AGENDA

DEPARTMENT OF PERSONNEL AND ADMINISTRATION:
BUDGET HEARING

Monday, January 7, 2008
9:00 a.m. to 11:20 am

9:00 - 9:20 **EXECUTIVE DIRECTOR'S OFFICE**
(Questions 1 through 8 are common questions asked of all departments)

Departmental Goals and Objectives

1. What are your department's principal goals and objectives? What are the metrics by which you measure success or failure?

Response: The following objectives operationalize the Department's mission and vision into a cohesive and sustainable plan that is consistent with the focus of the new Executive Administration.

DPA Performance Objectives:

1. Improve business processes
2. Maximize workforce quality
3. Advocate a competitive total compensation package for state employees
4. Develop and maintain strategic partnerships
5. Align all relevant tools in concert with identified business needs
6. Support "greening" of state government

Action Goals:

1. To develop and administer consistent and fair policies and procedures
2. To create positive and empowering work environments
3. To enhance efficiency
4. To provide logistical support and quality, cost-effective services to all agencies and employees of Colorado
5. To be responsive to anyone we service, employee, customer, and or partner
6. To provide meaningful education, information and training
7. To work toward procuring competitive wages, compensation and benefits for all employees

In the following section the Department has identified several performance measures that align to the strategic objectives above. The top five prioritized performance measures are the following:

Objective: Advocate a Competitive Total Compensation Package					
Performance Measure	Outcome	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Approp.	FY 08-09 Request
Increase the employer contribution to group health benefits to 100% of prevailing contribution in the market, as measured by the annual compensation survey, by July 1, 2009 and maintain that level in future years.	Benchmark	66%	75%	85%	90%
	Actual	66%	75%	86%	
Objective: Support Greening of State Government					
Performance Measure	Outcome	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Projected.	FY 08-09 Projected
Align State Fleet Management initiatives with Greening of State Government Executive Order in order to reduce the amount of petroleum used by the State Fleet by 25% by 2012. The performance measure will be the cumulative % of decrease achieved.	Benchmark	0	0	5%	10%
	Actual	2,601,786 Base gallons	2,706,902		
Objective: Support Greening of State Government					
Performance Measure	Outcome	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Projected	FY 08-09 Projected
Align Capitol Complex initiatives with Greening of State Government Executive Order in order to reduce the overall energy use in buildings by 20% by 2012. (Performance measure will be based on % reduction in kilowatt hours of electrical usage from the prior fiscal year.)	Benchmark		-3%	-3%	-3%
	Actual (KwH & %decr)	30,751,950 (Base Year)	29,753,270 (-3.2%)		

Objective: Improve Business Processes					
Performance Measure	Outcome	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Approp.	FY 08-09 Request
Increase the Amount of Dollars Purchased By State Agencies Through State Price Agreements	Benchmark	$162.3M	$170.4M	$178.9M	$187.9M
	Actual	$184.1M	$186.1M		

Objective: Align all Relevant Tools in Concert with Identified Business Needs					
Performance Measure	Outcome	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Approp.	FY 08-09 Request
Increase percent of State highways covered by DTR network to 95% by 9/30/10.	Benchmark	N/A	N/A	95%	95%
	Actual	83%	90%		

2. Given the change in the Administration, have there been any changes to your Department's principal goals and objectives since last year?

Response: Yes. The Department performed a comprehensive strategic planning session in May 2007 which led to our stated action goals and objectives. This effort involved numerous staff in all program areas of the Department. The Department will continue to utilize this approach to review progress and to modify our goals and objectives accordingly.

DPA's motto is: "Good Government Starts Here."

Our vision is to achieve preeminent status as a personnel and administrative department throughout the US encompasses a five-fold focus of:

1. Championing Sustainable Practices in accordance with the Governor's Colorado Promise (greening of state government)
2. Working to become the employer of choice
3. Constantly striving to be valued, respected and responsive services leaders
4. Maintaining a continuous customer focused process improvement orientation,
5. Strive to always develop and maintain effective partnerships with our customers
6. Adding value and quality outcomes for the State of Colorado

3. What progress did you make during the last year in achieving your goals?

Response: The Department believes it has made great strides towards achieving our goals and objectives during the past year. Refer to Performance Metrics provided in response to question 1 for progress numbers.

4. How is the additional money provided to your department in FY 2007-08 being used to achieve your goals? What improvements is your department making in its outputs?

Response: For FY 2007-08, the Department received additional funds/resources for its programs outside of traditional statewide adjustments. Additional base increases were appropriated statewide to address increases in Total Compensation, annual Fleet replacement vehicle costs and an audit of the Deferred and Defined Contribution plans, and increased staffing in Central Collection Services.

For employee Total Compensation, additional appropriations were made to increase the state employer contribution to group benefits plans to 85% of prevailing market levels, and to support moderate salary increases of approximately 4.48% (annual salary survey adjustment and achievement/performance based pay after SAED) with the primary objective of recruitment and retention goals aimed at both maintaining and enhancing the state workforce.

The Department also received an appropriation of just over one million dollars to support the replacement of state fleet vehicles that were determined to be outside of acceptable mileage criteria. The replaced vehicles were the most costly to maintain or were otherwise determined to be unsafe. Additional authorized vehicles that were approved by the JBC to fulfill approved programmatic needs in state agencies were addressed within the additional funds appropriated. Further, as we will discuss in subsequent responses, the additional funds appropriated to the State Fleet for FY 2007-08 were judiciously used (as requested) to reduce petroleum consumption. This included increasing the number of hybrids and other flexible fuel vehicles in the State Fleet, consistent with current Executive Orders.

A one-time appropriation of $160,000 from fund reserves was approved to facilitate a performance audit of the State's Deferred and Defined Contribution (DC) plans. This audit will ensure that the plans are offered and administered in the most efficient manner for the benefit of plan participants. The Office of the State Auditor is preparing an RFP to request an outside firm to perform the audit on both Plans.

The Department received additional funding to hire 3 FTE Collectors. All three new collectors were hired and completed training by the start of the second quarter. As a result of the additional collectors, revenue collections have increased over the previous year.

5. Please identify your department's 3 most effective programs and your 3 least effective

programs. Explain why you identified them as such. Explain how your most effective programs further the department's goals.

Response: Due to the relationship DPA has with every department and or agency in the State, to assess the efficacy of any one program would be to speculate as to the ultimate successful outcome of each respective program for each individual department and or agency. While each division has numerous operational measures, our most critical measurement comes from customer satisfaction for the services we provide to others. Our customers consistently tell us we are providing valuable services. Therefore, each service we provide ultimately provides a component of success for each department we service and may or may not have an impact on their least efficacious programs. Some of the most notable and widely used programs which have received positive customer satisfaction feedback include C-SEAP, BIDS, Mail, and Fleet.

C-SEAP is one of DPA's most effective programs, providing three critical services to state government: workplace consultation, client counseling, and organizational assistance (mediation, training, facilitation, and crisis response). Following C-SEAP assistance, 99 percent of FY 2006-07 survey respondents reported that C-SEAP had helped them with their difficulty or concern; 91 percent reported that the help they received had a positive effect on their job performance; and 51 percent said that their attendance at work had been positively impacted. The US Department of Labor estimates that employers save anywhere from $5 to $16 for every dollar invested in employee assistance.

The Colorado State Procurement Card program is also received positively. Since its inception in 1999, the exclusive procurement card program for the State has significantly increased the efficiency of the statewide procurement system and reduced operating costs statewide. The use of procurement cards is convenient for users and reduces the number of small orders that have to be processed and issued by purchasing offices. Some FY 2006-07 statistics for the program are:

- Spend: $185.1 million
- Monthly Average Spend: $15.4 million
- Transactions: $768,435
- Monthly Average Transactions: 64,05
- Average Cards: 14,271

The Division of Central Services offers a variety of services to customers statewide, including Capitol Complex, Integrated Document Solutions, State Fleet Management and Statewide Travel Management Program. Each of these programs was rated positively on the Department's 3 Cs: Customer, Credibility, and Communications, as well as DCS core values of Responsiveness, Partnership, and Value.

The Department struggles with programmatic effectiveness as a result of outdated and fragmented information systems as well as duplicative service delivery statewide. The deficiencies in Colorado's statewide information systems results in limitations on the Department's capacity to capture necessary data. There is often a lack of central repositories for statewide data. Furthermore there is a duplication of service delivery throughout the State. For example, while DPA is statutorily responsible for providing services such as mail, printing, copiers, mainframe, and telecommunications, these services are also performed by other state agencies and others obtain these services from external providers. This results in inefficiencies. The State could increase the effectiveness of its programs through improved information systems and data repositories and further consolidation of services,

Furthermore, the Colorado Deferred Compensation Committee, which oversees the 457 supplemental savings and 401(a) retirement choice defined contribution plans, is one of DPA's least effective programs because the State may be needlessly duplicating overhead by having both PERA and DPA administering defined contribution plans. Retirement savings plans are more directly within PERA's core functions and competencies and may be best placed there. This is especially true with the expansion of the 457 beyond state employees to other public employers, namely school districts. This expansion places additional demands on DPA staff to perform work related to other employers on behalf of the Committee and plans. PERA is already structured and accustomed to dealing with different public employers, e.g., school and local government divisions.

The State currently offers four defined contribution plans split among DPA and PERA. PERA administers both the core defined benefit plan and two defined contribution plans a 401(k) supplemental savings and a 401(a) retirement choice plan for new hires that choose to opt out of the PERA defined benefit plan. The Committee oversees the 457 plan and another 401(a) retirement choice plan.

In light of recent federal and state legislation, the 457 plan may no longer need to be managed by the State as the employer. This may make it possible to place the 457 plan with PERA as a political subdivision or as an independent authority. Subject to consultation with the Deferred Compensation Committee and the PERA Board, as well as legal advice confirming no legal barriers, the State should consider the potential opportunities associated with moving all of these plans away from the Department.

6. Are there programs that your department is required to perform that do not further your department's goals or have outlived their usefulness? If so, what are they and by whom are they required? Why don't they further your department's goals?

Response: The Department's goals are hindered by the following legislative requirements and constraints:

- The pay date shift is not consistent with Generally Accepted Accounting Principles and does not facilitate transparency in government. Non-resolution of this issue in many cases places an undue financial burden on state employees, especially those who are paid bi-weekly.
- The statutory requirement that lease-purchase agreements over $50,000 must have specific legislative authorizations often times prevents the State from pursing the most cost effective acquisition mechanism when procuring goods. This requirement may direct agencies to use an operating lease for personal property (furniture and equipment) even though a financial lease agreement may be better financially for the State.

- The reduction in state employee salary increases to accommodate SAED is counter-productive to ensuring a meaningful total compensation for the workforce. This will also inhibit range movement and ultimate retirement benefits.
- The inability for the Department to readily adjust our spending authority makes it difficult to respond to our customer needs in a timely manner. Therefore, the Department has proposed a statutory change to allow the use of continuous spending authority on selected funds within the Department. This proposed legislation is discussed later in this document.
- The implementation of HB 06-1343 (Illegal Aliens - Public Contract for Services) as amended by HB 07-1073, CRS 8-17.5-101 *et seq*., has proved to be problematic. Some of the larger vendors have balked at signing up for participation in the Basic Pilot Program as well as the contractual language included in Special Provision 10 that is required to implement these bills. As a result we have had to adjust contracts to delete any services; enter into contracts with resellers which result in more risk to the state; or pay higher costs with fewer choices.

<u>Costs and savings from complying with specific bills and orders</u>

7. What are your department's anticipated costs, anticipated savings, and potential benefits from complying with Executive Order D 028 07, Authorizing Partnership Agreements with State Employees?

Response: Administration of the partnership agreement will not require the expenditure of any additional state dollars. The Department will continue to spend time supporting state employees, and as has been the case in the past, this support will be absorbed into existing budgets as it is today. Potential savings and benefits will be the product of successful outcomes of future discussions through the partnership relationship as articulated by Executive Order D 028 07.

8. Provide an estimate of the costs your department will incur in FY 2007-08 in carrying out the provisions of H.B. 06S-1023. Provide an estimate of your department's savings in FY 2007-08 as a result of not providing services to individuals who are in the country illegally.

Response: The Department does not anticipate costs incurred in FY 2007 – 08 in carrying out the provisions of HB 06S-1023, nor does the Department anticipate savings in FY 2007 – 08 as a result of this bill.

9:20 - 9:40 <u>REQUEST FOR JBC TO SPONSOR DEPARTMENT LEGISLATION</u>

9. Explain the Department's proposed legislation contained in the December 7, 2007, letter to Representative Buescher and the Joint Budget Committee.

Response: The Department is requesting the JBC sponsor legislation regarding DPA's Internal Service Funds. Specifically, this bill would provide spending authority for State Fleet Management and the Central Services Revolving Fund, the Workers' Compensation Fund, the Professional Development Center Fund, and the Debt Collection Fund.

The Department recognizes the JBC's concerns with a potential loss of control with continuous spending authority. We do not believe this to be the case. The JBC will maintain control over agency appropriated funds. Therefore, state agencies will not demand our services if they do not have sufficient funds to pay DPA.

However, in order to alleviate the JBC's concerns, DPA is proposing two amendments to the bill as initially proposed:

- First, it is DPA's intention that any adjustment to spending authority through the continuous spending authority provision would only be a one time adjustment. The spending authority would revert back to the prior JBC approved continuation level the next fiscal year. If the need driving the invocation of continuous spending authority is ongoing, the Department will seek legislative approval through the normal budget cycle. While this control is already contemplated, it could be enforced through statutory language.
- Second, the Department proposed adding a reporting requirement to notify the Joint Budget Committee anytime the need for continuous spending authority is required by the Department. The Department has to outline the justification for additional spending authority when needed to the State Controller's Office for adjustments to the Risk Management lines with continuous spending authority. This legislation could require similar proactive reporting to the JBC in addition to the reporting that would occur as part of the normal budget process.

In fact, with these additional controls the JBC will gain increased oversight over agency spending. Without continuous spending authority, if DPA is unable to accommodate an agency request for services within its base spending authority and an agency cannot wait for the 1331 process, the agency will utilize an outside vendor to provide the necessary services. This often results in higher costs to the State and the Joint Budget Committee would be unaware of this action.

10. Justify the need for continuous spending authority for funds on which the Joint Budget Committee has disagreed with the Department's management of the fund supported activities or has disagreed with the Department's calculation of spending authority need and fund balance need.

Response: Past practice would indicate that there is justification for continuous spending authority. Evidence that historically the JBC has not voiced opposition with the management of the appropriated agency funds by DPA. This lack of opposition has resulted in all previous 1331 submissions ultimately being approved by the JBC for the purpose for which we seek spending authority.

Through precedent the Department believes that the JBC has created a continuous spending authority scenario. What the Department proposes, today, is affirmation of this past practice without the time inhibiting 1331 process. We recognize and respect that the JBC has reservations concerning control of the aforementioned management of the appropriated funds. The Department does not believe nor has it ever considered that the Department has control over program, but merely oversight.

For instance, Fleet oversees the cost of maintenance for department vehicles. However, the day to day use of the vehicle is determined by each respective department's programmatic needs and mission and not by DPA. The Department attempts to influence the use but cannot practically control it by virtue of the autonomy each department has in respect to their mission. The Department oversees maintenance, fuel costs, and vehicle purchase costs but not the actual operational component of any individual appropriated and authorized program.

Without continuous spending authority the Department believes that vendor confidence will be negatively impacted, the potential loss of business is a distinct possibility, and agencies will ultimately pay higher prices for services which translate to higher costs for the State.

The reality is that there is no downside to continuous spending authority when it is justifiable, as in the case of Fleet Management. To that end, the Department recommends allowing for continuous spending authority to ensure proper control by the JBC and a more efficient and efficacious process.

11. Explain how the Joint Budget Committee will maintain oversight of these funds activities if they become continuously appropriated.

Response: As the Department previously responded, Legislative oversight and budgetary control are appropriately exercised with the agencies requesting funds and appropriated funds by the JBC. To reiterate, with the implementation of continuous spending authority DPA only seeks the approval to spend appropriated funds on behalf of the agencies, to provide services required by the agencies, at a cost that benefits the State and its citizens; and to provide needed services efficiently in a responsive manner. The JBC still has the right and ability to oversee DPA management of these services through a detailed reporting of: the products or services provided to each agency, the projects supported by these services, the volumes and costs of these services, and any other details the Committee might request. Without the necessary spending authority, agencies have been forced on occasion to obtain these products or services from other sources, with no ability for the Committee to exercise any control or monitoring of these expenditures. Continuous spending authority simply assures that requests for services from agencies with existing JBC funding can be satisfied by DPA in a timely manner with no loss of legislative control. Therefore, DPA is proposing this legislation to ensure the Committee's oversight is enhanced and not reduced.

12. Why does the Department find it problematic to request 1331 supplementals from the JBC?

Response: The Department does not have a problem with the 1331 process. In fact, we believe this is critical for funding increases. Spending authority is simply a technical entry as the Joint Budget Committee has already appropriated funds to our customer agencies. The Department's concern deals with the bureaucratic constraints which prohibit best practice for a timely response to departments and agencies and timely payment to vendors. The 1331 process is designed to supplement agency budgets with funding for programmatic needs in emergency situations when the Legislature is not in session. In this case the Department is seeking additional spending authority when additional funding is not required for other agencies. Therefore, the Department asserts that past precedence makes the case for continuous spending authority.

9:40 - 10:40 DIVISION OF HUMAN RESOURCES

FTE Vacancies

13. The Joint Budget Committee requests that the Department coordinate with state agencies and fill out a personal services reconciliation report (see Appendix A-II from JBC staff briefing document. For additional clarification refer to JBC staff e-mail to OSPB staff and Department budget staff from November 30, 2007, titled "FY 07 Personal Services Object Codes by Agency, Division and Account") The reconciliation report should be modeled on the FY 2007 Report on Filled and Vacant FTE Positions contained in the OSPB response to Footnote 20 contained in S.B. 07-239. For each department, the report should show personal services appropriations by division and reconcile those with actual expenditures for personnel, state temporaries, sick/annual leave payout, and other personal services. Please provide each individual agency's filled template as well as a consolidated template showing totals for all agencies.

The report should list personal services expenditures by object code for FTE, temporaries, sick/annual leave payout, and other personal services. If the object codes provided in the template do not account for all personal services expenditures, agencies should include any additional object codes and explain why they are relevant.

Response: The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible. In the meantime, the Department would like to clarify that this detailed information is available through the Schedule 3 in the November 1st budget request as well as through the Financial Data Warehouse report.

14. FY 07 Report on Filled and Vacant FTE Positions, Personnel: What expenditures are

contained in the "Other Personal Services" column?

Response: The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible. However, pursuant to communication from OSPB, JBC staff can refer to the Office of the State Controller's ad hoc report e-mailed to the JBC Director on December 19 which contains all object codes expended in Personal Services line items for the last three completed fiscal years, including those that are not related to salaries, benefits, sick/annual leave payouts or temporary staffing.

15. FY 07 Report on Filled and Vacant FTE Positions, Personnel: In Central Services, what are the 53.27 FTE in Other Personnel Services?

Response: The 53.27 FTE generally represent a conversion of hours worked by contracted temporary workers that the division hires (especially for seasonal tax assignments associated with the Department of Revenue), calculated by estimating the total number of hours worked by these employees and dividing by 2,080 hours/FTE. Since these are outside the definition of FTE provided in the headnotes of the Long Bill, not related to state temporary employees, and not related to sick and annual leave payouts, they are estimated and reported in the Other Personal Services section of the report. This is consistent with the format and calculation methodology jointly developed by the JBC and OSPB several years ago.

16. FY 07 Report on Filled and Vacant FTE Positions, Personnel: How can you have 58.4 FTE in Other Personal Services?

Response: As indicated in the previous response, the vast majority of the 58.4 FTE count in Other Personal Services generally represents a conversion of hours worked by contracted temporary workers and contracted professionals that the Department hires, calculated by estimating the total number of hours worked by these employees and dividing by 2,080 hours/FTE. Again, since these are outside the definition of FTE provided in the headnotes of the Long Bill, not hours related to leave payouts, and not hours to state temporary employees, they are estimated and reported in the Other Personal Services section of the report.

17. FY 07 Report on Filled and Vacant FTE Positions, Personnel: Are the numbers on the FTE report numbers of bodies or FTEs? How were these calculated?

Response: The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible.

18. FY 07 Report on Filled and Vacant FTE Positions, Personnel: Did the Department plan

for the 3.2 FTE worth of sick/annual leave payouts in FY 07? Is there a good way to budget for these expenditures?

Response: No. We did not plan for the 3.2 FTE or the sick/annual leave payouts for FY 2006-07 because there is not an instrument or methodology available for such calculations. As for a good way to budget for these expenditures, the Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible.

19. Discuss how the Department can provide better information regarding the reconciliation of personal services lines funding with FTE funding. Will the report requested in Question 13 above help the JBC understand the large number of FTE vacancies reported in the FY 2007 Report on Filled and Vacant FTE Positions? Why or why not?

Response: The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible.

20. Is there a better way to report FTE vacancies than the report provided as a response to Footnote 20?

Response: The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible.

21. Is there a better process for appropriating personal services than the current FTE process? Please explain.

Response: The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible.

22. Does the department have the capability to provide a monthly variance report that shows actual personal services expenditures (that shows a breakdown by FTE, state temporaries, sick/annual leave payouts, and other personal services) compared to the appropriation?

Response: The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible.

23. Please explain how the personal services base reduction of (0.2) percent was calculated. Were departments asked to calculate an actual vacancy that translates into a funding amount? How did the Department calculate that it can only afford a (0.2) percent personal services base reduction?

Response: The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible.

24. Does the Department currently have a plan or estimate of budgetary implications as a result of retirements within the next five years? How many employees within the Department are currently eligible to retire within the next five years? Explain how Department defines "eligible to retire".

