Topics Needing Further Study

A. **The Denver Regional Council of Governments** (DRCOG) is a regional planning entity. It is federally mandated and designated officially as a Metropolitan Planning Organization. Representatives from local governments and a paid staff run its operations. Its mission is to plan and shape the future infrastructure, development and living environment of the greater Denver metropolitan area. Its decisions are far-reaching and can lead to very costly action. It also has the designation of Area Agency for Aging, disbursing federal funds for Title III and Title VII programs.

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This very influential and little-known agency should undergo a substantial audit to disclose its costs of operation. Legislation is needed to make more transparent both its mission and its objectives. The same audit should review the policy control (or lack thereof) exercised over it by state and local officials.

B. Did the number of state employees grow during the recession? Should the State return to pre-recession numbers? The downturn in the economy officially started in December 2007[1], when Bill Ritter had been Governor for less than a year. Allegations arose of the total employed climbing throughout his administration, but verification and justifications fall outside this study's resources.

C. Should we prohibit businesses from providing contract services to the State, in favor of exempting state divisions from any competition? Governors going back to John Love have noted that citizens must change the personnel system. The system must be updated to shed antiquated work rules and anti-competitive regulation. Currently provisions stifle improvements, protect mediocre performers and prevent cost efficiencies. The system is written into the Constitution to favor centralized, bureaucratized and unionized structures. Reforms proposed in the 1980s by then-Personnel Director Gail Schoettler, in the 1990s by Representative Penn Pfiffner, and in the 2000s by Governor Bill Owens should finally be implemented. Referring constitutional amendments to the ballot alone will be inadequate; a full campaign to overcome union resistance must be shaped and prepared.

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D. A little-known, but large, off-budget state organization, the Colorado Housing & Finance Authority (CHFA), runs programs that likely duplicate agency missions. It is a good candidate for reduced state aid, or instead for consolidation into the executive branch.

The Colorado Division of Housing in the Department of Local Affairs appears to duplicate much of the work of CHFA. The agency finances construction of new housing and rehabilitation of existing housing for medium and low income persons. It serves housing authorities, private developers, nonprofit corporations and cities and counties. Its current budget is over $2 million. The federal government funds $45 million more for housing construction grants and loans.

Private, nonprofit organizations also work to create and to upgrade existing low-income housing. Habitat for Humanity and Community Resources Housing Development Corporation are examples of entities that assist low or moderate income people into homeownership.

How should CHFA fit into this picture, since its mission is to assist homeowners with down payments and closing costs? When established in 1973, its only goal was expansion of "affordable housing." In 1982 it expanded into loans to small and medium-sized businesses.

Do these similar programs collaborate? How does CHFA compare in size to the Division of Housing? What opportunities exist to consolidate? How would continued federal subsidies be administered? Should state programs continue to compete with private ones, rather than simply support them?

E. Allegations have surfaced over the years that wage and salary levels of state employees are higher than for similar jobs in the private sector.[2] Critics of those studies justly observed that the studies did not thoroughly compare the types of work, ignoring for instance, that averages include low-paying retail and menial labor, for which state government employment is small. More recent studies, however, reach conclusions of overpay by making job-to-job comparisons.

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If the legislature addresses whether state workers are overpaid, it should reconsider a policy that "similar work must receive similar pay." No matter where the employee is in the state, he or she receives the same remuneration as the employee in Denver, the state's most expensive locale. This concept is based on the "labor theory of value," that a service's worth is best valued by taking the hours that go into it. It ignores the role of the market in setting rates and leads to a true inequality of pay among employees. The person based in Denver is attracted to work there only if the pay is sufficient enough to compare with other opportunities. Those alternate costs include a relatively high cost of living in housing and other living expenses. Non-dollar costs that the downtown worker endures can be a long and often difficult commute, and the stress of a higher-crime environment. Yet, in the interest of fairness, the state policy violates fairness by paying an employee in the San Luis Valley the identical amount, even though the San Luis employee enjoys lower costs of living and a less-stressed lifestyle. How many state workers reside and work in rural areas? What should a cost of living adjustment be, and should it mirror the State's formula for schools? What politically palatable step would phase in the policy gradually so as to smooth the transition?

Setting the base wages and salaries is done annually by use of surveys of comparable positions. How then do we end up with the average pay exceeding comparable private sector jobs? Do surveys of other government positions really identify market comparables? Do surveys capture the value of the security of a government job? How

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can a measure of turnover be used to assess pay level? Are the level of health care and other benefits truly reflected in total remuneration figures?

F. *Does the Department of Agriculture operate with significant inefficiencies?* In the private sector, non-governmental organizations that seek donations are careful to control their overhead and developmental costs. Supporters are far more likely to contribute to organizations that keep the costs of generating revenue and of doing business to less than 15 percent, leaving 85 percent of revenue to be spent in the programs that aid the intended beneficiaries. Government departments do not spend any money to generate revenue, since programs are either run through tax subsidies or by fees for service. Therefore, we would hope that governments should be able to show the overhead burden at between 5 and 10 percent. When we measure the cost of the Commissioner's office and add the allocated indirect costs of each division, however, we find that the administration, operations and overhead represent about 28 percent of the cost.

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Department of Agriculture Administrative, Operating and Overhead Costs by Division

	Total	Ops Exp + Indirect	% Overhead
Central Office	7,954,634	7,954,634	
Brand Board	3,921,832	137,241	3.50%
Colo. State Fair	9,009,242		
Markets	1,099,653	86,465	7.86%
Services Division	12,320,521	2,021,020	16.40%
Special Purpose	735,752	11,663	1.59%
Conservatio Board	1,998,522	64,109	3.21%
TOTALS	37,040,156	10,275,132	27.74%

There appears to be a great deal of cost in the central administration, and two divisions, Markets and Services, also run a high overhead burden. If the administration of those divisions were reduced to five percent, then the Department might save as much as $154,000.

ENDNOTES

[1] "Percent Change From Preceding Period in Real Gross Domestic Product," found in "National Economic Accounts," Bureau of Economic Analysis, US Department of Commerce. http://www.bea.gov/National/nipaweb/TableView.asp?SelectedTable=1&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Qtr&FirstYear=2007&LastYear=2010&3Place=N&Update=Update&JavaBox=no.

[2] Protected Class, Wendell Cox. Protected Class II, Wendell Cox.