



**Joint Budget Committee**

# **Staff Figure Setting**

## **FY 2026-27**

**Department of Personnel**  
**Statewide Operating Common Policies**

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## How to Use this Document

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables.

Decision items, both department-requested items and staff-initiated items, are discussed either in the Decision Items Affecting Multiple Divisions or at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

# Summary of 2026 Staff Recommendation

**Operating Common Policies Change and Comparison Summary Table**

Common Policy	FY 2025-26 Approp.	FY 2026-27 Recommend.	Change From Prior Year	FY 2026-27 Request	Difference from Request
<b>Administrative Law Judge Services</b>					
Program costs	\$11,703,036	\$7,973,909	-\$3,729,127	\$8,009,084	-\$35,175
Fund balance reserve adjustment	-387,075	-1,941,411	-1,554,336	-1,735,590	-205,821
Total Allocation - ALJ Services	\$11,315,961	\$6,032,498	-\$5,283,463	\$6,273,494	-\$240,996
			-46.7%		-3.8%
<b>Workers' Compensation</b>					
Program costs	\$36,999,061	\$41,378,737	\$4,379,676	\$40,862,438	\$516,299
Fund balance reserve adjustment	-2,654,695	3,289,507	5,944,202	3,290,727	-1,220
Total Allocation - Workers' Compensation	\$34,344,366	\$44,668,244	\$10,323,878	\$44,153,165	\$515,079
			30.1%		1.2%
<b>Liability</b>					
Program costs	\$22,449,506	\$22,498,900	\$49,394	\$22,502,795	-\$3,895
C-SEAP funding	2,725,680	2,924,932	199,252	2,919,416	5,516
Fund balance reserve adjustment	-301,233	-10,341,244	-10,040,011	-10,321,674	-19,570
Total Allocation - Liability	\$24,873,953	\$15,082,588	-\$9,791,365	\$15,100,537	-\$17,949
			-39.4%		-0.1%
<b>Property</b>					
Program costs	\$30,202,528	\$33,786,403	\$3,583,875	\$33,783,523	\$2,880
Fund balance reserve adjustment	10,844,713	-7,909,043	-18,753,756	-8,386,612	477,569
Total Allocation - Property	\$41,047,241	\$25,877,360	-\$15,169,881	\$25,396,911	\$480,449
			-37.0%		1.9%
<b>Total Allocation - Payments to Risk and Property Funds</b>					
	\$65,921,194	\$40,959,948	-\$24,961,246	\$40,497,448	\$462,500
			-37.9%		1.1%
<b>Capitol Complex Leased Space</b>					
Program costs	\$20,787,244	\$20,376,374	-\$410,870	\$20,535,161	-\$158,787
Fund balance reserve adjustment	-3,961,824	-3,348,296	613,528	-3,335,196	-13,100
Total Allocation - Capitol Complex Leased Space	\$16,825,420	\$17,028,078	\$202,658	\$17,199,965	-\$171,887
			1.2%		-1.0%
<b>CORE Operations</b>					
Program costs - operations	\$12,688,624	\$12,586,014	-\$102,610	\$12,802,569	-\$216,555
Program costs - payroll	0	908,467	908,467	1,122,250	
Payment from Supplier Database Cash Fund	-6,848,171	-5,029,951	1,818,220	-4,029,950	-1,000,001
Fund balance reserve adjustment	-3,758,338	967,969	4,726,307	811,703	156,266
Total Allocation - CORE Operations	\$2,082,115	\$9,432,499	\$7,350,384	\$10,706,572	-\$1,060,290
			353.0%		-9.9%
<b>Total - Op. Common Policies Paid by Allocation</b>	<b>\$130,489,056</b>	<b>\$118,121,267</b>	<b>-\$12,367,789</b>	<b>\$118,830,645</b>	<b>-\$495,594</b>
			-9.5%		-0.4%
Vehicle Replacement Lease/Purchase approp.	\$34,398,640	\$34,703,750	\$305,110	\$34,703,750	\$0
Total Allocation for State Fleet	\$34,398,640	\$34,703,750	\$305,110	\$34,703,750	\$0
			0.9%		0.0%
Document Solutions Group for Depts. of State and Revenue					
Program Costs	\$12,263,018	\$13,276,825	\$1,013,807	\$13,276,825	\$0

Common Policy	FY 2025-26 Aprop.	FY 2026-27 Recommend.	Change From Prior Year	FY 2026-27 Request	Difference from Request
Fund Balance Reserve Adjustment	395,116	379,558	-15,558	379,558	0
Total Allocation for Departments of State and Revenue	\$12,658,134	\$13,656,383	\$998,249 7.9%	\$13,656,383	\$0 0.0%

# Decision Items Affecting Common Policies

## → R1 State payroll system common policy [legislation]

### Request

The Department requests funding for the establishment of a common policy for the new state payroll system.

- Year 1: The total cost of the common policy is \$1.1 million. This includes an estimated \$652,014 General Fund received from other state agencies and 9.0 FTE for the administration of the policy.
- Year 2: The total cost of the common policy is \$1.2 million. This includes an estimated \$712,577 General Fund received from other state agencies and 10.0 FTE. The Department assumes a reduction of \$1.3 million total funds for payments to the Office of Information Technology when the legacy payroll system is discontinued.

The new state payroll system was built using Capital Construction Funds appropriated through the IT Capital section of the Long Bill. The system is anticipated to be released by May 2026. The Department anticipates additional funding requests will be made in future budget cycles for software licensing and development support. The Department's request includes the creation of a new cash fund to support this common policy.

The Department has indicated that this is an Evidence-informed request.

### Recommendation

Staff recommends the Committee approve an increase of \$894,774 reappropriated funds and 9.1 FTE. Of the recommended appropriation, \$129,388 is for the reallocation of the 7.0 FTE to the payroll system. The out-year cost of this recommendation is \$1,185,102 reappropriated funds and 10.0 FTE in FY 2027-28 and ongoing.

#### R1 CORE Payroll Common Policy Recommendation

Item	FY 2026-27	FY 2027-28 ongoing
Personal services	852,114	939,866
Operating expense	31,648	12,800
Centrally appropriated costs	11,012	232,436
<b>Total</b>	<b>\$894,774</b>	<b>\$1,185,102</b>
FTE - new	9.1	10.0
FTE - reallocated	7.0	7.0
<b>FTE - total</b>	<b>16.1</b>	<b>17.0</b>

Further, staff recommends that the budget for the new payroll system be merged with the current CORE Operations common policy, rather than the creation of a whole new common policy. The merging of the two operating into a single common policy **does not require legislation**. The CORE Operations common policy is

supported by the Statewide Financial Information Technology Systems Cash Fund (Fund).<sup>1</sup> This cash fund is established for:

“billing users of the department’s statewide financial and human resources information technology systems services for the full cost of the service, including materials; depreciation related to capital costs; labor; and administrative overhead.”

The new payroll system is integrated into the existing state accounting system, the Colorado Operations Resources Engine (CORE), and meets the statutory requirements for revenue to be collected and expended by the Fund.

## Evidence Designation

The Department identifies this request as Evidence-informed.<sup>2</sup> In order for a program or practice to be considered evidence-informed, there must be at least one quality evaluation that includes a strong comparison group and that shows statistically significant outcomes. This request does not include such an evaluation, nor does the Department provide any outside studies to support their designation. Given the lack of supporting research and studies, this request can only reach an Ineligible evidence designation.

Staff does not believe this request meets the definition of a “program or practice.”<sup>3</sup> This request seeks to provide operational resources for the deployment of a new payroll system. It could be debated that the new payroll system is an intervention to improve state employee morale through more efficient and modern payroll software. Staff would contend this request is simply an administrative action to ensure the payroll for the tens of thousands of state employees continues. As such, staff evaluates this request’s evidence designation as not applicable.

## Analysis

The CORE payroll system was born from the failure of the HRWorks project, which was intended to be the State’s new Human Resources Information System. Funding for the development of the CORE payroll system was approved by the Joint Budget Committee after review and recommendation by the Joint Technology Committee during the 2022 legislative session. The General Assembly has appropriated over \$50.0 million since FY 2022-23 for the development of this new system, which replaces the current 38+ year old payroll system, named the Colorado Personnel Payroll System (CPPS). As the system prepares for deployment, operations and maintenance costs will shift to the Department of Personnel’s operating budget. This system will be the new payroll software used by every state agency and, as such, the use of the common policy funding mechanism ensures all agencies share in the ongoing costs.

## Staffing resources for new payroll system

The Department’s staffing assessment indicates the need for 18.0 FTE for the management, operations, and training associated with the new payroll system. Staffing and support models for similar systems in Arizona and

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<sup>1</sup> Section 24-30-209 (2)(a), C.R.S.

<sup>2</sup> Section 2-3-10 (3)(a)(I), C.R.S.

<sup>3</sup> Section 2-3-200.3 (3), C.R.S.

Utah were reviewed in the creation of this request; both states deployed payroll systems in 2025. The request seeks \$1.0 million total funds for 9.0 FTE in FY 2026-27, which represents 10 new. The Department also seeks \$129,388 for the reallocation and re-grading of seven existing FTE.

### Department FY 2026-27 Workload Assessment for CORE Payroll System

Area and Sub-Area	CORE Payroll	Hours per Unit	Work Hours	Calculated FTE	FTE Request	Resource Impact
<u>User Support &amp; Training</u>						
Total users	45,000 (500 HRM, 40,000 ESS)	0.15	6,933	3.3	2.0	Triple the number of users, but will be focused in a few specific application areas (e.g., ESS, Payroll, Labor Allocation and HR)
Training content, communications, LMS admin	Approx 100 items	34.67	3,467	1.7	1.0	Additional training content, communication, LMS administration and assist with user support
<u>System Administration</u>						
Interfaces	75 Interfaces	48.53	3,640	1.8	1.0	Address additional interfaces for CORE Payroll
Nightly Cycles, Forms	FIN and "full" HRM Payroll & Labor Allocation	1.00	1,560	0.8	0.0	Monitor/manage Payroll Cycles and PDF generated Forms; will be assisted by Interfaces and Security FTE
Reports	300 reports	12.13	3,640	1.8	1.0	Manages the CORE Reporting administration
Homepages/ Business Roles, Security Roles/ Workflow, Business Rules/ Extensibility	8 Homepages/ Business Roles. Security Roles/ Workflow 1,000. Business Rules/ Extensibility 20-40. 3,640 hours	1.00	3,640	1.8	1.0	Security administration
<u>Functional Leads</u>						
Functionality, Transactions/ Tables	Labor Allocation 4,160 hrs/year	1.00	4,160	2.0	1.0	Primary focus will be on payroll calculation which includes configuration management of gross and net related tables and functionalities
Functionality, Transactions/ Tables	Payroll 4,160 hrs/year	1.00	4,160	2.0	1.0	Primary focus will be on labor allocation calculation which includes configuration management of distributed labor cost related tables, functionalities, and timesheet interfaces
Functionality, Transactions/ Tables	HR 4,160 hrs/year	1.00	4,160	2.0	1.0	Primary focus will be on human resources related configuration management of onboarding and employee self-service related tables and functionalities.
<u>All Areas</u>						
Feature Set Release (Annualized)	Approx 3,000-4,000 hours	0.52	2,080	1.0	1.0	Additional support across all areas
Total			37,440	18.0	10.0	

Each functional lead will have three work areas: business process and system analysis, user support, and systems testing. These staff will evaluate and recommend new functionality, resolve system issues and provide

guidance to users, and evaluate and implement configurations to address statutory changes, new functionality, and new versions of payroll software. These positions will lead design and testing of new system functionality.

## Common policy consolidation with CORE Operations

Merging the CORE payroll budget into the current CORE Operations common policy provides budgetary management efficiency without sacrificing transparency. All common policies have a supporting cash fund into which revenue from agencies using a particular service is deposited. Using the budgetary tools and processes already available, including the Statewide Financial Information Technology Systems Cash Fund, affords JBC staff the ability to assess program costs and manage the state agency allocations without the need for additional legislation and a new cash fund. The Department can create sub-accounts within the Fund to isolate and track revenue from both the current CORE accounting system and the new CORE payroll system, addressing concerns about managing the two distinct (but related) revenue streams.

The common policy method of funding shares the cost of operations and maintenance with all state agencies that use the system. The cost of the payroll system will be allocated to each agency proportionally based on their usage of the payroll system. For FY 2026-27, the agencies' FY 2024-25 use of CPPS will be the basis for cost sharing. Each agency's share of the cost is calculated by taking their total number of employees paid out of payroll system each month as a twelve-month sum, and dividing by the total number of employees statewide. This results in a proportional allocation of costs based on each agency's use of the system. The revenue for the CORE payroll system is a mix of General Fund, cash funds, reappropriated funds, and federal funds. Staff estimates that 55.7 percent (\$498,167) of the revenue for the CORE payroll system will originate as General Fund, based on the FY 2026-27 operating budget requests for the various state agencies.

### CORE Payroll FY 2026-27 Recommended Allocation

Department	% Utilization	Requested	Recommended	Difference
Agriculture	1.3%	\$14,068	\$11,388	-\$2,680
Corrections	15.9%	178,557	144,543	-34,014
Early Childhood	0.8%	8,492	6,874	-1,618
Education	2.2%	24,459	19,800	-4,659
Governor	4.0%	45,238	36,621	-8,618
Health Care Policy & Financing	2.5%	27,540	22,294	-5,246
Higher Education	0.8%	9,481	7,675	-1,806
Human Services	13.0%	145,705	117,949	-27,756
Judicial	14.5%	162,377	131,445	-30,932
Labor & Employment	5.1%	57,071	46,199	-10,872
Law	1.9%	20,861	16,887	-3,974
Legislature	1.5%	16,855	13,644	-3,211
Local Affairs	0.9%	10,205	8,261	-1,944
Military & Veterans Affairs	0.5%	6,096	4,934	-1,161
Natural Resources	6.4%	72,054	58,328	-13,726
Personnel	1.3%	14,394	11,652	-2,742
Public Health & Environment	5.8%	65,644	53,139	-12,505
Public Safety	5.9%	66,208	53,596	-12,612
Regulatory Agencies	1.8%	20,089	16,262	-3,827
Revenue	4.7%	52,212	42,266	-9,946
Secretary of State	0.4%	4,713	3,815	-898
Transportation	8.8%	98,311	79,583	-18,728

Department	% Utilization	Requested	Recommended	Difference
Treasury	0.1%	1,620	1,311	-309
Total	100.0%	\$1,122,250	\$908,467	-\$213,783

## Future budget requests and considerations

There is a one-year overlap between the deployment of the CORE Payroll system and the decommissioning of CPPS. Once CPPS is decommissioned in FY 2027-28, the Department anticipates a \$1.3 million total funds savings that will offset much of the new system's cost. The Department also anticipates additional software licensing and development costs beginning in FY 2027-28 and FY 2028-29 that will add an estimated \$2.7 million to the cost of the CORE payroll system. However, these vendor services will replace the current mainframe used by CPPS, which costs approximately \$4.6 million per year. Requests in future budget cycles will fully scope and detail these additional costs and savings.

## → R2 OAC staff for Medicaid appeals

### Request

The Department requests funding for additional term-limited staff to address Medicaid eligibility appeals.

- Year 1: The total cost is \$0.7 million. The reappropriated funds in the Department of Personnel represent a transfer from the Department of Health Care Policy and Financing (HCPF), of which \$234,966 is General Fund. The request includes 6.9 term-limited FTE. The request is for FY 2026-27 only.

This request is associated with a FY 2025-26 supplemental request (S2), which was recommended by staff and approved by the Committee.

The Department identifies this request as Evidence-informed.

### Recommendation

Staff recommends the Committee approve an appropriation of \$904,158 reappropriated funds and 8.1 FTE. These FTE will be annualized to \$0 in FY 2027-28 and ongoing.

Staff's recommendation includes an appropriation to HCPF of \$904,158 total funds, including \$293,851 General Fund, to pay for the administrative law judge services provided by the OAC.

### S3 OAC Staffing for Medicaid Appeals - JBC Staff Recommendation

Element	Recommendation
<u>Dept. of Personnel (RF)</u>	
Personal services	\$710,263
Operating expenses	10,368
<u>Centrally appropriated costs</u>	183,527
Total	\$904,158
FTE	8.1

Element	Recommendation
<u>Dept of Health Care Policy and Financing</u>	
General Fund	\$293,851
Cash Funds	158,228
Federal Funds	452,079
Total	\$904,158

The difference between the request and staff's recommendation is related to the annualization of the supplemental action taken by the Committee. The Department of Personnel requested equal amounts of funding in both FY 2025-26 and FY 2026-27, totaling \$1.5 million total funds. Staff's supplemental and figure setting recommendations divide the appropriation based on the prorated workload in both fiscal years. Taken together, staff's supplemental and figure setting recommendations total \$1.4 million total funds, including \$444,628 General Fund, for the 11 months of increased caseload anticipated by the departments.

