



DEPARTMENT OF PERSONNEL & ADMINISTRATION

*Budget Reduction Proposal
August 24, 2009*

*Rich Gonzales
Executive Director*

Proposed Cash Fund Transfer

Proposal:

The Office of the State Architect proposes transferring \$335,000 from the Emergency Controlled Maintenance allocation in the Capital Construction Fund to the General Fund in FY 2009-10.

Summary of Request:

Approximately \$335,000 of a \$509,079 controlled maintenance appropriation to the Judicial Department will go unused as a result of Judicial no longer requiring the project for the affected building. Judicial determined that the building would instead be demolished, making the controlled maintenance project unnecessary. A portion of the original appropriation was expended for planning prior to determining that the project be terminated. The excess funds were rolled into the Emergency Controlled Maintenance allocation, as allowed by the State Architect.

Assumptions and Tables to Show Calculations:

- This request entails the transfer of \$335,000 from the Emergency Controlled Maintenance allocation in the Capital Construction Fund (Fund 461) to the General Fund.
- This is a one-time reduction. The savings identified through this reduction help to supplement ongoing reductions proposed for FY 2009-10.

FY 2009-10 Cash Fund Transfer to the General Fund

Summary of Request	Controlled Maintenance Appropriation	Transfer to the General Fund
HB 06-1385 Judicial Controlled Maintenance Appropriation	\$509,079	N/A
Amount expended prior to termination of project	(\$174,079)	N/A
Amount available to transfer	\$335,000	N/A
FY 2009-10 Cash Fund Transfer	(\$335,000)	\$335,000

Current Statutory Authority or Needed Statutory Change:

Legislation will be required to transfer cash from this fund.

24-75-302 C.R.S. (2008). Capital construction fund - capital assessment fees - calculation.

(1) (a) There is hereby created the capital construction fund to which shall be allocated such revenues as the general assembly may from time to time determine. Moneys in the capital construction fund may be appropriated for capital construction, as defined in section 24-75-301 (1), including the remodeling or renovation of existing buildings or other physical facilities designated as controlled maintenance projects in the general appropriation act; except that any moneys transferred to the capital construction fund for state highway reconstruction, repair, and maintenance projects may only be appropriated for such projects. The appropriation for such projects shall be set forth in a single line item as a total sum. All unappropriated balances in said fund at the close of any fiscal year shall remain therein and not revert to the general fund.



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Proposed Cash Fund Transfer

Proposal:

The Department of Personnel and Administration proposes transferring \$3,354,593 received from a financial relief credit from Kaiser Permanente to the General Fund for FY 2009-10.

Summary of Request:

On June 24, 2008, the Colorado Division of Insurance and the Kaiser Foundation Health Plan of Colorado announced an agreement to provide \$155 million in financial relief over 2009 to Kaiser Permanente's medical assistance program for lower income Kaiser members, Medicare beneficiaries, and Kaiser policy holders. There are two types of policy holders: (1) employers offering group coverage, such as the State; and (2) individuals who have purchased individual, non-group insurance from Kaiser.

As a result of this unique agreement, the State received a total of \$3,354,593 of premium relief from Kaiser Permanente in May 2009, based upon the number of persons enrolled in the state Kaiser Permanente plan in March 2009.

The Department proposes that the credit issued for the State as a group policy holder for FY 2009-10 be transferred to the General Fund. For FY 2010-11, a similar amount may be available for transfer, however an analysis is currently being conducted to first determine how much should be retained to replenish the State's employee benefits program reserves. Continuing to fund the benefits reserves means DPA will not have to request as much money to build up the reserves, and can help to minimize future premium increases.

Assumptions and Tables to Show Calculations:

- This proposal entails the transfer of \$3,354,593 from the Kaiser financial relief credit to the General Fund.
- The total amount available is calculated based on current number of enrollees multiplied by the one-time average credit of \$287 per each Non-Medicare enrolled employee, and \$212 per each Medicare enrolled employee.
- Neither party to the agreement, the Division of Insurance or Kaiser, specifies what the recipients are to do with this relief. There are no obligations for the State, or any group policy holder, on how to use the credit. As the credit is not a refund of premium, the State is not required to apply it to health, healthcare or employee benefits.

- Although Fund 91S Employee Benefits Plan is considered “off-budget” because it does not fund state appropriations, any transfer to the General Fund would require legislation in the same fashion as most other cash fund transfers to the General Fund, as the statute governing Fund 91S is specific about the use of the fund. No adjustments to appropriations are required as a result of this request.
- As per the original agreement between Kaiser Permanente and the Commissioner of Insurance, the amount of relief was based upon March 2009 enrollment.

Financial Relief Credit – FY 2009-10

	State relief checks	Payment per subscriber	TOTAL PAYMENT
Non-Medicare Subscribers	11,687	\$287	\$3,354,169
Medicare Subscribers	2	\$212	\$424
TOTAL	11,689		\$3,354,593

FY 2009-10 Transfer to General Fund

	Fund 91S	Transfer to the General Fund
Kaiser Financial Relief Credit	\$3,354,593	
Amount Retained to Replenish the Premium Stabilization Reserves	\$0	
Amount Available to Transfer	\$3,354,593	
FY 2009-10 Transfer	(\$3,354,593)	\$3,354,593

Current Statutory Authority or Needed Statutory Change:

The Legislature must pass a bill to allow funding to be appropriated out of this fund.

