

STATE OF COLORADO
JOINT BUDGET COMMITTEE



FY2013-14
STAFF BUDGET BRIEFING
SUMMARY

STATE OF COLORADO

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MEMORANDUM

TO: Members of the General Assembly
FROM: Joint Budget Committee
SUBJECT: FY 2013-14 Budget Briefing Summary
DATE: January 9, 2013

For the past two months, the Joint Budget Committee staff has been briefing the Committee on each department's budget request for FY 2013-14. The staff briefing is a written and oral presentation of budget issues and a review of expenditures and requests for each department. These briefings are aimed at stimulating discussion among the Committee members about each department's budget request, its operations, issues of efficiency and effectiveness, and plans for the future.

During the briefing, Committee members decide which issues they wish to discuss with the department. These topics are addressed at a formal hearing with each department's executive director. This hearing also allows time for the department to discuss its priorities with the Committee.

This report summarizes the budget briefings by providing an overview of each department's responsibilities, the department's total request as compared to the current year appropriation, and a summary of issues that were addressed. The detailed staff briefing write-ups can be found at the Committee's web site:

http://www.state.co.us/gov_dir/leg_dir/jbc/2012-13/briefing.htm

We hope this budget briefing summary, and the documents from which it was created, will help you become familiar with the FY 2013-14 budget requests and major issues that impact the budget. We look forward to discussing the budget with you throughout the 2013 legislative session.

SUMMARY OF FY 2013-14 BUDGET BRIEFING

Table of Contents

	<u>Page Number</u>
Summary Tables	1
Agriculture	4
Corrections	6
Education	8
Governor	11
Health Care Policy & Financing	13
Higher Education	15
Human Services	17
Judicial	22
Labor & Employment	25
Law	27
Local Affairs	29
Military & Veterans Affairs	32
Natural Resouces	34
Personnel & Administration	37
Public Health & Environment.....	40
Public Safety	43
Regulatory Agencies	45
Revenue.....	47
State.....	50
Transportation.....	52
Treasury	54
Compensation Common Policies.....	56
Indirect Costs	58
Tobacco Master Settlement Agreement.....	59

All Departments

The Executive and Judicial branches of state government submitted their FY 2013-14 budget requests to the Joint Budget Committee on November 1, 2012. The following table summarizes the total request.

FY 2012-13 Appropriation and FY 2013-14 Request

All Departments						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
H.B. 12-1335 (Long Bill)	\$20,413,817,107	\$7,526,701,648	\$6,196,961,315	\$1,494,262,485	\$5,195,891,659	51,948.9
Other legislation	<u>168,816,444</u>	<u>42,760,414</u>	<u>95,394,910</u>	<u>28,726,476</u>	<u>1,934,644</u>	<u>67.3</u>
TOTAL	\$20,582,633,551	\$7,569,462,062	\$6,292,356,225	\$1,522,988,961	\$5,197,826,303	52,016.2
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$20,582,633,551	\$7,569,462,062	\$6,292,356,225	\$1,522,988,961	\$5,197,826,303	52,016.2
Decision items	861,019,024	243,075,633	241,373,688	61,171,890	315,397,813	50.7
Non-prioritized decision items	19,768,176	7,406,601	246,263	4,625,140	7,490,172	22.0
Technical changes	166,002,638	2,564,512	52,919,574	21,282,948	89,235,604	10.7
Centrally appropriated line items	106,950,503	48,211,338	28,200,531	13,363,065	17,175,569	0.0
Annualize prior year legislation	(54,437,224)	50,537,851	(66,295,579)	(21,487,991)	(17,191,505)	5.9
Annualize prior year funding	(18,246,945)	(7,449,632)	(13,563,432)	3,183,326	(417,207)	(138.7)
IT common policy adjustments	<u>(2,928,295)</u>	<u>(868,979)</u>	<u>(1,981,678)</u>	<u>1,749,088</u>	<u>(1,826,726)</u>	<u>0.0</u>
TOTAL	\$21,660,761,428	\$7,912,939,386	\$6,533,255,592	\$1,606,876,427	\$5,607,690,023	51,966.8
Increase/(Decrease)	\$1,078,127,877	\$343,477,324	\$240,899,367	\$83,887,466	\$409,863,720	(49.4)
Percentage Change	5.2%	4.5%	3.8%	5.5%	7.9%	(0.1%)

Summary of Major Changes

Decision items: Decision items are programmatic changes for which the departments are requesting new funds from the General Assembly. Decision items comprise 79.9 percent of the total funds and 70.8 percent of the General Fund requested in FY 2013-14 above the FY 2012-13 base level of funding. Two departments comprise 66.6 percent of the total funding requested for decision items. These departments are the Department of Health Care Policy and Financing (53.5 percent) and the Department of Education (23.1 percent). Three departments comprise 80.0 percent of the General Fund request. These departments are the Department of Health Care Policy and Financing (\$126.9 million General Fund, 52.2 percent), the Department of Higher Education (\$37.5 million General Fund, 15.4 percent) and the Department of Human Services (\$30.1 million General Fund, 12.4 percent).

Non-prioritized decision items: Non-prioritized decision items are changes that are requested by a single department but that impact one or more other departments. The impacted departments include a non-prioritized decision item with their requests. Non-prioritized requests comprise 1.8 percent of the total funds and 2.2 percent of the General Fund requested in FY 2013-14 above the FY 2012-13 base level of funding. Examples of these types of requests are the enterprise asset management request from the Office of Information Technology, the employee engagement survey adjustment request from the Department of Personnel and Administration, and the Capitol Complex building upgrades request from the Department of Personnel and Administration.

Technical changes: Technical changes comprise 15.4 percent of the total funds and 0.7 percent of the General Fund requested in FY 2013-14 above the FY 2012-13 base level of funding. Examples of these types of requests are:

1. The Department of Transportation included departmental revenue adjustments that account for an increase of \$148.4 million total funds, including an increase of \$53.6 million cash funds and an increase of \$78.7 federal funds.
2. The Department of Public Health and Environment included an Amendment 35 revenue adjustment that accounts for a decrease of \$3.5 million total funds.
3. The Treasury Department included an increase of \$986,256 total funds (including an increase of \$4.1 million General Fund and a decrease of \$3.1 million cash funds) for the Senior Citizen and Disabled Veteran Property Tax Exemption Adjustment.
4. The Department of Personnel and Administration included a Statewide Indirect Costs Balancing Adjustment that accounts for a decrease of \$605,882 total funds (including a decrease of \$2.8 million General Fund).
5. An increase of \$5.8 million cash funds in the Governor's Office and the Department of Local Affairs due to limited gaming tax revenue estimates.

Centrally appropriated line items: Centrally appropriated line items are requests for items that are reflected in the Executive Director's Office for use department wide. Examples of these types of line items are employee benefit changes (both salary changes and health/life/dental insurance), vehicle lease payments, leased space, etc. Centrally appropriated line items comprise 9.9 percent of the total funds and 14.0 percent of the General Fund requested in FY 2013-14 above the FY 2012-13 base level of funding. Salary benefit related items comprise 91.9 percent of the total funds and 97.9 percent of the General Fund request for centrally appropriated line items.

Annualize prior year legislation: Annualize prior year legislation reflects changes that are being requested based on legislation that was passed in previous years. Annualize prior year legislation comprises a decrease of 5.0 percent of the total funds and an increase of 14.7 percent of the General Fund requested in FY 2013-14 above the FY 2012-13 base level of funding.

Annualize prior year funding: Annualize prior year funding reflects changes that are being requested based on decisions that were made in the prior year's budget for only a portion of the fiscal year. Annualize prior year

funding comprises a decrease of 1.7 percent of the total funds and a decrease of 2.2 percent of the General Fund requested in FY 2013-14 compared to the FY 2012-13 base level of funding.

IT common policy adjustments: IT common policy adjustments are requests for items that are reflected in the Office of Information Technology for information technology (IT) requests. The costs of these items are then billed to the departments who utilize the services. IT common policy adjustments comprise a decrease of 0.3 percent of the total funds and a decrease of 0.3 percent of the General Fund requested in FY 2013-14 compared to the FY 2012-13 base level of funding.

Department of Agriculture

The Department of Agriculture regulates, promotes and supports various agriculture activities throughout Colorado. Department personnel perform a wide range of services including regulatory and inspection services relating to agriculture; investigations and hearings; standardizing, grading, inspection, labeling, handling, storage, and marketing of agricultural products; and agricultural-related policy analysis. The Department's FY 2013-14 appropriation, reflected below, represents 0.19 percent of statewide operating appropriations and 0.09 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Agriculture						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$39,146,901	\$6,850,576	\$27,319,174	\$1,090,001	\$3,887,150	282.4
Other Legislation	<u>509,456</u>	<u>9,456</u>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$39,656,357	\$6,860,032	\$27,819,174	\$1,090,001	\$3,887,150	282.4
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	39,656,357	6,860,032	27,819,174	1,090,001	3,887,150	282.4
R-1: Office Consolidation Indirect Cost Recovery Adjustment	973,418	(156,367)	428,318	592,526	108,941	0.0
NPI-1 Capitol Complex Building Upgrades	12,466	8,727	3,739	0	0	0.0
NPI-2: Employee Engagement Survey Adjustment	1,971	0	1,971	0	0	0.0
NPI-3: OIT Enterprise Management	5,552	1,666	3,886	0	0	0.0
Centrally Appropriated Line Items	1,419,001	424,324	897,031	(23,405)	121,051	0.0
Statewide IT Common Policy Adjustments	<u>88,745</u>	<u>100,330</u>	<u>(11,585)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$42,157,510	\$7,238,712	\$29,142,534	\$1,659,122	\$4,117,142	282.4
Increase/(Decrease)	\$2,501,153	\$378,680	\$1,323,360	\$569,121	\$229,992	0.0
Percentage Change	6.3%	5.5%	4.8%	52.2%	5.9%	0.0%

Summary of Issues Presented to the Joint Budget Committee

Colorado State Fair Operations and Revenue: This issue brief provides a summary of significant legislation affecting Colorado State Fair operations, as well as an overview of revenue sources and associated operating expenses.

Conservation Program Funding: This issue brief discusses the history of conservation programs in Colorado, funding changes and associated economic benefits of certain conservation programs, and comparisons to conservation program funding in four other states.

Department of Corrections

The Department of Corrections manages, supervises, and controls the correctional facilities that are operated and supported by the State. The Department's FY 2012-13 appropriation represents 3.6% percent of statewide operating appropriations and 8.6% percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Corrections						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$736,945,972	\$650,697,073	\$40,835,214	\$44,399,357	\$1,014,328	6,020.9
Statutory Appropriations in 5-Year Sentencing Bills	486,664	486,664	0	0	0	0.0
HB 12-1223 JBC Earned Time Bill	0	0	0	0	0	2.0
Other Legislation	<u>148,300</u>	<u>148,300</u>	<u>(1,245,127)</u>	<u>1,245,127</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$737,580,936	\$651,332,037	\$39,590,087	\$45,644,484	\$1,014,328	6,022.9
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$737,580,936	\$651,332,037	\$39,590,087	\$45,644,484	\$1,014,328	6,022.9
R-1: Parole Caseload	2,331,901	2,331,901	0	0	0	25.1
R-2: Medical and Pharmaceutical Expenditures for Offenders	(2,245,277)	(2,245,277)	0	0	0	0.0
R-3: Community Supervision Caseload	(804,807)	(804,807)	0	0	0	(6.6)
R-4: Food Service Inflation	441,612	441,612	0	0	0	0.0
R-5: Sex Offender Treatment Expansion	2,100,000	2,100,000	0	0	0	0.0
R-6: Mental Health Expansion	2,848,786	2,848,786	0	0	0	0.0
R-7: Administrative Reductions	(632,857)	(632,857)	0	0	0	(10.4)
R-8: Common Provider Rate Change	1,337,765	1,337,765	0	0	0	0.0
NP OIT Enterprise Asset Management	110,367	110,367	0	0	0	0.0
NP Employee Engagement Survey	64,227	61,658	2,569	0	0	0.0
NP Capital Complex Building Upgrade, Repair, and Replacement	4,241	3,030	1,211	0	0	0.0
Salary Survey, Merit Pay, and Shift Differential (includes state PERA and Medicare payments associated with the salary changes)	10,535,797	10,199,850	335,947	0	0	0.0
Other Total-compensation changes (Health, Life, and Dental; Short Term Disability; AED; SAED)	6,721,834	6,324,556	397,278	0	0	0.0
Common Policy IT Expenditures	1,569,639	1,575,880	(6,241)	0	0	0.0
Other central appropriations and Indirect Cost Assessments	1,398,154	1,244,214	(269,207)	428,508	(5,361)	0.0
CSP II closure second year impact	(9,120,943)	(9,117,757)	(3,186)	0	0	(142.4)

Department of Corrections						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Close 317 beds at 3 state facilities second year impact	(740,796)	(738,177)	(2,619)	0	0	(2.2)
HB 12-1223 Earned Time annualization (a JBC bill)	(103,408)	(103,408)	0	0	0	0.0
Annualize other prior year bills and decision items	<u>(368,527)</u>	<u>(368,527)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$753,028,644	\$665,900,846	\$40,045,839	\$46,072,992	\$1,008,967	5,886.4
Increase/(Decrease)	\$15,447,708	\$14,568,809	\$455,752	\$428,508	(\$5,361)	(136.5)
Percentage Change	2.1%	2.2%	1.2%	0.9%	-0.5%	-2.3%

Summary of Issues Presented to the Joint Budget Committee

FTE at the Department of Corrections: In FY 2010-11 the Department of Correction's FTE appropriation exceeded its actual FTE use by 346.2. During figure setting in 2011, when this discrepancy was suspected but not yet known, the JBC reduced the Department's FTE appropriation by 400.0 in order to align it more closely with actual usage. In FY 2011-12 the situation reversed; actual FTE use exceeded FTE appropriations by 99.1, indicating that the 2011 figure setting adjustment was too large. Staff will recommend that the JBC increase the Department's FTE appropriations at supplementals to align them with actual usage

Medicaid and DOC Inmates: If Colorado expands Medicaid coverage in January 2014 to childless adults who earn less than 133 percent of the Federal Poverty Level, than most DOC offenders will qualify for Medicaid when they receive inpatient medical care in a non-prison facility. The Federal matching percentage for Medicaid is initially 100 percent for new enrollees, so the savings to the state could be substantial, perhaps as much as \$19.5 million.

