This link includes figure setting presentations from three dates.

1. Figure setting for the Department of Human Services, Office of Operations, Division of Child Care, and Mental Health and Alcohol and Drug Abuse Services -Alcohol and Drug Abuse Division (only), February 14, 2007 (pp. 2-76)

2. Figure setting for the Department of Human Services, Services for People with Disabilities, March 14, 2007. (pp. 76-214)

3. Staff Technical Comeback on Department of Human Services, Services for People with Disabilities, March 15, 2007 (p. 215)

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2007-2008 FIGURE SETTING
DEPARTMENT OF HUMAN SERVICES

Office of Operations, Division of Child Care,
and Mental Health and Alcohol and Drug Abuse Services,
Alcohol and Drug Abuse Division ONLY

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:
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February 14, 2007

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	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request	Recommendation	Change Requests

(3) OFFICE OF OPERATIONS

(Primary functions: Facility maintenance and management; accounting and payroll, contracting, purchasing, and field audits. Cash and cash exempt amounts are from multiple sources, including indirect cost revenue associated with programs throughout the Department.)

Please note: funding splits are reflected below for informational purposes only; the Long Bill appropriation for this subsection reflects fund splits at the bottom-line only for the Administration Section. Fund split detail is therefore not included for actual years except in the bottom-line.

(A) Administration

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request	Recommendation	Change Requests
Personal Services	19,482,133	21,279,982	22,085,681 S	22,498,020 A	22,428,377	
FTE	405.2	418.0	461.8 S	464.6 A	454.6	
General Fund			11,210,377 S	11,330,815 A	11,295,827	
Cash Funds			499,151	513,628	512,019	
Cash Funds Exempt			8,756,162	8,874,388	8,847,124	
Federal Funds			1,619,991	1,779,189	1,773,407	
Medicaid Cash Funds			*3,758,110*	*3,785,420*	3,773,720	
Operating Expenses	2,292,145	2,319,269	2,356,232	2,783,579 A	2,637,856	GBA 4 (DI 4 revised)
General Fund			1,406,932	1,738,694 A	1,625,030	
Cash Funds			12,809	12,809	12,809	
Cash Funds Exempt			854,287	949,872 A	917,813	
Federal Funds			82,204	82,204	82,204	
Medicaid Cash Funds			419,170	*514,755 A*	*482,696*	
Vehicle Lease Payments	753,040	561,172	651,157 S	1,070,113	Pending	DIs NP-5, 12
General Fund			409,459 S	661,391		
Cash Funds			1,394 S	1,718		
Cash Funds Exempt			207,064 S	350,452		
Federal Funds			33,240 S	56,552		
Medicaid Cash Funds			*189,080 S*	*309,028*		
Leased Space	2,612,354	2,270,532	2,935,212	2,961,636	2,938,212	DI 12
General Fund			899,885	923,309	899,885	
Cash Funds			16,936	16,936	16,936	
Cash Funds Exempt			45,523	46,162	46,162	
Federal Funds			1,972,868	1,975,229	1,975,229	
Medicaid Cash Funds						

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation		Request		Recommendation	Change Requests
Capitol Complex Leased Space	1,086,904	1,067,451	1,103,065		1,250,797	A	Pending	
General Fund			551,533		625,399	A		
Cash Funds			0		0			
Cash Funds Exempt			0		0			
Federal Funds			551,532		625,398	A		
Medicaid Cash Funds			*0*		*0*			
Utilities	5,546,376	6,925,723	7,284,587	S	7,335,406	A	7,335,406	
General Fund			5,400,461	S	5,425,896	A	5,425,896	
Cash Funds			0		0		0	
Cash Funds Exempt			1,884,126		1,909,510		1,909,510	
Federal Funds			0		0		0	
Medicaid Cash Funds			1,538,491		1,538,491		1,538,491	
								Rec. v. Approp.
Subtotal - (A) Administration	31,772,952	34,424,129	36,415,934	S	37,899,551	A	35,339,851	-3.0%
FTE	405.2	418.0	461.8	S	464.6	A	454.6	(7.2)
General Fund	17,571,220	18,762,848	19,878,647	S	20,705,504	A	19,246,638	-3.2%
Cash Funds	521,013	664,434	530,290	S	545,091		541,764	2.2%
Cash Funds Exempt	9,947,139	11,163,020	11,747,162	S	12,130,384		11,720,609	-0.2%
Federal Funds	3,733,580	3,833,827	4,259,835	S	4,518,572	A	3,830,840	-10.1%
Medicaid Cash Funds	*5,032,453*	*5,049,870*	*5,904,851*	*S*	*6,147,694*		*5,794,907*	*-1.9%*
Net General Fund	*20,087,447*	*22,910,886*	*22,831,073*	*S*	*23,779,351*	*A*	*22,144,092*	-3.0%

(B) Special Purpose

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request	Recommendation	Change Requests
Buildings and Grounds Rental	779,928	666,798	897,346	896,913	896,014	
FTE	5.1	4.9	6.5	6.5	6.5	
General Fund	0	0	0	0	0	
Cash Funds	80,618	222,756	224,261	224,152	223,928	
Cash Funds Exempt	699,310	444,042	673,085	672,761	672,086	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	0		0	0	0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation		Request	Recommendation	Change Requests
State Garage Fund	429,789	442,182	618,889	S	618,889	618,445	DI 26
FTE	1.2	0.9	2.1		2.1	2.1	
General Fund	0	0	0		0	0	
Cash Funds	0	0	0		0	0	
Cash Funds Exempt	429,789	442,182	618,889	S	618,889	618,445	
Federal Funds	0	0	0		0	0	
Medicaid Cash Funds	0	0	0		0	0	
							Rec. v. Approp.
Subtotal - (B) Special Purpose	1,209,717	1,108,980	1,516,235	S	1,515,802	1,514,459	-0.1%
FTE	6.3	5.8	8.6		8.6	8.6	0.0
General Fund	0	0	0		0	0	n/a
Cash Funds	80,618	222,756	224,261		224,152	223,928	-0.1%
Cash Funds Exempt	1,129,099	886,224	1,291,974	S	1,291,650	1,290,531	-0.1%
Federal Funds	0	0	0		0	0	n/a
Medicaid Cash Funds	*0*	*0*	*0*		0	0	*n/a*
Net General Fund	0	0	0		0	0	n/a
							Rec. v. Approp.
(3) TOTAL OFFICE OF OPERATIONS	**32,982,669**	**35,533,109**	**37,932,169**	S	**39,415,353**	**36,854,310**	-2.8%
FTE	**411.5**	**423.8**	**470.4**	S	**473.2**	**463.2**	(7.2)
General Fund	**17,571,220**	**18,762,848**	**19,878,647**	S	**20,705,504**	**19,246,638**	-3.2%
Cash Funds	**601,631**	**887,190**	**754,551**	S	**769,243**	**765,692**	1.5%
Cash Funds Exempt	**11,076,238**	**12,049,244**	**13,039,136**	S	**13,422,034**	**13,011,140**	-0.2%
Federal Funds	**3,733,580**	**3,833,827**	**4,259,835**	S	**4,518,572**	**3,830,840**	-10.1%
Medicaid Cash Funds	***5,032,453***	***5,049,870***	***5,904,851***	S	***6,147,694***	***5,794,907***	*-1.9%*
Net General Fund	***20,087,447***	***22,910,886***	***22,831,073***	S	***23,779,351***	***22,144,092***	-3.0%

	FY 2004-05	FY 2005-06	FY 2006-07			
	Actual	**Actual**	**Appropriation**	**Request**	**Recommendation**	**Change Requests**
(6) DIVISION OF CHILD CARE						
(Primary Functions: funding and state staff associated with: (1) the state supervision and the county administration of the Colorado Child Care Assistance Program, through which counties provide child care subsidies to low income families and families transitioning from the Colorado Works Program; (2) the administration of various child care grant programs; and (3) licensing and monitoring child care facilities. Cash funds sources reflect fees and fines paid by child care facilities. Cash funds exempt sources reflect county tax revenues.)						
Child Care Licensing and Administration	5,731,028	5,936,175	6,220,272	6,316,966	6,304,713	DI NP-1
FTE	57.1	57.8	63.5	63.0	63.0	
General Fund	2,109,119	2,184,368	2,242,527	2,282,761	2,275,147	
Cash Funds (fees and fines)	554,490	584,447	717,782	710,008	710,008	
Cash Funds Exempt (fees and fines)	0	0	0	0	0	
Federal Funds (CCDF and Title IV-E)	3,067,419	3,167,360	3,259,963	3,324,197	3,319,558	
Fines Assessed Against Licensees - (CF)	37,500	30,218	18,000	18,000	18,000	
Child Care Licensing System Upgrade Project	0	490,550	0	0	0	
General Fund			0	0	0	
Federal Funds (CCDF)	0	490,550	0	0	0	
Child Care Assistance Program Automated System Replacement (FF-CCDF)	0	0	0	In ITS	73,924	DI 18

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation		Request	Recommendation	Change Requests
Child Care Assistance Program	73,729,791	74,927,197	74,739,132	S	81,713,306	78,142,956	DI NP-1
General Fund	15,549,911	15,021,716	13,876,389	S	16,854,972	16,376,389	
Cash Funds Exempt (local funds)	9,435,852	9,186,572	9,184,635	S	9,904,810	9,431,793	
Federal Funds (CCDF and Title XX)	48,744,028	50,718,909	51,678,108	S	54,953,524	52,334,774	
Child Care Assistance Program expenditures using TANF transfers out of Works Program County Block Grants and County Reserve Accounts - (FF) a/	6,469,750	1,372,522	Not appropriated; see note a/ below				
Short-term Works Emergency Fund - (FF)	884,953	0					
Subtotal: Child Care Assistance Program expenditures, including all TANF transfers and allocations from the Short-term Works Emergency Fund for child care needs	81,084,494	76,299,719					
Child Care Assistance Program Automated System Feasibility Study - (FF - CCDF)	73,710	0	0		0	0	
Grants to Improve Quality and Availability of Child Care - (FF - CCDF)	265,150	293,714	300,000		300,000	0	
Federal Discretionary Child Care Funds Earmarked for Certain Purposes - (FF -CCDF)	4,792,794	3,872,535	3,173,633		3,173,633	0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request	Recommendation	Change Requests
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Earmark Requirements (FF-CCDF) [New line item]	n/a	n/a	n/a	0	3,473,633	
Pilot Program for Community Consolidated Child Care Services - (FF - CCDF)	972,438	972,538	972,438	972,438	972,438	
Early Childhood Professional Loan Repayment Program - (FF - CCDF)	3,500	3,000	5,000	0	0	
School-readiness Quality Improvement Program *[formerly School-readiness Child Care Subsidization Program]* - (FF - CCDF)	2,157,433	2,170,791	2,225,775	2,226,321	2,226,096	
FTE	0.5	0.6	1.0	1.0	1.0	
Early Childhool School Readiness Commission - CFE	24,999	0	0	0	0	
						Rec. v. Approp.
(6) TOTAL - DIVISION OF CHILD CARE	87,788,343	88,696,718	87,654,250	94,720,664	91,137,836	4.0%
FTE	57.6	58.4	64.5	64.0	64.0	(0.5)
General Fund	17,659,030	17,206,084	16,118,916	19,137,733	18,651,536	15.7%
Cash Funds	591,990	614,665	735,782	728,008	728,008	-1.1%
Cash Funds Exempt	9,460,851	9,186,572	9,184,635	9,904,810	9,431,793	2.7%
Federal Funds	60,076,472	61,689,397	61,614,917	64,950,113	62,326,499	1.2%

a/ Staff has reflected the actual expenditure of federal TANF funds that were transferred from County Block Grants or from County Reserve Accounts (both associated with the Works Program) to federal Child Care Development Funds in order to cover county expenditures related to child care.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation		Request		Recommendation	Change Requests

(4) MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE SERVICES

Note: Remaining Sections (A, B, and C) of this Division will be covered during figure setting for mental health programs, March 14, 2007

(D) Alcohol and Drug Abuse Division

(Primary function: The Alcohol and Drug Abuse Division develops, supports, and advocates for comprehensive services to reduce alcohol, tobacco, and other drug abuse, and to promote healthy individuals, families, and communities. Cash fund sources include the Persistent Drunk Driver Cash Fund and the Drug Offender Surcharge Fund. The cash funds exempt is from Medicaid funds.)

(1) Administration

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation		Request		Recommendation	Change Requests
Personal Services	1,729,322	1,900,449	2,018,998	S	2,124,535	A	2,058,001	BA T-3, T-5
FTE	23.6	24.9	28.0		31.0	A	30.0	Recid #3
General Fund		0	51,545		158,279	A	100,852	
Cash Funds	"Bottom-line funded"	37,140	62,792	S	37,805		37,616	
Cash Funds Exempt (Medicaid)	in FY 2004-05	14,213	53,136		53,136		52,870	
Cash Funds Exempt (Other Funds)		410,557	449,125	S	472,915	A	471,388	
Federal Funds		1,438,539	1,402,400	S	1,402,400	A	1,395,275	
For Informational Purposes								
Medicaid Cash Funds Exempt		*14,213*	*53,136*		*53,136*		52,870	
Medicaid - General Fund therein		*7,107*	*26,567*		*26,567*		26,434	
Net General Fund		*7,107*	*78,112*		*184,846*	A	127,286	
Operating Expenses	141,128	140,453	195,790	S	195,702	A	191,902	BA T-3
General Fund		0	0		3,800	A	0	Recid #3
Cash Funds	"Bottom-line funded"	37,810	17,676	S	11,788		11,788	
Cash Funds Exempt (Medicaid)	in FY 2004-05	0	0		0		0	
Cash Funds Exempt (Other Funds)		30,436	12,000	S	14,000	A	14,000	
Federal Funds		72,207	166,114	S	166,114	A	166,114	
For Informational Purposes								
Medicaid Cash Funds Exempt		*0*	*952*		*952*		*952*	
Medicaid - General Fund therein		*0*	*477*		*477*		*477*	
Net General Fund		*0*	*477*		*4,277*	A	*477*	

	FY 2004-05 Actual	FY 2005-06 Actual		FY 2006-07 Appropriation		Request		Recommendation	Change Requests
Other Federal Grants - FF	Reported below	225,706	a/	457,383	S	457,383	A	457,383	BA T-6
FTE	in Other Federal Programs	3.1	a/	0.0		0.0		0.0	
Indirect Cost Assessment	118,895	206,112		243,723		243,723		243,723	
Cash Funds		1,687		3,280		3,280		3,280	
Federal Funds		204,425		240,443		240,443		240,443	
									Rec. v. Approp.
Subtotal - (1) Administration	1,989,345	2,472,720		2,915,894	S	3,021,343	A	2,951,009	1.2%
FTE	23.6	28.0		28.0		31.0	A	30.0	2.0
General Fund	3,404	0		51,545		162,079	A	100,852	95.7%
Cash Funds	49,624	76,637		83,748	S	52,873		52,684	-37.1%
Cash Funds Exempt	440,993	455,206		514,261	S	540,051	A	538,258	4.7%
Federal Funds	1,495,324	1,940,877		2,266,340	S	2,266,340	A	2,259,215	-0.3%
*Medicaid Cash Funds***	*0*	*14,213*		*54,088*		*54,088*		*53,822*	-0.5%
Medicaid - General Fund therein	*0*	*7,107*		*27,044*		*27,044*		*26,911*	-0.5%
*Net General Fund***	*3,404*	*7,107*		*78,589*		*189,123*	A	*127,763*	62.6%

a/ $114,184 in additional federal funds were received in this area than were shown in the appropriation; in addition, 3.1 FTE are reflected.

(2) Community Programs

(a) Treatment Services

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request		Recommendation	Change Requests
Treatment and Detoxification Contracts	19,861,809	21,423,973	22,856,933	24,840,802	A	23,386,916	DI #25, NP#1
General Fund	7,639,903	9,647,704	11,187,675	12,303,544	A	11,411,429	Recid #2
Cash Funds	1,252,616	1,002,616	1,030,605	1,298,605		1,336,834	
Cash Funds Exempt	871,343	425,706	290,706	890,706	A	290,706	
Federal Funds	10,097,947	10,347,947	10,347,947	10,347,947		10,347,947	
Case Management - Chronic Detox Clients	369,166	369,212	369,288	369,336		369,336	NP #1
General Fund	2,283	2,329	2,405	2,453		2,453	
Federal Funds	366,883	366,883	366,883	366,883		366,883	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request		Recommendation	Change Requests
High Risk Pregnant Women - CFE	834,304	943,703	983,958	1,003,637		1,003,637	NP #1
Medicaid Cash Funds	*834,304*	*943,703*	*983,958*	*1,003,637*		*1,003,637*	
Net General Fund	*417,152*	*471,852*	*491,979*	*501,819*		*501,819*	
Colorado Unified Supervision Treatment Program							
(CUSP) - General Fund	n/a	n/a	n/a	1,175,200	A	Pending	Recid #3
							Rec. v. Approp.
Subtotal - (a) Treatment Services	21,065,279	22,736,888	24,210,179	26,213,775	A	24,759,889	2.3%
General Fund	7,642,186	9,650,033	11,190,080	12,305,997		11,413,882	2.0%
Cash Funds	1,252,616	1,002,616	1,030,605	1,298,605		1,336,834	29.7%
Cash Funds Exempt	1,705,647	1,369,409	1,274,664	1,894,343	A	1,294,343	1.5%
Federal Funds	10,464,830	10,714,830	10,714,830	10,714,830		10,714,830	0.0%
							n/a
For Information Only:							
Medicaid Cash Funds	*834,304*	*943,703*	*983,958*	*1,003,637*		*1,003,637*	2.0%
Medicaid - General Fund therein	*417,152*	*471,852*	*491,979*	*501,819*		*501,819*	2.0%
Net General Fund	*8,059,338*	*10,121,885*	*11,682,059*	*12,807,816*		*11,915,700*	2.0%
Prevention and Intervention							
Prevention Contracts	3,822,795	3,641,382	3,905,073	3,905,073		3,887,298	
General Fund	0	0	33,329	33,329		33,996	
Cash Funds	0	0	32,989	32,989		27,072	
Cash Funds Exempt	0	0	12,525	12,525		0	
Federal Funds	3,822,795	3,641,382	3,826,230	3,826,230		3,826,230	
Persistent Drunk Driver Programs	277,340	475,057	513,221 S	733,675		733,675	DI #24
Cash Funds	277,340	475,057	493,221 S	466,041		590,460	
Cash Funds Exempt	0	0	20,000	267,634		143,215	
Law Enforcement Assistance Contracts	245,381	244,905	255,000	255,000		255,000	
Cash Funds (Law Enforcement CF)	245,381	244,905	250,000	250,000		250,000	
Cash Funds Exempt	0	0	5,000	5,000		5,000	
							Rec. v. Approp.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation		Request		Recommendation	Change Requests
Subtotal - (b) Prevention and Intervention	4,345,516	4,361,344	4,673,294		4,893,748		4,855,973	3.9%
General Fund	0	0	33,329		33,329		33,996	2.0%
Cash Funds	522,721	719,962	776,210		749,030		867,532	11.8%
Cash Funds Exempt	0	0	37,525		285,159		128,215	241.7%
Federal Funds	3,822,795	3,641,382	3,826,230		3,826,230		3,826,230	0.0%
Medicaid Cash Funds	*0*	*0*	*0*		*0*		*0*	n/a
Medicaid - General Fund therein	*0*	*0*	*0*		*0*		*0*	n/a
Net General Fund	*0*	*0*	*33,329*		*33,329*		*33,996*	2.0%
(c) Other Programs								
Federal Grants	954,922	1,291,556	5,063,429	S	5,063,429	A	5,063,429	BA T-6
FTE	2.9	0.0	0.0		0.0		0.0	
Cash Funds Exempt (Transfer from Public Safety)	0	0	195,500		195,500		195,500	
Federal Funds	954,922	1,291,556	4,867,929	S	4,867,929	A	4,867,929	
Balance of Substance Abuse Grant, Block Grant Programs	7,482,905	6,918,360	6,019,588		6,023,272		6,673,272	NP #2
General Fund	238,770	178,398	184,196		187,880		187,880	
Cash Funds Exempt (Medicaid)	0	0	0		0		0	
Federal Funds	7,244,135	6,739,962	5,835,392		5,835,392		6,485,392	
Medicaid Cash Funds	0	0	0		0		0	
Medicaid - General Fund therein	0	0	0		0		0	
Net General Fund	238,770	178,398	184,196		187,880		187,880	
								Rec. v. Approp.
Subtotal (c) Other Programs	7,482,905	6,918,360	11,083,017		11,086,701		11,736,701	5.9%
FTE	2.9	0.0	0.0		0.0		0.0	n/a
General Fund	238,770	178,398	184,196		187,880		187,880	2.0%
Cash Funds Exempt	0	0	195,500		195,500		195,500	0.0%
Federal Funds	7,244,135	6,739,962	10,703,321		10,703,321		11,353,321	6.1%
Medicaid Cash Funds	*0*	*0*	*0*		*0*		*0*	n/a
Medicaid - General Fund therein	*0*	*0*	*0*		*0*		*0*	n/a
Net General Fund	*238,770*	*178,398*	*184,196*		*187,880*		*187,880*	2.0%
								Rec. v. Approp.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request	Recommendation	Change Requests
Subtotal - (2) Community Programs	32,893,700	34,016,592	39,966,490	42,194,224	41,352,562	3.5%
FTE	2.9	0.0	0.0	0.0	0.0	n/a
General Fund	7,880,956	9,828,431	11,407,605	12,527,206	11,635,757	2.0%
Cash Funds	1,775,337	1,722,578	1,806,815	2,047,635	2,204,366	22.0%
Cash Funds Exempt	1,705,647	1,369,409	1,507,689	2,375,002	1,618,058	7.3%
Federal Funds	21,531,760	21,096,174	25,244,381	25,244,381	25,894,381	
Medicaid Cash Funds	*834,304*	*943,703*	*983,958*	*1,003,637*	*1,003,637*	2.0%
Medicaid - General Fund therein	*417,152*	*471,852*	*491,979*	*501,819*	*501,819*	2.0%
Net General Fund	*8,298,108*	*10,300,283*	*11,899,584*	*13,029,025*	*12,137,576*	2.0%
						Rec. v. Approp.
TOTAL - (D) Alcohol and Drug Abuse Division	34,883,045	36,489,312	42,882,384	45,215,567	44,303,571	3.3%
FTE	26.5	28.0	28.0	31.0	30.0	2.0
General Fund	7,884,360	9,828,431	11,459,150	12,689,285	11,736,609	2.4%
Cash Funds	1,824,961	1,799,215	1,890,563	2,100,508	2,257,050	19.4%
Cash Funds Exempt	2,146,640	1,824,615	2,021,950	2,915,053	2,156,316	6.6%
Federal Funds	23,027,084	23,037,051	27,510,721	27,510,721	28,153,596	
*Medicaid Cash Funds**	*834,304*	*957,916*	*1,038,046*	*1,057,725*	*1,057,459*	1.9%
Medicaid - General Fund therein	*417,152*	*478,959*	*519,023*	*528,863*	*528,730*	1.9%
*Net General Fund**	*8,301,512*	*10,307,390*	*11,978,173*	*13,218,148*	*12,265,339*	2.4%
TOTAL DHS OPERATIONS, CHILD CARE & ALCOHOL AND DRUG ABUSE DIVISION	**155,654,057**	**160,719,139**	**168,468,803**	**179,351,584**	**172,295,717**	2.3%
FTE	**495.6**	**510.2**	**562.9**	**568.2**	**557.2**	(5.7)
General Fund	**43,114,610**	**45,797,363**	**47,456,713**	**52,532,522**	**49,634,783**	4.6%
Cash Funds	**3,018,582**	**3,301,070**	**3,380,896**	**3,597,759**	**3,750,750**	10.9%
Cash Funds Exempt	**22,683,729**	**23,060,431**	**24,245,721**	**26,241,897**	**24,599,249**	1.5%
Federal Funds	**86,837,136**	**88,560,275**	**93,385,473**	**96,979,406**	**94,310,935**	1.0%
Medicaid Cash Funds	***5,866,757***	***6,007,786***	***6,942,897***	***7,205,419***	***6,852,366***	-1.3%
Net General Fund	***46,047,989***	***50,424,360***	***50,928,162***	***56,135,232***	***53,060,967***	4.2%

DEPARTMENT OF HUMAN SERVICES
Office of Operations, Child Care, and Alcohol and Drug Abuse Division
FY 2007-08

(3) OFFICE OF OPERATIONS

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
SES/Management Group Profile	1.8	1.9	1.9	1.9
Professional Engineer	1.6	3.0	3.0	3.0
Accounting	97.4	106.6	106.6	106.6
Architect	2.0	2.0	2.0	2.0
Program Assistant	9.6	10.8	10.8	10.8
Planner / Estimator	4.0	5.0	5.0	5.0
Electronics/Telecom Specialist	3.2	4.0	4.0	4.0
Electrical Trades	9.8	10.0	10.0	10.0
Pipefitter/Mechanical Trades	29.4	35.5	35.5	35.5
Grounds keeper	10.3	12.0	12.0	12.0
Structural Trades	37.4	42.0	42.0	42.0
Administrative Assistant/Data specialist	11.8	11.0	11.0	11.0
Materials Handler	13.9	21.0	21.0	21.0
Equipment Operator	2.0	2.0	2.0	2.0
Custodian	122.4	127.4	127.4	127.4
Utility Worker	21.6	25.0	25.0	25.0
Long Term Care Operations	9.0	10.0	10.0	10.0
General Professional	30.8	32.0	32.0	32.0
FY 07 supplementals/amendment	n/a	0.6	1.4	1.4
Annualize FY 07 decision items	n/a	n/a	2.0	2.0
Staff initiated FTE reduction	n/a	n/a	0.0	(10.0)

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
TOTAL	418.0	461.8	464.6	454.6

The Office of Operations includes four divisions:

The Division of Facilities Management accounts for 68 percent of the staff in the Office of Operations (319.5 FTE appropriated for FY 2006-07, including 8.6 in special purpose line items in the Office). The Division is responsible operating, cleaning, and maintaining all Department buildings and facilities, including youth correctional facilities, the two state mental health institute campuses, and three regional centers for the developmentally disabled, in addition to Department office buildings. Overall, the Division operates 299 building containing 3,233,524 gross square feet of space. It is also responsible for acquisition, operation and management of utility services, planning, design and construction of capital construction and controlled maintenance projects, and the Department's commercial and vehicle leases.

The Division of Accounting includes 25 percent of the staff in the Office of Operations (117.6 FTE appropriated for FY 2006-07). The Division manages all departmental financial operations and resources, including payments to counties and service providers throughout the state for human services programs, Medicaid, Medicare and private party billing for the Department's various community and institutional programs, and overall accounts and controls over expenditures and revenues from multiple state and federal sources.

The Procurement Division includes 6 percent of Office of Operations appropriated staff (28.3 FTE). The Purchasing Unit has been delegated autonomous authority by the Department of Personnel and Administration and is responsible for purchasing goods and services for Departmental programs in excess of $35 million per year. The Materials Management Unit is responsible for providing warehouse and distribution for all Department programs which house direct care clients. This includes ordering and inventory control of food and non-food items through three primary warehouse and office facilities throughout the State.

The Contract Management Unit consists of 4.0 FTE or 1 percent of Office of Operations staff. It is responsible for managing the contracting process in the Department including development, approval, and oversight of performance of all Department contracts.

In addition, 1.0 FTE is assigned to overall management for the Office of Operations.

(A) Administration

Personal Services

The Department request and staff recommendation are compared in the table below.

	Request		Recommendation	
	Amount	FTE	Amount	FTE
FY 2006-07 Long Bill	$22,068,002	461.2	$22,068,002	461.2
Supplemental 1-J (Institute 20-bed unit)	17,679	0.6	17,679	0.6
Budget Amendment 1-J (Annualize 20-bed unit)	24,750	0.8	24,750	0.8
Common policy salary survey	347,663	0.0	347,663	0.0
Common policy reduction	(42,648)	0.0	(112,291)	0.0
Annualize FY 2006-07 Sol Vista DI	28,582	0.6	28,582	0.6
Annualize FY 2006-07 La Vista DI	53,992	1.4	53,992	1.4
Staff recommended FTE adjustment	0	0.0	0	(10.0)
Total	$22,498,020	464.6	$22,428,377	454.6

The staff recommendation is calculated according to Committee common policy, with the exception that staff has recommended a reduction to FTE authority, while not adjusting total dollars in the line item. Components of the recommendation are reviewed below.

Supplemental/Budget Amendment I-J (Mental Health Institutes): The supplemental and budget amendment are based on the 20 bed competency restoration unit at the mental health institutes approved by the Committee through an emergency supplemental and subsequently included in the supplemental bill. Since the unit will not be open for the full year in FY 2006-07. the request and recommendation annualize this to full year costs in FY 2007-08.

Annualizations (Sol Vista and La Vista): The request includes annualization of FY 2006-07 decision items that were associated with the opening of the Sol Vista Youth Corrections facility and the La Vista Department of Corrections facility on the CMHIP campus. The Office of Operations provides dietary services, facility maintenance, warehouse and utility functions for DOC and DYC facilities on the Pueblo campus. The annualization requested matches the annualization anticipated in FY 2006-07 budget documents.

Staff Recommended FTE adjustment: *Staff notes that the Department's budget continues to reflect substantial personal services vacancies*: actual FTE usage in FY 2005-06 was 43.2 FTE (9.3 percent) below the appropriation, while FY 2004-05 usage was 67.2 FTE (14.2) percent below the appropriation. In FY 2004-05, the Department did not use $1.3 million in appropriated cash and cash exempt funds because it was unable to earn the associated indirect revenue. While personal services expenditures for FY 2005-06 were much closer to the appropriated amount, total expenditures included a substantial refund of $389,348 General Fund to the Department of Health Care Policy and Financing to address accounting problems that had been uncovered, *i.e.*, if this end-of-year repayment had not been required, the Department might have reverted additional funds.

The Department has indicated that much of the under-expenditure and under-utilization of FTE has been tied to expected and unexpected turnover and related vacancy savings. Department staff frequently point out that they have great difficulty maintaining Department of Human Services' ageing facilities and that, for example, they must relocate staff on a temporary basis whenever an accreditation team are examining a facility. The Division of Facilities Management 2005 Facilities Benchmark study also suggests that under-staffing is a significant problem for Department facilities maintenance. Nonetheless, the Office of Operations has thus far appeared unable to maximize the use of resources it is allocated by the General Assembly.

Department staff acknowledge the problem and have requested that they be given another year to address these problems, in light of the new administration. As a result, **staff is recommending solely the reduction of 10.0 FTE, without any associated dollar reduction**, as it appears that--even in a best-case scenario, the Department will be unable to use this FTE authorization. However, staff believes that unless the Division can demonstrate additional progress in using its appropriation in FY 2006-07 and FY 2007-08, additional FTE–and possibly funding--adjustments may be appropriate.

Operating Expenses

The Department request and staff recommendation are outlined in the table below.

	Request	Recommendation
FY 2006-07 Long Bill	$2,345,849	$2,345,849
Supplemental 1-J (Institute 20-bed unit)	10,383	10,383
Annualize Supplemental 1-J (Institute 20-bed unit)	583	583
Annualize FY 2006-07 Sol Vista DI	(7,712)	(7,712)
Decision Item #4 (Operating Increase)	434,476	288,753
Total	$2,783,579	$2,637,856

Supplemental/Budget Amendment I-J (Mental Health Institutes): The supplemental and budget amendment are based on the 20 bed competency restoration unit at the mental health institutes approved by the Committee through an emergency supplemental and subsequently included in the supplemental bill. Since the unit will not be open for the full year in FY 2006-07. the request and recommendation annualize this to full year costs in FY 2007-08.

Annualizations (Sol Vista): The request includes annualization of FY 2006-07 decision item that was associated with the opening of the Sol Vista Youth Corrections facility. The Office of Operations provides dietary services, facility maintenance, warehouse and utility functions for DYC facilities on the Pueblo campus. The annualization requested matches the annualization anticipated in FY 2006-07 budget documents.

Decision Item #4: The request includes an increase of $434,476 ($386,684 net General Fund) for operating funds for facilities management of direct care facilities. A portion of the request is for one-time funding, and the amount annualizes to $400,000 ($356,00 NGF) in FY 2008-09. *The request was revised February 9, 2007. The original request was for $961,201 ($855,469 net General Fund).*

The original request included, in addition to general maintenance and equipment, requests specifically to address controlled maintenance/capital construction issues at Kipling Village at (Wheat ridge Regional Center) and at the Mental Health Institutes. The revised request is limited to general maintenance equipment and a small youth corrections flooring project. The Kipling Village and Mental Health Institute components are anticipated to be addressed through the capital budget.

The request components are detailed in the table below.

Decision Item #4 - DHS General Maintenance Equipment

	Number	Unit Cost	Total Cost
Compressors (for heating/cooling systems)	17	$5,150	$87,550
Pumps (water/steam systems)	9	8,000	72,000
Water heaters	11	1,150	12,650
Security equipment for locked facilities	12	1,400	16,800
Control valves (for heating/cooling systems)	30	612	18,360
Floor buffers (housekeeping equipment)	14	1,551	21,713
Extractors (housekeeping equipment)	26	1,215	31,590
Variable frequency drives (to control pumps/motors)	10	2,809	28,090
Replacement unsafe flooring in 6 DYC facilities	5,025 sq. yds.	29	145,723
Total			$434,476

The Department's request reviewed results of an audit of its buildings. It indicated that 74 different subsystems in each building were audited, providing a numerical score for building and structure, fixtures and equipment, plumbing and mechanical, and electrical technology on the following subscale: 1) system obsolete; 2) poor condition; 3) fair condition; 4) good condition; 5) excellent condition. The request detailed the results of the priority 1 (system obsolete) projects with repair/replacement value of less than $15,000 each. *The audit indicated that addressing solely these priority 1 (system obsolete) items would require $1,721,064.*

The request also emphasized that the Department's Controlled Maintenance requests have increased $59.0 million in seven years. Emergency Controlled Maintenance requests have increased nearly 16 percent during this same period, in part due to insufficient ongoing maintenance.

Staff Recommendation: Staff recommends $288,753 for Decision Item #4. This reflects the requested amount *less* the request for Division of Youth Corrections flooring, which could be covered in the controlled maintenance budget. Consistent with the request, the fund splits are based on the Department's utilities line item, since this line item is based solely on costs associated with direct care facilities administered by the Department.

The basis for the staff recommendation is as follows:

- Staff believes there is strong evidence, discussed below, that the additional operating amounts are warranted for equipment for routine maintenance activities;

- Staff nonetheless believes that, to the extent projects can be appropriately funded through controlled maintenance, they should be. If the State is not allocating sufficient funds to controlled maintenance versus other capital construction activities and/or if the Department of Human Services is not receiving as much of the controlled maintenance budget as may be warranted, this should be addressed through mechanisms other than increases to the Department's operating budget, which is funded under the 6 percent limit on increases in General Fund appropriations.

Overall need for increased operating funding for maintenance: In general, staff believes the Department is facing significant problems with regard to its facility maintenance, in light of its aging infrastructure. A 2002 building audit demonstrated that the condition of state facilities used by DHS programs is poor. The Facilities Condition Index is a number used by State Building Programs to gauge overall building condition throughout State Government. The 2002 audit showed Department buildings with a facilities condition index of 65.6 percent, the lowest of any state agency, and well below the statewide goal of 85 percent. The Department's deferred maintenance costs in FY 2003-04 totaled 49.7 percent of the value of its assets. Aging infrastructure has also resulted in substantial need for emergency funding Through FY 1998-99, the Department's emergency controlled maintenance requests were in the $100,000 to $200,000 range. In the last few years these costs have increased dramatically, given reduced access to non-emergency controlled maintenance funding, aging buildings, and cuts in the Department's facility maintenance and operations budget. For FY 2006-07, the Department received $5,429,669 in controlled maintenance funding. Although this was substantially higher than funds it had received in recent years, the appropriation was still about half of the Department's request and a fraction of its "identified need" of over $75 million.

A 2005 Facilities Benchmark Comparison study for which DHS contracted included the following observations:

> 'The [Division's] available funding ranges from 63 percent to 81 percent lower than the benchmark [for operating expenses]. This under funding of [the Division's] operating budget results in several consequences including lower productivity and delayed or deferred repair projects. This is caused in part by lack of up to date equipment for cleaning tasks. Currently the operating budget is allocated almost entirely to daily consumable supplies such as paper towels, toilet paper, mop heads, leaving very little funding for new equipment purchases or repair projects...the operating budget cost per square foot is significantly under funded and, if brought in line with benchmarks, would result in a long-term reduction in operating costs per square foot through increased productivity and reduced equipment age." (Integrated Companies Inc., 2005 Benchmarking Study).

Youth Corrections portion of request: Overall, staff believes the portion of the request concerning youth corrections flooring---which would presumably fund a different project in subsequent fiscal years--may be a type of project that, given six percent limit constraints, should be funded outside of the six percent limit, Based on a conversation with Department of Personnel staff responsible for the capital construction and controlled maintenance budgets, the portion of the request for flooring materials for youth corrections is, theoretically, the kind of project that can be covered through the controlled maintenance budget, since it is a discrete project over $15,000. This does not preclude it from being funded through the Department's operating budget. The Long Bill headnotes seem to reflect a legislative intent that projects over $15,000 or otherwise beyond the definition of "minor repair or maintenance" should be funded through the controlled maintenance budget. The question is how "minor maintenance" is appropriately defined for a large, institutional department such as Human Services.

The following portions of statute are relevant to this analysis.

The Long Bill headnotes in H.B. 06-1385 includes capital outlay in the definition of operating expenses and specifies:

> "Capital outlay" includes "(1) (a) (II) Alterations and replacements, meaning major and extensive repair, remodeling, or alterations of buildings, the replacement thereof, or the replacement and renewal of the plumbing, wiring, electrical, fiber optic, heating, and air conditioning systems therein, *costing less than fifteen thousand dollars*." " (b) "Capital outlay" does not include those things defined as capital construction by section 24-75-301, Colorado Revised Statutes."[emphasis added]

The Long Bill headnote definition for "operating expenses" also includes:

> "(10) (b) Current charges...for..minor repair or maintenance..."

This seems to indicate that projects funded through the operating budget must be <u>either</u> "for minor repair or maintenance" <u>or</u> under $15,000.

Pursuant to Section 24-30-1301, C.R.S., "controlled maintenance" includes, among other items:

> "(2) (a) (I) Corrective repairs or replacement used for existing state-owned, general funded buildings and other physical facilities....which are suitable for retention and use for at least five years, and replacement and repair of the fixed equipment necessary for the operation of such facilities, *when such work is not funded in an agency's operating budget to be accomplished by the agency's physical plant staff*." [emphasis added]

This section further specifies that:

"(2) (a) (II) (A) ....Minor maintenance items shall not be accumulated to create a controlled maintenance project".

Staff does not believe the current Long Bill headnotes explicitly prohibit funding such as that requested for the youth corrections flooring project--but the headnotes do seem to leave the issue grey in limiting use of operating funds to "minor maintenance". In response to Committee questions, the Department emphasized during its hearing that the Department's controlled maintenance plan identifies 86 projects with a cost of $101 million needed within the next five years, and that none of these projects include "small interior finish projects", such as those included in this request. From the perspective of large agencies with many facilities such as the Departments of Human Services and Corrections, the definition of "minor repair or maintenance" may appropriately encompass substantial dollars. Thus, the $15,000 limit on capital outlay within the Long Bill–and the accompanying use of $15,000 as the minimum for controlled maintenance projects--may make relatively little sense (this dollar limit has not been modified in many years). Regardless, *given six percent limit constraints, for the present, it may be preferable to fund such projects through controlled maintenance and to allow the controlled maintenance budget to grow sufficiently to accommodate such projects*.

Vehicle Lease Payments

The total **staff recommendation for this line item is pending Committee common policy and action on Decision Item 12, to be covered during figure setting for the Division of Youth Corrections.** The Department request is reflected in the table below. The Department reported that its current fleet is 431 vehicles. **The Department's request reflects replacement of 35 vehicles, annualization of 55 vehicles replaced in FY 2006-07, the annualization of 12 vehicles added through FY 2006-07 decision items, and the addition of two vehicles in a new FY 2007-08 decision item (Decision Item #12 - Youth Corrections).**

	Request	Recommendation
FY 2006-07 Long Bill	$802,661	$802,661
Supplemental common policy adjustment (one-time)	(95,269)	(95,269)
FY 2006-07 Appropriation	707,392	707,392
Annualize supplemental	95,269	95,269
Annualize vehicles replaced/added FY 2006-07	214,166	Pending
Common Policy Vehicle Replacement/Reconciliation	50,294	Pending
DI #12 (DYC population increase impacts)	2,992	Pending
Total	1,070,113	Pending

Leased Space

The Department's leased space request and staff recommendation are based on leases for 180,961 square feet at an average cost of $14.99; note that this reflects a substantial assumed increase over FY 2006-07 costs of $13.65 per square foot. As reflected in the table below, the Department's request includes leased space components associated with one decision item in the Division of Youth Corrections. Staff will reflect related Committee decisions made during figure setting for the Division of Youth Corrections in the line item. Note that the Department's current leased space appropriation is $464,023 ($80,522 General Fund) above currently contracted amounts and $222,244 ($1,633 General Fund) above projected FY 2007-08 expenditures; staff believes it is reasonable to leave some flexibility associated with lease negotiations.

The overall appropriation for this line item comprises funding for 46 leases throughout the State associated with nine major program areas (essentially the entire Department: Alcohol and Drug Abuse Services, to Child Care, Disability Determination, Vocational Rehabilitation, Youth Corrections, etc.). This is considerably higher than state capitol complex leased space, but it appears to be consistent with the market, to the extent staff can determine this. The state broker cited $16.83 per square foot as a metro-area office-space leased space average for FY 2005-06.

	Request	Recommendation
FY 2006-07 Long Bill	$2,935,212	$2,935,212
Annualize FY 2006-07 DI (Vocational Rehab.)	3,000	3,000
DI #12 (Youth Corrections)	23,424	Pending
Total	2,961,636	2,938,212

Capitol Complex Leased Space

The Department requests $1,250,797 for capitol complex leased space, including adjustments for a non-prioritized statewide common policy item and subsequent non-prioritized statewide budget amendment. The overall request is for 99,087 square feet at 1575 Sherman Street in Denver and 3,104 square feet at the State Office Building in Grand Junction. **Staff recommends the Department's square footage request, which is at a continuation level.** The final dollar amount is pending Committee policy regarding capitol complex leased space rates.

Utilities

This line item funds utilities expenditures for the Department's institutional programs (Division of Youth Corrections facilities, mental health institutes, and regional centers for persons with developmental disabilities). Utilities costs for other programs are generally included in leased space costs.

		Request	Recommendation
FY 2006-07 Appropriation		$7,275,195	$7,275,195
Supplemental 1-J (Institute 20-bed unit)		9,392	9,392
Budget Amendment 1-J (Annualize 20-bed unit)		9,393	9,393
Annualize FY 2006-07 Sol Vista decision item		16,042	16,042
Annualize FY 2006-07 La Vista decision item		25,384	25,384
	Total	7,335,406	7,335,406

Staff recommends continuation of the funding level set for FY 2006-07, adjusted for annualization of FY 2006-07 decision items and supplementals. The Department has submitted revised projections for FY 2006-07 expenditures which reflect total cost of $7,076,184–reflecting a variance of 2.7 percent from the current appropriation excluding supplementals. The Department has historically used the current year estimate as the basis for the subsequent year's estimate, recognizing that amounts may need to be adjusted in the subsequent year. **Staff believes that the difference between the projection and the current appropriation is sufficiently small that a continuation amount is warranted for FY 2007-08.** Staff anticipates that should there be a significant increase or decrease in utilities costs in FY 2007-08, the Department will submit an associated supplemental. Staff would further note that the Department actually under-spent the FY 2005-06 appropriation for this line item by $277,526 (appropriation of $7,203,249 versus actual expenditure of $6,925,723--a 3.9 percent variance). Actual expenditure trends versus appropriations need to be tracked on an ongoing basis to determine if the Department is routinely over-projecting costs in this area.

Staff would also note that the Department has entered into an energy performance contract with Siemens Building Technologies, pursuant to Section 24-30-2001, C.R.S. Costs are offset by the anticipated energy savings budget in the near term and provide cost savings in later years; however, the Committee should be aware that, through these contracts, the Department is committing to long-term payments to the energy performance contractor (or, in practice, the finance company that has purchased the revenue stream from Siemens). Siemens' payment is paid based on projected energy cost savings realized from the retrofits it installs, and actual savings are confirmed over several years; however, if, for example, the State decided to abandon a building that had received a retrofit before Siemens/the finance company had been paid-off, the State would still be responsible for paying off the retrofit. The contract was signed in March 2004, and Siemens completed the Phase I retrofit, covering Fort Logan and the Department's North Central Procurement facility, in October 2005. The first phase of the project consisted largely of lighting retrofits at these facilities. The cost for this first phase was $822,130, resulting in projected annual energy savings of $77,560. Siemens will be paid over time based on the demonstrated energy use savings associated with the retrofit. The anticipated payback period, including interest at 4.172 percent, is 12 years, after which the State (rather than Siemens) will benefit from the associated cost-savings. Additional phases of the performance contract will be implemented in the coming years. The total project, including 4 phases plus work at the state and veterans nursing homes, is estimated to involve retrofits and upgrades valued at $9.5 million plus an additional $6.5 million for the state operated nursing homes, with phase IV estimated to be completed by December 2008. The actual value of the project may change, as it will depend upon the results of the energy audits for each phase. The Department has indicated that it is only seriously considering project components with pay back of under 12 years.

(B) Special Purpose

Buildings and Grounds Rental

The appropriation for this line item provides funding for the maintenance, repair, and upkeep of facilities and grounds at the Mental Health Institutes at Fort Logan and Pueblo. The Department leases space to other state agencies or non-profit organizations for offices or for the direct provision of services. Funding for this line item (included in bottom-line fund splits for this division) is based on anticipated revenue from agencies that lease space from the Department of Human Services. The rates paid by such agencies are based on the Department's calculated costs for maintenance, repair, and upkeep of the rented spaces.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
TOTAL	4.9	6.5	6.5	6.5

The Department requested $896,913 and 6.5 FTE for this line item. **Staff recommends $896,014 and a continuation level of 6.5 FTE, calculated per common policy**. The staff recommendation includes $264,956 and 6.5 FTE for personal services and $631,058 for operating expenses. Note that the FY 2005-06 actual was substantially lower than the appropriation, and Department has noted that it has some spaces that are currently empty on its campuses, for which it is seeking tenants.

State Garage Fund

The Department has an agreement with the Department of Personnel to operate vehicle maintenance and fueling stations at three state facilities, including the Mental Health Institutes at Fort Logan and Pueblo, and the Western District (Direct Services). The Department is reimbursed by divisions within the Department and by other state agencies for maintenance, repair, and storage of state-owned passenger motor vehicles. Revenues are deposited into the State Garage Fund. This line item provides the cash funds exempt spending authority for the Department to receive and spend such reimbursement. Pursuant to Section 24-30-1104(2)(b), C.R.S., the Department of Personnel has the authority to use any available state facilities (and enter into contracts with such facilities) to establish and operate central facilities for the maintenance, repair and storage of state-owned passenger motor vehicles for the use of state agencies.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
TOTAL	0.9	2.1	2.1	2.1

The Department's request includes an increase of $173,591 cash funds exempt spending authority for ***Decision Item #26.*** The requested increase is to enable the Department to purchase adequate fuel and maintenance supplies for state vehicles using Department maintenance and fueling stations. This decision item is a continuation of the FY 2006-07 supplemental request previously approved by the Committee as Supplemental #21.

The staff recommendation is for $618,445 cash funds exempt and 2.1 FTE and includes $88,263 for personal services and $530,182 for operating expenses. This includes a common policy reduction of $444 to personal services and the increase requested in Decision Item #26. Staff notes that the amount shown is for spending authority. If the services or fuel are not required, the money will not be received and the spending authority will not be used.

Additional Issue - Department's Budget Schedules

For a variety of accounting reasons, the Department's "schedule 3" (expenditure detail) in the budget request often misrepresents actual year spending. Specifically, the budget schedules often indicate a substantial reversion of General Fund which does not relate to actual General Fund reversions reported by the State Controller. As a result, for the last several years the Department has had to provide staff with a reconciliation between actual amounts reported in the budget request and State Controller reversion numbers to demonstrate that they did not revert significant General Fund. JBC staff has requested, and Department staff have agreed, to work on modifying their budget request submission so that such additional reconciliation is not needed and the schedules provide a more accurate representation of Office of Operations actual year expenditures.

Additional Issue -- Indirect Cost Collections for State and Veterans Nursing Homes

Pursuant to Footnote 45 of the FY 2006-07 Long Bill, the Department submitted a variety of data related to its indirect cost collections. The submission indicated that for FY 2005-06, $541,925 that would appropriately have been charged to the State and Veterans Nursing Homes or Homelake Domiciliary was borne, instead by the General Fund. These amounts represent a "hidden" subsidy to the state and veterans nursing homes. Staff believes that such subsidy should be visible in the Long Bill. Therefore, staff recommends that the overall General Fund appropriation for the Office of Operations administration section be reduced by $541,925 and that the Office receive a cash funds exempt appropriation of $541,925 in lieu of this for amounts transferred from the State and Veterans Nursing Homes and Homelake Domiciliary. Staff further recommends that the General Fund appropriation for the State and Veterans Nursing Homes be increased by the same amount. *Thus, the net budget impact of this change will by $0 state General Fund and an increase to the cash exempt appropriation in the Long Bill of $541,925*. While, in general, staff would like to avoid increasing the double counts in the Long Bill, staff also believes there is merit to fully disclosing the amount of state subsidy for the state and veterans nursing homes. Staff will address appropriate overall subsidy levels for the state and veterans nursing homes during the figure setting for these sections of the Long Bill on March 15.

Long Bill Footnotes

Staff recommends **continuation** of the following footnote, as amended. The footnote provides detail on departmental indirect cost receipts and expenditures. Although it has been vetoed in the past, the Department has always been instructed to comply to the extent feasible.

45 Department of Human Services, Office of Operations; Department Totals -- The Department is requested to examine its cost allocation methodology and report its findings to demonstrate that all state-wide and departmental indirect costs are appropriately collected and applied. The Department is requested to submit a report to the Joint Budget Committee on or before November 15, ~~2006~~ 2007, that should include: (1) Prior year actual indirect costs allocated by division and corresponding earned revenues by type (cash, cash exempt, and federal); (2) the amount of such indirect costs applied within each division and to Department administration line items in the Executive Director's Office, Office of Operations, and Office of Information Technology Services; (3) a comparison between indirect amounts applied and the amounts budgeted in the Long Bill; and (4) a schedule identifying areas in which collections could potentially be increased and a description of the obstacles to such increases where the discrepancy between the potential and actual collections is $50,000 or more.

(6) DIVISION OF CHILD CARE

Background Information: Federal Child Care Funds. Unlike most sources of federal funds, the General Assembly has the authority to appropriate federal Child Care Development Funds (CCDF). The CCDF funds available to the state each year consist of four components. Each component, summarized below, has its own rules regarding funding and periods of obligation and expenditure.

- *Mandatory Funds* - Each state receives "mandatory" funds based on the historic federal share of expenditures in the state's Title IV-A child care programs (AFDC, JOBS, Transitional, and At-Risk Child Care). No state match is required to spend mandatory funds. Mandatory funds are available until expended, unless the state chooses to expend federal "matching" funds. To qualify for its share of federal matching funds, a state must obligate its mandatory funds by the end of the federal fiscal year in which they are granted.

- *Matching Funds* - A state's allocation of federal matching funds is based on the state's relative share of children under age 13. A state is required to match expenditures of this source of funds based on its applicable federal medical assistance percentage rate (50/50 for Colorado). Matching funds are available to a state if: (a) its mandatory funds are obligated by the end of the federal fiscal year in which they are awarded; (b) within the same fiscal year, the state meets the federal child care *maintenance of effort (MOE) requirement*; and (c) its federal and state shares of the matching funds are obligated by the end of the fiscal year in which they are awarded. Matching funds must be fully expended in two years. With respect to the MOE requirement, a state must continue to spend at least the same amount on child care services that it spent on the Title IV-A child care programs in FFY 1994 or FFY 1995, whichever was greater, to be eligible for its share of the matching funds.

