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**Department of Personnel & Administration
FY 2006-07 Supplementals & FY 2007-08 Budget Amendments –
January 2, 2007 JBC Budget Submission**



Schedules 7,8,& 9

**COLORADO DEPARTMENT OF PERSONNEL AND ADMINISTRATION
SCHEDULE 9 - Summary of FY 2006-07 Supplemental Requests**

Priority	Title	Total Funds	FTE	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Statewide Supplementals							
#1	GGCC Mid-year Supplemental True-up (DPA Allocation)	\$2,750,824		1,960,997		789,827	
#2	Fleet Operating Spending Authority Increase	\$2,007,669				2,007,669	
#3	Technical Adjustments to Risk Management & Worker's Compensation Statewide Allocations	\$5,364,568			402,391	4,962,177	
	Technical Adjustments to Risk Management & Worker's Compensation Statewide Allocations (DPA Allocation)	\$594,478		152,922	3,288	438,268	
#4	MNT Telecomm Truth-in-Rates (DPA Allocation)	(\$52,865)				(52,865)	
#5	Communications Services Mid-Year Supplemental True-up (DPA Allocation)	(\$4,045)		1,151		(5,196)	
#6	Capitol Complex Leased Space Technical Adjustments (DPA Allocation)	(\$3,452)		8,187		(11,639)	
#7	ALJ Mid-Year Supplemental True-up (DPA Allocation)	(\$1,934)		(2,516)		582	
#8	Vehicle Lease Line Reconciliation	(\$1,189,376)				(1,189,376)	
	Vehicle Lease Line Reconciliation (DPA Allocation)	(\$48,764)				(48,764)	
FY 07 Statewide Supplemental Totals		\$9,417,103	0.0	2,120,741	405,679	6,890,683	0
DPA Supplementals							
#1	DSG Increase for Colorado Bureau of Investigation Project	\$274,560				274,560	
FY 07 DPA Supplemental Totals		\$274,560	0.0	0	0	274,560	0
Total of All Requests		\$9,691,663	0.0	2,120,741	405,679	7,165,243	0

**COLORADO DEPARTMENT OF PERSONNEL AND ADMINISTRATION
SCHEDULE 8 - Summary of FY 2007-08 Budget Amendment Requests**

Priority	Title	Total Funds	FTE	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Statewide Budget Amendments							
#1	Fleet Operating Spending Authority Increase	\$1,580,352				1,580,352	
#2	Capitol Complex Leased Space Technical Adjustments (DPA Allocation)	\$66,860		42,134		24,726	
	Technical Adjustments to Risk Management & Worker's Compensation Statewide Allocations	\$2,072,431			155,475	1,916,956	
#3	Technical Adjustments to Risk Management & Worker's Compensation Statewide Allocations (DPA Allocation)	\$295,733		76,074	1,636	218,023	
FY 07 Statewide Budget Amendment Totals		\$4,015,376	0.0	118,208	157,111	3,740,057	0
Total of All Requests		\$4,015,376	0.0	118,208	157,111	3,740,057	0

Statewide Requests

Statewide
Supplemental #1

**Schedule 6
FY 2006-07 STATEWIDE SUPPLEMENTAL REQUEST**

Department: Personnel and Administration
Priority Number: Statewide Supplemental # 1
Division: Division of Information Technology
Program: Computer Services
Request Title: GGCC Mid-Year Supplemental True-up

Dept. Approval: *[Signature]*
OSPB Approval: _____
Statutory Citation: _____
Budget Analyst: Robb Fuller

Date: January 2, 2007
Date: _____

Long Bill Line Item	Fund Source	1 Prior-Year Actual FY 2005-06	2 Appropriation FY 2006-07	3 Supplemental Request FY 2006-07	4 Total Revised Request FY 2006-07	5 Base Request FY 2007-08	6 Decision/Base Reduction FY 2007-08	7 November 1 Request FY 2007-08	8 Budget Amendment FY 2007-08	9 Total Revised Request FY 2007-08	10 Change from Base in Out Year FY 2008 09
Total of all line items	Total	\$1,230,591	\$1,107,058	\$2,750,824	\$3,857,882	\$2,271,661	\$0	\$2,271,661	\$0	\$2,271,661	\$0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	1,019,111	1,034,198	1,960,997	2,995,195	1,822,851	0	1,822,851	0	1,822,851	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	211,480	72,860	789,827	862,687	448,810	0	448,810	0	448,810	0
	FF	0	0	0	0	0	0	0	0	0	0
Executive Office, Purchase of Services from Computer Center	Total	\$1,230,591	\$1,107,058	\$2,750,824	\$3,857,882	\$2,271,661	\$0	\$2,271,661	\$0	\$2,271,661	\$0
	FTE										
	GF	1,019,111	1,034,198	1,960,997	2,995,195	1,822,851		1,822,851		1,822,851	
	CF										
	CFE	211,480	72,860	789,827	862,687	448,810		448,810		448,810	
	FF										

Letter Notations:

Cash Fund Name/Number: Fund 802

IT Request: No

Decision Item Criteria: New Data

Request for New or Replacement Vehicles: No

Request Affects Another Department(s): Yes - Statewide Request impacting multiple departments.

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**Efficiency and Effectiveness Analysis
FY 2006-07 Statewide Supplemental Request**

Department: Department of Personnel & Administration

Long Bill Group/Division: Division of Information Technology

Program: Computer Services

Request Title: Purchase of Services from Computer Center (GGCC) Mid-Year Supplemental True-up

Request Criteria: New Data

Priority Number: Statewide Supplemental #1

Summary of Request

This is a statewide Supplemental Request that adjusts the distribution of appropriations to all departments utilizing services from the Department of Personnel & Administration's Data Center (also known as the General Government Computer Center). The request essentially includes three components. First, the request realigns all department appropriations for the Purchase of Services from the Computer Center (GGCC) based upon updated utilization data for FY 2005-06 (note that the original FY 2006-07 Long Bill appropriations for State agencies for the Purchase of Services from the Computer Center was based upon FY 2004-05 utilization). The request also includes a component that provides for an update to the total recoverable program costs (which incorporates any factors that have changed or were not evident when the original FY 2006-07 recoverable costs were figure set based upon JBC action in the spring of 2006). The third component of the request, which is a new addition to this annual supplemental true-up request in the current fiscal year, addresses concerns from federal auditors related to the distribution of prior year over and under collections by agency and by service from FY 2004-05 and FY 2005-06.

All of the relevant adjustments summarized above are identified in detail within this request, however, the total statewide request is for a decrease of \$124,826 in appropriations and anticipated billings for GGCC. Refer to Attachment A for individual adjustments for State agency customers and a summary of FY 2006-07 recoverable costs.

The DPA share of this statewide request, as reflected on the attached Schedule 6, is for an increase of \$2,750,824 total funds (with a corresponding increase of \$1,960,997 General Fund and an increase of \$789,827 of cash funds exempt) to the Executive Office, Purchase of Services from Computer Center line item.

Note: In prior years, a footnote to the Long Bill required that an annual mid year review of the cost allocation methodology for General Government Computer Center services be submitted to the JBC for review no later than January 1 for statewide supplemental consideration. This footnote was eliminated from the Long Bill last fiscal year, however, JBC staff noted during figure setting for FY 2004-05 that while the footnote was no longer necessary that the Department and the Committee have established the necessary expectations regarding the need for an annual supplemental for this program.

Problem or Opportunity Definition

The General Government Computer Center (GGCC) changed to a cost allocation billing methodology in FY 2001-02. This methodology establishes department appropriations based upon historical usage patterns. Departments are charged a fixed monthly fee that is 1/12 of the departments' appropriation.

To summarize the cost allocation methodology, as reflected on the DoIT website: *"The Data Center uses a Fixed Allocation method for billing for services for State agencies. The fixed allocation method is based on projected costs to deliver services and customer historical/actual utilization from previous fiscal years. The method develops a percentage for each state department by taking the whole of all consumed services and dividing by the portion that each department utilized. This percentage is then used as the factor to determine the dollars appropriated for Data Center payment based on projected cost of delivering the service.*

For example, total utilization by all departments for all services was 12,000,000 units. Department A utilized 3,000,000 units or 25% of the total. The total cost projected to deliver all services is \$11,500,000. Department A would be allocated \$2,875,000 to pay the Data Center for services used for that fiscal year.

Due to State budgetary submission deadlines not all the actual information is available when creating cost estimates for a new budget year. DPA, in collaboration with the OSPB, corrects this budgetary estimate once final figures are available by use of a mid-year supplemental adjustment each year. This adjustment ensures that departments are getting charged for actual utilization by always going back (at our first budgetary opportunity) to true up our estimates to actual utilization and the related billing."

For reference, the Computer Services Unit is responsible for the management and operation of the State's Data Center. In this capacity, Computer Services plans, manages, operates and delivers the computing infrastructure to customer entities, which includes all State agencies and certain institutions of higher education. The computing infrastructure includes database, application and web servers for several departments, as well as the State's general mainframe computer and tape, disk and printing resources for mainframe and server environments. Computer Services manages the operating system, transaction processing scheduling and systems management software associated with these resources. Computer Services is responsible for the management and operation of statewide and selected individual customer systems. Its operations personnel maintain and operate the computer room on a 24-hour, seven day a week

basis, 365 days a year. The technical support staff is responsible for maintenance of the operating systems and support software including databases.

Some service delivery options available from Computer Services include the following:

- Anti-spam/Anti-virus e-mail filtering
- Database, storage and middleware services
- E-mail operations
- Network and mainframe batch printing
- Server hosting
- Virtual server administration

Note that DoIT Computer Services, along with its appropriated resources, is essentially the State's Data Center. The costs of doing business each fiscal year, which would include any spending authority and program resources approved and appropriated as a result of JBC action (also known as recoverable program costs) are recovered through the GGCC Common Policy annually and the resulting allocations and billings to customer agencies and institutions.

Customer demand for GGCC services has continued to grow rapidly in recent years. For example, services offered by Computer Services have grown from only a handful to eighteen in FY 2005-06. In addition, the server farm at the GGCC has grown from 150 servers in FY 2004-05 to 400 in FY 2005-06, which is another example that is indicative of the growth trend in certain service level offerings. This rapid growth has been largely accommodated through the use of virtual servers whenever possible and by standardizing and automating GGCC operating procedures to date. Further, the general cyber security threat has also grown in recent years. The Information Security Operations Center (budgetarily located within Computer Services) is also struggling to keep up with the demands of the current IT environment. In fact this unit has implemented and is in the process of multiple security initiatives that are intended to ensure that the common IT infrastructure shared by many State agencies is secure enough to meet evolving standards, challenges, and best practices. Several of these projects are joint projects with the Governor's Office of Information Technology (OIT).

Utilization Updates

In FY 2002-03, FY 2003-04, FY 2004-05 & FY 2005-06 the Department submitted supplemental requests to adjust departmental appropriations based upon the most recent full-year utilization rates available at the time. This Supplemental Request updates FY 2006-07 appropriations to reflect final FY 2005-06 utilization data and updated program cost estimates. (The current FY 2007-08 Common Policy request is already based upon FY 2005-06 utilization data, and during FY 2007-08, will be adjusted via another Supplemental Request based upon final FY 2006-07 utilization.)

Updates to Recoverable Costs

The Department has also included in this request a revision to the costs to be recovered through the historical cost allocation methodology. This is consistent with all previously submitted

supplemental mid-year true-ups for GGCC which have always included similar updated program cost estimates for the Data Center. The Department is merely seeking to recover its costs, which is required by statute, and would not be possible without adding the updated cost basis to the cost allocation model.

It is necessary to adjust the program cost estimates for the Data Center in the true-up supplemental due to timing issues. For example, the FY 2006-07 Common Policy for this program was initially developed in July/August 2005. This was prior to the development of the Department's initial base budget estimate in August, prior to the Department's November 1st budget submission to the JBC, and prior to the JBC figure setting process. Therefore, the Department develops the Data Center Common Policies based upon historical base budget adjustments rather than upon current fiscal year budget adjustments approved by OSPB or the JBC. This is not problematic as the Common Policy figures included in the Long Bill each year are simply initial estimates of recoverable program costs and allocations to agencies, to be updated through the annual supplemental true-up process.

The majority of the cost basis for the Data Center as contained in this FY 2006-07 Supplemental Request is based upon the FY 2006-07 program appropriations and program allocations from central appropriations (POTs). Therefore, the Joint Budget Committee has already approved the majority of departmental costs. This supplemental seeks, in part, to ensure that the Department is able to recover costs equal to these approved appropriations.

Adjustment for prior year over/under collection

The one "new" adjustment contained in the current request is related to the distribution of prior year over and under collections by agency and by service from FY 2004-05 and FY 2005-06 as referenced in the summary of the request. This "adjustment" for the past two fiscal years, calculated by agency and by service, results in the need for an additional net adjustment for each agency (an additional allocation to an agency that is positive in some cases due to a prior year undercollection, and negative in cases of overcollection in prior years). The aggregate adjustment statewide that is calculated for FY 2004-05 is an increase of \$132,722, and for FY 2005-06 the aggregate statewide adjustment is a reduction of \$162,049. As such, the total negative adjustment related to this issue is -\$29,327.

It must be noted that this "adjustment" is relatively minor in the context of the approximately \$12 million historical cost basis for GGCC, representing approximately 0.25% of the total cost basis in a given year; further, the adjustment is one that must be made in order to not put the State at risk for loss of federal funding. Please refer to the subsequent paragraphs for additional background related to this issue and the position of the federal negotiators that results in this component of the request.

For reference, the federal Division of Cost Allocation (DCA) is the agency that reviews cost proposals associated with indirect cost plans, or the allocation of administrative costs (i.e. cost allocation models) to determine whether they meet with federal cost principles. This review is the basis that allows the State and its associated programs to claim, and the federal government to reimburse, approved costs. The primary concern expressed by the DCA in the past has been to

ensure that when they review each service individually and by agency, that there is no cross-subsidization where one services is subsidizing another, and that no federal programs were inappropriately being overcharged and were in effect subsidizing non-federal programs.

Prior to last fiscal year (FY 2005-06), DPA initiated a "rate refresh" for GGCC services, which was approved by the DCA to be implemented and incorporated into the existing cost allocation model. (Note that a summary of the rate refresh is included later in this document under the heading "Additional Considerations". This same detail was provided as part of the FY 2005-06 statewide supplemental for GGCC that was approved by the Joint Budget Committee in January of 2006.) However, one of the things that the rate refresh accomplished was to provide the Department with an ability to capture utilization and associated costs by individual service, rather than in aggregate as in the past. Once this was done, the DCA expressed concerns that the Department needed to translate data from the last two fiscal years in a manner that would identify whether individual agencies were over or undercharged for each specific service that they utilize. For each agency, the over/under adjustment for each service is aggregated resulting in a total positive or negative adjustment for that agency for the fiscal year in question that is incorporated into the current request for FY 2006-07. While this request captures the necessary adjustment for TWO fiscal years (FY 2004-05 and FY 2005-06) based upon negotiations with the DCA, this two-year adjustment will only be a one-time issue. In future fiscal years, the adjustment (commonly referred to by DCA as a budget to actual adjustment) will be made as part of the supplemental true-up, but will only be associated with the most recently completed fiscal year.

With regard to the prior year adjustments, while the statewide adjustment for FY 2004-05 is for an increase of \$132,722, and for FY 2005-06 the aggregate statewide adjustment is a reduction of \$162,049, individual adjustments (either positive or negative) by agency vary widely. For example, DPA as the business infrastructure and service provider of record essentially was undercharged as a customer of GGCC by \$95,916 in FY 2004-05 and was undercharged as a customer by \$1,307,828 in FY 2005-06; during the same span, some other significant customers were overcharged by amounts that offset the positive DPA adjustment. For example, the Department of Human Services was overcharged by a total of \$397,598 in FY 2004-05 & FY 2005-06, the Department of Labor & Employment was overcharged by \$751,787 in FY 2004-05 & FY 2005-06 and the Department of Revenue was overcharged by \$746,225 over the two fiscal years in question.

Further, the Department would like to clarify the root cause of the undercharge to DPA for FY 2004-05 and FY 2005-06. This was not a case of DPA intentionally billing in error – instead, it became evident when the Data Center rate refresh process occurred that DPA was inadvertently coding certain items as part of the Data Center "infrastructure" or to specific customer agencies that instead belonged in billings to DPA. Primary examples include server hosting, CPU/Mainframe utilization, Disk Storage, Tape Storage, and Document Viewing, which represent the largest categories that DPA was undercharged for FY 2005-06. For these five services, DPA was undercharged by approximately \$650,000 in FY 2005-06 (these adjustments represent materially half of the DPA adjustment for this component of the supplemental request). If we review the nature of the five specific services identified in this paragraph, it is relatively easy to see how the line is blurred between when certain services should be billed to DPA as the

statewide service provider, and when they should be considered more infrastructure based and billed out to applicable customer agencies. A similar adjustment was necessary two budget cycles ago for another DPA - DoIT administered Common Policy, MNT. At that time, it became clear that DPA was actually overcharging itself by billing infrastructure items to DPA that instead should have been billed to the entire customer base – in this case, the approved adjustment actually resulted in a significant decrease to DPA’s share as a customer instead of a significant increase for DPA, as is the case for the current GGCC supplemental.

Ultimately, the problem resulted from the inability to fully capture and analyze GGCC by service reliably under the historical structure. As addressed later in this request, after the rate refresh was completed and implemented for FY 2005-06 this historical issue was corrected – however the retroactive “budget to actual” adjustments for FY 2004-05 & FY 2005-06 still must be made, and a similar adjustment will be incorporated each year in the Supplemental true-up.

Please refer to Attachment A for the updated recoverable costs for GGCC for FY 2006-07, updated utilization by customer agency, and the revised FY 2006-07 allocations and subsequent billings for customer agencies. Included in Attachment A are the necessary prior year (FY 2004-05 & FY 2005-06) adjustments by customer that have been discussed in this portion of the request. For reference, in any cases where the resulting final allocation for an agency for FY 2006-07 is negative, the Supplemental appropriation for that agency should be reduced to \$0 and the balance due will be credited back to the applicable department via a prior period accounting adjustment in the Colorado Financial Reporting System.

Available Alternatives

Alternative #1 (Recommended)

The cost allocation billing methodology for GGCC must meet with federal guidelines (for example, OMB circular A-87 establishes that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes) and must be consistently applied in order for the State to avoid federal penalties, which can be substantial. The adjustment must be made in order to follow the cost allocation methodology. The only alternative is to make the adjustment through the supplemental process.

The method proposed by DPA in calculating the mid-year departmental adjustments for this request performs a true-up for each individual department for the previous year in order to distribute the over-collection or under-collection based on actual usage, and then separately adjusts the department’s current year appropriation based on the most recent usage percentage. The combination of the two adjustments results in the net Supplemental Request for a particular department.

The DPA methodology is compliant with the nature of the cost allocation methodology associated with Common Policies that require an annual true-up, as the DPA methodology identifies necessary adjustments on a department-by-department basis. This yields more accurate results for individual agencies, as well as in aggregate. Furthermore, State and federal government mandates require a

methodology that is both consistent with established guidelines and consistent in its application, and this request adheres to both of these principles.

Alternative #2

Alternative #2 would continue with the status quo, which is inequitable, and inconsistent with the Truth-in-Rates methodology. This alternative also takes no action to realign statewide GGCC appropriations to reflect updates to utilization and cost basis, which would not be prudent under any circumstance, and summarily ignores the concerns of the federal DCA.

Statutory and Other Authority

Section 24-30-1606, C.R.S.

Linkage to Objectives

DPA FY 2007-08 Strategic Plan:

Departmental goal: *Extend the Truth-in-Rates Philosophy Departmentwide.*

Associated objectives included the following: *Continue the Truth-in-Rates philosophy to ensure that rates recover the cost of services and remain competitive.*

Departmental goal: *Create and Enhance Stakeholder Relationships.*

Associated objectives included the following: *Facilitate and coordinate statewide and Common Policy related Change Requests and legislation that affects multiple stakeholders and State departments.*

Departmental goal: *Play a Central Role in Using Information Technology to Streamline Government.*

Associated objectives included the following: *Continue to maximize network and computer infrastructure priorities to generate optimal capacity and efficiencies in costs.*

Additional Considerations

This section of the current year request is replicated from the FY 2005-06 approved GGCC Statewide Supplemental Request. It is reflected again in its entirety due to the relevance of this topic to the current year request:

During the latter portion of FY 2003-04 through the end of FY 2004-05, DoIT actually went through a process to refine the Data Center rates. This "rate refresh" project was initiated for a variety of reasons. One of the primary reasons was to ensure accuracy with regard to utilization data, as utilization data combined with recoverable costs are a substantial determining factor in

the cost allocation model, and resulting appropriations and billings to State departments. This is often a concern with regard to federal auditors, who thoroughly review all aspects of the cost allocation model to ensure that no inappropriate cross-subsidization occurs, especially as it relates to federally funded agencies. Furthermore, it is sound business practice to periodically review any process that relates to a service provided and billed to customers, and this had not been undertaken for several years.

The overall objective of the process was to identify and capture services offered by the Data Center in order to modify/establish cost based rates for the services. This process involved refining definitions of activities (including measures/units of service), services and resources - for every service DPA needs to be able to cost it, price it and bill it. Based upon the existing cost allocation methodology the Department was cognizant of the need to eliminate under recovery and/or over recovery related to double counts inherent in utilization data, and thoroughly reviewed customer specific utilization trends and profiles to ensure that the Data Center was adequately meeting the needs of its State agency customers. The underlying analysis gave consideration to the scope of work driven by programmatic and operational needs at the individual State agency level along with any complexities that might need to be addressed specifically within the cost allocation methodology.

DoIT staff and management, and other subject matter experts began by identifying every service offered by the Data Center, and working to validate some of the following issues for each service:

- *Title and Description;*
- *Refine and validate the definition of each service level offering;*
- *Identify known and measurable resource consumption levels;*
- *Determine the cost of resources utilized;*
- *Identify metrics (units of Service usage);*
- *Can usage be tied to a billable customer;*
- *Once usage quantity is known, we can set the rate.*

Ultimately, all identified activities performed at the Data Center were assigned/distributed to applicable services. This step included 11 primary activities that were identified, which are reflected below:

- *Administer Business;*
- *Provide Administrative Support;*
- *Develop Offerings;*
- *Administer Software;*
- *Support Hardware;*
- *Support Operational Computing Infrastructure;*
- *Operate Computing Facility;*
- *Assist Mainframe Customers;*
- *Assist Non-Mainframe Customers;*
- *Administer Applications; and*
- *Provide Consulting.*

Some of the next steps involved in this lengthy process including assigning/distributing services to resources (including hardware, software, etc), verifying the cost and time allocated by function (incorporating loaded cost and overhead where applicable). During this process, it was necessary to consider certain anomalies associated with billing mechanisms. Certain services are billed on resources and some on activity, and there are various mechanisms that have been and could be utilized to bill customers of the Data Center. Examples include direct IT billing, fixed cost allocation, direct cost plus overhead, and subscription pricing.

The Department reviewed the conclusions that were subsequently incorporated into the Data Center rates with federal auditors in the summer of 2005, and the resulting changes to the utilization basis will ultimately be reflected beginning with current fiscal year (FY 2005-06) utilization data, which will be used to calculate the initial FY 2007-08 GGCC Common Policy in the summer of 2006 and the FY 2006-07 Supplemental true-up during the next budget cycle.

Assessment of Alternatives

Alternative #1 (Recommended)

As referenced in prior requests, the GGCC cost allocation billing methodology must meet with federal guidelines and must be consistently applied in order for the State to avoid federal penalties, which can be substantial. In the current fiscal year, this adjustment should be made through the FY 2006-07 supplemental process. If this request is not approved, the Department would be unable to justify that its level of billings to customers is equitable, and based on actual utilization. Further, if the Joint Budget Committee does not approve the revised cost basis, the Department will not fully recover all of its costs for GGCC services. Section 24-30-1606 (1), C.R.S. requires "Users of GGCC services shall be charged by the department of personnel the full cost of the particular service, which shall include the cost of all material, labor, equipment, software, services, and overhead." As a result, Alternative 1 is recommended in order to remain consistent with the Truth-in-Rates initiative.

Alternative #2

Alternative 2 would continue with the status quo, and would leave appropriations for GGCC at current levels as appropriated in the FY 2006-07 Long Bill. This alternative is not recommended, as it would leave current year appropriations at a level that was originally calculated based on FY 2004-05 (not FY 2005-06) utilization, includes cost basis assumptions that are nearly a year out of date, and would ignore the concerns of the DCA, which could result in the loss of federal funding.

Concerns or Uncertainties

As referenced previously, the Department is concerned that the State will be subject to federal penalties if an accurate allocation methodology is not adopted for the Purchase of Services from the Data Center.

Conclusion/Recommendation:

The Department recommends Alternative #1, which is consistent with Truth-in-Rates. This alternative updates the statewide allocation for GGCC for FY 2006-07 to ensure equitable treatment of State agency GGCC customers, eliminate the potential for cross-subsidization, and to remain consistent with the Truth-in-Rates philosophy, while continuing to allow for the provision of GGCC at the necessary service levels for our customers in current and future fiscal years.

Attachment A

Department	FY 2005-06 Actual Utilization	FY 2006-07 Sub-Total Based on FY 06 Utilization	FY 05 Retroactive Budget to Actual Adjustment	FY 06 Retroactive Budget to Actual Adjustment	FY 2006-07 Supplemental Allocation
Agriculture	0.0077%	904	(1,337)	(1,216)	(1,648)
Corrections	0.0995%	11,683	(20,146)	(21,362)	(29,825)
Education	0.0514%	6,035	(3,955)	(3,198)	(1,118)
Governor	0.5803%	68,136	(1,189)	64,369	131,316
HCPF	0.1515%	17,788	(89,893)	(76,049)	(148,154)
Higher Education - appropriated	0.2554%	29,988	(1,544)	23,010	51,455
Higher Education - nonappropriated	0.1321%	15,511	(25,247)	(3,523)	(13,259)
Human Services	38.3537%	4,503,301	170,516	(568,115)	4,105,703
Judicial	1.2576%	147,661	(46,918)	43,984	144,726
Labor	7.6784%	901,560	(221,037)	(530,751)	149,773
Law	0.3584%	42,082	1,637	11,260	54,978
Legislature	0.2590%	30,410	(3,418)	20,973	47,966
Local Affairs	0.0245%	2,877	(1,907)	(574)	397
Military Affairs	0.0063%	740	(1,485)	(1,140)	(1,885)
Natural Resources	2.9555%	347,020	78,281	168,591	593,892
Personnel	20.9048%	2,454,538	95,516	1,307,828	3,857,882
Public Health	3.6138%	424,314	34,300	256,139	714,752
Public Safety	0.8850%	103,912	54,545	57,920	216,377
Regulatory Agencies	0.1638%	19,233	(13,232)	(4,764)	1,237
Revenue	22.0763%	2,592,090	145,449	(891,673)	1,845,865
State	0.0050%	587	(794)	(246)	(453)
Transportation	0.1065%	12,505	(14,247)	(21,028)	(22,769)
Treasury	0.0443%	5,201	(783)	4,228	8,645
Local Gov't	<u>0.0294%</u>	<u>3,452</u>	<u>(392)</u>	<u>3,288</u>	<u>6,348</u>
Subtotal	100.000%	11,741,528	132,722	(162,049)	11,712,201

Attachment A – continued

FY 2006-07 GGCC Recoverable Costs

Administration

Personal Services	253,939
Salary Survey	7,683
Performance Based Pay	0
Health, Life and Dental	14,076
STD	285
AED	1,872
Workers' Comp	1,840
Risk Mgmt	4,028
Operating Expenses	<u>4,193</u>
Subtotal - Administration	287,916

Customer Services

Personal Services	741,424
Salary Survey	17,366
Performance Based Pay	0
Health, Life and Dental	22,598
STD	677
AED	4,446
Workers' Comp	4,811
Risk Mgmt	10,536
Operating Expenses	<u>12,431</u>
Subtotal - Customer Services	814,290

Computer Services

Personal Services	2,600,164
Salary Survey	68,927
Performance Based Pay	0
Health, Life and Dental	161,707
STD	2,643
AED	17,343
Workers' Comp	19,715
Risk Mgmt	43,176
HIPAA Implementation	86,978
Capitol Complex	304,712
Shift	34,918
MNT	32,119
Legal Services	1,841
Operating Expenses	6,181,350
CPU	336,034
Indirect Costs	<u>467,949</u>
Subtotal - Customer Services	10,359,576

OVERHEAD

Depreciation	279,722
Subtotal - Overhead	<u>279,722</u>
TOTAL	11,741,503

**Statewide
Supplemental #2**

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Efficiency and Effectiveness Analysis

FY 2006-07 Statewide Supplemental Request & FY 2007-08 Statewide Budget Amendment

Department: Department of Personnel & Administration

Long Bill Group/Division: Division of Central Services

Program: State Fleet Management Program & Motor Pool Services

Request Title: Increase for Operating Expenses of the State Fleet Management Program

Priority Number: Statewide Supplemental #2 & Statewide Budget Amendment #1

Summary of Request

The Department of Personnel & Administration, Division of Central Services, Fleet Management Program and Motor Pool Services requests an increase in spending authority of \$2,007,669 cash funds exempt to the State Fleet Management Operating Expenses line item in FY 2006-07 and \$1,580,352 in FY 2007-08 to address a combination of factors including estimated increases in fuel costs for fleet vehicles, a prior year restriction resulting from an approved overexpenditure, a full year impact of approximately 132 JBC approved fleet additions for FY 2006-07, and the impact of SB 06-015 which added additional vehicles to the State Fleet beginning with the current fiscal year and made corresponding appropriations.

