



Joint Budget Committee

Staff Budget Briefing FY 2026-27

Statewide Operating Common Policies

Prepared by:
Tom Dermody, JBC Staff
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Joint Budget Committee Staff

200 E. 14th Avenue, 3rd Floor

Denver, Colorado 80203

Telephone: (303) 866-2061

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Additional Resources

To find the online version of the briefing document search the General Assembly’s website for [budget documents](https://content.leg.colorado.gov/content/budget) (<https://content.leg.colorado.gov/content/budget>).

Statewide Operating Common Policies Overview

Operating common policies refer to several statewide services provided by the Department of Personnel (DPA). Departments' requests reflect the estimated funding required to pay DPA for services through several common line items, often located in a department's administrative section (e.g. Executive Director's Office) of the Long Bill. DPA receives reappropriated funds spending authority to expend the revenue from billing other agencies for services. The requested amounts for operating common policies are calculated by the Department of Personnel, based on the total estimated program need for the upcoming fiscal year.

The Joint Budget Committee reviews and establishes the appropriations for these statewide services. Operating common policies, as referenced in the Long Bill, include:

- Administrative Law Judge Services,
- Workers' Compensation,
- Payment to Risk Management and Property Funds,
- Capitol Complex Leased Space,
- CORE Operations,
- Vehicle Lease Payments, and
- Document Solutions Group.

Administrative Law Judge Services

The Colorado Office of Administrative Courts (OAC) was created in 1976 to provide an easily accessible, independent, and cost-effective administrative law adjudication system in Colorado. The Office is one of 24 central panels of independent Administrative Law Judges (ALJ) in the United States, and provides administrative law hearings to over 50 State agencies, counties and other entities out of its three offices (Denver, Colorado Springs and Grand Junction).

The OAC conducts all workers' compensation merit hearings for the entire State; public benefits cases (Colorado Works/TANF, Medicaid, etc.); all professional licensing board work involving the denial, revocation, suspension or other discipline of holders of a professional license (such as doctors, nurses, architects, real estate brokers, engineers, etc.); teacher dismissal cases, and all Secretary of State cases where a citizen has filed a complaint under the Fair Campaign Practices Act. In addition, the Office conducts mediations and settlement conferences.

Administrative Law Judge Services Appropriations History

Cost element	FY 2023-24 Approp	FY 2024-25 Approp	FY 2025-26 Approp	FY 2026-27 Request
Personal services base	\$4,411,949	\$4,680,008	\$5,008,380	\$5,148,844
Total compensation common policies	1,288,619	1,203,091	1,302,081	1,573,231
Operating and OIT common policies	1,383,879	1,693,099	1,633,376	902,636
Operating expenses	391,233	60,722	195,699	176,073
Indirect costs	178,659	141,921	188,074	208,300
IT Capital	0	0	3,375,426	0
Total program cost	\$7,654,339	\$7,778,841	\$11,703,036	\$8,009,084
Fund balance adjustment	-2,121,205	-842,230	-387,075	-1,735,590
Total allocable cost	\$5,533,134	\$6,936,611	\$11,315,961	\$6,273,494
<i>Annual change</i>	<i>-20.4%</i>	<i>25.4%</i>	<i>63.1%</i>	<i>-44.6%</i>

Each state agency provided services by the OAC receives an appropriation for Administrative Law Judge Services, which is used to pay DPA and is reflected as reappropriated funds in DPA’s budget. For non-state agencies, the Department direct bills those persons and entities and they are not included in the common policy build.

Risk Management Programs

The Risk Management Unit is located within the Division of Human Resources. It manages the State’s self-funded property, liability, and workers’ compensation insurance programs. The State’s Payment to Risk Management and Property Funds common policy consists of two programs: the Liability Program and the Property Program. Workers’ Compensation is treated as a standalone operating common policy.

The following table shows the overhead costs for the Risk Management Unit. The Department allocates the overhead costs to each program proportionally, based on the total estimated personal services expenditures for each program.

Risk Management Program Overhead Appropriations History

Cost element	FY 23-24 Approp	FY 24-25 Approp	FY 25-26 Approp	FY 26-27 Request	Liability Program	Property Program	Workers Comp	
	Request Year Overhead Allocation %				100.0%	41.0%	7.0%	52.0%
Personal services	\$897,602	\$1,018,053	\$1,099,512	\$1,124,262	\$459,484	\$79,211	\$585,567	
Total comp common policies	228,502	303,403	257,643	305,226	124,581	21,577	159,068	
Operating and OIT common policies	235,666	290,510	\$355,383	264,473	112,493	14,592	137,390	
Operating expenses	63,668	65,018	65,018	65,018	26,657	4,551	33,809	
Indirect cost allocation	282,494	365,942	211,163	211,163	86,577	14,781	109,805	
Total program costs	\$1,707,932	\$2,042,926	\$1,988,719	\$1,970,142	\$809,792	\$134,712	\$1,025,639	
<i>Annual change</i>	<i>-0.8%</i>	<i>19.6%</i>	<i>-2.7%</i>	<i>-0.9%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	

Workers’ Compensation

This line item provides funding for payments made to the DPA to support the State’s Workers’ Compensation program. To develop its annual request, the Department contracts with an actuary to estimate two primary components of the overall workers’ compensation allocations for each department. First, the actuary estimates the total current liability the State is facing based on a three-year analysis of actual losses and/or claims by each department. Then, the actuary estimates the allocation for each department as a percent of the total.

Workers' Compensation Appropriations History

Cost element	FY 2023-24 Approp	FY 2024-25 Approp	FY 2025-26 Approp	FY 2026-27 Request
Program overhead	\$853,966	\$999,188	\$1,133,648	\$1,025,528
Actuarial and broker services	44,453	154,811	159,456	160,432
Risk management info system	64,433	74,607	76,845	84,530
Claims	30,880,125	30,221,210	30,287,640	33,962,814
TPA fees and loss control	1,850,000	1,850,000	1,850,000	2,078,480
Excess policy	964,382	991,636	1,562,367	1,327,310
Legal services	1,356,445	2,019,767	1,929,105	2,223,344
Total program cost	\$36,013,804	\$36,311,219	\$36,999,061	\$40,862,438
Fund balance adjustment	-8,093,551	-1,865,790	-2,654,695	3,290,727
Total allocable cost	\$27,920,253	\$34,445,429	\$34,344,366	\$44,153,165

Liability and Property Programs

The Liability Program manages claims and lawsuits filed against the State for negligence in occurrences such as automobile accidents, employment discrimination, and road maintenance. During a typical year, approximately 1,800 liability claims are filed against the State, most of which are dismissed due to the Colorado Governmental Immunity Act (CGIA). The majority of expenditures from the Liability Premiums line item are related to federal law, where the focus is on civil rights and employment discrimination. For individual departments, the liability portion of department-wide expenditures is caught in the Payment to Risk Management and Property Funds line item, which also includes the Property Premiums described below.

The Property Program manages the State’s incurred costs for self-insured property exposures (e.g., floods, wind, fires, and theft). The Risk Management Unit administers large policy deductibles, and pursuant to statute, State agencies and institutions of higher education pay the first \$5,000 per claim. Policy premiums are allocated to State agencies and institutions of higher education based on pro-rata building and content values.

