

JOINT BUDGET COMMITTEE



STAFF FIGURE SETTING FY 2021-22

DEPARTMENT OF PERSONNEL OPERATING COMMON POLICIES

(Changes to Operating Costs assumptions, State Agency Allocations for Administrative Law Judge Services, Workers' Compensation, Payment to Risk Management and Property Funds, Capitol Complex Leased Space, Vehicle Lease Payments, CORE Operations, Statewide Indirect Cost Assessments, and Document Solutions Group)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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HOW TO USE THIS DOCUMENT

The Operating Common Policies Change and Comparison Summary Table outlines program costs, fund balance reserve adjustment, and total allocation for each common policy; and provides a comparison to the prior year and to the Department request.

The Common Policy Recommendation Tables section functions as an executive summary of common policy recommendations. This section contains a table for each common policy outlining the staff recommended allocations to state agencies. This section includes a brief discussion of major changes from the prior year as well as differences from the request.

The Common Policy Build sections provide additional detail about build methodology, common policy program cost components, fund reserve adjustments, and state agency usage allocations for each common policy.

SUMMARY OF 2021-22 STAFF RECOMMENDATION

OPERATING COMMON POLICIES CHANGE AND COMPARISON SUMMARY TABLE					
	FY 2020-21 APPROP.	FY 2021-22 Recommend.	CHANGE FROM Prior Year	FY 2021-22 REQUEST	DIFFERENCE FROM REQUEST
Administrative Law Judge Services					
Program Costs - Base	6,392,296	6,799,742	407,446	6,704,361	95,381
Fund Balance Reserve Adjustment	(367,821)	(886,292)	(518,471)	(650,744)	(235,548)
Total Allocation - ALJ Services	6,024,475	5,913,450	(111,025) (1.8%)	6,053,617	(140,167) (2.3%)
Workers' Compensation					
Program Costs	39,366,920	36,473,680	(2,893,240)	36,463,942	9,738
Fund Balance Reserve Adjustment	(9,615,399)	(7,797,143)	1,818,256	(6,540,135)	(1,257,008)
Total Allocation - Workers' Compensation	29,751,521	28,676,537	(1,074,984) (3.6%)	29,923,807	(1,247,270) (4.2%)
Liability					
Program Costs	9,036,540	11,471,543	2,435,003	11,464,508	7,035
C-SEAP Funding	1,677,607	1,688,297	10,690	1,667,622	20,675
Fund Balance Reserve Adjustment	(2,465,410)	1,211,712	3,677,122	1,216,165	(4,453)
Total Allocation - Liability	8,248,737	14,371,552	6,122,815 74.2%	14,348,295	23,257 0.2%
Property					
Program Costs	15,213,519	18,542,542	3,329,023	18,542,542	0
Fund Balance Reserve Adjustment	(4,721,633)	(1,106,635)	3,614,998	(3,433,387)	2,326,752
Total Allocation - Property	10,491,886	17,435,907	6,944,021 66.2%	15,109,155	2,326,752 15.4%
Total Allocation - Payments to Risk and Property Funds	18,740,623	31,807,459	4,095,126 21.9%	29,457,450	2,350,009 8.0%
Capitol Complex Leased Space					
Program Costs	16,641,149	1,935,730	(14,705,419)	16,818,038	(14,882,308)
Fund Balance Reserve Adjustment	(1,487,178)	(95,339)	1,391,839	(463,101)	367,762
Total Allocation - Capitol Complex Leased Space	15,153,971	1,840,391	(13,313,580) (87.9%)	16,354,937	(14,514,546) (88.7%)
CORE Operations					
Program Costs	14,662,736	14,794,055	131,319	14,746,431	47,624
Payment from Supplier Database Cash Fund	(2,948,595)	(4,098,456)	(1,149,861)	(2,855,875)	(1,242,581)
Fund Balance Reserve Adjustment	(1,047,135)	(1,750,398)	(703,263)	(1,779,547)	29,149
Total Allocation - CORE Operations	10,667,006	8,945,201	(1,721,805) (16.1%)	10,111,009	(1,165,808) (11.5%)
Total – Op. Common Policies Paid by Allocation	80,337,596	77,183,038	(3,154,558) (3.9%)	91,900,820	(14,717,782) (16.0%)
Document Solutions Group for Dept. of State					
Program Costs	5,705,065	5,673,960	(31,105)	5,630,832	43,128
Fund Balance Reserve Adjustment	(408,518)	(438,629)	(30,111)	(440,811)	2,182
Total Allocation for Departments of State and Revenue	5,296,547	5,235,331	(61,216) (1.2%)	5,190,021	45,310 0.9%
Vehicle Replacement Lease/Purchase approp.	20,323,386	22,797,573	2,474,187	23,142,221	(344,648)
			12.2%		(1.5%)
Statewide Indirect Cost Assessments	18,310,814	17,259,191	(1,051,623) (5.7%)	17,259,191	0 0.0%

COMMON POLICY RECOMMENDATION TABLES

1. ADMINISTRATIVE LAW JUDGE SERVICES

ADMINISTRATIVE LAW JUDGE SERVICES FY 2021-22 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2019-20	FY 2020-21	FINAL FY 2021-22			
	UTILIZATION	APPROPRIATION	REQUEST	RECOMMENDATION	REQ/REC INCREM.	TOTAL ADJUSTMENT
Agriculture	0.2%	\$23,355	\$14,465	\$14,130	(\$335)	(\$9,225)
Education	2.5%	141,413	149,858	146,388	(\$3,470)	\$4,975
Health Care Policy & Finance	13.6%	735,806	826,313	807,180	(\$19,133)	\$71,374
Human Services	14.5%	829,807	876,722	856,423	(\$20,299)	\$26,616
Labor and Employment	61.2%	4,098,659	3,704,682	3,618,903	(\$85,779)	(\$479,756)
Law	0.0%	775	202	197	(\$5)	(\$578)
Local Affairs	0.0%	0	829	810	(\$19)	\$810
Personnel	0.1%	2,945	3,465	3,385	(\$80)	\$440
Public Health & Environment	0.2%	52,436	13,083	12,780	(\$303)	(\$39,656)
Regulatory Agencies	6.9%	488,137	418,487	408,797	(\$9,690)	(\$79,340)
Revenue	0.2%	1,405	13,073	12,770	(\$303)	\$11,365
State	0.3%	16,886	16,421	16,040	(\$381)	(\$846)
Transportation	0.3%	672	16,017	15,646	(\$371)	\$14,974
TOTAL	100.0%	\$6,392,296	\$6,053,617	\$5,913,450	(\$140,167)	(\$478,846)

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

JBC staff agrees with the Department's requested departmental allocations; however, to account for the Committee's approval of a 2.5 percent salary survey increase and greater than requested Administrative Hearings Cash Fund adjustment, staff **recommends the Committee approve a total FY 2021-22 appropriation of \$5,913,450 total funds**, with the Department allocations summarized above. No major changes to the program were proposed this year.

2. WORKERS' COMPENSATION

Workers' Compensation FY 2021-22 Recommended Allocation						
Department	FY 2020-21		FY 2021-22			
	Approp.	Actuarial Allocation	Request	Recommended	Req/Rec Increm.	Total Adjustment
Agriculture	\$171,666	0.6%	\$170,566	\$163,456	(\$7,110)	(\$8,210)
Corrections	5,546,279	20.2%	6,032,639	5,781,190	(251,449)	234,911
Education	328,159	0.9%	269,314	258,089	(11,225)	(70,070)
Governor	273,714	0.7%	218,444	209,339	(9,105)	(64,375)
Health Care Policy and Financing	128,527	0.6%	167,573	160,589	(6,984)	32,062
Higher Education	2,562,201	8.5%	2,546,516	2,440,373	(106,143)	(121,828)
Human Services				0		
Cost Allocation Share	8,237,006	28.2%	8,432,529	8,081,048	(351,481)	(155,958)
Prior Year WC Claim Payments	70,000		65,000	65,000		
Human Services subtotal	8,307,006		8,497,529	8,146,048		
Judicial	1,404,569	4.8%	1,424,373	1,365,003	(59,370)	(39,566)
Labor and Employment	512,916	1.6%	484,766	464,560	(20,206)	(48,356)
Law	206,773	0.7%	194,505	186,397	(8,108)	(20,376)
Legislature	35,107	0.2%	44,886	43,015	(1,871)	7,908
Local Affairs	116,923	0.4%	113,710	108,971	(4,739)	(7,952)
Military and Veterans Affairs	98,478	0.3%	98,749	94,633	(4,116)	(3,845)
Natural Resources	1,367,677	4.2%	1,262,785	1,210,150	(52,635)	(157,527)

Workers' Compensation FY 2021-22 Recommended Allocation						
Department	FY 2020-21		FY 2021-22			
	Approp.	Actuarial Allocation	Request	Recommended	Req/Rec Incr.	Total Adjustment
Personnel	274,904	0.9%	263,330	252,354	(10,976)	(22,550)
Public Health and Environment	427,529	1.3%	392,002	375,663	(16,339)	(51,866)
Public Safety	2,228,985	7.1%	2,133,567	2,044,637	(88,930)	(184,348)
Regulatory Agencies	202,905	0.7%	194,505	186,397	(8,108)	(16,508)
Revenue	692,913	1.9%	568,552	544,854	(23,698)	(148,059)
State	41,652	0.2%	53,863	51,618	(2,245)	9,966
Transportation	4,889,960	16.2%	4,853,641	4,651,334	(202,307)	(238,626)
Treasury	2,678	0.0%	2,992	2,868	(124)	190
Allocation Totals	\$29,751,521	100.00%	\$29,923,807	\$28,676,537	(\$1,247,270)	(\$1,074,984)
<i>Percentage change from prior year</i>						<i>(3.6%)</i>

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

Workers' Compensation decreases 3.6 percent, or \$1.1 million.

The staff recommends a total allocation of \$28.7 million for Workers' Compensation. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance.

3. PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS RECOMMENDED ALLOCATION			
DEPARTMENT	FY 2021-22 REQUEST	FY 2021-22 RECOMMEND	REQ/REC INCR.
Agriculture	\$308,014	\$329,363	\$21,350
Corrections	3,913,256	4,297,495	384,239
Education	712,736	730,631	17,895
Governor	1,957,650	1,982,112	24,462
Health Care Policy and Financing	172,467	173,685	1,218
Higher Education	6,522,797	7,274,612	751,815
Human Services	2,835,285	3,062,183	226,898
Judicial	1,394,536	1,439,403	44,867
Labor and Employment	225,483	235,477	9,994
Law	201,995	203,812	1,817
Legislature	93,252	94,702	1,450
Local Affairs	78,580	81,766	3,186
Military and Veterans Affairs	275,979	310,841	34,862
Natural Resources	1,406,468	1,551,672	145,204
Personnel	1,263,504	1,425,551	162,047
Public Health and Environment	813,274	839,252	25,978
Public Safety	976,222	1,013,198	36,976
Regulatory Agencies	220,304	226,294	5,991
Revenue	412,310	425,411	13,101
State	156,759	159,124	2,365
Transportation	5,619,984	6,055,478	435,495
Treasury	11,829	11,892	63
Allocation Totals	\$29,572,683	\$31,923,954	\$2,351,271
<i>Percentage change from prior year</i>			<i>8.0%</i>

5. VEHICLE LEASE PAYMENTS

FY 2021-22 ANNUAL FLEET RECOMMENDED DEPARTMENT ALLOCATIONS								
DEPARTMENT	FY 2020-21 APPROP	REQUESTED FY 2021-22 APPROP	RECOMMENDED FY 2021-22 APPROP	TOTAL INCREMENTAL CHANGE	GENERAL FUND	CASH FUNDS	REAPPROP FUNDS	FEDERAL FUNDS
Appropriated Agencies								
Agriculture	\$292,563	\$424,451	\$415,955	\$123,392	\$49,339	\$72,283	\$0	\$1,770
Corrections	3,339,905	3,499,984	3,468,680	128,775	104,978	23,797	0	0
Education	26,196	37,040	37,040	10,844	9,188	0	1,656	0
Governor's Office	136,944	154,577	149,609	12,665	2,523	0	10,142	0
Human Services	1,045,216	1,173,983	1,152,215	106,999	54,031	0	52,968	0
Judicial Branch	231,158	268,258	263,866	32,708	32,708	0	0	0
Labor And Employment	198,733	198,607	191,751	(6,982)	(605)	(2,899)	(79)	(3,400)
Law	61,432	79,760	78,456	17,024	6,869	4,306	5,700	150
Local Affairs	93,280	116,786	113,942	20,662	18,559	0	2,103	0
Military and Veterans Affairs	63,322	135,633	134,329	71,007	30,251	0	0	40,756
Natural Resources	4,481,593	4,903,082	4,833,218	351,625	24,578	319,240	3,544	4,262
Personnel	262,054	285,677	284,389	22,335	0	0	22,335	0
Public Health & Environment	370,188	391,887	386,751	16,563	306	13,297	2,959	0
Public Safety	8,734,256	10,367,297	10,202,489	1,468,233	130,760	1,262,684	40,684	34,106
Regulatory Agencies	238,619	283,135	279,899	41,280	0	41,280	0	0
Revenue	739,688	809,621	792,541	52,853	11,367	41,486	0	0
State	8,239	12,443	12,443	4,204	0	4,204	0	0
Appropriated Totals	\$20,323,386	\$23,142,221	\$22,797,573	\$2,474,187	\$474,852	\$1,779,678	\$142,012	\$77,644
		<i>Req/ Rec Incr.</i>	<i>(\$344,648)</i>					
Non Appropriated Agencies								
Higher Education	\$1,005,146	\$1,368,375	\$1,347,855	\$342,709				
Transportation	2,431,579	2,806,875	2,729,759	298,180				
Statewide Total	\$23,760,111	\$27,317,471	\$26,875,187	\$3,115,076				
		<i>Req/ Rec Incr.</i>	<i>(\$442,284)</i>					

REPLACEMENT AND MAINTENANCE COST COMPARISON - REQUEST VS. RECOMMENDED			
	REPLACEMENT COST	ESTIMATED MAINTENANCE EXPENSE	TOTAL COST
Department Request (706 replacements)	\$5,336,929	\$6,785,827	\$12,122,756
JBC Staff Recommendation (476 replacements)	4,764,822	7,227,584	11,992,406
Staff Rec. Above/(Below) Request	(\$572,107)	\$441,757	(\$130,350)

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

For statewide fleet replacement vehicles:

- Total statewide Vehicle Lease Payments increase 13.1 percent, or \$3.1 million total funds.
- Staff recommends replacement of 492 of 706 requested vehicles, including 241 alternative fuel and hybrid vehicles. Staff recommends no CNG vehicles for FY 2021-22.
- Staff recommends an appropriation of \$22,797,573 for statewide allocations to departments.
- Staff's recommended statewide vehicle lease payments is 1.5 percent lower than the request for all state agencies and 1.6 percent lower than the request for appropriated state agencies.

6. CORE OPERATIONS

CORE OPERATIONS FY 2020-21 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2020-21		FY 2021-22			TOTAL ADJUSTMENT
	APPROPRIATION	UTILIZATION	REQUEST	RECOMMENDATION	REQ/REC INCREM.	
Agriculture	\$145,304	1.45%	\$146,329	\$129,457	(\$16,872)	(\$15,847)
Corrections	400,272	4.05%	409,238	362,053	(47,185)	(38,219)
Education	327,125	2.69%	272,095	240,722	(31,373)	(86,403)
Governor	368,553	4.21%	425,707	376,623	(49,084)	8,070
Health Care Policy and Financing	184,939	1.26%	127,250	112,578	(14,672)	(72,361)
Higher Education	274,875	2.65%	268,128	237,213	(30,915)	(37,662)
Human Services	1,299,814	12.62%	1,275,709	1,128,619	(147,090)	(171,195)
Judicial	1,877,756	17.84%	1,803,627	1,595,667	(207,960)	(282,089)
Labor and Employment	510,598	4.48%	453,053	400,815	(52,238)	(109,783)
Law	60,148	0.50%	50,484	44,663	(5,821)	(15,485)
Legislature	48,420	0.41%	41,668	36,863	(4,805)	(11,557)
Local Affairs	519,401	4.87%	492,853	436,027	(56,826)	(83,374)
Military and Veteran Affairs	76,867	0.73%	73,577	65,093	(8,484)	(11,774)
Natural Resources	616,928	6.05%	611,556	541,043	(70,513)	(75,885)
Personnel	385,648	3.22%	325,637	288,091	(37,546)	(97,557)
Public Health and Environment	846,297	9.60%	970,856	858,916	(111,940)	12,619
Public Safety	383,683	3.72%	376,618	333,193	(43,425)	(50,490)
Regulatory Agencies	361,907	3.38%	341,919	302,496	(39,423)	(59,411)
Revenue	1,343,376	11.04%	1,115,759	987,111	(128,648)	(356,265)
State	24,384	0.22%	22,085	19,539	(2,546)	(4,845)
Transportation	168,188	1.49%	150,374	133,036	(17,338)	(35,152)
Treasury	442,523	3.53%	356,486	315,383	(41,103)	(127,140)
Allocation Totals	\$10,667,006	100%	\$10,111,008	\$8,945,201	(\$1,165,807)	(\$1,721,805)
<i>Percentage Change from FY 2020-21</i>						<i>(16.1%)</i>

DIFFERENCES FROM PRIOR YEAR AND FROM THE REQUEST

CORE Operations decreases 16.1 percent, or \$1.7 million. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance.

7. STATEWIDE INDIRECT COST ASSESSMENTS

FY 2021-22 STATEWIDE INDIRECT COST PLAN					
DEPARTMENT	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	TOTAL FUNDS
Agriculture	\$51,224	\$130,798	\$9,888	\$24,789	\$216,699
Corrections	1,650,082	30,364	21,943	7,168	1,709,557
Education	643,811	305,109	278,402	277,021	1,504,343
Governor	77,016	30,895	1,072	37,189	146,172
Governor - OIT	0	0	1,000,087	0	1,000,087
Health Care Policy and Financing	950,775	270,035	106,490	513,532	1,840,832
Higher Education	9,587	2,511,080	331,074	469,223	3,320,964
Human Services	1,346,029	161,400	208,520	468,981	2,184,930
Judicial	959,641	152,939	10,306	7,265	1,130,151
Labor and Employment	40,279	297,171	3,215	394,875	735,540
Law	28,004	16,474	79,982	3,898	128,358
Local Affairs	123,876	81,889	159,263	148,268	513,296
Military and Veterans Affairs	60,129	5,901	0	257,053	323,083
Natural Resources	124,990	569,913	28,582	83,142	806,627
Personnel	0	0	2,717,714	0	2,717,714
Public Health and Environment	98,198	281,739	78,673	400,362	858,972
Public Safety	228,932	875,066	140,079	74,935	1,319,012
Regulatory Agencies	12,981	462,436	38,205	18,247	531,869
Revenue	503,566	874,407	1182	7,349	1,386,504
State	0	148,425	0	0	148,425
Transportation	0	1,642,236	2,940	0	1,645,176
TOTAL	\$6,909,120	\$8,848,277	\$5,217,617	\$3,193,297	\$24,168,311

DIFFERENCES FROM PRIOR YEAR

The following table summarizes the proposed statewide indirect cost recoveries for FY 2021-22 and compares it to the plan for the prior year.

FY 2020-21 STATEWIDE INDIRECT COST PLAN				
	FY 2020-21	FY 2021-22	CHANGE	PERCENT CHANGE
Cash Funds	\$9,215,646	\$8,848,277	(\$367,369)	(4.0%)
Reappropriated Funds	5,238,131	5,217,617	(20,514)	(0.4%)
Federal Funds	3,857,037	3,193,297	(663,740)	(17.2%)
Total	\$18,310,814	\$17,259,191	(\$1,051,623)	(5.7%)

Indirect cost recoveries decreased 5.7 percent, or \$1.1 million.

8. DOCUMENT SOLUTIONS GROUP COMMON POLICY FOR DEPARTMENTS OF REVENUE AND STATE

The following table summarizes changes to the Department of Revenue and the Secretary of State's Office for a common policy for services utilized by each with the Document Solutions Group at Integrated Document Solutions in Pueblo.

FY 2021-22 DSG RECOMMENDED ALLOCATIONS							
Department	FY 2020-21 Appropriation	FY 2021-22 Rec'd	FY 2021-22 Total Base Adj.	GENERAL Fund	CASH Funds	REAPPROPRIATED Funds	FEDERAL Funds
Revenue	\$4,855,832	\$4,624,048	(\$231,784)	(\$231,784)	\$0	\$0	\$0
State*	440,715	611,283	170,568	0	170,568	0	0
Total	\$5,296,547	\$5,235,331	(\$61,216)	(\$231,784)	\$170,568	\$0	\$0

* The Department of State's appropriation includes funding for contractual services utilized in the initiative process.

COMMON POLICY BUILD SECTIONS

1. ADMINISTRATIVE LAW JUDGE SERVICES

The Office of Administrative Courts (OAC) provides an independent administrative law adjudication system for state agencies to resolve cases that concern worker's compensation, public benefits (food stamps, Colorado Works/TANF, Medicaid, etc.), professional licensing board work involving license denial, revocation, suspension or other discipline, teacher dismissal cases, and when a citizen has filed a complaint under the Fair Campaign Practices Act.

The OAC operates at three locations, including the main office in Denver, the Western Regional Office in Grand Junction, and the Southern Regional office in Colorado Springs. It also provides hearings at other regional locations around the State.

The OAC is cash funded through fees from state agency users and non-state entities. The cash funds source is fees from non-state agencies. The reappropriated funds source is fees from state agencies. Fee revenue is deposited into the Administrative Courts Cash Fund, created in Section 24-30-1001 (3), C.R.S.

The costs of providing Administrative Law Judge Services are allocated to state agencies, based upon actual usage for the most recent fiscal year for which actual data is available. The FY 2021-22 allocation is determined by the FY 2019-20 actual number of administrative law judge and paralegal hours used by agency. The common policy allocations to state agencies are calculated to fully fund the program's costs plus fund a cash fund balance reserve adjustment to maintain a standard reserve percentage from year to year.

While non-state agencies, including miscellaneous school districts, use the OAC, this cash funds revenue stream is variable and is billed directly by use. Cash funds revenue is held as reserve in the fund balance in the year received. The fund balance reserve is adjusted annually to maintain an adequate operating cash flow reserve from year-to-year. So recognition of cash funds revenue is automatically included in the following year's fund balance reserve adjustment to ensure fairness for state agency common policy allocations.

ALJ SERVICES PROGRAM COSTS

The following table outlines total administrative law judge services program base costs for allocation to state agencies that include program costs and a fund balance reserve adjustment.

Personal services, operating expenses, and indirect costs are based on figure setting recommendations for the next fiscal year (FY 2021-22), which were made immediately prior to those in this packet. Program share of departmental benefits POTS, legal services, OIT, and operating common policy items are provided by the Department and based on current year (FY 2020-21) appropriations and the program's estimated share of the Department total.

