

The following file contains two documents:

- December 18, 2006, Department of Personnel and Administration Briefing Document. Pages 1 - 58
- December 18, 2006, JBC Staff Memorandum on FY 2007-08 DPA Statewide Decision Item #NP - 1: Statewide E-mail Consolidation Project.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 STAFF BUDGET BRIEFING

DEPARTMENT OF PERSONNEL AND ADMINISTRATION

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:

Viktor Bojilov, JBC Staff

December 18, 2006

For Further Information Contact:

**Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
Facsimile: (303) 866-2150
(TDD 866-3472)**

**FY 2007-08 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE:**

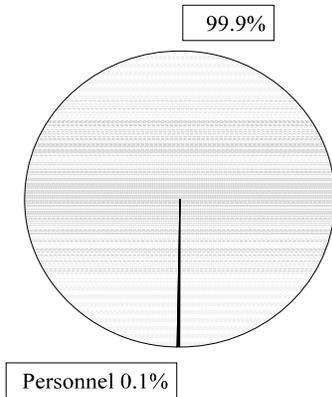
DEPARTMENT OF PERSONNEL AND ADMINISTRATION

TABLE OF CONTENTS

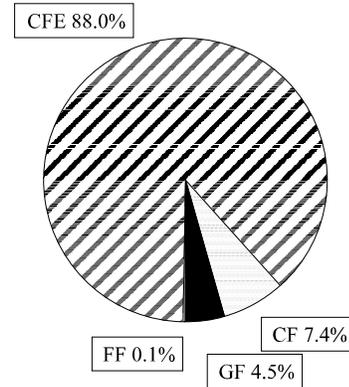
Graphic Overview	2
Department Overview	3
Decision Item Priority List	11
Overview of Numbers Pages	14
Numbers Pages	16
Long Bill Footnote Update	37
Briefing Issues:	
Department of Personnel and Administration Performance Measures	40
Total Compensation and S.B. 06-235	43
Public Employees Retirement Association and S.B. 06-235	51
Reversing the Pay Date Shift	55

DEPARTMENT OF PERSONNEL AND ADMINISTRATION GRAPHIC OVERVIEW

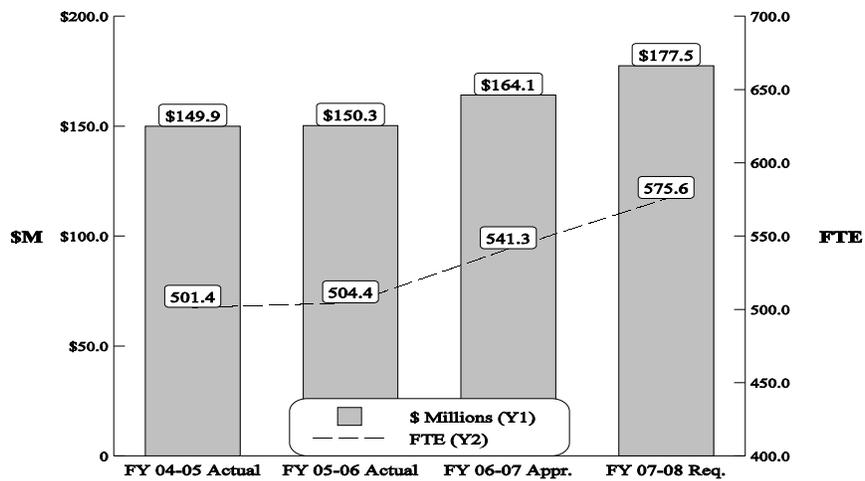
**Share of State General Fund
FY 2006-07**



**Funding Source Split
FY 2006-07**



Budget History



DEPARTMENT OF PERSONNEL AND ADMINISTRATION DEPARTMENT OVERVIEW

Key Responsibilities

- ▶ 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".
- ▶ Administers and negotiates the state's employee benefits programs for group health, life and dental insurance, short-term disability insurance, and deferred compensation plans.
- ▶ Administers and negotiates the state's coverage for workers' compensation insurance, and property and liability insurance as a part of the Risk Management Program.
- ▶ 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 monitors controlled maintenance and capital construction projects.
- ▶ Provides general support services for other state agencies, including but not limited to: centralized computer services; maintenance of archives and public records; procurement of and repairs to state-owned motor vehicles; maintenance of buildings in the Capitol Complex; provision of administrative law judge services; oversight of the telecommunications system including the multiuse network (MNT); control of state purchasing activities; and oversight of liability, property, and workers' compensation insurance programs.

Factors Driving the Budget

Number of State Employees

The department administers and oversees the state's workforce. The number of state employees affects other areas of the budget (such as the state's contributions for benefit and retirement programs). Presently, there is not a central database that tracks and monitors statewide human resources. Consequently, it is difficult to reconcile full-time equivalent positions (FTE) appropriated by the General Assembly with the actual number of state employees. The following chart provides a comparison of the number of paychecks issued to the number of FTE appropriated statewide. This chart *excludes* all employees in the Department of Higher Education.

State Employees	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Number of Paychecks for Classified Employees	23,013	22,555	22,762	22,998	23,089
Number of Paychecks for Non-Classified Employees	4,885	4,612	4,829	4,985	5,478

State Employees	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Total Number of Paychecks ⁽¹⁾	27,898	27,167	27,591	27,983	28,567
Total Number of FTE Appropriated by the General Assembly ⁽²⁾	28,447.4	27,418.6	27,723.3	28,495.7	29,055.1

⁽¹⁾ Pursuant to the *Consolidated Paycheck Report* submitted by the State Controller's Office.

⁽²⁾ As of July 1st of each fiscal year pursuant to the annual *Appropriations Report* produced by the JBC.

Common Policies

State employees have costs associated with them other than salaries. The Department of Personnel and Administration administers and maintains many of the state's central functions related to employees including: medical insurance, workers' compensation coverage, and other benefits such as salary survey and performance-based pay increases. It also administers the state's property and liability programs. The number of state employees, and their salaries, does have an impact on the appropriations of some of these items.

Fiscal Year	Actual FY 02-03	Actual FY 03-04	Actual FY 04-05	Actual FY 05-06	Appropriated FY 06-07
Health, Life, and Dental*	48,331,955	43,714,449	54,433,636	57,920,924	67,650,885
Salary Survey and Anniversary/ Performance-based Pay*	62,178,523	211,340	39,694,946	39,694,946	39,688,106
Workers' Compensation	22,232,501	30,157,471	27,478,224	26,517,136	30,075,696
Property and Liability	<u>13,414,917</u>	<u>14,742,793</u>	<u>12,188,054</u>	<u>11,089,972</u>	<u>12,016,975</u>
TOTAL - Statewide	\$150,356,028	\$155,410,742	\$83,592,067	\$131,735,690	\$136,073,118

* Actual years represent staff estimate.

State Fleet Program

The Department purchases and manages the state's centralized motor vehicle program. Since 1994, vehicles have been purchased through lease agreements using external financing agreements with private companies. Such agreements are for 60, 72 or 90 month periods beginning in March of each year, however, the Department uses lease agreements of 36 months for vehicles used in the Colorado State Patrol. The state typically begins the process to replace vehicles once they reach a 100,000 mile threshold, although the Colorado State Patrol vehicles are considered once they reach 80,000 miles.

Fiscal Year	Actual FY 02-03	Actual FY 03-04	Actual FY 04-05	Actual FY 05-06	Appropriated FY 06-07*
Number of Fleet Vehicles	5,695	5,567	5,569	5,109	5,516
Total Cost of Fleet Management (Includes Vehicles, Maintenance, and Fuel)	\$27,030,653	\$27,336,458	\$27,476,106	\$28,297,237	\$31,055,666
<i>Staff Estimated Net General Fund Share of Vehicle Costs</i>	<i>\$10,740,040</i>	<i>\$11,149,336</i>	<i>\$11,208,086</i>	<i>\$11,828,187</i>	<i>\$12,810,462</i>

* Includes additional vehicles per S.B. 06-15. This bill expands the fleet to include all vehicles, regardless of weight, except for specialized vehicles weighing one ton or more that are used by the Department of Transportation for construction or maintenance.

Summary of Major Legislation

- ✓ **H.B. 06S-1015 (Kerr/Keller):** Requires a trade, business, or corporation that pays a non-employee for services and reports that payment on any of the 18 federal 1099 forms to deduct and withhold state income tax, beginning January 1, 2008, if the person performing the service fails to provide a correct taxpayer identification number (TIN) or provides an Internal Revenue Service (IRS)-issued TIN for non-resident aliens. Appropriates \$93,750 General Fund to the Department of Personnel and Administration to perform computer programming in order to allow Colorado Financial Reporting System (COFRS) to be able to withhold state income taxes.
- ✓ **S.B. 06-6 (Takis / White):** Allows the Public Employees' Retirement Association (PERA) to deny employment to an individual who has been convicted of a felony or other specified offense if the person would have access to PERA investment information, PERA assets, or other information relating to PERA members beneficiaries.
- ✓ **S.B. 06-15 (Taylor / Coleman):** Expands the centralized state fleet to include all trucks, regardless of weight, except for Department of Transportation vehicles rated at more than one ton. Appropriates \$1.8 million cash funds exempt to the Department of Personnel and Administration, Division of Central Services, Fleet Management Program and Motor Pool Services, for Operating Expenses. Prior to this bill state-owned passenger vehicles and trucks weighing 3/4 ton or less were managed by the Department of Personnel and Administration as a centralized state fleet. The bill also requires executive branch agencies that own vehicles outside of The State fleet to provide data on these vehicles, upon request, to the Department of Personnel and Administration. The bill also requires that all motor vehicles purchased for The State-owned motor vehicle fleet on or after January 1, 2007, meet or exceed the average

fuel efficiency standards established pursuant to the federal "Energy Policy Conservation Act", 15 U.S.C. sec. 2001, et seq.

- ✓ **S.B. 06-16 (Entz / Rose):** Requires the Executive Director of the Department of Personnel and Administration to establish a policy by January 1, 2007, requiring all state-owned vehicles and equipment to use a fuel blend of at least 20 percent biodiesel and 80 percent petroleum diesel. The requirement is contingent on such fuels being available and costing no more than 10 cents per gallon more than petroleum diesel fuel.
- ✓ **S.B. 06-173 (Entz / Marshall):** Allows members of the General Assembly to be reimbursed for all actual and necessary travel expenses incurred for vehicle travel while attending to legislative business. Increases The State reimbursement rate for mileage traveled by state employees in a personal vehicle on official state business. Commencing June 1, 2006, but before January 1, 2007, allows seventy-five percent of the prevailing internal revenue service mileage reimbursement rate to the nearest cent, eighty percent of the prevailing internal revenue service mileage reimbursement rate to the nearest cent for four-wheel-drive vehicles, and forty cents per nautical mile for privately owned aircraft. Commencing January 1, 2007, but before January 1, 2008, allows eighty percent of the prevailing internal revenue service mileage reimbursement rate to the nearest cent, eighty-five percent of the prevailing internal revenue service mileage reimbursement rate to the nearest cent for four-wheel-drive vehicles, and forty cents per nautical mile for privately owned aircraft. Commencing January 1, 2008, allows ninety percent of the prevailing internal revenue service mileage reimbursement rate to the nearest cent, ninety-five percent of the prevailing internal revenue service mileage reimbursement rate to the nearest cent for four-wheel-drive vehicles, and forty cents per nautical mile for privately owned aircraft.
- ✓ **S.B. 06-202 (Traylor / Vigil):** Modifies the process for collecting debts due The State. Among other things, the bill eliminates the requirement that state agencies refer debts to The State Controller in the Department of Personnel and Administration when payment arrangements have been made; extends the time for assigning certain debts to private collections agencies; allows the department to collect debts on behalf of other political subdivisions of The State; and clarifies that if a debt is litigated, the debtor is liable for attorney fees, costs, and fees in addition to the collection fee.
- ✓ **S.B. 06-235 (Sandoval / Marshall):** Reforms PERA benefit plans. Adds a Supplemental Amortization Equalization Disbursement (SAED). Amends the Highest Average Salary (HAS) calculation formula. Changes the Rule of 80 to a Rule of 85 with a minimum retirement age of 55. Implements a new Cost-of-Living Adjustment (COLA) fund for new hires. Reduces the statutorily prescribed amortization period from 40 years to 30 years. Requires the General Assembly to contract for an independent actuarial study before future benefit increases could occur. Establishes a new requirement to purchase service credit at full actuarial cost. Amends the composition of the PERA Board. Expands DC choice to higher education institutions.

- ✓ **H.B. 06-1256 (Buescher / Keller):** Clarifies the procedure for calculating state employee salaries to ensure that no additional adjustment is made to compensate for the fact that there were no salary survey or performance awards in FY 2003-04. The bill also amends the laws governing dependent eligibility for purposes of state employees group benefit plans and annual elections for The State's defined contribution plan.
- ✓ **S.B. 05-73 (Owen / Jahn):** Includes in the amortization equalization disbursement established by S.B. 04-257 those employees who retire from a PERA member employer who are subsequently re-hired.
- ✓ **S.B. 05-172 (Tapia / Plant):** Specifies that, if the Department of Personnel and Administration opts to self-fund group benefit plans, the Group Benefit Plans Reserve Fund shall not be included in the general assets of the state. Also narrows the possible uses of the Fund to include only premiums, claims costs, other administrative fees, and costs associated with the plans, and establishes a Premium Stabilization Reserve Account.
- ✓ **S.B. 05-185 (Isgar / Harvey):** Changes the name of Administrative Hearings to the Office of Administrative Courts. Allows the Executive Director to appoint and assign administrative law judges to hear specific cases or classes of cases and allows administrative law judges the power to subpoena and engage in alternative dispute resolution. Authorizes attorney fees and costs to be recovered in cases involving the "Fair Campaign Practices Act" for the party that prevails. Directs the Executive Director to establish and maintain administrative offices and courts in Denver, the southern region of the state, and the Western Slope.
- ✓ **H.B. 05-1231 (Harvey / Tochtrop):** Clarifies, among others items, employee eligibility for the Defined Contribution Plan option that was created by S.B. 04-257. Forbids a retiree or a retiree with suspended benefits from enrolling in the Defined Contribution Plan. States that, upon termination of employment, an employee may rollover, request a distribution, transfer, or retain the balance in the plan as specified in the Internal Revenue Code of 1986, 26 U.S.C. Sec, 401, et seq.
- ✓ **H.B. 05-1286 (Cadman / Grossman):** Repeals the sunset of the Department's ability to charge other state agencies for the operations and maintenance of the public safety communications infrastructure. This infrastructure includes the digital trunked radio project as well as legacy microwave communications systems.
- ✓ **H.B. 05-1340 (Weissmann / Johnson):** Continuously appropriates moneys in the State Capitol Building Renovation Fund for expenditures recommended by the State Capitol Building Advisory Committee and approved by the Capital Development Committee and the Joint Budget Committee for the purpose of renovating the Colorado state capitol building.
- ✓ **S.B. 04-233 (McElhany / Harvey):** Authorizes the Department of Personnel and Administration, through a newly created Capitol Parking Authority, to finance the lease-purchase of a parking structure for the Capitol Complex. The structure is to be located on the

corner of 14th and Lincoln Streets in Denver and its cost is limited to \$7.5 million, plus administrative and other closing costs and interest. The fiscal impact of the structure will occur in FY 2006-07 when payments are scheduled to begin. The authority is established for purposes of exempting the lease-purchase of the parking structure from TABOR requirements.

