COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2007-08 and FY 2006-07 late SUPPLEMENTALS:

DEPARTMENT OF HUMAN SERVICES

Office of Operations, Division of Child Welfare, Division of Child Care, Services for People with Disabilities, and Executive Director's Office (selected Special Purpose line items)

PRIORITIZED AND NON-PRIORITIZED REQUESTS

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

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DEPARTMENT OF HUMAN SERVICES
Office of Operations, Child Welfare, Child Care, and Services for People with Disabilities
FY 2006-07 and 2007-08 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE

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

DEPARTMENT OF HUMAN SERVICES
Executive Director - Karen Beye

Supplemental #4 - Medicaid Waiver Reform Transition Costs

	FY 2006-07 Actual	FY 2007-08 Appropriation	Requested Change	Recommended Change	New Total with Recommendation
(9) SERVICES FOR PEOPLE WITH DISABILITIES					
(A) Developmental Disability Services					
(1) Community Services					
(a) Administration					
Medicaid Waiver Transition Costs*	1,200,475	0	399,213	579,928	579,928
General Fund	799,106	0	339,471	559,610	559,610
Cash Funds	0	0	0	0	0
Cash Funds Exempt	401,369	0	59,742	20,318	20,318
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*401,369*	*0*	*59,742*	*20,318*	*20,318*
Medicaid - General Fund portion	*200,685*	*0*	*29,871*	*10,159*	*10,159*
Net General Fund	*999,791*	*0*	*369,342*	*569,769*	*569,769*

*A total appropriation of $1,812,049 was authorized for this line item in FY 2006-07, including a June 2007 late "1331" supplemental for $371,581 discussed below; the emergency supplemental amount was authorized by the JBC to be rolled forward for use in FY 2007-08; an additional $239,993 also was rolled forward to FY 2007-08 based on encumbrances.

	FY 2006-07 Actual	FY 2007-08 Appropriation	Fiscal Year 2007-08 Supplemental Requested Change	Recommended Change	New Total with Recommendation
Supplemental #5 - Uses of Developmental Disability Hold Harmless Funds					
(9) SERVICES FOR PEOPLE WITH DISABILITIES					
(A) Developmental Disability Services					
(1) Community Services					
(b) Program Costs					
Hold Harmless [new line item]	0	0	6,714,887	0	0
General Fund	0	0	6,714,887	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*
Medicaid - General Fund portion	*0*	*0*	*0*	*0*	*0*
Net General Fund	*0*	*0*	*6,714,887*	*0*	*0*
(1) Community Services					
(b) Program Costs					
Subtotal - (b) Program Costs*	279,728,279	348,625,078	(3,200,000)	0	348,625,078
General Fund	18,177,319	30,747,830	(3,200,000)	0	30,747,830
Cash Funds	0	0	0	0	0
Cash Funds Exempt	261,550,960	317,877,248	0	0	317,877,248
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*227,258,471*	*281,791,710*	*0*	*0*	*281,791,710*
Medicaid - General Fund portion	*113,207,312*	*140,288,917*	*0*	*0*	*140,288,917*
Net General Fund	*131,384,631*	*171,036,747*	*(3,200,000)*	*0*	*171,036,747*

*The request did not specify to which sub-component of the line item this reduction should apply

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
(3) OFFICE OF OPERATIONS					
(A) Administration					
Operating Expenses	2,355,060	2,643,297	1,589,556	0	2,643,297
General Fund	[fund splits n/a]	1,625,030	1,589,556	0	1,625,030
Cash Funds		18,250	0	0	18,250
Cash Funds Exempt		917,813	0	0	917,813
Federal Funds		82,204	0	0	82,204
Medicaid Cash Funds		*482,696*	*0*	*0*	*482,696*
Medicaid - General Fund portion		*241,348*	*0*	*0*	*241,348*
Net General Fund		*1,866,378*	*1,589,556*	*0*	*1,866,378*
(5) DIVISION OF CHILD WELFARE					
Administration	2,281,207	2,350,900	357,000	100,000	2,450,900
FTE	25.1	26.0	0.0	0	26.0
General Fund	1,481,349	1,538,950	357,000	100,000	1,638,950
Cash Funds Exempt	124,326	127,485	0	0	127,485
Federal Funds	675,532	684,465	0	0	684,465
Medicaid Cash Funds	*128,349*	*127,485*	*0*	*0*	*127,485*
Medicaid - General Fund portion	*64,175*	*63,743*	*0*	*0*	*63,743*
Net General Fund	*1,545,524*	*1,602,693*	*357,000*	*100,000*	*1,702,693*

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Supplemental #5	4,636,267	353,619,275	5,461,443	100,000	353,719,275
General Fund	n/a	33,911,810	5,461,443	100,000	34,011,810
Cash Funds		18,250	0	0	18,250
Cash Funds Exempt		318,922,546	0	0	318,922,546
Federal Funds		766,669	0	0	766,669
Medicaid Cash Funds		*282,401,891*	0	0	282,401,891
Medicaid - General Fund portion		*140,594,008*	0	0	140,594,008
Net General Fund		*174,505,818*	5,461,443	100,000	174,605,818

Supplemental #7 - Funding Adjustments Related to Residential Child Care Program

(5) DIVISION OF CHILD WELFARE

	FY 2006-07 Actual	FY 2007-08 Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Child Welfare Services	318,923,705	337,351,314	0	2,492,627	339,843,941
General Fund	156,513,669	152,107,575	16,332,176	8,186,109	160,293,684
Cash Funds Exempt	68,020,139	88,351,854	(13,475,308)	(1,853,648)	86,498,206
Federal Funds	94,389,897	96,891,885	(2,856,868)	(3,839,834)	93,052,051
Medicaid Cash Funds	*16,074,967*	*34,875,613*	*(11,480,794)*	*0*	*34,875,613*
Medicaid - General Fund portion	*8,037,484*	*17,437,807*	*(5,740,397)*	*0*	*17,437,807*
Net General Fund	*164,551,153*	*169,545,382*	*10,591,779*	*8,186,109*	*177,731,491*

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #9 - Regional Center Operating Shortfall (FY 2006-07 over-expenditure)					
(9) SERVICES FOR PEOPLE WITH DISABILITIES					
(A) Developmental Disability Services					
(2) Regional Centers					
Operating Expenses	2,317,046	2,230,701	112,253	0	2,230,701
General Fund	0	0	0	0	0
Cash Funds	353	0	0	0	0
Cash Funds Exempt - Medicaid	2,316,693	2,230,701	112,253	0	2,230,701
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*2,316,693*	*2,230,701*	112,253	0	2,230,701
Medicaid - General Fund portion	*1,158,347*	*1,115,351*	56,127	0	1,115,351
Net General Fund	*1,158,700*	*1,115,351*	56,127	0	1,115,351
Supplemental #10 - Regional Center Clinical Security System Program					
(9) SERVICES FOR PEOPLE WITH DISABILITIES					
(A) Developmental Disability Services					
(2) Regional Centers					
Operating Expenses	2,317,046	2,230,701	174,978	0	2,230,701
General Fund	0	0	0	0	0
Cash Funds	353	0	0	0	0
Cash Funds Exempt - Medicaid	2,316,693	2,230,701	174,978	0	2,230,701
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*2,316,693*	*2,230,701*	174,978	0	2,230,701
Medicaid - General Fund portion	*1,158,347*	*1,115,351*	87,489	0	1,115,351
Net General Fund	*1,158,700*	*1,115,351*	87,489	0	1,115,351

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #17 - Move Commission for the Blind and Visually Impaired Appropriation					
(9) SERVICES FOR PEOPLE WITH DISABILITIES					
(B) Division of Vocational Rehabilitation					
Colorado Commission for Individuals who are Blind or Visually Impaired	n/a	95,152	(95,152)	0	95,152
FTE		1.0	(1.0)	0.0	1.0
General Fund		0	0	0	0
Cash Funds		0	0	0	0
Cash Funds Exempt		95,152	(95,152)	0	95,152
Federal Funds		0	0	0	0
(1) EXECUTIVE DIRECTOR'S OFFICE					
(B) Special Purpose					
Colorado Commission for Individuals who are Blind or Visually Impaired [new line item]	n/a	0	95,152	0	0
FTE		0.0	1.0	0.0	0.0
General Fund		0	0	0	0
Cash Funds		0	0	0	0
Cash Funds Exempt		0	95,152	0	0
Federal Funds		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
Total for Supplemental #17	n/a	95,152	`	0	95,152
FTE		1.0	0.0	0.0	1.0
General Fund		0	0	0	0
Cash Funds		0	0	0	0
Cash Funds Exempt		95,152	0	0	95,152
Federal Funds		0	0	0	0

Supplemental #18 - Technical Adjustment to Child Care Asistance Program and Transfer federal Child Care Development Funds to meet Federal Mandate

(6) DIVISION OF CHILD CARE					
Child Care Licensing and Administration	6,199,918	6,295,696	180,000	180,000	6,475,696
FTE	59.7	63.0	0.0	0.0	63.0
General Fund	2,322,605	2,275,147	0	0	2,275,147
Cash Funds (fees and fines)	472,330	710,008	0	0	710,008
Cash Funds Exempt (fees and fines)	0	0	0	0	0
Federal Funds (CCDF and Title IV-E)	3,404,983	3,310,541	180,000	180,000	3,490,541
Child Care Assistance Program	73,435,733	76,098,619	(448,216)	(430,296)	75,668,323
General Fund	13,755,029	15,354,221	0	0	15,354,221
Cash Funds Exempt (local funds)	9,184,636	9,431,793	(268,216)	(250,296)	9,181,497
Federal Funds (CCDF and Title XX)	50,496,068	51,312,605	(180,000)	(180,000)	51,132,605

	FY 2006-07 Actual	FY 2007-08 Appropriation	Fiscal Year 2007-08 Supplemental Requested Change	Recommended Change	New Total with Recommendation
Total for Supplemental #18	79,635,651	82,394,315	(268,216)	(250,296)	82,144,019
FTE	59.7	63.0	0.0	0.0	63.0
General Fund	16,077,634	17,629,368	0	0	17,629,368
Cash Funds	472,330	710,008	0	0	710,008
Cash Funds Exempt	9,184,636	9,431,793	(268,216)	(250,296)	9,181,497
Federal Funds	53,901,051	54,623,146	0	0	54,623,146

Totals Excluding Common Policy Items
DEPARTMENT OF HUMAN SERVICES
Office of Operations, Child Care,
Services for People with Disabilities, and Associated EDO Special Purpose Line Items ONLY

	FY 2006-07 Actual	FY 2007-08 Appropriation	Requested Change	Recommended Change	New Total with Recommendation
TOTALS - ALL line items in these divisions	980,307,862	1,055,159,073	5,879,671	2,922,259	1,058,081,332
FTE	2,372.9	2,475.1	0.0	0.0	2,475.1
General Fund	278,633,918	272,509,618	22,133,090	8,845,719	281,355,337
Cash Funds	5,177,150	5,278,843	0	0	5,278,843
Cash Funds Exempt	469,113,286	541,683,193	(13,396,551)	(2,083,626)	539,599,567
Federal Funds	227,383,508	235,687,419	(2,856,868)	(3,839,834)	231,847,585
Medicaid Cash Funds	*308,737,576*	*371,079,444*	*(11,133,821)*	*20,318*	*371,099,762*
Net General Fund	*411,344,771*	*436,148,244*	*16,566,179*	*8,855,878*	*445,004,122*

	FY 2006-07 Actual	FY 2007-08 Appropriation	Fiscal Year 2007-08 Supplemental Requested Change	Recommended Change	New Total with Recommendation
Statewide Common Policy Supplementals DPA-4 and DPA-6					
(3) OFFICE OF OPERATIONS					
(see narrative for more detail)	N.A.	N.A.	(67,488)	(84,980)	N.A.
General Fund			(51,655)	(52,161)	
Cash Funds			(797)	(121)	
Cash Funds Exempt - Medicaid			(22,129)	(29,150)	
Federal Funds			7,093	(3,548)	
Medicaid Cash Funds			(18,009)	(23,320)	
Medicaid - General Fund portion			(9,005)	(11,660)	
Net General Fund			(60,660)	(63,821)	

Totals Including Common Policy Items in Request					
DEPARTMENT OF HUMAN SERVICES					
Office of Operations, Child Care,					
Services for People with Disabilities, and Associated EDO Special Purpose Line Items ONLY					
TOTALS - ALL line items in these divisions	980,307,862	1,055,159,073	5,812,183	2,837,279	1,057,996,352
FTE	2,372.9	2,475.1	0.0	0.0	2,475.1
General Fund	278,633,918	272,509,618	22,081,435	8,793,558	281,303,176
Cash Funds	5,177,150	5,278,843	(797)	(121)	5,278,722
Cash Funds Exempt	469,113,286	541,683,193	(13,418,680)	(2,112,776)	539,570,417
Federal Funds	227,383,508	235,687,419	(2,849,775)	(3,843,382)	231,844,037
Medicaid Cash Funds	*308,737,576*	*371,079,444*	*(11,151,830)*	*(3,002)*	*371,076,442*
Net General Fund	*411,344,771*	*436,148,244*	*16,505,519*	*8,792,057*	*444,940,301*

	FY 2005-06 Actual	FY 2006-07 Appropriation	Fiscal Year 2006-07 Supplemental Requested Change	Staff Recommend	New Total with Rec.