FY 2020-21 ADMINISTRATIVE LAW JUDGE SERVICES PROGRAM COSTS				
DESCRIPTION	FY 2020-21 APPROPRIATION	FY 2021-22 REQUEST	FY 2021-22 RECOMMENDED	DIFFERENCE FROM REQ
Personal Services	\$4,118,645	\$4,137,018	\$4,137,018	\$0
Benefits POTS	1,071,791	917,725	1,013,106	95,381
Operating and OIT Common Policies	1,127,294	1,206,921	1,206,921	0
Operating Expenses	172,233	172,233	172,233	0
Indirect Costs	270,464	270,464	270,464	0
ALJ Program Costs Subtotal	\$6,760,427	\$6,704,361	\$6,799,742	\$95,381
JBC Fund Bal Adjustment	(367,821)	(650,744)	(886,292)	(235,548)
Total	\$6,392,606	\$6,053,617	\$5,913,450	(\$140,167)

FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends continuing an 8.25 percent fund balance reserve calculated on the estimated program expenditure base of personal services, operating expenses, and indirect costs for the next fiscal year (FY 2021-22). The FY 2020-21 beginning fund balance is taken from the Department's FY 2020-21 budget request schedule 9 for the Administrative Hearings Cash Fund. Staff **recommends a fund balance reserve adjustment decrease of \$886,292.**

ADMINISTRATIVE COURTS CASH FUND ¹	
RECOMMENDED RESERVE ADJUSTMENT CALCULATION	
FY 2020-21	
Beginning Fund Balance	\$1,186,201
Revenue	6,440,896
Expenditures	(6,362,979)
Ending Fund Balance	\$1,264,118
FY 2021-22	
Expenditure Base (PS+OE+IC)	4,579,715
Fund Balance Target Reserve	8.25%
Fund Balance Reserve Amount	377,826
Fund Balance Reserve Adjustment	(\$886,292)

¹ Figures taken from Schedule 9.

STATE AGENCY UTILIZATION AND ALLOCATION

The costs of providing administrative law judge services are allocated to state agencies, based upon actual usage for the most recent fiscal year that actual data is available. The next fiscal year (FY 2021-22) allocation is determined by the most recent actual year's (FY 2019-20) utilization of administrative law judge and paralegal hours by agency. The following table outlines **recommended allocations for the program base.**

ADMINISTRATIVE LAW JUDGE SERVICES FY 2021-22 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2019-20	FY 2020-21	FINAL FY 2021-22			TOTAL ADJUSTMENT
	UTILIZATION	APPROPRIATION	REQUEST	RECOMMENDATION	REQ/REC INCREM.	
Agriculture	0.2%	\$23,355	\$14,465	\$14,130	(\$335)	(\$9,225)
Education	2.5%	141,413	149,858	146,388	(\$3,470)	\$4,975
Health Care Policy & Finance	13.6%	735,806	826,313	807,180	(\$19,133)	\$71,374
Human Services	14.5%	829,807	876,722	856,423	(\$20,299)	\$26,616
Labor and Employment	61.2%	4,098,659	3,704,682	3,618,903	(\$85,779)	(\$479,756)
Law	0.0%	775	202	197	(\$5)	(\$578)

ADMINISTRATIVE LAW JUDGE SERVICES FY 2021-22 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2019-20	FY 2020-21	FINAL FY 2021-22			TOTAL ADJUSTMENT
	UTILIZATION	APPROPRIATION	REQUEST	RECOMMENDATION	REQ/REC INCREM.	
Local Affairs	0.0%	0	829	810	(\$19)	\$810
Personnel	0.1%	2,945	3,465	3,385	(\$80)	\$440
Public Health & Environment	0.2%	52,436	13,083	12,780	(\$303)	(\$39,656)
Regulatory Agencies	6.9%	488,137	418,487	408,797	(\$9,690)	(\$79,340)
Revenue	0.2%	1,405	13,073	12,770	(\$303)	\$11,365
State	0.3%	16,886	16,421	16,040	(\$381)	(\$846)
Transportation	0.3%	672	16,017	15,646	(\$371)	\$14,974
TOTAL	100.0%	\$6,392,296	\$6,053,617	\$5,913,450	(\$140,167)	(\$478,846)

2. WORKERS' COMPENSATION

Risk Management Services protects the State's human resource and property assets through the administration of liability, property, and workers' compensation coverage for state agencies. Services include accident investigation, legal defense, safety training, hazard mitigation, building inspection, insurance procurement, claim evaluation, and data collection. Risk Management Services is funded by reappropriated funds from the Risk Management Fund created in Section 24-30-1510 (1)(a), C.R.S., the Self-insured Property Fund created in Section 24-30-1510.5 (1)(a), C.R.S., and the State Employee Workers' Compensation Account in the Risk Management Fund created in Section 24-30-1510.7 (1)(a), C.R.S.

The workers' compensation program is used to pay workers' compensation benefits to state employees. The State is self-insured for workers' compensation claims. The two broad categories of workers' compensation payments are medical payments and indemnity payments. Indemnity benefits include settlements for permanent injuries and lost wages. The maximum workers' compensation benefits for lost wages are established by the Department of Labor and Employment pursuant to Section 8-47-106, C.R.S. There is no maximum payment for medical benefits. The Workers' Compensation Program is funded from the State Employee Workers' Compensation Account, a separate account within the Risk Management Fund, pursuant to Section 24-30-1510.7, C.R.S. Money in the account are continuously appropriated for the purposes of the account other than the direct and indirect administrative costs of operating the risk management system, including legal services, litigation expenses, and third-party administrator expenses.

RISK MANAGEMENT PROGRAM COSTS

The following table outlines total risk management program overhead costs for allocation to risk programs. Risk management's personal services, operating expenses, and indirect costs are based on figure setting recommendations for the next fiscal year. Program share of departmental benefits pots and OIT and operating common policy items are estimated by the Department and based on current fiscal year appropriations. Each risk program pays a share of Risk Management Services' administrative costs.

RISK MANAGEMENT PROGRAM COSTS						
	FY 2020-21	FY 2021-22	FY 2021-22	LIABILITY	PROPERTY	WORKERS' COMP.
	APPROP.	REQUEST	RECOMMEND.	SHARE	SHARE	SHARE
Program Allocation Share			100%	39.0%	7.0%	54.0%
Personal Services	\$830,118	\$830,118	\$830,118	\$323,746	\$58,108	\$448,264

RISK MANAGEMENT PROGRAM COSTS						
	FY 2020-21	FY 2021-22	FY 2021-22	LIABILITY	PROPERTY	WORKERS' COMP.
	APPROP.	REQUEST	RECOMMEND.	SHARE	SHARE	SHARE
Benefits POTS	220,374	163,759	205,083	79,090	15,763	110,230
Operating & OIT Common Policies	233,271	240,805	272,776	104,810	22,775	145,191
Operating Expenses	62,318	62,318	62,318	24,304	4,362	33,652
Indirect Costs	52,100	52,100	221,231	86,280	15,486	119,465
Total Risk Mgt Costs for Allocation	\$1,398,181	\$1,349,100	\$1,591,526	\$618,230	\$116,495	\$856,801

WORKERS' COMPENSATION PROGRAM COSTS

The following table outlines total workers' compensation program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Workers' compensation third party administrator (TPA) fees and loss control programs;
- Workers' compensation claims, excess policy, and legal expenses;
- Actuarial and broker services attributable to workers' compensation;
- Workers' compensation share of the Risk Management Information System; and
- A fund balance reserve adjustment.

WORKERS' COMPENSATION PROGRAM COSTS				
	FY 2020-21	FY 2021-22	FY 2021-22	DIFFERENCE FROM
	APPROP.	REQUEST	RECOMMEND.	REQUEST
Program Costs	\$794,967	\$847,063	\$856,801	\$9,739
Workers' Compensation Claims	33,938,768	31,100,830	31,100,830	0
W.C. TPA Fees and Loss Control	1,850,000	1,850,000	1,850,000	0
W.C. Excess Policy	830,000	855,277	855,277	0
W.C. Legal Services	1,786,251	1,636,886	1,636,886	0
Actuarial and Broker Services	37,500	44,453	44,453	0
Risk Management Information System	64,434	64,433	64,433	0
DHS Prior Year Claim Payouts	65,000	65,000	65,000	0
Workers' Compensation Program Costs Subtotal	\$39,366,920	\$36,463,942	\$36,473,680	\$9,739
Fund Balance Reserve Adjustment	(9,615,399)	(6,540,135)	(7,797,143)	(1,257,008)
Total for Allocation	\$29,751,521	\$29,923,807	\$28,676,537	(\$1,247,269)

WORKERS' COMPENSATION CLAIMS

This figure includes prospective claim payments defined by risk management from figures provided by the program actuary. There are two broad categories of workers' compensation claims: indemnity benefits and medical benefits. *Indemnity benefits* include settlements for permanent injuries and lost wages. The maximum workers' compensation benefits for lost wages are established by the Department of Labor and Employment pursuant to Section 8-47-106, C.R.S. There is no maximum for medical benefits.

WORKERS' COMPENSATION TPA FEES AND LOSS CONTROL

This figure includes fees paid to the State's third party administrator (TPA), Broadspire, for contracted TPA services. This figure also includes loss control incentives used for agencies with initiatives to reduce workers' compensation claims. For FY 2021-22 the Department anticipates its TPA fees to remain constant.

WORKERS' COMPENSATION EXCESS POLICY

This figure includes the insurance policy purchased to cover the possibility of a catastrophic workers' compensation loss, required by the Colorado Department of Labor and Employment (CDLE) for a self-insurance permit. The cost of the policy is calculated on payroll. Also included are payments to the CDLE for permit fees and surcharges imposed on self-insured employers, which funds the Subsequent Injury Fund.

WORKERS' COMPENSATION LEGAL SERVICES

This figure represents the cost the Department anticipates spending for legal representation at workers' compensation hearings and for expert opinions provided through the TPA contract with Broadspire, and which is included in actuarial projections provided by the State's actuary.

RMIS SERVICE FEES

The Department contracts for data management and technical support for the Risk Management Information System that tracks claims for all risk management programs. The Department splits the cost for the RMIS equally among the three risk management programs.

DHS PRIOR YEAR CLAIM PAYOUTS

This is a payment for Department of Human Services (DHS) prior year claims payments for certain DHS institutions claims – all permanent, total disability claims – that were open when the Department joined the State risk pool. This component was included in claims prior to FY 2017-18.

FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends an operating *cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for the next fiscal year. Staff also recommends an *extraordinary claims* fund balance reserve calculated at 10.0 percent of the workers' compensation claims estimate.

WORKERS' COMPENSATION FUND BALANCE ADJUSTMENT ¹	
FY 2020-21	
Beginning Fund Balance	\$24,167,429
Revenue Estimate	29,751,520
Expenditure Estimate	(39,366,920)
Transfer to Liability Fund	(1,814,619)
FY 2021-22	
Estimated Beginning Fund Balance	\$12,737,410
Targeted Fund Balance % Expenses/Claims	5%/10%
TARGET FUND BALANCE FY 2021-22	4,940,267
Fund Balance Reserve Adjustment	(7,797,143)

¹ Figures taken from Schedule 9.

