administration	13,010,125	11,185,208	10,327,947	12,733,615	23.3%
FTE	20.6	22.5	22.5	20.5	
General Fund	5,125,150	3,832,076	2,683,213	5,245,959	95.5%
Cash Funds	142,589	15,766	93,855	429,088	357.2%
Cash Funds Exempt / Reappropriated Funds	7,742,386	7,337,366	7,550,879	7,058,568	-6.5%

a/ These programs were moved to the (B) Statewide Special Purpose section for FY 2009-10.

(B) Statewide Special Purpose[a/]

(1) Colorado State Employees Assistance Program

Personal Services - CFE / RF	N/A	N/A	631,347	631,347	
FTE	N/A	N/A	10.0	10.0	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Operating Expenses - CFE / RF	N/A	N/A	52,976	52,825	
Indirect Cost Assessment - CFE / RF	N/A	N/A	112,816	83,237	
(2) Office of the State Architect [a/]	N/A	N/A	518,728	474,100	
FTE	N/A	N/A	6.0	5.0	
General Fund	N/A	N/A	518,728	474,100	Aug. Reduction
Cash Funds	N/A	N/A	0	0	
Cash Funds Exempt / Reappropriated Funds	N/A	N/A	0	0	
(3) Colorado State Archives [a/]					
Personal Services	N/A	N/A	538,085	538,085	
FTE	N/A	N/A	8.5	8.0	DI#1
General Fund	N/A	N/A	433,373	433,373	
Cash Funds	N/A	N/A	93,811	93,811	
Cash Funds Exempt / Reappropriated Funds	N/A	N/A	10,901	10,901	
Operating Expenses	N/A	N/A	56,794	56,794	
General Fund	N/A	N/A	56,794	56,794	
Cash Funds	N/A	N/A	0	0	
Cash Funds Exempt / Reappropriated Funds	N/A	N/A	0	0	
(4) Other Statewide Special Purpose [a/]					
Test Facility Lease - General Fund	N/A	N/A	119,842	119,842	
Employment Security Contract Payment	N/A	N/A	17,400	18,000	
General Fund	N/A	N/A	10,889	11,264	
Cash Funds Exempt / Reappropriated Funds	N/A	N/A	6,511	6,736	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Employees Emeritus Retirement - General Fund	N/A	N/A	7,290	7,290	
					Request vs. Appropriation
SUBTOTAL - (B) Colorado Statewide Special Purpose			2,055,278	1,981,520	-3.6%
FTE			24.5	23.0	
General Fund			1,146,916	1,102,663	-3.9%
Cash Funds			93,811	93,811	0.0%
Cash Funds Exempt / Reappropriated Funds			814,551	785,046	-3.6%

a/ These programs were moved to the new "Special Statewide Purpose" section for FY 2009-10. Prior to this, the appropriations were included in other sections of the Long Bill, primarily within the Executive Director's Office.

					Request vs. Appropriation
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	13,010,125	11,185,208	12,383,225	14,715,135	18.8%
FTE	20.6	22.5	47.0	43.5	
General Fund	5,125,150	3,832,076	3,830,129	6,348,622	65.8%
Cash Funds	142,589	15,766	187,666	522,899	178.6%
Cash Funds Exempt / Reappropriated Funds	7,742,386	7,337,366	8,365,430	7,843,614	-6.2%

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
(2) DIVISION OF HUMAN RESOURCES					
The Division of Human Resources maintains the integrity of the State Personnel System and manages the State Office of Risk Managem					
(A) Human Resource Services					
(1) State Agency Services					
Personal Services	1,921,842	2,103,749	2,000,042	1,687,774	
FTE	22.6	27.2	26.2	20.2	DI#1, Aug.
General Fund	0	129,564	0	0	Reductions
Cash Funds Exempt / Reappropriated Funds	1,921,842	1,974,185	2,000,042	1,687,774	
Operating Expenses - CFE / RF	83,435	0	88,873	88,462	
(2) Training Services					
Personal Services	57,142	122,724	268,694	268,694	
Cash Funds	25,444	55,625	146,572	146,572	
Cash Funds Exempt / Reappropriated Funds	31,698	67,099	122,122	122,122	
Operating Expenses	16,191	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt / Reappropriated Funds	16,191	0	0	0	
Indirect Cost Assessment - CFE / RF	35,034	0	4,605	4,605	
(3) Colorado State Employees Assistance Program					
Personal Services - CFE / RF	298,474	604,789	0	0	
FTE	4.1	10.0	0.0	0.0	
Operating Expenses - CFE / RF	36,306	67,809	0	0	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Indirect Cost Assessment - CFE / RF	63,788	162,295	0	0	
					Request vs. Appropriation
(2) DIVISION OF HUMAN RESOURCES					
Subtotal - (A) Human Resource Services Section	2,512,212	3,061,366	2,362,214	2,049,535	-13.2%
FTE	26.7	37.2	26.2	20.2	
General Fund	0	129,564	0	0	0.0%
Cash Funds	25,444	55,625	146,572	146,572	0.0%
Cash Funds Exempt / Reappropriated Funds	2,486,768	2,876,177	2,215,642	1,902,963	-14.1%
(2) DIVISION OF HUMAN RESOURCES					
(B) Employee Benefits Services					
Personal Services	857,870	985,925	992,401	809,861	
FTE	11.1	11.1	12.5	10.0	
General Fund	0	0	0	0	
Cash Funds	0	0	948,899	0	
Cash Funds Exempt / Reappropriated Funds	857,870	985,925	43,502	809,861	
Operating Expenses	48,217	52,454	117,329	56,816	
General Fund	0	0	0	0	
Cash Funds	0	52,454	116,475	56,816	DI #2
Cash Funds Exempt / Reappropriated Funds	48,217	0	854	0	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Utilization Review	40,000	29,320	40,000	40,000	
Cash Funds	0	29,320	40,000	0	
Cash Funds Exempt / Reappropriated Funds	40,000	0	0	40,000	
Deferred Compensation Plans - CFE / RF	84,475	84,500	84,500	0	
Deferred Compensation Administration (TPA)					
Cash Funds Exempt / Reappropriated Funds	681,999	692,205	682,000	0	
Defined Contribution Plans - CFE / RF	10,625	2,250	11,226	0	
Deferred Compensation Plan and Defined Contribution Plans					
Performance Audits - CFE / RF	123,750	0	0	0	
H.B. 07-1335 Pilot Disease Management Program					
Cash Funds Exempt / Reappropriated Funds	36,570	0	0	0	
H.B. 07-1335 Supplemental State Contribution Fund					
Cash Funds	0	1,541,666	1,599,114	1,599,114	
Indirect Cost Assessment - CFE / RF	98,315	210,609	314,180	250,261	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
					Request vs. Appropriation
(2) DIVISION OF HUMAN RESOURCES					
Subtotal - (B) Employee Benefits Services	1,981,821	3,598,929	3,840,750	2,756,052	-28.2%
FTE	11.1	11.1	12.5	10.0	
General Fund	0	0	0	0	0.0%
Cash Funds	0	1,623,440	2,704,488	1,655,930	-38.8%
Cash Funds Exempt / Reappropriated Funds	1,981,821	1,975,489	1,136,262	1,100,122	-3.2%
(2) DIVISION OF HUMAN RESOURCES					
(C) Risk Management Services					
Personal Services - CFE / RF	598,063	566,478	659,211	659,211	
FTE	8.2	0.0	9.0	9.0	
Operating Expenses - CFE / RF	56,866	52,222	57,311	57,104	
Legal Services - CFE / RF	2,687,622	2,325,709	2,401,607	2,401,607	
Liability Premiums	4,951,379	6,435,247	10,087,116	8,518,917	
Cash Funds	565,666	0	0	0	
Cash Funds Exempt / Reappropriated Funds	4,385,713	6,435,247	10,087,116	8,518,917	
Property Premiums	9,047,174	7,997,934	11,038,314	10,706,245	
Cash Funds	3,346,334	0	0	0	
Cash Funds Exempt / Reappropriated Funds	5,700,840	7,997,934	11,038,314	10,706,245	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Workers' Compensation Premiums	34,115,340	36,202,854	44,409,630	43,347,417	
Cash Funds	3,131,042	0	0	0	
Cash Funds Exempt / Reappropriated Funds	30,984,298	36,202,854	44,409,630	43,347,417	
Indirect Cost Assessment - CFE / RF	137,080	205,237	210,797	183,888	
					Request vs. Appropriation
(2) DIVISION OF HUMAN RESOURCES					
Subtotal - (C) Risk Management Services	51,593,524	53,785,681	68,863,986	65,874,389	-4.3%
FTE	8.2	0.0	9.0	9.0	
Cash Funds	7,043,042	0	0	0	0.0%
Cash Funds Exempt / Reappropriated Funds	44,550,482	53,785,681	68,863,986	65,874,389	-4.3%
					Request vs. Appropriation
TOTAL - (2) DIVISION OF HUMAN RESOURCES	56,087,557	60,445,976	75,066,950	70,679,976	-5.8%
FTE	46.0	48.3	47.7	39.2	
General Fund	0	129,564	0	0	0.0%
Cash Funds	7,068,486	1,679,065	2,851,060	1,802,502	-36.8%
Cash Funds Exempt / Reappropriated Funds	49,019,071	58,637,347	72,215,890	68,877,474	-4.6%

