

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2010-11 STAFF FIGURE SETTING
PERSONAL SERVICES COMMON POLICIES**

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

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**FY 2010-11 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

COMMON POLICIES

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**FY 2009-10 FIGURE SETTING
COMMON POLICIES**

JBC Working Document -- All Decisions Subject to Change

PERSONAL SERVICES CALCULATIONS

Overview of Personal Services Calculations

The personal services calculation is a formula that integrates base funding from the prior year and applies adjustments (both increases and decreases) based on legislative action or staff recommendation. The historical components of the personal services calculation include:

Personal Services Calculations: Building the Appropriation for FY 2010-11	
Item	Notes
Starting base: FY 2009-10 Long Bill appropriation	Base for FY 2009-10 appropriation
+ Adjustment for supplemental appropriations that impact FY 2009-10	
+ Adjustments for legislation other than the Long Bill	FY 2009-10 impact of prior-year legislation
+ Annualize for prior-year decision items	Out-year impact of prior legislative actions
+ Prior year salary survey and performance-based pay awards	None awarded for FY 2009-10
= FY 2010-11 Base Appropriation	Beginning base, FY 2010-11 appropriation
+ Annualize prior-year legislation	FY 2010-11 impact of prior legislation
+ Annualize prior-year decision items	ex: Eliminate one-time funds
+ Base adjustments	ex: Base reduction, one-time or base-building
+ FY 2010-11 change requests	Committee-approved changes for FY 2010-11
+ Staff recommended adjustments	
= Recommended FY 2010-11 Long Bill Appropriation	

- 1. Prior year Long Bill appropriation** - Staff use the Long Bill as the base amount from which to build appropriations for the following year. The Long Bill typically does not include the impacts of legislation from that year's legislative session.

2. **Adjustment for special bills, including supplemental appropriations** - The base appropriation is adjusted to incorporate funds and FTE that were appropriated through any prior year's legislation other than the Long Bill. The appropriation is also adjusted to account for one-time funds, or to annualize partial-year funding decisions.
3. **Adjustments for prior year's decision items** - The Long Bill contains change requests that were approved in the previous year, and some of the changes may have been one-time expenses. These need to be reduced from the base. Others may have only received partial-year funding in the first fiscal year and must be annualized for the following full fiscal year.
4. **Increase by prior year's salary survey** - Salary survey is appropriated as a separate line item in each department's Executive Director's Office. It is then allocated throughout the Department, based upon each division's needs. Salary survey is base-building, which means that the increases are included in the next fiscal year's base appropriation. **No salary survey was awarded for FY 2009-10.**
5. **Increase by prior year's performance-based pay** - Performance-based pay awarded during the prior year is also incorporated as a part of the base appropriation (the exception is the Judicial Department, which still operates an anniversary-based system). Performance-based pay awards and anniversary increases operate in the same manner as salary survey. Appropriations are located in an Executive Director's Office and allocated to divisions based on funding formulas. **No performance-based pay or anniversary awards were appropriated for FY 2009-10.**
6. **Base adjustment to reflect savings from vacancies and staff turnover** - Historically, the personal services calculation formula usually incorporated a reduction to account for vacancy savings resulting from staff turnover. Since its inception in FY 1999-00, this adjustment has ranged between 0.2 percent and 2.5 percent. For FY 2009-10, the Committee applied a one-time 1.82 percent base reduction for Personal Services line items with 20.0 or more FTE. The Committee has indicated its intent to build this amount back into the base appropriation for FY 2010-11.
7. **New change requests, budget amendments, or other adjustments** - The base appropriation is adjusted in order to reflect appropriations approved by the Committee for new programs, or adjustments to existing programs, as requested through decision items, or efficiency (base reduction) items, or budget amendments.
8. **Staff-recommended adjustments** - Joint Budget Committee staff periodically recommend other adjustments based on their own analysis. For example, a reduction may be recommended to reflect significant reversions or vacant positions during a prior fiscal year.
9. **Fund mix adjustment** - Joint Budget Committee staff may present a recommendation that

adjusts fund sources in order to maximize opportunities for federal funds or cash funds to offset the need for General Fund appropriations. These adjustments change the amount from an individual fund source, but the total dollar amount remains the same.