Liability and Property Programs Appropriations History

Cost element	FY 2023-24 Approp	FY 2024-25 Approp	FY 2025-26 Approp	FY 2026-27 Request
Program overhead	\$853,966	\$999,189	\$1,046,445	\$944,402
Actuarial and broker services	240,598	247,816	255,252	257,841
Risk management info system	144,866	149,212	153,689	169,058
<u>Liability</u>				
Claims	10,391,477	9,559,668	8,981,259	8,869,828
Excess policy	2,390,081	5,405,081	0	1,478,746
Cyber security policy	3,015,000	4,110,457	3,696,893	2,160,300
C-SEAP	2,522,031	2,483,380	2,725,680	2,919,416
Legal services	6,594,816	8,710,882	8,662,436	8,959,838
<u>Property</u>				
Policies	13,241,581	13,241,581	18,591,920	19,657,221
Deductibles and payouts	5,524,375	13,100,000	11,264,140	13,389,084
Valuation	0	0	600,000	400,000
Total program cost	\$44,918,791	\$58,007,266	\$55,977,714	\$59,205,734
Fund balance adjustment	-6,555,084	-2,512,278	10,543,480	-18,708,286
Total allocable cost	\$38,363,707	\$55,494,988	\$66,521,194	\$40,497,448

Capitol Complex

The Capitol Complex group offers full-service facility management within 18 core state buildings, including the State Capitol building, the Governor’s Residence, State Services Building, Human Services Building, the Legislative Services Building and other state-owned office facilities. The group provides building maintenance including HVAC, plumbing, electrical, lights, general maintenance, day and evening custodial services (in-house and contractor), grounds maintenance, snow removal, and building external security. The group also provides the public with special event permits, information resources, and conference center availability.

The Department is required by statute to recover only the costs associated with operating and maintaining the buildings within the Capitol Complex. Therefore, the Department is generally not allowed to under or over-recover funding from the agencies occupying Capitol Complex space.

Capitol Complex Leased Space (CCLS) allocations are determined by aggregating the costs associated with maintaining the program to an allocable pool, then splitting it among all user agencies. These costs are for three primary campuses: Camp George West in Golden, Grand Junction, and Denver. Once the total costs are

determined, the effective rate per square foot is calculated by dividing the total cost of the allocable pool by the total number of square feet in the complex. Next, the Department distributes the total cost among each department based on the square feet each department occupies at each campus. The following table provides the total estimated costs for the Capitol Complex Lease Space request and a comparison to previous fiscal year appropriations.

Capitol Complex Leased Space Appropriations History

Cost element	FY 2023-24 Approp	FY 2024-25 Approp	FY 2025-26 Approp	FY 2026-27 Request
Personal services	\$3,755,982	\$4,422,634	\$4,818,268	\$4,936,298
Compensation common policies	1,395,364	1,478,516	1,617,065	1,774,067
Operating expenses	3,233,865	3,621,929	3,980,500	4,087,314
DCA admin allocation	445,254	451,675	541,720	557,139
Capitol complex repairs	56,520	56,520	56,520	56,520
Operating/OIT common policies	1,759,617	1,647,605	1,297,571	1,237,005
Depreciation estimate	290,000	290,000	315,000	315,000
Energy performance depreciation	2,140,000	2,140,000	2,000,000	2,000,000
Utilities	3,737,619	3,681,370	4,367,757	4,181,361
Capitol complex security	589,345	637,377	826,076	826,076
Indirect cost assessment	490,737	464,303	573,678	631,046
Rent from leased Sprint tower space	-57,141	-57,141	-57,141	-66,665
Total base costs	\$17,837,161	\$18,834,788	\$20,337,013	\$20,535,161
Fund balance adjustment	-2,177,521	-3,185,751	-3,961,824	-3,335,196
Total allocable cost	\$15,659,640	\$15,649,037	\$16,375,189	\$17,199,965
<i>Annual change</i>	<i>-4.3%</i>	<i>-0.1%</i>	<i>4.6%</i>	<i>5.0%</i>
Allocated square feet	1,227,350	1,269,997	1,233,285	1,233,285
<i>Average cost per square foot</i>	<i>\$12.76</i>	<i>\$12.32</i>	<i>\$13.28</i>	<i>\$13.95</i>

The following table provides the total allocated cost, allocated square footage, and estimated rate per square foot by campus in FY 2026-27.

FY 2026-27 Estimated Cost per Square Foot

Cost element	Downtown Denver	Pierce Street	North Campus	Grand Junction	Camp George West
Total allocated cost	\$14,988,755	\$945,531	\$590,845	\$360,520	\$314,335
Allocated square footage	759,560	88,791	89,534	35,163	260,237
Rate per square foot	\$19.73	\$10.65	\$6.60	\$10.25	\$1.21

CORE Operations

In 2011, the State Auditor published a risk assessment regarding the sustainability of operations under the State’s accounting system called Colorado Financial Reporting System (COFRS). The report concluded that “COFRS was at significant risk of partial or complete failure and could no longer be supported by outside vendors or maintained by existing resources within the State.” Responding to the concerning findings of the risk assessment, the General Assembly provided the Governor’s Office of Information Technology (OIT) an appropriation in FY 2012-13, funded through common policy allocations, to begin the modernization of COFRS.

The replacement system for COFRS now operates as the Colorado Operations Resource Engine (CORE). During FY 2015-16, there were over 4,000 CORE users that produced over five million documents or records across budget, accounting and procurement. Starting in FY 2015-16 the administrative responsibility for CORE was transferred from OIT to the Department of Personnel. Along with this transfer, the Department now has oversight of the

common policy used to bill agencies for use of the system. Like the other common policies, CORE Operations begins with a calculation for the total program cost associated with operating CORE.

The Department submits an adjustment for this common policy based on final document count in the most recent complete fiscal year. The following table presents the recent appropriated amount for CORE Operations and the requested funding for FY 2026-27.

CORE Operations Appropriations History

Cost element	FY 2023-24 Approp	FY 2024-25 Approp	FY 2025-26 Approp	FY 2026-27 Request
Personal services	\$2,224,068	\$2,604,348	\$2,515,038	\$2,594,385
Total Comp common policies	556,796	739,779	694,161	869,082
Operating/OIT common policies	1,467,243	1,609,225	1,743,143	1,864,566
Operating expenses	59,590	59,590	59,590	59,590
CORE and support modules	5,890,480	6,187,143	6,159,278	6,159,278
Depreciation	4,998,246	1,129,269	n/a	n/a
Lease purchase payments	n/a	n/a	1,269,676	1,269,181
Indirect costs	372,646	167,026	247,738	1,869
Fund balance adjustments	-6,819,473	-10,001,002	-10,573,446	-3,218,247
R3 State accounting system resources	n/a	n/a	n/a	-15,382
Total allocable cost	\$8,749,596	\$2,495,378	\$2,115,178	\$9,584,322
Annual change	-21.5%	-71.5%	-15.2%	353.1%

Vehicle Lease Payments

This line item includes the costs agencies experience from vehicle lease-purchase loan payments, plus a management fee collected by DPA. These costs represent fixed costs for State vehicles. Depending on the length of the lease-purchase agreement and the replacement policy for State fleet vehicles, departments' Vehicle Lease Payments appropriations are adjusted annually. If warranted, these incremental base adjustments are addressed through a decision item prepared by DPA.

