

This file contains the following documents:

1. March 19, 2012, JBC Staff memo titled: "DPA Operating Common Policies FY12-13 Figure Setting Comeback".
2. March 15, 2012, JBC Staff document titled: "FY 2012-13 Staff Figure Setting DPA Operating Common Policies".

MEMORANDUM

TO: Joint Budget Committee

FROM: Alfredo Kemm, JBC Staff (303-866-4549)

SUBJECT: DPA Operating Common Policies FY12-13 Figure Setting Comeback

DATE: March 19, 2012

FACILITIES MAINTENANCE – CAPITOL COMPLEX LEASED SPACE

Following Committee action on DPA Operating Common Policies, March 15, the Department informed staff of concerns with the fund balance adjustment recommended for Capitol Complex Leased Space. The Department's primary concern is that staff's use of schedule 14 expenditure estimates as the basis for calculating a target fund balance did not include depreciation.

Staff's original recommendation included depreciation in the program overhead costs calculation, but did not include it in the fund balance calculation because staff's understanding of *depreciation* is that it is a non-cash flow item, and therefore should not affect cash fund balance. However, additional discussion with the State Controller suggests that:

- Depreciation is an allowable expense for federal reimbursement;
- In order to recover federal payment for depreciation, it must be billed across funding sources;
- Including depreciation is better for the state in the long run, as eventually the federal government will conceivably pay for all capital assets (a small portion at a time), while excluding depreciation means that the federal government will pay nothing for federal program's usage of the state's capital assets;
- A cash fund balance is not simply a cash flow balance, but also a balance sheet balance, particularly for federal reimbursement requirements and GAAP/GASB rules, which the Department and the State Controller are statutorily required to follow;
- Billing for depreciation must be included in both the overhead expenses cost sheet and in the fund balance's *balance sheet* (as depreciation is expensed in the capital assets section on the asset side of the balance sheet, it is recognized on the liabilities side in the accumulated fund balance/contributed capital section);
- The intent of the statutory excess reserve limit is to limit fee increases to program cost recovery, and not directly based on the actual operating cash flow balance nor the *balance sheet* fund balance, which does accumulate a growing balance of real dollars. A 16.5 percent excess reserve limit is equal to two months of program expenses, and is intended to provide program and operating liquidity for months or periods that have negative cash flow experience due to actual payment and cash flow schedules.

Staff's concern with the depreciation issue is that state agencies are paying and experiencing a real

cash out-flow for a non-cash flow expense that ends up accumulating in a fund balance for the sole purpose of maintaining a *100-percent level of contributed capital* on a fund's balance sheet in order to account properly for federal reimbursement of capital asset usage. As staff understands it, it is the Controller's position that collecting federal reimbursement for depreciation is in the better interest of the state, despite the additional cost to state agencies to support the policy.

At this time, staff defers to the State Controller's policy opinion that depreciation – despite being an off budget program expense item, and being a non-cash flow program item – should be included in the fund balance calculation. The following table outlines staff's revised target fund balance recommendation and replaces the target fund balance table at the top of page 18 in the figure-setting document.

FY 2012-13 Capitol Complex Facilities Target Fund Balance				
	Department Request	Original Staff Recomm.	Revised Staff Recomm.	Difference
FY 2010-11 End Balance	\$2,221,940	\$2,221,940	\$2,221,940	\$0
FY 2011-12 Dept. Expenditure Estimate	11,460,504			0
FY 2011-12 Sched 14 Expenditure Estimate		9,983,629	9,983,629	0
FY 2011-12 Sched 9A (cash funds report) Off Budget Estimate			1,350,794	1,350,794
Subtotal – Expenditure Estimate	11,460,504	9,983,629	11,334,423	1,350,794
FY 2011-12 Agency Allocations/Billings	11,263,556	11,263,556	11,263,556	0
FY 2011-12 Estimated End Balance	2,024,992	3,501,867	2,151,073	(1,350,794)
Statutory Excess Reserve Limit	16.5%	16.5%	16.5%	
Excess Reserve Limit Fund Balance	1,858,487	1,858,487	1,858,487	
Excess Reserve Limit FB Adjustment	(166,505)	(1,643,380)	(292,586)	
Target Fund Balance Percent	16.5%	5.0%	8.25%	3.25%
Target Fund Balance on Agency Billings	1,858,487	563,178	929,243	366,066
Target Fund Balance Adjustment	(166,505)	(2,938,689)	(1,221,830)	1,716,860

Staff has made three adjustments to the original recommendation:

1. First, depreciation has been included as a program expenditure in calculating an estimated end balance.
2. Second, the target fund balance percentage is calculated on the FY 2011-12 state agency allocations/billings rather than on estimated expenditures, due to the policy intention of the excess reserve limit.

3. And third, staff is recommending a one-month reserve or target fund balance percentage of 8.25 percent to ensure program cash flow liquidity through each month of the fiscal year. Staff's recommendation includes an analysis of monthly program cash flow for FY 2010-11 and half of FY 2011-12. The program incurs some less than uniform payments through the fiscal year, experiences some monthly negative cash flow experiences, and a reserve equal to one month of program allocations should allow the Department to remain liquid and above zero in both operating cash and balance sheet at the end of each month of the fiscal year.

The following table replaces the table on page 17 of the figure setting document and outlines program costs for allocation and includes the revised fund balance adjustment as well as a technical correction to the health, life and dental amount that should be allocated to the program.