- ✓ **S.B. 04-243 (Andrews / Stengel) and H.B. 04-1020 (Romanoff / Teck):** S.B. 04-243 authorizes an agency, pursuant to statutory provisions for budget savings, to transfer 50.0 percent of the amount of any General Fund cost savings to the personal services line item in the same agency for purposes of paying performance-based awards to the employees of that agency. Any bonuses awarded are to be consistent with the performance-based pay system established in statute. The agency providing awards pursuant to this act is to notify the Joint Budget Committee, the Office of State Planning and Budgeting, and the State Controller's Office of the amount of cost savings achieved. H.B. 04-1020 eliminates the current statutory incentive award suggestion system and the Incentive Award Suggestion System Board in the Department of Personnel and Administration. The bill requires the State Personnel Director to submit a report to the Joint Budget Committee, by December 1, 2004, with recommendations for the implementation of a new state employee incentive program.
- ✓ **S.B. 04-257 (Owen / Young):** Establishes separate divisions within the Public Employees' Retirement Association (PERA) for the state and for public schools, previously the State and School Division, and renames the Municipal Division the Local Government Division. Defines the process by which the state will contribute higher amounts of funding to address the unfunded liability in the PERA trust fund. Beginning in CY 2006 (January of FY 2005-06), the state will contribute an additional 0.5 percent of salary to PERA to address the amortization of the trust fund. This additional contribution, termed the amortization equalization disbursement, will increase by 0.4 percent per year until CY 2012, (FY 2011-12) or at a point when the amortization of the PERA trust fund is in compliance with statutorily defined periods. Finally, the bill creates an optional defined contribution plan for employees hired after January 1, 2006.
- ✓ **H.B. 04-1009 (King / Reeves):** Authorizes higher education institutions and the Colorado Commission on Higher Education to exempt themselves from the state motor vehicle fleet system, the Division of Risk Management, and the state procurement code as administered by the Department of Personnel and Administration. The fiscal impact will depend on which institutions exempt themselves from which programs.
- ✓ **H.B. 04-1171 (Weddig / Hagedorn):** Directs the State Personnel Director to study the feasibility of establishing a retirement health savings trust for state employees. The General Assembly has expressed its expectations that any trust recommended by the State Personnel Director will operate as an enterprise as defined by TABOR. The State Personnel Director is required to report the findings of the study to the Joint Budget Committee, as well as the State, Veterans, and Military Affairs Committee and the Health, Environment, Welfare, and Institutions Committee of both chambers by December 1, 2004.

- ✓ **H.B. 04-1373 (Marshall / Anderson) and H.C.R. 04-1005 (Marshall / Anderson):** Refers a measure to the registered electors of Colorado on proposed amendments to the State's constitution which affect the personnel system and makes appropriate changes in statute if the referred measure is passed. Significant changes in the measure and act include exempting additional positions from the personnel system (such as an employee of a department who controls large segments of those departments), the appointment process of vacant positions (such as increasing the pool of qualified candidates and altering the residency requirement), extending the period for temporary appointments to the personnel system, and granting the General Assembly, acting by bill, the authority to change the rule making authority of the State Personnel Director and the State Personnel Board.

- ✓ **H.B. 04-1449 (Rhodes / Tupa):** Allows the State Personnel Director the discretion to define a group benefits plan year beginning with FY 2005-06. Previously, changes in benefits related to health, life, and dental insurance were effective on January 1 of each year, making it a calendar year schedule rather than a fiscal year schedule.

Major Funding Changes FY 2005-06 to FY 2006-07

Action (Source)	General Fund	Other Funds	Total Funds	Total FTE
S.B. 06-15 This bill expands the fleet to include all vehicles, regardless of weight, except for specialized vehicles weighing one ton or more used by the Department of Transportation.	\$0	\$1,800,000 CFE transfers from other state agencies	\$1,800,000	0.0
Salary Survey and Other Benefits Adjustments JBC action on department requests	\$190,072	\$1,133,839 Indirect cost recoveries and transfers from other state agencies	\$1,323,911	0.0
Fleet Management Costs Accounts for an increase in the cost of fuel and operating expenses.	\$0	\$533,423 CFE transfers from other state agencies	\$533,423	0.0
Operating Adjustments Centrally Appropriated Line Items	\$138,298	\$297,716	\$436,014	0.0
Utility Costs Rising rates for Capitol Complex, Grand Junction and Camp George West	\$0	\$300,000 CFE transfers from other state agencies	\$300,000	0.0
Legal Services Fee Adjustment	\$0	\$105,775	\$105,775	0.0
H.B. 06S-1015 Programming Costs	\$93,750	\$0	\$93,750	0.0
Mail Services Workload Increase in volume of CBMS notices	\$0	\$73,508	\$73,508	0.0
Increase in Indirect Cost Assessment Fund Mix Adjustment	(\$1,326,043)	\$1,248,824 Indirect cost recoveries	(\$77,219)	0.0
Workload Reduction Training Services Program	\$0	(\$72,443)	(\$72,443)	(1.0)
Other	\$5,102	(\$21,167)	(\$16,065)	0.0
Total	(\$898,821)	\$5,399,475	\$4,500,654	(1.0)

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF PERSONNEL AND ADMINISTRATION
DECISION ITEMS**

Priority	Division: Description <i>[Statutory Authority]</i>	GF	CF	CFE	Total	FTE
1	<p>Division of Information Technology (DoIT): Computer Services</p> <p>Additional DoIT FTE to staff the Operations Security Information Center (ISOC) in order to address increasing information security needs.</p> <p><i>[Statutory authority under Sections 24-30-1601, C.R.S., and Section 24-30-901, C.R.S.]</i></p>	\$0	\$0	\$527,280	\$527,280	8.0
2	<p>Division of Central Services: Integrated Document Factory</p> <p>Additional FTE and Operating Expenses associated with increased business operations within the Integrated Document Factory. The Department is presenting this request as appropriations-neutral by reducing the Mail Services operating expenses line item by \$541,135 and re-appropriating to Reprographics Services and Document Solutions Group for Operating Expenses and to Mail Services for Personal Services to fund 5 FTE. From this sum the Department is also requesting \$40,426 to convert 13.3 temporary FTE equivalents into full-time FTE staff.</p> <p><i>[Statutory authority under Section 24-30-1101, C.R.S.]</i></p>	\$0	\$0	\$0	\$0	18.3
3	<p>Division of Information Technology (DoIT): Information and Archival Services</p> <p>Additional funds to implement the first phase of a multi-phase project for the preservation of audio recordings of historical legislative hearings and floor debates.</p> <p><i>[Statutory authority under Section 24-80-101, C.R.S.]</i></p>	\$200,000	\$0	\$0	\$200,000	0.0

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF PERSONNEL AND ADMINISTRATION
DECISION ITEMS**

Priority	Division: Description <i>[Statutory Authority]</i>	GF	CF	CFE	Total	FTE
4	Division of Finance and Procurement: Collections Services Additional collections representative staff and associated increase in operating expenses as a result of increased work load. <i>[Statutory authority under Section 24-30-202.4, C.R.S.]</i>	\$0	\$10,515 <i>Debt Collection Fund (Section 24-30-202-4 (3)(e), C.R.S.)</i>	\$87,785 <i>Debt Collection Fund (Section 24-30-202-4 (3)(e), C.R.S.)</i>	\$98,300	3.0
5	Office of Administrative Courts: Legal Files Maintenance and Support Ongoing maintenance and support of Legal Files case management system. <i>[Statutory authority under Section 24-4-101, C.R.S., and Section 24-4-105 (3), C.R.S.]</i>	\$0	\$0	\$14,325 <i>Personnel Revolving Fund (Section 24-30-1108 (1), C.R.S.) transfers from other state agencies.</i>	\$14,325	0.0
6	Division of Finance and Procurement: Collections Services Amend the title of the current Long Bill line item "Private Collection Agency Fees" to "Private Collection Agency and Legal Services Costs" and increase appropriated spending authority. <i>[Statutory authority under Section 24-30-202.4, C.R.S.]</i>	\$0	\$169,542 <i>Debt Collection Fund (Section 24-30-202-4 (3)(e), C.R.S.)</i>	\$155,458 <i>Debt Collection Fund (Section 24-30-202-4 (3)(e), C.R.S.)</i>	\$325,000	0.0
TOTAL Prioritized Request		\$200,000	\$180,057	\$784,848	\$1,164,905	29.3

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF PERSONNEL AND ADMINISTRATION
DECISION ITEMS**

Priority	Division: Description [Statutory Authority]	GF	CF	CFE	Total	FTE
1 Statewide	Executive Office and Division of Information Technology: Multi-Use Network (MNT) Common Policy Allocations Realignment of agency costs to use MNT based on updated/increased circuit inventories. [Statutory authority under Section 24-30-901, C.R.S.]	\$0	\$42,207 <i>Telecommunications Revolving Fund (Section 24-30-908 (1), C.R.S.)</i>	\$1,517,232 <i>Telecommunications Revolving Fund (Section 24-30-908 (1), C.R.S.) transfers from other state agencies.</i>	\$1,559,439	0.0
2 Statewide	Executive Office and Central Services: Fleet Management Program and Motor Pool Services, Vehicle Replacements Purchase a total of 656 fleet vehicles (including 140 for State Patrol) to replace existing state fleet vehicles meeting replacement criteria. [Statutory authority under Section 24-30-1104 (2)(f),(K), C.R.S.]	\$0	\$100,454 <i>Motor fleet management fund (Section 24-30-1115 (1), C.R.S.) transfers from other state agencies and various sources.</i>	\$1,055,477 <i>Motor fleet management fund (Section 24-30-1115 (1), C.R.S.) transfers from other state agencies and various sources.</i>	\$1,155,931	0.0
TOTAL Statewide Request		\$0	\$142,661	\$2,572,709	\$2,715,370	0.0
N/P Statewide	Division of Information Technology: Computer Services, Statewide E-mail Consolidation Project Additional funding and FTE to implement a consolidated e-mail system for use by Executive Branch agencies. [Statutory authority under Sections 24-30-1601, C.R.S., and Section 24-30-901, C.R.S.]	\$2,977,540	\$0	\$0	\$2,977,540	5.0
N/P	Division of Central Services: Integrated Document Factory, Data Entry Costs (Department of Revenue request) Increase in the cost of data entry services as well as an increase in the number of scanned documents. [Statutory authority under Section 24-30-1101, C.R.S.]	\$0	\$0	\$112,040 <i>Personnel Revolving Fund (Section 24-30-1108 (1), C.R.S.) transfers from other state</i>	\$112,040	0.0
TOTAL Non-prioritized Request		\$2,977,540	\$0	\$112,040	\$3,089,580	5.0
TOTAL REQUEST		\$3,177,540	\$322,718	\$3,469,597	\$6,969,855	34.3

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF PERSONNEL
OVERVIEW OF NUMBERS PAGES**

The following table highlights the changes contained in the Department's FY 2007-08 request.

Division	GF	CF	CFE	Total	FTE
Executive Office	\$1,347,016	(\$2,905)	\$1,770,700	\$3,114,811	0.0
Health, AED, SAED, Salary Increase	498,881	(3,656)	1,009,307	1,504,532	0.0
Purchase of Services from GGCC	788,653	0	375,950	1,164,603	0.0
Leased Space (Includes DI #2; \$203,750)	22,976	817	239,447	263,240	0.0
Other	36,506	(66)	145,996	182,436	0.0
Human Resources	0	229,954	2,981,297	3,211,251	0.0
Liability Premiums	0	132,684	1,824,871	1,957,555	0.0
Property premiums	0	65,211	785,195	850,406	0.0
Workers' Compensation	0	32,110	231,528	263,638	0.0
Other	0	(51)	139,703	139,652	0.0
Personnel Board	11,676	(2)	(812)	10,862	0.0
Personal Services	11,676	(2)	(812)	10,862	0.0
Central Services	0	100,454	681,320	781,774	18.3
Statewide DI #2: Vehicle Replacements	0	50,345	1,074,887	1,125,232	0.0
DI #2: Realignment of IDF Resources	0	0	0	0	18.3
N/P DI #1: Data Entry Costs (Revenue)	0	0	112,040	112,040	0.0
Indirect Cost Assessment	0	0	(405,153)	(405,153)	0.0
Other	0	50,109	(100,454)	(50,345)	0.0
Finance and Procurement	70,273	200,556	274,737	545,566	3.0
DI #6: Private Collection and Legal Costs	0	169,542	155,458	325,000	0.0
DI #4: Additional Collectors Staff	0	10,515	87,785	98,300	3.0
Personal Services	70,273	20,499	(4,986)	85,786	0.0
Indirect Cost Assessment	0	0	36,480	36,480	0.0

Division	GF	CF	CFE	Total	FTE
Information Technology (Do IT)	3,169,124	40,896	2,529,198	5,739,218	13.0
Statewide DI N/P #1: E-mail Consolidation	2,977,540	0	0	2,977,540	5.0
Statewide DI #1: MNT Adjustment	0	41,952	1,564,947	1,606,899	0.0
DI #1: DoIT Security Staff	0	0	527,280	527,280	8.0
DI #3: Preservation of Archival Records	200,000	0	0	200,000	0.0
Personal Services	(8,416)	(1,056)	200,728	191,256	0.0
Indirect Cost Assessment	0	0	236,243	236,243	0.0
Administrative Courts	0	(57)	10,801	10,744	0.0
DI #5: Legal Files Maintenance	0	0	14,325	14,325	0.0
Operating and Indirect Cost Adjustments	0	(57)	(3,524)	(3,581)	0.0
Total Department Change	\$ 4,598,089	\$ 568,896	\$ 8,247,241	\$13,414,226	34.3

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
--	----------------------	----------------------	-----------------------------	-----------------------	----------------

DEPARTMENT OF PERSONNEL AND ADMINISTRATION Executive Director: Jeff Wells
--

(1) EXECUTIVE 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, investigates and resolves appeals made to the Personnel Director regarding agency actions, and promotes statewide affirmative action and equal opportunity programs. The primary source of cash funds and cash funds exempt are from indirect cost recoveries from other divisions throughout the Department and from user fees from other state agencies.