Response: No. As stated above, there is not an instrument or methodology available for such calculations. The Department can only obtain information that is available such as years of state service and employee age. The Department is not able to obtain PERA information which may be confidential such as years of purchased service and years in another PERA division or similar plan. Further, the Department cannot predict when employees might choose to retire or how great the expense of annual and sick leave payouts might be. There is tremendous variation among employees' ending leave balances and compensation (affecting the size of the expense) and when they retire compared to when they are eligible to retire. The decision on when to retire rests solely with the employee. Therefore we will continue to pay out any owed leave accruals to the retiring employee(s) and then hire, as soon as process and funding allow, a qualified worker(s) to fill the vacant position(s). The Department does not have a separate line item appropriation for expenses related to retirements, so existing personal services appropriations are and will continue to be used to fund the leave payout and all applicable PERA, AED and SAED payments. The Department would welcome a chance to engage the Committee in a discussion regarding an appropriation model for retirement payouts.

The following table provides an <u>estimate</u> of the number of current Department employees who are eligible for full retirement within the next five years, based upon the limited data available to us:

Year	2008	2009	2010	2011	2012
Eligible to Retire	54	66	83	108	123

The Department applied PERA's rules regarding the retirement eligibility of employees. For instance, the "Rule of 80" designates that an employee hired before January 1, 2007 is eligible to retire when the sum of her/his age and service credits is at least 80.

25. Explain how the Department would use turnover savings from an employee who retires or leaves state employment at the top of their salary range.

Response: Very few employees (approximately 3%) actually achieve salaries at the top of their salary range. If and when such an employee decides to leave or retire, any "savings" would first be applied to payouts for annual and sick leave balances. Assuming there is a meaningful difference between the retiring employee's and the incumbent's salaries, it would then be available for any other appropriate personal services expense.

It is important to note that retirees have a tremendous knowledge base. Therefore, best practices would allow for staffing overlap in key positions to facilitate knowledge transfer through a training period. The current available funding is typically too restrictive to allow for this type of smooth transition. In fact, in some cases, positions must be left vacant for extended periods of time to accommodate large payouts. This can place an undue burden on other team members, already taxed with doing more with less.

26. How much pots funds in total were used to support FTE salaries in FY 06 and FY 07? What particular pots were used to support these FTE?

Response: The following table summarizes total "pots" used to support employee compensation in FY 2005-06 and FY 2006-07, by type:

Central "Pots" Allocations	FY 05-06	FY 06-07
Salary Survey	$903,959	$848,161
Shift Differential	$36,064	$60,659
Amortization Equalization Distribution	$59,404	$149,831
Health, Life, and Dental	$1,100,248	$1,665,725
Short-term Disability	$37,728	$31,206
Total	**$2,137,403**	**$2,755,582**

This information is contained in both the Schedule 3 and Schedule 8 of the Department's budget request, per OSPB instruction.

27. Present the findings contained in the 2007 Workforce Report.

Response: A full copy of the 2007 Workforce Report is provided in the Appendix. It contains general demographic data, including turnover and retirement eligibility, both statewide and by department or higher education institution. We have summarized the general workforce demographics below:

- The trend of the state workforce demographics shows a stable workforce in terms of age, years of service with the State, and percentage of minorities and females.
- Turnover for FY 2006-07 shows 1% increase from FY 2005-06. Based on DHR metrics analysis, it could cost the State $40,149 per separated position (the cost includes out-of-pocket hiring cost and cost in productivity loss). This cost estimate (approximately 80% of an employee's annual salary) is relatively more conservative than several research and consulting groups have reported (an overall average of 150% of an employee's base salary).
- Retirement rate stays relatively stable. As more baby boomers are retiring, succession planning has become more critical to all state agencies. Loss of institutional knowledge and lack of workforce market to replace the talents, the cost of losing veteran employees can become substantial.

	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08*
Number	31,345	31,436	31,273	31,283	32,659
Average Age	45.7	45.6	45.9	46.0	45.8
Average Length of Service	9.8	9.7	9.8	9.7	9.4
Average Annual Salary	$46,567	$45,425	$47,441	$50,474	$49,356
Percent Minorities	25.4%	25.8%	25.6%	26.2%	24.5%
Percent Females	48.8%	48.9%	48.9%	48.9%	49.1%
Turnover Rate	11.4%	12.4%	12.3%	13.3%	na
% Eligible for retirement**	10.3%	11.0%	13.0%	11.4%	na

* This information is based upon the November 2007 database. This information is not yet published.

** This includes both full and reduced retirements, purchased years of service and service with other PERA employers not considered.

<u>Total Compensation</u>

28. Does the Department anticipate submitting an update to the August 1 total compensation recommendation? Why or why not?

Response: The Department submitted an update in keeping with the practice since 2002. Senate Bill 01-234 changed the date for submission of the Annual Compensation Report from December 1 to November 1, 2001, and then to August 1 for each subsequent year. This change was initiated by JBC staff to facilitate the budgeting process. Based on input from the Department at the time of the legislation, it was understood from the outset that an update would be required each year because the compensation survey process cannot be completed by August 1.

Some major surveys, particularly in health care and information technology, are not available until late fall along with the most recent salary budget increase projection surveys and Employment Cost Index (ECI). It is critical that the most recent data be provided in order to provide prevailing compensation needed with remain competitive with the market.

29. Starting with FY 2008, the Department implemented a new "Achievement Pay and Bonus Plan". Please explain if this new methodology for rewarding performance at work has been successful during its first year.

Response: Achievement Pay is more successful than former pay methods to the extent it is now being funded. Achievement Pay is a hybrid between longevity and rewarding excellent behavior. The process of restoring the mechanism to move base salaries through the pay ranges (the 1% base increase for the majority of employees) is one of the benefits of Achievement Pay. If meaningful funding is consistently funded, this will help relieve any salary compression in the future. At the same time, the system rewards accountability and achievements and differentiates performance and recognizes top performers through the 2% non-base award for a small portion of employees. Achievement Pay is more successful than the previous performance pay plan because provides a more equitable distribution of dollars through uniform statewide amounts. Success is dependent upon meaningful awards (e.g., 2.2 percent of total payroll that was in place at the point of transition) and consistent funding, as well as continuous improvements of the performance management component. The first year of Achievement Pay is a step in the right direction but focus must continue on building adequate awards and stabilizing predictable funding.

In regards to whether the program is successful, it may be too soon to measure success. The Department is refining metrics and attempting to establish baseline data in order to measure the effectiveness of Achievement Pay. In addition, an opinion survey on compensation and benefits is currently underway that may provide some insight into how employees view Achievement Pay. Even so, as staff has met with groups of employees throughout the State, employees remain skeptical of a commitment to continued funding of Achievement Pay and are taking a "wait and see" stance based on partial funding for only three of the six years under the statutory performance pay system. This leads to the next question as to how we allocate the increases.

30. How do departments allocate performance pay? Is it true that 99 percent of employees get 1 percent increase? Is the Department comfortable with the way employees are evaluated?

Response: As we understand the questions, the Committee essentially wants know two things. The first is whether performance pay is diluted or undermined by an award to 99 percent of the workforce. The second question is whether or not the employee rating system is equitable.

The Department believes the answer to the first question is "no", the effectiveness of performance pay is not diluted by a 1 percent award to most of the workforce. Successful employees should be rewarded. Exceptional performers receive more than 1 percent. The Department submits that the real challenge here is insufficient funding to meet the statutory mandate to fully realize the advantages of a performance pay system.

First, it is important to note that performance pay is now part of achievement pay, both a base and non-base component. The base increase reflects competent performance in the market (adjusted by occupational group), and a single statewide rate with the expectation that such performance will continue into the future. Within available funding, this amount is 1 percent statewide for FY 2007-08 and recommended again for FY 2008-09. Therefore, successful employees receive their occupational adjustment plus 1 percent. This 1 percent is built into employees' base as the mechanism to move salaries through the pay ranges in recognition of accomplishments.

The non-base component also uses a single statewide rate (2 percent), to differentiate performance and recognize top performers. Therefore, top performers receive not only the same base pay increase as other performers (occupational group increase plus 1 percent), they receive an additional 2 percent non-base award. It is expected that a consistent portion of the workforce will be rated as exceptional at any given time but not necessarily the same individuals; thus, the reason it is non-base building and must be re-earned each year. Use of uniform statewide rates by rating level set by the State Personnel Director has removed the inequities experienced in earlier versions of performance pay that allowed departmental flexibility in determining the award amounts. To put the current awards in context, under the prior step and anniversary pay systems, most employees received their occupational adjustment plus a 5 percent anniversary increase without regard to distinctions between competent and exceptional performance.

Yes, all employees rated successful (approximately 79 percent) or exceptional (approximately 20 percent) receive the uniform rate that moves base salaries through the pay ranges, which was 1 percent last year and recommended for next year. This represents approximately 99 percent of all employees since those rated needs improvement are close to 1 percent (0.84 percent in 2006) and are ineligible for increases. This overall distribution of ratings is expected because it has been the pattern since the implementation of statutorily mandated performance pay and is consistent with professional research and surveys in the field. Consistent with the concept of paying for performance in statute, it is not at all unusual that 99 percent of employees receive an achievement pay award for succeeding at their jobs.

An effective system must have both meaningful awards for all successful employees and awards for top performers that are at least twice as high as the basic award. Within limited funding, the Director determined that anything less than 1 percent for success on the job is not meaningful. This dictated top performance awards of at least 2 percent. Ideally, both of these amounts would be even greater, but at a minimum top level awards would be much greater than 2 percent in order to further distinguish and motivate high performance. Historically, the prior step and longevity systems that moved employees through their pay ranges were funded at 2.2 percent of payroll. To put this budget figure into context, the highest level of funding under performance pay was 1.37 percent of payroll for the current fiscal year. All other years under performance pay were funded at lesser amounts or not at all.

The Committee's second concern pertains to the fairness of performance evaluations. Evaluation is a function of the performance management system that while related to the pay component, is separate. To the extent the Committee questions whether 99 percent of workforce is truly successful, or whether the system is truly equitable, the State's performance management system has a number of quality assurance mechanisms built in to promote employee success and equity. Each employee must have a written performance plan at the start of every year. At least one documented formal progress review is required during the year, and more frequent feedback is highly recommended by DPA. Each annual performance rating must be reviewed and approved by the next higher level supervisor, and each department is required to have a department-wide quality review process to ensure consistency of applying the rating criteria.

Furthermore, the small percent of employees that receive needs improvement ratings is to be expected as the system is designed to facilitate successful employees. The State's performance management system includes ongoing coaching and progressive discipline. Therefore, an unsuccessful employee would receive coaching and potentially a performance improvement plan which would hopefully change behavior to create a successful performer by the final rating period. If the coaching and performance improvement are not successful, the supervisor would pursue progressive disciple. Employees who demonstrate they are unable or unwilling to perform successfully may be terminated. Thus, in either case the number of unsuccessful performers in the State should be minimized.

Performance management is a work in progress in the sense it can always be improved. For example, the overall ratings distribution may be as expected and reflects the standard, there is still rating inflation in some departments or higher education institutions that needs to be addressed through improved performance management. Progress has been made in that performance management is better now than under previous systems (e.g., defined cycle, uniform core behaviors) but there is work to be done. The Department is working to revamp and improve performance management by examining processes, incorporating teamwork and outcomes into evaluations, and developing additional training. It is important that employees have a clear line of sight to how they contribute to organizational outcomes instead of focusing on activities that may not support delivery of efficient services to citizens. In addition, the Department is developing a supervisory training and certification program. This program will cover performance management as well as related topics such as techniques to engage, train, and motivate employees on a continual basis to ensure successful and productive employees.

31. Explain why the request is building the FY 2007-08 SAED appropriation into the personal services line base for FY 2008-09 instead of budgeting for the total SAED within the SAED line?

Response: The Department made the request in accordance with OSPB policy per Chapter 4, p. 2, of the OSPB budget instructions. The Department does not feel it is the appropriate agency to respond to this statewide issue, and will work with OSPB to provide the Committee with a suitable response as soon as possible.

32. During the FY 2007-08 request discussions, the Department had stated that the goal is to increase the contribution for FY 2008-09 to 90 percent of the prevailing market contribution and ultimately reach 100 percent. Why is the recommended state contribution for group benefits not increased to a higher percentage than 85 percent of prevailing market contributions?

Response: This year's December update to the total compensation recommendation meets the strategic goal of achieving approximately 90 percent of prevailing market contribution for health, life and dental (HLD) and continuing adequate progress toward 100 percent. The August 1 recommendation to maintain the State's contribution to group health benefits at 85 percent of prevailing market employer contribution to total premium was the result of prioritizing salaries with the limited funds available for increases in the compensation package. Both salaries and benefits are priorities in need of attention. However, when forced to choose the Department's top priority in total compensation is to achieve a consistent annual commitment to adequate funding of the mechanism to move employees through their pay ranges based on performance, while not losing any ground on HLD. The August recommendation included $10.1 million in new dollars just to remain at 85 percent for HLD. This priority positively affects the entire classified workforce compared with two-thirds of the workforce that are enrolled in the medical plans.

The December 31, 2007 update to the Department's request that you recently received recommends an additional $6.9 million for HLD ($17.1 million total) to address actuarially projected cost increases not known when the August recommendation was submitted. The cost drivers behind this request are detailed in the December update letter, but are primarily attributable to the medical plans. In light of the significant negative impact of these cost increases to employees and the competitiveness of the total compensation package, the Department is recommending additional funding rather than resolving the challenge at the expense of salary increases. The requested $6.9 million increase reflects the State's 50 percent share of the actuarially determined cost increase, with the other 50 percent being paid by employees. This equal cost sharing of the projected increase results in bringing the State's contribution level to slightly above 90 percent of the prevailing market. The additional funding request is within the Governor's budget.

33. Does the Department still support goal of achieving 100 percent for HLD? Does the Department have a revised plan to attain this goal?

Response: Yes, the Department continues to strongly support the goal of achieving 100 percent of prevailing market employer contributions to benefits. The Department's strategy of gradually closing the gap with the market is still our goal. The Department anticipates recommending funding to achieve 100 percent in the next survey cycle. Therefore, pursuant to statute, the Personnel Director's recommendation will be consistent with and in accordance with fiscal constraints. For your edification, the revised total compensation strategic direction is available on the Department's website at

http://www.colorado.gov/dpa/dhr/comp/docs/tcstrategy.pdf.

34. On page 4 of JBC staff briefing document there is a table showing historical expenditures for state contributions to health, life, and dental insurance, salary awards, workers' compensation, and property and liability premiums. Explain why health, life, and dental, and salary awards costs have increased so much over five years?

Response: Increased benefits costs are primarily attributable to medical coverage and have been driven by four factors.

1. Market forces
2. State contributions below prevailing levels
3. State demographics and utilization
4. Enrollment increases

Nationally, the cost of health care, and health coverage by extension, continues to outpace the rate of inflation and wage increases. Drivers of health care in the market are not unique to the State's employee population and include, medical price inflation, cost-shifting, utilization increases among an aging population, product promotion and improved diagnostic services, the availability and use of more expensive treatment and drug therapies, mandated benefits and other legislative changes, and technological changes and their effect on the intensity of care.

Second, the State's contribution to medical coverage significantly lagged the prevailing employer contribution in the market so the Department undertook a strategy to gradually close the gap beginning January 1, 2005. Prior to this date, the contribution was an average of 49 percent of the market employer contribution level. This means if market employers contribute $100 toward total premium, the State was contributing $49. Funding the strategy to close the gap in prevailing employer contribution is progressing with an average of 56 percent on January 1, 2005, followed by 66 percent on July 1, 2005, then 75 percent on July 1, 2006, to the current average of 85 percent on July 1, 2007. Using the same illustration of the $100 employer contribution to total premium, this means the State has moved from the $49 contribution to the $85 level.

The third factor is the State's demographics and utilization which directly drive costs. The State's risk pool has higher utilization and subsequently higher costs relative to other employers with which the state competes. Demographics such as an average age of 45.9 (median age of 47) and geography (all counties) drive higher overall medical costs compared to other employers. It is important to note that once the State achieves and maintains the prevailing market employer contribution to total premium, attention needs to focus on plan designs and cost-related features (e.g., deductibles and out-of-pocket maximums) in order to ensure our plans are competitive with the market and cost-effective for the State and employees.

The final factor is also related to the issue of the level of employer contribution. Enrollment has slightly increased as the State's contribution is increasing toward the prevailing contribution. As the State assumes a greater share of the total cost of the premium, the burden on employees lessens and insurance becomes more affordable. Of course, increased enrollment comes at an added cost.

As to increases in salaries, it is axiomatic that wages continue to increase each year representing the necessity for continuing investment in the workforce. Achievement pay was funded last year, which is the mechanism to move salaries through the pay ranges and reward performance. Similar to the contribution to benefits, moving from under-funding toward adequate funding necessarily increases costs. This includes the mechanism to move salaries within pay ranges, which is beyond the traditional focus only on increasing actual salaries based on occupational groups. It is vital that adequate funding for this fundamental element of compensation continue on in order to maintain the State's ability to retain employees and compete in the market.

35. Who are the current providers for health benefits? Has the department changed providers recently?

Response: The Department has not changed providers and is, in fact, in the middle of the third year of five-year contracts. In terms of medical, the State contracts with Kaiser Permanente and San Luis Valley to provide fully-insured HMO products, and contracts with Great-West Healthcare as the Third Party Administrator of the self-funded medical plan. The contract for the Third Party Administrator of the self-funded dental plan is with Delta Dental.

Committee members are undoubtedly aware of the November 26 announcement that CIGNA Corporation signed an agreement to purchase Great-West Healthcare. Note that the planned purchase does not involve Great-West Life & Annuity, which underwrites our stop-loss insurance. The purchase is not expected to be final for several months, subject to regulatory approvals. Except for the name change, the transition is expected to be transparent to employee members. However, the Department is closely monitoring developments related to our contract and will be meeting with senior representatives of CIGNA in January along with representatives of Great-West Healthcare.

It should also be noted that the recent move to the Great-West Open Access network on January 1 is not a result of this proposed merger. Although communication was close in timing, the change in networks was already in progress as a cost containment measure. The Department's decision was driven by the generally more favorable provider discounts associated with the Open Access network, which will help offset higher than expected claims for this plan year.

10:40 - 11:15 CENTRAL SERVICES

Greening of Government

36. Please present your energy management plan. Discuss how the plan proposes that energy consumption in state buildings will be reduced by 20 percent by 2012. How will this reduction occur within capitol complex buildings?

Response: The Energy Management Plan is included in the appendix. This plan outlines several initiatives taken to date. While many factors, particularly weather and use of buildings, affect energy consumption, energy usage in FY 2004-05 was considerably lower than in FY 2003-04, indicating that the energy performance contract has been successful. Even greater savings is likely in future years, since many of the contracted projects were not installed and operational for the full fiscal year.
Capitol Complex believes that with sound management practices, good preventive maintenance programs, energy monitoring, a Phase III Performance Contract and agency behavioral modifications, we will be able to reach the Executive Order goals.

37. Describe the energy performance contracts that Capitol Complex currently has underway. How much did these contracts cost, and how much are they going to save over 10 years? How many more performance contracts is the Department considering for Capitol Complex buildings?

Response:

The Energy Performance Contract has included two phases to date. This contract involves investments designed to decrease energy consumption and reduce utility expenditures in the future. While the performance contract guarantees a minimum savings level, the State may experience even greater savings. To date, the performance contract has proven to be very successful and the State has achieved larger than anticipated savings. This has allowed for the investment in additional improvements. The projects, costs and savings associated with the energy performance contract are outlined below:

Phase I work completed:

- Lighting improvements
- Water consumption improvements
- Upgrade/expand DDC controls
- Chilled water improvements (loop)
- Install water side economizer
- Replace main chiller, cooling tower and pumps
- Add insulation and weather stripping at N. Campus

Phase I Cost $9,058,949
Projected Savings $15,110,142
Annual Energy Savings $631,009
Annual Lease Payment $589,410
Lease Purchase agreement payments 19 years

Phase II work completed:

- Lighting Controls
- Domestic Hot Water Improvements
- Upgrade DDC Controls
- New chiller system at 690 & 700 Kipling
- Replace windows at CDLE
- Replace boilers at CDLE
- Install boiler at Colorado History Museum

Phase II Cost $4,370,511
Projected Savings $7,047,158
Annual Energy Savings $294,376
Annual Lease Payment $300,799

Due to the success of the performance contract to date, we are contemplating an unanticipated Phase III. We are currently in the Audit phase of our latest round of the DPA Performance Contract Phase III. At this time our vendor is still evaluating proposed projects and preparing the Performa. Projects being considered in this phase include:

- Installation of new boilers at Grand Junction
- Replacement of the heating and cooling distribution system at 1570 Grant Street
- Installation of cooling equipment (crak) units at 690 Kipling. DOIT and CBI computer rooms
- Lighting controls

- Enhanced metering of utilities
- Water efficiency improvements in the capitol
- Second and Third Floor window replacement at the Governor's Residence
- Installation of a ground source heat pump at the Governor's Residence
- Installation of HVAC controls at the Carriage House
- Main loop Chiller replacement at State Office Building
- PV installation at the Capitol
- PV installation at 1881 Pierce Street

38. Present the findings of the Transportation Efficiency Audit required by Executive Order D 11 07 and D 12 07. What are the particular steps that State Fleet will undertake within the next five years to reduce volumetric petroleum consumption?

Response: The State Fleet consists of 5,700 vehicles of all vehicle sizes, with a utilization of 74 million annual miles, and consumes over 4.6 million gallons of fuel per year. The final Transportation Efficiency Audit is in the last stages of preparation. When it is completed the Department will forward it to the JBC.

DPA is currently taking numerous defined measures to reduce petroleum consumption to comply with the Greening of Government Executive Order of which 35 are articulated for your perusal in the appendix. Many of these initiatives are the result of direction provided by the JBC in prior hearings. The Department will continue to look for new ways to reduce volumetric petroleum consumption. The Department would like to highlight a few initiatives listed below that exemplify our efforts.

