COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2015-16 STAFF BUDGET BRIEFING

DEPARTMENT OF PERSONNEL

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

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DEPARTMENT OF PERSONNEL

Department Overview

The Department generally provides centralized human resources and administrative support functions for the State.

The **Executive Director's Office** includes the Office of the State Architect, the Colorado State Archives, the Colorado State Employee Assistance Program (C-SEAP), and the Address Confidentiality Program.

The **State Personnel Board**, located in the Department but constitutionally independent, oversees the State Personnel System pursuant to Article XII, Sections 13, 14, and 15 of the Colorado Constitution.

The **Division of Human Resources** establishes statewide human resource programs and systems to meet constitutional and statutory requirements and provides support services to state agency human resource offices.

The **State Office of Risk Management** in the Division of Human Resources administers and negotiates the state's coverage for workers' compensation, property, and liability insurance.

The **Division of Central Services** exists to maximize efficiencies for the state through consolidated common business services and includes Integrated Document Solutions, State Fleet Management, and Facilities Maintenance.

The **Integrated Document Solutions** unit provides document- and data-related support services, including print and design, mail operations, digital imaging, data entry, and manual forms and document processing.

State Fleet Management provides oversight for all vehicles in the state fleet including managing vehicle purchasing and reassignment; fuel, maintenance, repair and collision management; and auction, salvage and the State Motor Pool.

The **Office of the State Controller** maintains the state's financial records, in part through the Colorado Operations Resource Engine (CORE), formerly through the Colorado Financial Records System (COFRS), the state's accounting system.

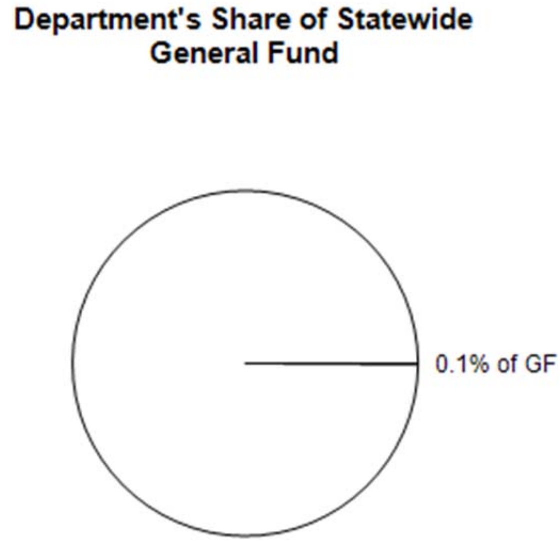
The **Office of Administrative Courts** provides a statewide, centralized, independent administrative law adjudication system, including hearing cases for workers' compensation, public benefits, professional licensing, and Fair Campaign Practices Act complaints filed with the Secretary of State.

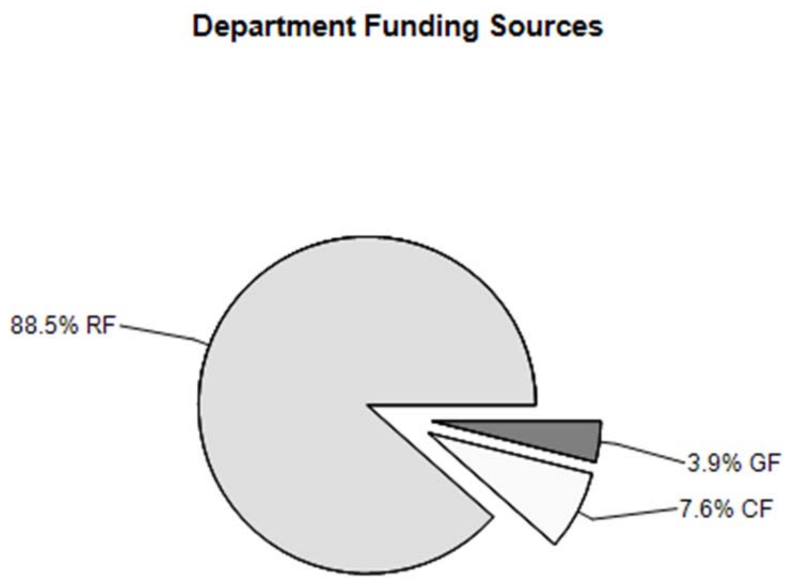
Department Budget: Recent Appropriations

Funding Source	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16 *
General Fund	$6,603,153	$31,439,880	$6,767,176	$8,448,709
Cash Funds	14,205,062	13,628,813	13,231,074	13,770,260
Reappropriated Funds	145,017,102	151,463,339	153,356,689	151,469,028
Federal Funds	0	0	0	0
Total Funds	**$165,825,317**	**$196,532,032**	**$173,354,939**	**$173,687,997**
Full Time Equiv. Staff	396.9	393.1	393.6	389.5

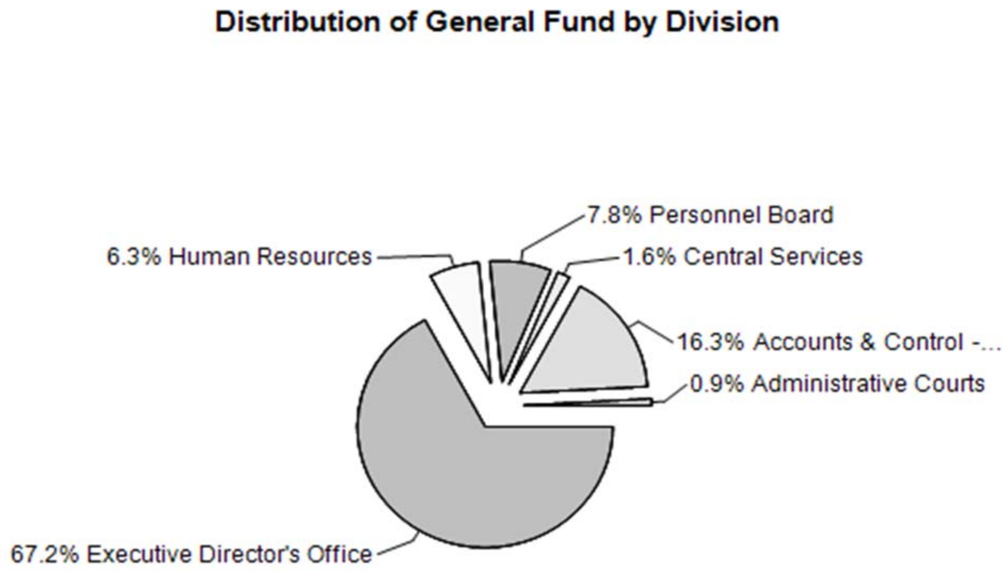
*Requested appropriation.

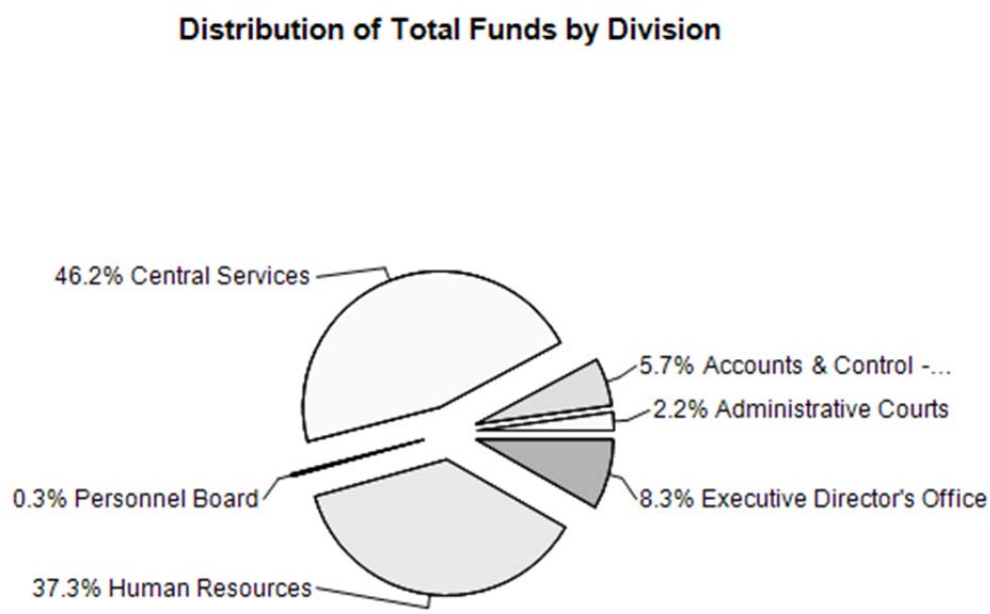
Department Budget: Graphic Overview





All charts are based on the FY 2014-15 appropriation.





All charts are based on the FY 2014-15 appropriation.

General Factors Driving the Budget

The Department's FY 2015-16 budget request consists of 4.9 percent General Fund, 7.9 percent cash funds, and 87.2 percent reappropriated funds. The primary source of reappropriated funds is user fees transferred from other agencies for the provision of statewide services. Some of the major factors driving the Department's budget are discussed below.

Number of State Employees

Although the number of state employees does not drive the Department's budget directly, the Department administers the state's programs related to employee compensation and benefits. Statewide expenditures for these programs are distributed across all Departments and are driven by the number of employees, the percentage of employees who choose to participate in optional benefit plans, and the Department's contracts with the benefit providers.

The following table shows the number of *full-time equivalents* (FTE) appropriated statewide, excluding the Department of Higher Education, and the percentage change in FTEs since FY 2006-07 compared to the State's population growth from 2006 through 2013.

State Employees* - FTE Reflected in Appropriations									
	FY06-07	**FY07-08**	**FY08-09**	**FY09-10**	**FY10-11**	**FY11-12**	**FY12-13**	**FY13-14**	**FY14-15**
Total FTE	29,106.7	30,211.0	31,142.5	31,070.5	31,466.9	30,657.3	30,559.8	30,787.2	31,480.9
Percent Change		3.8%	3.1%	-0.2%	1.3%	-2.6%	-0.3%	0.7%	2.3%
Average FTE Percentage Change									**1.0%**
Colorado Population Average Growth - 2006-2013 (7 years)**									**1.5%**

* Excludes Department of Higher Education

** Data from the State Demography Office

The Department's Executive Director serves as the State Personnel Director, and pursuant to Section 24-50-104 (4) (c), C.R.S., submits to the Governor and the Joint Budget Committee of the General Assembly, annual recommendations and estimated costs for salaries and group benefit plans for state employees.

For FY 2014-15, salary survey line items totaled $49.3 million statewide, including $29.5 million General Fund, and provided a 2.5 percent across-the-board pay increase. For FY 2014-15, the merit pay line items totaled $15.0 million statewide, including $8.4 million General Fund, and provided funding for raises according to a formula that rewards performance, but also gave greater percentage increases to employees at the lower end of the pay range. The weighted average increase for merit pay for FY 2014-15 was 1.0 percent.

Risk Management

The Office of Risk Management administers liability, property, and workers' compensation insurance coverage. Factors driving the budget are the number of claims and their costs, as well as division staffing and how the Department allocates expenses internally.

- The State is self-insured for the Liability Program. Liability claims are funded by the Risk Management Fund, pursuant to Section 24-30-1510 (1), C.R.S. These types of claims include federal claims for employment discrimination, federal claims for civil rights violations, and allegations of negligence on the part of a state agency or employee, such as auto accidents or injuries that occur in a state building.

- The Property Program purchases commercial insurance and pays associated deductibles to cover state properties and assets. Property claims are funded by the Self-Insured Property Fund, pursuant to Section 24-30-1510.5 (1), C.R.S. This type of insurance covers state buildings and their contents, and the Department insures over 6,000 properties that are valued in excess of $9.0 billion.

- The State is self-insured for the Workers' Compensation Program. Workers' compensation claims are funded by the State Employee Workers' Compensation Account in the Risk Management Fund, pursuant to Section 24-30-1510.7 (1), C.R.S.

Appropriations and allocations to state agencies for risk management coverage are calculated using actuarially-determined prospective claims losses. The larger institutions of higher education administer their own risk management programs, and those funds are not included in the following table.

Statewide Risk Management Services - Premiums and Administrative Expenses						
	FY10-11 Actual	**FY11-12 Actual**	**FY12-13 Actual**	**FY13-14 Actual**	**FY14-15 Approp.**	**FY15-16 Request**
Workers' Compensation Premiums and TPA Fees	35,441,933	33,565,516	40,447,902	37,016,104	43,087,676	41,768,292
Property Premiums	7,881,786	7,824,968	7,668,912	7,618,195	7,204,422	7,507,385
Liability Premiums and Legal Services	7,532,919	7,215,260	7,680,580	7,145,764	7,764,857	7,352,321
SUBTOTAL Premiums & Legal	**50,856,638**	**48,605,744**	**55,797,394**	**51,780,063**	**58,056,955**	**56,627,998**
Risk Management Administrative Expense	888,064	875,926	876,974	1,332,619	1,386,721	1,481,438
Administrative Expense Percentage	1.72%	1.77%	1.55%	2.51%	2.33%	2.55%
TOTAL Risk Management	**51,744,702**	**49,481,670**	**56,674,368**	**53,112,682**	**59,443,676**	**58,109,436**
Lower North Fork Fire Additional Claims	n/a	n/a	n/a	25,053,984	n/a	n/a

Prior to the 2013 Long Bill, some administrative and program management expenses were paid from within the three Risk Management Program *Premiums* line items, including actuarial and broker services and the risk management information system. These payments are now identified in the Risk Management Program Administrative Cost section of Risk Management Services. This is to more clearly distinguish between premiums, claims, and legal expenses – the expenses paid which are directly related to claims experience in a given year – and administrative and program management expenses – ongoing expenses required regardless of the total amount and volume of claims in a given year. The Workers' Compensation TPA Fees and Loss Control line item provides funding for the State's workers' compensation third party administrator (TPA), Broadspire, and the Department's loss control initiatives. It could be considered administrative or program management, but is included in premiums due to the nexus between third party administrator activity and claims.

A total of $25.1 million General Fund was provided to settle additional claims related to the Lower North Fork Fire in FY 2013-14.

State Fleet Management

Pursuant to Section 24-30-1104 (2) (a), C.R.S., the State Fleet Management Program (Fleet) manages the state motor pool, coordinates the maintenance and repairs for state vehicles, auctions older vehicles, and purchases vehicles that are financed by a third-party company. Fleet is funded by reappropriated funds from the Motor Fleet Management Fund, pursuant to Section 24-30-1115, C.R.S.

Fleet Management Program Appropriations and Expenditures						
	FY08-09 Actual	FY09-10 Actual	FY10-11 Actual	FY11-12 Actual	FY12-13 Actual	FY13-14 Actual
Total Fleet Appropriation	$34,368,009	$39,431,801	$42,101,025	$43,602,451	$42,834,398	$44,845,691
Total Fleet Actual Expenditure	32,920,488	32,033,596	36,669,122	39,194,682	38,778,051	40,427,656
Fleet Vehicles	5,800	5,817	5,903	5,912	5,912	5,932
Average Annual Cost per Vehicle	**$5,676**	**$5,507**	**$6,212**	**$6,630**	**$6,559**	**$6,815**
Change in Average Cost		-3.0%	12.8%	6.7%	-1.1%	3.9%
Fixed Costs						
Vehicle Lease/Purchase Appropriation	$12,558,203	$13,984,778	$16,599,436	$16,521,437	$15,686,775	$18,032,956
Vehicle Lease/Purchase Expenditure	11,880,388	12,188,713	14,519,741	14,695,589	14,125,831	15,597,561
Average Lease/Purchase per Vehicle	**$2,048**	**$2,095**	**$2,460**	**$2,486**	**$2,389**	**$2,629**
Lease/Purchase Percent of Vehicle Cost	36.1%	38.0%	39.6%	37.5%	36.4%	38.6%
Variable Costs						
Fleet Operating Exp. Appropriation	$20,677,433	$24,127,500	$24,131,346	$25,728,564	$25,728,564	$25,429,293
Fleet Operating Exp. Expenditures	19,731,929	18,492,680	20,675,568	23,066,149	23,124,509	23,293,782
Average Operating Exp. per Vehicle	**$3,402**	**$3,179**	**$3,503**	**$3,902**	**$3,911**	**$3,927**
Operating Exp. Percent of Vehicle Cost	59.9%	57.7%	56.4%	58.9%	59.6%	57.6%
Administrative Costs						
Fleet Admin. Appropriation	$1,132,373	$1,319,523	$1,370,243	$1,352,450	$1,419,059	$1,383,442
Fleet Admin. Expenditures	1,308,171	1,352,203	1,473,813	1,432,944	1,527,711	1,536,313
Average Admin. Exp. per Vehicle	**$226**	**$232**	**$250**	**$242**	**$258**	**$259**
Admin. Exp. Percent of Vehicle Cost	4.0%	4.2%	4.0%	3.7%	3.9%	3.8%

Vehicles in the state fleet incur both fixed and variable costs. Fixed costs include vehicle lease payments and Fleet's vehicle management fee, and are funded in the *Vehicle Lease Payments* line item in individual department budgets. Variable costs include the cost of repairs, maintenance, fuel, and insurance for state agency vehicles and are funded in individual department *Operating Expenses* line items.

Vehicle lease payments to finance companies are paid from Fleet's, *Vehicle Replacement Lease/Purchase* line item. The vehicle management fee funds Fleet's administrative overhead including personal services, administrative operating expenses, leased space, and indirect costs. The 2013 Long Bill split out a *Fuel and Automotive Supplies* line item from the program *Operating Expenses* line item to identify administrative operating expenses separately.

Leases vary between 72 and 120 months, with the exception of State Patrol vehicles that are 48-month leases. Non-CSP vehicles are first evaluated for replacement at 100,000 miles, but the average vehicle is replaced at 140,000 miles. State Patrol vehicles are first evaluated for replacement at 80,000 miles, and are typically replaced at 110,000 miles.

Summary: FY 2014-15 Appropriation & FY 2015-16 Request

Department of Personnel	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2014-15 Appropriation						
HB 14-1336 (Long Bill)	$173,191,421	$6,642,176	$13,231,074	$153,318,171	$0	393.6
Other Legislation	163,518	125,000	0	38,518	0	0.0
TOTAL	**$173,354,939**	**$6,767,176**	**$13,231,074**	**$153,356,689**	**$0**	**393.6**
FY 2015-16 Requested Appropriation						
FY 2014-15 Appropriation	$173,354,939	6,767,176	$13,231,074	$153,356,689	$0	393.6
R1 Address Confidentiality Program Resources	50,902	50,902	0	0	0	1.4
R2 Private Collection Agency Fees	78,584	0	78,584	0	0	0.0
R3 Consolidate Training Services into Program Line	0	0	0	0	0	0.0
R4 Annual Fleet Request	(98,868)	0	0	(98,868)	0	0.0
CP Risk Mgt Base Adjustment	(1,428,884)	0	0	(1,428,884)	0	0.0
CP Capitol Complex Base Adjustment	18,255	0	22,863	(4,608)	0	0.0
NP1 Annual Fleet Request	28,641	0	0	28,641	0	0.0
NP Fleet Vehicles	27,010	0	0	27,010	0	0.0
Centrally Appropriated Line Items	1,809,915	717,119	186,499	906,297	0	0.0
Statewide IT Adjustment	1,492,240	528,278	408,504	555,458	0	0.0
Indirect Cost Assessment Adjustment	(1,067,052)	0	(84,062)	(982,990)	0	0.0
Annualize Prior Year Funding	(577,685)	(504,683)	(110,306)	37,304	0	(5.5)
Fund Source Adjustment	0	889,917	37,104	(927,021)	0	0.0
TOTAL	**$173,687,997**	**$8,448,709**	**$13,770,260**	**$151,469,028**	**$0**	**389.5**
Increase/(Decrease)	$333,058	$1,681,533	$539,186	($1,887,661)	$0	(4.1)
Percentage Change	0.2%	24.8%	4.1%	(1.2%)	0.0%	(1.0%)

Description of Requested Changes

R1: Address Confidentiality Program Resources: The request includes a $51,000 increase in General Fund and 1.4 FTE for the Address Confidentiality Program for FY 2015-16. This request continues funding that was provided for temporary staff in FY 2014-15.

