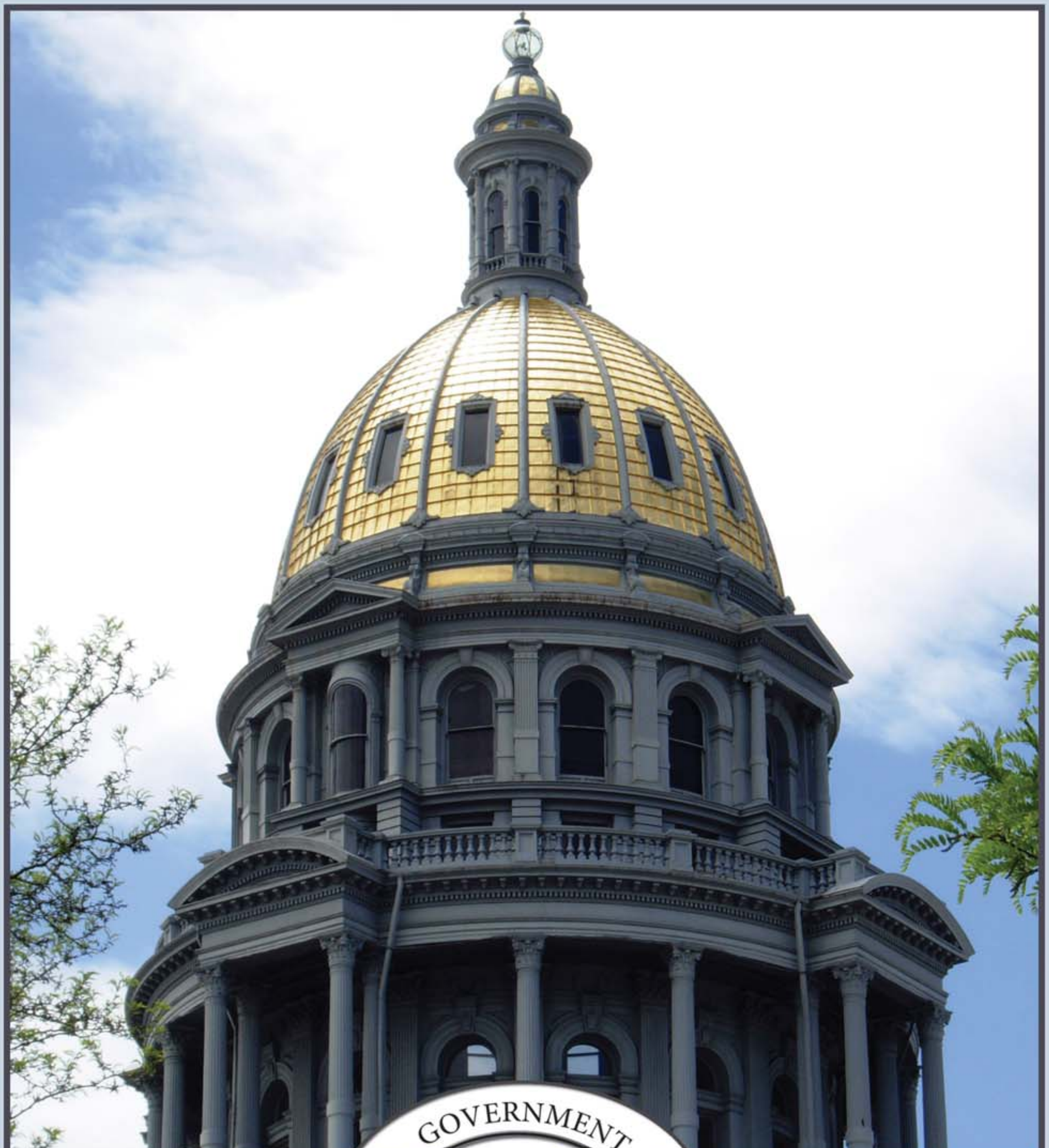

Colorado

Government Efficiency and Management Performance Review

June 2008

STATE OF COLORADO

OFFICE OF THE GOVERNOR
136 State Capitol Building
Denver, Colorado 80203
(303) 866 - 2471
(303) 866 - 2003 fax

Bill Ritter, Jr.
Governor

June 25, 2008

Fellow Citizens of Colorado,

One of my goals as governor is to ensure that Coloradans get the highest value for every taxpayer dollar while delivering efficient services with excellent customer service. In this regard, when I was sworn in to office, I vowed that we would do things differently in state government; we would find more effective and modern ways to do business.

In May 2007, I launched the Colorado Government Efficiency and Management (GEM) Performance Review, designed to increase the efficiency and effectiveness of state government. During the GEM Review, we asked employees for their best ideas and received almost 12,000 responses and even more suggestions. We commissioned a top-to-bottom audit of state government and created a twenty member GEM Team, with representatives from every department of state government, to guide the process.

As a result, 91 recommendations were identified that are projected to create $205 million in financial benefits over the next five years. Additionally, the GEM Performance Review includes several ways to make government smarter, more efficient, and more accountable.

By implementing the GEM recommendations, we will better serve the people of Colorado, better utilize the talents of our state employees, and better deploy 21st century technologies. And, in the process, we will move one step closer to our goal of making Colorado the best run state in the nation.

Sincerely,

Bill Ritter, Jr.
Governor

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We appreciate the thousands of employees who took the time to offer opinions and insights through the GEM Performance Review Employee Survey and the contributions of the many department people who helped make this project a success.

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Table of Contents

Executive Summary

Results

The recommendations contained in this report will have a positive, concrete impact on Colorado state government operations over the next five years and beyond. They are not abstract or wishful thinking. They are the result of a unique, highly interactive process that involved hundreds of state workers who do the work, provide the services, every day. The net result of eleven months of effort involving significant participation -- the GEM Task Force, leadership and managers from 23 state agencies, line workers from around the state, the Office of State Planning and Budgeting and the Governor's Office -- is a breakthrough report for the state of Colorado. Recommendations were extensively vetted to guarantee the operational implications were fully understood and considered. The results are achievable, and in some cases are already being implemented – as in the case of the Governor's Recidivism Package, savings in the Office of the Centralized Benefits Management System (CBMS) and many others.

The report that follows contains nearly 100 specific, actionable recommendations for improving Colorado state government operations. Some recommendations require an initial investment; however, they result in a return on investment within the five-year time horizon of the report's recommendations. Many recommendations, especially the more complex ones, take some time to implement before savings, benefits or revenues will be realized, though again, real results occur within the five year time horizon. The net impact of all the recommendations is a first year benefit of nearly $1 million and a five year benefit of $205.4 million. Once most of the recommendations are implemented, there will be an ongoing annual benefit of over $50 million.

This report is divided into thematic chapters which groups recommendations with similar outcomes. Each chapter contains a series of issue papers with background, findings, recommendations, and fiscal impacts for each recommendation. Sources and data are provided in endnotes so that the information in any issue in the report can be verified. The report chapters are:

> ***Chapter 1: Working Smarter and Saving Money*** contains 21 recommendations with a five-year impact of $19.9 million.
>
> > In this chapter we identify both cross-cutting issues that affect all departments (like procurement reform) and common sense measures that may not amount to large savings but set a tone for how we want government to be constantly vigilant to find ways to do small practical things that add up to smart business. We did not assume outsourcing was the right approach, nor did we assume continuing to do business as usual was correct. We found some work that should be done by state workers, some that should be consolidated and some steps in processing that should be eliminated. The most far reaching recommendation, and the one

with the largest potential for savings, is to Implement Procurement Reforms to bring Colorado state purchasing into the 21st Century by improving technology and focusing our purchasing power to get the best deal for the state.

The recommendations in this chapter are a first step in a continuous process to find opportunities for improvement to ensure taxpayers are getting the most for every tax dollar.

Chapter 2: Going Green to Conserve Dollars contains 19 recommendations with a five year impact of $22.6 million.

Just like families in Colorado and around the country, the state is confronted with increasing energy costs that have an effect on every part of our operations. We cannot forget, however, that the goal of "going green" is not only saving money, but also preserving our environment. The recommendations in this chapter identify ways in which we do both, and most importantly, we identify steps to take to establish a culture that says everyone can do something (no matter how small) to conserve energy.

Colorado has already begun conducting energy audits on state buildings, and for the first time is taking a more aggressive and systematic approach in order to save even more. In addition, we identify in this chapter ways to reduce travel costs, purchase more fuel-efficient cars for the state fleet and reduce paper and printing. The recommendations add up to big and small steps that can be taken to preserve our beautiful environment and save money.

Chapter 3: Controlling Health Care Costs contains 12 recommendations with a 5 year impact of $97.5 million.

The need for major changes in our health care system is being discussed at this time like no other time in our history. With health care accounting for about 30 percent of the state budget, we cannot afford to wait for major fixes in the entire system; we must take what steps we can now to spend more wisely and reduce costs wherever possible.

The recommendations in this chapter identify ways in which Colorado can take advantage of proven methods for saving money – consolidating pharmaceutical purchasing, changing the approval process to encourage use of generic drugs when they are proven as effective as brand names and drawing down all available federal funds for pharmaceutical purchasing. We also identify ways that new technology can ensure the integrity of the Medicaid program. Combined, these recommendations take us one step closer to more efficient and effective health care purchasing.

Chapter 4: Improving Public Safety contains 10 recommendations with a five-year impact of $23.5 million.

If we do not feel safe in our communities, we cannot live, work or play. One of the most critical jobs of government is to make sure citizens are protected from those who might do them harm. And this can be done by ensuring money is spent wisely and efficiently to process and house offenders and by smart investing in programs and services to reduce the rate of repeat offenders.

The recommendations in this chapter identify ways to ensure we are getting the most for our tax dollar in public safety. Most importantly, there is a package of recommendations to comprehensively address the growing rate of repeat offenders – focusing on diversion, community based services that are proven to work and prevention programs for youth to stop them from becoming career criminals. The combination of these initiatives will result in a better chance for offenders to become productive citizens, stem the rate of spending on more costly incarceration and allow us to feel safe to work and play in our community.

Chapter 5: Improving Efficiency through Information Technology contains 8 recommendations with a five-year impact of $800,000.

Many private sector businesses have learned how to be strategic in how technology is used to support operations. State government can learn from these businesses in order to make smart decisions on how technology can best be used to operate all facets of government services. Since technology solutions can be very expensive and complex, it is important that decisions are made to engage the right solution for the right problem.

The recommendations in this chapter begin to move Colorado in that direction. With the creation of the Governor's Office of Information Technology and these GEM recommendations, we are beginning to identify, not only technology solutions, but also what resources currently exist and what fundamental data is missing for good decision making. Consolidating data centers, improving web-based systems, reducing redundancies and streamlining records management will all be first steps in improving the way technology supports the delivery of services to the citizens of Colorado. The Information Technology recommendations will achieve significant savings and benefits both quantifiable and unquantifiable which will be identified going forward.

Chapter 6: Improving Customer Service contains 9 recommendations with a five-year impact of $273,000.

The potential money savings in this chapter are not big; the potential for improvement in services to our primary customer – the citizens of Colorado – are huge. The recommendations in this chapter can have an immediate impact on thousands of individual citizens, small business owners, farmers and ranchers and veterans. They are things like how to cut red tape for veterans who are eligible for tuition assistance, how to streamline licensing and permitting, how to make it easier for unemployed residents to apply for unemployment insurance.

Many of these recommendations were developed with extensive input from those working on the front line – dedicated state workers who care about providing good services to Coloradoans. These recommendations are meant to start a renewed process of reflection in every department to continuously identify ways in which we can provide the best in customer service.

Chapter 7: Improving Collection and Recovering Funds contains 12 recommendations with a five-year impact of $40.8 million.

State government needs to make sure that it draws down all the federal funds available and that it collects taxes and fees owed. Sometimes spending a little money in a smart way, like allowing auditors to travel to school districts or out-of-state companies, can generate millions of dollars in collections owed to the state. The recommendations in this chapter identify these types of initiatives, as well as strategies to draw down more federal funds that are available to the state if we improve our claims process.

The additional revenue collected through these types of recommendations is owed to the state and should be collected. Through improved processing, claiming and some technology support, we can ensure that everyone pays their fare share in taxes and fees and that Colorado claims every federal dollar to which it is eligible.

Chapter 8: Employee Survey describes the results of the e-survey and public input via the Governor's website and the GEM 1-800 number.

The Governor asked for ideas from the people who do the work every day. And almost 12,000 state employees responded by completing an online electronic survey to give us their opinions and ideas about how to work smarter, save money, eliminate waste and improve customer service. Over half of the respondents took extra time to complete narrative questions to give us ideas that touched the entire spectrum of government operations.

This chapter discusses the themes that emerged – cross-cutting affecting all departments, energy, human resources, technology, red tape and paperwork, purchasing and contracting, travel, and revenue. All of the information, including the narrative responses is being shared with departments to review the ideas further and provide department leaders feedback from state employees.

Chapter 9: New Ideas from Across Governor Ritter's Administration contains a compendium of other efficiencies and process improvements across state government that have been implemented since Governor Ritter took office.

Improving government operations in Colorado is not limited to the GEM Performance Review. We end with a ***Conclusion Chapter*** that highlights how government improvement is not a one-time project but an ongoing process that must be integrated into the culture of state government.

What is a Performance Review?

A Performance Review is a structured approach to review government services and to identify possible savings, efficiencies, improved customer service and new non-tax revenues. During the process, people actually providing the services – line staff and managers – are challenged to look at old patterns of management and service delivery and identify innovative ways for government to do business. A Performance Review provides a forum for creative managers to be heard and to have a platform to present ideas without preconceived notions about maintaining programs simply because they have existed for a number of years. A Performance Review is a tool that can highlight the effectiveness of organizations or programs, challenge assumptions, and find new ways of doing business.

Performance Reviews are not easy – they challenge basic assumptions about the role of government, question the current services provided, identify trends for future demands on services and recommend the realignment of resources to improve the way we do business. They require an objective analysis of policies and operations at all levels of government and the political will to make changes when programs or services are identified as being obsolete.

Perhaps the most important outcome of a Performance Review is that it provides government leaders with an opportunity to redesign organizations or programs and to focus on results, not government processes.

The results discussed in this report that are the recommendations of the Governor's Efficiency Management (GEM) Performance Review project in Colorado, were developed in a highly interactive process designed to ensure that a wide array of opinions, insights, and analyses were included in the review of an issue or recommendation.

The GEM Task Force members, representing every department in the Executive Branch of state government, were an integral part of the Performance Review. Members were trained and coached to be full participants in the performance review and assisted in the analysis of data and budget information, helped with understanding the history of a particular program or process, assisted with the development of findings and recommendations and reviewed written reports for soundness and clarity of approach. Having the GEM Task Force members participating in these meaningful ways not only fostered the training and coaching needed, but also ensured that findings and recommendations were fully researched, supported by data, and have a realistic chance for implementation.

Methodology

The GEM Performance Review was a yearlong process that was divided into two phases. Phase I, which ran May to September 2007, targeted the largest state agencies and was structured to coincide with key state budget deadlines so that any substantiated savings could be incorporated into the upcoming FY 2008-09 budget. Phase II, which ran September to February, targeted a second tier of smaller agencies.

The Governor launched the GEM Performance Review project in May 2007 with a formal announcement and welcome of the GEM Task Force – a staff person chosen by each agency as a representative. The Task Force was trained and participated in discussions on the purpose and structure of a Performance Review, members' prior experience with performance reviews and insights and recommendations as to how to make GEM a success. This training was followed by months of department interviews, focus groups, agency tours, and gathering materials across the first eight departments.

In June 2007, the team presented preliminary issue papers to the Tollgate team – a group of senior staff in the Governor's Office. These tollgate opportunities, scheduled at key points in the Performance Review process, provide a time to: 1) vet preliminary findings and recommendations during a highly-interactive meeting, and 2) to take a fresh look at information, especially providing opinions about the adequacy of the documentation and analysis available to support each recommendation. Consensus is achieved on issues to pursue and issues that ought to be dropped. After final reviews and vetting of all issues with the appropriate analysts in the Office of Planning and Budget (OSPB), the Governor publicly announced the completion of Phase I on October 15, 2007.

This process was repeated between August and February when Phase II agencies became subject of the review process. In both phases, this highly interactive methodology, that required all issues to be vetted by both department budget staff and OSPB analyst, resulted in the series of recommendations in this report – recommendations that have significant research and fiscal analysis to substantiate the suggestion.

Lastly, the e-survey for Colorado State Employees was launched in early July. The survey was open for approximately three months during which time 11,813 (37.8 percent of the workforce) responded. Over 6,000 employees took the time to complete two narrative questions; writing in more than 13,000 suggestions from their experience on how government services could be improved and made more efficient. Chapter 8 provides a detailed explanation of the e-survey and results.

Chapter 1: Working Smarter and Saving Money

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Streamline Department Approval Process												
Use State Maintenance Garages More Efficiently	$241,000		$241,000		$241,000		$241,000		$241,000		**$1,205,000**	
Capitalize on Fuel Card Account Tools	$214,200		$214,200		$214,200		$214,200		$214,200		**$1,071,000**	
Run State Patrol Vehicle and Equipment Leases Concurrently		$40,600		$81,200		$121,800		$162,400		$162,400		**$568,400**
Reduce Weed Cutting Costs	$0		$15,000		$30,000		$45,000		$60,000		**$150,000**	
Replace Private Sector Engineers		$560,000		$560,000		$560,000		$560,000		$560,000		**$2,800,000**
Consolidate DHS Food Purchases	$121,700	$17,700	$144,600	$35,400	$144,600	$35,400	$144,600	$35,400	$144,600	$35,400	**$700,100**	**$159,300**
Improve Integration of Workforce Development Programs												
Reposition State Land Holdings	$0		$0		$100,000		$100,000		$100,000		**$300,000**	
Use Expedited Settlement Program to Reduce Legal Expenses		$79,400		$79,400		$79,400		$79,400		$79,400		**$397,000**
Implement Procurement Reforms	$1,380,000		$2,760,000		$2,760,000		$2,760,000		$2,760,000		**$12,420,000**	
Upgrade CO Mail Sorting Capacity	($8,800)		$41,200		$41,200		$41,200		$41,200		**$156,000**	
TOTAL ALL FUNDS	**$2,645,800**		**$4,172,000**		**$4,327,600**		**$4,383,200**		**$4,398,200**		**$19,926,800**	

Chapter 2: Going Green to Conserve Dollars

<table>
<tr><th></th><th colspan="2">2009</th><th colspan="2">2010</th><th colspan="2">2011</th><th colspan="2">2012</th><th colspan="2">2013</th><th colspan="2">Total</th></tr>
<tr><th>Recommendation</th><th>General Fund</th><th>Federal/ Other Funds</th><th>General Fund</th><th>Federal/ Other Funds</th><th>General Fund</th><th>Federal/ Other Funds</th><th>General Fund</th><th>Federal/ Other Funds</th><th>General Fund</th><th>Federal/ Other Funds</th><th>General Fund</th><th>Federal/ Other Funds</th></tr>
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<tr><td>Use Electronic Filings to Improve Local Government Data Collection</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Minimize Unnecessary Data and Separator Sheets in Print Jobs</td><td>$800</td><td></td><td>$5,000</td><td></td><td>$5,000</td><td></td><td>$5,000</td><td></td><td>$5,000</td><td></td><td>$20,800</td><td></td></tr>
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<tr><td>Reduce Paper Consumption by Changing Employee Handbook Distribution</td><td></td><td>$1,000</td><td></td><td>$1,000</td><td></td><td>$1,000</td><td></td><td>$1,000</td><td></td><td>$1,000</td><td></td><td>$5,000</td></tr>
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<tr><td>Better Manage Laundry Use and Associated Costs at CO Mental Health Institute at Fort Logan</td><td>$4,400</td><td></td><td>$4,400</td><td></td><td>$4,400</td><td></td><td>$4,400</td><td></td><td>$4,400</td><td></td><td>$22,000</td><td></td></tr>
<tr><td>TOTAL ALL FUNDS</td><td colspan="2">($565,400)</td><td colspan="2">$5,922,200</td><td colspan="2">$6,492,200</td><td colspan="2">$5,392,200</td><td colspan="2">$5,392,200</td><td colspan="2">$22,633,400</td></tr>
</table>

Chapter 3: Controlling Health Care Costs

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Reallocate Staff from Office of CO Benefits Management System	$60,900	$129,600	$60,900	$129,600	$60,900	$129,600	$60,900	$129,600	$60,900	$129,600	**$304,500**	**$648,000**
Implement Preferred Drug List	$410,600	$433,100	$775,900	$884,800	$775,900	$884,800	$775,900	$884,800	$775,900	$884,800	**$3,514,200**	**$3,972,300**
Improve Medicaid Program Integrity with Fraud Detection Technology	$1,500,000	$700,000	$2,700,000	$2,700,000	$4,600,000	$4,500,000	$7,700,000	$7,700,000	$7,700,000	$7,700,000	**$24,200,000**	**$23,300,000**
Strengthen Requirements and Oversight of Medicaid Service Providers												
Leverage Additional Family Planning Funds and Serve More CO Women				$9,000,000		$9,000,000		$9,000,000		$9,000,000		**$36,000,000**
Expand Participation to Better Utilize 340B Pharmacy Program	$5,600	$5,600	$433,900	$433,900	$748,200	$748,200	$784,300	$784,300	$822,000	$822,000	**$2,794,000**	**$2,794,000**
TOTAL	**$1,977,100**	**$1,268,300**	**$3,970,700**	**$13,148,300**	**$6,185,000**	**$15,262,600**	**$9,321,100**	**$18,498,700**	**$9,358,800**	**$18,536,400**	**$30,812,700**	**$66,714,300**
FIVE YEAR TOTAL ALL FUNDS	**$3,245,400**		**$17,119,000**		**$21,447,600**		**$27,819,800**		**$27,895,200**		**$97,527,000**	

Chapter 4: Improving Public Safety

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Implement Governor's FY 2008-09 Crime Prevention and Recidivism Reduction Package		($3,109,000)		$1,717,000		$4,889,000		$6,260,000		$7,555,000		**$17,312,000**
Process Parole Board Documents Electronically	$129,000		$357,000		$357,000		$342,000		$343,000		**$1,528,000**	
Upgrade CO Bureau of Investigation Fingerprint Technology	($287,200)		$725,600		$1,332,800		$1,410,000		$1,493,000		**$4,674,200**	
Require High Risk Community Providers to Cover Cost of Audits												
Establish Document Fraud Detection Fellowship Program	($1,600)		($800)		($1,600)		($800)		($800)		**($5,600)**	
TOTAL ALL FUNDS	**($3,268,800)**		**$2,798,800**		**$6,577,200**		**$8,011,200**		**$9,390,200**		**$23,508,600**	

Chapter 5: Improving Efficiency Through Information Technology

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Consolidate Data Centers Across State Government												
Implement Access Zone Computer Centralization												
Create Web-Based Penalty Assessment System	$0	$0	$0	$0	$0	$0	$33,000	$0	$33,000	$0	**$66,000**	**$0**
Reduce GIS/GIT Redundancies and Inefficiencies												
Streamline Records Management and Storage	$387,100		$87,100		$87,100		$87,100		$87,100		**$735,500**	
TOTAL ALL FUNDS	**$387,100**	**$0**	**$87,100**	**$0**	**$87,100**	**$0**	**$120,100**	**$0**	**$120,100**	**$0**	**$801,500**	**$0**

Chapter 6: Improving Customer Service

	2009		2010		2011		2012		2013		Total	
Recommendation	General Fund	Federal/ Other Funds	General Fund	Federal/ Other Funds	General Fund	Federal/ Other Funds	General Fund	Federal/ Other Funds	General Fund	Federal/ Other Funds	General Fund	Federal/ Other Funds
Create Internet Based Unemployment Insurance System		($3,475,400)		($2,220,600)		$1,960,600		$1,960,600		$1,960,600		$185,800
Streamline National Guard Tuition Assistance Process												
Create Combined Animal Industry and Brand Inspection Division												
Create Laboratory Services Division	$500	$11,900	$500	$11,900	$500	$11,900	$500	$11,900	$500	$11,900	$2,500	$59,500
Streamline Licensing and Permitting in Department of Agriculture		$5,000		$5,000		$5,000		$5,000		$5,000		$25,000
TOTAL	**$500**	**($3,458,500)**	**$500**	**($2,203,700)**	**$500**	**$1,977,500**	**$500**	**$1,977,500**	**$500**	**$1,977,500**	**$2,500**	**$270,300**
FIVE YEAR TOTAL ALL FUNDS	**($3,458,000)**		**($2,203,200)**		**$1,978,000**		**$1,978,000**		**$1,978,000**		**$272,800**	

Chapter 7: Improving Collections and Recovering Funds

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Maximize Federal Title IV-E Revenue for Foster Care	($321,200)	$0	($220,000)	$760,000	($220,000)	$760,000	($220,000)	$760,000	($220,000)	$760,000	($1,201,200)	$3,040,000
Increase Out-of-State Audits	$2,040,800		$8,703,800		$8,703,800		$8,703,800		$8,703,800		$36,856,000	
Increase Travel Funds for School District Audits	($13,700)		$486,300		$486,300		$486,300		$486,300		$1,931,500	
Properly Record All Port of Entry Penalty Assessments	$25,000		$25,000		$25,000		$25,000		$25,000		$125,000	
Maintain Functioning Ports of Entry Without Increasing Appropriations												
Streamline Rules Adoption for Lottery Scratch Games												
FIVE YEAR TOTAL ALL FUNDS	**$1,730,900**		**$9,755,100**		**$9,755,100**		**$9,755,100**		**$9,755,100**		**$40,751,300**	

Chapter 1
Working Smarter and Saving Money

Colorado State Government still has many opportunities to be more efficient and effective *and* save money. The GEM Performance Review looked within each State agency and also across State government as a whole for efficiencies. The GEM Performance Review process identified 16 ways in which Colorado State Government can work smarter and save money by reducing unnecessary steps in current processes, eliminating paper, combining functions, and becoming more strategic in purchasing goods and services.

The GEM Performance Review did not presume that outsourcing services would automatically produce savings and improve the quality of services offered. In fact, some of the recommendations suggest that managing programs with State employees, rather than outsourcing, is more cost-effective.

The recommendations in this chapter include a wide range of opportunities. Some, such as implementing purchasing reforms, are aimed at establishing major improvements throughout State government to get the best products at the most affordable price. Others are common sense measures, like using excess asphalt to reduce highway mowing costs. These recommendations are not intended to be an end to finding opportunities for improvement and cost savings but rather an important first and necessary step in constantly looking for ways to ensure taxpayers are getting their money's worth.

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Streamline Department Approval Process												
Use State Maintenance Garages More Efficiently	$241,000		$241,000		$241,000		$241,000		$241,000		**$1,205,000**	
Capitalize on Fuel Card Account Tools	$214,200		$214,200		$214,200		$214,200		$214,200		**$1,071,000**	
Run State Patrol Vehicle and Equipment Leases Concurrently		$40,600		$81,200		$121,800		$162,400		$162,400		**$568,400**
Reduce Weed Cutting Costs	$0		$15,000		$30,000		$45,000		$60,000		**$150,000**	
Replace Private Sector Engineers		$560,000		$560,000		$560,000		$560,000		$560,000		**$2,800,000**
Consolidate DHS Food Purchases	$121,700	$17,700	$144,600	$35,400	$144,600	$35,400	$144,600	$35,400	$144,600	$35,400	**$700,100**	**$159,300**
Improve Integration of Workforce Development Programs												
Reposition State Land Holdings	$0		$0		$100,000		$100,000		$100,000		**$300,000**	
Use Expedited Settlement Program to Reduce Legal Expenses		$79,400		$79,400		$79,400		$79,400		$79,400		**$397,000**
Implement Procurement Reforms	$1,380,000		$2,760,000		$2,760,000		$2,760,000		$2,760,000		**$12,420,000**	
Upgrade CO Mail Sorting Capacity	($8,800)		$41,200		$41,200		$41,200		$41,200		**$156,000**	
TOTAL ALL FUNDS	$2,645,800		$4,172,000		$4,327,600		$4,383,200		$4,398,200		**$19,926,800**	

STREAMLINE DEPARTMENT APPROVAL/CLEARANCE PROCESSES TO SAVE ADMINISTRATIVE HOURS

Simplify or eliminate the multi-layered, sequential and inefficient spending approval processes for certain personnel actions, awards and office functions.

Background

The Colorado Department of Human Services (CDHS) is the second largest agency in Colorado State Government, with a $1.8 billion budget for FY 2005-06. Its 5,000 employees serve Coloradans with mental health needs and developmental disabilities, and oversee the state's juvenile corrections system and all state and veterans' nursing homes.

Internally, CDHS requires a multi-step approval process using the Personnel Action Form (HR-2) for 33 different personnel actions.[1] The agency's second-largest division, the Office of Adult, Disability and Rehabilitation Services, has nearly 1,200 FTE's (employees equivalent to 1,200 full-timers) whose changes in personnel status generated more than 1,200 HR-2 forms in FY 2006-07, requiring an estimated two hours of administrative work every single day.[2] Many of the steps in the various approval processes are only for notification and record-keeping rather than for actual approval or clearance. In addition, "Spot Awards" (performance awards for staff) and payments for "Official Functions" often require similarly cumbersome approvals as the HR-2.[3]

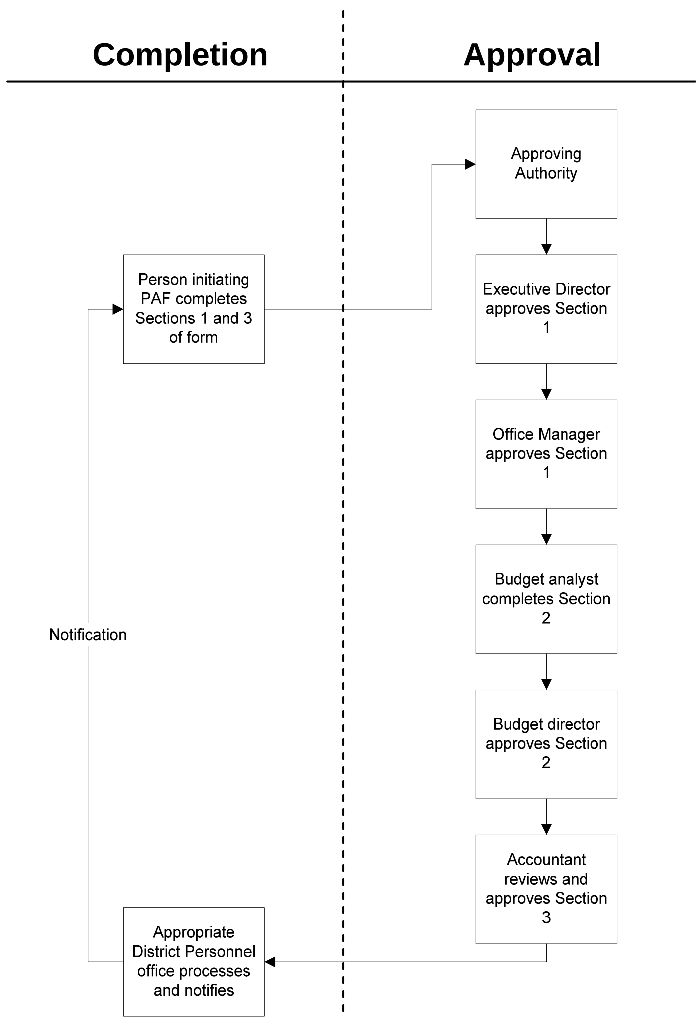
Findings

At the time of this review, the administrative assistant for this office was tracking 27 separate HR-2 forms with estimated time spent being one to two weeks annually on the HR-2 process.[4] The forms also require sequential approval from up to seven different departments and/or directors, resulting in delays in obtaining the required approval or clearance. Analysis suggests, however, that not all the steps in this process are necessary, and that at least some of them could occur simultaneously rather than sequentially.

Currently, for example, there is no difference between the approval process for a lateral personnel move (involving no change in job title or duties) and a promotion or demotion. These inefficiencies are also present in approving “Official Functions” requests, where no distinction is made between, for example, $8.00 requests and those costing hundreds of dollars.[5] Raising the approval threshold for such requests would result in less staff time spent on submitting and reviewing forms.

The following figure illustrates the steps currently required for HR-2 approvals, with similar requirements for “Spot Awards” forms (rewarding an employee with $100 or more) and “Official Functions” forms requiring the issuance of a check.[6]

Approvals Required for Current Personnel Action Form (HR-2)[7]



Recommendations

1. Eliminate approvals for actions below a specific dollar threshold and provide the form as notification only.

Lateral personnel moves involving a change in salary of less than 10 percent, and all events that cost less than $500, for example, should be processed as notification only, with the signature of the division director initiating the action.

2. Require executive director review only in specific instances.

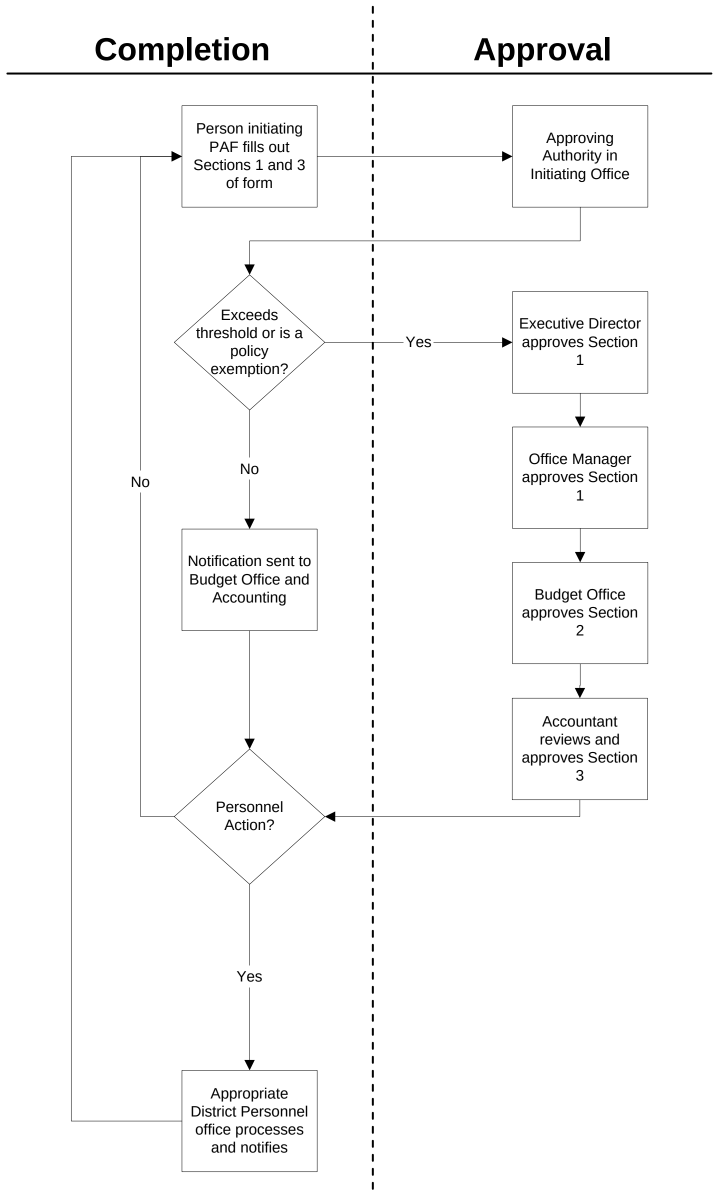
While the department already has in place some actions that do not require executive director review, several of these thresholds could also be raised. Any action that is an exception to department policy should require the approval of the executive director; any actions that are within policy guidelines, however, should not require the executive director's signature or approval.

3. Require only one budget review, rather than two, for events below a specific dollar threshold.

The budget analyst should have authority to approve items under a specific threshold, with notification going to the budget director for all others.

Moreover, electronic signatures would further streamline the process. The e-signature process is being reviewed statewide.

Recommended HR-2 Approval Process



Fiscal Impact

Savings will result in reduced staff administrative time by raising the threshold for reviewing personal services contracts and allowing the process to be completed more quickly and efficiently.

Assuming that each of the six approvals needed for the current forms require 10 minutes at each step to receive, review, complete and/or sign and return the form, approximately one hour is required within the department to process each form. For the 1,200 HR-2 forms processed by one office within DHS, a total of 1,200 hours of staff time within the department is needed to process the form, almost two-thirds of an FTE. Importantly, however, because these actions represent only a fraction of time across each of several FTEs, and do not represent the sole responsibility of a single FTE, it would not be appropriate to eliminate half of an FTE as a result of implementing these recommendations.

If approval is limited to specific thresholds, the staff time devoted to these forms can be reduced.

USE STATE MAINTENANCE GARAGES MORE EFFICIENTLY TO REDUCE OUTSOURCING

Add second and third shifts to some maintenance garages and reduce the need for relatively high-cost outsourced repairs and maintenance.

Background

Vehicles used by Colorado state employees are maintained by different agencies and departments in different ways with departments often sharing vehicles and maintenance responsibilities. The State Fleet Management Program (SFM), part of the Department of Personnel and Administration (DPA), operates a central fleet of vehicles for use by agencies statewide. Other state agencies that own vehicles are the Department of Transportation (CDOT), (which also leases some from SFM), the University of Colorado, Colorado State University at Fort Collins, and Fort Lewis College. The remaining agencies lease vehicles from SFM.[8]

CDOT operates 14 garages statewide to repair vehicles and to fit them with specialized equipment such as snow plows.[9] Although most of the vehicles CDOT maintains are driven by CDOT employees, CDOT does work on other SFM vehicles when time permits. Other agencies that operate maintenance and repair garages are Corrections, Higher Education, Natural Resources and the Colorado Department of Public Safety (CDPS). These agencies maintain, repair and equip vehicles driven by employees in each department, and repair other agencies' vehicles when time and resources permit. SFM, CDPS and CDOT are the only executive agencies that outsource vehicle maintenance and repair work to the private sector.

Findings

In FY 2006-07, the outsourcing of vehicle repair work cost Colorado $4.9 million.[10] At the same time, all of the state's garage facilities operated only one shift per day, and in the case of the CDPS facility, there is currently adequate space and equipment for an additional two FTE's (full-time equivalents) for the current day shift.[11] Some of CDOT's and SFM's maintenance and minor repair work could be done in the state's garages if those garages were used for more than one shift per day and fully staffed.

State garages charge SFM significantly less for labor than the does the private sector. Prices range from $35.00 per hour (at Sterling Correctional Facility) to $55.00 per hour (at the correctional facility in Canon City).[12] CDPS charges $52.00 per hour at its only facility (in Golden) while CDOT charges from $35.50 to $47.00 per hour at its garages[13] (after recently reviewing its pricing structure, CDOT will begin to charge $52.00 per hour in the near future.).[14] Private garages, by comparison, charge hourly rates of between $80.00 and $110.00 per hour which, on average, is more than twice the rate charged at state garages.[15]

In FY 2005-06, over 950 outside vendors performed work on state vehicles.[16] Of these vendors, the ten that performed the most work earned 26.5 percent of all state spending and the next ten top vendors earned in the aggregate 7.8 percent of all state spending.

Recommendations

To reduce the costs of outsourcing to the private sector, and to use state assets efficiently, all agencies with vehicle maintenance and repair garages should consider filling all vacant first shift mechanic positions and adding second and third shifts to all accessible garages.

Final decisions on which garages should add FTE's and additional shifts should be documented in a Memorandum of Understanding (MOU) between DPA and each agency; the MOU should outline the expected level of work to match the addition of more employees and a guarantee by each agency that SFM vehicles will be maintained, repaired or equipped in a timely manner.

Fiscal Impact[17]

Almost 48 percent of the cost of repair and maintenance work is labor costs;[18] 48 percent of the total work outsourced totals nearly $2.3 million. If all of this work were brought in-house, it would consume the work of 15.6 full time mechanics. Assuming, however, that 65 percent of all labor now outsourced could be performed by state garages, and correcting for geographic dispersion, such that only 35 percent of the 65 percent can be outsourced, then 22.7 percent of labor can be outsourced. This is the equivalent of 3.5 full time mechanics. In other words, $532,000 of current outsourced work can be brought in-house. The same amount of work can be performed at state rates of $52 per hour instead of the average outsourced rate of $95 per hour, for total savings of $240,907

The cost to equip new mechanics ranges from $12,750 to $20,750. At the roughly $52 hourly rate billed to the SFM, agencies are expected to recover outlays to equip newly hired mechanics and ongoing overhead through billable service work.

Estimated Fiscal Impact		
Fiscal Year	**General Fund Savings**	**Change in FTEs**
2009	$241,000	+3.5
2010	$241,000	0
2011	$241,000	0
2012	$241,000	0
2013	$241,000	0
Total	**$1.2 million**	

CAPITALIZE ON FUEL CARD ACCOUNT MANAGEMENT TOOLS ALREADY AVAILABLE

By taking full advantage of available data and tools included in its contract with fuel-card vendor Wright Express, State Fleet Management could realize significant cost savings in the purchase of fuel for state vehicles.

Background

State Fleet Management in the Department of Personnel and Administration spent $22.5 million on vehicle fuel in the 13-month period from June 2006 to June 2007; monthly purchases averaged $1.7 million. Wright Express (WEX) has been Colorado's fuel card vendor since 2002, and the state's accounts with them include nearly 14,000 separate fuel purchasing cards.

WEX provides online account management tools for its clients including reports containing data on fuel and diesel prices, the extent to which employees purchase the most economical fuel, as well as account activity and exception reports that can highlight potential spending problem areas. These reports come in the form of 13-month rolling account data sets which contain information in 16 analytical spreadsheets and graphs.

Findings

Fleet managers can use information from WEX reports to control and reduce spending. In addition, they can also use available WEX systems technology to detect and prevent fraud and abuse.

Tools for Cost Control

Top 20 Brand Report – This report highlights the price of fuel for the 20 most frequently purchased brands. Fleet managers can use this information to direct employees to find the best fuel prices in order to reduce the cost of purchasing fuel.

Two examples of how this can work:

- In June 2007,[19] the Top 20 Brand Report showed that the state purchased 345,000 gallons of unleaded fuel (82 percent of fuel purchased that month). The average price per gallon that month for the top 20 brands was $3.24; Kroger brand was the lowest at $3.18 per gallon, and Exxon was the highest at $3.42. Sharing this data with employees to allow them to purchase fuel at a price no higher than $3.18 per gallon would have resulted in a fuel savings of $21,000 that month.

- State-wide diesel fuel purchases in June 2007 of the top 20 brands totaled 172,000 gallons, or 95 percent of all diesel purchases in that month.[20] Had state cardholders purchased diesel from Cenex, with a price per gallon of $2.97 compared to the average price per gallon of $3.10, the state would have saved at least $21,000 on diesel.

While both these scenarios assume a flawless system of providing information to employees and total access to lower cost vendors, they do illustrate the difference in cost and the impact that cost makes when applied to the volume of purchased fuel and diesel. It is estimated that Colorado could reduce its purchased fuel and diesel expenditures by slightly more than 1 percent per year – a significant amount given its $20 million per year fuel costs.

Tools for Monitoring Misuse

Exception reports, also included in the WEX online system, are available for daily, weekly, monthly and twice monthly time periods; fleet managers can download and customize these reports as needed. Purchase exceptions can be tracked by numerous variables: card holder, date and time of purchase, product type, fuel type, total price, price per gallon, miles per gallon, vehicle odometer reading, gallons per transaction and gallons per month. Through fully utilizing this information, fleet managers can exercise control over fuel card use by employees and help prevent potential abuse of the system.

Purchase Alerts allow managers to address potential fuel card misuse before charges are allowed to accumulate. When a purchase exceeds a card's controls or limits, the fleet manager receives an email notification or text message alert. While such transactions are not automatically declined at the time of purchase, real-time notification does allow managers to act immediately on the alert. One statewide WEX client recently experienced a monthly total of $30,000 in unauthorized fuel charges before instituting purchase alerts; after implementing the alerts, the unauthorized fuel charges dropped to only $600.

Recommendations

1. **State Fleet Management should ensure that all agency fleet managers fully utilize regular fuel cost reports received from Wright Express, share the information with driver employees and monitor that fuel purchases are made at the lowest cost outlets when possible.**

2. **State Fleet Management should set up parameters for exception reporting and take advantage of purchase alerts to detect and prevent fraudulent charges and abuse.**

Fiscal Impact

Colorado would have saved almost $500,000 last year if 100 percent of the fuel purchases were transacted at the lowest cost brand. Taking into account location challenges (lowest priced station may not be geographically convenient) and the need for education and communication, it is estimated that the state could realize almost half of that savings.

This savings is calculated using the following methodology:

If June 2007 data reported by WEX Express is annualized, the total spending for fuel and diesel is $19,784,124 – a close comparison to $19,934,776 for the actual amount spent for the entire fiscal year. In fact, June 2007 was the fourth highest spend month and the eighth highest volume month as measured in gallons purchased, therefore, using June 2007 figures results in a conservative estimate of the impact of these recommendations.

The average fuel cost in June 2007 was $3.24; the lowest cost was $3.18 (of brands representing more than 4 percent of purchases) and the highest was $3.44. If even only one half of all the fuel gallons costing more than $3.24 (the statewide average) purchased that month were instead purchased at $3.18 per gallon, total savings for the month would have been $9,384, an annual savings of $112,608.

The average diesel cost in June 2007 was $3.10; the lowest cost was $2.73 (of brands representing more than 4 percent of purchases) and the highest was $3.31. If only one half of all the diesel gallons costing more than $3.10 (the statewide average) purchased that month were instead purchased at $2.73 per gallon, total savings for the month would have been $8,466, an annual savings of $101,592.

Studying exception reports and establishing purchase alerts to prevent fraud could result in additional savings; however, because these controls are a relatively new tool in the WEX portfolio, potential savings from implementing this part of the recommendation cannot be estimated at this time.

Fiscal Year	All Funds Savings
2009	$214,200
2010	$214,200
2011	$214,200
2012	$214,200
2013	$214,200
Total	**$1.1 million**

RUN COLORADO STATE PATROL VEHICLE AND EQUIPMENT LEASES CONCURRENTLY

By synchronizing the start dates of vehicle leases with equipment leasing and installation cycles, the Colorado State Patrol and State Fleet Management can reduce the costs of removing and reinstalling equipment in State Patrol vehicles between vehicle lease cycles.

Background

The Colorado State Patrol (CSP) leases vehicles through State Fleet Management (SFM) for varying terms – currently leases are on a three-year term; starting in fiscal year 2007, CSP vehicles are slated to change to a five-year lease;[21] law enforcement equipment patrol vehicles are an average of four years.

Necessary vehicle equipment such as mobile data computers (MDCs), video cameras, and speed timing equipment are purchased and/or leased separately by the CSP. The CSP installs equipment in approximately 150 vehicles each year; however, virtually none of the installation occurs at the beginning of the vehicle lease.[22]

Findings

SFM vehicle lease terms of either three or five years require the CSP to remove vehicle equipment and reinstall it in new cars midway through the car's lease. Equipment with a four-year lifespan installed in a car with a three-year lease is currently removed at the end of the three-year car lease and reinstalled in a new car for the remaining year of its usable life; after only one year of use in the new car, the equipment becomes outdated and is removed and replaced with new equipment. Similarly inefficient removal/reinstallation cycles also occur with five-year vehicle leases.

CSP estimates that it takes eight hours for mechanics to remove equipment from a vehicle.[23] The average mechanic/technician rate for such work is $52 per hour.[24] The cost to remove equipment from the150 vehicles, therefore, is estimated at $62,400 per year.

Additionally, CSP also spends approximately $100,000 per year on the purchase, repair, recertification and refurbishing of radar equipment to reinstall into CSP cars at the end of each three-year vehicle lease.

Recommendations

The Colorado State Patrol and State Fleet Management should align vehicle leases and equipment replacement cycles so that they run concurrently in order to save costs presently incurred to remove and reinstall equipment in State Patrol vehicles between lease cycles.

Fiscal Impact

Savings are estimated based on reducing time required to install equipment – 1,200 hours at $52/hour, plus $100,000 annual savings in purchase, repair, recertification and refurbishing of radar equipment to reinstall into CSP cars. Allowing for start-up time required to change lease agreements (renewals coming up every four years), the full annual savings would not be realized until 2012.

Estimated Fiscal Impact		
Fiscal Year	**Other Funds Savings[25]**	**Change in FTEs**
2009	$40,600	-0.15
2010	$81,200	-0.30
2011	$121,800	-0.45
2012	$162,400	-0.60
2013	$162,400	0
Total	**$568,400**	

Staff resources saved by avoiding unnecessary equipment removal and reinstallation could be used to do repair work currently being contracted to outside vendors, potentially producing more savings by doing that repair work in-house.

REDUCE WEED CUTTING COSTS ON COLORADO ROADWAYS

Pour leftover asphalt underneath guardrails to eliminate the need to cut weeds.

Background

Because traditional mowers cannot fit under roadside guardrails, employees must trim weeds manually in these areas two to three times per year. Placing asphalt underneath and around guardrails eliminates the need to trim weeds for 8 to 10 years.

Colorado Department of Transportation (CDOT) employees already use leftover asphalt for many sorts of jobs, including filling vertical drop-offs along roadways, building “beaver slides” to direct water away from paving around bridges and paving wide spots to accommodate maintenance vehicles.[26]

Asphalt must be used the same day it is mixed,[27] it must be remixed with other ingredients for future use, or it must be recycled by contractors for use on low volume roads.[28] In any case, CDOT does not pay contractors for the asphalt left over from CDOT jobs.[29]

Findings

To take advantage of leftover asphalt, CDOT management instructs supervisors to prepare additional areas for the kinds of ancillary paving projects described above after the main paving operation is completed.[30] Also using leftover asphalt to pave under guardrails to eliminate the need for weeding was suggested by a CDOT employee.

Laying asphalt under guardrails usually involves time-consuming manual work: weeds must first be removed; the ground must be smoothed over before the asphalt can be laid; and the asphalt has to be secured with hand operated compactors.

Although it initially takes a crew of two or three people twice as long – or more – to lay asphalt as it takes one person to cut weeds in the same area, once asphalt is laid, weed cutting is not required for another 10 years.[31] CDOT cuts weeds under and around guard rails two to three times per year at a cost of about $15 per cutting.[32]

Recommendation

CDOT should adopt a program of using leftover asphalt under guardrails first, before other ancillary jobs, in order to save the cost of weeding under guardrails.

Fiscal Impact

The cost of cutting weeds for one year (assuming three cuttings per year) is about $50 per location; the cost of spreading asphalt one time is also about $50 per location. There are approximately 300 locations per year that would be suitable for weed-deterring asphalt.[33] During the first full season of spreading asphalt, the costs associated would be offset by the savings generated by eliminating weed cutting. The first full season *after* the asphalt work, savings of about $15,000 would be generated since weeding around 300 guardrails would be avoided.

Estimated Fiscal Impact	
Fiscal Year	**All Funds Savings**
2009	$0
2010	$15,000
2011	$30,000
2012	$45,000
2013	$60,000
Total	**$150,000**

REPLACE PRIVATE SECTOR ENGINEERS WITH NEW DEPARTMENT OF TRANSPORTATION EMPLOYEES

Transfer consultant work to Colorado Department of Transportation employees in order to reduce overhead and the costs of monitoring contractor work.

Background

The Colorado Department of Transportation (CDOT) uses some consultants to perform road and bridge engineering work rather than maintain a larger full-time staff. This policy is a conscious effort to address fluctuations in transportation revenues exacerbated by Colorado's constitutional revenue and spending mandates . CDOT uses private sector contractors for overflow work when appropriations are high so that when appropriations drop, the Department is not in the position of laying off full-time employees. In addition, for 21 years[34], until the spring of 2007, Colorado law prevented CDOT from increasing its Full-time Equivalent (FTE) personnel count, leaving CDOT no choice but to hire privately employed engineers to perform the work.

Findings

According to a CDOT study comparing the cost of private sector engineer work with the cost of work done by CDOT employees, CDOT employees cost less – overhead cost of each CDOT engineer is approximately 2.48 versus the overhead of consultants at 2.85.[35] That is, outside consultants come with higher indirect costs that make them more expensive, even if their wages are the same. The average CDOT engineer salary is about $70,000 per year.