The Vehicle Lease Payments line item does not include the variable costs for State fleet vehicles, which are also set by DPA. Variable costs include the cost of maintenance, fuel, and auto insurance for department operated vehicles. These costs are funded within an individual department's operating and/or program line items. Since these costs are appropriated within individual departments, changes in funding needs for the variable costs will be addressed on a case-by-case basis unless a change is substantial enough to warrant a statewide request. If a statewide request is deemed appropriate, DPA will authorize the request with the corresponding input from affected agencies.

For FY 2026-27, the Department requests (R8) to replace 545 fleet vehicles, of which 326 are designated as potential alternative fuel vehicles. This will require an increase of \$305,100 in appropriated total funds, including \$724,244 General Fund, for all state agencies' Vehicle Lease Payment appropriations. The request includes an increase of \$3.9 million reappropriated funds for the Department of Personnel's Vehicle Replacement Lease/Purchase line item for FY 2026-27.

Vehicle Lease Payments Appropriations History

Department	FY 2023-24 Approp	FY 2024-25 Approp	FY 2025-26 Approp	FY 2026-27 Request
Agriculture	\$364,820	\$457,173	\$623,229	\$644,529
Corrections	3,459,902	3,637,220	4,568,540	5,463,602

Department	FY 2023-24 Approp	FY 2024-25 Approp	FY 2025-26 Approp	FY 2026-27 Request
Early Childhood	8,906	8,906	8,026	7,078
Education	35,112	38,683	45,211	49,431
Governor's Office	23,185	23,303	17,449	18,727
Health Care Policy and Financing	0	0	0	0
Higher Education	0	0	0	0
Human Services	1,367,595	1,436,690	1,603,492	1,278,372
Judicial Branch	259,140	307,165	301,633	290,414
Labor And Employment	255,706	250,133	295,709	241,689
Law	83,975	95,901	104,090	105,839
Legislative Branch	0	0	0	0
Local Affairs	134,148	121,638	158,338	143,977
Military and Veterans Affairs	93,969	94,848	135,712	101,241
Natural Resources	5,203,394	6,127,172	9,207,001	7,861,259
Personnel	244,250	278,300	262,163	266,356
Public Health and Environment	498,738	425,334	473,909	500,407
Public Safety	11,618,623	11,700,189	14,780,460	16,212,993
Regulatory Agencies	412,563	499,075	754,631	492,077
Revenue	943,837	939,111	1,047,509	1,014,932
State	16,776	16,363	11,538	10,827
Transportation	0	0	0	0
Treasury	0	0	0	0
Total	\$25,024,639	\$26,457,204	\$34,398,640	\$34,703,750

Vehicle Replacement Methodology

For FY 2026-27, the Department's initial screen identified 1,263 potential vehicles for replacement. The initial candidate list is generated from the Colorado Automotive Reporting System (CARS) using a minimum threshold for further replacement consideration. The criteria for this initial screen are:

- All vehicles, other than those used by the Colorado State Patrol, must have greater than 130,000 miles;
- For vehicles used by the Colorado State Patrol, must have at least 100,000 miles and patrol motorcycles have greater than 60,000 miles;
- a vehicle that will be 20 years old or older at the time that the proposed replacement would occur and has been used for at least 250 miles per month over the last four years;
- a vehicle is at least 10 years old and has maintenance cost greater than 100.0 percent of the average maintenance cost for its body type and has passed a manual maintenance review; or
- Remaining revenue is at least \$7,500 and has less than 175,000 miles.

Vehicles that make it past the initial screen are reviewed and certain manual adjustments are made to retain vehicles if they fall into one of several categories:

- **Agency input** is also utilized to keep vehicles from the initial screen on the list and on the rare occasion add them to it if they are in exceptionally poor condition, create an unacceptable safety risk, or is no longer meeting the functional requirements of the agency.
- **Vehicles with major, recent repairs** that exceeded \$7,500 within the last 12 months, it is assumed that ongoing maintenance costs will be reduced in the short-term.
- **Vehicles in low cost, short distance work functions** such as facilities maintenance, which are most often assigned to campus-type facilities, receive reduced priority for replacement. When vehicles in these roles are identified, it is often more cost effective to replace these vehicles with one that has been returned to

the Department's motor pool, but has not been sold, which may no longer be suitable for high usage functions.

- **Very high mileage vehicles** receive a higher priority for replacement due to anticipated breakdowns of major components. Under the current analysis performed by the Department, the threshold for very high mileage vehicles is 175,000 miles. Vehicles in this category have decreased reliability and increased safety concerns. The Department notes that in a less restrictive funding environment, it would reduce this threshold.

The Department then prioritizes the remaining vehicles by comparing vehicles to the average maintenance costs for vehicles of similar age and type. Those that have a considerably higher than average cost will rank higher than those with lower-than-average costs. State Patrol vehicles are not prioritized due to their unique replacement schedule.

For the FY 2026-27 request, the Fleet Program identified all vehicles that could be replaced with a known alternative fuel vehicle (AFV) to maximize the number of AFVs in the fleet. Beginning in model year 2022, hybrid and electric vehicle technologies have become much more broadly available and can provide significant fuel savings across the spectrum of the vehicle platforms. For all other AFV selections, the location of the vehicle was not used to disqualify it from AFV assignment to give the agencies more flexibility in where they are assigned. Location is important when assigning the new AFV vehicles, but it was not used to eliminate any vehicles off the suspect list. If an AFV has a lifecycle cost that is within 10.0 percent of the cost of a similar combustion engine vehicle, the Department includes it as a potential AFV application.

Document Solutions Group

The Department's Integrated Documents Solutions includes a subdivision located in Pueblo that serves the scanning and document-related needs of State agencies. This group, the Document Solution Group (DSG), prior to FY 2020-21 employed an expense pooling methodology in setting the rates for all services it offers. DSG has two major customers, the Department of Revenue and Secretary of State, in addition to several smaller customers with one-time or short-term business needs. In an effort to provide more stability in the rates for its two largest customers, the Department created a common policy for those two customers.