## Analysis

### Evidence Designation

The actions proposed in this request do not meet the definition of a program or practice. The request is not establishing, changing, or expanding the scope of the responsibilities of the Office of Administrative Courts or their work related to reviewing and adjudicating Medicaid appeals. The request is seeking additional resource to address an anticipated influx of appeals resulting from policy changes made outside of the Department of Personnel or the OAC. Additional staffing to address increased workload is not a program or practice, it is an administrative action. An evidence designation is not applicable to this request.

## Assessment

The Office of Administrative Courts provide an independent administrative law adjudication system for state agencies to resolve cases that concern worker's compensation, public benefits (food stamps, Colorado Works/TANF, Medicaid, etc.), professional licensing board work involving license denial, revocation, suspension or other discipline, teacher dismissal cases, and when a citizen has filed a complaint under the Fair Campaign Practices Act. Recent changes to Medicaid policies have reinstated the requirement for prior authorization requests (PARs) for LTHH services.

The Department of Health Care Policy and Financing estimates that as many as 27,000 members will be affected by this change. The Department of Personnel estimates that 1,996 appeals of PAR decisions will be sent to the Office of Administrative Courts in FY 2025-26 and FY 2026-27, with the influx of cases being fully addressed by the end of January 2027. The Department assumes that 70.0 percent of appeals (1,397) will be adjudicated by administrative law judges (ALJs). The Department anticipates hiring clerks and administrative law judges to address the temporary increase in Medicaid appeals cases. The clerks will provide the initial review of the appeals. The Department assumes that the clerical review will take five hours and that the adjudication process will require 10 hours.

### Clerk Workload Assessment

Element	Workload Factors
Total cases	1,996
Term-limit (months)	11
Cases per month	181
Hours per case	5
Total hours	9,980
Hours per clerk [1]	1,907
Required FTE	5.2
Prorated FTE - FY 2026-27	3.3

[1]  $2,080 \times (11/12)$

To calculate the required clerical FTE, JBC staff used the total cases anticipated by the department, a term length of 11 months for the FTE, and the department's assumed hours per case. Staff calculated the total hours a clerk would need to work over the 11-month period it will take to address the increase in appeals cases. Lastly, staff prorated the total FTE for seven months of FY 2026-27, from July 2026 through January 2027. A similar methodology was used to calculate the required administrative law judge FTE, with the exception that staff used the 1,850 billable hours cited by the Department for ALJs.

### Administrative Law Judge (ALJ) Workload Assessment

Element	Workload Factors
Adjudicated cases	1,397
Term-limit (months)	11
Cases per month	127
Hours per case	10
Total hours	13,972
ALJ billable hours	1,850
ALJ FTE	7.6
Pro-rated FTE - FY 2026-27	4.8

In the context of the significant and sudden federal and state policy changes, the chance that appeals caseload at the OAC increase in volume and complexity seems likely. The suite of policy changes the Committee has and will consider from the Departments of Health Care Policy and Financing and Human Services include programs for which citizens are allowed to appeal their benefits decisions. Some percentage of those appeals will be referred to the OAC. These policy changes effect the second and third largest users of administrative law judge services within the State, combined HCPF and DHS account for 35.0 percent of the OAC caseload.

### Administrative Law Judge Service Utilization

Department	FY 2024-25 Utilization
Agriculture	0.1%
Early Childhood	0.2%
Education	3.0%
Health Care Policy & Finance	23.1%
Human Services	11.9%
Labor and Employment	54.9%
Law [1]	0.0%
Local Affairs	0.5%

Department	FY 2024-25 Utilization
Personnel	0.0%
Public Health & Environment	0.3%
Public Safety [1]	0.0%
Regulatory Agencies	5.5%
Revenue	0.3%
State [1]	0.0%
Transportation	0.1%
<b>Total</b>	<b>100.0%</b>

[1] Rounds to zero.

## Background

The population covered by Medicaid in Colorado has grown since the expansion of the program in January 2014. In FY 2019-20, the Medicaid enrollment was 1.2 million persons. At the peak of Medicaid enrollment during the pandemic in FY 2022-23, the population rose to 1.7 million. The projected Medicaid population in FY 2025-26 is a little less than 1.3 million, or 3.4 percent greater than pre-pandemic levels, after the public health emergency unwind.

### Medicaid Enrollment History

Fiscal Year	Monthly Average
FY 2015-16	1,296,986
FY 2016-17	1,346,114
FY 2017-18	1,315,217
FY 2018-19	1,261,365
FY 2019-20	1,219,245
FY 2020-21	1,404,955
FY 2021-22	1,561,560
FY 2022-23	1,719,619
FY 2023-24	1,390,188
FY 2024-25	1,207,815
FY 2025-26 [1]	1,260,431

[1] HCPF projected caseload: Nov. 1 forecast.

For Medicaid cases, federal regulations require that a final agency decision (FAD) be issued no later than 90 days from the date the appeal is filed. HCPF issues the final agency decisions after the OAC issues an initial decision. The OAC tracks the median amount of time it takes for a clerk to process appeals and schedule hearings. The OAC also tracks the number of days a case is open. A closed case means that an Administrative Law Judge has issued a decision on the merits or the matter was closed for other reasons. The closure date typically demonstrates the length of time a party must wait for a decision on their appeal.

### Medicaid Appeals Cases Turnaround Times

	FY 2022-23	FY 2023-24	FY 2024-25
Median days between receipt of Medicaid appeal and clerk creation of new case	23	1	1
Median days before scheduled hearing	99	36	57
Median days from date appeal is filed to case closure	108	39	62

Beginning in FY 2022-23, the General Assembly provided funding for additional temporary staffing to address the public health emergency unwind. In FY 2022-23, the General Assembly appropriated \$0.9 million through a supplemental action. In FY 2023-24, the General Assembly appropriated \$3.3 million to address increased appeals. In FY 2024-25, the General Assembly appropriated \$0.2 million and 2.7 term-limited FTE to address the caseload related to the public health unwind. In FY 2025-26, the General Assembly approved the conversion of the term-limited FTE into permanent positions. These additional resources resulted in reductions in case processing times. However, with the reduced resources in last two fiscal years, processing times have ticked back up.

## → R3 State account system resources

### Request

The Department requests funding for additional staffing and software resources for the state accounting and financial reporting system (CORE).

- Year 1: The total cost is \$836,149. This includes an estimated \$353,539 General Fund received from other state agencies and 3.9 FTE.
- Year 2: The total cost is \$851,205. This includes an estimated \$359,948 General Fund received from other state agencies and 4.0 FTE.

The Department of Personnel seeks four additional staff positions to assist with the ongoing deployment cycle for the CORE. After nearly 10 years, the accounting system was upgraded to allow it to accept software updates and patches from the vendor. It is anticipated that CORE will receive three major and nine minor software updates annually. Three of the requested positions are from the upgrade development team and will be transitioned from term-limited to permanent status. The remaining position will be a wholly new staff person. The request includes \$466,049 total funds for staffing costs in FY 2026-27.

In addition to the staffing, the Department requests \$370,000 to purchase document storage capacity through the CORE vendor. This will replace the current document storage functionality provided through the Office of Information Technology (OIT). The Department assumes a \$850,000 reduction to its Payments to OIT line item associated with this request, but has not reflected the reduction because that line item is set through a the OIT common policy. However, this assumption is accounted for in the CORE Operations common policy, which is discussed later in this document.

The Department has indicated that this is an Evidence-informed request.

### Recommendation

Staff recommends:

- denial of the staffing request; and
- approval of the \$370,000 for the purchase of document storage capacity.

Given the budget circumstances facing the State, the additional ongoing General Fund obligation represented by the staffing request is not advised. The unfortunate reality is that the Executive Branch will have to do more with less, prioritizing mission critical activities and utilizing their existing resources as efficiently as possible.

## Evidence Designation

The Department identifies this request as Evidence-informed.<sup>4</sup> In order for a program or practice to be considered evidence-informed, there must be at least one quality evaluation that includes a strong comparison group and that shows statistically significant outcomes. This request does not include such an evaluation, nor does the Department provide any outside studies to support their designation. Given the lack of supporting research and studies, this request can only reach an Ineligible evidence designation.

Staff does not believe this request meets the definition of a “program or practice.”<sup>5</sup> This request seeks to add staff to a team managing the maintenance and improvement of a software system. These efforts are conducted through an incremental release cycle that requires staffing to complete. In a certain light, adding new staff to this program could be seen as an intervention to improve the practice of software maintenance and improvement. Staff would contend this request is simply an administrative action seeking to bolster staff support for a program or practice already in place for which no output or outcome data was provided. Additionally, with the exception of targeting positive user satisfaction in training and support, the outcomes identified by the Department are highly subjective and not easily quantified. As such, staff evaluates this request’s evidence designation as not applicable.

## Analysis

The CORE Operations team currently has 22.3 FTE supporting the system, of which four staff currently assist with systems maintenance and improvement. The Department anticipate the upgraded CORE system, which allows for frequent software updates and patches, will add 7,450 hours of work to their CORE team. The additional functionality includes expanded reporting and data analytics, as well as more centralized reporting and security management features. The requested FTE will provide training, system support and maintenance, end-user testing, database management, and user support and troubleshooting.

### Additional Workload for CORE Systems Maintenance and Improvement

Work Type	Functional	System Administration	Training & User Support	Total Hours
Feature set releases	3,800	1,800	300	5,900
New functionality	400	900	250	1,550
Total	4,200	2,700	550	7,450

The FY 2026-27 General Fund burden for this request is modest, \$170,104. However, that obligation is ongoing and will steadily increase as salaries are adjusted through salary survey and step pay adjustments in the coming years. The requested FTE will be added to an existing team, doubling the number of CORE staff for systems maintenance and improvement. However, current workload data was not included in the request, which

<sup>4</sup> Section 2-3-10 (3)(a)(I), C.R.S.

<sup>5</sup> Section 2-3-200.3 (3), C.R.S.

prevents staff from assessing the relative needs presented in this request. Additionally, the Department also reports that it can access approximately 2,600 hours of vendor support through the Performance Budgeting (PB) contract to assist with CORE improvements, which is roughly half the hours identified as new workload.

#### Requested FTE for CORE Systems Maintenance and Improvement

Item	FY 2026-27	FY 2027-28 and ongoing
Personal Services	\$328,287	\$336,377
FTE	3.9	4.0
Operating Expenses	6,992	5,120
Centrally appropriated costs	67,267	89,267
<b>Total</b>	<b>\$402,546</b>	<b>\$430,764</b>
<i>CORE General Fund percentage</i>	<i>42.3%</i>	<i>42.3%</i>
<i>General Fund support</i>	<i>\$170,104</i>	<i>\$182,029</i>

#### Document storage solutions

The Department requests funding to purchase document storage capacity through the CORE Operations vendor. The cost of the vendor is less than half the cost the Department currently pays to the Office of Information Technology. Currently, the Department pays \$850,000 through its Payments to OIT line for document storage capacity. The vendor for CORE provides the same functionality for \$370,000, which would be paid through the CORE Operations common policy. The shift away from OIT to the vendor saves a total of \$480,000, including \$202,811 General Fund.

## → R5 Printing services true-up

#### Request

The request seeks an increase in cash funds and reappropriated funds in FY 2026-27 and ongoing to align spending authority with revenue and to address increases in postage costs.

- Year 1: \$3,707,974 total funds, including \$1,051,773 cash funds and \$2,656,201 reappropriated funds.
- Year 2 and ongoing: \$4,201,193 total funds, including \$1,114,880 cash funds and \$3,086,314 reappropriated funds.

The request is associated with a supplemental request (S1) addressed in January.

#### Recommendation

Staff recommends approval of the request. The Committee approved the related supplemental request, as recommended by staff.

#### Analysis

The Department of Personnel houses the Integrated Document Solutions (IDS) program that provides central printing, scanning, mailing, and related services to state agencies. Client agencies are charged by IDS for the

provision of services,<sup>6</sup> the revenue from which is deposited into the Department of Personnel Revolving Fund.<sup>7</sup> IDS includes the Document Solutions Group common policy, which sets the annual document management appropriations for the Departments of State and Revenue.<sup>8</sup> Rates are set to be competitive with the private market but are subject to inflationary pressures. In recent years, the General Assembly has provided reappropriated funds spending authority to acquire updated printing and scanning equipment. These investments have increased IDS's ability to meet volume and production demands from client agencies.

Demand for IDS services have steadily increased in the last several years. From FY 2020-21 to FY 2024-25, spending authority for revenue received from client agencies increase by 23.3 percent. This increase is primarily driven by the Document Solutions common policy, but also by other budgetary actions and legislation. An average of 4 bills, other than supplementals and the Long Bill, have carried appropriations for IDS services in the last four legislative sessions. The average appropriation for special bills across the last four sessions is less than \$20,000 reappropriated funds.

#### 5-year Appropriations History for Central Printing Services

Fiscal Year	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2020-21	\$18,654,067	\$0	\$980,537	\$17,673,530	\$0
FY 2021-22	23,642,537	0	1,324,835	22,317,702	0
FY 2022-23	25,036,586	0	980,537	24,056,049	0
FY 2023-24	22,786,220	0	980,537	21,805,683	0
FY 2024-25	22,770,880	0	980,537	21,790,343	0

Despite appropriations for IDS printing and mailing operations increasing substantially in the last five years, spending authority has barely kept pace with expenditures. In the last three fiscal years, the margin between appropriations and expenditures has narrowed sharply, with IDS experiencing an overexpenditure of their printing services appropriation in FY 2024-25. The overexpenditure was addressed by the Committee through the Department's supplemental.

#### 5-year Reversion History for Central Printing Services

Fiscal Year	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2020-21	\$3,559,165	\$0	\$245,139	\$3,314,026	\$0
FY 2021-22	2,621,099	0	344,298	2,276,801	0
FY 2022-23	226,927	0	0	226,927	0
FY 2023-24	263,523	0	0	263,523	0
FY 2024-25	-353,028	0	0	-353,028	0
Average	\$1,263,537	\$0	\$117,887	\$1,145,650	\$0

The Department's central printing services experienced an increase in printing volume and postage costs in the last several years. Printing volume increases have been driven by recent legislative action, while postage rates

<sup>6</sup> The current rates for IDS services can be found at: <https://dcs.colorado.gov/ids/ids-rates>.

<sup>7</sup> Section 24-30-1108 (1), C.R.S.

<sup>8</sup> These two departments are the highest-volume client agencies for IDS services and the common policy was created in FY 2020-21 to manage year-over-year fluctuation in service needs.

set by the U.S. Postal Service increased by nearly 42.0 percent from FY 2020-21 to FY 2024-25. These two factors led to an overexpenditure in FY 2024-25.

## Central printing services appropriations do not align with revenue

The Department's request for an increase of reappropriated funds is driven by a mismatch of spending authority and revenue. The Department reports that client agencies are paying for the services they are receiving, but IDS printing services spending authority is insufficient to expend the revenue received. The primary client agencies driving this misalignment are the Departments of Human Services and the Labor and Employment. Revenue from these two departments has increased by nearly 200.0 percent in the last four fiscal years. However, IDS appropriations have not kept pace with this increase. Based on revenue estimates, the Department anticipates appropriations will not be sufficient to expend revenue received.

**Central Printing Services Revenue Changes Driving Request**

Department	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Human Services	\$1,418,752	\$1,388,335	\$2,891,936	\$2,081,141	2,133,900	2,240,595
Labor and Employment	1,015,467	1,557,024	2,843,761	5,001,496	5,206,225	5,466,536
Total	\$2,434,219	\$2,945,359	\$5,735,697	\$7,082,637	\$7,340,125	\$7,707,131
Annual change (\$)	n/a	511,140	2,790,338	1,346,940	257,488	367,006
Annual Change (%)	n/a	21.0%	94.7%	23.5%	3.6%	5.0%

A gap in the fiscal impact assessment process has led to the disparity between available revenue and appropriated spending authority. The Department highlights three legislative actions that are primary contributors to this mismatch: the implementation of the Paid Family and Medical Leave Insurance program, S.B. 23B-002 (Summer Electronic Benefits Transfer Program), and S.B. 25-242 (Division of Unemployment Insurance Funding Mechanism). In each case the printing requirements for the programs were not properly identified in the assessment of fiscal impacts. This information gap is not intentional, but a function of the complexities of determining the operational requirements of significant policy changes.

