

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2011-12 STAFF FIGURE SETTING
DEPARTMENT OF STATE**

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

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**FY 2011-12 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF STATE

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp	FY 2011-12 Request	FY 2011-12 Recommend	Change Requests
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DEPARTMENT OF STATE Secretary of State - Scott Gessler
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(1) Administration

Primary Functions: Administer election laws; administer public official, lobbyist, and business entity filing laws; license notaries public and charitable solicitors; regulate bingo and raffles charitable gaming.

Personal Services

Cash Funds	4,154,280	4,127,119	5,509,485	5,465,135	5,047,101	DI#2
FTE	76.4	77.9	94.0	90.5	91.4	DI#2

Health, Life and Dental

Cash Funds	530,682	603,391	725,987	707,454	707,454	DI#2
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Short-term Disability

Cash Funds	7,821	9,546	10,625	10,415	10,415	DI#2
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Amortization Equalization Disbursement

Cash Funds	95,513	120,198	164,523	171,969	171,969	DI#2
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Cash Funds	44,167	75,183	119,965	129,979	129,979	DI#2
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Salary Survey and Senior Executive Service

Cash Funds	209,087	0	0	0	0	
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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Approp	Request	Recommend	Requests
Performance-Based Pay Awards						
Cash Funds	97,117	0	0	0	0	
Workers' Compensation						
Cash Funds	6,201	6,278	6,099	6,326	Pending	
Operating Expenses						
Cash Funds	715,163	602,780	803,385	690,562	600,045	DI#2
Legal Services						
Cash Funds	<u>299,156</u>	<u>357,816</u>	<u>526,770</u>	522,248	Pending	
<i>Hours Equivalent</i>	3,983	4,747	7,118			
Administrative Law Judge Services						
Cash Funds	79,216	50,289	103,987	34,052	Pending	
Purchase of Services from Computer Center						
Cash Funds	44,341	42,366	51,559	51,559	Pending	
Multiuse Network Payments						
Cash Funds	569,609	569,609	318,188	318,188	Pending	
Payments to Risk Management and Property Funds						
Cash Funds	23,303	22,734	7,038	28,482	Pending	

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	FY 2008-09	FY 2009-10	FY 2010-11		FY 2011-12		Change
	Actual	Actual	Approp		Request	Recommend	Requests
Vehicle Lease Payments							
Cash Funds	2,714	2,861	2,969	S/	2,861	Pending	
Leased Space							
Cash Funds	629,680	590,152	639,747		639,747	639,747	
Indirect Cost Assessment							
Cash Funds	99,305	89,807	148,003		136,752	136,752	
Discretionary Fund							
Cash Funds	5,000	2,186	5,000		5,000	5,000	
Address Confidentiality Program a/							
Cash Funds	78,215	98,886	117,546	s/	208,432	164,961	DI#1
FTE	1.0	1.5	1.5		2.5	2.0	DI#1
TOTAL - ADMINISTRATION							
Cash Funds b/	7,690,570	7,371,201	9,260,876		9,129,161	7,613,423	
FTE	77.4	79.4	95.5		93.0	93.4	

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Approp	Request	Recommend	Requests
(2) Special Purpose						
Primary Function: Implement the Help America Vote Act; reimburse counties for elections and ballot initiatives; and administer the initiative and referendum laws.						
Help America Vote Act c/						
Cash Funds	6,637,556	2,629,193	2,912,003	3,018,274	3,018,274	
FTE	9.5	10.9	6.0	6.0	6.0	
Federal Elections Assistance Fund						
Cash Funds	0	100,000	0	0	0	
Local Election Reimbursement						
Cash Funds	2,042,250	0	1,725,699	1,725,699	1,725,699	
Initiative and Referendum						
Cash Funds	301,007	149,420	250,000	150,000	150,000	
TOTAL - SPECIAL PURPOSE						
Cash Funds d/	8,980,813	2,878,613	4,887,702	4,893,973	4,893,973	
FTE	9.5	10.9	6.0	6.0	6.0	

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Approp	Request	Recommend	Requests
(3) Information Technology Services						
Primary Function: Provides IT support to the Department and manages the statewide voter registration database.						
(A) Information Technology						
Personal Services						
Cash Funds	3,658,766	1,975,010	3,197,313	3,140,628	2,035,675	
FTE	25.1	26.4	31.1	31.1	29.5	
Operating Expenses						
Cash Funds	325,923	421,859	476,362	476,362	476,362	
Hardware/Software Maintenance						
Cash Funds	852,919	862,614	878,230	1,178,230	878,230	
Information Technology Asset Management						
Cash Funds	21,245	353,579	445,418	460,418	445,418	
(3) Information Technology Services						
Subtotal - (A) Information Technology						
Cash Funds	4,858,853	3,613,062	4,997,323	5,255,638	3,835,685	
FTE	25.1	26.4	31.1	31.1	29.5	