Offender Population Projections: Legislative Council Staff (LCS) and the Division of Criminal Justice (DCJ) both project that the prison inmate population will decrease through FY 2014-15. LCS projects a significantly larger decline than does DCJ. Both forecasts predict that the parole population will increase until June of 2013 and then decline, however the LCS forecast predicts a higher June 2013 parole population and a more gradual subsequent decline than does the DCJ forecast.

The Youthful Offender System: The Department of Corrections operates the Youthful Offender System (YOS), which receives juveniles who are tried as adults. Until recently, young adults who were 18 or 19 when they committed their crime also could be admitted. This issue explains paths into the YOS and explores the effects of H.B. 09-1122.

Department of Education

The Department supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. The Department distributes state and federal funds to school districts, and it administers a variety of education-related programs, including educator licensure, education programs for children with special needs, English language proficiency programs, the Colorado Preschool Program, and a variety of grant programs. The Department develops and maintains state model content standards, and administers associated assessments. The Department also includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring institute charter schools; and (3) the Public School Capital Construction Assistance Board, which is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization of state financial assistance for school construction projects. The Department's FY 2012-13 appropriation represents 21.5 percent of statewide operating appropriations and 39.8 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$4,352,905,769	\$2,958,024,914	\$742,098,282	\$24,078,570	\$628,704,003	556.9
HB 12-1345 (School Finance)	67,850,747	57,232,000	10,618,747	0	0	0.0
Other Legislation	<u>954,446</u>	<u>180,173</u>	<u>774,273</u>	<u>0</u>	<u>0</u>	<u>8.8</u>
TOTAL	\$4,421,710,962	\$3,015,437,087	\$753,491,302	\$24,078,570	\$628,704,003	565.7
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$4,421,710,962	\$3,015,437,087	\$753,491,302	\$24,078,570	\$628,704,003	565.7
R-1: Increase total program	189,081,248	0	189,081,248	0	0	0.0
R-2: Categorical programs increase	5,372,823	0	5,372,823	0	0	0.0
R-3: Accountability planning	625,501	625,501	0	0	0	3.2
R-4: Assessment update	4,192,802	0	4,192,802	0	0	0.0
NP-1: Employee engagement survey	1,016	1,016	0	0	0	0.0
NP-2: Capitol complex upgrades	39,540	5,453	8,896	6,880	18,311	0.0
Annualize prior year legislation	14,774,578	(180,173)	14,954,751	0	0	(0.8)
Employee benefits/common changes	3,224,028	1,026,472	415,289	411,791	1,370,476	0.0
Continuous approp. adjustments	2,134,450	0	(200,000)	2,334,450	0	1.0
Annualize prior year budget actions	<u>(6,426,830)</u>	<u>0</u>	<u>(6,426,830)</u>	<u>0</u>	<u>0</u>	<u>(3.0)</u>
TOTAL	\$4,634,730,118	\$3,016,915,356	\$960,890,281	\$26,831,691	\$630,092,790	566.1

Department of Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Increase/(Decrease)	\$213,019,156	\$1,478,269	\$207,398,979	\$2,753,121	\$1,388,787	0.4
Percentage Change	4.8%	0.0%	27.5%	11.4%	0.2%	0.1%

Summary of Issues Presented to the Joint Budget Committee

School Finance Act Funding Projections: The General Assembly faces two basic decisions with respect to school finance appropriations in FY 2013-14. First, how much should Colorado spend on school finance in FY 2013-14? Second, given the anticipated availability of one-time funding from the State Education Fund, how should the General Assembly fund potential increases in appropriations? This issue presents a range of alternatives for the Committee’s consideration. The Governor is proposing a total increase of \$196.0 million in state spending on total program, approximately an amount estimated to be sufficient to increase average statewide per pupil funding by 2.86 percent, an amount above CY 2012 inflation rates projected by Legislative Council Staff (2.1 percent) and the Governor’s Office (2.2 percent) in the respective September forecasts..

Legislative Proposals in the Governor’s Total Program Request: The Governor’s FY 2013-14 request for the State Share of Districts’ Total Program includes three legislative proposals that would specify the use of a total of \$30.9 million of the requested increase in total program funding in FY 2013-14. The requests would: (1) dedicate approximately \$21.0 million to an effort to expand preschool and full-day kindergarten services for at-risk students; (2) increase the full-day kindergarten factor from 0.58 pupil FTE to 0.597, an increase of \$6.2 million for full-day kindergarten statewide, *and* eliminate \$6.2 million in funding for the Hold-harmless Full-day Kindergarten Funding line item; and (3) spend \$3.0 million on a “quality teacher pipeline” proposal to provide incentives to help recruit and retain teachers in rural, hard to serve districts.

Potential Effects of Federal Sequestration on Education: Federal funds are a significant source of funding for education programs in Colorado, providing an estimated \$628.7 million for a variety of programs in FY 2012-13. Although the U.S. Department of Education has indicated that sequestration would not affect education funding in FY 2012-13, the Colorado Department of Education estimates that sequestration could reduce available funding by \$39.0 million in FY 2013-14, including potential reductions of \$12.8 million in special education funding and \$12.4 million in Title I funding. The potential reductions would impact state-level operations at the Department as well as distributions to schools and districts.

Increase for Accountability and Improvement Planning Under S.B. 09-163: The Department is requesting an increase of \$625,501 General Fund and 3.2 FTE to support additional accountability and improvement planning efforts associated with S.B. 09-163 in FY 2013-14 (increasing to \$973,851 and 3.5 FTE in FY 2014-15 and beyond). The request seeks to improve training, technical assistance, and data analysis provided to districts and schools, especially low-performing districts and schools. The request would also provide additional resources to support an independent State Review Panel to review struggling schools’ and districts’ improvement plans and advise the State Board of Education regarding consequences for those districts and schools under the “five-year clock” created by S.B. 09-163.

Standardized Assessment Update: The Department is requesting an increase of \$4.2 million cash funds (from the State Education Fund) to support the continued development and administration of standardized assessments required by a variety of legislative changes in recent years. The request includes funds to: (1) augment national consortium-based assessments in mathematics and English language arts to address Colorado-specific standards that are not addressed in the consortium tests; (2) develop new Spanish literacy assessments aligned to the revised statewide content standards, as required by statute; (3) support the administration of alternate social studies assessments for students with significant cognitive disabilities; and (4) support anticipated increases in English language learner populations and the associated costs of English language proficiency assessments. This issue brief also provides an update on the Department's progress developing new science and social studies assessments approved through the FY 2012-13 appropriation.

Building Excellent Schools Today: The Building Excellent Schools Today (BEST) program is the State's primary public school capital construction assistance program. This issue brief discusses the operations of the program and recommends that the General Assembly discuss a variety of potential issues regarding the program's fund sources, spending, reserves, and legislative oversight.

Office of the Governor

The Office of the Governor includes the functions associated with the Governorship (oversight of executive branch agencies, policy development, communications, and citizen support services), as well as the Office of the Lieutenant Governor, Office of State Planning and Budgeting, Office of Economic Development and International Trade, Office of Information Technology, and Colorado Energy Office.

FY 2012-13 Appropriation and FY 2013-14 Request

Office of the Governor						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$186,267,091	\$17,968,186	\$23,086,596	\$128,513,469	\$16,698,840	1,022.7
Other legislation	<u>13,540,137</u>	<u>351,895</u>	<u>10,660,491</u>	<u>12,728,956</u>	<u>(10,201,205)</u>	<u>14.7</u>
TOTAL	\$199,807,228	\$18,320,081	\$33,747,087	\$141,242,425	\$6,497,635	1,037.4
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$199,807,228	\$18,320,081	\$33,747,087	\$141,242,425	\$6,497,635	1,037.4
R-1: Lean program	975,868	975,868	0	0	0	0.0
R-2: Prospect pipeline and branding	603,232	603,232	0	0	0	3.6
R-3: EDC General Fund increase	2,986,236	2,986,236	0	0	0	0.9
R-4: Leased space increase	129,322	129,322	0	0	0	0.0
R-5: Tourism promotion and branding	2,000,000	2,000,000	0	0	0	0.0
R-6: Film incentives	1,000,000	1,000,000	0	0	0	0.0
R-7: OIT operating transfer	518,003	518,003	0	0	0	0.0
R-8: OIT enterprise management	437,600	0	0	437,600	0	0.0
R-9: Microwave assessment	300,000	0	300,000	0	0	0.0
NPI-1: Capitol Complex upgrades	34,494	20,404	0	14,090	0	0.0
NPI-2: Employee engagement survey	3,802	1,141	0	2,661	0	0.0
NPI-3: OIT enterprise management	18,031	0	0	18,031	0	0.0
NPI-4: Childcare licensing system	131,620	0	0	131,620	0	0.0
NPI-5: Behavioral health data system	480,000	0	0	480,000	0	0.0
NPI-6: Adult Protective Services system	250,000	0	0	250,000	0	0.0
NPI-7: Revenue infrastructure	3,208,201	0	0	3,208,201	0	22.0
Gaming revenue adjustment	5,122,245	0	5,122,245	0	0	0.0
Centrally appropriated line items	4,736,770	(371,474)	249,620	4,600,542	258,082	0.0
Indirect cost assessment	188,679	0	171,502	17,177	0	0.0

Office of the Governor						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Annualize prior year legislation	(14,854,854)	(351,895)	(1,860,491)	(12,642,468)	0	0.5
IT common policy adjustments	<u>(1,026,282)</u>	<u>(1,975,116)</u>	<u>0</u>	<u>948,834</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$207,050,195	\$23,855,802	\$37,729,963	\$138,708,713	\$6,755,717	1,064.4
Increase/(Decrease)	\$7,242,967	\$5,535,721	\$3,982,876	(\$2,533,712)	\$258,082	27.0
Percentage Change	3.6%	30.2%	11.8%	(1.8%)	4.0%	2.6%

Summary of Issues Presented to the Joint Budget Committee

Continuation of Process Improvement Program: The Office of State Planning and Budgeting (OSPB) initiated a program using the Lean operational process improvement methodology to assist State agencies providing services to customers in the most efficient and effective manner possible by eliminating waste. OSPB requests \$1.0 million General Fund for FY 2013-14 to support the continuation of the program.

Limited Gaming Tax Revenue Overview: Current law dictates the distribution of the statutorily-available share of limited gaming tax revenue to the General Fund and a series of programs. The September 2012 Legislative Council Staff Economic Forecast projects that \$42.9 million will be available for transfer to the General Fund and programs at the end of FY 2012-13 for use in FY 2013-14.

Implementation of S.B. 11-047 (Bioscience and Clean Technology): The Office of Economic Development and International Trade is tasked with administering the Bioscience Discovery Evaluation Grant Program and the Clean Technology Discovery Evaluation Grant Program to foster business development in Colorado in the two industries. For FY 2013-14, S.B. 11-047 transfers an estimated \$5.2 million to the programs that would otherwise be deposited in the General Fund.

Economic Development Funding Requests: The FY 2013-14 budget request seeks an increase \$6.0 million General Fund for new jobs incentives, film incentives, tourism promotion, and brand marketing.

Statewide IT Budget Request Overview: The Governor's Office of Information Technology (OIT) provides services to State agencies on a cost reimbursement basis with OIT acting as a vendor to State agencies. The agency's FY 2013-14 budget request includes \$92.8 million in billable costs, a decrease of 2.6 percent compared to FY 2012-13.

Consolidated Communications System Authority: The Colorado Statewide Digital Trunked Radio System (DTRS) provides interoperable radio communications between State, regional, federal, and tribal agencies. The system represents a cross-agency collaboration funded by a variety of State Capital Construction Fund moneys, user fees, local government General Fund, and federal grants. A report from the Consolidated Communications System Authority indicates that the system's infrastructure must be upgraded to maintain short-term and long-term system viability.

Department of Health Care Policy and Financing

The Department of Health Care Policy and Financing is responsible for all medical assistance programs in the State, including the Medicaid program, the Children’s Basic Health Plan, and the Colorado Indigent Care Program. The Department’s FY 2012-13 appropriation, reflected below, represents 27.0 percent of statewide operating appropriations and 24.5 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Health Care Policy and Financing						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$5,561,097,516	\$1,858,056,769	\$925,385,218	\$7,172,593	\$2,770,482,936	314.3
Other Legislation	<u>60,598</u>	<u>(941,294)</u>	<u>(10,299)</u>	<u>997,655</u>	<u>14,536</u>	<u>11.9</u>
TOTAL	\$5,561,158,114	\$1,857,115,475	\$925,374,919	\$8,170,248	\$2,770,497,472	326.2
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$5,561,158,114	\$1,857,115,475	\$925,374,919	\$8,170,248	\$2,770,497,472	326.2
R-1: Medical Service Premiums	255,256,258	78,363,224	(1,837,669)	0	178,730,703	0.0
R-2: Mental Health Community Programs	32,384,988	10,284,849	(1,313,268)	0	23,413,407	0.0
R-3: Children's Basic Health Plan	60,591,910	1,923,755	19,735,056	0	38,933,099	0.0
R-4: Medicare Modernization Act	14,603,355	14,603,355	0	0	0	0.0
R-5: Medicaid Management Information System reprocurment	15,624,403	1,439,072	287,834	0	13,897,497	0.0
R-6: Additional FTE to restore functionality	704,341	352,172	0	0	352,169	7.4
R-7: Substance use disorder benefit	5,788,068	1,818,130	42,035	0	3,927,903	0.0
R-8: Medicaid dental benefit for adults	32,959,416	(747,621)	13,693,726	0	20,013,311	1.2
R-9: Dental administrative services organization for children	576,072	0	0	0	576,072	0.0
R-10: Leased space true-up	92,115	92,402	(46,344)	0	46,057	0.0
R-11: HB 12-1281 departmental differences	1,096,749	497,661	0	0	599,088	3.0
R-12: Customer service tech. improvements	1,800,000	900,000	0	0	900,000	0.0
R-13: Provider rate increase	33,116,630	14,578,983	1,227,138	0	17,310,509	0.0
NP Employee engagement survey	32,448	16,225	0	0	16,223	0.0
NP OIT enterprise asset management	6,260	3,130	0	0	3,130	0.0
Dept. of Human Services Medicaid services	18,383,985	9,686,592	(9,135)	(1,768)	8,708,296	0.0
Centralized approps. and tech. adjustments	2,250,986	1,421,572	115,253	(52,349)	766,510	0.0
Annualize prior year budget decisions	295,943	14,491,052	(15,695,626)	(2,186,797)	3,687,314	0.4
SB 11-212 Hospital Provider Fee offset GF	<u>0</u>	<u>25,000,000</u>	<u>(25,000,000)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>

Department of Health Care Policy and Financing						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
TOTAL	\$6,036,722,041	\$2,031,840,028	\$916,573,919	\$5,929,334	\$3,082,378,760	338.2
Increase/(Decrease)	\$475,563,927	\$174,724,553	(\$8,801,000)	(\$2,240,914)	\$311,881,288	12.0
Percentage Change	8.6%	9.4%	(1.0%)	(27.4%)	11.3%	3.7%

Summary of Issues Presented to the Joint Budget Committee

Affordable Care Act Implementation: This issue brief looks at major provisions of the federal Affordable Care Act and their budget implications.

