

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 SUPPLEMENTAL: DEPARTMENT OF HUMAN SERVICES

**EXECUTIVE DIRECTOR'S OFFICE, INFORMATION TECHNOLOGY SERVICES,
COUNTY ADMINISTRATION, SELF SUFFICIENCY, AND ADULT ASSISTANCE**

PRIORITIZED AND NON-PRIORITIZED REQUESTS

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:

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January 24, 2008

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**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE OF CONTENTS

	Numbers Page	Narrative Page
Supplemental #2 - Aid to the Needy Disabled Programs - Effect of FY 2006-07 Over-Expenditure	1	10
Supplemental #3 - Aid to the Needy Disabled Programs	1	12
Supplemental #6 - Colorado Benefits Management System (CBMS) Refinance FY 2004-05	2	14
Supplemental #13 - Workforce Development Council Increase	2	16
Supplemental #14 - Technical Supplementals	2	17
Supplemental #15 - Work Participation Rebate	3	18
Supplemental #16 - Adjustment to County Reserve Accounts	4	19
Supplemental #19 - Additional TANF Funds for Refugees	4	20
Previously Approved 1331 Supplemental - Office of CBMS	4	21
Supplemental #NP-1 - HCP&F Additional Financing for the Implementation of S.B. 07-211 Changes	8	22
Statewide Common Policy Supplemental Requests	8	23
Totals for All Supplementals	9	N.A.

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

DEPARTMENT OF HUMAN SERVICES
Executive Director: Karen L. Beye

Supplemental #2 - Aid to the Needy Disabled Programs - Effect of FY 2006-07 Over-Expenditure

(10) Adult Assistance Programs, (C) Other Grant Programs

Aid to the Needy Disabled Programs /a	<u>17,326,342</u>	<u>17,428,495</u>	<u>657,711</u>	0	<u>17,428,495</u>
General Fund	11,319,891	11,421,471	657,711	0	11,421,471
Cash Funds	0	0	0	0	0
Cash Funds Exempt	6,006,451	6,007,024	0	0	6,007,024
Federal Funds	0	0	0	0	0

Supplemental #3 - Aid to the Needy Disabled Programs

(10) Adult Assistance Programs, (C) Other Grant Programs

Aid to the Needy Disabled Programs /a	<u>17,326,342</u>	<u>17,428,495</u>	<u>561,340</u>	<u>561,340</u>	<u>17,989,835</u>
General Fund	11,319,891	11,421,471	449,072	449,072	11,870,543
Cash Funds	0	0	0	0	0
Cash Funds Exempt	6,006,451	6,007,024	112,268	112,268	6,119,292
Federal Funds	0	0	0	0	0

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #6 - Colorado Benefits Management System (CBMS) Refinance FY 2004-05					
<i>(2) Information Technology Services</i>					
Colorado Benefits Management System Federal Reallocation					
(New Line)	<u>N.A.</u>	<u>N.A.</u>	<u>2,443,219</u>	<u>1,564,135</u>	<u>1,564,135</u>
General Fund			0	0	0
Cash Funds			0	0	0
Cash Funds Exempt			2,443,219	1,564,135	1,564,135
Federal Funds			0	0	0
*Medicaid Cash Funds			359,018	359,018	359,018
*Net General Fund			0	0	0
<hr/>					
Supplemental #13 - Workforce Development Council Increase					
<i>(7) Office of Self Sufficiency, (B) Colorado Works Program</i>					
Workforce Development Council	<u>76,813</u>	<u>76,813</u>	<u>12,025</u>	<u>12,025</u>	<u>88,838</u>
General Fund	0	0	0	0	0
Cash Funds	0	0	0	0	0
Cash Funds Exempt	0	0	0	0	0
Federal Funds	76,813	76,813	12,025	12,025	88,838
<hr/>					
Supplemental #14 - Technical Supplementals					
<i>(7) Office of Self Sufficiency, (C) Special Purpose Welfare Programs</i>					
(3) Food Distribution Program	<u>526,283</u>	<u>532,834</u>	<u>0</u>	<u>0</u>	<u>532,834</u>
General Fund	42,367	42,788	30	30	42,818
Cash Funds	215,577	228,850	137	137	228,987
Cash Funds Exempt	0	316	(316)	(316)	0
Federal Funds	268,339	260,880	149	149	261,029

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
(8) Systematic Alien Verification for Eligibility	<u>39,015</u>	<u>49,912</u>	<u>0</u>	<u>0</u>	<u>49,912</u>
General Fund	5,482	10,646	(4,300)	(4,300)	6,346
Cash Funds	1,074	0	3,474	3,474	3,474
Cash Funds Exempt	26,981	28,620	3,019	3,019	31,639
Federal Funds	5,478	10,646	(2,193)	(2,193)	8,453
Total for Supplemental #14	<u>565,298</u>	<u>582,746</u>	<u>0</u>	<u>0</u>	<u>582,746</u>
General Fund	47,849	53,434	(4,270)	(4,270)	49,164
Cash Funds	216,651	228,850	3,611	3,611	232,461
Cash Funds Exempt	26,981	28,936	2,703	2,703	31,639
Federal Funds	273,817	271,526	(2,044)	(2,044)	269,482
Supplemental #15 - Work Participation Rebate					
<i>(7) Office of Self Sufficiency, (B) Colorado Works Program</i>					
Reimbursement to Counties for Prior Year Expenditures Due to Reduction in					
Federal Maintenance of Effort Requirement	<u>0</u>	<u>5,524,726</u>	<u>5,524,726</u>	<u>5,524,726</u>	<u>11,049,452</u>
General Fund	0	0	0	0	0
Cash Funds	0	0	0	0	0
Cash Funds Exempt	0	0	0	0	0
Federal Funds	0	5,524,726	5,524,726	5,524,726	11,049,452