Components for Consideration

Legislation to change the State and employee contribution rates for the Public Employee Retirement Association

The Governor's proposed FY 2010-11 budget balancing package included a request for the Joint Budget Committee to sponsor legislation to change the contribution rates for the State's Public Employee Retirement Association (PERA). Specifically, the legislation would decrease the State's contribution by 2.5 percentage points, and increase the employee's contribution by 2.5 percentage points. It would apply only to impact employees who participate in the State and Judicial divisions, including both the defined benefit and defined contribution plans. The Office of State Planning and Budgeting anticipates that this will generate \$14.7 million in General Fund savings. For the purposes of this presentation, there are **several key components for the Committee to consider.**

- ❑ This legislation would impact every Personal Services line item in the Long Bill. Joint Budget Committee staff typically figure-set according to current law. However, it is likely that this legislation will not be signed prior to the first figure-setting presentation. Given the legislation's significant impact on personal services appropriations, staff recommends an exception so that **JBC staff can incorporate the PERA reductions as a part of their figure-setting recommendations.**
- ❑ It is still **important that this legislation is fast-tracked**, so that if the General Assembly intends to pass the legislation, it will have the Governor's signature prior to the introduction of the Long Bill.
- ❑ The legislation applies only to State employee salaries, which are just one component of the Personal Services line item appropriation. OSPB changed its budget submission format so that JBC staff are no longer able to isolate these funds from the remainder of the appropriation. Therefore, it is impossible to apply a set formula in order to generate the reduction for each line item. **Staff recommends that JBC staff use the figures provided by OSPB as a part of the January budget amendment submissions.**
- ❑ It is unclear as to whether OSPB incorporated certain statewide requests, such as the OIT personal services consolidation, into the requested line item adjustments. It is also possible that OSPB may submit additional adjustments which would then impact numerous line items throughout the budget.
- ❑ **Given the time-intensive nature of hard-entering the figures provided by OSPB, it is not feasible for JBC staff to re-enter the figures based upon future changes.** OSPB is

aware of whether it will submit additional requests that may impact these line items, as well as the anticipated impact of the OIT consolidation. Staff recommends that the Committee request OSPB to submit any requested changes for how the 2.5 percent PERA legislation will impact specific line items no later than February 5, 2010. **Staff also recommends a mutual understanding that after February 5, 2010, the OSPB will not submit any changes for how this PERA legislation will impact specific line items.**

Base Reduction for vacancy savings

The Committee may choose to apply a base reduction to Personal Services line items to capture vacancy savings, which are generated when a senior, higher-paid employee is replaced by a less experienced, and thus lower-paid, employee. The base appropriation incorporates funds for the higher paid employee, which can then be used for other purposes when this type of turnover occurs.

Since FY 2000-01, the base reductions have varied between 0.0 percent and 2.5 percent, and are typically applied only to those line items with 20.0 or more FTE. Staff notes that the FY 2009-10 appropriation includes a 1.82 percent personal services reduction, but the Committee has indicated that it was a one-time reduction and requested staff to build the amount back into the FY 2010-11 base appropriation.

Staff has already discussed potential base reduction savings during the Department of Personnel and Administration's FY 2010-11 budget briefing, as well as during the presentation of the Governor's request for the Committee to sponsor legislation to change the contribution rates for the State's retirement system. **Staff assumes that the Committee is aware of its options for base reduction savings.** Staff will further discuss this information if the Committee expresses an interest in the future.