Administrative Staff (R-6): This issue brief discusses the Department's request priority R-6 for nine additional staff.

Dental Benefits (R-8 and R-9): This issue brief discusses the Department's request priorities R-8 and R-9 to improve dental services.

Nursing Facility Rates: This issues discusses the expiration of a statutory 1.5 percent reduction in nursing facility reimbursement rates, and whether the General Assembly should extend the reduction.

Pharmaceutical Reimbursement: This issue brief discusses recent changes in the pharmacy reimbursement method and the impact on the budget.

Medicaid Mental Health Caseload and Budget: The State provides Medicaid mental health community services to enrollees through a capitated managed care program. As of November 2012, the Department of Health Care Policy and Financing estimates a need for \$315.8 million total funds for FY 2012-13 and \$357.9 million total funds for FY 2013-14 for the Medicaid mental health services program due to caseload changes.

Substance Use Disorder Benefit: The Department of Health Care Policy and Financing currently funds the State's fee-for-service substance use disorder benefit accessed by nearly 7,000 Colorado residents. The Department's FY 2013-14 budget request includes an increase of \$5.8 million total funds (including \$1.8 million General Fund) to enhance the benefit by expanding existing service offerings, adding new service offerings, and changing the mode of administration from a fee-for-service model to a managed care model.

Medicaid Management Information System Reprocurement: The State of Colorado is required by federal regulations to have a mechanized claim processing system in order to participate in the Medicaid program. The State's current system, the Medicaid Management Information System (MMIS), is based on technology that is not cost effective. The Department of Health Care Policy and Financing requests \$15.6 million total funds (including \$1.4 million General Fund) for FY 2013-14 to acquire a new MMIS.

Department of Higher Education

The Department of Higher Education is responsible for higher education and vocational training programs in the State. The Colorado Commission on Higher Education serves as the central policy and coordinating board for the Department. The Department's FY 2012-13 appropriation represents 14.7 percent of statewide operating appropriations and 8.2 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Higher Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$3,034,535,714	\$619,571,953	\$1,850,970,474	\$544,880,058	\$19,113,229	21,494.0
Other legislation	<u>(544,590)</u>	<u>(310,045)</u>	<u>75,500</u>	<u>(310,045)</u>	<u>0</u>	<u>(35.4)</u>
TOTAL	\$3,033,991,124	\$619,261,908	\$1,851,045,974	\$544,570,013	\$19,113,229	21,458.9
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$3,033,991,124	\$619,261,908	\$1,851,045,974	\$544,570,013	\$19,113,229	21,458.9
R-1: Public colleges and universities	58,873,239	30,040,620	0	28,832,619	0	0.0
R-2: Financial aid, need based grants	5,348,748	5,348,748	0	0	0	0.0
R-3: Dependent Tuition Assistance Program	55,078	55,078	0	0	0	0.0
R-4: Fort Lewis College Native American tuition waiver	1,568,509	1,568,509	0	0	0	0.0
R-5: Private COF stipend allocation	180,420	180,420	0	0	0	0.0
R-6: Dues for the Western Interstate Commission on Higher Education	6,000	0	0	6,000	0	0.0
R-7: Funding for data and research positions	168,890	0	0	168,890	0	0.0
HC-1: Cumbres and Toltec Scenic Railroad Commission	274,500	274,500	0	0	0	0.0
NPI-1: OIT enterprise asset management	8,987	0	8,987	0	0	0.0
NPI-2: Constitutional increase for categorical programs	348,320	0	0	348,320	0	0.0
Centrally appropriated line items	885,186	0	735,539	80,901	68,746	0.0

Department of Higher Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
IT common policy adjustments	(108,826)	0	(98,786)	(10,040)	0	0.0
Increase in limited gaming funds	<u>680,000</u>	<u>0</u>	<u>680,000</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$3,102,280,175	\$656,729,783	\$1,852,371,714	\$573,996,703	\$19,181,975	21,458.9
Increase/(Decrease)	\$68,289,051	\$37,467,875	\$1,325,740	\$29,426,690	\$68,746	0.0
Percentage Change	2.3%	6.1%	0.1%	5.4%	0.4%	0.0%

Summary of Issues Presented to the Joint Budget Committee

Performance Audit of the Implementation of the College Opportunity Fund Program: This issue brief provides a summary of the recent performance audit report released by the Office of the State Auditor concerning the implementation of the College Opportunity Fund Program.

Update on CCHE Master Plan: This issue brief discusses the progress of the Colorado Commission on Higher Education (CCHE) in developing a new master plan for higher education.

Impact of Reduced State Funding: This issue brief discusses the impact of reduced state funding for higher education institutions and provides details on how those reductions have impacted tuition for students.

Student Loan Debt: This issue brief discusses student loan debt for the Class of 2011, the most recent year for which national data is available. Nationally and in Colorado, student loan debt continues to increase, and student loan default rates are beginning to rise after being at historic lows.

Department of Human Services

The Department of Human Services is responsible for the administration and supervision of all non-medical public assistance and welfare programs in the State, such as assistance payments, child welfare services, mental health and alcohol and drug treatment programs, services for people with disabilities, and programs for the aging. It supervises programs that are administered at the local level by counties and other agencies and directly operates two mental health institutes, three regional centers for people with developmental disabilities, and ten institutions for juvenile delinquents. The Department's FY 2012-13 appropriation, reflected below, represents 10.1 percent of statewide operating appropriations and 8.5 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Human Services						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$2,048,892,375	\$637,576,480	\$330,720,504	\$465,712,069	\$614,883,322	4,866.1
Other legislation	<u>22,430,064</u>	<u>4,435,007</u>	<u>6,151,465</u>	<u>10,158,673</u>	<u>1,684,919</u>	<u>12.5</u>
TOTAL	\$2,071,322,439	\$642,011,487	\$336,871,969	\$475,870,742	\$616,568,241	4,878.6
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$2,071,322,439	\$642,011,487	\$336,871,969	\$475,870,742	\$616,568,241	4,878.6
R-1: New Developmental Disabilities full bed placement	13,055,339	0	0	13,055,339	0	0.0
R-2: Early Intervention Services Funding	1,783,968	148,125	0	1,635,843	0	0.0
R-3A: Access to institute beds	2,063,438	2,063,438	0	0	0	0.9
R-3B: Improved community capacity	4,793,824	4,793,824	0	0	0	0.0
R-3C: Crisis response system	10,272,874	10,272,874	0	0	0	0.9
R-4: Additional Funding for County Administration - Food Assistance Administration	6,796,800	2,039,040	1,359,360	0	3,398,400	0.0
R-5: Provider rate increase	15,546,250	6,282,126	1,455,568	5,701,613	2,106,943	0.0
R-6: Funding request for utilities	1,330,752	1,330,752	0	0	0	0.0
R-7: Institute treatment modernization	911,865	911,865	0	0	0	6.4
R-8: State Funding for Senior Services	3,818,806	2,000,000	1,818,806	0	0	0.0
R-9: Adult Protective Services system	250,000	0	250,000	0	0	0.0
R-10: Child care reporting module	131,620	0	0	0	131,620	0.0
R-11: Behavioral health data system	480,000	288,000	0	0	192,000	0.0
R-12: Technical changes	0	0	0	0	0	0.0
NPI-1: OIT enterprise management	85,737	43,826	1,078	1,532	39,301	0.0

Department of Human Services						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
NPI-2: Capitol Complex Building	92,709	42,472	4,983	5,408	39,846	0.0
NPI-3: Employee engagement survey	22,554	9,735	2,839	8,010	1,970	0.0
Centrally appropriated line items	13,029,369	8,857,648	41,215	2,014,351	2,116,155	0.0
Annualize prior year legislation	(20,982,725)	(3,606,821)	(7,555,090)	(8,516,879)	(1,303,935)	(0.1)
IT common policy adjustments	(1,946,243)	(960,650)	(25,648)	(16,326)	(943,619)	0.0
Annualize prior year funding	<u>(1,075,419)</u>	<u>3,585,416</u>	<u>(943,056)</u>	<u>3,639,861</u>	<u>(7,357,640)</u>	<u>0.0</u>
SUBTOTAL	\$2,121,783,957	\$680,113,157	\$333,282,024	\$493,399,494	\$614,989,282	4,886.7
Increase/(Decrease)	\$50,461,518	\$38,101,670	(\$3,589,945)	\$17,528,752	(\$1,578,959)	8.1
Percentage Change	2.4%	5.9%	(1.1%)	3.7%	(0.3%)	0.2%
<i>Informational item:</i>						
Elder Abuse Task Force	<u>5,000,000</u>	<u>5,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$2,126,783,957	\$685,113,157	\$333,282,024	\$493,399,494	\$614,989,282	4,886.7
Increase/(Decrease)	\$55,461,518	\$43,101,670	(\$3,589,945)	\$17,528,752	(\$1,578,959)	8.1
Percentage Change	2.7%	6.7%	(1.1%)	3.7%	(0.3%)	0.2%

Summary of Issues Presented to the Joint Budget Committee

Overview of Department Budget Request: The Department of Human Services FY 2013-14 budget request represents an increase of \$50.5 million (2.4 percent) total funds and \$47.8 million (5.5 percent) net General Fund from the FY 2012-13 appropriation. The majority of the requested increase is for services for people with developmental disabilities, mental health services, and a provider rate increase of 1.5 percent for organizations that the Department contracts with for the provision of community-based services.

Potential Impact of Sequestration on Department of Human Services: Federal funds are a critical source of support for state human services programs. Automatic budget reductions (sequestration) would reduce the department's federal funding by less than 3.0 percent for FFY 2012-13, based on current estimates. Many human services programs are exempted from sequestration. Alternatives adopted by Congress might have a larger or smaller impact.

County Administration – Requested Increases: The Department has requested a net increase of \$2.9 million, including \$1.0 million General Fund, for County Administration for FY 2013-14, largely driven by ongoing caseload increases for food assistance (the SNAP program). In addition to the FY 2013-14 increase, the request would retain \$4.7 million (including \$1.4 million General Fund) in the base. This amount was previously approved as temporary funding to be eliminated after FY 2012-13.

Child Welfare Request and Expenditure Trends: The Division request includes an increase of \$5.7 million total funds, including \$3.5 million net General Fund, driven largely by a requested provider-rate increase. However, county child welfare expenditures continued to decline in FY 2011-12, contributing to a net General Fund reversion in the Division. First quarter FY 2012-13 expenditures are also low.

Child Welfare Federal Title IV-E Waiver: The Department of Human Services recently received a federal waiver of some provisions of Title IV-E of the Social Security Act concerning federal support for child welfare services. Colorado will test various service improvements over a period of five years. For this period, instead of 50 percent reimbursement for certain types of child welfare expenditures for low-income children, the State will receive a capped allotment of federal IV-E funds. The agreement appears to be financially advantageous. Some statutory changes may be needed.

Child Welfare – County Performance: Recent news articles have again highlighted weaknesses in Colorado’s county-administered child welfare system. Colorado has been working to improve child welfare services for many years through a variety of initiatives. However, many of the issues raised in past system reviews are still challenges, including among others: (1) substantial differences in county services and performance; and (2) limited state oversight and tools for improving performance. The General Assembly could consider using new funding mechanisms to help incentivize county performance.

Division of Child Care Update: The Division of Child oversees the state-supervised county-administered Colorado Child Care Assistance Program (CCCAP), which provides child care subsidies for low income families. It also supports the development of high quality child care and licenses child care facilities. Counties under-expended the CCCAP appropriation in FY 2011-12 and may do so again in FY 2012-13, but the Department has nonetheless requested a rate increase for the program. The State recently received a federal "Race to the Top" Early Learning Challenge Grant and has reorganized programs under a new Office of Early Childhood.

Temporary Assistance for Needy Families: Colorado receives a minimum of \$136 million per year in federal Temporary Assistance for Needy Families (TANF) block grant funds, after loss of its \$13.6 million TANF Supplemental Grant in FY 2011-12. Numerous programs were reduced in FY 2011-12 and FY 2012-13, but the State’s TANF appropriations continue to exceed annual revenue, and additional cuts will be required in the future.

Increasing Access to Mental Health Institute Civil Beds: The Department of Human Services FY 2013-14 budget request includes an increase of \$2.1 million General Fund and 0.9 FTE to contract for the operation of a 20-bed, jail-based restoration to competency to stand trial program. The goal of the program is to reduce the number of civil beds at the Colorado Mental Health Institute at Pueblo currently consumed by forensic patients in need of restoration to competency services.

Improving Mental Health Community Capacity: The Department of Human Services FY 2013-14 budget request includes an increase of \$4.8 million General Fund to increase capacity in the community to appropriately address the needs of individuals who are medically indigent and voluntarily or involuntarily committed to the State’s behavioral health treatment system. The goal of the investment is to decrease the contact individuals have with emergency rooms, the State’s two mental health institutes, and the criminal justice system due to mental illness.

Creating a Behavioral Health Crisis Response System: The Department of Human Services FY 2013-14 budget request includes an increase of \$10.3 million General Fund and 0.9 FTE to create the foundation for a coordinated, statewide, behavioral health crisis care system. The goal of the proposal is to improve access to the most appropriate supports and resources to individuals as early as possible to decrease the use of hospital emergency rooms, jails, and prisons.

Regional Centers Information Request and Performance Audit Update: The services provided to individuals with developmental disabilities through State-run group homes and Regional Center campuses cost between 27.4 percent and 51.4 percent more than similar services from private providers in the community. During FY 2012-13, the State Auditor's Office is conducting a performance audit of the Regional Centers.

Colorado Choice Transitions Program: The Colorado Choice Transitions Program will enable the transition of 490 individuals from institutional settings (i.e. nursing facilities and Regional Centers) to community services over the course of five years.

Waiver Expenditures and Organizational Structure: The growth in expenditures for the three waivers for individuals with developmental disabilities from FY 2006-07 to FY 2010-11 is the result of four factors: the number of clients served, the level of need of clients being served, the amount of services used, and provider rates. The expenditure growth is three times greater than the growth in the number of individuals served.