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Approp	Request	Recommend	Requests
(B) Statewide Disaster Recovery Center						
Personal Services						
Cash Funds	110,104	98,513	115,402	0	0	
FTE	2.0	1.7	2.0	0.0	0.0	
Operating						
Cash Funds	193,800	90,593	246,050	0	0	
Hardware/Software Maintenance						
Cash Funds	56,536	34,208	47,000	0	0	
Leased Space						
Cash Funds	1,718,845	1,829,550	1,913,076	1,576,523	1,576,523	
(3) Information Technology Services						
Subtotal - (B) Statewide Disaster Recovery Center						
Cash Funds	2,079,285	2,052,864	2,321,528	1,576,523	1,576,523	
FTE	2.0	1.7	2.0	0.0	0.0	
TOTAL - INFORMATION TECHNOLOGY SERVICES e/						
Cash Funds	6,938,138	5,665,926	7,318,851	6,832,161	5,412,208	
FTE	27.1	28.1	33.1	31.1	29.5	

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Approp	Request	Recommend	Requests
DEPARTMENT OF STATE TOTALS						
Cash Funds	23,609,521	15,915,740	21,467,429	20,855,295	17,919,604	
FTE	114.0	118.36	134.6	130.1	128.9	

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Summary of Significant Recommendations in this Packet, FY 2011-12^{1/}		
Description	Cash Funds	FTE
Help America Vote Act (informational only)	106,271	0.0
Secretary of State Notifications (H.B. 10-1403)	105,200	0.0
Independent Elections Expenditures (S.B. 10-203)	101,662	0.0
Regulation of Lobbyists (S.B. 10-087)	32,560	0.0
FY 2010-11 Supplementals: Address Confidentiality & Fleet	29,454	0.5
Annualize Address Confidentiality Program Supplemental	18,069	0.5
Issue Refunds for Erroneous Collections (S.B. 10-143)	1,000	0.0
Decision Item #2, Reduce Personal Services and FTE	(1,486,141)	(4.2)
Transfer E-fort to Office of Information Technology (S.B. 10-148)	(745,005)	(2.0)
Reinstate 2.5 Percent PERA Reduction for FY 2010-11	(318,084)	0.0
Annualize Legislation, Secretary of State Notifications (H.B. 10-1403)	(216,700)	0.0
2.5 Percent PERA Reduction for FY 2011-12 (S.B. 11-076)	(184,245)	0.0
1.5 Percent Vacancy Savings	(131,876)	0.0
Annualize Legislation, Indep. Elections Expend. (S.B. 10-203)	(101,662)	0.0
Initiative and Referendum - Adjust for Odd-year Election	(100,000)	0.0
Annualize Legislation, Regulation of Lobbyists (S.B. 10-087)	(32,560)	0.0
Annualize Legislation, Issue Refunds (S.B. 10-143)	(1,000)	0.0
1/ This list reflects major recommendations, but it is not all-inclusive		

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(1) ADMINISTRATION

Administration

- The Administration section provides general management supervision, including finance and human resources, for the Business, Elections, and Licensing divisions within the Department.
- Arranges for administrative hearings and responds to inquiries from the public.

Business Division

- Collects, stores, and provides public access to documents such as articles of incorporation, annual reports, trade names and trademarks, and other related filings.
- Registers and stores Uniform Commercial Code (UCC) documents such as security interests, liens, and other financial information that is important to lending institutions.
- The Department of State is required to charge fees for its business filings, which comprise the majority of the Department's cash fund revenue.¹

Licensing Division

- Implements the Administrative Rules Code, a body of statutes that govern rule-making.
- Regulates bingo and raffles.²
- Regulates charities and fraudulent charitable solicitations.
- Regulating notaries public pursuant to Sections 12-55-101 through 211, C.R.S.

Elections Division

- Supervises primary and general elections.
- Performs official recounts for federal, state, and district elections.
- Conducts the voting systems certification program.
- Provides training and other support for county election officials.
- Regulates lobbyists pursuant to Sections 24-6-301 through 309, C.R.S.

Address Confidentiality Program (ACP)

- Keeps confidential the address of victims of certain crimes by receiving mail at a substitute address and then forwarding it to the participant.

¹ Pursuant to Section 24-21-104, C.R.S.

² See Article XVIII, Section 2 of the State Constitution

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Administration Division Staffing Summary				
Division	FY 2009-10 Actual	FY 2010-11 Approp	FY 2011-12 Request	FY 2011-12 Recomm.
Administration	13.5	14.0	14.0	14.5
Business Filings	30.0	30.0	29.0	28.4
Licensing	21.3	22.5	23.0	23.5
Elections	24.8	27.5	25.0	25.0
ACP	<u>1.0</u>	<u>1.5</u>	<u>2.0</u>	<u>2.0</u>
Total	90.6	95.5	93.0	93.4

Administration Division Staffing Detail				
Division / Position	FY 2009-10 Actual	FY 2010-11 Approp	FY 2011-12 Request	FY 2011-12 Recomm.
Administration				
Accountant / Accounting Technician	3.0	3.0	3.0	3.0
Administrative / Program Assistant	4.0	4.0	4.0	4.5
Budget & Policy Analyst III & IV	0.5	1.0	1.0	1.0
Controller II	1.0	1.0	1.0	1.0
Deputy Secretary of State	1.0	1.0	1.0	1.0
Management / HR Director	2.0	2.0	2.0	2.0
Public Information Officer	1.0	1.0	1.0	1.0
Secretary of State	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Subtotal	13.5	14.0	14.0	14.5
Business				
Analyst	1.0	1.0	1.0	1.0
Call Center / Help Desk	10.0	10.0	10.0	10.0
Document Processing	6.5	6.5	6.5	5.9

