

JOINT BUDGET COMMITTEE



SUPPLEMENTAL BUDGET REQUESTS FY 2022-23

DEPARTMENT OF EARLY CHILDHOOD

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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CONTENTS

Department Overview	1
Summary: FY 202223 Appropriation and Recommendation.....	1
Request/Recommendation Descriptions	2
Major Differences from the Request	2
Prioritized Supplemental Requests.....	3
S1 Universal Preschool Payment Processing	3
Department Request.....	3
Staff Recommendation	4
S2 Early Intervention & workforce support	4
Department Request.....	5
Staff Recommendation	6
S3 Transition Dept of Early Childhood.....	9
Department Request.....	9
Staff Recommendation	11
Staff-initiated Supplemental Requests.....	13
Staff-initiated – Data Systems to Support the Universal Preschool Program.....	13
Department Request.....	13
Staff Recommendation	13
Appendix A: Numbers Pages.....	A-1

DEPARTMENT EARLY CHILDHOOD

DEPARTMENT OVERVIEW

The Department of Early Childhood is responsible for supporting the care, education, and well-being of young children. The primary programs operated by the Department include:

- **Universal Preschool Program** – Provides preschool to all children in the year before eligibility for kindergarten of at least 10 hours, to children with disabilities, and to other populations and for additional hours as funding allows according to a statutory prioritization of services.
- **Colorado Child Care Assistance Program (CCCAP)** – Provides assistance with child care expenses for low-income families.
- **Early intervention services** – Provides therapies for children at risk of intellectual and developmental delays.
- **Regulating early childhood service providers** – Includes licensing and monitoring child care facilities.

In addition, the Office operates many smaller programs that provide services to young children and their families, such as programs that work through physician offices to connect families with specialists who provide education and support for new parents, or programs that help parents prepare children to succeed in school. In its policy setting role, the Department helps to provide strategic guidance for, and to connect families with, complimentary programs throughout the state, such as nutrition assistance, income assistance, behavioral health, and school-based services.

SUMMARY: FY 202223 APPROPRIATION AND RECOMMENDATION

DEPARTMENT OF EARLY CHILDHOOD: RECOMMENDED CHANGES FOR FY 2022-23						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
HB 22-1329 (Long Bill)	\$8,192,473	\$6,335,548	\$685,539	\$0	\$1,171,386	30.6
Other Legislation	530,489,686	106,068,806	107,940,631	11,899,077	304,581,172	177.4
CURRENT FY 2022-23 APPROPRIATION:	\$538,682,159	\$112,404,354	\$108,626,170	\$11,899,077	\$305,752,558	208.0
RECOMMENDED CHANGES						
Current FY 2022-23 Appropriation	\$538,682,159	112,404,354	\$108,626,170	\$11,899,077	\$305,752,558	208.0
S1 Universal preschool payment processing	250,000	250,000	0	0	0	0.0
S2 Early Intervention & workforce support	(1,580,144)	(1,884,480)	73,500	230,836	0	0.0
S3 Transition Dept of Early Childhood	0	0	0	0	0	0.0
Staff-initiated – Data systems to support the universal preschool program	0	0	0	0	0	0.0
Statewide S2 ARPA funding roll-forward	0	0	0	0	0	0.0
RECOMMENDED FY 2022-23 APPROPRIATION:	\$537,352,015	\$110,769,874	\$108,699,670	\$12,129,913	\$305,752,558	208.0
RECOMMENDED INCREASE/(DECREASE)	(\$1,330,144)	(\$1,634,480)	\$73,500	\$230,836	\$0	0.0
Percentage Change	(0.2%)	(1.5%)	0.1%	1.9%	0.0%	0.0%

DEPARTMENT OF EARLY CHILDHOOD: RECOMMENDED CHANGES FOR FY 2022-23						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 EXECUTIVE REQUEST	\$538,150,305	\$111,727,312	\$108,632,870	\$11,903,545	\$305,886,578	210.2
Request Above/(Below) Recommendation	\$798,290	\$957,438	(\$66,800)	(\$226,368)	\$134,020	2.2

REQUEST/RECOMMENDATION DESCRIPTIONS

S1 UNIVERSAL PRESCHOOL PAYMENT PROCESSING: Staff recommends the requested \$250,000 General Fund for one-time set up costs for a vendor who will process and distribute payments to preschool providers.

S2 EARLY INTERVENTION & WORKFORCE SUPPORT: Staff recommends a net reduction for the Early Intervention program of \$1,349,308 total funds, including a reduction of \$1,782,681 General Fund, in FY 2022-23 based on a delay in expanding the eligibility criteria, increases in service utilization per child, a smaller expansion of eligibility criteria than assumed in the appropriation, and a proposed investment in the early intervention workforce. The funding required increases to \$5.5 million total funds, including \$2.9 million General Fund, by FY 2024-25. The recommendation is consistent with the policy changes requested by the Department, but there are significant technical differences in the calculation of costs.

