MEMORANDUM

JOINT BUDGET COMMITTEE

TO	JBC Members
FROM	JBC Staff
DATE	March 13, 2019
SUBJECT	Comeback Packet 1

Included in this packet are staff comeback memos for the following items, scheduled to be considered on March 14, 2019:

Education (Craig Harper):
- R6 CSI Mill Levy Equalization *(Tabled Item)*
- R8 Education Leadership Council Priorities – Career Development *(Tabled Item)*

Governor (Kevin Neimond): R3 Operations and Administration Center Relocation *(Tabled Item)*

Health Care Policy and Financing (Eric Kurtz):
- R11 All-Payer Claims Database *(Tabled Item)*
- Personal Care/Homemaker Rates – part of R13 *(Tabled Item)*
- Dental Services Rates – part of R13 *(Tabled Item)*
- NP Office of Electronic Health Information *(Technical Item)*
- Indirect Cost Adjustment *(Technical Item)*
- Footnotes and Requests for Information *(Technical Item)*

Human Services (Kevin Neimond): Human Services Respite Care Task Force Roll-Forward Authority

Human Services (Mike Mann):
- R4 Reducing Child Neglect via Employment Pilot Program *(Tabled Item)*
- R6 Child Support Employment Program *(Tabled Item)*

Labor and Employment (Amanda Bickel): R5 Replacement of Legacy Field Audit System for UI

Local Affairs (Carolyn Kampman):
- R3 Transfer Home Modification Waiver Program *(Tabled Item)*
- R6 Lifelong Colorado Initiative *(Tabled Item)*
- Continuation of Long Bill footnote *(Tabled Item)*

Military and Veterans' Affairs (Amanda Bickel): Veterans' Assistance Grant Program *(New Item)*

Natural Resources (Tom Dermody): LLS No. 19-0918 (Water Plan Implementation)

Regulatory Agencies (Kevin Neimond): Public Utilities Commission *(Tabled Item)*

State (Tom Dermody): Long Bill Footnote *(Technical Correction)*

Treasury (Alfredo Kemm):

- Public Information Office Request *(New Item)*
- R1 Public School Fund Investment Board Fund Managers *(Tabled Item)*

Capital Construction (Alfredo Kemm): CDC additional recommendation *(New Item)*

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Craig Harper, JBC Staff (303-866-3481)
DATE	March 15, 2019
SUBJECT	Staff Comeback – Department of Education Tabled Items (Outside of School Finance)

The Committee took action on the Department of Education's FY 2019-20 budget request on March 6, 2019. However, the Committee tabled several items during that discussion, including four requests related to school finance and two items not related to school finance. This memo addresses the tabled items outside of school finance, including:

- R6 CSI Mill Levy Equalization: The Department requested an increase of $5.0 million General Fund.
- R8 Education Leadership Council Priorities – Career Development: Specifically, the Committee tabled a requested increase of $3.0 million (General Fund/State Education Fund) for the Career Development Success Program.

This memo includes the original staff write-up from the figure setting document for each tabled item as well as additional information where applicable.

➔ R6 CSI MILL LEVY EQUALIZATION

Additional Information

Staff has no new information/data related to this request. However, staff does seek to provide clarification regarding the original figure setting document. The original figure setting document states that staff does not know the General Assembly's intent with respect to this line item.

- To clarify that statement, staff assumes that the General Assembly's intent (implied in the enactment of H.B. 17-1375) is to fully fund CSI mill levy equalization payments as determined by the bill. Based on the Department's current projections, doing so in FY 2019-20 would require $31.5 million General Fund.
- Staff recognizes the shortfall in funding relative to the General Assembly's implied intent to fully fund the equalization payments and recognizes that the requested $5.0 million increase (to a total of $10.5 million General Fund) would move closer to full funding. Staff remains uncertain how to prioritize reducing this particular shortfall relative to the other shortfalls in the Department's budget (including the budget stabilization factor in school finance as well as shortfalls in a variety of categorical programs).

Original Figure Setting Material

REQUEST: The request includes an increase of $10.0 million total funds (including $5.0 million General Fund appropriated to the Mill Levy Equalization Fund created in H.B. 18-1375 and $5.0 million reappropriated funds to appropriate those funds out of the cash fund) for mill levy equalization payments to Colorado Charter School Institute (CSI) schools in FY 2019-20. Using the cash fund created in H.B. 17-1375 (Distributing Mill Levy Override Revenue to Charter Schools), the request adds to an appropriation of $11.0 million total funds (including $5.5 million General Fund and $5.5

million reappropriated funds) provided in FY 2018-19. As a result, the proposed appropriation would distribute a total of $10.5 million to CSI schools in FY 2019-20 for mill levy equalization.

RECOMMENDATION: Staff recommends that the Committee deny the request for an increase in mill levy equalization funding and provide a continuation level of funding ($5.5 million General Fund) in FY 2019-20. Staff recognizes the potential disparities in mill levy override funding between CSI schools and district schools within their geographic districts. However, the General Assembly's intent with respect to the degree of equalization is unclear. Staff recommends that the Committee and the General Assembly clarify its intent with respect to CSI mill levy equalization as part of a larger discussion of potential inequities in a school finance system that is increasingly reliant upon mill levy overrides (with negative impacts for districts that do not have access to significant override revenues).

ANALYSIS:
Background – CSI
The State Charter School Institute (CSI) is a statewide charter school authorizer, functioning as an independent agency in the Department of Education and governed by a nine-member board. Statute allows the CSI to authorize charter schools located within a school district's boundaries if the school district has not retained exclusive chartering authority (ECA). With the permission of the geographic district, CSI can also authorize schools within districts that have retained ECA. There are 39 CSI schools operating in FY 2018-19, located in 18 different school districts and serving more than 18,000 students.

CSI schools are funded through the School Finance Act based on the per pupil revenues for schools in the geographic district in which each school is located. However, as state-authorized schools, CSI schools do not receive *any* local share of school finance revenue and per pupil funding for CSI students is entirely supported by the State. Similarly, CSI schools do not have access to local school districts' mill levy override revenues.

H.B. 17-1375
Historically, district-authorized charter schools' access to local mill levy override revenues has varied depending on the district authorizing the school. House Bill 17-1375 requires all districts to share override revenues with district-authorized charter schools beginning in FY 2019-20. Under the bill, beginning in FY 2019-20, districts must either:

- distribute at least 95 percent of the district's override revenues to each district-authorized charter school (or innovation school) on an equal per pupil basis; <u>or</u>
- create and implement a plan that distributes mill levy dollars based on "meeting the needs of and equitably supporting the education" of all students in the district. In effect, the "plan" option allows districts to target the override revenues based on student needs, regardless of the type of school the student is attending.

As noted above, state-authorized CSI schools do not have access to local override revenues. In response, H.B. 17-1375 created the Mill Levy Equalization Fund to support *state* payments to CSI schools to equalize the local override revenues available in CSI schools' geographic districts. As enacted in the bill, Section 22-30.5-513.1 (1)(b), C.R.S., directs the CSI to distribute any appropriations from the Mill Levy Equalization Fund on an equal per pupil basis to all CSI schools except that no school may receive more per pupil than the total amount of override revenue per pupil in the school's

geographic district. As a result, the provision limits the distribution to each CSI school to no more than the geographic district's override revenues per pupil.

Request R6 – CSI Mill Levy Equalization
With request R6, the Department is seeking an increase of $5,000,000 General Fund to support mill levy equalization payments for CSI schools in FY 2019-20. Building on an appropriation of $5,523,862 General Fund from FY 2018-19, the request proposes a total appropriation of $10,523,862 General Fund for this purpose in FY 2019-20. As with the FY 2018-19 appropriation, the proposal would appropriate the General Fund into the Mill Levy Equalization Fund and then reappropriate that amount back out of the cash fund to support the actual equalization payments. As a result, the request reflects $21.0 million total funds ($10.5 million General Fund and $10.5 million reappropriated funds).

As the Committee discussed with respect to the FY 2018-19 appropriation, the General Assembly's intent with respect to CSI mill levy equalization remains unclear. House Bill 17-1375 created the cash fund and specified that state equalization funds (per pupil) would not exceed override funds for schools in the district. However, the bill does not specify a goal with respect to matching. Staff notes the following.

- The General Assembly appropriated $5.5 million General Fund (as requested) in FY 2018-19. Staff's recommendation assumes that the General Assembly probably intends to appropriate at least that amount for FY 2019-20.
- Based on current estimates of district override revenues (and incorporating overrides passed in the 2018 election), CSI staff estimate that "full equalization" for all CSI schools in FY 2019-20 would require $31.5 million (thereby setting an upper limit for any potential appropriation).
- The Department is requesting an increase of $5.0 million General Fund (for a total appropriation of $10.5 million General Fund) for FY 2019-20. While the $5.0 million moves closer to fully funding equalization, staff is not aware of any rationale or justification for the specific dollar amount other than (presumably) General Fund balancing priorities.
- Without a clear indication of intent from the General Assembly, and without a clear rationale for the request amount, staff recommends maintaining a continuation appropriation of $5.5 million General Fund (and $5.5 million reappropriated funds for a total of $11.0 million).

Points to Consider
Staff continues to recommend that the General Assembly consider potential legislation (not recommended as a JBC Bill) to clarify the intent of the CSI Mill Levy Equalization effort. Staff recommends that the Committee consider the following points/questions as part of a larger discussion of potential inequities in a school finance system that is increasingly reliant upon mill levy overrides (with negative impacts for districts that do not have access to significant override revenues).

- *Targeting Student Needs:* House Bill 17-1375 authorizes local school districts to target mill levy override revenues to specific student needs as part of the districts' revenue sharing plans. The provisions related to CSI instead require distribution of a flat per pupil amount to all students in all CSI schools (within the limit tied to override revenues per pupil in the accounting district). Should the General Assembly authorize (or require) CSI to develop a plan targeting equalization revenues to student needs?

- *State Budget Impact:* The General Assembly appropriated $5.5 million General Fund for this purpose in FY 2018-19. The Department's request would roughly double that appropriation, to $10.5 million for FY 2019-20. CSI estimates that full equalization would require $31.5 million.
- *No Additional State Revenues:* Staff also notes that local districts inherently receive *more revenue* from overrides; it is the additional revenue generated by overrides that is in question for local districts. The State, however, has no control over local overrides (beyond statutory caps on override revenues for each district) and does not have any mechanism to generate additional revenues to support the equalization payments. Rather, any equalization payments made by the State must come at the expense of other state priorities such as reducing the budget stabilization factor. How should the State balance equalization of override revenues for CSI schools vs. the level of the budget stabilization factor?
- *Equalization within Districts vs. Within CSI:* As noted above, matching local override revenues improves local (geographic district) equity at the expense of creating inequities within CSI. At "full equalization," distributions would range from $42 per pupil for an estimated 678 CSI students in Brighton to $2,759 per pupil for nearly 11,500 students at 10 CSI schools located in Colorado Springs District 11. How does the General Assembly wish to balance local equity vs. equity within CSI?

Although staff is not recommending an increase to the mill levy equalization appropriation for FY 2019-20, staff offers four illustrative options for the Committee's consideration:

- *Option 1 - No funding:* Eliminate the appropriation for FY 2019-20, making the General Fund available for other purposes (a change of $5.5 million below the FY 2018-19 appropriation and $10.5 million below the Department's request).
- *Option 2 - Staff recommendation (continuation funding):* Continue the FY 2018-19 funding level ($5.5 million General Fund).
- *Option 3 - Department request (increase $5.0 million General Fund):* Provide the requested increase of $5.0 million General Fund (for a total appropriation of $10.5 million General Fund in FY 2019-20).
- *Option 4 - Full equalization (increase of approximately $26 million General Fund):* Based on CSI's estimates for FY 2019-20, full equalization would require a total appropriation of $31.5 million General Fund (an increase of $26.0 million above the FY 2018-19 appropriation and $21.0 million above the Department's request).

For illustrative purposes, the following table shows the amount of equalization funding that would go to each CSI school (on a per pupil basis and total funding) under each option. (Note: The table does not include option 1, under which schools would receive no equalization.)

Estimated Distributions for CSI Mill Levy Equalization Options									
District	CSI School	Projected FY 2019-20 Funded Pupil Count	District Override Funding Per Pupil	Option 1: $5.5 million		Option 2: Request ($10.5 million)		Option 3: Full Funding ($31.5 million)	
				Per Pupil Dist.	Total Dist.	Per Pupil Dist.	Total Dist.	Per Pupil Dist.	Total Dist.
Adams 12	Academy of Charter Schools	1,781.3	$1,673	$329	$586,916	$629	$1,120,914	$1,673	$2,980,704
Adams 12	Global Village Academy - Northglenn	830.9	1,673	329	273,771	$629	522,858	1,673	1,390,370
Adams 12	Pinnacle Charter School	1,979.3	1,673	329	652,154	$629	1,245,508	1,673	3,312,023
Aurora	CO Early Colleges - Aurora	339.0	2,014	329	111,696	$629	213,322	2,014	682,742
Aurora	Montessori Del Mundo	331.3	2,014	329	109,159	$629	208,476	2,014	667,234
Aurora	New America School - Lowry	298.0	2,014	329	98,187	$629	187,522	2,014	600,168
Aurora	New Legacy Charter High School	110.0	2,014	329	36,244	$629	69,219	2,014	221,539
Brighton	High Point Academy	677.8	42	42	28,378	$42	28,378	42	28,378
CO Springs	Coperni 3 (new school)	350.0	2,759	329	115,321	$629	220,244	2,759	965,671
CO Springs	Colorado Military Academy	544.3	2,759	329	179,340	$629	342,510	2,759	1,501,756
CO Springs	CO Springs Charter Academy	442.8	2,759	329	145,897	$629	278,640	2,759	1,221,711
CO Springs	CO Springs Early Colleges	656.5	2,759	329	216,308	$629	413,114	2,759	1,811,322
CO Springs	Global Village Academy - CO Springs	416.2	2,759	329	137,133	$629	261,901	2,759	1,148,321
CO Springs	James Irwin Charter Academy	306.7	2,759	329	101,054	$629	192,996	2,759	846,204
CO Springs	Launch High School	97.0	2,759	329	31,960	$629	61,039	2,759	267,629
CO Springs	Monarch Classical School of the Arts	350.0	2,759	329	115,321	$629	220,244	2,759	965,671
CO Springs	Mountain Song Community School	276.4	2,759	329	91,070	$629	173,929	2,759	762,604
CO Springs	Thomas MacLaren State Charter School	800.8	2,759	329	263,853	$629	503,917	2,759	2,209,455
Commerce City	Community Leadership Academy/Victory Prep	833.2	695	329	274,529	$629	524,305	695	579,253
Douglas	CO Early Colleges - Douglas	588.0	1,153	329	193,738	$629	370,009	1,153	678,024
Durango	Animas High School	252.0	1,918	329	83,031	$629	158,575	1,918	483,278
Durango	Mountain Middle School	246.0	1,918	329	81,054	$629	154,800	1,918	471,771
Eagle	Stone Creek School	312.0	2,777	329	102,800	$629	196,331	2,777	866,382
East Grand	Indian Peaks Charter School	25.0	1,645	329	8,237	$629	15,732	1,645	41,121
Jefferson	Goldenview (new school)	143.0	1,814	329	47,117	$629	89,985	1,814	259,385
Mesa Valley	Caprock Academy	812.2	728	329	267,610	$629	511,091	728	590,942
Mesa Valley	Monument View Montessori	25.0	728	329	8,237	$629	15,732	728	18,190
Poudre	Axis International Academy (new school)	143.0	1,493	329	47,117	$629	89,985	1,493	213,568
Poudre	CO Early College - Fort Collins	1,317.0	1,493	329	433,935	$629	828,745	1,493	1,966,916
Poudre	T.R. Paul Academy of Arts and Knowledge	191.7	1,493	329	63,163	$629	120,631	1,493	286,301
Roaring Fork	Ross Montessori School	271.8	1,593	329	89,555	$629	171,035	1,593	432,983
Roaring Fork	Two Rivers Community School	337.4	1,593	329	111,169	$629	212,315	1,593	537,485
Salida	Salida Montessori Charter School	82.8	2,071	329	27,282	$629	52,103	2,071	171,456
Steamboat	Mountain Village Montessori	123.8	1,014	329	40,791	$629	77,903	1,701	210,611
Westminster 50	Crown Pointe Charter Academy	450.5	1,958	329	148,434	$629	283,485	1,958	881,884
Westminster 50	Early College of Arvada	356.0	1,958	329	117,297	$629	224,019	1,958	696,894
Westminster 50	Ricardo Flores Magnon Academy	258.0	1,958	329	85,008	$629	162,351	1,958	505,052
	Total	17,356.7			$5,523,862		$10,523,862		$31,474,998

➔ R8 ELC CAREER DEVELOPMENT PRIORITIES

Additional Information

Request R8 proposes an increase of $6.0 million cash funds from the State Education Fund (proposed as a transfer from the General Fund to the State Education Fund) in alignment with the Education Leadership Council's recommendations related to career development. The request includes three components: (1) $3.0 million to expand the Career Development Success Program to pay incentives for the participating school districts and charter schools that encourage high school students to complete a qualified workforce program; (2) $1.5 million to support professional development and training efforts to improve career counseling for students; and (3) $1.5 million in grant funds to expand and improve concurrent enrollment opportunities.

