

MEMORANDUM



JOINT BUDGET COMMITTEE

To JBC Members
FROM JBC Staff
DATE March 18, 2025
SUBJECT Figure Setting Comeback Packet 3

Included in this packet are staff comeback memos for the following items:

Department of Public Safety, page 2 (Alfredo Kemm): DPS Comeback #26 R1 DTRS and staff comeback for R1 DTRS, DTRS Common Policy, and potential legislation LLS no. 25-0964

Department of Public Safety, page 9 (Alfredo Kemm): DPS Comebacks #27, #28, #29

Department of Health Care Policy and Financing, page 13, (Tom Dermody): R5 OCL caseload [Correction]

Department of Personnel, page 15, (Tom Dermody): Office of Sustainability [NEW]

Department of Revenue, page 17, (Jon Catlett): R3 Lottery Optimization

Department of Human Services, page 28, (Emily Pope): R3/BA2 DYS Detention Bed Increase

IT Capital, page 37, (Andrea Uhl): School Finance System Modernization

Department of Labor and Employment, page 44, (Phoebe Canagarajah): Technical Annualization Adjustments

Department of Transportation, (Michelle Curry) Staff Comebacks regarding:

- Multimodal Options Fund Spending Authority, page 46
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- Reduce Road Safety Surcharge, page 49
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Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee
From: Alfredo Kemm, JBC Staff (303-866-4549)
Date: Monday, March 17, 2025
Subject: **DPS Comeback #26 R1 DTRS and staff comeback for R1 DTRS, DTRS Common Policy, and potential legislation LLS no. 25-0964**

Comeback: (1) The Department comeback alters the staff recommendation by directly funding the \$15.0 million vendor contract (\$12.0 million) and program hardware and equipment upgrades and maintenance (\$3.0 million) with General Fund as originally requested. (2) The Department comeback includes information regarding the common policy allocation that total \$11.0 million in state agency payments and that identifies the need for all of that funding for Office of Public Safety Communications (OPSC) program administration from the Public Safety Communications (PSC) Revolving Fund. (3) The Department comeback requests reversal of the staff recommendation to eliminate continuous spending authority for the PSC Revolving Fund.

- **FigSet staff rec 1:** The staff recommendation suggested that the Committee consider funding the vendor contract of \$12.0 million through the 911 Services Enterprise. The current draft of that legislation is attached for Committee consideration.
- **FigSet staff rec 2:** The staff recommendation suggested the possibility of funding the \$3.0 million through the program operating common policy.
- **FigSet staff rec 3:** The Department did not provide a common policy request for allocation to state agencies. In the absence of a request for common policy allocations, staff recommended continuing the FY 2024-25 allocation.
- **FigSet staff rec 4:** The staff recommendation included the elimination of continuous spending authority for the PSC Revolving Fund.
- **FigSet staff rec 5:** The staff recommendation included adding line items for the OPSC to clearly segregate (1) program administration paid exclusively from the PSC Revolving Fund from revenue generated from the DTRS common policy, (2) DTRS equipment costs, and (3) DTRS vendor contract payments (both paid from the continuously appropriated PSC Trust Fund).

Updated Staff Recommendations

Staff recommends that the Committee:

- 1 Either pursue legislation as included in bill draft LLS25-0964 for the requested \$15.0 million of funding or fund the request with General Fund as requested by the Department.

- 2 As it relates to the first recommendation, staff no longer recommends funding the \$3.0 million for DTRS equipment upgrades from the common policy allocation.
- 3 (a) Staff recommends that the Committee approve a common policy allocation that generates \$10.6 million in state agency payments as outlined in the staff recommended tables below. (b) This amount funds the anticipated program administration expenditures that staff recommends for funding minus the fund balance reserve adjustment (c) Staff suggests that the Committee may wish to pursue legislation to limit all indirect costs and overhead charges to no more than 10-12 percent of total common policy cost pool anticipated expenditures.
- 4 Staff continues to recommend the elimination of continuous spending authority for the Public Safety Communications Revolving Fund.
- 5 Staff continues to recommend the additional line items.

Common Policy Cost Pool Analysis

The following table outlines the Department's requested DTRS common policy cost pool.

Requested DTRS Common Policy Cost Pool (OPSC program administration and other program costs)					
Cost Items	FY 2024-25	FY 2025-26	Difference	% change	% of Total Cost Pool
OPSC Program Administration					
Personal Service		5,396,458			
Operating Expenses		1,943,893			
Subtotal - OPSC Program Administration	\$6,787,748	\$7,340,351	\$552,603	8.1%	63.1%
Other program costs included in common policy					
Depreciation	\$658,105	\$612,223	-\$45,882	-7.0%	5.3%
Compensation Policies (POTS)					
HLD/STD/AED/SAED/PFML/SS&StepPay	1,486,657	1,447,220	-39,437		
PERA Direct Distribution	88,621	92,507	3,886		
Subtotal - Comp Policies	\$1,575,278	\$1,539,727	-\$35,551	-2.3%	13.2%
Direct Pay Operating Common Policies					
Capitol Complex Leased Space	16,523	13,226	-3,297		
Vehicle Lease Payment	173,957	182,655	8,698		
Subtotal - Operating Common Policies	\$190,480	\$195,881	\$5,401	2.8%	1.7%
Indirects and Overhead Charges					
Dept Overhead/EDO (FY24 PS Appr + Robb)	0	323,726	323,726		
Dept OH/Indirect (FY25/FY26 Total Comp * 15.6%/16.6%)	1,239,621	1,253,246	13,625		
SWICAP	0	19,311	19,311		
Department-wide expense	0	21,000	21,000		
Div Overhead/DHSEM Director's Office (25%)	335,709	335,709	0		
Subtotal - Indirects and overhead charges	\$1,575,330	\$1,952,992	\$377,662	24.0%	16.8%
Total DTRS Cost Pool	\$10,786,941	\$11,641,174	\$854,233	7.9%	100.0%

Requested DTRS Common Policy Cost Pool (OPSC program administration and other program costs)					
Cost Items	FY 2024-25	FY 2025-26	Difference	% change	% of Total Cost Pool
Fund Balance reserve for adjustment		\$634,157			
Total DTRS Cost Pool for allocation		\$11,007,017			

The following table outlines the staff recommended DTRS common policy cost pool.

JBC Staff Recommended DTRS Common Policy Cost Pool					
Cost Items	FY 2024-25	FY 2025-26	Difference	% change	% of Total Cost Pool
OPSC Program Administration					
Personal Service		5,396,458			
Operating Expenses		1,943,893			
Subtotal - OPSC Program Administration	\$6,787,748	\$7,340,351	\$552,603	8.1%	65.6%
Other program costs included in common policy					
Depreciation	\$658,105	\$612,223	-\$45,882	-7.0%	5.5%
Compensation Policies (POTS)					
HLD/STD/AED/SAED/PFMLI/SS&StepPay	1,486,657	1,447,220	-39,437		
PERA Direct Distribution	88,621	92,507	3,886		
Subtotal - Comp Policies	\$1,575,278	\$1,539,727	-\$35,551	-2.3%	13.8%
Direct Pay Operating Common Policies					
Capitol Complex Leased Space	16,523	13,226	-3,297		
Vehicle Lease Payment	173,957	182,655	8,698		
Subtotal - Operating Common Policies	\$190,480	\$195,881	\$5,401	2.8%	1.7%
Indirects and Overhead Charges					
Dept Overhead/EDO (FY24 PS Appr + Robb)	0	0	0		
Dept OH/Indirect (FY25/FY26 Total Comp * 15.6%/16.6%)	1,239,621	1,151,407	-88,214		
SWICAP	0	19,311	19,311		
Department-wide expense	0	0	0		
Div Overhead/DHSEM Director's Office (25%)	335,709	335,709	0		
Subtotal - Indirects and overhead charges	\$1,575,330	\$1,506,427	-\$68,903	-4.4%	13.5%
Total DTRS Cost Pool	\$10,786,941	\$11,194,609	\$407,668	3.8%	100.0%
Fund Balance reserve for adjustment		\$634,157			
Total DTRS Cost Pool for allocation		\$10,560,452			

As outlined in the table, in the highlighted column for the budget year, and in the bolded indirects and overhead charges section, staff recommends eliminating the extra overhead charges that remain unexplained and adjusting the primary department indirect amount. Staff uses the Department's stated formula of "FY26 Total Comp*16.6%". The Department's

calculation includes the payment for Department overhead EDO direct shown at \$323,726. This charge is new for FY 2025-26 and remains unexplained; therefore, staff recommends excluding it from payment from the DTRS common policy.

Staff recommends that the Committee approve common policy allocations to state agencies totaling \$10.6 million.

Staff suggests that the Committee may wish to consider pursuing legislation to limit the percentage total of indirect costs that may be charged from this common policy. The request reflects a 16.8 percent indirect cost collection rate. Staff's recommendation using current Department methodology reflects a 13.5 percent indirect cost collection rate. The Committee may wish to establish a statutory limit of 10-12 percent.

Staff recommends department common policy allocations outlined in the following table.

DTRS Radio Count for DTRS Common Policy Allocation				
Department	FY 2024-25 DTRS Payment	FY 2025-26 Radio Count	FY 2025-26 Rec'd DTRS Payment	\$ Change
Agriculture	\$27,984	27	\$18,120	-\$9,864
Corrections	2,638,440	3,778	2,535,420	-103,020
Higher Education (unappropriated)	148,284	214	143,616	-4,668
Human Services	765,228	1,082	726,132	-39,096
Judicial	26,580	47	31,542	4,962
Law	25,884	37	24,831	-1,053
Military and Veterans Affairs	55,260	80	53,688	-1,572
Natural Resources	2,022,900	2,896	1,943,510	-79,390
Public Health and Environment	106,320	165	110,732	4,412
Public Safety	2,100,540	3,102	2,081,757	-18,783
Revenue	138,492	206	138,247	-245
Transportation	2,730,768	4,102	2,752,857	22,089
Total	\$10,786,680	15,736	\$10,560,452	-\$226,228
Unit Radio Cost for common policy allocation		\$671.10		

First Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

DRAFT
3/14/25

DRAFT

LLS NO. 25-0964.01 Jed Franklin x5484

COMMITTEE BILL

Joint Budget Committee

BILL TOPIC: Digital Trunked Radio System Funding

A BILL FOR AN ACT

101 **CONCERNING SUPPORT FOR THE DIGITAL TRUNKED RADIO SYSTEM.**

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://leg.colorado.gov/>.)

Joint Budget Committee. The 911 services enterprise (enterprise) was created to set and collect a 911 enterprise fee (fee) to be used to advance the development of the 911 emergency telephone system. The bill provides that one of the primary powers and duties of the enterprise is to enhance public safety by supporting the digital trunked radio system (DTRS) vendor contract and related equipment upgrades and replacement. A portion of the fee may be used to pay for the cost of the DTRS contract. The portion of the fee dedicated to advancing

*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words indicate deletions from existing law.*

development of the 911 telephone system and the portion dedicated to the DTRS contract must be delineated and the money dedicated for each purpose must be segregated and not commingled.

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

SECTION 1. In Colorado Revised Statutes, 29-11-108, **amend** (5)(e), (5)(f), and (8)(a); and **add** (5)(g) as follows:

29-11-108. 911 services enterprise - creation - powers and duties - cash fund - legislative declaration. (5) The enterprise's primary powers and duties are to:

(e) Adopt, amend, or repeal policies for the regulation of its affairs and the conduct of its business consistent with this section; ~~and~~

(f) Prepare and submit an annual financial report pursuant to subsection (9)(b) of this section; AND

(g) ENHANCE PUBLIC SAFETY BY SUPPORTING THE DIGITAL TRUNKED RADIO SYSTEM VENDOR CONTRACT AND RELATED EQUIPMENT UPGRADES AND REPLACEMENT.

(8) (a) In furtherance of its business purpose and pursuant to the authority set forth in subsection (5)(a) of this section, the enterprise shall impose the 911 enterprise fee in an amount to be established annually by the enterprise after consulting with the commission. The amount shall not exceed, together with the 911 surcharge imposed by the commission, the limitation of fifty cents per month per 911 access connection set forth in section 29-11-102.3 (1)(a). The enterprise shall establish the 911 enterprise fee before the commission establishes its surcharge pursuant to section 29-11-102.3 (1)(b). The amount of the 911 enterprise fee must be reasonably calculated based on the cost of the services provided by the enterprise and received by telephone service users, and the amount

1 imposed per 911 access connection must be uniform, regardless of the
2 technology used to provide the connection. THE COMMISSION MUST SET
3 THE AMOUNT OF THE 911 ENTERPRISE FEE TO INCLUDE SUPPORT FOR THE
4 PURPOSES DESCRIBED IN SUBSECTION (5)(g) OF THIS SECTION. THE
5 ENTERPRISE SHALL SPECIFY THE PERCENTAGE OF THE 911 ENTERPRISE FEE
6 DEDICATED FOR THE PURPOSES DESCRIBED IN SUBSECTIONS (5)(a)
7 THROUGH (5)(f) OF THIS SECTION AND THE PERCENTAGE DEDICATED FOR
8 THE PURPOSES DESCRIBED IN SUBSECTION (5)(g) OF THIS SECTION. THE
9 ENTERPRISE SHALL SEGREGATE THE MONEY IN ACCORDANCE WITH THE
10 PERCENTAGES SO DEDICATED.