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #16 - Adjustment to County Reserve Accounts					
<i>(7) Office of Self Sufficiency, (B) Colorado Works Program</i>					
County Reserve Accounts	<u>0</u>	<u>51,539,912</u>	<u>28,280,193</u>	<u>28,280,193</u>	<u>79,820,105</u>
General Fund	0	0	0	0	0
Cash Funds	0	0	0	0	0
Cash Funds Exempt	0	0	0	0	0
Federal Funds	0	51,539,912	28,280,193	28,280,193	79,820,105
Supplemental #19 - Additional TANF Funds for Refuges					
<i>(7) Office of Self Sufficiency, (C) Special Purpose Welfare Programs</i>					
(7) Refuge Assistance	<u>2,478,608</u>	<u>3,658,034</u>	<u>269,039</u>	<u>269,039</u>	<u>3,927,073</u>
General Fund	0	0	0	0	0
Cash Funds	0	0	0	0	0
Cash Funds Exempt	0	0	0	0	0
Federal Funds	2,478,608	3,658,034	269,039	269,039	3,927,073
Previously Approved 1331 Supplemental - Office of CBMS					
<i>(1) Executive Director's Office, (A) General Administration</i>					
Health, Life, and Dental	<u>14,200,143</u>	<u>18,611,175</u>	<u>69,746</u>	<u>69,746</u>	<u>18,680,921</u>
General Fund	8,486,006	11,217,917	10,948	10,948	11,228,865
Cash Funds	151,878	200,805	5,596	5,596	206,401
Cash Funds Exempt	3,572,668	4,676,741	24,209	24,209	4,700,950
Federal Funds	1,989,591	2,515,712	28,993	28,993	2,544,705
*Medicaid Cash Funds	3,168,186	4,142,444	24,209	24,209	4,166,653
*Net General Fund	9,983,438	18,846,205	22,289	22,289	18,868,494

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Short-term Disability	<u>221,746</u>	<u>282,774</u>	<u>2,350</u>	<u>2,350</u>	<u>285,124</u>
General Fund	130,709	176,893	369	369	177,262
Cash Funds	5,879	6,665	188	188	6,853
Cash Funds Exempt	46,649	53,153	816	816	53,969
Federal Funds	38,509	46,063	977	977	47,040
*Medicaid Cash Funds	39,828	44,686	816	816	45,502
*Net General Fund	148,717	199,137	752	752	199,889
SB 04-257 Amortization Equalization Disbursement	<u>1,498,493</u>	<u>2,631,937</u>	<u>19,463</u>	<u>19,463</u>	<u>2,651,400</u>
General Fund	896,173	1,592,902	3,056	3,056	1,595,958
Cash Funds	38,052	65,360	1,562	1,562	66,922
Cash Funds Exempt	315,321	531,031	6,756	6,756	537,787
Federal Funds	248,947	442,644	8,089	8,089	450,733
*Medicaid Cash Funds	268,433	450,695	6,756	6,756	457,451
*Net General Fund	1,024,142	1,817,821	6,221	6,221	1,824,042
SB 06-235 Supplemental Equalization Disbursement	<u>0</u>	<u>482,075</u>	<u>4,218</u>	<u>4,218</u>	<u>486,293</u>
General Fund	0	284,220	662	662	284,882
Cash Funds	0	13,616	339	339	13,955
Cash Funds Exempt	0	96,050	1,464	1,464	97,514
Federal Funds	0	88,189	1,753	1,753	89,942
*Medicaid Cash Funds	0	81,454	1,464	1,464	82,918
*Net General Fund	0	322,345	1,348	1,348	323,693

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Salary Survey & Senior Executive Service	<u>6,791,091</u>	<u>8,846,176</u>	<u>55,796</u>	<u>55,796</u>	<u>8,901,972</u>
General Fund	4,112,485	5,526,852	8,758	8,758	5,535,610
Cash Funds	75,813	91,634	4,478	4,478	96,112
Cash Funds Exempt	1,582,854	2,041,933	19,368	19,368	2,061,301
Federal Funds	1,019,939	1,185,757	23,192	23,192	1,208,949
*Medicaid Cash Funds	1,502,475	1,835,604	19,368	19,368	1,854,972
*Net General Fund	4,864,292	6,447,964	17,831	17,831	6,465,795
Performance-based Pay Awards	<u>0</u>	<u>3,405,333</u>	<u>22,220</u>	<u>22,220</u>	<u>3,427,553</u>
General Fund	0	2,115,337	3,489	3,489	2,118,826
Cash Funds	0	42,098	1,784	1,784	43,882
Cash Funds Exempt	0	744,966	7,714	7,714	752,680
Federal Funds	0	502,932	9,233	9,233	512,165
*Medicaid Cash Funds	0	647,848	7,714	7,714	655,562
*Net General Fund	0	2,439,539	7,103	7,103	2,446,642
(2) Office of Information Technology Services					
Colorado Benefits Management System	22,613,597	25,024,822	(47,118)	(47,118)	24,977,704
FTE	<u>35.1</u>	<u>35.1</u>	<u>12.0</u>	<u>12.0</u>	<u>47.1</u>
General Fund	3,528,718	3,881,871	(7,398)	(7,398)	3,874,473
Cash Funds	1,804,221	1,985,945	(3,781)	(3,781)	1,982,164
Cash Funds Exempt	7,929,533	8,718,855	(16,355)	(16,355)	8,702,500
Federal Funds	9,351,125	10,438,151	(19,584)	(19,584)	10,418,567
*Medicaid Cash Funds	7,929,533	8,716,030	(16,355)	(16,355)	8,699,675
*Net General Fund	7,186,464	7,903,203	(15,061)	(15,061)	7,888,142

