

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2008-09 BRIEFING:
OFFICE OF THE GOVERNOR**

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

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**FY 2008-09 JBC BUDGET BRIEFING
OFFICE OF THE GOVERNOR**

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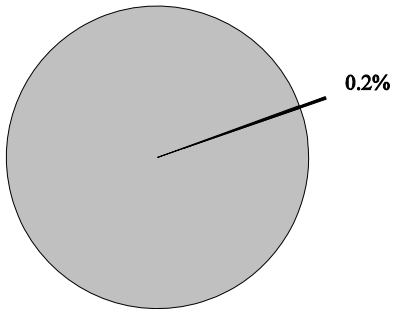
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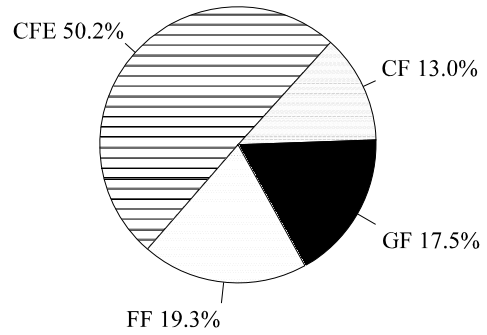
FY 2008-09 JBC BUDGET BRIEFING OFFICE OF THE GOVERNOR

GRAPHIC OVERVIEW

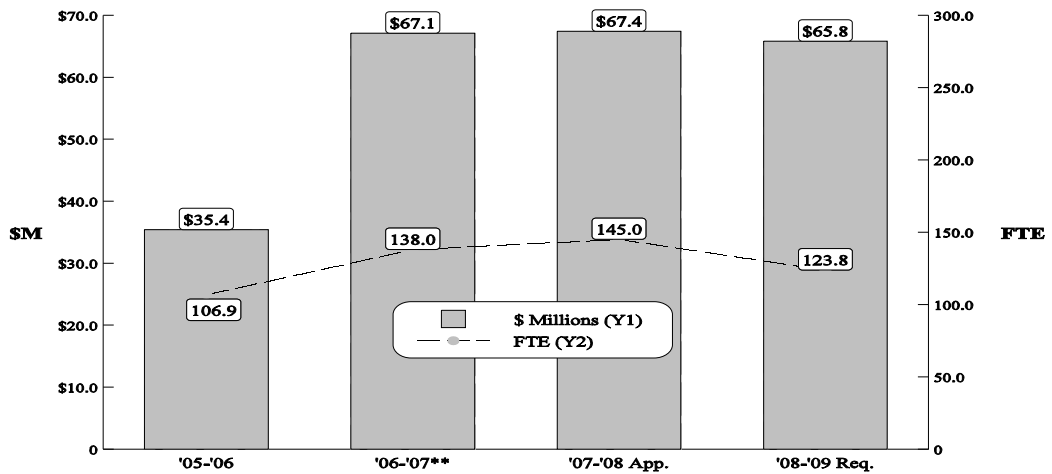
**Share of State General Fund
FY 2007-08**



**Funding Source Split
FY 2007-08**



BUDGET HISTORY



**Does not include \$22.1 million increase in cash funds spending authority as a result of a technical error made when drafting the Long Bill. The additional spending authority is not matched by additional revenue, and therefore is empty spending authority.

FY 2008-09 JBC BUDGET BRIEFING OFFICE OF THE GOVERNOR

DEPARTMENT OVERVIEW

Key Responsibilities

- **Office of the Governor**
 - Oversees operation of the executive branch of state government including coordination, direction, and planning of agency operations.
 - Represents the State and serves as a liaison with local and federal governments.
 - Offices within the Governor's Office include: Boards and Commissions Office, Citizens' Advocate Office, Governor's Energy Office, Office of Policy and Initiatives, and the Governor's Press Office.

- **Office of the Lieutenant Governor**
 - Directly oversees the Colorado Commission of Indian Affairs, Alcohol Task Force, Commission on Community Service, and other initiatives.

- **Office of State Planning and Budgeting**
 - Develops executive budget requests and reviews and analyzes departmental expenditures.
 - Prepares annual revenue and economic estimates for the State.

- **Office of Economic Development and International Trade**
 - Encourages economic development through financial and technical assistance provided on a local and regional basis.
 - Administers the following programs: Business Assistance Services, Business Development Office, Certified Capital Companies (CAPCO), Colorado First Customized Job Training, Colorado Council on the Arts, Colorado Film Commission, Colorado Tourism Office, Economic Development Commission, Enterprise Zone Program, Minority Business Office, Small Business Development Centers, Venture Capital Authority, and Bioscience Discovery Evaluation.

- **Office of Information Technology**
 - Coordinates and directs the use of information technology resources by state agencies.
 - Strategic objectives include: (1) securing and protecting IT assets; (2) optimizing spending for IT decisions, projects, and technology; (3) managing IT projects effectively; (4) improving enterprise service delivery; and (5) improving collaboration and innovation.

- **Office of Colorado Benefits Management System (CBMS)**
 - Oversees the ongoing development and enhancements to the Colorado Benefits Management System.
 - Created by Executive Order D 004 05 in connection with an independent audit by Deloitte of CBMS.
 - Office of CBMS in the Governor's Office dissolved by Executive Order D 005 07.
- **Office of the Chief Information Security Officer**
 - Charged with developing and updating information security policies, standards, and guidelines for public agencies.
 - Ensures the incorporation of and compliance with information security policies, directs information security audits and assessments, coordinates information security awareness and training programs, and provides guidance regarding public agency budget requests related to information security systems.

Factors Driving the Budget

Economic Development Funding

In recent years, funding for the Governor-Lieutenant Governor-Office of State Planning and Budgeting has fluctuated significantly based on decisions by the General Assembly to add or reduce funding for economic development programs. Until FY 2006-07, the Department has historically been funded almost entirely with equal parts General Fund and Federal Funds, however with the passage of H.B. 06-1201 (Increased Limited Gaming Funds for Tourism), the Department's funding mix has greatly shifted towards cash fund sources, namely from the Limited Gaming Fund.

The majority of these funding changes were affected by a funding mix adjustment and from excess spending authority. These key contributors to the funding changes are explained in greater detail below:

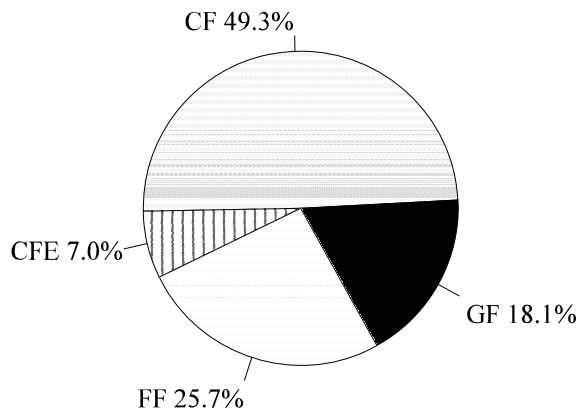
- **Funding Mix Adjustment:** Funding for the Department is largely from cash fund exempt moneys. For FY 2007-08, approximately 50.2 percent (\$33.8 million) of the Department's \$67.4 million total appropriation, \$33.8 million are from cash funds exempt, representing 50.2 percent of the department's total appropriation and reflects a 620.7 percent (\$29.1 million) increase in funding from cash fund exempt sources. Of the \$29.1 million increase, \$26.9 million supports various economic development programs authorized through H.B. 06-1201, H.B. 07-1060, and H.B. 07-1206.

The driver for this significant funding shift is largely from the reclassification of funds appropriated from the Limited Gaming Fund. Pursuant to H.B. 06-1201, funds were initially appropriated as cash funds in FY 2006-07 from the Limited Gaming Fund to the Colorado Travel and Tourism Promotion Fund, the Council on the Arts Cash Fund, the New Jobs Incentives Cash Fund, the State Council on the Arts Cash Fund, and the Film Incentives Cash Fund. The mechanism for funding includes a transfer of Limited Gaming Fund moneys on the last day of the previous fiscal year to each of the recipient funds, thus moneys appropriated to the programs funded with the \$24.3 million appropriation are actually

sourced from fund balance, and as such these moneys should be appropriated as cash funds exempt rather than as cash funds. This funding mix adjustment was implemented during the FY 2007-08 figure setting process. This change was agreed upon by the State Controller's Office, the Department, and JBC staff.

- **Excess Spending Authority:** The 2007 Long Bill (S.B. 07-239, Section 9), contains a technical error which increased the cash funds spending authority by \$22.1 million in FY 2006-07 for the Colorado Travel and Tourism Promotion Fund, the State Council on the Arts Cash Fund, the Film Incentives Cash Fund, the New Jobs Incentives Cash Fund, and the Bioscience Discovery Evaluation Cash Fund. The additional spending authority is not matched by additional revenue, and therefore it is empty spending authority. Staff is preparing a staff-initiated supplemental request to correct for this excess spending authority and will present this in January 2008.

The following graphic exhibits the funding source split for FY 2006-07, adjusted to exclude the excess spending authority:



Governor's Energy Office

Pursuant to Executive Order D 0010 07, the Governor's Office of Energy Management and Conservation (OEMC) was renamed the Governor's Energy Office (GEO). The office was created in 1977 to respond to the oil crisis of the late 1970's and had historically been funded fully with federal moneys associated with the Low-income Energy Assistance Program (LEAP) and litigation funding through Petroleum Violation Escrow (PVE) funds. In 1999 the office was renamed the Office of Energy Management and Conservation.

The funding for the office changed in 2006 when the General Assembly appropriated \$4 million from the operational account of the Severance Tax Trust Fund in the Department of Natural Resources for home energy efficiency improvements for low-income households, pursuant to H.B. 06-1200.

In 2007, the state made two additional significant appropriations to the GEO, these include the following:

- Senate Bill 07-246 (Fitz-Gerald/Buescher) appropriates \$7 million for FY 2007-08 from the Limited Gaming Fund to the newly created Clean Energy Fund for the purpose of advancing energy efficiency and renewable energy throughout the state. The allocations from the Limited Gaming Fund are projected to be \$7.7 million in FY 2007-08 and \$12.5 million in FY 2008-09. Funding for this program is continuously appropriated.
- House Bill 07-1309 (Weissman/Tupa) earmarks increased interest in the Severance Tax Fund as a result of shifting from quarterly collections to monthly collections toward the Public School Efficiency Fund to increase the energy efficiency of K-12 schools throughout the state. For FY 2007-08 it is estimated that \$489,000 will be transferred to the GEO to implement the bill.

Colorado Benefits Management System (CBMS)

In February 2007, Governor Ritter issued Executive Order D 005 07, which dissolved both the Office of CBMS in the Governor's Office and the CBMS Steering Committee from the Department of Human Services and the Department of Health Care Policy and Financing. Further, on June 20, 2007, the JBC approved an emergency supplemental reallocating 24.0 FTE and \$2.1 million in total funds for the at-will and contract employees from the Governor's Office of CBMS to the Department of Human Services and the Department of Health Care Policy and Financing. As explained in the June 20, 2007 letter to the State Controller from the Chairman of the JBC, the JBC will sponsor a supplemental appropriations bill during the 2008 legislative session to formalize this change. As a result of the executive order and the promissory legislative directive, the Department did not include a request for funding for the Office of CBMS in the FY 2008-09 budget request.

