

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2011-12 STAFF FIGURE SETTING**

**COMMON POLICIES**

**(Workers' Compensation, Liability and Property Premiums, Vehicle Lease Payments, Capitol Complex Lease Rates, and Administrative Law Judges)**

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

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

**COMMON POLICIES**  
**FY 2011-12 FIGURE SETTING**

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## COMMON DIFFERENCES

- ❑ Insufficient information: Staff encountered many challenges to analyzing the FY 2011-12 statewide common policies as submitted by the Office of State Planning and Budgeting and the Department of Personnel and Administration. Beginning in November, 2010, staff has repeatedly communicated with the Department and OSPB that staff could not recommend any unexplained fund increases or components of the request for which no information was provided. **This is the primary factor for the differences between the Department's request and staff's recommendation.**
- ❑ Indirect costs: The Department's requests for statewide common policies were not updated to reflect the FY 2011-12 indirect cost recovery plan as submitted by the Office of the State Controller. The Committee approved the requested appropriations in this plan as a part of the total compensation figure-setting. Staff's recommendation reflects the Committee's actions for this policy.
- ❑ OIT Common policies: The Department's operating common policies include a significant increase for the internal allocation of OIT statewide common policies. According to the Department, the moneys reflect the internal allocation of the Department's overhead expenses to the various programs. The Department states that it is retroactively billing agencies for the increased billings to the Department for FY 2010-11. However, as reflected in the tables throughout this document, the operating common policies were adjusted for the increase in FY 2010-11.

To again increase the collections from user agencies for these purposes would double-bill them, and it also significantly distorts the Department's allocation of OIT overhead expenses to the operating common policies. The State could be compromised in future federal audits if it appears that it is over-collecting federal funds. The federal government would request that the funds be repaid, including a penalty charge. **Therefore, staff re-calculated the OIT common policies to reflect the Department's actual increase for FY 2011-12.** For the Purchase of Services from the Computer Center (GGCC), staff decreased the allocations by 34.7 percent for FY 2011-12, and increased the allocations for the Management and Administration of OIT by 2.1 percent, to reflect the Department's actual costs. Staff understands that the Department may have reallocated certain costs to better reflect the internal use amongst the programs. However, the Department did not respond to staff's repeated requests for a table that reflected this information.

- ❑ Health, life, and dental: The operating common policies included requests for health, life, and dental benefits that far exceeded the Department's total increase. The Department's total appropriation increased by \$80,795, or 4.0 percent. This increase was disproportionately allocated to the statewide common policies. The Department requested an increase of \$140,000 for risk management, capitol complex, and administrative law judges alone. The increase is particularly disproportionate considering that these three programs comprise less

than 20.0 percent of the Department's total FTE positions. Staff re-calculated these items using a 4.0 percent increase, to reflect the average increase in benefits for the entire department.

- ❑ AED, SAED, and STD: Staff's recommendation differs from the Department's request because staff calculated the appropriations based on the Committee's approved methodology for FY 2011-12.
- ❑ Property and liability insurance, and workers' compensation: The Department justified the differences between the FY 2010-11 appropriation and the FY 2011-12 requested allocation due to a revised internal allocation methodology. Staff repeatedly requested a table, or any other source of information, to illustrate how the Department had allocated these costs amongst its various divisions. It was not provided. Staff calculated these amounts by using the Department's total average change of a 310.1 percent increase for Property and Liability Premiums, and an 11.0 percent decrease for Workers' Compensation.

| <b>Comparisons of Department's Appropriations for Common Policies</b>                       |                              |                              |                 |                               |                 |
|---|------------------------------|------------------------------|-----------------|-------------------------------|-----------------|
| <b>Line Item</b>  | <b>FY 2009-10<br/>Approp</b> | <b>FY 2010-11<br/>Approp</b> | <b>% Change</b> | <b>FY 2011-12<br/>Request</b> | <b>% Change</b> |
| Purchase of Services from Computer Center (GGCC)  | \$2,141,646                  | \$4,705,444                  | 119.7%          | \$3,073,737                   | (34.7)%         |
| Health, Life, and Dental <sup>1/</sup>  | 1,724,061                    | 2,041,745                    | 18.4%           | 2,122,540                     | 4.0%            |
| Capitol Complex Leased Space  | 889,810                      | 994,125                      | 11.7%           | 884,519                       | (11.0)%         |
| Property and Liability Premiums (Risk Management)   | 569,539                      | 159,769                      | (71.9)%         | 655,206                       | 310.1%          |
| Workers' Compensation   | 309,106                      | 296,051                      | (4.2)%          | 263,426                       | (11.0)%         |
| Multiuse Network Payments (MNT)   | 67,547                       | 160,722                      | 137.9%          | 177,220                       | 10.3%           |
| Vehicle Lease Payments  | 66,468                       | 91,097                       | 37.1%           | 115,125                       | 26.4%           |
| Management and Admin of OIT   | 60,127                       | 90,717                       | 50.9%           | 92,618                        | 2.1%            |
| Administrative Law Judges   | 6,191                        | 5,226                        | (15.6)%         | 3,325                         | (36.4)%         |
| Communications Services Payments  | 887                          | 832                          | (6.2)%          | 848                           | 1.9%            |
| 1/ Health, Life, and Dental reflects the amount approved by the Committee's for FY 2011-12. |                              |                              |                 |                               |                 |

## ADMINISTRATIVE LAW JUDGE SERVICES

This division provides an independent administrative law adjudication system for State agencies in order to resolve cases that concern administrative and regulatory law. It offers a full range of alternative dispute resolution options, including evidentiary hearings, settlement conferences, and mediation. Administrative law judges conduct hearings on the following matters: (1) workers' compensation merit hearings; (2) public benefits cases (food stamps, Colorado Works/TANF, Medicaid, etc.); (3) professional licensing board work involving the denial, revocation, or suspension of licensed professionals (such as doctors, nurses, architects, real estate brokers, engineers, etc.); (4) teacher dismissal cases; and (5) complaints under the Fair Campaign Practices Act.

The costs of providing administrative law judge service are allocated statewide, based upon the utilization rates for the most recent fiscal year that actual data is available. The FY 2011-12 cost allocation is determined by the FY 2009-10 actual utilization amounts. The utilization rate is comprised of the number of administrative law judge hours and the number of paralegal hours used by each agency.

| <b>FY 2011-12 Cost Allocation to State Agencies</b> |                  |                        |                    |                                   |
|---|------------------|------------------------|--------------------|-----------------------------------|
| <b>Department</b>                                   | <b>ALJ Hours</b> | <b>Paralegal Hours</b> | <b>Total Hours</b> | <b>FY 2010 Actual Utilization</b> |
| Corrections   | 28.7             | 0.0                    | 28.7               | 0.1%                              |
| Education   | 218.1            | 28.8                   | 246.9              | 0.9%                              |
| Health Care Policy & Financing                      | 2,679.6          | 217.3                  | 2,896.9            | 10.3%                             |
| Higher Education                                    | 3.2              | 0.0                    | 3.2                | 0.0%                              |
| Human Services                                      | 4,375.8          | 612.5                  | 4,988.3            | 17.7%                             |
| Labor   | 14,893.2         | 1,763.5                | 16,656.7           | 59.1%                             |
| Personnel and Administration                        | 19.8             | 0.0                    | 19.8               | 0.1%                              |
| Public Health                                       | 47.0             | 8.8                    | 55.8               | 0.2%                              |
| Regulatory Agencies                                 | 2,039.7          | 735.1                  | 2,774.8            | 9.8%                              |
| Revenue   | 7.1              | 17.4                   | 24.5               | 0.1%                              |
| State   | 176.8            | 26.0                   | 202.8              | 0.7%                              |
| Transportation                                      | 2.2              | 2.5                    | 4.7                | 0.0%                              |
| Misc. School Districts <sup>1/</sup>                | <u>279.6</u>     | <u>13.4</u>            | <u>293.0</u>       | <u>1.0%</u>                       |
| <b>Total</b>  | <b>24,770.8</b>  | <b>3,425.3</b>         | <b>28,196.1</b>    | <b>100.0%</b>                     |