Note that the additional \$2,007,669 requested for FY 2006-07 is not detrimental to the State budget as the request is only for increased spending authority for the Program; essentially variable rates previously established by State Fleet Management prior to the beginning of the fiscal year are sufficient to provide the necessary revenue source. State agency customers have already been charged at these rates since the beginning of the fiscal year, which is paid from departments' program operating appropriations, therefore the SFM will have sufficient revenue to cover the projected expenses for the remainder of the year without increased appropriations to State departments. In summary, because of the established rates, the reserve balance in the State Motor Fleet Management Fund (Fund #607) is sufficient to fully cover the \$2,007,669 projected shortfall making this primarily a technical adjustment to allow the Department to utilize revenue already collected to pay vendors for services incurred on behalf of, and for the benefit of the customers of State Fleet Management.

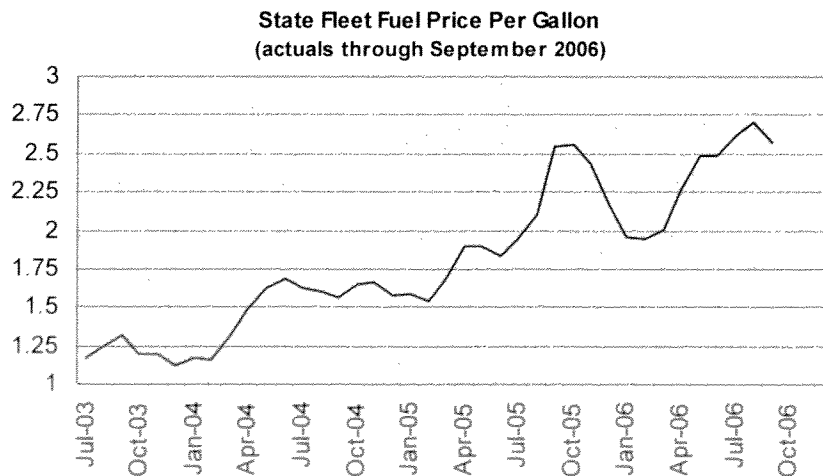
Similar to above, the Department requests an additional \$1,580,352 of appropriated spending authority in FY 2007-08 to address the projected shortfall. Since the Fleet Management Program intends to set agency rates for FY 2007-08 to meet these higher costs, (at levels very similar to

those in place for FY 2006-07), sufficient reserves should again exist in the Motor Fleet Management Fund to address at least this level of shortfall. To the extent that factors outside of the Department's control (i.e. significant spikes in fuel costs) cause the need for an even larger appropriation during FY 2007-08, these increased costs may not be able to be absorbed in State agency customer's program operating lines in FY 2007-08, without the need for additional appropriations to those agencies. This issue may be re-examined in a FY 2007-08 supplemental request, if necessary.

Problem or Opportunity Definition

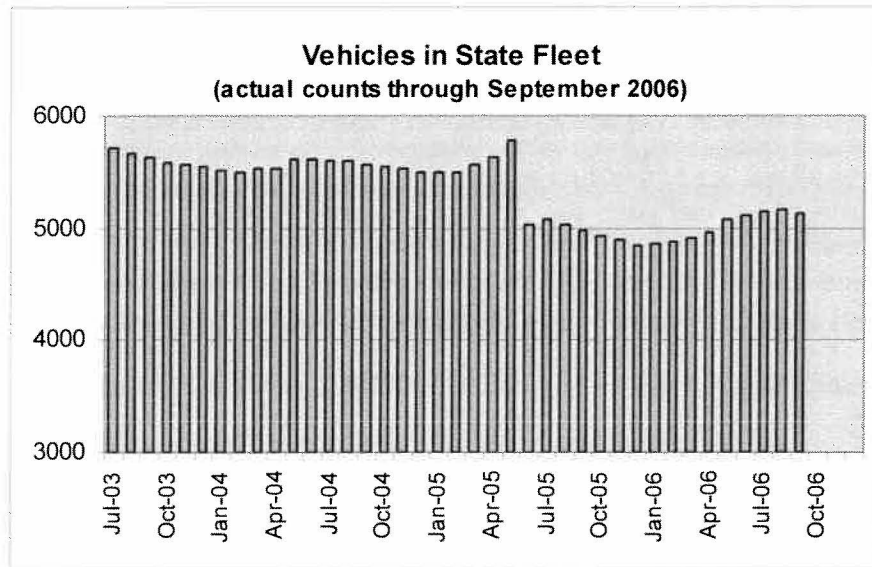
This request seeks an increased appropriation in part to address increases in fuel expenditures for the State Fleet Management Program for both FY 2006-07 and FY 2007-08. Total fuel expenditures for the fleet are determined by the cost of fuel, the overall average fuel-efficiency of the State fleet, and the number of miles driven fleetwide over the course of the year. Because the State fleet uses approximately four million gallons of fuel per year, each \$.10 increase in fuel price creates a \$400,000 increase in annual expense.

Several factors beyond the State's control require the Department to request adjustments to current appropriated spending authority and underlying assumptions concerning fuel expenditures. Although many critical measures have already been adopted in recent fiscal years in an effort to mitigate cost increases including mileage reductions, cost controls, reductions in total fleet size, and a migration to more fuel efficient vehicles, leaving limited room left to achieve further efficiencies in the short term. Even with a robust and efficient cost containment structure in place, along with the significant benefits and efficiencies realized through centralized fleet management, SFM still is not immune to the pressures faced by the national and global economy, including the impact of high fuel costs.



Further, while it was anticipated that some institutions of higher education would "opt out" of the State Fleet Management Program, as permitted under HB 04-1009, when the appropriation for

FY 2005-06 was set, the actual schools and vehicles impacted were not known. It was therefore difficult to project accurately what fuel and other operating expense reductions for the Program would result from reductions in fleet size. Since then the University of Colorado (CU), Colorado State University (CSU) and Fort Lewis State College have discontinued participation in the State Fleet Management Program, reducing the size of the State fleet by about 10%. (Refer to the chart below.) Additionally, during the current fiscal year additional vehicles were enrolled in the State Fleet as a result of SB 06-015. These vehicles (approximately 470 units) will only be enrolled for a portion of the current year. The estimated impact of this partial year has been included in this request.



At the time of figure setting, it was also challenging to project miles driven given the legislative changes affecting the size and makeup of the fleet, including those that had not yet materialized (SB 06-015). Actual miles driven to date for the fiscal year suggest that total fleet miles driven this year will be 70,500,000. (Note that the SB 06-015 vehicles that have been added to the State Fleet in the current fiscal year are excluded from this total, although the anticipated costs associated with those vehicles are included in the projected spending authority need contained in this request for both fiscal years.)

Actual MILES DRIVEN		
		change
FY 01-02	76,011,456	
FY 02-03	74,223,176	-2.4%
FY 03-04	73,117,480	-1.5%
FY 04-05	73,204,451	1.2%
FY 05-06	69,573,280	-5.0%
FY 06-07 (estimate)	70,500,000	1.3%
FY 07-08 (estimate)	71,500,000	1.4%

Fuel efficiency affects total fuel expenditures. Based on actual data through October 2006, it appears that the average fuel efficiency of the State fleet is now estimated to be 16.5 average miles per gallon year-to-date, similar to last fiscal year. However, the Department is projecting 17.0 average miles per gallon in its FY 2007-08 calculations.

Finally, the Department believes that it is key that the most up to date analysis is used by the Executive and Legislative Branch when making decisions related to issues such as those addressed in this request, especially due to the volatility of certain components (i.e. fuel). As a result, the Department intends to continue to provide the Office of State Planning and Budgeting and the Joint Budget Committee with the most updated analysis that is available for Fleet Operating Expenses prior to the time that final action is taken by the Committee during FY 2007-08 figure setting such that the most prudent fiscal decisions can be made.

Comparison of FY 2006-07 as appropriated vs. current estimated need

The Department would like to take this opportunity to inform the Joint Budget Committee of the impact that current high fuel costs may have on the appropriated spending authority for State Fleet Management's Operating Expenses line item for FY 2006-07. Assumptions and calculations used by JBC staff for this line item during FY 2006-07 figure setting (February-March of 2006) were similar to those contemplated during consideration of the Department's original FY 2005-06 Supplemental Request for this purpose, which was figure set in January of 2006. As a result, the Long Bill appropriation for Fleet Operating Expenses for FY 2006-07 is still based upon outdated data, and for reference, it is obviously too low given current fuel costs for the following reasons:

1. It would be highly unusual for over 1.5 million fewer miles to be driven in FY 2006-07 than previous years, however this was the baseline used during FY 2006-07 figure setting.
2. Given the composition, size, and average age of the State fleet, attaining an improvement in fuel efficiency of 1.0 miles per gallon, as the JBC discussed during figure setting, is virtually impossible in one year without massive expenditures for vehicle replacements. Mile per gallon projections for this request are based on the current base fleet and do not include the impact of SB 06-15 vehicles which, when added, will make the overall fleet mile per gallon even worse.
3. Gasoline prices have been relatively low through this summer, however it is not possible that the fuel price per gallon will average \$2.08 for the year, which was the assumption the current year appropriation was based upon during figure setting for FY 2006-07 – in fact, the current request for FY 2006-07 projects an average State price per gallon of \$2.30 for the fiscal year, which considers the \$2.51 average through October and projects at the Federal Department of Energy forecasted level for the remaining 9 months of the fiscal year (based on the October, 2006 forecast the average for the remainder of 2006 and all 2007 is \$2.55 per gallon retail, which equates to a price of \$2.19 for SFM).
4. Maintenance expenses are calculated by taking the cost-per-mile times miles driven. Since the appropriation was set on an assumption of an unrealistically low number of

miles driven, it is likely that appropriated maintenance expenditures were also under-projected.

The table below outlines the preliminary need for increased spending authority for FY 2006-07 that was presented along with the FY 2005-06 1331 Supplemental Request in June of 2006. This is displayed in comparison to the Department's initial FY 2006-07 budget amendment request and assumptions presented to the Joint Budget Committee in January 2006, and the appropriation set by the Committee as reflected in the FY 2006-07 Long Bill.

Table B-- State Fleet Operating Expenses by Component-- FY07 Preliminary Overview

	FY07 Budget Request January 2006	FY07 Long Bill Appropriation	FY07 Preliminary Estimate of May 2006	Preliminary FY07 Supplemental Need
Miles Driven	69,000,000	68,025,295	69,500,000	
Miles per Gallon	16.5	17.50	16.5	
Price per Gallon	\$2.08	\$2.08683010	\$2.34	
Fuel Expense	\$ 8,698,182	\$ 8,111,843	\$ 9,869,000	\$ 1,757,157
Maintenance Cost per Mile		\$ 0.0960	\$0.0960	
Maintenance Expense	\$ 6,760,860	\$ 6,530,428	\$ 6,672,000	\$ 141,572
Accident Expense	\$ 713,796	\$ 721,068	\$ 721,068	
SFM Business Operations	\$ 124,000	\$ 124,000	\$ 124,000	
Auction Fees	\$ 118,000	\$ 118,000	\$ 118,000	
Total	\$ 16,433,526	\$ 15,605,339	\$ 17,504,068	\$ 1,898,729

As is reflected in the table above, the Department indicated in June of 2006 that preliminary estimates indicated a shortfall of nearly \$1.9 million in the Fleet Operating spending authority appropriated for FY 2006-07. The current shortfall as reflected in this request is materially similar to what DPA estimated and presented in the 1331 Supplemental submitted in June, and is significantly higher than the appropriation figure set for FY 2006-07, and subsequently included in the Long Bill.

Impact of SB 06-015

Finally, a bill from the 2006 legislative session SB 06-15 – “*Concerning the Clarification of the Types of Vehicles in the Centralized Fleet of State Vehicles*” – added several hundred additional vehicles to the State Fleet. Both the number of potential additional vehicles enrolled, and the spending authority necessary for State Fleet as a result were estimated by the Department,

Legislative Council staff, and JBC staff during the fiscal analysis associated with the bill, and the final appropriations clause contained in the bill as sent to the governor indicated an additional appropriation of \$1.8 million in spending authority for State Fleet as a result, based upon 400 vehicles at \$4,500 per vehicle (\$2,500 average fuel cost per vehicle and \$2,000 average maintenance cost per vehicle). However, the Department's most reliable information indicated that the additional vehicles enrolled may be in excess of the 400 vehicles that the final appropriations clause was based on, which the Department indicated to Legislative Council and JBC staff during the legislative session. At the time, reliable information about these vehicles was not available, and therefore an accurate actual number of additional vehicles to be enrolled under SB 06-015 was difficult to project. Current SB 15 vehicles submitted for enrollment total 470. These vehicles will only be enrolled for a partial year in FY 2006-07.

The Department will continue to closely monitor costs associated with the fleet expansion, rising fuel costs, and other factors and will update the Committee as appropriate; however, as indicated in this request, current projections for FY 2007-08 for the first full year of activity for SB 15 vehicles is projected at \$2,115,000, which directly correlates to the 70 vehicles in excess of the level assumed and appropriated in the bill itself, and is \$315,000 higher than the bill appropriated.

Prior year overexpenditure

As a result of action taken by the Committee on the Department's 1331 Supplemental Request for FY 2005-06 which was presented in mid June of 2006, SFM overexpended the program operating line item by \$413,295 during last fiscal year (an overexpenditure approved by the Governor's Office of State Planning and Budgeting and the Office of the State Controller), which has been restricted from the current year Long Bill appropriation per statute. This request seeks to restore that restriction in the current fiscal year, as it was merely the result of the Department, the State, and State Fleet Management's obligation to pay its legitimate expenses and the obligation to pay vendors for services already rendered.

Assumptions and Calculations

Assumptions Used for FY07 Supplemental:

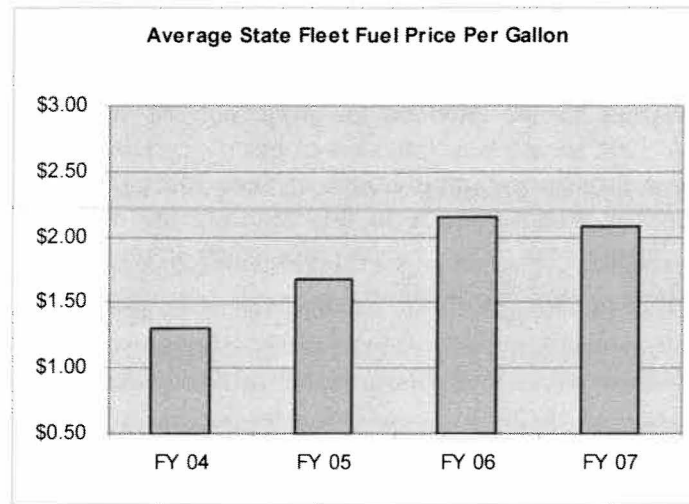
Est. FY07 Annual Miles	70,500,000 miles
Est. FY07 MPG	16.5
Est. FY07 Gallons	4,272,727 gallons
Actual ytd gallons	1,472,430 gallons
=Est. Remaining Gallons	2,800,297
Actual ytd fuel\$ spent	\$ 3,704,767
Actual ytd State cost/gallon	\$ 2.516
Actual Aug thru Oct State cost/gallon	\$ 2.516
Estimated Nov thru June State cost/gallon	\$2.19
times estimated remaining gallons	2,800,297
= Est remaining fuel expenses	\$ 6,132,651
+ ytd actual fuel expense	\$ 3,704,767
=Est. FY07 annual State fuel expense	\$ 9,837,418
divided by Est. FY07 total gallons	\$ 4,272,727
= Est. avg. FY07 State \$/gallon	\$ 2.302 per gallon
Est. Maintenance \$/mile for FY07	\$ 0.0920 per mile
times Estimated FY07 miles	70,500,000
=Est. annual State Maintenance Expense	\$ 6,486,000
Est. Base Maintenance. & Expense for FY07	\$ 16,323,418
+ Accident Expense @\$.0105	\$ 740,250
+ Business Operations	\$ 174,000
+ Auction Fees	\$ 115,000
=Est. FY07 Base Budget Requirement	\$ 17,352,668
less FY07 JBC Approved Appropriation	\$ 16,992,044
=Estimated Additional Need	\$ 360,624
+Restriction for FY06 Under allocation=	\$ 413,295
+Estimate for SB-015 Vehicles=	\$ 1,233,750 470 veh*(\$4,500/12)*7months
=Total FY07 Supplemental Need=	\$ 2,007,669
Total Supplemental Request for FY07=	\$ 18,999,713
Actual Requested Annual Operating Budget=	\$ 18,586,418

Assumptions Used for FY08 Budget Amendment:

Est. FY08 Annual Miles	71,500,000	miles
Est. FY08 MPG	17.0	
Est. FY08 Gallons	4,205,882	gallons
Estimated FY08 State cost/gallon	\$2.20	
times estimated FY08 gallons	4,205,882	
=Est. FY08 annual State Fuel Expense	\$ 9,252,941	
Est. Maintenance \$/mile for FY08	\$ 0.0920	per mile
times Estimated FY08 Miles	71,500,000	
=Est. annual State Maintenance Expense	\$ 6,578,000	
Est. Base Maint. & Expense for FY08=	\$ 15,830,941	
+ Accident Expense @\$0.0105	\$ 750,750	
+ Business Operations	\$ 174,000	
+ Auction Fees	\$ 115,000	
=Est. FY07 Base Budget Requirement	\$ 16,870,691	
Estimate for SB-015 Vehicles	\$ 2,115,000	470 veh*\$4,500
Est. Total Maint. & Expense for FY08=	\$ 18,985,691	
less FY08 Base Appropriation	\$ 17,405,339	
=FY08 Requested Budget Adjustment=	\$ 1,580,352	

Note that gasoline prices are highly volatile and somewhat seasonal. For example, prices tend to be higher in the summer months when demand is higher due to peak travel and vacation periods. Given this volatility, and the fact that global demand continues to rise, particularly in China, the Department believes it is prudent to fund fuel costs at the rates requested, despite the fact that in any particular month, actual prices at the pump may be somewhat lower. Since the Department of Energy has the best knowledge of current and future factors that may impact fuel prices, using the most recent forecast from DOE seems the most reasonable approach.

State fuel price per gallon is the retail pump price less Federal and State taxes. In Colorado these combined taxes equal \$.42 per gallon. Since the State average cost for fuel includes very high cost areas such as Vail as well as numerous vehicles that require higher octane fuels, a good estimate of State cost per gallon can be obtained by reducing the estimated retail price for regular by \$.36.



For purposes of this request, annual miles driven in the State fleet are assumed to be 70,500,000 for FY 2006-07 with a projected increase to 71,500,000 in FY 2007-08. Fleet activity is highly seasonal, with few miles typically driven in December, January and February. Comparing mileage driven so far this fiscal year with driving patterns of previous years, and considering the actual miles driven fleetwide to date, 70,500,000 miles falls well within any reasonably derived range that would be likely for the current fiscal year.

Available Alternatives/Assessment of Alternatives

Alternative A – Provide additional cash funds exempt spending authority to the Department for FY 2006-07 and FY 2007-08 to cover increased program operating costs, including fuel.

Note that current fleet rates are projected to be sufficient to cover the increased need in FY 2006-07 and FY 2007-08 at this time, and given current external factors and market trends. As a result of this, additional appropriations are not projected to be necessary for State agency customers, and this request simply seeks the spending authority necessary to utilize the revenue collected during the next two fiscal years to pay vendor obligations. There should be no incremental general fund impact

Alternative B – Do not provide additional spending authority requested for FY 2006-07 and FY 2007-08 for higher fuel costs. – Status Quo.

Without the requested increase in spending authority, State Fleet Management will be unable to make payments to vendors for fuel purchased. As referenced previously many critical measures have already been adopted in recent fiscal years, in an effort to mitigate cost increases including mileage reductions, cost controls, reductions in total fleet size, and a migration to more fuel efficient vehicles, leaving limited room left to achieve further efficiencies in the short term. In this alternative, it is only the vendors and the good will of the State that suffer, when vendor payments are withheld or delayed.

Additional Considerations

In July of 2006, the Department submitted a memo to the Chairman and members of the Joint Budget Committee related to the process for projection of ongoing needs of the Fleet Management program. This memo was intended to clarify certain issues that the Department believes can and have led to underappropriations in State Fleet Operating spending authority. The memo is provided as Attachment A to this request, and summarizes some issues for consideration in the current and future fiscal years when taking action on Fleet Operating requests, especially related to fuel expenditures.

Recommendation

The Department recommends Alternative A which would provide additional spending authority for State Fleet Management to address increased operating costs for the State Fleet Management Program resulting from fuel price increases, a prior year overexpenditure & the impact of additional vehicles enrolled in the State Fleet as a result of SB 06-015. Without the increased appropriations and spending authority, State Fleet Management will be unable to make necessary payments to vendors.

State of Colorado



Bill Owens
Governor

Jeffrey M. Wells
Executive Director

Paul Farley
Deputy Executive Director

DPA

Department of Personnel
& Administration

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July 5, 2006

Representative Bernie Buescher, Chairman
Joint Budget Committee
Legislative Services Building
200 East 14th Avenue, 3rd floor
Denver, Colorado 80203

Dear Rep. Buescher,

This letter is to inform the Joint Budget Committee of an issue related to spending authority for the State Fleet Management program, and to provide clarification on the process for projecting the ongoing needs of the Fleet Management program.

On June 20th, 2006 during the Joint Budget Committee summer meeting, one of the items presented to the Committee for action was an FY 2005-06 1331 Supplemental Request submitted by the Department of Personnel & Administration for additional spending authority, primarily associated with fuel price increases. As in some prior years, DPA had submitted a FY 2005-06 Supplemental Request during the normal budget cycle (January of 2006) for additional spending authority for the remainder of the year to address this issue. At that time, the JBC staff was provided with up to date information projecting a fuel and maintenance expense requirement based on at least 69,500,000 miles (DPA estimate). At the same time, an analysis based on a methodology initially defined and requested by the JBC analyst (using 6 months of actual data) projected miles would be in excess of 70,000,000. In spite of this information, the JBC staff recommended funding the supplemental based on 68,025,295 miles. Based on this recommendation, the JBC approved spending authority of \$503,505 less than requested by the Department.

Over the past years, DPA has developed strong forecasting tools and enjoyed a high level of credibility with prior JBC analysts. In the past, the Department always requested to provide updated information so that the final analysis and presentation to the JBC could be based on the best possible data and analysis. This has always seemed appropriate, and projections based on this kind of analysis have always yielded more accurate projections than those without the updates. This year, the updated projections were not used, and another altogether different third approach was taken, which has as expected yielded highly inaccurate projections.

By the time of the June 20th presentation, the Department had 11 months of actual data with which to project year-end requirements. Both the Department's projection and the projection based on the JBC analyst's initial methodology were then projecting approximately 70,000,000 miles; and 11 months of expense were already known. At this time, and with a significant degree of confidence, the Department requested an additional \$691,000 (this is higher than the initial request as fuel prices continued to increase). Our request was for spending authority only, and had no budgetary impact on the State's General Fund. The only reason for the request, which is no more than a technical adjustment, was to give the Department the authority to pay the vendors for fuel and maintenance services already provided. Once again, the JBC analyst chose to go a different direction and requested only \$224,124, which was approved. This was once again based on the clearly incorrect 68,025,295-mile figure, which completely discounted the actual mileage through 11 months of the year.

Individual departments, based on the needs of their programs, control the number of miles driven by the state fleet. Since the money comes from their general operating lines, the departments must make conscious decisions if they need to spend more of their limited money providing services requiring vehicles, and are therefore forced to cut back in other areas. In addition, over the past two years 121 additional vehicles have been added to the fleet based on legislative approval or in some cases through grant funding. Even if these vehicles incur only the average annual miles for all state vehicles (14,100 per year), this alone would have accounted for an increase of approximately 1,706,000 miles, for a total of 69,731,295. In the past four years, the departments have been forced to absorb approximately \$6.6 million in increases for vehicle expenses, with no additional funding or budgetary relief. Any decisions they have been forced to make to keep vehicle-supported programs viable have taken a significant toll on remaining operating expenses for other critical uses. The expense increases have been driven by dramatic increases in fuel cost, and to a much lesser degree by increases in maintenance due to years of reduced fleet replacements.

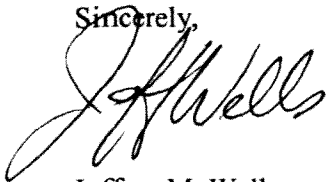
As a result of the JBC's approval for less spending authority than requested, coupled with actual fuel and maintenance costs in June near our projection levels, the Department will complete FY 2005-06 with an over-expenditure of approximately \$450,000. As a result, the Department plans to submit an over-expenditure request to the Office of the State Controller (SCO) and the Office of State Planning and Budgeting (OSPB). If approved, the corresponding amount will be restricted in FY 2006-07 and the Department will be seeking restoration of this amount from the Joint Budget Committee.

As evidenced by the above description of activities to date and anticipated activities required to address this issue, the volatility of fleet fuel and maintenance costs can result in a great deal of effort by both DPA and the JBC. The current year spending authority issue is not isolated or unusual. Because of the volatility of the fleet expense line (especially fuel), the Department has been required to request 1331 emergency supplementals in three of the past four years. The Department believes that this level of effort can be avoided in the future. First, we believe it is critical that the most current information related to mileage and costs be used when projecting anticipated costs. Second, we believe that strong deference be given to the methodology employed by DPA and Fleet Management, as this has been developed over the past several years in conjunction with multiple OSBP and JBC analysts, and has proven as an effective projection tool. Finally, we believe it is appropriate to incorporate a contingency factor when developing

the spending authority recommendations. DPA recognizes the use of contingencies may not be advisable for general funded or some cash funded line items given the limitations on these funding sources. However, the Fleet Management line only represents cash funds exempt spending authority, and an increase to this line item does not have a negative impact on the State's budget. In other words, the expenditures of the Fleet Program are limited by the activities and budgets of our customer departments. Therefore, any unused spending authority in Fleet will remain unused and simply revert at the end of each fiscal year. An over-appropriation in this area will not create fiscal harm, but an under appropriation most certainly will. This approach results in a more effective use of state resources than the continual reconsideration of spending authority that has resulted from the underestimation that was experienced this fiscal year.

