Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☑	Base Reduction Item FY 2011-12 ☐	Supplemental FY 2010-11 ☐	Budget Amendment FY 2011-12 ☐

Request Title: NP - 10 Annual Fleet Vehicle Replacement

Department: Personnel and Administration — **Dept. Approval by:** R. [signature] — **Date:** 10-7-10

Priority Number: NP - 10 — **OSPB Approval:** [signature] — **Date:** 10-20-10

	Fund	1 Prior-Year Actual FY 2009-10	2 Appropriation FY 2010-11	3 Supplemental Request FY 2010-11	4 Total Revised Request FY 2010-11	5 Base Request FY 2011-12	6 Decision/ Base Reduction FY 2011-12	7 November 1 Request FY 2011-12	8 Budget Amendment FY 2011-12	9 Total Revised Request FY 2011-12	10 Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	76,451	99,325	0	99,325	99,325	15,800	115,125	0	115,125	15,800
	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
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	76,451	99,325	0	99,325	99,325	15,800	115,125	0	115,125	15,800
	FF	0	0	0	0	0	0	0	0	0	0
(1) Executive Director's Office, (A) Department Administration, Vehicle Lease Payments	Total	76,451	99,325	0	99,325	99,325	15,800	115,125	0	115,125	15,800
	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
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	76,451	99,325	0	99,325	99,325	15,800	115,125	0	115,125	15,800
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None
Letternote Revised Text for FY 2010-11: None
Letternote Text Requested for FY 2011-12: None
Cash or Federal Fund Name and COFRS Fund Number: None
Reappropriated Funds Source, by Department and Line Item Name: Fees from user agencies
Approval by OIT? Yes: ☐ No: ☐ N/A: ☑
Schedule 13s from Affected Departments: ~~N/A~~ OPA (2)

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Personnel and Administration
Priority Number:	SW DI - 1
Change Request Title:	Annual Fleet Vehicle Replacements

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
- ☐ Base Reduction Item FY 2011-12
- ☐ Supplemental Request FY 2010-11
- ☐ Budget Request Amendment FY 2011-12

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
- ☐ An emergency
- ☐ A technical error which has a substantial effect on the operation of the program
- ☐ New data resulting in substantial changes in funding needs
- ☐ Unforeseen contingency such as a significant workload change

<u>Short Summary of Request</u>:

This is a statewide Common Policy Decision Item for FY 2011-12 to request funding for the replacement of 319 fleet vehicles (including 199 Department of Public Safety State Patrol vehicles) within the State Fleet Management (SFM) Program for FY 2011-12. The net request is to decrease State agency appropriations by $344,158 for FY 2011-12 and FY 2012-13. In addition, State Fleet Management (SFM) requests an increase in lease line appropriations of $2,951 Reappropriated Funds for FY 2011-12 and FY 2012-13 to make lease payments to the lenders who have financed the fleet over the past years.

Due to budget constraints for the FY 2011-12 budget cycle the Department has continued criteria added during the FY 2011-12 to the vehicle replacement methodology. For the second straight year only vehicles that must be replaced for critical Health, Life and Safety concerns have been included in this request. Without these budgetary constraints, the replacement model would have generated a request for 916 replacements as the most optimal replacement program for FY 2011-12.

Background and Appropriation History:

This request is submitted on an annual basis through the combined efforts of State Fleet Management, the Office of State Planning and Budgeting, and the State agencies that participate in the State Fleet Management Program.

Fleet replacements were under funded during fiscal years FY 2002-03 through FY 2003-04 when the State was also under severe budgetary constraints. This put significant upward pressure on maintenance expense (a 21% increase in maintenance cost per mile from FY 2001-02 through FY 2004-05), and this cutback in replacements also negatively impacted the reliability and safety of the fleet. During the following five fiscal years, the level of funding and number of replacements was returned to reasonable levels, and the maintenance cost per mile has been held relatively constant for the last five years, increasing only .2% from FY2004-05 through FY 2008-09. (This calculation excludes the vehicles added by SB 06-015, which added all vehicles in the State to the State Fleet Program, including over 400 specialized vehicles with a Gross Vehicle Weight Rating in excess of one ton.) With the reductions in replacements for both FY 2010-11 and FY 2011-12 the State can expect to see increases in maintenance in FY 2010-11 through FY 2012-13, similar to the 21% increase noted above. Using sound economic rationale for replacement decisions, and funding consistent and reasonable levels of replacements are the most cost effective approaches to fleet management, and will enable State Fleet Management to minimize future increases in vehicle maintenance and ensure a reliable, safe, and cost effective fleet infrastructure, while minimizing the net impact to the General Fund.

This year's request results in a more significant net decrease to agency lease line appropriations than in the past. For the past few years, DPA had actually seen the level of leases ending more than offsetting the amount of new leases for new replacements and has therefore resulted in appropriation reductions.

General Description of Request:

This Statewide Decision Item requests a limited number of vehicles. The only vehicles proposed for replacement in FY 2011-12 are Colorado State Patrol trooper vehicles and 120 non-General Fund vehicles in other agencies that were deemed essential to maintaining health, life and safety. Coupled with the reduction in replacements in FY

2010-11, this request will create significant upward pressure on maintenance expenses beginning in FY 2011-12 and continuing in the following years.

For the past few years the State has been able to replace hundreds of vehicles with fuel efficient hybrids or E-85 compatible flex fuel vehicles. Unfortunately this replacement proposal will not allow for the continuation of the efforts of the past few years to achieve the objectives of the Governor's fuel reduction initiative (Executive Order D0012 07 "Greening of State Government" or to fully comply with prior legislative direction.

The tables in the calculations section also reflect an estimate of the change required to true-up the Department's spending authority for FY 2010-11. This estimate was accurate as of the date the data was pulled for this decision item. However, as the data changes on an on-going basis, the Department plans on submitting a supplemental and budget amendment to true-up to actual values.

The following section outlines the process that the Department follows to arrive at the annual recommended level of fleet vehicle replacements.

State Fleet Management Vehicle Replacement Methodology
Strategy: Replace only the highest cost vehicles in each vehicle class with consideration to the given fiscal and budgetary constraints. In addition, for the FY 2011-12 budget cycle, additional replacement criteria has been added. Due to the current financial environment only vehicles which must be replaced due to critical health, life and safety demands will be considered.

Methodology Overview: The current methodology uses the following basic criteria in a series of logical steps to arrive at the final proposed replacement list:

- One of the best indicators for the useful life of a vehicle is the number of miles logged. To develop the replacement list the State Fleet Program prioritizes high-mileage vehicles for replacement.

- Anticipated cost of maintenance compared to like vehicles is calculated and ranked, ordered from most costly to least costly.
- Vehicle age is considered and very old, high usage vehicles are selected for replacement. This is also consistent with Executive Order D0012 07 "Greening of State Government" which mandates that priority be given to replacing vehicles older than 1996. Very old, low usage vehicles are selected for future rotation. These low annual usage vehicles are not part of the proposal for replacement funding, but as vehicles are turned in for replacement over the next two years, a formal effort will be made to swap out very old, low use vehicles with somewhat newer vehicles that have exhausted their normal life cycle.
- Vehicle placement and usage is considered, with extra consideration given to State Patrol vehicles due to performance and safety issues. Low usage "campus crawler" type vehicles are held longer than other vehicles and may become candidates for rotation as described above.
- Manual adjustments are made based on agency input and vehicle-by-vehicle State Fleet Management analysis.
- A financial analysis is performed to insure that there is solid economic justification for the proposed level of replacements.
- Finally, budgetary constraints and impacts of known fleet initiatives and legislative actions are considered in developing the final proposal.

Step by Step Methodology Description:

Step 1. Initial Screen: The initial candidate list is generated from the Colorado Automotive Reporting System (CARS) using a minimum threshold for further replacement consideration. An extraction is done that lists all vehicles projected to meet the following requirements by the time it is proposed that the new vehicles would be delivered by the final quarter of FY 2011-12. In order to even be considered for analysis a vehicle must meet one of the following criteria:

- Non Colorado State Patrol (CSP) vehicles must be projected to have greater than 100,000 miles,

- CSP vehicles must have greater than 80,000 miles for patrol vehicles and greater than 40,000 for motorcycles, and
- A vehicle that will be 16 years old or older at the time that the proposed replacement would occur. This is consistent with one of the elements of Executive Order 0012 07, which specifies that a priority be placed on the replacement of vehicles model year 1996 and older as a means of improving fuel efficiency. For FY 2011-12 this initial screen produced 2,046 potential candidates meeting the minimum criteria.

Rationale: This initial screen limits the replacement candidates based upon a logical minimum standard. Mileage is projected through June of the budget request year to include all vehicles that will meet the criteria within the request year. This is only the entry point into the process, and vehicles must meet these minimum criteria for further consideration as replacement candidates.

Step 2. Manual Adjustments: Decisions on vehicle replacement should not be made on the basis of the mileage criterion or vehicle age alone. The ideal process would involve a detailed mechanical evaluation of each replacement candidate by a qualified technician, and the decision would be based on the projected costs involved to maintain the vehicle over the next one to two years. This level of analysis is not always practical for the State. However, State Fleet Management can use additional information and resources that are readily available to further refine the candidate list to make sure the right vehicles are ultimately replaced.

- **Agency retention requests**

Rationale: State Fleet Management confers with agencies concerning proposed replacements, taking into consideration factors such as internal rotations, cascading vehicle assignments for additional use, and other extensions to a vehicle's life. No one knows the individual vehicles better than agency Vehicle Coordinators and the users of the vehicles. State Fleet Management uses agency input to eliminate vehicles from the replacement analysis that, in an agency's opinion, are in good condition considering mileage and age. State Fleet Management also uses agency input to keep vehicles on the replacement list that are in exceptionally poor condition, create an unacceptable safety risk, or are not meeting the functional requirements of the agency, even in some cases when the vehicle does not meet typical replacement criteria.

- **Vehicles with major recent repairs (New engine, transmission, etc.)**

Rationale: The most recent 12 months of repairs are analyzed to identify any individual repairs that required significant expenditures (typically in excess of $3,000 for an individual repair). If the State has recently made a significant investment, replacing a major component of a vehicle, the State should expect that the cost to operate the vehicle over the short-term should be reduced, and the State should not replace such vehicles until it has had the opportunity to benefit from that investment.

- **Vehicles in the low cost, low mile work functions**

Rationale: Vehicles in this category are typically maintenance and support vehicles used in campus type environments. They are typically low mileage (approximately 1,000 miles per year), are often very old, and may have a high cost per mile even though the total annual operating cost is very low. Ideally, these vehicles should be replaced with used, but safe and operable vehicles from vehicle turn-ins as part of the natural rotation of the fleet. Vehicles that are no longer suitable for high usage functions can often be used in these maintenance type roles without incurring significant repairs, and it is often not economically justifiable to purchase brand new vehicles into these very low use assignments. Therefore, only the very worst of these maintenance and support vehicles are included in the final submission for replacement.

