

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 STAFF BUDGET BRIEFING DEPARTMENT OF REGULATORY AGENCIES

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

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**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF REGULATORY AGENCIES**

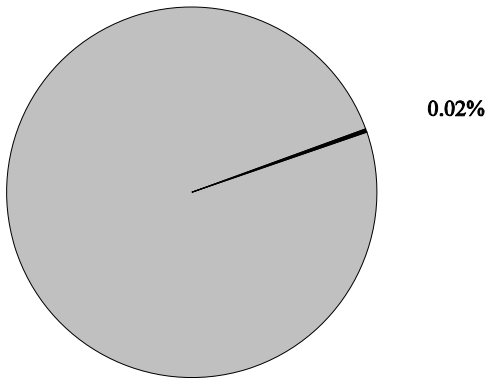
Table of Contents

Graphic Overview	2
Department Overview	3
Decision Items	10
Numbers Pages Overview	13
Numbers Pages	14
Long Bill Footnote Update	33
Briefing Issues:	
Department of Regulatory Agencies Performance Measures	35
Document Imaging System (DI #1)	39
Office of Expedited Settlement Staffing Increase (DI #3)	43

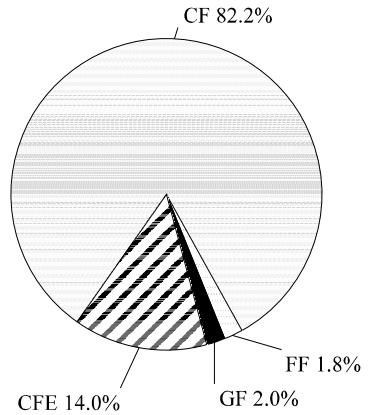
FY 2007-08 JBC BUDGET BRIEFING DEPARTMENT OF REGULATORY AGENCIES

GRAPHIC OVERVIEW

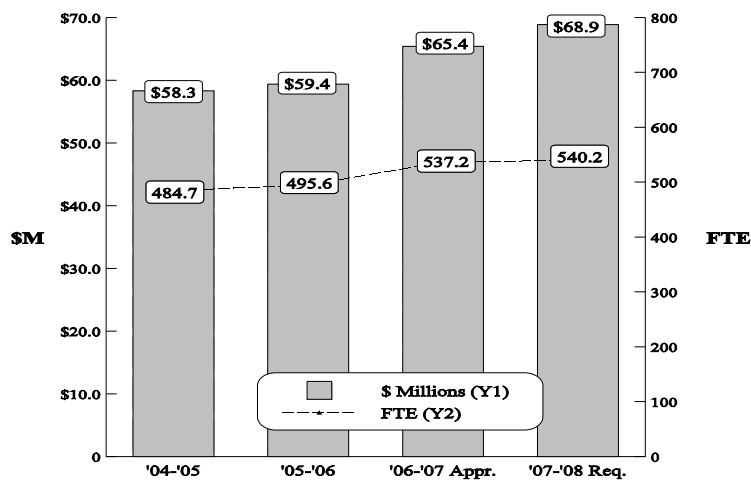
**Share of State General Fund
FY 2006-07**



**Funding Source Split
FY 2006-07**



Budget History



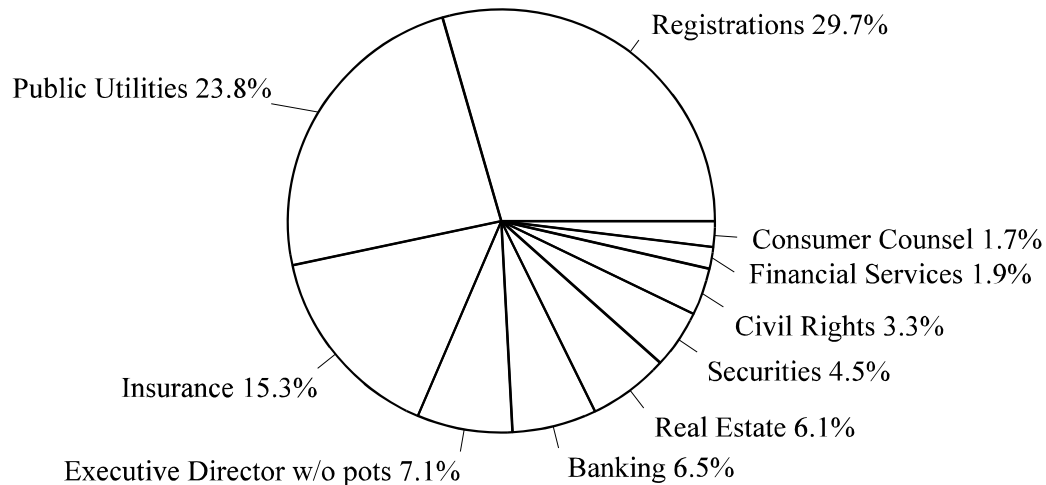
FY 2007-08 JBC BUDGET BRIEFING DEPARTMENT OF REGULATORY AGENCIES

DEPARTMENT OVERVIEW

Key Responsibilities

- ▶ Protect the public from fraudulent, dangerous, incompetent, discriminatory, or unsafe professionals or businesses - and from inadequate choice and unreasonably priced services and products by regulating:
 - State-chartered financial institutions such as banks, trust companies, credit unions and money transmitters. (Divisions of Banking and Financial Services)
 - Public utilities, such as electricity, gas and telecommunications. (Public Utilities Commission)
 - Providers of automobile, homeowners, life, health and other types insurance. (Division of Insurance)
 - Professionals in more than thirty occupations, including accountants, barbers, chiropractors, dentists, nurses, physicians, pharmacists, psychologists, stockbrokers and real estate agents. (Divisions of Registrations, Real Estate, and Securities)
- ▶ Administer and enforce Colorado's civil rights laws. (Division of Civil Rights)
- ▶ Conduct Sunrise and Sunset reviews of state-run programs. Evaluate economic impact of rules proposed by state agencies.

Distribution of Total Department Budget Among Divisions, FY 06-07 Appropriation

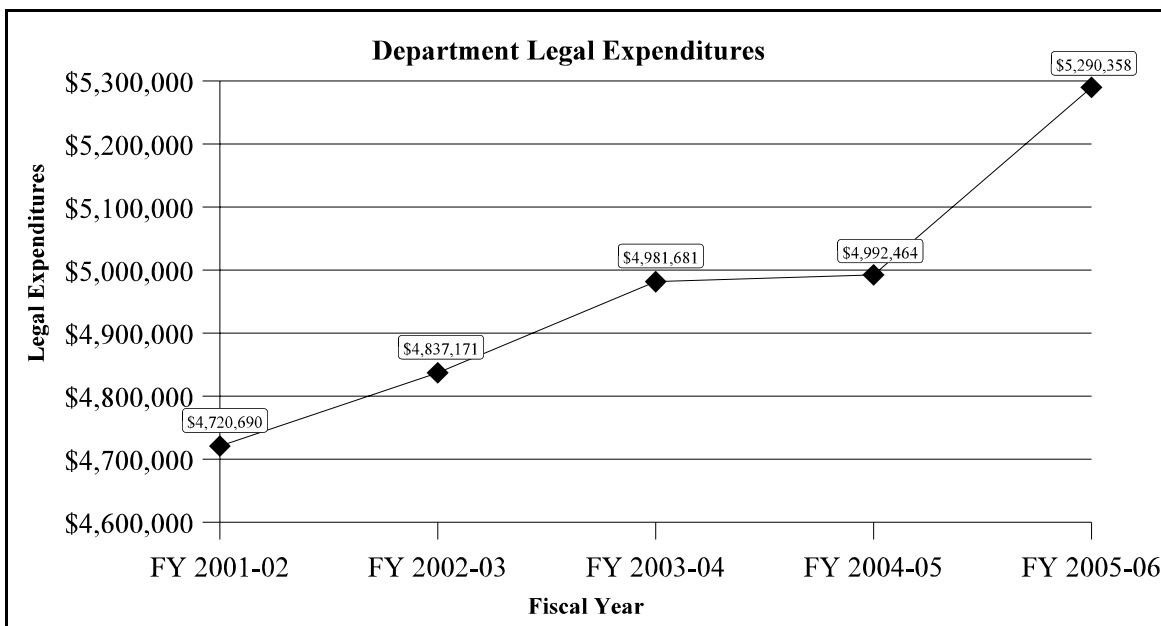
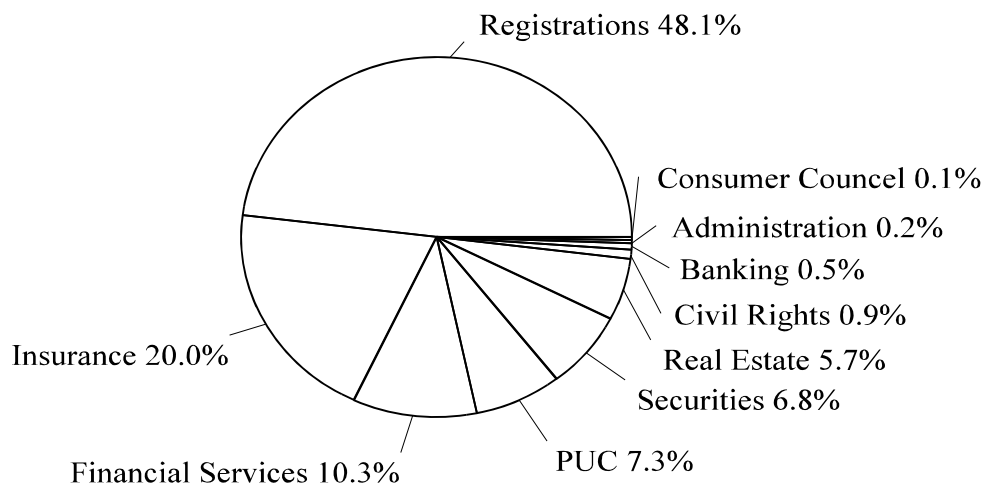


Factors Driving the Budget

Legal Services

The Department's FY 2006-07 Legal Services and Administrative Law Judges appropriations totaled \$6.0 million, 28.1 percent of the total legal expenses in the state's budget. These expenses represent 9.2 percent of the Department's total appropriation, making it the largest budget component outside of personal services. Nearly half these expenses, 48.1 percent, arise in the Division of Registrations, a result of disciplinary actions taken by the Division's 30 boards. Given the inherently contentious nature of such disciplinary action, legal services will continue to consume a significant portion of the Department's budget.

