

DEPARTMENT OF PERSONNEL AND ADMINISTRATION

Joint Budget Committee Budget Hearing

Friday, January 5, 2007

9:00 a.m. - 11:00 a.m.

Performance Measures

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?

Implementing Legislation Concerning Illegal Immigration: H.B. 06S-1023 and H.B. 06S-1009

5. Provide a list of programs in your department that are subject to the provisions of the two bills.
6. How has your department implemented the provisions of the two bills? What problems have been encountered in implementing them?
7. Provide an estimate of the costs your department will incur in FY 2006-07 to implement the bills. Are any additional costs anticipated in FY 2007-08? If so, please elaborate.
8. Provide a summary of anticipated savings in FY 2006-07 in your department as a result of not providing services to individuals who are in the country illegally. Are any additional savings anticipated in FY 2007-08? If so, please elaborate.

Proposal to Eliminate "Cash Funds Exempt" in the Long Bill

9. ***Background.*** Joint Budget Committee staff has proposed eliminating the current "Cash Funds Exempt" column in the Long Bill and replacing it with a new column entitled "Transfers" effective with the **FY 2008-09 Long Bill**. The Joint Budget Committee has not formally voted on this issue. For details of the proposed change, please read the Joint Budget Committee staff memo from November 15, 2006, entitled "Proposed Long Bill Format Change." To help departments understand the new format, our staff has prepared an example of the Department of Revenue FY 2006-07 Long Bill in the proposed new format. This memo, and the example from the Department of Revenue, can be downloaded from the JBC web page at the following Internet address:

http://www.state.co.us/gov_dir/leg_dir/jbc/PLBFC11-15-06.pdf

Question. Please provide the Joint Budget Committee with a summary of any potential concerns that your department may have regarding the proposed change to the Long Bill format. Please highlight potential issues such as: implementation challenges, workload issues, and other related concerns.

Overview Changes

10. Why does the Department require so many additional FTE? How many vacancies does the Department currently have? Please provide and discuss your most current report (FY 05-06) on filled and vacant FTE positions by division.
11. Please provide and discuss your most current report (FY 05-06) on promotions and demotions in the department.
12. Please provide your estimate of the number of FTE in the state broken down by state personnel system full-time and part-time employees and by exempt full-time and part-time employees. Does the state have the ability to track filled and vacant positions? Please explain.
13. What is the status of the Digital Trunked Radio? Why is there no request for this project? Where does this project fit within Department's overall priorities?

State Fleet

14. What steps can the Department take to decrease the number of miles driven and improve the fuel efficiency of the State Fleet? If the Department of Personnel and Administration cannot make this change, who can in state government?
15. Why are decreasing the number of miles driven and improving fuel efficiency not priority goals for the State Fleet? If the Department is not saving the State money from miles driven and improving the fuel efficiency of the State Fleet, what value is the Department adding to the process?
16. What type of authority or legislation would the Department need to manage the level of fuel consumed or mileage driven?
17. Please show ways in which the Department is managing the State Fleet in a way that saves the State money.
18. What is the status of implementation of SB 06-16?
19. Does the Department have a cost/vehicle/mile driven or any similar type of metric? Please provide.

20. On average, how long does a vehicle last in the State Fleet? What does Fleet do with a vehicle that has reached the end of its serviceable life? Do vehicles at end of serviceable life have a residual value? How much did the Department receive from salvage cost revenue of vehicles that have reached the end of their serviceable life for State Fleet?
21. What is the condition of cars when they are replaced? Do maintenance costs for vehicles go down over time, do they go up, or do they stay constant? Please explain.

