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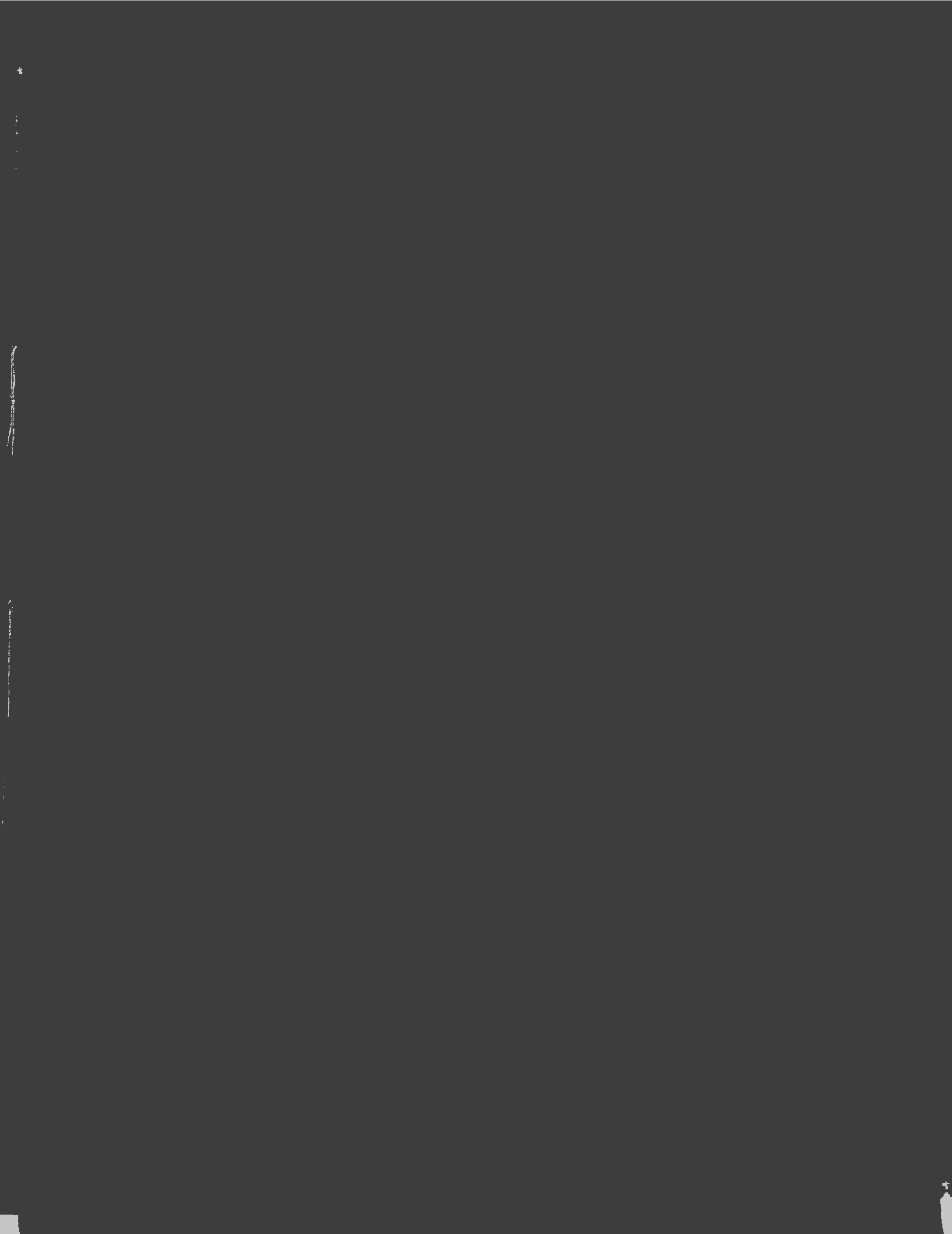
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0080 Simplification of State Government Organization, Part III





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SIMPLIFICATION OF STATE
GOVERNMENT ORGANIZATION:
PART III

LEGISLATIVE COUNCIL
REPORT TO THE
COLORADO GENERAL ASSEMBLY

Research Publication No. 80
December, 1963

OFFICERS

Rep. C. P. (Doc) Lamb
Chairman
Sen. Fay DeBerard
Vice Chairman

COLORADO GENERAL ASSEMBLY



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LEGISLATIVE COUNCIL

ROOM 341, STATE CAPITOL
DENVER 2, COLORADO
222-9911—EXTENSION 2285
December 6, 1963

MEMBERS

Lt. Gov. Robert L. Knous
Sen. William E. Bledsoe
Sen. Edward J. Byrne
Sen. Frank L. Gill
Sen. Floyd Oliver

Speaker John D. Vanderhoof
Rep. Joseph V. Calabrese
Rep. John L. Kane
Rep. William O. Lennox
Rep. John W. Nichols
Rep. Clarence H. Quinlan

To Members of the Forty-fourth Colorado General Assembly:

In accordance with the provisions of House Joint Resolution No. 25, 1963 regular session, the Legislative Council submits the accompanying report and recommendations concerning the administrative organization of state government in Colorado.

The report of the committee appointed by the Legislative Council to carry out this study was accepted by the Council at its meeting on December 6, 1963, for recommendation to the Forty-fourth General Assembly, and the Governor has been requested to include the statutory changes recommended among the items for legislative consideration during the second regular session.

Subsequent to the Council's meeting, the committee met in December to consider various proposals relating to appointive positions of the Governor and to revisions in the state's organizational structure in such areas as fiscal management and administrative services. The committee is continuing its consideration of these revisions and plans to submit a summary report thereon to the General Assembly shortly after the convening of the 1964 regular session in January.

Respectfully submitted,

Representative C. P. (Doc) Lamb
Chairman

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COLORADO GENERAL ASSEMBLY



LEGISLATIVE COUNCIL

ROOM 341, STATE CAPITOL
DENVER 2, COLORADO
222-9911—EXTENSION 2285
October 16, 1963

MEMBERS

Lt. Gov. Robert L. Knous
Sen. William E. Bledsoe
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Sen. Floyd Oliver

Speaker John D. Vanderhoof
Rep. Joseph V. Calabrese
Rep. John L. Kane
Rep. William O. Lennox
Rep. John W. Nichols
Rep. Clarence H. Quinlan

Representative C. P. Lamb, Chairman
Colorado Legislative Council
Room 341, State Capitol
Denver, Colorado

Dear Mr. Chairman:

Your committee appointed to carry out the study requested by House Joint Resolution No. 25, 1963 regular session, relating to the administrative organization of state government, submits herewith its report and recommendations for 1963.