The recommended fund balance reserve adjustment decrease totals \$7,797,143. Actuarial projections relied upon by the Department exceed the actual claims made against the program leading to a large fund balance. Revenue represents current fiscal year total allocations (billings) to state agencies and expenditures represents current fiscal year appropriated program costs. Transfers identified in the table are authorized by statute, which allows the Department to transfer between Workers' Compensation, Property, and Liability Funds to address negative cash balances that occur when claims exceed the actuarial projections.

STATE AGENCY ALLOCATION

The program's actuary projects the State's total workers' compensation needs by analyzing prior year's losses. Using this same data, the actuary then estimates the allocation for each agency as a percent of the total (including each institution of Higher Education). The following table outlines the recommended state agency allocations for the next fiscal year. **Staff recommends that the Committee approve the state agency allocations included in the table.**

Workers' Compensation FY 2021-22 Recommended Allocation						
Department	FY 2020-21		FY 2021-22			
	Approp.	Actuarial Allocation	Request	Recommended	Req/Rec Increm.	Total Adjustment
Agriculture	\$171,666	0.6%	\$170,566	\$163,456	(\$7,110)	(\$8,210)
Corrections	5,546,279	20.2%	6,032,639	5,781,190	(251,449)	234,911
Education	328,159	0.9%	269,314	258,089	(11,225)	(70,070)
Governor	273,714	0.7%	218,444	209,339	(9,105)	(64,375)
Health Care Policy and Financing	128,527	0.6%	167,573	160,589	(6,984)	32,062
Higher Education	2,562,201	8.5%	2,546,516	2,440,373	(106,143)	(121,828)
Human Services				0		
Cost Allocation Share	8,237,006	28.2%	8,432,529	8,081,048	(351,481)	(155,958)
Prior Year WC Claim Payments	70,000		65,000	65,000		
Human Services subtotal	8,307,006		8,497,529	8,146,048		
Judicial	1,404,569	4.8%	1,424,373	1,365,003	(59,370)	(39,566)
Labor and Employment	512,916	1.6%	484,766	464,560	(20,206)	(48,356)
Law	206,773	0.7%	194,505	186,397	(8,108)	(20,376)
Legislature	35,107	0.2%	44,886	43,015	(1,871)	7,908
Local Affairs	116,923	0.4%	113,710	108,971	(4,739)	(7,952)
Military and Veterans Affairs	98,478	0.3%	98,749	94,633	(4,116)	(3,845)
Natural Resources	1,367,677	4.2%	1,262,785	1,210,150	(52,635)	(157,527)
Personnel	274,904	0.9%	263,330	252,354	(10,976)	(22,550)
Public Health and Environment	427,529	1.3%	392,002	375,663	(16,339)	(51,866)
Public Safety	2,228,985	7.1%	2,133,567	2,044,637	(88,930)	(184,348)
Regulatory Agencies	202,905	0.7%	194,505	186,397	(8,108)	(16,508)
Revenue	692,913	1.9%	568,552	544,854	(23,698)	(148,059)
State	41,652	0.2%	53,863	51,618	(2,245)	9,966
Transportation	4,889,960	16.2%	4,853,641	4,651,334	(202,307)	(238,626)
Treasury	2,678	0.0%	2,992	2,868	(124)	190
Allocation Totals	\$29,751,521	100.00%	\$29,923,807	\$28,676,537	(\$1,247,270)	(\$1,074,984)
<i>Percentage change from prior year</i>						<i>(3.6%)</i>

ALLOCATION FOR INSTITUTIONS OF HIGHER EDUCATION

The following table outlines the allocation for institutions of higher education.

WORKERS' COMPENSATION ALLOCATION FOR HIGHER EDUCATION		
	ACTUARIAL ALLOCATION	FY 2021-22 RECOMMEND.
Adams State University	0.0%	\$0
Arapahoe Community College	3.6%	88,586
Auraria Higher Education Center	9.6%	233,300
College Access Network/College Assist	0.0%	0
College Invest	0.6%	14,398
Colorado Commission on Higher Education	0.8%	19,767
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	6.7%	162,285
Community College of Aurora	2.9%	70,039
Community College System	3.2%	77,604
CSU - Global	1.9%	45,879
Denver Community College	5.7%	138,369
Front Range Community College	12.1%	295,773
History Colorado	1.4%	34,897
Lamar Community College	0.8%	19,767
Metropolitan State University of Denver	11.8%	288,208
Morgan Community College	1.1%	27,332
Northeastern Junior College	2.1%	50,028
Northwestern Community College	2.5%	60,033
Occupational Ed. Division	0.0%	0
Otero Junior College	3.3%	79,800
Pikes Peak Community College	10.8%	263,560
Private Occupational	0.1%	1,220
Pueblo Community College	6.4%	154,964
Red Rocks Community College	9.4%	229,151
Trinidad State Junior College	3.5%	85,413
Western State Colorado University	0.0%	0
Allocation Totals	100.0%	2,440,373

3. PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

RISK MANAGEMENT PROGRAM COSTS

The following table outlines total risk management program overhead costs for allocation to risk programs. Risk management's personal services, operating expenses, and indirect costs are based on figure setting recommendations for the next fiscal year. Program share of departmental benefits pots and OIT and operating common policy items are estimated by the Department and based on current fiscal year appropriations. Each risk program pays a share of Risk Management Services' administrative costs.

RISK MANAGEMENT PROGRAM COSTS						
	FY 2020-21	FY 2021-22	FY 2021-22	LIABILITY	PROPERTY	WORKERS' COMP.
	APPROP.	REQUEST	RECOMMEND.	SHARE	SHARE	SHARE
Program Allocation Share			100%	39.0%	7.0%	54.0%
Personal Services	\$830,118	\$830,118	\$830,118	\$323,746	\$58,108	\$448,264
Benefits POT'S	220,374	163,759	205,083	79,090	15,763	110,230
Operating & OIT Common Policies	233,271	240,805	272,776	104,810	22,775	145,191
Operating Expenses	62,318	62,318	62,318	24,304	4,362	33,652
Indirect Costs	52,100	52,100	221,231	86,280	15,486	119,465
Total Risk Mgt Costs for Allocation	\$1,398,181	\$1,349,100	\$1,591,526	\$618,230	\$116,495	\$856,801

3A. LIABILITY PROGRAM

The State is self-insured for the Liability Program. The program provides coverage to state agencies and employees for tort and federal claims, including those arising out of the scope of employment. Judgments for liabilities that do not involve federal law are limited by the Governmental Immunity Act pursuant to Section 24-10-114, C.R.S., limiting awards to \$387,000 per person and \$1,093,000 per occurrence. This act does *not* apply to liabilities that pertain to federal law (Americans with Disabilities Act, age discrimination, gender discrimination, racial discrimination, etc.), and there is no damage limit for these awards. This line is funded from the Risk Management Fund created in Section 24-30-1510 (1) (a), C.R.S. Moneys in the fund are *continuously appropriated* for purposes of the fund, *other than the direct and indirect administrative costs of operating the risk management system*, pursuant to Section 24-30-1510 (1) (a), C.R.S.

C-SEAP PROGRAM COSTS

The Colorado State Employees Assistance Program (CSEAP) offers counseling to employees and managers on workplace issues such as absenteeism, sexual harassment, substance abuse, time management, violence in the workplace, and other types of personal problems that may be affecting an employee's ability to perform well at work. Section 24-50-604 (1)(k)(IV), C.R.S., provides that funding for the program may include, but need not be limited to, the Group Benefit Plans Reserve Fund created in Section 24-50-613 (1), C.R.S., the Risk Management Fund created in Section 24-30-1510 (1)(a), C.R.S., and interest derived from the investment of these funds. Since FY 2013-14, funding for CSEAP has been provided from the Risk Management Fund through liability program cost allocations to state agencies pursuant to Section 24-30-1510 (3)(g), C.R.S.

The following table outlines CSEAP costs that are included in liability program allocation.

CSEAP PROGRAM COSTS				
	FY 2020-21	FY 2021-22		
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREMENTAL
Personal Services	\$915,710	\$909,006	\$908,645	(\$361)
Benefits POTS	313,809	282,695	303,731	21,036
Operating and OIT Common Policies	301,163	328,996	328,996	0
Operating Expenses	58,093	58,093	58,093	0
Indirect Costs	88,832	88,832	88,832	0
Total Risk Mgt Costs for Allocation	\$1,677,607	\$1,667,622	\$1,688,297	\$20,675

LIABILITY PROGRAM COSTS

The following table outlines total liability program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Liability claims, excess policy, and legal services expenses;
- Actuarial and broker services attributable to liability;
- Liability share of the Risk Management Information System;
- CSEAP costs
- The Cyber Security Liability Policy and
- A fund balance reserve adjustment.

LIABILITY PROGRAM COSTS				
	FY 2020-21	FY 2021-22		
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREM.
Risk Management Program Costs	\$503,177	\$611,195	\$618,230	\$7,035
Liability Claims (Prospective Losses)	4,043,473	5,551,239	5,551,239	0
Liability Excess Policy	506,000	561,350	561,350	0
Liability Legal Services	3,455,035	4,060,172	4,060,172	0
Actuarial and Broker Services	42,073	48,567	48,567	0
Risk Mgt. Information System	64,434	64,434	64,434	0
Liability Program Costs Subtotal	\$8,614,192	\$10,896,957	\$10,903,992	\$7,035
Cyber Security Liability Policy	422,348	567,551	567,551	0
C-SEAP Funding	1,677,607	1,667,622	1,688,297	20,675
Fund Balance Reserve Adjustment	(2,465,410)	1,216,165	1,211,712	(4,453)
Total for Allocation	\$8,248,737	\$14,348,295	\$14,371,552	\$23,257

FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation.

RISK MANAGEMENT FUND (LIABILITY) ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2020-21	
Beginning Fund Balance	\$650,791
Revenue	10,063,356
Expenditures	(10,714,147)
Ending Fund Balance	\$0
FY 2021-22	
Beginning Fund Balance	\$0
Cash Flow Reserve	
Expenditures (estimated)	(13,131,762)
Cash Flow Reserve Percentage	5.00%
<i>Cash Flow Reserve Amount</i>	<i>656,588</i>
Excess Claims Reserve	
Liability Claims Estimate	\$5,551,239
Excess Claims Reserve Percentage	10.00%
<i>Extraordinary Claims Reserve Amount</i>	<i>555,124</i>
TARGET FUND BALANCE FY 2021-22	1,211,712
Fund Balance Reserve Adjustment	\$1,211,712

¹ Figures taken from Schedule 9.

Staff recommends a fund balance reserve adjustment of \$1,211,712. Staff recommends an *operating cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2021-22. Staff also recommends an *excess claims* fund balance reserve calculated at 10.0 percent of the liability, continuing the recent practice of the Committee.

