

  
*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**FISCAL IMPACT**

**Drafting Number:** LLS 10-0513  
**Prime Sponsor(s):** Rep. Priola  
 Sen. Heath

**Date:** February 19, 2010  
**Bill Status:** House SVMA  
**Fiscal Analyst:** Kerry White (303-866-3469)

**TITLE:** CONCERNING THE ESTABLISHMENT OF AN INCENTIVE PROCESS WHEREBY STATE EMPLOYEES CAN SUBMIT SUGGESTIONS FOR STATE AGENCY IMPROVEMENTS THAT RESULT IN COST SAVINGS.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
<b>State Revenue</b>		
<b>State Expenditures</b> General Fund	\$10,800	
<b>FTE Position Change</b>		
<b>Effective Date:</b> August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
<b>Appropriation Summary for FY 2010-2011:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

This bill creates a new incentive program for employees who suggest state agency improvements that lead to cost savings. A form and evaluation criteria are to be created by the state personnel director and made available by October 1, 2010. If savings result from an employee's idea, 5 percent of the savings can be awarded to the employee and 25 percent to the agency, up to \$5,000 and \$25,000 respectively. The remaining funds will be credited to the General Fund. Each agency's executive director is responsible for:

- evaluating submitted ideas and calculating projected savings;
- determining whether any laws or rules need to be modified, and requesting necessary legislation as applicable; and
- implementing approved ideas and reporting to the state auditor on savings.

**State Expenditures**

HB10-1264 will increase state expenditures by \$10,800 in FY 2010-11 within the Department of Personnel & Administration, and may affect costs in other state agencies.

*Department of Personnel & Administration* is directed to create an idea application form, establish idea evaluation criteria, and promote the program on its website and through payroll statements. Costs associated with developing a form and evaluation criteria, and making the form available on the website can be absorbed within existing resources. The cost to print information about the new incentive program on payroll statements is \$1,200 per month through the end of FY 2010-11, for a total cost of \$10,800. As Central Payroll in the process of moving to electronic payroll statements, this fiscal note assumes that information about the program can be included in payroll statements at no cost beginning in FY 2011-12.

*State Auditor* and *Governor's Office of State Planning and Budgeting* each have specific review roles. It is anticipated that the staff time required to complete these functions will be minimal and can be absorbed with existing budgetary resources.

*Other State Agencies.* This bill may create cost savings in state government, but since any savings is dependent on future actions by employees, this amount has not been estimated.

The bill requires each state agency to administer the incentive program for its employees, which could cause some expense. However, the bill provides the agency with 25 percent of any savings, which could offset all or a portion of that expense. Any change in appropriations will be addressed through the annual budget process.

### **State Appropriations**

The Department of Personnel & Administration requires an appropriation in the amount of \$10,800 in FY 2010-11.

### **Departmental Differences**

It is the position of the Department of Corrections that it will require \$84,050 in General Fund and 1.4 FTE in FY 2010-11, and \$71,596 in General Fund and 1.3 FTE in FY 2011-12 and thereafter. According to the department, it solicited its 6,637 employees in 2009 for budget reduction ideas and received 277 responses within 6 weeks. Based on the belief that the potential for a monetary award will act as a strong incentive for employees to submit their ideas, the department estimates it would receive at least 665 idea applications per year. In order to meet the deadlines mandated in the bill, the department assumes it will need staff and an automated date tracking and reporting system. Based on the assumption that these costs are conditional upon future actions of employees and that sustained increases in workload can best be addressed through the annual budget process, these costs have not been included.

### **Departments Contacted**

All departments