

JOINT BUDGET COMMITTEE



INTERIM SUPPLEMENTAL BUDGET REQUEST FY 2018-19

OFFICE OF THE GOVERNOR

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

PREPARED BY:
KEVIN NEIMOND, JBC STAFF
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JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472
<https://leg.colorado.gov/agencies/joint-budget-committee>

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INTERIM SUPPLEMENTAL REQUEST

CBMS PEAK 1331

	REQUEST	RECOMMENDATION
TOTAL	\$0	\$0
FTE	0.0	0.0
General Fund (HCPF/CDHS/CDPHE)	(11,751,089)	(11,751,089)
Cash Funds (HCPF/CDHS)	1,520,228	1,520,228
Reappropriated Funds (HCPF)	(95,168)	(95,168)
Federal Funds (HCPF/CDHS)	10,326,029	10,326,029

Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? **YES**
 [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.]

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 (1) this request meets the interim supplemental criteria of Section 24-75-111, C.R.S., and (2) this request is the result of unforeseen contingency.

DEPARTMENT REQUEST: The Governor's Office of Information Technology (OIT), in conjunction with the Departments of Health Care Policy and Financing (HCPF), Human Services (CDHS), and Public Health and Environment (CDPHE) requests a total funds net zero adjustment (including a decrease of \$11.8 million General Fund) to appropriations supporting the Colorado Benefits Management System (CBMS) and Program Eligibility and Application Kit (PEAK). The request comes as a result of the agencies transitioning to a new cost allocation model on July 1, 2018 for sharing the expenses of operating and maintaining CBMS/PEAK.

STAFF RECOMMENDATION: Staff recommends that the Joint Budget Committee approve this interim supplemental request.

STAFF ANALYSIS:

Background

CBMS and PEAK are two components of a computer system used to determine a citizen's eligibility for public assistance programs like Medicaid, the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Old Age Pension (OAP), and many others. CBMS/PEAK is developed and maintained by the state for use by county social service organizations and various medical assistance. Funding for the operation and maintenance of the system is annually appropriated to HCPF, CDHS, and CDPHE. Appropriations are subsequently transferred to the Governor's Office of Information Technology (OIT) to pay for the employees and operating expenses

supporting CBMS. The FY 2018-19 appropriation transferred to OIT for CBMS is \$61.9 million total funds.

Calculating each department's and program's share of CBMS/PEAK costs

Appropriations to HCPF, CDHS, and CDPHE to cover the costs of CBMS/PEAK are based on reporting statistics from Random Moment Sampling (RMS). The RMS method samples county workers on an individual basis at random time intervals over a given time period and totals the results to determine work effort across all programs relying on CBMS/PEAK. These statistics are then used to determine the amount of General Fund, cash funds (e.g. Hospital Provider Fee Cash Fund, Old Age Pension Fund), reappropriated funds (e.g. funds transferred within an agency), and federal funds (e.g. Medicaid and SNAP) needed to fund the administration of CBMS/PEAK. On an annual basis, RMS data are used to align appropriations with the current cost allocation trends. The following table summarizes the current FY 2018-19 appropriations for the operation of CBMS/PEAK, as calculated using RMS.

CURRENT FY 2018-19 APPROPRIATIONS FOR CBMS/PEAK BY DEPARTMENT					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
HCPF	\$31,074,027	\$6,890,959	\$3,950,890	\$97,835	20,134,343
CDHS	35,369,724	*23,448,660	1,088,019	0	*10,833,045
CDPHE	0	0	0	0	0
Total	**\$66,443,751	\$30,339,619	\$5,038,909	\$97,835	30,967,388

*CDHS is limited by the federal government in the amount of federal funds it may use to support the operation and maintenance of CBMS/PEAK. General Fund appropriations to CDHS are increased in instances when the RMS data show CDHS' federal programs exceed the amount of federal funds available. For FY 2018-19, General Fund appropriations include \$9.7 million for this purpose.

**The total funds appropriated to HCPF, CDHS, and CDPHE (\$66.4 million) do not equal the amount transferred to OIT (\$61.9 million) for FY 2018-19 because HCPF retains a portion of its appropriations for department-specific projects that do not directly involve OIT.

Is there a more accurate method for calculating each department's and program's share of CBMS/PEAK costs?

In collaboration with its federal partners (U.S. Department of Agriculture and U.S. Department of Health and Human Services), HCPF, CDHS, CDPHE, and OIT enlisted the services of a vendor to explore alternatives to using RMS that would more accurately allocate costs for the operations and maintenance of CBMS/PEAK to departments and programs. This endeavor determined that a more equitable model is to assign costs based on the following six categories and associated measures:

- Standard Client Correspondence (measured by correspondence mailed and printed by program);
- PEAK Application (measured by system usage by program);
- PEAK Technical Support Center (measured by support tickets served by program);
- CDHS Only Costs (measured by cases active on the last day of the month by CDHS program);
- HCPF Only Costs (measured by cases active on the last day of the month by HCPF program);
- All Other CBMS Maintenance and Operations Activities and Services (measured by cases active on the last day of the month Counted by CDHS and HCPF Programs administered by CBMS).

After studying this model and running simulations to test its accuracy, the agencies agreed to implement this new cost allocation methodology by the start of FY 2018-19 on July 1, 2018.