1/ School districts are not appropriated agencies and are included for informational purposes only.

| FY 2011-12 Billable Costs for Administrative Courts             |                       |                      |                       |                       |                    |
|---|-----------------------|----------------------|-----------------------|-----------------------|--------------------|
| Item  | FY 2009-10<br>Approp. | FY 2010-11<br>Approp | FY 2011-12<br>Request | FY 2011-12<br>Recomm. | Difference         |
| Personal services   | \$3,288,117           | \$3,239,501          | \$3,316,117           | \$3,198,184           | (\$117,933)        |
| Indirect costs  | 341,313               | 258,320              | 258,320               | 185,047               | (73,273)           |
| Leased space - Denver, Col.<br>Springs                          | 333,616               | 333,616              | 304,950               | 304,950               | 0                  |
| Health, life, and dental  | 217,623               | 201,575              | 228,398               | 209,638               | (18,760)           |
| Operating expenses  | 146,352               | 134,597              | 134,597               | 134,597               | 0                  |
| AED, SAED, STD  | 93,508                | 118,706              | 153,964               | 143,239               | (10,725)           |
| Property and liability insurance                                | 72,957                | 4,330                | 65,845                | 13,427                | (52,418)           |
| Workers' compensation   | 50,915                | 33,297               | 26,505                | 26,505                | 0                  |
| Purchase of services from<br>computer center                    | 35,113                | 35,113               | 195,850               | 36,307                | (159,543)          |
| Leased space - Grand Junction                                   | 12,201                | 12,204               | 12,037                | 12,032                | (5)                |
| MNT   | 7,580                 | 19,309               | 19,287                | 19,287                | 0                  |
| OIT administration  | 0                     | 3,565                | 10,147                | 3,640                 | (6,507)            |
| Legal services  | <u>426</u>            | <u>426</u>           | <u>8,430</u>          | <u>426</u>            | <u>(8,004)</u>     |
| <b>Recommended Appropriation<br/>for Office of Admin Courts</b> | <b>\$4,599,721</b>    | <b>\$4,394,559</b>   | <b>\$4,734,447</b>    | <b>\$4,287,279</b>    | <b>(\$447,168)</b> |
| Adjustment for fund balance                                     | <u>0</u>              | <u>0</u>             | <u>0</u>              | <u>(240,000)</u>      | <u>(240,000)</u>   |
| <b>Allocations to User Agencies</b>                             | <b>\$4,599,721</b>    | <b>\$4,394,559</b>   | <b>\$4,734,447</b>    | <b>\$4,047,279</b>    | <b>(\$687,168)</b> |

- ❑ Personal services: Staff's recommendation reflects the FY 2011-12 appropriation amount that the Committee approved during the Department of Personnel and Administration's figure-setting. It includes a 1.5 percent base reduction, as well as a continuation of the 2.5 percent reduction in the employer PERA contribution rates.
- ❑ Leased space - Grand Junction: The Department's budget submission requests a total of \$12,032 for leased space in Grand Junction. It is unclear to staff why the Department requested an amount that exceeds its own total cost allocation. Staff's recommendation reflects the maximum amount that the Department requested in total for leased space in Grand Junction.
- ❑ Multiuse network payments (MNT): The requested amount reduces the allocated costs by \$22, whereas the Department's total requested appropriation for this line item increased by 10.3 percent. Staff recommends the Department's request because it is a smaller amount than the 10.3 percent increase that staff would have otherwise recommended.

- ❑ Legal services: The Department requested a significant increase for legal services for FY 2011-12, stating that it changed its allocation methodology to utilize a three-year average for legal services costs. The Department provided vague approximations, but staff was unable to obtain actual expenditures to support the significant increase in this request.

### Cost Allocations to Departments

The Office of State Planning and Budgeting requested to transfer \$1.0 million from the Administrative Hearings Fund to the General Fund for budget-balancing purposes for FY 2011-12. Staff did not recommend this request, and instead recommended using the excess funds to offset billings to user agencies for FY 2011-12. The Executive Branch has since informed staff that the entire \$1.0 million is not actually available, but it neglected to share this information with JBC staff prior to the initial figure-setting presentation. However, \$240,000 is available in the Fund to offset billings to user agencies, which staff has reflected in the recommended cost allocations to user agencies. Staff's revised recommendation is to appropriate the full spending authority for FY 2011-12, but to collect \$4,047,279 from user agencies. **Staff recommends appropriating \$4,287,279 to the Office of Administrative Courts for FY 2011-12, but allocating \$4,047,279 to user agencies, based on proportional use.**

| FY 2011-12 Staff Recommendation for Administrative Law Judge Services |                            |                    |                    |                    |
|---|----------------------------|--------------------|--------------------|--------------------|
| Department  | FY 2010 Actual Utilization | FY 2011-12 Request | FY 2011-12 Recomm. | Difference         |
| Corrections   | 0.10%                      | \$4,819            | \$4,120            | (\$699)            |
| Education   | 0.88%                      | 41,457             | 35,440             | (6,017)            |
| Health Care Policy & Financing  | 10.27%                     | 486,423            | 415,823            | (70,600)           |
| Higher Education  | 0.01%                      | 537                | 459                | (78)               |
| Human Services  | 17.69%                     | 837,593            | 716,023            | (121,570)          |
| Labor   | 59.07%                     | 2,796,850          | 2,390,909          | (405,941)          |
| Personnel and Administration  | 0.07%                      | 3,325              | 2,842              | (483)              |
| Public Health   | 0.20%                      | 9,369              | 8,009              | (1,360)            |
| Regulatory Agencies   | 9.84%                      | 465,921            | 398,296            | (67,625)           |
| Revenue   | 0.09%                      | 4,114              | 3,517              | (597)              |
| State   | 0.72%                      | 34,052             | 29,110             | (4,942)            |
| Transportation  | 0.02%                      | 789                | 674                | (115)              |
| Misc. School Districts <sup>1/</sup>                                  | <u>1.04%</u>               | <u>49,198</u>      | <u>42,057</u>      | <u>(7,141)</u>     |
| <b>Total</b>  | <b>100.0%</b>              | <b>\$4,734,447</b> | <b>\$4,047,279</b> | <b>(\$687,168)</b> |

## VEHICLE LEASE PAYMENTS

**Background:** In accordance with Section 24-30-1104 (2), C.R.S., the Department of Personnel and Administration is responsible for operating and maintaining the State's vehicle fleet. The State Fleet Management program (SFM) provides the following services: (1) purchases vehicles; (2) manages maintenance and repairs; (3) manages the fleet; (4) auctions older vehicles; and (5) manages the State Motor Pool. The SFM is funded by fees from user agencies that are deposited in the Motor Fleet Management Fund (Section 24-30-1115 (1), C.R.S.).

- ❑ Appropriations for the Vehicle Lease Payments line items, typically located in each department's Executive Director's office, reflect the cost of lease payments for each respective agency's vehicles. These funds are then transferred to the Department of Personnel and Administration's "Vehicle Replacement Lease, Purchase, or Lease/Purchase" line item as reappropriated funds.
- ❑ In general, the State Fleet Management program first assesses a vehicle for replacement once it has accrued 100,000 miles, with the exception of the Colorado State Patrol, which has historically targeted its vehicles for replacement at 80,000 miles. On average, non-patrol vehicles are replaced between 130,000 and 140,000 miles.