11 **SECTION 2. Safety clause.** The general assembly finds,
12 determines, and declares that this act is necessary for the immediate
13 preservation of the public peace, health, or safety or for appropriations for
14 the support and maintenance of the departments of the state and state
15 institutions.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee
From: Alfredo Kemm, JBC Staff (303-866-4549)
Date: Monday, March 17, 2025
Subject: **DPS Comebacks #27, #28, #29**

Staff offers additional considerations on three Department of Public Safety comebacks.

Comeback #27: Reverse staff recommendations for staff initiated Reinforce and Strengthen State SA Kit Backlog Remediation

The comeback requests reversal of staff recommendations. The Department submitted a follow-up document identifying that the Department agrees with items 1 and 5 in the staff recommendations.

- **FigSet staff rec 1:** Establish a statutory payment for local labs of \$2,000 per SA kit reclaimed from the CBI backlog.
- **FigSet staff recs 2 and 3:** Establish a statutory "capacity building", reimbursement payment of \$1,000 for each SA kit tested by local labs, not included in the backlog, beginning in January 2025 to be funded in FY 2026-27. That through the payment mechanism, the General Assembly express its intent that local crime labs be encouraged to build capacity to seek contracts with other local governments for the provision of SA kit testing.
- **FigSet staff rec 4:** Establish a statutory position for an independent, statewide Sexual Assault Kit Coordinator for five years; to serve as a policy and technical expert to report to the JBC and General Assembly on SA kit testing experience, practices, processes, and policy for the State; to be funded with \$150,000 General Fund per year, offset from an adjustment to the CBI Lab operating budget; and paid as grant funding to a qualifying public interest organization.
- **FigSet staff rec 5:** Add a statutory provision allowing virtual testimony in court proceedings for crime lab scientists to comply with the requirements set forth in *Smith v. Arizona*.

Staff figure setting recommendations were made in dialogue with General Assembly members working on this issue as well as with survivors' advocates. Staff believes these recommendations are reserved and incremental related to both policy and budget change and intended to address process change and encourage efficiency for a relatively low cost over time rather than simply channel additional state funds to fix a one-time problem.

The Department states its acceptance of staff recommendation 1 for the \$2,000 payment to local labs. The comeback is entirely silent on the recommendation for a statewide coordinator;

therefore, staff continues to recommend that figure setting recommendation without change. The comeback primarily focuses on reversal of the future reimbursement funding to be made available for local labs beginning in FY 2026-27. Therefore, staff offers responses to the issues related to ongoing funding for local labs.

The comeback states that the staff analysis assumes that local labs have available capacity. Staff did not intend to communicate this idea. Staff's recommendation is neither dependent on nor based on assessing local lab capacity or requiring local lab participation for these policy recommendations. The policy recommendation simply creates a fiscal mechanism to provide optional, "incentive" and "capacity building" funding to local labs to encourage and enhance lab capacity for the testing of SA kits as a matter of statewide policy.

If the comeback document is correct in asserting limited local lab capacity generally, then the CBI Lab has less reason to worry about an excessive diversion of funding beyond the base amounts identified in the analysis.

Under future reimbursement payments, staff has suggested that those payments be made in a budget neutral manner from existing CBI Lab base appropriations. The current full-year estimate is approximately \$1.2 million. The first payment to be made for FY 2026-27 will be for a half year, or approximately \$600,000.

However, the Committee can choose to decide how it wishes to fund this item in future years based on future assessments of CBI Lab needs that are at least one year away. Staff and the Committee may receive information over the next year and in future years that suggests a budget neutral mechanism may not be in the interest of restoring CBI Lab functionality. Staff is open to reconsideration at that time based on actual test and budget experience information that should provide more clarity at that time.

Nevertheless, thanks to the comeback, staff is now aware that the CBI Lab subdivision budget includes approximately half of its budget for "investigative services". Therefore, staff's estimation of the fiscal impact for budget neutral adjustments to CBI Lab budget items is approximately double as identified in the comeback. While this is not insignificant, staff believes that the funding friction expressed for this item should more properly be addressed by the Committee in a year when more information will be available on progress.

In the interest of clarifying the context of CBI Lab funding specifically and staff's erroneous analysis and misstatement, staff offers the following table that outlines a recent history of appropriations for this subdivision.

Appropriations History for the Laboratory and Investigative Services subdivision of CBI								
	GF	CF	RF	FF	TF	FTE	GF % change	TF % change
FY 2011-12	\$10,085,614	\$2,530,894	\$750,646	\$0	\$13,367,154	110.6		

Appropriations History for the Laboratory and Investigative Services subdivision of CBI								
	GF	CF	RF	FF	TF	FTE	GF % change	TF % change
FY 2012-13	10,317,832	2,538,256	757,825	0	13,613,913	110.6	2.3%	1.8%
FY 2013-14	17,635,751	2,538,256	757,825	0	20,931,832	111.6	70.9%	53.8%
FY 2014-15	20,949,156	3,548,177	800,460	0	25,297,793	135.5	18.8%	20.9%
FY 2015-16	15,871,103	3,267,411	819,914	0	19,958,428	156.4	-24.2%	-21.1%
FY 2016-17	14,919,434	3,593,048	825,798	0	19,338,280	154.9	-6.0%	-3.1%
FY 2017-18	15,044,434	3,607,409	825,798	0	19,477,641	154.9	0.8%	0.7%
FY 2018-19	15,343,613	4,972,387	842,501	0	21,158,501	162.9	2.0%	8.6%
FY 2019-20	15,544,769	5,765,496	861,030	0	22,171,295	166.9	1.3%	4.8%
FY 2020-21	15,912,492	5,294,766	892,498	0	22,099,756	166.9	2.4%	-0.3%
FY 2021-22	16,895,246	5,294,766	892,498	0	23,082,510	172.4	6.2%	4.4%
FY 2022-23	22,495,642	6,427,742	38,328	0	28,961,712	213.4	33.1%	25.5%
FY 2023-24	35,022,242	6,437,758	38,328	0	41,498,328	250.9	55.7%	43.3%
FY 2024-25	34,855,280	6,601,191	38,328	0	41,494,799	296.3	-0.5%	0.0%
14-yr CAAGR	9.3%				8.4%	7.3%		

As outlined in the table, the General Fund has increased by a compound average annual growth rate (CAAGR) of 9.3 percent over the last 14 years. Similarly, total funds have increased by 8.4 percent and FTE by 7.3 percent. This is a significant, long-term, sustained growth rate for any state government program. However, due to the structure of this appropriation, staff is unable to determine what portion of the appropriations are related to the CBI Lab and what amount are related to Investigative Services for CBI agents. Both of these significant and primary program operations are conjoined in this subdivision.

The following table outlines notable CBI Lab-related funding items over that period.

Notable CBI Lab-related funding items			
FY 2013-14	S1/BA1 Fund SA Kits HB13-1020	PS: \$76,713 1.0FTE	OE: \$878,177
FY 2014-15	BA2 Fund SA Kits HB13-1020	PS: \$1,273,840 17.3 FTE	OE: \$3,962,647
FY 2015-16	S3 TC for HB13-1020 funding	PS: \$117,759	OE: (\$1,747,071)
FY 2016-17	BA4 TC for HB13-1020 funding	PS: \$117,759	OE: (\$1,747,071)
FY 2022-23	R1 Right size CBI	PS: \$3,631,634 39.0 FTE	OE: \$1,001,386
	R5 State toxicology lab	PS: \$419,353 4.0 FTE	OE: \$554,462
FY 2023-24	Annualize R1 Right size CBI	PS: \$3,223,356 32.0 FTE	OE: \$413,107
	S1 Retest DNA	Other: \$7,392,000	
FY 2024-25	Annualize R1 Right size CBI	PS: \$2,706,293 24.0FTE	OE: \$145,834

Even the "right sizing" initiative from FY 2022-23 includes a mix of CBI Lab and CBI agents for investigative services. Staff is unable to simply determine a staffing and appropriations split between laboratory services and investigative services based on the current subdivision structure.

Therefore, staff also recommends that the Committee approve a line item adjustment for this subdivision that eliminates the current Personal Service and Operating Expenses line items and replaces them with CBI Laboratory Services and CBI Investigative Services program line items. Staff will identify the proper, budget neutral split in communication with the Department. This restructure will provide increased transparency for this subdivision that includes approximately 62 percent of all CBI Division staff.

Comeback #28: Reverse staff recommendation for elimination of Salary Survey Annualization in Overtime

Staff is fine with this comeback if the Committee is okay with this policy. This "policy" is to allow the use of salary survey "increase" annualizations – these are funds that otherwise build the salary base for actual employee salaries – to instead be routed to increase appropriations for Overtime. These are Department HUTF off-the-top funds for Colorado State Patrol.

Staff believes that the Department's interest in this item is genuine and reasonable. The equivalent policy action would require the Department to submit an annual request for the increase adjustment rather than rely on this "automatic", annualization adjustment.

Staff believes that such adjustments should probably be requested; however, if this is a required annual adjustment to keep pace with increasing overtime for the CSP, on the basis of salary survey increases, it may be reasonable to simplify the administration of this adjustment through an annualization. If the Committee is comfortable with that policy, staff is fine with it.

Comeback #29: Reverse staff recommendation for denial of BA4 WUI Code Enforcement Support

The comeback clarifies that the WUI Code Board, having just established its code, in its September 30, 2024 report could not yet comply with the statutory report requirements that staff stated were lacking in the recommendation analysis. These require the Board to identify in its report the list of governing bodies not in compliance with the code who may need enforcement services.

Staff continues to assert that this "need" must be identified before resources can properly be planned, requested, and deployed to meet that need on the basis of the statute. Staff continues to recommend denial.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee Members
From: Tom Dermody, JBC Staff (303-866-4963)
Date: Monday, March 17, 2025
Subject: [Dept. of Health Care Policy and Financing – R5 OCL caseload \[Correction\]](#)

On March 7, 2025 during figure setting for the Department of Health Care Policy and Financing (HCPF), JBC staff recommended the use of Department's February 2025 forecast of enrollment and expenditures to modify both the FY 2024-25 and FY 2025-26 appropriations. While this recommendation holds, the figures staff presented for FY 2025-26 for each of the line items in the Office of Community Living's Medicaid Programs subdivision of the Long Bill were incorrect. Staff neglected to implement the necessary adjustments in FY 2025-26 when accounting for the application of the February 2025 forecast across both fiscal years. As a result, the amounts included in staff's figure setting document overestimated the necessary funding for caseload estimates in the Office of Community Living by \$121.0 million total funds, including \$42.5 million General Fund. The table below shows the revised forecast caseload adjustments and annualizations for each affected line item, thereby, showing the revised total recommended FY 2025-26 appropriation for each.

Revised Recommendation for OCL Medicaid Programs Line Items				
Item	Total Funds	General Fund	Cash Funds	Federal Funds
<u>FY 2024-25 Forecast (Feb 2025)</u>				
Adult Comprehensive Services	\$903,643,027	\$443,773,982	\$8,227,132	\$451,641,913
Adult Supported Living Services	116,225,388	42,005,937	15,134,496	59,084,955
Children's Extensive Support Services	130,194,659	64,804,426	216,702	65,173,531
Children's Habilitation Residential Program	25,106,456	12,495,933	64,843	12,545,680
Case Management	145,405,096	66,763,030	6,628,261	72,013,805
Subtotal - Appropriation	\$1,320,574,626	\$629,843,308	\$30,271,434	\$660,459,884
<u>Change by Program</u>				
Adult Comprehensive Services	\$25,827,723	\$19,382,807	-\$6,648,546	\$13,093,462
Adult Supported Living Services	7,297,538	4,336,546	-997,192	3,958,184
Children's Extensive Support Services	15,295,016	6,663,550	-216,702	8,848,168
Children's Habilitation Residential Program	6,004,845	3,058,393	-63,521	3,009,973
Case Management	2,309,263	2,823,177	-1,706,351	1,192,437
Subtotal - Adjustment	\$56,734,385	\$36,264,473	-\$9,632,312	\$30,102,224
<u>FY 2025-26 Forecast (Feb 2025)</u>				
Adult Comprehensive Services	\$929,470,750	\$463,156,789	\$1,578,586	\$464,735,375
Adult Supported Living Services	123,522,926	46,342,483	14,137,304	63,043,139

Revised Recommendation for OCL Medicaid Programs Line Items				
Item	Total Funds	General Fund	Cash Funds	Federal Funds
Children's Extensive Support Services	145,489,675	71,467,976	0	74,021,699
Children's Habilitation Residential Program	31,111,301	15,554,326	1,322	15,555,653
Case Management	147,714,359	69,586,207	4,921,910	73,206,242
Total	\$1,377,309,011	\$666,107,781	\$20,639,122	\$690,562,108



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee
From: Tom Dermody, JBC Staff (303-866-4963)
Date: Monday, March 17, 2025
Subject: [Staff Comeback – Dept. of Personnel, Office of Sustainability \[NEW\]](#)

The Office of Sustainability, created through S.B. 24-214 (Implement State Climate Goals), is directed to streamline sustainability practices across state agencies. This includes developing baseline metrics for reducing negative environmental impacts, setting goals for state government, tracking financial savings from implementing sustainability policies, seeking federal funding to support sustainability practices, and facilitating sustainability infrastructure projects with other state agencies. Such projects may include electric vehicle charging infrastructure, energy efficiency, water use reduction, and waste diversion.