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
(3) CONSTITUTIONALLY INDEPENDENT ENTITIES					
(A) Personnel Board					
Personal Services	437,357	540,432	485,891	485,891	
FTE	4.8	4.8	4.8	4.8	
General Fund	227,902	83,487	484,695	484,695	
Cash Funds	1,196	1,196	1,196	1,196	
Cash Funds Exempt / Reappropriated Funds	208,259	455,749	0	0	
Operating Expenses	27,155	22,199	24,297	20,505	
General Fund	25,596	0	24,297	20,505	
Cash Funds Exempt / Reappropriated Funds	1,559	22,199	0	0	
Legal Services for 330 Hours - General Fund	0	0	24,875	24,875	
					Request vs. Appropriation
(3) CONSTITUTIONALLY INDEPENDENT ENTITIES					
Subtotal - (A) Personnel Board	464,512	562,631	535,063	531,271	-0.7%
FTE	4.8	4.8	4.8	4.8	
General Fund	253,498	83,487	533,867	530,075	-0.7%
Cash Funds	1,196	1,196	1,196	1,196	0.0%
Cash Funds Exempt / Reappropriated Funds	209,818	477,948	0	0	0.0%

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
(B) Independent Ethics Commission [a/]					
Personal Services - General Fund	N/A	102,932	144,285	144,285	
FTE	N/A	1.8	2.0	2.0	
Operating Expenses - General Fund	N/A	21,723	16,639	16,639	
Legal Services for 900 Hours - General Fund	N/A	107,661	67,842	67,842	
					Request vs. Appropriation
(3) CONSTITUTIONALLY INDEPENDENT ENTITIES					
Subtotal - (B) Independent Ethics Commission					
General Fund	N/A	232,316	228,766	228,766	0.0%
FTE	N/A	1.8	2.0	2.0	

[a/] The Independent Ethics Commission was separated in the Long Bill as part of the reorganization for FY 2009-10. Prior to this, the appropriations were reflected in the Office of the Administrative Courts. The FY 2008-09 appropriation is listed for informational purposes only and does not add to the total for the Department.

					Request vs. Appropriation
TOTAL - (3) CONSTITUTIONALLY INDEPENDENT ENTITIES	464,512	794,947	763,829	760,037	-0.5%
FTE	4.8	4.8	4.8	4.8	
General Fund	253,498	315,803	762,633	758,841	-0.5%
Cash Funds	1,196	1,196	1,196	1,196	0.0%
Cash Funds Exempt / Reappropriated Funds	209,818	477,948	0	0	0.0%

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
(4) CENTRAL SERVICES					

This division is responsible for providing commonly-used support services, such as mail services, travel, printing, copying, document reproduction, and data entry. It administers the Statewide Fleet Management Program that manages vehicles for state agencies. The Division also oversees the maintenance of buildings and grounds of the Capitol Complex, the Grand Junction State Services Building, and Camp George West as a part of the Facilities Maintenance program.

(A) Administration					
Personal Services - CFE / RF	695,490	682,312	751,883	751,883	
FTE	10.2	8.7	10.0	10.0	
Operating Expenses	75,851	67,400	77,427	77,427	
Indirect Cost Assessment	84,219	52,406	100,300	139,025	
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (A) Administration	855,560	802,118	929,610	968,335	4.2%
FTE	10.2	8.7	10.0	10.0	
Cash Funds	41,206	0	0	0	0.0%
Cash Funds Exempt / Reappropriated Funds	814,354	802,118	929,610	968,335	4.2%
(B) Integrated Document Factory					
(1) Reprographic Services					
Personal Services	1,137,877	979,751	1,878,146	1,900,447	
FTE	21.8	19.5	20.6	20.6	
Cash Funds	305,456	0	0	0	
Cash Funds Exempt / Reappropriated Funds	832,421	979,751	1,878,146	1,900,447	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Operating Expenses - CFE / RF	3,046,647	2,907,820	4,877,541	4,877,541	
Indirect Cost Assessment - CFE / RF	232,704	169,705	147,901	214,955	
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (B) Integrated Document Factory (1)					
Reprographics Services	4,417,228	4,057,276	6,903,588	6,992,943	1.3%
FTE	21.8	19.5	20.6	20.6	
Cash Funds	305,456	0	0	0	0.0%
Cash Funds Exempt / Reappropriated Funds	4,111,772	4,057,276	6,903,588	6,992,943	1.3%
(2) Document Solutions Group					
Personal Services	2,921,858	2,771,770	4,716,659	4,379,110	
FTE	54.2	58.7	50.2	50.2	
Cash Funds	35,917	139,406	43,336	43,336	
Cash Funds Exempt / Reappropriated Funds	2,885,941	2,632,364	4,673,323	4,335,774	
Operating Expenses	404,846	419,425	1,149,463	1,149,463	
Utilities	39,635	43,912	69,000	69,000	
Indirect Cost Assessment	169,477	136,708	173,089	261,123	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (B) Integrated Document Factory (2)					
Document Solutions Group	3,535,816	3,371,815	6,108,211	5,858,696	-4.1%
FTE	54.2	58.7	50.2	50.2	
Cash Funds	35,917	139,406	43,336	43,336	0.0%
Cash Funds Exempt / Reappropriated Funds	3,499,899	3,232,409	6,064,875	5,815,360	-4.1%
(3) Mail Services					
Personal Services	1,225,914	1,746,913	2,955,765	2,980,102	
FTE	39.5	44.5	42.8	42.8	
Operating Expenses	7,657,809	8,118,292	15,127,472	13,699,472	
Indirect Cost Assessment	276,199	237,215	165,998	252,286	
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (B) Integrated Document Factory (3) Mail Serv	9,159,922	10,102,420	18,249,235	16,931,860	-7.2%
FTE	39.5	44.5	42.8	42.8	
Cash Funds	697,515	139,406	0	0	0.0%
Cash Funds Exempt / Reappropriated Funds	8,462,407	9,963,014	18,249,235	16,931,860	-7.2%