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Administration Division Staffing Detail				
Division / Position	FY 2009-10 Actual	FY 2010-11 Approp	FY 2011-12 Request	FY 2011-12 Recomm.
Legal	7.0	7.0	7.0	7.0
Management	3.0	3.0	3.0	3.0
State Services Trainee IV	<u>2.5</u>	<u>2.5</u>	<u>1.5</u>	<u>1.5</u>
Subtotal	30.0	30.0	29.0	28.4
Elections				
Administrative Assistant II & III	3.0	3.0	4.0	4.0
Deputy Division Director	1.0	1.0	1.0	1.0
Division Director	1.0	1.0	1.0	1.0
Legal	3.5	5.5	4.0	4.0
Program Coordinator / Specialist	7.0	7.0	8.0	8.0
State Services Trainee IV / Tech 1	4.3	5.0	4.0	4.0
Voter Database Manager	1.0	1.0	0.0	0.0
Voting Equipment Certification	<u>4.0</u>	<u>4.0</u>	<u>3.0</u>	<u>3.0</u>
Subtotal	24.8	27.5	25.0	25.0
Bingo / Raffle/ Charitable / Licensing/ Notary/ ACP				
Administrative Assistant II & III	6.0	8.5	10.0	10.0
Compliance Investigator I & II	6.0	5.5	5.0	5.0
Deputy Division Director	1.0	1.0	1.0	1.0
Division Director	1.0	1.0	1.0	1.0
Program Assistant / Coordinator	<u>8.3</u>	<u>8.0</u>	<u>8.0</u>	<u>8.5</u>
Subtotal	22.3	24.0	25.0	25.5
Total	90.6	95.5	93.0	93.4

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Decision Item #2
Voluntary Personal Services and FTE Reduction

Department Request

The Department requests to voluntarily reduce the FY 2011-12 appropriation for the Administration division by \$165,719 cash funds and 3.5 FTE. Of the total cash funds amount, \$137,409 is for the Personal Services line item, \$24,985 is for centrally appropriated POTS line items (i.e. health, life, and dental insurance, AED, etc.), and \$3,325 is for the Operating Expenses line item. The Department states that it has experienced FTE vacancies in recent years due to the increased use of technology and improved efficiency throughout the department.

Staff Recommendation

The Department's request pertains to the Administration division *only*. Staff's recommendation incorporates *both* the Administration and the Information Technology Services divisions, because both divisions had significant reversions for both FY 2008-09 and FY 2009-10. The adjustments for the Information Technology division are reflected later in this document.

Staff recommends reducing the Administration, Personal Services line item by \$469,551 cash funds and 2.6 FTE, and the Operating Expenses line item by \$90,840 cash funds. Staff also recommends decreasing the appropriation for the Information Technology, Personal Services line item by \$925,750 cash funds and 1.6 FTE. Staff's recommendation is reflected in the following table, and the calculations are reflected in the following "Staff Analysis" section.

Staff Recommendation, Administration and Information Technology Reversions, FY 2011-12						
	Department Request		Staff Recomm.		Difference	
	Cash Funds	FTE	Cash Funds	FTE	Cash Funds	FTE
Administration						
Personal Services (incl. POTS)	(\$162,394)	(3.5)	(\$469,551)	(2.6)	(\$307,157)	0.9
Operating Expenses	(3,325)		(90,840)		(87,515)	
Information Technology						
Personal Services	<u>0</u>	<u>0</u>	<u>(925,750)</u>	<u>(1.6)</u>	<u>(925,750)</u>	<u>(1.6)</u>
Total	(\$165,719)	(3.5)	(\$1,486,141)	(4.2)	(\$1,320,422)	(0.7)

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Staff Analysis

Reversion Data: As reflected in the following tables, the Department of State has reverted an increasing percentage of its Administration, Personal Services and Operating Expenses line items, as well as the Information Technology, Personal Services line item.

- The first two tables below reflect the appropriated, actual, and reverted funds and FTE for both FY 2008-09 and FY 2009-10.
- The third table below illustrates the amounts reverted as a *percentage* of the original appropriation.

<i>FY 2008-09 Appropriations vs. Actuals</i>						
	Appropriation		Actual Expenditures		Reversions	
	Cash Funds	FTE	Cash Funds	FTE	Cash Funds	FTE
Administration						
Personal Services	\$4,884,021	85.5	\$4,154,280	76.4	\$729,741	9.1
Operating Expenses	821,443		715,163		\$106,280	
Information Technology						
Personal Services	4,863,513	31.1	3,658,766	25.1	\$1,204,747	6.0

<i>FY 2009-10 Appropriations vs Actuals</i>						
	Appropriation		Actual Expenditures		Reversions	
	Cash Funds	FTE	Cash Funds	FTE	Cash Funds	FTE
Administration						
Personal Services	\$5,407,847	89.5	\$4,127,119	77.9	\$1,280,728	11.6
Operating Expenses	816,024		602,780		\$213,244	
Information Technology						
Personal Services	3,412,659	31.1	1,975,010	26.4	\$1,437,649	4.7

