



**Joint Budget Committee**

# **Staff Figure Setting FY 2026-27**

**Office of the Governor  
(Office of Information Technology/Information  
Technology 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.

# Department Overview

The Governor's Office of Information Technology (OIT) is responsible for the operation and delivery of all information and communications technology services across State executive branch agencies. The Office is tasked with providing information technology services, as well as promoting Colorado as the ideal location for information technology companies and technology-based workers.

## Summary of Staff Recommendations

**OIT R1 Statewide S.B. 24-205 AI compliance:** Staff recommends denial of the Department's request for statewide AI compliance.

The Office has requested \$4.0 million total funds, including an estimated \$2.0 million General Fund and 18.2 FTE, on behalf of all state agencies for implementation of S.B. 24-205 (AI Compliance).<sup>1</sup> Of this total, the Office requests \$922,512 reappropriated funds and 3.5 FTE.

**OIT R7 Payments to OIT:** Staff recommends a reduction of \$32.1 million total funds, including \$17.4 million General Fund, in relation to the request. This would be a decrease of \$22.9 million total funds, including \$17.3 million General Fund, relative to the final FY 2025-26 appropriation. Staff recommendation for General Fund appropriations is 12.5 percent lower than the request.

The Office requests an increase of \$9.2 million total funds on behalf of all state agencies for payments to OIT. Of this request, an estimated \$1.0 is General Fund across the various state agencies.

Staff recommendation is based on three factors. Firstly, many Departments have had substantial reversions in payments to OIT lines over the last two completed fiscal years. Furthermore, patterns of reversions seem to suggest that Departments are utilizing General Fund at a faster rate than other fund sources.

Secondly, many Departments are asking for substantial base increases, despite the downward revisions in payments to OIT during the FY 2025-26 supplemental process. To put it bluntly, staff believes that departments were able to make do with fewer resources in FY 2025-26, so there is no reason that they cannot do the same in FY 2026-27.

Lastly, staff notes that the requested increases are occurring in a tight budget year, with the Department overcollecting into the IT Revolving Fund over the previous fiscal year. If there is an attempt to alleviate this problem, staff expects to see decreases in the request as rates and/or utilization are reduced. However, the increase suggests that either rates or utilization are increasing. In either case, staff's view is that an increase in payments to OIT will further exacerbate this issue.

Staff notes the following actions that have been taken by the Committee. Staff recommendation is inclusive of these actions:

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<sup>1</sup> The department's request document identified an increase of \$5.2 million and 33.8 FTE. The number listed here is the actual amount of the official department requests.

- Corrections: Reduced \$3.4 million General Fund. Staff recommends no further action on this line item.
- Early Childhood: Reduced \$2.0 million General Fund. Staff recommends an additional decrease of \$1.0 million.
- Local Affairs: Reduced \$100,133 General Fund. Staff further recommends a decrease of \$415,000 cash funds.

**Staff initiated transfer from the IT Revolving Fund to the General Fund:** Staff recommends the following transfers from the IT Revolving Fund to the General Fund.

- A transfer of \$11.0 million for FY 2025-26; and
- A transfer of \$10.0 million for FY 2026-27.

## Major Differences from The Request

- Staff deviates from both prioritized requests in this packet. Staff is recommending denial of the department's R1 request for \$4.0 million and 18.2 FTE. Staff recommendation is based on timing of appropriations for implementation, unclear data on workload and cost drivers, and an ambiguous regulatory framework for state agencies in the AI consumer protection space.
- For the IT common policy, staff recommends a decrease of \$32.1 million total funds, including \$17.4 million General Fund, across payments to OIT line items. Staff recommendation represents a decrease of roughly 9.9 percent total funds and 12.5 percent General Fund from the request. Staff recommendation is based on analysis of rates of increase, reversions and the overarching overcollection in the IT Revolving Fund.

