### Second Regular Session Sixty-seventh General Assembly STATE OF COLORADO

### PREAMENDED

This Unofficial Version Includes Committee Amendments Not Yet Adopted on Second Reading

LLS NO. 10-0513.01 Esther van Mourik

HOUSE BILL 10-1264

**HOUSE SPONSORSHIP** 

Priola,

Heath,

#### SENATE SPONSORSHIP

House Committees State, Veterans, & Military Affairs Appropriations **Senate Committees** 

## A BILL FOR AN ACT

101	CONCERNING THE ESTABLISHMENT OF AN INCENTIVE PROCESS
102	WHEREBY STATE EMPLOYEES CAN SUBMIT SUGGESTIONS FOR
103	STATE AGENCY IMPROVEMENTS THAT RESULT IN COST SAVINGS.

#### **Bill Summary**

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://www.leg.state.co.us/billsummaries.)

The bill requires the state personnel director, or his or her designee, to create and make publicly available to all state employees an idea application to allow employees to suggest state agency improvements that result in cost savings. The form must be available by October 1,

2010, on the department of personnel's web site. The state personnel director, or his or her designee, is required to create evaluation criteria for the evaluation of the idea application. Any employee may submit an idea application. The availability of the idea application must be advertised on any type of payroll statements issued to employees on or after October 1, 2010.

The bill requires the executive director of the employee's state agency (executive director) to respond to the idea application in a timely fashion. The bill also requires the executive director to cause to be completed a projected savings calculation before he or she makes a decision to accept or reject the employee's idea application. The executive director may automatically deny an idea application if it is duplicative of another recently submitted application.

The bill creates a state employee incentive fund, which consists of moneys appropriated to the fund by the general assembly.

The bill provides for oversight, by the office of state planning and budgeting, of any idea applications that are denied. The bill requires the executive director to identify, where possible, any state laws or regulations that need to be changed to implement the idea. The bill requires the executive director, or his or her designee, to submit a request for legislation to the appropriate committee of reference for any idea application that requires legislation for implementation.

For every idea that is implemented, the bill requires that the executive director make a savings realized calculation. The bill requires that the executive director forward the savings realized calculation to the state auditor for review and verification. The bill then requires the state auditor to present a report of the review and verification to the legislative audit committee.

The bill specifies that the amount reviewed and verified by the state auditor as the savings realized shall be distributed as follows:

- ! 5%, up to \$5,000, of the savings realized as an honorary award to the employee who submitted the idea application;
- ! 25%, up to \$25,000, of the savings realized to the state agency that the employee's idea application directly affects; and
- ! The remainder to the general fund.

1 Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Article 50 of title 24, Colorado Revised Statutes, is

3 amended BY THE ADDITION OF A NEW PART to read:

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PART 9

# STATE EMPLOYEES' IDEAS THAT IMPROVE STATE GOVERNMENT OPERATIONS

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3 **24-50-901.** Legislative declaration. THE GENERAL ASSEMBLY 4 HEREBY FINDS AND DECLARES THAT IT IS THE POLICY OF THIS STATE TO 5 CONCENTRATE ON IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF 6 STATE GOVERNMENT IN ORDER TO PROVIDE BETTER SERVICE TO THE 7 RESIDENTS AND TAXPAYERS OF THE STATE OF COLORADO, TO INCREASE 8 STATE GOVERNMENT PRODUCTIVITY, AND TO DECREASE STATE 9 GOVERNMENT COSTS AND WASTE. THE GENERAL ASSEMBLY RECOGNIZES 10 THAT ONE METHOD OF ACHIEVING A MORE EFFICIENT AND EFFECTIVE 11 STATE GOVERNMENT IS TO ENCOURAGE THE INVOLVEMENT OF STATE 12 EMPLOYEES IN THE DEVELOPMENT OF INNOVATIVE IDEAS THAT WILL 13 INCREASE THE PRODUCTIVITY AND SERVICE LEVEL OF STATE GOVERNMENT 14 WHILE DECREASING THE COSTS OF STATE GOVERNMENT. THE GENERAL 15 ASSEMBLY REALIZES THAT EMPLOYEE INCENTIVE PROGRAMS THAT 16 REWARD STATE EMPLOYEES FOR INNOVATIVE IDEAS BY ALLOWING AND 17 INCENTIVIZING THE EMPLOYEES TO SHARE THE COST SAVINGS RESULTING 18 FROM SUCH INNOVATIVE IDEAS WILL HELP ENCOURAGE EMPLOYEE 19 INVOLVEMENT IN MAKING STATE GOVERNMENT MORE EFFICIENT AND 20 EFFECTIVE. THE GENERAL ASSEMBLY FURTHER RECOGNIZES THAT 21 REWARDING STATE EMPLOYEES' IDEAS MAY ALSO INCREASE EMPLOYEE 22 MORALE AND ENTHUSIASM, DECREASE EMPLOYEE TURNOVER, AND 23 IMPROVE CUSTOMER SERVICE.