Below is CDOT's spending on consultants for FY 1995-06 through FY 2005-06:

CDOT Spending on Consultants by Fiscal Year (In millions)			
1996	$26.8	**2002**	$146.1
1997	$54.7	**2003**	$149.0
1998	$90.0	**2004**	$178.8
1999	$101.6	**2005**	$148.4
2000	$142.5	**2006**	$137.0
2001	$176.7		

Beyond the additional overhead costs associated with consultants, there is also a substantial cost to CDOT for the time-consuming monitoring of outside contracts which adds approximately 10 to 15 percent to the cost of each construction project.[36]

While the Governor's Blue Ribbon Transportation Committee is currently examining strategies to increase revenues to CDOT, if those revenues do not, in fact, increase by 2009, substantially less money will be available to perform road projects.[37] Also, as a result of the 21-year hiring freeze, CDOT will need to hire additional maintenance employees.[38]

Recommendation

Reduce the cost of overhead and contract monitoring by reallocating 8.2 percent of FY 1995-06-level consultant work to CDOT employees.

Fiscal Impact

Diverting funds for private sector engineers by 8.2 percent ($2.2 million) of CDOT's FY 1996 consultant spending will allow CDOT to replace 11 private sector engineers with 11 FTEs, pay for their associated overhead costs, and save approximately $300,000 annually[39]. In addition, CDOT estimates that approximately 1.5 FTE's time will be saved by eliminating the need to monitor contractors[40] for annual savings of approximately $260,000.[41]

Estimated Fiscal Impact		
Fiscal Year	**HUTF Savings**	**Change in FTEs**
2009	$560,000	+11
2010	$560,000	0
2011	$560,000	0
2012	$560,000	0
2013	$560,000	0
Total	**$2.8 million**	

CONSOLIDATE DEPARTMENT OF HUMAN SERVICES FOOD PURCHASES

By consolidating many functions related to developing menus, purchasing food and storing commodities, the Department of Human Services can cut the costs of procuring food for facilities that provide meals to Coloradans.

Background

The Colorado Department of Human Services (DHS) spends approximately $5 million on food purchases annually. The following chart shows the approximate costs of food purchased by division in DHS for FY 2006-07.

Department of Human Services
Estimate of Total Food Expenditure for Direct Care Clients

Program	Estimated Total (in millions)
Nursing Homes	$1.4
Division of Youth Corrections	$1.5
Colorado Mental Health Institute – Fort Logan	$0.3
Colorado Mental Health Institute – Pueblo	$1.2
Regional Centers (Wheatridge, Pueblo, Gran Junction)*	$0.7
Total	**$5.1**

Note: Regional Centers are part of DHS' Office of Adult, Disability and Rehabilitation Services and purchase food for the group homes under its auspices, much of it from local supermarkets.

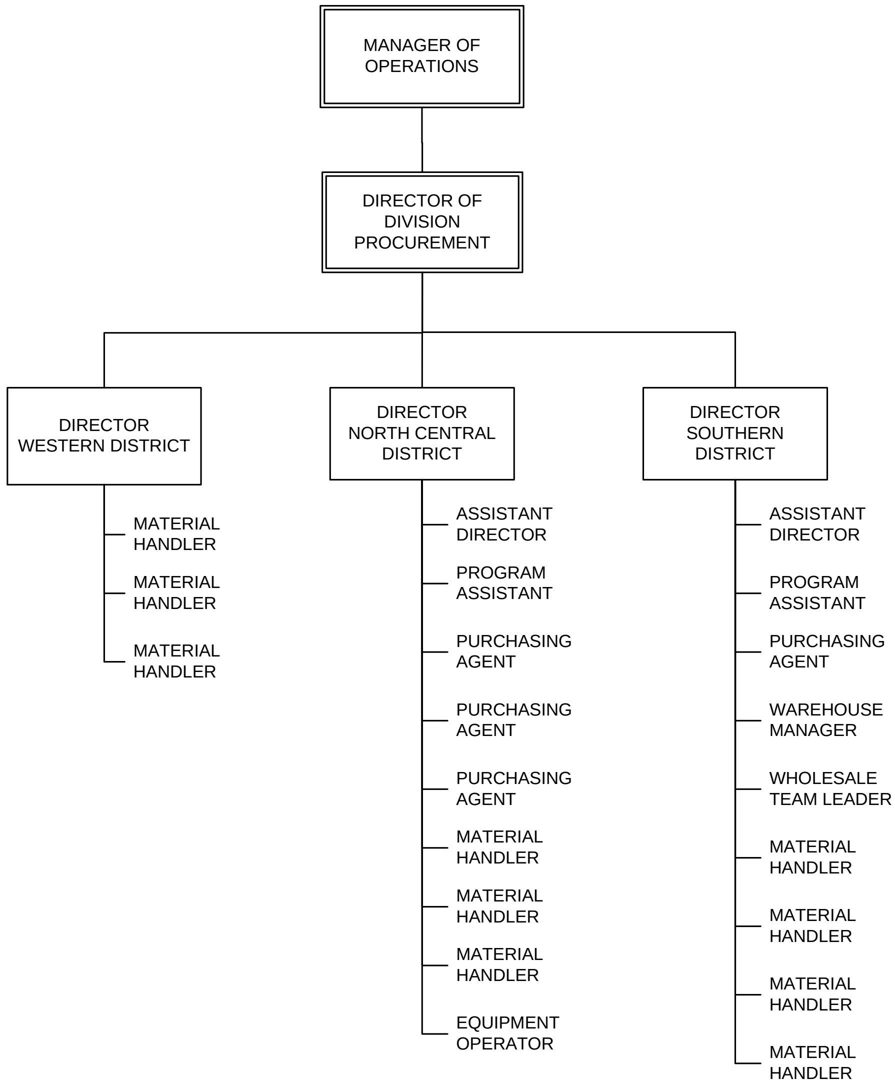
There are three DHS district procurement offices which serve three regions and accept bids from outside food vendors separately for the facilities located within the region. Within each DHS division (except Youth Corrections) in the above table, facilities purchase food independently, with some facilities purchasing through the district procurement offices and some using other purchasing arrangements. Any food purchase over $10,000 requires a formal bid.

Findings

District Procurement Offices

Functions are duplicated within the regional procurement system in place in DHS. Each district is supervised by a director, creating a system with four directors (one for each district and a Procurement Director who works under the Operations Manager for DHS). These directors each supervise staff as per the diagram on the following page.

Existing Regional Procurement Structure



The food items stored in district warehouses are purchased from multiple vendors. Food bids are let frequently, at least every six months, because vendors cannot hold prices firm for most food items. However, the bid schedules vary by commodity and by district procurement office.

DHS warehouses in each district have trucks and staff to deliver food to a total of 23 different facilities. The costs for the DHS warehouses are shown in the following table:

Costs Associated with Operating DHS Warehouses and Distributing Food and Supplies to Direct Care Facilities (FY 2005-06 or FY 2006-07, depending on availability of data)

Type of Cost	North Central Main and Paper Warehouse	Southern Warehouse 54 and 55	Western Main Grand Junction and RC	Total – Three Districts
Leasing Space	$0	$0	$0	$0
Electricity, Heating, Cooling, Other Utilities	$11,416	$91,883	$9,731	$113,030
Salary and Benefits – Warehouse Staff*	$168,646	$226,763	$128,981	$524,390
Variable Mileage (rate set by DPA)**	$22,133	$10,191	$6,763	$39,087
Fixed Costs – Vehicle Leases***	$12,199	$2,825	$348	$15,372
Total	**$214,394**	**$331,661**	**$145,823**	**$691,878**

*Warehouse staff may perform other duties such as sorting and distributing mail and packages, handling surplus, tagging fixed assets.
**Variable mileage rates are set by DPA Fleet Management, are based on all vehicles of that type in the State fleet and are averages of the maintenance, repair and insurance costs for that type of vehicle. Fuel is also included. Some of the dollars may include cost of rental of state cars for trips by procurement personnel so are not truly warehouse costs.
***Older vehicles have been “paid off.” Decisions on when to replace vehicles are made by DPA Fleet policy and/or DHS Division of Facilities Management.

The Division of Youth Corrections (DYC)

DYC has a centralized food management system. A staff of three, including a manager, a dietician, and another position, develop the menus for all facilities and purchase the food for each facility. No changes to this centralized structure are recommended.

The Office of State and Veteran's Nursing Homes

This division does not centralize food management. Each of the five nursing homes operated by the state is responsible for developing menus and purchasing and storing its own food. Less than 25 percent of the food purchased by the nursing homes is purchased from DHS warehouses; most is purchased from vendors and delivered directly to the facilities. All of the nursing homes appear to be using DHS approved contracts to purchase food. The food services manager at each facility is responsible for developing menus, purchasing and storing food and preparing meals. Only one of the nursing homes has registered dieticians on staff.

Food on hand at the nursing homes varies from 72 hours' worth of food to seven days' worth. Although there is no state standard for the amount of food that must be kept on hand, the nursing homes have varying interpretations of what regulations they must adhere to regarding food on hand.

The nursing homes report overall costs per day per resident for meals of $6.34, ranging from $5.82 per day at Fitzsimmons to $8.16 per day at Rifle.

Although nursing homes are an enterprise fund (a relatively self-sustaining state operation), they are budgeted to receive $916,440 in General Fund in FY 2007-08, of which $541,925 is an indirect cost allocation (for general operating budgets). Identifying efficiencies within the nursing homes division creates opportunities to reduce the need for General Fund support as well as to improve patient care.

Mental Health Institutes

The two mental health institutes develop menus and purchase food separately and both have staff to perform these functions. The institute in Pueblo is part of a consolidated food management service that also includes four Department of Corrections (DOC) facilities. This effort consolidates menu development, food purchases and storage, and meal preparation; prepared meals are then delivered to each of the five facilities where a food service manager and dining service staff serve the food.

Consolidation and Cost Savings

DHS has discussed consolidating food purchases internally as well as coordinating with other state departments such as DOC. A year and a half ago, DHS attempted a prime vendor food bid for 600 standard items that are purchased across all three districts. The bid was cancelled, however, because the responses did not result in a cost savings, possibly due to the costs of delivery included in the initial bid responses.

There are benefits to centralized menu planning and food purchasing, including standardization, ease of purchasing, and cost savings. Consolidation of staff, procurement and menu planning will eliminate duplicative functions among the districts and create a system where purchasing agents specialize in a specific area of procurement. Reorganization does not preclude the department from issuing regional bids for food or other items; however, it consolidates subject matter expertise.

Contacts with food service personnel in other state correctional facilities indicate that most have a centralized menu development and food purchasing function. In addition to the Colorado DYS in DHS and the Colorado DOC, examples of states with centralized food service functions include the Indiana Department of Corrections, the Minnesota Department of Corrections, and the Texas Youth Commission.

The cost per meal in the consolidated food management system in Pueblo, which includes the mental health institute and four DOC facilities, is about $1.00; the average cost per meal at DYC is $1.35. In Missouri, the target for food costs for the seven veteran's nursing homes is $5.25 per day.[42]

Recommendations

1. **Eliminate two positions within the purchasing office.**
2. **Consolidate menu preparation and food purchasing at the Ft. Logan and Pueblo mental health institutes to eliminate duplicate functions.**

Fiscal Impact

The fiscal impact is estimated to be realized fully in FY 2009-10.

Savings from the first recommendation will result from the elimination of two program assistant positions, for a total savings of $40,596 in FY 2008-09, of which $22,903 will be realized in the General Fund. For FY 2009-10 and beyond, the annual savings will be $81,192, of which $45,805 will be realized in the General Fund. Additional cost savings are expected as a result of centralizing food bidding and contracting functions; however those savings have not been estimated.

These savings are expected to occur over time through attrition, beginning in FY 2008-09.

Consolidating the menu planning and food purchasing functions at the two mental health institutes will result in the elimination of duplicative functions. The fiscal impact of this recommendation will result from the elimination of 1.9 FTEs. The Program Assistant II position will be eliminated, the Dietician II position will be reduced from 0.8 FTE to 0.4

FTE, and the 0.5 FTE Administrative Assistant II (Diet Aide) will be eliminated. This will result in annual savings to the General Fund of $98,794.

These savings are expected to occur over time through attrition, beginning in FY 2008-09.

Estimated Fiscal Impact				
Fiscal Year	**General Fund Savings**	**Federal and Other Fund Savings**	**Net Savings / Revenue**	**Change in FTEs**
2009	$121,697	$17,693	$139,390	-2.0
2010	$144,599	$35,387	$179,986	-1.9
2011	$144,599	$35,387	$179,986	
2012	$144,599	$35,387	$179,986	
2013	$144,599	$35,387	$179,986	
Total			**$859,334**	

IMPROVE INTEGRATION OF WORKFORCE DEVELOPMENT PROGRAMS

Increase coordination between workforce development and public assistance programs to enhance service delivery and program effectiveness.

Background

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF), tying employment and employment readiness activities to time-limited cash assistance. This paradigm shift resulted in new responsibilities for the TANF program, such as training public assistance recipients for employment and job search assistance, responsibilities which overlap with state job training programs and workforce development centers (which are also federally funded). Colorado TANF is known as Colorado Works and is administered by county human services departments and overseen at the state level by the Colorado Department of Human Services (DHS).

The 1998 federal Workforce Investment Act (WIA) mandated unified state workforce development systems in which a cohesive network of local workforce centers (sometimes referred to as one-stop centers) provide employment-related services. There are two federal funding sources for workforce centers: WIA and Wagner-Peyser (an Act which dates back to 1933 and was revised under WIA). WIA funds job training, case management and assessment services, while Wagner-Peyser funds state labor exchange systems that link employers and applicants. In Colorado, programs that link employers and applicants are administered by the Department of Labor and Employment (DLE) through nine regional workforce development boards, each overseeing workforce centers in a region (and located in most every Colorado county).

Findings

Both federal welfare reform legislation and workforce development legislation allow states to coordinate the administration and/or delivery of welfare and workforce services. Because of the significant overlap in services between TANF and WIA, many states are experimenting with integration to varying degrees. Some states simply co-locate services while others more fully integrate and administer both programs through one agency, either at the state or local level. As of 2001, 28 states had formal agreements to integrate TANF into one-stop workforce systems.[43]

Research shows that coordination between the two programs enables the respective agencies to reduce duplication of effort, use resources more flexibly, and offer more comprehensive services to clients, resulting in better outcomes.[44] Clients fare better in integrated systems: they are more convenient, require fewer appointments and go beyond the "work-first" emphasis by offering training and employment services that facilitate long-term employability.[45] One study also found that service integration actually keeps public assistance recipients in the work development program longer;[46] and there is some evidence that the stigma of welfare is mitigated by serving TANF recipients through one-stop work centers.[47] Employers, for their part, report that integrated systems are more responsive to staffing needs. [48]

Other States' Experience

Many states have successfully integrated TANF work assistance and WIA workforce development funds at the state level, combining agencies for greater administrative efficiency and improved service delivery.[49] Utah, Texas, Florida, Michigan and Wisconsin are considered the most fully integrated systems.[50] In Utah, the Department of Workforce Services (DWS) is the administrative entity for both WIA and TANF. It tracks all participants, provides case management, conducts dual enrollments, and provides cash assistance and complete employment and training-related services at 37 one-stop centers and satellite offices. In Texas, while cash assistance and eligibility functions are retained under the Health and Human Services Commission, TANF and WIA are both under the Texas Workforce Commission. The state also has automated data systems that interface to exchange key information for program participants.[51]

In Florida, the one-stop career centers function as the entry point for both welfare and workforce services. The Agency for Workforce Innovation administers state and federal workforce programs including WIA, Wagner-Peyser, TANF (although TANF cash assistance remains under the Department of Children and Families) and the Food Stamp Employment and Training Program (FSET). The Agency also provides programmatic and fiscal instruction to the 24 regional workforce boards.[52]

Wisconsin has integrated all TANF and workforce services into the Department of Workforce Development, though counties (rather than local workforce development boards) administer the TANF program. Significant collaboration exists between the two programs, particularly in rural areas. In Michigan, the Office of Workforce Development oversees both TANF and workforce programs while local workforce boards allocate TANF funds (with TANF eligibility and cash assistance functions retained under the Department of Human Services, as in Texas).

Colorado

In Colorado, TANF is administered by DHS and the workforce centers are administered by DLE. Among Colorado's 64 counties, eight serve as a single workforce development region, enabling better integration, even when the programs are administered by different departments. In rural areas of Colorado, where some counties lack workforce centers, there is less integration between the TANF funds allocated to each county and the workforce development centers, which are administered regionally.

While almost all (95 percent) of the counties in Colorado perform some level of cross-agency referrals for employment-related issues, only about 31 percent had official Memoranda of Understanding (MOU's) for workforce development functions[53] and only one-third of county TANF programs regularly referred clients to one-stop centers.[54] Colorado currently does not require TANF as a mandatory one-stop partner, nor does the state have formal MOU's between TANF and workforce programs. By contrast, 35 other states either mandate MOU's between TANF and WIA programs or have some integration such as TANF and workforce development administered by the same agency.[55]

Two Colorado counties, Mesa and Larimer, are considered by both the DLE and DHS to be good examples of inter-agency coordination between TANF and workforce development; both counties also have higher work participation rates than other counties of comparable size, [56] and Mesa County clients in particular enjoy a "holistic" array of workforce services due to the integration.[57]

Colorado Workforce Development Council

The Department of Local Affairs (DOLA) oversees the functions of the Workforce Development Council (WDC), a body required by federal law which advises the governor and the state legislature on all policy matters related to the programs funded by WIA. In addition, WDC shares responsibility for preparing the state's two-year workforce development plan for the U.S. Department of Labor. This plan outlines the state's vision and investment priorities, describes the governance of workforce development programs in Colorado and reports on the state of the economy and labor market. WDC also dispenses the WIA 10 percent discretionary funds to local regions to "encourage innovation, the use of technology, and partnerships to resolve labor market issues."[58] A total of eight discretionary funds grants in 2006 supported programs such as nursing tuition assistance, fire and weed management training and youth oriented projects. Although it houses WDC, DOLA has no other involvement strategically or operationally in Colorado's workforce development system. Research into why WDC was located in DOLA yields no compelling logic for keeping it there. In fact, WDC had been moved out of the Governor's office in 2000 under the prior administration[59]. There appears to be no case for locating WDC outside the agencies administering workforce development programs, whereas efforts to fully integrate policy as well as operations create streamlined program administration between the local workforce development boards and the state by coordinating resources.

Moving WDC to DLE would ensure the most efficient use of the discretionary funds and reduce duplication of efforts through a streamlined administrative structure that co-locates all of Colorado's workforce development activities and funding. Some of the specific advantages of moving WDC include: more clarity in the state's administration of workforce development for business leaders and strategic partners; streamlined processes for establishing public/private workforce ventures that provide solutions to labor market issues; and a lack of duplication for local workforce boards in responding to discretionary grant solicitations and reporting.

Moving the five staff members who support WDC from DOLA to DLE will ensure continuity and staffing availability needed for the effective operation of WDC and improved efficiency and integration of the programs.

Recommendations

1. **Increase the integration of TANF and WIA workforce development services.**

This may be accomplished in at least two ways: mandating partnerships (i.e. MOU's) between local workforce development centers and the county agency administering the TANF program; and/or streamlining funding at the state level, with a single state agency administering TANF and the workforce development programs.

A two-year pilot program in a rural area, where multiple counties are served by one workforce center while individual counties administer a TANF workforce program, would enable the state to evaluate the effectiveness of a more streamlined workforce development system at the local level.

2. **Move the Workforce Development Council from the Department of Local Affairs to the Department of Labor and Employment.**

This move will require an amendment to current statutes. There will be no net budget impact, although budget authority for the revenues and expenditures associated with WDC will need to be moved from DOLA to DLE.

Fiscal Impact

The changes to Colorado's workforce development system should result in operating efficiencies; however, those efficiencies cannot be estimated at this time.

REPOSITION STATE LAND HOLDINGS TO INCREASE FUNDS IN THE COLORADO SCHOOL TRUST

By consolidating its lands through trades with the U.S. Forest Service, Colorado's State Land Board can increase revenues to the state's School Trust for public school funding.

Background

The Colorado State Board of Land Commissioners is a division of the Department of Natural Resources (DNR). The purpose of the State Land Board (SLB), as written in the Colorado State Constitution, is to produce reasonable and consistent income over time for K-12 education for the school children of Colorado. The SLB owns and manages approximately 3 million surface acres in 8 different trusts, the largest of which is for funding public schools. SLB generates revenues from agricultural production, mining, oil and gas leases, commercial leases and land transactions.

Approximately 96 percent of revenues generated from the lands managed by the State Board of Land Commissioners are for the School Trust for the K-12 public school system. In FY 2005-06, the ending balance in the Public School Fund – the fund into which earnings from the School Trust, minus SLB administrative costs, are deposited – was estimated to be $453 million.[60]

Findings

SLB field staff analyze the value of the SLB's land assets and determine what parcels continue to be of value to the state and which can be sold. It is easier for SLB to generate revenues, increase value and minimize management costs when its lands are consolidated into large, contiguous parcels. Currently, some of SLB's parcels are located inside swathes of land owned and managed by the U.S. Forest Service (USFS), posing management difficulties for both SLB and USFS.

Recently, USFS published a list of properties within its portfolio it wishes to dispose of in order to fund the rural schools initiative. This federal program is designed to help communities adversely affected by declines in timber sales from USFS lands; sales receipts have typically been shared with the counties.[61] Some of the properties that USFS wishes to sell are located adjacent to parcels owned and managed by SLB.[62]

If SLB were to trade its parcels located within national forests for available USFS lands which are contiguous to parcels SLB already owns, the value of SLB's lands would increase and the cost to manage the land would decrease.

Recommendations

The State Land Board (SLB) should identify any parcels of land it owns, located within the boundaries of national forests, and exchange them for lands available from the USFS that will increase the value of properties held by SLB.

Fiscal Impact

This fiscal estimate assumes that the SLB will need two years to close any viable land swaps it identifies with the USFS. As a result, no savings would be realized in the first two years. Given the number of potential parcels and their potential value, it is estimated that at a minimum there should be an increase in benefit to the Public School Fund of $100,000.

Estimated Fiscal Impact	
Fiscal Year	**General Funds/Cash Funds**
2009	$0
2010	$0
2011	$100,000
2012	$100,000
2013	$100,000
Total	**$300,000**

USE THE EXPEDITED SETTLEMENT PROGRAM TO ITS OPTIMUM LEVEL TO REDUCE LEGAL EXPENSES

The Department of Regulatory Agencies can reduce legal costs and better fulfill its mission by adding staff to the Division of Registration's Expedited Settlement Program and allowing it to handle more cases.

Background

The Division of Registrations within Colorado's Department of Regulatory Agencies (DORA) is responsible for the licensing boards and programs that have been created by the Colorado Legislature to ensure a minimal level of competence of licensees in order to protect the public. The Division provides public protection through its regulation of more than 282,000 licensees in more than 42 professions, occupations and entities.

The Expedited Settlement Program (ESP) allows the Division to efficiently settle a board's decision regarding disciplinary actions against a licensee rather than send the case directly to the Office of the Attorney General (OAG). ESP staff members are able to finalize a case without OAG involvement in one of two ways: either a licensee agrees with a board's terms, or a board agrees to a licensee's counter offer. If an agreement cannot be reached, the case is referred to the OAG.[63] The Division has been using ESP for select cases since FY 2003-04 and has avoided approximately $400 in expenses per case when it is able to avoid involvement by OAG.[64] The Division, however, does not have adequate resources to handle all cases that are appropriate for expedited settlement.

Both the OAG and DORA share the goal of public protection. DORA recognizes that it should use ESP to its fullest extent while still collaborating with OAG where appropriate and required for full legal proceedings.

Findings

Currently, DOR has three FTE's (full-time equivalent employees) staffing ESP and has additional funding for one additional FTE in FY 2007-08. The 3 FTE's working in FY

2006-07 managed 725 cases, for an average of 242 cases per employee. In FY 2006-07, the Office of Expedited Settlement had a settlement rate of 82 percent (it settled 668 cases in FY 2006-07, some of which remained from FY 2005-06).[65] According to DORA, annually about 1,200 cases are candidates for ESP handling[66] if sufficient staff were available to manage them. Based on DORA figures, 1,200 cases would require five case managers.

DORA avoided approximately $264,000 in legal expenses in FY 2006-07, and approximately $829,000 over three years, as a result of the ESP program.[67] This estimate is based on the difference in hourly rates of ESP staff ($28.10) versus OAG rates ($67.77) for FY 2006-07.[68]

While other divisions in DORA do not have formal, centralized approaches to expedited settlement efforts, the Division's success with ESP demonstrates a clear potential for expanding this approach across DORA.

Recommendations

The Division of Revenue's Expedited Settlement Program should add one FTE to its current staff of four FTEs. In addition, the Department of Regulatory Agencies, working with the Office of the Attorney General, should examine all other department disciplinary procedures and adopt ESP where appropriate.

Fiscal Impact

Assuming each case completed by ESP rather than OAG results in approximately $400 in avoided legal costs, that about 82 percent of all cases funneled to DORA are settled by DORA, and that each ESP employee can manage 242 cases annually, the net annual cost avoidance associated with one additional FTE in ESP would equal about $79,400 per year (242 x.82 x $400 = $79,400). This analysis reflects approximate annual costs of $58,500 for one FTE offset by an approximate cost avoidance of $137,900 resulting from the additional ESP case settlements.

Estimated Fiscal Impact				
Fiscal Year	**Other Funds Savings**	**Cost**	**Net Savings/ Revenue**	**Change in FTEs**
2009	$137,900	($58,500)	$79,400	+1.0
2010	$137,900	($58,500)	$79,400	0
2011	$137,900	($58,500)	$79,400	0
2012	$137,900	($58,500)	$79,400	0
2013	$137,900	($58,500)	$79,400	0
Total			**$397,000**	

IMPLEMENT PROCUREMENT REFORMS

Improve Colorado's State procurement system to reduce the cost of goods and services and increase savings.

Background

The Department of Personnel and Administration's State Purchasing Office (SPO) is responsible for the State's procurement of goods and services. One of the SPO's major responsibilities is to establish and administer a variety of State Price Agreements to be utilized by State agencies, higher education institutions, and political subdivisions. These agreements are designed to use pooled purchasing discounts to provide the best (least expensive) cost for users when purchasing needed goods or services.

Colorado's purchasing system is decentralized, allowing most State agencies (referred to as the "Group II Delegation") to have unlimited contracting authority for goods and materials. Other agencies (referred to as "Group I") have limited purchasing authority and can contract for goods up to $150,000 without Department of Personnel and Administration (DPA) approval. Other "non-delegated" agencies may not contract for goods without DPA sign-off.[69]

State Price Agreements

The State Procurement Code allows DPA to issue mandatory and permissive price agreements for statewide use.[70] Mandatory agreements require all State agencies subject to the State Procurement Code to purchase from these types of agreements while permissive agreements give State agencies the option of purchasing from them.

Total spending on price agreements by State agencies, higher education institutions, and political subdivisions exceeds $356 million annually. Of that amount, approximately $92 million per year is attributed to State agencies' spending.[71]

State Procurement Card

Colorado utilizes a central procurement card system for all State agencies and higher education institutions, known as the P-Card program. The current P-Card contractor is JP Morgan Chase (JPMC) Bankcard System using the MasterCard merchant network. Fourteen thousand cardholders in 52 State entities make over 780,000 transactions each year, for a total exceeding $185 million, utilizing the P-Card program.[72] JPMC pays the State a rebate based on the volume of its P-Card purchases. Based on last year's P-Card spending of $185 million, the State received $1.8 million in P-Card rebates. These rebates are used to fund the State Purchasing Office and the State Controller's Office, and generate approximately $500,000 for the General Fund.

E-Procurement Systems

The State currently does not have a central electronic contracting and purchasing system. The primary State accounting system (COFRS) is not used by all agencies and the State is unable to collect consistent and reliable information concerning the type and volume of commodities and services being purchased by State agencies.

Findings

State Price Agreements

Some State entities are not required to use State price agreements nor follow the State Procurement Code. These entities, including the judicial branch, legislative branch, the Higher Education Commission (CCHE), and some higher education institutions have "opted out" of the State Procurement Code. Currently, Colorado University, Colorado State University-Fort Collins, Mesa State, and Fort Lewis College have "opted out" of the procurement code; however, these institutions do regularly utilize many of the State price agreements and consider them beneficial.

Some agency buyers indicate that they are at times reluctant to purchase from certain State price agreements because the agreements do not have the goods and services they need or because agencies believe they can obtain lower prices by negotiating their own agreements. This often happens because the agencies' needs are not surveyed in a comprehensive manner before price agreements are solicited and because prices on a price agreement are based on a single commodity/service purchase. Recognizing this, the SPO has begun conducting extensive user surveys as part of the development of new price agreements. The surveys are used to better align statewide purchase agreements with State buyer needs and to create a more attractive statewide marketplace. In addition, this will allow the SPO to identify total statewide purchase volumes for each commodity, factor this volume into future price agreement negotiations, and pursue "tiered pricing" (price breaks offered by suppliers for aggregated purchases) more effectively.

Currently, less than 20 percent of the State's price agreements are mandatory. As a result, many State agencies have created their own (often duplicate) price agreements for goods and services. When purchases are made outside of the State price agreements (a practice known as "maverick spending"), the State's buying power is substantially decreased. This type of "maverick spending" does not take advantage of volume discounts and prevents the State from knowing the actual statewide purchasing volume of each commodity. This information is necessary to take advantage of volume purchasing discounts when negotiating future price agreements.

When State agencies do not use the State price agreements, they typically pay retail cost as opposed to the discounted rates under a price agreement. The savings to the State when utilizing price agreements varies a great deal depending on the goods and services being purchased. The State depends on price agreement vendors to report the savings from regular prices. A SPO analysis of vendor-reported savings off of regular price on State price agreements shows that most discounts obtained through a price agreement purchase range from 10 – 40 percent.[73]

The State currently uses multiple finance and accounting systems, none of which track purchasing expenditures in the same way as State purchase agreement vendors. Nevertheless, the SPO conducted an analysis that aggregates and compares certain categories of spending reported in COFRS against purchases reported by purchase agreement vendors. The SPO examined total State spending on certain goods and services (including office supplies, advertising, and medical laboratory and supplies) as reported in COFRS and compared this to the spending and savings on State price agreements reported by vendors. The SPO then estimated the savings that would occur if these purchasing categories are converted to mandatory price agreements (requiring agencies to purchase through the State price agreements) over the next two years. The table below, provided by the SPO, shows how over $2.9 million could be saved by purchasing these categories of goods and services under State price agreements:

Category	Estimated "Non-Purchase Agreement" Spending	Estimated Percentage of Savings	Estimated Savings
Advertising	$12,500,000	4.0%	$500,000
Medical Laboratory & Supplies	$5,300,000	34.4%	$1,823,200
Office Supplies	$1,300,000	45.9%	$596,700

Source: Colorado State Purchasing Office

Colorado could greatly expand its use of price agreements and increase savings to the State. The SPO could obtain deeper discounts from State vendors if the State made price agreement use mandatory for all agencies.

In addition, Colorado participates in the Western States Contracting Alliance (WSCA), a group of Western states who have joined together in cooperative multi-State contracting to achieve cost-effective and efficient acquisition of products and services.[74] Approximately

$158.1 million was spent under WSCA agreements statewide in Colorado in FY 2006-07.[75]

Procurement Cards (P-Cards)

The State procurement card program was established in 1999 to allow State agencies, departments and institutions to use a State credit card to make purchases. The goal of the program is to make it easier for employees to acquire goods and services while providing more timely payment to vendors and reducing the number of small dollar payments made with traditional checks or State warrants.

State employees are encouraged to make purchases from State price agreements whenever possible; however, the State procurement card program allows employees to buy most products from any vendor they select, not only price agreement vendors.

P-cards are not fully utilized by State agencies. Agency purchases that could be completed with P-cards are often still handled through purchase orders and check request processes that require State warrants or checks to be issued. The efficiencies of using a procurement card over traditional back office processing are well documented.[76]

The current State P-Card provider contract is eligible for a renewal option in March 2009. DPA plans to solicit a new contract rather than extend the renewal option.[77] DPA is currently meeting with local governments to determine ways to include them in the State P-Card program.

Currently, the SPO relies entirely on price agreement vendors for its data to determine the percentage of State price agreement purchases that are made using P-cards. Based on vendor-supplied data, the SPO estimates that approximately 50 percent, or $46 million of the $92 million currently spent by State agencies on price agreements is paid for using the P-Card. When the State increases the utilization of the P-Card for purchases, vendors realize a more efficient payment method and receive payments much quicker. This, in turn, opens the door for the SPO to negotiate additional discounts with vendors for prompt payment (typically, vendors have offered “prompt payment” discounts of two percent when payments are made by warrant within ten days). In addition, there will be a commensurate rebate increase from JP Morgan Chase as P-Card program spending increases.

One hundred percent P-Card usage is not possible because some State price agreement vendors do not accept the P-Card. However, the majority of State vendors do accept P-Card payment and the State should use the cards for payment, when allowed. Currently, several high volume price agreement payments are not made using a P-Card. Using a P-Card to pay for these price agreements alone could increase total P-Card use under price agreements significantly. To capitalize on the efficiencies of P-card use and maximize P-Card rebates, DPA has developed a goal of increasing current P-Card spending from 50 percent to 80 percent over the next two years.

E-Procurement Systems

Colorado currently has no electronic interface between its bid processing, purchasing, order tracking, and accounts payable functions related to purchasing. Therefore, staff must re-enter data and manually reconcile bids, purchases, and payments. Other states have automated these functions electronically via e-procurement systems. E-Procurement systems combine the use of Internet technology with efficient procurement systems to streamline the purchasing process, gather better data, and leverage the State's purchasing power.

An increasing number of US businesses, educational institutions, and at least four states use integrated electronic procurement and accounting systems. These systems reduce the cost of contracting, tracking, and paying for goods and services while also reducing the ultimate cost of goods and services at the same time. According to *Fortune Magazine*, "About one in five Fortune 500 companies relies on e-procurement to trim prices by an average of more than 7 percent annually, slashing delivery times by 67 percent."[78]

Virginia's E-VA system, which won the 2005 and 2006 Achievement of Excellence in Procurement Award presented by the National Association of State Procurement Officials, has saved the State an average of $40 million annually.[79] Virginia's E-procurement system encourages agencies to use State price agreements because these agreements include the specific commodities regularly used by State agencies. Virginia was able to design price agreements in this fashion because of the system's ability to collect detailed data so that the State knows precisely what the agencies are buying. Each time price agreements are rebid in Virginia, the agreements are further refined to better reflect the State's aggregate purchasing needs.

In Colorado, State spending data is generally obtained directly from vendors and is often inadequate to provide spending analysis in a form that can be easily used to determine future contracts or to monitor agency price agreement usage.

E-Procurement systems could solve a host of problems that Colorado currently faces in its purchasing operations by:

- Driving user adoption of the State Price Agreements;
- Sustaining decentralized purchasing authority while providing detailed information about the State's purchasing to the SPO (allowing SPO to better ascertain purchasing trends and buyer's needs);
- Promoting targeted businesses, such as small, minority and women-owned (M/WBE) businesses;
- Leveraging data to obtain better prices from State price agreement vendors
- Increasing use of P-Card;
- Improving purchase requisition and purchase order processing;
- Reducing the time spent by State agencies on sourcing and purchasing;

- Improving the effectiveness of the State Procurement Office (SPO) through increased automation;
- Improving control over supplier invoicing errors, and;
- Improving audit capability through a centralized, high-visibility payment process.

While Virginia embraced e-procurement early and developed an expensive custom-made system, businesses, governments, and higher education institutions are now using less expensive, browser-based ASP systems. An ASP, or Application Service Provider, is a company that allows customers to rent or license the use of e-business applications over secured Internet connections. In an E-Procurement environment, the ASP provider creates and maintains an on-line supplier marketplace featuring both the State's price agreements and supplier catalogs electronically.

Through an ASP, an on-line marketplace can be established for State buyers to make purchases and provide detailed transaction data to both the agency and to the SPO. State Price Agreements can be hosted in this marketplace with convenient buyer access to each vendor's catalogs either hosted inside the marketplace or through a transparent connection to the vendor's website. ASP E-Procurement providers are capable of incorporating the State's workflow and approval rules. ASP providers also offer additional software and services for content and catalog management, e-sourcing, contract management and reporting.

Potential Funding for a Colorado E-Procurement System

The State Purchasing Office is working with leading E-Procurement ASP providers to estimate the cost to implement an E-Procurement solution to serve Colorado State agencies and higher education institutions.

ASP based e-procurement systems involve a one-time implementation cost and on-going license or subscription fees. Based on the SPO's initial discussions for Colorado, the one-time implementation cost is estimated at $220,000.[80] The annual license fees are estimated to be $1,635,000, which includes all required application modules and support for 65 State price agreement catalogs.[81] Such a system would serve all delegated State agencies, higher education institutions, and political subdivisions, for approximately 15,000 users.[82]

The cost of Virginia's e-VA system was about $14.9 million and required about three years to custom-build and roll out. Virginia's system was built by and is maintained by the State. It has been completely paid for with vendor and agency fees (Virginia uses current fees to pay for the system's maintenance and upgrades). Virginia's vendor fees were established at one percent of the cost of the goods purchased by the State, with a cap of $500.[83] Presently this cap has been raised to $1,500 and user agencies now pay the same fee as the vendor.[84]

DPA's Division of Finance and Procurement is developing a detailed plan to generate the revenue necessary to pay for an E-Procurement system and the annual on-going costs without requiring a General Fund appropriation or undercutting rebate-funded support of the SPO or State Controller's Office.

Recommendations

1. **The State should mandate the use of selected statewide price agreements over the next two years.**

2. **The Department of Personnel and Administration should target additional savings in existing State Price agreements and increase participation in the Western States Contracting Alliance (WSCA) where possible.**

3. **DPA should adopt policies to drive increased use of the State Procurement Card (P-Card) for Price Agreement purchases, with the goal of increasing P-Card purchases on Price Agreements from 50 percent to 80 percent over two years.**

4. **Concurrent with above recommendations, DPA should begin to plan the transition to an e-procurement system to create a more efficient procurement program and utilize technology to better leverage the State's purchasing power.**

Fiscal Impact

The procurement recommendations outlined should create significant savings for agencies across State government. The fiscal impact identified in the following table only involves estimates related to one of these recommendations – savings that would accrue from converting permissive price agreements to mandatory price agreements over the next two years.

Savings through Mandatory Price Agreements

Currently, less than twenty percent of the statewide price agreements are mandatory. Converting permissive price agreements to mandatory price agreements will leverage additional purchasing power to negotiate better prices in dozens of areas of State spending. Over the next two years, the State can rein in "maverick spending" and create significant, on-going savings for State government buyers. To estimate savings, the SPO utilized data from State price agreement vendors (reports from about 90 percent of the

State's vendors include identification of savings). These reports indicate that depending on the category of spending, State buyers receive from 10 to 40 percent savings when leveraging purchases under price agreements.

Because the majority of price agreements in Colorado are not mandated, and because the State depends on financial reports through multiple finance and accounting systems, it is very difficult to determine total "maverick spending" by State agencies. As noted earlier, the SPO has data showing that approximately $92 million is currently spent by State agencies using price agreements. The SPO estimates that mandating the use of selected price agreements over the next two years will increase price agreement spending by 10 percent in the first year, increasing to 20 percent by the second year. (Note: The SPO is in the process of prioritizing the order in which price agreements should become mandatory based on several factors, including price agreement renewal dates; the size or volume of State spending; and ways to minimize the impact on State agencies.)

Based on the SPO's anticipated increases in price agreement spending, additional spending of $9.2 million would be realized in year one, increasing to $18.4 million by year two. Because it is difficult to definitively predict with certainty future purchasing and price behaviors, it was decided that for this recommendation, the State would take a conservative estimate of saving 15 percent on the additional price agreement spending. Based on this approach, the State would save approximately $1,380,000 in the first year and $2,760,000 in the second year. Savings and cost avoidance would increase as additional price agreements are mandated and renegotiated with vendors to reflect the increase in spending. The fiscal impact estimate here does not attempt to identify the additional savings and cost avoidance that would result from additional and renegotiated price agreements beyond year two. The SPO does not anticipate additional costs nor changes in FTEs as the SPO increases the number of mandatory price agreements.

Estimated Fiscal Impact	
Fiscal Year	**All Funds Savings**
2009	$1,380,000
2010	$2,760,000
2011	$2,760,000
2012	$2,760,000
2013	$2,760,000
Total	**$12.4 million**

UPGRADE COLORADO'S MAIL SORTING CAPACITY TO REDUCE COSTS AND INCREASE EFFICIENCY

By becoming a U.S. Postal Service vendor, Colorado's Department of Personnel and Administration can obtain new software and access USPS data in order to send out more mail at discounted rates and avoid future penalties.

Background

The Division of Central Services (DCS), located within the Department of Personnel and Administration (DPA), was created by statute to meet the business support service needs, including mail processing, of agencies. Currently, 40 percent of all outgoing state mail is handled by DPA;[85] in FY 2006-07, DPA processed 17,256,187 pieces of outgoing mail[86] with postage costs of approximately $5.6 million[87]. In addition to picking up U.S. Postal Service (USPS) mail from other agencies, DPA presorts, affixes postage, and delivers it to the post office.

Presorting mail allows for reduced USPS rates. Currently, DPA's pre-sorting equipment uses software that can validate the form of the address though it cannot verify the accuracy of the address. When address data on mail cannot be validated, it can still be batched by destination; however, it receives only a 3.7 cent discount (the largest USPS discount is equal to 10.8 cents). Currently, 75 percent of all mail handled by DPA is eligible for and receives a discount, and of this amount the majority is mailed at a 7.6 cent discount.

Findings

USPS and Undeliverable Mail

In 2007, the USPS implemented a Strategic Transformation Plan which calls for phased implementation of new pricing structures and rate increases, new postal agreements, and new handling procedures for external mail operations centers such as DPA's DCS. Driving some of these changes is the increasing rate of "undeliverable as addressed"

(UAA) mail USPS must contend with, due in part to its own internal changes. These are pieces of mail that have either invalid household names or physical addresses unrecognized by the postal service. The USPS handles approximately 1.6 billion[88] pieces of UAA mail per year, costing it over $3 billion[89] annually; USPS studies show that for every dollar spent on undeliverable mail, a minimum of another dollar is spent trying to get that mail to the intended recipient.[90] As a result, the Postmaster General has called for a 50 percent reduction in UAA mail by 2010.[91] Additionally, USPS officials have stated that they expect to begin reducing presort discounts by 2 to 10 percent in August 2008 for non-compliance with the UAA mail policy, [92] and to eventually levy fines.

Non-automation presort mail is mail that would otherwise qualify for a USPS discount rate of 7.6 cents had the address data been cleansed beyond the address validation process. Between July 2007 and January 2008, DPA metered 2.4 percent of all outgoing mail at the non-automation presort rate of 37.3 cents per piece, equaling a 3.7 cent discount.[93] In other words, approximately 2.4 percent of all DPA mail would qualify for an additional 3.9 cent discount per piece if a UAA mail solution were in place.

In FY 2005-06, state agencies that used DPA to process outgoing USPS mail saved roughly $1 million[94] on postage by presorting. However, as stated previously, these savings will be reduced – by $20,000 to $100,000 – by the USPS if UAA mail is not substantially reduced, and the state risks losing the entire presorting discount (approximately $1 million in FY 2005-06) plus incurring any additional fines levied by the USPS.

Reducing Undeliverable Mail

UAA mail can be reduced by using address cleansing software that checks for invalid names and undeliverable addresses before mail is processed and sent out. Colorado has two options for UAA mitigation: it can employ a private sector vendor to provide these services, or it can become a vendor itself. Entities designated as vendors by the USPS are allowed a direct link to the USPS National Change of Address database, which, combined with cleansing software, significantly reduces the rate of UAA mail.

DPA recently conducted an informal assessment of vendors available for this kind of work in the Denver area and found that, on average, vendors charge about 2 cents to cleanse each address.[95] In addition, they charge a set-up fee of between $50 to $100 for each data cleansing run and a minimum charge of about $100, regardless of the size of the database to be cleansed.[96] As a vendor itself, DPA would also charge agencies about 2 cents per address but would have no set-up fee and no minimum fee. In addition, making DPA a vendor will help secure the integrity and confidentiality of the state's data; sending address information outside of the state system increases the likelihood of security breaches and, in some cases, is impermissible.

When the address cleansing software is in place, affected agencies will export addresses from their databases in an electronic file format and submit that file to DPA. Staff will then format the data file so that it matches the fields required by the address cleansing software, which will generate a report that identifies "bad" addresses and offers available corrections. DPA staff will then return the report to the agency so it may update its database.

DPA has an opportunity, through its strong partnership with the USPS, to become a model as the first state to be recognized as a vendor by the USPS. The cost to acquire the needed software is about $75,000 in the first year, which also includes licensing fees. By comparison, the USPS charges private sector vendors $175,000 for this software.

Ongoing annual maintenance and license fees will be about $25,000. DPA can provide address cleansing services to Colorado government using no additional FTE's and providing a cost effective solution that ensures the confidentiality of state address data.

Recommendations

1. **DPA should purchase appropriate address cleansing and data correction software in order to comply with the USPS mandate to reduce UAA mail and to protect the state's USPS pre-sort discounts.**

2. **Colorado should adopt a program of requiring all state agencies to electronically submit mailing lists to DPA for address cleansing as the first step in a mailing project.**

Fiscal Impact

Savings will result from increased discounts on mail that now receives a 3.7 cent discount for sorting, however is eligible for a 7.6 cent discount if the addresses are cleansed. Of all outgoing state mail handled by DCA, 2.4 percent is eligible for this extra 3.9 cent discount: that is about 415,200 mail pieces (17.3 million pieces X .024). Improving the processing of 415,200 mail pieces, resulting in an additional 3.9 cent discount, will equal savings of about $16,200 annually.

Additional savings will result from avoiding the reduction in postal discounts of between two percent and ten percent promised by the USPS if UAA mail is not significantly reduced. It is assumed that the USPS will reduce its discount of approximately $1 million (in FY 2005-06) by 5 percent ($50,000) annually if the state does not reduce its UAA.

As stated previously, the initial outlay to connect to the USPS database is $60,000 with an additional $15,000 licensing fee for address cleansing software in the first year.

Subsequent years' licensing and maintenance agreements are estimated to cost $25,000 annually.

Estimated Fiscal Impact			
Fiscal Year	**General Fund Savings**	**Cost**	**Net Savings/ Revenue**
2009	$66,200	($75,000)	($8,800)
2010	$66,200	($25,000)	$41,200
2011	$66,200	($25,000)	$41,200
2012	$66,200	($25,000)	$41,200
2013	$66,200	($25,000)	$41,200
Total			**$156,000**

[1] DHS Personnel Action Form (HR-2)
[2] Interview with Genette Hurt, administrative assistant for the DHS Office of Adult, Disability and Rehabilitation Services, June 20, 2007
[3] DHS Office of Operations and Financial Services' Clearance Process worksheet
[4] Interview with Genette Hurt, June 20, 2007
[5] Interview with Genette Hurt, July 30, 2007
[6] Interview with Genette Hurt, August 8, 2007
[7] DHS Personnel Action Form (HR-2)
[8] E-mail from Timothy Murphy, Budget Director, Department of Personnel and Administration, May 21, 2007
[9] E-mail from Ed Fink, CDOT GEMS representative, June 15, 2007
[10] CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE, Multi-Agency (Department of Transportation - lead agency), Priority BA-1, "Multi-Agency Fleet Vehicle Maintenance."
[11] Interview with Robert Dirnberger, July 20, 2007
[12] E-mail from Robert Giovanni, State Fleet Program, July 6, 2007
[13] IBID
[14] E-mail from Ed Fink, September 19, 2007
[15] E-mail from Robert Dirnberger, July 20, 2007
[16] "Fleet Parts and Labor Spreadsheet" DPA, August 15, 2007
[17] All figures in the fiscal impact methodology and table are drawn directly from CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE, Multi-Agency (Department of Transportation - lead agency), Priority BA-1, "Multi-Agency Fleet Vehicle Maintenance."
[18] FINAL FY09 Statewide Decision Item – Garage Issue – Fleet Vehicle Maintenance, Table 4.
[19] For the purpose of study those brands representing less than 4 percent were disregarded.
[20] Again, for the purpose of study those brands representing less than 4 percent were disregarded.
[21] Bob Dirnberger, Director, Colorado State Patrol Support Services Branch.
[22] Only the car's "light bar" is acquired simultaneously with the car's lease. Source: Bob Dirnberger, Director, Colorado State Patrol Support Services Branch

[23] Note that only personnel time required to remove equipment is calculated here. Manhours required to install equipment is not calculated into time estimates here because would be the same hours required to install each set of equipment in the new cars for that year.
[24] Bob Dirnberger, Director, Colorado State Patrol Support Services Branch.
[25] Savings estimated by Bob Dirnberger based on four-year cycle required to end current leases and fully implement recommendation.
[26] E-mail from Delmon French, CDOT, August 14, 2007
[27] Ed Fink, CDOT, August 16, 2007
[28] E-mail from Ed Fink, August 14, 2007
[29] Ed Fink, August 16, 2007
[30] E-mail from Paul DeJulio, August 14, 2007
[31] E-mail from Ed Fink, July 31, 2007
[32] IBID
[33] E-mail from Ed Fink, August 17, 2007
[34] Conversation with Ed Fink, Retired Maintenance Supervisor, CDOT Region 1, August 1, 2007
[35] "GEMS Report, Consultant and CDOT In-House Engineering Comparison", CDOT, July 7, 2007
[36] E-mail from Ed Fink, July 16, 2007
[37] Conversation with Pamela Hutton, CDOT Chief Engineer, August 1, 2007
[38] IBID
[39] The private sector overhead cost for this amount of work equals about $2.2 million (11 x $70,000 x 2.85) while CDOT's cost for this same level of work equals approximately $1.9 million (11 x $70,000 x 2.45). The difference is approximately $300,000.
[40] E-mail from Ed Fink, September 18, 2007
[41] 1.5 FTEs x $70,000 x 2.48
[42]Phone conversation with Ann Waters, Superintendent of Homes, Missouri Veteran's Commission.
[43]General Accounting Office, Workforce Investment Act, Report 07-325, June 2003.
[44] Relave, Nanette. Issue Notes: Improving Collaboration between Welfare and Workforce Development Agencies, Welfare Information Network, June 2002.
[45] Center for Law and Social Policy, Policy Brief No. 4: Workforce Development Series, October 2003, p.3.
[46] McIntire, James L., and Amy F. Robins. Fixing to Change: A Best Practices Assessment of One-Stop Job Centers Working with Welfare Recipients. Washington, D.C.: U.S. Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, March 1999.
[47] Center for Law and Social Policy, Policy Brief No. 4: Workforce Development Series, October 2003, p.3.
[48] CLASP, p.3.
[49] Barnow, Burt and Christopher King. The Workforce Investment Act in Eight States: Overview of Findings from a Field Network Study, p. 26, July 2003.
[50] National Association of State Workforce Agencies, State WIA-TANF Relationship Survey, May 2002.
[51] Serving TANF and Low-Income Clients through WIA One-Stop Centers, p. 17, January 2004.
[52] Overview provided by Ann Renaud, Office of Planning and Budget, Colorado Governor's Office.
[53] Lewin Group. Colorado Works Program Evaluation: 2006 Annual Report, September 2006.
[54] Ibid.
[55] National Association of State Workforce Agencies, State WIA-TANF Relationship Survey, May 2002.
[56] Analysis of data provided by Dan Daly, Colorado, Works, Department of Human Services, October 23, 2007.
[57] Ragan, Mark, Rockefeller Institute of Government, Service Integration in Colorado, 2002.
[58] Colorado Formula for Success, WIA Year 2006 Annual Report, pg. 39.
http://dola.colorado.gov/dlg/wdc/publications/2006%20WIA%20Annual%20Report.pdf
[59] Colorado State Statutes, Title 24, Article 46.3.
[60] *FY 2007-08 Staff Budget Briefing: Department Of Natural Resources*, **Colorado General Assembly Joint Budget Committee,** http://www.state.co.us/gov_dir/leg_dir/jbc/natbrf2.pdf, accessed June 13, 2007.
[61] http://www.funoutdoors.com/node/view/1448, Fact Sheet on USFS Rural Schools Initiative, accessed October 1, 2007.
[62] Interview with John Brejcha, State Land Board, Colorado Department of Natural Resources, July 13, 2007.
[63] "Update on Office of Expedited Settlement, Footnote 112 Report", a memorandum to Rep. Bernie Buescher, Chairman, Joint Budget Committee from Tambor Williams, Executive Director, DORA, October 1, 2006, page 2.