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Office of CBMS Supplemental	45,325,070	59,284,292	126,675	126,675	59,410,967
FTE	<u>35.1</u>	<u>35.1</u>	<u>12.0</u>	<u>12.0</u>	<u>47.1</u>
General Fund	17,154,091	24,795,992	19,884	19,884	24,815,876
Cash Funds	2,075,843	2,406,123	10,166	10,166	2,416,289
Cash Funds Exempt	13,447,025	16,862,729	43,972	43,972	16,906,701
Federal Funds	12,648,111	15,219,448	52,653	52,653	15,272,101
*Medicaid Cash Funds	12,908,455	15,918,761	43,972	43,972	15,962,733
*Net General Fund	23,207,053	37,976,214	40,483	40,483	38,016,697
Totals Excluding Pending Items					
DEPARTMENT OF HUMAN SERVICES					
TOTALS for EDO/OITS/CA/SS/AA	485,856,475	602,518,781	37,874,928	36,338,133	638,856,914
FTE	<u>483.0</u>	<u>567.4</u>	<u>12.0</u>	<u>12.0</u>	<u>579.4</u>
General Fund	99,582,587	111,814,971	1,122,397	464,686	112,279,657
Cash Funds	83,853,676	96,657,556	13,777	13,777	96,671,333
Cash Funds Exempt	82,826,914	79,109,266	2,602,162	1,723,078	80,832,344
Federal Funds	219,593,298	314,936,988	34,136,592	34,136,592	349,073,580
*Medicaid Cash Funds	16,196,952	21,681,504	402,990	402,990	16,321,751
*Net General Fund	108,305,127	122,316,026	1,142,996	485,285	61,357,875

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #NP-1 - HCP&F Additional Financing for the Implementation of S.B. 07-211 Changes					
<i>(2) Information Technology Services</i>					
Colorado Benefits Management System	<u>22,613,597</u>	<u>25,024,822</u>	<u>17,879</u>	<u>Pending</u>	<u>N.A.</u>
General Fund	3,528,718	3,881,871	0		
Cash Funds	1,804,221	1,985,945	0		
Cash Funds Exempt	7,929,533	8,718,855	17,879		
Federal Funds	9,351,125	10,438,151	0		
*Medicaid Cash Funds	7,929,533	8,716,030	17,879		
*Net General Fund	7,186,464	7,903,203	0		
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Statewide Supplementals					
(see narrative for more detail)	<u>N.A.</u>	<u>N.A.</u>	<u>(1,523,890)</u>	<u>Pending</u>	<u>N.A.</u>
General Fund			(874,345)		
Cash Funds			(2,098)		
Cash Funds Exempt			(540,094)		
Federal Funds			(107,353)		
*Medicaid Cash Funds			(377,840)		
*Net General Fund			(1,063,266)		

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Totals Including Pending Items in Request					
DEPARTMENT OF HUMAN SERVICES					
TOTALS for EDO/OITS/CA/SS/AA	485,856,475	602,518,781	36,368,917	34,832,122	637,350,903
FTE	483.0	567.4	12.0	12.0	579.4
General Fund	99,582,587	111,814,971	248,052	(409,659)	111,405,312
Cash Funds	83,853,676	96,657,556	11,679	11,679	96,669,235
Cash Funds Exempt	82,826,914	79,109,266	2,079,947	1,200,863	80,310,129
Federal Funds	219,593,298	314,936,988	34,029,239	34,029,239	348,966,227
*Medicaid Cash Funds	16,196,952	21,681,504	43,029	43,029	21,724,533
*Net General Fund	108,305,127	122,316,026	79,730	(577,981)	121,738,045

Key:

"N.A." = Not Applicable

a/ The Aid to the Needy Disabled Programs line was created in the Long Bill for FY 2007-08 by combining three previously existing lines. The FY 2006-07 actuals shown here were calculated by summing those three lines.

* These amounts are shown for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing where general half the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Supplemental # 2 - Aid to the Needy Disabled Programs - Effect of FY 2006-07 Over-Expenditure

	Request	Recommendation
Total	\$657,711	\$0
General Fund	657,711	0
Cash Funds	0	0
Cash Funds Exempt	0	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	YES
The Department's request identified the cause as an emergency. Staff does not agree with that classification, but does believe the request meets criteria because of new data resulting in a substantial change in funding needs.	

Department Request: The Department requests \$657,711 in additional General Fund spending authority to offset a restriction placed by the State Controller due to an overexpenditure in FY 2006-07.