Distribution of Legal Expenses Among Divisions (Including ALJ)



Population Growth

Population growth affects the Department in two ways. First, more individuals apply for professional and occupational licenses and more regulated businesses are established. Likewise, more consumers file complaints against regulated individuals or entities, so more resources must be devoted to investigating those complaints, enforcing the State's laws and regulations, and, where appropriate, disciplining the offender. The following table shows the number of individuals and entities recently licensed by the divisions with the largest number of licensees.

Division	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	5-Year Growth
Insurance	73,924	82,800	93,000	94,179	110,911	50.0%
Real Estate	41,496	46,604	49,386	52,747	58,694	41.4%
Registrations	251,236	261,280	265,569	277,928	282,521	12.5%
Securities	134,878	131,846	135,408	139,191	147,392	9.3%
Total	501,534	522,530	543,363	564,045	599,518	19.5%

Impact of the Economy

The Department attempts to synchronize its budget with the economic health of the state. In times of economic growth, the programs in DORA encounter increased number of licensees and expansion of businesses. In times of economic downturn, the enforcement and regulatory workload in many programs nevertheless still grows. Bad economic times often lead to increased levels of unscrupulous real estate agent transactions, more scams related to the sale of securities, and increased levels of investment failures for banks and other financial institutions.

Cash Funds

Sixteen separate cash funds account for 96.2 percent (\$63.0 million) of the Department's FY 2006-07 appropriation. In most cases, the Department administratively sets the fees charged by these cash funds. When the General Assembly changes the appropriation for a given line item, the Department adjusts the corresponding fee so that enough revenue will be collected to pay for the appropriation. Some fees can only be adjusted every two or three years; for example, some Division of Registrations fees are collected when licensees renew every second year. Other fees, such those on telephone-lines, can be adjusted monthly if necessary. Because of forecasting errors and other factors, funds sometimes accumulate balances in excess of the 16.5 percent of annual expenditure limit imposed by S.B. 98-194.

Several funds require comment.

1. The Division of Financial Services Cash Fund, which supports almost all the appropriations of the Division of Financial Services, had accumulated a fund balance equaling 22.4 percent of expenditures for FY 2004-05, and again had a a fund balance equaling 20.4 percent in FY 2005-06. The department estimates a fund balance equaling 12.0 percent for FY 2006-07, reflecting a downward adjustment in fees.

2. Low Income Telephone Assistance Cash Fund, which subsidizes phone companies for low-income telephone customers' phone bills, had high fund balance equaling 151.8 percent for FY 2004-05 (in excess of \$350,000) and 344.0 percent for FY 2005-06 (in excess of \$776,000). Fund expenditures fluctuate greatly due in part from variations in collections by phone companies as well as variations in the number of program beneficiaries. The high level in reserves prompted the Public Utilities Commission (PUC) to eliminate the monthly surcharge effective April 1, 2006. To date the reserves have been depleted by \$600,000 and will continue to be reduced.
3. The Division of Real Estate Cash Fund, which supports almost all the appropriations of the Division of Real Estate, has accumulated a fund balance equaling 47.7 percent of expenditures. Lower than expected expenditures for the division as well as an audit-recommended adjustment to the 3-year renewal fees are attributable for creating a high fund balance. In FY 2004-05 and FY 2005-06, renewal fees were reduced to achieve a revenue reduction to 60 percent of annual expenditures, which will quickly reduce the fund balance.
4. The Mortgage Broker Registration Cash Fund was created during the 2006 Legislative Session to support the Division of Real Estate's costs in implementing mortgage broker registrations. Revenue is collected to cover program costs, however fees are capped.
5. The Division of Registrations Cash Fund, which supports almost all the appropriations of the Division of Registrations, has accumulated a fund balance equaling 24.7 percent of expenditures. FY 2006-07 inspection fee revenue was reduced by \$1.1 million, and license fees have been reduced for all applicable boards. Boards with one-year renewal cycles are expected to reach compliance in FY 2006-07 and other boards with two-year renewal cycles are expected to reach compliance during FY 2007-08.
6. The Securities Cash Fund, which supports almost all the appropriations of the Division of Securities, has accumulated a fund balance equaling 27.2 percent of expenditures in FY 2004-05 and a fund balance equaling 26.9 percent in FY 2005-06. The Division has reduced fees for broker-dealer and investment firm annual renewals and estimates that the fund will be in compliance with the 16.5 percent limit at the end of FY 2006-07.

Summary of Major Legislation

- ✓ **S.B. 06-38 (Tapia/Knoedler): Insurance Fraud Investigation Fees.** Increases the annual registration fee for insurance companies regulated by the Department of Regulatory Agencies from \$120 to \$425 so that additional funds are available for the prosecution of insurance fraud. Requires the Attorney General's Office to provide annual reports to the Joint Budget Committee, the Senate Business, Labor and Technology Committee, and the House Business Affairs and Labor Committee, as well as to post a statistical report of the number of referrals, convictions, arrests, actions initiated and restitutions, fines, costs, and forfeitures obtained from the investigation and prosecution of insurance fraud on the Department of Law's website. Appropriates \$379,950 cash funds exempt and 5.0 FTE to the Department of Law for the provision of legal services.
- ✓ **S.B. 06-20 (Hanna/Green): Interstate Nurse Licensure Compact.** Directs the Governor to enter into a multi-state nurse licensure compact. Appropriates \$327,461 cash funds and 2.0 FTE to the Department and appropriates \$10,312 cash funds exempt to the Department of Law.
- ✓ **S.B. 06-230 (Boyd/Benefield): Prescription Drug Wholesalers.** Requires prescription drug wholesalers to become licensed with the State Board of Pharmacy. Makes the following FY 2006-07 appropriations: \$219,915 cash funds and 3.3 FTE to the Department of Regulatory Agencies; \$28,874 cash funds exempt and 0.2 FTE to the Department of Law out of the appropriation to the Department of Regulatory Agencies; \$31,183 cash funds, \$39,600 cash funds exempt, and 0.3 FTE to the Department of Public Safety.
- ✓ **S.B. 06-208 (Hanna/McGihon): Dental Hygiene Practice Employment.** Establishes the Blue Ribbon Commission for Health Care Reform for the purpose of studying and establishing health care reform models to expand health care coverage and to decrease health care costs. Appropriates \$100,000 General Fund to the Health Care Reform cash fund in FY 2005-06 and appropriates \$150,000 cash funds exempt from the Health Care Reform cash fund to the Division of Insurance for FY 2006-07. Of the FY 2006-07 appropriation, \$50,000 is from potential gifts, grants and donations.
- ✓ **H.B. 06-1161 (Vigil/Veiga): Mortgage Broker Registration.** Establishes regulatory requirements for mortgage brokers. Appropriates \$123,153 cash funds and 1.5 FTE to the Department of Regulatory Agencies; \$25,780 cash funds exempt and 0.2 FTE to the Department of Law; and \$46,894 cash funds, \$66,000 cash funds exempt and 0.6 FTE to the Department of Public Safety. Each of these appropriations is for FY 2006-07. The appropriation to the Department of Law is from funds transferred from the Department of Regulatory Agencies.
- ✓ **H.B. 05-1264 (Buescher/Tapia): Repeal of the Real Estate Recovery Fund.** Eliminates the Real Estate Recovery Fund and the related program that provides limited compensation for victims of willful wrongdoing by real estate brokers.
- ✓ **S.B. 04-211 (Hillman/Spradley): Unclaimed Property and CoverColorado.** Specifies that the principal in the Unclaimed Property Trust Fund plus any interest earnings be

transferred to CoverColorado to the degree that moneys are available in the trust fund and are needed to fund CoverColorado's program. Eliminates the CoverColorado Cash Fund and transfers the fund balance to CoverColorado. The bill effectively ends the CoverColorado appropriation in the Long Bill, which has appeared among the appropriations for the Department of Regulatory Agencies since 1991.

- ✓ **S.B. 03-68 (Hagedorn/Brophy): Commission on Mandated Health Insurance Benefits.** Establishes the 11 member Commission on Mandated Health Insurance Benefits for the purpose of collecting data to assess the impact of mandated health care benefits on employers, employees, individual purchasers, insurers, health care providers, and other relevant entities.
- ✓ **S.B. 03-134 (Keller/Tochtrop): Sunset Certification of Nurse Aides.** Continues the regulatory functions of the state Board of Nursing until July 1, 2010, and makes some changes to the functions of the board, including requiring a feasibility study of requiring a state and federal fingerprint-based criminal history check of nurse aide applicants; adding two members to the Nurse Aide Advisory Committee; and requiring the implementation of a new medication aide training program.
- ✓ **S.B. 03-191 (Owen/Young): Augment FY 2002-03 General Fund Revenues.** For purposes of augmenting General Fund revenues for FY 2002-03, requires the State Treasurer to transfer a total of \$203,592,024 from various cash funds to the General Fund. With four specified exceptions, requires all of the transfers to occur on the effective date of the act. With regard to the Department of Regulatory Agencies, transfers a total of \$5,632,416 from the Disabled Telephone Users Fund, the Public Utilities Commission Motor Carrier Fund and the Real Estate Recovery Fund.
- ✓ **S.B. 03-239 (Chlouber/Berry): Sunset Motorist Insurance Database Program.** Continues the Motorist Insurance Identification Database Program until July 1, 2008; requires insurers to provide policy information to the designated agent that monitors the program database more frequently; and eliminates the requirement for the Division of Insurance to contract with a company to gather information regarding uninsured motorist claims.