[64] "Update on the Office of Expedited Settlement, Footnote 120 Report", a memorandum from Rico Munn, Executive Director of DORA to the Joint Budget Committee, October 18, 2007, page 7.
[65] Ibid, page 5.
[66] Email from Rosemary McCool, Director of the Division of Registrations, DORA, October 19, 2007.
[67] "Update on the Office of Expedited Settlement, Footnote 120 Report", page 7.
[68] "Update on the Office of Expedited Settlement, Footnote 120 Report", page 7.
[69] "State of Colorado Purchasing Background Information," page 1.
[70] Colorado Procurement Code, Rule 24-102-202-01.
[71] Colorado State Purchasing Office, State Price Agreement System database, fiscal year 07.
[72] Colorado State Purchasing Office, P-Card State Agency Transaction and Rebate Summary, 2007.
[73] State Purchasing Office, Detail Report-State Agency Price Agreement, Vendor-reported Volume and Savings.
[74] Western States Contracting Alliance, more information available at: http://www.aboutwsca.org/welcome.cfm
[75] Colorado State Purchasing Office, WSCA Fee Table.
[76] Colorado State Purchasing Office. See: 2003 Accenture/American Express Study-Procurement Efficiencies with P-Cards, available at: http://home3.americanexpress.com/corp/pc/2003/paper_purchasing.asp. Although Colorado adopted the P-Card to make accounting transactions easier, staff time is still required to reconcile purchased goods and services in the agency accounting system with receipts.
[77] John Utterback, Colorado State Purchasing Office.
[78] "Show Me the Money", Fortune Magazine, April 3, 2006, page S2.
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[82] Ibid.
[83] "Virginia's Total e-Procurement Solution", available at: www.eva.state.va.us/learn-about-eva/2006
[84] Ibid.
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[91] Mailers' Technical Advisory Committee Report on Address Quality Methodologies, February 2006.
[92] Meeting between DPA staff and USPS representatives, January 4, 2008.
[93] Discussion with Sherri Fuss-Autobee, et al, February 26, 2008.
[94] Ibid.
[95] Ibid.
[96] Ibid.

Chapter 2
Going Green to Conserve Dollars

Increased energy costs have not only put a strain on family budgets but also on State Government. Several State agencies have taken positive steps to reduce energy costs, such as conducting energy audits to identify ways to reduce energy consumption. In looking for additional ways to decrease energy costs the GEM Performance Review found some small actions, that while they may not add up to large cost savings, still create a culture throughout State government that even the small things can add up.

Colorado is starting to purchase more fuel-efficient cars for the State motor pool. Additional steps can also be taken in regarding the utilization of State vehicles to further enhance fuel savings. Specifically, the GEM Performance Review found ways in which the State can increase ride sharing and better monitor the assignment and use of its vehicles.

Certainly, the cost of fuel has increased travel costs. While it is often important to convene meetings for individuals from around the state to talk face to face, new technology can bring people together for “virtual meetings” through videoconferencing. Included in this chapter are recommendations for ways in which State employees can immediately begin using current videoconferencing equipment to the greatest extent possible.

Another simple cost saving measure that also protects the environment is to look at more ways in which the State can become a paperless office. A clear example is the limiting of hard copy production of large documents that are expensive to print and environmentally unfriendly – like printing the 143 page employee handbook when it can be made available on-line.

Colorado State Government can take the lead in finding ways to reduce energy consumption to protect our environment for our citizens today and for the future.

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Incorporate Energy Conservation Initiatives into State Buildings	($930,000)		$5,280,000		$5,850,000		$4,750,000		$4,750,000		**$19,700,000**	
Use Electronic Filings to Improve Local Government Data Collection												
Minimize Unnecessary Data and Separator Sheets in Print Jobs	$800		$5,000		$5,000		$5,000		$5,000		**$20,800**	
Reduce Printing and Postage of Licensing and Regulating Business		$40,200		$249,600		$249,600		$249,600		$249,600		**$1,038,600**
Reduce Paper Consumption by Changing Employee Handbook Distribution		$1,000		$1,000		$1,000		$1,000		$1,000		**$5,000**
Reduce Number of State-Owned Vehicles	$444,200		$444,200		$444,200		$444,200		$444,200		**$2,221,000**	
Expand Videoconferencing	($126,000)		($62,000)		($62,000)		($62,000)		($62,000)		**($374,000)**	
Better Manage Laundry Use and Associated Costs at CO Mental Health Institute at Fort Logan	$4,400		$4,400		$4,400		$4,400		$4,400		**$22,000**	
TOTAL ALL FUNDS	**($565,400)**		**$5,922,200**		**$6,492,200**		**$5,392,200**		**$5,392,200**		**$22,633,400**	

INCORPORATE ENERGY CONSERVATION INITIATIVES INTO STATE BUILDINGS

Increase energy efficiency of state buildings via improved equipment, equipment operations and energy performance contracting.

Background

In April 2007, Colorado Governor Bill Ritter, Jr. issued an Executive Order re-creating the Governor's Office of Energy Management and Conservation (originally created in 1977 to promote energy conservation in Colorado) as the Governor's Energy Office (GEO). The GEO's mission is to lead Colorado to a New Energy Economy by advancing energy efficiency and renewable, clean energy resources.[97]

The GEO will play a critical role in charting Colorado's provision of clean and renewable forms of energy. In addition, the GEO will take a leadership role in identifying new ways for state government to increase energy efficiency and conservation. The Greening Government Executive orders call for a 20 percent reduction in energy and a 10 percent reduction in water consumption.[98]

The State owns over 5,400 buildings totaling over 62 million gross square feet[99]. This includes a wide range of facilities, such as rest stops along state highways, park ranger stations, and administrative office buildings. Approximately 50 percent of the state's portfolio is currently in some stage of an energy performance contract. The FY 2005-06 budget for building utilities (heating fuels, water, and sewer services) was approximately $155 million. [100]

With this in mind, the GEO has issued a request for proposal (RFP) that seeks a vendor to collate the monthly utility bills of state-owned buildings, compare energy consumption with that of similar buildings, and establish a baseline for the amount of water, heating fuel, and electricity used. As of December 21, 2007, the RFP solicitation period had closed and the vendors' submissions were being evaluated.[101]

Using energy modeling and comparison tools, the vendor will identify the state-owned buildings that appear to be least efficient in energy consumption. The expected cost of the utility bill management system is contained in the table at the end of this report.[102] It is GEO's intent to pay for the initial cost of setting up the system and populating it with historical utility data. GEO expects to charge a participation fee to departments, colleges, and universities. GEO also plans to make the tool available to political subdivisions and K-12 public school districts under a similar type of participation-fee basis.

In addition to building utilities charges, the State also incurs costs associated with building maintenance. The Office of the State Architect (OSA's) January report indicates that the Agency Five Year Plan for Controlled Maintenance Funding now exceeds $500 million in requested maintenance projects for the 40 million square feet of general funded buildings. These projects include life and safety, structural, indoor air quality and energy, environmental remediation, infrastructure, electrical, roofing, and general repair requests.

Performance contracts between 1996 and 2007 have paid for $13,872,927 in identified Controlled Maintenance (CM) requests, according to the OSA January report. These amounts are only CM items that were identified either by the agency or college.

Findings

The GEO, in conjunction with the OSA, plan to use Energy Performance Contracting (EPC) as one tool to achieve the Greening Government reduction targets. With EPC, the state can retrofit energy-inefficient buildings without incurring upfront capital investments. EPC, already permissible by state statutes with a pre-feasibility study required by executive order D 014 03, is a tool to finance investments in new energy-and-water efficient equipment and controls. [103]

EPC is not new to the state. However, this GEM initiative improves the state's systematic approach to identify EPC opportunities through the utility bill management process, and its ability to work more closely with the OSA, state agencies, colleges, and universities. Additionally, this GEM initiative proposes further on-site investigation of facilities and improved management of Controlled Maintenance (CM) requests.

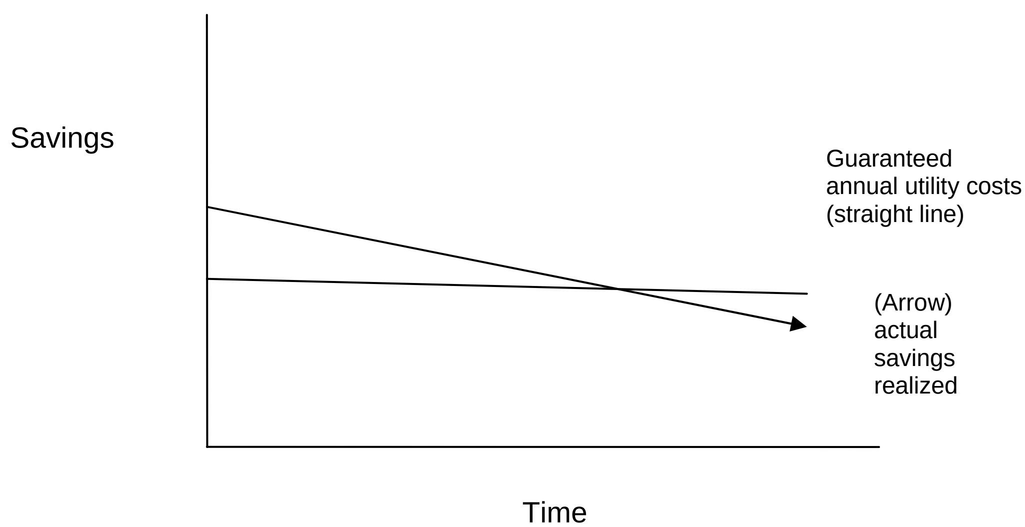
For each performance contract, the state enters into an agreement with a private energy service company (ESCO). The ESCO identifies and evaluates energy-saving opportunities, helps determine the optimum-financing choice, and then installs the package of improvements to be paid for through future energy and maintenance cost avoidance. ESCOs are useful since they bring to customers engineering and construction management expertise, are often providers of the new equipment (chillers, boilers, and air handlers) and have maintenance and verification services. The state benefits immediately, getting new equipment, expertise from energy service professionals, ongoing maintenance services, and the ability to accomplish many projects all at once without upfront capital investments.

The ESCO guarantees that energy savings will meet the annual payments to cover all project costs, usually over a contract term of ten to twenty years. Because the ESCO guarantees these energy savings, they have a vested interest to ensure that the replacement equipment operates as it is intend to operate, and that the projected savings are realized. The ESCO provides ongoing measurement and verification services post-construction, to confirm the proper operation and maintenance of the equipment. If the energy savings do not materialize, the ESCO covers the savings cost difference, not the state. Conversely, the state is able to retain savings that exceed the amount guaranteed by the ESCO.[104]

For example, the state may be under contract to pay $100,000 per year in financing loan payments. If the utility cost avoidance is only $90,000, the vendor will pay the extra $10,000. If the utility cost avoidance is *greater* than $100,000 – say, $110,000 – the state keeps the $10,000 saved, and can use it for additional investments in energy conservation. These excess "savings," depicted in the "wedge" below, are most likely to be realized in the early years of the agreement.

Virtually all of the state departments and universities that have engaged in performance contracting have been able to do so because they have some ability to track energy and water consumption. Without utility data, it is impossible to establish baseline energy usage on which to base the EPC.

The state's current practice is to leverage excess savings to achieve additional energy savings. For example, the state has a performance contract that guarantees savings for the Capitol Complex, which includes the capitol building, surrounding government office buildings, and the Governor's mansion. These excess savings realized in FY 2007-08 were used to purchase and install solar panels on the roof of the carriage house located at the Governor's mansion, among other energy efficiency projects.[105]



The ESCO prices the agreement and sets the terms of the contract to yield a return to the ESCO that is just above the intersection of the savings and the actual utility costs (profit to the ESCO). [106]

Using the billing data compiled per the RFP that closed December 21, 2007, the state will be able to review the relative energy efficiency of each of its buildings. Some state departments already compile, track and compare utility data for buildings: Department of Human Services, Corrections, and Personnel and Administration. Based on this experience, the GEO Commercial Buildings and Greening Government Programs, with input from the OSA, developed the multi-step approach outlined below.

Step 1: Identify and Correct Utility Bill Errors

The utility bill management vendor will check each utility bill for "billing abnormalities," which may indicate errors in the billing. Such errors may include erroneous charges, billing rates or meter readings. The vendor community estimates that as many as ten percent of all utility bills contain errors.

Step 2: Improve Operations through Equipment Management and Training

If the utility bill is correct, the GEO and department energy managers will investigate the building's automation systems and control devices to determine the condition of these systems. If systems are current, however the energy consumption is still higher than normal, the GEO will then determine whether the control devices are operating properly and if the facilities management staff for that building has been properly trained.

Energy cost savings can be achieved by ensuring that systems are operating as they are intended to through a process known as recommissioning, and by ensuring that facilities staff have the proper training and do not manually override the systems.

Step 3: Identify Opportunities and Engage in an Energy Performance Contract

If utility bills are correct and the building's automation systems, lighting, and equipment are not up to date, major retrofitting may be necessary. For these buildings, the state will consider energy performance contracting with an Energy Service Company (ESCO).

Step 4: Expand Savings Opportunities through Comprehensive Review

Because of the ten-year backlog of controlled maintenance requests, the OSA believes that not all CM items have been requested of the OSA. A comprehensive on-site review of all state department and college buildings could yield additional energy management benefits to the state.[107]

The Colorado State University (CSU) Industrial Assessment Program can play an important role in helping the state realize improved energy savings. CSU's

Industrial Assessment Center (IAC), as part of CSU's Mechanical Engineering department, identifies energy efficiency and pollution prevention opportunities for small and medium-sized industrial operations. CSU students conduct the assessments under the guidance of the IAC Director.[108] The Program could lead a complete on-site review of the state's built environment portfolio. The assessment would entail three graduate and three undergraduate students and a faculty advisor working two summers to document the following through on-site investigations:

- Identify and document building condition and energy-related controlled maintenance items;
- Assess the buildings energy-efficiency, controls, and systems;
- Assess renewable (solar) energy potential;
- Identify needs for facility staff training; and
- Identify best practices for continued facility operations and management.

Recommendations

1. **GEO should use the energy consumption and building data compiled in accordance with the Utility Bill Management Program and on-site assessments to identify energy-related controlled maintenance items in state buildings that would benefit from equipment automation updates, improved operations personnel training, or major retrofits.**

The GEO utility database management vendor will determine which utility bills are erroneous. The individual department, college, or university will work with the utility to correct the bill.

GEO will provide training for facilities management personnel where necessary, and work with building automation companies to ensure that equipment automation controls are properly configured and optimized.

2. **If major retrofits are the best way to increase energy efficiency for a given building, the state should negotiate an energy performance contract in which the vendor will retrofit the building and guarantee savings.**

All avoided utility costs realized from established performance contracts should be reinvested in the building portfolio for the agency, college, or university where the savings are achieved. This reinvestment may take shape in the form of additional energy-efficiency projects (those that do not have the pay-back necessary to qualify for a performance contract), additional measurement and verification tools to ensure proper building operation, and renewable energy projects.

Note that any excess performance contract savings and the additional savings resulting from this reinvestment are not accounted for in the estimate of savings for this recommendation.

Fiscal Impact[109]

Utility Bill Management System

Utility cost-avoidance would first be used to support the Utility Bill Management System described above. Savings above and beyond the performance contract guarantee would be leveraged to pay for additional energy or water use reduction projects.

In order to develop a performance contract that is both profitable for the ESCO and economically-feasible for the State, the ESCO must identify every potential saving opportunity. Therefore, it is standard practice for the ESCO to discover the billing errors discussed under “Step 1” and use the savings associated with correcting the error as a part of the EPC.

Projections are reduced by 50 percent because about 50 percent of all state facilities are involved in some form of a performance contract, leaving $77.5 million utility dollars with potential errors. Five percent of $77.5 million equals $3.875 million worth of potentially erroneous utility charges.

Based on billing errors that have been discovered by other states in managing utility savings[110] it is estimated that the utility error amount is approximately ten percent of the total charge, putting potential billing errors and savings at $400,000. This savings of $400,000 is a one-time savings, as once the utility billing errors are discovered and corrected, they would remain correct.[111]

Billing errors will be identified and recovered early in the utility bill management process. These savings are assumed for FY 2009-10 and FY 2010-11 only, with the majority of savings occurring in FY 2009-10.

The participation fee charged to other entities (e.g., school districts) to participate in the utility bill management system has not been established, and is not considered in this analysis. The fiscal analysis does include the expected vendor-related cost to maintain and operate the utility database.

Recommissioning

Industry figures indicate that standard savings associated with recommissioning are equal to 5 to 10 percent of the costs of the improvements, although savings can be greater than that. The Front Range Community College is currently recommissioning buildings on the Westminster campus at an estimated cost of $137,270, with a potential realized electric bill savings in the first year of $74,728. The payback on this project is anticipated to be greater than 50 percent.[112]

Recommissioning is essentially a tune-up of a building's existing heating, cooling, and lighting systems and controls, very much in the same way that an automobile is tuned-up to maximize performance. Additional information is available through the Environmental Protection Agency's ENERGY STAR website:
http://www.energystar.gov/ia/business/BUM_recommissioning.pdf

Recommissioning (as described in "Step 2") would occur in approximately 20 percent of the state buildings – those that entered into an EPC approximately ten years ago; or those where updates had been accomplished without an EPC ($31M of utility costs). A conservative figure of 5 percent potential savings or $1,500,000 in savings was then applied. These are one-time savings occurring in FY 2009-10 and FY 2010-11. The recommissioning process typically takes approximately six months to one year to implement.[113]

Training

Training costs are estimated at $100,000, a one-time cost incurred in FY 2008-09 and FY 2009-10. This number was established using the following assumptions:

- Roughly 40 executive departments, offices, colleges, and universities own buildings
- Five trainees per organization for a total of 200 trainees
- A cost of $500 per trainee.

This training is in addition to any training which would be included in an energy performance contract or a contract for recommissioning.[114]

Comprehensive Review and Assessment of Controlled Maintenance Performance Contracts

The January OSA review of CM requests received for the past 12 years indicates that energy-related requests totaled $84.9 million – estimated at annual energy-related CM requests of $7,075,000. Based on conversations with facilities managers, in addition to the identified annual energy-related requests of over $7 million, another 25 percent of that amount ($1.7 million) could exist in unidentified requests, for a total of about $8.8 million in energy-related CM requests. Of this amount, it is estimated that half or more of those requests could be rolled into a performance contract. Past experience shows that about

30 percent or $13 million of $46 million in CM requests were turned into performance contracts, and the expectation that additional on-site assessment of the facilities will result in the discovery of more opportunities. The General Assembly has also recently enacted legislation that should increase the number of potential performance contracts beyond what is included in this paper.

The state's ability to handle additional performance contracts requires that a sufficient number of qualified energy service companies (ESCO) are available to provide the necessary services.

Assessment Program

The estimated cost of the CSU Industrial Assessment Program is $150,000 per year for two years (Two Graduate students $20,000 each/summer; five Undergraduates $10,000 each/year; Faculty Advisor and overhead $60,000/year).

Estimated Fiscal Impact			
Fiscal Year	**Cost Avoidance Utility Savings**	**Cost**	**Net (Costs)/Savings**
2009		($930,000)[115]	($930,000)
2010	5,800,000[116]	($520,000)[117]	$5,280,000
2011	$6,100,000[118]	($250,000)[119]	$5,850,000
2012	$5,000,000[120]	($250,000)[121]	$4,750,000
2013	$5,000,000[122]	($250,000)[123]	$4,750,000
Total			**$19,700,000**

USE ELECTRONIC FILINGS TO IMPROVE LOCAL GOVERNMENT DATA COLLECTION

Asses the Department of Local Affairs' current IT and operational systems to establish short-and long-range solutions for increasing electronic records management in order to reduce costs and improve service to Colorado's local governments.

Background

The Colorado Department of Local Affairs (DOLA), Division of Local Government (DLG) was created in 1966 to: 1) provide technical assistance and information to local governments on federal and state programs; 2) act as a liaison to other state agencies concerned with local governments; 3) serve as a source of information to the Governor and General Assembly on local government issues; and 4) perform research on local government issues.[124]

DLG provides service to more than 2,900 local jurisdictions in Colorado, including counties, municipalities, and over 2,000 local "special purpose districts" (which are created to meet the needs of a population, for instance fire protection, education or water supply).

DLG collects more than 25,000 records, filings, applications and other documents each year in its work with local governments. Because of statutory requirements that "certified" or signed copies of documents be filed with DLG, virtually all of these documents are submitted by U.S. mail in hard copy (on paper) to the Division.[125]

Findings

The trend towards use of electronic filings and data storage in both the public and private sectors is nationwide and almost certainly irreversible. The federal government is accelerating this trend through a presidential "E-Government" initiative with a "Government to Government" component that can be expected to make electronic records a routine feature of intergovernmental relations in the future.[126] Several states have projected significant short- and medium-term savings in personnel costs associated with filings and record maintenance by moving towards digital systems. States are also finding even more significant benefits in terms of improved customer service, reduced consumer costs and public access to public information.[127] Given DLG's core mission of service to local governments and citizens, it should be in the forefront of Colorado's e-government efforts.

The Colorado Department of Education (CDE), which collects and assembles data reports from hundreds of school districts throughout the state, has recently faced a challenge similar to DLG's regarding electronic records and filings. In 2007, recognizing that technology was not being well-utilized in the collection, coordination and dissemination of local school reports by CDE, Governor Ritter signed into law a bill that directed the Department and Governor's Office of Information Technology (OIT) to conduct a comprehensive review of the state's educational data infrastructure.[128]

The assessment showed that CDE supported 30-50 different information technology (IT) systems for report collections. Prior to the assessment, staff knew neither how many IT systems were operating nor how many redundant data points were collected in different reports. Without this baseline of knowledge, there was no way to design a better and more efficient system.[129]

The assessment of CDE's data infrastructure was conducted by an independent third party evaluator for $150,000.[130]

Like CDE, DOLA operates a multitude of IT systems to process reports and other documents submitted by local jurisdictions. In addition to IT supported filing systems, there are many reports submitted to DLG by local governments on paper. Many of these filings are required to be submitted in hard (paper) copy because of statutory requirements for original signatures or "certified" copies. The collection and processing of paper copies of filings, applications and other documents creates mail and printing costs for local governments and significantly restricts the ability of DLG staff to search and analyze the report data once submitted. Also, the office and filing space needed by DLG to store all of the paper filings is becoming impractical.

When considering implementation of new or enhanced electronic record and filing systems, the Governor's OIT recommends an independent assessment of the relevant department's IT system. While these assessments do require an up-front expenditure for the study, they are able to review the IT system currently in place and determine the system's present capacity. The assessments can show what short term, low cost changes can be put into place immediately to improve the system's data collection. The assessment can then also provide long term system redesign recommendations that can be prioritized based on available project funds.[131]

Typically, OIT requires two months to develop a Request for Proposal (RFP) to solicit bids from outside firms for state IT system assessments. OIT estimates that a system assessment for DOLA would cost $150,000-$200,000 and would take 6-7 months.[132]

As part of the GEM Performance Review, members of the DLG staff have reviewed all of the documents and filings they are currently collecting. Of over 25,000 documents/filings collected annually, staff have determined that more than 20,000 could be accepted electronically[133] by DLG given adequate technology infrastructure.[134]

When considering electronic filing and record systems in the past, DLG has noted that the IT and data communication resources available to local governments vary tremendously across the state. Local resources are certainly an important factor when considering changes to electronic filing and submission systems, and given the limited information available about local technology capacities, a survey of local governments should be part of an e-filing assessment for DLG.

Elimination of Records and Filings Collected by DOLA/DLG

DOLA/DLG staff have conducted a preliminary evaluation of statutorily required filings and determined that several categories of them are of limited use to the business activities of DOLA/DLG and could be eliminated. These potentially expendable documents, provided by local governments, meet one or more of the following criteria: they are only occasionally filed; are rarely reviewed by the public; are perfunctory; are redundant; generate hundreds or thousands of unnecessary pages each year. Importantly, however, DLG staff recommends that external stakeholders – other government agencies, citizens, etc. – be consulted before final determinations are made with regard to eliminating these filings.[135] An initial assessment of documents is shown in the table on the following page.

Filing Required	Number of Filings Annually	Rationale for Elimination
Certificate of Municipal Operations 24-32-110	129	Considered perfunctory, of limited use and relatively costly as it must be submitted by certified mail.
Title 32-1 Special District Organization 32-1-306 [Original Maps, Inclusion/ Exclusion Orders]	100	Rarely reviewed by the public and in many instances the maps are out of date before being filed with DLG due to inclusions/exclusions of territory. Propose eliminate filing requirement and only request information necessary for those certifying participation in the CTF distribution.
32-1-104 [Annual Updated Map]	300 biennially	
Intergovernmental Contracts 29-2-205 [List of contracts in effect and copies of new contracts when executed]	700	Sporadically provided by local governments. The filings are rarely sought by public inquiries.
Forfeiture and Seizure 16-13-701 [Annual Report]	32	Sporadically provided by subject entities and the filings are rarely sought by public inquiries.
Title 32-1 Special District Directors Filings 32-1-901 [Director Bond]	4,800 biennially	Required, however extensive effort is made by DLG staff to qualify filings and pursue non-filing districts
Non Rated Public Securities Report 11-58-101 [Annual Report]	100	Sporadically provided by subject entities and the filings are rarely sought by public inquiries. In addition, the information is subsequently provided in the entity's required financial statements filed with the State Auditor's Office. However, the information does lag by 6-12 months.

Recommendations

1. **The Department of Local Affairs, Division of Local Government, in conjunction with the Governor's Office of Information Technology, should conduct an assessment of DOLA's current Information Technology and operational systems to determine capacity for more electronic filing and electronic record submissions.**

The assessment should include:

- A survey of local governments (including urban and rural areas with small, medium and large jurisdictions) regarding e-record data support and compatibility concerns;
- An assessment of the data capacities, reporting access, and data exchange systems within the current DOLA/DLG data technology system;
- An evaluation of DOLA's current IT services, applications, architecture, and resources;
- Identification of any duplication of effort, services, or resources in DOLA's current IT systems; and
- Inefficiencies and costly redundancies within the current data technology system.

2. **To offset some of the costs involved in transitioning to more electronic filings, DOLA/DLG should review the records currently collected to determine each filing's value and usefulness. Filings that serve little or no value to state or local governments should be eliminated. Statutory requirements for such filings should be repealed.**

3. **Statutory requirements for original signatures and "certified" copies should be amended to allow for electronic submissions of records.**

Fiscal Impact

OIT estimates that an assessment of DOLA's current IT and operational systems for filings would cost $150,000 to $200,000.

Overall fiscal impact will be determined after the comprehensive assessment of the DOLA/DLG IT systems is complete.

DOLA projects savings to local governments in mail and printing costs with more e-filing and e-records.

Savings and efficiencies from elimination of certain filings will be determined by DOLA/DLG staff.

MINIMIZE UNNECESSARY DATA AND SEPARATOR SHEETS IN PRINT JOBS

Eliminate extra header/footer pages for reports printed from the Department of Revenue's mainframe computer system through software changes.

Background

Every mainframe report printed by the Department of Revenue (DOR) produces an unnecessary and wasteful 5 pages of printout. Mainframe reports are sets of data taken from the shared computer system and formatted in specific ways to answer specific questions; the extra pages issue is limited to these reports. The extra header and footer pages contain system-generated information about the report or are simply blank. In the past, DOR employees worked on an initiative to eliminate the additional pages by modifying print settings. During testing, however, the modification began offsetting reports, meaning no separator page would be printed between reports, creating a different set of problems requiring staff to manually sort and separate massive amounts of pages.

Findings

DOR has the ability to manipulate the dispatch system that controls the printing and has now succeeded in eliminating two of what were at one time seven unnecessary pages printed between reports. DOR is continuing to work with the system to see if additional pages can be eliminated. DOR discovered during the course of researching the problem for the GEM Performance Review that they have more control over the print settings than previously thought.

DOR has two means of reducing the unnecessary pages: one is to reprogram internally the dispatch system; the other is to deploy existing software.

The Department of Personnel and Administration (DPA) owns software to eliminate excess header and footer print pages. It is not certain that the DPA software is compatible with DOR's system; however, before DOR explores options beyond internal reprogramming, it should test DPA's software as a solution.

Recommendations

DOR should continue with efforts to eliminate the remaining five separator pages printed between every report.

DOR should first work towards changing its own dispatch system. If that does not result in an efficient and effective solution, then DOR should test DPA's software on its system.

Fiscal Impact

DOR may be able to make local changes to its reports using DPA's software. It is estimated that this will require 120 hours of programming work. For 2008, the Department anticipates that programming changes will cost $35.03 per hour for a total cost of $4,204.

The Department does not track paper use for reports only; however, DOR records show that in January 2008, 12,369 reports were printed. If each report included a five-page header/footer, then eliminating those five pages would save more than 742,000 sheets of paper over twelve months, the equivalent of more than 148 boxes in one year.[136] At just over $33 per box, that amounts to nearly $5,000 per year in potential savings.

DOR does not incur any cost for the ink because they lease the printers directly from Xerox and supplies are part of the leasing contract.

In addition to the fiscal impact, there is an obvious and beneficial environmental impact: according to *conservativeatree.com*, saving 148 boxes of paper per year saves approximately 89 trees per year or 445 trees over 5 years.

Estimated Fiscal Impact			
Fiscal Year	**General Fund Savings**	**Cost**	**Net Savings/ Revenue**
2009	$4,993	($4,204)	$789
2010	$4,993		$4,993
2011	$4,993		$4,993
2012	$4,993		$4,993
2013	$4,993		$4,993
Total			**$20,761**

REDUCE PRINTING AND POSTAGE COSTS OF LICENSING AND REGULATING BUSINESS

The Department of Regulatory Agencies can save money by using electronic communication rather than paper documents and the U.S. Postal Service.

Background

Colorado's Department of Regulatory Agencies (DORA) is charged with protecting consumers by enforcing professional standards and regulating business practices across many industries including banking, real estate and certain health services. DORA sets standards for licensing practitioners and businesses and allows citizens/consumers an avenue for redress when those standards are not met.

Board Meetings

DORA fulfills its mission through 46 different boards and commissions which support 236 board members and commissioners (many of whom serve voluntarily).[137] In the course of operating these many entities, DORA sends documents and correspondence associated with board and commission work to each board member through the U.S. Postal Service (USPS); DORA also distributes hard copy documents to the public through the USPS. These documents can be made available electronically to board and commission members; public board documents can be made available to most public entities on the Department's website.

Routine Correspondence and Licenses

Annually, the Division of Registrations within DORA uses the USPS to mail out renewal notices, applications, licenses and routine correspondence to over 300,000 licensees and applicants; the Division also mails paper documents to the public.[138] Renewal notices and routine correspondence, such as newsletters, could be sent via e-mail to licensees if the Division consistently collected e-mail addresses.

Findings

Board Meetings

At least 19 nursing boards in other states have instituted paperless board meetings.[139] As reported to the nonprofit Council on Licensure, Enforcement and Regulation, all of these paperless board meetings, (with one exception), have been successful.[140] Some state boards provide notebook computers to board members who do not own one, and mail either CD-ROMs or flash drives to members. Several of these boards use software that allows for making notes and comments on documents electronically, such as Adobe or Studio 361. Other boards maintain secure websites that board members access from home and at meetings. Several states note that they do not *require* members to use the paperless system; however, as one Texas representative noted, “Less computer savvy members (were) skittish at first, but with training, everyone is comfortable and the peer pressure makes paper not very attractive!”[141] According to DORA’s Chief Information Officer, BoardDocs is one online communications system that would be compatible with DORA’s current information technology (IT) equipment and needs.[142] BoardDocs is web-based and therefore requires no CD-ROMS or flash drives.[143] Annual software costs for this product include maintenance, support and training.[144]

Routine Correspondence and Licenses

Although DORA currently requests e-mail addresses from all new and renewing license applicants, because an e-mail address is not statutorily required of licensees, the Division does not use e-mail for regular correspondence. Furthermore, the Division does not post online documents that may be of interest to the general public or to specific groups of licensees. Examples of documents that contain no confidential information and could therefore be publicly posted rather than mailed are newsletters, board meeting agendas and minutes and budget documents.

As of July 2007, four states (North Carolina, Maryland, New Hampshire and Maine) do not issue hard copy licenses to these states’ nurses; Arizona will no longer offer paper nursing licenses by 2009, while Iowa and Texas are also considering a paperless system for nurses.[145] Colorado’s Division of Registrations, by contrast, mails out paper licenses to nurses and all licensees. In 2007, however, DORA did contact 14 Colorado hospitals and long-term care organizations requesting comments concerning paperless nursing licenses:[146] eight organizations responded and all supported the move to paperless licensing.[147] According to DORA, “Advantages of a paperless system include the elimination of lost, stolen and duplicate licenses; elimination of fraudulent or altered licenses; and provision of immediate access to license information via the Board of Nursing web page which is posted in ‘real time’.”[148]

These advantages are arguably the same for all licensees served by DORA. The Colorado Division of Real Estate, which also provides paper licenses, recently attempted to provide wallet-sized instead of wall-sized licenses, and met with some resistance. Although no members of the public have yet complained about the lack of wall-sized real estate licenses, there may be a preference for certain professions to clearly display full-sized, paper licenses in the workplace.

Recommendations

1. **DORA should purchase software that allows online document collaboration and encourage board and commission members to use these new resources.**

DORA should encourage board and commission members who personally own laptop computers to use them for board and commission business, and should make laptops available to all board and commission members regardless of whether the member owns a laptop or not. DORA should provide training to all members and staff on the use of the new software.

2. **DORA should reduce the cost of correspondence by using electronic means of communication wherever possible.**

3. **The Divisions of Real Estate and Registrations should continue to provide up-to-date licensing information on their websites and transition to issuing paperless licenses and registrations. Exceptions to this new practice should be made on a profession-by-profession basis, and only when a cost/benefit analysis concludes that the paperless system would be less efficient or that the lack of paper licenses or registrations negatively affects public health, safety or welfare. As part of the cost/benefit analysis the Divisions may take into consideration the preferences of the affected public.**

Fiscal Impact

Board Meetings

Assuming that DORA spends about ten percent of all its mail costs and five percent of all its printing costs (except for the Division of Registrations, which reports 41 percent and six percent for mail and printing costs, respectively) on board expenses, then DORA spent, on average in FY 2001-02 to FY 2006-07, about $142,100 annually on board mail and printing costs.[149] In order for DORA to use the BoardDocs system, its first year costs for the purchase of laptops, software, wireless access points in eight conference rooms and a one-time implementation fee will equal about $264,000.[150] These expenses will be offset by the savings of $127,900, which is 90 percent of the $142,100 spent in postage and printing expenses. (The assumption is that some very small percentage of board materials may require printing and mailing.)

Second year expenses will be only for software costs of $12,000 and the cost of replacement laptops.[151] Assuming laptops will need to be replaced at a cost of $212,750 every five years[152], the Department will, on average, incur annual expenses of $42,550. Each year after the second year of the program will see savings approximately equal to those in the second year.

Routine Correspondence

On average for FY 2001-02 to 2006-07, the Public Utilities Commission within DORA spent about $21,400 annually to print and mail applications and renewal letters; the Division of Real Estate spent about $31,600 annually to print and mail paper licenses, and the Division of Registrations spent about $166,800 to print and mail newsletters, brochures, rules and regulations, reports, renewal questionnaires, license applications and paper licenses every year.[153] The other DORA divisions (other than the Office of the Executive Director) each spent about $15,300 annually on printing and postage of routine correspondence.[154] (This latter figure assumes that these divisions' routine postage and printing costs equal ten percent of annual total spending.) Therefore, replacing 100 percent of these expenses with electronic forms of communication will save DORA about $235,100 annually. However, since some individuals may still request hard copies, the savings estimate assumes that 75 percent of printing and copying costs will be eliminated through conversion to paperless systems.

Estimated Fiscal Impact			
Fiscal Year	**Other Funds Savings**	**Cost**	**Net Savings/ Revenue**
2009	$304,200	$264,000	$40,200
2010	$304,200	$54,550	$249,650
2011	$304,200	$54,550	$249,650
2012	$304,200	$54,550	$249,650
2013	$304,200	$54,550	$249,650
Total			**$1 million**

REDUCE PAPER CONSUMPTION BY CHANGING EMPLOYEE HANDBOOK DISTRIBUTION PROCEDURES

Decrease the need for printing the State of Colorado Employee Handbook by making it available online and distributing the hard copy version only upon request and as needed for employees with no electronic access.

Background

The State of Colorado produces a 145-page Employee Handbook for review by all new state employees. While the Department of Personnel and Administration (DPA) is responsible for updating the handbook, each department is responsible for the training and instruction of its new hires and providing them with the handbook.

While many departments provide new hires with online access to the Employee Handbook, some also produce hard copies and typically give them to new employees during an orientation meeting.[155] A few of these departments distribute the handbook to employees via the U.S. mail.

Findings

In January 2008, DPA's Workforce Planning and Development Section conducted a survey asking each department about its procedure for disseminating the Employee Handbook to new hires. The departments that responded to the survey represent 89 percent of the new employees hired during FY 2006-07 (2,895 out of the 3,263 new employees hired by Colorado state government).[156]

Of the 33 departments that responded, 19 distributed the handbook electronically while 14 both printed out the handbook *and* informed new hires that updates to the handbook are available online.[157]

A relatively small number of state employees do not have access to the Internet in the workplace and therefore are not able to access the handbook online. Currently, employees without workplace Internet access receive a hard copy of the handbook during orientation, or, in the case of three departments that responded to the survey, via U.S. mail.

The cost of producing hard copies of the handbook varies by department. Some use an office copy machine, while others produce copies at an internal quick copy center, state or department print shop.[158]

Other states provide a model for electronic distribution. In New Mexico, for example, the State Personnel Office does not distribute hard copies of the state-level employee manual; access is provided on the state's website, and every new employee must sign a form acknowledging that he or she is responsible for reviewing and understanding its contents.[159] Utah's Department of Human Resources Management follows the same procedure, and informs new hires that the employee manual is available online and at all of the state's human resource offices.[160]

Recommendations

All departments should eliminate the unsolicited hard-copy distribution of the State of Colorado Employee Handbook by making the manual available online, directing employees to the appropriate website, and distributing the hard copy version only upon request.

All state agencies should have a simple procedure whereby the Employee Handbook is provided to a new employee (or client of a state service) only when requested. Individuals without access to the Internet must be able to request a hard copy. The procedure could be described in new employee documentation that each individual must read and sign prior to beginning employment with the state.

According to Colorado's Employment Tort Unit, there is no liability issue with the state providing online access and allowing employees to "opt in" for a hard copy, provided that: 1) the opt-in provision is well documented; 2) new employees know the handbook is available online and that they may request a hard copy; and 3) new employees state they have read and understood the handbook.[161]

Fiscal Impact

Based on the results from departments that responded to the DPA survey, 1,106 new hires were provided with a hard copy of the Employee Handbook during FY 2006-07 at a total cost of $1,357.15. On average, each Employee Handbook hard copy cost the state $1.23.

If the opt-in policy is adopted by all state departments, and only 25 percent of new hires request a hard copy of the handbook, the state is expected to save about $1,000 per fiscal year. This assumes that the rate of new hires remains constant.

Estimated Fiscal Impact	
Fiscal Year	**Other Funds Savings***
2009	$1,000
2010	$1,000
2011	$1,000
2012	$1,000
2013	$1,000
Total	**$5,000**

**Savings in individual departments' training budgets for new hires.*

REDUCE THE NUMBER OF STATE-OWNED VEHICLES

Revise the Department of Personnel and Administration fleet management and authorization policies to tie vehicle allocation to needed trips and encouraging ride-sharing to eliminate the overall number of vehicles in the state's fleet.

Background

The Department of Personnel and Administration (DPA) manages approximately 5,700[162] state vehicles; additional vehicles are managed by the Colorado Department of Transportation (CDOT) and three higher education institutions).[163] Of those managed by DPA, 1,546 are taken home by state employees each day because they are: a) used for law enforcement (1,120); b) are specialty vehicles (52); c) used for employee commuting "for the convenience of the state" (372); or d) are classified as "control employees" for whom vehicle access is part of their compensation.[164] Employees who commute for any reason in a state vehicle must be approved by the Executive Director of the employee's agency and complete a DPA form.[165]

The number of vehicles an agency leases is based on a determination of the purpose for each vehicle.[166] An agency's ability to retain a vehicle is based on the minimum number of miles per year or, in some cases, per season,[167] rather than on the number of trips the vehicle makes.[168]

Colorado currently has no system to encourage employees to ride-share to business-related activities.

Findings

Research into the status of drivers who commute in state vehicles raises questions as to a) whether all those listed as law enforcement employees need to have marked law enforcement cars, and b) whether those drivers listed as commuting "for the convenience of the state" need to drive a state vehicle home on a daily basis.

Because mileage is the only consideration made in distributing vehicles to state agencies, State Fleet Management does not gather data on the number of trips a vehicle makes per week; a vehicle can be justified if only one or two sufficiently long trips per week are made and it remains idle the rest of the time. If data were available about the frequency with which a vehicle is used, agencies would be able to better plan the use of a vehicle, thereby reducing the number of vehicles needed.

Further, an allocation policy based solely on minimum number of miles per year encourages employees to drive more miles in order to justify keeping a vehicle.

Recommendations

1. **DPA should revise its Commuter Authorization Form so it is clear that: a) employees who commute for law enforcement purposes are required to do so and that a law enforcement vehicle is needed, and; b) employees who commute in a state vehicle for the "convenience of the state" give compelling evidence to justify that use.**

2. **The Governor's Office should review commuter vehicle policy so that policies concerning state commuter vehicles are administered in a uniform manner.**

3. **The Governor should sign an Executive Order that requires Executive Directors and Heads of Higher Education institutions to monitor employee use of assigned vehicles and require those attending the same event to drive together. Driving separately should be treated as an exception, requiring approval by the appropriate supervisor.**

4. **DPA should institute a system to offer employees who use the state motor pool the opportunity to ride-share.**

5. **Except for highly specialized vehicles, DPA's State Fleet Management policy should be to consider a minimum number of trips per vehicle as the basis for vehicle distribution to agencies and pool sites.**

Fiscal Impact

Savings result from a combination of a reduction in mileage related to commuting and an overall reduction in the number of fleet vehicles related to utilizing trip logs.

There are about 920 vehicles that currently have commuter approval. Assuming that commuting accounts for 15 percent (2,115 miles) of the average number of miles on a state vehicle (14,000)[169] and as few as 10 percent of those vehicles are no longer used for commuting, the state will save the cost of mileage associated with the eliminated commuting miles which is $.236 per mile[170]. The total annual savings related to reducing commuter miles is $45,595.

Overall, the state fleet includes approximately 5,700 vehicles. Assuming that better trip planning can reduce the number of vehicles by 2 percent, the annual savings (including a reduction in miles based on prior fleet reduction experience) would be about $398,638 when factoring in all the components of costs such as annual capital costs, insurance and maintenance.[171] Annual savings for reducing mileage and vehicles totals $444,233 per year or $2.2 million over five years.

Estimated Fiscal Impact	
Fiscal Year	**All Funds Savings**
2009	$444,233
2010	$444,233
2011	$444,233
2012	$444,233
2013	$444,233
Total	**$2.2 million**

EXPAND VIDEOCONFERENCING CAPABILITIES AND REDUCE COST OF EMPLOYEE TRAVEL

Increase videoconferencing equipment use to reduce time and money spent on in-state travel to meetings and trainings.

Background

In 1996, the Division of Information and Technology (DoIT) in Colorado's Department of Personnel and Administration (DPA) began providing the bridging hardware and staffing that enabled video conferencing equipment to be used within and across state agencies. Called the CIVICS program, it allowed agencies with equipment and conference rooms to share it with other agencies for a fee. When bridging technology was no longer needed to link systems, DPA sun downed the CIVICS program and remaining staff now serve only to provide technical assistance on videoconferencing. Currently the state has no centralized management program for the equipment.

Findings

State agencies (not including Higher Education and Corrections) own 42 sets of video conferencing equipment among them, and each agency has different policies as to the equipment's use.[172] The equipment is underused, not widely shared, and not evenly distributed geographically across the state. As a result, state employees travel to meetings and trainings using state fleet vehicles or their personal vehicles, for which the state reimburses them, instead of taking advantage of videoconferencing opportunities. This travel translates into wasted resources – unnecessary fleet vehicle mileage, extra fuel costs and lost work time – and additional auto pollution and congestion in Colorado.

To increase videoconferencing, software can be purchased that facilitates equipment sharing and management, and can track the number of car trips eliminated by the availability of videoconference facilities. Also, DoIT has recommendations about where to locate the equipment to fill in current "bare spots".[173] This also is in keeping with a recently signed Executive Order in which the Governor directs the Office of Information and Technology (OIT) to "prepare plans to reorganize information technology management functions that will promote a unified approach to information technology management for departments and agencies”.[174]

Recommendations

1. **State employees should immediately begin using current videoconferencing equipment to its maximum capacity. OIT should write appropriate administrative policies to include the methodology to be used for the reservation of equipment, as well as the data collection procedures for implementing and monitoring this new centralized system.**

All agencies with unused capacity on videoconferencing equipment, and in locations that can be used by other state agencies, should be required to follow the policies established by OIT.

OIT should investigate the purchase of videoconferencing equipment reservation software to gather data such as agency use of the equipment and the reduction of employee travel. While investigating and possibly purchasing this software, OIT should institute a reservation system using agency staff who presently reserve the current equipment. OIT should also publicize the availability of current equipment immediately.

2. **In order to ensure that videoconferencing equipment is available to the large majority of state employees, OIT should purchase at least 4 new equipment sets.**[175]

Funding to replace 10 percent of the total videoconference sets should be available for OIT on an annual basis.

3. **OIT should be responsible for the maintenance and replacement of all current and new equipment. Agencies that house existing and new equipment should be responsible for all line charges associated with existing and replacement equipment.**

Fiscal Impact

The State should realize savings by decreasing the number of employee miles traveled in state vehicles and the cost of reimbursing state employees for mileage. Because trip logs are not currently maintained, however, it is not possible to determine at this time how many trips might be avoided by increased videoconferencing. Therefore, the specific amount of savings which might accrue and the precise fiscal impact cannot be calculated at this time.

It is known, however, that the average distance that State Fleet Management's (SFM) motor pool vehicles travel per trip per day (144 miles)[176] represents the typical employee trip at a cost of $.236 per mile[177]. For every average vehicle trip eliminated through the use of videoconferencing, the state saves $33.98.

As noted in the recommendation, the state should also utilize videoconferencing reservation software as a means to begin tracking the decrease in vehicle use and associated cost benefit.

It is anticipated that the savings will be significant and will fully offset the approximate annual $15,000[178] cost of a 0.25 FTE (full-time equivalent) needed to administer the system, as well as the cost of replacement equipment at approximately $40,000 annually.[179] First year savings will be reduced by the one-time cost of the four new sets of equipment at $36,000[180] and a new reservation and data-gathering system, projected to cost $ 35,000.[181] Savings after the first year will be reduced by an annual cost of approximately $7,000 for maintenance expenses.[182]

If the state can eliminate 89 trips per existing videoconferencing set the first year – fewer than two employee trips per week – the savings would cover all additional costs. In subsequent years, the state would only need to eliminate 44 trips.

Estimated Fiscal Impact		
Fiscal Year	**Cost**	**Change in FTEs**
2009	($126,000)	+0.25
2010	($62,000)	0
2011	($62,000)	0
2012	($62,000)	0
2013	($62,000)	0
Total	**($374,000)**	

BETTER MANAGE LAUNDRY USE AND ASSOCIATED COSTS AT COLORADO MENTAL HEALTH INSTITUTE AT FORT LOGAN

Improve monitoring and accountability for linen use by transferring contract management for linen services at Fort Logan from the Department of Human Services to the facility itself.

Background

When the Colorado Department of Human Services (DHS) was formed in 1994, many general support functions were centralized within its Office of Operations, including the responsibility for providing certain laundry/linen services. At that time, the Office of Operations received annual funding to provide linen services to the Colorado Mental Health Institute at Fort Logan (CMHIFL). Since then, the Office of Operations has absorbed all increases in the cost of linen services within its Personal Services contract appropriations.

Findings

The Division of Facilities Management within the Office of Operations has historically provided only the limited service of negotiating the linen contract for CMHIFL and processing invoices. As the recipient or consumer of the contracted services, however, CMHIFL is better able to monitor deliveries, track and manage linen usage, assess the quality of services provided and negotiate with vendors than the Office of Operations.

The price per pound for linen services as well as the pounds of laundry used by CMHIFL has fluctuated over the last five years.

Fiscal Year	Pounds of Laundry	Price per Pound	Total Cost
2004	174,966	$0.40	$69,986
2005	189,859	$0.40	$75,944
2006	183,500	$0.40	$73,400
2007	167,543	$0.41	$68,693
2008	178,967*	$0.495	$88,589

*Average annual pounds of laundry over the previous four years.

DHS uses a “par”, a normal standard or acceptable average, in the linen contract to estimate the average amount of linen needed per unit (also called a Team) at the facility. For example, if a unit of the hospital has 24 beds, then the par for bed sheets for that unit would be at least 24.

Each CMHIFL unit receiving laundry services is in the process of establishing a par system wherein each will verify the amount of linen delivered and monitor the inventory, comparing the usage to the par of that unit. This helps each unit be more accountable for linen usage and enables the contractor to be more efficient in its deliveries.

With both the unit and the contractor managing the par weekly, CMHIFL anticipates an increase in accountability and therefore a reduction in the pounds of linen used when CMHIFL eventually takes over management of its own linen contract. As a result of closer monitoring by CMHIFL staff, it is anticipated that there will be a 5 percent reduction in the pounds of laundry processed by the contractor, yielding an estimated savings in laundry costs of $4,430 per year.

Recommendation

DHS should transfer the Fort Logan linen services contract management from the Office of Operations to the Colorado Mental Health Institute at Fort Logan.

Fiscal Impact

A 5 percent reduction in pounds of laundry processed at Fort Logan, at current contract rates of $0.495, would result in 8,948 fewer pounds of laundry processed for an annual savings of $4,430.