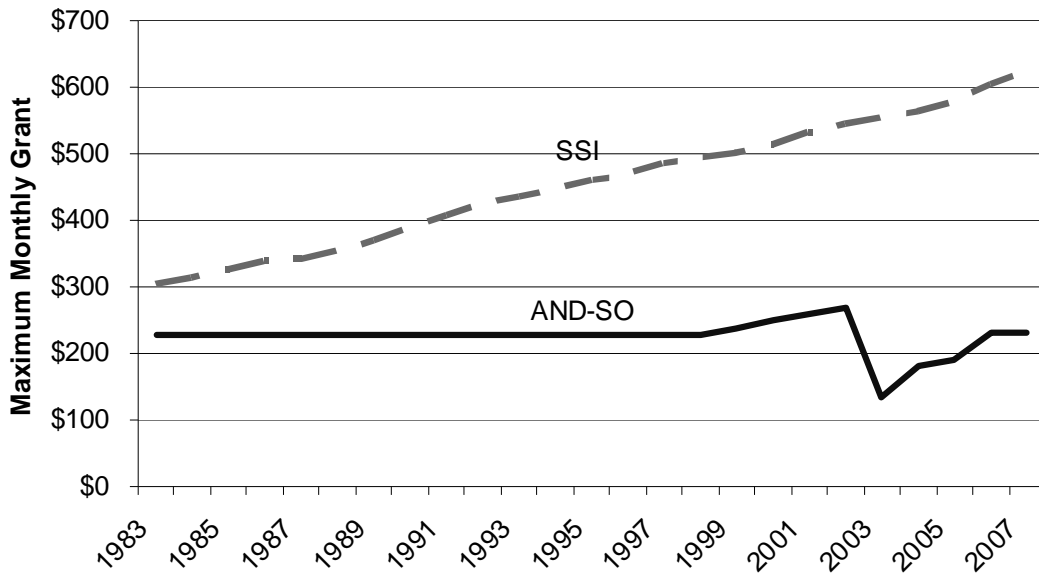
Staff Recommendation: Staff recommends the Committee deny the Department's request for additional spending authority in FY 2007-08, and release the restriction by making adjustments to the Department's FY 2006-07 Long Bill appropriation. This recommendation is based on the following analysis.

Limited overexpenditures are allowed by statute. Section 24-75-109 (1) (b), C.R.S., allows the Department of Human Services to overexpend non-Medicaid line items by up to a total of one million dollars. In FY 2006-07, the Department overspent its General Fund appropriation for the Aid to the Needy Disabled - State Only (AND-SO) line by \$657,711. Pursuant to statute [Section 24-75-109 (3), C.R.S.], the State Controller imposed a restriction in the same amount on the corresponding line for FY 2007-08. In the FY 2007-08 Long Bill, the AND-SO line was combined with other AND lines into a single Aid to the Needy Disabled Programs line. The restriction is to be applied to that unified line.

AND-SO payments go to extremely poor disabled persons. The AND-SO program was established in 1953 and provides basic financial assistance to qualifying low-income persons aged 18 to 59. To qualify, a person must be certified by a physician or other designated medical practitioner as being too disabled to work at any occupation for at least six months. In addition, applicants must have income below \$230 per month, assets of less than \$2,000 (certain assets are excluded from the calculation of this total), meet citizen and/or legal residency status, and meet Colorado residency requirements. The AND-SO is linked to the federal Supplemental Security Income program; persons who apply for AND-SO benefits must also apply for the

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

federal SSI program. The AND-SO program pays a state benefit pending an eligibility decision for federal benefits. If the applicant is approved for SSI benefits, Colorado is reimbursed from the client's initial SSI benefit for payments made under the AND-SO program. The current AND-SO maximum grant amount is \$230 per month; a history of the maximum grant levels for AND-SO and SSI are shown in the following graph. AND-SO recipients do not qualify for Medicaid.



The FY 2006-07 overexpenditure was due to events that could not be reasonably anticipated. During a particular fiscal year, the Department receives revenues for the AND-SO program from two sources: a General Fund appropriation, and the reimbursements from the federal government mentioned above. The amount of revenue derived from reimbursements depends on the number of applicants which are approved for SSI benefits by the federal Social Security Administration (SSA) and the length of time that passes before the applications are approved. The SSA has experienced increased delays in approving SSI benefits that were not anticipated by the Department. The size of the average grant can also vary; for example, decreases in the average income of recipients from sources other than AND-SO will increase the average grant size. The Department did not increase the maximum grant amount between FY 2005-06 and FY 2006-07, but still experienced an unanticipated increase in the average grant amount. In order to maintain the \$230 maximum grant level, the Department elected to overspend its General Fund appropriation for the AND-SO line.

Leaving the restriction in place will result in a substantial decrease in the size of payments made under AND-SO in the latter part of FY 2007-08. The restriction of \$657,711 in FY 2007-08 General Fund expenditures at the state level will result in a corresponding decrease of \$164,428 in county spending for this line, for a total of \$822,139. If the restriction is not removed, and if current Department forecasts for

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

reimbursement revenues and expenditures are accurate, it will be necessary to reduce the maximum grant standard in order to remain within the restricted appropriation. The amount by which the standard would need to be reduced depends on how soon the reduction occurs. The Department estimates that if the reduction becomes effective in February, the grant standard would need to be reduced from its current \$230 level to \$201. If the reduction did not occur until May, the grant standard would need to be reduced from \$230 to \$158. Staff believes the Department's calculations of grant reduction amounts are accurate. Partial relief is possible; if a portion of the restriction is released, only a corresponding portion of the grant reduction would be necessary.