Personal Services	1,513,518	1,547,222	1,601,479	1,653,565	
FTE	<u>24.3</u>	<u>19.3</u>	<u>21.5</u>	<u>21.5</u>	
General Fund	0	0	0	0	
Cash Funds Exempts	1,513,518	1,547,222	1,601,479	1,653,565	
Health, Life, and Dental	<u>779,704</u>	<u>1,100,248</u>	<u>1,736,246</u>	<u>2,317,726</u>	
General Fund	0	317,014	479,246	631,542	
Cash Funds	21,716	0	9,096	7,810	
Cash Funds Exempt	757,988	783,234	1,247,904	1,678,374	
Short-term Disability	<u>25,759</u>	<u>37,728</u>	<u>33,579</u>	<u>41,579</u>	
General Fund	0	7,283	6,832	13,738	
Cash Funds	1,498	596	1,411	235	
Cash Funds Exempt	24,261	29,849	25,336	27,606	
S.B. 04-257 Amortization Equalization Disbursement	<u>0</u>	<u>59,404</u>	<u>220,352</u>	<u>383,802</u>	
General Fund	0	12,562	42,825	126,810	
Cash Funds	0	1,657	9,368	2,168	
Cash Funds Exempt	0	45,185	168,159	254,824	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>0</u>	<u>0</u>	<u>0</u>	<u>79,959</u>	
General Fund	0	0	0	26,419	
Cash Funds	0	0	0	452	
Cash Funds Exempt	0	0	0	53,088	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	Change Request
	Actual	Actual	Appropriation	Request	
Salary Survey and Senior Executive Service	<u>546,591</u>	<u>903,959</u>	<u>848,161</u>	<u>1,236,594</u>	
General Fund	189,145	306,953	284,213	423,968	
Cash Funds	16,376	0	4,537	7,266	
Cash Funds Exempt	341,070	597,006	559,411	805,360	
Performance-based Pay	<u>260,669</u>	<u>0</u>	<u>0</u>	<u>291,210</u>	
General Fund	160,604	0	0	96,426	
Cash Funds	3,548	0	0	1,649	
Cash Funds Exempt	96,517	0	0	193,135	
Shift Differential - Cash Funds Exempt	51,941	36,064	68,319	77,436	
Workers' Compensation	<u>265,721</u>	<u>235,128</u>	<u>255,779</u>	<u>267,508</u>	
General Fund	98,582	60,484	65,796	68,813	
Cash Funds	2,392	1,301	1,415	1,480	
Cash Funds Exempt	164,747	173,343	188,568	197,215	
Operating Expenses	<u>103,043</u>	<u>99,841</u>	<u>99,842</u>	<u>99,842</u>	
General Fund	0	0	0	0	
Cash Funds Exempt	103,043	99,841	99,842	99,842	
Legal Services	232,097	192,345	232,587	232,587	
Hours	<u>3,770</u>	<u>2,984</u>	<u>3,432</u>	<u>3,432</u>	
General Fund	186,664	167,552	202,196	202,196	
Cash Funds	19,568	0	0	0	
Cash Funds Exempt	25,865	24,793	30,391	30,391	
Administrative Law Judge Services - Cash Funds Exempt	<u>1,781</u>	<u>2,440</u>	<u>2,516</u>	<u>609</u>	
General Fund	1,781	2,440	2,516	0	
Cash Funds Exempt	0	0	0	609	
Purchase of Services from Computer Center	<u>1,270,753</u>	<u>1,090,908</u>	<u>1,107,058</u>	<u>2,271,661</u>	
General Fund	1,198,320	1,019,111	1,034,198	1,822,851	
Cash Funds Exempt	72,433	71,797	72,860	448,810	
Multiuse Network Payments - Cash Funds Exempt	123,101	89,936	89,122	41,407	Statewide DI #1: MNT

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	Change Request
	Actual	Actual	Appropriation	Request	
Payment to Risk Management and Property Funds	<u>400,957</u>	<u>395,721</u>	<u>560,147</u>	<u>749,026</u>	
General Fund	137,608	101,795	144,091	192,678	
Cash Funds	3,889	2,189	3,098	4,143	
Cash Funds Exempt	259,460	291,737	412,958	552,205	
Vehicle Lease Payments	<u>98,317</u>	<u>110,215</u>	<u>182,271</u>	<u>212,970</u>	
General Fund	3,480	272	2,910	2,910	
Cash Funds Exempt	94,837	109,943	179,361	210,060	Statewide DI 2: Vehicle Replacements
Leased Space	<u>910,654</u>	<u>1,159,374</u>	<u>1,189,814</u>	<u>1,453,054</u>	
General Fund	281,583	447,765	459,521	482,497	
Cash Funds	0	15,928	16,346	17,163	
Cash Funds Exempt	629,071	695,681	713,947	953,394	DI # 2: IDF Realignment
Capitol Complex Leased Space	<u>1,247,662</u>	<u>1,037,901</u>	<u>1,153,035</u>	<u>1,119,575</u>	
General Fund	560,199	484,085	539,826	524,954	
Cash Funds	7,485	0	0	0	
Cash Funds Exempt	679,978	553,816	613,209	594,621	
Communications Services Payments	<u>390</u>	<u>4,881</u>	<u>5,196</u>	<u>1,397</u>	
General Fund	0	1,541	0	1,397	
Cash Funds Exempt	390	3,340	5,196	0	
Test Facility Lease - General Fund	116,350	116,475	119,842	119,842	
Employment Security Contract Payment	<u>17,400</u>	<u>17,400</u>	<u>17,400</u>	<u>17,400</u>	
General Fund	10,889	10,889	10,889	10,889	
Cash Funds Exempt	6,511	6,511	6,511	6,511	
Employees Emeritus Retirement - General Fund	9,629	9,918	11,370	11,370	
HIPAA - Security Remediation	437,365	182,030	210,824	189,631	
FTE	<u>1.6</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	96,145	63,542	67,509	71,496	
Cash Funds Exempt	341,220	118,488	143,315	118,135	
Governor's Transition - General Fund	0	0	10,000	0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request Request vs. Appropriation
TOTAL - (1) EXECUTIVE OFFICE	8,413,402	8,429,138	9,754,939	12,869,750	31.9%
FTE	<u>25.9</u>	<u>21.3</u>	<u>23.5</u>	<u>23.5</u>	<u>0.0</u>
General Fund	3,050,979	3,129,681	3,483,780	4,830,796	38.7%
Cash Funds	76,472	21,671	45,271	42,366	-6.4%
Cash Funds Exempt	5,285,951	5,277,786	6,225,888	7,996,588	28.4%

(2) DIVISION OF HUMAN RESOURCES

This division is responsible for the administration of the statewide classified personnel system, which includes approximately 27,700 employees, excluding the Department of Higher Education. It also administers the employee benefits programs (such as group health and dental benefits), manages statewide systems for payroll and basic employee information, and operates the statewide risk management program, including the procurement of property, casualty, and workers' compensation insurance policies. The primary sources of cash funds include the Deferred Compensation Fund, the Defined Contribution Fund, and payments from state enterprises for risk management services. The primary sources of cash funds exempt include the Risk Management Fund, the Self-Insured Property Fund, the Benefits Administration Fund, transfers from other state agencies, and indirect cost recoveries from other divisions within the Department.

(A) Human Resource Services

(1) State Agency Services

Personal Services	1,801,758	1,761,261	1,924,013	1,970,273
FTE	<u>23.5</u>	<u>22.1</u>	<u>27.2</u>	<u>27.2</u>
Cash Funds Exempt	1,801,758	1,761,261	1,924,013	1,970,273
Operating Expenses	<u>85,287</u>	<u>88,458</u>	<u>88,462</u>	<u>88,462</u>
General Fund	0	0	0	0
Cash Funds Exempt	85,287	88,458	88,462	88,462

(2) Training Services

Personal Services	19,194	16,580	62,122	61,998
FTE	<u>3.0</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>
Cash Funds	5,862	6,824	25,572	25,521
Cash Funds Exempt	13,332	9,756	36,550	36,477
Operating Expenses - Cash Funds Exempt	14,690	10,523	17,169	17,169
Indirect Cost Assessment - Cash Funds Exempt	33,476	30,868	31,309	35,034

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
(3) Colorado State Employees Assistance Program					
Personal Services - Cash Funds Exempt	272,616	278,995	288,733	299,374	
FTE	4.4	4.4	4.5	4.5	
Operating Expenses - Cash Funds Exempt	32,963	37,050	37,233	37,233	
Indirect Cost Assessment - Cash Funds Exempt	68,475	55,592	50,698	63,788	
					Request vs. Appropriation
(2) DIVISION OF HUMAN RESOURCES					
Subtotal - (A) Services Section	2,328,459	2,279,327	2,499,739	2,573,331	2.9%
FTE	<u>30.9</u>	<u>26.5</u>	<u>32.7</u>	<u>32.7</u>	<u>0.0</u>
Cash Funds	5,862	6,824	25,572	25,521	-0.2%
Cash Funds Exempt	2,322,597	2,272,503	2,474,167	2,547,810	3.0%
(2) DIVISION OF HUMAN RESOURCES					
(B) Employee Benefits Services					
Personal Services	724,520	824,436	910,052	908,232	
FTE	<u>8.4</u>	<u>11.0</u>	<u>12.0</u>	<u>12.0</u>	
Cash Funds	39,866	0	0	0	
Cash Funds Exempt	684,654	824,436	910,052	908,232	
Operating Expenses	<u>47,432</u>	<u>42,624</u>	<u>52,225</u>	<u>52,225</u>	
Cash Funds	2,576	0	0	0	
Cash Funds Exempt	44,856	42,624	52,225	52,225	
Utilization Review - Cash Funds Exempt	30,743	26,478	40,000	40,000	
Deferred Compensation Plans	<u>182,695</u>	<u>52,029</u>	<u>84,500</u>	<u>84,500</u>	
Cash Funds	0	0	0	0	
Cash Funds Exempt	182,695	52,029	84,500	84,500	
Deferred Compensation Administration (TPA) - Cash Funds Exempt	0	614,309	682,000	682,000	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	Change Request
	Actual	Actual	Appropriation	Request	
Defined Contribution Plans	<u>6,316</u>	<u>10,110</u>	<u>11,226</u>	<u>11,226</u>	
Cash Funds	90	0	0	0	
Cash Funds Exempt	6,226	10,110	11,226	11,226	
Indirect Cost Assessment	<u>141,154</u>	<u>101,576</u>	<u>119,766</u>	<u>98,315</u>	
Cash Funds	0	0	0	0	
Cash Funds Exempt	141,154	101,576	119,766	98,315	
					Request vs. Appropriation
(2) DIVISION OF HUMAN RESOURCES					
Subtotal - (B) Employee Benefits Services	1,132,860	1,671,562	1,899,769	1,876,498	-1.2%
FTE	<u>8.4</u>	<u>11.0</u>	<u>12.0</u>	<u>12.0</u>	<u>0.0</u>
Cash Funds	42,532	0	0	0	n/a
Cash Funds Exempt	1,090,328	1,671,562	1,899,769	1,876,498	-1.2%
(2) DIVISION OF HUMAN RESOURCES					
(C) Risk Management Services					
Personal Services - Cash Funds Exempt	491,728	568,438	579,219	607,800	
FTE	6.0	8.2	9.0	9.0	
Operating Expenses - Cash Funds Exempt	50,360	49,989	57,104	57,104	
Audit Expense - Cash Funds Exempt	9,206	0	0	63,120	
Legal Services - Cash Funds Exempt	2,167,842	2,459,639	2,159,152	2,159,152	
Hours	35,209	38,164	31,860	31,860	
Liability Premiums	<u>5,436,926</u>	<u>5,271,058</u>	<u>6,170,969</u>	<u>8,128,524</u>	
Cash Funds	636,652	357,275	418,272	550,956	
Cash Funds Exempt	4,800,274	4,913,783	5,752,697	7,577,568	
Property Premiums	<u>6,751,128</u>	<u>5,818,914</u>	<u>5,846,006</u>	<u>6,696,412</u>	
Cash Funds	336,827	446,206	448,283	513,494	
Cash Funds Exempt	6,414,301	5,372,708	5,397,723	6,182,918	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	Change Request
	Actual	Actual	Appropriation	Request	
Workers' Compensation Premiums	<u>27,478,224</u>	<u>26,517,136</u>	<u>30,075,696</u>	<u>30,339,334</u>	
Cash Funds	2,423,940	3,229,716	3,663,139	3,695,249	
Cash Funds Exempt	25,054,284	23,287,420	26,412,557	26,644,085	
Indirect Cost Assessment - Cash Funds Exempt	172,154	111,768	139,450	137,080	Request vs. Appropriation
(2) DIVISION OF HUMAN RESOURCES					
Subtotal - (C) Risk Management Services	42,557,568	40,796,942	45,027,596	48,188,526	7.0%
FTE	<u>6.0</u>	<u>8.2</u>	<u>9.0</u>	<u>9.0</u>	<u>0.0</u>
Cash Funds	3,397,419	4,033,197	4,529,694	4,759,699	5.1%
Cash Funds Exempt	39,160,149	36,763,745	40,497,902	43,428,827	7.2%
TOTAL - (2) DIVISION OF HUMAN RESOURCES					
FTE	<u>45.3</u>	<u>45.7</u>	<u>53.7</u>	<u>53.7</u>	<u>0.0</u>
Cash Funds	3,445,813	4,040,021	4,555,266	4,785,220	5.0%
Cash Funds Exempt	42,573,074	40,707,810	44,871,838	47,853,135	6.6%

(3) PERSONNEL BOARD

This division provides staff support for the five-member State Personnel Board authorized in Article XII, Sections 13 through 15, of the Colorado Constitution. The Board has the authority to adopt by rule a uniform grievance procedure to be used by all principal departments and agencies for classified employees in the state personnel system. The Board provides guidance in achieving and maintaining a sound, comprehensive, and uniform system of human resource management. The cash fund source is from revenue for copies of information and case documentation. The cash fund exempt source is from indirect cost recoveries and revenue from other state agencies for copies of information and case documentation.