I look forward to working with the JBC to resolve the current over-expenditure, and future issues associated with continued under- funding of this area, and to continue to improve the process in the future.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Wells".

Jeffrey M. Wells
Executive Director

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**Schedule 6
FY 2006-07 STATEWIDE SUPPLEMENTAL & FY 2007-08 BUDGET AMENDMENT REQUEST**

Department: Personnel and Administration
 Priority Number: Statewide Supplemental # 3 & Budget Amendment #3
 Division: Executive Office, Division of Human Resources
 Program: Business Risk & Loss Control
 Request Title: Risk Management & Workers' Compensation Adjustments

Dept. Approval: *JG*
 OSPB Approval: _____
 Statutory Citation: _____

Date: January 2, 2007
 Date: _____

Budget Analyst: Mickey Crist

Date: _____

Long Bill Line Item	Fund Source	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2006-06	Appropriation FY 2006-07	Supplemental Request FY 2006-07	Total Revised Request FY 2006-07	Base Request FY 2007-08	Decision/Base Reduction FY 2007-08	November 1 Request FY 2007-08	Budget Amendment FY 2007-08	Total Revised Request FY 2007-08	Change from Base in Out Year FY 2008-09
Total of all line items	Total	\$38,237,957	\$42,908,597	\$5,959,045	\$48,867,642	\$46,180,803	\$0	\$46,180,803	\$2,368,164	\$48,548,967	\$0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	162,279	209,887	152,922	362,809	261,491	0	261,491	76,074	337,565	0
	CF	4,036,687	4,534,207	405,680	4,939,887	4,765,322	0	4,765,322	157,111	4,922,433	0
	CFE	34,038,990	38,164,503	5,400,443	43,564,946	41,153,990	0	41,153,990	2,134,979	43,288,969	0
	FF	0	0	0	0	0	0	0	0	0	0
Executive Office, Payments to Risk Management & Property Funds	Total	\$395,721	\$560,147	\$564,780	\$1,124,927	\$749,026	\$0	\$749,026	\$168,660	\$917,686	\$0
	FTE										
	GF	101,795	144,091	145,283	289,374	192,678		192,678	43,386	236,064	
	CF	2,189	3,098	3,124	6,222	4,143		4,143	933	5,076	
	CFE	291,737	412,958	416,374	829,332	552,205		552,205	124,342	676,547	
	FF										
Executive Office, Workers' Compensation	Total	\$235,128	\$255,779	\$29,697	\$285,476	\$267,508	\$0	\$267,508	\$127,072	\$394,580	\$0
	FTE										
	GF	60,484	65,796	7,639	73,435	68,813		68,813	32,688	101,501	
	CF	1,301	1,415	164	1,579	1,480		1,480	703	2,183	
	CFE	173,343	188,568	21,894	210,462	197,215		197,215	93,681	290,896	
	FF										
Division of Human Resources, Liability Premiums	Total	\$5,271,058	\$6,170,969	\$2,174,577	\$8,345,546	\$8,128,524	\$0	\$8,128,524	\$217,022	\$8,345,546	\$0
	FTE										
	GF										
	CF	357,275	418,272	147,394	565,666	550,956		550,956	14,710	565,666	
	CFE	4,913,783	5,752,697	2,027,183	7,779,880	7,577,568		7,577,568	202,312	7,779,880	
	FF										
Division of Human Resources, Property Premiums	Total	\$5,818,914	\$5,846,006	\$2,959,843	\$8,805,849	\$8,696,411	\$0	\$8,696,411	\$1,888,900	\$8,585,311	\$0
	FTE										
	GF										
	CF	446,206	448,283	226,966	675,249	513,494		513,494	144,844	658,338	
	CFE	5,372,708	5,397,723	2,732,877	8,130,600	6,182,918		6,182,918	1,744,055	7,926,973	
	FF										
Division of Human Resources, Workers' Compensation Premiums	Total	\$26,517,136	\$30,078,696	\$230,148	\$30,305,844	\$30,339,334	\$0	\$30,339,334	(\$33,490)	\$30,305,844	\$0
	FTE										
	GF										
	CF	3,229,716	3,863,139	28,031	3,691,170	3,695,249		3,695,249	(4,079)	3,691,170	
	CFE	23,287,420	26,412,557	202,117	26,614,674	26,644,085		26,644,085	(29,411)	26,614,674	
	FF										

Letter Notations:
 Cash Fund Name/Number: Liability/11L, Property/11P & Workers' Comp/11W
 IT Request: No
 Supplemental and Budget Amendment Criteria: New Data
 Request for New or Replacement Vehicles: No
 Request Affects Another Department(s): Yes - Statewide Recuest impacting multiple departments.

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**Efficiency and Effectiveness Analysis
FY 2006-07 Supplemental & FY 2007-08 Budget Amendment**

Department: Department of Personnel & Administration (DPA)
Long Bill Group/Division: Division of Human Resources (DHR)
Program: Risk Management Services
Request Title: Technical Adjustments to FY 2006-07 and FY 2007-08 Risk Management and Worker's Compensation Statewide Allocations
Request Criteria: New Data
Priority Number: Statewide Supplemental #3, Statewide Budget Amendment #3

SUMMARY

The following analysis describes requested supplemental appropriations for FY 2006-07 and amended request figures in FY 2007-08 for Risk Management Services (RMS) in the Department of Personnel and Administration (DPA), including the Liability, Property and Workers' Compensation programs. In general, the adjustments reflect revised prospective loss estimates from private actuaries retained by the Division of Human Resources (DHR), cost estimates that more accurately reflect allocated program costs (overhead), and modified reserve funding levels necessary for changes to the State's general property and boiler policies. The respective programmatic funding adjustments are briefly listed below.

Appropriation Adjustments for FY 2006-07:

Overall, Statewide allocations are *increased* by \$2.87 million to \$47.6 million, with increases needed for the Property and Liability Programs cited as the primary sources of the adjustment. The Liability Program Premiums line is *increased* by \$2,174,577 (to \$8,345,546), the Property Program Premiums line is *increased* by \$2,959,843 (to \$8,805,849), and the Workers' Compensation Premiums line is *increased* by \$230,148 (to \$30,305,844).

Appropriation Adjustments for FY 2007-08:

Overall, Statewide allocations are *increased* by \$2.12 million to \$50.9 million, with increases again anticipated mainly for the Property and Liability Programs. The Liability Program Premiums line is *increased* by \$217,022 (to \$8,345,546), the Property Program Premiums line is *increased* by \$1,888,900 (to \$8,585,311), and the Workers' Compensation Premiums line is *decreased* by \$33,490 (to \$30,305,844).

PROBLEM OR OPPORTUNITY DEFINITION

The Department's analysis indicates that adjustments to statewide allocations are necessary for both FY 2006-07 and FY 2007-08 in the Risk Management programs (Workers' Compensation, Property and Liability programs). This request represents a true-up of annual appropriations for risk management services and coverage for both fiscal years.

BACKGROUND

This request represents the annual supplemental update to statewide allocations and program appropriations in Risk Management Services for FY 2006-07 and amended allocations for FY 2007-08. The analysis reflects the most current actuarial data and assumptions along with updated premium payments for the fiscal years from insurance providers. Following is a summary of the factors leading to specific adjustments contained in the request.

AVAILABLE ALTERNATIVES

Alternative #1 (Recommended) – Adjust statewide allocations and premium line appropriations according to the findings of the analysis.

Alternative #2 – Make no changes.

STATUTORY AND OTHER AUTHORITY

24-30-1501, C.R.S., provides the statutory authorization for the Risk Management Unit.

LINKAGE TO OBJECTIVES

DPA FY 2007-08 Strategic Plan:

Extend The Truth-In-Rates Philosophy Department-wide

Associated objectives included the following:

- Continue the Truth-in-Rates philosophy to ensure that rates recover the cost of services.
- Annually review and analyze all rates in coordination with applicable division management, Department Controller, CFO and Budget Director.
- Revisit and revise any outdated or inefficient rate setting and cost allocation methodologies proactively.
- Develop models to support and justify the appropriate targeted fund balance for all cash funds and implement methods necessary to maintain the fund balance(s) on an ongoing basis.

ASSESSMENT OF ALTERNATIVES

Alternative #1 (Recommended) – Assumptions and Calculations

A. Risk Management Services (RMS) Program Overhead

1. For FY 2006-07 calculations, appropriated Long Bill amounts and central appropriation allocations are used as reported in the Schedule 5(s) submitted with the FY 2007-08 budget request (with the exception of necessary adjustments for personal services pots occurring post-submission).
2. For FY 2007-08 calculations, requested Long Bill amounts and central appropriation allocations are used as reported in the Schedule 3 and Schedule(s) 5 submitted with the FY 2007-08 budget request.

3. The overhead allocation percentages are derived from the proportion of each programs' premium line item in comparison to the total of all premium lines. FY 2006-07 and FY 2007-08 overhead allocation percentages are calculated respectively as shown in the tables below:

FY 2006-07 Line Item	Total	Percent Allocation
Liability Premiums	8,345,546	17.6%
Property Premiums	8,805,849	18.6%
Workers' Compensation Premiums	30,305,844	63.9%
Total Premiums	\$47,457,239	100.0%

FY 2007-08 Line Item	Total	Percent Allocation
Liability Premiums	8,345,546	17.7%
Property Premiums	8,585,311	18.2%
Workers' Compensation Premiums	30,305,844	64.2%
Total Premiums	\$47,236,701	100.0%

The tables below represent the Risk Management Services (RMS) Program Overhead cost calculations for FY 2006-07 and FY 2007-08, respectively.

FY 2006-07 Program Overhead	Total	Liability	Property	Workers' Comp
Overhead Allocation %	100.0%	17.6%	18.6%	63.9%
Personal Services	\$579,219	101,858	107,476	369,885
Pots Allocations				
Health, Life and Dental	54,566	9,596	10,125	34,845
Short-term Disability	936	165	174	598
Salary Survey	29,799	5,240	5,529	19,029
Performance-based Pay	0	0	0	0
Amortization Equalization Disbursement (AED)	6,139	1,080	1,139	3,920
Supplemental AED	0	0	0	0
Pots Allocations Subtotal	91,440	16,080	16,967	58,393
Operating Expenses	57,104	10,042	10,596	36,466
Operating Common Policies				
Workers' Comp	4,245	747	788	2,711
Payment to Risk Mgt/Property Funds	9,296	1,635	1,725	5,936
Leased Space	3,825			
Capitol Complex Leased Space	22,386	3,937	4,154	14,296
Operating Common Policies Subtotal	39,752	6,991	7,376	25,385
Audit Expense (next in FY08)	0	0	0	0
Indirect Costs	139,450	24,523	25,875	89,052
Total Program Overhead	\$906,965	159,493	168,290	579,181

FY 2007-08 Program Overhead	Total	Liability	Property	Workers' Comp
Overhead Allocation %	100.0%	17.7%	18.2%	64.2%
Personal Services	\$593,764	104,903	107,917	380,944
Pots Allocations				
Health, Life and Dental	52,196	9,222	9,487	33,487
Short-term Disability	776	137	141	498
Salary Survey	24,265	4,287	4,410	15,568
Performance-based Pay	5,448	963	990	3,496
Amortization Equalization Disbursement (AED)	7,165	1,266	1,302	4,597
Supplemental AED	1,493	264	271	958
Pots Allocations Subtotal	91,344	16,138	16,602	58,604
Operating Expenses	57,104	10,089	10,379	36,636
Operating Common Policies				
Workers' Comp	4,440	784	807	2,849
Payment to Risk Mgt/Property Funds	12,431	2,196	2,259	7,975
Leased Space	4,016			
Capitol Complex Leased Space	23,487	4,150	4,269	15,069
Operating Common Policies Subtotal	44,374	7,840	8,065	28,469
Audit Expense	63,120	11,152	11,472	40,496
Indirect Costs	137,080	24,219	24,914	87,947
Total Program Overhead	\$986,786	174,340	179,349	633,096

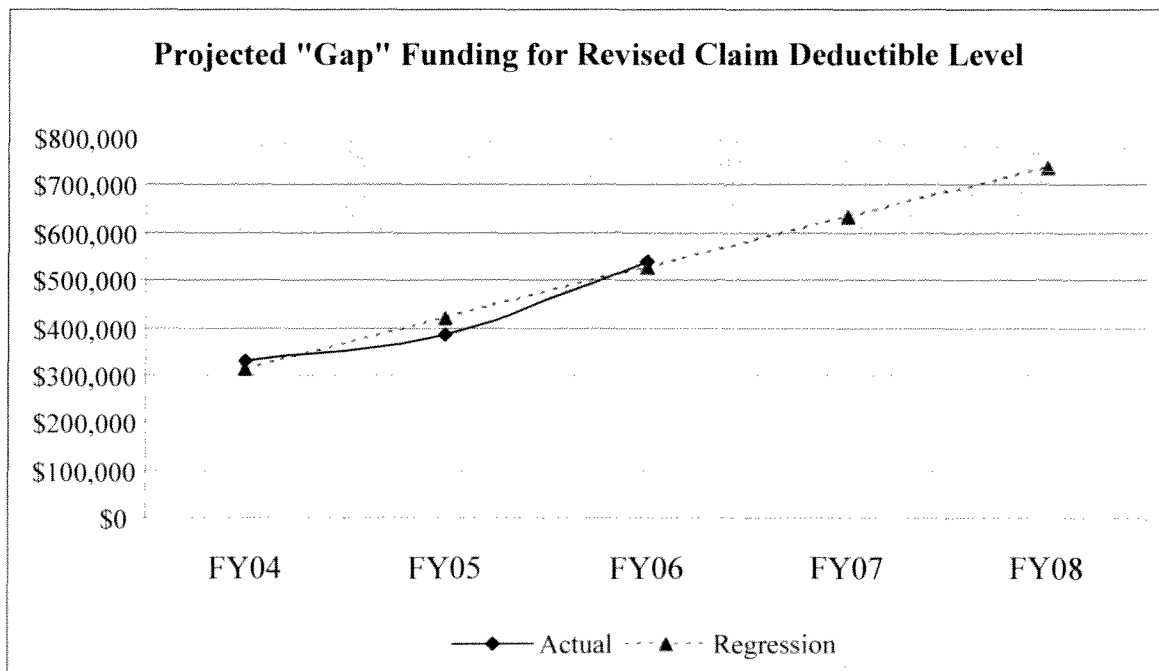
B. Reserve Levels of Risk Management Services Funds

The analysis regarding reserve balance levels for the Risk Management Services programs hinges on these primary assumptions:

1. Regarding the Workers' Compensation and the Property programs, mechanisms exist to contain extraordinary claim levels. As required by the Colorado Department of Labor and Employment for self-funded employers, the Workers' Compensation Program annually purchases excess insurance as additional financial protection in the event of a catastrophic claim or claims. For the Property Program, the general policies have an aggregate deductible level of \$1.25 million for each policy year; similarly, the terrorism policy has a per-event deductible level of \$100,000.
2. Considering these safeguards, it is suggested that reserve fund balance for the Workers' Compensation program continue with a stabilization reserve of 5.0% for FY 2006-07 and FY 2007-08.
3. Regarding the Liability and Property programs, a higher degree of financial volatility exists, so a higher reserve level is requested. Specifically, during FY 2005-06 for the Property Program, we found a high degree of strain on the fund balance, such that we are indicating a more appropriate target of 16.5% (likewise for the Liability reserve). This demand resulted in the need for a loan from the Treasury totaling \$1.0 million, and this is built into the program costs for FY 2006-07 to pay back. The shortfall occurred as a result of several factors last fiscal year, namely: (1) the UNC share was not collected due

to their opt-out of the program, so revenues suffered; (2) the fund experienced some large, extraordinary claims just as the fiscal year drew to a close; (3) residual, or "rolling" deductibles from policy year to policy year were not anticipated adequately, straining the reserve even further; and (4) the reserve, the Department believes, was not adequately funded as requested in the prior two budget cycles due to lower estimated levels recommended by JBC staff, which also contributed to the cash shortfall. The combination of these issues translated to the deficit and consequential need for the loan.

4. For the Property Program, the cost calculations in this request also contemplate actual and estimated residual deductible amounts from policy year to policy year; that is to say, reaching the aggregate deductible level for one policy period may overlap fiscal years. For FY 2006-07, actual residual amounts were used from prior policy periods; for FY 2007-08, an estimate consisting of 2/3 and 1/3 of the aggregate deductible for 2 prior policy years was used. Additionally, a new issue that compounds the need for augmented fund reserves in this program is that the policy effective September, 2006, unlike previous policy periods, now only begins to satisfy deductible levels after the first \$10,000 in payouts (per claim/incident). Previously, claims began to count against deductible levels after the first \$1,000. We refer to this as the revised "gap" funding that needs to be achieved per claim to satisfy the aggregate deductible. This is a significant factor, and additional reserve needs were estimated by regressing three prior years' claim experience, extrapolated from \$1,000 to \$10,000 per claim, and projecting the need for FY 2006-07 (\$631,236) and FY 2007-08 (\$737,780), as below:



Based on the above assumptions, FY 2006-07 appropriations and FY 2007-08 request amounts, and actual and estimated premium and service fee costs for both policy/fiscal periods, the following calculations are made to determine program operating costs and allocations for each fiscal year.

C. Liability Program Budget Calculations

The tables below represent the Liability Program cost calculations for FY 2006-07 and FY 2007-08, respectively. Assumptions for these calculations are provided in the 'Notes' column.

FY 2006-07 Liability Program Costs	Total	Notes
Program Overhead Expenses	\$159,493	Calculated as 17.6% of the total
Premium Line Expenses		
Prospective Losses Estimate	7,568,524	Actuarial Report (7/14/2006)
Excess Auto	452,168	Actual
Actuarial Services	17,474	Estimate
Adjusting Services	257,973	Estimate
Broker Service Fees	43,000	Estimate
RMIS Service Fees	6,407	Estimate
Premium Line Expenses subtotal	8,345,546	
Legal Services	2,159,152	Per FY07 Long Bill
Reserve Stabilization	83,897	Maintains 16.5% reserve balance of \$1,759,592
Total Liability Allocations	\$10,748,088	Agency billings equal allocated assessments

FY 2007-08 Liability Program Costs	Total	Notes
Program Overhead Expenses	\$174,340	Calculated as 17.7% of the total
Premium Line Expenses		
Prospective Losses Estimate	7,568,524	Actuarial Report (7/14/2006)
Excess Auto	452,168	Actual
Actuarial Services	17,474	Estimate
Adjusting Services	257,973	Estimate
Broker Service Fees	43,000	Estimate
RMIS Service Fees	6,407	Estimate
Premium Line Expenses subtotal	8,345,546	
Legal Services	2,159,152	Per FY07 Long Bill as an estimate
Reserve Stabilization	2,448	Maintains 16.5% reserve balance of \$1,762,041
Total Liability Allocations	\$10,681,488	Agency billings equal allocated assessments

D. Property Program Budget Calculations

The tables below represent the Property Program cost calculations for FY 2006-07 and FY 2007-08, respectively. Assumptions for these calculations are provided in the 'Notes' column.

FY 2006-07 Property Program Costs	Total	Notes
Program Overhead Expenses	\$168,290	Calculated as 18.6% of the total
Premium Line Expenses*		*Policies renew annually in September
Property & Boiler Policies	3,171,457	Actual renewal (10 months)
Terrorism Premium	508,789	Actual renewal (10 months)
Flood Zone A Premiums	193,194	Actual renewal

Crime Policy	35,567	Actual renewal (10 months)
Broker Services/Consulting Fees	175,000	Estimate
RMIS Service Fees	6,014	Estimate
Prior Year Prepaid Premiums	552,570	Prepaid Premiums (2 months prior FY)
FY06 Treasury Loan	1,009,612	Includes projected interest payments
Current FY and Rollforward Deductibles	3,153,647	Aggregated with actual prior year residuals
Premium Line Expenses subtotal	8,805,849	
Reserve Stabilization	1,853,256	Maintains 16.5% reserve balance of \$1,480,733
Total Property Allocations	\$10,830,230	Agency billings equal allocated assessments

FY 2007-08 Property Program Costs	Total	Notes
Program Overhead Expenses	\$179,349	Calculated as 18.2% of the total
Premium Line Expenses*		*Policies renew annually in September
Property & Boiler Policies	3,171,457	Estimated renewal (10 months)
Terrorism Premium	508,789	Estimated renewal (10 months)
Flood Zone A Premiums	193,194	Estimated renewal (10 months)
Crime Policy	35,567	Estimated renewal (10 months)
Service Fees	175,000	Estimate
RMIS Service Fees	6,014	Estimate
Prior Year Prepaid Premiums	634,291	Prepaid Premiums (2 months)
Program Fund Caps and Residuals	3,861,000	Aggregated with estimated prior year residuals
Premium Line Expenses subtotal	8,585,311	
Reserve Stabilization	(34,564)	Maintains 16.5% reserve balance of \$1,446,169
Total Property Allocations	\$8,730,096	Agency billings equal allocated assessments

E. Workers' Compensation Program Budget Calculations

The tables below represent the Workers' Compensation Program cost calculations for FY 2006-07 and FY 2007-08, respectively. Assumptions for these calculations are provided in the 'Notes' column.

FY 2006-07 Workers' Compensation Costs	Total	Notes
Program Overhead Expenses	\$579,181	Calculated as 63.9% of the total
Premium Line Expenses		
Prospective Claims Payout	26,798,584	Actuarial Report (7/14/2006)
DHS Prior Year Claim Payments	154,704	Actual
Excess Policy	295,459	Actual
Admin Fee	2,500,000	Estimate
Surcharge (CDLE)	407,153	Actual
Actuarial Services	38,903	Estimate
RMIS Service Fees	81,161	Estimate
Broker Service Fees	29,880	Estimate
Premium Line Expenses subtotal	30,305,844	

C-SEAP Funding	475,055	See table, below (Base, Pots, Common Policies)
Reserve Stabilization	(5,357,689)	Maintains 5% reserve balance of \$1,568,004
Total Workers' Compensation Allocations	\$26,002,391	Agency billings equal allocated assessments

FY 2007-08 Workers' Compensation Costs	Total	Notes
Program Overhead Expenses	\$633,096	Calculated as 64.2% of the total
Premium Line Expenses		
Prospective Claims Payout	26,798,584	Actuarial Report (7/14/2006)
DHS Prior Year Claim Payments	154,704	Estimate
Excess Policy	295,459	Estimate
Admin Fee	2,500,000	Estimate
Surcharge	407,153	Estimate
Actuarial Services	38,903	Estimate
RMIS Service Fees	81,161	Estimate
Broker Service Fees	29,880	Estimate
Premium Line Expenses subtotal	30,305,844	
C-SEAP Funding	501,907	See table, below (Base, Pots, Common Policies)
Reserve Stabilization	4,038	Maintains 5% reserve balance of \$1,572,042
Total Workers' Compensation Allocations	\$31,444,886	Agency billings equal allocated assessments

F. C-SEAP Funding Related to the Workers' Compensation Program

1. Pursuant to Section 24-50-604 (1) (k) (IV) C.R.S., the Colorado State Employees Assistance Program (C-SEAP) may be funded from (but not limited to) the Risk Management Fund. As such, C-SEAP funding is incorporated within the Workers' Compensation Program billing allocations
2. For FY 2006-07 C-SEAP calculations, appropriated Long Bill amounts and central appropriation allocations are used as reported in the Schedule 5(s) submitted with the FY 2007-08 budget request (with the exception of necessary adjustments for personal services pots occurring post-submission).
3. For FY 2007-08 C-SEAP calculations, requested Long Bill amounts and central appropriation allocations are used as reported in the Schedule 3 and Schedule(s) 5 submitted with the FY 2007-08 budget request.

The table below represents C-SEAP Funding cost calculations for FY 2006-07 and FY 2007-08, respectively.

Calculation of CSEAP Funding Request	FY 2006-07	FY 2007-08
Personal Services	\$288,733	\$296,974

Pots Allocations		
Health, Life and Dental	17,710	15,097
Short-term Disability	454	355
Salary Survey	11,241	11,375
Performance-based Pay	0	2,492
Amortization Equalization Disbursement (AED)	2,980	3,277
Supplemental AED	0	683
Pots Allocations Subtotal	32,385	33,279
Operating Expenses	37,233	37,233
Operating Common Policies		
Workers' Comp	2,122	2,220
Payment to Risk Mgt/Property Funds	4,648	6,215
Leased Space	59,236	62,198
Operating Common Policies Subtotal	66,006	70,633
Indirect Costs	50,698	63,788
Total	\$475,055	\$501,907

G. Revised Allocations for Risk Management

The following appendices provide revised allocations for Risk Management Services along with the funding impacts related to supplemental appropriations for FY 2006-07 and amended request figures for FY 2007-08. Appendix A lists the total values that were developed to replace current allocations/appropriations. Allocations for Liability and Workers' Compensation were developed by a contracted actuarial analyst, whereas the property allocations were developed according to each agency's self-reported values of buildings and contents.

Appendix A – Revised Allocations for Risk Management (replacing prior total allocations)

Appendix B – Liability and Workers' Compensation Allocations (actuarial assessments)

Appendix C – Property Allocations - General and Flood Premiums

Appendix D – Property Locations List for Flood Premiums

CONCERNS OR UNCERTAINTIES

None identified at this time.

CONCLUSION/RECOMMENDATION

The Department recommends the identified program and allocation adjustments for FY 2006-07 and FY 2007-08 as indicated in Alternative #1. This course of action will (1) align program costs with the best information the Department has at this point in time regarding actuarial analyses, new premium costs, policy deductibles and reserve demands; (2) utilize reserve funding for the Workers' Compensation and Liability programs to decrease aggregate allocations for these programs; and (3) satisfy the strained reserve needs in the Property program to safeguard agencies and satisfy fund obligations.