- The State Fleet already has over 500 Flex Fuel Vehicles (FFV's) that can use Ethanol in a blend of 85% (E85) or biodiesel at a blend of 20% (B20) or above.
- State Fleet currently has fifty hybrid electric vehicles (HEV) in the fleet, and will be aggressively seeking to increase this number in future years.
- State Fleet is meeting with individuals and departments to more precisely identify the exact requirements of the job function for which the vehicle will be used. By matching the vehicle more precisely to the types of jobs it needs to sustain, the vehicle will have an improved MPG for a longer-increased lifecycle, improved reliability, and reduced maintenance.
- State Fleet is currently supporting a soon to be released campaign that will be a contest-challenge among state agencies to reduce vehicle usage by 10 miles per week per vehicle.
- State Fleet plans to conduct a six month evaluation of mounted global positioning systems (GPS) to improve the routing of state vehicles. The devices should be installed in ten state mail-services delivery vehicles at the Department of Personnel and Administration and ten inspection-services vehicles at the Colorado Department of Public Health and Environment.
- The Department is developing a program to encourage/simplify the use of video and audio conferencing.
- The Department is evaluating the addition of one full-time equivalent (FTE) to provide oversight and education concerning the state's petroleum reduction strategies and related fleet-efficiency programs. This is at the suggestion of the Committee in discussions during last year's budget cycle.

39. Explain what assumptions the Department used to calculate the base years for electric consumption and petroleum use to be used as benchmarks in measuring success of the greening government goals?

Response: Pursuant to the Executive Order the baseline for electrical consumption is the FY 2005-06 usage. This information is readily available and tracked monthly. For FY 2005-06 the baseline for Capitol Complex (Denver) was 29,950,630 KwH. For Grand Junction the base was 801,280 KwH. There were no additional assumptions used.

The petroleum baseline excludes vehicles used for law enforcement, emergency response, road maintenance, and highway construction. Based on these exclusions, the final baseline consists of 3,821 vehicles. In FY 2005-06 (the base year) these vehicles traveled 44,391,364 miles and consumed 2,555,734 gallons of unleaded gasoline in the baseline year. The average fuel efficiency for baseline vehicles was 17.4 miles per gallon. To meet the 25% reduction goal will require a reduction of 575,040 gallons of petroleum-based fuel. (638,933 gallons of unleaded fuel, 90 percent of which is petroleum-based, ten percent ethanol based.) Vehicles that came under State Fleet management as a result of SB06-015 were added to the fleet in FY 2006-07 and were not part of the baseline. Consumption for these vehicles will not be counted in future year reporting against the baseline, but will be tracked separately, as there should still be opportunities for reductions in this segment of the fleet as well.

40. Is ethanol a good substitute of petroleum for the state fleet? Does the Department have an estimate of how many gallons of petroleum it takes to produce one gallon of ethanol?

Response: Yes. Besides the benefits of reducing dependence on foreign oil, and improving and/or developing potential new demand for state farmers, the use of ethanol has proven cost effective so far.

Because vehicles running on E-85 achieve an average of 20 percent less fuel economy, a gallon of E-85 must be approximately 20 percent less than the comparable regular gasoline to break even. For the first 5 months of FY 2007-08 regular gasoline has averaged $2.61 per gallon (state price net of taxes) compared to $2.10 net per gallon for E-85, which is 20% less for E-85.

Does the Department have an estimate of how many gallons of petroleum it takes to produce one gallon of ethanol?

Response: The *fossil* energy input per unit of ethanol is lower than the *fossil* energy needed to produce an equal unit of gasoline. Fossil energy needed to produce ethanol is 0.76 million British thermal units (Btu) per 1 million Btu of ethanol delivered. Fossil energy needed to produce gasoline is 1.22 million Btu per 1 million Btu of ethanol delivered. (Source- Argonne National Laboratory Report ANL/ESD/06-7)

41. An October 15, 2007, Governor Ritter press release on sweeping efficiencies as part of

government reform, states that there will be $2.2 million in total estimated 5-year savings by reducing the state fleet, and another $1.1 million in total estimated 5-year savings from capitalizing on fuel card account management tools. Please discuss how these savings will be achieved. Are any of these savings included with the FY 2008-09 fleet vehicle replacement requests?

Response: A. The anticipated $2.2 million savings from a reduced state fleet incorporated two efficiency initiatives: 1) to reduce mileage associated with state vehicles when it is for commuting purposes and is not clearly for the benefit of the State, and 2) to reduce the overall number of state vehicles through trip log analysis.

To accomplish initiative #1 above, the Department has reviewed the current commuter vehicle authorization form and has worked with examples from other states to revise the existing form's language and required signing authority to promote a more conservative approval process. The Department will now require greater written explanation to justify that the commuter request is in the benefit of the State and will require an additional approval level before being considered by State Fleet Management.

The following assumptions were made when projecting anticipated savings for this policy change:
- State vehicles travel an average of 14,000 miles annually.
- 15% of those miles are assumed to be commuter miles if the vehicle is taken home by the state employee.
- It is estimated that each mile costs the State approximately $0.236 (including fuel, insurance, and maintenance).
- There are approximately 920 vehicles (excluding State Patrol vehicles) that have current commuter approval.
- 10% of these commuter vehicles may no longer meet the revised commuter policy and will no longer incur commuter mileage; however, the vehicle will still be required for normal business needs.
- The product of the above items yields $45,595 in savings per year (14,000 miles * 15% * $0.236 * $920 * 10%).

To accomplish initiative #2 above, the Department will now require agencies with state vehicles to complete a trip log for every vehicle that it operates. Once sufficient data can be collected and analyzed from these trip logs, it is assumed that the State will be able to identify and eliminate under utilized vehicles.

Until this data is collected and reviewed to provide a more proven outcome, the following assumptions were made to project anticipated savings:
- There are approximately 5,700 vehicles in the state fleet.
- Through trip log analysis it is estimated that roughly 2% of all vehicles could be eliminated, and mileage could be largely shifted to other agency operated or motor pool vehicles.
- An estimated $3,477 per vehicle cost is assumed for the average state vehicle (excludes mileage costs).
- Based on past experience, when the State implemented a vehicle reduction of 10%, the State

only experienced a 3% reduction in overall mileage. Thus, the estimated 2% overall reduction due to trip log analysis is anticipated to yield a mileage reduction of only 0.6%

- It is assumed that the average vehicle will travel 14,000 miles annually, at a cost of $0.236 per mile
- The net result of the above items is an annual savings of $398,638 (5,700 vehicles * 2% * $3,477 per vehicle + 5,700 vehicles * 2% * 14,000 miles * 0.6% mileage reduction * $0.236 per mile)

The net sum of the two initiatives is $444,233 per year, or $2.2 million for 5 years.

B. The $1.1 million savings from capitalizing on fuel card information involves giving drivers current information about locating the lowest cost fuel for the region. The Department is taking a multi-pronged approach to this effort, including: creating links on multiple state websites for drivers to access real time fuel prices within their locale; using fuel card provider programs to identify stations and brands that have consistently offered lower cost fuel (this information will be updated monthly and can be printed and placed in agency vehicles for easy access); and providing access to all Wright Express reporting tools available to all department fleet coordinators.

In order to achieve the savings projected, every gallon of fuel purchased in the fleet will have to save an average of $.05 per gallon by seeking out the lowest cost fuel when filling up.

Due to the required trip log analysis, the state fleet reduction initiative could not be incorporated in the FY 2008-09 request. Once this information is gathered and analyzed, the Department will submit a request that will identify which agency and which vehicles are affected. The remaining items above represent savings to maintenance and fuel costs, and will be adjusted during future budget actions, typically as Supplementals.

42. How much E-85 fuel are fleet vehicles currently using as compared to petroleum fuel? Does the department track this?

Response: The Department does track the use of E85 in the State's vehicles. Current E85 usage is still insignificant compared to regular fuel. (For November the State purchased 1,692 gallons of E85 out of 403,000 gallons total or slightly less than ½ of 1%). While low, the usage is growing. (It was less than 100 gallons per month last January and February.)

43. Will there be a sufficient supply of E-85 to fuel the vehicles requested by the department?

Response: It is dependant upon whether or not the fueling infrastructure continues to expand. The fueling infrastructure is the key to achieving significant increases in E85 consumption. The Governor, the President, as well as the State Legislature, have strongly supported the increased use of ethanol, and the vehicle manufacturers are making more and more vehicle models E85 capable. There will be a point when this all comes together and we will see significant utilization of E85 fuel in the State. In the meantime, it is prudent to purchase vehicles capable of E85 so that we can take advantage of the supply side improvements as they make E85 more accessible.

44. Is the State paying extra to buy E-85 vehicles? What is the net cost to replace regular vehicles with E-85 vehicles? Are E-85 vehicles less expensive or more expensive? How much would the replacement cost for E-85 vehicles be if they were replaced with regular gas vehicles? Provide similar analysis for hybrid vehicles.

Response: There is no cost difference for E85 vehicles compared to non-E85.

The economics for hybrids have improved dramatically primarily due to the increased cost of the non-hybrid alternative vehicles in two of the major vehicle categories without a corresponding increase in the cost of the hybrid. Using both a worst case analysis and a best case analysis, both the Toyota Prius and the Ford Escape Hybrid offered a life-cycle savings under either scenario. Based on the improved economics, State Fleet is proposing replacing significant numbers of hybrids in the FY 2008-09 proposed replacement plan. The following example provides a full-life cycle analysis for a Hybrid versus a Non-Hybrid vehicle:

HYBRID BREAK-EVEN ANALYSIS

TOYOTA PRIUS VS. DODGE AVENGER (BEST CASE)
Based on 2008 State Acquisition Prices

ASSUMPTIONS:

Annual miles driven =	15,000	miles		
Mile per gallon basic model =	27.3	mpg		
Mile per gallon hybrid =	43	mpg	(EPA=46)	
Fuel cost per gallon (State cost) =	$2.58	$/gal.	= **$3.00**	pump price
Life of Vehicle =	8	years		
Finance Rate =	3.97%			
Battery Pack Replacement Cost =	$0			

Annual gallons used per year (annual miles / estimated miles per gallon):

Basic Model =	549	gallons
Hybrid =	349	gallons
Difference =	201	gallons

Annual savings per year = annual gallons difference * fuel cost per gallon = **$518**

Incremental Cost Differences:

Toyota Prius Hybrid	$	19,163	(Net of credits or passthroughs)
Dodge Avenger	$	16,151	
Hybrid premium	**$**	**3,012**	
Plus Additional finance charges	$	562	(over life of vehicle)
Cost of Battery Pack	$	-	
Less additional resale value	$	3,500	estimated
Total Hybrid premium	**$**	**74**	
Less Total Fuel Savings	**$**	**4,141**	
Net Cost or (Savings)	**$**	**(4,066)**	

Assumes:

Minimal difference in lifetime maintenance expense.
State rebate of $2,000 for FY08
No battery pack replacement during life of vehicle
Resale premium of $3,500 over non-hybrid

45. How will maintenance costs differ between regular vehicles, E-85 vehicles, and Hybrid vehicles? Which type of vehicle is more expensive to maintain?

Response: There is no appreciable difference in maintenance costs between the three types of vehicles.

46. Please provide the Department's estimate of when it is more cost effective to utilize a state fleet vehicle than to reimburse employees for use of personal vehicle (calculate for 2 wheel drive as well as 4 wheel drive vehicles).

Response: It is always more cost effective to use an assigned state vehicle (if available) rather than either your personal vehicle or a motor pool vehicle. The current total cost of ownership for a state passenger car is $.37 per mile and that of a state SUV is $.42 per mile. These compare to the personal reimbursement rates effective January 1, 2008 of $.46 per mile for a passenger car and $.48 per mile for an SUV. If no state vehicle is available, then the rule of thumb is that it is more cost effective to use a motor pool vehicle for round trips of 100 miles or more, and a personal vehicle is more cost effective for short trips. State Fleet offers a feature on it's website that compares the cost of personal reimbursement, private rental vehicles, and the state motor pool for any trip/mileage. Please refer to the fleet optimizer program on the State Fleet website at:

http://www.colorado.gov/dpa/dcs/fleet/docs/SFMTripOptimizer.xls

Capitol Complex Facilities

47. In Decision Item #3, the Department is requesting to merge the Grand Junction State Services Building line and the Camp George West line into the Capitol Complex Facilities line. When were these line items first included in the budget? Why were they appropriated separately in the first place? What are the advantages and disadvantages of appropriating these lines separately? What are the advantages and disadvantages of merging the lines into the Capitol Complex Facilities line?

Response: Both the Grand Junction State Services building and Camp George West were acquired subsequent to the establishment of the traditional "Capitol Complex – Denver" budget. They were separately appropriated at that time, possibly based on a perception that additional abilities related to tracking and accountability would result. It is the Department's contention that the same level of tracking can be maintained by reporting expenditures, etc under separate organization, agency or program codes, within the same line item appropriation(s).

Merging the line items would expand the pool for prioritization of needs. For example, in the proposed environment if Grand Junction has an unforeseen emergency where the funding is not available in the Grand Junction program and the event does not qualify for emergency controlled maintenance funding, the "Denver" budget could be used to supplement the need.

Over the past five years the Department has had to defer maintenance items because of a lack of funding in multiple cases. Some of the deferred items were:

- Exterior window cleaning.
- Pigeon control.
- Building supply and return fan motor replacement.
- Handicap door replacement and or repair.
- Variable frequency drive repair or replacement.
- Fire sprinkler component repair or replacement.
- Stair tread tile repair and or replacement.
- Carpet repair and or replacement.
- Roof repair.
- Reduction of hard floor surface cleaning and buffing.
- Building systems (HVAC, electrical, plumbing. fire alarm, elevator systems) equipment repair or replacement over $500.00 that does not qualify for emergency funding

11:15 - 11:20 DIVISION OF INFORMATION AND TECHNOLOGY

48. Regarding H.B. 06S-1015, was the $93,750 General Fund appropriated to the Department spent? Provide breakdown of expenditures by category.

Response: The Department has spent the entire appropriation of this bill and approximately $10,000 more from base appropriations in the Division. All funding was used for personal services expenditures to compensate those involved in the planning, development, and programming required to meet the requirements of the legislation.

Department of Personnel and Administration
Joint Budget Committee Hearing
Appendix Table of Contents
January 7, 2008

- Question 5 – Impacts of Paydate Shift White Paper
- Question 9 – Letter regarding Request for Legislation, Continuous Spending Authority
- Question 27 – Workforce Report
- Question 32 – Total Compensation Letter
- Question 36 – Energy Management Plan
- Question 38 - Measures to Reduce Petroleum Consumption

Department of Personnel and Administration
Office of the State Controller
Analysis of Reversing the Pay Date Shift
By Leslie M. Shenefelt, State Controller

Impacts of pay date shift:

Fairness to employees: The pay date shift creates a financial hardship for state employees. Although the pay date for employees paid monthly is typically delayed one day, it can be up to three days depending on the day of the week the month June 30 falls. This hardship is real. Many employees have automatic payments deducted from their checking accounts on the last day of the month when they expect their pay to be deposited into their account. With their June pay not being deposited or available to them until the first working day of the next month (July), they face the possibility of not having the funds available in their accounts to cover these automatic payments. If they do not adequately plan for this once a year event they may be subject to account overdraft charges, late payment charges, and cancellation of the automatic payments. Some employees with child support payment garnishments have reported receiving notice of missed payment because the June garnishment was recorded as a July transaction.

The pay date shift creates an even more serious financial hardship for state employees paid on the bi-weekly payroll. These employees can have their pay delayed up to four weeks. This impacts some of the lowest paid and most financial vulnerable employees. It multiplies all the same hardships experienced by the monthly employees and adds other challenges.

Transparency in government operations and accounting: In the current post- financial scandal reporting environment anything perceived as "cooking the book" creates a negative cynical response. Government needs to set a high standard of transparency to regain the trust of its citizens. The pay date shift is one of those issues the general public, the media and the bond markets see as an accounting trick used by government to cover up its problems. Reversing the pay date shift should help restore trust in government.

Conflict with Generally accepted accounting principles: The pay date shift is not in compliance with Governmental Accounting Standards Board (GASB) reporting requirements. As a result the Office of the State Controller and various department accountants are required to perform a reconciliation of the financial reports (State's Comprehensive Annual Financial Report (CAFR)) with the State's budget process. In addition, the OSC is required to disclose the non-compliance condition, the pay date shift, in the CAFR.

Administrative Burden: Under the pay date shift the State is keeping two sets of books, one for financial reporting (modified accrual accounting) and one for budget reporting (cash accounting). Departments are required to track the June General Fund payrolls and prepare often long, complex journal entries to record the difference between the financial reporting and budget tracking of the shift. In addition, budget planning and monitoring needs to include the effect of the pay date shift. A beginning year and end of year adjustment is required.

Costs:

Total Costs: The total actual cost as measured by the adjusting journal entries recorded in COFRS of the pay date shift on June 30, 2007 by department was as follows:

DEPARTMENT	TOTAL SHIFTED
DEPT OF PERSONNEL AND ADMINSTR	319,530.96
DEPARTMENT OF AGRICULTURE	353,530.83
DEPARTMENT OF CORRECTIONS	28,172,575.43
DEPARTMENT OF EDUCATION	1,100,623.35
OFFICE OF THE GOVERNOR	422,800.91
DEPT OF PUB HLTH & ENVIRONMENT	707,101.82
DEPARTMENT OF HIGHER EDUCATION	.00
DEPARTMENT OF HUMAN SERVICES	20,240,352.32
JUDICIAL	16,380,791.00
DEPARTMENT OF LAW	469,902.46
LEGISLATURE	1,671,605.23
DEPARTMENT OF LOCAL AFFAIRS	.00
DEPARTMENT OF MILITARY AFFAIRS	214,764.55
DEPT OF NATURAL RESOURCES	1,932,151.46
DEPARTMENT OF PUBLIC SAFETY	1,336,313.70
DEPT OF REGULATORY AGENCIES	99,248.29
DEPARTMENT OF REVENUE	3,832,402.68
DEPT OF HLTH CARE POLICY & FIN	1,344,962.29
DEPARTMENT OF TREASURY	51,074.00
TOTAL	78,649,731.28

Only the payroll costs charged to the General Fund are shifted from June to July via the above journal entries. In all other funds the pay date shift does not apply and the costs are recorded in June as they occurred.

Bi-weekly Payroll: Of the $78,649,731.00 in General Fund costs, an estimated $1,568,000.00 are the result of shifting the bi-weekly payroll. The total bi-weekly payroll costs delayed for employees were $12,316,961.98. Employees paid bi-weekly are having $12 million of pay delayed up to two weeks to generate $1.6 million in savings to the General Fund.

Options:

There are several options to consider for reversing the pay date shift. They include:

1. Repeal the statute requiring the shift of the June payrolls to July 1. This would have a budget impact from a low of $78 million to as high as $93 million. The $78 million assumes covering only the cost of the latest payroll shift. The $93 million assumes the restoration of General Fund cuts made primarily in higher education as estimated General Fund share of payroll costs. Higher Education

appropriation formats make it impossible to determine actual pay date shift costs so estimated adjustments were be made.

2. Phase in the change by repealing the portion of the statute that requires the shift of the bi-weekly payroll. The cost of this change is estimated to be approximately $1.6 million. This option would create administrative hardships and some additional administrative costs by complicating the year end cash reconciliation process. It would be a step in the right direction by returning part of the payroll to an accrual basis of accounting. It would relieve the employees paid on the bi-weekly payroll who are the most negatively impacted by the pay date shift.
3. Find an administrative solution to relieve bi-weekly paid employees. These could include moving employees on the bi-weekly payroll to the monthly payroll or even a semi-monthly payroll.
4. Phase in the reversal of the pay date shift by department. This would create inequities in treatment of employees between departments. The inequity would be the greatest for bi-weekly paid employees
5. Do nothing and leave the pay date shift in place as it currently exists.

December 7, 2007

The Honorable Bernie Buescher, Chairman
Joint Budget Committee
Colorado General Assembly
State Capitol Building
200 East 14th Avenue, 3rd Floor
Denver, CO 80203

Dear Representative Buescher,

This letter is a follow-up to our meeting held on December 3, 2007, regarding the Department of Personnel's Internal Service Funds legislative proposal. During this meeting, we discussed the Department's need for continuous spending authority for specific internal service funds, and our interest in the Committee's consideration of sponsorship of this legislation during the 2008 Legislative Session. As you may recall, the Department had discussed this proposed legislation with JBC members during the 2007 Legislative Session, and the members indicated an interest in working with us in this effort. In addition, we will be discussing this proposed legislation during the Department's hearing before the JBC scheduled on January 7, 2008.

As we discussed, the proposed legislation would allow for selected expenditures from certain internal service funds to be continuously appropriated while maintaining Joint Budget Committee oversight. The bill would also revise statutes relating to DPA's internal service funds to ensure that all of the funds are codified in statute. The service funds that we have proposed for continuous spending authority, as well as the purpose for that authority is provided below:

1) State Fleet Management and Central Services Revolving Funds;
2) Workers' Compensation Fund;
3) Professional Development Center Fund;
4) Debt Collection Fund.

State Fleet Management and Central Services Revolving Funds:
The Department is seeking continuous spending authority for the State Fleet Management Program Revolving Fund (Fund 607), and the Central Services Revolving Fund (Fund 601), which is used for operations of the Integrated Document Solutions Unit.

State Fleet Management Program Revolving Fund - The operating expenses of the State Fleet Management program are based on the annual miles driven, the number of vehicles in the fleet program, and the cost of fuel, parts, and labor. While the direct control of vehicle usage resides with the using departments, DPA is developing programs to better manage the fleet utilization, which should limit or reduce the future growth in miles driven. In spite of these efforts, program expansions in a number of agencies have recently led to legislative approval of hundreds of additional vehicles to the fleet, and with them additional miles and related expenses. Even if there were no growth in the number of vehicles and if the miles driven were reduced, large fluctuations in fuel prices can drive our expenditures above current spending authority. In FY's 02-03, 03-04, and 05-06, DPA did not have sufficient funds to cover fuel and maintenance costs within the state fleet operating appropriation, and requested an Emergency 1331 Supplemental. Therefore, DPA is requesting continuous spending authority for this fund, which will allow us to respond to these growing costs.

Central Services Revolving Fund (Integrated Documents Solution Unit) – The Integrated Documents Unit is driven entirely by customer demand, therefore, DPA is requesting continuous spending authority to allow us to be responsive to unforeseen demands for service from our customers. Additional customer demand helps IDS build volume and thereby lower prices to all state customers, thus saving the State even more money. These customers and the associated funds have already been approved by the JBC to be purchased through IDS. The Department is requesting the spending authority necessary to accept these already appropriated funds from the agencies.