Transitioning Older Youth from Child Welfare Services to the Comprehensive Developmental Disabilities Medicaid Waiver: An estimated 164 youth age 18 to 20 with developmental disabilities are in the custody of county departments of social services. Placements for these youth are funded through the Child Welfare Services line item, which supports capped allocations to counties for services to abused and neglected children. At age 21, youth with developmental disabilities transition from child welfare placements to Medicaid developmental disability comprehensive waiver placements. A recent Department Task Group report recommends that youth transition at age 18 instead of age 21.

Early Intervention Services: The number of eligible infants and toddlers seeking early intervention services has steadily increased over the past four years. Colorado is required as part of the agreement with the federal government to provide services to all eligible infants and toddlers. Both state and federal funding for early intervention services has not match the growth in caseload resulting in the Department seeking additional General Fund dollars for FY 2013-14.

Adult Protective Services: The Executive Request includes \$5.0 million General Fund set aside for new legislation to require mandatory reporting of elder abuse, based on the recommendations of the S.B. 12-078 Elder Abuse Task Force. It also includes \$250,000 for a new adult protective services information technology system. A large portion of the proposed increases are related to improving the quality of current county adult protective services programs, rather than new costs associated with mandatory reporting. In light of the scale of proposed increases, staff recommends structural changes to funding for this program.

State Funding for Senior Services and the Old Age Pension Program – Requested Increases: The Department request includes \$2.0 million General Fund for senior services and \$1.8 million cash funds to provide a cost of living increase for the Old Age Pension program.

Youth Corrections Request and Commitment Trends: A steep decline in the number of youth corrections commitments continues. An FY 2012-13 supplemental budget adjustment and FY 2013-14 budget amendment will likely be needed to reflect the closure of state-operated, as well as contract, beds.

The Detention and Commitment Continuum – Options for Further Reducing the Use of Secure Beds: The Department of Human Services provides many components of the continuum of services for youth who are in trouble with the law, including detention and commitment beds and funding for community-based alternatives. The demand for secure detention and commitment beds has fallen substantially. Staff believes the number of beds could be further reduced by soliciting proposals from judicial districts interested in reducing the number of capped detention beds and/or capping their commitment beds in return for funding for alternative service.

Judicial Branch

The Colorado Judicial Branch consists of the Colorado Supreme Court, the Court of Appeals, district courts, the Denver probate and juvenile courts, county courts, and municipal courts. The State provides funding for staff, operating expenses, and furnishings for all of these courts except for municipal courts and Denver's county court, which are funded by their respective local governments. State funding supports both court and probation services. Probation services include: supervising juvenile and adult offenders who are sentenced to probation, preparing presentence investigation reports for the courts, and providing victim notification and assistance.

The Judicial Branch also includes four independent agencies. The Office of the State Public Defender and the Office of Alternate Defense Counsel provide legal representation for indigent criminal defendants. The Office of the Child's Representative provides legal services to children entitled to legal representation at state expense. Finally, the Independent Ethics Commission hears complaints and issues findings and advisory opinions on ethics-related matters that arise concerning public officers, members of the General Assembly, local government officials, or government employees.

The Branch's FY 2012-13 appropriation represents 2.5 percent of statewide operating appropriations and 4.7 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Judicial Branch						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$502,529,529	\$352,071,327	\$129,120,172	\$16,913,030	\$4,425,000	4,266.6
Other legislation	<u>5,923,624</u>	<u>16,115</u>	<u>3,707,509</u>	<u>2,200,000</u>	<u>0</u>	<u>1.0</u>
TOTAL	\$508,453,153	\$352,087,442	\$132,827,681	\$19,113,030	\$4,425,000	4,267.6
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$508,453,153	\$352,087,442	\$132,827,681	\$19,113,030	\$4,425,000	4,267.6
JUD R-2: Procedural fairness and leadership education	517,500	0	517,500	0	0	0.0
JUD R-3: Legal FTE	181,703	181,703	0	0	0	1.6
JUD R-4: Self-represented litigant coordinators	705,489	0	705,489	0	0	10.0
JUD R-5: Court appointed professionals coordinator	91,456	91,456	0	0	0	1.0
JUD R-6: Problem-solving court coordinators	451,133	0	451,133	0	0	5.0
JUD R-7: Implementation of evidence-based practices	291,447	291,447	0	0	0	3.0
JUD R-8: Courthouse capital and infrastructure maintenance	3,848,500	0	3,848,500	0	0	0.0

Judicial Branch						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
OSPD R-1: Attorney pay parity	5,777,182	5,777,182	0	0	0	0.0
OSPD R-2: Operating shortfalls	1,160,693	1,160,693	0	0	0	0.0
OADC R-1: Legal resource and technology coordinator	0	0	0	0	0	0.9
Employee benefits/common changes	15,889,452	13,844,612	2,254,345	(217,359)	7,854	0.0
Annualize prior year legislation	3,837,688	1,874,841	123,750	1,839,097	0	0.0
Relocation to Carr Center	3,430,832	431,701	(2,123,480)	5,122,611	0	0.0
DA Mandated costs	67,932	47,932	20,000	0	0	0.0
Annualize prior year budget actions	(2,687,606)	164,515	(2,852,121)	0	0	6.2
Other adjustments	<u>(1,046)</u>	<u>(1,890)</u>	<u>844</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
SUBTOTAL	\$542,015,508	\$375,951,634	\$135,773,641	\$25,857,379	\$4,432,854	4,295.3
Increase/(Decrease)	\$33,562,355	\$23,864,192	\$2,945,960	\$6,744,349	\$7,854	27.7
Percentage Change	6.6%	6.8%	2.2%	35.3%	0.2%	0.6%
<i>Informational item:</i>						
JUD R-1: District judges and staff	<u>892,951</u>	<u>0</u>	<u>892,951</u>	<u>0</u>	<u>0</u>	<u>8.0</u>
TOTAL	\$542,908,459	\$375,951,634	\$136,666,592	\$25,857,379	\$4,432,854	4,303.3
Increase/(Decrease)	\$34,455,306	\$23,864,192	\$3,838,911	\$6,744,349	\$7,854	35.7
Percentage Change	6.8%	6.8%	2.9%	35.3%	0.2%	0.8%

NOTE: The descriptions of prioritized requested changes in the above table indicate the source of the request: "JUD" indicates a request submitted by the Chief Justice concerning courts or probation programs; "OSPD" indicates a request submitted by the Office of the State Public Defender; and "OADC" indicates a request submitted by the Office of the Alternate Defense Counsel.

Summary of Issues Presented to the Joint Budget Committee

Ralph L. Carr Colorado Judicial Center: Judicial Branch agencies and the Department of Law will relocate to the new Judicial Center over the next few months, and their respective FY 2013-14 budget requests include increases to cover the additional leased space and operational costs.

Substance Abuse Treatment Funding for Offenders: The Correctional Treatment Board has submitted its first annual offender substance abuse treatment funding plan as required by H.B. 12-1310. The plan includes the minimum statutorily required level of General Fund support for such services (\$11.7 million), and proposes allocating the required \$1.8 million increase in state funding to expand and enhance funding for treatment of offenders in jail and in community corrections.

Implementation of An In-house E-filing System: In July 2010 the Department successfully implemented an in-house public access system, and the Department is scheduled to complete statewide implementation of an in-house e-filing system on January 1, 2013. Both systems have been developed without General Fund support, and ongoing operations are and will be entirely supported by user fees. These projects have also allowed the General Assembly to reduce annual General Fund support for the Department's information technology infrastructure by \$1.0 million.

Department of Labor and Employment

The Department of Labor and Employment is responsible for: running state and federal funded employment and training programs; managing the state's unemployment insurance program, enforcing labor laws, regulating the petroleum industry, inspecting boilers, carnival rides, and conveyances, and administering the workers' compensation programs. The Department's FY 2012-13 appropriation represents 0.8 percent of statewide operating appropriations and 0.0 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Labor and Employment						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$158,069,463	\$0	\$60,441,580	\$651,881	\$96,976,002	1,006.3
HB 12-1272	<u>47,198</u>	<u>0</u>	<u>47,198</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$158,116,661	\$0	\$60,488,778	\$651,881	\$96,976,002	1,006.3
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$158,116,661	\$0	\$60,488,778	\$651,881	\$96,976,002	1,006.3
R-1: Placeholder for Budget Amendment	0	0	0	0	0	0.0
NPI-1: Capitol Complex Building Upgrades	1,353	0	1,143	0	210	0.0
NPI-2: Employee Engagement Survey Adjustment	834	0	275	0	559	0.0
NPI-3: OIT Enterprise Management	19,462	0	9,925	0	9,537	0.0
Centrally Appropriated Line Items	2,242,274	0	1,134,572	0	1,107,702	0.0
Statewide IT Common Policy Adjustments	(507,523)	0	(234,984)	0	(272,539)	0.0
Annualize Prior Year Legislation	<u>(47,198)</u>	<u>0</u>	<u>(47,198)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$159,825,863	\$0	\$61,352,511	\$651,881	\$97,821,471	1,006.3
Increase/(Decrease)	\$1,709,202	\$0	\$863,733	\$0	\$845,469	0.0
Percentage Change	1.1%	0.0%	1.4%	0.0%	0.9%	0.0%

Summary of Issues Presented to the Joint Budget Committee

Unemployment Insurance Program Update: Provides a basic overview of Unemployment Insurance (UI) and the funding mechanisms for the Unemployment Insurance Trust Fund (UITF), as well as recent legislative changes to the program.

Unemployment Insurance Technology: Provides an overview of recent technology appropriations for the Department, the FY 2013-14 placeholder budget request, and the multi-state technology consortium efforts.

Major Medical Insurance Fund Transfers and the TABOR Reserve: Provides information about the relationship between the Major Medical Insurance Fund, the Subsequent Injury Fund, and the TABOR reserve.

Department of Law

The Attorney General is one of five independently elected constitutional officers of the State. As the chief executive officer of the Department of Law, the Attorney General represents and defends the legal interests of the people of the State of Colorado and serves as the legal counsel and advisor to state agencies. The Department's FY 2012-13 appropriation represents 0.3 percent of statewide operating appropriations and 0.1 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Law						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$57,000,607	\$9,887,386	\$10,583,286	\$34,953,770	\$1,576,165	427.1
Other legislation	<u>250,523</u>	<u>8,799</u>	<u>196,677</u>	<u>45,047</u>	<u>0</u>	<u>2.1</u>
TOTAL	\$57,251,130	\$9,896,185	\$10,779,963	\$34,998,817	\$1,576,165	429.2
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$57,251,130	\$9,896,185	\$10,779,963	\$34,998,817	\$1,576,165	429.2
R-1: Add Appellate FTE	554,200	554,200	0	0	0	5.5
R-2: Add Special Prosecution FTE	298,906	211,232	43,837	43,837	0	1.9
R-3: Refinance tobacco litigation efforts	0	676,952	(676,952)	0	0	0.0
R-4: Refinance Public Information Officer	89,277	20,351	(95,071)	160,400	3,597	0.0
NPI-1: Risk management adjustment	3,284	0	0	3,284	0	0.0
Employee benefits/common changes	2,467,932	229,385	189,235	1,956,089	93,223	0.0
Relocation to Carr Center	1,652,678	416,935	237,157	950,063	48,523	0.0
Change in anticipated grant funding	43,159	0	0	43,159	0	0.5
Annualize 2012 session bills	19,431	0	(18,423)	37,854	0	0.5
Tobacco litigation expense reduction	(380,000)	0	(380,000)	0	0	0.0
Annualize prior year budget actions	<u>(230,662)</u>	<u>0</u>	<u>(220,896)</u>	<u>(9,766)</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$61,769,335	\$12,005,240	\$9,858,850	\$38,183,737	\$1,721,508	437.6
Increase/(Decrease)	\$4,518,205	\$2,109,055	(\$921,113)	\$3,184,920	\$145,343	8.4
Percentage Change	7.9%	21.3%	(8.5%)	9.1%	9.2%	2.0%

Summary of Issues Presented to the Joint Budget Committee

Appellate Case Backlog: The Department of Law has requested \$554,200 General Fund for FY 2013-14 to add six Assistant Attorneys General to address its growing backlog of criminal appeal cases.

Major Litigation Pending Against the State: This issue brief provides a summary of legal cases involving the State that could have a significant financial impact.

Mortgage Servicing/ Foreclosure Processing Settlement: The Department of Law has received \$51.2 million as the result of a multi-state settlement with five major mortgage servicing companies. More than 80 percent of these funds will support supplemental loan modification programs and affordable housing programs.

Department of Local Affairs

The Department of Local Affairs is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. Major divisions include the Executive Director's Office, Property Taxation, the Division of Housing, and the Division of Local Governments. The Department's FY 2012-13 appropriation represents 15.9 percent of statewide operating appropriations and 0.15 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Local Affairs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1339 (Long Bill)	\$347,313,310	\$11,478,263	\$210,897,351	\$7,479,574	\$117,458,122	191.1
HB 12-1283 (Wildfire Response Consolidation)	(20,075,990)	(380,575)	(4,510,988)	(349,977)	(14,834,450)	(27.9)
HB 12-1246 (Paydate Shift)	<u>793</u>	<u>793</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$327,238,113	\$11,098,481	\$206,386,363	\$7,129,597	\$102,623,672	163.2
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$327,238,113	\$11,098,481	\$206,386,363	\$7,129,597	\$102,623,672	163.2
R-1: Additional Affordable Housing Units	2,000,000	2,000,000	0	0	0	0.0
R-2: Assistance to Rural Communities	3,000,000	3,000,000	0	0	0	1.0
R-3: Fort Lyon Transitional Community	2,740,852	2,740,852	0	0	0	0.0
NPI-1: OIT Enterprise Asset Management	3,099	3,099	0	0	0	0.0
NPI-2: Employee Engagement Survey Adjustment	383	356	24	3	0	0.0
NPI-3: Capital Complex Building Upgrades	34,541	13,147	2,010	19,384	0	0.0
Centrally Appropriated Line Items	<u>915,447</u>	<u>(75,640)</u>	<u>85,569</u>	<u>809,981</u>	<u>95,537</u>	<u>0.0</u>
TOTAL	\$335,932,435	\$18,780,295	\$206,473,966	\$7,958,965	\$102,719,209	164.2
Increase/(Decrease)	\$8,694,322	\$7,681,814	\$87,603	\$829,368	\$95,537	1.0
Percentage Change	2.7%	69.2%	0.0%	11.6%	0.1%	0.6%

Summary of Issues Presented to the Joint Budget Committee

R1-Additional Affordable Housing Units: The Department of Local Affairs is requesting \$2.0 million General Fund to provide additional affordable housing units for workforce needs and lower income families. The Department would utilize the \$2.0 million General Fund in order to leverage private activity bonds and finance the development of 1,200 new rental units per year, of which 800 will be designated affordable units for workforce needs and lower income families.