R2: Private Collection Agency Fees: The request includes a $79,000 increase in cash funds spending authority for FY 2015-16 for commissions paid to private collections companies.

R3: Consolidate Training Services into Program Line: The request is for a budget-neutral consolidation of personal services and operating expenses line items into a program line item due to ongoing year-to-year changes in training services provided in-house or contracted.

R4: Annual Fleet Request: The request includes a $99,000 decrease in reappropriated funds for the Department's *Vehicle Replacement Lease/Purchase* line item in Fleet Management. The annual fleet vehicle replacement request also increases appropriations to state agencies vehicle lease payments line items by $1.5 million in FY 2015-16 for the replacement of 751 vehicles, including 301 identified as potential compressed natural gas (CNG) vehicles.

CP Risk Management Base Adjustments: The request includes a $1.4 million decrease in reappropriated funds spending authority for risk management program base adjustments.

CP Capitol Complex Base Adjustments: The request includes an $18,255 increase in reappropriated funds spending authority for Capitol Complex base adjustments.

NP1: Annual Fleet Request: The request includes the Department's share of annual fleet vehicle replacement adjustments.

NP Fleet Vehicles: The request includes a $27,000 increase in reappropriated funds spending authority for the *Vehicle Replacement Lease/Purchase* line item for 19 additional vehicle requests from the Department of Military and Veterans Affairs (1), the Department of Natural Resources (8), and the Judicial Department (10).

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; and Capitol complex leased space.

Statewide IT adjustment: The request includes an adjustment for payments to the Governor's Office of Information Technology (OIT).

Indirect Cost Assessment Adjustment: The request includes a $1.1 million decrease in total funds that reflects adjustments to indirect cost assessments in the Statewide Indirect Cost Plan.

Annualize Prior Year Funding: The request includes adjustments related to prior year legislation and budget actions.

Fund Source Adjustment: The request includes an increase in General Fund and cash funds offset by a decrease in reappropriated funds related to reduced funding from statewide indirect cost recoveries.

Issue 1: Fleet Management CNG Break-even Analysis

The Department of Personnel requests replacement of 751 vehicles, including 301 designated as potential compressed natural gas (CNG) vehicles in FY 2015-16. Since FY 2013-14, the fleet replacement request has emphasized the purchase of CNG vehicles to maximize CNG vehicles in the statewide fleet to encourage the statewide development of CNG filling station infrastructure. It is unclear that state agency actual usage of CNG fuel in CNG vehicles justifies the additional cost and meets the statutory requirement for the purchase of alternative fuel vehicles that life-cycle cost equal no more than base vehicle life-cycle cost plus ten percent.

SUMMARY:

- Statute requires the Department to purchase CNG, plug-in hybrid electric vehicles, or other alternative fuel vehicles, subject to availability and adequate fuel and fueling infrastructure, if either the increased base cost or the increased life-cycle cost of the vehicle is no more than ten percent greater than a standard fuel vehicle.

- CNG vehicles may be fueled with either CNG or gasoline. July through September 2014 data comparing CNG fuel usage to total fuel usage for CNG vehicles, shows that the three departments with the lowest CNG usage, also responsible for 82.9 percent of total fuel usage for CNG vehicles, had a CNG-usage percentage of 20.0 percent.

- The Fleet Management Program's (Fleet) original life-cycle cost projections included the assumption that a CNG vehicle would be filled exclusively with CNG, saving one dollar per gallon on fuel over the life of the vehicle. Fleet's life-cycle cost methodology using a 20.0 percent CNG-usage percentage generates life-cycle costs for CNG vehicles that are greater than the base vehicle plus ten percent statutory standard.

RECOMMENDATION:

Staff recommends that the Committee:

- For FY 2015-16, not appropriate the additional funding necessary for CNG vehicle purchases for the Governor's Office and the Department of Transportation.
- For FY 2015-16, not appropriate the additional funding necessary for CNG vehicle purchases for the Department of Natural Resources (DNR), unless CNG usage is verified to be at least 50.0 percent for the most recent year by division within DNR.
- As an ongoing Committee policy, that appropriations for the additional funding necessary for CNG vehicle purchases will only be made for state agencies with at least a 50.0 percent usage over the most recent year and over the most recent three-year period as verified by Fleet in CNG vehicle fuel usage reports.
- Require the Department to submit life-cycle cost projection comparisons for each CNG vehicle type designated on the annual request list. To the extent possible, assumptions used in the projections should be based on extrapolation from actual data and not merely be based on unspecified *round estimates*.

DISCUSSION:

Recent History

In January 2012, the Department submitted its annual fleet vehicle replacement request as a budget amendment for FY 2013-14 and as a supplemental for FY 2012-13. The delay for that request appeared to be related to the administration's push to include more alternative fuel vehicles, and particularly compressed natural gas (CNG) vehicles for vehicle replacement purchases. The administration's policy goal was to increase the number of CNG vehicles in order to encourage the development of CNG filling station infrastructure statewide.

Due to the delay, at the supplemental presentation the Committee accepted staff's recommendation to deny the supplemental true-up but approve the Department's request to substitute CNG vehicles for 129 of the remaining replacement vehicles to be purchased in FY 2012-13 within the existing appropriation. Staff's recommendation regarding CNG vehicles was based on life-cycle cost analysis provided by the Fleet Management Program (Fleet) which showed that the purchases would meet the statutory requirement that alternative fuel vehicles cost no more than ten percent more than a standard fuel vehicle over the life of the vehicle.

Actual acquisitions of CNG vehicles as reported in the Executive Director's Fiscal Year 2014 Vehicle Acquisition Report (Appendix H) total 235 over three years from FY 2011-12 through FY 2013-14. This included 153 CNG of 680 total vehicles in FY 2013-14 equal to 22.5 percent of all vehicle purchases.

Life-cycle Cost Analysis

Section 24-30-1104 (2) (c) (II), C.R.S., requires the Department to purchase CNG, plug-in hybrid electric vehicles, or other alternative fuel vehicles, subject to availability and adequate fuel and fueling infrastructure, if either of the following are not more than ten percent over the cost of a comparable petroleum fuel vehicle:

1. The increased base cost; or
2. The increased life-cycle cost.

Life-cycle cost is defined as the purchase cost minus resale value, plus fuel, operating, and maintenance costs over the vehicle's expected useful life. Statute specifies that fuel costs shall be calculated based on the reference case projections published by the United States Energy Information Administration (EIA). It is unclear whether Fleet uses EIA projections as required by statute when estimating life-cycle costs. Staff generated an average projection value of $3.29 per gallon for gasoline and $1.96 per gallon equivalent for CNG using the EIA reference case projections for an eight-year period from 2013 through 2020. This compares to Fleet's break-even analysis fuel costs of $3.08 per gallon for gasoline and $2.08 per gallon equivalent for CNG. The EIA projection values return a greater savings for CNG, at a cost equal to 59.6 percent of gasoline, than Fleet's estimated cost per gallon that returns a CNG cost equal to 67.5 percent of gasoline.

The Department submitted break-even analysis scenarios from December 2012 for three vehicle types:

Fleet Vehicles Price with Interest for Break-even Analysis		
	Gasoline	**CNG**
¾-ton GM 2500 4x4 pickup	$25,055	$35,682
¾-ton GM 2500 4x2 pickup	22,546	33,647
1-ton GM 3500 cargo van	$21,551	$35,833

Fleet Management's Life-cycle Cost Break-even Analysis						
	4x4 pickup		**4x2 pickup**		**Cargo Van**	
	Gasoline	**CNG**	**Gasoline**	**CNG**	**Gasoline**	**CNG**
Loaded Price with Interest	$25,055	$35,682	$22,546	$33,647	$21,551	$35,833
CNG Base Cost Premium Percentage		**42.4%**		**49.2%**		**66.3%**
Fuel Cost Over 8 Years	24,640	16,640	24,640	16,640	24,640	16,640
Maintenance Over 8 Years	15,600	15,600	15,600	15,600	15,600	15,600
Estimated Resale	(2,000)	(4,000)	(2,000)	(4,000)	(2,000)	(4,000)
Net Life-cycle Cost (LCC)	**$63,295**	**$63,922**	**$60,786**	**$61,887**	**$59,791**	**$64,073**
Base Vehicle LCC + 10%	69,625		66,865		65,770	
CNG Vehicle Difference from Base + 10%		($5,703)		($4,978)		($1,697)
CNG Vehicle LCC Premium Percentage		**1.0%**		**1.8%**		**7.2%**

The break-even analysis for all three vehicles suggests that the life-cycle costs for all three CNG vehicles are below the base vehicle plus ten percent statutory standard. Fleet's life-cycle analyses include the following assumptions:

- 8-year vehicle life;
- 15,000 miles per year;
- 15 miles per gallon for either gasoline or CNG;
- Gasoline at a retail pump price of $3.50 per gallon and a state discount of $0.42, at $3.08;
- CNG at a retail pump price of $2.50 per gallon equivalent and a state discount of $0.42, at $2.08;
- Maintenance expenses of $0.13 per mile for either gasoline or CNG;
- Estimated resale values of $4,000 for each of the CNG vehicles and $2,000 for each of the gasoline vehicles.

It is unclear why Fleet uses flat resale amounts for CNG and gasoline vehicles without regard to their purchase price. The 4x4 pickup has a resale value of 12.5 percent for the CNG version and 8.9 percent for the gasoline version. The 4x2 pickup has a resale value of 13.2 percent and 9.9 percent for the CNG and gasoline versions, respectively; and the cargo van has a resale value of 12.4 percent and 10.3 percent, respectively.

The break-even analysis identifies $1,000 per year in fuel savings for the CNG vehicles at 1,000 gallons of fuel used per year, and a life-cycle fuel savings over eight years of $8,000. However, CNG vehicles are flex-fuel vehicles and can operate on CNG or gasoline to provide flexibility when a CNG filling station may not be available. Additional information provided by the

Department indicates that CNG fuel usage statewide averaged 30.5 percent over the three-month period from July through September 2014. The following table outlines CNG fuel usage by department.

July-September 2014 CNG Fuel Usage Analysis

	CNG Percent of Total Vehicles	CNG Vehicle Total Fuel Usage (Gallons)	CNG Usage (Gallons)	CNG Percent of Total Fuel Usage
Governor	8.3%	721	47	**6.5%**
Natural Resources	7.9%	20,451	3,900	**19.1%**
Transportation	4.1%	3,887	1,062	**27.3%**
Subtotal - CNG Usage Below 50.0 Percent		**25,059**	**5,009**	**20.0%**
Personnel	7.0%	638	354	**55.5%**
Higher Education	0.2%	228	136	**59.6%**
Human Services	3.6%	394	286	**72.7%**
Revenue	6.6%	1,670	1,432	**85.7%**
Corrections	2.0%	1,571	1,473	**93.8%**
Public Safety	0.3%	561	546	**97.3%**
Labor and Employment	1.8%	41	41	**100.0%**
Public Health and Environment	1.7%	61	61	**100.0%**
Subtotal - CNG Usage Over 50.0 Percent		**5,163**	**4,329**	**83.8%**
Total		**30,222**	**9,338**	**30.9%**

While the July through September 2014 data set for the CNG fuel usage analysis table is a relatively small sample, it provides an indication of actual CNG fuel usage. The analysis suggests that three departments that rank first, second, and fifth in percentage of CNG vehicles, representing 82.9 percent of total fuel usage for all CNG vehicles in the state over that period, had an average CNG fuel usage of only 20.0 percent.

The following tables outline staff's analysis using Fleet's break-even methodology but deriving a fuel savings based on the 20.0 percent CNG usage average (for the three lowest-CNG-usage departments which represent 82.9 percent of statewide CNG vehicle total fuel usage) and 30.9 percent CNG usage average for all CNG vehicles statewide.

Staff's Life-cycle Cost Break-even Analysis at 20.0 percent CNG Usage						
	4x4 pickup		**4x2 pickup**		**Cargo Van**	
	Gasoline	**CNG**	**Gasoline**	**CNG**	**Gasoline**	**CNG**
Loaded Price with Interest	$25,055	$35,682	$22,546	$33,647	$21,551	$35,833
CNG Base Cost Premium Percentage		**42.4%**		**49.2%**		**66.3%**
Fuel Cost Over 8 Years	24,640	23,041	24,640	23,041	24,640	23,041
Maintenance Over 8 Years	15,600	15,600	15,600	15,600	15,600	15,600
Estimated Resale	(2,000)	(4,000)	(2,000)	(4,000)	(2,000)	(4,000)
Net Life-cycle Cost (LCC)	**$63,295**	**$70,323**	**$60,786**	**$68,288**	**$59,791**	**$70,474**
Base Vehicle LCC + 10%	69,625		66,865		65,770	
CNG Vehicle Difference from Base + 10%		$698		$1,423		$4,704
CNG Vehicle LCC Premium Percentage		**11.1%**		**12.3%**		**17.9%**

Staff's Life-cycle Cost Break-even Analysis at 30.9 percent CNG Usage						
	4x4 pickup		**4x2 pickup**		**Cargo Van**	
	Gasoline	**CNG**	**Gasoline**	**CNG**	**Gasoline**	**CNG**
Loaded Price with Interest	$25,055	$35,682	$22,546	$33,647	$21,551	$35,833
CNG Base Cost Premium Percentage		**42.4%**		**49.2%**		**66.3%**
Fuel Cost Over 8 Years	24,640	22,168	24,640	22,168	24,640	22,168
Maintenance Over 8 Years	15,600	15,600	15,600	15,600	15,600	15,600
Estimated Resale	(2,000)	(4,000)	(2,000)	(4,000)	(2,000)	(4,000)
Net Life-cycle Cost (LCC)	**$63,295**	**$69,450**	**$60,786**	**$67,415**	**$59,791**	**$69,601**
Base Vehicle LCC + 10%	69,625		66,865		65,770	
CNG Vehicle Difference from Base + 10%		($174)		$551		$3,831
CNG Vehicle LCC Premium Percentage		**9.7%**		**10.9%**		**16.4%**

At 20.0 percent CNG usage, all three vehicles do not meet the statutory base plus ten percent life-cycle cost standard. At 30.9 percent CNG usage, only the 4x4 pickup comes in at 9.7 percent over base cost. However, the 30.9 percent average may not be a good indicator of usage for projections for the following reasons:

- The median CNG usage statewide is 72.7 percent;
- The two departments with the highest total fuel usage for CNG vehicles average only 20.4 percent CNG usage; and
- The department with the highest total fuel usage for CNG vehicles includes divisions (Division of Parks and Wildlife and the Oil and Gas Conservation Commission) which may be experiencing different levels of usage.

The Department forwarded similar break-even analyses from August 2014 that were prepared as a part of a Colorado Open Records Act (CORA) request. While the methodology was essentially the same, the analyses were three scenarios for a 2014 model 4x4 pickup, that added assumptions about the percentage of CNG usage. Additionally, the life of the vehicle was extended to 10 years, whereas the original analyses were estimated at eight years. The estimated resale value remained unchanged at $4,000 for the 10-year old CNG vehicle and $2,000 for the 10-year old gasoline vehicle. The scenarios considered CNG usage at 14.0 percent, 25.0 percent, and 100.0 percent. The 100.0 percent scenario generated a result that met the base plus ten percent threshold. The 25.0 percent scenario generated a result that met the base plus ten percent threshold at 10 years but would not meet it at 8 years. The 14.0 percent scenario generated a result that did not meet the base plus ten percent threshold at 10 years.

Conclusion

Statute requires the Department to purchase alternative fuel vehicles if the base cost or life-cycle cost premium for an alternative fuel vehicle does not exceed ten percent of the standard fuel vehicle. Fleet's original break-even analysis was based on projections and assumptions which may not accurately reflect actual experience. However, based on the original projection analysis, statute required the Department to purchase CNG vehicles.

Fleet and the Department can improve their life-cycle cost analyses by reflecting more accurate assumptions based on actual usage. However, statute does not require state agencies with alternative fuel vehicles to use the alternative fuel source. Fleet and the Department have no authority to require state agencies to use CNG fuel in CNG vehicles. In this case there is a disconnect in statute that requires the Department to purchase CNG vehicles but that does not require state agencies to fuel them with CNG to achieve the savings intended. General resistance to the use of CNG fuel in CNG vehicles by state agencies should not be micro-managed by the General Assembly. But the additional cost for CNG may be addressed through the appropriations process to minimize the waste of State resources on CNG vehicles for those agencies.

Based on the analysis at this time, staff would recommend not funding CNG vehicle purchases for the Governor's Office and the Department of Transportation. Staff would also recommend not funding CNG vehicle purchases for the Department of Natural Resources, unless CNG usage is at least 50.0 percent over the most recent year, evaluated by division. As Committee policy, staff recommends that appropriations for the additional cost of CNG vehicle purchases only be made for state agencies with at least a 50.0 percent usage over the most recent year and over the most recent three-year period as verified by Fleet reports.

Due to the potential scale of inaccuracy included in the original projections that justify the life-cycle cost requirement, staff recommends that the Committee require the Department to submit life-cycle cost projection comparisons for each CNG vehicle type designated on the annual request list. To the extent possible, assumptions used in the projections should be based on extrapolations from actual data and not merely be based on unspecified *round estimates*.

Issue 2: Cash Funds Excess Uncommitted Reserves Policy

The annual report on cash funds excess uncommitted reserves report from the Office of the State Controller and audit from the Office of the State Auditor continue to identify cash funds in violation for more than one year. Amendments to statutory policy should improve compliance and improve JBC and General Assembly monitoring and oversight of cash-funded program revenue management.

SUMMARY:

- During the 2014 session, the Office of the State Auditor released its audit of the Office of the State Controller's cash funds excess uncommitted reserves report which received additional media coverage due to the State Auditor's statements that there were TABOR implications related to funds with excess reserves.

- At the time the Committee requested follow-up information regarding cash funds included in that report, for which a follow-up memo was prepared by staff.

- During the 2014 interim, staff met with representatives from the executive branch to consider alternative policies for improving management and oversight of cash funds excess uncommitted reserves.

- The cross-branch workgroup met three times during the interim and are in agreement in proposing amendments to cash funds excess uncommitted reserves policy to improve management of excess reserves for TABOR implications and for better cash-funded program revenue management.

RECOMMENDATION:

Staff recommends that the Committee pursue legislation to amend Section 24-75-402, C.R.S., as follows:

- Change the name from *target reserve* to *maximum reserve* and *alternative target reserve* to *alternative maximum reserve*.
- Add a provision that requires cash funds to identify a capital outlay reserve for accumulated depreciation exempt from the maximum reserve.
- Add a provision that allows programs with multi-year revenue-collection cycles or revenue-contract periods to request that uncommitted reserves be averaged over the multi-year revenue-cycle period for the purpose of determining compliance with excess reserve requirements.
- Change the waiver process to allow a maximum 3-year waiver by the JBC, rather than by a statutory waiver.
- Increase the minimum uncommitted reserves for cash funds considered in the report to $200,000 from the current $50,000 exclusion.

- Add repeal dates to all excluded cash funds listed in Section 24-75-402, (5), C.R.S., requiring excluded funds to be reconsidered and extended prior to their repeal.
- Exclude the Division of Professions and Occupations Cash Fund from the requirements of Section 24-75-402, C.R.S., including automatic repeal in seven years.
- Require the State Controller to restrict spending authority following the third consecutive year of excess reserves, equal to the lesser of the excess reserve or the maximum reserve, until a waiver is approved or the fund is in compliance.