- *Discretionary Funds* - Federal welfare reform legislation authorized discretionary funds to be appropriated in FFY 1996 through 2002. Funding continued to be made available under continuing resolutions, and funding through 2010 is reauthorized and expanded in the budget reconciliation act that is now being sent to the President. The allocation among states is based on: a state's relative share of children under age five; a state's relative share of children receiving free or reduced price school lunches under the National School Lunch Act; and, a state's per capita income. No state match is required to spend discretionary funds. States have two years to obligate their Discretionary funds and an additional year to liquidate those obligations. Since FFY 2001, Congress has earmarked certain portions of discretionary funds. Thus, a state is required to spend these *earmarked discretionary funds* each year for specific types of activities designed to enhance the quality of care, including infant and toddler care as well as school-age care and resource and referral services. <u>In addition to these earmarks</u>, a states must spend at least *four percent* of all of its expenditures for child care (including the state share of matching funds) on quality activities. Examples of quality activities include:
  - practitioner training and technical assistance;
  - grants or loans to allow programs to purchase needed equipment, make minor renovations, develop new curricula, or pursue accreditation;
  - use of the federal funds to train or to lower caseloads for licensing staff; and
  - grant programs specifically aimed at improving wages for child care providers.

The federal budget bill (S. 1932) that was passed in February 2006 increased the matching fund portion of the child care block grant for Colorado by $2.9 million per year over the FFY 2004-05 level for FFY 2005-06 through FFY 2010-11. At the same time, the law included provisions that were expected to drive increases in work participation by TANF recipients. This was expected to have an impact on TANF participants' need for child care.

<u>Projection for Federal Child Care Development Funds</u>: The table below reflects the overall staff recommendation concerning the use of state-appropriated federal child care development funds for FY 2007-08 and projections for future years. As can be seen:

- The staff recommendation for the use of child care development funds for the Colorado Child Care Assistance Program is substantially lower than the request.

- Even taking this difference into consideration, the staff recommendation reflects on-going spend-down of child care development fund reserves. This level of spend-down is not sustainable past FY 2011-12. If spending continues at this level and federal increases are not provided, General Fund backfill will be required or programs will need to be reduced.

However, in relation to this, it should also be noted that the projection:

- Assumes no further increases in spending for the Colorado Child Care Assistance Program (CCAP) in future years. Thus, if the General Assembly wishes to provide community provider cost of living or other increases in future years, the source of such increases will likely need to be the General Fund. Given the large base of federal funding, the associated General Fund cost would be significant (over $500,000 General Fund per one percent cost of living increase on a federal funds base of over $50 million).

- Includes the projected $1.2 million annual maintenance costs for the requested new Child Care Assistance Program Automated Tracking System (CHATS); however, (1) the Department's projections have reflected only half of this amount coming from this source, with the balance from the General Fund; and (2) the Department has projected savings in the CCAP program well in excess of this figure associated with CHATS. Thus, there may be savings in the CCAP program to offset this cost. Such projected savings are also not included in the projection.

- Assumes no further declines in CCAP program appropriations. However, recent trends have been for substantial declines in spending. If these trends continue and are compounded by reductions associated with reduced fraud and overpayments (tied to the new information technology system), appropriations should be reduced and spend-down slowed or eliminated..

- Assumes no further declines in "quality" activity spending. During FY 2006-07 figure setting, staff anticipated that Department spending for child care "quality" activities would decline by over $700,000 in FY 2007-08, as the State is now in compliance with federal earmark requirements. The Department's request does not include such a reduction and staff's recommendation is consistent with the request for FY 2007-08. However, the State is spending substantially more on "quality" activities for FY 2007-08 than is required by federal rules. Thus, if program reductions or General Fund backfill is required in future years, "quality" activities could appropriately be reduced in lieu of, or in addition to, reductions to the Colorado Child Care Assistance Program.

FEDERAL CHILD CARE DEVELOPMENT FUNDS (CCDF)

	FY 2006-07	FY 2007-08		FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approp.	**Request**	**Recommend**	**Projection**	**Projection**	**Projection**	**Projection**
FUNDS AVAILABLE:							
CCDF Funds Rolled Forward From Prior Years	$16,265,788	$16,265,789	$16,265,789	$6,974,141	$6,237,369	$4,308,990	$2,356,433
New Funds Available	61,381,458	61,425,818	61,425,818	61,425,818	61,425,818	61,425,818	61,425,818
TOTAL CCDF FUNDS AVAILABLE	**77,647,246**	**77,691,607**	**77,691,607**	**68,399,959**	**67,663,187**	**65,734,808**	**63,782,251**
CCDF EXPENDITURES:							
CHATs Information System Replacement	0	8,602,561	8,602,561	47,685	1,239,292	1,263,470	1,287,950
Other Indirect Costs and Information Systems	936,932	962,776	962,776	962,776	962,776	962,776	962,776
Child Care Assistance Program	50,678,107	53,831,469	51,334,774	51,334,774	51,334,774	51,334,774	51,334,774
Child Care Licensing and Administration	3,089,572	3,149,825	3,145,186	3,145,186	3,145,186	3,145,186	3,145,186
Child Care Grants/Earmarks	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633
Pilot Program for Community Consolidated Child Care Services	972,438	972,438	972,438	972,438	972,438	972,438	972,438
Professional Loan Repayment Program	5,000	0	0	0	0	0	0
School-readiness Child Care Subsidization	2,225,775	2,226,821	2,226,098	2,226,098	2,226,098	2,226,098	2,226,098
TOTAL EXPENDITURES	**61,381,457**	**73,219,523**	**70,717,466**	**62,162,590**	**63,354,197**	**63,378,375**	**63,402,855**
AVAILABLE FUNDS LESS EXPENDITURES	**16,265,789**	**4,472,084**	**6,974,141**	**6,237,369**	**4,308,990**	**2,356,433**	**379,396**
Annual Grant Compared to Annual Expenditures	1	-11,793,705	-9,291,648	-736,772	-1,928,379	-1,952,557	-1,977,037

Child Care Licensing and Administration.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Management / Program Assistants	4.4	5.0	5.0	5.0
General Professional/ Licensing Specialists	47.7	52.2	51.2	51.2
Administrative Support	5.7	6.3	6.8	6.8
TOTAL	57.8	63.5	63.0	63.0

The Division of Child Care is responsible for inspecting, licensing and monitoring child care facilities throughout the state, including child care homes and centers, preschool and school-age child care programs, homeless youth shelters, and summer camps, as well as 24-hour facilities (such as residential treatment facilities, residential child care facilities, and child placement agencies). In some counties, the Division contracts with local entities (*e.g.*, county departments of social services, county health departments, child placement agencies) to perform licensing functions for certain types of facilities. In addition, the Division supervises the county-administered Child Care Assistance Program, and it performs several quality-related functions. This line item provides funding for all Division staff, except the 1.0 FTE associated with the School-readiness Child Care Subsidization Program. Of the total appropriation for this line item:

- 40.5 FTE and 74 percent of the total funding (59 percent of the General Fund) relate to licensing all child care facilities and monitoring less-than-24-hour child care facilities;

- 10.0 FTE and 14 percent of the total funding (31 percent of the General Fund) relate to monitoring 24-hour child care facilities; and

- 13.0 FTE and 12 percent of the total funding (10 percent of the General Fund) relate to general administration of the Division (the Division Director, staff that administer the Child Care Assistance Program and child care grants program, staff that provide training and technical assistance to providers and county staff, and staff that ensure compliance with federal laws and regulations).

The General Assembly has made a concerted effort in recent years to increase resources available for child care licensing activities in order to address significant findings included in a series of reports from the State Auditor's Office concerning the child care licensing program.

Pursuant to Section 26-6-105, C.R.S., the Department is to establish license fees pursuant to rules promulgated by the State Board of Human Services. Such fees are not to exceed the direct and indirect costs incurred by the Department. The Department is to develop and implement an objective, systematic approach for setting, monitoring, and revising child care licensing fees by developing and using an ongoing method to track all direct and indirect costs associated with child care inspection licensing, developing a methodology to assess the relationship between licensing costs and fees, and annually reassessing costs and fees and reporting the results to the State Board. The Department is to consider the licensed capacity of facilities and the time required to license facilities.

Prior to FY 2002-03, child care licensing fees had not been adjusted since June 1999. The fee structure that existed in FY 2001-02 generated about $475,000 in cash fund revenues, covering about 11 percent of the costs of the licensing program; the General Fund covered about one-third of such costs, and federal funds covered the remainder (56 percent). In order to reduce General Fund appropriations while mitigating the need to reduce the effectiveness of the licensure unit, the General Assembly approved changes in the financing of this line item beginning in FY 2002-03. It was estimated that if licensure fees were increased by 36 percent, cash fund revenues would support about 15 percent of the annual costs of the licensing program (versus 11 percent). In May 2003, child care licensure fees were increased 36 percent. *Fees have not been raised since that time*. Based on FY 2004-05 actuals, licensure fees make up about 11 percent of the annual appropriation for the licensing program–i.e., essentially where the state was prior to the FY 2002-03 fee increases. Fees range from $22 per year for a smaller family child care home to $840 for a secured residential treatment center. The Department has indicated that it does not plan to raise fees on a yearly basis and would only propose to raise fees if additional licensing staff were added.

License fee schedules are set based on the cash funds appropriation in this line item Staff has set the cash fund appropriation for this line item based on the Department's request, which holds cash fund revenue relatively steady as a percentage of the total line item. The Department currently projects fee revenue for FY 2007-08 sufficient to cover this.

The table below reflects the Department's request and staff recommendation.

FY 2007-08 Appropriation		**Department Request**	**Staff Recommend.**	**Difference**
Personal Services - Total		$4,041,410	$4,029,157	($12,253)
	FTE	63.0	63.0	0.0
	GF	1,985,776	1,978,162	(7,614)
	CF	571,028	571,028	0
	FF	1,484,606	1,479,967	(4,639)

FY 2007-08 Appropriation		Department Request	Staff Recommend.	Difference
Licensing Contractual Services - Total		1,839,591	1,839,591	0
	GF	0	0	0
	CF	0	0	0
	FF	1,839,591	1,839,591	0
Operating - Total		435,965	435,965	0
	GF	296,985	296,985	0
	CF	138,980	138,980	0
	FF	0	0	0
TOTAL		6,316,966	6,304,713	(12,253)
	FTE	63.0	63.0	0.0
	GF	2,282,761	2,275,147	(7,614)
	CF	710,008	710,008	0
	FF	3,324,197	3,319,558	(4,639)

The staff recommendation is calculated according to Committee common policy, including:

- A personal services increase of $88,462 for salary survey increases awarded in FY 2006-07 offset by reductions of (1) $20,268 for the common policy personal services reduction and (2) $18,833 and 0.5 FTE for annualization of S.B. 06-45; and

- An increase of $36,070 for the common policy 2.0 percent community provider cost of living adjustment applied to a base of $1,803,521 in federal funds for licensing contracts. This is consistent with past practice, as there is no other mechanism for applying increases to such contracts (they are not included in "pots" runs that generate salary survey increases); and

- An operating expenses reduction of $1,011 related to annualization of S.B. 06-45.

The difference between the Department request and the staff recommendation is the calculation of common policy personal services..

Fines Assessed Against Licenses

Senate Bill 99-152 created the Child Care Cash Fund, which consists of fines collected from licensees by the Department [see 26-6-114 (5), C.R.S.]. Moneys in the Fund are continuously appropriated to the Department "to fund activities related to the improvement of the quality of child care in the state of Colorado". **The Department requested a continuation level of $18,000. Staff recommends the continuation request**, as this amount is reasonably close to actual revenue in FY 2004-05 and FY 2005-06, and reserves that have allowed greater expenditures are expected to be largely exhausted.

Automated Child Care Assistance Program System Replacement *[Requested new line item in Office of Information Technology Services]*

NOTES regarding location of funding:

- This decision item was requested in the Department's Office of Information Technology Services. However, because the request is for a system that serves the Division of Child Care and is funded with Child Care Development block grant funds, staff is reviewing it in this packet and suggests that any associated line item that is created be placed in the Child Care budget during the development phase of the project. The staff analyst for the Office of Information Technology Services concurs with this recommendation on the grounds that program staff should have ultimate responsibility for the system's development.

- The vast majority of funding discussed below is incorporated in a capital request under review by the Capital Development Committee. Thus, **the vast majority of funding, if approved, will not appear in the operating budget portion of the Long Bill but will rather be reflected in the capital construction budget**.

Decision Item #18 - Child Care Assistance Program Automated System Replacement

For the second year in a row, the Department of Human Services has submitted an $8.6 million capital construction request for replacement of its current Child Care Automated Tracking System (CHATs) information technology system, with a smaller accompanying request in the operating budget (Decision Item #18). The General Assembly rejected the request for FY 2006-07, but the Department was encouraged to resubmit in the future. It has chosen to do so in FY 2007-08 with no significant changes in the request, other than the addition of a certified project manager, as required under S.B. 06-63.

CHATS is a data system that supports the Department and all counties in managing the subsidized child care program (total expenditures of $80 to $100 million, depending on the year). The system serves over 48,000 children within 23,000 low income and disadvantaged families who receive services from 10,000 licensed and legally exempt child care providers. CHATS current functions include: client administration, provider administration, payments, recovery, program technical assistance, program monitoring, and reporting. It was first developed in 1995 on mainframe technology. In FY 2003-04 the Joint Budget Committee appropriated funds for a feasibility study on replacement of the system. The Division argues that a new, more modern system is needed to meet business needs that have changed, improve child care expenditure tracking, reconciliation and reporting, and reduce fraud, among other issues.

The proposal is to replace the current CHATS system with a web-based system that uses "point of sale" technology. The proposal is to build a new system from scratch over a two-year period, using an outside vendor. As reflected in the table below, a significant portion of the cost is for "point of sale" technology that would allow a family to "swipe" a child care assistance program "credit card" that would reflect the family's child care assistance program allocation. The new system is expected to have a life span of 10 years. Equipment lease and maintenance costs of approximately $1.2 million per year would be ongoing during this period. The majority of such maintenance costs are associated with the "point of sale" technology. If this new system lasts 10 years (as reflected in the Department's feasibility study), total costs for development and maintenance will exceed $20 million over the life of the project ($8.6 million for development + ($1.2 million x 10 years). This works out to approximately 3.0 percent of total funds distributed each year for child care, using a conservative estimate of $66.4 million per year, based on FY 2005-06 actual funds distributed.

CHATS Information Technology System Replacement - 5 Year Costs				
	Development Phase		**Maintenance (year 1)**	**Development (2 yrs) + Maintenance (3 yrs)**
	FY 07-08 Request	FY 08-09 Projection	FY 09-10 Projection	FY 07- 08 to FY 11-12 (5 year Total)
Capital				
Development vendor	$3,784,480	inc. in '08	$0	$3,784,480
Development software	33,096		0	33,096
Development hardware	137,975		0	137,975
Independent Validation (I V & V)	230,560		0	230,560
Point of sale (POS) hardware	3,936,400		0	3,936,400
Contingency (5 percent)	406,126		0	406,126
Subtotal - Capital	**$8,528,637**		**$0**	**$8,528,637**
Operating				
Materials and supplies	$32,773	$6,500	$0	$39,273
Maintenance of hardware	0	33,333	33,333	133,333

CHATS Information Technology System Replacement - 5 Year Costs				
	Development Phase		**Maintenance (year 1)**	**Development (2 yrs) + Maintenance (3 yrs)**
	FY 07-08 Request	FY 08-09 Projection	FY 09-10 Projection	FY 07- 08 to FY 11-12 (5 year Total)
Maintenance of software	0	0	1,205,958	3,690,710
Telecommunications	9,151	7,852	0	17,003
Training	32,000	0	0	32,000
Subtotal - Operating	**$73,924**	**$47,685**	**$1,239,291**	**$3,912,319**
Grand Total	**$8,602,561**	**$47,685**	**$1,239,291**	**$12,440,956**

The Department's feasibility study originally projected that the impact of the new system would be savings and avoided costs of over 21 percent per year of expenditures for CCAP (savings/cost avoidance of $18.4 million per year)*; however, during its FY 2006-07 budget hearing, it revised this estimate and subsequently modified it for the FY 2007-08 budget request.* The table below reflects the Department's most recent projection of savings and compares this with a more conservative, staff estimate. Both estimates assume a lower rate in the first two years associated with "ramp up".

CHATS Information Technology System Replacement - Projected Benefits/Avoided Costs		
	Avoided annual costs by 3rd year of operation (FY 11-12)	3 Year benefits: FY 2009-10 through FY 2011-12
Department Revised Benefit Analysis:		
Improved fiscal accountability (8 % of $66.7 million in CCAP subsidy payments)	$4,801,542	$11,470,351
Reduced fraud (8 % of $66.7 million in CCAP subsidy payments)	$4,801,542	$11,470,351
Other IT costs avoided (e.g., maintenance costs, economies of scale for hardware and software purchases) based on feasibility study	$353,319	$942,117
Total	$9,956,403	$23,882,819
JBC Staff estimate:		
Reduced over-payments to providers/fraud (estimated at 8 percent of CCAP expenditures of $66.7 million)	$4,801,542	$11,523,701
Other IT costs avoided (e.g., maintenance costs, economies of scale for hardware and software purchases) based on feasibility study	353,319	942,117

CHATS Information Technology System Replacement - Projected Benefits/Avoided Costs		
	Avoided annual costs by 3rd year of operation (FY 11-12)	3 Year benefits: FY 2009-10 through FY 2011-12
	$5,154,861	$12,465,818

*Consistent with the figures in the Department's feasibility study, staff has assumed that the savings rate during the first two years of operating is 70 percent of the savings by the third year, based on time required to "ramp up" and maximize use of the system

Assuming the staff estimate of 8 percent savings (as opposed to the Department's 16 percent), is accurate, the savings associated with the new system ($12.5 million) will have barely exceeded the system's costs ($12.4 million) after 2 years of development and three years of implementation. However, once the system is fully implemented, estimated annual savings of $5.2 million will be four times the annual maintenance cost of $1.2 million. If the Department's estimates are correct, savings would clearly be greater.

> Oklahoma's Experience: Oklahoma has implemented a new child care IT system costing $6.0 million that included point of sale technology. Between FY 2003-04 and FY 2004-05, when the system was implemented, it reported a 10 percent reduction in the amount paid per child, resulting in savings of nearly $13 million per year despite a 1.0 percent increase in the number of children receiving services. It believes these savings are associated with the new system. However, it does not believe it would have realized these savings in the absence of significant policy changes, e.g., not allowing cards to be swiped more than 10 days after a child care visit and making families liable, food stamps on same cards to discourage families from allowing providers to hold cards, requirements that eligibility workers approve or deny childcare within 2 days and that families are liable for care in case of denial**.** Indiana implemented a system essentially identical to Oklahoma's one year later and has realized virtually no savings.

As shown in this table, the vast majority of savings/costs avoided are derived from calculated reduced over-payments to providers and reduced fraud. The reduced fraud and over-payments calculation is based on an 2003 Child Care Provider study by the Department of Human Services' Office of Performance Improvement. The Office conducted audits of a large sample of child care providers. *The audit found, among other issues, a 14.7 percent error rate in payments to providers.* Errors reflected in this figure included: the provider did not have any documentation for the months in question, a full-time day was billed, but documentation reflected only a part-time day, the amount paid was more than the authorized subsidy, and absences paid were more than the number allowed by the county. *If payments had been withheld or adjusted based on these exceptions, the net reduction in provider payments would have been 14.7 percent.*

The Department also points to a 2005 study it conducted for the federal Administration for Children's and Families Child Care Bureau as part of a pilot project to identify erroneous child care block grant expenditures. *The Colorado study found that eight percent of payments in its sample were made in* *error* (and that 25 percent of cases included some improper payment). Deeper study of an additional subset of these cases found an additional 12 percent improper payments due to provider errors and 13 percent improper payments due to client errors, although this portion of the finding was based on a very small sample.

For FY 2006-07, staff recommended and the JBC agreed, that the project be delayed and reconsidered for the future. Significant considerations included: (1) the Department of Human Services' capacity to manage large IT projects, in light of the history with the Colorado Benefits Management System; (2) the vacancy of the Director position in the Division of Child Care; (3) possible system modifications that the JBC wished the Department to consider.

Staff Recommendation: Staff recommends the project for FY 2007-08, with conditions outlined below. Last year, Colorado Counties Inc. expressed support for this project with certain conditions. Staff is in agreement with some of these conditions, based on the state's experience with other information technology projects that involve counties. Staff agrees with three of the four conditions. These are as follows:

1. The project should have steering committee that includes a county commissioner, a county human services director, and a user of the system;
2. The project must have a real pilot and be rolled-out slowly, based on the pilot;
3. The steering committee, including the county representatives, should decide whether the system is "go" or "no go" at the roll out stages.

Staff believes all of these conditions are consistent with the lessons the State has learned with respect to other information technology projects. In addition, staff recommends the following condition:

4. Ongoing costs for maintenance and administration of this system are to be covered through savings in or reductions to the Colorado Child Care Assistance Program and remaining Child Care Development Fund reserves. The new system will not drive additional costs to the state General Fund.

Colorado Counties Inc. also wished a commitment from the State that costs would not be borne by the counties or taken from county child care allocations. This is not a commitment staff believes the General Assembly can or should make. The Department's proposal, as submitted for FY 2007-08 reflects splitting ongoing costs of $1.2 million per year between the General Fund and the Child Care Development Fund block grant. However, as discussed, the primary justification for this new system is that it will result in reducing fraud and overpayments and thereby provide savings substantially in excess of costs. It is therefore staff's expectation that long term maintenance costs ($1.2 million per year) will be funded based on reductions to the Child Care Assistance Program budget or from any remaining child care block grant reserves. Staff further anticipates that any other unanticipated over expenditures associated with this project might need to be funded through any remaining reserves or reductions to the child care budget. This is a risk of which both the Department and counties need to be aware.

With these conditions, staff supports the project for the following reasons:

Staff believes that a conservative estimate of an 8 percent reduction in expenditures associated with the new technology is reasonable, in light of Oklahoma's experience. To the extent that the new system might reduce problems associated with fraud and overpayment in the CCAP program, it will be cost-effective**.** Staff emphasizes, however, that Oklahoma has indicated that would have realized these savings in the absence of significant policy changes, *e.g.*, not allowing cards to be swiped more than 10 days after a child care visit and making families liable, heavy penalties for providers shown to be holding on to family's cards (for which there is a strong incentive), food stamps on same cards to discourage families from allowing providers to hold cards, requirements that eligibility workers approve or deny childcare within 2 days and that families are liable for care in case of denial**.** Indiana implemented a system essentially identical to Oklahoma's one year later and has realized virtually no savings. *Department of Human Services staff are aware of this and have expressed their intention in hearing responses to ensure that their policies take appropriate advantage of the new technology so that savings are realized.*

The reported error rate in payments to providers, resulting in 14.7 percent over-payments, and the more recent study for federal authorities demonstrating 8 percent improper payments are cause for substantial concern. The State should take steps to address these problems. The proposed point-of-sale technology, in conjunction with policy changes, has been successful in addressing this problem in Oklahoma. Staff would also note increased federal interest in this area. Child care grants have been deemed to be covered by the Federal Improper Payments Information Act of 2002 (P.L. 107-300) which requires federal agencies to report an annual estimate of improper payments for some federal programs and steps being taken to reduce these. Colorado is one of a number of states that has attempted to examine this issue and to assist in trying to identify a national error rate for child care payments. At present, it is unknown when the start date of a federal error rate will begin or how long states will have to implementation—and there is no intention of imposing a penalty for errors found. Nonetheless, it is probably wise for the state to begin working to address this issue.

IF the project comes in within budget, there should be adequate Child Care Development Fund reserves to cover costs If projected savings are realized, these should be more than sufficient to cover maintenance costs.

Staff does believe that the new project should be manageable. *The proposed new system is of far more modest size than CBMS and should be easier for the Department to control*. The proposed project does include independent validation and verification, a certified project manager, and other reporting requirements that staff believes are appropriate. Although the proposal reflects building a system from scratch, this does not mean that the vendor selected may not have very substantial knowledge of and/or ability to use components of existing systems, such as those in Oklahoma and Indiana. The fact that other states have functional systems in place gives hope that a functional system can be built for Colorado. The Department's hearing response indicates that proposals will be evaluated on the merits "with proven solutions part of the evaluation."

Staff in county departments who work directly with child care are enthusiastic and support the idea of an automated system, despite the anxiety produced by the CBMS system problems. They agree that CHATs is probably nearing the end of its useful life span and will need to be replaced within the next few years. The new system will substantially improve the current paper-based system used to track families' use of child care subsidies.

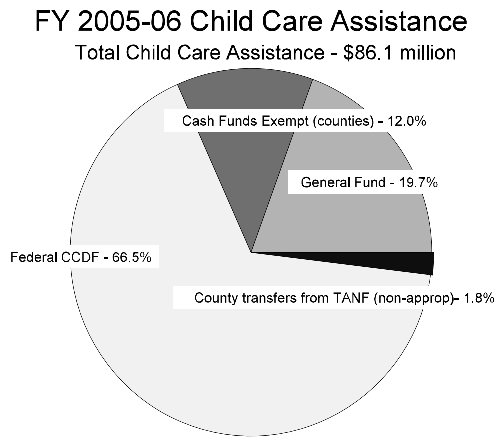
The Department has explored the options and alternatives that the Committee requested it consider regarding this project and does not recommend them. The Department's explanations appear reasonable. These alternatives include integrating the project into the Colorado Benefits Management System (CBMS), adding the point of sale technology to the existing CHATS system, and purchase of another system in its entirety from another state. As reflected in the Department's hearing responses, it does not recommend any of these alternatives. Most of them were considered in the feasibility study authorized and funded by the General Assembly. The feasibility study indicated that these alternatives were either not desirable and/or more expensive. With specific reference to the option of incorporating this functionality in CBMS, the Department emphasizes that 80 percent of those accessing child care subsidies do not receive other welfare benefits. Staff also notes that the new child care system: (1) will need to accept different eligibility requirements for 64 different counties (rather than a single statewide eligibility system consistent with CBMS); and (2) extends beyond *eligibility* for child care to billing and tracking of child care expenditures (CBMS is purely an eligibility system). Department staff have indicated that they *do* expect that there will be automated interfaces developed between the proposed new system and CBMS.

Staff recommends that, if the Committee approves the staff recommendation, it send a letter to the Capital Development Committee outlining the recommended conditions for approval of the request.

Child Care Assistance Program

Senate Bill 97-120 established the Colorado Child Care Assistance Program (CCAP) in statute at Section 26-8-801 through 806, C.R.S. Subject to available appropriations, counties are *required* to provide child care assistance (subsidies) to any person or family whose income is less than 130 percent of the federal poverty level. Recipients of assistance are responsible for paying a portion of child care costs. Counties are also *authorized* to provide child care assistance for a family transitioning off the Works Program or for any other family whose income is between 130 and 225 percent of the federal poverty level.

Effectively, this program serves three groups of low income families: (1) families receiving cash and other assistance through the Colorado Works Program; (2) families transitioning off of cash assistance; and (3) low income families. Low income families have always comprised the largest group receiving child care subsidies. Persons transitioning off the Works program made up 27 percent of persons served in FY 2005-06, with73 percent qualifying based on income. Children in families earning 130 percent or less of the federal poverty level make up 85 percent of persons served.



The line item provides a block grant to each county for child care subsidies following an allocation formula that includes: (1) the number of children in the county ages 0-12; (2) the number of county children in the Food Stamp program; and (3) the previous year's CCCAP utilization. State statute provides counties substantial flexibility in structuring their child care subsidy programs. *Specific county eligibility policies do vary and have changed over time*. Variations include the income levels served up to 225 percent of poverty, reimbursement rates for child care providers, and whether students in higher education programs are eligible.

The appropriation is comprised of state-appropriated federal Child Care and Development Fund (CCDF) block grant amounts, state General Fund, and county maintenance of effort and administrative amounts. Each county is required to spend, as a maintenance of effort, its share of an amount identified in the Long Bill each year. The Long Bill also reflects the estimated county share of program administration costs ($1.7 million of total county amounts). Overall funding sources for the program have historically included large county transfers from their Temporary Assistance to Needy Families (TANF) block grants. Counties are permitted to transfer up to 30 percent of their TANF allocations into CCDF and Title XX Child Welfare Funding. As the maximum of 10 percent is generally transferred to Title XX, 20 percent is generally available for transfer into Child Care. Funds expended for child care that are transferred from TANF are shown for actual years, but are not reflected in the appropriation for the Child Care Assistance Program.

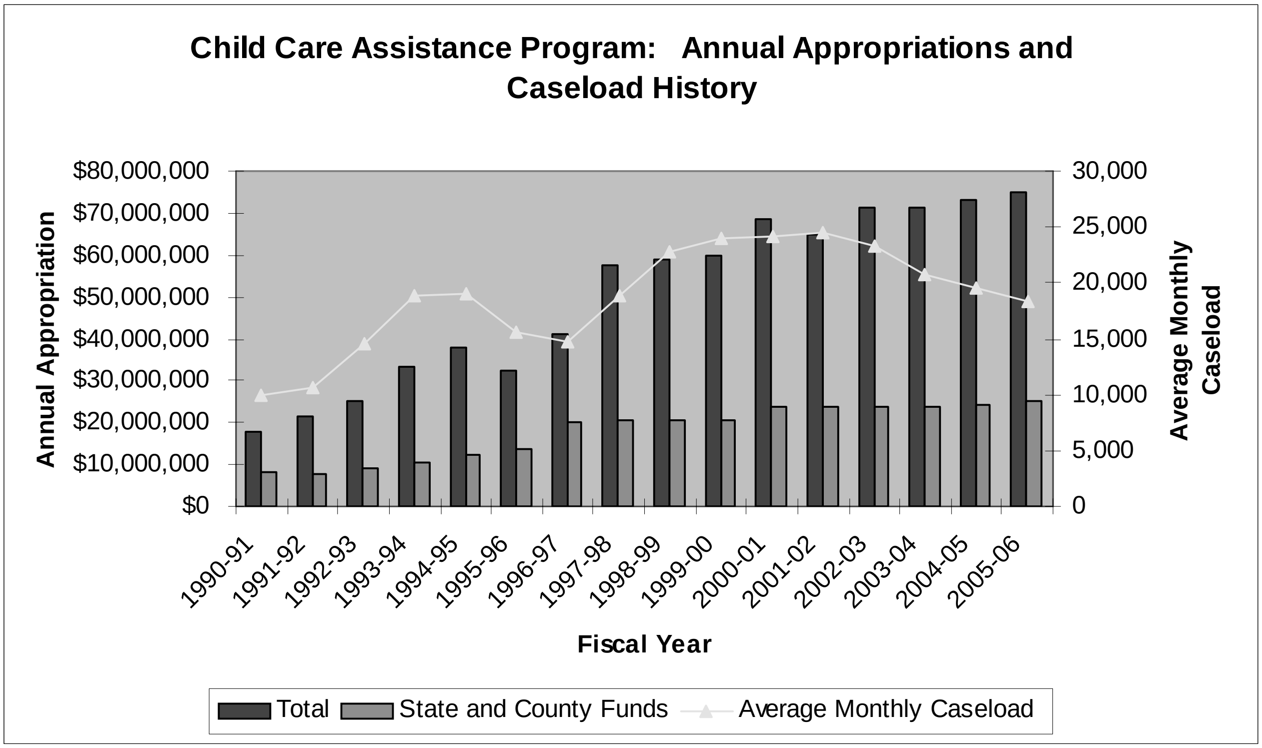
The following chart illustrates the history of appropriations for CCAP, as well as the average monthly number of children for whom subsidies are provided through CCAP. Note that this chart reflects total CCAP appropriations and excludes TANF transfers. However, program caseload amounts are related in significant part to such transfers.

The history of the program includes bursts of funding increases (in the early and late 1990s) that led counties and the state to expand enrollment---only to sharply tighten eligibility requirements when caseload exceeded desired funding levels. Both the annual appropriation for CCAP and the number of children for whom subsidies have been provided increased rapidly in the early 1990s. However, the caseload increased at a faster rate than appropriations, requiring the Department to institute a caseload freeze in January 1995. In July 1995, this caseload freeze was replaced with specific allocations to individual counties. The new allocation method reduced utilization temporarily, before caseload began to build again.

Spending and caseload continued to increase through 2001-02. It then began to drop. **Caseload declines were tied to reductions in expenditures of funds transferred by counties from their Temporary Assistance to Needy Families (TANF) block grants.** These amounts had historically augmented appropriations for child care.

Total state *appropriations* for child care subsidies **increased** from $41.2 million in FY 96-97 to an initial appropriation of $79.9 million in FY 2006-07, with most of the increase reflecting federal

CCDF funds. *However, actual county expenditures for the program peaked in FY 2001-02 and have **declined** ever since.* The discrepancy reflects a decline in expenditures of TANF funds that were transferred and used for child care purposes. The decline has been dramatic, with expenditure of



transfer funds falling from almost $32 million in FY 2001-02 to just $1.4 million in FY 2005-06. This in part reflects funds that were transferred to child care but kept in reserve, rather than expended (as reserves now stand at over $47 million). It also reflects overall tightening of eligibility requirements and provider reimbursement policies by counties in the face of overall constraints faced in TANF programs.

The build-up of reserves (primarily in a few large counties), as well as the decline in spending of TANF transfer funds statewide, has been substantially attributed to uncertainties about welfare reauthorization, which was expected to result in increased work requirements and increased demand for child care. However, a *year after the passage of welfare reform reauthorization which did effectively increase work requirements, the trend has continued to be for reductions–rather than increases–in child care program spending. It is not clear whether or when this trend will reverse.*

Expenditure of TANF-Transfer Funds for Child Care	
	CCDF expenditure TANF funds (SFY) (million $)
FY 2001-02	$31.9
FY 2002-03	21.9
FY 2003-04	12.9
FY 2004-05	6.5
FY 2005-06	1.4
CCDF county reserves, 6/30/06	47.6

In FY 2005-06, there was a General Fund reversion for the Child Care Assistance Program of almost $840,000. Overall county expenditures for the Child Care Assistance Program have continued to fall so sharply that the JBC approved an Executive request for a supplemental *reduction* to the FY 2006-07 appropriation for the program. The one-time FY 2006-07 reduction included reductions of $2,106,666 federal funds, $2,500,000 General Fund, and $525,962 county maintenance of effort, designed to avoid reversions for the fiscal year. These reductions brought the appropriation down to slightly below FY 2005-06 levels. Expenditures for FY 2006-07 are anticipated to be further suppressed as the year progresses by the impact of S.B. 06-45. This bill imposes background check requirements on license-exempt child care providers receiving CCAP subsidies and may drive some license-exempt CCAP providers to drop out of the CCAP program.

For FY 2007-08, the Department has requested a continuation level of funding from the FY 2006-07 appropriation level in place prior to the supplemental reduction, plus a 2.0 percent community provider cost of living adjustment, allocated proportionately across all fund sources. The table below reflects the components of the request and recommendation.

Child Care Assistance Program – Department Request				
	Total	**GF**	**CFE**	**FF**
FY 2006-07 Long Bill (pre supp. reduction)	$79,871,761	$16,376,389	$9,710,598	$53,784,774
Leap year adjustment	244,110	122,055	0	122,055
Cost of Living Adjustment (2.0 percent)	1,597,435	356,528	194,212	1,046,695
	$81,713,306	$16,854,972	$9,904,810	$54,953,524

The staff recommendation is reflected in the table below.

Child Care Assistance Program - Staff Recommendation				
	Total	**GF**	**CFE**	**FF**
FY 2006-07 Long Bill (pre supp. reduction)	$79,871,761	$16,376,389	$9,710,598	$53,784,774
Leap year adjustment	0	0	0	0
Cost of Living Adjustment	0	0	0	0
Eliminate FY 2006-07 “excess” increase	(1,728,805)	0	(278,805)	(1,450,000)
	$78,142,956	$16,376,389	$9,431,793	$52,334,774

The following table compares the total Department request and the staff recommendation by fund source.

Child Care Assistance Program - Comparison Request and Recommendation			
	Request	Recommendation	Difference
Child Care Assistance Program	$81,713,306	$78,142,956	($3,164,477)
General Fund	16,854,972	16,376,389	(478,583)
Cash Funds Exempt (counties)	9,904,810	9,431,793	(473,017)
Federal Funds (CCDF)	54,953,524	52,334,774	(2,618,750)

Major differences between the recommendation and the request include:

(1) staff has not included the requested leap year adjustment;

(2) staff has not included the common policy community provider cost of living increase; and

(3) staff has recommended a reduction to the total appropriation of federal block grant funds for this program. The amount of the reduction is based on an increase provided by the Committee for FY 2006-07 that was above and beyond the 3.25 community provider cost of living increase provided.

The staff recommendation is based on two factors: (1) the continuing declines in county expenditures for the CCAP program; and (2) the imbalance between annual federal allocations of Child Care Development Fund moneys and state appropriations.

The table below compares initial appropriations and actual expenditures for the CCAP program in the last several years. As shown, county expenditures have declined, despite the growth in state appropriation. *It is very difficult to project spending levels for FY 2007-08. Complicating factors include:(1) a history of delayed/over-reactions by counties to child care funding changes (the impact of new county eligibility and reimbursements take time to be felt); (2) the "new world" in which county expenditures do not substantially exceed appropriations and TANF transfer expenditures are largely eliminated; (3) possible further impacts of federal TANF reauthorization on child care demand and the TANF program; and (4) the ongoing impact of S.B. 06-45, which is anticipated to reduce child care spending further.* That said, an increase of 9.3 percent above the final appropriation for FY 2006-07, as requested by the Department, could well result in FY 2007-08 reversions. The staff recommendation still results in an increase of 4.6 percent above the FY 2006-07 revised appropriation level.

Setting aside the issue of projected child care expenditures, it is clear that the State is spending down remaining state Child Care Development Fund reserves at an excessive rate. A significant reason for this is a last-minute decision by the JBC in FY 2006-07 to substitute a staff-recommended $1.45 million increase in General Fund appropriations for the program with a $1.45 million increase from the federal Child Care Development Fund block grant. Committee action for FY 2006-07 has already eliminated this "excess" appropriation for the current fiscal year. Staff recommends that it also be eliminated for FY 2007-08 and future years, as it is not sustainable.

Child Care Assistance Program - Expenditure and Appropriation History					
Fiscal Year	Closeout Expenditure	Percent Change	Appropriation	**Percent Change**	Notes
SFY 02	$98,291,475		$65,048,209		
SFY 03	94,481,674	-3.9%	71,336,427	9.7%	
SFY04	85,850,643	-9.1%	71,336,427	0.0%	
SFY05	80,426,556	-6.3%	73,135,525	2.5%	
SFY06	76,299,719	-5.1%	75,768,237	3.6%	$841,040 reverted*
SFY 07					
Initial Approp.			$79,871,761	5.4%	
One-time supp.			(5,132,629)		
Revised Approp	74,077,436	-2.9%	74,739,132	-1.4%	Closeout estimated based on 6 months data
SFY 08					
Request			81,713,306	9.3%	Chg from revised approp
Recommend			78,142,956	4.6%	Chg from revised approp

* The appropriation included a $1.0 million federal funds late supplemental; $841,040 General Fund was then reverted. It is possible for state funds to be reverted, even when total expenditures are higher than the appropriation, when some counties over-expend, while others under-expend.

With respect to the community provider cost of living increase, if the Committee wished, it could provide the General Fund portion of the 2.0 percent increase. This, combined with associated county maintenance of effort increases, could provide a 0.5 percent increase overall for the program. However, the Committee should be aware that statute authorizes counties to set rates for child care services. Associated with this, there is no guarantee that any community provider cost of living increase provided will translate into higher rates for providers: some counties may use the funds for this purpose while, for others, the additional funds may allow expansion in numbers of children served, if the county deems provider rates adequate. The Department has indicated that, in the next five years, it would like to look at increasing provider reimbursement rates throughout the state.

Grants to Improve the Quality and Availability of Child Care

The federal government requires that 4.0 percent of expenditures for Child Care and Development Fund-supported activities be used to improve service quality. The 4.0 percent calculation is based on total CCDF expenditures, including state expenditures (estimated at $23.4 million) required to match a portion of the federal CCDF grant and county transfers of TANF funds to CCDF. *The Department indicates that the 4.0 percent quality requirement amount estimated to be required for FY 2006-07 and FY 2007-08 is $4,740,776, while estimated quality expenditures, based on the Department's request, are projected to be $5,272,811.* Funding used to meet this requirement may not also be used to meet the quality earmark requirement described below. The following table reflects the Department's estimate, per its annual footnote report, of the funding sources that will be used to meet the 4.0 percent requirement in FY 2007-08, which includes the amount in this line item.

Department Estimated Components of 4% Quality Spending FY 2007-08	
Line Item	**Amount**
EDO/indirect costs	$10,061
School Readiness Child Care Subsidization	2,020,307
Child Care Licensing and Administration	2,200,000
Consolidated Pilots*	737,443
Child Care Grants (non-earmarked funds)	300,000
Loan Repayment Program**	5,000
Total quality-related expenditures	$5,272,811

*This reflects only a portion of the anticipated funding in this line item; the balance is to be used for earmark requirements.

**Staff has not recommended funding for this line item, as the program sunsets.

The Department requested a continuation level of $300,000 for this line item. Staff recommends the request. However, staff also recommends that this amount be folded into a new line item, consistent with staff's proposed restructuring of this portion of the Long Bill. As indicated, the Department expects to be spending considerably more on quality activities then required by federal authorities; thus, at the discretion of the General Assembly, quality appropriations could be reduced. However, this is not the request or recommendation at this time.

Federal Discretionary Child Care Funds Earmarked for Certain Purposes

The Department requested a continuation level of $3,173,633 for this line item. Federal law concerning Child Care Development Funds requires specific dollar amounts of the "discretionary grant" funding under CCDF be "earmarked" for specific purposes. These earmarks are for: (1)

infant/toddler programs; (2) school age and/or resource and referral programs; and (3) quality expansion activities such as professional development, mentioning, provider retention, equipment supply, facility start-up and minor facility renovation. The amount reflected in this line item historically reflected balance of State earmark obligations, after the Pilot Program for Community Consolidated Child Care Services is counted. Notably, the line item was created during a period when the State had fallen behind on its earmark obligations. As discussed below, this amount could be reduced further. However, the Department's request reflects maintaining the amount in the line item to support Department quality activities**. Staff recommends the request for a continuing level of appropriation but, as the Department is now back in compliance with federal requirements, the staff recommendation reflects restructuring of the line item. The Committee should also be aware that the amount reflected in this line item could be reduced, although the Department has not requested and staff does not recommend this.**

Overall, the Department notes that total spending for quality activities in FY 2006-07 of $6,676,279 puts spending for these activities back at FY 2002-03 levels. Increases approved in FY 2003-04 and FY 2004-05, primarily to address federal earmark issues, have been eliminated, and it does not support reducing spending on quality activities further, back to FY 2001-02 levels. For FY 2007-08, staff is recommending the request; however, staff notes that this is an area in which funding could be reduced in the future, if the state faces shortfalls in federal child care block grant amounts.

The Department seeks to target grant funds reflected in this line item to those areas determined to provide the greatest long-term gains. These areas include: increasing the efficiency and effectiveness of local child care services; raising the level of professional development in the field and providing early childhood training opportunities for child care providers; providing child care resource and referral services for families and child care providers; and, improving the ability of child care providers to prepare children for entering elementary school.

The table below compares the Department's FY 2007-08 request for this line item with its estimated earmark obligations for FY 2007-08, based on the historic funding approach for this line item.

Minimum Required, based on Historic Funding Approach for Line Item				
	Quality Expansion	Infant/Toddler	School Age or Resource & Referral	Total
Earmarks Required, FY 2007-08				
Estimated open earmarks 7/1/07	506,688	530,622	52,029	1,089,339
New earmarks (75% FFY 07)	1,520,065	880,319	156,086	2,556,470
	2,026,753	1,410,941	208,115	3,645,809

Minimum Required, based on Historic Funding Approach for Line Item				
	Quality Expansion	Infant/Toddler	School Age or Resource & Referral	Total
Base Earmark Appropriation:				
Federal Discretionary Child Care Funds Earmarked for Certain Purposes				3,173,633
Consolidated Child Care Pilots				972,438
Total Base Appropriation				**4,146,071**
Difference: *potential* reduction to line item, per historic figure setting approach				**($500,262)**
Department requested and Staff-recommended reduction				**$0**

The table below reflects the line items the Department currently expects to use to meet the FY 2007-08 earmark requirement, based on its Footnote 81 report. Note that the Department notes that this includes $237,182 more than the minimum required, even though it has not included most of the Consolidated Pilots line item in its calculations.

Department Estimated Components of Earmark Spending FY 2007-08	
Line Item	**Amount**
Consolidated Pilots*	234,994
Child Care Funds Earmarked for Certain Purposes	3,173,633
Total earmark expenditures**	$3,408,627

*Reflects only a portion of this line item

**Reflects $237,182 more than the minimum required for earmark spending.

Pilot Program for Community Consolidated Child Care Services

Since FY 1997-98, the Department of Human Services has worked with the Department of Education to provide grant funds and technical assistance to local communities to design consolidated programs of comprehensive early childhood care and education services intended to serve children in low-income families, with a special emphasis on families participating in work activities related to welfare reform. Pilot communities are allowed to blend various sources of state and federal funding (e.g., Colorado Preschool Program, Colorado Child Care Assistance Program, federal Head Start, etc.) to allow for an integrated delivery system of quality programs. Pursuant to Section 26-6.5-101, et seq., C.R.S., pilot programs are to include specific program components. The Department is authorized to issue waivers of various state laws and rules that might present barriers for pilots to achieve the objectives outlined in statute. The pilots have also been used as a vehicle to identify best practices relative to increasing quality, meeting the diverse needs of families seeking child care, and integrating early childhood care with education programs. The pilots are also being used to develop and test new methods of licensing, monitoring, and providing support to child care providers.

Although there are currently 17 pilot communities, the Department is authorized to add additional pilot site agencies. The Department is statutorily required to review each pilot site agency annually in order to determine the need for continued pilot designation and to establish or renegotiate contracts or agreements, as needed. This line item is entirely funded with federal CCDF funds; the statute specifies that no additional state moneys be appropriated for the pilot program. The pilots are authorized, however, to receive grants or allocations of funds through existing programs such as the Youth Crime Prevention and Intervention Program. Prior to FY 2000-01, funding for this program was included in other line items (the Child Care Services line item in FY 1998-99, and the Child Care Grants line item in FY 1999-00). Pursuant to S.B. 00-19, funding for this pilot program is now provided through a separate line item. **The Department requests a continuation level of funding ($972,438) for the pilot programs. Staff recommends the request**

Staff has previously suggested (e.g., during staff's FY 2005-06 budget briefing) that the Department should seriously consider using the authority granted under Section 26-6.5-101 et. seq. C.R.S. to expand the program to additional locations. Ultimately, this should not be a "pilot" program but rather should serve as the cornerstone of the statewide child care services system. There are now 17 sites functioning in 30 counties throughout the State (two of the previous 18 pilots merged), each of which receives approximately $57,000 per year in direct funding. Beyond this direct state funding, the pilots together access various other child care quality grants from the Department's Child Care budget, as well as moneys from the Department of Education, community colleges, and local, federal, and private grants.

The Department has not thus far elected to expand the number of pilots beyond the number authorized in 1999, and the funding level has not changed since FY 2001-02. Most urban areas are covered by pilots: the Department reports that the pilots are active in communities that, in total, comprise approximately 80% of the State's population. The primary obstacle to expanding the pilots has been funding, given that, per statute, the pilots may not be supported with General Fund. The Department has promoted steps, through H.B. 05-1238 (School Readiness Quality Improvement), to allow areas not served by pilot sites to access some funding streams previously restricted to pilot sites, if they create early childhood care and education councils (similar to child care pilots).

Last year, a working group of Colorado Counties Inc. approached the JBC about a proposal to improve the quality of early childhood care and education. The effort ultimately evolved into H.B. 06-1397 (Early Childhood Councils Act) sponsored by Representative Solano and Senator Shaffer. The bill passed the General Assembly with a General Fund appropriation of $2.0 million but was vetoed by the Governor. *A version of the bill was reintroduced this year as H.B. 07-1062 (Solano/Williams).* It would expand the current system of child care "pilots" statewide. The pilots bring together community representatives involved in early childhood care and education issues, including county staff, providers, mental health professionals, community colleges, and others to coordinate and expand the quality and quantity of early childhood care in pilot communities. The bill would expand this infrastructure throughout the State and initiate various other programs to promote child care quality. It would also authorize the use of General Fund for these activities. As introduced, the bill included a fiscal note of $3,568,059 General Fund to cover expansion of the program to twenty additional councils and to provide various enhancements to existing councils and programs.

The table below reflects the estimated funds currently received by each of the existing pilots. As shown, this includes funding from other quality promotion line items, in addition to the amounts in the Consolidated Pilots line item.

	Existing 17 Pilots
Pilots Appropriation	$972,438
Other amounts going directly to pilots or paid to CDE for program coordination	710,454
TOTAL	1,682,892
Total cost per existing pilot	98,994

Early Childhood Professional Loan Repayment Program

This program, established pursuant to H.B. 01-1293 (S. Williams/Dyer) [Section 23-3.3-801 et seq., C.R.S.], provides funding to pay all or a portion of the principal and interest of the educational loans of a qualified early childhood professional who has secured a position in a licensed child care facility. An individual qualifies for the program by graduating with an associates degree on or after May 1, 2001, from an approved community college program of preparation in early childhood education. A qualified individual is eligible to receive up to $1,000 per year for the first two years of working in a position in a licensed child care facility. The program will repeal July 1, 2007. As the use of the program has consistently been far below expectations, there has been no effort to reauthorize it for FY 2007-08. **No funding is recommended**.

School Readiness Quality Improvement Program

Background Information. House Bill 02-1297 [Section 26-6.5-106, C.R.S.] created the School-readiness Child Care Subsidization Program to improve the quality of certain licensed child care facilities whose enrolled children ultimately attend low-performing neighborhood elementary schools. The legislation was reauthorized in H.B. 05-1238 [Hefley/Williams] and the program renamed the School Readiness Quality Improvement Program. The program provides grants to child care facilities in areas served by low-performing schools.

As revised, the statute provides for the establishment of early childhood care and education councils, and specifies that school-readiness quality improvement program funding shall be awarded to the councils for subsidies to local early care and education providers based upon allocations made at the state department. The program targets the school readiness of young children who will ultimately attend eligible elementary schools that have on overall performance rating of “low”" or "unsatisfactory" or that have an overall rating of “average” but have received a CSAP overall academic improvement rating of "decline" or "significant decline”.

A community may identify a community consolidated child care pilot site agency or other existing entity to serve as an early childhood care and education council or establish a new early childhood care and education council. The program provides subsidies over a three year period to participating child care centers and family child care homes to cover the cost of equipment, supplies, minor renovations, curricula, staff education, scholarships, training, and bonuses for facility staff for demonstrating quality improvements and addressing problems identified in the ratings.

The act requires the Early Childhood and School Readiness Commission to adopt a voluntary school-readiness rating system to measure the quality of services provided by a child care provider to prepare children to enter elementary school. As revised, it requires early childhood care and education councils to submit reports by January 1, 2009, and every three years thereafter, and requires a consolidated report to the Education Committees of the General Assembly on or before April 1, 2009, and on or before April 1 every three years thereafter.

The program currently serves 7,512 children in 149 sites. The fiscal note for H.B. 05-1238 reflected an assumption that the number of communities served/entities contracting for funding would expand from 11 to 21, including newly-created child care councils; however the Department has indicated that the total number of current grantees is 14. Based on the number of children served, grant allocations are for an average of $300 per child served or $3,000 to $4,000 per classroom or family child care home.

