

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2024-25

DEPARTMENT OF REGULATORY AGENCIES

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DECEMBER 11, 2023

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ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2023 legislative sessions that had a fiscal impact on this department are available in Appendix A of the annual Appropriations Report:

<https://leg.colorado.gov/sites/default/files/fy23-24apprept.pdf>

The online version of the briefing document may be found by searching the budget documents on the General Assembly’s website by visiting leg.colorado.gov/content/budget/budget-documents. Once on the budget documents page, select the name of this department's *Department/Topic*, "Briefing" under *Type*, and ensure that *Start date* and *End date* encompass the date a document was presented to the JBC.

DEPARTMENT OF REGULATORY AGENCIES

DEPARTMENT OVERVIEW

This budget briefing document includes the following eleven units within the Department of Regulatory Agencies (DORA):

- The **Executive Director's Office** provides administrative and technical support for the Department's divisions and programs, including functions associated with accounting, purchasing, budgeting, communications, legislative services, and human resources. The office also includes the Colorado Office of Policy, Research, and Regulatory Reform.
- The **Division of Banking** regulates state-chartered commercial banks, trust companies, money transmitters, and national and interstate banks that maintain public deposit accounts in Colorado.
- The **Division of Civil Rights** enforces Colorado's anti-discrimination laws pertaining to employment, housing, and public accommodations.
- The **Office of the Utility Consumer Advocate** represents the public interest and the specific interests of residential, small business, and agricultural consumers in rate and rulemaking cases before the Public Utilities Commission, federal agencies, and the courts.
- The **Division of Financial Services** examines and supervises state-chartered credit unions and state-chartered savings and loan associations, enforces the Savings and Loan Public Deposit Protection Act, and regulates certain financial activities of life care institutions.
- The **Division of Insurance** regulates companies and agents providing health insurance, property and liability insurance (homeowners and automobile), life insurance, and title insurance.
- The **Public Utilities Commission** regulates investor-owned electric, natural gas, and telecommunications utilities; private water utilities; and motor vehicle carriers for hire.
- The **Division of Real Estate** licenses real estate agents, appraisers, and mortgage loan originators and registers mortgage companies and homeowners' associations.
- The **Division of Professions and Occupations** regulates over 500,000 licensees in over 50 professions, occupations, and businesses to ensure a basic level of competence to protect the public welfare.
- The **Division of Securities** monitors the conduct of broker-dealers and sales representatives, investigates citizen complaints, and investigates indicators of investment fraud.

- The **Division of Conservation**, in conjunction with the Conservation Easement Oversight Commission, certifies conservation easement holders and conservation easement tax credit certificates.

DEPARTMENT BUDGET: RECENT APPROPRIATIONS

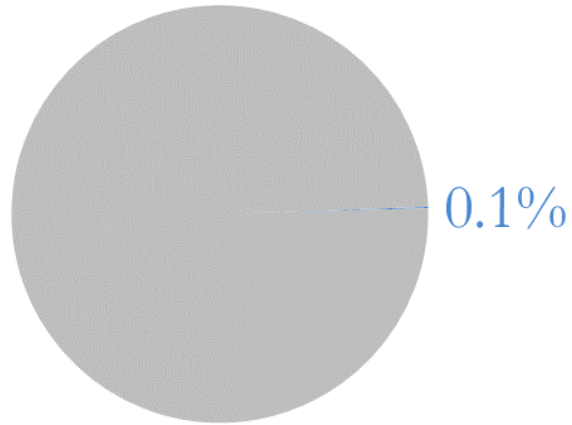
FUNDING SOURCE	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25 *
General Fund	\$2,867,019	\$3,715,753	\$13,551,646	\$13,453,719
Cash Funds	116,251,796	110,264,924	119,439,133	130,224,373
Reappropriated Funds	5,639,571	6,306,416	7,107,031	7,766,154
Federal Funds	1,890,156	1,595,534	1,741,045	1,898,005
TOTAL FUNDS	\$126,648,542	\$121,882,627	\$141,838,855	\$153,342,251
Full Time Equiv. Staff	635.5	668.9	698.4	705.1

*Requested appropriation.

Funding for the Department of Regulatory Agencies in FY 2023-24 consists of 9.6 percent General Fund, 84.2 percent cash funds, 5.0 percent reappropriated funds, and 1.2 percent federal funds.

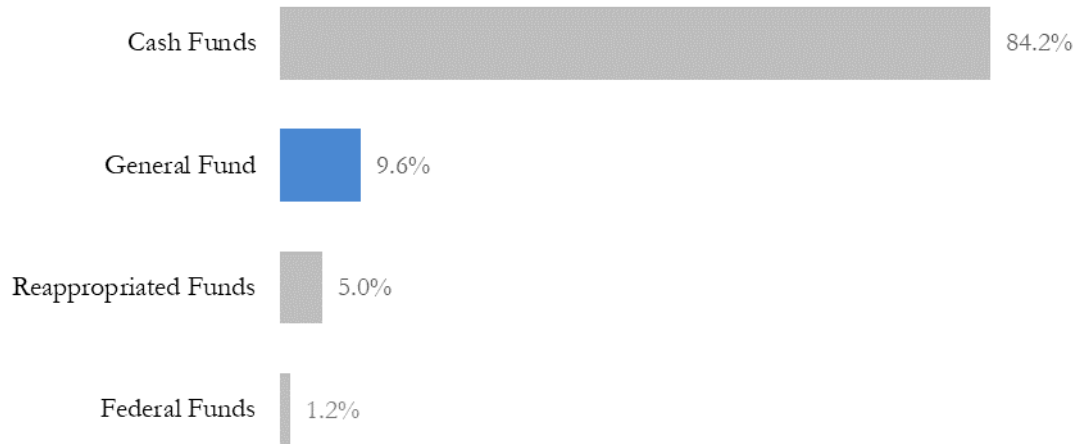
DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund



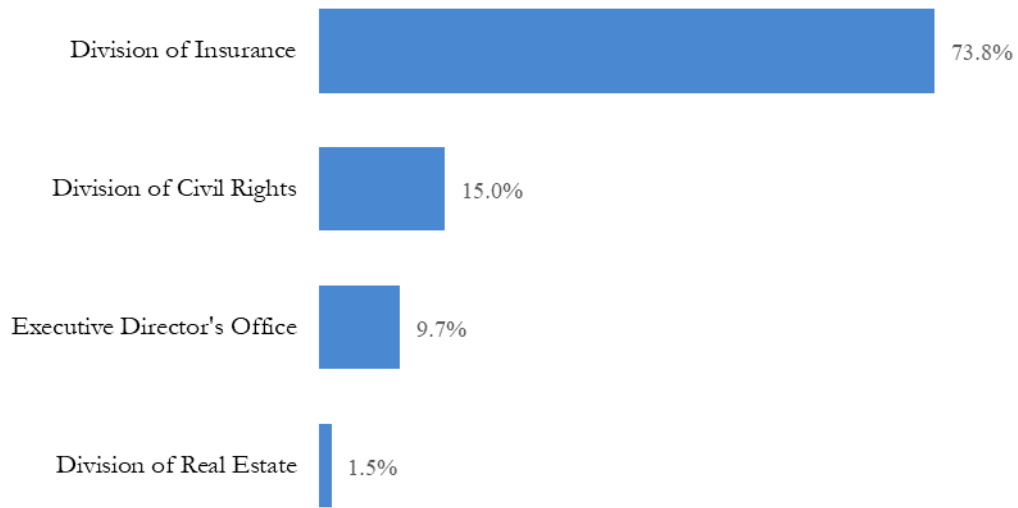
Based on the FY 2023-24 appropriation.

Department Funding Sources



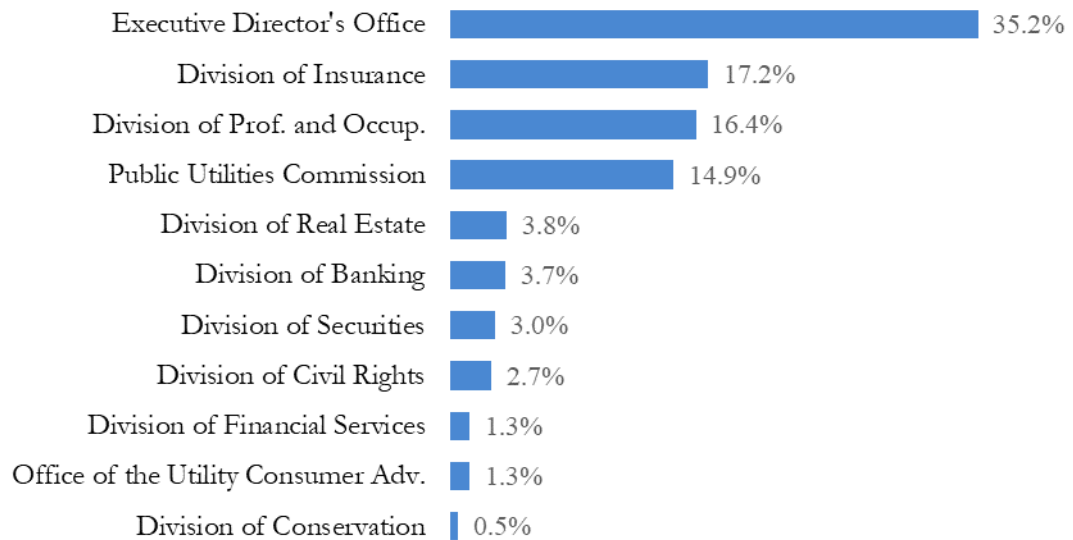
Based on the FY 2023-24 appropriation.