FY 2006-07 Previously Approved Emergency Supplementals

DEPARTMENT OF HUMAN SERVICES
Executive Director - Karen Beye

Previously Approved Supplemental - Medicaid Waiver Transition Costs

Notes: (1) A footnote associated with this action is requested to be modified pursuant to FY 2007-08 Supplemental #5; (2) An associated supplemental (not reflected here) adjusted FY 2006-07 State Education Fund and General Fund appropriations to the Department of Education.

Department of Human Services
(9) Services for People with Disabilities
(A) Developmental Disability Services
(1) Community Services

	FY 2005-06 Actual	FY 2006-07 Appropriation	Requested Change	Staff Recommend	New Total with Rec.
Adult Program Costs	267,971,683	300,266,321	(9,700,759)	(9,700,759)	290,565,562
General Fund	11,168,268	24,741,186	(1,309,129)	(1,309,129)	23,432,057
Cash Funds	0	0			0
Cash Funds Exempt	256,803,415	275,525,135	(8,391,630)	(8,391,630)	267,133,505
Federal Funds	0	0			0
Medicaid Cash Funds	*224,815,225*	*241,556,646*	*(8,391,630)*	*(8,391,630)*	*233,165,016*
Medicaid - General Fund portion	*112,407,612*	*120,715,686*	*(4,195,815)*	*(4,195,815)*	*116,519,871*
*Net General Fund**	*123,575,880*	*145,456,872*	*(5,504,944)*	*(5,504,944)*	*139,951,928*

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Staff Recommend	New Total with Rec.
FY 2006-07 Previously Approved Emergency Supplementals					
Medicaid Waiver Transition Costs	n/a	1,440,468	371,581	371,581	1,812,049
General Fund		788,703	62,170	62,170	850,873
Cash Funds		0	0	0	0
Cash Funds Exempt		651,765	309,411	309,411	961,176
Federal Funds		0	0	0	0
Medicaid Cash Funds		*651,765*	*309,411*	*309,411*	*961,176*
Medicaid - General Fund portion		*325,883*	*154,706*	*154,706*	*480,589*
*Net General Fund**		*1,114,586*	*216,876*	*216,876*	*1,331,462*
(3) Services for Children and Families					
Program Funding	19,213,999	23,463,571	(403,517)	(403,517)	23,060,054
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	6,581,405	(403,517)	(403,517)	6,177,888
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*4,552,042*	*5,346,267*	*(403,517)*	*(403,517)*	*4,942,750*
Medicaid - General Fund portion	*2,276,021*	*2,297,076*	(173,375)	(173,375)	2,123,701
Net General Fund	*15,930,721*	*19,179,242*	(173,375)	(173,375)	19,005,867

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Staff Recommend	New Total with Rec.
FY 2006-07 Previously Approved Emergency Supplementals					
TOTAL DHS - Medicaid Waiver					
Transition Costs			(9,732,695)	(9,732,695)	
FTE	n/a	n/a	0.0	0.0	n/a
General Fund			(1,246,959)	(1,246,959)	
Cash Funds			0	0	
Cash Funds Exempt			(8,485,736)	(8,485,736)	
Federal Funds			0	0	
Medicaid Cash Funds			*(8,485,736)*	*(8,485,736)*	
*Net General Fund**			*(5,461,443)*	*(5,461,443)*	

*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	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Staff Recommend	New Total with Rec.
FY 2006-07 Previously Approved Emergency Supplementals					
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	(8,391,630)	(8,391,630)	247,293,098
General Fund	112,498,540	120,836,995	(4,195,815)	(4,195,815)	116,641,180
Cash Funds	0	0	0	0	0
Cash Funds Exempt	18,705	32,364	0	0	32,364
Federal Funds	112,536,017	120,929,904	(4,195,815)	(4,195,815)	116,734,089
Medicaid Waiver Tranistion Costs		369,153	309,411	309,411	678,564
General Fund	n/a	184,577	154,706	154,706	339,283
Cash Funds		0	0	0	0
Cash Funds Exempt		0	0	0	0
Federal Funds		184,576	154,705	154,705	339,281
Services for Children and Families - Medicaid Funding	4,552,042	5,346,267	(403,517)	(403,517)	4,942,750
General Fund	2,276,021	2,297,076	(173,375)	(173,375)	2,123,701
Cash Funds	0	0	0	0	0
Cash Funds Exempt	0	376,058	(28,383)	(28,383)	347,675
Federal Funds	2,276,021	2,673,133	(201,759)	(201,759)	2,471,374

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Staff Recommend	New Total with Rec.
FY 2006-07 Previously Approved Emergency Supplementals					
TOTAL HCPF - Medicaid Waiver Transition Costs			(8,485,737)	(8,485,737)	
FTE	n/a	n/a	0.0	0.0	n/a
General Fund			(4,214,484)	(4,214,484)	
Cash Funds			0	0	
Cash Funds Exempt			(28,384)	(28,384)	
Federal Funds			(4,242,869)	(4,242,869)	

Supplemental # 4 - Medicaid Waiver Reform Transition Costs

	Request	Recommendation
Total	$399,213	$579,928
General Fund	339,471	559,610
Cash Funds	0	0
Cash Funds Exempt	59,742	20,318
Federal Funds	0	0
Medicaid Cash Funds	*59,742*	*20,318*
Medicaid - General Fund portion	*29,871*	*10,159*
Net General Fund	*369,342*	*569,769*

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 unforseen contingency]	**YES**
Staff and the Department believe this meets the "new data" criterion.	

Department Request: Supplemental #4 requests $399,213 ($369,342 "net" General Fund) for Medicaid Waiver Reform Transition Costs. The current request is primarily for costs associated with federally-required modifications to the Medicaid developmental disability supported living services (SLS) home-and community-based (HCBS) waiver program.

Based on federal requirements, the Department moved to a new interim rate structure for both the Comprehensive Medicaid HCBS waiver program and the SLS Medicaid HCBS waiver program effective FY 2006-07. The State has committed to federal authorities that it will migrate to a new long-term rate structure for the comprehensive program effective July 1, 2008 and a new long-term rate structure for the SLS program effective July 1, 2009. The long-term rate structures will be based on client needs as assessed based on the Supports Intensity Scale (SIS) tool. The General Assembly previously appropriated funds for one-time costs associated with administering the SIS tool to comprehensive waiver clients, and development of the new rate structure, in preparation for the July 1, 2008 rate-system change for the comprehensive program. In June 2007, the Department identified a variety of additional one-time funding needs associated primarily with administering the SIS tool to the SLS population, re-administering the SIS to comprehensive clients who had not been properly assessed the first time, entering prior authorization (PAR) data on each consumer assessed with the SIS, and making associated computer system modifications.

The current request substantially reflects the portion of a June 2007 emergency supplemental that was previously rejected on the grounds that it did not meet "emergency" supplemental criteria as outlined in Section 24-75-111, C.R.S. In June 2007, the JBC approved those portions of the supplemental request that needed to be completed during the first half of the year and that reasonably reflected needs that could not have been foreseen while the General Assembly was meeting. These included the re-administration of the SIS to some comprehensive waiver clients and a sample of SLS clients (required to develop a new SLS rate structure), associated costs for Department-processing of PAR documents, and funding for computer-system modifications. The current request is for administering the SIS and entering PARs for those SLS clients who were not part of the sample funded through the June 2007 emergency supplemental.

The table below summarizes the June 2007 request, the portion funded through the emergency supplemental process, and the amount now requested, resulting in a cost that is, overall, less than the June 2007 request. Note that the June 2007 supplemental was funded in the FY 2006-07 budget with authority to roll-forward the requested amount to FY 2007-08, while the amount presently requested would be funded through the FY 2007-08 budget.

Medicaid Waiver Transition Costs - Previously Approved and Currently Requested

	June 2007 Request	June 2007 Approved	Jan 2008 Assessment Need	Jan 2008 Request (Jan 2008 Assessment Need less June 2007 Approved)	
SIS Acuity Tool retraining and purchase of the tool	$153,600	$141,858	$153,600	$11,742	SIS on-line costs @ $3 x 3,914 remaining SLS and comp. clients (586 clients previously funded for sample)
SIS Administration by the CCBs	478,240	62,170	**401,641**	339,471	Costs for administering remaining SIS evaluations (SLS sample population costs approved in June)
PAR Processing temporary help	60,000	12,000	60,000	48,000	Costs to complete PARs for balance of the SLS population and for two training sessions
Modifications to CCMS	155,553	155,553	155,553	0	All amounts approved in June - included revising rate module and enabling migration to Internet Explorer 7 from Explorer 6, among other adjustments.
Total - Medicaid Waiver Transition Costs	$847,393	$371,581	$770,794	**$399,213**	

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January 2008 Supplemental Request
Medicaid Waiver Transition Costs Request Detail

	Total (General Fund + Cash Funds Exempt)	General Fund	Cash Funds Exempt (Medicaid transferred from HCPF)	Medicaid General Fund*	Net General Fund (General Fund + Medicaid General Fund)
SIS Acuity Tool retraining and purchase of the tool	$11,742	$0	$11,742	$5,871	$5,871
SIS Administration by the CCBs	339,471	339,471	0	0	339,471
PAR Processing temporary help	48,000	0	48,000	24,000	24,000
Modifications to CCMS	0	0	0	0	0
Total - Medicaid Waiver Transition Costs	**399,213**	339,471	59,742	29,871	369,342

*Amounts appropriated as General Fund in the Department of Health Care Policy and Financing.

The Department's current request is designed to address costs associated with administering the SIS tool to SLS clients and development of detailed "PARs" (prior authorization documents) to authorize billings of those services.

The request also includes a budget amendment for $79,029 in costs for FY 2008-09 and future years, that will be addressed in the staff FY 2008-09 figure setting document.

Staff Analysis and Recommendation: Based on additional inquiries, staff is recommending larger amounts for some activities and smaller amounts for others. The tables below summarize the recommendation.

Medicaid Waiver Transition Costs - Previously Approved and Currently Recommended					
	June 2007 Request	**June 2007 Approved**	**Jan 2008 Assessment Need**	**Jan 2008 Recommend (Jan 2008 Assessment Need less June 2007 Approved)**	
SIS Acuity Tool retraining and purchase of the tool	$153,600	$141,858	**$114,176**	**($27,682)**	Reflects revised estimates and corrections on these costs for the year, detailed below. (Medicaid)
SIS Administration by the CCBs	478,240	62,170	**621,780**	**559,610**	Costs for administering remaining SIS evaluations based on 2,892 Medicaid SLS resources x $215/evaluation less SLS sample population costs approved in June (General Fund)
PAR Processing temporary help	60,000	12,000	60,000	48,000	Costs to complete PARs for balance of the SLS population and for two training sessions. Total costs were for 2,500 hours temp staff x $20/hour + 2 training sessions for providers at $5,000 each (Medicaid)
Modifications to CCMS	155,553	155,553	155,553	0	All amounts approved in June - included revising rate module and enabling migration to Internet Explorer 7 from Explorer 6, among other adjustments. (Medicaid)
Total - Medicaid Waiver Transition Costs	$847,393	$371,581	**$951,509**	**$579,928**	

January 2008 Supplemental Recommendation Medicaid Waiver Transition Costs Request Detail					
	Total (General Fund + Cash Funds Exempt)	General Fund	Cash Funds Exempt (Medicaid transferred from HCPF)	Medicaid General Fund*	Net General Fund (General Fund + Medicaid General Fund)
SIS Acuity Tool retraining and purchase of the tool	($27,682)	$0	($27,682)	($13,841)	($13,841)
SIS Administration by the CCBs	559,610	559,610	0	0	559,610

January 2008 Supplemental Recommendation
Medicaid Waiver Transition Costs Request Detail

	Total (General Fund + Cash Funds Exempt)	General Fund	Cash Funds Exempt (Medicaid transferred from HCPF)	Medicaid General Fund*	Net General Fund (General Fund + Medicaid General Fund)
PAR Processing temporary help	48,000	0	48,000	24,000	24,000
Modifications to CCMS	0	0	0	0	0
Total - Medicaid Waiver Transition Costs	**579,928**	559,610	20,318	10,159	**569,769**

SIS Acuity Tool retraining and purchase of the tool: The vast majority of this request was approved in June 2007. Costs reflected were based on SIS on-line license and entry fees, costs for trainer certification and recertification, and for training and technical assistance provided by the Division. The Department's current request was based on the balance of the total requested in June 2007. However, based on further review and discussion with the Department, it appears that some training costs were over-estimated in the June 2007 submission and that the number of on-line entry fees required was too high. The table below reflects the sub-components of this request and the revised staff recommendation.