It is worth noting that two of the three examples provided by the department originated as budget requests that required legislation. The printing requirements were never identified despite the numerous points of review through the annual budget process and fiscal notes assessments. This situation identifies an information gap in both the Legislative and Executive Branch fiscal assessment processes. In reviewing the various departmental, JBC Staff, and Fiscal Note Staff documents, the need for central printing services was not discussed. Non-partisan legislative staff responsible for assessing fiscal impacts are largely reliant on the Executive Branch to provide this type of information. Sometimes the need for central services is obvious (e.g., changes to the GenTax system or a statutory requirement to mail notifications), but often these requirements are missed. In conjunction with this supplemental request, the Department of Personnel has raised this concern with Fiscal Note Staff to help avoid this issue going forward. JBC staff would assert that it is a responsibility shared equally between the staff of the Legislature and the Executive Branch.

## → R8 Annual fleet vehicle replacements

### Request

The Department requests funding to replace 8.0 percent of the approximately 8,600 vehicles in the state fleet.

- Year 1 (statewide): The total cost is \$0.3 million. This includes an increase of \$0.7 million General Fund and a decrease of \$0.4 million cash, reappropriated, and federal funds across all affected state agencies.
- Year 1 (DPA): The total cost is \$3.9 million. This is reappropriated funds for the Department of Personnel to manage vehicle lease payments for the state fleet.

The request seeks to replace 545 fleet vehicles, of which 326 are designated as potential alternative fuel vehicles.

### Recommendation

1. Staff recommends the Committee approve the replacement of the requested 545 vehicles. Staff recommends a statewide increase of \$0.3 million total funds, including an estimated \$0.7 million General Fund, in FY 26-27 for the first-year cost of the 545 replacement vehicles.
2. Staff recommends the Committee approve the requested \$3.9 million increase of reappropriated funds in the Department of Personnel's Vehicles Replacement Lease/Purchase line item.
3. Staff recommends the continuation of the standard methodology used by the Fleet Management Program for determining replacements.

### Analysis

#### Fleet Management Replacement Methodology

For FY 2026-27, the Department's initial screen identified 1,263 potential vehicles for replacement. The initial candidate list is generated from the Colorado Automotive Reporting System (CARS) using a minimum threshold for further replacement consideration. The criteria for this initial screen are:

- greater than 130,000 miles as of June 2025; or
- 20 years or older at the time that the proposed replacement would occur and has been used for at least 250 miles per month over the last four years; or
- at 10 years old and has maintenance costs greater than 100.0 percent of the average maintenance cost for its body type and has passed a manual maintenance review; or
- remaining revenue is at least \$7,500 and has less than 175,000 miles.

Colorado State Patrol vehicles must meet at least one of the following criteria to be considered for replacement:

- at least 100,000 miles for vehicles as of June 2025; or
- at least than 60,000 miles for patrol motorcycles.

Vehicles that make it past the initial screen are reviewed and certain manual adjustments are made to retain vehicles if they fall into one of several categories:

- The agency to which a vehicle is assigned has expressed a desire to retain the vehicle or that a vehicle that may meet one of the above criteria is in good condition compared to others with similar use. Agency input is also utilized to keep vehicles from the initial screen on the list and on the rare occasion add them to it if they are in exceptionally poor condition, create an unacceptable safety risk, or is no longer meeting the functional requirements of the agency.
- The Department also considers recent repairs and maintenance performed on each vehicle on the initial screen list. For vehicles that have had repairs performed that exceeded \$7,500 within the last 12 months, it is assumed that ongoing maintenance costs will be reduced in the short-term.
- Vehicles in low cost, short distance work functions such as facilities maintenance, which are most often assigned to campus-type facilities, receive reduced priority for replacement. When vehicles in these roles are identified, it is often more cost effective to replace these vehicles with one that has been returned to the Department's motor pool, but has not been sold, which may no longer be suitable for high usage functions.
- Very high mileage vehicles receive a higher priority for replacement due to anticipated breakdowns of major components. Under the current analysis performed by the Department, the threshold for very high mileage vehicles is 175,000 miles. Vehicles in this category have decreased reliability and increased safety concerns. The Department notes that in a less restrictive funding environment, it would reduce this threshold.

Finally, the Department prioritizes the remaining vehicles by comparing vehicles to the average maintenance costs for vehicles of similar age and type. Those that have a considerably higher than average cost will rank higher than those with lower-than-average costs. State Patrol vehicles are not prioritized due to their unique replacement schedule, which requires a 4-year replacement cycle.

For the FY 2026-27 request, the Fleet Program identified all vehicles that could be replaced with a known alternative fuel vehicle (AFV) to maximize the number of AFVs in the fleet. For model year 2022, hybrid technologies have become broadly available and can provide significant fuel savings across the spectrum of the vehicle platforms. Heightened focus on electric vehicle powertrains is planned for the state fleet. For all other AFV selections, the location of the vehicle was not used to disqualify it from AFV assignment to give the agencies more flexibility in where they are assigned. Location is important when assigning the new AFV vehicles, but it was not used to eliminate any vehicles off the suspect list. If an AFV has a lifecycle cost that is within 10 percent of the cost of a similar combustion engine vehicle, the Department includes it as a potential AFV application.

### State Fleet Replacement Methodology Results

Reason for Replacement	Number of Vehicles
High age and mileage vehicles	3
Non-DPS vehicles with high mileage	379
CDPS vehicles	161
High age and cost vehicles	0
Maintenance cost review	0
Agency feedback	2
Remaining revenue assessment	0
<b>Total vehicles for replacement</b>	<b>545</b>

## JBC Staff Historic Methodology

Prior to FY 2024-25, JBC staff would recommend replacement criteria that varied from the Department's and use the requested replacements as a starting point to further trim the list of potential vehicles to be replaced. These criteria were:

4. Projected high mileage by June 2026.
  - a. Colorado State Patrol (CSP) vehicles – 100,000 miles.
  - b. CSP Motorcycles – 40,000 miles.
  - c. Other law enforcement vehicles – 125,000 miles.
  - d. Standard vehicles – 150,000 miles. This is equal to 15,000 miles per year over 10 years.
5. Over 15 years old.
6. High maintenance cost that is 100 percent greater than average for the vehicle type.

These three criteria essentially supersede State Fleet Management criteria 1-4. JBC staff applied the above criteria directly to the Department's final list of vehicles for replacement, which generally resulted in fewer vehicles being approved for replacement than requested. The process caused the weight of the Department's prioritization to diminish, and the Department expressed concern that these criteria contributed to increased maintenance costs and reduced fleet readiness.

As a result of these concerns, two years ago JBC staff recommended, and the Committee approved, a change to the analytical methodology applied by JBC staff. Rather than winnow down the Department's final list of replacement candidates, staff preemptively establishes the methodology and criteria to be used by the Department in creating their list of replacements. During figure setting, staff verifies the application of the established methodology and recommends any changes to the replacement selection criteria prior to the Department beginning its annual assessment of replacement candidates. **Staff recommends the continuation of this practice.**

## Cost Comparison of Methodologies

As part of the November 1 budget submission, JBC staff receives documents detailing characteristics of each vehicle the Department is requesting to replace. These characteristics include vehicle age, average cost per mile to maintain, average miles traveled, vehicle type, owner agency, and cost to purchase. Using the data provided, staff developed the table below to provide a cost comparison of the two different methodologies for evaluating the requested replacements. The costs in the table are for the first year of ownership, rather than life-cycle costs, because the first year of ownership (i.e., FY 2026-27) is of the most immediate concern to the appropriations process for the Long Bill.

**Cost Comparison of Replacement Criteria for State Fleet Vehicles**

Element	Recommendation	Historic JBC Criteria
First year cost of new vehicles	\$5,879,760	\$4,459,956
Maintenance cost of new vehicles	758,049	601,818
Maintenance cost of vehicles not replaced	0	233,817
Avoided maintenance cost of replaced vehicles	-1,083,112	-849,294

Element	Recommendation	Historic JBC Criteria
Net cost of replacement	\$5,554,698	\$4,446,297
# of vehicles replaced	545	377
% of requested vehicles	100.0%	73.2%
Average annual net cost per vehicle replaced	\$10,192	\$11,794
Difference from request (net total funds)	n/a	-1,108,400
Difference from request (vehicles)	n/a	-168

The above table illustrates the difference in cost between the current replacement methodology and the criteria historically used JBC staff. For this year's list, 168 vehicles would not be recommended for replacement based on historic JBC criteria. The application of the old criteria results in fewer vehicles replaced at a lower total cost than the Department's request, but the per vehicle unit cost is higher. The net replacement cost of the Department's request is \$5.6 million and the unit cost is \$10,192 per replaced vehicle. The net replacement cost of historic JBC criteria is \$4.4 million and the unit cost is \$11,794. This cost comparison suggests that there are some economies of scale and that the savings of avoided maintenance costs tips the analysis in favor of the current replacement methodology. From a statewide cost allocation perspective, the historic JBC criteria provides short-term budgetary relief, but results in greater out-year costs.

#### Statewide Impact on FY 2025-26 Incremental Cost Adjustments

Element	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Staff recommendation	\$305,110	\$724,244	-\$342,729	-\$55,155	-\$21,250
Historic JBC criteria	-184,379	542,984	-616,401	-84,069	-26,893
Difference	\$489,489	\$181,260	\$273,672	\$28,914	\$5,643

### Recommended Replacement Vehicles

Staff recommends replacement of all 545 requested vehicles. The replacement recommendation includes a statewide increase in Vehicle Lease Payments line items of \$0.3 million total funds, including \$0.7 million General Fund. This recommendation does not include adjustments for additional state agency vehicles requested through separate department request items.

The table below summarizes the number of vehicle replacements by department.

#### FY 2026-27 Annual Fleet Replacements Recommended Department Allocations

Department	FY 2025-26 Appropriation		FY 2026-27					
	Long Bill	Req & Rec Appropriation	Total Incremental Change	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	
<u>Appropriated Agencies</u>								
Agriculture	\$623,229	\$644,529	\$21,300	\$10,622	\$10,445	\$0	\$233	
Corrections	4,568,540	5,463,602	895,062	763,553	131,509	0	0	
Early Childhood	8,026	7,078	-948	-948	0	0	0	
Education	45,211	49,431	4,220	4,220	0	0	0	
Governor's Office	17,449	18,727	1,278	1,278	0	0	0	
Human Services	1,603,492	1,278,372	-325,120	-160,955	0	-164,165	0	

Department	FY 2025-26 Appropriation		FY 2026-27				
	Long Bill	Req & Rec Appropriation	Total Incremental Change	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Judicial Branch	301,633	290,414	-11,219	-11,219	0	0	0
Labor And Employment	295,709	241,689	-54,020	-4,319	-29,007	-248	-20,447
Law	104,090	105,839	1,749	719	283	604	144
Local Affairs	158,338	143,977	-14,361	-6,358	-6,088	-1,915	0
Military and Veterans Affairs	135,712	101,241	-34,471	-16,349	0	0	-18,122
Natural Resources	9,207,001	7,861,259	-1,345,742	-182,007	-1,150,446	-3,310	-9,979
Personnel	262,163	266,356	4,193	0	6	4,187	0
Public Health & Environment	473,909	500,407	26,498	2,273	21,820	2,405	0
Public Safety	14,780,460	16,212,993	1,432,533	328,132	970,192	107,288	26,921
Regulatory Agencies	754,631	492,077	-262,554	0	-262,554	0	0
Revenue	1,047,509	1,014,932	-32,577	-4,399	-28,178	0	0
State	11,538	10,827	-711	0	-711	0	0
Appropriated Totals	\$34,398,640	\$34,703,750	\$305,110	\$724,244	-\$342,729	-\$55,155	-\$21,250
<u>Non Appropriated Agencies</u>							
Higher Education	\$2,297,666	\$2,273,180	-\$24,486				
Transportation	4,779,948	4,925,391	145,443				
Statewide Total	\$41,476,254	\$41,902,321	\$426,067				

## → R9 General Fund reductions and transfers [legislation]

### Request

The Department requests a cash fund transfer to the General Fund.

- Year 1: The total transferred to the General Fund is \$6.4 million. This transfer is from the Supplier Database Cash Fund.

The net General Fund impact of the requested transfer is an increase of \$3.7 million because of the interaction between the cash fund and the CORE Operations common policy. The Supplier Database Cash Fund is used to reduce the costs of the CORE Operations common policy borne by state agencies.

### Recommendation

Staff recommends a transfer of \$5.4 million to the General Fund from the Supplier Database Cash Fund. The lower transfer recommendation is to account for the inclusion of the CORE payroll program costs with the CORE Operations common policy. As it is the first year of the CORE payroll being included in the CORE Operations common policy, staff believes it justified to cover those costs with a portion of the excess balance of the Supplier Database Cash Fund. This also relieves some cost pressures on state agencies who pay for the CORE Operations common policy. As discussed later in this document in the CORE Operation common policy build section, the Supplier Database Cash Fund has sufficient revenue to cover this transfer and meet its other obligations.

# Common Policy Summary Tables

The following tables summarize JBC staff's recommendations for each operating common policy. As part of those recommendations, staff assumes the Joint Budget Committee grants the required authority for staff to make the necessary adjustments to the affected line items across all state agencies, and the authority to work with those affected agencies to ensure accurate fund splits.

**JBC staff requests the Committee grant permission to make all necessary adjustments to the affected departments to implement the Committee's decisions regarding operating common policies, and for permission for individual analysts to work with their departments to ensure correct fund source allocations.**

## Administrative Law Judge Services

**Administrative Law Judge Services FY 2026-27 Recommended Allocations**

Department	FY 2024-25 Utilization	FY 2025-26		FY 2026-27		
		Appropriation	Request	Recommendation	Req/Rec Diff	Total Adjustment
Agriculture	0.1%	\$10,835	\$5,711	\$5,492	-\$219	-\$5,343
Early Childhood	0.2%	2,822	10,745	10,332	-413	7,510
Education	3.0%	251,414	190,030	182,730	-7,300	-68,684
Health Care Policy and Finance	23.1%	2,172,417	1,452,072	1,396,291	-55,781	-776,126
Human Services	11.9%	1,644,899	746,498	717,822	-28,676	-927,077
Labor and Employment	54.9%	6,487,126	3,446,842	3,314,432	-132,410	-3,172,694
Law [1]	0.0%	431	2,683	2,580	-103	2,149
Local Affairs	0.5%	6,764	28,325	27,237	-1,088	20,473
Personnel	0.0%	0	933	897	-36	897
Public Health and Environment	0.3%	28,325	15,740	15,136	-604	-13,189
Public Safety [1]	0.0%	0	1,929	1,855	-74	1,855
Regulatory Agencies	5.5%	679,975	347,928	334,562	-13,366	-345,413
Revenue	0.3%	11,373	16,124	15,504	-620	4,131
State [1]	0.0%	10,576	2,376	2,285	-91	-8,291
Transportation	0.1%	9,004	5,558	5,344	-214	-3,660
Total	100.0%	\$11,315,961	\$6,273,494	\$6,032,498	-\$240,996	-\$5,283,463

[1] Rounds to zero.

## Differences from prior year and from the request

To account for the higher than requested Administrative Hearings Cash Fund adjustment, staff recommends the Committee approve a FY 2026-27 appropriation of \$6.0 million total funds, with the Department allocations summarized above.

## Workers' Compensation

### Workers' Compensation FY 2026-27 Recommended Allocation

Department	FY 2025-26 Approp.	FY 2026-27				Recommended Adjustment
		Actuarial Allocation	Request	Recommended	Difference From Request	
Agriculture	\$264,452	0.9%	\$375,302	\$379,680	\$4,378	\$115,228
Corrections	7,995,368	25.3%	11,153,089	11,283,198	130,109	3,287,830
Early Childhood	66,300	1.3%	569,576	576,220	6,644	509,920
Education	312,534	0.8%	348,810	352,879	4,069	40,345
Governor	182,025	0.5%	229,596	232,275	2,679	50,250
Health Care Policy and Financing	230,107	0.8%	366,471	370,746	4,275	140,639
Higher Education	2,283,900	6.1%	2,697,758	2,729,230	31,472	445,330
Human Services	9,753,546	26.6%	11,735,911	11,872,819	136,908	2,119,273
Judicial	892,954	2.9%	1,284,857	1,299,846	14,989	406,892
Labor and Employment	528,903	1.2%	516,592	522,618	6,026	-6,285
Law	223,238	0.7%	322,318	326,078	3,760	102,840
Legislature	151,115	0.5%	225,181	227,808	2,627	76,693
Local Affairs	140,812	0.4%	189,859	192,073	2,214	51,261
Military and Veterans Affairs	137,377	0.4%	158,951	160,806	1,855	23,429
Natural Resources	1,394,381	4.1%	1,797,034	1,817,998	20,964	423,617
Personnel	353,747	1.1%	463,608	469,017	5,409	115,270
Public Health and Environment	394,960	1.2%	547,499	553,886	6,387	158,926
Public Safety	1,940,457	6.0%	2,631,529	2,662,227	30,698	721,770
Regulatory Agencies	233,543	0.6%	278,165	281,410	3,245	47,867
Revenue	439,608	1.2%	529,838	536,019	6,181	96,411
State	89,295	0.3%	114,798	116,137	1,339	26,842
Transportation	6,453,306	17.2%	7,594,345	7,682,938	88,593	1,229,632
Treasury	13,738	0.1%	22,077	22,334	257	8,596
Allocation Totals	\$34,475,666	100.0%	\$44,153,164	\$44,668,242	\$515,078	\$10,192,576
<i>Percentage change from prior year</i>						
<i>29.6%</i>						

### Differences from prior year and from the request

Workers' Compensation increases 29.6 percent, or \$10.2 million. The increase is due to increased estimates for claims payouts and legal fees, as well as a fund balance adjustment to ensure a sufficient reserve balance.