FY 2012-13 Capitol Complex Leased Space Program Costs for Allocation					
Item	FY 2011-12 Approp.	FY 2012-13 Request	Original FY 2012-13 Recomm.	Revised FY 2012-13 Recomm.	Recomm. Difference
Personal services	2,776,896	2,830,887	2,775,623	2,775,623	0
Health, life, and dental	285,266	369,415	324,193	405,156	80,963
AED, SAED, STD	120,833	153,700	170,063	170,063	0
Shift differential	7,495	14,989	14,696	14,696	0
Operating expenses	1,884,034	1,884,035	1,884,034	1,884,034	0
Utilities	3,679,321	4,011,538	4,011,534	4,011,534	0
Capitol complex repairs	56,520	56,520	56,520	56,520	0
Capitol complex security	361,167	367,663	367,663	367,663	0
DCS overhead estimate	236,465	360,969	360,969	360,969	0
Leased space	765	747	747	747	0
Capitol complex leased space	26,675	30,450	30,450	30,450	0
Vehicle lease payments	8,975	7,455	7,455	7,455	0
Depreciation estimate	32,245	37,931	37,931	37,931	0
Energy performance depreciation	802,665	1,437,551	1,437,551	1,437,551	0
Indirect costs	457,027	457,027	457,027	457,027	0
Sprint Tower Lease Revenue	(17,568)	(31,622)	(31,622)	(31,622)	0
1.0% billable vacancy	0	120,209	0	0	0
Fund Balance Adjustment	0	33,759	(2,781,115)	(1,221,830)	1,559,285
Total	\$10,718,781	\$12,143,223	\$9,123,719	\$10,763,967	\$1,640,248

Additionally, state agency allocations include \$349,189 in pass-through utility expenses for the Camp George West properties that are not included in the program costs table.

Staff Revised Recommendation: Staff recommends the Committee approve a total of \$11,113,155 for allocation to the state agency Capitol Complex Leased Space lines as follow:

FY 2012-13 Capitol Complex Leased Space Allocation to State Agencies				
Department	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Agriculture	\$171,145	\$190,529	\$169,713	(\$20,816)
Corrections	98,626	135,508	123,625	(11,883)
Correctional Industries	28,104	35,634	30,882	(4,752)
CSU Forest Service	16,592	15,942	13,610	(2,332)
Education	561,093	624,643	556,399	(68,244)
Governor	462,762	513,730	457,377	(56,353)
Health Care Policy & Financing	397,928	442,998	394,600	(48,398)
Human Services	1,275,866	1,415,517	1,260,108	(155,409)
Labor and Employment	29,169	25,008	21,882	(3,126)
Law	1,284,061	1,429,495	1,273,320	(156,175)
Legislature	1,414,077	1,574,237	1,402,249	(171,988)
Local Affairs	476,277	525,525	466,108	(59,417)
Military Affairs	83,459	91,110	76,894	(14,216)
Natural Resources	872,671	971,511	865,372	(106,139)
Personnel	846,033	941,593	837,576	(104,017)
Public Health and Environment	31,686	29,024	24,873	(4,151)
Public Safety	1,274,883	1,419,629	1,263,475	(156,154)
Regulatory Agencies	6,098	5,585	4,787	(798)
Revenue	1,723,682	1,893,375	1,683,594	(209,781)
Transportation	154,047	150,256	131,876	(18,380)
Treasurer	55,297	61,560	54,835	(6,725)
Total	\$11,263,556	\$12,492,409	\$11,113,155	(\$1,379,254)

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2012-13 STAFF FIGURE SETTING
DPA OPERATING COMMON POLICIES**

**(Workers' Compensation and Risk Management, Administrative Law Judge
Services, Vehicle Lease Payments, and Capitol Complex Leased Space)**

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

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March 15, 2012**

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

DPA OPERATING COMMON POLICIES
FY 2012-13 FIGURE SETTING

Table of Contents

Workers' Compensation and Risk Management	1
Worker's Compensation	1
Property	5
Liability	8
Administrative Law Judge Services	11
Vehicle Lease Payments	14
Facilities Maintenance – Capitol Complex Leased Space	15

WORKERS' COMPENSATION AND RISK MANAGEMENT

The Risk Management division includes property, liability, and workers' compensation programs. These functions are funded by transfers from user agencies to the Department of Personnel and Administration.

- ❑ **Workers' Compensation** claims are funded by the State Employee Workers' Compensation Account (Section 24-30-1510.7 (1), C.R.S.).
 - ❑ **Property** claims are funded by the Self-Insured Property Fund (Section 24-30-1510.5 (1), C.R.S.). This insurance covers state buildings and their contents, including over 6,000 properties that are worth in excess of \$9.0 billion. Unlike the other two risk management categories, property is not self-insured, and frequently there are large, single incidents that drive premium costs.
 - ❑ **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.
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WORKERS' COMPENSATION

The State's Workers' Compensation program is used to pay workers' compensation benefits to state employees. The State is self-insured for workers' compensation, and is appropriated moneys from the State Employees Workers' Compensation Account, which is a separate account within the Risk Management Fund (Section 24-30-1510.7 (1), C.R.S.). Similar to other types of risk management programs, the fund receives revenue from funds transferred from user agencies and interest earned.

Pursuant to Section 24-30-1510.7 (2), C.R.S., moneys in the State Workers' Compensation Account are subject to annual appropriation by the General Assembly for purposes of paying workers' compensation benefits to state employees in accordance with articles 40 to 47 of Title 8, C.R.S. The amount of any one department's allocation of workers' compensation costs is determined through actuarial calculations and three years of claims history.

Premium Costs: The Department contracts with an actuary to estimate the State's total current liability by analyzing the prior three 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 Department then adjusts agency allocations for program administration including personal services, operating expenses, and the program's portion of Department overhead costs.

Claims: 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.

The greatest number of claims are for the Departments of Corrections and Human Services, which reflects the provision of services directly to at-risk populations. The Department of Transportation also generates a large number of workers' compensation claims and expenditures, but the General Assembly does not directly appropriate funds to this department for workers' compensation.