TOTAL COMPENSATION

Pursuant to Section 24-50-104 (4) (a), C.R.S., the annual compensation process's purpose is to: "determine any necessary adjustments to state employee salaries, state contributions for group benefit plans, and performance awards." Staff's FY 2010-11 Department of Personnel and Administration budget briefing discussed concerns raised by prior audits about how the State implements its total compensation survey. The most recent audit was released in June, 2009, and echoed the ongoing concerns. Staff is aware of the Department's position that it has changed several components of its total compensation survey. However, these recent actions are not included in the findings that were released in the June, 2009 audit report, and staff has a responsibility to share the audit's findings with the Committee.

The total compensation appropriation includes: (1) salary survey; (2) performance-based pay; and (3) health, life, and dental benefits.

Salary Survey and Performance-based Pay

Pursuant to Section 24-50-104 (4) (c), C.R.S., the State Personnel Director is to publish the Total Compensation Report every August. This report includes recommendations for base pay increases to occupational groups in the state personnel system. Based on the revenue shortfall predicted for FY 2010-11, **the State Personnel Director did not recommend, and OSPB did not request, any salary survey or performance-based pay increases for FY 2010-11. Staff recommends the OSPB's request.**

Health, Life, and Dental Benefits

Pursuant to Section 24-50-609 (2) (b) (I), C.R.S., the State provides for contributions to employee health, life, and dental insurance premiums. Appropriations for these purposes are consolidated into a single line item, "Health, Life, and Dental", in each Executive Director's Office. The single line item appropriation gives a department the flexibility to transfer centrally appropriated spending authority to the line items for which it has health, life, and dental insurance expenditures. This flexibility enables agencies to absorb shifts in enrollment amongst its employees.

Employees participate in open enrollment every March, during which they select their benefit options and make adjustments to account for changes in family status, etc. These changes can drive changes to the specific line items. Shifts in benefit costs can also occur throughout the year as employees retire, are hired, etc.

Eligibility: Eligible participants in the State's benefits program are defined pursuant to Section 24-50-603 (7), C.R.S. Both full and part-time employees are eligible, although statute specifically temporary employees. Non-classified employees in the Department of Higher Education, such as faculty and administrators, have a separate benefits program with different contribution and premium levels. Generally, all permanent employees are eligible for benefits, although participation in the plan is voluntary.

Funding: The State Personnel Director has the authority to establish contribution rates subject to the General Assembly's approval. Section 24-50-609 (2) (b) (I), C.R.S., states that **the amount of the state contribution for each tier shall be determined by the State Personnel Director in accordance with section 24-50-104 (4), C.R.S.**, and shall be the same for all eligible employees within the state personnel system.¹

¹ Section 24-50-104 (4) (d) (II), C.R.S., states: "For the 2005-06 fiscal year and each fiscal year thereafter, to the extent such changes are funded, the recommended changes in state contributions for group benefit plans and any adjustments to the recommended changes made by the general assembly in the annual general appropriation act for the next fiscal year shall be effective on the first day of the annual group benefit plan year established pursuant to section 24-50-604 (1) (m), C.R.S."

The Department's total compensation letter for FY 2010-11 states that its efforts are to maintain the employer contribution premiums at 90.0 percent of market employer contributions for medical, 85.0 percent of market employer contributions for dental insurance, and at 72.0 percent for life insurance.

The first of the following tables reflects the State's current health, life, and dental insurance contribution rates for FY 2009-10, as well as the rates as requested in the FY 2010-11 budget submission. The second table reflects OSPB's FY 2010-11 request, by department and fund source. Please note that the second table does not include the Legislature, the Judicial Department, or non-appropriated dollars with Higher Education.