R2-Economic Development Assistance to Rural Communities: The Department is requesting \$3.0 million General Fund and 1.0 FTE within the Division of Local Governments for the administration of a grant program to grow and diversify the economies of rural communities, with an emphasis on those communities that depend on a single large employer such as a state prison. These communities face the prospect of a potentially irreversible decline if an industry shuts or significantly curtails operations. If implemented, the request would create a new grants program to provide job training for both existing and new employees, diversify the economic base, and soften the impact of a closure in targeted communities

R3-Fort Lyon Transitional Community: The Department of Local Affairs, in collaboration with the Department of Corrections, Department of Human Services, and Department of Health Care Policy and Financing, is requesting \$2,740,852 million General Fund in FY 2013-14 to pay for case management, substance abuse treatment costs, limited medical care, and the operations and maintenance of a transitional therapeutic residential treatment community for up to 200 homeless individuals at Fort Lyon. The request would annualize to \$3,175,852 General Fund for FY 2014-15, as the resident population at the facility would grow to 300 chronically homeless individuals.

Federal Budget Sequestration: In August 2011, bipartisan majorities in both the U.S. House of Representatives and Senate voted for the *Budget Control Act of 2011 (BCA)*. The legislation required budget sequestration beginning in federal fiscal year (FFY) 2013 pursuant to section 251A of the *Balanced Budget and Emergency Deficit Control Act of 1985*, as amended. This sequestration, should it occur, is the result of the failure of the Joint Select Committee on Deficit Reduction to propose, and Congress to enact, legislation reducing the deficit by \$1.2 trillion, as required by the BCA. The Department estimates that its federally funded community development and affordable housing programs may lose up to \$2.6 million in FFY 2012-13

Performance Audit-Board of Assessment Appeals: A December 2011 performance audit of the Board of Assessment Appeals found that the Board is not always timely in processing county property tax assessment appeals and issuing decisions. Because of this, the audit states that the Board should clarify timeliness requirements, take into account case complexity, ensure parties appropriately exchange adequate information prior to hearings, improve information available to petitioners, establish a training program for Board members, and reevaluate its fee structure. The Board of Assessment Appeals agreed to implement all recommendations.

Appropriations Tied to Fire Response/Recovery: House Bill 12-1283 consolidates the State's fire prevention and control and homeland security and emergency management functions, personnel, and resources within the Department of Public Safety. The legislation:

- Eliminates the Office of Preparedness, Security, and Fire Safety and moves all of its former functions to the Division of Fire Prevention and Control;
- Transfers to the Division of Fire Prevention and Control the powers and obligations relating to fire preparedness, response, suppression, coordination, and management vested previously in the State Forest Service;

- Codifies the consolidation of Colorado's homeland security functions, personnel, and resources, enacted under Executive Order D 2011-030 into a new Division of Homeland Security and Emergency Management, consisting of the Office of Emergency Management, Office of Prevention and Security, and Office of Preparedness;
- Eliminates DOLA's Division of Emergency Management and transfers its functions, personnel, and resources to the newly created Division of Homeland Security and Emergency Management; and
- Moves appropriations from the Governor's Office, Department of Higher Education, Department of Local Affairs, and Department of Public Health and Environment into the new Division of Fire Prevention and Control and the new Division of Homeland Security and Emergency Management.

Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs is responsible for providing trained and ready military forces for the U.S. active armed services, preserving life and property during natural disasters and civil emergencies in Colorado, and assisting veterans and National Guard members with benefits claims. The Department's FY 2012-13 appropriation represents 1.1 percent of statewide operating appropriations and 0.1 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Military and Veterans Affairs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	<u>\$222,946,109</u>	<u>\$6,681,430</u>	<u>\$1,332,993</u>	<u>\$803,662</u>	<u>\$214,128,024</u>	<u>1,384.9</u>
TOTAL	\$222,946,109	\$6,681,430	\$1,332,993	\$803,662	\$214,128,024	1,384.9
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$222,946,109	\$6,681,430	\$1,332,993	\$803,662	\$214,128,024	1,384.9
R-1: Veterans Affairs Personal Services	103,013	103,013	0	0	0	1.8
R-2: Colorado National Guard Tuition Fund	250,000	250,000	0	0	0	0.0
R-3: Human Resources Personal Services	53,198	53,198	0	0	0	0.9
NPI-1: Employee Engagement Survey Adjustment	896	896	0	0	0	0.0
NPI-2: Capitol Complex Building Upgrades	3,625	2,284	0	0	1,341	0.0
NPI-3: OIT Enterprise Management	2,345	2,345	0	0	0	0.0
Centrally Appropriated Line Item Adjustments	1,177,836	368,619	18,384	0	790,833	0.0
Federal Funds Adjustment	65,900	0	0	0	65,900	0.0
Statewide IT Common Policy Adjustments	41,886	41,886	0	0	0	0.0
Annualize Veterans Grant Appropriation	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$223,644,808	\$6,503,671	\$1,351,377	\$803,662	\$214,986,098	1,387.6
Increase/(Decrease)	\$698,699	(\$177,759)	\$18,384	\$0	\$858,074	2.7
Percentage Change	0.3%	(2.7%)	1.4%	0.0%	0.4%	0.2%

Summary of Issues Presented to the Joint Budget Committee

National Guard Tuition Assistance Program: The National Guard Tuition Assistance Program is an important tool to recruit and retain Colorado National Guard Members. The Department's budget request FY 2013-14 includes an increase of \$250,000 General Fund to maintain funding at 90.0 to 100.0 percent of tuition.

Armory Construction Update: In 2007, the Federal National Guard Bureau awarded Colorado a new 800 soldier infantry battalion. The new battalion required the construction of five new armories over five years, with total construction costs of more than \$80 million. Once armories are occupied, the State must provide moneys for maintenance and utility costs for armories of approximately \$200,000 per year.

Department of Natural Resources

The Department of Natural Resources is responsible for developing, protecting and enhancing Colorado's natural resources for the use and enjoyment of the State's present and future residents and visitors. The Department's FY 2012-13 appropriations represent 1.3 percent of statewide operating appropriations and 0.3 percent of statewide General Fund appropriations. The Department is comprised of the following agencies and divisions: Executive Director's Office; Reclamation, Mining, and Safety; Geological Survey; Oil and Gas Conservation Commission; State Board of Land Commissioners; Division of Parks and Wildlife; Colorado Water Conservation Board; and Water Resources Division (State Engineer's Office).

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Natural Resources						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$229,122,404	\$23,512,116	\$176,229,214	\$8,636,648	\$20,744,426	1,464.1
HB 12-1349 SCTF	4,000,000	0	4,000,000	0	0	0.0
SB 12S-002 CWCB Projects Bill	28,350,857	0	28,350,857	0	0	0.0
Other legislation	<u>1,144,311</u>	<u>228,047</u>	<u>916,264</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$262,617,572	\$23,740,163	\$209,496,335	\$8,636,648	\$20,744,426	1,464.1
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$262,617,572	\$23,740,163	\$209,496,335	\$8,636,648	\$20,744,426	1,464.1
R-1: OGCC Field Inspectors	571,702	0	571,702	0	0	5.0
R-2: SLB Minerals Coordinator	82,382	0	82,382	0	0	1.0
R-3: WRD Line Item Consolidation	0	0	0	0	0	0.0
R-4: WRD Satellite Monitoring System	100,000	0	100,000	0	0	0.0
R-5: DRMS E-Permitting	0	0	0	0	0	0.0
R-6: EDO Legal Services	123,600	0	123,600	0	0	0.0
R-7: SLB Strategic Business Initiatives	399,881	0	399,881	0	0	2.0
R-8: DPW Merger Cost Savings	0	0	0	0	0	(20.0)
R-9: DPW Wildlife Refinance	5,626,760	0	(3,000,000)	0	8,626,760	0.0
R-10: EDO OIT Staffing Correction	0	0	0	0	0	0.0
R-11: EDO Leased Space	58,844	985	54,286	0	3,573	0.0
NP-1: EDO Employee Survey	12,673	2,173	9,846	362	292	0.0
NP-2: EDO OIT Enterprise Asset Mgt.	36,526	4,687	30,450	774	615	0.0
NP-3: Capitol Comp. Buildings	72,887	15,869	36,765	12,465	7,788	0.0
Base Common Policy Adjustments	5,807,406	2,128,663	4,548,959	(892,189)	21,973	0.0
Base Indirect Costs Adjustments	688,809	0	627,303	0	61,506	0.0

Department of Natural Resources						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Base Federal Funds Adjustments	27,000	0	0	0	27,000	0.0
Base Fund Source Adjustments	0	(1,575,413)	0	1,575,413	0	0.0
Base Annualization S.B. 12S-002	(28,350,857)	0	(28,350,857)	0	0	0.0
Base Annualization H.B. 12-1349	(4,000,000)	0	(4,000,000)	0	0	0.0
Base Annualization H.B. 12-1278	(910,900)	0	(910,900)	0	0	0.0
Base Annualization Other Bills	(249,216)	(228,047)	(21,169)	0	0	0.0
Base Annualization FY 13 DI #1	<u>(26,815)</u>	<u>0</u>	<u>(26,815)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$242,688,254	\$24,089,080	\$179,771,768	\$9,333,473	\$29,493,933	1,452.1
Increase/(Decrease)	(\$19,929,318)	\$348,917	(\$29,724,567)	\$696,825	\$8,749,507	(12.0)
Percentage Change	(7.6%)	1.5%	(14.2%)	8.1%	42.2%	(0.8%)

Summary of Issues Presented to the Joint Budget Committee

Water Supply Needs in the State of Colorado: The State of Colorado has experienced drought conditions over the past several years. The forecasters predict that drought conditions may continue well into 2013. The current conditions in the State re-emphasize the importance of the conclusions of the Statewide Water Supply Initiative (SWSI 2010) that Colorado faces a shortage of water for meeting the State's consumptive and non-consumptive water needs and that in order to meet Colorado's future water needs, a mix of local water projects, conservation, reuse, agricultural transfers, and the development of new water supplies should be pursued concurrently.

Wildlife Cash Fund Performance Audit: A report submitted by the State Auditor in May 2012 found that the Division of Wildlife did not follow the Wildlife Commission's policy on how to calculate the Wildlife Cash Fund unobligated reserve, did not report accurate information to the Wildlife Commission, and as a result underreported Wildlife Cash Fund expenditures totaling \$32.4 million.

Division of Parks and Wildlife Merger and Cost Savings: The Division of Parks and Wildlife is in the process of implementing a Merger Implementation Plan required by S.B. 11-208 in order to successfully implement the consolidation of operations, address outstanding issues, and identify increased efficiencies and cost savings. The Division intends to submit a detailed request in January 2013 to reduce at least 20.0 FTE and \$1.0 to \$2.0 million in appropriations.

Water Resources Division Budget Re-Organization and Funding Request: The Water Resources Division is proposing re-organizing its Long Bill line item budget structure by reducing its 12 line items into 8 in order to allow the Division to manage its budget in a more flexible manner.

Status of the Operational Account of the Severance Tax Trust Fund – Impact on LEAP Programs: Anticipated severance tax revenues are not sufficient to support authorized expenditures from the Operational

Account of the Severance Tax Trust Fund in FY 2012-13 and FY 2013-14, and proportional reductions Tier 2 programs are projected for both years. Staff recommends sponsoring legislation to adjust the timing of LEAP-related distributions to ensure equity in the reductions experienced by each program.

Capping the Sweep of School Trust Revenues for School Finance in FY 2012-13: Recommends that the Joint Budget Committee sponsor legislation during the 2013 Session to cap the “sweep” of state trust land revenues for school finance purposes in FY 2012-13 and thereby increase deposits to the Permanent Fund. Further recommends that the Committee oppose any potential efforts to continue the sweep of school trust revenues beyond FY 2012-13.

Colorado Geological Survey Transfer to the School of Mines (H.B. 12-1355 Update): Pursuant to H.B. 12-1355, the Department of Natural Resources and the Colorado School of Mines expect to sign a memorandum of understanding (MOU) that would transfer the Colorado Geological Survey (CGS) to the School of Mines. The anticipated agreement would: (1) transfer a total of approximately \$1.3 million in severance tax funds and 13 staff positions to the School of Mines; (2) discontinue support for a variety of functions, saving approximately \$900,000 per year in cash funds from the Operational Account of the Severance Tax Trust Fund and eliminating 12 staff positions (starting in FY 2013-14); and (3) retain the Colorado Avalanche Information Center within the Department of Natural Resources (which will require legislation).

Oil and Gas Development – OGCC Request for 5.0 Additional FTE: The Department is requesting a total of \$571,702 cash funds and 5.0 additional FTE for the Oil and Gas Conservation Commission (OGCC) to respond to an increasing workload and continued public concern about oil and gas development.

State Land Board Initiatives and the FY 2013-14 Request: As part of an overall effort to reorganize the State Land Board (SLB), the Department is requesting two separate increases to the SLB budget in FY 2013-14: (1) \$82,832 cash funds and 1.0 FTE to improve oil and gas leasing and oversight activities; and (2) \$399,881 cash funds and 2.0 FTE to establish additional lines of SLB business and diversify sources of trust income.