As an alternative, the restriction may be released by adjusting FY 2006-07 appropriations. The Department has requested that the restriction be released by added spending authority in FY 2007-08. An alternative method for releasing the restriction is the adjust the appropriation for FY 2006-07, effectively making it as if the overexpenditure that caused the restriction never happened. Per the State Controller's staff, using this approach requires that an increase in the General Fund appropriation for this line be offset by a decrease in some other line or lines. *Net* General Fund reversions must remain unchanged. The Department of Human Services reverted a net \$1.6 million General Fund dollars for FY 2006-07, so it is possible to make the offsetting adjustment within the Department. Staff notes that the Committee has not yet received the proposed budget-balancing details from the Office of State Planning and Budgeting, which may conflict with any specific actions taken on this supplemental request.

In order to avoid a grant reduction, **staff recommends the Committee release the restriction on the Aid to the Needy Disabled Programs line item for FY 2007-08 by increasing the FY 2006-07 General Fund appropriation for this line item by \$657,711.** Per the State Controller's staff, such an increase must be offset by a corresponding decrease in some other line or lines in order to leave net General Fund reversions for FY 2006-07 unchanged. **Staff recommends that the decrease of \$657,711 be taken from the Division of Youth Corrections, (C) Community Programs, Purchase of Contract Placements.** That line reverted \$1,088,986 for FY 2006-07.

Supplemental # 3 - Aid to the Needy Disabled Programs

	Request	Recommendation
Total	<u>\$561,340</u>	<u>\$561,340</u>
General Fund	449,072	449,072
Cash Funds	0	0
Cash Funds Exempt	112,268	112,268
Federal Funds	0	0

**DEPARTMENT OF HUMAN SERVICES
FY 2007-08 SUPPLEMENTAL RECOMMENDATION
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
Staff and the Department agree that this request is based on new data resulting in substantial changes in funding needs.	

Department Request: The Department requests \$561,340 in spending authority for the Aid to the Needy Disabled Programs line, for the Aid to the Needy Disabled - State Only program. The request is for \$449,072 General Fund and \$112,268 cash funds exempt. The cash funds exempt represents an increase in county spending corresponding to the increase in General Fund authority.

Staff Recommendation: Staff recommends the Committee approve the Department's request based on the following analysis.

The Aid to the Needy Disabled Programs line item funds three AND programs. Aid to the Needy Disabled - State Only provides payments to the needy disabled who have applied for federal Supplemental Security Income benefits. Aid to the Needy Disabled - Colorado Supplement makes supplemental grants to SSI recipients who do not receive the maximum SSI federal grant. Aid to the Blind - Colorado Supplement makes supplemental grants to a small group of who meet the more specialized qualifications. These three programs were combined into a single line item in the FY 2007-08 Long Bill.

This supplemental request is driven by the AND-SO program. That program is described in greater detail in the analysis of Supplemental #2, and the detailed description is not repeated here. AND-SO grants go to very poor disabled persons who have not qualified for federal benefits. The current maximum AND-SO grant is \$230 per month, essentially no different than the \$229 per month maximum of 1983.

The same problems that led to the overexpenditure in FY 2006-07 described in the analysis of Supplemental #2 – an increase in the average monthly grant paid and an increase in the time clients remain in the AND-SO program due to delays by the federal Social Security Administration in processing applications for Supplemental Security Income – continue to create a problem in FY 2007-08. The choices, as outlined by the Department, are supplemental spending authority or a decrease in the maximum grant size for the AND-SO program.

The current maximum AND-SO grant is \$230 per month. The amount by which the maximum grant would need to be reduced in order for the Department to stay within the current appropriation depends on how soon the grant is reduced. If the grant reduction is effective in February, the grant would need to be reduced from \$230 to \$210. If the reduction is not effective until May, the grant would need to be reduced from \$230 to \$181. Staff believes the Department's calculations of these reduction amounts are accurate. Partial relief is possible; if a portion of the restriction is released, only a corresponding portion of the grant reduction would be necessary.

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

In order to avoid a grant reduction, **staff recommends the Committee approve the Department's request.**

Supplemental # 6 - Colorado Benefits Management System (CBMS) Refinance FY 2004-05

	Request	Recommendation
Total	<u>\$2,443,219</u>	<u>\$1,564,135</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	2,443,219	1,564,135
Federal Funds	0	0
<i>Medicaid Cash Funds</i>	<i>359,018</i>	<i>359,018</i>
<i>Net General Fund</i>	<i>0</i>	<i>0</i>

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
Staff and the Department agree this request is based on new data that results in substantial changes in funding needs.	

Department Request: The Department requests \$2,443,219 in cash funds exempt spending authority in order to pay back excess contributions by the federal government and the Colorado Department of Revenue for the continuing operations of the Colorado Benefits Management System (CBMS) in FY 2004-05. Of this amount, \$359,018 would be a transfer of federal funds from the Department of Health Care Policy and Financing (HCPF) and the remainder (about \$2.1 million) would be from the Health Care Supplemental Appropriations and Overexpenditures account created in the Tobacco Litigation Settlement Cash Fund by H.B. 07-1359.