- **Very high mileage vehicles (>140,000)**

Rationale: Vehicles with this mileage projection are at least 40 percent over the State's minimum mileage replacement criterion. At this point, it is reasonable to expect vehicles to deteriorate rapidly, with costly major component breakdowns, and to expect reliability and safety concerns to rapidly increase. Cost effective operation of such vehicles is highly unlikely after this mileage threshold is reached. In fact, in a less restrictive fiscal environment, State Fleet Management would typically recommend lower thresholds.

Step 3. Rank Highest Priority to Lowest Priority:

Rationale: All of the vehicles based on the initial screening criteria meet the basic requirements for replacement. These vehicles are nearly all high-mileage, high-cost and are primarily older vehicles. While all of these vehicles meet the basic criteria for the replacement cycle, the challenge is to make sure that the worst of these vehicles are identified, so that only the worst of the worst will be replaced given any level of funding. By comparing these vehicles to the average vehicle of similar age and type, the State will be able to identify the vehicles that display the greatest operational cost variance from the average. Those that have much higher than average costs, will rank out higher than those with lower than average costs. This way the State can identify the worst vehicles (from a cost standpoint) and make sure these are identified with the highest priority.

- **All State Patrol vehicles meeting the minimum criteria will be submitted.**

State Patrol vehicles are not included in this ranking. State Patrol vehicles have unique utilization, performance, and safety, needs that require replacement on a 4-year cycle.

Step 4. Further Considerations to Determine Final List: The fleet does not operate in a static environment. Changes in the budgetary environment, evolving agency needs, historical funding patterns for the fleet, regulatory changes, legislative actions, and the impact of recent internal fleet initiatives can, and should be taken into consideration in developing the final request for any given year.

- **State funding capabilities**

Rationale: In any given year, it is often not practical or feasible to replace all the vehicles necessary to maintain an optimal fleet, from a total cost of fleet perspective. When funds are scarce, it is especially important that the highest mileage vehicles that present immediate safety concerns are replaced so that the funds that are spent on the fleet can provide the optimal financial benefit to the State.

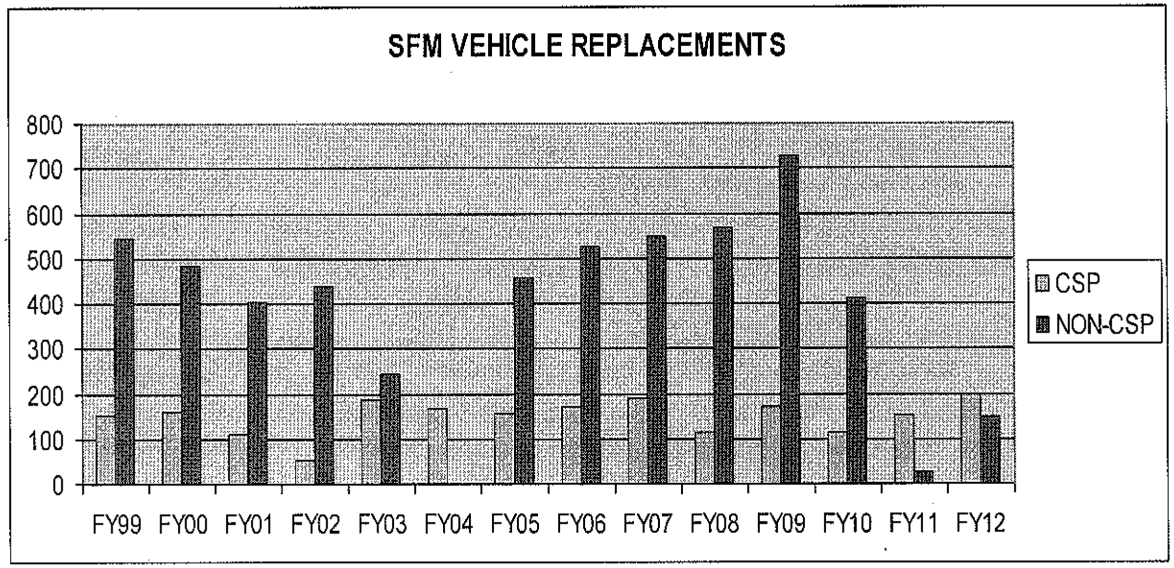
- **Impact of Fleet or Agency reduction initiatives**

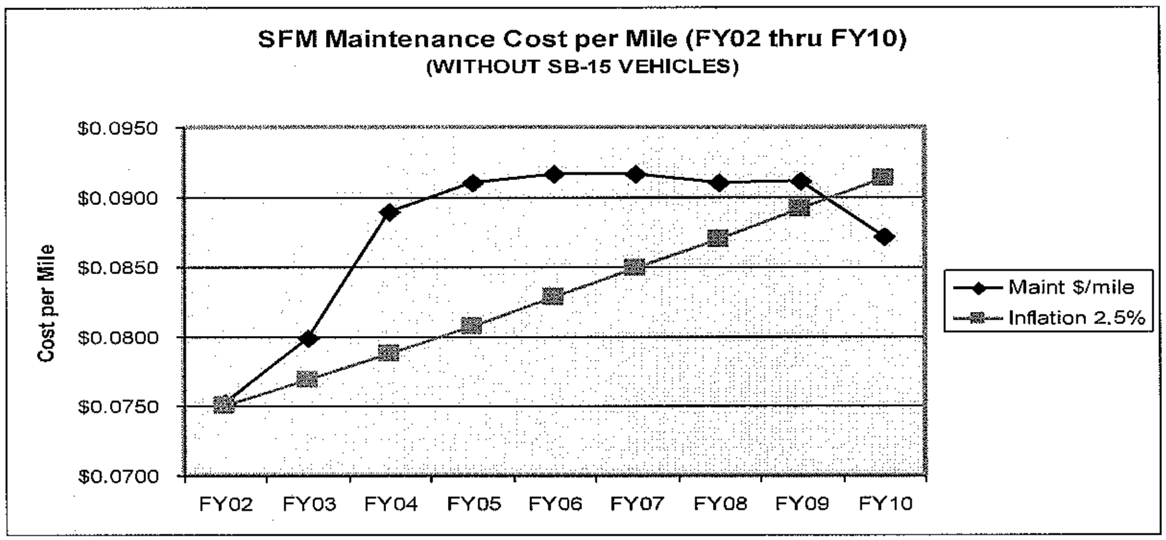
Rationale: Initiatives undertaken by State Fleet Management and individual agencies to reduce the total number of vehicles in the fleet can affect the replacement process in two ways. First, by reducing the overall size of the fleet, the percentage of optimal replacements necessary to maintain the fleet each year produces a smaller number of candidates. Second, and most importantly, a large number of vehicles leaving the fleet inevitably include the worst vehicles in the fleet. These are also the same vehicles that should be the highest priority for replacement, and since they no longer need to be replaced, the number of requested replacements in that year, might be reduced.

- **Prior year funding and replacement levels**

Rationale: Under-funding of replacements in previous years has put additional pressure on the fleet, and will require reasonable levels of replacements in subsequent years. With a mileage criterion of 100,000 miles and average annual miles per vehicle of 13,000, (8 X 13,000 = 104,000) the State should be replacing approximately 1/8 of the non-CSP fleet or 600+ non-CSP vehicles each year. Fleet replacements were under funded during fiscal years FY 2002-03 through FY 2003-04 when the State was also under severe budgetary constraints. This put significant upward pressure on maintenance expense (a 21% increase in maintenance cost per mile from FY 2001-02 through FY 2004-05). In recent years the replacement program was back to a more reasonable level (averaging 566 non-CSP vehicles per year) and included all funding sources. This level of replacement allowed for maintenance costs to remain nearly level (less than 1% increase per year) although at a greatly increased base level due to the earlier costs in replacements. An unusually high number of replacements in FY 2008-09 actually generated a reduction in maintenance expense for FY 2009-10 of 4.3%.

This year's proposal is the second straight year with replacements significantly below desired levels due to the current budget limitations and the State can expect to see significant increases in maintenance in FY 2010-11 through FY 2012-13, similar to the 21% increase noted above. (See the historical charts below as a reference.)


SFM VEHICLE REPLACEMENTS
800
700
600
500
400
300
200
100
0
FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12
CSP
NON-CSP


SFM Maintenance Cost per Mile (FY02 thru FY10)
(WITHOUT SB-15 VEHICLES)
Cost per Mile
$0.0950
$0.0900
$0.0850
$0.0800
$0.0750
$0.0700
FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10
Maint $/mile
Inflation 2.5%

Step 5: Economic Validation: The final step involves a financial analysis of the alternatives to make sure that the proposed replacements have a solid economic justification and represent an optimal financial decision for the State.

However, due to the budgetary constraints in the current financial environment only those vehicles which must be replaced due to health, life, and safety demands have been retained in the final proposal. The non-CSP vehicles proposed for replacement by the fleet replacement methodology average 140,000 miles with 20 exceeding 200,000 miles. These same vehicles will average over 152,000 miles by FY2012-13 and will be well into a very costly phase of their life cycle for work vehicles. The limited number of replacements contained in this proposal, while saving on annual lease payments, is expected to significantly increase associated operating expenses for the departments in FY 2012-13.

This updated vehicle replacement methodology used for the FY 2011-12 budget cycle has resulted in a recommendation from State Fleet Management to replace 319 vehicles. This request replaces 199 State Patrol vehicles in the Department of Public Safety and 120 vehicles across 14 separate agencies. The replacement of these vehicles has been identified by these Departments as critical to the safety of the state employees and the citizens of Colorado.

Consequences if Not Funded:

This alternative would provide no funding for replacement of any vehicles. Given the current State's current financial difficulty, the Department proposes to only replace the vehicles that would threaten the health, life, and safety of the citizens of Colorado. To that extent, the Department had each agency request and justify an exemption for each vehicle that is being replaced through this Decision Item. The majority of the vehicles that are being replaced, as noted above, are Colorado State Patrols vehicles that routinely travel at high rates of speed under all sorts of conditions. According to the Department of Public Safety, the probability of a catastrophic mechanical failure is significantly higher for vehicles that cross the 80,000 mile threshold, and therefore need to be replaced to ensure the safety of the patrolmen in the car and the citizens they protect.