Personal Services	384,739	400,948	427,810	438,672
FTE	<u>4.5</u>	<u>4.7</u>	<u>4.8</u>	<u>4.8</u>
General Fund	194,837	230,922	20,586	32,262
Cash Funds	554	680	1,198	1,196
Cash Funds Exempt	189,348	169,346	406,026	405,214
Operating Expenses	<u>27,573</u>	<u>29,032</u>	<u>29,033</u>	<u>29,033</u>
General Fund	27,573	29,032	0	0
Cash Funds Exempt	0	0	29,033	29,033

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request Request vs. Appropriation
TOTAL - (3) PERSONNEL BOARD	412,312	429,980	456,843	467,705	2.4%
FTE	<u>4.5</u>	<u>4.7</u>	<u>4.8</u>	<u>4.8</u>	<u>0.0</u>
General Fund	222,410	259,954	20,586	32,262	56.7%
Cash Funds	554	680	1,198	1,196	-0.2%
Cash Funds Exempt	189,348	169,346	435,059	434,247	-0.2%

(4) CENTRAL SERVICES

This division is responsible for reducing costs to other state agencies for commonly-used support services, such as mail services, collections, travel, printing, copying, and document reproduction and data entry. It administers the statewide Fleet Management Program that provides vehicles to and monitors the maintenance costs of other 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	625,080	618,692	680,479	697,588	
FTE	9.3	8.5	10.0	10.0	
Operating Expenses	61,090	77,410	77,427	77,427	
Indirect Cost Assessment	1,800,334	120,130	118,539	84,219	Request vs. Appropriation

(4) CENTRAL SERVICES

Subtotal - (A) Administration	2,486,504	816,232	876,445	859,234	-2.0%
FTE	<u>9.3</u>	<u>8.5</u>	<u>10.0</u>	<u>10.0</u>	<u>0.0</u>
Cash Funds	26,445	42,773	42,782	42,782	0.0%
Cash Funds Exempt	2,460,059	773,459	833,663	816,452	-2.1%

(4) CENTRAL SERVICES

(B) Integrated Document Factory

(1) Reprographic Services

Personal Services	1,078,725	1,129,722	1,164,275	1,183,506	
FTE	22.4	22.8	24.6	24.6	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
Operating Expenses	2,026,875	2,202,283	2,304,752	2,404,752	DI #2: Realignment of IDF Resources
Indirect Cost Assessment	0	183,917	237,079	232,704	Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (B) Integrated Document Factory (1) Reprographics Service:	3,105,600	3,515,922	3,706,106	3,820,962	3.1%
FTE	<u>22.4</u>	<u>22.8</u>	<u>24.6</u>	<u>24.6</u>	<u>0.0</u>
Cash Funds	297,551	292,101	305,456	305,456	0.0%
Cash Funds Exempt	2,808,049	3,223,821	3,400,650	3,515,506	3.4%
(2) Document Solutions Group ^{a/}					
Personal Services	2,839,837	2,376,810	2,433,690	2,637,109	DI #2: Realignment of IDF Resources
FTE	45.9	46.7	46.7	60.0	Non-prioritized DI #1: Data Entry Costs
Operating Expenses	355,749	319,750	319,846	404,846	DI #2: Realignment of IDF Resources
Utilities	12,969	19,936	31,745	58,800	DI #2: Realignment of IDF Resources
Indirect Cost Assessment	471,582	158,898	197,566	169,477	Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (B) Integrated Document Factory (2) Document Solutions Group	3,680,137	2,875,394	2,982,847	3,270,232	9.6%
FTE	<u>45.9</u>	<u>46.7</u>	<u>46.7</u>	<u>60.0</u>	<u>13.3</u>
Cash Funds	35,917	35,906	35,917	35,917	0.0%
Cash Funds Exempt	3,644,220	2,839,488	2,946,930	3,234,315	9.8%
(3) Mail Services					
Personal Services	1,085,593	1,127,079	1,127,967	1,235,381	DI #2: Realignment of IDF Resources
FTE	28.0	28.5	31.0	36.0	
Operating Expenses	5,371,433	6,026,247	7,329,529	6,788,394	DI #2: Realignment of IDF Resources
Indirect Cost Assessment	0	315,413	355,618	276,199	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (B) Integrated Document Factory (3) Mail Services	6,457,026	7,468,739	8,813,114	8,299,974	-5.8%
FTE	<u>28.0</u>	<u>28.5</u>	<u>31.0</u>	<u>36.0</u>	<u>5.0</u>
Cash Funds	697,515	579,156	697,515	697,515	0.0%
Cash Funds Exempt	5,759,511	6,889,583	8,115,599	7,602,459	-6.3%
Request vs. Appropriation					
(4) CENTRAL SERVICES					
Subtotal - (B) Integrated Document Factory	13,242,763	13,860,055	15,502,067	15,391,168	-0.7%
FTE	<u>96.3</u>	<u>98.0</u>	<u>102.3</u>	<u>120.6</u>	<u>18.3</u>
Cash Funds	1,030,983	907,163	1,038,888	1,038,888	0.0%
Cash Funds Exempt	12,211,780	12,952,892	14,463,179	14,352,280	-0.8%
a/ Prior to FY 2003-04, the Document Solutions Group was named the Imaging and Microfilm Unit. A department reorganization moved the Pueblo Data Entry Center from the Division of Information Technology to Central Services and combined it with the Imaging and Microfilm Unit.					
(4) CENTRAL SERVICES					
(C) Fleet Management and Motor Pool Services					
Personal Services	739,054	761,898	777,714	801,973	
FTE	14.4	15.0	16.0	16.0	
Operating Expenses	14,858,755	16,792,626	17,405,339	17,405,339	
Vehicle Replacement Lease, Purchase or Lease/Purchase	12,617,351	11,504,611	13,650,327	14,775,559	Statewide DI #2: Fleet Vehicle Replacements
Indirect Cost Assessment	0	610,215	632,210	430,448	
Request vs. Appropriation					
(4) CENTRAL SERVICES					
Subtotal - (C) Fleet Management and Motor Pool Services	28,215,160	29,669,350	32,465,590	33,413,319	2.9%
FTE	<u>14.4</u>	<u>15.0</u>	<u>16.0</u>	<u>16.0</u>	<u>0.0</u>
Cash Funds	1,625,888	1,691,364	1,847,561	1,948,015	5.4%
Cash Funds Exempt	26,589,272	27,977,986	30,618,029	31,465,304	2.8%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
(4) CENTRAL SERVICES					
(D) Facilities Maintenance					
(1) Capitol Complex Facilities					
Personal Services	2,421,020	2,496,457	2,562,661	2,609,461	
FTE	50.5	52.3	53.2	53.2	
Operating Expenses	1,614,357	1,637,396	1,637,466	1,637,466	
Capitol Complex Repairs	56,520	56,520	56,520	56,520	
Capitol Complex Security	433,036	260,379	260,379	273,138	
Utilities	3,060,325	3,199,683	3,742,802	3,742,802	
Indirect Cost Assessment	0	311,204	434,644	377,456	
					Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (D) Facilities Maintenance (1) Capitol Complex Facilities - Cash					
Funds Exempt	7,585,258	7,961,639	8,694,472	8,696,843	0.0%
FTE	50.5	52.3	53.2	53.2	0.0
(2) Grand Junction State Services Building					
Personal Services	41,601	41,942	44,697	45,473	
FTE	1.0	1.0	1.0	1.0	
Operating Expenses	74,338	75,692	76,873	76,873	
Utilities	68,177	85,758	87,554	87,554	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request Request vs. Appropriation
(4) CENTRAL SERVICES					
Subtotal - (D) Facilities Maintenance (2) Grand Junction State Services					
Building	184,116	203,392	209,124	209,900	0.4%
FTE	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
Cash Funds	5,130	5,051	5,130	5,130	0.0%
Cash Funds Exempt	178,986	198,341	203,994	204,770	0.4%
(3) Camp George West					
Personal Services	57,836	59,733	61,572	64,759	
FTE	1.0	1.0	1.0	1.0	
Operating Expenses	121,279	163,978	166,281	122,102	
Utilities	361,322	409,079	434,350	434,350	
(4) CENTRAL SERVICES					
Subtotal - (D) Facilities Maintenance (3) Camp George West					
FTE	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
Cash Funds	0	46,843	48,950	48,950	0.0%
Cash Funds Exempt	540,437	585,947	613,253	572,261	-6.7%
(4) CENTRAL SERVICES					
Subtotal - (D) Facilities Maintenance					
FTE	<u>52.5</u>	<u>54.3</u>	<u>55.2</u>	<u>55.2</u>	<u>0.0</u>
Cash Funds	5,130	51,894	54,080	54,080	0.0%
Cash Funds Exempt	8,304,681	8,745,927	9,511,719	9,473,874	-0.4%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request Request vs. Appropriation
TOTAL - (4) CENTRAL SERVICES	52,254,238	53,143,458	58,409,901	59,191,675	1.3%
FTE	<u>172.5</u>	<u>175.8</u>	<u>183.5</u>	<u>201.8</u>	<u>18.3</u>
Cash Funds	2,688,446	2,693,194	2,983,311	3,083,765	3.4%
Cash Funds Exempt	49,565,792	50,450,264	55,426,590	56,107,910	1.2%

(5) FINANCE AND PROCUREMENT

This division manages the financial affairs of all departments through the State Controller's Office. This includes statewide financial reporting, policy and procedural guidance, contract management, and the development of a statewide indirect cost allocation plan. The cash fund source is the Supplier Database Cash Fund pursuant to Section 24-102-202.5, C.R.S. The cash fund exempt source is from statewide indirect cost recoveries from the Department of Transportation, the Department of State, and the Department of Labor and Employment. The division also receives cash exempt funds from rebates associated with the Procurement Card Program.

(A) State Controller's Office and Procurement Services

Personal Services	2,703,092	2,685,433	2,916,278	2,970,131	
FTE	<u>33.9</u>	<u>34.2</u>	<u>35.5</u>	<u>35.5</u>	
General Fund	397,448	736,943	70,650	130,194	
Cash Funds	0	0	409,082	408,264	
Cash Funds Exempt	2,305,644	1,948,490	2,436,546	2,431,673	
Operating Expenses	<u>125,335</u>	<u>137,351</u>	<u>142,176</u>	<u>142,176</u>	
General Fund	0	137,351	0	0	
Cash Funds	0	0	142,176	142,176	
Cash Funds Exempt	125,335	0	0	0	
					Request vs. Appropriation

(5) FINANCE AND PROCUREMENT					
Subtotal - (A) State Controller's Office and Procurement Services:	2,828,427	2,822,784	3,058,454	3,112,307	1.8%
FTE	<u>33.9</u>	<u>34.2</u>	<u>35.5</u>	<u>35.5</u>	<u>0.0</u>
General Fund	397,448	874,294	70,650	130,194	84.3%
Cash Funds	0	0	551,258	550,440	-0.1%
Cash Funds Exempt	2,430,979	1,948,490	2,436,546	2,431,673	-0.2%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
(5) FINANCE AND PROCUREMENT					
(B) Supplier Database					
Personal Services - Cash Funds	164,123	168,863	178,716	182,886	
FTE	2.9	2.5	3.0	3.0	
Operating Expenses - Cash Funds	48,407	43,239	43,382	43,382	Request vs. Appropriation
(5) FINANCE AND PROCUREMENT					
Subtotal - (B) Supplier Database - Cash Funds	212,530	212,102	222,098	226,268	1.9%
FTE	2.9	2.5	3.0	3.0	0.0
(5) FINANCE AND PROCUREMENT					
(C) Collections Services					
Personal Services	732,858	751,960	771,949	877,150	DI #4: Additional Collectors Staff
FTE	15.1	15.4	17.0	20.0	
Operating Expenses	347,585	329,557	347,585	358,100	DI #4: Additional Collectors Staff
Collection of Debts Due to the State	16,341	20,702	20,702	20,702	
Private Collection Agency Fees	0	869,469	875,000	1,200,000	DI #6: Private Collection Entity and Legal Costs
Indirect Cost Assessment	0	165,820	172,089	208,569	Request vs. Appropriation
(5) FINANCE AND PROCUREMENT					
Subtotal - (C) Collections Services	1,096,784	2,137,508	2,187,325	2,664,521	21.8%
FTE	<u>15.1</u>	<u>15.4</u>	<u>17.0</u>	<u>20.0</u>	<u>3.0</u>
Cash Funds	670,900	1,125,539	1,126,017	1,323,490	17.5%
Cash Funds Exempt	425,884	1,011,969	1,061,308	1,341,031	26.4%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
(5) FINANCE AND PROCUREMENT					
(D) Real Estate Services Program					
Coordination of Capital Construction, Controlled Maintenance Requests, and Building Lease Review					
FTE	479,925	492,913	505,504	515,851	
	<u>5.9</u>	<u>5.8</u>	<u>6.0</u>	<u>6.0</u>	
General Fund	479,925	492,913	248,748	259,477	
Cash Funds	0	0	134,673	134,404	
Cash Funds Exempt	0	0	122,083	121,970	
					Request vs. Appropriation
(5) FINANCE AND PROCUREMENT					
Subtotal - (D) Real Estate Services Program	479,925	492,913	505,504	515,851	<u>2.0%</u>
FTE	<u>5.9</u>	<u>5.8</u>	<u>6.0</u>	<u>6.0</u>	0.0
General Fund	479,925	492,913	248,748	259,477	4.3%
Cash Funds	0	0	134,673	134,404	-0.2%
Cash Funds Exempt	0	0	122,083	121,970	-0.1%
					Request vs. Appropriation
TOTAL - (5) FINANCE AND PROCUREMENT					
FTE	4,617,666	5,665,307	5,973,381	6,518,947	9.1%
	<u>57.8</u>	<u>57.9</u>	<u>61.5</u>	<u>64.5</u>	<u>3.0</u>
General Fund	877,373	1,367,207	319,398	389,671	22.0%
Cash Funds	883,430	1,337,641	2,034,046	2,234,602	9.9%
Cash Funds Exempt	2,856,863	2,960,459	3,619,937	3,894,674	7.6%
(6) DIVISION OF INFORMATION TECHNOLOGY					
(A) Administration					
Personal Services	358,066	377,995	390,675	401,690	
FTE	6.0	5.9	6.0	6.0	
Operating Expenses	6,396	6,270	6,450	6,450	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request Request vs. Appropriation
(6) DIVISION OF INFORMATION TECHNOLOGY					
Subtotal - (A) Administration - Cash Fund Exempt	364,462	384,265	397,125	408,140	2.8%
FTE	6.0	5.9	6.0	6.0	0.0
(6) DIVISION OF INFORMATION TECHNOLOGY					
(B) Customer Services					
Personal Services	827,581	848,472	872,264	890,909	
FTE	11.8	11.0	12.0	12.0	
Operating Expenses	13,430	11,108	14,625	14,625	Request vs. Appropriation
(6) DIVISION OF INFORMATION TECHNOLOGY					
Subtotal - (B) Customer Services - Cash Fund Exempt	841,011	859,580	886,889	905,534	2.1%
FTE	11.8	11.0	12.0	12.0	0.0
(6) DIVISION OF INFORMATION TECHNOLOGY					
(C) Order Billing					
Personal Services	483,047	597,105	630,972	642,957	
FTE	8.1	9.7	10.0	10.0	
Operating Expenses	1,762	8,459	10,750	10,750	Request vs. Appropriation
(6) DIVISION OF INFORMATION TECHNOLOGY					
Subtotal - (C) Order Billing - Cash Fund Exempt	484,809	605,564	641,722	653,707	1.9%
FTE	8.1	9.7	10.0	10.0	0.0