Distribution of General Fund by Division



Based on the FY 2023-24 appropriation.

Distribution of Total Funds by Division



Based on the FY 2023-24 Appropriation.

CASH FUNDS DETAIL

FUND NAME OR GROUP	FY 2023-24 APPROP.	PRIMARY SOURCES OF FUND REVENUE	PRIMARY USES IN THIS DEPARTMENT
Various cash funds	\$38,487,726	Various sources of revenue. Many cash funds in DORA are supported by fees and assessments on the entity that is regulated by the Department.	Various uses, particularly costs within the Executive Director's Office associated with personnel services (e.g., health, life, dental and AED/SAED).
Division of Professions and Occupations Cash Fund	24,036,343	Fees from professional license renewals, applications, examinations, and other sources, as well as inspection and permit fees [Section 12-20-105, C.R.S.].	Costs for the Division of Professions and Occupations, which is responsible for licensure and enforcement for over 50 professions, occupations, and businesses.
Fixed Utility Fund	15,286,304	Fees assessed against public utilities based on their operating revenues (97% of fees paid by non-telephone corporation public utilities) [Section 40-2-114, C.R.S.].	Administrative expenses for the regulation of non-telephone corporation public utilities, the Office of the Utility Consumer Advocate, and the Colorado Electric Transmission Authority.
Insurance cash funds	14,407,230	Business and professional license and renewal fees pertaining to the insurance industry, and premium tax revenue that would otherwise be credited to the General Fund.	Costs for the Division of Insurance, which protects consumers in the insurance industry.
Finance cash funds	11,134,159	Fees and assessments from banking institutions, broker/dealers, investment advisors, loan associations, and other financial institutions.	Costs for the Division of Banking, Division of Securities, and Division of Financial Services, which regulate the financial industry.
Telecommunications cash funds	5,623,199	A monthly surcharge from all business and residential telephone customers, as well as fees paid by public utilities that are telephone corporations.	Public Utilities Commission expenses pertaining to the regulation of telecommunications public utilities, and the costs of a telephone relay service for telephone users who are disabled.
Division of Real Estate Cash Fund	5,274,762	Professional license fees in real estate and mortgage professions, and Home Owner Association registration fees [Section 12-10215, C.R.S.].	Costs associated with the Division of Real Estate, which regulates and licenses real estate professionals.
Transportation and motor vehicle cash funds	2,999,125	Permit and annual state identification fees for regulated motor carriers, a statutory assessment on transportation network companies, and an annual transfer from fixed utilities assessment revenue.	Administrative costs associated with the Public Utilities Commission's regulation of motor carriers, the Colorado High Cost Support Mechanism to fund statewide basic telephone services, and a program to incentivize the construction of railroad crossing safety and protection projects.
Prescription Drug Monitoring Program Cash Fund	1,423,187	Assessments from licensees that have prescriptive authority, and federal grants, gifts, and donations [Section 12-280-405, C.R.S.].	Costs associated with the implementation of the Prescription Drug Monitoring Program, which is a data system that allows prescribers to access and share prescription data pertaining to controlled substances.
Conservation Cash Fund	767,098	Fees from certification program applicants that hold conservation easements for which a tax credit is claimed [Section 12-15-104, C.R.S.].	Costs associated with the operation of the Division of Conservation, which certifies organizations that hold donated conservation easements, and evaluates conservation values and appraisals from donated easements.
Total	\$119,439,133		

ADDITIONAL INFORMATION – SELECT FUND SOURCES

The Department’s cash funds with the largest ending fund balance and net cash assets include the Division of Professions and Occupations, Fixed Utility Fund, and Division of Insurance cash funds.

DEPARTMENT CASH FUNDS WITH THE LARGEST ENDING BALANCE		
FUND NAME	ENDING FUND BALANCE (FY 2023-24)	NET CASH ASSETS (FY 2023-24)
Division of Professions and Occupations	\$9,574,503	\$9,319,436
Fixed Utility Fund	\$2,679,191	\$2,185,169
Division of Insurance	\$1,120,813	\$805,653

Of these three funds, the cash fund with the largest ending balance is the Division of Professions and Occupations Cash Fund. The fund receives revenue from license and application fees, which have been reduced in FY 21-22 and FY 22-23. Even with these recent fee reductions, the Department remains out of compliance with the 16.5% uncommitted reserve limit for cash funds, pursuant to Section 24-75-402, C.R.S. This is in part because the excess uncommitted reserve reporting methodology includes \$15.4 million in non-fee transfers mandated by H.B. 22-1298 and H.B. 22-1299 that make it challenging for the reserve to remain in compliance. The Department is considering submitting a compliance waiver to the Joint Budget Committee based on the excess balance.

The Fixed Utility Cash Fund and Division of Insurance Cash Fund are both in compliance with the excess uncommitted reserve limit. The Fixed Utility Cash Fund receives revenue from assessments against public, non-telecommunications utilities, and the Division of Insurance Cash Fund receives revenue from license fees and premium tax revenue.

Colorado’s insurance premium tax applies to insurance premium charges from insurance companies licensed by the state and surplus line brokers who offer policies for insurance companies not licensed in the state. This revenue is directed to the General Fund for spending on general operations after appropriations to:

- The Division of Insurance Cash Fund (limited to 5.0 percent of revenue);
- the Wildfire Emergency Response Fund and Wildfire Preparedness Fund; and
- the state reinsurance program.

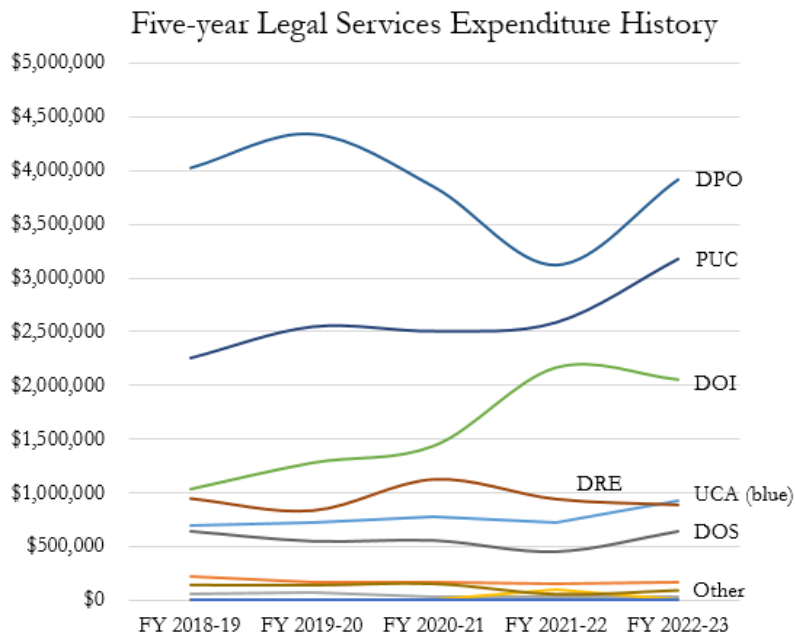
Therefore, funds that are appropriated from the Division of Insurance Cash Fund may directly reduce the amount of remaining General Fund revenue available for operations.

GENERAL FACTORS DRIVING THE BUDGET

The Department of Regulatory Agencies manages licenses and registration for multiple professions and businesses, and implements regulation for Colorado industries. As a primarily regulatory entity, the Department’s budget is largely shaped by legal services, examinations conducted, and new regulatory legislation.

LEGAL SERVICES

The Department requires legal services provided by the Department of Law due to litigation that the Department must engage in as a result of various regulations that it enforces. Legal services account for 6.4 percent of the Department's FY 2022-23 total expenses. The Division of Professions and Occupations (DPO), the Public Utilities Commission (PUC), and Division of Insurance (DOI) accounted for 76.1 percent of the Department’s total expenditures for legal services in FY 2022-23.



LICENSES AND EXAMINATIONS

The Department is responsible for consumer protection and in pursuit of this mission, licenses professionals in various industries and performs banking, credit union, and securities examinations. The Divisions of Insurance, Real Estate, Professions and Occupations, and Securities issue the majority of individual licenses and conduct examinations to protect consumers and to benefit firms. Examinations look for high risk or fraudulent activity by firms that could compromise client privacy and security.