Contribution Rate Changes by Insurance Type - Health, Life, Dental				
	FY 2009-10	FY 2010-11	Change	% Change
HEALTH				
Employee	\$350.66	\$352.00	\$1.34	0.38%
Employee + Spouse	\$592.54	\$594.50	\$1.96	0.33%
Employee + Child(ren)	\$627.10	\$629.14	\$2.04	0.33%
Employee + Family	\$868.98	\$871.64	\$2.66	0.31%
DENTAL				
Employee	\$20.72	\$19.78	(\$0.94)	-4.54%
Employee + Spouse	\$33.86	\$32.16	(\$1.70)	-5.02%
Employee + Child(ren)	\$35.72	\$33.92	(\$1.80)	-5.04%
Employee + Family	\$48.86	\$46.32	(\$2.54)	-5.20%
LIFE				
All Tiers	\$11.26	\$9.40	\$0.00	0.00%

FY 2010-11 Health, Life, and Dental Requests						
Department	Total Funds	General Fund	Cash Funds	HUTF	Reapp. Funds	Federal Funds
Agriculture	\$1,529,590	\$350,337	\$1,102,407	\$0	\$0	\$76,846
Corrections	36,085,141	35,010,054	1,075,087	0	0	0
Education	2,868,182	1,363,445	207,453	0	319,674	977,610
Governor's Office	2,184,670	718,357	35,541	0	1,394,376	36,396
HCPF	1,791,272	629,232	202,333	0	73,220	886,487
Higher Education	920,276	0	634,865	0	194,130	91,281
Human Services	23,372,884	13,959,918	385,715	0	5,656,943	3,370,308
Labor and Employment	5,763,207	0	2,224,564	0	166,519	3,372,124
Local Affairs	932,457	397,855	115,027	0	218,099	201,476
Military Affairs	544,063	167,615	226	0	0	376,222
Natural Resources	8,840,014	1,842,892	5,644,096	0	334,568	1,018,458
Personnel	2,033,402	540,438	194,301	0	1,298,663	0
Public Health	6,730,815	519,829	2,203,804	0	756,767	3,250,415
Public Safety	8,243,529	1,083,130	821,234	5,407,378	592,142	339,645
Regulatory Agencies	2,773,371	88,709	2,337,504	0	305,295	41,863
Revenue	7,589,443	4,899,047	2,027,306	663,090	0	0
Statewide Total	\$112,202,316	\$61,570,858	\$19,211,463	\$6,070,468	\$11,310,396	\$14,039,131

Staff Analysis

As noted during the Department of Personnel and Administration's FY 2010-11 budget briefing, staff questions whether using market employer contribution rates provides a meaningful comparison. Staff was unable to identify another State that gauges the competitiveness of its benefits in terms of market employer contributions, and recent audits have also questioned whether this is an appropriate comparison. Employer contribution rates do not indicate the components of the health plan, the employee's costs within the health plan, or the plan's overall value to the employee.

Staff notes that the OSPB changed its format for submitting common policy requests this year, and as a result, provided staff with very little information about how it determined its requested amounts. The November 6, 2009 budget submission and the January 11, 2010 Total Compensation request no longer included much of the information that is necessary in order to analyze the common policy requests. Staff was unable to obtain much of the information that is required to analyze OSPB's total compensation request. As a result, staff has little on which to base a recommendation. Given the importance of these benefits for State employees, staff recommends OSPB's request. However, staff plans to follow-up with both the Department and OSPB about how it intends to submit common policies for the November, 2010 budget submissions.

SHORT-TERM DISABILITY

Office of State Planning and Budgeting request: The OSPB requests a short-term disability rate of 0.155 percent, calculated on the combination of base salary and shift differential, if applicable.

Background: Short-term disability coverage provides for the partial payment of an employee's salary if an individual becomes disabled and is unable to work (Section 24-50-603 (13), C.R.S.). The State fully funds this benefit for all employees, and it provides up to 60.0 percent of an employee's salary for a period not to exceed six months.