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

Action (Source)	General Fund	Other Funds	Total Funds	Total FTE
Annualized Salary Adjustments (Long Bill)	\$26,432	\$855,010 (CF and CFE)	\$881,442	0.0
Salary and Benefits Adjustments (Long Bill)	26,169	452,024 (CF, CFE, FF)	478,193	0.0
Insurance Fraud Investigation Fees (S.B. 06-38)	0	379,950 (Cash Funds)	379,950	0.0
Interstate Nurse Licensure Compact (S.B. 06-20)	0	327,461 (Cash Funds)	327,461	2.0
Legal Services (Long Bill)	2,427	324,570 (CF, CFE, FF)	326,997	0.0
Prescription Drug Wholesalers (S.B. 06-230)	0	219,915 (Cash Funds)	219,915	3.3
Public Utilities Commission E-Filing System (Decision Item)	0	188,640 (Cash Funds)	188,640	0.0
Dental Hygiene Practice Employment (S.B. 06-208)	0	150,000 (Cash Funds Exempt)	150,000	0.0
Mortgage Broker Registration Fees (H.B. 06-1161)	0	123,153 (Cash Funds)	123,153	1.5
Division of Insurance Surplus Lines Initiative (Budget Amendment)	0	105,142 (Cash Funds)	105,142	2.0
Leased Space (Long Bill)	(17,285)	(192,476)	(209,761)	0.0

The largest increase to the Department's total appropriation between FY 2005-06 and FY 2006-07 were annualized salary adjustments which were awarded in FY 2005-06, followed by salary and benefits adjustments which reflect adjustments to centrally-appropriated line items. Other changes include appropriations for increased insurance fraud investigation fees, pursuant to S.B. 06-38, as well as an appropriation for the Interstate Nurse Licensure Compact, pursuant to S.B. 06-20.

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF REGULATORY AGENCIES**

DECISION ITEMS FY 2007-08

Priority	Division: Description <i>[Statutory Authority]</i>	GF	CF <i>(Source)</i>	CFE <i>(Source)</i>	FF	TOTAL	FTE
1	<p>Executive Director's Office: Document Imaging System</p> <p>The Department is seeking to procure document imaging services through Central Services Electronic Data Warehouse system. <i>[Section 24-1-122, C.R.S.]</i></p>	\$0	\$0	\$102,210 <i>(Indirect cost recoveries from various cash funds)</i>	\$0	\$102,210	0.0
2	<p>Division of Financial Services: Additional Credit Union Examination and Supervision FTE</p> <p>The Department is requesting an additional 2.0 FTE to accommodate increased workload. <i>[Section 11-30-106, C.R.S.]</i></p>	0	119,984 <i>(Division of Financial Services Cash Fund)</i>	0	0	119,984	2.0
3	<p>Division of Registrations: Office of Expedited Settlement FTE</p> <p>The department is requests the <i>transfer of cash funds from its Legal Services appropriation to its Personal Services and Operating line items</i> to provide funds for one (1.0) additional FTE for the Office of Expedited Settlement to address the increased workload and expand the use of the expedited settlement process in the Division of Registrations. <i>[Section 24-4-101 et seq., C.R.S.]</i></p>	0	0	0	0	0	1.0

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF REGULATORY AGENCIES**

DECISION ITEMS FY 2007-08

Priority	Division: Description <i>[Statutory Authority]</i>	GF	CF <i>(Source)</i>	CFE <i>(Source)</i>	FF	TOTAL	FTE
4	Division of Registrations: Pharmacy and Tramway Inspector Vehicles The department is requesting two additional state vehicles for its Pharmacy Board Inspector program and one additional state vehicle for its Tramway Safety Board Inspection program. <i>[Sections: 25-5-712(1)(b), 12-22-110(1)(a), C.R.S.]</i>	0	(6,268) <i>(Division of Registrations Cash Fund)</i>	0	0	(6,268)	0.0
5	Executive Director's Office: Wireless Broadband for Remote Access The department is requesting 50 secure wireless broadband cards and monthly service fees for its various divisional examiners and inspectors. <i>[Section 24-1-122, C.R.S.]</i>	0	35,446 <i>(Various cash funds)</i>	1,440 <i>(Indirect cost recoveries for the EDO)</i>	0	36,886	0.0
Total Prioritized Requests		\$0	\$149,162	\$103,650	\$0	\$252,812	3.0

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF REGULATORY AGENCIES**

DECISION ITEMS FY 2007-08

Priority	Division: Description [Statutory Authority]	GF	CF (Source)	CFE (Source)	FF	TOTAL	FTE
Statewide	Executive Director's Office: Vehicle Replacements <i>[General statutory authority under Section 24-30-1104 (2) (f) and 24-30-1104 (2) (k), C.R.S.]</i>	0	7,797	0	0	7,797	0.0
Statewide	Executive Director's Office: Multi-Use Network Align department appropriations with anticipated expenditures. <i>[General statutory authority under Section 24-30-1104 (2) et seq., C.R.S.]</i>	(1,812)	0	(916)	0	(2,728)	0.0
Total Statewide Requests		(\$1,812)	\$7,797	(\$916)	\$0	\$5,069	0.0
Total Change Requests		(\$1,812)	\$156,959	\$102,734	\$0	\$257,881	3.0

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF REGULATORY AGENCIES**

OVERVIEW OF NUMBERS PAGES

The following table highlights the changes in the Department's FY 2007-08 request compared with the FY 2006-07 appropriation.

Category	GF	CF	CFE	FF	Total	FTE
Annualization and Other	118,736	4,014,950	(881,204)	(5,081)	3,247,401	0.5
Decision Items:	<u>(1,812)</u>	<u>156,959</u>	<u>102,734</u>	<u>0</u>	<u>257,881</u>	<u>3.0</u>
#1. ITS Imaging System	0	0	102,210	0	102,210	0.0
#2. Financial Services FTE	0	119,984	0	0	119,984	2.0
#3. Division of Registrations: Expedited Settlement Office FTE	0	0	0	0	0	1.0
#4. Division of Registrations: State Vehicles for Pharmacy and Tramway Inspectors	0	(6,268)	0	0	(6,268)	0.0
#5. ITS Wireless Broadband	0	35,446	1,440	0	36,886	0.0
NP. Vehicle Replacement	0	7,797	0	0	7,797	0.0
NP. Multi-use Network Request	(1,812)	0	(916)	0	(2,728)	0.0
Total Department Change	116,924	4,171,909	(778,470)	(5,081)	3,505,282	3.5

The increase in cash funds are due to annualization increases in health, life, dental (HLD), salary survey, performance-based pay awards, amortization equalization distribution, leased space, and the refinancing of the Low-Income Telephone Assistance program, pursuant to Section 40-3.4-108 (2) (a). The decrease in cash exempt funds is due to the refinancing of the Low-Income Telephone Assistance program.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
	Actual	Actual	Appropriation	Request
				DI/Notes

DEPARTMENT OF REGULATORY AGENCIES Tambor Williams, Executive Director
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(1) EXECUTIVE DIRECTOR'S OFFICE

Primary Function:conducting sunrise and sunset evaluations of divisions, commissions, and boards; promoting divisional efficiency and effectiveness; departmental administrative functions including accounting, budgeting, data processing, personnel, purchasing, facilities planning, and management reporting. The primary funding source is indirect cost recoveries that draw upon a variety of cash funds within the department.

Personal Services	3,335,136	3,563,837	3,718,633	3,810,667
FTE	<u>49.2</u>	<u>51.0</u>	<u>53.0</u>	<u>53.0</u>
General Fund	3,500	0	10,000	56,500
Cash Funds	0	0	43,000	23,000
Cash Funds Exempt	3,331,636	3,563,837	3,665,633	3,731,167
FTE	49.2	51.0	53.0	53.0
Federal Funds	0	0	0	0
Health, Life, and Dental	<u>1,091,015</u>	<u>1,247,228</u>	<u>1,643,160</u>	<u>2,186,348</u>
General Fund	33,551	38,057	59,376	106,453
Cash Funds	944,244	1,089,003	1,348,248	1,811,283
Cash Funds Exempt	113,220	120,168	235,536	268,612
Short-Term Disability	<u>42,819</u>	<u>41,531</u>	<u>35,812</u>	<u>43,250</u>
General Fund	1,454	1,311	878	1,564
Cash Funds	35,847	36,399	28,807	35,648
Cash Funds Exempt	5,518	3,821	6,127	6,038