The committee is making several recommendations involving statutory changes which are designed to improve the administrative organization of state government in Colorado and to encourage economy and efficiency in state activities. Consequently, the committee requests that the Legislative Council recommend to the governor that these items be presented for consideration to the Second Regular Session of the Forty-fourth General Assembly.

Respectfully submitted,

Floyd Oliver, Chairman
Committee on Administrative
Organization of State
Government

FOREWORD

In accordance with the directives of House Joint Resolution No. 25, 1963 regular session, the Legislative Council continued its Committee on Administrative Organization of State Government. Members appointed to this committee were: Senator Floyd Oliver, chairman; Speaker of the House John D. Vanderhoof, vice chairman; Senators A. Woody Hewett, Carl Magnuson, L. T. Skiffington, and Sam Taylor; and Representatives William Armstrong, James Braden, Forrest Burns, Allen Dines, Bill Gossard, C. P. Lamb, and John Nichols.

The committee held its first meeting in May of this year to formulate general study procedures and the specific areas to be reviewed. Subsequently, meetings and hearings were held in June, July, September, and October to review the results of the staff's work and to confer with representatives of various state agencies and persons or organizations interested in their activities. The cooperation extended the committee and the staff by these persons is gratefully acknowledged. Since October, the committee held two meetings with the Governor to consider revisions in state administrative organization, especially as it pertains to positions under the appointive power of the Governor. The committee plans to meet early in the 1964 session to formulate recommendations thereon for legislative consideration during the second regular session of the Forty-fourth General Assembly.

Miss Clair T. Sippel, secretary of the Legislative Reference Office, worked closely with the committee in preparing drafts of the bills and constitutional amendment. Phillip E. Jones, senior research analyst, had primary responsibility for preparing the research material.

December 6, 1963

Lyle C. Kyle
Director

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REPORT OF COMMITTEE ON ADMINISTRATIVE ORGANIZATION OF STATE GOVERNMENT

In 1961 and 1962, as directed by joint resolutions adopted by the General Assembly, the Legislative Council appointed a committee to study the administrative organization of state government in Colorado with a view towards consolidating like functions where feasible and eliminating unnecessary departments or activities. With the adoption of House Joint Resolution No. 25 in the 1963 session, the Legislative Council again was directed to appoint a committee for "a continuation of the study on the administrative organization of state government, charged with the duty of considering all administrative phases of the executive department of state government."

During 1963 the committee devoted most of its time to reviewing nine subjects -- legislative post-audit, reports of state agencies, Class C pensions, employee suggestion award program, State Building Authority, Livestock Sanitary Division, Division of Registrations, appointive positions of the Governor and state administrative organization, and the Colorado Highway Safety Council. Before making final decisions on many of these subjects, hearings were held with state officials and other interested persons to supplement the staff memorandums which had been prepared.

The results of the committee's deliberations are contained in the following findings and recommendations in regard to legislative post-audit, reports of state agencies, Class C pensions, employee suggestion award program, and State Building Authority. Additional committee consideration will need to be given to the other subjects before any final recommendations can be made; therefore only comments relating to committee activity in regard to these subjects are being made at this time.

COMMITTEE FINDINGS AND RECOMMENDATIONS

Legislative Post-Audit

At present state auditing takes place in three areas in Colorado: (1) pre-auditing by the State Controller; (2) post-auditing by the State Auditor; and (3) internal auditing within and by each state agency. Nationally, however, almost one-half of the 50 states have adopted the position that the post-audit function should be independent of the executive branch of state government and should be connected with the legislative branch which is considered to be the "guardian of public funds." Accordingly, the committee reviewed the organization and operations of the present post-audit program in Colorado -- the State Auditor's Office -- in order to weigh the advantages and disadvantages of transferring this program.

Post-audit may be defined as involving the responsibilities of determining that: (1) revenues have been collected in compliance with the law; (2) funds have been expended in accordance with legislative intent and sound financial practice based on proper management procedures; (3) the executive branch is carrying out only the activities and programs authorized by the legislature; (4) the assets of the state are safeguarded and utilized properly; and (5) the legislature is provided with the results of the post-audit office's findings and recommendations.

Summary of Constitutional and Statutory Provisions in Colorado. Under the provisions of the Colorado Constitution, any person may be a candidate for the office of Auditor of State if he (or she) is at least 25 years of age, a citizen of the United States, and has resided within the state for at least two years next preceding the election. No other qualifications are required.

The constitution provides for a four-year term of office, the same as for other elective officers in the executive branch of state government, but the State Auditor is prohibited from re-election as his own immediate successor, with the same prohibition applying to the State Treasurer. In the past, this prohibition has led to the practice of the State Auditor becoming a candidate for the office of State Treasurer when the auditor's term was expiring, and vice versa.

The only regular duty assigned to the Auditor of State by the constitution is that he is to be a member of the State Board of Equalization, along with the Governor, State Treasurer, Secretary of State, and Attorney General. Consequently, while the State Auditor is responsible for conducting post-audits of all state agencies in Colorado, this responsibility results from statutory assignments made by the General Assembly rather than by any duties outlined in the state's constitution.

The State Auditor in Colorado has two major statutory duties to perform, in addition to a number of miscellaneous functions. These major duties are post-auditing the accounts and operations of state agencies and reviewing the audits made of local governmental units.

The Administrative Code (Article 8 of Chapter 3, 1953 Colorado Revised Statutes) states that the Department of Auditing, with the Auditor of State as its chief executive officer, shall have as its primary auditing purpose "to determine whether the spending agencies are providing such measures of financial control as are necessary to insure that income and expenditures conform to the authorizations made and the requirements laid down by the general assembly, that the public money is spent in strict accordance with the appropriations made by the general assembly, and that the general assembly is provided with information in relation to such matters." In this connection, the functions of the department are to include:

(1) Auditing the accounts of all agencies and the general accounts of the state government.

(2) Investigating the means provided for accounting for, controlling, the insuring the safe custody of all money and other property of the state government and verifying the existence and condition of such property charged to, or held in the custody of, any agency of the state government.

(3) Auditing the statements of financial condition and operations of the state government, examining the estimates of resources available for appropriation and the estimates of receipts prepared for inclusion in each annual budget report, and certifying in writing the results of such audit and examination with such comments as it may deem necessary for the information and guidance of the general assembly. The certificate and comments of the auditor of state shall be included with such statements and estimates as presented in the budget reports.

(4) Laying the facts in writing, without delay, before the governor, the state treasurer, and the director of revenue if at any time the department of auditing should discover any unauthorized, illegal, or otherwise irregular or unsafe handling of expenditure of state funds, or other improper practice of financial administration, or evidence that any such handling, expenditure, or practice is contemplated; or if during the conduct of any audit or investigation of any agency of state government it is obstructed in the performance of its duties. These reports of the auditor shall be transmitted by the governor to the general assembly at the next session thereof, or at any extraordinary session called for the purpose of considering the same.