STATE AGENCY ALLOCATION

The program's actuary projects the State's total liability needs by analyzing prior years' losses. Using this same data, the actuary then estimates the allocation for each agency as a percent of the total. The following table outlines the recommended allocation for the next fiscal year. **Staff recommends that the Committee approve the state agency allocations included in the table as the liability component of the Payment to Risk Management and Property Funds.**

LIABILITY FY 2021-22 RECOMMENDED ALLOCATION				
DEPARTMENT	ACTUARIAL ALLOCATION	FY 2021-22 REQUEST	FY 2021-22 RECOMMEND.	REQ/REC INCREM.
Agriculture	1.2%	\$170,200	\$170,476	\$276
Corrections	9.9%	1,415,472	1,417,766	2,294
Education	4.2%	602,087	603,063	976
Governor	12.7%	1,816,943	1,819,888	2,945
Health Care Policy and Financing	1.2%	166,261	166,530	269
Higher Education	11.3%	1,623,401	1,626,032	2,631
Human Services	9.5%	1,365,930	1,368,144	2,214
Judicial	7.8%	1,112,921	1,114,725	1,804
Labor and Employment	1.1%	161,838	162,100	262
Law	1.3%	192,150	192,462	311
Legislature	0.6%	84,673	84,810	137
Local Affairs	0.4%	58,359	58,453	95
Military and Veterans Affairs	0.3%	48,507	48,585	79
Natural Resources	3.2%	461,779	462,528	748
Personnel	1.4%	205,959	206,293	334
Public Health and Environment	4.5%	650,282	651,336	1,054
Public Safety	5.2%	742,283	743,486	1,203
Regulatory Agencies	1.3%	183,071	183,367	297

LIABILITY FY 2021-22 RECOMMENDED ALLOCATION				
DEPARTMENT	ACTUARIAL ALLOCATION	FY 2021-22 REQUEST	FY 2021-22 RECOMMEND.	REQ/REC INCREM.
Revenue	2.3%	330,140	330,675	535
State	1.0%	142,805	143,037	231
Transportation	19.5%	2,801,698	2,806,239	4,541
Treasury	0.1%	11,537	11,555	19
Allocation Totals	100.0%	\$14,348,295	\$14,371,552	\$23,257

ALLOCATION FOR INSTITUTIONS OF HIGHER EDUCATION

The following table outlines the allocation for institutions of higher education.

LIABILITY ALLOCATION FOR HIGHER EDUCATION		
	ACTUARIAL ALLOCATION	FY 2021-22 RECOMMEND.
Adams State University	0.0%	\$0
Arapahoe Community College	2.6%	42,155
Auraria Higher Education Center	2.5%	41,317
College Access Network/College Assist	0.0%	0
College Invest	0.6%	10,508
Colorado Commission on Higher Education	1.2%	18,717
Colorado School of Mines	0.0%	0
Colorado State University - Pueblo	15.2%	247,889
Community College of Aurora	2.1%	34,734
Community College System	6.7%	108,302
CSU - Global	2.1%	34,036
Denver Community College	6.0%	98,023
Front Range Community College	3.7%	60,972
History Colorado	1.2%	19,848
Lamar Community College	0.8%	13,060
Metropolitan State University of Denver	27.0%	439,340
Morgan Community College	1.1%	17,532
Northeastern Junior College	1.4%	21,963
Northwestern Community College	1.3%	20,962
Occupational Ed. Division	0.0%	0
Otero Junior College	1.3%	21,098
Pikes Peak Community College	10.4%	169,023
Private Occupational	0.0%	812
Pueblo Community College	3.5%	57,115
Red Rocks Community College	3.0%	48,956
Trinidad State Junior College	6.1%	99,669
Western State Colorado University	0.0%	0
Allocation Totals	100.0%	\$1,626,032

3B. PROPERTY

The property program pays for commercial insurance and associated deductibles for insurance coverage of state properties. The program provides property loss coverage for state assets, including building and content value. The property program is funded from the Self-Insured Property Fund, created in Section 24-30-1510.5, C.R.S. Moneys in the fund are *continuously appropriated* for purposes of the fund, *other than the direct and indirect administrative costs of operating the risk management system*, pursuant to Section 24-30-1510.5 (1) (a), C.R.S.

RISK MANAGEMENT PROGRAM COSTS

The property program's share of risk management overhead costs are calculated at 7.0 percent for the next fiscal year (see table at start of this section), compared to 5.0 percent for the current fiscal year.

PROPERTY PROGRAM COSTS

The following table outlines total property program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Property policies and policy deductibles and payouts;
- Actuarial and Broker Services attributable to property;
- Property share of the Risk Management Information System; and
- A fund balance reserve adjustment.

PROPERTY PROGRAM COSTS				
	FY 2020-21	FY 2021-22		
	APPROP.	REQUEST	RECOMMEND.	REQ/REC INCREM.
Risk Management Program Costs	\$69,909	\$115,232	\$116,495	\$1,263
Property Policies				
Property & Boiler Policies	8,551,640	8,753,623	8,753,623	0
Auto Physical Damage	0	112,235	112,235	0
Terrorism Premium	230,000	141,110	141,110	0
Flood Zone A Premium	0	500,000	500,000	0
Crime Policy	380,018	252,185	252,185	0
Property Policies Subtotal	\$9,161,658	\$9,759,153	\$9,759,153	\$0
Policy Deductibles and Payouts	5,800,000	8,464,476	8,464,476	0
Actuarial and Broker Services	187,427	254,480	254,480	0
Risk Mgt. Information System	64,434	64,433	64,433	0
Property Program Costs Subtotal	\$6,051,861	\$8,783,389	\$8,783,389	\$0
Fund Balance Reserve Adjustment	(4,721,633)	(3,433,387)	(1,106,635)	2,326,752
Total for Allocation	\$10,561,795	\$15,224,387	\$17,552,402	\$2,328,015

FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends a *cash flow* fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2021-22. Staff also recommends an *extraordinary claims* fund balance reserve calculated at 10.0 percent of the property deductibles and payouts estimate.

SELF-INSURED PROPERTY FUND ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2020-21	
Beginning Fund Balance	\$7,607,604
Revenue	10,561,795
Expenditures	(15,283,428)
Ending Fund Balance	\$2,885,971
FY 2021-22	
Beginning Fund Balance	\$2,885,971
Operating Cash Flow Reserve	
Expenditures (estimate)	\$18,657,775
Cash Flow Reserve Percentage	5.0%
<i>Cash Flow Reserve Amount</i>	<i>932,889</i>
Extraordinary Claims Reserve	
Deductibles and Payouts Estimate	\$8,464,476
Extraordinary Claims Reserve Percentage	10.0%
<i>Extraordinary Claims Reserve Amount</i>	<i>846,448</i>
TARGET FUND BALANCE FY 2021-22	1,779,336
Fund Balance Reserve Adjustment	(\$1,106,635)

¹ Figures taken from Schedule 9.

The staff recommended reserve totals \$1,779,336, which requires a reduction of \$1,106,635 total funds, which will be allocated back to state agencies through reduced billing.

STATE AGENCY ALLOCATION

Policy premiums are allocated to state agencies according to their property holdings (building and content values) and loss histories. The following table outlines the recommended allocation for FY 2021-22. **Staff recommends that the Committee approve the state agency allocations included in the table as the property component of the Payment to Risk Management and Property Funds.**

PROPERTY FY 2020-21 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2020-21	PROPERTY VALUE	PROP. VALUE	FY 2021-22		
	APPROP.		ALLOCATION	REQUEST	RECOMMEND.	REQ/REC INCREM.
Agriculture	\$86,872	\$92,204,527	0.9%	\$137,814	\$158,888	\$21,074
Corrections	1,741,902	1,671,142,180	16.4%	2,497,784	2,879,729	381,945
Education	77,241	74,029,456	0.7%	110,649	127,568	16,919
Governor	98,224	94,140,292	0.9%	140,707	162,223	21,516
Health Care Policy and Financing	4,332	4,151,981	0.0%	6,206	7,155	949
Higher Education	3,298,745	3,277,940,461	32.2%	4,899,396	5,648,580	749,184
Human Services	1,025,713	983,071,572	9.7%	1,469,355	1,694,039	224,684
Judicial	196,587	188,414,486	1.8%	281,615	324,678	43,063
Labor and Employment	44,437	42,581,652	0.4%	63,645	73,377	9,732
Law	6,872	6,586,629	0.1%	9,845	11,350	1,505
Legislature	5,989	5,740,069	0.1%	8,579	9,891	1,312
Local Affairs	14,115	13,528,673	0.1%	20,221	23,313	3,092
Military and Veterans Affairs	125,672	152,190,020	1.5%	227,472	262,255	34,783
Natural Resources	688,308	632,043,956	6.2%	944,689	1,089,144	144,455
Personnel	738,241	707,550,481	6.9%	1,057,545	1,219,258	161,713
Public Health and Environment	110,218	109,050,015	1.1%	162,992	187,916	24,924
Public Safety	162,509	156,516,959	1.5%	233,939	269,712	35,773
Regulatory Agencies	22,261	24,911,013	0.2%	37,233	42,927	5,694
Revenue	57,361	54,976,107	0.5%	82,170	94,735	12,565
State	9,436	9,335,698	0.1%	13,954	16,087	2,133

PROPERTY FY 2020-21 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2020-21	PROPERTY VALUE	PROP. VALUE	FY 2021-22		
	APPROP.		ALLOCATION	REQUEST	RECOMMEND.	REQ/REC INCREM.
Transportation	2,046,556	1,885,573,731	18.5%	2,818,286	3,249,240	430,954
Treasury	204	195,172	0.0%	292	336	44
Allocation Totals	\$10,561,795	\$10,185,875,129	100.00%	\$15,224,388	\$17,552,402	\$2,328,014
<i>Percentage change from prior year</i>						22.0%

ALLOCATION FOR INSTITUTIONS OF HIGHER EDUCATION

The following table outlines the allocation for institutions of higher education.

PROPERTY ALLOCATION FOR HIGHER EDUCATION			
	PROPERTY VALUE	PROP. VALUE ALLOCATION	FY 2020-21 RECOMMEND.
Adams State University	\$0	0.0%	\$0
Arapahoe Community College	187,040,725	5.7%	322,310
Auraria Higher Education Center	718,693,980	21.9%	1,238,461
College Access Network/College Assist	32,067	0.0%	55
College Invest	770,064	0.0%	1,327
Colorado Commission on Higher Education	570,687	0.0%	983
Colorado School of Mines	0	0.0%	0
Colorado State University - Pueblo	370,299,605	11.3%	638,104
Community College of Aurora	43,466,958	1.3%	74,903
Community College System	0	0.0%	0
CSU - Global	0	0.0%	0
Denver Community College	38,018,035	1.2%	65,513
Front Range Community College	288,626,688	8.8%	497,364
History Colorado	138,447,981	4.2%	238,575
Lamar Community College	67,720,429	2.1%	116,697
Metropolitan State University of Denver	139,442,374	4.3%	240,288
Morgan Community College	55,700,760	1.7%	95,984
Northeastern Junior College	144,333,390	4.4%	248,717
Northwestern Community College	86,536,771	2.6%	149,121
Occupational Ed. Division	183,049,328	5.6%	315,432
Otero Junior College	76,621,400	2.3%	132,035
Pikes Peak Community College	202,292,744	6.2%	348,593
Pueblo Community College	162,140,869	4.9%	279,403
Red Rocks Community College	194,939,078	5.9%	335,921
Trinidad State Junior College	179,196,528	5.5%	308,793
Western State Colorado University	0	0.0%	0
Allocation Totals	\$3,277,940,461	100.0%	\$5,648,580

3C. PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

The line item which funds state agency payments for the liability and property funds is Payment to Risk Management and Property Funds.