	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	
	<u>Actual</u>	<u>Actual</u>	<u>Appropriation</u>	<u>Request</u>	<u>DI/Notes</u>
Salary Survey and Senior Executive Service	<u>644,218</u>	<u>952,907</u>	<u>899,451</u>	<u>1,224,390</u>	
General Fund	19,212	28,471	29,611	51,680	
Cash Funds	548,249	844,636	714,991	983,321	
Cash Funds Exempt	76,757	79,800	154,849	189,389	
Performance-based Pay Awards	<u>374,166</u>	<u>0</u>	<u>0</u>	<u>306,073</u>	
General Fund	11,091	0	0	11,073	
Cash Funds	322,470	0	0	252,279	
Cash Funds Exempt	40,605	0	0	42,721	
Workers' Compensation	<u>83,544</u>	<u>73,502</u>	<u>80,123</u>	<u>83,853</u>	
General Fund	2,630	2,313	2,811	3,049	
Cash Funds	70,812	62,133	67,836	71,030	
Cash Funds Exempt	8,844	8,151	8,288	8,532	
Federal Funds	1,258	905	1,188	1,242	
Amortization Equalization Distribution	<u>0</u>	<u>67,348</u>	<u>237,365</u>	<u>486,842</u>	
General Fund	0	1,858	5,503	17,610	
Cash Funds	0	60,188	191,198	401,272	
Cash Funds Exempt	0	5,302	40,664	67,960	
Operating Expenses	<u>145,245</u>	<u>135,606</u>	<u>259,751</u>	<u>215,974</u>	
General Fund	3,689	3,689	9,752 a/	3,689	
Cash Funds	32,441	24,267	140,884 b/,c/	101,730	DI #5
Cash Funds Exempt	109,115	107,650	109,115	110,555	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Legal Services	5,110,127	5,347,619	5,822,000	5,811,083	
Hours Equivalent	<u>82,997</u>	<u>82,973</u>	<u>85,908</u>	<u>85,747</u>	
General Fund	45,008	47,113	52,929	52,929	
Cash Funds	4,847,564	5,159,415	5,529,991 d/,e/,f/	5,519,074	DI #3
Cash Funds Exempt	99,892	83,829	111,334	111,334	
Federal Funds	117,663	57,262	127,746	127,746	
Administrative Law Judges	<u>177,966</u>	<u>170,820</u>	<u>182,621</u>	<u>224,740</u>	
General Fund	4,344	3,687	8,413	4,851	
Cash Funds	169,938	165,801	172,799	218,137	
Cash Funds Exempt	3,684	1,332	1,409	1,752	
Purchase of Services from Computer Center	<u>29,185</u>	<u>23,563</u>	<u>23,911</u>	<u>10,026</u>	
General Fund	653	242	263	103	
Cash Funds	21,869	19,806	20,097	9,239	
Cash Funds Exempt	6,663	3,515	3,551	684	
Multiuse Network Payments	<u>1,615</u>	<u>2,318</u>	<u>2,728</u>	<u>0</u>	
General Fund	0	1,502	1,812	0	
Cash Funds	1,615	0	0	0	
Cash Funds Exempt	0	816	916	0	
Payment to Risk Management Fund	<u>77,460</u>	<u>24,834</u>	<u>59,200</u>	<u>79,271</u>	
General Fund	2,412	767	2,128	2,994	
Cash Funds	61,796	19,537	47,248	63,320	
Cash Funds Exempt	11,595	4,099	8,592	11,311	
Federal Funds	1,657	431	1,232	1,646	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Vehicle Lease Payments - CF	136,574	141,417	206,011	213,808	
Information Technology Asset Maintenance	<u>498,093</u>	<u>462,572</u>	<u>471,706</u>	<u>574,900</u>	
General Fund	0	0	3,801	0	
Cash Funds	215,768	212,549	274,594	279,379	DI #2, #3
Cash Funds Exempt	282,325	250,023	193,311	295,521	DI #1
Leased Space	<u>2,268,770</u>	<u>2,304,701</u>	<u>2,256,361</u>	<u>2,535,019</u>	
General Fund	102,493	104,463	87,178	87,472	
Cash Funds	1,795,725	1,728,368	1,778,454	2,020,361	DI #3
Cash Funds Exempt	345,355	446,252	367,201	401,062	
Federal Funds	25,197	25,618	23,528	26,124	
Capital Complex Leased Space - CF	1,064	1,076	1,112	1,113	
Hardware / Software Maintenance	<u>674,422</u>	<u>657,699</u>	<u>659,831</u>	<u>660,320</u>	
General Fund	800	800	800	800	
Cash Funds	327,371	323,863	400,429	400,918	DI #3
Cash Funds Exempt	346,251	333,036	258,602	258,602	
Cover Colorado	<u>305,598</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
Cash Funds Exempt	305,598	0	0	0	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
					Request vs. Appropriation
TOTAL - (1) EXECUTIVE DIRECTOR	14,997,017	15,218,578	16,559,776	18,467,677	11.5%
FTE	49.2	51.0	53.0	53.0	0.0
General Fund	230,837	234,273	275,255	400,767	45.6%
Cash Funds	9,533,347	9,888,458	10,965,699	12,404,912	13.1%
Cash Funds Exempt	5,087,058	5,011,631	5,165,128	5,505,240	6.6%
FTE	49.2	51.0	53.0	53.0	0.0
Federal Funds	145,775	84,216	153,694	156,758	2.0%

a/ This appropriation excludes \$33,885 General Fund that was appropriated through H.B. 06-1344 and reflected in the FY 2006-07 Appropriations Report. This bill was contingent on the passage of Referendum I, which was not approved by voters in November 2006.

b/ Reflects an increase of \$24,800. Of said sum, \$4,800 is from the Division of Registrations cash fund, \$10,000 is from the Division of Insurance cash fund, \$10,000 is from the Division of Real Estate cash fund, pursuant to H.B. 06S-1009.

c/ Reflects an increase of \$10,312 from the Division of Registrations cash fund, pursuant to S.B. 06-020.

d/ Reflects an increase of \$25,780 from the Mortgage Broker Registration cash fund, pursuant to H.B. 06-1161.

e/ Reflects an increase of \$28,874 from the Division of Registrations cash fund, pursuant to S.B. 06-230.

f/ Reflects an increase of \$322 from the Division of Registrations cash fund, pursuant to H.B. 06-1395.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
(2) DIVISION OF BANKING					
Primary Function: regulating state chartered commercial banks, industrial banks and trust companies; licensing debt adjusters and money order companies. The funding source is the Division of Banking Cash Fund.					
Personal Services - CF	2,290,851	2,435,860	2,698,720	2,749,746	
FTE - CF	31.8	33.4	38.5	38.5	
Operating Expenses - CF	270,246	258,601	270,547	279,905	DI #5
Board Meetings - CF	11,473	10,174	11,500	11,500	
Indirect Cost Assessments - CF	419,176	416,082	435,762	445,974	
					Request vs.
					Appropriation
TOTAL - (2) BANKING - CF	2,991,746	3,120,717	3,416,529	3,487,125	2.1%
FTE - CF	31.8	33.4	38.5	38.5	0.0

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
	Actual	Actual	Appropriation	Request
				DI/Notes

(3) DIVISION OF CIVIL RIGHTS

Primary Function:investigating/adjudicating discrimination complaints relating to employment, housing and public accommodation.

The CFE funding source is various cash funds within the department.

Personal Services	1,591,630	1,484,590	1,558,639	1,585,073
FTE	<u>23.3</u>	<u>23.9</u>	<u>29.0</u>	<u>29.0</u>
General Fund	751,274	969,092	959,807 a/	951,219
FTE	13.1	15.2	18.0 a/	18.0
Cash Funds Exempt	211,318	179,706	234,347	270,098
FTE	2.2	2.2	2.0	2.0
Federal Funds	629,038	335,792	364,485	363,756
FTE	8.0	6.5	9.0	9.0
Operating Expenses	<u>84,959</u>	<u>84,094</u>	<u>97,977</u>	<u>97,977</u>
General Fund	42,380	68,925	56,857	56,857
Federal Funds	42,579	15,169	41,120	41,120
Hearings	<u>0</u>	<u>5,000</u>	<u>6,000</u>	<u>6,000</u>
General Fund	0	5,000	5,000	5,000
Federal Funds	0	0	1,000	1,000
Commission Meetings	<u>11,229</u>	<u>5,174</u>	<u>12,374</u>	<u>12,374</u>
General Fund	5,174	5,174	5,174	5,174
Federal Funds	6,055	0	7,200	7,200

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Indirect Cost Assessment - FF	37,624	81,594	62,978	54,832	
					Request vs. Appropriation
TOTAL - (3) CIVIL RIGHTS	1,725,442	1,660,452	1,737,968	1,756,256	1.1%
FTE	<u>23.3</u>	<u>23.9</u>	<u>29.0</u>	<u>29.0</u>	<u>0.0</u>
General Fund	798,828	1,048,191	1,026,838	1,018,250	-0.8%
FTE	13.1	15.2	18.0	18.0	0.0
Cash Funds Exempt	211,318	179,706	234,347	270,098	15.3%
FTE	2.2	2.2	2.0	2.0	0.0
Federal Funds	715,296	432,555	476,783	467,908	-1.9%
FTE	8.0	6.5	9.0	9.0	0.0

a/ This appropriation excludes \$24,167 General Fund and 0.5 FTE that was appropriated through H.B. 06-1344 and reflected in the FY 2006-07 Appropriations Report. This bill was contingent on the passage of Referendum I, which was not approved by voters in November 2006.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(4) DIVISION OF CONSUMER COUNSEL

Primary Function:representing interests of residential, agricultural and small business consumers in electric, gas, telecommunications utility rate and service proceedings before the Public Utility Commission (PUC). The funding source is the PUC Fixed Utility fund.

Personal Services - CF	652,511	631,726	744,602	755,462	
FTE - CF	5.9	5.9	7.0	7.0	
Operating Expenses - CF	45,051	34,333	55,572	55,572	
Indirect Cost Assessments - CF	76,214	75,651	79,229	81,086	
					Request vs.
					Appropriation
TOTAL - (4) CONSUMER COUNSEL - CF	773,776	741,710	879,403	892,120	1.4%
FTE - CF	5.9	5.9	7.0	7.0	0.0

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(5) DIVISION OF FINANCIAL SERVICES

Primary Function:regulating state-chartered savings and loan associations and credit unions; and financial oversight of life care institutions. The funding source is the Division of Financial Services Cash Fund.

Personal Services - CF	656,684	683,231	819,791	931,174	DI #2
FTE - CF	9.3	9.9	11.0	13.0	DI #2
Operating Expenses - CF	70,241	65,864	72,763	79,253	DI #2
Indirect Cost Assessments - CF	119,765	118,882	124,503	127,421	
					Request vs.
					Appropriation
TOTAL - (5) FINANCIAL SERVICES - CF	846,690	867,977	1,017,057	1,137,848	11.9%
FTE - CF	9.3	9.9	11.0	13.0	2.0

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(6) DIVISION OF INSURANCE

Primary Function:regulating insurance companies doing business and/or domiciled in Colorado; licensing insurance agents and adjusters; regulating non-profit hospital and health service corporations, prepaid dental plans, health maintenance organizations, self-insurance pools for workers' compensation, fraternal benefit societies, bail bondsmen, and pre-need funeral contracts. Unless otherwise indicated, the funding source is the Division of Insurance cash fund.