24-50-613 C.R.S. (2008) Group benefit plans reserve fund.

(1) There is hereby established the group benefit plans reserve fund. The state treasurer shall be ex officio treasurer of this fund, and the state treasurer's general bond to the state shall cover all liabilities for acts as treasurer of the fund. The director shall remit to the treasurer for deposit in the group benefit plans reserve fund all payments received by the director for group benefit plans premium costs from employees and the state as employer. The director shall also remit to the treasurer for deposit in the group benefit plans reserve fund any payments received by the director from the carriers of group benefit plans. Such payments shall not be included in the general revenues of the state of Colorado and shall not be general assets of the state. At the end of the fiscal year, any unexpended funds shall not revert to the general fund but shall be held by the state treasurer in custodial capacity, to be used subject to direction from the director.



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General Fund Revenue from Additional Procurement Card Rebates

Proposal:

The Department of Personnel and Administration proposes General Fund revenue of \$800,000 from a signing bonus for its Procurement Card Agreement for FY 2009-10. The Procurement Card Program is a means of streamlining the traditional procurement and payment processes for small dollar transactions. The Program allows State agencies, departments and institutions of higher education to purchase goods and services using a tax-exempt State credit card issued to an individual. This proposal is a result of the Department targeting additional savings from existing state pricing agreements as recommended by the June 2008 Government Efficiency and Management Performance Review. This General Fund revenue is one-time, for FY 2009-10 only.

Summary of Request:

Recently, the Department finalized the State's procurement agreement with JP Morgan/Chase. Due to the fact that the State processes a large volume of transactions through the procurement card, the Department was able to negotiate a signing bonus of up to \$1.0 million for FY 2009-10. Please note that the exact amount of the signing bonus cannot yet be determined as the bonus amount will depend on the amount of money the State is able to spend through the Procurement Card Program. The maximum bonus the State is eligible to receive is \$1,000,000 if the State achieves \$190 million in statewide charge volume for the period beginning April 1, 2009 through March 31, 2010. This charge volume target was based on the 2007 calendar-year volume for the State Procurement Card Program.

Although the funds are to be disbursed to the State in two payments (the first is likely to occur in November, 2009 and the second in May, 2010) the State will not know the final bonus amount until after March 31, 2010. The final amount paid to the State may be adjusted down if there is a shortfall in reaching the \$190 million threshold in charge volume by the end of the one-year period. The program spend volume is currently on track to meet the \$190 million charge volume as of the end of FY 2008-09. Please note that the first payment will need to be held until the State can be assured that the charge volume will be on track for the second payment period in May 2010.

In addition, a portion of this bonus most likely will be needed to offset federal participation which automatically reduces the amount of funding available. Given an estimated 20% federal participation rate, the Department estimates that approximately \$800,000 of the \$1,000,000 will be available as a FY 2009-10 increase in General Fund revenue.

Assumptions and Tables to Show Calculations:

Anticipated benefits and results, including any cost savings:

- This request entails the potential increase of \$800,000 from procurement card rebates to the General Fund. However, the Department is concerned that, given statewide budget cuts and resulting reductions in spending, minimum purchasing thresholds may be difficult to maintain.
- The total amount that will ultimately be available is dependent upon procurement card utilization. If the minimum statewide utilization threshold of \$190 million is not met, the final rebate amount will be adjusted down from \$1 million.
- If minimum purchasing thresholds are achieved, the funding will not be immediately available, as the amount of the final payment will not be known until after March 2010.
- This is a one-time increase in General Fund revenue that only applies to FY 2009-10. The General Fund revenue increase identified through this revenue source will commensurately offset the need for reductions proposed for FY 2009-10. No adjustments to appropriations are required as a result of this request
- The Department estimates a 20% federal participation rate that likely will need to be paid back to the federal government resulting in approximately \$800,000 of the \$1,000,000 that would be available as a FY 2009-10 budget offset.

FY 2009-10 Increase in General Fund

Summary of Request	Procurement Card Signing Bonus	Increase in General Fund Revenue
Minimum Signing Bonus	\$1,000,000	
Federal Participation Offset (20%)	(\$200,000)	
Amount of General Fund Increase	\$800,000	
FY 2009-10 General Fund Increase	(\$800,000)	\$800,000

Current Statutory Authority or Needed Statutory Change:

No statutory change or executive order is needed as the department has broad authority over procurement in the state.

24-102-101 C.R.S. (2008) Authority and duties of the executive director.

Subject to the provisions of part 4 of this article, the executive director of the department of personnel has the authority and responsibility to promulgate rules, consistent with this code, governing the procurement and disposal of any and all supplies, services, and construction to be procured by the state, except for surplus state property as provided in section 17-24-106.6, C.R.S., and except as provided in part 4 of article 82 of this title. The executive director shall consider and decide matters of policy within the provisions of this code.

24-102-301 C.R.S. (2008) Centralization of procurement authority.

Except as otherwise provided in this part 3, all rights, powers, duties, and authority relating to the procurement of supplies, services, and construction and the sale and disposal of supplies, services, and construction are vested in the department of personnel except for the disposal of surplus state property as provided in section 17-24-106.6, C.R.S., and except as provided in part 4 of article 82 of this title.