Staff Recommendation: Staff recommends the Committee approve a total of \$40,880,929 for Worker's Compensation, to be allocated to state agency Workers' Compensation lines as follow:

FY 2012-13 Workers' Compensation Cost Allocation to State Agencies				
Department	Allocation Percentage	Department Request	Staff Recomm.	Difference
Agriculture	0.4%	\$180,422	\$165,703	(\$14,719)
Corrections	19.0%	8,456,946	7,767,033	(689,913)
Education	1.1%	471,792	433,303	(38,489)
Governor	0.9%	405,515	372,433	(33,082)
Health Care Policy & Financing	0.1%	33,583	30,843	(2,740)
Higher Education	6.7%	2,976,305	2,733,500	(242,805)
Human Services	30.8%	13,721,376	12,601,993	(1,119,383)
Judicial	4.2%	1,865,076	1,712,924	(152,152)
Labor and Employment	1.3%	591,393	543,147	(48,246)
Law	0.2%	79,763	73,256	(6,507)
Legislature	0.1%	33,982	31,210	(2,772)
Local Affairs	0.1%	55,364	50,847	(4,517)
Military Affairs	0.2%	73,508	67,511	(5,997)
Natural Resources	3.9%	1,750,710	1,607,888	(142,822)
Personnel	0.5%	240,133	220,543	(19,590)
Public Health and Environment	1.0%	461,278	423,647	(37,631)
Public Safety	6.9%	3,078,826	2,827,657	(251,169)
Regulatory Agencies	0.2%	76,436	70,200	(6,236)
Revenue	1.9%	838,845	770,412	(68,433)
State	0.0%	7,541	6,926	(615)

FY 2012-13 Workers' Compensation Cost Allocation to State Agencies				
Department	Allocation Percentage	Department Request	Staff Recomm.	Difference
Transportation	20.5%	9,112,354	8,368,973	(743,381)
Treasurer	0.0%	1,065	978	(87)
Total	100.0%	\$44,512,213	\$40,880,929	(\$3,631,284)

Staff Analysis: The following table calculates total workers' compensation program costs for allocation to state agencies that include program overhead costs, workers' compensation premium expenses, C-SEAP program funding, and a target fund balance adjustment. Workers' Compensation overhead costs are calculated at 74.4 percent of total Risk Management program costs. Personal services and operating expenses are based on FY 2012-13 figure setting decisions, that includes the approved Workers' Compensation Loss Control Request. Personal services and benefits are calculated based on FY 2012-13 Committee policy decisions. Indirect costs and operating common policy items are calculated based on FY 2011-12 appropriations.

FY 2012-13 Workers' Compensation Program Costs for Allocation				
Program Overhead	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Personal services	\$468,119	\$587,244	\$577,414	(\$9,830)
Indirect costs	130,645	132,872	132,872	0
Health, life, and dental	32,660	69,537	55,257	(14,280)
AED, SAED, and STD	17,321	32,172	28,986	(3,186)
Operating expenses	41,771	53,789	53,789	0
OIT common policies	4,736	30,511	30,511	0
Capitol complex leased space	18,469	19,359	19,359	0
Workers' compensation	2,959	3,497	3,497	0
Risk management	3,410	7,463	7,463	0
Leased space	1,125	1,908	1,908	0
Subtotal	\$721,215	\$938,352	\$911,056	(\$27,296)
Workers' Compensation Premium Expenses	FY 2011-12 Approp	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Prospective claims payout	\$32,470,870	\$34,907,605	\$34,907,605	\$0
Third party administrator fees	1,976,393	2,150,000	2,150,000	0
CDLE surcharge	788,000	500,000	500,000	0

FY 2012-13 Workers' Compensation Program Costs for Allocation				
Litigation costs	500,000	500,000	500,000	0
Excess policy	343,700	449,893	449,893	0
DHS prior year claim payments	200,000	150,000	150,000	0
Broker and RMIS Service fees	13,734	59,759	59,759	0
Loss control incentives	50,000	50,000	50,000	0
Actuarial services	32,013	39,500	39,500	0
CDLE permit	2,000	2,000	2,000	0
Subtotal, Premium Expenses	\$36,376,710	\$38,808,757	\$38,808,757	\$0
C-SEAP	\$895,151	\$1,061,475	\$1,009,486	(\$51,989)
Target fund balance adjustment	(2,800,000)	3,703,629	151,630	(3,551,999)
Total Workers' Compensation Costs Allocation to State Agencies*	\$34,471,861	\$44,512,213	\$40,880,929	(\$3,603,988)

*The FY 2011-12 Total Workers' Compensation Costs Allocation total did not include program overhead costs.

CDLE surcharge: The Colorado Department of Labor and Employment Surcharge is required as a self-insured permit holder. The surcharge is calculated twice per year, and the cost is determined using the actual payroll for six months. Payroll data is broken down by hazard level.

DHS prior year claims payments: This is a payment for certain Department of Human Services institutions claims that were open when the Department joined the State risk pool. They are all permanent, total disability claims.

Loss control incentives: These funds are used as incentives for agencies that are involved in initiatives to reduce workers' compensation claims.

Excess policy: This is the insurance policy purchased to cover the possibility of a catastrophic workers' compensation loss. The purchase of the policy is required by the Department of Labor, Workers Compensation Division requirements for a self-insurance permit. The cost of the policy is calculated on payroll.

RMIS: The Department contracts for data management and technical support for the Risk Management Information System for all Risk Management programs.