STATE AGENCY ALLOCATION

The following table outlines the Payment to Risk Management and Property Funds allocation, which aggregates the liability and property allocations. **Staff recommends that the Committee approve the state agency allocations included in the table for the Payment to Risk Management and Property Funds.**

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS RECOMMENDED ALLOCATION			
DEPARTMENT	FY 2021-22 REQUEST	FY 2021-22 RECOMMEND	REQ/REC INCREM.
Agriculture	\$308,014	\$329,363	\$21,350
Corrections	3,913,256	4,297,495	384,239
Education	712,736	730,631	17,895
Governor	1,957,650	1,982,112	24,462
Health Care Policy and Financing	172,467	173,685	1,218
Higher Education	6,522,797	7,274,612	751,815
Human Services	2,835,285	3,062,183	226,898
Judicial	1,394,536	1,439,403	44,867
Labor and Employment	225,483	235,477	9,994
Law	201,995	203,812	1,817
Legislature	93,252	94,702	1,450
Local Affairs	78,580	81,766	3,186
Military and Veterans Affairs	275,979	310,841	34,862
Natural Resources	1,406,468	1,551,672	145,204
Personnel	1,263,504	1,425,551	162,047
Public Health and Environment	813,274	839,252	25,978
Public Safety	976,222	1,013,198	36,976
Regulatory Agencies	220,304	226,294	5,991
Revenue	412,310	425,411	13,101
State	156,759	159,124	2,365
Transportation	5,619,984	6,055,478	435,495
Treasury	11,829	11,892	63
Allocation Totals	\$29,572,683	\$31,923,954	\$2,351,271
Percentage change from prior year			8.0%

CAPITOL COMPLEX LEASED SPACE PROGRAM COSTS					
	FY 2020-21 APPROP.	FY 2021-22 REQUEST	FY 2021-22 RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Energy Performance Depreciation	2,138,125	2,140,000	2,140,000	0	1,875
Sprint Leased Tower Space	(47,618)	(47,618)	(47,618)	0	0
CCLS Program Costs Subtotal	\$16,641,149	\$16,818,038	\$16,935,730	\$117,692	\$294,581
Fund Balance Adjustment	(1,487,178)	(463,101)	(95,339)	367,762	1,391,839
Total for Allocation	\$15,153,971	\$16,354,937	\$16,840,391	\$485,454	\$1,686,420
<i>Annual Growth of Allocation</i>					<i>11.1%</i>

DEPRECIATION

This cost accounts for the depreciation of equipment. The federal government only allows recovery of capital costs through depreciation. This allows the State to recover funding outlays for capital expenses in Capitol Complex.

ENERGY PERFORMANCE DEPRECIATION

This item is associated with Phase 4 of the Department's energy performance contracts. The Department finances improvements to buildings by signing agreements with vendors to perform capital improvements to energy systems. Federal requirements provide that this item be recovered through program costs with depreciation.

SPRINT LEASED TOWER SPACE

The Department leases land to Sprint for a cell tower at Camp George West, which generates this revenue.

FUND BALANCE RESERVE ADJUSTMENT

The following table outlines the fund balance reserve adjustment recommendation.

Recommended Balance Adjustment for FY 2021-22 ¹	
Description	Amount
FY 2019-20 End-of-Year Cash Balance	\$4,579,715
Estimated FY 2020-21 Revenues	15,153,971
Estimated FY 2020-21 Expenditures	(16,641,149)
Estimated FY 2020-21 End-of-Year Balance	3,092,537
Capital Asset Reserve Set Aside Balance	(1,600,000)
Net Available Operating Fund Balance	\$1,492,537
FY 2021-22 Recommended Base Expenditures	\$16,935,730
Targeted Operating Fund Balance (8.25%)	1,397,198
Total Target Reserve	\$2,997,198
Fund Balance Reserve Adjustment	(\$95,339)

¹ Figures taken from Schedule 9.

Staff recommends an *operating cash flow* fund balance reserve equal to 8.25 percent for FY 2021-22. This results in a reductions of \$95,339 allocated out to state agencies.

STATE AGENCY UTILIZATION AND ALLOCATION

The following table outlines square footage allocation by agency.

SQUARE FOOT ALLOCATION BY STATE AGENCY						
DEPARTMENT	TOTAL DENVER	PIERCE ST	NORTH CAMPUS	GRAND JUNCTION	CAMP GEORGE WEST	TOTAL ALL BUILDINGS
Corrections	0	0	0	0	46,696	46,696
Correctional Industries	0	0	0	0	18,672	18,672
Education	46,890	0	0	0	0	46,890
Legislature	142,740	0	0	0	0	142,740
Governor, Lt Governor, OSPB	19,780	0	0	0	0	19,780
OIT	13,853	0	0	1346	0	15,199
Health Care Policy and Financing	33,264	0	0	0	0	33,264
Human Services	89,429	0	0	0	0	89,429
Local Affairs	38,107	0	0	3783	0	41,890
Military and Veterans Affairs	0	0	0	0	55,865	55,865
Natural Resources	79,277	0	0	0	0	79,277
Personnel	194,437	0	82,034	2,853	0	279,324
Public Health and Environment	0	0	0	4,477	0	4,477
Public Safety	93,326	0	0	0	170,141	263,467
Regulatory Agencies	0	0	0	0	0	0
Revenue	0	89,031	2,119	5,919	0	97,069
Transportation	0	0	0	13,917	13,703	27,620
Treasury	3,351	0	0	0	0	3,351
Labor & Employment	0	0	5,381	2,850	0	8,231
Total Square Footage Billed	754,454	89,031	89,534	35,145	305,077	1,273,241

The following table outlines the common policy allocation and additional costs paid by the General Assembly.

GENERAL ASSEMBLY PAYMENTS TO THE DEPARTMENT OF PERSONNEL FOR MAINTENANCE OF LEGISLATIVE SPACE	
Capitol Complex Leased Space Allocation	\$2,793,884
Parking at 1525 Sherman	28,800
Conference Center Rental	5,200
Total	\$2,827,884

Conference center rental is billed to agencies by occurrence and not included in capitol complex allocation rates. Rather than pay by occurrence, the General Assembly has agreed to pay for an estimated 26 days of conference center use through its payments to the Department of Personnel for *Maintenance of Legislative Space*, which will be trued up annually through the capitol complex leased space common policy. Similarly, parking at 1525 Sherman Street is billed directly to employees parking in the lot, however the General Assembly pays \$120 per month per space for their 20 parking spaces at the lot through the *Maintenance of Legislative Space* line item.

The following table outlines the Capitol Complex Leased Space Allocation recommendation.

CAPITOL COMPLEX LEASED SPACE FY 2021-22 RECOMMENDED ALLOCATION					
DEPARTMENT	FY 2020-21	FY 2021-22			
	APPROPRIATION	REQUESTED	RECOMMENDED	REQ/REC INCREM.	TOTAL ADJUSTMENT
Agriculture	\$0	\$0	\$0	\$0	\$0

CAPITOL COMPLEX LEASED SPACE FY 2021-22 RECOMMENDED ALLOCATION					
DEPARTMENT	FY 2020-21	FY 2021-22			
	APPROPRIATION	REQUESTED	RECOMMENDED	REQ/REC INCREM.	TOTAL ADJUSTMENT
Corrections	55,513	59,086	59,492	406	3,979
Education	747,163	910,446	917,789	7,343	170,626
Governor	608,314	665,283	670,624	5,341	62,310
Health Care Policy and Financing	591,064	645,875	651,084	5,209	60,020
Higher Education	0	0	0	0	0
Human Services	1,588,568	1,736,411	1,750,416	14,005	161,848
Judicial	0	0	0	0	0
Labor and Employment	37,916	42,291	42,555	264	4,639
Law	0	0	0	0	0
Legislative	2,535,555	2,771,532	2,793,884	22,352	258,329
Local Affairs	707,480	774,319	780,494	6,175	73,014
Military and Veteran Affairs	48,777	50,496	50,843	347	2,066
Natural Resources	1,408,234	1,539,294	1,551,708	12,414	143,474
Personnel and Administration	2,482,062	4,050,798	4,083,047	32,249	1,600,985
Public Health and Environment	36,176	40,722	40,967	245	4,791
Public Safety	1,806,347	1,965,866	1,981,538	15,672	175,191
Regulatory Agencies	0	0	0	0	0
Revenue	2,316,838	898,482	902,495	4,013	(1,414,343)
State	0	0	0	0	0
Transportation	124,420	138,971	139,820	849	15,400
Treasury	59,544	65,065	65,590	525	6,046
Allocation Totals	\$15,153,971	\$16,354,937	\$16,482,346	\$127,409	\$1,328,375
<i>Percentage change from prior year</i>					<i>8.77%</i>

Based on prior year appropriations, approving the Staff recommendation has an estimated increase of \$585,813 General Fund. JBC staff analysts will be directed to work with their agencies to determine a fund mix that is appropriate and include those adjustments in their Long Bill sections. The following tables estimates the fund splits for the total appropriation and for the incremental adjustment.

ESTIMATED FUND SPLITS FOR FY 2021-22 CAPITOL COMPLEX LEASED SPACE			
	ESTIMATED FUND SPLITS BASED ON FY 2020-21 APPROPRIATIONS	FY 2021-22	
		RECOMMENDED TOTAL FUND SPLITS	RECOMMENDED INCREMENTAL FUND SPLITS
General Fund	44.1%	\$7,268,715	\$585,813
Cash Funds	20.1%	3,312,952	267,003
Reappropriated Funds	29.4%	4,845,810	390,542
Federal Funds	6.4%	1,054,870	85,016
Total	100.0%	\$16,482,346	\$1,328,375

5. VEHICLE LEASE PAYMENTS

In accordance with Section 24-30-1104 (2), C.R.S., the Department is responsible for operating and maintaining the State's vehicle fleet. The State Fleet Management Program purchases vehicles, manages maintenance and repairs, auctions replaced and out-of-service vehicles, and manages the State Motor Pool. The fleet program is funded by fees from user agencies that are deposited in the Motor Fleet Management Fund created in Section 24-30-1115 (1), C.R.S. Appropriations for the Vehicle Lease Payments line items reflect the cost of lease payments and the Department's vehicle management fee, for each agency's vehicles.

RECOMMENDED REPLACEMENT VEHICLES

Staff recommends replacement of 492 of 706 requested vehicles, including 241 alternative fuel or hybrid vehicles (AFVs). Staff's recommendation does not include the replacement of any compressed natural gas (CNG) vehicles, as none met the below criteria. **The replacement recommendation includes a statewide increase in Vehicle Lease Payments line items of \$2,474,187 total funds, including \$474,852 General Fund.** This recommendation does not include adjustments for additional state agency vehicles requested through separate department request items.

Staff's recommended replacement criteria requires that a vehicle meet one of three standards:

1. Projected high mileage by June 2021.
 - Standard vehicles – 150,000 miles. This is equal to 15,000 miles per year over 10 years.
 - Other law enforcement vehicles – 125,000 miles.
 - Colorado State Patrol (CSP) vehicles – 100,000 miles.
 - CSP Motorcycles – 40,000 miles.
2. Over 15 years old.
3. High maintenance cost that is 100 percent greater than average for the vehicle type.

The table below summarizes the number of vehicle replacements by department. A detailed list of staff's recommended replacement vehicles is included in Appendix A.

FY 2021-22 ANNUAL FLEET NUMBER OF VEHICLES REQUESTED AND RECOMMENDED				
DEPARTMENT	FY 2021-22 VEHICLES REQUESTED	FY 2021-22 AFV REQUESTED	FY 2021-22 VEHICLES RECOMMENDED	FY 2021-22 AFV RECOMMENDED
Appropriated Agencies				
Agriculture	10	9	4	4
Corrections	103	83	79	63
Governor's Office	4	4	2	2
Human Services	30	19	15	7
Judicial Branch	9	9	6	6
Labor And Employment	6	6	2	2
Law	3	3	2	2
Local Affairs	4	4	2	2
Military and Veterans Affairs	3	3	2	2
Natural Resources	130	98	91	68
Personnel	2	2	1	1
Public Health and Environment	8	7	4	3
Public Safety	224	19	184	14
Regulatory Agencies	4	4	2	2

FY 2021-22 ANNUAL FLEET NUMBER OF VEHICLES REQUESTED AND RECOMMENDED				
DEPARTMENT	FY 2021-22 VEHICLES REQUESTED	FY 2021-22 AFV REQUESTED	FY 2021-22 VEHICLES RECOMMENDED	FY 2021-22 AFV RECOMMENDED
Revenue	29	28	18	18
Appropriated Totals	569	298	414	196
Non Appropriated Agencies				
Higher Education	53	24	40	18
Transportation	84	67	38	27
Statewide Total	706	389	492	241

Staff's recommendation is projected to save \$275,106 total funds, as compared to the request, when taking into account estimated maintenance costs.