Staff recommends a total allocation of \$44.7 million total funds for Workers' Compensation. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance.

## Payment to Risk Management and Property Funds

### Payment to Risk Management and Property Funds Recommended Allocation

Department	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2026-27 Recommend	Difference from Request	Recommended Adjustment
Agriculture	\$520,432	\$195,561	\$197,819	\$2,258	-\$322,613
Corrections	11,668,124	13,804,587	13,989,018	184,431	2,320,894
Early Childhood	4,303	74,355	74,305	-50	70,002
Education	1,024,799	618,696	627,918	9,222	-396,881
Governor	1,276,886	225,531	226,632	1,101	-1,050,254

Department	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2026-27 Recommend	Difference from Request	Recommended Adjustment
Health Care Policy and Financing	280,008	146,590	146,540	-50	-133,468
Higher Education	13,906,821	6,861,536	6,975,972	114,436	-6,930,849
Human Services	5,241,275	2,172,176	2,199,243	27,067	-3,042,032
Judicial	2,169,664	2,006,393	2,022,128	15,735	-147,536
Labor and Employment	392,166	288,199	289,115	916	-103,051
Law	425,259	246,064	245,969	-95	-179,290
Legislature	134,288	77,320	77,400	80	-56,888
Local Affairs	157,407	95,520	95,837	317	-61,570
Military and Veterans Affairs	1,268,201	504,996	513,727	8,731	-754,474
Natural Resources	3,532,751	2,034,904	2,064,336	29,432	-1,468,415
Personnel	3,122,472	1,462,875	1,487,406	24,531	-1,635,066
Public Health and Environment	1,275,077	476,414	479,246	2,832	-795,831
Public Safety	7,307,252	3,515,053	3,520,607	5,554	-3,786,645
Regulatory Agencies	320,147	147,680	148,250	570	-171,897
Revenue	820,278	353,752	354,976	1,224	-465,302
State	156,118	60,639	60,888	249	-95,230
Transportation	11,554,656	5,111,211	5,145,232	34,021	-6,409,424
Treasury	21,611	17,396	17,382	-14	-4,229
Allocation totals	\$66,579,995	\$40,497,447	\$40,959,946	\$462,499	-\$25,620,049
<i>Percentage change from prior year</i>					
<i>-38.5%</i>					

## Differences from prior year and from the request

Staff recommends an allocation of \$41.0 million total funds for Payment to Risk Management and Property Funds. Payment to Risk Management and Property Funds decreases by 38.5 percent, or \$25.6 million. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance for the liability component. The reduction is primarily due to large fund balance adjustments for both the liability and property programs.

## Capitol Complex Leased Space

### Capitol Complex Leased Space FY 2026-27 Recommended Allocation

Department	FY 2025-26 Appropriation	FY 2026-27			Total Adjustment
		Request	Recommended	Difference from Request	
Agriculture	0	0	0	0	0
Corrections	0	0	0	0	0
Early Childhood	0	0	0	0	0
Education	\$1,288,751	\$1,121,946	\$1,111,049	-\$10,897	-\$177,702
Governor	1,302,538	1,391,666	1,378,107	-13,559	75,569
Health Care Policy and Financing	0	0	0	0	0
Higher Education	968,045	945,531	933,838	-11,693	-34,207
Human Services	1,510,654	1,426,690	1,412,833	-13,857	-97,821
Judicial	0	0	0	0	0
Labor and Employment	66,105	66,197	65,491	-706	-614
Law	0	0	0	0	0
Legislative	2,926,508	3,088,545	3,058,546	-29,999	132,038
Local Affairs	993,730	745,599	738,183	-7,416	-255,547
Military and Veteran Affairs	60,973	65,144	64,104	-1,040	3,131

Department	FY 2025-26 Appropriation	FY 2026-27			Total Adjustment
		Request	Recommended	Difference from Request	
Natural Resources	939,891	887,651	879,029	-8,622	-60,862
Personnel	2,789,706	2,456,809	2,433,971	-22,838	-355,735
Public Health and Environment	43,498	45,912	45,260	-652	1,762
Public Safety	2,441,045	2,334,290	2,310,058	-24,232	-130,987
Regulatory Agencies	0	0	0	0	0
Revenue	73,921	75,862	74,926	-936	1,005
State	0	0	0	0	0
Transportation	144,103	152,101	149,939	-2,162	5,836
Treasury	70,019	66,127	65,485	-642	-4,534
Vacant (allocated to Personnel as GF)	1,226,090	2,329,917	2,307,280	-22,637	1,081,190
Allocation totals	\$16,845,577	\$17,199,987	\$17,028,099	-\$171,888	\$182,522
<i>Percentage change from prior year</i>					1.1%

The following table outlines the common policy allocation and additional costs paid by the General Assembly.

#### **General Assembly Payments to the Department of Personnel for Maintenance of Legislative Space**

Element	Amount
Capitol Complex Leased Space Allocation	\$3,058,546
Capitol Complex Parking	28,800
Conference Center Rental	5,200
Total	\$3,092,546

#### **Differences from prior year and from the request**

Staff recommends a total allocation of \$17.0 million total funds for Capitol Complex Leased Space. The changes to the Capitol Complex changes equal an increase of 1.1 percent, or \$182,522. The primary difference between the request and the recommendation are adjustment to some program cost elements.

## **CORE Operations**

#### **CORE Operations and Payroll Combined Recommended Allocations**

Department	FY 2025-26 Appropriation	FY 2026-27			
		Request	Recommendation	Difference from Request	Total Adjustment
Agriculture	\$34,321	\$177,752	\$156,964	-\$20,788	\$122,643
Corrections	72,316	536,368	462,770	-73,598	390,454
Early Childhood	21,441	103,590	91,452	-12,138	70,011
Education	53,850	239,036	210,638	-28,398	156,788
Governor	80,478	373,544	328,608	-44,937	248,130
Health Care Policy and Financing	35,879	196,510	172,571	-23,939	136,692
Higher Education	44,611	213,361	189,000	-24,361	144,389
Human Services	242,237	1,158,086	1,018,333	-139,753	776,096
Judicial	368,488	1,791,273	1,580,140	-211,133	1,211,652
Labor & Employment	78,016	417,251	366,533	-50,718	288,517
Law	11,522	78,067	67,765	-10,302	56,243
Legislature	7,499	50,294	43,384	-6,910	35,885
Local Affairs	100,668	491,976	436,735	-55,241	336,067

Department	FY 2025-26 Appropriation	FY 2026-27			
		Request	Recommendation	Difference from Request	Total Adjustment
Military and Veterans Affairs	12,261	62,280	54,903	-7,376	42,642
Natural Resources	134,921	694,171	611,622	-82,549	476,701
Personnel	62,696	269,531	238,564	-30,967	175,868
Public Health and Environment	204,021	929,527	821,453	-108,074	617,432
Public Safety	84,405	478,921	420,652	-58,269	336,247
Regulatory Agencies	68,984	318,263	281,449	-36,814	212,465
Revenue	199,018	1,023,855	906,419	-117,436	707,401
Secretary of State	3,877	23,881	20,862	-3,019	16,985
Transportation	28,184	225,103	192,348	-32,755	164,164
Treasury	165,485	853,932	759,333	-94,599	593,848
<b>Total</b>	<b>\$2,115,178</b>	<b>\$10,706,572</b>	<b>\$9,432,499</b>	<b>-\$1,274,073</b>	<b>\$7,317,321</b>

## Differences from prior year and from the request

The appropriations for both CORE operations and payroll will appear in the CORE Operations line item in each affected state agency. The primary difference between the request and the recommendation is a difference in the calculated reserve fund balance for the Supplier Database Cash Fund.

## Vehicle Lease Payments

### FY 2026-27 Annual Fleet Recommended Allocations

Department	FY 2025-26 Appropriation	FY 2026-27						
		Long Bill	Req & Rec Appropriation	Total Incremental Change	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<u>Appropriated Agencies</u>								
Agriculture	\$623,229	\$644,529		\$21,300	\$10,622	\$10,445	\$0	\$233
Corrections	4,568,540	5,463,602		895,062	763,553	131,509	0	0
Early Childhood	8,026	7,078		-948	-948	0	0	0
Education	45,211	49,431		4,220	4,220	0	0	0
Governor's Office	17,449	18,727		1,278	1,278	0	0	0
Human Services	1,603,492	1,278,372		-325,120	-160,955	0	-164,165	0
Judicial Branch	301,633	290,414		-11,219	-11,219	0	0	0
Labor And Employment	295,709	241,689		-54,020	-4,319	-29,007	-248	-20,447
Law	104,090	105,839		1,749	719	283	604	144
Local Affairs	158,338	143,977		-14,361	-6,358	-6,088	-1,915	0
Military and Veterans Affairs	135,712	101,241		-34,471	-16,349	0	0	-18,122
Natural Resources	9,207,001	7,861,259		-1,345,742	-182,007	-1,150,446	-3,310	-9,979
Personnel	262,163	266,356		4,193	0	6	4,187	0
Public Health & Environment	473,909	500,407		26,498	2,273	21,820	2,405	0
Public Safety	14,780,460	16,212,993		1,432,533	328,132	970,192	107,288	26,921
Regulatory Agencies	754,631	492,077		-262,554	0	-262,554	0	0
Revenue	1,047,509	1,014,932		-32,577	-4,399	-28,178	0	0
State	11,538	10,827		-711	0	-711	0	0
<b>Appropriated Totals</b>	<b>\$34,398,640</b>	<b>\$34,703,750</b>		<b>\$305,110</b>	<b>\$724,244</b>	<b>-\$342,729</b>	<b>-\$55,155</b>	<b>-\$21,250</b>
<u>Non Appropriated Agencies</u>								
Higher Education	\$2,297,666	\$2,273,180				-\$24,486		

Transportation	4,779,948	4,925,391	145,443
Statewide Total	\$41,476,254	\$41,902,321	\$426,067

## Differences from prior year and from the request

For statewide fleet replacement vehicles:

- Total statewide Vehicle Lease Payments increase 0.9 percent, or \$0.3 million total funds.
- Staff recommends approving the request to replace a total of 545 vehicles and a total allocation of \$41.9 million total funds for vehicle lease payments, consisting of 326 alternative fuel vehicles and 219 standard vehicles.
- Staff recommends an appropriation of \$34.7 million for statewide allocations to departments.

## Document Solutions Group Common Policy for Departments of Revenue and State

The following table summarizes changes to the Department of Revenue and the Secretary of State's Office for a common policy for services utilized by each with the Document Solutions Group at Integrated Document Solutions in Pueblo.

**FY 2026-27 Document Solutions Group Recommended Allocations**

Department	Line Item	FY 2025-26		FY 2026-27					
		Appropriation	Rec'd	Total Base Adj.	General Fund	Cash Funds	Reapprop Funds	Federal Funds	
Revenue	IDS Print Production	\$6,270,031	\$6,764,431	\$494,400	\$494,400	\$0	\$0	\$0	
Revenue	Document Management	5,679,805	5,888,378	208,573	211,180	-2,607	0	0	
State [1]	Document Management	802,526	1,003,574	201,048	0	201,048	0	0	
Total		\$12,752,362	\$13,656,383	\$904,021	\$705,580	\$198,441	\$0	\$0	

[1] The Department of State's appropriation includes funding for contractual services utilized in the initiative process.

## Differences from prior year and from the request

Staff recommends a total allocation of \$13.7 million for document solutions support for the Departments of Revenue and State. The Document Solutions Group common policy total allocated costs increased by 7.9 percent from the prior fiscal year, or \$0.9 million total funds. The increase is primarily driven by increase in printing services provided to the Department of Revenue and personal services costs for the Document Solutions Group.

# Common Policy Builds

## Administrative Law Judge Services

The Office of Administrative Courts (OAC) provide an independent administrative law adjudication system for state agencies to resolve cases that concern worker's compensation, public benefits (food stamps, Colorado Works/TANF, Medicaid, etc.), professional licensing board work involving license denial, revocation, suspension or other discipline, teacher dismissal cases, and when a citizen has filed a complaint under the Fair Campaign Practices Act.

The OAC operates at three locations, including the main office in Denver, the Western Regional Office in Grand Junction, and the Southern Regional office in Colorado Springs. It also provides hearings at other regional locations around the State.

The OAC is cash funded through fees from state agency users and non-state entities. The cash funds source is fees from non-state agencies. The reappropriated funds source is fees from state agencies. Fee revenue is deposited into the Administrative Courts Cash Fund, created in Section 24-30-1001 (3), C.R.S.

The costs of providing Administrative Law Judge Services are allocated to state agencies, based upon actual usage for the most recent fiscal year for which actual data is available. The FY 2026-27 allocation is determined by the FY 2024-25 actual number of administrative law judge and paralegal hours used by agency. The common policy allocations to state agencies are calculated to fully fund the program's costs plus fund a cash fund balance reserve adjustment to maintain a standard reserve percentage from year to year.

While non-state agencies, including miscellaneous school districts, use the OAC, this cash funds revenue stream is variable and is billed directly by use. Cash funds revenue is held as reserve in the fund balance in the year received. The fund balance reserve is adjusted annually to maintain an adequate operating cash flow reserve from year-to-year. Recognition of cash funds revenue is automatically included in the following year's fund balance reserve adjustment to ensure fairness for state agency common policy allocations.

## Program Costs

The following table outlines total administrative law judge services program base costs for allocation to state agencies that include program costs and a fund balance reserve adjustment.

Personal services, operating expenses, and indirect costs are based on anticipated figure setting recommendations for the next fiscal year (FY 2026-27), which will be presented at a later date. Program share of departmental benefits POTS, legal services, OIT, and operating common policy items are provided by the Department and based on current year (FY 2025-26) appropriations and the program's estimated share of the Department total.

## FY 2026-27 Administrative Law Judge Services Program Costs

Description	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2026-27 Recommended	Difference from Req
Personal services	\$5,008,380	\$5,148,844	\$5,148,844	\$0
Benefits POTS	1,302,081	1,573,231	1,573,231	0
Operating and OIT common policies	1,633,376	902,636	886,397	-16,239
Operating expenses	195,699	176,073	176,073	0
FY 25-26 IT Cap request - Court case management	3,375,426	0	0	0
Indirect costs	188,074	208,300	189,364	-18,936
Program costs subtotal	\$11,703,036	\$8,009,084	\$7,973,909	-\$35,175
Fund balance adjustment	-387,075	-1,735,590	-1,941,411	-205,821
<b>Total</b>	<b>\$11,315,961</b>	<b>\$6,273,494</b>	<b>\$6,032,498</b>	<b>-\$240,996</b>

## Fund Balance Reserve Adjustment

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends continuing an 8.25 percent fund balance reserve calculated on the estimated program expenditure base of personal services, operating expenses, and indirect costs for the next fiscal year (FY 2026-27). The FY 2025-26 beginning fund balance is taken from the Department's FY 2026-27 submitted budget documentation (Schedule 9) for the Administrative Hearings Cash Fund. Staff recommends a fund balance reserve adjustment decrease of \$1.9 million.

### Administrative Courts Cash Fund

Recommended Reserve Adjustment Calculation	Requested	Recommended [1]
<u>FY 2025-26</u>		
Beginning balance	\$2,112,615	\$2,112,615
Revenue	11,315,961	11,315,961
Expenditures	-11,032,237	-11,032,237
Ending balance	\$2,396,339	\$2,396,339
<u>FY 2026-27</u>		
Expenditure base (PS+OE+IC)	\$8,009,084	\$5,514,281
Target reserve %	8.25%	8.25%
Reserve amount	\$660,749	\$454,928
<i>Reserve adjustment</i>	<i>-\$1,735,590</i>	<i>-\$1,941,411</i>

[1] Data from Schedule 9.