# Decision Items Affecting Multiple Departments

## → OIT R1 Statewide SB 24-205 AI compliance

### Request

The initial request included an increase \$5.2 million, including \$3.4 million General Fund, for costs to implement SB 24-205 (Consumer Protections for Artificial Intelligence), which includes estimates for independent agencies. The updated request, which includes the requests for independent agencies, is \$4.1 million total funds. This also includes \$2.0 million General Fund. This difference is almost entirely attributable to the Judicial Department request, which was estimated by OIT at a cost of \$1.3 million General Fund and 9.3 FTE. The actual request from Judicial is \$76,329 and 0.5 FTE. The following table shows the requested amount:

**R1 Statewide AI Compliance Request**

Department	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Agriculture	\$18,603	\$15,869	\$2,734	\$0	\$0	0.0
Corrections	63,298	62,155	1,143	0	0	0.1
Early Childhood	138,680	137,815	0	865	0	0.9
Education	178,791	178,759	24	8	0	0.9
Governor's Office	230,004	230,004	0	0	0	0.9
Health Care Policy & Financing	331,845	108,643	57,279	0	165,923	1.8
Higher Education	23,952	22,660	1,292	0	0	0.2
Human Services	401,616	210,932	0	190,684	0	0.0
Judicial	76,329	82,599	-6,270	0	0	0.5
Labor & Employment	418,855	68,069	150,013	17,614	183,159	2.8
Law	2,993	841	375	1,683	94	0.0
Local Affairs	146,106	137,034	4,687	2,421	1,964	0.9
Military & Veterans Affairs	130,439	130,439	0	0	0	0.9
Natural Resources	56,461	18,424	34,623	2,851	563	0.1
OIT	922,512	0	0	922,512	0	3.5
Personnel & Administration	407,240	380,981	6,234	20,025	0	1.8
Public Health & Environment	186,485	156,116	28,806	1,563	0	0.9
Public Safety	54,337	54,337	0	0	0	0.0
Regulatory Agencies	133,760	0	132,144	1,616	0	0.9
Revenue	11,108	11,108	0	0	0	0.1
State	134,997	0	134,997	0	0	0.9
Transportation	11,108	0	11,108	0	0	0.1
Treasury	611	371	240	0	0	0.0
<b>FY 2026-27 Total</b>	<b>\$4,080,130</b>	<b>\$2,007,156</b>	<b>\$559,429</b>	<b>\$1,161,842</b>	<b>\$351,703</b>	<b>18.2</b>

Staff notes that the Judicial, Law, and Treasury Departments submitted requests far below the estimates from OIT. Only the Department of State submitted a request comparable to the OIT estimate among independent agencies. The table comparing OIT estimates and independent agency request follows:

### Independent Agency Estimates and Request

Agency	OIT TF Est.	OIT FTE Est.	Agency TF Req.	Agency FTE Req.
Judicial	1,273,660	9.3	76,329	0.5
Law	201,260	0.9	2,993	0.0
State	133,760	0.9	134,997	0.9
Treasury	133,760	0.9	611	0.0

## Recommendation

Staff recommends denial of the request. Given the timeline for implementation of S.B. 24-205, resources for the assessment phase of the legislation should have been included in the FY 2025-26 Long Bill.<sup>2</sup> As the Long Bill is drafted to current law, staff presumes that these assessments and early implementation were absorbable, given that additional resources were not requested by any state agencies.

Should the committee approve any portion of the statewide request, staff recommends that all FTE associated with the request be placed in an administrative personal services line in the administration section for each department. Several departments requested FTE in the "Payments to OIT" line item. As this is a common policy line item, and essentially used for transfers between departments and OIT, staff recommends shifting these FTE for any action short of full denial of the department request.

## Analysis

### Office Assessment of Need

The request proposes the establishment of a centralized program to manage regulatory requirements for AI across state agencies. The Office is requesting these resources to address the mandates of S.B. 24-205. This legislation requires entities that deploy "high-risk" AI systems to implement specific measures to prevent algorithmic discrimination by June 30, 2026. According to the Office, state agencies do not have specialized technical or legal staff to perform the mandated impact assessments, maintain public disclosures, or manage the data correction and appeals processes required by the bill.