**Department Request:** The Department requests to replace 318 vehicles for FY 2011-12, including 200 vehicles for State Patrol. The net decrease to State agency appropriations would be \$344,158 for FY 2011-12. In total, the Department requests an increase of \$2,951 reappropriated funds for its Vehicle Lease Payment line item within the Department of Personnel and Administration. This amount is comprised of the vehicle replacements and new vehicles, as well as an annualization of the new leases that were added for FY 2010-11.

The Department's request includes allocating \$16,149,259 amongst state agencies for vehicle lease payments for FY 2011-12. Staff notes that this amount does not include the additional eight vehicles for the Judicial Department that the Committee approved during figure-setting or the four vehicles that staff recommended to eliminate from the Department of Corrections. The Department also requests \$2,734,901 for Higher Education and Transportation, which are considered "non-appropriated" agencies because they do not have separate vehicle lease line appropriations.

The following tables reflect the number of requested versus recommended replacement vehicles, by department, as well as staff's recommended State appropriations for FY 2011-12.

| <b>FY 2011-12 Vehicle Replacements</b> |                |                |                   |
|--|----------------|----------------|-------------------|
|  | <b>Request</b> | <b>Recomm.</b> | <b>Difference</b> |
| Agriculture                            | 2              | 2              | 0                 |
| Corrections                            | 3              | 0              | (3)               |
| Higher Education                       | 5              | 5              | 0                 |
| Human Services                         | 4              | 1              | (3)               |
| Governor's Office                      | 1              | 0              | (1)               |
| Labor                                  | 2              | 2              | 0                 |
| Local Affairs                          | 2              | 0              | (2)               |
| Natural Resources                      | 21             | 20             | (1)               |
| Personnel                              | 2              | 0              | (2)               |
| Public Health                          | 11             | 11             | 0                 |
| Public Safety                          | 200            | 179            | (21)              |
| Reg Agencies                           | 9              | 9              | 0                 |
| Revenue                                | 7              | 7              | 0                 |
| Transportation                         | <u>49</u>      | <u>49</u>      | <u>0</u>          |
| <b>Total</b>                           | <b>318</b>     | <b>285</b>     | <b>(33)</b>       |

| <b>FY 2011-12 Vehicle Lease Line Recommendation</b>                              |                              |                                    |                             |                               |
|--|------------------------------|------------------------------------|-----------------------------|-------------------------------|
| <b>Department</b>  | <b>FY 2010-11<br/>Approp</b> | <b>FY 2011-12<br/>Replacements</b> | <b>Other<br/>Changes 1/</b> | <b>FY 2011-12<br/>Recomm.</b> |
| Agriculture  | \$219,903                    | (\$10,952)                         | \$0                         | \$208,951                     |
| Corrections  | 2,666,535                    | (131,305)                          | (\$25,392)                  | 2,509,838                     |
| Education  | 25,617                       | (2,574)                            | \$0                         | 23,043                        |
| Governor   | 120,147                      | (3,698)                            | \$0                         | 116,449                       |
| Public Health  | 330,847                      | 13,992                             | \$0                         | 344,839                       |
| Human Services   | 1,062,623                    | 12,384                             | \$0                         | 1,075,007                     |
| Judicial   | 111,677                      | (1,139)                            | 7,688                       | 118,226                       |
| Labor and Employment   | 109,210                      | (1,585)                            | 0                           | 107,625                       |
| Law  | 74,330                       | (4,154)                            | 0                           | 70,176                        |
| Local Affairs  | 129,746                      | (3,016)                            | 0                           | 126,730                       |
| Military Affairs   | 45,406                       | (8,898)                            | 0                           | 36,508                        |
| Natural Resources  | 3,369,180                    | (464,803)                          | 0                           | 2,904,377                     |
| Personnel  | 91,097                       | 13,992                             | 0                           | 105,089                       |
| Public Safety  | 6,865,555                    | 243,998                            | 0                           | 7,109,553                     |
| Regulatory Agencies  | 205,660                      | (53,858)                           | 0                           | 151,802                       |
| Revenue  | 519,580                      | 7,842                              | 0                           | 527,422                       |
| State  | <u>2,969</u>                 | <u>0</u>                           | <u>0</u>                    | <u>2,969</u>                  |
| <b>Total</b>   | <b>\$15,950,081</b>          | <b>(\$393,774)</b>                 | <b>(\$17,704)</b>           | <b>\$15,538,603</b>           |
| 1/ Judicial added eight vehicles and four vehicles were reduced from Corrections |                              |                                    |                             |                               |

**Staff Recommendation:** Staff recommends allocating a **total appropriation of \$15,538,603 amongst the user agencies.** Staff also recommends \$2,152,012 for the Department of Transportation, and \$582,889 for Higher Education, but the General Assembly does not directly appropriate funds to these entities specifically for this purpose.

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## CAPITOL COMPLEX LEASED SPACE

**Background:** Pursuant to Section 24-82-101, C.R.S., the Department of Personnel and Administration maintains the executive space owned and rented within the Capitol Complex. It also maintains the space occupied by the Legislative branch, as well as facilities in Grand Junction and Camp George West. In total, the Department manages 1,245,261 square feet.

The Department is responsible for general maintenance for the plumbing, electrical, elevator, and HVAC (heating, ventilation, and air conditioning) systems. It is also responsible for custodial work and grounds maintenance. In Denver, the Department maintains ten addresses in what is termed the Capitol Hill Campus, one address in the North Campus, and two addresses in Lakewood. **Each of these campuses, although funded by the Capitol Complex program, have distinct rental rates that mirror the locations and uses of the various properties.**

**Department Request:** The Department requests a total statewide appropriation of \$11,460,504 to be allocated amongst the user agencies.

### Staff Recommendation

- ❑ Utilities: The differences between the Department's request and staff's recommendation are due to: (1) the Commanche Plant; and (2) a 1.5 percent utilities increase. The FY 2011-12 request for Utilities included \$193,308 for an item titled the "Commanche Plant Adjustment." Staff was unable to identify where this item was included for prior year submissions, and questions whether this is a new component for FY 2011-12. This item was not explained in the Department's submission, and despite numerous staff requests, JBC staff was unable to obtain any information about this item. For example, staff does not know the Commanche Plant's function, where it is located, who it serves, and why it suddenly appears in the FY 2011-12 request documents.
- ❑ The FY 2011-12 utilities request included a "1.5 percent utilities increase" for \$58,089. This is the first time the Department has requested a flat 1.5 percent increase for utilities rates, and it is unclear to staff why this was not referenced, or explained, in the submission narrative. Staff further questions why the Department requests a 1.5 percent increase for utilities when the requested appropriation has *decreased* by 4.5 percent between FY 2010-11 and FY 2011-12.