Calculations for Request:

Agency Lease Line Analysis	**FY 2010-11**
FY 10-11 Base Long Bill Appropriation	$16,493,418
Non-Appropriated Vehicle Lease Payments*	$3,161,118
Total FY 10-11 Base Funding (All Agencies)	$19,654,536
Estimated Reduction to FY 10-11 Based on Current Lease Payments	($1,806,702)
Approved Additions (Prorated)	$248,210
Approved Replacements (Prorated)	$852,387
Remaining Payment Obligation	$270,447
Leases Ending in FY 10-11 (impact to FY 10-11)	($93,400)
Estimated FY 10-11 Statewide Need After FY 10-11 Supplemental	$19,125,478
Non-Appropriated Vehicle Lease Payments*	($2,957,990)
Net Appropriated Agency Need for FY 10-11	**$16,167,488**
Net FY 10-11 Estimated Reduction from Current LB Appropriation	**($325,930)**

Agency Lease Line Analysis	**FY 2011-12**
FY 10-11 Estimated Need after Additions/Substractions	$15,897,041
Non-Appropriated Vehicle Lease Payments*	$2,957,990
Total Estimated FY 10-11 Base Funding (All Agencies)	$18,855,031
Leases ending in FY 10-11 (impact on FY 11-12)	($985,011)
New FY 10-11 Leases annualized for FY 11-12	$908,837
Leases Ending in FY 11-12	($541,175)
Management Fee Adjustment	($565,737)
319 Vehicle Replacements for FY 11-12	$1,212,216
Remaining Payment Obligation	$0
Estimated FY 11-12 Statewide Need After FY 11-12 Replacements	$18,884,161
Net Statewide Increase Over FY10-11 Long Bill	($770,375)
Non-Appropriated Vehicle Lease Payments*	($2,734,901)
Net Appropriated Agency Need for FY 11-12	**$16,149,260**
Net Increase Over FY 10-11 Base Long Bill (Appropriated Agencies)	**($344,158)**

See explanation on page 14 for the calculations in this table.

This is a table of the actual lease payments due to lenders in FY11 and FY12 as a result of prior year's approved financing. Because of the timing of Certificate of Payment installments (due twice each year), the payments due to lenders do not exactly match the monthly payment streams due to State Fleet Management from the agencies. These payment streams will be more closely aligned as the older COPs are paid off. The following table breaks out the FY 2011-12 spending authority the Department of Personnel and Administration will need to purchase 319 new replacement vehicles as well as the overall increase in spending authority State Fleet Management will require in FY 2011-12.

STATE FLEET LEASE LINE APPROPRIATION ANALYSIS		
SFM Lease Payments Due by COP Series and Trust Year	**FY 10-11**	**FY 11-12**
COP 2004	$80,108	$0
COP 2005	$1,722,036	$1,300,397
COP 2006	$2,756,517	$2,450,567
TRUST 2007 (Exhibit B)	$2,245,405	$2,067,378
TRUST 2008 (Exhibit B)	$2,613,762	$2,609,236
TRUST 2009 (Exhibit B)	$3,098,397	$3,098,397
TRUST 2010 (10 Pro-Ration includes Motor Pool leases)	$2,257,617	$2,257,617
TRUST 2011 (11 Pro-Ration includes Motor Pool leases)	$706,748	$1,970,380
TRUST 2012 (12 Pro-Ration includes Motor Pool leases) Pending	$0	$601,582
Total Known Lease Payments Due	**$15,480,591**	**$16,355,553**
UNFORESEEN (Accident totals, denied repairs, etc.) @1.5%	$232,209	$246,834
ACCIDENT TOTALS (Known YTD)	$0	$0
Total SFM Lease Spending Authority Need for FY 11-12=	**$15,712,799**	**$16,602,387**
FY 10-11 APPROPRIATION		
Current Year Base Spending Authority (FY 10-11 Base)	$16,599,436	$16,599,436
Required Additional Spending Authority (over FY 10-11 Base)=	**($886,637)**	**$2,951**

Summary of Request FY 2011-12	**Total Funds**	**General Fund**	**Cash Funds**	**HUTF**	**Reappropriated Funds**	**Federal Funds**
Total Request	($341,207)	($123,987)	($559,126)	$352,787	$13,121	($24,002)
Division of Central Services, Fleet Management and Motor Pool Services, Vehicle Replacement Lease, Purchase or Lease/Purchase	$2,951	$0	$0	$0	$2,951	$0
Statewide impact of Annual Fleet Vehicle Replacements	($344,158)	($123,987)	($559,126)	$352,787	$10,170	($24,002)

Summary of Request FY 2012-13	**Total Funds**	**General Fund**	**Cash Funds**	**HUTF**	**Reappropriated Funds**	**Federal Funds**
Total Request	($341,207)	($123,987)	($559,126)	$352,787	$13,121	($24,002)
Division of Central Services, Fleet Management and Motor Pool Services, Vehicle Replacement Lease, Purchase or Lease/Purchase	$2,951	$0	$0	$0	$2,951	$0
Statewide impact of Annual Fleet Vehicle Replacements	($344,158)	($123,987)	($559,126)	$352,787	$10,170	($24,002)

Assumptions for Calculations:

The budget assumptions for this request include preliminary estimates of the impacts of a FY 2010-11 vehicle reconciliation performed by State Fleet Management, and a further estimated reconciliation of leases ending and increasing during the budget period. To these adjustments has been added the pro-rated impact of the requested vehicles.

For FY 2012-13, the Department has assumed continuation funding for the vehicles being replaced. This is because the vehicles arrive at various times during the year and the

Department cannot reasonably estimate the arrival of each vehicle. Therefore, the Department will true-up the appropriations for FY 2012-13 during the November Decision Item for that request year.

The Department estimated the projected need for FY 2010-11 and FY 2011-12 by performing the following steps:

For FY 2010-11 refer to the Agency Lease Line Analysis for that year on page 11:
1) Begin with the appropriated (Line 1) and non-appropriated (Line 2) and develop a total base funding (Line 1 + Line 2 = Line 3)

2) Reduce the base by the difference between actual lease payments and the total base (Line 4)

3) Add the approved additions (Line 5) and the approved replacements (Line 6)

4) Reduce the total need by the value of the leases that will terminate in that year (Line 7) to determine the total Statewide need (Line 8)

5) Then, reduce the total Statewide appropriation by the payments that will be made on behalf of non-appropriated agencies (Line 9) to develop the total appropriated agency need for FY 2010-11 (Line 10)

For FY 2011-12 refer to the Agency Lease Line Analysis for that year on page 11:

The FY 2011-12 Agency Lease Line Analysis table is calculated the same way that the FY 2010-11 Agency Lease Line Analysis table with one exception. The FY 2011-12 table includes the Net Statewide Increase Over the FY 2010-11 Long Bill (Line 19), which calculates the incremental difference in total need for the entire State (appropriated and non-appropriated) from FY 2010-11 to FY 2011-12. Line 19, therefore is equal to the difference between the Estimated FY 2011-12 Statewide Need After FY 2011-12

Replacements (Line 18) in the FY 2011-12 table, and Total FY 2010-11 Base Funding For All Agencies (Line 3) in the FY 2010-11 table on page 13.

The Net Increase Over FY 2010-11 Long Bill (Line 22) is calculated as the Net Appropriated Agency Need for FY 2011-12 (Line 21) subtracted from the FY 2010-11 Statewide Base Long Bill Appropriation (Line 3)

Impact on Other Government Agencies:

This request impacts Agriculture, Corrections, Governor's Office, Human Services, Local Affairs, Labor and Employment, Natural Resources, Personnel, Public Health, Public Safety, Regulatory Agencies, and Revenue. A corresponding schedule 13 has been submitted in each Department's FY 2011-12 budget submission.

This request will impact each department by the following amounts:

The FY 2011-12 impact to departments statewide is broken out in the table below:

DEPARTMENT	Total Funds	GF	CF	HUTF	RF	FF
Agriculture	($10,952)	$1,010	($10,181)	$0	$0	($1,781)
Corrections	($123,917)	($119,704)	($4,213)	$0	$0	$0
Education	($2,574)	($2,574)	$0	$0	$0	$0
Governor's Office	($1,512)	$0	$0	$0	($1,512)	$0
Human Services	$15,725	$2,143	$151	$0	$11,144	$2,287
HCPF impact on Human Services	$10,747	$5,374	$0	$0	$0	$5,373
Judicial *	($1,139)	($1,139)	$0	$0	$0	$0
Labor and Employment	($1,585)	$0	($713)	$0	$0	($872)
Law *	($4,154)	($1,210)	($895)	$0	($1,780)	($269)
Local Affairs	($261)	($1,889)	$0	$0	$1,628	$0
Military and Veterans Affairs	($8,898)	($8,898)	$0	$0	$0	$0
Natural Resources	($462,724)	$3,111	($462,371)	$0	$0	($3,464)
Personnel and Administration	$15,800	$0	$0	$0	$15,800	$0
Public Health	($66,664)	$0	($50,000)	$0	($13,350)	($3,314)
Public Safety	$351,697	$9,797	$13,486	$346,763	($1,760)	($16,589)
Regulatory Agencies	($53,858)	$0	($53,858)	$0	$0	$0
Revenue	$10,858	($4,634)	$9,468	$6,024	$0	$0
TOTAL	**($333,411)**	**($118,613)**	**($559,126)**	**$352,787**	**$10,170**	**($18,629)**
HCPF impact on Human Services	($10,747)	($5,374)	$0	$0	$0	($5,373)
TOTAL IMPACT	**($344,158)**	**($123,987)**	**($559,126)**	**$352,787**	**$10,170**	**($24,002)**

* Non-executive branches that do not submit budget proposals to the Governor's Office. Fund Splits have been estimated using the FY 2010-11 Long Bill.

The FY 2012-13 impact to departments statewide is broken out in the table below:

DEPARTMENT	Total Funds	GF	CF	HUTF	RF	FF
Agriculture	($10,952)	$1,010	($10,181)	$0	$0	($1,781)
Corrections	($123,917)	($119,704)	($4,213)	$0	$0	$0
Education	($2,574)	($2,574)	$0	$0	$0	$0
Governor's Office	($1,512)	$0	$0	$0	($1,512)	$0
Human Services	$15,725	$2,143	$151	$0	$11,144	$2,287
HCPF impact on Human Services	$10,747	$5,374	$0	$0	$0	$5,373
Judicial *	($1,139)	($1,139)	$0	$0	$0	$0
Labor and Employment	($1,585)	$0	($713)	$0	$0	($872)
Law *	($4,154)	($1,210)	($895)	$0	($1,780)	($269)
Local Affairs	($261)	($1,889)	$0	$0	$1,628	$0
Military and Veterans Affairs	($8,898)	($8,898)	$0	$0	$0	$0
Natural Resources	($462,724)	$3,111	($462,371)	$0	$0	($3,464)
Personnel and Administration	$15,800	$0	$0	$0	$15,800	$0
Public Health	($66,664)	$0	($50,000)	$0	($13,350)	($3,314)
Public Safety	$351,697	$9,797	$13,486	$346,763	($1,760)	($16,589)
Regulatory Agencies	($53,858)	$0	($53,858)	$0	$0	$0
Revenue	$10,858	($4,634)	$9,468	$6,024	$0	$0
TOTAL	**($333,411)**	**($118,613)**	**($559,126)**	**$352,787**	**$10,170**	**($18,629)**
HCPF impact on Human Services	($10,747)	($5,374)	$0	$0	$0	($5,373)
TOTAL IMPACT	**($344,158)**	**($123,987)**	**($559,126)**	**$352,787**	**$10,170**	**($24,002)**

* Non-executive branches that do not submit budget proposals to the Governor's Office. Fund Splits have been estimated using the FY 2010-11 Long Bill.