Program Implementation. Baseline evaluations for grantees are currently in progress, for the grant period from July 1, 2006 to June 30, 2009. All sites participating in the program will undergo baseline evaluation by Qualistar and have two follow-up evaluations. Each site receives a baseline overall quality rating score (one, two, three, or four stars, with four being the highest achievable). These ratings are based on five measurement areas:

- Learning Environment -- a program's health and safety standards, classroom environment, curriculum and activities, interactions between adults and children, and the daily schedule

- Family Partnerships -- how a program develops relationships with families, serves as a resource for them, and offers them opportunities to be part of their children's early learning experience

- Training and Education -- work experience and the average level of early childhood education attained by the providers working in the home or center

- Adult-to-Child Ratios -- average ratios in a classroom over a 10-day period, from the time the program opens until it closes

- Accreditation -- whether a program is accredited through a national accrediting agency

Qualistar describes each of the rating levels as follows:

Zero star - "Children in a zero-star rated program may find themselves confronting sub-standard conditions. Health and safety issues are often neglected, teacher training can be non-existent, and staff turnover is usually high. Often, programs at this level lack basic equipment and toys, and may be violating state licensing requirements."

One star - "Though conditions improve with each STAR level, children may not be experiencing routine high-quality interactive care. Health and safety issues may still need to be addressed, and staff turnover often continues to be high. Teachers and program administrators may lack formal early childhood training and experience. Adult-to-child ratios tend to meet the minimum standards, but generally do not allow for staff to provide individualized attention during the course of a day."

Two stars - "Children in 2-STAR programs are read to regularly, watch some television, and have access to toys that support children's discovery and learning. Though health and safety issues may still exist, children's basic needs are satisfied and parents often feel a sense of stability within a 2-STAR rated program. Programs at this level are beginning to see how children's feelings of security are linked to their experiences in the classroom and how their learning is supported by opportunities for meaningful play."

Three stars - "In addition to being safe, a program at this quality level organizes many fun, educational activities for children, and employs teachers who understand age-appropriate behaviors. Staff also support parents and keep them regularly informed about their child's progress. 3-STAR programs tend to have higher tuition rates and receive additional funding, relieving some of the financial burden."

Four stars - "In addition to many fun activities and regular communication with parents, a 4-STAR Quality Rating means a program fundamentally understands the importance of preparing children for school through a strong curriculum that addresses the social, emotional, physical, and academic needs of each child. Staff is knowledgeable and educated in early childhood development and provides wonderful age-appropriate activities based on the individual needs of the children. Ratios are optimal allowing staff to provide a loving, stable environment for the children in care."

Each site receives detailed information about its strengths and weaknesses in each of the five areas, as well as a list of concrete action steps recommended to improve program quality. The evaluation also includes a list of additional services that will be made available through the program to support quality improvement efforts. Specific quality rating information for providers receiving one or more stars is also made available to parents and members of the public through Qualistar's website [Qualistar.org].

The first iteration of this program reflected significant impact, with the percentage of programs achieving 3 or 4 stars increasing from 36 percent at baseline to 77 percent at second follow-up, and the programs achieving 0, 1, or 2 stars decreasing from 64 percent at baseline to 23 percent at second follow up.

Funding. **Staff recommends $2,226,096 in federal CCDF funds and 1.0 FTE.** This includes $44,696 for personal services, $2,106 for operating expenses, $1,828,294 for pilot site agency grants and $351,000 for the school-readiness rating system. The recommended personal services dollar amount is calculated according to Committee policy, with no other changes to the base. The recommendation varies from the request due to common policy personal services calculations

Early Childhood and School Readiness Commission

This line item was added through H.B. 04-1277 [Hefley/Cairns] that modified the previous Child Care Commission and extended its authorization through July 1, 2007. The primary duty of the Commission is to study, review, and evaluate the development of plans for creating a comprehensive early childhood system.

For FY 2006-07, this line item was vetoed by the Governor. Although the line item reflected an amount for gifts, grants and donations to support the work of the Commission, most of the associated funding occurred outside of the state accounting system and state oversight. Further, the General Assembly had added a federal block grant amount to the line item for FY 2006-07 through a Long Bill floor amendment. The veto message noted that there had been no new deposits to the Early Childhood and School Readiness Commission Cash Fund since an initial contribution and that it was not appropriate that limited public moneys be used to backfill the appropriation.

The Department has not requested, and staff does not recommend, an appropriation for this line item for FY 2007-08. Senate Bill 07-011 (Williams/Todd) modifies and continues the Commission through August 1, 2010. This bill carries the fiscal note required to maintain the Commission. The fiscal note for the bill as introduced reflects $87,429 General Fund ($52,000 of which is one-time only) and 0.5 FTE for FY 2007-08.

Staff Recommendation - Restructuring Child Care Quality Line Items

The current layout of line items for child care quality activities was a response to problems the Department previously experienced with respect to complying with federal earmark requirements. Now that the Department has "caught up" with respect to earmark expenditures, staff believes it would be appropriate to restructure this portion of the Department's Long Bill. **Note that requested and recommended funding for all affected line items is at a continuation level, but the staff recommendation consolidates funding currently in the line items for Grants to Improve the Quality and Availability of Child Care and the Earmarks line item.**

Child Care Quality Line Items	Old format Recommend.	Change	Recommended New Format
Grants to Improve the Quality and Availability of Child Care	$300,000	($300,000)	$0
Federal Discretionary Child Care Funds Earmarked for Certain Purposes	3,173,633	(3,173,633)	0
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Earmark Requirements	0	3,473,633	3,473,633
Pilot Program for Community Consolidated Child Care Services	972,438	0	972,438
School Readiness Child Care Subsidization program	2,226,096	0	2,226,096
TOTAL	$6,672,167	$0	$6,672,167

Long Bill Footnotes

Staff recommends the following footnote be continued, as **amended**:

81 Department of Human Services, Totals -- The General Assembly requests that the Executive Director of the Department submit annually, on or before November 1, a report to the Joint Budget Committee concerning federal Child Care Development Funds. The requested report should include the following information related to these funds for state fiscal year ~~2005-06~~ 2006-07: (a) The total amount of federal funds available to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, by Long Bill line item; (c) the amount of funds expended, by Long Bill line item where applicable, that were reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (d) a demonstration that the

information provided in the report is consistent with related financial information reported to the federal government; (e) the amount of funds expended that met the four percent federal requirement related to quality activities; and (f) the amount of funds expended that met earmark requirements. In addition, the report should include the following information related to federal Child Care Development Funds for state fiscal years ~~2006-07 and~~ 2007-08 AND 2008-09 : (a) The total amount of federal funds estimated to be available to Colorado, including A BREAK OUT OF NEW ALLOCATIONS and funds rolled forward from previous state fiscal years, and the federal classification of ALL such funds as mandatory, matching or discretionary; (b) the amount of federal funds estimated and requested to be expended, by Long Bill line item; (c) the amount of state or local expenditures that are anticipated to be required to comply with federal maintenance of effort and matching requirements; (d) the amount of funds estimated to be expended, by Long Bill line item where applicable, that are anticipated to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (e) the amount of funds estimated to be required to comply with federal earmark and four percent quality requirements; and (f) estimated and requested expenditures, by line item, anticipated to be used to comply with federal earmark and four percent quality requirements.

Comment: This footnote requests a variety of data required to track Department expenditures with federal Child Care and Development Fund requirements. The minor adjustment is to clarify that staff wishes to see the Department's assumptions with respect to new versus roll-forward funds.

Staff recommends the following footnote be **eliminated**:

41 Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Special Purpose, Early Childhood Professional Loan Repayment Program; and Department of Human Services, Division of Child Care, Early Childhood Professional Loan Repayment Program -- It is the intent of the General Assembly that no more than 10 percent of all expenditures from this line item shall be for program administration.

Comment: This program is scheduled to sunset.

(4) MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE SERVICES

(D) Alcohol and Drug Abuse Division

This section contains appropriations for alcohol and drug abuse prevention, intervention, and treatment services. Treatment, prevention, and detoxification services are provided primarily through four managed service organizations, each of which is responsible for managing the provision of services to residents of a specified geographic area of the state. The division also funds and oversees involuntary commitments into detoxification facilities and substance abuse treatment programs and is responsible for licensing alcohol and drug treatment providers, among other functions, The bulk of the total division funding is federal funds, with the substance abuse prevention and treatment block grant being the primary source. Cash funds sources include the Drug Offender Surcharge Fund, the Law Enforcement Assistance Fund, and the Persistent Drunk Driver Cash Fund, among others. Cash funds exempt sources include the Judicial Department's Alcohol and Drug Driving Safety program and the Department of Public Safety In 2006, the Alcohol and Drug Abuse Division provided funding for 23,329 shelter/detoxification admissions and 16,693 substance abuse treatment admissions.

Prior Reductions to ADAD Programs

Over the past few years, ADAD programs received the following General Fund budget reductions and restorations:

Substance Abuse	
Treatment and Detoxification Services	$2,022,679
Residential Treatment for Women	129,723
Prevention Contracts	123,824
Subtotal reductions	2,276,226
FY 2005-06 increase in funding used for restoration	(1,247,429)
FY 2006-07 increase in funding used for restoration	(250,000)
Net reduction in General Fund to ADAD	$778,797

It should be noted that in addition to the restorations shown, *funding has been added for new programs* (e.g., the Short-term Residential Remediation and Treatment program). The above figures reflect *only* amounts specifically identified as restorations related to prior cuts. **The FY 2004-05 appropriation for the Division (the lowest in recent years) included $7,880,956 General Fund, while the FY 2006-07 appropriation includes $11,459,150 General Fund–a net General Fund increase of $3,578,194 (45.4 percent)**. This is $2.1 million more than the $1.5 million in restorations reflected above.

Federal Funds

The majority of funding for substance abuse treatment and prevention in Colorado is from the federal Substance Abuse Prevention and Treatment Block Grant. These funds are not subject to appropriation by the General Assembly but, given their importance in the state's overall funding for substance abuse treatment and prevention, are shown in the Long Bill for informational purposes. Annual federal block grant appropriations may be spent over a 27 month period and the State may choose to spend more of a grant in the first year or in the second; as a result, changes to federal appropriations in any given year may not be felt immediately.

The federal fiscal year 2005-06 budget (for the FFY that started October 1, 2005) received a $17 million overall reduction at the federal level. This reduction translates into a reduction of $229,067 for Colorado, an amount spread over two years of funding. The Department reflects total anticipated block grant receipts of $23,731,085 for FFY 2006-07 and a continuation level of the same amount for FFY 2007-08. The FY 2006-07 Long Bill reflects total spending of $22,749,089, while the Department actually anticipates spending $670,586 more–$23,419,875–in FY 2006-07.

The table below compares the FY 2006-07 Long Bill appropriation with the Department's estimated spending. Assuming a continuation budget at the federal level, staff believes that the "Balance of Substance Abuse Block Grant" amount should be adjusted in the FY 2007-08 Long Bill to more accurately reflect the Department's estimated expenditures. However, *members and the public should be aware that this does NOT reflect any increase in the federal block grant, but rather an effort to more accurately reflect a continuation level of federal receipts and expenditures*. Staff's recommendation does not currently include reflecting an increase for personal services and operating expenses, given various other adjustments in these line items and the General Assembly's interest in focusing funding on program services. The table below compares the FY 2006-07 Long Bill and the Department's estimated FY 2006-07 expenditures.

	FY 2006-07 Long Bill	Estimated SAPT Block Grant Expenditures	Variance
Executive Directors Office	$240,443	$240,443	$0
Special Purpose (HIPAA)	$19,169	19,169	0
Office of Information Technology	$89,319	89,319	0
Office of Operations	$214,949	215,130	181
Mental Health & Alcohol & Drug Abuse			
Administration	$121,202	$121,202	$0
Alcohol and Drug Abuse Division			
Personal Services	$1,424,972	1,435,174	10,202
Operations	$22,340	32,542	10,202
Indirect	$240,443	240,443	0
Treatment & Detox Contracts	$10,347,947	10,347,947	0
Case Mgmt for Chronic Detox Clients	$366,883	366,883	0
Prevention Contracts	$3,826,230	3,826,230	0
Balance of SAPT Block Programs	$5,835,392	6,485,392	650,000
Totals	$22,749,289	$23,419,875	$670,586

Other Information: Implementation of H.B. 05-1015

House Bill 05-1015 (Romanoff/Johnson) added outpatient substance abuse treatment as an optional service to the state's Medicaid program. The outpatient benefit includes assessment, alcohol/drug screening and counseling, social ambulatory detox, targeted case management, group therapy, and individual therapy adjusted for the average client. The program was originally anticipated to start in FY 2005-06 but was delayed until July 1, 2006. The FY 2006-07 budget included $7,062,073 total funds for the program, based the assumption that 4,668 clients would utilize substance abuse benefits in the first year of the program at an average cost $1,512.87 per client. However, caseload for the program to date has been significantly lower than previously estimated. As of October 2006 (the month that currently has the highest reported caseload), the caseload was 208 clients. Note that all funding for this benefit is included in the Department of Health Care Policy and Financing's "Premiums" budget.

General Colorado-based Substance Abuse Information

According to the January 2001 "Shoveling Up" Columbia University study:

- Colorado spends $1,542 in "shoveling up" the burden of substance abuse for each $1.00 spent on prevention, research, and treatment. Approximately 12.4 percent of Colorado's state 1998 budget or $846M was used to "shovel up." This includes corrections, courts, child and family assistance, education, and health care.

According to the Division's October 2006 annual report to the Health and Human Services Committees:

- Colorado ranks 19 percent higher than the nation's average in consumption of alcohol. Only 4 other states rank higher in per capita consumption than Colorado.

- Colorado ranked #1 in the nation for past month use surveyed for use of illicit drugs other than marijuana according to the 2004 National Survey on Drug Use and Health.

(1) Administration - Program Administration

Staffing Summary

ADAD Staffing Summary (Entire Division)	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Management	0.6	1.0	1.0	1.0
Support Staff	2.6	2.0	2.0	2.0
Programs and Grants Administration	23.8	24.0	24.0	24.0
Statistical Analyst	1.0	1.0	1.0	1.0
Sup/BA T-5	n/a	2.0	2.0	2.0
Recidivism Reduc Priority #3 (CUSP)	n/a	n/a	1.0	Pending
TOTAL	28.0	30.0	31.0	30.0

Personal Services

The ADAD staff manage the federal block grants and contract with the four managed service organizations that subcontract with 40 treatment providers in approximately 193 treatment sites throughout Colorado. The staff also oversee and provide technical assistance to 98 prevention program contracts. The staff monitor the providers and collects data on the program for state and federal reporting requirements. The staff is also responsible for licensing and monitoring treatment providers and managing the involuntary commitment process for persons incapacitated due to the abuse of drugs or alcohol. The request is for $2,063,869 total funds and 30.0 FTE.

The Department's request includes budget amendments T-3 and T-5, Decision Item #24 (Persistent Drunk Drivers Fund), and Recidivism Reduction Priority #3 (Colorado Unified Supervision Treatment Program).

Budget Amendment T-3 is the continuation of a technical supplemental request to transfer funding sources between the Alcohol and Drug Abuse Personal Services and Operating Expenses line item, with $0 net fiscal impact. In FY 2005-06, the funding for the Division's administrative area was broken out into financed line items (this section was previously bottom-line funded). When this was done, the incorrect financing was used. The supplemental, approved by the Committee, corrected this.

Budget Amendment T-5 is the continuation of a technical supplemental to transfer 2.0 FTE and associated federal block grant funding from the Mental Health and Alcohol and Drug Abuse Services, Administration, Personal Services line item to the Alcohol and Drug Abuse Division's, Administration, Personal Services line item. This supplemental also had a net $0 fiscal impact.

Decision Item #24 requests an increase in spending authority from the Persistent Drunk Driver (PDD) Cash Fund by $273,424. Funds are available as the result of the repayment of $500,000 by the General Assembly to the PDD Cash Fund. Funds from the PDD cash fund were transferred t the General Fund in FY 20901-02, per H.B. 02-1391. Section 24-75-217, C.R.S. provided for its repayment, and the Cash Fund was repaid during the 2006 legislative session. This was made possible by the revenues retained through the passage of Referendum C.

The Department previously submitted, and the JBC approved, a one-time FY 2006-07 supplemental (Supplemental #8) to restore $58,055 associated with the repayment. The FY 2007-08 decision item *replaces this funding* with activities appropriate to a full year.

The overall request affects the following line items (impact on this line item is highlighted). As reflected in the table below, staff recommends the request. Additional information regarding the request and staff recommendation are reviewed under the Persistent Drunk Driver line item. The increase in the personal services line item is to fund the Division's statistical analyst to research data and develop a report on the effectiveness of education and treatment n reducing recidivism in DUI offenders.

Decision Item #24 Summary - Persistent Drunk Driver CF Spending Authority		
	Request	Recommendation
Personal Services	$23,790	$23,790
Operating Expenses	2,000	2,000
Persistent Drunk Driving Programs	247,634	247,634
	$273,424	$273,424

Recidivism Reduction Priority #3 (Colorado Unified Supervision Treatment Program)
The Governor's recidivism reduction package, submitted February 9, 2007, includes funding for the Colorado Unified Supervision Treatment Program (CUSP). The CUSP request includes $3,094,267 General Fund and 11.0 FTE (and 8.0 contract staff) in four departments: Human Services, Judicial, Corrections, and Public Safety (Division of Criminal Justice) and is part of a larger recidivism reduction package totaling $11,214,880. The table below summarizes the amounts requested by department and the specific line items affected in the Alcohol and Drug Abuse Division.

The overall request for CUSP, assembled by the Interagency Advisory Committee on Adult and Juvenile Correctional Treatment, proposes four demonstration program projects in four judicial districts, serving an estimated 208 offenders total. Each demonstration program would have a local interdisciplinary team, with representatives from probation, the Department of Corrections, mental health and substance abuse, to supervise and treat offenders participating in the program. The program is designed to reduce recidivism for adult offenders and result in downstream cost avoidance for the State.

As reflected in the table, the request includes an increase of $60,666 and 1.0 FTE for personal services in the Alcohol and Drug Abuse Division. **The staff recommendation on the entire CUSP request is is pending**, due to the need to coordinate the recommendation with other members of the JBC staff.

Colorado Unified Supervision Treatment Program Request		
	Amount (General Fund)	FTE
DEPARTMENT OF HUMAN SERVICES		
Mental Health and Alcohol and Drug Abuse Services		
Administration		
Personal Services	$60,666	1.0
Operating Expenses	3,800	0.0
Mental Health Community Programs, MH Services for the Medically Indigent		
CO Unified Supervision Treatment Program	1,175,200	0.0
Subtotal - Mental Health	$1,239,666	1.0
Alcohol and Drug Abuse Division		
Administration		

Colorado Unified Supervision Treatment Program Request		
	Amount (General Fund)	FTE
Personal Services	$60,666	1.0
Operating Expenses	3,800	0.0
Community Programs, Treatment Services		
CO Unified Supervision Treatment Program	1,175,200	0.0
Subtotal - Alcohol and Drug Abuse Division	$1,239,666	1.0
DEPARTMENT OF HUMAN SERVICES (Mental Health/ADAD)	$2,479,332	2.0
JUDICIAL DEPARTMENT (Probation)	242,664	4.0
DEPARTMENT OF CORRECTIONS	289,464	4.0
DEPARTMENT OF PUBLIC SAFETY (DIV. CRIM. JUSTICE)	67,607	1.0
TOTAL - CUSP	$3,079,067	11.0

Total Personal Services Request and Recommendation
The table below reflects the components of the personal services request and recommendation

Personal Services	Request		Recommend	
	Amount	FTE	Amount	FTE
FY 2006-07 Long Bill + New Legislation	$1,872,809	28.0	$1,872,809	28.0
Salary Survey (General Fund)	49,814	0.0	49,814	0.0
Base Reduction	(3,746)	0.0	(9,614)	0.0
BA T-3 (Fund split adj. only)	0	0.0	0	0.0
BA T-5 (FTE location - federal)	121,202	2.0	121,202	2.0
Decision Item #24 (PDD Fund)	23,790	0.0	23,790	0.0
Recidivism Reduc. #3 (CUSP)	60,666	1.0	Pending	
Total	$2,124,535	31.0	2,058,001	30.0

The recommendation for $2,058,102, pending action on Recidivism Reduction Priority #3 (CUSP), includes $100,852 General Fund, $37,616 cash funds, $52,870 cash funds exempt, and $1,395,275 federal funds.

Operating Expenses

The request is for $195,702 for FY 2007-08. This includes $2,000 for Decision Item #24 (Persistent Drunk Driver Cash Fund Spending Authority), a fund-split adjustment for Supplemental/Budget Amendment #T-3, and $3,800 for Recidivism Reduction Priority #3 (CUSP). Staff recommends the request, including Decision Item #24 and Budget Amendment T-3, pending a recommendation on Recidivism Reduction Priority #3. **The recommendation for $191,902, pending the CUSP initiative, includes $11,788 cash funds, $14,000 cash funds exempt, and $166,114 federal funds.**

Other Federal Grants

This line item includes the portion of various federal grants that may be used for personal services and administrative expenses. The request is for $457,383, which includes an increase of $330,883 for **Supplemental/Budget Amendment T-6**. This supplemental requested adjustments to more accurately reflect anticipated federal receipts from a variety of sources. **Staff recommends the request for $457,383 federal funds, based on federal funds anticipated to be received.**

Indirect Cost Assessment

The Department's request reflects the amount anticipated to be recovered from cash and federal sources. The request is for $243,723. This includes $3,280 in Cash Funds indirect recoveries (from the Law Enforcement Assistance Fund program) and $240,443 in federal indirect cost recoveries (from the federal Substance Abuse Block Grant). These amounts are used to offset General Fund expenditures in the Department of Human Services Executive Director's Office. **Staff recommends the request for a continuation amount of $243,723 reflected in this line item**.

Staff also notes: (1) actual collections earned in this line item may be lower than this figure ($118,895 was the FY 2005-06 actual); and (2) a significant portion of amounts that would be assessed as indirect collections in other departments are applied directly to line items in the Executive Director's Office, Office of Operations, and Office of Information Technology Services in the Department of Human Services. As detailed above, the the FY 2006-07 Long Bill includes $563,880 from the Substance Abuse Prevention and Treatment Block Grant for the Executive Director's Office, the Office of Information Technology Services, and the Office of Operations.

(2) Community Programs (a) Treatment Contracts

The Alcohol and Drug Abuse Division (ADAD) contracts with four managed service organizations (MSOs) which contract with 40 treatment providers with 193 sites for the services delivery in seven geographic regions of the state. The MSO contracts provide for single entry point for services, a coordinated service network, flexible service delivery, and quality assurance and monitoring by the MSOs and the Division.

Treatment and Detoxification Contracts

This line item incorporates funding for residential and outpatient treatment services and detoxification services provided through the Department's four managed service organization contractors. Treatment and Detoxification are two separate programs funded in the same line item. Detoxification is a public safety function and does not constitute treatment for substance abuse.

In FY 2005-06, the Alcohol and Drug Abuse Division provided funding for 23,329 shelter/detoxification admissions (a 10.9 percent decrease) and 16,693 substance abuse treatment admissions (a 7.2 percent increase). In FY 2005-06, 7.8 percent of detox clients were admitted to treatment within 90 days (a decline from the FY 2004-05 performance). A total of 77.6 percent of clients in treatment report no primary drug use from treatment admission to discharge, and 49.1 percent of outpatient clients were retained in treatment for 90 days or more (both measures reflecting improvement from the FY 2004-05 performance). The table below reflects the estimated break-down of the expenditures in this line item for FY 2006-07.

FY 2006-07 Appropriation	GF	CF	CFE	FF	Total
Inpatient/Outpatient Treatment	$6,777,645	$74,132	$275,706	$6,021,758	$13,149,241
Detoxification	$2,612,111	$250,000	$15,000	$4,015,443	$6,892,554
Offender Treatment	$1,797,919	$706,473	0	$310,746	$2,815,138
Totals	$11,187,675	$1,030,605	$290,706	$10,347,947	$22,856,933

The Department's request includes:

- an increase of $223,754 General Fund for a 2.0 percent community provider cost of living adjustment
- an increase of $268,000 cash funds for Decision Item #25.
- an increase of $1,492,115, including $892,115 General Fund and $600,000 cash funds for an initiative to expand the Short-term Intensive Residential Remediation Treatment (STIRRT) programs statewide (Priority #2 of Gov. Ritter's Recidivism Reduction and Offender Diversion Package submitted February 10, 2007)

In addition, the staff recommendation includes:

- Annualization of S.B. 06-122

Each of these items is reviewed below.

Community Provider Cost of Living Adjustment

The request applies a 2.0 increase to the General Fund portion of the line item only, as additional federal and cash funds amounts are not anticipated to be available. Staff recommends the request, consistent with common policy.

Decision Item #25 - Drug Offender Surcharge Fund

This decision item requests a $268,000 increase in Alcohol and Drug Abuse Division (ADAD) spending from the Drug Offender Surcharge (DOS) Fund. The Division will use the additional funds to increase its support of two offender-specific substance abuse treatment programs and pay for a portion of an evaluation project approved by the Interagency Advisory Committee on Adult and Juvenile Correctional Treatment (IAC). The first program is targeted at intensive residential treatment to male offenders, Short-Term Intensive Residential Remediation Treatment (STIRRT), $37,000, and the second is statewide outpatient treatment services provided to offenders by four ADAD designated managed service organizations ($213,000). Finally, the evaluation project Standardized Offender Assessment-Revised (SOA-R) received all but $18,000 fro a Justice Assistance Grant to improve training and standardize treatment decisions across offenders with similar profiles. The IAC supports the success of this program and has identified $18,000 to fund the unmet financial need.

The Division uses the base Drug Offender Surcharge amounts in this line item ($752,616) to partially support a residential treatment program for women offenders, an intensive residential treatment program for male offenders (STIRRT), and outpatient treatment services managed by the four managed service organizations.

Continuing Care: The largest portion of the request ($213,000) focuses on continuing care services for after an individual completes an intensive inpatient program such as STIRRT or the Sisterhood Teaching Alternatives to Recovery (STAR). These services compliment intensive residential services and increase the efficacy of the services. The Department indicates that up to 97 percent of offenders that participated in STIRRT AND continuing care were not reincarcerated within a six-month follow-up period.

STIRRT increase: The proposed increase for STIRRT would restore a funding cut to the Arapahoe House STIRRT taken in FY 2002-03. Due to the reduction, increasing operating costs, and lack of increases in recent years, STIRRT has reduced its capacity from 520 to 420 admissions and has been charging admissions fees, which can impede admissions. The request will enable the STIRRT program to maintain capacity at the current 420 level.

Offender Assessments: The request partially covers costs associated with evaluating and improving training and inter-rater reliability for a battery of standardized assessment instruments used to determine the appropriate level of supervision and training for offenders.

Staff recommends the request for Decision Item #25. Section 416-11.5-102 (3) (a), C.R.S. directs the Judicial Department the Department of Corrections, the Division of Criminal Justice in the Department of Public Safety and the Department of Human Services to cooperated to develop a plan for the the allocation of moneys deposited in the Drug Offender Surcharge Fund. As indicated in the request, this decision item is the result of that process. Moneys in the Fund are, per Section 18-19-103 (4), C.R.S., to be used to address assessment, testing, education and treatment of drug offenders. The proposed activities appear to be consistent with this purpose and based on information about effective practices in the treatment of drug offenders.

Recidivism Reduction Priority #2 - STIRRT

On February 9, the Governor's Office submitted a Recidivism Reduction package. An increase of $1,492,115 for the Short-term Intensive Residential Remediation Treatment (STIRRT) program, including $892,115 General Fund and $600,000 cash funds from the Drug Offender Surcharge Fund, is one component of the $11,214,880 package.

The STIRRT program is designed specifically for the substance abusing offender, 18 years of age or older who has been unsuccessful in community treatment by continuing to use drugs and alcohol and committing offenses and has been recommended to a level 4 or higher level of treatment (intensive outpatient). The program generally includes two weeks of intensive inpatient treatment, which may then be followed by an outpatient component. The state currently provides $1,673,448, including $1,063,238 General Fund, to support 790 residential slots and 240 continuing care slots at locations in Denver, operated by Arapahoe House, and Pueblo, operated by Crossroads.

The Department's request includes:

- $567,000 for a new STIRRT program in Rifle to be operated by Garfield County Community Corrections, serving 130 female and 260 male adult offenders and providing continuing care for 220 offenders for eight months.

- $419,448 for a new STIRRT program in Ft. Collins to be operated by Larimer County Community Corrections serving 260 male adult offenders and providing continuing care to 150 male offenders for 8 months.

- $262,667 to expand the STIRRT program at Araphahoe House to provide 300 adult male offenders with continuing care for 8 months.

- $243,000 to expand the STIRRT program in Pueblo, operated by Crossroads Turning Points, to provide continuing care to 130 adult offenders for 8 months.

The analysis acknowledges that the minimum cost saving per offender compared to a control group ($900) results in the cost of the request exceeding the anticipated benefits by $354,700; however the request argues that potential cost avoidance for the state could be much higher (up to $7,242,045) if the analysis compares the cost of placing 650 offenders in prison instead of in STIRRT. Note that, for FY 2008-09, all funding for the request is anticipated to be from the General Fund, since the $600,000 from the Drug Offender Surcharge is based on one-time fund balance amounts.

The staff recommendation for this request is pending. Due to the interaction of the various items in the recidivism reduction package across departments, staff requires additional time to consult with other members of the JBC staff before making a recommendation on this request.

Annualize S.B. 06-122 (Adolescent Substance Abuse Prevention and Treatment Fund)
This bill created a new cash fund for adolescent substance abuse prevention and treatment programs. The fiscal note for the bill included conflicting information regarding annualization, but the Department has indicated that $38,229 should be added to the cash fund appropriation for this line item for correct annualization.

Total Treatment and Detoxification Contracts Line Item
The request and recommendation are outlined below.

Treatment and Detoxification Contracts		
	Request	Recommend
	Amount	Amount
FY 2006-07 Long Bill + New Legislation	$22,856,933	$22,856,933
DI NP1 - Community Provider COLA	223,754	223,754
DI #25 - Drug Offender Surcharge Fund	268,000	268,000
Recidivism Reduction Priority #2 (STIRRT)	1,492,115	Pending
Annualize S.B. 06-122 (cash funds)	0	38,229
Total	24,840,802	23,386,916

The recommended appropriation of $23,386,916, pending action on the Recidivism Reduction Priority #2, includes $11,411,429 General Fund, $1,336,834 cash funds, $290,706 cash funds exempt, and $10,347,947 federal funds. Cash fund sources include the Drug Offender Surcharge Fund and the Persistent Drunk Driver Cash Fund. Cash exempt sources include transfers from the Department of Public Safety and reserves in the Persistent Drunk Driver Cash Fund.

Case Management - Chronic Detox Clients
Funding in this line item provides intensive case management services in an outpatient setting for individuals who are admitted to detoxification facilities four times or more in a twelve month period, and show poor response to conventional residential and outpatient treatment methods (primarily in the Denver metropolitan area). The goal of the program, also referred to as "Project Proud" (Project to Reduce Over-Utilization of Detoxification) is intensive case management to reduce chronic use of detox facilities by providing assistance obtaining multiple services needed such as housing, health care, mental health services, and employment or vocational support. In FY 2005-06, this program served 437 people.

The Department's request is for $369,336, including $2,453 General Fund and $366,883 federal funds, which includes a 2.0 percent community provider increase applied to the General Fund pursuant to Non-Prioritized request #1. **Staff recommends the request**, including the 2.0 percent increase, consistent with Committee common policy.

<u>High Risk Pregnant Women</u>

Pursuant to Section 25.5-5-202 (1) (r) and Sections 25-1-212 through 213, C.R.S, the Treatment Program for High-Risk Pregnant Women, also called "Special Connections," supports specialized outpatient services for Medicaid eligible pregnant women who are at risk of a poor birth outcome due to the substance abuse. The goal of the program is a healthy infant, to reduce or stop the maternal substance abuse during and after the pregnancy and to promote a safe child rearing environment for the newborn and other children and to maintain the family unit. Pregnant women may receive these services at 13 designated treatment providers. Services include assessment, individual and group counseling, case management, heath education, and urinalysis monitoring. In FY 2005-06, the program served 408 Medicaid eligible women, including 322 in outpatient services and 86 in residential services.

The program is financed with Medicaid dollars; these Medicaid dollars are first appropriated as General Fund and federal funds to the Department of Health Care Policy and Financing, then transferred to the Department of Human Services as cash funds exempt Medicaid dollars. As such, the funds are shown as cash funds exempt in Human Services -- but the net General Fund (half of the sum) is counted on a statewide basis.

The request is for $1,003,637 total funds/Medicaid cash funds exempt which includes a net General Fund impact of $501,819 and is inclusive of a 2.0 percent COLA. **staff recommends the request**, including $19,679 for the community provider cost of living increase, consistent with Committee common policy.

Community Programs (b) Prevention and Intervention

<u>Prevention Contracts</u>

These programs are designed to provide individuals with skills to avoid substance abuse and decrease risk factors linked to substance abuse. The Division contracts with statewide and local prevention programs, providing partial support for services designed to prevent the use of alcohol, tobacco, and other drugs. The Division's prevention strategies include the following: distributing information on the nature and extent of drug use; education; and problem identification and referral. The types of services include mentoring, tutoring, life skills training, parent training, creative arts, education/resource centers, DUI prevention program and employee assistance programs. The federal Substance Abuse Prevention and Treatment block grant requires that at least 20 percent of the block funds be used for preventative services.

The staff recommendation and Department request are compared below. As shown, the Department did not request a community provider cost of living increase; however, staff believes such an increase is appropriate pursuant to common policy. Staff has applied the increase to the General Fund portion of the request only, as the Department does not have anticipated additional revenues from other sources that would support the increase. The staff recommendation also includes annualization for S.B. 06-122 (Adolescent Substance Abuse Prevention and Treatment Fund). The fiscal note associated with this bill included conflicting statements regarding annualization, but the Department has indicated that the correct annualization is reflected below. In addition, the staff recommendation includes eliminating a one-time cash funds exempt amount from the Tobacco Use Prevention Fund provided in FY 2006-07 pursuant to FY 2006-07 Decision Item #21 (one year support for Morgan County intervention and measurement systems). .

Prevention Contracts		
	Request	Recommend
	Amount	Amount
FY 2006-07 Long Bill + New Legislation	$3,905,073	$3,905,073
Community Provider COLA (GF)	0	667
Annualize S.B. 06-122 (CF)	0	(5,917)
Annualize FY 2006-07 DI #21 (CFE)	0	(12,525)
Total	3,905,073	3,887,298

Persistent Drunk Driver Programs

The Persistent Drunk Driver Cash Fund, created by H.B. 98-1334, consists of moneys collected from penalty surcharges on drunk drivers, pursuant to Section 42-3-130.5, C.R.S. The sum ranging, from $25 to $500, is collected by the courts and deposited into the Fund which collects about $75,000 a month. These surcharges pay the costs incurred by the Department of Transportation regarding persistent drunk drivers and to support programs that are intended to deter persistent drunk driving or intended to educate the public, with particular emphasis on educating young drivers on the dangers of persistent drunk driving. The Departments of Transportation, Revenue, and Human Services coordinate the programs. The Alcohol and Drug Abuse Division is the lead agency in this coordination.

The request is for $733,675 total funds, including Decision Item #24.

Decision Item #24 - Persistent Drunk Driver Cash Fund Spending Authority

Decision Item #24 requests an increase in spending authority from the Persistent Drunk Driver (PDD) Cash Fund by $273,424. Funds are available as the result of the repayment of $500,000 by the General Assembly to the PDD Cash Fund. Funds from the PDD cash fund were transferred t the General Fund in FY 20901-02, per H.B. 02-1391. Section 24-75-217, C.R.S. provided for its repayment, and the Cash Fund was repaid during the 2006 legislative session. This was made possible by the revenues retained through the passage of Referendum C. The FY 2007-08 decision item replaces one-time Supplemental #8 funding for FY 2006-07 Persistent Drunk Driver Fund spending with activities appropriate to a full year.

The components of the Decision Item #24 request are reflected in the table below.

Decision Item #24 - Request by Activity	
Administration:	
Personal Services: Fund 0.25 of statistical analyst to research data and report on effectiveness of education and treatment in reducing DUI recidivism (no new FTE requested)	$23,790
Operating Expenses: Support travel for PDD program field manager to perform monitoring visits	2,000
Persistent Drunk Driving Programs:	
Re-establish PDD funding for youth prevention program contracts	20,000
Increase youth prevention programs in counties that have shown positive results	110,000
Increase funding for the media program which has been successful in selected communities	100,300
Restore full funding for DUI curriculum training and training materials	14,334
Restore full funding for training for Alcohol Drug Evaluation Specialists	3,000
	$273,424

Staff recommends the request. Section 43-3-303, C.R.S. specifies that the Persistent Drunk Driver Fund revenues are subject to annual appropriation by the General Assembly to pay costs incurred by the Department of Revenue concerning license revocation and treatment compliance reporting for persistent drunk drivers and "to support programs that are intended to deter persistent drunk driving or intended to educate the public, with particular emphasis on the education of young drivers, regarding the dangers of persistent drunk driving." The statute specifies that the departments of transportation, revenue, and human services shall coordinate programs intended to accomplish such goals. The decision item, as well as the persistent drunk driver program request overall, appears consistent with the statutory intent. It should be noted that the request leads to a spend-down of the Persistent Drunk Driver cash fund at the rate of approximately $118,000 per year; however, given the projected fund balance for FY 2007-08 of $860,248, this rate of expenditure should be sustainable for over seven years, during which period revenues may also increase.

A portion of request reflects restoration of funds that were previously cut from the Persistent Drunk Driver Program due to insufficient revenues. However, the overall proposed use of most of the money differs from the use when the program was cut in FY 2006-07. In particular, the request does NOT restore funding that was being used to support detoxification programs. While some Persistent Drunk Driver amounts are still appropriated for detoxification contacts, the Department has sought to reduce these amounts. Staff concurs with this approach, since detoxification activities do not seem as clearly applicable to the statutory intent as the educational and public awareness programs on which the Department wishes to focus.

Decision Item #24 - Request and Recommendation By Line Item		
	Request	Recommendation
Personal Services	$23,790	$23,790
Operating Expenses	2,000	2,000
Persistent Drunk Driving Programs	247,634	247,634
	$273,424	$273,424

Consistent with the request, staff recommends the addition as cash funds exempt. However, as reflected below, staff recommends an additional adjustment to the cash funds/cash funds exempt funding split based on other information provided.

Total Persistent Drunk Driver Program Cash Fund Expenditures

The total staff recommendation for the Persistent Drunk Driver Program Line item is $733,675, including $590,460 cash funds and $143,215 cash funds exempt. This includes an adjustment to the funding split for the line item based on information provided by the Department about total anticipated spending from the persistent drunk driver line item.

The table below reflects overall projected spending from the Persistent Drunk Driver Cash Fund, including amounts anticipated to be expended in other departments and line items.

Persistent Drunk Driver Cash Fund Request - All Departments	
	Request
Department of Human Services - Alcohol and Drug Abuse Division	
Personal Services	$38,714
Operating Expenses	2,000

Persistent Drunk Driver Cash Fund Request - All Departments	
	Request
Treatment and Detoxification Contracts	265,000
Persistent Drunk Driver Programs	
Prevention Programming	376,000
DUI Curriculum Training	19,116
DUI Curriculum Printing	8,400
Alcohol and Drug Evaluation Specialists Training	15,000
Media Campaign	295,159
Subtotal - Programs in PDD line item	713,675
Department of Human Services Total	1,019,389
Department of Revenue	2,000
	$1,021,389

Law Enforcement Assistance Fund (LEAF) Contracts

Funding supports local efforts to prevent persons from driving when using alcohol or other drugs. The funding comes from a $60 fee charged to those persons convicted of a DUI offense. These funds are distributed according to statute [Section 42-4-401, C.R.S.] to the Department of Public Health and Environment for the Implied Consent program, ADAD for community prevention projects, and the Department of Transportation for grants to local law enforcement agencies. The statutes require ADAD to use these funds for a statewide program of public education on driving under the influence, including teacher training and the dissemination of educational curricula. The Department's request is for a continuation level of $255,000.

Staff recommends the request for $255,000 cash funds from the Law Enforcement Assistance Cash Fund, created in Section 43-4-402 (2), C.R.S., including $250,000 cash funds and $5,000 cash fund exempt (reserves).

Community Programs (c) Other Programs

This section reflects two line items that do not fall within the prior groupings.

Federal Grants

ADAD receives a variety of federal alcohol and drug abuse categorical grants. Among the largest grants currently being administered are the the $2.4 million Colorado Prevention: Partners for

Sustainable Change (for prevention services and related community infrastructure development), the $2.1 million Screening Brief Intervention Referral for Treatment grant, and the $500,000 per year Expanded School-based Services grant (a treatment grant). The portion of federal grants anticipated to be used for administrative activities is shown in the Alcohol and Drug Abuse administration section.

The Department's request for $5,063,429 includes $4,142,138 for the continuation of supplemental/budget amendment T-6. Staff recommends the request, which reflects an estimate of grants to be received. The cash funds exempt in this line item is associated with a federal grant for which funding is transferred from the Department of Public Safety, Division of Criminal Justice. Staff has not applied the JBC 2.0 percent increase, nor has the Department requested a COLA, since these are transferred funds from Public Safety and federal funds with no increases anticipated.

Balance of Substance Abuse Grant, Block Grant Programs
This line item includes federal Substance Abuse Prevention and Treatment block grant allocations not allocated elsewhere in the Long Bill. The Division then has the flexibility to allocate funds from this line to any of the Community Programs Treatment Contracts. The block grant requires that 35 percent of the dollars are used for alcohol abuse programs, 35 percent for drug abuse, 20 percent for prevention, and the remaining 10 percent can be applied to any of the three areas. The request is for $6,023,272 which includes an increase of 2.0 percent on the General Fund portion of the base associated with Non-Prioritized Request #1 (provider cost of living increase).

Staff recommends the request for $6,673,272 ($187,880 General Fund and $6,485,392 federal funds) which includes an increase of 2.0 percent applied to the General Fund portion pursuant to JBC common policy for community providers and an increase of $650,000 to more accurately reflect anticipated expenditures of Substance Abuse Block Grant moneys in FY 2007-08. Note that this does NOT reflect an increase in anticipated Block Grant funding above FY 2006-07 levels but ensures that estimated ongoing expenditures are accurately reflected in the Long Bill.

Footnotes
Staff recommends the following footnote be **eliminated**:

63a Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Alcohol and Drug Abuse Division, Community Programs, Treatment Services, Treatment and Detoxification Contracts – This appropriation was calculated with an increase of $700,000 General Fund with the intent that it be allocated equally to the adolescent residential programs in managed service organizations sub-state area #2 for comprehensive alcohol, drug, and behavioral health services to compensate for losses in residential treatment center funding.

Comment: This footnote reflected legislative intent with respect to certain new funds. As the appropriation is no longer new, staff does not believe the footnote needs to be continued.

Summary of Footnote Recommendations

Note: All staff footnote recommendations and their rationale have already been reviewed in the text of the document. The recommendation does not include any new footnotes.

Staff recommends that the following footnotes be **continued as amended**:

45 Department of Human Services, Office of Operations; Department Totals -- The Department is requested to examine its cost allocation methodology and report its findings to demonstrate that all state-wide and departmental indirect costs are appropriately collected and applied. The Department is requested to submit a report to the Joint Budget Committee on or before November 15, ~~2006~~ 2007, that should include: (1) Prior year actual indirect costs allocated by division and corresponding earned revenues by type (cash, cash exempt, and federal); (2) the amount of such indirect costs applied within each division and to Department administration line items in the Executive Director's Office, Office of Operations, and Office of Information Technology Services; (3) a comparison between indirect amounts applied and the amounts budgeted in the Long Bill; and (4) a schedule identifying areas in which collections could potentially be increased and a description of the obstacles to such increases where the discrepancy between the potential and actual collections is $50,000 or more.

81 Department of Human Services, Totals -- The General Assembly requests that the Executive Director of the Department submit annually, on or before November 1, a report to the Joint Budget Committee concerning federal Child Care Development Funds. The requested report should include the following information related to these funds for state fiscal year ~~2005-06~~ 2006-07: (a) The total amount of federal funds available to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, by Long Bill line item; (c) the amount of funds expended, by Long Bill line item where applicable, that were reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (d) a demonstration that the information provided in the report is consistent with related financial information reported to the federal government; (e) the amount of funds expended that met the four percent federal requirement related to quality activities; and (f) the amount of funds expended that met earmark requirements. In addition, the report should include the following information related to federal Child Care Development Funds for state fiscal years ~~2006-07 and~~ 2007-08 AND 2008-09 : (a) The total amount of federal funds estimated to be available to Colorado, including A BREAK OUT OF NEW ALLOCATIONS and funds rolled forward from previous state fiscal years, and the federal classification of ALL such funds as mandatory, matching or discretionary; (b) the amount of federal funds estimated and requested to be expended, by Long Bill line item; (c) the amount of state or local expenditures that are anticipated to be

required to comply with federal maintenance of effort and matching requirements; (d) the amount of funds estimated to be expended, by Long Bill line item where applicable, that are anticipated to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (e) the amount of funds estimated to be required to comply with federal earmark and four percent quality requirements; and (f) estimated and requested expenditures, by line item, anticipated to be used to comply with federal earmark and four percent quality requirements.

Staff recommends that the following footnotes be **eliminated**:

41 Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Special Purpose, Early Childhood Professional Loan Repayment Program; and Department of Human Services, Division of Child Care, Early Childhood Professional Loan Repayment Program -- It is the intent of the General Assembly that no more than 10 percent of all expenditures from this line item shall be for program administration.

63a Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Alcohol and Drug Abuse Division, Community Programs, Treatment Services, Treatment and Detoxification Contracts – This appropriation was calculated with an increase of $700,000 General Fund with the intent that it be allocated equally to the adolescent residential programs in managed service organizations sub-state area #2 for comprehensive alcohol, drug, and behavioral health services to compensate for losses in residential treatment center funding.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2007-2008 FIGURE SETTING
DEPARTMENT OF HUMAN SERVICES

Services for People with Disabilities ONLY

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Prepared By:
Amanda Bickel, JBC Staff
March 14, 2007

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	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	Actual	Appropriation	Request	Recommend	Change Requests

DEPARTMENT OF HUMAN SERVICES

EXECUTIVE DIRECTOR: Karen Beye

(1) EXECUTIVE DIRECTOR'S OFFICE

NOTE: The following line item relates to developmental disability programs and is thus covered in this packet.

(B) Special Purpose

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend	Change Requests
Developmental Disabilities Council	614,216	701,628	838,617	846,197	845,180	
FTE	5.2	4.7	6.0	6.0	6.0	
General Fund	0	0	0	0	0	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	0	0	0	0	0	
Federal Funds	614,216	701,628	838,617	846,197	845,180	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	**Actual**	**Appropriation**	**Request**	**Recommend**	**Change Requests**

(9) SERVICES FOR PEOPLE WITH DISABILITIES
(Primary functions: Administers community-based and institutional services for people with developmental disabilities, provides vocational rehabilitation services, and administers the Homelake Domiciliary and veterans nursing homes.)

(A) Developmental Disability Services

(1) Community Services
(Primary functions: administers and provides funding to 20 Community Centered Boards (CCBs) to deliver residential, supported living, day, transportation and case management services to adults with developmental disabilities in community settings. Medicaid revenue is the primary source of cash funds exempt; local and

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Recommend	Change Requests
Personal Services	2,186,875	2,319,435	2,545,466	2,692,599 A	2,602,214	SBA 3
FTE	29.3	31.2	32.4	32.4	32.4	
General Fund	151,138	129,798	258,652	324,009 A	264,121	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	2,035,737	2,189,637	2,286,814	2,368,590 A	2,338,093	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	*1,862,120*	*2,189,637*	*2,286,814*	*2,368,590* A	*2,338,093*	
Operating Expenses	147,532	147,532	151,317	214,229 A	148,029	SBA 3
General Fund	0	0	0	0	0	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	147,532	147,532	151,317	214,229 A	148,029	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	*147,532*	*147,532*	*151,317*	*214,229* A	*148,029*	

	FY 2004-05	FY 2005-06	FY 2006-07		FY 2007-08			
	Actual	**Actual**	**Appropriation**		**Request**		**Recommend**	**Change Requests**
Community and Contract Management System	n/a	189,633	301,675		0		137,480	
General Fund		20,942	59,058		0		41,244	
Cash Funds		0	0		0		0	
Cash Funds Exempt		168,691	242,617		0		96,236	
Federal Funds		0	0		0		0	
Medicaid Cash Funds		168,691	242,617		*0*		*96,236*	
Adult Program Costs	257,197,364	267,971,683	300,266,321	S	324,377,026	A*	324,322,258	DIs 3, NP-1
General Fund	10,364,215	11,168,268	24,741,186	S**	13,612,647	A*	13,628,362	SBA 3
Cash Funds		0	0		0		0	BA 2
Cash Funds Exempt	246,833,149	256,803,415	275,525,135	S**	310,764,379	A*	310,693,896	BA 4
Federal Funds	0	0	0		0		0	BA T-2
Medicaid Cash Funds	*216,441,113*	*224,815,225*	*241,556,646*	S**	*275,441,253*	A*	*275,850,318*	
Medicaid - General Fund portion	*108,220,557*	*112,407,612*	*120,715,686*	S**	*137,657,118*		*137,857,639*	
Net General Fund	*118,584,772*	*123,575,880*	*145,456,872*	S**	*151,269,379*	A*	*151,486,001*	
Federally-matched Local Program Costs	22,128,825	24,281,838	12,324,307	S	9,065,948	A	3,641,910	BA 2
General Fund	0	0	0		0		0	
Cash Funds	0	0	0		0		0	
Cash Funds Exempt	22,128,825	24,281,838	12,324,307	S	9,065,948	A	3,641,910	
Federal Funds	0	0	0		0		0	
Medicaid Cash Funds ($0 NGF)	*22,128,825*	*24,281,838*	*12,324,307*	S	*9,065,948*	A	*3,641,910*	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend	FY 2007-08 Change Requests
Preventive Dental Hygiene	60,483	62,335	62,449	63,698	63,698	DI NP-1
General Fund	56,990	58,842	58,842	60,019	60,019	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	3,493	3,493	3,607	3,679	3,679	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	0	*0*	*0*	*0*	*0*	
Medicaid Waiver Transition Costs	n/a	n/a	1,440,468 S	0	0	
General Fund			788,703 S			
Cash Funds			0			
Cash Funds Exempt			651,765 S			
Federal Funds			0			
Medicaid Cash Funds			*651,765* S			
Medicaid - General Fund portion			*325,883* S			
Net General Fund			1,114,586 S			
						Rec. v. Approp.
(1) Sub-total Community Services	281,721,079	294,972,456	317,092,003 S	336,413,500 A	330,915,589	4.4%
FTE	29.3	31.2	32.4	32.4	32.4	0.0
General Fund	10,572,343	11,377,850	25,906,441 S	13,996,675 A	13,993,746	-46.0%
Cash Funds	0	0	0	0	0	n/a
Cash Funds Exempt	271,148,736	283,594,606	291,185,562 S	322,416,825 A	316,921,843	8.8%
Federal Funds	0	0	0	0	0	n/a
Medicaid Cash Funds	*240,579,590*	*251,602,923*	*257,213,466* S	*287,090,020* A	*282,074,586*	*9.7%*
Net General Fund	*119,797,726*	*125,038,392*	*148,288,384* S	*152,944,817* A	*153,142,564*	3.3%

* Line item modified through replacement pages after Nov. 1 submission.