- ❑ 1.0 percent vacancy billing: Staff was unable to ascertain why the Department included a 1.0 percent vacancy billing, because each department is billed a set amount monthly. It is unclear whether this reflects industry best practices. Additionally, the Capitol Complex cash fund has accrued an excess fund balance in recent years, which indicates that this type of billing is unnecessary.

| <b>FY 2011-12 Billable Costs for Capitol Complex Leased Space</b> |                               |                               |                               |                    |
|---|-------------------------------|-------------------------------|-------------------------------|--------------------|
| <b>Item</b>   | <b>FY 2010-11<br/>Approp.</b> | <b>FY 2011-12<br/>Request</b> | <b>FY 2011-12<br/>Recomm.</b> | <b>Difference</b>  |
| Utilities   | \$3,962,453                   | \$3,930,718                   | \$3,679,321                   | (\$251,397)        |
| Personal services   | 2,824,092                     | 2,873,996                     | 2,776,896                     | (97,100)           |
| Operating expenses  | 1,746,334                     | 1,884,034                     | 1,884,034                     | 0                  |
| Energy performance depreciation                                   | 802,665                       | 817,536                       | 802,665                       | (14,871)           |
| Indirect costs  | 525,058                       | 525,058                       | 457,027                       | (68,031)           |
| Capitol complex security  | 323,000                       | 353,365                       | 361,167                       | 7,802              |
| Health, life, and dental  | 274,294                       | 298,700                       | 285,266                       | (13,434)           |
| DCS overhead estimate   | 236,465                       | 406,373                       | 236,465                       | (169,908)          |
| 1.0% billable vacancy   | 109,487                       | 113,644                       | 0                             | (113,644)          |
| AED, SAED, STD  | 105,519                       | 128,970                       | 120,833                       | (8,137)            |
| Capitol complex repairs   | 56,520                        | 56,520                        | 56,520                        | 0                  |
| Depreciation estimate   | 34,620                        | 32,245                        | 32,245                        | 0                  |
| Capitol complex leased space                                      | 29,972                        | 30,502                        | 26,675                        | (3,827)            |
| Shift differential  | 13,997                        | 14,989                        | 7,495                         | (7,494)            |
| Vehicle lease payments  | 8,975                         | 10,657                        | 8,975                         | (1,682)            |
| Leased space  | 4,757                         | 765                           | 765                           | 0                  |
| Sprint tower leased space   | (127,853)                     | (17,568)                      | (17,568)                      | 0                  |
| <b>Total</b>  | <b>\$10,930,355</b>           | <b>\$11,460,504</b>           | <b>\$10,718,781</b>           | <b>(\$741,723)</b> |

The Facilities Maintenance division has historically been divided amongst the three subdivisions in the following table. These items were listed separately to ensure that the Committee could clearly identify the separate costs. Joint Budget Committee staff recommended combining the line items for a one-year trial basis for FY 2010-11, with the understanding that the Department would provide detailed information about the various budget drivers with its November budget submission. The information submitted in November, 2010 was in a different format than provided for the prior fiscal

year, which made historical comparisons difficult, if not impossible. Additionally, prior year dollar amounts had changed with no explanation. Most importantly, staff was led to believe that the common policy submission format would change for FY 2011-12, so the Department's submission would provide more information to Committee staff about this common policy. This did not occur. Staff recommends discontinuing the practice of combining the Capitol Complex line items in the Long Bill.

| <b>(4) Division of Central Services, (D) Facilities Maintenance</b>   |              |                        |                       |                         |
|---|--------------|------------------------|-----------------------|-------------------------|
| <b>Line Item</b>  | <b>Total</b> | <b>Capitol Complex</b> | <b>Grand Junction</b> | <b>Camp George West</b> |
| Personal Services   | \$2,776,896  | \$2,655,593            | \$45,646              | \$75,657                |
| FTE   | 55.2         | 53.2                   | 1.0                   | 1.0                     |
| Operating Expenses  | 1,884,034    | 1,703,575              | 76,873                | 103,586                 |
| Utilities   | 3,679,321    | 3,226,660              | 83,061                | 369,600                 |
| Indirect Cost Assessment  | 457,027      | 457,027                | 0                     | 0                       |
| Capitol Complex Repairs   | 56,520       | 56,520                 | 0                     | 0                       |
| Capitol Complex Security  | 361,167      | <u>361,167</u>         | <u>0</u>              | <u>0</u>                |
| Totals for subdivisions   |              | \$8,460,542            | \$205,580             | \$548,843               |
| The totals will not match those for the statewide billable costs because they do not include POTS or other centrally-appropriated line items. |              |                        |                       |                         |

| <b>FY 2011-12 Square Foot Allocation Per Location per Department</b> |                |                |                         |                           |                             |                  |
|--|----------------|----------------|-------------------------|---------------------------|-----------------------------|------------------|
| <b>Department</b>  | <b>Denver</b>  | <b>Pierce</b>  | <b>North<br/>Campus</b> | <b>Grand<br/>Junction</b> | <b>Camp<br/>George West</b> | <b>Total</b>     |
| Agriculture  | 13,553         | 0              | 0                       | 0                         | 0                           | 13,553           |
| Corrections  | 0              | 0              | 0                       | 0                         | 46,696                      | 46,696           |
| Correctional Industries  | 0              | 0              | 0                       | 0                         | 18,672                      | 18,672           |
| Education  | 44,433         | 0              | 0                       | 0                         | 0                           | 44,433           |
| General Assembly   | 111,981        | 0              | 0                       | 0                         | 0                           | 111,981          |
| Governor, Lt Governor, OSPB  | 36,066         | 0              | 0                       | 924                       | 0                           | 36,990           |
| HCPF   | 31,512         | 0              | 0                       | 0                         | 0                           | 31,512           |
| Human Services   | 99,087         | 0              | 0                       | 3,104                     | 0                           | 102,191          |
| Law  | 101,685        | 0              | 0                       | 0                         | 0                           | 101,685          |
| Local Affairs  | 33,228         | 0              | 0                       | 3,458                     | 18,830                      | 55,516           |
| Military Affairs   | 0              | 0              | 0                       | 0                         | 55,865                      | 55,865           |
| Natural Resources  | 69,107         | 0              | 0                       | 0                         | 0                           | 69,107           |
| Personnel & Administration   | 54,830         | 0              | 32,807                  | 1,459                     | 0                           | 89,096           |
| Public Health  | 0              | 0              | 0                       | 3,996                     | 0                           | 3,996            |
| Public Safety  | 79,825         | 0              | 0                       | 0                         | 131,855                     | 211,680          |
| Regulatory Agencies  | 0              | 0              | 0                       | 769                       | 0                           | 769              |
| Revenue  | 74,580         | 116,448        | 5,700                   | 5,869                     | 0                           | 202,597          |
| Transportation   | 100            | 0              | 0                       | 12,305                    | 21,386                      | 33,791           |
| Treasurer  | 4,379          | 0              | 0                       | 0                         | 0                           | 4,379            |
| Labor & Employment   | 0              | 0              | 4,364                   | 1,295                     | 0                           | 5,659            |
| CSU Forest Service   | 0              | 0              | 0                       | 1,320                     | 3,773                       | 5,093            |
| <b>Total</b>   | <b>754,366</b> | <b>116,448</b> | <b>42,871</b>           | <b>34,499</b>             | <b>297,077</b>              | <b>1,245,261</b> |