Issue

The FY 2018-19 Long Bill appropriation for HCPF and CDHS is based on the RMS model of cost allocation rather than the recently selected and adopted model described above. Calculations forecasting FY 2018-19 CBMS/PEAK costs by department and program using the new model show that Long Bill appropriations are too high for CDHS programs and too low for HCPF programs. These shifts represent larger sums of money between departments and programs than is able to be managed or absorbed within existing appropriations. OIT indicates that HCFP is at risk of over-expending its FY 2018-19 appropriation if action is not taken to align its appropriation for CBMS/PEAK costs with the new allocation method. Consequently, OIT would not be fully reimbursed for the services it renders to HCPF. Additionally, CDPHE did not receive an appropriation in FY 2018-19 to pay for the operations and maintenance of CBMS/PEAK supporting the Supplemental Nutrition Program for Women, Infants, and Children (WIC).

As summarized in the following table, the variance between the two models is a total funds net zero, including a net over-appropriation of \$11.8 million General Fund, for FY 2018-19:

FY 2018-19 VARIANCE BETWEEN ALLOCATION MODELS BY DEPARTMENT					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
<u>HCPF</u>					
Long Bill (RMS)	\$31,074,027	\$6,890,959	\$3,950,890	\$97,835	\$20,134,343
New Allocation Method Forecast	<u>50,162,697</u>	<u>10,837,187</u>	<u>5,749,990</u>	<u>2,667</u>	<u>33,572,853</u>
Variance	\$19,088,670	\$3,946,228	\$1,799,100	(\$95,168)	\$13,438,510
<u>CDHS</u>					
Long Bill (RMS)	\$35,369,724	\$23,448,660	\$1,088,019	\$0	\$10,833,045
New Allocation Method Forecast	<u>16,172,456</u>	<u>7,642,745</u>	<u>809,147</u>	<u>0</u>	<u>7,720,564</u>
Variance	(\$19,197,268)	(\$15,805,915)	(\$278,872)	\$0	(\$3,112,481)
<u>CDPHE</u>					
Long Bill (RMS)	\$0	\$0	\$0	\$0	\$0
New Allocation Method Forecast	<u>108,598</u>	<u>108,598</u>	<u>0</u>	<u>0</u>	<u>0</u>
Variance	\$108,598	\$108,598	\$0	\$0	\$0
<u>Totals</u>					
Long Bill (RMS)	\$66,443,751	\$30,339,619	\$5,038,909	\$97,835	\$30,967,388
New Allocation Method Forecast	<u>66,443,751</u>	<u>18,588,530</u>	<u>6,559,137</u>	<u>2,667</u>	<u>41,293,417</u>
Variance	\$0	(\$11,751,089)	\$1,520,228	(\$95,168)	\$10,326,029

Proposed Solution

OIT proposes an interim supplemental to align the FY 2018-19 appropriation with the forecasted costs for departments and programs using the newly adopted cost allocation method for the costs associated with CBMS/PEAK. This supplemental results in an increase of spending authority for HPCF and CDPHE, a decrease in spending authority for CDHS, and no change in the funds transferred to OIT. The solution eliminates the risk of HCFP over-expending its appropriation for FY 2018-19. The following table summarizes the request by line item.

FY 2018-19 REQUESTED LINE ITEM ADJUSTMENTS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
HCPF					
(1) Executive Director's Office, (C) Information Technology Contracts and Projects, Colorado Benefits Management Systems, Health Care and Economic Security Staff Development Center	\$929,524	\$308,785	\$124,199	(\$3,123)	\$499,663
(1) Executive Director's Office, (C) Information Technology Contracts and Projects, Colorado Benefits Management Systems, Operating and Contract Expenses	<u>18,159,146</u>	<u>3,637,443</u>	<u>1,674,901</u>	<u>(92,045)</u>	<u>12,938,847</u>
HCPF Total	\$19,088,670	\$3,946,228	\$1,799,100	(\$95,168)	\$13,438,510
CDHS					
(2) Office of Information Technology Services, (B) Colorado Benefits Management System, (1) Ongoing Expenses, Personal Services	(\$1,771,175)	(\$695,144)	(\$22,302)	\$0	(\$1,053,729)
(2) Office of Information Technology Services, (B) Colorado Benefits Management System, (1) Ongoing Expenses, Centrally Appropriated Line Items	(195,764)	(76,832)	(2,465)	0	(116,467)
(2) Office of Information Technology Services, (B) Colorado Benefits Management System, (1) Ongoing Expenses, Operating and Contract Expenses	(16,300,805)	(14,659,402)	(242,338)	0	(1,399,065)
(2) Office of Information Technology Services, (B) Colorado Benefits Management System, (2) Special Projects, Health Care and Economic Security Staff Development Center	<u>(929,524)</u>	<u>(374,537)</u>	<u>(11,767)</u>	<u>0</u>	<u>(543,220)</u>
CDHS Total	(\$19,197,268)	(\$15,805,915)	(\$278,872)	\$0	(\$3,112,481)
CDPHE					
(9) Prevention Services Division, (E) Nutrition Services, Women, Infants, and Children Supplemental Food Grant	\$108,598	\$108,598	\$0	\$0	\$0
OIT					
(5) Office of Information Technology, (E) Applications, Colorado Benefits Management System	\$0	\$0	\$0	\$0	\$0
Total	\$0	(\$11,751,089)	\$1,520,228	(\$95,168)	\$10,326,029

Staff Recommendation

Staff recommends that the Joint Budget Committee approve this interim supplemental request. The proposal submitted by OIT and its executive branch partners represents the initial funding fix

associated with implementing a more accurate and equitable cost allocation methodology. This model spreads expenses for the operation and maintenance of CBMS/PEAK to departments and programs based on actual usage data acquired from the system rather than relying on the human-intensive RMS method. This rather technical proposal eliminates any risk of HCPF over-expenditures associated with the cost allocation strategy migration, as well.
