

To: Executive Directors, Colorado State Departments and Agencies
From: Lauren Larson, Director, Colorado Office of State Planning and Budgeting
CC: Budget Directors, Colorado State Agencies and Departments
Date: March 30, 2020
Re: Guidance for Fiscal Conservation (FY20 year end)

Purpose: To provide guidance to Departments and Agencies regarding fiscal conservation to reduce the use of state resources for non-emergency purposes. Given the economic uncertainty and forecasted revenue decline, the State must prepare for a possible prolonged period of economic disruption associated with the COVID-19 pandemic and related economic circumstances. NOTE: THIS GUIDANCE DOES NOT APPLY TO FUNDS BEING SPENT ON THE EMERGENCY RESPONSE TO COVID-19.

Departments and agencies should use available statutory and administrative flexibility to prioritize existing resources to COVID-19 response and, when allowed by law, to avoid obligating state resources to purposes for which there is not an immediate need. Based on the revenue shortfall experienced during previous economic disruptions, the State needs to prioritize funding that supports the immediate public health response, essential economic supports, and core government services. This may mean delaying, deferring, or canceling other obligations.

Guidance:

OSPB is requiring that all Departments and agencies meet or exceed the attached General Fund reversion targets (in \$) for the current fiscal year. Delaying, deferring, or canceling non-essential obligations will enable the State to increase reversions and repurpose these funds in the next fiscal year.

- See attached for reversion targets for each Department. The targets are set based on prior years' reversion history plus 5%.
- Notify your OSPB analyst by April 15 if your Department will not be able to meet or exceed the reversion target.
- Reductions must not:
 - impact emergency spending
 - limit ability to meet your WIGs
 - reduce customer service for public-facing technology and processes

OSPB is setting a dollar reversion target in lieu of other fiscal constraints in order to give your Department maximum flexibility in how to conserve resources, and allow you to prioritize spending for emergency response, your WIGs and customer-facing services. The following tools will help to meet or exceed your Department's reversion target:

1. *Executive Director review of all key spending decisions.* The guidance below requires active engagement from Executive Directors to ensure fiscal conservation, particularly as agency spending typically ramps up toward the end of the fiscal year. Depending on

how your Department is structured, this guidance may require new processes for clearance of hiring, procurement, program implementation, and grant-making.

2. *Not filling new or vacant positions.* Agencies are strongly encouraged to avoid filling new or vacant positions. Executive Directors may make exceptions to this guidance for positions critical to public health and safety or economic recovery. At this time, OSPB is not considering a furlough or hard hiring freeze, but that may need to change depending on revenues.
3. *Delaying contracts.* Agencies should delay entering into new contracts or exercising options unless they support critical, necessary work or failure to keep a contract active will foreclose access to a needed procurement. Further, agencies should consider terminating or reducing contracts that are no longer essential. OSPB recognizes that some contracts will need to remain in force, while others can be reduced or postponed. Each agency, working with your OAG legal representative, should make these decisions based on impact analysis, the costs of modifying or terminating the contracts, and operational considerations.
4. *Delaying program implementation.* Agencies should review the status of implementing 2018 or 2019 legislation or other new initiatives. Consider delaying or cancelling those that are non essential, and assess whether such suspension can be done through the Department's authority or if an Executive Order may be required.
5. *Delaying existing program grants that have not yet been awarded or disbursed.* Agencies should review existing programs to identify grants or other program disbursements that can be delayed or cancelled. Agencies should minimize rollforward requests to the Controller.
6. *Delaying capital or IT projects.* Agencies should review planned capital or IT capital projects to identify those that can be delayed or cancelled. This may include delaying new project phases. Agencies should also reconsider discretionary spending associated with office improvements and other investments that can be deferred. Note, however, that reductions must not reduce customer service for public-facing technology or services. Seek approval from the Operations team and OSPB if the estimated impacts of a reduction in this area are unclear.
7. *Reviewing both General and Cash Funds.* Although OSPB has only set targets for General Fund reversions, the above guidance applies to General and Cash Fund resources. As per long-standing guidelines, Departments should continue to notify the State Treasurer *in advance* of major cash disbursements. Please reach out to your Agency or Department Controller's if you have further questions.

Please do not delay, as once non-essential funds and commitments go out the door, resources are hard to reclaim. Departments need to act now to ensure the State is prepared to manage what may be a minimum of 3-years of revenue reductions, based on the experience of prior economic downturns.

OSPB is here to assist you in this effort. Please contact your OSPB representative for support. If you have any questions specific to this guidance, please reach out to Ashley Clark, Deputy Director, OSPB, at 303-866-2263 or ashley.clark@state.co.us.

Attachment - FY 2019-20 General Fund Reversion Targets

Cabinet Name	Reversion Target for FY20
Agriculture	\$ >0
Corrections	\$ 859,332
Education	\$ 799,533
Governor	\$ 1,322,055
Health Care Policy and Financing	\$ 20,042,169
Higher Education	\$ 173,851
Human Services	\$ 16,794,540
Labor and Employment	\$ >0
Local Affairs	\$ 145,436
Military and Veterans Affairs	\$ 542,494
Natural Resources	\$ 116,742
Personnel & Administration	\$ 222,883
Public Health and Environment	\$ 217,842
Public Safety	\$ 1,210,786
Regulatory Agencies	\$ 15,830
Revenue	\$ 775,226
Transportation	\$ >0