| FY 2011-12 Total Estimated Need by Department |                    |                  |                  |                   |                     |                               |                     |
|---|--------------------|------------------|------------------|-------------------|---------------------|-------------------------------|---------------------|
| Department                                    | Denver             | Pierce           | North<br>Campus  | Grand<br>Junction | Camp George<br>West | Camp George<br>West Utilities | Total               |
| Agriculture                                   | \$166,966          | \$0              | \$0              | \$0               | \$0                 | \$0                           | \$166,966           |
| Corrections                                   | 0                  | 0                | 0                | 0                 | 44,073              | 82,652                        | 126,725             |
| Correctional Industries                       | 0                  | 0                | 0                | 0                 | 17,623              | 18,299                        | 35,922              |
| Education                                     | 547,393            | 0                | 0                | 0                 | 0                   | 0                             | 547,393             |
| General Assembly                              | 1,379,550          | 0                | 0                | 0                 | 0                   | 0                             | 1,379,550           |
| Governor, Lt Governor, OSPB                   | 444,315            | 0                | 0                | 7,326             | 0                   | 0                             | 451,641             |
| Health Care Policy                            | 388,212            | 0                | 0                | 0                 | 0                   | 0                             | 388,212             |
| Human Services                                | 1,220,703          | 0                | 0                | 24,609            | 0                   | 0                             | 1,245,312           |
| Law   | 1,252,709          | 0                | 0                | 0                 | 0                   | 0                             | 1,252,709           |
| Local Affairs                                 | 409,353            | 0                | 0                | 27,416            | 17,772              | 11,486                        | 466,027             |
| Military Affairs                              | 0                  | 0                | 0                | 0                 | 52,726              | 30,726                        | 83,452              |
| Natural Resources                             | 851,364            | 0                | 0                | 0                 | 0                   | 0                             | 851,364             |
| Personnel & Administration                    | 675,478            | 0                | 138,238          | 11,567            | 0                   | 0                             | 825,283             |
| Public Health                                 | 0                  | 0                | 0                | 31,682            | 0                   | 0                             | 31,682              |
| Public Safety                                 | 983,404            | 0                | 0                | 0                 | 124,447             | 142,403                       | 1,250,254           |
| Regulatory Agencies                           | 0                  | 0                | 0                | 6,097             | 0                   | 0                             | 6,097               |
| Revenue                                       | 918,789            | 690,817          | 24,018           | 46,531            | 0                   | 0                             | 1,680,155           |
| Transportation                                | 1,232              | 0                | 0                | 97,558            | 20,184              | 35,073                        | 154,047             |
| Treasurer                                     | 53,947             | 0                | 0                | 0                 | 0                   | 0                             | 53,947              |
| Labor & Employment                            | 0                  | 0                | 18,388           | 10,267            | 0                   | 0                             | 28,655              |
| CSU Forest Service                            | 0                  | 0                | 0                | 10,465            | 3,561               | 2,566                         | 16,592              |
| <b>Total</b>                                  | <b>\$9,293,415</b> | <b>\$690,817</b> | <b>\$180,644</b> | <b>\$273,518</b>  | <b>\$280,386</b>    | <b>\$323,205</b>              | <b>\$11,041,985</b> |

## RISK MANAGEMENT

The Risk Management division includes property, liability, and workers' compensation programs. These functions are funded by transfers from user agencies to the Department of Personnel and Administration.

- ❑ **Property** claims are funded by the Self-Insured Property Fund (Section 24-30-1510.5 (1), C.R.S.). This insurance covers state buildings and their contents, including over 6,000 pieces of property that are worth in excess of \$9.0 billion. Unlike the other two risk management categories, property is not self-insured, and frequently there are large, single incidents that drive the premium costs. Some of the property claims could be avoided or reduced by improved inspection and maintenance practices. For example, between FY 2005-06 and FY 2008-09, the State paid \$3.7 million due solely to the collapse of State property.
- ❑ **Liability** claims are funded by the Risk Management Fund, pursuant to Section 24-30-1510 (1), C.R.S. These types of claims include: (1) federal claims for employment discrimination; (2) federal claims for civil rights violations; and (3) allegations of negligence on the part of a State agency or employee, such as auto accidents or injuries that occur in a State building.
- ❑ **Workers' Compensation** claims are funded by the State Employee Workers' Compensation Account (Section 24-30-1510.7 (1), C.R.S.). These vary depending upon department, but the top causes (slip and fall and repetitive motion) span departments, suggesting that *safety training programs* could help to control these costs.
- ❑ The following table provides data for the State's Risk Management programs. *Incurred costs* are the total amount paid and total amount of reserve for claims that have a loss date during that fiscal year. *Expenditures* are the amount that the State paid for claims during a given fiscal year, including payments on claims with loss dates in prior years.

| Risk Management  |                     |              |                     |              |                     |              |                     |              |
|------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
|                  | FY 2006-07          |              | FY 2007-08          |              | FY 2008-09          |              | FY 2009-10          |              |
|                  | Funds               | Claims       | Funds               | Claims       | Funds               | Claims       | Funds               | Claims       |
| Property Losses  |                     |              |                     |              |                     |              |                     |              |
| Total incurred   | \$15,807,291        | 131          | \$6,817,516         | 107          | \$2,490,180         | 129          | \$6,413,871         | 137          |
| Total expenses   | 6,556,767           |              | 9,047,174           |              | 7,997,934           |              | 8,121,257           |              |
| Liability Losses |                     |              |                     |              |                     |              |                     |              |
| Total incurred   | 4,453,853           | 1,543        | 4,787,357           | 1,529        | 4,419,753           | 1,378        | 3,874,068           | 1,447        |
| Total expenses   | 4,540,332           |              | 4,951,379           |              | 6,435,247           |              | 4,705,903           |              |
| Workers' Comp.   |                     |              |                     |              |                     |              |                     |              |
| Total incurred   | 22,211,485          | 3,865        | 23,088,785          | 4,059        | 19,773,790          | 3,726        | 20,814,590          | 3,731        |
| Total expenses   | 30,686,971          |              | 34,115,340          |              | 36,202,854          |              | 36,639,244          |              |
| <b>Total</b>     | <b>\$41,784,070</b> | <b>5,539</b> | <b>\$48,113,893</b> | <b>5,695</b> | <b>\$50,636,035</b> | <b>5,233</b> | <b>\$49,466,404</b> | <b>5,315</b> |

#### LIABILITY PREMIUMS

The State is self-insured for liability claims, and pursuant to Section 24-30-1510 (1), C.R.S., this line item is continuously appropriated and funded by the Risk Management Fund (Section 24-30-1510 (1), C.R.S.). Types of claims include: (1) federal claims for employment discrimination; (2) federal claims for civil rights violations; and (3) allegations of negligence on the part of a State agency or employee, such as auto accidents or injuries occurring in a State building.

- The program provides coverage to state agencies and employees for tort and federal claims, including those arising out of the scope of employment. Judgements for liabilities that do not involve federal law are limited by the Governmental Immunity Act pursuant to Section 24-10-114, C.R.S. This act limits judgements to \$150,000 per person and \$600,000 per occurrence. However, this act does not apply to liabilities that pertain to federal law (such as the Americans with Disabilities Act, age discrimination, gender discrimination, racial discrimination, etc.), and there is no damage limit for these awards.
- During a typical year, approximately 2,200 liability claims are filed against the State, most of which are dismissed due to the Colorado Governmental Immunity Act.

- *FY 2011-12 request:* For FY 2010-11, the Risk Management Fund had accumulated an excess fund balance. Instead of transferring the cash funds to the General Fund for budget-balancing purposes, the Committee reduced the statewide billings for property premiums by \$6.5 million, and for liability premiums by \$6.8 million. This allowed the Department to spend down the fund balance, and also reduced funding needs for the agencies. The Department reinstated these amounts with its FY 2011-12 request, which is why the amounts requested for state agencies significantly increased for FY 2011-12.