Senate Bill 24-214 created the State Agency Sustainability Revolving Fund (Section 24-30-2304 (1), C.R.S.) to support the Office in its efforts to replace the state's gas- and diesel-powered equipment located in the ozone nonattainment area on the front range. The fund receives a statutory transfer of \$400,000 General Fund annually at the beginning of each fiscal year. The fund is continuously appropriated.

The bill also created the Inflation Reduction Act Elective Pay Cash Fund, which consists of money received by DPA under the federal Inflation Reduction Act's, and which may be used to coordinate state agencies' applications for elective pay funding and other administration of the new office. The Inflation Reduction Act introduced "elective pay" or "direct pay" credits for clean energy technologies, enabling governmental entities to receive payment for qualifying clean energy projects. An entity can receive the full value of the clean energy tax credits even if they do not owe federal income tax. The Office of Sustainability and Office of the State Controller applied for direct pay tax credits for multiple projects, but the process has been slow due to workforce reductions at the federal level. The Department is waiting on a credit for \$1.1 million related to electric/partially electric fleet vehicles and EV charging stations for the Departments of Transportation, Human Services, and Natural Resources. There is currently no money in the Inflation Reduction Act Elective Pay Cash Fund, which is continuously appropriated.

Department Argument to Retain Continuous Appropriation

The following information was provided by the Department of Personnel in support of the provision of continuous appropriating authority to the State Agency Sustainability Revolving Fund.

The State Agency Sustainability Revolving Fund was established to encourage innovation and support the greening department operations. Retaining its current funding and continuous spending authority allows for flexibility in developing, implementing and funding projects in a manner that maximizes long-term sustainable outcomes. The Office of Sustainability will struggle to make deals requiring a commitment of matching funds if bound by the annual appropriations process.

Continuous spending authority also allows for optimization and expansion of the use of EV charging across state government. EV charging infrastructure is installed by each state agency individually to meet their needs. Often agencies are unable to open their charging infrastructure to other agency vehicles or non-state use because they are unable to charge the customer for the EV charger usage and pay for the associated EV charging costs. The continuous spending authority of the Sustainability Revolving Fund provides the ability for agencies to collect EV charging revenues to pay for electricity and other EV charging costs. This mechanism could lead to expanding the EV charging infrastructure and the continued support for the State's growing fleet of EVs.

Staff Recommendation

Staff recommends the Committee sponsor legislation to repeal the statutory transfer of \$400,000 General Fund to the State Agency Sustainability Revolving Fund created in Section 24-30-2304 (1), C.R.S. The Committee could consider setting the repeal date of the transfer to July 30, 2025, thereby allowing the transfer for FY 2025-26 to occur. This would ensure sufficient funding in the upcoming fiscal year for any currently planned expenditures.

Staff recommends the Committee sponsor legislation amending statute to convert the Fund from continuous appropriation to annual appropriation. Further, staff recommends an FY 2025-26 appropriation of \$400,000 cash funds spending authority from the State Agency Sustainability Revolving Fund. This level of appropriation would allow the Office of Sustainability to access most, if not all, of the Fund's balance.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee
From: Name, JBC Staff (303-866-4386)
Date: Monday, March 17, 2025
Subject: [Comeback: Department of Revenue, R3 \(Lottery Optimization\)](#)

Request

The request includes \$14.6 million from the Lottery Cash Fund and 13.8 FTE in FY 2025-26. The cost increases to 17.0 FTE and \$14.8 million in FY 2026-27. These funds would support marketing, the responsible gaming grant program, vendor fees, and personnel in sales, operations, security, warehouse, and compliance. This request is driven by considerable revenue growth in recent years and a related workload increase, as well as to provide funding for Lottery's robust retailer recruitment program.

Recommendation

The recommendation includes partial approval of the Department's request, allocating 10.9 FTE and \$5.1 million in Lottery Cash Funds. The recommendation annualizes to 12.0 FTE and \$6,043,923 in FY 2026-27.

This recommendation seeks to strike a balance between providing the Lottery with the necessary resources to keep up with past and future growth while also managing costs. Recent investments in the Lottery have not yielded a noticeable return on investment for Lottery beneficiaries. Additionally, making significant investments to expand in this market—perceived by staff as a mature market—may result in minimal or even negative impacts for beneficiaries.

After operating in the State for 38 years, staff believe that the Lottery has reached a mature stage and that there are limited growth opportunities by aggressively pursuing expansion into targeted retail demographics.

Department Response

The Department of Revenue provided the following information in order to clarify and respond to questions posed regarding the R3 (Lottery Optimization) discussion during figure setting.

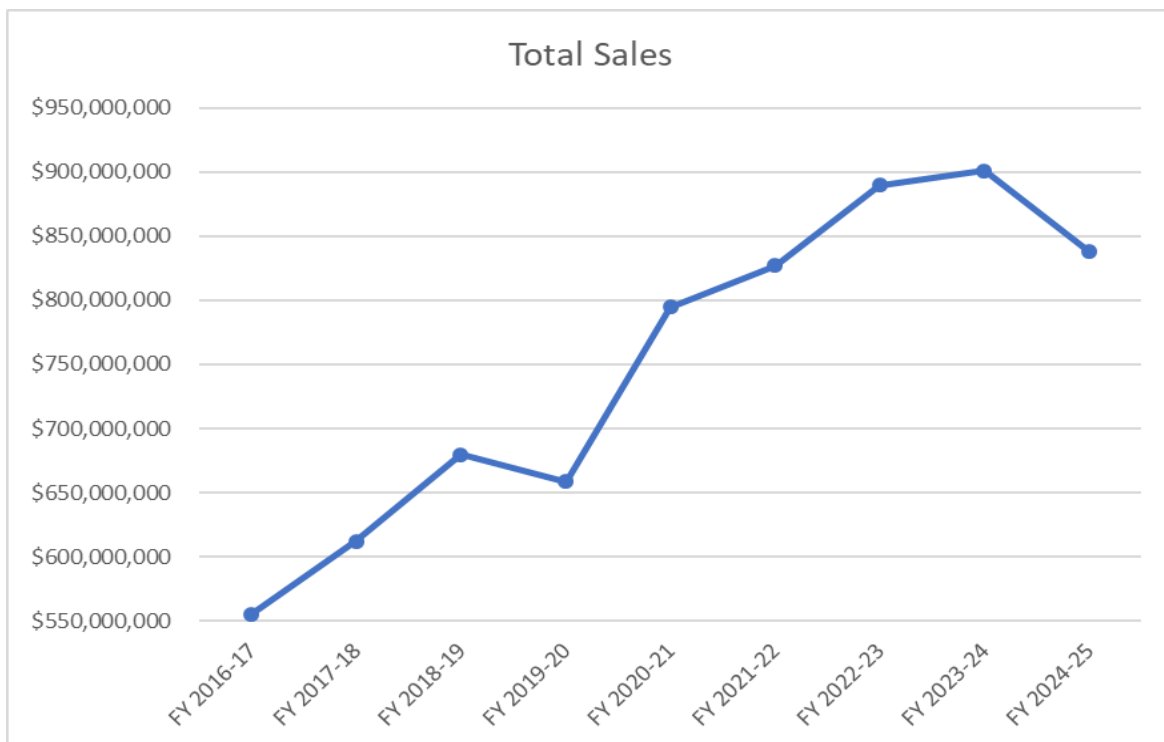
A. Lottery Oversight

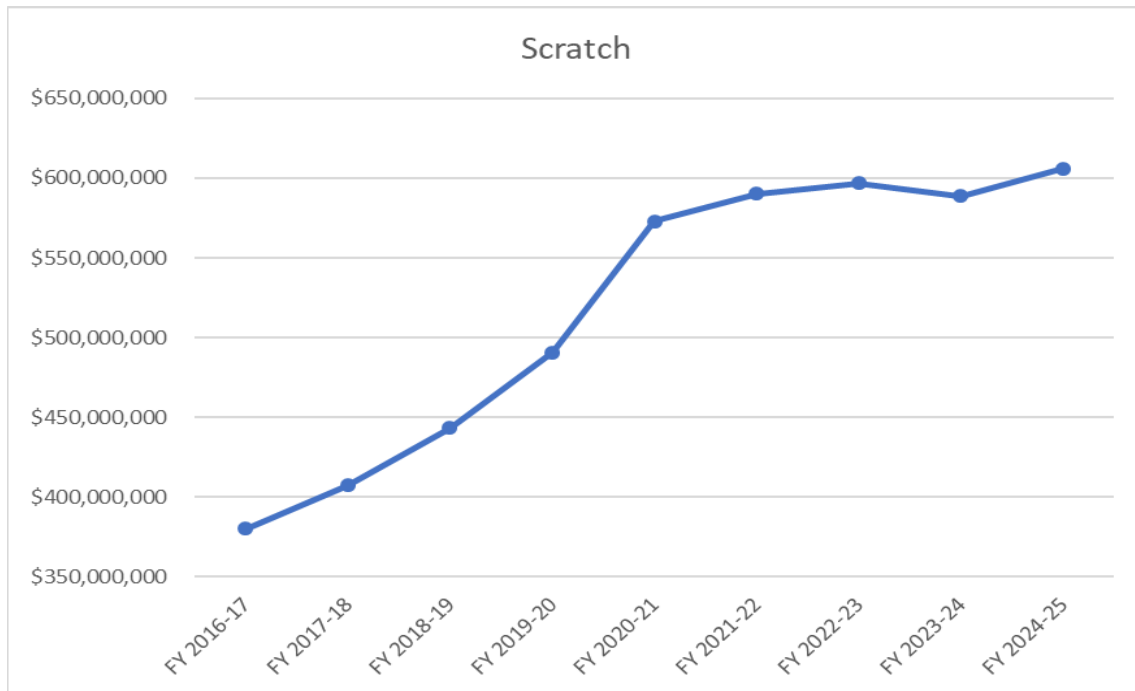
In addition to the oversight exercised by the Joint Budget Committee (JBC) and the Executive Director of the Department of Revenue, there are other checks and balances in place to hold

the Lottery accountable. The Lottery Commission is a five-member commission that is appointed by the Governor and confirmed by the Senate. The Commission is delegated various powers and duties from the General Assembly, including rulemaking authority and approving new games pursuant to C.R.S. 44-40-109. Additionally, the Lottery is subject to various audits, including but not limited to a third-party independent annual financial audit and a performance audit that is conducted every five years. Both of these are required by statute and presented to the Legislative Audit Committee.