Appendix A – Revised Allocations for Risk Management

Department/Agency	Code	Revised Allocation Total - FY 2006-07				Revised Allocation Total - FY 2007-08			
		Liability	Property	Risk Mgt & Liability	Workers' Comp	Liability	Property	Risk Mgt & Liability	Workers' Comp
Agriculture	AG	132,325	132,576	264,901	247,738	106,774	106,398	213,172	309,194
Arts Council	AH	1,000	85	1,086	1,966	1,000	69	1,069	1,666
Corrections	CO	3,325,289	1,753,763	5,079,052	4,428,224	3,159,651	1,407,480	4,567,131	5,360,742
Education	ED	6,681	164,222	170,903	245,137	4,648	131,796	136,444	207,729
Office of Governor	EX	122,309	2,630	124,939	4,515	158,014	2,110	160,125	7,105
Personnel & Administration	GS	90,310	1,034,617	1,124,927	285,476	85,812	831,875	917,686	394,580
Healthcare Policy & Finance	HC	101,666	153	101,819	25,760	96,602	122	96,724	24,417
Higher Education	HE	1,138,379	4,838,537	5,976,916	2,635,227	1,315,573	3,889,416	5,204,989	3,190,167
Transportation	HI	2,620,865	797,770	3,418,635	5,303,219	2,490,315	640,250	3,130,564	6,419,999
Human Services	HS	1,278,499	909,896	2,188,395	6,389,053	1,214,815	730,236	1,945,050	8,044,249
Judicial	JD	355,100	74,827	429,927	1,348,485	335,533	60,052	395,586	1,777,478
Labor & Employment	LA	98,414	68,280	166,693	504,884	93,511	54,798	148,309	721,538
Legislature	LE	5,270	7,518	12,788	28,583	6,808	6,033	12,842	34,602
Local Affairs	LO	21,062	16,108	37,171	35,024	14,652	12,928	27,580	45,969
Law	LW	82,380	7,142	89,522	55,453	78,276	5,732	84,008	79,337
Military Affairs	MA	30,266	102,855	133,120	87,577	21,792	82,546	104,338	106,019
Natural Resources	NR	368,650	555,228	923,878	1,677,395	476,269	461,949	938,218	1,421,421
Public Health	PH	62,714	68,494	131,208	291,346	81,023	56,286	137,309	352,699
Public Safety	PS	604,677	134,910	739,586	1,675,387	647,438	110,728	758,167	2,028,199
Regulatory Agencies	RG	69,681	12,450	82,132	89,485	66,210	9,992	76,202	140,820
Revenue	RV	214,714	78,667	293,381	636,413	204,019	63,929	267,947	770,432
Secretary of State	ST	16,836	18,643	35,479	5,045	21,751	14,962	36,713	5,526
Treasury	TR	1,000	48,026	49,026	1,000	1,000	47,972	48,972	1,000
Totals		10,748,088	10,827,395	21,575,483	26,002,391	10,681,488	8,727,659	19,409,147	31,444,886

Higher Ed Agencies	Code	Revised Allocation Total - FY 2006-07				Revised Allocation Total - FY 2007-08			
		Liability	Property	Risk Mgt & Liability	Workers' Comp	Liability	Property	Risk Mgt & Liability	Workers' Comp
Arapahoe Community College	AR	91,403	141,238	232,641	65,263	103,811	113,532	217,343	102,707
Adams State College	AS	37,087	409,518	446,605	232,420	55,717	328,658	384,375	239,159
Auraria Higher Educ. Center	AU	82,429	708,188	790,617	270,494	93,618	572,519	666,137	354,727
Community College of Aurora	CA	25,586	17,047	42,633	44,242	20,697	13,681	34,378	45,525
Community College of Denver	CD	3,462	13,928	17,390	69,190	5,201	11,178	16,379	71,196
Fort Lewis College	FL	22,467	378,527	400,994	188,176	25,517	303,786	329,303	193,632
Front Range Community College	FR	15,970	178,995	194,965	125,319	23,992	143,652	167,644	141,035
College Access Network (GSL)	GL	114,972	33,882	148,854	39,194	172,724	27,192	199,916	40,330
CCHE	HE	685	861	1,546	4,249	554	691	1,245	6,687
Historical Society	HS	3,429	30,794	34,223	9,413	5,151	24,714	29,865	13,717
Lamar Community College	LA	2,041	60,585	62,626	8,316	1,651	48,623	50,274	8,557
Metropolitan State College	ME	281,446	22,740	304,186	125,186	368,423	18,250	386,673	128,815
Colo School of Mines	MI	131,550	796,311	927,861	218,767	106,412	639,078	745,490	225,110
Morgan Community College	MO	616	25,026	25,642	27,226	925	20,084	21,009	34,239
Mesa College	MS	41,370	381,069	422,439	155,038	33,464	305,826	339,290	243,989
Northeastern Junior College	NE	1,039	113,663	114,702	1,472	1,560	91,220	92,780	2,317
Northwestern Junior College	NW	866	172,972	173,838	1,775	1,302	139,958	141,260	2,793
CollegeInvest	OB	639	1,083	1,722	1,539	959	869	1,828	2,422
CCCOES/Heat	OE	2,902	133,967	136,869	54,995	4,305	107,515	111,820	56,589
Otero Junior College	OT	2,444	87,975	90,419	103,456	1,977	70,604	72,581	106,456
Pikes Peak Comm College	PP	62,628	181,187	243,815	273,757	54,186	145,412	199,598	430,823
Pueblo Community College	PV	6,465	115,693	122,158	139,817	9,713	92,849	102,562	203,752
Red Rocks Community College	RR	15,874	117,867	133,741	97,389	12,840	95,363	108,203	100,213
CSU-Pueblo	SC	156,683	273,270	429,953	235,907	177,952	219,313	397,265	248,521
Trinidad State Jr College	TR	5,988	142,905	148,893	101,458	5,549	114,688	120,237	122,067
Western State College	WS	28,337	299,248	327,585	41,168	27,373	240,161	267,534	64,788
Totals		1,138,379	4,838,539	5,976,918	2,635,227	1,315,573	3,889,416	5,204,989	3,190,167

Appendix B: Liability and Workers' Compensation Allocations

STATE OF COLORADO
RISK MANAGEMENT OFFICE
2007 Statewide Allocation: Workers Compensation

Exhibit
**STATEWIDE
WC**
1

2006 Allocation \$27,676,166
2007 Allocation 25,847,687

Dept. No.	Dept. Code	2006 WC Allocation Distribution	2007 WC Allocation Distribution	Indicated Change	Funding Change	Total Change	2007 Allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AG	0.7373%	0.9585%	30.00%	-6.61%	21.41%	\$247,738
2	AH	0.0109%	0.0076%	-30.00%	-6.61%	-34.63%	1,966
3	CO	20.0094%	17.1320%	-14.38%	-6.61%	-20.04%	4,428,224
4	ED	1.3549%	0.9484%	-30.00%	-6.61%	-34.63%	245,137
5	EX	0.0134%	0.0175%	30.00%	-6.61%	21.41%	4,515
6	GS	0.8496%	1.1045%	30.00%	-6.61%	21.41%	285,476
7	HC	0.1424%	0.0997%	-30.00%	-6.61%	-34.63%	25,760
8	HE	10.0139%	10.1952%	1.81%	-6.61%	-4.92%	2,635,227
9	HI	21.7939%	20.5172%	-5.86%	-6.61%	-12.08%	5,303,219
10	HS	18.5532%	24.1196%	30.00%	-6.61%	21.41%	6,234,349
11	JD	4.0130%	5.2170%	30.00%	-6.61%	21.41%	1,348,485
12	LA	1.5025%	1.9533%	30.00%	-6.61%	21.41%	504,884
13	LE	0.0973%	0.1106%	13.63%	-6.61%	6.13%	28,583
14	LO	0.1042%	0.1355%	30.00%	-6.61%	21.41%	35,024
15	LW	0.1650%	0.2145%	30.00%	-6.61%	21.41%	55,453
16	MA	0.3990%	0.3388%	-15.08%	-6.61%	-20.69%	87,577
17	NR	9.2709%	6.4895%	-30.00%	-6.61%	-34.63%	1,677,395
18	PH	1.0142%	1.1272%	11.14%	-6.61%	3.80%	291,346
19	PS	6.7239%	6.4818%	-3.60%	-6.61%	-9.97%	1,675,387
20	RG	0.2663%	0.3462%	30.00%	-6.61%	21.41%	89,485
21	RV	2.9335%	2.4622%	-16.07%	-6.61%	-21.61%	636,413
22	ST	0.0279%	0.0195%	-30.00%	-6.61%	-34.63%	5,045
23	TR	<u>0.0036%</u>	<u>0.0039%</u>	8.80%	<u>-6.61%</u>	<u>1.61%</u>	<u>1,000</u>
Total		100.0000%	100.0000%		-6.61%	-6.61%	\$25,847,687

Notes:

- (3) Provided by SRM.
- (4) From Exhibit STATEWIDE WC 2.
- (5) (4)/(3)-1.
- (6) Provided by SRM.
- (7) [1+(5)] x [1+(6)]-1.
- (8) 2007 Total x (4).

Appendix B: Liability and Workers' Compensation Allocations

STATE OF COLORADO
RISK MANAGEMENT OFFICE
2007 Statewide Allocation: Liability

Exhibit
**STATEWIDE
LIAB**
1

2006 Allocation \$2,932,814
2007 Allocation 10,748,088

Dept. No.	Dept. Code	2006 Liability Allocation Distribution	2007 Liability Allocation Distribution	Indicated Change	Funding Change	Total Change	2007 Allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AG	1.76%	1.23%	-30.00%	266.48%	156.53%	\$132,325
2	AH	0.00%	0.01%	388.05%	266.48%	1688.60%	1,000
3	CO	31.61%	30.94%	-2.12%	266.48%	258.72%	3,325,289
4	ED	0.09%	0.06%	-30.00%	266.48%	156.53%	6,681
5	EX	0.88%	1.14%	30.00%	266.48%	376.42%	122,309
6	GS	1.19%	0.84%	-29.20%	266.48%	159.46%	90,310
7	HC	0.75%	0.95%	26.23%	266.48%	362.62%	101,666
8	HE	8.15%	10.59%	30.00%	266.48%	376.42%	1,138,379
9	HI	24.86%	24.38%	-1.90%	266.48%	259.51%	2,620,865
10	HS	13.33%	11.90%	-10.75%	266.48%	227.09%	1,278,499
11	JD	4.72%	3.30%	-30.00%	266.48%	156.53%	355,100
12	LA	1.10%	0.92%	-17.10%	266.48%	203.80%	98,414
13	LE	0.04%	0.05%	30.00%	266.48%	376.42%	5,270
14	LO	0.28%	0.20%	-30.00%	266.48%	156.53%	21,062
15	LW	0.80%	0.77%	-4.65%	266.48%	249.42%	82,380
16	MA	0.40%	0.28%	-30.00%	266.48%	156.53%	30,266
17	NR	2.64%	3.43%	30.00%	266.48%	376.42%	368,650
18	PH	0.45%	0.58%	30.00%	266.48%	376.42%	62,714
19	PS	4.33%	5.63%	30.00%	266.48%	376.42%	604,677
20	RG	0.68%	0.65%	-4.28%	266.48%	250.80%	69,681
21	RV	1.83%	2.00%	9.03%	266.48%	299.56%	214,714
22	ST	0.12%	0.16%	30.00%	266.48%	376.42%	16,836
23	TR	0.01%	0.01%	45.19%	266.48%	432.09%	1,000
Total		100.00%	100.00%		266.48%	266.48%	\$10,748,088

Notes:

- (3) Provided by SRM.
- (4) From Exhibit STATEWIDE LIAB 2.
- (5) (4)/(3)-1.
- (6) Provided by SRM.
- (7) [1 + (5)] x [1 + (6)]-1.
- (8) 2007 Total x (4).

Appendix B: Liability and Workers' Compensation Allocations

STATE OF COLORADO
RISK MANAGEMENT OFFICE
2007 Higher Education Allocation: WC

Exhibit
**HIGHER ED
WC**
1

2006 Allocation \$2,771,451
2007 Allocation 2,635,227

Dept. No.	Dept. Code	2006 WC Allocation Distribution	2007 WC Allocation Distribution	Indicated Change	Funding Change	Total Change	2007 Allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AR	1.91%	2.48%	30.00%	-4.92%	23.61%	65,263
2	AS	9.54%	8.82%	-7.50%	-4.92%	-12.05%	232,420
3	AU	11.10%	10.26%	-7.50%	-4.92%	-12.05%	270,494
4	CA	1.82%	1.68%	-7.50%	-4.92%	-12.05%	44,242
5	CD	2.84%	2.63%	-7.50%	-4.92%	-12.05%	69,190
6	FL	7.72%	7.14%	-7.50%	-4.92%	-12.05%	188,176
7	FR	5.14%	4.76%	-7.50%	-4.92%	-12.05%	125,319
8	GL	1.61%	1.49%	-7.50%	-4.92%	-12.05%	39,194
9	HE	0.12%	0.16%	30.00%	-4.92%	23.61%	4,249
10	HS	0.35%	0.36%	1.00%	-4.92%	-3.97%	9,413
11	LA	0.34%	0.32%	-7.50%	-4.92%	-12.05%	8,316
12	ME	5.14%	4.75%	-7.50%	-4.92%	-12.05%	125,186
13	MI	8.98%	8.30%	-7.50%	-4.92%	-12.05%	218,767
14	MO	1.12%	1.03%	-7.50%	-4.92%	-12.05%	27,226
15	MS	4.53%	5.88%	30.00%	-4.92%	23.61%	155,038
16	NE	0.04%	0.06%	30.00%	-4.92%	23.61%	1,472
17	NW	0.05%	0.07%	30.00%	-4.92%	23.61%	1,775
18	OB	0.04%	0.06%	30.00%	-4.92%	23.61%	1,539
19	OE	2.26%	2.09%	-7.50%	-4.92%	-12.05%	54,995
20	OT	4.24%	3.93%	-7.50%	-4.92%	-12.05%	103,456
21	PP	7.99%	10.39%	30.00%	-4.92%	23.61%	273,757
22	PV	4.10%	5.31%	29.52%	-4.92%	23.15%	139,817
23	RR	4.00%	3.70%	-7.50%	-4.92%	-12.05%	97,389
24	SC	9.68%	8.95%	-7.50%	-4.92%	-12.05%	235,907
25	TR	4.16%	3.85%	-7.50%	-4.92%	-12.05%	101,458
26	WS	<u>1.20%</u>	<u>1.56%</u>	30.00%	<u>-4.92%</u>	<u>23.61%</u>	<u>41,168</u>
Total		100.00%	100.00%		-4.92%	-4.92%	\$2,635,227

Notes:

- (3) Provided by SRM.
- (4) From Exhibit HIGHER ED WC 2.
- (5) (4)/(3)-1.
- (6) Provided by SRM.
- (7) [1+(5)] x [1+(6)]-1.
- (8) 2007 total x (4).

Appendix B: Liability and Workers' Compensation Allocations

STATE OF COLORADO
RISK MANAGEMENT OFFICE
2007 Higher Education Allocation: Liability

Exhibit
**HIGHER ED
LIAB**
1

2006 Allocation \$238,945
2007 Allocation 1,138,379

Dept. No.	Dept. Code	2006 Liability Allocation Distribution	2007 Liability Allocation Distribution	Indicated Change	Funding Change	Total Change	2007 Allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AR	7.65%	8.03%	4.91%	376.42%	399.83%	\$91,403
2	AS	2.51%	3.26%	30.00%	376.42%	519.32%	37,087
3	AU	7.64%	7.24%	-5.21%	376.42%	351.59%	82,429
4	CA	3.21%	2.25%	-30.00%	376.42%	233.48%	25,586
5	CD	0.23%	0.30%	30.00%	376.42%	519.32%	3,462
6	FL	2.13%	1.97%	-7.19%	376.42%	342.15%	22,467
7	FR	1.08%	1.40%	30.00%	376.42%	519.32%	15,970
8	GL	7.77%	10.10%	30.00%	376.42%	519.32%	114,972
9	HE	0.09%	0.06%	-30.00%	376.42%	233.48%	685
10	HS	0.23%	0.30%	30.00%	376.42%	519.32%	3,429
11	LA	0.26%	0.18%	-30.00%	376.42%	233.48%	2,041
12	ME	19.02%	24.72%	30.00%	376.42%	519.32%	281,446
13	MI	16.51%	11.56%	-30.00%	376.42%	233.48%	131,550
14	MO	0.04%	0.05%	30.00%	376.42%	519.32%	616
15	MS	5.19%	3.63%	-30.00%	376.42%	233.48%	41,370
16	NE	0.07%	0.09%	30.00%	376.42%	519.32%	1,039
17	NW	0.06%	0.08%	30.00%	376.42%	519.32%	866
18	OB	0.04%	0.06%	30.00%	376.42%	519.32%	639
19	OE	0.20%	0.25%	30.00%	376.42%	519.32%	2,902
20	OT	0.31%	0.21%	-30.00%	376.42%	233.48%	2,444
21	PP	7.86%	5.50%	-30.00%	376.42%	233.48%	62,628
22	PV	0.44%	0.57%	30.00%	376.42%	519.32%	6,465
23	RR	1.99%	1.39%	-30.00%	376.42%	233.48%	15,874
24	SC	11.18%	13.76%	23.16%	376.42%	486.77%	156,683
25	TR	0.75%	0.53%	-30.00%	376.42%	233.48%	5,988
26	WS	<u>3.56%</u>	<u>2.49%</u>	-30.00%	<u>376.42%</u>	<u>233.48%</u>	<u>28,337</u>
Total		100.00%	100.00%		376.42%	376.42%	\$1,138,379

Notes:

- (3) Provided by SRM.
- (4) From Exhibit HIGHER ED LIAB 2.
- (5) (4)/(3)-1.
- (6) Provided by SRM.
- (7) [1+(5)] x [1+(6)]-1.
- (8) 2007 total x (4).

Appendix B: Liability and Workers' Compensation Allocations

STATE OF COLORADO
 RISK MANAGEMENT OFFICE
 2008 Statewide Allocation: Workers Compensation

Exhibit
 STATEWIDE
 WC
 1

2007 Allocation \$25,847,687
 2008 Allocation 31,290,182

Dept. No.	Dept. Code	2007 WC Allocation Distribution (3)	2008 WC Allocation Distribution (4)	Indicated Change (5)	Funding Change (6)	Total Change (7)	2008 Allocation (8)
1	AG	0.9585%	0.9882%	3.10%	21.06%	24.81%	\$309,194
2	AH	0.0076%	0.0053%	-30.00%	21.06%	-15.26%	1,666
3	CO	17.1320%	17.1323%	0.00%	21.06%	21.06%	5,360,742
4	ED	0.9484%	0.6639%	-30.00%	21.06%	-15.26%	207,729
5	EX	0.0175%	0.0227%	30.00%	21.06%	57.37%	7,105
6	GS	1.1045%	1.2610%	14.18%	21.06%	38.22%	394,580
7	HC	0.0997%	0.0780%	-21.70%	21.06%	-5.21%	24,417
8	HE	10.1952%	10.1954%	0.00%	21.06%	21.06%	3,190,167
9	HI	20.5172%	20.5176%	0.00%	21.06%	21.06%	6,419,999
10	HS	24.1196%	25.2141%	4.54%	21.06%	26.55%	7,889,545
11	JD	5.2170%	5.6806%	8.89%	21.06%	31.81%	1,777,478
12	LA	1.9533%	2.3060%	18.05%	21.06%	42.91%	721,538
13	LE	0.1106%	0.1106%	0.00%	21.06%	21.06%	34,602
14	LO	0.1355%	0.1469%	8.42%	21.06%	31.25%	45,969
15	LW	0.2145%	0.2536%	18.18%	21.06%	43.07%	79,337
16	MA	0.3388%	0.3388%	0.00%	21.06%	21.06%	106,019
17	NR	6.4895%	4.5427%	-30.00%	21.06%	-15.26%	1,421,421
18	PH	1.1272%	1.1272%	0.00%	21.06%	21.06%	352,699
19	PS	6.4818%	6.4819%	0.00%	21.06%	21.06%	2,028,199
20	RG	0.3462%	0.4500%	30.00%	21.06%	57.37%	140,820
21	RV	2.4622%	2.4622%	0.00%	21.06%	21.06%	770,432
22	ST	0.0195%	0.0177%	-9.52%	21.06%	9.54%	5,526
23	TR	<u>0.0039%</u>	<u>0.0032%</u>	-17.39%	<u>21.06%</u>	<u>0.00%</u>	<u>1,000</u>
Total		100.0000%	100.0000%		21.06%	21.06%	\$31,290,182

Notes:

- (3) Provided by SRM.
- (4) From Exhibit STATEWIDE WC 2.
- (5) (4)/(3)-1.
- (6) Provided by SRM.
- (7) [1+(5)] x [1+(6)]-1.
- (8) 2008 Total x (4).

Appendix B: Liability and Workers' Compensation Allocations

STATE OF COLORADO
RISK MANAGEMENT OFFICE
2008 Statewide Allocation: Liability

Exhibit
**STATEWIDE
LIAB**
1

2007 Allocation \$10,748,088
2008 Allocation 10,681,488

Dept. No.	Dept. Code	2007 Liability Allocation Distribution	2008 Liability Allocation Distribution	Indicated Change	Funding Change	Total Change	2008 Allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AG	1.23%	1.00%	-18.81%	-0.62%	-19.31%	\$106,774
2	AH	0.01%	0.01%	0.62%	-0.62%	-0.01%	1,000
3	CO	30.94%	29.58%	-4.39%	-0.62%	-4.98%	3,159,651
4	ED	0.06%	0.04%	-30.00%	-0.62%	-30.43%	4,648
5	EX	1.14%	1.48%	30.00%	-0.62%	29.19%	158,014
6	GS	0.84%	0.80%	-4.39%	-0.62%	-4.98%	85,812
7	HC	0.95%	0.90%	-4.39%	-0.62%	-4.98%	96,602
8	HE	10.59%	12.32%	16.29%	-0.62%	15.57%	1,315,573
9	HI	24.38%	23.31%	-4.39%	-0.62%	-4.98%	2,490,315
10	HS	11.90%	11.37%	-4.39%	-0.62%	-4.98%	1,214,815
11	JD	3.30%	3.14%	-4.92%	-0.62%	-5.51%	335,533
12	LA	0.92%	0.88%	-4.39%	-0.62%	-4.98%	93,511
13	LE	0.05%	0.06%	30.00%	-0.62%	29.19%	6,808
14	LO	0.20%	0.14%	-30.00%	-0.62%	-30.43%	14,652
15	LW	0.77%	0.73%	-4.39%	-0.62%	-4.98%	78,276
16	MA	0.28%	0.20%	-27.55%	-0.62%	-28.00%	21,792
17	NR	3.43%	4.46%	30.00%	-0.62%	29.19%	476,269
18	PH	0.58%	0.76%	30.00%	-0.62%	29.19%	81,023
19	PS	5.63%	6.06%	7.74%	-0.62%	7.07%	647,438
20	RG	0.65%	0.62%	-4.39%	-0.62%	-4.98%	66,210
21	RV	2.00%	1.91%	-4.39%	-0.62%	-4.98%	204,019
22	ST	0.16%	0.20%	30.00%	-0.62%	29.19%	21,751
23	TR	0.01%	0.01%	0.62%	-0.62%	-0.01%	1,000
Total		100.00%	100.00%		-0.62%	-0.62%	\$10,681,488

Notes:

- (3) Provided by SRM.
- (4) From Exhibit STATEWIDE LIAB 2.
- (5) (4)/(3)-1.
- (6) Provided by SRM.
- (7) [1 + (5)] x [1 + (6)]-1.
- (8) 2008 Total x (4).

Appendix B: Liability and Workers' Compensation Allocations

STATE OF COLORADO
RISK MANAGEMENT OFFICE
2008 Higher Education Allocation: WC

Exhibit
**HIGHER ED
WC**
1

2007 Allocation \$2,635,227
2008 Allocation 3,190,167

Dept. No.	Dept. Code	2007 WC Allocation Distribution	2008 WC Allocation Distribution	Indicated Change	Funding Change	Total Change	2008 Allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AR	2.48%	3.22%	30.00%	21.06%	57.37%	102,707
2	AS	8.82%	7.50%	-15.00%	21.06%	2.90%	239,159
3	AU	10.26%	11.12%	8.33%	21.06%	31.14%	354,727
4	CA	1.68%	1.43%	-15.00%	21.06%	2.90%	45,525
5	CD	2.63%	2.23%	-15.00%	21.06%	2.90%	71,196
6	FL	7.14%	6.07%	-15.00%	21.06%	2.90%	193,632
7	FR	4.76%	4.42%	-7.04%	21.06%	12.54%	141,035
8	GL	1.49%	1.26%	-15.00%	21.06%	2.90%	40,330
9	HE	0.16%	0.21%	30.00%	21.06%	57.37%	6,687
10	HS	0.36%	0.43%	20.38%	21.06%	45.73%	13,717
11	LA	0.32%	0.27%	-15.00%	21.06%	2.90%	8,557
12	ME	4.75%	4.04%	-15.00%	21.06%	2.90%	128,815
13	MI	8.30%	7.06%	-15.00%	21.06%	2.90%	225,110
14	MO	1.03%	1.07%	3.88%	21.06%	25.76%	34,239
15	MS	5.88%	7.65%	30.00%	21.06%	57.37%	243,989
16	NE	0.06%	0.07%	30.00%	21.06%	57.37%	2,317
17	NW	0.07%	0.09%	30.00%	21.06%	57.37%	2,793
18	OB	0.06%	0.08%	30.00%	21.06%	57.37%	2,422
19	OE	2.09%	1.77%	-15.00%	21.06%	2.90%	56,589
20	OT	3.93%	3.34%	-15.00%	21.06%	2.90%	106,456
21	PP	10.39%	13.50%	30.00%	21.06%	57.37%	430,823
22	PV	5.31%	6.39%	20.38%	21.06%	45.73%	203,752
23	RR	3.70%	3.14%	-15.00%	21.06%	2.90%	100,213
24	SC	8.95%	7.79%	-12.98%	21.06%	5.35%	248,521
25	TR	3.85%	3.83%	-0.62%	21.06%	20.31%	122,067
26	WS	<u>1.56%</u>	<u>2.03%</u>	30.00%	<u>21.06%</u>	<u>57.37%</u>	<u>64,788</u>
Total		100.00%	100.00%		21.06%	21.06%	\$3,190,167

Notes:

- (3) Provided by SRM.
- (4) From Exhibit HIGHER ED WC 2.
- (5) (4)/(3)-1.
- (6) Provided by SRM.
- (7) [1+(5)] x [1+(6)]-1.
- (8) 2008 total x (4).

Appendix B: Liability and Workers' Compensation Allocations

STATE OF COLORADO
RISK MANAGEMENT OFFICE
2008 Higher Education Allocation: Liability

Exhibit
**HIGHER ED
LIAB**
1

2007 Allocation \$1,138,379
2008 Allocation 1,315,573

Dept. No.	Dept. Code	2007 Liability Allocation Distribution	2008 Liability Allocation Distribution	Indicated Change	Funding Change	Total Change	2008 Allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AR	8.03%	7.89%	-1.72%	15.57%	13.57%	\$103,811
2	AS	3.26%	4.24%	30.00%	15.57%	50.23%	55,717
3	AU	7.24%	7.12%	-1.72%	15.57%	13.57%	93,618
4	CA	2.25%	1.57%	-30.00%	15.57%	-19.11%	20,697
5	CD	0.30%	0.40%	30.00%	15.57%	50.23%	5,201
6	FL	1.97%	1.94%	-1.72%	15.57%	13.57%	25,517
7	FR	1.40%	1.82%	30.00%	15.57%	50.23%	23,992
8	GL	10.10%	13.13%	30.00%	15.57%	50.23%	172,724
9	HE	0.06%	0.04%	-30.00%	15.57%	-19.11%	554
10	HS	0.30%	0.39%	30.00%	15.57%	50.23%	5,151
11	LA	0.18%	0.13%	-30.00%	15.57%	-19.11%	1,651
12	ME	24.72%	28.00%	13.27%	15.57%	30.90%	368,423
13	MI	11.56%	8.09%	-30.00%	15.57%	-19.11%	106,412
14	MO	0.05%	0.07%	30.00%	15.57%	50.23%	925
15	MS	3.63%	2.54%	-30.00%	15.57%	-19.11%	33,464
16	NE	0.09%	0.12%	30.00%	15.57%	50.23%	1,560
17	NW	0.08%	0.10%	30.00%	15.57%	50.23%	1,302
18	OB	0.06%	0.07%	30.00%	15.57%	50.23%	959
19	OE	0.25%	0.33%	28.34%	15.57%	48.32%	4,305
20	OT	0.21%	0.15%	-30.00%	15.57%	-19.11%	1,977
21	PP	5.50%	4.12%	-25.13%	15.57%	-13.48%	54,186
22	PV	0.57%	0.74%	30.00%	15.57%	50.23%	9,713
23	RR	1.39%	0.98%	-30.00%	15.57%	-19.11%	12,840
24	SC	13.76%	13.53%	-1.72%	15.57%	13.57%	177,952
25	TR	0.53%	0.42%	-19.81%	15.57%	-7.32%	5,549
26	WS	<u>2.49%</u>	<u>2.08%</u>	-16.41%	<u>15.57%</u>	<u>-3.40%</u>	<u>27,373</u>
Total		100.00%	100.00%		15.57%	15.57%	\$1,315,573

Notes:

- (3) Provided by SRM.
- (4) From Exhibit HIGHER ED LIAB 2.
- (5) (4)/(3)-1.
- (6) Provided by SRM.
- (7) [1+(5)] x [1+(6)]-1.
- (8) 2008 total x (4).