Workers' Compensation Fund:
Current law allows for continuous spending authority for the State Liability and Property Programs. The Workers' Compensation Fund operates very similarly to the State Liability Program in that once a workers' compensation claim has been processed, approved or confirmed for payment, the claims must be paid. The Department does not control the numbers of claims, and if a large unexpected claim or higher claims volume were to be approved at the end of the fiscal year and initial appropriations are not sufficient, DPA may be placed in a position to request an Emergency 1331 Supplemental. This proposed legislation would allow for similar funding for the Workers' Compensation fund as the Liability and Property Programs.

Professional Development Center Fund:
Current statute provides that DPA is responsible for establishing and maintaining training programs for all State employees. Through this proposal, the Department seeks the creation of a new fund in statute for the State's Professional Development Center. It is critical that the State offer an effective training program to ensure a high quality of services to citizens and to improve recruitment and retention of state employees. The fund as proposed would be cash funded and should be established as a separate fund consistent with DPA's other internal service fund operations. By allowing continuous spending authority of this fund, DPA can effectively respond to the increasing training needs of state agencies.

Debt Collection Fund:
The Department has worked with the JBC on two separate occasions, for the past two fiscal years, to develop a line item for Fees for Private Collection Entities. While these two requests have sought to establish this line item at the appropriate level, if private collection entities increase their collection efforts resulting in an increase to state debts, which are recovered, there would be a corresponding increase in the fees paid to the private collection entities (fees are a percent of debts collected). If the approved spending authority were not sufficient to accommodate these increased fees, DPA may be placed in a position to request that collection efforts be curtailed until adequate spending authority can be obtained through the Emergency 1331 Supplemental process. This is counter-productive for the State; therefore, we are requesting continuous spending authority this fund to avoid limiting any State collection efforts.

I thank the Committee for the continued dialogue in addressing the Department's need for continuous spending authority as proposed in this legislation, and I appreciate the Committee's consideration of sponsoring this initiative. If you should have any questions or need further assistance regarding this matter, please feel free to contact me.

Sincerely,

Rich Gonzales

Executive Director

cc: Senator Moe Keller, Vice-Chairman
Senator John Morse
Senator Steve Johnson
Representative Jack Pommer
Representative Al White
John Ziegler, Staff Director

State of Colorado Workforce Report FY 2006-2007

Rich Gonzales
Executive Director

David M. Kaye, Director
Division of Human Resources

Colorado Department of Personnel & Administration

STATE OF COLORADO
WORKFORCE REPORT FY 2006-2007
12/31/2007

The Department of Personnel & Administration, Division of Human Resources, produces an annual workforce report that provides demographic data on employees in the state personnel system. The annual workforce report compiles data to help state executives assess their current departments' human capital and prepare them for future HR scenarios. Data for this and future reports are also the foundation for DHR to use as a workforce planning metric that will help the State of Colorado to plan for future employment issues. The Division will use these data, (compiled with projects in other states through the National Association of State Personnel Executives (NASPE)), to continue the important work of planning for the state workforce of tomorrow.

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Definition of an employee of the state personnel system:
•Often referred to as a "state classified employee " or a "civil service employee";
•Works in the state personnel system;
•Permanent full-time or part-time employee;
•Does not include higher education faculty and administrators;
•Does not include legislative or judicial staff (except for benefits information); and,
•Does not include temporary/contingent employees.

Definition of turnover for employees in the state personnel system:
•Employee-initiated separations;
•Employer-initiated separations;
•Layoffs;
•Retirements; and,
•Deaths.
Turnover data excludes employees who transfer from one department to another because they are still considered employees of the state personnel system.

Benefits information is gathered and summarized by higher education and non-higher education institutions and derived from an internal report generated by the DPA/DHR Benefits Unit.
•Only permanent employees are eligible for benefits.
•Temporary employees are not eligible for benefits.
•Note that benefits information includes non-state personnel system employees who are not in higher education, such as judicial and legislative employees, and executive directors.
•New hires are not eligible for benefits until the first month after hire.
•Benefits data includes employees for one additional calendar month following their separation from employment.

Non-state personnel system employee information is derived from a payroll file that reports the number of paychecks that were issued to state employees. Only those employees paid through the Colorado Personnel Payroll System (CPPS) are included in this report.

The state personnel system workforce can be measured by positions, full-time equivalents (FTE), or employees. A position is an individual distinct set of duties or assignments. FTE is the budgetary equivalent of one permanent position based on 2,080 working hours per fiscal year. Employees are the actual people holding a position and working in the personnel system. For purposes of this report, it is important to note that payroll numbers reported for non-state personnel system employees do not necessarily equate to the number of employees because an employee may receive more than one paycheck within a month through the Colorado Personnel Payroll System (CPPS).

The Colorado fiscal year (FY) runs from July 1 until June 30. FY 2006-2007 data in this report are based on a June 30, 2007 download from CPPS and data provided by the University of Colorado (CU) and Colorado State University (CSU).

Average is the arithmetic mean, the value of all the entries in a set of data divided by the number of entries; median is the middle value in a set of data, an equal number of values above it and below it. Due to rounding, percent totals may not always equal 100 percent.

STATE PERSONNEL SYSTEM HIGHLIGHTS

GENERAL STATISTICS	
United States Population (Census Bureau Population Estimates - 2006)	299,398,484
Colorado Population (Census Bureau Population Estimates - 2006)	4,753,377
Population Rank (Census Bureau Population Estimates - 2006)	22nd
Colorado Labor Force (Bureau of Labor Statistics Employment Statistics - July 2007)	2,332,900

STATE PERSONNEL SYSTEM EMPLOYEES	
Number	31,283
Average Age	46.0
Average Length of Service	9.7
Average Annual Salary	$50,474
Percent Minorities	26.2%
Percent Females	48.9%

NON-STATE PERSONNEL SYSTEM EMPLOYEES	
Number of Full-Time (Includes Judicial and Legislative employees)*	18,947
Number of Part-Time (Includes Judicial and Legislative employees)*	23,718
* Does not include Non-State Personnel System Higher Education Employees	

BENEFITS	
Employees Eligible for State Benefits (Includes Judicial and Legislative employees)	35,465
Employees Enrolled in State Medical Benefits (Includes Judicial and Legislative employees)	25,667
Employees Enrolled in State Dental Benefits (Includes Judicial and Legislative employees)	27,426

TURNOVER AND RETIREMENT ELIGIBILITY	
Percent of State Personnel System Employees Eligible to Retire within the next Five Years	31.7%
Annual Turnover Rate (FY 2007)	13.3%

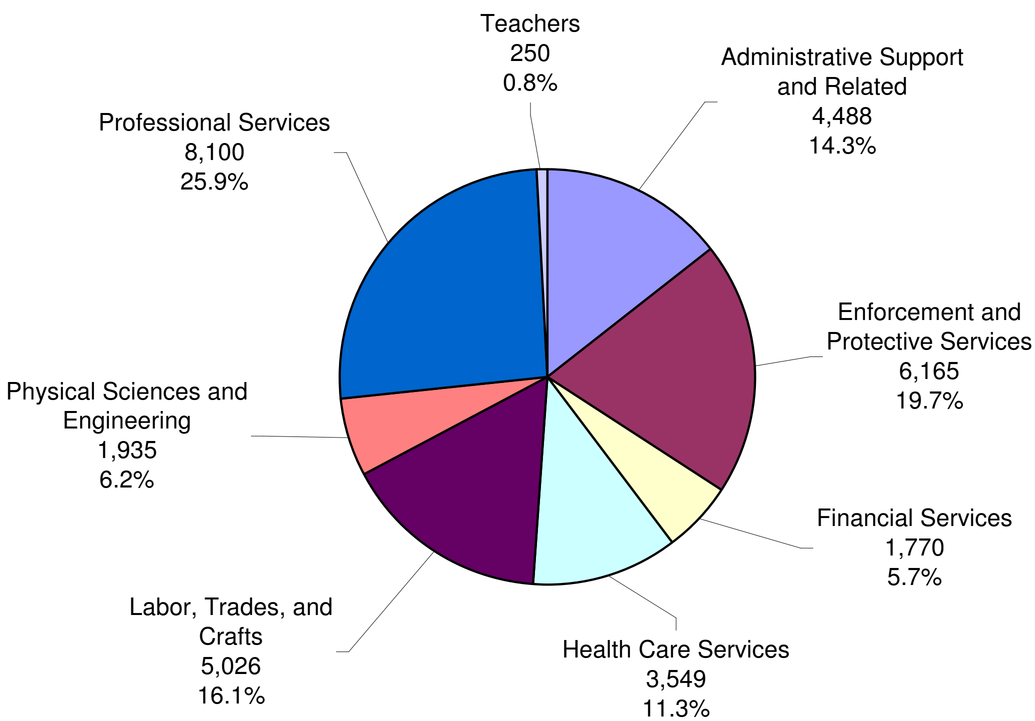
OVERALL AVERAGES FOR GENERAL GOVERNMENT & HIGHER EDUCATION

Department	Number of Employees	% of Total Classified Workforce	Average Annual Salary	Average Age	Average Years of Service
Adams State College	91	0.3%	$35,725	46.4	11.6
Arapahoe Community College	75	0.2%	$36,279	45.4	5.9
Auraria Higher Education Center	236	0.8%	$38,857	47.2	9.7
Colorado Commission On Higher Education	3	0.0%	$40,224	58.1	18.9
Colorado Community College System	55	0.2%	$42,584	48.7	10.2
Colorado Historical Society	19	0.1%	$38,792	49.1	12.9
Colorado Northwestern Community College	25	0.1%	$33,806	45.9	7.4
Colorado School for the Deaf and the Blind	107	0.3%	$38,559	45.8	9.7
Colorado School Of Mines	236	0.8%	$45,056	49.9	10.6
Colorado State University	2,049	6.5%	$41,794	46.9	10.6
Colorado Student Loan Program	4	0.0%	$38,415	52.8	19.5
Community College Of Aurora	47	0.2%	$37,874	47.7	9.3
Community College Of Denver Auraria	36	0.1%	$44,892	47.3	11.7
Dept. Of Agriculture	272	0.9%	$52,684	45.7	10.4
Dept. Of Corrections	5,789	18.5%	$50,957	43.8	8.1
Dept. Of Education	100	0.3%	$49,065	44.9	8.0
Dept. of Health Care Policy & Finance	223	0.7%	$62,135	43.4	5.6
Dept. of Human Services	5,438	17.4%	$48,710	45.7	8.6
Dept. of Labor & Employment	1,030	3.3%	$56,788	49.1	10.8
Dept. of Law	148	0.5%	$54,452	48.2	9.0
Dept. of Local Affairs	169	0.5%	$64,765	48.0	9.7
Dept. of Military Affairs	107	0.3%	$50,552	48.5	6.8
Dept. of Natural Resources	1,431	4.6%	$60,998	45.0	10.5
Dept. Of Personnel & Administration	524	1.7%	$58,656	47.3	11.4
Dept. Of Public Health & Environment	1,115	3.6%	$66,434	46.9	10.1
Dept. of Public Safety	1,261	4.0%	$61,491	40.9	9.9
Dept. of Regulatory Agencies	501	1.6%	$63,345	48.2	9.2
Dept. of Revenue	1,333	4.3%	$52,549	47.1	10.4
Dept. of State	104	0.3%	$56,218	43.3	6.0
Dept. of Transportation	2,971	9.5%	$55,048	46.6	10.8
Dept. of Treasury	22	0.1%	$61,200	47.5	9.5
Fort Lewis College	125	0.4%	$39,301	48.4	10.2
Front Range Community College	202	0.6%	$36,936	48.5	8.2
Governor's Office	2	0.0%	$58,908	50.4	20.1
Lamar Community College	17	0.1%	$32,358	50.0	10.7
Legislature	55	0.2%	$69,266	36.3	5.1
Mesa State College	70	0.2%	$34,648	49.4	9.1
Metropolitan State College Of Denver	177	0.6%	$48,057	47.8	12.8
Morgan Community College	15	0.0%	$31,027	44.6	4.8
Northeastern Junior College	45	0.1%	$32,314	50.3	11.3
Otero Junior College	23	0.1%	$31,402	48.8	14.0
Pikes Peak Community College	215	0.7%	$37,490	45.3	8.2
Pueblo Community College	87	0.3%	$36,048	48.1	9.9
Red Rocks Community College	86	0.3%	$37,113	47.1	8.7
Trinidad State Junior College	33	0.1%	$33,597	49.4	13.2
University Of Colorado - Boulder	2,399	1.3%	$39,833	46.7	10.6
University Of Colorado - Central Admin	243	0.3%	$39,956	46.7	8.8
University Of Colorado - Colorado Springs	164	0.2%	$44,349	49.5	14.2
University Of Colorado - Denver	1,007	7.7%	$44,156	47.9	11.6
University Of Colorado - Health Sciences Center	229	0.8%	$54,985	48.1	11.3
University Of Northern Colorado	411	0.5%	$38,507	49.2	12.9
University Of Southern Colorado	107	3.2%	$41,410	48.5	13.7
Western State College	50	0.7%	$40,514	47.6	10.9
TOTAL	31,283	100.0%	$50,474	46.0	9.7

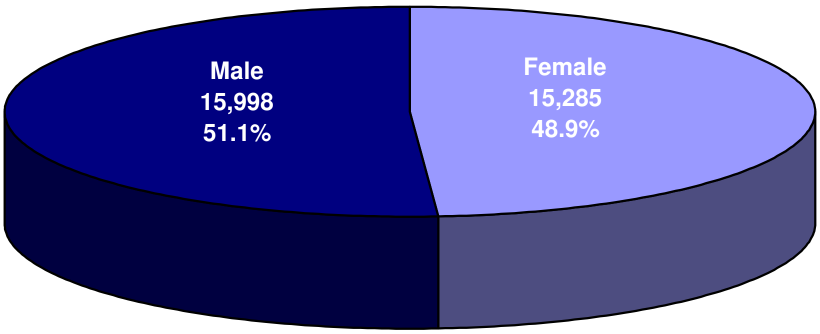
OCCUPATIONAL GROUP HIGHLIGHTS

Occupational Group	Number of Employees	Percent of Total Employees	Average Annual Salary	Average Age	Average Years of Service
Administrative Support and Related	4,488	14.3%	$36,863	47.5	9.6
Enforcement and Protective Services	6,165	19.7%	$51,777	41.9	8.2
Financial Services	1,770	5.7%	$53,867	46.7	10.2
Health Care Services	3,549	11.3%	$48,004	45.5	7.7
Labor, Trades, and Crafts	5,026	16.1%	$36,784	47.5	9.3
Physical Sciences and Engineering	1,935	6.2%	$72,342	46.8	11.9
Professional Services	8,100	25.9%	$60,683	47.0	11.4
Teachers	250	0.8%	$48,863	48.2	8.2
Total and Averages	**31,283**	**100.0%**	**$50,474**	**46.0**	**9.7**

Number and Percent of Employees by Occupational Group

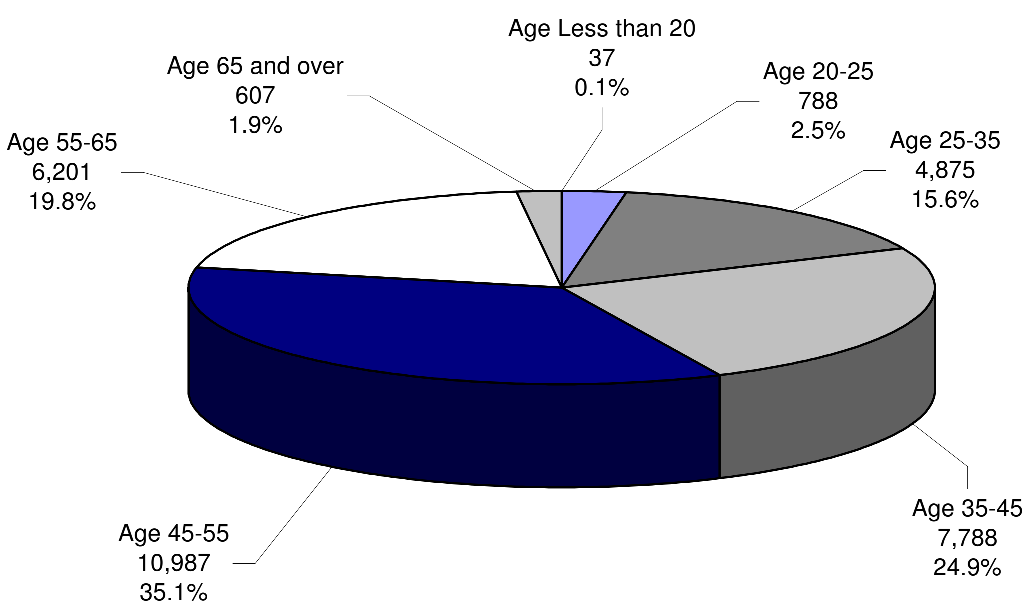


Number and Percent of Employees by Gender



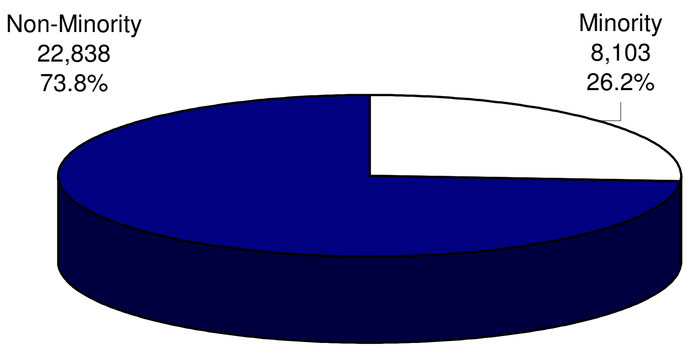
Number and Percent of Employees by Age Group

Age Group	Number of Employees	Percent of Total Employees
Less than 20	37	0.1%
20-25	788	2.5%
25-35	4,875	15.6%
35-45	7,788	24.9%
45-55	10,987	35.1%
55-65	6,201	19.8%
Greater than 65	607	1.9%



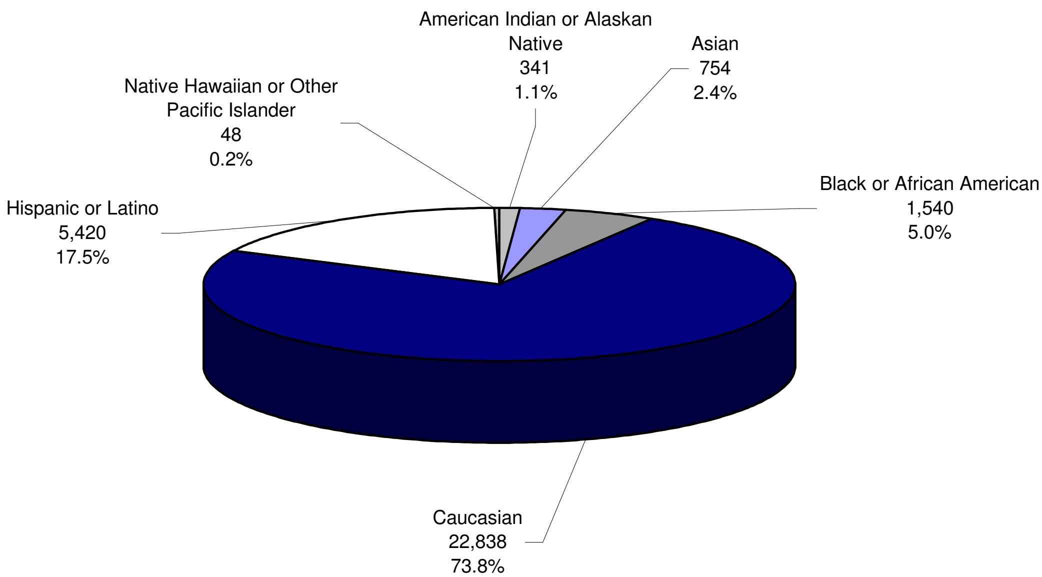
Number and Percent of Employees by Minority/Non-minority

Ethnic Group	Number of Employees	Percent of Total
Minority	8,103	26.2%
Non-Minority	22,838	73.8%
Not Indicated or Unkown	342	
TOTAL	**31,283**	**100.0%**



Number and Percent of Employees by Ethnic Group

Ethnic Group	Number of Employees	Percent of Total
American Indian or Alaskan Native	341	1.1%
Asian	754	2.4%
Black or African American	1,540	5.0%
Caucasian	22,838	73.8%
Hispanic or Latino	5,420	17.5%
Native Hawaiian or Other Pacific Islander	48	0.2%
Not Indicated or Unkown	342	
TOTAL	31,283	100.0%

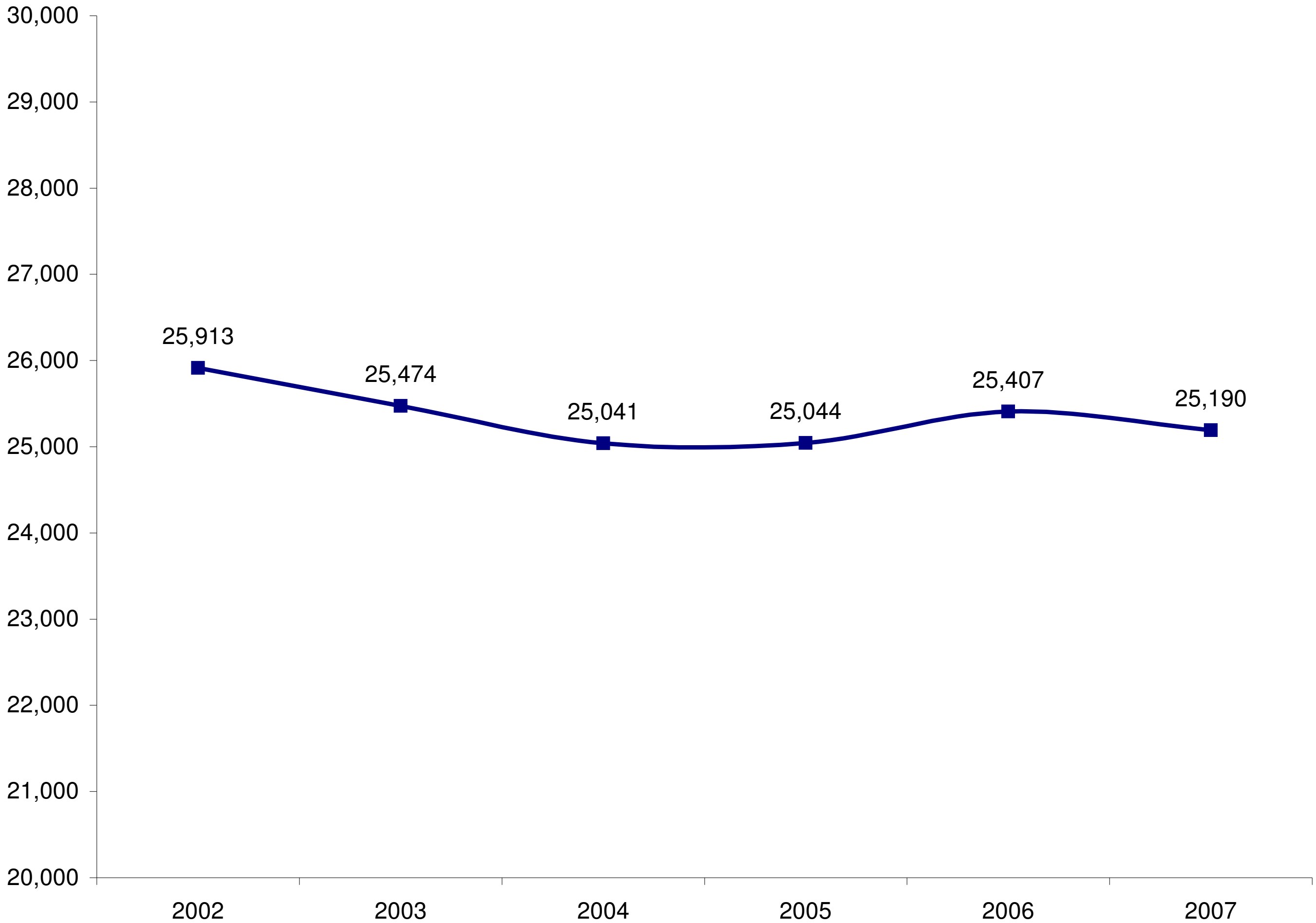


WORKFORCE TRENDS

The Workforce Trends section tracks state personnel system employment growth and the number of employees in specified age ranges over a five-year period.