NUMBER OF LICENSES REGULATED BY THE DIVISIONS OF INSURANCE, REAL ESTATE, PROFESSIONS AND OCCUPATIONS, AND SECURITIES					
DIVISION	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Insurance - Producer Licenses					
New Licenses	30,513	43,626	60,454	62,362	57,442
Active Licenses	192,865	201,802	221,609	244,196	246,026

NUMBER OF LICENSES REGULATED BY THE DIVISIONS OF INSURANCE, REAL ESTATE, PROFESSIONS AND OCCUPATIONS, AND SECURITIES					
DIVISION	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Real Estate					
Broker & Salesperson	39,627	48,282	43,653	52,348	44,236
Mortgage Loan Originators	15,013	17,026	22,893	28,365	21,252
Appraisers	2,836	2,888	2,924	3,006	2,445
Professions and Occupations					
New Licenses	47,921	49,045	45,395	55,936	66,265
Active Licenses	426,304	461,553	452,321	467,703	496,089
Securities					
Sales Representative License Renewals	214,195	203,162	214,392	236,700	242,350
Investment Advisor License Renewals	14,919	14,919	15,118	15,838	15,975

EXAMINATIONS CONDUCTED BY THE DIVISIONS OF BANKING, FINANCIAL SERVICES, AND SECURITIES						
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Banking Examinations	161	152	132	155	139	166
Credit Union Examinations	40	39	37	39	30	32
Securities Examination	130	135	110	123	110	115
Total	331	326	279	317	279	313

NEW LEGISLATION AND FTE BREAKDOWN

The Department tends to be the subject of a significant number of bills each legislative session. Those bills are a significant driver of the Department's budget, including both appropriations and additional FTE. The majority of the Department's FTE are located in three Divisions: the Division of Professions and Occupations, Public Utilities Commission, and Division of Insurance. During the 2023 legislative session, the Public Utilities Commission and Division of Insurance also received the majority of new funding and FTE appropriated to the Department outside of the Long Bill process.

The 2023 legislative session allocated approximately \$3.3 million in total funds to support 20.2 FTE in the Department. The following table lists each bill with fiscal impacts for the Department from the 2023 session. The Public Utilities Commission received the greatest amount of funding from 2023 legislation, but the Division of Insurance had the largest number of bills that impacted its total funding and FTE.

FTE AND FUNDING ADDED BY 2023 LEGISLATION			
	FTE	TOTAL FUNDS	PRIMARY DIVISION(S)
SB 23-291 Utility regulation	5.8	\$1,347,554	Public Utilities Commission, Office of Utility Consumer Advocate
HB 23-1281 Advance the use of clean hydrogen	3.0	360,758	Public Utilities Commission
HB 23-1296 Task force disabilities rights	1.5	289,568	Civil Rights
SB 23-172 Protecting opportunities and workers' rights act	2.6	282,949	Civil Rights
HB 23-1105 Homeowners' association task forces	2.0	208,408	Real Estate
HB 23-1227 Enforce laws against pharmacy benefit managers	2.5	206,647	Insurance
HB 23-1067 Family intervener program deafblind children	0.0	130,092	Public Utilities Commission

FTE AND FUNDING ADDED BY 2023 LEGISLATION

	FTE	TOTAL FUNDS	PRIMARY DIVISION(S)
HB 23-1174 Homeowner's insurance underinsurance	0.8	109,955	Insurance
SB 23-288 Coverage for doula services	0.0	100,000	Insurance
SB 23-189 Increasing access to reproductive health care	0.5	67,717	Insurance
SB 23-179 Dental plans medical loss ratio	0.7	64,252	Insurance
HB 23-1002 Epinephrine auto-injectors	0.7	58,291	Insurance
HB 23-1116 Contracts between carriers and providers	0.0	12,218	Insurance
HB 23-1201 Rx drug benefits contract requirement	0.0	10,000	Insurance
HB 23-1136 Prosthetic devices for recreational activity	0.1	6,108	Insurance
Total	20.2	\$3,254,517	

SUMMARY: FY 2023-24 APPROPRIATION & FY 2024-25 REQUEST

DEPARTMENT OF REGULATORY AGENCIES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION:						
SB 23-214 Long Bill	\$138,584,338	\$12,787,372	\$116,965,541	\$7,090,380	\$1,741,045	678.2
Other Legislation	3,254,517	764,274	2,473,592	16,651	0	20.2
TOTAL	\$141,838,855	\$13,551,646	\$119,439,133	\$7,107,031	\$1,741,045	698.4
FY 2024-25 REQUESTED APPROPRIATION:						
FY 2023-24 Appropriation	\$141,838,855	\$13,551,646	\$119,439,133	\$7,107,031	\$1,741,045	698.4
R1 Increase banking staff	665,956	0	665,956	0	0	4.6
Centrally appropriated line items	9,615,115	246,262	8,645,272	564,798	158,783	0.0
Non-prioritized decision items	776,560	19,418	704,919	52,223	0	0.0
Annualize prior year actions	528,141	(363,607)	849,646	42,102	0	2.1
Indirect cost assessment	(82,376)	0	(80,553)	0	(1,823)	0.0
TOTAL	\$153,342,251	\$13,453,719	\$130,224,373	\$7,766,154	\$1,898,005	705.1
INCREASE/(DECREASE)	\$11,503,396	(\$97,927)	\$10,785,240	\$659,123	\$156,960	6.7
Percentage Change	8.1%	(0.7%)	9.0%	9.3%	9.0%	1.0%

R1 INCREASE BANKING STAFF: The FY 2024-25 request includes \$665,956 from the Division of Banking Cash Fund and 4.6 FTE, which increases to \$676,910 and 5.0 FTE in FY 2025-26 and ongoing, in order to support an increased workload due to the growth of the Colorado regulated financial institution industry. Specifically, the Division proposes to hire five additional financial/credit examiners and fund operating expenses that include travel and training for the new staff.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes the following adjustments to centrally appropriated line items, primarily attributed to compensation, legal services, and OIT.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey	\$3,364,842	\$83,065	\$2,950,476	\$250,262	\$81,039	0.0
Legal services	1,829,436	0	1,829,436	0	0	0.0
Payments to OIT	1,764,735	0	1,764,735	0	0	0.0
Health, life, and dental	1,057,059	27,211	863,053	124,514	42,281	0.0
PERA Direct Distribution	927,787	51,566	809,376	66,845	0	0.0
AED	274,140	11,831	202,761	45,308	14,240	0.0
SAED	274,140	11,831	202,761	45,308	14,240	0.0
Paid Family and Medical Leave Ins.	238,748	7,985	209,561	16,744	4,458	0.0
Workers' compensation	71,684	1,314	53,685	13,613	3,072	0.0
ALJ services	60,212	62,764	(2,552)	0	0	0.0
Short-term disability	9,122	383	6,878	1,421	440	0.0
CORE adjustment	(174,854)	(7,808)	(159,436)	(6,405)	(1,205)	0.0
Risk management & property adj.	(81,936)	(3,880)	(85,462)	7,188	218	0.0
TOTAL	\$9,615,115	\$246,262	\$8,645,272	\$564,798	\$158,783	0.0

NON-PRIORITIZED DECISION ITEMS: The request includes an increase of \$776,560 total funds, primarily from cash funds, for adjustments related to budget requests from the Department of Personnel for seven new common policies for various centralized services, CORE operating resources, and an annual fleet vehicle request.

NON-PRIORITIZED DECISION ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
NP Central Services Omnibus Request	\$676,279	\$19,418	\$604,638	\$52,223	0.0
NP1 Annual fleet vehicle request	86,512	0	86,512	0	0.0
CORE Operating Resources	13,769	0	13,769	0	0.0
TOTAL	\$776,560	\$19,418	\$704,919	\$52,223	0.0

ANNUALIZE PRIOR YEAR ACTIONS: The request includes a net increase of \$528,141 in total funds to reflect the FY 2024-25 impact of prior year budget actions and legislation, summarized in the following table. The majority of the increase is attributed to prior year legislation. Prior year budget actions only contributed to a decrease of \$10,111 in total funds.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB23-1174 Homeowners insurance	\$658,751	\$0	\$658,751	\$0	\$0	1.2
HB23-1252 Thermal energy	344,930	0	344,930	0	0	2.0
FY16-17 R1 Annualize new dept lease agreement	332,745	12,732	287,006	33,007	0	0.0
HB23-1067 Family intervener for deafblind child	91,774	0	91,774	0	0	0.0
SB23-189 Access to reproductive healthcare	61,605	0	61,605	0	0	(0.1)
SB23-167 Regulate certified midwives	54,135	0	54,135	0	0	0.2
SB23-179 Dental plans medical loss	31,872	0	31,872	0	0	0.3
HB23-1227 Pharmacy benefit manager enforce	17,317	0	17,317	0	0	0.5
SB23-195 Cost share contributions	3,665	0	3,665	0	0	0.1
HB23-1116 Carrier and provider contracts	2,443	0	2,443	0	0	0.2
SB23-172 Protecting opportunities	2,023	(7,072)	0	9,095	0	0.7
HB23-1002 Epinephrine auto-injectors	1,799	0	1,799	0	0	0.1
Prior year salary survey	(342,856)	0	(342,856)	0	0	0.0
HB23-1005 New energy program changes	(208,408)	(208,408)	0	0	0	(2.0)
SB23-291 Utility regulation	(175,456)	0	(175,456)	0	0	0.2
HB23-1296 Task force persons with disabilities	(160,859)	(160,859)	0	0	0	(0.7)
SB23-288 Coverage for doula service	(100,000)	0	(100,000)	0	0	0.0
HB23-1281 Advancing clean hydrogen	(52,346)	0	(52,346)	0	0	(0.5)
HB23-1201 Rx contract requirements	(10,000)	0	(10,000)	0	0	0.0
HB22-1115 Prescription drug monitoring program	(9,885)	0	(9,885)	0	0	0.0
SB22-077 Interstate professional counselor	(9,000)	0	(9,000)	0	0	0.0
HB23-1136 Prosthetic devices for recreation	(6,108)	0	(6,108)	0	0	(0.1)
TOTAL	\$528,141	(\$363,607)	\$849,646	\$42,102	\$0	2.1

INDIRECT COST ASSESSMENT: The request includes a \$82,376 net decrease to indirect cost assessments across the Department, comprised of a \$80,553 decrease in cash funds and a \$1,823 decrease in federal funds.