DISCUSSION:

Recent History
During the 2014 session, the Office of the State Auditor (OSA) released an audit report based on an annual report prepared by the Office of the State Controller (OSC) that reports on cash funds with excess uncommitted reserves. The OSC report and the OSA audit occur annually. The audit received additional media scrutiny because of the statements by the State Auditor that excess reserves have a TABOR implication. Staff prepared a follow-up memo as requested by the Committee for the purpose of better understanding and better managing the issue of cash funds excess reserves.

During the 2014 interim, staff met with representatives from the Governor's Office of State Planning and Budgeting (OSPB), the OSC, and executive branch departments to review existing statutory requirements and consider alternative policies for improving the management and oversight of cash funds excess uncommitted reserves by the executive branch and by the General Assembly through statute and budgetary processes. The workgroup met three times over the course of the interim and are in agreement with the proposed amendments to statute that follow in the Recommended Policy Changes section.

TABOR Implication
All cash fund revenues received by the State in a given fiscal year are revenues that count for the purpose of TABOR revenue limits. In years when the State has issued TABOR refunds, revenue generated by cash-funded programs benefit those programs, but taxpayer refunds are paid out of General Fund. All cash fund revenues, regardless of whether a particular cash-funded program is considered to have generated excessive revenue, have the effect of squeezing out General Fund in a TABOR refund year. In years when there is not a TABOR refund situation, the additional revenues generated by cash-funded programs do not have a TABOR implication.

The cash funds excess uncommitted reserves statute, Section 24-75-402, C.R.S., was added to address the issue of cash funds squeezing out General Fund in a TABOR refund year. But the provision applies every year, for the purpose of reporting and identifying funds out of compliance with excess reserves.

Excess reserves in themselves are not technically a TABOR problem. A cash-funded program that has generated excess reserves during years in which there is no TABOR refund has not contributed to a TABOR problem in a TABOR refund year. The revenues the cash-funded program generates in a TABOR refund year do contribute to a TABOR problem regardless of whether the revenue creates an operating surplus or deficit in the TABOR refund year. The existing reserve does not contribute to the TABOR problem per se.

The concept of using excess uncommitted reserves as a proxy for TABOR compliance for cash-funded programs is inexact but is a reasonable approximation of using policy to manage cash fund revenues and to require better cash-funded program revenue management. And the federal government as a general rule prefers to see excess reserves at no more than one month of operating expenses before it considers that a cash-funded program may be over-collecting revenue with fees set higher than cost. Section 24-75-402, C.R.S., allows an excess reserve of 16.5 percent, equal to two months of operating expenses.

So while an excess reserve in and of itself is not specifically a TABOR problem, the generation of substantial excess reserves suggests that a cash-funded program is setting fees in excess of costs, which in most cases is a cash fund revenue management problem. On that basis, it is reasonable for the State to manage cash-funded revenue collections through excess reserves, regardless of TABOR issues. However, because of the two different issues – TABOR and good cash-funded revenue management – there may be improved policies for managing the State's cash-funded programs through statute by keeping in mind the difference in those issues.

Recommended Policy Changes
The following policy or statutory changes are recommended by the interim workgroup along with the reason for their modification or adoption.

General Policies:
1. Change the name from *target reserve* to *maximum reserve* and *alternative target reserve* to *alternative maximum reserve*. The term *target reserve* appears to be thought of by cash-funded programs as the standard amount of reserve that a cash fund should target. However, a more appropriate target might be one month of reserve for a program with a regular monthly operational cash flow. Changing the name to *maximum reserve* will emphasize that the 16.5 percent limit is a limit and not a target around which a cash fund might reasonably fluctuate or that every cash fund should maintain as an ideal reserve.

2. Require cash funds to identify a capital outlay reserve for accumulated depreciation exempt from the maximum reserve. Senate Bill 14-108 allowed the Department of Personnel to identify the depreciation share of fee revenue as a set-aside in a *capital outlay reserve* for future capital outlay for its Capitol Complex and Integrated Document Solutions cash funds. The legislation still requires the Department to submit a budget request item for spending authority for accumulated funds in the capital outlay reserve. Setting aside depreciation in this way prevents capital depletion from subsidizing operations. For an illustration of this effect, see the cash flow model on page 22. It is recommended that all cash funds with depreciable assets identify a capital outlay reserve for the purpose of funding future capital replacement needs.

3. Allow programs with multi-year revenue-collection cycles or revenue-contract periods to request that uncommitted reserves be averaged over the multi-year revenue-cycle period for the purpose of determining compliance with excess reserve requirements. Some cash-funded programs have revenue cycles that extend over multiple years. Similarly some cash-funded programs are based on contract revenue over a given period, sometimes over multiple years. This provision would allow these programs to request that the OSC average revenue over the multi-year revenue period for the purpose of calculating excess reserves.

Waiver Policies:

4. Change the waiver process to allow a maximum three-year waiver to be granted by the JBC, rather than by bill in a statutory waiver. This process would require agency explanation for the excess reserve and a plan for eliminating the excess within the three-year period through a request to the JBC. The JBC would provide a letter to the State Controller identifying cash funds provided with a waiver through this process. This would eliminate the need for a bill to amend statute and should encourage cash-funded programs to request waivers at the time a cash fund is first identified as having an excess reserve with the anticipation that the excess reserve may not be eliminated within a single year.

Exclusion Policies:

5. Increase the minimum uncommitted reserves for cash funds considered in the report to $200,000 from the current $50,000 exclusion (Section 24-75-402, (5) (g), C.R.S). Cash funds with uncommitted reserves of less than $50,000 are excluded from statutory limitations due to the relatively insignificant total dollar amount and the relatively unpredictable nature of small program cash flow. Similarly, it is not unusual for small cash funds to exceed the $50,000 limit by a small amount. Examples include the Hazardous Waste Commission Fund and the Fixed-wing and Rotary-wing Ambulances Cash Fund in the Department of Public Health and Environment, which had uncommitted reserves of $50,304 and $50,913 respectively, and the Conservation Easement Holder Certification Fund in the Department of Regulatory Agencies, which had uncommitted reserves of $51,599. While these funds met the statutory requirements to be included in the excess uncommitted reserves report, it is questionable whether these funds rise to a level of concern requiring additional Committee or General Assembly attention. The 12 funds included in the FY 2012-13 report and audit, which have less than $200,000 in uncommitted reserves, total $0.5 million in excess reserves. Those 12 funds totaled $3.7 million in revenue and $3.4 million in expenses, equal to an operating surplus of $393,000 as a group. Cash funds that are materially contributing to a potential TABOR refund issue should be monitored through this process. It is not apparent that small funds as a group contribute enough to a potential TABOR problem to be identified in the excess reserves report.

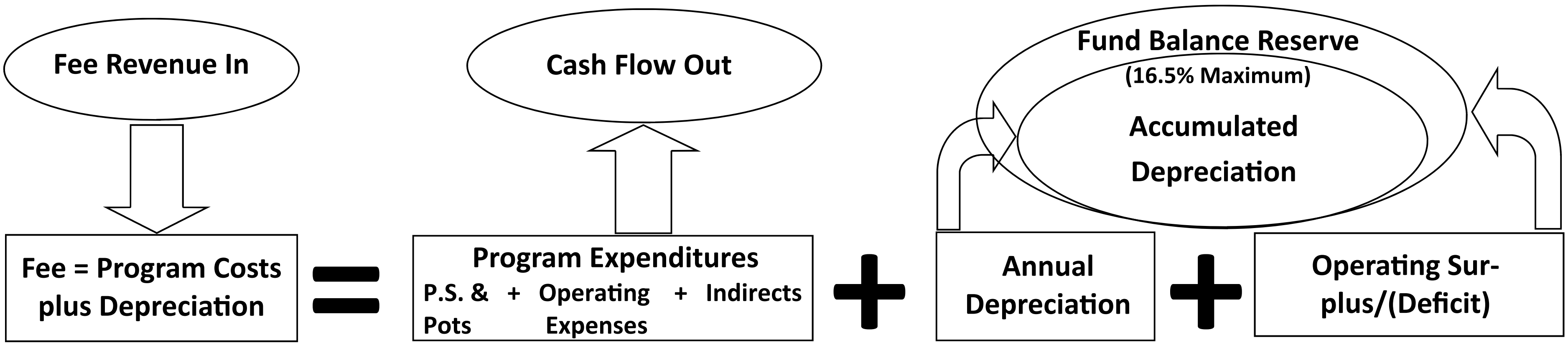
6. Add repeal dates to all excluded cash funds listed in Section 24-75-402, (5), C.R.S., requiring excluded funds to be reconsidered and extended prior to their repeal. Excluded cash funds are listed in subsection (5) of the provision. Currently there is no time period for review or reconsideration about whether those funds should remain excluded. The recommendation is to set repeal dates for periods ranging from one to six years for the existing excluded cash funds. Those programs and departments would then be required to request repeal extensions for an additional seven years and justify continued exclusion from excess reserve limits.

7. Exclude the Division of Professions and Occupations Cash Fund from the requirements of Section 24-75-402, C.R.S., for seven years. This fund has been identified as having an excess reserve for all 13 years that the excess uncommitted reserves have been reported pursuant to statute. The fund receives revenues from and funds expenses for 33 boards and commissions located in the Division of Professions and Occupations. Generally, the perpetual excess has been identified due to the identification of smaller, individual programs within the larger cash fund that experience excess reserves in a given year. The advantage to the State for having a large, single cash fund for this purpose, is that it allows any new program to access start-up funds from the cash fund without requiring General Fund. Additionally, the larger cash fund enables all programs individually to maintain lower reserves, on the basis that the scale of the cash fund can absorb an operating deficit for a program in a given year. This allows relatively small, cash-funded licensing programs to operate with a lower reserve than might otherwise be required.

Enforcement/Disciplinary Policies:
8. Require the State Controller to restrict spending authority for a cash-funded program following the third consecutive year of excess reserves. The restriction would equal the lesser of the excess reserve or the maximum reserve, until a waiver is approved or the fund is in compliance.

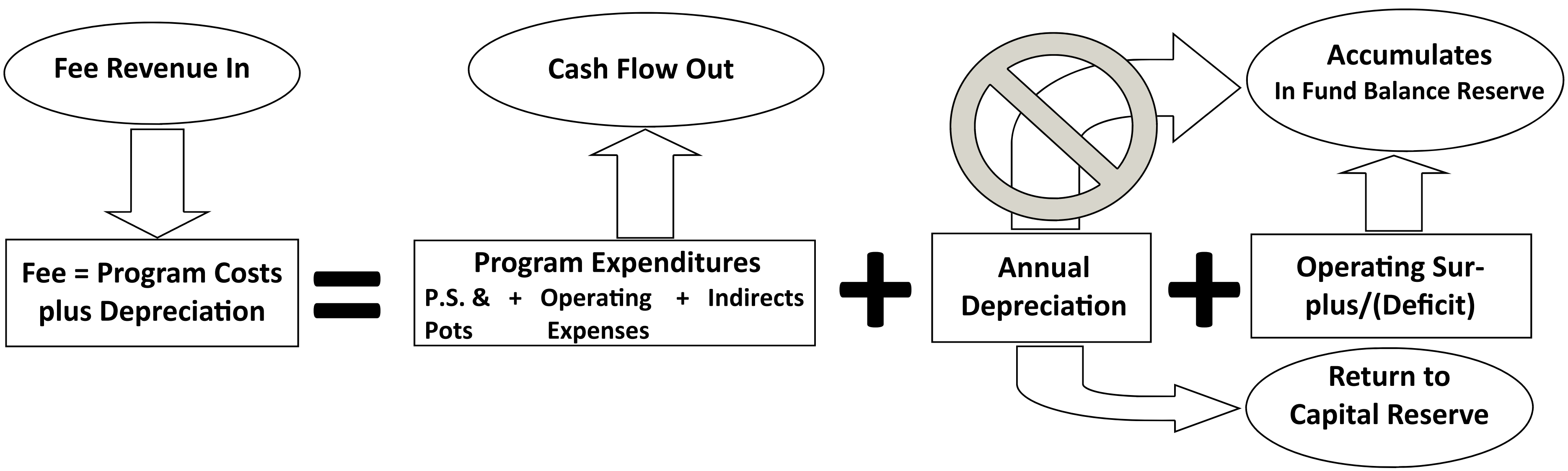
Non-statutory Recommendation
9. Through an annual request for information (RFI), the OSC would be asked to submit a comprehensive report that would include the uncommitted reserves of all cash funds, including excluded cash funds. While violations of the excess reserves requirements is important, in the interest of transparency and effective policy and management of cash funds as they relate to TABOR issues, excluded cash funds should be considered in comparison to included cash funds to better understand the scale of the TABOR problem across all cash funds.

Current Depreciation Subsidizes Operations Cash Flow Model



As accumulated depreciation increases over time, the fund balance reserve builds. Eventually fees are reduced to account for an excess reserve generated from capital.

Proposed Depreciation to Capital Reserve Cash Flow Model



Issue 3: Total Comp Request Overview

This briefing issue provides an overview of the total compensation request for FY 2015-16.

SUMMARY:

- Overall, the FY 2015-16 total compensation request is estimated at $2.2 billion total funds, an increase of $70.1 million over the FY 2014-15 appropriation, and represents a 3.4 percent increase in total compensation appropriations.

- The annual compensation report from the Executive Director of the Department of Personnel projects salary increases of three percent nationally and for Colorado.

- The executive request includes a 1.0 percent salary survey increase and an average 1.0 percent merit pay increase.

- Excluding AED and SAED, which are amortization payments for PERA's unfunded liabilities and do not reflect compensation for current state employees, the FY 2015-16 request is estimated at $2.0 billion total funds, an increase of $54.9 million over the FY 2014-15 appropriation, which represents a 2.8 percent increase in state employee total compensation appropriations.

DISCUSSION:

Prevailing Compensation Policy

Section 24-50-104 (1) (a) (I), C.R.S., provides the statutory intent of total compensation philosophy:

> *(1)* ***Total compensation philosophy.*** *(a) (I) It is the policy of the state to provide prevailing total compensation to officers and employees in the state personnel system to ensure the recruitment, motivation, and retention of a qualified and competent work force. For purposes of this section, "total compensation" includes, but is not limited to, salary, group benefit plans, retirement benefits, merit pay, incentives, premium pay practices, and leave. ...*

Sections 24-50-104 (4) (a) and (b) (I), C.R.S., specify the annual compensation process as follows:

> *(4)* ***Annual compensation process.*** *(a) The purpose of the annual compensation process is to determine any necessary adjustments to state employee salaries, state contributions for group benefit plans, and merit pay. ...*
>
> *(b) (I) The state personnel director shall prepare an annual compensation report based on the analysis of surveys conducted pursuant to paragraph (a) of this subsection (4). The purpose of the annual compensation report shall be to reflect*

> *all adjustments necessary to maintain the salary structure, state contributions for group benefit plans, and merit pay for the upcoming fiscal year. ...*

In the budget, total compensation refers to employee salary and benefit costs, specific to the employees in each department. Total compensation common policies are funded through a group of centrally appropriated line items generally found in a department's Executive Director's Office. Allocations from these line items are distributed to department divisions as needed.

The annual budget request for total compensation is primarily driven by employee salaries, benefit elections, and requested policy changes. The centrally appropriated line items that make up the total compensation common policies include: Salary Survey, Merit Pay, Shift Differential, Amortization Equalization Disbursement (AED), Supplemental Amortization Equalization Disbursement (SAED), Short-term Disability (STD), and Health, Life, and Dental (HLD).

The FY 2015-16 Total Compensation Request

The FY 2015-16 Annual Compensation Letter from the Executive Director of the Department of Personnel stated that potential merit pay adjustments for FY 2015-16 were determined using three independent survey source comparisons as recommended by the Office of the State Auditor's, *2013 Evaluation of the Department of Personnel & Administration's Annual Compensation Survey for Fiscal Year 2014*. The data from all three survey sources project overall salary increases of **three percent** nationally and for Colorado.

The FY 2015-16 total compensation request includes the following elements:

- **Salary Survey: A 1.0 percent Salary Survey increase.** This includes a base-building increase up to the range maximum and non-base-building awards for employees whose salary is above the range maximum.

- **Merit Pay: An average of 1.0 percent base-building Merit Pay increase** for employees whose current salary falls within quartiles one, two, and three, and a non-base-building award for employees at and above quartile four.

- **Shift Differential: 100.0 percent of prior year actual expenditures.**

- **AED: A blended rate of 4.4 percent** of revised base salaries.

- **SAED: A blended rate of 4.25 percent** of revised base salaries.

- **STD: Funding at 0.22 percent** of revised base salaries.

- **HLD: As defined by plan rates and employee experience.** Request amounts shown for HLD are submitted as a place holder for a budget amendment to be requested based on actuarial recommendations made in December. The budget request is based on employee health and dental election as of July 2014.

Order of Operations

The following tables illustrate the order of operations for calculating salary adjustments pursuant to State Personnel Rules.

Order of Operations - Employee Level		
Base Salary		$50,000
1. Salary Survey	1.0%	500
Revised Base (base plus SS)		$50,500
2. Merit Pay	1.0%	505
Revised Base (base plus SS and MP)		$51,005

Once the Salary Survey and Merit Pay adjustments are determined at the individual employee level, the adjustments are aggregated to the department level.

Order of Operations - Department Level		
Department Base Salary		$1,000,000
1. Salary Survey	1.0%	10,000
Dept. Revised Base (base plus SS)		$1,010,000
2. Merit Pay	1.0%	10,100
Dept. Revised Base (base plus SS and MP)		$1,020,100
3. Shift Differential (Actual FY13-14)		$100,000
Dept. Revised Base (base plus SS, MP, Shift)		$1,120,100
4. AED	4.40%	49,284
5. SAED	4.25%	47,604
6. STD	0.22%	2,464

AED, SAED and STD are calculated on the department revised base salary comprised of base salary, Salary Survey, Merit Pay, and Shift Differential. Changes to the Salary Survey and Merit Pay percentages will change each of the elements which follow in the order of operations except for Shift Differential. The Health, Life, and Dental request for FY 2015-16 is based on employee health and dental elections as of July 2014.

AED and SAED are located in the compensation common policies and might be thought to be part of the total compensation package because payment amounts are calculated on total salary. However, these payments are amortization payments for PERA's unfunded liabilities. <u>These payments more accurately describe the State's debt payments for past employee pension obligations rather than reflecting current employee compensation</u> and their inclusion in total compensation figures may more accurately be discounted or removed to better estimate the increase in total compensation funding for state employees.