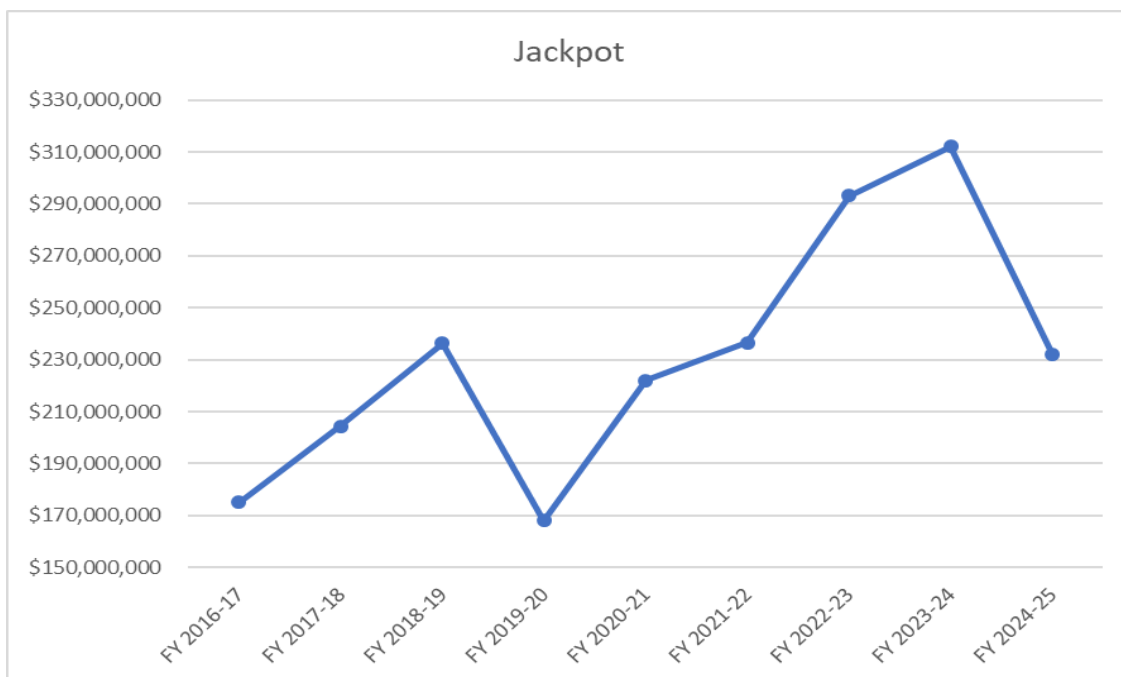
B. Lottery Sales Will Go Back Up

While total revenue may be down in FY 2024-25 compared to FY 2023-24, this is entirely due to reduced jackpot sales. Larger jackpots tend to drive increased ticket sales, and so far in FY 2024-25 there has been just one jackpot of over \$1 billion compared to five jackpots over \$1 billion in FY 2023-24. Although jackpot sales are down in FY 2024-25, scratch ticket sales are up by \$17 million over the same period in large part due to the investment in point-of-sale vending machines. The current dip in overall revenue is similar to FY 2019-20 (see chart below) when the Lottery had a low jackpot year; in that case sales rebounded very quickly, and the Lottery expects a similar outcome here. The R-03 Lottery Optimization request is for FY 2025-26 and ongoing spending authority and does not have an impact on FY 2024-25 sales activity.





The Lottery's scratch sales are having a great year, in large part due to the investment that the Lottery made in additional vending machines; however, it is imperative that the Lottery continue to invest in marketing, product management and new games on the scratch side to bolster and stabilize total sales in years when jackpots are not high.



Jackpot sales are projected to be down in FY 2024-25, due entirely to the dearth of jackpots over \$1 billion. In FY 2023-24, there were five large jackpots between Powerball (PB) and

MegaMillions (MM); there has been only one jackpot over \$1 billion year-to-date in FY 2024-25. This has a significant impact on jackpot sales – PB sales alone are projected to be down over \$68 million with MM down an additional \$5 million compared to FY 2023-24.

C. The Lottery’s \$5 million investment in vending machines has yielded substantial results in FY 2024-25.

The Lottery received \$5 million in one-time spending authority with the approval of R-02 Lottery Modernization of Sales Equipment for updated technology at retailers for FY 2023-24. The Lottery bought 225 new vending machines and installed and activated them at retailers in April and May of 2024. Accordingly, the revenue impact of the new machines was not fully realized until the current fiscal year. The projection is that the new vending machines will have nearly paid for themselves by the end of FY 2024-25.

FY 2023-24 sales of scratch tickets from vending machines was \$115 million, with FY 2024-25 sales projected to be nearly \$120 million – nearly a \$5 million or 4% increase.

D. The Lottery is not targeting bars or check cashing locations as retailers

Establishments that meet the criteria to fit into the Bar Trade style have been removed from the recruiting target list created by the Lottery’s vendor partner, Scientific Games.

The types of locations that offer check cashing services like Ace Cash Express are not payday loan stores (payday loans are illegal in Colorado); rather, they are used by people who are unbanked and use these places to cash checks. The Lottery currently has four check cashing locations licensed which represents 0.1% of the total retail network. Lottery tickets must be purchased with cash, so some of these locations are Lottery retailers, but it is not an overwhelming amount of retailers, and they are not a target group in Lottery’s recruitment efforts.

II. ADDITIONAL EXPLANATION ON REQUESTS FOR VENDOR FEES, MARKETING & OPERATIONAL SPENDING AUTHORITY

A. \$10 million in Vendor Fees

The Lottery’s FY 2024-25 Vendor Fees appropriation is \$32.5 million (not including the one-time \$5 million for additional vending machines). At the current projected sales levels, Vendor Fees for FY 2024-25 are projected to be \$30.2 million, only slightly under the current approved spending authority. If Powerball and MegaMillions sales were comparable to FY 2023-24 (an additional \$73 million), the resulting total sales of \$911.6 million would result in Vendor Fees of \$34.5 million, exceeding the current year spending authority by \$2 million and would require an emergency supplemental request to meet the contractual obligations. If the Vendor Fee increase was approved, but sales did not meet the targets, this would be empty spending authority that would not be spent. The increase in Vendor Fee appropriation is only paid based on percent of sales, therefore it would not take away from the beneficiary distribution.

Over 80% of the Lottery’s vendor contracts are paid as a percentage of sales, protecting our beneficiary proceeds from potentially high fixed costs in years when sales are down. This

percentage of sales fee covers a wide variety of important game production and management functions, including the production of scratch tickets, administration of jackpot games, ticket ordering and inventory management systems, provision of retail ticket merchandising and “real time” game management (a major increase in ticket security), and back-office accounting and sales reporting.

Lottery fully expects its revenue to continue to grow, despite the one-year low jackpot sales in FY 2024-25, which is the rationale for the requested increase in spending authority of \$10 million for Vendor Fees. The Lottery will easily exceed its current spending authority in Vendor Fees as jackpot sales rebound and scratch sales continue to increase. This increase to the Vendor Fees will provide for sufficient spending authority to cover the vendor costs that will rise with the anticipated increase in sales and are necessary to avoid the need for an emergency supplemental request in the future. Since there is a contractual obligation owed to the vendors based on sales, proceeds to beneficiaries are protected from a reduced distribution which may occur if vendor fees were paid on a fixed cost.

The largest contracts that the Lottery has are (all paid on a percentage of sales):

- International Game Technology (new contract negotiated; effective in FY 2025-26). The new contract includes new retailer terminals, ticket checkers, monitors, jackpot signs, and digital menu boards; new and additional self-service vending machines; maintenance of all digital equipment at retail locations; a mobile application; iPads monitoring inventory and orders, for all retailer service representatives.
- Scientific Games which includes new retailer recruitment, predictive ordering software to manage inventory at retail locations, and an initial allocation of Sci-Q inventory management equipment at retail, printing and delivery of scratch tickets to warehouses. NOTE: Until FY 2021-22, the Lottery paid for printing of scratch tickets on a fixed cost (per ticket) basis. Ticket Costs was a specific spending authority line item on the Long Bill for \$6.6 million. That spending authority line was rolled into the Vendor Fees line in FY 2021-22 by the JBC, due to the new contract paid on a percentage of sales basis.

Additionally, Vendor Fees now include the Lottery scratch ticket shipping contract with Western Peaks Logistics which includes an annual 3% increase under the new contract.

Finally, there are ongoing product development and licensing costs for new scratch games, and ongoing equipment needs such as expanding the use of Sci-Q machines. Currently there are 389 Sci-Q machines in retailers across the state; these machines are a significant upgrade in retailer dispensing, providing better merchandising and significantly improved security. The Lottery would like to utilize Sci-Q machines at all retail locations eventually, requiring another 2,500 machines based on the current retailer network size. Realistically, it could take five years to deploy 500 of these \$8,000 units per year, at a cost of \$4 million per year. While these machines represent a one-time cost, they will return profits to Lottery proceeds partners for many years to come.

B. \$3.3 Million in Marketing and Communications Budget

Additional spending authority of \$3.3 million is requested for Marketing and Communications, as it has not been increased in fifteen years, despite revenue growing nearly 80 percent while the cost and channels for advertising, sponsorships, promotions, and other marketing efforts have grown significantly. Just 10 years ago, the Marketing appropriation was over 2.7% of sales; in FY 2023-24, it was down to 1.6%. Lottery does not see the need to return to the 2.7% level, but adding \$3.0 million would put the spend at approximately 2.0% of sales, enabling the Lottery to market sufficiently considering the increased costs in recent years and the fact that the Lottery has at least 48 scratch games in market at any one time, but cannot begin to market each one, due to its budget.

Based on industry forecasts by 2026 media costs will have increased by 38% compared to 2014. In that context, a \$15 million media budget in 2014 would need to be \$20.7 million in 2026 to accomplish the same market reach and have the same impact. However, the Lottery's Marketing budget has not been increased in 15 years, so it is lagging in terms of stretching the current budget to support all its game launches.

\$300,000 of this budget is to be spent specifically on messaging around responsible play, as part of the Lottery's ongoing commitment to player health, and the other \$3 million will be spent on marketing the Lottery's scratch games. While the Lottery plans to introduce 48 new scratch games in FY 2024-25, the Lottery's budget is currently not enough to support the release of all of those games, due to increased advertising costs for TV, radio, out of home, digital, paid social media, point of sale materials and website. Currently, only a portion of those game launches receive some sort of advertising support.

Marketing a new scratch game has a significant impact on the sales of that game and is well worth the investment, as players generally become aware of the game through advertising. An analysis of scratch sales performance for \$5-games from FY 2019-20 to FY 2023-24 showed that on average, games perform about 18% better when supported by all the types of advertising listed above versus not supported by any advertising.

C. Operations Costs from Other States

The Lottery is requesting an increase in FTE to support its operations, which is necessary due to the large increase in revenue since its last increase in FTE (the Lottery has declined in the last 15 years from 126 to 102). The Committee requested information regarding the overhead costs from other Lotteries, and while administrative costs from state to state may not always be apples to apples due to variances in product mix (and the sales volume that accompanies large population states, and states with traditional daily games and KENO), statutory differences, and vendor arrangements, the Lottery did pull data directly from published financial statements. The states listed are similar in population and/or revenue to Colorado.

Colorado Lottery							
Comparative Financial Information							
	FY24 Financial Info	FY24 Financial Info	FY23 Financial Info	FY23 Financial Info	FY24 Financial Info	FY24 Financial Info	
	Colorado	Missouri	Wisconsin	Minnesota	Louisiana	Washington	
<i>Population</i>	5,957,493	6,245,466	5,960,975	5,793,151	4,597,740	7,958,180	
Sales	\$ 900,756,363	\$ 1,742,791,782	\$ 981,667,637	\$ 735,260,762	\$ 639,557,726	\$ 1,028,955,244	
Administrative Costs	\$ 14,731,452	\$ 23,285,428	\$ 10,431,606	\$ 18,351,727	\$ 14,341,878	\$ 16,878,994	
Admin Costs % of Sales	1.6%	1.3%	1.1%	2.5%	2.2%	1.6%	

The Department's request aims to secure resources to address the significant growth of the Colorado Lottery. Over the past 15 years, the Lottery has experienced nearly 80 percent growth in sales revenue, increasing from \$501.2 million in fiscal year 2009-10 to \$900.8 million in fiscal year 2023-24. During this period, the Lottery's number of FTE has decreased from 126.0 to 102.1. Currently, the vacancies in the organization stand at 1.8%, with no increase in the spending authority for marketing and communications.

The Department states that due to the significant growth the Lottery has experienced over the past fifteen years, the division is struggling to manage the increased workload associated with this revenue growth. As a result, it is requesting approval to hire additional staff in several areas, including sales, operations, security, warehouse management, compliance, licensing, responsible gaming, and marketing. Furthermore, with the rising costs of advertising and the added expenses required for digital marketing, the division has noticed a considerable decline in its marketing reach.

To fulfill vendor fee obligations, as well as to enhance marketing, sales, responsible gaming efforts, and criminal investigations, the Department is requesting additional resources. This request includes \$14.6 million in additional spending authority from the Lottery Cash Fund and the addition of 13.8 FTE for the fiscal year 2025-26, which would increase to \$14.8 million in FY 2026-27 and beyond. The request includes:

- \$10 million for Lottery vendor fees in FY 2025-26 and ongoing to support a range of vendor activities. These activities include the production of scratch tickets, inventory management, new retailer recruitment program, administration of jackpot games, provision of retailer equipment, back-office accounting, and sales reporting. Approximately 85 percent of the Lottery's vendor contracts are structured based on a percentage of sales.
- \$3.3 million for marketing and communications in FY 2025-26 and ongoing. The Department states that the marketing and communications budget has remained stagnant for 15 years, despite revenue growth of nearly 80 percent during that timeframe. The costs associated with advertising, sponsorships, promotions, and other marketing initiatives have escalated significantly and the budget for marketing and communications has not kept pace.