ISSUE 1: R1 INCREASE BANKING STAFF

The R1 request includes \$665,956 from the Division of Banking Cash Fund and 4.6 FTE in FY 2024-25, and \$676,910 and 5.0 FTE in FY 2025-26 and ongoing in order to increase the Division of Banking's staff capacity to respond to growth in the state's regulated financial institution industry. The five proposed financial/credit examiners would focus on the commercial bank and money transmitter sectors, which have grown in complexity and size over the past ten years. The Division indicates that it has not requested additional FTE or associated increases in operational funding since FY 2011-12.

SUMMARY

- The Division of Banking is responsible regulating financial institutions such as state-chartered commercial banks and licensed money transmitters. This includes conducting regular examinations of these institutions.
- Over the past ten years, the regulated financial industry in Colorado has almost doubled in the amount of regulated entities and assets that it holds. The Division's workload has increased correspondingly, and the Division is proposing to add five new financial/credit examiners to manage the increased workload.

DISCUSSION

DIVISION RESPONSIBILITIES

The Division of Banking regulates financial institutions including state-chartered commercial banks, trust companies, trust departments, and licensed money transmitters. The Division responds to consumer complaints, issues new rules and regulations, and conducts institutional examinations.

The Division is cash funded, primarily through semi-annual financial institution assessments. These assessments have historically totaled 80.0 to 90.0 percent of total cash fund revenue. Institution assessments depend on the amount of assets that an institution holds; the greater the assets, the greater the complexity of regulation and therefore the greater the assessment. The Division also receives revenue through specialty examination charges and application and licensing fees.

The Division currently has 40.0 FTE, and indicates that it has not requested additional FTE or operational cost increases since FY 2011-12. In order to accommodate the growth in workload, the Division has implemented the following efficiency strategies:

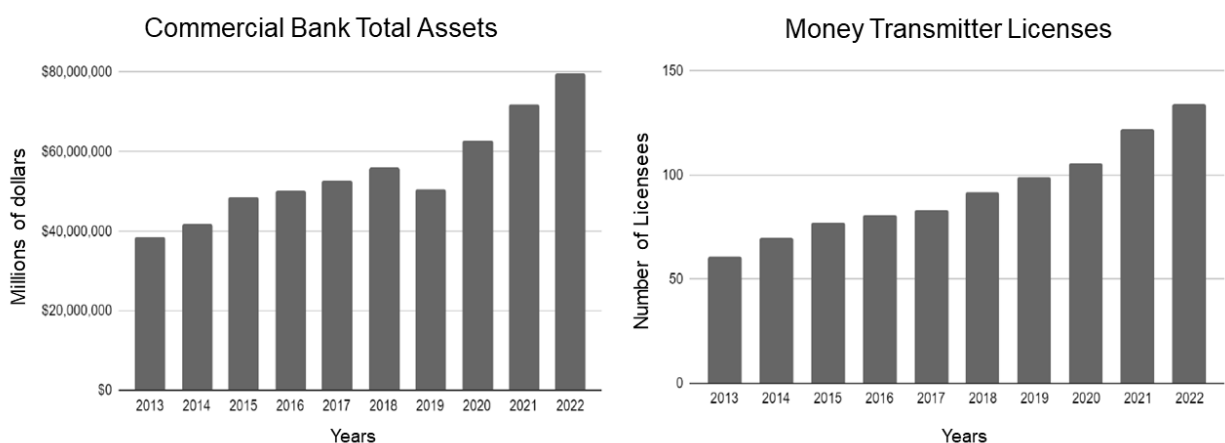
- prioritized examinations based on risk,
- increased the use of automated examination programs,
- internally restructured staff assignments and cross trained staff,
- utilized contract examiners, and
- executed agreements with federal regulatory agencies to perform alternating or joint examinations to reduce regulatory burden and increase resource utilization.

The Division indicates that there are few options to further increase efficiency. Furthermore, the Division has indicated that if they are unable to keep up with executed agreements with federal

regulatory agencies, operational efficiency may decrease since each agency may need to conduct their own examinations.

GROWTH IN REGULATED FINANCIAL INSTITUTION INDUSTRY

Over the past ten years, Colorado’s financial industry, particularly state-chartered commercial banks and licensed money transmitters, has experienced significant growth. Money transmitters are entities that facilitate fund transfers and may provide services pertaining to foreign currency exchange, virtual currency, money orders, and bill payment. Between 2013 and 2022, commercial bank assets under the Division’s supervision have grown from \$41.2 billion to \$79.8 billion. At the same time, the number of licensed money transmitters has grown from 61 to 134, with an increase in money transmission volume from \$14.4 billion to \$48.7 billion.



Source: Department of Regulatory Agencies

This industry growth has strained existing resources, which, without additional staffing resources, the Department has indicated may compromise the Division’s ability to conduct timely, thorough examinations. The importance of bank examinations was highlighted earlier this year when a series of bank failures occurred, including Signature Bank, Silicon Valley Bank, and First Republic Bank. After reviewing Signature Bank’s failure, the Federal Deposit Insurance Corporation (FDIC) issued a report stating that understaffing and resource challenges affected the timeliness and quality of its examinations and slowed earlier identification of the bank’s weaknesses.¹

Furthermore, this industry growth is marked by two timely changes that will increase the Division’s need for staff resources. First, a large bank merger in October 2023 increased a Colorado institution’s regulated assets from \$2.6 to \$20.0 billion. The Division estimates that this increase translates to an additional 3,382 hours of work annually, or approximately 1.8 FTE. This work includes pre-analysis, examination time, and report preparation.

Second, money transmitters face an increased risk of bad actors using their services due to an increase in virtual currency services and the anonymous nature of purchasers and sellers of this currency, and the industry’s inability to collect uniform consumer information for transactions above \$3,000.

¹ Federal Deposit Insurance Corporation (FDIC), “FDIC’s Supervision of Signature Bank”, *FDIC*, April 2023, <https://www.fdic.gov/news/press-releases/2023/pr23033a.pdf>.

ISSUE 2: HISTORY AND STATUS OF NATURAL MEDICINE REGULATION

In November 2022, Proposition 122, a citizen-initiated ballot measure, initiated the development of a regulatory framework for and decriminalization of natural psychedelic substances in Colorado. Since the ballot measure, the Department of Regulatory Agencies has received supplemental funding in order to implement the program and S.B. 23-290 allocated additional funding to state agencies outside of the Department in order to develop licensing, inspection, and rulemaking processes for the program's implementation. The bill requires the program to begin reviewing applications for new licenses, registrations, permits, or certificates by December 31, 2024.

SUMMARY

- In November 2022, Colorado voters approved Proposition 122. The Act directed the establishment of a regulatory program for access to natural medicine (psilocybin and psilocin) and decriminalized personal use for adults.
- Through a FY 2022-23 supplemental request, the Department received \$700,000 General Fund to start up the program in advance of licensure revenues that will eventually support the program. S.B. 23-290 appropriated additional funding to state agencies for program implementation.
- Program staff are currently developing program rules and regulations and will report on progress through annual implementation reports beginning June 30, 2024. These rules are informed by a newly established Natural Medicine Advisory Board and public listening sessions.

DISCUSSION

HISTORY AND APPROPRIATIONS

In November 2022, Colorado voters approved Proposition 122, also known as the Natural Medicine Health Act of 2022. The Act directed the creation of a regulatory program for access to natural medicine (psilocybin and psilocin) in facilitated settings and decriminalizes the personal use of these substances for those 21 years and older. The Act assigned all regulatory responsibilities to the Department of Regulatory Agencies, including the establishment of a Natural Medicine Advisory Board.