**Includes supplemental recommended but not yet approved.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	Actual	Appropriation	Request	Recommend	Change Requests
(2) Regional Centers						
(Primary functions: operates three regional centers that house and provide therapeutic and other services to individuals with developmental disabilities. Cash funds exempt amounts reflect Medicaid revenue. Cash amounts primarily reflect consumer payments for room and board.)						
Personal Services	38,717,876	39,974,016	40,326,724 S	42,162,675 A*	41,574,248	DI 1
FTE	869.7	871.4	887.4	903.4 A*	901.9	SBA 1
General Fund	0	0	237,870 S	237,870 A*	0	
Cash Funds	2,580,150	2,593,627	2,608,448	2,608,448	2,636,006	
Cash Funds Exempt	36,137,726	37,380,389	37,480,406	39,316,357	38,938,242	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	36,137,726	37,380,389	37,480,406	*39,316,357*	*38,932,024*	
Operating Expenses	2,077,466	2,172,138	2,204,793 S	2,223,431 A*	2,230,701	DI 1
General Fund	0	0	6,590 S	6,590 A*	0	SBA 1
Cash Funds	273	366	0	0	0	
Cash Funds Exempt - Medicaid	2,077,193	2,171,772	2,198,203	2,216,841	2,230,701	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	*2,077,193*	*2,171,772*	*2,198,203*	*2,216,841*	*2,230,701*	
General Fund Physician Services	n/a	n/a	n/a	n/a	244,460	
FTE					1.5	
General Fund					244,460	
Cash Funds					0	
Cash Funds Exempt - Medicaid					0	
Federal Funds					0	
Medicaid Cash Funds					0	
Capital Outlay - Patient Needs	77,763	72,571	80,249	80,249	80,249	
General Fund	0	0	0	0	0	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt - Medicaid	77,763	72,571	80,249	80,249	80,249	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	77,763	72,571	80,249	80,249	80,249	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	Actual	Appropriation	Request	Recommend	Change Requests
Leased Space	199,165	192,526	200,209	200,209	200,209	
General Fund	0	0	0	0	0	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt - Medicaid	199,165	192,526	200,209	200,209	200,209	
Federal Funds		0	0	0	0	
Medicaid Cash Funds	*199,165*	*192,526*	*200,209*	*200,209*	*200,209*	
Resident Incentive Allowance	132,993	138,056	138,176	138,176	138,176	
General Fund	0	0	0	0	0	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt - Medicaid	132,993	138,056	138,176	138,176	138,176	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	*132,993*	*138,056*	*138,176*	*138,176*	*138,176*	
Purchase of Services	252,699	262,440	262,661	262,661	263,291	
General Fund	0		0	0	0	
Cash Funds	0		0	0	0	
Cash Funds Exempt - Medicaid	252,699	262,440	262,661	262,661	263,291	
Federal Funds	0		0	0	0	
Medicaid Cash Funds	*252,699*	*262,440*	*262,661*	*262,661*	*263,291*	
Medicaid Unallowable Costs - General Fund		553,399	*0*	*0*	*0*	
(FY 2005-06 1331 Supplemental)						

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	**Actual**	**Appropriation**	**Request**	**Recommend**	**Change Requests**
(2) Sub-total Regional Centers	41,457,962	43,365,146	43,212,812 S	45,067,401 A	44,731,334	3.5%
FTE	869.7	871.4	887.4	903.4 A	901.9	14.5
General Fund	0	553,399	244,460 S	244,460 A	244,460	0.0%
Cash Funds	2,580,150	2,593,993	2,608,448	2,608,448	2,636,006	1.1%
Cash Funds Exempt	38,877,812	40,217,754	40,359,904	42,214,493	41,850,868	3.7%
Federal Funds	0	0	0	0	0	n/a
Medicaid Cash Funds	*38,877,812*	*40,217,754*	*40,359,904*	*42,214,493*	*41,850,868*	*3.7%*
Net General Fund	*18,689,066*	*19,919,076*	*19,681,416*	*20,608,710*	*20,348,226*	*3.4%*

*Does not include FY 2006-07 H.B. 98-1331 supplementals approved but not yet enacted

* Line item modified through replacement pages after Nov. 1 submission.

(3) Services for Children and Families

(Primary functions: administers and provides funding to 20 Community Centered Boards (CCBs) to deliver early intervention, family support, and children's extensive support services to children and families in community settings. The primary source of cash funds exempt is Medicaid revenue; local match contributions to CCBs are also reflected.)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend	Change Requests
Administration	61,855	0	0	0	0	
FTE	1.0	0.0	0.0	0.0	0.0	
General Fund	20,290	0	0	0	0	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	41,565	0	0	0	0	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	41,565	0	0	0	0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation		FY 2007-08 Request		FY 2007-08 Recommend	FY 2007-08 Change Requests
Program Funding	14,114,638	19,213,999	23,463,571	S**	25,998,820	*	25,885,772	DIs 3, NP-1
General Fund	9,943,904	13,654,700	16,882,166	S**	17,547,929	*	17,271,025	
Cash Funds		0	0		0		0	
Cash Funds Exempt	4,170,734	5,559,299	6,581,405	S**	8,450,891	*	8,614,747	
Federal Funds		0	0		0		0	
Medicaid Cash Funds	*3,459,500*	*4,552,042*	5,346,267	S**	*7,158,394*	*	*7,327,902*	
Medicaid - General Fund portion	*1,729,750*	*2,276,021*	2,297,076	S**	*3,083,786*		*3,121,546*	
Net General Fund	*11,673,654*	*15,930,721*	*19,179,242*	S**	*20,631,715*	*	*20,392,571*	
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C) - Federal Funds**	*6,112,410*	*7,161,543*	6,906,967		6,905,924		6,906,966	
FTE	*6.0*	*5.4*	6.5		6.5		6.5	
Child Find - General Fund	*0*	*0*	1,000,000	S	0		0	
(3) Sub-total Services for Children and Families	14,176,493	19,213,999	31,370,538	S	32,904,744		32,792,738	4.5%
FTE	1.0	0.0	6.5		6.5		6.5	0.0
General Fund	9,964,194	13,654,700	17,882,166	S	17,547,929		17,271,025	-3.4%
Cash Funds	0	0	0		0		0	n/a
Cash Funds Exempt	4,212,299	5,559,299	6,581,405		8,450,891		8,614,747	30.9%
Federal Funds	0	0	6,906,967		6,905,924		6,906,966	0.0%
Medicaid Cash Funds	3,501,065	4,552,042	5,346,267		7,158,394		7,327,902	37.1%
Net General Fund	*11,714,727*	*15,930,721*	*20,179,242*		*20,631,715*		*20,392,571*	*1.1%*

**Amounts shown for FY 2004-05 and FY 2005-06 reflect, for informational purposes, expenditures in the Department of Education. The program is in the DHS budget for the first time in FY 2006-07. These are not included in totals for actual years.

* Line item modified through replacement pages after Nov. 1 submission.

**Includes supplemental recommended but not yet approved.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	**Actual**	**Appropriation**	**Request**	**Recommend**	**Change Requests**

(4) Work Therapy Program

(Primary functions: Provide sheltered work opportunities to residents of state operated regional centers and the Mental Health Institute at Fort Logan. Cash and cash exempt amounts reflect payments from private businesses and government agencies for work completed.)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend	Change Requests
Program Costs	255,230	442,956	464,900	465,059	464,589	-0.1%
FTE	1.5	2.6	1.5	1.5	1.5	0.0
General Fund	0	0	0	0	0	n/a
Cash Funds	229,554	369,565	324,846	324,957	324,573	-0.1%
Cash Funds Exempt	25,676	73,391	140,054	140,102	140,016	0.0%
Federal Funds	0	0	0	0	0	n/a
Medicaid Cash Funds	0	*0*	*0*	*0*	*0*	*n/a*

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend	Change Requests
(A) Sub-total Developmental Disability Services	337,610,764	357,994,557	392,140,253	414,850,704	408,904,249	4.3%
FTE	901.5	905.2	927.8	943.8	942.3	14.5
General Fund	20,536,537	25,585,949	44,033,067	31,789,064	31,509,231	-28.4%
Cash Funds	2,809,704	2,963,558	2,933,294	2,933,405	2,960,579	0.9%
Cash Funds Exempt	314,264,523	329,445,050	338,266,925	373,222,311	367,527,473	8.7%
Federal Funds	0	0	6,906,967	6,905,924	6,906,966	0.0%
Medicaid Cash Funds	*282,958,467*	*296,372,719*	*302,919,637*	336,462,907	331,253,356	9.4%
Net General Fund	*150,201,519*	*160,888,189*	*188,149,042*	*194,185,242*	*193,883,361*	*3.0%*

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend	FY 2007-08 Change Requests
(B) Division of Vocational Rehabilitation						
and/or retain employment. Funds Independent Living Centers to provide assisted living and advocacy services to persons with disabilities. Cash and cash fund exempt amounts reflect payments from collaborating agencies, such as school districts, for vocational services.)						
Rehabilitation Programs - General Fund Match	14,563,881	16,921,954	23,459,836	23,753,409	23,722,370	DI NP-1
FTE	179.9	182.6	224.7	224.7	224.7	
General Fund	3,097,677	3,596,797	4,990,045	5,052,846	5,046,307	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	0	0	0	0	0	
Federal Funds	11,466,204	13,325,157	18,469,791	18,700,563	18,676,063	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	
Rehabilitation Programs - Local Funds Match	16,808,553	20,676,052	23,144,652 S	24,852,701 A	24,651,169	DIs 21, NP-1
FTE	7.6	11.1	18.0	27.0	27.0	BA 12, GBA 3
General Fund	0	0	0	0	0	
Cash Funds	53,643	48,923	92,432	93,849	92,432	
Cash Funds Exempt	3,526,580	4,375,459	4,814,779 S	5,218,934 A	5,175,017	
Federal Funds	13,228,330	16,251,670	18,237,441 S	19,539,918 A	19,383,720	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	Actual	Appropriation	Request	Recommend	Change Requests
Business Enterprise Program for the Blind	682,012	507,444	1,771,875	1,974,423	1,972,915	DI 20
FTE	4.8	3.2	6.0	6.0	6.0	
General Fund	0	0	0	0	0	
Cash Funds	117,678	108,745	139,020	140,199	140,128	
Cash Funds Exempt	28,515	0	237,693	279,651	279,402	
Federal Funds	535,819	398,699	1,395,162	1,554,573	1,553,385	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	
Business Enterprise Program - Program Operated Stands, Repair Costs, and Operator Benefits	291,936	489,073	659,000	659,000	659,000	
General Fund	0	0	0	0	0	
Cash Funds	193,008	345,516	242,990	242,990	242,990	
Cash Funds Exempt	0	1,708	235,000	235,000	235,000	
Federal Funds	98,928	141,849	181,010	181,010	181,010	
Medicaid Cash Funds	0	0	0	0	0	
Independent Living Centers and State Independent Living Council	683,559	869,936	1,698,804	1,732,780	1,723,800	DI NP-1
FTE	0.0	0.0	0.0	0.0	0.0	
General Fund	329,000	505,472	1,249,778	1,274,774	1,274,774	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	44,902	44,902	44,902	45,800	44,902	
Federal Funds	309,657	319,562	404,124	412,206	404,124	
Medicaid Cash Funds	0	*0*	*0*	*0*	*0*	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend	FY 2007-08 Change Requests
Independent Living Centers - Vocational Rehabilitation Program	n/a	326,841	454,789	463,885	463,884	DI NP-1
FTE		0.0	0.0	0.0	0.0	
General Fund		61,075	96,870	98,808	98,807	
Cash Funds		0	0	0	0	
Cash Funds Exempt		0	0	0	0	
Federal Funds		265,766	357,919	365,077	365,077	
Medicaid Cash Funds		*0*	*0*	*0*	*0*	
Appointment of Legal Interpreters for the Hearing Impaired	62,442	62,442	0	0	0	
General Fund	62,442	62,442	0	0	0	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	0	0	0	0	0	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	0	0	0	0	0	
Colorado Commission for the Deaf and Hard of Hearing	320,212	341,534	618,777	798,269 A*	775,888	DI NP-1
FTE	1.0	1.0	1.5	0.5 *	2.3	SBA 2
General Fund	0	0	112,745	114,034	131,164	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	320,212	341,534	506,032	684,235 A*	644,724	
Federal Funds	0	0	0	0	0	
Medicaid Cash Funds	0	*0*	*0*	*0*	0	
Colorado Commission for the Deaf and Hard of Hearing Cash Fund - Cash Funds	n/a	n/a	222,282	326,013	644,724	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	Actual	Appropriation	Request	Recommend	Change Requests
Older Blind Grants	451,506	482,582	450,000	450,000	450,000	
General Fund	0	0	0	0	0	
Cash Funds	0	0	0	0	0	
Cash Funds Exempt	30,833	44,028	45,000	45,000	45,000	
Federal Funds	420,673	438,554	405,000	405,000	405,000	
Medicaid Cash Funds	0	*0*	*0*	*0*	0	
(B) Sub-total Vocational Rehabilitation	33,864,101	40,677,858	52,480,015	55,010,480	55,063,750	4.9%
FTE	193.3	197.9	250.2	258.2	260.0	9.8
General Fund	3,489,119	4,225,786	6,449,438	6,540,462	6,551,052	1.6%
Cash Funds	364,329	503,184	696,724	803,051	1,120,274	60.8%
Cash Funds Exempt	3,951,042	4,807,631	5,883,406	6,508,620	6,424,045	9.2%
Federal Funds	26,059,611	31,141,257	39,450,447	41,158,347	40,968,379	3.8%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	*n/a*
Net General Fund	*3,489,119*	*4,225,786*	*6,449,438*	*6,540,462*	*6,551,052*	*1.6%*

* Line item modified through replacement pages after Nov. 1 submission.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	Actual	Appropriation	Request	Recommend	Change Requests
(C) Homelake Domiciliary and State and Veterans Nursing Homes						
(1) Homelake Domiciliary						
(Primary functions: operates a 46-bed assisted living facility for veterans. Cash funds exempt amounts reflect client fees.)						
Note: This area is bottom line funded, therefore appropriated fund split detail is estimated and fund splits are not shown by line item in actual years.						
Personal Services	864,406	859,077	801,408	814,322	811,845	
FTE	14.7		16.4	16.4	16.4	
General Fund			126,097	128,748	128,431	
Cash Funds			0	0	0	
Cash Funds Exempt			431,226	437,960	436,602	
Federal Funds			244,085	247,614	246,812	
Medicaid Cash Funds			*0*	*0*	*0*	
Operating Expenses	282,858	252,993	313,523	313,523	317,161	
General Fund			33,347	33,347	33,747	
Cash Funds			0	0	0	
Cash Funds Exempt			158,860	158,860	160,715	
Federal Funds			121,316	121,316	122,698	
Medicaid Cash Funds			*0*	*0*	*0*	
Utilities	105,984	112,423	138,839	138,839	138,839	
General Fund			16,710	16,710	16,710	
Cash Funds			0	0	0	
Cash Funds Exempt			71,906	71,906	71,906	
Federal Funds			50,223	50,223	50,223	
Medicaid Cash Funds			*0*	*0*	*0*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	**Actual**	**Appropriation**	**Request**	**Recommend**	**Change Requests**
(1) Sub-total Homelake Domiciliary	1,253,248	1,224,493	1,253,770	1,266,684	1,267,845	1.1%
FTE	14.7	16.2	16.4	16.4	16.4	0.0
General Fund	184,210	154,650	176,154	178,805	178,888	1.6%
Cash Funds	0	0	0	0	0	n/a
Cash Funds Exempt	772,818	752,750	661,992	668,726	669,223	1.1%
Federal Funds	296,220	317,093	415,624	419,153	419,733	1.0%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	*n/a*
Net General Fund	*184,210*	*154,650*	*176,154*	*178,805*	*178,888*	*1.6%*

(2) State and Veterans Nursing Homes
(Primary Functions: Operation and management of the six state and veterans nursing homes)

Fitzsimons Management Consulting Services	1,949,211	0	0	0	0	
General Fund	1,949,211	0	0	0	0	
Cash Funds						
Cash Funds Exempt						
Federal Funds						
Medicaid Cash Funds						
Fitzsimons Operating Subsidy	873,735	0	0	0	0	
General Fund	873,735	0	0	0	0	
Cash Funds						
Cash Funds Exempt						
Federal Funds						
Medicaid Cash Funds						

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	**Actual**	**Appropriation**	**Request**	**Recommend**	**Change Requests**
Legislative Oversight Committee on the State and Veterans Nursing Homes		0	36,600	36,600	0	
General Fund	n/a	0.0	0.0	0	0	
Cash Funds		0	0	0	0	
Cash Funds Exempt		0	36,600	36,600	0	
Federal Funds		0	0	0	0	
Medicaid Cash Funds						
Nursing Home Consulting Services		0	391,253	391,253	195,627	
FTE	n/a	0.0	0.0	0.0	0.0	
General Fund		0	391,253	391,253	195,627	
Cash Funds		0	0	0	0	
Cash Funds Exempt		0	0	0	0	
Federal Funds		0	0	0	0	
Medicaid Cash Funds		*0*	*0*	*0*	*0*	
Nursing Home Indirect Costs Subsidy						
General Fund		n/a	n/a	0	541,925	
Program Costs[1]	36,551,068	39,918,810	42,162,574	42,162,574	46,055,211	
FTE	571.4	614.6	673.4	673.4	673.4	
General Fund	0	0	0	0	0	
Cash Funds	94,013	131,442	0	0	0	
Cash Funds Exempt	27,002,159	30,940,407	32,043,556	32,043,556	36,015,175	
Federal Funds	9,454,896	8,846,961	10,119,018	10,119,018	10,040,036	
Medicaid Cash Funds						

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	**Actual**	**Appropriation**	**Request**	**Recommend**	**Change Requests**
(2) Subtotal - State and Veterans Nursing Homes	39,374,014	39,918,810	42,590,427	42,590,427	46,792,763	9.9%
FTE	571.4	614.6	673.4	673.4	673.4	0.0
General Fund	2,822,946	0	391,253	391,253	737,552	88.5%
Cash Funds	94,013	131,442	0	*0*	0	*n/a*
Cash Funds Exempt	27,002,159	30,940,407	32,080,156	32,080,156	36,015,175	12.3%
Federal Funds	9,454,896	8,846,961	10,119,018	10,119,018	10,040,036	-0.8%
Medicaid Cash Funds	0	0	0	*0*	0	*n/a*
Net General Fund	*2,822,946*	*0*	*391,253*	*391,253*	*737,552*	*88.5%*

(1) FY 2004-05 actuals include $821,318 in federal "flexible" funds that were made available to Colorado in 2003 pursuant to the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. FY 2006-07 appropriation is an estimate based on total projected nursing home expenses, including depreciation, less amounts reflected for Homelake Domiciliary, above.

(C) Total - Homelake Domiciliary and State and Veterans Nursing Homes	40,627,262	41,143,303	43,844,197	43,857,111	48,060,608	9.6%
FTE	586.1	630.8	689.8	689.8	689.8	0.0
General Fund	3,007,156	154,650	567,407	570,058	916,440	61.5%
Cash Funds	94,013	131,442	0	0	0	n/a
Cash Funds Exempt	27,774,977	31,693,157	32,742,148	32,748,882	36,684,398	12.0%
Federal Funds	9,751,116	9,164,054	10,534,642	10,538,171	10,459,769	-0.7%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	*n/a*
Net General Fund	*3,007,156*	*154,650*	*567,407*	*570,058*	*916,440*	*61.5%*

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		
	Actual	Actual	Appropriation	Request	Recommend	Change Requests
(9) TOTAL - SERVICES FOR PEOPLE WITH DISABILITIES	**412,102,127**	**439,815,718**	**488,464,465**	**513,718,295**	**512,028,607**	**4.8%**
FTE	**1,680.9**	**1,733.9**	**1,867.8**	**1,891.8**	**1,892.1**	**24.3**
General Fund	**27,032,812**	**29,966,385**	**51,049,912**	**38,899,584**	**38,976,723**	**-23.6%**
Cash Funds	**3,268,046**	**3,598,184**	**3,630,018**	**3,736,456**	**4,080,853**	**12.4%**
Cash Funds Exempt	**345,990,542**	**365,945,838**	**376,892,479**	**412,479,813**	**410,635,917**	**9.0%**
Federal Funds	**35,810,727**	**40,305,311**	**56,892,056**	**58,602,442**	**58,335,115**	**2.5%**
Medicaid Cash Funds	***282,958,467***	***296,372,719***	***302,919,637***	**336,462,907**	**331,253,356**	**9.4%**
Net General Fund	*156,697,794*	*165,268,625*	*195,165,887*	***201,295,762***	***201,350,853***	***3.2%***

	FY 2005-06 Actual	FY 2006-07 Appropriation	Fiscal Year 2006-07 Supplemental Requested Change	Recommended Change	New Total with Rec.
FY 2006-07 Late Supplemental					
DEPARTMENT OF HUMAN SERVICES					
Executive Director - Karen Beye					
FY 2006-07 Supplemental - Medicaid Cash Accounting Adjustment					
Department of Human Services					
(9) Services for People with Disabilities					
(A) Developmental Disability Services					
(1) Community Services					
Adult Program Costs	267,971,683	306,656,384	(2,832,609)	(6,390,063)	300,266,321
General Fund	11,168,268	17,003,167	0	7,738,019	24,741,186
Cash Funds	0	0	0	0	0
Cash Funds Exempt	256,803,415	289,653,217	(2,832,609)	(14,128,082)	275,525,135
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*224,815,225*	*255,684,728*	*(2,832,609)*	*(14,128,082)*	*241,556,646*
Medicaid - General Fund portion	*112,407,612*	*127,779,727*	*(1,416,305)*	*(7,064,041)*	*120,715,686*
*Net General Fund**	*123,575,880*	*144,782,894*	*(1,416,305)*	*673,978*	*145,456,872*
(3) Services for Children and Families					
Program Funding	19,213,999	25,030,962	(1,567,391)	(1,567,391)	23,463,571
General Fund	13,654,700	16,882,166	0	0	16,882,166
Cash Funds	0	0	0	0	0
Cash Funds Exempt	5,559,299	8,148,796	(1,567,391)	(1,567,391)	6,581,405
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*4,552,042*	*6,913,658*	*(1,567,391)*	*(1,567,391)*	*5,346,267*
Medicaid - General Fund portion	*2,276,021*	*2,971,054*	(783,695)	(673,978)	2,297,076
Net General Fund	*15,930,721*	*19,853,220*	(783,695)	(673,978)	19,179,242

	FY 2005-06 Actual	FY 2006-07 Appropriation	Fiscal Year 2006-07 Supplemental Requested Change	Recommended Change	New Total with Rec.
FY 2006-07 Late Supplemental					
TOTAL DHS - Medicaid Cash Accounting			(4,400,000)	(7,957,454)	
FTE	n/a	n/a	0.0	0.0	n/a
General Fund			0	7,738,019	
Cash Funds			0	0	
Cash Funds Exempt			(4,400,000)	(15,695,473)	
Federal Funds			0	0	
Medicaid Cash Funds			*(4,400,000)*	*(15,695,473)*	
*Net General Fund**			*(2,200,000)*	*0*	

*Net General Fund includes General Fund appropriated in the Department of Health Care Policy and Financing and transferred to the Department of Human Services, in addition to General Fund appropriated directly to the Department of
"N.A." = Not Applicable

	FY 2005-06 Actual	FY 2006-07 Appropriation	Requested Change	Recommended Change	New Total with Rec.
Department of Health Care Policy and Financing - Associated Adjustment					
Department of Human Services Medicaid-Funded Programs					
(G) Services for People with Developmental Disabilities - Medicaid Funding					
Community Services Adult Program Costs and CCMS Replacement - Medicaid Funding	225,053,262	255,684,728	(2,832,609)	(14,128,082)	241,556,646
General Fund	112,498,540	127,779,727	(1,416,305)	(7,064,041)	120,715,686
Cash Funds	0	0	0	0	0
Cash Funds Exempt	18,705	32,364	0	0	32,364
Federal Funds	112,536,017	127,872,637	(1,416,304)	(7,064,041)	120,808,596
Services for Children and Families - Medicaid Funding	4,552,042	6,913,658	(1,567,391)	(1,567,391)	5,346,267
General Fund	2,276,021	2,971,054	(783,695)	(673,978)	2,297,076
Cash Funds	0	0	0	0	0

	FY 2005-06 Actual	FY 2006-07 Appropriation	Fiscal Year 2006-07 Supplemental Requested Change	Recommended Change	New Total with Rec.
FY 2006-07 Late Supplemental					
Cash Funds Exempt	0	485,775	0	(109,717)	376,058
Federal Funds	2,276,021	3,456,829	(783,696)	(783,696)	2,673,133
Accounting			(4,400,000)	(15,695,473)	
FTE	n/a	n/a	0.0	0.0	n/a
General Fund			(2,200,000)	(7,738,019)	
Cash Funds			0	0	
Cash Funds Exempt			0	(109,717)	
Federal Funds			(2,200,000)	(7,847,737)	

FY 2007-08 Figure Setting and Late FY 2006-07 Supplemental
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

(1) EXECUTIVE DIRECTOR'S OFFICE

(B) Special Purpose

Developmental Disabilities Council

This council of 24 appointed representatives is responsible for providing coordination, planning and advice on developmental disabilities services, including development of a state plan for developmental disability services.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
General Professional	4.0	4.0	4.0	4.0
Administrative Support	0.7	2.0	2.0	2.0
TOTAL	4.7	6.0	6.0	6.0

Staff recommends $845,180 federal funds for a continuation level of 6.0 FTE, calculated consistent with common policy. The total includes $331,975 for personal services, $195,242 for operating expenses, and $317,963 for grants.

(9) SERVICES FOR PEOPLE WITH DISABILITIES

The Services for People with Disabilities section includes: Services for People with Developmental Disabilities (includes community and institutional services for adults and children with developmental disabilities), the Division of Vocational Rehabilitation, and Homelake Domiciliary and the State and Veterans Nursing Homes.

(A) Services for People with Developmental Disabilities

This Office is responsible for managing the provision of state, federal, and Medicaid-funded services to people with developmental disabilities through three state-operated Regional Centers located in Grand Junction, Wheat Ridge and Pueblo, and 20 Community Centered Boards (CCBs) designed to provide community-operated services throughout the state.[1] This Office oversees the provision of residential and supported living (non-residential) services to about 7,400 adults with developmental disabilities and administers three types of programs for children with developmental disabilities and their families: Early Intervention and federal "Part C" services (for children under the age of 3), the Family Support Services program, and the Children's Extensive Support program.

The vast majority of state services for persons with developmental disabilities are funded through three federal Medicaid waivers for home and community-based services: the adult comprehensive services waiver, the adult supported living services waiver, and the children's extensive support waiver. These Medicaid waivers enable the State to support services for persons with developmental disabilities using Medicaid funds that originate as 50 percent state General Fund and 50 percent federal funds. However, they differ from other parts of the Medicaid program in that the State may limit the total number of program participants. As a result, there are waiting lists for services.

The table below summarizes the overall funding for community services in FY 2006-07, as reflected in the Community Services, Adult Program Costs and Services for Children and Families Program Costs Long Bill line items. Supplemental adjustments are not reflected.

Adult and Children's Community Programs[a]	FY 06-07 Long Bill	# Resources Funded June 2007[b]	Avg. Cost per Full Year Resource	Waiting list Nov. 2006c
Adult Comprehensive Services	$230,612,099	3,828	$60,872	1,402
Adult Supported Living Services	$59,910,028	3,572	$16,793	2,447
Early Intervention	$12,578,731	2,072	$6,071	3

[1] Pursuant to federal law, Regional Center facilities are also called Intermediate Care Facilities for the Mentally Retarded or ICF/MRs, and constitute the state's "institutional" services for people with developmental disabilities.

Adult and Children's Community Programs[a]	FY 06-07 Long Bill	# Resources Funded June 2007[b]	Avg. Cost per Full Year Resource	Waiting list Nov. 2006c
Children's Extensive Support	$8,063,282	395	$21,219	134
Family Support Services	$7,162,211	1,176	$6,090	4,583
Special Purpose	$881,304	n/a		
Total	$319,207,655	11,043		

a) Reflects funding in the Adult Program Costs and Services for Children and Families, Program Funding Long Bill line items. Does not include 403 adult residential resources at the regional centers or services funded with local dollars.

b) A program "resource" is the funding required to provide services to an individual for a year. Of the resources shown, 79 adult comprehensive resources and 9 adult supported living services are funded for an average of six months in FY 2006-07.

c) (1) Early intervention figure reflects solely eligible children receiving no services, generally due to temporary placement delays. In addition, as of June 2006, it is anticipated that 536 children are being funded through federal Part C "payer of last resort" dollars, due to the absence of state support. (3) Current funding for the Family Support Services Program is generally spread to serve over 3,500 families, so that the majority of those on the waiting list are actually receiving some support from the dollars shown.

In addition to the program services identified above, the State serves developmentally disabled adults with significant medical and behavioral needs in 403 beds at the three state-operated regional centers. Most funding for regional center services is also provided by the Medicaid program. Most regional center beds are funded through the same community-based Medicaid comprehensive waiver program used to support residential services operated by community centered boards. In addition, about one quarter of regional center beds are funded through the Medicaid program as intermediate care facilities for the mentally retarded (ICF-MRs). These are funded by Medicaid on a cost-based model.

Federally-required System Changes

From 1998 through FY 2005-06, the Department operated under a "Systems Change Project" pursuant to a Memorandum of Understanding with the Joint Budget Committee. The Systems Change Project applied a managed care approach to delivering developmental disability services that allowed Community Centered Boards (CCBs) to negotiate rates with their providers in order to get a better rate for each service. The goals of the Systems Change Project were to: (1) promote simplicity, flexibility, and efficiency in community services, while maintaining accountability; (2) increase local decision making; and (3) promote a fairer means of resource distribution that would enable more people with developmental disabilities to be served from the community services system waiting list.

During FY 2005-06, it became clear to the State that the federal Centers for Medicare and Medicaid Services (CMS), which had previously approved Colorado's "quasi managed care" service model no longer considered the State's system acceptable. During FY 2003-04, the federal Centers for Medicare and Medicaid Services (CMS) had reviewed Colorado's three home and community based services Medicaid waivers for persons with developmental disabilities. The final report on the Comprehensive (24 hour) Waiver program was issued in April 2004 and a renewal of the Waiver was approved September 24, 2004. The renewal was conditioned on various changes, including the (1) removal of certain program costs from the Waiver program and their transition to the Medicaid State Plan; and (2) steps to increase financial oversight and accountability for the program, including steps to "unbundle" services and costs in the comprehensive waiver program. In FY 2004-05, Colorado unbundled the collection of service encounter data and differentiated costs through Community Centered Board (CCB) audits, but the billings were still bundled. In addition, the CCBs continued to negotiate rates as an "Organized Health Care Delivery System (OHCDS)". During FY 2005-06, CMS indicated that: billings must be unbundled, all providers must have the choice to bill directly or to use CCBs as the OHCDS , and that there must be a uniform rate setting methodology.

Changes were implemented August 1, 2006. Other changes are occurring throughout FY 2006-07 and are anticipated throughout FY 2007-08. As identified in the revised plan of correction submitted by HCPF to CMS in May 2006, changes include: (1) detailed billings that unbundled services; (2) notification of all providers of their option to become Medicaid providers and to bill directly; and (3) a short-term plan for uniform rates. The short-term solution (effective in FY 2006-07) will be based on a survey of the Community Centered Boards for current rates for each individual by service, analyzing this information and setting rates based on current levels/grouping. For the long term (FY 2007-08 and future years), levels of need will be set based on an acuity tool that measures the intensity of service needs that impact costliness of service provision with up to 7 levels for difficulty of care. The rates associated with these difficulty of care levels will be determined through a rate setting consultant. This analysis will also consider whether a geographic modifier to reflect factors that impact the costliness of services in different regions of the State should be part of the rate setting methodology. The State is also examining the role of the Community Centered Boards (CCBs) and determining the most appropriate mechanism for Medicaid reimbursement, including targeted case management (TCM) and payments for Utilization Review and administrative activities associated with quality. Some current CCB roles have been identified as ineligible for Medicaid reimbursement and will require State general funding if they are to continue. An interim rate for case management and CCB functions under Medicaid is being proposed and the longer term rate setting for these functions will also be part of the rate setting consultant's work.

Note that the State recently received an extension on implementation of the comprehensive program waiver changes. **Federal CMS has approved an implementation delay to October 1, 2007**, to ensure that the State has received federal approval on its revised comprehensive waiver submission prior to implementation. Staff anticipates that there may be some related changes to the anticipated implementation data for any supported living waiver changes also (which were anticipated to be implemented in FY 2008-09).

Need for Statutory Changes

Staff believes statutory changes are necessary to comply with changes the state has already made and will continue to implement pursuant to the federal Medicaid waiver changes. Section 25.5-6-410, C.R.S. specifies that "Nothing in this subpart 2 (concerning HCBS-DD services) shall prevent the department of health care policy and financing or the department of human services from complying with federal requirements in order for the state of Colorado to qualify for federal funds under Title XIX of the federal "Social Security Act", as amended."] The understanding has been that this "out" may be used on an interim basis, but not on an ongoing basis.

Due to timing issues, the State is attempting to proceed with waiver changes in ways that do not require statutory changes. Nonetheless, there are some potential conflicts:

- Section 27-10.5-104(1), C.R.S., which requires that the department of human services shall provide or purchase, pursuant to subsection (4), authorized services and supports *through* the community centered boards for persons who have bene determined eligible for such services. Section 27-10.5-104(4), C.R.S., only authorizes the Executive Director of the Department of Human Services to bypass CCBs and purchase service and supports directly from service agencies under limited conditions. Based on CMS requirements, providers are now allowed to bill directly and not just through the CCBs.

- Statute at 27-10.5-104(7), C.R.S., which lays out how funding for developmental disability services are to be calculating, including requiring a five percent local match. It is staff's belief that, in toto, statewide local financial participation will continue to exceed this 5 percent requirement because of the existence of mill levies. However, given the changes in the system, it is not clear how the five percent match is appropriately operationalized.

After initially indicating it might pursue statutory changes this session, the Department of Human Services has now indicated it would like to hold off on any statutory changes, pending final CMS approval the Department's waiver change application. *Staff is concerned about the fact that the State appears to be operating in violation of Section 27-10.5-104(1) and 104(4), C.R.S.* However, staff recognizes that the statutory change options will likely require considerable legislative debate. Given the "out" offered by Section 25.5-6-410, C.R.S., staff believes it is reasonable to hold off on changes until the 2008 legislative session. However, **staff believes changes must be made in 2008. It is not acceptable for the State to continue to use the Medicaid "out" on an indefinite basis.**

Update on Proposals to Open New ICFs/MR

During the staff budget briefing, staff notified the Committee that the Department of Public Health and Environment had received letters of intent for construction of intermediate care facilities for the mentally retarded (ICFs/MR) from CCBs, all for privately owned facilities. One requests a change of licensure and a change of certification type from HCBS-DD waiver to a class IV ICF/MR, proposing 6 beds. Two requests are for an initial license and certification as class IV ICF/MR. One proposes a 6-bed facility and the other an 8-bed. Existing Medicaid rules provide that a new ICF/MR receives a per diem rate equal to the most recent average weighted rate for the class at the time the new facility begins business as a Medicaid provider. After the first year, charges become cost-based. During the budget briefing, staff noted that, if these facilities are opened, this would be expected to drive General Fund costs of $1.8 million in the first year. In subsequent years, the Department of Health Care Policy and Financing has projected much higher costs, since the facilities would be cost-based.

The Department The Department of Health Care Policy and Financing indicates that, under federal regulations, states have the discretion to limit the minimum number of clients (bed size) to be served in order for a facility to be licensed. The minimum bed size must be high enough to allow reimbursement sufficient to maintain the required level of care but still meet the federal standards for reasonableness (consistent with efficiency, economy and quality of care.) Associated with this, HCPF has sought to promulgate rules limiting class IV ICFs/MR to a minimum size of 16 beds. This rule has been brought up twice at the medical services board, but has not yet passed. HCPF has expressed its intention to continue to pursue the rule. Should the proposed small facilities open, staff anticipates that budgetary adjustments will be required in the future.

(1) Community Services

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
General Administration	31.2	32.4	32.4	32.4

<u>Personal Services</u>

This line item supports the staff of the Division for Developmental Disabilities who oversee state programs for persons with developmental disabilities, including services directly administered by community centered boards and services provided in the state-operated regional centers. The table below compares the Department request and staff recommendation.

	Request		Recommendation	
	Amount	FTE	Amount	FTE
FY 2006-07 Appropriation	$2,545,466	32.4	$2,545,466	32.4
Salary survey	65,852	0.0	65,852	0.0
Common policy P.S. reduction	(4,891)	0.0	(13,076)	0.0

	Request		Recommendation	
	Amount	FTE	Amount	FTE
Annualize FY 07 DI #10	3,972	0.0	3,972	0.0
Budget Amendment SBA-3 (CCMS)	82,200	0.0	0	0.0
TOTAL	$2,692,599	32.4	$2,602,214	32.4
*Net General Fund**	*1,505,804*		*1,433,168*	

*Includes General Fund directly appropriated in the line item and the portion of Medicaid CFE funds appropriated that are initially appropriated as General Fund in the Department of Health Care Policy and Financing.

Difference are explained below.

Common policy calculation: Consistent with common policy, staff has included a 0.5 reduction to the personal services base. This reduction is greater than the 0.2 percent reduction in the request.

FY 2006-07 Decision Item #10: This decision item added 1.0 FTE for quality assurance staff. Minor out-year adjustments requested to personal services and operating expense amounts are consistent with the request and recommendation approved in FY 2006-07.

Budget Amendment SBA 3 - CCMS Web system Replacement

The Department submitted a budget amendment to permanently move funding from the adult program costs line item to the personal services and operating expense line items to support ongoing costs associated with the new CCMSweb System Replacement.

Budget Amendment SBA-3 Request - CCMS			
	General Fund	Medicaid CFE	Total
Personal Services	59,058	23,142	82,200
Operating Expenses	0	66,200	66,200
Adult Program Costs	(59,058)	(89,342)	(148,400)
Total	$0	$0	$0

FY 2007-08 Annualization of CCMS Development Funding (background; not part of this DI)			
	General Fund	Medicaid CFE	Total
CCMS Web System Replacement	($59,058)	($242,617)	($301,675)
Adult Program Costs	59,058	242,617	301,675
Total	$0	$0	$0

Background: In FY 2005-06 and FY 2006-07 the Committee authorized the one-time use of base resources previously included in the Adult Program Costs line item for the development of a new Community Contract and Management System (CCMS). This information technology system is used to track developmental disability resource contracts and payments, as well as waiting list information required to be submitted pursuant to Section 27-10.5-103(d), C.R.S. Information from the system is also used to make claims for Medicaid reimbursement through the Medicaid Management Information System. The old CCMS system, based on Foxpro and designed in 1986, had become unstable. The new system, now scheduled to be completed at the end of FY 2006-07, is a centralized web-based system. The Committee initially authorized the Department to develop a system consistent with the results of a 2004 feasibility study that reflected development costs of $491,308 (which could be spread over two years) and some ongoing costs after development. The new system was expected to address the most critical system needs. The Committee subsequently added $94,000 for additional system development costs associated with complying with federally-required changes to billing for Medicaid waiver programs. The new CCMS system can be used as a "front end" to the Medicaid Management Information System for billing Medicaid waiver services. It is also used to manage all contracts with community centered boards for both Medicaid and General Fund service provision. (Community centered boards continue to be the single entry point for eligibility and case management for individuals requiring either Medicaid or General Fund-supported developmental disability services.)

Funding for the project was carved out of the Adult Program Costs line item over a two year period. The line item included a footnote that allowed funding that was not fully used to revert back to the Adult Program Costs line item. As reflected in the tables above, the Department's FY 2007-08 budget request includes: (1) restoring the carved-out amount into the Adult Program Costs line item; and then (2) taking a significant portion of the amount restored into Adult Program Costs and shifting it into Personal Services and Operating Expenses to cover ongoing costs associated with the system pursuant to SBA-3. The Department has noted, related to its SBA-3 request, that, if the vendor does not complete all change orders needed in FY 2006-07, some funds in SBA-3 would need to be shifted back into the FY 2007-08 CCMS web appropriation line item in FY 2007-08 to address those needs.

Current Request: The Department indicates that ongoing support is critical to successful ongoing operation of the CCMSwebsystem. Specifically, (1) the new hardware and software must be maintained, and there is a fee from GGCC for server leased space and backup services for the data; and (2) There is a need for ongoing overflow contractor support to augment Department OITS staff who support CCMS, since: (1) CCMSweb is more complex than the previous system; and (2) the OITS were not able to keep up with enhancement/changes needed previously and will not be able to do so again without augmentation; and (3) the new infrastructure software is all new to the OITS staff who will be supporting CCMS, and this will create support issues if the Department is unable to hire someone who is an expert in this during the learning curve. The Department states that if funds are not made available for ongoing maintenance of the system, the new system will become obsolete and unstable, as the old one did. Neither the Division nor OITS has funds to absorb any of these new costs. The Division originally estimated the need for ongoing CCMS web maintenance of $122,326 starting FY 2007-08. The updated requirement for $148,400 is primarily due to an increase in maintenance of the final infrastructure, based on the contractor's bid for the project.

The components of the request include the following:

Item	**Annual Cost**	**Explanation**
Contract/Professional	$70,200	50 percent contractor based on IT contract hourly rate
OITS technical support backup	12,000	200 hours to provide technical project support for database, internet/web, telecommunications and network support
Software maintenance	34,432	Maintenance agreements for SQL, Quick Test Pro, Visual Source Safe, Adobe Dreamweavers, SSL License, etc.
Hardware Replacement	20,848	3 year replacement cycle, based on 1/3 original hardware costs per year
GGCC leased space	10,920	$130/months x 12 mos x 7 servers (5 physical, 2 virtual)
Total	**$148,400**	

The Department's request reflects placing amounts for the contract professional and OITS technical support backup in the Developmental Disability Community Programs' personal services line item, with all other items in the operating expense line item in the same section. The Department indicates it wishes to place the dollars in the Division, rather than in the Department's Office of Information Technology Services to ensure resources are allocated specifically for CCMS; however, it indicates it will "transfer" funding to OITS for these services.

Recommendation: As reflected, the net fiscal impact of the change is $0; however the request reassigns dollars originally allocated for direct services for individuals with developmental disabilities to administrative functions.

Nonetheless, staff recommends the request overall on the grounds that the overall programs and dollars managed by this system (over $300 million dollars to serve over 11,000 people) are large enough that the relative costs associated with ongoing maintenance of the system appear reasonable. The types of system problems previously experienced were not acceptable and were costly for CCBs, as well as the State, to manage.

The recommendation does, however, include the following modifications from the request:

(1) Staff recommends that the funding included in the the Department's request related to GGCC leased space be placed in the GGCC leased space line item. The Department of Personnel allocates GGCC costs among departments based on their relative share of GGCC resources used; for GGCC to be properly budgeted, all associated funding must be in department GGCC line items.

(2) Staff recommends that the balance of the funding continue to be placed, for now, in a separate line item in the developmental disability administration section, rather than be integrated into the personal services and operating expense line items. The Department has indicated that it wishes to keep the funds within the division until the new system is fully stabilized. It indicates that, when the system has been stabilized in the future, it may be appropriate to move funding to the Office of Information Technology Services. The OITS agrees with this approach. Given that maintaining the funding within the Division is presented as a temporary situation, staff believes it is appropriate to keep the funding distinct from the remainder of the administration funding. The staff recommendation maintains the current Community Contract and Management System line item but eliminates the footnote that allows amounts to be transferred back to Adult Program Costs. Further, in the Department of Health Care Policy and Financing, staff will bundle the Medicaid portion of the funding for the line item with the line item for Medicaid-funded Division administration, rather than with funding for adult program costs.

(3) Staff recommends somewhat different funds splits from the request. The Department has indicated that the fund splits for this decision item were based on General Fund previously allocated from the program costs line item with the balance covered by Medicaid funds, resulting in 60 percent of total costs allocated to Medicaid. It indicated that it believed this was reasonable given that its records indicated that 56 percent of its targeted case management resources were Medicaid and that the system has additional functions related to Medicaid including the PAR processes, creation of claims file, receipt and linking of pending, rejected, and paid reports from MMIS and rebill processes. Staff agrees that it is reasonable to allocate costs based on the proportion of case management resources funded by Medicaid, as opposed to the General Fund, with some additional adjustment for the additional Medicaid functions. However, according to staff's records, state-funded resources that use Medicaid targeted case management are expected to be two-thirds of total case management resources in FY 2007-08 (7,536/11,199). Similar to the Department's approach, staff has rounded up from the resulting 67.2 percent to 70.0 percent Medicaid to take into account additional Medicaid functions.

Budget Amendment SBA-3 Recommendation - CCMS			
	General Fund	Medicaid CFE	Total
Office of Info Tech Services			
Purchase of Svces from Computer Center	3,276	7,644	10,920
Services for People with Disabilities, DD Services, Community Services			
Community Contract and Management System	41,244	96,236	137,480
Adult Program Costs	(44,520)	(103,880)	(148,400)
Total	$0	$0	$0

Operating Expenses

The Department request for $214,229 includes $66,200 for SBA-3 and a reduction of $3,288 for annualization of FY 2006-07 Decision Item #10 that added 1.0 FTE and associated operating expense amounts. **Staff recommends $148,029.** This includes the annualization of Decision Item #10 but does not include SBA-3, as this is placed in the Community and Contract Management System line item, consistent with the discussion above under personal services.

Community and Contract Management System Replacement

The Department has requested eliminating this line item for FY 2007-08 and restoring funding to the Adult Program Costs line item, from which these funds were originally carved out. As also discussed above pursuant to SBA 3, the Department has also requested that much of this restored funding be added to personal services and operating expense line items to cover ongoing costs for maintenance of the new CCMS system. As discussed above, staff recommends, for the present, retaining CCMS costs in this line item, based on the amounts recommended for SBA 3. However, the staff recommendation eliminates a footnote in place in FY 2005-06 and FY 2006-07 that authorized funds not used to be transferred back to the Adult Program Costs line item, as the amount in this line item is expected to be required on an ongoing basis for system maintenance.

FY 2007-08 CCMS Line Item Recommendation			
	General Fund	Medicaid CFE	Total
FY 2006-07 Long Bill	$59,058	$242,617	$301,675
Annualize FY 2006-07 one-time costs	($59,058)	($242,617)	($301,675)
SBA 3 - CCMS maintenance	41,244	96,236	137,480
Total	$41,244	$96,236	$137,480

Adult Program Costs

This line item reflects funding for services to over 7,400 adults determined to have a developmental disability under state eligibility criteria. Services are provided within local communities through 20 Community Centered Boards (CCBs). The two types of services available to adults are supported living services (SLS) and comprehensive services. Supported living services provide services in the home to help individuals with aspects of daily living (i.e., eating, dressing etc.) and other activities including employment and recreation. Comprehensive services include both housing and support services. The line item also includes funding for case management for all children and family services (in addition to adult services) and some "special purpose" funding for activities such as the combined condensed audit of developmental disability programs and behavior pharmacology clinics. The table at the end of this section provides detail on the major components of the appropriation, as recommended by staff.

Funding and administration for developmental disability services is guided by the following statutes in the Departments of Human Services and Health Care Policy and Financing. *Staff would note a concern that current statutes are obsolete, given program changes imposed by the federal Centers for Medicare and Medicaid Services*. The Department has indicated that it does not wish to make statutory changes until it has received CMS approval of new comprehensive waiver application (anticipated in summer of 2007).

Funding for developmental disability services is governed by the following statute:

> 27-10.5-104. Authorized services and supports - conditions of funding - purchase of services and supports - boards of county commissioners - appropriation. (7) (a) Each year the general assembly shall appropriate funds to the department of human services to provide or purchase services and supports for persons with developmental disabilities pursuant to this section. Unless specifically provided otherwise, services and supports shall be purchased on the basis of five percent local funding to be matched by ninety-five percent state funding less any federal or cash funds received for general operating expenses from any other state or federal source, less funds available to a person receiving residential services or supports after such person receives an allowance for personal needs or for meeting other obligations imposed by federal or state law, and less the required local school district funds specified in paragraph (b) of this subsection (7). The yearly appropriation, when combined with all other sources of funds, shall in no case exceed one hundred percent of the approved program costs as determined by the general assembly. Funds received for capital construction shall not be considered in the calculation for the distribution of funds under the provisions of this section.

Staff notes that:

- Not all components of the line item include the 5.0 percent match. Specifically, the match is not included on certain residential services. At present, the local funds portion of amounts in the Adult Program Costs and Services for Children and Families line items amount to 2.6 percent of total funds appropriated for community developmental disability services. The total is equivalent to 5.3 percent of the "net" General Fund appropriation and about 30 percent of the direct General Fund appropriation;

- Although local mill levies ensure that overall statewide funding for developmental disability services includes local funding greater than th 5 percent identified (local mill levy funding approaches $40 million statewide), some community centered boards have historically not provided a full 5.0 percent match, while others have substantially exceeded the match requirement.

- Because of changes imposed by the Centers for Medicare and Medicaid services, not all funds for services flows through the community centered boards. In many cases, Medicaid funds are now flowing directly to service agencies. *It is not clear whether or how the state will ensure the 5.0 percent local contribution from the service agencies, given this situation*. Given the language above that allows for appropriation "specifically provided otherwise", as well as ambiguity regarding whether this portion of statute applies to the entire developmental disability program or only that portion funded by State General Fund, staff believes it is acceptable to leave the statute as is during the 2007 session; however, as previously noted, staff believes that the Departments must commit to taking steps to update relevant statutes during the 2008 session.

- The Department is considering whether the 5 percent match requirement should simply be eliminated. Another alternative to the current statutory structure regarding local match would be to require *counties* (rather than "locals") to provide funding for developmental disability services in their area at a level no less than the ratios currently reflected in statute (e.g., 2-3 percent of total state General Fund and Medicaid support or 5-6 percent of state "net" General Fund support, including the General Fund portion of Medicaid). Under this structure, funding would no longer be budgeted in the dollars allocated for any particular "resource". While this would impact the budget structure and spreadsheets, it would be generally consistent with the way the Department has thus far implemented the local match requirement. A final alternative would be to apply the local match requirement to *service providers;* however, it is not clear how such a requirement would be built into Medicaid billing and rate structures in any formal way. *If the match requirement were to be transferred to service providers, it would likely merely serve as an explanation/demonstrate legislative intent that service rates are not expected to fully cover the cost of developmental disability services because providers are expected to donate/obtain donations to cover a percentage of costs*.

Appropriations Overview

The Department request for this line item includes (1) a late request for an FY 2006-07 supplemental; and (2) the FY 2007-08 request. In this write-up, staff first addresses the supplemental request, before presenting the overall FY 2007-08 request and recommendation.

FY 2006-07 Supplemental - Medicaid Cash Accounting Adjustment

Based on a recently completed utilization analysis, the Department projects potential under-expenditure of the amounts appropriated for Medicaid in the Adult Program Services line item and the Services to Children and Families line item. As a result, the Department submitted a supplemental for the following one-time adjustments:

1) A reduction to the Medicaid appropriation in the Children's line item by $1,567,391 and the Adult Program Costs line item by $2,832,609 in order to free up $2,200,000 funding for FY 2007-08 child find costs; and

2) Roll-forward authority from FY 2006-07 to FY 2007-08 for any remaining year end surplus that may remain in the Adult Program Services line item to be used for "hold harmless" support for Medicaid developmental disability providers expected to be affected by further Medicaid waiver program changes.

FY 2006-07 Late Supplemental Request

	Request	**Recommendation**
Adult Program Costs	($2,832,609)	($6,390,063)
General Fund	0	$7,738,019
Cash Funds Exempt (Medicaid)	(2,832,609)	($14,128,082)
Medicaid General Fund	*(1,416,305)*	*($7,064,041)*
Services for Children and Families, Program Funding - CFE	(1,567,391)	(1,567,391)
General Fund	0	0
Cash Funds Exempt (Medicaid)	(1,567,391)	(1,567,391)
Medicaid General Fund	*(783,695)*	*(673,978)*
Total	($4,400,000)	($7,957,454)
General Fund	0	7,738,019
Cash Funds Exempt (Medicaid)	(4,400,000)	(15,695,473)
Net General Fund	(2,200,000)	0

The request results from of the interim rate and billing changes required by CMS and implemented by the Department July 2006. The result of the major changing in billing from a bundled rate to individual service rates meant that the Department would need to assess the impact of these changes on the current appropriation by reviewing the actual utilization through MMIS for the first six months of FY 2006-07. In addition to monitoring the utilization, the Department submitted and has received approval for an amendment to the current Comprehensive Services (HCBS) Medicaid waiver that will allow for enrollment of the new resources previously approved by the JBC. The result of the utilization review is that the Department projects under-utilization in the Medicaid appropriation for both the adult program and children's services line items.