The short-term disability rate is 0.155 percent of the combined base continuation salaries, salary survey, performance-based pay, and shift differential. The State's PERA contribution and Medicare payments are not included in the calculated amount. The percentage contribution is determined by the insurer, the Standard Insurance Company, and has increased in recent years. For FY 2006-07 the rate was 0.113 percent, for FY 2007-08 and FY 2008-09 the rate was 0.13 percent, and for FY 2009-10 the rate increased to its current contribution of 0.155 percent. The insurance carrier states that the rates have increased because during the last three years, the plan has experienced an incurred loss ratio of 98.0 percent. The expected rate for other similar plans is 85.0 percent, which is why the carrier increased the contribution percentage.

Staff Recommendation: Staff recommends the OSPB's request for a short-term disability rate of 0.155 percent to be calculated on base salaries and shift differential, if applicable. Staff recommends that the rate be calculated on base salaries before PERA and Medicare are applied.

FY 2010-11 Short-term Disability Requests						
Department	Total Funds	General Fund	Cash Funds	HUTF	Reapp. Funds	Federal Funds
Agriculture	\$23,358	\$7,240	\$14,732	\$0	\$0	\$1,386
Corrections	512,754	498,245	14,509	0	0	0
Education	50,059	19,313	4,626	0	6,195	19,925
Governor's Office	42,660	8,381	85	0	33,639	555
HCPF	32,128	11,581	3,164	0	1,530	15,853
Higher Education	13,232	0	9,361	0	2,521	1,350
Human Services	345,460	211,034	6,537	0	72,012	55,877
Labor and Employment	99,167	0	38,275	0	3,532	57,360
Local Affairs	16,797	4,751	2,554	0	4,653	4,839
Military Affairs	9,899	3,722	113	0	0	6,064
Natural Resources	145,331	29,435	92,802	0	6,306	16,788
Personnel	31,283	9,236	4,029	0	18,018	0
Public Health	126,435	9,282	40,717	0	14,618	61,818
Public Safety	131,359	23,449	10,983	82,580	8,899	5,448
Regulatory Agencies	53,922	1,692	45,086	0	6,633	511
Revenue	112,052	69,282	33,984	8,786	0	0
Statewide Total	\$1,745,896	\$906,643	\$321,557	\$91,366	\$178,556	\$247,774

PERA AMORTIZATION EQUALIZATION DISBURSEMENT

During 2004, the General Assembly passed S.B. 04-257, which created the Amortization Equalization Disbursement (AED) line item. This was, at the time, the Legislature's solution to address the unfunded liability of the Public Employee Retirement Association (PERA) pension trust fund. The legislation established a schedule whereby the employer's contribution increases at a phased-in rate. The phased-in schedule is listed below.

Amortization Equalization Disbursement (AED) Schedule			
	State Rate	AED Rate	Total Contribution, State Division
January 1, 2005	10.15%	-	10.15%
January 1, 2006	-	0.50%	10.65%
January 1, 2007	-	1.00%	11.15%
January 1, 2008	-	1.40%	11.55%
January 1, 2009	-	1.80%	11.95%
January 1, 2010	-	2.20%	12.35%
January 1, 2011	-	2.60%	12.75%
January 1, 2012	-	3.00%	13.15%

Pursuant to Section 24-51-411 (2), C.R.S., the amortization equalization disbursement is capped at 3.0 percent of payroll, and it will remain in effect for each PERA division until that division has reached an actuarial funded ratio of 100.0 percent. According to statute, when a division reaches 100.0 percent funding, an actuary will determine the amount by which AED can be reduced to maintain a 100.0 percent funded ratio.

The following table provides an estimate for each department's FY 2010-11 AED appropriation. However, this estimate does not take into account supplemental requests nor those staff recommendations that may differ those included in the November, 2009 budget submission.

Staff Recommendation: Staff recommends that the Committee adhere to the statutorily defined contribution rates, which would be 2.2 percent for July 1, 2010 through December 31, 2010, and increase the rate to 2.6 percent for January 1, 2011 through June 30, 2011. In order to account for the pay-date shift, staff recommends that for those lines that contain General Fund, the contribution rate is calculated as 2.2 percent for seven months and 2.6 percent for five months. Staff recommends that the amount be calculated on base salaries plus shift differential, if applicable.