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (B) Integrated Document Factory	17,112,966	17,531,511	31,261,034	29,783,499	-4.7%
FTE	115.5	122.7	113.6	113.6	
Cash Funds	1,038,888	278,812	43,336	43,336	0.0%
Cash Funds Exempt / Reappropriated Funds	16,074,078	17,252,699	31,217,698	29,740,163	-4.7%

(4) CENTRAL SERVICES					
(C) Fleet Management and Motor Pool Services					
Personal Services	812,043	829,514	866,030	749,018	SWDI #1 -
FTE	15.7	14.0	14.0	14.0	OIT
Operating Expenses	22,115,418	19,731,929	24,127,500	24,127,500	
Vehicle Replacement Lease, Purchase - CFE / RF	13,170,783	11,880,388	13,984,778	16,597,085	DI #3, NP#1,#2,#3
Indirect Cost Assessment	430,448	302,858	453,493	641,731	

					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (C) Fleet Management and Motor Pool Services	36,528,692	32,744,689	39,431,801	42,115,334	6.8%
FTE	15.7	14.0	14.0	14.0	
Cash Funds	1,948,015	0	0	0	0.0%
Cash Funds Exempt / Reappropriated Funds	34,580,677	32,744,689	39,431,801	42,115,334	6.8%

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
(4) CENTRAL SERVICES					
(D) Facilities Maintenance					
(1) Capitol Complex Facilities					
Personal Services	2,601,617	2,667,071	2,695,992	2,745,896	
FTE	51.9	50.8	53.2	53.2	
Operating Expenses	1,624,799	1,720,890	1,951,376	1,794,483	
Capitol Complex Repairs	55,520	56,509	56,520	56,520	
Capitol Complex Security	289,484	304,163	323,000	323,000	
Fallen Heroes Memorials Construction Fund -Cash Funds	0	0	24,069	24,069	
FTE	0.0	0.0	0.3	0.3	
Utilities	3,718,038	3,305,846	3,732,802	3,732,802	
Indirect Cost Assessment	377,456	273,929	435,060	525,058	
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (D) Facilities Maintenance (1) Capitol Complex Facilities	8,666,914	8,328,408	9,218,819	9,201,828	-0.2%
FTE	51.9	50.8	53.5	53.5	
Cash Funds	0	0	24,069	24,069	0.0%
Cash Funds Exempt / Reappropriated Funds	8,666,914	8,328,408	9,194,750	9,177,759	-0.2%

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
(2) Grand Junction State Services Building					
Personal Services	45,335	47,002	48,459	48,459	
FTE	1.0	1.0	1.0	1.0	
Cash Funds	5,130	0	0	0	
Cash Funds Exempt / Reappropriated Funds	40,205	47,002	48,459	48,459	
Operating Expenses - CFE / RF	75,994	76,001	76,873	76,873	
Utilities - CFE / RF	87,554	81,181	87,554	87,554	
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (D) Facilities Maintenance (2) Grand Junction State Services Building	208,883	204,184	212,886	212,886	0.0%
FTE	1.0	1.0	1.0	1.0	
Cash Funds	5,130	0	0	0	0.0%
Cash Funds Exempt / Reappropriated Funds	203,753	204,184	212,886	212,886	0.0%
(3) Camp George West					
Personal Services	64,564	66,232	79,641	61,125	
FTE	1.2	1.4	1.0	1.0	
Cash Funds	48,950	0	0	0	
Cash Funds Exempt / Reappropriated Funds	15,614	66,232	79,641	61,125	
Operating Expenses - CFE / RF	121,815	121,049	166,289	122,102	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
Utilities - CFE / RF	386,449	392,730	434,350	434,350	
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (D) Facilities Maintenance (3) Camp George West	572,828	580,011	680,280	617,577	-9.2%
FTE	1.2	1.4	1.0	1.0	
Cash Funds	48,950	0	0	0	0.0%
Cash Funds Exempt / Reappropriated Funds	523,878	580,011	680,280	617,577	-9.2%
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (D) Facilities Maintenance	9,448,625	9,112,603	10,111,985	10,032,291	-0.8%
FTE	54.1	53.2	55.5	55.5	
Cash Funds	54,080	0	24,069	24,069	0.0%
Cash Funds Exempt / Reappropriated Funds	9,394,545	9,112,603	10,087,916	10,008,222	-0.8%
					Request vs. Appropriation
TOTAL - (4) CENTRAL SERVICES	63,945,843	60,190,921	81,734,430	82,899,459	1.4%
FTE	195.5	198.6	193.1	193.1	
Cash Funds	3,082,189	278,812	67,405	67,405	0.0%
Cash Funds Exempt / Reappropriated Funds	60,863,654	59,912,109	81,667,025	82,832,054	1.4%

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
~~**(5) FINANCE AND PROCUREMENT**~~ [a/]					
~~**(A) State Controller's Office and Procurement Services**~~					
Personal Services	3,000,053	2,883,675	0	0	
FTE	38.3	36.5	N/A	N/A	
General Fund	1,144,835	599,191	N/A	N/A	
Cash Funds	0	1,977,243	N/A	N/A	
Cash Funds Exempt / Reappropriated Funds	1,855,218	307,241	N/A	N/A	
Operating Expenses	143,584	135,018	0	0	
General Fund	143,584	128,028	N/A	N/A	
Cash Funds	0	0	N/A	N/A	
Cash Funds Exempt / Reappropriated Funds	0	6,990	N/A	N/A	
~~**(5) FINANCE AND PROCUREMENT**~~					
~~**Subtotal - (A) State Controller's Office and Procurement**~~	3,143,637	3,018,693	0	0	
FTE	38.3	36.5	0.0	0.0	
General Fund	1,288,419	727,219	0	0	
Cash Funds	0	1,977,243	0	0	
Cash Funds Exempt / Reappropriated Funds	1,855,218	314,231	0	0	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests

(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

Personal Services [a/]	2,405,853	2,512,560	
FTE	27.5	31.0	DI#1, Aug.
General Fund	1,182,128	804,279	Reductions
Cash Funds	1,043,722	1,082,518	
Cash Funds Exempt / Reappropriated Funds	180,003	625,763	
Operating Expenses [a/]	116,514	115,676	
General Fund	116,514	115,676	
Cash Funds	0	0	
			Request vs. Appropriation
SUBTOTAL - (A) Office of the State Controller	2,522,367	2,628,236	4.2%
FTE	27.5	31.0	
General Fund	1,298,642	919,955	-29.2%
Cash Funds	1,043,722	1,082,518	3.7%
Cash Funds Exempt / Reappropriated Funds	180,003	625,763	247.6%

[a/] Prior to FY 2009-10, this program was a part of the Division of Finance and Procurement, State Controller's Office and Procurement Services.