Personal Services	4,885,051	5,106,058	5,396,749	5,513,319	
FTE	<u>71.4</u>	<u>72.6</u>	<u>78.5</u>	<u>78.5</u>	
Cash Funds	4,872,187	5,106,058	5,391,721	5,513,319	
FTE	71.4	72.6	78.5	78.5	
Cash Funds Exempt	12,864	0	5,028	0	
Operating Expenses	<u>271,014</u>	<u>372,603</u>	<u>535,663</u>	<u>384,019</u>	
General Fund	0	100,000 a/	0	0	
Cash Funds	271,014	272,603	385,663 b/	384,019	DI #5
Cash Funds Exempt	0	0	150,000 c/	0	
Senior Health Counseling Program - FF	238,741	421,795	509,000	509,000	
FTE - FF	1.8	2.0	2.0	2.0	
PIP Exam Program - CF	100,000	26,723	26,670	26,670	
FTE - CF	0.0	0.0	0.5	0.5	
Insurance Fraud Prosecution - CF	280,257	272,895	685,729 d/	656,704	
Indirect Cost Assessments	<u>847,336</u>	<u>849,203</u>	<u>906,348</u>	<u>928,032</u>	
Cash Funds	833,311	832,164	894,161	915,115	
Federal Funds	14,025	17,039	12,187	12,917	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
					Request vs. Appropriation
TOTAL - (6) INSURANCE	6,622,399	7,049,277	8,060,159	8,017,744	-0.5%
FTE	<u>73.2</u>	<u>74.6</u>	<u>81.0</u>	<u>81.0</u>	<u>0.0</u>
General Fund	0	100,000	0	0	0.0%
Cash Funds	6,356,769	6,510,443	7,383,944	7,495,827	1.5%
FTE	71.4	72.6	79.0	79.0	0.0
Cash Funds Exempt	12,864	0	155,028	0	-100.0%
Federal Funds	252,766	438,834	521,187	521,917	0.1%
FTE	1.8	2.0	2.0	2.0	0.0

a/ Reflects an increase of \$100,000 from the General Fund, pursuant to S.B. 06-208.

b/ Reflects an increase of \$150,000 from the Health Care Reform cash fund, pursuant to S.B. 06-208.

c/ Reflects an increase of \$5,243 from the Division of Insurance cash fund, pursuant to H.B. 06-1330.

d/ Reflects an increase of \$379,950 from the Division of Insurance cash fund, pursuant to S.B. 06-038.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(7) PUBLIC UTILITIES COMMISSION

Primary Function:regulating public utilities in regard to rates and service; regulating transportation and gas pipeline safety programs; overseeing railroad crossing safety standards; regulating the transport of hazardous materials. Approximately half of the division's funding is from the Public Utilities Commission Fixed Utility fund, with the remainder coming from cash fund sources indicated in the letternotes.

Personal Services	6,646,746	7,218,611	7,589,209	7,703,799	
FTE	<u>84.1</u>	<u>88.5</u>	<u>93.5</u>	<u>93.5</u>	
Cash Funds	5,959,891	6,882,861	7,391,917	7,327,565	
FTE	84.1	88.5	93.5	93.5	
Cash Funds Exempt	686,855	335,750	197,292	376,234	
Operating Expenses	<u>387,511</u>	<u>381,260</u>	<u>435,922</u>	<u>394,202</u>	
Cash Funds	387,511	381,260	391,322	394,202	DI #5
Cash Funds Exempt	0	0	44,600 a/	0	
Expert Testimony - CF	25,000	25,000	25,000	25,000	
Indirect Cost Assessments	<u>1,009,288</u>	<u>1,010,485</u>	<u>1,058,279</u>	<u>1,083,079</u>	
Cash Funds	1,009,288	1,010,485	1,058,279	1,083,079	
Cash Funds Exempt	0	0	0	0	
Highway Crossing Payments - CFE	0	212,272	0	0	
Disabled Telephone Users Payment	<u>2,296,490</u>	<u>1,926,959</u>	<u>2,083,400</u>	<u>2,011,788</u>	
Cash Funds	1,569,910	1,523,564	2,020,283 b/	2,011,788	
Cash Funds Exempt	726,580	403,395	63,117	0	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Transfer to Reading Services for the Blind Cash Fund (Disabled Fund) - CF	93,800	190,000	200,000	200,000	
Transfer to Commission for the Deaf and Hard of Hearing Cash Fund - CF	25,000	25,000	25,000	0	
Low Income Telephone Assistance	<u>394,746</u>	<u>298,212</u>	<u>1,097,367</u>	<u>2,238,600</u>	
Cash Funds	355,164	298,212	0	2,238,600	
Cash Funds Exempt	39,582	0	1,097,367	0	
					Request vs. Appropriation
TOTAL - (7) PUBLIC UTILITIES COMM.	10,878,581	11,287,799	12,514,177	13,656,468	9.1%
FTE	<u>84.1</u>	<u>88.5</u>	<u>93.5</u>	<u>93.5</u>	<u>0.0</u>
Cash Funds	9,425,564	10,336,382	11,111,801	13,280,234	19.5%
FTE	84.1	88.5	93.5	93.5	0.0
Cash Funds Exempt	1,453,017	951,417	1,402,376	376,234	-73.2%

a/ Reflects an increase of \$44,600 from the Public Utilities Commission Fixed Utility fund, pursuant to H.B. 06-1325.

b/ Reflects a reduction of \$25,000 from the Colorado Disabled Telephone Users cash fund, pursuant to S.B. 06-218.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(8) DIVISION OF REAL ESTATE

Primary Function:licensing real estate brokers, agents and appraisers; regulating subdivision developers. The funding source is the Division of Real Estate Cash Fund unless otherwise indicated.

Personal Services - CF	2,239,546	2,070,067	2,494,057	2,640,830	
FTE - CF	34.2	31.4	38.5 a/	39.0	
Operating Expenses - CF	182,236	162,459	281,296 a/	186,441	
Commission Meetings - CF	19,095	16,755	21,925	21,925	
Hearings - CF	0	450	3,000	4,000	
CBI / FBI Record Checks - CF	209,350	24,095	0	0	
Indirect Cost Assessment - CF	402,845	399,871	418,784	445,974	
Payments from Real Estate Recovery - CF	518,773	0	0	0	
					Request vs. Appropriation
TOTAL - (8) REAL ESTATE - CF	3,571,845	2,673,697	3,219,062	3,299,170	2.5%
 FTE - CF	34.2	31.4	38.5	39.0	0.5

a/ Reflects an increase in \$97,373 from the Mortgage Broker Registration cash fund and 1.5 FTE, pursuant to H.B. 06-1161.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(9) DIVISION OF REGISTRATIONS

Primary Function:Examining, licensing and regulating various professions and occupations. The primary funding source is the Division of Registrations Cash Fund.

Personal Services	9,190,141	9,551,010	9,845,595	10,410,454	
FTE	<u>154.4</u>	<u>157.7</u>	<u>165.2</u>	<u>166.2</u>	
Cash Funds	7,490,198	7,770,516	8,009,859	8,186,563	DI #3
FTE	132.0	135.3	141.5	142.5	a/,b,c/
Cash Funds Exempt	1,699,943	1,780,494	1,835,736	2,223,891	
FTE	22.4	22.4	23.7	23.7	
Operating Expenses	<u>1,180,631</u>	<u>1,164,034</u>	<u>1,728,017</u>	<u>1,248,555</u>	
Cash Funds	1,062,629	1,042,770	1,622,196	1,248,555	DI #3, #4, #5
Cash Funds Exempt	118,002	121,264	105,821	0	
Hearings Pursuant to Complaint	<u>240,009</u>	<u>236,834</u>	<u>307,075</u>	<u>307,075</u>	
Cash Funds	236,525	226,089	304,075	307,075	
Cash Funds Exempt	3,484	10,745	3,000	0	
Payments to					
Human Services Reconciliation Fund	<u>12,844</u>	<u>146,812</u>	<u>14,652</u>	<u>14,652</u>	
Cash Funds	12,844	0	14,652	14,652	
Cash Funds Exempt	0	146,812	0	0	
Indirect Cost Assessment	<u>3,184,411</u>	<u>3,440,022</u>	<u>3,742,695</u>	<u>3,804,927</u>	
Cash Funds	2,917,956	3,208,884	3,490,198	3,804,927	
Cash Funds Exempt	266,455	231,138	252,497	0	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
					Request vs. Appropriation
TOTAL - (9) REGISTRATIONS	13,808,036	14,538,712	15,638,034	15,785,663	0.9%
FTE	<u>154.4</u>	<u>157.7</u>	<u>165.2</u>	<u>166.2</u>	<u>1.0</u>
Cash Funds	11,720,152	12,248,259	13,440,980	13,561,772	0.9%
FTE	132.0	135.3	141.5	142.5	0.0
Cash Funds Exempt	2,087,884	2,290,453	2,197,054	2,223,891	1.2%
FTE	22.4	22.4	23.7	23.7	0.0

a/ Reflects an increase of \$317,149 from the Division of Registrations cash fund and 2.0 FTE, pursuant to S.B. 06-020.

b/ Reflects an increase of \$191,041 from the Division of Registrations cash fund and 3.3 FTE, pursuant to S.B. 06-230.

c/ Reflects an increase of \$30,075 from the Division of Registrations cash fund and 0.4 FTE, pursuant to H.B. 06-1395.

d/ Reflects an increase of \$2,542 from the Division of Registrations cash fund, pursuant to H.B. 06-1196.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(10) DIVISION OF SECURITIES

Primary Function:registering securities sales agents and broker-dealers; regulating non-exempt securities; registering government investment pools; regulating municipal bonds. The funding source is the Division of Securities cash fund.