Summary: FY 2014-15 Appropriation & FY 2015-16 Request

Compensation Common Policies	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Net General Fund
FY 2014-15 Appropriation						
Base Salary Estimate	$1,505,478,955	$810,007,630	$359,325,486	$164,876,274	$171,269,565	$829,585,407
Health, Life, Dental	$183,359,703	103,401,093	41,905,080	19,800,857	18,252,673	106,562,755
PERA	$163,604,058	91,045,367	38,331,212	16,792,733	17,434,746	93,032,514
AED	$63,029,821	34,021,889	15,015,041	6,903,817	7,089,074	34,863,289
SAED	$59,090,460	31,895,521	14,076,604	6,472,329	6,646,006	32,684,333
Salary Survey	$51,445,899	29,312,918	12,377,186	4,937,646	4,818,150	29,859,185
Medicare (FICA)	$21,829,445	$11,745,112	$5,210,219	$2,390,706	$2,483,408	$12,028,990
Merit Pay	$16,279,764	8,693,036	3,807,763	1,983,773	1,795,193	8,914,404
Shift Differential	$13,493,906	10,877,978	646,225	1,919,459	50,244	11,736,581
Short-term Disability	$3,285,906	1,759,778	781,006	370,234	374,888	1,804,038
TOTAL	**$2,080,897,917**	**$1,132,760,321**	**$491,475,822**	**$226,447,827**	**$230,213,946**	**$1,161,071,495**
FY 2015-16 Request						
Base Salary Estimate	$1,571,277,033	851,957,515	372,169,289	177,045,899	170,104,330	871,813,360
Health, Life, Dental	$197,740,057	112,437,204	44,749,220	21,454,775	19,098,858	115,742,120
PERA	$162,384,123	88,992,872	37,548,468	18,226,248	17,616,535	88,992,872
AED	$70,094,363	37,698,903	16,737,097	8,034,508	7,623,855	38,623,918
SAED	$67,253,308	36,060,162	16,068,592	7,760,605	7,363,949	36,953,643
Salary Survey	$24,955,378	16,121,317	4,572,276	2,458,564	1,803,221	16,273,180
Medicare (FICA)	$22,985,565	12,518,401	5,406,089	2,594,028	2,467,047	12,818,786
Merit Pay	$17,000,735	9,402,692	4,011,947	1,892,612	1,693,484	9,623,309
Shift Differential	$13,934,505	11,380,505	664,634	1,852,584	36,782	12,240,836
Short-term Disability	$3,356,567	1,786,238	809,200	392,437	368,692	1,857,993
TOTAL	**$2,150,981,634**	**$1,178,355,809**	**$502,736,812**	**$241,712,260**	**$228,176,753**	**$1,204,940,017**
Increase/(Decrease)	70,083,717	45,595,488	11,260,990	15,264,432	(2,037,193)	43,868,522
Percent Change	3.4%	4.0%	2.3%	6.7%	(0.9%)	3.8%

Overall, the FY 2015-16 request is estimated at $2.2 billion total funds, an increase of $70.1 million over the FY 2014-15 appropriation, and represents a 3.4 percent increase in total compensation appropriations.

Compensation Common Policies excluding AED and SAED						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Net General Fund
FY 2014-15 Appropriation						
Base Salary Estimate	$1,505,478,955	$810,007,630	$359,325,486	$164,876,274	$171,269,565	$829,585,407
Health, Life, Dental	$183,359,703	103,401,093	41,905,080	19,800,857	18,252,673	106,562,755
PERA	$163,604,058	91,045,367	38,331,212	16,792,733	17,434,746	93,032,514
Salary Survey	$51,445,899	29,312,918	12,377,186	4,937,646	4,818,150	29,859,185
Medicare (FICA)	$21,829,445	$11,745,112	$5,210,219	$2,390,706	$2,483,408	$12,028,990
Merit Pay	$16,279,764	8,693,036	3,807,763	1,983,773	1,795,193	8,914,404
Shift Differential	$13,493,906	10,877,978	646,225	1,919,459	50,244	11,736,581
Short-term Disability	$3,285,906	1,759,778	781,006	370,234	374,888	1,804,038
TOTAL	**$1,958,777,636**	**$1,066,842,911**	**$462,384,177**	**$213,071,681**	**$216,478,866**	**$1,093,523,873**
FY 2015-16 Request						
Base Salary Estimate	$1,571,277,033	851,957,515	372,169,289	177,045,899	170,104,330	871,813,360
Health, Life, Dental	$197,740,057	112,437,204	44,749,220	21,454,775	19,098,858	115,742,120
PERA	$162,384,123	88,992,872	37,548,468	18,226,248	17,616,535	88,992,872
Salary Survey	$24,955,378	16,121,317	4,572,276	2,458,564	1,803,221	16,273,180
Medicare (FICA)	$22,985,565	12,518,401	5,406,089	2,594,028	2,467,047	12,818,786
Merit Pay	$17,000,735	9,402,692	4,011,947	1,892,612	1,693,484	9,623,309
Shift Differential	$13,934,505	11,380,505	664,634	1,852,584	36,782	12,240,836
Short-term Disability	$3,356,567	1,786,238	809,200	392,437	368,692	1,857,993
TOTAL	**$2,013,633,962**	**$1,104,596,744**	**$469,931,123**	**$225,917,147**	**$213,188,949**	**$1,129,362,456**
Increase/(Decrease)	54,856,326	37,753,833	7,546,946	12,845,465	(3,289,917)	35,838,582
Percent Change	2.8%	3.5%	1.6%	6.0%	-1.5%	3.3%

Excluding AED and SAED, the FY 2015-16 request is estimated at $2.0 billion total funds, an increase of $54.9 million over the FY 2014-15 appropriation, which represents a 2.8 percent increase in state employee total compensation appropriations.

Issue 4: PERA Update

This issue brief provides an overview on PERA that includes updates regarding the Colorado Supreme Court opinion on cost-of-living adjustments, PERA's unfunded liabilities and funded status, PERA's investment returns, and PERA's reduction in the assumed investment rate of return and discount rate.

SUMMARY:

- The Colorado Supreme Court issued its opinion in favor of PERA and the State of Colorado in *Justus v. State of Colorado and PERA* on October 20, 2014, ruling that cost-of-living adjustments are not contractual and may be adjusted by statutory formula for current retirees.

- As of December 31, 2013, PERA reports a funded ratio of 60.4 percent with an unfunded liability of $27.1 billion over all of its division trust funds. This represents a slight decline in funded status over the December 31, 2012 PERA-reported funded ratio of 61.9 percent.

- PERA states that the amortization equalization disbursement (AED) and the supplemental amortization equalization disbursement (SAED) payment mechanisms are working as they were intended, although currently only partially paying the annual required amortization contribution. PERA reports that the 30-year amortization contribution deficiency over the period from 2009 through 2013 totaled just under $1.4 billion.

- PERA reports that the rate of return on investment was 15.6 percent for 2013. The rate of return was 12.2 percent over the past five years, 7.6 percent over the past 10 years, and the 30-year annualized return was 9.5 percent.

- In 2013, PERA reduced its investment rate of return and discount rate assumptions to 7.5 percent from 8.0 percent, which generated a $3.1 billion increase in actuarial liabilities.

DISCUSSION:

S.B. 14-214 – PERA Actuarial Studies

Senate Bill 14-214 requires a study of PERA by the Department of Personnel as a part of the total compensation survey. The bill also requires an actuarial study of PERA to be contracted by the Office of the State Auditor (OSA). The Department of Personnel's study is due January 15, 2015, and the Department has contracted with Milliman to complete the study. An initial research review meeting is expected to be held this week between the Department and Milliman. The OSA's actuarial study is due to be reported by December 1, 2015.

Colorado Supreme Court Opinion on S.B. 10-001

The Colorado Supreme Court issued its opinion in favor of PERA and the State of Colorado in *Justus v. State of Colorado and PERA* on October 20, 2014. The case concerned whether PERA members have a contractual right to cost-of-living adjustment (COLA) increases in place at the time of their retirement.

In order to address the critical PERA funding ratio shortfall following the financial crisis in 2008, S.B. 10-001 was adopted with the goal of providing one-hundred-percent funding for pension liabilities within 30 years by making a variety of adjustments to PERA funding and future member benefits. The challenge involved the statutory reduction of COLA formulas in effect immediately for existing retirees.

Senate Bill 10-001 was signed into law in February 2010, after which the lawsuit was filed challenging the reduction in COLA increases. In June 2011, Denver District Court dismissed the case on the basis that there was no contractual right. The plaintiffs appealed, and in October 2012, the Colorado Court of Appeals disagreed and remanded the case to the district court on the basis that there was a contractual right. In November 2012, both parties petitioned the Colorado Supreme Court for review of the Appeals Court decision. On October 20, the Colorado Supreme Court ruled as follows:

> *We disagree with the court of appeals and agree with the district court. We hold that the PERA legislation providing for cost of living adjustments does not establish any contract between PERA and its members entitling them to perpetual receipt of the specific COLA formula in place on the date each became eligible for retirement or on the date each actually retires. Accordingly, we reverse the judgment of the court of appeals and uphold the trial court's summary judgment order dismissing this case.*

Normal Yearly Contributions and Unfunded Amortization Payments

There are two main types of payments made to pension funds: normal yearly contributions and unfunded pension amortization payments.

Normal yearly contributions or normal cost are the payments that will fund the anticipated retirement benefits to be paid to the pension members that are earned in that year. Employees earn their pensions while working as a part of their compensation; pensions are not earned when they are received. The retirement pension payment is a payment of debt to the creditor – the retiree – who has already earned that payment. As a matter of fairness, the people who receive that employee's services should pay for those services at the time services are provided. The Governmental Accounting Standards Board (GASB), which establishes "Generally Accepted Accounting Principles" (GAAP) for state and federal governments describes *inter-generational equity* as follows: "the current generation of citizens should not be able to shift the burden of paying for current-year services to future-year taxpayers. ... financial reporting should help users assess whether current-year revenues are sufficient to pay for the services provided that year and whether future taxpayers will be required to assume burdens for services previously provided".

Therefore, a normal yearly contribution should be fully funding those retirement liabilities. A normal yearly contribution that does not fully fund those retirement liabilities necessarily pushes the unpaid cost to future payers that did not receive those services. Underfunding the normal yearly contribution creates a debt that will have to be repaid by others. If a significant pension fund deficit develops due to underfunding or due to financial market declines, the government must make additional payments to eliminate that deficit with unfunded pension amortization payments.

On this basis, the long-term goal should be to fund a pension at 100 percent. However, it is also reasonable that the assumptions used for projecting liabilities into the future may vary and a pension fund may not be 100-percent funded – either above or below based on assumptions and based on the relative position of financial markets at a given point in time. However, at the top of financial market cycles a pension fund might be 120-percent funded, while at the bottom of a financial market cycle a pension fund might be 80-percent funded. In this scenario, a pension fund that is funded at 80 percent generally, or at the top of a financial market cycle is not fully funded.

Funded Status and Progress Update on the 30-year Fully Funded Goal

As of December 31, 2013, PERA reports a composite funded ratio of 60.4 percent with an unfunded liability of $27.1 billion over all of its division trust funds. The actuarial value of assets increased from $31.4 billion to $41.4 billion over the 2013 calendar year period. Liabilities increased to $68.6 billion from $63.6 billion over 2013. This represents a slight decline in funded status over the December 31, 2012 PERA-reported funded ratio of 61.9 percent. However based on the market value of assets, assets increased to $44.0 billion from $40.1 billion. The market value of assets generates a funded ratio of 64.2 percent and unfunded liability of $24.6 billion as compared to a funded ratio of 63.1 percent and unfunded liability of $23.5 billion at the end of 2012. The market value of assets is the fair current value of the investments. The actuarial value of assets is a four-year moving average for the purpose of smoothing or spreading market gains or losses over that four-year period.

The following table outlines the funded ratio for all funds for 2012 and 2013 and the funded ratio history for all funds excluding the health care trust funds for seven years.

PERA Composite Funded Ratio 2012-2013 (in Billions)

Year	Market Value	Actuarial Value	Actuarial Accrued Liabilities	AVA Funding Ratio	MVA Funding Ratios
2013	$43.98	$41.43	$68.55	60.44%	64.16%
2012	$40.10	$39.38	$63.59	61.93%	63.06%
PERA Composite Funded History (excl. Health Care Trust Funds) 2007-2013					
2013	$43.65	$41.12	$66.92	61.45%	65.23%
2012	39.79	39.08	61.79	63.24%	64.40%
2011	37.16	37.19	60.73	61.23%	61.20%
2010	38.40	39.20	59.30	66.10%	64.76%
2009	32.70	37.60	54.50	68.99%	60.00%
2008	29.30	38.81	55.60	69.81%	52.70%
2007	$41.20	$39.42	$52.46	75.14%	78.54%

AVA - actuarial value of assets; MVA - market value of assets

The seven-year history excludes the health care trust funds. PERA reports funded ratios for the Health Care Trust Fund of 18.8 percent and for the Denver Public Schools Health Care Trust Fund of 20.2 percent. The health care funds are what are known as other post-employment benefits (OPEB). In 2008, GASB first required disclosure of OPEB liabilities using the same general approach as pension funds. Most states do not significantly prefund OPEB liabilities and some only pay for OPEB on a pay-as-you-go basis.

The following table outlines the funded ratio for all funds from 2009 through 2013.

PERA Funded Ratio History by Trust Fund 2009-2013

Trust Fund	2009	2010	2011	2012	2013
State Division	67.0%	62.8%	57.7%	59.2%	57.5%
School Division	69.2%	64.8%	60.2%	62.1%	60.3%
Local Government Division	76.2%	73.0%	69.3%	74.5%	73.1%
Judicial Division	77.3%	75.0%	69.3%	73.1%	73.0%
Denver Public Schools Division	n/a	88.9%	81.5%	84.0%	81.2%
Subtotal - Defined Benefit Plans	**68.9%**	**66.1%**	**61.2%**	**63.2%**	**61.5%**
Health Care	14.8%	17.5%	16.5%	16.5%	18.8%
Denver Public Schools Health Care	n/a	17.9%	18.6%	18.6%	20.2%
Subtotal - Health Care Funds	14.8%	17.6%	16.6%	16.6%	18.9%
Total All Funds	**67.2%**	**64.7%**	**59.9%**	**61.9%**	**60.4%**

The decline in funded ratio over the period from 2009 to 2013 is primarily due to the recognition of the decline in value of assets following the 2008 financial crisis and the smoothing of asset values over a four-year period to generate an actuarial value of assets.

The Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED) were added in 2004 (S.B. 04-257) and 2006 (S.B. 06-235) respectively to pay down the unfunded liability in PERA. However, the amortization of unfunded liabilities through the AED and SAED payments was structured as a *percentage of payroll* amortization rather than as a *flat amount* amortization over the 30-year projected period of amortization. Further, both AED and SAED payments were also structured to *ramp-up* the percentage of payroll over a period of time. This *ramped-up percentage of payroll* payment structure even further back-loaded the amortization period.

<u>In the early years of the amortization period, the unfunded liability will necessarily increase and the funded status will decrease.</u> The period from 21 to 30 years out, when the amount paid has increased because the payroll has increased, is the period in which the amortization payments actually "catch-up" the unfunded liability. It is intentionally structured as a delayed payment mechanism based on the concept that the State's payroll will increase and thus make it easier for the State to fund the liability in the early years and make increasing payments over time as revenues increase. <u>An amortization contribution deficiency is generated when the actual contributions flowing into PERA are less than the annual required contribution that is calculated</u>

as a part of the actuarial liability analysis. PERA reports that the 30-year amortization contribution deficiency over the period from 2009 through 2013 totaled just under $1.4 billion.

Having said this, the AED and the SAED are working as they were intended, but at this point are not yet paying down the unfunded liability by plan, and are only partially paying the annual required contribution.

Discount Rate and Investment Return

PERA reports that for the year ended December 31, 2013, the net-of-fee rate of return on the pooled investment assets was 15.6 percent compared to 12.9 percent for 2012. The net-of-fee rate of return was 12.2 percent over the past five years and 7.6 percent over the past 10 years. The 30-year annualized return was 9.5 percent. These returns compare favorably to PERA's assumed investment rate of return and discount rate of 7.5 percent. PERA states that the largest inflow into a retirement plan over the long term comes from investment income. Over 30 years, PERA reports that investment income represents 60 percent of inflows, and over the past 10 years it represents 58 percent.

However, there are concerns among the credit ratings agencies that GASB pension accounting and disclosure standards emphasize investment returns over annual contributions. A recent Moody's publication from September 25, 2014, titled, "US State and Local Government Pensions Lose Ground Despite Meeting Return Targets" states (emphasis added):

> *Employer and employee contributions are the bedrock of any defined benefit pension plan. They establish the base of assets that investments help to expand. Contributions typically have two components. First, they furnish the annual increment of accrued liabilities earned by participants—the normal cost. Second, employer contributions amortize any shortfalls in funded status that may arise, such as those caused by financial market declines. ...*
>
> *Unlike Financial Accounting Standards Board (FASB) corporate accounting rules, GASB has allowed pension liabilities to be valued using the assumed investment rate of return as the discount rate. As a result, a common practice has been to use a relatively high discount rate that mathematically understates plan liabilities and amortization needs relative to other approaches...*
>
> *Higher discount rates also drive down a pension plan's normal costs, reinforcing a dependence on investment returns over annual funding from regular contributions. For example, the normal cost for a hypothetical 40-year career employee would be nearly 40% of annual payroll at a 2.5% discount rate, but shrinks to 7% of payroll for the same pension benefits assuming an 8% discount rate...*

In 2013, PERA reduced its investment rate of return and discount rate assumptions to 7.5 percent from 8.0 percent. This followed PERA's reduction in 2009 from 8.5 to 8.0 percent. The rate reduction in 2009 generated a $4.8 billion loss or increase in liabilities in PERA's actuarial liability analysis. The 2013 reduction generated an additional $3.1 billion increase in liabilities. These changes in rate are responsible for a total of $7.9 billion in actuarial unfunded liability. These actuarial loss figures give an idea of the scale of change in fund status that is implied when assuming a more conservative rate of return or discount rate.

Based on information provided by PERA, when compared against other public pensions in the country, PERA's 7.5 percent rate of return/discount rate assumption is generally in about the lowest third of rate assumptions which range from 6.5 to 8.5 percent. When compared against a sample of private company pensions, PERA is similarly situated in a range that varies more widely from 5.4 to 9.5 percent.

Concerns expressed by credit ratings agencies like Moody's is that an emphasis on higher returns not only reinforces a dependence on investment returns over annual contributions as previously cited, but also necessarily increases portfolio risk in the need to generate higher investment returns. However, PERA's overall investment portfolio is to some extent guided by statute, which allows no more than 65 percent of the fund to be invested in stocks or other securities convertible into stocks in addition to other limits. Additionally, PERA reports that a 50-year modeling process conducted by Cavanaugh Macdonald Consulting, LLC, generated a mean overall investment rate of return of 8.29 percent. The one standard deviation range around the mean was 6.43 percent to 10.18 percent, representing 68.2 percent of the possible outcomes. Two standard deviations range around the mean was 4.66 percent to 12.05 percent, representing 95.4 percent of the possible outcomes. Based on the results from its annual actuarial workshop at which the modeling process was reported, PERA reduced its investment return assumption from 8.0 to 7.5 percent.

GASB Statements No. 67 and No. 68

GASB Statements No. 67 and No. 68 will modify accounting standards for pension plans and for employers, respectively, in order to make accounting entirely distinct from the measure of funding. GASB Statement No. 67 will be effective for plan fiscal years after June 15, 2013, and GASB Statement No. 68 will be effective for employer fiscal years after June 15, 2014.

The new GASB statements require a liability for pension obligations, called the net pension liability (NPL), to be recognized on the balance sheets of the plan and employers. Similarly, a pension expense will be recognized on income statements.

Statement No. 67 also provides a methodology for a *single equivalent discount rate*. The single equivalent discount rate will consist of the assumed rate of investment return (that is currently allowed) along with a discount rate reflecting a 20-year tax-free municipal bond yield or index. The assumed rate of return will be allowed for the portion of the pension liability that is fully funded. The discount rate will be required to be calculated on the unfunded liability. The two rates will generate a single equivalent discount rate for GASB reporting purposes.

The concept for using a discount rate reflecting a 20-year tax-free municipal bond yield is that the unfunded liability is debt. If the debt were to be paid immediately, the payment resolution would require a bond issuance. Therefore the cost of resolving that debt through the issuance of a bond is equivalent to the discount rate on that bond.

PERA's annual report addresses GASB Statements No. 67 and No. 68 in general description but states that PERA has not yet determined the impact of these standards on its financial statements and disclosures.