In response, the Department requested supplemental funding of \$700,000 General Fund annually for two years (FY 2022-23 and FY2023-24) in order to support immediate contract resources to implement the Natural Medicine Health Act. This Act included quick turnaround tasks such as the appointment of a new Natural Medicine Advisory Board by January 2023 and the development of rules pertaining to training requirements for facilitators by January 2024. Additional resources were needed because the Department did not have expertise in program regulation related to agricultural, controlled substance, and chemical issues.

Last legislative session, the General Assembly passed S.B. 23-290 (Natural Medicine Regulation and Legalization), which divided implementation and regulatory responsibilities between multiple state

agencies, updated criminal provisions related to the measure, and created a new Indigenous Community Working Group alongside the Natural Medicine Advisory Board. The following table outlines the responsibilities of each agency under S.B. 23-290.

STATE AGENCY RESPONSIBILITIES PER S.B. 23-290	
AGENCY	RESPONSIBILITY
Department of Regulatory Agencies	<ul style="list-style-type: none"> Regulate facilitators Establish facilitator licenses and fees, review applications, conduct investigations Publish annual implementation report Facilitate the Natural Medicine Advisory Board and Indigenous Community Working Group, responsible for reviewing research and making recommendations to the General Assembly and state agencies
Department of Revenue	<ul style="list-style-type: none"> Regulate cultivation, manufacturing, testing, storage, distribution, transport, transfer, and dispensation of regulated natural psychedelics by requiring a license for each of these activities Develop a public education campaign Publish annual implementation report
Department of Public Health and Environment	<ul style="list-style-type: none"> Coordinate with the Department of Revenue to establish rules pertaining to testing standards and certification requirements for regulated natural psychedelics

S.B. 23-290 also appropriated funds (see table below) to the Department of Revenue, Department of Law, and Department of Public Health and Environment in order to pay for costs associated with the Departments’ new responsibilities.

NATURAL MEDICINE PROGRAM FUNDING	
SOURCE	FINANCIAL IMPACT
Proposition 122	Established the continuously appropriated Natural Medicine Access Program Cash Fund from program licensure and fee revenue.
FY 2022-23 Supplemental Request	\$700,000 General Fund for DORA annually for FY 2022-23 and FY 2023-24 (to be repaid from the above cash fund by FY 2027-28)
S.B. 23-290 Natural Medicine Regulation and Legalization	<ul style="list-style-type: none"> \$733,658 GF → Dept of Revenue (\$190,332 reappropriated to Dept of Law) \$101,150 Legal Services Cash Fund → Dept of Law \$838,402 GF → Dept of Public Health and Environment

IMPLEMENTATION STATUS

As outlined in the Natural Medicine Health Act and amended in S.B. 23-290, the program’s planned implementation timeline follows in the graphic below.

2023 INITIAL FUNDING AND BOARD CREATION

Governor will appoint Natural Medicine Advisory Board. Departments will engage stakeholders in developing program rules and requirements.

2024 PROGRAM ROLL-OUT

By June, begin publishing annual implementation reports.

By December, adopt rules to establish qualifications and requirements for facilitators and approve required training programs, and begin reviewing applications for new licenses.

2026 BROADENING "NATURAL MEDICINE"

Based on recommendation from the Board, dimethyltryptamine, ibogaine, and mescaline (excluding peyote) may be added to "natural medicine".

2032 PROGRAM SUNSET

Article 170 is repealed, unless otherwise stated in sunset review pursuant to Section 24-34-104, C.R.S.

Thus far, the Governor has appointed a Natural Medicine Advisory Board, comprised of fifteen members that include representatives of mental and behavioral health providers, the health care insurance industry, traditional indigenous use, public health, mycology and natural medicine cultivation, veterans, criminal justice, and first responders.

The Board meets monthly and has six committees focused on:

- harm reduction and public safety,
- indigenous and religious use,
- public health and health equity,
- emergency response,
- qualifications/training/licensure, and
- product research and data.

Beginning in September 2023, the Department of Revenue has also initiated listening sessions to inform rule development and understand perspectives from stakeholders ranging from first responders to cultivators. From September through November, the Department has held seven listening sessions, with two more scheduled through the end of the year.

COMPARISON WITH OTHER STATES

At this time of this report, Oregon is the only other state that has approved a regulatory program for the legalization of natural psychedelics. Beginning in January 2023, Oregon's program began accepting applications for facilitators, manufacturers, service centers, training programs, and workers. As of December 4, 2023, the program has received 944 applications, which are primarily comprised of applications for worker permits (594 applications) and facilitator licenses (249). This is slightly less than the license projections outlined in the fiscal note for S.B. 23-290.

ONE-TIME FUNDING AUTHORIZED IN RECENT LEGISLATIVE SESSIONS

During the 2021, 2022, and 2023 legislative sessions, the General Assembly did not allocate one-time funding, including those that originate as General Fund or federal Coronavirus State Fiscal Recovery funds (American Rescue Plan Act funds), to the Department.

APPENDIX A NUMBERS PAGES

Appendix A details actual expenditures for the last two state fiscal years, the appropriation for the current fiscal year, and the requested appropriation for next fiscal year. This information is listed by line item and fund source.

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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DEPARTMENT OF REGULATORY AGENCIES
Patty Salazar, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE AND ADMINISTRATIVE SERVICES

Personal Services	<u>2,635,087</u>	<u>2,927,403</u>	<u>3,210,518</u>	<u>3,378,434</u>
FTE	28.3	29.2	35.7	35.7
General Fund	16,000	17,000	5,500	5,500
Cash Funds	0	(15,556)	34,500	34,500
Reappropriated Funds	2,619,087	2,925,959	3,170,518	3,338,434
Health, Life, and Dental	<u>5,705,549</u>	<u>6,097,622</u>	<u>6,900,303</u>	<u>7,957,362</u>
General Fund	202,885	174,787	282,177	309,388
Cash Funds	5,135,353	5,539,232	6,138,171	7,001,224
Reappropriated Funds	367,311	383,603	371,861	496,375
Federal Funds	0	0	108,094	150,375
Short-term Disability	<u>61,779</u>	<u>64,632</u>	<u>70,461</u>	<u>79,583</u>
General Fund	2,370	1,629	2,279	2,662
Cash Funds	55,176	58,762	62,976	69,854
Reappropriated Funds	4,233	4,241	4,160	5,581
Federal Funds	0	0	1,046	1,486
Temporary Employees Related to Authorized Leave	<u>0</u>	<u>0</u>	<u>36,163</u>	<u>36,163</u>
General Fund	0	0	1,217	1,217
Cash Funds	0	0	32,163	32,163
Reappropriated Funds	0	0	2,783	2,783

NOTE: As asterisk (*) indicates that the FY 2024-25 request for a line item is affected by one or more decision items.

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
S.B. 04-257 Amortization Equalization Disbursement	<u>1,974,465</u>	<u>2,154,375</u>	<u>2,378,612</u>	<u>2,652,752</u>	
General Fund	53,613	50,994	76,902	88,733	
Cash Funds	1,787,334	1,965,426	2,125,689	2,328,450	
Reappropriated Funds	133,518	137,955	140,733	186,041	
Federal Funds	0	0	35,288	49,528	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>1,974,425</u>	<u>2,154,375</u>	<u>2,378,612</u>	<u>2,652,752</u>	
General Fund	53,613	50,994	76,902	88,733	
Cash Funds	1,787,294	1,965,426	2,125,689	2,328,450	
Reappropriated Funds	133,518	137,955	140,733	186,041	
Federal Funds	0	0	35,288	49,528	
PERA Direct Distribution	<u>1,002,384</u>	<u>1,023,594</u>	<u>162,158</u>	<u>1,089,945</u>	
General Fund	36,698	0	5,242	56,808	
Cash Funds	900,142	961,349	147,322	956,698	
Reappropriated Funds	65,544	62,245	9,594	76,439	
Federal Funds	0	0	0	0	
Salary Survey	<u>1,116,874</u>	<u>1,255,085</u>	<u>2,575,125</u>	<u>3,364,842</u>	
General Fund	40,709	33,527	82,778	83,065	
Cash Funds	988,777	1,130,876	2,295,553	2,950,476	
Reappropriated Funds	87,388	90,682	158,821	250,262	
Federal Funds	0	0	37,973	81,039	

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
Paid Family and Medical Leave Insurance	<u>0</u>	<u>0</u>	<u>0</u>	<u>238,748</u>	
General Fund	0	0	0	7,985	
Cash Funds	0	0	0	209,561	
Reappropriated Funds	0	0	0	16,744	
Federal Funds	0	0	0	4,458	
Workers' Compensation	<u>183,955</u>	<u>213,542</u>	<u>198,234</u>	<u>269,918</u>	
General Fund	6,122	7,127	6,511	7,825	
Cash Funds	171,343	198,859	182,224	235,909	
Reappropriated Funds	6,490	7,556	6,902	20,515	
Federal Funds	0	0	2,597	5,669	
Operating Expenses	<u>93,246</u>	<u>122,758</u>	<u>260,082</u>	<u>260,082</u>	
General Fund	3,686	0	3,689	3,689	
Cash Funds	0	0	95,427	95,427	
Reappropriated Funds	89,560	122,758	160,966	160,966	
Legal Services	<u>10,346,189</u>	<u>11,906,495</u>	<u>15,699,034</u>	<u>17,837,761</u>	
General Fund	154,061	171,693	260,321	227,542	
Cash Funds	10,135,527	11,641,177	15,221,867	17,393,373	
Reappropriated Funds	56,601	93,625	124,080	124,080	
Federal Funds	0	0	92,766	92,766	
Administrative Law Judge Services	<u>408,797</u>	<u>531,448</u>	<u>336,998</u>	<u>397,210</u>	
General Fund	18,470	24,012	15,226	77,990	
Cash Funds	390,327	507,436	321,772	319,220	