In carrying out these duties, the State Auditor, by and with the approval of the Governor, is authorized to prescribe what accounts shall be kept by all departments, institutions or state agencies for the purpose of performing proper post-audits (Section 3-8-5, 1953 C.R.S.). No specific time schedules are imposed upon the State Auditor as to how often state agencies should be audited except that "he shall examine and audit as often as practicable all accounts, conduct and acts of the state purchasing agent, and make quarterly reports of his findings to the governor."

At the present time, the most immediate problem in this area appears to be the size of the existing backlog of audits. However, under the budget approved for fiscal year 1963-64 it is estimated this backlog (30,000 man hours in size) will be reduced by some 10,000 to 15,000 man hours, depending on how quickly the additional staff can be hired and trained, and that it will be some time in fiscal year 1964-65 at the earliest before the office will be caught up.

Once this backlog is eliminated the State Auditor anticipates that assistance from private auditing firms will be reduced, and the permanent or regular staff level of his office will be closely related to the duties assigned by the General Assembly. That is, for example, any increased emphasis or responsibility in regard to local audits and systems audits of state agencies will have a direct bearing on the office's staffing pattern.

In regard to the use of the reports of the Auditor of State once they are completed, the audit report presently includes, among other things, a comparison of expenditures with the state budget and the report points out where any changes in the direction or use of funds have been made and under what authority. Copies of all audit reports are filed with the Joint Budget Committee for what amounts to the only official or formal use by the General Assembly of these reports.

The second major function of the State Auditor is to review the audits of local governmental units in this state. Most of the provisions pertaining to these audits are contained in Section 110-1-1 through 110-1-9, 1953 C.R.S. as amended, but a general section (89-16-1) was added in 1961 regarding audits of local improvement and service districts. In addition, the State Auditor also receives reports and statements from counties and cities concerning receipts and expenditures of road and street funds.

However, while the State Auditor is charged by law with the responsibility of reviewing audits of local governmental units, he is given little authority in determining that local funds are being properly handled and expended and no authority in directing that changes be made or charges brought when discrepancies are uncovered. Moreover, Colorado's laws in regard to local audits are non-uniform and may even be contradictory in some cases.

The staff of the State Auditor's office consists of the State Auditor; Deputy State Auditor; one administrative secretary; two principal auditors; eight senior auditors; and one intermediate clerk-typist. All of these positions are under civil service except, of course, for the State Auditor and the deputy whom he appoints. Two additional positions were authorized for fiscal year 1962-63: one chief auditor and one junior auditor.

For fiscal year 1963-64, additional staff positions were authorized so that the number of civil service positions would increase from 14 to 19 and would result in the following civil service staff positions: one chief auditor; three principal auditors; seven senior auditors; three auditors; two junior auditors; one administrative secretary; one senior clerk-typist; and one intermediate clerk-typist. In addition, funds were authorized for the employment of private auditors on personal service contracts in order to reduce the rather substantial audit backlog.

Expenses and appropriations for the office of State Auditor increased substantially between 1962 and 1964. For fiscal year 1961-62, the expenditures of this office totaled \$116,581 and expenditures for fiscal year 1962-63 were expected to total \$143,476. The General Assembly appropriated \$250,841 to this office for fiscal year 1963-64, with most of this increase being intended for hiring private auditors in addition to providing for five new staff positions. A summary of the 1963-64 budget as appropriated shows the following:

Personal Services	\$162,641
Travel	8,000
Supplies	3,600
Capital Improvement	1,600
Outside Auditors	75,000
TOTAL	<u>\$250,841</u>

Summary of Conferences. The committee met with Mr. John P. Proctor, Auditor of State, and with representatives of the Colorado Society of Certified Public Accountants to discuss the post-audit program in Colorado. Their major recommendations included establishing professional qualifications for the official in charge of post-audits, maintaining the post-audit function as a program independent of the executive branch, and providing for a legislative reporting group as part of the post-audit program. Also, the auditor's term of office should be from four to eight years with reappointment possible for one additional term, his appointment should not be non-partisan on the basis of professional qualifications, and the primary function of the office should be to post-audit state agencies and state funds.

Status of Employees. Section 13 of Article XII, Colorado Constitution, contains a provision specifically exempting officers and employees of the General Assembly from the classified civil service system of the state. Consequently, the proposal to transfer the post-auditing program from the executive to the legislative branch of state government would mean a change in the civil service status of employees unless specific provision were made to the contrary.

The committee asked 21 states with legislative post-auditing about the classification of their post-audit employees. Based on the reports from the 16 states replying, most (10 states) select these employees on the basis of professional qualifications outside of the civil service system. These ten states are Alaska, Arkansas, California, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Virginia, and West Virginia.

These employees in three states -- Alabama, Connecticut, and Maine -- are appointed as civil service personnel, and they may be classified as patronage appointments in Pennsylvania. In view of the information available, the legislative post-audit employees in Arizona may be appointed either on a professional or a patronage basis, but they are not under civil service. Similarly, a question exists as to whether these employees in New Jersey are under civil service -- under the law, employees in the office at the time it was transferred to the legislative branch were provided with a continuing coverage under civil service but other employees were to be appointed by the State Auditor.

Recommendations. The committee recommends that the Colorado Constitution be amended to provide for a State Auditor in the legislative branch of state government where the post-audit function properly belongs. In keeping with this recommendation, tentative language in the form of a constitutional amendment has been prepared and is contained in Appendix A. This amendment would:

(1) Replace the Auditor of State under the executive department with a State Auditor under the legislative department;

(2) Retain the present Auditor of State until the expiration of his current term of office on the second Tuesday of January in 1967;

(3) Direct the General Assembly to appoint a State Auditor, without regard to political affiliation, who must be a certified public accountant;

(4) Limit the term of office to five years, with no person being eligible for more than two consecutive terms;

(5) Prohibit the State Auditor from being appointed or elected to public office within this state during his term of office, or for two years following the termination of his services as State Auditor;

(6) Authorize the removal for cause of the State Auditor by a two-thirds vote of the members in both houses of the General Assembly; and

(7) Provide the State Auditor with the duty of conducting post-audits of all financial transactions and accounts kept by all agencies, departments, and institutions of state government, plus performing similar or related duties with respect to political subdivisions of the state as may be required by law.

The proposed amendment also provides that not to exceed one-third of the State Auditor's employees would be exempted from the classified civil service. This provision would allow the State Auditor sufficient authority to select his supervisory assistants; at the same time it would establish the bulk of the auditing staff as civil service personnel. Moreover, such a provision would help to solve the practical problem of the future employment of the civil service staff in the auditing office at the present time.

Whether or not this proposed amendment is adopted, the committee further recommends that a joint legislative audit review committee be established by the two houses of the Colorado General Assembly to assist in carrying out the post-audit program in this state.