The Children's Extensive Support Medicaid waiver is projected to under-utilize by $1,567,391. Some of this can be explained by the 30 new Medicaid resources that will not be enrolled until the waiver amendment is approved, now anticipated in FY 2007-08. (These resources will be funded by General fund until that time).

The Adult program line item is projected to under-utilize by $14,128,082 Medicaid cash funds and $1,201,187 General Fund. The majority of the Medicaid under-utilization can be explained by the changing in billing methodology from a bundled rate that allowed residential services to be billed on a 304 day basis to a fee for service rate that requires billing be done on a 365 day basis. Because the State converted to a cash basis for Medicaid budgeting two years ago (recording expenditures in the year in which they are paid), the effect of this change on Adult Program Expenditures is that the amounts paid for June 2006 services billed in July 2007 will be $2,064,413–significantly less than the $15,457,539 projected to be paid in July 2008 for July 2007 services. This change in billing methodology accounts for approximately $13,000,000 of the under-expenditure and reflects one-time "surplus" associated with the transition, prompting the Department to request spending the majority of these monies on related, one-time costs.

In light of the above, the Department suggests using $2.2 million of the General Fund "freed up" as a result of this situation to fund the Child Find bill anticipated to be sponsored by the Joint Budget Committee. The Department suggests this could be accomplished through the mechanism of deposit into a cash fund. This would only address child find costs on a one-year basis.

The Department proposes that the balance should be rolled forward to FY 2007-08 for "hold harmless" associated with the further transition of the Medicaid developmental disability waiver system from interim rates to long term, statewide rates.

Staff Recommendation: **The staff recommendation is to:**

- **Convert all Medicaid dollars projected to be underutilized to General Fund;**
- **Place all associated funding in the Adult Program Costs line item; and**

- **Add a footnote specifying that the entire amount projected to be under-utilized is designated for hold harmless, and that any amount not used in FY 2006-07 shall be rolled forward to FY 2007-08.**

Underutilization Issue

Staff has reviewed the Department's underutilization estimate, monthly expenditures, and prior year data, and believes the Department's estimate of underutilization is reasonable. As indicated by the Department, the vast majority of the Medicaid under-utilization is tied to the comprehensive waiver program and stems from the confluence of (1) a change from a 304 billing days per year for residential services paid through comprehensive waiver to a 365 billing day pattern; and (2) Medicaid cash accounting. When the waiver program was being managed on a quasi-managed care basis, all billing for residential services was compressed into 304 days. As a result, the final month of billing (bills submitted in July for June services) was always far less than the bills submitted for other months. As a result, when the State shifted to Medicaid cash accounting in FY 2002-03, the one-time Medicaid cash accounting "savings" associated with the shift for the developmental disability waiver programs was substantially less than it would have been if Medicaid expenditures had been evenly spread through the year. Because the billing changes instituted in FY 2006-07 result in expenditures being evenly spread through the year, the State is now realizing, in FY 2006-07, the balance of one-time savings associated with Medicaid cash-accounting that were not realized in this program in FY 2002-03. Staff records suggest that comprehensive program underutilization explains about $10.7 million of the underutilization and this is likely based on the cash accounting issue.

Staff notes that the residential rate system change does NOT explain the under expenditure for the Children's Extensive Support program or the Supported Living Services program. The CES program is projected by the Department to under expend by $1.7 million in the direct services area, even with a 10 percent contingency built in. This amounts to 22.7 percent of the base budget. Large under expenditures were also experienced in this program in FY 2005-06. The FY 2005-06 under expenditures were believed to be associated with delays in adding 148 new resources funded through H.B. 05-1262 into the program. However, expenditures for the first six months of FY 2006-07 are also substantially below budgeted figures, for reasons that are not clear. Further, there is no indication that these expenditures are trending upwards as the year progresses, as might be expected if there were still some CES children who had not been added to the program. Finally, it is unlikely that the 30 new Medicaid resources added to the program for the second half of FY 2006-07 will be funded through Medicaid until FY 2007-08, so there is no projected increase from this source.

With respect to the Supported Living Program, staff's records indicate that $41.5 million in Medicaid funds was budgeted for supported living services in FY 2006-07, excluding case management. The Department's budget projection for SLS direct service expenditures, excluding case management and related expenditures (utilization review, quality assurance) reflects $38.5 million. The $3.0 million discrepancy appears to be related to the elimination of over-service in this program. Previously, community centered boards were encouraged to serve additional individuals to "make up" for service gaps associated with consumer turnover and to ensure fully utilization of the appropriation.

The projected *General Fund* reversion of $1.2 million is tied to the Department's conservative distribution of new resources (particularly the 90 comprehensive and 60 supported living slots) that were converted from Medicaid to General Fund because the Department did not know whether it would receive approval to raise the Medicaid waiver "cap". As the "cap" has been raised for the second half of the year, funds that had been held in reserve in case the cap was not raised are now available. However, the Department cannot use these funds to add additional individuals into its programs because it has no means to support these resources for future years.

Staff would also note that *in addition to all of the amounts listed above, the Department still has access to $786,391 General Fund that was rolled forward from FY 2005-06 into FY 2006-07.* The Department has indicated that it currently expects to use these funds to augment the $1.8 million General Fund already set aside in FY 2006-07 for "hold harmless", based on hold harmless FY 2006-07 funding applications indicating that about $2.6 will be required. **If these funds are not required for FY 2006-07 hold-harmless, they could be added to the amounts above, making feasible the roll-forward of an additional $0.8 million General Fund into FY 2007-08 for FY 2007-08 hold harmless.** Alternatively, these funds could be distributed to providers who "lost" $3.7 million of Medicaid COLA funds originally allocated for the first-half of the year when the funds could not be fit under the Medicaid cap, were converted to General Fund, and designated for FY 2006-07 hold harmless. **The Department needs to inform the Committee of the status and proposed use of the base FY 2006-07 hold-harmless funding and this additional roll-forward amount prior to conference committee on the Long Bill**.

Hold Harmless Need

Staff agrees that transitional issues in FY 2007-08 are likely to be very significant–and probably far more significant that in FY 2006-07. As was the case in FY 2006-07, a much of the problem, and the justification for providing hold-harmless funding, lies with the fact that rates for the comprehensive program will not be known virtually until the new rates are implemented. Not only are these changes likely to create substantial dislocation, providers will have very little time to react to or plan for the changes. The goal of providing transitional hold-harmless funding is to ensure that individuals receiving services do not have their service provision disrupted as a result of these sudden changes. Staff notes that the provision of hold harmless funding for FY2 2006-07 has not been a smooth process. Indeed, as of this presentation, funding for FY 2006-07 hold harmless still had not been distributed to providers. However, the Department has emphasized that, now that all billing is going through the MMIS system and is tied to individuals, it will be easy to see how resources allocations have shifted for the individual between FY 2006-07 and FY 2007-08. The *Department's consultant, Navigant Consulting, has recommended that the Department provide funding in the amount of 5 percent ot 8 percent of the appropriation to fund a hold-harmless and to offset losses associated with rate changes*.

<u>Staff Recommendation</u>

Staff believes that the most appropriate way to address this issue would be to reduce the FY 2006-07 appropriation by $15,695,473 Medicaid cash funds and $1,201,187 General Fund and provide a General Fund appropriation in FY 2007-08 to address "hold harmless". Based on 5.0 percent of the funding budgeted for comprehensive services, excluding case management, for the months October 2007 to June 2008 (when the new waiver will be in effect), a "hold harmless" of $8.1 million General Fund for FY 2007-08 would be required. An additional appropriation of $2.7 million General Fund would be required in FY 2008-09 if the General Assembly wished to provide hold harmless support for a full year, for total hold harmless funding of $10.8 million.

Staff recognizes, however, that adding $8.1 million General Fund under the six percent limit for FY 2007-08 may be problematic from the Committee's perspective. **Therefore, the staff recommendation currently uses an approach approximately consistent with the request, i.e., the staff recommendation allows for the roll-forward of amounts anticipated to be reverted in FY 2006-07 due to under-utilization**. This amounts to a total of $8,939,206 General Fund ($7,738,019 "net" General Fund from Medicaid plus $1,201,187 General Fund) assuming no reductions associated with the Child Find issue. This would allow for a hold harmless of 5.5 percent on the comprehensive services direct service base for the 9 months affected by FY 2007-08 waiver change or about 4.1 percent on the entire comprehensive waiver direct services appropriation for FY 2007-08.

The differences between the recommendation and the request include the following:

- The request reflects reducing overall FY 2006-07 funding by $4.4 million for the purpose of generating $2.2 million General Fund that could be used to address, on a one-time basis, costs associated with the Committee's proposed child find bill. **Because the Committee has already voted to set aside funding under required Amendment 23 increases in the Department of Education to fund this bill, staff has not included this portion of the Department's request in the recommendation**. However, the Committee should be aware that the Executive branch has offered this funding option. To use it, the new legislation would presumably need to include the creation of a special cash fund into which the $2.2 million from FY 2006-07 could be placed to enable use in FY 2007-08.

- The request simply asks for roll-forward authority in the Adult Program Costs line item for any funds not expended. However, it does not take into account the fact that it is highly unlikely that CMS will permit Medicaid funds to be used for this purpose. Therefore, the staff recommendation reflects converting all potential "hold harmless" funds from Medicaid to General Fund. Based on past experience, if the estimate on Medicaid reversions in FY 2006-07 is incorrect, the Controller is likely to "take" a portion of the General Fund roll-forward for Medicaid match before allowing any funds to be rolled-forward.

- Finally, because staff expects to use amounts currently appropriated to the Children's line item, and not just amounts appropriated to the adult line item, for the hold-harmless roll-forward, the staff recommendation reflects reducing the Medicaid in the Children's line item and providing an associated General Fund appropriation to the Adult line item. The staff recommendation generates less General Fund from reducing Medicaid in the children's line item than is reflected in the request because the Department failed to take into account the fact that a portion of the Medicaid funding for CES services is from the Health Care Expansion Fund.

Associated with this recommendation, staff would recommend the addition of the following footnote to the FY 2006-07 Adult Program Costs line item appropriation:

N Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs – Of the total appropriation in this line item, up to $8,939,206 General Fund, if not expended prior to June 30, 2007, may be rolled forward for expenditure in FY 2007-08. It is the intent of the General Assembly that said amount be used on a one-time basis as "hold harmless" funds to assist developmental disability consumers and providers negatively affected by the conversion to a statewide rate structure for developmental disability Medicaid waiver services.

Staff would note that the community centered boards have been advocating that a large portion of the General Fund under expenditure amount be used to provide them with the cost of living increase for the first half of FY 2006-07. They did not receive $3,677,868 initially budgeted for six months of the 3.25 percent COLA due to Medicaid waiver caps and the conversion of these funds to General Fund for use as FY 2006-07 "hold harmless". **Staff agrees with the Department that ensuring adequate funds for an FY 2007-08 hold harmless is more important than restoring the FY 2006-07 COLA**.

FY 2007-08 Adult Program Costs Appropriation

Overview of Request and Recommendation

The Department's request is for $324,377,026 including $151,269,379 net General Fund. This amount includes:

- Decision Item #1 to expand the caseload in comprehensive and supported living services; also includes case-management amounts associated with requested new children's extensive support and early intervention resources;
- Annualization of an FY 2006-07 decision item that expanded the caseload;
- A 2.0 percent community provider cost of living increase;
- A leap year adjustment;

- Annualization to re-integrate into this line item funding originally transferred from this line item to a line item for the redevelopment of the Community Contract and Management information technology system.
- A budget amendment to permanently move a portion of the line item into developmental disability administration for purposes of ongoing maintenance of the Community Contract and Management system.
- Continuation of FY 2006-07 supplemental adjustments that (1) added funding for non-Medicaid case management functions; and (2) moved amounts previously funded through the Federally-matched local program costs line item into this line item, driving a $7.6 million net General Fund impact.
- A technical adjustment related to a small part of funding that receives a 75 percent federal match.

The staff recommendation is for $324,322,258 including $151,486,001 net General Fund. The details of the request and the staff recommendation are reflected in the table on the following page. In sum:

- Staff's recommendation related to the FY 2006-07 supplemental differs from the request, leading to a different build up to the FY 2007-08 funding base. However, as both the FY 2006-07 supplemental request and recommendation are for one-time only in FY 2006-07, this does not affect the FY 2007-08 total appropriation.

- The staff recommendation differs slightly from the request related to annualization of prior year appropriations, due to errors in the Department's request.
- The staff recommendation differs from the request with respect to early intervention and children's extensive support resources requested in Decision Item #3. This has a case management impact in this line item.
- Staff's calculations also differ slightly from the Department's with respect to the leap year and community provider cost of living adjustments, primarily associated with differences in the base amounts used in the calculations.

FY 2007-08 Request and Recommendation Overview

Adult Program Costs	Request				Recommendation			
FY 2007-08	Total	GF	CFE	Net GF	Total	GF	CFE	Net GF
Base Appropriation - FY 2006-07					Base Appropriation - FY 2006-07			
FY 2006-07 Long Bill	294,358,936	12,438,159	281,920,777	136,351,666	294,358,936	12,438,159	281,920,777	136,351,666
Sup. 1-C - Medicaid to GF slots	(1,902,791)	1,902,791	(3,805,582)	0	(1,902,791)	1,902,791	(3,805,582)	0
Sup. 1-C - Med. to GF COLA	(1,838,934)	1,838,934	(3,677,868)	0	(1,838,934)	1,838,934	(3,677,868)	0
Sup/BA 2 - Local Funds Match	15,215,890	0	15,215,890	7,607,945	15,215,890	0	15,215,890	7,607,945
Sup/BA 4 - Non-Med. case mgmt	823,283	823,283	0	823,283	823,283	823,283	0	823,283
Subtotal FY 2006-07 Approp	306,656,384	17,003,167	289,653,217	144,782,894	306,656,384	17,003,167	289,653,217	144,782,894
Late Sup 2B - Refi. DD Medicaid	(2,832,609)	0	(2,832,609)	(1,416,305)	(6,390,063)	7,738,019	(14,128,082)	673,978
Subtotal FY 2006-07 Request	303,823,775	17,003,167	286,820,608	143,366,589	300,266,321	24,741,186	275,525,135	145,456,872
Annualization of Supplementals/Prior year Decision Items					Annualization of Supplementals/Prior year Decision Items			
Annualize Sup 1-C slots	1,902,791	(1,902,791)	3,805,582	0	1,902,791	(1,902,791)	3,805,582	0
Annualize Sup 1-C COLA	1,838,934	(1,838,934)	3,677,868	0	1,838,934	(1,838,934)	3,677,868	0
Anualize Late Sup 2B	2,832,609	0	2,832,609	1,416,305	6,390,063	(7,738,019)	14,128,082	(673,978)
Annualize FY 06-07 DI #1	3,362,775	0	3,362,775	1,526,557	3,429,729	0	3,429,729	1,559,733
Annualize FY 2006-07 CES	0	0	0	0	0	(18,736)	18,736	(12,553)
Annualize FY 07 CCMS funds	301,675	59,058	242,617	180,367	301,675	59,058	242,617	180,367
Subtotal: Annualization	10,238,784	(3,682,667)	13,921,451	3,123,229	13,863,192	(11,439,422)	25,302,614	1,053,569
Decision Items/Other					Decision Items/Other			
Leap Year Adjustment	840,406	3,961	836,445	401,174	822,865	26,157	796,708	379,128
DI # 3 New Resources	3,750,658	94,332	3,656,326	1,760,517	3,768,024	78,926	3,689,098	1,763,069
NP #1 - 2.0% COLA	5,871,803	252,912	5,618,891	2,721,985	5,750,256	266,035	5,484,221	2,930,209

Adult Program Costs	Request				Recommendation			
FY 2007-08	Total	GF	CFE	Net GF	Total	GF	CFE	Net GF
SBA # 3 - CCMS	(148,400)	(59,058)	(89,342)	(103,729)	(148,400)	(44,520)	(103,880)	(96,460)
Sup/BA #T2 - PASARR	0	0	0	(386)	0	0	0	(386)
Subtotal: DIs/JBC Policy	10,314,467	292,147	10,022,320	4,779,561	10,192,745	326,598	9,866,147	4,975,560
Total	324,377,026	13,612,647	310,764,379	151,269,379	324,322,258	13,628,362	310,693,896	151,486,001
Change from FY 2006-07 Approp	17,720,642	(3,390,520)	21,111,162	6,486,485	17,665,874	(3,374,805)	21,040,679	6,703,107
Percent Change	5.5%	-24.9%	6.8%	4.3%	5.5%	-24.8%	6.8%	4.4%

Note that to assist the Department, providers and staff in tracking changes to the line item, staff has included an Appendix that provides a more detailed break-down of the recommendation including by the type of associated cash funds exempt (Medicaid, client cash, and local cash).

FY 2006-07 Supplementals Continued as Budget Amendments

The request includes two supplementals continued as budget amendments in FY 2007-08.

Supplemental/Budget Amendment #2 - General Fund Backfill for Local Funds Previously Used to Support DD Medicaid Waiver Program Services: The Department of Human Services requested, and the JBC approved, moving $15.2 million from the Federally-matched Local Program Costs line item to the Adult Program Costs line item beginning in FY 2006-07. The request had a net General Fund impact of $7,607,945. This action replaced the certified public (local match) funds that were previously used in the Comprehensive Services Waiver program to generate Medicaid match to augment/enhance rates paid to providers. In Comprehensive Services, these augmented rates enabled providers to serve individuals with high cost needs and also to address cost of living increases. The supplemental was part of the changes made to comply with federal CMS-required changes to developmental disability waiver programs. The request reflects the continuation of the supplemental adjustment in FY 2007-08. Staff recommends the continuation of this action in FY 2007-08. *Note that, in FY 2007-08, this change will have the impact of increasing total funds available for statewide comprehensive waiver rates and will therefore benefit program participants and providers statewide*. Additional information on this issue is included in the January 24, 2007 FY 2006-07 Supplemental Recommendations packet.

Supplemental/Budget Amendment #4 - Statutorily Required DD non-Medicaid Case Management Functions: The Department requested, and the Committee approved, $832,283 in General Fund to pay for statutorily-required non-Medicaid reimbursable functions that are provided by community centered boards (CCBs) beginning in FY 2006-07. For this supplemental, staff had recommended a lower figure of $581,527 and that the Committee consider sponsoring legislation to remove this statutorily required functions that do not appear to serve a useful purpose. However, given Committee action to approve the request, staff has reflected continuation of the approved amount for FY 2007-08. Additional information on this issue is included in the January 24, 2007 FY 2006-07 Supplemental Recommendations packet.

FY 2006-07 Supplementals Annualized in FY 2007-08

The Department's request also included one-time FY 2006-07 supplemental components annualized in FY 2007-08.

Supplemental 1-C - DDD Medicaid Waiver Transition Costs and Required Changes to DD Medicaid Waiver Program - Thus supplemental included two FY 2006-07 components that affected this line item and were one-time only. The first was the conversation of $3,805,582 in Medicaid funding for 90 new comprehensive resources and 60 new supported living resources into $1,902,791 General Fund support for 45 comprehensive resources and 30 supported living resources for one-half year. The second was conversion of $3,677,868 in Medicaid funding for a community provider cost of living increase for six months into $1,838,934 General Fund to enable the Department to "hold harmless" providers negatively affected by the interim rate structure for the comprehensive Medicaid waiver program. Much of the rationale for both changes was that the State was not being allowed to exceed federal Medicaid waiver program "caps" on resources and rates. The federal government has since approved cap increases for the comprehensive program for FY 2006-07; however, (1) the State could not retroactively enroll individuals in the Medicaid program who received General Fund -supported services during the first half of the year; and (2) in its application to federal authorities, the State only requested the 3.25 percent rate increase for ½ of the year, in the expectation that the funding for the first half of the year would be used for "hold harmless" activities. Regardless, both actions can be reversed for FY 2007-08, as space under the federal waiver caps will fully accommodate funding, and individuals will be enrolled in the new resource slots.

<u>Late Supplemental 2B - Refinance Developmental Disabilities Adult and Children's Program Medicaid</u>: As discussed at length above, the Department submitted a late supplemental which, among other changes, included a one-time reduction of $1.6 million Medicaid cash funds in FY 2006-07 in this line item with the suggestion that such funds be placed in a cash fund so that such funds could be used in FY 2007-08 to address child find costs in the Department of Education. Since this was a one-time reduction, the requested reduction annualizes (reverses) in FY 2007-08. As discussed above, staff does not recommend this element of the Supplemental 2B request and therefore does not reflect any associated annualization in FY 2007-08.

Annualization of FY 2006-07 Decision Items and Other FY 2006-07 Figure Setting Action

Three FY 2006-07 figure setting components are annualized in FY 2007-08: new resources added through FY 2006-07 Decision Item #1, Children's Extensive Support Resources added by the JBC, and costs associated with construction of the Community Contract and Management System.

<u>FY 2006-07 Decision Item #1 - New Resources</u>: This decision item added 79 new comprehensive resources and 9 adult supported living resources for six months. The Department requested $3,362,775 in this line item for annualization. **Staff recommends $3,429,729, including $1,559,733 net General Fund. The difference reflects a change to how the decision item was calculated based on JBC action during staff's figure setting presentation.** The Department does not appear to have included this modification when it requested that the decision item be annualized. *Staff would note a concern about the many errors in the request, of which this was merely one.*

<u>Children's Extensive Support Resources:</u> During FY 2006-07 figure setting, the JBC added 30 new Children's Extensive Support resources. Part of its action included providing funding for the full year, with the first half of the year's services supported with 100 percent General Fund and the second half of the year funded with Medicaid. The expectation was that Medicaid waiver caps could not be raised sooner than January. The Department did not request any annualization of this action in its budget request. However, **staff recommends that the General Fund support provided for the first half of the year be converted to Medicaid. Most of this adjustment occurs in the Children and Families line item; however, in this line item, $18,738 General Fund is exchanged for Medicaid cash funds**.

Staff would also note, for the record, that the Department actually failed to submit a Medicaid waiver cap adjustment for the children's extensive support program, and is only doing so now. Further, it failed to enroll children in the CES program in a timely fashion, even though funding was provided for the entire year. As a result, it currently expects to use the 100 percent General Fund to serve the children during the second half of the year and to revert the Medicaid funding authorized for FY 2006-07.

Community Contract and Management System: **The Department had requested, and staff recommends, restoring to the Adult Program Costs base $301,675 that was moved into a separate line item for FY 2006-07 to address system construction costs associated with the new Community Contract and Management System new information technology system**. Funds were moved out of the Adult Program Costs line item in both FY 2005-06 and FY 2006-07 to fund this project, and it is appropriate that these amounts be restored to the base. As discussed further below, the Department has also requested, pursuant to Stand Alone Budget Amendment #3, that some of these funds be moved permanently from the Adult Program Costs base to fund ongoing costs associated with this computer system.

Leap Year Adjustment

The Department's request includes $840,406 ($401,174 net General Fund) for a common policy leap year adjustment. A leap year adjustment is required for rates that are paid on a daily basis, which is the case for much of the developmental disability program. The Department provided data explaining the basis for its calculations, which are tied to assumptions about specific services required for an extra day of services. Staff checked the request against total projected costs for comprehensive and supported living services excluding case management services, divided by 365. The staff recommendation is based on this calculation. The staff calculation results in a total amount that is similar to the request, but with a smaller net General Fund impact.

	Total	General Fund	Cash Funds Exempt	Medicaid Cash Funds	Net General Fund
Estimated FY 2008-08 Comprehensive Services w/o Case Management	247,216,375	1,651,363	245,565,012	215,112,080	109,207,403
Estimated Supported Living Services w/o Case Management	53,119,371	7,895,789	45,223,582	42,556,472	29,174,025
Total	300,335,746	9,547,152	290,788,594	257,668,552	138,381,428
Total/365 days	822,838	26,157	796,681	705,941	379,128

Decision Item #3 - New Resources

Consistent with past practice, the Department has submitted a request for new developmental disability resources for FY 2007-08. The components of the request and recommendation are summarized on the table below, followed by a detailed description of the various components. Note that a resource is the funding required to provide services and supports to one person for one year. As reflected in the table, the overwhelming majority of the request this year--as in all recent years--is associated with comprehensive residential resources (79 requested). However, the request also includes 24 adult supported living resources, 209 children's early intervention resources, and 12 children's extensive support resources. Note also that the request is for six months of funding in FY 2007-08; thus, the amounts annualize (double) in FY 2008-09.

Decision Item #3: New Resources	Request					Recommendation				
	FY 07-08 (part year)			Full year FY 08-09		FY 07-08 (part year)			Full year FY 08-09	
	Slots	Total	Net GF	Total	Net GF	Slots	Total	Net GF	Total	Net GF
Comprehensive Resources										
Foster care transition	39	1,709,818	778,982	3,419,637	1,557,962	39	1,709,818	778,982	3,419,635	1,557,962
Emergency	30	1,343,936	613,317	2,687,872	1,226,635	30	1,343,936	613,317	2,687,873	1,226,635
Waiting List	10	372,172	166,804	744,347	333,609	9	381,936	173,448	763,867	346,893
Adult Comprehensive	**79**	**3,425,926**	**1,559,103**	**6,851,856**	**3,118,206**	**78**	**3,435,690**	**1,565,747**	**6,871,375**	**3,131,490**
Adult Supported Living	**24**	**217,779**	**103,445**	**435,559**	**206,891**	**24**	**217,779**	**103,445**	**435,559**	**206,891**
Early Intervention	**209**	**641,971**	**609,872**	**1,283,942**	**1,219,747**	**104**	**654,633**	**606,951**	**654,633**	**606,951**
Children's CES	**12**	**120,197**	**39,275**	**240,394**	**78,549**	**0**	**0**	**0**	**0**	**0**
Total*	324	4,405,873	2,311,695	8,811,751	4,623,393	206	4,308,102	2,276,143	7,961,567	3,945,332
in Adult Program Costs		3,750,685	1,760,517	7,501,320	3,521,034		3,768,024	1,763,069	7,421,489	3,432,258
in Children's line item		655,215	551,178	1,310,131	1,102,358		540,078	513,074	540,078	513,074
Additional HCPF Adj.		0	0	0	0		44,582	22,291	89,164	44,582

*All amounts include 2.0 percent community provider cost of living adjustment.

DI #1: Foster Care Transition Resources Component

Foster care transition services are provided to individuals with developmental disabilities who have been served by Child Welfare social services, but who become ineligible for such services because they turn 21 years of age. Most of these individuals have been in out-of-home placements for several years. For a variety of reasons, typically abuse and neglect issues, or the inability of the natural family to provide for the complex needs of the child, returning to the natural family home is not a viable option or these young adults. In addition, due to their developmental disability and ongoing need for supervision and care, these individuals cannot be emancipated at age 21. These individuals "transition" into the Developmental Disabilities Community Programs system at that time. Foster care transition services include comprehensive residential, day program, case management, administration, and transportation. Preferably at least 12 to 18 months in advance, county departments of social services begin working with their local Community Centered Boards to complete the eligibility determination process and plan for services. Youths who will age out of child welfare services are identified through a cross check of Child Welfare's data and waiting list information maintained by Community Centered Boards. Historically, the Department's first priority for allocation of new resources has been in this category, and 35 to 60 new resources have been used for foster care transition each year over the last five years

The Department's initial request reflected a total of 39 youths who had been identified to age out of child welfare services during FY 2007-08. These individuals will transition into community adult services at different points of time during the year; therefore, the Department is requesting funding for an average of 6 months in FY 2007-08. The amounts would double in FY 2008-09, as reflected in the table below.

Foster Care Transition - Request and Staff Recommendation						
	Request			Recommendation		
	Cost per Resource	Number Consumer	Total Cost (full year)	Cost per Resource	Number Consumers	Total Cost (full year)
Rate Enhanced	$128,688	0	$0	$128,688	0	$0
High Need	105,867	13	1,376,272	105,867	13	1,376,271
Mid range	90,066	11	990,726	90,066	11	990,726
Enhanced	74,435	9	669,915	74,435	9	669,915
Specialized	63,787	6	382,722	63,787	6	382,722
Moderate	47,833	0	0	47,833	0	0
Total (inc. COLA)		**39**	$3,419,635		39	**$3,419,634**
Net General Fund			$1,557,962			$1,557,962
Avg. Cost/ Resource			$87,683			$87,683

Foster Care Transition - Request and Staff Recommendation						
	Request			Recommendation		
	Cost per Resource	Number Consumer	Total Cost (full year)	Cost per Resource	Number Consumers	Total Cost (full year)
Net GF/ Resource			$39,948			$39,948
FY 2006-07 (6 mos)			$1,709,818			$1,709,817
FY 2006-07 Net GF			$778,981			$778,981

As reflected in the table, **staff recommends this portion of the Department request**. Children with developmental disabilities exiting the foster care system are, appropriately, the Department's first priority for funding new resources. The Department has indicated that its current count for FY 2007-08 continues to be 39 children in this situation.

DI #3: Emergency Comprehensive Resources Component

Emergency resources provide a safety net in the event a person's living situation changes suddenly and placements within existing CCB resources are not available. Emergency resources are required when an individual becomes a danger to himself or others, is in an abusive or neglectful situation, or is at risk of homelessness and no comprehensive resource is otherwise available within the needed time frame. Some individuals requiring emergency placement have never been previously identified in the developmental disabilities data system and therefore are not on the waiting list. Others are on the wait list but are suddenly faced with a crisis situation due to the inability of a care giver to provide the supervision and support necessary. At any time, these caregivers may be unable to continue to provide supervision and support to their children. The request for ½ year of funding reflects the estimated time-distribution of emergencies during the course of the year.

The Department has estimated in the past that about 111 comprehensive resources turn over each year. This remains the primary source of emergency placements. Emergencies that are addressed by the Department are those that community centered boards cannot address internally. Actual new resources allocated to the emergency category has ranged from 0 to 30 in the last five years.

Emergency Resources Request and Staff Recommendation						
	Request			Recommendation		
	Cost per Resource	Number Consumers	Total Cost (full year)	Cost per Resource	Number Consumers	Total Cost (full year)
Rate Enhanced	$128,688	0	$0	$128,688	0	$0
High Need	105,867	9	952,803	105,867	9	952,803

Emergency Resources Request and Staff Recommendation						
	Request			Recommendation		
	Cost per Resource	Number Consumers	Total Cost (full year)	Cost per Resource	Number Consumers	Total Cost (full year)
Mid range	90,066	11	990,726	90,066	11	990,726
Enhanced	74,435	10	744,350	74,435	10	744,350
Specialized	63,787	0	0	63,787	0	0
Moderate	47,833	0	0	47,833	0	0
Total (inc. COLA)		**30**	$2,687,879		30	$2,687,879
Net GF			$1,226,635			$1,226,635
Avg. Cost/ Resource			$89,596			$89,596
Net GF/ Resource			$40,888			$40,888
FY 2007-08 (6 mos)			$605,239			$748,936
FY 2007-08 Net GF			$273,148			$337,833

As reflected in the table, staff also recommends this portion of the Department's request. Staff notes that staff anticipates that, to the extent the Department does not need these resources for "emergency" placement, staff expects these resources to be targeted to the population that is at greatest risk for out of home placement, consistent with the recommendation below. Overall, staff feels the number of individuals waiting for services in this system is so great, that the total resources requested by the Department is appropriate.

DI #3: Waiting List Comprehensive Resources Component

Persons on the waiting list are adults who primarily live in the home of parents, siblings, or other relatives and have been waiting for Comprehensive services for an extended period of time. Individuals are placed on the waiting list if they apply for services, are deemed eligible, and no resource is available. All community centered board catchment areas, save one, have waiting lists, and in most areas individuals wait years on waiting lists before a resource is available. To the extent an individual is ultimately served from the waiting list, it is usually due to the annual turnover experienced in each catchment area. Funding has rarely been available in recent years to make any new waiting list resources available. However, beginning the last quarter of FY 2005-06, the Committee made available an additional 90 comprehensive resources targeted to the "high risk" population. Due to CMS waiver cap issues, many of these were instead allocated as emergency resources.

Waiting List Resources Request and Staff Recommendation						
	Request			Recommendation		
	Cost per Resource	Number Consumers	Total Cost (full year)	Cost per Resource	Number Consumers	Total Cost (full year)
Rate Enhanced	$128,688	0	$0	$128,688	0	$0
High Need	105,867	0	0	105,867	1	105,867
Mid range	90,066	0	0	90,066	4	360,264
Enhanced	74,435	10	744,350	74,435	4	297,740
Specialized	63,787	0	0	63,787	0	0
Moderate	47,833	0	0	47,833	0	0
Total (inc. COLA)		10	$744,350		9	$763,871
Net GF			$333,609			$346,893
Avg. Cost/ Resource			$74,435			$84,875
Net GF/ Resource			$33,361			$38,544
FY 2007-08 (6 mos)			$372,172			$381,936
FY 2007-08 Net GF			$166,804			$173,448

The staff recommendation reflects adding funding for a smaller number of individuals at a higher cost per individual and targeting these resources to the "high risk" population, *i.e.*, those individuals age 40 or over who are living with aging caregivers and those with severe physical or behavioral issues making them at particular risk of requiring out of home placement. At present, the waiting list for developmental disability services is so large as to appear almost insurmountable in the context of the State's limited budget. In light of this, staff believes it is appropriate for the General Assembly to attempt to target what limited funds are available to those with the most severe needs. Thus, **similar to the action taken by the Committee last year, staff recommends that the new "waiting list" resources requested be specifically targeted to the group at "high risk" of out of home placement. Because this group is generally more expensive to serve, staff has reflected reducing the total number of resources funded but providing a higher amount per resource than the request.**

According to the Department's November 2006 management report, there were 1,402 individuals on the comprehensive waiting list. Of these, 1,136 sought placement "as soon as available". Further, of this 1,136, 526 were reported to have been waiting for services for four or more years. Approximately half of the group waiting for four or more years were receiving supported living services, but the balance were receiving no services. Further, of the total, 212 individuals on the waiting list were age 40 or over, likely indicating aging caregivers.

General Notes on Comprehensive Resource Calculations for Decision Item #3:

The staff recommendation calculations for all portions of the decision item include the following components per consumer:

Residential:	$34,075 to $102,499 per year (moderate to high need range)
Day program rates:	$9,416 to $21,846 per year (moderate to high need range)
Transportation:	$1,725 per year
Case management:	$1,368 per year
Administration:	$1,249 per year

Of these amounts:

- Client cash contribution is based on $6,826 per person per year (the annual SSI payment, including the Supplemental #6 adjustment, less the $55 per month client cash allowance)
- Local cash contribution is based on 5 percent of the <u>non-residential</u> component of the service costs (day program, transportation, case management, administration).
- Medicaid covers the balance of costs.

Note that these calculations are based on the "historic" calculation approach for developmental disability resources. However, **based on the changes imposed by federal authorities and a rate structure currently under development, FY 2007-08 rates are anticipated to have a very different structure. It is, however, staff's expectation that new consumers added based on this decision item will be approximately consistent in terms of needs and anticipated annual costs with the categories approved through this decision item using the "old" rate structure**.

DI #3: New Supported Living Resources Component

The Department's request is for 24 new supported living resources for six months at a cost of $217,779 including $103,445 net General Fund $435,559 including $206,891 net General Fund. The request would annualize to $435,559 including $206,891 net General Fund in FY 2008-09. The Department has identified these as being targeted at youth transitioning from the Children's Extensive Support (CES) program. It notes that, in addition to the waiting list for comprehensive services, the state has an extensive waiting list for supported living resources. These services are designed to provide supports to adults who either live independently or to provide supplementary support and resources to adults so that they can continue to live with a primary care giver (usually a family member) who provides 24-hour supervision and support. The level of support provided depends upon the individual's need and may include services ranging from personal care to home modification. *The Department currently projects that 24 youth will age out of the CES program in FY 2007-08.* Thus, this request fully funds all youth transitioning.

Staff recommends the request. The staff recommendation is reflected in the table below.

Supported Living Services Request/Recommendation			
	Cost per Resource	Number Consumers	Total Cost (full year)
Total SLS Resources	**$18,148**	**24**	**$435,552**
Net GF			$206,891
Avg. Cost/ Resource			$18,148
Net GF/ Resource			$8,620
FY 2006-07 (6 mos)			$217,776
FY 2006-07 Net GF			$103,446

Note that, in general, staff believes an adjustment to the Department of Health Care Policy and Financing Premiums line item is appropriate for individuals added to the SLS program, as the Department estimates that 30 percent of individuals enrolling in the program are not otherwise categorically eligible for Medicaid**.** **In light of this, staff believes the Department must coordinate with the Department of Health Care Policy and Financing in the future to include appropriate adjustments to the Premiums line item for any increases to this program. The staff recommendation includes an adjustment of $44,582 Medicaid cash funds ($22,291 General Fund) added to Medicaid premiums for FY 2007-08**, annualizing to $89,164 ($44,582 General Fund) in FY 2008-09 ($12,384 average Medicaid premiums cost for SLS consumer x .30 of total anticipated to be new to Medicaid x 24 SLS resources x .5 years).

Staff supports the request for the following reasons:

- Supported living resources cost, on average, 30 percent of the cost of a comprehensive resource.

- Department surveys indicate that individuals are less likely to pursue comprehensive services if they receive supported living services. In its 2004 survey, the Department has found that 16 percent of those receiving SLS refuse comprehensive services when they are offered it, compared with 3 percent for those that are not receiving SLS. This suggests that SLS resources are a cost effective use of State resources, to the extent that they delay the demand for comprehensive resources.

- There is a risk that individuals seek and receive SLS services who would receive home-based support from their families even in the absence of any State assistance. State support to assist families in taking care of adult children with disabilities is appropriate, given the tremendous sacrifices families make to support their adult children with developmental disabilities and the lack of any legal obligation that they do so. However, in light of the current severe limits on State resources, the State may wish to avoid supplanting existing family financial and practical support with State resources. This is particularly true where the demands placed on the family are less severe, i.e., where the level of disability is such that the individual does not require constant supervision and family members are able to pursue normal work activities.

- By targeting resources to families transitioning from the Children's Extensive Support program, the Department ensures that only families with the highest level of need and children with the highest level of demand for services will be targeted among the over 2,100 people on the SLS waiting list. Children are only eligible for the Children's Extensive Support program if they require constant, high levels of supervision. It is likely that many of these families would accept comprehensive resources if offered, in light of the tremendous demands of their children; however, provision of SLS reduces the stress on the family and the risk that an emergency comprehensive placement will be required.

Staff would, however note that there are very serious questions facing the supported living services program. These are tied to Medicaid waiver program changes scheduled to be rolled out in FY 2007-08. Thus far, the supported living services program has been operated through community centered boards, much as it has in the past, and the community centered boards have continued, in general, to ensure that the total cost of the program does not exceed the amounts allocated. However, beginning in FY 2007-08 or FY 2008-09, staff anticipates that the management and billing structure for this program may also change. If this occurs, there is a significant risk that the overall costs of the program will increase very substantially, if the average consumer’s need is deemed to be higher than the current average budgeted. At present, the only hard cap on program resources is a maximum of $35,000 per person; however, this is far more than the average cost used to budget for the program at both the state and federal level.

DI #3: Early Intervention Resources Component

The Department's request includes 209 early intervention resources. These resources fund services for children under the age of three with developmental disabilities and delays who are eligible for services under Part C of the Individuals with Disabilities Education Act and Section 27-10.5-102 and 104, C.R.S.. Services may include occupational, physical and speech therapy, among a variety of other services. Most services are provided in the child's home or other "natural" environment. Early intervention resources funded in the Department of Human Services are funded primarily with General Fund; however, Medicaid is used to cover case management services for a portion children who are categorically Medicaid eligible. The Department's request indicates that there has been rapid growth in the demand for state early intervention funding as a result of both demographic factors and increased awareness of the child identification process at the local level. In response to JBC hearing questions, and follow-up information requested by staff, the Department provided the following explanation of the basis for the 209 figure requested. Note that "CAPTA" referrals refers to the Child Abuse Prevention and Treatment Act, which requires Part C evaluation of all infants and toddlers with substantiated cases of abuse and neglect; although the law was projected to drive substantial increases in the Part C system, Colorado has seen only an average annual increase of 1 percent.

	Growth Rate	FY 2008[1]
Projected Increase in Demand due to Growth in General Population	1.74%	97
Projected Increase in Demand due to Growth from CAPTA Referrals	3%	86
Sub-total		183
Actual Increase in Average Number of Children Served each Month	8.4%	231
Requested Amount is the mid-point between projected and actuals		207

The request and recommendation are shown in the table below.

Early Intervention Request and Staff Recommendation						
	Request			Recommendation		
	Cost per Resource	Number Consumers	Total Cost (full year)	Cost per Resource	Number Consumers	Total Cost (full year)
Total (inc. COLA)		**209**	$1,283,944		**104**	**$654,634**
Net GF			$1,219,747			$606,951
Avg. Cost/ Resource			$6,143			$6,295
Net GF/ Resource			$5,836			$5,836
FY 2007-08			$641,971			$654,634
FY 2007-08 Net GF			$609,872			$606,951

As reflected in the table, **the staff recommendation is for essentially the same net General Fund dollars for FY 2007-08 as the Department request; however, the staff recommendation reflects (1) adding half the number of resources for a full year, so there will be no annualization in FY 2008-09 associated with this portion of the Department's request; and (2) translating a portion of the General Fund case management for 22 percent of the resources into Medicaid, based on expected utilization**. The basis for the staff recommendation is as follows:

- Particularly associated with the transfer of the Part C system to the Department of Human Services, there are a variety of questions about how available data corresponds to funding needs for this population.

For the last quarter of FY 2005-06, the Joint Budget Committee increased funding for early intervention services by 613 resources. At the time, it was told it would be eliminating the waiting list for state funded resources. However, as the Long Bill was going through the caucus process, staff was informed by the Department that their original figure had been in error. The Department indicated that as of June 2006, even after the new funding, 536 children were "waiting" for state-funded early intervention services. The Department has since built this figure into the amount of Part C "payer of last resort" funding being distributed by the Department. Until the Department has a fully integrated data system in place, staff will continue to have concerns about data presented on early intervention service funding needs. The Department is in the process of developing such a system.

- Overall, funding for early intervention services comes multiple sources, including state funds, federal Part C funds, public and private insurance programs, and local funds. Staff is concerned that, simply because the Part C system has now been shifted to the Department of Human Services, there may be additional pressure for the State to cover a larger and larger portion of program costs associated with the early intervention system. Staff believes this should be resisted.

Note that Senate Bill 07-04, if enacted, may help to bring further resources into the system from other sources, including private insurance, Medicaid, and Part C. While results will not be immediate, staff would anticipate that, if enacted, there would be some impact beginning in FY 2007-08. Note that this bill partially originates from staff's recommendations to the JBC on this issue last year. Although the JBC did not ultimately carry the related bill recommended by staff on a task force to study the early intervention coordinated funding, it did express support for the concept.

- The number of resources recommended by staff corresponds approximately to the Department's projected increase in demand related to growth in the general population.

- Unlike for adult resources funded through Medicaid, which commonly requires substantial time to match to individuals needing services, no such delays should be associated with General Fund early intervention services. At present, the State essentially block-grants early intervention state an federal funds to community centered boards, in return for contractual obligations to serve a minimum number of children. There is no reason funding for FY 2007-08 therefore needs to be brought on only mid-year.

Note that **the total recommendation is allocated between the adult and children's line items and includes $114,555 ($93,877 net General Fund) in the Adult Program Costs line item for case management and $540,078 ($513,074 net General Fund) in the children's line item for direct services.** Please note that the Department's assessment of the overall cost of an early intervention resource has increased by $200 net General Fund since it took over the Part C program.

DI #3: New Children's Extensive Support Resources Component

The Department' s request includes twelve Children's Extensive Support resources. These services are for children with developmental disabilities at high risk of out-of-home placement due to behavioral issues that require near constant line-of-sight supervision.

Staff does not recommend this component of the request, for the following reasons:

- A total of 148 new CES resources were added in FY 2005-06 pursuant to H.B. 05-1262 (Tobacco Tax). Most of the associated funding for FY 2005-06 was ultimately removed on one-time basis, because of delays in bringing the resources on-line. In FY 2006-07, the Joint Budget Committee added an additional 30 resources for the full year based on need-projections. The Department failed to apply to increase the CES waiver cap for FY 2006-07. As a result, it will only be bringing the new resources on-line late in FY 2006-07 using 100 percent General Fund and will likely only make these Medicaid resources during FY 2007-08. Meanwhile, Department utilization projections indicate that, even in FY 2006-07, not all base CES resources are being fully used. Data provided indicates that, even with a 10 percent contingency added, the CES program is projected to under expend by $1,567,391 Medicaid cash funds or about 23 percent of the Medicaid appropriation**. Staff does not believe it is appropriate to add any new resources until the Department demonstrates that it is able to administer the CES resources already appropriated.**

- The Department's request does not include any adjustment for costs to the Medicaid State Plan associated with the request. Based on historic data, it is assumed that 33 percent of individuals who are approved for the CES program were not categorically eligible for Medicaid before enrollment. However, for those individuals added to Medicaid via CES, their Medicaid CES premiums cost is estimated at $41,153 per person. Thus, the "average" addition to the CES program drives Medicaid state plan cost of $13,718 on top of direct costs to the CES program. **Staff believes that any future requests for expansion to this program must be coordinated with the Department of Health Care Policy and Financing and reflect associated Premiums costs in HCPF in the decision item**. With respect to Medicaid premiums, any child who becomes eligible for Medicaid based solely on their enrollment in the CES program (about 1/3 of those enrolled in CES) should qualify to have all of their related premiums costs funded through the Health Care Expansion Fund plus federal Medicaid match.

Community Provider Cost of Living Adjustment

Pursuant to Committee common policy, staff applied a 2.0 percent community provider cost of living adjustment to the base funding in this line item for FY 2007-08. **However, staff did not apply this increase to all fund sources in this line item.** Specifically, staff did not apply the increase to (1) funds identified as transferred to the Division of Vocational Rehabilitation, as this is essentially an informational component of this line item. Related spending in Vocational Rehabilitation increases annually based on such factors as personal services common policy; and (2) Funds identified as client cash. There is no source of revenue for increases associated with client cash apart from increases awarded by the federal government for the SSI program. Note that no FY 2007-08 increase associated with the SSI program is anticipated. This is because the 2007 increase awarded by the federal government is being used by the Department to increase the personal needs allowance of SSI recipients from $34 to $55 per month. Staff believes this is appropriate, given the many years that had passed since an adjustment in the personal needs allowance. The table below reflects the staff calculation.

2.0 Percent Cost of Living Base Increase

	FY 2006-07 Approp.	**Annualize DIs & Sups**	**FY 2007-08 Base**	**2.0 % Increase**
Total	$306,656,384	$7,473,129	$314,129,513	$5,750,256
General Fund	17,003,167	(3,701,403)	13,301,764	266,035
Cash Exempt:	289,653,217	11,174,532	300,827,749	5,484,221
Medicaid CFE	255,684,728	10,864,266	266,548,994	5,330,980
Client Cash CFE	25,855,778	269,607	26,125,385	0
Local Cash CFE	7,621,397	40,659	7,662,056	153,241
Voc. Rehab CFE	491,314	0	491,314	0
Net General Fund	*144,782,894*	*1,727,547*	*146,510,441*	*2,930,209*

In addition to the base adjustment above, staff included the 2.0 percent community provider cost of living adjustment in the calculations for Decision Item #1. Details are reviewed under each decision item subsection.

Note that the staff recommendation differs from the Department request, due primarily to errors in the original calculation and the impact of supplementals and budget amendments that added to the developmental disability base. This includes supplemental action that substituted $7.6 million General Fund for local funds that had previously drawn federal match.

	Request 2.0 % Increase	Recommend 2.0 % Increase	Difference
Total	$5,871,803	$5,750,256	($121,547)
General Fund	252,912	266,035	13,123
Cash Exempt	5,618,891	5,484,221	(134,670)
Medicaid CFE	*4,939,894*	*5,330,980*	*391,086*
Net General Fund	**2,721,985**	**2,930,209**	**208,224**

Post-Eligibility Treatment of Income

Federal regulations allow a State's Medicaid State Plan to include a special (higher) income limitation for the aged, blind, and disabled population if such persons are enrolled in a home and community based waiver, and their other income does not exceed 300% of the SSI standard maintenance allowance. The federal regulations require an individual who qualifies for Medicaid under the special income to pay for a portion of the cost of care. This assessment is known as Post Eligibility Treatment of Income (PETI.) Consumers are essentially allowed to retain $55 per month for personal care items. A portion of the balance is used to cover the client's room and board. Amounts beyond this are to be turned over to the provider to offset all other client care expenses.

In FY 1999 the Joint Budget Committee permanently reduced the Medicaid appropriation for Community Programs for Developmental Disabilities Services by $1,655,000 to account for these PETI assessments. The General Fund portion (approximately $827,500) was then returned to the General Fund to be used elsewhere. The Department expected the numbers of people to be assessed and the amount of the PETI assessments to decrease in FY 2001-02; however the amount of the assessments actually grew. As a result, the Department included as part of the budget reduction plan for FY 2002-03 an additional on-going decrease in the appropriation of $400,000 (MCF) and $200,000 (NGF). Further reductions of $300,000 were taken in FY 2004-05 and $80,000 in FY 2006-07 (which was used to fund new SLS resources). **Thus, the FY 2006-07 appropriation is built on PETI of $2,432,000. The Department anticipates receipts for PETI for FY 2006-07 of $2,435,973, which is somewhat lower than the FY 2005-06 actual of $2,453,969. The staff recommendation is that the current letter note reflecting $2,432,000 for PETI assessments continue to be reflected in the letter note for Adult Program Costs**. If actual PETI assessments change substantially in the future, staff will recommend appropriate budget adjustments.

Staff Recommendation: Line Item Restructuring

Two years ago, staff recommended restructuring the developmental disability Long Bill to more clearly reflect the various items funded in the two major community programs line items. At the time, the Committee chose not to make the change. In light of the changes being imposed on the developmental disability community programs by federal authorities, staff recommends the Committee reconsider this option. For FY 2007-08, staff is recommending restructuring this line item for informational purposes to more clearly reflect the various items funded in this line item. The adjustments recommended by staff are as follows:

- The line item should be broken into key programmatic subcomponents reflecting the *estimated* expenditures and persons served for each subcomponent, i.e., comprehensive services, supported living services, and related expenditures and the estimated number of resources provided in each category. The Department should be provided flexibility to move funds among these sub-components, consistent with the way the Medicaid Premiums line item is managed. Funding for the Medicaid in these programs in the Department of Health Care Policy and Financing will be reflected in a single line item. *The purpose of this change is to provide additional information for persons reading the Long Bill and to facilitate tracking of appropriations, not to constrain Department flexibility in managing this line item or to drive additional administrative workload for the Department.*

- Amounts in the current Children and Family Services, Program Costs line item should be combined with this line item, with the major components also broken out, i.e.: early intervention services, family support services, and children's extensive support. *This will provide the Department with real additional flexibility in managing these programs, as they will again be part of a single larger appropriation*. It will also reunite direct funding for children's programs with case management costs for these programs, which have always been budgeted in the Adult Program Costs line item. Amounts for children's programs were only broken out, at the Department's request, within the last five years. At the time, the Department requested that case management funding remain in the Adult Program Costs line item.

- Consistent with this change, the new line item combining the Community Services, Adult Community Programs line item and the Children and Family Services, Program Costs line item should be renamed "Community Services, Program Costs".

- The entire subdivision of Children and Family Services should be eliminated and other line items in this section should be included in the Developmental Disabilities, Community Programs section

Staff believes the proposed changes would be particularly beneficial in light of changes in the Medicaid waiver programs. In particular, staff anticipates that the State will lose substantial control over Medicaid program expenditures. To the extent that there are Medicaid over- or under-expenditures in developmental disability services, it will be important for the General Assembly to understand what has happened–including whether any over-expenditure is exempt under the six-percent limit.