Summary of Major Legislation

- ✓ **S.B. 07-246 (Fitz-Gerald/Buescher): Clean Energy Fund Creation.** Creates the Clean Energy Fund and requires that, at the end of FY 2006-07, \$7 million that would normally be transferred from the Limited Gaming Fund to the General Fund be transferred instead to the newly created Clean Energy Fund for the purpose of advancing energy efficiency and renewable energy throughout the state. The Clean Energy Fund will also consist of any unexpended money's that were allocated to the Governor's Energy Office (GEO) to provide home energy efficiency improvements for low-income households. The GEO will incur administrative expenses in the amount of \$248,487 and 4.0 FTE in FY 2007-08. At the end of FY 2007-08 and each year thereafter, any money that would be transferred from the Limited Gaming Fund to the General Fund under current law would instead be transferred to the Clean Energy Fund. Specifically, moneys in the fund may be expended to: (1) attract renewable energy investment in the state; (2) assist in technology transfer of newly developed energy efficiency and renewable energy technologies; (3) provide market incentives for the purchase and distribution of energy efficient and renewable energy products; (4) assist in the implementation of energy efficiency projects throughout the state; (5) aid governmental agencies in greening government initiatives; (6) facilitate widespread implementation of renewable energy technologies; and (7) generally advance energy efficiency and renewable energy throughout the state. Funding is continuously appropriated, pursuant to Section 24-75-1201 (2), C.R.S., and is provided for informational purposes only.
- ✓ **H.B. 07-1060 (Riesberg/Shaffer): Bioscience Research Grants.** Transfers \$2,500,000 from the Limited Gaming Fund at the end of FY 2006-07 to the Bioscience Discovery Evaluation Cash Fund for the program in FY 2007-08 and increases the amount the Office of Economic Development may expend in administering the Bioscience Discovery Evaluation program up to 5 percent of the moneys transferred into the fund.
- ✓ **H.B. 07-1206 (Massey/Hagedorn): Increase Gaming Moneys for Colorado Film Commission.** Increases the annual allocation of gaming revenue from the General Fund portion of the Limited Gaming Fund to the Film Incentives Cash Fund. Appropriates an additional \$100,000 cash funds exempt from the Film Incentives Cash Fund to the Office of Economic Development in FY 2007-08.
- ✓ **H.B. 07-1270 (Stephens/Shaffer): Education Data Systems Study.** Appropriates \$150,000 cash funds exempt from the State Public School Fund to the Office of Information Technology (OIT), for FY 2007-08. This amount is from moneys recovered from overpayments to school districts or the State Charter School Institute. This bill requires the OIT to issue a request for proposals (RFP) for a comprehensive assessment of the current data technology system within the Department of Education.
- ✓ **H.B. 07-1309 (Weissmann/Tupa): Public School Energy Efficiency.** Continuously appropriates moneys from the Public School Energy Efficiency Fund to the Governor's Energy Office by an estimated \$489,000 in FY 2007-08 and \$496,000 in FY 2008-09. These new expenditures will be used to assist school districts in improving energy efficiency in

public schools. Funding is continuously appropriated, pursuant to Section 39-29-109.5 (2), C.R.S., and is provided for informational purposes only.

- ✓ **H.B. 07-1372 (Curry/Isgar): Creation of a Reserve for the Operational Account of the Severance Tax Trust Fund.** Modifies the transfer of money from the operational account to the Water Supply Reserve Account in the Severance Tax Trust Fund. Reduces appropriations to the Governor's Office by \$75,837 and 0.5 FTE in FY 2006-07 and \$151,371 and 1.0 FTE in FY 2007-08.
- ✓ **H.B. 06-1017 (Hall/Veiga): Incentive for New Jobs Created.** Provides an incentive for companies that create a certain number and type of new jobs in Colorado. To claim the incentive, an employer must submit an application to the Economic Development Commission. The amount of incentive payments that may be claimed in a given fiscal year is limited to the amount appropriated by the General Assembly for this purpose. Creates the New Job Incentives Cash Fund. An associated appropriation of \$3.0 million from the New Job Incentives Cash Fund to the Office of the Governor, for allocation to the Economic Development Commission, is included in H.B. 06-1201 in FY 2006-07.
- ✓ **H.B. 06-1157 (Coleman/May R.): Information Technology Security in Public Agencies.** Authorizes the Governor to appoint a chief information security officer (CISO) and defines the duties of the position. Requires public agencies to develop and submit information security plans to the CISO and to report information security incidents. Reflects anticipated receipt of \$4.2 million federal funds and 1.0 FTE to the Office of the Governor in FY 2006-07 for implementation.
- ✓ **H.B. 06-1200 (Buescher/Kester): Low-Income Energy Assistance Funding.** Takes a portion of the Operational Account of the Severance Tax Trust Fund in the Department of Natural Resources and appropriates it to the Department of Human Services for the Low-Income Energy Assistance Program (LEAP) and the Office of the Governor for direct bill payment assistance and home energy efficiency improvements for low-income households. For FY 2006-07 through FY 2008-09, funds in the Operational Account of the Severance Tax Trust Fund will be appropriated for similar purposes, though for FY 2007-08 and FY 2008-09 the amount of the appropriation would be determined by the lesser of a formula-based appropriation or a capped amount. Includes a cash funds appropriation from the Operational Account of the Severance Tax Trust Fund for FY 2005-06 of \$17.0 million to the Department of Human Services and \$7.0 million to the Office of the Governor and a cash funds appropriation from the Operational Account of the Severance Tax Trust Fund for FY 2006-07 of \$5.95 million to the Department of Human Services and \$5.05 million to the Office of the Governor.
- ✓ **H.B. 06-1201 (Plant/Taylor): Increase Limited Gaming Funds for Tourism.** Modifies the distribution of limited gaming revenues to increase funding for various economic development programs. Pursuant to Section 12-47.1-701 (4)(a), C.R.S., after all expenses for administration of the Colorado Limited Gaming Act are paid, 49.8 percent of the funds available for distribution in the Limited Gaming Fund at the end of each fiscal year are transferred to the General Fund, and 0.2 percent are transferred to the Colorado Travel and

Tourism Promotion Fund. Out of the percentage that is transferred to the General Fund, at least 13 percent is transferred annually to the Local Government Limited Gaming Impact Fund. Starting in FY 2005-06, this bill changes the allocation of gaming revenue so that after distribution to the Local Government Gaming Impact Fund, gaming revenue is to be distributed as follows:

- \$19.0 million to the Colorado Travel and Tourism Promotion Fund;
- \$1.5 million to the State Council on the Arts Cash Fund;
- \$0.5 million to the Film Incentives Cash Fund;
- \$3.0 million to the New Jobs Incentives Cash Fund; and
- remaining revenue to the state General Fund.

- ✓ **H.B. 06-1360 (Riesberg/Tapia): Bioscience Research Discoveries.** Creates the Bioscience Discovery Evaluation Grant Program to improve and expand the evaluation of new bioscience discoveries at research institutions with the intent of accelerating the development of new products and services. Administration of the grant program would be provided by the Office of Economic Development (OED) in the Governor's office in consultation with a Colorado bioscience membership organization. The bill establishes a grant application process for grants of up to \$150,000 per bioscience research project. Among other requirements to qualify for the grants, recipients must provide matching funds from nonstate sources that at least equal the grant requested. Creates the Bioscience Discovery Evaluation Cash Fund in the State Treasury and provides that moneys in the fund shall be continuously appropriated to OED for the direct and indirect costs associated with implementing the program. Up to 2 percent of the moneys initially deposited in the Fund may be used by OED for its costs. The OED is required to provide a report to committees of the General Assembly that evaluates the effectiveness of the grant program. The bill authorizes the transfer of \$2 million in FY 2005-06 from the General Fund portion of Limited Gaming Fund moneys to the Bioscience Discovery Evaluation Cash Fund and includes an appropriation of \$2.0 million cash funds from the Bioscience Discovery Evaluation Cash Fund to the OED for FY 2005-06.
- ✓ **S.B. 06-49 (Bacon/Lindstrom): Transfer State Council on the Arts to the Office of Economic Development.** Transfers administration of the Council on the Arts from the Department of Higher Education to the Office of Economic Development in the Governor's Office. This Appropriations Report describes the effect of S.B. 06-049 as a reduction in funding for the Department of Higher Education and an increase in funding for the Governor - Lieutenant Governor - Office of State Planning and Budgeting. The amount moved from the Department of Higher Education to the Governor - Lieutenant Governor - Office of State Planning and Budgeting is \$1.5 million cash funds and 2.0 FTE. In H.B. 06-1201 \$1.5 million was transferred from limited gaming fund moneys to the State Council on the Arts Cash Fund, and \$1.5 million cash funds and 2.0 FTE was appropriated from the State Council on the Arts Cash Fund to the Council on the Arts.
- ✓ **H.B. 06-1362 (Massey/Veiga): Incentives for the Motion Picture Industry.** Allows any motion picture production company that spends at least 75 percent of its production expenditures in Colorado on qualified local expenditures and at least 75 percent of payroll

expenditures on local hires to claim an incentive payment from the Colorado Economic Development Commission (EDC). Subject to various requirements, up to 10 percent of qualifying expenditures may be claimed. The bill allows the EDC to determine the application and evaluation process for the program. Creates the Film Incentives Cash Fund, consisting of Limited Gaming funds transferred to the Fund and any General Fund appropriated to the Fund. Moneys in the Fund are subject to annual appropriation by the General Assembly. No more than 2.5 percent of appropriations may be used for administrative costs associated with the program. Should the EDC receive applications for incentives that exceed amounts appropriated, the funds are to be paid on a first-come, first-served basis. Enactment is contingent on enactment of H.B. 06-1201, which includes an associated appropriation of \$500,000 from the Film Incentives Cash Fund to the Economic Development Commission in the Office of the Governor.

- ✓ **H.B. 06-1384 (Buescher/Tapia): Money which Benefits the Colorado State Fair.** Changes the allocation of the Unclaimed Property Tourism Promotion Trust Fund interest to provide additional moneys to the State Fair through the Colorado Travel and Tourism Promotion Fund. Moneys provided to the Colorado State Fair are prioritized as follows: (1) state Treasury loans to the State Fair are to be paid down with remaining funds; (2) upon repayment of the state Treasury loans, any remaining funds are to pay off outstanding debt incurred by the Colorado State Fair Authority to build the events center in Pueblo; (3) upon payment of all debt, \$550,000 is provided annually for administrative expenses, operating costs, and event promotion; and (4) after the third fiscal year (in FY 2009-10) only the \$550,000 for administrative, operating, and promotional costs are authorized. Appropriates \$3,163,978 cash funds from the Colorado Travel and Tourism Promotion Fund to the Department of Agriculture, Colorado State Fair, for FY 2006-07. Also *reduces the appropriation to the Office of the Governor for Colorado promotion by \$2,300,000 and 3.0 FTE for FY 2006-07.*
- ✓ **H.B. 06-1400 (Buescher/Isgar) Interbasin Compact Charter Approval.** Approves the interbasin compact charter, pursuant to the provisions of H.B. 05-1177. Appropriates \$75,837 cash funds from the Operational Account of the Severance Tax Trust Fund and 0.5 FTE to the Office of the Governor, Director of Compact Negotiations and \$855,481 cash funds from the Operational Account of the Severance Tax Trust Fund and 1.2 FTE to the Department of Natural Resources, Colorado Water Conservation Board for FY 2006-07.
- ✓ **S.B. 05-66 (Tapia/White) Colorado Energy Research Institute.** The act requires the Department of Higher Education, Colorado School of Mines, Colorado Energy Research Institute to conduct specific research on the oil and gas sector. It authorizes expenditures from the Oil and Gas Conservation and Environmental Response Fund for this purpose and for specific other purposes outlined in the legislation related to research and information dissemination on the energy sector. Among other appropriations, the act included an appropriation of \$75,000 in FY 2005-06 from the Oil and Gas Conservation and Environment Response Fund to provide grants through the Governor's Office of Energy Management and Conservation for the development of a central resource for building trade professionals regarding energy-efficient design and construction. The act further authorizes expenditure of an additional \$50,000 from the Fund for this purpose in FY 2006-07,

contingent upon an adequate fund balance. The Governor's Office has not included this funding in the FY 2006 - 07 budget citing that, similar to other moneys for the Office of Energy Management and Conservation, these moneys flow from federal funds into the cash fund and are therefore not subject to appropriation.

- ✓ **S.B. 04-106 (Teck/Stengel): Substitute Venture Capital For CAPCO.** The act repealed the allocation of the second pool of premium tax credits available under the Certified Capital Company Act, and in conjunction created tax credits for contribution to a venture capital program. The act:
 - Created the Venture Capital Authority and constituted it as an enterprise.
 - Authorized an issuance of \$50 million in tax certificates to qualified taxpayers, at the rate of \$5 million per year for each of the calendar years from 2005 to 2014.
 - Directed the authority to allocate the fund at 25% as rural venture capital, 50% to statewide venture capital, and 25% to urban community venture capital.
 - Specified requirements that a qualified business must meet in order to receive CAPCO investment funds.

- ✓ **S.B. 04-247 (Taylor/Coleman): Reform First Pool CAPCO Act.** As specified in S.B. 04-106, applied the same specified requirements that a qualified business must meet in order to receive CAPCO investment funds from the first pool of premium tax credits.