- The Committee took action on two of those components during figure setting on March 6 (approving an appropriation of $1.5 million General Fund for career counseling professional development and denying a request for $1.5 million for concurrent enrollment innovation grants because separate legislative discussions are underway for that proposal).
- The Committee tabled the proposed increase of $3.0 million (in one-time funding) for the Career Development Success Program.

During figure setting, the Committee discussed the idea of providing ongoing funding for the request ($3.0 million per year on an ongoing basis rather than one-time) and appropriating the money directly from the General Fund rather than the State Education Fund. The Committee also asked whether the Department had conducted a formal evaluation of the Career Development Success Program and requested additional data.

There is no statutory requirement for a formal evaluation of the program, and the Department has neither conducted nor contracted for such an evaluation. While there is no formal evaluation, the Department has provided some additional data.[1] The table on the following page shows the number of eligible credentials completed in FY 2016-17 (the first year for which incentives were paid, in FY 2017-18) to FY 2017-18 (with incentives being paid in FY 2018-19).

- As discussed during figure setting, the current appropriations only allow for payments to the first tier of credentials (industry-recognized certificates) and the Department points to the large growth in certificate completions over that period as evidence that the incentive is working.
- Staff notes that the industry-recognized certificates show the largest increase in completions by a significant margin. However, for context staff also notes that the *percentage* increase is similar for internships and construction industry pre-apprenticeships (both of which were starting from a smaller base in FY 2016-17) even though neither of those credentials has received an incentive payment to date.

[1] The Department has also created a fact sheet with additional school district-specific data. The fact sheet is available at: http://www.cde.state.co.us/communications/oprfactsheet-career-development-incentive-prog

CAREER DEVELOPMENT SUCCESS PROGRAM CREDENTIAL COMPLETIONS					
QUALIFIED PROGRAM	FY 2016-17 REPORTED CREDENTIAL COMPLETIONS	FY 2017-18 REPORTED CREDENTIAL COMPLETIONS	ANNUAL CHANGE IN CREDENTIAL COMPLETIONS	ANNUAL PERCENTAGE CHANGE	FY 2018-19 INCENTIVE FUNDING PER COMPLETION ($2.0 MILLION TOTAL)
Tier 1: Industry-recognized certificates	1,807	3,655	1,848	102.3%	$547.20
Tier 2: Internships	470	921	451	96.0%	0
Tier 2: Residency programs	0	38	38	n/a	0
Tier 2: Construction Industry Pre-apprenticeships	86	184	98	114.0%	0
Tier 2: Construction Industry Apprenticeships	0	0	0	n/a	0
Tier 3: Advanced placement computer science courses	743	891	148	19.9%	0
Total	3,106	5,689	2,583	83%	$547.20

As discussed during figure setting, staff recommends denying the request for a one-time increase in funding in FY 2019-20 largely because of questions about the utility of one-time funding to change previous behavior. If the Committee intends to provide additional funding for this program in FY 2019-20, then staff would recommend planning for an ongoing increase. In addition, as discussed during figure setting, staff would recommend appropriating any increase directly from the General Fund.

Original Figure Setting Material (for the tabled component of the request)

REQUEST: The request includes an increase of $6.0 million cash funds from the State Education Fund (originating as a proposed transfer from the General Fund to the State Education Fund) in one-time funding to support career development efforts aligned with the anticipated recommendations of the Education Leadership Council (ELC). The request includes the following three components: (1) $3.0 million to expand the Career Development Success Program to pay incentives for the participating school districts and charter schools that encourage high school students to complete a qualified workforce program; (2) $1.5 million to support professional development and training efforts to improve career counseling for students; and (3) $1.5 million in grant funds to expand and improve concurrent enrollment opportunities.

RECOMMENDATION: Staff recommends denying the requested appropriations *for the Long Bill*.

- Staff questions the utility of one-time funding for the proposed increase to the Career Development Success Program (a requested increase of $3.0 million). The Department argues that the one-time funding would incentivize the creation of new programs and the buildout of new infrastructure. However, that program pays incentives for activities completed in the previous school year. Thus, the one-time funding in FY 2019-20 would be paying for decisions that were already made (in the 2018-19 school year) before the request even existed. While an ongoing increase might incentivize a change in behavior, staff does not see how one-time funding could do so given the design of the program.
- Staff believes separate legislation clarifying the General Assembly's intent and to provide clear statutory authority would be preferable to Long Bill appropriations for both of the other

components of this request ($1.5 million for career counseling professional development and $1.5 million for grants to improve concurrent enrollment opportunities). According to the Department, discussions are underway related to a bill associated with the concurrent enrollment request.

- If the Committee chooses to appropriate the $1.5 million for career counseling professional development activities, staff would recommend the creation of a new Career Counseling Professional Development Program line item to carry the appropriation.

ANALYSIS:

BACKGROUND – EDUCATION LEADERSHIP COUNCIL

The Governor originally established the Education Leadership Council (ELC) through an executive order in 2011. In June 2017, the Governor amended the original executive order to continue and expand the work of the ELC.[2] The current ELC, consisting of 25 members from government, business, and the non-profit community, has been meeting since June 2017 to develop a vision and a strategic plan for education (from early childhood through postsecondary education) in Colorado. The work has included stakeholder engagement efforts throughout the state as well as a series of ELC and subcommittee meetings.

Please note that the Governor's Office is proposing a transfer of $10.0 million from the General Fund to the State Education Fund to support the requests. As a result, while the requests are shown as an increase in cash fund appropriations, the proposal would decrease the amount of General Fund available for other uses in FY 2019-20 by $10.0 million. **JBC Staff does not believe that the transfer to the State Education Fund is necessary. If the General Assembly moves forward with any of these requests, staff would recommend appropriating directly from the General Fund.**

REQUEST R8 – ELC CAREER DEVELOPMENT PRIORITIES

With request R8, the Governor's Office proposes an increase of $6.0 million in FY 2019-20 to support efforts related to career development and student transitions into the workforce. The request includes three components: (1) $3.0 million for additional career development incentive payments; (2) $1.5 million for concurrent enrollment innovation grants; and (3) $1.5 million for career counseling professional development activities. The following sections briefly summarize each component of the request.

CAREER DEVELOPMENT INCENTIVES ($3.0 MILLION)

The request includes an increase of $3.0 million (one-time) to support additional career development incentive payments under the Career Development Success Program. Originally created as a pilot program in H.B. 16-1289 (Incentives to Complete Career Development) and then expanded and extended in H.B. 18-1266 (Career Development Success Program Expansion), the Career Development Success Program provides incentives for school districts and charter schools to encourage students to participate in qualified career development programs. The program pays incentives in the year following completion of the qualified program. Thus, appropriations in FY 2018-19 are paying incentives for credentials completed in FY 2017-18. The General Assembly increased funding for the program from $1.0 million in FY 2017-18 to $2.0 million in FY 2018-19. The request would add an additional $3.0 million on a one-time basis for FY 2019-20.

[2] Executive Order B 2017-001 amended Executive Order B 2011-001. Executive Order B 2018-001 is available at: https://www.colorado.gov/governor/sites/default/files/executive_orders/eo_education.pdf

The program authorizes incentive payments of up to $1,000 per student completing qualified programs in priority order (such that lower priority programs only receive funding if higher priority programs are fully funded). To date, the available funding has only allowed the Department to pay incentives for the first priority credentials (industry-recognized certificates).

- In FY 2017-18, $1.0 million allowed the Department to pay $553 per industry-recognized certificate for 1,807 certificates. Fully funding $1,000 per credential (for all categories) would have required $3.1 million in FY 2017-18.
- In FY 2018-19, the increased appropriation ($2.0 million) is allowing for payments of $547 per industry-recognized certificate for 3,655 certificates. As shown in the following table, fully funding the authorized Career Development Success incentives in FY 2018-19 would require $5.7 million.

FY 2018-19 CAREER DEVELOPMENT SUCCESS PILOT PROGRAM PARTICIPATION

QUALIFIED PROGRAM	REPORTED CREDENTIAL COMPLETIONS	FULL FUNDING AT $1,000 PER INCENTIVE	NUMBER OF INCENTIVES FUNDED	ACTUAL FUNDING PER INCENTIVE	TOTAL FY 2018-19 PAYMENTS
Industry-recognized certificates	3,655	$3,655,000	3,655	$547.20	$2,000,000
Internships	921	921,000	0	0	0
Residency programs	38	38,000	0	0	0
Construction Pre-apprenticeships	184	184,000	0	0	0
Construction Industry Apprenticeships	0	0	0	0	0
Advanced placement computer science courses	891	891,000	0	0	0
Total	5,689	$5,689,000	3,655	$547.20	$2,000,000

With an increase of $3.0 million in FY 2019-20, the request would provide a total appropriation of $5.0 million. Depending on the growth in participation in FY 2018-19 (for payment in FY 2019-20), that amount may allow for funding beyond the top tier of incentives.

Staff Considerations and Recommendation: JBC Staff is uncertain about the utility of one-time funding for additional incentives under the program.

- The Department and the Governor's Office argue that the additional incentive payments in FY 2019-20 will cover one-time costs and allow participating districts and schools to "build-out" additional pathways and infrastructure (curricula, programming, equipment and technology, etc.) for career development.
- However, given that the payments reflect activities that were completed in the prior year, staff is not certain that one-time reimbursement of start-up costs *in the following year* will prove to be an incentive. The schools that made the decision to provide these opportunities in FY 2018-19 already made the decision without any knowledge of the potential incentive.

Based on concerns about the utility of one-time funding for this purpose, staff recommends denying the request for additional funds at this time and evaluating the impact of the current expansion of the program before adding additional funds. If the Committee elects to add the appropriation (which is certainly within the Department's authority and would not require legislation), then staff would recommend providing the appropriation directly from the General Fund rather than routing the funds through the State Education Fund.

MEMORANDUM

TO	Joint Budget Committee Members
FROM	Kevin Neimond, JBC Staff (303-866-4958)
DATE	March 15, 2019
SUBJECT	Tabled Item: R3 (OIT) Operations and Administration Center Relocation

At the recommendation of staff, the Committee tabled action on the "R3 (OIT) Operations and administration center relocation" decision item on February 25th during figure setting for the Office of the Governor. The new executive branch administration asked for additional time to review this request and its options for the future location of the Governor's Office of Information Technology's (OIT) operations and central administrative center. On March 11th, the state's Chief Information Officer and Executive Director of OIT submitted a letter to Committee expressing support for the existing budget request, while making it clear that the new administration is open to exploring locations outside of central Denver that may have lower lease rates.

The first section of this memorandum includes staff's figure setting recommendation for the "R3 (OIT) Operations and administration center relocation" decision item. The second section includes the letter provided to the Committee by the state's Chief Information Officer and Executive Director of OIT in support of the decision item.

➔ R3 (OIT) OPERATIONS AND ADMINISTRATION CENTER RELOCATION

REQUEST: The request includes an increase of $5,705,593 General Fund to relocate the Governor's Office of Information Technology's operations and central administrative center, and its 337.0 FTE, from its current location at the Pearl Plaza building at 601 E. 18th Avenue in Denver to an undetermined location.

RECOMMENDATION: Staff recommends denying the request at this time.

ANALYSIS:

Background
For the past ten years, the Governor's Office of Information Technology (OIT) has leased space in the Pearl Plaza building located at 601 E. 18th Avenue in the Uptown neighborhood of Denver for its headquarters. The current lease contract, which goes into effect on April 1, 2019, runs through March 31, 2024 at a rate of $19.64 per square foot for approximately 95,000 square feet for a total of approximately $1.8 million per year. The Office gained space in the facility in piecemeal fashion over the years as other tenants left the building. Today, 337.0 FTE work out of this location across several units, including central administration (leadership, finance, and human resources), Colorado Benefits Management System, Deskside Support, Service Desk, Applications, and the Digital Trunked Radio System.

Issue
OIT indicates that the Pearl Plaza building's design and location limit the agency's ability to attract and retain qualified staff in Denver's competitive information technology staffing market. The facility, built in 1937, was not constructed for information technology operations. Over the years the building has been used by a taxi company, a trucking organization, Children's Hospital, and Mercy Hospital. For the latter two organizations, the building was renovated to better accommodate children and many of these changes (e.g. restrooms) are still in place today. Additionally, the Uptown neighborhood of Denver presents unique transportation and parking challenges that negatively impact staff, contractors, and vendors.

Proposed Solution
OIT requests $5,705,593 General Fund for FY 2019-20 to begin the process of relocating the Office's operations and central administrative center, and its 337.0 FTE, from the Pearl Plaza building to an undetermined new location. This money would be used to cover the costs of breaking the Pearl Plaza building lease, architectural, engineering, and construction services for the new facility, and infrastructure for the new facility (e.g. furniture, cabling, and audio/visual equipment). It is estimated that OIT would occupy the new space starting in FY 2020-21.

Previously, the request indicated that the intended location was in central Denver to appeal to a wider audience of information technology professionals, however in her March 11th letter to the Committee expressing support for the existing budget request, the state's Chief Information Officer and Executive Director of OIT indicates that the agency "will explore multiple locations for its offices and not just a centralized Denver location as a solution" and that she "will ensure its criteria for options are based on cost scenarios that hold the highest regard for stewardship of state resources." Additionally, the letter touts the "creation of a task force that is reviewing the possibility of additional flexspace days for appropriate staff to reduce its total space needs."

Staff Recommendation
Staff recommends denying the request at this time for three reasons:

1. It is staff's opinion that the state should only pay to break a lease as a last resort in instances when the office space is dangerous or substantially limiting an agency's ability to fulfill its duties. OIT's current lease expires on March 31, 2024. Exiting the lease early, which this request seeks to do, would result in costs. The original request indicates that the agency would owe $763,442 to break the lease. The current OIT office space is dated and not designed for an information technology organization, but it is not dangerous and it is functional.

2. It is staff's opinion that OIT's current lease is fiscally advantageous to the state when compared to nearly all other options in the Denver area. The agency's current lease rate of $19.64 per square foot is below the cost of a new lease in central Denver ($42.52 per square foot), as proposed in the original request, and below the most recent data available from CBRE Research on office lease space prices for Q4 2018 for all areas around the metro region. As CBRE states, "the average direct asking lease rate in metro Denver continued to rise, increasing 1.6 percent over Q3 2018 to $28.34 per square foot."

3. It is staff's opinion that the General Assembly does not have enough information regarding a new location for OIT's headquarters on which to base an appropriation. Even the original request, which was constructed in collaboration with the Department of Personnel and Administration and a third party consultant based on the agency's desire to move to a specific area of Denver, requires the General Assembly to base its appropriation on a series of estimates. As the original submittal indicates, "the amounts in this budget request represent information available at the time of the request, but given the nature of the real estate market, any change in the actual amounts may need to be addressed through a subsequent budget request." These financial adjustments may be driven by changes in the square footage in the acquired space, market construction costs, market lease costs, and the final negotiated tenant improvement allowance. The number of unknowns only increases with OIT's newly stated desire to examine lease options outside of central Denver.

Staff understands OIT's wishes to relocate to a more modern space that can be built-out in a manner consistent with the needs of an information technology organization. It is staff's hope that the agency continues to explore its options in preparation for its lease expiration in March 2024. In a future fiscal year, staff anticipates that OIT may come back to the General Assembly with a funding request to support a move to a known location and one that does not necessitate state funds to dissolve an existing lease contract.

COLORADO
Governor's Office of Information Technology
Serving people serving Colorado

Theresa Szczurek, Ph.D.
601 East 18th Avenue, Suite 130
Denver, CO 80203

3/11/2019

The Honorable Senator Dominick Moreno
Joint Budget Committee
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, Colorado 80203

Re: Decision Item R-03 Operations & Administration Center Relocation

Dear Senator Moreno and Honorable Members of the Joint Budget Committee:

Thank you for the opportunity to collaborate and have input into the state's budgeting process. This letter serves to inform you of my position as the newly appointed State Chief Information Officer & Executive Director of OIT regarding Decision Item R-03 Operations and Administration Center Relocation.

OIT and the prior administration completed an extensive analysis regarding its workspace dilemmas. This analysis included collaborating with the Department of Personnel & Administration and a third party consultant (Jones Lang LaSalle) to review the specific criteria to relocate OIT.