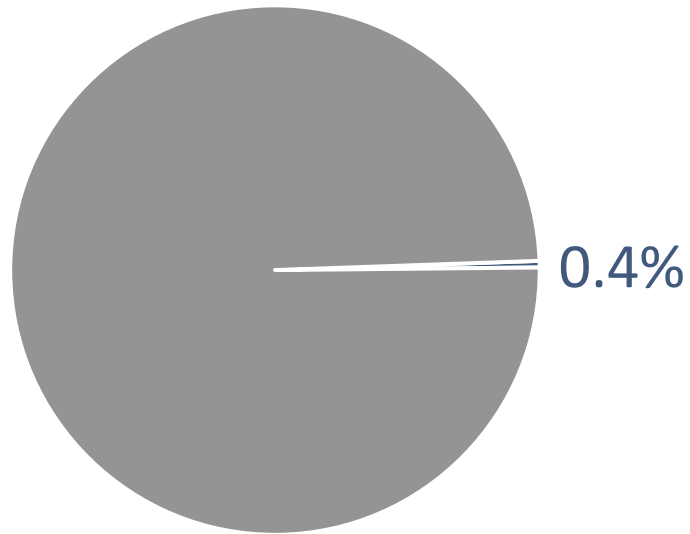
As is the standard approach for all other DPA common policies, the common policy cost pool for DSG includes operating expenses, personal services expenses, and overhead allocations. Personal services expenses include salaries aged to include projected total compensation adjustments, projected overtime and temporary labor needs based on projected volumes, and standard POTS related expenditures. Overhead allocations include the program's share of statewide common policies billed to the Department, such as Legal Services, Leased Space, Payments to Risk Management, Workers' Compensation, Administrative Law Judge Services, CORE Operations, Vehicle Lease Payments and Payments to OIT. Operating expenses include all standard operating costs associated with providing services. Additionally, personal services contract costs necessary to support the specific equipment required by the Department of Revenue are included in the cost pool. Finally, the cost pool will be reduced by the four-year average of the revenue derived by customers other than the Secretary of State and the Department of Revenue.

Document Solution Group Appropriations History

Cost element	FY 2023-24 Approp	FY 2024-25 Approp	FY 2025-26 Approp	FY 2026-27 Request
Personal services	\$3,317,067	\$2,946,659	\$3,365,134	\$4,056,697
DCS admin allocation	333,379	352,672	335,457	379,482
Operating/OIT common policies	1,051,576	1,385,956	1,424,472	1,214,099
Operating expenses	926,389	1,281,046	1,650,948	1,674,150
Indirect costs	193,735	163,417	185,793	104,106
Cost related to other customers	-888,999	-825,818	-730,104	-421,740
North Campus only expenses	4,876,959	6,039,699	6,031,318	6,270,031
Fund balance adjustment	294,983	310,590	395,116	375,884
Total allocable cost	\$10,105,089	\$11,654,221	\$12,658,134	\$13,652,709

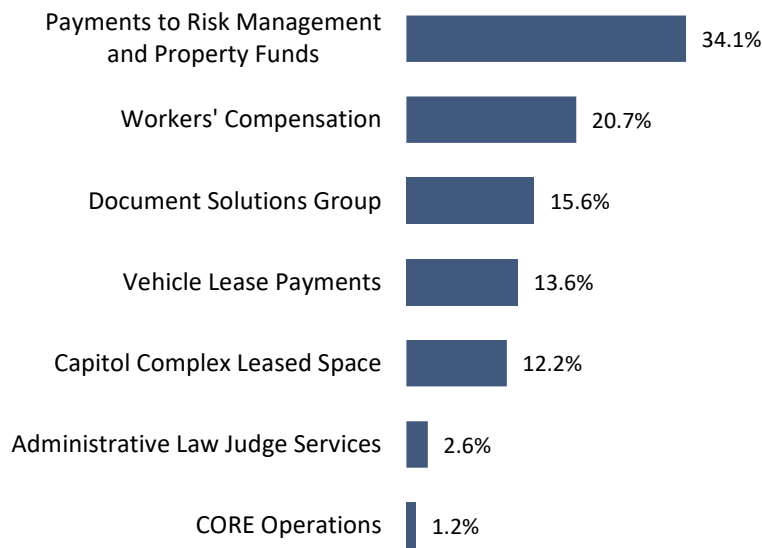
Graphic Overview

Operating Common Policies' Share of Statewide General Fund



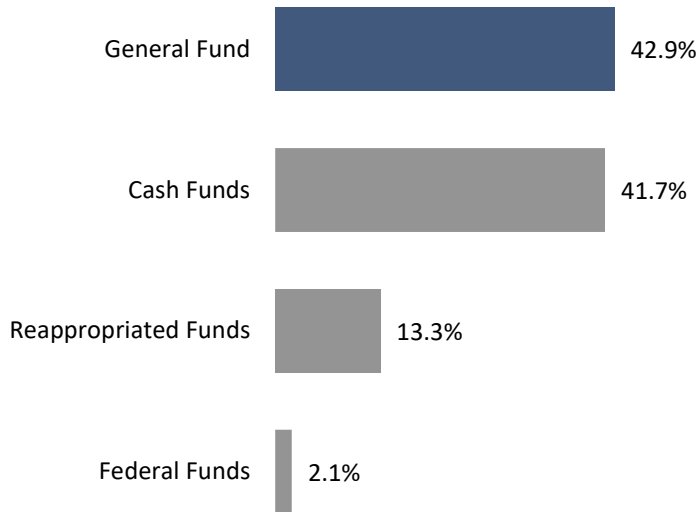
Based on the FY 2025-26 appropriation.

Distribution of General Fund by Operating Common Policy



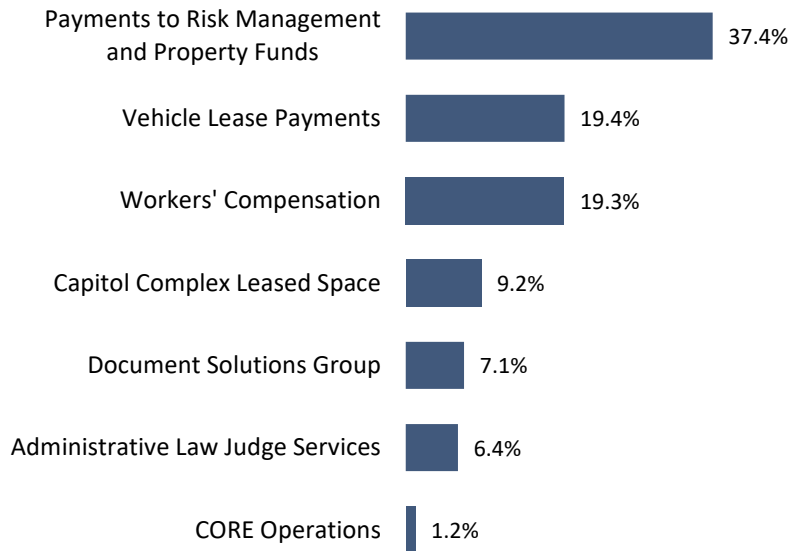
Based on the FY 2025-26 Appropriation

Operating Common Policies Funding Sources



Based on the FY 2025-26 appropriation.

Distribution of Total Funds by Operating Common Policy



Based on the FY 2025-26 Appropriation

Cash Funds Detail

The majority of cash funds that support statewide operating common policies receive their revenue primarily from intragovernmental transfers. As a result, 1) most of their revenue is TABOR exempt because it is not new money entering the state coffers and 2) appropriations from these funds for the implementation of common policies appears as reappropriated funds in the Department of Personnel's budget. Common policy supporting cash funds include the:

- Department of Personnel Revolving Fund,
- Risk Management Fund, Self-Insured Property Fund,
- State Employee Workers' Compensation Account,
- Statewide Financial Information Technology Systems Cash Fund,
- Supplier Database Cash Fund,
- Administrative Courts Cash Fund, and
- Motor Fleet Management Fund.