- ✓ **H.B. 04-1190 (Romanoff/Teck): Amending Certified Capital Company Act.** Amending the method by which the Office of Economic Development calculates certified capital companies' internal rate of return to address ambiguities and weaknesses in the current law. The Certified Capital Company Act defines circumstances under which a CAPCO may make distribution from certified capital.

- ✓ **H.B. 04-1206 (Mitchell/Hillman): Revision Of The Second Pool of Premium Available Under Certified Capital Company Act.** Created an insurance premium tax credit for contribution to CoverColorado . Premium tax credits of \$50 million (ten years at \$5 million a year for tax years 2005 through 2014), is made available to any insurance company that is a qualified taxpayer for contributions to CoverColorado.

- ✓ **S.B. 04-256 (Taylor/White): A Source Of Revenue For The Promotion Of Tourism In The State.** Creation of an unclaimed property tourism trust fund to hold and generate earnings from the proceeds of the sale of securities held by the State as unclaimed property.

- ✓ **S.B. 03-336 (May, R./Fritz): Statewide Internet Portal.** Provided definitions and authority for the Office of Innovation and Technology (OIT) to pursue a statewide internet portal. No appropriation was necessary, though the bill adjusts the mission and priorities of the OIT.

Major Funding Changes FY 2006-07 to FY 2007-08

Action (Source)	General Fund	Other Funds (Source)	Total Funds	Total FTE
Bioscience Discovery Evaluation (H.B. 07-1060)	0	2,500,000 (Cash Funds Exempt)	2,500,000	0.6
Cyber-Security Fund Source Adjustment (Long Bill)	0	2,449,782 (Cash Funds Exempt)	2,449,782	2.0
Annualize Legislation (H.B. 06-1200)	0	1,000,000 (Cash Funds)	1,000,000	0.0
Adjustments for Inflation for Economic Development Programs (H.B. 06-1201, H.B. 06-1360, H.B. 06-1362)	0	500,638 (Cash Funds Exempt)	500,638	0.0
School Energy Efficiency (H.B. 07-1309)	0	489,000 (Cash Funds)	489,000	0.0
Adjustment for Centralized Appropriations (Long Bill)	229,879	167,648 (CF, CFE, FF)	397,527	0.0
School Technology Systems Assessment (H.B. 07-1270)	0	150,000 (Cash Funds Exempt)	150,000	0.0
Annualize Salary Survey (Long Bill)	52,930	2,208	55,138	0.0
Severance Tax Trust Fund Transfer Reduction (H.B. 07-1372)	0	(151,371) (Cash Funds)	(151,371)	(1.0)
Eliminate One-Time Spending Authority: CBMS RFP (Long Bill Supplemental)	0	(512,400) (Cash Funds Exempt)	(512,400)	0.0
Eliminate One-Time Spending Authority: Bioscience Discovery Evaluation (H.B. 06-1360)	0	(2,000,000) (Cash Funds)	(2,000,000)	0.0
Eliminate One-Time Spending Authority: Cyber-Security (Long Bill)	0	(4,200,000) (Federal Funds)	(4,200,000)	(1.0)

A significant funding change not listed here includes a funding mix adjustment as a result of the reclassification of moneys from the Limited Gaming Fund by decreasing cash funds \$24.3 million and increasing cash funds exempt by a like amount, yielding a net change of zero.

Other changes include the funding source adjustment of \$2.5 million and 2.0 FTE for the Cyber-Security Program from federal funds to cash funds exempt, pursuant to Section 24-37.5-403 (3), C.R.S. Further, the elimination of one-time spending authority for the Cyber-Security Program, the CBMS request for proposal, and for the Bioscience Discovery Evaluation Program account for a net decrease of \$6.7 million and 1.0 FTE in cash funds, cash funds exempt, and federal funds.

**FY 2008-09 JBC BUDGET BRIEFING
OFFICE OF THE GOVERNOR**

DECISION ITEMS FY 2008-09

Priority	Division: Request	GF	CF	CFE	FF	Total	FTE
1	Office of the Chief Information Security Officer (CISO): Cyber Security Components and Software	\$349,343	\$0	\$0	\$0	\$349,343	0.0
2	Office of the Chief Information Security Officer: Cyber Security Implementation	149,880	0	0	0	149,880	0.0
3	Governor's Energy Office: Solar Incentive Program	2,013,750	0	0	0	2,013,750	0.0
4	Lt. Governor: Operating Expenses	25,000	0	0	0	25,000	0.0
5	Office of Economic Development and International Trade: Small Business Development Centers: Staffing Increase	16,184	0	0	0	16,184	0.5
6	Office of Economic Development and International Trade: Colorado Council on the Arts: Arts Education Program Manager	0	0	0	60,103	60,103	0.9
7	Governor's Energy Office: School Energy Audits Staffing Increase	0	0	0	0	0	2.0
NP	Special Purpose: Workers Compensation Allocation	130	0	0	0	130	0.0
NP	Special Purpose: Adjustment to MNT	6,138	0	0	0	6,138	0.0
NP	Special Purpose: Vehicle Lease Payments	(3,107)	0	0	0	(3,107)	0.0
Total Decision Item Request		\$2,557,318	\$0	\$0	\$60,103	\$2,617,421	3.4

Solar Incentive Program and Cyber Security. Three of the seven requested decision items are for the state's Cyber Security program (2 items) and to initiate a solar incentive program. These three decision items reflect 96.0 percent of the total change request and 98.3 percent of the total General Fund change request.

**FY 2008-09 JBC BUDGET BRIEFING
OFFICE OF THE GOVERNOR**

OVERVIEW OF NUMBERS PAGES

Requested Changes FY 2007-08 to FY 2008-09

Category	Total	GF	CF	CFE	FF	FTE
FY 2007-08 Appropriation	\$67,428,768	\$11,803,944	\$8,776,099	\$33,818,275	\$13,030,450	145.0
FY 2008-09 Request	\$65,759,818	\$14,759,622	\$8,776,016	\$29,137,565	\$13,086,615	123.8
Net Increase/ Decrease	(\$1,668,950)	\$2,955,678	(\$83)	(\$4,680,710)	\$56,165	(21.2)
Percent Change	-2.5%	25.0%	0.0%	-13.8%	0.4%	-14.6%
<i>The following reflects the requested change as compared to FY 2007-08 appropriation less CBMS</i>						
Less CBMS Program Costs	(1,917,417)	0	0	(1,917,417)	0	(24.0)
Net Increase/ Decrease	\$248,467	\$2,955,678	(\$83)	(\$2,763,293)	\$56,165	2.8
Percent Change	0.4%	25.0%	0.0%	-8.2%	0.4%	1.9%

Notable FY 2007-08 Budget Changes: Solar Incentive Program, Cyber Security, and CBMS

The decrease in the total amount requested for FY 2008-09 from the total appropriated in FY 2007-08 is largely driven by the reallocation of the Office of CBMS from the Office of the Governor to the Department of Human Services and the Department of Health Care Policy and Financing. Excluding this change, the department actually had a modest net increase overall, but a significant requested increase of \$3.0 million General Fund, an incremental gain of 25.0 percent.

General Fund -- Increase

- ✓ Solar Incentive Program (DI #3) -- \$2.0 million (68.0 percent).
- ✓ Cyber Security Equipment (DI #1) and Oversight (DI #2) -- \$0.5 million (16.6 percent).

Cash Funds Exempt -- Decrease

- ✓ One-time funding of BioScience Discoveries (H.B. 07-1060) -- \$2.5 million (53.4 percent).
- ✓ CBMS move to DHS and HCPF -- \$1.9 million (41.0 percent).

FTE -- Increase

- ✓ 2.0 FTE for School Energy Audits (DI #7) -- funded with moneys from H.B. 07-1309.
- ✓ 0.9 FTE for Arts Education Manager (DI #6) -- funded with federal moneys.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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GOVERNOR'S OFFICE
Governor Bill Ritter

(1) OFFICE OF THE GOVERNOR

Primary functions: As Chief Executive of the State, the Governor is responsible for the overall operation of the Executive Branch of government. This office provides for coordination, direction, and planning of agency operations; maintains liaison with local governments and the federal government; and exercises the executive powers of the State. Includes the Citizen's Advocate Office, the Office of Policy and Initiatives, the Press Office, and the Boards and Commissions Office.

(A) Governor's Office

Administration of Governor's

Office and Residence	2,341,435	2,450,624	2,413,300	2,666,120
FTE	<u>35.0</u>	<u>35.0</u>	<u>35.4</u>	<u>35.4</u>
General Fund	2,321,976	2,431,165	2,393,880	2,646,700
FTE	35.0	35.0	35.4	35.4
Cash Funds	0	0	0 /a	0
FTE	0.0	0.0	0.0 /a	0.0
Cash Funds Exempt	19,459	19,459	19,420	19,420
Discretionary Fund - GF	19,996	20,000	20,000	20,000
Mansion Activity Fund	<u>82,168</u>	<u>98,549</u>	<u>200,000</u>	<u>200,000</u>
Cash Funds	71,952	78,549	160,000	160,000
Cash Funds Exempt	10,216	20,000	40,000	40,000

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
					Request vs. Appropriation
Subtotal - (A) Governor's Office	2,443,599	2,569,173	2,633,300	2,886,120	9.6%
FTE	<u>35.0</u>	<u>35.0</u>	<u>35.4</u>	<u>35.4</u>	<u>0.0%</u>
General Fund	2,341,972	2,451,165	2,413,880	2,666,700	10.5%
FTE	35.0	35.0	35.4	35.4	0.0%
Cash Funds	71,952	78,549	160,000	160,000	0.0%
FTE	0.0	0.0	0.0	0.0	n/a
Cash Funds Exempt	29,675	39,459	59,420	59,420	0.0%

/a Includes a reduction of \$151,371 and 1.0 FTE, pursuant to H.B. 07-1372.

(B) Special Purpose (Includes Governor, Lt. Governor, OSPB, OEDIT, OIT, and CISO)

Group Health, Life, & Dental	<u>280,788</u>	<u>217,410</u>	<u>624,239</u>	<u>569,735</u>
General Fund	225,348	122,233	397,495	456,139
Cash Funds Exempt	49,351	86,866	214,006	109,401
Federal Funds	6,089	8,311	12,738	4,195
Short-term Disability	<u>8,171</u>	<u>7,364</u>	<u>10,894</u>	<u>10,634</u>
General Fund	6,199	4,558	6,615	8,185
Cash Funds	85	0	583	0
Cash Funds Exempt	1,747	2,669	3,518	2,329
Federal Funds	140	137	178	120

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
SB 04-257 Amortization Equalization					
Disbursement	<u>12,177</u>	<u>30,372</u>	<u>98,929</u>	<u>130,879</u>	
General Fund	8,581	19,204	59,431	100,736	
Cash Funds	22	0	5,379	0	
Cash Funds Exempt	3,200	10,430	32,480	28,660	
Federal Funds	374	738	1,639	1,483	
SB 06-235 Supplemental Amortization Eq					
Equalization Disbursement	<u>0</u>	<u>0</u>	<u>18,916</u>	<u>41,825</u>	
General Fund	0	0	10,687	32,194	
Cash Funds	0	0	1,121	0	
Cash Funds Exempt	0	0	6,767	9,157	
Federal Funds	0	0	341	474	
Salary Survey					
General Fund	<u>186,062</u>	<u>232,732</u>	<u>294,256</u>	<u>287,299</u>	
General Fund	141,786	139,065	183,657	221,987	
Cash Funds	1,227	0	0	0	
Cash Funds Exempt	39,990	89,962	105,960	62,045	
Federal Funds	3,059	3,705	4,639	3,267	
Performance-Based Pay Awards					
General Fund	<u>0</u>	<u>0</u>	<u>109,843</u>	<u>125,767</u>	
General Fund	0	0	68,192	97,004	
Cash Funds	0	0	0	0	
Cash Funds Exempt	0	0	39,904	27,336	
Federal Funds	0	0	1,747	1,427	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
Workers' Compensation - GF	3,142	4,515	8,703	12,379	NP #3
Legal Services	87,677	94,268	100,194	100,194	
<i>Hours Equivalent</i>	<u>1,360</u>	<u>1,391</u>	<u>1,391</u>	<u>1,391</u>	
General Fund	85,214	91,625	97,584	97,584	
Cash Funds	2,463	0	0	0	
Cash Funds Exempt	0	2,643	2,610	2,610	
GGCC Purchase of Services - GF	2,216	131,316	70,921	39,526	
Multiuse Network (MNT) - GF	46,895	46,380	48,126	54,264	NP #2
Payment to Risk Management and Property Funds - GF	25,981	124,794	152,255	116,907	
Capitol Complex Leased Space - GF	223,517	230,975	262,569	264,780	
					Request vs. Appropriation
Subtotal - (B) Special Purpose	<u>876,626</u>	<u>1,120,126</u>	<u>1,799,845</u>	<u>1,754,189</u>	(2.5%)
General Fund	768,879	914,665	1,366,235	1,501,685	9.9%
Cash Funds	3,797	0	7,083	0	(100.0%)
Cash Funds Exempt	94,288	192,570	405,245	241,538	(40.4%)
Federal Funds	9,662	12,891	21,282	10,966	(48.5%)

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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(C) Other Programs and Grants

Primary Functions: Includes the Governor's Energy Office, providing energy information and services to Colorado citizens and businesses. The office coordinates Low-Income Energy Assistance programs and the Colorado Renewable Energy Authority.