The requested funding would implement a distributed model designed to coordinate these compliance efforts. Under this structure, OIT would receive 3.5 FTE to serve as a central technical authority, responsible for creating a statewide risk management framework and overseeing mandatory third-party audits. The remaining 30.3 FTE would be distributed across individual agencies to manage agency-specific tasks, such as identifying internal AI use, updating transparency disclosures on department websites, and processing constituent requests regarding automated decisions.<sup>3</sup>

By centralizing technical oversight within OIT while distributing operational duties to the departments, the Office argues that it can implement a consistent set of compliance standards. This approach is intended to be

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<sup>2</sup> The original date for implementation of the bill was February 1, 2026. This was pushed out until July 1, 2026 through S.B. 25B-005, but this legislation passed several months after the signing of the Long Bill.

<sup>3</sup> These figures are from the Office's submission documents. Staff notes that the numbers contained in the official requests differ from these figures.

more resource-efficient than requiring each agency to develop independent compliance programs. The proposal seeks to transition the state from general policy guidelines to a formal operational structure that meets the regulatory requirements for managing high-risk AI applications.

## **Staff Concerns**

Based on the information submitted by the Office, staff has three main concerns with the request: timing of this request in the budget cycle, lack of underlying cost assumptions, and the unclear legal interpretations of S.B. 24-205.

### **Prior Legislative Action and the Assumption of Absorbability**

The 2025-26 Long Bill, which was drafted to reflect current law (including the initial passage of SB24-205), did not contain any funding requests or appropriations for changes related to S.B. 24-205. The absence of a request during that budget cycle suggests that the necessary compliance activities were considered absorbable within existing departmental resources and current OIT staff capacities. The Office has not provided a compelling justification for why these requirements—which were known at the time the Long Bill was finalized—now require a significant increase in General Fund obligations and a substantial expansion of the state's workforce.

### **Lack of Underlying Data for Cost Assumptions**

The Department has not provided the specific data or granular workload analysis required to support the requested \$5.2 million and 33.8 FTE. While the proposal outlines a "hub-and-spoke" model for compliance, it lacks a detailed breakdown of how the cost of impact assessments or the specific FTE allocations for each of the 24 agencies were calculated. Legislative staff, as well as both the Joint Budget Committee and Joint Technology Committee, have requested a list of systems which OIT believes are subject to SB 24-205. This list has not been provided. Staff sees this as a crucial aspect of workload and cost estimations.

In addition to the concern outlined above, the \$5.2 million strikes staff as an excessive figure. In a meeting with the JTC on March 12, 2026, the Office has indicated that the weighted average for review of a system is 7.5 hours, with the total anticipated statewide review requiring 2.5 FTE within OIT. The Office request includes 30.3 FTE distributed across state agencies, leaving a ratio of 12.1 departmental FTE per OIT compliance review FTE. This suggests that each system would require, on average, 90.9 hours at the Department level. Given that it is likely that the vast majority of systems and applications of AI will not be deemed "high risk," it is hard to understand how the time cost would reach this level, even if some number of these systems would require ongoing compliance actions.

### **Divergent Interpretations of S.B. 24-205 Requirements**

A fundamental divergence appears to exist between the executive branch and legislative branch interpretations of S.B. 24-205. Staff views the executive request as reflective of a more stringent interpretation of "artificial intelligence system." Under such an interpretation, legacy, non-artificial intelligence systems could constitute algorithmic decision-making. Alternatively, the sponsors understand the requirements to be much less onerous on state agencies, and have expressed some skepticism on the estimated cost of \$5.2 million, particularly

without a clear idea of how many systems are making “consequential decisions.”<sup>4</sup> Staff suggests that the differences between the OIT estimates and actual requests for independent agencies further highlights these disparate interpretations.

The JTC has requested a meeting with the Attorney General for guidance on how the Department of Law interprets S.B. 24-205, particularly with respect to the definition of “consequential decision” and “artificial intelligence system.” Additionally, rulemaking related to AI compliance is ongoing. Given the ambiguity that appears to exist, staff is hesitant to recommend a large fiscal commitment to AI compliance, especially with clearer guidelines potentially forthcoming.