Decision Items

22. **DI #1:** Please fully justify any request for new FTE. Also, describe whether existing vacancies exist in these areas. Please provide this information for any request involving new FTE.
23. **DI #1:** Is there duplication of effort at the state level with regard to security issues? Why do we see so many requests from various departments regarding technology security? Is there any centralized effort to address this issue? Who is looking at this issue in a comprehensive way?
24. **DI #2:** Please fully justify any request for new FTE. Also, describe whether existing vacancies exist in these areas. Please provide this information for any request involving new FTE.
25. **DI #2:** Has the Department requested a decrease in mail services costs due to a decrease in CBMS costs? Is not CBMS workload now under control?
26. **DI #2:** Please elaborate on the request to convert temporary employees into permanent FTE. How did the Department determine that hiring permanent employees makes better business sense? What other considerations did the Department use in determining the need for this switch?
27. **DI #2:** Please talk about the flooding at the Main Street warehouse in Pueblo. When was the flood and what caused it?
28. **DI #2:** Please elaborate on the Department's reasoning behind the "appropriations neutral" request for DI #2. Does the Department view this appropriations neutral request as cost neutral as well? What additional revenues are going to be generated to justify the cost?
29. **DI #3:** Is there a statutory or constitutional provision that requires the information to be kept? If so, what is it? If not, what dictates the need for retention? For how long must the audio be kept?
30. **DI #4:** Please fully justify any request for new FTE. Also, describe whether existing vacancies exist in these areas. Please provide this information for any request involving new FTE.
31. **DI #4:** Please quantify the amount of additional recoveries that each additional collector is going to bring to the State. Can we expect to see decreases in Departments' budget requests as a result of additional recoveries of debt due to the State?

32. **DI #6:** Do collection agencies work on contingency basis?

Footnotes

33. Please discuss the Department's examples of years it takes to pay off the premium of a hybrid vehicle. Where did Department obtain data for costs of vehicles, miles driven per year, and miles per gallon? Why is the Ford Escape Hybrid only saving 283 gallons per year as compared to the Jeep Liberty?

Performance Measure Issue

34. What are the Department's four top priority goals and the performance measures that can be quantified to track completion of the goals?

Total Compensation and S.B. 06-235

35. Discuss the December 14 updated data to the Total Compensation Report and the implications to employee benefits.

36. 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?

37. 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?

38. Did the Personnel Director take into consideration the effects of SAED on salary increases when recommending a higher overall salary increase request?

39. 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?

40. Why did the Personnel Director request \$61.5 million on December 14, 2006, for salary survey and performance pay increases for FY 2007-8 when the Total Compensation report states that a \$101 million is needed?

41. From the \$61.5 million December 14, 2006 updated recommendation for salary survey and performance pay, please provide how much the Department requests for salary survey,

performance pay, class adjustment and system maintenance. Please also provide the breakdown of associated PERA and Medicare costs.

42. What is the status of discussions with OSPB on where the additional \$8.9 million for salary increases and \$400 thousand for HLD will come from? When will a decision be made on whether the Governor will submit a budget amendment to change the official request?
43. Describe why the December recommendation changes from the August recommendation for total compensation?
44. Is performance-based pay working at all, or is it inadequate only because we have not been able to fund it?

Reversing the Pay Date Shift

45. 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?
46. Does the Department believe that it is worth the cost of \$92.3 million (June 2006) to reverse the pay date shift? Why should the General Assembly reverse the pay date shift?

Statewide E-mail Consolidation

47. What is the problem with the e-mail system that Departments have today?
48. What would it cost for everyone to join an open source (free ware) environment? Why shouldn't we do that rather than using an expensive, proprietary software?
49. 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?
50. 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. Please discuss why there is such a discrepancy. What method did DoIT/OIT use, and what methods are Departments using?
51. Please discuss the different assumptions that agencies and OIT/DPA are using in estimating the cost/mailbox/month. Why such a big difference?
52. 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,..)?

53. 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?

54. 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?

55. Please address each of the concerns that agencies listed below as a response to staff's inquiry.

- 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 infrastructure from Novell Directory services to Active Directory. This will cause a major business disruption. A decision item may be required.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(PERA)**

Joint Budget Committee Budget Hearing

**Friday, January 5, 2007
11:00 a.m. - 12:00 p.m.**

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?