Personal Services - CF	1,466,180	1,546,865	1,649,861	1,689,772	
FTE - CF	19.3	19.3	20.0	20.0	
Operating Expenses - CF	45,051	45,550	45,656	47,816	DI #5
Hearings - CF	23,165	18,726	19,594	19,594	
Board Meetings - CF	1,030	3,983	4,500	4,500	
Securities Fraud Prosecution - CF	331,499	370,417	421,274	421,274	
Indirect Cost Assessment - CF	217,753	216,513	226,370	231,675	
					Request vs.
					Appropriation
TOTAL - (10) SECURITIES	2,084,678	2,202,054	2,367,255	2,414,631	2.0%
FTE	<u>19.3</u>	<u>19.3</u>	<u>20.0</u>	<u>20.0</u>	<u>0.0</u>
Cash Funds	2,084,678	2,202,054	2,367,255	2,414,631	2.0%
FTE	19.3	19.3	20.0	20.0	0.0

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
					Request vs.
					Appropriation
DEPARTMENT OF REGULATORY AGENCIES					
TOTALS	58,300,210	59,360,973	65,409,420	68,914,702	5.4%
FTE	<u>484.7</u>	<u>495.6</u>	<u>536.7</u>	<u>540.2</u>	<u>3.5</u>
General Fund	1,029,665	1,382,464	1,302,093	1,419,017	9.0%
FTE	13.1	15.2	18.0	18.0	0.0
Cash Funds	47,304,567	48,589,697	53,801,730	57,973,639	7.8%
FTE	388.0	396.3	429.0	432.5	3.5
Cash Funds Exempt	8,852,141	8,433,207	9,153,933	8,375,463	-8.5%
FTE	73.8	75.6	78.7	78.7	0.0
Federal Funds	1,113,837	955,605	1,151,664	1,146,583	-0.4%
FTE	9.8	8.5	11.0	11.0	0.0

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF REGULATORY AGENCIES**

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.

Comments: The department is in compliance.

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.

Comments: The Governor vetoed this footnote stating that it violates the separation of powers in Article III of the Colorado Constitution in that it is attached to federal funds and private donations, which are not subject to legislative appropriation. Placing information requirements on such funds could constitute substantive legislation in the general appropriations bill in violation of Article V, Section 32 of the Colorado Constitution. Further the Governor asserts that this request would require a significant devotion of unallocated resources to meet this footnote's request.

The following table shows the number of federally funded FTE authorized in the Long Bill and employed in the Department:

Federally Funded FTE	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Appropriated FTE	11.0	11.0	11.0	11.0
Actual FTE	8.6	9.8	8.5	11.0

There were 2.0 federally funded FTE in the Division of Insurance's Senior Health Counseling Program throughout this period, which corresponds with the program's appropriation. The fluctuations occurred in the Division of Civil Rights where all other federally funded FTE

are located. The department indicates that staffing fluctuations for federally-funded FTE in the Civil Rights Division are normal, given the nature of its contracts with HUD and the EEOC. The department has no cash funds exempt FTE that are associated with federal grants or private donations.

- 112 **Department of Regulatory Agencies, Executive Director's Office and Administrative Services** -- The Department is requested to submit a report to the Joint Budget Committee by October 1, 2006 on the Office of Expedited Settlement within the Division of Registrations. The report shall include quantitative measures that can be used to assess the program and a recommendation, based on those measures, to continue, modify or discontinue the program.

Comment: This footnote was vetoed by the Governor on the grounds that it constitutes substantive legislation in the Long Bill. The Governor's veto comments also stated that the footnote essentially requires the Department to prepare a sunset review and report and such reports should have separate authorizing statutory direction. Noting that the requested information may be useful, the Governor stated that he will direct the department to comply to the extent feasible.

A report was furnished by the department on October 1, 2006 and included performance measures related to the program's effectiveness. The original goals of the Office of Expedited Settlement (OES) were improved customer service, increased customer satisfaction, efficient use of division resources, and to maximize the effective use of legal services.

In 2005, OES received 610 cases and resolved 590 for a 96.7 percent settlement rate, despite the original estimated goals to settle 50 percent of cases referred (approx. 365 cases). The report stated that costs and length of time to settlement are substantially lower than those for the Office of the Attorney General (OAG). According to a 2005 performance audit by the Colorado State Auditor, the average cost to settle a case through OES was \$320 as compared to \$620 through the OAG.

The report concludes that OES has met its objective to increase customer service and satisfaction through more timely resolution and have mitigated the cost of legal services.

FY 2007-08 JBC BUDGET BRIEFING DEPARTMENT OF REGULATORY AGENCIES

Department of Regulatory Agencies Performance Measures

ISSUE:

Department of Regulatory Agencies Performance Measures

DISCUSSION:

Department Mission & Vision

Mission Statement:

Promote a balanced and sensible approach to regulation that both protects the public through the vigorous, fair enforcement of Colorado law, and supports economic growth.

Goals and Performance Measures

The Department's strategic plan is 55 pages long and is comprised of eight strategic objectives in all with four deemed as essential, two deemed high, one medium, and one low. In addition, each division has specific performance measures which reflect targets and actual experience.

The Department's eight (8) strategic goals are summarized below:

1. Protection – Protect the public from fraudulent, dangerous, incompetent, discriminatory, or unsafe professionals or businesses - and from inadequate choice and unreasonably priced services and products.
2. Market Facilitation – Facilitate a vigorous and competitive free market economy in which persons and organizations can thrive and succeed.
3. On-Line Service – Transform DORA into a department that provides transactional services to customers on-line.
4. Improve Department Operations – Improve (standardize, automate, reengineer) work processes to make them work more efficient, effective, flexible, and increasingly automated as resources and technology permit.
5. Effective IT Infrastructure – Continue to develop a responsive, secure, and reliable information management infrastructure to provide complete, accurate, and timely information for internal and external customers.
6. Improve Communication with All Stakeholders – Continue to improve communication with the public and our stakeholders through a variety of means that are responsive, reliable, and easy to access.
7. Customer Service – Provide customer service that fosters trust and confidence.
8. Innovate – Provide new or improved services to customers in a targeted portion of the population, including small business owners.

Staff Analysis

Joint Budget Committee staff reviewed the Department of Regulatory Agencies' 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 performance measures provided in FY 2007-08 budget briefing are generally consistent with their respective statutory directives. Due to the regulatory nature of the Department, most divisions have clearly defined goals and associated performance measures.

Most of the Department's performance measures are input/output workload based items. The performance measures cover the large span of this diverse budget area which ranges from banking and financial services regulation to consumer protection services in the insurance, real estate, and securities industries, as well as regulating more than 42 professions, occupations, and entities.

Staff has no reason to believe that the data reflected are not valid or reliable.

Many of the Department's performance measures reflect workload achievement levels (number of inspections carried out in relation to a base number of inspections to be conducted and number of licensees actually issued in relation to an estimated number of licensees). The performance measures may communicate to stakeholders the volume of work performed, the performance measures do not inherently communicate the degree to which the Department is protecting the public.

The performance measures are not linked to the proposed budget base in any of the areas evaluated. This is not a requirement which has been placed on the budget for the Department, nor for other budgets statewide. There is no impact to a program if the Department's performance targets are not met.

The following are examples of key goals and performance measures from selected programs or divisions.

Division of Civil Rights - Sample Performance Measures

- Make additional functions and information available on the Internet for external and internal customers.

- Reduction in the percentage of case determination appeals that overturn the decision of the Director (FY 2005-06, 1.7 percent)

Background

The Division of Civil Rights' program functions include the following:

1. Enforce laws by investigating/resolving complaints of discrimination in employment, housing, public accommodation and advertising.
2. Communicate, educate, inform private citizens, businesses and governments about discrimination and unfair practices.
3. Respond to requests for intervention in community issues, collaborate and partner with other agencies whose missions are similar.

Analysis

- With respect to the "making additional functions and information available on the Internet for external and internal customers" performance measure, is more of a "goal" than a performance measure. The goal does address the Department's number one priority to move toward e-government, however the goal is not measurable.

In FY 2005-06, the department sets a target to "evaluate need to provide additional online filing services." Its actual result included developing an online questionnaire. Such a measure does not directly tie to the program's functions listed above. This information may be of value to internal stakeholders, however legislators and the general public would not be able to gauge the program's effectiveness.

- Regarding the "reduction in the percentage of case determination appeals that overturn the decision of the Director" performance measure, the Division indicates that a decrease in the number of appeals is one indicator that customers are satisfied with the information they receive and the thoroughness and quality of the case handling (enforcement) process. This is an acceptable performance measure as this communicates the program's ability to resolve complaints of discrimination.

Public Utilities Commission (PUC) – Sample Performance Measures

- Provide easier-to-read, well-organized rules.
- Continue to strive to improve internal processes and efficiencies brought about by the use of technology in the field of electronic processes.

Background

The PUC's program functions include the following:

1. Issuing the regulatory authority that allow utilities to operate
2. Establishing standards
3. Assisting and providing education to the public
4. Enforcing and verifying compliance with its requirements
5. Administering direct service programs

Analysis

- Regarding the "provide easier-to-read, well-organized rules" performance measure, staff has difficulty understanding how this is a performance measure. Ultimately the Division should have this as an outcome, and until this is accomplished it should be a goal. Staff recognizes that this goal ties into its program functionality of "assisting and providing education to the public," however is not a performance measure in and of itself.
- With respect to the "continue to strive to improve internal processes and efficiencies brought about by the use of technology in the field of electronic processes" performance measure, staff had difficulty understanding the intent of this measure as its language is confusing and lacks any definitives regarding the program's effectiveness. Again, this is soughtafter goal, not a performance measure.

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF REGULATORY AGENCIES**

Decision Item No. 1: Document Imaging System

ISSUE:

The Department is requesting funding to replace its current document imaging system by purchasing licenses to use the Electronic Data Warehouse (EDW), housed within the Department of Personnel and Administration, Division of Central Services. Staff is concerned that the decision item may not fully recognize cost-savings alternatives currently available within the state system and from revenue-generating opportunities which could mitigate the cost of a new document imaging system.