## → R7 Payments to OIT

### Request

The request includes an increase of \$9.2 million across state agencies, including \$1.0 million General Fund, for IT services.<sup>5</sup> Requests are shown in the following table:

**R7 Payments to OIT Adjustments**

Department	FY 2025-26 Appropriation	FY 2026-27 Request	Requested Change in Payments to OIT
Agriculture	\$3,499,689	\$3,684,938	\$185,249
Corrections	35,065,379	36,534,234	1,468,855
Early Childhood	14,906,899	15,220,030	313,131
Education	1,030,649	948,697	-81,952
General Assembly	162,555	127,366	-35,189
Governor	2,057,477	2,362,239	304,762
Health Care Policy and Financing	17,787,189	20,699,441	2,912,252
Higher Education	1,008,425	1,285,849	277,424
Human Services	61,610,746	53,936,489	-7,674,257
Judicial	3,910,702	4,227,316	316,614
Judicial - Public Defender	1,124,861	1,093,980	-30,881
Judicial - OASIA	245,370	112,427	-132,943
Labor and Employment	37,896,600	44,381,395	6,484,795
Law	871,534	928,579	57,045
Local Affairs	4,062,128	4,559,026	496,898
Military and Veterans Affairs	764,306	804,078	39,772
Natural Resources	19,643,096	21,307,228	1,664,132
Personnel and Administration	12,744,727	12,378,558	-366,169
Public Health and Environment	19,033,020	19,370,057	337,037
Public Safety	21,273,469	22,359,703	1,086,234
Regulatory Agencies	7,485,114	7,476,100	-9,014
Revenue	23,373,032	24,879,639	1,506,607
State	328,536	366,763	38,227

<sup>4</sup> See the Joint Technology Committee meetings from March 5, 2026 and March 12, 2026, which highlight the discrepancies between executive and legislative understandings.

<sup>5</sup> The Office’s request indicates a \$10.8 million increase. However, the aggregated requests from departments totals \$9.2 million. This is largely due to a discrepancy in the HCPF request, which is \$1.6 million below the Office’s expectation.

Department	FY 2025-26 Appropriation	FY 2026-27 Request	Requested Change in Payments to OIT
Transportation	30,816,258	30,790,794	-25,464
Treasury	313,900	375,366	61,466
<b>Total</b>	<b>\$321,015,661</b>	<b>\$330,210,292</b>	<b>\$9,194,631</b>

## Recommendation

Staff recommends a reduction of \$32.1 million total funds, including \$17.4 million General Fund, in relation to the request. This would be a decrease of \$22.9 million total funds, including \$17.3 million General Fund, relative to the final FY 2025-26 appropriation. Staff recommendation for General Fund appropriations is 12.5 percent lower than the request.

Department	FY 2026-27 TF Request	FY 2026-27 GF Request	Rec. GF Change	Rec. non-GF Change	Recommend Approp.	Rec. GF Approp.
Agriculture	\$3,684,938	\$2,282,065	-\$284,615	\$0	\$3,400,323	\$1,997,450
Corrections	36,534,234	35,264,867	-3,388,210	0	33,146,024	31,876,657
Early Childhood	15,220,030	11,873,531	-3,000,000	0	12,220,030	8,873,531
Education	948,697	693,599	0	0	948,697	693,599
General Assembly	127,366	127,366	0	0	127,366	127,366
Governor	2,362,239	2,431,545	-243,629	0	2,118,610	2,187,916
Health Care Policy and Financing	20,699,441	7,625,221	-3,000,000	-3,500,000	14,199,441	4,625,221
Higher Education	1,285,849	418,974	-32,923	-241,381	1,011,545	386,051
Human Services	53,936,489	27,936,230	0	0	53,936,489	27,936,230
Judicial	4,227,316	4,227,316	0	0	4,227,316	4,227,316
Judicial - Public Defender	1,093,980	1,093,980	0	0	1,093,980	1,093,980
Judicial - OASIA	112,427	112,427	0	0	112,427	112,427
Labor and Employment	44,381,395	3,994,112	-1,000,000	-2,000,000	41,381,395	2,994,112
Law	928,579	259,776	0	0	928,579	259,776
Local Affairs	4,559,026	1,086,576	0	-415,000	4,144,026	1,086,576
Military and Veterans Affairs	804,078	784,371	0	0	804,078	784,371
Natural Resources	21,307,228	3,506,161	-229,238	-3,112,529	17,965,461	3,276,923
Personnel and Administration	12,378,558	4,904,416	-397,369	247,724	12,228,913	4,507,047
Public Health and Environment	19,370,057	8,079,098	-2,500,000	-3,500,000	13,370,057	5,579,098
Public Safety	22,359,703	9,534,212	-2,000,000	0	20,359,703	7,534,212
Regulatory Agencies	7,476,100	0	0	-1,000,000	6,476,100	0
Revenue	24,879,639	12,357,303	-1,250,000	-1,250,000	22,379,639	11,107,303
State	366,763	0	0	0	366,763	0
Transportation	30,790,794	0	0	0	30,790,794	0
Treasury	375,366	220,857	-30,513	-19,806	325,047	190,344
<b>Total</b>	<b>\$330,210,292</b>	<b>\$138,814,003</b>	<b>-\$17,356,497</b>	<b>-\$14,790,992</b>	<b>298,062,803</b>	<b>121,457,506</b>