24 24-50-902. Definitions. As used in this part 9, unless the
 25 CONTEXT OTHERWISE REQUIRES:

26 (1) (a) "EMPLOYEE" MEANS, EXCEPT AS PROVIDED IN PARAGRAPH
27 (b) OF THIS SUBSECTION (1), ALL STATE EMPLOYEES, INCLUDING THOSE

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EMPLOYEES WITHIN THE STATE PERSONNEL SYSTEM AND THOSE EXEMPT
 FROM THE STATE PERSONNEL SYSTEM AS SPECIFIED IN SECTION 13 (2) OF
 ARTICLE XII OF THE STATE CONSTITUTION.

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(b) "EMPLOYEE" DOES NOT INCLUDE:

5 (I) AN EMPLOYEE OF THE OFFICE OF STATE PLANNING AND
6 BUDGETING, THE OFFICE OF THE STATE AUDITOR, THE JOINT BUDGET
7 COMMITTEE, OR THE DEPARTMENT OF PERSONNEL;

8 (II) AN ELECTED OFFICIAL OR MEMBER OF THE GENERAL 9 ASSEMBLY; OR

10 (III) THE EXECUTIVE DIRECTOR OR BUDGET OFFICER OF A
11 PRINCIPAL DEPARTMENT, THE PRESIDENT OF A COLLEGE OR UNIVERSITY,
12 OR A DEPUTY OF SUCH DIRECTOR, OFFICER, OR PRESIDENT.

13 (2) "EXECUTIVE DIRECTOR" MEANS A STATE AGENCY'S EXECUTIVE
 14 DIRECTOR OR SIMILAR SENIOR LEVEL MANAGER OR MANAGING DIRECTOR.

15 (3) "IDEA APPLICATION" MEANS THE APPLICATION DESCRIBED IN
16 SECTION 24-50-903 (1) (a).

17 (4) "PROJECTED SAVINGS" MEANS AN AMOUNT CALCULATED BY A
18 STATE AGENCY THAT MAY BE REALIZED BY THE AGENCY DIRECTLY AS A
19 RESULT OF AN EMPLOYEE'S IDEA APPLICATION.

20 (5) "SAVINGS REALIZED" MEANS AN AMOUNT CALCULATED BY A
21 STATE AGENCY THAT WAS ACTUALLY REALIZED BY THE AGENCY DIRECTLY
22 AS A RESULT OF AN EMPLOYEE'S IDEA APPLICATION.

(6) "STATE AGENCY" MEANS ANY DEPARTMENT, BOARD, BUREAU,
COMMISSION, DIVISION, INSTITUTION, OFFICE, OR OTHER AGENCY OF THE
EXECUTIVE, LEGISLATIVE, AND JUDICIAL BRANCH OF THE STATE
GOVERNMENT, INCLUDING INSTITUTIONS OF HIGHER EDUCATION.