One of the Department's major objections to this proposal in the past was that it might at some point be asked to provide actual expenditure information consistent with the break-out. When developmental disability community services were being managed in a quasi-managed-care fashion, the Department did not have ready access to this information. However, now that the system is being run on a fee-for-service bases with all Medicaid expenditures run through the MMIS system, the Department indicates that providing actual information in the categories listed should not pose a problem.

Finally, staff would note that the compromise to not providing the break-out in FY 2005-06 was that the Department would submit detailed information as part of its annual budget request regarding the contracted service break-out, so that the funciton of the existing line items would be transparent. This year's budget did not provide a meaningful breakout.

The tables below: (1) Compare the previous and proposed line items for any line items that would be changed; and (2) Reflect the new Program Costs line item with amounts consistent with blending the staff recommendations for the Adult Program Costs and Services for Children and Families, Program Costs line items. A more detailed table including the various cash exempt funding sources is included in the Appendix.

Services for People with Developmental Disabilities [selected portions]		
FY 2006-07 Long Bill	**FY 2007-08 Long Bill Proposed**	**Explanation**
Community Services	*Community Services*	
Adult Program Costs	Program Costs Adult Comprehensive Services Adult Supported Living Services Early Intervention Services Family Support Services Children's Extensive Support Case Management Special Purpose	Now includes funding previously in Children and Family Services, Program Costs line item. Subsections listed below would be shown in the appropriation years for informational purposes. Department would be allowed to shift funding among line items and would only be required to report actual expenditures in the bottom line.
	Federal Special Education Grant for Infants, Toddlers and Their Families (Part C)	Line item moved from Services for Children and Families section
Services for Children and Families		Section eliminated
Program Costs		Funding moved to Community Services, Program Costs
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C)		Line Item moved to Community Services section

Proposed - New Developmental Disability Program Costs Line Item							
	Resources		Amounts			General Fund Costs	
	GF	Medicaid	Total Funds	General Fund	Cash Funds Exempt	Net General Fund	Net General Fund Per Resource
Adult Comprehensive Services	66	3,806	$248,117,446	$1,659,290	$246,458,156	$109,564,857	$28,297
Adult Supported Living Services	692	2,892	53,119,370	7,895,789	45,223,582	29,174,026	$8,140
Early Intervention Services	2,176	0	11,199,521	10,988,175	211,346	10,827,477	$4,976
Family Support Services	1,176	0	6,494,101	6,180,581	313,520	6,180,581	$5,256
Children's Extensive Support	0	395	7,220,119	5,076	7,215,043	2,925,815	$7,407
Case Management Services*	3,663	7540	22,998,141	3,813,011	19,185,130	12,746,750	$1,138
Special Purpose			1,059,332	357,466	701,866	459,066	n/a
Program Costs Line Item			$350,208,030	$30,899,388	$319,308,643	$171,878,572	
Old Developmental Disability Line Item Structure - Recommended Amounts							
Adult Program Costs			324,322,258	13,628,362	310,693,896	151,486,001	
Services for Child/Families, Program Funding			25,885,772	17,271,025	8,614,747	20,392,571	
Total			$350,208,030	$30,899,387	$319,308,643	$171,878,572	

*Includes 447 Medicaid early intervention resources; the early intervention services themselves are not Medicaid-eligible.

Notes regarding the table and the proposed new line item.

- The break-out of this line item reflects an estimate. Because of the many changes in developmental disability waiver programs, this break-out is likely to change. In particular, the allocation of costs between case management services and direct services is expected to change in FY 2007-08. For FY 2007-08, staff relied largely on the case management rate structure in place as a result of "interim" Medicaid waiver rates. The case management amount shown includes targeted case management, utilization review and quality assurance amounts, in addition to historical case management amounts for General Fund resources.

- As previously discussed, the "official" line item is the bottom line item; the break-out is reflected solely for informational purposes in the Long Bill. This will be appropriately noted, consistent with the approach used for the Medicaid Premiums line item.

- The resource amounts shown would be part of the line item total. Note that the resource amounts listed differ from past practice in that staff has shown a resource as a 0.5 resource if it is available for only ½ year. In the past, resources shown (e.g., in the Appropriations Report) reflected resources allocated as of June (the end of the year).

<u>Federally-matched Local Program Costs</u>

The Department's request for $9,065,948 includes the continuation of reductions approved pursuant to Supplemental/Budget Amendment #2 to transfer $15.2 million from this line item into the Adult Program Costs line item.

The request provides spending authority to enable locally generated funds for developmental disability services to draw down a federal Medicaid match. Federal regulations allow the use of public funds as the State's share in claiming federal financial participation if they meet certain conditions. One of these allowable conditions is when the contributing public agency certifies these funds as representing expenditures eligible for federal financial participation. The Community Centered Boards in Colorado receive public funds through mill levies and other distributions from cities and counties for the provision of services to persons with developmental disabilities. The Centers for Medicare and Medicaid Services (CMS) approved Colorado's certification process to use these public funds as the State's share of match for services provided or purchased by the CCBs for persons enrolled in the Medicaid waiver programs for persons with a developmental disability, *e.g.*, comprehensive services, supported living services, children's extensive support and the targeted case management program.

Prior to FY 2006-07, funding in this line item included adjustments to Medicaid rates for individuals, in addition to services for new individuals. Beginning in FY 2006-07, pursuant to required Medicaid waiver program billing changes, all funding in this line item that increased amounts paid for individuals already enrolled in waier programs was eliminated. The only payments now made through this program are associated with the addition of new individuals into the waiver program at community centered board option. Should a CCB enroll additional individuals into the program it is understood that this creates a long-term commitment and should the CCB not continue to receive these additional public funds the CCB will only be able to downsize through attrition and will not be allowed to terminate or cut existing services.

Staff recommends $3,641,910, based on Department projections of actual expenditures in this line item in FY 2007-08. This reflects funding associated with adding 103 individuals to the supported living services program and 39 individuals to the comprehensive waiver program who would not otherwise have access to Medicaid waiver services. The request for federal match for local funds includes local match from 7 of the 20 CCBs, with the majority attributable to five Metro-Denver boards

This amount is based on projected FY 2006-07 expenditures, based on current contracts with community centered boards. The appropriation is, however, signifciantly less than the appropriation for FY 2006-07, because the FY 2006-07 appropriation includes $8.7 million for services provided in FY 2005-06 that were not paid until FY 2006-07. Note further that this reflects a loss of total funds to the developmental disability Medicaid program: $5,424,038 that was previously spent in this line item in FY 2005-06 has neither been transferred up to the Adult Program Costs line item nor retained in this line item. Staff assumes that half of this amount ($2,712,019 originating as federal funds) is no longer available for developmental disability expenditure, while the other half is presumably being spent by community centered boards on developmental disability services that do not receive federal match.

Despite the loss of matching federal funds, it should be noted that, as a result of local mill levies, there has been a substantial increase in funds available from local sources in recent years. The Department's audit report indicates that in FY 2004-05, Almost 12 percent of CCB revenue--over $36.7 million--came from cities, counties, and grants, compared with $12.7 million in FY 2001-02. The current request certifies a *portion* of these local funds ($1.8 million) for federal match, based on their use for services that are eligible for Medicaid federal financial participation. The balance of local funds generated and expended for services for people with disabilities is off-budget. The sum of unmatched off-budget amounts and the federally-matched amounts in this line item thus represents *about $38.5 million in funding* available for services to people with developmental disabilities beyond the amounts funded through state appropriations of General Fund and associated Medicaid match. However, such local funds are not available in all regions of the State. Four of the 20 CCBs receive no city or county funds and, among those that do receive such funds, the amount varies widely.

Preventive Dental Hygiene

This line item provides funding to assist the Colorado Foundation of Dentistry for the Handicapped in providing special dental services for approximately 1,200 persons with developmental disabilities. This program provides dental evaluation, intervention, and advocacy designed to provide comprehensive prevention of oral disease. Dental services for adults are an optional program under federal Medicaid law in which the state has opted not to participate. Medicaid eligible children may receive dental screening under the EPSDT federal requirement, however. **Staff recommends $63,698, including $60,019 General Fund. This is calculated pursuant to common policy and includes the 2.0 percent community provider rate increase.**

Long Bill Footnotes

The following existing footnotes apply to line items in the Community Services section.

Staff recommends that the following footnotes be **continued**:

64 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, on the impact of the Developmental Disabilities and Vocational Rehabilitation Pilot Project. The report should include the numbers of persons served, employment outcomes achieved, lessons learned, and recommendations for expansion, reduction, or modification of the program.

Comment: This footnote was added in FY 2006-07 related to a new program. As reflected in the original footnote, the report is not due until November 2007. Thus, the footnote should be included in the FY 2007-08 Long Bill. The Governor vetoed this footnote in the FY 2006-07 Long Bill on the grounds that it violates the separation of powers in that it interferes with the ability of the Executive to administer the appropriation and may constitute substantive legislation. Nonetheless, the Department was instructed to comply to the extent feasible.

66 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs -- The Department is requested to periodically survey all individuals on the comprehensive services waiting list to determine when each individual will need comprehensive services. The Department is requested to complete the next survey no later than June, 2007, and to report the results no later than in the submission of the FY 2008-09 budget request to the Joint Budget Committee.

Comment: As reflected, this footnote concerns a report due with the FY 2008-09 budget request. The Governor has historically vetoed this footnote on the grounds that it violates the separation of powers in dictating the content of the Executive budget requests and because it may constitute substantive legislation. The Department was instructed to comply with the intent of the footnote to the extent feasible, and the Department has complied The June 30,2004, survey resulted in a *29 percent reduction* in the number of individuals reported as requiring services within two years.

69 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Preventive Dental Hygiene -- The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

Comment: The Governor vetoed this footnote on the grounds that it attempts to administer the appropriation and violates separation of powers. However, the Department was instructed to comply to the extent feasible. The Department reports that it implemented the contract with the Colorado Foundation of Dentistry for FY 2006-07 and indicates that, despite the veto, it requests the footnote be continued as it assists the Department in directing its contract to this group.

Staff recommends the following footnotes be **eliminated**:

65 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Community and Contract Management System Replacement -- This line item reflects estimated costs for the second year of a two-year project to replace the Community and Contract and Management System. The Department is authorized to transfer any amounts not required for this purpose to the Developmental

Disability Services, Community Services, Adult Program Costs line item. The Department is requested to provide a report to the Joint Budget Committee by November 1, 2006, detailing progress toward development of the new system.

Comment: As previously discussed, the development phase of this system is completed, and the Deaprtment request and staff recommendation reflect ongoing funding for maintenance activiteis.

67 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs -- The purpose of this line item is to fund comprehensive residential services for adults with developmental disabilities, supported living services for adults with developmental disabilities, case management services for children and adults with developmental disabilities, and selected special purpose activities including costs associated with audits, behavior pharmacology clinics, and consumer screening for certain placements. The Department is requested to include information on the allocation of expenditures and the number of resources funded by the line item as part of its November 1 budget submission and to provide updates when requested by the General Assembly.

Comment: If the Committee approves the staff recommendation to restructure the developmental disability adult program costs line item to make its function more transparent, this footnote will not be required.

68 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs; Services for Children and Families, Program Funding -- The Department is requested to provide a report to the Joint Budget Committee by November 1, 2006, concerning the distribution of new adult comprehensive resources, adult supported living service resources, and children's early intervention resources provided effective April 1, 2006. It is the intent of the General Assembly that, in distributing such new resources, the Department take into consideration, among other factors, the need to reduce inequities among community centered boards in rates paid by the State and numbers of resources allocated per capita of the general population.

Comment: This report concerned the allocation of new resources added beginning in the last quarter of FY 2005-06. The Department submitted the requested report and is in the process of distributing the resources. Distribution of resources was delayed, and many of the adult resources were allocated to address emergency situations, due to federally-imposed changes in developmental disability waiver programs. The footnote does not need to be continued.

(2) Regional Centers

In Colorado, institutional programs for persons with developmental disabilities are called Regional Centers or Intermediate Care Facilities for the Mentally Retarded (ICF/MRs). The state has three Regional Centers in Grand Junction, Wheat Ridge and Pueblo. The Regional Centers have two methods of providing services: 1) Regional Centers operate "institutions", residential and support services in large congregate settings; and 2) Regional Centers operate group homes that provide services to 4-6 people per home in a community setting (these services are sometimes referred to as "state-operated group homes"). Many persons served by Regional Centers have multiple handicapping conditions, such as maladaptive behaviors or severe, chronic medical conditions that require specialized and intensive levels of services. The Regional Centers work closely with the Community Centered Board (CCB) system, which provides community-operated services for persons with developmental disabilities. Traditionally, the Regional Centers have served persons with developmental disabilities where appropriate community programs are not available. They provide residential services, medical care, and active treatment programs based on individual assessments and habilitation plans.

Full Costs of Regional Center Placement

Only a portion of costs associated with the Regional Center are appropriated in the line items below. Costs associated with Regional Center physical plant maintenance and housekeeping, among other components, are centrally appropriated in the office of Operations, and other indirect amounts are charged to the Executive Director's Office and the Office of Information Technology Services. The Department's actual costs for the regional centers, per documents used to set associated Medicaid payments, reflects total costs of approximately $54,300,000 and an average census of 403 in FY 2005-06, or **average annual costs per resident of $134,739**, compared with the $42.0 million appropriated in this section of the Long Bill in FY 2005-06. Note that, at the end of FY 2005-06, the Department determined that some Medicaid indirect costs had been incorrectly associated with the regional centers. As a result, fully-loaded regional center costs are actually lower than the $141,000 previously reportd for FY 2005-06.

Impact of Federal Medicaid Waiver Changes

The regional center budget for FY 2007-08 could be affected by the changes to developmental disability wavier programs being required by federal authorities, since the majority of regional center beds are operated under the same comprehensive home- and- community-based waiver program that supports most communiy-based residential services. The Department has indicated that under the FY 2006-07 interim rate structure, the regional center budget has been maintained unchanged; however, impacts under the long-term rate structure likely will not be clear until later in the year. Whether total Medicaid support available will be increased, held steady, or decreased under the state's new uniform rate structure will presumably depend on the severity-level of individuals housed at the regional centers and rates that are set based on such severity levels (hopefully informed by cost-based information). Should changes be required, staff presumes the Department will submit a request for supplemental adjustments in FY 2007-08.

The table below reflects the break-down of beds at the three regional ceners.

Regional Center Beds				
	ICF/MR	Skilled Nursing	HCBS waiver	Total Beds
Wheat Ridge	30	0	131	161
Grand Junction	46	32	76	154
Pueblo	0	0	88	88
TOTAL	76	32	295	403

Regional Center Wait Lists

Because the regional centers are operating at capacity, a community centered board with a consumer who it believe is more appropriate for a regional center placement must remove a client from the regional center in order to move a new client into placement. As of June 2006, there were 54 persons waiting for regional center placement, including 61 percent waiting for ICF/MR placement and 39 percent waiting for waiver services. Of these, 72.2 percent were waiting from CCBs, with the balance waiting from the Department of Corrections or the Mental Health Institutes.

Personal Services

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend
Direct Care	671.3	682.9	682.9	682.9
Medical, Dental, Therapy, Pharmacy	137.6	140.3	140.3	140.3
Food Service, Physical Plant	16.6	15.8	15.8	15.8
Medical Records/Clerical	24.0	25.6	25.6	25.6
Management	21.9	22.8	22.8	22.8
SBA #1 (RC Physicians)	n/a	n/a	1.5	0.0
Decision Item #1 (RC Staffing)	n/a	n/a	14.5	14.5
TOTAL	**871.4**	**887.4**	**903.4**	**901.9**

The personal services line item funds FTE and associated contract services necessary to operate the state's three Regional Centers. The Department request and staff recommendation are reflected in the table below.

	Department Request		Staff Recommendation	
	Amout	**FTE**	**Total**	**FTE**
FY 2006-07 Approp.	40,326,724	887.4	40,326,724	887.4
Salary Survey	1,343,798	0.0	1,343,798	0.0
Common Policy P.S. Reduc.	0	0.0	(207,163)	0.0
Medical Inflation	0	0.0	6,218	0.0
Leap year	149,612	0.0	0	0.0
DI #1 (Reg. Ctr. Staff)	342,541	14.5	342,541	14.5
Annualize 1331 sup	(237,870)	0.0	(237,870)	0.0
SBA #1 (GF Physicians)*	237,870	1.5	0	0.0
Client Cash Adjustment	0	0.0	0	0.0
FY 06-07 Total Approp.	$42,162,675	903.4	41,574,248	901.9

*Staff recommends the request in a separate line item.

The differences between the staff recommendation and the Department request are detailed below.

Common Policy Differences

Salary Survey and Base Reduction: The Department request and staff recommendation both include $1,343,798 for salary survey awarded in FY 2006-07; however, the staff recommendation includes the Committee's common policy reduction of 0.5 percent, which translates to a reduction of $207,163 at the regional centers. The request reflected no common policy reduction, as the regional centers received a "waiver" from the common policy 0.2 percent OSPB reduction. Staff notes that in FY 2006-07, the Department of Human Services reverted $606,796 of its salary survey allocations, including $136,762 General Fund. The Department's salary survey allocation may be used to address specific institutional shortfalls that result from common policy calculations.

In the event that the Committee *wished* to provide some kind of exemption for the mental health isntitutes and regional centers (the two entities in the Departmetn of Human Services that received OSPB base reduction exemptions), staff would suggest that such exemptions be based on direct service staff positions that must be continually covered. When vacancies occur in these positions, the Department must cover the positions through pool staff or overtime to maintain basic required staffing ratios. Thus, the Department has less flexibility in managing associated costs for these positions than it does for other staff positions.

In response to staff inquiries, the Department identified position classifications at the regional centers that have received shift-differential payments in the last year. Note that, at the regional centers, the shift-differential staff was essentially synomimous with direct care staff. Using this criterion, 64.8 percent of regional center personal services funding would be exempt. *If this group is exempted, the base personal servcies reduction for the regional centers would be ($72,921) as opposed to the staff recommendation of ($207,163).*

Medical Inflation: The staff recommendation also includes an increase of $6,218 Medicaid cash funds exempt for a 2.0 percent medical inflationary increase, pursuant to common policy; no medical inflationary increase was included in the executive request. The amount in the staff recommendation reflects a 2.0 percent increase on a base of $310,890 in medical contractual expenditures in the personal services line item.

Leap Year: The Department request included $149,612 Medicaid cash funds for a leap year adjustment for the regional centers. The leap year component was apparently based on OSPB common policy. **Staff has not included a leap year adjustment, however, because personal services expenditures for the regional centers are largely based on monthly salaries which do not adjust for the leap year**. While the regional centers may bear slight additional costs for certain hourly or contract staff, it is not clear that this is a signficant part of the budget. Staff notes that the regional centers have not received leap year adjustments in past leap years. While changes in Medicaid rates and billing for HCBS-waiver systems may require overall financial management at the regional centers to be handled differently in the future, staff believes there are still far to many questions about this to apply a regional center leap year adjustment at this time.

Decison Item #1 - Regional Center Staffing Shortage

The Department's first priority in its FY 2007-08 budget request is an increase of FTE and associated funding for six months in FY 2007-08, annualizing in FY 2008-09 to29.0 FTE to address a staffing shortfall at the regional centers. The Department points out that, over the past three years the regional centers have been serving a more sever clientele, largely due to new admissions criteria that were implemented in April 2003 and were established to meet the high demand for regional center services. Between July 1, 2000 and June 30, 2006, 111 easier to serve individuals were discharged from the regional centers and replaced with individuals with very high needs, based on acuity measures. These individuals require enhanced staffing for monitoring of safety and provision of necessary treatment. The Department points to adverse findings from the Colorado Department of Public Health and Environment that support the need for additional regional center staff.

Decision Item #1: Regional Center Staffing Increase		
	FY 2007-08 Request	**Annualize FY 2008-09 (full year)**
Personal Services	$342,541	$854,160

Decision Item #1: Regional Center Staffing Increase		
	FY 2007-08 Request	**Annualize FY 2008-09 (full year)**
FTE	14.5	29.0
Operating Expenses	18,638	19,330
Benefits/Other "pots" (EDO)	154,880	245,520
Total	$478,783	$1,080,350
Net General Fund	*239,392*	*540,175*
Avg.NGF per FTE		*$18,627*

The request for FY 2007-08 would add 12.5 FTE each (HCS Trainees and Health Care Tech Iis) to Grand Junction and Wheat Ridge Regional Centers and 4.0 FTE (same staff categories) to the Pueblo Regional Center.

The Department presents the request as part of a much larger five year plan to enhance regional center staffing. The Department conducted a study to evaluate staffing needs. The study reviewed regulatory requirements and Colorado Department of Public Health and Environment staffing citations. The authors then developed staffing models for direct care staff who account for 73 percent of total regional center staff, as this is the area facing the most significant shortfalls. The study considered: (1) the staff necessary to meet "minimum standards outlined in regulations"; (2) the staff necessary to "appropriately meet the needs of the clients"; and (3) the staffing levels maintained in states with operations similar to Colorado and known to provide high quality services.

The regional centers operate under three types of facility license: ICF/MR, skilled nursing, and Home- and Community-based Services for the Developmentally Disabled (HCBS-DD). The study notes that the HCBS-DD regulations that cover 275 of the regional center beds do not provide specific guidelines on staffing, while CMS regulations do include specific staffing requirements for ICF-MRs (76 of total beds). Among other requirements, the ICF/MR requirements include a minimum staffing ratio of 1 staff to 3.2 clients present and on-duty 24 hours a day, 365 days a year, excluding professional staff. The HCBS-DD regulations require, more generally, sufficient training and personnel to provide required treatment and safeguard the welfare of residents.

The report describes five Colorado Department of Public Heath and Environment citations received in 2005 and 2006 that indicate staffing problems at all three regional centers. Among others, these include an ICF/MR study of Kipling Village at Wheat Ridge regional center in April 2006 that cited an inability to provide active treatment due to lack of staff. This deficiency involved a condition of participation in the ICF program with shortened time lines for correction of 45-60 days. The resulting plan of correction required the need for an additional 13 FTE that had to be pulled from elsewhere in the agency. In general, the regional centers have addressed deficiencies identified in certain homes or facilities by moving staff around; however, this can result in short-staffing homes not identified with specific deficiencies.

The study of “minimum” and “appropriate” levels involved grouping clients by needs and evaluating groups’ needs during time segments of day program, afternoon, weekend active treatment, and nights, as well as time required for community outings. The Department also employed an outside consultant to conduct focus group discussions to identify treatment variables that impact staffing. Further, using actual data from the last five years, it re-evaluated historic assumptions about FTE required to fully cover a position once training, annual, and sick leave are accounted for. The Department provided the spreadsheet calculations for FTE coverage for each regional center residence that result from these various factors.

The resulting calculations indicate an overall direct care staff to client ratio for the “minimum” treatment model of 2.3 FTE per client and, under the “appropriate” treatment model of 3.3 FTE per client. The Department also provided comparisons with other states identified by industry consultants as reasonable comparisons for Colorado.

State	Direct Care Staff to Residents
Colorado - current	1.61
Colorado - “minimum”	2.31
Colorado - “appropriate”	3.32
New York	3.61
Oregon	3.05
Wyoming	2.21
Utah	2.04
North Dakota	2.02
Kansas	1.66
South Dakota	1.30

The study concludes that funding at the “appropriate” level suggested would be very difficult and thus the minimum model is presented as an alternative that should be viewed as “the least the State should accept and continue operating at the current bed capacity.” **If, as the study suggests, the General Assembly were to increase staffing to the levels the Department considers necessary to meet “minimum standards outlined in regulations”, this would be a direct care staffing**

increase of 42.9 percent and would drive an increase of $5.2 million net General Fund or about an 18 percent increase in the overall regional center budget.

Direct Care Staffing Study: Current FTE versus "Minimum Required" and "Appropriate"					
	Current Direct Care FTE	**"Minimum FTE"**	**Increase over Current**	**"Appropriate" FTE**	**Increase over Current**
Wheat Ridge	279.6	379.1	99.5	541.8	262.2
Grand Junction	255.8	357.5	101.7	513.0	257.2
Pueblo	115.4	193.4	78.0	282.3	166.9
TOTAL	650.8	930.0	279.2	1,337.1	686.3
Percent increase			42.9%		105.5%

Estimated Additional Costs: "Minimum" and "Appropriate" Staffing Levels			
	Cost per FTE	**"Minimum" Staffing Additional FTE, Costs**	**"Appropriate" Staffing Additional FTE, Costs**
FTE	1.0	279.2	686.3
Total Cost	$37,253	$10,400,758	$25,073,284
Net General Fund	$18,627	$5,200,379	$12,536,642
Percentage increase in Regional Center Net General Fund budget*		18.3%	44.1%

*direct and indirect costs

Staff Recommendation: **Staff recommends the request with small adjsutments**. As reflected in the request, the severity levels of clients at the regional centers have increased substantially in recent years. Since April 2003, the regional centers have used the following admissions criteria: (1) individuals who have extremely high needs requiring very specialized professional medical support services; (2) individuals who have extremely high needs due to challenging behaviors; and (3) individuals who pose significant community safety risks to others and require a secure setting. The table below shows the number of beds allocated for each category at each of the regional centers.

Regional Center Beds by Client Category				
	Grand Junction	Pueblo	Wheat Ridge	Total Beds
History of Sex Offense	16	0	25	41
Severe Behavioral/Psychiatric	64	74	67	205
Severe Medical	74	14	69	157
TOTAL	154	88	161	403

As indicated by the Department, due to the new admissions criteria, it has discharged easier to serve clients and replaced them with much harder to serve clients. The tables below demonstrate the changes in severity.

The Department uses the North Carolina SNAP (Support Needs Assessment Profile) acuity tool to determine severity level of all individuals in the Regional Center. The admission criteria for placement in the Regional Centers require an acuity score of four or five (out of a one-five scale), in addition to more specific evaluation of community and self-risk. The following table shows the change in *admission* scores on the NC SNAP for all three Regional Centers over the past five fiscal years. There have been no new admissions scoring below a four during this time.

Total RC Admits	Total	
	Level 4	*Level 5*
FY 01-02	15	8
FY 02-03	16	6
FY 03-04	12	7
FY 04-05	6	12
FY 05-06	6	15

The table below compares the overall regional center severity levels in 2004 (the first year such scores are apparently available for the total population) with severity scores for June 2006. As shown, even in this two year time-frame, the proportion of "level 5" cliens increased markedly, while level 3 clients, who are no longer being admitted, declined. (The Department has been working to move all level 3 cliens from the regional centers.)

NC SNAP Severity Scores - Regional Center Population[2]

	Level 3	**Level 4**	**Level 5**	**Total**
FY 2003-04	34	282	72	388
Percentages	8.8%	72.7%	18.6%	
FY 2005-06	23	266	92	381
Percentages	6.0%	69.8%	24.1%	

[2]Note that individuals surveyed are below the 403 beds at the institutes; regional center Medicaid billing has generally indicated that 3-4 percent of beds are on average vacant due to hospitalization, visits home, etc. It is not clear why numbers surveyed are somewhat lower than his.

The overall severity increases do explain the need for increased staffing intensity at the regional centers. Staff is *not* convinced that all of the increase suggested by the Department's "minimum" level staffing plan is warranted.

For example, staff believes staffing coverage calculations may somewhat inflate the FTE required to cover a full-time post (1.85 for 7 days a week in the Department's staffing plan) by reducing from the 2,080 hours normally assumed for 1 FTE hours taken as leave without pay and "comp" hours for exra hours worked (based on staff records). An alternative calculation is shown below. Further, if "break" hours are not included (a component which seems questionable to staff) ratios would be back to the 1.6 FTE levels that have always been assumed in the past.

Hourly Rate Calculation Used in Decision Item - 7 day post

	Department Calculation	Staff Calculation	Comment
Days per week needed	7	7	
Weeks per year	52	52	
Hours per day	8	8	
Total hours per year	2,912	2,912	
Hours for 1.0 FTE (40 hrs x 52 weeks)	2,080	2,080	
Annual Leave	(112)	(112)	
Sick Leave	(48)	(48)	
Holiday Leave	(77)	(77)	
Annual comp hours	(72)	0	Should be based on add'l hours worked
Other hours off (jury/funeral/w/o pay)	(75)	(28)	Hours without pay not included
Training hours	(16)	(16)	
Hours of breaks	(105)	(105)	
Total working hours assumed FTE	**1,575**	**1,694**	
Ratio of hours needed to hours available	1.85	1.72	

Further, while, a useful tool for understanding the regional center structure and staffing needs, the Department's model obviously could not take into account variations in specific client needs, the fact that some clients are still on the lower-needs end, or the fact that at any given time five percent of client beds are not occupied due to hospitalization, turnover, or client family visits.

Nonetheless, while staff can identify specific weaknesses in the overall "minimum" staffing plan, *the current request, which reflects a small fraction of the proposed "minimum" plan seems reasonable,* given the increasing severity of regional center clients and the many citations and concerns raised by Deparment of Public Health and Environment inspectors.

Staff's primary concern related to the request has to do with the impact of Medicaid waiver program changes. There is a risk that the new Medicaid rate structure will not be sufficient to cover regional center rates. If this occurs, additional regional center General Fund backfill might be required and the current request for increased staffing might simply add to the backfill required. Staff is nonetheless recommending this request with the understanding that the funding requested is for one-half year. *Staff anticipates that before any new hires come on board it will be clearly apparent whether the State faces a major problem related to regional center rates. Should this occur, plans with respect to these new staff may need to be reconsidered and supplemental action considered.*

The details of the request and staff recommendation are reflected on the table below. The only significant difference between the request and recommendation are as follows:

- consistent with common policy, staff has not included the requested "pots" adjustments in the Executive Director's Office. Given that these FTE are being added for only one half year and total pots additions requested are less than 0.5 percent of any of the "pots" line items, staff anticipates that the Department will be able to absorb the adjustment in the pots line items. Related to this, staff also has not assumed salary survey increases for FY 2008-09 in annualization figures reflected. However, staff does assume these staff will be allocated salary survey as appropriate out of existing Department pots.

- The Department requested 9 new computers associated with the new staff. The request would effectively add more than one computer for every two "full time coverage" direct care staff added, given that a "full-time-coverage" position is calculated at 1.7 to 1.8 FTE . This seems excessive, given that these staff are being added to increase staffing intensity and not related with the opening of any new units. The Department has noted an increasing need for computers at its group homes, which is the reason for the number of computers requested. This seems a separate issue from staffing intensity, which is the basis for this decision item. The staff recommendation reflects 5 computers (one for every 6 FTE or one for approximately every three "full-time coverage" positions added).

- Staff also notes that, although funding provided, as requested, is for six months, this will effectively translate into funding for seven months in FY 2007-08 due to the pay date shift.

Decision Item #1 Recommendation	Monthly Salary	FY 07-08 6 months		FY 08-09 12 months	
Personal Services					
HCS Trainee I	$1,677	$143,887	7.2	$287,773	14.3
Health Care Tech II	2,476	190,157	6.4	380,314	12.8
Health Care Tech IV	3,007	34,280	1.0	68,560	1.9
PERA (10.15%)		37,385		74,770	
Medicare (1.45%)		5,341		10,681	
Paydate shift		(68,508)			
Subtotal - Personal Services		**342,541**	**14.5**	**822,097**	**29.0**
Operating Expenses	Unit cost				
General operating (500 per FTE)	500	7,250		14,500	
Leased Computers (5 - 2 for GJ and WR & 1 PRC)	690	3,450		0	
Printers (1 for each facility)	1,500	4,500		0	
Software (1 each computer)	294	1,470		0	
Subtotal - Operating Expense		**16,670**		**14,500**	
Grand TOTAL		**359,211**	**14.5**	**836,597**	**29.0**

Stand-alone Budget Amendment #1

In the past, Regional Centers were able to pay for physician and mental health services through the Medicaid comprehensive Home- and Community-Based (HCBS) waiver for persons with developmental disabilities, but now these services must be accessed through the Medicaid State Plan. Beginning in FY 2004-05, associated costs were carved out of the regional center HCBS budget and moved to the Medicaid State Plan, based on a CMS condition for renewal of the Medicaid HCBS-DD waiver. Federal CMS had indicated that the requirement was based on ensuring freedom of choice for consumers, as well as rules that prohibit waivers from covering services available through the State Plan.

The Regional Centers have been unable to secure physician services for the individuals at the Regional Centers from outside physicians**.** Despite significant effort on the part of current doctors, as well as other staff, the Regional Centers have been unable to find outside physicians that are willing to accept new Medicaid clients. As a result of the lack of Medicaid providers, the Department requested General Fund and FTE to secure physician services for FY 2006-07 through emergency supplemental procedures.

A request was approved on a one-time basis in June 2006 with contract staff (rather than the 1.5 FTE originally requested) on the grounds that this was a temporary measure. The Department has now submitted a budget amendment to make this funding permanent and to add 1.5 FTE associated with these dollars.

The Department previously indicated it would like to explore all options of attaining services, including obtaining General Fund to secure physician services for these clients, moving some of the high needs people into institutional "ICF/MR" services, or possibly returning to the previous model where the costs for medical services were included in waiver rates. However, in the budget amendment that has now been submitted, the Department indicates that "at this time HCPF has indicated to DHS that they do not support conversion of beds back to ICF/MR becuase of concerns about the cost of such a transition." Further, HCPF ahs indicated to DHS, according to the budget amendment, that "at this time they will not increase rates or create a special category of physican rates for hard to serve individuals with Developmental Disabilities."

Staff Recommendation: Staff recommends the request. Staff remains deeply disturbed that the State is forced to provide 100 percnet General Fund to cover services that should be eliible for Medicaid. Staff understands however, that, from HCPF's perspective, the General Fund provided is still substantially less than the General Fund impact of any more systemic Medicaid system changes that would address the needs of this population.

Since the funding will now be built into the base, staff would like its purpose to be clearly visible. Therefore, rather than including the requested amounts in the personal services and operating expense base appropriations, staff recommends that both operating expense and personal services amounts (total of $244,460 and 1.5 FTE) be reflected in a new line item entitled "General Fund physician services"

Staff Recommendation: Additional Client Cash Adjustment

Client cash revenue for the regional centers derive from three sources: (1) room and board for waiver clients; (2) Post Eligibility Treatment of Income (PETI) from waiver clients; and (3) patient pay from ICF/MR clients. Room and Board rates reflect SSI federal allocations less $54 dollars per month (including 2007 increase) for personal spending. PETI income is from waiver clients who do not qualify for SSI. To maintain eligibility for the Medicaid waiver program, they must turn over excess income to offset their Medicaid cost of care. The amount from an individual patient can vary from $1 to $1,101 per month and varies based on patient mix. Patient pay from ICF/MR clients is from ICF/MR clients who receive benefits and/or earn wages. Such clients are permitted to keep the first $50 for personal spending money. Benefits above this and/or excess wages must be paid to the State. (Excess wages are calculated as ½ of the amount earned over $65). Currently the amount from an individual patient can vary from $0 to $979 per month. Like PETI, this amount is subject to change depending upon the patient mix.

In response to staff questions, the Department provided updated estimates of the client cash level for FY 2007-08. **The staff recommendation includes an adjustment to increase cash funding by $27,558 and decrease Medicaid funding by the same amount, to bring overall cash amounts to the level reflected below.**

	Waiver Room/Board	Waiver PETI	ICFMR Patient Pay	Total
FY 2007-08 Projection	$1,867,616	$282,722	$485,668	$2,636,006
FY 2006-07 Long Bill	$1,942,320	$263,904	$402,224	$2,608,448
Recommended CF Chg	($74,704)	$18,818	$83,444	$27,558

Note also that, for purposes of staff and Department working papers, all cash revenues to the regional centers have been reflected in the personal services line item. In the Long Bill, however, all regional center funding splits are reflected in the bottom-line only, and this cash therefore supports all regional center functions.

Additional Net General Fund Adjustment

The staff recommendation also includes an adjustment to the net General Fund appropriation for this section. This adjustment is not visible in the Department of Human Services but only in the corresponding Medicaid appropriation in the Department of Health Care Policy and Financing. Pursuant to H.B. 03-1292, the regional centers are assessed a fee that has the effect of drawing down additional federal Medicaid funds and offsetting General Fund required in the Department of Health Care Policy and Financing. Regional Center fee amounts were anticipated to total $742,997 in FY 2006-07 and are projected to be $821,668 in FY 2007-08. **The net impact is a decrease in the net General Fund associated with this program of $78,761.**

Operating Expenses

The Department request and staff recommendation are summarized in the table below.

	Request	**Recommendation**
FY 2006-07 Long Bill	$2,198,203	$2,198,203
DI 1 (Regional Center staff)	18,638	16,670
SBA 1 (Physician Services)	6,590	0
Food inflation (1.8%)	0	10,735
Medical inflation (2.0%)	0	5,093
Total	$2,223,431	$2,230,701

The staff recommendation includes common policy increases for food and medical inflation. The Department request also includes funding for Decision Item 1 (Regional Center Staffing) and SBA 1 (General Fund physician services). As discussed above, staff recommends the requested funding for SBA 1, but places it in a separate line item. As also discussed above, the staff recommendation for DI 1 differs from the request due to the number of computers recommended.

General Fund Physician Services

As discussed above pursuant to SBA 1, staff recommends **a new line item with $244,460 and 1.5 FTE for regional center physician services supported by the General Fund**.

Capital Outlay - Patient Needs

This line item provides funding for the purchase of capital equipment that is used by or on behalf of the residents of the Regional Centers. Such equipment includes therapeutic, medical, and adaptive equipment; program equipment and technical aids; health and safety repairs and equipment; and furnishings and environmental improvements. **Staff recommends the Department's request for a continuation amount of $80,249.**

Leased Space

Leased space funds are generally requested for group homes operated by the Regional Centers. However, at the Pueblo Regional Center, Developmental Disabilities Services leases space for regional center administration at Pueblo West. The Pueblo Regional Center building also contains the maintenance shop and an area for program service delivery to some persons residing at the Pueblo Regional Center. For the Wheat Ridge Regional Center, the line item provides funding for residential houses for residents living off-campus. **Staff recommends the request for a continuing appropriation of $200,209.**

Resident Incentive Allowance

This line item provides funding for payments to persons residing at the Regional Centers for services provided to the institution. Those services include such activities as washing vehicles, food preparation, and janitorial services. **Staff recommends the Department's request for a continuation amount of $138,176**

Purchase of Services

This line item provides funding for the purchase of contractual services such as security and laundry, as well as various maintenance agreements at the three regional centers. Contracts included are:

- Pueblo Regional Center: A contract between the Colorado Mental Health Institute at Pueblo and the Pueblo Regional Center to provide laundry services, vehicle maintenance, and medical services.

- Wheat Ridge Regional Center: A contract for laundry services.

- Grand Junction Regional Center: Various medical contracts, telephone maintenance contract, lawn maintenance contract, and a contract for pest control.

The Department requested a continuation amount of $262,661. **The staff recommendation is for $263,291,** including a common policy adjustment of $630 for a 2.0 percent medical inflationary increase on medical contractual services of $31,524 included in the base amount.

Institutional Programs Overall Funding Methodology

Overall funding for this section uses applicable patient (client) cash Social Security Income and other payments, with the remainder funded by Medicaid funds transferred from the Department of Health Care Policy and Financing. Staff's recommendation for funding sources reflects the adjustments discussed with respect to the personal services line item.

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

DEPARTMENT OF HUMAN SERVICES MEDICAID-FUNDED PROGRAMS, Services for People with Disabilities - Medicaid Funding, Regional Centers - Depreciation and Annual Adjustments

The staff recommendation includes **continuation** of this line item that appears only in the Department of Health Care Policy and Financing. The line item enables the State to capture depreciation payments from federal authorities associated with the regional centers. The line item was added through an FY 2003-04 supplemental to reflect a historic Department practice. *Staff recommends that it be continued with a modification in the total amount in the line item, previously appropriated at $1,468,552 for FY 2006-07 to $1,267,579 for FY 2007-08*

Depreciation amounts--allowed by federal authorities--have been included in the daily rates the Department of Human Services charges to the Department of Health Care Policy and Financing for regional center consumers (all of whom are Medicaid-eligible). However, because depreciation is associated with a past expenditure and is not an operating expense that is included in the Department of Human Services operating budget, the Department of Human Services has never had the right to spend these moneys. Instead, the depreciation amounts paid by HCPF (which are based on a standard 50-50 General Fund-federal funds match) are reverted at the end of the year. Recording depreciation allows the State to draw down federal dollars which are then reverted at year end, thus benefitting the State. The table below reflects the anticipated impact of this practice assuming continuation for FY 2007-08.

	FY 2007-08 Depreciation and Annual Adjustments Appropriation in HCPF	FY 2007-08 Actual Depreciation Expenditures	FY 2007-08 Funds reverted to Capital Construction (1/3) and HUTF (2/3)	FY 2008-09 HUTF & Capital Construction $$ Available for Appropriation
General Fund	$633,790	$0	$633,790	$1,267,579
federal funds	$633,789	$0	$633,789	$0
Total	$1,267,579	$0	$1,267,579	$1,267,579

- In essence the result of the depreciation appropriation is to provide a 100 percent return on investment per year for "investing" General Fund in the depreciation line item.

- Note that, under the provisions of Section 24-75-218, C.R.S., two-thirds of reversions are currently allocated to the Highway Users Tax Fund (HUTF) and one-third to the Capital Construction Fund. Thus, pursuant to current law, the State is obtaining a 100 percent federal match on General Fund moneys appropriated to this line item, but the General Assembly is then effectively transferring the total to the HUTF and the Capital Construction Fund;

- The $200,973 decrease from the FY 2006-07 base reflects revised depreciation figures based on straight-line depreciation calculations by the Department that are required for federal cost reporting.

Footnotes

None. No footnotes are continued and no new footnotes are recommended for this section.

(3) Services for Children and Families

Services for children with developmental disabilities are provided by the same system that provides services to adults with developmental disabilities. Twenty Community Centered Boards located throughout the state provide the following services to children: 1) early intervention (EI) services to children under three years of age exhibiting a developmental delay; 2) family support services (FSSP) to families with children with developmental disabilities; and 3) children's extensive support (CES) services to children whose medical or behavioral needs are so extreme that they are at risk of out-of-home placement.

Administration

This line item was eliminated and funding and FTE merged into the Community Services, Personal Services line item in FY 2005-06.

Program Funding

This line item funds the direct services portion of three state programs for children with developmental disabilities and their families: early intervention, family support services, and the Children's Extensive Support Program. Note that the case management portion of these resources is included in the Adult Program Costs line item. Program components funded in this line item are detailed under the Adult Program Costs lin item, as part of a staff recommendation to combine the contents of this line item with the Adult Program Costs line item and restructure both. The line item currently includes $11.3 million for Early Intervention resources, funded at 95 percent General Fund and 5 percent local match, $6.5 million for the Family Support Services program, also funded at 95 percent General Fund and 5 percent local match, and $7.2 million for the Children's Extensive Support program, funded at 95 percent Medicaid cash funds and five percent local match.

The following table compares the Department request and staff recommendation.

	Department Request			Staff Recommendation		
	General Fund	Cash Funds Exempt	Net General Fund	General Fund	Cash Funds Exempt	Net General Fund
FY 2005-06 Long Bill	$16,699,924	$8,148,796	$19,670,978	$16,699,924	$8,148,796	$19,670,978
Supplemental 1-E	182,242	0	182,242	182,242	0	182,242
FY 2006-07 Approp	**16,882,166**	**8,148,796**	**19,853,220**	**16,882,166**	**8,148,796**	**19,853,220**
Requested Sup. 2B	0	(1,567,391)	(783,695)	0	(1,567,371)	(673,978)
FY 2006-07 Request	16,882,166	6,581,405	19,069,525	16,882,166	6,581,425	19,179,242
Annualize Sup 1-E	(182,242)	0	(182,242)	(182,242)	0	(182,242)
Annualize Sup. 2B	0	1,567,391	783,695	0	1,567,391	673,978
Annualize 30 CES	0	0	0	(270,560)	270,560	(181,275)
Annualization	**(182,242)**	**1,567,391**	**601,453**	**(452,802)**	**1,837,951**	**310,461**
DI #3 - Early Intervention	515,540	27,134	515,540	513,074	27,004	513,074
DI #3 - CES Waiver	0	112,541	53,457	0	0	0
Cost of Living Adjustment	332,465	162,420	391,740	328,587	168,387	389,794
Decision Items	**848,005**	**302,095**	**960,737**	**841,661**	**195,391**	**902,868**
Total, by fund source	17,547,929	8,450,891		17,271,025	8,614,767	
Total Appropriation	$25,998,820		$20,631,715	$25,885,792		$20,392,571

As reflected in the table, the request and recommendation include the following components:

Supplemental 1-E - Implementing Part C and Achieving Equity in Early Intervention Services

In June 2006, the Committee authorized the reduction of $182,242 General Fund from the FY 2005-06 budget for Developmental Disability Children and Family Services, Program Funding and an increase of the same amount for FY 2006-07. The Department indicated that the $182,242 would be used to "hold harmless" in FY 2006-07 those regions of the state (mostly rural) that would be negatively affected by the Department's efforts to reallocate early intervention funding (including state General Fund and federal Part C funds) in a more equitable manner across the state. This adjustment as one-time only, thus this adjustment is annualized in FY 2007-08.

Requested Supplemental 2B - Refinance Developmental Disabilities Medicaid

This late requested supplemental is discussed in detail under the Adult Program Costs line item. The request reflects a one-time reduction proposed for FY 2006-07 that the request indicates could be deposited to a cash fund and used to support proposed child find legislation. As previously discussed, the JBC has already taken alternative action. However, as previously discussed, the staff recommendation includes making the requested reduction to this line item and providing an associated General fund increase in the Adult Program Costs line item. Note that the "net" General Fund reflected by staff differs from the request, due to the impact of resources partially funded with the Health Care Expansion Fund. Consistent with the request, reductions taken for FY 2006-07 are one-time only and are reversed in the FY 2007-08 calculation.

Annualize 30 Children's Extensive Support Resources

During FY 2006-07 figure setting, the JBC added 30 new Children's Extensive Support resources. Part of its action included providing funding for the full year, with the first half of the year's services supported with 100 percnet General Fund and the seocnd half of hte year funded with Medicaid. The expectation was that Medicaid waiver caps could not be raised sooner than Janaury. The Department did not request any annualization of this action in its budget request. However, **staff recommends that the General Fund support provided for the first half of hte year be converted to Medicaid. In this line item, the impact is to trade $270,560 General Fund for the same amount of Medicaid cash funds. Since 1/3 of children are assumed to qualify for services from the Health Care Expansion Fund for their Medicaid match, this annualization saves $181,275 net General Fund**. An additional adjustment, previously discussed, occurs in the Adult Program Costs line item for case management.

Decision Item #3 - Early Intervention Component

As reviewed under the Adult Program Costs line item, the Department's request includes the addition of 209 early intervention resources for 6 months. The staff recommendation is for 104 resources for 12 months. The FY 2007-08 impact is therefore essentially the same; however, the funding would no be annualzied in FY 2008-09. A portion of associated costs are included in the adult program costs line item for case management.

Decision Item #3 - Children's Extensive Support Component

As reviewed under the Adult Program Costs line item, the Department's request includes the addition of 12 children's extensive support resources for six months. Staff does not recommend this portion of the request, in light of the Department's reversion of CES funding in FY 2005-06 and projected further reversions in FY 2006-07.

Cost of Living Adjustment

Consistent with Committee common policy, staff has applied a 2.0 percent community provider cost of living increase to base funding. While the Department's request was also based on a 2.0 percent increase, errors in its base calculation, including failure to annualize the 30 CES resources funded in FY 2007-08, resulted in a slightly higher COLA calculation than staff's.

Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C).
In addition to the federal grants available under Part B of the federal *Individuals with Disabilities Education Act (IDEA*), grants are available under Part C of *IDEA* to assist states in providing special education and related services to children with disabilities ages zero to three, and their families. Part C funds may be used to implement, maintain, and strengthen the statewide system of early intervention services for infants and toddlers with disabilities and their families. In addition, such funds may be used for direct early intervention services for infants and toddlers with disabilities and their families *that are not otherwise funded through other public and private sources*. Thus, Part C is the payer of last resort, and all other funding options must be explored before accessing available Part C funds for the provision of direct services. Federal Part C funds may not be commingled with state funds, and may not be used to supplant state and local funds expended for infants and toddlers with disabilities and their families. As school districts are not required to provide educational services to children under age three, Part C funds are not directly allocated to school districts.

The actual expenditure of Part C funds is approved by the Colorado Interagency Coordinating Council. For FY 2006-07, Part C funds are budgeted to be expended as follows:

Program administration (staff and operating)	$626,511
Local community development and implementation	430,395
Direct Services	2,440,000
Service Coordination	2,428,261
Statewide development and implementation	981,800
Total	$6,906,967

On December 30, 2005, the Governor signed Executive Order D 017 05 that switched the lead agency for Part C from the Department of Education to the Department of Human Services, Division for Developmental Disabilities. According to the Executive Order:

> "An analysis of the present Part C Program, along with an assessment of Colorado's existing system for providing early intervention services using state funds, indicates that there is unnecessary duplication of early intervention services and a need for reform. This can be achieved through consolidation of the Part C program into other early childhood intervention efforts managed by the Department of Human Services. Designating the Department of Human Services as lead agency for the part C Program will increase the overall effectiveness of this program by eliminating unnecessary administration costs and directing maximum funds toward actual services."

Accordingly, the Executive Order designated the Department of Human Services, Division for Developmental Disabilities, as the lead agency for Colorado's Part C Program. Staff notes that, pursuant to the federal Part C legislation, the Governor of each state is authorized to identify the Part C lead agency. The Departments of Education and Human Services agreed that the Department of Education would continue to manage the program through FY 2005-06, and the change took full effect July 1, 2006. As a result, the Part C program began to appear in the Department of Human Services' section of the Long Bill for FY 2006-07.

The Department has indicated that it the Part C grant is anticipated to increase by only $1 for FY 2007-08. As a result, the staff recommendation is to show $6,906,968 federal funds and 6.5 FTE for this program in FY 2007-08. Note that common policy calculations would dictate a small decrease in the appropriation for this line item related to personal services; however, staff assumes that any personal services adjustments will be offset in other program areas, since the total amount of the grant is fixed. Note also, that staff understands that approximately $4.9 million in Part C funding accumulated by the Department of Education in prior years has been transferred to the Department of Human Services in FY 2006-07. This amount augments anticipated annual expenditures reflected in this line item. Staff has not been informed how the Department intends to use these funds.

Child Find

A one-time $1.0 million General Fund supplemental adjustment was provided in FY 2006-07 to address costs associated with "child find" activities for children under the age of three. The federal *Individuals with Disabilities Education Act (IDEA)* requires each state to provide "child find" activities for the purpose of identifying and evaluating children, birth through age 21, who have special needs. Part C of *IDEA* concerns services for children under age three; Part B of *IDEA* concerns children age three through 21. The child find process includes public awareness activities (through doctors and hospitals, preschools, and schools), initial screening of children identified as having concerns, and in-depth evaluations by multi-disciplinary teams to determine whether children qualify for services and the nature of services needed.

Previously, as lead agency for the Part C federal grant, the Colorado Department of Education (CDE) required administrative units (school districts or groups of districts) to conduct child find screening and evaluations for all children, including those under age three. In December 2005 Governor Owens issued an Executive Order to change the Part C lead agency from CDE to the Department of Human Services (DHS), Division for Developmental Disabilities. As a result, CDE eliminated the requirement that administrative units provide child find services for children under age three. State statute currently authorizes DHS to conduct disability evaluations, but child find per se is not mentioned in state statute for either CDE or DHS.