Supplemental #4 - SIS Acuity Tool and Associated Training Component - Request v. Recommendation

	Request	**Rec**	**Change**	**Staff Calculation**
SIS on line license fees	$23,800	$23,800	$0	
SIS on line entry fees	13,500	10,176	(3,324)	3,392 SIS x $3 per SIS
AAIDD Recertification of Existing Trainers	28,500	28,500	0	
AAIDD Expenses for Additional Trainers	37,000	37,000	0	
Backfill for Division staff trainers	40,000	7,500	(32,500)	150 hours x $50 per hour
Division staff lodging/per diem	10,800	7,200	(3,600)	6 staff x 8 days x $150 per day
TOTAL	$153,600	$114,176	($39,424)	

SIS Administration by CCBs: This is the only component of the request that changed from the June 2007 original. In June 2007, the Department requested $478,240 General Fund for the year. This figure matched the amount previously provided for SIS administration for comprehensive clients. [The original comprehensive waiver SIS administration calculation was based on 3,318 Medicaid waiver clients at $155.57 per client (5.76 staff hours at $27 per staff hour).] In January 2007, the Department reduced the request for SLS administration to $401,641 presumably to reflect the fact that there are fewer SLS Medicaid waiver clients than comprehensive waiver clients. The revised request would fund 2,582 SLS Medicaid waiver clients at the $155.57 per client rate.

Staff requested additional information that had been collected by the Department on the actual costs incurred by the CCBs in administering the SIS, based on the experience with administering the SIS to comprehensive waiver clients. The data provided reflected a wide range of costs among the CCBs; however, if outliers are excluded, and the total is rounded, the mean cost is $215 per client. **The staff recommendation is to provide funding for the 2,892 Medicaid SLS resources reflected in the Long Bill at the rate of $215.00 per client, resulting in a total cost of $621,780. The staff recommendation is based on this figure, less the $62,170 approved in June and funded through the FY 2006-07 appropriation. This results in a total of $559,610 General Fund required** for FY 2007-08.

Note that the entire amount is General Fund. This is because this is an expenditure that should be covered in the targeted case management Medicaid rate paid to the community centered boards. However, according to the Department of Human Services, the additional work required associated with administering the SIS for the first time to all waiver clients was not built into the interim targeted case management rates for FY 2006-07 or FY 2007-08, and it would be difficult to adjust this after-the-fact. Staff emphasizes that the current recommendation is based on one-time needs. Staff does anticipate that, in the future, the costs associated with administering the SIS to clients approximately every three years will be built into the Medicaid targeted case management rate.

PAR Processing: The $60,000 requested in June (and unchanged in this request) matches the additional funding authorized for prior authorization processing related to the comprehensive waiver program. The request indicates that this will fund 2,500 hours at $20 per hour plus two $5,000 training sessions for providers. Although there will be fewer SLS PARs that must be processed than comprehensive PARs (2,892 SLS Medicaid waiver clients versus 3,806 comprehensive Medicaid waiver clients), the Department does appear likely to spend this full amount. Thus, staff recommends the request for $48,000 for FY 2007-08 (given $12,000 funded through June 2007 supplemental action).

Modifications to CCMS: As all funding was included in the June 2007 supplemental, no additional amounts are requested for FY 2007-08.

Note that the request for ongoing funding for related activities in FY 2008-09 and future years will be addressed during FY 2008-09 figure setting.

Supplemental # 5 - Uses of Hold Harmless Funds

	Request	Recommendation
Total	$5,461,443	$100,000
General Fund	5,461,443	100,000
Cash Funds	0	0
Cash Funds Exempt	0	0
Federal Funds	0	0
Medicaid Cash Funds	*0*	*0*
Medicaid - General Fund portion	*0*	*0*
Net General Fund	*5,461,443*	*100,000*

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 unforseen contingency]	**YES** IN PART
The Department requested a large number of budget changes based on a federally-authorized change to the date for implementing a long term rate structure for the Medicaid HCBS-DD waiver program. As a result of the date-change, staff concurs that the need for FY 2007-08 "hold harmless" funding has changed, and this change meets supplemental criteria; however, much of the request is to use funds not needed in FY 2007-08 for various one-time projects unrelated to the Medicaid waiver program. Staff has treated each of these proposals as a separate supplemental request, and most do not meet supplemental criteria.	

Department Request: The Department request includes many distinct components. In sum, the Department proposes to modify and add footnotes and appropriations to change the uses of funds that were associated with developmental disability under-expenditures in FY 2006-07.

Overview of Proposed Funding Changes	
	General Fund
Background - Authorized uses of FY 2006-07 Developmental Disability Underexpenditures	
Amount used to increase General Fund appropriations for the Department of Education and reduce spending from the State Education Fund for FY 2006-07 (June 2007 late 1331 supplemental)	$5,461,443
Amount retained in Developmental Disability Services, Adult Program Costs line item and authorized for roll-forward for hold harmless from FY 2006-07 to FY 2007-08, with associated footnote (add-on to FY 2007-08 Long Bill)	5,261,338
Total - General Fund	$10,722,781
General Fund amount *actually* rolled forward in Developmental Disability Services, Adult Program Costs line item from FY 2006-07 to FY 2007-08 ($35,521 below the $5,261,338 authorized)	5,225,817
Revised proposed use of FY 2006-07 roll-forward to FY 2007-08	
(1) Amount needed for hold harmless in FY 2007-08 [authorized through FY 2006-07 appropriation and footnote on FY 2006-07 roll-forward]	2,025,817
(2) Amount proposed to be used for "special projects" in FY 2007-08 [FY 07-08 budget adjustment to reduce funds from DD Program Costs and appropriate to other DHS line items]	1,946,556
(3) Balance available for further roll-forward to FY 2008-09 [FY 07-08 budget adjustment to reduce funds from FY 2007-08 DD Program Costs line item and appropriate in new Hold Harmless line item]	1,253,444
Total - Equals Actual FY 2006-07 roll-forward	$5,225,817
Proposed FY 2007-08 appropriation for roll-forward to FY 2008-09	
(4) Balance of FY 2006-07 roll-forward described in item (3) above	1,253,444
(5) Additional General Fund appropriation for Developmental Disability Services, Hold Harmless, proposed to be appropriated in FY 2007-08 and rolled-forward to FY 2008-09	5,461,443
Total - Equals proposed FY 2007-08 Hold Harmless line item	$6,714,887
FY 2007-08 Department of Education Change	
(6) Proposed FY 2007-08 General Fund appropriation reduction to Department of Education - matched by increase in State Education Fund appropriation to Department of Education (matches Item (5) above)	($5,461,443)

Modify FY 2006-07 Footnote: Modify Footnote 68a included in the FY 2006-07 supplemental add-on to the FY 2007-08 Long Bill (S.B. 07-239) to modify the proposed uses for $5,261,338 General Fund authorized to be rolled-forward from FY 2006-07 to FY 2007-08 in the Developmental Disability Services, Adult Program Costs line item. The modification is shown below in struck type and small caps.

68a 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 $5,261,338 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~~ UP TO $3,314,782 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, $1,589,556 SHALL BE TRANSFERRED TO THE OFFICE OF OPERATIONS FOR THE REPLACEMENT OF THE WATER SYSTEM AT THE WHEAT RIDGE REGIONAL CENTER, WINDOW AND DOORKNOB REPLACEMENT AT THE COLORADO MENTAL HEALTH INSTITUTE AND PUEBLO, AND SECURITY LIGHTING AND FENCING AT THE GRAND JUNCTION REGIONAL CENTER, AND $357,000 SHALL BE TRANSFERRED TO THE DIVISION OF CHILD WELFARE FOR A FOSTER CARE PERFORMANCE AUDIT AND FATALITY REVIEW PROJECT. The General Assembly notes that an additional $3,677,868 that would have been available for "hold harmless" is not available for this purpose because it is used to provide a community provider cost-of-living increase in FY 2006-07.

FY 2007-08 Developmental Disability Services Hold Harmless Appropriations and Adjustments: Reduce the FY 2007-08 Appropriation for the Developmental Disability Services, Community Services, Program Costs line item by $3,200,000 General Fund and create a new line item in the same section of the budget (Developmental Disability Services, Community Services) entitled "Hold Harmless" with an appropriation on $6,714,887 General Fund. In addition, authorize this entire new Hold Harmless line item to be rolled-forward from FY 2007-08 to FY 2008-09. The net impact of the proposed FY 2006-07 footnote change, described above, and the FY 2007-08 developmental disability services appropriations changes on developmental disability services would be to:

- Provide $2,025,817 for hold harmless in FY 2007-08, using FY 2006-07 roll-forward amounts.
- Provide $6,714,887 for hold harmless in FY 2008-09, based on an FY 2007-08 appropriation rolled-forward to FY 2008-09

"Hold harmless" funding is designed to help ease the transition for providers and consumers, first, from the previous quasi-managed-care rates to the interim rate structure in effect for the comprehensive residential program in FY 2006-07 and FY 2007-08 and, second, from the interim rate structure to a new long-term rate structure in FY 2008-09. Hold harmless funds may be used to keep providers "whole" (or partially whole) on a temporary basis, when changes in the rate structure result in decreases to the payment they receive for providing the same services. In addition to assisting providers, such assistance is expected to help consumers who might otherwise be faced with sudden changes to their services based on the revised rate structure. Hold harmless assistance is presumably available on a limited term basis only.

The table above explains the basis for these adjustments in more detail.

FY 2007-08 One-time Appropriations Adjustments for Other DHS Programs: The Department identified five such adjustments in two line items.

		Supplemental #5 Special Project REQUESTS	
	Project	**Description**	**Amount**
Child Welfare, Administration			
A	Foster Care Performance Audit and Fatality Review Projects	(1) Evaluation of Child Welfare Services Division workload and staffing; (2) Research and determine fair and reasonable base anchor rates for CPAs, RCCFs, and foster care providers; (3) locate/implement validated level-of-care assessment; (4) Trails system modifications; (5) Contract a project manager	$357,000
Office of Operations, Operating Expenses			
B	Wheat Ridge Regional Center Water System	Replace water storage tank, pumping station, distribution system at Wheat Ridge and convey to Valley Water District	$857,406
C	Colorado Mental Health Institute at Pueblo Window Replacement	Install 135 Lexan window coverings within building 106 (minimum and medium security forensic building) to prevent patients punching through glass windows	90,450
D	Grand Junction Regional Center Security Fencing and Lighting	Perimeter fencing and lighting for Grand Junction Regional Center to prevent resident elopement	518,700
E	Colorado Mental Health Institute at Pueblo Suicide Risk Mitigation	Replace doorknobs on CMHIP adult civil unit patient rooms with suicide-resistant doorknobs	123,000
	Subtotal - Operations		$1,589,556
Total (Operations + Child Welfare)			**$1,946,556**

Adjust Appropriation to Department of Education: The Department's request is also tied to an FY 2007-08 adjustment to the Department of Education appropriation to increase the cash funds exempt appropriation from the State Education Fund by $5,461,443 and reduce the General Fund appropriation by the same amount. This adjustment is the mirror image of the adjustment taken on an "emergency" supplemental basis in June 2007 to increase the FY 2006-07 General Fund appropriation to the Department of Education by $5,461,443 and reduce the State Education Fund appropriation by the same amount, associated with FY 2006-07 under-expenditures for developmental disability services.