Issue 5: Statewide Indirect Cost Plan for Figure Setting

This issue brief presents the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2015-16 and recommends adoption of the plan for figure setting.

SUMMARY:

- The State Controller's Office has prepared a statewide indirect cost plan for FY 2015-16 that is estimated to recover approximately $16.2 million from cash, reappropriated, and federal funds.

- Senate Bill 13-109 (State Agency Indirect Cost Recovery) created the Indirect Costs Excess Recovery Fund with departmental accounts whereby excess recoveries in one year can be used in future years to make up for an under-recovery, rather than reverting to the General Fund in the year of excess recovery.

- The State Controller's Office report for the fund as of the end of FY 2013-14 identified $4.9 million in excess recoveries from seven departments.

RECOMMENDATION:

Staff recommends that the Committee approve the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2015-16 for use in figure setting for FY 2015-16 department budgets. The plan is estimated to recover approximately $16.2 million from cash funds, reappropriated funds, and federal funds.

DISCUSSION:

Statewide Indirect Cost Plan

While some centrally-provided services are billed directly, the purpose of the Statewide Indirect Cost Plan (formally labeled the 2016 Statewide Indirect Cost Appropriation/Cash Fees Plan by the Office of the State Controller and the Office of State Planning and Budgeting, included as Appendix F) is to allocate the unbilled costs of statewide central service agencies to user departments and institutions of higher education that benefit from these services. Such services benefit all state agencies but are otherwise impractical to bill for discretely or directly, and the indirect cost recoveries ensure that the General Fund does not support the provision of these services for cash- and federal-funded programs.

- Historically, statewide indirect costs have been associated with the functions of three departments: (1) the Governor's Office, including the Office of State Planning and Budgeting (OSPB); (2) the Department of Personnel; and (3) the Department of Treasury.

- The State Controller's Office submits the statewide indirect cost plan to the federal Division of Cost Allocation for approval. The federal government must agree to the use of federal funds for these purposes.

- Statewide indirect cost assessments are identified by department and fund source. Generally, although not consistently across departments, expected recoveries have been budgeted to offset a corresponding amount of General Fund in the respective department during the figure-setting process.

- Certain departments such as the Departments of State and Transportation do not have General Fund or in the case of the Department of Labor have less General Fund than statewide indirect cost recoveries, in which case their excess statewide indirect recoveries, historically, have been transferred to offset General Fund in the Department of Personnel and the Office of the Governor.

- The statewide indirect cost plan for FY 2015-16 from the State Controller's Office is estimated to recover approximately $16.2 million from cash funds, reappropriated funds, and federal funds. The plan includes $1.1 million less than it did for FY 2014-15, representing a decrease of 6.2 percent.

The following table summarizes the proposed statewide indirect cost recoveries for FY 2015-16 and compares it to the plan for the prior year.

FY 2015-16 Statewide Indirect Cost Plan

	FY 2014-15	FY 2015-16	Change	Percent Change
Cash Funds	$8,192,012	$8,230,685	$38,673	0.5%
Reapprop. Funds	6,268,143	5,409,904	(858,239)	-13.7%
Federal Funds	2,785,077	2,534,579	(250,498)	-9.0%
Total	**$17,245,232**	**$16,175,168**	**($1,070,064)**	**-6.2%**

Indirect Costs Excess Recovery Fund

Senate Bill 13-109 created the Indirect Costs Excess Recovery Fund for the purpose of reducing budget adjustments related to the over- and under-collection of indirect costs in a given fiscal year. When a state agency generates excess indirect cost recoveries – over-collects or under-spends – the funds are transferred to the agency's account in the fund at the end of the fiscal year rather than reverting to the General Fund. The excess funds accrued in an agency's account are available to the agency in the current or future years through a letter note in the Long Bill. Access to the fund alleviates the need for supplemental appropriations to adjust budgeted indirect cost assessments among cash and federal funded programs, or for General Fund in a year when the agency under-recovers indirect costs.

Senate Bill 13-109 also required the State Controller to report on the excess recovery fund to the Committee. The report is attached as Appendix G. The following table outlines the departments accruing a balance in the fund as of June 30, 2014 (FY 2013-14), and compares the excess recoveries to the total indirect cost recoveries letter-noted in the 2013 Long Bill.

FY 2013-14 Indirect Costs Excess Recovery Fund Comparison with Long Bill					
Department	**Indirect Costs Excess Recovery Beginning Fund Balance July 1, 2013**	**Ending Fund Balance June 30, 2014**	**FY 2013-14 Net Excess Recoveries**	**Total Indirect Cost Recoveries Letter-noted in 2013 Long Bill**	**Excess Recovery Percentage of Total Recoveries in 2013 Long Bill**
Corrections	$250,455	$544,118	$293,663	466,922	62.9%
Education	806,338	1,737,598	931,260	2,544,819	36.6%
Local Affairs	313,493	318,341	4,848	2,258,430	0.2%
Natural Resources	109,677	111,157	1,480	7,481,252	0.02%
Public Health and Environment	0	1,539,638	1,539,638	21,941,227	7.0%
Public Safety	209,185	523,263	314,078	8,031,826	3.9%
Regulatory Agencies	75,821	76,842	1,021	3,885,998	0.03%
Total	**$1,764,969**	**$4,850,957**	**$3,085,988**		

The first and second columns of data detail the starting and ending balance for FY 2013-14. The third column identifies the net excess recovery amount in FY 2013-14. The fourth column represents the total indirect cost recoveries that are letter-noted in the 2013 Long Bill. This column represents all expected recoveries and budgeted General Fund offsets. The final column reflects the percentage of recoveries over-collected compared to recoveries budgeted.

A higher percentage indicates that budgeted indirect cost recoveries may be lower than they should be suggesting that a department's indirect cost assessments and recoveries should be reevaluated to ensure that General Fund is offset to the extent possible. Consistently high excess recoveries over multiple years suggests an indirect cost budget that is not reflective of a department's actual indirect cost experience. A higher percentage may also represent a one-year over-collection due to unexpected federal funds and knowledge of the receipt of unexpected federal revenues may explain an unusually high excess recovery in a single year.

The Department of Corrections over-collected indirect cost recoveries by an even greater amount in FY 2013-14 than in FY 2012-13. After two years it appears that Corrections is either over-collecting indirect cost recoveries or under-budgeting the General Fund offset from indirect cost recoveries, by $250,000 to $293,000 per year. This excess recovery is equal to 62.9 percent of FY 2013-14 budgeted indirect cost recoveries.

The Department of Education also over-collected indirect cost recoveries by an even greater amount in FY 2013-14 than in FY 2012-13. After two years it appears that Education is either over-collecting indirect cost recoveries or under-budgeting the General Fund offset from indirect cost recoveries, by $806,000 to $931,000 per year. This excess recovery is equal to 36.6 percent of FY 2013-14 budgeted indirect cost recoveries.

The Department of Public Health and Environment generated a net excess recovery of $1.5 million in FY 2013-14, equal to 7.0 percent of budgeted indirect cost recoveries. This is the first year that Public Health has generated an excess recovery, and the percentage of excess recovery appears to be reasonable. Public Health also spent $630,000 from the recovery fund suggesting that it had to make fund source adjustments within the fiscal year from amounts that were budgeted. However, a 7.0 percent net excess recovery suggests that total budgeted indirect cost recoveries are fairly close to actual recoveries department-wide.

The Departments of Local Affairs, Natural Resources, Public Safety, and Regulatory Agencies all generated excess recoveries that were very close to those budgeted. Only Public Safety's FY 2013-14 excess recovery exceeded its FY 2012-13 excess recovery. The Departments of Local Affairs, Natural Resources, and Regulatory Agencies excess recoveries were equal to 0.2 percent, 0.02 percent, and 0.03 percent, respectively, of letter-noted recoveries in the budget. All other departments not accruing a balance in the fund are assumed to have under-recovered or recovered the exact budgeted amount. But the fund as a monitoring tool does not provide information on these departments.

FY 2015-16 Statewide Indirect Cost Plan

Staff recommends that the Committee approve the FY 2015-16 statewide indirect cost plan for figure setting as outlined in the following table.

FY 2015-16 Statewide Indirect Cost Plan

Department	Cash Funds	Reapprop. Funds	Federal Funds	Total
Agriculture	$159,268	$13,137	$11,059	$183,464
Corrections	59,827	38,290	7,315	105,432
Education	208,207	106,495	182,797	497,499
Governor	154,013	1,754	141,112	296,879
Governor - OIT	0	378,861	0	378,861
Health Care Policy and Financing	145,818	37,442	452,617	635,877
Higher Education	747,356	1,759,380	21,584	2,528,320
Human Services	404,039	65,916	371,013	840,968
Judicial	169,855	4,957	4,046	178,858
Labor and Employment	286,071	0	353,675	639,746
Law	47,886	77,447	27,174	152,507
Legislature - OSA	7,436	69,116	0	76,552
Local Affairs	82,085	120,243	113,540	315,868
Military and Veterans Affairs	3,299	(51)	86,895	90,143
Natural Resources	1,369,501	126,322	221,881	1,717,704
Personnel	176,121	2,508,600	0	2,684,721
Public Health and Environment	342,390	3,604	400,189	746,183
Public Safety	1,171,309	44,713	123,303	1,339,325
Regulatory Agencies	402,331	4,426	10,165	416,922
Revenue	624,894	(5)	5,572	630,461
State	155,666	0	642	156,308
Transportation	1,513,313	49,256	0	1,562,569
TOTAL	**$8,230,685**	**$5,409,903**	**$2,534,579**	**$16,175,167**

Appendix A: Number Pages

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation

DEPARTMENT OF PERSONNEL
Kathy Nesbitt, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

This division provides policy direction to and manages the fiscal and budgetary affairs of all divisions within the Department. It also reviews all statewide contracts and promotes statewide affirmative action and equal opportunity programs. The primary source of cash funds and reappropriated funds are indirect cost recoveries and user fees from other State agencies.

(A) Department Administration

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Personal Services	1,648,932	1,571,596	1,607,994	1,667,963	
FTE	20.2	16.4	17.8	17.8	
General Fund	0	0	0	0	
Cash Funds	0	0	15,648	15,648	
Reappropriated Funds	1,648,932	1,571,596	1,592,346	1,652,315	
Federal Funds	0	0	0	0	
Health, Life, and Dental	1,705,332	1,482,219	2,482,052	2,757,832	
General Fund	591,519	453,721	714,917	764,251	
Cash Funds	114,574	130,286	250,164	295,757	
Reappropriated Funds	999,239	898,212	1,516,971	1,697,824	
Short-term Disability	27,810	22,614	46,929	47,397	
General Fund	11,572	7,958	17,117	16,690	
Cash Funds	1,375	2,103	3,962	5,050	
Reappropriated Funds	14,863	12,553	25,850	25,657	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
S.B. 04-257 Amortization Equalization Disbursement	506,438	443,741	863,323	998,578	
General Fund	214,939	155,204	313,795	350,400	
Cash Funds	25,118	38,679	72,844	106,394	
Reappropriated Funds	266,381	249,858	476,684	541,784	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	435,292	399,876	809,365	964,535	
General Fund	184,804	139,082	294,183	338,454	
Cash Funds	21,567	35,135	68,291	102,767	
Reappropriated Funds	228,921	225,659	446,891	523,314	
Salary Survey	0	615,991	684,268	240,120	
General Fund	0	136,518	246,080	74,993	
Cash Funds	0	76,605	58,281	26,766	
Reappropriated Funds	0	402,868	379,907	138,361	
Merit Pay	0	299,879	199,727	224,307	
General Fund	0	86,049	63,712	73,405	
Cash Funds	0	22,253	19,468	27,728	
Reappropriated Funds	0	191,577	116,547	123,174	
Shift Differential	26,428	37,667	49,698	45,747	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	26,428	37,667	49,698	45,747	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Workers' Compensation	220,543	213,489	239,093	182,304	
General Fund	60,409	56,549	63,331	48,308	
Cash Funds	19,018	19,462	21,796	21,306	
Reappropriated Funds	141,116	137,478	153,966	112,690	
Operating Expenses	95,474	98,837	99,531	99,531	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	95,474	98,837	99,531	99,531	
Legal Services	142,813	232,630	253,763	242,229	
General Fund	118,684	163,614	181,450	176,513	
Cash Funds	9,464	11,157	15,845	10,694	
Reappropriated Funds	14,665	57,859	56,468	55,022	
Administrative Law Judge Services	4,697	6,236	14,126	11,432	
General Fund	0	0	0	0	
Cash Funds	4,697	6,124	12,633	10,364	
Reappropriated Funds	0	112	1,493	1,068	
Payment to Risk Management and Property Funds	682,310	566,716	607,909	534,629	
General Fund	186,894	150,110	158,082	141,672	
Cash Funds	58,837	51,661	63,356	62,482	
Reappropriated Funds	436,579	364,945	386,471	330,475	
Vehicle Lease Payments	77,846	78,004	69,206	97,847 *	
General Fund	0	0	0	0	
Cash Funds	2,190	2,094	2,128	2,128	
Reappropriated Funds	75,656	75,910	67,078	95,719	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Leased Space	1,243,943	663,761	316,949	316,949	
General Fund	454,180	255,375	0	0	
Cash Funds	86,062	44,071	0	0	
Reappropriated Funds	703,701	364,315	316,949	316,949	
Capitol Complex Leased Space	837,576	2,155,209	1,690,786	2,617,849	
General Fund	611,783	1,123,815	965,221	1,440,529	
Cash Funds	32,971	131,633	228,422	254,504	
Reappropriated Funds	192,822	899,761	497,143	922,816	
Payments to OIT	0	0	1,688,351	3,180,591	
General Fund	0	0	314,547	842,825	
Cash Funds	0	0	52,099	460,603	
Reappropriated Funds	0	0	1,321,705	1,877,163	
COFRS Modernization	288,061	288,061	288,061	288,061	
General Fund	128,128	128,128	74,907	74,907	
Cash Funds	16,396	16,396	30,022	30,022	
Reappropriated Funds	143,537	143,537	183,132	183,132	
Purchase of Services from Computer Center	127,402	1,689,638	0	0	
General Fund	72,997	438,816	0	0	
Cash Funds	5,369	55,478	0	0	
Reappropriated Funds	49,036	1,195,344	0	0	
Colorado State Network	420,164	268,501	0	0	
General Fund	115,084	71,120	0	0	
Cash Funds	36,230	24,478	0	0	
Reappropriated Funds	268,850	172,903	0	0	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Management and Administration of OIT	35,884	0	0	0	
General Fund	9,829	0	0	0	
Cash Funds	3,094	0	0	0	
Reappropriated Funds	22,961	0	0	0	
Information Technology Security	0	20,602	0	0	
General Fund	0	5,368	0	0	
Cash Funds	0	837	0	0	
Reappropriated Funds	0	14,397	0	0	
Communication Services Payments	1,517	1,284	0	0	
General Fund	758	640	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	759	644	0	0	
SUBTOTAL - (A) Department Administration	8,528,462	11,156,551	12,011,131	14,517,901	20.9%
FTE	20.2	16.4	17.8	17.8	0.0%
General Fund	2,761,580	3,372,067	3,407,342	4,342,947	27.5%
Cash Funds	436,962	668,452	914,959	1,432,213	56.5%
Reappropriated Funds	5,329,920	7,116,032	7,688,830	8,742,741	13.7%
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(B) Statewide Special Purpose					
(I) Colorado State Employees Assistance Program					
Personal Services	621,754	715,500	779,777	804,848	
FTE	8.9	9.2	11.0	11.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	621,754	715,500	779,777	804,848	
Operating Expenses	52,155	51,903	53,794	53,794	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	52,155	51,903	53,794	53,794	
Indirect Cost Assessment	130,199	110,018	78,310	172,259	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	130,199	110,018	78,310	172,259	
SUBTOTAL -	804,108	877,421	911,881	1,030,901	13.1%
FTE	8.9	9.2	11.0	11.0	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	804,108	877,421	911,881	1,030,901	13.1%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(II) Office of the State Architect					
Office of the State Architect	467,004	467,004	467,005	481,045	
FTE	5.0	4.9	5.0	5.0	
General Fund	467,004	467,004	467,005	481,045	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
SUBTOTAL -	467,004	467,004	467,005	481,045	3.0%
FTE	5.0	4.9	5.0	5.0	0.0%
General Fund	467,004	467,004	467,005	481,045	3.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	0	0	0	0.0%
(III) Colorado State Archives					
Personal Services	494,513	614,395	715,311	732,379	
FTE	7.2	8.5	12.0	12.0	
General Fund	373,474	431,878	532,794	523,620	
Cash Funds	110,302	128,101	153,446	179,688	
Reappropriated Funds	10,737	54,416	29,071	29,071	
Operating Expenses	81,759	120,647	128,436	93,836	
General Fund	76,516	120,647	128,436	93,836	
Cash Funds	0	0	0	0	
Reappropriated Funds	5,243	0	0	0	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
SUBTOTAL -	576,272	735,042	843,747	826,215	(2.1%)
FTE	7.2	8.5	12.0	12.0	0.0%
General Fund	449,990	552,525	661,230	617,456	(6.6%)
Cash Funds	110,302	128,101	153,446	179,688	17.1%
Reappropriated Funds	15,980	54,416	29,071	29,071	0.0%
(IV) Address Confidentiality Program					
Program Costs	128,822	0	0	0	
FTE	1.3	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	128,822	0	0	0	
Reappropriated Funds	0	0	0	0	
SUBTOTAL -	128,822	0	0	0	0.0%
FTE	1.3	0.0	0.0	0.0	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	128,822	0	0	0	0.0%
Reappropriated Funds	0	0	0	0	0.0%
(V) Other Statewide Special Purpose					
Test Facility Lease	119,842	119,842	119,842	119,842	
General Fund	119,842	0	0	119,842	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	119,842	119,842	0	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Employment Security Contract Payment	15,725	14,900	20,000	20,000	
General Fund	8,989	6,164	11,264	11,264	
Cash Funds	0	0	0	0	
Reappropriated Funds	6,736	8,736	8,736	8,736	
SUBTOTAL -	135,567	134,742	139,842	139,842	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	128,831	6,164	11,264	131,106	1063.9%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	6,736	128,578	128,578	8,736	(93.2%)
SUBTOTAL - (B) Statewide Special Purpose	2,111,773	2,214,209	2,362,475	2,478,003	4.9%
FTE	22.4	22.6	28.0	28.0	0.0%
General Fund	1,045,825	1,025,693	1,139,499	1,229,607	7.9%
Cash Funds	239,124	128,101	153,446	179,688	17.1%
Reappropriated Funds	826,824	1,060,415	1,069,530	1,068,708	(0.1%)
TOTAL - (1) Executive Director's Office	10,640,235	13,370,760	14,373,606	16,995,904	18.2%
FTE	42.6	39.0	45.8	45.8	0.0%
General Fund	3,807,405	4,397,760	4,546,841	5,572,554	22.6%
Cash Funds	676,086	796,553	1,068,405	1,611,901	50.9%
Reappropriated Funds	6,156,744	8,176,447	8,758,360	9,811,449	12.0%
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation

(2) DIVISION OF HUMAN RESOURCES

The Division of Human Resources administers the statewide classified personnel system and employee benefits programs. It also manages the Office of Risk Management, including the procurement of property, casualty, and workers' compensation insurance policies.