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
Payment to Risk Management and Property Funds	<u>222,877</u>	<u>373,515</u>	<u>322,015</u>	<u>240,079</u>	
General Fund	7,616	12,800	10,839	6,959	
Cash Funds	207,564	347,654	295,292	209,830	
Reappropriated Funds	7,697	13,061	11,059	18,247	
Federal Funds	0	0	4,825	5,043	
Vehicle Lease Payments	<u>233,303</u>	<u>216,790</u>	<u>412,563</u>	<u>499,075</u>	*
Cash Funds	233,303	216,790	412,563	499,075	
IT Accessibility	<u>0</u>	<u>0</u>	<u>1,282,709</u>	<u>1,282,709</u>	
Cash Funds	0	0	1,282,709	1,282,709	
Information Technology Asset Maintenance	<u>518,306</u>	<u>648,045</u>	<u>1,678,403</u>	<u>1,678,403</u>	
Cash Funds	342,698	498,694	1,487,646	1,487,646	
Reappropriated Funds	175,608	149,351	190,757	190,757	
Hardware/Software Maintenance	<u>563,839</u>	<u>431,239</u>	<u>590,939</u>	<u>590,939</u>	
General Fund	0	0	800	800	
Cash Funds	312,650	193,158	331,537	331,537	
Reappropriated Funds	251,189	238,081	258,602	258,602	
Leased Space	<u>4,171,476</u>	<u>4,366,655</u>	<u>4,765,514</u>	<u>5,098,259</u>	
General Fund	138,335	167,080	195,825	208,557	
Cash Funds	3,584,606	3,766,417	3,939,395	4,226,401	
Reappropriated Funds	448,535	433,158	451,784	484,791	
Federal Funds	0	0	178,510	178,510	

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	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
Payments to OIT	<u>3,633,431</u>	<u>4,547,333</u>	<u>6,250,988</u>	<u>8,015,723</u>	
General Fund	183,803	176,741	273,885	273,885	
Cash Funds	3,449,628	4,370,592	5,886,653	7,651,388	
Reappropriated Funds	0	0	90,450	90,450	
CORE Operations	<u>298,800</u>	<u>360,814</u>	<u>280,922</u>	<u>119,837</u>	*
General Fund	11,722	14,158	10,885	3,077	
Cash Funds	271,502	327,842	252,139	106,472	
Reappropriated Funds	15,576	18,814	14,466	8,061	
Federal Funds	0	0	3,432	2,227	
Consumer Outreach/Education Program	<u>161,625</u>	<u>83,948</u>	<u>205,000</u>	<u>205,000</u>	
Cash Funds	161,625	83,948	205,000	205,000	
DPA Administration Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>75,134</u>	*
General Fund	0	0	0	2,179	
Cash Funds	0	0	0	67,095	
Reappropriated Funds	0	0	0	5,860	
DHR State Agency Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>97,173</u>	*
General Fund	0	0	0	2,819	
Cash Funds	0	0	0	86,775	
Reappropriated Funds	0	0	0	7,579	
DHR Training Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,587</u>	*
General Fund	0	0	0	372	
Cash Funds	0	0	0	18,213	
Reappropriated Funds	0	0	0	1,002	

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
DHR Labor Relations Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>141,594</u> *	
General Fund	0	0	0	4,107	
Cash Funds	0	0	0	126,443	
Reappropriated Funds	0	0	0	11,044	
Financial Ops and Reporting Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>211,689</u> *	
General Fund	0	0	0	6,139	
Cash Funds	0	0	0	189,038	
Reappropriated Funds	0	0	0	16,512	
Procurement and Contracts Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>131,102</u> *	
General Fund	0	0	0	3,802	
Cash Funds	0	0	0	117,074	
Reappropriated Funds	0	0	0	10,226	
TOTAL - (1) Executive Director's Office and Administrative Services	35,306,407	39,479,668	49,995,353	58,621,855	17.3%
<i>FTE</i>	<u>28.3</u>	<u>29.2</u>	<u>35.7</u>	<u>35.7</u>	0.0%
General Fund	929,703	902,542	1,310,978	1,473,833	12.4%
Cash Funds	29,914,849	33,758,082	42,876,287	50,560,001	17.9%
Reappropriated Funds	4,461,855	4,819,044	5,308,269	5,967,392	12.4%
Federal Funds	0	0	499,819	620,629	24.2%

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	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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(2) DIVISION OF BANKING

The Division of Banking regulates state-chartered commercial banks, trust companies, money transmitters, and national and interstate banks that maintain Public Deposit accounts in Colorado.

Personal Services	<u>3,869,743</u>	<u>3,885,049</u>	<u>4,273,063</u>	<u>4,969,224</u> *	
FTE	36.6	36.2	40.0	44.6	
Cash Funds	3,869,743	3,885,049	4,273,063	4,969,224	
Operating Expenses	<u>340,961</u>	<u>433,113</u>	<u>490,733</u>	<u>628,233</u> *	
Cash Funds	340,961	433,113	490,733	628,233	
Board Meeting Costs	<u>4,025</u>	<u>10,662</u>	<u>23,500</u>	<u>23,500</u>	
Cash Funds	4,025	10,662	23,500	23,500	
Indirect Cost Assessment	<u>360,870</u>	<u>357,950</u>	<u>411,837</u>	<u>406,541</u>	
Cash Funds	360,870	357,950	411,837	406,541	
TOTAL - (2) Division of Banking	4,575,599	4,686,774	5,199,133	6,027,498	15.9%
FTE	<u>36.6</u>	<u>36.2</u>	<u>40.0</u>	<u>44.6</u>	<u>11.5%</u>
Cash Funds	4,575,599	4,686,774	5,199,133	6,027,498	15.9%

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
(3) CIVIL RIGHTS DIVISION					
The Division of Civil Rights enforces Colorado's anti-discrimination laws in the areas of employment, housing, and public accommodations.					
Personal Services	<u>1,668,823</u>	<u>2,193,885</u>	<u>3,425,004</u>	<u>3,497,265</u>	
FTE	32.5	26.6	40.8	40.8	
General Fund	1,171,648	1,706,619	1,741,015	1,813,276	
Reappropriated Funds	497,175	487,266	1,205,311	1,205,311	
Federal Funds	0	0	478,678	478,678	
Operating Expenses	<u>33,753</u>	<u>59,539</u>	<u>312,247</u>	<u>187,612</u>	
General Fund	33,753	59,539	269,071	144,436	
Federal Funds	0	0	43,176	43,176	
Hearings Pursuant to Complaint	<u>3,221</u>	<u>2,241</u>	<u>18,000</u>	<u>18,000</u>	
General Fund	3,221	2,241	17,000	17,000	
Federal Funds	0	0	1,000	1,000	
Commission Meeting Costs	<u>493</u>	<u>829</u>	<u>12,374</u>	<u>12,374</u>	
General Fund	493	829	5,174	5,174	
Federal Funds	0	0	7,200	7,200	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>74,354</u>	<u>73,398</u>	
General Fund	0	0	0	0	
Federal Funds	0	0	74,354	73,398	
TOTAL - (3) Civil Rights Division	1,706,290	2,256,494	3,841,979	3,788,649	(1.4%)
FTE	<u>32.5</u>	<u>26.6</u>	<u>40.8</u>	<u>40.8</u>	0.0%
General Fund	1,209,115	1,769,228	2,032,260	1,979,886	(2.6%)
Reappropriated Funds	497,175	487,266	1,205,311	1,205,311	0.0%
Federal Funds	0	0	604,408	603,452	(0.2%)

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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(4) OFFICE OF THE UTILITY CONSUMER ADVOCATE

The Office of Consumer Counsel represents the public interest and the specific interests of residential, small business, and agricultural consumers in rate and rulemaking cases before the Public Utilities Commission, federal agencies, and the courts.