Staff Analysis:

Overall Analysis and Recommendation. As reviewed further below, staff believes that:

- The FY 2006-07 hold harmless footnote adjustment is not required or appropriate.

- The Department should provide interim-rate hold harmless funding for FY 2007-08. This is estimated to require $1.7 million This requires no budget change, as the roll-forward of FY 2006-07 funds is already authorized for this purpose.

- Hold-harmless amounts not needed in FY 2007-08, that are rolled forward from FY 2006-07, should be further rolled forward from FY 2007-08 to FY 2008-09 to assist in addressing the anticipated FY 2008-09 hold harmless need. The exact amount of such FY 2008-09 need has not yet been determined.

- Any additional FY 2008-09 hold-harmless amounts required would be most appropriately reflected in the FY 2008-09 budget (and thus addressed during FY 2008-09 figure setting, when more information is available) rather than through an FY 2007-08 budget supplemental adjustment.

- Each of the one-time projects requested for FY 2007-08 must be considered separately. Of the requests, staff recommends a portion of the FY 2007–08 requested funding for Project A for the Division of Child Welfare. Staff does not believe any of the other requested projects meet supplemental criteria, and staff believes these might be more appropriately addressed through the capital construction or controlled maintenance budgets. The staff recommendation would make the requested adjustment to the Division of Child Welfare but would not affect the appropriation for the Division for Developmental Disabilities in either FY 2006-07 or FY 2007-08.

- Any adjustments to Education funding (*i.e.*, reductions to General Fund appropriations for Education and increases in State Education Funding) will need to be considered separately, when the JBC balances the FY 2007-08 and FY 2008-09 budgets. Staff does not recommend adjustments associated with this particular developmental disability request.

Modify FY 2006-07 Footnote: The Department's proposal would modify the language in FY 2006-07 Long Bill Footnote 68a, that authorizes roll-forward of $5.2 million General Fund in the Developmental Disability, Adult Program Costs line item to FY 2007-08 for use for "hold harmless" funding. The language requested by the Department would indicate that funds were to be "transferred" to other line items for various purposes. From staff's perspective, the FY 2006-07 books have been closed and the funds have been rolled forward *in the Developmental Disability Services, Community Services, Adult Program Costs line item* [known as the Program Costs line item in FY 2007-08]. The Controller's Office has indicated that the General Assembly could, through modification of the footnote, specify a different use for the funds other than "hold harmless". However, staff believes the proposal, as presented, is not consistent with the appropriations process.

- It is not feasible or appropriate to *transfer* FY 2006-07 funds to line items to which they were not appropriated *through a footnote*, which is what the proposed footnote language appears to do. The Office of Legislative Legal Services concurs with this analysis.

- Staff does not believe any change to the FY 2006-07 footnote is required. The Department and staff anticipate that the total need for hold harmless funding will exceed the $5.2 million identified in the FY 2006-07 footnote, when FY 2007-08 and FY 2008-09 needs are considered. Staff therefore anticipates that it will be appropriate to *add an FY 2007-08 roll-forward footnote* allowing hold harmless roll-forward amounts not needed in FY 2007-08 to be further rolled forward to FY 2008-09.

- Staff would suggest that the JBC approve staff's plan for an FY 2007-08 roll-forward footnote in concept; however, staff believes specifics on an FY 2007-08 roll-forward footnote (and such footnote's enactment) should await a reanalysis of total FY 2007-08 and FY 2008-09 developmental disability funding needs, including a reanalysis of FY 2008-09 hold harmless needs. Staff expects to receive late supplementals and budget amendments for developmental disability services in February and proposes to address FY 2007-08 roll-forward footnotes at that time.

FY 2007-08 Developmental Disability Services Appropriations for Hold Harmless: The Department's complex request is designed to address FY 2007-08 hold harmless needs (through the roll-forward of FY 2006-07 funds) and to identify the FY 2008-09 hold harmless need through the FY 2007-08 appropriation. *However, neither the requested FY 2007-08 hold harmless amount* of $2,025,817*, nor the requested FY 2008-09 hold harmless amount* of $6,714,887 *appear to be based on an analytical assessment of the need for such funding*. In both cases the figures appear to be "backed into", based on FY 2006-07 underexpenditures less one-time FY 2007-08 projects to which the Department wishes to direct funding.

- *JBC staff's current estimate of the FY 2007-08 funding need for "hold harmless" is based on the final amount of hold harmless spending authorized by the Department for FY 2006-07, inflated by the 1.5 percent community provider cost of living increase in FY 2007-08. This gives a total of $1,666,735.* The FY 2007-08 need should be similar to the FY 2006-07 need, because both are based on the interim (rather than long-term) rate structure. The Department reported in June 2007, that it had used $1,642,103 for hold harmless in FY 2006-07—despite the fact that it had originally set aside $2,133,732 for this purpose. The Department indicated in June 2007 that "when the analysis of the provider's need for hold harmless funds was completed, there were not validated requests for all of the funds identified for hold harmless in FY 2006-07". The balance was part of the FY 2006-07 under-expenditure for developmental disability services.

- Staff has no basis yet for estimating the FY 2008-09 hold harmless need, apart from the rough estimates previously provided by consultants of $5 to $8 million. Staff has requested, and the Department has agreed, to provide a more specific estimate of the need, based on the new rate structure to be implemented, prior to FY 2008-09 figure setting.

Staff recognizes that the Department could require more than $1.7 million for FY 2007-08 hold harmless if it uses process similar to the FY 2006-07 process and additional providers apply for hold harmless funds. However, *if the FY 2006-07 footnote is unchanged (as staff recommends), there is legal authority for the Department to spend a higher figure in FY 2007-08, if it feels there is justification*. Staff will take this into account during figure setting when considering total additional funding required to address the FY 2008-09 hold harmless need (*i.e.*, new funding needed in FY 2008-09 will be based on the FY 2008-09 need less the portion of the $5.2 million roll forward from FY 2006-07 that will not be used in FY 2007-08). If staff's current estimates are accurate, staff would anticipate that, of the $5.3 million set aside for hold harmless in the FY 2006-07 roll forward, approximately $1.7 will be spent in FY 2007-08 and $3.6 million will be available for further roll-forward to FY 2008-09 for hold harmless.

<u>FY 2007-08 One-time Appropriations Adjustments for Other DHS Programs</u>: The staff recommendation is summarized in the table, and further information is provided below.

	REQUEST V. RECOMMENDATION - Supplemental #5 Special Projects			
	Project	**Description**	**Request**	**Recommend**
<u>Child Welfare, Administration</u>				
A	Foster Care Performance Audit and Fatality Review Projects	(1) Evaluation of Child Welfare Services Division workload and staffing; (2) Research and determine fair and reasonable base anchor rates for CPAs, RCCFs, and foster care providers; (3) locate/implement validated level-of-care assessment; (4) Trails system modifications; (5) Contract a project manager	$357,000	$100,000
<u>Office of Operations, Operating Expenses</u>				
B	Wheat Ridge Regional Center Water System	Replace water storage tank, pumping station, distribution system at Wheat Ridge and convey to Valley Water District	$857,406	$0

REQUEST V. RECOMMENDATION - Supplemental #5 Special Projects				
	Project	**Description**	**Request**	**Recommend**
C	Colorado Mental Health Institute at Pueblo Window Replacement	Install 135 Lexan window coverings within building 106 (minimum and medium security forensic building) to prevent patients punching through glass windows	90,450	0
D	Grand Junction Regional Center Security Fencing and Lighting	Perimeter fencing and lighting for Grand Junction Regional Center to prevent resident elopement	518,700	0
E	Colorado Mental Health Institute at Pueblo Suicide Risk Mitigation	Replace doorknobs on CMHIP adult civil unit patient rooms with suicide-resistant doorknobs	123,000	0
	Subtotal - Operations		$1,589,556	$0
Total (Operations + Child Welfare)			**$1,946,556**	**$100,000**

Project A - Foster Care Performance Audit Response

Project A includes multiple components of which staff recommends some, as reflected below.

REQUEST V. RECOMMENDATION Supplemental #5 Special Project A				
	Project	**Description**	**Request**	**Recommend**
Child Welfare, Administration				
A	Foster Care Performance Audit and Fatality Review Projects	(1) Evaluation of Child Welfare Services Division workload and staffing;	$100,000	$100,000
		(2) Research and determine fair and reasonable base anchor rates for CPAs, RCCFs, and foster care providers	$75,000	Consider for FY 2008-09 budget
		(3) locate/implement validated level-of-care assessment	$30,000	Consider for FY 2008-09 budget
		(4) Trails system modifications	$82,000	$0
		(5) Contract a project manager	$70,000	$0
	TOTAL		$357,000	$100,000

Overall, the basis for the request, and the justification under supplemental criteria, is that the request is based on the findings of the 2007 Foster Care Performance Audit, and concerns related to recent child fatalities within the state. Staff believes that the results and timing of the two foster care audits (issued in May and September 2007) are sufficient to comply with supplemental criteria. Further, the results of the audits, as well as data associated with the federal Child and Family Services Review process, do indicate that the Division of Child Welfare has very serious problems that must be promptly addressed to ensure the safety of children in the foster care system.

Evaluation of Child Welfare Services Division and Staffing: The Department has requested $100,000 to conduct an evaluation of the Child Welfare Services Division. The Department believes this is needed to ensure effective use of available resources and potential need for additional resources to carry out the Division's responsibilities. The Department recently announced through the media that the Department is conducting an immediate review in an attempt to determine if there are major issues in the state's child welfare system following 12 child fatalities in 2007.

In light of the many problems evident in the system, staff believes this is a reasonable request, and staff recommends that it be funded on a supplemental basis to assist the Department in contracting for the study as quickly as possible. (Staff understands, however, that some authority to roll-forward related funds may be necessary if the work may not be completed before the end of the fiscal year). The estimated cost is based on contacts with potential vendors. The work required would involve: reviewing the division's purpose, mission and performance standards as outlined in statute and other documents, identifying potential organizational structure and division changes based on performance objectives, assessing current staff activities in relation to job descriptions, proposing changes to staff job descriptions and responsibilities, and creating performance standards for the division and each job.

Research and determine fair and reasonable base anchor rates for CPAs, RCCFs, and foster care providers, and locate and implement Level-of-Care Assessment Tool: These proposed projects stem from the September 2007 SAO Foster Care Financial Services Performance Audit. The Department's response to these audit components was generally to agree with the recommendations, with "partial agreements" based on resources. For example, the Department noted that to analyze rates would drive the need for approximately 1.0 FTE and noted that in many states dedicated units of staff perform rate setting and oversight functions, which is not available in Colorado. Staff believes these projects are not appropriate for an FY 2007-08 supplemental but could be considered for FY 2008-09 figure setting. Staff believes that, if funded, these activities should be staged *after* the Department has conducted a thorough analysis of the division's internal structure and hired/identified individuals who will be responsible for rate setting activities into the future. Otherwise, the Department runs the risk that the results of outside contracts will not adequately address the Department's needs. Further, while staff believes these efforts would be beneficial, staff does not see clear urgency for completing these in FY 2007-08. In response to the audit, the Department agreed to implementation dates for related activities in December 2008 and January 2009.

Trails System Modifications: The request includes funding for Colorado Trails IT system modifications. Staff understands these also stem from the SAO Performance Audits, although staff is not in a position to evaluate the list of technical changes identified in the request. Staff notes that the overall Colorado Trails line item, in the Department's Office of Information Technology Services, has a budget of $9.3 million and has a long list of user- and Department- requested Trails System changes that are addressed over time through this budget and are prioritized by the Trails Users Group (TUG). In response to the audit, the Department committed to Trails system modifications in both FY 2007-08 and FY 2008-09, which staff assumes reflects the level of priority for these changes within the existing Trails budget. In response to staff questions, the Department indicated that the Special Project A development could replace development that is currently scheduled in FY 2007-08, in which case the TUG would be asked to participate in a re-prioritization of the scheduled projects so that this priority can be accommodated. This, in turn, would put other critical system modifications at risk.

Staff believes the TUG–rather than staff–is in the best position to determine the appropriate timing for the multiple changes proposed for Trails, and staff assumes the audit response reflected realistic time-frames for the changes recommended in the audit, based on existing funding. If overall funding for Trails change priorities is insufficient, this should be reviewed through the normal budget prioritization process, including review by the Governor's Office of Information Technology Services, and submission of a decision item or budget amendment for FY 2008-09 or a future year.