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Reversion Percentages, FY 2008-09 and FY 2009-10				
	FY 2008-09		FY 2009-10	
	Cash Funds	FTE	Cash Funds	FTE
Administration				
Personal Services	14.9%	10.6%	23.7%	13.0%
Operating Expenses	12.9%		26.1%	
Information Technology				
Personal Services	24.8%	19.3%	42.1%	15.1%

Staff calculations: Staff analyzed the most recently available data for these line items, which is for FY 2008-09 and FY 2009-10. **Staff considers an acceptable reversion amount to be 5.0 percent, with 10.0 percent being on the higher range of what is considered acceptable** (without an explanation from the department). For the purposes of this analysis, staff's recommendation is based on reducing the FY 2011-12 appropriation by an amount that would have reduced the FY 2009-10 reversions to 15.0 percent of the total appropriation for funds, and reduce the reversions to 10.0 percent for FTE.

The FY 2010-11 appropriation was not adjusted to account for these prior year reversions, and staff is unaware of any new initiatives for FY 2010-11 or FY 2011-12 that would expend the moneys that have been reverted in prior years. Therefore, **it is reasonable to assume that these reversions will continue for FY 2010-11 and FY 2011-12.**

Staff's calculations for reducing the funds amount uses a greater reversion percentage than what is considered "acceptable" for several reasons:

(1) staff recognizes that a new administration, particularly an elected official, may want to implement personnel or other organizational changes that would then expend additional moneys. Staff's recommendation allows for this flexibility;

(2) to account for the uncertainties regarding federal mandates for elections and campaign finance-related issues;

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(3) staff acknowledges that there could be unknown variables for FY 2011-12 that may require a portion of the unused spending authority. Staff increased the acceptable reversion percentage to account for these types of occurrences; and

(4) as described in the "New administration" section of the analysis, the new administration is pursuing legislation to implement a well-publicized initiative, and the legislation will include an additional appropriation (if passed). **These moneys would be in addition to the current appropriation, and therefore staff's recommendation will not impact the funds for the new administration's initiative to password-protect the online filing system.**

Staff Calculations, FY 2011-12 Recommendation				
	Appropriation	Max Percent ^{1/}	Reversion	Difference
Administration				
Personal Services	\$5,407,847	\$811,177	\$1,280,728	(\$469,551)
FTE	89.5	9.0	11.6	(2.6)
Operating Expenses	816,024	122,404	\$213,244	(90,840)
Information Technology				
Personal Services	\$3,412,659	\$511,899	\$1,437,649	(\$925,750)
FTE	31.1	3.1	4.7	(1.6)
1/ The maximum percent reversion (without an explanation from the department) is 15.0 percent for funds and 10.0 percent for FTE.				

Components for Consideration

- ❑ **Efficiencies:** The Department processes over 700,000 filings annually. As recently as FY 2004-05, approximately 30.0 percent of the Department's business filings were paper-based. Paper filings are much more time- and resource-intensive to process versus online filings, which may have required additional personal services and FTE for prior years.

The Department has recently emphasized transitioning from paper-based to online filings. The Department has encouraged filing entities to conduct their transactions online through efforts such as temporarily decreasing the online filing fee to encourage use, and has also supported legislation to allow it the authority to require that some filings be conducted solely online (with hardship exceptions). **In addition to improving convenience and cost-savings**

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for its users, the shift to online filings also requires fewer FTE and resources. This has reduced the demand for resources and FTE in both the Administration and the Information Technology Services divisions.

- ❑ **Appropriate reversion amount:** In the absence of any explanation, staff considers a normal reversion amount to be 5.0 percent, with 10.0 percent being on the higher range of an acceptable reversion amount without further explanation. For the purposes of this analysis, **staff's recommendations reduce the FY 2009-10 reversions to 15.0 percent of the total appropriation for funds, and 10.0 percent for FTE.**
- ❑ Staff's recommendation is intended to re-align the appropriation so that it more closely reflects the Department's actual expenditures. This will improve the Long Bill's transparency, and also reduce the likelihood that the Department's cash fund will continue to accrue a fund balance reserve.
- ❑ **Special legislation:** The General Assembly regularly passes bills that require programming changes for the Department of State's online filing system, or additional moneys and FTE for elections-related purposes. The first year's appropriation accounts for the full start-up costs of the changes, and the legislation's appropriation is typically reduced for the second year once the changes have been implemented. However, the appropriation isn't adjusted in out-years to account for the improved efficiencies that occur after implementing a new initiative for several years. These efficiencies have contributed to the Department's increasing reversions for both the Administration and Information Technology Personal Services line items.
- ❑ **Filing fees:** Pursuant to Section 24-21-104 (1) (a), C.R.S., the Secretary of State is required to charge a fee for the business filings. The Department adjusts its fees to that they generate revenue in the same amount as the Department's direct and indirect costs. Once the fees are adjusted, they must remain in effect for the fiscal year following the adjustment (Section 24-21-104 (3) (b), C.R.S.). Regardless of whether the Department spends the moneys, the fees must remain constant for at least one fiscal year. If the Department sets its fees so that they generate the revenue necessary for its appropriation, the **significant overappropriation could cause the business filing fees to be greater than necessary, and also result in the accumulation of an excess fund balance.**
- ❑ **New administration:** Staff is aware that the new administration may intend to use the moneys for several new initiatives, as well as to potentially hire his own staff. **Staff notes that the initiative garnering the most attention, implementing a password-protected system for filings through the Secretary of State's website, is accompanied by a fiscal**

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note for an *additional* appropriation of \$360,956 cash funds and 1.0 FTE for FY 2011-12. Staff assumes that the legislation's fiscal note accounts for the full cost of this initiative. Staff's recommendation will not impede the Secretary from implementing a password-protected online filing system.