S3 TRANSITION DEPT OF EARLY CHILDHOOD: Staff does not recommend the requested \$873,365 total funds, including \$728,178 General Fund, and 2.2 FTE in FY 2022-23 for administrative functions of the Department of Early Childhood. The request annualizes to \$561,258 total funds, including \$443,450 General Fund, and 14.7 FTE in FY 2023-24.

STAFF-INITIATED -- DATA SYSTEMS TO SUPPORT THE UNIVERSAL PRESCHOOL PROGRAM: Staff recommends transferring an additional \$499,500 from the General Fund to the Information Technology Capital Account of the Capital Construction Fund to correct a drafting error and ensure there is sufficient money to support the appropriation from the Information Technology Capital Account for Data Systems to Support the Universal Preschool Program.

STATEWIDE S2 ARPA FUNDING ROLL-FORWARD (S.B. 22-213 AND H.B. 22-1369): OSPB submitted a statewide supplemental requesting the extension of spending authority provided in seven different American Rescue Plan Act (ARPA) funded bills across multiple departments. The portions related to the Department of Early Childhood seek an extension of spending authority of \$1.0 million provided by S.B. 22-113 and \$2.0 million provided by H.B. 22-1369. The Department requests the current expiration of the appropriation clauses be extended from December 31, 2024, through December 31, 2026. Staff has determined that it would be more appropriate to evaluate this request during the Figure Setting process as it does not impact FY 2022-23 and the Committee will receive a briefing on ARPA-related issues in early February.

MAJOR DIFFERENCES FROM THE REQUEST

The JBC staff is not recommending *S3 Transition to Dept of Early Childhood* and the JBC staff has a different estimate of the costs associated with *S2 Early Intervention*.

PRIORITIZED SUPPLEMENTAL REQUESTS

S1 UNIVERSAL PRESCHOOL PAYMENT PROCESSING

	REQUEST	RECOMMENDATION
TOTAL	\$250,000	\$250,000
FTE	0.0	0.0
General Fund	250,000	250,000

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of a technical error in calculating the original appropriation.

DEPARTMENT REQUEST

The Department requests \$250,000 General Fund for one-time set up costs for a vendor who will process and distribute payments to preschool providers. Beginning in FY 2023-24, the Department anticipates contract expenses for the vendor of approximately \$1.0 million annually, but the Department is not asking for additional spending authority in FY 2023-24. Instead, the Department says it will take the money from the \$325.0 million already requested from the Preschool Programs Cash Fund in *R1 Universal preschool program*. The result would be less of the \$325.0 million available for distribution to providers. There is not sufficient money in the Preschool Programs Cash Fund to support the requested expenditure in FY 2022-23, because the statutes do not direct significant money to the Preschool Programs Cash Fund until FY 2023-24.

The requested funding is due to an oversight by the Department. The Department did not anticipate the need to pay one-time set up costs for a vendor in FY 2022-23 when preparing the fiscal estimate for H.B. 22-1295, which set up the Department and the universal preschool program. The Legislative Council Staff Fiscal Note for H.B. 22-1295 assumed administrative costs for universal preschool would come from the new 10.0 FTE provided in the FY 2022-23 Long Bill, 4.0 FTE transferred from the Department of Education, and funding for IT systems provided in the FY 2022-23 Long Bill and H.B. 22-1197. The funding for IT systems included \$3.5 million General Fund in H.B. 22-1197 specifically for data systems to support the universal preschool system and \$1,928,391 General Fund in the Long Bill for new functions of the Department of Early Childhood.

The contractor will:

- Collect tax and banking information from providers and enter it into the payment system
- Take provider enrollment data from the universal preschool system and create payment files
- Calculate the payments for each provider based on enrollment, service level, and location
- Enter Automated Clearing House (ACH) transaction information and issue electronic payments
- Respond to payment questions, resolve banking errors, and provide payment confirmation
- Issue 1099s to providers at year end for federal tax reporting

To make the first payments to preschool providers that are due in August the Department says that it needs to procure a vendor in FY 2022-23 and give that vendor time to enter the tax and banking information for each provider.

STAFF RECOMMENDATION

Staff recommends the requested \$250,000 General Fund for FY 2022-23. The JBC can wait to make a decision about how to handle the on-going expenditures in FY 2023-24 and beyond until figure setting, including the appropriate source of funds (General Fund versus Preschool Programs Cash Fund) and whether this should come off the top of money that would otherwise go to providers.

These costs for distributing payments should have been included in the Fiscal Note for H.B. 22-1295. Not including the costs was an error by the Department and the error was not identified by either Legislative Council Staff or the JBC staff due to a mistaken assumption that these costs were included in other requested and approved administrative funds.

Distributing funds to providers is a big part of the daily function of state government and so the JBC staff asked why the Department is proposing to contract for this financial service instead of performing the work in house. The Department says it is not feasible in the time available to set up the necessary infrastructure to make the payments in house. However, the Department is open to doing a cost benefit analysis on the best method for making payments in FY 2024-25.