Reports of State Agencies

The laws governing the present system of coordinating reports and publications of state agencies in Colorado contain confusing and conflicting provisions to such an extent that there is virtually no executive control or direction in this area. Yet one million dollars are spent each year in publishing costs alone for reports of state agencies.

Summary of Present Law. Colorado's laws relating to reports of state agencies may be divided into seven identifiable components. They are:

(1) Sections 16 and 17 of Article IV and Section 29 of Article V of the constitution, requiring semi-annual and annual reports of state agencies and that printing contracts shall be subject to the approval of the Governor and the State Treasurer.

(2) Subsections (5) and (6) of 3-3-1, 1953 C.R.S., relating to the responsibility of the State Controller in regard to the form of agency reports and requiring advance approval of this officer. (These provisions are inconsistent with other laws.)

(3) Sections 109-2-5 and 109-2-16, 1953 C.R.S., relating to public printing. One standard form is required and requisitions are to go to the State Purchasing Agent, which conflicts with the responsibility of the State Controller.

(4) Section 132-1-4, 1953 C.R.S., requiring the Governor to transmit reports of state agencies to the General Assembly.

(5) Section 124-1-4, 1953 C.R.S., directing the Secretary of State to superintend the printing of state reports; includes a penal clause for state officers and the printer.

(6) Section 124-1-5, 1953 C.R.S., directing the Governor to determine the number of copies to be printed.

(7) Some 200 statutes relating to reports of individual agencies. These may be divided into six types: (1) number of copies specified; (2) the distribution is specified; (3) authorizations to sell or not to sell; (4) the Governor made responsible for publishing; (5) format prescribed; and (6) provisions included without existing reference, i.e., references to non-existing statutes or provisions.

Reporting problems under existing laws may be summarized into five general areas:

(1) Reports are unsatisfactory -- excessive detail, excessive cost, unevaluated data, no analysis, and misuse as publicity vehicles.

(2) Requirements are inconsistent.

(3) Reporting functions are complicated by publications provisions.

(4) Distributive requirements undermine supervisory responsibility and authority.

(5) Governor and the General Assembly are not able to keep properly informed.

Publication problems under existing laws include:

(1) No comprehensive, inter-related control system.

(2) Presence of word "printed" in statutes delimits the control and review processes.

(3) No policy regarding gratuitous distributions.

(4) Requirements are inconsistent.

(5) Publication control is mixed up with reporting requirements.

(6) Out-dated requirements are still controlling output.

(7) Relationship between printing control (purchasing office) and other-reproduction control (agencies) is unclear.

(8) No staff resources devoted to publications control.

(9) No policy regarding uniformity in publishing.

It has been conservatively estimated the savings to the state under the bill would be from \$50,000 to \$53,000 a year. This figure applies only to the cost of publishing and does not include personnel costs or distribution costs, for example. These savings will be the result of continuous review and application of the following:

1. Reduction in unnecessary length.
2. Elimination of unnecessary material.
3. Separation of those portions of publications requiring only limited circulation from those portions requiring wide distribution.
4. Cutting down on unnecessary distribution.
5. Separation of material of transitory value from material of durable or permanent value.
6. Relating type of reproduction to the purpose and distribution of the material.
7. Elimination of unnecessary photographs and artwork.
8. Examination of all publications for current necessity.
9. Restriction of expensive inks, colors and paper to those publications where distinctive appearance is necessary to the achievement of the function.
10. Requirement that each new publication be justified.
11. Coordination of similar needs of agencies to prevent duplications.
12. Standardization of printing specifications, wherever possible:

format	paging
size	indentations
cover stock	margins
emblems	title pages
introductions	acknowledgments and authorship

13. Investigation of the possible use of institutional print shops for certain reproductions.
14. Possible combinations and consolidations of publications for bid purposes.
15. Advice to agencies on publications specifications and costs reductions.
16. Use of supplements, rather than new editions, wherever possible.
17. Consolidations of separate annual reports into consolidated reports, wherever possible.
18. Examination of the pricing for all agencies.
19. Review of the dispensing of free materials unrelated in use to the function of the agency.

Recommendations. In view of the confusing and uncontrolled situation involving publications of state agencies at the present time in this state, the committee recommends that a general revision be made to provide a unified system of control over these reports. In this connection, the committee has prepared its recommendation in bill form but the size of this draft (105 pages) precludes it being contained in this report. Basically, however, the bill has three parts. The first is a legislative policy statement; second, the bill establishes controls with the State Controller (with certain restrictions), State Purchasing Agent, and the Governor; the third part, which constitutes the bulk of the bill, contains standard agency applications.

In addition, two employees would be added to the controller's office to administer the new act -- a coordinator and clerk-typist -- with the annual cost for these two employees estimated at \$11,000 to \$12,000. Over-all, however, it is estimated the state will realize net savings of \$50,000 to \$53,000 a year in publishing costs alone, i.e., not including savings in personnel and distribution costs, for example.

Class C Pension

Beginning in 1953 the General Assembly provided for the payment of old age pensions to qualified inmates of Colorado's non-penal institutions (Section 101-1-5, 1953 C.R.S.). To be eligible for a Class C pension, a person must be an inmate in a non-penal institution and he must be either at least 60 but less than 65 years of age with at least 35 continuous years of residency in this state prior to his application, or 65 years of age or more and has resided in the state for at least five of the nine years immediately preceding the date of his application and is considered a resident of Colorado. Also, a Class C pensioner must be a citizen of the United States and must qualify on the basis of need.

As of November, 1962, 62 counties were preparing 1,168 Class C pension checks each month for these pensioners residing in four of our state institutions. These checks are sent to the financial officers of the institutions who are required to act as trustees for the funds of each Class C pensioner. The distribution of these Class C pensioners by state institution is: State Hospital at Pueblo -- 1,117; State Home and Training School at Grand Junction -- 31; State Home and Training School at Wheatridge -- 7; and Monte Vista Golden Age Center -- 13.

The General Assembly currently appropriates money from the general fund to the institutions for the care and maintenance of all patients, including Class C pensioners. Part of this patient-care money is repaid to the general fund from the Class C pension checks drawn on the old age pension fund. This procedure is authorized by Section 101-1-5(4), 1953 C.R.S., which requires the financial officer at each institution to deduct from each pension check that amount needed "...for the care, support, maintenance, education and treatment of the inmate...." In other words, \$95 is deducted each month from the Class C pension check (\$113) as patient-care cost and the balance (\$18) is credited by the institution to the pensioner's personal savings account. The total amount deducted each month for patient-care cost is transferred to the State Treasurer who credits this sum to the general fund.