- An additional \$300,000 per year is also being requested to continue to grow the Lottery's responsible gaming program, bringing the overall spend to \$500,000 for responsible gaming.
- The Department request includes funding for the following additional FTE within the Lottery Division:
 - **Sales Team Expansion (5.0 FTE):** The number of retailers has increased by approximately 500 retailers over the past 15 years, necessitating additional sales representatives. The Lottery has established a robust retailer recruitment program, which will further expand the retailer base. These sales representatives will be responsible for training, monitoring inventory, and providing support to over 3,000 retailers selling lottery products.
 - **Marketing (3.0 FTE):** These positions will support the upgraded advertising and marketing efforts that would result from a more comprehensive Marketing budget, including social media outreach and promotional events.
 - **Operations (3.0 FTE):** In response to the increased demands for testing associated with advancements in technology, system upgrades, and the introduction of a wider variety of scratch and jackpot games. These team members would be tasked with conducting thorough testing of all new equipment, games, and processes to ensure a seamless rollout for both the Lottery's retailers and players.
 - **Warehouse (2.0 FTE):** Due to the rising volume of games and tickets being shipped to retailers. Lottery now offers 48 scratch games in the market, double the number available just a few years ago. Additionally, the implementation of predictive ordering requires new inventory to be shipped more frequently to retailers based on current sales trends.
 - **Licensing (1.0 FTE):** Additional retailers lead to an increase in licensing applications and renewals that the Department must process. Furthermore, new regulations for retailers selling to couriers requires additional efforts from Licensing.
 - **Compliance (1.0 FTE):** The 2023 performance audit report emphasized the need for an additional compliance investigator in the field. For many years, the Lottery has had only two compliance investigators, while the number of retailers has now grown to approximately 3,000 across the state of Colorado. The Department states that adding an additional compliance investigator will enable more thorough, effective, and frequent on-site compliance checks of lottery retailers.
 - **Responsible Gaming (1.0 FTE):** This position would support the enhanced responsible gaming efforts that will result with the increase in the responsible gaming budget to support continuous improvement and growth for the Lottery's player health program.
 - **Security & Investigations (1.0 FTE):** There has been a significant surge of criminal activities at lottery retailers, coupled with an increase in the sophistication of these crimes. In response the Lottery is implementing new regulations affecting retailers

that sell to lottery couriers. These changes will require enhanced investigative measures and undercover operations to ensure compliance with legal standards.

Points to Consider

- 1 The table below displays Colorado Lottery revenue from FY 2019-20 through FY 2023-24, along with Lottery Vendor Fees for the same period. It's important to note that Vendor Fees have increased at a significantly faster rate than Lottery revenue. During this timeframe, Lottery revenue rose by 36.7 percent, while Vendor Fee expenditures surged by 111.7 percent.

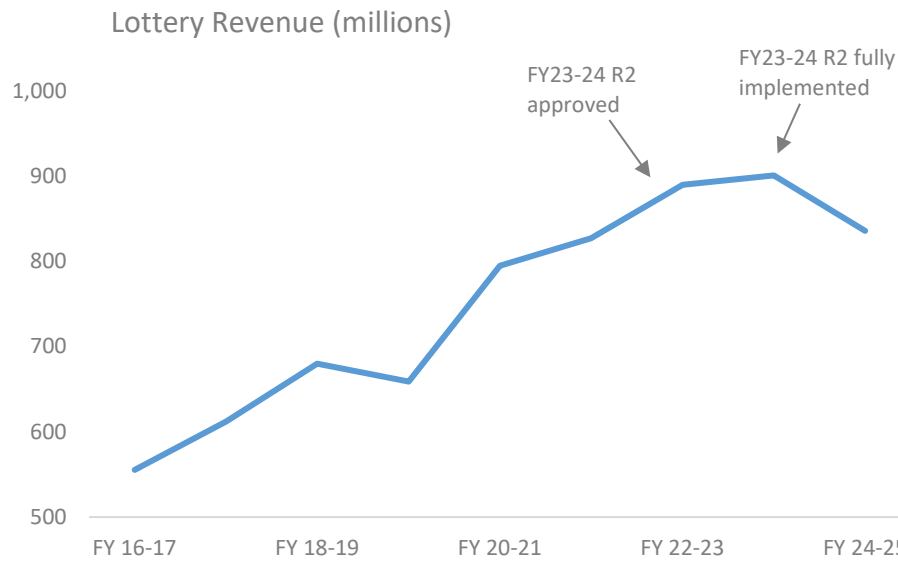
REV R3 Lottery Optimization: Vendor Fees					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY2023-24
Lottery Revenue	\$658,839,497	\$794,932,274	\$826,879,453	\$889,778,449	\$900,756,363
annual growth %	-3.1%	20.7%	4.0%	7.6%	1.2%
Vendor Fees Expenditures ¹	\$16,459,214	\$19,955,711	\$19,832,699	\$27,887,826	\$34,842,330
annual growth %	-3.0%	21.2%	-0.6%	40.6%	24.9%
Return on Vendor Fees (per \$)	\$40.03	\$39.83	\$41.69	\$31.91	\$25.85

¹ includes Ticket Cost line expenditures for FY 19-20 and FY 20-21. Ticket Costs line item was consolidated with Vendor Fees in FY 21-22

- 2 Lottery has received spending authority for significant investment in recent years, including during the FY 2023-24 Figure Setting process the DOR submitted R2 (Lottery Modernization of Sales Equipment). This request was approved by the JBC and included a \$5.0 million increase in Lottery Cash Fund spending authority in the Vendor Fee Line item for purchasing self-service lottery vending kiosks, digital jackpot signage, and digital menu boards. The table below shows how Lottery planned to invest these funds.

FY 2022-23 Lottery Modernization of Sales Equipment			
	Quantity	Unit Price	Total
Self-Service Kiosk	225	\$20,000	\$4,500,000
Jackpot Signs	1000	816	816,000
Digital Menu Board	100	1,700	170,000
			\$5,486,000

In the FY 2023-24 R2 request the Department stated “for every 225 units deployed, the Lottery expects approximately \$50 million in additional sales per year. The historical return on sales to beneficiaries is 21%, so every 225 units placed would return over \$10 million per year.” The graph below shows Colorado Lottery Sales in recent years, and includes the revenue results generated from approval of the R2 Lottery request, which was fully implemented as of June 30, 2024.



3. Overall Lottery expenditures have grown in recent years at a faster rate than Lottery revenue, which over the long run, could be a problematic trend, and diminish funding to Lottery beneficiaries. As illustrated in the table below, Lottery revenue has grown at a compound annual growth rate of (CAGR) of 4.9 percent between FY 2019-20 and FY 2024-25, while expenditures have grown at a CAGR of 8.3 percent over the same period. If approved as requested, the R3 (Lottery Optimization) decision item would increase the appropriation to the Lottery by \$14.6 million a 12.7 percent increase.

R3 Lottery Optimization						
	Actual					Projected
	FY19-20	FY20-21	FY 21-22	FY22-23	FY23-24	FY24-25
Lottery Revenue	\$658,839,497	\$794,932,274	\$826,879,453	\$889,778,449	\$900,756,363	\$835,600,000
CAGR 4.9%						
Total Lottery Expenditures	89,383,045	105,318,837	106,077,880	119,290,442	127,610,655	132,906,016
CAGR 8.3%						
Cost Revenue Ratio	13.6%	13.2%	12.8%	13.4%	14.2%	15.9%

The request, recommendation, and out-year annualization are summarized in the table below. Staff's recommendation significantly differs from the Department request, primarily due to differing perspectives on the Colorado Lottery and its growth potential. After 38 years of operation in Colorado, staff believe that the Lottery is no longer in a growth phase but rather in a mature stage of its life cycle.

Therefore, staff feel that controlling costs and making prudent investments in growth is the best approach to maximizing returns for beneficiaries. Recent investments in the Lottery have not yielded the results that the Colorado Lottery expected or communicated to the Joint Budget

Committee (JBC). As a result, staff recommend a more cautious and evidence-based expansion into non-traditional retail channels.

REV R3: Lottery Optimization						
Item	FY 2025-26 Request		FY 2025-26 Recommendation		FY 2026-27 Rec. Annualization	
	FTE	Lottery CF	FTE	Lottery CF	FTE	Lottery CF
Lottery - Personal Services						
Retail Bus Analyst II	2.8	\$140,363	0.9	\$50,731	1.0	\$56,368
Marketing & Comm Spec IV	0.9	65,828	0.9	71,383	1.0	79,314
Marketing & Comm Spec III	1.8	108,310	0.9	58,731	1.0	65,256
Analyst IV	0.9	65,828	0.9	71,383	1.0	79,314
Analyst II	2.8	140,363	2.8	157,831	3.0	169,104
Criminal Investigator	0.9	67,502	0.9	84,744	1.0	94,159
Program Assistant I	1.8	98,216	1.8	106,543	2.0	118,381
Material Handler I	1.8	76,975	1.8	83,486	2.0	92,762
Subtotal - Personal Services	13.8	\$863,083	10.9	\$684,832	12.0	754,658
EDO / Operating						
Employee Benefits		\$413,203		\$0		\$219,247
Standard Op Ex		10,143		13,952		15,360
Capital Outlay		105,000		80,040		0
Fleet Vehicle		39,000		13,000		13,000
Subtotal EDO / Operating		\$567,346		\$106,992		\$989,265
Marketing Expenses		3,000,000		1,500,000		1,500,000
Vendor Fees		10,000,000		2,500,000		2,500,000
Responsible Gaming		300,000		300,000		300,000
TOTAL		\$14,591,731		\$5,091,824		\$6,043,923

Additional details regarding the R3 (Lottery Optimization) request and recommendation specific to the Lottery Vendor Fee line item are provided in the table below.

State Lottery Division, Vendor Fees						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
HB24-1430 (Long Bill)	\$37,549,578	\$0	\$37,549,578	\$0	\$0	0.0
Total FY 2024-25	\$37,549,578	\$0	\$37,549,578	\$0	\$0	0.0
FY 2025-26 Recommended Appropriation						
FY 2024-25 Appropriation	\$37,549,578	\$0	\$37,549,578	\$0	\$0	0.0
Technical adjustment for Vendor fees	4,587,044	0	4,587,044	0	0	0.0
R3 Lottery optimization	2,500,000	0	2,500,000	0	0	0.0
Total FY 2025-26	\$44,636,622	\$0	\$44,636,622	\$0	\$0	0.0
Changes from FY 2024-25	\$7,087,044	\$0	\$7,087,044	\$0	\$0	0.0
Percentage Change	18.9%	n/a	18.9%	n/a	n/a	n/a
FY 2025-26 Executive Request	\$52,136,622	\$0	\$52,136,622	\$0	\$0	0.0
Staff Rec. Above/-Below Request	-\$7,500,000	\$0	-\$7,500,000	\$0	\$0	0.0



Joint Budget Committee Staff

Memorandum

To: Emily Pope
From: Name, JBC Staff (303-866-4961)
Date: Monday, March 17, 2025
Subject: DHS R3/BA2 DYS Detention Bed Increase

Request

The Department of Human Services submitted a November request to increase the statutory juvenile detention bed cap over two years. The Executive Branch submitted an updated request in January to implement the increase in one year.

Together, the requests reflect an increase of \$7.6 million total funds in FY 2025-26, including \$7.4 million General Fund. The request increases to \$8.0 million total funds, including \$7.9 million General Fund on an ongoing basis. The request requires legislation to increase the bed cap from 219 to 254. This reflects an increase of 39 beds and 69.5 ongoing state FTE.

The request includes costs associated with personal services to hire 69.5 FTE, as well as specialized operating costs for DYS facilities. Cost components are provided in the table below.

Request Calculation		
Item	FY26 Cost	FY27 Cost
Base salary	\$4,692,984	\$5,101,070
PERA/FICA	612,903	666,200
Centrally appropriated lines	1,394,405	1,589,284
Operating expenses	875,762	671,299
Total	\$7,576,054	\$8,027,853

The base salary calculation for the requested FTE is provided in the table below.

Total Requested FTE Base Salary Calculation				
Position	FY26 Amount	FY26 FTE	FY27 Amount	FY27 FTE
Correctional Security Officer I	\$1,375,065	23.9	\$1,494,636	26.0
Correctional Security Officer II	388,796	6.4	422,604	7.0
Correction Security Supervisor III	244,941	3.7	266,240	4.0
Social work/counselor III	1,254,293	15.2	1,363,362	16.5
Social work/counselor IV	319,188	3.7	346,944	4.0
Clinical team lead	291,059	2.8	316,368	3.0
Mid-level provider	388,078	3.7	421,824	4.0
Nurse I	167,631	1.8	182,208	2.0
Nurse II	263,933	2.8	286,884	3.0
Total	\$4,692,984	64.0	\$5,101,070	69.5

Costs associated with operating expenses are provided in the table below.

Requested Operating Expenses				
Item	Cost/unit	Units	FY26 Cost	FY27 Cost
Two way radios	\$2,800	10	\$28,000	\$0
PC/comms/cubicle	29,999	7	209,996	51,038
Medical supplies	500	39	19,500	19,500
Pharmacy contract	8,500	39	331,500	331,500
Food - State portion	913	39	35,588	35,588
Food - Federal portion	3,135	39	122,279	122,279
Clothing, hygiene, laundry	1,750	39	68,250	68,250
Bedding	450	39	17,550	0
EHR Licenses	700	33	23,100	23,100
OnBase Licenses	20,000	1	20,000	20,000
Total			\$875,763	\$671,255

Recommendation

Staff recommended that the Committee deny the request and designate a placeholder for legislation related to juvenile justice, including but not limited to prevention programs, residential and community-based treatment, and state secure detention. The Committee did not take action on the request or staff recommendation.