Staff also request permission for all JBC staff analysts to work with their respective departments to make net neutral technical corrections to non-General Fund sources. Additionally, staff requests permission to work with the Office to reduce appropriations based on Committee actions.

## Analysis

Given the disparate management of payments to OIT line items, staff does not view an across-the-board cut to payment to OIT line items as the appropriate tool for managing these appropriations. Staff recommendation is based on a combination of the following factors, with these factors not equally impacting all lines:

- **Reversions:** Analysis of the two most recent fiscal years for which we have actual expenditure data (FYs 2023-24 and 2024-25) show substantial reversions across the state. Furthermore, many departments appear to be disproportionately expending General Fund instead of other fund sources.
- **Proposed increases:** The Office is requesting an increase of 3.6 percent across all departments, albeit with essentially no General Fund increase. Given the overall budgetary situation of the state, staff questions why an increase is necessary, and suggests that IT is an area where state agencies can constrain spending. Coupled with the reversion information, staff is skeptical that many departments even need to maintain current appropriation levels, let alone increase them.
- **Overcollection in the IT Revolving Fund:** As discussed in the briefing process, the IT Revolving Fund appears to have overcollected from state agencies over the last year. The Department has identified a target reserve of \$25-30 million. Based on information received during the budget submission process, staff would expect a decrease in charges to Departments to achieve this target. Staff also notes that the IT Revolving Fund is projected to have a balance of \$45.3 million at the end of FY 2027-28, which is inclusive of an \$11.0 million transfer that will be made during FY 2025-26.

## Reversions

Staff has identified statewide reversions across payments to OIT line items for FY 2023-24 and FY 2024-25. The following table provides a high-level overview of statewide reversions across these fiscal years.

Fiscal Year	TF Approp. [1]	GF Approp.	TF Actual	GF Actual	TF Reversion (%)	GF Reversion (%)
FY 2023-24	\$254,575,160	\$119,815,633	\$217,060,856	\$113,222,293	14.7%	5.5%
FY 2024-25	\$269,428,896	\$138,704,460	\$222,610,826	\$125,141,040	17.4%	9.8%

[1] These figures exclude the Department of Transportation. These costs are estimated around \$30 million per year, but payments to OIT are built into the base for administration expenditures. This makes it difficult to identify the exact spend on OIT services over time.

Staff has two major takeaways from this data. Firstly, statewide reversions have been substantial in the most recently completed fiscal years. For FY 2023-24 and FY 2024-25 totaled \$37.5 million and \$46.8 million. These reversions represent 14.7 and 17.4 percent of total appropriations, respectively. Staff suggests that this is indicative of substantial overappropriation across these lines.

The second takeaway is that General Fund appropriations revert fewer funds than other fund sources. This suggests to staff that General Fund appropriations could be reduced, which will compel departments to utilize other fund sources for these IT services. Staff notes that Departments often suggest that reductions in common policies should be allocated proportionally across fund sources. However, this fund source equity appears to not be a primary concern of expenditure behavior, based on this data.

It is expected that Departments will contend that the reverting cash funds are “empty spending authority” (i.e., departments are given authority to expend money from cash funds, but the cash funds lack sufficient money). Staff would suggest that this is indicative of a need to true-up the cash fund appropriations. Furthermore, many departments are required to set fees at a rate that covers direct and indirect costs, including OIT services. Staff is concerned that Departments are not increasing fees to cover these costs, and backfilling the cost with General Fund instead of raising fees to support their cash funds.

