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Fiscal Note

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Prime Sponsors: Rep. Jodeh

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Bill Status: House State Affairs
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Bill Topic: TRANSFER REFUGEE SERVICES TO NEW AMERICANS OFFICE

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill transfers the administration of the Colorado Refugee Services Program from the Department of Human Services to the Department of Labor and Employment. The bill increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$962,648 to the Department of Labor and Employment.

Fiscal Note Status: The fiscal note reflects the introduced bill. It is a preliminary assessment and may be updated upon receipt of additional information and further review.

Table 1
State Fiscal Impacts Under HB 23-1283

Table with 5 columns: Category, Budget Year FY 2023-24, Out Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue, Expenditures (General Fund, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

1 Expenditures shown in Table 1 represent the net impact to CDLE and CDHS after transferring the federally funded Refugee Services Program to CDLE, as well as costs related to transferring the program.

## Summary of Legislation

The bill transfers the administration of the Colorado Refugee Services Program from the Department of Human Services (CDHS) to the Colorado Office of New Americans in the Department of Labor and Employment (CDLE), effective October 1, 2024. In preparation of the transfer, the bill requires the CDHS and the CDLE to enter into an interagency agreement by April 1, 2024.

## Background and Assumptions

The Colorado Refugee Services Program is currently housed within the Office of Economic Security at CDHS. The Refugee Services Program is responsible for providing oversight and coordination of public and private resettlement resources in order to support refugees resettling in Colorado. The Refugee Services Program is primarily funded through an array of federal grants from the Office of Refugee Resettlement, which are passed through to nonprofit service providers offering programming for refugee populations resettling in Colorado, including education, English language learning, employment and career pathway opportunities, health care, youth services, and support for the elderly. The FY 2023-24 Long Bill includes \$11 million in appropriations to the Refugee Services Program, of which \$8.2 million is federal funds from the federal Office of Refugee Resettlement and \$2.8 million is federal funds from the Temporary Assistance for Needy Families (TANF) Block Grant. The program is currently allocated 10 FTE.

## Assumptions

The fiscal note assumes the following:

- TANF funding will not transfer to the CDLE and will continue to be administered by the Department of Human Services;
- per the Technical Note below, the bill is assumed to take effect on January 1, 2024, in order for planning and transition activities to be completed before the transfer occurs; and
- ongoing costs for the Refugee Services Program, including administrative and indirect costs, will continue to be paid solely using available federal funding.

## State Expenditures

On net, the bill increases state General Fund expenditures by \$962,648 in FY 2023-24. These first-year costs include planning and computer programming costs in the CDLE. Beginning FY 2024-25, costs are shifted from the CDHS to the CDLE, and include additional General Fund expenditures to refinance administrative expenses in the CDHS that are currently paid using federal funds. Otherwise, direct program costs and related administrative expenses in the CDHS will decrease by \$8.3 million federal funds per year, and increase by a corresponding amount in the CDLE. The overhead costs reflected in the CDLE section indicate CDLE's indirect cost assessment of up to 18.53 percent on federal programs; however, it is not expected that CDLE will require this full amount. Funding transferred in FY 2024-25 is prorated to reflect the October 2024 transfer of the program. Costs are summarized in Table 2 and described below.

**Table 2  
 Expenditures Under HB 23-1283**

	FY 2023-24	FY 2024-25	FY 2025-26
<b>Department of Human Services</b>			
Refugee Services (FF)	-	(\$6,147,800)	(\$8,197,066)
Overhead Cost Refinancing (FF)	-	(\$79,449)	(\$105,932)
Overhead Cost Refinancing (GF)	-	\$79,449	\$105,932
FTE – Refugee Services	-	(7.5 FTE)	(10.0 FTE)
<b>CDHS Subtotal</b>	<b>-</b>	<b>(\$6,147,800)</b>	<b>(\$8,197,066)</b>
<b>Department of Labor &amp; Employment</b>			
Refugee Services (FF)	-	at least \$5,253,732	at least \$7,004,976
Overhead Costs (FF)	-	up to \$973,517	up to \$1,298,022
Computer Programming (GF)	\$812,648	-	-
Transition Planning (GF)	\$150,000	-	-
FTE – Refugee Services	-	7.5 FTE	10.0 FTE
FTE – Overhead	-	1.8 FTE	2.0 FTE
<b>CDLE Subtotal</b>	<b>\$962,648</b>	<b>\$6,227,249</b>	<b>\$8,302,998</b>
<b>Total</b>	<b>\$962,648</b>	<b>\$79,449</b>	<b>\$105,932</b>
<b>Total FTE</b>	<b>-</b>	<b>1.8 FTE</b>	<b>2.0 FTE</b>