The following table outlines the target fund balance recommendation. The Department requests an 8.0 percent target fund balance due to the volatile nature of the program, that they calculate as \$3,254,271. Staff recommends a 5.0 percent target fund balance equal to the FY 2011-12 Committee approved percentages for property and liability funds, calculated on the Department budget request schedule 14 document of estimated expenditures for FY 2011-12.

FY 2012-13 Workers' Compensation Target Fund Balance			
	Department Request	Staff Recomm.	Difference
FY 2010-11 End Balance	\$6,843,686	\$6,843,686	\$0
FY 2011-12 Dept. Expenditure Estimate	41,770,488		
FY 2011-12 Sched 14 Expenditure Estimate		39,497,866	(2,272,622)
FY 2011-12 Agency Allocations/Billings	34,477,444	34,477,444	0
FY 2011-12 Estimated End Balance	(449,358)	1,823,264	2,272,622
Target Fund Balance Percent	8.0%	5.0%	
Target Fund Balance Amount	3,254,271	1,974,893	(1,279,378)
Target Fund Balance Adjustment	3,703,629	151,629	(3,552,000)

PROPERTY PREMIUMS

The Property Premiums line item funds insurance coverages for state buildings and their contents. The Department insures over 6,000 state properties that are worth more than \$9.0 billion. Unlike liability and workers' compensation coverage, the State is not self-insured for property insurance. It contracts with IMA of Colorado, Inc., to procure commercial coverage for loss or damage to covered state property. Property premiums also provide coverage for boiler and machinery, state aircraft, and crime loss.

Departments pay a \$5,000 deductible per claim, and the State's deductible is \$400,000 per occurrence, with an aggregate deductible of \$2.25 million. The State pays a \$25,000 deductible for maintenance claims, regardless of whether the State has met the statewide aggregate deductible. Policy premiums are allocated to state agencies according to their property holdings (building and content values) and loss histories.

Staff Recommendation: Staff recommends the Committee approve a total of \$9,065,165 for allocation to the Property portion of state agency Payment to Risk Management and Property lines as follow:

FY 2012-13 Property Cost Allocation to State Agencies				
Department	Allocation Percentage	Department Request	Staff Recomm.	Difference
Agriculture	1.0%	\$91,217	\$92,785	\$1,568
Corrections	16.0%	1,418,145	1,442,518	24,373
Education	0.8%	69,038	70,225	1,187
Governor	1.0%	89,300	90,835	1,535
Health Care Policy & Financing	0.0%	4,063	4,133	70
Higher Education*	37.0%	3,311,494	3,368,004	56,510
Human Services	8.6%	765,792	778,953	13,161
Judicial	0.2%	19,186	19,516	330
Labor and Employment	0.1%	7,906	8,042	136
Law	0.1%	5,887	5,988	101
Legislature	0.1%	7,264	7,389	125
Local Affairs	0.1%	5,295	5,386	91
Military Affairs	1.4%	124,971	127,119	2,148
Natural Resources	5.1%	454,655	462,469	7,814
Personnel	6.7%	595,322	605,554	10,232
Public Health and Environment	0.7%	59,633	60,658	1,025
Public Safety	1.1%	99,315	101,022	1,707
Regulatory Agencies	0.2%	19,797	20,137	340
Revenue	0.9%	80,311	81,691	1,380
State	0.1%	7,862	7,997	135
Transportation	18.9%	1,675,750	1,704,551	28,801
Treasurer	0.0%	191	194	3
Total	100.0%	\$8,912,394	\$9,065,165	\$152,771

*The Higher Education allocation includes \$23,495 for Flood Zone A; excluded for all other departments.

Staff Analysis: The following table calculates total property program costs for allocation to state agencies that include program overhead costs, property premium expenses, and a target fund balance adjustment. Property overhead costs are calculated at 16.7 percent of total Risk Management program costs. Personal services and operating expenses are based on FY 2012-13 figure setting decisions. Personal services and benefits are calculated based on FY 2012-13 Committee policy decisions. Indirect costs and operating common policy items are calculated based on FY 2011-12 appropriations.

FY 2012-13 Property Program Costs for Allocation				
Program Overhead	FY 2011-12 Approp	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Personal services	\$109,730	\$108,240	\$106,037	(\$2,203)
Indirect costs	30,624	29,781	29,781	0
Health, life, and dental	7,656	13,604	12,385	(1,219)
Operating expenses	5,559	9,522	9,522	0
AED, SAED, and STD	4,060	5,927	6,497	570
Capitol complex leased space	4,329	4,339	4,339	0
OIT common policies	1,110	6,838	6,838	0
Workers' compensation	694	784	784	0
Risk management	799	1,673	1,673	0
Leased space	264	428	428	0
Subtotal, Property Overhead Costs	\$164,825	\$181,136	\$178,284	(\$2,852)
Property Premiums Expenses	FY 2011-12 Approp	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Policy deductibles and residuals	\$3,690,427	\$3,690,427	\$3,690,427	\$0
Property & boiler policies	4,012,183	4,394,224	4,394,224	0
Terrorism premium	293,848	300,000	300,000	0
Flood zone A premium	235,682	23,495	23,495	0
Broker service fees	231,968	225,000	225,000	0
Auto physical damage	19,455	19,455	19,455	0
RMIS service fees	44,325	45,816	45,816	0
Subtotal, Property Premium	\$8,527,888	\$8,698,417	\$8,698,417	\$0
Target fund balance adjustment	(2,258,841)	32,842	188,464	155,622
Total Property Costs				
Allocation to State Agencies*	\$6,269,047	\$8,912,395	\$9,065,165	\$155,622

*The FY 2011-12 Property Costs Allocation total did not include program overhead costs.

The following table outlines the target fund balance recommendation. The Department requests and staff recommends a 5.0 percent target fund balance consistent with FY 2011-12 Committee policy. Staff's recommendation is calculated on the Department budget request schedule 14 document of estimated expenditures for FY 2011-12.