Appendix C: Property Allocations - General and Flood Premiums

Department/Agency	Code	B+C Value	Dept % Share	FY06-07 Premium	FY07-08 Premium	Flood Zone	FY06-07 Allocation	FY07-08 Allocation
Agriculture	AG	87,771,671	1.25%	132,576	106,398		132,576	106,398
Arts Council	AH	56,513	0.001%	85	69		85	69
Corrections	CO	1,161,078,963	16.49%	1,753,763	1,407,480		1,753,763	1,407,480
Education	ED	108,723,208	1.54%	164,222	131,796		164,222	131,796
Office of Governor	EX	1,740,962	0.02%	2,630	2,110		2,630	2,110
Personnel & Administration	GS	679,790,275	9.66%	1,026,796	824,054	7.821	1,034,617	831,875
Healthcare Policy & Finance	HC	101,046	0.00%	153	122		153	122
Higher Education	HE	3,182,384,764	45.20%	4,806,863	3,857,742	31,674	4,838,537	3,889,416
Transportation	HI	528,164,042	7.50%	797,770	640,250		797,770	640,250
Human Services	HS	602,396,737	8.56%	909,896	730,236		909,896	730,236
Judicial	JD	49,539,376	0.70%	74,827	60,052		74,827	60,052
Labor & Employment	LA	45,204,775	0.64%	68,280	54,798		68,280	54,798
Legislature	LE	4,977,030	0.07%	7,518	6,033		7,518	6,033
Local Affairs	LO	10,664,537	0.15%	16,108	12,928		16,108	12,928
Law	LW	4,728,201	0.07%	7,142	5,732		7,142	5,732
Military Affairs	MA	68,094,930	0.97%	102,855	82,546		102,855	82,546
Natural Resources	NR	312,761,841	4.44%	472,414	379,135	82,814	555,228	461,949
Public Health	PH	40,931,756	0.58%	61,826	49,618	6,668	68,494	56,286
Public Safety	PS	81,079,698	1.15%	122,468	98,286	12,442	134,910	110,728
Regulatory Agencies	RG	8,242,748	0.12%	12,450	9,992		12,450	9,992
Revenue	RV	49,418,295	0.70%	74,644	59,906	4,023	78,667	63,929
Secretary of State	ST	12,342,800	0.18%	18,643	14,962		18,643	14,962
Treasury	TR	181,272	0.00%	274	220	47,752	48,026	47,972
Totals		7,040,375,440	100.00%	10,634,201	8,534,465	193,194	10,827,395	8,727,659

Higher Ed Agencies	Code	B+C Value	HE % Share	FY06-07 Premium	FY07-08 Premium	Flood Zone	FY06-07 Allocation	FY07-08 Allocation
Arapahoe Community College	AR	92,896,654	2.919%	140,317	112,611	921	141,238	113,532
Adams State College	AS	271,121,605	8.519%	409,518	328,658		409,518	328,658
Auraria Higher Educ. Center	AU	454,895,668	14.294%	687,101	551,432	21,087	708,188	572,519
Community College of Aurora	CA	11,285,770	0.355%	17,047	13,681		17,047	13,681
Community College of Denver	CD	9,220,996	0.290%	13,928	11,178		13,928	11,178
Fort Lewis College	FL	250,603,661	7.875%	378,527	303,786		378,527	303,786
Front Range Community College	FR	118,503,803	3.724%	178,995	143,652		178,995	143,652
College Access Network (GSL)	GL	22,431,470	0.705%	33,882	27,192		33,882	27,192
C CHE	HE	570,213	0.018%	861	691		861	691
Historical Society	HS	20,387,449	0.641%	30,794	24,714		30,794	24,714
Lamar Community College	LA	40,110,412	1.260%	60,585	48,623		60,585	48,623
Metropolitan State College	ME	15,054,846	0.473%	22,740	18,250		22,740	18,250
Colo School of Mines	MI	527,197,613	16.566%	796,311	639,078		796,311	639,078
Morgan Community College	MO	16,568,160	0.521%	25,026	20,084		25,026	20,084
Mesa College	MS	252,286,610	7.928%	381,069	305,826		381,069	305,826
Northeastern Junior College	NE	75,250,384	2.365%	113,663	91,220		113,663	91,220
Northwestern Junior College	NW	110,694,942	3.478%	167,200	134,186	5,772	172,972	139,958
CollegeInvest	OB	717,138	0.023%	1,083	869		1,083	869
CCCOES/Heat	OE	88,692,598	2.787%	133,967	107,515		133,967	107,515
Otero Junior College	OT	58,243,626	1.830%	87,975	70,604		87,975	70,604
Pikes Peak Comm College	PP	119,955,068	3.769%	181,187	145,412		181,187	145,412
Pueblo Community College	PV	76,594,340	2.407%	115,693	92,849		115,693	92,849
Red Rocks Community College	RR	75,455,790	2.371%	113,973	91,469	3,894	117,867	95,363
CSU-Pueblo	SC	180,918,789	5.685%	273,270	219,313		273,270	219,313
Trinidad State Jr College	TR	94,610,222	2.973%	142,905	114,688		142,905	114,688
Western State College	WS	198,116,937	6.225%	299,248	240,161		299,248	240,161
Totals		3,182,384,764	100.000%	4,806,865	3,857,742	31,674	4,838,539	3,889,416

Appendix D: Property Locations List for Flood Premiums

Dept Code	Agency	Property Name	Street Address	City	Code	County	Premium
Higher Education	AR	Lowell Annex (AVS)	3784 S Logan	Englewood	80110	Arapahoe	921
Higher Education	AU	Administration Building	1201 5th Street	Denver	80204	Adams	1,343
Higher Education	AU	1200 7th St.	1200 7th St.	Denver	80204	Denver	7,434
Higher Education	AU	Pumphouse/Irrigation	755 Walnut St	Denver	80204	Denver	641
Higher Education	AU	Printing/Distribution Center	1224-30 5th Street	Denver	80204	Denver	6,602
Higher Education	AU	Auraria Office/Garage	1144 5th Street	Denver	80217	Denver	2,717
Higher Education	AU	Parking Storage	1200 7th Street	Denver	80204	Denver	691
Higher Education	AU	Blue Warehouse	1376 Walnut St	Denver	80204	Denver	1,659
Higher Education	NW	Hayes Building	2248 E Main Street	Rangely	81648	Rio Blanco	2,483
Higher Education	NW	County Hangar	2248 E Main Street	Rangely	81648	Rio Blanco	3,289
Higher Education	RR	Mountain Center	10441 County Hwy 73	Conifer	80433	Jefferson	3,894
Natural Resources	WI	Brush - CSU Monitor Station	122 Edison St.	Brush	80723	Morgan	1,836
Natural Resources	WI	Brush - Leased Office	122 Edison St.	Brush	80723	Morgan	11,615
Natural Resources	WI	Lowell Ponds-Office Building	4160 W. 56th Way	Denver	80221	Adams	2,731
Natural Resources	WI	Durango Hatchery-Pump House	141 E 16th St	Durango	81301	La Plata	2,438
Natural Resources	WI	Durango Hatchery-Hatchery/Office	141 E 16th St	Durango	81301	La Plata	6,730
Natural Resources	WI	Durango Area 15-House #3 - GH58	151 E 16th St	Durango	81301	La Plata	3,903
Natural Resources	WI	Durango Hatchery-Hatchery (Old)	141 E 16th St	Durango	81301	La Plata	4,574
Natural Resources	WI	Durango Hatchery-Recirculation BLDG	151 E 16th St	Durango	81301	La Plata	3,208
Natural Resources	WI	Mt Evans SWA-Machine Shed	1687 CTY Rd 480	Evergreen	80439	Clear Creek	3,221
Natural Resources	WI	Bird Farm Area Office	1424 NE Front Road I-25	Ft. Collins	80526	Larimer	614
Natural Resources	WI	Bird Farm	1424 NE Frontage Road	Ft. Collins	80524	Larimer	516
Natural Resources	WI	Pueblo Hatchery-Brick Storage BLDG	520 Reservoir Rd	Pueblo	81005	Pueblo	4,306
Natural Resources	WI	Pueblo Hatchery-Hatchery	500 Reservoir Rd	Pueblo	81005	Pueblo	7,887
Natural Resources	WI	Pueblo Hatchery-Microscreen Building	500 Reservoir Rd	Pueblo	81005	Pueblo	7,118
Natural Resources	WI	Mt Shavano Hatchery-Hatchery	7725 County Rd 154	Salida	81201	Chaffe	6,014
Natural Resources	WI	Mt Shavano Hatchery-Nurse Basin	7725 County Rd 154	Salida	81201	Chaffe	3,693
Natural Resources	WI	Salida Area 13-Warehouse West	7725 US HWY 50	Salida	81201	Chaffe	2,555
Natural Resources	WI	MT Shavano Hatchery-House - GH77	7725 County Rd 154	Salida	81201	Chaffe	1,924
Natural Resources	WI	MT Shavano Hatchery-Food Prep Bldg	7725 County Rd 154	Salida	81201	Chaffe	2,086
Natural Resources	WI	MT Shavano Hatchery-Ofc/Shop/Garage	7725 County Rd 154	Salida	81201	Chaffe	3,083
Natural Resources	WI	MT Shavano Hatchery-Food/Truck Shop	7725 County Rd 154	Salida	81201	Chaffe	2,762
Personnel	IT	Electronics Laboratory	2452 W. Second Ave	Denver	80223	Denver	1,754
Personnel	IT	Admin./Engineering	2452 W. Second Ave	Denver	80223	Denver	4,106
Personnel	IT	Comm. Site S. H. D.	13360 W. I-76 Frontage Rd	Ft. Morgan	80701	Morgan	1,961
Public Health	AP	Emissions Tech. Center	2450 W 2nd Ave	Denver	80223	Denver	3,907
Public Health	CC	Monitor Tower	3174 E. 78th Ave.	Thornton	80229	Adams	2,761
Public Safety	PA	CSP Durango Dist & Trp Office	20591 Highway 160	Durango	81301	La Plata	1,431
Public Safety	PA	CSP Ft Morgan Office	13360 W I-76 Frontage Rd	Ft. Morgan	80701	Morgan	1,467
Public Safety	PA	CSP Ft Morgan Garage	13360 W I-76 Frontage Rd	Ft. Morgan	80701	Morgan	582
Public Safety	PA	CSP/Vehicle/Supply/CGW	15203 W. 12th Avenue	Golden	80401	Jefferson	7,846
Public Safety	PA	CSP Steamboat Office/Garage	30200 Highway 40	Steamboat Spgs	80487	Routt	1,116
Revenue	PE	Lottery Warehouse	700 W. Mississippi	Denver	80223	Denver	4,023
Transportation	DH	Maintenance Garage/Office	139 Walnut Street	Brighton	80601	Adams	471
Transportation	DH	Maintenance Shed	29340 Hwy 34	Brush I	80723	Morgan	1,092
Transportation	DH	Maintenance Shed	29340 Hwy 34	Brush I	80723	Morgan	1,228
Transportation	DH	Maintenance Shed	29340 Hwy 34	Brush I	80723	Morgan	2,813
Transportation	DH	Storage Shed/Landscape	2300 W. 11th Ave.	Denver	80204	Denver	1,559
Transportation	DH	Offices/Lab	20581 Highway 160	Durango	81301	La Plata	2,800
Transportation	DH	CSP Headquarters	20581 Highway 160	Durango	81301	La Plata	1,508
Transportation	DH	Supply Warehouse	20581 Highway 160	Durango	81301	La Plata	3,276
Transportation	DH	Traffic Shop	20581 Highway 160	Durango	81301	La Plata	1,650
Transportation	DH	Maintenance Barn	202 Centennial St	Glenwood	81610	Garfield	3,882
Transportation	DH	Office Bldg	202 Centennial St	Glenwood	81610	Garfield	3,867
Transportation	DH	Maintenance Barn	3335 SH 92	Hotchkiss	81419	Delta	1,287
Transportation	DH	Maintenance Garage	450 B Avenue	Limon	80011	Lincoln	1,601
Transportation	DH	Maintenance Shed	450 B Avenue	Limon	80011	Lincoln	1,207
Transportation	DH	Maintenance Shed	1226 Alaska	Longmont	80501	Boulder	988
Transportation	DH	Garage/Storage	43543 Hwy 13	Meeker	81641	Rio Blanco	2,188
Transportation	DH	Maintenance Barn	1517 Sh 187	Paonia	81428	Delta	983
Transportation	DH	Maintenance Div Office	905 Erie	Pueblo	81001	Pueblo	8,154
Transportation	DH	Maintenance Div Garage	905 Erie	Pueblo	81001	Pueblo	803
Transportation	DH	Maintenance Barn	15551 Highway 145	Telluride	81435	San Miguel	1,728
Transportation	DH	Maintance Shed	5701 N. Federal Blvd	Westminster	80221	Adams	1,997
Transportation	DH	Maintenance Garage	5701 N. Federal Blvd	Westminster	80221	Adams	2,670

Statewide
Supplemental #4

10/1/2014 10:00 AM

Schedule 6
FY 2006-07 STATEWIDE SUPPLEMENTAL REQUEST

Department: Personnel and Administration
 Priority Number: Statewide Supplemental #4
 Division: Executive Office, Division of Information Technologies
 Program: Network Services
 Request Title: MNT Telecomm Truth-in-Rates

Dept. Approval: *Jing*
 OSPB Approval: _____
 Statutory Citation: 24-30-908, C.R.S.
 Budget Analyst: Robb Fuller

Date: January 2, 2007
 Date: _____

Long Bill Line Item	Fund Source	1 Prior-Year Actual FY 2005-06	2 Appropriation FY 2006-07	3 Supplemental Request FY 2006-07	4 Total Revised Request FY 2006-07	5 Base Request FY 2007-08	6 Decision/Base Reduction FY 2007-08	7 November 1 Request FY 2007-08	8 Budget Amendment FY 2007-08	9 Total Revised Request FY 2007-08	10 Change from Base in Out Year FY 2008-09
Total of all line items	Total	\$13,789,730	\$15,746,678	(\$52,865)	\$15,693,813	\$15,746,678	\$1,559,439	\$17,306,117	\$0	\$17,306,117	\$0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	CF	1,618,630	1,849,939	0	1,849,939	1,849,939	42,207	1,892,146	0	1,892,146	0
	CFE	12,171,100	13,896,739	(52,865)	13,843,874	13,896,739	1,517,232	15,413,971	0	15,413,971	0
	FF	0	0	0	0	0	0	0	0	0	0
Executive Office, Multiuse Network Payments	Total	\$89,936	\$89,122	(\$52,865)	\$36,257	\$89,122	(\$47,715)	\$41,407	\$0	\$41,407	\$0
	FTE										
	GF										
	CF										
	CFE	89,936	89,122	(52,865)	36,257	89,122	(47,715)	41,407		41,407	
FF											
Division of Information Technology, Network Services, Operating Expenses	Total	\$13,699,794	\$15,657,556	\$0	\$15,657,556	\$15,657,556	\$1,607,154	\$17,264,710	\$0	\$17,264,710	\$0
	FTE										
	GF										
	CF	1,618,630	1,849,939		1,849,939	1,849,939	42,207	1,892,146		1,892,146	
	CFE	12,081,164	13,807,617		13,807,617	13,807,617	1,564,947	15,372,564		15,372,564	
FF											

Letter Notations:

Cash Fund Name/Number: Fund 603

IT Request: No

Supplemental and Budget Amendment Criteria: New Data

Request for New or Replacement Vehicles: No

Request Affects Another Department(s): Yes - Statewide Request impacting multiple departments.

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FY 2006-07 Statewide Supplemental Request

Efficiency and Effectiveness Analysis

Department: Department of Personnel & Administration

Long Bill Group/Division: Division of Information Technology

Program: Network Services

Request Title: MNT Telecomm Truth-in-Rates

Request Criteria New Data

Priority Number: Statewide Supplemental #4

Summary of Request

This request provides the basis for a FY 2006-07 Supplemental “true-up” for Multi-Use Network (MNT) Common Policy allocations/appropriations statewide in accordance with the Telecommunications Truth-in-Rates initiative. This request has been submitted annually in recent years in order to update individual agencies’ circuit inventory, and to revise assumptions related to infrastructure components and recoverable costs associated with the provision of MNT to customers. The current request includes multiple components. Specific adjustments identified in the request are as follows:

- Similar to past fiscal years, this request recommends adjustments to the current fiscal year appropriations to State agencies for MNT. The primary objective of this component of the request is to realign allocations statewide to reflect updated circuit inventories (as of November, 2006).
- As in prior fiscal years, the current request updates all recoverable cost components based upon most current known factors, estimates and assumptions. This includes incorporating updates to recoverable costs based upon the MNT share of other current common policy allocations.

Additional background related to this topic will be provided later in the request, but the recoverable costs as presented in the current request were calculated based on current circuit inventory, and customer circuit costs for FY 2006-07 have increased by nearly \$720,000 over the assumptions incorporated into recoverable costs during FY 2006-07 figure setting several months ago. (For reference, current estimates also reflect an estimated \$2.1 million increase in circuit costs for FY 2007-08 over the level initially included in FY 2006-07 recoverable costs during figure

setting. This information was included in the FY 2007-08 Statewide MNT Decision Item contained in the DPA FY 2007-08 Executive Budget Request.)

It is relevant to clarify that this program contains many components over which DPA does not have control. (These components include circuits and long distance charges, which are customer driven.) Note also that many of the current assumptions incorporated in this request for FY 2006-07 (the Supplemental request year) related to utilization, including circuits and long distance charges, were already incorporated, to the extent known at the time, in the MNT Statewide Decision Item included in DPA's FY 2007-08 Executive Budget Request. This request realigns the Program's recoverable costs and subsequent allocations to State agency customers in the current fiscal year, given that this request has the benefit of six additional months of information and analysis that was not available during FY 2006-07 figure setting. As such, this should be considered to be the most current Department analysis of MNT funding requirements and allocations to State agency customers for the Supplemental Request year.

In summary, the recommended allocations to State agencies and corresponding updates to recoverable costs by component for FY 2006-07 are referenced at Attachment A. For reference, this FY 2007-08 Statewide Decision Item contains a net increase in departmental appropriations statewide of \$993,337 and an additional increase in MNT appropriations for non-OSPB appropriated entities of \$71,003 (which represents the increase to the Department of Transportation).

The DPA customer share, as reflected on the attached Schedule 6 is for a decrease of \$52,865 cash funds exempt to the Executive Office, Multiuse Network Payments line item. Note that no increase in spending authority appears to be necessary in Network Services Operating Expenses for FY 2006-07 based upon current estimates.

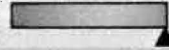




Problem or Opportunity Definition

Background

The state is nearing the 10-year anniversary since the authorization of the Multiuse Network (MNT) program. With the successful completion of the MNT project in 2003, fiber optic connectivity is now available to every county seat in the state, except Silverton, which is served by reliable high-speed microwave. This has stimulated private carrier offerings of last-mile broadband (DSL, cable, wireless) to homes and businesses in 97% of county seats. Thus, the MNT has met its strategic goal to bridge the Digital Divide. Its method was to use the public sector as an anchor tenant for telecommunications investment through a public-private partnership with private telecommunications carriers.

The table below lists the five measurable goals of the MNT program and quantitative metrics used to assess progress. The dashboard indicates that the MNT Program has met or exceeded all goals, and identifies areas where additional progress is possible.

MNT GOALS AND STATUS AS OF JUNE 30, 2006

	Dashboard	Goal	Metric	Status
1		Aggregate all state data communications	Participation of state agencies	All State data circuits are on the MNT. Usage has grown at 20% per year for the past 3 years. Current total subscribed bandwidth is now 5.1 Gigabits per second.
2		Serve as anchor tenant	Participation of non-state agencies (NSAs)	The MNT is universally available to all NSAs. The MNT currently has 67 NSA customers comprising the 6 th largest MNT customer group. There is significant potential for further growth of NSA participation, but the MNT will need to reduce its prices to be competitive.
3		Enhance access for the private sector	Availability of last-mile broadband (DSL/cable/wireless)	97% of all county seats have DSL access available to their residents.
4		Promote rural economic development	Gap in percentage workforce employed by high technology firms, rural vs. metro	Rural high tech jobs are growing at 6% per year, vs. -2% in metro areas. A 5-to-1 gap remains in high tech job concentration between metro and rural.
5		Improve educational opportunity	Participation of schools in federal E-rate program	Since 1998, Colorado school districts have spent \$7 million of federal E-rate funds on Internet Access. The year-to-year trend in E-rate participation is upward. About two-thirds of schools participate.

The MNT concept was formulated in the February 1998 "Strategic Plan for a Statewide Telecommunications Infrastructure." It was authorized as a state program by SB 96-102. Its goal was to connect urban and rural communities across the state, bridging the digital divide. Its method was to use the public sector as an anchor tenant for telecommunications investment.

The Department of Personnel and Administration, Division of Information Technologies (DoIT) launched the MNT Program in June 2000 by formally entering into a public-private partnership with Qwest Communications. As anchor tenant, the State of Colorado agreed to aggregate its data telecommunications circuits onto the MNT. Qwest agreed to build a high speed digital network comprised, where possible, of fiber-optic infrastructure spanning every county seat in the state. A sister program to the MNT, the Beanpole Project, authorized by HB 99-1102, addressed the "last-mile" issue. The Beanpole Project was managed by the Department of Local Affairs.

Under the MNT program, Qwest and its partners built a statewide fiber optic network spanning all of Colorado's county seats, with the exception of Silverton to which high-speed, reliable microwave was deployed. This network, owned and operated by Qwest and its partners and available to all Qwest customers, is called the Colorado High Speed Digital Network (CHSDN). Traffic originating within county seats is routed to anywhere in the network without mileage charges, using the telecommunications routing protocol called Asynchronous Transfer Mode (ATM). The State serves as the anchor tenant on the CHSDN. Using ATM, five large telecommunications switches and wholesale access to the Internet, DoIT has created the MNT as a

sub-network of the CHSDN. The MNT provides cost-effective, quality, high-speed broadband data communications and Internet access to Colorado's public sector: e.g., state agencies, schools, colleges, libraries, hospitals and local government.

Project build-out was successfully completed in three years. Qwest and its strategic partners (CenturyTel, Phillips Telephone and Eastern Slope) established a total of 65 points of service (termed ANAPs or Aggregated Network Access Points) throughout Colorado. Qwest and its strategic partners have invested approximately \$60 million in the infrastructure for the MNT, and the State dedicated its annual data circuit business to the MNT (approximately \$7 million per year) and agreed to pay fees of \$9.5 million over five years to reserve 20 Mbps of bandwidth at each ANAP for public sector use. This income stream allowed Qwest and its partners to make the capital investment necessary to deploy fiber-optic points of presence in rural parts of Colorado where an adequate business case did not exist prior to the MNT.

In addition to the 65 ANAPs operated by Qwest and its partners, the State has installed five Super ANAP sites to route internal state traffic utilizing MGX 8850 carrier grade switch equipment. The State installed 39 Edge sites at circuit aggregation points among the larger state agency operations throughout Colorado. (An "Edge" site is an end-user access point to the MNT designed to be shared among high-bandwidth public sector users.) The State also installed an additional 15 county points of presence (CPOPs) to aggregate circuits at the county level that are not sufficient to justify a full Edge site.

As a result of the MNT Program, Colorado has bridged the Digital Divide with a network that is capable of delivering voice, video and data services to every county in the state. This network provides a pipeline to the state's rural areas capable of supporting growth in both existing and New Economy industries while also providing access for public sector services in healthcare, education and government.

Recoverable Cost Updates

Appropriations for Multiuse Network Payments represent the cost to State agencies for circuits and their share of recoverable costs associated with DPA's provision of and administration of MNT to its customers. Recoverable costs include funding for contracts with Qwest and its partners (including ANAP fees, LATA crossing fees, costs associated with existing MNT circuits, network monitoring, Internet access costs, etc), infrastructure (backbone) costs, anticipated billings based on department-by-department circuit inventory, and estimated administrative/operational costs and overhead.

While the components that are included in "recoverable costs" may be very specific, the projection for recoverable costs and the subsequent allocations to State agencies that resulted in the FY 2006-07 Long Bill appropriation are a best estimate given current information at the time, and are developed early in the applicable budget cycle. As a result, adjustments that are routinely included in this request annually include updates of administrative/operational cost estimates and overhead for the supplemental request year. As an example, the initial FY 2006-07 Common Policy recommendations were developed approximately six - seven months prior to Common Policy figure setting in the spring of 2006 (and ten months prior to the beginning of the current fiscal

year). This request seeks to provide additional updates/revisions to FY 2006-07 recoverable costs and agency allocations/billings. Finally, a Supplemental Request will most likely continue to be required annually, as has been the case historically, in order to “true-up” recoverable costs and to update utilization and circuit inventory by department to reflect the most current data at that time (at a minimum to capture the most current actual circuit inventory/utilization).

Notable Changes to Agency Allocations

As identified above in the Summary of Request, this request contains several adjustments. The first is merely an adjustment to reflect updated circuit inventories by agency and to subsequently recalibrate agency allocations. Buildouts, or substantive increases in utilization (circuit inventory), and reductions in utilization (circuit aggregation, migration, etc) are captured here. It should be noted, as referenced above, that the circuit inventory/utilization updates contained in this Statewide Supplemental and Budget Amendment Request represent significant increases in aggregate over prior year circuit utilization and expense. For example, this request includes materially significant adjustments to allocations for various agencies as bulleted below:

- Secretary of State
 - The Secretary of State (SOS) has experienced what is by far the largest increase in its MNT allocation year-over-year of any Department. Their FY 2006-07 Long Bill appropriation for MNT was just under \$53,000 for the year, which would equate to approximately \$4,400 per month. The FY 2006-07 supplemental allocation for this Department for MNT based upon current circuit inventory is over \$1.5 million (\$1,539,099). This reflects the projected sharp increase in network capacity that is required to support two Executive Branch and SOS initiatives – HAVA (the Help America Vote Act) and eFORT. recommended FY 2007-08 allocations statewide, as reflected at Attachment A.

- Department of Revenue
 - The Department of Revenue (DOR) continues to require additional circuits and circuit bandwidth in support of their statewide operations. This request includes an increase of \$208,945 (12%) for FY 2006-07 over the initial FY 07 allocation, which is indicative of DOR’s continued upsizing of critical circuits, which includes migration of several county circuits from 64k to T-1. (While specific programmatic and policy oriented drivers of circuit increases at the agency level are not always clear to DPA, it appears that the Revenue-Administration portion of MNT is up about 20% above the current appropriated level, while Revenue-Lottery is similarly down by about 20% relative to the level appropriated in the Long Bill.

- DPA
 - This request includes a decrease of \$52,865 for the Department of Personnel and Administration’s customer share of the recoverable MNT costs and associated

billings. Note that this more than 50% decrease in the DPA customer allocation is in part a result of the migration of several C-SEAP circuits from T-1 to DSL at significant savings.

Additional Revisions to Recoverable Costs

Additional adjustments that are routinely included in this request annually include updates of administrative/operational cost estimates and overhead. For example, historically the estimated personal services based administrative/operational costs that need to be recovered through billings to customers are allocated based on a variety of methods; individual position surveys, desk audits, employee/supervisor interviews, etc, and this portion of recoverable program costs was thoroughly reviewed and updated coincidental with the beginning of the current fiscal year. To some degree, these types of adjustments should be expected. During any fiscal year, or other time period analyzed, there will be certain areas/functions where costs to support a service may come in under initial projections, the actual consumption of a particular service may turn out to be higher than originally anticipated, or the internal resources allocated to a certain function may change. This is especially relevant in the case of MNT as a result of the transition from the construction phase of MNT to the implementation phase and finally to the operational phase. Note that Attachment A to this request includes current estimates of FY 2006-07 recoverable costs by component, along with recommended allocations to customer agencies statewide.

Available Alternatives

Alternative #1 –

Alternative #1 seeks an adjustment to statewide allocations for MNT based upon updated circuit inventory, and updates to the recoverable cost basis for FY 2006-07. Alternative #1 is equitable and consistent with the Truth-in-Rates methodology, and prior OSPB and JBC actions. In addition, this alternative facilitates the uninterrupted provision of MNT services to the statewide customer base at optimal levels.