| <b>FY 2011-12 Liability Premiums</b>         |                              |                               |                               |                      |
|--|------------------------------|-------------------------------|-------------------------------|----------------------|
| <b>Program Overhead</b>                      | <b>FY 2010-11<br/>Approp</b> | <b>FY 2011-12<br/>Request</b> | <b>FY 2011-12<br/>Recomm.</b> | <b>Difference</b>    |
| Personal services                            | \$89,748                     | \$64,155                      | \$62,300                      | (\$1,855)            |
| Indirect costs                               | 20,515                       | 17,896                        | 17,387                        | (509)                |
| Health, life, and dental                     | 4,179                        | 6,863                         | 4,346                         | (2,517)              |
| Operating expenses                           | 5,758                        | 5,559                         | 5,559                         | 0                    |
| AED, SAED, and STD                           | 1,694                        | 2,949                         | 2,305                         | (644)                |
| Capitol complex leased space                 | 2,502                        | 5,228                         | 2,458                         | (2,770)              |
| OIT common policies                          | 935                          | 3,861                         | 630                           | (3,231)              |
| Workers' compensation                        | 442                          | 663                           | 394                           | (269)                |
| Risk management                              | 1,404                        | 454                           | 454                           | 0                    |
| Leased space                                 | 150                          | 316                           | 150                           | (166)                |
| Audit expense                                | <u>75,829</u>                | <u>0</u>                      | <u>0</u>                      | <u>0</u>             |
| <b>Subtotal, Program Overhead</b>            | <b>\$203,156</b>             | <b>\$107,944</b>              | <b>\$95,983</b>               | <b>(\$11,961)</b>    |
| <b>Liability Premium Expense</b>             | <b>Approp</b>                | <b>Request</b>                | <b>Recomm.</b>                | <b>Difference</b>    |
| Prospective losses                           | \$6,645,500                  | \$4,458,484                   | \$4,458,484                   | \$0                  |
| Excess auto                                  | 350,676                      | 285,911                       | 285,911                       | 0                    |
| Crime policy                                 | 230,126                      | 230,126                       | 230,126                       | 0                    |
| RMIS services fees                           | 45,000                       | 45,000                        | 44,325                        | (675)                |
| Actuarial services                           | 32,500                       | 39,500                        | 32,013                        | (7,487)              |
| Broker service fees                          | <u>8,573</u>                 | <u>8,573</u>                  | <u>8,444</u>                  | <u>(129)</u>         |
| <b>Subtotal, Premium Expense</b>             | <b>\$7,312,375</b>           | <b>\$5,067,594</b>            | <b>\$5,059,303</b>            | <b>(\$8,291)</b>     |
| <b>Recommendation, Liability</b>             | <b>\$7,515,531</b>           | <b>\$5,175,538</b>            | <b>\$5,155,286</b>            | <b>(\$20,252)</b>    |
| Legal Expenses                               | \$2,399,058                  | \$2,400,722                   | \$2,400,722                   | \$0                  |
| Adjust for targeted fund balance             | <u>(6,794,841)</u>           | <u>(112,335)</u>              | <u>(1,286,933)</u>            | <u>(1,174,598)</u>   |
| <b>Total Recommendation, Agency Billings</b> | <b>\$3,119,748</b>           | <b>\$7,463,925</b>            | <b>\$6,269,075</b>            | <b>(\$1,194,850)</b> |

- ❑ Audit expense: One-time moneys were appropriated to conduct an audit for FY 2010-11, but the appropriation is not needed for FY 2011-12.
  - ❑ Excess auto: An insurance policy purchased to provide coverage in the event of an out of state auto accident or an auto accident with a claim that exceeds the Colorado Government Immunity Act limitations.
  - ❑ Crime policy: Provides insurance coverage for embezzlement, theft of cash or other funds, etc.
  - ❑ RMIS fees: The state contracts with a third party for the use of the Risk Management Information System (RMIS). The contract includes data management and technical support. Staff applied the statewide common policy of a 1.5 percent vacancy reduction for contract services for FY 2011-12.
  - ❑ Actuarial services: These funds pay for the services of actuaries. Legislation during the 2010 Regular Session permitted the institutions of higher education to opt out of the State's risk management system, and the Department requested additional moneys for actuarial services to assess how this would impact the State's risk management program. However, this cost should have been included in the legislation's fiscal note. It unusual for departments to request additional funds for legislation that weren't included in the fiscal note. Staff's recommendation applied the statewide common policy of a 1.5 percent vacancy reduction for contract services for FY 2011-12.
  - ❑ Broker service fees: The Department's submission did not specify the purpose for these moneys, but staff assumes that they are for broker services. Staff's recommendation applied the statewide common policy of a 1.5 percent vacancy reduction for contract services for FY 2011-12.
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### **PROPERTY PREMIUMS**

The Property Premiums line item funds insurance coverages for state buildings and their contents, and the Department insures over 6,000 pieces of property that are worth more than \$9.0 billion. Unlike liability and workers' compensation coverage, the State is not self-insured for property insurance. It contracts with IMA of Colorado, Inc., to procure commercial coverage for loss or damage to covered state property. Property premiums also provide coverage for boiler and machinery, state aircrafts, and crime loss.

- ❑ Each department pays a \$5,000 deductible per claim, and the State's deductible is \$400,000 per occurrence, with an aggregate deductible of \$2.25 million. The State pays a \$25,000 deductible for maintenance claims, regardless of whether the State has met the statewide aggregate deductible.

- Agency allocations: Policy premiums are allocated amongst state agencies according to their property holdings (building and content values) and loss histories.

| <b>FY 2011-12 Property Program Costs</b>   |                              |                               |                               |                      |
|--|------------------------------|-------------------------------|-------------------------------|----------------------|
| <b>Program Overhead</b>  | <b>FY 2010-11<br/>Approp</b> | <b>FY 2011-12<br/>Request</b> | <b>FY 2011-12<br/>Recomm.</b> | <b>Difference</b>    |
| Personal services  | \$112,792                    | \$112,998                     | \$109,730                     | (\$3,268)            |
| Indirect costs   | 31,463                       | 31,521                        | 30,624                        | (897)                |
| Health, life, and dental   | 7,361                        | 12,088                        | 7,656                         | (4,432)              |
| Operating expenses   | 9,824                        | 9,791                         | 5,559                         | (4,232)              |
| AED, SAED, and STD   | 2,983                        | 5,195                         | 4,060                         | (1,135)              |
| Capitol complex leased space   | 4,407                        | 4,975                         | 4,329                         | (646)                |
| OIT common policies  | 1,648                        | 6,801                         | 1,110                         | (5,691)              |
| Workers' compensation  | 779                          | 1,167                         | 694                           | (473)                |
| Risk management  | 2,473                        | 799                           | 799                           | 0                    |
| Leased space   | <u>264</u>                   | <u>557</u>                    | <u>264</u>                    | <u>(293)</u>         |
| <b>Subtotal</b>  | <b>\$173,994</b>             | <b>\$185,892</b>              | <b>\$164,825</b>              | <b>(\$21,067)</b>    |
|  |                              |                               |                               |                      |
| <b>Property Premiums Expenses</b>  | <b>FY 2010-11<br/>Approp</b> | <b>FY 2011-12<br/>Request</b> | <b>FY 2011-12<br/>Recomm.</b> | <b>Difference</b>    |
| Policy deductibles and residuals   | \$4,282,516                  | \$3,960,427                   | \$3,690,427                   | (\$270,000)          |
| Property & boiler policies   | 4,012,183                    | 4,394,224                     | 4,012,183                     | (382,041)            |
| Terrorism premium  | 293,848                      | 300,000                       | 293,848                       | (6,152)              |
| Flood zone A premium   | 235,682                      | 241,103                       | 235,682                       | (5,421)              |
| Broker service fees  | 258,000                      | 235,500                       | 231,968                       | (3,532)              |
| Auto physical damage   | 62,681                       | 19,455                        | 19,455                        | 0                    |
| RMIS service fees <sup>1/</sup>  | <u>45,000</u>                | <u>45,000</u>                 | <u>44,325</u>                 | <u>(675)</u>         |
| <b>Subtotal</b>  | <b>\$9,189,910</b>           | <b>\$9,195,709</b>            | <b>\$8,527,888</b>            | <b>(\$667,821)</b>   |
| Adjustment for Targeted Fund Balance   | <u>(6,522,621)</u>           | <u>(126,948)</u>              | <u>(2,258,841)</u>            | <u>(2,131,893)</u>   |
| <b>Total, Agency Billings for Property Premiums line item</b>  | <b>\$2,667,289</b>           | <b>\$9,068,761</b>            | <b>\$6,269,047</b>            | <b>(\$2,799,714)</b> |
| 1/ RMIS: Risk Management Information System - the State contracts for data management and technical support. |                              |                               |                               |                      |

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## WORKERS' COMPENSATION

The State's Workers' Compensation program is used to pay workers' compensation benefits to state employees. The State is self-funded for workers' compensation, and is appropriated moneys from the State Employees Workers' Compensation Account, which is a separate account within the Risk Management Fund (Section 24-30-1510.7 (1), C.R.S.). Similar to other types of risk management programs, the fund receives revenue from (1) funds transferred from user agencies; and (2) interest earned on those funds.