FY 2012-13 Property Target Fund Balance			
	Department Request	Staff Recomm.	Difference
FY 2010-11 End Balance	\$3,067,798	\$3,067,798	\$0
FY 2011-12 Dept. Expenditure Estimate	8,925,709		
FY 2011-12 Sched 14 Expenditure Estimate		9,071,723	146,014
FY 2011-12 Agency Allocations/Billings	6,269,047	6,269,047	0
FY 2011-12 Estimated End Balance	411,136	265,122	(146,014)
Target Fund Balance Percent	5.0%	5.0%	
Target Fund Balance Amount	443,978	453,586	9,608
Target Fund Balance Adjustment	32,842	188,464	155,622

LIABILITY PREMIUMS

The State is self-insured for liability claims, and pursuant to Section 24-30-1510 (1), C.R.S., this line item is continuously appropriated and funded by the Risk Management Fund (Section 24-30-1510 (1), C.R.S.). 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 occurring in a State building. The program provides coverage to state agencies and employees for tort and federal claims, including those arising out of the scope of employment.

Judgements for liabilities that do not involve federal law are limited by the Governmental Immunity Act pursuant to Section 24-10-114, C.R.S. This act limits judgements to \$150,000 per person and \$600,000 per occurrence. However, this act does not apply to liabilities that pertain to federal law (such as the Americans with Disabilities Act, age discrimination, gender discrimination, racial discrimination, etc.), and there is no damage limit for these awards. During a typical year, approximately 2,200 liability claims are filed against the State, most of which are dismissed due to the Colorado Governmental Immunity Act.

Staff Recommendation: Staff recommends the Committee approve a total of \$5,652,285 for allocation to the Liability portion of state agency Payment to Risk Management and Property lines as follow:

FY 2012-13 Liability Cost Allocation to State Agencies				
Department	Allocation Percentage	Department Request	Staff Recomm.	Difference
Agriculture	0.8%	\$46,396	\$46,430	\$34
Corrections	29.1%	1,643,318	1,644,518	1,200
Education	0.2%	8,687	8,693	6
Governor	1.2%	66,363	66,411	48
Health Care Policy & Financing	1.4%	80,252	80,311	59
Higher Education	4.7%	266,151	266,345	194
Human Services	10.8%	612,661	613,108	447
Judicial	3.9%	219,642	219,802	160
Labor and Employment	0.4%	20,859	20,874	15
Law	1.5%	81,901	81,961	60
Legislature	0.1%	6,575	6,580	5
Local Affairs	0.2%	9,359	9,366	7
Military Affairs	0.4%	22,769	22,786	17
Natural Resources	5.8%	326,713	326,952	239
Personnel	0.9%	51,457	51,495	38
Public Health and Environment	0.6%	32,416	32,440	24
Public Safety	12.8%	721,883	722,410	527
Regulatory Agencies	1.9%	109,205	109,285	80
Revenue	1.9%	105,624	105,701	77
State	0.4%	19,894	19,909	15
Transportation	21.2%	1,195,301	1,196,174	873
Treasurer	0.0%	734	735	<u>1</u>
Total	100.0%	\$5,648,160	\$5,652,285	\$4,125
The Department's agency allocation total differs from its estimated costs total. Staff used the Department's requested agency allocation amounts to calculate allocation percentages in determining recommended allocations. Staff's allocation total differs from the estimated costs total by one dollar due to rounding.				

Staff Analysis: The following table calculates total liability program costs for allocation to state agencies that include program overhead costs, liability premium expenses, liability legal expenses, and a target fund balance adjustment. Liability overhead costs are calculated at 9.0 percent of total Risk Management program costs. Personal services and operating expenses are based on FY 2012-13 figure setting decisions. Personal services and benefits are calculated based on FY 2012-13

Committee policy decisions. Indirect costs and operating common policy items are calculated based on FY 2011-12 appropriations.

FY 2012-13 Liability Program Costs for Allocation				
Program Overhead	FY 2011-12 Approp	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Personal services	\$62,300	\$58,163	\$56,979	(\$1,184)
Indirect costs	17,387	16,003	16,003	0
Health, life, and dental	4,346	7,310	6,655	(655)
Operating expenses	5,559	5,117	5,117	0
AED, SAED, and STD	2,305	3,185	3,491	306
Capitol complex leased space	2,458	2,332	2,332	0
OIT common policies	630	3,675	3,675	0
Workers' compensation	394	421	421	0
Risk management	454	899	899	0
Leased space	150	230	230	0
Subtotal, Program Overhead	\$95,983	\$97,335	\$95,802	(\$1,533)
Liability Premium Expense	FY 2011-12 Approp	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Prospective losses	\$4,458,484	\$3,943,416	\$3,943,416	\$0
Excess auto	285,911	299,151	299,151	0
Crime policy	230,126	337,648	337,648	0
RMIS services fees	44,325	45,816	45,816	0
Actuarial services	32,013	39,500	39,500	0
Broker service fees	8,444	8,573	8,573	0
Subtotal, Premium Expense	\$5,059,303	\$4,674,104	\$4,674,104	\$0
Legal Expenses	\$2,400,722	\$2,315,975	\$2,315,975	\$0
Target fund balance adjustment	(1,286,933)	(1,439,049)	(1,433,595)	5,454
Total Liability Costs				
Allocation to State Agencies	\$6,269,075	\$5,648,365	\$5,652,286	\$3,921

Excess auto: This is an insurance policy purchased to provide coverage in the event of an out-of-state auto accident or an auto accident with a claim that exceeds the Colorado Government Immunity Act limitations.

Crime policy: This provides insurance coverage for embezzlement, theft of cash or other funds, etc.