Alternative #2 –

Alternative #2 would continue with the status quo, which would be inequitable, inconsistent with the Truth-in-Rates methodology, and would result in the inability of DPA/DoIT to maintain its statutory charge of cost recovery.

Assessment of Alternatives

Alternative #1

Alternative 1 is the recommended alternative as it will allow for the continued provision of MNT at necessary service levels for the current fiscal year for the benefit of customers statewide; this Alternative also updates recoverable costs to represent current cost assumptions and estimates,

will update allocations/appropriations to customers statewide based upon the most current utilization data available, and provides for cost recovery as defined in statute.

Alternative #2-- Do Nothing

Alternative 2 is not recommended, as it would not realign agency appropriations and billings to reflect current utilization and program costs. This would inequitably result in some agencies essentially being under billed for MNT, while other agencies would unfairly be burdened by being forced to pay for excessive telecommunications billings from continuation level MNT and operating appropriations. In addition, this alternative would not allow the Department to recover its costs as statutorily required, and could divert resources unnecessarily from other Network Services applications and services offerings to MNT, resulting in cross-subsidization which would likely lead to federal audit concerns.

Linkage to Objectives

DPA FY 2007-08 Strategic Plan:

Departmental goal: *Maintain the Truth-in-Rates Philosophy Departmentwide.*

Associated objectives included the following: *Continue the Truth-in-Rates philosophy to ensure that rates recover the cost of services and remain competitive.*

Departmental goal: *Create and Enhance Stakeholder Relationships.*

Associated objectives included the following: *Facilitate and coordinate statewide and Common Policy related Change Requests and legislation that affects multiple stakeholders and State departments.*

Departmental goal: *Play a Central Role in Using Information Technology to Streamline Government.*

Associated objectives included the following: *Continue to maximize network and computer infrastructure priorities to generate optimal capacity and efficiencies in costs.*

Recommendation

As outlined above, for multiple statutory and practical purposes, the Department's recommends Alternative #1.

ATTACHMENT A – FY 2006-07 SUPPLEMENTAL ALLOCATIONS

DPA/DoIT FY07 - MNT Supp

This table summarizes the FY07 MNT Supplemental vs. FY07 MNT Long Bill

DEPT	Department Name	FY07 Long Bill MNT Line	FY07 MNT Supplemental	Note	Net Increase (Decrease)
AAA	Department of Personnel & Administration	\$ 89,122	\$ 36,257	5	\$ (52,865)
BAA	Department of Agriculture	\$ 19,098	\$ 14,580		\$ (4,518)
CAA	Department of Corrections	\$ 1,043,094	\$ 955,861		\$ (87,233)
DAA	Department of Education	\$ 40,923	\$ 29,163		\$ (11,760)
EAA	Office of the Governor	\$ 46,380	\$ 42,584		\$ (3,796)
FAA	Department of Public Health and Environment	\$ 148,234	\$ 126,369		\$ (21,865)
GAA	Department of Higher Education	\$ -	\$ -		\$ -
HAA	Department of Transportation (Not Approp)	\$ 947,606	\$ 1,018,609	1	\$ 71,003
IHA	Department of Human Services	\$ 2,096,192	\$ 1,809,954		\$ (286,238)
JAA	Judicial (JAA + PD (JCA))	\$ 510,179	\$ 479,925		\$ (30,254)
JAA	Judicial (JAA)	\$ 311,928	\$ 270,689		\$ (41,239)
JCA	Judicial - Public Defender (JCA)	\$ 198,251	\$ 209,236		\$ 10,985
KAA	Department of Labor & Employment	\$ 111,857	\$ 77,765		\$ (34,092)
LAA	Department of Law	\$ -	\$ -		\$ -
MAA	General Assembly	\$ -	\$ -		\$ -
NAA	Department of Local Affairs	\$ 81,847	\$ 72,905		\$ (8,942)
OAA	Department of Military Affairs	\$ 423,785	\$ 337,939	6	\$ (85,846)
PAA	Department of Natural Resources	\$ 840,295	\$ 836,283		\$ (4,012)
RAA	Department of Public Safety	\$ 927,599	\$ 859,790		\$ (67,809)
SAA	Department of Regulatory Agencies	\$ 2,728	\$ -	2	\$ (2,728)
TAA	Department of Revenue Total	\$ 1,712,420	\$ 1,921,365	3	\$ 208,945
TAA	Department of Revenue - Admin	\$ 1,370,482	\$ 1,642,948		\$ 272,466
TFA	Department of Revenue - Lottery	\$ 341,938	\$ 278,414		\$ (63,524)
UHA	Department of Health Care Policy & Finance	\$ -	\$ -		\$ -
VAA	Secretary of State	\$ 52,746	\$ 1,539,099	4	\$ 1,486,353
WAA	Department of Treasury	\$ -	\$ -		\$ -
STATE	TOTAL BILLING ALL STATE AGENCIES	\$ 9,094,105	\$10,158,445		\$1,064,340
	TOTAL BILLING ALL STATE AGENCIES (appropriated)	\$ 8,146,499	\$9,139,836		\$ 993,337

Note: This table indicates the net increase (decrease) for MNT by Department FY07 Supplemental vs. FY07 Long .

- Note 1** Result of increased network bandwidth due to VoIP and growth in general - CDOT is not appropriated, for reference only.
- Note 2** Regulatory Agencies no longer has any MNT connections other than internet
- Note 3** Revenue has continued to increase their bandwidth needs as they migrate several county circuits from 64k to T-1
- Note 4** This reflects the projected increases in network capacity required to support HAVA and eFORT.
- Note 5** Several CSEAP circuits were changed from T-1 to DSL at a significant savings.
- Note 6** DMVA allocation is lowered as its % of the total is reduced.

ATTACHMENT A – Continued – FY 07 Recoverable Costs

MNT Cost Details	FY07 Supp Req.	FY07 LB Ref
Circuits - All Vendors	\$ 7,251,000	\$ 6,720,000
Circuits - NRC (shown as per mo equiv)	\$ 187,500	
NMS	\$ 396,000	\$ 480,000
OCC	\$ -	
Equipment Maintenance	\$ 500,000	\$ 550,146
LATA Crossing Costs	\$ 156,000	\$ 84,000
FRGP (Internet) fees	\$ 120,000	\$ 120,000
Subtotal MNT program Costs	\$ 8,610,500	\$ 7,954,146
Personnel Costs	\$ 798,341	\$ 731,185
POTS	\$ 91,369	\$ 62,327
Allocated Overhead	\$ 410,195	\$ 349,187
Indirect Costs	\$ -	\$ -
Central Appropriations	\$ 183,035	\$ 52,256
Subtotal w/o ANAP	\$ 10,093,440	\$ 9,149,101
ANAP fees	\$ 365,004	\$ 365,004
Non-Qwest aggregation costs	\$ 780,000	\$ 780,000
Total MNT Program Costs	\$ 11,238,444	\$ 10,294,105
Amount from NSA	\$ 1,080,000	\$ 1,200,000
Amount from State Agencies	\$ 10,158,444	\$ 9,094,105

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Efficiency and Effectiveness Analysis

FY 2006-07 Statewide Supplemental Request

Department: Department of Personnel & Administration
Long Bill Group/Division: Division of Information Technology
Program: Communication Services
Request Title: Communication Services Mid-Year Supplemental True-up
Request Criteria New Data
Priority Number: Statewide Supplemental # 5

Summary of Request

This is a statewide Supplemental Request impacting the Communications Services Payments line item appropriations for all departments using services as provided by the Division of Information Technology, Communications Services, and includes adjustments to recoverable program costs. The Communications Services Payments line item represents a department's share of the overhead related to the public safety communications infrastructure. The total statewide request is for an increase of \$223,118 in appropriations for Communications Services Payments, and anticipated billings to State agencies. Please refer to Attachment A for individual department needs and a summary of FY 2006-07 recoverable costs for the program.

The DPA user share of this statewide request, as reflected on the attached Schedule 6, is for a decrease of \$4,045 total funds (which includes a decrease of \$5,196 of cash funds exempt and an increase of \$1,151 in General Fund) to the Executive Office, Communications Services Payments line item.

Problem or Opportunity Definition

Communications Services changed to a cost allocation billing methodology in FY 2003-04 as a result of SB 03-178. The Joint Budget Committee sponsored SB 03-178 during the 2003 legislative session to lift restrictions on the revenue the Department could collect for Communication Services Payments. This methodology establishes department appropriations based upon the total inventory of mobile, portable and DTR radios in use by departments. Departments are billed a fixed monthly fee that is equivalent to 1/12th of the appropriation.

The first component of this Supplemental Request proposes that the departmental allocations for Communications Services be redistributed based upon an update to the inventory/number of radios in use by departments. (Subsequent to the development of the current FY 2006-07

departmental allocations, departments provided updated radio inventories in the fall of 2006.) This request and the underlying methodology will make minimal adjustments to the appropriations made in the FY 2006-07 Long Bill based upon updated radio inventory. This cost allocation methodology, based on actual utilization, is similar to that used in the annual statewide supplemental true-up requests for the Purchase of Services from the Computer Center (GGCC) and for Administrative Law Judge Services (ALJ). This request seeks to realign FY 2006-07 appropriations to reflect the most current radio inventory by department.

The second component of this request involves updating the recoverable costs for the program. This is consistent with other similar Common Policy oriented supplemental true ups (i.e. GGCC, ALJ, MNT, etc). The initial program cost estimates for the program for FY 2006-07 were calculated and approved during the figure setting process in the spring of 2006. DPA is now able to provide a much more precise and accurate projection of recoverable costs at the midpoint of FY 2006-07, and this request seeks to update the cost basis for this Common Policy appropriation to ensure that billings for the remainder of the fiscal year are sufficient to fund personal services, operating expenses, indirect costs, the program's share of central departmental appropriations and POTS, and other overhead associated with the provision of the statewide Public Safety Network for the benefit of State agency and local government entities.

Available Alternatives

Alternative #1 (Recommended)

The cost allocation billing methodology must meet with federal guidelines (for example, OMB circular A-87 establishes that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes) and must be consistently applied in order for the State to avoid federal penalties, which can be substantial. The adjustment must be made in order to follow the cost allocation methodology. The only alternative is to make the adjustment through the supplemental process annually.

The DPA methodology is compliant with the nature of the cost allocation methodology associated with Common Policies that require an annual true-up, as the DPA methodology identifies necessary adjustments on a department-by-department basis, which yields more accurate results for individual agencies, as well as in aggregate. Furthermore, State and federal government mandates require a methodology that is both consistent with established guidelines and consistent in its application, and this request adheres to both of these principles. In addition, the recommended alternative is consistent with the Truth-in-Rates methodology, which is always a key objective of any statewide request submitted by the Department.

Alternative #2

Alternative #2 would continue with the status quo, which is inequitable, and inconsistent with the Truth-in-Rates methodology. This alternative also takes no action to realign statewide

Communications Services Payments appropriations to reflect updates to utilization (radio inventory) and cost basis, which would not be prudent under any circumstance.

Statutory and Other Authority

Section 24-30-908, C.R.S.

Linkage to Objectives

DPA FY 2007-08 Strategic Plan:

Departmental goal: *Maintain the Truth-in-Rates Philosophy Departmentwide.*

Associated objectives included the following: *Continue the Truth-in-Rates philosophy to ensure that rates recover the cost of services and remain competitive.*

Departmental goal: *Create and Enhance Stakeholder Relationships.*

Associated objectives included the following: *Facilitate and coordinate statewide and Common Policy related Change Requests and legislation that affects multiple stakeholders and State departments.*

Assessment of Alternatives

Alternative #1 (Recommended)

Alternative 1 would provide the mechanism to update appropriations for State agency customers that would reflect the most current radio inventory for FY 2006-07, and updated recoverable costs. If this request is not approved, some customers would be billed inappropriately for inventory that belonged to other agencies, resulting in an inequitable allocation methodology. Therefore, Alternative 1 is the recommended alternative.

Alternative #2

Alternative 2 would continue with the status quo, and would leave appropriations for Communications Services at current levels, as appropriated in the FY 2006-07 Long Bill. This alternative is not recommended as it would leave current year appropriations at a level that was originally calculated based on utilization data (inventory) from 12 – 18 months ago, and includes cost basis assumptions that are nearly a year out of date, and do not reflect true recoverable costs.

Additional Considerations

The Department is concerned that the State could be subject to penalties if an accurate allocation methodology is not approved for Communications Services. In addition, an issue to be considered in this and future fiscal years relates to the “local government share” of the allocated

billings. In early June of 2005, the Department met with federal auditors to discuss the funding and cost allocation mechanisms for this Common Policy, especially as it relates to the local government participation. Although the auditors recognized the significant investment that local governments have made to date in the development and implementation of the Digital Trunked Radio (DTR) system, they indicated that local governments should still be billed based upon their inventory/utilization of DTR and legacy systems, similar to State agencies.

For background, since 1998, the State has approved and invested approximately \$48 million for the development and implementation of the DTR system. This statewide public safety communication system was designed to meet the requirements of H.B. 98-1068. DPA is statutorily charged (Section 24-30-908.5, C.R.S.) with the implementation, administration, and ongoing maintenance of this system for all of State and local government entities. It must be noted that the true investment in the development of the network is currently in excess of \$75 million, with the majority of the additional funding and resources above the State investment (approximately \$30 million) provided by local government entities.

To date, local government has made a substantial investment in DTR that the State derives direct use of and benefit from, at no cost to the State. This includes system infrastructure, access, and use of radio communication sites and facilities. In exchange local government is allowed to utilize the benefit of DTR infrastructure purchased by the State of Colorado. To date DTR is comprised of 64 radio communications transmitter sites. Of these local government owns, operates and maintains 30 of these that the State has direct use of. Today there is no exchange of funds between State and local government, only an agreement to share common infrastructure for the benefit of all to achieve seamless interoperability between Public Safety agencies. Ultimately the State would have been forced to incur millions of dollars of additional costs if not for the willingness of local government to contribute transmitter/tower sites for the benefit of the State and DTR.

An additional critical and tangible benefit/resource provided by local government entities relates to radio frequencies. The necessary spectrum of FCC radio frequencies is critical in this project, however, frequencies are no longer available in Colorado – all channels in Colorado are licensed to locals (and already were licensed to locals by the time that the State received initial funding to begin the project in 1998). If established partnerships fail and local government does not continue to participate in DTR, there will no longer be sufficient FCC radio frequencies to meet the business, technical and operational requirements of State government. As a result, if the State no longer could rely on the contribution of frequencies by local government entities, the State would no longer be able to achieve functional interoperability among local government, State, and federal public safety radio communications systems.

The practical benefits to the State that will result from completion of the DTR project include improved efficiencies in public safety response times, solutions to interoperability problems with all participating government entities, elimination of duplication of State owned radio systems, and data and voice transmissions over a single integrated network. To achieve the best value for the State of Colorado's investment, the State and the project receive the benefit of shared infrastructure that has been recently purchased by local governments whenever possible. This methodology, leverage of market conditions, and the use of State FTE for implementation, has substantially decreased the original cost estimates for the project from \$135 million to the current

estimate of less than \$75 million. The benefits derived from the project philosophy have already been demonstrated in the first four phases of the project, and without the sharing of infrastructure and leveraging of other resources provided by local government entities (and other sources including federal), the project would be nowhere near its current state of progress as a result of budget shortfalls, and lack of capital construction funding at the State level for the past three to four fiscal years.

Finally, since the beginnings of the project in 1998, the State has partnered with local government to purchase, build and maintain the Digital Trunked Radio System (DTR). The development and construction of DTR is consistent with the intent and requirements stated in HB 98-1068. In summary, the State committed to partner with local government in funding for DTR through HB 98-1068. Establishing credibility was difficult with local government, and any efforts to alter the current landscape would put the resources and funding invested in the project by the State at risk. Essentially, due to fiscal and budgetary constraints that the State of Colorado has faced in recent years, the investment made in DTR by local government entities may soon equal and even exceed the State's investment.

Given this fact, any efforts to charge local government participants for "services provided" anytime before the local entities have received a sufficient return on investment, are likely to be perceived as an irreconcilable difference by local government entities. At best, if the State were to begin charging local government participants for services at this point, revenues would most likely be offset by new costs charged by local governments for use of their investment. The mechanism that was implemented beginning in FY 2003-04 when Communications Services Payments became a Common Policy was to calculate the local government "share", and to request General fund to cover the costs associated with the resulting allocation for local governments. In FY 2003-04 and FY 2004-05 the appropriated General Fund in the Long Bill was \$369,361 annually, which exceeded the final "share" of local government in both fiscal years (associated assumptions and calculations can be provided upon request). For FY 2005-06, the Department decided to not include General Fund in the request, and instead "covered" the local government share through funding appropriated from the Public Safety Trust Fund, which originated as General Fund. This allowed the Department to continue to ensure that the local government share was addressed, without the need for State agencies to subsidize the locals. The current estimate for the local government share for the current fiscal year is reflected in the table below, along with similar estimates for previous fiscal years. The Department anticipates continuing to use the appropriations from the Public Safety Trust fund in lieu of General Fund in this manner in the current fiscal year as well, to continue to relieve General Fund pressures; however, it is likely that in FY 2007-08 and future fiscal years a General fund appropriation will be necessary to address the local government share as in the past.

The benefit received by local government participants for services provided by DPA/DoIT/Communications Services over the past four years is summarized in the table below:

FY 2003-04 (final calculated allocation)	\$294,117
FY 2004-05 (final calculated allocation)	\$330,636
FY 2005-06 (final calculated allocation)	\$437,855
FY 2006-07 (based on supplemental recommendation)	\$508,806
4 year total	\$1,571,414

Assumptions and Calculations

Refer to Attachment A for the requested statewide supplemental appropriations for FY 2006-07 by department and detail of the recoverable costs for Communications Services Payments.

Conclusion/Recommendation:

The Department recommends Alternative #1, which updates statewide appropriations for Communications Services Payments for FY 2006-07, ensures equitable treatment of State agency customers, remains consistent with the Truth-in-Rates philosophy, and continues to allow for the provision of the statewide Public Safety Network at the necessary service levels for our customers in current and future fiscal years.

Attachment A

Department	Mobile	Portable	DTR	TOTAL	% of Inventory	FY 07 Supplemental
Agriculture	3	0	47	50	0.3%	14,389
Corrections	456	2,492	2,483	5,431	35.2%	1,562,881
Education	2	10	0	12	0.1%	3,453
Higher Education	93	99	106	298	1.9%	85,756
Human Services	20	411	58	489	3.2%	140,720
Judicial	16	9	12	37	0.2%	10,648
Labor	1	2	0	3	0.0%	863
Law	0	0	21	21	0.1%	6,043
Local Affairs	26	20	30	76	0.5%	21,871
Military Affairs	0	0	38	38	0.2%	10,935
Natural Resources	1,065	813	1,283	3,161	20.5%	909,642
Personnel	0	0	4	4	0.0%	1,151
Public Health	13	0	10	23	0.1%	6,619
Public Safety	923	417	1,422	2,762	17.9%	794,822
Revenue	61	54	135	250	1.6%	71,943
Transportation	422	359	1,989	2,770	18.0%	797,124
State Agency Subtotal	3,101	4,686	7,638	15,425	100.00%	4,438,860
County Govt	481	436	0	917	45.9%	233,638
City Govt	288	324	0	612	30.6%	155,928
Fire Protection	217	175	0	392	19.6%	99,876
Federal Government	38	11	27	76	3.8%	19,364
Local & Federal subtotal	1,024	946	27	1,997	100.00%	508,806
TOTAL STATE/LOCAL/FEDERAL	4,125	5,632	7,665	17,422		4,947,666

Higher Education Inventory and Allocations

Department	Mobile/Portable	DTR	TOTAL Inventory	Total Allocation (\$)
HISTORICAL SOCIETY		0	0	0 \$ -
UNIV OF COLO-HSC		0	0	0 \$ -
UNIV OF CO @ COLO SPRINGS		4	4	8 \$ 2,302
COLORADO ST UNIVERSITY				\$ -
CSU COOP EXTENSION SVC		0	0	0 \$ -
COLO STATE FOREST SERVICE		149	22	171 \$ 49,209
FORT LEWIS COLLEGE				\$ -
SECURITY		10	0	10 \$ 2,878
PHYSICAL PLANT		0	0	0 \$ -
ADAMS STATE COLLEGE		14	10	24 \$ 6,907
UNIV OF NORTHERN COLORADO		0	27	27 \$ 7,770
ARAPAHOE COMM COLLEGE		0	0	0 \$ -
PIKES PEAK COMM COLLEGE		0	8	8 \$ 2,302
LAMAR COMM COLLEGE		1	2	3 \$ 883
RED ROCKS COMM COLLEGE		14	0	14 \$ 4,029
Auraria Higher Education Center Public Safety		0	33	33 \$ 9,496
TOTAL		192	106	298 \$ 85,756

Recoverable Costs

Personal Services	3,412,978
HLD	179,838
Salary Survey	66,248
PBP	0
STD	3,164
AED	20,761
Shift	0

Operating Expenses	134,631
Training	22,000
Utilities	165,002
Snocat Purchase	230,520
Local Systems	121,000
Indirect Costs	342,402
Leased Space	102,187
Capitol Complex-N Campus	12,944
Workers' Comp	21,696
Risk Mgmt	47,514
GGCC	5,463
Vehicle Lease Payments	129,205
Compensated Absences	306,538
Depreciation	23,052

Subtotal Recoverable Costs 5,347,143

Less offsetting revenue sources

Public Safety Trust	(212,328)
Local Govt imputed (PSTF)	(508,806)
Medical Services	(66,151)
NOAA	(121,000)
<u>TOTAL BILLINGS</u>	<u>4,438,858</u>

**Statewide
Supplemental #6**

Schedule 6
FY 2006-07 STATEWIDE SUPPLEMENTAL REQUEST & FY 2007-08 STATEWIDE BUDGET AMENDMENT REQUEST

Department: Personnel and Administration

Dept. Approval: *[Signature]*

Date: January 2, 2007

Priority Number: Statewide Supplemental #6/Statewide Budget Amendment #2

OSPB Approval: _____

Date: _____

Division: Division of Central Services

Statutory Citation: _____

Program: Capitol Complex Facilities Maintenance

Budget Analyst: Cindy Arcuri

Request Title: Capitol Complex Leased Space Technical Adjustments

Long Bill Line Item	Fund Source	1 Prior-Year Actual FY 2005-06	2 Appropriation FY 2006-07	3 Supplemental Request FY 2006-07	4 Total Revised Request FY 2006-07	5 Base Request FY 2007-08	6 Decision/Base Reduction FY 2007-08	7 November 1 Request FY 2007-08	8 Budget Amendment FY 2007-08	9 Total Revised Request FY 2007-08	10 Change from Base in Out Year FY 2008 09
Total of all line items	Total	\$1,037,901	\$1,153,035	(\$3,452)	\$1,149,583	\$1,119,575	\$0	\$1,119,575	\$66,860	\$1,186,435	\$0
	FTE	0.0	0.00	0.0	0.00	0.00	0.00	0.00	0.0	0.00	0.00
	GF	484,085	539,826	8,187	548,013	524,954	0	524,954	42,134	567,088	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	553,816	613,209	(11,639)	601,570	594,621	0	594,621	24,726	619,347	0
	FF	0	0	0	0	0	0	0	0	0	0
Executive Office, Capitol Complex Leased Space	Total	\$1,037,901	\$1,153,035	(\$3,452)	\$1,149,583	\$1,119,575	\$0	\$1,119,575	\$66,860	\$1,186,435	\$0
	FTE										
	GF	484,085	539,826	8,187	548,013	524,954		524,954	42,134	567,088	
	CF										
	CFE	553,816	613,209	(11,639)	601,570	594,621		594,621	24,726	619,347	
	FF										

Letter Notations:

Cash Fund Name/Number: Fund 610

IT Request: No

Decision Item Criteria: New Data

Request for New or Replacement Vehicles: No

Request Affects Another Department(s): Yes - Statewide Request impacting multiple departments.

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Efficiency and Effectiveness Analysis
FY 2006-07 Statewide Supplemental Request
&
FY 2007-08 Statewide Budget Amendment Request

Department: Personnel & Administration
Long Bill Group/Division: Division of Central Services
Program: Facilities Maintenance
Priority Number: Statewide Supplemental # 6, Statewide Budget Amendment #2
Request Title: Capitol Complex Leased Space Adjustments

Summary of Request

This request is a statewide Supplemental Request for FY 2006-07 and Budget Amendment Request for FY 2007-08 that seeks to update recoverable costs and agency allocations for Capitol Complex Leased Space for both fiscal years. The aggregate impact statewide for FY 2006-07 is a total net increase of \$486,654 to adjust appropriations in various user agencies' Capitol Complex Leased Space line items to account for technical changes.

Note that the DPA share of this statewide request for FY 2006-07 is for a reduction of \$3,452 total funds in the Department's Executive Office, Capitol Complex Leased Space line item, with a corresponding increase of \$8,187 in General Fund and a decrease of \$11,639 in cash funds exempt, as reflected on the attached Schedule 6. This request also updates FY 2007-08 appropriations for Capitol Complex Leased Space for State agencies based upon the updates to recoverable costs. For reference, the revised FY 2007-08 DPA allocation of this statewide request as a State agency tenant totals \$1,186,435 total funds, \$567,088 General fund and \$619,347 of cash funds exempt.

In statewide aggregate, the request includes:

- 1) A net increase of \$486,654 in FY 2006-07 for State agency tenants in their respective Capitol Complex Leased Space appropriations based upon updates to recoverable costs.
- 2) A FY 2007-08 update to the Capitol Complex Leased Space appropriations for State agency tenants, again based upon updates to recoverable costs.

Program Background

Capitol Complex Facilities Maintenance operates as a full-service property management business for the benefit of certain State-owned facilities. Currently this Program provides services for the following locations.

The Capitol Hill Campus includes:

- Human Services Building
- State Office Building
- State Services Building
- Woodward House Building
- State Capitol Building
- Executive Residence (Governor's Mansion)
- Legislative Services Building
- Capitol Annex Building
- Power Plant Building (and all trades shops)
- Centennial Building
- 1570 Grant Street Building

The North Campus, including:

- Three industrial and office buildings

The West Campus, including:

- Dale Tooley Office Building (690 Kipling)
- 700 Kipling Building
- 1881 Pierce Street Building

The Grand Junction State Services Building

Camp George West (Infrastructure Only)

Capitol Complex Facilities Maintenance is responsible for providing building maintenance including, but not limited to HVAC, plumbing, electrical, elevators, lights, general maintenance; day and evening custodial services (in-house and contractor); grounds maintenance and building security.

Problem or Opportunity Definition

As discussed further below, this request is submitted in the current budget cycle in order to update Program recoverable costs, resulting allocations, and subsequent billings to State agency tenants. A mid-year supplemental and budget amendment request to realign Capitol Complex appropriations to agencies has proven to be a necessity in recent years. This has been necessary at a minimum to update recoverable costs based upon information not available to the Department or JBC staff during the initial development of the Common Policy for the Budget Request Year, or during figure setting for the Supplemental Request Year. In other years, updates may have been

necessary to incorporate the impact of agency relocations within or outside of the Capitol Complex, and to address "swing space" needs during the Capitol Life Safety Project. Finally, for the most recent fiscal years, updates to address Capitol Complex utilities needs have been prevalent.

During the current budget cycle, no tenant agency changes have occurred that require updates to the square footage that resulted in the current Long Bill appropriations, although agency relocations, whether into or out of the Capitol Complex always must be updated at the first available opportunity during the budget cycle. In addition, the Department has thoroughly reviewed the current utilities model for the Capitol Complex, Camp George West and the Grand Junction State Services Building, and have determined that the current utilities appropriations appear to be sufficient to meet the projected need. This conclusion is based upon actuals year to date, projections for the remainder of the fiscal year, and the most reliable estimates of the likelihood and nature of future rate adjustments that the Department has assumed based upon coordination with representatives from Xcel Energy & the Denver Water Department.