(A) Human Resource Services

(I) State Agency Services

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Personal Services	1,616,572	1,554,191	1,676,763	1,710,915	
FTE	14.7	15.6	19.2	19.2	
General Fund	0	0	0	242,861	
Cash Funds	0	0	0	0	
Reappropriated Funds	1,616,572	1,554,191	1,676,763	1,468,054	
Operating Expenses	88,412	86,643	88,496	88,496	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	88,412	86,643	88,496	88,496	
Total Compensation and Employee Engagement Surveys	0	211,970	425,000	215,000	
General Fund	0	211,970	425,000	215,000	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
SUBTOTAL -	1,704,984	1,852,804	2,190,259	2,014,411	(8.0%)
FTE	14.7	15.6	19.2	19.2	0.0%
General Fund	0	211,970	425,000	457,861	7.7%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	1,704,984	1,640,834	1,765,259	1,556,550	(11.8%)

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(II) Training Services					
Training Services	0	0	0	687,081 *	
FTE	0.0	0.0	0.0	4.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	40,305	
Reappropriated Funds	0	0	0	646,776	
Personal Services	395,880	526,233	600,246	0 *	
FTE	2.8	3.2	4.0	0.0	
General Fund	0	0	0	0	
Cash Funds	47,002	36,378	33,417	0	
Reappropriated Funds	348,878	489,855	566,829	0	
Operating Expenses	86,122	67,438	80,542	0 *	
General Fund	0	0	0	0	
Cash Funds	0	0	6,888	0	
Reappropriated Funds	86,122	67,438	73,654	0	
Indirect Cost Assessment	13,898	4,552	27,605	32,482	
General Fund	0	0	0	0	
Cash Funds	0	0	9,938	3,842	
Reappropriated Funds	13,898	4,552	17,667	28,640	
SUBTOTAL -	495,900	598,223	708,393	719,563	1.6%
FTE	2.8	3.2	4.0	4.0	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	47,002	36,378	50,243	44,147	(12.1%)
Reappropriated Funds	448,898	561,845	658,150	675,416	2.6%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
SUBTOTAL - (A) Human Resource Services	2,200,884	2,451,027	2,898,652	2,733,974	(5.7%)
FTE	17.5	18.8	23.2	23.2	0.0%
General Fund	0	211,970	425,000	457,861	7.7%
Cash Funds	47,002	36,378	50,243	44,147	(12.1%)
Reappropriated Funds	2,153,882	2,202,679	2,423,409	2,231,966	(7.9%)
(B) Employee Benefits Services					
Personal Services	712,954	778,013	805,260	827,054	
FTE	8.8	9.7	12.0	12.0	
General Fund	0	0	0	0	
Cash Funds	712,954	778,013	805,260	827,054	
Reappropriated Funds	0	0	0	0	
Operating Expenses	41,958	57,545	58,324	58,324	
General Fund	0	0	0	0	
Cash Funds	41,958	57,545	58,324	58,324	
Reappropriated Funds	0	0	0	0	
Utilization Review	0	5,530	40,000	40,000	
General Fund	0	0	0	0	
Cash Funds	0	5,530	40,000	40,000	
Reappropriated Funds	0	0	0	0	
H.B. 07-1335 Supplemental State Contribution Fund	1,292,424	1,329,421	1,225,821	1,225,821	
General Fund	0	0	0	0	
Cash Funds	1,292,424	1,329,421	1,225,821	1,225,821	
Reappropriated Funds	0	0	0	0	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Indirect Cost Assessment	119,427	60,236	247,138	172,277	
General Fund	0	0	0	0	
Cash Funds	119,427	60,236	247,138	172,277	
Reappropriated Funds	0	0	0	0	
SUBTOTAL - (B) Employee Benefits Services	2,166,763	2,230,745	2,376,543	2,323,476	(2.2%)
FTE	8.8	9.7	12.0	12.0	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	2,166,763	2,230,745	2,376,543	2,323,476	(2.2%)
Reappropriated Funds	0	0	0	0	0.0%
(C) Risk Management Services					
Personal Services	657,472	692,349	813,647	839,775	
FTE	8.9	9.8	11.5	11.5	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	657,472	692,349	813,647	839,775	
Federal Funds	0	0	0	0	
Operating Expenses	68,203	67,536	68,427	68,427	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	68,203	67,536	68,427	68,427	
Actuarial and Broker Services	0	272,000	272,000	272,073	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	272,000	272,000	272,073	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Risk Management Information System	0	140,950	137,448	137,448	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	140,950	137,448	137,448	
Additional Payments from Recommendation by the State Claims Board Pursuant to Section 24-10-11 (5) (b), C.R.S.	0	6,863,692	0	0	
General Fund	0	6,863,692	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Additional Payments to Claimants for Outstanding Claims Arising from the Lower North Fork Fire	0	18,190,292	0	0	
General Fund	0	18,190,292	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Indirect Cost Assessment	52,088	42,010	95,199	163,715	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	52,088	42,010	95,199	163,715	
Liability Claims	5,404,465	3,704,600	4,381,124	4,211,736	
General Fund	0	0	0	0	
Cash Funds	0	126,100	0	0	
Reappropriated Funds	5,404,465	3,578,500	4,381,124	4,211,736	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Liability Excess Policy	0	335,806	339,223	332,762	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	335,806	339,223	332,762	
Liability Legal Services	2,276,115	3,105,358	3,044,510	2,807,823	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	2,276,115	3,105,358	3,044,510	2,807,823	
Property Policies	7,668,912	4,558,660	4,608,922	4,907,385	
General Fund	0	0	0	0	
Cash Funds	0	177,103	0	0	
Reappropriated Funds	7,668,912	4,381,557	4,608,922	4,907,385	
Property Deductibles and Payouts	0	3,059,535	2,600,000	2,600,000	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	3,059,535	2,600,000	2,600,000	
Workers' Compensation Claims	40,447,902	31,999,861	38,600,694	37,125,664	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	40,447,902	31,999,861	38,600,694	37,125,664	
Workers' Compensation TPA Fees and Loss Control	0	2,001,560	2,450,000	2,450,000	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	2,001,560	2,450,000	2,450,000	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Workers' Compensation Excess Policy	0	783,500	951,893	785,003	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	783,500	951,893	785,003	
Workers' Compensation Legal Services	0	2,231,183	1,085,089	1,407,625	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	2,231,183	1,085,089	1,407,625	
SUBTOTAL - (C) Risk Management Services	56,575,157	78,048,892	59,448,176	58,109,436	(2.3%)
FTE	8.9	9.8	11.5	11.5	0.0%
General Fund	0	25,053,984	0	0	0.0%
Cash Funds	0	303,203	0	0	0.0%
Reappropriated Funds	56,575,157	52,691,705	59,448,176	58,109,436	(2.3%)
Federal Funds	0	0	0	0	0.0%
TOTAL - (2) Division of Human Resources	60,942,804	82,730,664	64,723,371	63,166,886	(2.4%)
FTE	35.2	38.3	46.7	46.7	0.0%
General Fund	0	25,265,954	425,000	457,861	7.7%
Cash Funds	2,213,765	2,570,326	2,426,786	2,367,623	(2.4%)
Reappropriated Funds	58,729,039	54,894,384	61,871,585	60,341,402	(2.5%)
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation

(3) CONSTITUTIONALLY INDEPENDENT ENTITIES

This division provides support for the State Personnel Board authorized in Article XII, Sections 13 through 15, of the Colorado Constitution. The Board has the authority to adopt by rule a uniform grievance procedure to be used by all principal departments and agencies for classified employees in the State personnel system.

(A) Personnel Board

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Personal Services	469,646	472,614	473,603	485,179	
FTE	4.6	4.7	4.8	4.8	
General Fund	469,521	472,424	472,425	484,001	
Cash Funds	125	190	1,178	1,178	
Federal Funds	0	0	0	0	
Operating Expenses	16,307	20,567	20,505	20,505	
General Fund	0	20,567	20,505	20,505	
Reappropriated Funds	16,307	0	0	0	
Legal Services	25,493	28,286	32,673	32,673	
General Fund	25,493	28,286	32,673	32,673	
TOTAL - (3) Constitutionally Independent Entities	511,446	521,467	526,781	538,357	2.2%
FTE	4.6	4.7	4.8	4.8	0.0%
General Fund	495,014	521,277	525,603	537,179	2.2%
Cash Funds	125	190	1,178	1,178	0.0%
Reappropriated Funds	16,307	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation

(4) CENTRAL SERVICES

This division provides statewide support services, such as mail services, travel management, printing, copying, document reproduction, and data entry. It also administers the statewide fleet program, which purchases and manages vehicles for state agencies. The Facilities Maintenance section manages the buildings and grounds of the Capitol Complex, the Grand Junction State Services Building, and Camp George West.

(A) Administration

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Personal Services	740,516	649,250	668,785	680,817	
FTE	9.4	7.5	8.0	8.0	
Cash Funds	141,976	0	0	0	
Reappropriated Funds	598,540	649,250	668,785	680,817	
Operating Expenses	47,594	32,057	58,445	58,445	
Cash Funds	6,761	0	0	0	
Reappropriated Funds	40,833	32,057	58,445	58,445	
Indirect Cost Assessment	110,094	51,840	57,138	68,172	
Cash Funds	13,623	0	0	0	
Reappropriated Funds	96,471	51,840	57,138	68,172	
Federal Funds	0	0	0	0	
SUBTOTAL - (A) Administration	898,204	733,147	784,368	807,434	2.9%
FTE	9.4	7.5	8.0	8.0	0.0%
Cash Funds	162,360	0	0	0	0.0%
Reappropriated Funds	735,844	733,147	784,368	807,434	2.9%
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(B) Integrated Document Solutions					
Personal Services	5,349,133	5,571,723	6,149,417	6,298,464	
FTE	95.7	92.5	99.1	99.1	
Cash Funds	472,012	1,554,730	141,615	141,615	
Reappropriated Funds	4,877,121	4,016,993	6,007,802	6,156,849	
Operating Expenses	11,351,711	11,729,457	5,530,125	5,530,125	
Cash Funds	819,930	84,588	240,313	240,313	
Reappropriated Funds	10,531,781	11,644,869	5,289,812	5,289,812	
IDS Postage	0	0	7,848,775	7,848,775	
Cash Funds	0	0	740,298	740,298	
Reappropriated Funds	0	0	7,108,477	7,108,477	
Utilities	63,373	67,263	69,000	69,000	
Cash Funds	0	0	0	0	
Reappropriated Funds	63,373	67,263	69,000	69,000	
Mail Equipment Purchase	223,753	223,753	223,754	223,754	
General Fund	46,129	46,129	46,130	46,130	
Cash Funds	46,129	0	0	0	
Reappropriated Funds	131,495	177,624	177,624	177,624	
Address Confidentiality Program	0	128,822	204,131	198,687 *	
FTE	0.0	1.7	3.4	3.4	
General Fund	0	0	60,308	50,902	
Cash Funds	0	128,822	143,823	147,785	
Reappropriated Funds	0	0	0	0	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Indirect Cost Assessment	920,565	384,732	699,536	322,284	
Cash Funds	0	0	0	0	
Reappropriated Funds	920,565	384,732	699,536	322,284	
Personal Services Contingency	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Operating Expenses Contingency Funds	0	645,381	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	645,381	0	0	
SUBTOTAL - (B) Integrated Document Solutions	17,908,535	18,751,131	20,724,738	20,491,089	(1.1%)
FTE	95.7	94.2	102.5	102.5	0.0%
General Fund	46,129	46,129	106,438	97,032	(8.8%)
Cash Funds	1,338,071	1,768,140	1,266,049	1,270,011	0.3%
Reappropriated Funds	16,524,335	16,936,862	19,352,251	19,124,046	(1.2%)
(C) Fleet Management Program and Motor Pool Services					
Personal Services	709,062	737,782	768,754	789,810	
FTE	13.0	13.0	14.0	14.0	
Reappropriated Funds	709,062	737,782	768,754	789,810	
Operating Expenses	23,124,509	279,790	214,271	214,271	
Reappropriated Funds	23,124,509	279,790	214,271	214,271	
Fuel and Automotive Supplies	0	23,293,782	25,514,293	25,514,293	
Reappropriated Funds	0	23,293,782	25,514,293	25,514,293	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Vehicle Replacement Lease/Purchase	14,125,831	15,597,561	19,031,173	19,077,861 *	
Reappropriated Funds	14,125,831	15,597,561	19,031,173	19,077,861	
Indirect Cost Assessment	681,276	364,528	609,903	293,264	
Reappropriated Funds	681,276	364,528	609,903	293,264	
Operating Expenses Contingency Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
SUBTOTAL - (C) Fleet Management Program and Motor Pool Services	38,640,678	40,273,443	46,138,394	45,889,499	(0.5%)
FTE	13.0	13.0	14.0	14.0	0.0%
Reappropriated Funds	38,640,678	40,273,443	46,138,394	45,889,499	(0.5%)
(D) Facilities Maintenance - Capitol Complex					
Personal Services	2,752,762	2,803,255	3,042,729	3,125,750	
FTE	53.8	51.5	55.2	55.2	
Reappropriated Funds	2,752,762	2,803,255	3,042,729	3,125,750	
Operating Expenses	1,883,926	2,662,433	2,709,468	2,709,468	
Reappropriated Funds	1,883,926	2,662,433	2,709,468	2,709,468	
Capitol Complex Repairs	56,520	56,520	56,520	56,520	
Reappropriated Funds	56,520	56,520	56,520	56,520	
Capitol Complex Security	375,064	385,384	405,243	405,243	
Reappropriated Funds	375,064	385,384	405,243	405,243	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Utilities	4,839,505	4,827,681	4,836,133	4,854,388	
Cash Funds	115,900	163,639	290,276	313,139	
Reappropriated Funds	4,723,605	4,664,042	4,545,857	4,541,249	
Indirect Cost Assessment	455,882	2,048,330	1,399,867	1,009,358	
Reappropriated Funds	455,882	2,048,330	1,399,867	1,009,358	
Capitol Complex Custodial	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Capitol Complex Controlled Maintenance	0	0	0	0	
Reappropriated Funds	0	0	0	0	
SUBTOTAL - (D) Facilities Maintenance - Capitol Complex	10,363,659	12,783,603	12,449,960	12,160,727	(2.3%)
FTE	53.8	51.5	55.2	55.2	0.0%
Cash Funds	115,900	163,639	290,276	313,139	7.9%
Reappropriated Funds	10,247,759	12,619,964	12,159,684	11,847,588	(2.6%)
TOTAL - (4) Central Services	67,811,076	72,541,324	80,097,460	79,348,749	(0.9%)
FTE	171.9	166.2	179.7	179.7	0.0%
General Fund	46,129	46,129	106,438	97,032	(8.8%)
Cash Funds	1,616,331	1,931,779	1,556,325	1,583,150	1.7%
Reappropriated Funds	66,148,616	70,563,416	78,434,697	77,668,567	(1.0%)
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation

(5) DIVISION OF ACCOUNTS AND CONTROL - CONTROLLER

The State Controller's office manages the financial affairs for all State departments. These responsibilities include: (1) statewide financial reporting; (2) providing policy and procedural guidance; (3) managing State contracts; and (4) developing the statewide indirect cost allocation plan. The Division receives cash funds from the Supplier Database Cash Fund (Section 24-102-202.5, C.R.S.) and rebates associated with the Procurement Card Program.

(A) Office of the State Controller

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Personal Services	2,518,581	2,624,807	2,785,187	2,823,021	
FTE	29.2	27.8	34.0	33.5	
General Fund	2,143,660	746,798	974,131	1,670,404	
Cash Funds	374,921	889,092	1,152,617	1,152,617	
Reappropriated Funds	0	988,917	658,439	0	
Federal Funds	0	0	0	0	
Operating Expenses	104,981	139,948	237,115	136,462	
General Fund	0	33,950	131,117	30,464	
Cash Funds	86,783	105,998	105,998	105,998	
Reappropriated Funds	18,198	0	0	0	
Recovery Audit Program Disbursements	14,267	0	1,000	1,000	
General Fund	0	0	0	0	
Cash Funds	14,267	0	1,000	1,000	

SUBTOTAL - (A) Office of the State Controller	2,637,829	2,764,755	3,023,302	2,960,483	(2.1%)
FTE	29.2	27.8	34.0	33.5	(1.5%)
General Fund	2,143,660	780,748	1,105,248	1,700,868	53.9%
Cash Funds	475,971	995,090	1,259,615	1,259,615	0.0%
Reappropriated Funds	18,198	988,917	658,439	0	(100.0%)
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(B) State Purchasing Office					
Personal Services	805,769	805,769	837,285	858,077	
FTE	8.0	8.5	9.5	9.5	
General Fund	0	0	0	20,792	
Cash Funds	805,769	805,769	837,285	837,285	
Operating Expenses	26,796	24,220	27,000	27,000	
Cash Funds	26,796	24,220	27,000	27,000	
Statewide Travel Management Program	0	100,857	136,912	141,289	
FTE	0.0	1.8	2.0	2.0	
General Fund	0	0	0	4,377	
Cash Funds	0	100,857	136,912	136,912	
DIPS Procurement	0	13,803	1,255,976	1,337,976	
Cash Funds	0	13,803	1,255,976	1,337,976	
SUBTOTAL - (B) State Purchasing Office	832,565	944,649	2,257,173	2,364,342	4.7%
FTE	8.0	10.3	11.5	11.5	0.0%
General Fund	0	0	0	25,169	0.0%
Cash Funds	832,565	944,649	2,257,173	2,339,173	3.6%
(C) Supplier Database and e-Procurement					
Personal Services	767,274	428,426	439,139	453,373	
FTE	4.5	6.4	7.0	7.0	
Cash Funds	767,274	428,426	439,139	453,373	

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Operating Expenses	909,432	2,489,192	1,328,360	1,328,360	
General Fund	0	816	0	0	
Cash Funds	909,432	2,488,376	1,328,360	1,328,360	
SUBTOTAL - (C) Supplier Database and e-Procurement	1,676,706	2,917,618	1,767,499	1,781,733	0.8%
FTE	4.5	6.4	7.0	7.0	0.0%
General Fund	0	816	0	0	0.0%
Cash Funds	1,676,706	2,916,802	1,767,499	1,781,733	0.8%
(D) Collections Services					
Personal Services	924,528	924,595	1,102,269	983,060	
FTE	17.7	16.8	23.6	20.0	
General Fund	0	0	0	0	
Cash Funds	924,528	924,595	1,102,269	983,060	
Operating Expenses	637,482	334,071	570,277	545,801	
Cash Funds	637,482	334,071	570,277	545,801	
Private Collection Agency Fees	892,542	864,623	800,000	878,584 *	
Cash Funds	892,542	864,623	800,000	878,584	
Indirect Cost Assessment	288,718	250,433	307,044	312,526	
Cash Funds	288,718	250,433	307,044	312,526	
SUBTOTAL - (D) Collections Services	2,743,270	2,373,722	2,779,590	2,719,971	(2.1%)
FTE	17.7	16.8	23.6	20.0	(15.3%)
General Fund	0	0	0	0	0.0%
Cash Funds	2,743,270	2,373,722	2,779,590	2,719,971	(2.1%)

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
TOTAL - (5) Division of Accounts and Control - Controller	7,890,370	9,000,744	9,827,564	9,826,529	(0.0%)
FTE	59.4	61.3	76.1	72.0	(5.4%)
General Fund	2,143,660	781,564	1,105,248	1,726,037	56.2%
Cash Funds	5,728,512	7,230,263	8,063,877	8,100,492	0.5%
Reappropriated Funds	18,198	988,917	658,439	0	(100.0%)
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation

(6) ADMINISTRATIVE COURTS

This division provides an independent adminstrative law adjudication system for state agencies in order to resolve cases that deal with workers' compensation, human services, and regulatory law. The Division offers a full range of alternative dispute resolution options, including evidentiary hearings, settlement conferences, and mediation.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Personal Services	3,171,255	3,241,253	3,427,211	3,524,275	
FTE	36.4	36.9	40.5	40.5	
General Fund	0	0	52,393	52,393	
Cash Funds	0	56,694	105,916	105,916	
Reappropriated Funds	3,171,255	3,184,559	3,268,902	3,365,966	
Federal Funds	0	0	0	0	
Operating Expenses	507,020	142,788	148,913	148,913	
General Fund	0	0	5,653	5,653	
Cash Funds	0	0	0	0	
Reappropriated Funds	507,020	142,788	143,260	143,260	
Indirect Cost Assessment	15,853	171,000	230,033	138,384	
General Fund	0	0	0	0	
Cash Funds	0	0	8,587	0	
Reappropriated Funds	15,853	171,000	221,446	138,384	
TOTAL - (6) Administrative Courts	3,694,128	3,555,041	3,806,157	3,811,572	0.1%
FTE	36.4	36.9	40.5	40.5	0.0%
General Fund	0	0	58,046	58,046	0.0%
Cash Funds	0	56,694	114,503	105,916	(7.5%)
Reappropriated Funds	3,694,128	3,498,347	3,633,608	3,647,610	0.4%
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
TOTAL - Department of Personnel	151,490,059	181,720,000	173,354,939	173,687,997	0.2%
FTE	350.1	346.4	393.6	389.5	(1.0%)
General Fund	6,492,208	31,012,684	6,767,176	8,448,709	24.8%
Cash Funds	10,234,819	12,585,805	13,231,074	13,770,260	4.1%
Reappropriated Funds	134,763,032	138,121,511	153,356,689	151,469,028	(1.2%)
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

Appendix B: Recent Legislation Affecting Department Budget

2013 Session Bills

S.B. 13-076 (Use of Archived Material for Legislative Branch): Exempts a member of the General Assembly and staff from legislative service agencies from fees charged by the State Archives associated with requests for legislative material related to official legislative duties.