Staff Recommendation: Staff recommends the Committee partially approve the Department's request and provide supplemental spending authority of \$1,564,135 cash funds exempt. Of this amount, \$359,018 should be a transfer of federal funds from HCPF and \$1,205,117 should be from the Health Care Supplemental Appropriations and Overexpenditures account. This recommendation is based on the following analysis.

Funding splits for the Colorado Benefits Management System (CBMS) are determined by formulas agreed to by the State and the federal agencies that provide funding. Different formulas apply during the development phase for such a system and the operational phase. Operational formulas are determined by random moment sampling (RMS) statistical techniques. These statistics make up a part of the public

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

assistance cost allocation plan (PACAP); the PACAP for each fiscal year must be formally accepted by the federal government.

The FY 2004-05 PACAP was formally accepted in June 2007. The formula for allocating CBMS costs in that PACAP resulted in different funding splits than those actually used at the time. The differences, excluding the General Fund share, are summarized in the following table. A positive number in the variance column indicates an overpayment and a negative number an underpayment. For the federal agencies, TANF must be reimbursed some \$2.6 million; Food Stamps owes \$1.0 million; and Medicaid owes a net \$359,000. The Medicaid money is entirely federal funds, as the State has already contributed its matching share to the project for the fiscal year in question.

Program	Variance Due to Formula Differences
TANF - Colorado Works	\$2,565,759
Food Stamps	(1,001,624)
Old Age Pension	879,084
Medicaid - Title XIX	(959,798)
Medicaid - Title XXI	651,157
Other Medicaid Title XIX dollars	(50,377)
Total Additional State Money Needed	\$2,084,201

Money has been set aside for this purpose. H.B. 07-1359 directed \$24.4 million of tobacco settlement moneys into a newly created Supplemental Appropriations and Overexpenditures account. Of this amount, at least \$18.2 million can be used for overexpenditures and fines incurred by CBMS. Repayment of federal moneys due to the change in allocation formulas is one of the costs that this account was intended to cover. The current account balance is sufficient to cover this supplemental request.

Failure to reimburse federal agencies will have serious impacts on CBMS operations. If the State fails to reimburse the TANF dollars, all federal partners will withhold partial funding from the CBMS project, resulting in a loss of \$3.8 million for the current fiscal year. This is approximately 15 percent of the total CBMS appropriation. However, the impact on the project would be much greater than that, as a significant part of the CBMS budget is committed to long-term vendor contracts and the cuts necessary to stay within the appropriation would need to be realized in only a fraction of the fiscal year.

Reimbursement of the Old Age Pension Fund is problematic. The Old Age Pension Fund receives 85% of the revenue from state sales and use taxes. From this total, the fund pays benefits, administration, tops up a reserve fund and two small medical services funds, then transfers the large majority of its revenue to the

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

General Fund. Because its revenues greatly exceed its expenses every year, an increase in revenue or decrease in expenses for FY 2007-08 as a result of this CBMS refinancing would result in a somewhat larger transfer to the General Fund *this year*. Under current Legislative Council staff forecasts, this increase would overflow to capital construction and roads in the usual proportions.

Staff believes it is unnecessary to attempt to reimburse the Old Age Pension Fund. The FY 2004-05 expense allocation for CBMS was made in good faith using the best information available and the rules then in place. It appears that an attempt at reimbursement would result in an increase in the funds going to roads and capital construction; it is not clear that these are the same programs that would have received the benefits of a "correct" allocation at that point in the past. **Staff recommends that the federal portion of the past CBMS expenses be refinanced, but not the state portion. Staff recommends the Committee approve supplemental spending authority of \$1,564,135 cash funds exempt. Of this amount, staff recommends that \$359,018 be a transfer of federal funds from HCPF and \$1,205,117 be from the Health Care Supplemental Appropriations and Overexpenditures account.**

Supplemental # 13 - Workforce Development Council Increase

	Request	Recommendation
Total	<u>\$12,025</u>	<u>\$12,025</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	0	0
Federal Funds	12,025	12,025

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
Staff and the Department agree that the request is the result of new data resulting in substantial changes in funding needs.	

Department Request: The Department requests \$12,025 in supplemental federal funds spending authority to increase the TANF share of the Workforce Development Council budget.

Staff Recommendation: Staff recommends the Committee approve the Department's request based on the following analysis.

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

This request is the result of a process which generates a routine supplemental request each year. The federal Workforce Investment Act of 1998 requires the State to fund a portion of the Workforce Development Council budget with TANF dollars and provides a formula that determines the TANF share. Each fiscal year, the Office of State Planning and Budgeting applies that formula and informs the Department as to the TANF contribution required. This year's determination results in an increase of \$12,025 relative to the amount shown in the FY 2007-08 Long Bill. In order to remain in compliance with the federal statute, **staff recommends the Committee approve the Department's request.**

Supplemental # 14 - Technical Supplementals

	Request	Recommendation
Total	<u>\$0</u>	<u>\$0</u>
General Fund	(4,270)	(4,270)
Cash Funds	3,611	3,611
Cash Funds Exempt	2,703	2,703
Federal Funds	(2,044)	(2,044)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
Staff and the Department agree that this request is due to technical errors in the appropriations.	