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
(B) State Purchasing Office[a/]					
Manages statewide procurement with the following duties: (1) promulgation of the State's procurement rules; (2) administers the vendor BIDS system; (3) operates the electronic vendor notification system; (4) educates departments on procurement policies; (5) procures and administers statewide price agreements; (6) conducts procurement services for non-delegated agencies; and (6) serves as the appeals authority for bids protests.					
Personal Services - Cash Funds	N/A		856,836	818,040	Aug. Reduction
FTE	N/A		9.0	8.0	
Operating Expenses - Cash Funds	N/A		27,000	27,000	
					Request vs. Appropriation
SUBTOTAL - (B) State Purchasing Office - CF	N/A	0	883,836	845,040	-4.4%
FTE	N/A	0.0	9.0	8.0	

[a/] Prior to FY 2009-10, this program resided within the Division of Finance and Procurement, State Controller's Office. It was separated as a part of the Department's FY 2009-10 Long Bill reorganization.

(5) DIVISION OF ACCOUNTS AND CONTROL - CONTROLLER					
(C) Supplier Database					
Primarily supports business operational and database needs of the State Purchasing Office.					
Personal Services - Cash Funds	182,337	217,323	259,517	241,899	
FTE	2.9	2.4	3.0	4.0	
Operating Expenses - Cash Funds	31,053	42,114	1,904,560	1,150,510	SWDI #1 - OIT

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
					Request vs. Appropriation
(5) DIVISION OF ACCOUNTS AND CONTROL - CONTROLLER					
Subtotal - (C) Supplier Database - Cash Funds	213,390	259,437	2,164,077	1,392,409	-35.7%
FTE	2.9	2.4	3.0	4.0	

(5) DIVISION OF ACCOUNTS AND CONTROL - CONTROLLER

(D) Collections Services

Serves as a central accounts receivable function and collects debts owed to State agencies; departments and institutions after initial collections efforts have been unsuccessful.

Personal Services	874,776	894,142	921,902	938,677
FTE	15.2	19.0	20.0	20.0
Cash Funds	874,776	596,612	612,272	938,677
Cash Funds Exempt / Reappropriated Funds	0	297,530	309,630	0
Operating Expenses - CF	333,863	333,398	349,085	349,085
Collection of Debts Due to the State - CF	0	20,702	20,702	20,702
Private Collection Agency Fees	754,911	671,148	1,200,000	1,200,000
Cash Funds	754,911	378,111	378,111	1,200,000
Cash Funds Exempt / Reappropriated Funds	0	293,037	821,889	0
Indirect Cost Assessment	208,569	260,606	172,066	342,534
Cash Funds	0	0	0	342,534
Cash Funds Exempt / Reappropriated Funds	208,569	260,606	172,066	0

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
					Request vs. Appropriation
(5) DIVISION OF ACCOUNTS AND CONTROL - CONTROLLER					
Subtotal - (D) Collections Services	2,172,119	2,179,996	2,663,755	2,850,998	7.0%
FTE	15.2	19.0	20.0	20.0	
Cash Funds	900,439	1,328,823	1,360,170	2,850,998	109.6%
Cash Funds Exempt / Reappropriated Funds	1,271,680	851,173	1,303,585	0	-100.0%
~~**(5) FINANCE AND PROCUREMENT**~~[a/]					
~~**(D) Real Estate Services Program**~~					
Coordination of Capital Construction, Controlled Maintenance Requests, and Building Lease Review	514,170	511,731	0	0	
FTE	5.6	5.9	N/A	N/A	
General Fund	514,170	511,731	N/A	N/A	
Cash Funds	0	0	N/A	N/A	
Cash Funds Exempt / Reappropriated Funds	0	0	N/A	N/A	
~~**(5) FINANCE AND PROCUREMENT**~~					
~~**Subtotal - (D) Real Estate Services Program**~~	514,170	511,731	0	0	
FTE	5.6	5.9	0.0	0.0	
General Fund	514,170	511,731	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt / Reappropriated Funds	0	0	0	0	

a/ This division was incorporated as part of the Division of Accounts and Control - Controller as part of the FY 2009-10 Long Bill reorganization.

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
					Request vs. Appropriation
TOTAL - (5) DIVISION OF ACCOUNTS AND CONTROL - CONTROLLER	6,043,316	5,969,857	8,234,035	7,716,683	-6.3%
FTE	62.0	63.8	59.5	63.0	
General Fund	1,802,589	1,238,950	1,298,642	919,955	-29.2%
Cash Funds	1,113,829	3,565,503	5,451,805	6,170,965	13.2%
Cash Funds Exempt / Reappropriated Funds	3,126,898	1,165,404	1,483,588	625,763	-57.8%
(6) ~~INFORMATION AND ARCHIVAL SERVICES~~ [a/]					
Personal Services	485,687	508,124	N/A	N/A	
FTE	8.0	8.5	N/A	N/A	
General Fund	362,965	403,412	N/A	N/A	
Cash Funds	78,669	93,811	N/A	N/A	
Cash Funds Exempt / Reappropriated Funds	44,053	10,901	N/A	N/A	
Operating Expenses	56,794	56,794	N/A	N/A	
General Fund	56,794	56,794	N/A	N/A	
Cash Funds	0	0	N/A	N/A	
Cash Funds Exempt / Reappropriated Funds	0	0	N/A	N/A	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
~~**TOTAL - (6) INFORMATION AND ARCHIVAL SERVICES**~~[a/]	542,481	564,918			
FTE	8.0	8.5			
General Fund	419,759	460,206			
Cash Funds	78,669	93,811			
Cash Funds Exempt / Reappropriated Funds	44,053	10,901			

[a/] Please Note: Beginning with FY 2009-10, this program moved to the Executive Director's Office.

(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.

Personal Services	3,008,208	3,113,366	3,232,317	3,316,117	
FTE	36.5	40.0	40.0	40.0	
General Fund	0	72,083	0	0	
Cash Funds	28,546	28,546	28,027	28,027	
Cash Funds Exempt / Reappropriated Funds	2,979,662	3,012,737	3,204,290	3,288,090	
Operating Expenses	153,021	174,132	140,892	134,443	
General Fund	0	21,445	0	0	
Cash Funds Exempt / Reappropriated Funds	153,021	152,687	140,892	134,443	
Indirect Cost Assessment - CFE / RF	215,330	239,271	341,313	258,320	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp	FY 2010-11 Request	Change Requests
					Request vs. Appropriation
TOTAL - (6) ADMINISTRATIVE COURTS	3,376,559	3,526,769	3,714,522	3,708,880	-0.2%
FTE	36.5	40.0	40.0	40.0	
General Fund	0	93,528	0	0	0.0%
Cash Funds	28,546	28,546	28,027	28,027	0.0%
Cash Funds Exempt / Reappropriated Funds	3,348,013	3,404,695	3,686,495	3,680,853	-0.2%

					Request vs. Appropriation
TOTAL - DEPARTMENT OF PERSONNEL AND ADMINISTRATION	179,831,845	144,835,677	181,896,991	180,480,170	-0.8%
FTE	535.1	386.5	392.1	383.6	
General Fund	10,764,753	7,564,565	5,891,404	8,027,418	36.3%
Cash Funds	13,955,556	5,662,699	8,587,159	8,592,994	0.1%
Cash Funds Exempt / Reappropriated Funds	154,927,971	131,608,413	167,418,428	163,859,758	-2.1%
Federal Funds	183,565	0	0	0	0.0%

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- **S.B. 09-066 (Tochtrop/Primavera):** Transfers the administration of two state employee retirement plans from the Department of Personnel to the Public Employee's Retirement Association (PERA). The plans include the state's defined contribution (DC) plan and the state's optional deferred compensation (457) plan. Abolishes the State Deferred Compensation Committee. Reduces appropriations to the Department of Personnel totaling $956,815 and 2.0 FTE.