The Department does not know how often other state agencies, other government entities, and non-public entities use this type of contract financial services to make payments. The Department has used similar contract financial services to distribute federal stimulus funds and in the past it used contract financial services to distribute quality improvement grants to child care providers. The Department of Human Services uses a contract vendor to distribute Low-income Energy Assistance Program (LEAP) payments.

The requested funding is based on the Department's experience with the similar contracts noted above. The actual contract award will depend on the outcome of the competitive bid process.

S2 EARLY INTERVENTION & WORKFORCE SUPPORT

	REQUEST	RECOMMENDATION ¹
TOTAL	(\$1,655,219)	(\$1,349,308)
General Fund	(1,655,219)	(1,782,681)
Cash Funds	0	73,500
Reappropriated Funds	0	230,836
Federal Funds	0	129,037

¹ This total includes changes to the Department of Health Care Policy and Financing, and so it will not match totals in the numbers pages for only the Department of Early Childhood.

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	

Explanation: JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made related to the timeline for developing the eligibility rule, increased service utilization, a smaller eligibility expansion than anticipated, and workforce shortages.

DEPARTMENT REQUEST

The Department requests a net reduction for the Early Intervention program of \$1,655,219 General Fund in FY 2022-23 based on a delay in expanding the eligibility criteria, increases in service utilization per child, a smaller expansion of eligibility criteria than assumed in the appropriation, and a proposed investment in the early intervention workforce.

BACKGROUND

The Early Intervention program provides therapies to children birth through two years of age with a developmental delay or disability diagnosis, certain risk factors for developmental delays, or a parent or caretaker who has a developmental disability. The intervention services are designed to enhance child development in 15 allowable areas of service that include cognition, speech, communication, physical development, motor development, vision, hearing, social and emotional development, and self-help skills. Research suggests the services are effective in reducing developmental delays and preparing children for success in school. To maintain eligibility for certain federal grants under the federal Individuals with Disabilities Education Act (IDEA), the state must provide these services to all eligible infants and toddlers whose families seek them. However, there is some room while still meeting the federal requirements for the Department to adjust the eligibility criteria and the scope of services in order to stay within the appropriation.

In FY 2020-21 and then again in FY 2021-22 the General Assembly reduced funding for the program in response to both declining revenues and enrollment during the pandemic. To keep projected expenditures within the appropriation, in FY 2020-21 the Department adopted rules reducing eligibility to children demonstrating a 33 percent delay rather than a 25 percent delay in development. The Department expected this policy change to reduce enrollment by 2,200, but the actual impact is difficult to identify and confirm separate from pandemic-related influences on enrollment. In FY 2022-23 the General Assembly added \$8,673,412 General Fund with the intent of returning eligibility to the pre-pandemic levels.

UNIMPLEMENTED ELIGIBILITY EXPANSION

The FY 2022-23 appropriation assumed the Department would restore the pre-pandemic eligibility criteria effective July 1, 2022. Due to the time required for stakeholder engagement, rulemaking, and federal approval the Department did not expand eligibility until January 1, 2023.

INCREASED SERVICE UTILIZATION

The Department is seeing a 7.9 percent increase in average hours of direct services utilized per child in the Early Intervention program. Pursuant to federal guidance, the Department must make all the services the state decides to cover available to eligible families and then families decide what to utilize with the advice of the case manager and service team. Some of the increases in utilization the program is experiencing might be attributable to higher acuity due to the more restrictive eligibility criteria and/or to the impacts on healthy child development of COVID and the associated family stress and isolation. To the extent these are drivers of the increase in utilization, then utilization may return to previous levels over time. The increase in utilization causes an increase in cost for the program that needs to be funded.

The Department estimates the increase in utilization translates to a 3.2 percent increase in the average cost per child from \$8,023 to \$8,282, or a \$259 increase per child. Only the direct services components of the average cost per child are impacted by the increase in utilization and other components are

unaffected. The increase in the average cost per child is not a rate increase per unit of service but a reflection of additional units of service consumed.

SMALLER ELIGIBILITY EXPANSION

Based on stakeholder feedback, the Department arrived at a rule with a smaller increase in eligibility than assumed in the appropriation. The new rule maintains eligibility for children with a 33 percent delay in one area and adds eligibility for children with a 25 percent delay in two areas (rather than one). The Department estimates this partial restoration of eligibility will add eligibility for 884 children versus the 2,200 children assumed in the FY 2022-23 appropriation. According to the Department, the rule is informed by the concerns of stakeholders that the providers cannot absorb 2,200 additional children due to workforce shortages.

If providers cannot offer all covered services to all children deemed eligible, then it becomes problematic for the state to maintain eligibility for certain federal grants under the federal Individuals with Disabilities Education Act (IDEA). Waitlists are prohibited in the federal guidance because the whole purpose of Early Intervention is to reach children in a narrow developmental window when research shows that services are particularly effective and impactful and in a time gap between when needs are identified and when education-based services become available. To prevent promising services that providers might not be able to deliver, the Department choose more restrictive eligibility criteria.