27 **24-50-903.** State employee idea application - state employee

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incentive fund. (1) (a) (I) NO LATER THAN OCTOBER 1, 2010, THE STATE
PERSONNEL DIRECTOR, OR HIS OR HER DESIGNEE, SHALL CREATE AND
MAKE PUBLICLY AVAILABLE TO ALL EMPLOYEES ON THE DEPARTMENT OF
PERSONNEL'S WEB SITE AN IDEA APPLICATION, SUBSTANTIALLY SIMILAR TO
THE AIR FORCE FORM AF 1000, TO ALLOW EMPLOYEES TO SUGGEST STATE
AGENCY IMPROVEMENTS THAT MAY RESULT IN COST SAVINGS AT THE
STATE AGENCY WHERE THE EMPLOYEE WORKS.

8 (II) THE IDEA APPLICATION SHALL NOT BE USED FOR IDEAS THAT:
9 (A) WOULD RESULT FROM OBVIOUS AND PROGRESSIVE NORMAL
10 BUSINESS PRACTICES, SUCH AS A FORESEEABLE EXPECTATION THAT THE
11 IDEA WOULD BE IMPLEMENTED IN A REASONABLE TIME FRAME AS A RESULT
12 OF EVOLVING BUSINESS OR INDUSTRY PRACTICE;

13 (B) ARE OBVIOUS SOLUTIONS TO MANDATED BUDGET CUTS, SUCH
14 AS ABOLISHING VACANT FUNDED POSITIONS OR REDUCING STAFF THROUGH
15 LAYOFFS;

16 (C) RESULT IN COST AVOIDANCE AS THE METHOD OF
17 DOCUMENTING COST SAVINGS, SUCH AS NO OR LOWERED INCREASES IN
18 COSTS FOR STAFF, SUPPLIES, OR EQUIPMENT;

19 (D) RESULT IN REVENUE ENHANCEMENT AS THE METHOD OF
20 DOCUMENTING COST SAVINGS, SUCH AS NEW OR INCREASED FEES FOR
21 SERVICES; OR

(E) SIMPLY SHIFT THE COST FROM ONE STATE AGENCY TOANOTHER.

(b) NO LATER THAN OCTOBER 1, 2010, THE STATE PERSONNEL
DIRECTOR, OR HIS OR HER DESIGNEE, SHALL ESTABLISH STANDARD
EVALUATION CRITERIA SUBSTANTIALLY SIMILAR TO THE EVALUATION
CRITERIA USED TO EVALUATE THE AIR FORCE FORM AF 1000, BY WHICH

ALL IDEA APPLICATIONS SHALL BE EVALUATED. THE STATE PERSONNEL
 DIRECTOR, OR HIS OR HER DESIGNEE, SHALL MAKE SUCH CRITERIA
 AVAILABLE TO ALL EXECUTIVE DIRECTORS.

4 (c) (I) ANY EMPLOYEE MAY COMPLETE AN IDEA APPLICATION. FOR
5 PROCESSING, THE EMPLOYEE SHALL SUBMIT THE IDEA APPLICATION TO THE
6 EXECUTIVE DIRECTOR OF THE EMPLOYEE'S STATE AGENCY. AN EMPLOYEE
7 SHALL NOT BE RETALIATED AGAINST FOR SUBMITTING AN IDEA
8 APPLICATION.

9 (II) THE IDENTITY OF AN EMPLOYEE WHO SUBMITS AN IDEA 10 APPLICATION SHALL REMAIN CONFIDENTIAL AND SHALL BE REDACTED 11 FROM THE APPLICATION UNTIL THE EMPLOYEE HAS BEEN DETERMINED TO 12 BE ELIGIBLE FOR AN HONORARY AWARD AS SPECIFIED IN PARAGRAPH (d) 13 OF SUBSECTION (4) OF THIS SECTION, EXCEPT THAT THE IDENTITY OF THE 14 EMPLOYEE MAY BE MADE KNOWN TO THE EXECUTIVE DIRECTOR, OR HIS OR 15 HER DESIGNEE, FOR PURPOSES OF OBTAINING REASONABLY NECESSARY 16 ADDITIONAL INFORMATION RELATED TO THE IDEA APPLICATION.