It has become increasingly clear that the current workspace for OIT is untenable. As such, a relocation will provide OIT with an appropriate layout for an IT organization, adequate meeting space, long term stability, and the capacity to build out and accommodate the needs of a modern IT workforce. I ask for your support in funding this request and, if funded, commit to the following stipulations:

- OIT will ensure its criteria for options are based on cost scenarios that hold the highest regard for stewardship of state resources.
- Creation of a task force that is reviewing the possibility of additional flexspace days for appropriate staff to reduce its total space needs.
- OIT will explore multiple locations for its offices and not just a centralized Denver location as a solution.

In my IT private sector experience I have seen innovative solutions used to address workspace and location issues similar to what OIT faces currently, and will leverage this experience as OIT crafts a holistic workspace solution using the funds from this request.

In closing, I appreciate your time and thank you for your thoughtful consideration of this important funding request.

Sincerely,

Theresa M. Szczurek, Ph.D.
Chief Information Officer & Executive Director

CC:
Representative Daneya Esgar
Representative Chris Hansen
Senator Bob Rankin
Representative Kim Ransom
Senator Rachel Zenzinger

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Eric Kurtz, JBC Staff (303-866-4952)
DATE	March 15, 2019
SUBJECT	Health Care Policy and Financing – Comebacks

This memo includes the following substantive staff comebacks

- R11 All-Payer Claims Database
- Personal Care/Homemaker Rates (part of R13)
- Dental Services Rates (part of R13)

And the following technical staff comebacks

- NP Office of Electronic Health Information
- Indirect cost adjustment
- Footnotes and requests for information

➔ R11 ALL-PAYER CLAIMS DATABASE

REASON FOR COMEBACK

The JBC delayed a decision on R11 regarding the All-Payer Claims Database (APCD) pending more information. *Sen. Rankin* requested statistics on how many people are visiting the APCD web site. In particular, he wanted to know how many people use the "Shop for Care" feature that allows people to compare prices and quality at different facilities for common elective services.[1] *Rep. Hansen* requested more information on the history and sources of earned revenue by the APCD, and why the Department thinks the earned revenue model for the APCD is not sustainable/desirable.

NEW INFORMATION

APCD WEB SITE VISITS

In response to Sen. Rankin's question about web site visits, the Department reports the following from the operator of the APCD:

- **72,000** visits to civhc.org in 2018
- **16,000** visits to public data pages, including Shop for Care and Population Health Data (cost, quality, utilization and conditions prevalence data) in 2018
- **6,500** visits to the Shop for Care tool since it was launched in July of 2018 (nearly 1,000 people visiting monthly)

APCD EARNED REVENUE

In response to Rep. Hansen's question about revenue sources for the APCD, the Department provided a history of revenue since FY 2015-16. The Department emphasized that most of the funding has come from time-limited grants and special projects. While the APCD would continue to seek partnerships for national and locally funded projects, the Department considers these unreliable

[1] https://www.civhc.org/shop-for-care/

sources for ongoing operational expenses. Part of the purpose of the request is to allow the APCD to shift focus from generating revenue for continued operations to improving the quality of data and reporting. Also, the APCD would be able to reduce the costs to users of purchasing data sets and custom reports, thereby promoting wider access to the information.

Total Revenue	**FY16**	**FY17**	**FY18**
Earned Revenue - Non-State, Non-Time Limited Sources (Licensing Fees)	$268,175	$554,735	$790,232
Earned Revenue - Time-Limited National Projects	$1,440,995	$1,180,803	$944,712
Earned Revenue - HCPF Analytic Services	$363,200	$283,200	$263,200
Grant Revenue - Scholarship Funding	$475,050	$499,950	$475,344
Grant Revenue – Colorado Health Foundation and Colorado Trust	$1,293,580	$1,339,312	$249,245
Medicaid Funding			
Earned Revenue - Payment with Federal Match (State Share from Colorado Health Foundation)	$0	$0	$1,666,534
Earned Revenue - Additional Payment without Federal Match (Colorado Health Foundation)	$0	$0	$166,733
Total Revenue (from the Annual Report)	**$3,841,000**	**$3,858,000**	**$4,556,000**

Regarding alternative fund sources, the Department responded:

> *The Department has explored other revenue sources, such as fees from private insurance payers. Eighteen other states have APCDs, and twelve of those receive funding from their states to support ongoing operations; however, four states assess fees from private insurance payers who submit data to their APCD. Payers in Colorado have been reluctant to contribute a fee to support the operations of the APCD because they already incur a cost (e.g., internal resources, programing changes) to submit data into the APCD. Note that payers have their own systems to evaluate costs and to manage their own strategy to control costs. Those systems are proprietary and cannot be accessed by employers, consumers, communities, or the state. The state must have a comprehensive source of truth to manage what is arguably the most pressing budget concern we have which is managing health care costs that are now consuming one-third of the state's budget and household budgets.*

ORIGINAL REQUEST

The Department requests a net increase of $2.6 million total funds, including $2.8 million General Fund, to finance the All-Payer Claims Database (APCD). House Bill 18-1327, sponsored by the JBC, allowed General Fund to support the APCD and appropriated funding based on Medicaid's share of the costs. However, the federal government approved a different method to estimate Medicaid's share of costs than assumed in last year's bill, resulting in a funding shortfall that the Department proposes closing with General Fund. Also, the Department proposes increasing funding in FY 2019-20 and providing inflationary increases in out years to allow the APCD staff to focus on data quality, rather than fundraising, and to stabilize support for the APCD.

R11 All-Payer Claims Database			
	TOTAL FUNDS	GENERAL FUND	FEDERAL FUNDS
Close funding gap	$0	$191,733	($191,733)
Increase funding	2,619,731	2,619,731	0
TOTAL	**$2,619,731**	**$2,811,464**	**($191,733)**

The proposed level of funding would cover 100 percent of the projected FY 2019-20 costs of the APCD. The Department argues that the request would allow the APCD to shift focus from generating revenue for continued operations to improving the quality of data and reporting. Also, the APCD would be able to reduce the costs to users of purchasing data sets and custom reports, promoting wider access to the information.

In conjunction with the request, the Department proposes creating a new advisory committee to provide guidance on how to manage the APCD through the contract with the administrator, including standards and deliverables within the contract. The Department is concerned about a lack of formal structure to provide direction to the administrator of the APCD on strategic planning, budgeting and standards for reporting and quality control. The Department argues that the advisory committee and the increased state funding would allow the State to exercise more direction over how funds are utilized to ensure they provide the most benefit.

BACKGROUND

The All-Payer Claims Database (APCD) collects claims data from over 33 private insurance providers in Colorado plus Medicaid and Medicare and makes it available for research. The data encompasses more than $750 million in annual claims for 4.3 million lives, or about 77 percent of all insured Coloradoans. Self-insured and federal programs are not required to report data to the APCD, but some do report voluntarily, including Medicare. Researchers use the APCD to investigate the reasons behind rising health care costs, the variance of health care costs within Colorado, and to find possible solutions. The APCD does not directly provide information about patient diagnoses or health outcomes, but researchers can use claims histories indirectly to draw conclusions about best practices and cost-effective care. The statewide information about claims available through the APCD is not available anywhere else.

Some examples of the uses of the APCD include:

- Best practices -- The APCD can provide quality indicators like the rates of hospitalization for patients that received certain billed preventive interventions. A number of statewide initiatives to improve care, including the Comprehensive Primary Care Plus (CPC+), the Multi-payer Collaborative, and the State Innovation Model (SIM), use the APCD in ways like this to facilitate performance-based payments and encourage practice transformation. The Department uses the APCD to calculate utilization of potentially avoidable procedures by hospital for use in the development of hospital report cards. The Network for Regional Healthcare Improvement used the APCD to provide reports to provider groups comparing their costs and efficiency to broader averages.
- Access to care -- The Department uses data from the APCD to compare utilization by payer to help determine whether Medicaid rates and practices allow Medicaid patients to access care consistent with patients insured by other payers, as required by federal law.

- Rate setting -- The Department uses the APCD to identify appropriate benchmarks and measure Medicaid rates against those benchmarks.
- Cost of care by payer -- The Department uses analysis from the APCD to calculate total cost of care by payer group: Medicare, Medicaid, and commercial. The National Bureau of Economic Research is using the APCD to explore how Medicare rates affect commercial insurance rates.
- Cost of care by region -- For the Colorado Commission on Affordable Health Care, the Department and the Division of Insurance used the APCD to analyze the current nine geographic regions that determine insurance rates against other potential configurations, and to analyze factors driving variations in health care costs by region.

Pursuant to Section 25.5-1-204 (11), C.R.S., if funding is insufficient to finance the ongoing operations of the APCD, then the APCD shall cease to exist and the data submitted shall be destroyed or returned to the original source.

ORIGINAL RECOMMENDATION

The JBC staff does not recommend the request for several reasons:

THE GENERAL ASSEMBLY ALREADY SAID NO ONCE

The Department is doubling down on a request that was not fully funded by the General Assembly last year. The request last year was for $2.3 million total funds, including $1.1 million General Fund, and the General Assembly appropriated only $2.1 million total funds, including $1.0 million General Fund. The Department had several opportunities last year during comebacks and then when the bill was introduced to make a case that the funding was insufficient. Now the Department wants the money that was not approved last year plus another increase that is larger than the funding provided last year. Under "Consequences of Problem" the Department raises concerns that if funding is not approved the APCD may need to stop operations and destroy or return the data to the original source pursuant to Section 25.5-1-204 (11), C.R.S.

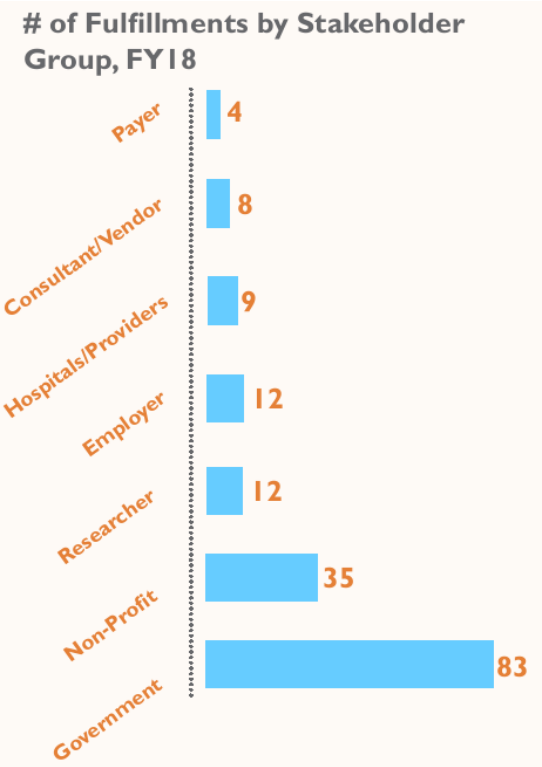
THE DEPARTMENT IS CHANGING THE NATURE OF THE APCD

When the APCD was created the expectation was that it would survive on grants and earned revenue. The goals of the APCD are aligned with those of many private philanthropic organizations, such as the Colorado Health Foundation or the Kaiser Family Foundation. Also, the APCD charges fees for reports and datasets. The authorizing legislation made the creation of the APCD contingent on the receipt of gifts, grants, and donations. Appropriations from the General Fund were specifically prohibited. House Bill 18-1327, sponsored by the JBC, changed the statute to allow General Fund appropriations, but the appropriation included in the bill still presumed the majority of funding for the APCD would come from grants and earned revenue. The Department's proposal to fund the APCD entirely with state appropriations does not appear consistent with either the original concept of how the APCD operate approved by the General Assembly in the enacting legislation or the revised concept authorized by H.B. 18-1327.

Further, the APCD statute created a 29-member advisory committee with broad representation to guide the APCD. The three members of the advisory committee from state departments, including the executive director of the Department of Health Care Policy and Financing, were not given voting rights. The request proposes creating a new committee to advise the Department on how to manage the APCD through the contract with the provider, including standards and deliverables within the contract. The Department argues that the new committee serves a different purpose. The statutory

advisory committee would focus on data issues (collection, retention, use, disclosure, security, privacy, etc.) and strategies related to public reporting. The new committee to advise the Department would focus on contract deliverables related to strategic planning, budgeting, and standards for reporting and data quality. However, since all the money for the APCD would be coming through the contract with the Department, the new committee, which would be appointed by the Executive Director, would presumably become the most important committee guiding the work of the APCD. The General Assembly went to the trouble of creating an advisory committee in statute and specifying the membership to ensure broad representation. The Department's request appears to subvert the statutory advisory committee.

Maybe it is appropriate for the APCD to report to the Department, since government entities are the primary consumers of information from the APCD, but that would not be thematically consistent with the current structure of the statute for the APCD. The chart below is from the APCD annual report and shows the custom data fulfillments from FY 2012-13 through FY 2017-18.



THE APCD COULD REDUCE EXPENDITURES

The budget for the APCD has been increasing rapidly. The most recent APCD report switched to reporting based on fiscal years instead of calendar years and restated expenditures from prior years, and so the amounts reported in the table below will not match information presented by the JBC staff last year, but the trends are the same.

APCD Expenditure Growth		
Fiscal Year	Expenditures	Percent Change
12-13	$1,630,000	
13-14	$2,196,000	34.7%
14-15	$2,632,000	19.9%
15-16	$3,450,000	31.1%
16-17	$3,659,000	6.1%
17-18	$4,229,000	15.6%
18-19 proj.	$4,538,000	7.3%
19-20 proj.	$4,669,731	2.9%
20-21 proj.	$4,805,153	2.9%

In a hearing response last year, the Department provided this explanation for the increased costs:

> *In late 2015 through early 2016, CIVHC [the operator of the APCD] implemented key strategies to strengthen APCD data, including additional quality assurance, adding self-insured and dental claims, and increasing data management. In 2017, CIVHC transitioned to a new data vendor, migrated from quarterly to monthly data updates, enhanced the data portal access, website, and public reporting capabilities, as well as new customer tools. The increased activities and transition to a new vendor have increased the costs related to the administration of the APCD . . . The transition has also increased the data accuracy and improved analytics.*

The JBC staff understands the value of improving the quality, breadth, and currency of APCD data, and making it easier to access the data, but the APCD increased expenditures to make these improvements without a sustainable funding stream. The APCD had a functioning database that got from point A to B and traded it in for a faster one with more features right before grant funding for the ongoing operations of the APCD expired in FY 2017-18. If revenue from fees and grants is not sufficient, then maybe the APCD could scale back on some of these enhancements to live within the available funds.

THE APCD HAS NOT EXHAUSTED ALTERNATIVE FUND SOURCES

Last year the JBC staff suggested that the Department explore allocating a portion of APCD costs to the Healthcare Affordability and Sustainability (HAS) Fee in proportion to HAS Fee claims. The Department argues that the APCD is valuable to the administration of Medicaid and to the extent this is valid it would be reasonable for the HAS Fee to pay a proportionate share of the cost for the APCD. In some states fees paid by insurance providers help to support the APCD. Grant funds have previously supported the APCD and could provide support in the future. The APCD has a proven track record of earning $2.0 million plus from selling data sets and custom reports and could potentially increase this amount with price adjustments and marketing and identifying reports that would be of high value to consumers.

➔ PERSONAL CARE/HOMEMAKER RATES (PART OF R13)

REASON FOR COMEBACK

The JBC delayed a decision on part of R13 related to personal care and homemaker rates. The discussion focused on whether the Department could require by rule that the rate increase be passed through to employees (as asserted by the Department in the request), with Rep. Esgar and Sen. Zenzinger expressing concern that employees see pay increases and Sen. Rankin expressing concerns

about not dictating to private providers how they spend their revenue. Sen. Moreno indicated that there have been discussions about running a bill to require that a rate increase for these providers be passed through to employees.

NEW INFORMATION

The statutes are not specific regarding whether the Department can require by rule that a rate increase for a provider be passed through to employees. The Department has not routinely made such a rule and is not aware of any precedent for this type of rule without a federal requirement or state statute.

Last year the JBC sponsored H.B. 18-1407 that required, in Section 25.5-6-406 (2)(e), C.R.S.:

> *Service agencies shall use one hundred percent of the funding resulting from the increase in the reimbursement rate pursuant to subsection (2)(c) of this section to increase compensation for direct support professionals above the rate of compensation that direct support professionals are receiving as of June 30, 2018. This requirement applies to funds billed by community-centered boards in their role as organized health care delivery systems. Service agencies shall not use funding resulting from the reimbursement rate increase for general and administrative expenses, such as chief executive officer salaries, human resources, information technology, oversight, business management, general record keeping, budgeting and finance, and other activities not identifiable to a single program.*

The bill also included requirements for service agencies to track and report the increase in compensation and a process for the Department to recover money from providers that did not spend the funds as intended.