INVESTMENT IN WORKFORCE

The Department proposes using \$4.0 million General Fund in FY 2022-23 and \$3.5 million General Fund in FY 2023-24 and on-going for workforce strategies to help address the severe shortages identified by providers as a barrier to full restoration of the pre-pandemic eligibility criteria. The Department says it will convene a stakeholder group to determine the strategies and draw on lessons learned about what works from recent similar efforts involving the child care workforce that were funded with federal stimulus money. The Department indicated that strategies used in the current year might include retention bonuses. Strategies going forward might include rate increases and/or education incentives.

STAFF RECOMMENDATION

Staff recommends a reduction of \$1.3 million total funds, including a reduction \$1.8 million General Fund in FY 2022-23.

Staff found a number of concerns with the Department's method for estimating the cost of the eligibility expansion. For example, the Department requested funding for additional eligible children beginning in January 2023 and assumed the children would remain eligible for an average of 12 months, but then the Department failed to request additional funding in FY 2023-24 for the remaining months of service before the children cycled off the program. As another example, the request describes the average monthly enrollment as 8,646 and uses this to calculate the cost of the increased service utilization. However, supplementary documentation submitted by the Department shows the calculation of the cost per child used an average monthly enrollment of 7,509. The difference of 1,137 children is most likely due to measurements of different time periods, such as fiscal year versus calendar year vs year-to-date vs point-in-time. However, the data is not labeled in the request or the supplementary documentation, so the JBC staff is uncertain. If the average monthly enrollment is

8,646, then the cost per child should have been lower. If the average monthly enrollment is 7,509, then the increase in the cost per child should have been multiplied by a smaller enrollment.

The JBC staff recommendation attempts to correct the logic inconsistencies in the request, but the JBC staff's confidence in the resulting revised forecast is still low. Many of the calculations rely on assumptions from the Department that the JBC staff cannot verify. Furthermore, it is possible that the JBC staff did not fully understand some of the assumptions and misapplied them. This is the best estimate the JBC staff could prepare in the time available. It is possible that with additional time before figure setting the JBC staff might get new information from the Department that would cause a revision to the out-year cost estimates.

This is an area of the budget where the Department could benefit from more development, standardization, and documentation of their methodology for forecasting costs. Hopefully, the additional budget and fiscal resources that have been appropriated and requested will afford the Department the necessary staff time to refine their forecast method. The stakes feel higher for the Early Intervention program because the policy goal is to serve all eligible children and then figure out the necessary funds, in contrast to most of the Department's programs that start with a budgeted amount and then figure out how many children can be served. The General Assembly expects periodic (not necessarily every year) adjustments to the funding for Early Intervention based on caseload and utilization. A reliable and repeatable method for estimating these costs that could be measured and refined over time to improve accuracy would be ideal.

The table below summarizes the staff recommendation by fiscal year.

S2/BA2/R4 Early Intervention					
	Total Funds	General Fund	CF - Private Insurance	RF - Medicaid	Federal Funds
FY 2022-23					
Early Childhood					
Unimplemented eligibility expansion	(\$8,673,412)	(\$8,673,412)	\$0	\$0	\$0
Increased service utilization	1,944,831	1,944,831	0	0	0
Smaller eligibility expansion	1,148,437	844,101	73,500	230,836	0
Investment in workforce	<u>4,000,000</u>	<u>4,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Early Childhood	(\$1,580,144)	(\$1,884,480)	\$73,500	\$230,836	\$0
Health Care Policy and Financing					
Transfer to Early Childhood	\$230,836	\$101,799	\$0	\$0	\$129,037
FY 22-23 TOTAL - All Departments	(\$1,349,308)	(\$1,782,681)	\$73,500	\$230,836	\$129,037
FY 2023-24					
Early Childhood					
Unimplemented eligibility expansion	(\$8,673,412)	(\$8,673,412)	\$0	\$0	\$0
Increased service utilization	1,944,831	1,944,831	0	0	0
Smaller eligibility expansion	6,617,318	4,863,729	423,508	1,330,081	0
Investment in workforce	<u>3,500,000</u>	<u>3,500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Early Childhood	\$3,388,737	\$1,635,148	\$423,508	\$1,330,081	\$0
Health Care Policy and Financing					
Transfer to Early Childhood	\$1,330,081	\$651,740	\$0	\$0	\$678,341
FY 23-24 TOTAL - All Departments	\$4,718,818	\$2,286,888	\$423,508	\$1,330,081	\$678,341
FY 2024-25					
Early Childhood					
Unimplemented eligibility expansion	(\$8,673,412)	(\$8,673,412)	\$0	\$0	\$0
Increased service utilization	1,944,831	1,944,831	0	0	0