Department of Personnel and Administration

The Department of Personnel is responsible for administering the state personnel system, which includes approximately 31,000 full time equivalent (FTE) staff, excluding the Department of Higher Education. In addition, the Department provides general support services for state agencies. These functions include: control of the State's purchasing activities; oversight of state financial activities; maintenance of state archives and public records; maintenance of the buildings in the Capitol complex and two other campuses; provision of central services to agencies in the Denver metropolitan area; provision of administrative law judge services; coordination of capital construction and controlled maintenance projects; management of the State's motor vehicle fleet; centralized lease management for state agencies; administration of the State's personnel selection, classification, and compensation programs; administration of the State's employee benefit programs; and oversight of the State's liability, property, and workers' compensation insurance programs. The Department's FY 2012-13 appropriation represents 0.78 percent of statewide operating appropriations and 0.09 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Personnel and Administration					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	FTE
FY 2012-13 Appropriation:					
HB 12-1335 (Long Bill)	\$160,064,533	\$6,639,194	\$11,997,536	\$141,427,803	395.4
SB 12-150	(42,961)	(42,961)	0	0	(0.5)
TOTAL	\$160,021,572	\$6,596,233	\$11,997,536	\$141,427,803	394.9
FY 2013-14 Requested Appropriation:					
FY 2012-13 Appropriation	\$160,021,572	\$6,596,233	\$11,997,536	\$141,427,803	394.9
R-1: Central Contracts Unit Resources	194,783	194,783	0	0	1.8
R-2: Tax Document Processing Pipeline Efficiencies	(41,236)	0	0	(41,236)	(7.2)
R-3: Resources for COFRS II eProcurement	1,566,423	0	1,566,423	0	3.0
R-4: Preservation of Historical Records at State Archives	371,830	371,830	0	0	0.9
R-5: Departmental Technical Funding Adjustments	0	0	0	0	0.0
CP-1: Capitol Complex Building Upgrade	803,111	0	0	803,111	0.0
CP-2: Employee Engagement Survey	215,000	0	0	215,000	0.0
Operating Common Policy Base Adjustments	3,589,679	0	12,224	3,577,455	0.0
NPI-1: Capitol Complex Building Upgrade	125,655	80,813	13,446	31,396	0.0
NPI-2: Employee Engagement Survey Adjustment	2,349	623	214	1,512	0.0
NPI-3: OIT Enterprise Asset Management	6,301	1,669	575	4,057	0.0

Department of Personnel and Administration					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	FTE
NPI-4 to NPI-8: Fleet-Related Requests From Other Departments	50,380	0	0	50,380	0.0
Compensation-related Common Policy Adjustments	1,266,629	270,696	107,594	888,339	0.0
OIT Common Policy Adjustments	1,245,730	278,086	26,908	940,736	0.0
Operating Common Policy Adjustments	1,056,580	638,206	176,947	241,427	0.0
Indirect Cost Assessment Adjustments	732,917	0	(97,476)	830,393	0.0
Prior Year Annualizations	(712,937)	0	(300,000)	(412,937)	0.0
Other Technical and Base Adjustments	<u>(605,882)</u>	<u>(2,750,421)</u>	<u>782,046</u>	<u>1,362,493</u>	<u>0.0</u>
TOTAL	\$169,888,884	\$5,682,518	\$14,286,437	\$149,919,929	393.4
Increase/(Decrease)	\$9,867,312	(\$913,715)	\$2,288,901	\$8,492,126	(1.5)
Percentage Change	6.2%	(13.9%)	19.1%	6.0%	(0.4%)

Summary of Issues Presented to the Joint Budget Committee

Legislative Audio Tape Digitization, A Legislative Digital Records Policy, and R-4: Preservation of Historical Records at the Colorado State Archives: Legislative audio tapes from 1973 through 2001 at the State Archives are at risk of being completely inaccessible and lost due to tape deterioration, playback machine failure, and digital tape system instability and obsolescence. The General Assembly currently lacks a comprehensive digital records policy that includes authentication as defined in the Uniform Electronic Legal Material Act (UELMA) in Article 71.5 of Title 24, C.R.S., regarding the requirements related to the authentication, preservation of digital records, and the availability of preserved digital records, and that takes effect March 31, 2014, as specified in H.B. 12-1209.

R-1: Central Contracts Unit Resources: The State's decentralized contracting process provides responsibility for setting statewide standards and state agency training for contracts, and the provision of reviews for high-risk contracts in the Central Contracts Unit (CCU) in the Office of the State Controller. The Department is requesting additional resources for the CCU to provide more timely, high-risk contract reviews and improve contracting practices of state agencies through training, contract monitoring, and further development of model contracts.

Address Confidentiality Program Funding: The Address Confidentiality Program in the Department of Personnel is predominantly cash-funded through an offender surcharge defined in statute and collected in district courts. The provision of confidential mail services to participants and the eligibility of participants are defined in statute, and expenses are projected to exceed revenues on a systematic basis beginning in the current fiscal year.

CP-1 and CP-2 – Operating Common Policy Requests Operating Common Policy Base Adjustments, and Fleet Management: This issue summarizes the Department's Operating Common Policy requests.

R-2: Tax Document Processing Pipeline Efficiencies and R-3: Resources for COFRS II eProcurement: This issue summarizes the Department's request for information technology-related projects for the Tax Document Processing Pipeline project with the Department of Revenue, and for the COFRS II eProcurement project.

Department of Public Health and Environment

The Department of Public Health and Environment is responsible for protecting and improving the health of the people of Colorado and ensuring the quality of Colorado's environment. The Department's FY 2012-13 appropriation represents 2.3 percent of statewide operating appropriations and 0.4 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Public Health and Environment						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$462,258,351	\$27,843,155	\$156,195,320	\$32,052,315	\$246,167,561	1,221.6
HB 12-1294 (Health facilities)	183,730	0	183,730	0	0	2.4
HB 12-1326 (Dental program)	3,022,800	3,022,800	0	0	0	1.0
Other legislation	<u>636,626</u>	<u>(140,844)</u>	<u>777,470</u>	<u>0</u>	<u>0</u>	<u>(1.9)</u>
TOTAL	\$466,101,507	\$30,725,111	\$157,156,520	\$32,052,315	\$246,167,561	1,223.1
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$466,101,507	\$30,725,111	\$157,156,520	\$32,052,315	\$246,167,561	1,223.1
R-1: Financial Risk Management	0	0	0	154,453	(154,453)	0.0
R-2: Lean Resources	0	0	0	300,107	(300,107)	0.0
R-3: Local Public Health Agency Funding	375,466	375,466	0	0	0	0.0
R-4: Preventive Health Funding	(251,000)	0	0	0	(251,000)	2.4
NPI-1: OIT enterprise management	22,432	0	0	22,432	0	0.0
NPI-2: Capitol Complex upgrades	2,019	0	0	2,019	0	0.0
NPI-3: Employee engagement survey	1,371	0	0	1,371	0	0.0
Centrally appropriated line items	10,769,034	409,248	1,383,422	447,631	8,528,733	0.0
Amendment 35 revenue adjustment	(3,541,603)	0	(3,248,803)	(292,800)	0	0.0
Annualize prior year legislation	(1,333,757)	(79,916)	(680,025)	(292,124)	(281,692)	(13.4)
IT common policy adjustments	(745,987)	(75,287)	(385,917)	123,939	(408,722)	0.0
Annualize prior year funding	<u>(174,715)</u>	<u>0</u>	<u>(82,285)</u>	<u>(92,430)</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$471,224,767	\$31,354,622	\$154,142,912	\$32,426,913	\$253,300,320	1,212.1
Increase/(Decrease)	\$5,123,260	\$629,511	(\$3,013,608)	\$374,598	\$7,132,759	(11.0)
Percentage Change	1.1%	2.0%	(1.9%)	1.2%	2.9%	(0.9%)

Summary of Issues Presented to the Joint Budget Committee

Rocky Mountain Arsenal Litigation Expenses: The Natural Resources Damage Recovery Fund in the Department of Public Health and Environment is holding \$17.0 million given to the State through the settle with the U.S. Army and Shell Oil Company for damages they caused to the State's natural resources by their actions at the Rocky Mountain Arsenal. State statute requires the funds used to pay for the litigation which resulted in the \$17.0 million settlement be repaid before the funds can be accessed. IN 2010 when the repayment language was added to statute the anticipated repayment date was 2015. Based on current rates, the loan isn't anticipated to be repaid until 2019.

Health Facilities Division and 2012 Legislation: During the 2012 Session, the General Assembly passed legislation transferring the life safety code inspections for health facilities from the Health Facilities and Emergency Medical Services Division to the Department of Public Safety. In order to transfer the inspection responsibilities, the Centers for Medicare and Medicaid must agree to the transfer by July 1, 2013. Transferring responsibilities will increase the costs of health facilities inspections and add a fourth department to the list of departments facilities must interact with.

Local Public Health Funding: The passage of S.B. 08-194, "Concerning Public Health" changed the organization of local public health services creating public health agencies to provide local public health and environmental services that matched the needs of the population being serviced, and required the State Board of Health to identify core public health services in rule. As a result of the change to local public health agencies and the identification of core public health service, the Office of Planning and Partnerships reformulated the formula used to allocate state funds for local public health services, and identified the need for additional state funds.

Pesticide Discharge Permitting Program: The Water Quality Control Division is in the process of developing a pesticide discharge permitting program pursuant to the requirements of the Federal Clean Water Act. Currently the Division is unable to dedicate resources or charge fees for work associated with developing the program because of statutory constraints.

Water Quality Control Division FTE Needs: The Water Quality Control Division is currently in an unwinnable situation, where demand for services is increasing but the ability of the Division to hire additional staff to keep up with the increases in demand is nonexistent.

Uranium Mills: The Radiation Control Program is responsible for the oversight of the decommissioning of the Cotter Corporation Uranium Mill and the construction of the proposed Energy Fuels uranium mill. The General Assembly appropriated funds in FY 2011-12 and FY 2012-13 for work associated with these projects, but both projects have experience unforeseen issues resulting in delays in completing the work for which the funds were appropriated for.

Program Updates – Dental Assistance Program and Tobacco Tax Grant Programs: This issue provides the Committee with brief update on two programs: the Dental Assistance Program and the two Amendment 35 tobacco tax funded grant programs. The Dental Assistance Program was able to restart in FY 2012-13 using the \$3.0 million appropriated by the General Assembly in FY 2012-13. The Program had not been funded since FY 2009-10 due to the economic slowdown. The State Auditor's Office conducted a performance audit of the

Tobacco Prevention and Chronic Pulmonary Disease Prevention, Early Detection, and Treatment Programs and made six recommendations to the Legislative Audit Committee during the August 2012 meeting.

Department of Public Safety

The Department of Public Safety is responsible for providing a safe environment in Colorado by maintaining, promoting, and enhancing public safety through law enforcement, criminal investigations, fire and crime prevention, emergency management, homeland security, recidivism reduction, and victim advocacy. The Department's FY 2012-13 appropriation represents 1.6 percent of statewide operating appropriations and 1.1 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Public Safety						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$272,658,804	\$84,081,985	\$135,447,278	\$25,064,507	\$28,065,034	1,365.2
HB 12-1019 (POE Transfer to CSP)	10,892,480	(283,704)	10,574,790	601,394	0	122.3
HB 12-1283 (Re-Org. HS and Fire Sfty.)	36,608,071	838,349	10,129,020	349,977	25,290,725	71.3
Other Legislation	<u>37,509</u>	<u>(12,491)</u>	<u>(1,048,016)</u>	<u>1,098,016</u>	<u>0</u>	<u>(0.5)</u>
TOTAL	\$320,196,864	\$84,624,139	\$155,103,072	\$27,113,894	\$53,355,759	1,558.3
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$320,196,864	\$84,624,139	\$155,103,072	\$27,113,894	\$53,355,759	1,558.3
R-1 DCJ CCCJ Continuation Funding	255,443	255,443	0	0	0	2.5
R-2 DHSEM Crit. Infr. / Cont. of Ops.	74,332	74,332	0	0	0	0.8
R-3 CSP Moffat County Op. Costs	63,525	0	63,525	0	0	0.0
R-4 CSP Special Events Closures	548,262	0	548,262	0	0	0.0
R-5 DCJ Provider Rate Increase	841,645	803,204	0	38,441	0	0.0
NP-1 EDO Capitol Comp. Buildings	83,266	57,805	24,689	772	0	0.0
NP-2 EDO Employee Survey	29,466	29,466	0	0	0	0.0
NP-3 EDO OIT Ent. Asset Mgt.	24,184	24,184	0	0	0	0.0
Base Common Policy Adjustments	10,678,706	2,126,093	7,764,258	131,779	656,576	0.0
Base HB 12-1268 Health Fac. Inspection	1,206,067	87,944	456,868	336,639	324,616	15.0
Base Indirect Costs Adjustments	911,427	0	868,886	9,380	33,161	0.0
Base Fund Source Adjustments	0	(861,896)	(61,261)	921,912	1,245	0.0
Base IT Common Policy Adjustments	(238,441)	169,018	(526,198)	126,651	(7,912)	0.0
Base Various Annualizations	(80,709)	(164,006)	0	83,297	0	2.5
Base Annualizations Bills	<u>(28,020)</u>	<u>(25,473)</u>	<u>(2,547)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$334,566,017	\$87,200,253	\$164,239,554	\$28,762,765	\$54,363,445	1,579.1

Department of Public Safety						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Increase/(Decrease)	\$14,369,153	\$2,576,114	\$9,136,482	\$1,648,871	\$1,007,686	20.8
Percentage Change	4.5%	3.0%	5.9%	6.1%	1.9%	1.3%

Summary of Issues Presented to the Joint Budget Committee

Consolidation of Homeland Security, Disaster Management and Fire Prevention and Control Functions: House Bill 12-1283 consolidated the State's fire prevention and control and homeland security and emergency management functions, personnel, and resources within the Department of Public Safety. This issue brief provides a brief overview of the bill and the new Division of Fire Prevention and Control and the new Division of Homeland Security and Emergency Management.

Disaster Response Procedures and Funding for Disaster Emergencies: The Governor has primary responsibility for disaster response. Once the Governor declares a disaster emergency, he can take a number of actions, including re-directing available resources and transferring and expending state moneys appropriated for other purposes. Projections of Disaster Emergency Fund balances are difficult given the number and complexity of disaster emergency declarations over the past several years.

Highway Users Tax Fund (HUTF) "Off-the-Top" Funding and Growth: The FY 2013-14 requests for HUTF "Off-the-Top" funding in the State Patrol is \$352,000 below the appropriations 6.0 percent growth limit. House Bill 10-1019 transferred the Ports of Entry Functions of the Department of Revenue to the State Patrol, thus, starting with FY 2012-13 appropriating all HUTF "Off-the-Top" to the Department of Public Safety.

Subsistence Grace Period: Since 2008, the Colorado Commission on Criminal and Juvenile Justice has recommended that offenders newly arrived in a community corrections center be given a two to four week "grace period" during which fees and subsistence payments are delayed until the offender is stabilized in the community. Subsistence payments are the daily fees that offenders must pay to their community corrections programs. Staff recommends that the Committee provide FY 2013-14 funding for an experimental "subsistence grace period" for offenders in residential community corrections programs.