Program Administration	10,892,000	10,925,501	11,601,525	13,576,864	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>2.0</u>	
General Fund	0	0	0	2,013,750	DI #3
FTE	0.0	0.0	0.0	0.0	
Cash Funds	0	0	489,000 /a	496,000	
FTE	0.0	0.0	0.0	2.0	DI #7
Cash Funds Exempt	0	0	45,411 /b	0	
FTE	0.0	0.0	0.0	0.0	
Federal Funds	10,892,000	10,925,501	11,067,114	11,067,114	
Low-Income Energy Assistance - CF	7,000,000	5,050,000	6,050,000	6,050,000	
Colorado Renewable Energy Authority - C	0	2,000,000 /c	2,000,000 /d	2,000,000	
Clean Energy - CFE	0	0	0 /e	0 /f	
FTE	0.0	0.0	4.0 /e	4.0	
Legal Services - FF	14,824	0	16,567	16,567	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
Indirect Cost Assessment - FF	9,015	0	9,015	9,015	
					Request vs. Appropriation
Subtotal - (C) Other Programs	17,915,839	17,975,501	19,677,107	21,652,446	10.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>4.0</u>	<u>6.0</u>	<u>50.0%</u>
General Fund	0	0	0	2,013,750	100.0%
FTE	0.0	0.0	0.0	0.0	n/a
Cash Funds	7,000,000	7,050,000	8,539,000	8,546,000	0.1%
FTE	0.0	0.0	0.0	2.0	100.0%
Cash Funds Exempt	0	0	45,411	0	(100.0%)
FTE	0.0	0.0	4.0	4.0	0.0%
Federal Funds	10,915,839	10,925,501	11,092,696	11,092,696	0.0%
FTE	0.0	0.0	0.0	0.0	n/a

/a Includes an increase of \$45,411 cash funds exempt from gifts, grants and donations, pursuant to S.B. 07-91.

/b Includes an increase of \$489,000 cash funds continuously appropriated from the Public School Energy Efficiency Fund, pursuant to H.B. 07-1309.

/c Reflects the \$2.0 million cash funds appropriation from the Operational Account of the Severance Tax Trust Fund to the Colorado Renewable Energy Authority, pursuant to H.B. 06-1322.

/d Reflects the \$2.0 million cash funds appropriation from the Operational Account of the Severance Tax Trust Fund to the Governor's Energy Office for distribution to the Colorado Renewable Energy Authority, pursuant to S.B. 07-126.

/e Includes 4.0 FTE, however does not include \$7 million cash funds continuously appropriated from the Limited Gaming Fund to the Clean Energy Fund for the purpose of advancing energy efficiency and renewable energy throughout the state, pursuant to S.B. 07-246.

/f This does not include an estimated \$12.5 million cash funds exempt continuously appropriated from the Limited Gaming Fund to the Clean Energy Fund for the purpose of advancing energy efficiency and renewable energy throughout the state, pursuant to S.B. 07-246.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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					Request vs. Appropriation
SUBTOTAL - (1) OFFICE OF THE GOVERNOR					
Total	21,236,064	21,664,800	24,110,252	26,292,755	9.1%
FTE	<u>35.0</u>	<u>35.0</u>	<u>39.4</u>	<u>41.4</u>	<u>5.1%</u>
General Fund	3,110,851	3,365,830	3,780,115	6,182,135	63.5%
FTE	35.0	35.0	35.4	35.4	0.0%
Cash Funds	7,075,749	7,128,549	8,706,083	8,706,000	(0.0%)
FTE	0.0	0.0	0.0	2.0	100.0%
Cash Funds Exempt	123,963	232,029	510,076	300,958	(41.0%)
FTE	0.0	0.0	4.0	4.0	0.0%
Federal Funds	10,925,501	10,938,392	11,113,978	11,103,662	(0.1%)
FTE	0.0	0.0	0.0	0.0	n/a

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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(2) OFFICE OF THE LIEUTENANT GOVERNOR

Barbara O'Brien, Lieutenant Governor

Primary Functions: Assures effective coordination of agency operations and program management within the Executive Branch.

The Lieutenant Governor serves as the chair of the Colorado Commission of Indian Affairs.

Administration	220,986	230,920	287,198	317,489	
FTE	<u>2.7</u>	<u>3.2</u>	<u>3.7</u>	<u>3.7</u>	
General Fund	220,986	230,920	206,655	239,951	DI #4
FTE	2.7	3.2	2.7	2.7	
Cash Funds Exempt	0	0	80,543 /a	77,538	
FTE	0.0	0.0	1.0 /a	1.0	
Commission of Indian Affairs	79,391	71,947	85,367	89,515	
FTE	<u>2.3</u>	<u>0.7</u>	<u>2.3</u>	<u>2.3</u>	
General Fund	79,391	71,947	83,867	88,015	
FTE	2.3	0.7	2.3	2.3	
Cash Funds Exempt	0	0	1,500	1,500	
FTE	0.0	0.0	0.0	0.0	
Discretionary Fund - GF	5,000	4,999	5,000	5,000	

**Request vs.
Appropriation**

SUBTOTAL - (2) OFFICE OF THE LT. GOVERNOR					
Total	305,377	307,866	377,565	412,004	9.1%
FTE	<u>5.0</u>	<u>3.9</u>	<u>6.0</u>	<u>6.0</u>	<u>0.0%</u>
General Fund	305,377	307,866	295,522	332,966	12.7%
FTE	5.0	3.9	5.0	5.0	0.0%
Cash Funds Exempt	0	0	82,043	79,038	(3.7%)
FTE	0.0	0.0	1.0	1.0	0.0%

/a Includes an increase of \$80,543 and 1.0 FTE, pursuant to H.B. 07-1062.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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(3) OFFICE OF STATE PLANNING AND BUDGETING

Todd Saliman, Director

Primary Functions: Provide the Governor with information and recommendations to make sound public policy and budget decisions.

This is accomplished through developing revenue estimates, a budget, proposals for new legislation, tracking legislation and the budget, advocating for the Governor's priorities, monitoring issues, and providing information to the public.

Personal Services - CFE	1,345,876	1,188,855	1,321,692	1,376,462
FTE - CFE	17.5	17.5	19.5	19.5
Operating Expenses - CFE	48,302	52,086	51,724	51,724
Economic Forecasting				
Subscriptions -CFE	15,770	15,711	16,362	16,362
Government Efficiency Management Stud	0	700,000 /a	0	0

**Request vs.
Appropriation**

SUBTOTAL - (3) OFFICE OF STATE PLANNING AND BUDGETING					
Total	1,409,948	1,956,652	1,389,778	1,444,548	3.9%
FTE	<u>17.5</u>	<u>17.5</u>	<u>19.5</u>	<u>19.5</u>	<u>0.0%</u>
General Fund	0	700,000	0	0	n/a
Cash Funds Exempt	1,409,948	1,256,652	1,389,778	1,444,548	3.9%
FTE	17.5	17.5	19.5	19.5	0.0%

/a Reflects a one-time appropriation to conduct a Government Efficiency Management (GEM) Study, pursuant to S.B. 07-236.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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(4) ECONOMIC DEVELOPMENT PROGRAMS

Primary Function: To provide financial and technical assistance supporting local and regional economic development activities throughout the state. Programs include business retention and relocation services, bioscience and emerging industries, business finance, the Colorado Tourism Office, Colorado Council on the Arts, Film Incentives, Colorado First Customized Job Training, New Jobs Incentives, International Trade Office, small business development centers, and minority and women-owned business services.

Administration	399,670	440,498	429,822	447,939
<u>FTE</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>
General Fund	399,670	425,709	415,033	433,150
FTE	6.0	6.0	6.0	6.0
Cash Funds Exempt	0	14,789	14,789	14,789
Vehicle Lease Payments - GF	7,042	6,555	17,052	13,945
Leased Space - GF	231,540	231,540	231,540	231,540
Business Development	787,196	809,967	853,515	881,291
<u>FTE</u>	<u>7.9</u>	<u>8.3</u>	<u>9.2</u>	<u>9.2</u>
General Fund	787,196	809,967	838,515	866,291
FTE	7.9	8.3	9.2	9.2
Cash Funds	0	0	15,000	15,000
Grand Junction Satellite Office - GF	60,353	63,242	64,117	67,136
FTE - GF	1.0	1.0	1.0	1.0

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
Minority Business Office	99,595	116,328	148,359	152,896	
FTE	<u>1.8</u>	<u>2.0</u>	<u>2.5</u>	<u>2.5</u>	
General Fund	99,595	111,378	143,409 /a	147,946	
FTE	1.8	2.0	2.5 /a	2.5	
Cash Funds	0	4,950	4,950	4,950	
Leading Edge Program Grants	<u>51,476</u>	<u>51,396</u>	<u>126,407</u>	<u>142,591</u>	
General Fund	<u>50,976</u>	<u>51,396</u>	<u>50,976</u>	<u>67,160</u>	DI #5
Cash Funds Exempt	500	0	75,431	75,431	
Small Business Development Centers	1,260,116	1,234,363	1,267,998	1,277,395	
FTE	<u>3.5</u>	<u>3.3</u>	<u>3.5</u>	<u>3.5</u>	
General Fund	61,854	70,404	66,315	69,334	
FTE	1.0	1.0	1.0	1.0	
Federal Funds	1,198,262	1,163,959	1,201,683	1,208,061	
FTE	2.5	2.3	2.5	2.5	
International Trade Office	623,339	610,397	664,462	682,579	
FTE	<u>5.8</u>	<u>5.8</u>	<u>6.0</u>	<u>6.0</u>	
General Fund	598,034	582,207	614,462	632,579	
FTE	5.8	5.8	6.0	6.0	
Cash Funds	25,305	28,190	50,000	50,000	
Colorado Welcome Centers	485,371	491,721	494,960	504,924	
FTE	<u>3.3</u>	<u>3.3</u>	<u>3.3</u>	<u>3.3</u>	
General Fund	389,958	396,308	399,547	409,511	
FTE	3.3	3.3	3.3	3.3	
Cash Funds Exempt	95,413	95,413	95,413	95,413	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
Colorado Promotion - Other	5,419,782	21,460,233	19,300,288	19,308,713	
FTE	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	
General Fund	5,373,810	0	0	0	
FTE	3.0	0.0	0.0	0.0	
Cash Funds	0	19,558,074	0	0	
FTE	0.0	3.0	0.0	0.0	
Cash Funds Exempt	45,972	1,902,159	19,300,288	19,308,713	
FTE	0.0	0.0	3.0	3.0	
Economic Development Commission					
General Economic Incentives and Marketi:	967,267	961,623	964,061	970,100	
FTE	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	967,267	961,623	964,061	970,100	
FTE	2.0	2.0	2.0	2.0	
Cash Funds Exempt	0	0	0	0	
Colo. First Customized Job Training - GF	2,725,022	2,725,022	2,725,022	2,725,022	
CAPCO Administration - CFE	78,211	83,420	78,634	81,443	
FTE - CFE	1.0	1.0	2.0 /b	2.0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
Colorado Council on the Arts	0	1,948,651	2,281,336	2,347,057	
FTE	<u>0.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.9</u>	
Cash Funds	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Cash Funds Exempt	0	1,352,551	1,581,336	1,586,954	
FTE	0.0	2.0	2.0	2.0	
Federal Funds	0	596,100	700,000	760,103	DI #6
FTE	0.0	0.0	0.0	0.9	DI #6
Film Incentives	<u>0</u>	<u>100,000</u>	<u>610,500</u>	<u>632,100</u>	
Cash Funds	0	100,000	0	0	
Cash Funds Exempt	0	0	610,500	632,100	
New Jobs Incentives	<u>0</u>	<u>3,000,000</u>	<u>3,063,000</u>	<u>3,063,000</u>	
Cash Funds	0	3,000,000	0	0	
Cash Funds Exempt	0	0	3,063,000	3,063,000	
Bioscience Discovery Evaluation	0	1,971,688	2,500,000	0	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.6</u>	<u>0.0</u>	
Cash Funds	0	1,971,688	0	0	
Cash Funds Exempt	0	0	2,500,000	0	
FTE	0.0	0.0	0.6	0.0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>14,855</u>	<u>14,855</u>	
Cash Funds	0	0	66	66	
Federal Funds	0	0	14,789	14,789	
					Request vs.
					Appropriation
SUBTOTAL - (4) ECONOMIC DEVELOPMENT PROGRAMS					
Total	13,195,980	36,306,644	35,835,928	33,544,526	(6.4%)
FTE	<u>35.3</u>	<u>37.7</u>	<u>41.1</u>	<u>41.4</u>	<u>0.7%</u>
General Fund	11,752,317	6,435,351	6,530,049	6,633,714	1.6%
FTE	31.8	29.4	31.0	31.0	0.0%
Cash Funds	25,305	24,662,902	70,016	70,016	0.0%
FTE	0.0	3.0	0.0	0.0	n/a
Cash Funds Exempt	220,096	3,448,332	27,319,391	24,857,843	(9.0%)
FTE	1.0	3.0	7.6	7.0	(7.9%)
Federal Funds	1,198,262	1,760,059	1,916,472	1,982,953	3.5%
FTE	2.5	2.3	2.5	3.4	36.0%