Personal Services

The Department requests an appropriation of \$5,712,293 cash funds and 90.5 FTE for the Personal Services line item. This amount includes the Department's request to reduce 3.5 FTE and \$137,409, as well as its annualization of the 2.5 percent PERA rate reduction. **Staff recommends an appropriation of \$5,047,101 cash funds and 91.4 FTE.** The following table outlines how staff calculated the FY 2011-12 recommendation. The primary difference between the department's request and staff's recommendation because staff applied a 1.5 percent vacancy savings reduction, and also for the Personal Services adjustment discussed in the preceding section.

Summary of Recommendation: Personal Services FY 2011-12		
Item	Amount	FTE
FY 2010-11 Long Bill appropriation	\$5,509,485	94.0
Reinstate FY 2010-11 2.5 percent PERA reduction	216,638	0.0
Reduce FTE and Personal Services	(469,551)	(2.6)
FY 2011-12 2.5 percent PERA reduction (S.B. 10-076)	(123,579)	0.0
1.5 percent vacancy savings reduction	(85,892)	0.0
FY 2011-12 Recommendation	\$5,047,101	91.4

Health, Life, and Dental

This line item funds the employer's contribution for health, life, and dental benefits for State employees. The Department requests \$707,454 cash funds for this line item, which also includes the department's request to reduce the FY 2011-12 appropriation by \$18,533 cash funds as a component of its FTE reduction. The fund sources are the Department of State Cash Fund, the Federal Elections Assistance Fund, and the Address Confidentiality Program Surcharge Fund. **Staff recommends an appropriation of \$707,454 cash funds.** This amount includes the Committee's approved common policy for FY 2011-12, as well as the Departments' requested decrease of \$18,533 for the FTE reduction.

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Short-term Disability

This line item funds state employees' short-term disability insurance premiums. **The Department requests, and staff recommends, an appropriation of \$10,415 cash funds.** The fund sources are the Department of State Cash Fund, the Federal Elections Assistance Fund, and the Address Confidentiality Program Surcharge Fund.

Please note: The Committee's FY 2011-12 common policy for the short-term disability, amortization equalization disbursement, and supplemental amortization equalization disbursement line item appropriations is to use the Department's actual FY 2009-10 personal services expenditures as the base for calculating these appropriations. Staff's calculations for all three line items yielded a number that was greater than the Department's request. It is likely that the FY 2009-10 numbers included staff that are no longer at the Department, such as staff that were employed for the 2009 general election, as well as by the former administration. This is a small department, so minor fluctuations in personnel can distort the numbers. Therefore, staff is recommending the department's request for these three line items because it is a smaller appropriation amount.

Amortization Equalization Disbursement

Pursuant to Section 24-51-411 (3.2), C.R.S., this line provides additional funds to increase the employer's contribution for the Public Employee Retirement Association (PERA). The contribution rate increases by 0.4 percent each calendar year through 2017. For FY 2011-12 the contribution rate is 2.8 percent of base salaries. **The Department requests, and staff recommends, an appropriation of \$171,969.** The department requested less than staff's calculated amount. Given that this line item has reverted funds in recent years, it is reasonable to recommend the smaller of the two amounts. The fund sources are the Department of State Cash Fund, the Federal Elections Assistance Fund, and the Address Confidentiality Program Surcharge Fund.

Supplemental Amortization Equalization Disbursement

Pursuant to Section 24-51-411 (3.2), C.R.S., this line provides additional funds for the Public Employee Retirement Association. For FY 2011-12, the contribution rate is 2.25 percent of base salaries. **The Department requests, and staff recommends, an appropriation of \$129,979 cash funds for Supplemental Amortization Equalization Disbursement** line item. The department requested less than staff's calculated amount. Given that this line item has reverted funds in recent years, staff believes it is appropriate to recommend the smaller of the two amounts. The fund sources are the Department of State Cash Fund, the Federal Elections Assistance Fund, and the Address Confidentiality Program Surcharge Fund.

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Salary Survey

In accordance with statewide common policy, the Department did not request an appropriation for salary survey for FY 2011-12. **Staff recommends \$0 for salary survey for FY 2011-12.**

Performance-Based Pay Awards

In accordance with statewide common policy, the Department did not request funds for performance-based pay awards for FY 2011-12. **Staff recommends a \$0 appropriation for performance-based pay awards for FY 2011-12.**

Workers' Compensation

This line item funds the Department's share of the statewide costs for Workers' Compensation insurance. The Department requests an appropriation of \$6,326 cash funds, which is comprised of the FY 2010-11 Long Bill appropriation and an increase of \$227 to reflect statewide common policy adjustments. **Staff recommendation is pending committee approval of a common policy for Workers' Compensation.** Staff requests permission to apply common policy once it has been determined.