## State Agency Utilization and Allocation

The costs of providing administrative law judge services are allocated to state agencies, based upon actual usage for the most recent fiscal year that actual data is available. The next fiscal year (FY 2026-27) allocation is determined by the most recent actual year's (FY 2024-25) utilization of administrative law judge and paralegal hours by agency. **The following table outlines recommended allocations for the Administrative Law Judge Services common policy.**

## Administrative Law Judge Services FY 2026-27 Recommended Allocations

Department	FY 2024-25 Utilization	FY 2025-26		FY 2026-27		
		Appropriation	Request	Recommendation	Req/Rec Diff	Total Adjustment
Agriculture	0.1%	\$10,835	\$5,711	\$5,492	-\$219	-\$5,343
Early Childhood	0.2%	2,822	10,745	10,332	-413	7,510
Education	3.0%	251,414	190,030	182,730	-7,300	-68,684
Health Care Policy and Finance	23.1%	2,172,417	1,452,072	1,396,291	-55,781	-776,126
Human Services	11.9%	1,644,899	746,498	717,822	-28,676	-927,077
Labor and Employment	54.9%	6,487,126	3,446,842	3,314,432	-132,410	-3,172,694
Law [1]	0.0%	431	2,683	2,580	-103	2,149
Local Affairs	0.5%	6,764	28,325	27,237	-1,088	20,473
Personnel	0.0%	0	933	897	-36	897
Public Health and Environment	0.3%	28,325	15,740	15,136	-604	-13,189
Public Safety [1]	0.0%	0	1,929	1,855	-74	1,855
Regulatory Agencies	5.5%	679,975	347,928	334,562	-13,366	-345,413
Revenue	0.3%	11,373	16,124	15,504	-620	4,131
State [1]	0.0%	10,576	2,376	2,285	-91	-8,291
Transportation	0.1%	9,004	5,558	5,344	-214	-3,660
Total	100.0%	\$11,315,961	\$6,273,494	\$6,032,498	-\$240,996	-\$5,283,463

[1] Rounds to zero.

## Workers' Compensation

Risk Management Services protects the State's human resource and property assets through the administration of liability, property, and workers' compensation coverage for state agencies. Services include accident investigation, legal defense, safety training, hazard mitigation, building inspection, insurance procurement, claim evaluation, and data collection. Risk Management Services is funded by reappropriated funds from the Risk Management Fund created in Section 24-30-1510 (1)(a), C.R.S., the Self-insured Property Fund created in Section 24-30-1510.5 (1)(a), C.R.S., and the State Employee Workers' Compensation Account in the Risk Management Fund created in Section 24-30-1510.7 (1)(a), C.R.S.

The workers' compensation program is used to pay workers' compensation benefits to state employees. The State is self-insured for workers' compensation claims. The two broad categories of workers' compensation payments are medical payments and indemnity payments. 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 payment for medical benefits. The Workers' Compensation Program is funded from the State Employee Workers' Compensation Account, a separate account within the Risk Management Fund, pursuant to Section 24-30-1510.7, C.R.S. Money in the account are continuously appropriated for the purposes of the account other than the direct and indirect administrative costs of operating the risk management system, including legal services, litigation expenses, and third-party administrator expenses.

## Risk Management Program Costs

The following table outlines total risk management program overhead costs for allocation to risk programs. Risk management's personal services, operating expenses, and indirect costs are based on figure setting

recommendations for the next fiscal year. Program share of departmental benefits pots and OIT and operating common policy items are estimated by the Department and based on current fiscal year appropriations. Each risk program pays a share of Risk Management Services' administrative costs.

#### Risk Management Program Costs

	FY 2025-26 Approp.	FY 2026-27 Request	FY 2026-27 Recommend.	Liability Share	Property Share	Workers' Comp. Share
Program allocation share			100.0%	41.0%	7.0%	52.0%
Personal services	\$1,099,512	\$1,124,262	\$1,124,262	\$460,947	\$78,698	\$584,616
Benefits POTS	257,643	305,226	305,226	125,143	21,366	158,718
Operating and OIT common policies	355,383	259,721	259,721	106,486	18,180	135,055
Operating expenses	65,018	65,018	65,018	26,657	4,551	33,809
Indirect costs	402,536	211,163	211,163	86,577	14,781	109,805
Total Risk Mgt costs for allocation	\$2,180,092	\$1,965,390	\$1,965,390	\$805,810	\$137,577	\$1,022,003

#### Workers' Compensation Program Costs

The following table outlines total workers' compensation program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Workers' compensation third party administrator (TPA) fees and loss control programs;
- Workers' compensation claims, excess policy, and legal expenses;
- Actuarial and broker services attributable to workers' compensation;
- Workers' compensation share of the Risk Management Information System; and
- A fund balance reserve adjustment.

#### Workers' Compensation Program Costs

	FY 2025-26 Approp.	FY 2026-27 Request	FY 2026-27 Recommend.	Difference from Request
Program costs	\$1,133,648	\$1,025,528	\$1,022,003	-\$3,525
Workers' compensation claims	30,222,640	33,962,814	33,962,814	0
W.C. TPA fees and loss control	1,850,000	2,078,480	2,078,480	0
W.C. excess policy	1,562,367	1,327,310	1,327,310	0
W.C. legal services	1,929,105	2,223,344	2,743,168	519,824
Actuarial and broker services	159,456	160,432	160,432	0
Risk Management Information System	76,845	84,530	84,530	0
DHS prior year claim payouts	65,000	0	0	0
Program costs subtotal	\$36,999,061	\$40,862,438	\$41,378,737	\$516,299
Fund balance reserve adjustment	-2,654,695	3,290,727	3,289,507	-1,220
Total for allocation	\$34,344,366	\$44,153,165	\$44,668,244	\$515,079

#### Workers' Compensation Claims

This figure includes prospective claim payments defined by risk management from figures provided by the program actuary. There are two broad categories of workers' compensation claims: indemnity benefits and medical benefits. 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.

## **Workers' Compensation TPA Fees and Loss Control**

This figure includes fees paid to the State's third-party administrator (TPA), Broadspire, for contracted TPA services. This figure also includes loss control incentives used for agencies with initiatives to reduce workers' compensation claims.

## **Workers' Compensation Excess Policy**

This figure includes the insurance policy purchased to cover the possibility of a catastrophic workers' compensation loss, required by the Colorado Department of Labor and Employment (CDLE) for a self-insurance permit. The cost of the policy is calculated on payroll. Also included are payments to the CDLE for permit fees and surcharges imposed on self-insured employers, which funds the Subsequent Injury Fund.

## **Workers' Compensation Legal Services**

This figure represents the cost the Department anticipates spending for legal representation at workers' compensation hearings and for expert opinions provided through the TPA contract, which is included in actuarial projections provided by the State's actuary.

## **RMIS Service Fees**

The Department contracts for data management and technical support for the Risk Management Information System that tracks claims for all risk management programs. The Department splits the cost for the RMIS equally among the three risk management programs.

## **DHS Prior Year Claim Payouts**

This is a payment for Department of Human Services (DHS) prior year claims payments for certain DHS institutions claims – all permanent, total disability claims – that were open when the Department joined the State risk pool. This component was included in claims prior to FY 2017-18.

## **Fund Balance Reserve Adjustment**

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends an operating cash flow fund balance reserve calculated at 5.0 percent of the estimated program costs for the next fiscal year. Staff also recommends an extraordinary claims fund balance reserve calculated at 10.0 percent of the workers' compensation claims estimate.

### **Workers' Compensation Fund Balance Adjustment**

FY 2025-26	Amount
Beginning fund balance	\$8,250,012
Revenue estimate	34,344,366
Expenditure estimate	-40,418,667

FY 2025-26	Amount
FY 2026-27	
Est. beginning fund balance	\$2,175,711
Targeted fund balance % expenses/claims	5%/10%
Target fund balance	\$5,465,218
<i>Recommended reserve adjustment</i>	\$3,289,507

<sup>1</sup> Figures taken from Schedule 9.

The recommended fund balance reserve adjustment is an increase of \$3.3 million. Actuarial projections relied upon by the Department were lower the actual claims made against the program leading to a small fund balance. Revenue represents current fiscal year total allocations (billings) to state agencies and expenditures represents current fiscal year appropriated program costs. Transfers identified in the table are authorized by statute, which allows the Department to transfer between Workers' Compensation, Property, and Liability Funds to address negative cash balances that occur when claims exceed the actuarial projections.

## State Agency Allocation

The program's actuary projects the State's total workers' compensation needs by analyzing prior 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 following table outlines the recommended state agency allocations for the next fiscal year. **Staff recommends that the Committee approve the state agency allocations included in the table for the Workers' Compensation common policy.**

### Workers' Compensation FY 2026-27 Recommended Allocation

Department	FY 2025-26 Approp.	FY 2026-27				
		Actuarial Allocation	Request	Recommended	Difference From Request	Recommended Adjustment
Agriculture	\$264,452	0.9%	\$375,302	\$379,680	\$4,378	\$115,228
Corrections	7,995,368	25.3%	11,153,089	11,283,198	130,109	3,287,830
Early Childhood	66,300	1.3%	569,576	576,220	6,644	509,920
Education	312,534	0.8%	348,810	352,879	4,069	40,345
Governor	182,025	0.5%	229,596	232,275	2,679	50,250
Health Care Policy and Financing	230,107	0.8%	366,471	370,746	4,275	140,639
Higher Education	2,283,900	6.1%	2,697,758	2,729,230	31,472	445,330
Human Services	9,753,546	26.6%	11,735,911	11,872,819	136,908	2,119,273
Judicial	892,954	2.9%	1,284,857	1,299,846	14,989	406,892
Labor and Employment	528,903	1.2%	516,592	522,618	6,026	-6,285
Law	223,238	0.7%	322,318	326,078	3,760	102,840
Legislature	151,115	0.5%	225,181	227,808	2,627	76,693
Local Affairs	140,812	0.4%	189,859	192,073	2,214	51,261
Military and Veterans Affairs	137,377	0.4%	158,951	160,806	1,855	23,429
Natural Resources	1,394,381	4.1%	1,797,034	1,817,998	20,964	423,617
Personnel	353,747	1.1%	463,608	469,017	5,409	115,270
Public Health and Environment	394,960	1.2%	547,499	553,886	6,387	158,926
Public Safety	1,940,457	6.0%	2,631,529	2,662,227	30,698	721,770
Regulatory Agencies	233,543	0.6%	278,165	281,410	3,245	47,867
Revenue	439,608	1.2%	529,838	536,019	6,181	96,411
State	89,295	0.3%	114,798	116,137	1,339	26,842

Department	FY 2025-26 Approp.	FY 2026-27					Recommended Adjustment
		Actuarial Allocation	Request	Recommended	Difference From Request		
Transportation	6,453,306	17.2%	7,594,345	7,682,938	88,593	1,229,632	
Treasury	13,738	0.1%	22,077	22,334	257	8,596	
Allocation Totals	\$34,475,666	100.0%	\$44,153,164	\$44,668,242	\$515,078	\$10,192,576	
<i>Percentage change from prior year</i>							29.6%

## Allocation for Institutions of Higher Education

The following table outlines the allocation for institutions of higher education.

### Workers' Compensation Allocation for Higher Education

Institution	Actuarial Allocation	FY 2025-26 Recommend.
Arapahoe Community College	5.8%	\$159,387
Auraria Higher Education Center	12.3%	336,241
College Access Network/College Assist	0.0%	0
College Invest	0.7%	20,196
Colorado Commission on Higher Education	1.0%	27,565
Colorado State University - Pueblo	8.3%	225,707
Community College of Aurora	4.2%	113,809
Community College of Denver	3.4%	93,886
Community College System	3.1%	85,698
CSU - Global	1.6%	42,576
Front Range Community College	9.1%	249,452
History Colorado	2.2%	58,678
Lamar Community College	1.0%	26,474
Metropolitan State University of Denver	10.1%	274,288
Morgan Community College	1.5%	39,847
Northeastern Junior College	2.3%	62,499
Northwestern Community College	3.0%	81,604
Otero Junior College	5.7%	155,020
Pikes Peak Community College	10.8%	295,303
Private Occupational Schools	0.0%	0
Pueblo Community College	6.4%	175,217
Red Rocks Community College	6.0%	164,300
Trinidad State Junior College	1.5%	41,484
Allocation totals	100.0%	\$2,729,230

## Payment to Risk Management and Property Funds

### Risk Management Program Costs

The following table outlines total risk management program overhead costs for allocation to risk programs. Risk management's personal services, operating expenses, and indirect costs are based on figure setting recommendations for the next fiscal year. Program share of departmental benefits pots and OIT and operating common policy items are estimated by the Department and based on current fiscal year appropriations. Each risk program pays a share of Risk Management Services' administrative costs.

### Risk Management Program Costs

	FY 2025-26 Approp.	FY 2026-27 Request	FY 2026-27 Recommend.	Liability Share	Property Share	Workers' Comp. Share
Program allocation share			100.0%	41.0%	7.0%	52.0%
Personal services	\$1,099,512	\$1,124,262	\$1,124,262	\$460,947	\$78,698	\$584,616
Benefits POTS	257,643	305,226	305,226	125,143	21,366	158,718
Operating and OIT Common Policies	355,383	259,721	259,721	106,486	18,180	135,055
Operating expenses	65,018	65,018	65,018	26,657	4,551	33,809
Indirect costs	402,536	211,163	211,163	86,577	14,781	109,805
Total Risk Mgt Costs for Allocation	\$2,180,092	\$1,965,390	\$1,965,390	\$805,810	\$137,577	\$1,022,003

## Liability Program

The State is self-insured for the Liability Program. The program provides coverage to state agencies and employees for tort and federal claims, including those arising out of the scope of employment. Judgments for liabilities that do not involve federal law are limited by the Governmental Immunity Act pursuant to Section 24-10-114, C.R.S., limiting awards to \$424,000 per person and \$1,195,000 per occurrence. This act does not apply to liabilities that pertain to federal law (Americans with Disabilities Act, age discrimination, gender discrimination, racial discrimination, etc.), and there is no damage limit for these awards. This line is funded from the Risk Management Fund created in Section 24-30-1510 (1) (a), C.R.S. Moneys in the fund are continuously appropriated for purposes of the fund, other than the direct and indirect administrative costs of operating the risk management system, pursuant to Section 24-30-1510 (1) (a), C.R.S.

## C-SEAP Program Costs

The Colorado State Employees Assistance Program (C-SEAP) offers counseling to employees and managers on workplace issues such as absenteeism, sexual harassment, substance abuse, time management, violence in the workplace, and other types of personal problems that may be affecting an employee's ability to perform well at work. Section 24-50-604 (1)(k)(IV), C.R.S., provides that funding for the program may include, but need not be limited to, the Group Benefit Plans Reserve Fund created in Section 24-50-613 (1), C.R.S., the Risk Management Fund created in Section 24-30-1510 (1)(a), C.R.S., and interest derived from the investment of these funds. Since FY 2013-14, funding for C-SEAP has been provided from the Risk Management Fund through liability program cost allocations to state agencies pursuant to Section 24-30-1510 (3)(g), C.R.S.

The following table outlines C-SEAP costs that are included in liability program allocation.

### CSEAP Program Costs

Item	FY 2025-26 Appropriation	FY 2026-27		
		Request	Recommendation	Difference From Request
Personal services	\$1,449,239	\$1,449,239	\$1,486,682	\$37,443
Benefits POTS	399,325	547,693	547,693	0
Operating and OIT Common Policies	504,559	477,995	477,995	0
Operating expenses	93,293	93,293	93,293	0
Indirect costs	319,269	351,196	319,269	-31,927
Total costs for allocation	\$2,765,685	\$2,919,416	\$2,924,932	\$5,516

## Liability Program Costs

The following table outlines total liability program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Liability claims, excess policy, and legal services expenses;
- Actuarial and broker services attributable to liability;
- Liability share of the Risk Management Information System;
- C-SEAP costs;
- The cyber security liability policy; and
- A fund balance reserve adjustment.

### Liability Program Costs

Item	FY 2025-26 Appropriation	FY 20263-27		
		Request	Recommendation	Difference From Request
Risk Management program costs	\$893,838	\$809,705	\$805,810	-\$3,895
Liability claims (prospective losses)	8,981,259	8,869,828	8,869,828	0
Liability excess policy	0	1,478,746	1,478,746	0
Liability legal services	8,662,436	8,959,838	8,959,838	0
Actuarial and broker services	138,235	139,848	139,848	0
Risk Mgt. Information System	76,845	84,530	84,530	0
Program subtotal	\$18,752,613	\$20,342,495	\$20,338,600	-\$3,895
Cyber security liability policy	3,696,893	2,160,300	2,160,300	0
C-SEAP funding	2,725,680	2,919,416	2,924,932	5,516
Fund balance reserve adjustment	-301,233	-10,321,674	-10,341,244	-19,570
<b>Total for allocation</b>	<b>\$24,873,953</b>	<b>\$15,100,537</b>	<b>\$15,082,588</b>	<b>-\$17,949</b>

## Fund Balance Reserve Adjustment

The following table outlines the fund balance reserve adjustment recommendation.