Excess balances in these cash funds are used to reduce the amount of a policy's costs that are shared amongst the various departments and agencies that use DPA services. The balances of these cash funds are managed through the figure setting process to ensure sufficient reserves.

General Factors Driving the Budget

For the last decade, the two largest portions of statewide operating common policies are the Risk Management programs and Vehicle Lease Payments. These two policies account for approximately 73.8 percent of the operating common policies appropriations.

Risk Management

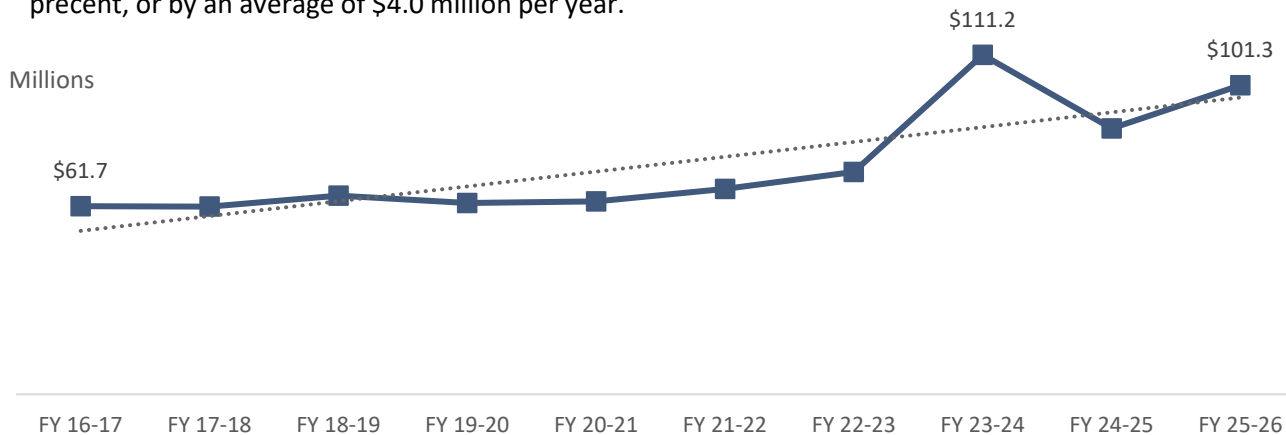
The state's Risk Management Unit provides insurance coverage to departments and state agencies for workers' compensation and property and liability insurance. The State is self-insured for workers' compensation and liability and purchases property insurance from a commercial insurer. By industry standards, the State of Colorado is considered self-insured because it covers the liability for losses in each program area up to at least \$100,000, though many events are covered at considerably higher limits. The state also carries "excess" policies that protect it from extreme cases where a particular loss could jeopardize the overall solvency of the risk management funds.

Statewide Risk Management Services - Premiums and Administrative Expenses

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual
Claims, Premiums, and Deductibles				
Workers' Comp. claims and excess policy	\$30,651,674	\$31,699,775	\$31,012,731	\$34,570,049
Property policies, deductibles, and payouts	13,076,298	19,443,638	29,303,048	36,190,495
Liability claims and excess policy	6,403,438	18,933,946	35,099,671	8,319,910
Subtotal	\$50,131,410	\$70,077,359	\$95,415,450	\$79,080,454
<i>Percent of total</i>	<i>83.4%</i>	<i>86.2%</i>	<i>89.6%</i>	<i>85.0%</i>
Legal Services				
Workers' Comp. legal services	\$1,215,954	\$1,582,974	\$1,423,075	\$2,019,767
Liability legal services	5,826,818	7,063,459	6,040,506	8,302,909
Subtotal	\$7,042,772	\$8,646,433	\$7,463,581	\$10,322,676
<i>Percent of total</i>	<i>11.7%</i>	<i>10.6%</i>	<i>7.0%</i>	<i>11.1%</i>
Administration				
Admin. Expense and TPA Fees	\$2,933,990	\$2,600,696	\$3,626,801	\$3,641,676
<i>Percent of total</i>	<i>4.9%</i>	<i>3.2%</i>	<i>3.4%</i>	<i>3.9%</i>
Total Risk Management	\$60,108,172	\$81,324,488	\$106,505,832	\$93,044,806

Policy claims, premiums, and deductibles are the largest share of expenditures for these services. Appropriations and allocations from state agencies for risk management coverage are calculated using actuarially-determined prospective claims losses. The larger higher education institutions administer their own risk management programs, and for those programs, funds are not included in the above table and following chart.

Over the last decade, Risk Management appropriations have grown by an annualized 5.1 percent, or by an average of \$4.0 million per year.



The Risk Management common policy has experienced growth in the five fiscal years since FY 2021-22. The large spike in Risk Management appropriations in FY 2023-24 was a result of a mid-year, supplemental adjustment to the common policy. The increase of \$33.4 million reappropriated funds addressed larger than expected liability claims payouts in FY 2023-24. Liability claims payouts for the following fiscal year dropped by nearly half, while property claims payouts more nearly doubled due to extensive damage to the Ralph L. Carr Judicial Center. Liability claims payouts in FY 2025-26 are projected to be \$7.7 million and property claims payouts are projected to be \$12.9 million.

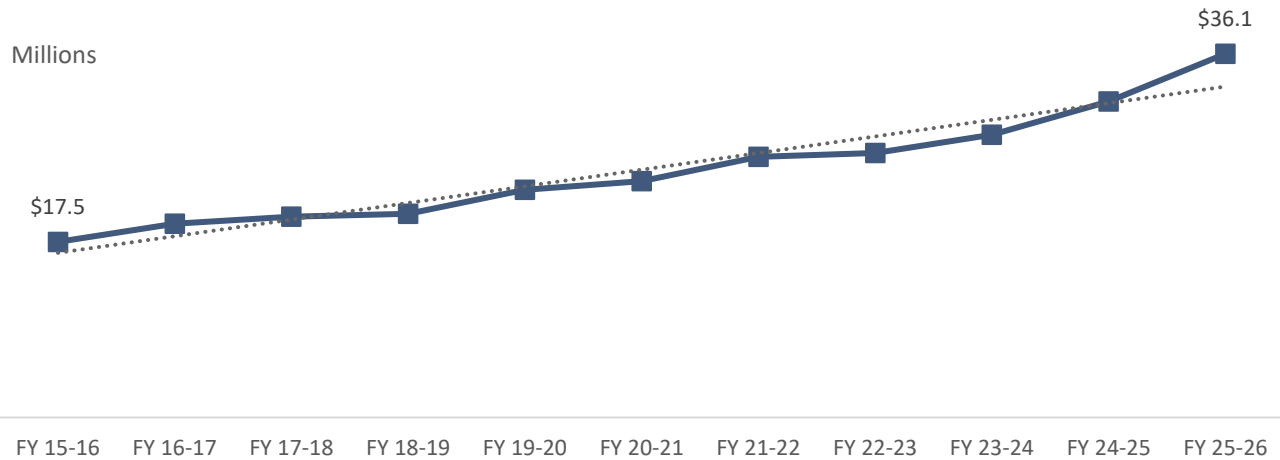
Vehicle Replacements

Statue grants the Department authority to administer the state's fleet management program, which purchases vehicles, manages maintenance and repairs, manages the fleet, auctions older vehicles, and manages the state motor pool.¹ The Fleet Management program is housed in the Department's Division of Capital Assets.