/a Includes an increase of \$29,073 and 0.5 FTE, pursuant to H.B. 07-1209.

/b Includes an increase of 1.0 FTE, pursuant to S.B. 07-261.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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(5) OFFICE OF INFORMATION TECHNOLOGY

Michael Locatis, State Chief Information Officer

Primary Function: To oversee technology initiatives at the state level, recommending strategies to maximize service delivery efficiency in a cost-effective manner through the application of enterprise technology solutions.

Personal Services - GF	691,547	1,099,158	1,046,117	1,083,451
FTE - GF	8.5	5.5	13.0	13.0
Operating Expenses	<u>144,328</u>	<u>132,831</u>	<u>300,268</u>	<u>150,268</u>
General Fund	144,328	132,831	150,268	150,268
Cash Funds Exempt	0	0	150,000 /a	0
Colorado Benefits Management System R]	0	512,400	0	0
Legal Services - GF	1,601	0	1,873	1,873

**Request vs.
Appropriation**

SUBTOTAL - (5) OFFICE OF INFORMATION TECHNOLOGY					
Total	837,476	1,744,389	1,348,258	1,235,592	(8.4%)
FTE	<u>8.5</u>	<u>5.5</u>	<u>13.0</u>	<u>13.0</u>	<u>0.0%</u>
General Fund	837,476	1,231,989	1,198,258	1,235,592	3.1%
FTE	8.5	5.5	13.0	13.0	0.0%
Cash Funds Exempt	0	512,400	150,000	0	(100.0%)

/a Includes a one-time transfer of \$150,000 from the State Public School Fund, pursuant to H.B. 07-1270.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
(6) OFFICE OF COLORADO BENEFITS MANAGEMENT SYSTEM					
Personal Services - CFE	1,714,729	1,775,498	1,638,530	0	/a
FTE - CFE	18.7	24.0	24.0	0.0	/a
Operating Expenses - CFE	156,570	158,076	278,897	0	/a
					Request vs. Appropriation
SUBTOTAL - (6) OFFICE OF COLORADO BENEFITS MANAGEMENT SYSTEM					
Cash Funds Exempt	1,871,299	1,933,574	1,917,427	0	(100.0%)
FTE	18.7	24.0	24.0	0.0	(100.0%)

/a The Office of CBMS was dissolved, pursuant to Executive Order D 05 007. On June 20, 2007, the JBC approved a supplemental reallocating the programmatic resources to the Department of Human Services and the Department of Health Care Policy and Financing.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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(7) OFFICE OF THE CHIEF INFORMATION SECURITY OFFICER (CISO)

Mark Weatherford, Chief Information Security Officer

Develop information security policies, standards and guidelines for public agencies; promulgate rules; direct information security audits and assessments in the public agencies; establish a risk management process and deploy risk mitigation strategies, processes and procedures.

Program Costs	0	2,966,145	2,449,560	2,804,521	
FTE	<u>0.0</u>	<u>0.5</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	0	0	0	349,343	DI #1
FTE	0.0	0.0	0.0	0.0	
Cash Funds Exempt	0	0	2,449,560	2,455,178	
FTE	0.0	0.0	2.0	2.0	
Federal Funds	0	2,966,145	0	0	
FTE	0.0	0.5	0.0	0.0	
					Request vs.
					Appropriation
SUBTOTAL - (7) OFFICE OF THE CHIEF INFORMATION SECURITY OFFICER (CISO)					
Total	0	2,966,145	2,449,560	2,804,521	14.5%
FTE	<u>0.0</u>	<u>0.5</u>	<u>2.0</u>	<u>2.0</u>	<u>0.0%</u>
General Fund	0	0	0	349,343	100.0%
FTE	0.0	0.0	0.0	0.0	n/a
Cash Funds Exempt	0	0	2,449,560	2,455,178	0.2%
FTE	0.0	0.0	2.0	2.0	0.0%
Federal Funds	0	2,966,145	0	0	n/a
FTE	0.0	0.5	0.0	0.0	n/a

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	FY 2008-09 DI/Notes
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					Request vs. Appropriation
OFFICE OF THE GOVERNOR	38,856,144	66,880,070	67,428,768	65,733,946	(2.5%)
FTE	<u>120.0</u>	<u>124.1</u>	<u>145.0</u>	<u>123.3</u>	<u>(15.0%)</u>
General Fund	16,006,021	12,041,036	11,803,944	14,733,750	24.8%
FTE	80.3	73.8	84.4	84.4	0.0%
Cash Funds	7,101,054	31,791,451	8,776,099	8,776,016	(0.0%)
FTE	0.0	3.0	0.0	2.0	100.0%
Cash Funds Exempt	3,625,306	7,382,987	33,818,275	29,137,565	(13.8%)
FTE	37.2	44.5	58.1	33.5	(42.3%)
Federal Funds	12,123,763	15,664,596	13,030,450	13,086,615	0.4%
FTE	2.5	2.8	2.5	3.4	36.0%

**FY 2008-09 JBC BUDGET BRIEFING
OFFICE OF THE GOVERNOR**

FOOTNOTE UPDATE

- Of the five footnotes in the Office of the Governor 2007 Long Bill appropriation, two (2) were common to all departments statewide and three (3) applied to the Office of the Governor specifically.

- 4 All Departments, Totals -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly.

Comments: The Department is in compliance.

- 5 All Departments, Totals -- Every Department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2007-08. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comments: The Governor vetoed this footnote on May 2, 2007 on the grounds that the footnote violates the separation of powers by attempting to administer the appropriation, constitutes substantive legislation, and requires substantial dedication of resources and constitutes an unfunded mandate. After the General Assembly overrode all Long Bill vetoes, the Department was directed to comply to the extent that this request can be adhered to without adversely impacting the operation of the delivery of government services, pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly. The Department did not provide a report.

- 18 Governor - Lieutenant Governor - State Planning and Budgeting, Office of the Governor; and Office of State Planning and Budgeting -- As part of the FY 2008-09 budget submission, the Office of State Planning and Budgeting is requested to provide a report on indirect cost recoveries from federal programs that are administered through the Office of the Governor or that are not shown elsewhere in the Long Bill. The report should include an analysis, by federal program, of: Statewide and departmental indirect costs collected in FY 2005-06 and FY 2006-07; where funds collected were spent; the potential for additional indirect cost collections in FY 2007-08 and future years; and the potential for offsetting General Fund expenditures in the Office of the Governor or other departments through these collections. For each federal program that was not assessed statewide and departmental indirect costs, the report should explain why these costs were not assessed.

Comments: The Governor vetoed this footnote on May 2, 2007 on the grounds that the footnote violates the separation of powers by attempting to administer the appropriation, constitutes substantive legislation, dictates the format of the executive budget submission, the General Assembly has no authority to appropriate federal funds, and that the Governor's Office is included in the statewide indirect cost plan developed by the Department of Personnel and is thus redundant. After the General Assembly overrode all Long Bill vetoes, the Department was directed to comply to the extent that this request can be adhered to without adversely impacting the operation of the delivery of government services, pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly. The Department did not provide a report, but has stated that it is its intention to furnish a report in the near future.

- 19 Governor - Lieutenant Governor - State Planning and Budgeting, Office of State Planning and Budgeting -- The Office of State Planning and Budgeting is requested to work with the Joint Budget Committee staff to draft a report concerning the common policy for provider rates. The report should consider the following factors: Distinguishing providers serving Colorado's most vulnerable populations; salaries and benefits; turn-over rates and attrition among staff. Targeted provider rate increases that deviate from the common policy provider rate based on inequity among providers should be considered. The report should be submitted to the Joint Budget Committee by October 1, 2007.

Comments: The Governor vetoed this footnote on May 2, 2007 on the grounds that the footnote violates the separation of powers by attempting to administer the appropriation and constitutes substantive legislation. After the General Assembly overrode all Long Bill vetoes, the Department was directed to comply to the extent that this request can be adhered to without adversely impacting the operation of the delivery of government services by November 1, 2007, pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly. The Department did not provide a report, but has stated that it is its intention to furnish a report in the near future.

- 20 Governor - Lieutenant Governor - State Planning and Budgeting, Office of State Planning and Budgeting; and Department of Personnel and Administration, Division of Human Resources, Human Resource Services -- The Department of Personnel and Administration shall comply with the statutory provisions of Section 24-50-110 (1)(d), C.R.S., and is requested to provide other state departments with the information necessary to comply with this statute. The Office of State Planning and Budgeting and the Department of Personnel and Administration are requested to work with the departments to improve the timeliness and accuracy of information about state personnel. Improvements, at a minimum, should include: updating personnel information on a centralized computerized database; accurate reporting of filled FTE positions; number of reclassifications that are approved; turnover rates by agency; tracking of FTE positions funded to FTE positions filled; an accurate count of part-time and temporary FTE positions; and elimination of unused FTE positions. The Department of Personnel and Administration and the Office of State Planning and Budgeting are requested to submit a consolidated statewide personnel report to the General Assembly by September 1, 2007. This report should include, by

line item and department, a summary of vacant positions, the length of time each position has been vacant, and the number of reclassifications that were approved in FY 2006-07.

Comments: The Governor vetoed this footnote on May 2, 2007 on the grounds that the footnote violates the separation of powers by attempting to administer the appropriation, constitutes substantive legislation, and requires substantial dedication of resources and constitutes an unfunded mandate. After the General Assembly overrode all Long Bill vetoes, the Department was directed to comply to the extent that this request can be adhered to without adversely impacting the operation of the delivery of government services, pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.

The November 1, 2007, report submitted by the Department, in conjunction with the Department of Personnel and Administration (DPA), conducted a survey among budget officers to ascertain the timeliness and accuracy of reporting information about State personnel. The surveys were reviews by the Office of the State Controller and the Technology Management Unit within the Division of Information Technology. The report includes the following:

- an analysis of the processes associated with the tracking of FTE positions funded to FTE positions filled;
- a paycheck report dated July 2007;
- a report of state reclassifications (promotions and demotions) from FY 1998-99 through FY 2006-07;
- a report of state turnover rates by department from FY 2000-01 through FY 2006-07;
- and a report on filled and vacant positions for FY 2006-07.