17 (III) (A) THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, 18 SHALL PROVIDE NOTIFICATION OF RECEIPT OF THE IDEA APPLICATION TO 19 THE EMPLOYEE WITHIN FIVE DAYS AFTER SUBMISSION OF SUCH 20 APPLICATION. THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, MAY 21 AUTOMATICALLY DENY AN IDEA APPLICATION IF HE OR SHE DEEMS SUCH 22 APPLICATION TO BE DUPLICATIVE OF ANOTHER APPLICATION THAT WAS 23 SUBMITTED WITHIN THE PRIOR TWELVE-MONTH PERIOD. THE EXECUTIVE 24 DIRECTOR, OR HIS OR HER DESIGNEE, SHALL PROVIDE NOTICE OF AN 25 AUTOMATIC DENIAL WITHIN FIVE DAYS PURSUANT TO THIS 26 SUB-SUBPARAGRAPH (A).

27 (B)

(B) THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, SHALL

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CAUSE, WITHIN THIRTY BUSINESS DAYS FROM THE DATE OF SUBMISSION OF
 AN IDEA APPLICATION, A PROJECTED SAVINGS CALCULATION TO BE MADE.

3 (C) THE EXECUTIVE DIRECTOR SHALL RESPOND WITH A DECISION
4 EITHER APPROVING OR DENYING THE EMPLOYEE'S IDEA APPLICATION
5 WITHIN FORTY-FIVE BUSINESS DAYS AFTER THE DATE OF SUBMISSION OF
6 THE IDEA APPLICATION. FOR ANY IDEA APPLICATION THAT IS APPROVED,
7 THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, SHALL IDENTIFY, TO
8 THE EXTENT POSSIBLE, ANY STATE LAWS OR RULES THAT WOULD NEED TO
9 BE CHANGED AS PART OF THE REVIEW AND APPROVAL PROCESS.

10 THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, SHALL SUBMIT A 11 REQUEST FOR LEGISLATION TO THE COMMITTEE OF REFERENCE ASSIGNED 12 TO SUCH EXECUTIVE DIRECTOR'S STATE AGENCY REGARDING ANY 13 APPROVED IDEA APPLICATION THAT REQUIRES LEGISLATION FOR 14 IMPLEMENTATION.

(IV) A COPY OF ANY EMPLOYEE'S IDEA APPLICATION THAT IS NOT
APPROVED, ALONG WITH A COPY OF THE EXECUTIVE DIRECTOR'S RESPONSE,
AND ANY DOCUMENT INDICATING THE PROJECTED SAVINGS SHALL BE
SUBMITTED BY THE DIRECTOR TO THE OFFICE OF STATE PLANNING AND
BUDGETING CREATED IN SECTION 24-37-102, C.R.S., WITHIN FORTY-FIVE
BUSINESS DAYS AFTER SUBMISSION OF THE IDEA APPLICATION FOR THE
OFFICE OF STATE PLANNING AND BUDGETING TO REVIEW.

(V) THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, SHALL
MAINTAIN COPIES OF ALL IDEA APPLICATIONS THAT ARE SUBMITTED,
ALONG WITH THE FOLLOWING INFORMATION FOR APPROVED IDEA
APPLICATIONS:

26 (A) A DESCRIPTION OF THE INNOVATIVE IDEA IMPLEMENTED;
27 (B) THE TOTAL SAVINGS ACHIEVED IN THE FIRST FISCAL YEAR OR

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1 FIRST FULL TWELVE-MONTH PERIOD AFTER FULL IMPLEMENTATION;

2 (C) THE TOTAL DOLLARS AWARDED AS AN INCENTIVE TO THE
3 EMPLOYEE WHO SUBMITTED THE IDEA APPLICATION;

4 (D) THE AFFECTED GENERAL APPROPRIATIONS ACT LINE ITEM, IF
5 APPLICABLE; AND

6 (E) AN EVALUATION OF THE EFFECTIVENESS IN ACHIEVING THE
7 GOALS SET FORTH IN SECTION 24-50-901 OF THE IMPLEMENTED IDEA AND
8 THE HONORARY AWARD TO THE EMPLOYEE.