The Department has broad authority to set rules related to rates and payments that could potentially be interpreted as allowing the Department to implement the proposed rule requiring rate increases be passed through to employees. Pursuant to Section 25.5-4-401 (1)(a), C.R.S.:

> *The state department shall establish rules for the payment of providers under this article and articles 5 and 6 of this title. Within the limits of available funds, such rules shall provide reasonable compensation to such providers . . .*

In Section 25.5-1-303 (3)(f), C.R.S., the Medical Services Board has authority to adopt rules setting forth: "The requirements, obligations, and rights of providers, including policies and procedures related to provider payments that may affect client benefits." The Medical Services Board's authority to adopt policies and procedures related to provider payments that "may affect client benefits" could be interpreted to include a pass-through to direct support professionals because the increase in provider compensation is necessitated by the increase in the minimum wage or by decreasing client access to benefits due to the inability to attract or retain direct support professionals.

ORIGINAL REQUEST AND RECOMMENDATION

The JBC staff recommends the Department's request for $20.5 million total funds, including $10.3 million General Fund, to increase rates for personal care and homemaker services and equivalent consumer directed services by 8.1 percent in FY 2019-20. The Department indicates it would promulgate rules ensuring the rate increases are passed through to employees by providers, similar to the requirements of H.B. 18-1407 that provided rate increases for disability services. The Department believes it can implement rules requiring the pass through within existing statutory authority. The JBC

staff did not attempt to evaluate whether this fits within the Department's rule making authority. The JBC staff recommendation is not contingent on the rule that the Department proposes.

The JBC staff does not recommend the Department's request for additional rate changes in future years for these providers based on inflation. The only community provider rates in the Department that currently receive annual automatic adjustments are those where state statute or federal regulation requires an annual adjustment. Indexing these rates to inflation without a state statute or federal regulation would set a dangerous precedent. Also, it is potentially expensive, given utilization trends for these services. Instead, the JBC recommends that the Department request another targeted rate increase next year, if the common policy requested by the Governor appears insufficient for these particular rates.

Personal care and homemaker rates were reviewed by the MPRRAC in 2017. For personal care, rates were identified as ranging from 80.9 percent to 140.9 percent of the five benchmark comparison states. For homemaker services, rates were identified as ranging from 81.0 percent to 133.7 percent of the five benchmark comparison states. The General Assembly approved increases for personal care and homemaker rates of 3.1 percent in FY 2017-18 before the MPRRAC review and 5.3 percent in FY 2018-19 after the MPRRAC review.

In support of the request, the Department describes personal care and homemaker services as vital in allowing the elderly and people with disabilities to stay in their homes, rather than nursing facilities or assisted living facilities. Also, the Department notes than in 2016 Colorado voters passed Amendment 70 to increase the minimum wage in increments to $12 an hour by 2020, and then by inflation each year thereafter. Providers have testified to the JBC that personal care and homemaker attendants work near minimum wage and when there are other available minimum wage opportunities that pay similarly or marginally less it can be difficult to recruit and retain staff.

➔ DENTAL SERVICES RATES (PART OF R13)

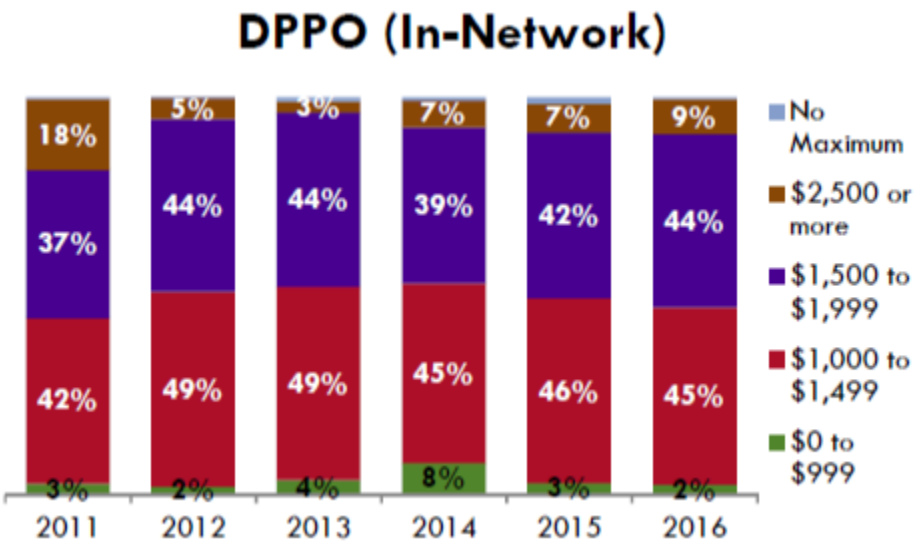
REASON FOR COMEBACK

Rep. Hansen requested that the JBC delay action on a portion of R13 related to dental service rates, in order to get more information on increasing the $1,000 annual cap on adult dental services. The Department's request was to increase rates for select preventive services for both adults and children in order to encourage greater utilization of these preventive services. The annual cap applies only to adult dental services (there is no cap on children's services), and so raising the cap would address a different policy objective than the request, but it would affect largely the same group of providers.

NEW INFORMATION

According to the National Association of Dental Plans (NADP) 2018 Premium, Benefit Design, and Utilization Trends Report, roughly half (47 percent) of dental preferred provider organization (DPPO) plans have an in-network annual cap of $1,500 or less and the other half have a cap of more than $1,500. There is not enough detail in the report to distinguish between plans with a cap of $1,000 (the current cap for the adult dental benefit in Medicaid) versus $1,500. The effect on clients of Medicaid's cap and commercial caps is not entirely equivalent. Medicaid rates are lower than commercial rates,

and so Medicaid clients can receive more services within a similar cap. At the same time, Medicaid clients have less of an ability to pay for services beyond the cap.



The Department reports that in FY 2017-18 48,902 adults, or 6.6 percent of eligible adults, were at the annual Medicaid cap for services. This compares to 9.0 percent of people at the cap in plans included in the NADP survey. Looking at just adults who were at the cap and used services in the next fiscal year, the Department identified 22,260 clients in FY 2016-17 who might have used more services with a higher cap.

Based on the 22,260 clients, the Department estimates that raising the annual cap to $1,500 would cost $11,130 total funds. The state share of the total would be $2.9 million, with $662,924 from the Healthcare Affordability and Sustainability Fee and the remaining $2.3 million from revenue earned by the Unclaimed Property Trust Fund that is deposited in the Adult Dental Fund.

Dental Services Rates			
	Raise Annual Adult Dental Cap to $1,500	HCPF Req. to Inc. Preventive Care Rates	JBC Staff Recommendation
TOTAL FUNDS	**$11,130,000**	**$4,451,570**	**$0**
General Fund	0	803,064	0
Cash Funds	2,941,728	739,851	0
HAS Fee	*662,924*	*203,882*	*0*
Adult Dental Fund	*2,278,804*	*535,969*	*0*
Federal Funds	8,188,272	2,908,655	0

The financing for raising the annual cap is different than the financing for the Department's request because adult dental services receive a more favorable federal match rate than children's dental services, and the state share for adult dental services comes primarily from revenue earned by the Unclaimed Property Trust Fund that is deposited in the Adult Dental Fund. The state share for children's dental services is paid primarily from the General Fund.

An analysis by the JBC staff last year[2] projected that current policy for the financing of the adult dental benefit would cause the unfunded liability for the Unclaimed Property Trust Fund to grow from $514.1 million in FY 2018-19 to $1.3 billion in 20 years. Increasing the cap would cause a level shift upward in annual expenditures of approximately $2.3 million per year and increase the projected unfunded liability correspondingly.

ORIGINAL REQUEST AND RECOMMENDATION

The JBC staff does not recommend the Department's request for $4.5 million total funds, including $803,064 General Fund, to increase rates for a subset of preventive dental services the Department identifies as high value services. The Department's request appears to deviate from the conclusion of the MPRRAC that, "Dental service activities are going well and the committee has no recommendations for changing Dental rates."

Dental services were reviewed by the MPRRAC in 2018. Rates were identified as within 98.1 percent and 153.5 percent of the benchmark comparison states and sufficient to allow for client access and provider retention. While the rates look high relative to the benchmarks, the MPRRAC recommended no changes, and the Department reports that testimony to the MPRRAC identified several considerations:

- Colorado recently completed rate setting to establish the adult dental benefit and more time should pass before evaluating trend data.
- The benchmarks are other state Medicaid rates that may not reimburse adequately. Not all state Medicaid plans cover adult dental services.
- The General Assembly has increased rates for prevention, basic fillings, and extractions and these increases have increased access.
- Utilization is low, but this is a national trend across all payers and Colorado Medicaid client and provider participation are among the highest nationally.

In support of the request, the Department argues that regular dental care and prevention are the most cost-effective methods to prevent minor oral conditions from developing into more complex oral and physical health conditions that require emergency or palliative care.

➔ TECHNICAL COMEBACKS

- NP Office of Electronic Health Information – The original JBC staff figure setting document erroneously identified the federal funds associated with the Office of Electronic Health Information as $937,137. Based on the JBC's action during figure setting for the Governor's Office, the JBC staff recommends $997,137 federal funds.
- Indirect cost adjustment – The JBC approved an increase in indirect cost recoveries for the Department of $327,791. The JBC staff recommends using the revenue to offset an additional $327,791 General Fund in the Executive Director's Office.
- Footnotes and Requests for Information – The JBC approved a new footnote and a new request for information in concept. The JBC staff recommended language is below:

[2] http://leg.colorado.gov/sites/default/files/unclaimed_property.pdf

N Department of Health Care Policy and Financing, Executive Director's Office, Eligibility Determinations and Client Services, County Administration -- It is the General Assembly's intent that quality incentive payments made from this line item be aligned with and complementary to: (1) the continuous quality improvement plan developed pursuant to Section 26-1-122.3 (3), C.R.S.; (2) the mutually agreed upon method for distributing federal performance bonus money developed pursuant to Section 26-2-301.5 (1)(d), C.R.S.; and (3) the mutually agreed upon method for charging counties for federal monetary sanctions for failing to meet performance measures pursuant to Section 26-2-301.5 (2)(b), C.R.S.

N Department of Health Care Policy and Financing, Medical Services Premiums -- The Department is requested to submit reports by November 1, 2020 and 2021 on the actual savings achieved by all initiatives that the Department projected would achieve savings in the FY 2019-20 budget request.

MEMORANDUM

TO Joint Budget Committee Members
FROM Kevin Neimond, JBC Staff (303-866-4958)
DATE March 15, 2019
SUBJECT Human Services Respite Care Task Force Roll-Forward Authority

Staff Recommendation

Staff recommends providing the Department of Human Services with roll-forward authority through the conclusion of FY 2019-20 for $200,000 General Fund to implement the recommendations of the Respite Care Task Force. This represents the money remaining from the FY 2016-17 appropriation of $900,000 General Fund included in H.B. 16-1398 (Implement Respite Care Task Force Recommendations). Note, the Department's current statutory authority allows for this money to be expended through the conclusion of FY 2018-19.

Background

Respite care provides temporary relief for family caregivers from the ongoing responsibility of caring for an individual of any age with special needs, or who may be at risk of abuse or neglect. State funding is appropriated to the Department of Health Care Policy and Financing and the Department of Human Services for respite care services. House Bill 16-1398 required the Department to select an entity to contract with to implement recommendations of the Respite Care Task Force, which included a variety of studies and analyses on the benefits of respite care services, online training tools to assist individuals in becoming respite care providers, and marketing and outreach projects to share information regarding respite care services. To fulfil these obligations, the Department entered into a contract with Easter Seals to perform the work from February 1, 2017 (FY 2016-17) through March 1, 2021 (FY 2020-21).

Issue

House Bill 16-1398 transferred $900,000 from the Intellectual and Developmental Disabilities Cash Fund to the General Fund, appropriated $900,000 General Fund for FY 2016-17 to begin implementing recommendations of the Respite Care Task Force, and provided roll-forward authority for this appropriation through FY 2017-18. House Bill 18-1322 (Long Bill) extended this roll-forward authority through the conclusion of FY 2018-19. Carrying out the Task Force recommendations remains on track for completion by March 2021, however delays occurred at the solicitation and implementation phases of the project that deferred expenditures from the $900,000 General Fund initially appropriated for this purpose. Approximately $200,000 appropriated for this project will be reverted to the General Fund at the conclusion of FY 2018-19 if further roll-forward authority is not granted to the Department of Human Services.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Mike Mann, JBC Staff (303-866-2062)
DATE	March 15, 2019
SUBJECT	Staff Comeback: Department of Human Services, R4 Reducing Child Neglect via Employment pilot program FY 2019-20 Request

On March 7, 2019, the Committee tabled action on R4 Reducing Child Neglect via Employment pilot program, a decision item requested by the Department of Human Services for FY 2019-20. Staff recommended the Committee deny the request. To provide the Committee with additional information, this document includes a section at the beginning entitled "New Information", which includes information on other employment related programs administered by the Department, and staff's initial write-up, which has been amended to include information that directly addresses questions raised by the Committee during figure setting. Staff has researched the issues raised and worked with the Department to provide this additional information. Appendix A provides a summary table comparing the Department's current employment support programs and the R4 and R6 pilot programs requested in FY 2019-20. The new information does not change staff's initial recommendation to deny the request.

NEW INFORMATION

During staff's figure setting presentation on this decision item, the Committee requested information comparing the goals and eligible population of the requested pilot programs to the existing ReHire Colorado program and the Employment Opportunities with Wages pilot program, both housed in the DHS Office of Self Sufficiency.

ReHire Colorado/Transitional Jobs Program

The Transitional Jobs Program line item in the Office of Self Sufficiency, (B) Colorado Works section funds the **ReHire Colorado** program. The program was created via H.B. 13-1004 (Colorado Careers Act Of 2013) to provide underemployed or unemployed individuals with transitional jobs in a post-recession environment. Since then, the program has been extended via H.B. 14-1015 (Extend Transitional Jobs Program), H.B. 16-1290 (Extend Transitional Jobs Program), and H.B. 18-1334, which extended the Transitional Jobs Program from June 30, 2019, to June 30, 2024. The program is repealed effective July 1, 2025.

The program subsidizes wages of unemployed and underemployed adults to provide opportunities to learn and practice successful workplace behaviors that help in securing long-term unsubsidized employment. **The priority for the program participation is given to individuals who are either noncustodial parents, or veterans, or displaced workers who are 50 years of age or older.** Funds appropriated in this line item are used to reimburse employers for wage-related costs, make payments to local agency contractors, and for staffing and administrative costs. The program currently serves approximately 500 individuals per year in Denver, El Paso, and Pueblo counties. On March 7, 2019, the Committee approved the Department's request, which included $2,564,526 General Fund and 2.0 FTE for FY 2019-20.

Employment Opportunities with Wages pilot program
The Employment Opportunities with Wages program line item in the Office of Self Sufficiency, (B) Colorado Works section funds the Employment Opportunities with Wages Program (pilot) created via S.B. 17-292. The program, also known as Colorado Works Subsidized Training and Employment Program (CW STEP) assists individuals receiving public assistance through the state's implementation of the federal Temporary Assistance for Needy Families (TANF) program, known as Colorado Works, in attaining permanent jobs paying a living wage. The bill included a $4.0 million appropriation from the federal TANF block grant for FY 2017-18, FY 2018-19, and FY 2019-20. The program is repealed on June 30, 2020 and a final evaluation report is due October 1, 2020. The program served approximately 500 individuals in its first full year of operation. On March 7, 2019, the Committee approved the Department's request, which included a continuation-level appropriation of $4,000,000 federal funds from the TANF block grant for FY 2019-20.

This program serves TANF recipients and cannot be used to support R4 targeted population; R4 intends to serve individuals with open child welfare cases and income below 200 percent of poverty guidelines.

➔ R4 REDUCING CHILD NEGLECT VIA EMPLOYMENT

REQUEST: The Department's R4 evidence-based request includes $1,681,984 in federal funds from the Temporary Assistance for Needy Families (TANF) Long-term works reserve fund and 2.0 FTE in FY 2019-20 to create a three-year pilot program. The request aims to connect child welfare cases to employment strategies. The request annualizes to $3,216,847 in federal TANF funds and 2.0 FTE in FY 2020-21 through FY 2021-22. The program is expected to serve 280 individuals in the first year, expanding to 560 individuals in the second and third years. The Department's request was developed based on an anticipated $5,000 average cost per participant. Based on the total request, the average cost per participant will be $6,104 in FY 2019-20, and $5,793 in future years.