SUMMARY:

- The current document imaging system employed by the Department is encumbered with operational inefficiencies, lacks proper programmatic documentation, has security vulnerabilities, and lacks adequate system functionality.
- The Department is proposing that it be appropriated funding to procure licenses to utilize the Electronic Data Warehouse (EDW), managed by the Department of Personnel and Administration, Division of Central Services.
- The cost of the decision item could be mitigated by utilizing existing state resources and could potentially benefit from revenue-generating opportunities through subscription and online content sales.

RECOMMENDATION:

Staff recommends that the JBC ask the Department to respond to the following questions at its hearing before the JBC:

1. The decision item includes a request for 40 hours of consulting services as well as associated conversion consultant travel costs (estimated to be \$13,500). The Integrated Document Services (IDS) group, within the Department of Personnel and Administration, Division of Central Services possesses conversion services. Did the Department explore the possibility of utilizing IDS's conversion services in lieu of external consulting services? Please justify this request for professional services.
2. Could the costs of the system be offset by revenue-generating opportunities such as providing document imaging assets to subscribers or online content sales?

DISCUSSION:

1. **House Bill 02-1326.** Enacted the Uniform Electronic Transactions Act (UETA) to govern transactions between parties that have agreed to conduct business by electronic means.

The legislation requires that the Secretary of State specify:

- a. The manner and format in which electronic records must be created, generated, sent, communicated, received, and stored.
- b. The systems and control processes established for sent, communicated, received, and stored

The intent of this legislation was to encourage state agencies continued increase in the use of electronic means of conducting business.

2. **E-Government.** According to the Department's FY 2007-08 strategic plan, its number one priority is to move toward E-government to improve customer service and benefit from the efficiencies it creates. Per the strategic plan furnished by the Department, the move to E-Government will provide the following:

- This will serve to make essential regulatory information available to the private sector in the most efficient and cost-effective manner possible, minimizing time and staff resources that must be expended by private entities to monitor regulatory information.
- Expanding opportunities to make applications and submit filing electronically will enhance the convenience and cost-effectiveness of complying with the administrative mechanisms of regulation, minimizing time and effort expended by private entities in order to comply with Colorado law.
- E-Government applications such as DORA's Regulatory Notice System provides private entities the opportunity to monitor proposed rules before they are adopted, thereby leading to more informed rule-making that does not adversely affect consumers or businesses without a full hearing and cost-benefit analysis.

3. **Current Document Imaging System.** LibertyNET, a single platform, client-thick application acquired in 1999, and was originally contracted for 5 years. Near the contract termination date, the Department believed that it had not maximized its investment and as such extended the contract for three additional years. Due to system aging the system has become more difficult to maintain and as such the Department must shoulder the integration and maintenance of applications with little vendor support. The system has several inefficiencies which are limiting the Department's operational efficiency:

- Security Concerns.** Usage raises several security concerns due to the method in which the software stores division log-on codes as well as allows for blank password access.

- ❑ **Poor Software Documentation.** System software is not properly documented or is outdated and as such the time it takes to resolve programmatic problems can be excessive.
 - ❑ **Limited Search Capabilities.** Users must use predetermined primary keys such as document ID or Last Name. The Optical Character Recognition (OCR) capabilities were never fully configured and as such the search criteria within LibertyNET is limited. This increases time to find the desired data.
 - ❑ **Restrictive Functionality.** The software can only import and export a single image format and as such all documents not in this format must be converted. This process is partly manual in nature requiring FTE time to be allocated towards this activity.
 - ❑ **Maintenance Costs.** Annual Maintenance Cost of \$25,000 and vendor support is lacking and very little documentation and training opportunities are available for the current system. Manual assistance is required for mundane tasks which should be automated including: batch loading errors, configuring desktops, and troubleshooting load errors.
4. **Proposed Document Imaging System.** The Department is proposing the replacement of the LibertyNET document imaging system by purchasing licenses to use the Electronic Data Warehouse (EDW) system, which is currently used by other state agencies. This system would provide the Department with a cost-efficient ability to organize and distribute captured electronic content such as documents, images, video, and e-mail for access by citizens, agency employees, and state personnel. The Electronic Data Warehouse (EDW) is housed, operated, and maintained by the Department of Personnel and Administration, Divisions of Information Technology and Central Services.
- ❑ **Electronic Data Warehouse (EDW).** The EDW is a content management system which enables immediate access to several applications and content types. The Electronic Data Warehouse (EDW) uses an EMC ApplicationXtender document management system to index and store documents, images, and e-mail offering integrated web content, document and records management, and an imaging system for managing content for easy access and retrieval. *As the volume of stored documents increases, the cost per document will dramatically decrease.* As more departments use the EDW, the state will be able to leverage the costs even more.
 - ❑ **Integrated Document Solutions (IDS).** The IDS combines the operations of the Integrated Document Factory and the Document Solutions Group and exists to provide high quality, economical, comprehensive business support services to State agencies including graphic design, print operations, mail operations, data entry, and imaging services. IDS offers state agencies document conversion, data manipulation, document preservation, and content management services. IDS integrates data with various databases for data and image processing.

5. **Cost Mitigation.** Staff is concerned that the decision item provided by the Department may not maximize all resources at its disposal within the state system and may be able to mitigate the cost of a new imaging system with more affordable in-house services and through potential revenue-generating operations upon the implementation of the new system.

- ❑ **Inter-Department Cost Sharing.** EDW is shared between several agencies, which lowers the cost per agency and allows for larger economies of scale. The Department of Revenue (the Motor Vehicle Business Group and the Colorado Lottery), Department of Education, Department of Labor and Employment, and The Department of Personnel currently utilize the EDW system. As more state agencies resource the EDW, the costs will decrease in accordance with economies of scale.
- ❑ **In-House Expertise.** The IDS offers state agencies document conversion, data manipulation, document preservation, and content management services, which may offset the decision item's request for conversion consulting professional services.
- ❑ **Generating Additional Revenue (Example).** The San Diego County Assessor/Recorder/County Clerk (ARCC) is responsible for a variety of public services, among them maintaining public records (including parcel maps, deeds, liens, judgments, and other official property records, in addition to birth, death, and marriage records), as well as issuing marriage licenses. The ARCC serves over 2.9 million citizens in the county, and supports a volume of several million transactions annually.

In 2005, the ARCC adopted a variation of the EMC ApplicationXtender software (same program vendor operated by the Department of Personnel & Administration's Integrated Document Solutions group) and as an added benefit, the county has seen new sources of revenue from the image scanning and document access solution. Each day's recorded documents are digitized and saved onto CD. ARCC then sells those images to interested subscribers as well as to online customers. The county's customers get high-quality images, further enhancing service to citizens and creates a revenue source to offset the cost of the system.

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF REGULATORY AGENCIES**

Decision Item No. 3: Office of Expedited Settlement Staffing Increase

ISSUE:

The Department is requesting that cash funds from its Legal Services appropriation be transferred to its Personal Services and Operating line items to provide funding for one additional FTE for the Office of Expedited Settlement (OES) to address increased caseload and expand the use of the expedited settlement process within the Division of Registrations. While the demand for the program continues to exist within the Division, the effectiveness of the program may be approaching a point of diminishing returns.

SUMMARY:

- The Office of Expedited Settlement (OES) was initiated in the Department of Registrations in FY 2004-05 to improve the timeliness of issue resolution and to mitigate legal services expenditures associated with disciplinary action.
- Through informal disciplinary mechanisms including probation, practice limitations, fines, letters of admonition, and other actions usually achieved through stipulations, the OES settled 590 cases in FY 2004-05 and 632 cases in FY 2005-06, relieving the Office of the Attorney General (OAG) the burden of handling these cases and increasing the timeliness of implementing disciplinary action.
- When the Office of Expedited Settlement was initiated in FY 2004-05, the estimated number of referrals was approximately 365 cases, however the actual number of referrals for the fiscal year was 610, or approximately 67.1 percent more cases than anticipated. The Division of Registrations utilized the OES similarly in FY 2005-06. Despite the substantial increase in the number of actual cases referred to the OES over what was originally anticipated, the office was able to settle 96.7 percent and 98.0 percent of the cases brought before it in FY 2004-05 and FY 2005-06, respectively.
- In FY 2004-05, the OES referred 20 cases to the Office of the Attorney General (OAG), however in FY 2005-06, the OES referred 48 cases to the OAG, marking a substantial increase in the number of cases which required the services provided by the Department of Law.

RECOMMENDATION:

Due to the increasing utilization of the Office of Expedited Settlement (OES) by the Division of Registrations and the increasing complexity of the cases brought before it, staff recognizes the benefits of adding an additional FTE to meet the workload requirements of the OES, however any additional FTE beyond this request may only be marginally beneficial.

Staff recommends that the JBC ask the Department to respond to the following questions at its hearing before the JBC:

1. What are the costs associated with those cases which are referred by the Office of Expedited Settlement (OES) to the Office of Attorney General (OAG) in terms of the overlapping costs of both the OES and the OAG when transferring the case from one office to the other?
2. With regards to cases seen both by the OES and OAG, what is the nature of these cases which give cause to the various boards first recommending the case to the OES, but which are ultimately referred to the OAG? Are there any measures the Department can take to assist the various boards with more effective case assignment procedures?
3. The Division of Registrations has witnessed an increase in the complexity of cases requiring legal services. Does the Division recognize any trends within the respective industries which may account for the increase in the complexity of cases, and thus increased legal services expenditures?
4. Are all cases referred to the Office of Expedited Settlement handled equally? Are there any cases which are given preference over other cases? If so, what criteria are used to prioritize the order in which cases are addressed? Would it be feasible to implement a risk-based approach to handling cases which are processed through the OES?

DISCUSSION:

1. **Public Protection through Effective Licensure and Enforcement.** This is the mission of the Division of Registrations (DOR). The DOR regulates approximately 280,000 licensees in more than 30 professions and occupations through associated boards and licensing programs. The goals of these boards and programs is to ensure a minimal level of licensee competence and to protect the public.