Staff has recommended, and the Committee has agreed, to sponsor legislation detailing the responsibilities of the Department of Human Services and the Department of Education pursuant to Child Find. This legislation is still being drafted and will require further approval by the Committee for introduction. The legislation is expected to carry a $2.2 million fiscal note in the Department of Education. The Committee has voted to set aside $2.2 million in increases for the Department of Education required pursuant to Amendment 23 to fund this anticipated legislation. As discussed above, the Department has also submitted an FY 2006-07 supplemental request to reduce FY 2006-07 developmental disability appropriations by $2.2 million "net" General Fund with the suggestion that the funds reduced be placed into a cash fund and thus used to cover the fiscal note for the JBC Child Find bill in FY 2007-08. Because the Committee is currently pursuing other mechanisms for funding the child find bill, the proposed supplemental adjustment is not part of staff's recommendation.

Footnotes

The following existing footnotes are attached to line items in this section.

Staff recommends that the following footnote be **continued, as modified**.

71 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Services for Children and Families, Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C) -- The Department is requested to provide to the Joint Budget Committee, BY NOVEMBER 1 OF EACH YEAR, information concerning the expenditure of federal funds provided pursuant to Part C of the federal "Individuals with Disabilities Education Act" for the most recent state fiscal year. Such information is requested to include sufficient detail to identify expenditures related to the provision of direct services, by type of service. ~~The Department is also requested to provide a report by November 1, 2006, on the impacts of the transition of the Part C Program from the Department of Education to the Department of Human Services, including the impact on program administration, allocation of funds, and children requiring early intervention services and their families~~.

Comment: The Governor vetoed this footnote, as he has in the past, on the grounds that the General Assembly has no authority to appropriate these federal funds, that the footnote violates separation of powers in interfering with the ability of the executive to administer the appropriation, and that the footnote may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible. The Department submitted the requested report regarding the Part C transition as requested in November 2006. The response was discussed in staff's budget briefing packet. As the program's transition from the Department of Education is now complete, staff does not believe the struck portion of the footnote needs to be continued.

Staff recommends that the following footnotes be **eliminated**.

70 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Services for Children and Families, Program Funding -- The purpose of this line item is to fund early intervention services, family support services, children's extensive support services, and selected special purpose activities to assist children with developmental disabilities and their families. The Department is requested to include information on the allocation of expenditures and the number of resources funded by the line item as part of its November 1 budget submission and to provide updates when requested by the General Assembly.

Comment: The Governor vetoed this footnote, as he has in the past, on the grounds that it dictates the content and format of the executive budget request. However, the Department was instructed to comply to the extent feasible. Some information was included in the November 1, 2006, budget request and a report was also separately submitted. However, staff did not feel that the information provided was sufficiently responsive to the footnote. If the Committee accepts the staff recommendation to reconfigure the developmental disability line items to provide additional information, staff does not believe this footnote will be required.

(4)Work Therapy

This line item consists of the Work Therapy Enterprise Funds for the Colorado Mental Health Institute at Fort Logan and the Regional Centers for persons with Developmental Disabilities at Grand Junction, Pueblo, and Wheat Ridge. These funds support sheltered workshop programs for training and employment of clients. Revenue is derived from contracts with area businesses and organizations for custodial services, printing, packaging, mailing, and other types of manual processing that can be performed by program clients. Enrolled clients are paid from funds received in proportion to the work performed.

The program serves over 300 persons residing at the three regional centers and at the Fort Logan Mental Health Institute. Historically, 55 percent of the spending authority was allocated to Fort Logan, with the balance going to the regional centers. In FY 2005-06 the balance was shifted to give the regional centers over 65 percent of the spending authority, as Fort Logan was not using the program at the level allocated.

The Department requested 465,056 and 1.5 FTE reflecting a continuation level of funding with minor personal services adjustments. **Staff recommends $464,589 and 1.5 FTE. Of this amount, $93,827 is for personal services and $370,762 is for operating costs.** Based on the Department's projection for FY 2007-08, it seems unlikely it will fully use the cash funds exempt portion of the spending authority, unless it identifies new sources of cash exempt revenue (*e.g.*, work for state departments); however, staff sees no reason to close off such options. *Staff also notes that the program appears to have exceeded its FTE authority for actual year FY 2005-06. Staff expects the Department to ensure* *that this does not happen in the future.* If additional FTE authority is required, staff expects the Department will request this from the General Assembly.

(B) Division of Vocational Rehabilitation

The Division of Vocational Rehabilitation assists people whose disabilities result in barriers to employment or independent living to attain or maintain employment and to live independently.

Rehabilitation Programs - General Fund Match

The major activities of this program are to work with disabled individuals to obtain services that help the client gain and maintain employment. The Division has field and satellite offices in 43 locations throughout the State, where rehabilitation counselors work with clients to assess needs and identify appropriate services. Core rehabilitation services include: counseling and guidance, job development or placement, mental restoration service, occupational licenses, tools, and equipment, physical restoration services, assistive technology, specialized services for a specific disability, telecommunications services and training. Because the focus of this program is employment, services generally do not include medical treatment or rehabilitation. As a result of General Fund reductions, beginning March 2003, the Division only served customers determined to have a "significant" or "most significant" disability, meaning that an individual must be seriously limited from achieving employment due to serious functional losses in three or more "functional capacities", such as mobility, communication, or self-care. Further, during this period, a significant portion of customer services previously funded through this line item were funded through the Rehabilitation Programs - Local Match line item, using a portion of the federal match received from programs in which cash and cash exempt sources provide the match for federal funds

Beginning in the last quarter of FY 2005-06, General Fund support for the Division that had been cut associated with revenue shortfalls was fully restored and additional funding was provided. **A total of $5.8 million , including $1.2 million General Fund was cut from this line item in FY 2004-05; an annualized amount of $8,450,704, including $1,800,000 General Fund was restored and added for FY 2006-07**. Associated with this, restrictions requiring the Division to serve only those with more significant disabilities were removed, and the Division has been opening additional offices statewide.

During FY 2005-06, the program had an active caseload of 19,262, and 2,151 persons had successful closures, defined as employment for 90 days or more. Of applicants who are determined eligible for services and develop an employment plan, approximately 63.8 percent achieve successful employment.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2006-07 Request	FY 2006-07 Recommendation
Counselors/Therapists	119.9	152.4	152.4	152.4
Administration/Support	62.7	72.3	72.3	72.3
Total	182.6	224.7	224.7	224.7

In total, staff recommends $23,753,409, including $5,046,307 General Fund, and 224.7 FTE, for this line item. The amount includes the adjustments reflected below.

	Request		Recommend	
	Amount	FTE	Amount	FTE
FY 2006-07 Long Bill	$23,459,836	224.7	$23,459,836	224.7
Salary survey	270,268	0.0	270,268	0.0
Common policy personal services reduction	(24,605)	0.0	(63,697)	0.0
Medical inflation	0	0.0	16,056	0.0
Community provider cost of living adjustment	47,910	0.0	39,907	0.0
Total	$23,753,409	224.7	$23,722,370	224.7

The estimated break-down of the appropriation by spending category is reflected in the table below. Fund splits for this line item are based on a 21.3 percent General Fund/ 78.7 percent federal fund match rate for DVR federal funds, with the exception of in-service training, most of which is funded at 10.0 percent General Fund/ 90.0 percent federal funds.

	Request	Recommend	GF Percent
Personal Services	$12,677,904	$12,638,807	21.3%
Operating Expenses	1,249,163	1,249,164	21.3%
In-service Training	61,330	61,332	10.0%
Customer Services	2,443,428	2,451,482	21.3%
Purchase of Services	7,321,584	7,321,585	21.3%
Total	$23,753,409	$23,722,370	

The differences between the request and recommendation are reviewed below.

Common Policy Differences

- Per Committee common policy, staff included a 0.5 percent personal services reduction; the Department's request reflects a 0.2 percent reduction.

- Pursuant to common policy, the staff recommendation includes an inflationary increase for medical-related object codes at the rate of 2.0 percent on a base of $802,813. No inflationary increase was requested by the Executive.

- The staff recommendation reflects the 2.0 percent common policy community provider cost of living adjustment applied to a base of $1,995,348. This figure reflects a portion of the line item used to purchase services for customers (object codes 2820 - other purchased services; and 4193 - care and subsistence client benefits). These object codes include costs associated with medical evaluations; evaluations of mental, emotional and cognitive conditions; non-medical assessments such as vocational assessments, physical and mental restoration services, training services, such as work adjustment services, academic training, vocational training, supportive services, such as transportation and personal assistance, and payments for interpreters, readers, and assistive technology, and payments to public institutions such as public colleges, community colleges, and vocational and trade schools. The Department appears to have used a higher base on which the 2.0 percent increase was calculated.

There is no overlap between the portions of the line item receiving community provider, medical inflation, and personal services common policy increases.

Rehabilitation Programs - Local Match

The major activities of this program are to work with disabled individuals to obtain services that help the client gain and maintain employment. All of the required match for federal funds in this line item is obtained from local sources, including: donations, funds from local governments interested in extending vocational rehabilitation services to qualified participants in the Temporary Assistance to Needy Families (TANF) program, and school districts participating in the School-to-Work Alliance Program (SWAP) program. In the SWAP program, school districts provide the required match for federal funds and in return receive a 1:1 match on their original contribution ($2.00 of funding back for every $1.00 they contribute). These funds are used to provide job development, on-the-job training, and job-site support to students with disabilities. Additional federal funds received by the Division in excess of the federal funding provided to the school district ($2.69, based on the 21.3 percent non-federal to 78.7 percent federal match) are used to support other core vocational rehabilitation services. The program operates in 150 (85 percent) of the state's 178 school districts and expects to serve 2,366 students during FY 2006-07. The Division expects approximately 50 percent of those served to have successful employment outcomes (stable employment for 90 days or more).

In addition, this line item includes funds from other state and local agencies that have contracts with the Division to provide services to their clients. This includes contracts with community colleges an the Department's Mental Health Services section, among others. In these two examples, community college funds and General Fund transferred from Mental Health Services provide the match for federal vocational rehabilitation dollars.

Similar to the Rehabilitation Programs- General Fund Match line item, state and local funds cover 21.3 percent of the cost of services in return for the federal vocational rehabilitation dollars. As a result of changes made in FY 2004-05, virtually all of the non-federal match in this line item is cash funds exempt. The majority of this (87 percent) is funding from school districts that is reflected in the state accounting system as a transfer from the Department of Education. All appropriation changes reflected below are based on a match of 21.3 percent cash funds exempt to 78.7 percent federal funds.

Note that, in recent years, the Department has not been able to draw down the full federal rehabilitation grant available. This is partly due to having insufficient matching funds and in part due to not being able to spend the funds available on a timely basis. The Division's award was reduced by $5.0 million in FFY 2002, $5.0 million in FFY 2003, $4.0 million in FFY 2004, and $3.7 million in FFY 2005. The award for FFY 2006 also appears to have been reduced by $1.6 million. The current federal estimate for 2007 is $34,105,069. The Department has indicated it hopes to fully expend the FFY 2007 allocation and may have access to federal funding above the initial award level, if required.

Staffing Summary	**FY 2005-06 Actual**	**FY 2006-07 Appropriation**	**FY 2007-08 Request**	**FY 2007-08 Recommendation**
Counselors/Therapists	10.4	16.0	16.0	16.0
Administration/Support	0.6	2.0	2.0	2.0
Budget Amendment GBA 3	n/a	n/a	9.0	9.0
Total	11.0	18.0	27.0	27.0

The request and recommendation are compared in the table below.

	Request		Recommend	
	Amount	FTE	Amount	FTE
FY 2006-07 Long Bill appropriation	$22,944,652	9.0	$22,944,652	9.0
Supplemental/Budget Amendment 12 (Migrant Workers)	200,000	0.0	200,000	0.0

	Request		Recommend	
	Amount	FTE	Amount	FTE
Base FY 2006-07 Appropriation	23,144,652	9.0	23,144,652	9.0
Salary Survey	13,548	0.0	13,548	0.0
Common policy personal services reduction	(1,806)	0.0	(4,615)	0.0
Medical Inflation	0	0.0	55,309	0.0
Community provider cost of living adjustment	400,706	0.0	317,750	0.0
Annualize FY 07 DI #8B (DDD/DVR Pilot Project)	(44,290)	0.0	(44,290)	0.0
Annualize FY 07 BA 10B (DVR/Denver Homeless Pilot)	(5,175)	0.0	(5,175)	0.0
Annualize FY 07 DI #8 (order of selection waiting list)	(6,010)	0.0	(6,010)	0.0
GBA #3 - Disability Navigator/VR programs	1,351,076	9.0	1,180,000	9.0
Total	$24,852,701	18.0	$24,651,169	18.0

The table below provides a break-down of the primary components of the request and recommendation. Note that the customer services identified reflect, in significant part, customer service expenditures for all vocational rehabilitation services clients and not just clients who are served directly through cash-funded programs like the SWAP program.

	Request	Recommend
Personal Services	$1,816,759	$1,849,427
Operating Expenses	2,399,919	2,193,370
Customer Services	20,636,023	20,608,372
Total	24,852,701	24,651,169

The staff recommendation and Department request are reviewed below.

Supplemental/Budget Amendment #12 (Migrant and Seasonal Workers)

The request and recommendation reflect the continuation of FY 2006-07 Supplemental #12 for FY 2007-08. The Division receives a 90 percent federal match rate for this program to target migrant and seasonal workers for vocational rehabilitation programs. Although the Division had received this federal funding in the past, another organization was providing the matching funds. As this organization can no longer provide the match, the Division has proposed to spend down some of its CFE deferred revenue for the match and thus to serve DVR clients in many parts of the state who would otherwise be unserved.

Common Policy Differences

- The staff recommendation includes the 0.5 percent Committee common policy reduction, while the Department's calculation includes a 0.2 percent personal services reduction.

- Pursuant to common policy, the staff recommendation includes an inflationary increase for medical-related object codes at the rate of 2.0 percent on a base of $2,765,455. The Executive request included a 5.0 percent medical inflationary increase as part of Decision Item #21/GBA #3.

- The staff recommendation reflects the 2.0 percent common policy community provider cost of living adjustment applied to a base of $15,887,470,. This figure reflects a portion of the line item used to purchase services for customers (object codes 2820 - other purchased services; and 4193 - client benefits). These object codes include costs associated with medical evaluations; evaluations of mental, emotional and cognitive conditions; non-medical assessments such as vocational assessments, physical and mental restoration services, training services, such as work adjustment services, academic training, vocational training, supportive services, such as transportation and personal assistance, and payments for interpreters, readers, and assistive technology, and payments to public institutions such as public colleges, community colleges, and vocational and trade schools. The Department appears to have used a higher base on which the 2.0 percent increase was calculated.

There is no overlap between the portions of the line item receiving community provider, medical inflation, and personal services common policy increases.

Annualization of Prior Year Decision Items

The request and recommendation both reflect the annualization of three decision item funded in FY 2006-07. This includes (1) funding for a pilot program with the Division of Developmental Disabilities that places vocational rehabilitation staff at six community centered boards; (2) funding for a pilot collaboration with the City and County of Denver's Homeless Project to target qualified members of the homeless population for vocational rehabilitation services; and (3) funding to eliminate the Division's waiting list for vocational rehabilitation services. In all cases annualization is tied to eliminating first-year one-time operating expense appropriations.

Decision Item #21/GBA #3 (replacing DI #21)

The Division of Vocational Rehabilitation is requesting a transfer of 9.0 FTE from the Department of Local Affairs in order to maintain the Disability Program Navigator Program in Colorado. This request is necessary due to an unforeseen circumstances. The program has twenty positions that are located throughout the State and are housed in workforce centers. Their role is to act as facilitatators to ensure collaboration and coordination between Workforce Center staff and DVR staff and to ensure people with disabilities have effective access to Workforce Center services. The program was funded as a pilot project initially, and for the last six years as a full-scale project by the U.S. Department of Labor partially int eh Department of Local Affairs (DOLA) and partially in counties. At present the U.S. Department of Labor does not have sufficient funding to continue funding Colorado. A transfer of the FTE from DOLA to the Department of Human Services and using the Rehabilitation Programs-Local Funds Match line item matched with federal vocational rehabilitation funds would provide continued funding for disability program navigators. The Division would manage this program and would provide local match from other sources to continue these programs at the Workforce Centers in DVR in the future.

In addition, the Division is requesting an increase in spending authority in order to use available local fund cash funds exempt dollars that currently exist as deferred revenue and the matching federal vocational rehabilitation funds for the establishment and expansion of VR program services. This includes several proposed increases, reflected in the table below. The community and employer outreach component of the request is to create professional education and outreach materials, including brochures, DVDs, website materials, brochures and presentations that can be used by DVR staff to publicize the services DVR has available. The Assistive Technology initiative is to help develop centers for assistive technology that will provide reduced costs assessments, training and assistive technology loans to persons with disabilities in rural southern and southeastern Colorado. The Vocational assessments component of the request is to develop the ability of the Division to once again perform vocational assessments in-house. The Division's capacity in this area was eliminated due to past budget cuts.

The request includes the following components:

GBA 3 - Disability Navigators (Replaces DI #21) - Department Request	Total Funds (CFE + FF)	CFE Portion
Disability Navigators transferred from DOLA		
Rehabilitation Counselors (9.0 FTE) at $48,880 per year inc. PERA & Medicare	$439,920	$93,703
Eleven County Employee contracts at $37,000 per year	407,990	86,902
Administrative support	17,310	3,687
DVR Workforce Investment Act reporting (not eligible for federal match)	50,000	50,000
Part-time supervision (FTE absorbed by DVR)	35,780	7,621
Subtotal	951,000	241,913
Improve community and employer outreach and education	200,000	42,600
Expand accessibility, training and evaluation of assistive technology	24,000	5,112

GBA 3 - Disability Navigators (Replaces DI #21) - Department Request	Total Funds (CFE + FF)	CFE Portion
Establish ability to perform vocational assessments in house (equipment/services)	25,000	5,325
Increase vendor fees (5% medical)	151,076	32,179
Request Total	$1,351,076	$327,129

Staff Recommendation: Staff recommends the request with modifications to (1) align the increase for DVR with the decrease in the Department of Local Affairs for the Disability Program Navigators; and (2) (a $20,000 difference); and eliminate the proposed vendor fee increase, given that a 2.0 percent increase is already included in the staff recommendation pursuant to JBC common policy and that this would be an ongoing–rather than a one-time cost.

The basis for the staff recommendation is reviewed below.

<u>Disability Navigator Program</u>

The Department has indicated that the disability navigator program started as a pilot in Colorado. The program was so successful, that federal authorities have expanded the program nationwide. Colorado staff in several departments indicate that the program has been critical to providing effective access to Workforce Center services for individuals with disabilities. The concept is generally that the navigators will assist both workforce center staff and clients to ensure that individuals with disabilities receive appropriate and effective employment services from the Workforce Centers. To the extent an individual has specific needs for additional training or assistance to become employable, the Navigators can help the individual to access vocational rehabilitation services.

Staff is troubled by the fact that this represents a program which was initially federally-funded and which is effectively being transferred to the state through federal de-funding. According to the Division, federal authorities funded the program from its inception in 1999; however, as they wish to bring the program to other states, they have de-funded the states originally supported, including Colorado. Nonetheless, it is true that, to the extent the Division of Vocational Rehabilitation is used to support the program, the majority of funding will continue to be federal, in light of the high federal match rate available for the Division.

The program was initially housed in the Colorado Department of Labor; however when its indirect cost requirements were deemed too high, the Department of Local Affairs housed the program for the final year of federal support. The elimination of federal funding was not expected, and, as a result, the agencies involved in this program–Vocational Rehabilitation, the Department of Labor, and the Department of Local Affairs-- have scrambled to find a means to support the program on short-notice.

Associated with this, the Division of Vocational Rehabilitation has agreed to house the program, pending approval from the General Assembly. According to the Division, it has committed to provide the match for the federal vocational rehabilitation dollars for the first year of the program. The Department of Local Affairs and Labor have reportedly agreed to arrange for the matching dollars after FY 2007-08. A longer term funding source is important, as the source of match proposed in this decision item represents one-time funds (deferred revenue) that is expected to be entirely exhausted within approximately five years.

<u>Other components of the Request</u>

Many other components of the request, that were originally included in Decision Item #21 have been greatly reduced to accommodate the funding required for the Disability Navigator position. **Overall, these items appear to reflect reasonable proposals for use of vocational rehabilitation funds.** The Department has emphasized that items included in this request reflect short-term efforts to improve VR services, given the one-time nature of deferred revenue funds. The exception to this appears to be the request related to medical inflation for vendor fees. **Given that an inflationary adjustment appears to be an ongoing cost and that the JBC has already approved a Medical inflationary increase of 2.0 percent, staff has not recommended this component of the request**.

<u>Deferred Revenue</u>

The source of funding for this decision item is discussed in more detail below. However, staff notes that the deferred revenue does reflect the fruit of the Division of Vocational Rehabilitation's efforts to develop alternatives to General Fund support. Staff believes it is appropriate for the Division to benefit from these efforts although, as discussed below, staff also believes the General Assembly could choose to use some of these funds to offset General Fund otherwise required for the Division.

<u>Overall staff recommendation</u>

The components of the staff recommendation are reflected in the table below. As discussed above, staff recommends the request with minor adjustments.

GBA 3 - Disability Navigators (Replaces DI #21) - Staff Recommendation	Total Funds (CFE + FF)	CFE Portion
Disability Navigators transferred from DOLA		
Rehabilitation Counselors (9.0 FTE) at $48,880 per year inc. PERA & Medicare	$439,920	$93,703
Eleven County Employee contracts at $37,000 per year	407,990	86,902
Administrative support	17,310	3,687
DVR Workforce Investment Act reporting (not eligible for federal match)	50,000	50,000
Part-time supervision (FTE absorbed by DVR)	**<u>15,780</u>**	**<u>3,361</u>**

GBA 3 - Disability Navigators (Replaces DI #21) - Staff Recommendation	Total Funds (CFE + FF)	CFE Portion
Subtotal	931,000	237,653
Improve community and employer outreach and education	200,000	42,600
Expand accessibility, training and evaluation of assistive technology	24,000	5,112
Establish ability to perform vocational assessments in house (equipment/services)	25,000	5,325
Increase vendor fees (5% medical)	**0**	**0**
Recommendation Total	$1,180,000	$290,690

Deferred Revenue - Committee Options

As discussed in the staff budget briefing, **as of the close of FY 2005-06, a total of $1,685,154 in deferred cash and cash exempt revenue remained on the Division of Vocational Rehabilitation's books**. The majority of revenue reflects receipts from the Department of Education on behalf of school districts for the School to Work Alliance Program. The funds represent local match that will be recognized as revenue and can be spent (with a federal match 78.7 percent federal/21.3 percent local funds or better) if spending authority is provided by the General Assembly.

<u>Use of Deferred Revenue to Offset General Fund with Permanent Deferred Revenue Reduction</u>

While a portion of these moneys could be spent in FY 2006-07 based on current spending authority and an additional $20,000 added through a supplemental, that is not the case for most of the funds. The Department's Decision Item #21/SBA #3 would increase spending from this source by $287,779 in FY 2007-08. If the Department continues to spend-down its deferred revenue at a similar rate (and does not accumulate additional deferred revenue), it will spend down the deferred revenue funds over approximately 5.5 years. The Department has indicated its intention to submit annual decision items to use these moneys until fully expended. **Thus, the amounts reflected in the current decision item are treated as one-time only, with the expectation that the Department will request additional years of any multi-year projects separately for each year**. The Department's Footnote 72 discussion indicates plans for a total of $550,118 in projects, including the Disability Navigator proposal. Staff assumes that those items of the $550,000 not included in this year's request will appear next year; **however, the footnote report, overall, seems to indicate that the Department has not yet identified uses for $1.1 million of the deferred revenue**.

Even after funding the current Decision Item, the Committee could choose to refinance up to $1.0 million in FY 2007-08 of base General Fund in the Division with deferred revenue. These are one-time moneys, that would need to be restored as General Fund in FY 2008-09 if the Committee chooses this option.

To understand the origin of the deferred revenue, it is important to note two facts:

- The Department often only promises to provide local agencies with a 1:1 match, even though the Department receives federal reimbursement at the rate of 78.7 percent on all qualifying expenditures, *i.e.*, the Department receives federal VR match of $3.69 for every $1 of local match it receives. For the SWAP program, for example, it provides the local agency with $1 of the federal funds and retains the balance of $2.69 federal funds to spend both on activities that support the local match program and on "core" vocational rehabilitation programs. Thus, the Department may completely fulfill its contractual agreement with a local agency without having expended all of the funds it has received associated with the local match.

- The Department is only able to draw down federal financial participation based on actual expenditures for qualifying services. Even when the Department has fully met its obligations to local contracting agencies, it has not always been able to identify sufficient additional"core" services on which to expend the balance of funds before the end of the year. Since it is unable to draw down the federal funds in the absence of expenditure, a significant portion of local match revenue has gone into a "deferred revenue" account.

The table below demonstrates the process.

	Potential revenue, based on local contribution of $1 (A)	Amount to be returned to local agency in funds/services (B)	Balance retained by VR for use on related and "core" VR services (C)	Deferred revenue if funds in (C) are not expended (D)
Local agency (CF/CFE)	$1.00	$0.42	$0.58	$0.58
Federal funds	$3.69	$1.58	$2.11	Pending
Total	$4.69	$2.00	$2.69	**$0.58**

Deferred revenue of $1.0 to $1.2 million could be used on a one-time basis to substitute for General Fund appropriations in the Vocational Rehabilitation Budget. As reflected in the Department's hearing response, it does not support such action, because it would prefer to spend the funds on additional expansion of Vocational Rehabilitation Services. It believes this would be more appropriate given the source of the funds and would offer benefits to Vocational Rehabilitation clients. *Staff has not included such an adjustment in the staff recommendation; however, given General Fund increases for Vocational Rehabilitation services of $1.8 million General Fund ($8.45 million total funds) in FY 2006-07, staff does not believe a one-time reduction in FY 2007-08 (or a smaller reduction spread over a number of years) would be unreasonable.*

Other Adjustments to Save General Fund that do not Permanently Reduce Deferred Revenue

The Department has indicated that due to the time required to ramp up its programs in FY 2006-07 (associated with the substantial increases provided beginning in FY 2005-06*)*, it expects to revert $325,427 General Fund and matching $1,202,398 federal funds from the Rehabilitation Programs - General Fund match line item in FY 2006-07. Staff believes the Committee has several options related to this:

- The Committee could leave the appropriation as-is, and allow the FY 2006-07 reversion to become available for HUTF and capital construction funding.

- It could choose to reduce the FY 2006-07 General Fund and federal funds appropriation in the Rehabilitation Programs - General Fund Match line item, thus freeing-up FY 2006-07 General Fund for reallocation in FY 2006-07.

- It could reduce the FY 2006-07 Rehabilitation Programs- *Local Match* line item, thus effectively instructing the Department to fully expend the FY 2006-07 Rehabilitation Programs - General Fund Match line item. This, in turn, would drive additional deferred revenue in FY 2006-07. This deferred revenue would then be available in FY 2007-08 and could be used to offset General Fund otherwise required. As the deferred revenue expenditures are not subject to the six percent limit, this would effectively provide the Committee the opportunity to spend an additional $325,000 General Fund under the six percent limit *for FY 2007-08.* Note, however, that this would be one-time, and the General Fund would need to be restored for FY 2008-09.

Given the limited amount of money involved, and uncertainty about the Committee's overall General Fund picture for FY 2006-07 and FY 2007-08, staff has not recommended any supplemental adjustment at this time; however, staff wished the Committee to be aware of these options.

Total Line Item Funding Recommended by Staff

The Department has indicated that, including all of the specific staffing and funding increases requested above, it expects to be able to obtain *and spend* local match funds totaling **$4.8 million** in FY 2006-07. Based on this, staff is recommending targeting overall expenditures in this line item at this level. To balance to this figure requires (1) annualization of Supplemental #13 ($226,692), as requested by the Department plus an additional $299,186. The table below reflects the anticipated sources of revenue for this entire line item and the change from the FY 2005-06 appropriation.

	FY 2006-07 Appropriation	FY 2007-08 Recommend	Change
Revenue Sources			

	FY 2006-07 Appropriation	FY 2007-08 Recommend	Change
Cash Funds Exempt Sources			
Revenue from other State entities			
Community Colleges and universities	$256,322	$256,322	$0
Dept. of Education - School to Work Alliance (SWAP)	4,168,849	4,238,399	69,550
Revenue within DHS			
Mental Health - Customer Services Expenditures	225,787	225,787	0
Mental Health - Goebel	43,820	43,820	0
Division for Developmental Disabilities Pilot	$100,000	$100,000	$0
Other - Deferred Revenue	$20,000	$310,690	$290,690
Subtotal - Cash Funds Exempt	**$4,814,778**	**$5,175,018**	**$360,240**
Cash Funds Sources			0
Counties	$67,432	$67,432	$0
Denver Homelessness Pilot	25,000	25,000	0
Subtotal -Cash Funds	**$92,432**	$92,432	**$0**
Cash Funds/Cash Funds Exempt Total	**$4,907,210**	$5,267,450	**$360,240**
Federal Funds	**$18,237,442**	$19,383,719	**$1,146,277**
Total Local Match line item	**$23,144,652**	$24,651,169	**$1,506,517**

Business Enterprise Program for the Blind

The Business Enterprise Program assists blind or visually-impaired individuals in operating vending and food service businesses in approximately 45 state and federal buildings. There are no General Fund dollars associated with this program. In addition to federal funds, money from the Business Enterprise Cash Fund (vendor assessments) supports the program. The program is the result of the federal Randolph-Sheppard Vending Facility Program (34 C.F.R. 395.3 (11) (iv), and associated state law at Section 26-8.5-100, C.R.S., which give priority to blind and visually impaired individuals who wish to operate and manage food and vending services in federal and state government office buildings and facilities. The program is responsible for initial merchandise and supply inventory, purchasing and maintaining equipment, and providing technical support to vendors. After initial set-up is established, managers operate the facility with revenue from food sales. All operators pay a certain percentage of their profits (up to 13 percent) to support the program. These assessments are deposited into the Business Enterprise Cash Fund that, in combination with matching federal funds, support equipment maintenance and repair, operator benefits (i.e., health insurance, IRA, vacation pay, etc.), and site improvement and new development. The federal government matches most expenditures associated with the program at a 78.7 percent rate.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Program Administration	3.2	6.0	6.0	6.0

The request and recommendation are summarized in the table below

	Request		Recommend	
	Amount	**FTE**	**Amount**	**FTE**
FY 2006-07 Long Bill	$1,771,875	6.0	$1,771,875	6.0
Salary survey	8,025	0.0	8,025	0.0
Common policy personal services reduction	(794)	0.0	(2,302)	0.0
Annualize FY 2006-07 Decision Item #20	(852,005)	0.0	(852,005)	0.0
FY 2007-08 Decision Item #20	1,047,322	0.0	1,047,322	0.0
Total	$1,974,423	6.0	$1,972,915	6.0

As reflected in the table, staff recommends $1,972,915, including $140,128 cash funds, 279,402 cash funds exempt and $1,553,385 federal funds. The recommendation includes $458,121 for personal services, $467,472 for operating expenses, and $1,047,322 for projects. As reflected in the table, the differences between the staff recommendation and department request include minor differences in common policy personal services calculations.

Annualization FY 2006-07 Decision Item #20

The request and recommendation reflect annualization of this decision item which included $849,000 for one-time project costs and funding for 1.0 FTE. Project costs, as well as one-time operating expense amounts associated with the FTE are annualized in FY 2007-08.

FY 2007-08 Decision Item #20 - Business Enterprise Program Expansion

The Department has requested $1,047,322 for this decision item to use available cash fund exempt dollars from reserve and matching federal vocational rehabilitation funds. The request reflects one-time costs associated with site improvements shown in the table below.

The Business Enterprise Program (BEP) has unrestricted fund balance dollars available to replace outdated equipment, upgrade and improve sites, develop new sites, enhance income potential at individual locations, initiate a comprehensive training program, and obtain new vending/cafeteria equipment.

The Committee of Licensed Blind Business Managers, that oversees this program per federal requirements, assume that they will either make more money or more operators will be able to benefit from investment in this program if the program is expanded as requested. Based on a historical analysis, the Department indicates that a $50,000 investment in a site yields an annual return of $42,000 per year, making the annual return on investment 84 percent of the investment and the two year return on investment 168 percent of the initial investment. The related return on investment specifically to the BEP program (i.e., the vendor assessments) is $25,639 in the first year, and the investment is entirely recouped by the second year. **Based on this, the Department would project an increase in the cash revenue associated with this program of $537,046 per year associated with the $1,047,322 investment**.

Site Improvement Costs

The Department indicates that the program, along with the Committee of Licensed Blind Business Managers, which represents the 25 licensed managers in this program, has established a strategic plan that identifies priorities for the development of new sites and improvement of existing sites. Proposed improvements for FY 2007-08 include equipment replacement, remodeling and site improvements, and site expansion, as reflected in the table below. As shown, the table does not add to the amount in the request; staff assumes, however, that total expenditures would not exceed the decision item amount and this list, which is in any event preliminary, would be adjusted accordingly

Location	Amount	Project
Northcom Cafeteria	$71,630	Equipment update, build out
New Customs Convenience	27,819	Equipment update, paint
Byron Rogers Convenience	27,030	Equipment update
General Mail Facility - CO Springs	57,691	Equipment replacement
Pueblo Hospital	84,332	Equipment replacement, remodel
Aerospace Data Facility	112,000	Build out training cafeteria
Centralized Integrated Services Facility	80,110	Install equipment to increase menu
National American Aerospace Defense	5,000	Update counters
Space Command	5,200	Update counters
Tricare Management Assoc.	15,210	New counters, equipment

Location	Amount	Project
State Rest Areas	493,000	Build up state rest area vending route
Program Operated	65,300	Program facilities
National Oceanic and Atmospheric Admin	30,000	Equipment and infrastructure replace
National Business Center	25,000	Equipment update
CO Health Department	45,000	Equipment replace and remodel
TOTAL	**$1,144,322**	
"Excess" projects on list	**($97,000)**	
Total	**$1,047,322**	

The Department's request indicates that the costs will be funded through cash fund exempt reserves and federal matching funds. The Department projects $506,730 cash funds exempt in unrestricted reserves as of June 30, 2007–sufficient to cover the $233,080 cash funds exempt required for the non-federal portion of this request.

Staff Recommendation: Staff recommends the request as presented. Statute at Section 26-8.5-102, C.R.S., specifically provides priority status for blind vendors at state buildings at specifies that the purpose is "to enlarge the economic opportunities of blind persons...". Further, statute at Section 26-8.5-103 requires that all state buildings constructed or leased that are new or undergo renovation must include a satisfactory site for the location and operation of a vending facility by a blind person, based on consultation with the Department. **Given the specific statutory support for this program, it seems reasonable to allow the program to expand to meet the needs of program participants**.

All funding associated with this request is cash funds exempt reserves and federal funds. The cash funds exempt, as noted, are derived from percentage assessments on vendor profits. **Although the request is correctly framed as cash funds exempt from reserves, it should be noted that, if this program expands, it is reasonable to anticipate that, in the near future, the cash funds revenues associated with the program will increase** . **As reflected in the Department's analysis above, it would anticipate an increase of $537,046 cash funds per year in assessments associated with this request. Even if this estimate is over-stated, some increase should be anticipated in future years.** The FY 2006-07 appropriation for this line item and the associated Program Operated Stands line item includes $380,495 in cash funds. Actual cash and cash exempt expenditures were $455,969 in these two line items in FY 2005-06. The FY 2006-07 cash and cash exempt appropriation (including a one-time increase similar to this year's request) includes $854,703 cash and cash funds exempt. The current request for FY 2007-08 includes a further increase to $897,840 cash and cash funds exempt. *In light of the current TABOR "holiday", this additional cash revenue will not have a negative impact on the state's ability to spend General Fund; however, in future years further expansion of this program could be problematic.*

Related to staff's concern about the fund balance for this program last year, staff previously requested the Department to explore whether vendor fees to the program could be reduced, thus reducing cash revenues to the State. The current fee level is set, based on a graduated scale, at up to thirteen percent of monthly operator profit. Any change to assessments must be approved by the Committee of Licensed Blind Business Managers of Colorado, must go through the state rule promulgation process, and must then be approved by the federal Rehabilitation Services Administration. **The Department explored reducing assessments with the Committee of Licensed Blind Business Managers who indicated that they wished to use the assessments to expand the program, and did not wish to have assessments reduced**.

<u>Business Enterprise Program - Program Operated Stands, Repair Costs, and Operator Benefits</u>

This is the second of two line items associated with the Business Enterprise Program. These funds are primarily used for remodeling and improving the vending and food service projects run by the Business Enterprise Program when there is no operator presently assigned to the site. The Department also directly administers Business Enterprise Program vending and food service establishments in the period between the departure of one blind vendor and the assumption of a vending stand by another. There are no General Fund dollars associated with this program. In addition to federal funds, revenues from operation of the vending stands and payments by vendors supports the program. The Department indicates that the current line item includes: expenditures for costs associated with temporary state operation of vending facilities when a vendor leaves the program; equipment maintenance and repair; and payments to operators to support their health insurance, IRA contributions, and vacation pay (operators are not state employees). The leasehold improvements portion of expenditures are eligible for federal match at the rate of 78.7 percent; other costs in this line item are not. The Department notes that expenses and revenues in this program are highly unpredictable, as they are dependent upon whether one or more operators abandon sites during the year.

The Department has requested, and staff recommends, continued funding of this line item at the present level of $659,000. Although staff does not anticipate that there will be sufficient reserve funds to support spending at this level in FY 2007-08, it seems reasonable to keep the appropriation stable, as such reserves may be available in future years.

<u>Independent Living Centers and State Independent Living Council</u>

Independent living grants help train and assist disabled individuals to live and function outside of an institution. The grantee provides the cash funds exempt portion of the match for the federal dollars. In FY 1997-98, the General Assembly added a General Fund grants program to this line. These General Fund grants have historically been equally distributed among the State's ten independent living centers. In FY 2005-06 a portion of the General Fund allocated to this line item was moved to a new Independent Living Centers - Vocational Rehabilitation Program line item to allow independent living centers to draw down federal financial participation for qualifying expenditures.

Beginning in the last quarter of FY 2005-06 the General Assembly substantially increased General Fund support for the independent living centers. When annualized in FY 2006-07, the increase totaled $1.0 million General Fund.

The Department requested $1,723,780, including a community provider cost of living adjustment. Staff **recommends a total of $1,723,800 including an increase of $24,996 General Fund for the provision of a 2.0 percent community provider cost of living adjustment to the General Fund portion of the line item. The total recommendation includes $1,274,774 General Fund, consistent with the request and common policy.** Based on discussion with the Department, no cost of living increase has been applied to federal or cash exempt amounts, as no increases in federal funds is anticipated, and local funds are shown simply to reflect the 10 percent local match for federal funds that would be required if General Fund match were not available.

<u>Independent Living Centers - Vocational Rehabilitation Program</u>

This line item was created in FY 2005-06 to enable the states' ten certified independent living centers (ILCs) to reallocate some of the General Fund they receive to become vocational rehabilitation providers and thus to draw down additional federal matching funds. The program is optional for the ILCs. Those that choose to participate offer vocational rehabilitation services such as personal adjustment training, job seeking skills, on-the-job training opportunities, job coaching, and work adjustment training, in addition to the "core" independent living services they already provide (such as assistance in locating housing and disability advocacy) . The Department reports that for fiscal year 2006-07, eight of the ten certified ILCs opted to participate in this new program (all except Durango and Grand Junction). As for the program's first year, each contract is for $40,000, for a program total of $320,000. Each ILC agreed to have $10,000 of their share of appropriated General Fund matched with $30,000 of federal vocational rehabilitation dollars. The Department reports that there are no major concerns about this initiative. For FY 2007-08, the Department has requested an increase in the line item for the 2.0 community provider cost of living adjustment. **The staff recommendation for $463,884, including $96,870 General Fund, includes the 2.0 percent common policy community provider cost of living adjustment**. Staff also recommends **<u>continuation</u>** of a footnote authorizing transfer of funds between this line item and the main independent living center line item, as reviewed under the footnote recommendations..

<u>Appointment of Legal Interpreters for the Hearing Impaired</u>

This line item funded legal interpreters for hearing impaired individuals involved with criminal cases and police actions. Pursuant to Senate Bill 06-61, Concerning Providing Interpretation in Legal Situations for Persons with Hearing Loss (Keller/Larson), funding and functions associated with this program have become part of the duties of the Colorado Commission on the Deaf and Hard of Hearing. As a result, this line item is eliminated.

Colorado Commission for the Deaf and Hard of Hearing

Created through new legislation in FY 2000-01, the Commission is responsible for facilitating the provision of general government services to the deaf and hard of hearing. Funding initially came from the Colorado Commission for the Deaf and Hard of Hearing Cash Fund (CDHHF) which obtains funds from gifts, grants, and donations and transfers from the Colorado Disabled Telephone Users Fund (DTUF). (The DTUF receives revenue through fees on telephone exchange companies for telecommunications relay services for persons with disabilities.) Subsequently, H.B. 02-1180 required the Commission to establish a telecommunications equipment distribution program. Both the initial implementing legislation and H.B. 02-1180 provided for one-time funds transfers from the DTUF to the CDHHF. These one-time transfers, plus an additional $25,000 per year statutorily transferred from the DTUF to the CDHHF, sustained the Commission through FY 2005-06.

During the 2006 legislative session, statutory changes were made to the program. Senate Bill 06-61 transferred authority for overseeing provision of legal interpreters for the hearing impaired from the Division of Vocational Rehabilitation to the Colorado Commission for the Deaf and Hard of Hearing. Associated with this, $245,5556 and 0.5 FTE, including $48,274 General Fund and $197,282 cash funds from the DTUF, was added to this line item for FY 2006-07. In addition, Senate Bill 06-218 provided for annual appropriation by the General Assembly from the DTUF to the CDHF in lieu of the previous annual transfer of $25,000 from the DTUF to the CDHHF. This created the option for additional spending from the DTUF to support the Commission, at the discretion of the General Assembly. As reflected in the fiscal note for S.B. 06-218, staff anticipated that CDHHF reserves plus continuation of the annual $25,000 from the DTUF would maintain Commission programs through FY 2006-07, but that additional appropriations from the DTUF would be required beginning in FY 2007-08 to support FTE and basic Commission functions at FY 2006-07 levels.

The Department request and staff recommendation for the Commission line item are reflected n the table below. This reflects both corrections to the Department's initial budget submission and the impact of Stand Alone Budget Amendment #2 (Ongoing funding from PUC for CCDHH).

	Request		Recommend	
	Amount	FTE	Amount	FTE
FY 2006-07 Long Bill + S.B. 06-61	$618,777	1.5	$618,777	1.5
Salary Survey	2,222	0.0	2,222	0.0
Community Provider COLA	1,289	0.0	1,289	0.0
Reduce for fund balance not available	(308,750)	(1.0)	(283,750)	(1.0)
Annualize S.B. 06-61	103,731	0.0	120,861	0.3
SBA - 2 (Commission for the Deaf)	381,000	0.0	316,489	1.5
Total	798,269	0.5	775,888	2.3

Colorado Commission on the Deaf and Hard of Hearing Expenditures					
	FY 2004-05 Actual*	**FY 2005-06 Actual***	**FY 2006-07 Appropriation**	**FY 2007-08 Request**	**FY 2007-08 Recommend**
Commission "Traditional" Duties					
Administration[1]	$119,447	$109,234	$122,000	$125,000	$115,000
FTE	1.0	1.0	1.0	0**	1.5
Telecom. Equipment Grants	200,765	232,300	176,000	256,000	230,000
Indirect Costs			10,748		
Subtotal	**$320,212**	**$341,534**	**$308,748**	**$381,000**	**$345,000**
Commission Legal Interpreter Duties per S.B. 06-61					
Personal Services			$27,085	$23,498	$40,628
FTE			0.5	0.5	0.8
Operating Expenses			3,102	1,960	1,960
Contract Services (Interpreters)			269,440	377,900	377,900
Web Information System - Development and Maintenance			10,400	10,400	10,400
Subtotal			$310,027	$413,758	$430,888
Grand Total			**$618,775**	**$794,758**	**$775,888**

*Based on decision item administrative dollars reported and schedule 3 totals.

**Department error; intended to reflect 1.0 FTE

Key differences between the request and recommendation are discussed below.

Salary Survey and Community Provider COLA

The recommendation includes the requested cash funds exempt salary survey increase and 2.0 percent General Fund community provider cost of living increase calculated on the base General Fund for legal interpreters for the hearing impaired that was transferred to this new line item pursuant to S.B. 06-61**.**

Reduce for Fund Balance Not Available

The Department's base request reflected eliminating the entire cash funds exempt appropriation for FY 2006-07 that was included in the Long Bill for "traditional" Commission functions, along with the 1.0 FTE supported, given that Commission cash fund reserves are anticipated to be eliminated by the end of FY 2006-07. Staff concurs with the general concept; however, $25,000 of the Long Bill funding was based on an annual $25,000 transfer (now appropriation per S.B. 06-218) from the DTUF to the Commission; thus, the staff recommendation does not reduce this $25,000 from the base.

Annualize S.B. 06-61 - Legal Interpreters for Hearing Impaired

The Department correctly indicated that S.B. 06-61 was to be annualized pursuant to the fiscal note for the bill; however, the annualization amount included had a technical error and therefore did not include 0.3 FTE and associated $17,130 General Fund as part of the annualization**.** The recommendation corrects this.

SBA 2 - Ongoing Funding from Public Utilities Commission for Commission for Deaf and Hard of Hearing

As reflected in the table, the Department's request is for an appropriation of $381,000 from the Colorado Commission for the Deaf and Hard of Hearing for ongoing funding of Commission activities. The request indicates that in order to comply with statutory requirements at 26-21-106, C.R.S. the Colorado Commission for the Deaf and Hard of Hearing programs must receive baseline funding. Since the inception of the CCDHH in 2000 and the Telecommunications Equipment Program in 2003, the programs have been funded by the Telephone Users Trust fund as an initial one time lump sum pilot appropriation. The enabling legislation did not create clear ongoing authority for the PUC to provide ongoing funding to these programs. The recent passage of S.B. 06-218 clearly creates this authority, subject to appropriation by the General Assembly. In addition, the Commission is responsible for oversight and management of a new program, the provision of communication access for deaf and hard of hearing citizens who are involved in legal and/or court ordered activities throughout the state. Without continued base funding, the Commission and the Department will be unable to continue these programs and will be out of compliance with statutory mandates. Stabilizing funding for these programs is necessary to ensure that deaf and hard of hearing citizens continue to have access to basic aspects of state government. A total of 251 citizens received services from the CCDHH in FY 2005-06.

Staff Recommendation: **Staff recommends the request for this decision item at a lower level than the request and with some technical adjustments**. Staff concurs with the general conclusion of the request that in order for the Commission to carry out the statutory duties outlined in Sections 26-21-101 et. seq., C.R.S., including serving as a liaison and referral agency between hearing impaired and deaf citizens and the state government and distributing telecommunication equipment to the deaf and hard of hearing community, ongoing appropriation from the Disabled Telephone Users Fund (DTUF) are required. Further, staff believes that without such ongoing appropriation, implementation of S.B. 06-61 would be difficult or impossible. The fiscal note for S.B. 06-61 assumed that staff added to oversee legal interpreter services for the hearing impaired would not be the only employees of the Commission. Joint Budget Committee staff outlined the expectation that increased appropriations from the DTUF to the Commission Cash Fund would be required in the JBC staff fiscal analysis for S.B. 06-218.

Differences between the request and recommendation include the following:

- The request as submitted reflected an increase in cash funds exempt appropriation from the DTUF to the Colorado Commission for the Deaf and Hard of Hearing Cash Fund (CDHHF). However, it failed to include a related adjustment to the **cash funds** appropriation from the DTUF to the CDHHF. **Since the cash funds exempt increase would be meaningless in the absence of the associated cash funds increase, staff also recommends the cash funds adjustment.**

- The request as submitted failed to include any FTE. However, the Department had previously submitted budget replacement pages that eliminated 1.0 FTE associated with the lack of remaining reserve funding for the program. At a minimum, this 1.0 FTE should be included with the funding. **The staff recommendation reflects adding 1.5 FTE–0.5 FTE more than the base**. This is because the Commission's staff person to date is deaf and, as a result, the Commission has employed an interpreter to assist her. Interpreter services have had to be employed on a contract basis because of the lack of FTE authorization. Given the purpose of the Commission, this seems unreasonable. The staff recommendation reflects adding additional FTE authorization, but this requires no more administrative funding than has been required in the past, since the Commission has been paying for interpreter services on a contract basis.

- The total dollars recommended by staff differ from the request because of ongoing questions about Commission spending to-date. Although the request included a spreadsheet purporting to show historical program funding, amounts provided did not reconcile to the COFRS-based detail in the budget request. The decision item indicates that an average of $115,000 per year has been spent on administration for the last six years, and this seems approximately consistent with other budget documents. As a result, **staff has assumed ongoing administrative funding at the $115,000 level**. Staff has further assumed that budget request detail from COFRS is accurate with respect to overall program funding. This seems to indicate that the highest level of funding to-date for telephone equipment distribution was $232,300 in FY 2005-06. Staff used this as the basis for the $230,000 recommended for ongoing distribution of telecommunications equipment. This is lower than the $255,032 reported in the decision item for FY 2005-06 but, **given that figures provided did not reconcile to the budget request and that, regardless, $230,00 would be significantly more than either FY 2004-05 or FY 2006-07, staff believes $230,000 is a reasonable figure to use for telecommunications equipment distribution**. The total staff recommendation for this decision item of $316,489 cash funds exempt for this line item and a matching $316,489 cash funds in the Colorado Commission for the Deaf and Hard of Hearing Cash Fund line item (below), is backed into from these general funding assumptions.

Additional Recommendation - Move Line Item

Staff also recommends that this line item be moved from the Division of Vocational Rehabilitation to the Executive Director's Office. The Commission is a "Type II" agency and is not administratively located under the Division of Vocational Rehabilitation. Thus, placing the Commission with other boards and commissions seems appropriate. Staff has included the line item in this section of the budget for comparative purposes. However, if this recommendation is approved, the line item would appear in the EDO in the Long Bill.

Colorado Commission for the Deaf and Hard of Hearing Cash Fund

This line item was created associated with the passage of S.B. 06-61 and S.B. 06-218. As previously discussed, S.B. 06-218 authorizes the General Assembly to annually appropriate funds from the Disabled Telephone Users Fund (DTUF) in the Department of Regulatory Agencies to the Colorado Commission for the Deaf and Hard of Hearing Cash Fund. The Colorado Commission for the Deaf and Hard of Hearing line item above reflects appropriations *from* the Colorado Commission for the Deaf and Hard of Hearing Cash Fund (CDHHF) and the General Fund *to* the Colorado Commission for the Deaf and Hard of Hearing. This line item reflects appropriations *from* the DTUF *to* the CDHHF. **Please note that although staff has reflected this amount in the Department of Human Services numbers pages for FY 2007-08 for comparison with the FY 2006-07 appropriations in S.B. 06-218 and S.B. 06-61, , staff also recommends that this appropriation be moved, beginning in FY 2007-08 to the Department of Regulatory Agencies, Public Utilities Commission section of the Long Bill.** This is where all other appropriations from the Disabled Telephone Users Fund are reflected. By including the appropriation from the DTUF to the CDHHF there also, it will be easier for the PUC and staff to track all of the appropriations from the DTUF and ensure that DTUF fee levels are sufficient to support appropriations.

The total staff recommendation is for $644,724 cash funds. This includes base funding of $222,282 from S.B. 06-218 and S.B. 06-61, $103,731 for annualization of S.B. 06-61, $2,222 for salary survey associated with the Commission for the Deaf appropriation and $316,489 for SBA 2 (Commission for the Deaf). Each of these components is described under the recommended appropriation for the Colorado Commission for the Deaf and Hard of Hearing.

Older Blind Grants

This line item provides independent living services to persons age 55 or older who are blind or visually impaired. Most have become blind in later life. Eligible persons are provided assistance in learning new strategies for accomplishing daily task and participating in community and family activities. Independent living centers and other community agencies are eligible to receive funding under an RFP process. Grants are currently awarded to six independent living centers and the Colorado Center for the Blind. Funding is based on 90 percent federal funds matched with 10 percent funds from recipients. **The recommendation is for a continuation total of $450,000, including $405,000 federal funds and $45,000 in local match.** . Staff notes that, at present, the Department uses the General Fund appropriated to the independent living centers for the required 10 percent match on both Older Blind and Independent Living grants; however, cash exempt local amounts are shown to reflect the amount that would be required if this General Fund were not available.