### Risk Management Fund (Liability)

Recommended Reserve Adjustment	Amount [1]
<u>FY 2025-26</u>	
Beginning fund balance	\$10,951,591
Revenue	24,873,953
Expenditures	-23,255,096
Ending fund balance	\$12,570,448
<u>FY 2026-27</u>	
Beginning fund balance	\$12,570,448
<u>Operating Cash Flow Reserve</u>	
Expenditures (estimated)	-25,423,832
Cash flow reserve percentage	5.0%
Cash flow reserve	\$1,271,192
<u>Excess Claims Reserve</u>	
Liability claims estimate	-9,580,128
Excess claims reserve percentage	10.0%
Extraordinary claims reserve	\$958,013

Recommended Reserve Adjustment	Amount [1]
Target fund balance	\$2,229,204
<i>Recommended reserve adjustment</i>	-10,341,244

[1] Figures taken from Schedule 9.

Staff recommends a fund balance reserve adjustment of a decrease of \$10.3 million. Staff recommends an operating cash flow fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2026-27. Staff also recommends an excess claims fund balance reserve calculated at 10.0 percent of the liability, continuing the recent practice of the Committee.

## State Agency Allocation

The program's actuary projects the State's total liability needs by analyzing prior years' losses. Using this same data, the actuary then estimates the allocation for each agency as a percent of the total. The following table outlines the recommended allocation for the next fiscal year. **Staff recommends that the Committee approve the state agency allocations included in the table as the liability component of the Payment to Risk Management and Property Funds common policy.**

### Liability FY 2026-27 Recommended Allocation

Department	FY 2025-26 Approp.	Actuarial Allocation	FY 2026-27			
			Request	Recommendation	Difference From Request	Rec Adjustments
Agriculture	\$174,898	0.5%	\$71,685	\$71,600	-\$85	-\$103,298
Corrections	5,065,878	25.3%	3,815,663	3,811,127	-4,535	-1,254,751
Early Childhood	0	0.5%	72,422	72,336	-86	72,336
Education	401,269	0.8%	123,427	123,280	-147	-277,989
Governor	900,111	1.0%	157,432	157,245	-187	-742,866
Health Care Policy and Financing	208,670	0.9%	140,411	140,244	-167	-68,426
Higher Education	1,102,644	5.1%	764,340	763,431	-909	-339,213
Human Services	1,280,433	4.6%	697,552	696,723	-829	-583,710
Judicial	1,419,483	7.3%	1,105,190	1,103,876	-1,314	-315,607
Labor and Employment	224,740	1.5%	225,623	225,355	-268	615
Law	399,036	1.6%	236,262	235,981	-281	-163,055
Legislature	111,435	0.5%	68,778	68,696	-82	-42,739
Local Affairs	103,544	0.5%	74,067	73,979	-88	-29,565
Military and Veterans Affairs	65,031	0.3%	40,885	40,836	-49	-24,195
Natural Resources	700,652	3.0%	450,769	450,233	-536	-250,419
Personnel	272,733	1.0%	156,341	156,155	-186	-116,578
Public Health and Environment	822,947	2.0%	307,416	307,051	-365	-515,896
Public Safety	6,723,036	20.1%	3,030,977	3,027,374	-3,603	-3,695,662
Regulatory Agencies	220,968	0.7%	110,609	110,478	-131	-110,490
Revenue	601,399	1.8%	271,939	271,616	-323	-329,783
State	113,339	0.3%	44,649	44,596	-53	-68,743
Transportation	3,940,876	20.6%	3,116,995	3,113,290	-3,705	-827,586
Treasury	20,834	0.1%	17,106	17,086	-20	-3,748
Allocation Totals	\$24,873,956	100.0%	\$15,100,537	\$15,082,588	-\$17,949	-\$9,791,368

## Allocation for Institutions of Higher Education

The following table outlines the allocation for institutions of higher education.

**Liability Allocation for Higher Education**

Institution	Actuarial Allocation	FY 2025-26 Recommend.
Arapahoe Community College	6.1%	\$46,203
Auraria Higher Education Center	3.1%	23,843
College Access Network/College Assist	0.0%	0
College Invest	0.7%	5,537
Colorado Commission on Higher Education	2.0%	15,146
Colorado State University - Pueblo	5.1%	39,150
Community College of Aurora	1.9%	14,626
Community College of Denver	5.2%	39,744
Community College System	6.0%	45,726
CSU - Global	1.9%	14,694
Front Range Community College	3.2%	24,259
History Colorado	1.9%	14,232
Lamar Community College	1.0%	7,292
Metropolitan State University of Denver	32.8%	250,186
Morgan Community College	1.1%	8,610
Northeastern Junior College	2.2%	16,848
Northwestern Community College	1.3%	9,937
Otero Junior College	1.7%	12,700
Pikes Peak Community College	12.5%	95,099
Private Occupational Schools	0.0%	0
Pueblo Community College	2.8%	21,407
Red Rocks Community College	6.2%	47,023
Trinidad State Junior College	1.5%	11,169
Allocation Totals	100.0%	\$763,431

## Property Program

The property program pays for commercial insurance and associated deductibles for insurance coverage of state properties. The program provides property loss coverage for state assets, including building and content value. The property program is funded from the Self-Insured Property Fund, created in Section 24-30-1510.5, C.R.S. Moneys in the fund are continuously appropriated for purposes of the fund, other than the direct and indirect administrative costs of operating the risk management system, pursuant to Section 24-30-1510.5 (1) (a), C.R.S.

## Property Program Costs

The following table outlines total property program costs for allocation to state agencies that include:

- Risk management program overhead costs;
- Property policies and policy deductibles and payouts;
- Actuarial and Broker Services attributable to property;
- Property share of the Risk Management Information System; and
- A fund balance reserve adjustment.

## Property Program Costs

Item	FY 2025-26 Appropriation	FY 2026-27		
		Request	Recommendation	Difference From Request
Risk Management program costs	\$152,607	\$134,697	\$137,577	\$2,880
<u>Property policies</u>				
Property & boiler policies	\$17,223,884	\$18,471,443	\$18,471,443	\$0
Auto physical damage	246,293	21,773	21,773	0
Terrorism premium	336,115	377,930	377,930	0
Flood Zone A premium	500,000	500,000	500,000	0
Crime policy	268,936	269,383	269,383	0
Fine arts	16,692	16,692	16,692	0
Property policies subtotal	\$18,591,920	\$19,657,221	\$19,657,221	\$0
<u>Property program costs</u>				
Policy deductibles and payouts	\$11,264,140	\$13,389,084	\$13,389,084	\$0
Actuarial and broker services	117,017	117,993	117,993	0
Risk Mgt. Information System	76,844	84,528	84,528	0
Property valuation services	600,000	400,000	400,000	0
Property program costs subtotal	\$11,458,001	\$13,991,605	\$13,991,605	\$0
Fund balance reserve adjustment	10,844,713	-8,386,612	-7,909,043	477,569
Total for allocation	\$41,047,241	\$25,396,911	\$25,877,360	\$480,449

## Fund Balance Reserve Adjustment

The following table outlines the fund balance reserve adjustment recommendation. Staff recommends a cash flow fund balance reserve calculated at 5.0 percent of the estimated program costs for FY 2026-27. Staff also recommends an extraordinary claims fund balance reserve calculated at 10.0 percent of the property deductibles and payouts estimate.

### Self-insured Property Fund

Recommended Reserve Adjustment	Amount [1]
<u>FY 2025-26</u>	
Beginning fund balance	\$1,262,805
Revenue	41,647,241
Expenditures	-31,972,774
Ending fund balance	\$10,937,272
<u>FY 2026-27</u>	
Beginning fund balance	\$10,937,272
<u>Operating Cash Flow Reserve</u>	
Expenditures (estimate)	-33,786,403
Cash flow reserve percentage	5.0%
Cash flow reserve amount	\$1,689,320
<u>Extraordinary Claims Reserve</u>	
Deductibles and payouts estimate	-\$13,389,084
Extraordinary claims reserve percentage	10.0%
Extraordinary claims reserve amount	1,338,908
Target fund balance	\$3,028,229
<i>Recommended reserve adjustment</i>	<i>-7,909,043</i>

[1] Figures taken from Schedule 9.

The staff target reserve totals \$3.0 million. To achieve this target reserve, staff recommends a fund balance reserve adjustment of an increase of \$7.9 million total funds, which will be allocated back to state agencies through increased billing.

## State Agency Allocation

Policy premiums are allocated to state agencies according to their property holdings (building and content values) and loss histories. The following table outlines the recommended allocation for FY 2026-27. **Staff recommends that the Committee approve the state agency allocations included in the table as the property component of the Payment to Risk Management and Property Funds common policy.**

**Property FY 2026-27 Recommended Allocation**

Department	FY 2025-26 Approp	Property Value	Prop. Value Allocation	FY 2026-27			
				Request	Recommend	Difference From Request	Rec Adjustment
Agriculture	\$345,534	\$100,518,484	0.5%	\$123,876	\$126,220	\$2,344	-\$219,314
Corrections	6,602,246	8,105,443,335	39.3%	9,988,924	10,177,891	188,967	3,575,645
Early Childhood	0	1,568,250	0.0%	1,933	1,969	36	1,969
Education	623,530	401,882,433	2.0%	495,269	504,638	9,369	-118,892
Governor	376,775	55,258,678	0.3%	68,099	69,388	1,289	-307,387
Health Care Policy and Financing	16,840	5,013,735	0.0%	6,179	6,296	117	-10,544
Higher Education	12,804,177	4,947,527,847	24.0%	6,097,196	6,212,541	115,345	-6,591,636
Human Services	3,960,842	1,196,573,383	5.8%	1,474,624	1,502,520	27,896	-2,458,322
Judicial	750,182	731,274,882	3.5%	901,203	918,252	17,049	168,070
Labor and Employment	167,426	50,776,967	0.2%	62,576	63,760	1,184	-103,666
Law	26,224	7,953,700	0.0%	9,802	9,987	185	-16,237
Legislature	22,853	6,931,434	0.0%	8,542	8,704	162	-14,149
Local Affairs	53,862	17,407,583	0.1%	21,453	21,858	405	-32,004
Military and Veterans Affairs	1,203,170	376,599,416	1.8%	464,111	472,891	8,780	-730,279
Natural Resources	2,832,100	1,285,435,094	6.2%	1,584,135	1,614,103	29,968	-1,217,997
Personnel	2,849,739	1,060,178,340	5.1%	1,306,534	1,331,251	24,717	-1,518,488
Public Health and Environment	452,130	137,132,376	0.7%	168,998	172,195	3,197	-279,935
Public Safety	584,217	392,799,811	1.9%	484,076	493,233	9,157	-90,984
Regulatory Agencies	99,179	30,081,356	0.1%	37,071	37,773	702	-61,406
Revenue	218,879	66,386,535	0.3%	81,813	83,361	1,548	-135,518
State	42,779	12,975,004	0.1%	15,990	16,293	303	-26,486
Transportation	7,613,780	1,618,192,964	7.9%	1,994,216	2,031,942	37,726	-5,581,838
Treasury	777	235,680	0.0%	290	296	6	-481
Allocation totals	\$41,647,241	\$20,608,147,287	100.0%	\$25,396,910	\$25,877,360	\$480,450	-\$15,769,881

## Allocation for Institutions of Higher Education

The following table outlines the allocation for institutions of higher education.

**Property Allocation for Higher Education**

Institution	Property Value	Prop. Value Allocation	FY 2025-26 Recommend
Arapahoe Community College	\$216,315,545	4.4%	\$272,155
Auraria Higher Education Center	1,471,191,633	29.8%	1,850,962

Institution	Property Value	Prop. Value Allocation	FY 2025-26 Recommend
College Access Network/College Assist	38,722	0.0%	49
College Invest	929,893	0.0%	1,170
Colorado Commission on Higher Education	689,134	0.0%	867
Colorado State University - Pueblo	500,039,562	10.1%	629,119
Community College of Aurora	52,488,634	1.1%	66,038
Community College of Denver	45,908,773	0.9%	57,760
Community College System	0	0.0%	0
CSU - Global	0	0.0%	0
Front Range Community College	435,837,338	8.8%	548,344
History Colorado	234,159,313	4.7%	294,605
Lamar Community College	171,535,748	3.5%	215,816
Metropolitan State University of Denver	213,388,647	4.3%	268,472
Morgan Community College	104,343,176	2.1%	131,278
Northeastern Junior College	175,180,973	3.5%	220,402
Northwestern Community College	104,497,694	2.1%	131,473
Otero Junior College	99,466,496	2.0%	125,143
Private Occupational Schools	211,421,974	4.3%	265,998
Pikes Peak Community College	311,503,547	6.3%	391,914
Pueblo Community College	200,893,611	4.1%	252,752
Red Rocks Community College	235,399,171	4.8%	296,165
Trinidad State Junior College	152,655,562	3.1%	192,062
Allocation totals	\$4,937,885,146	100.0%	\$6,212,541

## Payment to Risk Management and Property Funds

The line item which funds state agency payments for the liability and property funds is Payment to Risk Management and Property Funds.

### State Agency Allocation

The following table outlines the Payment to Risk Management and Property Funds allocation, which aggregates the liability and property allocations. **Staff recommends that the Committee approve the state agency allocations included in the table for the Payment to Risk Management and Property Funds common policy.**

#### Payment to Risk Management and Property Funds Recommended Allocation

Department	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2026-27 Recommend	Difference from Request	Recommended Adjustment
Agriculture	\$520,432	\$195,561	\$197,819	\$2,258	-\$322,613
Corrections	11,668,124	13,804,587	13,989,018	184,431	2,320,894
Early Childhood	4,303	74,355	74,305	-50	70,002
Education	1,024,799	618,696	627,918	9,222	-396,881
Governor	1,276,886	225,531	226,632	1,101	-1,050,254
Health Care Policy and Financing	280,008	146,590	146,540	-50	-133,468
Higher Education	13,906,821	6,861,536	6,975,972	114,436	-6,930,849
Human Services	5,241,275	2,172,176	2,199,243	27,067	-3,042,032
Judicial	2,169,664	2,006,393	2,022,128	15,735	-147,536
Labor and Employment	392,166	288,199	289,115	916	-103,051
Law	425,259	246,064	245,969	-95	-179,290
Legislature	134,288	77,320	77,400	80	-56,888
Local Affairs	157,407	95,520	95,837	317	-61,570

Department	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2026-27 Recommend	Difference from Request	Recommended Adjustment
Military and Veterans Affairs	1,268,201	504,996	513,727	8,731	-754,474
Natural Resources	3,532,751	2,034,904	2,064,336	29,432	-1,468,415
Personnel	3,122,472	1,462,875	1,487,406	24,531	-1,635,066
Public Health and Environment	1,275,077	476,414	479,246	2,832	-795,831
Public Safety	7,307,252	3,515,053	3,520,607	5,554	-3,786,645
Regulatory Agencies	320,147	147,680	148,250	570	-171,897
Revenue	820,278	353,752	354,976	1,224	-465,302
State	156,118	60,639	60,888	249	-95,230
Transportation	11,554,656	5,111,211	5,145,232	34,021	-6,409,424
Treasury	21,611	17,396	17,382	-14	-4,229
Allocation totals	\$66,579,995	\$40,497,447	\$40,959,946	\$462,499	-\$25,620,049
<i>Percentage change from prior year</i>					-38.5%

## Capitol Complex Leased Space

The Department of Personnel operates a facilities maintenance program for Denver, Grand Junction, and Camp George West properties totaling approximately 1.2 million square feet. Pursuant to Section 24-82-101, C.R.S., the Department is responsible for the maintenance of the buildings' plumbing, electrical, elevator, and HVAC systems, as well as custodial and grounds maintenance.

7. *Denver*: The Department maintains ten addresses in the Capitol Hill Campus (759,560 sq. ft.), one address in the North Campus (89,534 sq. ft.), and two addresses in Lakewood (88,791 sq. ft.). Each of these campuses, though funded by the Capitol Complex program, have distinct rental rates that mirror the locations and uses of the various properties.
8. *Grand Junction*: The Department maintains a building with 35,163 square feet, which is staffed by 1.0 FTE who is responsible for building maintenance. Other functions, including additional building maintenance, custodial services, and grounds maintenance are contracted to private vendors.
9. *Camp George West*: This building contains 260,237 square feet for five different departments. The Department's responsibilities include all site and grounds maintenance.

Facilities Maintenance is predominantly funded by reappropriated funds deposited in the Department of Personnel Revolving Fund created in Section 24-30-1108 (1), C.R.S. Funding consists of user fees from state agencies billed through Capitol Complex Leased Space line items in department budgets based on square foot lease rates and square footage occupancy.