Vehicle costs include variable and fixed expenses. Variable costs are billed at a rate per mile based on department and vehicle type and are typically paid from operating expenses line items. Variable costs include insurance, fuel, maintenance, and repairs. Fixed costs include the lease payments and the Department's vehicle management fee and are included in each department's Vehicle Lease Payments line item. The Department acquires lease-purchase financing for replacement vehicles and additional vehicles approved in budget requests. This financing is structured in annual trusts through which the State pays for its vehicles, with a 10-year window for paying off annual purchases. The Department anticipates making final payments on the 2016 trust in FY 2026-27.

¹ Section 24-30-1104 (2), C.R.S.

Over the last decade, vehicle lease payment appropriations have grown by an annualized 6.5 percent, or an annual average of \$1.7 million reappropriated funds.



The Department’s vehicle ordering process is governed by statute and the Executive Orders of current and former Governors focusing on alternative fuel vehicles^{2,3} (AFVs) and Zero-Emission Vehicles⁴ (ZEVs), such as electric vehicles. The program provides a menu-approach, which allows agencies to identify the correct ZEV, AFV, or combustion engine vehicle available for their needs. Statute requires the Department to purchase AFV capable vehicles whenever the base cost or lifecycle cost is not more than 10.0 percent above the cost of the gasoline alternative when its use is congruent with such vehicles.

² Executive Order No. 2018 026 Greening of State Government: https://drive.google.com/a/state.co.us/file/d/1BbJrBa351-jN47sW18wC_Uaua_duP0Z9/view?usp=sharing

³ Executive Order No. 2018 006 Maintaining Progress on Clean Vehicles: https://drive.google.com/a/state.co.us/file/d/1GNxVJrewxSc5yVo2t_3AV3D3eU6LlOfT/view?usp=sharing

⁴ Executive Order No. 2019 002 Supporting Transition to Zero Emission Vehicles: https://www.colorado.gov/governor/sites/default/files/inline-files/b_2019-002_supporting_a_transition_to_zero_emissions_vehicles.pdf

Summary of Request

Statewide Operating Common Policies

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2025-26 Appropriation						
SB 25-206 (Long Bill)	\$177,701,662	\$76,206,937	\$74,047,528	\$23,683,910	\$3,763,287	212.2
Total	\$177,701,662	\$76,206,937	\$74,047,528	\$23,683,910	\$3,763,287	212.2
FY 2026-27 Requested Appropriation						
FY 2025-26 Appropriation	\$177,701,662	\$76,206,937	\$74,047,528	\$23,683,910	\$3,763,287	212.2
R1 State payroll system common policy	1,122,250	652,014	253,768	165,545	50,924	9.0
R2 OAC staff for Medicaid [1]	722,970	0	0	722,970	0	6.2
R3 State accounting system resources	836,049	353,539	232,284	212,028	38,199	3.9
R5 Printing services true-up [1]	3,707,974	0	1,051,773	2,656,201	0	0.0
R8 Annual fleet vehicle replacements	305,110	724,244	-342,729	-55,155	-21,250	0.0
R9 General Fund reductions and transfers [2]	0	0	0	0	0	0.0
Total	\$184,396,015	\$77,936,733	\$75,242,623	\$27,385,499	\$3,831,160	231.3
Increase/-Decrease	\$6,694,353	\$1,729,796	\$1,195,095	\$3,701,589	\$67,873	19.1
Percentage Change	3.8%	2.3%	1.6%	15.6%	1.8%	9.0%

[1] These decision items are related to operating common policies but do not directly affect cost allocations.

[2] The portion of this request affecting operating common policies is a cash fund transfer to the General Fund.

R1 State payroll system common policy [legislation]: The Department requests funding for the establishment of a common policy for the new state payroll system.

Year 1: The total cost of the common policy is \$1.1 million. This includes an estimated \$652,014 General Fund received from other state agencies and 9.0 FTE for the administration of the policy.

Year 2: The total cost of the common policy is \$1.2 million. This includes an estimated \$712,577 General Fund received from other state agencies and 10.0 FTE. The Department assumes a reduction of \$1.3 million total funds for payments to the Office of Information Technology when the legacy payroll system is discontinued.

The new state payroll system was built using Capital Construction Funds appropriated through the IT Capital section of the Long Bill. The system is anticipated to be released by May 2026. The Department anticipates additional funding requests will be made in future budget cycles for software licensing and development support. The Department's request includes the creation of a new cash fund to support this common policy.

The Department has indicated that this is an Evidence-informed request.

R2 Office of Administrative Courts (OAC) staff for Medicaid: The Department requests funding for additional term-limited staff to address Medicaid eligibility appeals.

Year 1: The total cost is \$0.7 million. The reappropriated funds in the Department of Personnel represent a transfer from the Department of Health Care Policy and Financing (HCPF), of which \$234,966 is General Fund. The request includes 6.9 term-limited FTE. The request is for FY 2026-27 only.

Recent changes to federal and state Medicaid policies have reinstated the requirement for prior authorization requests (PARs) for Long-term Home Health (LTHH) services. The Department of Health Care Policy and Financing estimates that between 20,000-27,000 members will be affected by this change. The Department of Personnel estimates that nearly 1,000 appeals of PAR decisions will be sent to the Office of Administrative Courts in FY 2026-27 for review and adjudication. The OAC seeks temporary staffing to address the increased caseload. JBC staff anticipates additional caseload projections in January 2026, as this policy change went into effect August 1, 2025.

The Department has indicated that this is an Evidence-informed request.

R3 State accounting system software support: The Department requests funding for additional staffing and software resources for the state accounting system (CORE).

Year 1: The total cost is \$836,149. This includes an estimated \$353,539 General Fund received from other state agencies and 3.9 FTE.

Year 2: The total cost is \$851,205. This includes an estimated \$359,948 General Fund received from other state agencies and 4.0 FTE.

After nearly 10 years, the CORE was upgraded to allow the system to accept software updates and patches from the vendor. It is anticipated that CORE will receive three major and nine minor software updates annually. As the product owner, the Department of Personnel seeks four additional staff positions to assist with the deployment cycle. Three of these positions are from the upgrade development team and will be transitioned from term-limited to permanent status. The remaining position will be a wholly new staff person. The request includes \$466,049 total funds for staffing costs in FY 2026-27.

In addition to the staffing, the Department requests \$370,000 to purchase document storage capacity through the CORE vendor. This will replace the current document storage functionality provided through the Office of Information Technology (OIT). The Department anticipates a \$850,000 reduction to its Payments to OIT line item associated with this request, but has not reflected the reduction because that line item is set through a the OIT common policy.

The Department has indicated that this is an Evidence-informed request.

R5 Printing services true-up: The Department requests funding to address a mismatch between revenue and authorized spending authority for printing and document management services provided by the Department.

Current Year: The total cost is \$1.7 million. This includes \$357,255 cash funds to address an overexpenditure restriction and \$1.3 million reappropriated funds to access anticipated revenue received for printing services requested by other state agencies.