## Proposed Increases

The Department has proposed an increase of \$11.2 million total funds from FY 2025-26 appropriations, including an increase of \$38,781 General Fund, in payments to OIT line items across all departments. This represents a year-over-year increase of 3.6 percent. Staff contends that an increase in payments to OIT, no matter how minimal, is not tenable in the current budgetary environment. As such, staff has recommended some decreases based on large requested increases in line items with reversions. Additionally, staff has recommended re-basing some appropriations to final FY 2025-26 appropriations,<sup>6</sup> which were presumably reduced due to lower utilization. The following table shows the previous year appropriations, current year request, and percentage change for both total funds and General Fund.

Department	FY 2025-26 TF Approp.	FY 2025-26 GF Approp.	FY 2026-27 TF Request	FY 2026-27 GF Request	TF Change (%)	GF Change (%)
Agriculture	\$3,306,930	\$2,101,223	\$3,591,545	\$2,282,065	8.6%	8.6%
Corrections	34,535,208	34,400,164	35,392,392	35,264,867	2.5%	2.5%
Early Childhood	14,751,986	12,157,388	14,773,746	11,873,531	0.1%	-2.3%
Education	954,117	704,286	939,638	693,599	-1.5%	-1.5%
Governor	2,187,916	2,187,916	2,431,545	2,431,545	11.1%	11.1%
Health Care Policy and Financing	15,566,219	6,778,666	19,181,736	7,625,221	23.2%	12.5%
Higher Education	983,905	386,051	1,258,209	418,974	27.9%	8.5%
Human Services	64,463,335	29,089,449	53,257,878	27,936,230	-17.4%	-4.0%
Judicial	3,498,013	3,498,013	4,227,316	4,227,316	20.8%	20.8%
Judicial - Public Defender	1,006,157	1,006,157	1,093,980	1,093,980	8.7%	8.7%
Judicial - OASIA	219,477	219,477	112,427	112,427	-48.8%	-48.8%
Labor and Employment	37,255,624	6,051,394	43,906,369	3,994,112	17.9%	-34.0%
Law	620,678	169,578	924,647	259,776	49.0%	53.2%
Local Affairs	3,557,476	1,096,625	4,374,537	1,086,576	23.0%	-0.9%
Military and Veterans Affairs	761,565	761,565	784,371	784,371	3.0%	3.0%
Natural Resources	17,467,301	3,276,923	20,809,068	3,506,161	19.1%	7.0%
Personnel and Administration	12,063,477	4,507,047	12,213,122	4,904,416	1.2%	8.8%
Public Health and Environment	18,002,511	7,633,131	19,006,116	8,079,098	5.6%	5.8%
Public Safety	20,020,616	10,677,580	21,750,381	9,534,212	8.6%	-10.7%
Regulatory Agencies	6,578,815	0	7,629,890	0	16.0%	n/a
Revenue	23,070,496	11,754,879	24,214,614	12,357,303	5.0%	5.1%
State	173,710	0	365,585	0	110.5%	n/a
Transportation	30,816,258	0	30,790,794	0	-0.1%	n/a
Treasury	313,900	190,344	364,219	220,857	16.0%	16.0%

<sup>6</sup> These final appropriations include supplemental reductions, which are almost always taken as one-time actions. Essentially, staff is recommending in some cases that the reductions be maintained as ongoing.

Total	\$312,175,690	\$138,647,856	\$323,394,125	\$138,686,637	3.6%	0.0%
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## Overcollection in the IT Revolving Fund

The IT Revolving Fund is the primary fund for OIT, collecting funds that have been collected from other state agencies as they utilize OIT services. The Department has overcollected into the IT Revolving in recent years, causing the balance to grow to \$61.7 million at the beginning of the current year. While the Office expects the fund to draw down this year, the Department projects an increase in funds of \$20.3 million in FY 2026-27. Staff sees an increase in payments to OIT as exacerbating this overcollection.