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
(6) DIVISION OF INFORMATION TECHNOLOGY					
(D) Communications Services					
Personal Services	2,974,942	3,279,699	3,412,978	3,472,268	
FTE	37.7	40.5	46.0	46.0	
Operating Expenses	126,268	134,203	134,631	134,631	
Training	21,922	22,000	22,000	22,000	
Utilities	140,704	163,883	165,002	165,002	
Snocat Purchase - Phase II	0	243,787	230,520	230,520	
Local Systems Development	124,817	136,408	121,000	121,000	
Indirect Cost Assessment	363,451	300,166	342,402	433,320	
		4,280,146			Request vs. Appropriation
(6) DIVISION OF INFORMATION TECHNOLOGY					
Subtotal - (D) Communications Services					
	3,752,104	4,280,146	4,428,533	4,578,741	3.4%
FTE	<u>37.7</u>	<u>40.5</u>	<u>46.0</u>	<u>46.0</u>	<u>0.0</u>
General Fund	369,361	0	0	0	n/a
Cash Funds	287,859	442,622	449,248	448,350	-0.2%
Cash Funds Exempt	2,970,067	3,701,116	3,858,285	4,009,391	3.9%
Federal Funds	124,817	136,408	121,000	121,000	0.0%
(6) DIVISION OF INFORMATION TECHNOLOGY					
(E) Network Services					
Personal Services	1,361,112	1,399,745	1,437,446	1,472,585	
FTE	17.5	16.5	17.0	17.0	
Operating Expenses	14,852,646	13,699,799	15,657,556	17,264,710	Statewide DI #1: MNT Adjustments
Toll-free Telephone Access to Members of the General Assembly	25,000	25,000	25,000	25,000	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
Indirect Cost Assessment	0	444,707	0	46,410	Request vs. Appropriation
(6) DIVISION OF INFORMATION TECHNOLOGY					
Subtotal - (E) Network Services	16,238,758	15,569,251	17,120,002	18,808,705	9.9%
FTE	<u>17.5</u>	<u>16.5</u>	<u>17.0</u>	<u>17.0</u>	<u>0.0</u>
Cash Funds	1,289,670	1,618,933	1,849,939	1,892,146	2.3%
Cash Funds Exempt	14,949,088	13,950,318	15,270,063	16,916,559	10.8%
(6) DIVISION OF INFORMATION TECHNOLOGY					
(F) Computer Services					
Personal Services	2,440,174	2,531,420	2,600,164	4,250,324	DI #1: DoIT Security Staff
FTE	<u>37.0</u>	<u>37.6</u>	<u>40.8</u>	<u>53.8</u>	
General Fund	0	0	0	1,087,331	Statewide DI #NP 1: E-mail Consolidation
Cash Funds Exempt	2,440,174	2,531,420	2,600,164	3,162,993	
Operating Expenses	<u>6,386,902</u>	<u>6,016,908</u>	<u>6,181,350</u>	<u>8,099,599</u>	DI #1: DoIT Security Staff
General Fund	0	0	0	1,890,209	Statewide DI #NP 1: E-mail Consolidation
Cash Funds Exempt	6,386,902	6,016,908	6,181,350	6,209,390	
Rental, Lease, or Lease/Purchase of Central Processing Unit	336,034	336,034	336,034	336,034	
Indirect Cost Assessment	701,326	595,768	467,949	566,864	Request vs. Appropriation
(6) DIVISION OF INFORMATION TECHNOLOGY					
Subtotal - (F) Computer Services	9,864,436	9,480,130	9,585,497	13,252,821	38.3%
FTE	<u>37.0</u>	<u>37.6</u>	<u>40.8</u>	<u>53.8</u>	<u>13.0</u>
General Fund	0	0	0	2,977,540	n/a
Cash Funds	22,198	127,766	127,742	127,487	-0.2%
Cash Funds Exempt	9,842,238	9,352,364	9,457,755	10,147,794	7.3%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request
(6) DIVISION OF INFORMATION TECHNOLOGY					
(G) - Information and Archival Services					
Personal Services	443,624	462,321	474,800	487,151	
FTE	8.0	8.1	9.0	9.0	
Operating Expenses	48,064	56,723	56,794	256,794	DI #3: Preservation of Archival Records Request vs. Appropriation
(6) DIVISION OF INFORMATION TECHNOLOGY					
Subtotal - (G) Information and Archival Services					
	491,688	519,044	531,594	743,945	39.9%
FTE	<u>8.0</u>	<u>8.1</u>	<u>9.0</u>	<u>9.0</u>	<u>0.0</u>
General Fund	388,277	425,281	408,256	620,853	52.1%
Cash Funds	89,024	80,594	79,064	78,906	-0.2%
Cash Funds Exempt	14,387	13,169	44,274	44,186	-0.2%
(6) DIVISION OF INFORMATION TECHNOLOGY					
(H) - Technology Management Unit					
Personal Services	2,557,211	2,673,549	2,840,235	2,819,222	
FTE	<u>33.9</u>	<u>34.1</u>	<u>34.5</u>	<u>34.5</u>	
General Fund	2,557,211	2,673,549	2,840,235 a/	2,819,222	
Operating Expenses - General Fund	293,391	292,906	295,871	295,871	Request vs. Appropriation
(6) DIVISION OF INFORMATION TECHNOLOGY					
Subtotal - (H) Technology Management Unit					
	2,850,602	2,966,455	3,136,106	3,115,093	-0.7%
FTE	<u>33.9</u>	<u>34.1</u>	<u>34.5</u>	<u>34.5</u>	0.0
Subtotal - General Fund	2,850,602	2,966,455	3,136,106	3,115,093	-0.7%

a/ Includes a one-time appropriation of \$93,750 for the implementation of HB 06S-1015.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Request Request vs. Appropriation
TOTAL - (6) DIVISION OF INFORMATION TECHNOLOGY	34,887,870	34,664,435	36,727,468	42,466,686	15.6%
FTE	<u>160.0</u>	<u>163.4</u>	<u>175.3</u>	<u>188.3</u>	<u>13.0</u>
General Fund	3,608,240	3,391,736	3,544,362	6,713,486	89.4%
Cash Funds	1,688,751	2,269,915	2,505,993	2,546,889	1.6%
Cash Funds Exempt	29,466,062	28,866,376	30,556,113	33,085,311	8.3%
Federal Funds	124,817	136,408	121,000	121,000	0.0%

(7) ADMINISTRATIVE COURTS

This division provides an independent administrative law adjudication system for state agencies in order to resolve cases that deal with worker's compensation, human services, and regulatory law. The Division offers a full range of alternative dispute resolution options, including evidentiary hearings, settlement conferences, and mediation. The source of exempt cash funds is user fees from state agencies.

Personal Services	2,781,970	2,871,379	2,945,676	3,017,278	
FTE	<u>35.4</u>	<u>35.6</u>	<u>39.0</u>	<u>39.0</u>	
Cash Funds	0	28,745	28,689	28,632	
Cash Funds Exempt	2,781,970	2,842,634	2,916,987	2,988,646	
Operating Expenses - Cash Funds Exempt	251,664	144,860	137,042	151,367	DI #5: Legal Files Maintenance and Support
Indirect Cost Assessment - Cash Funds Exempt	240,866	235,049	290,513	215,330	Request vs. Appropriation
TOTAL - (7) ADMINISTRATIVE HEARINGS	3,274,500	3,251,288	3,373,231	3,383,975	0.3%
FTE	<u>35.4</u>	<u>35.6</u>	<u>39.0</u>	<u>39.0</u>	<u>0.0</u>
Cash Funds	0	28,745	28,689	28,632	-0.2%
Cash Funds Exempt	3,274,500	3,222,543	3,344,542	3,355,343	0.3%

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Request
TOTAL - DEPARTMENT OF PERSONNEL AND ADMINISTRATION	149,878,875	150,331,437	164,122,867	177,537,093	8.2%
FTE	<u>501.4</u>	<u>504.4</u>	<u>541.3</u>	<u>575.6</u>	<u>34.3</u>
General Fund	7,759,002	8,148,578	7,368,126	11,966,215	62.4%
Cash Funds	8,783,466	10,391,867	12,153,774	12,722,670	4.7%
Cash Funds Exempt	133,211,590	131,654,584	144,479,967	152,727,208	5.7%
Federal Funds	124,817	136,408	121,000	121,000	0.0%

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF PERSONNEL AND ADMINISTRATION**

FOOTNOTE UPDATE

- 2 All Departments, Totals** -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly. Until such time as the Secretary of State publishes the code of Colorado regulations and the Colorado register in electronic form pursuant to section 24-4-103 (11) (b), C.R.S., each principal department of the state is requested to produce its rules in an electronic format that is suitable for public access through electronic means. Such rules in such format should be submitted to the Office of Legislative Legal Services for publishing on the Internet. Alternatively, the Office of Legislative Legal Services may provide links on its internet web site to such rules. It is the intent of the General Assembly that this be done within existing resources.

Comment: The Department's rules and regulations are published on the internet at the following address: <http://www.colorado.gov/dpa/spb/rulesnew.pdf>.

- 3 All Departments, Totals** -- Every Department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2006-07. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comment: The Governor vetoed this footnote on the grounds that it violated the separation of powers. The Governor also indicated that the footnote was an unfunded mandate requiring a significant devotion of resources. The department identified \$121,000 federal funds in its FY 2007-08 budget request. This amount represents continuation appropriation from FY 2006-07. However, actual expenditures in FY 2004-05 and FY 2005-06 were \$124,817 and \$136,408, respectively.

- 14 Governor - Lieutenant Governor - State Planning and Budgeting, Office of State Planning and Budgeting; and Department of Personnel and Administration, Division of Human Resources, 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 state departments with the information necessary to comply with this statute. The Office of State Planning and Budgeting and the Department of Personnel and Administration 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 of Personnel and Administration and the Office of State Planning and Budgeting are requested to submit a consolidated statewide personnel report to the General Assembly by September 1, 2006. 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 2005-06.

Comment: *The Governor vetoed this footnote this year and last year on the grounds that it constitutes an unfunded mandate, stating that the information requested would require a significant investment in computer and human resources. However, the Governor stated that representatives from the Governor's Office and the Department of Personnel and Administration would provide the information requested to the extent feasible given current resources.*

The Department of Personnel and Administration and the Office of State Planning and Budgeting (OSPB) did not submit a FTE report in time for staff to include it in the briefing packet. Staff will work with the Department and OSPB to obtain this report.

100a Department of Personnel and Administration, Central Services, Fleet Management and Motor Pool Services, Vehicle Replacement Lease, Purchase or Lease/Purchase -- It is the intent of the General Assembly that the Department make every effort possible to purchase or lease/purchase flex fuel or hybrid vehicles, whenever possible.

Comment: *The Governor vetoed this footnote on the grounds that it violated the separation of powers and that it interfered with the ability of the executive branch to administer the appropriation. However, the Governor stated that he will direct the Department to comply to the extent feasible within cost and usage constraints.*

The Department provided staff with an analysis illustrating the amount of years it would take to pay back the premium of a hybrid vehicle as compared to a regular vehicle.

Vehicle Type	Miles/ Gallon (a)	Miles/ Year (b)	Gallons Used (c)	Gallons Saved (d)	Cost/ Gallon (e)	Annual Savings (f)	Hybrid Premium (g)	Payback Years (h)
			b/a			d*e		g/f
Jeep Liberty	18	14,250	792		\$2.2			
Ford Escape Hybrid	28	14,250	509	283	\$2.2	622	\$9,167	14.7

101 Department of Personnel and Administration, Central Services, Facilities Maintenance, Capitol Complex Facilities, Utilities; Grand Junction State Services Building, Utilities; Camp George West, Utilities; Finance and Procurement, Real Estate Services Program, Coordination of Capital Construction, Controlled Maintenance Requests, and Building Lease Review -- The Department of Personnel is requested to coordinate a statewide review and summary of utility costs contained in the budget. This review should include, but not necessarily be limited to, information on the steps taken in FY 2005-06 and FY 2006-07 to address efficiencies in utility programs, areas where the state can save money on utility expenditures through efficiencies, where available, and a report on all utility cost savings contracts negotiated through the statutory authority granted in section 24-30-2003, C.R.S. This report should contain information on contracts entered into since FY 2004-05, by department, the scope of the contract, including length and work performed, and the cost savings that will be achieved as a result. The General Assembly requests this information be submitted on November 1, 2006.