Department Request: The Department requests two small changes in funding splits, with no change in total spending authority, to correct technical errors in the appropriations for two line items in the FY 2007-08 Long Bill.

Staff Recommendation: Staff recommends the Committee approve the Department's request based on the following analysis.

The funding split requested by the Department for the Food Distribution Program line item in the Office of Self Sufficiency, Special Purpose Welfare Programs, erroneously included \$316 in cash funds exempt. CFE funding for this line had been eliminated by a prior year decision item. The Department has provided updated funding split information that eliminates the small amount of cash funds exempt funding shown in the FY 2007-08 Long Bill.

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

The funding split for the Systematic Alien Verification for Eligibility line item in the Office of Self Sufficiency, Special Purpose Welfare Programs, was based on somewhat inaccurate allocation information. The Department now has corrected information used for deriving the allocation percentages. Application of the new allocation formula produces a funding split that is slightly different than that used in the FY 2007-08 Long Bill.

Funding splits in the Department of Human Services are often the result of applying complex formulas and the formulas are subject to fairly frequent changes. Small technical errors occasionally creep into the calculation. In most years, the Department submits a supplemental request to correct any such errors that have come to light, and the Committee approves the request. In keeping with that prior practice, **staff recommends the Committee approve the Department's request.**

Supplemental # 15 - Work Participation Rebate

	Request	Recommendation
Total	<u>\$5,524,726</u>	<u>\$5,524,726</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	0	0
Federal Funds	5,524,726	5,524,726

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
Staff and the Department agree that the request is based on new data which have a substantial effect on funding needs.	

Department Request: The Department requests a one-time increase of \$5,524,726 in supplemental federal funds (TANF) spending authority to reflect the actual TANF maintenance of effort rebate available to the counties.

Staff Recommendation: Staff recommends that the committee approve the Department's request based on the following analysis.

The federal TANF program requires states to meet a maintenance of effort (MOE) spending target. Colorado's base target is 80 percent of combined State and county spending levels in 1995. If the State meets federal work participation requirements during a particular federal fiscal year, the MOE requirement is reduced to

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

75 percent. The State budgets on the basis of 80 percent, and rebates the remaining five percent to the counties if the work participation requirements are met. The Reimbursement to Counties for Prior Year Expenditures Due to Reduction in Federal MOE Requirement has a constant appropriation of \$5,524,726 for this purpose. The Department either spends the money if the requirement is satisfied, or spends nothing if the requirement was not met. This spending authority does not roll forward.

Historically, the federal government notifies the State that it has satisfied the participation requirement two years after the fact. The notification by the federal government for federal FY 2004-05 was not received during state FY 2006-07, as would normally be expected. Because the notification was not received, the Department did not reimburse the counties. The Department has now received notice that the State satisfied the requirements for both federal FY 2004-05 and FY 2005-06. However, the Department does not currently have spending authority to make both rebates available to the counties in a single fiscal year.

There is no cost to the state as a result of this request. Staff believes that it would be unreasonable to delay the transfer of the TANF spending authority to the counties. **Staff recommends the Committee approve the Department's request.**

Supplemental # 16 - Adjustment to County Reserve Accounts

	Request	Recommendation
Total	<u>\$28,280,193</u>	<u>\$28,280,193</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	0	0
Federal Funds	28,280,193	28,280,193

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
Staff and the Department agree that the request reflects new data that has a substantial effect on funding needs.	

Department Request: The Department requests \$28,280,193 in supplemental federal funds (TANF) spending authority to reflect the actual County Reserves balance available to the counties.

Staff Recommendation: Staff recommends the Committee approve the Department's request based on the following analysis.

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

This is a routine annual request. Pursuant to statute [Section 26-2-714 (5) (a), C.R.S.], at the end of each state fiscal year counties may retain the balance of the Colorado Works block grants remaining in the county's reserve account. The reserve account balances are recalculated at the end of the fiscal year, and the County Reserve Accounts line item is updated by supplemental request to reflect the proper spending authority. As of September 30, 2007, the county reserve balance was \$79,820,105. The September date is used because the counties are allowed to make certain adjustments in their accounts between June 30 and September 30, prior to the closing of the books. The requested increase will bring the counties' spending authority up to this level. This request is not an appropriation of new dollars; it is an adjustment of spending authority for funds that were appropriated in FY 2006-07. In order to comply with current statute, **staff recommends the Committee approve the Department's request.**

Supplemental # 19 - Additional TANF Funds for Refuges

	Request	Recommendation
Total	<u>\$269,039</u>	<u>\$269,039</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	0	0
Federal Funds	269,039	269,039

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	YES
Staff and the Department agree this request is the result of new data that results in a substantial change in funding needs.	

Department Request: The Department requests supplemental spending authority of \$269,039 in federal funds (TANF) for the Colorado Refuge Services Program (CRSP).

Staff Recommendation: Staff recommends the Committee approve the Department's request based on the following analysis.

The primary short-term purpose of the Colorado Refuge Services Program is to promote effective resettlement and rapid self-sufficiency for the average 1,100 refugees who arrive in Colorado each year. Despite successful outcomes for most refugees, those who do not achieve self-sufficiency eventually transition to county TANF programs. In general, the counties do not have the resources to provide culturally- and linguistically-appropriate employability services to assist this group. For example, the Department anticipates that about

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

280 of the refugees settling in Colorado in FY 2007-08 will be Burmese, and will have spent the last decade in refuge camps along the Thailand-Myanmar border, with limited opportunities for education or to acquire and maintain work skills. The State provides such specialized services on a centralized basis. These services were originally funded by the federal Refugee Assistance Act of 1980; federal funding has decreased in recent years, and the State has used TANF dollars to offset the decreases where possible.