OSPB Comeback

The Office of State Planning and Budgeting included a comeback request on March 13, 2025, for the Committee to designate a legislative placeholder in the amount of the request, \$7.6 million total funds.

Additional Background

The following section provides information from the original staff figure setting document in case it is a helpful reference for the Committee.

Detention Process

At the point of arrest, youth may be screened for placement in detention if the law enforcement officer believes that detention may be an appropriate placement. The screen may result in recommended placements in secure detention, temporary shelter, home detention, or release without services.

Secure detention (Level 1): Placement in state-operated, locked facilities operated by DYS.

Staff secure detention (Level 2): Placement in privately operated facilities that may or may not be locked, but where youth are continuously supervised by staff. Staff secure beds have previously counted toward the detention bed cap. Even though the option remains on the continuum, there are currently no staff secure placements.

Temporary shelter (Level 3): Placement with kin or in a privately operated 24-hour care facility. There are currently 7 temporary shelter beds statewide.

Home detention (Level 4): Return to home under some supervision and/or community services, potentially including electronic home monitoring.

Release without services (Level 5): Release to the youth's home without additional supervision or services.

Beds are allocated to judicial districts by the Colorado Youth Detention Continuum (CYDC). Each judicial district has an individual bed cap based on the statewide total. CYDC also provides funding for detention screenings and services that support home detention.

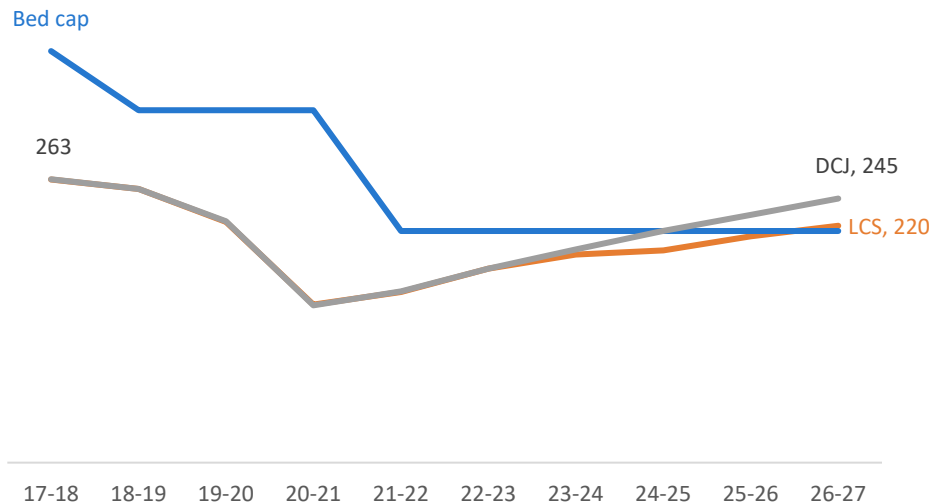
Bed Cap by Judicial District		
District	Cap	Avg. Daily Pop
Central Region		
1	19	11.6
2	36	27.7
5	2	1.3
18	36	41.7
	93	82.3
Northeast Region		
8	10	7.7
13	2	1.4
17	18	15.7
19	16	17.2
20	10	6.9
	56	48.9
Western Region		
6	2	1.7
7	3	1.0
9	2	0.8
14	2	0.8
21	9	9.2
22	2	0.9
	20	14.3
Southern Region		
3	2	0.2
4	27	31.0
10	9	11.3
11	2	0.7
12	2	2.9
15	2	0.6
16	2	0.9
	46	47.6

Detention caseload is limited by the statutory cap, rather than the number of youth screened into detention or the availability of physical bed space. Forecasts indicate that detention caseload has increased since 2021. Actual caseload cannot be known because the Department

must consistently manage beds to not exceed the cap. This includes maintaining empty beds and releasing youth who may otherwise remain in detention.

Caseload forecasts are conducted annually by the Division of Criminal Justice and Legislative Council Staff. Prior forecasts have not projected caseload above the bed cap. However, both DCJ and LCS currently project caseload above the statutory cap.

DCJ and LCS forecasts are above the statutory bed cap by 2026-27.



DYS is responsible for the care of youth in detention, but does not have a role in determining the number of youth placed in detention or their length of stay. Youth are screened into detention by CYDC staff, and a detention hearing must take place within 48 hours for the court to confirm or override the screening placement. Youth remain in detention until they are adjudicated, released by the court, or age out to adult jail at age 18.

The Department indicates that all detention centers had days at or above their bed allocation in FY 2023-24.

Types of Secure Detention Beds

Detention facilities currently have access to four types of beds.

Regular beds: 215 beds allocated across all Judicial Districts.

Borrowed beds: Of the 215 regular beds, JDs may borrow beds that are not in use by another district. Borrowing beds requires physical transport of youth by local law enforcement.

Flex beds: Each facility may exceed their cap by 2 beds for 48 hours to create release plans if vacancies exist in another JD. Utilizing flex beds does not require physical transport, but does require statewide caseload management.

Emergency beds: 22 beds allocated by region available if a DA or county petitions and receives approval by the court. Emergency beds can only be utilized if no other beds are available at other facilities within 50 miles.

Temporary Emergency Beds

Flex and emergency beds were created by [H.B. 23-1307 \(Juvenile Detention Services and Funding\)](#). The beds were intended as a compromise option to grant additional capacity in extenuating circumstances without increasing the bed cap. The statutory requirements for accessing beds are:

- All statutorily available detention beds allocated to the judicial district and any judicial district sharing the same facility are fully utilized.
- Each bed loaned by the judicial district to another district has been relinquished.
- No detention beds are available within the catchment area.
- No detention beds are available at any facility within 50 miles (this may not apply if receiving facility is more than 50 miles from point of arrest, or receiving facility is the result of bed barrowing).
- DA or County petitions the court to exceed the bed cap no later than one business day after the juvenile is detained.
- Upon receipt of petition, the court shall issue an order permitting use of a temporary emergency bed if:
 - No regular beds are available
 - There is a legal basis for detaining every juvenile currently placed in detention
 - Alternative services are not available for any juveniles currently placed in detention
 - Community-based supervision is not sufficient for the incoming juvenile
- On the fifth business day, the person who filed the initial petition shall inform the court that the circumstances still exist and provide the court with updated information about the circumstances. Upon notification from the person, the court shall hold a hearing to determine whether to renew the order.

Counties and district attorneys indicate that the requirements for accessing emergency beds are too restrictive to allow the beds to actually be utilized. Other groups indicate that there should be high legal standards and barriers for the State to detain minors.

The Department indicated that 209 emergency beds have been utilized as part of the hearing process. The hearing responses provided the following utilization by judicial district. Judicial districts that are not listed have not utilized emergency beds.

Utilization of Emergency Beds	
JD	Beds
4	86
6	6
10	44
12	6

Utilization of Emergency Beds	
JD	Beds
13	1
14	7
15	2
16	4
17	1
8	1
18	5
19	33
21	4
22	9
	209

Each region has utilized emergency beds even though not every district has. In total, 2.4 percent have been utilized by the central region, 12.9 percent by western, 17.1 percent northeast, and 67.6 percent southern.

In the hearing responses, the Department stated that utilization of emergency beds is not a function of practice or available resources. Instead it is a function of how the catchment areas and facility locations impact capacity.

Beds and Facilities by Region		
Region	Facilities	Regular Beds
Central	3	93
Northeast	2	56
Southern	2	46
Western	1	20
	8	215

Issues causing strain are different for small and large counties. Small counties only have 2 beds allocated. An arrest of three youth would be a minor event for a large county, but requires bed barrowing or utilization of a temporary emergency bed for a small county. Large counties have greater caseloads, and are typically in a constant state of bed barrowing from small counties.

The majority (67.6 percent) of emergency beds have been utilized in the Southern Region. The Department indicates that the 4th JD is the second largest in the state for juvenile population, has the highest number of screens, and the second-highest number of detention admissions. The other districts in the Southern Region are mostly small, leaving limited capacity for the 4th JD to barrow from. Additionally, the facilities in the Southern Region have physical size limitations that do not exist in other regions.

Release

A court may require that youth in secure detention be released with or without services.

Standard release: Court has determined that a youth can be released from secure detention because all court conditions are met. Youth may remain in detention after their

releasable date if they are required to be released to services but no service placements are available.

Emergency release: An emergency release may occur as a result of a judicial district reaching detention bed capacity limits. Temporary physical and legal custody is granted to the county department of human services for alternative placement, which may not be available. Emergency release does not allow for transition planning.

The most common placement following detention is release to home, followed by release to kin or kin-like placements. In FY 2023-24, **27.4 percent of youth who were releasable with services remained in detention one or more day after their releasable date.** The average length of stay passed the releasable date was 22.3 days, while the median was 7 days.¹

Release Placement Data		
Placement	Youth	Percent
Home, kin, or kin-like	2,112	76.7%
DYS Commitment	188	6.8%
Qualified Residential Treatment (QRTP)	112	4.1%
Foster Care	78	2.8%
County Jail	50	1.8%
Return to home state	44	1.6%
Residential Child Care Facility (RCCF)	37	1.3%
Psychiatric Residential Treatment Facility (PRTF)	26	0.9%
Mental Health Hospital at Pueblo	20	0.7%
County DHS	17	0.6%
Youth Offender System (DOC)	14	0.5%
Out-of-state placement	10	0.4%
Group Home	10	0.4%
Other	6	0.2%
Unknown	29	1.1%
Total	2,753	

County DHS reflects youth who resided at county departments of human services or in hotels because no alternative placement was available. A total of 13.3 percent of release placements required involvement with the county department of human services.

In total, 9.2 percent of youth were released to other confinement, including commitment, county jail, and the Department of Corrections. An additional 7.4 percent were released to residential treatment including QRTP, RCCF, PRTF, the Mental Health Hospital at Pueblo, or group homes. County DHS departments were involved in 93.0 percent of residential treatment placements. Of youth placed in RCCF, QRTP, PRTF, and group homes, 9.7 percent exited back to detention. An additional 19.5 percent ran away from placement, and 21.1 percent had unknown reasons for leaving placement.

QRTP is the highest demand residential treatment placement. House Bill 24-1038 (High Acuity Youth) increased the QRTP daily rate to \$425 to align with the CHRP Medicaid rate. However,

¹ [CDHS Limit the Detention of Juveniles Annual Report State Fiscal Year 2023-24.](#)

S.B. 21-178 required an actuarial analysis of residential placement rates. The resulting analysis recommended a daily rate of \$804 for QRTP, and increasing for inflation each year.²

The Committee asked the Department to describe barriers to placements as part of the hearing process. The Department provided the following information.

Reduction in number of placements: The number of residential placements has decreased significantly in recent years.

Youth characteristics: Many youth have had contact with providers in the past, and have a history of running away, and aggressive, violent, or criminal behavior. Youth who have screened into detention have screened into that level of placement because they have demonstrated complex treatment needs, including a history of substance use, trauma, and violent behavior.

Lack of inpatient substance use treatment: The only state-funded inpatient youth substance use treatment program staff is aware of is a term-limited ARPA program through H.B. 22-1283. Youth residential programs may bring in therapists with substance use treatment specialties, but substance use treatment is not a focus of treatment. In contrast, 83.6 percent of commitment youth were assessed as needing substance use treatment in FY 2023-24.

Alternatives

The General Assembly has previously denied requests to increase the bed cap knowing that the cap was below caseload projections. During the Joint Rule 25 meetings, members asked the Committee to designate a placeholder for juvenile justice legislation assuming that legislation would be carried outside of the Committee.

Staff agrees that there is significant strain on detention caseload. Staff also finds that there are many alternatives to addressing strain without increasing the bed cap. If the General Assembly would like to consider alternatives to raising the bed cap, staff recommends the following options:

- 1 Allocate beds by region or facility rather than Judicial District. Some elements of strain are artificial based on the low caps by judicial district, and could be reduced by allocating beds by facility.
- 2 Increase provider rates for Qualified Residential Treatment Placements (QRTP). QRTP is the most common provider type preventing release. Estimated cost to raise to \$804 daily rate is \$3.5 million General Fund.
- 3 Use a third-party grant administrator to arrange for increased community-based services.
- 4 Increase the number of temporary emergency beds with potential re-consideration of requirements to access beds.
- 5 Increase treatment and mentorship funding for CYDC.