Contract Project Manager: The request includes $70,000 to contract for a project manager to manage the four other projects requested. Staff does not believe that a contracted project manager is appropriate in this kind of situation. To ensure the Division receives the products it wants, it needs to have its own long-term staff oversee such external projects. If it does not have the capacity to manage all the contracts requested, then it needs to stage the contracts so that they can be properly managed. As reflected above, staff recommends only one project be funded for FY 2007-08 and two others be considered for FY 2008-09 figure setting.

Projects B-E - Requests in the Office of Operations

Staff does not believe it would be appropriate to fund any of the requested projects because they do not meet supplemental criteria and are more appropriately addressed through the capital construction and/or controlled maintenance budgets.

Mental Health Institute Suicide Risk Mitigation Projects (windows and doorknob replacement): According to Legislative Council capital construction staff, the Department has addressed suicide risk mitigation activities at the mental health institutes through the controlled maintenance budget since at least FY 2003-04. More recently, it was determined that the scale of work justified a capital construction project. Over $17 million is now anticipated to be spent over the next five years through the capital construction budget to address suicide risk mitigation at the mental health institutes. In light of this, staff does not believe that this project meets supplemental criteria or is appropriately addressed through the Department's operating budget.

Regional Center Projects (water tower and perimeter fencing): The Department indicated that the water supply project for Wheat Ridge Regional Center was submitted as a controlled maintenance project, but it was not funded. Staff understands that there were six other Department projects that were ranked above this one that were not funded. The Department indicated that the Grand Junction Regional Center perimeter project had not been submitted for either controlled maintenance or capital construction funding, but that, in light of plans for suburban growth in the Grand Junction area, development of perimeter fencing is a priority.

First, staff does not believe that these projects meet supplemental criteria, as they reflect longstanding or emerging problems that could reasonably be addressed through the regular budget process. Second, while such projects may be worthwhile, staff feels they are more appropriately reviewed through the capital construction or controlled maintenance processes, which are better designed to review proposal specifics and to prioritize these needs against other statewide demands for capital construction and controlled maintenance funding. Overall, staff recognizes that the Department of Human Services has very serious problems with its aging infrastructure. However, staff does not believe the operating budget is the proper venue for addressing significant infrastructure issues of the type included in this request.

<u>State Education Fund Adjustments</u>
Adjustments to the State Education Fund to balance the budget are pending the recommendation of the Department of Education analyst and overall Committee decisions regarding balancing the budget for FY 2007-08 and FY 2008-09. In general, staff does not believe developmental disability (or overall Department of Human Services) funding for FY 2007-08 or FY 2008-09 should be linked to FY 2006-07 developmental disability underexpenditures. As detailed in the staff FY 2008-09 Services for People with Disabilities budget briefing (pp. 83-84), General Fund costs through FY 2006-07 associated with CMS-required Medicaid waiver changes ($18.9 million) exceeded the $16.2 million General Fund reductions associated with the transition over the same period. Staff assumes that the JBC will make every effort to provide needed funding for developmental disability services; however, when such funds are not used by developmental disability services (as was the case at the close of FY 2006-07), staff believes it is appropriate to use the moneys for other urgent state needs.

Staff Recommendation: In sum, staff recommends $100,000 General Fund be appropriated to the Division of Child Welfare, Administration in FY 2007-08 for a one-time study. No other FY 2007-08 budget changes are recommended at this time.

Supplemental # 7 - Funding Adjustments Related to Residential Child Care Programs

	Request	Recommendation
Total	$0	$2,492,627
General Fund	16,332,176	8,186,109
Cash Funds Exempt	(13,475,308)	(1,853,648)
Federal Funds	(2,856,868)	(3,839,834)
Medicaid Cash Funds	*(11,480,794)*	*0*
Medicaid - General Fund portion	*(5,740,397)*	*0*
Net General Fund	*10,591,779*	*8,186,109*

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 unforseen contingency]	YES
The Department has requested this supplemental on the grounds that it is based on new data about the FY 2006-07 budget close for child welfare. Specifically, actual receipts from various federal sources are substantially below the projections reflected in the FY 2006-07 and FY 2007-08 appropriations. The Department has specific statutory authorization to request a supplemental in FY 2007-08 related to implementing the redesign of Medicaid residential child health care programs (pursuant to the provisions of H.B. 06-1395 codified at Section 26-5-104, C.R.S.).	

Department Request: The Department requests that funding in the Child Welfare Block be refinanced in FY 2007-08, with the adjustment continued in FY 2008-09. The basis for the request is that adjustments are required associated with the Residential Treatment Center (RTC) redesign that was implemented in FY 2006-07 through funding changes in the Long Bill and H.B. 06-1395.

The federal Centers for Medicare and Medicaid Services (CMS) indicated that it would no longer provide federal financial participation for the state's former RTC program effective July 1, 2006. In response, two new programs: the Therapeutic Residential Child Care Facility (TRCCF) and Psychiatric Residential Treatment Facility (PRTF) programs were developed. Medicaid-eligible expenditures for the TRCCF program are reimbursable on a fee-for-service basis, while the PRTF program (for the highest-needs children) is eligible for full federal financial participation on a 50/50 basis. The JBC sponsored H.B. 06-1395, which put in place the state statutory changes required to implement the new programs.

Based on FY 2006-07 fiscal close data for child welfare programs, the Department concludes that further funding adjustments associated with the RTC redesign are required. Including adjustments in both the

Department of Health Care Policy and Financing and the Department of Human Services, the impact of the proposed refinance is $10,591,779 "net" General Fund.

The request includes three major components:

- General Fund backfill of $3,444,238 related to unearned federal Medicaid funding for Psychiatric Residential Treatment Facilities and Therapeutic Residential Child Care Facilities;
- General Fund backfill of under-earned federal Title IV-E funding in the amount $2,856,868; and
- General Fund to support the rate setting adjustment for the TRCCFs of $4,290,673.

General Fund backfill of unearned Medicaid funding:
The overall difference between the FY 2006-07 Long Bill appropriation for Medicaid funding and the actual Medicaid revenues in FY 2006-07 was $18.0 million ($34.1 million appropriated less $16.1 million in actual expenditures). The Department request backs out the portion of the appropriation and actual expenditures associated with the Children's Habilitation Residential Program (CHRP) and therefore addresses solely the shortfall in PRTF/TRCCF Medicaid revenue in FY 2006-07 of $11,480,794. The General Fund backfill requested is based on the total Medicaid reduction, less the portion of the Medicaid funds that originate as General Fund and can be applied toward the backfill ($5,740,397 General Fund), less $2,296,159 in county funds (20 percent local share), for a total need of $3,444,238 General Fund.

Title IV-E backfill:
Federal authorities reimburse the state on a 50/50 basis for certain child welfare costs for children in out-of-home placement whose family income is below the 1997 federal Aid to Families with Dependent Children threshhold under Title IV-E of the Social Security Act. At the time of the RTC redesign, the Department had projected that a significant increase in Title IV-E revenues would partially offset declines in Medicaid revenue for residential child care. The Department indicated that this increased revenue would come from properly categorizing eligible children's expenses as child maintenance (food, clothing, shelter, daily supervision, etcetera). Revenues have increased, but not as much as anticipated. The Department request contrasts the original projection for IV-E revenues (identified as $7,660,638 in the request) with actual FY 2006-07 revenues of $4,845,990 to arrive at a requested General Fund backfill amount of $2,856,868.

Funding Adjustment for Provider Rate Correction:
The request indicates that "provider rates for TRCCF providers required an adjustment to assure an appropriate level of reimbursement". These adjustments resulted in an increased FY 2007-08 burden of $4,746,320 on county local share. According to the request, to adequately fund counties for the rate adjustment, only 9.6 percent should be local share and the remainder should be General Fund. Based on this, $4,290,673 General Fund is requested.

Staff Analysis: The basis for this request is statutory language included in H.B. 06-1395 (the RTC redesign bill), codified at Section 26-5-104 (4) (d), C.R.S., that only authorizes the Department to pursue child welfare supplementals based on caseload growth, or changes in federal law, or federal funding except that: "For fiscal years 2006-07 and 2007-08, the state department may seek supplemental funding related to the implementation of the placement of children in a residential child heath care program..."

The FY 2006-07 RTC redesign required $22.9 million "net" General Fund, including changes in the Department of Health Care Policy and Financing and Human Services for both the Division of Child Welfare and the Division of Youth Corrections. Of this amount, $5.8 million (appropriated in H.B. 06-1395) was deemed exempt from the six percent limit on increases in General Fund appropriations. The staff figure setting document noted that the costs of the redesign reflected estimates that were expected to be refined over time.

Staff's overall approach to this supplemental has been to identify the cost assumptions included in the FY 2006-07 Long Bill and H.B. 06-1395 for the TRCCF and PRTF programs and to contrast these with actual expenditures for these programs in FY 2006-07. This has been challenging, due to staff turnover at the Department and at the JBC staff. Table 1 below reflects JBC staff's reconstruction of the cost-estimates included in FY 2006-07 appropriation. Table 2 compares the appropriation with actual FY 2006-07 and projected FY 2007-08 program expenditures

Table 1
FY 2006-07 Child Welfare Appropriation for TRCCFs and PRTFs vs. FY 2005-06 RTC Appropriation

	Total	General Fund	Local Funds	Federal Funds
Non-Medicaid TRCCF Funding, Division of Child Welfare				
FY 2006-07 Figure Setting Presentation	64,287,125	48,586,321	6,171,564	9,529,240
Further adjustments in Long Bill*	(3,650,508)	(4,882,597)	1,232,089	0
H.B. 06-1395 Appropriation	(5,123,972)	(3,860,114)	(307,439)	(956,419)
Total	55,512,645	39,843,610	7,096,214	8,572,821
			[County Share]	[Title IV-E FF]
Medicaid Funding, Division of Child Welfare				
TRCCF Funding - FY 07 Figure Setting	9,355,320	4,677,660	0	4,677,660
PRTF Funding - HB 06-1395	8,747,740	4,373,870	0	4,373,870
	18,103,060	9,051,530	0	9,051,530
				[Medicaid FF]
Grand Total PRTF/TRCCF programs	**73,615,705**	**48,895,140**	**7,096,214**	**17,624,351**

Table 1
FY 2006-07 Child Welfare Appropriation for TRCCFs and PRTFs vs. FY 2005-06 RTC Appropriation

	Total	General Fund	Local Funds	Federal Funds
Local Funds Percentage			9.6%	
FY 2005-06 RTC Model*	75,215,866	35,476,368	5,437,602	34,301,896
Net Fiscal Impact RTC Redesign	(1,600,161)	13,418,772	1,658,612	(16,677,545)

*Includes adjustments to funding splits between General Fund and Local Funds (FY 2005-06 and FY 2006-07), and a net reduction for TRCCFs (FY 2006-07), that was not reflected in the FY 2006-07 staff figure setting recommendation document but that was reflected in the final action by the General Assembly.

Table 2 - Appropriation v. Actuals and Projections - FY 2006-07 and FY 2007-08

		Total	General Fund	Local Funds	Federal Funds
Non-Medicaid TRCCF Appropriation v. Actuals and Projections					
FY 2006-07 Appropriation		55,512,645	39,843,610	7,096,214	8,572,821
FY 2006-07 Actual		55,210,213	44,936,911	5,437,602	4,835,700
	Difference	(302,432)	5,093,301	(1,658,612)	(3,737,121)
FY 2007-08 Appropriation		57,038,382	40,938,692	7,291,250	8,808,441
FY 2007-08 Projection		59,531,009	49,124,800	5,437,602	4,968,607
	Difference	2,492,627	8,186,109	(1,853,648)	(3,839,834)
				[County share]	[Title IV-E]
Medicaid PRTF and TRCCF Appropriation v. Actuals and Projections					
FY 2006-07 Appropriation		18,103,060	9,051,530	0	9,051,530
FY 2006-07 Actual		7,270,537	3,635,269	0	3,635,268
	Difference	(10,832,523)	(5,416,261)	0	(5,416,262)
FY 2007-08 Appropriation		18,600,614	9,300,307	0	9,300,307
FY 2007-08 Projection		7,470,364	3,735,183	0	3,735,182
	Difference	(11,130,249)	(5,565,124)	0	(5,565,125)
					[Medicaid FF]

Notes: FY 2006-07 Appropriation from Table 1; FY 2007-08 appropriation reflects FY 2006-07 appropriation, adjusted by 1.23% population and 1.5% COLA; actual expenditures provided by DHS; FY 2007-08 non-Medicaid projection provided

Table 2 - Appropriation v. Actuals and Projections - FY 2006-07 and FY 2007-08
by DHS and Medicaid projection based on FY 2006-07 actual, adjusted by 1.23% population and 1.5% COLA.