The Department's budget request for FY 2008-09 includes a decision item to increase the allocation of TANF dollars to CSRP. However, the federal funding decreases have also affected the State in federal FY 2007-08, as has the changes in the make-up of the refugee population. This request for additional funding in state FY 2007-08 is for a prorated amount based on the full-year request made in the decision item.

To the extent that this spending will reduce the number of refugees that are eventually placed on county TANF roles, some of the short-term expense will be offset by long-term savings to Colorado as a whole. Staff's analysis of the Department's cost/benefit calculations suggests that the county savings may not entirely offset the expense. However, the results of those calculations are extremely sensitive to the assumptions that are made, and due to changes in the make-up of the refugee population, the historical data may not be applicable.

The Department proposes to offset this increase in TANF spending by a corresponding decrease in the accumulation of TANF long-term reserves at the state level. The Department typically holds about \$15.0 million in long-term reserves, and can adequately fund the request in this fashion. **Staff recommends the Committee approve the Department's request.**

Previously Approved 1331 Supplemental - Office of CBMS

	Previously Approved	Current Staff Recommendation
Total	\$126,675	\$126,675
FTE	<u>12.0</u>	<u>12.0</u>
General Fund	19,884	19,884
Cash Funds	10,166	10,166
Cash Funds Exempt	43,972	43,972
Federal Funds	52,653	52,653
<i>Medicaid Cash Funds</i>	<i>43,972</i>	<i>43,972</i>
<i>Net General Fund</i>	<i>40,483</i>	<i>40,483</i>

**DEPARTMENT OF HUMAN SERVICES
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Description of Supplemental: The Colorado Benefits Management System (CBMS) experienced several severe problems when the system became operational in September 2004. An independent audit soon after made several recommendations for addressing those problems. One of the recommendations was to create a single point of control. Governor Owens issued executive order D 004 05 creating the Office of the Colorado Benefits Management System (OCBMS) within the Governor's Office. In February 2007, Governor Ritter issued executive order D 005 07 dissolving OCBMS and placed control and accountability for the system jointly under the Departments of Human Services and Health Care Policy and Financing. That executive order directed the departments to develop a plan to reassign 24.0 FTE from OCBMS (all staff excluding the Director and his administrative assistant). The plan was not completed in time to include the necessary adjustments in the FY 2007-08 Long Bill. This 1331 supplemental, approved in June 2007, contains the necessary changes in FTE and spending authority to implement the departments' reorganization plan.

The table above reflects the changes within the Department of Human Services. Additional changes contained in the 1331 supplemental for the Governor's Office and the Department of Health Care Policy and Financing will be covered in the supplemental packets for those organizations.

Supplemental # NP-1 - HCP&F Additional Financing for the Implementation of S.B. 07-211 Changes

	Request	Recommendation
Total	<u>\$17,879</u>	<u>Pending</u>
General Fund	0	
Cash Funds	0	
Cash Funds Exempt	17,879	
Federal Funds	0	
<i>Medicaid Cash Funds</i>	<i>17,879</i>	
<i>Net General Fund</i>	<i>0</i>	

Staff Recommendation: The staff recommendation for this request is pending Committee action on the corresponding prioritized supplemental request by the Department of Health Care Policy and Financing. Staff asks permission to include the necessary appropriations in the Department of Human Services supplemental bill to comply with the Committee's action on that prioritized request.

**DEPARTMENT OF HUMAN SERVICES
FY 2007-08 SUPPLEMENTAL RECOMMENDATION
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet . These items will be acted on separately by the JBC when it makes a decision regarding common policies. Only common policy line items appearing in the divisions covered in this packet are included in the table at the end of this section, and are shown in the order used by the Department in their request. Other common policy line items for the Department are covered in other packets.

Staff Recommendation: The staff recommendation for these requests is pending Committee approval of common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the committee approves this common policy supplemental. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

**DEPARTMENT OF HUMAN SERVICES
FY 2007-08 SUPPLEMENTAL RECOMMENDATION
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Department of Human Services' Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	<i>Medicaid Cash Funds</i>	<i>Net General Fund</i>	FTE
1. ALJ Adjustments	(\$75,128)	\$0	\$0	\$0	(\$75,128)	0	0	0.0
2. MNT Adjustments	165,808	101,143	1,658	13,265	49,742	8,290	105,288	0.0
3. Communication Services Payments	16,088	13,675	0	2,413	0	0	13,675	0.0
5. Computer Service (GGCC)	(23,432)	(10,226)	(32)	0	(13,174)	0	(10,226)	0.0
7. Workers' Compensation	(1,178,626)	(621,700)	(2,778)	(503,170)	(50,978)	(352,827)	(798,114)	0.0
8. Risk Management	(428,600)	(357,237)	(946)	(52,602)	(17,815)	(33,303)	(373,889)	0.0
Total Statewide Supplemental Requests for Department of Human Services	(1,523,890)	(874,345)	(2,098)	(540,094)	(107,353)	(377,840)	(1,063,266)	0.0