PERA SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT

During the 2006 session, the Legislature passed S.B. 06-235, which created the Supplemental Amortization Equalization Disbursement (SAED) line item. Among other changes, the legislation requires additional PERA contributions in the amount of 0.5 percent of total payroll beginning January 1, 2008, and increasing 0.5 percent per year to a total of 3.0 percent by 2013. The SAED is to be funded from money otherwise available for use but not yet awarded as salary increases. Together, AED and SAED will contribute an additional 6.0 percent of total payroll to PERA by 2013.

Pursuant to Section 24-51-411 (3.7), C.R.S., the SAED is to be funded out of the moneys that would otherwise be obligated for salary increases. Although there are no recommended salary increases for FY 2010-11, staff's understanding is that the General Assembly is still obligated to fund SAED. This was discussed at length during the FY 2009-10 common policy figure-setting presentation.

Staff Recommendation: Staff recommends that the Committee adhere to the statutorily defined contribution rates, which would be 1.5 percent for July 1, 2010 through December 31, 2010, and increase the rate to 2.0 percent for January 1, 2011 through June 30, 2011. In order to account for the pay-date shift, staff recommends that for those lines that contain General Fund, the contribution rate is calculated as 1.5 percent for seven months and 2.0 percent for five months. Staff recommends that the amount be calculated on base salaries plus shift differential, if applicable.

Supplemental Amortization Equalization Disbursement (SAED) Schedule			
	State Rate	Supplemental Amortization Equalization Disbursement	Aggregate Contribution - State Division
January 1, 2007	10.15%	-	10.15%
January 1, 2008	-	0.50%	10.65%
January 1, 2009	-	1.00%	11.15%
January 1, 2010	-	1.50%	11.65%
January 1, 2011	-	2.00%	12.15%
January 1, 2012	-	2.50%	12.65%
January 1, 2013	-	3.00%	13.15%

FY 2010-11 Supplemental Amortization Equalization Disbursement Requests

Department	Total Funds	General Fund	Cash Funds	HUTF	Reappropriated	
					Funds	Federal Funds
Agriculture	\$263,717	\$81,737	\$166,330	\$0	\$0	\$15,650
Corrections	\$5,789,155	\$5,625,348	\$163,807	\$0	\$0	\$0
Education	\$565,185	\$218,052	\$52,228	\$0	\$69,945	\$224,960
Governor's Office	\$481,164	\$94,623	\$964	\$0	\$379,796	\$5,781
HCPF	\$362,746	\$130,759	\$35,725	\$0	\$17,279	\$178,983
Higher Education	\$149,383	\$0	\$105,686	\$0	\$28,460	\$15,237
Human Services	\$3,931,816	\$2,398,556	\$73,810	\$0	\$828,611	\$630,839
Labor and Employment	\$1,119,624	\$0	\$432,135	\$0	\$39,882	\$647,607
Local Affairs	\$189,639	\$53,638	\$28,833	\$0	\$52,538	\$54,630
Military Affairs	\$111,762	\$42,022	\$1,277	\$0	\$0	\$68,463
Natural Resources	\$1,640,835	\$332,327	\$1,047,761	\$0	\$71,201	\$189,546
Personnel	\$353,197	\$104,275	\$45,493	\$0	\$203,429	\$0
Public Health	\$1,427,488	\$104,791	\$459,710	\$0	\$165,042	\$697,945
Public Safety	\$1,483,073	\$267,794	\$120,949	\$932,353	\$100,471	\$61,506
Regulatory Agencies	\$608,812	\$19,107	\$509,039	\$0	\$74,892	\$5,774
Revenue	\$1,269,098	\$786,213	\$383,688	\$99,197	\$0	\$0
Total Statewide	\$19,746,694	\$10,259,242	\$3,627,435	\$1,031,550	\$2,031,546	\$2,796,921