Cost Benefit Analysis:

A given year's replacement program primarily impacts expenses for the following year as displayed in the following charts.

Impact of Proposed Vehicle Replacements on Maintenance Costs in the Year Following the Replacements							
	CSP Vehicles Only	Non-CSP Vehicles	Total Vehicles	Change in Maintenance Expense	Percent Change	**Cummulative Change in Maintenance**	**Percent Change**
FY10 Baseline	$1,316,419	$4,698,656	$6,015,075				
FY11 Projected (based on FY10 replacements)	$1,345,343	$5,202,039	$6,547,382	$532,307	8.8%	$532,307	8.8%
FY12 Projected (based on FY11 replacements)	$1,401,288	$6,011,910	$7,413,198	$865,815	13.2%	$1,398,123	23.2%
FY13 Projected (with 0 replacements in FY12)	$1,469,688	$7,032,431	$8,502,119	$1,088,922	14.7%	$2,487,044	41.3%
FY13 Requested (with 319 replacements in FY12)	$1,454,081	$6,805,768	$8,259,849	$846,651	11.4%	**$2,244,774**	**37.3%**
Total maintenance savings with proposed replacements compared to 0 replacements=				($242,271)			

Annual Maintenance Avoided with Proposed Replacements=	**($242,271)**
Additional Fuel Savings with Proposed Hybrid Replacements=	**($92,814)**
Total Maintenance & Fuel Savings with Proposed Replacements)=	**($335,085)**

FY13 Total Costs and Savings as a Result of Proposed Replacement Decision Item for FY12							
	Number of Replacement Vehicles	**Lease Payments FY13**	**Maintenance Savings versus Do Nothing**	**Fuel Savings Over FY12**	**Estimated Auction** Revenue FY13**	**Total Incremental Cost/(Savings) FY13**	
State Patrol Replacements	199	$1,985,310	($15,607)	$0	($398,000)	$1,571,703	0.21
Non State Patrol Replacements	120	$509,253	($226,664)	($92,814)	($240,000)	($50,225)	1.10
Total Replacements Requested	**319**	**$2,494,563**	**($242,271)**	**($92,814)**	**($638,000)**	**$1,521,478**	
				Savings to cost ratio =		**0.39**	
				Total Maintenance & Fuel Savings=		**($335,085)**	

While the savings to cost ratio for the non-CSP vehicles is a very positive 1.10 the overall savings to cost ratio is only .39 due to a very poor .21 ratio for CSP vehicles. (There is never an overall savings with the CSP vehicles, but they must be replaced for safety and performance reasons).
** Auction Revenue is used to offset Management Fee charged by the Department of Personnel & Administration

Letternote Update:

Due to the manner in which the State applies capital assets, if this decision item is approved as submitted, the FY 2011-12 letternote should be updated to read: "Pursuant to section 24-82-801 (2) CRS, the Department of Personnel & Administration is authorized to enter into a lease purchase agreement for the approved FY 2011-12 vehicle replacements and additions. The lease purchase agreement shall be for a period of up to ten years and shall not exceed an amount over $13,500,000." This letternote is attached to the vehicle replacement lease, purchase or lease/purchase line item.

Statutory and Federal Authority:

24-30-1101 through 1118, see specifically 24-30-1104(2) and 24-30-1112 through 1117.

24-30-1117 C.R.S (2010). *- Exclusive Authority to Acquire State-owned Motor Vehicles*
The department of personnel shall have the exclusive authority to purchase, lease, and otherwise acquire motor vehicles for such use by state officers and employees as may be necessitated in the course and conduct of official state business. Except for any vehicles donated to specific state agencies, no motor vehicle shall be purchased, leased, or otherwise acquired by any state agency unless such vehicle is obtained through the department of personnel or under an express waiver granted by the department.

Performance Measure:

State Fleet Management continues to evaluate alternative fuel vehicles to reduce petroleum usage in the State of Colorado. While the reduced amount of replacement vehicles proposed for FY 2011-12 will not allow the Department to lower the amount of petroleum used as much as hoped, the replacement of 319 vehicles may still help the Department in a small way with the following Performance Measure.

Performance Measure	Outcome	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request
Reduce the amount of petroleum used by the State Fleet by 25% by 2012. Base gallons were 2,601,786.	Benchmark	0	2,471,697 gal (-5%)	2,341,607 gal (-10%)	2,211,518 (15%)	2,081,429 (20%)
	Actual	2,706,902 gal	2,708,052 gal	2,335,899 gal (-10.2%)	TBD	TBD

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☑ | Base Reduction Item FY 2011-12 ☐ | Supplemental FY 2010-11 ☐ | Budget Amendment FY 2011-12 ☐

Request Title: OSC Debt Post Issuance Compliance

Department: Personnel and Administration — **Dept. Approval by:** [signature] — **Date:** 10/13/10

Priority Number: DI - 1 — **OSPB Approval:** [signature] — **Date:** 10/15/10

	Fund	1 Prior-Year Actual FY 2009-10	2 Appropriation FY 2010-11	3 Supplemental Request FY 2010-11	4 Total Revised Request FY 2010-11	5 Base Request FY 2011-12	6 Decision/ Base Reduction FY 2011-12	7 November 1 Request FY 2011-12	8 Budget Amendment FY 2011-12	9 Total Revised Request FY 2011-12	10 Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	2,342,967	2,719,391	0	2,719,391	2,849,863	83,544	2,933,407	0	2,933,407	85,922
	FTE	25.0	35.0	0.0	35.0	36.2	1.0	37.2	0.0	37.2	1.0
	GF	529,755	1,284,312	0	1,284,312	1,479,108	83,544	1,562,652	0	1,562,652	85,922
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	1,455,921	646,337	0	646,337	173,694	0	173,694	0	173,694	0
	CFE/RF	357,291	788,742	0	788,742	1,197,061	0	1,197,061	0	1,197,061	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Division of Accounts and Control - Controller (A) Office of the State Controller, Personal Services	Total	2,262,529	2,590,913	0	2,590,913	2,711,095	77,891	2,788,986	0	2,788,986	84,972
	FTE	25.0	35.0	0.0	35.0	36.2	1.0	37.2	0.0	37.2	0.0
	GF	529,755	1,265,790	0	1,265,790	1,450,296	77,891	1,528,187	0	1,528,187	84,972
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	1,375,483	646,337	0	646,337	173,694	0	173,694	0	173,694	0
	CFE/RF	357,291	678,786	0	678,786	1,087,105	0	1,087,105	0	1,087,105	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Division of Accounts and Control - Controller (A) Office of the State Controller, Operating Expenses	Total	80,438	128,478	0	128,478	138,768	5,653	144,421	0	144,421	950
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	18,522	0	18,522	28,812	5,653	34,465	0	34,465	950
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	80,438	0	0	0	0	0	0	0	0	0
	CFE/RF	0	109,956	0	109,956	109,956	0	109,956	0	109,956	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None.
Letternote Revised Text for FY 2010-11: None.
Letternote Text Requested for FY 2011-12: None.
Cash or Federal Fund Name and COFRS Fund Number: N/A
Reappropriated Funds Source, by Department and Line Item Name: N/A
Approval by OIT? Yes: ☐ No: ☐ N/A: ☑
Schedule 13s from Affected Departments: N/A

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Division:	Office of the State Controller
Priority Number:	DI - 1
Request Title:	OSC Debt Issuance and Post Issuance Compliance

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
- ☐ Base Reduction Item FY 2011-12
- ☐ Supplemental Request FY 2010-11
- ☐ Budget Request Amendment FY 2011-12

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
- ☐ An emergency
- ☐ A technical error which has a substantial effect on the operation of the program
- ☐ New data resulting in substantial changes in funding needs
- ☐ Unforeseen contingency such as a significant workload change

<u>Short Summary of Request</u>:

The Office of the State Controller (OSC) requests $83,544 in General Fund for an FTE to ensure debt issuance and post-issuance compliance. An increase of $77,891 in General Funds and 1.0 FTE is requested for the Office of the State Controller's Personal Services line item. A Controller II position will review and approve the legal documents associated with State debt issuances, design related accounting structures, and ensure post issuance compliance required by the Internal Revenue Services (IRS) and Securities and Exchange Commission (SEC). Funding for allowable operating expenses in the amount of $5,653 in General Fund is also requested.

(NOTE: In order to simplify the text, throughout this document the term "debt" is used to represent the State's commitment to make future payments in exchange for resources provided at the date of the agreement. In practice, this exchange could take many different forms ranging on the continuum from general-obligation debt (a pledge of the full faith and credit of the State) to fully collateralized lease in which the creditor has a claim only on the pledged asset(s).

General Description of Request:

Since the passage of TABOR, each economic downturn has placed additional pressure on the State's ability to fund the capital infrastructure necessary to support the level of program activity mandated by state statutes and state budget. In response to this pressure, the State has increasingly turned to the issuance of various forms of long-term obligations (with annual appropriation contingencies), including private placement borrowing (banks and high net-worth persons), revenue anticipation notes, leases, and leases involving the issuance of Certificates of Participation (COP). When market conditions change and/or State budget challenges occur, these same obligations are often refinanced to secure an economic advantage or to provide cash outflow relief. These long-term obligations are entered by the State in the form of expenditure contracts that statutorily require signature by the State Controller, which is accomplished both by the Controller's personal signature and through delegation.

Historically, these State Controller-signed financing documents have been relatively straight forward and infrequent, and minimal effort was required of the OSC to approve these documents, to design and implement related accounting models, or to meet post issuance compliance requirements. However, in the last two years, the financings have become increasingly complex, have grown in time to final payment (also known as term or maturity), and have occurred at a significantly increased volume. The primary cause of the increasing complexity is that programs enacted by the Legislature, such as the Federal Mineral Lease Certificates of Participation and the Build Excellent Schools Today (BEST) Certificates of Participation require many additional legal transactions and documents including site leases, lease purchase agreements, subleases to the site lessor, and in some instances alternative collateralization. Each issuance included a group of from 10 to 15 site lessors (Higher Education Institutions for FML COPS and local school districts or charter schools for BEST COPs). Each site lessor/sublessee had its own set of legal documents to participate in the issuance. In FY 2009-10 alone, the OSC participated in 10 issuances of various types totaling in excess of $1.5 billion. Some of these issuances ran concurrently. In Fiscal Year 2008-09, the OSC participated in four major issuances that totaled $1,096 billion. The OSC's participation in each of these issuances takes between six weeks and three months with document reviews that encompass a few hundred to a few thousand pages.