Estimated Fiscal Impact	
Fiscal Year	**General Fund Savings**
2009	$4,430
2010	$4,430
2011	$4,430
2012	$4,430
2013	$4,430
Total	**$22,150**

[97] Governor's Energy Office website: www.colorado.gov/energy Retrieved on January 25, 2008
[98] Greening Government Executive Orders, Governor's website: http://www.colorado.gov/cs/Satellite?c=Page&cid=1199121589584&pagename=GovRitter percent2FGOVRLayout Retrieved on January 25, 2008
[99] Office of State Architect (OSA) Annual Report dated January 2008
[100] Provided by Terry Yergensen with Trident Energy, contractor to the Governor's Energy Office. Information provided in conjunction with the development of a utility database management RFP, summer 2007.
[101] Angie Fyfe, Governor's Energy Office interview with Public Works December 21, 2007
[102] Angie Fyfe, proposals received from vendors. As the RFP solicitation process is not yet complete, this information is strictly confidential.
[103] Discussion between Angie Fyfe and Jeff Lyng of the Governor's Energy Office and Rod Vanderwall of the Office of the State Architect.
[104] Based on content from the Governor's Energy Office website. http://www.colorado.gov/energy/commercial/performance-contracting.asp retrieved on January 25, 2008
[105] Jeff Lyng
[106] Interview with Jeff Lyng and Rod Vanderwall, conducted by Angie Fyfe on January 14, 2008
[107] Rod Vanderwall
[108] http://www.engr.colostate.edu/IAC/index.htm
[109]

Savings Item #1 - Identify and Correct Utility Bill Errors

SFY 05-06 utility budget	percent NOT accounted for in performance contract	Potential utility dollars with discoverable errors	percent of bills that may have errors	amount of utility dollars with discoverable errors	Potential percent of dollars saved	Savings Calculation
$155,000,000	50 percent	$77,500,000	5 percent	$3,875,000	10 percent	$387,500.00

Savings Item #2 Improve Operations through Equipment Management and Training

SFY 05-06 utility budget	percent buildings with improper equipment operation	Potential utility dollars with discoverable errors	percent of savings that may occur by recommissioning	Savings Calculation
$155,000,000	20 percent	$31,000,000	5 percent	$1,550,000

Identify Opportunities and Engage in EPC

Energy-Related Funded Controlled Maintenance Requests of 12 years	Annual requests funded	percent Estimated Unidentified Energy-Related Controlled Maintenance Requests	Dollar amount of unidentified energy-related controlled maintenance requests	Total Annual Energy-Related Controlled Maintenance Requests that could be PC	percent Projects that could be addressed each year	Savings Calculation
$84,900,000	$7,075,000	25 percent	$1,768,750	$8,843,750	57.5 percent	$5,085,156

[110] Research completed by energy engineers under contract to the Governor's Energy Office - Terry Yergenson and Tom Cowling, June 2007.
[111] See details of the savings calculations noted at the end of this report.
[112] Michael Kupcho, CPA, Vice President, Finance and Administration, Front Range Community College
[113] January 14, 2008 discussion between Rod Vanderwall, Jeff Lyng, and Angie Fyfe. See detailed calculation at the end of this report.
[114] Rod Vanderwall estimate for training plus 25 percent for planning, logistics and supplies.
[115] $750,000 (Utility Management); $150,000 (On-site assessments); $30,000 (Energy Manager Training)
[116] $300,000 (utility errors);$5,000,000 (EPC and CM); $500,000 (Recommissioning)
[117] $300,000 (Utility Management); $150,000 (On-site assessments); $70,000 (Energy Manager Training)
[118] $100,000 (utility errors); $5,000,000 (EPC and CM); $1,000,000 (Recommissioning)
[119] Utility Management
[120] EPC and CM
[121] Utility Management
[122] EPC and CM
[123] Utility Management
[124] Colorado Department of Local Affairs, Division of Local Government, background information available at: http://www.dola.state.co.us/dlg/index.html.
[125] Colorado Department of Local Affairs, Division of Local Government Staff, Summary of Filings-GEMS Response, November 16, 2007.
[126] "E-Gov: Powering America's Future With Technology," Presidential Initiatives listed at: http://www.whitehouse.gov/omb/egov/c-2-govern.html
[127] Congressional Research Service, Report to Congress, State E-Government Strategies: Identifying Best Practices and Applications, July 23, 2007, available at: http://www.fas.org/sgp/crs/secrecy/RL34104.pdf.
[128] Colorado House Bill 07-1270, May 23, 2007.
[129] Interview with John Conley, OIT Deputy Director, November 15, 2007.
[130] Interview with John Conley, OIT Deputy Director, November 15, 2007.
[131] Interview with John Conley, OIT Deputy Director, November 15, 2007.
[132] Interview with John Conley, OIT Deputy Director, November 15, 2007.
[133] Through web-filing or submission of data electronically via CD/DVD or email attachment.
[134] Colorado Department of Local Affairs, Division of Local Government Staff, Summary of Filings-GEMS Response, November 16, 2007.
[135] Memorandum, Colorado Department of Local Affairs, Division of Local Government Staff-Scott Olene, November 20, 2007.
[136] Email from Ben Trujillo, DOR, Feb. 19, 2008.
[137] "Change Request for FY 08-09 Budget Request Cycle, License Management Funding, Priority 3 of 3", Department of Regulatory Agencies, page 1.
[138] E-mail attachment from Cindy Q. Page, Director of Planning and Operations, Division of Registrations, Department of Regulatory Agencies, November 23, 2007.
[139] "Paperless Process Nursing Boards", attachment to email by Rosemary McCool, Director, Division of Registration, September 14, 2007.
[140] Ibid.
[141] Ibid.
[142] Conversation with Michael C. Whatley, Chief Information Officer, DORA, November 2, 2007.
[143] "Paperless Board Meeting Estimated Costs", attachment to e-mail by Michael C. Whatley, Chief Information Officer, DORA, November 2, 2007.
[144] Ibid.
[145] Proposal for Paperless Licenses", Memorandum from Mark Merrill, Karen Dechant, Rita Postolowski to Rose McCool, July 9, 2007, page 1.
[146]Ibid, page 1.
[147] Ibid, page 2.
[148] Ibid, page 1.
[149] Attachment to email by Justin Lippard, Budget Director, DORA, October 9, 2007
[150] "Paperless Board Meeting Estimated Costs".
[151] Ibid.
[152] Ibid.

[153] Attachment to email from Justin Lippard, October 9, 2007.

[155] Email from Laurie Benallo, Manager of Colorado Workforce Planning & Development, to Rick Minor. January 9, 2008.
[156] Employee Handbook Distribution Survey conducted by Laurie Benallo, Manager of Colorado Workforce Planning & Development. January 2008.
[157] Employee Handbook Distribution Survey conducted by Laurie Benallo, Manager of Colorado Workforce Planning & Development. January 2008.
[158] Email from Laurie Benallo, Manager of Colorado Workforce Planning & Development, to Rick Minor. January 9, 2008.
[159] Interview of New Mexico State Personnel Office employee Antoinette Jiron (505-476-7847) by Rick Minor. January 2, 2008.
[160] Interview of Utah Department of Human Resources Management employee Trish Anderson (801-538-3025) by Rick Minor. January 2, 2008.
[161] Email from Jane R. Christman, First Assistant Attorney General of Colorado's Employment Tort Unit, Civil Litigation & Employment Law Section, to Laurie Benallo, Manager of Colorado Workforce Planning & Development. January 2008.
[162] "DPA Executive Budget Request", November 1, 2006, page 126 of 270
[163] 5/21/07 Meeting with DPA Staff
[164] E-mail from Rick Malinowski, Division of Central Services, DPA, October 3, 2007
[165] "General Services Rules" 3.20 Requests
[166] "Vehicle Utilization Codes", DPA, April 18, 2003
[167] IBID i.e. a vehicle used for statewide travel must cover 11,000 miles while a vehicle used for local travel must cover 6,000 miles.
[168] Meeting with Scott Madsen, Director of the Division of Central Services, DPA, September 26, 2007
[169] "DPA Executive Budget Request", page 118 of 270
[170] "Monthly Cost per Mile", Colorado State Fleet Management, DPA, May 7, 2007
[171] The annual capital cost of an average state fleet sedan is $3,500; the average cost per mile for insurance is $.008, and; average maintenance is $.092. The average vehicle sold drives 80 percent less than all fleet vehicles (reducing maintenance costs per mile to $.018), therefore, each eliminated vehicle will save the state about $3,867 annually ($3,500 + (.026 x 14,100 miles) = $3,867).

[172] Conversation with Mary Lou LaCouture, Network Services Manager, Department of Personnel and Administration, June 5, 2007
[173] E-mail from Jim Chaney, DPA IT Professional, May 26, 2007
[174] "Executive Order D 016 07, Improving State Information Technology Management", May, 2007, number 3.A.4.
[175] E-mail from Jim Chaney, May 26, 2007
[176] "FY 07 Profit and Loss Statement for MOTORPOOL", DPA, September, 28, 2007
[177] Department of Personnel and Administration handout, May 7, 2007.
[178] Meeting with Jennifer Oakes, Deputy Executive Director, DPA, September 25, 2007.
[179] IBID
[180] E-mail from Jim Chaney, May 26, 2007
[181] Price quote from Rocky Jones, MRM Account Manager, netsimplicity, October 3, 2002
[182] IBID

Chapter 3
Controlling Health Care Costs

According to the National Governors Association health care spending now accounts for approximately 30 percent of total state budgets. As our population ages, the pressure for quality, affordable health care services will greatly increase – possibly making this percentage even higher.

Pharmaceuticals represent the fastest growing health care costs. Colorado has taken steps to contain drug costs by establishing a preferred provider drug list for Colorado's Medicaid program. But, more can be done to further reduce the State's drug costs. This chapter identifies additional initiatives to save money on purchasing pharmaceuticals that have been successfully used in other states.

This chapter also identifies new technology that can be used to reduce Medicaid fraud. Much like the software used by credit card companies to protect cardholders, fraud detection software is available to identify and root out complex fraud schemes that cost the State Medicaid program millions. In addition, Colorado can do more to oversee its Medicaid health care providers by conducting onsite inspections of providers considered "high risk" before allowing them to enroll in the state's Medicaid program – something twenty-nine other states do.

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Reallocate Staff from Office of CO Benefits Management System	$60,900	$129,600	$60,900	$129,600	$60,900	$129,600	$60,900	$129,600	$60,900	$129,600	**$304,500**	**$648,000**
Implement Preferred Drug List	$410,600	$433,100	$775,900	$884,800	$775,900	$884,800	$775,900	$884,800	$775,900	$884,800	**$3,514,200**	**$3,972,300**
Improve Medicaid Program Integrity with Fraud Detection Technology	$1,500,000	$700,000	$2,700,000	$2,700,000	$4,600,000	$4,500,000	$7,700,000	$7,700,000	$7,700,000	$7,700,000	**$24,200,000**	**$23,300,000**
Strengthen Requirements and Oversight of Medicaid Service Providers												
Leverage Additional Family Planning Funds and Serve More CO Women				$9,000,000		$9,000,000		$9,000,000		$9,000,000		**$36,000,000**
Expand Participation to Better Utilize 340B Pharmacy Program	$5,600	$5,600	$433,900	$433,900	$748,200	$748,200	$784,300	$784,300	$822,000	$822,000	**$2,794,000**	**$2,794,000**
TOTAL	**$1,977,100**	**$1,268,300**	**$3,970,700**	**$13,148,300**	**$6,185,000**	**$15,262,600**	**$9,321,100**	**$18,498,700**	**$9,358,800**	**$18,536,400**	**$30,812,700**	**$66,714,300**
FIVE YEAR TOTAL ALL FUNDS	**$3,245,400**		**$17,119,000**		**$21,447,600**		**$27,819,800**		**$27,895,200**		**$97,527,000**	

REALLOCATE STAFF FROM THE OFFICE OF COLORADO BENEFITS MANAGEMENT SYSTEM

Transfer the funds and staff for the Governor's Office of the Colorado Benefits Management System to the Departments of Human Services and Health Care Policy and Financing to save money and improve management of the system.

Background

The Colorado Benefits Management System (CBMS) was developed to handle application, eligibility, and benefit determination for 36 of Colorado's medical, food, and financial assistance programs. The integrated system was also designed to make it easier for the counties to transfer required information to the Department of Human Services (DHS) and the Department of Health Care Policy and Financing (HCPF) for these 36 programs.

Development of the system began in FY 1999-00 and the system went online in FY 2004-05. Upon implementation, the CBMS brought to the fore some issues concerning eligibility processing as well as departmental and county coordination. An independent program audit in 2005 recommended the creation of a single office to provide program management and governance oversight for the system due to the complexity of managing multiple stakeholders. On May 27, 2005 the Governor Owens issued Executive Order D 004 05 creating the Governor's Office of the Colorado Benefits Management System (OCBMS). This office was charged with controlling the direction, planning, management, and delivery of the CBMS[183].

The OCBMS is composed of 24 employees and temporary contractors with an appropriation of about $1.92 million in FY 2007-08; including benefits, the total appropriation for the office is approximately $2.14 million.

Findings

On February 15, 2007, Governor Ritter issued Executive Order D 005 07, rescinding the Executive Order that created the Governor's Office of the Colorado Benefits Management System. The Order directed DHS and HCPF to manage the CBMS jointly and to determine the reassignment of the 24 staff, converting these employees from at-will status to state classified positions.

There are two challenges the departments must address in allocating staff: 1) it must be done as budget neutral, and 2) since the CBMS is the approved model for claiming federal funds, this cost allocation model must be preserved across departments and all programs in order to maintain federal funds for operating the program.

As a result of on-going discussions, the Departments have agreed that the 24 employees and associated personal services, operating expenses, and contractor funds will be split between the two Departments as follows:

- The DHS will receive 14 FTEs from the Governor's Office and transfer two existing DHS FTEs to HCPF.

- HCPF will receive the remaining 10 FTEs from the Governor's Office, as well as the funds associated with the four contractors currently working with the OCBMS.

This plan allows the departments to maintain critical CBMS functionalities in-house. Both departments will have the capability to handle project management, subject matter experts, problem ticket analysis, decision table analysis, client correspondence, and reports' analysis. The DHS will have help desk resources in-house, while HCPF will out-source its help desk functionality. A core group of employees is also needed to perform core tasks that affect the entire system. This group will be housed at the DHS and will be responsible for training, communications, system testing, and county infrastructure that will benefit both the DHS and HCPF.

Recommendations

The departments should make the planned changes for the division of staff, resources and responsibility for the CBMS as follows:

- **Fourteen FTEs should go to DHS from the Governor's Office and two existing DHS FTEs should be transferred to HCPF.**

- **Ten FTEs should be transferred to HCPF from the Governor's Office, as well as the funds associated with the four contractors currently working with the OCBMS.**

Fiscal Impact

The proposed plan for the allocation of staff and resources allows for the elimination of two positions: Director and Administrative Assistant. These savings are identified in the table below.

Estimated Fiscal Impact				
Fiscal Year	**General Fund Savings**	**Other Funds Savings**	**Net Savings/ Revenue**	**Change in FTEs**
2009	$60,853	$129,577	$190,430	-2.0
2010	$60,853	$129,577	$190,430	
2011	$60,853	$129,577	$190,430	
2012	$60,853	$129,577	$190,430	
2013	$60,853	$129,577	$190,430	
Total			**$952,150**	

IMPLEMENT PREFERRED DRUG LIST

Hiring an outside contractor to implement the list will allow the Colorado Department of Health Care Policy and Finance to realize significant cost savings in pharmaceuticals purchased by the state through its Medicaid program.

Background[184]

In January 2007, Governor Ritter signed Executive Order D 004 07 establishing a preferred drug list (PDL) for Colorado's Medicaid program. A PDL includes classes of drugs that have been demonstrated as safe and effective in treating different kinds of conditions as well as specific approved brand names within each class or category. The Colorado Medicaid program currently spends $96 million a year on prescription drugs and the purpose of the PDL program is to provide needed medications to Medicaid clients while decreasing expenditures on pharmaceuticals. This Executive Order gives the Department of Health Care Policy and Financing (HCPF) authority to implement a PDL after evaluating various methods of implementation and determining the best option for Colorado. In addition, the Department will be responsible for forming a Pharmacy and Therapeutics Committee to evaluate clinical data and evidence on all drugs under consideration for inclusion in the list. The Department will also evaluate and pursue supplemental rebates -- rebates paid to the state by drug manufacturers – to provide additional pharmaceuticals for Medicaid clients at the lowest possible cost.

Description of Current Preferred Drug List Resources

The Department has three full time equivalent (FTE) employees to run the current limited PDL program, manage the PDL contract and implement supplemental rebates. Funds are also appropriated for PDL costs related to the federally approved Medicaid Management Information System (MMIS), including funding for prior authorizations and ongoing maintenance costs. Prior authorizations, or pre-approvals, will be required for all clients requiring drugs not on the PDL.

In FY 2007-08, prior authorizations became part of the fixed price contract with ACS, the contractor responsible for the MMIS, and as a result ACS is obligated to handle all prior authorizations up to the cap set by the contract. Significant increases to prior authorizations, therefore, will likely exceed the current cap, necessitating HCPF to pay a unit cost of between $10 and $12 until the contract can be renegotiated. In addition, system revisions will be necessary as additional drug classes are added to the preferred drug list.

Documented Quote Required

To implement the Executive Order in a timely manner, a documented quote[185] will be necessary to begin the PDL. This relatively quick proposal process will allow HCPF to move forward with a temporary contractor while preparing a more comprehensive Request for Proposal (RFP) to seek bids and quotes from potential permanent contractors. The temporary contract is expected to begin in December 2007 and end in June 2008.

The contractor will be responsible for implementing the first six drug classes including three drug classes to be added April 1, 2008 and three to be added July 1, 2008. HCPF is currently considering two possible drug classes for implementation on April 1, 2008 including proton pump inhibitors (PPI's) and statins.[186] HCPF is still looking into the third drug class for implementation on April 1, 2008 and will determine additional drug classes to add to the PDL on July 1, 2008 after receiving recommendations from the Pharmacy and Therapeutics Committee and the PDL contractor.

Findings

Forty-one states currently have or are implementing a PDL; it is believed all are using a contractor to implement. The Department has concluded that hiring a contractor is a more cost effective and efficient way to obtain needed clinical data and to provide required upkeep services than to request additional staff to perform these functions. The Department's appropriation for FY 2007-08 includes funding for three FTE's and ongoing costs related to the MMIS; it does not, however, include funding for any administrative contracts related to the implementation of the PDL. It should be noted that estimated savings from implementation of the PDL would offset additional funds needed to hire a contractor.

Savings (from the Medical Services Premiums budget line) are estimated based on the experiences of a similar program developed and implemented by the state of Michigan. Michigan uses its own panel of doctors and pharmacists to determine cost effective yet clinically safe and effective drugs for clients.

In Michigan, the impact of pooling drug purchasers, negotiations for lower drug prices and supplemental rebates from manufacturers resulted in a four percent budget reduction (savings of $42 million within that state's $1 billion Medicaid pharmacy budget). Given some differences, however, between Michigan and Colorado – Michigan pools with Vermont, uses a contracted service, a pharmacy benefits administrator and disease management programs – HCPF assumes a more conservative savings estimate of two percent for Colorado.

Preferred Drug List Contractor Responsibilities

A contractor would maintain a database of clinical data, create summary reports and facilitate committee meetings to support the Pharmacy and Therapeutics Committee. An experienced contractor should already have a database of such clinical information and experts available to manage clinical data. As a result, analysis for the PDL program for Colorado could begin as soon as the contractor is hired. In addition, the contractor would be required to update its database on a monthly basis. The contractor would also be required to have a decision support system in place to perform clinical evaluations. This would require the contractor to have expertise on evidence-based research and other clinical data on a national scale.

Implementation of the PDL requires access to a comprehensive clinical database providing information including: peer reviewed medical literature, established clinical practice guidelines and Medicaid drug utilization data. Further, the contractor must be able to use flexible evaluation criteria in order to evaluate different scenarios under a PDL. Implementation also requires the ability to analyze the clinical data and Medicaid drug utilization data using a decision support system. The Department does not currently have the resources in place to provide these services and would not be able to implement the PDL in a timely fashion without the expertise of a contractor.

The contractor would be responsible for analyzing claims data from the MMIS to provide utilization reporting specific to Colorado. This would require a robust system to store monthly claims data provided by the HCPF as well as historical claims data starting 18 months prior to the start of the program. The contractor would be responsible for planning and management of committee meetings. The Department would require the contactor to retain a dedicated clinical manager that is either a Registered Pharmacist or a Doctor of Pharmacy and is licensed in the State of Colorado.

The Department had a contract with the Business Research Division at the Leeds School of Business, University of Colorado which provided research services for drug utilization; however, it did not provide evidence based research for clinical data. The contract is now terminated and HCPF assumes that the $180,000 for that contract can be reallocated for the purpose of the PDL contractor. Rather than pay two separate drug utilization review contractors with duplicative services, this alternative would use the existing funding to provide a broader range of services.

Recommendations

The Department of Health Care Policy and Financing should hire a contractor to manage the preferred drug list.

The contractor would offer experience and expertise at the onset of the PDL implementation that the Department could not immediately acquire by hiring additional

FTE's. Further, the Department anticipates that a contractor would have the best and most current research available and would provide this data at no additional cost. The cost and time intensive nature of requiring an FTE to build a database of evidence-based research and clinical data on drugs and obtain the experience necessary would cause significant delays in implementation for every drug class added. An FTE would have to perform all preliminary research prior to reviewing each drug class with the Pharmacy and Therapeutics Committee.

Fiscal Impact

The Department will implement two to three drug classes quarterly, for a total of 12 drug classes by the end of FY 2008-09. Further, the savings estimate in the table below accounts for the staggered drug class implementation dates and inflation due to the anticipated increase in drug utilization across fiscal years. As a result, HCPF estimates a total potential savings of $2,133,843 in savings in FY 2008-09.[187]

Based on information from other states that have implemented preferred drug lists or joined multi-state purchasing pools, the Department estimates that it will require $180,000 for a contractor in FY 2008-09.

As described in the Legislative Council fiscal note for SB 05-022, "… it is assumed that the department will be able to obtain evidence-based research from other state Medicaid programs or research facilities to develop the [preferred drug list]. If this assumption does not hold true, acquiring this information may cost up to $100,000." (Legislative Council Fiscal Note for SB 05-022, May 3, 2005, page 3).

Correction in Federal Match Rate for Utilization Review

Currently, the Drug Utilization Review line item in the state budget assumes a federal match rate of 75 percent. During the implementation of the preferred drug list, the Department should receive a federal match rate of 50 percent[188]. As a result, the Department would require an additional $76,036 in General Fund to offset the loss of federal funds[189].

Summary of Changes to the Executive Director's Office

The Department is not renewing the drug utilization review contract with the Business Research Division of the University of Colorado at Boulder beginning in FY 2007-08.[190] These funds will be used for the preferred drug list contractor. Based on information received from the Centers for Medicare and Medicaid Services, Colorado should receive a 50 percent federal match rate for this contract. In addition, the Department's remaining drug utilization review contract with Health Information Design, Inc. and incentive payments to pharmacists would be adjusted to receive a 50 percent federal match rate.

Medical Services Premiums, Estimated Drug Savings FY 2008-09[191]

The savings projection is based on total FY 2006-07 expenditures, less FY 2006-07 drug rebates, less excluded drug therapeutic classes[192], times an estimated 2.5 percent cost savings.

Based on the updates and changes addressed above, the Department estimates a total potential cost savings of $2,060,896 for FY 2006-07 for 12 drug classes. Cost savings are expected to increase over time and as a result, the Department estimates an 8.78 percent drug savings inflator based on the change in monthly drug expenditures between December 2006 and June 2007.[193] The Department plans a staggered implementation, adding three drug classes per quarter.

Medical Services Premiums, Estimated Drug Savings, Drug Class Savings by Implementation Date

This base estimate assumes that all drug classes are part of the preferred drug list as of July 1, 2008. The current implementation plan has staggered implementation dates for adding drug classes and not all drug classes will be included by July 1, 2008. As a result, savings were discounted depending on the drug class start date.

Drug classes with the highest potential savings will be implemented before classes with lower potential savings. This assumption is based on limited drug savings information provided for Arkansas and Indiana[194]. The Department estimates that two-thirds of drug savings will occur in the first six drug classes and one-third of the drug savings will occur with the implementation of the remaining six drug classes.[195] Summing the drug savings by implementation date provides the total estimated savings by fiscal year; $2,133,843 is the final estimated savings for FY 2008-09.

Estimated Fiscal Impact				
Fiscal Year	**General Fund Savings**	**Federal Funds Savings**	**Net Savings/ Revenue**	**Change in FTEs**
2009	$410,553	$433,116	$843,669	1.0
2010	$775,939	$884,843	$1,660,782	
2011	$775,939	$884,843	$1,660,782	
2012	$775,939	$884,843	$1,660,782	
2013	$775,939	$884,843	$1,660,782	
Total			**$7.5 million**	

IMPROVE MEDICAID PROGRAM INTEGRITY WITH FRAUD DETECTION TECHNOLOGY

The Program Integrity Section can more effectively detect and deter fraud in the state's Medicaid Program by applying new technology and adding more personnel.

Background

Medicaid represents about one fifth of Colorado's budget, or almost $3 billion in FY 2004-05. The Department of Health Care Policy and Financing (HCPF) is responsible for all Medicaid purchased health care and acute care services, such as hospital, physician, dentist, ambulance, maternity, and early periodic screening diagnosis and treatment services. HCPF's Program Integrity Section (PI) is responsible for ensuring that funds are spent properly for allowable services.

Seven full-time employees and a Section Director make up the PI Section. Staff work to identify, classify, and recover inappropriate Medicaid provider payments; the Section Director also serves as a nurse investigator. Staff are responsible for funds recovery, administrative and medical claims reviews. In 2006, staff recovered approximately $3.7 million in Medicaid payments or $529,000 per employee.

Findings

Currently, PI staffing levels do not allow for comprehensive review of all suspicious payment requests identified. In addition, fraud detection technologies currently used allow only for *retroactive* investigation of fraud and for almost no active monitoring and fraud prevention.

Numerous studies suggest that 5-13 percent of funds paid to Medicaid providers are paid in error.[196] Of course, payment in error is not the same thing as fraud; fraud is evident when there is *intent* by the person or entity committing the act of fraud.[197] If Colorado were to experience the same level of erroneous payments as other states, it would translate into between $150 million and $390 million in state and federal funds that were spent inappropriately.

In FY 2007-08, PI plans to conduct 10 to 12 comprehensive post-payment reviews of at least three types of providers from the following categories: home health agencies, home- and community-based wavered services, pharmacies, durable medical equipment/supply providers, hospital providers and physician services.

PI Staff Activities

When PI staff identify what they believe to be fraud or other criminal activity, they refer the case to the Colorado Attorney General's Medicaid Fraud Control Unit (MFCU). MFCU is responsible for the investigation of criminal activity. PI staff select providers for review in one of three ways:

1. <u>Complaints or Referrals</u> – If a complaint received is found to have merit, a full investigation of the provider is performed.

2. <u>Use of the Medicaid Management Information System (MMIS)</u> – This system includes a program called the Surveillance and Utilization Review Sub-system (SURS) which profiles providers to identify suspicious claims activity after claims have been made. SURS measures a provider's claims information against all other providers of the same specialty and type.

   Additionally, the State's outside claims contractor, ACS, runs a SURS report on providers whose claims must be reviewed once a month according to Federal law, and identifies suspicious claims requiring further review; for example, a claim for performing a hysterectomy on a male patient.

3. <u>Payment Review Studies</u> – PI staff may also conduct a study by which payments to all providers in the same category of service are examined and evaluated under the same criteria.

Contractor

Additionally, HCPF has a contingency-based contract with Health Watch Technologies (HWT). HWT conducts post-payment reviews of billed/paid Medicaid claims using claims analysis software to assist in identifying, investigating, and recovering overpayments. Last year HWT recovered about $4.5 million in Medicaid funds.

New Technology

While most of the techniques currently employed by PI involve identifying fraud *after it has occurred*, fraud experts have noted the importance of *deterring* fraud before it happens because recovering payments already made can be extremely difficult.[198]

Several states, including Kansas, Florida, North Carolina, Texas and Illinois, use advanced Medicaid fraud detection software to prevent the payment of suspicious claims. This specialized technology examines patterns of behavior and previous examples of fraudulent schemes and notes the suspicious activities *before* payments have been made. In the first half of 2007, for example, Texas recovered more than $200 million in erroneous or fraudulent billings using its arsenal of fraud detection activities including fraud detection software.

Originally developed for MasterCard to detect credit card fraud, this kind of software looks for patterns in claims information that appear appropriate in isolation, however, upon closer inspection are not. For example, it is not unusual for a family physician to have 100 first-visits in one month. But if there is more than one first-visit for the same child in the same month, the software detects it before a claim is paid to that provider.

In order to increase the number of inappropriate payments, however, this technology requires staff or contractors to follow-up on reports generated. Current staffing levels in Colorado's PI Section are not sufficient to allow for adequate assessment and follow-up on the information the technology produces.

Recommendations

1. **The Department of Health Care Policy and Financing should invest in advanced technology to improve the integrity of the state's Medicaid program and ensure that the state is getting the most for its Medicaid dollar.**

2. **Five additional staff should be added to the Department of Health Care Policy and Financing's Program Integrity Section to enable the department to make the best use of the new technology tools described in Recommendation 1.**

Fiscal Impact

In FY 2006-07, the Colorado Medicaid program had an appropriation of $2.14 billion for Medicaid medical premiums; an additional $331 million was appropriated to the Department of Human Services – for a total of $2.5 billion. The following estimate of potential savings is based on a calculation that 5 percent of the $2.5 billion in Medicaid payments ($124 million) is spent in error and that $24.5 million (20 percent of $124 million) is recoverable or avoidable. Currently, HCPF recovers about 7 percent of the $124 million ($8.6 million). In the first year of this new approach to fraud detection, it is estimated that HCPF will save about 10 percent (3 percent more than is currently being recovered) and recoveries will increase to 20 percent by Year Four. Current fraud recoveries have been deducted from the estimated reduction in Medicaid premiums.

Estimated Fiscal Impact (In Millions)							
Fiscal Year	**Reduction in Medicaid Premiums**[199]	**General Funds Cost**[200]	**General Funds Net Savings**	**Federal Funds Savings**	**Federal Cost**	**Federal Net Savings**	**All Funds Net Savings/ Revenue**
2009	$1.9	($0.4)	$1.5	$1.9	($1.2)	$0.7	**$2.3**
2010	$3.2	($0.4)	$2.7	$3.2	($0.5)	$2.7	**$5.5**
2011	$5.0	($0.4)	$4.6	$5.0	($0.5)	$4.5	**$9.2**
2012	$8.1	($0.4)	$7.7	$8.1	($0.5)	$7.7	**$15.4**
2013	$8.1	($0.4)	$7.7	$8.1	($0.5)	$7.7	**$15.3**
Total							**$47.7**

STRENGTHEN REQUIREMENTS AND OVERSIGHT OF MEDICAID SERVICE PROVIDERS

Revise and enforce Medicaid provider participation requirements to ensure that they meet minimum business and financial standards and demonstrate that they can provide the services for which they are paid.

Background

As of May 2007, Colorado contracted with over 33,000 providers to deliver health care and related goods and services to low-income Coloradans enrolled in the state's Medicaid program.[201] More than 54 types of providers contract with the state including doctors, dentists, chiropractors, hospitals, laboratories, pharmacies, durable medical equipment (DME) providers and emergency and non-emergency transportation providers.

Providers who wish to serve the state's Medicaid population must submit the Colorado Medical Assistance Program Provider Agreement; the Department of Health Care Policy and Financing (HCPF) receives approximately 200 to 250 such applications for participation each month.

Findings

When a new provider applies for participation in the Medicaid program, approvals are made based solely on a desk review by ACS, the state's contracted fiscal agent; no onsite inspection or investigation is conducted because Colorado lacks the field staff to perform such reviews. ACS also checks applicants against the List of Excluded Individuals and Entities (LEIE). This list, however, only identifies providers excluded from federal programs (not necessarily other states). In addition, cross checks of names only flags names that are an exact match – easily missing variations or errors in spelling of the same provider.

HCPF does not currently require Medicaid providers to re-apply once an application for participation in the Medicaid program is approved, although providers are required to update affiliations, logistics, disclosures of convictions and ownership (if they own 5 percent or more of an entity) by either letter or fax to ACS.

HCPF's Program Integrity (PI) Section bought a comprehensive database of providers from the Centers for Medicare and Medicaid Services (CMS) and they are in the process of matching this list against the state's current list of providers to determine if any excluded providers have been missed by ACS's process and database.

According to Colorado law, providers can be excluded from the Medicaid program for convictions of fraud or other felonies. In recent years only two or three providers were removed from the program as a result of such convictions.[202] Over-billing and other program abuses are not considered "good cause" for termination unless PI can document a "pattern of abuse". Currently, removal from the program for this type of offence occurs only about once a year.

As with most states, Colorado's provider enrollment practices are designed to maximize the number of providers available to serve the state's Medicaid population. Unfortunately, some unscrupulous providers may take advantage of the ease of participation to defraud the state.

Recently, for example, PI referred a Durable Medical Equipment provider to the state's Medicaid Fraud Control Unit (MFCU) for suspected fraud; MFCU determined that most of the claims submitted by the provider were fraudulent and the individual was eventually arrested and charged. Although the provider was immediately suspended pending the outcome of the investigation, the same provider was back in business within a week because the provider's wife registered as a new corporate entity (new name) with the Secretary of State, submitted a Medicaid provider application and received a new provider ID under a new Federal Employer Identification Number (FEIN).

State Approaches to Limit Questionable Provider Participation

In 2004, the U.S. Office of Inspector General published a report listing the approaches used by states to maintain a qualified pool of providers and limit Medicaid fraud. States' approaches for keeping "bad actors" out of the Medicaid program included:

- Measures applied to all providers:
    - Review and update provider enrollment information
    - Time-limited enrollment
    - Cancellation or suspension of inactive billing numbers

- Measures applied to high-risk providers
    - Surety bonds
    - Onsite inspections
    - Criminal background checks
    - Intensified claims review and auditing
    - Targeted provider education
    - Time limited enrollment

Colorado employs only three of these techniques: cancellation of inactive billing numbers; intensified claims review; and targeted provider education of high risk providers.

All but 12 states review and update provider enrollment information regularly rather than rely on provider self-reporting. Twenty-five states time-limit program enrollment for all providers and 11 also impose even shorter enrollment periods on high-risk providers. When providers re-enroll, these states again verify applications to include checking medical credentials, ownership in an enrolled entity and license status.

Twenty-nine states conduct onsite inspections of high-risk providers prior to permitting them to enroll in the state's Medicaid program. Florida randomly selects ten percent of *all* new providers monthly for onsite inspections.[203] Six states including California, Florida, Illinois, Louisiana, Texas and Washington obtain surety bonds from high-risk providers to protect the state against unscrupulous practices. Florida and Texas collect $50,000 bonds from DME providers, independent labs, medical transportation providers and non-physician owned physician groups.

Thirteen states conduct criminal background checks of providers, verifying self-reported criminal history with law enforcement agencies.

California provides a good example of why such vigilance is worthwhile: they were able to avoid over $200 million in cost to the state and federal government in only one year after implementing measures to more closely scrutinize provider enrollment applications.[204]

Recommendations

1. **The Department of Health Care Policy and Finance should require providers to reapply every three years to participate in the Medicaid program.**

Providers who HCPF's Program Integrity Section (PI) deems high-risk should be required to re-enroll more frequently, preferably annually.

2. **Criminal background checks should be conducted and surety bonds obtained from groups of providers that HCPF determines are prone to fraudulent activities.**

HCPF also needs the authority to determine what provider categories will be subject to criminal background checks and surety bonds. HCPF's Program Integrity Unit, working jointly with the Colorado Attorney General's Medicaid Fraud Control Unit, should examine Colorado's experience as well as the experience of other states to establish the target categories. Because these categories may change over time, HCPF will need to modify the targeted provider categories to reflect changing conditions.

3. **HCPF should initiate a pilot program of onsite inspections of existing and new provider applicants.**

Initially, HCPF should inspect a random sample of high-risk providers currently enrolled in the state's Medicaid program.

Fiscal Impact

It is estimated that implementation of these recommendations would result in over $1 million in gains to federal revenue and reduced costs to the state's Medicaid program. These gains can be achieved even after factoring in the need for additional field staff and some cost increases related to re-enrolling providers more frequently. The overall fiscal estimate related to these recommendations is combined with the recommendations in this report under *Improve Medicaid Program Integrity with Fraud Detection Technology.*

LEVERAGE ADDITIONAL FAMILY PLANNING FUNDS AND SERVE MORE COLORADO WOMEN

An adjustment to the income eligibility levels for family planning services will enable the state to receive additional federal matching dollars and provide health services to more low income women.

Background

The Colorado Department of Public Health and the Environment (CDPHE) serves about 50,000 Coloradans annually in its Family Planning Program. Services are available on a sliding scale at 57 sites throughout the state. Family planning services have been shown to:

- Prevent unintended pregnancies;
- Reduce the number of abortions;
- Lower sexually transmitted infection rates, including HIV, and;
- Improve women's health.[205]

Colorado has set the Medicaid eligibility level for family planning services at 40 percent of the federal poverty level (FPL), or about $8,260 for a family of four in 2007. A majority (approximately 89 percent), however, of the people who receive these services have incomes of up to 150 percent of the FPL, or $30,975 for a family of four. As a point of reference, at 100 percent of the FPL, a family of four would have an income of $20,650.[206]

Findings

CDPHE receives $1.2 million in general revenue funds from the state for family planning services annually. Of the approximately 50,000 women who receive these services annually, about two percent, or 1,000 women, fall within the state's Medicaid income eligibility limit. Given that the federal government contributes nine dollars for every dollar a state allocates for family planning services for low-income women, this means that only two percent of the women Colorado serves in this program are receiving the 90:10 federal matching funds.

That two percent who meet the state's income and other eligibility criteria for family planning services bring the state federal matching funds that largely pay for the services they receive because of the 90:10 match. If the state changed its income limits and allowed more women to qualify for federal matching funds, the $1 million Colorado spends delivering family planning services (about $200,000 of the $1.2 million in state funds goes to administrative costs) could generate $9 million in additional federal funds.

In order to raise the income eligibility to 150 percent of the FPL, which would cover roughly 89 percent of the women now served, CDPHE will need to obtain a Waiver from the federal government. A Waiver is an exception to the usual requirements of Medicaid granted to a state by the Centers for Medicare and Medicaid Services (CMS).

The federal government requires states to demonstrate "budget neutrality" to win approval for Waivers. CDPHE is prepared to show that increased family planning services costs to the federal government would be offset with lower medical and welfare costs to the state and federal government based on external research and the Department's own figures: a study conducted by the Alan Guttenmacher Institute found that every dollar spent on family planning services saves the government $3.80;[207] and CDPHE's FPP helps the state avoid about 27,000 unintended pregnancies each year.[208]

Currently about 50,000 women annually take advantage of Colorado's family planning benefits. An additional 35,000 low-income women of child bearing age could potentially take advantage if a Waiver were submitted to raise the Medicaid income eligibility level, and at no additional overall cost to the state.

Recommendations

Department of Public Health and the Environment should submit a Waiver to the Centers for Medicare and Medicaid Services (CMS) establishing income eligibility levels for family planning services that will enable the state to maximize federal matching funds.

Fiscal Impact

This fiscal impact assumes that it will take a year for the Waiver to receive approval from the CMS and therefore no new federal funds would be available for family planning services until the second year.

Estimated Fiscal Impact	
Fiscal Year	**New Federal Funds**
2009	
2010	$9,000,000
2011	$9,000,000
2012	$9,000,000
2013	$9,000,000
Total	**$36 million**

EXPAND PARTICIPATION TO BETTER UTILIZE 340B PHARMACY PRICING

The Department of Health Care Policy and Financing could reduce its Medicaid costs for pharmaceuticals by expanding its use of the federal 340B pricing program.

Background

Colorado's Department of Health Care Policy and Financing (HCPF) administers Medicaid and other health insurance programs to provide access to cost-effective, quality health care services for Coloradans. Because pharmaceuticals are now the fastest growing portion of states' Medicaid program budgets,[209] Colorado has taken several measures specifically to lower the cost of prescription drugs for its clients.

One of the most promising means of reducing these costs is 340B, or Public Health Service (PHS) pricing, a federally administered program that allows qualified entities to provide low-priced outpatient prescription drugs to patients. In 1992, the Veterans Health Care Act passed by Congress included the 340B provision, giving health care providers that primarily serve low income patients ("safety-net" providers) access to deep discounts on pharmaceuticals.

Only some specified entities may obtain 340B pricing – those that receive certain federal grants such as Ryan White funds for HIV and AIDS, those designated as Federally Qualified Health Centers (FQHC), or hospitals designated as Disproportionate Share (DSH) Hospitals. Only individuals who are patients of a qualified entity have access to 340B priced drugs. The federal government considers a person to be a patient of an entity if the entity retains the person's medical records.

Findings

In FY 2006-07, Colorado spent about $131 million on medications for approximately 393,000 Medicaid recipients.[210] In an effort to reduce costs, Governor Ritter recently signed an Executive Order authorizing Colorado to develop a preferred drug list (PDL), which is a list of drugs providers may prescribe without prior authorization from the state's Medicaid agency. In exchange, drugs on the list are generally available at a discount based on the volume of drugs dispensed.

Colorado also requires prior authorization or approval of certain drugs, including brand name drugs, and the substitution of generic equivalents when available. Another technique Colorado employs to control drug expenditures is Medicaid recipient cost-sharing, in which recipients pay $3 per prescription for brand name drugs and $1 for generics.[211] Colorado's Medicaid program has done little, however, to take advantage of cost savings available from 340B pricing.

The Federal 340B Program

Pharmaceutical pricing under 340B tends to be lower than almost any other pricing available. In general 340B pricing is:

- 51 percent less than the Average Wholesale Price (AWP);
- 39 percent less than the average insurance reimbursement; and
- 19 percent less than the average Medicaid price net of rebates.[212]

Obtaining 340B pricing is a complex process for state agencies, and requires extra paperwork and other administrative activities for participating pharmacies. The Deficit Reduction Act (DRA) passed by Congress in 2005, however, eases some of that burden on states by making it easier to amend State Medicaid Plans. It also appropriates funds for Medicaid Transformation Grants and for State High Risk Pools that cover individuals who need more coverage than the marketplace offers. All these changes make it easier for states to take advantage of 340B pricing.

To encourage participation by pharmacies and other entities, the federal government allows an enhanced dispensing fee for 340B drugs to compensate for the additional administrative burden. In order to pay an enhanced fee (ranging from about $6 to $10 per prescription) to pharmacies that dispense 340B drugs, a state must submit a Medicaid State Plan Amendment (SPA) to the federal Centers for Medicare and Medicaid Services (CMS) for approval.

In addition, the federal Health Resources and Services Administration (HRSA) recently proposed rules allowing providers to use several contract pharmacies for 340B dispensing or to create pharmaceutical networks; previously, entities were required to operate an "in-house" 340B pharmacy or to contract with only a single outside pharmacy. Multi-contract pharmacies and pharmacy networks allow patients greater choice of pharmacies, thus eliminating one of the major barriers to implementing 340B programs.

The HRSA also makes available its "Prime Vendor" (currently Apexus, Inc.), who negotiates sub-340B pricing or 'below ceiling' pricing for 340B qualified entities at no cost to that provider. The Prime Vendor has secured sub-340B pricing on more than 2,000 pharmaceuticals for the 1,600 participating entities.[213]

The federal Office of Pharmacy Affairs, which is part of HRSA, also helps states with pharmaceutical costs. It administers the 340B Drug Pricing Program, develops innovative pharmacy services models, and provides technical assistance and serves as a federal resource about pharmacy.[214]

One third to one half of patients treated by "safety-net" providers are Medicaid eligible. Safety-net providers are healthcare entities that primarily serve under- and un-insured patients. Many safety-net entities such as FQHC's and DSH hospitals are eligible to benefit from the 340B program.

Medicaid recipients who receive care at 340B qualified entities represent an opportunity to lower drug costs. Colorado has at least 189 340B qualified provider entities within the state,[215] of these, 31 are DSH hospitals that serve a disproportionate share of low income patients. The state could obtain 340B pricing for any of the prescription drugs dispensed to Medicaid recipients at these facilities.

For example, Factor VIII, a medication that prevents blood clots in hemophiliacs, can cost $130,000 to $500,000 per year per patient.[216] If Colorado were to take advantage of 340B pricing for this medication alone and achieve a savings of 10 percent, it could result in millions of dollars in savings for the state's Medicaid program. Even patients referred to an outside specialist by a 340B entity qualify for 340B pricing when the specialist prescribes medication. This could be especially beneficial to Colorado's disease management program because it allows for 340B pricing for high cost specialty drugs for treatment of such diseases as diabetes, asthma, chronic obstructive pulmonary disease (COPD) and congestive heart failure (CHF).

Other states have already experienced cost reductions through the 340B program. In 2005, Oregon contracted with Wellpartner, a firm specializing in 340B solutions and contract pharmacy services, to implement a 340B pilot – Oregon realized a savings of approximately 10 percent per prescription dispensed over Medicaid rates net rebates.[217] The state is now in the process of expanding the program statewide. West Virginia conducted a performance audit of that state's 340B initiative and found that the Medicaid program saved approximately $300,000 for every participating DSH hospital.

The Heinz Family Philanthropies (HFP) prepared a report in 2006 examining the feasibility of a 340B program for the state's prison system in Colorado. HFP has also funded studies on strategies for reducing pharmaceutical costs and helping low income residents obtain needed medicines – reports have been issued for Idaho, Maine, Massachusetts, Mississippi, Pennsylvania, Rhode Island, and Virginia. HFP, along with the National Association of State Legislatures (NCSL), is available for cost-free consultation on how Colorado can implement a successful 340B program to reduce the costs of prescriptions for the state and its citizens.

Recommendations

1. **HCPF should seek technical assistance from the Heinz Family Foundation, National Conference of State Legislatures, Health Resources Administration and other sources regarding the most beneficial means for implementing a 340B program for the state's Medicaid recipients. Working**

with these technical assistance sources and 340B qualified entities, HCPF should estimate the benefits and costs of implementing a 340B program.

2. **If HCPF decides that it is cost effective to expand 340B drug pricing and 340B qualified entities volunteer to participate, it should coordinate with a vendor that will work with 340B qualified entities to implement a 340B pilot program. The vendor must understand Colorado's unique circumstances including its current Medicaid pharmaceutical rebate and PDL design. The pilot should examine the possibility of using a vendor to coordinate 340B pricing for qualified providers focusing on those clients who use a maintenance drug.**

3. **To implement the 340B pilot program, HCPF should submit a Medicaid SPA to allow a dispensing fee for 340B drugs that reflects the cost of dispensing drugs under the program and lower client copayments to encourage the use of 340B pharmacies for maintenance drugs.**

4. **Once HCPF has received approval for its SPA and knows the strategy it will pursue to implement a 340B program, the pilot program should be expanded to include all 340B qualified entities. A stakeholders meeting including all 340B qualified entities and interested parties (i.e. FQHCs, DSH hospitals, pharmacists, patient advocates) should be convened to educate qualified providers about the plan and participation.**

Fiscal Impact

This fiscal impact estimate assumes one year of planning, a phase-in of the 340B initiative and the use of a vendor to assist the 340B qualified entities to create pharmaceutical networks. Ultimately, Colorado should be able to save around 19 percent per prescription for approximately 50 percent of Medicaid patients who obtain a maintenance drug through a 340B qualified entity.[218] Further, Colorado should be able to achieve additional savings by combining a 340B effort with management of patients with high cost/complex conditions such as hemophilia, HIV/AIDS, and diabetes among others.

To perform the required analysis on 340B programs and gather the technical assistance from the Heinz Family Foundation, National Association of State Legislatures, Health Resources Services Administration and other sources, the Department will require an additional 1.0 FTE (full-time equivalent employee) at the General Professional IV level. This FTE will be responsible for designing the 340B pilot, issuing the SPA, drafting regulations, and writing any needed request for proposal Once the vendor has been identified, the FTE will be responsible for coordinating with the 340B qualified entities to contract with the vendor, and conduct educational outreach to assure that the program is performing as designed. Further, once the program is established, the FTE would be responsible for combining the 340B program with the management of patients with high cost/complex conditions to achieve additional savings. The cost of the FTE has been considered in the calculation of the savings. The salary for a General Profession IV is approximately $63,000 in FY 2008-09.

Estimated Fiscal Impact				
Fiscal Year	**General Fund Savings**	**Federal/Other Funds Savings**	**All Funds Net Savings**	**Change in FTEs**
2009	$5,648	$5,648	$11,297	1.0
2010	$433,877	$433,877	$867,754	
2011	$748,224	$748,224	$1,496,448	
2012	$784,296	$784,296	$1,568,592	
2013	$822,035	$822,035	$1,644,070	
Total			**$5.6 million**	

[183] CBMS is a federally approved integrated system that allocates costs among all assistance programs proportional to each program's use. Therefore, nearly all expenditures out of the DHS CBMS line are run through the federally approved CBMS calculator. Because DHS is a co-signatory of the CMBS vendor contract and the primary signatory to all other CBMS contracts, the HCPF transfers its portion of CBMS total costs through DHS.
[184] All information and figures contained in this issue paper is drawn directly from *COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING; FY 08-09 BUDGET REQUEST,* CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE, Priority Number: BRI-2, Change Request Title: Implement Preferred Drug List.
[185] A documented quote is an abbreviated procurement process for soliciting bids for contracts between $25,000 and $150,000. The documented quote is required to be posted for a minimum of 3 working days rather than the 30 days required for an RFP. Documented quotes and RFP's both have a one year limit with the option to renew up to 4 additional years. The $150,000 limit for a documented quote applies to the full duration of the contract including renewals.
[186] PPI's are prescribed for stomach problems and include drugs such as Nexium, Prevacid and Prilosec. Statins lower the level of cholesterol in the blood and include drugs such as Lipitor, Crestor and Zocor.
[187] This amount is $1,097,925 more than the $1,340,752 in savings in the Medical Services Premiums from the Figure Setting, March 8, 2007, page 52.
[188] Under 42 CFR 456.719, funding for the drug utilization review program, "FFP is available…for the Statewide adoption of a DUR program...for funds expended by the State after December 31, 1993, at the rate of 50 percent.
[189] This would include all three programs to be paid out of the line including the new preferred drug list contractor, the drug utilization review contract with Health Information Design, Inc. and a new pharmacist incentive payment. The pharmacist incentive payment is a new appropriation to the Drug Utilization Review line beginning in FY 07-08. Calculations for this adjustment are available in Table 3 in the Calculations for Request section of this request.
[190] The total contract amount was $180,000 for FY 07-08 and was funded with a 75 percent federal match rate.
[191] The Department originally estimated savings of $670,376 for 6 months and $1,260,752 for Legislative Council's May 3, 2005 fiscal note for SB 05-022. These savings were based on 12 months from the total FY 03-04 expenditures, less FY 03-04 drug rebates, less excluded drug therapeutic classes,[191] times an estimated 2 percent cost savings. The estimate provided for SB 05-022 was used to calculate the appropriation received by the Department during figure setting for FY 07-08 (Figure Setting, February 14, 2007, page 14-15). The estimate used to calculate savings for FY 08-09 was updated with FY 06-07 data as a result of legislative changes impacting pharmacy expenditures including the Medicare Modernization Act of 2003.
[192] Excluded drug classes in FY 03-04 include: atypical antipsychotics, typical antipsychotics, anti-cancer, immunosuppressants, biologics, and HIV/AIDS drugs. These classes are expected to be excluded to protect the most vulnerable Medicaid populations.
[193] Fluctuations in expenditures due to the number of weeks in a month were adjusted using a three month moving average. The three month moving average was averaged for the seven calculated months resulting in a 0.7 percent average monthly percent change. Multiplying 0.7 percent by 12 months provides the annual estimated savings inflator of 8.78 percent. Applying this percentage across fiscal years, the Department estimates that the potential savings is $2,241,843 in FY 07-08, $2,438,677 in FY 08-09 and $2,652,793 in FY 09-10.
[194] The Department reviewed data provided in "Arkansas Medicaid Evidence-Based Prescription Drug Program (EBRx). Quarterly Report – First Quarter 2006" and the "Evaluation of the Indiana Medicaid Preferred Drug List (PDL) Program", 6/30/2005.
[195] For FY 07- 08, $2,060,896 in total potential savings is multiplied by two-thirds to obtain $1,494,562 in drug savings for the first six drug classes. The remaining $747,281 in potential savings comes from the remaining six drug classes.
[196] [196] Idea House, "Fraud in Medicare: Defrauding Medicare and Medicaid with Ease", National Center for Policy Analysis, accessed at http://www.ncpa.org/~ncpa/health/pdh5.html
[197] State Auditors Report
[198] Sparrow, Malcolm, "License to Steal: How Fraud Bleeds America's Healthcare System", Westview Press, 2000.
[199] The fiscal estimate assumes a reduction in Medicaid premiums resulting from improved provider enrollment monitoring and use of enhanced fraud detection technology.
[200] Further this estimate assumes the state and federal agencies will incur costs related to the procurement of enhanced Medicaid fraud detection technology, additional program integrity staff, and re-enrollment of providers in the state's Medicaid program.
[201] Colorado Department of Health Care Policy and Financing, COLD MARS Report # M222200 - Provider Participation Analysis For the Period of 05/01/2007 through 05/31/2007.