Analysis of the tracking of FTE positions funded to FTE positions filled. The report furnished by the Department provided the methodologies utilized by the agencies and defines terms of the request including FTE, Position, and Position Costs. In general the departments must estimate in relative proportion to individual employee's salaries the "hours" associated with the transfer of FTE-related expenditures when it is necessary to change the funding sources associated with the FTE. However, even this methodology is complicated by the fact that "hours" do not translate as easily into expenditures, and further estimation is required as some fund sources are federal and others fee for service. The report indicates that the greatest amount of attention to tracking positional costs is associated with funding rather than FTE, since over-expenditures in personal services line items are easier to determine than "over-utilizing" FTE associated with any particular line. In summary, departments must employ analysts to perform detailed calculations and estimates to assure that resources utilized on a position-by-position basis are recorded accurately.

Paycheck Report. The footnote report furnished by the Department includes a paycheck report for July 2007 which is at times illegible and is missing page 4, and presumably more pages as there is not departmental information for the following departments: Transportation, Human Services, Labor & Employment, Law, the General Assembly, Local Affairs, Military & Veteran Affairs, Natural Resources, Revenue, Health Care Policy and Finance, State, and Treasury. The

report shows by department the number of and gross pay for full- and part-time employees in the state personnel system, employees exempt from the state personnel system, and total employees.

Reclassification Report. The footnote report furnished by the Department includes a report of reclassifications from FY 1998-99 through FY 2006-07. Reclassifications listed include promotions and demotions. In FY 2006-07 the state as whole had 3,855 promotions, a decrease of 425 promotions (9.9 percent) from the previous fiscal year. In FY 2006-07 the state as a whole had 360 demotions, a decrease of 70 demotions (16.3 percent) from the previous fiscal year.

Turnover Rates. The footnote report furnished by the Department includes a report of turnover rates from FY 2000-01 through FY 2006-07. Turnovers include employee-initiated separations, employer-initiated separations, layoffs, retirements, and deaths. The report does not include an aggregate total for the state as a whole, but by department. Departments with the highest percent of separations in FY 2006-07 include the Department of Military & Veteran Affairs (18.7 percent), Department of State (17.4 percent), and both the Department of Corrections and the Department of Education (16.0 percent). The State Auditor's Office had the biggest decrease in turnover from FY 2005-06 to FY 2006-07 with a net decrease in turnover of 12.6 percent, down from 23.3 percent.

Report on Filled and Vacant Positions. The footnote report furnished by the Department includes a report on filled and vacant positions in FY 2006-07. The following table summarizes the data provided in the report less additional information about the number state temporary employees utilized, sick/annual leave pay-outs, and other personal services.

Report on Filled and Vacant Positions FY 2006-07 (Does not include Temporary Help, Sick/Annual Pay-outs, Other Services)				
State Agency	FY 06-07 Filled Positions	FY 06-07 FTE Appropriation	Over/(Under)	Vacancy as a percent of Appropriation
Agriculture	257.8	282.0	(24.2)	-8.6%
Corrections	5,686.0	6,098.1	(412.1)	-6.8%
Education	459.1	466.0	(6.9)	-1.5%
Governor's Office ¹	73.8	95.9	(22.1)	-23.0%
Health Care Policy and Finance	227.8	231.8	(4.0)	-1.7%
Higher Education	29.3	37.9	(8.6)	-22.7%
Human Services	4,432.1	4,527.2	(95.1)	-2.1%
Labor and Employment	1,016.3	1,096.9	(80.6)	-7.3%
Local Affairs	181.2	192.8	(11.6)	-6.0%
Military & Veteran Affairs	137.2	141.8	(4.6)	-3.2%
Natural Resources	1,388.9	1,466.8	(77.9)	-5.3%
Personnel and Administration	518.1	541.3	(23.2)	-4.3%

Report on Filled and Vacant Positions FY 2006-07
(Does not include Temporary Help, Sick/Annual Pay-outs, Other Services)

State Agency	FY 06-07 Filled Positions	FY 06-07 FTE Appropriation	Over/(Under)	Vacancy as a percent of Appropriation
Public Health and Environment	1,062.4	1,150.2	(87.8)	-7.6%
Public Safety	1,250.9	1,285.8	(34.9)	-2.7%
Regulatory Agencies	491.5	536.7	(45.2)	-8.4%
Revenue	1,346.2	1,423.0	(76.8)	-5.4%
Transportation	3,005.3	3,316.0	(310.7)	-9.4%
Total	21,563.9	22,890.2	(1,326.3)	-5.8%

¹ FY 2006-07 included a change in gubernatorial administration.

FY 2008-09 JBC BUDGET BRIEFING OFFICE OF THE GOVERNOR

Funding Trends in the Office of the Governor

INFORMATIONAL ISSUE:

Beginning in FY 2005-06, the Office of the Governor has become increasingly financed with cash funds.

SUMMARY:

- ❑ With the passage of H.B. 06-1200 and H.B. 06-1201, the Office of the Governor has become financed with a majority of moneys from cash funds.
- ❑ General Fund and Federal Funds have decreased as a percent of the Department's total appropriation over the last five fiscal cycles.
- ❑ Cash funding has increased significantly as a result of transfers from the Limited Gaming Fund into five cash funds administered by the Office of Economic Development.

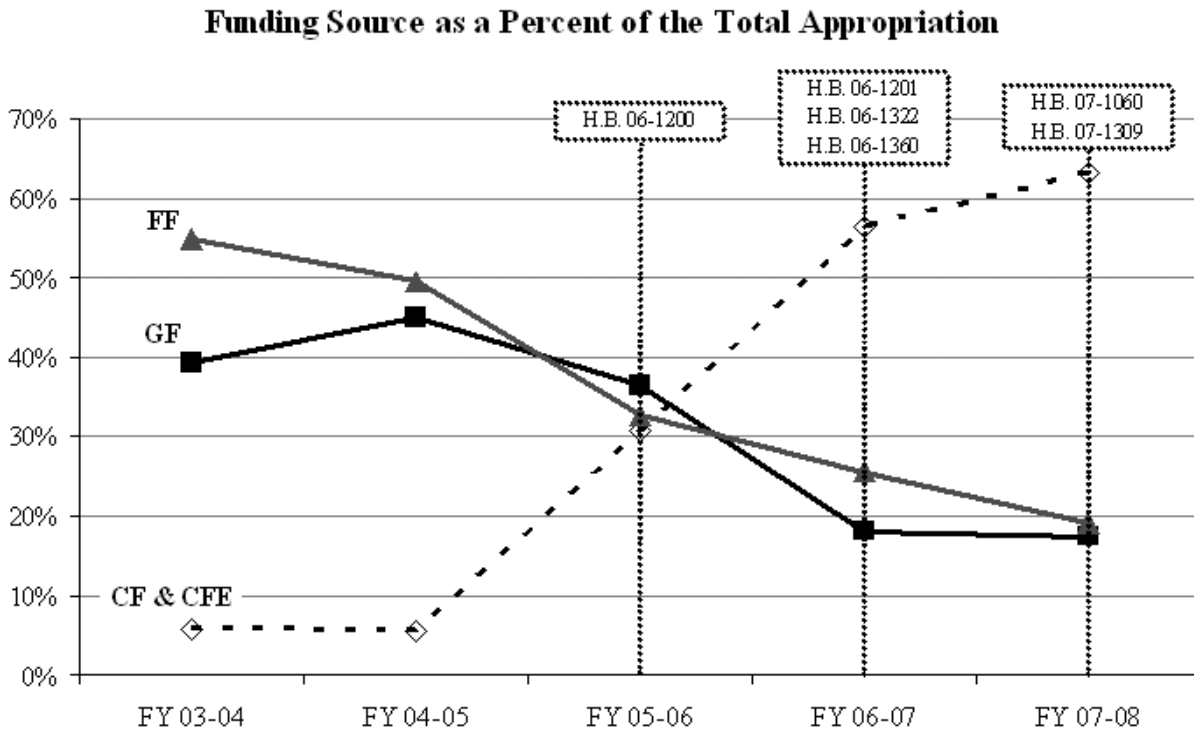
DISCUSSION:

1. **Decreased General Fund and Federal Funds.** Historically, funding for the Office of the Governor was primarily financed through Federal Funds and General Fund, with minimal support of cash funds for various fee for service and transfers from other state departments. Between FY 2003-04 and FY 2007-08, financing from the General Fund has decreased 21.8 percentage points. Similarly, but with a greater variance, the amount of federal moneys which financed the Office of the Governor has decreased by 35.6 percentage points over the same period from a high of 54.9 percent.
 - a. Table of the Office of the Governor's funding sources as a percent of its total appropriation:

Funding Source as a Percent of the Total Appropriation						
Funding Source	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	5 Yr Variance (pts)
GF	39.3%	45.0%	36.6%	18.1%	17.5%	(21.8)
CF & CFE	5.8%	5.5%	30.8%	56.3%	63.2%	57.4
FF	54.9%	49.6%	32.6%	25.7%	19.3%	(35.6)

b. Chart of the Office of the Governor's funding sources as a percent of its total appropriation:

2. **Increased Cash Funding for Tourism and Energy Efficiency Programs.** The following legislation greatly increased the cash funds and cash funds exempt spending authority in the Office of the Governor:



a. **House Bill 06-1201 (Plant/Taylor): Increase Limited Gaming Funds for Tourism.** Modifies the distribution of limited gaming revenues to increase funding for various economic development programs. Funding for these programs require an appropriation from the General Assembly. In FY 2006-07, moneys were distributed for Tourism-related programs in the Office of Economic Development from the Limited Gaming Fund for FY 2007-08 as follows:

- (1) \$19.7 million to the Colorado Travel & Tourism Promotion Fund
- (2) \$3.1 million to the New Jobs Incentives Cash Fund
- (3) \$2.5 million to the Bioscience Discovery Evaluation Grant Program
- (4) \$1.6 million to the State Council on the Arts Cash Fund
- (5) \$0.6 million to the Film Incentives Cash Fund

- b. **House Bill 06-1200 (Buescher/Kester): Low-Income Energy Assistance Funding.** Takes a portion of the Operational Account of the Severance Tax Trust Fund in the Department of Natural Resources and appropriates it to the Department of Human Services for the Low-Income Energy Assistance Program (LEAP) and the Office of the Governor for direct bill payment assistance and home energy efficiency improvements for low-income households. Based on forecasted severance tax revenue and H.B. 06-1200, the appropriations set forth are summarized in the following table:

Appropriations to the GEO for Low-Income Energy Assistance Programs (H.B. 06-1200)		
Year	GEO	Energy Outreach Colorado
FY 05-06	\$4,000,000	\$3,000,000
FY 06-07	4,000,000	1,050,000
FY 07-08	5,000,000	1,050,000
FY 08-09	6,000,000	1,050,000

- c. **House Bill 06-1322 (Buescher/Tapia): Colorado Renewable Energy Authority.** Together with S.B. 07-126, this legislation created the Colorado Renewable Energy Authority and appropriated \$2.0 million cash funds from the Operational Account of the Severance Tax Trust Fund.
- d. **House Bill 06-1360 (Riesberg/Tapia): Bioscience Research Discoveries.** Creates the Bioscience Discovery Evaluation Grant Program to improve and expand the evaluation of new bioscience discoveries at research institutions with the intent of accelerating the development of new products and services. The bill authorizes the transfer of \$2.0 million in FY 2005-06 from the General Fund portion of Limited Gaming Fund moneys to the Bioscience Discovery Evaluation Cash Fund for FY 2006-07.
- e. **House Bill 07-1060 (Riesberg/Shaffer): Bioscience Research Grants.** Transfers \$2,500,000 from the General Fund portion of the Limited Gaming Fund at the end of FY 2006-07 to the Bioscience Discovery Evaluation Cash Fund for the program in FY 2007-08.
- f. **House Bill 07-1309 (Weissmann/Tupa): Public School Energy Efficiency.** Continuously appropriates moneys from the Public School Energy Efficiency Fund to the Governor's Energy Office by an estimated \$489,000 in FY 2007-08 and \$496,000 in FY 2008-09. Funding is continuously appropriated, pursuant to Section 39-29-109.5 (2), C.R.S., and is provided for informational purposes only.

3. **Limited Gaming Funds.** House Bill 06-1201 appropriates approximately \$26.0 million in FY 2006-07 and \$27.5 million in FY 2007-08 from the General Fund portion of the Limited Gaming Fund into five cash funds administered by the Office of Economic Development. Moneys transferred to various cash funds from the General Fund portion of the Limited Gaming fund reflects 38.7 percent of the Department's total FY 2006-07 appropriation and 40.7 percent of the Department's total FY 2007-08 appropriation.