With the late 2008 collapse of the credit market, the subsequent failure of bond insurers, and investors' flight to safety using municipal debt (which includes State issuances), federal regulators, primarily the SEC and the IRS, have placed additional scrutiny on the municipal markets. When municipal issuances fail, government officials can be held liable for failure to understand and meet their issuance and post issuance compliance responsibilities. In addition, the American Recovery and Reinvestment Act (ARRA) provided a selection of tax credit and interest subsidy financing vehicles that have complex and time-consuming original issuance and post issuance compliance requirements. The State has already employed ARRA Qualified School Construction Bonds and Build America Bonds in issuances signed directly the State Controller.

Due to various political factors and the organizational structure of the Executive, Judicial, and Legislative branches of state government, the State of Colorado routinely issues debt through individual state agencies or offices rather than from a centralized debt management office. In many instances, these issuances are first time events for the state managers involved who often don't understand the highly complex environment of governmental public finance. This presents a very significant risk of noncompliance at issuance and in post issuance compliance to the State. It also places the State in extensive dependence on its issuance contractors, such as bond counsel, financial analysts, and underwriters. To address these risks and dependencies, many states have centralized debt management offices that are formalized in the bureaucracy, and the State of Colorado is at significant risk without such a function. (Some state agencies, such as the Institutions of Higher Education (IHE's) and the Department of Transportation (CDOT), have highly trained and sophisticated legal and accounting staff to manage their debt issuances, which are fully delegated for debt issuance by statute and by the State Controller.)

Historically, the State of Colorado has been a small issuer in the municipal finance market, and it had very limited centralized procedures to ensure issuance and post issuance compliance. Over the last few years the State has become a major issuer, but it has failed to fund or put in place the policies, procedures, and infrastructure necessary to ensure statewide consistency in issuance and post issuance compliance. For issuance compliance, the State has had no option but to rely substantially on the vendors involved in the financing transactions, which may not maximize the State's interests. That reliance is not acceptable to the IRS and the SEC, and the issuing government officials are required to fully understand the issuance provisions and the related ongoing compliance requirements. In addition, it is a poor practice for the State to rely on finance vendors who are not required to represent the State's (taxpayers) interests. For these two reasons alone, it is essential that the State formalize in the Executive Branch a sustainable function where issuance expertise and knowledge of post issuance compliance can be maintained.

The State Controller and the Deputy State Controller have expended significant time and effort over the last two years attempting to meet only the issuance compliance requirements necessary to allow the State Controller to sign the issuance documents. Nearly all the required knowledge acquisition, issuance document review, and accounting model design was done on nights and weekends by the State Controller and Deputy State Controller; a level of effort that cannot be sustained. Currently, there are insufficient resources to address the complex and time-consuming requirements of post issuance compliance. (Please see the attached post issuance compliance requirements from various entities.) The need for a centralized post issuance compliance function is also recognized by the State Treasurer's Office and the Attorney General's Office, both of which support formalization of the post issuance compliance function in the Office of the State Controller.

State issuances have been increasing in term, and this adds an additional layer of complexity. The Ralph Carr Justice and Colorado History Center projects were financed over 35 years. The IRS requires issuance and spend-out documentation to be maintained for six years past the final principal and interest payment. Regardless of the best intentions of the state managers currently involved in the issuances, without a formalized function somewhere in state government, the ongoing documentation and compliance requirements are likely to fail. The cost of failing the post issuance compliance requirements far exceeds the cost of maintaining an institutionalized expertise in the required compliance.

It is in the best interest of the State to implement and fund a policy requiring each borrowing transaction to include a state fee to fund the position requested in this decision item. Such a policy over the long-term would ensure the State General Fund is not required to pay this cost. Issuance transactions are contingent on credit availability and market conditions, and there can be no assurance that adequate issuances will occur in the initial year of funding this position.

A review of other states' debt compliance policies and procedure and those recommended by national bond counsels consistently place issuance and post issuance compliance requirements in a centralized debt management office. Previous attempts show it is not possible without legislation to organize a centralized debt management office in the State due to the independent issuance authority exercised by some agencies and institutions. However, for the remaining state agencies, formal centralization of issuance and post issuance compliance is necessary because those state agencies request and receive project specific statutory authority to issue debt, but they have little or no expertise in public finance and often are unaware of their post issuance responsibilities.

The pace of debt issuance is not significantly slowing. For example, the following is a list of issuances specifically authorized in new statutes, or based on recent state agency's general authority to issue debt:

- CDOT Bridge Loan – July 2010
- CDOT Bridge Enterprise COP – March 2011
- BEST $200 Million – 20 projects – December 2010
- GTRAN and/or ETRAN – Fall 2010
- Fleet Management Vehicle Funding – March 2011
- DPA Building Acquisition SB10-160 – Date Uncertain
- Energy Performance COP SB10-207 – 2011
- Department of Corrections HB10-1083 – July 2010

The State Controller and the Deputy State Controller have expended significant time and effort over the last two years attempting to meet only the issuance compliance requirements necessary to allow the State Controller to sign the issuance documents. In the Office of the State Controller's estimation of State Controller and Deputy State Controller time spent on issuance and post-issuance compliance, the equivalent of 1.0 FTE's time has quite easily been dedicated over the past fiscal year. The State Controller believes that the equivalent of 2.0 to 3.0 FTE may be justified. If this position were approved, the workload would be assessed during first year in order to determine the appropriate staffing level.

Amendments 60 and 61 and Proposition 101 may affect the State's ability carry out these transactions; however, those ballot issues will not remove the State's responsibility for post issuance compliance for debt already issued.

<u>Consequences if Not Funded:</u>

The risks of not institutionalizing a post issuance compliance function are extreme and must be addressed for those instruments already sold to the market. Prospectively, the failure to address the need for both issuance and post issuance compliance brings into question the prudence of the State continuing to issue debt in any form. It is the position of the Department that it would put the state at a greater risk if the State Controller were to continue signing debt issuance contracts in the absence of a mechanism to ensure compliance with contractual, IRS, and SEC requirements over the long time periods involved in these commitments.

If the State elects not to fund this request there are consequences associated with each of the three major activities of the proposed position. The Office of the State Controller marginally mitigated these consequences over the last two years by requiring exempt employs to complete the work on nights and weekends. That exceptional effort cannot be maintained over an extended period.

Issuance Compliance:
The State Controller is the final signatory to all debt issuance contracts. That places a unique responsibility on the Controller to ensure legal compliance with the authorizing

statute, to ensure the prices (interest rates) are reasonable, and to ensure the legal structure can be executed in the accounting records. Without the proposed position and funding, the State Controller is at risk of not meeting these statutory responsibilities, and the State is at risk of issuing debt that is subsequently determined to be in violation of the State Constitution or statute, noncompliant with regulatory requirements, or not sufficiently documented. Any of these noncompliance issues constitute grounds for investor action against the State for breach of contract causing the debt to be currently payable or requiring surrender of the lease collateral. Both results represent significant adverse economic effects to the State. Any IRS or SEC enforcement action must be publicly disclosed and will adversely affect the State's credit rating. The State relies upon its excellent credit to obtain low interest short term cash flow financing and to finance these long term capital construction projects.

Accounting Modeling. Most of the State's borrowings require complex accounting models (sometimes integrated with similarly complex budget actions) that involve multiple state agencies or institutions. Without the design and implementation of those models, the participating agencies (Department of Treasury, Office of State Planning and Budgeting, and one or more state agencies) will likely implement varied and incompatible approaches to the required accounting and budgeting. Such incompatible solutions prevent efficient and effective budget implementation and representation of the transactions in the financial statements. The State is legally bound by its Continuing Disclosure Undertaking (required by underwriters under direction of the SEC in each debt issuance) to provide audited financial statements that represent the transaction in compliance with Generally Accepted Accounting Principles (GAAP). In addition, progress on the legal drafting of the financing documents, such as the Higher Education Federal Mineral Lease Certificates of Participation (HE FML COPs), often becomes dependent on the completion of the required accounting models.

Post Issuance Compliance:

Post issuance compliance will be the most important function of the proposed position and represents the most serious consequences if requirements are not met. The IRS takes post issuance compliance requirements very seriously because it is the mechanism through which they ensure state and local governments are not violating rules that govern tax-exempt, tax credit, and interest subsidy provisions. When post issuance compliance requirements are not met, the IRS is authorized to revoke the tax-exempt status of a borrowing, deny tax credits to the investor, or refuse to pay the interest subsidy to the State. The State has covenanted in each lease or debt issuance contract to take all action necessary to ensure the investors continue to enjoy tax-exempt status of their interest earnings. Losing that tax-exempt status is considered default on the obligation, and for most issuances, makes the debt immediately payable along with prepayment penalties. Loss of tax-credit status because of post issuance noncompliance is also considered state default on the obligation to the investor. In the instance of the new ARRA Build America Bonds issued for the Ralph Carr Justice and Colorado History Centers, that interest subsidy represents $170,009,459 (35% of total interest costs of $485,741,314 over 35 years). In each of these instances, the IRS has the option to fine the State rather than take the actions described above; however, there is no way to anticipate what actions the IRS will deem appropriate or necessary over time or the amount of any fines that might be assessed.

In addition to the IRS's current authority, the SEC has investigatory authority over municipal issuers when securities fraud is indicated. The SEC also currently has indirect authority over state governments through its direct authority over the underwriters purchasing the state instruments. It requires underwriters to ensure continuing disclosures by the issuer in the underwriting contract (also known as a Continuing Disclosure Undertaking). This indirect authority is employed because the Tower Amendment exempts state governments from SEC oversight except in the instance of fraud. However, the SEC Commissioner continues to lobby Congress to allow the SEC additional municipal market oversight. With the current push for financial system reform, it is expected that additional compliance requirements will be imposed on the municipal market by the SEC.

Calculations for Request:

Summary of Request FY 2011-12	**Total Funds**	**General Fund [1]**	**Cash Funds**	**Reappropriated Funds**	**Federal Funds**	**FTE**
Total Request	$83,544	$83,544	$0	$0	$0	1.0
(5) Division of Accounts and Control - Controller (A) Office of the State Controller, Personal Services	$77,891	$77,891	$0	$0	$0	1.0
(5) Division of Accounts and Control - Controller (A) Office of the State Controller, Operating Expenses	$5,653	$5,653	$0	$0	$0	0.0

Summary of Request FY 2012-13	**Total Funds**	**General Fund [1]**	**Cash Funds**	**Reappropriated Funds**	**Federal Funds**	**FTE**
Total Request	$85,922	$85,922	$0	$0	$0	1.0
(5) Division of Accounts and Control - Controller (A) Office of the State Controller, Personal Services	$84,972	$84,972	$0	$0	$0	1.0
(5) Division of Accounts and Control - Controller (A) Office of the State Controller, Operating Expenses	$950	$950	$0	$0	$0	0.0

Cash Funds Projections: N/A This is a General Fund request.