Table 3, below, compares the assumptions described in various FY 2006-07 figure setting documents and fiscal notes with more recent actual experience with respect to numbers of persons served and cost per person served.

Table 3
Children Served (Full Program Equivalent) and Cost per Child - Assumptions, Actuals, and Projections

	FY 2005-06 Estimate	*FY 2006-07 Assumptions*	*FY 2006-07 Actuals*	*FY 2007-08 Projected*
PRTF				
Number children (FPE)	n/a	92.0	11.2	11.2
Cost per FPE (Medicaid)	n/a	$ 300.00	$ 363.86	$ 369.32
RTC/TRCCF				
Number children (FPE)	1,345	1,253.0	941.8	941.8
Cost per FPE (Medicaid)	$ 141.18	$ 19.49	$ 18.79	$ 19.07
Cost per FPE (non-Medicaid)	$ 30.90	$ 152.60	$ 160.61	$ 173.18
Total TRCCF cost per FPE	$ 172.08	$ 172.09	$ 179.40	$ 192.25
Total children - RTC/PRTF/TRCCF (FPE)	1,345	1,345	953	953
Weighted average cost per FPE	$ 172.08	$ 180.84	$ 181.56	$ 194.32
Projected Rates Increase				7.0%

Notes: FY 2005-06 estimate and FY 2006-07 assumptions are based on staff FY 2006-07 figure setting recommendation document and the H.B. 06-1395. Legislative Council Staff Fiscal Note; FY 2006-07 actual data was provided by DHS; FY 2007-08 cost per FPE is based on DHS data using new rates for TRCCFs and FY 2006-07 actuals + 1.5 percent COLA for Medicaid rates.

As can be seen:

- Overall enrollment for the programs is less than was anticipated. This is particularly notable for the PRTF program, which served an average of just 11.2 children per day in FY 2006-07.

- The total cost per FPE for both the TRCCF and PRTF programs in FY 2006-07 was higher than was originally anticipated. It is likely that this reflects a higher-intensity case mix, given that the programs are, overall, serving fewer children than were served in former RTC program. The children who are not served in these programs are likely being served in less-intensive, non-therapeutic residential placements or, possibly for a few, in more intensive hospital placements.

- The Department projects a substantial cost increase for the TRCCF program in FY 2007-08, based on a new base anchor rate structure it approved for FY 2007-08 (discussed further below).

The staff analysis and recommendation with respect to each component of the Department's request is reviewed in detail below.

<u>Medicaid Backfill</u>
The difference between the Medicaid projections overwhelmingly reflects the lack of participation in the these programs, as reflected in Table 3 above and Table 4 below. This is particularly striking for the PRTF program, which was originally anticipated to serve 92 children per day and currently serves about 11. Medicaid rates paid for the PRTF program are substantially above the rates originally projected and are only slightly below the original TRCCF projection.

Table 4
FY 2007-08 Medicaid Funding - PRTF and TRCCF Programs

	Appropriation	**Projection**	**Difference**
PRTF Funding	8,988,167	1,396,007	(7,592,160)
TRCCF Funding	9,612,446	6,074,357	(3,538,089)
		Total Medicaid	(11,130,249)
		General Fund available for non-Medicaid	<u>5,565,125</u>
		Lost federal funds (no backfill recommended by staff)	(5,565,125)

The Department requested that the General Fund backfill 2/3rds of the lost federal funds revenue, with county share covering the balance. Under current law (Section 24-75-106, C.R.S.), the General Fund portion of Medicaid funds that are not expended for child welfare Medicaid programs in the Department of Health Care Policy and Financing may be transferred to non-Medicaid child welfare programs in the Department of Human Services. Thus, 50 percent of the Medicaid under-expenditure for PRTF and TRCCF programs ($5.6 million) is available to serve children in alternative services. Given that counties are clearly serving fewer children in these Medicaid programs and are presumably providing for these children in alternative, generally less-expensive settings, **staff does not believe it is necessary for the General Fund to backfill any of the lost federal Medicaid revenue**.

The PRTF/TRCCF programs have contributed to a larger gap between the appropriation and actual Medicaid child welfare expenditures than in past years; however, even in FY 2005-06 (before the RTC redesign was implemented), actual use of Medicaid cash funds in child welfare was at $10.9 million below the appropriation. The General Assembly has never considered it necessary to provide General fund backfill associated with this. While staff is not recommending an FY 2007-08 supplemental adjustment to Medicaid funding, staff will recommend FY 2008-09 budget adjustments so that the Child Welfare appropriation more closely reflects actual expenditure patterns for General Fund and Medicaid funds (this will have a net $0 General Fund impact).

<u>Title IV-E Backfill</u>
As reflected in the Department's request, the Department projected substantial increases in federal revenues provided under Title IV-E of the Social Security Act associated with the RTC redesign. While the Department has experienced significant increases, these increases have been lower than the original projection. As a result, the Department is significantly over-appropriated for Title IV-E funds and expects to fully spend-down all remaining amounts in the Excess Title IV-E Cash Fund in FY 2007-08 with no anticipated revenue to the cash fund in FY 2007-08.

The present gap between inflows of Title IV-E funds and appropriations is related to a variety of factors, including the fact that children's eligibility for Title IV-E is based on old federal Aid to Families with Dependent Children (AFDC) income eligibility standards that have not been adjusted in 10 years; thus, even the children of poor families may no longer qualify for Title IV-E reimbursement. Nonetheless, a portion of the problem is tied to inaccurate assumptions included in FY 2006-07 figure setting related to the RTC redesign. Staff believes this is the kind of problem that was designed to be addressed by giving the Department authority to request supplemental spending authority associated with the RTC redesign.

The table below compares the FY 2006-07 assumptions for the RTC redesign with the final funds available. Note that the figure used by the Department in Supplemental #7 to calculate the shortfall was based on the original FY 2006-07 decision item ($7,660,638) and did not reflect the final figure setting assumptions for the program. Staff figures below correct this (and also reflect a slightly corrected FY 2006-07 actual figure, projected forward to FY 2007-08). As a result, staff reflects a need for a higher level of backfill than was originally requested.

Table 5
Title IV-E Projection for Child Welfare in RTC Redesign (from Table 2)

	Title IV-E Anticipated to be Received for TRCCF Program
FY 2007-08 Appropriation Assumption	8,808,441
FY 2007-08 Projection, based on FY 07 Actual	4,968,607
Difference (backfill recommended)	(3,839,834)

Table 6 below provides additional information on the overall Title IV-E shortfall situation within the Department. During FY 2005-06 and FY 2006-07, the Department managed the shortfall situation by: (1) depositing less money in the Excess Title IV-E Cash Fund, while spending down reserves in the Cash Fund; and (2) Transferring $1.0 million in Title XX Social Security Block Grant amount at FY 2006-07 close from the Child Care Assistance Program (which was projected to under-spend) to this program, using statutory close-of-books transfer authority. However, the FY 2007-08 situation looks considerably worse because: (1) reserves in the Excess IV-E Cash Fund ($4.8 million at the beginning of the fiscal year) will be exhausted in FY 2007-08; and (2) FY 2007-08 Figure Setting for the Division of Child Welfare included increases for cost of living and caseload that were assigned to Title IV-E in fund splits but that do not appear likely to be earned If the $3.8 million General Fund backfill recommended by staff is approved, it will at least ensure that all direct Title IV-E appropriations for FY 2007-08 can be covered and should also allow about $2 million to flow into the Excess Title IV-E Cash Fund. This, in turn, will help ensure that there is adequate Excess Title IV-E Cash Fund moneys to reimburse counties for Title IV-E administration efforts in FY 2008-09.

Table 6
Title IV-E Appropriations v. Actual Revenue (Department-wide)

	FY 2005-06	**FY 2006-07**	**FY 2007-08**
Appropriations			
Title IV-E Direct Appropriations	70,832,469	80,134,136	82,695,929
Excess Title IV-E Cash Fund	7,800,000	7,614,192	7,639,468
Appropriation - Direct and Excess	78,632,469	87,748,328	90,335,397
Title IV-E Actuals/Projection (2Q data)	74,740,772	82,955,987	81,027,441
Difference including Excess IV-E CF	(3,891,697)	(4,792,341)	(9,307,956)
Difference excluding Excess IV-E CF	3,908,303	2,821,851	(1,668,488)

Funding Adjustment for Provider Rate Correction
The Department has requested additional General Fund to address the impact of provider rate changes the Department put into effect at the beginning of FY 2007-08. Based on staff's research on this issue, staff believes the problem faced by the Department in this arena includes two components:

Error in Appropriation. The assumptions reflected in the Long Bill with respect to county participation in the RTCs and county financial participation in TRCCF and PRTF programs (9.6 percent of total) were not consistent with the statutory language included in H.B. 06-1395, which enacted the redesign. The statute at Section 25.5-5-306 (3) (b), C.R.S. specifies, in reference to the PRTF and TRCCF programs that "...for fiscal years 2006-07 and 2007-08, the annual county contribution shall be reduced to the county's fiscal year 2004-05 actual contribution". The Department records indicate that this FY 2004-05 actual contribution totaled $5,437,602. Further, the Department interpreted this language to mean that this amount should be treated as a fixed, maintenance of effort and has enforced it in this way, rather than setting county participation at a particular percentage level. The table below compares the local share included in the Long Bill for the TRCCF/PRTF programs with the maintenance of effort based on actual FY 2004-05 county contributions. *As reflected in the table, it appears that $1.9 million currently reflected as county share in the Long Bill should be replaced with General Fund for FY 2007-08 to comply with current statute.*

Table 7
Local share for PRTFs/TRCCFs

FY 2007-08 Appropriation	7,291,250
FY 2007-08 Maximum per statute	5,437,602
Difference	(1,853,648)

However, the Committee should note that this situation will change again in FY 2008-09. If no related legislation is enacted, the match rate for the PRTF/TRCCF programs will return to 20 percent county share. Based on the projected cost of the PRTF and TRCCF programs in FY 2007-08 of $67 million, the required local share would be $13.4 million, or $8.0 million more than the current $5.4 million requirement. If, as proposed by the Department, the JBC sponsors legislation to set the match rate at 10 percent, the required local share would be $6.7 million, or $1.3 million more than the current $5.4 million requirement. In either scenario, *there would be a General Fund saving in FY 2008-09 that would partially or entirely reverse this one-time FY 2007-08 adjustment*.

Department Error - Failure to Accurately Project and Request Rate Change Adjustment Prior to Implementation. The Department made a decision effective FY 2007-08 to rationalize rates for residential treatment. It apparently did not realize until *after* the new rates were put into place that they would have a substantial fiscal impact. Staff notes that H.B. 05-1084 (King/Keller), codified at Section 26-1-132, C.R.S., required the Department to develop a rate setting process consistent with Medicaid requirements for residential treatment providers, in collaboration with counties and providers. The bill required a two- to three-year implementation timeline, with implementation beginning in FY 2007-08. A report was required to be submitted July 1, 2006, but it was never submitted, according to the fiscal note for H.B. 06-1025. The bill carried a conditional fiscal note, as costs were predicated on new rates, agreed to by counties, providers, and the Department, and "*recommended to the Joint Budget Committee for consideration by the General Assembly*." The timeline in H.B. 05-1084 was superceded by the provisions of H.B. 06-1025 (Jahn/Boyd), which moved the dates to a "two- to three- year implementation timeline with implementation **beginning in FY 2008-09**" and which required an initial report to the Joint Budget Committee by **January 1, 2008**. The Department apparently ignored the statutory date changes and proceeded to implement changes in FY 2007-08 instead. Although the Department submitted the required statutory report in January 2008, this report contains no significant fiscal information, other than to note an intention to increase rates in FY 2009-10 by any Committee-approved provider rate increase.

As discussed further below, the rate changes result in very substantial increases in program costs, and it is deeply concerning that the Department: (1) failed to consider or anticipate the fiscal impact before the new rates were implemented; and (2) failed to follow statutory direction with respect to when the new rates were expected to be implemented and the process for receiving General Assembly review and approval. Nonetheless, staff sees little alternative but to recommend an associated budgetary adjustment for the following reasons:

- The General Assembly has been concerned about the residential provider rate situation for some time, as has been reflected in various pieces of legislation, including H.B. 05-1084. Although it would have been far more appropriate for the Department to approach the General Assembly about the fiscal impact of the changes *before* they were implemented, the failure to do so apparently reflects the Department's failure to understand the fiscal implications of the changes, rather than deliberate subterfuge.