The following table outlines the target fund balance recommendation. The Department requests and staff recommends a 5.0 percent target fund balance consistent with FY 2011-12 Committee policy. Staff's recommendation is calculated on the Department budget request schedule 14 document of estimated expenditures for FY 2011-12.

FY 2012-13 Liability Target Fund Balance			
	Department Request	Staff Recomm.	Difference
FY 2010-11 End Balance	\$3,100,605	\$3,100,605	\$0
FY 2011-12 Dept. Expenditure Estimate	7,576,260		
FY 2011-12 Sched 14 Expenditure Estimate		7,558,176	(18,084)
FY 2011-12 Agency Allocations/Billings	6,269,075	6,269,075	0
FY 2011-12 Estimated End Balance	1,793,420	1,811,504	18,084
Target Fund Balance Percent	5.0%	5.0%	
Target Fund Balance Amount	354,371	377,909	23,538
Target Fund Balance Adjustment	(1,439,049)	(1,433,595)	5,454

ADMINISTRATIVE LAW JUDGE SERVICES

The Office of Administrative Courts (OAC) provides an independent administrative law adjudication system for State agencies in order to resolve cases that concern administrative and regulatory law. It offers a full range of alternative dispute resolution options, including evidentiary hearings, settlement conferences, and mediation.

Administrative law judges conduct hearings on workers' compensation cases, public benefits cases (food stamps, Colorado Works/TANF, Medicaid), professional licensing board work involving the denial, revocation, or suspension of licensed professionals (such as doctors, nurses, architects, real estate brokers, engineers, etc.), teacher dismissal cases, and complaints under the Fair Campaign Practices Act.

The costs of providing administrative law judge service are allocated statewide, based upon the utilization rates for the most recent fiscal year that actual data is available. The FY 2012-13 cost allocation is determined by the FY 2010-11 actual utilization amounts. The utilization rate includes the total number of administrative law judge and paralegal hours used by each agency.

Staff Recommendation: Staff recommends the Committee approve a total of \$4,828,304 for allocation to the state agency Administrative Law Judge Services lines as follow:

FY 2012-13 Administrative Law Judge Services Allocation to State Agencies					
Department	FY 2010-11 Actual Hours	FY 2010-11 Utilization	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Agriculture	22.3	0.07%	\$3,359	\$3,468	\$109
Corrections	29.6	0.10%	\$4,458	\$4,604	\$146
Education	420.2	1.35%	63,293	65,353	2,060
Health Care Policy & Financing	3,283.0	10.58%	494,509	510,597	16,088
Higher Education	4.4	0.01%	663	684	21
Human Services	5,933.2	19.11%	893,701	922,776	29,075
Labor and Employment	17,934.7	57.77%	2,701,454	2,789,339	87,885
Law	7.3	0.02%	\$1,100	\$1,135	\$35
Personnel	30.2	0.10%	4,549	4,697	148
Public Health and Environment	10.8	0.03%	1,627	1,680	53
Regulatory Agencies	1,911.0	6.16%	287,849	297,213	9,364
Revenue	91.3	0.29%	13,752	14,200	448
State	737.0	2.37%	111,012	114,624	3,612
Transportation	4.4	0.01%	663	684	21
Misc. School Districts	625.3	2.01%	94,187	97,251	3,064
Total	31,044.7	100.0%	\$4,676,176	\$4,828,304	\$152,128

Staff Analysis: The following table calculates total administrative law judge services costs for allocation to state agencies that include program overhead costs, Decision Item #4 – E-Filing, and a target fund balance adjustment. Personal services and operating expenses are based on FY 2012-13 figure setting decisions. Personal services and benefits are calculated based on FY 2012-13 Committee policy decisions. Indirect costs and operating common policy items are calculated based on FY 2011-12 appropriations.

FY 2012-13 Administrative Law Judge Services Program Costs for Allocation				
Item	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Personal services	\$3,198,184	\$3,266,376	\$3,201,135	(\$65,241)
Health, life, and dental	209,638	262,753	373,893	111,140
AED, SAED, STD	143,239	175,642	196,133	20,491
Operating Expenses	134,597	134,597	134,597	0
Leased Space (Denver, Co Springs)	304,950	313,802	313,802	0
Capitol Complex Leased Space (Grand Junction)	12,032	11,567	11,567	0
Workers' Compensation	26,505	22,124	22,124	0
Risk Management	13,427	47,223	47,223	0
OIT Common Policies	59,234	250,949	250,949	0
Legal Services	426	6,096	6,096	0
Indirect Costs	185,047	185,047	185,047	0
Recommended Appropriation for Office of Admin Courts	\$4,287,279	\$4,676,176	\$4,742,566	\$66,390
Decision Item #4 – E-Filing			416,975	416,975
Adjustment for fund balance	(240,000)	0	(331,237)	(331,237)
FY 2011-12 Supplemental #2	255,957			0
Allocations to User Agencies	\$4,303,236	\$4,676,176	\$4,828,304	\$152,128

The following table outlines the target fund balance recommendation. The Department did not request a fund balance adjustment in their common policy budget request. Staff recommends a 5.0 percent target fund balance calculated on the Department budget request schedule 14 document of estimated expenditures for FY 2011-12.

FY 2012-13 Office of Administrative Courts Target Fund Balance	
	Staff Recomm.
FY 2011-12 Estimated End Balance	\$507,128
FY 2011-12 Sched 14 Expenditure Estimate	3,517,828
Target Fund Balance Percent	5.0%
Target Fund Balance Amount	175,891
Target Fund Balance Adjustment	(331,237)

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 (Fleet) purchases vehicles, manages maintenance and repairs, auctions replaced and out-of-service vehicles, and manages the State Motor Pool. Fleet is funded by fees from user agencies that are deposited in the Motor Fleet Management Fund (Section 24-30-1115 (1), C.R.S.).