Assumptions for Calculations:

Table 1.0 - OSPB Common Policy for FTE Requests

Fiscal Year(s) of Request		**FY 11-12**	**FY 12-13**
PERSONAL SERVICES			
Number of PERSONS / class title	**Controller II**	1	1
Number of months working in FY 09-10, 10-11, & 11-12		12	12
Number months paid in FY 09-10, 10-11, & 11-12		11	12
Calculated FTE per classification		**1.0**	**1.0**
Annual base salary		$76,140	$76,140
Salary		$69,795	$76,140
PERA	**10.15%**	$7,084	$7,728
Medicare	**1.45%**	$1,012	$1,104
Subtotal Personal Services at Division Level		**$77,891**	**$84,972**
OPERATING EXPENSES			
Supplies @ $500/$500 [1]	**$500**	$500	$500
Computer @ $900/$0	**$900**	$900	$0
Office Suite Software @ $330/$0	**$330**	$330	$0
Office Equipment @ $3,473/$0 (includes cubicle and chair)	**$3,473**	$3,473	$0
Telephone Base @ $450/$450 [1]	**$450**	$450	$450
Subtotal Operating Expenses		**$5,653**	**$950**
GRAND TOTAL ALL COSTS		**$83,544**	**$85,922**

1 - The $450 for Telephone Base and $500 for Supplies will carry over each year as an acceptable expense.

Impact on Other Government Agencies: This request provides positive benefits to other State agencies by providing a mechanism for those other State agencies to avoid being responsible for a post issuance compliance failure and related fines or other adverse consequences to the State.

Cost Benefit Analysis: This request is to avoid adverse impacts on the State that may result from failure to meet post issuance compliance requirements of the IRS and SEC. There is no way to know what fines or advanced maturation of debt would be applicable. As a result, the cost avoidance benefits of this analysis are impossible to predict. In addition, those cost avoidance benefits occur over the life of the outstanding debt issuances. As noted above in the discussion of the State's BAB interest cost subsidy, the potential loss amounts are very large, but there is no way to assess the probability of loss occurrence. However, it can definitely be stated that without the proposed function, the potential for loss is significantly greater.

Implementation Schedule:

Task	Month/Year
Internal Research/Planning Period	July 1, 2011 to September 30, 2011
FTE Hired	September 30, 2011
Rules Written	December 31, 2011
Rules Passed	June 30, 2012
Start-Up Date	July 1, 2012

Statutory and Federal Authority: Major state construction and financing projects are individually authorized in statute. Examples in BEST at Title 22 Article 43.7 Part 1 and HE FML COPs at Title 23 Article 19.9.

Federal requirements reside throughout the tax code that governs tax-exempt borrowing and ARRA tax advantaged borrowing.

23-19.9-102. Higher education federal mineral lease revenues fund - higher education maintenance and reserve fund - creation - sources of revenues - use. *(1) (a) The higher education federal mineral lease revenues fund is hereby created in the state treasury. For the 2008-09 fiscal year and for each succeeding fiscal year, the lesser of the first fifty million dollars of the total amount of moneys required to be transferred to the revenues fund and the maintenance and reserve fund pursuant to section 34-63-102 (5.5), C.R.S., or all of such moneys shall be transferred to the revenues fund and the remainder of such moneys shall be transferred to the maintenance and reserve fund. Interest and income derived from the deposit and investment of the revenues fund shall remain in the revenues fund and shall not be transferred to the general fund or any other fund at the end of any fiscal year. The state treasurer may invest the revenues fund in any investment in which the board of trustees of the public employees' retirement association may invest the funds of the association pursuant to section 24-51-206, C.R.S*

(b) The general assembly may annually appropriate moneys in the revenues fund to directly pay for or pay the costs of financing capital construction projects at state-supported institutions of higher education that are included on a prioritized list of such projects specified in a joint resolution that has taken effect in accordance with section 39 of article V of the state constitution after being sponsored by the joint budget committee of the general assembly, approved by the general assembly, and presented to the governor pursuant to section 23-1-106.3 (1) (b), enacted by Senate Bill 08-233, enacted at the second regular session of the sixty-sixth general assembly. The general assembly may also appropriate moneys in the revenues fund to the department of education for distribution by the department, or any board or division within the department that the department may designate, to school districts for capital construction projects at area vocational schools, as defined in section 23-60-103 (1). In making such appropriations, the general assembly shall give priority consideration to capital construction projects at state-supported institutions of higher education that are located in communities that are substantially impacted by energy production or conversion activities, and the department,

or any board or division within the department designated to distribute moneys appropriated to the department pursuant to this paragraph (b), shall give priority consideration to capital construction projects at area vocational schools that are located in such communities. Only capital construction projects that will be used exclusively or primarily for academic purposes shall be eligible for funding pursuant to this paragraph (b).

(2) (a) The higher education maintenance and reserve fund is hereby created in the state treasury. The principal of the maintenance and reserve fund shall consist of moneys transferred to the maintenance and reserve fund pursuant to section 34-63-102 (5.3) (a) (II), C.R.S. Except as otherwise provided in paragraph (b) of this subsection (2), the principal of the maintenance and reserve fund shall remain in the fund and shall not be expended for any purpose. The general assembly may annually appropriate interest and income derived from the deposit and investment of moneys in the maintenance and reserve fund for controlled maintenance projects for the system of public higher education that are selected through the process set forth in sections 24-30-1303 (1) (k.5) and 2-3-1304 (1) (b), C.R.S. The state treasurer may invest the maintenance and reserve fund in any investment in which the board of trustees of the public employees' retirement association may invest the funds of the association pursuant to section 24-51-206, C.R.S.

(b) (I) If the amount of moneys in the revenues fund will be insufficient to cover the full amount of the payments due to be made under lease-purchase agreements authorized pursuant to section 23-1-106.3 (3), the general assembly may transfer from the principal of the maintenance and reserve fund or from any other sources to the revenues fund sufficient moneys to make the payments.

(II) If, at any time during a fiscal year, the most recent available quarterly revenue estimate prepared by the staff of the legislative council indicates that the amount of total general fund revenues for the fiscal year will not be sufficient to allow the state to maintain the four percent or higher reserve required by section 24-75-201.1 (1), C.R.S., the general assembly may make supplemental appropriations of principal of the maintenance and reserve fund or the state controller may allow overexpenditures to be

made from principal of the maintenance and reserve fund pursuant to and in accordance with the requirements of section 24-75-111, C.R.S., in order to offset any reduction in the amount of one or more general fund appropriations for the fiscal year for operating expenses of state-supported institutions of higher education that resulted from the insufficiency in the amount of total general fund revenues.

(III) Notwithstanding any provision of this subsection (2) to the contrary, on June 30, 2009, the state treasurer shall deduct thirty-three million seven hundred thousand dollars from the higher education maintenance and reserve fund and transfer such sum to the general fund; except that, if the balance of moneys in the higher education maintenance and reserve fund on June 30, 2009, is less than thirty-three million seven hundred thousand dollars, the state treasurer shall transfer the balance of moneys in the fund to the general fund.

Performance Measures:

Objective: Maintain and improve accountability to State taxpayers through financial reporting.

Performance Measure	Outcome	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request
Receive an unqualified opinion on the state's financial statements from the State Auditor.	Benchmark	Yes	Yes	Yes	Yes
	Actual	Yes	Expected December 2010	Expected December 2011	Expected December 2012

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☑	Base Reduction Item FY 2011-12 ☐	Supplemental FY 2010-11 ☐	Budget Amendment FY 2011-12 ☐

Request Title: Printing of Statewide Warrants and Mainframe Documents
Department: Personnel and Administration — **Dept. Approval by:** [signature] — **Date:** 10/13/10
Priority Number: SW DI - 2 — **OSPB Approval:** [signature] — **Date:**

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	2,342,967	2,564,775	0	2,564,775	2,849,863	(16,325)	2,833,538	0	2,833,538	(16,325)
	FTE	25.0	33.0	0.0	33.0	72.4	0.0	72.4	0.0	72.4	0.0
	GF	529,755	1,185,016	0	1,185,016	1,479,108	(16,325)	1,462,783	0	1,462,783	(16,325)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	1,455,921	1,089,800	0	1,089,800	173,694	0	173,694	0	173,694	0
	CFE/RF	357,291	289,959	0	289,959	1,197,061	0	1,197,061	0	1,197,061	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Division of Accounts and Control – Controller, (A) Office of the State Controller, Personal Services	Total	2,262,529	2,454,819	0	2,454,819	2,711,095	0	2,711,095	0	2,711,095	0
	FTE	25.0	33.0	0.0	33.0	36.2	0.0	36.2	0.0	36.2	0.0
	GF	529,755	1,185,016	0	1,185,016	1,450,296	(16,325)	1,433,971	0	1,433,971	(16,325)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	1,375,483	1,089,800	0	1,089,800	173,694	0	173,694	0	173,694	0
	CFE/RF	357,291	180,003	0	180,003	1,087,105	16,325	1,103,430	0	1,103,430	16,325
	FF	0	0	0	0	0	0	0	0	0	0
(5) Division of Accounts and Control – Controller, (A) Office of the State Controller, Operating Expenses	Total	80,438	109,956	0	109,956	138,768	(16,325)	122,443	0	122,443	(16,325)
	FTE	0.0	0.0	0.0	0.0	36.2	0.0	36.2	0.0	36.2	0.0
	GF	0	0	0	0	28,812	0	28,812	0	28,812	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	80,438	0	0	0	0	0	0	0	0	0
	CFE/RF	0	109,956	0	109,956	109,956	(16,325)	93,631	0	93,631	(16,325)
	FF	0	0	0	0	0	0	0	0	0	0

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☑	Base Reduction Item FY 2011-12 ☐	Supplemental FY 2010-11 ☐	Budget Amendment FY 2011-12 ☐

Request Title: Printing of Statewide Warrants and Mainframe Documents

Department: Personnel and Administration — **Dept. Approval by:** — **Date:**

Priority Number: SW DI - 2 — **OSPB Approval:** — **Date:**

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13

Non-Line Item Request: None

Letternote Revised Text for FY 2010-11: None.

Letternote Text Requested for FY 2011-12: None.

Cash or Federal Fund Name and COFRS Fund Number: Fund 601, DPA Revolving Fund

Reappropriated Funds Source, by Department and Line Item Name: Will be provided when agency breakout of costs becomes available.

Approval by OIT? Yes: ☑ No: ☐ N/A: ☐

Schedule 13s from Affected Departments: Will be provided when agency breakout of costs becomes available.

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Department of Personnel and Administration
Priority Number:	Statewide DI - 2
Change Request Title:	Printing of Statewide Warrants and Mainframe Documents

SELECT ONE (click on box):

☒ Decision Item FY 2011-12
☐ Base Reduction Item FY 2011-12
☐ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:
☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Personnel and Administration requests an increase of $207,494 spending authority on behalf of Departments within the State who utilize the centralized printing of warrants and other mainframe documents. As an offset to the proposed increase, the Department of Personnel and Administration also requests a decrease of $16,325 in General Fund within the Office of the State Controller's operating line item, which will instead be direct billed to Departments utilizing the warrants stock. The Department of Personnel and Administration is not seeking an increase in spending authority within the Integrated Document Solutions program due to the availability of contingency spending authority to cover this proposed funding realignment.