S.B. 13-200 (Expand Medicaid Eligibility): Expands Medicaid eligibility for adults to 133 percent of the federal poverty level (FPL). Appropriates $12,122 in reappropriated funds from the Department of Health Care Policy and Financing to the Department for the provision of administrative law judge services.

S.B. 13-230 (Long Bill): General appropriations act for FY 2013-14.

S.B. 13-263 (Capitol Complex Master Plan): Requires the Department of Personnel to enter into competitive negotiations for the development of a comprehensive master plan for the Capitol Complex, with final approval from the Office of State Planning and Budgeting and the Capital Development Committee. Requires that all real estate-related capital requests by executive branch departments or the legislative branch for the Capitol Complex be evaluated by the Office of State Planning and Budgeting and the Capital Development Committee against the Capitol Complex Master Plan.

S.B. 13-271 (Funding the Address Confidentiality Program): Repeals the prohibition on using General Fund for the Address Confidentiality Program in the Department for the protection of victims of domestic violence, sexual offenses, or stalking.

S.B. 13-276 (Disability Investigational and Pilot Support Fund): Relocates the Coordinated Care for People with Disabilities Fund and renames it the Disability Investigational and Pilot Support Fund (Fund). Requires the Fund to be used for grants and loans to projects or programs that study or pilot new and innovative ideas, which will lead to an improved quality of life or increased independence for people with disabilities. Outlines the requirements and membership of the disability-benefit support contract committee. Appropriates $1,173,976 cash funds from the Disability Investigational and Pilot Support Fund to the Department for FY 2013-14.

S.B. 13-285 (Workers' Compensation): Requires a claimant to be reimbursed by the employer or workers' compensation carrier for medical treatment provided if the employer, after notice of the injury, fails to provide medical treatment. Appropriates $100,000 cash funds from the State Employee Workers' Compensation Account in the Risk Management Fund to the Department in FY 2013-14 for claims related to the implementation of the act.

S.B. 13-288 (Additional Payments Under CGIA): Modifies provisions regarding tort claims against the State brought under the "Colorado Governmental Immunity Act" (CGIA) as follow:

- Clarifies the existing method for exceeding the CGIA limit based on the State Claims Board (Board) recommendation and authorization by the General Assembly through a bill.

- In connection with a recommendation made by the Board to make a payment to one or more claimants resulting from a claim of an injury arising out of the March 2012 Lower North Fork Wildfire that is received by the General Assembly while adjourned sine die, certified by the Department of Law that the Board process has been satisfied, authorizes the Office of the State Controller to pay one or more additional payments to such claimants from moneys previously appropriated by bill until such specifically appropriated moneys are exhausted or replenished.

- In connection with any claim arising out of an injury that does not arise out of the Lower North Fork wildfire, where the Board has made a recommendation to the General Assembly for an additional payment while the General Assembly has adjourned sine die, the payment is authorized where all of the members of the Joint Budget Committee have voted to authorize the additional payment; except that the act prohibits payment from being made until the General Assembly has ratified by bill the authorization to make the payment.

H.B. 13-1184 (Supplier Database Cash Fund): Consolidates the Electronic Procurement Program Account in the Supplier Database Cash Fund with the Supplier Database Cash Fund and provides interest and unexpended moneys remain in the fund.

H.B. 13-1286 (Suspend State Recovery Audits): Suspends recovery audits for three years in order to allow the Colorado Financial Reporting System (COFRS) modernization project to be completed and all relevant data to be entered into the modernized COFRS system before the next series of recovery audits is conducted. Decreases the appropriation for the Office of the State Controller by $58,777 General Fund and 0.8 FTE in FY 2013-14.

H.B. 13-1292 (Keep Jobs in Colorado Act): Requires the Department of Labor and Employment to enforce and impose fines on contractors that violate the 80 percent labor law by hiring less than 80 percent of Colorado residents for construction projects financed in whole or part by state funds. Directs the Department of Personnel to administer a resident bidder preference, and allows competitive sealed best value bidding for construction projects. Appropriates $36,588 General Fund in FY 2013-14 to the Department for computer programming costs and legal services.

H.B. 13-1298 (Employment Policies for Nonclassified Employees): Modifies employment policies related to personnel in the Senior Executive Service and specified departmental positions who are not in the state personnel system as follows:

- Salaries are based on policies established by the State Personnel Director;

- If an employee in the Senior Executive Service is dismissed for failure to perform, he or she is not permitted to appeal directly to the State Personnel Board;
- Senior Executive Service employees have no right to any position within the State; and
- Departmental employees are not entitled to anniversary-based merit increases.

2014 Session Bills

S.B. 14-002 (Safe2Tell Program in Department of Law): Repeals the existing Safe2Tell Program and recreates it in the Department of Law. Appropriates $2,618 reappropriated funds to the Department for vehicle replacement lease/purchase costs for FY 2014-15.

S.B. 14-014 (Property Tax Rent Heat Fuel Grants for Low-income): Modifies the Property Tax, Rent, and Heat Rebate Program administered by the Colorado Department of Revenue. Appropriates $31,400 reappropriated funds to the Department for allocation to Integrated Document Solutions for the provision of postage, data entry, imaging, and printing for FY 2014-15.

S.B. 14-108 (Capital Outlay Reserve for Department of Personnel Revolving Fund): Sets an alternate target reserve for the Department of Personnel Revolving Fund in the Department, established as 16.5 percent of the amount expended in a given fiscal year, plus any balance identified in the *capital outlay reserve* funded by accumulated depreciation. Specifies that any uncommitted capital outlay reserves available at the end of a fiscal year may be appropriated for capital outlay through the annual budget process.

S.B. 14-120 (Workers' Compensation Account Continuous Appropriation): Provides continuous spending authority for the benefits portion of the workers' compensation program; all direct and indirect administrative costs for the program remain subject to annual appropriation. Administrative costs include operational expenses for the risk management system, legal services, litigation expenses, and third-party administrator expenses.

S.B. 14-214 (PERA Actuarial Studies): Requires a study of PERA within the total compensation survey and requires an actuarial study of PERA to be contracted by the State Auditor. Appropriates $125,000 General Fund to the Department and $375,000 General Fund to the Legislative Department for allocation to the Office of the State Auditor for FY 2014-15.

S.B. 14-223 (Lower North Fork Fire Claims Payments): Directs the State Claims Board to compromise or settle claims brought by certain claimants who have suffered damages or other losses in connection with the Lower North Fork Fire in March 2012 to reimburse them for their economic and noneconomic losses as well as interest on such amounts. Appropriates $7,101,298 General Fund to the Department for FY 2013-14 for allocation to Risk Management for payment of claims and makes reductions to partially offset the appropriation as follows:

- Reduces the appropriation to the Department of Human Services for Behavioral Health Services by $4,281,893 General Fund for FY 2013-14.

- Reduces the appropriation to the Governor's Office for general economic incentives and marketing by $1,000,000 General Fund and increases the cash funds appropriation by $1,000,000 conditioned upon the transfer of General Fund surplus to the Colorado Economic Development Fund for FY 2014-15.
- Reduces the appropriation to the Controlled Maintenance Trust Fund by $589,099 General Fund for FY 2014-15.

H.B. 14-1170 (CBI Pueblo Lab Lease-purchase): Authorizes the State Treasurer to enter into lease-purchase agreements on behalf of the Colorado Bureau of Investigation within the Department of Public Safety for a period of up to 20 years to purchase and renovate a new building to house the CBI Pueblo forensic laboratory and regional office. Appropriates $4,500 reappropriated funds to the Department of Personnel for allocation to Risk Management for property insurance for FY 2014-15.

H.B. 14-1194 (Re-create Legislative Digital Policy Advisory Committee): Recreates the Legislative Digital Policy Advisory Committee (LDPAC) and adds the Revisor of Statutes, the Secretary of State, and the President of the State Historical Society. The LDPAC is required to:

- monitor the digitization of archived recordings;
- make recommendations for implementation of the "Uniform Electronic Legal Material Act" for legislative electronic records; and
- make recommendations for an optimal method of records creation, storage, and access for other state electronic records.

The LDPAC is required to report its findings and recommendations to the Committee on Legal Services and Joint Budget Committee on or before October 1, 2014, and October 1, 2015. The LDPAC is repealed on July 1, 2016.

H.B. 14-1243 (Supplemental Bill): Supplemental appropriations bill for the Department of Personnel for FY 2013-14. Includes supplemental appropriations to the Department of Personnel for FY 2012-13.

H.B. 14-1336 (Long Bill): General appropriations act for FY 2014-15. Includes supplemental appropriations to the Department of Personnel for FY 2013-14.

Appendix C:
Update on Long Bill Footnotes & Requests for Information

Long Bill Footnotes

There were no Long Bill footnotes that required follow-up by the Department.

Requests for Information

Department of Personnel, Division of Human Resources, State Agency Services – The Department is requested to provide a report to the Joint Budget Committee by November 1, 2014, providing workload statistics and task descriptions outlining the additional workload performed by the State Agency Services office with the additional staff resources gained by contracting the total compensation study as described in the Department's FY 2014-15 R1 Total Compensation Vendor request.

Department Response – The Department's response follows on the next page.

COLORADO
Division of Human Resources
Department of Personnel
& Administration
1525 Sherman St.
Denver, CO 80203

Representative Crisanta Duran, Chair
Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, CO 80203

Henry Sobanet, Director
Governor's Office of State Planning and Budgeting
200 East Colfax, Room 111
Denver, Colorado 80203

November 3, 2014

Dear Representative Duran and Mr. Sobanet:

The following text provides the response to the Department of Personnel & Administration's RFI #1, which reads as follows:

> *Department of Personnel, Division of Human Resources, State Agency Sevices—The Department is requested to provide a report to the Joint Budget Committee by November 1, 2014, providing workload statistics and task descriptions outlining the additional workload performed by the State Agency Services office with the additional staff resources gained by contracting the total compensation study as described in the Department's FY 2014-15 R1 Total Compenasation Vendor request.*

Response
The response to the request for information is presented in two sections. The first section is a summary of tasks that are currently, or will be, performed by the compensation unit in the Division of Human Resource due to contracting the total compensation study as described in the Department's FY 2014-15 R1 Total Compensation Vendor request.

The second section is a summary of the hours required to perform the tasks as outlined in section one.

SECTION 1

Tasks and Descriptions
Below is a summary of the additional tasks that will be reallocated to existing operating compensation positions as a result of contracting the total compensation study. The IT and the General Professional Deconsolidation Analysis sections describe recommendations from the FY 2013-14 annual compensation audit conducted by the state auditor.

Job Evaluation System
Develop a new job evaluation system that is reflective of current best practices. The job evaluation system is the over-arching framework upon which the State bases its determination of which job classification is necessary to perform the particular responsibilities of a position. The system is intended to maintain equality in pay and level across a multitude of different types of job classifications that are not necessarily related with respect to scope of work, but require similar skill levels, experience, or education background. Regular ongoing maintenance of the job evaluation system and the resulting job classifications is important to ensure that the classification plan recognizes the changes that occur to jobs as skills change, technology and job tools make advancements, and organization needs change. This ensures that the State of Colorado is competitive with the market and able to attract and retain the best talent. The Department of Personnel & Administration's Division of Human Resources conducted a system maintenance study of the General Professional class series. The original recommendation from the study was to deconstruct the General Professional class series in-order to create specific classifications for the various types of work performed by the General Professional

series. The deconsolidation would ensure a more precise comparison and pay alignment with the market. In keeping with the goal to develop a new job evaluation system, a new job evaluation framework will be piloted with the General Professional deconsolidation. The new framework, coupled with the deconsolidation, will identify new class series, new single level 2-3 page classification specification, new level identification to define individual contributors, and a compensation framework that will provide the ability to establish pay based on market. The deconsolidation of the General Professional class series will occur in two phases. The first phase will concentrate solely on the deconstruction of the class series and the second phase will establish a new evaluation framework specific to the General Professional class series.

Employee Incentive Program
Develop a short-term, non-base building incentive structure that is tied to an individual's achievements or goals. The system will recognize and reward performance, support the retention of the best employees, enhance engagement in day-to-day and strategic goals, and attract more talent to the State.

Human Resources Infrastructure
Research, develop, and implement strategies to create a more efficient HR infrastructure. These strategies will generate operational efficiencies and potentially savings, improve quality of service, increase the success of institutions and organizations, and increase flexibility in providing HR services. These changes could include a reconfiguration of the State's human resources processes including the nature of the delegation to State agencies for their individual HR functions. To ensure that an HR structure supports human resources needs statewide, the structure must be flexible and able to change based on statewide needs. A continuous review of the structure and services will ensure an HR infrastructure that is a true state-of-the-art business partner.

General Professional and IT Deconsolidation Analysis
An analysis of the General Professional classification and the IT classification, as recommended in the FY 2013-14 annual compensation audit, will establish the basis to implement a deconsolidation of the classifications to accurately describe the work performed, and provide internal alignment of related professional and technical positions. This will allow DHR the ability to better align pay with the market, which ensures that the State has a competitive compensation plan that will attract and retain the best talent.

SECTION 2

Workload Statistics
The table below reflects the calculated number of hours required to complete the recommended tasks that will be reallocated to operating compensation positions as a result of contracting with a vendor to complete the annual compensation study. The workload for each additional task will be divided between three full-time employee positions.

Task	FTE	Workload Hours
Job Evaluation System	2 @ .22 1@.21	1,352
Employee Incentive Program	2@.05	208
HR Structure Changes	2@ .075	312
General Professional and IT Deconsolidation Analysis	2@.05	208
Total Hours required for additional tasks	1	2,080

Please let me know if you have any questions or need additional information.

Sincerely,

Kathy Nesbitt
Executive Director
Department of Personnel & Administration

Cc:
Representative Jenise May, Joint Budget Committee
Representative Bob Rankin, Joint Budget Committee
Senator Pat Steadman, Vice-Chair, Joint Budget Committee
Senator Mary Hodge, Joint Budget Committee
Senator Kent Lambert, Joint Budget Committee
John Ziegler, Joint Budget Committee, Staff Director
Alfredo Kemm, Joint Budget Committee, Staff
Erick Scheminske, Office of State Planning and Budgeting, Deputy Director
Cassie Rutter, Office of State Planning and Budgeting, Staff

Appendix D: Indirect Cost Assessment Methodology

Explanation of Indirect Cost Assessment Methodology

The Department is a central services agency and therefore its departmental indirect costs are included within the Statewide Indirect Cost Plan. The Statewide Indirect Cost Plan sets indirect cost assessments by division for the Department.

Appendix E: SMART Act Annual Performance Report

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Department of Personnel is required to publish an Annual Performance Report by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. The report dated October 30, 2014, is attached for consideration by the Joint Budget Committee in prioritizing the Department's budget requests

Department of Personnel & Administration
Annual Performance Report

Strategic Policy Initiatives

The Department of Personnel & Administration has identified several strategic policy initiatives for FY 2014-15 and beyond. For this evaluation report, the Department selected a few initiatives that best capture some of the Department's strategic and operational priorities and reflect the overall direction as identified by Department leadership. The initiatives also provide context for much of the day-to-day work, which is highlighted in the measures section of the report. Additional detail for these, and other, strategic policy initiatives is available in the Department's Performance Plan, which may be accessed here.

Improve Customer Service

DPA performs core functions that provide the infrastructure, processes, services, guidance and tools necessary to help eliminate redundancy in State government and help keep costs down. Due to the nature of the Department's business, service to customers is the Department's driving force. The DPA customer base is three-fold; DPA serves government entities, State employees and the public. The Department serves State departments, the General Assembly, Institutions of Higher Education and local government entities. The Department seeks to be the State's leader in service excellence by offering quality services that enhance the success of Colorado State government. The Department aims to improve service to its customers in each and every interaction, to be focused on solutions and to "do the right thing." The Department works to engage its customers and exceed their expectations at every step.

Modernize Systems

DPA provides centralized human resources, information, tools, resources and materials needed for the State of Colorado government to function. The Department provides much of the infrastructure by which many agencies in State government operate. The programs and services provided by the Department are vitally important to the efficient and effective operation of State government; and it is therefore paramount that the systems the Department uses are up to date with customers' expectations of modern technology and enable customers to do their work efficiently and effectively. The Department's success depends upon offering quality and value to customers and stakeholders by providing economically-efficient and sound services while adhering to the highest standards of personal and professional integrity.

Reinvest in the Workforce

State employees are an essential component of DPA's internal customer base and are the State's most valuable resource. The Department serves tens of thousands of public employees and is committed to ensuring human resources processes provide for the best recruitment, selection, job evaluation, compensation and retention methods available. One of the Department's most important goals is to develop an environment in which employees can be productive, creative and function at their highest level. To that end, the Department is focused on reinvesting in the workforce.

Department of Personnel & Administration
Annual Performance Report

Operational Measures

Major Program Area – C-SEAP
Process – Provide statewide counseling services

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Percentage of employees satisfied with C-SEAP services	86.5%	88.75%	86.0%	89.0%	90.0%

Major Program Area – Office of the State Architect
Process – Upgrade the condition of State-owned buildings

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Percentage change in number of inventory from last year	-2.0%	0%	-7.0%	1.0%	2.0%
Percentage change in age of inventory from last year	-7.0%	-1.0%	-5.0%	-1.0%	-4.0%

These measures fall under DPA’s Improve Customer Service one-year goal to finalize the Capitol Complex Master Plan. They will help track and upgrade the condition of State-owned buildings.

Major Program Area – State Archives
Process – Preserve, increase and digitize collection holdings

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Number of permanent electronic/digital records	N/A	49.2 GB	1.0 TB	1.1 TB	3.0 TB

Process – Review and prioritize records management programs

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Number of entities that completed records management training	N/A	N/A	135	145	175

These measures fall under DPA’s Modernize Systems one- and three-year goals to digitize State Archives’ collection holdings.