Appropriations for the Vehicle Lease Payments line items, typically located in each department's Executive Director's office, reflect the cost of lease payments and the Department's vehicle management fee, for each respective agency's vehicles. These funds are then transferred to Fleet Management's, *Vehicle Replacement Lease, Purchase, or Lease/Purchase* line and for program overhead costs as reappropriated funds.

Fleet first assesses a vehicle for replacement at 100,000 miles, with the exception of the Colorado State Patrol, which has historically targeted its vehicles for replacement at 80,000 miles. On average, non-patrol vehicles are replaced between 130,000 and 140,000 miles. Fleet recommended the replacement of 600 vehicles for FY 2012-13, including 196 vehicles for the Colorado State Patrol, and a total of 465 that are appropriated. The Committee approved 450 of the 465 appropriated replacement vehicles.

Staff Recommendation: Staff recommends the Committee approve a total of \$15,686,775 for the Fleet Management Program's, Vehicle Replacement Lease, Purchase or Lease/Purchase line and a total of \$19,695,392 for allocation to the state agency Vehicle Lease Payments lines as follow:

FY 2012-13 Vehicle Lease Payments Allocations to State Agencies						
	Vehicle Replacements				Decision Items	Total Recomm.
	Base	Request	Approv.	Adjustment		
Agriculture	208,951	9	9	37,568	0	246,519
Corrections	2,459,054	93	93	372,009	0	2,831,063
Education	23,043	1	1	3,623	0	26,666
Governor	131,610	5	5	(25,439)	0	106,171
Human Services	1,075,007	32	32	56,010	16,416	1,147,433
Judicial	118,226	10	10	119,701	0	237,927
Labor	107,625	5	5	(2,367)	0	105,258

FY 2012-13 Vehicle Lease Payments Allocations to State Agencies						
	Vehicle Replacements				Decision Items	Total Recomm.
	Base	Request	Approv.	Adjustment		
Law	70,176	0	0	109	0	70,285
Local Affairs	126,730	0	0	(18,285)	0	108,445
Military Affairs	36,508	1	1	11,041	0	47,549
Natural Resources	2,898,675	73	71	203,362	1,446	3,103,483
Personnel	105,089	9	6	(15,287)	0	89,802
Public Health	344,839	1	1	64,222	0	409,061
Public Safety	7,109,553	196	186	279,896	0	7,389,449
Regulatory Agencies	151,802	8	8	69,452	0	221,254
Revenue	527,422	22	22	200,953	0	728,375
State	2,969	0	0	(6)	0	2,963
Subtotal – Approp.	15,497,279	465	450	1,356,562	17,862	16,871,703
Higher Education	582,889	81	81	111,153	0	694,042
Transportation	2,152,012	54	54	(22,365)	0	2,129,647
Subtotal – Non-Approp.	2,734,901	135	135	88,788	0	2,823,689
TOTAL	18,232,180	600	585	1,445,350	17,862	19,695,392

FACILITIES MAINTENANCE – CAPITOL COMPLEX LEASED SPACE

Pursuant to Section 24-82-101, C.R.S., the Department maintains the executive space owned and rented within the Capitol Complex. It also maintains the space occupied by the Legislative branch, as well as facilities in Grand Junction and Camp George West. In total, the Department manages 1,257,261 square feet.

The Department is responsible for general maintenance for the plumbing, electrical, elevator, and HVAC (heating, ventilation, and air conditioning) systems. It is also responsible for custodial work and grounds maintenance. In Denver, the Department maintains ten addresses in what is termed the

Capitol Hill Campus, one address in the North Campus, and two addresses in Lakewood. Each of these campuses, although funded by the Capitol Complex program, have distinct rental rates that mirror the locations and uses of the various properties.

Staff Recommendation: Staff recommends the Committee approve a total of \$9,472,906 for allocation to the state agency Capitol Complex Leased Space lines as follow:

FY 2012-13 Capitol Complex Leased Space Allocation to State Agencies				
Department	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Agriculture	\$171,145	\$190,529	\$144,650	(\$45,879)
Corrections	98,626	135,508	110,357	(25,151)
Correctional Industries	28,104	35,634	25,577	(10,057)
CSU Forest Service	16,592	15,942	11,335	(4,607)
Education	561,093	624,643	474,230	(150,413)
Governor	462,762	513,730	389,838	(123,892)
Health Care Policy & Financing	397,928	442,998	336,325	(106,673)
Human Services	1,275,866	1,415,517	1,074,038	(341,479)
Labor and Employment	29,169	25,008	18,643	(6,365)
Law	1,284,061	1,429,495	1,085,275	(344,220)
Legislature	1,414,077	1,574,237	1,195,164	(379,073)
Local Affairs	476,277	525,525	396,157	(129,368)
Military Affairs	83,459	91,110	61,021	(30,089)
Natural Resources	872,671	971,511	737,573	(233,938)
Personnel	846,033	941,593	713,725	(227,868)
Public Health and Environment	31,686	29,024	21,230	(7,794)
Public Safety	1,274,883	1,419,629	1,078,390	(341,239)
Regulatory Agencies	6,098	5,585	4,086	(1,499)
Revenue	1,723,682	1,893,375	1,434,156	(459,219)
Transportation	154,047	150,256	114,399	(35,857)
Treasurer	55,297	61,560	46,737	(14,823)
Total	\$11,263,556	\$12,492,409	\$9,472,906	(\$3,019,503)

Staff Analysis: The following table calculates total Facilities Maintenance – Capitol Complex program costs for allocation to state agencies that include program overhead costs, a discretionary billable vacancy rate, and a target fund balance adjustment. Personal services and operating expenses are based on FY 2012-13 figure setting decisions. Personal services and benefits are calculated based

on FY 2012-13 Committee policy decisions. Indirect costs and operating common policy items are calculated based on FY 2011-12 appropriations.