ANALYSIS:

Background
More than 80 percent of Colorado's child welfare cases are opened due to neglect, as opposed to abuse. Among those open cases where children remain in their home, poverty is a prevailing factor, with parents having trouble providing for their family's financial needs. Providing basic support, including economic security and employment builds families' capacity to provide for their children.

Findings from a 2011 study, completed by Colorado State University, indicate that a case with no poverty present is 60 percent more likely to have a successful outcome than a case with poverty as a presenting issue. This research suggests that investing resources in strategies to reduce or eliminate poverty will have positive effects in decreasing the likelihood of neglect. Among the poverty-reduction strategies needed by families struggling to make ends meet, which include cash assistance, education support, stable housing and other services, employment offers the quickest and most sustainable path out of poverty. The Department's request notes that child welfare workers are primarily responsible for focusing on safety, tasked with discerning when it is safe for children to be home and promoting safe reunification of families. Generally, child welfare caseworkers have neither the specialized backgrounds nor training in employment-focused services or assistance.

TANF Reserves

The Colorado Works Program implements the federal Temporary Assistance for Needy Families (TANF) block grant program created by the 1996 welfare reform law. In Colorado, TANF is a state-supervised, county-administered program whereby federal block grant funding appropriated to the State Department of Human Services is allocated to the State's county human/social services departments. The primary state grant award made by the federal government to states to operate the TANF program is the State Family Assistance Grant (SFAG). The State of Colorado annually receives a fixed-amount, primary grant of $136.1 million in federal TANF block grant funding. The majority of this federal block grant is allocated to 64 Colorado county offices of human/social services. In FY 2018-19, the appropriation for block grants to counties that provide TANF assistance to families including basic cash assistance, employment and training opportunities, and child care assistance totals $128.2 million.

In addition to the primary SFAG award made by the federal government to states to operate the TANF program, the U.S. Department of Health and Human Services also allocates Contingency Funds to "needy" states through an application process. Over the past few years, Colorado has met the eligibility criteria for Contingency Funds and most recently received $15.1 million in FY 2017-18. The annual award changes based on federal funding available and the number of eligible states applying. In FY 2018-19, the Department estimates that Colorado will receive $12.0 million in Contingency Funds of the $598 million total federal funds awarded to qualifying states.

Federal law permits the establishment of a State TANF reserve, but does not quantify a minimum or limit the maximum reserve amount. Reserves are considered to be a safeguard in future years in the event of economic downturns or caseload increases. In addition, State statute (Section 26-2-721, C.R.S.) also allows the Department of Human Services to maintain a TANF reserve (Long-term Works Reserve), but does not address or define adequate reserve levels. The FY 2018-19 beginning balance of the State's LTR totaled $85.7 million. The Department has determined that the minimum reserve should represent approximately 25 percent of the State's annual $136 million federal TANF block grant, or approximately $33.9 million.

State statute (Section 26-2-714, C.R.S.) allows county departments of human/social services to also maintain a reserve fund, up to a maximum amount of 40 percent of its annual TANF block grant, or $100,000 whichever is greater. These funds are often used to cover child welfare deficits, for child care quality activities, and to cover child care assistance deficits, as is allowed by federal and state law. At the beginning of FY 2018-19, county TANF reserves totaled $54.8 million. No county TANF reserve funds would revert to the State LTR until all counties have accumulated the maximum allowable amount of reserves.

Reserve funds are typically established as a safeguard against economic downturns, seasonal business cycles, and other types of unforeseen, short-term circumstances. Once the financial situation is rectified, i.e. business returns to normal, funding or revenues increase, or expenses are reduced, the aim is to re-build the reserve to provide security for the next financial emergency. The State's LTR beginning balance in FY 2018-19 totaled $85.7 million. By the end of FY 2019-20, the LTR is projected to total $71.6 million. Assumptions driving this figure include Contingency Fund Award assumptions and decision items affecting the reserve. The State of Colorado received $15.1 million in Federal TANF Contingency funds in FY 2017-18. The Department's LTR projections, based on recent averages, utilize $12 million for the current year estimate and for future year projections. If that

funding is not forthcoming - due to changes in federal policy or for any other reason - the 4-year impact is a $48 million negative adjustment. These reserve projections do not include the $9.7 million in TANF funds approved by the Committee to support the Title IV demonstration project for child welfare prevention and intervention efforts.

Impact on State TANF Reserves
The following table provides information regarding the annual and cumulative cost of the requested R4 pilot program. The FY 2019-20 request totals $1.7 million and the cumulative cost of the 3-year pilot program is $8.2 million.

R4 REDUCING CHILD NEGLECT VIA EMPLOYMENT PILOT PROGRAM			
	FY 2019-20	FY 2020-21	FY 2021-22
R4 Reducing Child Neglect Annual Total*	$1,709,355	$3,244,218	$3,244,218
Cumulative **Total**	**$1,709,355**	**$4,953,573**	**$8,197,791**

*Includes EDO expenses. Year 1 total is $1,681,984 in division funds.

Request
The Department's R4 request for $1,681,984 in federal TANF funds and 2.0 FTE, aims to connect child welfare cases to employment strategies, proposes a new evidence-based program with a developing theory of change.

FUNDING REQUESTED FOR R4 REDUCING CHILD NEGLECT VIA EMPLOYMENT PILOT PROGRAM		
COST DETAILS	FY 2019-20	FY 2020-21*
Personal services & operating expenses (PC and furniture, one-time)	$165,086	$155,680
Printing, communication, outreach	4,269	8,538
Technical assistance (2% of direct costs)	40,000	80,000
Program delivery ($5,000 x 560) 280 in Year 1	780,000	1,560,000
Program evaluation	100,000	200,000
Total	**$1,709,355**	**$3,244,218**

*Amount also requested in FY 2021-22.

Evidence-Based Request
The program will move toward the theory-informed category, with the potential to move to the evidence-informed category, based on the evaluation proposed. The Department and the evaluator will select an evaluation design plan after the program is funded. As a first step, the program's activities will be documented and analyzed. To measure program outcomes, the Department proposes a correlation study. The confidence of effectiveness produced by the evaluation proposed in this request is moderate-low. The "Step" in evidence continuum program will be at post evaluation is between 2 (identify outputs) and 3 (assess outcomes). The outcomes to be measured and tracked include:

- Unemployment;
- Poverty level/family income;
- Use of public assistance;
- Rates of entry into child welfare system;
- For those with an open child welfare case, time-to-case closure; and
- For those with prior open child welfare cases, rates of repeat maltreatment or neglect.

The Department proposes to use the requested funding to procure vendors through a competitive application process to provide targeted employment services for TANF-eligible low-income families with open child welfare cases and with poverty as an identified issue. The Department's request includes $200,000 to contract with a vendor to conduct a rigorous program evaluation. The program is expected to serve 280 individuals in the first year, expanding to 560 individuals in the second and third years. Participants will receive an array of services ranging from work-based learning services such as subsidized employment, on-the-job training, and apprenticeships to employment support services such as job search assistance, transportation assistance, and resume writing.

Work-based learning
Subsidized employment (time limited, establish work history and develop workplace skills)
Transitional jobs (combination real work, skill development, and support services)
On-the-job-training
Apprenticeships
Internships

Employment Support Services
Resume writing and interview preparation
Job search assistance
Transportation assistance
Work/interview clothing
Work tools and equipment
Soft-skills training (communication, workplace etiquette

The Department's request reflects an anticipated $5,000 average cost per program participant. Based on the total request, the average cost per participant will be $6,104 in FY 2019-20 and $5,793 in FY 2020-21 and FY 2021-22. As a point of reference, the Colorado Works basic cash assistance TANF benefit for a single-parent family with two children is $508 a month, or $6,096 annually.

Recommendation
Staff recommends the Committee deny the Department's FY 2019-20 request, and not provide funding for R4. This recommendation is based on staff's concerns about economic uncertainties, concerns about the sustainability of using long-term reserve funds for multi-year programs, and reservations about the program's $6,104 total cost per participant in Year 1 of the request.

APPENDIX A

DEPARTMENT OF HUMAN SERVICES, OFFICE OF SELF SUFFICIENCY, (B) COLORADO WORKS EMPLOYMENT PROGRAMS					
Program	FY 2019-20	Fund Source	Target Population	# of Recipients	$ Cost per Recipient
ReHire Colorado/ Transitional Jobs (Ongoing)	$2,564,526	General Fund	Unemployed/underemployed adults who are non-custodial parents owing child support, or veterans, or displaced workers age 50 or older. Individuals with income less than 125% of Federal Poverty Level (FPL)	500*	$8,000*
Employment Opportunities with Wages pilot program (CW STEP) (3-year pilot)	4,000,000	Federal TANF	Current Colorado Works TANF recipients. Average annual household income $6,000 or 28% of FPL	500*	6,000*
R4 Reducing Child Neglect via Employment** (3-year pilot)	1,709,355**	Federal TANF	Individuals/Parents with open child welfare neglect cases and income below 200% of FPL	280**	6,104**
R6 Child Support Employment** (4-year pilot)	$966,977**	Federal TANF	Low-income, non-custodial parents out of compliance with child support orders	2,600**	$372**

* Figures provided by DHS. Recipient figures are approximate, average served per year.
**FY 2019-20 request; average cost equals total request divided by the estimated # of recipients.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Mike Mann, JBC Staff (303-866-2062)
DATE	March 15, 2019
SUBJECT	Staff Comeback: Department of Human Services, R6 Child Support Employment program FY 2019-20 Request

On March 7, 2019, the Committee tabled action on R6 Child Support Employment program, a decision item requested by the Department of Human Services for FY 2019-20. Staff recommended approval of the Department's request. To provide the Committee with additional information, this document includes a section at the beginning entitled "New Information", which includes information on other employment related programs administered by the Department, and staff's initial write-up, which has been amended to include information that directly addresses questions raised by the Committee during figure setting. Staff has researched the issues raised and worked with the Department to provide this additional information. Appendix A provides a summary table comparing the Department's current employment programs and the pilot programs requested in FY 2019-20. The new information does not change staff's initial recommendation to approve the request.

NEW INFORMATION

During staff's figure setting presentation on the R6 Child Support Employment decision item, the Committee requested information comparing the goals and eligible population of the requested pilot program to the existing ReHire Colorado program and the Employment Opportunities with Wages pilot program, both housed in the DHS Office of Self Sufficiency. These programs are described below.

ReHire Colorado/Transitional Jobs Program

The Transitional Jobs Program line item in the Office of Self Sufficiency, (B) Colorado Works section funds the **ReHire Colorado** program. The program was created via H.B. 13-1004 (Colorado Careers Act Of 2013) to provide underemployed or unemployed individuals with transitional jobs in a post-recession environment. Since then, the program has been extended via H.B. 14-1015 (Extend Transitional Jobs Program), H.B. 16-1290 (Extend Transitional Jobs Program), and H.B. 18-1334, which extended the Transitional Jobs Program from June 30, 2019, to June 30, 2024. The program is repealed effective July 1, 2025.

The program subsidizes wages of unemployed and underemployed adults to provide opportunities to learn and practice successful workplace behaviors that help in securing long-term unsubsidized employment. **The priority for the program participation is given to individuals who are either noncustodial parents, or veterans, or displaced workers who are 50 years of age or older.** Funds appropriated in this line item are used to reimburse employers for wage-related costs, make payments to local agency contractors, and for staffing and administrative costs. The program currently serves approximately 500 individuals per year in Denver, El Paso, and Pueblo counties. On March 7, 2019, the Committee approved the Department's request, which included $2,564,526 General Fund and 2.0 FTE for FY 2019-20.

Employment Opportunities with Wages pilot program
The Employment Opportunities with Wages program line item in the Office of Self Sufficiency, (B) Colorado Works section funds the Employment Opportunities with Wages Program (pilot) created via S.B. 17-292. The program, also known as Colorado Works Subsidized Training and Employment Program (CW STEP) assists individuals receiving public assistance through the state's implementation of the federal Temporary Assistance for Needy Families (TANF) program, known as Colorado Works, in attaining permanent jobs paying a living wage. The bill included a $4.0 million appropriation from the federal TANF block grant for FY 2017-18, FY 2018-19, and FY 2019-20. The program is repealed on June 30, 2020 and a final evaluation report is due October 1, 2020. The program served approximately 500 individuals in its first full year of operation. On March 7, 2019, the Committee approved the Department's request, which included a continuation-level appropriation of $4,000,000 federal funds from the TANF block grant for FY 2019-20.

This program serves TANF recipients and cannot be used to support R6 targeted population; R6 intends to serve non-custodial parents who are struggling to make child support payments.

➔ R6 CHILD SUPPORT EMPLOYMENT PROGRAM

REQUEST: The Department's R6 evidence-based request includes $952,669 in federal funds from the Temporary Assistance for Needy Families (TANF) reserve fund and 1.0 FTE for the Office of Self Sufficiency to create a multi-year pilot program that provides employment services to low-income, non-custodial parents (NCPs) struggling to pay child support. The request annualizes to $1,819,966 and 1.0 FTE for years FY 2020-21 through FY 2022-23. The Department's R6 request will provide funds to serve up to 2,600 parents (in year 1) at an average cost of $300 per participant, or $372 per participant when the total request is considered.

Evidence-Based Request
The request aims to provide employment services to low-income non-custodial parents. Through the proposed evaluation, the program will move toward the evidence-informed category.

Evaluation proposed: The Department will contract with a vendor, selected through a competitive process, to evaluate the proposed initiative by measuring and assessing the impact of this progressive service delivery model on the payment of child support. The Department will rely on its expert evaluation vendor to design and execute the program evaluation. The Department anticipates the evaluation will rely heavily on quantitative data collected to measure progress in at least two primary anticipated outcomes to be measured and tracked:

- Child support paid
- Parent employment outcomes, including attainment, retention, and wage outcomes.

The Confidence of effectiveness produced by evaluation proposed in request: Moderate

"Step" in evidence continuum program will be at post evaluation: Between 3 & 4

Colorado outcome data will be compared against data from other states that are not using any specialized interventions, as well as pre- and post-findings by county using a 12-month follow-up period. High-level evaluation questions will include information regarding:

- Progress participants make toward employment attainment
- Employment stability
- Educational attainment that leads to a higher skilled and paying position
- Utilization of work supports
- Children's education attainment
- Impact of financial literacy services on payment of child support
- Impact of co-parenting services on payment of child support

ANALYSIS:

Background
The Child Support Services (CSS) program, currently administered by county human and social services offices throughout Colorado, focuses on ensuring that children receive financial and medical support from both parents. Services include paternity establishment, location of non-custodial parents, establishment of a child support order, and enforcement of an order. The Department's evidence-based request (R6 Child Support Employment) notes that the Child Support Services (CSS) program, currently administered by county human and social services offices throughout Colorado, focuses on ensuring that children receive financial and medical support from both parents. Services include paternity establishment, location of non-custodial parent, establishment of a child support order, and enforcement of an order. A disproportionate percentage of parents not paying child support have very low incomes and face employment barriers that affect their ability to make support payments. However, federal rules restrict the use of federal Title IV-D Social Security Act funds for employment services, leaving counties with few resources to meet this need.

Issue
Every month, nearly 30,000 families on Colorado's Title IV-D child support caseload do not receive any of the $11.9 million in child support they are owed. Families lacking this income source are more likely to live in poverty and apply for public assistance, typically through the Temporary Assistance for Needy Families (TANF) program. Children living in households facing economic hardship, without two parents engaged in their lives are more likely to struggle in school, become involved in the juvenile justice system, and raise their own children in poverty.

TANF Reserves
The Colorado Works Program implements the federal Temporary Assistance for Needy Families (TANF) block grant program created by the 1996 welfare reform law. In Colorado, TANF is a state-supervised, county-administered program whereby federal block grant funding appropriated to the State Department of Human Services is allocated to the State's county human/social services departments. The primary state grant award made by the federal government to states to operate the TANF program is the State Family Assistance Grant (SFAG). The State of Colorado annually receives a fixed-amount, primary grant of $136.1 million in federal TANF block grant funding. The majority of this federal block grant is allocated to 64 Colorado county offices of human/social services. In FY 2018-19, the appropriation for block grants to counties that provide TANF assistance to families including basic cash assistance, employment and training opportunities, and child care assistance totals $128.2 million.

In addition to the primary SFAG award made by the federal government to states to operate the TANF program, the U.S. Department of Health and Human Services also allocates Contingency Funds to "needy" states through an application process. Over the past few years, Colorado has met the eligibility criteria for Contingency Funds and most recently received $15.1 million in FY 2017-18. The annual award changes based on federal funding available and the number of eligible states

applying. In FY 2018-19, the Department estimates that Colorado will receive $12.0 million in Contingency Funds of the $598 million total federal funds awarded to qualifying states.