Comment: The Governor vetoed this footnote on the grounds that it violates Article III and possibly Article V, Section 32, of the Colorado Constitution by attempting to administer the appropriation. However, the Governor will direct the Department to provide the information requested to the extent feasible.

Last year in response to the same footnote, the Department provided staff with the Division of Finance and Procurement State Building and Real Estate Programs Annual Report. The Department pointed staff to Section IV of the report which provides detail on statewide energy conservation projects and energy cost savings contracts that various state agencies have signed. The report contains a table that identifies contracts by agency, and includes milestones. As this is an annual report, the Department has stated that they will be able to provide this report in response to the footnote request.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF PERSONNEL AND ADMINISTRATION**

ISSUE:

Department of Personnel and Administration Performance Measures

DISCUSSION:

Department Mission

Mission Statement:

"The Department of Personnel and Administration is the State agency that is tasked with providing the essential business infrastructure necessary for the efficient and effective operation of all State government agencies and programs. Our constant focus is on achieving this mission by maintaining and delivering the highest levels of service and providing the best value possible to each of our customers, while adhering diligently to stringent professional, ethical and service delivery standards."

Goals and Performance Measures

The Department's strategic plan is 29 pages long and is comprised of eight main goals. However, the actual objectives and performance measures are located in the Department's Program Crosswalk for its seven divisions. The Program Crosswalk is 174 pages long. In order to really get an understanding of the Department, one needs to read through the Crosswalk.

The following are examples of key goals and performance measures included in the Department's FY 2007-08 budget request.

Division of Human Resources. Objective #7.8

Develop a marketing initiative to educate the public on the variety of services provided by State government employees.

7.8.1 Progressively publicize state government through initiatives such as the "Day In the Life of State Employment" multimedia project that can also be used on the State web site, by various state agencies, public access television, and other media as a communication platform for recruiting efforts.

Division of Central Services. Objective.

To conduct an annual survey to evaluate customer satisfaction with DCS in the "Three Cs" -- Customers, Credibility and Communication.

Measure: Percentage of respondents who are satisfied with DCS's "Three Cs" Performance.

Staff Analysis

Joint Budget Committee staff reviewed the Department's performance measures submitted in the budget. Staff assessed these performance measures using the following common checklist:

1. Do the goals and performance measures correspond to the program's directives provided in statute?
2. Are the performance measures meaningful to stakeholders, policymakers, and managers?
3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?
4. Do the performance measures cover all key areas of the budget?
5. Are the data collected for the performance measures valid, accurate, and reliable?
6. Are the performance measures linked to the proposed budget base?
7. Is there a change or consequence if the Department's performance targets are not met?

As a whole, the Department's goals and objectives are appropriate and cover the Department's major areas of responsibility. However, the current structure of the Department's budget request integrates information about recent accomplishments with performance measure data. This makes it difficult to clearly identify the measurable outcomes the Department is striving to achieve.

Many of the Department's existing measures relate primarily to program inputs or outcomes, not all measure efficiency or ultimate impact on performance. In addition, many of the measures do not allow for data to be tracked over several years as they are a one time event. For example, "By 7/30/08 complete the next audit cycle of core HR functions."

The Department's goals and performance measures are consistent with the Department's responsibilities. The Department's statutory authority is delineated in Title 24 of Colorado Revised Statutes and Section 13 of the Colorado State Constitution.

Staff believes that there are enough and varied measures throughout the Department's crosswalk to cover all key areas of the budget. Staff has no reason to doubt the validity of data provided in the strategic plan.

Staff believes that because the Department's mission is to provide services to other state agencies, the Department should be focusing its efforts on customer surveys and tying performance to customer satisfaction and customer driven outcomes.

One significant drawback to the Department's strategic plan and crosswalk is that they are not linked to the proposed budget base. It does not become clear from reading the strategic plan what funding streams are devoted to what program, what are the shortages, where the biggest need for funds is, or how an increase or decrease in funding would impact performance.

It is the responsibility of the Executive Office to coordinate department-wide general governance, financial accountability, budgeting, contracting and reporting. As the entity charged with overall policy and decision making for the Department, it is the Executive Office that will address general department issues, such as not meeting a performance target.

Questions for Department

Staff recommends that the Committee discuss the following questions with the Department during the FY 2007-08 budget hearing:

1. How do your performance measures influence department activities and budgeting?
2. To what extent do the performance outcomes reflect appropriation levels?
3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?
4. As a department director, how do you judge your department's performance? What key measures and targets do you use?

**FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF PERSONNEL AND ADMINISTRATION
Division of Human Resources - Statewide Issue
Total Compensation and S.B. 06-235**

ISSUE:

The 2006 Total Compensation Report, dated August 1, 2006, contains recommendations for salary survey, performance-based pay, and state contributions for health, life, and dental (HLD). The Report states that to provide a market comparable salary package for 31,264 positions in the state personnel system, total salary increases are projected to be 5.7% or approximately \$101 million. The report further states that in order to compete with market employers' contributions to group benefits (health, life and dental), an estimated additional \$35 million for about 25,000 employees enrolled in the State's plans would be required.

SUMMARY:

- Since the switch to a performance-based pay system on July 1, 2002, the State has funded the system only twice with a total of 1.8 percent.
- The Governor's November 1 budget submission includes requests for salary survey at 3.5 percent, performance pay at 0.94 percent, and an increased contribution for HLD plans to 85 percent of market contributions to such plans.
- The Department of Personnel and Administration is proposing a new model for implementing performance pay called "Achievement Pay and Bonus Plan."
- The passage of S.B. 06-235 will reduce the salary increases of employees.

RECOMMENDATION:

Staff recommends that the Committee discuss the following issues at the Department's hearing:

1. Discuss the December 14 updated data to the Total Compensation Report and the implications to employee benefits.
2. Discuss the increased request for performance pay awards. Since the Department knows that historically 2.2 percent of payroll was used to fund employees moving through the salary ranges, why did the Department initially request 0.94 percent for performance awards on August 1, but then increased the request for performance awards on December 14 to 1.6 percent? What information changed to deem the new request for performance pay?
3. Does the Department foresee any complications with the implementation of S.B. 06-235

SAED in out years? Please explain how the Department foresees the implementation of SAED in out years? Does the Department anticipate any compounding complications with the calculation of the salary increase amount to be used for SAED?

4. Did the Personnel Director take into consideration the effects of SAED on salary increases when recommending a higher overall salary increase request?
5. How will non-base building awards granted in FY 2007-08 be budgeted in subsequent years? Will the Departments return these awards as "savings" to the General Assembly in subsequent years? Will the Departments be authorized to move this money (like a centrally appropriated pot) to fund awards in other line items? Will the Departments be required to keep this spending authority in the same line item for subsequent years?

BACKGROUND:

In 1981, an Executive Committee on Personnel Management in State Government issued a report to the Governor that proposed the State implement a performance-based compensation system. Since 1996, the General Assembly has enacted the following legislation designed to reform the state personnel system.

House Bill 96-1262 (Pfiffner/Johnson). This legislation directed the State Personnel Director to develop and implement a performance-based compensation system that would affect 33,000 state employees, ending the existing anniversary step system. This new compensation system (dubbed "Colorado Peak Performance") was to be phased in over a three-year period beginning on July 1, 1998.

House Bill 98-1312 (Pfiffner/Blickensderfer). This bill restructured provisions concerning state employee evaluation and compensation. It also added specific reporting requirements for performance-based awards.

Senate Bill 99-223 (Wham/Kaufman). This bill authorized the State Personnel Director to allow each state agency to establish a plan to implement performance-based pay. It also authorized the State Personnel Board to adopt more than one grievance procedure for employees in the personnel system.

JBC Requested Delay. In December 1998, the Committee requested that CPP be delayed by one year in order to give the Owens Administration time to review and make modifications, if necessary, to the implementation plan developed by the Romer Administration.

Senate Bill 00-211 (Tool/Owen). This bill repealed the existing performance-based pay plan for employees in the state personnel system and replaced it with a new plan to be developed by the State Personnel Director, based on a system of performance evaluation, that provided the following:

- Periodic salary increases based on demonstrated ability for satisfactory performance and quality of performance;
- The withholding of periodic salary increases based on performance that is less than satisfactory; and
- The payment of an incentive award to employees in the state personnel system in recognition of above standard or outstanding performance.

The bill also required the Department of Personnel to prepare and submit to the Joint Budget Committee a performance plan by September 1, 2000, that meets the following requirements:

- Is simple and understandable;
- Is cost neutral in comparison to the anniversary-based plan in existence for FY 2000-01, as modified each fiscal year thereafter by personal services appropriations;
- Is developed with input from employees in the state personnel system, managers, and other affected parties;
- Emphasizes planning, management, and evaluation of employee performance;
- Includes uniform and consistent guidelines for all state agencies; and
- Requires the Department to implement and coordinate the plan in accordance with guidelines developed by the Department and subject to available appropriations.

Senate Bill 02-50 (Gordon/Decker). This bill creates a class 3 felony in Section 18-18-412.5, C.R.S., for the possession of ephedrine, pseudoephedrine, or phenylpropanolamine or their salts, isomers, or salts of isomers with the intent to use the product as a precursor to any controlled substance. This bill was funded by decreasing the General Fund appropriation for performance-based pay for FY 2002-03. This was the first year that performance-based pay was funded.

House Bill 02-1038 (Tapia/Arnold). This bill expands the crime of unlawful distribution, manufacturing, dispensing, sale, or possession of a controlled substance to include possession of one or more chemicals or supplies or equipment with the intent to manufacture a controlled substance. This bill was funded by decreasing the General Fund appropriation for performance-based pay for FY 2002-03. This was the first year that performance-based pay was funded.

House Bill 03-1316 (Spradley/Arnold). This bill contained changes in the manner in which salary survey, performance-based pay, and health, life and dental are viewed by the Total Compensation Report. Below is a summary of major changes in this bill:

- Alters Section 24-50-609, C.R.S., so that state contributions to group benefits plans (HLD) and any recommended increases are no longer defined in statute, rather, contribution amounts are recommended by the state personnel director;
- Includes performance awards in the Total Compensation Report. Prior to its passage, the state personnel director was directed to develop a performance plan which was cost neutral to the anniversary system in place for FY 2000-01;

- Includes salary survey in the total compensation definition; and,
- Indicates that the recommendations for total compensation shall reflect among other things, fiscal constraints, the ability to retain and recruit employees, and appropriate adjustments with respect to state employee compensation.

Salary Increase Methodology Timeline.

- **Historical Until July 1, 1998.**

Survey Adjustment by Pay Relationship.

- 10 survey adjustments by occupational group replaced hundreds of annual adjustments in 1988.
- Pay structure - one pay plan with uniform ranges (35% wide with 7 steps). Changes in increments of 2.5 percent (rounded).
- Actual pay of employees adjusted to the same step in the new pay grade for the class.

7-Step System for Movement Within Pay Ranges.

- 5 percent annual increase on anniversary of date of hire until reaching Step 6.
- At Step 6 employee waits for 5 years before moving to Step 7.
- Average annual budget for steps equals 2.2 percent of payroll.

- **Beginning on July 2, 1998.**

Survey Adjustment Performed by Occupational Group.

- 10 pay plans with market-based pay range widths for the occupational groups.
- Pay structure - measure average movement of salary range mid-points in the market and apply the percentage to state midpoints - no longer reassigning classes to new grades or rounding in 2.5 percent increments.
- Actual pay adjusted by the percentage for the occupational group.

Switch Steps to Anniversary System for Movement Through Pay Ranges.

- 5 percent annual increase on anniversary date of hire - same as before, except can be any amount in a range, not limited to one of 7 rates in a range.
- No steps - maintained waiting period with the 5-year rate - spend 5 years in "zone" between the rate and range maximum before move to range maximum.
- Still average funding is 2.2 percent of payroll.

- **FY 2002-03 to Present.**

Survey adjustment by occupational group continues as above.

Switch to performance-based pay for movement through pay ranges (July 1, 2002).

- Performance awards tied to final overall performance rating level.
- Base building and non-base building pay opportunities.
- All awards effective July 1 of each fiscal year - no more individual anniversary dates.
- Funding limited and lack of movement through pay ranges (for 5 fiscal years the total funding appropriated to performance-based pay is 1.8 percent of payroll).

DISCUSSION:

Salary Survey and Performance-Based Pay

On August 1, 2006, the Personnel Director submitted the salary survey and performance-based pay recommendation for FY 2007-08. The recommendation included 3.5 percent for salary survey and 0.94 percent for performance-based pay.

August 1, 2006 Personnel Director Recommendation for Salary Increases**				
	New Cost	Salary Increases	PERA*	Medicare
Survey Adjustments	41,387,368	36,702,035	4,225,049	460,284
Class Adjustment and System Maintenance	512,456	454,443	52,314	5,699
Performance Pay	10,676,668	9,472,545	1,085,866	118,257
Total	\$52,576,492	\$46,629,023	\$5,363,229	\$584,240

* Includes AED.

** Agencies/positions excluded from the recommendation and estimate above are the Department of Law, Legislature, Judicial, Department of State, Department of Treasury, non-appropriated positions, all temporary positions, all Higher Education except four small agencies (CCHE, Arts, Historical Society, Private Occupational School Division, and non-classified teachers from the School of Deaf and Blind), all non-classified positions except the non-classified positions in general government agencies and Governor's office.