Operating Expenses

The Department requests a \$690,562 cash funds appropriation for the Operating Expenses line item. This includes the annualization of H.B. 10-1403 and H.B. 10-143. **Staff recommends a \$600,045 cash funds appropriation for the Operating Expenses line item.** The primary differences between the department's request and staff's recommendation are because as previously discussed, staff recommended a greater reduction to account for the line item's significant reversions, and also because staff does not recommend an appropriation for H.B. 09-1205.

House Bill 09-1205, Overseas Military Voting Pilot Program

Background: The Department's FY 2011-12 budget request include an additional \$392,500 cash funds appropriation to implement the provisions of H.B. 09-1205, which establishes an internet-based voting pilot program for certain overseas military personnel for the 2012 general election. The requested appropriations are included in the Administration, Operating Expenses line item, as well as several line items in the Information Technology Services division.

Staff analysis: The legislation created the Internet-based Voting Pilot Program Fund to provide for the direct and indirect costs associated with implementing this bill. The Fund

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shall consist of gifts, grants, and donations. The gifts, grants, and donations have not materialized. Pursuant to Section 1-5.5-101 (1), C.R.S., the legislation is "subject to the availability of funds pursuant to subsection (4) of this section...", which created the Internet-based Voting Pilot Program Fund. Subsection (5) of this legislation states that "... **the Department of State shall not implement the internet-based voting system until sufficient gifts, grants, and donations are obtained to cover the costs of implementing the system.**".

The Department is requesting the spending authority so that it can spend the funds if or when they do materialize. **Staff does not recommend appropriating spending authority for this legislation because statute prohibits the implementation of this program until the funds have materialized.** If the Cash Fund receives the moneys necessary to implement the legislation, the Department can request the spending authority at that time. Staff's recommendation applies to the Administration, Operating Expenses line item, as well as the three line items that are affected in the Information Technology Services division (Personal Services, Hardware/Software Maintenance, and Asset Management).

FY 2011-12 Recommendation: Operating Expenses	
Item	Amount
FY 2010-11 Long Bill	\$802,385
Refunds from Secretary of State (S.B. 10-143)	1,000
Final FY 2010-11 Appropriation	\$803,385
Reduce commercial notifications (H.B. 10-1403)	(111,500)
Change request # 2 - FTE reduction	(90,840)
Refunds from Secretary of State (S.B. 10-143)	(1,000)
FY 2011-12 Recommendation	\$600,045

Legal Services

This line item funds the purchase of legal services from the Department of Law. The Department's request is for \$522,248 cash funds and 7,118 hours of legal services for FY 2011-12. **Staff recommends the amount of funds sufficient to purchase 7,118 hours of services. The dollar amount of staff's recommendation is pending the determination of the hourly rate for legal services.**

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Administrative Law Judge Services

The Department requests an appropriation of \$30,052 cash funds for administrative law judge services. The request is \$69,935 less than the FY 2010-11 appropriation amount to reflect the annualization of prior year legislation, as well as a statewide common policy decrease. Staff's recommendation is **pending Committee approval of a common policy for this line item**, and staff requests permission to apply this policy once it has been determined.

Purchase of Services from Computer Center

This line item funds the Department's share of statewide computer services provided by the Governor's Office of Information Technology. **Staff's recommendation is pending Committee approval of a statewide common policy.**

Multiuse Network Payments

The Department requests a \$65,602 cash funds appropriation for the Multiuse Network Payments line item. **Staff recommendation is pending Committee approval of a common policy.** Staff requests permission to apply common policy once it has been determined.

Payment to Risk Management and Property Funds

The Department requests an appropriation of \$28,482 cash funds for this line item. **Staff recommendation is pending Committee approval of a common policy for Payment to Management and Property Funds.** Staff requests permission to apply the common policy once it has been determined.

Vehicle Lease Payments

The Department requests an appropriation of \$2,861 cash funds for the Vehicle Lease Payments line item, which is a continuation amount based on the FY 2010-11 Long Bill. **Staff recommendation is pending Committee approval of a common policy for Vehicle Lease Payments.** Staff requests permission to apply common policy once it has been determined.

Leased Space

The Department requests an appropriation of \$639,747 cash funds for the Leased Space line item for FY 2011-12. This amount is a continuation funding amount from FY 2010-11, and has been constant since FY 2009-10. The Department leases space from a non-State entity, and the amount is determined by its contract. **Staff recommends a \$639,747 cash funds appropriation for the Leased Space line item.**

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Indirect Cost Assessment

The Department requests, and staff recommends, an appropriation of \$136,752 cash funds for FY 2011-12. This amount is consistent with the Committee's statewide common policy for this line item.

Discretionary Fund

In accordance with Section 24-9-105 (d), C.R.S., the Secretary of State may receive an appropriation of \$5,000 per year for "expenditure in pursuance of official business as each elected official sees fit". **The Department requests, and staff recommends, a \$5,000 cash funds appropriation for the Discretionary Fund line item for FY 2011-12.**

Address Confidentiality Program

Staff recommends an appropriation of \$164,961 cash funds and 2.0 FTE for FY 2011-12, of which \$36,138 cash funds represent a State Victims and Law Enforcement (VALE) grant.