- **S.B. 09-099 (Morse/Ferrandino):** Requires the Department of Personnel to implement a centralized electronic procurement system for use by state agencies, local governments, and vendors. Appropriates $1,924,562 cash funds (Supplier Database Cash Fund) and 1.0 FTE to the Department of Personnel for the implementation of the procurement system.

- **S.B. 09-208 (Tapia/Pommer):** Transfers the following cash fund amounts to the General Fund for FY 2008-09: (1) $2,300,000 from the Capitol Complex Facilities Fund; and (2) $1,000,000 from the Motor Fleet Management Fund.

- **S.B. 09-279 (Tapia/Pommer):** Transfers the following cash fund amounts to the General Fund for FY 2008-09: (1) $10,316,060 from the State Employees Workers' Compensation Account; (2) $10,010,599 from the Risk Management Fund; and (3) $1,295,055 from the Self-Insured Property Fund.

- **H.B. 09-1150 (Todd/Williams):** Expands the geographic region within which the Division of Central Services is to provide services for the Executive Branch. Specifies that the region includes Boulder, Douglas, El Paso, and Pueblo counties, as well as the City and County of Broomfield and any other areas within the State of Colorado where central services are offered. Allows the Office of Administrative Courts to send certain notification by electronic mail or facsimile. Creates the Administrative Courts Cash Fund and the Professional Development Cash Fund. Appropriates $7,860,321 reappropriated funds to the Department of Personnel, primarily for the Division of Central Services.

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APPENDIX C: UPDATE OF FY 2009-10 LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

None.

Requests for Information

2 **Governor - Lieutenant Governor - State Planning and Budgeting, Office of state Planning and Budgeting; and Department of Personnel and Administration, Human Resource Services** -- The Department shall comply with the statutory provisions of Section 24-50-110 (1)(d), C.R.S., and is requested to provide other departments with the information necessary to comply with this statute. The Office of State Planning and Budgeting and the Department of Personnel are requested to work with the departments to improve the timeliness and accuracy of information about state personnel. Improvements, at a minimum, should include: updating personnel information on a centralized computerized data base; accurate reporting of filled FTE positions; number of reclassifications that are approved, turnover rates by agency, tracking of FTE positions funded to FTE positions filled; an accurate count of part-time and temporary FTE positions; and elimination of unused FTE positions. The Department and the Office of State Planning and Budgeting are requeted to submit a consolidated statewide personnel report to the General Assembly by September 1, 2008. This report should include, by line item and Department, a summary of vacant positions, the length of time each position has been vacant, and the number of reclassifications that were approved in FY 2007-08. In addition, the report should include a reconciliation between personal services appropriations and actual expenditures for FTE, state temporaries, sick/annual leave payout, and other personal services by division.

Comment: The OSPB did not respond to this request.

59 **Department of Personnel and Administration, Division of Accounts and Control - Controller, State Purchasing Office --** The Department is requested to submit a report on alternative procurement options for the State. The report should include an analysis and recommendations on potential advantages and disadvantages related to the State contracting with private providers for procurement services and/or entering into an interstate compact with other states in order to receive greater procurement discounts as a result of higher volume of purchases. The Department is requested to submit this report to the Joint Budget Committee by November 1, 2009.

Comment: The Department submitted its response on November 11, 2009.

The procurement services provided by the State Purchasing Office include the following: (1) manages statewide centralized procurement and procurement rules; (2) manages the BIDS electronic vendor notification system; (3) administers statewide price agreements; and (4) conducts procurement services for non-delegated agencies.

Privatization: The Department states that due to the complex nature of these services and the technical expertise needed to perform these services they are unlikely candidates for privatization. There are also concerns that privatizing procurement functions would introduce the potential for waste, fraud, and abuse, and therefore would necessitate enhanced oversight and auditing requirements. The Department is not aware of any state that currently privatizes its procurement services.

Interstate Compacts: The State currently participates in cooperative purchasing through the Western States Contracting Alliance (WSCA), which is a cooperative purchasing organization comprised of 15 member states. Individual member states undertake or "lead" a solicitation on behalf of all member states to increase the volume purchased, and thus reduce the price. WSCA currently has contracts for over 25 types of goods and services, and during FY 2008-09, Colorado spent $165.0 million under WSCA cooperative agreements. On average, the State obtains between discounts ranging between 15.0 percent and 40.0 percent. The State also participates in the Minnesota Multistate Contracting Alliance for Pharmaceuticals for the purchase of medical supplies and pharmaceuticals. Under this contract, $18.5 million was spent by Colorado in FY 2008-09. The Department reports that it plans to add several more WSCA contracts in the coming year, and is also exploring the feasibility of purchasing from neighboring states' price agreements.

APPENDIX D: FLEET VEHICLES

		Fiscal Year				
Department	**Description**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Agriculture	Sedan/SW - Reg	17	17	18	18	19
Agriculture	Large Van	1	1	1	1	1
Agriculture	SUV 4x4	4	4	4	3	3
Agriculture	Equipment (> 1 Ton)	6	6	6	6	6
Agriculture	Small Van	14	15	11	10	17
Agriculture	P/U - 4x2	4	3	2	2	3
Agriculture	P/U - 4x4	31	32	31	30	35
Agriculture	Sedan/SW - Law	1	1	0	0	0
Agriculture	Hybrid Sedans	0	0	0	0	4
Agriculture	Hybrid SUV's	0	0	0	0	1
	Total	**78**	**79**	**73**	**70**	**89**
Corrections	Sedan/SW - Reg	298	306	319	312	280
Corrections	Large Van	161	160	162	181	187
Corrections	Maintenance Utility	1	1	3	3	5
Corrections	SUV 4x4	119	134	133	161	146
Corrections	Equipment (> 1 Ton)	2	2	129	130	131
Corrections	Buses	7	7	33	36	35
Corrections	Small Van	60	60	57	56	58
Corrections	P/U - 4x2	42	40	37	38	39
Corrections	Trucks (1Ton & Less)	2	2	3	3	4
Corrections	P/U - 4x4	99	98	129	131	138
Corrections	Sedan/SW - Law	5	8	11	6	9
Corrections	Hybrid Sedans	5	5	14	54	136
Corrections	Hybrid SUV's	3	5	3	0	3
	Total	**804**	**828**	**1,033**	**1,111**	**1,171**
Education	Sedan/SW - Reg	4	4	4	3	3
Education	Large Van	1	1	1	4	4
Education	Buses	3	3	3	1	1
Education	Small Van	0	0	1	2	3
Education	Trucks (1Ton & Less)	1	1	1	1	1
Education	P/U - 4x4	0	0	0	1	1
	Total	**9**	**9**	**10**	**12**	**13**