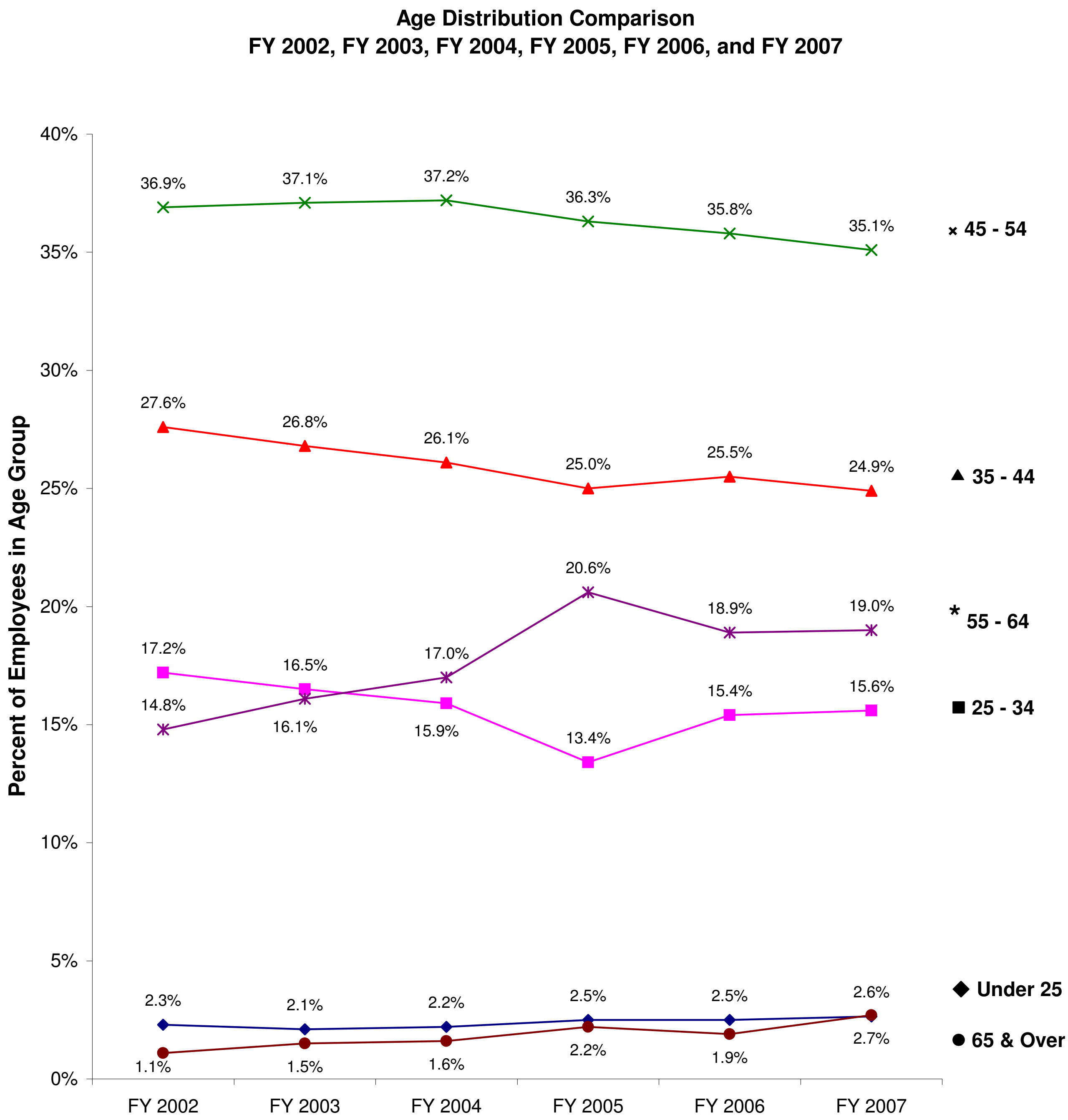
The table that lists retirement projections by agency and the following charts illustrate the number and percent of employees currently eligible for full retirement, for reduced retirement, and the percent who will be eligible for retirement in the next one to five years. This does not take into account those employees who may have purchased service credit or who have worked for other Public Employees Retirement Association (PERA) employers.

Number of Employees from FY 2002 Through FY 2007
General Government State Personnel System Employees



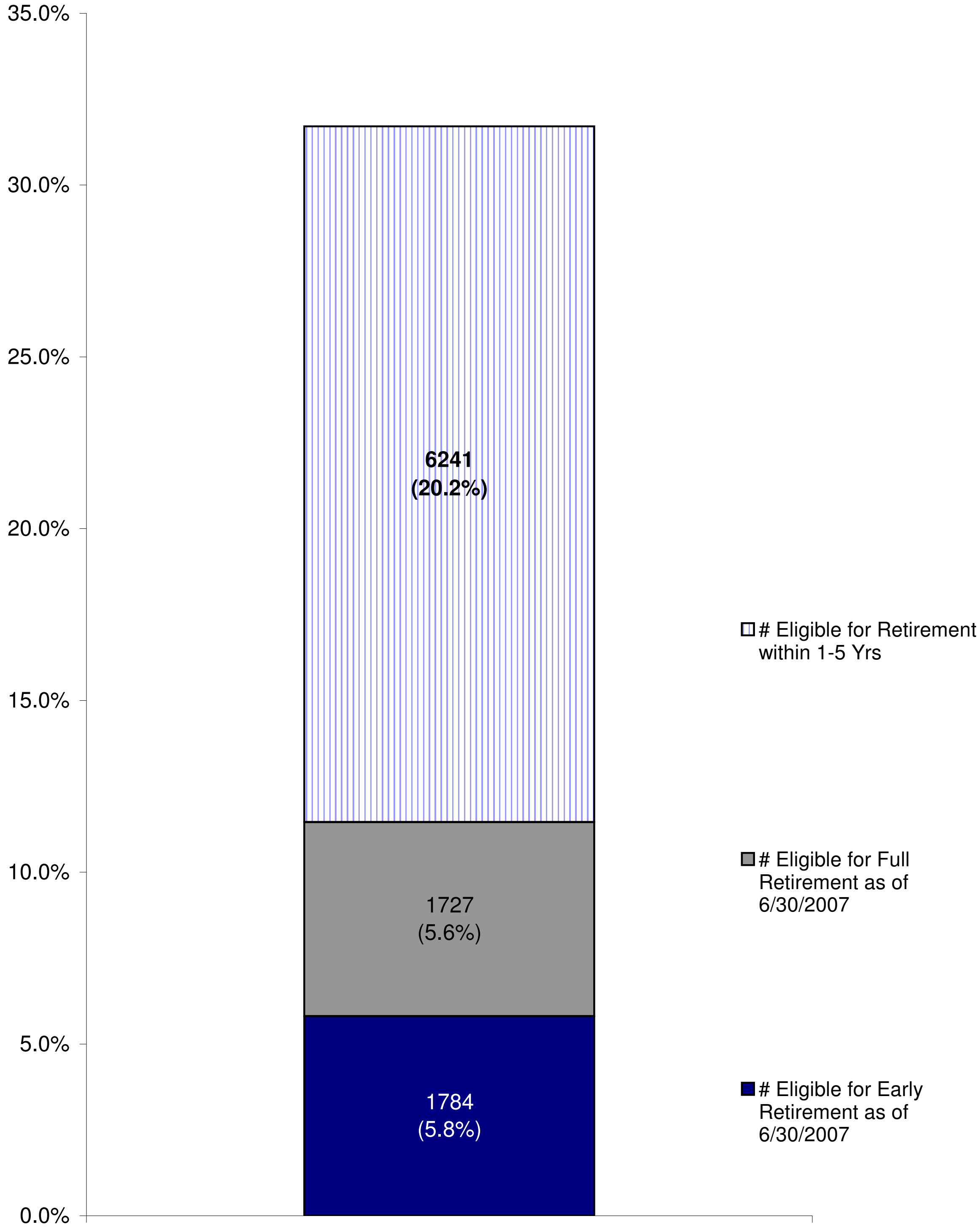
Year	June 30, 2002	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007
Number of Employees	25,913	25,474	25,041	25,044	25,407	25,190
% Change	2.40%	-1.70%	-1.70%	0.01%	1.45%	-0.85%

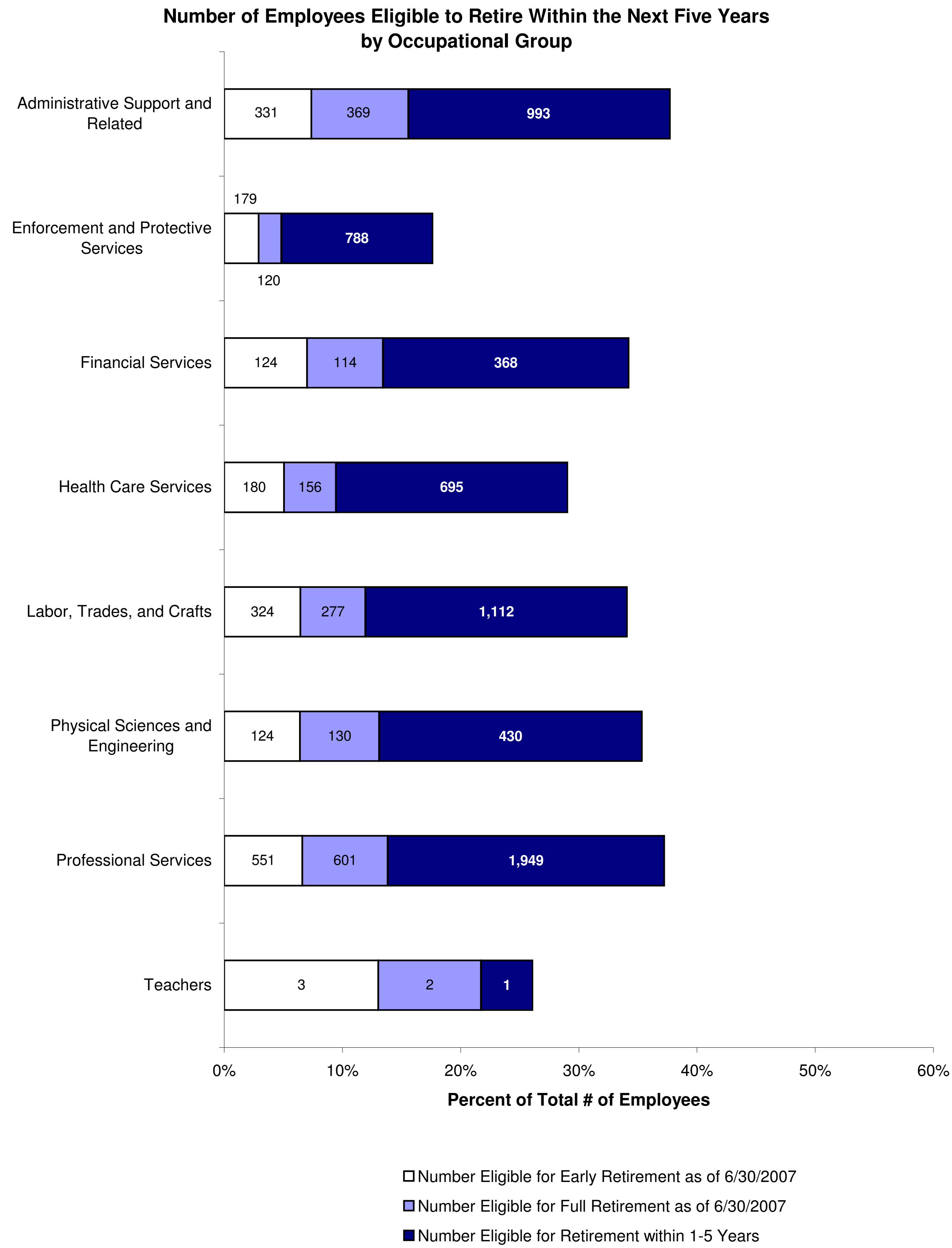
*Does not include CU or CSU data in either the table or the chart. CU represents an additional 4,042 and CSU represents an additional 2,049 employees, making the total number of employees 31,283.



According to the Bureau of Labor Statistics, the median age of the US labor force will approach 41 years by 2008. As of June 30, 2007, the median age of state personnel system employees was 47.2 years and the average age was 46.0, both well above the projected median of the US labor force just one year away. This trend, coupled with the potential retirement eligibility of almost a third of the workforce in the next five years, poses succession planning challenges for the State of Colorado as an employer.

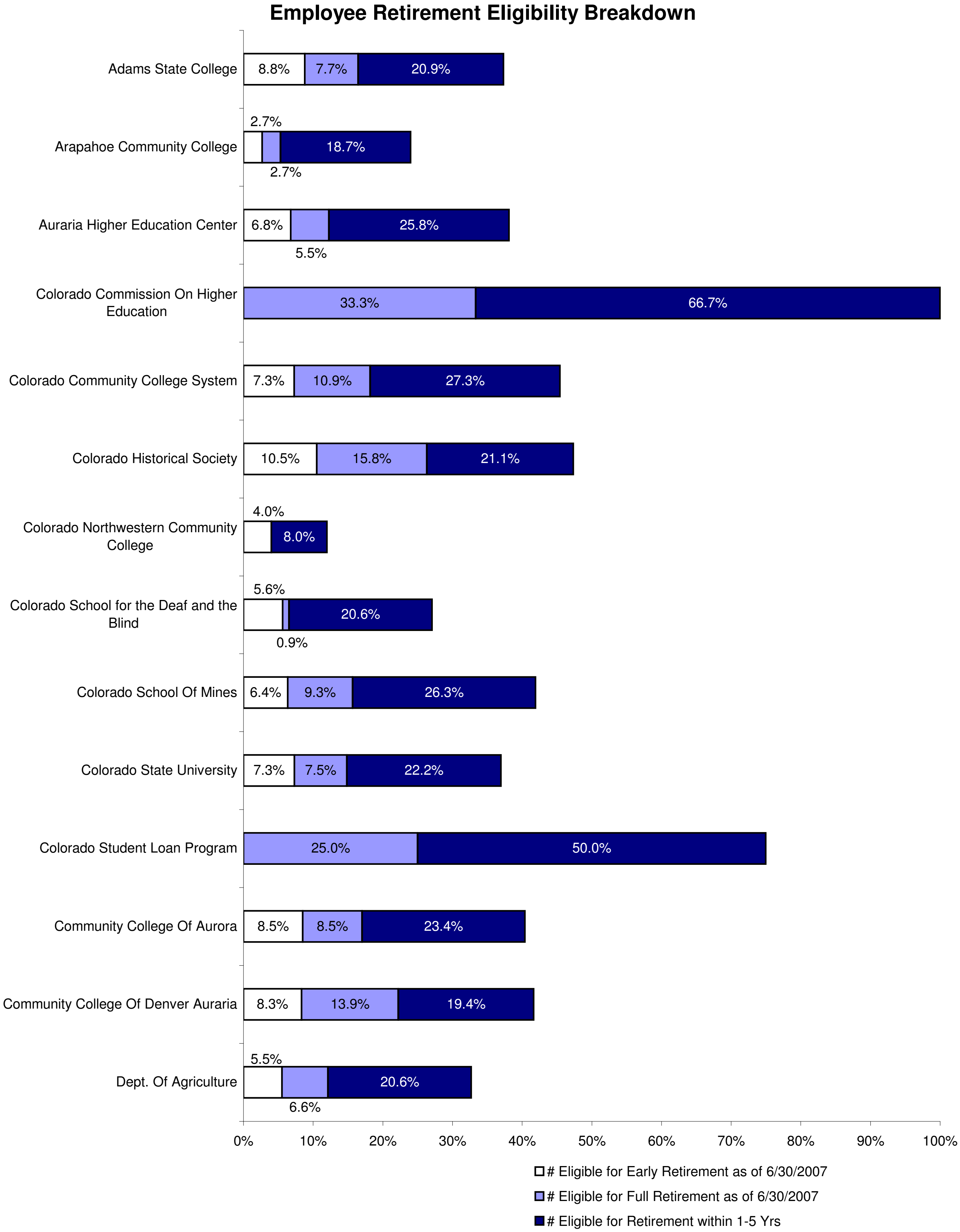
Number and Percent of Employees Eligible to Retire Within 1-5 Years



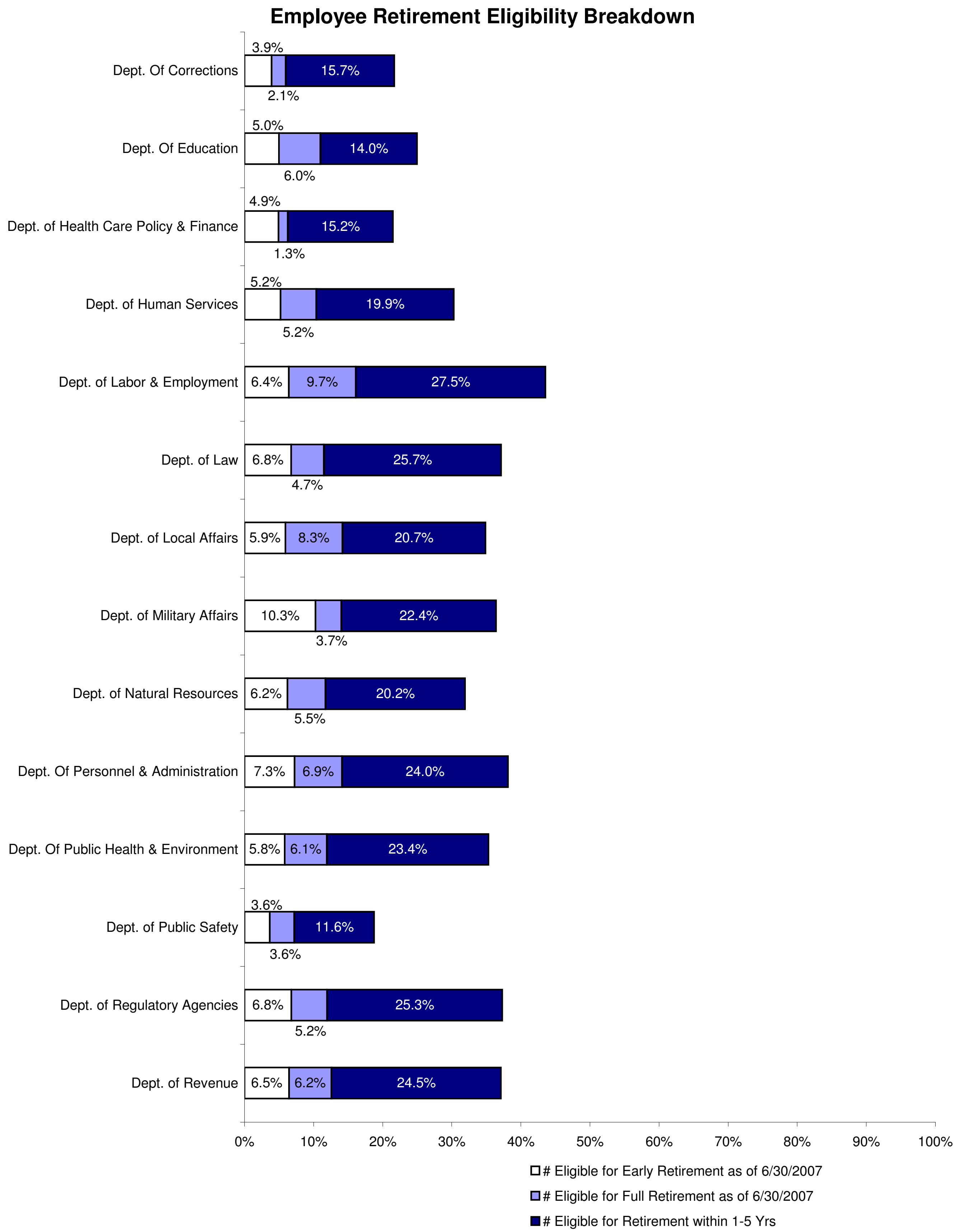

Number of Employees Eligible to Retire Within the Next Five Years
by Occupational Group
Administrative Support and Related
331
369
993
Enforcement and Protective Services
179
120
788
Financial Services
124
114
368
Health Care Services
180
156
695
Labor, Trades, and Crafts
324
277
1,112
Physical Sciences and Engineering
124
130
430
Professional Services
551
601
1,949
Teachers
3
2
1
0%
10%
20%
30%
40%
50%
60%
Percent of Total # of Employees
Number Eligible for Early Retirement as of 6/30/2007
Number Eligible for Full Retirement as of 6/30/2007
Number Eligible for Retirement within 1-5 Years