- Background information:* Pursuant to Section 24-21-204, C.R.S., the Address Confidentiality Program (ACP) keeps confidential the address of a relocated victim of domestic violence, a sexual offense, stalking, or similar crime. The program receives mail at a substitute address and then forwards it to the participant. Program staff train application assistants to receive applications from participants throughout the State. The program is cash funded by the Address Confidentiality Program Surcharge Fund, which receives a \$28 surcharge that is levied on offenders convicted of domestic violence, stalking, or similar crimes (see Section 24-21-214 (4) (a), C.R.S.). The cash fund may also receive moneys from gifts, grants, and donations.
- Fund source:* The General Assembly established the Address Confidentiality Program Surcharge Fund to receive fee revenue or gifts, grants, and donations for the purpose of paying for the costs of administering the Address Confidentiality Program (Section 24-21-214 (4) (a), C.R.S.). The Fund receives approximately \$120,000 annually from fee revenue.
- Staff concerns:* The ACP cash fund's average annual revenue is \$120,000, and both the FY 2010-11 appropriation and FY 2011-12 recommendation use the fund balance reserve, further depleting the fund. **Staff has repeatedly expressed concerns that the surcharge fund can not support the program's expansion,** yet it continues to enroll participants. Pursuant to Section 24-21-214 (4) (c), C.R.S., **no General Fund moneys shall be appropriated for the purpose of implementing the Address Confidentiality Program.** In the event that the surcharge fund becomes insolvent, it does not have an alternative fund source.

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- ❑ **The ACP is not an entitlement program, and the Department can control its enrollment, growth, and associated expenses.** Staff's understanding is that the program was not specifically intended to serve every possible participant in the State, rather it is to provide the intended services within its available funds. However, all indications are that the program intends to continue to enroll new participants during future years.

- ❑ *Additional recommendation:* Given that the program's current growth rate will exhaust its fund source in the near future, staff recommends that the Committee clarify whether: (1) its intentions are for the program to limit its expansion so the specified fund source can fully support its operations; or (2) whether the General Assembly's intent is for the program to continue its expansion. If the Committee chooses the latter option, it will need to identify an alternative fund source in the near future. This will most likely require legislation, because statute currently specifies that General Fund may not support the program.

(2) SPECIAL PURPOSE

The Special Purpose section includes the Help America Vote Act, the Local Election Reimbursement, and the Initiative and Referendum line items.

Help America Vote Act (HAVA)

Congress passed the Help America Vote Act (HAVA) in 2002, for the purpose of improving the administration of federal elections. In 2003, the Colorado General Assembly passed the "Colorado Help America Vote Act, which included creating the Federal Elections Assistance Fund to receive federal and state moneys appropriated for HAVA-related purposes (see Section 1-1.5-106, C.R.S.).

Pursuant to Section 1-1.5-106 (2), C.R.S., moneys in the Federal Elections Assistance Fund may be used only for HAVA-specified purposes and are continuously appropriated to the Department for the administration, implementation, and enforcement of HAVA. The HAVA line item appropriation is a projection and included for informational purposes only. The funds have been used to improve the administration of federal elections by: (1) replacing outdated voting technology; (2) improving voter education; (3) improving accessibility for disabled voters; and (4) instituting a statewide computerized voter registration system.

This line item is continuously appropriated and included in the Long Bill for informational purposes only. The appropriation fluctuates from year to year, depending upon statewide needs and whether the federal government makes additional funds available for a particular purpose. **The Department**

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requests, and staff recommends, an informational appropriation of \$3,018,274 and 6.0 FTE for the Help America Vote Act line item.

Local Election Reimbursement

Section 1-5-505.5, C.R.S., requires the Secretary of State to reimburse counties for a portion of the costs related to having a statewide issue on the ballot. Counties with fewer than 10,000 active registered voters are reimbursed at a rate of \$0.80 per active registered voter, and counties with more than 10,000 active registered voters are reimbursed at a rate of \$0.70 per each of these voters. This is the only State reimbursement to the counties for election costs. The Department requests an appropriation of \$1,725,699 cash funds for FY 2011-12, which is a continuation level of funding from FY 2010-11. **Staff recommends an appropriation of \$1,725,699 cash funds for FY 2011-12.**

Initiative and Referendum

This appropriation funds petition verification, the activities of the Ballot Title Setting Board, and the cost of translating the ballot information booklet (the "Blue Book") into Spanish. Expenditures are primarily driven by the number of initiatives received during a given year, and they fluctuate because for odd-year elections, only TABOR-related initiatives are permitted on the November ballot. Typically, the Department receives at the most one initiative petition for an odd-year ballot. For even-year elections (general elections), there are no restrictions on the types of initiatives, which is why the expenditures are significantly greater during these years.

Most petitions are submitted with approximately 80,000 - 100,000 signatures, and by statute the Secretary has only 30 days to verify the signatures (Section 1-40-116, C.R.S.). In order to achieve this, the Department hires temporary workers, which can cost as much as \$50,000 per petition. Pursuant to Section 1-40-116 (4), C.R.S., the Department may check a 5.0 percent random sample of signatures, and if this sample demonstrates that the petition has the required number of valid signatures, it is not required to verify every signature. The uncertainty about whether or not it will be necessary to verify every signature also contributes to the challenges in predicting this line item's expenditures.