Department	Description	Fiscal Year 2004-05	2005-06	2006-07	2007-08	2008-09
Governor	SUV 4x4	5	5	4	4	5
Governor	Small Van	0	1	1	1	1
Governor	P/U - 4x4	0	0	1	1	26
Governor	Hybrid Sedans	0	0	0	0	1
	Total	**5**	**6**	**6**	**6**	**33**
Higher Education	Sedan/SW - Reg	60	54	52	54	63
Higher Education	Large Van	114	109	109	103	113
Higher Education	Maintenance Utility	10	10	17	13	12
Higher Education	SUV 4x4	19	23	25	20	24
Higher Education	Equipment (> 1 Ton)	2	2	27	30	30
Higher Education	Buses	6	5	10	10	11
Higher Education	Small Van	43	45	48	39	40
Higher Education	P/U - 4x2	96	94	92	81	78
Higher Education	Trucks (1Ton & Less)	5	6	11	8	9
Higher Education	P/U - 4x4	82	88	103	79	80
Higher Education	Sedan/SW - Law	54	61	61	64	62
Higher Education	Hybrid Sedans	0	0	1	0	1
Higher Education	Hybrid SUV's	0	0	0	1	1
	Total	**491**	**497**	**556**	**502**	**524**
Human Services	Sedan/SW - Reg	125	122	116	116	103
Human Services	Large Van	94	94	83	87	94
Human Services	Maintenance Utility	8	8	7	8	7
Human Services	SUV 4x4	38	43	50	58	59
Human Services	Equipment (> 1 Ton)	11	11	16	17	18
Human Services	Buses	44	45	46	47	46
Human Services	Small Van	33	32	31	31	32
Human Services	P/U - 4x2	29	29	27	24	27
Human Services	Trucks (1Ton & Less)	6	6	7	8	8
Human Services	P/U - 4x4	30	30	29	32	39
Human Services	Sedan/SW - Law	4	6	5	6	7
Human Services	Hybrid Sedans	0	0	0	4	14
Human Services	Hybrid SUV's	0	0	0	0	4
	Total	**422**	**426**	**417**	**438**	**458**

Department	Description	Fiscal Year 2004-05	2005-06	2006-07	2007-08	2008-09
Judicial	Sedan/SW - Reg	33	33	33	33	34
Judicial	SUV 4x4	10	10	10	10	10
	Total	**43**	**43**	**43**	**43**	**44**
Law	Sedan/SW - Reg	19	16	23	23	23
Law	SUV 4x4	2	3	3	4	4
Law	Small Van	0	1	0	1	1
Law	Sedan/SW - Law	0	0	1	1	1
Law	Hybrid Sedans	0	0	0	1	1
	Total	**21**	**20**	**27**	**30**	**30**
Local Affairs	Sedan/SW - Reg	20	21	19	19	18
Local Affairs	SUV 4x4	16	18	18	16	15
Local Affairs	Small Van	3	3	3	3	2
Local Affairs	Sedan/SW - Law	0	0	0	0	1
Local Affairs	Hybrid Sedans	0	0	0	0	4
Local Affairs	Hybrid SUV's	0	0	0	0	1
	Total	**39**	**42**	**40**	**38**	**41**
Labor	Sedan/SW - Reg	24	23	24	23	23
Labor	Large Van	3	1	1	1	1
Labor	SUV 4x4	3	5	5	7	12
Labor	Small Van	1	0	0	0	0
Labor	P/U - 4x2	8	8	5	5	6
Labor	P/U - 4x4	7	9	11	11	11
	Total	**46**	**46**	**46**	**47**	**53**
Military Affairs	Sedan/SW - Reg	3	3	3	3	3
Military Affairs	Large Van	0	0	1	1	0
Military Affairs	Maintenance Utility	7	7	3	7	7
Military Affairs	SUV 4x4	3	4	4	4	4
Military Affairs	Small Van	1	1	1	1	1
Military Affairs	P/U - 4x4	3	2	3	3	5
	Total	**17**	**17**	**15**	**19**	**20**

Department	Description	Fiscal Year 2004-05	2005-06	2006-07	2007-08	2008-09
Natural Resources	Sedan/SW - Reg	4	4	5	4	5
Natural Resources	Large Van	0	0	1	1	2
Natural Resources	Maintenance Utility	9	9	9	10	11
Natural Resources	SUV 4x4	172	172	168	168	182
Natural Resources	Equipment (> 1 Ton)	0	0	131	130	128
Natural Resources	Small Van	7	7	4	1	0
Natural Resources	P/U - 4x2	37	37	36	31	30
Natural Resources	Trucks (1Ton & Less)	0	0	13	13	12
Natural Resources	P/U - 4x4	622	567	629	654	703
Natural Resources	Sedan/SW - Law	18	18	16	19	21
Natural Resources	Hybrid Sedans	0	0	0	0	5
Natural Resources	Hybrid SUV's	0	0	0	0	4
	Total	**869**	**814**	**1,012**	**1,031**	**1,103**
Personnel & Admin.	Sedan/SW - Reg	32	31	34	36	31
Personnel & Admin.	Large Van	13	14	13	7	15
Personnel & Admin.	Maintenance Utility	1	1	1	1	1
Personnel & Admin.	SUV 4x4	14	16	18	18	10
Personnel & Admin.	Equipment (> 1 Ton)	2	2	2	2	2
Personnel & Admin.	Small Van	6	5	5	7	7
Personnel & Admin.	Trucks (1Ton & Less)	1	0	0	0	0
Personnel & Admin.	P/U - 4x4	23	27	29	28	9
Personnel & Admin.	Sedan/SW - Law	0	0	1	0	3
Personnel & Admin.	Hybrid Sedans	8	9	9	9	9
Personnel & Admin.	Hybrid SUV's	0	0	0	0	7
	Total	**100**	**105**	**112**	**108**	**94**
Public Health	Sedan/SW - Reg	28	28	19	17	18
Public Health	Large Van	3	3	4	2	2
Public Health	SUV 4x4	37	36	31	28	22
Public Health	Small Van	14	14	13	12	10
Public Health	P/U - 4x2	1	2	3	3	3
Public Health	Trucks (1Ton & Less)	1	1	1	1	1
Public Health	P/U - 4x4	8	7	9	5	4
Public Health	Hybrid Sedans	1	1	8	14	24
Public Health	Hybrid SUV's	3	5	11	13	20
	Total	**96**	**97**	**99**	**95**	**104**