SHIFT DIFFERENTIAL

Shift differential pay is the optional, discretionary adjustment made to compensate employees whose shifts are outside of the traditional Monday through Friday, 8:00 a.m. to 5:00 p.m. work schedule. The State Personnel Director identifies those positions that are eligible for shift differential as a part of the annual compensation plan. Department Directors also have some discretion to designate other positions as eligible for shift differential pay. Shift pay is only applied to actual hours worked, and is not to be incorporated as part of an employee's annual paid leave. Second shift rate applies when half or more of the scheduled work hours fall between 4:00 p.m. and 11:00 p.m. The third shift rate applies when half or more of the scheduled work hours fall between 11:00 p.m. and 6:00 a.m. In addition to the second and third shifts during weekdays, the State also pays shift differential pay for many health care workers for weekend shifts.

JBC common policy guidelines have historically funded departments' shift differential requests at 80.0 percent of actual prior year expenditures. **Staff recommends that the Committee fund shift differential at 80.0 percent of the department's FY 2008-09 actual expenditures.** Departments have the flexibility to use "regular" personal services dollars to fund shift differential, which is why the actual expenditures are frequently greater than the Long Bill appropriation. The OSPB did not provide staff with actuals dollar amounts nor totals for its request. The following table reflects FY 2009-10 appropriation for approximation purposes.

FY 2009-10 Shift Differential Appropriations					
Department	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Corrections	\$5,944,232	\$5,931,240	\$12,992	\$0	\$0
Dept of Labor	26,301	0	12,053	966	13,282
Human Services	3,536,438	2,257,117	288	1,269,925	9,108
Military Affairs	17,829	0	0	0	17,829
Natural Resources	9,801	2,297	7,504	0	0
Personnel	37,736	0	0	37,736	0
Public Health	9,362	0	0	0	9,362
Public Safety	194,299	35,880	146,840	11,579	0
Revenue	<u>133,215</u>	<u>41,680</u>	<u>91,535</u>	<u>0</u>	<u>0</u>
Grand Total	\$9,909,213	\$8,268,214	\$271,212	\$1,320,206	\$49,581

OPERATING EXPENSES

Background: Traditionally, any common policy adjustments to operating expenses adopted by the Committee are related to certain inflationary factors that may cause expenditures to increase in order to maintain existing program delivery. Operating expenses affect all department budgets, and the common policies adopted by the Committee will be used by staff to recommend funding levels during figure-setting presentations. The Committee generally considers two factors when determining the need for adjustments to operating expenses: (1) broad-based adjustments, and (2) food and medical adjustments. The most recent Committee action for operating expenses was for FY 2007-08, when it approved a 1.8 percent inflationary increase for food and a 2.0 percent inflationary increase for medical expenses. The Committee did not approve any type of inflation for operating expenses for FY 2008-09 or FY 2009-10.

Office of State Planning and Budgeting Request: The OSPB did not request any broad-based increases for operating expenses for FY 2010-11.

Staff Recommendation: Given the current General Fund shortfall, **staff does not recommend any common policy increases for operating expenses.** Staff assumes that analysts will discuss separately any specific requests that are received through decision items.

UTILITIES

Office of State Planning and Budgeting Request: The OSPB did not request any inflationary increase for utilities.

Staff Recommendation: Staff **does not recommend a statewide inflationary adjustment** for utilities for FY 2010-11.

Background: Although certain departments have requested individual increases for utilities in recent years, there have not been any statewide increases since at least prior to FY 2008-09. However, staff notes that pursuant to Sections 24-75-108 (3) and (8), C.R.S., agencies have the intra-departmental flexibility to transfer spending authority from Operating Expenses line items to Utilities line items, and also between Utilities line items themselves. Although there are no