Pursuant to Section 24-30-1510.7 (2), C.R.S., moneys in the State Workers' Compensation Account are subject to annual appropriation by the General Assembly for purposes of paying workers' compensation benefits to state employees in accordance with articles 40 to 47 of Title 8, C.R.S. The amount of any one department's appropriation is determined through actuarial calculations and three years of claims history.

- ❑ Premium Costs: The Department contracts with an actuary to estimate the State's total current liability by analyzing the prior three year's losses. Using this same data, the actuary then estimates the allocation for each agency as a percent of the total (including each institution of Higher Education). The Department then adjusts the actuary's estimate for revised overhead expenditures such as personal services salaries and benefits, as well as the program's portion of the Department's overhead costs.
- ❑ Claims: There are two broad categories of workers' compensation claims:(1) indemnity benefits and (2) medical benefits. The *indemnity benefits* include settlements for permanent injuries and lost wages. The maximum workers' compensation benefits for lost wages are established by the Department of Labor and Employment pursuant to Section 8-47-106, C.R.S. There is no maximum for medical benefits. The state's ultimate liability for any one claim could be significant if a severely injured employee lives for a long period of time.

The greatest number of claims are for the Departments of Corrections and Human Services, which reflects the provision of direct services to at-risk populations. The Department of Transportation also generates a large number of workers' compensation claims and expenditures, but the General Assembly does not directly appropriate funds to this department for this specific purpose.

| <b>Workers Comp Claims per 100 Employees</b> |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
|  | <b>FY 2006-07</b> | <b>FY 2007-08</b> | <b>FY 2008-09</b> |
| Agriculture                                  | 2.7               | 6.0               | 6.4               |
| Corrections                                  | 15.2              | 15.7              | 13.4              |
| Education                                    | 11.9              | 11.9              | 10.0              |
| Health Care Policy                           | 8.4               | 4.6               | 5.3               |
| Human Services                               | 13.4              | 15.2              | 14.4              |
| Judicial                                     | 8.5               | 8.5               | 5.1               |
| Labor & Employment                           | 8.0               | 8.5               | 6.6               |
| Law  | 7.9               | 4.4               | 1.6               |
| Legislature                                  | 1.3               | 1.8               | 1.1               |
| Local Affairs                                | 2.8               | 1.7               | 2.9               |
| Military Affairs                             | 20.2              | 4.4               | 8.4               |
| Natural Resources                            | 8.4               | 7.5               | 6.7               |
| Office of the Governor                       | 9.8               | 23.1              | 2.2               |
| Personnel & Administration                   | 4.9               | 4.4               | 6.3               |
| Public Health                                | 3.9               | 4.0               | 2.1               |
| Public Safety                                | 20.4              | 22.3              | 19.7              |
| Regulatory Agencies                          | 4.5               | 1.3               | 2.2               |
| Revenue                                      | 6.4               | 5.9               | 3.4               |
| Secretary of State                           | 1.0               | 1.7               | 0.8               |
| Transportation                               | 14.7              | 13.9              | 10.7              |
| Treasury                                     | <u>0.0</u>        | <u>0.0</u>        | <u>7.7</u>        |
| Average                                      | 8.3               | 7.9               | 6.5               |

| <b>FY 2011-12 Workers' Compensation</b>  |                              |                               |                               |                      |
|--|------------------------------|-------------------------------|-------------------------------|----------------------|
| <b>Program Overhead</b>  | <b>FY 2010-11<br/>Approp</b> | <b>FY 2011-12<br/>Request</b> | <b>FY 2011-12<br/>Recomm.</b> | <b>Difference</b>    |
| Personal services  | \$456,671                    | \$482,059                     | \$468,119                     | (\$13,940)           |
| Indirect costs   | 127,389                      | 134,471                       | 130,645                       | (3,826)              |
| Health, life, and dental   | 31,404                       | 51,569                        | 32,660                        | (18,909)             |
| AED, SAED, and STD   | 12,727                       | 22,160                        | 17,321                        | (4,839)              |
| Operating expenses   | 41,190                       | 41,771                        | 41,771                        | 0                    |
| OIT common policies  | 7,029                        | 29,015                        | 4,736                         | (24,279)             |
| Capitol complex leased space   | 18,799                       | 15,053                        | 18,469                        | 3,416                |
| Workers' compensation  | 3,324                        | 4,979                         | 2,959                         | (2,020)              |
| Risk management  | 10,549                       | 3,410                         | 3,410                         | 0                    |
| Leased space   | <u>150</u>                   | <u>2,378</u>                  | <u>1,125</u>                  | <u>(1,253)</u>       |
| <b>Subtotal</b>  | <b>\$709,232</b>             | <b>\$786,865</b>              | <b>\$721,215</b>              | <b>(\$65,650)</b>    |
| <b>Workers' Compensation Premium Expenses</b>  | <b>FY 2010-11<br/>Approp</b> | <b>FY 2011-12<br/>Request</b> | <b>FY 2011-12<br/>Recomm.</b> | <b>Difference</b>    |
| Prospective claims payout  | \$32,470,870                 | \$34,083,819                  | \$32,470,870                  | (\$1,612,949)        |
| Third party administrator fees (Pinnacol)  | 2,400,000                    | 2,000,000                     | 1,976,393                     | (23,607)             |
| CDLE surcharge   | 1,100,000                    | 800,000                       | 788,000                       | (12,000)             |
| Litigation costs   | 500,000                      | 500,000                       | 500,000                       | 0                    |
| Excess policy  | 343,700                      | 343,700                       | 343,700                       | 0                    |
| DHS prior year claim payments  | 250,000                      | 200,000                       | 200,000                       | 0                    |
| Miscellaneous fees (broker, etc.)  | 58,943                       | 13,943                        | 13,734                        | (209)                |
| Loss control incentives  | 50,000                       | 50,000                        | 50,000                        | 0                    |
| Actuarial services   | 32,500                       | 39,500                        | 32,013                        | (7,487)              |
| CDLE permit  | 2,000                        | 2,000                         | 2,000                         | 0                    |
| <b>Subtotal, Premium Expenses</b>  | <b>\$37,208,013</b>          | <b>\$38,032,962</b>           | <b>\$36,376,710</b>           | <b>(\$1,656,252)</b> |
| C-SEAP   | \$995,398                    | \$1,007,905                   | \$895,151                     | (\$112,754)          |
| Adjustment for targeted fund balance   | <u>(449,330)</u>             | <u>1,942,756</u>              | <u>(2,800,000)</u>            | <u>(4,742,756)</u>   |
| <b>Total Workers' Compensation Premiums<br/>line item costs to bill to departments</b> | <b>\$37,754,081</b>          | <b>\$40,983,623</b>           | <b>\$34,471,861</b>           | <b>(\$6,511,762)</b> |