Department	Description	Fiscal Year 2004-05	2005-06	2006-07	2007-08	2008-09
Public Safety	Sedan/SW - Reg	35	33	36	37	42
Public Safety	Large Van	13	11	10	15	13
Public Safety	Maintenance Utility	14	14	14	14	5
Public Safety	SUV 4x4	73	83	105	116	119
Public Safety	Equipment (> 1 Ton)	0	0	1	3	12
Public Safety	Small Van	6	6	2	3	4
Public Safety	P/U - 4x2	2	2	2	2	2
Public Safety	Trucks (1Ton & Less)	0	0	0	1	1
Public Safety	P/U - 4x4	15	11	16	16	17
Public Safety	Sedan/SW - Law	482	489	503	516	520
Public Safety	Motorcycles	20	20	23	22	22
Public Safety	Hybrid SUV's	0	0	0	0	2
	Total	**660**	**669**	**712**	**745**	**759**
Reg Agencies	Sedan/SW - Reg	11	11	11	12	11
Reg Agencies	SUV 4x4	5	4	4	5	5
Reg Agencies	P/U - 4x4	36	38	38	38	37
Reg Agencies	Sedan/SW - Law	1	1	0	0	2
	Total	**53**	**54**	**53**	**55**	**55**
Revenue	Sedan/SW - Reg	82	79	83	82	100
Revenue	Large Van	22	26	32	33	34
Revenue	SUV 4x4	45	46	45	47	38
Revenue	Small Van	46	34	24	24	20
Revenue	Trucks (1Ton & Less)	3	3	3	3	3
Revenue	Sedan/SW - Law	3	5	2	6	5
Revenue	Hybrid Sedans	1	1	1	1	4
Revenue	Hybrid SUV's	0	1	1	1	1
	Total	**202**	**194**	**190**	**196**	**204**
State	Sedan/SW - Reg	0	0	1	0	0
State	Sedan/SW - Law	0	0	0	1	1
	Total	**0**	**0**	**1**	**1**	**1**
Transportation	Sedan/SW - Reg	73	70	61	59	52
Transportation	Large Van	27	22	21	21	20
Transportation	Maintenance Utility	2	2	2	2	3

Department	Description	Fiscal Year 2004-05	2005-06	2006-07	2007-08	2008-09
Transportation	SUV 4x4	304	290	296	303	306
Transportation	Small Van	39	34	32	28	30
Transportation	P/U - 4x2	123	109	97	89	89
Transportation	Trucks (1Ton & Less)	1	1	1	0	0
Transportation	P/U - 4x4	299	293	298	291	312
Transportation	Sedan/SW - Law	1	0	0	2	2
Transportation	Hybrid Sedans	2	2	3	4	12
Transportation	Hybrid SUV's	0	0	1	1	5
	Total	**871**	**823**	**812**	**800**	**831**
	Statewide Total[1/]	**4,826**	**4,769**	**5,257**	**5,347**	**5,627**

1/ Please note: The increase between FY 2005-06 and FY 2006-07 is due to S.B. 06-015, which consolidated an additional 483 vehicles within State Fleet Management.

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FORMAL	)	
OPINION	)	No.04-4
	)	Alpha No. TR TR GANCN
of	)	November 18, 2004
	)	
KEN SALAZAR	)	Changes to PERA Retirement
Attorney General	)	Benefits and Contributions

This opinion concerns limits to the ability of the General Assembly to alter retirement benefits for public employees under the pension program administered by Public Employees' Retirement Association of Colorado ("PERA"). It is issued at the request of Colorado Treasurer Mike Coffman.

Questions Presented and Answers

Question: What, if any, limitations exist upon the Legislature's ability to reduce the capacity of current employees to earn additional retirement benefits to assure the long term actuarial soundness of the plan?

Answer: The rate and amount of retirement benefits may qualify as a partially vested pension right protected by the contract clause of the constitution. An adverse change to a partially vested pension right is lawful only if it is balanced by a corresponding change of a beneficial nature, a change that is actuarially necessary, or a change that strengthens or improves the pension plan. Once a PERA member fulfills all the statutory requirements for a pension benefit, retires and begins receiving a pension, the member's fully vested pension right cannot be reduced by the General Assembly.

Question: What, if any, limitations exist upon the Legislature's ability to increase the percentage of their wages current employees contribute to PERA in order to assure the long-term actuarial soundness of the plan?

Answer: The percentage of wages that employees contribute to PERA may qualify as a contractual right protected by the constitution, but that legal conclusion is not certain.

Employees have some reasonable expectation that contribution rates to PERA may increase because of historical increases and the PERA statute that reserves the right of the General Assembly to change the rate of employer and member contributions. If the rate of employee contributions is in fact a protected contractual right, any increase by the General Assembly would be an adverse change to a partially vested pension right, and would be lawful only if the change is balanced by a corresponding change of a beneficial nature, is actuarially necessary, or strengthens or improves the pension plan.

Discussion

Background

PERA is the administrator of a defined benefit pension plan that provides retirement benefits for State employees and certain municipal, city, county, and school district employees. Section 24-51-201, C.R.S. (2004). Membership in PERA is a condition of employment. Section 24-51-301, C.R.S. (2004).

PERA's Board of Trustees is the fiduciary of the plan. The Board is required to carry out its functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties as required by law. Section 24-51-207, C.R.S. (2004). Colorado's Treasurer is a statutorily appointed member of the PERA Board. Section 24-51-203, C.R.S. (2004).

Vested Nature of Pension Benefits

Rights that accrue under a pension plan can be contractual obligations protected under Colo. Const. Art. II, § 11 and the U.S. Const. Art. 1, § 10. *Knuckey v. Public Employees' Retirement Association*, 851 P.2d 178, 180 (Colo. App. 1992); *Colorado Springs Fire Fighters Association v. City of Colorado Springs*, 784 P.2d 766, 770 (Colo. 1989). Vested contractual rights are constitutionally protected from statutory impairment. *Kilbourn v. Fire and Police Pension Association*, 971 P.2d 284, 287 (Colo. App. 1998).

PERA retirement benefits become a vested right when an employee has complied with the statutory conditions entitling the employee to the receipt of retirement benefits. *See Knuckey v. Public Employees' Retirement Association*, 851 P.2d 178, 180 (Colo. App. 1992) (citing *Police Pension & Relief Board of City and County of Denver v. Bills*, 148 Colo. 383, 366 P.2d 581 (1961)).

Some vested pension rights cannot be eliminated. When a PERA member retires from active service and begins receiving a pension, the member's pension becomes a vested contractual obligation of the pension program that is not subject to unilateral change of any type by the General Assembly. *Police Pension & Relief Board of City and County of Denver v. Bills*, 148 Colo. 383, 366 P.2d 581, 584 (1961) (citing *Police Pension & Relief Board of the City and*

County of Denver v. McPhail, 139 Colo. 330, 338 P.2d 694, 700 (1959)). When an employee retires and begins receiving a pension, trustees may not adopt an amendment that reduces an employee's vested pension under the plan. *Walker v. Board of Trustees of Regional Transportation District Pension Plan*, 69 Fed. Appx. 953, 2003 WL 21690534 (10th Cir. Colo.) (impairment of vested pension rights is arbitrary and capricious, a breach of contract, and a breach of its fiduciary duties) (citing *Police Pension & Relief Board of City and County of Denver v. Bills)*, 148 Colo. 383, 366 P.2d 581 (1961) (unpublished opinion).