General Description of Request:

Until October 2009, the Governor's Office of Information Technology (OIT) had been providing printing services to state agencies within Colorado. These laser printing services included printing of warrants for the State Controller's Office on behalf of other Departments within the State, the printing of decals for the Division of Parks at the Department of Natural Resources, and general mainframe printing, which included reports, collection notices, and payroll advices. In an effort to provide the most cost-effective printing services for all reproduction and printing jobs, OIT and DPA initiated a proposal to transition the printing services for these types of printing jobs to the Department of Personnel and Administration's Integrated Document Solutions (IDS) group, which is able to provide printing services at a lower cost due to economies of scale. A corresponding decrease in the rates charged to the affected Departments through the Purchase of Service from the Computer Center (GGCC) lines was included as part of the OIT base reduction proposal for FY 2010-11. While the implementation of the proposal would require IDS to bill Departments directly through their operating line items, the proposal did not include a budget increase to the impacted operating line items across the state. To remedy this situation, the Department of Personnel and Administration is requesting the approval of the increased operating spending authority for impacted Departments with this decision item.

In the past, the Office of the State Controller purchased warrant stock for use in printing the warrants required by Departments across the state. The cost of warrant stock, which includes numbered checks, was not charged to Departments utilizing the stock, but was fully supported within the operating line item of the office of the State Controller within the Division of Accounts and Control. Additionally, OIT had provided printing services to Departments across the state, and had charged the Departments through the GGCC and Purchase of Services from Computer Center line items within each Department. In FY 2010-11, the total volume of printed impressions was 4,170,410, and the detail of this total is outline below:

	Total Annual Volume (in pages, based on FY2010-11 actuals)
Warrants for the Office of the State Controller on behalf of Departments statewide	684,963
Warrants for the Colorado Department of Transportation	22,519
Decals for the Parks Division within the Department of Natural Resources	257,905
General Mainframe Printing (including payroll advices, W2s, COFRS reports, and others)	3,205,023
Total	**4,170,410**

With the implementation of the efficiency proposal, IDS will manage all aspects of these printing services, at an overall savings to the state. According to the OIT Data Center Services Rates information, the Departments who utilized services paid an estimated $0.0817 per impression, or one-sided page. Because of volume efficiencies, IDS is able to charge only $0.036 per printed side or an average of .043 inclusive of paper cost for normal mainframe print and $0.066 for warrants, exclusive of the cost of the warrant stock averaging $0.02 per warrant. The rates for printing warrants include the normal $0.036 printing rate, plus an additional surcharge per check of $0.03. This surcharge includes the additional work required by DPA to carry out procedures and audits to ensure that all warrant stock, blank or printed, are accounted for guaranteeing inventory integrity. The estimated savings to the state overall for centralized printing, based on the efficiencies within the proposal to transition the printing to IDS, is approximately $170,000.

		DPA Rates		OIT Estimated Rates	
	Total Annual Volume (in pages, based on FY2010-11 actuals)	Rate per Page	Annual Cost to Departments (volume x rate)	Rate per Page	Annual Cost to Departments (volume x rate)
Warrants for the Office of the State Controller on behalf of Departments statewide	684,963	$0.036 per page, with an additional surpcharge of $0.03 per page	$ 45,208	$0.0817 per page	$ 55,961
Warrants for the Colorado Department of Transportation	22,519	$0.036 per page, with an additional surpcharge of $0.03 per page	$ 1,486	$0.0817 per page	$ 1,840
Decals for the Parks Division within the Department of Natural Resources	257,905	$0.036 per page	$ 9,285	$0.0817 per page	$ 21,071
General Mainframe Printing (including payroll advices, W2s, COFRS reports, and others)	3,205,023	$0.036 per page	$ 115,381	$0.0817 per page	$ 261,850
Total	4,170,410		$ 171,359		$ 340,722
				Savings to the State from Efficiency Proposal	$ 169,363

For the FY 2010-11 budget, OIT reduced its funding for this program, and also reduced the related GGCC rates charged to Departments, but operating budgets that will now support the printing were not increased. The printing of these documents still remains critical, and therefore the Department of Personnel and Administration is requesting an increase in the operating budgets of the impacted Departments to support the continued printing of warrants and mainframe documents. The purpose of this decision item is to align the funding necessary to support these services, and includes the following components:

- Replacing funding associated with warrant and mainframe printing that was removed from the GGCC line items into the operating line items of the impacted Departments, so that they may pay IDS directly,
- Transitioning the funding for the cost of warrant stock from the Office of the State Controller to a component of the printing that is directly billed to the Departments who utilize that stock.

Consequences if Not Funded:

Starting July 1, 2010, the Departments who utilize the laser printing services provided by OIT in the past will instead be served by Integrated Document Solutions, which due to a lower rate per impression, will amount to a cost-savings overall for the state. If this decision item is not approved, the Departments who paid for OIT's services through the Purchase of Service from the Computer Center line items will instead be required to find room in their operating line items to pay for these costs through monthly direct billing by IDS. Because operating expenses for those Departments have not received a corresponding increase based on the services provided by IDS, the impacted Departments would be forced to find other savings and efficiencies in already overtaxed operating line items.

Calculations for Request:

Summary of Request FY 2011-12	**Total Funds**	**General Fund**	**Cash Funds**	**Reappropriated Funds**	**Federal Funds**	**FTE**
Total Request	($16,325)	($16,325)	$0	$0	$0	0.0
(5) Division of Accounts and Control – Controller, (A) Office of the State Controller, Personal Services	$0	($16,325)	$0	$16,325	$0	0.0
(5) Division of Accounts and Control – Controller, (A) Office of the State Controller, Operating Expenses	($16,325)	$0	$0	($16,325)	$0	0.0

Summary of Request FY 2012-13	**Total Funds**	**General Fund**	**Cash Funds**	**Reappropriated Funds**	**Federal Funds**	**FTE**
Total Request	($16,325)	($16,325)	$0	$0	$0	0.0
(5) Division of Accounts and Control – Controller, (A) Office of the State Controller, Personal Services	$0	($16,325)	$0	$16,325	$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
(5) Division of Accounts and Control – Controller, (A) Office of the State Controller, Operating Expenses	($16,325)	$0	$0	($16,325)	$0	0.0

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2009-10 Expenditures	FY 2009-10 End of Year Cash Balance	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate	FY 2012-13 End of Year Cash Balance Estimate
DPA Revolving Fund	601	$21,312,794	$1,064,050	$1,064,050	$1,064,050	$1,064,050

Assumptions for Calculations:

The Department has requested Schedule 13s from impacted departments across the state and each impacted agency has submitted a corresponding schedule 13 in their FY 2011-12 request. The chart below outlines the funding split for impacted departments for FY 2011-12 and FY 2012-13. Fund split estimates based on the FY 2011-12 Long Bill have been used for non-executive agencies that did not submit schedule 13s.

DEPARTMENT	Total Funds	GF	CF	RF	FF
Agriculture	$1,071	$1,071	$0	$0	$0
Corrections	$25,138	$25,138	$0	$0	$0
Education	$2,056	$2,056	$0	$0	$0
Governor	$3,900	$3,900	$0	$0	$0
Health Care Policy and Financing	$1,070	$535	$0	$0	$535
Higher Education	$617	$0	$470	$147	$0
Human Services	$19,317	$10,115	$188	$407	$8,607
HCPF impact on Human Services	$293	$146	$0	$0	$147
Judicial	$15,187	$11,073	$3,634	$251	$229
Labor and Employment	$3,901	$0	$1,638	$0	$2,263
Law	$1,507	$299	$268	$903	$37
Legislature	$1,034	$997	$6	$31	$0
Local Affairs	$660	$0	$0	$660	$0
Military and Veterans Affairs	$5,167	$1,292	$0	$0	$3,875
Natural Resources	$14,788	$941	$13,549	$163	$135
Personnel and Administration	$1,461	$352	$175	$934	$0
Public Health and Environment	$4,555	$0	$0	$4,555	$0
Public Safety	$4,987	$4,987	$0	$0	$0
Regulatory Agencies	$2,133	$46	$2,008	$76	$3
Revenue	$5,286	$5,286	$0	$0	$0
State	$502	$0	$502	$0	$0
Treasury	$118	$25	$0	$93	$0
TOTAL	**$114,748**	**$68,259**	**$22,438**	**$8,220**	**$15,831**
HCPF impact on Human Services	($293)	($146)	$0	$0	($147)
Higher Education (Non-appropriated)	$79,214	$0	$0	$0	$0
Transportation (Non-appropriated)	$13,825	$0	$0	$0	$0
TOTAL IMPACT	**$207,494**	**$68,113**	**$22,438**	**$8,220**	**$15,684**

(a)- Non-executive branches do not submit budget proposals to the Governor's Office. Fund splits are estimated using FY 2010-11 Long Bill.

Total Statewide Costs Associated with Centralized Warrant and Mainframe Printing: The chart below outlines the total statewide costs that DPA has estimated based on historical data.

	Total Annual Volume (in pages, based on FY2010-11 actuals)	Rate per Page	Stock Costs	Annual Cost to Departments (volume x rate)
Warrants for the Office of the State Controller on behalf of Departments statewide	684,963	$0.036 per page, with an additional surpcharge of $0.03 per page	$0.02 per warrant	$ 58,907
Warrants for the Colorado Department of Transportation	22,519	$0.036 per page, with an additional surpcharge of $0.03 per page	Purchased directly by Department	$ 1,486
Decals for the Parks Division within the Department of Natural Resources	257,905	$0.036 per page	Purchased directly by Department	$ 9,285
General Mainframe Printing (including payroll advices, W2s, COFRS reports, and others)	3,205,023	$0.036 per page	$0.007 per sheet	$ 137,816
Centralized Printing Subtotal	**4,170,410**			**$ 207,494**

Warrant Stock Cost Calculation: The chart below outlines the historical expenditures on warrant stock purchases within the Office of the State Controller's operating expenses line item.

Warrant Stock Cost Calculation	
FY 2008-09	$16,740
FY 2009-10	$15,910
Historical Average Cost for Stock*	**$16,325**

** This amount will be removed from the State Controller's Office Operating line item. However, Departments will be direct billed based on usage and the rate of $0.02 per warrant.*

Impact on Other Government Agencies: Numerous Departments across the state utilize the centralized warrant and mainframe printing services. The inclusion of funding for these services, which will be direct billed each month by IDS in the operating line items of the impacted Departments will ensure that these reports and other documents continue to be available to the Departments.