Department of Regulatory Agencies

The Department of Regulatory Agencies is responsible for consumer protection carried out through regulatory programs that license, establish standards, approve rates, investigate complaints, and conduct enforcement through 38 boards, commissions, and advisory committees across more than 50 professions, occupations, programs, and institutions. The Department is organized in the following 10 predominantly cash-funded divisions: (1) Executive Director's Office; (2) Banking; (3) Civil Rights; (4) Consumer Counsel; (5) Financial Services; (6) Insurance; (7) Public Utilities Commission; (8) Real Estate; (9) Professions and Occupations; and (10) Securities. The Department's FY 2012-13 appropriation represents 0.38 percent of statewide operating appropriations and 0.02 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of Regulatory Agencies						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$78,180,593	\$1,714,111	\$70,886,928	\$4,265,351	\$1,314,203	555.9
Other Legislation	<u>378,246</u>	<u>0</u>	<u>378,246</u>	<u>0</u>	<u>0</u>	<u>2.0</u>
TOTAL	\$78,558,839	\$1,714,111	\$71,265,174	\$4,265,351	\$1,314,203	557.9
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$78,558,839	\$1,714,111	\$71,265,174	\$4,265,351	\$1,314,203	557.9
NPI-1: Employee Engagement Survey	5,134	164	4,699	176	95	0.0
NPI-2: OIT Enterprise Asset Management	9,801	382	9,419	0	0	0.0
NPI-3: Capitol Complex Building Upgrade	307	0	307	0	0	0.0
Compensation-related Common Policies	2,402,888	94,645	2,185,233	107,228	15,782	0.0
Prior Year Legislation Annualizations	640,262	0	640,262	0	0	4.9
Other Technical and Base Adjustments	28,880	(12,513)	16,411	(3,647)	28,629	0.0
Operating Common Policies	1,845	(700)	(536)	1,998	1,083	0.0
OIT Common Policies	(458,186)	(18,772)	(439,414)	0	0	0.0
Indirect Cost Assessment Adjustments	<u>(23,356)</u>	<u>0</u>	<u>(19,932)</u>	<u>(2,812)</u>	<u>(612)</u>	<u>0.0</u>
TOTAL	\$81,166,414	\$1,777,317	\$73,661,623	\$4,368,294	\$1,359,180	562.8
Increase/(Decrease)	\$2,607,575	\$63,206	\$2,396,449	\$102,943	\$44,977	4.9
Percentage Change	3.3%	3.7%	3.4%	2.4%	3.4%	0.9%

Summary of Issues Presented to the Joint Budget Committee

Conservation Easement Tax Credit Program Pre-Approval Process and Statutory Cap: The Office of the State Auditor's September 2012 performance audit of the conservation easement tax credit program (that

included the Department of Revenue and the Division of Real Estate and the Conservation Easement Oversight Commission in the Department of Regulatory Agencies) recommended that the State move to a pre-approval process for conservation easement tax credits that would better align areas of expertise with areas of responsibility and provide certainty for taxpayers that the current system does not provide. Additionally, the current statutory cap, \$22 million for 2011 and 2012 and \$34 million for 2013, on the annual total of conservation easement tax credits extends only through calendar year 2013.

The Division of Insurance Role in Federal Health Care Reform: An informational update on the Division of Insurance's role in federal health care reform and its relationship to the Colorado Health Benefit Exchange (COHBE).

Department of Revenue

The Department of Revenue is the collection of taxes, including corporate and personal income, sales, and severance, enforcement of tax laws, assisting taxpayers, and administering the old age heat and fuel and property tax rebate program; regulating motor vehicle safety through the issuance of driver's licenses and identification document, registering and titling vehicles, overseeing the vehicle emissions testing stations, ensuring registered vehicles are insured, and assisting drunk driving offenders with obtaining and installing ignition interlock devices; regulating some industries, such as limited gaming, liquor and tobacco wholesalers and retailers, horse racing and pari-mutuel betting, the automobile sales industry, and medical marijuana; conducting hearings regarding licenses issued by the Department; and operating the State Lottery, a TABOR enterprise. The Department's FY 2012-13 appropriation, reflected below, represents 1.4 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

	Department of Revenue					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1339 (Long Bill)	\$296,857,697	\$95,804,403	\$198,734,454	\$1,494,452	\$824,388	1,370.8
HB 12-1019 (Ports of Entry)	(9,758,101)	379,400	(10,173,574)	36,073	0	(122.3)
HB 12-1216 (Refinance DMV)	(74,421)	(22,664,244)	22,664,243	(74,420)	0	0.0
License Plate Bills	177,052	0	177,052	0	0	0.0
Other Legislation	<u>497,474</u>	<u>148,583</u>	<u>348,891</u>	<u>0</u>	<u>0</u>	<u>1.8</u>
TOTAL	\$287,699,701	\$73,668,142	\$211,751,066	\$1,456,105	\$824,388	1,250.3
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$287,699,701	\$73,668,142	\$211,751,066	\$1,456,105	\$824,388	1,250.3
R-1 CITA Annual Maintenance and Support	1,500,000	1,500,000	0	0	0	0.0
R-2 DOR IT Infrastructure Performance Enhancements	3,917,008	2,859,487	1,057,521	0	0	0.0
R-3 Tax Document Processing Pipeline Efficiencies	(1,010,422)	(1,010,422)	0	0	0	(10.7)
R-4 EDO Realignment	367,281	(257,623)	257,623	367,281	0	0.0
R-5 EUDL Grant Funding Restoration	88,113	0	88,113	0	0	0.0
NPI-1 OIT Enterprise Asset Management	24,365	9,721	14,644	0	0	0.0
NPI-2 Employee Engagement Survey Adjustment	4,745	1,893	2,852	0	0	0.0
NPI-3 CCLS Building Upgrade, Repair & Replace	125,001	80,180	44,821	0	0	0.0

Department of Revenue						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Common Policy Adjustments	2,666,243	891,432	2,226,295	(451,484)	0	0.0
Department Indirect Costs Adjustment	437,065	524,212	82,415	(169,562)	0	0.0
State Indirect Costs Adjustment	0	(610,480)	500,572	109,908	0	0.0
Leased Space Fund Mix Adjustment	0	127,738	(127,738)	0	0	0.0
Cash Funds Adjustment	0	0	0	0	0	0.0
Annualize Prior Year Legislation	(649,007)	(212,402)	(436,605)	0	0	(0.8)
September OSPB Adjustments	<u>(500,000)</u>	<u>(500,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$294,670,093	\$77,071,878	\$215,461,579	\$1,312,248	\$824,388	1,238.8
Increase/(Decrease)	\$6,970,392	\$3,403,736	\$3,710,513	(\$143,857)	\$0	(11.5)
Percentage Change	2.4%	4.6%	1.8%	(9.9%)	0.0%	(0.9%)

Summary of Issues Presented to the Joint Budget Committee

Progress towards resolution of the disputed conservation easement backlog: The Department of Revenue has received significant appropriations during FY 2010-11 and FY 2011-12 to address the resolution of the backlog in disputed conservation easements. These appropriations will continue through FY 2014-15. These appropriations include \$1.1 million General Fund and 3.7 FTE from a FY 2010-11 decision item, and \$3.4 million General Fund and 18.7 FTE (annualized to \$3.3 million and 18.9 FTE) appropriated in H.B. 11-1300. A large portion of these funds and FTE are reappropriated to other agencies, such as the Department of Law, the Judicial Department, and the Department of Regulatory Agencies.

OSA report on conservation easements: In September 2012, the Office of the State Auditor (OSA) released a performance audit report on the Conservation Easement Tax Credit as it relates to the Department of Revenue and the Division of Real Estate in the Department of Regulatory Affairs. The OSA report makes a number of recommendations that apply to the Department of Revenue as well as the Department of Regulatory Affairs.

Medical marijuana cash fund shortfall/Impact of Amendment 64: During FY 2011-12, the Medical Marijuana License Cash Fund suffered a severe shortage of revenues, due primarily to the fact that local governments were not issuing local licenses to medical marijuana businesses in a timely fashion and the Department is required by statute to wait until the local license is issued before the Department can issue its license. While the Cash Fund had revenues from one-time application fees, the Department had planned to rely on ongoing licensing fees to sustain its enforcement actions. The resulting revenue shortfall required the Department to reduce staffing from 37.0 FTE to 15.0 FTE. In addition, the passage of Amendment 64 will result in large changes to the industry and to the State's enforcement regime.

DOR tax pipeline: In its September 2011 performance audit of the Department of Revenue tax pipeline, the OSA determined "that there are two issues that prevent the pipeline from being efficient and cost-effective: (1) The tax pipeline relies on inefficient and antiquated manual processes and (2) the process is inefficiently

divided between the Department of Revenue and Central Services in the Department of Personnel and Administration." During the year since the release of the audit report, the Department of Revenue and the Department of Personnel and Administration have come to an agreement to upgrade the tax pipeline, which includes capital construction expenditures to combine with operating expense reductions in both departments. The annualized General Fund appropriations will be reduced by \$1.7 million and 38.8 FTE.

Driver's License Administrative Revocation Account and First Time Drunk Driving Offender Account: Within the Department of Revenue, the Driver's License Administration Revocation Account (DLARA) has a funding shortfall, estimated at \$1.1 million in FY 2012-13, while the First Time Drunk Driving Offender Account (FTDDOA) has accumulated a surplus that is larger than annual appropriations. Both Accounts are sub-accounts of the Highway Users Tax Fund (HUTF) and are funded by a fee for the reinstatement of driver's licenses. Of the \$95 fee for reinstatement, \$60 is credited to the DLARA and \$35 is credited to the FTDDOA.

Workload decrease in the Hearing Division: Data from the Department of Revenue regarding the Hearings Division in the Enforcement Business Group show that the number of hearings conducted by the Division has decreased by about one-third over the last five years. The Department has not proposed a reduction in staffing as this workload has declined.

Various fees not credited to a cash fund: The Department of Revenue currently receives appropriations from five sources that are not cash funds, though they are appropriated in the cash funds column. These are generally for administrative expenses related to activities carried out by the Department. Staff recommends that these fees be credited to a cash fund and appropriated therefrom.

Department of State

The Department of State is responsible for the following: (1) administers statutory provisions related to elections, including implementation of the provisions of the federal Help America Vote Act, administering the initiative and referendum process, and manages the statewide computerized voter registration database; (2) collects, maintains, and provides public access to filings by business and nonprofit entities, such as annual reports, articles of incorporation, and liens; (3) registers lobbyists and monitors the filing of required disclosure reports; (4) regulates charitable gaming (bingo and raffle); (5) regulates notaries public and enforces related law. The Department's FY 2012-13 appropriation, reflected below, represents 0.1 percent of statewide operating appropriations and the Department does not receive General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of State				
	Total Funds	General Fund	Cash Funds	FTE
FY 2012-13 Appropriation:				
HB 12-1335 (Long Bill)	\$18,871,474	\$0	\$18,871,474	133.0
SB 12-123 (Electronic Filing System Improvements)	525,788	0	525,788	0.0
HB 12-1143 (Increase State Reimbursement to Counties)	233,128	0	233,128	0.0
HB 12-1209 (Uniform Electronic Legal Materials Act)	198,912	0	198,912	0.0
HB 12-1236 (Regulation of Charitable Solicitations)	41,440	0	41,440	0.0
HB 12-1274 (Regulation of Notaries Public)	<u>22,400</u>	<u>0</u>	<u>22,400</u>	<u>0.0</u>
TOTAL	\$19,893,142	\$0	\$19,893,142	133.0
FY 2013-14 Requested Appropriation:				
FY 2012-13 Appropriation	\$19,893,142	\$0	\$19,893,142	133.0
R-1: Election Night Reporting	177,816	0	177,816	0.0
R-2: Sharepoint Software	329,261	0	329,261	1.0
R-3: Secure File Transfer	31,200	0	31,200	0.0
Common Policy Adjustments	460,587	0	460,587	0.0
Annualize Prior Year Legislation	<u>(581,762)</u>	<u>0</u>	<u>(581,762)</u>	<u>0.0</u>
TOTAL	\$20,310,244	\$0	\$20,310,244	134.0
Increase/(Decrease)	\$417,102	\$0	\$417,102	1.0
Percentage Change	2.1%	0.0%	2.1%	0.8%

Summary of Issues Presented to the Joint Budget Committee

Reorganization of Administration and Special Purpose Divisions: The Department of State is currently broken down into three divisions: Administration; Special Purpose; and Information Technology Services. The

Administration Division contains the following programs: Administration; Business; Elections; Licensing; Bingo/Raffle regulation; Charitable solicitation regulation; and Notary Public registration. Especially as it concerns elections, staff is concerned that the current budget that combines all of these function in one operating division does not provide the budgetary transparency that the public may expect. This issue brief explores the reorganization of the Department into an Administration Division, an Elections Division, a Business and Licensing Division, and an Information Technology Division.

Electronic Registration Information Center: Starting with FY 2011-12, the Department of State received funding for its participation in the Electronic Registration Information Center project. The project is a collaborative effort between a number of states and the Pew Center on the States. The aim of the project is to clean up voter registration rolls and to facilitate outreach to eligible but unregistered voters. This issue brief provides an update on the progress made in registering new voters.

Department of Transportation

The Department of Transportation is responsible for operating and maintaining Colorado's 9,156-mile state highway system under the policy direction of the eleven-member Transportation Commission, and maintaining the statewide aviation system plan. These responsibilities include managing highway construction projects, implementing the state's Highway Safety Plan, repairing and maintaining roads, providing technical support to local airports regarding aviation safety, and administering reimbursement of aviation fuel tax revenues and discretionary grants to local airports. The Department's FY 2012-13 appropriation represents 5.4 percent of statewide operating appropriations and 0 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

	Department of Transportation					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	<u>\$1,119,353,686</u>	<u>\$0</u>	<u>\$706,181,582</u>	<u>\$3,763,059</u>	<u>\$409,409,045</u>	<u>3,308.8</u>
TOTAL	\$1,119,353,686	\$0	\$706,181,582	\$3,763,059	\$409,409,045	3,308.8
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$1,119,353,686	\$0	\$706,181,582	\$3,763,059	\$409,409,045	3,308.8
NPI-1: Employee Engagement Survey	0	0	0	0	0	0.0
Updated Revenue Projections	148,381,433	0	53,647,494	16,000,000	78,733,939	0.0
COFRS Modernization	107,310	0	107,310	0	0	0.0
Centrally Appropriated Line Items	(81,553)	0	(107,310)	25,757	0	0.0
FTE Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8.7</u>
TOTAL	\$1,267,760,876	\$0	\$759,829,076	\$19,788,816	\$488,142,984	3,317.5
Increase/(Decrease)	\$148,407,190	\$0	\$53,647,494	\$16,025,757	\$78,733,939	8.7
Percentage Change	13.3%	0.0%	7.6%	425.9%	19.2%	0.3%

Summary of Issues Presented to the Joint Budget Committee

Administration Line Overview: The Department of Transportation received \$23,771,617 during fiscal year 2012-13 for programs funded out of its Administration line. This represented a decrease of (\$716,937) and (14.2) FTE from the prior fiscal year. The appropriation includes increases for centrally appropriated line items, the State's PERA contribution, the first two phases of a five-phase project to replace the statewide accounting system (COFRS), and statewide IT common policy adjustments. It also includes a more than ten percent personal services reduction. JBC staff is concerned that the cuts to Administration, which are based on reversions in past year actuals, will negatively impact Administration staff's ability to support the Department's construction program.