Summary of Problems. As pointed out by the Management Analysis Office of the Division of Accounts and Control, there are several problems associated with the present handling of Class C pensions. These problems include:

(1) The total state budget is inflated by the amount of the Class C pension money available for care and maintenance since this amount is budgeted twice -- once in the old age pension budget and again in the general fund budget for state institutions.

(2) Although all but a very few of the Class C pensioners are considered incapable of handling their personal affairs, they are each sent an individual pension check each month despite their limited mental status. Thus, 1,168 pension checks are made out monthly for these pensioners, or 14,016 a year, and each check in addition has to be distributed, verified, endorsed and deposited individually every month.

(3) The law required that each county make out the checks for its own Class C pensioners, although with the necessary authorization this process could be consolidated so that the State Welfare Department could send one check periodically to each institution for the total sum involving the Class C pensioners at such institutions.

(4) The majority of Class C pensioners have \$95 deducted each month from their checks by the institutions for their care and maintenance, leaving a balance of \$18 monthly to be placed into their personal savings account. Class A and B pensioners in nursing homes, however, are required to pay \$100 of their monthly pension for their own care and maintenance, leaving only \$13 for their personal accounts. Moreover, Class A and B pensioners are fully competent to handle their own affairs while most Class C pensioners are not.

(5) Many of the Class C pensioners are even incapable of using the \$18 per month which is set aside for their personal use with the result that much of this money accumulates and reverts to the heirs of the pensioners. Since the state is supporting these pensioners, there is some question of the advisability of handling the personal needs of a portion of the pensioners in this manner. Also, the personal needs of patients should normally be included in those operating costs attributable to patient care.

Recommendations. The committee considered various alternative proposals in regard to the problems of the Class C pension, including House Bill No. 273, 1963 session, which did not pass. As a result of its consideration, the committee recommends that the Class C pension be limited after July 1, 1964, to residents of the Monte Vista Golden Age Center -- i.e., no additional Class C pensions would be granted to patients at the State Hospital in Pueblo or at the state homes and training schools -- and that the process of writing, processing, and distributing the pension checks be made subject to the rules and regulations of the State Board of Public Welfare in order that a consolidated and more economical process could be utilized. While all of the present Class C pensioners would continue to receive this pension, over a period of time eventually the only Class C pensioners would be those at the Monte Vista Golden Age Center. It is estimated that the savings resulting from reducing the number of checks written each year from some 14,000 to four or five for Class C pensioners would total \$20,000.

As a further recommendation the committee would suggest that the Governor review the adequacy of the monthly figure of \$95 charged Class C pensioners for their care and maintenance at state institutions.

Employee Suggestion Award Program

Last year the committee began an inquiry into a merit-award type of system for state employees as a means of improving program efficiency by encouraging employees to take a greater interest in the administration of state government, and as a program which in the long run would result in tax savings through more economical operations. The committee reported at that time that there were a number of problems to be resolved before such a program could be instituted in Colorado. However, with the additional year of study and with the assistance of the Civil Service Commission and the Management Analysis Office, the committee believes that sufficient information is now available to support a proposal at this time.

Briefly, the system of incentives or merit awards for employees is designed to inspire employees to perform above and beyond that level of work or production which is rated satisfactory. Incentives are provided by two types of programs: the performance award system and the suggestion award system.

The performance award system is confined to the employee's own defined work responsibilities. It is designed to encourage employees to perform more work or better work, or both, or to cause the employee to devise ways of increasing or improving the work of a group for which he is responsible. However, according to an opinion of the Attorney General, the provisions of Section 28, Article V of Colorado's Constitution, prohibiting extra compensation to public employees, would prevent the adoption of a performance award system in this state.

On the other hand, the suggestion award system would not fall under this constitutional prohibition as it involves awards made for new ideas about operational improvements and not additional compensation. A suggestion award system is designed to elicit ideas and plans from employees about processes, procedures, and systems of operations of state government which are partially or wholly outside the sphere of the employee's defined responsibility. Some basic features of a suggestion award program have been summarized by the Management Analysis Office as follows:

Applicability -- Promotes ideas for improvement of operations, the implementation of which is outside the employee's authority and responsibility.

Criteria for awards -- Token awards are usually made when the idea for improvement of operations is accepted as original, feasible, and likely to result in economies or increased efficiencies, or both. Final awards are made only after use of the idea has been tested and its actual value measured.

Preliminary conditions -- Each job classification must have the scope of authority over operations defined.

Administration -- Suggestions for improvements and economies are submitted by employees directly to the agency with over-all responsibility for efficiency and economy, i.e., the Division of Accounts and Control, which investigates the suggestion for originality, feasibility, and probable value.

The evaluated suggestion would then go to the awards board, the chairman of which would be appointed from the Division of Accounts and Control to combine representation of the Governor and integration with the division's work in operational improvements.

The board consists of state officers and employees with permanent representation from civil service to protect employee interests. The board will hear testimony of affected departments, make initial awards and direct implementation of new procedures.

Results are observed and reported to the General Assembly with recommendations. Final awards based on actual results are in the discretion of the General Assembly.

Setting up the system -- An agency responsible for evaluation of suggestions according to defined criteria would have to be designated. The award board, also composed of state officers or employees, would need the services of the person in charge of processing the suggestions.

Participation -- Participation at the outset will be determined by the success of the measures used to introduce the program. In other states, the endorsement and approval of the Governor has been used by the personnel department as the keynote of the publicity program for a suggestion award system.

Costs -- No new staff would be required for a suggestion award program in Colorado; processing suggestions could be integrated with work regularly carried on in the management analysis and budget offices. Initial awards could consist of either a certificate or a monetary amount not to exceed \$100. After a test period, final awards would be made by the General Assembly on the basis of actual savings experienced.

Measurement of effectiveness -- Suggestion systems lend themselves to direct dollar measurements. Successful suggestions produce savings which can be weighed against administrative costs and award amounts. States using suggestion awards programs prepare annual and cumulative "profit and loss" statements which are the basis for decisions to continue or stop the program.

Personnel and agencies affected -- The program is completely voluntary, concerning only those employees who wish to participate in the suggestion program. Administrative responsibility falls on the Division of Accounts and Control in liaison with civil service.

Recommendations. The committee believes that Colorado should undertake a suggestion award program for state employees along the lines of that outlined in the foregoing paragraphs and contained in the accompanying draft of a bill (Appendix C). The committee notes that the size of the program would depend on the appropriations made by the General Assembly and after some actual experience has been gained, future appropriations would be based on the merits or success of this program.