This line item's appropriation fluctuates between \$150,000 cash funds for odd-year elections and \$250,000 cash funds for even-year elections. **The Department requests, and staff recommends, a \$150,000 cash funds appropriation for FY 2011-12.**

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(3) INFORMATION TECHNOLOGY (IT) SERVICES

(A) Information Technology Services

The Information Technology Services section provides technical services and support for the Department. It maintains the Department's data center and website, the statewide computerized voter registration database, and supports many of the Business division's online activities.

Personal Services

The Department requests a \$3,140,628 cash funds appropriation and 31.1 FTE for the Information Technology, Personal Services line item. **Staff recommends an appropriation of \$2,035,675 cash funds and 29.5 FTE** for the Information Technology, Personal Services line item. The difference between the Department's requests and staff's recommendations are due to the previously discussed adjustments to account for the line item's excessive reversions, as well as a 1.5 percent vacancy savings.

Information Technology Staffing Summary FY 2011-12					
Position	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp	FY 2011-12 Request	FY 2011-12 Recomm.
Deputy & Chief Information Officer	2.0	2.0	2.0	2.0	2.0
Chief Security Officer	1.0	1.0	1.0	1.0	1.0
Database Specialist	3.0	5.0	5.0	5.0	5.0
Programmer	9.1	10.0	10.0	10.0	8.4
JAVA Administrator	2.0	2.0	2.0	2.0	2.0
Operations	3.0	3.0	3.0	3.0	3.0
Security Specialist	2.0	2.0	2.0	2.0	2.0
System Administrator / Supervisor	<u>3.0</u>	<u>6.1</u>	<u>6.1</u>	<u>6.1</u>	<u>6.1</u>
Total	25.1	31.1	31.1	31.1	29.5

Operating Expenses

The Department requests a \$476,362 cash funds appropriation for the Information Technology, Operating Expenses line item for FY 2011-12. This is a continuation amount from the FY 2010-11 Long Bill. Historically, this line item's appropriation is adjusted due to special bills. However, this

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did not occur for FY 2011-12. **Staff recommends a \$476,362 cash funds appropriation for FY 2011-12.**

Hardware/Software Maintenance

This line item funds hardware and software maintenance contracts and repairs as well as software purchases. The appropriation differs from the Information Technology Asset Management line item because computer equipment is not purchased with these moneys. The Department requests a \$1,178,230 cash funds appropriation, which includes an additional \$300,000 cash funds to implement H.B. 09-1205. As previously discussed, staff does not recommend the additional moneys for FY 2011-12. **Staff recommends an \$878,230 cash funds appropriation for FY 2011-12.**

Information Technology Asset Management

This line item funds the replacement of the Department's IT assets on a predictable schedule. When properly implemented, such strategies can increase asset reliability, reduce maintenance costs, and create a more predictable stream of IT expenses. The Department requests a \$460,418 cash funds appropriation for FY 2011-12, which includes an additional \$15,000 to implement H.B. 09-1205. Staff recommends against appropriating additional funds for this legislation. **Staff recommends a \$445,418 cash funds appropriation for FY 2011-12** for this line item. This is the same amount that was appropriated for FY 2009-10 and FY 2010-11.

(B) Statewide Disaster Recovery Facility

Senate Bill 10-148 transferred the statewide disaster recovery facility, also referred to as E-fort, from the Department of State to the Office of Information Technology (OIT). The legislation completely transferred the facility's management beginning in FY 2010-11. However, the funding will be transferred in one-third increments between FY 2010-11 and FY 2011-13, at which time the OIT will have assumed full fiscal responsibility for the facility.

Personal Services

Senate Bill 10-148 transferred the E-fort to the Office of Information Technology. **The Department requests, and staff recommends, a \$0 appropriation for FY 2011-12.**

Operating Expenses

Senate Bill 10-148 transferred the E-fort to the Office of Information Technology. **The Department requests, and staff recommends, a \$0 appropriation for FY 2011-12.**

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Hardware/Software Maintenance

Senate Bill 10-148 transferred the E-fort to the Office of Information Technology. **The Department requests, and staff recommends, a \$0 appropriation for FY 2011-12.**

Leased Space

The Department requests, and staff recommends, a \$1,576,523 cash funds appropriation for the disaster recovery facility's Leased Space line item. The appropriation includes a decrease of \$336,553 cash funds to reflect the implementation of S.B. 10-148, which transferred the E-fort to the OIT.

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Requests for Information

Staff recommends that the following requests be **amended and continued**:

(1) Department of State, Administration, Personal Services -- The Department of State is requested to provide to the Joint Budget Committee by November 1, ~~2010~~, 2011, as part of the Department's annual budget request, a breakdown of how FTE and funds are distributed amongst the ADMINISTRATION, ELECTIONS, AND BUSINESS sections within the Administration Division.

(2) Department of State, Administration, Address Confidentiality Program -- The Department of State is requested to provide to the Joint Budget Committee by November 1, ~~2010~~, 2011, an annual budget report for the Address Confidentiality Program. The report should reflect monthly expenditures, the number of participants served, and the number of pieces of participants' mail processed monthly.