S2/BA2/R4 Early Intervention					
	Total Funds	General Fund	CF - Private Insurance	RF - Medicaid	Federal Funds
Smaller eligibility expansion	7,321,288	5,381,147	468,562	1,471,579	0
Investment in workforce	<u>3,500,000</u>	<u>3,500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Early Childhood	\$4,092,707	\$2,152,566	\$468,562	\$1,471,579	\$0
Health Care Policy and Financing					
Transfer to Early Childhood	\$1,471,579	\$735,790	\$0	\$0	\$735,789
FY 24-25 TOTAL - All Departments	\$5,564,286	\$2,888,356	\$468,562	\$1,471,579	\$735,789

UNIMPLEMENTED ELIGIBILITY EXPANSION

This adjustment removes the amount that was appropriated by the General Assembly to restore eligibility to the pre-pandemic levels. Last year the JBC staff had similar issues to those described above with trying to figure out the Department's forecast of the cost for additional children. Ultimately, the amount recommended by the JBC staff and approved by the General Assembly was based on what was cut during the pandemic, with the assumption that restoring the funds that were cut would be sufficient to restore eligibility. This methodology didn't account for any potential changes in cost per child since the original eligibility criteria was in place.

It is worth noting that the purported savings of \$8.7 from not implementing the eligibility expansion intended by the General Assembly to serve an estimated 2,200 children is barely more than the current fully annualized estimated cost of \$7.3 million to serve 884 children. This is true in both the revised staff estimate and the Department's original request for serving the 884 children. The Department has not provided a satisfactory explanation for why. The request talks generically about increased costs for salaries, benefits, and operating inflation. It also mentions Developmental Intervention services that are considered educational rather than medical and therefore not covered by Medicaid and a decline in the percentage of children covered by private insurance. However, the request does not quantify the contributions of these factors and does not appear to account for them in forecasting the cost of serving 884 children, unless these factors are somehow baked into the Department's calculation of the average cost per child in a way that is not transparent to the JBC staff. The only inflationary adjustment explicitly accounted for in the Department's estimate is the increased service utilization per child described below. It could be that the original reductions by the General Assembly during the pandemic did not accurately correspond to the savings associated with the expected reduction in eligibility. Those reductions were based on estimates by the Department that might have been just as flawed as the request this year to serve 884 children.

INCREASED SERVICE UTILIZATION

As described under the Request section, this is an adjustment to account for the 7.9 percent increase in average hours of direct services utilized per child in the Early Intervention program. The staff recommendation is for \$1,944,831 General Fund compared to the Department's request for \$2,239,314 General Fund. The difference is attributable to the JBC staff multiplying the \$259 increase in cost per child by the same estimated average monthly enrollment of 7,509 used by the Department to estimate the cost per child, rather than the average monthly enrollment reported in the request of 8,646.

SMALLER ELIGIBILITY EXPANSION

This is the estimated increase in costs to serve the Department's projected additional projected 884 children as a result of expanding eligibility to children with a 33 percent delay in one functional area

or a 25 percent delay in two or more functional areas. There are several reasons the staff recommendation differs from the request, but primarily due to:

- Including the compounding impact of the increased service utilization when estimating the cost per child
- Including the full 12 months of costs for each cohort of additional children when there are remaining costs in the next fiscal year
- Spreading a portion of the costs to Medicaid and private insurance and using a lower overall estimate of costs covered by these sources based on actuals
- Applying the applicable federal match rate to determine the share of Medicaid costs covered by the General Fund

The Department's estimate of the fully annualized cost was \$4.9 million General Fund compared to the JBC staff's estimate of \$6.1 million.

INVESTMENT IN WORKFORCE

This is the amount the Department requested be reinvested into strategies to bolster the workforce. The JBC staff was at a loss for what to recommend. On the one hand, the General Assembly's original goal was to restore eligibility to the pre-pandemic levels and if workforce shortages are the barrier to accomplishing that goal, then it makes sense to put money into strategies intended to grow the workforce. On the other hand, the Department has not yet presented a coherent plan for how it will spend the money, or any evidence to suggest that the proposed strategies will be effective. In the end, the JBC staff decided to recommend the request by a very narrow margin based on the acuity and urgency of the workforce shortage described by the Department. Another consideration was that approving the request provides some flexible funds in the line item in case the staff estimate of the cost with the new eligibility criteria is not accurate.

S3 TRANSITION DEPT OF EARLY CHILDHOOD

	REQUEST	RECOMMENDATION
TOTAL	\$873,365	\$0
FTE	2.2	0.0
General Fund	728,177	0
Cash Funds	6,700	0
Reappropriated Funds	4,468	0
Federal Funds	134,020	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? NO

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: The JBC staff does not agree with the Department's assertion that this request meets the JBC's supplemental criteria as the result of new data that was not available when the original appropriation was made.

DEPARTMENT REQUEST

The Department requests \$873,365 total funds, including \$728,178 General Fund, and 2.2 FTE in FY 2022-23 for administrative functions of the Department of Early Childhood. The request annualizes to \$561,258 total funds, including \$443,450 General Fund, and 14.7 FTE in FY 2023-24.