The boards within the DOR are empowered to:

- a. Determine the qualifications to obtain a license.
 - b. Regulate the standards of conduct for the profession.
 - c. Review complaints against licensees.
 - d. Take disciplinary action.
2. **Disciplinary Action.** It is DOR's objective to provide public protection from incompetent, unethical, unsafe, and criminal practitioners. One way to achieve this objective is through disciplinary actions against licensees. Disciplinary action results after a board receives a complaint, conducts the necessary investigation, and reviews the evidence before it. Formal disciplinary action requires attorneys and paralegals to prepare the cases, experts to testify, and administrative law judges to hear cases. The costs of this process can be substantial, time to resolution slow, thus compounding the costs to administer disciplinary action.
 3. **Expanded Statutory Options.** Boards within the DOR settle a vast majority of their disciplinary cases through a variety of formal and informal mechanisms. The General

Assembly has expanded DOR's statutory disciplinary options through the Sunset review process. These informal mechanisms include probation, practice limitations, fines, letters of admonition, and other actions usually achieved through stipulations.

4. **Increased Latitude in Negotiations.** The broader range of sanctions (probation, practice limitations, fines, letters of admonition, etc.), facilitates settlements by providing greater latitude for both parties in negotiations. This provides the Division the opportunity to develop processes to utilize these options in the resolution of disciplinary actions as an alternative to legal representation, thus minimizing legal services expenditures.
5. **Legal Expenses.** DORA has substantial legal bills. In FY 2006-07, the department was appropriated \$5.8 million or 28.1 percent of the state's entire legal services expenditures.

Legal Services Expenditures by State Agencies

	FY 02-03 Actual	FY 03-04 Actual	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Approp.
Regulatory Agencies	\$4,914,917	\$4,984,120	\$5,075,682	\$5,310,731	\$5,767,024
Percent of Total Legal Expenditures	27.5%	27.9%	28.4%	29.7%	28.1%
Natural Resources	2,246,550	2,229,281	2,198,168	2,471,139.0	2,680,439
Personnel	2,130,381	2,152,987	2,315,498	2,548,690	2,391,739
Public Health & Envirmt.	1,464,852	1,464,533	1,354,044	1,599,380	1,872,485
Corrections	1,007,912	959,650	1,095,811	1,012,821	1,036,745
Human Services	1,125,465	1,050,906	1,173,984	1,301,464	1,249,611
Transportation	1,079,928	978,367	981,602	1,098,635	1,113,597
Other	<u>3,917,207</u>	<u>4,067,368</u>	<u>3,692,423</u>	<u>2,544,352</u>	<u>4,434,936</u>
Total	\$17,887,212	\$17,887,212	\$17,887,212	\$17,887,212	\$20,546,576

6. **Footnote 127, S.B. 95-214.** This footnote stipulated that the Department submit a report on its efforts to reduce the level of legal services required by the department, including the development of guidelines for prioritizing and selecting cases for litigation based on specific risk factors or statutory obligations, the expanded use of alternative dispute resolution proceedings, and the use of preventative measure such as the ongoing education of those regulated.
7. **Expedited Settlement Process.** In response to mandate by the General Assembly to reduce the level of legal services, the Board of Nursing was the first to pilot an expedited settlement process (ESP) with the purpose of settling cases against licensees before being referred to the Office of the Attorney General (OAG). In 1998, the application of the process was adopted by other boards and programs. In 2004, The General Assembly granted the Division the

authority to create the Office of Expedited Settlement (OES), which provides settlement services to all boards (except the Board of Nursing) and programs within the Division.

8. **Office of Expedited Settlement (OES).** The overall goals of creating the OES were to improve customer service through more timely issue resolution and to mitigate legal services costs. The initial settlement goal of the OES was to settle 50 percent of cases referred, which was approximately 365 cases. As shown below in the table, the number cases actually referred to OES in FY 2004-05 was 67 percent greater (245 cases) than what was estimated and continues to expand.

Performance Measure	FY 2004-05 Actual	FY 2005-06 Actual	Annual Variance	Annual Variance %
Cases Referred to ESP	610	645	35	5.7%
Cases Settled in ESP	590	632	42	7.1%
Referred to OAG	20	48	28	140.0%
Settlement Rate	96.7%	98.0%	1.3 pts	---
Avg. Days in ESP	53	80	27	50.9%

It is important to note that because OES was settling more cases than projected, the number days to settle a case increased from 53 to 80 days, but remained below a projected target level of 100 days per case. Also, due to the nascent nature of the Office, historical trending data has not been established in order to accurately predict the number of cases the Office can expect to refer to the OAG in any given year.

9. **The Oregon Plan.** The Oregon Plan asserts that all state legal services should be concentrated under the direction of the Attorney General, and is the model Colorado has adopted. According to Section 24-31-101, C.R.S., "the attorney general of the state shall be the legal counsel and advisor of each department, division, board, bureau, and agency of the state government other than the legislative branch." It is rooted in this statute that the state has adopted the Oregon Plan in how it concentrates its legal services under the Office of the Attorney General (OAG).

However, the majority of the Division of Registration's boards are Type 1, and as such are not subject to direction by departmental personnel. These boards are Type 1 because of the expertise required to achieve effective public protection. These boards determine if disciplinary actions require legal services administered by the OAG, thus incurring legal services expenses. What complicates matters is that all legal services funding is appropriated to DORA management, establishing department management as the arbiter of the legal funding of autonomous boards. This places the department in a position where it can not enforce accountability over legal expenditures.

10. **Memorandum of Understanding (MOU).** Given the disciplinary nature of the expedited settlement process and the legal implications it may have, a MOU between the Office of the

Attorney General (OAG) and the Department of Regulatory Agencies, Division of Registrations (DOR), was agreed upon in September 2006.

The elements of the MOU are summarized below:

- Is intended to govern the manner in which cases are processed through the OES on behalf of the regulatory boards and programs currently within the DOR.
- Is intended to facilitate cooperative efforts on behalf of the DOR and the OAG to facilitate the success of the expedited settlement program.
- Was established guidelines governing the preparation of form stipulations, the referral of cases to OES, the resolution of cases through OES, and the referral of cases from OES to the OAG where warranted.

11. **2005 Division of Registrations Performance Audit.** In the performance audit by the Colorado State Auditor, the Office of Expedited Settlement was reviewed. In the report, the Auditor determined that the average cost to settle a case through the OES was approximately \$320 compared with an estimated \$620 per case for those referred to and settled by the Office of the Attorney General (OAG).

12. **Legal Services Expenditures Mitigation.**

- With OES.** In FY 2005-06, 632 cases were settled through OES, at an approximate cost of \$202,240 (632 cases at \$320 per settled case).
- Without OES.** If the OES were not in place and all 632 cases that might have been settled were instead referred to and settled by the OAG, the estimated cost would be approximately \$391,840 (632 cases at \$620 per settled case).
- Savings.** The OES expedited settlement process saved approximately \$189,600 in legal services expenditures for FY 2005-06.

13. **Cases Referred to the OAG by the OES.** Cases Referred to the Office of Expedited Settlement. When the office was initiated in FY 2004-05, the estimated number of referrals was approximately 365 cases, however the actual number of referrals for the fiscal year was 610, 67.1 percent more cases than anticipated. In FY 2005-06, the actual number of referrals was 645, 76.7 percent more than the original number of cases anticipated in the prior year.

Despite the substantial increase in the number of actual cases referred to the OES over what was originally anticipated, the office was able to settle 96.7 percent and 98.0 percent of the cases brought before it in FY 2004-05 and FY 2005-06, respectively. These high settlement rates indicate that the OES has been effective handling the number of cases referred to it with the resources it is presently appropriated to fund its operations.

14. **Increase in the Complexity of Cases.** The Division of Registrations has witnessed an increase in the complexity of cases requiring legal services, which may account for why the

average days in the expedited settlement process went from 53 in FY 2004-05 to 80 days in FY 2005-06. While the Department is encouraging the utilization of the Office of Expedited Settlement among the Division of Registration's various professional boards, some professions, namely the Physicians and Dentists, are inherently more complex as cases involving these types of professionals often have representation provided by malpractice carriers when a disciplinary action is initiated by their boards. Cases of the nature of these require more time due to the complexity of dealing with third party malpractice representation.

15. **Cases Referred to the OAG by the OES.** In FY 2004-05, 20 cases were referred by the OES to the OAG and in FY 2005-06, 48 cases were referred by the OES to the OAG, marking a substantial increase in the number of cases reviewed by the OES but which were ultimately referred to the OAG. This trend in cases which do not qualify for the expedited settlement process draw on resources in both the OES and the OAG.

The overlap these cases have in both the OES and OAG, limit both office's abilities to resolve cases in a timely fashion and mitigate legal services expenses. **Staff recommends that the Department seek to establish a uniform checklist of criteria that the various professional boards would reference which would inform, assist, and guide the professional boards in determining if a particular case would be available to the expedited settlement process and if not immediately refer the case to the OAG.** A decrease in the number of cases improperly referred to the OES would permit the Office's FTE to address properly assigned cases.

16. **Preliminary Trending Data.** Due to the nascency of the Office of Expedited Settlement (OES), historical trending data has not yet been established. However, based on available relevant data, it appears to staff that the number of cases referred to the the OES is leveling off. Despite the large increase in actual cases referred to the OES over what was initially estimated, the OES has successfully expedited over 98.0 percent of the cases referred to it with the staffing resources it is currently appropriated.

Due to the increasing popularity and anticipated growth of the program, coupled with increasingly complex cases, **staff recognizes the necessity to increase the program's staff by one additional FTE in order to justify the savings in legal services expenditures and timely disciplinary action resolution.**

However, as the expedited settlement process program matures over time, it is likely that the OES will become more efficient in its efforts. This efficiency combined with a more efficient manner in which cases are referred to the OES should help to mitigate the program's workload burden and free the need for any future requests for additional program FTE.