Federal law permits the establishment of a State TANF reserve, but does not quantify a minimum or limit the maximum reserve amount. Reserves are considered to be a safeguard in future years in the event of economic downturns or caseload increases. In addition, State statute (Section 26-2-721, C.R.S.) also allows the Department of Human Services to maintain a TANF reserve (Long-term Works Reserve), but does not address or define adequate reserve levels. The FY 2018-19 beginning balance of the State's LTR totaled $85.7 million. The Department has determined that the minimum reserve should represent approximately 25 percent of the State's annual $136 million federal TANF block grant, or approximately $33.9 million.

State statute (Section 26-2-714, C.R.S.) allows county departments of human/social services to also maintain a reserve fund, up to a maximum amount of 40 percent of its annual TANF block grant, or $100,000 whichever is greater. These funds are often used to cover child welfare deficits, for child care quality activities, and to cover child care assistance deficits, as is allowed by federal and state law. At the beginning of FY 2018-19, county TANF reserves totaled $54.8 million. No county TANF reserve funds would revert to the State LTR until all counties have accumulated the maximum allowable amount of reserves.

Reserve funds are typically established as a safeguard against economic downturns, seasonal business cycles, and other types of unforeseen, short-term circumstances. Once the financial situation is rectified, i.e. business returns to normal, funding or revenues increase, or expenses are reduced, the aim is to re-build the reserve to provide security for the next financial emergency. The State's LTR beginning balance in FY 2018-19 totaled $85.7 million. By the end of FY 2019-20, the LTR is projected to total $71.6 million. Assumptions driving this figure include Contingency Fund Award assumptions and decision items affecting the reserve. The State of Colorado received $15.1 million in Federal TANF Contingency funds in FY 2017-18. The Department's LTR projections, based on recent averages, utilize $12 million for the current year estimate and for future year projections. If that funding is not forthcoming - due to changes in federal policy or for any other reason - the 4-year impact is a $48 million negative adjustment. These reserve projections do not include the $9.7 million in TANF funds approved by the Committee to support the Title IV demonstration project for child welfare prevention and intervention efforts.

Impact on State TANF Reserves

The following table provides information regarding the annual and cumulative cost of the requested R6 pilot program. The FY 2019-20 request totals slightly less than $1.0 million and the cumulative cost of the multi-year pilot is $6.5 million.

R6 CHILD SUPPORT EMPLOYMENT PROGRAM				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
R6 Child Support Employment Annual Total*	$966,977	$1,834,274	$1,834,274	$1,834,274
Cumulative Total	**$966,977**	**$2,801,251**	**$4,635,525**	**$6,469,799**

*Includes EDO expenses. Year 1 total is $952,669 in division funds.

Request

The Department requests $952,669 federal TANF reserve funds for R6 Child Support Employment program, which aims to provide funds to 2,600 parents (in year 1) at an average cost of $300 per participant. Based on the total budgeted cost in the request, the average cost per participant is $372. In future years, 5,200 families will be served annually at an average cost of $353 per participant.

FUNDING REQUESTED FOR R6 CHILD SUPPORT EMPLOYMENT PROGRAM		
COST DETAILS	FY 2019-20	FY 2020-21*
Personal services & operating expenses (PC and furniture, one-time)	$89,997	$85,294
Printing, communication, outreach	4,980	4,980
Program delivery ($300 x 5,200) 2,600 year 1	780,000	1,560,000
Program evaluation	92,000	184,000
Total	**$966,977**	**$1,834,274**

*Amount also requested in FY 2021-22 and FY 2022-23.

Program funds would be distributed to local partnerships though a request-for-proposal (RFP) process seeking partnerships county departments of human/social services, child support services, workforce centers, and community-based organizations. Recipients will receive a wide array of services in the areas of employment, supportive services related to employment, and workshops tailored to strengthening family stability and relationships.

Employment Services
Resume writing and interview preparation
GED classes
On-the-job training
Job search assistance
Soft-skills training (communication, workplace etiquette, etc.)

Supportive Services
Transportation assistance, including rental assistance
Driver's license reinstatement fees
Work/interview clothing
Car repairs, work tools, and other needed support

Classes/Workshops
Parenting and relationship education
Legal clinic
Early childhood
Substance abuse and domestic violence
Financial planning

The Department projects that more than 70 percent of participants (3,640 NCPs) previously out of compliance with child support orders will become gainfully employed in the first six months and begin paying child support. These payments are expected to generate an additional $15 million in child support to families annually. The Department's request sites the success of Arapahoe County's Parents to Work program, which has resulted in increased employment rates, increased earnings, and most importantly an increase in child support payments. The Department's request seeks to implement a pilot program - with a rigorous evaluation – that could mirror Arapahoe County's program.

Recommendation
Staff recommends approval of the Department's FY 2019-20 request for $952,669 in federal TANF reserve funds. Staff's recommendation is based on the merits and goals of the proposed program, the average cost per participant, the results of an Arapahoe County program upon which the proposal is modeled, and the less-significant impact it has on the State's TANF reserve fund.

APPENDIX A

DEPARTMENT OF HUMAN SERVICES, OFFICE OF SELF SUFFICIENCY, (B) COLORADO WORKS EMPLOYMENT PROGRAMS					
Program	FY 2019-20	Fund Source	Target Population	# of Recipients	$ Cost per Recipient
ReHire Colorado/ Transitional Jobs (Ongoing)	$2,564,526	General Fund	Unemployed/underemployed adults who are non-custodial parents owing child support, or veterans, or displaced workers age 50 or older. Individuals with income less than 125% of Federal Poverty Level (FPL)	500*	$8,000*
Employment Opportunities with Wages pilot program (CW STEP) (3-year pilot)	4,000,000	Federal TANF	Current Colorado Works TANF recipients. Average annual household income $6,000 or 28% of FPL	500*	6,000*
R4 Reducing Child Neglect via Employment** (3-year pilot)	1,709,355**	Federal TANF	Individuals/Parents with open child welfare neglect cases and income below 200% of FPL	280**	6,104**
R6 Child Support Employment** (4-year pilot)	$966,977**	Federal TANF	Low-income, non-custodial parents out of compliance with child support orders	2,600**	$372**

* Figures provided by DHS. Recipient figures are approximate, average served per year.
**FY 2019-20 request; average cost equals total request divided by the estimated # of recipients.

MEMORANDUM

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff (x4960)
DATE	March 15, 2019
SUBJECT	Staff Comeback: Colorado Department of Labor and Employment R5 Replacement of Legacy Field Audit System for UI

During figure setting for the Department of Labor and Employment on February 21, 2019, Senator Rankin moved, and the Committee voted, to refer the Department of Labor and Employment Request R5 Replacement of Legacy Field Audit System for Unemployment Insurance to the Joint Technology Committee (JTC). The request was for $450,000 cash funds. Additional background from the figure setting presentation is included below.

On March 7, the JTC unanimously voted to recommend that the JBC fully fund this request. Staff recommends including CDLE Request R5 for $450,000 cash funds in the Long Bill.

EXCERPT FROM FEB 21, 2019 FIGURE SETTING

R5 REPLACEMENT OF LEGACY FIELD AUDIT SYSTEM FOR UI

REQUEST: The Department requests $450,000 cash funds from the Employment Support Fund to replace the information technology system that supports its Unemployment Insurance field audit staff. This staff is responsible for auditing *businesses* to ensure that they are correctly calculating their unemployment insurance contributions.

The federal government requires the State to audit at least 1.0 percent of contributing employers representing at least 1.0 percent of total wages annually. It also requires that these audits result in changes in total wages on which UI taxes are assessed of at least 2.0 percent, that audits result in an average of at least 1 worker reclassified per audit, and that the sum of the audit effectiveness measures (percent of employers audited, percent of wages audit, percent change to wages, and average number of workers reclassified per audit) be at least 7.0. The Department must therefore track these measures for the approximately 2,500 field audits completed annually by its 32-member audit staff.

The Department seeks a workflow application that supports staff in performing and completing audits and produces an audit record to federal specifications. The system must be able to download employer and worker wage information from the Department's employer premiums and benefits systems, ensure that additional premiums that result from the audit process are added back into the premiums system, and store audit results in a database. The Department currently uses a legacy system that uses a combination of Access databases and Excel spreadsheets. It has had difficulty maintaining the system as newer versions of Excel are released. Based on responses to Request for Information, it believe there is at least one nationally successful vendor-built system that it could purchase that would require limited customization to align with Colorado's UI premiums and benefits systems. The request would annualize to $40,000 cash funds from the Employment Support Fund in FY 2020-21 and subsequent years for licensing and subscription costs.

RECOMMENDATION: **Staff recommends the request for $450,000 cash funds from the Employment Support Fund, annualizing to $40,000 cash funds in subsequent years.**

- This item is identified as "Mission Critical" in the Department's IT Roadmap and is recommended by OIT.
- As indicated in the request, the Department must comply with specific federal requirements to audit employers participating in the UI system and must submit specific related reports to federal authorities.
- The Department provided documentation indicating that its current system is scored as meeting 57 percent of its need, while the proposed new system is anticipated to meet 89 percent.
- The new system will interact with the Department's unemployment insurance systems for collecting UI taxes and paying UI benefits (CATS and CUBS). This involves initial data downloads (to obtain employer information and worker wage information) and, at the end of an audit, uploads of updated worker wage information (file transfer protocol). Based on the information provided, it seems likely that the Department will be able to work on this new initiative while the new CATS/CUBS systems are in development and rollout.
- The Department anticipates that minimal customization will be required to the system it proposes to use.
- Staff assumes that if the project costs less than the estimate, the Department will revert unneeded funds.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Carolyn Kampman, JBC Staff (303-866-4959)
DATE	March 11, 2019
SUBJECT	Staff Comeback, Department of Local Affairs - Tabled Items; Requested Information

The Committee acted on the Department of Local Affairs' (DOLA's) FY 2019-20 budget request on February 7, 2019, but three items were tabled. This memorandum includes the original staff recommendations for the **three tabled items**:

- R3 Transfer Home Modification Waiver Program
- R6 Lifelong Colorado Initiative
- Continuation of Long Bill footnote expressing the General Assembly's intent that the Department target state General Fund appropriations for affordable housing to projects and clients that can be reasonably expected to reduce other State costs.

For each tabled item staff has provided additional information (if applicable), along with the original description of the request and staff recommendation from the figure setting document.

This memorandum also includes **additional information** that staff gathered in response to Committee member questions concerning two other requests:

- (R1) Colorado Choice Transitions Program Funding Deficit; and
- (R4) Census 2020 Communications and Outreach Support.

TABLED ITEMS

➔ R3 TRANSFER HOME MODIFICATION WAIVER PROGRAM

Additional Information

Senator Rankin asked JBC Staff to inquire whether community centered boards (CCBs) have a position on this proposed transfer. Staff reached out to the three lobbyists who represent CCBs around the state. Staff provides the responses below.

- *Developmental Pathways* (serving Arapahoe and Douglas Counties, and parts of Adams County) and *The Resource Exchange* (serving El Paso, Park and Teller Counties) both support this change.

- *Strive* (serving Mesa county) - CEO Grant Jackson: "I'm very supportive of this. I completely agree that oversight of home mods is outside the skill set of a case manager. We were very thankful when this happened for the SEPs [single entry points for individuals with disabilities]. Case Managers were always very uncomfortable having to provide this function."

- *Alliance* (representing 17 CCBs that serve remaining counties) - Emma Hudson, Director of Government & Community Relations: Alliance's membership is neutral with the proposed program transfer. "Some members are concerned about a potential impact on access to these services for the folks they serve (particularly in rural areas, although there is at least one Denver

metro CCB that's also concerned), but they're willing to give it a shot. I've informed HCPF that if we see a reduction in access or other issues with this oversight shift, we may want to raise this concern with the Departments and/or the JBC next year, but we're all hoping that won't be necessary. Ultimately, this has been one of many unfunded activities performed by the CCBS and case managers don't really have the training or expertise to do this work so the shift does make sense for some of those important reasons. However, the local relationships the CCBs have created with contractors will be lost and there are concerns that many contractors doing this work won't want to become Medicaid providers, as is required to receive payment for this work through DOLA. Nonetheless, we're hopeful DOLA is able to successfully navigate those concerns as they arise."

Senator Zenzinger indicated that she had heard that it can currently take too long for home modifications to occur, and that she hoped the proposed transfer of responsibilities would minimize these delays. Staff asked the Department of Health Care Policy and Financing (HCPF) staff to respond to this issue. Staff provides the HCPF response below:

- "Consolidation through DOLA is anticipated to streamline processes, improving both speed and consistency. We do hear that there are provider capacity issues on all sides related to a lack of skilled construction workers, which is an issue with construction across the state and not limited to the home modification benefit. DOLA has assisted in the recruitment and enrollment of new providers during the existing relationship. DOLA has been especially helpful in assisting rural communities in accessing the benefit. If a community does not have a regular provider for their area, the case management agency can contact DOLA, who can help contact providers based in other areas who are willing to travel or subcontract. By having DOLA work with all waivers, we expect to see an increase in providers working with both SEPs and CCBs. This would increase the number of providers available, improve access, and expedite timeliness across the benefit."

Figure Setting Write-up

The request includes $57,800 reappropriated funds transferred from the Department of Health Care Policy and Financing (HCPF) for FY 2019-20 for the Department of Local Affairs (DOLA) to assume oversight of Home Modification Program for all six eligible Medicaid populations. The Home Modification Program is a Medicaid benefit that allows for specific modifications, adaptation, or improvements to an eligible client's existing home setting to support greater independence and prevent the need for institutionalization. DOLA currently oversees modifications that exceed $2,500 for four of the eligible populations:

- Elderly, Blind, and Disabled
- Community Mental Health Supports
- Brain Injury
- Spinal Cord Injury

DOLA's Division of Housing currently receives funding transferred from HCPF to support 2.0 FTE that approve all projects over $2,500 for these four populations.

The requested funding would allow DOLA to add staff (0.7 FTE in FY 2019-20, increasing to 1.0 FTE in FY 2020-21) to oversee the program for the remaining two populations. Community Centered Boards (CCBs) currently approve home modifications up to $10,000 for clients who receive services under two Medicaid waiver programs:

- Child Extensive Support
- Supported Living Services

RECOMMENDATION: **Staff recommends approving the request. However, staff recommends providing only $46,342 reappropriated funds for FY 2019-20. Consistent with Committee policy for new FTE, staff excludes the $11,457 requested for certain employee benefits.** The recommended funding would originate as $23,171 General Fund and $23,171 federal Medicaid funds in HCPF. Staff's recommendation is detailed below.

SUMMARY OF *RECOMMENDATION* FOR R-3: TRANSFER OF HOME MODIFICATION WAIVER PROGRAM			
DESCRIPTION	FY 2019-20	FY 2020-21	ANNUAL CHANGE
Executive Director's Office			
Health, Life, and Dental	$0	$7,927	$7,927
Short-term Disability	0	96	96
S.B. 04-257 AED	0	2,520	2,520
S.B. 06-235 SAED	0	2,520	2,520
Subtotal	**$0**	**$13,063**	**$13,063**
Division of Housing			
Field Services			
Affordable Housing Program Costs			
Personal Services			
Salary	34,647	50,400	15,753
FTE	0.7	1.0	
PERA	3,603	5,242	1,639
Medicare	502	731	229
Subtotal	$38,752	$56,373	$17,621
Operating Expenses	$344	$500	$156
Telephone Expenses	309	450	141
Computer	1,230	0	(1,230)
Office Furniture	3,473	0	(3,473)
Mileage	516	750	234
Training	1,719	2,500	781
Subtotal: Affordable Housing Program Costs	**$46,342**	**$60,573**	**$14,231**
Total	**$46,342**	**$73,636**	**$30,684**

ANALYSIS:

- Oversight of home modifications requires a specialized skill set that is typically outside of that of a CCB case manager. A comprehensive approval process would include:
  - reviewing the scope of work eligibility;
  - reviewing construction bids;
  - inspecting construction implementation, and
  - ensuring that federal regulations and local codes are followed.
- The proposed position will:
  - Review and approve home modifications to ensure compliance with program rules and person-centered planning;
  - Ensure that providers and projects meet quality standards by conducting inspections;

  - Design and conduct trainings for program service providers and case managers to ensure that they understand the program rules and processes;
  - Coordinate the grievance resolution process, including receiving complaints, arranging for or performing inspections, and facilitating resolution of complaints; and
  - Recommend potential program and policy improvements to HCPF and program stakeholders.
- The current system puts the State at risk of unauthorized purchases, which could result in a federal disallowance by the federal Centers for Medicare and Medicaid Services (CMS). Rather than undertaking the challenging and inefficient training process for CCB staff statewide, HCPF proposes transferring oversight to DOLA. DOLA has the expertise and experience to ensure compliance with rules, project quality standards, and person-centered planning. The consolidation of these oversight activities should improve the consistency and quality of approved home modifications, promote transparency, increase client satisfaction, and lower the risk of improper authorizations and inappropriate spending.