S3 Phased Transition Dept of Early Childhood						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23						
Administrative Staff	\$223,365	\$78,178	\$6,701	\$4,467	\$134,019	0.2
Human Resources Information System and Document Management System (HRIS/DM)	650,000	650,000	0	0	0	0.0
Leased Space	0	0	0	0	0	0.0
Interagency Operating Agreement	0	0	0	0	0	0.0
TOTAL - FY 2022-23	\$873,365	\$728,178	\$6,701	\$4,467	\$134,019	0.2
FY 2023-24						
Administrative Staff	\$1,508,810	\$528,084	\$45,264	\$30,176	\$905,286	14.7
Human Resources Information System and Document Management System (HRIS/DM)	150,000	37,500	0	112,500	0	0.0
Leased Space	307,461	107,611	9,224	6,149	184,477	0.0
Interagency Operating Agreement	(1,405,014)	(229,745)	0	(1,175,269)	0	0.0
TOTAL - FY 2023-24	\$561,257	\$443,450	\$54,488	(\$1,026,444)	\$1,089,763	14.7

ADMINISTRATIVE STAFF

The table below summarizes the administrative staff requested in S3. Currently, the Department is receiving administrative support in these functional areas from the Department of Human Services through an interagency operating agreement. The interagency operating agreement was intended to make sure that programs of the Office of Early Childhood continued to receive all necessary administrative support during the transition to the new Department of Early Childhood, and to buy time for the Department of Human Services to identify and separate the portions of centrally provided administrative services associated with the Office of Early Childhood. There is a corresponding reduction in FY 2023-24 in the Department of Human Services of \$1.4 million total funds for the end of the interagency operating agreement.

S3 Requested Positions						
Functional Area	Tasks	Requested Positions	FY 22-23	FY 23-24	FY 24-25	
Contracts and Procurement	Facilitation of solicitations in accordance with Office of State Controller (OSC) policy. Review and processing of contracts and purchase orders in accordance with OSC policy.	Prog Mgmt III Contract Admin IV	0.3	2.0	2.0	
Accounting	Distribution of central/administrative costs. Management of federal Public Assistance Cost Allocation Plan. Vouchering services, including increased needs for UPK payments. Cash management. Vendor payments. Asset management and capital project accounting.	Acct Tech IV Acct Tech III Acct III Acct I	0.5	3.9	4.0	
Budget	Budget development and implementation. Budget analysis, projections and tracking.	Budget Analyst III	0.2	1.0	1.0	
Audit, Compliance and Oversight	Fraud monitoring and investigation. Oversight of subrecipient monitoring plans. Rules Advisory Committee.	Auditor III Prog Mgmt II Proj Mgr I Prog Assistant I	0.3	3.3	4.0	

S3 Requested Positions					
Functional Area	Tasks	Requested Positions	FY 22-23	FY 23-24	FY 24-25
Human Resources	Process personnel actions in HR system. Design and implement employee training program. Administer time and leave system.	HR Spec III Train Spec IV	0.3	2.0	2.0
Business, Innovation, Technology and Security	Oversight and support of business applications. Technology asset management	Program Coord	0.2	0.8	0.8
Legal Compliance	Management of CORA requests. Coordination with Attorney General and legal billing.	Prog Mgmt I	0.2	1.0	1.0
Facility/Emergency Management	Space & lease management. Building operations - mail, access, badges, visitors, work repairs, safety. Management of supplies, surplus. Emergency action planning.	Program Coord	0.2	0.8	0.8
TOTAL			2.2	14.7	15.5

The Department is requesting funding for staff to begin in FY 2022-23 to ensure the new hires are ready at the start of FY 2023-24 when the interagency operating agreement is scheduled to end.

HUMAN RESOURCES INFORMATION SYSTEM AND DOCUMENT MANAGEMENT SYSTEM

The Department requests \$650,000 General Fund in FY 2022-23 for information technology systems to manage human resources and documents related to solicitations, contracts, and purchasing. The FY 2022-23 appropriation included licensing and maintenance costs for the Department to use systems designed the Department of Human Services, but the Department says there was no money for development of new systems for the Department of Early Childhood. The assumption was that the Department could replicate the systems designed for the Department of Human Services at nominal cost. However, on further analysis and advice from the Office of Information Technology, the Department believes programming funds are needed to design systems specifically for the Department of Early Childhood. The Department proposes funding these costs in FY 2022-23 so that the Department can use the new systems for the entirety of FY 2023-24.

LEASED SPACE

For FY 2023-24 the Governor proposes changes to leased space appropriations for the Department of Early Childhood, the Department of Public Health and Environment, and the Office of Information Technology. The Department of Early Childhood is moving into space of the Department of Public Health and Environment and the Office of Information Technology is giving up a private lease and moving into space in the Capitol Complex that will be vacated by the Department of Early Childhood. The amount in the table shows only the impact on the Department of Early Childhood. There are also associated funding adjustments buried in the Capitol Complex Leased Space common policy. The net result is a reduction in square footage and appropriations statewide.