### IT Revolving Fund

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Estimate	FY 2026-27 Estimate
Beginning FY Balance	\$6,624,226	\$48,301,607	\$61,665,061	\$36,000,000
Revenues [1]	367,432,046	376,113,782	337,572,207	375,826,328
Expenditures	-325,754,666	-362,750,328	-364,237,268	-355,493,798
Ending FY Balance without transfer	\$48,301,607	\$61,665,061	\$36,000,000	\$56,332,530

In addition to the overall budgetary situation, the growth of this fund has made staff skeptical of any increases in payments to OIT. Absent any additional action, the balance is projected to grow by \$20.3 million in FY 2026-27. To draw this down, one would expect a decrease in payments to OIT. Instead, an increase has been requested. Staff strongly suspects that this is likely to lead to greater accumulation of money in the IT Revolving Fund.

## Explanation of Changes for Each Department

The following is a brief explanation of the reasoning for staff recommendation on each line item:

**Agriculture:** The Department has expended a greater proportion of General Fund than cash funds reverting around 4 to 10 percent the last two completed fiscal years. Additionally, the department is requesting an 8.6 percent year over year increase in FY 2026-27. **Staff recommendation rebases to the FY 2025-26 total appropriation, while also shifting expenditures from General Fund to cash funds.**

**Corrections:** The recommendation is aligned with the JBC action made during the Department of Corrections figure setting presentation by Justin Brakke. **Staff recommends no further action at this time.**

**Early Childhood:** The committee has already approved a \$2.0 million General Fund reduction in the payments to OIT line during the figure setting presentation for the Department of Early Childhood by Phoebe Canagarajah. Staff notes that, while the Department has decreased General Fund utilization year-over-year, the line item appears to be overappropriated. The current request is a 40.6 percent increase over 2024-25 expenditures, including a 48.2 percent increase in General Fund. **Staff recommends an additional decrease of \$1.0 million General Fund. This will more closely align the expenditures with inflation-adjusted historical expenditures.**

**Education:** The Department request is aligned with historical actuals and includes a year-over-year decrease. **Staff recommends approval of the Department request.**

**Governor:** The Department request is an 11.1 percent increase over the FY 2025-26 appropriation, which staff views as untenable in the current budgetary environment. **Staff recommendation rebases the appropriation to**

**FY 2025-26 levels, which represents slightly more than a 7 percent increase from actual expenditures two fiscal years prior. This is aligned with inflation.**

**Health Care Policy and Financing:** The Department has reverted between \$1.4 and \$3.2 million General Fund during the two most recent fiscal years, representing 30.3 and 55.9 percent of General Fund appropriations, respectively, for these years. Despite this, the Department has requested a 23.2 percent increase in total funds and 12.5 percent increase in General Fund year-over-year. This has created a situation where the Department request is \$19.2 million total funds and \$7.6 million General Fund when the Department has not expended even half of these amounts in the preceding fiscal years. **Staff recommendation aligns the appropriation more closely with historical spending levels. Staff recommendation assumes a decrease of roughly \$3.5 million Federal Funds, based on current allocations.**

**Higher Education:** The Department has requested a year-over-year increase of 27.9 percent for FY 2026-27. Historical expenditures have been between \$0.6 million and \$1.0 million. **Staff recommendation rebases the appropriation to FY 2025-26 levels, which aligns the appropriation more closely with historical expenditures.**

**Human Services:** The Department is offering a substantial reduction of 17.4 percent total funds, including a 4.0 percent reduction in General Fund. This reduces the appropriation from FY 2025-26 levels, which were unusually high. **Staff recommends approval of the Department request, which aligns the appropriation with historical spending levels.**

**Judicial:** The Department has requested an increase of 13.1 percent year-over-year. However, staff notes that the Department has historically expended \$2-3 million more than the requested amount. **Staff recommends approval of the Department request.**

**Labor and Employment:** The Department has reverted roughly 40 percent of appropriations over the last two completed fiscal years, including several million in cash funds each year. **Staff recommendation reduces General Fund utilization, which is intended to shift expenditures to reverting cash funds.**

**Law:** The Department has requested a decrease, with the line item now below historical expenditure levels. Staff does note that the request is roughly a 50 percent increase over FY 2025-26 levels, but this low level is anomalous. **Staff recommends approval of the Department request.**

**Local Affairs:** The Department is requesting a 23.0 percent increase year-over-year, albeit with no General Fund impact. **Staff recommendation aligns the appropriation with historical expenditures and the FY 2025-26 appropriation.**