HCPF anticipates that the necessary waiver amendment could be submitted and approved by January 1, 2020. DOLA would like to have this position filled with a start date of October 1, 2019.

➔ R6 LIFELONG COLORADO INITIATIVE

Additional Information

Senator Rankin and Representative Ransom expressed concern that the Department's stated goal of this initiative focused on one advocacy organization (AARP). JBC Staff asked DOLA to describe how the funding requested for consultants would be used, and whether the requested funds would only be used to support local communities that want to join AARP's Age-friendly Community Network. Staff provides the DOLA response below.

- "DOLA requires marketing and communications consultants with age-friendly strategies experience to complement the work of the proposed DOLA Aging Program Manager FTE. The consultants will immediately execute an outreach program in order to meet the ambitious goal of adding 20 age-friendly communities per year. While the Department expects many interested communities will take advantage of AARP's resources and join their Network, it is not a requirement. Ultimately our objective is to help 100 communities over 5 years to implement their own age-friendly strategies, thus joining the Lifelong Colorado movement. The Department will not hire or pay for consultants through AARP. DOLA will release a request for proposals, hire consultants, and manage the consultant contracts. DOLA will coordinate with partner agencies to leverage our efforts and avoid redundancies in reaching and supporting communities."

Figure Setting Write-up

The Department requests $485,959 General Fund for FY 2019-20 to launch a new five-year initiative to increase the State's age-friendly strategic planning and implementation resources for local governments. The objective of this initiative is to educate, encourage, and support communities as they develop and implement their own age-friendly strategies.

The Department indicates that it lacks the capacity to provide assistance to communities that are trying to find creative solutions to address the impacts of a growing aging population on transportation, health care, housing, local government revenues, and demand for services. The Department indicates

that without a focus on helping seniors age in place, Colorado's aging population will experience a decline in health, decreased mobility, increased isolation, increased health care costs, and an overall diminished quality of life, and these negative impacts will increase State costs.

The goal of the initiative is to add 20 communities per year over a five-year period to the AARP's (formerly the American Association of Retired Persons) Age-Friendly Community Network. The request includes:

- $216,000 for consultants (for program development and outreach, education, and technical assistance);
- $200,000 for grants to local communities; and
- $69,959 for new staff position to oversee the program.

The Department anticipates ongoing funding of $486,388 General Fund and 1.0 FTE in FY 2020-21.

RECOMMENDATION: **Staff recommends approving the request, except that consistent with Committee policy staff excludes $12,635 for centrally appropriated benefits in FY 2019-20.** This initiative is consistent with the goals of H.B. 15-1033 (which established the "Colorado Comprehensive Strategic Action Plan on Aging Act") and the mission and role of the Division of Local Government. **Staff also recommends adding a footnote to the FY 2019-20 Long Bill to clearly identify the amount that is included for this initiative within a larger, existing line item.**

The following table details staff's recommendation.

SUMMARY OF *RECOMMENDATION* FOR R-6: LIFELONG COLORADO INITIATIVE			
DESCRIPTION	FY 2019-20	FY 2020-21	ANNUAL CHANGE
Executive Director's Office			
Health, Life, and Dental	$0	$7,927	$7,927
Short-term Disability	0	96	96
S.B. 04-257 AED	0	2,520	2,520
S.B. 06-235 SAED	0	2,520	2,520
Subtotal	**$0**	**$13,063**	**$13,063**
Division of Local Government			
Field Services			
Field Services - Program Costs			
Personal Services			
Salary	46,197	50,400	4,203
FTE	0.9	1.0	0.1
PERA	4,804	5,242	438
Medicare	670	731	61
Subtotal	$51,671	$56,373	$4,702
Operating Expenses	$500	$500	$0
Telephone Expenses	450	450	0
Computer	1,230	0	(1,230)
Office Furniture	3,473	0	(3,473)
Office of Information Technology	20,000	0	(20,000)
Consultants	216,000	216,000	0
Grants	180,000	200,000	20,000
Subtotal	**$473,324**	**$473,323**	**($4,703)**
Total General Fund	**$473,324**	**$486,386**	**$17,765**

ANALYSIS:

Strategic Planning Group on Coloradans Age 50 and Over
House Bill 15-1033 created the Strategic Planning Group on Aging within DOLA. The group consists of 23 voting members appointed by the Governor. The group was required to present to the Governor and General Assembly, by November 1, 2016, comprehensive data and recommendations to develop an action plan on aging in Colorado through the year 2030. The plan can be accessed at the following link:
https://www.colorado.gov/pacific/sites/default/files/SAPGA-Nov-2016-Strategic-Plan.pdf

Staff understands that this group is in the process of updating and refining the plan. The group is repealed September 1, 2022.

This budget initiative is intended to encourage cities and counties to develop age-friendly plans, and provide funding support to implement the plans. The website of the Strategic Planning Group on Coloradans Age 50 and Over indicates that this initiative relates directly to the ninth (of nine) recommendation in the Group's Initial Action Plan:

> "Colorado's counties and municipalities, in collaboration with the Area Agencies on Aging and state agencies, should develop and implement comprehensive local and, where appropriate, regional plans for aging that prioritize services and expenditures, promote efficiencies, and identify public and private strategies to ensure adequate long-term funding.
>
> These plans should include strategies and solutions that have been demonstrated to help improve the lives of older Coloradans, help them age in place, and contribute to their communities.
>
> Local governments will have a critical role to play along with state agencies, nonprofits, and the private sector in ensuring older adults have access to essential services and vital programs. Partnerships and collaborations can and should start at the local level — where public programs are the most responsive to Coloradans' needs and, in some cases, the most effective at responding. To that end, the state should facilitate partnerships between local governments, housing providers, and care providers to examine rules and requirements attached to state and federal funding for housing, health care, and other senior services to identify barriers that prevent collaboration and innovation. County and local governments also should foster collaboration across their departments and programs — including economic development, transportation, human services, parks and recreation, planning and zoning, housing, and aging-well initiatives — to ensure resources are not being deployed in duplicative or contradictory fashions…."

AARP Network of Age-friendly States and Communities

The Department's stated goal of the initiative is to add 20 communities per year over a five-year period to the AARP's (formerly the American Association of Retired Persons) Age-Friendly Community Network. A recent AARP Bulletin[1] indicates that Colorado is the third state to join the AARP Age-friendly Network, following New York and Massachusetts. Eight jurisdictions in Colorado have joined the Network, including: Boulder, Eagle, Larimer, and Pitkin counties; and the cities of Colorado Springs, Denver, Fruita, and Manitou Springs.

The request also indicates that 17 communities in the Denver metro area have completed "Boomer Bond" assessments, a Denver Regional Council of Governments community assessment tool to determine how a community currently supports an aging population and develop a plan to improve their efforts. Other efforts include the Colorado Springs Better Business Bureau's development of age-friendly business certification program, and the Center for the Built Environment at Colorado State University is working on a lifelong housing certification program.

The Department indicates that AARP has a small, national grant program, but Colorado demand far exceeds available funding.

Statutory Authority for the Program

This initiative is consistent with the Division of Local Government's statutory duties, including the following:

- "Upon request by local government officials, provide technical assistance in defining their local government problems and developing solutions thereof "[Section 24-32-104, C.R.S.];
- "Expenditure of state funds, within the appropriations, allocations, and directives of the general assembly or the governor, for the encouragement and stimulation of local planning, promotion, and development activities" [Section 24-32-303 (1), C.R.S.]; and
- "It is the responsibility of the state to assist rural areas with financial and technical assistance to provide economic opportunity and community amenities and to promote the general welfare of the people of this state." [Section 24-32-801 (4), C.R.S.]

Program Structure and Long Bill Footnote

This initiative is similar in structure to the Main Street Program, a program that was authorized through the budget process in FY 2015-16 and which supports downtown revitalization through asset-based economic development and historic preservation. This program is supported by 2.0 FTE and provides $462,500 annually for consulting services for local communities.

Staff recommends approving the request because it is consistent with the goals of H.B. 15-1033 and the some of the recommendations of the Strategic Planning Group on Coloradans Age 50 and Over. This initiative is consistent with the mission and role of the Division of Local Government, and it is similar in structure to a similar program that was authorized through the budget process in FY 2015-16.

This request proposes to include the funding for this initiative within a larger line item that funds a number of Division of Local Government functions. Staff does not believe that a separate line item

[1] AARP Bulletin/Real Possibilities (January/February 2019).

for this program is warranted, but staff recommends adding a footnote to the FY 2019-20 Long Bill to clearly identify the amount that is included in this line item for this new program:

N Department of Local Affairs, Division of Local Government, Field Services, Program Costs -- It is the General Assembly's intent that $416,000 of the General Fund in this line item appropriation be used to support communities through the Colorado Lifelong Initiative.

➔ LONG BILL FOOTNOTES

Figure Setting Write-up

Staff recommends **continuing** the following Long Bill footnotes:

73 Department of Local Affairs, Division of Housing -- It is the General Assembly's intent that the Department target state General Fund appropriations for affordable housing to projects and clients that can be reasonably expected to reduce other State costs.

COMMENT: This footnote expresses legislative intent, and was first included in the FY 2015-16 Long Bill. The Department has indicated that for many kinds of projects it may not be able to identify related state savings. Nonetheless, the footnote provides some direction to the Department on the kinds of projects the General Assembly hopes it will prioritize, given that some kinds of housing (e.g., for individuals at risk of institutional placement) are more likely to provide savings to the State.

ADDITIONAL INFORMATION

Colorado Choice Transition (CCT) Funding Deficit (R1)

The Committee approved DOLA's request for additional funding for housing vouchers that enable Medicaid clients to transition from an institutional setting to a community-based setting. The requested funding covers increases in the number of clients who may require a rental subsidy and in the cost of each housing voucher.

Representative Hansen commented that DOLA's projected annual increases appear to be higher than the overall housing market. Staff asked DOLA to explain the basis for its projections. Staff provides the DOLA response below.

- "The basis for our average cost projections for CCT housing vouchers is the historical actual cost of serving CCT clients. As of February 14th, we have 292 vouchers leased up. Our average cost per voucher for FY 2017-18 was $9,509, based on the average cost of 186 vouchers leased up each month. When writing R-01, the Department looked at the cost of CCT Housing Assistance Payments (HAPs) from January 2017 to September 2019. Our calculations show that HAPs increased an average of 1.1% each month. Based on historical analysis, the Department projected the average HAP for FY 2018-19 at $10,728 and for FY 2019-20 at $12,060.

In addition to rent, the HAP also covers one-time security deposits and monthly utility payments. The portion of monthly rent that CCT clients' pay is often very low, and almost always zero for their first two to three months out of a nursing home until their benefits are transferred. Since the CCT program has a steady stream of new clients, that also drives up our HAPs.

DOH uses a "Payment Standard" to limit the gross rent of units we will approve for the program. That standard is based on the Fair Market Rent, a figure that HUD publishes for every county and updates annually. The CCT vouchers are more expensive than other vouchers operated by the Division of Housing, partially due to the fact that these clients sometimes need two-bedroom units for a live-in aide or they need to spend more on a unit that is accessible to them. Under the Fair Housing Act, people with disabilities are able to request a "Reasonable Accommodation" from our program rules to enable them to have equitable access to housing. The Division of Housing looked at the data across all of DOH's voucher programs, and 14% of CCT clients have permission to have more bedrooms or pay more in rent than normal as compared to 3% of all the clients in the Division's other voucher programs."

Senator Rankin asked for more information about who determines whether a Medicaid client is able to transition to the community. Staff forwarded the question to HCPF staff. Staff provides the HCPF response below.

- "Transition coordination utilizes a team approach to review an individual's ability to transition out of an institutional setting. This team would include the Medicaid client, transition coordinator, nursing facility representative, community service providers, and family (if available). A comprehensive community needs assessment is completed by the team. Input for this assessment is obtained from medical physicians and psychiatrists (as needed). This assessment identifies the individual's needs, preferences, and risk factors and identifies necessary services and supports. The transition recommendation is made by the team based on the availability of necessary supports and services in the community."

Representative Ransom asked for data about the length of time that individuals utilize a housing voucher. Staff asked DOLA staff to provide: (1) any information about requirements that are placed on any state-funded housing vouchers that relate to time limits; and (2) data concerning the actual "length of stay" for state-funded housing vouchers (both averages and ranges for the various programs that are supported by General Fund and Marijuana Tax Cash Fund money). Staff provides the DOLA response below, including background information about each of the three state-funded programs.

"Background
Due to the high cost of institutionalization which can exceed $240,000 annually per bed, the State created the Mental Health - State Housing Voucher (MH-SHV). The Mental Health - State Housing Voucher (MH-SHV) was launched in partnership with the Colorado Department of Human Services' Office of Behavioral Health in 2013 with support from the General Fund. The MH-SHV provides non-time-limited rental assistance to extremely low-income individuals and households where the head of household is an adult over the age of 18 lawfully present in the United States pursuant to Section 24-76.5-101, C.R.S., with a disabling condition, disabilities, or special needs. MH-SHVs are prioritized to serve individuals exiting the Colorado Mental Health Institute Pueblo, Colorado Mental Health Institute Fort Logan, Acute Treatment Units, crisis services facilities, withdrawal management facilities, and hospitals to homelessness.

The Homeless Solutions Program - State Housing Voucher (HSP-SHV) was launched in 2017 with support from the Marijuana Tax Cash Fund. Over 60% of homeless individuals are struggling with significant mental illness and/or substance abuse. Estimated average savings per person using a voucher issued by the Homeless Solutions Program is $31,545. This is based on a CCH [Colorado Coalition for the Homeless] study from 2006. The HSP-SHV provides non-time-limited rental assistance to extremely low-Income individuals and households where the head of household is an adult over the age of 18 lawfully present in the United States pursuant to Section 24-76.5-101, C.R.S., with a disabling condition, disabilities, or special needs. HSP-SHVs are prioritized to serve individuals who are frequent or high-cost consumers of public systems referred through regional Coordinated Entry systems, Colorado Department of Human Services' Division of Child Welfare and Office of Behavioral Health, Colorado Department of Corrections' Division of Adult Parole, and entities serving persons who need long-term supports and services in order to maintain housing.

The Colorado Choice Transition - State Housing Voucher (CCT-SHV) was launched in partnership with the Colorado Department of Health Care Policy & Financing in 2013 with support from the General Fund. According to the fiscal analysis for H.B. 18-1326, HCPF estimates that the cost of providing services to aid in clients' transition and to keep them living a stable life in the community will be roughly $17,000 less per person than the cost to keep them in a nursing home for one year. The CCT-SHV provides non-time-limited rental assistance to low and extremely low-Income individuals and households where the head of household is an adult over the age of 18 lawfully present in the United States pursuant to Section 24-76.5-101, C.R.S., with a disabling condition, disabilities, or special needs. CCT-SHVs are prioritized to serve Colorado Medicaid members as they transition out of long-term care facilities back into home and community-based settings through the Colorado Choice Transitions program.

Response to Question #1: Requirements Placed on State-Funded Housing Vouchers

State Housing Voucher participants can retain their voucher indefinitely so long as they remain eligible and complete the necessary annual recertification. In all three programs participants pay between 30% and 40% of their income to rent. As their income increases, the monthly Housing Assistance Payments (HAP) made by DOH to property owners or managers decreases. After six months of zero HAP, participants are terminated from the program. Other reasons for program termination include voluntary relinquishment, death, moving to another rental assistance program, expired annual program recertification, being absent from the unit for 120 days or more, failure to utilize a voucher after searching for more than 120 days, and severe program violations or conditions of occupancy.

Response to Question #2: Length of Stay Summary

	Date of first lease up	Avg years in program[1]	Range of years in program[2]
MH-SHV	7/1/13	2.47	0.08 - 5.16
CCT-SHV	6/1/14	1.57	0.08 - 3.35
HSP-SHV	10/10/17	0.80	0.08 - 1.31

[1] This includes all people currently in the program and those who have left the program

[2] The low end of the range only includes people who have left the program (i.e. in each program there was at least one person who held a state housing voucher for only one month)."

Census 2020 Communication and Outreach Support (R4)

The Committee approved DOLA's request for a one-time appropriation of $300,000 General Fund for FY 2019-20 to create and implement a communications and outreach program for Census 2020 to educate, engage, and encourage people in Colorado to respond to the Census questionnaire.

Senator Rankin asked for the statutory provision that authorizes DOLA to implement the proposed communication and outreach activities. Staff provides the DOLA response below.