INTERAGENCY OPERATING AGREEMENT

The request includes reductions in FY 2023-24 in both the Department of Early Childhood and the Department of Human Services for the end of the interagency operating agreement that has provided administrative support to the Department of Early Childhood up to this point.

STAFF RECOMMENDATION

Staff does not recommend the request. In H.B. 22-1295 the General Assembly approved an interagency operating agreement between the Department of Human Services and the Department of

Early Childhood to ensure that the Department of Early Childhood received all necessary administrative support during the transition to a new department. The plan is working and the Department of Early Childhood is getting what it needs in the current year. This request is entirely about looking forward to FY 2023-24 and making sure that the Department of Early Childhood is ready when the interagency operating agreement is scheduled to end. However, there is no requirement that the interagency operating agreement end on the first of the fiscal year. If additional transition time is needed to onboard staff or data systems for the new department, the interagency operating agreement could be extended into the first quarter of FY 2023-24 through the regular budget process.

In addition, the JBC staff is concerned about the Department's ability to get the new staff on board in FY 2022-23. The Department has not yet filled all the new positions that were funded at the start of FY 2022-23. Assuming the Department can fill the 15.5 proposed new positions in the last few months between when the supplemental is signed and the end of the fiscal year might be overly optimistic.

The JBC staff is concerned about the Committee having to present to the rest of the General Assembly a "tip of the iceberg" proposal in the supplemental for a mere 2.2 FTE in FY 2022-23 that balloons into 15.5 new positions over time. This is a complex request that deserves more consideration through the regular budget process. It is frustrating that the Department did not submit the request with the November 1 budget submission to allow the JBC time to ask questions about it at the hearing.

With the November 1st regular budget the Governor submitted a related request *R13 Transfer FTE between DEC and DHS* to true up appropriations of staff and resources between the two departments. The two requests together identify the remaining appropriation changes the Department believes are needed to complete the separation of the Department of Early Childhood from the Department of Human Services. The JBC staff recently discovered some inconsistencies and double counts between the two requests that need to be sorted out. The JBC staff plans to present the two requests together at figure setting to provide the JBC a complete picture of all the transfers and how the subtractions of workload and staff from the Department of Human Services align, or don't, with the additions to the Department of Early Childhood.

In addition, for figure setting the JBC staff plans to separate out the leased space changes that are buried in the Capitol Complex Leased Space common policy to better show the statewide net impact of the agency moves.

The JBC discussed the general direction of the recommendation with Department staff. The Department has not taken a position on the recommendation and will need to discuss whatever the JBC decides to do with the Office of State Planning and Budgeting before deciding whether to submit a comeback. However, the strongest concerns expressed by the Department staff seemed to be about the funding for the HRIS/DM system. The Office of Information Technology is already doing preparatory work on the systems in hopes of receiving a supplemental and the Department staff sees value in having the systems in place for the entire fiscal year, for example to prevent the need for cross-referencing two systems when running reports.

STAFF-INITIATED SUPPLEMENTAL REQUESTS

STAFF-INITIATED – DATA SYSTEMS TO SUPPORT THE UNIVERSAL PRESCHOOL PROGRAM

	REQUEST	RECOMMENDATION ¹
TOTAL	\$0	\$0
FTE	0.0	0.0
General Fund	0	0

¹ The recommendation would not change appropriations but it would increase transfers from the General Fund to the Capital Construction Fund by \$499,500.

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff recommends correcting a technical error in calculating the original appropriation

DEPARTMENT REQUEST

The Department did not request the recommended change to General Fund transfers. However, the Department is aware of staff's recommendation and agrees that it corrects a technical error in the original transfer.

STAFF RECOMMENDATION

Staff recommends that the Committee transfer an additional \$499,500 from the General Fund to the Information Technology Capital Account of the Capital Construction Fund to correct a drafting error and ensure there is sufficient money to support the appropriation from the Information Technology Capital Account for Data Systems to Support the Universal Preschool Program.

House Bill 22-1197 included an appropriation of \$3,500,000 from the Information Technology Capital Account of the Capital Construction Fund to the Department of Early Childhood for Data Systems to Support the Universal Preschool Program. This amount was consistent with the Department's request, the staff recommendation, and the JBC's action. However, due to a drafting error, the bill transferred only \$3,000,500 from the General Fund to the Information Technology Capital Account of the Capital Construction Fund to support the appropriation. The too-small transfer from the General Fund to the Capital Construction Fund results in insufficient revenue to the Capital Construction Fund to support the appropriation.

JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
DEPARTMENT OF EARLY CHILDHOOD					
Executive Director, Executive Director					
S1 Universal preschool services and evaluation					
(3) EARLY LEARNING ACCESS AND QUALITY					
Universal Preschool Program	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
General Fund	0	0	250,000	250,000	250,000
Total for S1 Universal preschool services and evaluation	0	0	250,000	250,000	250,000
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	0	0	250,000	250,000	250,000

JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
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S2 Early childhood intervention & workforce support

(4) COMMUNITY AND FAMILY SUPPORT

Early Intervention	0	79,446,457	(1,655,219)	(1,580,144)	77,866,313
General Fund	0	54,770,474	(1,655,219)	(1,884,480)	52,885,994
Cash Funds	0	10,516,016	0	73,500	10,589,516
Reappropriated Funds	0	8,127,382	0	230,836	8,358,218
Federal Funds	0	6,032,585	0	0	6,032,585

Total for S2 Early childhood intervention & workforce support	0	79,446,457	(1,655,219)	(1,580,144)	77,866,313
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	0	54,770,474	(1,655,219)	(1,884,480)	52,885,994
Cash Funds	0	10,516,016	0	73,500	10,589,516
Reappropriated Funds	0	8,127,382	0	230,836	8,358,218
Federal Funds	0	6,032,585	0	0	6,032,585

JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
S3 Phased transition Dept of Early Childhood					
(1) EXECUTIVE DIRECTOR'S OFFICE					
(A) General Administration					
Personal Services	<u>34,713</u>	<u>3,201,419</u>	<u>162,266</u>	<u>0</u>	<u>3,201,419</u>
FTE	0.0	30.4	2.2	0.0	30.4
General Fund	34,713	2,144,852	56,793	0	2,144,852
Cash Funds	0	27,542	4,868	0	27,542
Reappropriated Funds	0	0	3,245	0	0
Federal Funds	0	1,029,025	97,360	0	1,029,025
Health, Life, and Dental	<u>18,000</u>	<u>1,561,561</u>	<u>23,909</u>	<u>0</u>	<u>1,561,561</u>
General Fund	18,000	591,885	8,368	0	591,885
Cash Funds	0	700,872	717	0	700,872
Reappropriated Funds	0	0	478	0	0
Federal Funds	0	268,804	14,346	0	268,804
Short-term Disability	<u>370</u>	<u>11,866</u>	<u>230</u>	<u>0</u>	<u>11,866</u>
General Fund	370	6,509	80	0	6,509
Cash Funds	0	3,817	7	0	3,817
Reappropriated Funds	0	0	5	0	0
Federal Funds	0	1,540	138	0	1,540
S.B. 04-257 Amortization Equalization Disbursement	<u>10,883</u>	<u>336,601</u>	<u>7,183</u>	<u>0</u>	<u>336,601</u>
General Fund	10,883	205,700	2,514	0	205,700
Cash Funds	0	78,515	215	0	78,515
Reappropriated Funds	0	0	144	0	0
Federal Funds	0	52,386	4,310	0	52,386

JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>10,883</u>	<u>336,601</u>	<u>7,183</u>	<u>0</u>	<u>336,601</u>
General Fund	10,883	205,700	2,514	0	205,700
Cash Funds	0	78,515	215	0	78,515
Reappropriated Funds	0	0	144	0	0
Federal Funds	0	52,386	4,310	0	52,386
Operating Expenses	<u>40,435</u>	<u>43,427</u>	<u>22,594</u>	<u>0</u>	<u>43,427</u>
General Fund	40,435	30,442	7,908	0	30,442
Cash Funds	0	405	678	0	405
Reappropriated Funds	0	467	452	0	467
Federal Funds	0	12,113	13,556	0	12,113
(1) EXECUTIVE DIRECTOR'S OFFICE					
(B) Information Technology					
Payments to OIT	<u>0</u>	<u>1,763,376</u>	<u>650,000</u>	<u>0</u>	<u>1,763,376</u>
General Fund	0	39,053	650,000	0	39,053
Reappropriated Funds	0	1,724,323	0	0	1,724,323
Total for S3 Phased transition Dept of Early Childhood					
FTE	<u>0.0</u>	<u>30.4</u>	<u>2.2</u>	<u>0.0</u>	<u>30.4</u>
General Fund	115,284	3,224,141	728,177	0	3,224,141
Cash Funds	0	889,666	6,700	0	889,666
Reappropriated Funds	0	1,724,790	4,468	0	1,724,790
Federal Funds	0	1,416,254	134,020	0	1,416,254

JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
Totals Excluding Pending Items					
EARLY CHILDHOOD					
TOTALS for ALL Departmental line items	115,284	538,682,159	(531,854)	(1,330,144)	537,352,015
<i>FTE</i>	<u>0.0</u>	<u>208.0</u>	<u>2.2</u>	<u>0.0</u>	<u>208.0</u>
General Fund	115,284	112,404,354	(677,042)	(1,634,480)	110,769,874
Cash Funds	0	108,626,170	6,700	73,500	108,699,670
Reappropriated Funds	0	11,899,077	4,468	230,836	12,129,913
Federal Funds	0	305,752,558	134,020	0	305,752,558