² [SB 21-278 Provider rate actuarial analysis](#)

- 6 Increase funding for Collaborative Management Programs that decrease utilization of detention beds.
- 7 Create a flexible funding modeled after the IMPACT program, where JDs have set funding for a set number of beds. Funding can be kept for other purposes if individual caseload is below the cap, but JDs must pay the cost of any beds utilized above the cap.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee Members
From: Andrea Uhl, JBC Staff (303-866-4956)
Date: Monday, March 17, 2025
Subject: **IT CAP – School Finance System Modernization**

The Committee requested additional information about the Department of Education's IT Capital School Finance System Modernization request. The JTC list includes a recommendation for \$3.0 million Capital Construction Fund/General Fund for phase 1 of 2 of the project.

The Department started the process in August of 2023 when the State Board of Education (SBE) approved a budget request for \$200,000 to review and evaluate the best path forward with the current system, which was initially developed in 2012. The JBC approved the request (FY 2024-25 CDE R5); staff's figure setting write-up is included below.

→ R5 School Finance System Modernization

The Department requests a one-time increase of \$200,000 General Fund to hire an independent contractor to evaluate the feasibility and estimate the cost of modernizing the State Equal and Audit modules of the Department's School Finance System. The Department anticipates that the results of the study will result in a FY 2025-26 IT capital request to develop a new system.

Recommendation

Staff recommends approving the request.

Analysis

The Department's School Finance System has been in place since 2014 and includes three modules:

- 1 State Equal, to calculate funding by district;
- 2 Audit, to determine funding adjustments identified through pupil count audits; and
- 3 Transportation, to perform basic calculations of transportation funding.

The State Equal and Audit modules rely heavily on spreadsheet uploads rather than database querying and are extremely prone to human error. Recent changes to school finance funding such as the transition to full-day kindergarten, inclusion of the English language learner factor, and changes to extended high school programs have highlighted the inadequacies of this

system. Transportation funding has not been altered in recent years and this portion of the system is stable for the time being.

The School Finance System is essentially functioning as a reporting system, as the majority of the calculations are being done in spreadsheets and uploaded into the system. In addition to exposure to human error, the expertise to maintain and work within the System is concentrated among three specific employees. The departure of any one of those employees would be catastrophic to school finance operations at the Department.

The State Equal system is inflexible and does not allow for simple changes such as adjusting the amount of funding received by a district to-date or calculating payments in anything other than twelve equal installments. Adjustments made within the State Equal module to account for formula and other policy changes don't automatically flow through to the Audit portion of the system. The Audit system is plagued with issues comparing across years with major policy changes, such as the switch to full-day kindergarten. Additionally, the system does not connect to Data Pipeline, which is what districts use to upload count data and send it to the Department's data storage warehouse. The count data is downloaded by a CDE employee, put into another system that performs a series of crosswalks, and then uploaded to the School Finance System.

The School Finance System is not functioning as originally envisioned and has resulted in a precarious situation for accurately calculating school finance payments and auditing prior years. The implementation of the new at-risk measure or formula recommendations from the Public School Finance Task Force are certain to pose significant challenges for the Department. Given the complexity of the school finance formula and the sheer amount of money being accounted for, JBC staff recommends approval of this request and strongly supports the Department receiving future funding for a state of the art system that can be developed and implemented as quickly as possible.

In July of 2024, the SBE approved a placeholder for the request for a new system. In November, the Governor's budget included a placeholder for the request while the Department waited for the results of the assessment. The assessment was finalized in December, and a supplemental budget request was made in the Governor's January budget. The request includes:

- \$3.0 million for phase 1 in 2025-26
- *Up to* \$9.0 million for phase 2 in 2026-27 (the Department thinks it will be much lower once competitively bid)

The State Equal System – which supports school finance calculations, distributions, and audits – was first developed in 2012 and has significant functionality issues that have been exacerbated by various changes to school finance over the last 12 years (most notably the change to full-day kindergarten and the addition of the English Language Learner factor). In its current form, the system does not consistently produce reliable calculations for the \$10.1 billion CDE distributes to districts; CDE must therefore use manual calculations and multiple spreadsheets. An automated system would increase efficiency for the School Finance team while lowering the

risk of human error in manual calculations and manual data entry. Additionally, the new system will increase functionality and usability for school districts to support their budget planning processes and projections – this is particularly important because there is a short turnaround from the time the legislature passes the School Finance Act every year to the time that districts must finalize their budgets.

Although the need for this request arose well before the General Assembly began considering a new school finance formula, the implementation of H.B. 24-1448 will pose significant challenges for the old system and makes the project even more crucial. The new formula will run concurrently with the existing formula during the phase-in period; the Department has expressed serious concerns that the system will not be able to manage two funding formulas at the same time. Even with a potential pause or delay in the new formula, small changes and one-time funding infusions create challenges for the system. Examples include:

- The addition of a rural funding factor in S.B. 24-188 (School Finance Act);
- S.B. 24-017 (Distribution of State Share of District Total Program) changes from twelve, approximately equal, monthly state share payments to equal payments incorporating local share revenue received by districts in March, May, and June;
- Future changes to the at-risk measure contemplated by H.B. 22-1202 (At-risk Student Measure for School Finance); and
- Changes to the ASCENT per pupil rate.

Where possible, CDE has implemented manual processes for redundancies – including “tying out” with Legislative Council Staff to reconcile calculations and runs. However, some things are difficult to create redundancies for, such as the data for student counts, which relies on manual data pulls that a very limited number of staff have access to. The Department also notes that they have had difficulty retaining staff in the School Finance Unit due to hiring competition from districts and the high demands/pressure faced by staff in these roles.

The attached JTC staff write-up includes a discussion of the system options considered and cost estimates for the project.



Joint Technology Committee

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL YEAR 2025-26 CAPITAL CONSTRUCTION INFORMATION TECHNOLOGY BUDGET REQUEST

COLORADO DEPARTMENT OF EDUCATION SCHOOL FINANCE SYSTEM MODERNIZATION

Project Summary

The Department of Education (CDE) is requesting state funding for the purchase of a technology solution to upgrade its school finance management system.

Table 1
Prior Appropriation and Request Information

Fund Source	Prior Appropriation	Budget Year FY 2025-26	Out Year FY 2026-27	Future Requests	Total Costs
CCF	\$0	\$3,000,000	\$6,000,000	\$0	\$9,000,000
Total	\$0	\$3,000,000	\$6,000,000	\$0	\$9,000,000

Table 2
Itemized Cost Information

Fund Source	Prior Appropriation	Budget Year FY 2025-26	Out Year FY 2026-27	Future Requests	Total Costs
Professional Services	\$0	\$0	\$0	\$0	\$0
Software Acquisition	\$0	\$2,857,143	\$5,714,286	\$0	\$8,571,429
Equipment	\$0	\$0	\$0	\$0	\$0
Contingency	\$0	\$142,857	\$285,714	\$0	\$428,571
Total	\$0	\$3,000,000	\$6,000,000	\$0	\$9,000,000

Project Status

This is a new, never-before-requested project.

Project Description

Background. The internally developed school finance system (system), first implemented in 2012, supports the administration of the Public School Finance Act of 1994¹ (act) and the Public School Transportation Fund. It incorporates the initial monthly entitlements pursuant to the act as well as any funding adjustments resulting from audit findings related to the pupil counts. Under the provisions of the act, the State Board of Education is responsible for determining the amount of funding local school districts receive monthly from the state. The system is used to determine the monthly school finance distributions for each school district, which totaled \$9.7 billion in FY 2024-25 as well as the distribution of \$71.8 million in school transportation funding.

According to CDE, the development of the system was initiated by a contracted vendor in 2012, but was completed in-house after the vendor was found to have breached contract terms. CDE states that many components of the system are entirely non-operational, forcing CDE to manage around \$10 billion in school funding manually. The department has determined that upgrading its school finance management system is necessary to support its evolving needs.

CDE contracted with management consultants Public Knowledge (PK) to explore alternative options and help develop an alternatives analysis to address these issues and identify the most appropriate solution. According to CDE, the review with PK also examined solutions that other states have implemented for similar school finance management needs, providing a benchmark for CDE's future system. Based on the gathered data, six alternatives were identified for evaluation:

- maintain status quo;
- in-house new system development and replacement;
- outsourced existing system modernization;
- outsourced new MOTS (Modified Off-the-Shelf) technology solution;
- outsourced custom built solution; and
- hybrid modular solution.

The department prefers the MOTS system solution alternative. MOTS solutions contain existing functionality tailored to common industry needs, but can be customized to meet specific state requirements.

Problem and Justification. The department states that in recent years, changes to the School Finance Act has increased the complexity of the system. Examples include full-day kindergarten,

¹ Section 22-54-101, *et seq.*, C.R.S.

free and reduced lunch at-risk funding, and an English Language Learner funding factor as a result of [Senate Bill 21-268](#). CDE states that this complexity has created instability. The department also states that upcoming changes due to the inclusion of a new at-risk measure pursuant to [House Bill 22-1202](#) is anticipated to compound these existing issues.

In addition to these challenges, Colorado is anticipating a funding formula change occurring in FY 2025-26 following the passage of [House Bill 24-1448](#). According to the department, the new formula will run concurrently with the existing school funding formula for several years. There is significant concern that the system will not be able to handle the historical funding formula and will not be able to manage two funding formulas at the same time due to its lack of functionality.

Procurement. The department received a one-time General Fund allocation of \$200,000 in FY 2024-25 to investigate the feasibility of modernizing the State Equal and Audit modules of the system.

In order to mitigate risks in the process of identifying a new system, CDE plans to issue a request for information (RFI), followed by a request for proposal (RFP), to confirm the landscape of available systems to support Colorado's school finance system requirements. CDE states that it will continue to work with PK on defining clear system requirements and engaging stakeholders to finalize the specifications needed for the MOTS solution.

CDE states that it has a skilled contracts and procurement team and experienced contract managers. Additionally, department's internal IT team will engage on the RFP selection committee managed by the department's school finance team, and will be involved in contract review as well.

IT Accessibility. The department states that IT Accessibility requirements pursuant to [House Bill 21-1110](#), [Senate Bill 23-244](#), and OIT rules for accessibility standards for IT systems will be incorporated into the RFP and resulting contract.

Change Management. According to the department, the projected time to implement a MOTS technology solution is two to three years. CDE included information on change management and of the need for a detailed timeline that includes major milestones such as data migration, system testing, and user training to ensure a smooth and efficient transition.

Additional Cost Information

The department states it does not have an existing appropriation for the system. CDE further states that this request is based upon the maximum estimated cost for the recommended MOTS solution, spread over two fiscal years. The out-year costs currently represent an estimate and will

be reevaluated before the department submits an IT capital request for phase two of the project for FY 2026-27.

The department provided a range of potential ongoing costs. Using an estimate for ongoing maintenance costs of 18 percent of implementation costs, the department indicates that the ongoing costs could be between \$900,000 and \$1.62 million. An alternative analysis by PK indicated estimated ongoing costs could be between \$2.0 million to \$3.5 million per year.

Cost Benefit Analysis. The implementation of a new automated system will improve the efficiency of the existing staff members as the system will eliminate numerous manual processes and calculations. The department provided an evaluation in the cost-benefit section of the request of the six alternative options mentioned above, in terms of their potential benefits, risks, and alignment with CDE's long-term goals. CDE also provided the following cost comparisons of the different options.

Option	Initial Cost	Ongoing Annual Cost
Maintain Status Quo	Minimal to none	\$1m-\$2m
In-House System Development and Replacement	\$5m-\$9m	\$2m-\$3m
Existing System Modernization (by vendor/third-party)	44m-\$8m	\$2m-\$3.5m
New MOTS Technology Solution (provided by vendor/third-party)	\$5m-\$9m	\$1.5m-\$3m
Custom-Built Solution (by vendor/third-party)	\$8m-\$12m	\$3m-\$5m
Hybrid Modular Solution (in-house and vendor/third-party)	\$6m-\$10m	\$2m-\$3.5m

Additionally, PK performed a scoring framework approach that allows for a clear comparison of each alternative's strengths and weaknesses in relation to CDE's strategic goals with the MOTS technology solution as the recommended approach for Colorado's future school finance management system. CDE states that if the state funds a replacement system and CDE initiates the procurement process, evaluating potential MOTS solutions should be the top priority.



Joint Budget Committee Staff

Memorandum

To: JBC Members
From: Phoebe Canagarajah, JBC Staff (303-866-2149)
Date: Friday, March 14, 2025
Department: Department of Labor and Employment
Subject: [Staff Comeback: Technical Annualization Adjustments](#)

Staff recommends and requests approval for technical corrections to annualizations for the following legislation in the Department of Labor and Employment:

- H.B. 24-1095 Protection for Minor Workers
- H.B. 24-1439 Financial Incentives to Expand Apprenticeship Programs
- H.B. 23-1198 STEM Teacher Externship
- H.B. 23-1246 Support In-demand Career Workforce
- H.B. 23-1149 Energy Sector Career Pathway

H.B. 24-1095 Protection for Minor Workers

This correction fixes a calculation error in the annualization, based on the fiscal note.