In the **December 14, 2006 revised total compensation recommendation letter**, the Personnel Director stated that based on review of more recent surveys, he is recommending 3.7 percent of payroll for salary survey and 1.6 percent of payroll to fund the Director's new performance pay model titled *Achievement Pay and Bonus Plan*. The total new dollars requested to fund salary increases at the higher rates are \$8.9 million for a total cost of \$61.5 million. This plan uses a combination of base and non-base increases to actual pay. Under this new plan, successful and exceptional performers will receive base-building achievement pay that includes both an occupational group market adjustment and a fixed statewide performance increase of 1.5 percent, subject to the limitation of range maximums. In addition, exceptional performers will receive a non-base building bonus at least equal to the amount of the fixed base-building amount in recognition of higher performance.

An additional change to the performance plan is the reduction of performance ratings from four to three by combining categories 2 and 3 into one category. According to the Personnel Director's JBC

presentation on December 14, 2006, currently around 80 percent of state employees are rated at level 2 on the new scale (*successful performers*). Around 20 percent are rated as 3 on the new scale (*exceptional performers*). Less than one percent of state employees currently are ranked as 1 on the new scale (*needs improvement*). Under the new performance rating system, around 80 percent of state employees will be eligible for a performance increase and around 20 percent of exceptional performance will be eligible for a non-base building bonus.

The table below presents the salary survey increase recommendations as they appear in the Personnel Director's August 1 and December 14 recommendations.

	August 1 Recommendation	December 14 Average Movement	December 14 Average Market Increase
Enforcement and Protective Services	3.2%	3.4%	3.6%
Troopers - Structure	3.5%	3.7%	3.7%
Troopers - Salary	6.2%	6.9%	6.9%
Financial Services	2.5%	2.7%	2.8%
Health Care Services	3.9%	4.2%	4.4%
Labor, Trades, & Crafts	2.2%	2.7%	2.8%
Administrative Support & Related	2.5%	2.9%	3.0%
Professional Services	3.6%	3.5%	3.7%
Teachers	3.6%	3.5%	3.7%
Physical Sciences & Engineering	3.4%	3.7%	3.9%
Average Recommendation*	3.5%	3.5%	3.7%

* The Average Recommendation percentages above include the costs associated with funding class adjustments and system maintenance. These adjustments affect 289 employees with 10 classes moving upward and one downward.

The table below shows a comparison between the Director's request including only executive agencies in his calculations and staff's estimate of funding salary survey for executive and non-executive agencies at 3.5 percent of payroll.

FY 2007-08 Salary Survey Request/Recommendation at 3.5 Percent of Payroll (in millions)					
	FY 2006-07 Appropriation	FY 2007-08 Request	Difference from FY 2006-07	FY 2007-08 Staff Estimate	Difference from FY 2006-07
General Fund	24.3	25.6	1.3	29.3	5.0
Other Funds	<u>15.4</u>	<u>16.3</u>	<u>0.9</u>	<u>21.2</u>	<u>5.8</u>

FY 2007-08 Salary Survey Request/Recommendation at 3.5 Percent of Payroll (in millions)					
	FY 2006-07 Appropriation	FY 2007-08 Request	Difference from FY 2006-07	FY 2007-08 Staff Estimate	Difference from FY 2006-07
TOTAL	\$39.7	\$41.9	\$2.2	\$50.5	\$10.8
Note: The Department request does not include non-executive agencies. The Staff estimate includes executive and non-executive agencies.					

The table below shows a comparison between the Director's request including only executive agencies in his calculations and staff's estimate of funding performance-based pay (Achievement Pay and Bonus Plan) for executive and non-executive agencies at 0.94 percent of payroll.

FY 2007-08 Performance Pay Request/Recommendation at 0.94 Percent of Payroll (in millions)					
	FY 2006-07 Appropriation	FY 2007-08 Request	Difference from FY 2006-07	FY 2007-08 Staff Estimate	Difference from FY 2006-07
General Fund	0.0	6.6	6.6	7.9	7.9
Other Funds	<u>0.0</u>	<u>4.1</u>	<u>4.1</u>	<u>5.7</u>	<u>5.7</u>
TOTAL	\$0.0	\$10.7	\$10.7	\$13.6	\$13.6
Note: The Department request does not include non-executive agencies. The Staff estimate includes executive and non-executive agencies. Staff has estimated the General Fund portion of the Department's request using the FY 2006-07 appropriation breakdown.					

Staff's estimate of a 1.6 percent performance-based pay is \$23.1 million (\$13.4 million General Fund). Staff estimates that funding the historical 2.2 percent used to move people through the ranges before the performance-based pay system, would cost \$31.7 million (\$18.4 million General Fund).

Staff recommends that the Committee request for the Department to coordinate along with the Office of State Planning and Budgeting a statewide re-submission of salary survey and performance pay increases based on the December 14 updated recommendation by the Personnel Director.

Senate Bill 06-235

Staff wants to bring to the Committee's attention that S.B. 06-235 modified the Public Employee's Retirement Association (PERA), among other things, the bill provides for a supplemental amortization equalization disbursement (SAED) of 0.5 percent beginning January 1, 2008, and increasing 0.5 percent per year for a total of 3 percent by 2013. The bill stipulates that the SAED will be funded from money otherwise available for use but not yet awarded as salary increases. This means that whatever decision the Committee makes on salary increases for FY 2007-08, employees will not receive the amount that was appropriated but will receive a reduced amount after the SAED is taken out.

Staff is concerned that among PERA, the OSPB and the Department of Personnel, there is not a clear

understanding or agreement on how the SAED portion of S.B. 06-235 will be implemented. Potential complications associated with future year compounding will arise starting with the second year of SAED implementation. Staff recommends that the Committee discuss this issue with the Department as well as PERA during their hearing.

Health, Life, Dental (HLD)

The August 1, 2006 Personnel Director recommendation for an increase in HLD contributions to reach 85 percent of market contributions would cost an additional \$10.2 million. In the December 14, 2006 recommendation, the cost has increased to \$10.6 million due to an increase in the final number of actual enrollees in the states HLD program.

Total HLD Employer Contribution Dollars by Enrollemnt Tier			
	State FY 06-07 Contribution	Market for FY 07-08	Director's Recommendation at 85 percent
Employee	\$271.04	\$363.88	\$310.51
Employee + Spouse	\$448.58	\$616.15	\$524.93
Employee + Child(ren)	\$421.24	\$563.70	\$480.35
Family	\$616.86	\$835.23	\$711.15

Based on data submitted by the Office of State Planning and Budgeting, the total HLD requests submitted by departments for FY 2007-08 add up to \$95.5 million (\$57.7 million General Fund).

**FY 2007-08 Joint Budget Committee Staff Budget Briefing
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION**

ISSUE:

The Public Employees' Retirement Association (PERA) has experienced an increase in its unfunded liability for calendar years 2003, 2004, and 2005. As a result, PERA proposed legislation for the 2006 legislative session. S.B. 06-235 was the result of PERA's initiative.

SUMMARY:

- ❑ PERA's unfunded liability in the Pension Trust Fund (State Division) for calendar year 2005 was \$5 billion. This translates to a funding ratio (assets divided by liabilities) of 71.5 percent. The current amortization period for all divisions, except for the Health Care Trust Fund, is infinite, however, with the addition of AED and S.B. 06-235 changes, the PERA actuary foresees that 4 out of the five funds (except State Division) will have finite amortization periods (under 100 years) within a 30-year actuarial period.
- ❑ In the December 31, 2005 Actuarial Report, PERA actuaries estimated that the employer contribution rate for the State Division would need to have been increased to 19.33 percent of salaries in calendar year 2005 and the rate would need to be 17.23 percent in calendar year 2006 in order to reach a 40 year amortization schedule. Staff estimates that an increase of 6.1 percent to the current state contribution rate would result in an additional \$78 million (\$45.3 million General Fund) needed in FY 2006-07.
- ❑ S.B. 06-235 was passed to address PERA's unfunded liability. Among other things, the bill provides a supplemental amortization equalization disbursement (SAED) of 0.5 percent beginning January 1, 2008, and increasing 0.5 percent per year for a total of 3.0 percent by 2013, to be funded from money otherwise available for use but not yet awarded as salary survey.

RECOMMENDATION:

Staff recommends the Committee discuss the unfunded liability experienced in the PERA Trust Funds and the effects of S.B. 06-235 on the State Division Trust Fund with representatives from the Public Employees' Retirement Association. Specifically, staff recommends the Committee discuss the following:

1. Please discuss in detail how S.B. 06-235 addresses PERA's proposed unfunded liability in PERA's Trust Funds for the next thirty years? What is the aggregate effect of the various pieces of legislation on the trust fund as a whole over the next thirty years?
2. Please provide PERA's comment on this scenario: in a given year, the Legislature does not

fund any salary increases, or the Legislature funds a salary increase that is less than the required SAED amount for the year. What amount does PERA believe it should receive in both scenarios?

3. Please provide PERA's most recent analysis on the effects that S.B. 06-235 will have in the short-term and long-term on PERA's funding ratio.
4. Please discuss the funding mechanism for the PERA Trust Funds. What proportion of the funds' long-term financial viability depends on employer and employee contributions and what proportion depends on market performance?
5. During an October 26, 2006 meeting between Meredith Williams, Karl Paulson and JBC staff, the long-term viability of PERA's trust funds was discussed. JBC staff was informed that market performance accounts for approximately 80 percent of long-term trust fund viability. What steps is PERA management taking to ensure that PERA investments are yielding a high return?

DISCUSSION:

S.B. 06-235 modifies statutes guiding the Public Employees' Retirement Association (PERA). Among other things, the bill:

- provides a supplemental amortization equalization disbursement (AED) of 0.5 percent beginning January 1, 2008, and increasing 0.5 percent per year for a total of 3.0 percent by 2013, to be funded from money otherwise available for use but not yet awarded as salary increases;
- requires employees hired on or after January 1, 2007, who have less than 35 years of service at retirement to be eligible for full retirement benefits only if they are at least 55 years old and meet the "rule of 85" (age plus years of service);
- limits annual increases in retirement benefits for new hires and requires that a portion of employer contributions be allocated to a reserve to pay for such increases;
- expands the PERA board to include 5 additional trustees who are not members of PERA and who are appointed by the Governor with the consent of the Senate;
- reduces the maximum amortization period that is considered actuarially sound for each of the PERA trust funds from 40 to 30 years;
- further limits the salary increases used in calculating the highest average salary for members who retire after January 1, 2009. A member who purchases service credit shall be subject to the provisions regarding benefits, contribution rates, and related provisions in PERA that are

in effect at the time the member initiates payment of the purchase.

	SAED Annual Increase	Cumulative Increase
January 1, 2008	0.5%	0.5%
January 1, 2009	0.5%	1.0%
January 1, 2010	0.5%	1.5%
January 1, 2011	0.5%	2.0%
January 1, 2012	0.5%	2.5%
January 1, 2013	0.5%	3.0%

December 31, 2005 Comprehensive Annual Financial Report

PERA's December 31, 2005 Annual Financial Report shows that unfunded actuarial accrued liability in the pension trust fund State Division stands at approximately \$5 billion. The State Division trust fund funding ration stands at 71.5 percent. At such a level, the amortization period is infinite, assuming current contributions do not fluctuate. Section 24-51-211, C.R.S., requires a maximum amortization period of 30 years in order for the fund to be deemed actuarially sound. Thus, the current schedule is outside of statutorily established guidelines.

Below is an excerpt from PERA's actuary on current funding:

"It is our opinion that the current funding is sufficient to pay benefit payments through the projected actuarial period of 30 years. Recent contribution changes under S.B. 06-235 are expected to stabilize the funding levels of the Local Government and Judicial Division trust funds by attaining a 30-year amortization period within the projected actuarial period of 30 years. The recent contribution changes combined with the benefit changes of S.B. 06-235 are expected to stabilize the State and School Division trust funds by attaining a 30-year amortization within the projected actuarial period."¹

Unfunded Liability of PERA Trust Funds and Contribution Rates

As previously mentioned, the trust funds' amortization periods are in excess of what statute says will be considered actuarially sound. That period is 30 years, and currently the period is infinite for all divisions except for the Health Care Trust Fund.

¹Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2005. Page 78.

Unfunded Liability as of December 31, 2005*		
Trust Fund	Unfunded Liability (in thousands)	Amortization Period
State	\$5,004,828	Infinite
School	\$6,779,747	Infinite
Municipal	\$663,905	Infinite
Judicial	\$30,650	Infinite
Health Care	\$925,363	35 Years

* From Comprehensive Annual Financial Report, December 31, 2005

Based on the December 31, 2005, valuation, the amortization periods for each fund are shown below including all future AED and SAED contributions:

Amortization Period as of December 31, 2005*		
Trust Fund	With AED	With AED and SAED
State	Infinite	Infinite
School	Infinite	73 Years
Municipal	35 Years	20 Years
Judicial	43 Years	22 Years
Health Care	35 Years	35 Years

* From Comprehensive Annual Financial Report, December 31, 2005

According to the December 31, 2005 Actuarial Report, the state's contribution rate for the State Division Trust Fund would need to be 17.23 percent of base salary in order to amortize the unfunded liability over 40 years called for by GASB. Staff estimates the cost to increase the state's contribution rate to amortize the total unfunded liability in 40 years would be \$78 million, including \$45.3 million General Fund. Such an increase would raise the total contribution rate to 17.23 percent of base salary.

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF PERSONNEL AND ADMINISTRATION
Finance and Procurement - Statewide Issue
Reversing the Pay Date Shift

ISSUE:

During FY 2002-03, as a result of the revenue shortfall, the Joint Budget Committee sponsored S.B. 03-197 in order to move one state personnel pay period into FY 2003-04. This measure provided a one-time General Fund saving for the state. As a result of this move, every year state employees receive their end of June pay check during the first several days of July. Now that the state is not experiencing revenue difficulties it is a good time for the Legislature to consider fixing this accounting irregularity.

SUMMARY:

- Reverting the pay date shift will cost a significant amount. The cost to implement the pay date shift reversal in FY 2005-06 would have been \$92.3 million General Fund.
- The Office of Legislative Legal Services has determined that there are no legal barriers to revert the pay date shift, even if the Legislature decided not to fund the entire switch in one year, but to spread the process over several years.
- The General Assembly will need to sponsor legislation in order to reverse the pay date shift.

RECOMMENDATION:

Staff recommends the Committee consider sponsoring legislation to reverse the pay date shift so that state employees will start to once again receive their June pay check in the month of June. Reverting the pay date shift will also fix an accounting irregularity that is burdensome to implement and is in conflict with principles of accrual accounting as enunciated by the Governmental Accounting Standards Board (GASB).