Cost Benefit Analysis:

When administered by OIT, the state funded mainframe and warrant printing at a rate of approximately $0.0817 per impression, exclusive of stock costs. Given the historical volume of printed impressions, the centralized printing cost to the state was approximately $340,700 annually, plus any additional costs for paper stock costs. It is assumed that the state budget benefitted by this amount due to the budget reduction proposal that removed the approximately $340,700 in the FY 2010-11 budget. IDS is able to charge a lower rate for centralized printing due to economies of scale. For the same volume of impressions, exclusive of stock costs, the total cost for centralized printing through IDS would cost approximately $171,300.

The benefit of this proposal was is an estimated minimum savings of $340,700 annually, plus any additional paper stock costs, which was realized starting in FY 2010-11. The cost of this proposal is $191,170, which is built back into the statewide budget through this decision item. Overall, there is a large ongoing cost-savings of approximately $150,000 to the state.

Alternatives	**Cost**	**Benefit**
Do Not Fund Centralized Warrant and Mainframe Printing	• Impacted Departments will be required to find efficiencies or areas of savings in operating budgets to fund printing costs. • Departments may choose to limit critical printing jobs, which may lead to impaired ability to manage programs.	• Spending authority associated with any change requests will not be granted in the requested fiscal year.
Fund Centralized Warrant and Mainframe Printing	• $175,300 in spending authority for ongoing centralized printing, exclusive of warrant stock costs.	• Reduced statewide printing costs due to utilization of more efficient printing services (an estimated overall decrease of approximately $167,000, with the benefit realized in the FY 2010-11 Long Bill).

Implementation Schedule:

Task	Month/Year
Funding for monthly direct billing is included in the FY 2011-12 Long Bill.	June 2011

Statutory and Federal Authority: **24-30-1101 through 1102 (4) C.R.S. (2009)**

24-30-1101. C.R.S (2009) Legislative findings and declarations.
(1) The general assembly hereby finds, determines, and declares that:
(a) Services such as printing, document management, mail-related services, microfilm, graphic arts, fleet management, and other similar services are being widely used by the state of Colorado as a practical and economical means of improving administrative production and efficiency;
(b) and (c) (Deleted by amendment, L. 2004, p. 305, § 1, effective August 4, 2004.)
(d) Meeting the service needs of state Departments, institutions, and agencies in efficient and economical ways within the resource capabilities of the state is the prime goal of the division of central services policy;
(e) To most effectively utilize resources committed to existing services and to assure the best services at competitive costs to user agencies while preserving the managerial prerogatives and responsibilities assigned to Department and agency heads by statute and otherwise, it is necessary to establish central planning, control, and coordination of service activities.

24-30-1102. C.R.S (2009 Definitions.
As used in this part 11, unless the context otherwise requires:
(1) "Cost" means the direct cost of providing goods or services including, but not limited to, the total cost of labor and all related benefits, maintenance costs, materials, provisions, supplies, equipment rentals, equipment purchases, insurance, financing, supervision, engineering, clerical and accounting services, the value of the use of equipment, including its depreciation or replacement value, and an equitable share of other administrative costs not otherwise directly attributable to a particular good or

service which may be reasonably apportioned to each particular service in accordance with generally accepted accounting principles and standards.

(2) "Director" or "executive director" means the executive director of the Department of personnel.

(3) (Deleted by amendment, L. 96, p. 1497, § 8, effective June 1, 1996.)

(4) "Services" means printing, document management, mail-related services, microfilm, graphic arts, fleet management, and other similar support functions that are or may be used by the state of Colorado as a practical and economical means of improving administrative production and efficiency.

(5) "State agency" means this state or any Department, board, bureau, commission, institution, or other agency of the state, including institutions of higher education but shall not include the state board of stock commissioners, created pursuant to section 35-41-101, C.R.S.

(6) (a) "State-owned motor vehicle" means all motor vehicles owned by the state or any agency of the state that shall include all two- and four-wheel drive trucks, all passenger vehicles including cars, vans, station wagons and other similar passenger vehicles, and any other vehicle not described herein that may be designated as a state-owned motor vehicle if a state agency requests such designation; except that "state-owned motor vehicle" shall not include any vehicle rated at one ton or more that is:

(I) Owned, operated, or controlled by an institution of higher education and was not purchased, maintained, or otherwise acquired using state moneys; or

(II) A specialized vehicle used for the purposes of construction or maintenance, and owned, operated, or controlled by the Department of transportation.

(b) "State-owned motor vehicle" shall not include any vehicle donated to a specific state agency.

Performance Measures:

Performance Measure	Outcome	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request
Maintain savings for Integrated Document Services as compared to the private sector as reported in the Department of Central Services annual cost savings report.	Benchmark	N/A	$3,842,636	$4,000,000	$4,000,000
	Actual	$3,842,636	$3,842,636	TBD	TBD

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☑ | Base Reduction Item FY 2011-12 ☐ | Supplemental FY 2010-11 ☐ | Budget Amendment FY 2011-12 ☐

Request Title: Repayment of Federal Participation in Fund 611 - Technical
Department: Personnel and Administration — **Dept. Approval by:** Hobson — **Date:** 10/14/10
Priority Number: NP - 11 — **OSPB Approval:** T. Biz — **Date:** 10/15/10

	Fund	1 Prior-Year Actual FY 2009-10	2 Appropriation FY 2010-11	3 Supplemental Request FY 2010-11	4 Total Revised Request FY 2010-11	5 Base Request FY 2011-12	6 Decision/ Base Reduction FY 2011-12	7 November 1 Request FY 2011-12	8 Budget Amendment FY 2011-12	9 Total Revised Request FY 2011-12	10 Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	139,158	134,746	0	134,746	134,746	258,200	392,946	0	392,946	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
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	258,200	258,200	0	258,200	0
	CFE/RF	139,158	134,746	0	134,746	134,746	0	134,746	0	134,746	0
	FF	0	0	0	0	0	0	0	0	0	0
(6) Administrative Courts, Operating Expenses	Total	139,158	134,746	0	134,746	134,746	258,200	392,946	0	392,946	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
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	258,200	258,200	0	258,200	0
	CFE/RF	139,158	134,746	0	134,746	134,746	0	134,746	0	134,746	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None
Letternote Revised Text for FY 2010-11: None.
Letternote Text Requested for FY 2011-12: None.

Cash or Federal Fund Name and COFRS Fund Number: N/A
Reappropriated Funds Source, by Department and Line Item Name: Fees from state agencies, Fund 611 Administrative Hearings Fund
Approval by OIT? Yes: ☐ No: ☐ N/A: ☑
Schedule 13s from Affected Departments: None.

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Department of Personnel and Administration
Priority Number:	NP – 11
Change Request Title:	Repayment of Federal Participation in Fund 611 - Technical

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
- ☐ Base Reduction Item FY 2011-12
- ☐ Supplemental Request FY 2010-11
- ☐ Budget Request Amendment FY 2011-12

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
- ☐ An emergency
- ☐ A technical error which has a substantial effect on the operation of the program
- ☐ New data resulting in substantial changes in funding needs
- ☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Personnel and Administration is seeking $258,200 in cash funds to repay the Federal Government for their contribution to the Administrative Hearings Fund, an Inter Service fund. A proposal for a cash fund transfer of $1,000,000 in fund balance from the Administrative Hearings Fund has been included as a budget balancing option within the November 1 Budget Submission. Based on calculations included in the Statewide Indirect Cost Allocation Plan (SWICAP) and past actions taken by the Federal Government in similar situations, the Department anticipates that the Administrative Hearings Fund will be required to repay an additional 25.82 percent of the amount transferred from the fund to the Federal Government.

General Description of Request:

When the balance of an Internal Service Fund is transferred to the General Fund, the Federal Government requires the Department of Personnel and Administration to repay the federal participation on the amount of the transfer. The SWICAP calculates the federal participation rate for this fund to be 25.82 percent. The Department is requesting a one-time appropriation of $258,200 to cover the cost of repayment to the Federal Government.

Consequences if Not Funded:

The Federal Government has required repayment in the past on other cash fund transfers from Inter Service Funds. In cases where repayment has not happened at the same time as the transfer, they have charged interest on the amount owed back to the transfer date. If the money is not available for repayment at the time of the transfer, the Department will accrue interest and penalties for late repayment.

Calculations for Request:

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	$258,200	$0	$258,200	$0	$0	0.0
(6) Administrative Courts, Operating Expenses	$258,200	$0	$258,200	$0	$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	$0	$0	$0	$0	$0	0.0
(6) Administrative Courts, Operating Expenses	$0	$0	$0	$0	$0	0.0

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2009-10 Expenditures	FY 2009-10 End of Year Cash Balance	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate*	FY 2012-13 End of Year Cash Balance Estimate
Administrative Hearings Fund	611	$4,417,247	$1,132,699	$1,132,699	$132,699	$132,699

*Includes the proposed cash fund transfer of $1,000,000 in FY 11-12.

Assumptions for Calculations: A cash fund transfer of $1,000,000 has been included in the Governor's November 1 Budget Submission. Based on the approved SWICAP, an amount equal to 25.82 percent of this transfer will need to be repaid to the Federal Government at the time of the transfer.

Impact on Other Government Agencies: There is no impact on other departments.

Cost Benefit Analysis: The repayment to the Federal Government is a requirement, and the Department has no other option but to repay or risk interest charges and penalties.

Implementation Schedule:

Task	Month/Year
Estimated Cash Fund Transfer	June, 2012
Repayment of Federal Participation	June, 2012

Statutory and Federal Authority:

24-30-1001. Office of administrative courts - administrative courts cash fund - creation (2009)

(1) Effective July 1, 2005, there is hereby created the office of administrative courts in the department of personnel, the head of which shall be the executive director of the department of personnel. The office of administrative courts shall exercise its powers, duties, and functions as a ***type 2*** *agency.*

(2) The executive director of the department of personnel shall establish and maintain administrative offices and courts for the office of administrative courts in Denver, and in the southern region and on the western slope of the state, in addition to such other offices and courts as the executive director deems necessary to carry out the powers, duties, and functions of the office of administrative courts.

(3) The executive director of the department of personnel shall establish any fees or cost allocation billing process necessary to pay for the direct and indirect costs of the office of administrative courts. The department of personnel shall not establish a fee for individuals or beneficiaries that have a right to an administrative hearing without prior approval of the associated state agency and formal rule-making related to the fee pursuant to article 4 of this title. All moneys collected shall be transmitted to the state treasurer, who shall credit the same to the administrative courts cash fund, which fund is hereby created. The moneys in the fund shall be subject to annual appropriation by the general assembly for the direct and indirect costs of the office of administrative courts. All interest derived from the deposit and investment of moneys in the fund shall be credited to the fund. Any unexpended and unencumbered moneys remaining in the fund at

the end of a fiscal year shall remain in the fund and shall not be credited or transferred to the general fund or any other fund.

Performance Measures: None.