	Division & Line Item	Total Adjustment	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Corrected	Labor Standards and Statistics, Labor Program Costs	-23,618	-23,618	0	0	0	-0.2
Original	Labor Standards and Statistics, Labor Program Costs	-23,579	-23,579	0	0	0	-0.2

H.B. 24-1439 Fin. Incentives Expand Apprenticeships

This correction fixes a calculation error in the annualization, based on the fiscal note.

	Division & Line Item	Total Adjustment	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Corrected	EDO, Office of Future Work, Program Costs	-64,410	-64,410	0	0	0	0.0
Original	EDO, Office of Future Work, Program Costs	3,882	3,882	0	0	0	0.0

H.B. 23-1198 STEM Teacher Externships

This correction nulls out the annualization submitted in the Department request, which was submitted in error. Funding from this legislation was fully annualized out in last year's Long Bill.

Bill	Division & Line Item	Total Adjustment	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Corrected	Employment & Training, Workforce Development Council	0	0	0	0	0	0.0
Original	Employment & Training, Workforce Development Council	-99,564	-99,564	0	0	0	-1.1

H.B. 23-1246 Support In-Demand Career Workforce

This correction adds an annualization that was missed in the Department request.

Bill	Division & Line Item	Total Adjustment	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Corrected	EDO, Office of Future Work, Program Costs	-175,124	-175,124	0	0	0	-1.3
Original	EDO, Office of Future Work, Program Costs	0	0	0	0	0	0.0

H.B. 24-1149 Energy Sector Career Pathway

This correction amends how FTE are annualized between line items, based on conversations with the Department.

Bill	Division & Line Item	Total Adjustment	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Corrected	Employment & Training, State Operations & Program Costs	-68,513	0	-68,513	0	0	-1.7
	Employment & Training, Workforce Development Council	-28,293	0	-28,293	0	0	-0.3
Original	Employment & Training, State Operations & Program Costs	-68,513	0	-68,513	0	0	0.0
	Employment & Training, Workforce Development Council	-28,923	0	-28,923	0	0	-2.0



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Michelle Curry, JBC Staff (303-866-2062)
Date: March 14, 2025
Department: Department of Transportation
Subject: Staff Comeback Regarding Outstanding Decision Items

This memo includes the following undecided decision items originating from the figure setting presentation for the Department of Transportation:

- (1) R1 – Multimodal Options Fund Spending authority
- (2) R3 – General Fund transfers to CDOT (including all transfers from SB 21-260)
- (3) R4 – Reducing the Road Safety Surcharge
- (4) Increasing Clean Transit Enterprise Spending Authority
- (5) Updated Requests for Information

If all staff recommendations included in this memo are adopted, staff estimates a total General Fund savings of \$88.5 million in FY 2025-26 and \$17.5 million ongoing through FY 2027-28. This memo also includes potential decisions totaling an additional \$90.3 million in one-time General Fund savings, but staff is not making recommendations on these decisions at this time.

(1) Multimodal Options Fund Spending Authority

The JBC delayed action on the Department of Transportation's R1 for continuous spending authority for the Multimodal Transportation and Mitigation Options Fund. In lieu of continuous spending authority, the Department requests spending authority for \$50.4 million of excess revenue AND roll forward of \$117 million that originated as Federal ARPA dollars.

Adjusted Staff Recommendation

Based on information provided during the comebacks and Committee discussion, staff recommends the following:

- (1) Providing roll-forward authority for ARPA dollars that have been encumbered in contracts (per the Department) as of March 3, 2025. According to their presentation, 3.0 percent of the original appropriation has not yet been contracted to local transit authorities. **Staff recommends transferring this amount, which equals \$3.4 million, back to the General**

Fund. Additionally, any remaining balance of ARPA funds not *spent* by Jan, 1, 2027 should be automatically transferred back to the General Fund.

- (2) As an additional balancing measure, the Committee could sweep all funds within the MMOF that have not yet been *contractually obligated*. The current total of unencumbered funds within the MMOF is \$72.1 million, which does not include those funds which originated as ARPA dollars. Of this amount, \$3.6 million is reserved for state expenditure and \$68.5 million has been awarded to local transportation entities. **Staff recommends transferring the \$3.6 million of uncontracted funds within the MMOF that have been reserved for state expenditure.**

Analysis

All funds within the MMOF are allocated to both state and local projects with 85.0 percent of funds provided to local agencies. The remaining 15.0 percent is used for state projects, specifically for Bustang operations. According to the Department, \$68.5 million of the available, unencumbered funds within the MMOF have been awarded to local projects and \$3.6 million is reserved for state operations. Although these funds have been awarded to local entities and earmarked for Bustang operations at the state level, they are not yet encumbered within contracts. This means that 95.0 percent of the General Fund revenue acquired from sweeping this fund in its entirety would come from projects planned by local transportation entities.

Staff believes that this is a reasonable action given the current state budget, but that the decision to sweep the funds already awarded to locals is one of policy, since time constraints did not allow staff to gather input from all impacted stakeholders. Staff does recommend transferring the \$3.6 million unencumbered state funds back to the General Fund.

Given the longer timeline allowed to expenditure of ARPA funds, staff does fully recommend transferring back the \$3.4 million that originated as federal ARPA funds and were refinanced with General Fund.

(2) SB 21-260 Transfers

The JBC granted permission to begin drafting legislation that would adjust General Fund transfers created by SB 21-260 (Sustainability of the Transportation System). However, adjustments to these transfers were not solidified.

Adjusted Staff Recommendation

Based on information provided during the Department comeback and Committee discussion, staff recommends the following:

- (1) **Eliminating General Fund transfers to the Multimodal Options Fund and to the Revitalizing Main Streets program.** These transfers total \$17.5 million annually through FY 2031-32 and total to \$122.5 million by the end of FY 2031-32.
- (2) **Adopting the Department's BA-1 request to reduce General Fund transfers to the State Highway Fund.** This request would result in the following transfer schedule:

Jan. 31 Proposal: SB 21-260 Transfers to State Highway Fund (in Millions)										
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	Total
Current Law	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$82.5	\$82.5	\$82.5	\$0.0	\$747.5
Jan. 31 Prop.	100.0	36.0	50.5	100.0	100.0	100.0	100.0	100.0	61.0	747.5
GF Savings	\$100.0	\$64.0	\$49.5	\$0.0	\$0.0	-\$17.5	-\$17.5	-\$17.5	-\$61.0	\$0.0

This recommendation would result in an overall General Fund savings of \$81.5 million in FY 25-26, \$67.0 million in FY 26-27. The Department would be kept whole for the majority of the funding promised by SB 21-260, but would not receive transfers to the MMOF and would likely have to discontinue the Revitalizing Main Streets grant program.

Analysis

The recommendation includes adjustments to three different transfers created by SB 21-260, each of which may have separate lasting impacts.

First, reducing the bulk transfer from General Fund to the State Highway Fund (SHF) would have the smallest impact on current programming. Because a majority of the funds are allocated to the Department's 10-year plan, so long as the full amount would eventually be transferred to CDOT, there would be minimal long-term impact.

Second, eliminating the \$10.5 million transfer from the General Fund to the MMOF would have a moderate impact on programming, which would be felt largely by locals. If funds are swept from the MMOF per the previous recommendation, eliminating these transfers would prevent the Department from honoring cancelled awards in the near future. However, if awarded funds remain in the MMOF and spending authority is approved, eliminating the transfers would impact ongoing solvency of the Department's Bustang program and future awards only. Currently, these transfers account for approximately half of the annual revenue within the MMOF. By FY 2032, though, this amount is anticipated to be closer to one-third of the fund's annual revenue because of increased revenue from the retail delivery fee. The portion of the transfers that is allocated for state expenditure is designated to the Bustang program, so the Department would need to backfill this program with funds from the HUTF in order to maintain service level.

Finally, eliminating the annual \$7.0 million General Fund transfer to the SHF for the Revitalizing Main Streets Grant Program would likely result in eventual elimination of the program as a whole, save identification of an alternative funding source. This program entirely supports local projects focused on encouraging physical activity by funding infrastructure improvements to make walking and biking easier, particularly along state highways that function as the main thoroughway in downtown areas across the state. SB 21-260 provided ARPA dollars and ongoing General Fund transfers to the program over 10-years. Eliminating the transfers would result in an overall savings of \$49.0 million in General Fund.

(3) Reduce Road Safety Surcharge

The JBC granted permission to begin drafting legislation that would adjust the Road Safety Surcharge. However, specific adjustments to this fee were not finalized.

Adjusted Staff Recommendation

Based on information provided during the department comeback and Committee discussion, **staff recommends reserving adjustments to the Road Safety Surcharge as an undesirable budget balancing measure.** If the Committee acts on recommendations included earlier in this memo, reductions to FASTER revenue would compound negative impacts on both state and local projects. It is staff's opinion that the projects that would be impacted by this revenue reduction would be more detrimental than projects impacted by other recommendations.

Analysis

The Committee has already approved drafting of this decision item and OLLS has prepared potential legislation that aligns to the Department's revised R4. This reduction would reduce the Road Safety Surcharge by \$3.70 across all weight classes for FY 2025-26 and FY 2026-27. The reduction would result in an estimated revenue savings of \$21.8 million in FY 2025-26 and \$22.2 million in FY 2026-27. This revenue is counted under the TABOR cap.

Currently approved legislation includes the figures demonstrated in the table below.

Road Safety Surcharge Fees by Weight Categories	
	Jan 31 Proposed Fees
Motorcycles, autcycles, trailer coaches, and vehicles weighing 2,000 pounds or less	\$12.30
Vehicles weighing 2,001 to 5,000 pounds	\$19.30
Vehicles weighing 5,001 to 10,000 pounds	\$24.30
Passenger buses and vehicles 10,001 to 16,000 pounds	\$33.30
Vehicles weighing more than 16,000 pounds	\$35.30

Change to Road Safety Surcharge Revenue Under Jan. 31 Proposal (in millions)		
Item	FY 2025-26 Forecast	FY 2026-27 Forecast
Road Safety Surcharge Revenue Under Current Law	\$151.3	\$153.9
Road Safety Surcharge Revenue With Fee Reductions	\$129.5	\$131.7
Change in Revenue	-\$21.8	-\$22.2

Change to FASTER Distributions Under Jan. 31 Proposal (in millions)				
Item	FY 2025-26 Current Forecast	Current Distribution	FY 2025-26 Forecast Under Jan. 31 Proposal	Proposed Distribution
CDOT	\$144.2	60.0%	\$122.4	56.0%
Counties	\$52.9	22.0%	\$52.8	24.0%
Municipalities	\$43.3	18.0%	\$43.3	20.0%
Total	\$240.3	100.0%	\$175.2	100.0%

(4) Clean Transit Enterprise Spending Authority

During OSPB comebacks, the Department identified a need for increased spending authority in order to spend down the current fund balance within the Clean Transit Enterprise (CTE). The committee has already approved a footnote granting three years of roll forward spending for new revenue. This additional spending authority would align all funds currently held in the Enterprise.

Staff recommends approval of increased spending authority for \$49,089,048 within the Clean Transit Enterprise and extending that authority through FY 2027-28.

(5) RFI Adjustments for the Department of Transportation

The JBC approved continuation and modification of current Requests for Information to the Department. Adjusted versions of these requests are included here for Committee approval with significant changes highlighted in yellow:

Staff Recommended RFIs

- 1 The Department is requested to submit, with its FY 2026-27 budget request, printed and electronic versions (transmission by email acceptable) of the following:
 - a. The draft one-sheet budget (also known as the “Revenue Allocation Plan”) on which the Long Bill request is based with an explanation that shows how the Long Bill request relates to the one-sheet budget;
 - b. A schedule or schedules showing, for each of the publishing issues that collectively show how the Administration Division request is derived from the prior year Administration Division appropriation, the incremental budget changes that make up that publishing issue;
 - c. Projected expenditures by division for all common-policy items, including common policies for total compensation, operating, and IT;
 - d. A schedule showing the projected revenues for FY 2026-27 on which the draft one-sheet budget and the Long Bill request are based, with revenue-source detail that is comparable to the detail in the Department's draft narrative budget (also known as the “Budget Allocation Plan”);
 - e. A schedule showing the most recent projection of revenues for FY 2025-26 in a form compatible with the revenue projection for FY 2026-27;
 - f. A schedule showing actual revenues received during FY 2023-2024 and FY 2024-2025 in a form compatible with the revenue projection for FY 2026-2027;

- g. Projected state HUTF revenue for FY 2026-27 that shows (1) the revenue sources and (2) the allocation of that revenue among counties, municipalities, and other recipients;
 - h. Actual revenue for the two most recently completed fiscal years of all enterprises located with the Department including (1) the statutory citations creating each enterprise and a list of authorized expenditures for each fund/enterprise; (2) a list of revenue sources for each fund housed within each enterprise; and (3) actual expenditures for each enterprise including completed and budgeted projects.
- 2 The Department is requested to submit, starting July 1, 2024, on a semi-annual basis, a report to the Joint Budget Committee how any fee revenue is being spent in relation to Section 38-5.5-102-109, C.R.S.