9 (2) COMMENCING ON OR AFTER OCTOBER 1, 2010, ALL STATE 10 AGENCIES SHALL ADVERTISE THAT THE IDEA APPLICATION IS AVAILABLE 11 ON THE DEPARTMENT OF PERSONNEL'S WEB SITE ON ANY TYPE OF 12 ELECTRONIC PAYROLL STATEMENTS ISSUED TO EMPLOYEES AND IN ANY 13 ELECTRONIC BROADCAST COMMUNICATION MADE TO EMPLOYEES, SOLONG 14 AS THE ADVERTISEMENT FOR THE IDEA APPLICATION OCCURS AT LEAST 15 MONTHLY.

16 (3) THE IDEA APPLICATION AND THE ADVERTISEMENT 17 DESCRIBED IN SUBSECTION (2) OF THIS SECTION SHALL INCLUDE 18 INFORMATION RELATED TO THE HONORARY AWARD SPECIFIED IN 19 SUB-SUBPARAGRAPH (A) OF SUBPARAGRAPH (I) OF PARAGRAPH (d) OF 20 SUBSECTION (4) OF THIS SECTION THAT AN EMPLOYEE MAY EARN.

(4) (a) ONCE AN IDEA APPLICATION IS SUBMITTED, REVIEWED, AND
ACCEPTED BY THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, THE
EMPLOYEE SHALL BE INFORMED OF THE HONORARY AWARD HE OR SHE
MAY EARN.

(b) TWELVE MONTHS AFTER THE INNOVATIVE IDEA DESCRIBED IN
THE IDEA APPLICATION IS FULLY IMPLEMENTED, THE EXECUTIVE DIRECTOR
SHALL CALCULATE THE SAVINGS REALIZED. ALL DOCUMENTATION OF THE

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SAVINGS REALIZED CALCULATION SHALL BE FORWARDED TO THE STATE
 AUDITOR FOR REVIEW AND VERIFICATION NO LATER THAN TWO MONTHS
 AFTER THE TWELVE MONTHS OF FULL IMPLEMENTATION OF THE
 INNOVATIVE IDEA DESCRIBED IN THE IDEA APPLICATION. THE STATE
 AUDITOR SHALL HAVE ONE HUNDRED TWENTY DAYS FROM RECEIPT OF THE
 SAVINGS REALIZED CALCULATION TO:

7 (I) CONDUCT THE REVIEW AND VERIFICATION OF THE SAVINGS8 REALIZED CALCULATION; AND

9 (II) SUBMIT A REPORT WITH HIS OR HER FINDINGS, 10 RECOMMENDATIONS, AND CONCLUSIONS TO THE LEGISLATIVE AUDIT 11 COMMITTEE, WHICH SHALL HOLD A PUBLIC HEARING FOR THE PURPOSES OF 12 A REVIEW OF THE REPORT.

13 (c) THE STATE AUDITOR'S REPORT DESCRIBED IN SUBPARAGRAPH
14 (II) OF PARAGRAPH (b) OF THIS SUBSECTION (4) SHALL BE SUBMITTED TO
15 THE EXECUTIVE DIRECTOR WHO APPROVED THE IDEA APPLICATION AND TO
16 ANY MEMBER OF THE GENERAL ASSEMBLY WHO MIGHT BE CARRYING ANY
17 NECESSARY LEGISLATION TO IMPLEMENT THE IDEA.

(d) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS
PARAGRAPH (d), THE SAVINGS REALIZED AS VERIFIED BY THE STATE
AUDITOR AS SPECIFIED IN PARAGRAPH (b) OF THIS SUBSECTION (4) SHALL
BE DISTRIBUTED, NO LATER THAN THE LAST DAY OF THE EIGHTEENTH
MONTH FOLLOWING THE IMPLEMENTATION OF THE INNOVATIVE IDEA, AS
FOLLOWS:

24 (A) FIVE PERCENT, UP TO FIVE THOUSAND DOLLARS, OF THE
25 SAVINGS REALIZED AS AN HONORARY AWARD TO THE EMPLOYEE WHO
26 SUBMITTED THE IDEA APPLICATION;

27 (B) TWENTY-FIVE PERCENT, UP TO TWENTY-FIVE THOUSAND

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DOLLARS, OF THE SAVINGS REALIZED TO THE STATE AGENCY THAT THE
 EMPLOYEE'S IDEA APPLICATION DIRECTLY AFFECTS; AND

3 (C) THE REMAINDER AFTER DISTRIBUTIONS ARE MADE PURSUANT
4 TO SUB-SUBPARAGRAPHS (A) AND (B) OF THIS SUBPARAGRAPH (I) TO THE
5 STATE GENERAL FUND.