Personal Services	<u>899,309</u>	<u>995,795</u>	<u>1,592,191</u>	<u>1,672,482</u>	
FTE	7.0	7.4	13.5	14.0	
Cash Funds	899,309	995,795	1,592,191	1,672,482	
Operating Expenses	<u>46,982</u>	<u>61,214</u>	<u>84,599</u>	<u>61,389</u>	
Cash Funds	46,982	61,214	84,599	61,389	
Indirect Cost Assessment	<u>63,152</u>	<u>98,436</u>	<u>113,255</u>	<u>111,799</u>	
Cash Funds	63,152	98,436	113,255	111,799	
TOTAL - (4) Office of the Utility Consumer Advocate	1,009,443	1,155,445	1,790,045	1,845,670	3.1%
FTE	7.0	7.4	13.5	14.0	3.7%
Cash Funds	1,009,443	1,155,445	1,790,045	1,845,670	3.1%

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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(5) DIVISION OF FINANCIAL SERVICES

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Personal Services	<u>1,258,439</u>	<u>1,193,135</u>	<u>1,570,119</u>	<u>1,621,275</u>	
FTE	13.8	12.8	15.6	15.6	
Cash Funds	1,258,439	1,193,135	1,570,119	1,621,275	
Operating Expenses	<u>125,760</u>	<u>129,275</u>	<u>145,961</u>	<u>145,961</u>	
Cash Funds	125,760	129,275	145,961	145,961	
Indirect Cost Assessment	<u>74,029</u>	<u>139,601</u>	<u>160,616</u>	<u>158,551</u>	
Cash Funds	74,029	139,601	160,616	158,551	
TOTAL - (5) Division of Financial Services	1,458,228	1,462,011	1,876,696	1,925,787	2.6%
FTE	<u>13.8</u>	<u>12.8</u>	<u>15.6</u>	<u>15.6</u>	0.0%
Cash Funds	1,458,228	1,462,011	1,876,696	1,925,787	2.6%

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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(6) DIVISION OF INSURANCE

The Division of Insurance regulates companies and agents providing health insurance, property and liability insurance (homeowners and automobile), life insurance, and title insurance.

Personal Services	<u>7,943,857</u>	<u>9,932,749</u>	<u>11,259,198</u>	<u>12,066,885</u>	
FTE	82.5	86.4	109.7	111.9	
Cash Funds	7,943,857	9,932,749	11,234,013	12,003,727	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	25,185	63,158	
Operating Expenses	<u>264,769</u>	<u>327,433</u>	<u>387,145</u>	<u>346,165</u>	
Cash Funds	264,769	327,433	387,145	346,165	
Out-of-State Travel Expenses	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	50,000	50,000	
Federal Funds	0	0	0	0	
Senior Health Counseling Program	<u>1,038,463</u>	<u>1,612,090</u>	<u>533,253</u>	<u>533,253</u>	
FTE	3.6	3.0	2.0	2.0	
Federal Funds	1,038,463	1,612,090	533,253	533,253	
Transfer to CAPCO Administration	<u>85,291</u>	<u>85,291</u>	<u>13,500</u>	<u>13,500</u>	
Cash Funds	85,291	85,291	13,500	13,500	
Colorado Reinsurance Program	<u>523,216</u>	<u>531,323</u>	<u>1,015,122</u>	<u>1,015,122</u>	
FTE	3.0	3.2	4.0	4.0	
Cash Funds	523,216	531,323	1,015,122	1,015,122	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
Appropriation to the Reinsurance Cash Fund	<u>0</u>	<u>0</u>	<u>10,000,000</u>	<u>10,000,000</u>	
General Fund	0	0	10,000,000	10,000,000	
Indirect Cost Assessment	<u>794,332</u>	<u>863,148</u>	<u>1,178,256</u>	<u>1,163,106</u>	
Cash Funds	794,332	863,148	1,153,143	1,138,316	
Federal Funds	0	0	25,113	24,790	
TOTAL - (6) Division of Insurance	10,649,928	13,352,034	24,436,474	25,188,031	3.1%
<i>FTE</i>	<u>89.1</u>	<u>92.6</u>	<u>115.7</u>	<u>117.9</u>	<u>1.9%</u>
General Fund	0	0	10,000,000	10,000,000	0.0%
Cash Funds	9,611,465	11,739,944	13,852,923	14,566,830	5.2%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	1,038,463	1,612,090	583,551	621,201	6.5%

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	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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(7) PUBLIC UTILITIES COMMISSION

The Public Utilities Commission regulates investor-owned electric, natural gas, telecommunications, private water utilities, and motor vehicle carriers for hire.

Personal Services	<u>10,095,819</u>	<u>11,698,080</u>	<u>13,859,649</u>	<u>14,402,898</u>	
FTE	83.6	90.3	128.8	130.0	
Cash Funds	10,095,819	11,698,080	13,859,649	14,402,898	
Operating Expenses	<u>553,884</u>	<u>667,327</u>	<u>767,020</u>	<u>739,165</u>	
Cash Funds	553,884	667,327	767,020	739,165	
Reappropriated Funds	0	0	0	0	
Expert Testimony	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>250,000</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	250,000	250,000	
Disabled Telephone Users Fund Payments	<u>706,477</u>	<u>685,473</u>	<u>907,901</u>	<u>907,901</u>	
Cash Funds	706,477	685,473	907,901	907,901	
Transfer to Reading Services for the Blind Cash Fund	<u>510,000</u>	<u>610,000</u>	<u>610,000</u>	<u>610,000</u>	
Cash Funds	510,000	610,000	610,000	610,000	
Commission for the Deaf and Hard of Hearing Cash Fund	<u>2,088,387</u>	<u>2,517,943</u>	<u>2,308,535</u>	<u>2,400,309</u>	
Cash Funds	2,088,387	2,517,943	2,308,535	2,400,309	
Colorado Talking Book Library	<u>250,000</u>	<u>250,000</u>	<u>253,381</u>	<u>253,381</u>	
Cash Funds	250,000	250,000	253,381	253,381	

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
Colorado Bureau of Investigation Background Checks					
Pass-through	<u>1,659</u>	<u>2,015</u>	<u>104,377</u>	<u>104,377</u>	
Cash Funds	1,659	2,015	104,377	104,377	
Highway-Rail Crossing Signalization Fund	<u>94</u>	<u>294,427</u>	<u>244,800</u>	<u>244,800</u>	
Cash Funds	94	294,427	244,800	244,800	
Indirect Cost Assessment	<u>935,823</u>	<u>1,080,116</u>	<u>1,303,529</u>	<u>1,286,768</u>	
Cash Funds	935,823	1,080,116	1,261,251	1,245,034	
Federal Funds	0	0	42,278	41,734	
Colorado Electric Transmission Authority	<u>0</u>	<u>148,901</u>	<u>500,000</u>	<u>500,000</u>	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	0	148,901	500,000	500,000	
TOTAL - (7) Public Utilities Commission	15,142,143	17,954,282	21,109,192	21,699,599	2.8%
FTE	<u>83.6</u>	<u>90.3</u>	<u>128.8</u>	<u>130.0</u>	0.9%
General Fund	0	0	0	0	0.0%
Cash Funds	15,142,143	17,954,282	21,066,914	21,657,865	2.8%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	42,278	41,734	(1.3%)

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	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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(8) DIVISION OF REAL ESTATE

The Division of Real Estate licenses real estate agents, appraisers, and mortgage loan originators and registers mortgage companies and homeowners associations.

Personal Services	<u>3,883,013</u>	<u>3,712,957</u>	<u>4,273,194</u>	<u>4,218,643</u>	
FTE	45.3	44.3	50.9	48.9	
General Fund	0	0	50,658	(157,750)	
Cash Funds	3,883,013	3,712,957	4,222,536	4,376,393	
Operating Expenses	<u>223,288</u>	<u>135,810</u>	<u>356,377</u>	<u>356,377</u>	
General Fund	0	0	157,750	157,750	
Cash Funds	223,288	135,810	198,627	198,627	
Commission Meeting Costs	<u>37</u>	<u>0</u>	<u>36,332</u>	<u>36,332</u>	
Cash Funds	37	0	36,332	36,332	
Hearings Pursuant to Complaint	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>4,000</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	4,000	4,000	
Mortgage Broker Consumer Protection	<u>207,399</u>	<u>208,577</u>	<u>251,613</u>	<u>251,613</u>	
Cash Funds	207,399	208,577	251,613	251,613	
Indirect Cost Assessment	<u>441,164</u>	<u>437,595</u>	<u>503,471</u>	<u>496,997</u>	
Cash Funds	441,164	437,595	503,471	496,997	
TOTAL - (8) Division of Real Estate	4,754,901	4,494,939	5,424,987	5,363,962	(1.1%)
FTE	<u>45.3</u>	<u>44.3</u>	<u>50.9</u>	<u>48.9</u>	<u>(3.9%)</u>
General Fund	0	0	208,408	0	(100.0%)
Cash Funds	4,754,901	4,494,939	5,216,579	5,363,962	2.8%

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	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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(9) DIVISION OF PROFESSIONS AND OCCUPATIONS

The Division of Professions and Occupations regulates licensees in over 30 professions and occupations to ensure a basic level of competence among licensees and to protect the public welfare.