State Building Authority

The State Building Authority was established in 1957 for the purpose of providing a state agency to assist nonprofit organizations in developing low cost housing for elderly persons. To carry out this purpose, the authority was given the power and duty to survey the housing needs of the independent aged; to examine the sufficiency and ability of nonprofit organizations, such as municipal corporations, county governments, cooperatives, religious, charitable, eleemosynary, fraternal, benevolent, labor and veterans groups, to sponsor and finance facilities for the independent aged; to assist various organizations in planning and financing facilities, including issuing revenue or income bonds, or by executing a mortgage insured by an agency of the government of the United States such as the Federal Housing Administration; to cooperate with local governmental agencies, as well as agencies of the federal government; to hire personnel to discharge the powers and duties of the board; and to negotiate the sale, lease, or otherwise convey land or facilities to the contracting sponsors for their direct operation of the facilities, provided that the state is fully paid for all costs incurred.

The General Assembly has never appropriated funds for the expenses or operations of the authority and on the whole the authority has been largely inactive. The first authority is reported to have held a few meetings but no program was established, and no meetings of the authority have been held in recent years.

Perhaps one significant reason the State Building Authority is not functioning is that the federal government operates three programs concerning housing for the elderly -- (1) the "231" program of the Federal Housing Administration which guarantees the lending institution 100 per cent of the mortgage cost and establishes a $5\frac{1}{4}$ per cent interest rate; (2) a direct loan program with a low interest rate of $3\frac{1}{2}$ per cent (present rate) designed to accommodate elderly persons with incomes insufficient to qualify for the FHA "231" program (this second program is known as the "202" program of the Community Facilities Administration of the Housing and Home Finance Agency); and (3) the federal public housing program.

Recommendations. The committee recommends the repeal of the State Building Authority because of its inactive history and because the purpose for which it was created is no longer necessary in view of the programs of the federal government.

AREAS INVOLVING ADDITIONAL INQUIRY AND STUDY

In addition to the subjects previously discussed herein, the committee reviewed various other areas but has come to no final conclusions or decisions at this time. These areas and the progress made thus far by the committee are summarized in the following sections.

Livestock Sanitary Division

In 1960 the Legislative Council submitted a report and recommendations concerning the State Department of Agriculture. Included therein was a suggestion that the State Agricultural Commission

consider the creation of a separate division to be known as the Livestock Sanitary Division whose activities would be limited solely to livestock sanitary matters, with the State Veterinarian as its chief. Bills to carry out this proposal were introduced in the 1961 and 1963 sessions; however, they failed to pass.

The basic disagreement about the role of the State Veterinarian seems to exist between livestock growers and the professional veterinarians. Accordingly, the committee met with representatives of both groups to discuss the present arrangement and to ascertain what changes, if any, should be made. On the one hand, the livestock growers took the position that the present system is working very well and no change should be made while, on the other hand, the veterinarians believe that a professional veterinarian should be in charge of the program and not a lay man as at present (i.e., the chief of the Animal Industry Division).

Because there is no agreement between the two groups most directly concerned with livestock disease control, the committee believes that now is not the appropriate time to make any recommendations on this subject. Instead, the committee anticipates that both the livestock growers and the veterinarians will work together to reach a mutually-acceptable solution within the next year. At the same time, the committee intends to give serious consideration to such alternatives as establishing the State Veterinarian as a separate agency or as part of another department of state government should the two groups fail to reach an agreement.

Division of Registrations

The Division of Registrations is composed of 23 professional licensing and examining boards and commissions and is located in the Department of State under the supervision of the Secretary of State. However, the law creating this division (Section 3-10-2(2), 1953 C.R.S., as amended) provides that "the supervision and control of said boards by the department of state and the division of registrations thereof shall be limited to the approval or disapproval of such rules and regulations of said boards and each thereof as relate to examination of applicants and registration of licenses, to the end that such examinations and registrations shall be fair and impartial." Unlike some of the other states, Colorado's Division of Registrations consists of a collection of 23 fairly autonomous boards and commissions whose activities are financed largely from examination and license fees.

The committee is exploring the possibility of effecting economies and more efficient operation within the Division of Registrations perhaps, for example, through staff consolidation and the use of a central or coordinated inspection program. The committee will therefore continue its examination of the Division of Registrations and expects to submit a final report thereon next year.

Appointive Positions of the Governor

Section 13 of Article XII, Colorado Constitution, includes the various positions exempt from the classified civil service of the state. Among the exempt positions are "the governor's private secretary

and three confidential employees of his office,...one deputy of each elective officer, the position involving the duties incident at present to the position of that deputy of the secretary of state, known as deputy commissioner of labor and the incumbent thereof...." In addition, Section 1 of Article XVI, Colorado Constitution, provides that the Governor shall appoint a commissioner of mines, i.e., a position not under civil service.

Under the law, the General Assembly has designated the three confidential employees of the Governor to be the director of revenue, the director of institutions, and the state purchasing agent, and the commissioner of mines serves as the coordinator of the natural resources division. No statutory provision has been made for the deputy to the Governor nor for the deputy commissioner of labor.

The committee and the Governor have been reviewing jointly various proposals to realign these appointive positions granted the Governor under the constitution in order to provide a better and more effective administrative structure in the executive branch. This effort is continuing and the committee plans to submit a separate report on this matter during the early part of the 1964 session.

Colorado Highway Safety Council

As part of its consideration of the feasibility and advisability of creating a Department of Public Safety in Colorado, the committee conducted a preliminary review of the functions and operations of the Colorado Highway Safety Council.

Future Study Areas

The committee will continue to devote its attention to areas of state government where consolidation of operations will result in more efficient and economical programs. Areas which have been suggested for committee review include the organization and operations of the State Highway Department and the State Department of Education. Another proposal for committee consideration includes the problem of statutory impositions on the Governor's time. The committee intends as well to explore the over-all administrative structure of state government, including a possible revision of the Administrative Code of 1941, and the need for standardized terminology in describing units of state government in Colorado.

APPENDIX A

SENATE CONCURRENT RESOLUTION NO.

SUBMITTING TO THE QUALIFIED ELECTORS OF THE STATE OF COLORADO AN AMENDMENT TO ARTICLES IV AND V OF THE CONSTITUTION OF THE STATE OF COLORADO, PROVIDING FOR A STATE AUDITOR UNDER THE LEGISLATIVE DEPARTMENT TO REPLACE THE AUDITOR OF STATE UNDER THE EXECUTIVE DEPARTMENT.

Be It Resolved by the Senate of the Forty-fourth General Assembly of the State of Colorado, the House of Representatives concurring herein:

SECTION 1. At the next general election for members of the general assembly, there shall be submitted to the qualified electors of the state of Colorado, for their approval or rejection, the following amendment to the constitution of the state of Colorado, to-wit:

Sections 1, 4, 6, and 21, of article IV of the constitution of the state of Colorado are hereby amended to read:

Section 1. The executive department shall ~~consist-of-a~~ INCLUDE THE governor, lieutenant governor, secretary of state, ~~auditor-of state;~~ state treasurer, and attorney general, each of whom shall hold his office for the term of four years, commencing on the second Tuesday of January in the year 1959 1967, and each fourth year thereafter. ~~During-their-terms-of-office;-the-officers-of-the-executive-department; except-the-lieutenant-governor;-shall-reside-at-the-seat-of-government; where-they-shall-keep-the-public-records-books;-and-papers.~~ They shall perform such duties as are prescribed by this constitution or by law.