REPLACEMENT AND MAINTENANCE COST COMPARISON - REQUEST VS. RECOMMENDED			
	REPLACEMENT COST	ESTIMATED MAINTENANCE EXPENSE	TOTAL COST
Department Request (706 replacements)	\$5,336,929	\$6,785,827	\$12,122,756
JBC Staff Recommendation (476 replacements)	4,764,822	7,227,584	11,992,406
Staff Rec. Above/(Below) Request	(\$572,107)	\$441,757	(\$130,350)

VEHICLE REPLACEMENT LEASE/PURCHASE LINE ITEM

The following table provides a summary of the JBC staff recommendation for the *replacement* vehicles only. This table does not include appropriations related to individual decision items, which are included in individual agency figure setting recommendations. The fund splits included in this table are estimates based on prior year fund split ratios. JBC staff requests permission to instruct other analysts to work with individual departments to determine the necessary fund split.

FY 2021-22 ANNUAL FLEET RECOMMENDED DEPARTMENT ALLOCATIONS								
DEPARTMENT	FY 2020-21 APPROP	REQUESTED FY 2021-22 APPROP	RECOMMENDED FY 2021-22 APPROP	TOTAL INCREMENTAL CHANGE	GENERAL FUND	CASH FUNDS	REAPPROP FUNDS	FEDERAL FUNDS
Appropriated Agencies								
Agriculture	\$292,563	\$424,451	\$415,955	\$123,392	\$49,339	\$72,283	\$0	\$1,770
Corrections	3,339,905	3,499,984	3,468,680	128,775	104,978	23,797	0	0
Education	26,196	37,040	37,040	10,844	9,188	0	1,656	0
Governor's Office	136,944	154,577	149,609	12,665	2,523	0	10,142	0
Human Services	1,045,216	1,173,983	1,152,215	106,999	54,031	0	52,968	0
Judicial Branch	231,158	268,258	263,866	32,708	32,708	0	0	0
Labor And Employment	198,733	198,607	191,751	(6,982)	(605)	(2,899)	(79)	(3,400)
Law	61,432	79,760	78,456	17,024	6,869	4,306	5,700	150
Local Affairs	93,280	116,786	113,942	20,662	18,559	0	2,103	0
Military and Veterans Affairs	63,322	135,633	134,329	71,007	30,251	0	0	40,756
Natural Resources	4,481,593	4,903,082	4,833,218	351,625	24,578	319,240	3,544	4,262
Personnel	262,054	285,677	284,389	22,335	0	0	22,335	0
Public Health & Environment	370,188	391,887	386,751	16,563	306	13,297	2,959	0
Public Safety	8,734,256	10,367,297	10,202,489	1,468,233	130,760	1,262,684	40,684	34,106
Regulatory Agencies	238,619	283,135	279,899	41,280	0	41,280	0	0
Revenue	739,688	809,621	792,541	52,853	11,367	41,486	0	0
State	8,239	12,443	12,443	4,204	0	4,204	0	0
Appropriated Totals	\$20,323,386	\$23,142,221	\$22,797,573	\$2,474,187	\$474,852	\$1,779,678	\$142,012	\$77,644
		<i>Req/Rec Incr.</i>	<i>(\$344,648)</i>					
Non Appropriated Agencies								
Higher Education	\$1,005,146	\$1,368,375	\$1,347,855	\$342,709				
Transportation	2,431,579	2,806,875	2,729,759	298,180				

FY 2021-22 ANNUAL FLEET RECOMMENDED DEPARTMENT ALLOCATIONS								
DEPARTMENT	FY 2020-21 APPROP	REQUESTED FY 2021-22 APPROP	RECOMMENDED FY 2021-22 APPROP	TOTAL INCREMENTAL CHANGE	GENERAL FUND	CASH FUNDS	REAPPROP FUNDS	FEDERAL FUNDS
Statewide Total	\$23,760,111	\$27,317,471	\$26,875,187	\$3,115,076				
		<i>Req/Rec Increm.</i>	<i>(\$442,284)</i>					

6. CORE OPERATIONS

CORE Operations is the common policy for the state's accounting and financial reporting system, the Colorado Operations Resource Engine. In FY 2015-16, the COFRS Modernization program was transferred from the Governor's Office of Information Technology to the Division of Accounts and Control in the Department of Personnel and located in a new subdivision known as CORE Operations. Consistent with that change, state agency line items were renamed from COFRS Modernization to CORE Operations.

CORE OPERATIONS PROGRAM COSTS

The following table outlines total CORE Operations program costs for allocation to state agencies. The table includes program costs, a payment from the Supplier Database Cash Fund, and a fund balance reserve adjustment for the Statewide Financial Information Technology Systems Cash Fund.

FY 2020-21 CORE OPERATIONS PROGRAM COSTS					
	FY 2020-21	FY 2021-22			
	APPROPRIATION	REQUEST	RECOMMEND	REQ/REC INCREM.	TOTAL ADJUSTMENT
Personal Services	\$1,955,276	\$1,993,123	\$1,993,123	\$0	\$37,847
Benefits POTS	512,485	475,964	523,587	47,624	11,103
Operating and OIT Common Policies	413,313	448,718	448,718	0	35,404
Operating Expenses	59,590	59,590	59,590	0	0
Payments for CORE and Support Modules	6,592,280	6,671,656	6,671,656	0	79,376
Indirect Costs	298,341	298,341	298,341	0	0
Depreciation	4,831,451	4,799,040	4,799,040	0	(32,411)
CORE Operations Program Costs Subtotal	\$14,662,736	\$14,746,431	\$14,794,055	\$47,624	\$131,319
Payment from Supplier Database Cash Fund	(2,948,595)	(2,855,875)	(4,098,456)	(1,242,580)	(1,149,861)
Fund Balance Reserve Adjustment	(1,047,135)	(1,779,547)	(1,750,398)	29,149	(703,264)
Total for Allocation	\$10,667,006	\$10,111,008	\$8,945,201	(\$1,165,807)	(\$1,721,805)

Personal services and operating expenses are based on figure setting recommendations for the next fiscal year. Program share of departmental benefits pots and OIT and operating common policy items are estimated by the Department and based on current year appropriations; the Department's request amount differs from the recommended amount by the amount of indirect costs.

Payments for CORE and Support Modules are figure setting recommendations for the next fiscal year. This line item pays for CORE system and modules annual licensing and operating costs to CORE vendors for Managed Services, Labor Data Collection and Electronic Content Management.

Indirect costs match those included in the statewide indirect costs plan.

Depreciation provides a 10-year straight-line depreciation schedule for the total value of the CORE asset set of \$46,477,361. The recommendation includes the correct amount of depreciation for this

item. Lease-purchase payments are made in the CORE Lease Purchase Payments line item at an amount lower than depreciation, set at \$4,799,040 for FY 2021-22. However, it is necessary to bill the depreciable value rather than the lease purchase payment in order to properly bill federal sources of revenue for their proportional share of the implementation costs of the system. The straight-line method decreases the amount of variance between fiscal years for depreciation.

FUND BALANCE RESERVE ADJUSTMENT

The Department requests and staff recommends a 16.5 percent reserve of the prior year fund balance for the Supplier Database Cash Fund and an 8.25 percent reserve for the Statewide Financial Information Technology Systems Cash Fund (SFITS). An 8.25 percent reserve is equal to approximately one month of operating revenue and 16.5 percent is two months.

SUPPLIER DATABASE CASH FUND RESERVE ADJUSTMENT

The adjustment for the Supplier Database Cash Fund is essentially a payment for CORE Operations from the cash fund.

SUPPLIER DATABASE CASH FUND ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2020-21	
Beginning Fund Balance	\$5,064,512
Revenue	2,792,413
Expenditures	(2,948,595)
Ending Fund Balance	\$4,908,330
FY 2021-22	
Fund Balance Target Reserve	16.5%
Fund Balance Reserve Amount	809,874
Fund Balance Reserve Adjustment	(\$4,098,456)

¹ Figures taken from Schedule 9.

The FY 2020-21 beginning fund balance is taken from the Department's FY 2021-22 budget request Schedule 9 for the Supplier Database Cash Fund created in Section 24-102-202.5 (2)(a), C.R.S. Revenue and expenditure amounts are from Department estimates. The Supplier Database Cash Fund receives revenues from rebates on statewide price agreements. Because this fund is not a typical, common policy operational revenue cash fund, the fund balance target reserve amount is calculated on the prior year ending fund balance.

STATEWIDE FINANCIAL INFORMATION TECHNOLOGY SYSTEMS CASH FUND RESERVE ADJUSTMENT

The adjustment for the SF-ITS is a more typical reserve adjustment for a common policy operational cash fund. The SF-ITS created in Section 24-30-209 (2)(a), C.R.S., was added effective May 1, 2015. Revenue and expenditures were taken from the Department’s Schedule 9 for the Fund Report. The fund balance reserve amount is calculated on expenditures that include program costs minus depreciation plus CORE Lease Purchase Payments minus payments from the Supplier Database Cash Fund. The following table outlines the fund balance reserve adjustment recommendation.

STATEWIDE FINANCIAL INFORMATION TECHNOLOGY SYSTEMS CASH FUND ¹	
RECOMMENDED RESERVE ADJUSTMENT	
FY 2020-21	
Beginning Fund Balance	\$2,086,416
Revenue	13,522,881
Expenditures	(13,689,550)
Ending Fund Balance	\$1,919,747
FY 2021-22	
Expenditures (PS+OE)	\$2,052,713
Fund Balance Target Reserve	8.25%
Fund Balance Reserve Amount	169,349
Fund Balance Reserve Adjustment	(\$1,750,398)

¹ Figures taken from Schedule 9.

STATE AGENCY UTILIZATION AND ALLOCATION

The costs of CORE Operations are allocated to state agencies, based upon actual usage for the most recent fiscal year for which actual data is available. The FY 2021-22 allocation is determined by the FY 2020-21 actual utilization. The following table outlines recommended allocations.