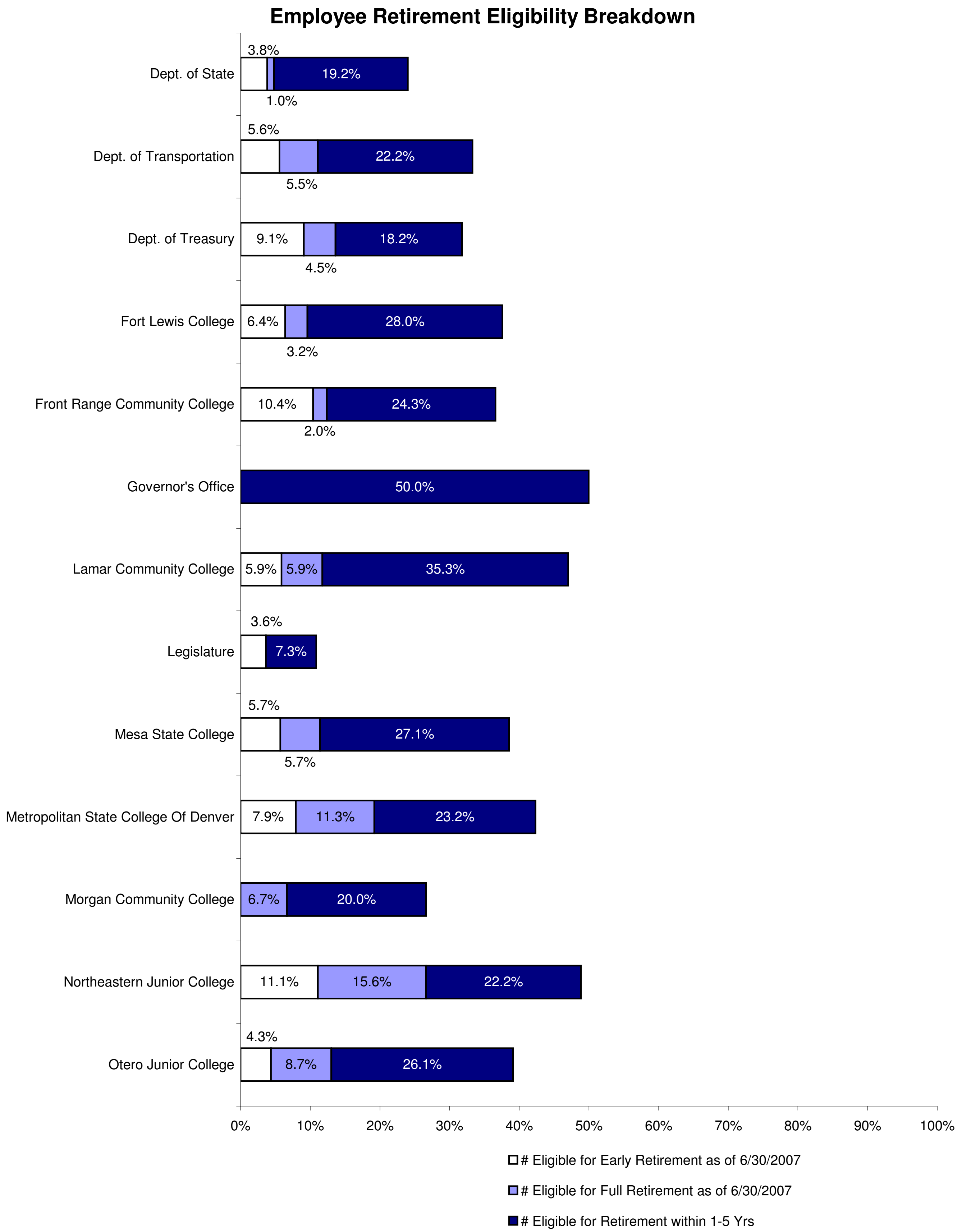
Number of Employees by Retirement Eligibility (see charts on following pages)

Department	# Eligible for Early Retirement as of 6/30/2007	# Eligible for Full Retirement as of 6/30/2007	# Eligible for Retirement within 1-5 Yrs	# Not Eligible for Retirement within 1-5 Yrs	Total Number of Employees
Adams State College	8	7	19	57	91
Arapahoe Community College	2	2	14	57	75
Auraria Higher Education Center	16	13	61	146	236
Colorado Commission On Higher Education	0	1	2	0	3
Colorado Community College System	4	6	15	30	55
Colorado Historical Society	2	3	4	10	19
Colorado Northwestern Community College	1	0	2	22	25
Colorado School for the Deaf and the Blind	6	1	22	78	107
Colorado School Of Mines	15	22	62	137	236
Colorado State University	150	154	454	1,291	2,049
Colorado Student Loan Program	0	1	2	1	4
Community College Of Aurora	4	4	11	28	47
Community College Of Denver Auraria	3	5	7	21	36
Dept. Of Agriculture	15	18	56	183	272
Dept. Of Corrections	227	119	910	4,533	5,789
Dept. Of Education	5	6	14	75	100
Dept. of Health Care Policy & Finance	11	3	34	175	223
Dept. of Human Services	284	281	1,083	3,790	5,438
Dept. of Labor & Employment	66	100	283	581	1,030
Dept. of Law	10	7	38	93	148
Dept. of Local Affairs	10	14	35	110	169
Dept. of Military Affairs	11	4	24	68	107
Dept. of Natural Resources	89	79	289	974	1,431
Dept. Of Personnel & Administration	38	36	126	324	524
Dept. Of Public Health & Environment	65	68	261	721	1,115
Dept. of Public Safety	46	45	146	1,024	1,261
Dept. of Regulatory Agencies	34	26	127	314	501
Dept. of Revenue	86	82	327	838	1,333
Dept. of State	4	1	20	79	104
Dept. of Transportation	166	164	660	1,981	2,971
Dept. of Treasury	2	1	4	15	22
Fort Lewis College	8	4	35	78	125
Front Range Community College	21	4	49	128	202
Governor's Office	0	0	1	1	2
Lamar Community College	1	1	6	9	17
Legislature	2	0	4	49	55
Mesa State College	4	4	19	43	70
Metropolitan State College Of Denver	14	20	41	102	177
Morgan Community College	0	1	3	11	15
Northeastern Junior College	5	7	10	23	45
Otero Junior College	1	2	6	14	23
Pikes Peak Community College	9	12	31	163	215
Pueblo Community College	5	8	19	55	87
Red Rocks Community College	3	5	24	54	86
Trinidad State Junior College	2	2	10	19	33
University Of Colorado - Boulder	190	193	468	1,548	2,399
University Of Colorado - Central Admin	20	18	57	134	229
University Of Colorado - Colorado Springs	15	18	30	180	243
University Of Colorado - Denver	17	26	37	84	164
University Of Colorado - Health Sciences Center	73	116	222	596	1,007
University Of Northern Colorado	32	47	116	216	411
University Of Southern Colorado	11	4	23	69	107
Western State College	3	4	13	30	50
TOTAL	1,816	1,769	6,336	21,362	31,283

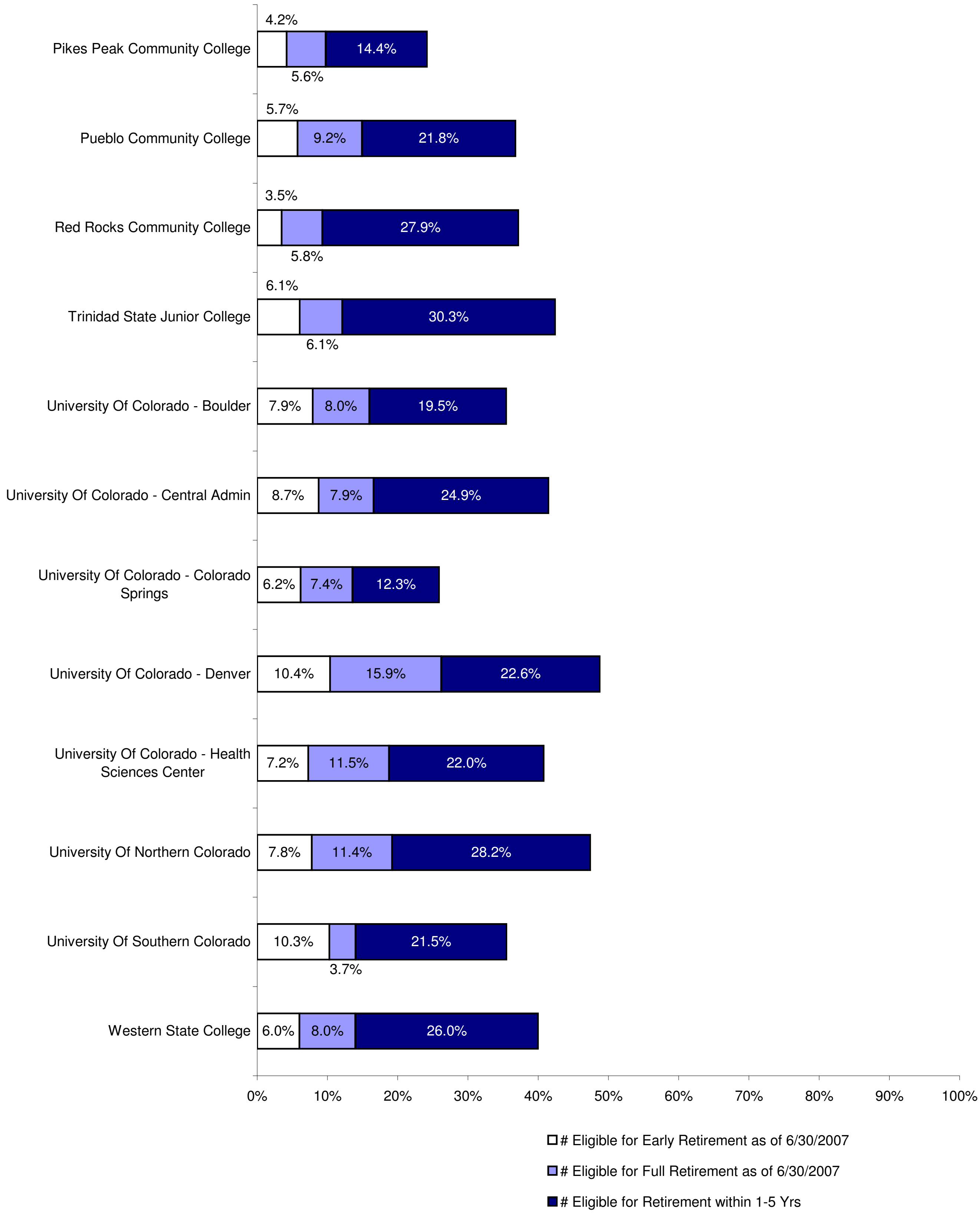


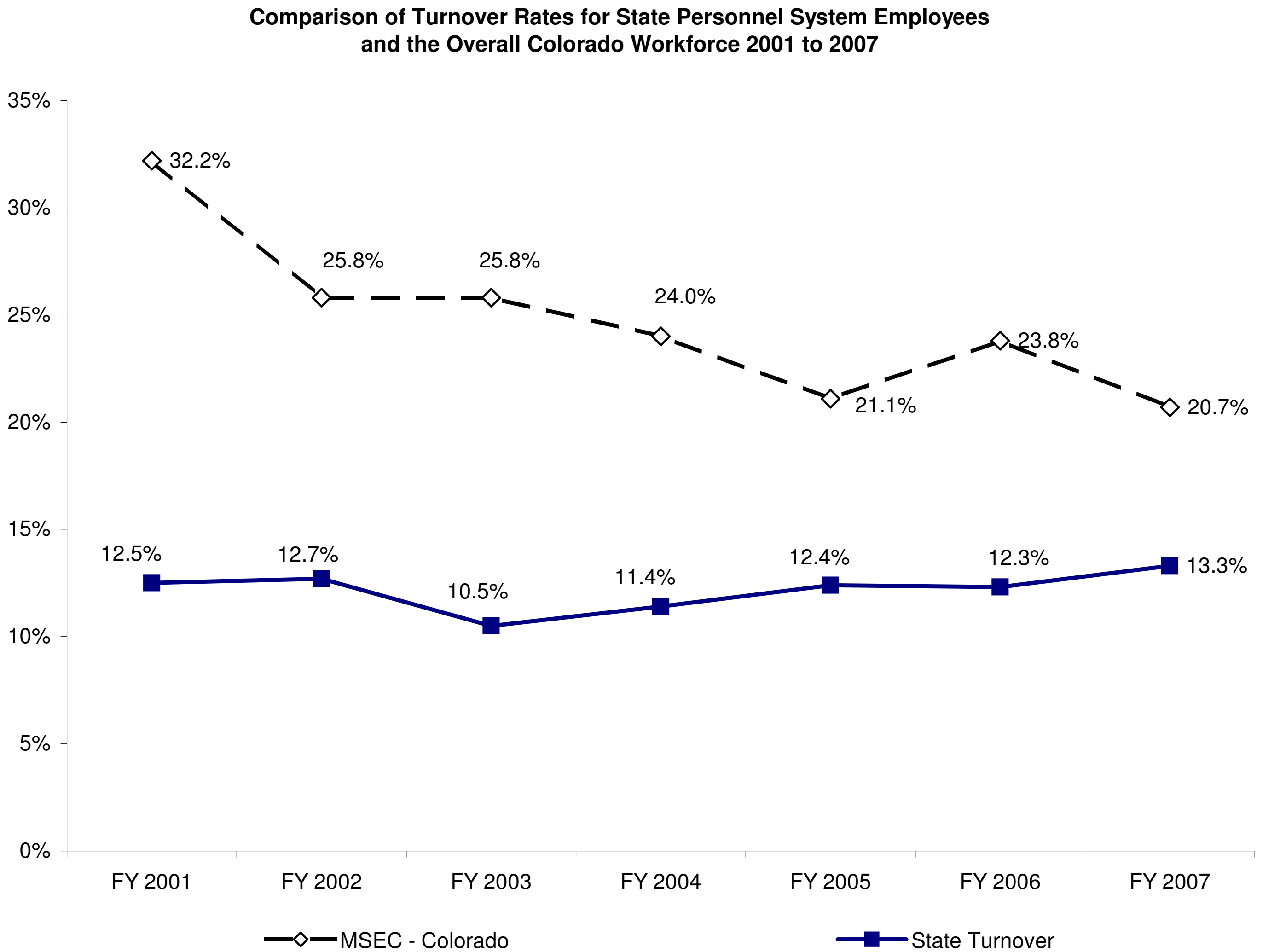
Employee Retirement Eligibility Breakdown
Adams State College
8.8%
7.7%
20.9%
Arapahoe Community College
2.7%
2.7%
18.7%
Auraria Higher Education Center
6.8%
5.5%
25.8%
Colorado Commission On Higher Education
33.3%
66.7%
Colorado Community College System
7.3%
10.9%
27.3%
Colorado Historical Society
10.5%
15.8%
21.1%
Colorado Northwestern Community College
4.0%
8.0%
Colorado School for the Deaf and the Blind
5.6%
0.9%
20.6%
Colorado School Of Mines
6.4%
9.3%
26.3%
Colorado State University
7.3%
7.5%
22.2%
Colorado Student Loan Program
25.0%
50.0%
Community College Of Aurora
8.5%
8.5%
23.4%
Community College Of Denver Auraria
8.3%
13.9%
19.4%
Dept. Of Agriculture
5.5%
6.6%
20.6%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Eligible for Early Retirement as of 6/30/2007
Eligible for Full Retirement as of 6/30/2007
Eligible for Retirement within 1-5 Yrs


Employee Retirement Eligibility Breakdown
Dept. Of Corrections 3.9% 2.1% 15.7%
Dept. Of Education 5.0% 6.0% 14.0%
Dept. of Health Care Policy & Finance 4.9% 1.3% 15.2%
Dept. of Human Services 5.2% 5.2% 19.9%
Dept. of Labor & Employment 6.4% 9.7% 27.5%
Dept. of Law 6.8% 4.7% 25.7%
Dept. of Local Affairs 5.9% 8.3% 20.7%
Dept. of Military Affairs 10.3% 3.7% 22.4%
Dept. of Natural Resources 6.2% 5.5% 20.2%
Dept. Of Personnel & Administration 7.3% 6.9% 24.0%
Dept. Of Public Health & Environment 5.8% 6.1% 23.4%
Dept. of Public Safety 3.6% 3.6% 11.6%
Dept. of Regulatory Agencies 6.8% 5.2% 25.3%
Dept. of Revenue 6.5% 6.2% 24.5%
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
Eligible for Early Retirement as of 6/30/2007
Eligible for Full Retirement as of 6/30/2007
Eligible for Retirement within 1-5 Yrs


Employee Retirement Eligibility Breakdown
Dept. of State
3.8%
19.2%
1.0%
Dept. of Transportation
5.6%
22.2%
5.5%
Dept. of Treasury
9.1%
18.2%
4.5%
Fort Lewis College
6.4%
28.0%
3.2%
Front Range Community College
10.4%
24.3%
2.0%
Governor's Office
50.0%
Lamar Community College
5.9%
5.9%
35.3%
Legislature
3.6%
7.3%
Mesa State College
5.7%
27.1%
5.7%
Metropolitan State College Of Denver
7.9%
11.3%
23.2%
Morgan Community College
6.7%
20.0%
Northeastern Junior College
11.1%
15.6%
22.2%
Otero Junior College
4.3%
8.7%
26.1%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Eligible for Early Retirement as of 6/30/2007
Eligible for Full Retirement as of 6/30/2007
Eligible for Retirement within 1-5 Yrs

Employee Retirement Eligibility Breakdown





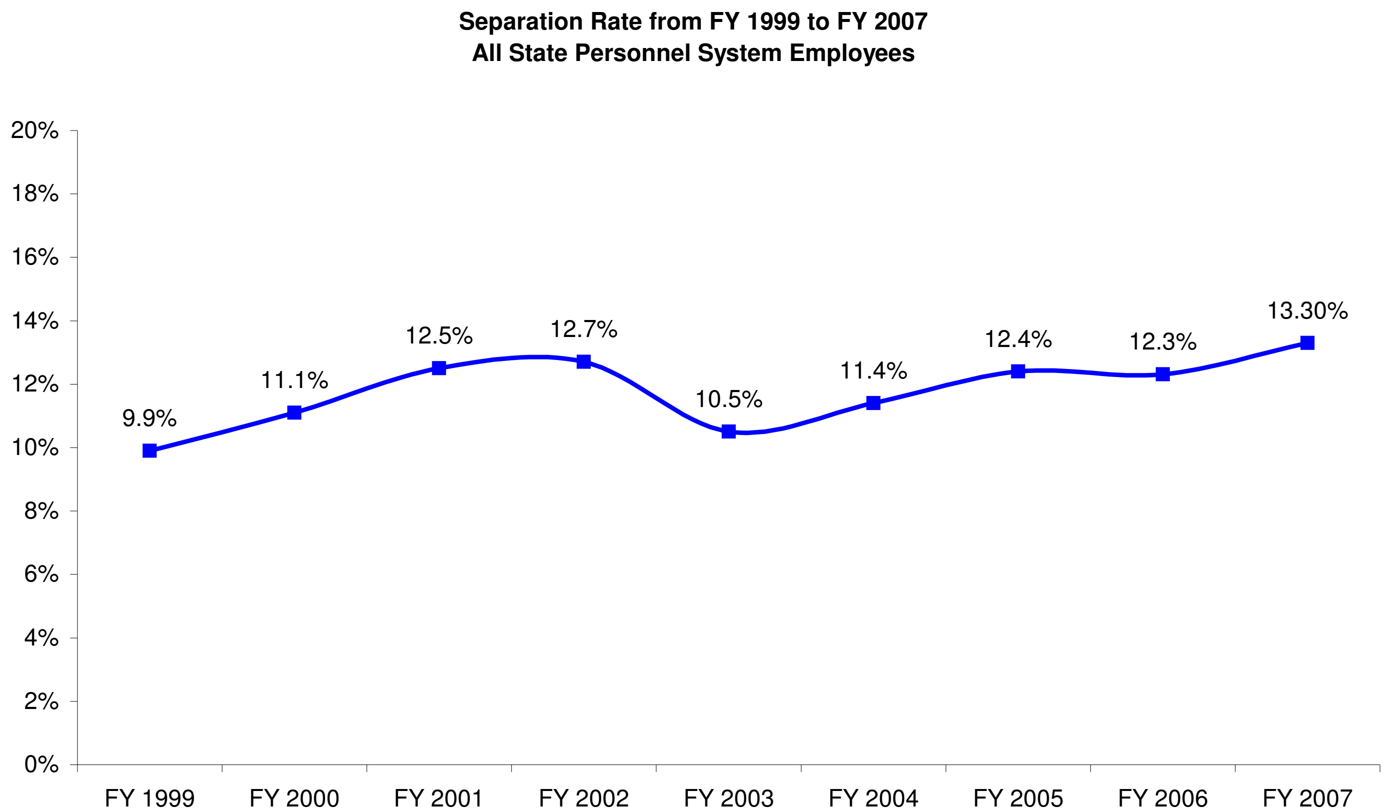
The chart shows the turnover rate for employees who leave the state personnel system compared with MSEC (Mountain States Employers Council) data up to FY 2007.