## Program Costs

The following table outlines total Facilities Maintenance – Capitol Complex program costs for allocation to state agencies through the *Capitol Complex Leased Space* and *Maintenance of Legislative Space* line items that include program overhead costs consisting of staff and administrative expenses; building and maintenance costs; depreciation and energy and utility costs; and a fund balance reserve adjustment. Personal services, operating expenses, repairs, security, and indirect costs are based on figure setting recommendations for the next fiscal year. Operating and OIT common policy items are estimated by the Department on current fiscal year appropriations and internal Department allocations to programs and divisions. Utilities, depreciation, and campus splits are based on Department allocations and methodologies.

### Capitol Complex Leased Space Program Costs

Element	FY 2025-26 Appropriation	FY 2026-27 Request	FY 2026-27 Recommendation	Difference from Request	Total Adjustment
Personal Services	4,818,268	4,936,298	4,916,092	-20,206	97,824
Benefits POTS	1,388,179	1,774,067	1,771,111	-2,956	382,932
OIT and Operating Common Policies	1,861,688	1,237,005	1,237,005	0	-624,683
Operating Expenses	3,980,500	4,087,314	3,980,500	-106,814	0
Administrative Overhead	541,720	557,139	557,139	0	15,419
Capitol Complex Repairs	56,520	56,520	56,520	0	0
Capitol Complex Security	826,076	826,076	854,633	28,557	28,557
Utilities	4,367,757	4,181,361	4,181,361	0	-186,396
Indirect Cost Assessment	573,678	631,046	573,678	-57,368	0
Depreciation	290,000	315,000	315,000	0	25,000
Energy Performance Depreciation	2,140,000	2,000,000	2,000,000	0	-140,000
Sprint Leased Tower Space	-57,141	-66,665	-66,665	0	-9,524
Program costs subtotal	\$20,787,244	\$20,535,161	\$20,376,374	-\$158,787	-\$410,870
Fund balance adjustment	-3,961,824	-3,335,196	-3,348,296	-13,100	613,528
Total for allocation	\$16,825,420	\$17,199,965	\$17,028,078	-\$171,887	\$202,658
<i>Annual growth of allocation</i>					1.2%

## Depreciation

This cost accounts for the depreciation of equipment. The federal government only allows recovery of capital costs through depreciation. This allows the State to recover funding outlays for capital expenses in Capitol Complex.

## Energy Performance Depreciation

This item is associated with Phase 4 of the Department's energy performance contracts. The Department finances improvements to buildings by signing agreements with vendors to perform capital improvements to energy systems. Federal requirements provide that this item be recovered through program costs with depreciation.

## Sprint Leased Tower Space

The Department leases land to Sprint for a cell tower at Camp George West, which generates this revenue.

## Fund Balance Reserve Adjustment

The following table outlines the fund balance reserve adjustment recommendation.

### Capitol Complex Facilities Fund Reserve Analysis

Element	Requested	Recommended [1]
<u>FY 2025-26</u>		
Beginning cash balance	\$8,520,783	\$8,520,783
Revenues	16,845,577	16,845,577
Expenditures	-20,337,013	-20,337,013
Ending cash balance	\$5,029,347	\$5,029,347

Element	Requested	Recommended [1]
<b>FY 2026-27</b>		
Expenditure Base	20,535,161	20,376,374
Targeted operating reserve	8.25%	8.25%
Target reserve	\$1,694,151	\$1,681,051
<i>Reserve adjustment</i>	-\$3,335,196	-\$3,348,296

[1] Figures taken from Schedule 9.

## State Agency Utilization and Allocation

The following table outlines square footage allocation by agency.

**Square Foot Allocation by State Agency**

Department	Total Denver	Pierce St	North Campus	Grand Junction	Camp George West	Total All Buildings
Education	56,855	0	0	0	0	56,855
Legislature	156,513	0	0	0	0	156,513
Governor, Lt Governor, OSPB	36,878	0	0	0	0	36,878
OIT	33,177	0	0	901	0	34,078
Higher Education-Hist CO	0	88,791	0	0	0	88,791
Human Services	72,298	0	0	0	0	72,298
Labor and Employment	0	0	5,381	2,993	0	8,374
Local Affairs	35,818	0	0	3,783	0	39,601
Military and Veterans Affairs	0	0	0	0	53,932	53,932
Natural Resources	44,982	0	0	0	0	44,982
Personnel	96,030	0	80,901	2,724	0	179,655
Public Health and Environment	0	0	0	4,478	0	4,478
Public Safety	105,663	0	0	0	206,305	311,968
Revenue	0	0	3,252	5,306	0	8,558
Transportation	0	0	0	14,835	0	14,835
Treasury	3,351	0	0	0	0	3,351
Vacant - usable	117,995	0	0	143	0	118,138
Vacant - under construction (FY 2026-27)	0	0	0	0	0	0
Total square footage billed	759,560	88,791	89,534	35,163	260,237	1,233,285

The following table outlines the common policy allocation and additional costs paid by the General Assembly.

**General Assembly Payments to the Department of Personnel for Maintenance of Legislative Space**

Element	Amount
Capitol Complex Leased Space Allocation	\$3,058,546
Capitol Complex Parking	28,800
Conference Center Rental	5,200
<b>Total</b>	<b>\$3,092,546</b>

Conference center rental is billed to agencies by occurrence and not included in capitol complex allocation rates. Rather than pay by occurrence, the General Assembly has agreed to pay for an estimated 26 days of conference center use through its payments to the Department of Personnel for Maintenance of Legislative Space, which will be trued up annually through the capitol complex leased space common policy. Similarly, parking in the Capitol Complex is billed directly to employees parking in the lot; however, the General Assembly pays \$120 per month per space for its 20 parking spaces at the lot through the Maintenance of Legislative Space line item.

**Staff recommends that the Committee approve the state agency allocations included in the following table for the Capitol Complex Leased Space common policy.**

**Capitol Complex Leased Space FY 2026-27 Recommended Allocation**

Department	FY 2025-26 Appropriation	FY 2026-27			Total Adjustment
		Request	Recommended	Difference from Request	
Agriculture	0	0	0	0	0
Corrections	0	0	0	0	0
Early Childhood	0	0	0	0	0
Education	\$1,288,751	\$1,121,946	\$1,111,049	-\$10,897	-\$177,702
Governor	1,302,538	1,391,666	1,378,107	-13,559	75,569
Health Care Policy and Financing	0	0	0	0	0
Higher Education	968,045	945,531	933,838	-11,693	-34,207
Human Services	1,510,654	1,426,690	1,412,833	-13,857	-97,821
Judicial	0	0	0	0	0
Labor and Employment	66,105	66,197	65,491	-706	-614
Law	0	0	0	0	0
Legislative	2,926,508	3,088,545	3,058,546	-29,999	132,038
Local Affairs	993,730	745,599	738,183	-7,416	-255,547
Military and Veteran Affairs	60,973	65,144	64,104	-1,040	3,131
Natural Resources	939,891	887,651	879,029	-8,622	-60,862
Personnel	2,789,706	2,456,809	2,433,971	-22,838	-355,735
Public Health and Environment	43,498	45,912	45,260	-652	1,762
Public Safety	2,441,045	2,334,290	2,310,058	-24,232	-130,987
Regulatory Agencies	0	0	0	0	0
Revenue	73,921	75,862	74,926	-936	1,005
State	0	0	0	0	0
Transportation	144,103	152,101	149,939	-2,162	5,836
Treasury	70,019	66,127	65,485	-642	-4,534
Vacant (allocated to Personnel as GF)	1,226,090	2,329,917	2,307,280	-22,637	1,081,190
Allocation totals	\$16,845,577	\$17,199,987	\$17,028,099	-\$171,888	\$182,522
<i>Percentage change from prior year</i>					1.1%

Based on requested appropriations, approving the staff recommendation has an estimated increase of \$773,270 General Fund. JBC staff analysts will be directed to work with their agencies to determine a fund mix that is appropriate and include those adjustments in their Long Bill sections. The following tables estimates the fund splits for the total appropriation and for the incremental adjustment.

**Estimated Fund Splits for FY 2026-27 Capitol Complex Leased Space**

Fund Type	Estimated Fund Splits based on FY 2026-27 Appropriations	FY 2026-27	
		Estimated Total Fund Splits	Estimated Incremental Fund Splits
General Fund	61.0%	\$10,385,834	\$773,270
Cash Funds	10.9%	1,857,311	-200,115
Reappropriated Funds	23.7%	4,041,938	-270,023
Federal Funds	4.4%	743,014	-120,612
Total Funds	100.0%	\$17,028,099	\$182,520

# CORE Operations

CORE Operations is the common policy for the state's accounting and financial reporting system, the Colorado Operations Resource Engine. In FY 2015-16, the COFRS Modernization program was transferred from the Governor's Office of Information Technology to the Division of Accounts and Control in the Department of Personnel and located in a new subdivision known as CORE Operations. Consistent with that change, state agency line items were renamed from COFRS Modernization to CORE Operations.

## CORE Operations Program Costs

The following table outlines total CORE Operations program costs for allocation to state agencies. The table includes program costs, a payment from the Supplier Database Cash Fund, and a fund balance reserve adjustment for the Statewide Financial Information Technology Systems Cash Fund.

**FY 2026-27 CORE Operations Program Costs**

Cost component	FY 2025-26 Appropriation	FY 2026-27			
		Request	Recommend	Difference from Request	Total Adjustment
Personal services	\$2,515,038	\$2,594,385	\$2,594,385	\$0	\$79,347
Benefits POTS	694,161	869,082	869,082	0	174,921
Operating and OIT Common Policies	1,743,143	1,864,566	1,864,566	0	113,321
Operating expenses	59,590	59,590	59,590	0	0
Payments for CORE and support modules	6,159,278	6,159,278	6,159,278	0	0
CORE lease purchase payments	1,269,676	1,269,181	1,269,676	495	0
Indirect costs	247,738	1,869	249,437	247,568	1,699
Program costs subtotal	\$12,688,624	\$12,817,951	\$13,066,014	\$248,063	\$377,390
R3 CORE continuous improvement	\$0	-\$15,382	-\$480,000	-\$464,618	0
Supplier Database Cash Fund reserve adjustment	-6,848,171	-4,029,950	-5,029,951	-1,000,001	1,818,220
IT Systems Fund reserve adjustment	-3,758,338	811,703	967,969	156,266	4,726,307
Total for allocation	\$2,082,115	\$9,584,322	\$8,524,032	-\$1,060,290	\$6,441,917

Personal services and operating expenses are based on figure setting recommendations for the next fiscal year. Program share of departmental benefits POTS, OIT, and operating common policy items are estimated by the Department and based on current year appropriations; the Department's request amount differs from the recommended amount by the amount of indirect costs.

Payments for CORE and Support Modules are figure setting recommendations for the next fiscal year. This line item pays for CORE system and modules annual licensing and operating costs to CORE vendors for Managed Services, Labor Data Collection and Electronic Content Management. Indirect costs match those included in the statewide indirect costs plan.

Depreciation provides a 10-year straight-line depreciation schedule for the total value of the CORE asset set of \$46,477,361. The recommendation includes the correct amount of depreciation for this item. Lease-purchase payments are made in the CORE Lease Purchase Payments line item, set at \$1,269,676 for FY 2026-27. However, it is necessary to bill the depreciable value rather than the lease purchase payment in order to properly bill federal sources of revenue for their proportional share of the implementation costs of the system. The straight-line method decreases the amount of variance between fiscal years for depreciation.

## Fund Balance Reserve Adjustment

The staff recommends a 16.5 percent reserve of the prior year fund balance for the Supplier Database Cash Fund and an 8.25 percent reserve for the Statewide Financial Information Technology Systems Cash Fund (SFITS). An 8.25 percent reserve is equal to approximately one month of operating revenue and 16.5 percent is two months. This results in a recommended fund balance reserve adjustment of a reduction of \$5.0 million from the Supplier Database Cash Fund and an increase of \$1.0 million to the SFTIS.

### Supplier Database Cash Fund Reserve Adjustment

The adjustment for the Supplier Database Cash Fund is essentially a payment for CORE Operations from the cash fund.

#### Supplier Database Cash Fund [1]

Recommended Reserve Adjustment	Amounts
<u>FY 2025-26</u>	
Beginning fund balance	\$9,628,881
Revenue	7,167,118
Expenditures	-10,134,522
Ending fund balance	\$6,661,477
<u>FY 2026-27</u>	
Estimated revenue	\$7,167,118
Target reserve %	16.5%
Calculated reserve	1,099,144
Available balance	\$12,729,451
Transfer to General Fund (R9)	-5,400,000
Statewide procurement system (FY 25-26 IT Cap)	-2,299,500
<i>Reserve adjustment</i>	<i>-5,029,951</i>

[1] Figures taken from Schedule 9.

The FY 2025-26 beginning fund balance is taken from the Department's FY 2026-27 budget request Schedule 9 for the Supplier Database Cash Fund created in Section 24-102-202.5 (2)(a), C.R.S. Revenue and expenditure amounts are from Department estimates. The Supplier Database Cash Fund receives revenues from rebates on statewide price agreements. Because this fund is not a typical, common policy operational revenue cash fund, the fund balance target reserve amount is calculated on the prior year ending fund balance. Expenditures from this fund are primarily for the purpose of offsetting the CORE Operations common policy.

### Statewide Financial Information Technology Systems Cash Fund Reserve Adjustment

The adjustment for the SF-ITS is a more typical reserve adjustment for a common policy operational cash fund. The SF-ITS created in Section 24-30-209 (2)(a), C.R.S., was added effective May 1, 2015. Revenue and expenditures were taken from the Department's Schedule 9 for the Fund Report. The fund balance reserve amount is calculated on expenditures that include program costs minus depreciation plus CORE Lease Purchase Payments minus payments from the Supplier Database Cash Fund. The following table outlines the fund balance reserve adjustment recommendation.

## Statewide Financial Information Technology Systems Cash Fund [1]

Recommended Reserve Adjustment	Amounts
<u>FY 2025-26</u>	
Beginning fund balance	\$3,159,694
Revenue	9,467,800
Expenditures	-12,539,251
Ending fund balance	\$88,243
<u>FY 2026-27</u>	
Expenditures	-\$12,802,569
Target reserve %	8.25%
Recommended reserve	\$1,056,212
<i>Reserve adjustment</i>	<i>967,969</i>

[1] Figures taken from Schedule 9.

## State Agency Utilization and Allocation

The costs of CORE Operations are allocated to state agencies, based upon actual usage for the most recent fiscal year for which actual data is available. The FY 2026-27 allocation is determined by the FY 2024-25 actual utilization.

### CORE Operations FY 2026-27 Recommended Allocation

Department	FY 2025-26 Appropriation	FY 2026-27				Difference from Request	Total Adjustment
		Utilization	Request	Recommendation			
Agriculture	\$34,321	1.7%	\$163,684	\$145,576	-\$18,108	\$111,255	
Corrections	72,316	3.7%	357,811	318,227	-39,584	245,911	
Early Childhood	21,441	1.0%	95,098	84,578	-10,520	63,137	
Education	53,850	2.2%	214,577	190,838	-23,739	136,988	
Governor	80,478	3.4%	328,306	291,986	-36,320	211,508	
Health Care Policy and Financing	35,879	1.8%	168,970	150,277	-18,693	114,398	
Higher Education	44,611	2.1%	203,880	181,325	-22,555	136,714	
Human Services	242,237	10.6%	1,012,381	900,384	-111,997	658,147	
Judicial	368,488	17.0%	1,628,896	1,448,695	-180,201	1,080,207	
Labor and Employment	78,016	3.8%	360,180	320,334	-39,846	242,318	
Law	11,522	0.6%	57,206	50,878	-6,328	39,356	
Legislature	7,499	0.3%	33,439	29,740	-3,699	22,241	
Local Affairs	100,668	5.0%	481,771	428,474	-53,297	327,806	
Military and Veteran Affairs	12,261	0.6%	56,184	49,969	-6,215	37,708	
Natural Resources	134,921	6.5%	622,117	553,294	-68,823	418,373	
Personnel	62,696	2.7%	255,137	226,912	-28,225	164,216	
Public Health and Environment	204,021	9.0%	863,883	768,314	-95,569	564,293	
Public Safety	84,405	4.3%	412,713	367,056	-45,657	282,651	
Regulatory Agencies	68,984	3.1%	298,174	265,187	-32,987	196,203	
Revenue	199,018	10.1%	971,643	864,153	-107,490	665,135	
State	3,877	0.2%	19,168	17,047	-2,121	13,170	
Transportation	28,184	1.3%	126,792	112,765	-14,027	84,581	
Treasury	165,485	8.9%	852,312	758,022	-94,290	592,537	

Department	FY 2025-26 Appropriation	FY 2026-27				
		Utilization	Request	Recommendation	Difference from Request	Total Adjustment
Allocation totals	\$2,115,178	100.0%	\$9,584,322	\$8,524,032	-\$1,060,291	\$6,408,853
<i>Percentage change from prior year</i>						303.0%

## CORE Payroll Program Costs

The CORE payroll system received initial funding for the development by the Joint Budget Committee during the 2022 legislative session. The General Assembly has appropriated over \$50.0 million since FY 2022-23 for the development of this new system, which replaces the current 38+ year old payroll system. As the system prepares for deployment, operations and maintenance costs will shift to the Department of Personnel's operating budget. The new CORE payroll module is scheduled for deployment at the beginning of FY 2026-27. The costs of this new system are included in the CORE Operations common policy, as recommended by JBC staff.