Year 1: The total cost is \$3.7 million. This includes \$1.1 million cash funds and \$2.7 million reappropriated funds.

Year 2: The total cost is \$4.2 million. This includes \$1.1 million cash funds and \$3.1 million reappropriated funds.

The Department's printing services experienced an increase in printing volume and postage costs in the last several years. Printing volume increases have been driven by recent legislative action, while postage rates set by

the U.S. Postal Service increased by nearly 42.0 percent from FY 2020-21 to FY 2024-25. These two factors led to an overexpenditure of cash funds in FY 2024-25.

Additionally, a gap in the fiscal impact assessment process has led to a disparity between available revenue and appropriated spending authority. The Department highlights three legislative actions that are primary contributors to this mismatch: the implementation of the Paid Family and Medical Leave Insurance program, S.B. 23B-002 (Summer Electronic Benefits Transfer Program), and S.B. 25-242 (Division of Unemployment Insurance Funding Mechanism). In each case the printing requirements for the programs were not properly assessed in assessment of fiscal impacts.

R8 Annual fleet vehicle replacements: The Department requests funding to replace a portion of the vehicles in the state fleet.

Year 1 and ongoing (statewide): The total cost is \$0.3 million. This includes an increase of \$0.7 million General Fund and a decrease of \$0.4 million cash, reappropriated, and federal funds across all affected state agencies.

Year 1 and ongoing (DPA): The total cost is \$3.9 million. This is reappropriated funds for the Department of Personnel to manage vehicle lease payments for the state fleet.

The request is to replace 545 fleet vehicles, of which 326 are designated as potential alternative fuel vehicles. This is a request submitted every year.

R9 General Fund reductions and transfers [legislation]: The Department requests a cash fund transfer to the General Fund.

Year 1: The total transferred to the General Fund is \$6.4 million. This transfer is from the Supplier Database Cash Fund.

The net General Fund impact is an increase of \$3.2 million because of the interaction between the cash fund and the CORE Operations common policy. The Supplier Database Cash Fund is used to reduce the costs of the CORE Operations common policy borne by state agencies.

R1 State Payroll System Common Policy

The Department requests the creation of a new operating common policy for the management of the new state payroll system (CORE Payroll). The new payroll system replaces the current 38+ year old system known as the Colorado Personnel Payroll System (CPPS) and interfaces with the current state accounting system, Colorado Operations Resource Engine (CORE).

Summary

- There is a one-year overlap between the deployment of the CORE Payroll system and the decommissioning of CPPS. Once CPPS is decommissioned in FY 2027-28, the Department anticipates a \$1.3 million total funds savings that will offset much of the new system's cost.
- The Department anticipates additional software licensing and development costs beginning in FY 2027-28 and FY 2028-29 that will add \$2.7 million to the cost of the CORE Payroll common policy. However, these vendor services will replace the current mainframe used by CPPS, which costs approximately \$4.6 million per year. Requests in future budget cycles will fully scope and detail these additional costs and savings.
- In addition to the 10 new positions being requested, the Department anticipates reallocating seven existing position to support CORE Payroll. The total staffing support for CORE Payroll is 17.0 FTE.
- The Department requests the Joint Budget Committee sponsor legislation to create a new cash fund to support the new CORE Payroll common policy.

Discussion

The CORE Payroll system was born from the failure of the HRWorks project, which was intended to be the State's new Human Resources Information System. Funding for the development of the CORE Payroll system was approved by the Joint Budget Committee after review and recommendation by the Joint Technology Committee during the 2022 legislative session. The General Assembly has appropriated over \$50.0 million since FY 2022-23 for the development of this new system. As the system prepares for deployment, operations and maintenance costs will shift to the Department of Personnel's operating budget. This system will be the new payroll software used by every state agency and, as such, the Department propose the creation of a new common policy to ensure all agencies share in the ongoing costs.

Staffing Request

The Department's staffing assessment indicates the need for 18.0 FTE for the management, operations, and training associated with the new payroll system. Staffing and support models for similar systems in Arizona and Utah were reviewed in the creation of this request; both states deployed payroll systems in 2025. The request seeks \$1.0 million total funds for 9.0 FTE in FY 2026-27, which represents 10 new positions due anticipated hiring dates. The Department also seeks \$129,388 for the reallocation and re-grading of seven existing FTE.

Department FY 2026-27 Workload Assessment for CORE Payroll System

Area and Sub-Area	CORE Payroll	Hours per Unit	Work Hours	Calculated FTE	FTE Request	Resource Impact
<u>User Support & Training</u>						
Total users	45,000 (500 HRM, 40,000 ESS)	0.15	6,933	3.3	2.0	Triple the number of users, but will be focused in a few specific application areas (e.g., ESS, Payroll, Labor Allocation and HR)
Training content, communications, LMS admin	Approx 100 items	34.67	3,467	1.7	1.0	Additional training content, communication, LMS administration and assist with user support
<u>System Administration</u>						
Interfaces	75 Interfaces	48.53	3,640	1.8	1.0	Address additional interfaces for CORE Payroll
Nightly Cycles, Forms	FIN and "full" HRM Payroll & Labor Allocation	1.00	1,560	0.8	0.0	Monitor/manage Payroll Cycles and PDF generated Forms; will be assisted by Interfaces and Security FTE
Reports	300 reports	12.13	3,640	1.8	1.0	Manages the CORE Reporting administration
Homepages/ Business Roles, Security Roles/ Workflow, Business Rules/ Extensibility	8 Homepages/ Business Roles. Security Roles/ Workflow 1,000. Business Rules/ Extensibility 20-40. 3,640 hours	1.00	3,640	1.8	1.0	Security administration
<u>Functional</u>						
Functionality, Transactions/ Tables	Labor Allocation 4,160 hrs/year	1.00	4,160	2.0	1.0	Combining state business process with system functionality for testing, complex user issues, providing input to training etc.
Functionality, Transactions/ Tables	Payroll 4,160 hrs/year	1.00	4,160	2.0	1.0	Combining state business process with system functionality for testing, complex user issues, providing input to training etc.
Functionality, Transactions/ Tables	HR 4,160 hrs/year	1.00	4,160	2.0	1.0	Combining state business process with system functionality for testing, complex user issues, providing input to training etc.
<u>All Areas</u>						
Feature Set Release (Annualized)	Approx 3,000-4,000 hours	0.52	2,080	1.0	1.0	Additional support across all areas
Total			37,440	18.0	10.0	

Common Policy

The Department requests the creation of a new operating common policy to fund the CORE Payroll system. This method of funding provides a mechanism to share the cost of operations and maintenance with all state agencies that use the system. The cost of the payroll system will be allocated to each agency proportionally based on their usage of the payroll system. For FY 2026-27, the agencies' use of CPPS will be the basis for this cost sharing. Each agency's share of the cost is calculated by taking their total number of employees paid out of payroll system each month as a twelve-month sum, and dividing by the total number of employees statewide. This results in a proportional allocation of costs based on each agency's use of the system.