Section 4. No person shall be eligible to the office of governor OR lieutenant governor; ~~or superintendent of public instruction~~ unless he shall have attained the age of thirty years, nor to the office of ~~auditor of state~~; secretary of state or state treasurer unless he shall have attained the age of twenty-five years, nor to the office of attorney general unless he shall have attained the age of twenty-five years and be a licensed attorney of the supreme court of the state ~~or of the territory of Colorado~~ in good standing, At ~~the first election under this constitution any person being a qualified elector at the time of the adoption of this constitution; and having the qualifications above herein prescribed for any one of said offices shall be eligible thereto; but thereafter~~ AND no person shall be eligible to any of said offices unless, in addition to the qualifications above prescribed therefor, he shall be a citizen of the United States, and have resided within the limits of the state two years next preceding his election.

Section 6. The governor shall nominate, and by and with the consent of the senate, appoint all officers whose offices are established by this constitution, or which may be created by law, and whose appointment or election is not otherwise provided for, and may remove any such officer for incompetency, neglect of duty, or malfeasance in office. If during the recess of the senate a vacancy occur in any such office, the governor shall appoint some fit person to discharge the duties thereof until the next meeting of the senate when he shall nominate some person to fill such office. If the office of ~~auditor of state~~; state treasurer, secretary of state, OR attorney general ~~or superintendent of public instruction~~ shall be vacated by death, resignation, or otherwise, it shall be the duty of the governor to fill the same by appointment, and the appointee shall hold his

office until his successor shall be elected and qualified in such manner as may be provided by law. The senate in deliberating upon executive nominations may sit with closed doors, but in acting upon nominations they shall sit with open doors, and the vote shall be taken by ayes and noes, which shall be entered upon the journal.

Section 21. ~~Neither the state treasurer nor state auditor shall be eligible for re-election as his own immediate successor.~~ THE AUDITOR OF STATE ELECTED AT THE GENERAL ELECTION IN 1962 SHALL HOLD HIS OFFICE UNTIL THE SECOND TUESDAY OF JANUARY OF 1967. IN CASE OF A VACANCY IN THE OFFICE PRIOR TO SAID DATE, SUCH VACANCY SHALL BE FILLED BY THE GOVERNOR. THE PROVISIONS OF THIS AMENDMENT SHALL NOT AFFECT THE POWERS AND DUTIES OF SUCH AUDITOR OF STATE DURING HIS TERM OF OFFICE, BUT THEREAFTER SUCH POWERS AND DUTIES AS PRESCRIBED BY THIS CONSTITUTION AND BY STATUTE LAW, AND NOT BY THIS AMENDMENT SPECIFICALLY TRANSFERRED TO OTHER STATE OFFICERS, SHALL DEVOLVE UPON SUCH STATE OFFICERS AS THE GENERAL ASSEMBLY MAY PRESCRIBE.

Article V of the constitution of the state of Colorado is hereby amended BY THE ADDITION OF A NEW SECTION 49 to read:

Section 49. The general assembly, by a majority vote of the members elected to and serving in each house, shall appoint, without regard to political affiliation, a state auditor, who shall be a certified public accountant licensed to practice in this state, to serve for a term of five years and until his successor is appointed and qualified. He shall be ineligible for appointment as state auditor for more than two consecutive terms, or for appointment or election to any other public office in this state from which compensation is derived while serving as state auditor and for two years following the termination of his services as such state auditor. He may be removed

for cause at any time by a two-thirds vote of the members elected to and serving in each house. It shall be his duty to conduct post audits of all financial transactions and accounts kept by or for all departments, offices, agencies, and institutions of the state government, including educational institutions notwithstanding the provisions of section 14 of article IX of this constitution, and to perform similar or related duties with respect to such political subdivisions of the state as shall from time to time be required of him by law.

Not more than one-third of the members of the staff of the state auditor shall be exempt from the classified civil service.

SECTION 2. Each elector voting at said election and desirous of voting for or against the said amendment shall cast his vote as provided by law either "Yes" or "No" on the proposition: "An amendment to articles IV and V of the constitution of the state of Colorado, providing for a state auditor under the legislative department to replace the auditor of state under the executive department."

SECTION 3. The votes cast for the adoption or rejection of said amendment shall be canvassed and the result determined in the manner provided by law for the canvassing of votes for representatives in Congress, and if a majority of the electors voting on the question shall have voted "Yes", the said amendment shall become a part of the state constitution.

APPENDIX B

A BILL FOR AN ACT

CONCERNING OLD AGE PENSIONS PAID OR GRANTED TO RECIPIENTS IN STATE INSTITUTIONS, AND PROVIDING FOR THE SIMPLIFICATION OF PAYMENT PROCEDURES COVERING CERTAIN SUCH PENSIONS.

Be It Enacted by the General Assembly of the State of Colorado:

SECTION 1. 101-1-5, Colorado Revised Statutes 1953, is hereby REPEALED AND RE-ENACTED, WITH AMENDMENTS, to read:

101-1-5. Pensions for residents and inmates of state institutions. (1) (a) Pensions shall be granted under this article to any person who is now or may hereafter be a resident of the Monte Vista Golden Age Center, and who:

(i) Has attained the age of sixty years and has not reached the age of sixty-five years, and has resided in this state continuously thirty-five years immediately preceding the date of application, and who otherwise qualifies under subsections (1)(d), (e), and (f) of section 101-1-4.

(ii) Has attained the age of sixty-five years or more, and has resided in the state for at least five years within the nine years immediately preceding the date of application, and who otherwise qualifies under subsections (1) (d), (e), and (f) of section 101-1-4.

(b) Upon the filing of an affidavit with the state department by any applicant under paragraph (a) (i) of this subsection that he is unable to furnish documentary proof of residence for any number of years, such residence may be proved for those years by other competent evidence.

(c) The investigation of applications, the granting of pensions, and all other provisions of this article shall be applicable to the class of pensions created by this subsection.

(d) Any resident of said home receiving a pension on the effective date of this act shall continue to receive such pension so long as he continues to be a resident of the home and qualifies under subsections (1) (d), (e), and (f) of section 101-1-4.