In appropriate circumstances, pension rights can vest to a limited degree prior to actual retirement, and also prior to eligibility to retire. *Knuckey v. Public Employees' Retirement Association*, 851 P.2d 178, 180 (Colo. App. 1992). No bright line test exists to determine what constitutes a partially vested right or when that right accrues. *Kilbourn v. Fire and Police Pension Association*, 971 P.2d 284, 287 (Colo. App. 1998). The legal conclusion that a pension right has vested partially rests upon a case by case consideration of the facts and circumstances.

The establishment and modification of an employee benefit is traditionally within the scope of legislative discretion. *Colorado Springs Fire Fighters Association v. City of Colorado Springs*, 784 P.2d 766, 773 (Colo. 1989). Although statutes are not presumed to create private contractual rights, they may constitute a contract, protected by the Contract Clause of the constitution, if the statutory language and the surrounding circumstances manifest a legislative intent to create an enforceable contractual right. *Kilbourn v. Fire and Police Pension Association*, 971 P.2d 284, 287. The courts consider whether the existence of a contractual right is supported by the reasonable expectations of the affected person, or if the lack of a contractual right surprises persons who have long relied on a contrary state of the law. *Id* at 287.

Colorado's courts have not addressed whether public employees enrolled in PERA's program have a reasonable expectation of a contractual right to accrue a certain level and amount of future pension benefits. But Colorado courts have decided that certain pension benefits are not vested contractual rights. *Kilbourn v. Fire and Police Pension Association*, 971 P.2d 284, 287 (Colo. App. 1998) (no vested contractual right to an occupational disability pension where there was a reasonable expectation that benefits would cease upon returning to police employment); *McInerney v. Public Employees' Retirement Association*, 976 P.2d 348, 352 (Colo. App. 1998) (no equal protection claim or unconstitutional impairment of an existing contract right for legislative change offsetting benefits by optional retirement plan benefits); *Colorado Springs Fire Fighters Association .v City of Colorado Springs*, 784 P. P.2d 766, 774 (Colo. 1989) (no contractual obligation was intended by offering retiree health coverage to a limited class of employees).

Even if certain pension benefits are contractual rights protected by the Colorado Constitution, and even if such pension rights are partially vested pension rights, the Colorado courts have consistently allowed changes under certain conditions. The test is that any adverse change must be balanced by a corresponding change of a beneficial nature, a change that is

actuarially necessary, or a change that strengthens or improves the pension plan. *McInerney v. Public Employees' Retirement Association*, 976 P.2d 348, 352 (Colo. App. 1998); *Knuckey v. Public Employees' Retirement Association*, 851 P.2d 178, 180 (Colo. App. 1992); *Peterson v. Fire and Police Pension Association*, 759 P.2d 720, 725 (Colo. 1988). Should a change to a partially vested pension right fail to satisfy at least one of these three criteria, it unconstitutionally impairs existing contract rights and is ineffective. *McInerney v. Public Employees' Retirement Association*, 976 P.2d 348, 352 (Colo. App. 1998).

In *Peterson v. Fire and Police Pension Association*, 759 P.2d 720 (Colo. 1988), the Colorado Supreme court found that a police officer had achieved a limited vesting of survivor pension benefits prior to his death. The Court held that those pension benefits could be changed, but that any adverse change must be balanced by a change of a beneficial nature, a change that is actuarially necessary, or a change that strengthens or improves the pension plan. The Court concluded that, although survivor pension benefits were reduced under the statewide fire and police pension plan, the goal of ensuring that the statewide pension system is actuarially sound justifies any corresponding detriments to the group. *Id* at 726.

In *Peterson*, the record reflected that Denver's pay-as-you-go police pension plan was actuarially unsound and therefore reductions to partially vested pension benefits were justified. A pension fund is said to be actuarially sound if there are no unfunded accrued liabilities and the current cost of pension benefits attributable to active members is being paid on an annual basis. *Peterson v. Fire and Police Pension Association*, 759 P.2d 720, 726 (citing *City of Colorado Springs v. State*, 626 P.2d 1122 (Colo. 1981)). The *Peterson* case also reviewed the definition of "actuarially sound" in the statutes governing the Denver pension fund and found under either definition, the Denver pension fund was not actuarially sound, therefore, reductions to partially vested pension benefits were actuarially necessary and proper.

Applying the same test to different facts, another court found that an increase in the years of service for retirement eligibility was an adverse change to a partially vested pension benefit that was not offset by a corresponding beneficial change in a rank escalator clause that increased the rank and salary used to compute pension benefits. *City of Aurora v. Ackman*, 738 P.2d 796, 802 (Colo. App. 1987).

Employee Contributions

Eligible state employees and employers make periodic contributions to PERA as a term and condition of employment. *McInerney v. Public Employees' Retirement Association*, 976 P.2d 348, 350 (Colo. App. 1998). By making these contributions, employees obtain a limited vesting of pension rights that ripen into fully vested pension rights upon attainment of statutory eligibility requirements. *Colorado Springs Fire Fighters Association v. City of Colorado Springs*, 784 P.2d 766, 771 (Colo. 1989).

The employee contribution rate to PERA has been changed several times over the years. Employee contributions to PERA began in 1931 at the rate of 3.5% and were increased several times to the current 8% rate in 1982. Employee contribution rates were 3.5% from 1931 to 1949, 5% from 1949 to 1958, 6% from 1958 to 1969, 7% from 1969 to 1973, and 7.75% from 1973 to 1982. Colorado PERA, *Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2003*, page 84. Historical increases in employee contribution rates to PERA have been accompanied by corresponding improvements to PERA pension benefits. The General Assembly has expressly reserved the right to change the rate of employer and member contributions to PERA if indicated by actuarial experience. Section 24-51-211, C.R.S. (2004). Thus, employees contributing to PERA have some reasonable expectation that contribution rates to PERA may increase, because of historical increases and an express statute reserving the right to change employer and member contributions to PERA if indicated by actuarial experience. A legal conclusion whether the rate of employee contributions to PERA is or is not a protected contractual right would rest upon the specific facts of each proposed change.

Even if the rate of employee contributions to PERA is a protected contractual right, the General Assembly could increase the rate of employee contributions if the increase is balanced by a corresponding change of a beneficial nature, is a change that is actuarially necessary, or is a change that strengthens or improves the pension plan.

Conclusion

A reduction in future PERA benefit accruals may qualify as an adverse change to a partially vested protected contractual right. Adverse changes by the General Assembly to partially vested pension benefits are permissible provided that they are balanced by a corresponding change of a beneficial nature, a change that is actuarially necessary, or a change that strengthens or improves the pension plan.

Once a PERA member fulfills all the statutory requirements for a pension benefit and retires, the member's fully vested pension right cannot be reduced by the General Assembly.

The rate of employee contribution to PERA may qualify as a contractual right protected by the Constitution, but that legal conclusion is not certain. Employees have a reasonable

expectation that contribution rates to PERA may increase from time to time, based upon historical increases and a statute reserving the ability of the General Assembly to change contributions. Nevertheless, if the rate of employee contributions is in fact a protected contractual right, any increase in the rate would be an adverse change that is permitted if the change is balanced by a corresponding change of a beneficial nature, a change that is actuarially necessary, or a change that strengthens or improves the pension plan.

Issued this 18th day of November, 2004.

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