FY 2012-13 Capitol Complex Leased Space Program Costs for Allocation				
Item	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.	Difference
Personal services	2,776,896	2,830,887	2,775,623	(55,264)
Health, life, and dental	285,266	369,415	324,193	(45,222)
AED, SAED, STD	120,833	153,700	170,063	16,363
Shift differential	7,495	14,989	14,696	(293)
Operating expenses	1,884,034	1,884,035	1,884,034	(1)
Utilities	\$3,679,321	\$4,011,538	\$4,011,534	(\$4)
Capitol complex repairs	56,520	56,520	56,520	0
Capitol complex security	361,167	367,663	367,663	0
DCS overhead estimate	236,465	360,969	360,969	0
Leased space	765	747	747	0
Capitol complex leased space	26,675	30,450	30,450	0
Vehicle lease payments	8,975	7,455	7,455	0
Depreciation estimate	32,245	37,931	37,931	0
Energy performance depreciation	802,665	1,437,551	1,437,551	0
Indirect costs	457,027	457,027	457,027	0
Sprint Tower Lease Revenue	(17,568)	(31,622)	(31,622)	0
1.0% billable vacancy	0	120,209	0	(120,209)
Fund Balance Adjustment	0	33,759	(2,781,115)	(2,814,874)
Total	\$10,718,781	\$12,143,223	\$9,123,719	(\$3,019,504)

State agency allocations include \$349,189 in pass-through utility expenses for the Camp George West properties that are not included in the program costs table.

The Department requests a one percent billable vacancy rate so that the Department can manage the maintenance and utilities costs if an agency needs to vacate a building or space. Staff is not recommending a billable vacancy rate. Staff is recommending a five percent target fund balance that should allow the Department to accommodate such a situation. The Department requests a 16.5 percent target fund balance; the maximum excess fund balance allowed by statute. A target fund balance should be enough to provide for an unexpected program expenditure or agency billing experience, therefore staff's recommendation is a five percent target fund balance. The following

table outlines the target fund balance recommendation.

FY 2012-13 Capitol Complex Facilities Target Fund Balance			
	Department Request	Staff Recomm.	Difference
FY 2010-11 End Balance	\$2,221,940	\$2,221,940	\$0
FY 2011-12 Dept. Expenditure Estimate	11,460,504		
FY 2011-12 Sched 14 Expenditure Estimate		9,983,629	(1,476,875)
FY 2011-12 Agency Allocations/Billings	11,263,556	11,041,985	(221,571)
FY 2011-12 Estimated End Balance	2,024,992	3,280,296	1,255,304
Target Fund Balance Percent	16.5%	5.0%	
Target Fund Balance Amount	2,058,751	499,181	(1,559,570)
Target Fund Balance Adjustment	33,759	(2,781,115)	(2,814,874)

Additionally, the department allocates its fund balance adjustment proportionally based on square footage. Staff's recommendation allocates a fund balance adjustment proportionally based on total program costs. The following table shows the difference in fund balance adjustment methodology based on the staff recommended target fund balance adjustment amount.

Capitol Complex Facilities Target Fund Balance Adjustment Allocation Methodology							
	Department Methodology			Staff Recommended Methodology			Difference
	Sq. Ft. Allocation	Sq. Ft. Percent	Adjustment Allocation	Program Cost	Cost Percent	Adjustment Allocation	
Denver Buildings	754,366	60.0%	\$1,668,690	\$10,415,030	87.5%	\$2,433,079	\$764,390
Pierce St.	116,448	9.3%	257,588	765,317	6.4%	178,787	(78,800)
North Campus	54,871	4.4%	121,377	191,328	1.6%	44,697	(76,680)
Grand Junction	34,499	2.7%	76,313	237,101	2.0%	55,390	(20,924)
Camp George West	297,077	23.6%	657,147	296,054	2.5%	69,162	(587,985)
Total	1,257,261		2,781,115	11,904,830		2,781,115	

The following table outlines square footage allocation by agency.

FY 2012-13 Capitol Complex Leased Space Square Footage Allocation to State Agencies						
Department	Denver Buildings	Pierce St.	North Campus	Grand Junction	Camp George West	Total
Agriculture	13,553	0	0	0	0	13,553
Corrections	0	0	0	0	46,696	46,696
Correctional Industries	0	0	0	0	18,672	18,672
CSU Forest Service	0	0	0	1,320	3,773	5,093
Education	44,433	0	0	0	0	44,433
Governor	36,066	0	0	924	0	36,990
HCPF	31,512	0	0	0	0	31,512
Human Services	99,087	0	0	3,104	0	102,191
Labor and Employment	0	0	4,364	1,295	0	5,659
Law	101,685	0	0	0	0	101,685
Legislature	111,981	0	0	0	0	111,981
Local Affairs	33,228	0	0	3,458	18,830	55,516
Military Affairs	0	0	0	0	55,865	55,865
Natural Resources	69,107	0	0	0	0	69,107
Personnel	54,830	0	44,807	1,459	0	101,096
Public Health and Environment	0	0	0	3,996	0	3,996
Public Safety	79,825	0	0	0	131,855	211,680
Regulatory Agencies	0	0	0	769	0	769
Revenue	74,580	116,448	5,700	5,869	0	202,597
Transportation	100	0	0	12,305	21,386	33,791
Treasurer	4,379	0	0	0	0	4,379
Total	754,366	116,448	54,871	34,499	297,077	1,257,261