(2) (a) Pensions shall continue to be given under this article to any person who is, on the effective date of this act, an inmate of the Colorado state hospital or the state home and training schools at Ridge and Grand Junction, provided that such person qualified for and was granted and receiving a pension on July 1, 1964, under laws in effect prior to said date; and such pension shall continue in force so long as the recipient continues to be an inmate and qualifies under subsections (1) (d), (e), and (f) of section 101-1-4. The pension granted to each such inmate shall be paid to the chief financial officer of the institution within which the inmate is confined. Such officer shall receive and disburse all such pensions as trustee for such inmates, and shall account for the same to the state controller in the manner now prescribed by law for the handling and accounting of trust or quasi-trust funds.

(b) It shall be the duty of such chief financial officer to pay monthly from such pensions, as prior claim therefrom, all lawful claims of the institution within which the inmates are confined, for the care, support, maintenance, education, and treatment of such inmates in accordance with sections 71-1-16 and 71-1-17.

SECTION 2. 101-1-10, Colorado Revised Statutes 1953 (1960 Perm. Supp.), is hereby amended to read:

101-1-10. Granting of pensions. Upon the completion of such investigation, the county department, under rules and regulations of the state ~~department~~ BOARD OF PUBLIC WELFARE, shall decide whether the applicant is eligible for a pension, and determine the amount of such pension and the date upon which such pension shall begin. In determining the amount of such pension, due account shall be taken of any income or property of the applicant and any support which he may receive from other sources. The county department shall make an award which shall be binding upon the county and be complied with by the county until such award is modified or vacated. The county department shall also notify the applicant of its decision in writing. Such pension shall be paid monthly to or on behalf of the applicant upon order of the county department ~~from funds appropriated to the county departments for this purpose.~~ IN ACCORDANCE WITH RULES AND REGULATIONS OF THE STATE BOARD OF PUBLIC WELFARE. Payments to vendors for medical care in behalf of old age pension recipients, in accordance with the constitution of the state of Colorado, and the provisions of this article, shall be made pursuant to rules and regulations of the state board of public welfare.

SECTION 3. Effective date. This act shall take effect July 1, 1964.

SECTION 4. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

APPENDIX C

A BILL FOR AN ACT

AUTHORIZING THE ESTABLISHMENT OF A MANAGEMENT IMPROVEMENT SUGGESTION SYSTEM IN THE EXECUTIVE BRANCH OF THE STATE GOVERNMENT, CREATING A BOARD OF CONTROL AND DEFINING THE RESPONSIBILITIES THEREOF.

Be It Enacted by the Forty-fourth General Assembly:

SECTION 1. Chapter 3, Colorado Revised Statutes 1953, as amended, is hereby amended by the ADDITION OF A NEW ARTICLE 20 to read:

Article 20

Management Improvement Suggestion System

3-20-1. Management Improvement suggestion system--policy.

It shall be a policy of the state to encourage state employees to develop new ideas for improving the economy and efficiency of state government; to purchase such ideas from employees; and to implement such ideas in the functioning of government. Toward these ends, a program to be known as the "Management Improvement Suggestion System" is hereby established. The program will be under the direction and supervision of a board reporting directly to the governor.

3-20-2. Board organization--meetings. (1) The board shall be composed of seven members, all from the executive branch of state government. No state agency shall be represented on the board at any time by more than one member.

(2) There shall be three ex officio and four rotating members of the board. The three ex officio members shall be the state controller, the state purchasing agent, and the state personnel director, or such alternates as each may designate from his agency. The controller, or his designee, shall be the chairman of the board.

The governor shall appoint the four rotating members for terms of two years each, except that of the first appointments, which shall be made on or before July 1, 1964, for terms commencing on said date, two shall be made for one year only. Thereafter, two members shall be appointed each July 1. Interim vacancies shall be filled by the governor for unexpired terms.

(3) The board shall meet at least twice annually, and at such other times as the chairman shall set. A quorum shall consist of four members, two of whom shall be permanent members and two of whom shall be appointive members.

3-20-3. Authority and responsibility of the board--purchase of suggestions--report. (1) The board shall have the following responsibilities, and such authority as may be necessary to fulfill them:

(a) Promulgation of rules and regulations for the conduct of the program, subject to the approval of the governor;

(b) Evaluation of all suggestions which have been submitted, in accordance with screening and eligibility procedures established by the board;

(c) Approval and purchase, as prescribed in subsection (2) of this section, of those suggestions which will produce economies or improvements in the operations of the executive branch; and

(d) Assistance to the agencies in the implementation of such ideas as are recommended by the board for use.

(2)(a) It shall be a condition of eligibility for the program herein established that all suggestions submitted, whether approved or not, become the property of the state.

(b) The board shall make an initial payment for each approved suggestion, in the form either of a "Certificate of Honor" or a sum

of money not to exceed one hundred dollars. The initial payment made by the board shall become the final payment upon the receipt of the board's annual report by the general assembly, except in those cases where the general assembly itself elects to establish a greater payment for such of those ideas which have proved in practice to be of outstanding value.

(3) The board shall prepare and transmit annually, in the form and manner prescribed by the controller pursuant to the provisions of section 3-3-17, a report accounting to the governor and the general assembly for the efficient discharge of all responsibilities assigned by law or directive to the board. The report shall include recommendations of the board as to any approved suggestions which, after trial, have proven to be of such outstanding value that they are deemed by the board to be worthy of further consideration by the general assembly

3-20-4. Expenses--cooperation of agencies. (1) Members of the board shall be paid no extra compensation for their service but shall receive reasonable and necessary travel expenses.

(2) Office space, equipment, and the services of clerical and research staff shall be supplied to the board by the division of accounts and control. Informational services and supervision of the personnel aspects of the program shall be supplied by the civil service commission.

(3) All expenditures of the board, including initial payments for suggestions, supplies, travel expenses, publicity and publications, shall be paid on vouchers approved by the chairman of the board, out of appropriations made for the management improvement suggestion system program. The account of the board shall be charged pro rata for the personnel services supplied by the division of accounts and control.

3-20-5. Eligibility for participation. (1) All state officers and employees of the executive branch are eligible to participate in the program except:

(a) Members of the board and employees assigned to assist the board;

(b) Staff members of the management analysis office and of the budget office in the division of accounts and control;

(2) The board shall not consider for payment suggestions of any officers or employees for improvements in operations which are determined by the board to be wholly under the control and authority of the person making the suggestion.

SECTION 2. Effective date. This act shall take effect on July 1, 1964.

SECTION 3. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

APPENDIX D

A BILL FOR AN ACT

REPEALING ARTICLE 3 OF CHAPTER 133, COLORADO REVISED STATUTES 1953
(1960 PERM. SUPP.), PROVIDING FOR THE STATE BUILDING AUTHORITY.

Be It Enacted by the General Assembly of the State of Colorado:

SECTION 1. Repeal. Article 3 of chapter 133, Colorado Revised Statutes 1953 (1960 Perm. Supp.), is hereby repealed.

SECTION 2. Safety clause. The general assembly hereby finds, determines and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.