6 (II) IF THE SAVINGS REALIZED RESULT IN SAVINGS OF FEDERAL 7 MONEYS, THE FEDERAL MONEYS SAVED SHALL NOT BE DISTRIBUTED AS 8 SPECIFIED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH (d) BUT SHALL 9 EITHER BE USED FOR A REALLOCATION OF MONEYS WITHIN A DEPARTMENT 10 OR SHALL REVERT, DEPENDING ON THE USE SPECIFIED FOR THOSE 11 PARTICULAR FEDERAL MONEYS.

(e) THE STATE AGENCY MAY USE THE DISTRIBUTION SPECIFIED IN
SUB-SUBPARAGRAPH (B) OF SUBPARAGRAPH (I) OF PARAGRAPH (d) OF THIS
SUBSECTION (4) FOR ANY PROJECTS THAT WOULD INCREASE THAT STATE
AGENCY'S EFFICIENCY OR IMPROVE SERVICES PROVIDED TO STATE
RESIDENTS, BUT THE DISTRIBUTION SHALL NOT BE USED TO HIRE
ADDITIONAL FULL-TIME EQUIVALENT EMPLOYEES.

18 (5) THERE IS HEREBY CREATED IN THE STATE TREASURY THE STATE 19 EMPLOYEE INCENTIVE FUND, WHICH SHALL CONSIST OF SAVINGS REALIZED 20 APPROPRIATED TO THE FUND BY THE GENERAL ASSEMBLY. THE MONEYS 21 IN THE FUND SHALL BE SUBJECT TO ANNUAL APPROPRIATION BY THE 22 GENERAL ASSEMBLY PURSUANT TO THE DISTRIBUTION SPECIFIED IN 23 SUBPARAGRAPH (I) OF PARAGRAPH (d) OF SUBSECTION (4) OF THIS 24 SECTION. ALL INTEREST DERIVED FROM THE DEPOSIT AND INVESTMENT OF 25 MONEYS IN THE FUND SHALL BE CREDITED TO THE FUND. ANY MONEYS 26 NOT APPROPRIATED BY THE GENERAL ASSEMBLY SHALL REMAIN IN THE 27 FUND AND SHALL NOT BE TRANSFERRED OR REVERT TO THE GENERAL FUND

1 EXCEPT AS PROVIDED FOR IN THE DISTRIBUTION SPECIFIED IN 2 SUB-SUBPARAGRAPH (C) OF SUBPARAGRAPH (I) OF PARAGRAPH (d) OF 3 SUBSECTION (4) OF THIS SECTION.

4 (6) NOTHING IN THIS PART 9 SHALL BE CONSTRUED TO PROVIDE
5 EMPLOYEES WITH ANY GRIEVANCE, DISPUTE RESOLUTION, OR APPEALS
6 PROCESS WITH REGARD TO ANY IDEA APPLICATION SUBMITTED BY THE
7 EMPLOYEE.

8 **SECTION 2.** Act subject to petition - effective date. This act 9 shall take effect at 12:01 a.m. on the day following the expiration of the 10 ninety-day period after final adjournment of the general assembly (August 11 11, 2010, if adjournment sine die is on May 12, 2010); except that, if a 12 referendum petition is filed pursuant to section 1 (3) of article V of the 13 state constitution against this act or an item, section, or part of this act 14 within such period, then the act, item, section, or part shall not take effect 15 unless approved by the people at the general election to be held in 16 November 2010 and shall take effect on the date of the official 17 declaration of the vote thereon by the governor.