FY 2008-09 JBC BUDGET BRIEFING OFFICE OF THE GOVERNOR

Limited Gaming Fund Moneys and the Office of the Governor

INFORMATIONAL ISSUE:

The Governor's Office is substantially financed through the Limited Gaming Fund.

SUMMARY:

- ❑ In FY 2007-08, approximately 40.7 percent of the Office of the Governor's total operational budget is financed through the General Fund portion of the Limited Gaming Fund.
- ❑ Between FY 2005-06 and FY 2007-08 the amount moneys that are otherwise transferred to the General Fund has been reduced by \$17.6 million.

DISCUSSION:

1. **Limited Gaming Fund.**

- a. **Revenues.** All revenues generated from gaming -- gaming tax revenues with license and application fees paid by casinos and miscellaneous revenues -- are placed in the Limited Gaming Fund .
- b. **Distribution of Moneys.** Pursuant to Section 12-47.1-701 (4) (a), at the end of each fiscal year the state Treasurer shall distribute the balance remaining in the limited gaming fund. Thus, moneys distributed in one fiscal year are utilized in the subsequent fiscal year. In FY 2006-07, moneys were distributed from the Limited Gaming Fund for FY 2007-08 as follows:
 - i. 50.0 percent (\$53.2 million) to the General Fund, from which the following amounts are designated:
 - (1) \$19.7 million to the Colorado Travel & Tourism Promotion Fund
 - (2) \$7.0 million to the Clean Energy Fund
 - (3) 13.0 percent (\$6.9 million) to the Local Government Limited Gaming Promotion Fund
 - (4) \$5.3 million to the State Highway Fund in the Colorado Department of Transportation
 - (5) \$3.1 million to the New Jobs Incentives Cash Fund
 - (6) \$2.5 million to the Bioscience Discovery Evaluation Grant Program
 - (7) \$1.6 million to the State Council on the Arts Cash Fund

- (8) \$0.6 million to the Film Incentives Cash Fund
 - (9) the remainder (\$6.5 million) remains in the General Fund
- ii. 28.0 percent (\$29.8 million) to the State Historical Fund
 - iii. 12.0 percent (\$12.8 million) to Gilpin and Teller Counties, proportional to the gaming revenues generated in the respective counties
 - iv. 10.0 percent (\$10.6 million) to the towns of Cripple Creek, Central City, and Black Hawk, proportional to the gaming revenues generated in the respective towns
- c. The following table shows actual and projected General Fund transfers of Limited Gaming Fund moneys. A few observations:
- i. Between FY 2005-06 Actual and FY 2007-08 Projected the amount moneys otherwise transferred to the General Fund is reduced by \$17.6 million.
 - ii. Beginning in FY 2007-08 Projected, the amount of moneys otherwise transferred to the General Fund are instead transferred to the Clean Energy Fund.

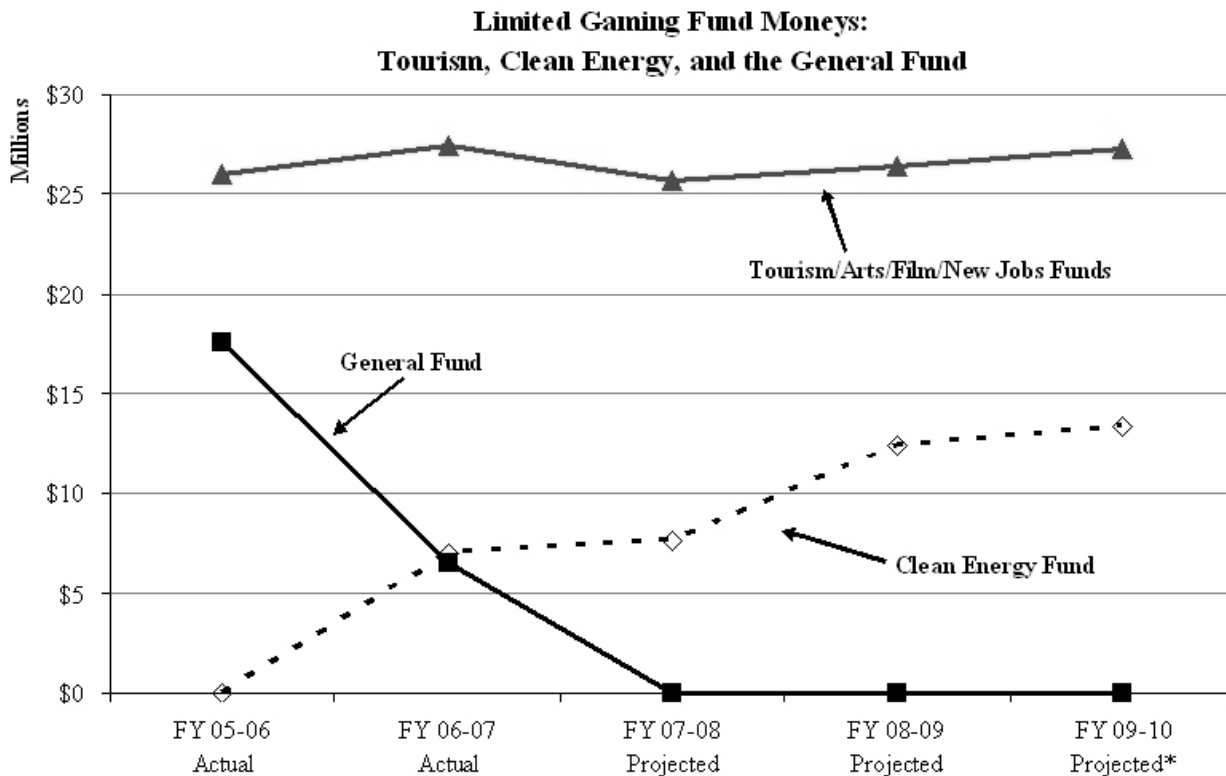
Limited Gaming Fund Distributions: Actual and Projected					
Designated Amounts from the Transfer to the General Fund	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Projected	FY 2008-09 Projected	FY 2008-09 Projected
Tourism Promotion Fund	19,000,000	19,676,799	20,267,103	20,854,849	21,480,494
Clean Energy Fund	n/a	7,000,000	7,653,149	12,455,063	13,366,661
Local Government Ltd Gaming Promotion Fund	6,509,585	6,913,186	7,120,582	7,327,079	7,546,891
CDOT State Highway Fund	0	5,259,411	14,292,757	10,127,274	9,893,147 ^a
New Jobs Incentives CF	3,000,000	3,106,863	3,200,069	3,292,871	3,391,657
Bioscience Discovery Evaluation Grant Program ^b	2,000,000	2,500,000	n/a	n/a	n/a
State Council on the Arts CF	1,500,000	1,553,432	1,600,034	1,646,435	1,695,829
Film Incentives CF	500,000	621,373	640,014	658,574	678,331
General Fund	<u>17,564,148</u>	<u>6,547,294</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	50,073,733	53,178,358	54,773,708	56,362,145	58,053,010

^a Estimate is calculated by averaging the FY 06-07, FY 07-08, and FY 08-09 budget submissions provided by the Colorado Department of Transportation (CDOT).

^b One-time distributions of \$2.0 million in FY 05-06, pursuant to H.B. 06-1360 and \$2.5 million in FY 06-07, pursuant to H.B. 07-1060.

d. Chart of moneys transferred to programs in the Office of the Governor and the General Fund. Some observations:

- i. Between FY 2005-06 Actual and FY 2007-08 Projected, the amount of moneys that are transferred to the General Fund is reduced by \$17.6 million.
- ii. Beginning in FY 2007-08 Projected, the amount of moneys otherwise transferred to the General Fund are instead transferred into the Clean Energy Fund, pursuant to S.B. 07-246.
- iii. Moneys appropriated for Tourism/Promotion, Council on the Arts, Film Incentives, and New Job Incentives remain relatively stable in out-years.

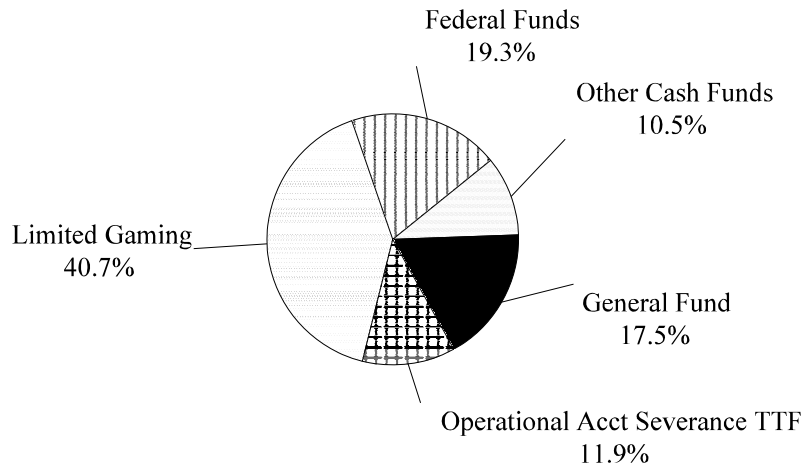


2. **House Bill 06-1201 (Plant/Taylor): Increase Limited Gaming Funds for Tourism.** The following lists the programs receiving funding from the Limited Gaming Fund, the amount appropriated for FY 2007-08, and a brief description of the program:

- a. **Tourism/Promotion.** \$19.7 million is transferred into the Colorado Travel and Promotion Fund for the following:
 - i. 68.9 percent: Domestic marketing, advertising, and promotions
 - ii. 8.9 percent: International marketing promotions
 - iii. 6.5 percent: Maps, vacations guides, website
 - iv. 4.3 percent: Heritage Tourism
 - v. and various marketing matching grants, research projects, education/outreach projects, strategic planning, and administrative costs
 - b. **New Jobs Incentives.** \$3.1 million to provide incentives to qualifying companies that have created new jobs paying above average wages.
 - c. **Bioscience Evaluation Grants.** \$2.5 million in one-time spending authority to a proof of concept program that is to improve and expand the evaluation of new bioscience discoveries at research institutions with the intent of accelerating the development of new products and services.
 - d. **Colorado Council on the Arts.** \$1.6 million to promote the cultural, educational, and economic growth of Colorado through development of its arts and cultural heritage.
 - e. **Film Incentives.** \$0.6 million to provide incentives to film production companies.
3. **S.B. 07-246 (Fitz-Gerald/Buescher): Clean Energy Fund**
- a. **Fund Creation.** Creates the Clean Energy Fund and requires that, at the end of FY 2006-07, \$7 million that would normally be transferred from the Limited Gaming Fund to the General Fund be transferred instead to the newly created Clean Energy Fund for the purpose of advancing energy efficiency and renewable energy throughout the state. Further, in subsequent years, requires that Limited Gaming Fund moneys that are otherwise transferred to the General Fund, be transferred to the Clean Energy Fund.
 - b. **Statutory Diversion of General Fund Dollars.** Pursuant to Section 12-47.1-701 (5) (a) and (b), C.R.S., for FY 2006-07, FY 2007-08 and each fiscal year thereafter, the amount of moneys that would otherwise be transferred to the state General Fund shall instead be transferred to the Clean Energy Fund. Based on estimates from the Department of Revenue, the amount of moneys transferred to the Clean Energy Fund in FY 2008-09 is approximately \$12.5 million.
4. **Funding Sources.** House Bill 06-1201 appropriates approximately \$26.0 million in FY 2006-07 and \$27.5 million in FY 2007-08 from the General Fund portion of the Limited Gaming Fund into five cash funds administered by the Office of Economic Development.

Moneys transferred to various cash funds from the General Fund portion of the Limited Gaming fund reflects 38.7 percent of the Department's total FY 2006-07 appropriation and 40.7 percent of the Department's total FY 2007-08 appropriation. The following pie chart shows the funding sources for the Office of the Governor for FY 2007-08:

FY 2007-08 Funding Sources for the Office of the Governor



FY 2008-09 JBC BUDGET BRIEFING OFFICE OF THE GOVERNOR

Work Eligibility Verification Portal

ISSUE:

The work eligibility verification portal has not yet been implemented, pursuant to H.B. 06S-1015.