CORE OPERATIONS FY 2020-21 RECOMMENDED ALLOCATION						
DEPARTMENT	FY 2020-21		FY 2021-22			TOTAL ADJUSTMENT
	APPROPRIATION	UTILIZATION	REQUEST	RECOMMENDATION	REQ/REC INCREM.	
Agriculture	\$145,304	1.45%	\$146,329	\$129,457	(\$16,872)	(\$15,847)
Corrections	400,272	4.05%	409,238	362,053	(47,185)	(38,219)
Education	327,125	2.69%	272,095	240,722	(31,373)	(86,403)
Governor	368,553	4.21%	425,707	376,623	(49,084)	8,070
Health Care Policy and Financing	184,939	1.26%	127,250	112,578	(14,672)	(72,361)
Higher Education	274,875	2.65%	268,128	237,213	(30,915)	(37,662)
Human Services	1,299,814	12.62%	1,275,709	1,128,619	(147,090)	(171,195)
Judicial	1,877,756	17.84%	1,803,627	1,595,667	(207,960)	(282,089)
Labor and Employment	510,598	4.48%	453,053	400,815	(52,238)	(109,783)
Law	60,148	0.50%	50,484	44,663	(5,821)	(15,485)
Legislature	48,420	0.41%	41,668	36,863	(4,805)	(11,557)
Local Affairs	519,401	4.87%	492,853	436,027	(56,826)	(83,374)
Military and Veteran Affairs	76,867	0.73%	73,577	65,093	(8,484)	(11,774)
Natural Resources	616,928	6.05%	611,556	541,043	(70,513)	(75,885)
Personnel	385,648	3.22%	325,637	288,091	(37,546)	(97,557)
Public Health and Environment	846,297	9.60%	970,856	858,916	(111,940)	12,619
Public Safety	383,683	3.72%	376,618	333,193	(43,425)	(50,490)
Regulatory Agencies	361,907	3.38%	341,919	302,496	(39,423)	(59,411)
Revenue	1,343,376	11.04%	1,115,759	987,111	(128,648)	(356,265)
State	24,384	0.22%	22,085	19,539	(2,546)	(4,845)
Transportation	168,188	1.49%	150,374	133,036	(17,338)	(35,152)
Treasury	442,523	3.53%	356,486	315,383	(41,103)	(127,140)
Allocation Totals	\$10,667,006	100%	\$10,111,008	\$8,945,201	(\$1,165,807)	(\$1,721,805)
<i>Percentage Change from FY 2020-21</i>						<i>(16.1%)</i>

7. STATEWIDE INDIRECT COST ASSESSMENTS

While some centrally-provided services are billed directly, the purpose of the Statewide Indirect Cost Plan (formally labeled the Statewide Indirect Cost Appropriation/Cash Fees Plan by the Office of the State Controller) is to allocate the unbilled costs of statewide central services 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.

- For the budget, indirect cost recoveries offset General Fund. When indirect cost assessments and recoveries are not identified in a budget, a state agency is appropriated more General Fund than necessary and indirect cost recoveries are available for use by the state agency in an off-budget manner.
- 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 (OSP); (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.
- The statewide indirect cost plan for FY 2021-22 is estimated to recover approximately \$17.3 million from cash funds, reappropriated funds, and federal funds. The plan includes \$1.1 million less allocations than for FY 2020-21, representing an increase of 5.7 percent decrease.

The following table summarizes the proposed statewide indirect cost recoveries for FY 2021-22 and compares it to the plan for the prior year.

FY 2020-21 STATEWIDE INDIRECT COST PLAN				
	FY 2020-21	FY 2021-22	CHANGE	PERCENT CHANGE
Cash Funds	\$9,215,646	\$8,848,277	(\$367,369)	(4.0%)
Reappropriated Funds	5,238,131	5,217,617	(20,514)	(0.4%)
Federal Funds	3,857,037	3,193,297	(663,740)	(17.2%)
Total	\$18,310,814	\$17,259,191	(\$1,051,623)	(5.7%)

STATEWIDE INDIRECT COST PLAN

Staff recommends that the Committee approve the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2021-22 for use in figure setting for department budgets. The following table outlines the plan.

FY 2021-22 STATEWIDE INDIRECT COST PLAN					
DEPARTMENT	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	TOTAL FUNDS
Agriculture	\$51,224	\$130,798	\$9,888	\$24,789	\$216,699
Corrections	1,650,082	30,364	21,943	7,168	1,709,557
Education	643,811	305,109	278,402	277,021	1,504,343
Governor	77,016	30,895	1,072	37,189	146,172
Governor - OIT	0	0	1,000,087	0	1,000,087
Health Care Policy and Financing	950,775	270,035	106,490	513,532	1,840,832
Higher Education	9,587	2,511,080	331,074	469,223	3,320,964
Human Services	1,346,029	161,400	208,520	468,981	2,184,930
Judicial	959,641	152,939	10,306	7,265	1,130,151
Labor and Employment	40,279	297,171	3,215	394,875	735,540
Law	28,004	16,474	79,982	3,898	128,358
Local Affairs	123,876	81,889	159,263	148,268	513,296
Military and Veterans Affairs	60,129	5,901	0	257,053	323,083
Natural Resources	124,990	569,913	28,582	83,142	806,627
Personnel	0	0	2,717,714	0	2,717,714
Public Health and Environment	98,198	281,739	78,673	400,362	858,972
Public Safety	228,932	875,066	140,079	74,935	1,319,012
Regulatory Agencies	12,981	462,436	38,205	18,247	531,869
Revenue	503,566	874,407	1182	7,349	1,386,504
State	0	148,425	0	0	148,425
Transportation	0	1,642,236	2,940	0	1,645,176
TOTAL	\$6,909,120	\$8,848,277	\$5,217,617	\$3,193,297	\$24,168,311

8. DOCUMENT SOLUTIONS GROUP COMMON POLICY FOR DEPARTMENTS OF REVENUE AND STATE

The Department of Personnel's Integrated Documents Solutions (IDS) includes a subdivision located in Pueblo that serves the scanning and document-related needs of State agencies. This group, the Document Solution Group (DSG), has until FY 2019-20 employed an expense pooling methodology in setting the rates for all services it offers. DSG has two major customers, the Department of Revenue (DOR) and Secretary of State (SOS), in addition to several smaller customers with one-time or short-term business needs. Last year, with the help of Department of Personnel Staff, JBC staff recommended and the Joint Budget Committee approved a new common policy to smooth expenditures out over a 4-year period, to account for the Secretary of State's typical work cycle.

GENERAL DPA COMMON POLICY METHODOLOGY

Similar to the previously-existing DPA common policies such as Payments to Risk Management, Workers' Compensation, Administrative Law Judge Services, CORE Operations, Vehicle Lease Payments and Capitol Complex Leased Space, the DSG common policy utilizes the same type of methodology; the Department estimates the total cost pool for the following fiscal year, determines the allocation percentages by department using a specific metric, and then determines the target fund balance estimate and any fund balance adjustments that may be needed. The total billing amount by

cabinet/department is determined by taking the total allocable cost base plus or minus any fund balance adjustment, and multiplying this total cost by the allocation percentages by department.

DSG OPERATIONS COMMON POLICY METHODOLOGY

PROGRAM COST POOL

As is the standard approach for all other DPA common policies, the common policy cost pool for DSG includes operating expenses, personal services expenses, and overhead allocations. Personal services expenses include salaries aged to include projected total compensation adjustments, projected overtime and temporary labor needs based on projected volumes, and standard POTS related expenditures. Overhead allocations include the program's share of statewide common policies billed to the Department, such as Legal Services, Leased Space, Payments to Risk Management, Workers' Compensation, Administrative Law Judge Services, CORE Operations, Vehicle Lease Payments, and Payments to OIT. Operating expenses include all standard operating costs associated with providing services. Additionally, personal services contract costs necessary to support the specific equipment required by DOR are included in the cost pool. Finally, the cost pool will be reduced by the four-year average of the revenue derived by customers other than SOS and DOR.

COST POOL FOR DSG				
DESCRIPTION	FY 2020-21	FY 2021-22		
	APPROPRIATED	REQUESTED	RECOMMENDED	REQ/REC INCREM.
Personal Services	\$3,190,277	\$3,026,168	\$3,069,296	\$43,128
Central Personnel Allocation	77,224	95,712	95,712	0
DCS Admin Overhead Share	319,694	325,485	325,485	0
PERA DIRECT DISTRIBUTION	48,758	51,195	51,195	0
Operating Expenses & Personal Services Contracts	975,516	899,619	899,619	0
Indirect Costs	74,090	148,659	148,659	0
Operating and OIT Common Policies	1,001,696	1,065,876	1,065,876	0
Pipeline Delivery Costs	10,260	10,568	10,568	0
SOS North Campus	7,550	7,550	7,550	0
DSG Program Cost Subtotal	\$5,705,065	\$5,630,832	\$5,673,960	\$43,128
Standard IDS Fund Balance Adjustment (2.0%)	126,082	112,617	113,479	863
Fund Balance Adjustment (3.0% of Expenses)	209,921	172,303	173,623	1,320
Adjusted Total	\$6,041,068	\$5,915,752	\$5,961,062	\$45,310
Less Cost Related to Other Customers	(744,521)	(725,731)	(725,731)	0
Total Collected in DSG Common Policy	\$5,296,547	\$5,190,021	\$5,235,331	\$45,310

FUND BALANCE ADJUSTMENTS

Because the DSG common policy will continue to operate out of the fund it shares with the rest of Integrated Document Solutions, the Department is proposing a methodology to ensure a reasonable fund balance similar to the one utilized by other DPA common policies.

The Department proposes that each year during the common policy build process, a review and comparison of revenue collected to actual expenses will be undertaken. If either the expense or revenue is out of balance, an adjustment will be made in the common policy allocation. If actual expenses come in higher than initially estimated, a positive fund balance adjustment is requested in the following fiscal year to bring in additional revenue in order to maintain a sufficient fund balance. However, if actual expenses come in lower than initially estimated, a negative fund balance adjustment is requested to keep the fund balance from exceeding an established target. Over time, this methodology allows the Department to true up the fund to an amount sufficient to cover actual

expenses plus a minimal reserve, although there will always be a two-year lag from the actual transaction counts and the current fiscal year’s common policy.

The target proposed by the Department for DSG is a 3.0 percent revenue contingency to be built into the common policy so that the program can accommodate fluctuations in actual volumes processed by the program. Without the contingency, the Department would not be able to provide services for additional unanticipated volumes for processing. These volumes can be accommodated on the expense side through the use of the existing contingency spending authority. If over time the true up shows that volumes fluctuate by more than 3.0 percent annually, the Department will seek to increase the revenue contingency reserve.

Additionally, a portion of the standard IDS (2.0 percent) fund balance adjustment will be applied to the overall cost pool for the DSG common policy. This ensures that the fund in its entirety will be moving toward the overall target on an annual basis, whether through an increase or decrease to the overall fund. The overall fund balance adjustment for IDS will be determined annually, and the portion that falls under DSG will be included as an increase or decrease the common policy cost pool. The remaining adjustments to the IDS fund balance are applied through the rates which are set annually.

DEPARTMENT ALLOCATION BASIS

The Department will continue to set rates for this program as it has done in the past and track volumes processed to arrive at a total billing amount for each fiscal year. This amount will be averaged with four fiscal years to accommodate for the election cycle that influences the volumes processed by the Secretary of State. The cost pool will then be allocated between SOS and DOR based on their portion of the total amounts billed. The allocation basis will maintain the two-year lag that all other Department-administered common policies utilize. For example, the FY 2021-22 common policy will be based on actual amounts that should have been billed for FY 2016-17, FY 2017-18, FY 2018-19, and FY 2019-20. In the future, the allocation will be based on what would have been billed based on the continued rate setting and actual volumes processed, averaged over four years.

FY 2021-22 DSG RECOMMENDED ALLOCATIONS							
Department	FY 2020-21 Appropriation	FY 2021-22 Rec'd	FY 2021-22 Total Base Adj.	GENERAL Fund	CASH Funds	REAPPROPRIATED Funds	FEDERAL Funds
Revenue	\$4,855,832	\$4,624,048	(\$231,784)	(\$231,784)	\$0	\$0	\$0
State*	440,715	611,283	170,568	0	170,568	0	0
Total	\$5,296,547	\$5,235,331	(\$61,216)	(\$231,784)	\$170,568	\$0	\$0

* The Department of State’s appropriation includes funding for contractual services utilized in the initiative process.

APPENDIX A – FLEET MANAGEMENT PROGRAM RECOMMENDED REPLACEMENTS