CDOT Fund Balances: In recent years the Department of Transportation has experienced significant volatility in both its expenses and revenues. The uncertainty has resulted in significant fund balances for the Department. CDOT's various accounts have a \$1.38 billion fund balance, of which \$1.28 billion is encumbered and about \$98 million in unassigned. The revenue and cost uncertainties behind these fund balances appear to be nationwide DOT challenges that will continue for the foreseeable future. Accordingly, CDOT should consider further refining its current business approach to best manage these uncertainties.

Overview of MAP-21: On July 6, 2012, the President signed H.R. 4348, the *Moving Ahead for Progress in the 21st Century Act* (MAP-21). The legislation updates and replaces the *Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users Act of 2005* (SAFETEA-LU), specifically reauthorizing federal transportation programs, providing budget authority for federal transportation apportionments, and updating federal statutes governing the U.S. Department of Transportation (USDOT) and its various agencies and programs. The bill continues existing funding levels with a small inflationary adjustment.

Federal Budget Sequestration: In August 2011, bipartisan majorities in both the U.S. House of Representatives and Senate voted for the *Budget Control Act of 2011* (BCA). The legislation required budget sequestration beginning in federal fiscal year (FFY) 2013 pursuant to section 251A of the *Balanced Budget and Emergency Deficit Control Act of 1985*, as amended. This sequestration, should it occur, is the result of the failure of the Joint Select Committee on Deficit Reduction to propose, and Congress to enact, legislation reducing the deficit by \$1.2 trillion, as required by the BCA. The Department estimates that its federally funded community development and affordable housing programs may lose more than \$12 million in FFY 2012-13.

Department of Treasury

The Department of Treasury is responsible for the following duties: (1) acts as the State's banker and investment officer, providing investment, accounting, and cash management services and preparing related reports; (2) administers the Unclaimed Property Program and transmits moneys from the Unclaimed Property Trust Fund to CoverColorado; (3) disburses Senior Citizen and Disabled Veteran Property Tax Exemption payments to local governments; (4) provides short-term interest-free financing to school districts by issuing tax and revenue anticipation notes and making loans from the General Fund; (5) assists charter schools with long-term financing by making direct bond payments; (6) transfers moneys to the Fire and Police Pension Association (FPPA) for local "old hire" pension plans; (7) distributes Highway Users Tax Fund (HUTF) revenues to counties and municipalities; and (8) distributes federal "mineral leasing funds" received for the State's share of sales, bonuses, royalties, and rentals of public lands within Colorado. The Department's FY 2012-13 appropriation represents 2.3 percent of statewide operating appropriations and 1.4 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Department of the Treasury				
	Total Funds	General Fund	Cash Funds	FTE
FY 2012-13 Appropriation:				
HB 12-1335 (Long Bill)	\$478,908,151	\$109,331,708	\$369,576,443	31.5
HB 12-1246	<u>794</u>	<u>794</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$478,908,945	\$109,332,502	\$369,576,443	31.5
FY 2013-14 Requested Appropriation:				
FY 2012-13 Appropriation	\$478,908,945	\$109,332,502	\$369,576,443	31.5
NPI-2: Employee Engagement Survey Adjustment	31	31	0	0.0
Senior Citizen & Disabled Veteran Property Tax Exemption Adjustment	4,100,000	4,100,000	0	0.0
Highway Users Tax Fund Adjustment	3,886,256	0	3,886,256	0.0
CoverColorado Projection Adjustment	(7,000,000)	0	(7,000,000)	0.0
Common Policy and Annualizations Compensation-related Common Policy Adjustments	129,559	67,286	62,273	0.0
OIT Common Policy Adjustments	48,258	48,258	0	0.0
Operating Common Policy Adjustments	9,625	9,625	0	0.0
Prior Year Annualizations	<u>2,533</u>	<u>800</u>	<u>1,733</u>	<u>0.4</u>
TOTAL	\$495,410,314	\$128,883,609	\$366,526,705	31.9
Increase/(Decrease)	\$16,501,369	\$19,551,107	(\$3,049,738)	0.4
Percentage Change	3.4%	17.9%	(0.8%)	1.3%

Summary of Issues Presented to the Joint Budget Committee

CoverColorado Program Conclusion and Repeal: With federal health care reform requiring insurance companies in Colorado to provide health coverage regardless of an individual's health status beginning in 2014, the purpose for CoverColorado is eliminated.

The Unclaimed Property Program and Gift Cards: The Unclaimed Property Program in the Department of Treasury currently collects the unredeemed value of gift cards from businesses and merchants based on a 2005 Attorney General's Opinion. The opinion states that the Treasurer has the authority and responsibility to collect the value of unredeemed gift cards because statute does not provide an exception for gift cards.

Compensation Common Policies

The General Assembly typically establishes common policies to budget for compensation consistently across departments. The compensation common policies address three issues: (1) Establish a standard method for calculating base continuation personal services; (2) Determine the amounts, if any, for salary and benefit increases; and (3) Set assumptions for determining the cost of compensation for new FTE. The common policies generally apply to a subset of all compensation that excludes the higher education institutions and the legislature. Estimated expenditures on compensation by agencies impacted by the common policies represent 9.1 percent of total statewide appropriations and 13.2 percent of statewide General Fund appropriations.

FY 2012-13 Appropriation and FY 2013-14 Request

Compensation Common Policies						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Net GF
FY 2012-13*						
Salaries	<u>\$1,441,646,140</u>	<u>\$749,255,587</u>	<u>\$364,287,964</u>	<u>\$162,984,257</u>	<u>\$165,118,332</u>	<u>\$766,371,798</u>
Base Salary Estimate	1,430,709,734	740,331,351	363,818,252	161,484,290	165,075,841	756,836,869
Shift Differential	10,936,406	8,924,236	469,712	1,499,967	42,491	9,534,929
Insurance Benefits	<u>\$167,225,218</u>	<u>\$95,988,377</u>	<u>\$37,455,595</u>	<u>\$19,784,456</u>	<u>\$13,996,790</u>	<u>\$99,061,878</u>
Health, Life, Dental	164,855,172	94,688,619	36,870,108	19,503,500	13,792,945	97,721,524
Short-term Disability	2,370,046	1,299,758	585,487	280,956	203,845	1,340,354
Retirement Benefits	<u>\$251,241,230</u>	<u>\$130,889,058</u>	<u>\$64,718,705</u>	<u>\$28,952,435</u>	<u>\$26,681,032</u>	<u>\$132,497,007</u>
PERA	149,178,857	77,463,982	38,297,977	16,606,477	16,810,421	77,463,982
AED	43,785,763	22,908,445	11,384,931	5,471,053	4,021,334	23,640,712
SAED	37,368,664	19,648,992	9,753,509	4,511,107	3,455,056	20,275,273
Medicare (FICA)	\$20,907,946	\$10,867,639	\$5,282,288	\$2,363,798	\$2,394,221	\$11,117,040
TOTAL	<u>\$1,860,112,588</u>	<u>\$976,133,022</u>	<u>\$466,462,264</u>	<u>\$211,721,148</u>	<u>\$205,796,154</u>	<u>\$997,930,683</u>
Requested Changes						
Salary Increases	<u>\$62,067,016</u>	<u>\$30,544,336</u>	<u>\$18,391,593</u>	<u>\$7,014,334</u>	<u>\$6,116,753</u>	<u>\$31,536,195</u>
Salary Survey	30,667,178	14,058,677	10,056,928	3,399,594	3,151,979	14,518,802
PERA	3,542,405	1,693,573	1,377,146	350,085	121,601	1,774,008
Medicare	444,674	203,851	145,825	49,294	45,704	210,523
AED	1,104,017	506,112	362,049	122,385	113,471	522,677
SAED	996,683	456,907	326,850	110,487	102,439	471,861
Short-term Disability	54,281	24,884	17,801	6,017	5,579	25,698
Merit Pay	21,102,511	11,311,506	4,969,076	2,507,977	2,313,952	11,623,977
PERA	2,366,409	1,329,951	714,689	255,893	65,876	1,403,286
Medicare	305,986	164,017	72,052	36,366	33,552	168,548
AED	759,690	407,214	178,887	90,287	83,302	418,463
SAED	685,831	367,624	161,495	81,509	75,203	377,779

Compensation Common Policies						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Net GF
Short-term Disability	37,351	20,021	8,795	4,439	4,096	20,574
Health, Life, Dental	18,110,044	8,395,014	3,836,620	381,299	5,497,111	8,687,522
Shift Differential	281,145	236,700	7,840	36,325	280	320,606
AED	6,032,205	2,028,172	1,689,316	391,940	1,922,777	1,912,979
SAED	(132,272)	(548,930)	(276,584)	(214,964)	908,206	(732,225)
Short-term Disability	208,941	14,094	71,530	21,766	101,551	4,489
TOTAL	\$86,567,079	\$40,669,386	\$23,720,315	\$7,630,700	\$14,546,678	\$41,729,567
FY 2013-14						
Salaries	<u>\$1,493,696,974</u>	<u>\$774,862,470</u>	<u>\$379,321,808</u>	<u>\$168,928,153</u>	<u>\$170,584,543</u>	<u>\$792,835,183</u>
Base Salary Estimate	1,482,479,423	765,701,534	378,844,256	167,391,861	170,541,772	782,979,648
Shift Differential	11,217,551	9,160,936	477,552	1,536,292	42,771	9,855,535
Insurance Benefits	<u>\$185,635,836</u>	<u>\$104,442,390</u>	<u>\$41,390,342</u>	<u>\$20,197,977</u>	<u>\$19,605,127</u>	<u>\$107,800,161</u>
Health, Life, Dental	182,965,216	103,083,633	40,706,728	19,884,799	19,290,056	106,409,046
Short-term Disability	2,670,619	1,358,757	683,613	313,178	315,071	1,391,115
Retirement Benefits	<u>\$267,346,858</u>	<u>\$137,497,549</u>	<u>\$69,470,429</u>	<u>\$30,225,718</u>	<u>\$30,153,162</u>	<u>\$139,024,906</u>
PERA	155,087,671	80,487,506	40,389,812	17,212,456	16,997,897	80,641,276
AED	51,681,675	25,849,943	13,615,183	6,075,665	6,140,884	26,494,831
SAED	38,918,906	19,924,593	9,965,270	4,488,139	4,540,904	20,392,688
Medicare (FICA)	\$21,658,606	\$11,235,507	\$5,500,165	\$2,449,458	\$2,473,477	\$11,496,110
TOTAL	\$1,946,679,667	\$1,016,802,408	\$490,182,579	\$219,351,848	\$220,342,832	\$1,039,660,250

* The FY 2012-13 Base Salary Estimate is the continuation base assumption included in the requests submitted by OSPB and the elected officials. The PERA and Medicare (FICA) are calculated from the salary base estimate. All other FY 2012-13 figures are from the FY 2012-13 appropriations.

Summary of Issues Presented to the Joint Budget Committee

Calculating Base Continuation Personal Services: This issue brief discusses the pros and cons of the General Assembly's practice in recent years of applying a base personal services reduction to capture vacancy savings that occur when a new employee is hired at a lower pay rate than the outgoing employee.

Annual Compensation Survey Report: This issue discusses the highlights of the Annual Compensation Survey Report and the Governor's request for compensation for FY 2013-14.

Indirect Costs

Summary of Presentation to the Joint Budget Committee

- **Indirect costs are administrative overhead costs** that are not billed directly for administrative support services to programs, offices, or divisions. Indirect costs assessed to federal-funded and cash-funded programs **reduce General Fund expenditures** for administrative overhead costs attributable for services provided to those non-General Fund programs, offices, or divisions. Indirect cost recoveries from federal- and cash-funded programs are calculated for statewide overhead costs and departmental overhead costs.
- Departments that do not fully assess and collect indirect costs from their federal-funded and cash-funded programs will necessarily require General Fund dollars that would have otherwise been offset. Staff will more consistently show indirect costs in the Long Bill across departments that will increase transparency for indirect cost assessments and recoveries in the Long Bill while ensuring that General Fund expenditures are minimized and offsets are maximized in the appropriations process.
- Departments collect indirect costs for federal-funded programs on the basis of an agreed-upon, indirect rate. In a year in which federal dollars exceed projected amounts, an over-collection of indirect costs will likely occur. Current statute requires that the over-collection revert to the General Fund. However in the following year, the indirect rate allowed by the federal program will be reduced to account for the over-collection in the prior year, necessarily resulting in an under-collection in the following year.
- In order to balance and pay for its indirect cost assessment/recovery plan, an under-collection of federal indirect costs necessitates that a department either over-collect from cash-funded programs or request a General Fund supplemental appropriation.

Staff Recommendation:

Staff recommends that the Committee sponsor legislation creating one statewide cash fund, with 22 department subaccounts, to enable departments to more efficiently manage the year-to-year over-collection and under-collection of indirect costs.

Tobacco Master Settlement Agreement

The Tobacco Master Settlement Agreement (MSA) provides Colorado with an annual revenue stream which is directed via statutory formulas to a wide variety of programs, primarily in the area of public health. The revenue is the product of a 1998 settlement between tobacco manufacturers and states, which sued tobacco manufacturers in the mid-1990s to recover Medicaid and other health-related costs incurred as a result of smoking. Colorado received \$91 million in Tobacco MSA revenue in FY 2011-12. Programs receiving Tobacco MSA allocations in FY 2012-13 include the Children's Basic Health Plan Trust (32% of allocations), the University of Colorado Health Sciences Center (16% of allocations) and the Nurse Home Visitor Program (14% of allocations), among others.

Summary of Issues Presented to the Joint Budget Committee

Tobacco Litigation Continues – How Should It Be Funded? The 1998 Tobacco Master Settlement Agreement provides Colorado with an annual revenue stream from participating tobacco manufacturers, but a portion of payments has been withheld each year since 2006 due to a dispute about non-participating manufacturers. To resolve the dispute, Colorado is currently engaged in multi-state arbitration proceedings. Meanwhile, the Tobacco Litigation Settlement Defense Account, that supports related legal work, is projected to run out by the end of FY 2012-13. The Department of Law is therefore requesting \$676,952 General Fund to replace Defense Account cash funds for FY 2013-14.

Above Expectations – 2012 Tobacco Settlement Revenue: Tobacco settlement receipts in April 2012 exceeded the January 2012 Legislative Council Staff projection that was used to set program appropriations in the FY 2012-13 Long Bill. Some programs will be unable to access these additional funds without an appropriation or statutory change.