- Based on the plain statutory language, counties are not to pay more than their FY 2004-05 actuals in county share in FY 2007-08. Thus, any rates increase should be borne entirely by the General Fund. Whether or not this is optimal from a policy perspective, this appears to be what statute requires through FY 2007-08.

- Staff believes that the caseload increase for FY 2007-08 was likely underfunded. As discussed in the staff briefing presentation, it appears that the Department calculated the annual increase for caseload based on the population projection for the next fiscal year x cost-per-person data that was two years old *without* making any correction to adjust the cost-per-person data for cost-of-living increases that had already been provided. Thus, staff believes that the formula used to develop the FY 2007-08 caseload increase was calculated as follows: [(FY 2005-06 actual cost-per-person x FY 2007-08 projected population) - FY 2006-07 total appropriation]. However, a more appropriate formula would have been: [(FY 2005-06 actual cost-per-person x FY 2007-08 projected population x **1.0325**) - FY 2006-07 total population]. In this case the "1.0325" would have addressed the 3.25 percent community provider cost of living increase that was provided for FY 2006-07. The caseload increase provided for FY 2007-08 was $3.7 million ($1.8 million net General Fund). *If the formula had been corrected, the increase would have been $10.0 million more and would have required an additional $5.2 million General Fund.* The supplemental increase now recommended by staff, associated with the rate adjustment, partially addresses this situation.

The General Fund impact of the rate adjustment approved by the Department, beyond the provider rate increase included in the FY 2007-08 appropriation, is **$2,492,627.**

Staff Recommendation: In sum, the staff recommendation is for a supplemental adjustment to cover the difference between the projected non-Medicaid costs for the TRCCF program and the amounts included in the FY 2007-08 Long Bill. This includes General Fund backfill for amounts above the maintenance of effort for county funds established in statute and General Fund backfill for unearned federal Title IV-E funds. Staff does not recommend a supplemental adjustment for Medicaid amounts.

The table below summarizes the staff recommendation.

Table 8
Staff Recommendation - Supplemental #7 (Matches Table 2)

	Total	General Fund	Local Funds	Federal Funds
Non-Medicaid TRCCF Appropriation v. Actuals and Projections				
FY 2007-08 Appropriation	57,038,382	40,938,692	7,291,250	8,808,441
FY 2007-08 Projection	59,531,009	49,124,800	5,437,602	4,968,607
Difference - Supplemental Rec.	2,492,627	8,186,109	(1,853,648)	(3,839,834)
			[County share]	[Title IV-E]

The "net" General Fund impact of each component of the request and recommendation is summarized below.

Table 9
Supplemental #7 Request v. Recommendation Summary - Net General Fund

	Request	Recommend	Difference
Medicaid Backfill	3,444,328	0	(3,444,328)
Title IV-E Backfill	2,856,868	3,839,834	982,966
Rates Increase/Local Funds Backfill	4,290,673	4,346,275	55,602
Net General Fund Total	10,591,869	8,186,109	(2,405,760)

Supplemental # 9 - Regional Center Operating Shortfall

	Request	Recommendation
Total	$112,253	$0
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt - Medicaid	112,253	0
Federal Funds	0	0
Medicaid Cash Funds	*112,253*	*0*
Medicaid - General Fund portion	*56,127*	*0*
Net General Fund	*56,127*	*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 unforseen contingency]	**YES**
The Department submitted the request on the basis that it reflects "new data".	

Department Request: The Department requests $112,253 Medicaid cash funds ($56,127 net General Fund) in FY 2007-08 to address a shortfall associated with an FY 2006-07 Medicaid over-expenditure for operating costs for the regional centers for persons with developmental disabilities. The request notes that the regional centers' operating appropriation has not kept pace with increasing expenses, making it extremely difficult to adequately provide for the physical and safety needs of clients. Due to the FY 2006-07 over-expenditure, the regional centers' FY 2007-08 spending authority has been restricted. The request included an analysis suggesting that, if the regional center operating expenses appropriation had been increased annually from FY 2000-01 to FY 2007-08 based on factors such as medical and food CPI, its budget it would have increased by a net of 32.3 percent or $603,146 more than it actually increased.

The Department indicates that the regional centers have repeatedly attempted to reduce operating expenses without impacting client care. It listed a variety of negative impacts if the restriction is not lifted. It further notes that the Department of Public Health and Environment has issued numerous survey deficiency situations to the regional centers that have required an array of changes as corrective actions.

Staff Analysis: *Staff is deeply concerned by this request and believes that it may reflect fiscal mismanagement on the part of the Department.* Among staff's concerns:

The Department failed to use its statutory authority to internally address the situation. The Department of Human Services under-expended its personal services appropriation for the regional centers by $1,959,425 total funds, including $231,820 in under expenditures reflected in COFRS and an additional $1,727,606 associated with an "off-COFRS adjustment."[1] Associated with these under-expenditures, as well as other accounting complications, the Controller's Reversion Report dated 9/20/07 indicated that $244,460 General Fund was *reverted* from the Department of Human Services, Regional Centers bottom line and $718,049 General Fund was reverted from the Department of Health Care Policy and Financing, Department of Human Services Medicaid-Programs, Regional Centers line item in FY 2006-07.[2] Thus, almost $1 million General Fund in FY 2006-07 Regional Center operating dollars was reverted---although, at the same time, the Department over-expended its cash funds exempt operating expenses line item for the regional centers.

Given an under-expenditure in personal services and an over-expenditure in operating expenses the Department could have internally addressed this problem. Section 24-75-108, C.R.S. allows transfers between line items appropriations for "like purposes" made to principal department of state government not to exceed $2 million total. On November 7, 2007, the Governor's Office submitted a report on transfer authority used, as required pursuant to Section 24-75-108(9), C.R.S.. This report indicated that transfers under this statute were authorized in the Department of Human Services in the Divisions of Child Welfare and Child Care for a total of $1,303,400. Thus, the Department had remaining capacity, within the $2 million allowed under Section 24-75-108, C.R.S., to address the regional center situation. It simply failed to use it. From staff's perspective, the regional center situation is precisely the kind of situation this statute was designed to address. The Department has not been able to explain why it did not use this option.

The regional centers are expected to operate within their appropriation. The over expenditure reflects a variance of 4.8 percent from the FY 2006-07 Operating Expenses appropriation for the regional centers. Staff believes over expenditures are generally appropriate in situations where the Department has no real capacity to manage its spending. This is not the case for institutional programs such as the regional centers. The inflationary growth since FY 2000-01--used by the Department to justify the over expenditure--clearly does

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[1] This adjustment was made by the Controller's Office to ensure that Medicaid amounts that had not been processed through the MMIS system when it closed for FY 2006-07 were not counted as expenditures in DHS. The Department indicates that associated costs and services were provided and were thus made under an accrual system, but that, because of Medicaid cash-accounting and billing delays, Medicaid billing would not be completed until FY 2007-08. The Department further indicated that this reflected a new procedure on the part of the Controller's Office.

[2] This reversion is in addition to a reversion for Regional Center Depreciation/Annual Adjustments that is planned an occurs annually based on a separate HCPF line item.

not qualify as an unexpected event. If departments are allowed to over expend their appropriations for such reasons, the General Assembly loses meaningful control over the budget.

The regional centers do not appear to be appropriately managing their expenditures for FY 2007-08. Staff has become even more concerned after a review of the Department's expenditures to-date in FY 2007-08. Based on spending five-months into the year, it appears that the Department is poised to substantially over-spend its regional center appropriation for FY 2007-08 for both personal services and operating expenses--despite the fact that the Department requested, and the JBC approved, a budget increase for staffing intensity for FY 2007-08. As of the end of November, operating expenses were at 57 percent expended, when they should have been at 43 percent expended, and personal services were at 57 percent expended when they should have been at approximately 50 percent expended. The only supplementals submitted for the regional centers, however, are this one for a one-time appropriation to lift the FY 2006-07 operating expenses over expenditure and supplemental #10 for a one time FY 2007-08 appropriation for a "clinical security system program". Staff notes that, in light of the Department's expenditure position at this point in the year, the Department will not be able to approach the JBC for a late FY 2007-08 "emergency" 1331 supplemental in June 2008 if it is unable to bring its fiscal house in order in the coming months. Any problem that may be faced in June 2008 can clearly be foreseen while the General Assembly is in session.

The year in which the current adjustment is requested is peculiar. According to the Controller's letter to the Governor concerning over expenditures, dated September 14, 2007, this over expenditure was authorized pursuant to Section 24-75-109 (1) (b), C.R.S. Section 24-75-109, C.R.S. authorizes over expenditures of up to $1.0 million in a fiscal year for departments, including the Department of Human Services, in addition to Medicaid over expenditures. The statute specifies that, accordingly, spending authority is restricted for the department in the subsequent fiscal year. According to this statute:

> (4) (a) "The department, institution, or agency whose appropriation is restricted may request a supplemental appropriation *for the fiscal year in which the over expenditure occurred* for the amount of any over expenditure allowed pursuant to this section. If a supplemental appropriation is enacted for the over expenditure or some portion thereof, the restriction on the succeeding fiscal year's appropriation shall be released in the amount of the supplemental appropriation enacted." [emphasis added]

In response to staff questions, the Department indicated that it requested the supplemental as an FY 2007-08 adjustment because it over-expended solely its cash funds exempt spending authority in FY 2006-07 and there was no related General Fund over-expenditure in the Department of Health Care Policy and Financing (where the associated line items reverted funds).

Staff Recommendation: Staff recommends that the committee <u>deny</u> the request *for the present*, for the reasons discussed above. Should the JBC choose to take action on the Department's request, staff would recommend that it provide a cash funds exempt appropriation for FY 2006-07, rather than FY 2007-08, consistent with the over expenditure statute. *If the issue were approached this way, there would be no General Fund impact*, because there was no General Fund over-expenditure for the regional centers in the Department of Health Care Policy and Financing (where the General Fund is appropriated, and personal services and operating are funded through the same line item), but only a cash funds exempt over expenditure for operating expenses in the Department of Human Services.

Staff expects to recommend this cash funds exempt FY 2006-07 adjustment if the regional centers demonstrate how they propose to bring expenditures for FY 2007-08 under control. Staff recognizes that some supplemental action is likely to be required in FY 2007-08 to ensure that the regional centers remain operational for the last months of the year; however, the Department has not yet provided an adequate response on this issue. Any additional adjustments required for FY 2007-08 would need to be described in a supplemental request.

Supplemental # 10 - Regional Center Clinical Security System Program

	Request	Recommendation
Total	$174,978	$0
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt - Medicaid	174,978	0
Federal Funds	0	0
Medicaid Cash Funds	*174,978*	*0*
Medicaid - General Fund portion	*87,489*	*0*
Net General Fund	*87,489*	*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 unforseen contingency]	**NO**
The Department submitted this request based on the "new data" criterion. However, staff could not identify what "new data" justified the supplemental.	

Department Request: The Department requests an appropriation for a scanner system for documenting regional center staff observation of clients, and a software program to quickly compile scanner data and identify problems on the third shift at all three regional centers. The purpose of this program is to provide periodic monitoring for compliance with procedures for staff who are alone with up to eight residents a night.

The request is for a scanner system and associated software program for all residential settings that do not have them. Each residential setting will have a scanner that reads a bar code on a card mounted in the resident's bedroom when doing required checks and scan the person's bar code, mounted on the wall near the bed. The scanner retains data on which employee did the scan, the time, and on which client the scan was performed. This data is then downloaded through docking stations. The Department has been working with the Office of Information Technology Services to define the requirements for a system that could receive the data downloaded from the scanners and identify inconsistencies between requirements and staff performance. A pilot program was implemented at Kipling Village on the campus of the Wheat Ridge Regional Center with success. The program was part of a Plan of Correction to a Colorado Department of Public Health and Environment deficiency related to a client suicide. Components of the critical incident included inadequate controls and monitoring of staff, as well as false documentation of client observation during the shift. Wheat Ridge had to transfer other clinical staff, leaving gaps in coverage, to implement the program and gain approval of their Plan of Correction. Similar situations have occurred at other regional centers.

The request notes that staff on duty at night are often alone in group homes or campus dorms with no assistance and no regular monitoring of duties. As the needs of clients have increased in recent years, this arrangement has proved inadequate. Clients extensive needs require that staff perform all requisite checks and deliver the treatment outlined in the client's plan. In some cases staff have failed to provide these checks or provide appropriate treatment while completing documentation indicating they did so. The scanners and software are intended to help remedy this gap in supervisory controls.