Personal Services	<u>14,379,074</u>	<u>15,581,275</u>	<u>18,213,280</u>	<u>18,864,134</u>
FTE	184.5	186.7	222.6	222.8
Cash Funds	14,073,864	15,292,028	17,619,829	18,270,683
Reappropriated Funds	305,210	289,247	593,451	593,451
Operating Expenses	<u>868,506</u>	<u>1,282,448</u>	<u>1,839,907</u>	<u>1,838,807</u>
Cash Funds	868,506	1,282,448	1,839,907	1,838,807
Office of Expedited Settlement Program Costs	<u>445,150</u>	<u>452,959</u>	<u>483,600</u>	<u>483,600</u>
FTE	5.5	5.5	5.0	5.0
Cash Funds	445,150	452,959	483,600	483,600
Hearings Pursuant to Complaint	<u>179,194</u>	<u>209,436</u>	<u>307,075</u>	<u>307,075</u>
Cash Funds	179,194	209,436	307,075	307,075
Payments to Department of Health Care Policy and Financing	<u>14,652</u>	<u>14,652</u>	<u>14,652</u>	<u>14,652</u>
Cash Funds	14,652	14,652	14,652	14,652
Indirect Cost Assessment	<u>1,860,347</u>	<u>1,911,456</u>	<u>2,354,342</u>	<u>2,324,069</u>
Cash Funds	1,860,347	1,911,456	2,343,353	2,313,080
Federal Funds	0	0	10,989	10,989

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	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
Appropriation to the Regulated Natural Medicines Access					
Program Fund	<u>0</u>	<u>700,000</u>	<u>0</u>	<u>0</u>	
General Fund	0	700,000	0	0	
Electronic Medical Records Assistance					
General Fund	<u>0</u>	<u>2,045,198</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
TOTAL - (9) Division of Professions and Occupations	17,746,923	22,197,424	23,212,856	23,832,337	2.7%
<i>FTE</i>	<u>190.0</u>	<u>192.2</u>	<u>227.6</u>	<u>227.8</u>	0.1%
General Fund	0	2,745,198	0	0	0.0%
Cash Funds	17,441,713	19,162,979	22,608,416	23,227,897	2.7%
Reappropriated Funds	305,210	289,247	593,451	593,451	0.0%
Federal Funds	0	0	10,989	10,989	0.0%

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	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
(10) DIVISION OF SECURITIES					
The Division of Securities monitors the conduct of broker-dealers and sales representatives, investigates citizen complaints, and investigates indicators of investment fraud.					
Personal Services	<u>2,470,439</u>	<u>2,240,230</u>	<u>2,567,969</u>	<u>2,668,637</u>	
FTE	24.1	24.0	24.0	24.0	
Cash Funds	2,470,439	2,240,230	2,567,969	2,668,637	
Operating Expenses	<u>76,868</u>	<u>88,316</u>	<u>99,064</u>	<u>99,064</u>	
Cash Funds	76,868	88,316	99,064	99,064	
Hearings Pursuant to Complaint	<u>15,286</u>	<u>2,094</u>	<u>19,594</u>	<u>19,594</u>	
Cash Funds	15,286	2,094	19,594	19,594	
Board Meeting Costs	<u>163</u>	<u>168</u>	<u>4,500</u>	<u>4,500</u>	
Cash Funds	163	168	4,500	4,500	
Securities Fraud Prosecution	<u>986,534</u>	<u>1,233,537</u>	<u>1,342,519</u>	<u>1,342,519</u>	
Cash Funds	986,534	1,233,537	1,342,519	1,342,519	
Indirect Cost Assessment	<u>216,522</u>	<u>46,709</u>	<u>247,102</u>	<u>243,925</u>	
Cash Funds	216,522	46,709	247,102	243,925	
TOTAL - (10) Division of Securities	3,765,812	3,611,054	4,280,748	4,378,239	2.3%
FTE	<u>24.1</u>	<u>24.0</u>	<u>24.0</u>	<u>24.0</u>	0.0%
Cash Funds	3,765,812	3,611,054	4,280,748	4,378,239	2.3%

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	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	Request vs. Appropriation
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(11) DIVISION OF CONSERVATION

The Division of Conservation, in conjunction with the Conservation Easement Oversight Commission, certifies conservation easement holders and conservation easement tax credit certificates.

Conservation Easement Program Costs	<u>182,516</u>	<u>264,830</u>	<u>611,676</u>	<u>611,676</u>	
FTE	1.5	2.5	5.8	5.8	
Cash Funds	182,516	264,830	611,676	611,676	
Indirect Cost Assessment	<u>34,283</u>	<u>51,903</u>	<u>59,716</u>	<u>58,948</u>	
Cash Funds	34,283	51,903	59,716	58,948	
TOTAL - (11) Division of Conservation	216,799	316,733	671,392	670,624	(0.1%)
FTE	<u>1.5</u>	<u>2.5</u>	<u>5.8</u>	<u>5.8</u>	0.0%
Cash Funds	216,799	316,733	671,392	670,624	(0.1%)
TOTAL - Department of Regulatory Agencies	96,332,473	110,966,858	141,838,855	153,342,251	8.1%
FTE	<u>551.8</u>	<u>558.1</u>	<u>698.4</u>	<u>705.1</u>	1.0%
General Fund	2,138,818	5,416,968	13,551,646	13,453,719	(0.7%)
Cash Funds	87,890,952	98,342,243	119,439,133	130,224,373	9.0%
Reappropriated Funds	5,264,240	5,595,557	7,107,031	7,766,154	9.3%
Federal Funds	1,038,463	1,612,090	1,741,045	1,898,005	9.0%

APPENDIX B FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

The General Assembly includes footnotes in the annual Long Bill to: (a) set forth purposes, conditions, or limitations on an item of appropriation; (b) explain assumptions used in determining a specific amount of an appropriation; or (c) express legislative intent relating to any appropriation. Footnotes to the 2023 Long Bill (S.B. 23-214) can be found at the end of each departmental section of the bill at <https://leg.colorado.gov/bills/SB23-214>.

The Department did not have any Long Bill footnotes in FY 2023-24.

UPDATE ON LONG BILL REQUESTS FOR INFORMATION

The Joint Budget Committee annually submits requests for information to executive departments and the judicial branch via letters to the Governor, other elected officials, and the Chief Justice. Each request is associated with one or more specific Long Bill line item(s), and the requests have been prioritized by the Joint Budget Committee as required by Section 2-3-203 (3), C.R.S. Copies of these letters are included as an Appendix in the annual Appropriations Report (Appendix H in the FY 2023-24 Report): <https://leg.colorado.gov/sites/default/files/fy23-24apprept.pdf>.

The Department of Regulatory Agencies only had one request for information, which impacted multiple departments.

1 All Departments -- The Departments are requested to provide by November 1 of each fiscal year Schedule 9 reports for every annually and continuously appropriated cash fund administered by the Department as part of the standard November 1 budget submission. The Office of State Planning and Budgeting, in coordination with the Office of the State Controller, the Department of the Treasury, and the independent agencies, is further requested to provide by November 1 of each fiscal year a consolidated report that includes the following information for all continuously appropriated cash funds:

- The name of the fund;
- The statutory citation for the fund;
- The year the fund was created;
- The department responsible for administering the fund;
- The total cash balance as of July 1, 2023;
- The unobligated cash balance as of July 1, 2023; and
- The unencumbered cash balance as of July 1, 2023.

COMMENT: The Office of State Planning and Budgeting provided a consolidated response for all departments, which included Schedule 9s for two continuously appropriated cash funds for which the Department of Regulatory Agencies is responsible (<https://drive.google.com/drive/folders/12GV1BkbNNG3GF9-2vgl2tjRjHxByZt0>). This

includes net cash assets of \$1.5 million between the two funds. The following table summarizes the historic and estimated expenditures, as well as net cash assets for each fund.

MULTI-DEPARTMENT RFI #1 - CONTINUOUSLY APPROPRIATED CASH FUNDS				
DEPARTMENT OF AGRICULTURE				
FUND NAME	FY 22-23 ACTUAL EXPENDITURES	FY23-24 EST. EXPENDITURES	FY 23-24 NET CASH ASSETS	PRIMARY SOURCES OF REVENUE AND USES
Telephone Users with Disabilities Cash Fund	\$4,330,730	\$4,375,494	\$680,076	Monthly surcharge from all business and residential telephone customers, pursuant to Section 40-17-104, C.R.S. Used to support a telephone relay service for people with disabilities, reading and library services for people who are blind, and a family and community intervener program.
Division of Insurance Cash Fund	18,370,028	20,013,250	805,653	Business and professional license and renewal fees pertaining to the insurance industry, and premium tax revenue, pursuant to Section 10-1-103, C.R.S. Used for costs associated with the Division of Insurance and regulation of the insurance industry.
Total	\$22,700,758	\$24,388,744	\$1,485,729	

APPENDIX C

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(b), C.R.S., the Department of Regulatory Agencies is required to publish an **Annual Performance Report** for the *previous state fiscal year* by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's FY 2024-25 budget request, the FY 2022-23 Annual Performance Report and the FY 2023-24 Performance Plan can be found at the following link:

<https://www.colorado.gov/pacific/performancemanagement/department-performance-plans>