**Department of Human Services**

CDHS federal fund expenditures are reduced by \$6.2 million in FY 2024-25, and \$8.3 million in FY 2025-26 from transferring the Refugee Services Program to the CDLE on October 1, 2024. In addition, the share of DHS overhead costs attributable to the Refugee Services Program that are paid using federal funds (about \$106,000 per year) must be refinanced with General Fund as a result of the program transfer. These figures are shown in Table 2 above, resulting in a net decrease in CDHS expenditures of \$6.1 million in FY 2024-25 and \$8.2 million in FY 2025-26 and future years.

**Department of Labor and Employment**

CDLE will have planning and transition costs in FY 2023-24 and FY 2024-25 prior to the program transfer. Then, starting in FY 2024-25, the CDLE will use available federal funding transferred from the CDHS to operate the Refugee Services Program and pay for its administrative expenses.

**Transition planning costs.** The CDLE will have costs of \$150,000, paid from the General Fund and split between FY 2023-24 and FY 2024-25, to begin planning for the transfer of the program, including working on the required interagency agreement with the CDHS, seeking any necessary federal approval related to the transfer, developing a federal cost allocation plan for administrative and overhead-related costs, and other tasks. It is assumed that a contractor or temporary staff will be used for this work.

**Information technology transition costs.** The CDLE will have costs of \$812,648 to transfer data and information technology systems from the CDHS. This work includes transferring Salesforce and other systems to the CDLE enterprise environment.

**Refugee services and administrative expenses.** It is assumed that \$8.3 million in federal funding will be available for the CDLE to operate the Refugee Services Program. For most of its federally funded programs, the CDLE assesses an 18.53 percent indirect cost recovery to support central administrative expenses. Assuming this rate is the maximum possible amount that will go toward central administration, this indirect cost assessment will result in up to \$1.3 million per year being used for central administrative expenses and \$7.0 million per year available for refugee services and program staff (first year costs are prorated for the October 1 transfer date).

It is assumed that the exact amount of indirect cost recoveries, central administrative expenses attributable to the Refugee Services Program, and funding for direct program expenditures will be requested by the CDLE through the annual budget process. In order to maintain current service and funding levels, General Fund appropriations may be required, given that administrative expenses estimated by the CDLE are significantly higher than current costs in the CDHS.

Based on existing appropriations, the CDLE will receive 10 FTE from the CDHS to operate the program. An additional 2.0 FTE for accounting and budget staff, paid for using indirect cost recoveries, is required in the Executive Director's Office to support the Office of New Americans in administering the program. Ongoing computer maintenance costs are estimated at \$50,000 per year.

## Other Budget Impacts

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

## Technical Note

While the bill takes effect on October 1, 2024, there are requirements in the bill (such as entering into an interagency agreement by April 1, 2024) that must occur earlier. The fiscal note assumes that the bill will take effect no later than January 1, 2024.

## Effective Date

The bill takes effect October 1, 2024, assuming no referendum petition is filed.

## State Appropriations

For FY 2023-24, the bill requires a General Fund appropriation of \$962,648 to the Department of Labor and Employment. This amount requires roll-forward spending authority through October 1, 2024.

## **Departmental Difference**

The CDLE estimate assumes that its 18.53 percent indirect cost assessment is calculated off the whole amount of federal funding provided and that the assessment is paid from the General Fund. In addition, the CDLE estimates the need for an additional 2.0 FTE at \$130,000 per year for contract management staff, paid from the General Fund, for support staff in the Office of New Americans that are in addition to the 10 FTE transferred from the CDHS. The fiscal note assumes that indirect costs will be allocated to and paid within current federal funding amounts. Also, the fiscal note assumes that the current 10 FTE in the Refugee Services Program is sufficient to handle direct program administration, including contracting with providers.

## **State and Local Government Contacts**

Human Services

Information Technology

Labor