[202] Interview with Sarah Roberts, Colorado Department of Health Care Policy and Finance, August 3, 2007.
[203] **Medicaid Program Integrity: State and Federal Efforts to Prevent and Detect Improper Payments,** Highlights of GAO-04-707, a report to the Chairman, Committee on Finance, U.S. Senate, July 2004., page 13
[204] **Medicaid Program Integrity: State and Federal Efforts to Prevent and Detect Improper Payments,** Highlights of GAO-04-707, a report to the Chairman, Committee on Finance, U.S. Senate, July 2004, page 14.
[205] Colorado Department of Public Health and Environment, Women's Health, http://www.cdphe.state.co.us/pp/womens/famplan.html last accessed August 6, 2007.
[206] **Federal Register** / Vol. 72, No. 15 / Wednesday, January 24, 2007 / Notices, page 3147.
[207] *Each $1 Invested In Title X Family Planning Program Saves $3.80*, Alan Guttenmacher Institute, News Release, November 16, 2006.
[208] Colorado Department of Public Health and Environment, Women's Health, http://www.cdphe.state.co.us/pp/womens/famplan.html last accessed August 6, 2007.
[209] 340B Drug Pricing Fact Sheet, NGA Center for Best Practices, National Governors Association 2003.

[210] Interview with Pharmacy Section Manager, Colorado Department of Health Care Policy and Finance, July 2007.

[211] ibid

[212] Heinz Family Philanthropies The Oregon Blueprint - Coordinated Contracting of Prescription Drugs for the State of Oregon, page 18.

[213] www.340bpvp.com

[214]The Office of Pharmacy Affairs, The Health Resources Services Administration, http://www.hrsa.gov/opa/, last accessed on August 4, 2007.
[215] Heinz Family Foundation CO Report.

[216] *The Hemophilia Utilization Group Study: The Cost of Out-Patient, In-Patient and Pharmaceutical Care for Individuals with Factors VIII Deficiency.* **National Library of Medicine (NLM) Gateway**, http://gateway.nlm.nih.gov/MeetingAbstracts/102234052.html accessed June 14, 2007.

[217] *340b Pilot Program Evaluation,* Oregon State University – College of Pharmacy Drug Use Research & Management Program, January 27, 2006.
[218] This assumes a total drug expenditure of $131 million dollars in FY 2006-07 increased by two fiscal years (5.5 percent for FY 2007-08 and 4.6 percent for FY 2008-09); 31.1 percent of Medicaid clients seek care through a Federal Qualified Health Center; 24.2 percent of those client require a maintenance drug; 19 percent savings on the drug using a mail-order 340B pharmacy for maintenance drugs; and a 25 percent client participation rate in FY 2008-09, with 2 months implementation, and a 50 percent participation rate thereafter; approximately 243,000 in annual costs (FY 2008-09 estimate) to increase the dispensing fee paid to 340B qualified entities; and approximately 43,000 in annual costs (FY 2008-09 estimate) to waive client copayments.

Chapter 4
Improving Public Safety

One the most important services State Government provides is protecting citizens from criminal activity. We need not only to be tough on crime, but also be smart in how we invest resources to respond to criminal activity and prevent crimes before they occur.

This chapter includes several recommendations to improve public safety and reduce costs. Some of them are specific to a particular program like implementing digital signatures that will save time and travel in parole hearings, while others are common sense measures like recovering audit costs from correction providers who must be audited more often because of substandard performance.

The most comprehensive recommendation in this chapter outlines steps to reduce the rate of repeat offenders in Colorado's correctional system. By making strategic investments to reduce the growing number of repeat offenders, the State will not only reduce its overall crime rate, but will also save millions of tax dollars. A series of recommendations here focus on diversion services, community-based services, and prevention programs for youth that help prevent kids from becoming career criminals. The combination of these initiatives will dramatically reduce Colorado's rapidly growing recidivism rate in criminal justice, put offenders on the right track to become productive citizens and stem the State's spending on the most costly responses, such as incarceration.

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Implement Governor's FY 2008-09 Crime Prevention and Recidivism Reduction Package		($3,109,000)		$1,717,000		$4,889,000		$6,260,000		$7,555,000		**$17,312,000**
Process Parole Board Documents Electronically	$129,000		$357,000		$357,000		$342,000		$343,000		**$1,528,000**	
Upgrade CO Bureau of Investigation Fingerprint Technology	($287,200)		$725,600		$1,332,800		$1,410,000		$1,493,000		**$4,674,200**	
Require High Risk Community Providers to Cover Cost of Audits												
Establish Document Fraud Detection Fellowship Program	($1,600)		($800)		($1,600)		($800)		($800)		**($5,600)**	
TOTAL ALL FUNDS	**($3,268,800)**		**$2,798,800**		**$6,577,200**		**$8,011,200**		**$9,390,200**		**$23,508,600**	

IMPLEMENT GOVERNOR'S FY 2008-09 CRIME PREVENTION AND RECIDIVISM REDUCTION PACKAGE

Implement research-based changes to corrections programs to reduce corrections costs across the state.

Background[219]

The Department of Corrections' (DOC) budget has increased 127.5 percent, creating the need for the corrections budget to exceed the statewide 6 percent General Fund spending limit on operating programs by $124 million, over the last ten years. The growth in inmate population and related budget increases are partly due to external factors including laws that have increased sentencing ranges and created new felony crimes at the same time that parole rates have decreased. Seventy-eight percent of inmates have substance abuse problems and 18 percent of inmates have a mental illness. In order to address these problems and the overall recidivism rate – the rate at which felons return to prison (49.8 percent for adults and 39 percent for youth) – Governor Ritter has developed a package of programs specifically designed to slow the rate of increase in the prison population by reducing the number of felons returning to prison..

Findings[220]

The Governor's FY2008-09 Crime Prevention and Recidivism Reduction Package provides a balance among the following important areas:

- Diversion services that provide alternatives to prison versus transition services that assist inmates with community re-entry.

- Community-based services versus in-house Department of Corrections (DOC) services, with a focus on the continuum of care. An example of this continuum is the Therapeutic Communities Program. Services are funded within DOC and then funded for offenders after they leave DOC.

- Prevention services for youth versus offender services for adults.

Adult Initiatives

Diversion Bed Increase. Research in Colorado indicates those who successfully complete a stay in Community Corrections are far less likely to recidivate than other offenders. Diversion beds provide a sentencing alternative to prison for judges at a lower cost to the State than a prison bed. Since Diversion beds are less expensive than prison beds ($40.67 per day and $52.69 per day respectively), an increase in the number of Diversion beds results in an immediate reduction in prison bed costs to the State.

Parole Wrap-Around Services. About 32 percent of parolees have a drug offense as their most serious offense and the percentage is increasing, according to DOC.[221] Funds are currently not appropriated for specific mental health or substance abuse services to help parolees transition into the community;[222] and community-based services are not funded by the State to help parolees with substance abuse[223] successfully to transition into life outside prison. This proposal makes dollars available to communities through a competitive grant process.

Inspired by the Boulder County PACE program, this initiative will provide integrated, community-based wrap-around services to parolees, such as mental health services, substance abuse treatment, and housing and vocational assistance, as needed. The State will give priority to communities with high rates of recidivism and offender utilization of DOC services, as well as those communities that show an ability to coordinate existing services and leverage additional local dollars to augment the State's funding.

Eligible parolees would be prioritized based on the determination of success and whether they had received services previously in DOC. For instance, DOC has a Therapeutic Communities (TC) program in its facilities; however, when these offenders are paroled such services may not be available in the community.

Therapeutic Communities in Prison. While about 80 percent of offenders in DOC have a substance abuse problem, less than 25 percent of offenders receive substance abuse services.

Therapeutic Communities are based on a cognitive behavioral model that focuses on promoting personal growth and pro-social behavior in a highly structured treatment environment which is separate from the general DOC population. Therapeutic Communities (TCs) have been developed by DOC in collaboration with community TC providers.

According to the Washington State Institute for Public Policy, therapeutic communities in prison can reduce the recidivism rate by 5.7 percent. Another study[224] conducted between 1998 and 2004 found that the one-year recidivism rate for those with a substance abuse problem who received no treatment was 45 percent (note that this is a 2004 recidivism figure). For those who began TC programs in prison and dropped out, the recidivism rate was 50 percent. Participants in an in-prison TC had a recidivism rate of 37 percent, and those who participated in an outpatient TC had a recidivism rate of 35 percent. Among those who received both in-prison and community TC services, the recidivism rate was eight percent.

DOC estimates that about 30 percent of offenders could be targeted for TC programs; currently there is a waiting list of about 1,500 offenders for the TC programs operated by DOC. DOC would target offenders to be served by this program in the last 6-12 months prior to release. Currently, there are four existing TCs operating in DOC at the Arrowhead, Sterling, San Carlos, and Denver Women's Correctional Facilities. Funding seven contract counselors would expand the capacities of the programs by about 90 beds.

With the implementation of a TC program, the offender population would continue to rise, however the TC program would reduce the projected increase for prison beds by 20-30 beds a year, and would also result in 90 offenders being released to Parole or Community Corrections 90 days earlier than they would have released without the TC program.

<u>Outpatient Therapeutic Communities.</u> Research indicates that addicts commit an average of 280 felonies per year[225]. Aftercare treatment reduces the risk of a relapse and the associated cost to society.

Most of the clients of DOC treatment programs are addicted to methamphetamine and have a co-occurring mental illness. As residential beds in DOC facilities have expanded, outpatient services have been reduced; thus creating a bottleneck in the system. This proposal will provide funding for an evidence-based specialized substance abuse treatment intervention.

Increasing capacity at outpatient therapeutic communities ensures that offenders who successfully complete residential (inpatient) therapeutic community stays to treat substance addiction would continue to receive non-residential Therapeutic Community aftercare. It is projected that this would reduce recidivism by nearly 17 percent, resulting in an annual reduction in DOC incarceration costs.

Increased funding for Outpatient therapeutic communities would support treatment services, family therapy and support, operating expenses (rental subsidies, medication assistance, staff training) for up to 160 clients -- the proportion of offenders who are likely to be released to outpatient status during any given year who have completed the residential portion of the Therapeutic Communities program.,

Peer 1 and The Haven, located at Fort Logan in Denver, and Crossroads Turning Points, located in Pueblo would provide the outpatient services. Recent studies by the Division of Criminal Justice have identified Peer 1 and The Haven as unusually effective programs. From FY 1999-00 to FY 2003-04, Peer I had a 12 month recidivism rate of nine percent and the Haven had the lowest recidivism rate in Colorado, less than five percent for 12 months, compared to the 52 percent recidivism rate among the general prison population.

<u>Mental Health Services in Prison.</u> The recidivism rate for mentally ill offenders is 54 percent, which is slightly higher than the estimated 49.8 percent recidivism rate among the

general population. The mentally ill population is growing faster than the associated mental health resources to serve the population. DOC has experienced a 583 percent increase in the number of mentally ill offenders over the last 13 years. Lack of on-going mental health treatment in DOC results in poorer outcomes and potentially increases the risk of self-injury or suicide. Increased therapy could reduce facility disruption and recidivism.

In addition, federal courts have consistently held that offenders have a constitutional right to medical and mental health treatment for serious disorders.[226] Current mental health caseloads put the Department at risk of not meeting the American Correctional Association accreditation standards, as well as standards of the American Psychiatric Association.

The following table illustrates the recommended caseloads for mental health services, current DOC caseloads and the caseloads that would result from adding 17 staff. As the table indicates, without the staff increase, DOC fails to meet recommended standards by a significant margin. Prisons such as San Carlos and high security facilities would receive additional staffing.

	Maximum Recommended Caseload	DOC Current Caseload	Caseload After Staff Increase
Psychiatric Medication Providers	1:80	**1:100 (special needs placements)**	1:62 (mental health clinicians) 1:86 (special placement)
General Population Psychiatric Care	1:250	**1:647**	1:515

If DOC could expand staffing to increase services provided to mentally ill offenders in prison, the results would be fewer occurrences of psychiatric deterioration among these offenders. It is projected that, after one year, this will be a break-even program, meaning that dollars invested will lead to commensurate savings from recidivism reduction.

Increase Vocational Education in Prison. After release from prison, offenders need to be able to obtain gainful employment in the community. A study conducted by Washington State[227] found that academic education and vocational education can potentially reduce recidivism seven to nine percent. These reductions would be realized over the long term as the academic and vocational programs take months or years for the offenders to complete.

Over 5,000 of the offenders in prison are in need of GED certificates[228]. If DOC added eight new instructors, five for GED classes and three for vocational services, by FY 2009-10, these additional instructors would teach an estimated 530 offenders per year. The initiative reduces the waiting list for offenders wishing to complete a GED and provides opportunities for provisional licensing for cosmetology, auto collision repair, and heating, ventilation, and air conditioning.

If only 33 offenders out of the 230 served the first year do not return to prison, the resulting savings will fully offset the cost of additional instructors and classes. After the first year, only 26 offenders not returning to prison of the 530 offenders served (4.9 percent) on an annualized basis provides the “break-even”.

Youth Initiatives

Collaborative Management Program expansion. In 2004, the Colorado General Assembly passed House Bill 1451 to encourage increased collaboration among the many agencies involved with youth who are in either the child welfare or youth correctional systems (including probation). These incentive funds are distributed based on achievement of outcomes stipulated in the management plans submitted by the counties. The plans detail how the different parties will collaborate functionally and financially to provide more seamless services for the children in care. The plans entail a formal MOU among several required parties within the community including child welfare services, the education system, judicial services, and mental health representatives. Examples of outcomes measured by plan participants include:

- Increasing the number of successful terminations of probation and/or diversion.
- Reducing the number of commitments from child welfare or probation to Division of Youth Corrections.
- Increasing the number of successful terminations of parole.
- Making appropriate level-of-care recommendations through collaborative staffing to decrease revocations of probation supervision.

This proposal would fund both Child Welfare and DYC and is comprised of the following:

- Fund new counties to implement the program. The Collaborative Management Program set in motion by H.B. 04-1451 has been in place since FY 2005-06. DHS estimates that the six original participating counties generated a savings during the last 12-month period of approximately $2.9 million dollars[229]. These savings have consequently been re-invested into further prevention and treatment programs within the counties.

  Many of the counties that will be participating in the program during FY 2008-09 are very small, and consequently, any savings will likely be commensurate with the size of the county. These new counties include Fremont, Garfield, Grand, Gunnison, Hinsdale, Jackson, Pueblo, and Routt. However, the results from the original participants indicate that savings do result from H.B. 04-1451 activities, and new participants will likely see some matter of cost savings accrue as programs are implemented and stabilize over the next several years.

The challenge for DYC is to ensure participation and partnering with each local Interagency Oversight Group (IOG) through meeting attendance, providing liaison to each of the counties, fully understanding the goals and objectives of each county's project (as they are all different) and participation in planning sessions. Currently, 18 plans have been submitted and are under consideration for incentive funding in FY 2008-09. At this time, two additional staff members assigned as coordinators for the State (with each responsible for two regions or approximately ten plans) should provide adequate DYC coverage of H.B. 04-1451 activities. DYC regional directors and other regional staff will need additional funds to participate in all of these efforts given other job duties, the growing number of H.B. 04-1451 programs, and the travel time required in the rural areas of the State.

- Research and Evaluation. DHS and participating counties note that Collaborative Management Program savings are difficult to estimate because a comprehensive evaluation of the programs has not been completed to date. This evaluation would assess the basis of future increases and would provide an independent evaluation of the program's success and of comparisons between counties.

DHS, S.B. 91-94. The General Assembly passed Senate Bill 91-94 with the goal of developing a broader array of less restrictive detention services, including community-based services. The foundation of S.B. 91-94 is the collaboration between state agencies and local communities with local control in determining what services are needed in each of the 22 judicial districts.

Funding is to be specifically targeted for evidence-based programs such as multi-systemic therapy (MST). MST is an intensive home-based intervention for chronic, violent or substance abusing juvenile offenders, ages 12-17. MST addresses the cause of delinquency and is delivered in the youth's home, school and community. Funding is to be used to develop a protocol for program review and to structure the funding around consistency and in creating programming in judicial districts that meet local needs.

A cost-benefit analysis presented by the DOC uses studies from the Washington State Institute for Public Policy to demonstrate cost-avoidance potential from investment in the evidence based therapy programs proposed for funding. In total, the analysis indicates that an initial investment of $666,000, could result in $9.7 million in cost avoidance (over time) in areas ranging from decreased substance abuse to decreased crime.

DHS, Youth Functional Family Parole Program. The Functional Family Parole model provides parole officers with a structured, skill-based and goal-oriented approach to working with youth and families. The program provides the tools, training, and ongoing consultation to teach parole officers exactly how to work with families and youth. Research findings on the Youth Functional Family Parole program in Washington State[230] indicate that Functional Family Therapy for parolees reduces recidivism and parole revocations. For every $1.00 spent on evidence- based programs, such as the Functional

Family Parole model presented here, $13.25 in savings is produced.[231] The program has already been successfully piloted in Denver. For this reason, the Division of Youth Corrections believes that another pilot is not needed and that it is time to roll out the program on a statewide basis.

Based on August 2007 data on parole average daily population, there are approximately 500 youth on parole, roughly, the number of youth that will be served annually by the Functional Family program.

The Department would bring in experts from Functional Family Therapy, Inc. to conduct initial trainings for all client managers not currently involved in the pilot program. Additional staff will provide internal capacity in the implementation of the Functional Family Therapy model. They would receive additional training from the contractor in order to provide the Division with on-going internal consultation and to help ensure the model is being applied and used appropriately. Based on the Washington State Institute for Public Policy 's study, which found that for every $1 invested in evidence based programming $13.25 in savings is generated, the Department anticipates that the amount requested here could result in as much as $4.9 million of future cost-avoidance for the State.

Research

Gauging the impact of programmatic change requires data for internal and external analysis, conducting quality assurance, and a strong ability to track the offender population. Both DOC and DPS research would involve tracking recidivism rates by geographic location, by programmatic participation, and by crime for which time was served. DOC will work with the Division of Criminal Justice at DPS on these and other reports, however DOC and DPS will need enhanced analytical capacity and funding as both agencies target recidivism as a key strategic goal.

Recommendations

The Legislature should make the funding and statutory changes necessary to implement all the elements of the Governor's Crime Prevention Recidivism Reduction Package, including:

- **Increase the number of DPS diversion beds to 162.**
- **Provide wrap-around services to 200 parolees.**
- **Increase capacity of Therapeutic Communities to serve 160 clients.**

- **Increase psychiatric staffing in prisons by 17 FTEs to reduce caseloads to 1:30 to 1:80 for special needs units and 1:150 to 1:250 for general population psychiatric care.**
- **Expand Vocational Education in prison by eight new instructors.**
- **Expand DOC's research staff by 2 FTE.**
- **Expand DPS's research funding to evaluate the Recidivism Reduction Package.**
- **Expand the H.B. 04-1451 program to provide funding for the 8 new counties participating and adds funds for evaluation.**
- **Reinstate funding for DHS, S.B. 91-94 Division of Youth Corrections program and target 100 percent of it for evidence-based programs.**
- **Provide Division of Youth Corrections parole officers with a structured, skill-based, and goal-oriented approach to working with youth and their families.**

Fiscal Impact

The State would provide Parole Wrap-Around Services to 200 selected clients for $9,000 per parolee for one full year, and $3,000 in mental health or substance abuse continuing care services for the second year.

A total of $700,000 would be required to expand the H.B. 04-1451 program to provide $500,000 in funding for the eight new counties participating and $200,000 for evaluation. DYC needs $122,372 (2.0 FTE) to maintain the Division's participation in the growing Collaborative Management Program.

The Department estimates that it would need $250,000 expand the current Youth Functional Family Parole pilot program via a contractor and additional personal services in the Division of Youth Corrections. The request includes both the anticipated costs for the contractor as well as personal service for 2.0 FTE to be hired and trained as internal consultants. The Department uses a five-year projection of youth expected to enter the adult correctional system to estimate the cost benefit analysis of the Functional Family Therapy program. By estimating the number of youth who could be deterred from the adult system over the next five years, the Department anticipates that it will recoup the investment from this initiative and begin producing a positive net cost-benefit.

According to the Office of State Planning and Budgeting, the aggregate fiscal impact of all elements of the Governor's Crime Prevention Recidivism Reduction Package are as follows:[232]

Estimated Fiscal Impact			
Fiscal Year	**Other Funds Savings**	**Cost**	**Net Savings/ Revenue**
2009	$5,001,000	($8,110,000)	($3,109,000)
2010	$9,870,000	($8,153,000)	$1,717,000
2011	$13,053,000	($8,165,000)	$4,889,000
2012	$14,436,000	($8,177,000)	$6,260,000
2013	$15,744,000	($8,189,000)	$7,555,000
Total			**$17.3 million**

PROCESS PAROLE BOARD DOCUMENTS ELECTRONICALLY

Eliminate the use of hard copy typed and handwritten forms for Parole Board actions.

Background

The Colorado Board of Parole is a seven member Board responsible for the review of inmate applications for parole, requests for modifications to terms of parole or the revocation of parole status and remand of the offender back to prison or to a revocation facility. The Colorado Parole Board is an independent Type 1 agency housed within the Colorado Department of Corrections but works autonomously from the Department. Parole Board members also review suspensions and rescissions of previously granted parole to inmates not yet released who subsequently become ineligible because of a new offense.

The Board of Parole Office is located in Pueblo, Colorado and parole hearings take place across the state in or near various correctional facilities. Parole officers are part of the Department of Corrections Parole Division, however, they work or report to offices located across the state.

Parole Board staff complete over 28,000 individual forms each year using electric typewriters or printing out computer forms and filling in information by hand.

Findings

From July 1, 2006 to June 30, 2007, the Parole Board conducted 20,247 application hearings, ordered 11,699 revocations and issued 214 warrants. Front desk staff filed 28,958 pieces of paper during this timeframe.[233]

Staff prepare paperwork for the various Board actions on typewritten or handwritten forms; they also enter the form information into various electronic systems for tracking and notification. In addition, the Board maintains over 18,000 offender files in hard-copy.[234] As of mid-August 2007, Board staff were approximately three weeks behind in filing completed action forms in inmate files.

For revocation hearings, Parole Board staff prepare files and are required to express mail those files to Parole Board members, typically sending out an average of 3-4 Federal Express boxes every Thursday.[235] Once a hearing is completed, members are required to return the forms via express mail to the Parole Board office. Office staff then send the file via fax to the assigned Parole Officer.[236]

Each type of Parole Board action is a multi-step process involving low-tech methods of creating forms, circulating forms for signature, finalizing forms and then distributing them to the relevant individuals.

Application Hearings

An inmate's application for a parole hearing is a five-step process requiring data entry into two separate electronic tracking systems. Facility case managers prepare packets of information when an inmate requests an application for a hearing. The case manager generates a "Notice of Colorado Parole Board Action" on a computer, enters the inmate's DOC number and *prints* the document. The document is then sent in hard copy rather than electronically. A Parole Board member signs the form at a facility-based hearing; a second Board member reviews the case for accuracy and to ensure the decision meets statutory criteria. The hard-copy Action form is then express mailed back to the Parole Board office (rather than emailed) where additional hard copies are created for distribution to DOC Records, Time Computation, the inmate's working file, and the inmate.[237] The Parole Board retains the form with the original signature.

Information is entered into the Board's electronic log of all hearings conducted (Paradox serves as the Board's in-house tracking system) and separately by Time Computation into the DOC electronic system.

If Time Computation must notify the Parole Board that there is no approved parole plan, they send an email to Parole Board staff indicating the Parole Board action requires an amendment. Since the system does not permit electronic editing of these forms, Board staff must print out an "amend" form and complete it by hand or by electric typewriter. Signatures are then stamped onto the "amend" forms.

Suspension and Revocation

The Parole Division files an automated Parole Complaint when an offender violates the terms of parole. The Board staff receive an electronic notification that a Complaint is in the system and that they can access the system to set the hearing date.

Once the hearing date is set, however, the process becomes primarily a paper process. Office staff prepare a hard-copy paper file for the hearing, consisting of a Parole Board mittimus (a Parole Board Order on revocation hearings).[238] The mittimus is hand-typed on a multi-part NCR form from information taken off the Parole Complaint, and includes the DOC inmate number, name, parole officer's name and a code indicating the conditions being violated. The original hard copy of the mittimus is filed and retained for the hearing.

If an amendment is added to the Complaint, the amendment must be hand-typed as well. Every mittimus requires an original signature.

Warrants

Warrants can originate either directly from the Parole Board or from Parole Officers; in either case, it is a paper intensive process. The Parole Board can issue an arrest warrant – which is handwritten – if an offender fails to appear for a revocation hearing. When a Parole Officer enters a complaint and requests a warrant, a handwritten form signed by the officer and a supervisor is faxed to the Parole Board. The Board holds the faxed form until a system notification of the complaint is available so that the faxed form and system notification can be matched for accuracy. A Board member or the Board Chair is required to visit the Pueblo office to physically sign the hard copy warrant. This usually occurs a few times per week; however, during times when Parole Board members are conducting hearings at facilities on the Eastern Slope, it is less frequent.

The signed warrant is faxed to the Colorado State Patrol to air on CCIC and NCIC.

Electronic Forms and Digital Signature Technology

There are many opportunities using today's digital capabilities and off-the-shelf tools to convert paper-intensive parole actions from hard copy, faxed, typewritten or handwritten forms, to electronic documents that could be edited and amended electronically, digitally signed and emailed to the appropriate parties.

A digital signature is designed to be secure and can be used to ensure the body of the document being sent has not been altered.

> With digital signatures, forgery is next to impossible – much more difficult than forging a handwritten signature. First, a digital signature is more of a process than just affixing a signature. For example, when the document is "digitally signed," the digital software scans the document and creates a calculation which represents the document. This calculation becomes part of the "digital signature." When the recipient authenticates the signature, a similar process is carried out. The sender's and the receiver's calculations are then compared. If the results are the same, the signature is valid; if they are different, the signature is not valid.[239]

Beyond the labor intensive effort needed to complete and process hard-copy paper files, the absence of an electronic system to process Parole Board actions means that conducting researching into trends in parole revocations, such as causes of revocations or the original offense of inmates violating parole, cannot be done electronically and instead, requires review of individual hard-copy inmate files.

Recommendations

1. **DOC working in conjunction with the Parole Board should convert all typewritten and handwritten Parole Board action forms to an electronic format.**

DOC Information Systems should create intelligent forms that, when connected to DCIS, will “self fill” specified fields when an inmate’s DOC number is entered. Once the form is completed, the new data could be saved in DCIS, eliminating additional data entry by Time Computation and others who are currently duplicating entries. It is also recommended that, in the programming, there be creation of a “Case Manager Packet” that can be generated with a single selection in DCIS (currently the packet consists of hard copies of several DCIS screens).

2. **DOC should issue all Parole Board members notebook computers to allow them to receive process and digitally sign the various action forms, including “Notice of Colorado Parole Board Action” forms and warrants.**

The Parole Board should coordinate with DOC and the Office of Information Technology (OIT) for the purchase of notebook computers and encryption and digital signature software to allow for secure digital signatures and electronic transmittal of forms. The current electronic Parole Board Action form should also be upgraded into a web-based application that is retrievable by any board member at any time. The form could be self filling, completed at the conclusion of the hearing, and routed to the proper channels immediately.

Notebook computers would also enable Board members eventually to receive case files electronically, thus eliminating the need to express mail hard copy files.

Fiscal Impact

The most immediate need is to convert the three-part typewritten NCR forms to electronic documents, to obtain the tools to process forms with secure digital signatures, and to obtain the notebooks for Parole Board members so they can receive and transmit the forms.

Costs

The cost to convert to electronic forms includes staff time for software development, and notebook computers and software for Parole Board members, Release Hearing Officers and Administrative Hearing Officers. There will be ongoing costs for software maintenance and computer replacements.[240]

Savings

Savings can be realized through the reduction in staff time needed to complete, edit and send forms in hard-copy – estimated at 55 minutes times 20,247 application hearings. Savings can also be realized through reduced paper consumption and mailing costs because forms would no longer need to be copied and distributed; forms could be transmitted electronically and added to an electronic inmate file. For example, 367 video conference hearings were scheduled in October 2007, an average video schedule for the Parole Board. If all forms were electronic-based, eliminating the need to copy and mail 367 large packets per month (approximately $1.50 each), annual savings would be $6,606 for video conference hearings (13 percent of the overall hearings) alone.[241]

Because the changes would take about six months to implement before savings can be realized, first year benefits would total $185,000, with out-year annual benefits of $362,000.

This brings net benefits over five years to $1.5 million.[242]

Estimated Fiscal Impact			
Fiscal Year	**General Fund Benefit**	**General Fund Cost**	**Net Benefit**
2009	$185,000	($56,000)	$129,000
2010	$362,000	($5,000)	$357,000
2011	$362,000	($5,000)	$357,000
2012	$362,000	($20,000)	$342,000
2013	$362,000	($18,000)	$343,000
Total			**$1.5 million**

UPGRADE COLORADO BUREAU OF INVESTIGATION FINGERPRINT PROCESSING TECHNOLOGY

The Colorado Bureau of Investigation's Identification Unit must invest in improved systems for fingerprint processing in order to keep pace with criminal and civil background checks.

Background

The Colorado Bureau of Investigation (CBI) Identification Unit is the state repository for criminal history information. Criminal histories are updated continuously with information such as arrest data, court dispositions, individuals' correctional status as well as sex offender information as required by statute. This information is collected along with fingerprints submitted to CBI by criminal justice agencies either by mail or via "Livescan" booking stations which allow arrest information and fingerprint images to be sent electronically. CBI then sends this data to the Federal Bureau of Investigations (FBI) either electronically or by mail.

The CBI Identification Unit operates 24 hours a day to provide information regarding warrants to on-duty law enforcement officers. The Unit stores all criminal fingerprints and related information in its Automated Fingerprint Identification System (AFIS), a system that automatically matches anywhere between one and ten fingerprints of unknown identity to a database of known prints.

In addition to criminal fingerprint checks, CBI's Civil Identification Section provides public access to the state's computerized criminal history and fingerprint records to the extent required by state law. The CBI team processes required fingerprint background checks of individuals for adoptions, certain types of employment and licensing purposes,[243] and provides the results to employers or licensing agencies.[244] The fee charged for these background checks ranges from $13.00 to $39.50, depending upon the type of search conducted.[245]

Findings

In recent years, Colorado has expanded the list of occupations and licenses for which background and/or fingerprint checks are mandatory. CBI is statutorily required to process civil requests for name and fingerprint checks within 72 hours of receipt;[246] criminal record checks must be processed within 24 hours.[247] CBI prioritizes the approximately 250,000 criminal background checks it is asked to perform each year, resulting in a backlog of requests for civil checks, which often take several weeks to complete because of the Unit's aging technology and practices.[248]

CBI receives approximately 700 criminal "tenprint" (record of all 10 fingerprints) submissions per day from criminal justice agencies including courts, corrections and law enforcement agencies. Approximately 98 percent of the submissions are sent via LiveScan devices; the remaining two percent are traditional "ink and roll" and are received on fingerprint cards the CBI Identification Unit receives by mail for processing.[249]

CBI additionally receives approximately 900 civil applicant tenprint submissions per day for identification processing. Approximately 95 percent of these are on mail-in cards and only five percent are submitted electronically from LiveScan devices. CBI's AFIS contains nearly two million fingerprint records and 20,000 unsolved latent records.[250]

The current computer processing and storage technology used by the CBI Identification Unit is outdated and lacks the capacity to process the increasing number of criminal history and civil fingerprint checks being requested. In addition, the AFIS system now in place will become increasingly expensive to maintain because of its age: replacement parts are difficult to find and future vendor support of older platforms cannot be guaranteed.

Updated Livescan technology on site would allow fingerprint cards sent to the CBI to interface automatically with the FBI, thereby saving staff time on data entry and scanning. This new technology would also decrease processing times and result in better customer service for the public and for government agencies.

CBI's current fingerprint process requires 13 distinct steps to input and process a report, and 9 of these steps require manual data input or processing. The manual processes in place today were designed for use with the AFIS technology acquired in 1992 when submissions were primarily mailed to CBI and the daily fingerprint card production was approximately only 500 records per day (now it is three to four times that).[251]

Budget modifications within CBI can facilitate a needed technology upgrade. The fees Colorado charges for fingerprint checks are below the national average.[252] Currently, CBI is not allowed to retain revenue collected from its fees for fingerprint and background checks beyond its statutory spending authority. CBI is also not allowed to maintain revenue for system maintenance and operational upgrades. Additionally, the FBI recently reduced its charge to state agencies like CBI by $4.75 for each criminal history fingerprint check submitted electronically,[253] which eases some of CBI's financial burden.

Recommendations

1. **The CBI Identification Unit should invest in new technology to keep pace with growing demands for criminal history and fingerprint checks and meet statutory requirements for timely processing.**
2. **Costs for the needed upgrades to AFIS technology should be offset with savings on FBI checks submitted electronically ($4.75 per record).**
3. **To apply revenue collected for background and fingerprint checks, CBI should be allowed to put the fees charged in a designated fund to support the cost of the system and fully comply with the law.**

Fiscal Impact

CBI can acquire a new AFIS system through a 10-year lease. System costs are listed below for the first four years of a 10-year lease agreement.

CBI currently processes 375,000 criminal history and background checks annually, made up of approximately 250,000 criminal checks and 125,000 civil checks. CBI projects the number of criminal checks to grow by 15 percent in the next five years and civil checks to grow by 35 percent over the same time period.

If CBI is allowed to retain revenue in a dedicated fund collected from fees for processing fingerprint and background checks, these monies could be dedicated to the lease and operational costs of an updated AFIS system. CBI reverted $1.3 million in spending authority last year and will have additional savings due to the FBI's reduction in fees for electronic submissions that began during the second quarter of FY 2007-08.

Estimated Fiscal Impact			
Fiscal Year	**Costs**	**Revenue – Reduced FBI Charges**	**Net Additional Revenue**
2008		*$1,367,109*	*$1,367,109*
2009	($2,110,000)	$1,822,812	($287,188)
2010	($1,210,000)	$1,935,625	$725,625
2011	($680,000)	$2,012,812	$1,332,812
2012	($680,000)	$2,090,000	$1,410,000
2013	($680,000)	$2,173,000	$1,493,000
Total			**$4.7 million**

Annual AFIS lease costs decrease in the remaining years of the ten-year lease. Revenue available from the FBI fee reduction each year will be more than enough to support the AFIS costs throughout the ten-year lease. CBI may then apply any excess revenues to other system improvements needed to expedite processing of its criminal and civil background checks.

REQUIRE HIGH RISK COMMUNITY PROVIDERS TO COVER THE COST OF AUDITS

Stipulate in contracts between the Division of Criminal Justice and community corrections programs that providers bear the costs when additional audits are necessitated because of poor performance.

Background

In 1974, the Community Corrections Act established community corrections as a viable alternative to incarceration. In the community corrections system, offenders are gradually reintegrated into Colorado communities in a supervised setting, either residential or non-residential, that provides appropriate treatment and other support services.

The administration of the community corrections program was consolidated under the Colorado Department of Public Safety's Division of Criminal Justice (DCJ) in 1986. The first Governor's Community Corrections Advisory Council recommended that DCJ develop program standards establishing minimum requirements for community corrections providers and measures for program accountability. These standards prescribe minimum levels of offender supervision and services, health and safety conditions at facilities, and other measures to ensure quality services. Standards have now been established for both residential and non-residential community corrections programs throughout the state.

DCJ is directed by statute to audit community corrections programs to ensure compliance with these standards.[254]

Colorado law also directs DCJ to implement a schedule for auditing the programs based on "risk factors" so that providers with a good record of compliance with state standards are audited less frequently than those with more documented instances of non-compliance.[255] DCJ currently classifies providers in four categories from "Low Risk to "High Risk" to determine the audit schedule.

Findings

All community corrections programs are audited at least once every 5 years. Since Colorado statute requires that DCJ create a schedule of more frequent audits for programs considered high risk, "Medium High Risk" programs are audited once every 3 years and "High Risk" programs are audited annually.[256]

Due to limited budget and staff resources, however, DCJ has difficulty conducting the annual audits for "High Risk" programs and is falling behind on others.

DCJ's community corrections audits are funded each year through the Division's General Fund budget appropriation, yet the Division's budget does not increase when additional and more frequent audits of "High Risk" programs are required. In essence, DCJ "pays the price" for poor performance by "High Risk" community corrections providers as it absorbs the costs of conducting additional audits.

Recommendations

1. **Community corrections programs should bear the cost of state audits when the program's poor performance requires additional and more frequent audits.**

Language should be incorporated into DCJ's original contract providing funding to community corrections providers stipulating that providers will be responsible for all costs of additional and more frequent DCJ audits required due to the program's poor performance.

2. **DCJ should increase audit staff by 0.5 FTE (equivalent to half of a full-time employee).**

3. **DCJ should apply funds collected from the audit assessment to pay for the actual audit cost of "High Risk" programs, and apply other DCJ staff and budget resources to conduct other required community corrections audits that are now falling behind.**

Fiscal Impact

DCJ estimates that the more frequent annual audits of “High Risk” programs result in $21,450 in additional FTE costs and more than 800 additional staff hours per year – approximately one half of a full FTE at $26.81 per hour.[257]

More frequent audits also produce additional expenses in lodging and mileage for DCJ auditors to travel to the program site for the audits.

Estimated Fiscal Impact				
Fiscal Year	**Other Funds Savings**	**Cost**	**Net Savings/ Revenue**	**Change in FTEs**
2009	$21,450	($21,450)	$0	0.5
2010	$21,450	($21,450)	$0	
2011	$21,450	($21,450)	$0	
2012	$21,450	($21,450)	$0	
2013	$21,450	($21,450)	$0	
Total	**$107,250**	**($107,250)**	$0	

ESTABLISH DOCUMENT FRAUD DETECTION FELLOWSHIIP PROGRAM

Establish a Motor Vehicle Investigations Unit Fellowship Program for law enforcement investigators to learn fraud detection techniques and to increase the number of identity theft and fraud investigations reviewed that will lead to increased apprehensions.

Background

The Motor Vehicle (MV) Investigation Unit at the Department of Revenue investigates misconduct, document fraud, and other criminal activity involving motor vehicle records. It also provides assistance to law enforcement in the prevention and detection of fraud; assistance to citizens victimized by fraudulent motor vehicle documents; and training to department personnel, law enforcement, and other state and federal agencies to recognize fraudulent documents.[258]

The Investigations Unit's cases range from the simple – such as consolidating duplicate identities – to the complex, such as use of a deceased person's identity to apply for supporting identification or a vehicle title.

An experienced MV investigator typically handles one to three cases a day. The Unit sends about twelve cases to the District Attorney (DA) for prosecution each month; the DA pursues four to six cases. Three to five cases submitted by the Unit to the DA are 'rejected,' often because the suspect identified has a bad address and therefore cannot be easily located or the suspect is a "John Doe" and cannot be identified with absolute certainty.

During the course of a recent fiscal year, 4.7 FTEs processed approximately 180 frauds (of which several were identified by facial recognition software), referred 1,500 cases to agencies with jurisdiction, and answered 5,500 phone calls.[259]

Currently, the Unit has a backlog of nearly 600 cases – about 25 percent of these are complex and/or of a criminal nature, while 40 percent are administrative (a suspect has used another person's identification or submitted falsified or counterfeit documentation). The remaining 35 percent are of an unknown nature and only through preliminary investigation can their complexity and seriousness be discovered.

Findings

Colorado's law enforcement officers have access to the resources and data needed to investigate motor vehicle-related fraud cases; however, they are unlikely to do so since they have not received the appropriate training. By developing an expertise in identity fraud, counterfeit document identification, title fraud, and related interviewing techniques, these officers could conduct identity theft and fraud investigations without deferring them to the MV Investigations Unit. As a result, the conviction rate would increase and the MV Unit's ongoing caseload would be reduced.

Establishing a four- to six-month Motor Vehicle Investigations Fellowship Program, open to Colorado law enforcement officers, would enable these officers to receive needed training to be able to conduct MV-related fraud investigations. In addition, while serving as "visiting fellows," the officers would be able to assist in the clearance of the 600 backlogged cases.

After returning to regular duties after completion of the training, the visiting fellow could continue to conduct MV-related fraud investigations, as well as train other officers within the agency. This should lead to a reduction in the growth of the MV Unit's overall caseload since the now-trained law enforcement officers could conduct investigations instead of passing them on to the MV Investigations Unit.

Based on available spending authority, the Fraud Investigation Unit of the Colorado Bureau of Investigations should have available officers to take part in this Fellowship Program.[260] While the fellowship training would benefit any law enforcement officer, the training would be directly related to the primary responsibility of the Fraud Investigation Unit. Moreover, since the Fraud Investigation Unit officers are already Peace Officer Standards and Training (POST) certified,[261] they would benefit from fellowship program if it also is POST certified; therefore this certification should be sought for the training.

Fellowship Program Description

Law enforcement officers who become visiting fellows with the MV Investigations Unit would be expected to participate in the program for four to six months. The first two weeks of the fellowship would require complete, full-time oversight from an MV investigator. After the first two-week period, a visiting fellow would need supervision and training for about an hour each day.

Initially, two available MV investigators would be deferred from current case investigations in order to provide supervision and training to the fellow. However, after four weeks of training, a visiting fellow will be able to independently complete simple cases and assist with the Unit's caseload. After about fourteen weeks, the visiting fellow will be able to investigate complex cases such as counterfeit titles and the theft of deceased persons' identities.[262]

Need for Coordination[263]

In some law enforcement departments, non-essential work is being reduced in order to move resources to patrol or essential positions during peak periods. It may be difficult in some instances to persuade chiefs to let officers participate in a full-time program for such an extended period. To avoid the disruption of early termination of a fellow's engagement at MV, DOR should work with the Department of Public Safety (CDPS) in the design and execution of the fellowship program to make it effective for both departments.[264]

Recommendations

The Department of Revenue, Motor Vehicle Investigation Unit should establish a Fellowship Program with the Department of Public Safety to train investigators in document fraud detection techniques.

Fiscal Impact

MV Investigations estimates that without the internship program, two additional staff are required to meet the growing demand and to simply maintain the investigation case backlog at current levels.[265]

For a short period of time, the MV Chief Investigator will needed to be diverted to start-up tasks such as curriculum development, surveys and petitioning the Social Security Administration for appropriate data access – estimated to be 80 hours to develop the internship program curriculum and 40 hours to seek POST certification from the Office of the Attorney General.[266] The salaries and benefits of the personnel participating as fellows are already budgeted at the state or local level.[267]

Once the Fellowship Program is fully operational, DOR estimates hosting two Fellows per six-month training cycle – four Fellows per year. Course materials and office supplies are estimated to cost $200 for each Fellow for a total of $800 annually. [268]

According to the DOR Budget Office, there are no direct financial savings to the state as a result of reducing the investigations backlog.[269] However, a large backlog "leaves victims of identity theft or forgery unaided and leaves criminals who perpetrate forgery, fraud, and false statements at-large to victimize others."[270]

Estimated Fiscal Impact		
Fiscal Year	**Cost**	**Change in FTEs**
2009	($1,600)	2*
2010	($800)	
2011	($1,600)	
2012	($800)	
2013	($800)	
Total	**($5,600)**	

*Budget protocols would show this as an increase of 2 FTEs, representing four fellows, each with a six-month fellowship. This is a one-time increase in FY 2009 that remains constant (at 2 FTEs) for each subsequent year.

[219] Office of State Planning and Budgeting, "A Fact Sheet: *GOVERNOR RITTER'S FY 2008-09 CRIME PREVENTION AND RECIDIVISM REDUCTION PACKAGE."*
[220] Office of State Planning and Budgeting, "Recidivism Summary Document – November 1 FY 2008-09 Recidivism Budget Memo to JBC."
[221] Department of Corrections Fiscal Year 2006 Statistical Report, page 91.
[222] The exception to this is the Therapeutic Communities program, which is very small and not statewide.
[223] It is also assumed that the parolees could have a dual diagnosis of substance abuse and mental illness.
[224] This study was conducted by DOC and the University of Colorado, and funded by the National Institute of Justice, and measured the one-year re-incarceration rates among in-prison TC participants, community TC participants, and participants in both programs.
[225] Department of Public Safety FY 2008-09 Decision Item.
[226] (Esp. Estelle v. Gamble, 429 US 97, 1976, and Bowring v. Godwin, 551 F2d 44, 4th Cir 1977).
[227] *Evidence-Based Public Policy Options to Reduce Future Prison Construction, Criminal Justice Costs, and Crime Rates.* (2006) Steve Aos, Marna Miller, and Elizabeth Drake, Olympia: Washington State Institute for Public Policy.
[228] GED Priority List, DOCNET Aug 15, 2007.
[229] These original six counties include Boulder, Denver, El Paso, Larimer, Mesa, and Weld. These counties were part of the FY 2005-06 original plans. In FY 2006-07, the following additional counties were added: Chaffee, Elbert, Jefferson, and Teller.
[230] Washington State's Implementation of Functional Family Parole, Sexton, Thomas & Rowland, M, 2005.
[231] Washington State Study.
[232] Per PDF file provided by Alexis Senger, OSPB, "Recidivism Package FY 0809 FISCAL SUMMARY November 1 Total Pkg Savings Cost Ben."
[233] Figures according to DOC Program Crosswalk FY 2008-09, Parole Board, pgs. 6-8 as referenced in Change Request for FY 08-09 Budget Request Cycle, Department of Corrections, BA #1, Parole Board Electronic Imaging.
[234] Telephone interview with Becky Lucero, Colorado Board of Parole, August 14, 2007.
[235] Telephone interview with Becky Lucero, Colorado Board of Parole, August 27, 2007.
[236] Interview with Ari Zavaras, Executive Director, Department of Corrections, Denver, CO, August 22, 2007.
[237] The one exception to this is for hearings conducted during Canon City Week, as this paperwork is "muled" to the Board Members by the Chair or Vice-Chair and returned by the Chair or Vice-Chair.
[238] Email message from Becky Lucero, Board of Paroles, October 1, 2007.
[239] http://www.secstate.wa.gov/ea/overview_faq.aspx
[240] Information Systems staff estimate that approximately 428.5 hours of staff time is needed for software development; at $70 per hour, cost would be $29,995. This includes converting existing forms to electronic format. Notebooks for seven Parole Board members, four Release Hearing Officers, and three Administrative Hearing Officers, equipped with the hardware and software necessary for encrypted documents and digital signatures would cost $24,374. The total cost for conversion, therefore, is $54,369 in the first year.[240] Ongoing software maintenance costs will total $5,000 annually after the first year. Estimated costs include a 2 percent inflation factor and hardware replacement cycle – half of the computers replaced in Year 4 and the remaining replaced in Year 5.
[241] Change Request for FY 08-09 Budget Request Cycle, Department of Corrections, BA #1, "Parole Board Electronic Imaging," per Jana Locke, Office of State Planning and Budgeting.
[242] Change Request for FY 08-09 Budget Request Cycle, Department of Corrections, BA #1, "Parole Board Electronic Imaging," per Jana Locke, Office of State Planning and Budgeting.
[243] Such as child care providers, foster parents, real estate agents, real estate brokers, school teachers, bail bondsmen.
[244] CBI Identification Unit, AFIS Overview, Colorado Bureau of Investigation. July 2007.
[245] CBI charges $6.85 for a name-based search on the internet; $13.00 for a name-based check done manually by CBI staff; and $16.50 for a fingerprint search of Colorado records. Individuals may also request fingerprint searches that include both Colorado and the FBI's nationwide database at a cost of $38.50 (the CBI fee is the same, with the additional $22.00 going to the FBI. CBI, Identification Unit Website, found at: http://cbi.state.co.us/id/fees_forms.cfm
[246] CRS 24-72-203 (3)(b)

[247] CRS 24-33.5-412 (3)(d)(I)(II)
[248] CBI Identification Unit, AFIS Overview, Colorado Bureau of Investigation. July 2007.
[249] CBI Identification Unit, AFIS Overview, Colorado Bureau of Investigation. July 2007.
[250] CBI Identification Unit, AFIS Overview, Colorado Bureau of Investigation. July 2007.
[251] CBI Identification Unit, AFIS Overview, Colorado Bureau of Investigation. July 2007.
[252] State fingerprint fee data collected by CBI.
[253] Karl Wilmes, Division Director, CBI.
[254] CRS 17-27-108.
[255] CRS 17-27-108 (2) (b) (II) (B).
[256] Source: Colorado Department of Public Safety, Division of Criminal Justice, Community Based Corrections.
[257] Estimated cost by DCJ Office of Community Corrections.
[258] Verbatim excerpt from the *FY2005-2006 Program Crosswalk, Motor Vehicle Business Group, Motor Vehicle Division – Driver Control Program*, pg. 3.
[259] *FY2005-2006 Program Crosswalk, Motor Vehicle Business Group, Motor Vehicle Division – Driver Control Program*, pg. 3.
[260] Locke, Jana, Governor's Office of State Planning and Budgeting. Per an email from Jana Locke to Mark Cavanaugh, November 29, 2007. In 2006, a new Colorado Fraud Investigation Unit was created within the Colorado Bureau of Investigations.[260] A request for more spending authority in the 2008-09 fiscal year was partially approved by the Governor's Office of State Budgeting and Planning. If revenues continue to be higher than expected, the Department may be under-expended.
[261] Locke, Jana, Governor's Office of State Planning and Budgeting. Per an email from Jana Locke to Mark Cavanaugh, November 29, 2007.
[262] Note: While law enforcement officers already have access to social security and driver's license numbers as part of their current responsibilities, they would need federal approval to access this data through DMV's systems. Under current policy, the Social Security Administration (SSA) will not allow access to anyone other than a permanent Motor Vehicle Investigator, therefore this permission would have to be explicitly requested.[262] These and other concerns about access can be addressed via an agency directive to change the current policy specifically for law enforcement officers.[262] In addition, Law Enforcement officers could be required to sign confidentiality agreements related to access of the restricted information in DMV's databases and files.[262]
[263] Crays, Richard, Chief of Investigations, Division of Motor Vehicles, Investigations Unit. Memorandum on the proposed MV Investigations internship. November 8, 2007.
[264] Part of the effort to design an effective fellowship program should include a survey of statewide law enforcement agencies, asking them to indicate whether they would apply for an MV Investigations internship program if one were available and identifying obstacles to participation.
[265] An attempt to quantify the resulting savings would be highly subjective. Provided by email by Eric Meyers, Budget and Policy Analyst, Department of Revenue, on December 21, 2007.
[266] Provided by email by Eric Meyers, Budget and Policy Analyst, Department of Revenue, on December 21, 2007. Assuming the salary level of a Compliance Investigator II, the 120 hours in staff time will be about $4,500.[266] However, this will not be an explicit cost to DOR since the development time should not be incurred as overtime.
[267] For a patrol officer, the six-month personnel cost will be between $16,667 and $25,000; detective costs will be between $23,333 and $35,000, and; lieutenant or sergeant will be between $26,667 and $40,000. Provided by email by Eric Meyers, Budget and Policy Analyst, Department of Revenue, on December 21, 2007.
[268] Provided by email by Eric Meyers, Budget and Policy Analyst, Department of Revenue, on December 21, 2007.
[269] Provided by email by Eric Meyers, Budget and Policy Analyst, Department of Revenue, on December 21, 2007.
[270] Provided by email by Eric Meyers, Budget and Policy Analyst, Department of Revenue, on December 21, 2007.

Chapter 5
Improving Efficiency Through Information Technology

Technology has dramatically changed the way companies do business. State Government must also capitalize on ways in which technology can support operations to be more efficient and save money. Sometimes, however, because of the expense of such systems or because of poor planning or strategic design, the benefits of technology can be lost. This chapter includes several recommendations where additional investments in technology can yield savings over the long term. Much of the focus is on how to achieve savings and efficiencies by having State Government be more strategic in how and where information technology is to be utilized.

The GEM Performance Review recommends data center consolidation as one of the first steps to improve efficiency and generate savings. State government should consolidate all data centers into two to three centrally-managed Enterprise Level center that will decrease costs, increase efficiencies, and improve security in the State's information technology system while maintaining necessary resiliency and disaster recovery capabilities.