Department of Personnel & Administration
Annual Performance Report

Major Program Area – Address Confidentiality Program
Process – Facilitate confidential mail forwarding

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Average cost per piece of mail processed	$0.90	$0.82	$0.96	$0.92	$1.02

Major Program Area – State Fleet
Process – Provide fleet vehicles to State agencies

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Number of CNG vehicles in the state fleet	3	84	237	387	537

Major Program Area – Capitol Complex
Process – Manage requests for repairs or maintenance

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Number of requests for repairs or maintenance completed within one day	5,292	5,021	5,258	5,386	5,610

Major Program Area – State Purchasing
Process – Facilitate State purchasing processes

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Number of BIDS/VSS new vendor registrations	N/A	N/A	2,534	9,000	150
Number of NASPO/WSCA rebates received	N/A	N/A	1,948,112	2,200,000	2,500,000
Number of active statewide price agreements available	N/A	N/A	170	200	225
Number of strategic sourcing events hosted	2	8	15	17	20
Number of registered HUBs in BIDS/VSS	N/A	N/A	3,798	3,948	4,098

Note: The Department anticipates a spike in the number of new registrations due to the transition to a new vendor registration platform called Colorado VSS. All vendors will be required to register as “new” under this new system.

Major Program Area – Administrative Law Judge Services

Process – Adjudicate workers compensation proceedings and other government cases on behalf of various Colorado state, county, and administrative agencies, as well as local school boards

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Number of cases electronically filed	N/A	N/A	54	1,200	3,000
Hours required to process a workers' comp case	N/A	N/A	17	8	7

OFFICE OF STATE PLANNING AND BUDGETING

FY 2015 - 2016 STATEWIDE APPROPRIATIONS/CASH FEES PLAN

DEPARTMENT	GF	GFX	CF	RE	FF	TOTAL
DEPARTMENT OF PERSONNEL & ADMINISTRATION						
DPA - AEA - ADMINISTRATION	$0	$0	$0	$68,172	$0	$68,172
DPA - AEA - REPROGRAPHICS	0	0	0	322,284	0	322,284
DPA - AEA - FLEET MANAGEMENT	0	0	0	293,264	0	293,264
DPA - AEA - CAPITOL BUILDINGS	0	0	0	1,009,358	0	1,009,358
DPA - CENTRAL COLLECTIONS	0	0	0	312,526	0	312,526
DPA - ADMINISTRATIVE HEARINGS	0	0	0	138,384	0	138,384
DPA - EMPLOYEE BENEFITS	0	0	172,279	(2)	0	172,277
DPA - RISK MANAGEMENT	0	0	0	163,715	0	163,715
DPA - CSEAP	0	0	0	172,259	0	172,259
DPA - TRAINING	0	0	3,842	28,640	0	32,482
GOVERNOR'S OFFICE OF INFORMATION TECHNOLOGY						
GOIT - ADMINISTRATION	0	0	0	81,455	0	81,455
GOIT - COMPUTING SERVICES	0	0	0	276,349	0	276,349
GOIT - COMMUNICATION - NETWORK	0	0	0	28,410	0	28,410
GOIT - COMMUNICATION SERVICES	0	0	0	(7,353)	0	(7,353)
AGRICULTURE	44,901	1,302	159,268	13,137	11,059	229,667
CORRECTIONS	2,965,989	4,647	59,827	38,290	7,315	3,076,068
EDUCATION	657,158	1,049	208,207	106,495	182,797	1,155,706
GOVERNOR	37,636	1,266	154,013	1,754	141,112	335,781
HEALTH & ENVIRONMENT	88,454	504	342,390	3,604	400,189	835,141
HIGHER EDUCATION	0	0	747,356	1,759,380	21,584	2,528,320
TRANSPORTATION	0	0	1,513,313	49,256	0	1,562,569
HUMAN SERVICES	931,735	20,411	404,039	65,916	371,013	1,793,114
JUDICIAL	892,182	3,838	169,855	4,957	4,046	1,074,878
LABOR & EMPLOYMENT	0	0	286,071	0	353,675	639,746
LAW	35,173	369	47,886	77,447	27,174	188,049
AUDITOR'S OFFICE	0	0	7,436	69,116	0	76,552
LOCAL AFFAIRS	95,326	0	82,085	120,243	113,540	411,194
MILITARY AFFAIRS	56,118	229	3,299	(51)	86,895	146,490
NATURAL RESOURCES	321,223	199	1,369,501	126,322	221,881	2,039,126
PUBLIC SAFETY	248,567	1,096	1,171,309	44,713	123,303	1,588,988
REGULATORY AGENCIES	14,687	0	402,331	4,426	10,165	431,609
REVENUE	400,214	715	624,894	(5)	5,572	1,031,390
DEPT OF HEALTH CARE & FINANCING	651,849	3,249	145,818	37,442	452,617	1,290,975
SECRETARY OF STATE	0	0	155,666	0	642	156,308
TOTAL ASSESSED ALLOCATED COSTS	**$7,441,212**	**$38,874**	**$8,230,685**	**$5,409,904**	**$2,534,579**	**$23,655,254**
NON-ASSESSED ALLOCATED COSTS:						
LEGISLATURE	1,099,996	690	0	0	0	1,100,686
NON-STATE AGENCIES	(981,728)	0	0	0	0	(981,728)
TREASURY - ELDERLY TAX	43,076	0	0	0	0	43,076
TREASURY - UNCLAIMED PROPERTY	2,882,284	0	0	0	0	2,882,284
TREASURY - INVESTMENTS IN TRUST	196,259	0	0	0	0	196,259
TREASURY - LOCAL GOVERNMENT	272,649	0	0	0	0	272,649
PERSONNEL-ARCHIVES PUBLIC SERVICE	158,140	0	0	0	0	158,140
CAPITOL COMPLEX - VACANT SPACE	273,799	0	0	0	0	273,799
CORE - CAPITALIZED	339,076	0	0	0	0	339,076
	$11,724,763	**$39,564**	**$8,230,685**	**$5,409,904**	**$2,534,579**	**$27,939,495**

OFFICE OF STATE PLANNING AND BUDGETING

FY 2015 - 2016 STATEWIDE APPROPRIATIONS/CASH FEES PLAN

DEPARTMENT	CF	RE	FF	TOTAL
DEPARTMENT OF PERSONNEL & ADMINISTRATION				
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DPA - AEA - REPROGRAPHICS	0	322,284	0	322,284
DPA - AEA - FLEET MANAGEMENT	0	293,264	0	293,264
DPA - AEA - CAPITOL BUILDINGS	0	1,009,358	0	1,009,358
DPA - CENTRAL COLLECTIONS	0	312,526	0	312,526
DPA - ADMINISTRATIVE HEARINGS	0	138,384	0	138,384
DPA - EMPLOYEE BENEFITS	172,279	(2)	0	172,277
DPA - RISK MANAGEMENT	0	163,715	0	163,715
DPA - CSEAP	0	172,259	0	172,259
DPA - TRAINING	3,842	28,640	0	32,482
GOVERNOR'S OFFICE OF INFORMATION TECHNOLOGY				
GOIT - ADMINISTRATION	0	81,455	0	81,455
GOIT - COMPUTING SERVICES	0	276,349	0	276,349
GOIT - COMMUNICATION - NETWORK	0	28,410	0	28,410
GOIT - COMMUNICATION SERVICES	0	(7,353)	0	(7,353)
AGRICULTURE	159,268	13,137	11,059	183,464
CORRECTIONS	59,827	38,290	7,315	105,432
EDUCATION	208,207	106,495	182,797	497,499
GOVERNOR	154,013	1,754	141,112	296,879
HEALTH & ENVIRONMENT	342,390	3,604	400,189	746,183
HIGHER EDUCATION	747,356	1,759,380	21,584	2,528,320
TRANSPORTATION	1,513,313	49,256	0	1,562,569
HUMAN SERVICES	404,039	65,916	371,013	840,968
JUDICIAL	169,855	4,957	4,046	178,858
LABOR & EMPLOYMENT	286,071	0	353,675	639,746
LAW	47,886	77,447	27,174	152,507
LEGISLATURE - AUDITOR'S OFFICE	7,436	69,116	0	76,552
LOCAL AFFAIRS	82,085	120,243	113,540	315,868
MILITARY AFFAIRS	3,299	(51)	86,895	90,143
NATURAL RESOURCES	1,369,501	126,322	221,881	1,717,704
PUBLIC SAFETY	1,171,309	44,713	123,303	1,339,325
REGULATORY AGENCIES	402,331	4,426	10,165	416,922
REVENUE	624,894	(5)	5,572	630,461
DEPT OF HEALTH CARE & FINANCING	145,818	37,442	452,617	635,877
SECRETARY OF STATE	155,666	0	642	156,308
TOTAL ASSESSED ALLOCATED COSTS	**$8,230,685**	**$5,409,904**	**$2,534,579**	**$16,175,168**
NON-ASSESSED ALLOCATED COSTS:				
LEGISLATURE	0	0	0	0
NON-STATE AGENCIES	0	0	0	0
	$8,230,685	**$5,409,904**	**$2,534,579**	**$16,175,168**

COLORADO
Office of the State Controller
Department of Personnel
& Administration

Financial Analysis & Reporting Section
1525 Sherman St.
Denver, CO 80203

October 30, 2014

John Ziegler, Director
Joint Budget Committee
200 E. 14th Avenue, 3rd Floor
Denver CO 80203

Dear Mr. Ziegler,

In accordance with CRS 24-75-1401(2)(4), attached is the Indirect Costs Excess Recovery Fund report as of June 30, 2014.

This report shows the revenues, expenditures, beginning and ending fund balances for the fund. Ending fund balance was $4.9 million, an increase of 174.8 percent over the prior year which reflects a similar increase in revenues of 110.6 percent. Fiscal Year 2013-14 was the first year appropriations were made from this with expenditures totaling $0.6 million.

This report is currently being reviewed by the Office of the State Auditor and is subject to revision based on their findings.

If you have questions regarding the information in this report, please contact Bhavna Punatar in my office at (303) 866-4344 or Bhavna.punatar@state.co.us.

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachments: Indirect Cost Excess Recoveries_ FY2013-14

Indirect Cost Excess Recovery Fund

Revenue, Expenditure and Fund Balance for the Fiscal Year Ending 2013-14

Agency	Department Name	Beginning Fund Balance July 1, 2013	Revenues	Expenses	Ending Fund Balance June 30, 2014
CAA	CORRECTIONS	$250,455	$293,663	$0	$544,118
DAA	EDUCATION	$806,338	$931,260	$0	$1,737,598
FAA	PUBLIC HEALTH AND ENVIORNMENT	$0	$2,170,069	$630,431	$1,539,638
NAA	LOCAL AFFAIRS	$313,493	$4,848	$0	$318,342
PAA	NATURAL RESOURCES	$109,677	$1,480	$0	$111,157
RAA	PUBLIC SAFETY	$209,185	$314,078	$0	$523,264
SAA	REGULATORY AGENCIES	$75,821	$1,021	$0	$76,842
Total - Excess Indirect Recovery		$1,764,969	$3,716,420	$630,431	$4,850,959

COLORADO
Department of Personnel
& Administration

1525 Sherman St.
Denver, CO 80203

November 1, 2014

To: Senate Transportation Committee, House Transportation and Energy Committee, and Joint Budget Committee

From: Kathy Nesbitt, Executive Director, DPA KN

Subject: Fiscal Year 2014 Vehicle Acquisition Report

This report is being sent to the Transportation Committee of the Senate and the Transportation and Energy Committee of the House of Representatives and the Joint Budget Committee pursuant to Section 24-30-1104(2) (c) (II), C.R.S., which states: "By January 1, 2008, the executive director shall adopt a policy to significantly increase the utilization of alternative fuels and that establishes increasing utilization objectives for each following year."

SUMMARY OF FISCAL YEAR 2014 VEHICLE ACQUISITIONS

In Fiscal Year-14, the department was able to place orders for 153 compressed natural gas (CNG) vehicles within previously approved budgeted appropriations. This represented 22.50% of all vehicle orders as of October 8, 2014, and 28.8% of all non Colorado Department of Public Safety (CDPS) Colorado State Patrol (CSP) orders.

The department's original goal was to order 214 CNG vehicles. This larger number was possible because of a new ½-ton original equipment manufacturer (OEM) CNG pickup made available in 2014. State Fleet Management (SFM) collaborates with each agency on CNG purchases to ensure the vehicle can perform adequately in the field. As a result of the agency evaluations, 61 vehicle orders were changed because the available CNG option would not meet a department's operational requirements.

The department was also able to place orders for 233 E85 Flexible Fuel Vehicles (FFV). This represented 34.26% of all vehicle orders. In addition, 58 hybrid vehicles were ordered this year. This represented 8.53% of all vehicle orders.

The department ordered 195 dedicated gasoline vehicles this year that represented 28.68% of all vehicle orders, with CDPS ordering 101 of those vehicles. Currently there are no CNG available models for patrol vehicles and no CNG options available from the OEM for the remaining orders.

The Department also ordered 41 diesel vehicles for various agencies. This represented 6.03% of all vehicle orders.

DPA PROCEDURES & POLICIES ON ORDERING NEW VEHICLES

SFM's new vehicle ordering process was dramatically changed as a result of Senate Bill 09-092 and Senate Bill 13-070 especially as they impact CNG vehicles. These laws require that the state purchase natural gas capable vehicles whenever the incremental cost for the CNG vehicle is within 10% of the life cycle cost of the regular gasoline alternative. As a result, purchasing CNG vehicles will be the first option when replacing older inefficient vehicles wherever practicable. Because nearly all of the CNG models available are dual fuel vehicles (i.e. they can utilize either CNG or gasoline), we have greater flexibility in the placement of these vehicles.

SFM collaborates closely with every agency to successfully meet statutory requirements for the most effective CNG vehicle to be purchased and put into service. If it is determined that the CNG model available will not meet a department's functional requirements, the second option is to purchase a hybrid or plug-in electric hybrid vehicle or another type of alternative fueled vehicle such as E85 FFV. The last option is to purchase a standard gasoline or diesel vehicle. If the available proposed CNG model will not work for a department then a "Non-CNG Purchase Justification Form" must be completed and signed by the respective departmental executive director to document the reason that the CNG alternative was not acceptable.

AVAILABILITY OF CNG STATEWIDE

Currently, there are 18 public access CNG fuel sites that are in operation statewide. By the end of 2014, 2 of these will be closed due to antiquated equipment. However, the Colorado Energy Office, through the ALT Fuels Colorado Grant program, gave grants to build 8 CGN fueling stations across the state. Stations are planned for Colorado Springs, Fort Collins, Commerce City, Glenwood Springs, Greeley, Loveland, Pueblo, and Trinidad. All of these are anticipated to be operational by the end of 2015. Until the state, political subdivisions and the private sector acquire more CNG vehicles, it is unlikely there would be a significant build-out of CNG fuel sites in more remote areas of the state.

There are approximately 15 private access CNG fuel sites. But the state has not been able to secure agreements to use these facilities because of liability concerns, in addition to being located in locked secured areas on private property.

INFRASTRUCTURE STRATEGY

Governor Hickenlooper and Governor Fallin of Oklahoma worked together to develop the unprecedented, bi-partisan, multi-state CNG initiative to aggregate fleet purchases to promote a vehicle technology that will move the country closer to energy independence while increasing access to a low-cost source of energy that is also better for the environment. The goal is to convince the auto industry that with increased demand for CNG vehicles, they will make available more models capable of using CNG at a reduced cost due to the increased volumes.

SFM works closely with the Colorado Energy Office, Clean Cities, Regional Air Quality Council (RAQC), National Renewable Energy Laboratories (NREL), political subdivisions, and representatives from CNG suppliers to discuss best practices and strategies to increase the CNG infrastructure statewide. Since CNG fuel sites are expensive to build it is imperative to the CNG industry there are adequate concentrations of CNG vehicles in place to guarantee minimum volumes of CNG purchases to justify the cost of the fuel sites. According to Clean Energy representatives, a CNG fuel site needs to dispense 15,000 gallons or (GGE) per month to justify the cost.

In order to generate more CNG fueling infrastructure it is imperative the state purchase CNG vehicles wherever possible to demonstrate to the suppliers and dispensers in Colorado that there are CNG vehicles in operation. Working closely with the departments SFM will try to place these vehicles in areas of the state where other public and private fleets with CNG vehicles operate in order to combine potential volumes.

Because nearly all of the CNG models available today are dual fuel vehicles, we have much greater flexibility in the placement of these vehicles until the CNG infrastructure catches up in those areas of the state. Dedicated CNG vehicles will only be purchased if they currently operate in areas that have adequate CNG fuel sites. This will ensure state employees can safely complete their duties each day.

EXEMPTIONS

The law requires the executive director to adopt a policy exempting some vehicles from the statutory requirement to purchase CNG vehicles. Current exemptions include:

- "Certified patrol" vehicles used by state agencies are exempt until such time CNG vehicles are available and proven reliable for this purpose. Exempt models include Chevy Police Caprice and Impalas, Ford Police Interceptors, Police Dodge Chargers, Chevy Police Tahoes, Ford Police Expedition and Interceptor Utility, and Police Dodge Durangos.
- Vehicles that have specialized equipment affixed to the vehicle making it less suitable for general transportation are exempt. These vehicles are basically a "tool on wheels" or "mobile shops" that would be difficult to accommodate CNG fuel tanks and be certified by the OEM. Examples include drilling units, water tanks, lab/research equipment, plumbing or telecommunications equipment, patient and prisoner transport, crime scene mobile labs and Haz Mat vehicles.
- Other potential exemptions are considered on a case by case basis.

FY14 ACQUISITIONS BY FUEL TYPE / HYBRID BY DEPARTMENT

The table below indentifies the number of acquisitions by fuel type configuration or hybrid vehicles by department for FY14.

Fuel Type / Hybrid						
Dept	**CNG**	**E85**	**Diesel**	**Hybrid**	**GAS**	**Total**
CDPS	0	43	4	32	110	189
DOAG	0	2	0	1	3	6
DOC	8	72	2	6	4	92
DOE	0	0	0	0	0	0
DPHE	0	2	0	0	5	7
HE	0	9	1	0	4	14
DHS	6	8	1	8	17	40
DOL	0	1	0	0	0	1
DOLA	0	2	0	0	1	3
CDLE	0	3	0	0	4	7
DMVA	0	1	1	0	1	3
DNR	84	24	28	0	28	164
DOR	8	11	0	5	1	25
DORA	0	13	0	0	2	15
CDOT	44	36	3	3	8	94
GOV	2	0	1	0	0	3
DPA	1	3	0	0	0	4
JUD	0	3	0	3	7	13
Totals =	**153**	**233**	**41**	**58**	**195**	**680**
	22.50%	**34.26%**	**6.03%**	**8.53%**	**28.68%**	

CNG & AFV VEHICLE ACQUISITIONS – 2008 to 2014

From January of 2008 through 2012, only 1 CNG vehicle was purchased because only 2 OEM CNG vehicles were available from model year 2006 to 2011 and both were dedicated CNG (i.e. not dual fuel). This limited the state's ability to purchase CNG vehicles during this time.

Because of budget constraints due to the economic crash in FY08-09, the state only approved vehicles to be replaced in FY10-11 and FY11-12 if they had an impact on life, health, or safety. Most of these vehicles were for the Department of Public Safety State Patrol Division.

CNG and AFV acquisitions resumed in FY13 with the purchase of 81 CNG vehicles, and in FY14 with 153 CNG vehicles. SFM was able to purchase a total of 1,496 alternative fueled vehicles capable of using E85 and regular gasoline from 2008 to 2014. See following table for a summary of vehicle acquisitions from 2008 to 2014.

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SUMMARY OF VEHICLE ACQUISITIONS – 2008 to 2014

Fiscal Year	Total Acquisitions	CNG	E85	Non AFV Acquisitions
2008	654	0	284	370
2009	895	0	303	592
2010	551	0	245	306
2011	241	0	98	143
2012	317	1	113	203
2013	566	81	220	265
2014	680	153	233	294
Totals	**3,904**	**235**	**1,496**	**2,173**

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