The current request includes multiple individual updates to various components of recoverable costs, as applicable, however two specific adjustments are more notable than others in the current request. The first is related to updates to reflect anticipated billings for natural gas and electrical usage for tenant agencies at Camp George West. Second is the inclusion, for the first time, of depreciation costs associated with assets installed as a result of the Department's energy performance contract with Chevron Energy Solutions.

FY 2003-04 the Division changed its methodology for billing utilities at Camp George West. Previously, tenants' utilities costs had been billed based on the percentage of occupied square feet in each building. However, meters were subsequently installed at the locations, and tenants are now billed based upon the best projection of actual electric and natural gas usage as reflected by meter readings. This request includes a net zero update to total recoverable costs that redistributes the Camp George West electric and natural gas costs among the tenant agencies based upon most current information.

Capitol Complex has contracted with Chevron Energy Solutions to perform performance-based contracting services throughout the Capitol Complex and associated buildings, Grand Junction, the three Lakewood buildings and North Campus. The goal of this project is to conserve energy through tenant awareness and the replacement or upgrading of older, inefficient systems. This project began in the spring of 2002 with an energy audit of all the Capitol Complex buildings. This audit identified energy savings projects, which included the replacement of lights, toilets, new boilers and chillers, and the installation of new energy management computerized controls. These improvements were financed through the projected energy savings directly related to the individual project over a predetermined period of time. In addition, a new resource conservation manager for the project has begun providing tips to all tenants on how they can help conserve energy while improving the work environment.

While many factors, particularly weather and use of buildings, affect energy consumption, energy usage has generally been considerably lower during the past two fiscal years indicating that the energy performance contract has been successful to some extent as well. Even greater savings, or

the ability to partially mitigate rate hikes is possible in future years, since some of the contracted projects have not been installed and operational long enough for the benefits to be fully realized.

For the current request, depreciation on equipment installed in State facilities under the energy performance contract must be included as a component of recoverable costs in accordance with GAAP and GASB accounting standards for governmental accounting. FY 2006-07 marks the first year that Phase I costs under the energy performance contract are appropriate to include in the request, and this item should continued to be included in recoverable costs in future fiscal years.

Available Alternatives/Assessment of Alternatives

Alternative #1 (Preferred Alternative) - This alternative seeks to update the Capitol Complex Leased Space (and Grand Junction and Camp George West) recoverable costs for both FY 2006-07 & FY 2007-08. As a result of these updates, adjustments will be made to Capitol Complex rates (including Grand Junction and Camp George West) and subsequent allocations and billings for State agency tenants for both fiscal years.

Alternative #2 - This alternative would not update the Capitol Complex Leased Space (and Grand Junction and Camp George West) recoverable costs for FY 2006-07 & FY 2007-08. As a result of not making the appropriate adjustments to Capitol Complex rates and allocations for State agency tenants, the Department would not recover it's full program costs, contrary to statute, and would inappropriately and inequitably charge tenant agencies based upon an the application of an incorrect rate calculation.

Federal/State Statutory and Other Authority

Sections 24-1-136.5; 24-82-101-103; 24-30-1303; 18-9-117, CRS (combined with 24-82-101).

Linkage to Objectives

DPA FY 2007-08 Strategic Plan:

Departmental goal: *Extend the Truth-in-Rates Philosophy Department-wide.*

Associated objectives included the following: *Continue the Truth-in-Rates philosophy to ensure that rates recover the cost of services and remain competitive.*

Departmental goal: *Create and Enhance Stakeholder Relationships.*

Associated objectives included the following: *Facilitate and coordinate statewide and Common Policy related Change Requests and legislation that affects multiple stakeholders and State departments.*

Recommendation:

DPA recommends Alternative #1, which would appropriately align department appropriations statewide in Capitol Complex Leased Space line items to the appropriate amounts based on current updated data.

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FY06-07 SUPPLEMENTAL for Capitol Complex Leased Space

FY06-07 Recoverable Costs													
Line Items	FY07 Estimated Cost	Denver Request	FTE	Pierce Street Request	FTE	North Campus Request	FTE	Grand Junction Request	FTE	Camp George West Request	FTE	Total	Double Check
FY07 Personal Services Appropriation	2,562,661	2,306,395	47.9	205,013	4.3	51,253	1.1					2,562,661	0.00
FY07 Personal Services Appropriation	44,697							44,697				44,697	0.00
FY07 Personal Services Appropriation	61,572									61,572		61,572	0.00
FY07 Sal Surv Adjustment to Base -NIA	-	-	-	-	-	-	-	-	-	-	-	-	0.00
FY07 PBP Adjustment to Base -NIA	-	-	-	-	-	-	-	-	-	-	-	-	0.00
FY07 Personal Services Estimate	2,668,930	2,306,395	47.9	205,013	4.3	51,253	1.1	44,697	1.0	61,572	1.0	2,668,930	0.00
FY07 Salary Survey Estimate	52,029	46,826		4,162		1,041						52,029	0.00
FY07 Salary Survey Estimate	867							867				867	0.00
FY07 Salary Survey Estimate	3,317									3,317		3,317	0.00
FY07 Performance Based Pay Estimate	23,185	20,031		1,781		445		384		544		23,185	0.00
FY07 AED	16,816	15,134		1,345		336						16,816	0.00
FY07 AED	265							265				265	0.00
FY07 AED	1,019									1,019		1,019	0.00
FY07 Workers' Comp Estimate	25,092	22,583		2,007		502						25,092	0.00
FY07 Workers' Comp Estimate	472							472				472	0.00
FY07 Workers' Comp Estimate	472									472		472	0.00
FY07 Shift Differential Estimate	10,301	10,301										10,301	0.00
FY07 Short-Term Disability Estimate	2,563	2,307		205		51						2,563	0.00
FY07 Short-Term Disability Estimate	40							40				40	0.00
FY07 Short-Term Disability Estimate	155									155		155	0.00
FY07 Health/Life/Dental Estimate	140,997	126,897		11,280		2,820						140,997	0.00
FY07 Health/Life/Dental Estimate	-											-	0.00
FY07 Health/Life/Dental Estimate	-											-	0.00
Sub-total	2,946,520	2,550,475		225,793		56,448		46,725		67,079		2,946,520	0.00
FY07 Operating Expenses	1,637,466	1,473,719		130,987		32,749						1,637,466	0.00
FY07 Operating Expenses	76,873							76,873				76,873	0.00
FY07 Operating Expenses	166,281									166,281		166,281	0.00
FY07 Operating Expenses - Cap Complex Repairs	56,520	50,868		4,522		1,130						56,520	0.00
FY07 Risk Management and Property Funds Estimate	54,951	49,456		4,396		1,099						54,951	0.00
FY07 Risk Management and Property Funds Estimate	1,033							1,033				1,033	0.00
FY07 Risk Management and Property Funds Estimate	1,033									1,033		1,033	0.00
FY07 Purchase of Services from Data Center Estimate	-	-		-		-		-		-		-	0.00
FY07 Legal Services Estimate	-	-		-		-		-		-		-	0.00
FY07 Document Solutions Group Payments Estimate	-	-		-		-		-		-		-	0.00
FY07 Multi-Use Network Payments Estimate	-	-		-		-		-		-		-	0.00
FY07 Capitol Complex Leased Space Estimate	26,186	26,186										26,186	0.00
FY07 Vehicle Lease Payments Estimate	6,911	6,220		553		138						6,911	0.00
FY07 Depreciation Estimate	46,392	46,392										46,392	0.00
FY07 Energy Performance Depreciation	467,086	443,732						23,354				467,086	0.00
FY07 Leased Space Estimate	1,913	1,626		134		38		57		57		1,913	0.00
FY07 Utilities - Denver	3,742,802	3,405,452		265,520		71,830						3,742,802	0.00
FY07 Utilities - GJ	87,554							87,554				87,554	0.00
FY07 Utilities - CGW (water & sewer only)	76,428									76,428		76,428	0.00
FY07 Capitol Complex Security	260,379	260,379										260,379	0.00
DCS Overhead Estimate	292,749	248,837		20,492		5,855		8,782		8,782		292,749	0.00
FY07 Compensated Absences Estimate	-	-		-		-		-		-		-	0.00
FY07 Indirect Cost Assessment Common Policy	434,644	369,447		30,425		8,693		13,039		13,039		434,644	0.00
Sub-total	7,437,201	6,362,314		457,039		121,533		210,694		265,621		7,437,201	0.00
Total Costs	10,383,721	8,932,788		682,832		177,981		257,419		332,700		10,383,721	0.00
1.0 Billable Vacancy	103,837	89,328		6,828		1,780		2,574		3,327		103,837	0.00
Sprint Leased Tower Space	(9,600)	-		-		-		-		(9,600)		(9,600)	0.00
Total Billable Costs	10,477,958	9,022,116		689,661		179,761		259,993		326,427		10,477,958	0.00
Allocated Square Footage	754,366	754,366		116,448		42,871		34,499		285,755		754,366	0.00
FY07 Estimated Cost Per Square Foot	\$ 11.99	\$ 5.92		\$ 4.19		\$ 7.54		\$ 1.14		\$ 1.14		\$ 11.99	0.00
FY06 Cost/Square Foot (FY 06 Supplemental)	\$ 10.68	\$ 5.36		\$ 3.75		\$ 6.21		\$ 1.03		\$ 1.03		\$ 10.68	0.00
Difference	\$ 1.28	\$ 0.56		\$ 0.44		\$ 1.33		\$ 0.11		\$ 0.11		\$ 1.28	0.00
	486,854												

Camp George West Utilities - Electric & Gas	
Corrections	97,275
Correctional Industries	25,094
Local Affairs	11,436
Military Affairs	32,288
Public Safety	158,223
Transportation	30,749
C.S.U. Forest Service	2,947
Total	357,922

FY07 Cost Per Square Foot - Long Bill

FY07 Cost Per Square Foot Supplemental \$ 11.96 \$ 5.92 \$ 4.19 \$ 7.54 \$ 1.14

FY 06-07 Supplemental

Square Footage by Agencies						
Agencies	Denver	Pierce Street	North Campus	Grand Junction	Camp George West	Total
Agriculture	13,553	-	-	-	-	13,553
Corrections	-	-	-	-	42,624	42,624
Correctional Industries	-	-	-	-	18,672	18,672
Education	44,433	-	-	-	-	44,433
General Assembly	111,981	-	-	-	-	111,981
Governor, Lt Governor, OSPB	21,157	-	-	-	-	21,157
HCPF	31,512	-	-	-	-	31,512
Human Services	99,087	-	-	3,104	-	102,191
Law	92,431	-	-	-	-	92,431
Local Affairs	33,228	-	-	3,458	17,084	53,770
Military Affairs	-	-	-	-	49,032	49,032
Natural Resources	69,107	-	-	-	-	69,107
Personnel & Administration	82,734	-	32,807	2,990	-	118,531
Public Health	-	-	-	3,996	-	3,996
Public Safety	66,830	-	-	-	134,386	201,216
Regulatory Agencies	-	-	-	162	-	162
Revenue	74,580	116,448	5,700	5,869	-	202,597
Transportation	100	-	-	12,305	18,251	30,656
Treasurer	4,379	-	-	-	-	4,379
Labor & Employment	-	-	4,364	1,295	-	5,659
CSU Forest Service	-	-	-	1,320	5,706	7,026
Construction-Annex Life/Safety	9,254	-	-	-	-	9,254
Total	754,366	116,448	42,871	34,499	285,755	1,233,939

FY 2006-07 Supplemental for Capitol Complex Leased Space by Agencies							
Agencies	Denver	Pierce Street	North Campus	Grand Junction	Camp George West	Camp George West Utilities (Electric/Gas)	Total
Agriculture	\$ 162,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,092
Corrections	\$ -	\$ -	\$ -	\$ -	\$ 48,691	\$ 97,275	\$ 145,966
Correctional Industries	\$ -	\$ -	\$ -	\$ -	\$ 21,330	\$ 25,004	\$ 46,334
Education	\$ 531,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531,413
General Assembly	\$ 1,339,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,339,278
Governor, Lt Governor, OSPB	\$ 253,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,035
HCPF	\$ 376,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376,879
Human Services	\$ 1,185,067	\$ -	\$ -	\$ 23,392	\$ -	\$ -	\$ 1,208,460
Law	\$ 1,105,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,105,462
Local Affairs	\$ 397,402	\$ -	\$ -	\$ 26,060	\$ 19,516	\$ 11,436	\$ 454,414
Military Affairs	\$ -	\$ -	\$ -	\$ -	\$ 56,011	\$ 32,288	\$ 88,299
Natural Resources	\$ 826,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 826,510
Personnel & Administration	\$ 989,488	\$ -	\$ 137,562	\$ 22,533	\$ -	\$ -	\$ 1,149,583
Public Health	\$ -	\$ -	\$ -	\$ 30,115	\$ -	\$ -	\$ 30,115
Public Safety	\$ 799,278	\$ -	\$ -	\$ -	\$ 153,513	\$ 158,223	\$ 1,111,014
Regulatory Agencies	\$ -	\$ -	\$ -	\$ 1,221	\$ -	\$ -	\$ 1,221
Revenue	\$ 891,967	\$ 689,661	\$ 23,901	\$ 44,230	\$ -	\$ -	\$ 1,649,758
Transportation	\$ 1,196	\$ -	\$ -	\$ 92,733	\$ 20,849	\$ 30,749	\$ 145,527
Treasurer	\$ 52,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,372
Labor & Employment	\$ -	\$ -	\$ 18,299	\$ 9,759	\$ -	\$ -	\$ 28,058
CSU Forest Service	\$ -	\$ -	\$ -	\$ 9,948	\$ 6,518	\$ 2,947	\$ 19,413
Construction-Annex Life/Safety	\$ 110,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,677
Total Billable Costs	\$ 9,022,116	\$ 689,661	\$ 179,761	\$ 259,993	\$ 326,427	\$ 357,922	\$ 10,835,880

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FY07-08 Budget Amendment for Capital Complex Leased Space

Line Items	FY08 Estimated Cost	Denver Request	FTE	Pierce Street Request	FTE	North Campus Request	FTE	Grand Junction Request	FTE	Camp George West Request	FTE	Total	Double Check
FY08 Recoverable Costs													
FY08 Personal Services Appropriation	2,609,461	2,348,515	47.9	208,757	4.3	52,180	1.1	45,473	1.0	64,759	1.0	2,609,461	0.00
FY08 Personal Services Appropriation	45,473	-	-	-	-	-	-	-	-	-	-	45,473	0.00
FY08 Personal Services Appropriation	64,759	-	-	-	-	-	-	-	-	64,759	1.0	64,759	0.00
FY07 Sal Surv Adjustment to Base - Included above	-	-	-	-	-	-	-	-	-	-	-	-	0.00
FY07 PBP Adjustment to Base - N/A	-	-	-	-	-	-	-	-	-	-	-	-	0.00
FY08 Personal Services Estimate	2,719,663	2,348,515	47.9	208,757	4.3	52,180	1.1	45,473	1.0	64,759	1.0	2,719,663	0.00
FY08 Salary Survey Estimate	17,241	69,517	6,179	1,548	1.37	-	-	-	-	-	-	77,241	0.00
FY08 Salary Survey Estimate	1,137	-	-	-	-	-	-	-	-	-	-	1,137	0.00
FY08 Performance Based Pay Estimate	1,610	20,031	1,761	445	384	-	-	-	-	1,610	1.61	1,610	0.00
FY08 Performance Based Pay Estimate	23,165	31,873	2,842	711	611	-	-	-	-	35,525	3.55	35,525	0.00
FY08 AED/SED	35,815	815	815	-	-	-	-	-	-	-	-	35,815	0.00
FY08 AED/SED	865	-	-	-	-	-	-	-	-	865	0.865	865	0.00
FY08 Workers' Comp Estimate	26,243	23,619	2,099	525	493	-	-	-	-	26,243	2.624	26,243	0.00
FY08 Workers' Comp Estimate	493	-	-	-	-	-	-	-	-	493	0.493	493	0.00
FY08 Workers' Comp Estimate	493	-	-	-	-	-	-	-	-	493	0.493	493	0.00
FY08 Shift Differential Estimate	12,056	12,056	-	-	-	-	-	-	-	12,056	1.206	12,056	0.00
FY08 Short-Term Disability Estimate	3,185	2,867	255	64	64	-	-	-	-	3,185	0.319	3,185	0.00
FY08 Short-Term Disability Estimate	55	-	-	-	-	-	-	-	-	55	0.055	55	0.00
FY08 Health/Life/Disability Estimate	175,246	157,721	14,020	3,505	78	-	-	-	-	175,246	1.752	175,246	0.00
FY08 Health/Life/Disability Estimate	78	-	-	-	-	-	-	-	-	78	0.078	78	0.00
FY08 Health/Life/Disability Estimate	700	-	-	-	-	-	-	-	-	700	0.700	700	0.00
FY08 Health/Life/Disability Estimate	3,726	-	-	-	-	-	-	-	-	3,726	3.726	3,726	0.00
Sub-total	3,092,741	2,666,297	235,933	59,993	48,855	72,075	3,092,741						
FY08 Operating Expenses	1,637,466	1,473,719	130,997	32,749	76,873	-	-	-	-	1,637,466	1.637	1,637,466	0.00
FY08 Operating Expenses	122,102	50,868	4,522	1,130	122,102	-	-	-	-	122,102	1.221	122,102	0.00
FY08 Operating Expenses - Cap Complex Repairs	56,520	66,132	5,878	1,470	73,480	-	-	-	-	56,520	0.565	56,520	0.00
FY08 Risk Management and Property Funds Estimate	73,480	1,381	1,381	-	-	-	-	-	-	73,480	0.735	73,480	0.00
FY08 Risk Management and Property Funds Estimate	1,381	-	-	-	-	-	-	-	-	1,381	0.001	1,381	0.00
FY08 Purchase of Services from Data Center Estimate	1,381	-	-	-	-	-	-	-	-	1,381	0.001	1,381	0.00
FY08 Legal Services Estimate	-	-	-	-	-	-	-	-	-	-	-	-	0.00
FY08 Document Solutions Group Payments Estimate	-	-	-	-	-	-	-	-	-	-	-	-	0.00
FY08 Multi-Line Network Payments Estimate	27,473	27,473	-	-	-	-	-	-	-	27,473	0.275	27,473	0.00
FY08 Computer Network License Special Estimate	5,911	5,220	553	138	-	-	-	-	-	5,911	0.059	5,911	0.00
FY08 Vehicle Payments Estimate	48,392	48,392	-	-	-	-	-	-	-	48,392	0.484	48,392	0.00
FY08 Depreciation Estimate	691,203	656,643	-	-	34,560	-	-	-	-	691,203	0.691	691,203	0.00
FY08 Energy Performance Depreciation	2,009	1,708	141	40	60	-	-	-	-	2,009	0.002	2,009	0.00
FY08 Leased Space Estimate	3,742,802	3,405,452	265,520	71,830	87,554	-	-	-	-	3,742,802	3.743	3,742,802	0.00
FY08 Utilities - Denver	87,554	-	-	-	-	-	-	-	-	87,554	0.088	87,554	0.00
FY08 Utilities - GJ	76,428	273,138	20,482	5,855	8,782	-	-	-	-	76,428	0.076	76,428	0.00
FY08 Utilities - CGM (water & sewer only)	273,138	246,937	20,482	5,855	8,782	-	-	-	-	273,138	0.273	273,138	0.00
FY08 Capital Complex Security	282,749	-	-	-	-	-	-	-	-	282,749	0.283	282,749	0.00
FY08 Compensated Absentee Estimate	377,456	326,938	26,422	7,549	11,324	-	-	-	-	377,456	0.377	377,456	0.00
FY08 Inirect Cost Assessment Common Policy	7,893,378	6,577,479	454,525	120,762	220,535	-	-	-	-	7,893,378	7.893	7,893,378	0.00
Total Costs	10,676,459	9,443,776	690,458	179,745	269,398	293,452	10,676,459						
1.0 Blaine Vacancy	106,755	92,437	9,665	1,787	2,684	-	-	-	-	106,755	1.068	106,755	0.00
Spent Leased Tower Space	(8,600)	-	-	-	-	-	-	-	-	(8,600)	(0.008)	(8,600)	0.00
Total Billable Costs	10,772,614	9,536,153	697,362	187,542	272,081	285,474	10,772,614						
Allocated Square Footage	754,366	654,366	54,000	13,469	34,469	-	-	-	-	754,366	0.754	754,366	0.00
FY07 Estimated Cost Per Square Foot	\$ 12.38	\$ 12.38	\$ 5.99	\$ 4.23	\$ 7.89	\$ 1.00							
FY08 Cost/Square Foot (FY 05 Supplemental)	\$ 10.68	\$ 9.88	\$ 3.75	\$ 3.75	\$ 6.21	\$ 1.03							
Difference	\$ 1.70	\$ 0.63	\$ 0.46	\$ 1.68	\$ 0.03	\$ 0.03							

Camp George West Utilities - Electric & Gas	
Corrections	97,275
Correctional Industries	25,094
Local Affairs	11,436
Military Affairs	32,288
Public Safety	198,223
Public Works	30,000
CS&J Forest Service	30,947
Total	357,922

FY07 Cost Per Square Foot - Long Bill

FY08 Cost Per Square Foot FY 08 Budget Amendr \$ 12.38 \$ 5.99 \$ 4.23 \$ 7.89 \$ 1.00

Difference

FY 07-08 Budget Amendment

Square Footage by Agencies						
Agencies	Denver	Pierce Street	North Campus	Grand Junction	Camp George West	Total
Agriculture	13,553	-	-	-	-	13,553
Corrections	-	-	-	-	42,624	42,624
Correctional Industries	-	-	-	-	18,672	18,672
Education	44,433	-	-	-	-	44,433
General Assembly	111,981	-	-	-	-	111,981
Governor, Lt Governor, OSPB	21,157	-	-	-	-	21,157
HCPF	31,512	-	-	-	-	31,512
Human Services	99,087	-	-	3,104	-	102,191
Law	92,431	-	-	-	-	92,431
Local Affairs	33,228	-	-	3,458	17,084	53,770
Military Affairs	-	-	-	-	49,032	49,032
Natural Resources	69,107	-	-	-	-	69,107
Personnel & Administration	82,734	-	32,807	2,990	-	118,531
Public Health	-	-	-	3,996	-	3,996
Public Safety	66,830	-	-	-	134,386	201,216
Regulatory Agencies	-	-	-	162	-	162
Revenue	74,580	116,448	5,700	5,869	-	202,597
Transportation	100	-	-	12,305	18,251	30,656
Treasurer	4,379	-	-	-	-	4,379
Labor & Employment	-	-	4,364	1,295	-	5,659
CSU Forest Service	-	-	-	1,320	5,706	7,026
Construction-Annex Life/Safety	9,254	-	-	-	-	9,254
Total	754,366	116,448	42,871	34,499	285,755	1,233,939

FY 2007-08 Budget Amendment for Capitol Complex Leased Space by Agencies

Agencies	Denver	Pierce Street	North Campus	Grand Junction	Camp George West	Camp George West Utilities (Electric/Gas)	Total
Agriculture	\$ 167,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,734
Corrections	\$ -	\$ -	\$ -	\$ -	\$ 42,582	\$ 97,275	\$ 139,857
Correctional Industries	\$ -	\$ -	\$ -	\$ -	\$ 18,654	\$ 25,004	\$ 43,658
Education	\$ 549,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,910
General Assembly	\$ 1,385,895	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,385,895
Governor, Lt Governor, OSPB	\$ 261,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261,842
HCPF	\$ 389,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 389,998
Human Services	\$ 1,226,316	\$ -	\$ -	\$ 24,480	\$ -	\$ -	\$ 1,250,797
Law	\$ 1,143,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,143,941
Local Affairs	\$ 411,235	\$ -	\$ -	\$ 27,272	\$ 17,067	\$ 11,436	\$ 467,010
Military Affairs	\$ -	\$ -	\$ -	\$ -	\$ 48,984	\$ 32,288	\$ 81,272
Natural Resources	\$ 855,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 855,279
Personnel & Administration	\$ 1,023,929	\$ -	\$ 138,925	\$ 23,581	\$ -	\$ -	\$ 1,186,435
Public Health	\$ -	\$ -	\$ -	\$ 31,515	\$ -	\$ -	\$ 31,515
Public Safety	\$ 827,099	\$ -	\$ -	\$ -	\$ 134,254	\$ 158,223	\$ 1,119,576
Regulatory Agencies	\$ -	\$ -	\$ -	\$ 1,278	\$ -	\$ -	\$ 1,278
Revenue	\$ 923,014	\$ 697,362	\$ 24,137	\$ 46,287	\$ -	\$ -	\$ 1,690,800
Transportation	\$ 1,238	\$ -	\$ -	\$ 97,045	\$ 18,233	\$ 30,749	\$ 147,265
Treasurer	\$ 54,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,195
Labor & Employment	\$ -	\$ -	\$ 18,480	\$ 10,213	\$ -	\$ -	\$ 28,693
CSU Forest Service	\$ -	\$ -	\$ -	\$ 10,410	\$ 5,700	\$ 2,947	\$ 19,058
Construction-Annex Life/Safety	\$ 114,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,529
Total Billable Costs	\$ 9,336,153	\$ 697,362	\$ 181,542	\$ 272,081	\$ 285,474	\$ 357,922	\$ 11,130,536

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Supplemental #7

Supplemental #7

**Schedule 6
FY 2006-07 STATEWIDE SUPPLEMENTAL REQUEST**

Department: Personnel and Administration
 Priority Number: Statewide Supplemental #7
 Division: Office of Administrative Courts
 Program: Office of Administrative Courts
 Request Title: ALJ Mid-year Supplemental True-up

Dept. Approval: *[Signature]*
 OSPB Approval: _____
 Statutory Citation: _____
 Budget Analyst: Eric Fiolkoski

Date: January 2, 2007
 Date: _____

Long Bill Line Item	Fund Source	1 Prior-Year Actual FY 2005-06	2 Appropriation FY 2006-07	3 Supplemental Request FY 2006-07	4 Total Revised Request FY 2006-07	5 Base Request FY 2007-08	6 Decision/Base Reduction FY 2007-08	7 November 1 Request FY 2007-08	8 Budget Amendment FY 2007-08	9 Total Revised Request FY 2007-08	10 Change from Base in Out Year FY 2008 09
Total of all line items	Total	\$2,440	\$2,516	(\$1,934)	\$582	\$609	\$0	\$609	\$0	\$609	\$0
	FTE	0.0	0.00	0.0	0.00	0.00	0.00	0.00	0.0	0.00	0.00
	GF	2,440	2,516	(2,516)	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	582	582	609	0	609	0	609	0
	FF	0	0	0	0	0	0	0	0	0	0
Executive Office, Administrative Law Judge Services	Total	\$2,440	\$2,516	(\$1,934)	\$582	\$609	\$0	\$609	\$0	\$609	\$0
	FTE										
	GF	2,440	2,516	(2,516)	0						
	CF										
	CFE			582	582	609		609		609	
	FF										

Letter Notations:

Cash Fund Name/Number: Fund 611

IT Request: No

Decision Item Criteria: New Data

Request for New or Replacement Vehicles: No

Request Affects Another Department(s): Yes - Statewide Request impacting multiple departments.

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**Efficiency and Effectiveness Analysis
FY 2006-07 Statewide Supplemental Request**

Department: Department of Personnel & Administration

Long Bill Group/Division: Office of Administrative Courts

Program: Administrative Law Judge Services

Request Title: Administrative Law Judge Services (ALJ) Mid-Year Supplemental True-up

Request Criteria: New Data

Priority Number: Statewide Supplemental #7

Summary of Request

This is a statewide Supplemental Request that adjusts the distribution of appropriations to all departments using Administrative Law Judge Services (ALJ), and includes any applicable updates to total recoverable program costs. The total statewide request is for a decrease of \$126,161 in appropriations for Administrative Law Judge Services, and anticipated billings as a result of updates to recoverable costs. There is no spending authority adjustment necessary to the Office of Administrative Courts as a result of this request. Please refer to Attachment A for individual department needs and a summary of FY 2006-07 recoverable costs for the program.