Staff Analysis and Recommendation: Staff does <u>not</u> recommend this request.

(1) *Staff does not believe the request meets supplemental criteria*. The regional centers have been operating for many years without a clinical security system program. The request notes that an adverse CDPHE finding at Wheat Ridge had to be addressed through piloting such a system, but the request is not to fund the pilot (which was addressed within existing resources) but to pay to install such a system throughout the regional centers. Such a request might be appropriate as a decision item but does not appear to meet supplemental criteria;

(2) It is difficult to see this as the most urgent supplemental priority facing the regional centers, given the regional centers' current spending position (discussed above). JBC staff expects that the Department will need either a supplemental adjustment--or to make some very hard choices about services--if it is to stay within its current FY 2007-08 appropriation. Given this, the request for supplemental funding for a new initiative does not seem appropriate.

In response to a staff question about this, the Department responded that this was initially an issue at Wheat Ridge Regional Center that was identified in November 2007, but became an issue at the other two regional centers when the media aired a story. Five employees at Wheat Ridge regional center were disciplined associated with the December 2005 suicide of a regional center resident. This was covered in the media in Fall 2007. The Department's internal review determined that several staff had failed to provide required visual bed checks. The Department feels the request is an "immediate need given the media scrutiny." Staff does not feel that media scrutiny related to an event that occurred in 2005--two years ago--is sufficient to justify an FY 2007-08 supplemental request. That said, to the extent that the Department wishes to submit an FY 2008-09 budget amendment related to this issue or to gradually fund such a system out of its base budget, such action would be consistent with the Department's authority to manage its budget. Staff understands that the Department funded the pilot scanner program out of the regional center's capital outlay line item.

Supplemental # 17 - Move Commission for the Blind and Visually Impaired Appropriation

	Request	Recommendation
Total	$0	$0
FTE	0.0	0.0
General Fund	0	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 unforseen contingency]	**YES**
The Department submitted this request on the basis that the appropriation contains a technical error. Staff concurs with this.	

Department Request: The Department requested a correction to the appropriation included in H.B. 07-1274 (Rice/Williams), that established the Colorado Commission for Individuals who are Blind or Visually Impaired to change the location of the appropriation from the Division of Vocational Rehabilitation to the Executive Director's Office, Special Purpose section. The Commission was established to make recommendations concerning the provision of services to aid individuals who are blind or visually impaired and is funded from the Disabled Telephone Users Fund. The Department's request is to move the location of the appropriation, with no net fiscal impact.

Staff Analysis: The appropriations clause that was adopted for H.B. 07-1274 was consistent with the *initial* Legislative Council Staff Fiscal Notes for the bill (dated February 7, 2007 and April 9, 2007) rather than with Legislative Council Staff Revised Fiscal Notes dated April 19, 2007 and June 27, 2007. The Department initially submitted a fiscal analysis to Legislative Council Staff that placed this program in the Division of Vocational Rehabilitation. It subsequently submitted a revision indicating that the appropriation should be to the Department of Human Services Executive Director's Office, rather than in the Division of Vocational Rehabilitation. The revision also increased the cost estimate for the bill. The Legislative Council Staff Revised Fiscal Notes indicate that the basis for the revision was that the Department had determined that the Commission could not legally be supported by Vocational Rehabilitation staff, pursuant to federal Vocational Rehabilitation rules. The Revised Notes further indicated that, as a result of this, additional staff would be required to support the Commission. (The total cost of the bill pursuant to the Revised Fiscal Notes is $133,129 and 1.5 FTE in FY 2007-08 and $154,141 and 1.5 FTE).

The General Assembly was uncomfortable with the Revised Fiscal Note. It therefore chose to retain the earlier appropriations clause and placed within the statute a cap of $112,067 on the amount that the could be appropriated from the Disabled Telephone Users Fund for this program (the estimated second-year cost for the bill under the earlier Fiscal Notes). The Department's current request does not request any additional funding but simply requests that the appropriation be moved.

Staff Recommendation: *Staff does not believe action is necessary for FY 2007-08* and therefore does <u>not</u> recommend the supplemental adjustment. Even though the appropriations clause for H.B. 07-1274 refers to the Division of Vocational Rehabilitation, nothing prevents the Department from managing the program in its Boards and Commissions section. The language of the bill does not require that the program be located in the Division of Vocational Rehabilitation; the Division is only mentioned in the appropriations clause.

Staff does agree that amounts associated with this line item should be reflected in the Executive Director's Office, Special Purpose section in the FY 2008-09 Long Bill. Staff assumes that the reason the General Assembly chose to use the Fiscal Note and appropriations clause originally drafted for the bill had to do with the total funding required for the program, rather than the location of the appropriation.

If the JBC wished to revise the FY 2007-08 appropriation, note that this requires a supplemental "add-on" to change the H.B. 07-1274 appropriations clause, striking the language in the appropriations clause that specifies that the appropriation is to the Division of Vocational Rehabilitation.

Supplemental # 18 - Technical Adjustment to Child Care Assistance Program and Line Transfer of federal Child Care Development Funds to meet Federal Mandate

	Request	Recommendation
Total	($268,216)	($250,296)
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	(268,216)	(250,296)
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 unforseen contingency]	**YES**
The Department submitted this request based on the "technical error" and "new data" criteria. Staff agrees with this assessment	

Department Request: The Department request includes two components:

- A technical adjustment to the Child Care Assistance Program (CCAP) line item to correct that county share, which was not reduced proportionately when funds were reduced to CCAP through H.B. 07-1062; and

- A requested transfer of $180,000 federal Child Care Development Funds (CCDF) from the Child Care Development Fund line item to the Child Care Administration and Licensing line item, and an associated adjustment to the county share amount for CCAP.

The basis for the technical adjustment to county share in the CCAP line item is a technical error in the fiscal note and appropriations clause for H.B. 07-1062.

The basis for the proposed $180,000 change is that the federal government adopted rules September 5, 2007 that require states to conduct a case review to determine improper authorizations for child care assistance. The new federal rules allow states to use $180,000 of the existing federal award of CCDF within the stated time frame to meet a newly defined federal requirement regarding such error rates. The federal rule requires states such as Colorado that are in the "first cohort" to conduct reviews, assess authorization errors, and submit a final report to the federal government between October 1, 2007 and June 30, 2008. The federal rules, at 45 CFR 98, Subpart K specifically estimates the fiscal impact of the new rule to be $180,000 per respondent [state], including the cost of drawing a sample of cases from 12 monthly sampling frames, training staff, conducing record reviews, compiling data, calculating error rates, and preparing the final report. The federal rules note that the estimated cost was based on the error rate pilots (of which Colorado was one), and costs required to complete various tasks associated with the three required reporting forms. The federal requirement, and associated budget request, is for a one-time adjustment, though similar adjustments will be required every three years.

Staff Analysis and Recommendation: Staff recommends the request, except that staff's calculations for the associated adjustments to county match differ slightly from the Department's request.

Technical Correction to County Match: The appropriations clause for H.B. 07-1062 (Early Childhood Councils) reduced the CCAP line item by $1 million federal CCDF funds and $1 million General Fund in order to fund Early Childhood Councils costs. The Department fiscal analysis, Legislative Council Staff Fiscal Note, and JBC Fiscal Analysis all failed to note the need to make an adjustment to the cash funds exempt county match requirement for CCAP associated with the overall reduction to the CCAP program. Thus, the related adjustment was not included in the appropriations clause for the bill. Staff concurs that the adjustment is required; however, staff's calculations result in a slightly different figure than the Department's. Note that this adjustment should be made as a supplemental add-on to adjust the H.B. 07-1062 appropriations clause. The staff calculation is reflected below.

	General Fund + Federal Funds	**County Match (Total CFE less $1.7 million for county administrative share)**
FY 2007-08 Long Bill - CCAP Appropriation	68,711,163	7,731,793
HB 07 1062 - CCAP Reduction	(2,044,336)	
Percentage reduction	-3.0%	-3.0%
Recommended MOE reduction (CFE - county share)		**(230,041)**

Improper Authorization Fund Shift: In light of the federal rule, when the rule was issued and the due date on the report, staff believes the Department's request is appropriate and justified. As CCDF funds are state-appropriated federal funds, the supplemental adjustment requested is needed.

In response to staff questions, the Department provided the following additional information on its proposed approach for complying with the FY 2007-08 federal requirement:

The main costs relate to preparation of reports, writing of computer programs to support the review and reporting process, pay differentials for existing state staff who will add these duties to current workload, contract staff for case review work, training of all staff doing case reviews, conducting the record reviews, compiling data, calculating error rates, and preparing the final report. It is expected that there will be mailing costs associated with the collection of the 271 cases for review, the copying of the case file in their entirety in order to return the case files to counties, and implementation of quality control activities associated with compilation of data. The federal government has estimated the workload for this project to be 643 hours of work, to be completed by June 30, 2008. A similar study will be required every three years.

Staff recommends the request, except that the staff-calculated reduction to county share for this component of the request also differs slightly from the Department's.

	General Fund + Federal Funds	**County Match (Total CFE less $1.7 million for county administrative share)**
FY 2007-08 CCAP Appropriation (after adjustments above)	66,666,827	7,501,752
Additional FF Adjustment for Improper Authorization study	(180,000)	
Percentage reduction	-0.3%	-0.3%
Equivalent MOE reduction (county share)		(20,255)
Total Recommended CCAP Change (FF/CFE)	(180,000)	(20,255)
Total Recommended Increase to CC Licensing & Admin	180,000	0

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet. These items were acted on separately by the JBC when it made a decision regarding common policies. Note that the list below includes only those items appropriated in the Office of Operations.

Human Services, Office of Operation's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
1. Vehicle Lease Payments	($87,386)	($61,604)	($797)	($22,129)	($2,856)	0.0
2. Capitol Complex Lease - Technical	19,898	9,949	0	0	9,949	0.0
Total Statewide Supplemental Requests for DHS Office of Operations	(67,488)	(51,655)	(797)	(22,129)	7,093	0.0

Staff Recommendation: The staff recommendation for these requests will reflect the Committee action taken on common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill.

Previously Approved FY 2006-07 Emergency Supplemental Request - Developmental Disabilities Medicaid Waiver Reform Transition Costs

	Request	Recommendation
Total	($8,485,737)	($8,485,737)
FTE	0.0	0.0
General Fund	(4,214,484)	(4,214,484)
Cash Funds	0	0
Cash Funds Exempt	(28,384)	(28,384)
Federal Funds	(4,242,869)	(4,242,869)

Staff recommends that the Committee sponsor bills to enact the FY 2006-07 developmental disability supplemental adjustments previously adopted in June 2007 through emergency supplemental procedures. Committee action:

1. Provided for a $10.1 million ($5.7 million net General Fund) reduction to the Department of Human Services appropriation for the FY 2006-07 Adult Program Costs line item and the Services for Children and Families line items based on projected under expenditures of both Medicaid cash funds exempt and General Fund.

2. Provided an additional $371,581 General Fund and Medicaid cash funds exempt for Department of Human Services, Developmental Disability Services, Medicaid waiver transition costs in FY 2006-07, with roll-forward authority to FY 2007-08.

3. Made an FY 2006-07 adjustment to the Department of Education appropriation associated with the adjustments above (increased General Fund appropriations by $5.5 million and reduced appropriations from the State Education Fund by the same amount). [Total balancing action in the Department of Education included other late adjustments; staff anticipates that this component will be included in final adjustments to the FY 2006-07 Department of Education appropriation.]

The table below shows the final, approved changes in the Department of Human Services.

Developmental Disability Services - Late Emergency Supplemental Overview - June 2007					
	Total (General Fund + Cash Funds Exempt)	**General Fund**	**Cash Funds Exempt (Medicaid transferred from HCPF)**	**Medicaid General Fund***	**Net General Fund (General Fund + Medicaid General Fund)**
Department of Human Services					
Adult Program Costs	($9,700,759)	($1,309,129)	($8,391,630)	($4,195,815)	($5,504,944)
Medicaid Waiver Transition Costs	371,581	62,170	309,411	154,706	216,876
Services for Children and Families	(403,517)	0	(403,517)	(173,375)	(173,375)
Total - Human Services	(9,732,695)	(1,246,959)	(8,485,736)	(4,214,484)	**(5,461,443)**