In addition, moving the GIS coordinator to the Governor's Office of Information Technology with authority to coordinate technology purchases across State agencies is recommended. This simple change will avoid duplication and better leverage statewide information technology improvements.

In the end, all information technology solutions must be thoroughly researched and strategic decisions must be made to get the most out of IT purchasing and spending. The recommendations in this chapter begin that process.

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Consolidate Data Centers Across State Government												
Implement Access Zone Computer Centralization												
Create Web-Based Penalty Assessment System	$0	$0	$0	$0	$0	$0	$33,000	$0	$33,000	$0	**$66,000**	**$0**
Reduce GIS/GIT Redundancies and Inefficiencies												
Streamline Records Management and Storage	$387,100		$87,100		$87,100		$87,100		$87,100		**$735,500**	
TOTAL ALL FUNDS	**$387,100**	**$0**	**$87,100**	**$0**	**$87,100**	**$0**	**$120,100**	**$0**	**$120,100**	**$0**	**$801,500**	**$0**

CONSOLIDATE DATA CENTERS ACROSS STATE GOVERNMENT

Centrally manage two to three Enterprise Level data centers under the Office of Information Technology that consolidate the functions of many smaller ones, will decrease costs, increase operating efficiencies and improve security in the state's information technology system.

Background

A data center is a facility – a room or an entire building – that houses computer systems, telecommunications and electronic storage systems for business or government. These specialized facilities and staff manage information technology (IT) functions,[271] maintain equipment and preserve the integrity of the data and systems contained inside.

The state of Colorado has 38 separate data centers: one center each in the Departments of State, Corrections, Education, Natural Resources, Public Health and Environment, Public Safety, Revenue, and Regulatory Agencies; two data centers each in the Departments of Personnel and Administration, Transportation, and Labor and Employment.[272] Eighty percent of the state's IT infrastructure is located in 15 of these 38 centers.[273]

Colorado also has one facility that acts as an Enterprise Level data center – a self-contained operation which functions specifically to manage and maximize the state's IT resources. Called e-FORT (Enterprise Facility for Operational Readiness, Response, and Transition services), it serves as a consolidated IT back-up center for all of Colorado's agencies.

Although Colorado law currently gives each state agency sole responsibility for its IT systems,
Executive Order D 016 07, signed in May 2007, requires executive agencies to coordinate certain IT activities in the Office of Information Technology (OIT) in an effort to reduce risks related to security system architecture and project performance.[274] Beginning in July 2008, IT consolidation will commence with the enactment of Senate Bill 08-155.

Findings

States that have consolidated Enterprise Level data centers in one or two locations, in which several agencies share IT hardware, software, applications, processes, facilities and human resources, see significant operating and capital savings as well as business process improvements that benefit all of the participating agencies. States with consolidated data centers include Michigan, which consolidated 29 small data centers into three large facilities,[275] South Carolina, which consolidated eight centers into one facility,[276] and Oregon, which consolidated 12 data centers and server farms into one location.[277]

According to the National Association of State Chief Information Officers, 76 percent of the states responding to its recent survey have completed, are in the process of completing, or are planning data center consolidations.[278] The survey identifies the five top reasons driving this centralization: disaster recovery (82.2 percent), replication, redundancy, and fault tolerance (75.9 percent), cost savings (65.5 percent), security and data classification (62.1 percent), and better access to new technologies for all agencies (55.2 percent).[279]

In July 2007, Colorado received the results of a "Data Consolidation Study" conducted by the firm CH2MHILL to assess the state's IT status. The study focused on the 15 data centers that contain the majority (80 percent) of Colorado's IT infrastructure and concluded that they have significant facility and operational shortcomings.

Disaster Recovery/Replication, Redundancy and Fault Tolerance

A data center must be able to recover from destruction of some, or all, of its infrastructure and maintain a minimum level of service critical to the organizations it serves. Replication and redundancy is how a center prepares for the loss of components such as servers, storage, and network and distribution paths.[280] That is, a data center must have more capacity than it needs for every day computing requirements so that individual component failures due to disasters or other events do not bring down the entire center.[281] Fault tolerance means that a system can sustain a worst case, unplanned event and not disrupt the end user."[282] Ideally, at least two Enterprise Level data centers, each with the ability to quickly assume the critical operations of the other, should be maintained by a state in the event that one center is incapacitated or destroyed.

According to Colorado's own study, most of its state government data centers do not provide redundant capacity components or distribution paths.[283] None, except for one site, had a redundant power source or plans to introduce one,[284] leaving the data centers vulnerable to planned and unplanned power failures.[285] Adding to this risk is the complication that a site must be shut down for planned maintenance and unplanned repairs if it lacks redundancy in IT components.[286]

Cost Savings

Consolidation of data centers generates cost savings by reducing hardware needs, floor space needs, energy needs staffing needs for operations and systems support, help desk and network support, application development and asset administration.[287] Lower software costs also result from consolidation since larger average order sizes can lower prices, and, fewer software licenses need to be purchased. [288]

Enterprise Cyber Security Facility and Data Protection

Consolidation allows smaller agencies to acquire needed equipment, staff, and distribution paths by sharing the costs of ensuring facility and data integrity. Colorado's current data centers lack adequate infrastructure and systems necessary for equipment protection: only 6 of the 15 centers studied had back-up power generators and only three had the appropriate level of power, heating, air conditioning and ventilation systems, sufficient raised floor areas and fire suppression systems.[289] In addition, only one data center had at least two levels of system access authentication[290] and only two had video surveillance.[291]

Better Access to New Technologies for All Agencies

The number of servers in each of Colorado's data centers ranges from one to 202.[292] This indicates that some agencies have the financial and staff resources to purchase and maintain new technologies, while other agencies are more limited. By centralizing systems management and processes, states become more agile and more able to make rapid changes in business processes. Centralizing also affords more agencies increased system availability and reduced downtime.[293]

Although all of the factors listed above can be integrated into each individual data center, such a scheme would be an expensive proposition and not the best use of public funds. Consolidation of several sites, however, brings economies of scale that benefit the system itself and is the best use of taxpayer dollars.

Recommendations

1. **In addition to e-FORT, the State of Colorado should consolidate its current data centers into one or two centrally-managed Enterprise Level data centers with redundant capacity systems and distribution paths.**

2. To ensure a smooth transition to an additional Enterprise Level data center, management and administration of all IT responsibilities should be centralized in the Office of Information Technology.

Fiscal Impact

Cost savings accrue from consolidated data centers providing enhanced services to end users. The opportunity to save money by consolidating Colorado data centers appears likely based on the experience of other states. As of June, 2004, Michigan had saved a total of $7 million ($560,000 annually) by merging 29 centers into three.[294] Texas expects to save $163.9 million by combining 30 facilities into two[295] and Oregon has saved $10-20 million by converting eight facilities into one.[296] Kentucky's consolidation efforts resulted in staff reductions of 15 percent,[297] and North Dakota achieved staff reductions of about eight percent[298].

According to the CH2MHILL study cited above, the estimated annual operational savings on 5:1 server consolidation is $990,000,[299] and the amount that can be saved by consolidating the current 38 data centers into two (e-FORT and a new Enterprise Level data center) equals a minimum of $384,000 in annual operating costs for IT infrastructure[300] for a total annual savings of $1,374,000. These figures represent a hypothetical savings scenario. The projected savings for Colorado, however, cannot be so finely pinpointed.

The CH2MHILL consolidation study provided high level information about the number of servers and number of data centers in and outside of the Denver Metro area, and included three scenarios under which OIT might consider consolidation. However OIT's most likely implementation scenario will be a hybrid of those outlined in the report. Since additional data collection and analysis is required to determine how to best redeploy applications at each data center and since the actual consolidation will occur in a scenario that is a hybrid of the three detailed in the CH2MHILL report, it is not possible at this time to calculate an annual savings.[301]

IMPLEMENT ACCESS ZONE COMPUTER CENTRALIZATION ACROSS STATE GOVERNMENT

Consolidating computing capacity into central servers will reduce costs, improve efficiencies and increase security in the state's Information Technology system.

Background

The Department of Personnel and Administration (DPA) has been developing a "thin client" system called Access Zone for its employees since March 2006. A thin client computer system allows storage, memory and processing to be located on central servers rather than on individual personal computers (PC's)[302]. To date, approximately 30 percent of DPA employees use this new system and approximately 80 percent will be using it by July 2008.[303] Access Zone is a combination of thin client, security, and administration components. DPA's Division of Information Technologies (DoIT) launched Access Zone to: provide an economical solution to frequent PC replacement; centralize PC administration and free-up work time for maintenance backlogs; centralize security administration; eliminate connectivity problems in satellite offices; provide secure remote access to employees; and as a disaster recovery tool."[304]

Colorado State law currently has each state agency solely responsible for its Information Technology (IT) systems, resulting in inefficiencies that increase government costs and put mission-critical systems at risk."[305] The Governor, through Executive Order D 016 07, has mandated that certain IT activities be coordinated within the Office of Information Technology (OIT)[306] and through Senate Bill 08-155 will centralize state agency IT in OIT in FY 2007-08.[307]

Findings

DPA initiated the Access Zone project to handle the IT issues mentioned above within that department. The same issues exist statewide and can be addressed by expanding the Access Zone thin client computer system across all agencies; as many as 60 percent of state government PC's are candidates for this system.

Workstation (PC and Laptop) Replacement

The state's current IT system requires that state employees use computers with increasingly powerful operating systems and up-to-date hardware. These continual improvements are necessary so that employees can access important data and take advantage of more functional software. Due to periodic improvements in technology and software, employee computers become obsolete every three to five years[308]. For instance, Microsoft Office 2003 requires a 233-megahertz processor[309] while Windows Vista, introduced in 2007, requires a one-gigahertz (1,000 megahertz) processor.[310] These software and hardware innovations require agencies to replace employee computers at least every five years.[311]

Using Access Zone, PC's and laptop computers can be replaced every ten years (which is about 10 percent of the state's machines every year), instead of the current rate of every five years (20 percent of machines every year)[312]. In addition, Access Zone replacement computers will be significantly less expensive because future workstations will require no data storage capacity and little processing power as compared with machines working in the current system.

Desktop (PC and Laptop) Administration and Maintenance

Every state agency configures its PC's and software applications differently. Consequently, state agencies maintain a myriad of workstation configurations that significantly increase the time administrators spend managing and maintaining PC's on a state-wide basis. Because software and computing power are currently located at the workstation level, an IT administrator must make an appointment with the user, travel to the workstation's location and obtain password and other pertinent information in order to make repairs and upgrades. This often means the employee cannot use his/her computer for several hours, resulting, of course, in productivity issues.

Access Zone permits the department to use a standard workstation configuration that can be altered to fit the working needs of each employee. These configurations can be installed and administered remotely, thereby saving IT employee travel, installation, repair, and upgrade time.[313] In addition, these computer changes can take less time than current alterations and can be easily accomplished during non-work hours, thus saving workstation user time.

Security Administration

As mentioned above, most workstation revisions require the IT employee to obtain the user's password. Although the great majority of IT employees are professionals who hold data security as paramount, the availability of employee passwords and access to locally stored data does jeopardize confidential information such as employee and client names, addresses and Social Security numbers. Another kind of security risk associated with the current system is the ability to save confidential data to electronic storage devices (e.g. CD-ROMs, DVDs, thumb drives) and to laptops, any of which can be lost or stolen.[314] Colorado's IT management system as it is also permits employee Internet downloads,[315] which can introduce computer viruses to the state network and deplete bandwidth necessary for legitimate state business.

IT staff can configure and reconfigure workstations without employee passwords when Access Zone is used.[316] This virtually eliminates IT employee subterfuge and data mismanagement at the workstation level. In addition, Access Zone provides superior security at all IT levels – workstation, server and network.[317] It permits the state to use "two-factor" authentication – meaning that an employee must use a key fob to generate a network access code.[318] Finally, Access Zone allows system administrators to prevent employees from downloading applications from the Internet and accessing undesirable websites, reducing the incidence of employee-imported viruses and minimizing the use of state bandwidth for personal use.[319]

Connectivity and Remote Access Issues

Most employees can only connect to the state network (via Colorado's Intranet) from office PC's.[320] Only a small number of state employees can fully use Colorado's system remotely to access e-mail and work files, either from home or while in travel status.[321] In addition, applications available to employees working in areas where state government is centralized are not universally available to people working in remote locations.[322] These limitations substantially reduce productivity and telecommuting options.

Access Zone has provided DPA with faster remote access and has virtually eliminated the connectivity issues at the Department's remote locations in Colorado Springs, Pueblo and the Metro area."[323] Access Zone also permits an employee full access to all programs and data available from his/her office computer as long as he/she can connect to the Internet.[324] This feature allows employees full data and processing capabilities when traveling, at remote office sites, and from home. System security is ensured because Access Zone requires a username, a password and a 2-factor authentication device over an encrypted Internet session.[325]

Disaster Recovery

Because each Colorado agency administers its own IT system and each PC and laptop is configured to match the needs of an individual employee, it is exceptionally difficult to guarantee that data on locally maintained servers and workstations will be managed in a consistent and appropriate way. As of July 2007, Colorado IT systems were using 1,680 servers[326] at 38 data centers[327]; these systems have neither sufficient redundancy nor connectivity to ensure continuity of service in case of disaster.[328]

Because Access Zone fosters server standardization, the state can consolidate smaller agency servers into fewer, more powerful servers with large storage capacities. By consolidating new equipment in only two or three locations, managing the equipment in case of disaster will be faster and easier.

Software Licenses

In addition to the benefits discussed above, Access Zone eases software license management. According Colorado's Chief Information Officer (CIO), state government currently does not know the number of software licenses it owns or should own.[329] Access Zone's central management of software licenses will eliminate this potentially serious issue.[330]

Recommendations

1. **Every state agency in Colorado should convert to Access Zone or related thin client computing environment (where feasible) to reduce information technology (IT) expenses, enhance network security and disaster recovery, and permit greater employee access to the state network.**

2. **To ensure a smooth and efficient transition to Access Zone and efficient delivery of services, the management and administration of all IT responsibilities should be centralized in the Office of Information Technology.**

Fiscal Impact

Based on the experience at DPA, OIT believes that when implemented, the Access Zone system will utilize information technology resources more effectively through better access, security, and reliability. OIT estimates that the state will experience significant savings through reduced PC replacement and reduced need for PC administration. Due to the differences in operating systems, average PC age and agency mission of each state department, the number of Access Zone users and subsequent savings will vary among state agencies. Nevertheless, initial indications show that the cost of Access Zone equipment and administration will not exceed the cost of existing PC replacement and administration and, once implemented, could result in savings greater than $100 per PC annually.

The annual hardware and software cost per user for Access Zone is calculated in the table below:

Annual Access Zone Hardware and Software Expense Per User	
Software (Citrix, PowerFuse, TS Cal, Windows 2003, MS SQL, Smart Filter)	$252
Hardware (hardware, license server, firewall, token, thin client)	$171
Total	**$423**

Departments do not currently budget for PC replacement because of revenue and spending reductions taken earlier this decade. Because departments replace PC's with available funds as resources allow, it is not possible to gain accurate or consistent data on PC replacement expenditures across state government. While estimates from OIT show that savings after the transition to Access Zone could be as much as $100 per PC annually, without better information on spending an accurate estimate of savings from the transition to Access Zone cannot be determined at this time. When the management and administration of IT is centralized, the state will be better able to track the cost of IT administration and equipment replacement including tracking the cost-benefit of the transition to Access Zone

CREATE A WEB-BASED PENALTY ASSESSMENT SYSTEM WITH ONLINE PAYMENT FUNCTIONALITY

Coordinate with a third party vendor to develop a self-funded, internet web-based penalty assessment system allowing online payment of traffic citations and other penalty assessments.

Background

The Department of Revenue (DOR) collects almost $11 million yearly on average from penalty assessments (traffic citations, motor carrier violations, parking violations); from 2004 to 2006 the average individual penalty assessment amount was $66.70.[331] Currently, penalty assessments are paid by check only, requiring individuals to send payment through the mail and requiring a considerable manual effort on the part of DOR to process nearly 200,000 penalty assessments each year.

DOR has entered into a web-based application development and maintenance agreement with National Information Consortium (NIC), the company that developed Colorado.gov. NIC developed "the nation's first eGovernment services for the state of Kansas in 1991. Since then, NIC has built and managed online solutions that help governments, citizens, and businesses interact more efficiently."[332] It currently maintains long-term eGovernment contracts with 21 states.[333]

The agreement between DOR and NIC is based on a self-funding model, that is, the state is not charged for the development of the web-based application or its operation and maintenance. Instead, a general administration fee (or "portal administration fee") is charged to the user for the transaction.[334] The expected additional revenue generated via these fees funds NIC's development of the application, as well as other applications that may not charge any portal administration fee. Under NIC's current business model, about 20 percent of the applications charge a portal administration fee, which funds those applications as well as the remaining 80 percent of applications that do not charge a portal fee.[335]

A web-based system such as the one that can be developed by NIC would allow the state's drivers to pay traffic citations and other penalty assessments via the internet using a credit card. As Colorado drivers increase the use of the web-based penalty assessment system, the amount of processing required of government staff would be dramatically reduced.

Findings

Online systems used by other states and localities

Very few states have a centralized penalty assessment system like Colorado's, however many states do offer a central web portal that allows customers to pay online:

- The State of New Jersey allows customers to pay tickets issued by municipal jurisdictions in the state.[336]
- Florida provides penalty assessment online payment functionality for nearly 70 percent of its counties at its MyFloridaCounty.com website.[337]
- The District of Columbia has a centralized online ticket payment process.[338] The system has been operational for about four years and DC government officials say they are very satisfied with it.[339] They report that, since they launched the online system, penalty assessment collections have increased by about 25 percent and refund processing time has been dramatically reduced, since they are now able to simply credit a customer's credit card instead of processing refund warrants.[340] Furthermore, DC drivers are very satisfied with the customer service it affords.[341]

Adoption Rate

The rate that the general public becomes aware of and begins to use an online application is called the adoption rate. Although the adoption rate for an eGovernment web application typically increases linearly over about four or five years, it is highly dependent on how vigorously a state chooses to market the website. For instance, Colorado could accelerate the adoption rate for a penalty assessment system by featuring the website URL prominently on each citation (e.g., "Visit www.Colorado.gov to pay this traffic citation online.")

Some states market online payment systems very well, and as a result the adoption rate is very steep. A potential scenario for an eGovernment online payment system offering a service desired by the public and properly promoted could be:[342]

Year of Operation	Percent Customers Use Online Application
1	10 percent
2	20 percent
3	50 percent
4 – 5	70 percent

Implementation Time

The decision about whether to develop a statewide, comprehensive online penalty assessment system – and the priority given to its development – rests with the Statewide Internet Portal Authority (SIPA), which serves as the oversight body of the Colorado.gov portal. Colorado.gov is the official Web portal of the State of Colorado by act of the Colorado General Assembly, and it represents a collaborative effort between SIPA and Colorado Interactive, LLC, a wholly owned subsidiary of NIC.[343]

While informal discussions of an online penalty assessment system have taken place with NIC, no official planning has been done. Before development of an online payment system could begin, SIPA and the pertinent state agencies that issue penalty assessments must first approve the project and, working with NIC, prioritize the project launch and deliverable schedule.

The actual development time, however, will depend largely on the complexity with which the data is stored in the various databases that the application will access. If it is possible to use a single database (such as that managed by Colorado State Patrol), the application development time will be much shorter.[344] However, it is very likely that each county law enforcement agency will have its own database, with differences in the data format that would need to be accommodated.[345]

The Colorado Department of Revenue's Online Vehicle Registration system is a similar application and serves as a useful example of a central web-based system that must integrate the data from each county. The application itself took about 8-10 months to develop, and has been operational for about a year.[346] Over the course of five or six months, about 1.5 counties have been added each month. As of December 2007, fifteen of Colorado's counties are now incorporated into the system.[347]

For an initial release of an online penalty assessment system, the Penalty Assessment Unit within DOR's Driver Control Section would manually enter the citations into the system. However, the state should explore for the future ways to enable law enforcement and other authorities to enter citations electronically when issued to drivers. This would expedite citation processing, further reduce data entry staff needs, and reduce data entry errors.

Recommendations

The State Internet Portal Authority (SIPA), the oversight board for Colorado.gov, should work with the pertinent state agencies to develop an online penalty assessment system and collaborate with Colorado Interactive to prioritize its deliverable schedule.

Fiscal Impact

As mentioned above, costs could potentially be similar to those incurred by Colorado.gov in support of the state's Online Vehicle Registration system. There were no initial development costs to the state, due to the self-funding model established by SIPA.[348]

According to the DOR Budget Office, initial and ongoing training costs for government personnel would be minimal and able to be absorbed in current resources.[349]

The Penalty Assessment Unit within the Driver Control Section processes penalty assessments that are received from Colorado State Patrol, Sheriff Offices, Police Departments, State Colleges, Department of Natural Resources, and Ports of Entry.[350] During the 2006-07 fiscal year, the unit had ten FTEs and processed 199,915 penalty assessment tickets.[351] Once the online penalty assessment payment system is heavily used by Colorado drivers, the DOR Budget Office estimates a 15 percent reduction in staff time[352] -- a salary savings in year four of approximately $33,199.[353]

For FY 2006-07, the Penalty Assessments Unit collected $11.7 million. If it is assumed that a gradual buildup of the increased revenue will reflect Washington, DC's experience, the impact is illustrated in the following table:

Fiscal Year	Estimated Percent Revenue Increase	Estimated Increase Over FY 2006-07
2009	**5 percent**	**$583,000**
2010	**10 percent**	**$1,167,000**
2011	**15 percent**	**$1,750,000**
2012	**20 percent**	**$2,334,000**
2013	**25 percent**	**$2,917,000**
Total		**$8,751,000**

In fact, Washington, DC reached the 25 percent improvement in revenue by Year 4 of its conversion to online penalty assessments. The cumulative increase reaches $8.7 million over five years under this scenario.

Providing for 18 months to implement the program, and taking a conservative approach of estimating half the rate of growth in revenue (2.5 percent per year) as was experienced in Washington, DC, the estimated increase in revenue for Colorado would be:

Fiscal Year	All Funds Revenue
2009	$0
2010	$146,000
2011	$583,000
2012	$875,000
2013	$1,167,000
Total	**$2,771,000**

These revenues flow to state and local treasuries, but the exact split cannot be estimated. Therefore, the increase in revenues to the state is not included in the final estimate of fiscal impact in the table below.

Estimated Fiscal Impact				
Fiscal Year	**General Fund Savings**		**Net Savings/ Revenue**	**Change in FTEs**
2009	$0		$0	0
2010	$0		$0	0
2011	$0		$0	0
2012	$33,000		$33,000	-1
2013	$33,000		$33,000	0
Total	**$66,000**		**$66.000**	**-1**

REDUCE GIS/GIT REDUNDANCIES AND INEFFICIENCIES AMONG COLORADO STATE AGENCIES

Coordinate among state agencies that use GIS software and data to eliminate unnecessary expense and duplication of effort.

Background

Geographic information systems (GIS) and geospatial information technologies (GIT) more generally are used to collect, digitize, store, combine and analyze information about the earth's surface. The data includes, among other things, maps and aerial images, rainfall and temperatures, and community information like population statistics and commercial activity. Governments use these systems for a variety of purposes, from assessing landscapes for road building, to mapping communities for government services, to determining areas that need environmental protections.

Fifteen Colorado Departments currently employ GIS and GIT: Agriculture, Corrections, Education, Local Affairs, Military and Veterans Affairs, Labor and Employment, Natural Resources (all divisions), Personnel and Administration, Public Health and Environment, Public Safety, Regulatory Agencies, Revenue, Transportation, the Office of Economic Development and the Legislative Council. The Secretary of State's Office and the Governor's Energy Office also have a need for GIT. The application of GIT varies among state agencies from individual users of small desktop software packages to department-wide implementations with centralized GIS groups.

Findings

GIS/GIT operations among agencies are not well coordinated, and as a result there is redundancy in GIS work, wasted personnel time and duplication in purchasing. A recent assessment of geospatial data needs for emergency management in Colorado concluded, "Data deficits, duplication of effort, and under-utilized data assets need to be addressed."[354]

Department of Natural Resources (DNR) personnel expressed concerns that DNR's purchase and use of GIS software might be inefficient and duplicative, and the Office of Information Technology (OIT) also identified the need for the state to better manage the purchase and use of the geographical data it develops and maintains. OIT contracted with CH2M HILL (a firm specializing in government infrastructure and management) to audit and make recommendations about the state's GIS software use and current vendor arrangements.

Specifically, CH2 found that individual agencies pursue data needs without regard to overlap in GIS efforts and data development. In addition, there is no central entity tasked with maintaining the most accurate and up-to-date geographic information. They also found that the State does not adequately track its GIS software licenses nor can it assess how well the GIS software is being utilized. Better management of maintenance, combined with enterprise approaches to software purchases, will lower overall state purchase and maintenance costs.[355]

A master purchase agreement with ESRI, the largest software provider for state agencies, is pending in the State Controller's Office and will be a step in achieving cost control. Additional steps may include consolidating state accounts with ESRI and pooling licenses to reduce the number purchased. Additionally, software alternatives or web-based applications or services can meet some state needs in a more cost effective manner.

GIS Coordination

The state has a GIS Coordinator in the Department of Local Affairs (DOLA); however, the Coordinator lacks authority to compel agency cooperation or coordination on the use, purchase, or development of geographical spatial data. As described by Applied Geographics, Inc., a firm that works with the state on GIS applications, "There is no clear charter, authority, or Memos of Understanding (MOU's) to assure cooperation across state departments or levels of government."[356]

GIS Duplication

The lack of GIS coordination means that there are no common maintenance procedures or a single, statewide access point for geographic datasets, yet the availability of reliable data is critical for state operations like emergency management, protection of the environment and allocation of funds and taxes. Instead, state agencies are spending time and money developing geographic data that another state or federal agency already possesses, or in forms other agencies cannot use. Examples of such redundancies include:

- On at least one occasion the state paid about $100,000 for an "overflight" to collect aerial photography while another "overflight" was purchased for DNR forestry purposes.

- The Colorado Department of Transportation (CDOT) develops road data for Colorado, however, it is often not complete or structured to be useful for other agencies, leading at least one agency to develop road data independently. In addition, if CDOT updates its data, there is no efficient way to "push" this new geographic data to other agencies.

- At least four agencies have purchased services or data necessary for mapping address lists as points on a map. These purchases range from small subscription fees for on-line services to annual license fees for applications running on state servers.

- Multiple GIS software licenses are held by state agencies as follows: DNR holds about 44 percent of the state's licenses, CDOT 37 percent, and DOLA 13 percent with the remainder of the licenses spread across other departments. Information on GIS expenditures is available for only two state agencies. Additional information will be needed to accurately determine the amount agencies spend on GIS data development.

Several state agencies are currently developing web-based mapping interfaces to data, including displays of aerial imagery. A common data foundation underlies all of these displays, so a central service displaying this foundation can avoid time spent by individual agencies and promote a common look and feel to state mapping sites.

GIS Consolidation Benefits

The State can benefit financially from properly authorized and supported GIS/GIT consolidation, and it can also lead to much more effective delivery of state services. When agencies and departments use common "framework" data sets (sets of data with common data themes and levels of data within those themes), the state can reduce redundancy in data storage, maintenance costs and personnel.[357]

Crime mapping, address matching, imagery, hydrography (mapping water), and municipal boundary mapping are all facilitated by GIS with application for multiple government agencies. GIS was used in the response to the recent blizzards in Southeast Colorado and is routinely used to manage water diversions and to map renewable energy development areas. Determining the proper taxation district for a business and the appropriate allocations of tax dollars is also a geospatial undertaking.

The effective use of GIS can only be assured if the information generated is centrally located. Data must be accessible, accurate, appropriate to a task and authoritative, all of which can be accomplished when the data collection and maintenance is consistent across agencies.

Other States' Experience

Oregon developed a business case and is making a significant investment in a statewide "GIS utility" that will address many of the same issues identified in Colorado. Oregon estimates the total cost of this investment at approximately $10 million annually, and foresees an eventual annual benefit totaling $80 million.

Wyoming recently developed a business plan for establishing a Geographic Information Officer and a geospatial technical services program within the state Chief Information Officer's (CIO) office. Wyoming is similar to Colorado in that agency GIS expenditures are not closely tracked currently, however, the demand for geospatial technologies is growing. By better coordinating GIS efforts, Wyoming estimates a net benefit of approximately $69,000 per year

Recommendations

1. **The State GIS Coordinator should be moved from the Department of Local Affairs (DOLA) to the Governor's Office of Information Technology (OIT) to coordinate geographic information dataset development and purchasing across state government. The individual and agency should be endowed with the authority to compel cooperation and coordination of such purchases among state agencies. State use of GIS should transcend individual agency interests, leverage statewide IT improvements and benefit from statewide IT resources.**

2. **State agencies should be required to report more specific information to OIT about GIS expenditures.**

Fiscal Impact

It is estimated that is will take two years to plan, coordinate, and raise funds to develop the infrastructure for GIS coordination and a statewide data repository.[358] The vast majority of the fiscal benefit will be through coordinating GIS statewide and eliminating duplication of effort. This recommendation anticipates GIS coordination efficiencies to be significant, however not specifically determined at this time.

In the near term, there are opportunities to save money by transferring primary ESRI software licenses to secondary software licenses and redeploying "unkeyed" licenses, thereby avoiding the cost of new purchases. The data is not yet available for the state to identify an accurate GIS software management savings, however the City of Denver recently realized $20,000 in one-time savings and an estimated $15,000 in annual savings from trading in and consolidating GIS software accounts.

STREAMLINE RECORDS MANAGEMENT AND STORAGE IN THE DEPARTMENT OF REVENUE

Maintain digital records archiving and avoid reverting to obsolete microfilm technology in the Titles Section by addressing storage needs.

Background[359]

The Titles Section of the Department of Revenue (DOR) is the repository for records related to evidentiary or legally acceptable, support and documentation of vehicle ownership. Records are stored regarding: lien holders (when a vehicle is collateral); estate disposition; disputes over recorded ownership; vehicle titles and ownership; salvage title declaration; and odometer statements. Prior to the storage of these records in digital format, documents were microfilmed and stored in a central location.

The decision to transition to digital imaging from microfilm was implemented in order to improve record retrieval and preservation. The resulting faster retrieval times have enhanced customer service to citizens and the courts, and digital images of documents are a more reliable medium than microfilm (or paper).

Because it is a service DPA typically performs, DOR received a waiver from DPA to carry out digital imaging of documents; however DPA maintains the responsibility for storing those images. DPA also determines the rate charged to DOR per kilobyte of storage per month.

Findings[360]

By the end of FY 2006-07, the Titles Section produced 3.7 million digital records to be stored and maintained. Even with the regular practice of purging records after 10 years, the volume of new records being added is outpacing the deletion of old records, and as a result, storage costs are increasing. Records are stored at DPA's Electronic Data Warehouse (EDW) for a fee established by DPA.

The Titles Section has chosen to lower the image resolution of its digital records from the industry standard of 200 dots per inch (dpi) to 150 dpi, the lowest possible setting, because a lower resolution requires less storage space per image. Additionally, DPA has lowered the rate it charges per kilobyte for all stored images.

As the total volume of stored digital records increases each year, the costs rise proportionately. Through FY 2006-07, the Titles Section was able to absorb the costs of image storage by cutting back on training for state and county personnel as well as through eliminating costs associated with microfilm supplies and equipment (the result of increasing reliance on digital). More than 39 percent of Title Section operating expenses were used to cover storage costs in that same year, however, and the percentage of operating expenses needed to cover storage costs is projected to be 45 percent of the appropriated operating budget in FY 2007-08, 58 percent in FY 2008-09, and over 70 percent by FY 2009-10. These figures indicate that the practice of redirecting operating funds for storage in this way is not sustainable.

The transition from microfilm-based file creation to digital imaging was justified by the archival needs of the state to retain accessible, retrievable files on traffic records, motor vehicle transactions, and licensing. Now, retrieval times for digital images and files are in nanoseconds compared to 15 minutes for some microfilmed information. Additionally, microfilm has limited longevity and is unstable relative to digital media.

Recommendations

Additional funding should be made available to allow the Titles Section of the Department of Revenue to continue its expansion of digital imaging and storage to avoid reliance on microfilming and stem the increasing costs of document storage and improve customer service.

Fiscal Impact

Microfilm technology is obsolete, which renders service, supplies and replacement equipment more expensive and often impossible to procure. In FY 2004-05, DOR spent $78,491 on microfilming infrastructure maintenance and repair, with projected increases of 10 percent per year thereafter. For FY 2008-09, DOR would be paying nearly $115,000 to maintain an outdated and potentially unreliable record retention system. Additionally, if DOR continued with microfilming documents, replacing capital microfilming and film retrieval equipment would become imminently necessary, at an estimated cost of nearly $300,000 (based on 2005 cost estimates).

While there is a cost of $27,870 to cover increased storage expenses for digital records, the benefit to the state through avoided costs of relying on obsolete microfilming technology outweigh the digital storage cost increase.

FY 2007-08 and future year costs in the Fiscal Impact section of this recommendation reflect both the reduction in the storage rate per kilobyte and the reduced image resolution.

Estimated Fiscal Impact			
Fiscal Year	**General Fund Benefit**	**Cost**	**Net Benefit**
2009	$415,000	($27,870)	$387,130
2010	$115,000	($27,870)	$87,130
2011	$115,000	($27,870)	$87,130
2012	$115,000	($27,870)	$87,130
2013	$115,000	($27,870)	$87,130
Total			**$735,650**

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[340] Based on information in an email message from Steve Hooper to Becky Wetzel, on information Mr. Hooper obtained from District of Columbia government personnel. November 14, 2007.
[341] Based on information in an email message from Steve Hooper to Becky Wetzel, on information Mr. Hooper obtained from District of Columbia government personnel. November 14, 2007.
[342] Interview of Dan Wells by Rick Minor. November 2007.
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[347] Interview of Dan Wells, Deputy Chief of Ports of Entry, Motor Carrier Services Division by Rick Minor. November 2007.
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Chapter 6
Improving Customer Service

Government agencies are often responding to the demands of the Legislature, other elected officials, federal agencies, interest groups and advocacy organizations. These demands and pressures can often create a confusion over who state government agencies are meant to serve. A primary focus of the GEM Performance Review was to find ways to streamline the bureaucracy so state government can be more responsive to its primary customer – the citizens of Colorado.

The GEM Performance Review recognized that public employees are often equally frustrated with the paperwork and regulations that prevent them from meeting the needs of the citizens they are there to serve. The recommendations in this report were developed with extensive input from employees working on the front line to provide services to Colorado citizens. Too often, there is an assumption that those working to deliver quality services in state government are the problem. The GEM Performance Review often found it was quite the opposite. Many of the recommendations are ideas from dedicated public employees committed to getting the best value out of the tax dollar.

A primary focus of the GEM Performance Review was to reduce the "red tape" that often adds time and money when doing business with Colorado State Government. This chapter includes recommendations for better management oversight and procedures – such as eliminating unnecessary steps for our dedicated military personnel to receive benefits to which they are entitled, consolidating management oversight of similar functions, streamlining application processing and improving the ways in which we conduct inspections and permitting.

Colorado citizens deserve a State Government committed to customer service and continuous improvement. This review sets in motion changes that can have an immediate impact for thousands of individual taxpayers, small business owners, farmers and ranchers, veterans, and citizens from all corners of the state.

Improving Customer Service

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Create Internet Based Unemployment Insurance System		($3,475,400)		($2,220,600)		$1,960,600		$1,960,600		$1,960,600		$185,800
Streamline National Guard Tuition Assistance Process												
Create Combined Animal Industry and Brand Inspection Division												
Create Laboratory Services Division	$500	$11,900	$500	$11,900	$500	$11,900	$500	$11,900	$500	$11,900	$2,500	$59,500
Streamline Licensing and Permitting in Department of Agriculture		$5,000		$5,000		$5,000		$5,000		$5,000		$25,000
TOTAL	**$500**	**($3,458,500)**	**$500**	**($2,203,700)**	**$500**	**$1,977,500**	**$500**	**$1,977,500**	**$500**	**$1,977,500**	**$2,500**	**$270,300**
FIVE YEAR TOTAL ALL FUNDS	**($3,458,000)**		**($2,203,200)**		**$1,978,000**		**$1,978,000**		**$1,978,000**		**$272,800**	

CREATE AN INTERNET BASED UNEMPLOYMENT INSURANCE SYSTEM

Implementing an online self-service computer system for the Unemployment Insurance program in the Department of Labor and Employment will significantly reduce staff costs and improve service for both employers and benefit seekers.

Background

The Colorado Unemployment Insurance (UI) Program provides temporary and partial wage replacement to workers who have become unemployed through no fault of their own. The program is funded by employer paid taxes and provides benefits to those who meet the eligibility requirements of the Colorado Employment Security Act. The UI program is administered by the Division of Employment and Training of the Department of Labor and Employment (DLE).

Employers in Colorado currently are not able to make unemployment insurance or tax payments electronically and UI claimants have difficulty filing continued claims online and tracking the status of claims. Internally, DLE also faces the challenge of nonintegrated data systems, which forces the department to manually process claims information. The UI division proposed a budget request or “decision item” to implement an Internet self-service system for the UI program which would also integrate all of the UI data into a single database.

The decision item prepared by DLE indicates that the implementation of the system will cost $6.8 million and will be paid for through the Employment Support Fund, one of the cash funds at DLE.[361] A cash fund relies on fees rather than taxpayer dollars from the state’s General Fund.

Findings

DLE estimates that once the system is fully functional in fiscal year FY 2009-10, $4 million will be saved over the following five years in phone expenses and postage, and another $30.7 million will be saved through reductions in staff time spent manually processing claims and fees and answering customer calls (the online system will reduce the volume of phone calls) during that same time period.[362]

The proposal anticipates that 50 percent of the workload for the UI division will be conducted using the Internet or other electronic method. As a result, it is estimated that a total of 37,786 hours of staff time will be saved by the various components of the Internet self-service system.[363] That is the equivalent of 18 full time employees for an annual savings of $1.2 million.

This calculation is based in part on the experience of other states. In particular, when Minnesota implemented its Self Service UI Tax System, the number of full time equivalent (FTE) employees working on the tax side was reduced by more than 75 percent, from 90 to 20, in a period of three years.[364]

There are 466 employees in Colorado's UI division at DLE. There are 99 employees performing at least some functions related to UI tax: 53 FTE's perform tax functions exclusively and 46 perform a combination of tax and benefit functions.

Although the UI program is federally funded, a reduction in FTE's will allow DLE to reassign resources to other areas within the UI division, including the call center and targeted training and technical assistance to employers to help maximize use of the electronic system.

Recommendations

The decision item to create an electronic payment system for Unemployment Insurance taxes and claims tracking requested by the Department should be approved and implemented.

Implementing the Internet self service system will result in a reduction of 18 FTE's at an annual cost savings of $1.2 million. This represents a staffing reduction of 18 percent for UI taxes and benefits, and a staffing reduction of four percent for the entire UI division.

Fiscal Impact

Savings in 2009 include postage and manual processing cost avoidance of $68,376. By 2010 additional cost avoidance related to new employer registrations and reduced claim management will increase total savings to $1,083,402. Annual savings thereafter reflect

FTE savings of $1,159,577, as well as phone, postage and operating expense savings of $801,066, for a total annual savings of $1,960,643. None of these savings include the significant customer impact benefit related to the reduction of call volume.

Costs include capital construction costs in FY 2008-09 and FY 2009-10 that include software and hardware costs. Operating costs of $181,720 for the first two years are also included in the total cost to cash funds reflected in the table below. Annual maintenance costs for subsequent years are anticipated to be absorbed at the end of the project implementation. A total five year net savings of $ 185,937 with annual ongoing savings of $1,960,643 beginning in FY 2013-14 is expected.

DLE has estimated that the system will result in considerable savings that will reduce call wait times from about an hour to ten minutes. No reduction in call center staff is recommended.

Estimated Fiscal Impact				
Fiscal Year	**Other Funds Savings**[365]	**Cash Funds Cost (ESF)**[366]	**All Funds Net Savings/ Revenue**	**Change in FTEs**
2009	68,376	($3,543,738)	($3,475,362)	
2010	1,083,402	($3,304,032)	($2,220,630)	
2011	$1,960,643	0	$1,960,643	-18
2012	$1,960,643	0	$1,960,643	
2013	$1,960,643	0	$1,960,643	
Total			**$185,937**	

STREAMLINE COLORADO NATIONAL GUARD TUITION ASSISTANCE PROCESS

The Department of Military and Veterans Affairs should use information technology and other efficiencies to simplify the application and award processes in its tuition assistance program for Colorado National Guard members.

Background

Throughout the United States, members of the National Guard are eligible for federal tuition assistance for post secondary education. In addition to federal programs, each state may offer its National Guard members state funded tuition assistance.

The Colorado National Guard offers tuition assistance for its members attending Colorado's state funded colleges and universities.[367] The Colorado National Guard Tuition Assistance (TA) Program pays up to 100 percent of in-state tuition costs (not including fees), minus the amount of a student's Colorado Opportunity Fund (COF) stipend.[368] The amount of tuition assistance provided to soldiers each year is based on the funding allocated for the program and the number of assistance applications received.

To qualify for state tuition assistance, Colorado National Guard members must:

- Have been a member of the Colorado Guard for at least six months;[369]
- Currently be in good standing as an active member of the Colorado Guard;
- Meet all continuing requirements of the school where they are enrolled; and
- Maintain a cumulative grade point average (GPA) of 2.0.[370]

The Colorado Department of Military and Veterans Affairs (DMVA) processes approximately 275 to 360 TA applications each semester and typically makes 250 to 260 awards.[371]

Findings

The Colorado National Guard TA application and award processes involve a complex series of interactions between Guard members, schools and DMVA staff.

Tuition Assistance Application Process

Applications for the TA program are available at the DMVA website.[372] While Guard members are encouraged to use the online application, they may also complete an application form and submit it to DMVA in hard copy via fax or U.S. mail. Hard copy applications are entered by DMVA staff into the TA system.[373]

A variety of documentation is required for the TA application process, which is repeated every semester or quarter that a member is in school. Among other things, Guard members must obtain a signed Unit Verification Form (Form DMVA 169C) from their unit commander documenting that the member has served six months and is currently in "good standing." DMVA typically requires a signed DMVA 169C form for each TA application, however has on occasion accepted verifications by email. Verification submitted by email is printed out and placed in the Guard member's TA file.[374]

After submitting the TA application, Guard members must also provide proof of enrollment in a qualifying school, such as a class schedule or tuition statement. Members can submit the proof by mail, fax, or by forwarding an official email from the school evidencing current enrollment; emailed proof of enrollment is printed out and placed in the applicant's TA file.

Tuition Assistance Award Process

After receiving the application and verifying a Guard member's eligibility, DMVA staff issue an award letter to the applicant stating the amount of tuition assistance for which the member is eligible. The member then submits the award letter to his or her school, which in turn bills the Colorado National Guard for the tuition. At this point the school must also certify: 1) the number of hours for which the member is enrolled; 2) the tuition amount due (which may have been reduced by other financial assistance); and 3) the member's current grade point average (GPA).

After receiving this certification and an invoice from the school, TA staff often call the school to update the certified information, after which DMVA may readjust the final award, again, based on further information about other financial aid. The TA office then aggregates the final award approvals and sends them to the DMVA accounting office for processing and payment.

DMVA accounting staff enter this information into the Colorado Financial Reporting System (COFRS) and request a check for each participating school for an amount totaling all members' tuition that semester at that school. The check is issued by the State Controller's Office, who sends it to the DMVA accounting staff, who attach to it an invoice listing each student's approved tuition awards.[375] Finally, accounting staff provide the TA office with copies of both the COFRS printout and the check as proof of final payment.

Simplification

Applications for TA not submitted online have to be manually entered into the system by DMVA staff. In addition, DMVA staff must individually verify members' school enrollment, tuition status and standing in the National Guard. In a duplicative step, DMVA requires Guard members to submit proof of enrollment during the TA application process, then asks the schools to verify enrollment and GPA before making award determinations, and, often must make follow-up calls to the schools seeking updates.

Moving more applicants to the online medium and arranging scheduled electronic updates from campuses and Guard units would help to reduce the number of administrative steps in the TA application and award processes.

The payment process can also be simplified. For example, Colorado schools are already accustomed to processing tuition payments via electronic fund transfers (EFT). This is currently the means of third-party tuition payment for most active duty soldiers, as well as disabled veterans in post secondary school, as part of vocational rehabilitation through the U.S. Department of Veterans Affairs (under Chapter 31, Title 38, U.S.C.).

Additionally, DMVA accounting staff currently provide the TA office with both a copy of the COFRS printout as well as a copy of the actual tuition check once it is received from the state Controller's Office. This step would no longer be necessary with EFT payments.

Recommendations

1. **DMVA should expedite its online tuition assistance application process by electronically collecting Unit Verification Forms.**

DMVA should also gather unit commander verifications collectively each semester (once from each unit or company) rather than individually from each soldier.

2. **DMVA should strictly adhere to its requirement of online application submissions, allowing exceptions only in cases of hardship.**

3. **DMVA should determine eligibility and specific award amounts based on real-time information supplied by the schools.**

DMVA should work with representatives from participating schools to develop a system that would allow electronic collection of all relevant student information *once*, at the time of final award determinations. This would include information that might affect the ultimate tuition assistance award, such as receipt of Pell grants or COF stipends.

School representatives have suggested that they could flag National Guard student records and regularly provide DMVA with data reports.[376] These reports could be generated at the request of DMVA or emailed to the Guard on a regularly scheduled basis.[377]

This would also eliminate the need for DMVA staff to phone schools to verify previously submitted information.

4. DMVA should pay tuition assistance using Electronic Fund Transfers rather than the current check warrant issuance process.

Third-party billing systems and practices vary by school, so DMVA should work with each school to establish an EFT process.

Once electronic payment is made, DMVA accounting staff can supply the COFRS printout of the EFT transaction to the DMVA TA office as proof of final payment.

Fiscal Impact

Most importantly, streamlining the steps to apply for TA will help National Guard members eligible for the assistance. Also, DMVA staff time will be saved by eliminating labor-intensive steps such as unnecessary data input and multiple phone calls to schools to verify the most recent enrollment status, tuition, and GPA of Guard applicants.

Implementing these recommendations will also generate a small savings by eliminating unnecessary paperwork and mailings between Guard members, DMVA staff, the State Controller's Office, and the schools.

CREATE A COMBINED ANIMAL INDUSTRY AND BRAND INSPECTION DIVISION IN THE DEPARTMENT OF AGRICULTURE

Merging the Brand Inspection Board with the Animal Industry Division will permit Colorado to better safeguard the state's livestock industry and respond to disease outbreaks.

Background

The Colorado Department of Agriculture (CDA) employs 275 full-time equivalent (FTE) employees and has a total budget of about $37 million.[378] CDA is charged with the regulation and promotion of the state's agricultural industries, including the protection and regulation of livestock. State law charges two of CDA's divisions, Brand Inspection and Animal Industry, with direct oversight of Colorado livestock.

Brand Inspection has an annual budget of $4.4 million while Animal Industry has an annual budget of $1.5 million. Brand Inspection's sole mission is to preserve the ownership of the state's commercial livestock by inspecting brands (a permanent mark of letters and/or symbols on an animal indicating its owner) and returning lost or stolen livestock to its rightful owners. The mission of Animal Industry is to protect animal health and control the spread of animal disease.

While theft affects an individual livestock producer, disease outbreaks affect the entire livestock industry. A single disease outbreak in a state may result in billions of dollars in direct economic losses to livestock producers due to lost access to domestic and foreign markets. In other words, the potential losses resulting from stolen and stray animals can total in the millions of dollars, however the livestock industry's economic risks from disease events are 50 to 100 times greater than the risks from livestock theft.[379]

Findings

Agriculture contributes over $16 billion to Colorado's economy. In turn, 70 percent of the state's agricultural economy is tied to commercial livestock. In December 2003, a single case of Mad Cow's disease was reported in Washington State. In response, many countries chose to ban U.S. beef altogether, resulting in economic losses of over $2.8 billion nationwide.[380] From 2003 to 2004 Colorado beef exports fell by slightly more than 50 percent, or $181 million, even though there were no reports of the disease in Colorado. As of fall 2007, the livestock sector has not fully recovered from the 2004 revenue losses.

England's livestock industry lost $3 billion in direct costs alone due to its recent Foot and Mouth disease outbreak. An additional $3 billion was lost in the tourism sector as a result of the outbreak. It is estimated that losses in indirect costs that could ripple through the industry and regional economy due to a similar outbreak in the U.S. would be ten times as much as losses in direct costs[381].

Brucellosis is a disease that can be found and spread among livestock and also spreads to humans.[382] It causes high rates of spontaneous abortions in cattle, among other symptoms. CDA reports that Colorado has been a brucellosis-free state since January of 1995. However, several nearby states have reported brucellosis outbreaks among their herds, including Wyoming, Texas and Idaho. The proximity of these states makes it more important than ever that Colorado remain vigilant in its efforts to protect its livestock from the introduction of disease by maintaining surveillance and disease testing activities.

Brand Inspection

CDA's Brand Inspection Division employs 66.3 FTE's and is overseen by the Commissioner of the State Board of Stock Inspection (the Board). The Board is responsible for:

- Brand registration,
- Inspection of livestock and verification of ownership before sale, transportation, or slaughter,
- Licensing and inspection of feed lots, packing plants and sale rings, and
- Investigating reports of and recovering stolen, strayed, or lost livestock.

- In 2006 Brand Inspection returned livestock worth $29.4 million to the legal owner after an animal was determined to have a "questionable" title of ownership.[383] This division is funded entirely on fees collected from brand registration and inspections. Annually, Brand Inspection issues about 400 new brands.

Animal Industry

CDA's Animal Industry Division employs 28 FTE's, has an annual budget of about $1.5 million and is comprised of seven sections:

- Aquaculture,
- Bureau of Animal Protection,
- Colorado Animal ID,
- Livestock Disease,

- Pet Animal Care Facilities,
- Rocky Mountain Regional Animal Health Laboratory, and
- Rodent/Predator Control.

The majority of funding for this division comes from the state's General Fund. The Colorado Animal ID and Livestock Disease sections and the Rocky Mountain Regional Animal Laboratory provide livestock disease prevention and control and related lab services.

National Animal Identification

The US Department of Agriculture (USDA) has initiated the National Animal Identification System (NAIS) to protect the health of the nation's livestock and poultry by enabling the quick and effective tracking of an animal disease outbreak to its source. USDA believes the deployment of NAIS will help commercial livestock producers retain access to foreign and domestic markets and help maintain consumer confidence in the nation's food supply.[384]

Animal Industry Animal ID Section is working with the USDA to develop a system that will enable appropriate entities, including state departments of agriculture and health, to effectively and efficiently identify all livestock and livestock premises nationwide through the NAIS. When fully developed, NAIS will give officials the means to identify and notify owners and livestock managers in a timely manner in the event of a disease outbreak, thereby minimizing the effect on livestock markets and agricultural commerce. Some believe a national identification system in the future may replace brands as the "mark" of choice for tracing stolen or lost animals so that they can be returned to their rightful owners.[385]

Other States

All 50 states have an agency with responsibility for the state's agricultural industries, including livestock. Only 17 states, however, have brand inspection laws: Arizona, California, Colorado, Hawaii, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Texas, Utah, Washington and Wyoming. [386]

In growing recognition of the importance of animal health to the stability of the commercial livestock markets, at least 13 states have combined animal health and theft prevention into a single agency or entity within an agency, including: Florida, Georgia, Hawaii, Indiana, Iowa, Kansas, Minnesota, Missouri, New Mexico, Oklahoma, Utah, Washington and Wisconsin. The Kansas Animal Health Department, Georgia Animal Industry Division and Washington State Animal Health Services Division cite the following as among the reasons for such mergers:

- The relationship between the health of domestic livestock raised for food consumption and the health of the general public.

- The negative impact on the agricultural economy and trade of contagious diseases in both animals and humans.
- The link between monitoring animal movement and animal ownership.

By combining animal ownership with animal health functions, these states believe they are better serving their livestock industries. In particular, combining functions gives these states access to more resources in the event of an animal disease outbreak to identify and track the potentially affected animals.