### FY 2026-27 CORE Payroll Program Costs

Item	Requested	Recommended	Difference
Personal Services	\$869,387	\$865,807	-\$3,580
Benefits POTS	226,248	11,012	-215,236
Operating expenses	26,615	31,648	5,033
Total	\$1,122,250	\$908,467	-\$213,783

## State Agency Utilization and Allocation

The costs of CORE payroll are allocated to state agencies, based upon estimated usage. The FY 2026-27 allocation is determined by state agencies' usage of the old payroll system.

### CORE Payroll FY 2026-27 Recommended Allocation

Department	% Utilization	Requested	Recommended	Difference
Agriculture	1.3%	\$14,068	\$11,388	-\$2,680
Corrections	15.9%	178,557	144,543	-34,014
Early Childhood	0.8%	8,492	6,874	-1,618
Education	2.2%	24,459	19,800	-4,659
Governor	4.0%	45,238	36,621	-8,618
Health Care Policy and Financing	2.5%	27,540	22,294	-5,246
Higher Education	0.8%	9,481	7,675	-1,806
Human Services	13.0%	145,705	117,949	-27,756
Judicial	14.5%	162,377	131,445	-30,932
Labor and Employment	5.1%	57,071	46,199	-10,872
Law	1.9%	20,861	16,887	-3,974
Legislature	1.5%	16,855	13,644	-3,211
Local Affairs	0.9%	10,205	8,261	-1,944
Military and Veterans Affairs	0.5%	6,096	4,934	-1,161
Natural Resources	6.4%	72,054	58,328	-13,726
Personnel	1.3%	14,394	11,652	-2,742
Public Health and Environment	5.8%	65,644	53,139	-12,505
Public Safety	5.9%	66,208	53,596	-12,612
Regulatory Agencies	1.8%	20,089	16,262	-3,827

Department	% Utilization	Requested	Recommended	Difference
Revenue	4.7%	52,212	42,266	-9,946
Secretary of State	0.4%	4,713	3,815	-898
Transportation	8.8%	98,311	79,583	-18,728
Treasury	0.1%	1,620	1,311	-309
<b>Total</b>	<b>100.0%</b>	<b>\$1,122,250</b>	<b>\$908,467</b>	<b>-\$213,783</b>

## CORE Operations and Payroll Recommended Allocations

The appropriations for both CORE operations and payroll will appear in the CORE Operations line item in each affected state agency. **Staff recommends that the Committee approve the state agency allocations included in the following table for the CORE Operations common policy.**

### CORE Operations and Payroll Combined Recommended Allocations

Department	FY 2025-26 Appropriation	FY 2026-27			
		Request	Recommendation	Difference from Request	Total Adjustment
Agriculture	\$34,321	\$177,752	\$156,964	-\$20,788	\$122,643
Corrections	72,316	536,368	462,770	-73,598	390,454
Early Childhood	21,441	103,590	91,452	-12,138	70,011
Education	53,850	239,036	210,638	-28,398	156,788
Governor	80,478	373,544	328,608	-44,937	248,130
Health Care Policy and Financing	35,879	196,510	172,571	-23,939	136,692
Higher Education	44,611	213,361	189,000	-24,361	144,389
Human Services	242,237	1,158,086	1,018,333	-139,753	776,096
Judicial	368,488	1,791,273	1,580,140	-211,133	1,211,652
Labor & Employment	78,016	417,251	366,533	-50,718	288,517
Law	11,522	78,067	67,765	-10,302	56,243
Legislature	7,499	50,294	43,384	-6,910	35,885
Local Affairs	100,668	491,976	436,735	-55,241	336,067
Military and Veterans Affairs	12,261	62,280	54,903	-7,376	42,642
Natural Resources	134,921	694,171	611,622	-82,549	476,701
Personnel	62,696	269,531	238,564	-30,967	175,868
Public Health and Environment	204,021	929,527	821,453	-108,074	617,432
Public Safety	84,405	478,921	420,652	-58,269	336,247
Regulatory Agencies	68,984	318,263	281,449	-36,814	212,465
Revenue	199,018	1,023,855	906,419	-117,436	707,401
Secretary of State	3,877	23,881	20,862	-3,019	16,985
Transportation	28,184	225,103	192,348	-32,755	164,164
Treasury	165,485	853,932	759,333	-94,599	593,848
<b>Total</b>	<b>\$2,115,178</b>	<b>\$10,706,572</b>	<b>\$9,432,499</b>	<b>-\$1,274,073</b>	<b>\$7,317,321</b>

## Vehicle Lease Payments

In accordance with Section 24-30-1104 (2), C.R.S., the Department is responsible for operating and maintaining the State's vehicle fleet. The State Fleet Management Program purchases vehicles, manages maintenance and repairs, auctions replaced and out-of-service vehicles, and manages the State Motor Pool. The fleet program is funded by fees from user agencies that are deposited in the Motor Fleet Management Fund created in Section

24-30-1115 (1), C.R.S. Appropriations for the Vehicle Lease Payments line items reflect the cost of lease payments and the Department's vehicle management fee, for each agency's vehicles.

## Recommended Replacement Vehicles

Staff recommends replacement of all 545 requested vehicles. The replacement recommendation includes a statewide increase in Vehicle Lease Payments line items of \$0.3 million total funds, including \$0.7 million General Fund. This recommendation does not include adjustments for additional state agency vehicles requested through separate department request items.

The table below summarizes the cost of vehicle replacements by department.

**FY 2026-27 Annual Fleet Recommended Allocations**

Department	FY 2025-26 Appropriation		FY 2026-27				
	Long Bill	Req & Rec Appropriation	Total Incremental Change	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<u>Appropriated Agencies</u>							
Agriculture	\$623,229	\$644,529	\$21,300	\$10,622	\$10,445	\$0	\$233
Corrections	4,568,540	5,463,602	895,062	763,553	131,509	0	0
Early Childhood	8,026	7,078	-948	-948	0	0	0
Education	45,211	49,431	4,220	4,220	0	0	0
Governor's Office	17,449	18,727	1,278	1,278	0	0	0
Human Services	1,603,492	1,278,372	-325,120	-160,955	0	-164,165	0
Judicial Branch	301,633	290,414	-11,219	-11,219	0	0	0
Labor And Employment	295,709	241,689	-54,020	-4,319	-29,007	-248	-20,447
Law	104,090	105,839	1,749	719	283	604	144
Local Affairs	158,338	143,977	-14,361	-6,358	-6,088	-1,915	0
Military and Veterans Affairs	135,712	101,241	-34,471	-16,349	0	0	-18,122
Natural Resources	9,207,001	7,861,259	-1,345,742	-182,007	-1,150,446	-3,310	-9,979
Personnel	262,163	266,356	4,193	0	6	4,187	0
Public Health & Environment	473,909	500,407	26,498	2,273	21,820	2,405	0
Public Safety	14,780,460	16,212,993	1,432,533	328,132	970,192	107,288	26,921
Regulatory Agencies	754,631	492,077	-262,554	0	-262,554	0	0
Revenue	1,047,509	1,014,932	-32,577	-4,399	-28,178	0	0
State	11,538	10,827	-711	0	-711	0	0
Appropriated Totals	\$34,398,640	\$34,703,750	\$305,110	\$724,244	-\$342,729	-\$55,155	-\$21,250
<u>Non Appropriated Agencies</u>							
Higher Education	\$2,297,666	\$2,273,180	-\$24,486				
Transportation	4,779,948	4,925,391	145,443				
Statewide Total	\$41,476,254	\$41,902,321	\$426,067				

## Document Solutions Group Common Policy for Departments of Revenue and State

The Department of Personnel's Integrated Documents Solutions (IDS) includes a subdivision located in Pueblo that serves the scanning and document-related needs of State agencies. Until FY 2019-20 this group, the

Document Solution Group (DSG), employed an expense pooling methodology in setting the rates for all services it offers. DSG has two major customers, the Department of Revenue (DOR) and Secretary of State (SOS), in addition to several smaller customers with one-time or short-term business needs. In FY 2019-20, JBC staff recommended and the Joint Budget Committee approved a new common policy to smooth expenditures out over a 4-year period, to account for the Secretary of State's typical work cycle.

## General DPA Common Policy Methodology

Similar to the previously-existing DPA common policies such as Payments to Risk Management, Workers' Compensation, Administrative Law Judge Services, CORE Operations, Vehicle Lease Payments and Capitol Complex Leased Space, the DSG common policy utilizes the same type of methodology; the Department estimates the total cost pool for the following fiscal year, determines the allocation percentages by department using a specific metric, and then determines the target fund balance estimate and any fund balance adjustments that may be needed. The total billing amount by state agency is determined by taking the total allocable cost base plus or minus any fund balance adjustment, and multiplying this total cost by the allocation percentages by department.

## DSG Operations Common Policy Methodology

### Program Cost Pool

As is the standard approach for all other DPA common policies, the common policy cost pool for DSG includes operating expenses, personal services expenses, and overhead allocations. Personal services expenses include salaries aged to include projected total compensation adjustments, projected overtime and temporary labor needs based on projected volumes, and standard POTS related expenditures. Overhead allocations include the program's share of statewide common policies billed to the Department, such as Legal Services, Leased Space, Payments to Risk Management, Workers' Compensation, Administrative Law Judge Services, CORE Operations, Vehicle Lease Payments, and Payments to OIT. Operating expenses include all standard operating costs associated with providing services. Additionally, personal services contract costs necessary to support the specific equipment required by DOR are included in the cost pool. Finally, the cost pool will be reduced by the four-year average of the revenue derived by customers other than SOS and DOR.

### Cost Pool for Document Solutions Group

Description	FY 2025-26		FY 2026-27	
	Appropriated	Requested	Recommended	Req/Rec Increm.
Personal Services	\$3,210,732	\$3,902,813	\$3,902,813	\$0
Central Personnel Allocation	120,746	114,767	114,767	0
DCS Admin Overhead Share	335,457	379,482	379,482	0
PERA Direct Distribution	33,656	39,117	39,117	0
Operating Expenses & Personal Services Contracts	1,633,000	1,655,179	1,655,179	0
Indirect Costs	185,793	104,106	104,106	0
Operating and OIT Common Policies	1,424,472	1,214,099	1,214,099	0
Pipeline Delivery Costs	8,645	8,645	8,645	0
SOS North Campus	9,303	10,326	10,326	0
DOR North Campus	6,031,318	6,270,031	6,270,031	0
Program cost subtotal	\$12,993,122	\$13,698,565	\$13,698,565	\$0

Description	FY 2025-26	FY 2026-27		
	Appropriated	Requested	Recommended	Req/Rec Increm.
Standard IDS Fund Balance Adjustment (2.0%)	156,172	148,571	148,571	0
Fund Balance Adjustment (3.0% of expenses)	238,944	230,987	230,987	0
Adjusted total	\$13,388,238	\$14,078,123	\$14,078,123	\$0
Less Cost Related to Other Customers	-730,104	-421,740	-421,740	0
Total Collected in DSG Common Policy	\$12,658,134	\$13,656,383	\$13,656,383	\$0

## Fund Balance Adjustments

Because the DSG common policy will continue to operate out of the fund it shares with the rest of Integrated Document Solutions, the Department uses a methodology to ensure a reasonable fund balance similar to the one utilized by other operating common policies.

Each year during the common policy build process, a review and comparison of revenue collected to actual expenses will be undertaken. If either the expense or revenue is out of balance, an adjustment is made in the common policy allocation. If actual expenses come in higher than initially estimated, a positive fund balance adjustment is requested in the following fiscal year to bring in additional revenue in order to maintain a sufficient fund balance. However, if actual expenses come in lower than initially estimated, a negative fund balance adjustment is requested to keep the fund balance from exceeding an established target. Over time, this methodology allows the Department to true up the fund to an amount sufficient to cover actual expenses plus a minimal reserve, although there will always be a two-year lag from the actual transaction counts and the current fiscal year's common policy.

The target utilized by the Department for DSG is a 3.0 percent revenue contingency built into the common policy so that the program can accommodate fluctuations in actual volumes processed by the program. Without the contingency, the Department would not be able to provide services for additional unanticipated volumes for processing. These volumes can be accommodated on the expense side through the use of the existing spending authority. If over time the true up shows that volumes fluctuate by more than 3.0 percent annually, the Department will seek to increase the revenue contingency reserve.

Additionally, a portion of the standard IDS (2.0 percent) fund balance adjustment will be applied to the overall cost pool for the DSG common policy. This ensures that the fund in its entirety will be moving toward the overall target on an annual basis, whether through an increase or decrease to the overall fund. The overall fund balance adjustment for IDS is determined annually, and the portion that falls under DSG is included as an increase or decrease the common policy cost pool. The remaining adjustments to the IDS fund balance are applied through the rates which are set annually.

## Department Allocation Basis

The Department will continue to set rates for this program as it has done in the past and track volumes processed to arrive at a total billing amount for each fiscal year. This amount will be averaged with four fiscal years to accommodate for the election cycle that influences the volumes processed by the Secretary of State. The cost pool will then be allocated between SOS and DOR based on their portion of the total amounts billed. The allocation basis will maintain the two-year lag that all other Department-administered common policies utilize. For example, the FY 2026-27 common policy will be based on actual amounts that should have been

billed for FY 2021-22, FY 2022-23, FY 2023-24, and FY 2024-25. The allocation is based on what has been billed based on the continued rate setting and actual volumes processed, averaged over four years.

**Staff recommends that the Committee approve the state agency allocations included in the following table for the Document Solutions Group common policy.**

**FY 2026-27 Document Solutions Group Recommended Allocations**

Department	Line Item	FY 2025-26		FY 2026-27				
		Appropriation	Rec'd	Total Base Adj.	General Fund	Cash Funds	Reapprop Funds	Federal Funds
Revenue	IDS Print Production	\$6,270,031	\$6,764,431	\$494,400	\$494,400	\$0	\$0	\$0
Revenue	Document Management	5,679,805	5,888,378	208,573	211,180	-2,607	0	0
State [1]	Document Management	802,526	1,003,574	201,048	0	201,048	0	0
Total		\$12,752,362	\$13,656,383	\$904,021	\$705,580	\$198,441	\$0	\$0

[1] The Department of State's appropriation includes funding for contractual services utilized in the initiative process.

# Requests for Information

## Requests For Information

Staff recommends the following **NEW** request for information:

N      Department of Personnel, Division of Capital Assets – The Department is requested to provide to the Joint Budget Committee, by November 1, 2026, the following information related to state operated parking facilities:

- The total number of parking spaces and utilization, by facility, management by the Capitol Parking Authority.
- The number of parking spaces used for carpool and vanpool parking and their breakout by payment tier, as described by Section 24-82-103 (2.5), C.R.S.
- The methodology used to set parking rates (e.g., daily, covered, uncovered, EV charging, etc.) in compliance with Section 24-82-103 (2), C.R.S., including the process by which the Capitol Parking Authority assesses and validates compliance with the provision that rates “shall not be less than” comparable private parking.
- An accounting of the revenue generated from and operating costs of each parking facility under the control of the Capitol Parking Authority, by fiscal year, since FY 2023-24.
- The amount, if any, the Capitol Parking Authority receives in grants from state and local sources.
- A Schedule 9 for the account created in Section 24-82-103 (4)(a), C.R.S., a description of the incentives and programs supported by this account, and the number of employees directly participating in those incentives and programs.
- The number of employees on the parking waitlist and the average amount of time an employee was on the waitlist until offered a parking spot, by fiscal year, from FY 2023-24.
- The annual parking space turnover rate, by fiscal year, since FY 2023-24.
- A description of the methods and means by which the Department manages the parking waitlist, including the use of priority assignments.
- An evaluation and description of the Department’s efforts to meet the recommendations in the 2015 Capitol Complex Master Plan, includes any rationales for not pursuing a recommendation.

**Comment:** This request will provide staff with information about the Colorado Parking Authority, an enterprise staff is researching.