SUMMARY:

- Statute specifies that a work eligibility verification portal be developed, but does not assign responsibility with respect to the selection of a solution, does not assign responsibility for its implementation, and does not include any enforcement requirements.
- To date, no action has been taken to select a solution for the State to implement a work eligibility verification portal.

RECOMMENDATION:

Staff also recommends that the JBC ask the department to respond to the following questions at its hearing before the JBC:

1. Why didn't the Department include a change request in either the FY 2007-08 or the FY 2008-09 budget request based on the recommendation made by the Office of Information Technology included in the October 6, 2006 report to the JBC?
2. Is it feasible to submit a budget request amendment to reflect the need to implement the recommendation provided in the October 6, 2006 report to the JBC?
3. Is clarifying legislation required to implement the provisions of H.B. 06S-1015?
4. Is the recommendation still viable given the length of time since its development or is there a more effective and efficient solution possible?

DISCUSSION:

1. **Senate Bill 06S-1015.** This legislation requires the following:
 - a. That a trade, business, or corporation that pays a non-employee for services and reports that payment on any federal 1099 forms, to deduct and withhold state income tax at the rate of 4.63 percent if the person performing the services fails to provide

a correct taxpayer identification number (TIN) or provides an Internal Revenue Service (IRS)-issued TIN for nonresident aliens.

- b. That the Office of Information Technology (OIT) submit a report no later than December 1, 2006, to the Joint Budget Committee (JBC) that includes an implementation plan that establishes a database to allow a business to verify a worker-supplied TIN for withholding purposes under the bill. The plan would include the cost of having a database in place by January 1, 2008, and include information about government and non-governmental programs that are already available to allow a business to verify a TIN.
- c. An appropriation of \$93,750 General Fund for computer programming to enable the the Central Payroll and Personnel System (CPPS) to implement the provisions of the bill.
- d. As described on page 4, of the August 1, 2006, Fiscal Note for H.B. 06S-1015, prepared by Legislative Council Staff (LCS), the Department of Revenue has identified that there are no enforcement requirements in the bill and assumes there will be no audit program associated with the bill.

2. **Taxpayer Identification Number (TIN).** Individuals who file federal income tax returns and other tax-related documents are required to provide the Internal Revenue Service (IRS) with a TIN. There are various types of TIN's but the most commonly used is the Social Security Number (SSN). Individuals who are not U.S. citizens (aliens) and ineligible to obtain a SSN, must use the Federal Form W-7 to apply for an individual taxpayer identification number (ITIN). For tax purposes, this IRS-assignable ITIN is available to resident and non-resident aliens. Generally, a resident alien of the United States for tax purposes must either meet the green card test or the substantial presence test.

- a. Whenever the IRS issues an ITIN, it is only used for income tax purposes and does not entitle the person to collect Social Security benefits or be allowed the earned income tax credit refund.
- b. Taxpayers can file federal tax returns without TIN's but the IRS will assess a \$50 penalty for each document filed that does not include an identification number. The penalty also applies to individuals who fail to provide a TIN to another person for reporting purposes. In addition to penalties, the IRS may withhold any refunds due to taxpayers until a TIN is received.
- c. The Colorado Department of Revenue (DOR) processes state income tax returns with and without TIN's. If a tax return does not have a TIN, the department performs an employer-verification check to determine if the individual provided a TIN to the

employer. If a TIN is not provided, the department assigns a nine-digit TIN, but similar to the IRS, will not issue a tax refund.

3. **Legislative Flexibility.** Pursuant to H.B. 06S-1015, the withholding requirement for state income tax purposes would become effective for the 2008 income tax year *if the state establishes a work eligibility verification portal (i.e. database) that is operational on or after January 1, 2008*, that allows a business to verify whether a worker-supplied TIN is valid. The bill includes language which clarifies that if the database is not in place and accessible by January 1, 2008, the withholding requirement would be effective on the January 1 that immediately follows the date when the database becomes accessible. According to the July 10, 2006 first conference committee report on H.B. 06S-1015, *the sponsor of the bill noted that the vagueness in the bill was intended to make implementation of its requirements more flexible.*

4. **Work Eligibility Verification Portal Report.** The Office of Information Technology (OIT) submitted a report to the JBC on October 6, 2006, which identified three options for how the State can fulfill the mandate of the legislation, but also provide a comprehensive look at the trade-offs between the three options. The report included a recommendation which details the most viable solution for the State to implement based on specific criteria relating to: (1) cost; (2) liability; (3) time to implement; (4) and comprehensiveness of the solution. The following provides greater detail of the aspects included in the report submitted by the OIT:
 - a. An analysis of databases and programs available for use in verifying TINs. The analysis reviewed aspects of the governmental and non-governmental entities and included product evaluations and evaluation considerations based on the following **6 criteria:**
 - i. Project & Support Costs
 - ii. Liability to the State
 - iii. Speed to End Users
 - iv. Costs to End Users
 - v. Comprehensiveness of Solution
 - vi. System Maintenance

 - b. **The Databases and Programs analyzed:**
 - i. Existing Governmental Entities, including:
 - (1) IRS TIN Matching Program
 - (2) Social Security Administration Social Security Number Verification System (SSNVS)
 - (3) Department of Homeland Security Basic Pilot Program

 - ii. Existing Non-Governmental Entities, including:
 - (1) Acxiom Insight

- (2) Certiphi Screening, Inc.
- (3) ChoicePoint
- (4) Dunn & Bradstreet Corp.
- (5) Dynamic Lending Tools
- (6) Halogen Software
- (7) Identity Systems, Inc.
- (8) IDology, Inc.
- (9) KnowX, LLC
- (10) Kroll, Inc.
- (11) LexisNexis
- (12) Verification Bureau
- (13) Westlaw

- c. **Recommendation.** The report indicated that the most feasible solution for the State to implement was to provide a link to the IRS's TIN Matching Program website as it is the only entity (governmental or non-governmental) that has a complete list of EIN and SSN data to validate against and that all other data sources would be less comprehensive and/or not cost-effective for the State and its end users (employers).
5. **Ambiguity.** House Bill 06S-1015 does not include any requirements of the JBC or of the affected Departments beyond the delivery of the Work Eligibility Verification Portal Report from the Office of Information Technology (OIT) to the JBC. The bill does not require the JBC to take any action, nor does it require the Department to act upon any recommendation made.

**FY 2008-09 JBC BUDGET BRIEFING
OFFICE OF THE GOVERNOR**

Bioscience Discovery Evaluation Administration Costs

ISSUE:

There is uncertainty about the amount of moneys that are to be allocated to the costs of administering the Bioscience Discovery Evaluation program.

SUMMARY:

- House Bill 07-1060 (Bioscience Discovery Evaluation) appropriated \$2.5 million from the Limited Gaming Fund to the Bioscience Discovery Evaluation Cash Fund.
- Statute is unclear as to the amount of moneys that should be allocated from the appropriation for administration costs.
- Legislative Legal Services has "no position" regarding the interpretation of the statute.
- Staff seeks guidance from the JBC about how these moneys should be allocated.

RECOMMENDATION:

Staff recommends that the JBC write a letter to the Department, in which the JBC would express one of the following interpretations of the statute:

1. The Department may include all moneys ever transferred into the Bioscience Discovery Evaluation Cash Fund, including all interest and income, in the calculation of the amount of moneys to be applied towards administrative costs.
2. The Department may include all moneys ever transferred into the Bioscience Discovery Evaluation Cash Fund, *not* including all interest and income, in the calculation of the amount of moneys to be applied towards administrative costs.
3. The Department is to sum the following: (1) two percent of moneys transferred at the end of FY 2005-06 for use in FY 2006-07 plus interest and income derived from the investment and deposit of moneys; and (2) five percent of moneys transferred at the end of FY 2006-07 for use in FY 2007-08 plus interest and income derived from the investment and deposit of moneys in the calculation of the amount of moneys to be applied towards administrative costs.

4. The Department is to sum the following: (1) two percent of moneys transferred at the end of FY 2005-06 for use in FY 2006-07, not including interest and income derived from the investment and deposit of moneys; and (2) five percent of moneys transferred at the end of FY 2006-07 for use in FY 2007-08 *not* including interest and income derived from the investment and deposit of moneys in the calculation of the amount of moneys to be applied towards administrative costs.
5. The JBC takes no formal position on how the moneys are allocated from the Bioscience Discovery Evaluation Cash Fund for administrative costs.

DISCUSSION:

1. The **Bioscience Discoveries Evaluation Grant program** was created for the purpose of improving and expanding the evaluation of new bioscience discoveries at research institutions with the intent of accelerating the development a proof of concept program of new products and services.
2. **House Bill 06-1360 (Riesberg/Tupa).** Transferred \$2.0 million from the Limited Gaming Fund at the end of FY 2005-06 to the Bioscience Discovery Evaluation Cash Fund for the program in FY 2006-07 and specifies that the amount the Office of Economic Development may expend in administering the Bioscience Discovery Evaluation program up to 2 percent of the moneys initially transferred into the fund.
3. **House Bill 07-1060 (Riesberg/Shaffer).** Transferred \$2.5 million from the Limited Gaming Fund at the end of FY 2006-07 to the Bioscience Discovery Evaluation Cash Fund for the program in FY 2007-08 and increases the amount the Office of Economic Development may expend in administering the Bioscience Discovery Evaluation program up to 5 percent of the moneys transferred into the fund.
4. **Ambiguous Statutory Language.** As passed by the General Assembly in H.B. 07-1060, Section 24-48.5-108 (5) (b) reads as follows, "The Colorado office of economic development may use up to ~~two~~ FIVE percent of the moneys ~~initially~~ transferred into the fund for the actual costs incurred in administering the program." The text which reads "moneys ~~initially~~ transferred into the fund" has led to confusion about how much of the moneys appropriated should be allocated for costs of administration.
5. **No Position.** In August 2007, the Department sought guidance from the JBC staff about how much of the moneys were available for administrative costs. The JBC staff in turn referred this request to Legislative Legal Services (LLS) staff. After internal discussions within LLS, the office stated that it has "no position" on the interpretation of the statute as there was not consensus among LLS staff as to how much is to be allocated for administrative costs.

6. **Comparison of moneys allocated for administrative costs.** Please note the comparison table does not include interest and income calculations as these were not available to staff prior to when the document was formalized for printing. Upon direction of the JBC, these calculations will be performed by staff.

Statutory Interpretation	Permissible Allocation to Administrative Costs
<p>1. The Department may include all moneys ever transferred into the Bioscience Discovery Evaluation Cash Fund, including all interest and income, in the calculation of the amount of moneys to be applied towards administrative costs. <i>Calculation:</i> 5% of \$4.5 million = \$225,000. Note value is likely to be more as interest and income could increase the amount of moneys that the 5 percent is applied.</p>	greater than \$225,000
<p>2. The Department may include all moneys ever transferred into the Bioscience Discovery Evaluation Cash Fund, not including all interest and income, in the calculation of the amount of moneys to be applied towards administrative costs. <i>Calculation:</i> 5% of \$4.5 million = \$225,000.</p>	\$225,000
<p>3. The Department is to sum the following: (1) two percent of moneys transferred at the end of FY 2005-06 for use in FY 2006-07 plus interest and income derived from the investment and deposit of moneys; and (2) five percent of moneys transferred at the end of FY 2006-07 for use in FY 2007-08 plus interest and income derived from the investment and deposit of moneys in the calculation of the amount of moneys to be applied towards administrative costs. <i>Calculation:</i> 2% of \$2.0 million = \$40,000 and 5% of \$2.5 million = \$125,000. Note value is likely to be more as interest and income could increase the amount of moneys that the 2 and 5 percent is applied to, respectively.</p>	greater than \$165,000
<p>4. The Department is to sum the following: (1) two percent of moneys transferred at the end of FY 2005-06 for use in FY 2006-07, not including interest and income derived from the investment and deposit of moneys; and (2) five percent of moneys transferred at the end of FY 2006-07 for use in FY 2007-08 not including interest and income derived from the investment and deposit of moneys in the calculation of the amount of moneys to be applied towards administrative costs. <i>Calculation:</i> 2% of \$2.0 million = \$40,000 and 5% of \$2.5 million = \$125,000.</p>	\$165,000
<p>5. The JBC takes no formal position on how the moneys are allocated from the Bioscience Discovery Evaluation Cash Fund for administrative costs.</p>	<i>Discretion of the Department</i>