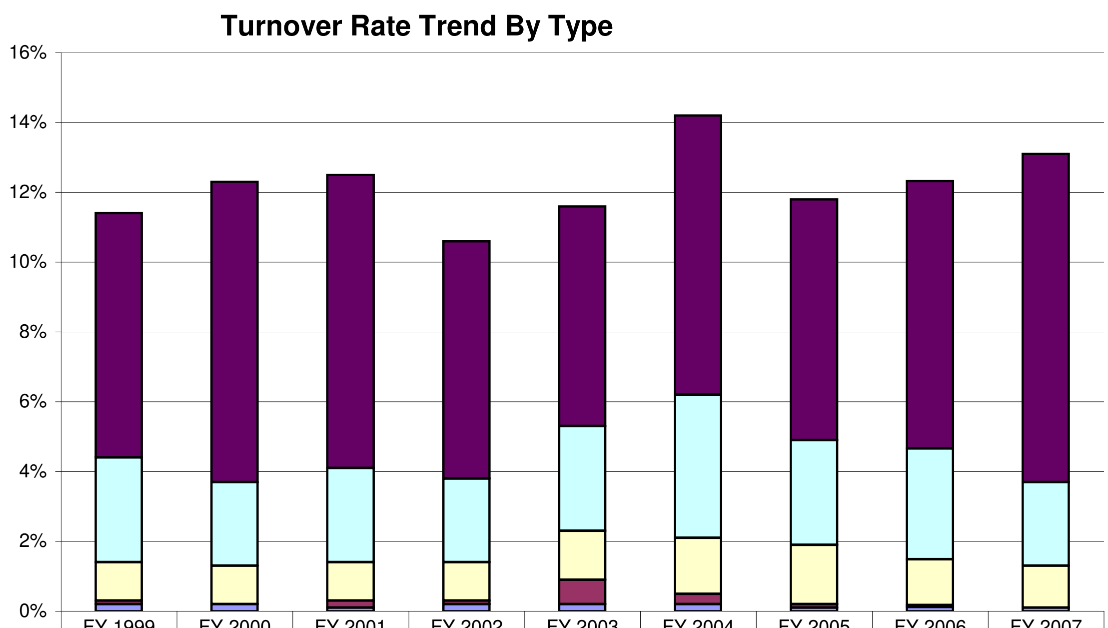
MSEC data includes transfers within an organization, but to a different location.

State turnover is defined as separations from state employment, including employee and employer initiated separations, layoffs, retirements, and deaths. The state excludes transfers because transferred employees remain with state government.

Data represents only permanent employees.

Includes CU and CSU data from FY 2003 to FY 2007. CU and CSU data was not available in previous years.





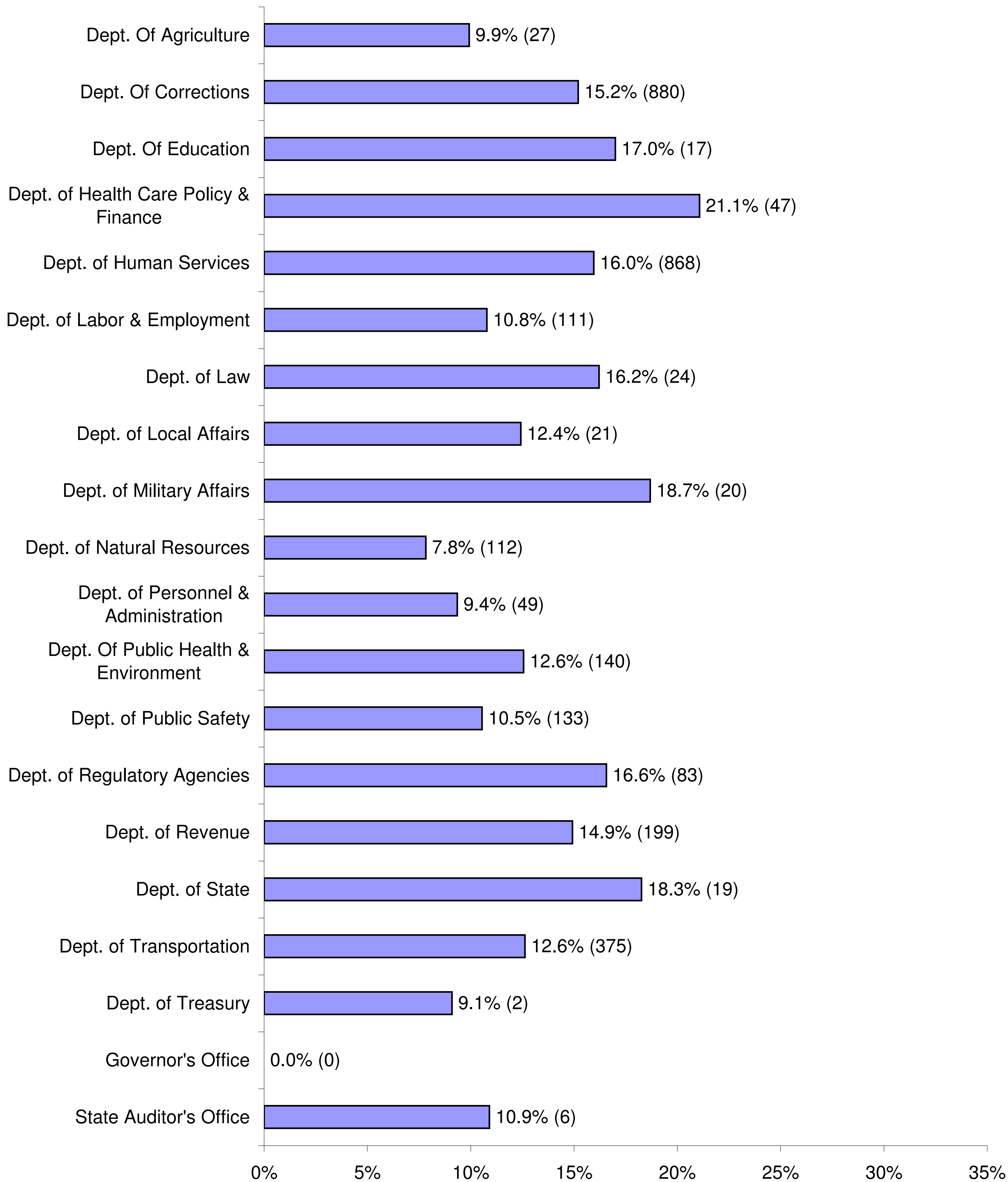
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Voluntary	7.0%	8.6%	8.4%	6.8%	6.3%	8.0%	6.9%	7.7%	9.4%
Retirement	3.0%	2.4%	2.7%	2.4%	3.0%	4.1%	3.0%	3.2%	2.4%
Involuntary-Other, Excluding Layoff	1.1%	1.1%	1.1%	1.1%	1.4%	1.6%	1.7%	1.3%	1.2%
Involuntary-Layoff	0.1%	0.0%	0.2%	0.1%	0.7%	0.3%	0.1%	0.1%	0.0%
Death	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%

Percent of Separations by Department from FY 2002 - 2007						
Department	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Dept of Agriculture	8.9%	14.1%	10.0%	13.2%	10.0%	9.9%
Dept of Corrections	8.5%	11.2%	11.0%	10.5%	12.3%	15.2%
Dept of Education	16.1%	14.5%	7.5%	15.5%	19.3%	17.0%
Dept of Health Care Policy & Finance	11.3%	13.4%	21.1%	20.1%	19.0%	21.1%
Dept of Human Services	13.8%	15.2%	17.3%	16.2%	17.1%	16.0%
Dept of Labor & Employment	9.5%	9.6%	10.4%	12.6%	10.9%	10.8%
Dept of Law	12.1%	8.3%	10.6%	11.4%	12.7%	16.2%
Dept of Local Affairs	8.1%	13.6%	12.9%	7.1%	10.8%	12.4%
Dept of Military & Veterans Affairs	18.8%	16.5%	8.9%	8.7%	15.8%	18.7%
Dept of Natural Resources	5.8%	6.6%	6.1%	6.7%	9.8%	7.8%
Dept of Personnel & Administration	13.0%	10.7%	10.0%	10.6%	10.0%	9.4%
Dept of Public Health & Environment	9.5%	9.2%	9.8%	8.0%	10.0%	12.6%
Dept of Public Safety	7.8%	9.3%	11.3%	8.9%	9.1%	10.5%
Dept of Regulatory Agencies	8.0%	9.9%	10.8%	9.5%	13.4%	16.6%
Dept of Revenue	11.0%	10.5%	11.9%	10.1%	13.2%	14.9%
Dept of State	15.4%	9.9%	16.7%	8.1%	28.1%	18.3%
Dept of Transportation	7.3%	7.3%	8.8%	8.5%	12.7%	12.6%
Dept of Treasury	10.0%	4.5%	8.3%	4.3%	8.7%	9.1%
Governor's Office	0.0%	0.0%	57.1%	0.0%	0.0%	0.0%
State Auditor's Office	1.8%	10.9%	27.5%	23.1%	23.3%	10.9%

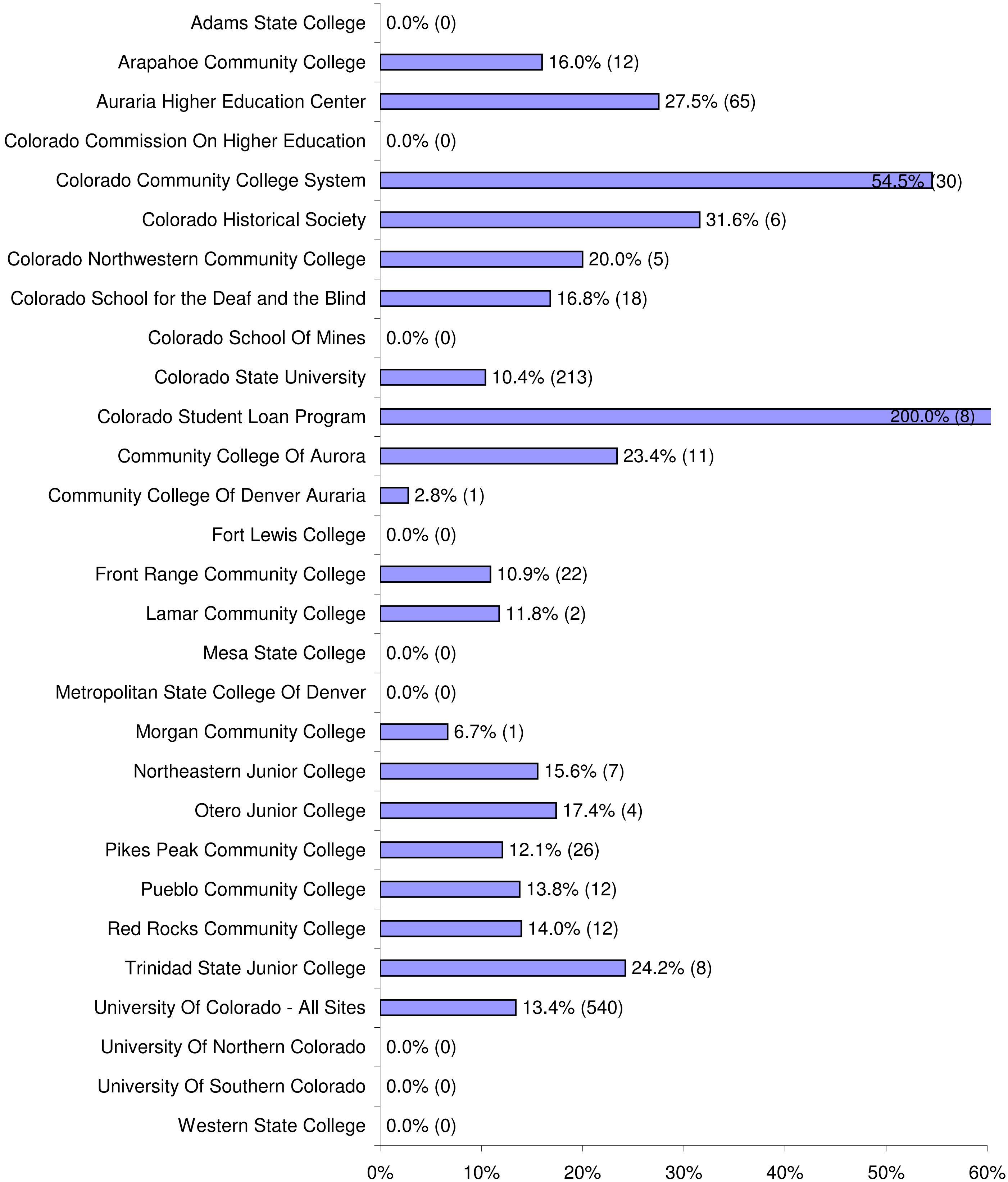
Percent of Separations by Higher Education Institution from FY 2002 - 2007						
Department	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Colorado Commission on Higher Education	0.0%	25.0%	0.0%	0.0%	50.0%	0.0%
Colorado Historical Society	12.8%	2.5%	10.3%	28.6%	27.3%	31.6%
Adams State College	10.3%	11.0%	11.9%	11.2%	4.6%	0.0%
Arapahoe Community College	20.7%	24.4%	20.6%	36.1%	16.7%	16.0%
Auraria Higher Education Center	21.0%	28.7%	17.4%	15.1%	9.0%	27.5%
Colorado Community College System	13.0%	14.3%	14.8%	17.8%	9.1%	54.5%
Colorado Northwestern Community College	14.0%	7.5%	14.3%	58.6%	19.1%	20.0%
Colorado School of Mines	15.4%	14.4%	18.5%	7.9%	5.2%	0.0%
Colorado State University	NA	NA	13.3%	9.3%	9.7%	10.4%
Community College of Aurora	17.2%	21.4%	4.1%	6.1%	2.3%	23.4%
Community College of Denver	11.6%	23.6%	42.9%	11.4%	0.0%	2.8%
Fort Lewis College	27.1%	10.8%	26.4%	20.0%	5.0%	0.0%
Front Range Community College	14.5%	9.1%	18.3%	12.1%	12.5%	10.9%
Lamar Community College	4.3%	15.0%	5.0%	0.0%	0.0%	11.8%
Mesa State College	16.7%	18.0%	19.3%	13.1%	5.0%	0.0%
Metropolitan State College of Denver	12.7%	20.8%	15.6%	15.2%	4.1%	0.0%
Morgan Community College	10.3%	16.0%	33.3%	11.1%	6.7%	6.7%
Northeastern Junior College	15.9%	27.8%	20.0%	7.8%	4.8%	15.6%
Otero Junior College	8.8%	6.3%	3.2%	18.5%	3.9%	17.4%
Pikes Peak Community College	10.1%	12.3%	14.2%	19.1%	6.4%	12.1%
Pueblo Community College	12.5%	4.7%	9.8%	7.6%	7.5%	13.8%
Red Rocks Community College	7.5%	7.3%	6.1%	7.4%	3.2%	14.0%
Trinidad State Junior College	5.1%	5.5%	9.1%	18.9%	15.2%	24.2%
University of Colorado - All Sites	NA	10.4%	11.8%	13.0%	12.7%	13.4%
University of Northern Colorado	14.2%	11.0%	14.7%	13.3%	7.5%	0.0%
University of Southern Colorado	NA	NA	NA	NA	NA	0.0%
Western State College	20.3%	4.2%	18.1%	33.3%	9.5%	0.0%

*Note: Higher Education data is unreliable. The data reported may not be complete.

Percent and Number of Separations within Each General Government Department for FY 2007

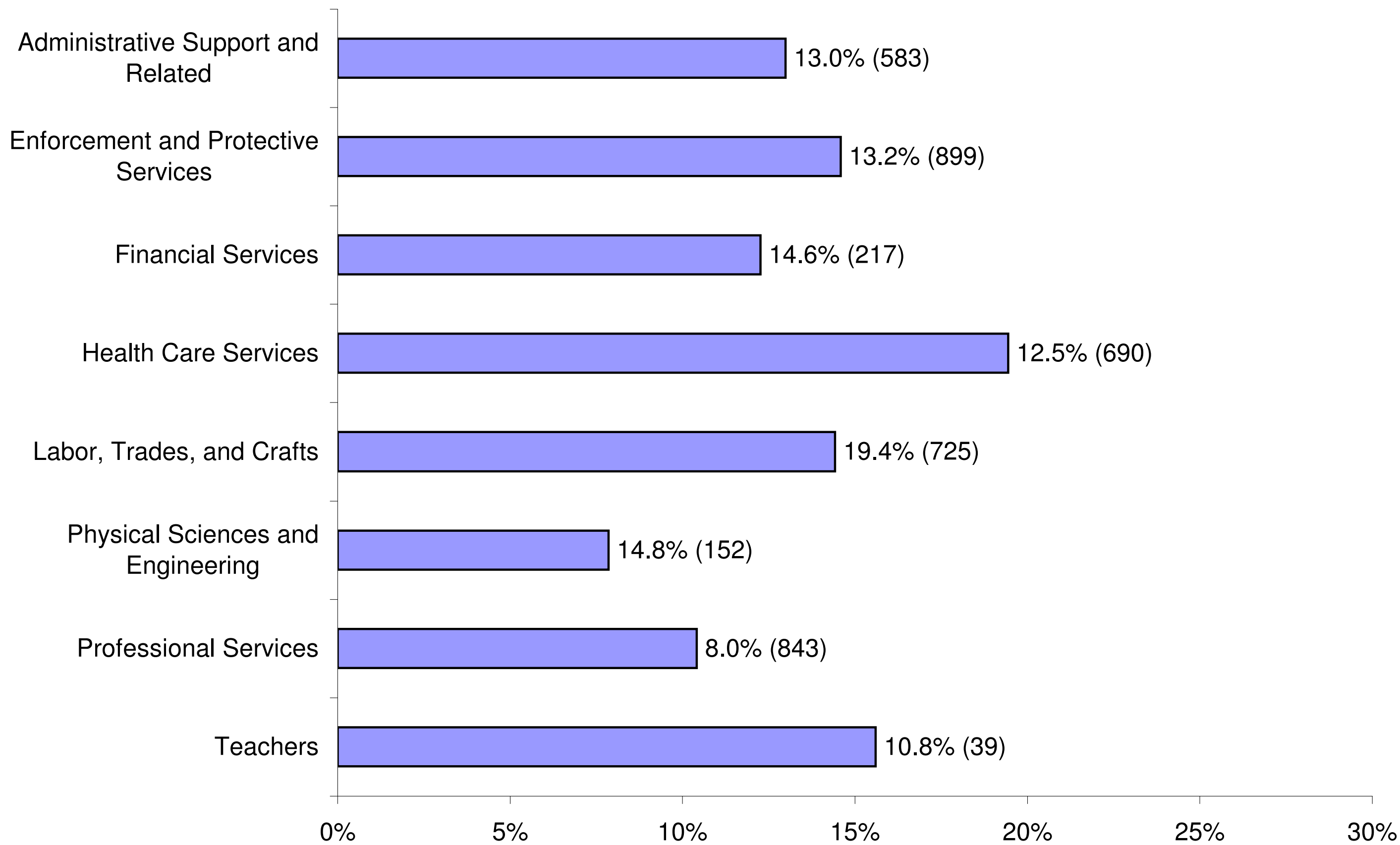


Percent and Number of Separations within Each Higher Education Department for FY 2007



Percent of Separations by Occupational Group from FY 2002 - 2007						
Department	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Administrative Support and Related	12.9%	13.3%	12.8%	12.8%	11.8%	13.0%
Enforcement and Protective Services	8.5%	9.9%	10.6%	10.2%	11.3%	14.6%
Financial Services	8.5%	10.5%	12.0%	10.0%	9.5%	12.3%
Health Care Services	17.5%	18.3%	20.4%	19.5%	20.7%	19.4%
Labor, Trades, and Crafts	13.0%	12.6%	14.5%	14.2%	14.2%	14.4%
Physical Sciences and Engineering	5.6%	5.2%	5.8%	6.5%	8.4%	7.9%
Professional Services	7.7%	9.1%	10.1%	9.9%	9.9%	10.4%
Teacher	14.4%	14.7%	22.8%	22.7%	16.2%	15.6%

Percent and Number of Separations within Each Occupational Group for FY 2007



State of Colorado
Workforce Report FY 2006-2007
Analysis and Statistics Covering
The State Personnel System

For more information contact: Mark S. Rothman

The Department of Personnel & Administration
Division of Human Resources
1313 Sherman Street, Room 114
Denver, CO 80203

Online copies are available for the
Workforce Report FY 2006-2007
as well as the online feedback form

For additional information, go to
http://www.colorado.gov/dpa/dhr/

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State of Colorado

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Governor

Rich Gonzales
Executive Director

Jennifer Okes
Deputy Executive Director

DPA
Department of Personnel & Administration

Executive Office
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Denver, Colorado 80202
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www.state.co.us/dpa

December 31, 2007

Honorable Bill Ritter
Governor of Colorado
136 State Capitol Building
Denver, Colorado 80203

Honorable Representative Bernie Buescher
Chair, Joint Budget Committee
Colorado General Assembly
200 East 14th Avenue
Denver, Colorado 80203

Dear Governor Ritter and Representative Buescher,

In accordance with past practice and in light of more recent data being obtained and reviewed, I have prepared a revised total compensation recommendation for your consideration and review. The recommendation requests that the General Assembly appropriate $98.6 million, an increase of $9.98 million from my August recommendation, for employee total compensation for Fiscal Year 2008-09.

FY 2008-09 Total Compensation Recommendation And Estimated Cost for Appropriated Positions (Including associated PERA and Medicare costs)	
Components	**Cost**
Salary adjustments	$81,574,038
HDL Contributions	$17,074,426
Total	$98,648,464

The above allocation of these dollars strikes the best balance for the entire state workforce. Specifically, the salary adjustments would maintain the State's competitive pay ranges and assure employees are paid competitively as well as recognition for their achievements. The updated recommendation includes pay structure and market salary adjustments for the occupational groups, base and non-base achievement pay, system maintenance studies, and individual class adjustments. The change in the Employment Cost Index (ECI) and additional survey sources applied to more recent payroll data, resulted in the updated salary adjustments for each occupational group shown in the following table.