- ❑ CDLE surcharge - Colorado Department of Labor and Employment Surcharge is required as a self-insured permit holder. The surcharge is calculated twice per year, and the cost is determined using the actual payroll for six months. Payroll data is broken down by hazard level.
- ❑ DHS prior year claims payments - Charge for certain Department of Human Services institutions claims that were open when the Department joined the State risk pool. They are all permanent total disability claims.
- ❑ Loss control incentives: Funds are used as incentives for agencies that are involved in initiatives to reduce workers' compensation claims. The Department's submission did not explain these moneys, but a later Department response indicated that the "It's a New Day" pilot program had been renamed and being utilized by all departments and institutions of higher education. It is unclear to staff how this statewide initiative is being funded, as well as its effectiveness.
- ❑ Excess policy: The insurance policy purchased to cover the possibility of a catastrophic workers' compensation loss. The purchase of the policy is required by the Department of Labor Workers Compensation division requirements for a self-insurance permit. The cost of the policy is calculated on payroll.

| <b>Workers' Compensation Allocations by Agency</b> |                     |                      |
|--|---------------------|----------------------|
| <b>Agency</b>                                      | <b>% Allocation</b> | <b>\$ Allocation</b> |
| Agriculture  | 0.5%                | \$176,020            |
| Corrections  | 18.0%               | 6,164,137            |
| Education  | 0.8%                | 280,378              |
| Governor   | 0.7%                | 238,189              |
| Pers & Admin (DPA)                                 | 0.6%                | 216,941              |
| Health Care Policy                                 | 0.1%                | 29,645               |
| Higher Education                                   | 10.0%               | 3,411,490            |
| Transportation                                     | 20.4%               | 6,992,454            |
| Human Services                                     |                     |                      |
| Cost Allocation Share                              | 28.6%               | 9,785,062            |
| Prior Year WC Claim Payments                       |                     | 200,000              |
| Human Services subtotal                            |                     | 9,985,062            |
| Judicial   | 4.9%                | 1,672,398            |
| Labor & Emp.                                       | 1.3%                | 457,187              |
| Legislature  | 0.1%                | 32,832               |
| Local Affairs                                      | 0.1%                | 45,753               |
| Law Dept   | 0.2%                | 66,830               |
| Military Affairs                                   | 0.2%                | 58,434               |
| Nat. Resources                                     | 4.1%                | 1,402,816            |
| Public Health                                      | 0.9%                | 303,546              |
| Public Safety                                      | 6.3%                | 2,144,699            |
| Reg. Agencies                                      | 0.2%                | 70,052               |
| Revenue  | 2.1%                | 716,933              |
| Secretary of State                                 | 0.0%                | 5,209                |
| Treasury   | <u>0.0%</u>         | <u>857</u>           |
| <b>Allocation Totals</b>                           | <b>100.0%</b>       | <b>\$34,471,862</b>  |

| <b>Liability Allocations by Agency</b> |                     |                      |
|--|---------------------|----------------------|
| <b>Agency</b>                          | <b>% Allocation</b> | <b>\$ Allocation</b> |
| Agriculture                            | 0.75%               | \$46,830             |
| Corrections                            | 29.87%              | \$1,872,525          |
| Education                              | 0.12%               | \$7,416              |
| Governor                               | 1.15%               | \$72,069             |
| Pers & Admin (DPA)                     | 0.86%               | \$53,739             |
| Health Care Policy                     | 1.20%               | \$75,141             |
| Higher Education                       | 7.28%               | \$456,326            |
| Transportation                         | 21.92%              | \$1,373,995          |
| Human Services                         | 10.14%              | \$635,804            |
| Judicial                               | 2.99%               | \$187,521            |
| Labor & Emp.                           | 0.36%               | \$22,255             |
| Legislature                            | 0.12%               | \$7,441              |
| Local Affairs                          | 0.16%               | \$10,005             |
| Law Dept                               | 1.41%               | \$88,181             |
| Military Affairs                       | 0.41%               | \$25,722             |
| Nat. Resources                         | 5.98%               | \$374,941            |
| Public Health                          | 0.60%               | \$37,790             |
| Public Safety                          | 11.23%              | \$704,067            |
| Reg. Agencies                          | 1.49%               | \$93,234             |
| Revenue                                | 1.70%               | \$106,305            |
| Secretary of State                     | 0.27%               | \$16,983             |
| Treasury                               | <u>0.01%</u>        | <u>\$785</u>         |
| <b>Allocation Totals</b>               | <b>100%</b>         | <b>\$6,269,075</b>   |

| <b>Property Allocations by Agency</b> |                                      |                     |                      |                              |                         |
|---------------------------------------|--------------------------------------|---------------------|----------------------|------------------------------|-------------------------|
| <b>Agency</b>                         | <b>Building &amp; Contents Value</b> | <b>% Allocation</b> | <b>\$ Allocation</b> | <b>Flood Zone A Premiums</b> | <b>Total Allocation</b> |
| Agriculture                           | \$91,043,723                         | 1.02%               | \$61,211             | \$0                          | \$61,211                |
| Corrections                           | \$1,413,329,284                      | 15.76%              | 950,211              | 0                            | 950,211                 |
| Education                             | \$68,906,037                         | 0.77%               | 46,327               | 0                            | 46,327                  |
| Governor                              | \$65,840,457                         | 0.73%               | 44,266               | 0                            | 44,266                  |
| Pers & Admin (DPA)                    | \$594,187,590                        | 6.63%               | 399,485              | 9,846                        | 409,331                 |
| Health Care Policy                    | \$4,055,376                          | 0.05%               | 2,727                | 0                            | 2,727                   |
| Higher Education                      | \$3,382,600,633                      | 37.73%              | 2,274,192            | 35,067                       | 2,309,259               |
| Transportation                        | \$1,622,487,158                      | 18.10%              | 1,090,832            | 68,444                       | 1,159,276               |
| Human Services                        | \$779,192,914                        | 8.69%               | 523,867              | 0                            | 523,867                 |
| Judicial                              | \$66,104,649                         | 0.74%               | 44,444               | 0                            | 44,444                  |
| Labor & Emp.                          | \$46,460,331                         | 0.52%               | 31,236               | 0                            | 31,236                  |
| Legislature                           | \$5,933,703                          | 0.07%               | 3,989                | 0                            | 3,989                   |
| Local Affairs                         | \$5,285,257                          | 0.06%               | 3,553                | 0                            | 3,553                   |
| Law Dept                              | \$5,716,131                          | 0.06%               | 3,843                | 0                            | 3,843                   |
| Military Affairs                      | \$124,732,726                        | 1.39%               | 83,860               | 730                          | 84,590                  |
| Nat. Resources                        | \$430,274,965                        | 4.80%               | 289,283              | 96,154                       | 385,437                 |
| Public Health                         | \$58,945,300                         | 0.66%               | 39,630               | 9,278                        | 48,908                  |
| Public Safety                         | \$99,169,047                         | 1.11%               | 66,673               | 16,178                       | 82,851                  |
| Reg. Agencies                         | \$19,632,825                         | 0.22%               | 13,200               | 0                            | 13,200                  |
| Revenue                               | \$73,941,066                         | 0.82%               | 49,712               | 5,406                        | 55,118                  |
| Secretary of State                    | \$7,847,248                          | 0.09%               | 5,276                | 0                            | 5,276                   |
| Treasury                              | <u>\$190,224</u>                     | <u>0.00%</u>        | <u>128</u>           | <u>0</u>                     | <u>127</u>              |
| <b>Allocation Totals</b>              | <b>\$8,965,876,642</b>               | <b>100.00%</b>      | <b>\$6,027,945</b>   | <b>\$241,103</b>             | <b>\$6,269,047</b>      |