**Military and Veterans Affairs:** The Department has reduced this appropriation in recent years from historical levels, and has only requested a 3.0 percent year-over-year increase. **Staff recommends approval of the Department request.**

**Natural Resources:** The Department has historically expended a greater proportion of General Fund, reverting more cash funds. Furthermore, the request includes an increase of 19.1 percent total funds and 7.0 percent General Fund from FY 2025-26 levels, despite the department historically reverting 6-7 percent each year. **Staff recommendation rebases the appropriation to the FY 2025-26 level.**

**Personnel:** The Department has reverted between 15-20 percent in previous years. **Staff recommendation rebases the appropriation to the FY 2025-26 level.**

**Public Health and Environment:** The Department has reverted roughly one-third of the cash fund appropriation in payments for OIT, while also overexpending the General Fund allocation in each of the last two years. **Staff recommendation aligns the appropriation with historical expenditures, while also shifting expenditures from General Fund to the reverting cash funds.**

**Public Safety:** In FY 2026-27, the Department requested an 8.6 percent increase year-over-year, despite reversions of 5.0 and 19.6 percent in the two most recent fiscal years. **Staff recommendation was developed in collaboration with the JBC staff analyst for the Department of Public Safety, Michelle Curry, and aligns the appropriation with historical General Fund expenditures from FY 2023-24, shifting these General Fund expenditures to reverting cash funds.**

**Regulatory Agencies:** The Department has requested a 16.0 percent year-over-year increase, and exceeds the historical expenditures by approximately \$1.0 million. **Staff recommendation aligns the appropriation with historical expenditures and the FY 2025-26 appropriation.**

**Revenue:** The Department has historically spent around \$20 to \$21 million for payments to OIT. The request for this year is \$24.2 million. **Staff recommendation aligns the appropriation with historical expenditures.**

**State:** The request is below historic levels. Given that the Department is an independent agency, staff suspects that more IT work is being done in-house. **Staff recommends approval of the Department request.**

**Treasury:** The Department has requested a 16.0 percent increase over FY 2025-26 appropriation levels. These FY 2025-26 levels themselves are roughly a 10.0 percent increase over previous year expenditures. **Staff recommendation rebases the appropriation to FY 2025-26 levels.**

## Concluding Remarks

Staff recognizes that recommendation differs dramatically from the Office request. However, staff views payments to OIT line items as a place for aggressive balancing action from the Committee. Given that payments are tied to OIT use, Departments have the ability to reduce utilization to control costs. Furthermore, Departments have the option to seek supplemental appropriations if additional resources are needed mid-year.

# Office of Information Technology

## → Staff initiated transfer from IT Revolving Fund to General Fund

### Recommendation

Staff recommends transfers of \$11.0 million from the IT Revolving Fund to the General Fund in FY 2025-26 and \$10.0 million in FY 2026-27. While the Office has not made a formal request, the first of these transfers has been built into the Department’s budget submission documents. The second transfer is a new item.

### Analysis

As mentioned in the previous request item, the IT Revolving Fund has overcollected substantially. The Department has targeted a reserve between \$30.0 and \$45.0 million.

Despite rate adjustments totaling a reduction of \$16.0 million and a potential transfer of \$11.0 million for FY 2025-26, the Department still expects to collect \$20.3 million more than it expends in FY 2026-27, leaving the fund with a projected balance of \$45.3 million. Staff suggests this budget balancing transfer as a means of limiting the growth of the fund’s balance. Staff notes that this would decrease the balance of the fund to \$35.3 million, which is still in the target reserve range. The following table details the fund balance if the transfers are taken.

**IT Revolving Fund**

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Estimate	FY 2026-27 Estimate
Beginning FY Balance	\$6,624,226	\$48,301,607	\$61,665,061	\$25,000,000
Revenues	367,432,046	376,113,782	338,572,207	375,826,328
Expenditures	-325,754,666	-362,750,328	-364,237,268	-355,493,798
Ending FY Balance without transfer	\$48,301,607	\$61,665,061	\$36,000,000	\$45,332,530
Transfer Option			11,000,000	10,000,000
Ending FY Balance after transfer			\$25,000,000	\$35,332,530