The Department asks the Joint Budget Committee to sponsor legislation to create a cash fund to support the new common policy. All common policies have a supporting cash fund into which revenue from agencies using a particular service is deposited. This revenue is a mix of General Fund, cash funds, reappropriated funds, and federal funds. Staff estimates that 58.1 percent (\$652,014) of the revenue for the CORE Payroll common policy will originate as General Fund, based on the FY 2026-27 operating budget requests for the various state agencies. This is a higher proportion of General Fund than the current operating common policies, but the lowest amount of General Fund in dollar terms. As currently proposed, this will be the smallest common policy in dollar terms even though its usage will be more widespread than other operating common policies, such as Administrative Law Judge Services.

Budget Reduction Options

The Executive Budget request does not include any General Fund reduction for statewide operating common policies, though they do propose a revenue enhancement measure. This issue brief reviews this proposal and additional options identified by staff.

Summary

Statewide operating common policies represents 0.4 percent of total state General Fund appropriations in FY 2025-26. The Executive budget request includes proposed revenue enhancements estimated to make \$6.4 million General Fund available. However, the nature of statewide operating common policy precludes significant discretionary adjustments to appropriations. As discussed in the overview sections of this document, the majority of funding, both total funds and General Fund, for operating common policies is for claims, premiums, deductibles, and legal services for risk management (i.e., workers' compensation and liability and property insurance), for which the Department has continuous spending authority. Vehicle lease payments have similar financial obligations to pay for the vehicles currently in the state fleet. Realistically, there are only marginal actions the General Assembly can take in regards to operating common policies to alleviating pressure on the General Fund.

Recommendation

Staff recommends that the Department of Personnel (DPA) discuss the Department proposals and staff options in its budget hearing, focusing particularly on any possible statutory changes to risk management that could offer General Fund relief.

Discussion

Funding History FY 2018-19 to FY 2025-26

Statewide operating common policies represents 0.4 percent of total state General Fund appropriations in FY 2025-26. As reflected in the table below, General Fund in this section of the budget has increased by 18.8 percent since FY 2018-19 after adjusting for inflation. This is more than the statewide increase of 13.6 percent over the same period.⁵

FY 2018-19 to FY 2025-26 Appropriations Comparison - Adjusted for Inflation

Fund	FY 2018-19 Nominal	FY 2018-19 Adjusted	FY 2025-26	\$ Change from FY 2018-19 Adjusted	% Change from FY 2018-19 Adjusted
General Fund	\$49,279,129	\$64,130,309	\$76,206,937	\$12,076,628	18.8%

⁵ Fiscal year 2018-19 appropriations are adjusted for inflation, calculated based on the Legislative Council Staff September 2025 forecast, which reflects an increase in the Denver-Aurora-Lakewood consumer price index of 30.1 percent between FY 2018-19 and FY 2025-26.

Fund	FY 2018-19 Nominal	FY 2018-19 Adjusted	FY 2025-26	\$ Change from FY 2018-19 Adjusted	% Change from FY 2018-19 Adjusted
Total Funds	\$4,387,736,392	\$5,710,062,184	\$5,955,184,815	\$245,122,631	4.3%

A substantial portion of the General Fund growth in statewide operating common policies since FY 2018-19 is due to the creation of the Document Solutions Group common policy in FY 2020-21. This common policy is primarily funded with General Fund (93.7 percent) received by DPA from the Department of Revenue for printing and document management services. In FY 2025-26, this common policy required an appropriation of \$11.9 million General Fund. This common policy accounts for 7.1 percent of total funds and 15.6 percent of the General Fund appropriated for statewide operating common policy.

Budget Requests for General Fund Relief

For this section of the budget, the budget request includes proposals for General Fund relief totaling \$6.4 million, representing 8.4 percent of the General Fund appropriations. The proposals for General Fund relief are summarized in the table below. Some of the proposals require statutory change.

Budget Requests for General Fund Relief

Option	General Fund	Other Funds	Bill? Y/N	Description
Revenue Enhancements				
Supplier Database Cash Fund	\$6,400,000	\$0	Y	The <u>net impact of this transfer is an increase of \$3.2 million General Fund available for budgeting purposes</u> . This fund is used primarily to offset the cost of the CORE Operations common policy. The request proposes to transfer approximately 85.3 percent of the end of year fund balance to the General Fund. The transfer increases the cost of the CORE Operations common policy that is allocated to state agencies, which increases General Fund appropriations. This is a one-time option.
Subtotal - Revenue	\$6,400,000	\$0		
Expenditure Reductions				
None.	\$0	\$0	N	n/a
Subtotal - Expenditures	\$0	\$0		
Net General Fund Relief	\$6,400,000			

Additional Options for JBC Consideration

The table below summarizes options identified by the JBC staff that the Committee could consider in addition to or instead of the options presented in the budget request. A General Fund reduction of 5.0 percent to the sections of the budget covered in this briefing would require a reduction of \$3.8 million.

Additional Options for General Fund Relief

Option	General Fund	Other Funds	Bill? Y/N	Description
Revenue Enhancements				
None	\$0	\$0		n/a
Subtotal - Revenue	\$0	\$0		
Expenditure Reductions				
Reduce Capitol Complex Leased Space for vacant square footage under construction	-\$514,531	\$0	N	The net General Fund savings from this option is \$238,356. The Department of Personnel's Capitol Complex Leased Space line item includes General Fund appropriations for the maintenance and upkeep of vacant square footage in the Capitol Complex. Some of that square footage may be vacant due to construction. This option cuts the maintenance and upkeep appropriations for vacant square footage under construction. This cut is partially offset by an increase in General Fund obligations in other departments, as the fixed costs of Capitol Complex leased space are allocated to those departments and agencies that use the space. The amount of this reduction is an estimate made by JBC staff and needs verification by the Department.
Delay fleet vehicle replacements	-\$724,244	\$419,134	N	Delay for one year the replacement of 545 fleet vehicles. This delay would push the replacement of these vehicles out one year, but substantially increase the number and cost of fleet replacements in the out-year. Additionally, maintenance and operational costs of the 545 vehicles, which are the most problematic, would continue for another year.
Subtotal - Expenditures	-\$1,238,775	\$419,134		
Net General Fund Relief	\$1,238,775			

Revenue Enhancements

None.

Expenditure Reductions

Reduce Capital Complex Leased Space for vacant square footage under construction

Description: This budget option would reduce General Fund appropriations for the Department of Personnel's Capitol Complex Leased Space line by \$0.5 million.

Key consideration: The net statewide General Fund savings from this option is \$238,356.

Additional background: The Department of Personnel's Capitol Complex Leased Space line item includes General Fund appropriations for the maintenance and upkeep of vacant square footage in the Capitol Complex. Some of that square footage may be vacant due to construction. This option cuts the maintenance and upkeep

appropriations for vacant square footage under construction. This cut is partially offset by an increase in General Fund obligations in other departments, as the fixed costs of Capitol Complex leased space are allocated to those departments and agencies that use the space. The amount of this reduction is an estimate made by JBC staff and needs verification by the Department.

Delay fleet vehicle replacements

Description: This budget option would reduce General Fund appropriation statewide by \$724,244.

Key Considerations: The proposal would delay for one year the replacement of vehicles (545) in the state fleet. This delay substantially increases the number and cost of fleet replacements in the out-year. Additionally, maintenance and operational costs of the 545 vehicles, which are the most problematic, would continue for another year.