Long Bill Footnotes

Long Bill footnotes for the Division of Vocational Rehabilitation are reviewed below. Staff recommends the following footnote be **continued, as modified**.

72 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match – The Department is requested to provide a report to the Joint Budget Committee, by November ~~1, 2006~~, 1 OF EACH YEAR, that details deferred cash and cash exempt revenue on its books as of the close of THE PRECEDING FISCAL YEAR~~. FY 2005-06 and that outlines the Department's plan for spending down any such deferred revenue over several years.~~

Comment: *The Governor vetoed this footnote on the grounds that the footnote violates separation of powers in interfering with the ability of the executive to administer the appropriation and may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible.* The Department submitted the requested report. The Department reported that, as of the close of FY 2005-06, a total of $1,685,154 in deferred cash and cash exempt revenue remained on the Division of Vocational Rehabilitation's books. The Department submitted a decision item regarding the use of the deferred revenue funds in FY 2007-08. Staff understands that the Department expects to submit similar decision items in future years and therefore does not believe a spend-down plan needs to be included each year in the footnote report. However, to ensure an appropriate annual accounting of the deferred revenue situation, staff recommends this footnote be continued as modified.

Staff recommends the following footnote be **continued**:

74 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council; and Independent Living Centers - Vocational Rehabilitation Program -- The Department is authorized to transfer General Fund amounts between the Independent Living Centers and State Independent Living Council line item and the Independent Living Centers - Vocational Rehabilitation Program line item. The amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall be expended for qualifying vocational rehabilitation services only, and shall be eligible for federal matching funds at the rate of 21.3 percent General Fund to 78.7 percent federal funds. Any increase or reduction in the amount of General Fund expended in the

Independent Living Centers - Vocational Rehabilitation Program line item shall result in an associated increase or reduction in matching federal funds. General Fund amounts expended in the Independent Living Centers and State Independent Living Council line item shall be expended for independent living services and are not eligible for federal vocational rehabilitation matching amounts. Any increase or reduction in the General Fund expended in the Independent Living Centers and State Independent Living Council line item shall not affect federal or cash funds exempt amounts appropriated for such line item.

Comment: This footnote was added as part of a new line item first created in FY 2005-06 that enables the states' ten certified independent living centers (ILCs) to reallocate some of the General Fund they receive to become vocational rehabilitation providers and thus to draw down additional federal matching funds. The program is optional for the ILCs. Those that choose to participate offer vocational rehabilitation services such as personal adjustment training, job seeking skills, on-the-job training opportunities, job coaching, and work adjustment training, in addition to the "core" independent living services they already provide (such as assistance in locating housing and disability advocacy) .

Staff recommends that the following footnote be **eliminated**:

73 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council--The Department is requested to provide a report to the Joint Budget Committee, by October 1, 2006, concerning the distribution of new General Fund support for independent living centers that is provided effective April 1, 2006. The report is requested to include information on: (1) how the new funding is proposed to be allocated among the independent living centers in FY 2005-06, FY 2006-07 and future years, taking into consideration catchment areas served and other relevant factors; and (2) how the impact of such new funding is proposed to be measured, including what data will be submitted by independent living centers to demonstrate service outcomes.

Comment: This footnote requested information related to the provision of new funding. The requested report was submitted, and the footnote does not need to be continued.

(C) Homelake Domiciliary and State and Veterans Nursing Homes

(1) Homelake Domiciliary

The Homelake Domiciliary is a 46-bed group living system which serves residents who do not require continuous nursing or medical care, but may need assistance with meals, housekeeping, personal care, laundry, and access to a physician. Residents pay rental fees which provide the source of cash funds exempt to the program. The U.S. Veteran's Administration accounts for the source of federal funds. Most residents are veterans or their relations.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Program Administration	2.5	3.7	3.7	3.7
Nursing/ Social Work	6.3	5.5	5.5	5.5
Building Maintenance	3.1	3.1	3.1	3.1
Food Services	3.6	3.6	3.6	3.6
Accounting	0.7	0.5	0.5	0.5
Total	16.2	16.4	16.4	16.4

Personal Services

Staff recommends $811,845 for a continuing level of 16.4 FTE. This includes a salary survey increase of $14,516 and a common policy personal services reduction of $4,079.

Operating Expenses

Staff recommends **$317,161**. This includes food inflation of $1,082 and medical inflation of $2,556, pursuant to common policy.

Utilities

Staff recommends the request for a continuation of $138,839, pursuant to common policy.

Bottom Line

The recommendation for $1,267,845 includes General Fund of $178,888. Cash exempt amounts shown reflect anticipated resident fees and federal amounts reflect anticipated federal per-diem payments for qualified residents. Both are deposited to the Central Fund for State Nursing Homes.

Additional Staff Recommendation - Change to Structure of Appropriation in Long Bill

Staff recommends that the entire Homelake Domiciliary subsection be eliminated and replaced with a single line item containing only the General Fund portion of this appropriation ($178,888 General Fund). Staff recommends the line item be entitled simply "Homelake Domiciliary State Subsidy".

Although the General Assembly has for many years attempted to reflect the entire Homelake Domiciliary budget in the Long Bill, per statute, the General Assembly exercises no real control over the Homelake budget. The only exception is the amount of General Fund subsidy that the General Assembly may or may not choose to provide. Pursuant to Section 26-12-108., C.R.S. the state and veterans nursing homes have authority to receive and *expend* moneys received and deposited into the Central Fund for State Nursing Homes (known as "fund 505"). Homelake Domiciliary is covered by this statute pursuant to its inclusion in the authorizing legislation for the Colorado state veterans center (26-12-203, C.R.S.). The rationale for including Homelake as a full, appropriated section of the Long Bill is the small General Fund subsidy it receives. Nonetheless: (1) this structure gives the incorrect impression that Homelake Domiciliary's finances are operated separately from that of the nursing homes. This is not the case, since Homelake Domiciliary also deposits its revenue and expends from the Central Fund for State Nursing Homes; and (2) this structure drives for workload for Department and JBC staff, but does not seem to offer significant benefit.

Note that, if this recommendation is accepted, staff anticipates that the Department of Human Services would stop providing General Fund salary survey "pots" to Homelake and Homelake would no longer be subject to JBC common policy increases, e.g., for medical inflation, utilities, etc. However, given that the overall financial situation of the nursing homes appears to have improved, staff does not believe this will present a significant problem. The current funding provided for Homelake–less than $180,000 General Fund–is less than 0.5 percent of revenue of a nursing home system with operating revenues over $44 million. Without regular increases, staff anticipates that, over time, the relative importance of the General Fund subsidy for Homelake will decline.

Staff believes this recommendation is consistent with legislative intent expressed over many years. For at least ten years, the General Assembly has included a footnote specifying its intent that the Department "prepare an annual plan outlining potential General Fund reductions" for Homelake. However, while these reports have been submitted, there has rarely appeared to be significant interest on the part of the General Assembly or the Department in making dramatic reductions to Homelake's subsidy. Rather, small reductions have been made from time to time. Staff believes that the staff recommendation will ultimately have a similar impact over time of reducing General Fund as a percentage of the Homelake budget. However, the change in budget structure will also reduce the administrative impact of the current budget structure and the annual footnote submissions (staff suggests that associated footnotes for Homelake also be eliminated). The Department expressed agreement with this proposal in its hearing response.

Long Bill Footnotes

Staff recommends the following footnotes be **eliminated**:

75 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, Homelake Domiciliary -- It is the intent of the General Assembly that the Homelake Domiciliary not require additional General Fund dollars. The Department is requested to prepare an annual plan outlining potential General Fund reductions and the impact on client fees and submit the plan to the Joint Budget Committee by November 1 of each year.

Comment: As discussed above, reports have been submitted for at least ten years. These have always indicated that only modest declines, if any, should be considered. Consistent with staff's recommended changes to this section of the Long Bill, staff does not believe this footnote is needed.

76 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, Homelake Domiciliary -- It is the intent of the General Assembly that if any portion of the General Fund appropriation from the previous year is not needed by the Domiciliary to cover all of its costs, it will be returned to the General Fund in the subsequent year as miscellaneous general revenue. Any amount to be returned will be determined as the net income on the financial statement of the Domiciliary. The entry to return this revenue through miscellaneous general revenue would need to be supported through current year revenue.

Comment: This footnote stems from problems faced several years ago in which it appeared from budget schedules that the Domiciliary was under-spending appropriated General Fund, but the General Fund was not actually reverted, because it was deposited to the Central Fund for State Nursing Homes. Associated with this, General Fund for the Domiciliary was reduced in FY 2005-06. Since the footnote was put in place, no funds have been returned to the General Fund. Given the new budget structure recommended by staff, staff no longer believes this footnote is necessary.

(2) State and Veterans Nursing Homes

The Department of Human Services operates six state and veterans nursing homes located throughout the State. The nursing homes operate as an enterprise, have continuous authority to spend funds received, and generally do not require General Fund operating subsidies. Nonetheless, they are reflected in the Long Bill because they are state owned and present a significant financial liability to the State should they fail, due to obligations the State accepts when it accepts federal grants for construction and renovation of veterans nursing homes.

Pursuant to Section 26-12-101 through 208, C.R.S. the Department of Human Services is authorized to build, maintain, and operate nursing homes. Such nursing homes, when operated by the State for the benefit of veterans, their spouses, and dependants, are eligible for federal assistance, including assistance in construction costs and per-diem payments on behalf of eligible resident veterans. Federal authorities authorize grants of up to 65 percent of total costs for the construction of state veterans nursing homes. In return for this funding, as well as per-diem payments for veterans, the State must agree that: (1) a minimum of 75 percent of residents will be veterans and the remaining 25 percent will include spouses or parents whose children died while serving; (2) the facility will remain a veterans home for a minimum of 20 years; and (3) the facility will maintain Veterans Administration (VA) certification. To maintain such certification the facility must submit to various federal audits and surveys demonstrating compliance with VA rules. If any of these requirements are not met, the State is required to repay the VA construction funding. Five of the six nursing homes operated by the state are certified as veterans nursing homes. One of the six homes (in Walsesnburg) is operated on a contractual basis, while the remaining five are operated and staffed by state FTE.

Legislative Oversight Committee on the State and Veterans Nursing Homes

This line item was added as a result of H.B. 05-1336, which established an 8-member legislative oversight committee and an 11 member commission to evaluate the quality of care being provided at state and veterans nursing homes and to make associated recommendations to the General Assembly. Fiscal year 2006-07 is the second and final year for the oversight committee, which sunsets July 1, 2007. **The Department's request reflected a continuation funding level. Staff recommends $0 for this line item, since the Oversight Committee is sun setting**. To the extent a new oversight structure is created for the nursing homes through 2007 session legislation, staff expects the function will be sufficiently different that the bill should carry its own appropriation.

Nursing Home Consulting Services

This line item was added in FY 2005-06 through a supplemental; however, the nursing homes reverted the entire FY 2005-06 appropriation due to an accounting error. The request for this line item implemented the recommendations of the Fitzsimons Accountability Committee, the Colorado Board of Veterans Affairs, and the Commission on State and Veterans Nursing Homes established pursuant to H.B. 05-1336. The consulting services are designed to (1) assist the state-operated homes in identifying and correcting areas of improvement in the provision of services to residents; (2) increase the census, where appropriate, at each home; (3) provide an independent and regular assessment of the performance of each home, based on selected key performance indicators; and, (4) regularly report this performance data to the appropriate oversight entities including the Legislative Oversight Committee, the Commission on the State and Veterans Nursing Homes, Fitzsimons Advisory Board, and Colorado Board of Veterans Affairs.

Based on the budget, the homes were expected to receive:

Activities
20 hours per month at Fitzsimons; 10 hours per month at all other homes

Dietary:
20 hours per month at Fitzsimons; 10 hours per month at all other homes

Social work:
20 hours per month at Fitzsimons; 10 hours per month at all other homes

Nursing: 35 hours per month at Fitzsimons, 20 hours per month at Homelake, Rifle, and Trinidad, 10 hours per month at McCandless (Florence)

Finance: 30 hours per month at Fitzsimons, 20 hours per month at Homelake, Rifle and Trinidad, 15 hours per month at McCandless (Florence)

Marketing:
16 hours per month at Homelake and Trinidad; 8 hours per month at Rifle

Culture change:
8 hours per month at all homes

For FY 2005-06 and FY 2006-07, General Fund was expected to cover 80 percent of costs. Staff recommended the original request in light of the large number of experts who had been involved in helping the Department shape the proposal for a consulting contract (including the H.B. 05-1336 Commission). However, staff noted that strongly that, in the future, consulting costs of this kind should be absorbed by the homes, and the nursing home system should evaluate whether the services were beneficial. Consistent with this, a footnote report was requested and submitted January 15, 2007 assessing the benefits of the consulting home services in light of the costs and specifying time-frames for the nursing homes to assume the full cost of consulting services.

The Department's report indicates that the consulting services are valuable, and that important system improvements have been achieved. In FY 2005-06, three of the nursing homes were operating at a net loss, while in FY 2006-07, only one home is operating at a loss. Homelake and Fitzsimons have achieved census increases that have contributed to improved financial performance. Offering Medicare services at the homes has also contributed to a higher level of profitability, and a number of the homes have already either started to receive Medicare reimbursement or will soon do so. The consulting services have also be valuable in filling hard-to-fill positions on an interim base. For example, the nursing home administrator position at Fitzsimons was filled by a consulting for seven months, pending recruitment of a suitable candidate. The Department notes that it supports a gradual reduction of the state subsidy for the consulting services beginning with FY 2007-08. The request outlined in the footnote report is to have the the General Fund support 70 percent of the cost ($342,346) and the Central Fund for State Nursing Homes absorb 30 percent of the estimated $489,066 consulting cost ($146,720).

The staff recommendation is that this appropriation be halved for FY 2007-08, so that the General Fund would support 40 percent of the cost ($195,627), and the remaining 60 percent ($293,440) would be absorbed by the Central Fund for State Nursing Homes. It is anticipated that

General Fund support would be entirely eliminated by FY 2008-09. The basis for the staff recommendation is as follows:

- As reflected in the balance sheets below, the nursing homes are operating with reasonable profitability for FY 2006-07, and there is no reason to anticipate profitability to decline in FY 2007-08. The $1.0 million total margin should be sufficient for the homes to absorb an additional $200,000 in costs associated with the consulting contract.

- Staff understands that the Department recently added another high level administrator to oversee the Division and promoted the nursing homes to "Office" level within the Department's organization. While staff has no objection to greater prominence for the homes within the Department's structure, if the homes are sufficiently profitable to handle the additional costs associated with another high level administrator, staff believes it is reasonable to expect them to take on more responsibility for their consulting contracts.

Program Costs

This line item is intended to provide an estimate of state and veterans nursing home expenditures for the six homes and (now) Homelake Domiciliary. Cash exempt amounts reflect patient pay revenue and federal amounts reflect federal per diem payments. Beginning this year, the cash funds exempt amounts will also reflect the "double count" of any General Fund appropriations (such as for Homelake) that are deposited to the Central Fund for use by the nursing homes. The nursing home system is an enterprise, and the amounts shown are not counted as state revenue for purposes of Article X, Section 20 of the State Constitution, except in years in which large capital construction amounts are appropriated. Further, the nursing homes have continuous spending authority for funds received pursuant to Article 12 of Title 26, C.R.S. *Thus, this line item is shown solely for informational purposes.* Note that the amounts shown reflect total expenditures for the nursing home system, including payments for the Division of State and Veterans Nursing Homes in the Department and costs considered "non-operating" such as depreciation. In past years, staff deducted the Homelake appropriation from this amount; however, given the recommended new Homelake structure, this adjustment is not included. **As reflected in the numbers pages, staff recommends that the line item reflect $46.1 million and 673.4 FTE in FY 2007-08. Fund splits reflect estimates, based on historic revenue patterns.**

The table below reflects the current revenue and expenditure projection for the nursing homes and Homelake Domiciliary for FY 2006-07. As can be seen the homes all are running profitably, with the exception of Trinidad, which reflects substantial operating and total losses. Overall, the nursing home system is anticipating modest profits for FY 2006-07. The FY 2006-07 expenditure projection is used as the basis for the FY 2007-08 figure included in the Long Bill.

State and Veterans Nursing Homes - FY 2006-07 Projected Income Statement						
	Trinidad	**Homelake (NH & Dom)**	**McCandless (Florence)**	**Rifle**	**Fitzsimons**	**Division Total[1]**
REVENUE						
Operating	**$5,958,683**	**$4,751,553**	**$7,957,846**	**$7,367,292**	**$17,435,588**	**$45,606,756**
Non-operating[2]	**1,161**	**44,232**	**900,652**	**12,054**	**26,397**	**1,469,180**
Total Revenue	**$5,959,844**	**$4,795,785**	**$8,858,498**	**$7,379,346**	**$17,461,985**	**$47,075,936**
EXPENSES						
Operating	**$6,875,605**	**$4,173,208**	**$7,821,779**	**$7,060,484**	**$15,722,273**	**$44,273,826**
Non-operating[3]	**153,787**	**174,974**	**226,960**	**177,154**	**1,048,540**	**1,781,385**
Total Expense	**$7,029,392**	**$4,348,182**	**$8,048,739**	**$7,237,638**	**$16,770,813**	**$46,055,211**
Operating Profit/Loss	**($916,922)**	**$578,345**	**$136,067**	**$306,808**	**$1,713,315**	**$1,332,930**
Total Profit/Loss	**($1,069,548)**	**$447,603**	**$809,759**	**$141,708**	**$691,172**	**$1,020,725**

(1) Individual homes will not sum to Division Total, which also includes federal revenue associated with the Walsenburg home and costs for the central division office.

(2) Non-operating revenue reflects interest and any funding for capital construction.

(3) Reflects depreciation, except at the Fitzsimons home, where also includes $214,665 in bond/note costs.

Footnote

Staff recommends that the following footnote be **eliminated**:

77 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, State and Veterans Nursing Homes, Nursing Home Consulting Services -- This amount represents 80 percent of the projected cost of management consulting services for the nursing homes for FY 2006-07. It is the intent of General Assembly that the balance will be paid from the Nursing Homes Program Costs line item, funded by resident and federal per diem payments. The Department is requested to submit a report to the Joint Budget Committee by January 15, 2007, assessing the benefits of the consulting services for the nursing home system in light of the costs. The Joint Budget Committee requests that the report provide recommendations as to whether some or all of these services should be continued and specify time-frames for the nursing homes to assume the full cost of consulting services.

Comment: The footnote was vetoed, but the Department was instructed to comply to the extent feasible. The Department submitted the requested report, indicating that the consulting services were beneficial and recommending a gradual reduction in General Fund support for the consulting services. As previously discussed, staff has recommended a reduction in General Fund support for FY 2007-08 and anticipates that General Fund support will be eliminated in FY 2008-09. In light of this, staff does not believe the footnote need be continued.

Summary of Footnote Recommendations

Note: All staff footnote recommendations and their rationale have already been reviewed in the text of the document.

Staff recommends the following footnotes be **added**:

Addition to FY 2006-07 Long Bill add-on Supplemental:

N Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs – Of the total appropriation in this line item, up to $8,939,206 General Fund, if not expended prior to June 30, 2007, may be rolled forward for expenditure in FY 2007-08. It is the intent of the General Assembly that said amount be used on a one-time basis as "hold harmless" funds to assist developmental disability consumers and providers negatively affected by the conversion to a statewide rate structure for developmental disability Medicaid waiver services.

Staff recommends that the following footnotes be **continued or continued as amended**:

64 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, on the impact of the Developmental Disabilities and Vocational Rehabilitation Pilot Project. The report should include the numbers of persons served, employment outcomes achieved, lessons learned, and recommendations for expansion, reduction, or modification of the program.

Comment: This footnote was added in FY 2006-07 related to a new program. As reflected in the original footnote, the report is not due until November 2007. Thus, the footnote should be included in the FY 2007-08 Long Bill. The Governor vetoed this footnote in the FY 2006-07 Long Bill on the grounds that it violates the separation of powers in that it interferes with the ability of the Executive to administer the appropriation and may constitute substantive legislation. Nonetheless, the Department was instructed to comply to the extent feasible.

66 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, ~~Adult~~ Program Costs -- The Department is requested to periodically survey all individuals on the comprehensive services waiting list to determine when each individual will need comprehensive services. The Department is requested to complete the next survey no later than June, 2007, and to report the results no later than in the submission of the FY 2008-09 budget request to the Joint Budget Committee.

Comment: As reflected, this footnote concerns a report due with the FY 2008-09 budget request. The Governor has historically vetoed this footnote on the grounds that it violates the separation of powers in dictating the content of the Executive budget requests and because it may constitute substantive legislation. The Department was instructed to comply with the intent of the footnote to the extent feasible, and the Department has complied The June 30,2004, survey resulted in a *29 percent reduction* in the number of individuals reported as requiring services within two years.

69 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Preventive Dental Hygiene -- The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

Comment: The Governor vetoed this footnote on the grounds that it attempts to administer the appropriation and violates separation of powers. However, the Department was instructed to comply to the extent feasible. The Department reports that it implemented the contract with the Colorado Foundation of Dentistry for FY 2006-07 and indicates that, despite the veto, it requests the footnote be continued as it assists the Department in directing its contract to this group.

71 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Services for Children and Families, Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C) -- The Department is requested to provide to the Joint Budget Committee, BY NOVEMBER 1 OF EACH YEAR, information concerning the expenditure of federal funds provided pursuant to Part C of the federal "Individuals with Disabilities Education Act" for the most recent state fiscal year. Such information is requested to include sufficient detail to identify expenditures related to the provision of direct services, by type of service. ~~The Department is also requested to provide a report by November 1, 2006, on the impacts of the transition of the Part C Program from the Department of Education to the Department of Human Services, including the impact on program administration, allocation of funds, and children requiring early intervention services and their families~~.

Comment: The Governor vetoed this footnote, as he has in the past, on the grounds that the General Assembly has no authority to appropriate these federal funds, that the footnote violates separation of powers in interfering with the ability of the executive to administer the appropriation, and that the footnote may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible. The Department submitted the requested report regarding the Part C transition as requested in November 2006. The response was discussed in staff's budget briefing packet. As the program's transition from the Department of Education is now complete, staff does not believe the struck portion of the footnote needs to be continued.

<u>72</u> Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match – The Department is requested to provide a report to the Joint Budget Committee, by November ~~1, 2006~~, 1 OF EACH YEAR, that details deferred cash and cash exempt revenue on its books as of the close of THE PRECEDING FISCAL YEAR~~. FY 2005-06 and that outlines the Department's plan for spending down any such deferred revenue over several years.~~

<u>Comment</u>: *The Governor vetoed this footnote on the grounds that the footnote violates separation of powers in interfering with the ability of the executive to administer the appropriation and may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible.* The Department submitted the requested report. The Department reported that, as of the close of FY 2005-06, a total of $1,685,154 in deferred cash and cash exempt revenue remained on the Division of Vocational Rehabilitation's books. The Department submitted a decision item regarding the use of the deferred revenue funds in FY 2007-08. Staff understands that the Department expects to submit similar decision items in future years and therefore does not believe a spend-down plan needs to be included each year in the footnote report. However, to ensure an appropriate annual accounting of the deferred revenue situation, staff recommends this footnote be continued as modified.

74 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council; and Independent Living Centers - Vocational Rehabilitation Program -- The Department is authorized to transfer General Fund amounts between the Independent Living Centers and State Independent Living Council line item and the Independent Living Centers - Vocational Rehabilitation Program line item. The amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall be expended for qualifying vocational rehabilitation services only, and shall be eligible for federal matching funds at the rate of 21.3 percent General Fund to 78.7 percent federal funds. Any increase or reduction in the amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall result in an associated increase or reduction in matching federal funds. General Fund amounts expended in the Independent Living Centers and State Independent Living Council line item shall be expended for independent living services and are not eligible for federal vocational rehabilitation matching amounts. Any increase or reduction in the General Fund expended in the Independent Living Centers and State Independent Living Council line item shall not affect federal or cash funds exempt amounts appropriated for such line item.

<u>Comment</u>: This footnote was added as part of a new line item first created in FY 2005-06 that enables the states' ten certified independent living centers (ILCs) to reallocate some of the General Fund they receive to become vocational rehabilitation providers and thus to draw down additional federal matching funds. The program is optional for the ILCs. Those that choose to participate offer vocational rehabilitation services such as personal adjustment

training, job seeking skills, on-the-job training opportunities, job coaching, and work adjustment training, in addition to the "core" independent living services they already provide (such as assistance in locating housing and disability advocacy) .

Staff recommends the following footnotes be **eliminated**:

65 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Community and Contract Management System Replacement -- This line item reflects estimated costs for the second year of a two-year project to replace the Community and Contract and Management System. The Department is authorized to transfer any amounts not required for this purpose to the Developmental Disability Services, Community Services, Adult Program Costs line item. The Department is requested to provide a report to the Joint Budget Committee by November 1, 2006, detailing progress toward development of the new system.

Comment: As previously discussed, the development phase of this system is completed, and the Deaprtment request and staff recommendation reflect ongoing funding for maintenance activiteis.

67 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs -- The purpose of this line item is to fund comprehensive residential services for adults with developmental disabilities, supported living services for adults with developmental disabilities, case management services for children and adults with developmental disabilities, and selected special purpose activities including costs associated with audits, behavior pharmacology clinics, and consumer screening for certain placements. The Department is requested to include information on the allocation of expenditures and the number of resources funded by the line item as part of its November 1 budget submission and to provide updates when requested by the General Assembly.

Comment: If the Committee approves the staff recommendation to restructure the developmental disability adult program costs line item to make its function more transparent, this footnote will not be required.

68 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs; Services for Children and Families, Program Funding -- The Department is requested to provide a report to the Joint Budget Committee by November 1, 2006, concerning the distribution of new adult comprehensive resources, adult supported living service resources, and children's early intervention resources provided effective April 1, 2006. It is the intent of the General Assembly that, in distributing such new resources, the Department take into consideration,

among other factors, the need to reduce inequities among community centered boards in rates paid by the State and numbers of resources allocated per capita of the general population.

Comment: This report concerned the allocation of new resources added beginning in the last quarter of FY 2005-06. The Department submitted the requested report and is in the process of distributing the resources. Distribution of resources was delayed, and many of the adult resources were allocated to address emergency situations, due to federally-imposed changes in developmental disability waiver programs. The footnote does not need to be continued.

70 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Services for Children and Families, Program Funding -- The purpose of this line item is to fund early intervention services, family support services, children's extensive support services, and selected special purpose activities to assist children with developmental disabilities and their families. The Department is requested to include information on the allocation of expenditures and the number of resources funded by the line item as part of its November 1 budget submission and to provide updates when requested by the General Assembly.

Comment: The Governor vetoed this footnote, as he has in the past, on the grounds that it dictates the content and format of the executive budget request. However, the Department was instructed to comply to the extent feasible. Some information was included in the November 1, 2006, budget request and a report was also separately submitted. However, staff did not feel that the information provided was sufficiently responsive to the footnote. If the Committee accepts the staff recommendation to reconfigure the developmental disability line items to provide additional information, staff does not believe this footnote will be required.

73 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council--The Department is requested to provide a report to the Joint Budget Committee, by October 1, 2006, concerning the distribution of new General Fund support for independent living centers that is provided effective April 1, 2006. The report is requested to include information on: (1) how the new funding is proposed to be allocated among the independent living centers in FY 2005-06, FY 2006-07 and future years, taking into consideration catchment areas served and other relevant factors; and (2) how the impact of such new funding is proposed to be measured, including what data will be submitted by independent living centers to demonstrate service outcomes.

Comment: This footnote requested information related to the provision of new funding. The requested report was submitted, and the footnote does not need to be continued.

75 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, Homelake Domiciliary -- It is the intent of the General Assembly that the Homelake Domiciliary not require additional General Fund dollars. The Department is requested to prepare an annual plan outlining potential General Fund reductions and the impact on client fees and submit the plan to the Joint Budget Committee by November 1 of each year.

Comment: As discussed above, reports have been submitted for at least ten years. These have always indicated that only modest declines, if any, should be considered. Consistent with staff's recommended changes to this section of the Long Bill, staff does not believe this footnote is needed.

76 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, Homelake Domiciliary -- It is the intent of the General Assembly that if any portion of the General Fund appropriation from the previous year is not needed by the Domiciliary to cover all of its costs, it will be returned to the General Fund in the subsequent year as miscellaneous general revenue. Any amount to be returned will be determined as the net income on the financial statement of the Domiciliary. The entry to return this revenue through miscellaneous general revenue would need to be supported through current year revenue.

Comment: This footnote stems from problems faced several years ago in which it appeared from budget schedules that the Domiciliary was under-spending appropriated General Fund, but the General Fund was not actually reverted, because it was deposited to the Central Fund for State Nursing Homes. Associated with this, General Fund for the Domiciliary was reduced in FY 2005-06. Since the footnote was put in place, no funds have been returned to the General Fund. Given the new budget structure recommended by staff, staff no longer believes this footnote is necessary.

77 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, State and Veterans Nursing Homes, Nursing Home Consulting Services -- This amount represents 80 percent of the projected cost of management consulting services for the nursing homes for FY 2006-07. It is the intent of General Assembly that the balance will be paid from the Nursing Homes Program Costs line item, funded by resident and federal per diem payments. The Department is requested to submit a report to the Joint Budget Committee by January 15, 2007, assessing the benefits of the consulting services for the nursing home system in light of the costs. The Joint Budget Committee requests that the report provide recommendations as to whether some or all of these services should be continued and specify time-frames for the nursing homes to assume the full cost of consulting services.

Department of Human Services

Services for People with Disabilities

Appendix

Appropriations Detail for Developmental Disability Services

Staff Recommendation - FY 2007-08 Developmental Disability Program Costs Line Items

	Long Bill Amounts			Cash Exempt Detail				Net General Fund Calculation	
	Total	General Fund	Cash Funds Exempt	Medicaid	Local	Client	Voc Rehab	Medicaid General Fund	Net General Fund
<u>FY 2007-08 Adult Program Costs</u>									
Base Calculation									
FY 2006-07 Long Bill	$294,358,936	$12,438,159	281,920,777	$247,952,288	$7,621,397	$25,855,778	$491,314	$123,913,507	$136,351,666
Sup 1-C Convert 6 mos funds for new 90 comp 60 SLS from Med to GF (1 X	(1,902,791)	1,902,791	(3,805,582)	(3,805,582)				(1,902,791)	0
Sup 1-C Convert 6 mos funds for COLA (1 X chg)	(1,838,934)	1,838,934	(3,677,868)	(3,677,868)				(1,838,934)	0
Supplemental #2 - Local Funds Match	15,215,890	0	15,215,890	15,215,890				7,607,945	7,607,945
DD non-Medicaid case management functions	823,283	823,283						0	823,283
Medicaid cash accounting adjustment (1x)	(6,390,063)	7,738,019	(14,128,082)	(14,128,082)				(7,064,041)	673,978
Subtotal - base FY 2006-07	300,266,321	24,741,186	275,525,135	241,556,646	7,621,397	25,855,778	491,314	120,715,686	145,456,872
Annualize one-time 1331 Supplemental 1-C (60/90 resources)	1,902,791	-1,902,791	3,805,582	3,805,582	0	0	0	1,902,791	0
Annualize one-time 1331 Supplemental 1-C (COLA)	1,838,934	-1,838,934	3,677,868	3,677,868	0	0	0	1,838,934	0
Annualize FY 06-07 DI #1	3,429,729	0	3,429,729	3,119,463	40,659	269,607	0	1,559,733	1,559,733
Annualize FY 2006-07 CES Resources	0	-18,736	18,736	18,736	0	0	0	6,183	-12,553
Annualize CCMS adjustments	301,675	59,058	242,617	242,617	0	0		121,309	180,367
Annualize FY 2006-07 Med cash accounting shift	6,390,063	-7,738,019	14,128,082	14,128,082	0	0	0	7,064,041	-673,978
Subtotal - annualization	13,863,192	-11,439,422	25,302,614	24,992,348	40,659	269,607	0	12,492,991	1,053,569
Total base FY 2007-08	**314,129,513**	**13,301,764**	**300,827,749**	**266,548,994**	**7,662,056**	**26,125,385**	**491,314**	**133,208,677**	**146,510,441**
Leap Year Adjustment	**822,865**	**26,157**	**796,708**	**705,941**	**18,452**	**72,315**	**0**	**352,971**	**379,128**
Decision Item #3 (Including COLA and SSI increases)									
New Foster Care resources	1,709,818	0	1,709,818	1,557,963	18,758	133,097		778,982	778,982
New Emergency resources	1,343,936	0	1,343,936	1,226,634	14,919	102,383		613,317	613,317
New Wait List Resources	381,936		381,936	346,895	4,326	30,715		173,448	173,448
New Supported Living Resources	217,779	0	217,779	206,890	10,889	0	0	103,445	103,445
CM for new CES Resources	0								
CM for new EI Resources	114,555	78,926	35,629	29,901	5,728	0	0	14,951	93,877
Total Decision Item	**3,768,024**	**78,926**	**3,689,098**	**3,368,283**	**54,620**	**266,195**	**0**	**1,684,143**	**1,763,069**
2.0 Percent Cost of Living Adjustment to Base									
COLA Calculation:									
2.0%									
Increase on annualized FY 2006-07 base, except VR & client cash	5,750,256	266,035	5,484,221	5,330,980	153,241	0	0	2,664,174	2,930,209
Total COLA (base)	**5,750,256**	**266,035**	**5,484,221**	**5,330,980**	**153,241**	**0**	**0**	**2,664,174**	**2,930,209**
SBA 3 Community Contract and Management System	**-148,400**	**-44,520**	**-103,880**	**-103,880**	**0**	**0**	**0**	**-51,940**	**-96,460**
PASARR Adjustment	0							-386	-386
TOTAL - Adult Funding	**$324,322,258**	**$13,628,362**	**$310,693,896**	**$275,850,318**	**$7,888,369**	**$26,463,895**	**$491,314**	**$137,857,639**	**$151,486,001**

Staff Recommendation - FY 2007-08 Developmental Disability Program Costs Line Items

	Long Bill Amounts			Cash Exempt Detail				Net General Fund Calculation	
	Total	**General Fund**	**Cash Funds Exempt**	**Medicaid**	**Local**	**Client**	**Voc Rehab**	**Medicaid General Fund**	**Net General Fund**
Children's Program's Costs									
FY 2006-07 Long Bill	$24,848,720	$16,699,924	$8,148,796	$6,913,658	$1,235,138	$0	$0	$2,971,054	$19,670,978
Supplemental 1-E	182,242	182,242	0	0	0	0	0	0	182,242
Supplemental 2 B requested	-1,567,391	0	(1,567,391)	-1,567,391	0	0	0	-673,978	-673,978
Subtotal - base FY 2006-07	23,463,571	16,882,166	6,581,405	5,346,267	1,235,138	0	0	2,297,076	19,179,242
Annualize June 2006 1331 Supplemental B	-182,242	-182,242	0	0	0	0	0	0	-182,242
Annualize Supplemental 2B	1,567,391	0	1,567,391	1,567,391	0	0	0	673,978	673,978
Annualize 30 new CES slots (1/2 year trade GF/Medicaid)	0	-270,560	270,560	270,560				89,285	-181,275
Subtotal - Annualization 07-08	1,385,149	-452,802	1,837,951	1,837,951	0	0	0	763,263	310,461
FY 2007-08 Base	**24,848,720**	**16,429,364**	**8,419,356**	**7,184,218**	**1,235,138**	**0**	**0**	**3,060,339**	**19,489,703**
DI #3 -EI slots	540,078	513,074	27,004	0	27,004				513,074
DI #3 - CES slots	0	0	0	0	0	0	0	0	0
COLA:									
2.0%	496,974	328,587	168,387	143,684	24,703	0	0	61,207	389,794
Subtotal - Decision Items	**1,037,052**	**841,661**	**195,391**	**143,684**	**51,707**	**0**	**0**	**61,207**	**902,868**
TOTAL - Child, Staff Rec	**25,885,772**	**17,271,025**	**8,614,747**	**7,327,902**	**1,286,845**	**0**	**0**	**3,121,546**	**20,392,571**
TOTAL - Children's Funding	**$25,885,772**	**$17,271,025**	**$8,614,747**	**$7,327,902**	**$1,286,845**	**$0**	**$0**	**$3,121,546**	**$20,392,571**

Staff Recommendation FY 2007-08 - Developmental Disability Program Costs Line Items

	Resources (adjusted for part year)		Long Bill Amounts			Cash Exempt Detail				Net General Fund Calculation		
	GF	Medicaid	Total	General Fund	Cash Funds Exempt	Medicaid	Local	Client	Voc Rehab	Medicaid General	Net General Fund	NGF per resource
Proposed New Line Item - Developmental Disability Program Costs												
Adult Comprehensive Services	66	3,806	248,117,446	1,659,290	246,458,156	215,878,927	4,115,334	26,463,895	0	107,920,524	109,564,859	28,297
Adult Supported Living Services	692	2,892	53,119,370	7,895,789	45,223,582	42,556,472	2,667,110	0	0	21,278,235	29,174,026	8,140
Early Intervention Services	2,176	0	11,199,521	10,988,175	211,346	(321,404)	532,750	0	0	(175,653)	10,827,477	4,976
Family Support Services	1,176	0	6,494,101	6,180,581	313,520	0	312,799	0	0	0	6,180,581	5,256
Children's Extensive Support Services	0	395	7,220,119	5,076	7,215,043	6,849,703	365,339	0	0	2,920,740	2,925,815	7,407
Case Management	3,663	7,540	22,998,141	3,813,011	19,185,130	18,010,553	1,175,298	0	0	8,933,739	12,746,750	1,138
Special Purpose	0	0	1,059,332	357,466	701,866	203,969	6,583	0	491,314	101,600	459,066	
Grand Total			350,208,029	30,899,387	319,308,642	283,178,220	9,175,214	26,463,895	491,314	140,979,185	171,878,572	
Information Only - Program Costs Including Case Management												
Adult Comprehensive Services	66	3,791	258,768,806	2,584,866	256,183,941	225,035,556	4,684,489	26,463,895	0	112,498,839	115,068,749	29,834
Adult Supported Living Services	692	2,892	61,407,784	8,795,665	52,612,119	49,541,693	3,070,426	0	0	24,770,845	33,566,511	9,366
Early Intervention Services	1,729	447	13,442,104	12,203,553	1,238,551	593,941	644,610	0	0	282,020	12,500,528	5,745
Family Support Services	1,176	0	7,305,455	6,952,052	353,403	0	353,403	0	0	0	6,952,052	5,912
Children's Extensive Support Services	0	395	8,224,549	5,786	8,218,763	7,803,060	415,702	0	0	3,325,881	3,331,666	8,435
Special purpose	0	0	1,059,332	357,466	701,866	203,969	6,583	0	491,314	101,600	459,066	
Grand Total			350,208,029	30,899,387	319,308,642	283,178,220	9,175,214	26,463,895	491,314	140,979,185	171,878,572	

	Developmental Disability Program Costs Line Items - Current FY 2006-07 Appropriation									HCPF Fund Source Info	
	Long Bill Amounts			Cash Exempt Detail				Net General Fund Calculation			
	Total	General Fund	Cash Funds Exempt	Medicaid	Local	Client	Voc Rehab	Medicaid General Fund	Net General Fund	Med HCEF	Med FF
<u>FY 2006-07 Adult Program Costs</u>											
Base Calculation											
FY 2005-06 Long Bill	265,676,518	10,875,507	254,801,011	223,588,760	7,006,785	23,714,152	491,314	111,794,381	122,669,888	0	111,794,379
HB 05-1262	169,386	0	169,386	161,320	8,066	0	0	53,840	53,840	26,820	80,660
Supplemental #6 (SSI)	519,196	0	519,196	0	0	519,196	0	0	0	0	0
Supplemental #2 (CCMS adjustment)	56,021	12,776	43,245	43,245		0	0	21,623	34,399	0	21,622
Correction to Supplemental #6	4,004		4,004			4,004				0	0
Supplemental #19 (FSSP/HB 1262 technical)	425	0	425	0	425	0	0	0	0	0	0
Supplemental #26 (PASSARR)	0	0	0	0	0	0	0	(11,750)	(11,750)	0	11,750
Subtotal - base FY 2005-06 [see below for post-figset adjustments to FY 20	266,425,550	10,888,283	255,537,267	223,793,325	7,015,276	24,237,352	491,314	111,858,094	122,746,377	**26,820**	**111,908,411**
Annualize FY 05-06 DI #2	2,604,932	0	2,604,932	2,366,192	36,089	202,651	0	1,183,095	1,183,095	0	1,183,097
Annualize HB 05-1262	15,435	0	15,435	14,664	771	0	0	5,020	5,020	2,434	7,210
Annualize Supplemental #6 (SSI)	531,873	0	531,873	0	0	531,873	0	0	0	0	0
Annualize balance 05-06 CCMS (treat separately ech yr)	189,633	33,506	156,127	156,127	0	0	0	78,064	111,570	0	78,063
Subtotal - annualization	3,341,873	33,506	3,308,367	2,536,983	36,860	734,524	0	1,266,179	1,299,685		
Total base FY 2006-07	**269,767,423**	**10,921,789**	**258,845,634**	**226,330,308**	**7,052,136**	**24,971,876**	**491,314**	**113,124,273**	**124,046,062**		
Decision Item #1 (Including COLA and SSI increases) [also see tech adj]											
New Foster Care resources (60)	2,533,771	0	2,533,771	2,301,387	27,619	204,765	0	1,150,694	1,150,694	0	1,150,693
New Emergency resources (19)	748,936	0	748,936	675,665	8,429	64,842	0	337,833	337,833	0	337,832
New Supported Living Resources (9)	80,066	0	80,066	76,063	4,003	0	0	38,032	38,032	0	38,031
Total Decision Item	**3,362,773**	**0**	**3,362,773**	**3,053,115**	**40,051**	**269,607**	**0**	**1,526,559**	**1,526,559**		
Add additional CES Resources (30) [see tech adj. below also]	**17,760**	**0**	**17,760**	**16,875**	**885**	**0**	**0**	**5,640**	**5,640**	2,801	8,434
3.25 Percent Cost of Living Adjustment to Base											
COLA Calculation:											
3.25 percent of annualized FY 2006-07 base, except VR & client cash	7,939,887	354,958	7,584,929	7,355,735	229,194			3,677,868	4,032,826	0	3,677,867
Transfer - n/a	0		0					0	0		
Total COLA (base)	**7,939,887**	**354,958**	**7,584,929**	**7,355,735**	**229,194**	**0**	**0**	**3,677,868**	**4,032,826**		
PETI reduction	(80,000)		(80,000)	(80,000)				(40,000)	(40,000)	0	(40,000)
New SLS resources (4) [also see tech adjustments below]	74,728		74,728	71,170	3,558			35,585	35,585	0	35,585
PETI Adjustment	**(5,272)**	**0**	**(5,272)**	**(8,830)**	**3,558**	**0**	**0**	**(4,415)**	**(4,415)**		
Move CCMS Funds	**(301,675)**	**(59,058)**	**(242,617)**	**(242,617)**	**0**	**0**	**0**	**(121,309)**	**(180,367)**	**0**	(121,308)
TOTAL - Adult, Staff Rec	**280,780,896**	**11,217,689**	**269,563,207**	**236,504,586**	**7,325,824**	**25,241,483**	**491,314**	**118,208,616**	**129,426,305**		
JBC Committee Adjustments to adult line item:											
<u>Changes to comp:</u>											
New Comp Resources (90)	7,290,969	0	7,290,969	6,595,650	81,024	614,295	0	3,297,825	3,297,825	0	3,297,825
Base rate increase	3,329,116	68,689	3,260,427	3,189,503	70,924			1,576,084	1,644,773	0	1,613,419
<u>Changes to SLS:</u>											
New SLS resources (60)	1,068,961	0	1,068,961	1,015,513	53,448	0	0	507,757	507,757	0	507,756
GF rate increase	1,086,843	1,032,500	54,343	0	54,343	0	0	0	1,032,500		
<u>Children's Case Management</u>											
EI Case Management (613)	503,192	307,343	195,849	171,887	23,962			85,944	393,287	0	85,943
CES/FSSP (case mgmt for 1/2 year - 30)	19,722	18,736	986		986			0	18,736	0	0
Subtotal - Committee adjustments	**13,298,803**	**1,427,268**	**11,871,535**	**10,972,553**	**284,687**	**614,295**	**0**	**5,467,610**	**6,894,878**		
<u>Staff Technical Adjustments</u>											
Staff technical correction re new SLS resources from PETI, inc base rate	(3,463)	0	(3,463)	(3,468)	5			(1,734)	(1,734)	0	0
Staff technical adjustment on 30 new CES resources, inc base rate	1,962	0	1,962	1,861	101	0	0	637	637	309	915

	Developmental Disability Program Costs Line Items - Current FY 2006-07 Appropriation										
	Long Bill Amounts			**Cash Exempt Detail**				**Net General Fund Calculation**		**HCPF Fund Source Info**	
	Total	**General Fund**	**Cash Funds Exempt**	**Medicaid**	**Local**	**Client**	**Voc Rehab**	**Medicaid General Fund**	**Net General Fund**	**Med HCEF**	**Med FF**
Staff technical adjustment for base rate on DI #1	66,956	0	66,956	66,348	608	0		33,174	33,174	0	33,174
Staff technical to transfer EI case management for 322 into TCM	213,782	(206,798)	420,580	410,408	10,172			205,204	(1,594)	0	205,204
Staff technical change related to Med FF											(1,734)
Subtotal - Staff technicals (mostly related to Committee Adjustments)	**279,237**	**(206,798)**	**486,035**	**475,149**	**10,886**	**0**	**0**	**237,281**	**30,483**		
Subtotal - post-figset adjustments	**13,578,040**	**1,220,470**	**12,357,570**	**11,447,702**	**295,573**	**614,295**	**0**	**5,704,891**	**6,925,361**		
TOTAL - Adult Funding - FY 2006-07 Long Bill	**294,358,936**	**12,438,159**	**281,920,777**	**247,952,288**	**7,621,397**	**25,855,778**	**491,314**	**123,913,507**	**136,351,666**	**32,364**	**124,006,417**
FY 2006-07 Supplemental Actions (January 2007)											
Sup 1-C Convert 6 mos funds for new 90 comp 60 SLS from Med to GF (1 X chg)	(1,902,791)	1,902,791	(3,805,582)	(3,805,582)				(1,902,791)	0	0	(1,902,791)
Sup 1-C Convert 6 mos funds for COLA (1 X chg)	(1,838,934)	1,838,934	(3,677,868)	(3,677,868)				(1,838,934)	0	0	(1,838,934)
Supplemental #2 - Local Funds Match	15,215,890	0	15,215,890	15,215,890				7,607,945	7,607,945	0	7,607,945
DD non-Medicaid case management functions	823,283	823,283						0	823,283	0	0
Revised Appropriation FY 2006-07 with January Supplemental	306,656,384	17,003,167	289,653,217	255,684,728	7,621,397	25,855,778	491,314	127,779,727	144,782,894	32,364	127,872,637
Roll forward amounts available from FY 2005-06 for use FY 2007-08											
90 comp/60 SLS	932,737	932,737	0						932,737		
1.79% base rate (converted to GF via late supplemental formalized 1/07)	381,292	381,292	0						381,292		
Amount used to cover CMS transition costs FY 2005-06	(50,000)	(50,000)	0						(50,000)		
Executive close of books action, takes roll-forward	(477,638)	(477,638)	0						(477,638)		
Funds available (1 X)	786,391	786,391	0						786,391		
Total Available FY 2006-07 w/supplemental + roll forward	307,442,775	17,789,558	289,653,217	255,684,728	7,621,397	25,855,778	491,314	127,779,727	145,569,285	32,364	127,872,637
Children's Program's Costs											
FY 2005-06 Long Bill	17,487,726	12,947,330	4,540,396	3,813,077	727,319	0	0	1,906,540	14,853,870	0	1,906,537
HB 05-1262	2,488,619	0	2,488,619	2,370,114	118,505	0	0	792,822	792,822	392,235	1,185,057
Supplemental #19 (FSSP/HB 1262 technical)	153,606	0	153,606	0	153,606	0	0	0	0	0	0
Subtotal - base FY 2005-06	20,129,951	12,947,330	7,182,621	6,183,191	999,430	0	0	2,699,362	15,646,692	**392,235**	**3,091,594**
Annualize FY 06 Decision Item #2	37,197	0	37,197	35,337	1,860	0		17,668	17,668	0	17,669
Annualize HB 05-1262	226,805	0	226,805	215,465	11,340	0	0	71,949	71,949	35,767	107,749
Subtotal - base FY 2006-07	20,393,953	12,947,330	7,446,623	6,433,993	1,012,630	0	0	2,788,979	15,736,309		
Decision Item #1 (move FSSP funds)	0	0									
Subtotal - revised base FY 2006-07	20,393,953	12,947,330	7,446,623	6,433,993	1,012,630	0	0	2,788,979	15,736,309		
3.25 Percent COLA on 1262 slots	81,083	0	81,083	77,029	4,054	0	0	25,767	25,767	12,787	38,475
3.25 Percent COLA on balance	581,720	420,788	160,932	132,076	28,856	0	0	66,038	486,826	0	66,038
Subtotal - COLA	662,803	420,788	242,015	209,105	32,910	0	0	91,805	512,593		
Add 30 additional CES slots for 1/2 year	261,060	0	261,060	248,010	13,050	0	0	82,965	82,965	41,170	123,875
TOTAL - Child, Staff Rec	**21,317,816**	**13,368,118**	**7,949,698**	**6,891,108**	**1,058,590**	**0**	**0**	**2,963,749**	**16,331,867**		
JBC Committee Adjustments to child line item:											
New EI Resources (direct/613)	3,222,364	3,061,246	161,118	0	161,118			0	3,061,246	0	0
New CES General Fund resources/1/2 year (30 in FSSP)	284,800	270,560	14,240	0	14,240			0	270,560	0	0
Subtotal JBC adjustments	**3,507,164**	**3,331,806**	**175,358**	**0**	**175,358**	**0**	**0**	**0**	**3,331,806**		
Staff technical correction on 30 new CES resources	**23,740**	**0**	**23,740**	**22,550**	**1,190**	**0**	**0**	**(82,965)**	**(82,965)**	3,743	101,772
Subtotal - post-figset adjustments	**3,530,904**	**3,331,806**	**199,098**	**22,550**	**176,548**	**0**	**0**	**(82,965)**	**3,248,841**		
TOTAL - Children's Funding - FY 2006-07 Long Bill	**24,848,720**	**16,699,924**	**8,148,796**	**6,913,658**	**1,235,138**	**0**	**0**	**2,880,784**	**19,580,708**	**485,702**	**3,547,172**
FY 2006-07 Supplemental Actions (January 2007)											
Supplemental 1-# - Equity in EI (1X funds)	182,242	182,242	0						182,242		
Revised Appropriation FY 2006-07 with January Supplemental	**25,030,962**	**16,882,166**	**8,148,796**	**6,913,658**	**1,235,138**	**0**	**0**	**2,880,784**	**19,762,950**	**485,702**	**3,547,172**

M E M O R A N D U M

TO: **Joint Budget Committee**

FROM: **Amanda Bickel, JBC Staff**

SUBJECT: **Staff technical comeback on DHS SBA-3**

DATE: March 15, 2007

As discussed during figure setting for the Department of Human Services, Services for People with Disabilities, staff recommended a requested appropriation for the Community Contract and Management System. However, staff's recommendation included moving $10,920 ($3,276 General Fund and $7,644 Medicaid cash funds) to the Purchase of Services from Computer Center line item in the Office of Information Technology Services. Staff has since been informed that the mechanism for incorporating this adjustment will be through FY 2007-08 supplementals, when costs associated with computer center services are reallocated among departments based on actual usage. Therefore, the staff recommendation is to eliminate the recommended appropriation in SBA-3 associated with purchase of services from the computing center ($10,920).