Occupational Group	Avg. Market Salary Adjustment	Avg. Market Salary Adjustment After SAED	Base Achievement Pay	Total Base Pay Adjustment with Achievement Base Pay
Enforcement & Protective Services *	3.18%	2.66%	1.00%	3.69%
Financial Services	4.55%	4.02%		5.06%
Health Care Services	3.67%	3.15%		4.18%
Labor, Trades, & Crafts	2.83%	2.31%		3.33%
Administrative Support & Related	3.93%	3.40%		4.43%
Professional Services (and Teachers)**	4.62%	4.09%		5.13%
Physical Sciences & Engineering	2.74%	2.23%		3.25%
Overall Average	**3.80%**	**3.28%**		**4.31%**

*Per C.R.S. 24-50-104(1)(a)(III)(A), Troopers are adjusted separately with a 2.86% range movement, 6.06% salary adjustment after SAED, and a total base pay adjustment of 7.12%.
**Teachers will be consolidated with the Professional Services occupational group effective 7/1/08.

Consistent with audit recommendations, this year's survey utilized the most recent market budget planning data, which indicates allocating a statewide average of 3.8% of total payroll budget for salary adjustments. Employees will receive the increase in their particular occupational group, not the state-wide average.

For the second consecutive year, I am recommending funding for achievement pay to reward employee success on the job and to provide a mechanism to continue moving salaries through the pay ranges. Achievement pay uses a combination of base-building pay increases and non-base rewards. Successful and exceptional performers receive base-building achievement pay that includes both the occupational group market salary adjustment and a fixed, statewide 1.0% increase, subject to the range maximum. Exceptional performers receive an additional 2.0% non-base, lump-sum payment.

An additional $6.9 million above the request in the Governor's budget is needed for the State's contribution to group benefit plans. This change from the August recommendation reflects several factors: increased enrollment, increased utilization, projected medical insurance premium increases, and projected premium increase to state-paid life insurance. Our current rates under the self-funded medical plan have not kept pace with the actual utilization, which has resulted in a deficit and inability to maintain a premium stabilization reserve. Although a 10 percent reserve is recommended by the State's consulting actuary, the additional funding requested will create a 5 percent premium stabilization reserve in keeping with the original goal of building the full 10 percent in the following year. As we now have two full years of actual state utilization data, we are better situated to provide more accurate future projection of utilization and claims costs. The department has already taken measures to mitigate cost increases by lowering stop-loss premiums and third party administrator fees, retroactive to July 1, 2007; and, will be implementing a new network, effective January 1, 2008, that will result in deeper discounts at minimal disruption to members. I am requesting that the State and employees equally share the increase in health premiums above the August recommendation. As for the state-paid basic life plan, we have received notice from the insurer that premiums will increase from the current premium contribution of $8.04 per employee per month by approximately 25 percent on July 1 based on increased utilization.

The approximate **$17.1** million HDL budget request will result in the State's contribution to benefits to be approximately **90** percent of prevailing market employer contribution to health premiums. Also, the FY2007-08 dental premium contribution is FY 2008-09 will be maintained due to projected premium reductions for the State's dental plans. We remain committed to our strategic goal of reaching the prevailing contribution levels to premiums found in our labor market and continue our quest to allow employees the flexibility of choosing the benefits and compensation package that best meets their needs. The following table outlines the recommended employer contributions to health, dental, and life premiums.

Total HDL Employer Contribution Dollars by Enrollment Tier			
	State FY 07-08 Contribution	Market for FY 08-09	(90.39% of Market)
Employee	$310.50	$411.85	$368.08
Employee + Spouse	$524.92	$673.84	$602.34
Employee + Child(ren)	$480.34	$606.02	$540.45
Family	$711.14	$932.02	$833.26

The figures provided in the table above are based on current analyses and estimates for overall HDL costs. While the HDL budget requested is intended to meet all group benefit plan costs for FY 2008-09, it is understood that the actual pricing based on more complete data and more accurate projections for various group benefit plans occurs in Spring 2008.

The above recommendation is a total cost of **$98.6** million for next fiscal year. While this requested amount is less than the total needed to completely match the prevailing levels in salary and benefits, it will permit the State to remain reasonably comparable in our labor markets for the near term. It remains vital that the State continue its statutory obligation to offer prevailing total compensation to its employees.

Sincerely,

Rich Gonzales
Executive Director

cc: State Legislators, Cabinet Members, and Higher Education Presidents
David Kaye, Director, Division of Human Resources

<u>Capitol Complex</u>

<u>Energy Management</u>

<u>Plan</u>

DRAFT

Prepared by Richard Lee

Table of Contents

Performance Contracting

The Department of Personnel & Administration/Division of Central Services on November 14th, 2003 entered into a comprehensive energy performance contract with Chevron U.S.A. Inc. through it's division, Chevron Energy Solutions Company, for the purpose of sale and installation of certain energy saving equipment, within the Capitol Complex. The Chevron performance based energy savings program has been developed with the assistance of the Capitol Complex staff. This project began in the spring of 2002 with an energy audit of all Capitol Complex buildings. This audit identified energy savings projects, which included the replacement of lights, toilets, boilers, chillers, and the installation of new energy management computerized controls. These improvements were financed through the projected energy savings directly related to the individual project over a predetermined period of time. In addition, an energy manager for the project has begun providing tips to all tenants on how to help us conserve energy while improving the work environment. Coordination with the staff has played an integral part in the development of a program that will enhance the working environment and current long range planning requirements. Such as: extended value to the complex by upgrading facilities and increasing the life expectancy of existing building systems, implement cost effective, energy efficient, measures that support Complex improvement goals, and improve comfort for the staff and occupants of Complex buildings.

Performance Contract

Phase I

Energy conservation measures implemented included lighting improvements in 18 buildings, water conservation improvements in 13 buildings, upgraded and expanded DDC controls in 14 buildings, chilled water system improvements at the Power Plant, Colorado History Museum and 690 Kipling, Chiller, pump and cooling tower replacements at 1881 Pierce, installed variable frequency drives on air handlers and pumps in the State Capitol, Legislative Services Building and Power Plant and insulation upgrades at the North Campus Facility.

Cost $ 9,058,949
Pay Back 19 years
Energy Savings of $631,009 per year escalating at 2.5% per year.

Performance Contract

Phase II

Energy conservation measures implemented during Phase 2 included, lighting controls in Centennial building, domestic hot water upgrades in four building, upgrades in energy management systems in five buildings, replaced the primary chiller and pumps and installed a new cooling tower at the Power Plant, installation of new boilers and VAV boxes at the Judicial/History Museum, variable frequency drives were installed on air handlers and pumps in five buildings, secondary chiller and old cooling tower repairs, ventilation improvements to pump rooms, replacement of chillers and roof top units at 690/700 Kipling, boiler installation at Colorado History Museum and pursued LEED-EB certification on the Human Services, State Services and Judicial/Colorado History Museum buildings.

Cost $4,370,511
Pay Back 19 years
Energy Savings of $294,376 per year escalating at 2.5% per year.

Performance Contract

Phase III

We are currently in the Audit phase of the DPA/Chevron Performance Contract Phase III. At this time Chevron is still evaluating proposed projects and preparing the Performa.
Phase III of the Performance Contract will include an audit of the following proposed projects. The exact size and scope of the project is yet to be determined.

- Utility Vision Upgrades.
- Boiler installation at Grand Junction.
- Installation of lighting sensors and control systems.
- Governor's Residence ground source heat pump.
- Governor's Residence 2nd and 3rd floor window replacement.
- 1570 Grant Street heating and cooling distribution system.
- State Office building main loop chiller replacement.
- 690 Kipling installation of cooling units 1st and 3rd floors.
- 1881 Pierce Street PV installation 70 to 80 KW system.
- Installation of HVAC Controls at the Carriage House.

Capitol Complex
Performance Contract Overview

While many factors, particularly weather and use of buildings, affect energy consumption, energy usage in FY 04-05 was considerably lower than in FY 03-04, indicating that the energy performance contract has been successful. Even greater savings is likely in future years, since many of the contracted projects were not installed and operational for the full fiscal year. The chart below shows energy consumption for FY 03-04 through FY 06-07. The increase in Natural Gas (therms) for Capitol Complex Facilities FY 04-05 (+60.6%) is due to the Judicial building converting from Xcel Energy steam to installing its own natural gas steam boilers. Savings in steam use (mlbs), while lower in FY 04-05 is more accurately reflected in FY 05-06.

Executive Order D 0011 07 calls for a baseline energy usage year of 05-06. Projects that were estimated to give the Complex the most savings and best payback were done prior to 05-06. As the charts indicate, the bulk of the energy savings for the Capitol Complex were realized before the baseline year called out for in the Executive Order.

The projects that are being proposed for Phase III, and that are in the audit phase at this time, will save energy and resources, but may not be enough to reach the stated goals of the Executive Order. It is for this reason that Capitol Complex believes that the years prior to 05-06 should be considered towards the reductions asked for by Executive Order. Capitol Complex has opened discussions with the Governors Energy Office (GEO) to discuss these reductions. GEO has asked the Capitol Complex to show what we have saved and reduced to date and what we would propose for future reductions if we cannot reach the goals called for in the Executive Order.

It should also be noted that while the installation of new equipment is more efficient and has produced significant energy savings, it has also increased operating cost to maintain this new equipment. The new specialized filters, cooling tower chemicals and new lighting systems have added substantial bottom line operating cost to the Capitol Complex budget.

Capitol Complex believes that with sound management practices, good preventive maintenance programs, energy monitoring, a Phase III Performance Contract and agency behavioral modifications, we will still be able to reach the Executive Order goals.

Tracking Progress

ENERGY CONSUMPTION FOR DOWNTOWN CAPITOL COMPLEX FACILITIES USING FISCAL YEAR 03-04 AS BASELINE

	Electricity (KwH)	Electricity (Demand) (KW)	Natural Gas (Therms)	Water & Sewer (Kgal)	Steam (Mlbs)
FY 03-04	33,492,802	117,421	93,355	29,372,266	36,179
FY 04-05	30,884,343	108,430	149,987	22,155,730	35,810
% Change from Base Yr. 03-04	*-7.8%*	*-7.7%*	**+60.6%*	*-24.6%*	*-1.0%*
FY 05-06	29,950,630	69,167	156,203	31,486,470	22,947
% Change from Base Yr. 03-04	-11.0%	-41.09%	*+67.3%	+7.2%	-36.57%
% Change from 04-05	-3.0%	-36.2%	+4.1%	+42.1%	-35.92
FY 06-07	29,002,230	67,491	168,328	27,734,237	21,940
% Change from Base Yr. 03-04	-13.4%	-42.5%	+80.3%	-5.5%	-39.3%
% Change from 05-06.	-3.1%	-2.4%	+7.7%	-11.9%	-4.3%

ENERGY CONSUMPTION FOR GRAND JUNCTION STATE FACILITY
USING FISCAL YEAR 03-04 AS BASELINE

	Electricity (KwH)	**Electricity (Demand) (KW)**	**Natural Gas (Therms)**	**Water & Sewer (Kgal)**	**Steam (Mlbs)**
FY 03-04	921,280	2,415	11,406	753	Not used
FY 04-05	840,800	2,279	10,642	705	Not used
% Change from Base Yr. 03-04	*-8.7%*	*-5.6%*	*-6.7%*	*-6.4%*	Not used
FY 05-06	801,280	2,125	9,642	696	Not used
% Change from Base Yr. 03-04	-13.3%	-12.0%	-15.47%	-7.57%	Not used
% Change from 04-05	-4.7%	-6.7%	-9.4%	-1.28%	Not used
FY 06-07	751,040	2,017	10,780	740	Not used
% Change from Base Yr. 03-04	-18.4%	-16.4%	-5.4%	-1.7%	Not used
% Change from 05-06	-6.2%	-5.8	+11.8%	+6.3%	Not used

ENERGY CONSUMPTION FOR DOWNTOWN CAPITOL COMPLEX FACILITIES
USING FISCAL YEAR 05-06 AS BASELINE
Per Executive Order

CAPITOL COMPLEX TOTALS USING 05-06 AS BASELINE					
	Electricity (KwH)	**Electricity (Demand) (KW)**	**Natural Gas (Therms)**	**Water & Sewer (Kgal)**	**Steam (mlbs)**
FY 05-06	29,950,630	69,167	156,203	31,486,470	22,947
FY 06-07	29,002,230	67,491	168,328	27,734,237	21,940
% Change From Base Yr. 05-06	-3.2%	-2.4%	7.8%	-11.9%	-4.4%
FY 07-08					
% Change From Base Yr. 05-06					
% Change From FY 06-07					
FY 08-09					
% change From Base Yr. 05-06					
% Change From FY 07-08					
FY 09-10					
% Change From Base Yr. 05-06					
% Change From FY 08-09					

ENERGY CONSUMPTION FOR GRAND JUNCTION STATE FACILITY
USING FISCAL YEAR 05-06 AS BASLINE
Per Executive Order

GRAND JUNCTION TOTALS USING 05-06 AS BASLINE					
	Electricity (KwH)	**Electricity (Demand) (KW)**	**Natural Gas (Therms)**	**Water & Sewer (Kgal)**	**Steam (mlbs)**
FY 05-06	801,280	2,125	9,642	696	Not Used
FY 06-07	751,040	2,017	10,780	740	Not Used
% Change From Base Yr. 05-06	-6.3%	-5.1%	11.8%	6.3%	Not Used
FY 07-08					
% Change From Base Yr. 05-06					
% Change From FY 06-07					
FY 08-09					
% Change From Base Yr. 05-06					
% Change From FY 07-08					
FY 09-10					
% Change From Base Yr. 05-06					
% Change From FY 08-09					

Steps State Fleet will undertake within the next five years to reduce volumetric petroleum consumption

1) The state fleet currently has over 500 Flex Fuel Vehicles that can use Ethanol in a blend of 85% (E85) or biodiesel at a blend of 20% (B20) or above. SFM proposes that we increase the purchase of FFV's in the State Fleet by at least 5% each year going forward. This will add approximately 1,500 new FFV's to the fleet over five years. By using these renewable fuels, you are directly displacing the use of petroleum based fuel and significantly reducing greenhouse gas emissions.

2) State Fleet is actively pursuing funding to enable the installation of state owned E-85 and Biodiesel fueling sites to maximize the consumption volumes of renewable fuels while minimizing cost to the state by utilizing the benefits associated with volume/bulk fuel purchasing agreements.

3) State Fleet has established tentative agreements with twenty political subdivisions of government to partner with the State and allow the State to share alternative fuel sites. This benefits both the State and the political-subgroups by allowing the State to fuel their vehicles at their municipal / county sites at a cost less than what it costs at commercial sites, and furthermore provides return revenue to the cities and counties to help cover the overhead expenses associated with their fuel management expenses. These partnerships help to establish a much better network that will increase usage of clean fuels that reduce greenhouse gas emissions as well as reducing reliance on imported foreign oil.

4) State Fleet currently has fifty hybrid electric vehicles (HEV) in the fleet, and will be aggressively seeking to increase this number in future years. (See the response under Q#44 for more information and analysis on hybrids.) We typically achieve a 30% increase of MPG when compared to the non-hybrid vehicles in the same size category.

5) One of the new technologies that we are currently evaluating is the plug-in hybrid electric vehicle (PHEV). This vehicle has been retrofitted with lithium-ion batteries and is currently achieving greater than 100 MPG. Although the cost of this technology currently is not economically justifiable, the state fleet will be ready to receive more in the fleet when these technologies become more affordable.

6) State Fleet is currently evaluating the vehicle mounted global positioning systems (GPS) for the purpose of efficiently routing state delivery services, improve driving behaviors, reduce idle time, reduce risk and accidents. This will help the state fleet to measure and reduce these fuel-consuming behaviors while optimizing miles traveled in the scope of state services. <u>If you can measure it, you can manage it.</u>

7) State Fleet is currently contributing to a study that identifies duplicative state services that are essentially duplicating delivery routes in the state fleet. Once we identify these duplications, we can propose plans to consolidate the routes and reduce VMT in the state fleet.

8) State Fleet is beginning an evaluation program to identify the benefits associated with the use of auxiliary power units (APU) in the bussettes and oversized equipment in the fleet. These APU's are similar to generator sets used on recreational vehicles such as motor homes. Our proposed evaluation program will enable the use of APU's on vehicles such as the bussettes that DHS uses. The DHS bussettes are built for adaptability to accommodate disabled occupants for transport. APU's will enable the vehicles to sustain cabin heat in the winter, air conditioning in the summer, and enhanced electrical back-up so that the wheel chair lifts can be used without idling the vehicle for prolonged periods. The consumption rate for and APU verses idling is approximately 1/10th the fuel consumption.

9) Meet with individuals and departments to more precisely identify the exact requirements of the job function for which the vehicle will be used. By matching the vehicle more precisely to the types of jobs it needs to sustain, the vehicle will have an improved MPG for a longer-increased lifecycle, improved reliability, and reduced maintenance. An example of this is also being demonstrated by upgrading in some instances to diesel vehicles when off-road, heavy cargo and towing is required. This will enable cost justification with benefits of a longer vehicle life cycle, a better durability and reliability, while reflecting at least a 20% reduction of fuel consumption, and enable more biodiesel usage to displace petroleum. On the smaller - lighter spectrum of vehicles, the new crossover type 2WD and AWD of vehicle can generally replace most 4WD SUVs with a greatly improved MPG. SFM intends to utilize as many of these vehicle types as possible to reduce the number of low MPG SUV's in the fleet. Some of the new diesel sedans offer improved mpg CAFÉ standards and improved reliability including longer life cycle expectancy. SFM proposes further exploration into all these alternatives by increasing ranges and options of vehicle bid specifications.

10) State Fleet is currently instituting an anti-idling policy to all state fleet vehicle users to reduce unnecessary fuel consumption.

11) State Fleet is currently supporting a soon to be released campaign that will be a contest-challenge among state agencies to reduce vehicle usage by 10 miles per week per vehicle. The details and award information pertaining to this contest will be released in coming weeks.

12) State fleet purchased two Honda GX compressed natural gas vehicles. These vehicles are deemed the cleanest combustion vehicles in the world today. We added extended range fuel tanks and have made preliminary arrangements to use commercial CNG fueling sites in the Rifle area. This will enable the vehicles to run to the western slope and back without worries of not being able to fuel. The price equivalent of 1 gallon of CNG is approximately $1.90. CNG is often referred to as a renewable fuel, and is also an option to directly displace petroleum fuels. These two vehicles have been transferred to DHS for a function that should allow for dramatic increases in utilization.

13) A contest will be announced at the downtown motor pool that rewards $25.00 per month to each individual that turns in receipts for purchasing the greatest volumes of E-85 per month when using the motor pool FFV's.

14) Revise commuting requirements to tighten approvals and reduce the number of active commuters.

15) Eliminate the options of V10 gas engines in 1 ton rated vehicles and either replace with the diesel options, or downsize to the FFV V8 option.

16) Configure a car-pooling feature in the Agile Fleet Commander functionality (Similar to Ride Arrangers) that will enable the identification of those requesting vehicle reservations for trips to the same locations at the same time to facilitate ride-sharing. If reinforced from the executive level, this will reduce duplicated travel, VMT, and help to reduce petroleum consumption in the State Motor Pool.

17) Executive Director approval is required for the purchase of a four-wheel drive vehicle. We recommend that these requests also be reviewed and approved by the Governor's Energy Office.

18) Correlate vehicle type with the job function and include that information in the position description questionnaire (PDQ). Assign vehicles to job functions as stated in the PDQ – not to individuals based on individual preferences.

19) Explore a strategy to pool low-efficiency SUVS, large vans and trucks in mini-motor pools distributed in concentrated areas around the state, and/or investigate the feasibility of entering into a commercial rental agreement by which SFM would rent specialty vehicles on an as-needed basis.

20) Research and, if viable, adopt a lifecycle cost analysis (LCA) that includes an end-of-life replacement strategy to be used when purchasing vehicles and when determining the replacement point for vehicles.

21) Explore cooperative fleet purchasing agreements among the state fleets of the western states contracting alliance to aggregate purchasing volumes over many states.

22) Propose legislation to amend language enacted in HB 07-1228. Include "high efficiency" (those with an estimated combined fuel economy of 30 mpg or greater) and electric vehicles in the types of vehicles the state is required to purchase if the cost differential is not more than ten percent greater than a conventional vehicle.

23) Departments, agencies, and institutions of higher education should develop internal polices to encourage mileage reductions and favor the most cost-effective and fuel-efficient travel, while meeting their programmatic needs.

24) Conduct a six month evaluation of mounted global positioning systems (GPS) to

improve the routing of state vehicles. The devices should be installed in ten state mail-services delivery vehicles at the Department of Personnel and Administration and ten inspection-services vehicles at the Colorado Department of Public Health and Environment. Evaluate the results to determine effectiveness in detecting and mitigating inefficient or unnecessary travel routes.

25) Each Department will provide their Vehicle Miles Traveled (VMT) reduction targets (beginning with March, 2008) to the Greening Government Coordinating Council. Each Department will institute a detailed trip log to be completed daily for one month. This was one of the GEMS recommendations and the result is intended to be a reduction of approximately 110 vehicles based on an analysis of the usage logs.

26) Governor's recognition of individuals who reduce his or her VMT and Departments that meet their VMT reduction targets.

27) Require "commuter" vehicle drivers to reduce the number of vehicle miles traveled per fiscal year by seven percent annually.

28) Develop a program to encourage/simplify the use of video and audio conferencing.

29) Develop and provide employee awareness programs and education regarding the importance of driving less.

30) Clearly mark all flex-fuel vehicles with a sticker covering the fuel door, which indicates that this vehicle is to be fueled with E-85. Require all flex fuel drivers to sign an agreement to use E-85 when available prior to accepting the vehicle.

31) Convert state central motor pool unleaded pump to E-85 pump. Apply for funding through the Greening Business Council (GBC). Identify additional sites where state-operated biofuels stations exist or the opportunity to locate a station exists.

32) Encourage private-owned compressed natural gas (CNG), E-85 and biodiesel fueling sites in strategic locations. Finalize partnerships with local government to share alternative fuel sites.

33) Provide a tire gauge and instructions in each vehicle and require drivers to check pressure at leas once per month.

34) Add one additional FTE to provide oversight and education concerning the state's petroleum reduction strategies and related fleet-efficiency programs. As suggested in the previous year's JBC hearing.

35) Work with departments to encourage interdepartmental vehicle sharing.