

Colorado Legislative Council Staff Fiscal Note

STATE
FISCAL IMPACT

Drafting Number: LLS 11-0295

Date: February 21, 2011

Prime Sponsor(s): Rep. Priola
 Sen. Tochtrop

Bill Status: House Economic and Business Development
Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING MODIFICATIONS TO CERTAIN ADMINISTRATIVE FUNCTIONS OF THE DEPARTMENT OF PERSONNEL.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue Cash Funds Recovery Audit Cash Fund	Potential increase See State Revenue section	
State Transfers From the Recovery Audit Cash Fund to various funds	See State Transfers section	
State Expenditures	See State Expenditures section	
FTE Position Change		
Effective Date: July 1, 2011, except sections 2, 18, 19, 21, and 22 take affect upon passage.		
Appropriation Summary for FY 2011-2012: None required.		
Local Government Impact: None.		

Summary of Legislation

Among other things, this bill makes several administrative changes within the Department of Personnel and Administration (DPA), by:

- establishing procedural changes for the assessment of indirect costs for institutions of higher education;
- continuously appropriating two cash funds: the Professional Development Center Cash Fund to the department to pay direct and indirect costs for training programs, and the Fallen Heroes Memorial Construction Fund to its Commission;
- consolidating the Supplier Database Cash Fund by removing the e-procurement subaccount, and allowing its revenue to be credited to the main account and used for other purposes, such as upgrading the Colorado BIDS system; and
- extending the timing of the annual state compensation report from August 1 to September 15.

The bill also modifies and establishes new requirements for several statewide funds, procedures and programs, as discussed below.

Procurement card program. The bill allows institutions of higher education and political subdivisions to participate in the procurement card program as affiliates, and specifies that any revenue earned as a result of their participation be paid to them directly.

Recovery audits. The bill expands the scope of recovery audits contracted by the state controller to recoup overpayments of fees, gifts, grants, donations, and other state and federal moneys. It requires the state controller to issue a new contract on or before July 1 of each year for the fiscal year that has just ended, and make an annual report to the General Assembly on all recovery audits. All moneys collected from a recovery audit, interest earned, and other moneys appropriated or transferred from other sources are credited to the Recovery Audit Cash Fund created under the bill. The direct and indirect costs of conducting recovery audits are appropriated by the General Assembly, with any remaining moneys continuously appropriated to the state controller to pay contingent contractor fees, audit costs, and any amounts due to the federal government.

State public financing issuances. Beginning July 1, 2011, the bill requires any state public financing issuance, except those issued by institutions of higher education, to assess a fee consisting of the lesser of \$100,000 or 5 percent. The fee is deposited into an administrative expense account held by a trustee of the issuance and used to reimburse state entities for costs incurred to perform compliance and post-issuance compliance. Reimbursements are deposited into individual subaccounts established in the State Public Financing Issuance and Post-Issuance Compliance Cash Fund created under the bill. Moneys, including interest earnings, in this cash fund remain in the fund, are continuously appropriated to the state controller, and are exempt from the limit for uncommitted reserves.

State Employee Workers' Compensation Account. Direct and indirect administrative costs for the operation of the risk management system will continue to be appropriated each year by the General Assembly. All other moneys in the account will be continuously appropriated to the DPA.

Employee leave and overtime pay. Policies for volunteers are clarified. Language requiring that holidays and authorized paid leave be counted as work time to determine overtime for essential employees is removed.

Health benefits. Criteria for dependent coverage under a state employee group benefit plan is modified to align with current practices and comply with federal health care law. The bill also allows the DPA to adopt rules for determining benefit eligibility requirements and the percentage of state contribution for all part-time employees.

State Revenue

State revenue may be generated as a result of performing recovery audits. As it is dependent on the number and timing of the specific recovery audits conducted, the amount of increased revenue cannot be estimated.

State Transfers

At the completion of each recovery audit cycle and after all direct and indirect costs of the recovery audit have been paid, the state controller is required to transfer any moneys remaining in the Recovery Audit Cash Fund to the fund from which the overpayment was originally made. Because it is unknown which funds will be affected, the amount and timing of state transfers under this bill cannot be estimated.

State Expenditures

This bill will affect state expenditures in several areas, as discussed below.

Reductions. Personal service costs for state agencies are reduced in two ways. First, state agencies that have emergency services volunteers will experience savings as a result of no longer having to provide up to 5 days of paid leave for local emergencies. Second, by removing a requirement that holidays and other forms of authorized leave be included in the calculation for overtime compensation of essential employees, the fiscal note assumes that state agencies will experience cost savings. It should be noted that state agencies do not receive separate appropriations for overtime compensation, and must pay these costs from within existing personal services appropriations. As these costs vary widely by department, the fiscal note assumes that any reductions in personal service lines resulting from HB11-1249 will be addressed through the annual budget process.

Increases. State expenditures could increase as a result of the change in eligibility requirements for part-time employees and dependent coverage under state group benefit plans. By requiring state public financing issuances to assess a fee of the lesser of \$100,000 or 5 percent, costs for state agencies will increase. The fiscal note assumes that any cost increases resulting from these provisions will be addressed through the annual budget process.

For informational purposes only. The DPA has requested 1.0 FTE at a cost of \$83,544 General Fund to perform compliance and post-compliance responsibilities for state public financing issuances. This request is pending approval through the annual budget process. If this decision item is approved, no separate appropriation for this bill is required. If it is not approved, the DPA will require additional resources.

Departments Contacted

Corrections	Education	Governor's Office
Higher Education	Human Services	Judicial
Law	Natural Resources	Personnel and Administration
Public Health and Environment	Public Safety	Regulatory Agencies
Transportation	Treasury	