The DPA share of this statewide request, as reflected on the attached Schedule 6, is for a decrease of \$1934 total funds, which includes a decrease of \$2,516 of General fund and an increase of \$582 of cash funds exempt for the Executive Office, Administrative Law Judge Services line item.

Note: In prior years, a footnote to the Long Bill required that an annual mid year review of the cost allocation methodology for Administrative Law Judge Services be submitted to the JBC for review no later than January 1 for statewide supplemental consideration. This footnote was eliminated from the Long Bill in the current fiscal year. However, JBC staff noted during figure setting that while the footnote was no longer necessary, the Department and the Committee have established the necessary expectations regarding the need for an annual supplemental for this program.

Problem or Opportunity Definition

The Department changed to a cost allocation billing methodology for Administrative Law Judge Services in FY 2001-02. This methodology establishes department appropriations based upon historical usage patterns. Departments are charged a fixed monthly fee that is equal to 1/12th of their ALJ Services appropriation.

In each of the past four budget cycles/fiscal years the Department submitted supplemental requests to adjust departmental appropriations based upon the most recent full-year utilization data available. This was done to allow for a more current and equitable distribution of program costs to agencies utilizing ALJ services. This Supplemental Request updates FY 2006-07 appropriations to reflect the FY 2005-06 utilization rates and updated program cost estimates. (The current FY 2007-08 Common Policy request is already based upon FY 2005-06 utilization rates and, during FY 2007-08, will be adjusted via another Supplemental Request based upon final FY 2006-07 utilization.)

The Department has also included in this request a revision of the costs to be recovered through the historical cost allocation methodology. This is consistent with all previously submitted supplemental mid-year true-ups, which have previously included similar updated program cost estimates for the Office of Administrative Courts. Further, the Department is not requesting adjustments to the DPA spending authority, as the appropriated spending authority, as approved by the Committee during FY 2006-07 figure setting, is sufficient. The Department is merely seeking to recover its costs, which would not be possible without adding the updated cost basis to the cost allocation model.

It is necessary to adjust the program cost estimates for Administrative Law Judge Services in the true-up supplemental due to timing issues. For example, the FY 2006-07 Common Policy for this program was initially developed in July/August 2005. This is prior to the development of the Department's initial base budget estimate annually in August, prior to the Department's submission of the Executive Budget Request to the JBC, and prior to the JBC figure setting process. Therefore, the Department develops the ALJ Common Policy based upon historical base budget adjustments rather than upon current fiscal year budget adjustments approved by OSPB or the JBC. This is not problematic because the Common Policy figures included in the Long Bill each year are simply initial estimates (both recoverable program costs and allocations to agencies) to be updated through the supplemental true-up process.

The cost basis for the provision of Administrative Law Judge Services as contained in this FY 2006-07 Supplemental Request is based upon the FY 2006-07 program appropriations and program allocations from central appropriations (POTS). Therefore, the Joint Budget Committee has already approved the departmental costs. This supplemental seeks only to ensure that the Department is able to recover costs equal to these approved appropriations.

Available Alternatives

Alternative #1 (Recommended) - Refer to Attachment A for departmental allocations under this alternative.

Cost allocation billing methodologies must meet federal guidelines (for example, OMB circular A-87 establishes that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes), and must be consistently applied in order for the State to avoid federal penalties, which can be substantial. Adjustments must be made in order to follow the cost allocation methodology and the only alternative is to make an adjustment through the supplemental process.

The DPA methodology complies with the cost allocation methodology associated with Common Policies that require an annual true-up because the DPA methodology identifies necessary adjustments on a department-by-department basis. This yields more accurate results for individual agencies as well as in aggregate. Furthermore, State and federal government mandates require a methodology that is both consistent with established guidelines and consistent in its application. This request adheres to both of these principles.

Alternative #2 – Status Quo

Alternative #2 would continue with the status quo, which is inequitable, and inconsistent with the Truth-in-Rates methodology. This alternative also takes no action to realign statewide ALJ appropriations to reflect updates to utilization and cost basis, which would not be prudent under any circumstances.

Additional Considerations

A driving factor on the Division's workload increases in current or future fiscal years is related to legislation from past legislative sessions, and pending legislation in the current session. The following is taken from the Department's response to several fiscal note requests in the most recent legislative sessions:

"The Department would like to point out that this proposed legislation, in its current form, does not generate the need for additional administrative law judge resources. Because of the numerous bills pending in the current session that may ultimately have impact on the resources and workload of the Office of Administrative Courts, it is important to note that the collective impact of several bills may not be able to be absorbed within existing resources. Of course, the aggregate impact of several bills cannot, and should not, be reflected in any single fiscal note. However, if several bills pass that impact administrative law judge services during the current legislative session, it would potentially be necessary that an associated change request be developed and submitted for additional resources."

Statutory and Other Authority

24-30-1001, et seq., & 24-4-105, C.R.S. (2006)

Linkage to Objectives

DPA FY 2007-08 Strategic Plan:

Departmental goal: *Extend the Truth-in-Rates Philosophy Department-wide.*

Associated objectives included the following: *Continue the Truth-in-Rates philosophy to ensure that rates recover the cost of services and remain competitive.*

Departmental goal: *Create and Enhance Stakeholder Relationships.*

Associated objectives included the following: *Facilitate and coordinate statewide and Common Policy related Change Requests and legislation that affects multiple stakeholders and State departments.*

Assessment of Alternatives

Alternative #1 (Recommended)

As referenced in prior requests, the ALJ cost allocation billing methodology must meet with federal guidelines and must be consistently applied in order for the State to avoid federal penalties, which can be substantial. In the current fiscal year, this adjustment should be made through the FY 2006-07 supplemental process. If this request were not approved, the Department would be unable to justify that its level of billings to customers is equitable and based on actual utilization. Further, if the Joint Budget Committee does not approve the revised cost basis, the Department will over-recover its costs for ALJ services given that the revised cost basis actually decreases from the original recoverable costs approved during FY 2006-07 figure setting.

Alternative #2

Alternative 2 would continue with the status quo, and would leave appropriations for ALJ services at current levels as appropriated in the FY 2006-07 Long Bill. This alternative is not recommended, as it would leave current year appropriations at a level that was originally calculated based on FY 2004-05 (not FY 2005-06) utilization, and includes cost basis assumptions that are nearly a year out of date.

Concerns or Uncertainties

Based upon prior experience with federal auditors reviewing the cost allocation model annually, the Department is concerned that the State could be subject to federal penalties if an accurate allocation methodology is not approved for Administrative Law Judge Services.

Conclusion/Recommendation:

The Department recommends Alternative #1, which is consistent with Truth-in-Rates. This alternative updates the statewide allocation for FY 2006-07 ALJ services to ensure equitable treatment of State agency ALJ customers, to remain consistent with the Truth-in-Rates philosophy, and continues to allow for the provision of ALJ at the necessary service levels for our customers in current and future fiscal years.

Attachment A – Consistent with Alternative #1

Department	ALJ Hours	Paralegal Hours	Total Hours	FY 2005-06 Actual	FY 2006-07 Supplemental
				Utilization	Appropriation
Corrections	41.10	0.00	41.10	0.13%	5,317
Education	533.50	37.60	571.10	1.85%	73,878
HCPF	2,460.40	484.30	2,944.70	9.53%	380,930
Human Services	5,859.60	727.70	6,587.30	21.32%	852,141
Labor	16,529.30	1,428.00	17,957.30	58.13%	2,322,977
Law	8.80	1.00	9.80	0.03%	1,268
Personnel	4.50	0.00	4.50	0.01%	582
Public Health	0.00	0.00	0.00	0.00%	0
Regulatory Agencies	1,274.50	385.20	1,659.70	5.37%	214,701
Revenue - Lottery	0.00	0.00	0.00	0.00%	0
Public Safety - Motor Car	0.00	0.00	0.00	0.00%	0
Natural Resources - Wild	0.00	0.00	0.00	0.00%	0
State	932.20	105.80	1,038.00	3.36%	134,277
Transportation	16.30	15.50	31.80	0.10%	4,114
Misc. School Districts	46.60	0.00	46.60	0.15%	6,028
Colorado Student Loan	0.00	0.00	0.00	0.00%	0
TOTAL	27,707	3,185	30,892	100.00%	3,996,213

Attachment A – Continued (Consistent with Alternative #1)

Administrative Hearings

Recoverable Costs

Personal Services	2,945,676
Salary Survey and Health	173,194
Performance Based Pay	0
AED/SAED	18,865
STD	3,007
Operating Expenses	137,042
Indirect Costs	<u>290,513</u>
<i>Subtotal</i>	<i>3,568,297</i>

Overhead

Leased Space Colorado Springs	28,396
Leased Space - Denver	306,459
Capitol Complex - Grand Junction	14,186
Workers' Comp	18,395
Prop and Liability	40,283
GGCC	11,051
MNT	6,612
Legal Services	<u>2,533</u>
<i>Subtotal</i>	<i>427,915</i>

TOTAL **3,996,212**

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Statewide
Supplemental #8

**Schedule 6
FY 2006-07 STATEWIDE SUPPLEMENTAL REQUEST**

Department: Personnel and Administration
 Priority Number: Statewide Supplemental #8
 Division: Division of Central Services
 Program: State Fleet Management
 Request Title: Statewide Vehicle Lease Line Reconciliation

Dept. Approval: *[Signature]*
 OSPB Approval: _____
 Statutory Citation: _____
 Budget Analyst: Cindy Arcuri

Date: January 2, 2007
 Date: _____

Long Bill Line Item	Fund Source	1 Prior-Year Actual FY 2005-06	2 Appropriation FY 2006-07	3 Supplemental Request FY 2006-07	4 Total Revised Request FY 2006-07	5 Base Request FY 2007-08	6 Decision/Base Reduction FY 2007-08	7 November 1 Request FY 2007-08	8 Budget Amendment FY 2007-08	9 Total Revised Request FY 2007-08	10 Change from Base in Out Year FY 2008-09
Total of all line items	Total	\$11,614,826	\$13,832,598	(\$1,238,140)	\$12,594,458	\$13,832,598	\$0	\$13,832,598	\$0	\$13,832,598	\$0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	272	2,910	0	2,910	2,910	0	2,910	0	2,910	0
	CF	1,691,364	1,847,561	0	1,847,561	1,847,561	0	1,847,561	0	1,847,561	0
	CFE	9,923,190	11,982,127	(1,238,140)	10,743,987	11,982,127	0	11,982,127	0	11,982,127	0
	FF	0	0	0	0	0	0	0	0	0	0
Executive Office, Vehicle Lease Payments (DPA Share of Statewide Adjustment)	Total	\$110,215	\$182,271	(\$48,764)	\$133,507	\$182,271	\$0	\$182,271	\$0	\$182,271	\$0
	FTE										
	GF	272	2,910		2,910	2,910		2,910		2,910	
	CFE	109,943	179,361	(48,764)	130,597	179,361		179,361		179,361	
	FF										
Division of Central Services, Fleet Management Program & Motor Pool Services, Vehicle Replacement Lease, Purchase or Lease/Purchase	Total	\$11,504,611	\$13,650,327	(\$1,189,376)	\$12,460,951	\$13,650,327	\$0	\$13,650,327	\$0	\$13,650,327	\$0
	FTE										
	GF										
	CFE	1,691,364	1,847,561		1,847,561	1,847,561		1,847,561		1,847,561	
	FF	9,813,247	11,802,766	(1,189,376)	10,613,390	11,802,766		11,802,766		11,802,766	

Letter Notations:

Cash Fund Name/Number: Fund 607

IT Request: No

Supplemental and Budget Amendment Criteria: New Data

Request for New or Replacement Vehicles: No

Request Affects Another Department(s): Yes - Statewide Decision Item impacting multiple departments.

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Efficiency and Effectiveness Analysis

FY 2006-07 Statewide Supplemental Request

Department: Department of Personnel & Administration
Long Bill Group/Division: Executive Office, Central Services
Program: State Fleet Management
Priority Number: Statewide Supplemental #8
Request Title: Statewide Vehicle Lease Line Reconciliation

Summary of Request

This is a statewide technical Supplemental Request to reduce statewide appropriations in various departments' Vehicle Lease Payment line items by a total of \$1,051,458. Included in the request is an adjustment to the appropriation for the Department of Corrections to include \$31,900 for a non-fleet bus that is allocated in the Long Bill in the Department Of Corrections' Vehicle Lease Payments line item. The corresponding reduction to State Fleet Management's spending authority for FY 2006-07 is currently estimated at \$1,189,376.

Note also that the DPA department share of this statewide request is a decrease of \$48,764, all Cash Funds Exempt, in the Executive Office, Vehicle Lease Payments line item.

It is the intent of this request to reconcile the spending authority in DPA's Central Services, Fleet Management Program and Motor Pool Services (referred to herein as State Fleet Management) with departmental appropriations for Vehicle Lease Payments to reflect departments' needs in the associated line items.

Problem or Opportunity Definition:

Adjustment of Vehicle Lease Payments to Cover Existing Costs:

Vehicle Lease Payment line items are used to pay for existing vehicle leases and associated management fees. Prior to FY 2002-03, when vehicle leases expired, reductions in affected departments did not occur on a consistent basis. When funding for vehicle replacements was requested, the estimated appropriations that built up in these line items was used to offset the total monthly cost of the replacements. Estimating the incremental base amount needed for both State Fleet Management (SFM) and State agencies inherently created variances between actual agency appropriations and SFM spending authority as vehicles changed and exact vehicle amounts became known. For the last several fiscal years, SFM has used this base dollar approach to help fund new replacements.

In FY 2001-02 SFM, in coordination with the OSPB and various state agencies, developed the attached worksheet to reconcile the funding differences between appropriated dollars and actual lease payments. This reconciliation used the full amount of vehicle leases to be billed to agencies, less appropriations no longer required due to expiring leases. This approach gives a more accurate and verifiable calculation of base vehicle funding requirements. Due to the implementation of this methodology, vehicle replacement requests now identify total estimated replacement costs and not just the estimated incremental costs. This reconciliation is conducted on an annual basis to determine whether appropriated funds will need to be adjusted in the Vehicle Lease Payments line items of affected agencies.

As a result of the analysis (see attached spreadsheet), it has been determined that SFM has excess cash funds exempt spending authority estimated at \$1,189,376 and agencies statewide have excess appropriations of \$1,051,458. This will result in a technical adjustment to the Vehicle Lease Payment line items for SFM user agencies as well as an adjustment to SFM program spending authority. (Note that the estimate of excess SFM spending authority is based upon current FY 2006-07 estimates.)

Recommendation:

The Department of Personnel & Administration recommends, that the Vehicle Lease Payments line item appropriations for State agencies be reduced by a total of \$1,051,458 (see attached agency detail), and SFM cash funds exempt spending authority be reduced by an estimated \$1,189,376.

SUPPLEMENTAL: FY2006-07 Vehicle Lease Line Reconciliation

Base: Oct, 2006

		FISCAL YEAR 2006-07								
A	B	C	D	E	F	G	H	I	J	
DEPT	Division	FY07 Agency Long Bill Appropriation	FY07 CARS ytd Billing thru Oct, 2006	8 CARS Oct, 2006 Billing	D + (E * 8) FY07 Annualized Current Fixed Oct, 2006	FY07 Replace List FY07 Pro-rated Replace/Addds Fixed Paymts CSP-6; Other-4	Lease End Analysis FY07 Leases Ending By 6/30 2007	F + G + H FY07 Projected Fixed Paymts (Incl Mgmt Fee)	FY07 I - C Billing Variance from Long Bill	FY07 SB06-015 Projected Mgmt Fee @ 8 mos
	Total Long Bill Appropriated Agencies									
CDPS	EDO (Fire Safety & Criminal Justice)	87,377	4,988	1,178	14,412	11,443	-	48,493	(38,884)	-
	Colorado State Patrol (see note)	4,862,278	1,350,112	337,886	4,128,272	671,290	(278,001)	4,521,561	(340,717)	-
	CBI	190,174	30,168	7,877	98,832	66,468		165,300	(24,874)	-
	CDPS Total	5,139,829	1,385,268	346,941	4,241,516	749,201	(278,001)	4,735,354	(404,475)	-
DOAG	Agriculture	158,033	41,970	10,563	126,474	21,271	(1,122)	146,623	(11,410)	-
	State Fair		580	145	1,740	2,368	-	4,108	4,108	-
DOC	Department of Corrections	1,754,828	445,084	113,383	1,360,428	262,242	(48,271)	1,606,299	(148,529)	20,416
DOH	Department of Health	220,234	68,030	17,065	204,550	25,288	(3,980)	225,858	5,624	464
DOHS	Department of Human Services	802,661	177,775	44,579	558,975	105,181	(12,999)	651,157	(151,504)	-
DOLA	Local Affairs	71,340	18,926	4,735	56,806	5,341	(17)	62,130	(9,210)	-
DOLE	Labor and Employment	87,857	25,559	6,387	76,655	6,236	(885)	82,006	(5,851)	-
DOMA	Military Affairs	56,726	15,593	4,520	51,753	5,156	(87)	56,822	96	-
DONR	Natural Resources	2,455,407	711,040	177,864	2,136,544	146,679	12,363	2,295,586	(159,821)	38,128
DOR	EDO	109,769	64,964	16,512	197,060	31,876	(4,265)	224,671	114,902	-
	Lottery	227,863	32,781	8,129	97,813	17,285	(3,203)	111,895	(115,968)	-
	Gaming	101,303	16,531	4,133	49,595	2,578	(720)	51,453	(49,850)	-
DORA	Regulatory Agencies	206,011	50,965	12,811	153,453	10,392	(652)	163,193	(42,818)	-
GOV	Economic Development	10,809	3,948	987	11,844	1,736	-	13,580	2,771	-
DPA	Department of Personnel (not MP)	182,271	44,568	10,285	126,848	4,366	2,293	133,507	(48,764)	-
CDOT	Aviation	9,917	2,421	605	7,261	-	-	7,261	(2,656)	-
DOL	Attorney General	33,281	8,370	2,114	25,282	14,606	(782)	39,106	5,825	-
DOS	Secretary of State	4,044	679	226	2,487	-	-	2,487	(1,557)	-
JUDICIAL	Public Defender	47,309	16,064	4,016	48,192	6,893	(1,829)	53,256	5,947	-
	Courts	72,786	10,025	2,506	30,073	4,648	(253)	34,468	(38,318)	-
	TOTAL LONG BILL APPROPRIATED AGENCIES	11,752,278	3,141,141	788,506	9,565,349	1,423,343	(342,410)	10,700,820	(1,051,458)	59,008
	<i>Non Long Bill Appropriated Agencies</i>									
DOE	Department of Education	45,060	7,216	1,855	22,056	1,236	-	23,292	(21,768)	-
DOT	DOT Non-Appropriated Total	2,147,982	589,617	146,819	1,764,169	136,006	(24,721)	1,875,454	(272,528)	-
DOHE	Higher Education Total	691,705	141,242	35,751	427,250	97,177	(4,875)	467,876	(223,829)	2,320
	STATEWIDE TOTAL	14,637,025	3,879,216	972,931	11,778,824	1,657,762	(372,006)	13,067,442	(1,569,583)	61,328
						1,665,418	with Motor Pool			

	FY07	FLEET SUMMARY
Expected Agency Payments		13,067,442
Mgmt Fee FY07 Levels:		938,120
Expected SFM Loan Payments		12,129,322
Unforeseens(1.5% of billing)		181,940
DPA Motor Pool Leases		149,689
TOTAL EST EXPENDITURES		12,460,951
SFM's FY07 Spending Auth.		13,650,327
SFM's Excess Spending Auth		1,189,376

DPA Motor Pool		
FY07	Est Billing	146,431
FY07	Lease Ending	(4,398)
FY07	Repl (4 mos)	7,656
FY07	TOTAL:	149,689

SUPPLEMENTAL: FY2006-07 Vehicle Lease Line Reconciliation

Base: Oct, 2006

A	B	FISCAL YEAR 2006-07						J I - C	FY07 SB06-015 Projected Mgmt Fee @ 6 mos
		C	D	E	F D + (E * 8)	G	H		
DEPT	Division	FY07 Agency Long Bill Appropriation	FY07 CARS ytd Billing thru Oct, 2006	8 CARS Oct, 2006 Billing	FY07 Annualized Current Fixed Oct, 2006	FY07 Pro-rated Replace/Adds Fixed Paymts CSP-6; Other-4	FY07 Leases Ending By 6/30 2007	FY07 Projected Fixed Paymts (Incl Mgmt Fee)	FY07 Billing Variance from Long Bill

Assumptions:

Prorations for FY07 are from "FY07 Replacements RC Updated-687 JBC Apprvd-with Terms Changed.xls"
 Higher Education is not appropriated a specific line for Vehicle Lease Payments
 Unforseens Include Accident Replacements, Mission Critical Uneconomic Repair Replacements, etc.
 Education is not appropriated dollars for Vehicle Lease Payments
 Dollars for Additional Vehicles Not Approved or Known to SFM are Not Included
 Leases ending during FY07 (col. "F") are determined by # of months not needed.
 Motorpool lease payments are not allocated in the long bill under Dept of Personne
 CDPS note: CSP proration assumes staggered delivery of replacements (1/2 delivered in November and 1/2 delivered in March) Use 6 month payments

Department
Departmental
Requests

DP A Supplemental
#1

**Schedule 6
FY 2006-07 SUPPLEMENTAL REQUEST**

Department: Personnel and Administration
Priority Number: DPA Supplemental #1
Division: Division of Central Services
Program: Integrated Document Factory
Request Title: Document Solutions Group Increase for CBI Project

Dept. Approval: *[Signature]*
OSPB Approval: _____
Statutory Citation: _____
Budget Analyst: Cindy Arcuri

Date: January 2, 2007
Date: _____

Long Bill Line Item	Fund Source	1 Prior-Year Actual FY 2005-06	2 Appropriation FY 2006-07	3 Supplemental Request FY 2006-07	4 Total Revised Request FY 2006-07	5 Base Request FY 2007-08	6 Decision/Base Reduction FY 2007-08	7 November 1 Request FY 2007-08	8 Budget Amendment FY 2007-08	9 Total Revised Request FY 2007-08	10 Change from Base in Out Year FY 2008-09
Total of all line items	Total	\$2,674,041	\$2,433,690	\$274,560	\$2,708,250	\$2,484,643	\$0	\$2,484,643	\$0	\$2,484,643	\$0
	FTE	46.7	46.70	0.0	46.70	46.70	0.00	46.70	0.0	0.00	0.00
	GF	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	2,674,041	2,433,690	274,560	2,708,250	2,484,643	0	2,484,643	0	2,484,643	0
	FF	0	0	0	0	0	0	0	0	0	0
Division of Central Services, Document Solutions Group, Personal Services	Total	\$2,674,041	\$2,433,690	\$274,560	\$2,708,250	\$2,484,643	\$0	\$2,484,643	\$0	\$2,484,643	\$0
	FTE	46.7	46.7		46.7	46.7		46.7			
	GF										
	CF										
	CFE	2,674,041	2,433,690	274,560	2,708,250	2,484,643		2,484,643		2,484,643	
	FF										

Letter Notations:

Cash Fund Name/Number: Fund 601
IT Request: No
Decision Item Criteria: New Data
Request for New or Replacement Vehicles: No
Request Affects Another Department(s): No

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Efficiency and Effectiveness Analysis

FY 2006-07 Supplemental Request

Department: Department of Personnel & Administration

Long Bill Group/Division: Executive Office, Division of Central Services

Program: Integrated Document Solutions (formerly Integrated Document Factory)

Priority Number: DPA Supplemental #1

Request Title: Document Solutions Group Increase for CBI Project

Summary of Request

The Integrated Document Solutions (formerly known as the Integrated Document Factory) requests additional personal services supplemental spending authority of \$274,560 (all cash funds exempt) in FY 2006-07 for the Document Solutions Group (DSG) to provide data entry services for the Colorado Bureau of Investigations.

Problem or Opportunity Definition

The Document Solutions Group (DSG) offers State agencies and political subdivisions document conversion, data manipulation, document preservation and content management Services. DSG services also include micrographic, data entry, digital imaging, optical character recognition, on-line forms development and indexing for database retrieval. The Document Solutions Group operates as part of the Integrated Document Solutions, a functional unit of the Division of Central Services, and is a labor-intensive operation; workload fluctuations directly impact personal services.

The Colorado Bureau of Investigations (CBI) requires temporary data specialists to enter information and complete criminal history information for arrests into the Colorado Crime Information Center (CCIC). The CCIC is the State's law enforcement communication system and is the State's criminal history repository. This system is integrated with the National Crime Information Center (NCIC), the national law enforcement system controlled by the Federal Bureau of Investigation (FBI).

Previously, in an attempt to enter criminal fingerprints into the CCIC system as quickly as possible despite heavy workloads, the CBI entered only the most serious criminal arrest charges into the CCIC system. This has resulted in a large backlog of criminal history data that needs to be processed and entered. CBI has received a Federal grant to assist in addressing this problem. The grant (#26-RU-15b-1-2) is for the federal fiscal year which runs from October 1, 2006 through September 30, 2007 and is not to exceed \$274,560. On November 3, 2006, IDS entered into an interagency agreement with CBI to complete this project.

Assumptions and Calculations

Duties of Data Entry Personnel

Upon successful completion of a fingerprint-based criminal background check (CBI and FBI) and polygraph examination, IDS will perform the following duties:

- View Colorado Criminal History (CCH) in the CCIC by State Identification Number (SID);
- Compare the CCH to the electronically Archived (ARCS) arrest card;
- Add additional names and Dates of Birth if necessary;
- Add the arrest to the CCH if necessary;
- Modify existing charges in CCH if inaccurate;
- Add date of arrest to main archive screen if necessary; and
- Modify the SID to show record is complete.

Additionally, temporary personnel will compare the CCH record in CCIC to the National Arrest History being stored in the NCIC. If the CCH is the same or has more arrests than the NCIC record the State will "take control" of that record. If the NCIC record has an arrest that the State does not have the employee will mark that arrest and it will be requested from the NCIC. Those requests will then be added to the CCH and, again, the State will "take control" of the record.

Duties of Fingerprint Technicians

IDS will also provide temporary personnel to verify and classify the fingerprints of the criminal history record before the record is completed. The CBI requires additional temporary employees to assist in the fingerprint matching process through the Automated Fingerprint Identification System (AFIS). The fingerprint verification and classification of this record is the final component of the process to update of the criminal history record.

Available Alternatives

1. Increase FY 2006-07's spending authority for the Document Solutions Group's Personal Services line item to cover the costs of providing data services for this CBI project.
2. Do Nothing.

Assessment of Alternatives

Alternative #1 (Recommended)

Workload of the Document Solutions Group (DSG) has increased in recent years, particularly in the data entry unit, as the group has become increasingly competitive in terms of price, quality and technology. Requested at this time is an increase in personal service dollars for data entry operators to complete this vital project.

Alternative #2—(Do Nothing)

Without additional spending authority for the vital projects the Document Solutions Group completes for the Department of Public Safety and others, such as Department of Public Health and Environment, Department of Revenue, and the Colorado Benefits Management System, the Document Solutions Group will be limited in the savings it can provide the State. Outsourcing these projects will likely be more costly for agencies' operating and personal services budgets. Moreover, since DSG's rates (prices) are volume-driven, as fixed costs are spread over a smaller customer base, higher rates will be charged for existing services. This could be a hardship for many State agencies, and may require increased appropriations to departments in some instances. By appropriating the spending authority outlined in this request, DSG can continue to provide lower-cost, high quality services.

Recommendation

The Department recommends alternative #1 which provides the requested cash funds exempt spending authority in the current fiscal year to facilitate completion of the above referenced CBI project. This project has a sufficient federal funding stream, and DPA requires only increased spending authority, at no detriment to the State, to perform the requested scope of work.

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