- 1 Staff recommends the committee discuss this issue with the Department of Personnel and Administration at their hearing. In particular, does the State Controller foresee any potential problems with either reverting the pay date shift in one year or phasing the reversal over several years.
- 2 Staff recommends the Committee sponsor legislation to reverse the pay date shift and bring the state back to the Government Accounting Standards Board (GASB) rules and the accrual system of accounting for state payroll.

DISCUSSION:

The State currently operates its accounting system under an accrual based system.

Section 24-30-202 (12), C.R.S., states "The controller shall prescribe and cause to be installed a unified and integrated system of accounts for the state. Except as otherwise provided in section 24-75-201 (2), such system shall be based upon the accrual system of accounting, as enunciated by the governmental accounting standards board, which shall include:"

(b) "A set of general controlling proprietary and operating accounts for each fund, which shall be maintained pursuant to the accounts and control functions of the department of personnel, recording the transactions of the fund in summary form and showing the actual current assets, prepaid expenses, current liabilities, deferred credits to income, reserves, actual income, actual expenditures, and current surplus or deficit as the case may be;"

(f) "A unified classification of ordinary recurring expenses, extraordinary expenses, and capital outlays, respectively, by the kinds of commodities and services involved, which shall be observed in reporting expenditures, in preparing budget estimates, and in allotting appropriations."

Accrual Based Accounting

Accrual accounting is the system in which the recognition of revenues and expenditures take place when goods or services are consumed (in the period they occurred). It is the accounting system that is required of all publically held companies, per SEC regulations, and business must also use accrual accounting if the business has an inventory, per IRS regulations. The other system of accounting is cash basis, which is defined by recording revenue and expenditure when cash changes hands.

The Pay Date Shift

S.B. 03-197 amended statute in order to allow General Fund from the June 2003 pay date to be pushed into the next fiscal year. This pushes the following year's June payment into July, and so on. Thus, there is a fiscal impact only in the year in which a push or pull is made.

Two sections from S.B. 03-197 demonstrate how the pay date shift was codified in statute:

Section 24-50-104 (8)(a)(I), C.R.S., states "Salaries for the month of June shall be paid on the first working day of July;"

Section 24-75-201 (2)(a)(III)(A), C.R.S., states "General fund revenues shall be restricted only upon actual payment on the first working day of July of monthly salaries of state employees for the month of June from general fund revenues."

Because of GAAP, the June 2003 payroll and every subsequent payroll has to be recognized on the

financial statements for the current fiscal year even though the payment would be made on July 1, of the following fiscal year. However, section 24-75-201 (2)(a)(III), C.R.S, allows the State to keep a second set of books based on an actual (cash) budgetary basis. What state payroll officers do in effect, is to go into the system and manually back out the General Fund payroll for June and defer recording it on the financial statements until the next fiscal year, which in this case is a few days.

The table below compares the one-time General Fund savings that S.B. 03-197 generated in FY 2002-03 with a report from the Office of the State Controller with the June 2006 pay date shift costs.

	S.B.03-197	June 2006 Pay Date Shift
Department of Agriculture	(\$488,635)	\$315,380
Department of Corrections	(25,464,056)	26,321,226
Department of Education	(1,018,001)	1,021,056
Governor's Office	(419,749)	372,201
Department of Health Care Policy and Financing	(2,324,943)	1,148,461
Department of Higher Education	(23,139,192)	24,969,754
Department of Human Services	(12,276,217)	14,298,490
Judicial Department	(13,331,261)	14,940,029
Department of Law	(448,012)	384,407
Legislature	(1,522,871)	1,529,248
Department of Local Affairs*	(504,840)	0
Department of Military and Veterans Affairs	(164,964)	203,275
Department of Natural Resources	(1,316,324)	1,489,522
Department of Personnel	(777,123)	373,685
Department of Public Health	(569,747)	421,470
Department of Public Safety	(1,084,874)	1,121,130
Department of Regulatory Agencies	(120,157)	92,344
Department of Revenue	(4,417,849)	3,253,005
Department of Treasury	(51,271)	48,500
Total General Fund	(\$89,440,086)	\$92,303,183

* The Department of Local Affairs' General Fund source was refinanced with another funding source.

Reasons for Reversing the Pay Date Shift

- In direct conflict with Government Accounting Standards Board (GASB) accounting rules.
- Burdensome to implement. Every year the Controller's office has to reconcile the legal financial statements (GASB) with the actual (cash) financial statements.
- The state has two sets of accounting books. This is evident if one opens a Colorado Basic Financial Statements report.
- Potentially the same methodology could be used again if the State has a revenue crisis again.

Multy-Phased Approach

As the table above demonstrates, it would have cost \$92.3 million to revert the pay date shift in FY 2005-06. If the Legislature decided to revert the pay date shift in FY 2007-08, the amount will have to be adjusted by any salary increases to General Fund employees and any other adjustments to General Fund FTE or payroll.

Staff recommends that the Committee consider phasing-in a pay date shift reversal. The Committee can decide, based on available funding, how many phases it will take.

MEMORANDUM

TO: Joint Budget Committee

FROM: Viktor Bojilov, JBC Staff

SUBJECT: FY 2007-08 DPA Statewide Decision Item #NP - 1: Statewide E-mail Consolidation Project.

DATE: December 18, 2006

ISSUE:

The Department of Personnel and Administration is requesting \$3,041,059 General Fund and 5.0 FTE (this number is an update to the November 1 request of \$2,977,540 and 5 FTE) for FY 2007-08 in order to implement a consolidated E-mail system for use by Executive Branch agencies.

SUMMARY:

- The Office of Innovation and Technology (OIT) and the Department of Personnel and Administration are proposing a 5-year, \$7.8 million statewide e-mail consolidation project.
- Departments may need to incur additional costs in order to transition their current e-mail platform and associated applications built around current e-mail platform to new e-mail platform.
- Potential additional costs have not been looked at.

RECOMMENDATION:

Staff recommends that the Committee discuss details from the Department's request including:

1. The Office of Information and Technology *2006 Information and Technology Strategic Plan* lists the actions that are to be performed in order to achieve Initiative 3: Common / Shared Services, Objective 1: The State will consolidate e-mail services. Action three of this objective states that by September 1, 2006, each agency will have established its migration plan for subscribing to the centrally administered service. Why were agencies not requested to establish their migration plans, per the OIT objective?
2. The DoIT/OIT calculation of Departments' costs to administer e-mail does not reconcile with the numbers Departments have provided staff on their cost per e-mail account per month.

MEMO

Page 2

December 18, 2006

Please discuss why there is such a discrepancy. What method did DoIT/OIT use, and what methods are Departments using?

3. Please discuss the different assumptions that agencies and OIT/DPA are using in estimating the cost/mailbox/month. Why such a big difference?
4. Several agencies suggested that Service Level Agreements (SLA) be created for each agency to ensure availability, reliability, and security for each agency. Does the Department think that having SLA's for the consolidated e-mail project will be a useful method to set up certain responsibilities that the Department will be guided by? Would the Department find the SLA method useful for other common policy items (such as MNT, Purchase of Services from Computer Center, Capitol Complex,...)?
5. Staff inquired with departments about any existing critical applications currently built around the existing e-mail platform that will not be able to work with Exchange 2003. Several departments responded that they do have such applications and will need additional funds to re-build them around the new platform. Has the Department done a survey and a cost estimate for the re-building of such applications? What is the additional cost to the Department or to individual agencies as a result of these applications?
6. If a department is currently spending less on e-mail than what it would cost them under the consolidated e-mail system, will the department be expected to cover the extra costs within existing resources, or will the department request additional funds from the Legislature to cover these additional costs? Does the Department have an estimate of what such requests may be?
7. Please address each of the concerns that agencies listed below as a response to staff's inquiry.

DISCUSSION:

In October 2005, OIT sponsored a project to implement a statewide consolidated e-mail system. The Governor's OIT, the Chief Information Security Officer, and the Information Management Commission (IMC) support this project. The whole process was divided into two phases. In Phase I, an in-depth survey was conducted to gather information about the existing e-mail platforms and agency e-mail requirements. Based on the results, Microsoft Consulting Services developed the functional requirements and a proposed architectural design (Exchange 2003). The Department of Personnel and Administration, Division of Information Technologies would be responsible for managing and hosting the servers in the DPA data center located at 690 Kipling, Lakewood.

MEMO

Page 3

December 18, 2006

The survey found out that of eighteen agencies, twelve use Microsoft Exchange as their e-mail platform, five use Novell GroupWise, one uses Lotus Notes, and one uses another platform. A total of fifty-one full time equivalent servers are used for e-mail. OIT estimates that only seventeen will be required with a consolidated e-mail system. In addition, agencies currently use twenty six different anti-spam and anti-virus hardware and software programs.

Phase II of the project is the implementation and deployment phase. The table below summarizes OIT's and the Department's five-year estimated cost for the project. The cost estimate includes current costs that agencies are incurring on software and the additional need estimate. The OIT and Department estimate of the total cost of the project over 5 years is \$7.8 million General Fund.

Consolidated E-mail Cost Estimate						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Hardware	\$1,253,326	\$303,788	\$0	\$0	\$0	\$1,557,114
Software	975,734	1,698,562	1,300,863	586,143	586,143	5,147,445
Contracted Services	781,000	1,281,000	0	0	0	2,062,000
Training	50,000	50,000	0	0	0	100,000
5 FTE	319,850	304,825	304,825	304,825	304,825	1,539,150
Total	\$3,379,910	\$3,638,175	\$1,605,688	\$890,968	\$890,968	\$10,405,709
Agency Software Credit	338,851	571,748	571,747	571,747	571,747	2,625,840
Additional Cost	3,041,059	3,066,427	1,033,941	319,221	319,221	7,779,869
Total	\$3,379,910	\$3,638,175	\$1,605,688	\$890,968	\$890,968	\$10,405,709
Cost/Mailbox/Month (over 5 Years)						\$5.78

Staff could not reconcile the cost per mailbox estimate provided by OIT with the individual responses that Departments provided. It appears that different assumptions are used by each entity.

MEMO

Page 4

December 18, 2006

For example, OIT's estimated department costs per e-mail account per month range between \$3.86 and \$31.31. On the other hand, Departments that provided estimates ranged between \$0.25 and \$14.00. Staff is also concerned about additional costs that agencies may have to incur in addition of the OIT estimates.

The Department is requesting 5 FTE to implement the e-mail consolidation (the initial stages of the implementation will be lead by the consulting team) and to support the consolidated e-mail system after completion of consolidation. The agencies' survey reported that 12 FTE are currently utilized by executive agencies to support e-mail. Agencies have reported that no FTE redundancies will be found as a result of the e-mail consolidation since most agencies utilize a fraction of an FTE or several FTE time in order to support e-mail, the other time is used for other work not related to e-mail. In addition, after the proposed consolidation, agencies are still going to be responsible for managing certain aspects of their agencies e-mail at the individual e-mail user level.

ADVANTAGES AND CONCERNS:

A number of the advantages to a consolidated e-mail system that the Department provided in the analysis include:

- Common address book. Every state employee's email will follow the same pattern: FirstName.LastName@colorado.gov
- Consistent deployment of security policies.
- Consistent e-mail usage policies.
- Scheduling appointments across agencies.
- Scalable infrastructure.
- Decentralized account provisioning.
- Reduction of number of e-mail servers.
- Failover redundancy.
- E-mail system uses most popular platform.

Staff sent out an e-mail survey to see what agencies' views of the consolidated e-mail project are, in particular, staff was interested to solicit specific concerns that agencies have. Staff is concerned that agencies were excluded from the evaluation process early on, and that not all concerns and costs of the project have been properly addressed. An example is the fact that no state agency was asked to prepare a migration plan, even though this was listed as an action in the OIT strategic plan with a due date of September 1, 2006. Staff believes that many, if not all, of the concerns and additional costs that departments relayed to staff could have been addressed and included as part of the request. In particular, staff is concerned that there are additional costs, which have not been captured by the

MEMO

Page 5

December 18, 2006

current request. In particular, some of the major costs may be associated with agencies having to rebuild existing applications built around the existing e-mail platform. An example of such costs was provided by the Department of Public Safety. The Department has around 30 applications built around its existing Lotus Notes e-mail platform. Some of these applications include databases tracking Patrol Car Crashes, Qualifications Records, Vehicle Replacement, Sick and Annual Leave, CDPS Assets, Employee Information, CBI Lab Subpoena Tracking, etc. On October 12, 2005, the Department hired a consulting firm to develop a Statement of Work (SOW) for the upgrade of the entire Lotus Notes infrastructure. The estimated amount of time to analyze, develop, test, and deploy these 30 applications was 440 hours at a rate of \$135/hr., for a total cost of \$59,400.

Below are some of the concerns that agencies raised:

- How will audits of mail files be handled for investigative purposes?
- Will each agency have input and/or control over setting a retention policy?
- Will a Service Level Agreement (SLA) need to be created for each agency to ensure availability, reliability, and security?
- How will e-mail content filtering be administered, and will each agency have the flexibility and autonomy they require to meet their missions?
- How many training hours will be required to migrate to the new e-mail system?
- The proposed cost is more than double what it currently costs the department to administer e-mail, and this is without taking into consideration additional costs that may be incurred by DoIT to make and meet the special HIPAA needs of our Department. The Department has a very efficient system, and it has not been proven to us how merging our system into others would be of benefit to our customers.
- Based on past experience with DoIT supported services, we have concerns with regards to the level of service and responsiveness that an outside organization will have to the Department.
- The Department has concerns about the level of support that is being requested during the proposed transition. This is an additional cost to the Department, that has not been accounted for.
- Because of our reliance on the e-mail system to maintain information on current projects, conversion of our existing base of e-mail to the new system is necessary. This cost was not planned in the project plan release earlier this year.
- The Department has had multiple communication barriers and a slow response time in the past when working with DoIT. There have also been times when the network and servers were experiencing issues, and we were not in the notification loop. We are concerned about the priority that our issues will receive.
- Major redesign and conversion of infrastrucutre from Novell Directory services to Active Directory. This will cause a major business disruption. A decision item may be required.