Recommendations

The Colorado Department of Agriculture should explore a merger of the two existing divisions to create a single Animal Industry and Brand Inspection Division that better serves and protects the livestock industry.

The divisions should also consider creating a new advisory committee similar to the State Board of Stock Inspection Commissioners that will provide broader advisory capacity for the livestock industry served and regulated by this new division.

Fiscal Impact

It is estimated that these recommendations will be budget neutral, however, they should result in greater efficiencies within CDA in the event of an animal disease outbreak or other disaster affecting Colorado's livestock markets.

CREATE LABORATORY SERVICES DIVISION IN THE DEPARTMENT OF AGRICULTURE

Creating a stand-alone Laboratory Services Division and bringing the Department of Agriculture's three laboratories under a single supervisor will reduce costs, make cross-training easier, and improve state emergency preparedness.

Background

The Colorado Department of Agriculture (CDA) operates three laboratories tasked with conducting tests on Colorado's agricultural products that help protect consumers, the environment, and promote quality in the state's agriculture sector. These are the Rocky Mountain Regional Animal Health Laboratory (RMRAHL), the Biochemistry Laboratory (BCL), and the Metrology Laboratory (ML).

RMRAHL functions within CDA's Animal Industry Division and conducts testing for livestock diseases that can harm consumers and the livestock industry.[387] As an ISO (International Organization for Standardization) 17025 accredited lab, RMRAHL meets national and international standards for laboratory management and testing competency.

BCL supports CDA's Inspection and Consumer Services, Plant Industry, and Conservation Services Divisions by analyzing a variety of substances including animal feeds, fertilizers, soil, vegetation, and water. Among other things, BCL monitors pesticides used throughout the environment and checks for antibiotics in animal feed. ML, recently joined with BCL under CDA's Inspection and Consumer Services (ICS) Division, is the custodian of Colorado's official standards and provides metrology (measure-standardizing) services for industry and governmental agencies that adhere to National Institute of Standards and Technology (NIST) criteria. It provides accurate calibration of measures like mass, volume, length, and grain moisture standards.[388]

Findings

RMRAHL employs six full-time equivalent (FTE) employees including three microbiologists, two laboratory assistants, and a program assistant. BCL employs 11.5 FTE's including eight scientists (seven chemists and one microbiologist) and 3.5 laboratory technicians. ML employs two metrologists (measurement scientists). The laboratories spent a combined $280,000 on supplies in FY 2006-07, $217,000 in FY 2005-06 [389].

All three laboratories are housed together, although BCL and RMRAHL are located in the same building and ML is in an adjacent building. The tests conducted by RMRAHL and BCL prevent the two laboratories from sharing certain laboratory equipment; for instance, equipment used to test water or soil for pesticides cannot be used to test animal blood for disease.[390] The two laboratories do, however, purchase some of the same types of supplies (e.g., beakers, test tubes, protective gloves). In some instances, RMRAHL and BCL use some similar equipment. For example, both laboratories use Polymerase Chain Reaction machines that test samples for bacteria or disease susceptibility, and both use autoclaves (a sophisticated pressure cooker), hotplates, microscopes, reagents (compounds added to perform chemical tests), test tubes, beakers, gloves and de-ionized water.

Past Consolidation Considerations

In 2006, as part of CDA's Strategic Planning process, department staff were tasked with examining the feasibility of placing all three laboratories into a single division with a single supervisor. While the work group concluded that the laboratories should not be consolidated, it did generate a list of pros and cons regarding consolidation.[391]

Among the reasons cited in favor of consolidation were:

- Better Homeland Security preparedness
- Facilitate cross-training in case of an agricultural emergency
- Better surge capacity in case of an emergency such as an infectious animal disease outbreak
- Better coordination among state agencies – for example, between CDA and the Colorado Department of Public Health and Environment
- Reduced equipment duplications and lower acquisition costs through bulk purchasing
- More effective management including more consistent employee evaluations and easier communication

Among the reasons cited in opposition to consolidation were:

- Difficulties in cross-training
- Costs related to effecting consolidation such as forms and accounting considerations
- Potential customer objections

The greatest objection seemed to come from some laboratory personnel who wished to remain independent of the other two laboratories. Since that time, however, BCL and ML have been merged within the ICS Division under a single Section Manager. Unlike BCL and RMRAHL, which have considerable similarities including location, staff qualifications, and equipment, BCL and ML have no overlap in equipment or personnel types. Nonetheless, the two laboratories have benefited from the merger in both small and large ways, from improved waste management practices to better operational oversight and communication. For example, BCL and ML currently are undergoing parallel accreditation tracks and having both labs under one Section Manager has created synergies for achieving these objectives.

Recommendations

1. The Colorado Department of Agriculture should create a new, consolidated Laboratory Services Division.

A consolidated Laboratory Services Division could improve performance and preparedness for CDA Homeland Security efforts. While the opportunity to cross-train staff will be limited by the highly specific nature of each lab's work and needs, the benefits of cross-training technical staff include improving the labs' capacity to meet increased workload, respond more quickly to emergency situations and provide opportunities for staff development and improvement. By merging the various CDA laboratories, the Department would be better prepared for emergency responses such as providing surge capacity in the event of an infectious animal disease outbreak or assisting other laboratories (Colorado Department of Public Health and Environment, U.S. Food and Drug Administration) with emergency response lab testing.

The administrative reorganization of the labs into one division will not negatively affect the standards of accuracy and accreditation achieved by each. Rather, it should provide greater opportunity for the labs to learn from one another regarding a wide range of lab procedures, quality control, etc., and apply some of these lessons across the new division.

2. The new Director of the Laboratory Services Division should work with CDA's Chief Financial Officer and the Administrative Services Section to identify and maximize opportunities to bulk purchase supplies and equipment to affect savings for the state.

Under a consolidated Division, CDA would be better able to utilize its laboratory equipment for a variety of programs rather than having similar equipment in several different laboratories that may be underutilized.

Fiscal Impact

Through consolidation the laboratories should be able to achieve a five percent reduction in costs for supplies and certain equipment. For this estimate, five percent of the average amounts spent on supplies in 2006 and 2007(total $248,500) equals a savings of $12,425 per year.

Estimated Fiscal Impact				
Fiscal Year	**General Fund Savings**	**Cash Funds Gains**	**Federal Funds Gains**	**Net Savings/ Revenue**
2009	$514	$7,972	$3,939	$12,425
2010	$514	$7,972	$3,939	$12,425
2011	$514	$7,972	$3,939	$12,425
2012	$514	$7,972	$3,939	$12,425
2013	$514	$7,972	$3,939	$12,425
Total				**$62,125**

STREAMLINE LICENSING AND PERMITTING IN THE DEPARTMENT OF AGRICULTURE

Improve agency efficiency and customer service by consolidating licensing and permitting activities to reduce staff time, postage costs and licensee paperwork.

Background

The Colorado Department of Agriculture (CDA) issues over 70,000 licenses, certificates, and permits annually (throughout this recommendation, the terms “permit,” “license,” and “certification” may be used interchangeably to describe the regulatory functions of CDA). The general purpose of this regulatory activity is to ensure the safety and integrity of agricultural products – from produce to livestock to pesticides – for consumers and producers both in and outside of Colorado.

Of CDA’s seven divisions, five are authorized to issue some type of license, certificate or permit. The table below lists the divisions and the number and types of licenses, certificates and permits each issues.

CDA Division	Types of Permits, Licenses Certificates	Quantity
Inspection and Consumer Services	• Safe storage and use of anhydrous ammonia • Legal purchase of commodities and farm products from owners for resale • Authorize sales of eggs, animal feed products, fertilizers, and soil conditioners • Commercially used scales, food plan operators, and meat processors	**12,560**
Plant Industry	• Allows movement of plant material to other states and sales of restricted use pesticides • Organic standards certification • Commercial applicators licensing • Weed free seed and forage certification • Strawberry vine origin certification	**29,294**
Markets	• Fresh fruit and vegetable quality certification	**28,064**
Animal Industry	• Animal entry permits • Aquaculture permits • Pet animal facility licensure	**1,799**
Brand Board	• Alternative livestock farm license	**93**
Total		**71,810**

Findings

Many of the regulatory functions performed by CDA's divisions require a physical inspection, such as a determination of the quality of fruits and vegetables being sold. Other kinds of permits require only that producers or commercial enterprises submit an application or renewal form along with payment for the fee associated with that permit.

Of the 71,810 permits processed by CDA in FY 2006-07, approximately 60 percent were handled through the U.S. mail. Of those handled by mail, the majority were issued by the Division of Plant Industry (DPI), with 29,294 permits, followed by Inspection and Consumer Services (ICS) Division, with 12,560.[392]

CDA spends almost $70,000 per year on permit related postage. An average of two mailings per year are sent to each licensee: one to send a renewal notice and another to mail the permit or license after receipt of payment and required documentation.[393]

Automation Lacking

CDA performs most of its licensing and permitting processes manually. One or more staff associated with each program mails applications, issues licenses, collects and reconciles revenues and corresponds with applicants.

Many licensed entities must submit multiple license renewal forms and fees to CDA each year. For example, Safeway, a grocery store chain, has roughly 160 stores in Colorado. The Consumer Division's (ICS) Egg Program issues each store an egg license, and that same division's Measurement Standards Program issues a separate license for scales being used in each store. This results in roughly 320 separate licenses for Safeway from ICS alone. In addition to the licenses issued by ICS, Safeway also must secure permits from DPI for its stores that sell plants and seeds. Depending on the goods sold in a given store, other CDA permits may also be required.

Currently, only the Measurement Standards (in ICS) and Private Pesticide Applicators (in DPI) programs have licensing and testing requirements available on line. Measurement Standards clients' use of this system, however, has been limited for various organizational reasons.

CDA's ability to automate its licensing functions has been limited by staff resources and the potential costs. CDA information technology (IT) staff estimate that bringing in a contractor for the programming required to fully automate its licensing functions would cost between $750,000 and $1,000,000. Alternatively, to accomplish this task using only CDA's resources, staff estimate it would take more than two years.

Licensing Efficiencies

In the absence of a fully automated system, there are still steps the agency can take to consolidate some of its licensing functions to improve customer service and reduce agency costs. For example, with IT assistance, ICS could combine the Egg, Commodity Handler, and Measurement Standards programs, all of which share the same demographic database and have many common licensees. Currently, the Egg and Measurement Standard programs also share the same license renewal date, a commonality that allows for the manual licensing process of the two programs to be combined. A single, shared application and license could be developed for licensees with multiple business locations. This step towards streamlining would require little computer programming time and could be done with existing staff resources.

This streamlining inside CDA would allow entities such as Safeway to reduce the number of ICS forms they need to complete from more than 300 to just one. It would also eliminate a portion of the agency's mailing expenses, reduce duplicated efforts by the staff and reduce the volume of applications handled by the agency's cashier.

Many of the differing license renewal dates are set in state statutes, and that has also made it difficult for CDA to consolidate its licensing activities. The ICS director has led efforts to remove the license renewal dates from statute and give authority to CDA's commissioner to set renewal dates instead "by rule" in order to be more responsive to the agency's clients. For example, Feed, Farm Products, and Commodity Handlers license renewal dates are set by rule, and a Fertilizer Law revision is planned which may allow fertilizer registration dates to be established in this way. Currently, however, Meat, Food Plan, Egg and Measurement Standards license dates remain set by statute.

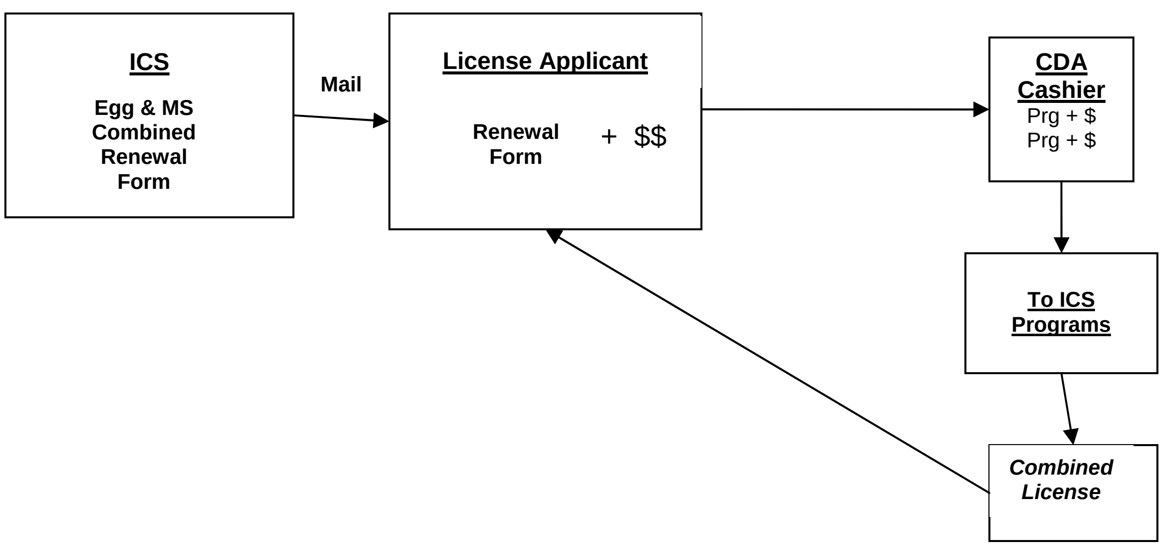
Once the agency's commissioner has the authority to set all renewal dates by rule, staggered renewals will be possible, just as the Colorado Department of Motor Vehicles uses staggered "birthday" renewals to help steady workload.[394]

It should also be noted that ICS program licensing is currently conducted from three different databases; once all ICS databases are merged into a single, consistent enterprise database, all licensing programs could be merged for greater efficiency.

Recommendations

CDA should improve its manual licensing functions starting with the Inspection and Consumer Services Division's Measurement Standards and Egg Programs.

The diagram below describes the process that could be used to reduce CDA customers' paperwork and lower the agency's costs.



Fiscal Impact

This estimate assumes that it will take ICS twelve months to modify the existing database and develop and test a new, manual license application form. Approximately $3,000 would be saved in postage and office supplies; $2,000 in personnel services. The Egg and Measurement Standards Programs are 100 percent cash funded.

Estimated Fiscal Impact	
Fiscal Year	**Other Funds Savings**
2009	$5,000
2010	$5,000
2011	$5,000
2012	$5,000
2013	$5,000
Total	**$25,000**

[361] Change Request for FY 08-09 Budget Request Cycle: Department of Labor and Employment. Modernization and Enhancement of Internet Self-Service.
[362] Page 16 of Change Request for FY 08-09 Budget Request Cycle: Department of Labor and Employment. Modernization and Enhancement of Internet Self-Service.
[363] Change Request for FY 08-09 Budget Request Cycle: Department of Labor and Employment. Modernization and Enhancement of Internet Self-Service.
[364] Minnesota's Self-Service UI Tax System: How We Did It. Undated slide handouts from a presentation by Lee Nelson, Director of UI Legal Affairs, Minnesota Department of Employment and Economic Development. Document provided by Mike Cullen, Colorado Department of Labor and Employment.
[365] Page 16 of Change Request for FY 08-09 Budget Request Cycle: Department of Labor and Employment. Modernization and Enhancement of Internet Self-Service.
[366] Page 13 of Change Request for FY 08-09 Budget Request Cycle: Department of Labor and Employment. Modernization and Enhancement of Internet Self-Service.
[367] Colorado Revised Statute 23-5-111.4.
[368] Allison Gard, Department of Military and Veterans Affairs. The Colorado Opportunity Trust Fund (COF), created by the Colorado Legislature, provides tuition stipends to Colorado undergraduate students to pay a portion of total in-state tuition at Colorado public institutions and participating private institutions. More information available at: https://cofweb.cslp.org/cofapp/WhatIsCof.jsp.
[369] Effective July 1, 2001, the requirement for six-month membership in the Colorado National Guard was waived for: In Service Recruits, Inter-State Transfers, and newly-commissioned officers who must have a degree to complete their commissioning program. Colorado Department of Military and Veterans Affairs, Regulation 250-8, 213-01 ANG, July 1, 2005.
[370] Colorado Department of Military and Veterans Affairs, Regulation 250-8, 213-01 ANG, July 1, 2005.
[371] Allison Gard, Department of Military and Veterans Affairs.
[372] Tuition assistance applications are available at: www.dmva.state.co.us/page/ta.
[373] Allison Gard, Department of Military and Veterans Affairs.
[374] Interview with Allison Gard and Sgt. Darius Batmanglidj, Department of Military and Veterans Affairs.
[375] Insook Bhushan, Department of Military and Veterans Affairs.
[376] Rick Beck, Metropolitan Community College, Chair-COF/Banner System Consortium.
[377] DMVA has noted their willingness to assemble a master list of soldiers attending each school, on a semester basis, so that the schools could generate this type of real-time report.
[378] Colorado Department of Agriculture, Presentation to the Ag Council, July 17, 2007.
[379] Note: This ratio is based on the $2.8 billion figure from disease related losses in 2004 and the number cited in "Mark of the Old West" and the CDA website.
[380] U.S. Meat Export Federation report (I don't know how to cite it)
[381] 2007 CDA Budget Narrative
[382] Center for Disease Control and Prevention, http://www.cdc.gov/ncidod/dbmd/diseaseinfo/brucellosis_g.htm , accessed November 19, 2007.
[383] **Mark of the Old West** **Colorado brand inspectors keep a rein on cattle rustling**
Roger Fillion, Rocky Mountain News November 23, 2006
[384] **Jolley: Five Minutes With Bruce Knight, Undersecretary, USDA, Cattlenetwork, November 9, 2007 http://www.cattlenetwork.com/content.asp?contentid=174975**
[385] Colorado.gov http://www.colorado.gov/cs/Satellite?c=Page&childpagename=Agriculture-Main%2FCDAGLayout&cid=1167928197096&p=1167928197096&pagename=CDAGWrapper
[386] A Comparison of the National Identification System and the Oregon Brand Inspection, Oregon Department of Agriculture, http://egov.oregon.gov/ODA/AHID/animal_health/nais_idvsbrand.pdf accessed November 18, 2007.
[387] Such things as Johne's, Trichomoniasis, and Scrapie Genetic Susceptibility.
[388] Correspondence from Julie Zimmerman
[389] Breakdown of Laboratory Supplies by Org Unit

Total FY 2007	Org unit	$280,606.72

Federal Funds (ICS)	100	97,149.19
ICS Cash Fund	16R	28,912.72
Vet Vaccine Fund (RMRAHL)	104	147,918.19
Groundwater Fund (Conservation)	254	5,169.77
Pesticide Fund (Plants)	219	1,391.51
Seed Fund (Plants)	102	65.34

Total FY 2006	Org unit	$217,142.70
Federal Funds (ICS)	100	68,839.80
ICS Cash Fund	16R	17,966.31
Vet Vaccine Fund (RMRAHL)	104	121,006.40
Groundwater Fund (Conservation)	254	1,465.88
Pesticide Fund (Plants)	219	2,571.85
Pesticide Applicator (Plants)	105	5,292.46

[390] Memoranda, Charlie Hagburg & Tiffany Brigner to Strategic Issues Work Group 3.2, November 9, 2006.
[391] "Why or Why Not a CDA Laboratory Services Division," undated
[392] Data e-mailed by Jon Reitan, CDA CFO, November 9, 2007
[393] Data e-mailed by Jon Reitan, CDA CFO, November 9, 2007
[394] Interview with Julie Zimmerman, Director, Inspection and Customer Services, September 18, 2007.

Chapter 7
Improving Collections and Recovering Funds

When State Government fails to draw down federal funds for state services or allows individuals to avoid paying their fair share in taxes, the result is reduced services for citizens and higher taxes for everyone. This section of the GEM Performance Review report includes five recommendations to maximize federal revenue, realign resources and recover unpaid revenues.

The Colorado Department of Revenue conducts four different types of audits, three focus on in-state activities and the fourth includes out-of-state audits. Companies doing business in Colorado, but headquartered in other states are often large corporations that potentially owe more in taxes to the State than audits of the smaller entities headquartered in the state reflect. The GEM Performance Review recommends additional out-of-state audits which are anticipated to bring in over $20 million in revenue owed to the State.

The GEM Performance Review also assessed whether Colorado is collecting all of the federal funds to which it is entitled. This chapter describes ways Colorado can increase its federal claims by training county staff on correct cost reporting, eliminating the backlog of background checks on potential foster care providers, and using federally-accepted methods on claims for case management services.

	2009		2010		2011		2012		2013		Total	
Recommendation	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**	**General Fund**	**Federal/ Other Funds**
Maximize Federal Title IV-E Revenue for Foster Care	($321,200)	$0	($220,000)	$760,000	($220,000)	$760,000	($220,000)	$760,000	($220,000)	$760,000	($1,201,200)	$3,040,000
Increase Out-of-State Audits	$2,040,800		$8,703,800		$8,703,800		$8,703,800		$8,703,800		$36,856,000	
Increase Travel Funds for School District Audits	($13,700)		$486,300		$486,300		$486,300		$486,300		$1,931,500	
Properly Record All Port of Entry Penalty Assessments	$25,000		$25,000		$25,000		$25,000		$25,000		$125,000	
Maintain Functioning Ports of Entry Without Increasing Appropriations												
Streamline Rules Adoption for Lottery Scratch Games												
FIVE YEAR TOTAL ALL FUNDS	**$1,730,900**		**$9,755,100**		**$9,755,100**		**$9,755,100**		**$9,755,100**		**$40,751,300**	

MAXIMIZE FEDERAL TITLE IV-E REVENUE FOR FOSTER CARE SERVICES

Collect more Title IV-E federal reimbursements by expanding administrative claims for services provided, eliminating the criminal background check backlog for foster care providers and training staff on data management for Title IV-E claims.

Background

The Department of Human Services (DHS) oversees the foster care program which is directly administered by each of the 64 counties. Services are provided to eligible children who have been removed from their homes or are at risk of being removed from their homes due to negligence, abuse or other unsafe circumstances. Judicial determinations are required to remove a child from the home and throughout a child's career in the foster system. Although states must support all children in foster care, a state's ability to receive federal reimbursement for the costs is tied to outdated income requirements the leave states like Colorado bearing a large financial burden.

Title IV-E of the Social Security Act (Federal Foster Care) is a federal program administered by state and local public child welfare agencies for low income children who have been removed from their homes. The program is an open-ended (not capped) entitlement funded with a combination of federal and state/local matching funds. Children in the foster care system are only eligible for this federal reimbursement if they meet income standards of the now-defunct Aid to Families with Dependent Children (AFDC). Because these standards have not been adjusted for inflation, each year they get lower in real terms, and the number of eligible children continues to decline.[395]

Eligible Title IV-E providers include individual foster family homes, institutional settings, and kinship homes. All providers must be fully licensed and undergo criminal background checks. Rates to provide daily maintenance are negotiated between the county and the provider. In Colorado, DHS sets what are known as base anchor rates to help counties establish the rates they pay to providers.

Federal reimbursements under Title IV-E are made in two categories: maintenance costs, which support the physical needs of the child such as room, board and administrative costs, which include staffing, legal and licensing costs, other costs incurred while serving the child and training costs for staff and foster parents working with the child and family.[396]

In order to identify the correct categories of costs associated with providing services under Title IV-E, Colorado DHS and the counties use time studies, including Random Moment Sampling (RMS) to identify the portion of employee time spent on these different types of reimbursable activities. Cost reports submitted to the state by child placement agencies (CPA's) on a quarterly basis are another method used to provide actual costs by line item.

Many Colorado counties have privatized some portion of the foster care system and provide services through a dual system, using both county workers and private or non-profit CPA's. CPA's recruit and administer foster care providers and place children in homes; about half of Colorado children in foster care are placed by CPA's while the other half reside in county recruited and supervised foster family homes and kinship placements.[397]

DHS uses the information technology system Trails to track foster care provided by the state's 64 counties. The Trails system encompasses two other systems: Adoption and Foster Care Analysis and Reporting System (AFCARS), which is federally mandated and collects information on all children in foster care and those adopted under the auspices of DHS; and Statewide Automated Child Welfare Information System (SACWIS), which is a case management tool used to track children's outcomes as they move toward permanent placement and which is increasingly used by many states. The federal government provides 50-75 percent of SACWIS costs and encourages states to use the system to track case management for nearly all of its social service programs. An updated and fully automated Trails is currently in the process of being implemented in counties across Colorado.

States use a variety of federal, state and local funds for foster care services. DHS spent more than $378 million on the foster care program in FY 2006-07, 29 percent of which were federal dollars[398] of which just under half of these federal funds were Title IV-E funds. Foster care program costs have been substantially increasing while Title IV-E eligibility has been steadily falling across the nation[399] due to the obsolete AFDC eligibility requirements. While Title IV-E spending has increased overall, this is due in large measure to continued increases in Adoption Assistance funds for families who adopt children who are in state custody.[400] Colorado, like many states, increasingly relies on its own general funds to cover foster care costs.

Findings

Case Management Services Provided by Child Placement Agencies

A 2007 State Auditor's performance audit of the Colorado foster care system found that case management services, which are part of administrative costs under Title IV-E, provided by contracted CPA's were not submitted to the federal government for reimbursement. This error cost the state $4.5 million from 2002 through 2006, or $1 million annually.[401] DHS staff report that to claim these services for federal reimbursement, the state must invest in time studies for CPA services.

Other states have done exactly that. Washington State and New York increased federal reimbursement for administrative costs by 140 and 20 percent, respectively, by improving the RMS (time studies) for outsourced services to see exactly what staff were providing within the Title IV-E allowable services.[402] Kansas, the first state to completely privatize its foster care system, relies on contractors' use of an automated, email-based RMS system to claim Title IV-E reimbursements and has been doing so since 1997.[403] Ohio also uses RMS via its contractors to identify and claim case management expenditures. Texas uses cost reports to claim administrative Title IV-E reimbursements for case management services provided by CPAs and uses RMS at the state level to allocate costs for state-administered services. [404]

Administrative Costs for Eligible Children Living with Provisionally Licensed Relatives

The federal Deficit Reduction Act (DRA) of 2005 prohibits claims for maintenance costs for eligible children in ineligible placements. The DRA does, however, allow states to claim administrative costs for children living in unlicensed relatives' homes, provided (a) that those relatives are pursuing full licensure, and (b) that claims are for no more than 12 months or the time it takes to become licensed, whichever is shorter. Colorado, however, only claims six months worth of costs per child[405] because Colorado Revised Statute 26-6-104 (3) limits provisional licensure status to six months.[406] DHS reports that children do not remain in provisional placements beyond six months; however, if data becomes available showing that stays with provisionally licensed providers do last beyond six months, the statute should be revisited.

Administrative Costs for Children Transitioning from an Ineligible Setting to an Eligible Setting

Federal law allows limited Title IV-E claims for administrative costs for eligible children placed in ineligible facilities such as detention centers or psychiatric hospitals. A state can claim partial reimbursement for administrative costs for only one calendar month for an otherwise Title IV-E eligible child transitioning from an unlicensed or unapproved facility to a licensed or approved foster family home or child care institution. For example, the costs for a child exiting a psychiatric hospital to live in a foster home are claimable for the last four weeks of his or her hospital stay.[407]
At this time, however, due to the limitations of its automated system, DHS is unable to take advantage of this provision. Based on data that is available in Trails, there are an estimated 16 children who would qualify for this federal support, for a total of 64 children annually.[408] If the average administrative rate across the ten largest Colorado counties ($13.54)[409] is applied to the 30-day placement at the ineligible facility, the state stands to gain $25,997 annually in Title IV- E administrative reimbursements if such costs were claimed. Multiplying this amount by 12 months shows as many as 192 children qualifying for an estimated total of $77,990 in additional federal revenue annually.

Automated Systems

Trails has many limitations and cannot, for example, capture critical timeframes such as the 90-day time limit for Voluntary Placement Agreements. The system is not able to alert caseworkers and administrators when a license is about to expire or when a pending child's 45 day limit to establish eligibility is approaching. Adequate controls must be developed in Trails so that caseworkers and others can be notified in advance of deadlines that are critical to delivering services and retaining federal dollars.

The Trails system currently does not capture key information concerning the licensing process and, in particular, when CBI checks for licensing, possibly due to counties' failure to update the system as licensing application processes are aborted (which is not uncommon). This results in an absence of critical data informing administrators about how long the licensing process takes, who is applying or dropping out of the process and for what reasons.

A 2006 review of Colorado's AFCARS system (part of Trails), found significant under-reporting problems in technical areas such as child disability information, removal episode information, and caretaker information.[410] Additionally, the 2007 performance audit found that because Trails does not have a function for specifying whether rates used are base anchor rates or a county-negotiated rate, errors were made in federal reimbursement submissions resulting in instances of both under- and over-charges.[411] Fixing these issues is a high priority for DHS: AFCARS modifications are expected to be complete by July 2008; SACWIS changes are expected by December 2008.[412]

System upgrades and changes in data input practices will help Colorado comply with planned changes in federal reporting schedules and audit practices, and avoid federal sanctions and/or disallowances, thus maximizing federal reimbursements.

Colorado Bureau of Investigations (CBI) Backlog

At the time of this writing, there is a seventy-six day backlog at the CBI for criminal background checks.[413] This means that eligible children are not moved into placements in a timely manner and may be waiting in expensive institutional settings for a licensed family setting to become available. These delays also mean some children must be placed outside of their home county, making reunification and service delivery difficult and increasing the chances the child will have to be moved, yet again, into an appropriate setting.[414]

DHS is currently unable to quantify the costs associated with the background check backlog because of the incomplete reporting of the overall licensing process by counties described above.

Inconsistent Data Entry Across Counties

The 2007 performance audit also found variations in county data entry.[415] Auditors found that counties frequently entered incorrect rates, incorrectly entered bed reservation fees under maintenance expenditures,[416] and entered overlapping service dates as well.[417] (DHS disagrees with the magnitude of this issue and suggests that many overlapping service dates result from legitimate corrections to identified errors.) The audit also showed that referral data was inconsistently reported, which may lead to inequitable distribution of the child welfare block grant from the state.

Potential remedies for reducing data entry errors include ramping up training for county staff on correct cost reporting under Title IV-E and increasing Trails functionality by making better use of existing querying and data-mining functions to identify trends and areas where there are problems. Another available remedy is implementing DHS oversight of county data entry through audits and other monitoring functions.

Foster Parent Training

Adequate foster parent training is not available in Colorado. Training funding has not increased to keep up with increased caseloads or additional federal reporting requirements. DHS estimates that 36 additional core trainings sessions should be added to adequately provide for all kinds of training not currently available. If DHS invested an additional $200,000 from the General Fund in foster parent training, the state would receive approximately $150,000 in additional revenue.

Recommendations

1. **DHS should claim case management services provided by child placement agencies through federally acceptable methods.**

2. **DHS should revise its method for claiming administrative costs to claim one calendar month for a Title IV-E eligible child transitioning from an unlicensed or unapproved facility to a licensed or approved foster family home or child care institution.**

3. **DHS should improve Trails by designing and implementing functions to capture more complete information.**

DHS should design and implement controls for key timeframes to protect Title IV-E eligibility, such as establishing eligibility, judicial determinations, and pending licensure. The licensing process must also be tracked in the system, complete with dates and outcomes for use in making program improvements. DHS should also design and implement controls to monitor important dates of expiration, such as provisional licensure dates of application and completion, placements of children transitioning from ineligible settings, and time limits such as the 45-day eligibility limit and the 90-day voluntary placement limit. Trails must have the capability to capture more complete rate information. Costs to improve Trails to allow claiming of case management costs for private child placement agencies is included in the fiscal impact below.

4. **The Department of Public Safety should eliminate the Colorado Bureau of Investigations' (CBI) backlog of background checks on potential foster care settings.**

5. **DHS staff should increase the amount of on-going and specialized training for foster parents.**

6. **DHS staff should train county staff on correct cost reporting for federal reimbursements and ensure consistency in when and how data are entered into Trails.**

Fiscal Impact

According to the state auditor, Colorado can claim an additional $1 million annually in Title IV-E funds for case management services provided by CPAs.[418] Expense reports from four CPAs showed that case management expenses accounted for 69 percent of administrative expenses. This same percentage was applied to the total expenditures for administrative services in the four counties served by the CPAs to calculate case management revenue lost.[419] Additional calculations by DHS show that of the $5.5 million in administrative expenses that are reported by the CPAs but not claimed, 69 percent (using the state auditor's estimate) or $3.8 million would be for case management. Of that amount, only about 50 percent of the children in foster care are Title IV-E eligible, reducing the claimable amount to $1.9 million, of which 50 percent $950,000 would be claimable. Of that amount, DHS estimates that 80 percent of the activities of CPA case managers can be claimed as case management, for a total annual revenue estimate of $760,000. This is the revenue estimate shown in the table below.

In order to implement the process of claiming the case management costs of CPAs, DHS estimates, based on conversations with three vendors that perform random moment sampling (RMS), that the start-up costs for FY 2008-09 will be $321,250. These costs include assessment, program design and implementation, and training performed by the vendor as well as $71,250 in modifications to the Trails computer system. There will be no new revenue received during this first year of implementation.

The on-going costs of collecting the data from CPAs needed for claiming case management costs are estimated to be $220,000. These costs are associated with RMS software expenses and operations.

The expenditures column below shows the FY 2008-09 start-up costs for claiming case management performed by CPAs and the on-going costs for FY 2009-10 and beyond. The additional federal revenue column shows the revenue from case management claims for CPA's ($760,000) beginning in FY 2009-10.

Estimated Fiscal Impact			
Fiscal Year	**Federal Revenue**	**General Fund Expenditures**	**Net Savings / Revenue**
2009	$0	($321,250)	($321,250)
2010	$760,000	($220,000)	$540,000
2011	$760,000	($220,000)	$540,000
2012	$760,000	($220,000)	$540,000
2013	$760,000	($220,000)	$540,000
Total			**$1.8 million**

INCREASE OUT-OF-STATE AUDITS

Increase the yield from Department of Revenue tax audits by enhancing the agency's capacity to audit out-of-state businesses.

Background

Section 24-35-108 of the Colorado Revised Statues (CRS) states that the function of the Department of Revenue (DOR), and the duty of its Executive Director, is "to audit reports and returns of taxpayers in connection with all taxes…within the jurisdiction of the Department of Revenue." The Department audits all types and sizes of businesses located throughout Colorado as well as out-of-state businesses.

The Field Audit section of DOR evaluates its program through audit *production*. Production measures the total adjustments to a tax liability calculated through an audit. The great majority of Field Audit production represents assessments to taxpayers that *owe* taxes to the state; however, a small component of production represents adjustments that result in *refunds* to taxpayers. The program's goal is to accurately determine tax liability, so the Department does not evaluate its auditors based on the total revenue they generate; instead, production is measured accurately and fairly as the output of the audit program as a whole.

Audits conducted on large, multi-state or multinational companies are intended to confirm proper tax liability or identify non-compliance. Because these larger companies are often headquartered out-of-state and auditing them involves complex tax issues, conducting audits at these companies' headquarters is preferable.

Findings

Types of Audits

The Department conducts four general types of audits:

- Routine Metro Audits – These audits consist mainly of smaller businesses and are rarely repeated. The intent behind these audits is to improve compliance through broad-based coverage of the entire business community.

- Local 1 – These audits are conducted on Colorado-based companies based on sales, earnings, assets and/or number of employees. These companies are audited on a regular and recurring basis and audits focus on sales and use taxes, but include other taxes as applicable.

- Local 2 – Local 2 businesses are smaller than Local 1, however, are still large enough to merit regular analysis for audit potential.

- Out-of-State – These audits are conducted on corporations doing business within Colorado, however with headquarters and records outside of the state. Audits are conducted by either Colorado-based agents traveling to the taxpayer's location or by permanently based out-of-state revenue agents (Field Audit has agents in San Francisco, Dallas, and New York City).

Only a senior auditor has the required training to work on all of these four types of audits; a junior auditor may not work on out-of-state audits. The Field Audit program works to maintain a balance between auditing businesses that operate inside Colorado and those that operate outside.

For the last five years, out-of-state audit production has averaged $2,491 per hour compared to $392 per hour for in-state audits. Companies doing business in Colorado and headquartered in other states are often large corporations with the potential to owe more in taxes than smaller ones.

Cost of Out-of-State Travel

From FY 2004-05 to FY 2006-07, the average cost for a week of travel for DOR auditors increased by 17.3 percent. Assuming that travel costs continue to rise at the rate they have over the last three years, DOR forecasts the cost for a week of travel will increase just over 5 percent annually, putting it at $1,533 per week in FY 2008-09. Compared to $1,067 per week in FY 2004-05, this represents an increase of $466 per week of travel, an increase significant enough to affect DOR's capacity to conduct higher-yielding out-of-state audits.

Increased Audit Production Projection

Redeploying senior auditors to the more productive out-of-state audits could increase revenue to the General Fund by $8 million annually over current production, and do so without increasing the number of FTE's (full-time equivalent employees). This $8 million represents about 40 percent of the $22.2 million of tax liability identified in the table below because negotiations tend to result in an average actual collection of about 40 percent.

	FY 2008-09 Projected Hours Current Funding	FY 2008-09 Projected Production Current Funding	FY 2008-09 Projected Hours Change Request	Difference	FY 2008-09 Projected Production Change Request	Difference
Routine Metro	25,981	$3,787,386	21,099	(4,842)	$3,080,454	($706,932)
Local 1	13,950	$12,485,250	11,346	(2,604)	$10,154,670	($2,330,580)
Local 2	16,801	$5,947,554	13,665	(3,136)	$4,837,410	($1,110,144)
Out-of-State	11,019	$27,448,329	21,600	10,581	$53,805,600	$26,357,271
Total	**67,751**	**$49,668,519**	**67,711**		**$71,878,134**	**$22,209,615**

Recommendations

DOR should be allocated an additional $180,000 in FY 2008-09 to fund 86 additional weeks of travel for out-of-state audits.

An additional $180,234 will allow senior auditors the ability to conduct more out-of-state audits and will likely result in approximately $22.2 million in additional audit production.

Fiscal Impact[420]

Based on historical data, the Department estimates that enhancing out-of-state audit coverage has the potential to return $22.2 million in audit production, $8 million of which would be an increase to the General Fund. This figure accounts for the lost production in routine metro and Local 1 and 2 audits. The resources of senior tax auditors currently devoted to local audits will be shifted to higher value out-of-state audits if this request is approved.

The Department calculates that $180,234 for increased out-of-state travel will yield 118 additional weeks ($180,234 / $1,533 = 118 weeks). Hours gained in audit work include 2,857 during audit visits and 3,541 during follow-up work in Colorado. Based on historical, hourly production of $146 for routine metro audits, $895 for Local Metro 1 audits, $354 for Local Metro 2 and $2,491 for out-of-state audits, the Department believes the net audit production will increase by $16.4 million. Other types of audit revenues will decrease because no new staff are available; the Department will reallocate senior staff resources from less productive audits to the more productive out-of-state audits.

Estimated Fiscal Impact

Fiscal Year	General Fund Revenue	General Fund Cost	Net Savings/ Revenue
2009	$2,221,019	($180,234)	$2,040,785
2010	$8,884,077	($180,234)	$8,703,843
2011	$8,884,077	($180,234)	$8,703,843
2012	$8,884,077	($180,234)	$8,703,843
2013	$8,884,077	($180,234)	$8,703,843
Total			**$36,856,157**

INCREASE TRAVEL FUNDS FOR SCHOOL DISTRICT AUDITS

Fully fund travel expenses for the Department of Education Audit Unit to allow for the recovery of state overpayments to schools.

Background

The Colorado Department of Education (CDE) allocates funds annually to school districts and other entities with on-the-grounds schools. The funding is based on information submitted by the districts and entities including data such as student population in grades Kindergarten through 12, spending on school lunch programs and transportation costs. The state relies on the CDE Audit Unit (AU) to verify district data related to funding. The AU also works with districts to resolve audit issues and provides training and technical assistance.

According to Department of Education rules:

> If the Department determines that a district or an eligible facility has received payment of funds greater than the amount to which the district or eligible facility is entitled, the district or eligible facility shall be responsible for repayment to the Department within 30 calendar days from the date of said determination.[421]

The CDE has the authority to assess interest and fees if the district or eligible facility fails to repay the overpayment within a certain period of time. The Department also has authority to withhold the amount owed from future payments to school districts and facilities.

Findings[422]

Currently, five FTE's (full time employee equivalents of one supervisor and four auditors) are appropriated to the CDE to ensure compliance with Public Finance, National School Lunch Program, Public School Transportation and English Language Proficiency programs.

The AU's budget for travel is currently $18,897. In FY 2006-07 there were vacancy savings in the AU to compensate for additional travel expenses; however, the unit is now fully staffed and vacancy savings will not exist. Without an increase in funding for travel, the AU would be forced to stop travel in approximately February of each year, that is, to cease its audit activities across the state roughly halfway through the fiscal year.

As a result, the number of completed audits and the amount of audit recoveries would decrease and a backlog of audits would develop. This backlog would create problems particularly for small school districts, making it more likely that a district would be required to repay significant amounts due to the potential compounding effect of a count error that is not identified for several years.

In addition, if the AU is unable to complete district audits within reasonable time frames, the state runs the risk of losing the ability to recover overpayments. Under current rules, districts are to be audited every five years; if the state fails to meet that schedule, it is unable to recover overpayments. Revenue from audit recoveries in FY 2006-07 totaled over $6 million.

This recommendation to add $13,702 for increased travel costs would enable the AU to continue auditing school districts for the benefit of the state, the districts and students.

Recommendations

The Colorado Department of Education Audit Unit should be fully funded to cover travel expenses to allow the Department to identify and recover all overpayments to school districts and other eligible facilities.

Fiscal Impact

Based on historical information, the Department estimates that $13,702 will allow travel for an additional 10 to 15 audits to take place starting in 2010. Based on average audit recoveries over the past three years, the Department estimates a recovery of $93,776 per audit. Using this average, the Department estimates that 10 to 15 additional audits would recover between $937,760 and $1,406,640. The Department currently focuses limited audit travel resources on the larger school districts where the audit recovery is usually greater. The audits to be conducted with additional travel funding recommended are likely to focus on significantly smaller school districts where audit adjustments and recovery is likely to be less than the historical average. Thus, the estimated audit recovery is adjusted downward to a more conservative estimate of $500,000 per year starting in 2010 for a net five-year recovery of $1,943,454.

Estimated Fiscal Impact			
Fiscal Year	**Revenue**	**Cost**	**Net Savings/ Revenue**
2009	$0	($13,702)	($13,702)
2010	$500,000	($13,702)	$486,289
2011	$500,000	($13,702)	$486,289
2012	$500,000	($13,702)	$486,289
2013	$500,000	($13,702)	$486,289
Total			**$1.9 million**

PROPERLY RECORD ALL PORT OF ENTRY PENALTY ASSESSMENTS

Improve the Penalty Assessment reporting systems to ensure that violations against commercial vehicles identified by Ports of Entry are properly recorded to avoid dropped cases and lost fines.

Background

For over 50 years, the Colorado Department of Revenue (DOR) has operated the state's Ports of Entry (POE). These ports – 10 fixed and 10 mobile – ensure that commercial traffic entering the state complies with registration requirements, weight limits and other safety standards. POE officers have the statutory authority to enforce the laws and rules governing commercial transportation, including the authority to inspect commercial registration documents and assess penalties upon violators.[423]

In 1996, the Colorado General Assembly created Motor Carrier Services (MCS) within the Department of Revenue's (DOR) Division of Motor Vehicles (DMV) and POE enforcement and operations were placed within MCS.

In FY 2006-07, POE officers cleared 6.38 million trucks and issued over 31,000 Penalty Assessments (PA).[424] Average yearly revenue collection in fees and fines for the 2005, 2006, and 2007 fiscal years was $4,247,530.[425] This is in addition to the numerous non-monetary enforcement actions taken in an effort to keep Colorado's roadways safe.

There are two types of PA's:

1. *A citation with a specified fine.* The violator has the option of paying the fine at the port or submitting payment via U.S. mail within 20 days. If the violator does not pay the fine within 20 days, it is assumed the fine is being contested and the violator will appear in court on the date printed on the citation.

2. *A summons to court.* The summons does not specify a fine, however the violator is required to appear in court at a set date and time. The court will hear the case, issue a ruling and decide whether to impose a fine. Summonses are usually issued to those with severe violations, such as transporting goods without a valid commercial driver's license (CDL).

About 20 to 30 percent of PA's go to court. If a PA goes to court and the defendant does not appear, the court issues an arrest warrant. Often a defendant arrives in court and learns that the court has no record of the PA and the case is not on the court docket. When this happens, the case is automatically dismissed.

When notified of a dismissed PA case, POE officers have the authority to serve the defendant with another summons. However, this is a time-consuming process and POE officers rarely have the capacity to do so. As a result, violators who might otherwise be required to pay a fine or face other penalties are not held accountable.

Findings

Too often, PA's issued by POE officers are not properly recorded by the DMV/MCS system. As a result, violators who are required or opt to go to court do so at the scheduled date and time, only to have the cases automatically dismissed because the court has no record of the PA. In October 2006, this was identified as an issue in the State Auditor's Performance Audit of POE operations: [426]

> *…Penalty Assessment Section staff informed us that because not all penalty assessment records are being uploaded from the Business System to the other Department systems, county courts are not receiving copies of all unpaid penalty assessments. If a truck driver contests a penalty assessment in court, and the county court does not have a copy of the penalty assessment, the judge dismisses the case against the driver.*

The State of Colorado has 64 county courts that hear PA cases; however, there is no requirement or standard protocol for notifying MCS that PA cases have been automatically dismissed. In addition, there is no standard procedure for how the courts record these dismissed cases; some courts enter dismissed PA cases into the systems, while other courts do not.[427] As such, MCS has no reliable data on the number of PA cases that failed to make the courts' dockets, or on the amount of revenue lost due to uncollected fines. Most of the dismissed cases of which MCS is aware had fines in the hundreds or thousands of dollars.

POE officers create PA's electronically. Printed copies are made for the defendant and the port locations themselves; however, the PA records are transmitted electronically from the issuing POE to DOR using the WHEELS system, the central control server at DOR. The POE's operations are distributed among 17 buildings, each with a server running a nightly batch process that uploads the PA records to WHEELS. WHEELS interfaces with DMV's Driver Control section, which relays the information to the courts.

In addition to the fixed units, there are 10 mobile POE units with responsibility for as many as eleven counties each. Each mobile unit has one laptop computer that is used to upload PA data to WHEELS. None of the mobile units have Internet connectivity, however, so POE officers at the mobile ports must periodically upload the PA's manually.

In order for a mobile unit to upload to WHEELS, a POE officer must plug the laptop computer into a hard-wired Ethernet connection and manually execute a process that extracts the PA data from the laptop and sends it to WHEELS. Usually, when the extraction is complete a message is returned indicating a successful transmission and the records become available on WHEELS the following day. WHEELS data is then transferred to DMV's Driver Control system.

Though uploads are performed at least every week, there is no statewide, standard frequency with which the mobile unit POE officers upload PA data. Some upload on a daily basis, others on a weekly basis, depending on the amount of data. For example, the Denver mobile unit, with hundreds of PA records for each batch, uploads more frequently, whereas the San Luis Valley unit, with only 15 to 20 records for each batch, tends to upload less frequently.

To process a court summons, a hard copy of the summons is physically delivered to the court within three days of the summons being issued. Citations not paid within 20 days must be transferred to the courts as well, however, they are not delivered electronically either. Instead, DMV's PA Unit must print out and deliver each PA case to court services, which then has the hard copies entered manually into the courts' own systems.[428]

On some occasions, however, records are not recorded or an entire mobile unit's extraction is not recorded. Some of the records do not appear to reach WHEELS, while others do not reach DMV's Driver Control systems. Consequently, these records are not entered into the court system and onto the docket. It is in such cases that a violator appears in court only to have the case automatically dismissed.

Recommendations

1. **DOR's IT Division should implement data transmission edits (changes) for POE entries as described in the State Auditor's Performance Audit:** [429]

Data transmission edits. These controls count the number of items in each field and the number of records in each batch before information is transmitted to another system. When these edits are in place, the system receiving the batch will not accept the information unless the number of items and records sent from the originating system matches the number of items and records received. If the totals do not match, the transmission is considered unsuccessful, and the receiving system sends a notice of the failure to the system that transmitted the data.

Once these edits have been completed, PA records will be properly recorded in the DMV systems.

2. **DOR's IT Division should develop a process to ensure that all PA records recorded in DMV's systems are properly transmitted to other systems so that all PA cases due in court are listed on the courts' dockets.**

DOR previously agreed to these recommendations when they were presented in the State Auditor's report.[430] While the implementation date for these recommendations was set for June 2007, POE staff has stated that the problem still exists.

Fiscal Impact

Due to the issue with data transmission of PA's and the lack of consistent reporting of them by the state's courts, it is not possible to accurately determine the number of dismissed PA cases. However, as noted in the State Auditor's Performance Audit, anecdotal evidence suggests the lost revenue from these uncollected penalties is significant:[431]

> *We confirmed with a staff member for one county court judge that the judge regularly dismisses between 6 and 10 violations per month due to missing penalty assessment records. We identified one instance where a POE officer cited a truck driver for five violations during a single clearance in January 2005. The fines for the violations totaled more than $18,000. When the truck driver appeared in court, the judge dismissed the charges because the court did not have a copy of the penalty assessment. In another instance, a county court judge reported dismissing four cases totaling almost $8,000 because the court did not have copies of the penalty assessments.*

DOR's Budget Office roughly estimates that 10 to 12 citations per month are not making it to the courts.[432] It is difficult to estimate the average fine amount for these citations since there is such a wide range in the fine amounts (the smallest fine is about $20 and the largest can be $14,000 or more).[433] If a conservatively estimate of $250 per case is used to target the average amount of revenue lost for each of these dismissed cases, the amount of lost revenue would be between $25,000 and $36,000 per year.

The financial cost for implementing the recommendations should be negligible, since they require programming and policy changes that can be accomplished with existing personnel.

Estimated Fiscal Impact	
Fiscal Year	**Net Savings/Revenue**
2009	$25,000
2010	$25,000
2011	$25,000
2012	$25,000
2013	$25,000
Total	**$125,000**

MAINTAIN FUNCTIONING PORTS OF ENTRY WITHOUT INCREASING APPROPRIATIONS

Transfer Department of Revenue funds between budget line items to cover maintenance costs and prevent service suspensions that result from deteriorating conditions at Ports of Entry.

Background[434]

Colorado's Port of Entry (POE) facilities deter and detain illegal and noncompliant commercial vehicles traveling on the state's roads. Fixed roadside POE's and mobile port operations are responsible for enforcement of truck size and weight restrictions, safety inspections, collection of fees and fines and verification of required permits, vehicle registrations and operators' licenses.

The POE Program within the Department of Revenue's (DOR) Motor Carrier Services Division (MCSD) operates 24 hours a day, seven days a week, 365 days a year to enforce safety regulations for the motor carrier industry using Colorado roadways. The program operates ten fixed ports comprised of 17 port facilities (most with port buildings on both sides of the highway), and ten mobile ports comprised of fully equipped vans and scale trailers (used to weigh trucks during mobile operations). POE's activities reduce road damage, prevent commercial vehicle accidents and provide safer conditions for the motoring public.

Routine maintenance duties for the fixed port facilities include, but are not limited to: grounds maintenance and cleaning, including snow and ice removal; janitorial services; and scale pit cleaning and painting. These facilities require occasional maintenance including storage shed construction and repair, roofing repair, and smaller building maintenance projects.

Mobile ports are each operated by three port officers who utilize a properly-equipped van, a tandem axle trailer and weighing devices to regulate motor carriers that cannot be serviced by fixed port facilities. During FY 2006-07, the Division spent additional funds from the Fixed and Mobile Port Maintenance budget line item to install Department of Transportation-approved third-person seating in all mobile port vans.

Additional expenses covered with this appropriation in FY 2006-07 included the replacement of the Limon Port building windows, which had been leaking wind and moisture into the building for several years, as well as minimal upgrades to the electric service and internal wiring to bring the Limon building into compliance with local codes.

Findings[435]

With limited funding, POE officers have become responsible for performing maintenance and repairs for the port facilities and vehicles. This work directly interferes with the officers' enforcement duties.

Mobile port and mobile equipment maintenance and repairs have also been conducted by port officers, including design, fabrication, and repair of trailer components, and retrofitting the vans to ensure that these vehicles are operable.

In both 2006 and 2007, several port operations have been temporarily suspended due to equipment and facility deterioration or malfunction. These issues can all be addressed – even if to provide a temporary solution to keep the ports functioning – with adequate maintenance funding. Some incidents resulting in suspended operations include:

- Weight enforcement operations are halted on days when temperatures rise above 80 degrees because scales cease to legally function. This occurred in June 2006 at the Fort Morgan (east-bound) port facility, as well as in June 2007 at the Monument facility, and most recently at Loma (west-bound) and Limon (east-bound).

- The 'Open' and 'Close' signs control traffic in and out of the port facility onto adjoining roadways. These signs are critical for the ingress/egress into the ports from the highways. Signs failed, resulting in a hazard for the traveling public and suspension of operations, at the Fort Collins Port of Entry in December 2006 and January 2007.

- Variable Message Signs (VMS) control traffic inside the port area. Port officers are unable to communicate with drivers when these signs are not functioning properly. In the last six months, issues with VMS signs resulted in closures at the Trinidad, Lamar, Limon, and Dumont ports.

- Poor concrete conditions and the need for minor repairs force closures of port facilities. The east-bound facility at Fort Morgan was temporarily closed in June 2006 as a result of unusable roadways.

Recommendations

As per DOR's request, funds should be transferred from the Personal Services line item to the Fixed and Mobile Port Maintenance line item in the MCSD to accommodate the immediate and identified needs of the POE program.

The funds will provide services for each fixed port to cover general building maintenance and repairs, janitorial services, snow and ice removal, landscape maintenance, and fixed port scale pit cleaning and painting. In addition, these funds will be used to upgrade mobile port vans with equipment designed for mobile offices, as well as maintain and repair scale trailers that tend to be neglected until a costly repair is required. Additionally, several specific repairs and upgrades will be addressed immediately, including: upgrades required to bring older port facilities into compliance with local codes (electrical, safety, etc); repairs for an underground plumbing leak at the Trinidad facility; and window replacement and emergency exit construction at the Cortez facility.

Fiscal Impact[436]

Allowing the transfer of funds between line items would increase the fixed and mobile port maintenance budget to a sufficient level to ensure that all of the needs associated with POE maintenance and repair are met, eliminating the suspension of port operations, improving working conditions, and reducing the risk of work-related injuries to port personnel. The average daily revenue lost resulting from a single port closure is approximately $800 ($7.7 million total collections/365 days/27 facilities). Downtime results in lost revenue for the Highway Users Tax Fund (HUTF).

STREAMLINE RULES ADOPTION PROCESS FOR LOTTERY SCRATCH GAMES

Eliminate the requirement that a separate rule be posted and adopted for every new scratch game.

Background

Created in 1982, Colorado's Lottery Division administers the state's various lottery-style games, including Powerball, Lotto, Cash 5 and instant scratch tickets. The Colorado Department of Revenue (DOR) oversees the Lottery Division. The Lottery Commission, a five-member body appointed by the Governor, promulgates rules and reviews new scratch tickets during its monthly meetings. It may also "study and investigate Lottery functions and report its finding to the Governor or Attorney General, along with recommendations or advice about possible actions."[437]

Scratch tickets have latex coverings that are scratched off to determine if the ticket has a winning combination, thus the name "scratch ticket." Tickets cost from $1 to $20 each, with prizes ranging from $1 to $1million. Ticket themes range from holidays such as "Birthday Bucks" and "Silver Bells" to popular games such as "Cash Bingo" or "Deal or No Deal." As of November 2007, the Colorado Lottery was offering 51 different styles of scratch tickets.[438] Each year, the Lottery introduces about 45 new scratch ticket games.

Findings

Forty-two states have state run lotteries, and most offer scratch tickets. Scratch tickets in Colorado generated $288.6 million in sales in FY 2005-06, for a $56.1 million revenue contribution to state government.[439]

Because of the lengthy process required to issue a new scratch game, the agency's marketing section must plan well in advance and the Lottery is not able to take advantage of changing market conditions. For example, if a $5 holiday scratch game sells out early, the rules adoption process takes too long for the Lottery to launch a new game prior to the end of the holiday season.

The rulemaking process for each scratch game follows the state's Administrative Procedure Act and takes about four to six months to complete. Adopted in 1959, the Act was designed to create a transparent and uniform structure for creating the rules that state agencies needed to implement legislation.[440]

Steps in the scratch game rulemaking process include: the initial presentation of the prize structure and ticket graphic to the Lottery Commission; drafting a preliminary rule; filing the notice of intent to file a rule; writing a final rule; and presenting the completed rule to the Commission for adoption.[441] The rules must be filed with the Secretary of State's office, Legislative Legal Services, and the Department of Regulatory Affairs. Lottery staff cannot proceed with a new game until after the lengthy period for the formal publication and adoption procedure is complete.

In Colorado, the basic components of every scratch game are the same: purchase price of tickets; the number and size of prizes; details on how to play; eligibility requirements; validity of a ticket; ownership of the ticket; and retailer compensation. The elements of scratch tickets that vary include: graphics; number and sizes of prizes, (typically this is an online game function), and the allocation of total revenues among prizes and costs; the number of tickets sold in a book (fan-folded tickets wrapped in plastic); and game number.

California, Florida, and Texas are among the five states nationwide generating the most lottery profits -- $1 billion each. Each state's administrative process for adopting new scratch games is slightly different, and they provide examples of how Colorado can streamline its own process without sacrificing transparency or accountability.

Florida differs from Colorado in that it does not have a Commission that oversees the lottery. The Florida Lottery makes use of the Emergency Rulemaking authority granted to the Lottery by statute. The Lottery is not required to post, receive comment, revise, repost and formally adopt new rules for each scratch game. Instead, the Florida Lottery simply posts the rules for each new game with the details of the game included in the posting. The new rules become effective immediately; in some instances the process has taken as little as a day.[442]

Like Colorado, the Texas Lottery is governed by a Commission; however, Texas simply posts notice in the *Texas Register* that a new game is being adopted.[443] The posting includes the name and unique game number, style of the ticket, price, prize tiers, determination of prize winners, ticket validation requirements, programmed game parameters, procedure for claiming prizes, ticket ownership, and number and value of prizes.[444]

The California Lottery also is governed by a Commission which meets every other month and must approve each new scratch game profile. Staff typically present to the Commission for adoption at each meeting six or seven different game profiles in anticipation of potential games so that the Lottery is constantly poised to issue new games. Staff can also change the "wrapping" or look of a scratch game once the profile is approved.[445] This positions the California Lottery to take advantage of changes in scratch game market opportunities.

Specifically, the following elements of the game profile must be approved by the Commission for each individual game prior to being ordered from a ticket vendor for printing:[446]

- Prize structure;
- Play style;
- Special features, if any;
- Ticket order or quantity;
- Retail sales price (if other than $1);
- Dollar amount of mid-tier and low-tier prizes that may be paid by Lottery game retailers; and
- Prize draw eligibility requirements (if applicable) including filing period for eligibility in a winner's draw.

In addition, working papers must be developed for each individual game, and must include detailed descriptions of "the artwork; ticket symbols; prize structure; playstyle; other game details; dollar amount of high and low-tier prizes; prizes other than dollar amount, if any; security features; order quantity; packing instructions; and delivery schedule in order to enable the ticket vendor to print the ticket pursuant to an approved game profile."[447]

There exists precedent in Colorado for an umbrella statute that does not require new rule adoption for every new individual game issued. The Colorado Lottery offers in-state, online games in which the individual customer or the computer selects a combination of digits, numbers, or symbols directly on a computer located at a licensed site.[448] The Lottery then conducts periodic drawings to determine the winning combination. Because of the way the governing rule works for online games, a specific rule is not required for each drawing, even though each drawing could be considered a new game.

Recommendations

The Colorado Lottery's authorizing statute for scratch games (C.R.S. 1973, 24-35-208(1)(a), and 24-35-212) should be changed to utilize processes similar to those used in California whereby Lottery staff produce guidelines for each scratch game for approval by the Lottery Director and Lottery Commission.

The guidelines should include all pertinent information that now exists in specific game rules, and they should be presented to the Lottery Commission as part of a public hearing and approval process, including posting on the Colorado Lottery's web site.

Fiscal Impact

No savings are anticipated from this recommendation since the administrative procedures staff must follow will be modified, not eliminated altogether. The streamlined process provides the potential, however, for improved lottery revenues from more market-responsive scratch games. The potential increase in revenue cannot be estimated.

The changes recommended would also have the following impact in terms of efficiency:

- The Secretary of State would not have to convert and file approximately 40 rules per year.
- DORA would no longer need to review the 40 rules filing notices per year, and
- The Attorney General's office would not be required to issue an opinion for each rule, saving office time and the Lottery legal services expenses.

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[396] Colorado Department of Human Services Title IV-E Eligibility Determination Handbook, Ch. 1.
[397] Colorado Association of Family and Children's Agencies, White Paper on Foster Care in Colorado, November 2002.
[398] Colorado State Auditor, Foster Care Services, Department of Human Services, Performance Audit, p. 2, May 2007.
[399]Protecting Vulnerable Children V, p. 15-16, CPPP Policy Brief, p. 2.
[400] Protecting Vulnerable Children V, p. 15.
[401] 2007 State of Colorado Foster Care Financial Activities Department of Human Services Performance Audit, p. 55-56, September 2007.
[402] GAO Report 06-649, P. 23.
[403] Email correspondence with Debi Nelson, Kansas, 11/13/07 and conversation via phone 11/19/07.
[404] Conversation with David Heine, Special Projects Manager, Texas Department of Family and Protective Services, 11/14/07.
[405] Conversation with Linda Viales, Title IV-E Specialist, 11/5/07.
[406] Conversation with Cheryl Duncan, Child Welfare Financial Manager, 11/12/07.
[407] Social Security Act, Section 472 (i)(1)(B)
[408] See note 14.
[409] This is the average daily administrative rate as reported in the 2007 Colorado State Auditor's report. This figure is an average of the low ($3.99) and the high ($23.09) daily administrative rate in the ten largest counties in the state. State of Colorado Foster Care Financial Activities: Department of Human Services, Performance Audit, September 2007, Appendix A.
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[411] 2007 State of Colorado Foster Care Financial Activities Department of Human Services Performance Audit, p. 57.
[412] Email correspondence from Cheryl Duncan, 12/13/07.
[413] Conversation with Mary Griffin, DHS, 11/12/07.
[414] Conversation with Cheryl Duncan, Child Welfare Financial Manager, 11/12/07 and Linda Viales, 11/5/07.
[415] Conversation with Cheryl Duncan, Child Welfare Financial Manager, 11/12/07
[416] State of Colorado Foster Care Financial Activities: Department of Human Services, Performance Audit, September 2007, p. 57.
[417] Ibid, p.80.
[418] 2007 State of Colorado Foster Care Financial Activities: Department of Human Services Performance Audit, p. 55-56.
[419] 2007 State of Colorado Foster Care Financial Activities: Department of Human Services Performance Audit. p. 2.
[420]CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE, Department of Revenue, "Out-of-state Audit Enhancement."
[421] http://www.cde.state.co.us/cdeboard/download/bdregs_301-39.pdf Colorado State Board of Education, Department of Education, 1 Colorado Code of Regulations 301-39, Section 8.04, Adopted: April 13, 1995; June 6, 1996; November 14, 1996 (Readopted December 12, 1996), Amended: March 6, 2003.
[422] All the information for this issue paper is taken directly from *STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: Education,* CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE, Priority Item #9, "Increase Travel Funding for School Audit Unit."
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[424] Verbatim excerpt from *Colorado Department of Revenue, Motor Carrier Services Division* memorandum. Report describing the history of the Colorado Port of Entry and the Motor Carrier Division. No author or date specified.

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[431] Report of the Colorado State Auditor. Port of Entry, Department of Revenue Performance Audit. October 2006. p. 74. http://www.leg.state.co.us/OSA/coauditor1.nsf/UID/F06B7DB94B56E56287257217005FB82D/$file/1695+Ports+of+Entry+Perf+Oct+2006.pdf?OpenElement
[432] During the 2007 fiscal year, the POEs issued 33,687 citations. Since 1,056 of these citations were hand delivered summons to court, and 2,444 were paid at the POEs, we can assume that 30,187 of the citations would have been mailed in. Provided by email by Eric Meyers, Budget and Policy Analyst, Department of Revenue, on December 21, 2007.
[433] Provided by email by Eric Meyers, Budget and Policy Analyst, Department of Revenue, on December 21, 2007.
[434] *STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: DEPARTMENT OF REVENUE,* CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE, Priority Number 6 of 7, "Fixed and Mobile Ports Line Item Increase."
[435] *STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: DEPARTMENT OF REVENUE,* CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE, Priority Number 6 of 7, "Fixed and Mobile Ports Line Item Increase."
[436] *STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: DEPARTMENT OF REVENUE,* CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE, Priority Number 6 of 7, "Fixed and Mobile Ports Line Item Increase."
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Chapter 8
Employee Survey

Introduction

In May 2007, Governor Bill Ritter launched a state-wide performance review of all Executive Branch government departments and agencies known as the Government Efficiency Management (GEM) Performance Review. The goal of the GEM review is to find opportunities in state government to save money, work more efficiently and provide excellent customer service to the citizens of the state. Each department was asked to work closely with the Governor's Office as part of the GEM Management Team to do a complete "top to bottom" review to find ideas that will improve how government services are provided.

In introducing the survey, the Governor's sent the following message:

> "There is one thing that we know for sure – some of the best ideas come from the people who work in the programs and provide the services every day. We want to get your ideas about how to improve, how to provide better services and how to work more efficiently."

The Governor made his wishes clear – he wanted to hear from state employees – the people who do the work every day and who have ideas on how we can do the work better and smarter. Therefore, on June 20, 2007, the GEM team launched an online survey of Colorado state employees to ask all employees – managers to frontline workers – in every state agency to give us their best ideas on how to work more efficiently, save money, eliminate waste or improve customer service to the citizens of Colorado. While the survey was completely anonymous, respondents were asked for some information on the department in which they work, length of state service and employee classification to give us an idea of who was answering the survey.

Almost 12,000 (37.8 percent) of state employees responded – far exceeding the number of responses typically received in these types of surveys. Another approximately 6,000 people looked at the survey, but chose not to complete it. In addition, 6,672 employees (56.5 percent of respondents) took extra time to complete narrative questions to give us their ideas on how state government could improve performance based on their experience. Some themes were prominent in these responses and some unique ideas were identified in a wide range of areas.

The narrative survey responses were reviewed and analyzed for possible inclusion in the GEM Performance Review. Some ideas provided a basis for or were directly related to recommendations in the GEM report. Others will be further reviewed as future performance improvements if the fiscal analysis and feasibility stands up to scrutiny. All responses are being shared with Executive Directors and agency heads to allow departments to understand how their employees responded to the survey questions. While the survey was anonymous, some identifying information allows results to be displayed by department though not by individual.

The following report provides a summary of results.

Methodology

The Colorado GEM Employee Survey was developed by starting with similar surveys that were developed and successfully completed in other state performance reviews around the country. Extensive discussions with the GEM team and Governor's Office were also held to determine what information they wanted to collect on various operational issues and efficiency ideas. These ideas were incorporated into the survey and a draft provided that then went through extensive review and testing.

The end result was a 15-question survey developed using a web-based platform and software. The questions consisted of six Likert scale questions asking employees to rate responses from Strongly Agree to Strongly Disagree and No Opinion. Two questions asked Yes/No or multiple choice and five asked for information on the respondents, not to identify individuals but to understand the profile of the total universe of respondents. Such questions asked how long respondents have worked in state government, whether they plan to leave within the next five years and if so the reason for leaving (retirement or seeking other employment), what department they work in and their employee classification.

Two questions were open-ended and required respondents to type in narrative responses if they wished. Just over 56 percent (6,672 individuals) took the time to do so, indicating a high level of interest in providing suggestions. The two questions generated 13,163 responses, some with multiple ideas.

All responses were recorded through the survey software; no tracking or connection to individuals was possible. The software supported all calculations for responses to determine number, frequency and percentages.

A link to access the questionnaire was placed on the Governor's web page for easy access to the questionnaire site. All department and agency heads received written notice of the survey and link, were provided with suggested language for an announcement and were asked to ensure that all employees received the notice. Each department disseminated the notice of the survey availability primarily through e-mail and reminders were sent periodically to encourage employees to complete the survey.

Findings

Following are some highlights from the survey results. Not all respondents answered every question so numbers and percentages are calculated by the totals for individual responses to each question.

Who Responded

The survey was anonymous, however some questions were asked in order to have an idea of who was completing the survey.

The survey included a drop-down box for employees to select the department or agency in which they worked. Respondents had a choice of twenty-two departments in state government and "Other" representing small agencies that may not be captured in the list of twenty-two. Departments identified were:

- ✓ Agriculture
- ✓ Attorney General
- ✓ Corrections
- ✓ Education
- ✓ Governor's Office
- ✓ Health Care Policy and Financing
- ✓ Higher Education
- ✓ Human Services
- ✓ Labor and Employment
- ✓ Law
- ✓ Lieutenant Governor's Office
- ✓ Local Affairs
- ✓ Military and Veterans Affairs
- ✓ Natural Resources
- ✓ Personnel and Administration
- ✓ Public Health and Environment
- ✓ Public Safety
- ✓ Regulatory Agencies
- ✓ Revenue
- ✓ State
- ✓ Transportation
- ✓ Treasury
- ✓ Other

All departments and agencies were well represented – on average 50.9 percent; ranging from a low of about 28 to 39 percent in the very large departments to almost 80 percent for some smaller agencies.

All levels and positions in government (classified and non-classified, management, supervisory, non-supervisory) were represented. ***Table 1: Respondents*** identifies the number and percentage of respondents by classification.

Table 1: Respondents

Position Category	Number Selected	Percent of Respondents
Management (Appointed of Exempt	623	5
Management (Classified)	737	6
Supervisory	1,821	16
Non-supervisory – Enforcement and Protective Services	1,707	15
Non-supervisory – Financial Services	554	5
Non-supervisory – Health Care Services	522	5
Non-supervisory – Labor, Trades and Crafts	630	6
Non-supervisory – Administrative Services	1,425	12
Non-supervisory – Professional Services	2,231	19
Non-supervisory – Teachers	594	5
Non-supervisory – Physical Sciences and Engineering	610	5

This represents 3,181 management/supervisors (27.8 percent of respondents) and 8,273 non-supervisory staff (72.2 percent of respondents); a good cross section of all categories of employees.

Respondents were also asked for their length of state employment. ***Table 2: Respondents' Length of Service*** indicates that years of service beyond newly hired employees were fairly evenly distributed among respondents.

Table 2: Respondents' Length of Service

Length of Service	Number of Respondents	Percent of Respondents
Less than one year	784	7 percent
1 – 5	3,061	26 percent
6 – 10	2,739	24 percent
11 – 15	1,932	17 percent
16 – 20	1,402	12 percent
Over 20	1,751	15 percent

Twenty-seven percent (3,161 of 11,540) of respondents indicated that they plan to leave state employment within the next three years. While 61 percent (1,971) of those planning to leave expect to seek other employment, 42 percent (1,351) indicated they will retire.

Key Findings

An overwhelming number of respondents think that government can make a positive difference in people's lives. Ninety-three percent of employees said "Yes" to this question. In addition, 81 percent said they were proud to be a Colorado State employee and 82 percent considered their work to be meaningful and satisfying. Slightly fewer answered that they felt valued from their agencies – 55 percent agreeing with this statement, 41 percent disagreeing.

Most respondents see the general public as their customers and 77 percent think that their department has a strong commitment to customer service. Over 7,400 respondents (64 percent) rated their department as "good" or "excellent" in terms of customer service.

The majority of state employees responding to the survey consider their department good places to work and 69 percent would recommend their department. However, opinions are generally split when asked about how departments view change. Slightly less than half (48 percent) of respondents said "change is viewed as positive in my agency." This compares to similar responses when asked whether innovation is welcomed – 50 percent agreed with that statement.

A similar split is seen in responses about how hard work and open communications within a respondent's department. Fifty-six percent do not view hard work as rewarded while 42 percent think that it is. Similarly, slightly over half (51 percent) said communication is open and candid while 49 percent believe it is not.

As with many large organizations, Colorado state employees see bureaucracy and red tape as a significant problem with 70 percent of the respondents indicating such. Several common themes emerged in response to “obstacles to prevent your agency from getting the job done” and “…see potential savings in any of the following areas….”

- Better technology. Sixty-five percent of respondents identified outdated technology as a problem and 87 percent said that better technology could result in substantial savings.

- Seventy-four percent said improved customer service and efficiencies could be realized by implementing better technology to process requests and provide service.

- The majority of respondents (70 percent) see bureaucracy and red tape as obstacles. Sixty-eight percent cited too much paperwork, 65 percent identified overly bureaucratic processes and 69 percent indicated burdensome administrative processes.

- Fifty-three percent of respondents think that counter-productive and sometimes contradictory regulations hinder their ability to work efficiently and effectively.

- Seventy-seven percent of respondents think there is insufficient staff in departments, hindering their ability to provide better customer service.

- Eighty-four percent of respondents think decision making authority is too concentrated in management, hindering line staff’s ability to make decisions that ought to be part of their jobs.

Narrative Questions

Questions 8 and 10 of the survey asked respondents to provide specific ideas on how the state might save money, increase revenue, work more effectively and efficiently and provide better customer service. Over 6,600 employees took the time to provide 13,163 responses in total to these two questions; indicating their interest in providing insight into their work and how to make state government services better.

All responses are being shared with departments for consideration of ideas. In addition, the GEMS team is reviewing all responses to determine the possibility for inclusion in the GEMS process. Many of the suggestions were department or program specific and will require those departments to review the suggestion, analyze impact and decide if the analysis supports going forward.

There were some themes that emerged from the responses; some, however that also had opposite recommendations – some respondents recommending consolidation in programs, others recommending decentralization in the same programs. Themes that emerged include:

- Providing services in a centralized versus decentralized structure;
- Promoting co-location of programs and agencies;
- Reviewing workload, staffing and supervisory ratios;
- Analyzing whether services are better performed in-house versus contracting out; and
- Reviewing equipment and property requirements to determine the best approach to lease versus purchase equipment and property.

Following is a sample of ideas employees provided in the narrative questions.

Cross-Cutting

Many employees commented on procedures and/or services that affect several or all departments. A sample of cross-cutting ideas include:

- ✓ Standardize forms
- ✓ Review overtime use
- ✓ Allow paid public parking in new state parking garage
- ✓ Review use of state cars, especially take home policies
- ✓ Streamline and combine multiple agency compliance checks where possible
- ✓ Co-locate offices and services where possible – example: allow DORA to use community college testing centers
- ✓ Centralize and reduce the number of call centers
- ✓ Improve communication between departments – develop interagency partnerships to apply for grants
- ✓ Streamline background checks process
- ✓ Streamline purchasing and procurement procedures
- ✓ Centralize mail services
- ✓ Centralize state printing and copying services
- ✓ Centralize storeroom and warehouse operations

Specific Department Examples

There were many hundreds of suggestions that are very specific to departments or programs throughout the state. These in particular will require the departments to review. The following are provided to highlight the types of suggestions made by employees.

- ✓ Allow families of inmates being released to send clothes for release
- ✓ Develop one-stop centers for citizens to access services
- ✓ Increase capacity for vehicle repair and maintenance to be done in-house
- ✓ Increase capacity for vehicle repair and maintenance to be done in-house
- ✓ Review possibility to bring more health care services into prisons
- ✓ Improve prisoner transportation services
- ✓ Distribute college course catalogues electronically or on CD
- ✓ Utilize state design center more
- ✓ Develop farms on prison grounds, especially in place of lawns
- ✓ Develop master plan for all human services to decrease disjointed service delivery

Energy and Environment

Not surprisingly, employees are very aware of their workplace surroundings and have many suggestions on how to save energy and improve the workplace environment. Some ideas are:

- ✓ Increase recycling in state offices, making it mandatory, and enforcing the mandate
- ✓ Place motion detectors in bathrooms and on exterior lights so that they are on only when people present
- ✓ Adjust indoor thermostats to recommended temperatures
- ✓ Identify state land that can be used for wind and solar energy sites
- ✓ Replace light bulbs with energy-efficient bulbs
- ✓ Conduct an efficiency audit of sprinkler systems
- ✓ Turn off equipment at night or on weekends
- ✓ Provide incentives to re-use reusable office supplies like paper clips, folders, printer cartridges, etc.

Technology

Many of the technology comments are being addressed in the plans developed by the new Chief Information Officer appointed by Governor Ritter. The comments cited most often were:

- ✓ Improve the state portal to support a greater use of the web for citizens to access services, electronic filing, download forms, complete registrations, pay fees and obtain other services
- ✓ Consolidate IT functions to better plan, purchase and support IT across state agencies
- ✓ Improve e-mail capabilities and increase use of e-mail use, especially in place of faxes
- ✓ Develop a statewide asset management database for equipment purchases
- ✓ Encourage teleconferencing
- ✓ Implement electronic signatures
- ✓ Reduce the need for redundant data entry
- ✓ Place archived records on digital media
- ✓ Provide web-based reporting to Lottery retailers
- ✓ Purchase computers instead of leasing them
- ✓ Ensure volume discounts are obtained on software licenses
- ✓ Improve or replace SAP
- ✓ Increase use of bar coding technology

Human Resources

Employees clearly want an employment system that is fair, supports accountability, rewards performance and encourages employees to be innovative. Some specific suggestions included:

- ✓ Consider flex time and job sharing
- ✓ Combine vacation and sick leave into "Paid Time Off"
- ✓ Establish reward system for not using sick leave
- ✓ Improve employee training
- ✓ Review hiring practices to reduce overtime and use of temporary employees
- ✓ Provide more employee health and fitness programs
- ✓ Provide wellness programs outside of Denver area
- ✓ Revamp recruitment and hiring process to make more efficient and effective
- ✓ Streamline the discipline process
- ✓ Change pay schedule to monthly or bi-monthly

- ✓ Encourage management to spend time observing work and workflow to better understand requirements

Paperwork

Overwhelmingly respondents want to see a reduction in paperwork that is often seen as redundant and overly bureaucratic. Employee presented ideas for agency processing, as well as customer service. Many of these will require the appropriate department to review to determine if forms and/or paper can be eliminated and electronic processes implemented. Some specific ideas were:

- ✓ Eliminate paper pay stubs and have all employees use direct deposit and electronic system
- ✓ Give yearly benefits materials to employees at work rather than mailing
- ✓ Make better use of mail service
- ✓ Streamline paperwork for motor pool vehicle use
- ✓ Reduce printing information if available on-line
- ✓ Streamline process for sending contracts to Denver at the close of the Fiscal Year and eliminate need for sending certified mail
- ✓ Ensure that forms and billing coupons fit into standard envelopes

Contracting/Purchasing

Contracting and procurement comments centered around several themes: simplify the process, especially for smaller purchases, hold contractors accountable and centralize many purchases in order to ensure the state receives best pricing for economies of scale. Suggestions made include:

- ✓ Simplify purchasing especially for small contracts
- ✓ Improve the targeted use of purchase cards
- ✓ Require vendors to accept payment through an electronic funds transfer system
- ✓ Establish better contractor accountability and warranty systems
- ✓ Consider quality and past performance when contracting
- ✓ Centralize all encumbrances to control and better track spending
- ✓ Centralize purchases of goods and supplies used by all departments to achieve economy of scale

- ✓ Establish statewide purchase agreements for commonly used goods and services
- ✓ Negotiate better state cell phone contracts
- ✓ Reduce fees that state agencies charge other state agencies for goods and services

Budget

Some comments identified suggestions on how to improve the budget process, including:

- ✓ Develop a system to reward employees and departments for saving money
- ✓ Eliminate spend down at the end of budget years which encourages departments to spend money or lose it
- ✓ Implement a two-year budget cycle

Travel

Comments addressed both in-state and out-of-state travel, primarily highlighting the need to simplify and streamline approval and reporting. Comments suggested:

- ✓ Reduce paperwork related to approval and reporting of travel
- ✓ Simplify booking process
- ✓ Streamline travel authorization
- ✓ Implement an on-line travel reimbursement system
- ✓ Reduce travel through better use of teleconferencing and videoconferencing
- ✓ Encourage and reward carpooling to meetings
- ✓ Allow air travel between Grand Junction and Denver when cheaper than overnight stays

Equipment

Several respondents identified savings opportunities related to the purchase and use of equipment, primarily vehicles. Some comments were:

- ✓ Consolidate the purchase of equipment for all departments
- ✓ Establish a web-based system to post surplus equipment
- ✓ Reduce the number of state vehicles
- ✓ Reduce the number of assigned vehicles and increase the use of centralized motor pool

- ✓ Buy more fuel efficient vehicles, especially smaller trucks where appropriate
- ✓ Consider operators' input when purchasing equipment
- ✓ Require engines be turned off and not permitted to idle at work sites

Revenue

Respondents identified some suggestions to raise fees, sell products and/or improve tax collections. These include:

- ✓ Sell prison produced products to the general public
- ✓ Increase fees for 72 hour permits on trucks weighing over 80,000 pounds
- ✓ Charge more for background checks for gun purchasers
- ✓ Increase park fees
- ✓ Implement a modern point-of-sale system in state parks
- ✓ Improve system to collect taxes
- ✓ Have state run vending machines in correction facilities
- ✓ Hold a tax amnesty program to collect delinquent taxes
- ✓ Sell wildlife specialty license plates at higher cost than regular license plates
- ✓ Charge for drivers license tests, including commercial licenses
- ✓ Change license plate renewals to every two years

Public Input

In addition to the e-survey, Governor Ritter designated a 1-800 number and link on his website to gather ideas from the state's taxpayers for improving state government. The suggestions were regularly tabulated, categorized and presented in the Governor's correspondence report. During the most active response time, 200-300 suggestions per week were flowing in through these channels. As of March 1, 2008 an estimated 1,500-2,000 suggestions were received via the 1-800 number and the website. Recommendations and suggestions continue to be reviewed and forwarded to the GEM project director as appropriate for further research.

Survey Summary

The Government Efficiency Management Study successfully solicited a wide range of input to identify opportunities to save money, increase revenue and ultimately provide improved customer services as efficiently as possible across all Executive Branch departments. In May 2007, as part of the GEMS process, Governor Ritter launched an electronic survey to give employees an opportunity to anonymously and easily provide suggestions to the GEMS Management Team. The survey was open for approximately three months during which time 11,813 (37.8 percent of the workforce) responded. Over 6,000 employees took the time to complete two narrative questions; writing in more than 13,000 suggestions from their experience on how government services could be improved and made more efficient.

The results of the survey show that Colorado leaders have both challenges and opportunities to engage employees to help improve services and work more efficiently.

Most respondents think government can make a positive difference in people's lives and they are proud to be in public service. There is no doubt this provides an opportunity to engage employees in a continuing and ongoing process for improvement. State leaders can capitalize on employees' drive to serve and make a difference in people's lives.

Low morale will challenge departments as they seek to improve. Despite employees' positive view of their departments, 72 percent ranked low morale as an obstacle "very much" or "somewhat."

Employees believe that their department places a high value on customer service. Departments can build on employees' focus on the common goal of public service. Bureaucratic challenges can be overcome when the organization is clear on its purpose and mission.

Departments will be challenged to ensure management is open to new ideas. Responses were fairly evenly split on: how departments view change and innovation, reward hard work and have established channels for open communication. About half the respondents reported positively on these indicators, however, half reported negatively.

Bureaucracy, red tape and the inability to delegate decision-making are challenges in every department. Well over half (between 60 and 84 percent) responded that one or more of these obstacles exists in their departments.

Improved technology is seen as an important element for success. Employees overwhelming identified better technology as needed to help serve customers better and improve efficiency. Hundreds of open-ended suggestions identified the need to use technology to reduce paperwork, streamline processes and connect citizens to government services.

Colorado government will be faced with significant employee turnover in the future. Twenty-seven percent (3,161) of respondents reported they intend to leave state employment in the next three years; forty-two percent will be retiring. This is a challenge faced by all employers as the workforce ages and baby boomers begin to enter retirement. Succession planning, especially for highly skilled and technical positions will be critical to ensure government maintains the capacity to deliver these services.

The final challenge will be for departments to review the thousands of suggestions made by employees to analyze the feasibility and/or cost-benefit of them. Approaching this review as opportunities, not only challenges, can provide the departments with a chance to challenge fundamental assumptions about how and why things are done and provide the best chance to improve all aspects of state government.

Chapter 9
Thinking Differently: New Ideas from Across Governor Ritter's Administration

The GEM review represents only one part of Governor Ritter's vision to help state government solve problems and serve Colorado citizens more efficiently and effectively. From Day One, this administration has given state employees, management and leadership the permission and clear direction to think differently and seek out new and better ways to serve the public. Dedicated employees across the state have embraced this challenge and immediately responded by implementing improvements large and small across state government.

Governor Ritter is committed to making state government more accountable, transparent and understandable to Colorado taxpayers. A number of efforts are underway to help make this happen. Some improvements are about breaking down the silos and barriers that too often prevent different agencies or layers of government from cooperating to solve problems. Often simple changes in the way government communicates or cooperates can drive a faster, more effective response to customer needs. Many improvements require rethinking an old process or utilizing technology to improve service and speed up transaction times. All of the improvements being undertaken share the goal of using existing funding more efficiently. Some improvements require an investment to secure a larger return, but more often than not, the quality and value of the service to Colorado citizens can be improved by rethinking processes and stretching available dollars further.

The examples outlined below are just some of the ways beyond the GEM recommendations that Colorado state government is doing business smarter and better since Governor Ritter took office. Some are significant structural or policy changes and will take time to develop and implement. Many are simpler and already completed or well underway. All represent the Governor's priority of serving Coloradans more efficiently and effectively and many more improvements are on the way.

Transparency and Accountability (Working to make more information available and hold state government accountable)

- **State Budget Transparency** – Governor Ritter is making the state's budgeting process more transparent than ever. Every department's budget, along with an easy-to-read fact sheet, is now posted online and is accessible through the Governor's website, www.colorado.gov/governor. Governor Ritter also has partnered with State Treasurer Cary Kennedy and the State Controller to produce the State Taxpayer Accountability

Report (STAR) report – an annual, user-friendly report that helps taxpayers see where their money is going.

- **Improved Transparency at the PUC –** The Colorado Public Utilities Commission (PUC), is now posting the communications of the commissioners, Administrative Law Judges and parties who participate in proceedings online to improve transparency and public confidence in PUC processes.

- **Strategic Planning in State Budgeting** – Last year, the state-wide budget planning process was overhauled to emphasize results-based budgeting. New budget requests must now be part of a department's strategic plan and be tied to specific, outcome-based performance measures. Cost-benefit analyses must accompany all new funding initiatives and must demonstrate measurable value to the recipient of the service being provided.

- **Education Data and Accountability –** State K-12 education leaders are launching a meaningful data and accountability system that will begin to capture information about each student from the time they enter school to the time they enter the workforce. Colorado would become only the second state in the country to align data from the beginning of a child's education to the end. When completed, this system will bring together data that is now scattered and unusable or is not captured at all.

- **Water Information Available Online –** The Colorado Water Conservation Board (CWCB) in the Department of Natural Resources is utilizing web-based solutions to improve efficiency and customer service. Water-related documents are often of interest to the public and the CWCB has imaged thousands of finance, grant and water–related documents and made them available online, saving time and paper and improving customer access.

- **Health Insurance Transparency –** The Governor supported legislation (HB 08-1385) that will create a web-based consumer guide to health insurance companies. The guide will provide basic, understandable information of about insurance companies making it easier for businesses and individuals shopping for health insurance and saving time and money. The legislation also requires an insurance broker or agent selling insurance to disclose to the consumer how much the broker or agent will receive in commission for the sale.

Improved Process (New and better ways to solve problems)

- **Fixing Problems Early to Save Money –** Recently, a broken water main caused a major sinkhole to develop on Interstate 25 North of Denver. Instead of making temporary repairs, the Colorado Department of Transportation (CDOT) worked quickly with Denver Water and available contractors to make permanent repairs right away. CDOT engineers found a more efficient solution that minimized impacts to travelers and saved an estimated $700,000 in repair costs.

- **Colorado Refugee Services Program –** The Department of Human Services is utilizing federal grants under Temporary Assistance to Needy Families (TANF) to expand the Colorado Refugee Services Program. The program works to reduce dependency on direct cash assistance to refugees, and helps refugees become self-sufficient and better assimilate through language classes, life skills and employability training.

- **Streamlining Local Government Loan and Grant Process –** The Department of Local Affairs is taking steps to expedite the processing of loans and grants from the Local Government Energy and Mineral Assistance Program. By creating a "tiered" approach and removing layers of approval for smaller loans and grants, the Department can help local communities in need of assistance receive help sooner while ensuring that larger requests receive an appropriate level of review. The Department is also saving time and reducing travel by facilitating videoconferencing for grant presentations in locations outside of the Denver Metro Area.

- **Capitol Complex Master Plan** – For the first time and within current appropriations, the State Architect's Office will create a coordinated and detailed plan and build an improved process for maximizing 545,000 square feet of space in the Capitol Complex. This will help ensure the state is optimizing space in state buildings and will reduce the need for more expensive privately leased space.

- **Shortening Rules Review Timeframes** – The Department of Regulatory Agencies is cutting the "sunrise/sunset" rules review timeframe by almost 75 percent (from 15 months to 120 days). The review process is used to recommend changes to the regulation of professions to ensure that practitioners remain up-to-date in the knowledge of their profession. This significant reduction in review time will allow practitioners and the public to have more information earlier in the process and in some cases will expedite rule changes needed to protect Colorado citizens sooner.

- **Children's Health Enrollment –** The Department of Health Care Policy and Financing is replacing a multi-level, county-based eligibility determination with a unified state-level approach. The new system will make the children's health enrollment process easier for eligible families and should increase enrollment. This streamlined administrative process is more efficient, will stretch limited health care dollars and expand coverage to more families who are already eligible but not enrolled.

- **Keeping Traffic Moving –** The Colorado Department of Transportation (CDOT) is conducting a "Quick Clearance" pilot project that improves safety and keeps traffic moving in the I-70 mountain corridor. On specified busy travel days, CDOT is dispatching heavy wreckers assisting drivers of tractor trailers and other large vehicles before they cause major delays. The "Quick Clearance" program is showing results: For January, typical closure time was cut in half.

- **Increase "Drive-by" Emissions Testing** – The Colorado Department of Public Health and Environment along with the Department of Revenue have recently doubled the number of "Rapid Screen" emission-testing vans. In addition to becoming more effective at identifying "dirty cars," the vans can provide a more convenient alternative to traditional "drive-in" vehicle emissions inspections, saving time for Colorado motorists.

- **Improve Complaint Resolution –** The Department of Regulatory Agencies is streamlining the process to resolve complaints made to the State Board of Medical Examiners. The new process is more responsive and improves customer service.

- **Increase Use of RTD ECO Pass –** The Governor's Energy Office is assembling a list of all state employee "RTD ECO Pass" participants and the associated transit fees paid by employee and employer. Assembling the new data should allow the state to negotiate a better ECO Pass rate with RTD and increase the number of employees who use transit alternatives.

- **Improve CBI Efficiency –** The Colorado Bureau of Investigation (CBI) is combining four budget line items into two within the Laboratory and Investigative Services Division. The increased flexibility will reduce laboratory backlogs and improve both laboratory processing and criminal investigative services in the CBI. This will allow the CBI to realign resources with customer demand in addition to meeting law enforcement obligations, thus improving overall effectiveness.

- **Unemployment Insurance Debit Cards –** The Department of Labor and Employment is distributing unemployment insurance benefits through automated payment (debit) cards instead of paper checks. The debit cards are more convenient and user-friendly for customers waiting to receive unemployment benefits. The new process is also faster, more economical and saves paper.

- **Early Childhood Intervention Coordination –** The Department of Human Services is leading a more coordinated and comprehensive statewide approach to early childhood intervention services. Improved coordination across government agencies reduces delays in services for children in need of early intervention. As part of this new system, the Division of Insurance in the Department of Regulatory Agencies will coordinate payments from state and federal Medicaid along with county governments to more effectively deploy and utilize child protection resources.

- **Colorado Lottery Scratch Ticket Inventory Management –** Colorado is currently one of only three states where Lottery sales staff hand-deliver all scratch ticket inventory. This often results in a vendor being out of stock for popular games. A new automated distribution system will track each retailer's inventory and send additional tickets when needed allowing the Lottery to operate more efficiently without adding any additional staff.

Technology and Automation (Using Automation and web-based solutions to make government more efficient)

- **Centralizing Information Technology Services –** The Governor's Office of Information Technology is undertaking an unprecedented streamlining of state-wide IT services. Realigning IT assets and resources will improve security and reliability; increase the efficiency and effectiveness of service delivery and create a better career path for the state's IT professionals. The centralization will save tax dollars through a more coordinated approach to complex IT projects, better utilization of hardware, software and human resources and pooled purchasing of IT goods and services.

- **Electronic Prescription Drug Monitoring Program –** The Department of Regulatory Agencies implemented a secure electronic program available to pharmacists that improves prescription processing. The automated system reduces "doctor shopping" by individuals seeking narcotics or other controlled substances for illegitimate reasons.

- **Online Vehicle Registration –** In October, the Department of Revenue announced that a total of fifteen Colorado counties now offer drivers the option of registering their vehicles online. Through March 2008, about 178,000 transactions were processed using the Online Vehicle Registration Renewal service resulting in faster processing and shorter lines at county registration offices.

- **Scanning Documents –** The Department of Personnel and Administration is providing state-of-the-art document scanning and microfilm conversion in the Integrated Document Solutions Division. Scanning documents saves time and paper and reduces document storage space.

- **Electronic Insurance Filings –** The Division of Insurance, Finance and Administration Division in the Department of Regulatory Agencies has moved to electronic tax, financial and rate filings. The Consumer Affairs Division has moved to customer-friendly electronic and web-based forms and services.

- **Filing and Payment of Taxes Online –** The Department of Revenue added the ability to make tax payments online to the automated Netfile tax processing system. The new system is currently available for individuals but is being expanded to include additional tax types. The Department estimates that number of on-line tax filers for 2007 increased by almost 10 percent over the previous year.

- **Law Enforcement Technology in Colorado's Parks –** The Division of Parks and Outdoor Recreation in the Department of Natural Resources designed and implemented a centralized automated citations system that records and stores citation data for law enforcement officers. Park officers can remotely access this data from their vehicles along with vehicle registration data and information from National Crime Databases. Together these systems significantly reduce the need for paper and duplicate data entry.

- Online Driver License and ID Cards – Last January, the Motor Vehicle Division in the Department of Revenue launched "*VROOM*" a new program that allows eligible driver license and identification card holders to renew or update information online. The new system will run all the necessary background checks; complete the renewal process without having to visit a DMV office in person and will only cost $1.25 to use the online service. Department officials are also confident that this new service will put a big dent in lines at DMV offices.

- **Online Scale Licensing –** The Department of Agriculture implemented a new online system to acquire licenses for commercial scales and measuring devices. About 8,000 locations across the state utilize over 26,000 scales which must be individually licensed every year. The new online system is faster, easier to use and more accurate.

- **Reducing Health Care Paper Work –** In June, 2008 the Governor signed SB 08-135 that will standardize health plan ID cards, beginning with standardized paper cards but moving to technology that will allow for electronic data exchange. Standardized health plan cards with electronic data exchange will make it easier for doctors and patients to interact with insurers and help bring down administrative costs.

- **Improving Phone and Teleconferencing Services –** The Department of Natural Resources began deploying Voice Over Internet Protocol (VOIP) technology in 2007 to over 30 offices including the Colorado Water Conservation Board and many State Parks. This technology reduces the cost of long distance and conference calls as well as improved voice mail and technical support. VOIP will also allow for video conferencing capabilities which will reduce travel costs and travel-related environmental impacts.

Good Government (Stretching dollars and doing more with less)

- **Limiting Sick Leave Payout** – By Executive Order, the Governor capped the amount of sick-leave payout that can be accrued by senior state appointees. Once a state executive accrues the capped amount of annual leave, they will have to "use or lose" that time. This limits the state payout for unused leave and saves tens of thousands of tax dollars when senior state executives retire.

- **Alleviating the Shortage of Health Care Professionals** – The Department of Regulatory Agencies is finding solutions to the shortage of nurses and other health care professionals by reducing bureaucratic rules. The Department is exploring ways to streamline licensing and registration procedures thus facilitating the relocation of nurses to areas of the state where there may be a shortage of health care professionals.

- **Mental Health Coordination** – The Governor's Office is establishing a Behavioral Health Coordinating Council to improve service delivery and accountability for behavioral health services. The Council will consolidate and coordinate services that are currently fragmented across seven different state departments. The Council will deploy behavioral health resources more efficiently while maintaining and strengthening local flexibility to ensure an effective response to county and community-level needs.

- **State Patrol Aircraft Hangar Purchase** – Leased cost increases at Centennial Airport for aircraft hangar space have caused the Colorado State Patrol to move its air operations five times over the last two decades. Each move is costly and moves the aircraft hangar farther away from the airport terminal. While it would be far more cost effective for the State Patrol to purchase hangar space, the Department does not have the authority or the funding available to make the purchase. When certain conditions are met, the Colorado State Land Board has the authority to purchase commercial property and use the income from the property to support Colorado public schools. The Land Board is working with the CDPS and State Patrol to purchase the aircraft hangar from the commercial owner and take over the lease. This innovative solution allows the State Patrol to remain in the same hangar location at a reasonable lease rate while the lease payments to the Land Board are used to support Colorado public schools.

- **Re-open Civil Rights Offices** – Leveraging federal grant dollars, the Department of Regulatory Agencies has been able to reopen two offices overseen by the Division of Civil Rights in Pueblo and Grand Junction. Budget cuts had forced the state to close the offices in 2002.

- **Cell Phone Savings** – The Governor's Office of Information Technology (OIT) is working with cell phone providers to improve the management and pricing of voice and data plans for state agencies. By streamlining a hodgepodge of cell phone plans, the state can save significant operating dollars. One major service provider has already reduced the cost of voice and data plans by 30 percent while retaining existing lines of service. In July 2008, OIT will implement a larger solution that will allow unused minutes to be forwarded to a "pool" of minutes to cover overages in other areas and potentially saving Colorado $150,000 per year.

- **Improved Animal Disease Prevention** – The Colorado Department of Agriculture is increasing animal disease testing capabilities on the Western Slope. Animal health concerns on the Western slope include Bovine Tuberculosis, Brucellosis, Chronic Wasting Disease, Bovine Spongiform Encephalopathy, Avian Influenza and many others. The improved capabilities will help Colorado remain a *Bovine Tuberculosis Free State* avoiding over $1 million in annual cost associated with conducting surveillance testing.

- **Colorado Climate Action Plan** – State government offices will experience significant energy savings though implementing the Colorado Climate Action Plan. The goal is reducing greenhouse gasses by 20% by 2020 and 80% by 2050 through expanding energy efficiency, reducing emissions and growing renewable energy sources. The State will save money as buildings will move to energy efficient lighting and heating systems. Additional savings will be achieved as departments' transition to increased flex time, telecommuting and car / van pooling.

- **Coordination and Oversight of Colorado Homeland Security** – Under the leadership of Governor Ritter, Colorado has undergone a significant reorganization of homeland security functions. Consolidating homeland security functions will reduce service fragmentation and duplication of effort. By improving program coordination and oversight, Colorado will make more effective and efficient use of state and federal dollars.

- **More Drivers' License Offices** – The Motor Vehicle Division in the Department of Revenue has restored Driver's License offices in Denver, Jefferson County and Larimer County and the new offices will be open by spring and early summer 2008. Several years ago, budget cuts forced the Department to close two dozen offices which created long lines and frustrated Colorado drivers.

- **Protect Colorado Homebuyers from Predatory Lending** – The Division of Civil Rights in the Department of Regulatory Agencies (DORA) has received a federal grant to explore the prevalence of predatory, discriminatory lending in Colorado. The Division is taking a multi-departmental approach, working with the Department of Local Affairs' Division of Housing as well as DORA's Division of Real Estate to identify and assist Colorado borrowers who have been victims of this illegal practice.

- **Launched Citizen "GEM" Website** – Last December, the Governor's Office launched an email address, toll-free telephone number and website that provide citizens with the opportunity to share their good ideas for operating state government more efficiently and effectively. Since December, the office has received hundreds of suggestions and ideas. The best ideas are further sorted and reviewed to determine if they are viable and may be implemented.

- **Risk Management Improvements** – The Department of Personnel and Administration's Division of Risk Management is exploring ways to reduce the cost of worker's compensation insurance. The Division is working with the State's Workers' Compensation insurer, Pinnacol in developing and promoting common-sense ways to reduce accidents in the workplace and the premiums paid from tax dollars.

- **State Fleet Vehicle Efficiencies** – The Governor's Energy Office created the Greening Government Council which conducted a thorough audit of the state's vehicle fleet. As a result, the State fleet is replacing hundreds of State fleet vehicles that have reached mileage limits with higher efficiency flex-fuel or hybrid vehicles with a goal of reducing state fleet petroleum consumption by 25 percent by 2012.

Chapter 10
Conclusion

A key goal outlined in Governor Bill Ritter's first State of the State address was to change the way Colorado government conducts its business. That is why he immediately undertook a top-to-bottom performance review of state government operations. The benefits that will result from this Government Efficiency and Management (GEM) Performance Review will be leveraged into tens of millions of dollars in savings, enhanced efficiencies and cost avoidance. The savings that will come from the implementation of these recommendations are not the end of the story. There are many real benefits that will follow, including:

- Transforming inefficient operations;
- Providing a vehicle to apply "best practices" and lessons learned from other states, other governments and business;
- Stretching limited dollars further;
- Finding new ways to leverage federal resources;
- Applying technology advances to improve business operations and customer service;
- Allowing state employees to be more engaged and apply their experience and ideas to real solutions;
- Increasing communication and cooperation across government; breaking down "silos" and barriers to change;
- Rethinking current processes;
- Reinvesting savings to serve better serve Colorado taxpayers; and
- Fostering a culture of improvement and excellence.

Unlike previous performance reviews, the GEM Performance Review took a "bottom-up" approach and embraced ideas from state employees who provided input though focus-group meetings and a statewide survey.

Most of the monetary savings detailed in this report come from a few large impact items – the "home runs," but just as important are the "base hits." Colorado state government budget has been tight for so many years that there is not much in the way of "low hanging fruit" to produce large and obvious savings. The several dozen modest but practical recommendations in the GEM performance review add up to create a critical mass of savings and improvements. Recommendations involve savings, revenue enhancements, benefits or operational changes that might not have a fiscal impact but instead improve service or allow services to be extended to more citizens without spending more.

Colorado has undergone severe budget reductions in recent years, but that doesn't mean that everything is operating as efficiently as it can. In fact, during hard budget times, staff have less capacity to tackle vital tasks, much less rethink how they do their jobs and work to implement changes. There are still many opportunities for efficiencies and service improvements across state government beyond what has been presented in this report:

- Departments, through the GEM Task Force and participation in the development and review of performance review issues, have improved their ability to embrace and incorporate ongoing performance review activities internally.

- Tools, resources, federal funding and regulations, insights and priorities change. Nothing in state government is truly static. These changes provide ongoing opportunities to improve operations, enhance customer service and identify innovative ways of delivering the best possible value for taxpayers' dollars.

- The GEM Performance Review exemplifies the value gained when top executives consult with their managers and front line employees about eliminating activities that no longer add value, when they are focused on addressing real priorities, and when they remain open to change.

Governor Ritter is committed to making Colorado state government a dynamic place where good ideas to do things smarter and better are always welcome regardless of where a good idea comes from. This challenge to Colorado state government leaders and employees is already bearing lasting results. The tools and techniques needed to meet this ongoing commitment will no doubt evolve and change over time but the goal of continually finding new and better ways of serving the citizens of Colorado will remain constant.