"Section 24-32-204, C.R.S., created the Demography office and serves to explain why the Office works with the Census Bureau on Census 2020. DOLA believes (3) speaks to Demography's role in supporting local communities and encouraging their residents to be counted in 2020 through communication and outreach.

> SECTION 24-32-204. POPULATION STATISTICS, ESTIMATES, AND PROJECTIONS.
> (1) The division of planning is hereby designated as the primary state agency of demographic information. Said office shall prepare, maintain, and interpret such population statistics, estimates, and projections as the director of the division of planning shall direct, including distributions of the state's population by significant groupings, such as school- and college-age populations, political subdivision populations, and racial and ethnic populations.
> (2) Other agencies of the state government may prepare and maintain any such information but only as authorized by the director of the division of planning.
> (3) The division of planning shall cooperate with and give assistance to other agencies and organizations, both public and private, in the preparation, maintenance, and interpretation of demographic information.
> (4) The director of the division of planning shall annually invite other agencies and organizations, both public and private that engage in demographic studies to review the basic demographic assumptions and premises of the division of planning to the end that its statistics, estimates, and projections will be as accurate as possible."

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff (x4960)
DATE	March 15, 2019
SUBJECT	Staff Comebacks: Department of Military and Veterans' Affairs

CORRECTION TO DEPARTMENT REQUEST - VETERANS' ASSISTANCE GRANT PROGRAM

On February 13, 2019, nine days after figure setting for the Department of Military and Veterans' Affairs was completed, the Department notified staff that it had inadvertently omitted a request for additional spending authority for the Veterans Assistance Grant Program.

House Bill 16-1161 amended statutory provisions regarding the Senior Property Tax Exemption program to specify that unspent appropriations would be allocated to two funds, one of which was the Veterans' Assistance Grant Program Cash Fund. This fund receives 5.0 percent of the unspent funds. As a result of this provision, $789,431 was deposited into this cash fund at the end of FY 2017-18 (5% of $15,788,613 total reversions). However, the Department currently has no spending authority that would enable it to use these funds. It requests spending authority for 20 percent of the total, as it expects to spend the funds over five years. **Staff recommends that the Committee add a cash funds appropriation of $157,886 cash funds to the previously-approved $1,000,000 General Fund in the Veterans Assistance Grant Program line item for FY 2019-20.**

COMEBACK REQUEST FROM DEPARTMENT TO INCREASE APPROPRIATION FLEXIBILITY IN FOOTNOTE

During figure setting for the Department of Military and Veterans' Affairs, staff recommended a budget reorganization, combined with additional budgetary flexibility, to increase budget transparency and potentially reduce reversions in this department. **The staff recommendation was to allow the Department to transfer up to 10 percent of its total General Fund appropriation between specified line items. The Department of Military and Veterans' Affairs has requested that the Committee consider increasing this to 20 percent.** Staff believes this may be somewhat excessive, but also recognizes that this budget is greatly affected by changes at the federal level. **Staff recommends the Department's request to increase the flexibility to 20 percent through FY 2020-21.** The impact of this provision will become evident in the Department's budget actuals (for FY 2019-20) during FY 2020-21. At that point, the Committee may choose to keep this level of flexibility or reconsider its action for future years. If approved, the footnote would read as follows :

N Department of Military and Veterans Affairs, Executive Director and Army National Guard, Personal Services, Operating Expenses, Vehicle Lease Payments, and Army National Guard Cooperative Agreement -- The Department is authorized to transfer up to 20.0 percent of the total General Fund appropriations in these line items between these line items. Transfers to or from the Vehicle Lease Payments line item may be used solely to address changes in the portion of costs covered by federal authorities for vehicle lease payments.

BACKGROUND: EXCERPT FROM FIGURE SETTING, DATED FEBRUARY 5, 2019

STAFF-INITIATED BUDGET REORGANIZATION

The Joint Budget Committee's annual information request letter to the Governor, dated May 1, 2018, included the following request.

1 By November 1, 2018, the Department is requested to submit a report on recommended changes to its budget structure for the Executive Director's Office and Army National Guard. The report is specifically requested to address whether changes to the Department's budget structure, including some increased flexibility, could more closely align state and federal budgeting and reduce the need to over-appropriate General Fund based on uncertain federal match rates.

The Department submitted the requested report. It included a reorganization proposal designed to address General Fund reversions and increase transparency. Staff recommended the proposal during the budget briefing. Although the proposal had been submitted by the agency itself, the Adjutant General subsequently indicated during the budget hearing that he did not support the change. Staff nonetheless recommends that the General Assembly proceed with the reorganization.

BACKGROUND

At present, the division entitled "Executive Director's Office and Army National Guard" includes staff and operating expenses in two categories:

> *Executive Director Staff (Adjutant General, Management, Budget)*: The State is responsible for the full costs of these functions apart from a few positions that the federal government agrees to support in lieu of an indirect cost contribution.
>
> *Army National Guard Cooperative Agreement (Operating and Maintenance for Facilities):* The state and federal government jointly support operating and maintenance costs for National Guard armories and other facilities through a "cooperative agreement". The specific match rates depend on the particular facility and factors such as whether it is located on federal or state land. Some expenses are borne entirely by the federal government.

Some line items in the Long Bill include funding for both categories. Funding for the Army National Guard Cooperative Agreement is spread among four line items: Personal Services, Operating Expenses, Vehicle Lease Payments, and Army National Guard Cooperative Agreement.

EDO & ARMY NATIONAL GUARD COOPERATIVE AGREEMENT			
	FY 2018-19 APPROP.	EXPENSE CATEGORIES	NOTES
Personal Services	GF: $2,234,439 CF: $4,046 FF: $366,081 FTE: 36.3 [FF from Centralized Personnel Plan]	EDO staff & Army National Guard Cooperative Agreement	GF portion of National Guard Coop Agreement personal services amounts that are shared between GF & FF are spent from this line item. EDO staff who are not part of the coop

EDO & ARMY NATIONAL GUARD COOPERATIVE AGREEMENT			
	FY 2018-19 APPROP.	EXPENSE CATEGORIES	NOTES
			agreement are also appropriated in this line item.
Operating Expenses	GF: $1,532,325 CF: $46,000 FF: $841,705	EDO & Army National Guard Cooperative Agreement	GF portion and some FF portion of National Guard Coop Agreement operating expense amounts are spent from this line item. Operating expenses that are not part of the coop agreement are also funded in this line item.
Vehicle Lease	GF: $17,979 FF: $33,389	EDO & Army National Guard Cooperative Agreement	This line item was previously GF only. In FY 2018-19, staff reduced GF & replaced this with FF, adding transfer authority through a footnote. This provides a model for the proposed FY 2019-20 change.
Army National Guard Cooperative Agreement	FF: $8,200,000	Army National Guard Cooperative Agreement	FF portion of National Guard Coop Agreement personal services, including those that are shared between GF & FF, are spent from this line item.

As a result, there is no single line item to record appropriations and expenditures for the Army National Guard Cooperative Agreement. This drives workload for the Department as it compiles and tracks related expenditures.

REORGANIZATION OUTLINED IN RFI AND RECOMMENDED BY STAFF

The RFI response describes the following changes:

- Moving General Fund appropriations and FTE for National Guard Cooperative Agreement functions from personal services and operating expenses line items into the National Guard Cooperative Agreement line item.
- Providing transfer authority between the three line items, similar to an approach staff adopted last year for the vehicle lease line item.

If the Committee supports this change, **base** Long Bill appropriations would be adjusted as follows.

EXECUTIVE DIRECTOR'S OFFICE AND ARMY NATIONAL GUARD DIVISION PROPOSED REORGANIZATION				
	FTE	TOTAL	GENERAL FUND	FEDERAL FUNDS
Personal Services	(10.9)	($558,607)	($558,607)	$0
Operating Expenses		(2,091,306)	(1,249,601)	(841,705)
Army National Guard Coop Agreement	10.9	2,649,913	1,808,208	841,705
Total	**0.0**	**$0**	**$0**	**$0**

In addition, to these base amounts, **the staff recommendation includes moving portions of FY 2019-20 annualization adjustments and decision times that were originally requested in the Personal Services and Operating Expenses line item but that relate to the Army National Guard Cooperative Agreement into the National Guard Cooperative Agreement line item**.

The Department provided staff with a history of spending for the Army National Guard Cooperative Agreement versus unmatched EDO expenditures in each line item for a period of four years. **Based on this history, staff believes the transfers identified in the RFI are reasonable.**

RECOMMENDED FOOTNOTE

The Department's RFI response proposed budget flexibility but did not propose specific footnote language to provide such flexibility. Staff recommends the following new footnote:

N Department of Military and Veterans Affairs, Executive Director and Army National Guard, Personal Services, Operating Expenses, Vehicle Lease Payments, and Army National Guard Cooperative Agreement -- The Department is authorized to transfer up to 10.0 percent of the total General Fund appropriations in these line items between these line items. Transfers to or from the Vehicle Lease Payments line item may be used solely to address changes in the portion of costs covered by federal authorities for vehicle lease payments.

Based on the FY 2019-20 staff recommendation for these line items, ***this footnote would allow the Department to transfer up to $393,080 General Fund*** among the affected line items.

Staff recommends footnote this in lieu of FY 2018-19 Long Bill footnote 77, which allowed the Department to transfer unlimited amounts from the operating expenses line item to the vehicle lease line item to address changes in the portion of costs covered by federal authorities for vehicle lease payments.

STAFF ANALYSIS

- The change will provide additional clarity and transparency, as it will become possible to track budgeted expenditures for the cooperative agreements (primarily expenditures for facility maintenance and operations at National Guard readiness centers) separately from central administrative expenditures for management activities that are not subject to the cooperative agreements.
- The change at the state level will more closely align accounting required by the State with accounting required by federal authorities. The federal government shares in costs for facility maintenance and operations through the cooperative agreements. Its only contributes to central administrative expenditures through the Centralized Personnel Plan (an alternative to indirect cost collections). The change will separate these types of expenditures.
- The staff-recommended footnote will leave the Department with broad flexibility to address annual adjustments to the federal match rate for the cooperative agreements. The current budget structure combined the General Fund appropriation for EDO personal services with the General Fund appropriation for cooperative agreement personal services to enable the Department to shift as needed between the two categories. The footnote will still enable the Department to shift General Fund appropriations between these two expenditure categories, but actual General Fund expenditures will be recorded in distinct line items, depending upon whether the expenditures support the state's share of a cooperative agreement payment or an Executive Director's Office expense not covered by a cooperative agreement. The proposal will expand the Department's flexibility to move General Fund between operating expenses and personal services.
- **Staff anticipates that by providing the Department with additional flexibility, it will be able to use its existing appropriations more efficiently, reducing reversions and the need to request additional funding. For example, staff believes the Department will be able to**

support training initiatives such as R3 in its base budget from funds that would otherwise revert.

As noted in the Department's original RFI submission:

> *"Expected outcome: reduce reversions while maximizing flexibility".*
> *"What if we do nothing: Then we can continue our internal flexibility with the funds but no line item would show a clear picture of its expenditure/utilization."*

The Department has had large General Fund reversions for many years, as detailed in the table below. In most other state departments, General Fund reversions rarely exceed 2.0 percent. In this Department they are routinely far higher.

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS GENERAL FUND UNDER EXPENDITURES*						
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
EDO and Army National Guard						
GF Under expenditure	$73,594	$218,003	$714,208	$268,311	$612,217	$1,044,112
Total GF Appropriation	4,454,630	4,951,474	5,729,903	5,274,371	5,400,987	7,180,318
Reversion as % appropriation	**1.7%**	**4.4%**	**12.5%**	**5.1%**	**11.3%**	**13.5%**
Veterans Affairs						
GF Under expenditure	94,761	199,152	497,745	353,879	114,531	86,516
Total GF Appropriation	1,873,083	2,062,347	2,138,679	2,632,290	2,649,965	2,955,920
Reversion as % appropriation	**5.1%**	**9.7%**	**23.3%**	**13.4%**	**4.3%**	**2.9%**
Air National Guard						
GF Under expenditure	10,647	2,810	45,206	78,248	57,732	26,083
Total GF Appropriation	364,894	364,894	376,085	388,266	392,180	393,930
Reversion as % appropriation	**2.9%**	**0.8%**	**12.0%**	**20.2%**	**14.7%**	**6.6%**
Grand Total						
GF Under expenditure	179,002	419,965	1,257,159	700,438	784,480	1,156,711
Total GF Appropriation	6,692,607	7,378,715	8,244,667	8,294,927	8,443,132	10,530,168
Under expenditure as % appropriation	**2.7%**	**5.7%**	**15.2%**	**8.4%**	**9.3%**	**11.0%**

*Includes amounts deposited to the State Employees Reserve Fund (SERF)

SELECT DEPARTMENT LINE ITEMS WITH SIGNIFICANT GENERAL FUND UNDER EXPENDITURES			
	FY 2015-16	FY 2016-17	FY 2017-18
Health/life/dental, other centrally appropriated*	**$0**	**$395,657**	**$432,785**
EDO personal services**	**239,166**	**64,504**	**75,574**
EDO operating expenses	**0**	**157,491**	**51,220**
Veterans Service Operations	125,226	0	0
National Guard Tuition Assistance	0	0	390,118

*For FY 2016-17 and FY 2017-18, the Department chose to revert funds from centrally appropriated line items, rather than transferring funds to affected line items and reverting the funds from those line items. This figure therefore incorporates reversions that may apply to all personal services line items in the Department.
**Includes amounts deposited to the State Employees Reserve Fund (SERF)

As noted by staff during the Department's budget briefing, this degree of under expenditure is one of the reasons the Department was able to add a new division director for Veterans Affairs in FY 2018-19 prior to seeking additional appropriations from the General Assembly. This is also the reason the JBC submitted an RFI to the Department to explore potential budget reorganization.

Reversions in the EDO/Army National Guard division are driven in part by the Department's relationship with the federal government and resulting match-rates. The Department manages 13 federal cooperative agreements, plus additional construction cooperative agreements for various facility projects. The percentage share of federal support differs by facility and function. Certain activities are 100 percent federal funded. Others require a 25 percent or 50 percent General Fund match. Further, since FY 2014-15, these fund splits are based on a by hour/by location method. For example, if a maintenance employee works four hours at a facility that is split 50-50 between state General Fund and federal funds, then works six hours at a facility that is split 25-75 between General Fund and federal funds, the hours worked must be tracked and funds allocated according to the facility split. The Department cannot always anticipate the federal match it will receive and often budgets conservatively assuming less federal support than it ultimately receives for a function.

Staff anticipates that if the Committee provides the Department with greater flexibility in its base budget, it will better use funds that would otherwise revert and will thus have less need to submit decision items for increased state support.

MEMORANDUM

TO	Joint Budget Committee
FROM	Tom Dermody, JBC Staff (303-866-4963)
DATE	March 15, 2019
SUBJECT	Staff recommendations for LLS NO. 19-0918 (Water Plan Implementation)

Staff will provide a hard copy handout of the revised Water Plan Implementation Funding bill draft (LLS NO. 19-0918) prior to presentation of this memo. This revised draft includes changes that would allow the cash fund created in the bill to more broadly fund the Colorado Water Conservation Board's (CWCB's) implementation of the Colorado Water Plan and provide an ongoing revenue source for that effort.

BILL SUMMARY: The bill creates the Water Plan Implementation Cash Fund (Fund) and transfers $30.0 million from the General Fund into the Fund. There are several changes from the previously bill draft presented on Friday, March 8. They are:

- eliminates the sub-account structure previously proposed, but the restrictions and oversight requirements related to expenditures of a future demand management program remain;
- creates an annual transfer of $10.0 million from the Severance Tax Perpetual Base Fund to the Water Plan Implementation Cash Fund starting July 1, 2020 to fund CWCB studies, programs, and projects that are meant to implement the Colorado Water Plan;
- repeals the annual transfer of $10.0 million from the Severance Tax Perpetual Base Fund to the Colorado Water Conservation Board Construction Fund on July 1, 2020; and
- allows the Water Plan Implementation Cash Fund to provide money for the CWCB's Watershed Restoration Program.

The bill codifies and details the Water Plan Grant (WPG) Program's requirements, specifying eligibility, project types, and factors that the Colorado Water Conservation Board (CWCB) must consider when awarding grants. The language in this subsection was taken from the Program's existing guidelines and is intended to create in statute a formal grant program. The Program has been annually authorized through appropriations in the CWCB Water Projects bills the last two fiscal years. The five project categories established are: water storage and supply; conservation and land use; engagement and innovation activities; agricultural; and environmental and recreation. The bill directs the CWCB to evaluate each eligible project on four primary criteria, including conformity with Section 9.4 of the State Water Plan.

The bill also details the constraints on expenditures from the Fund for use by the CWCB to ensure compliance with the Colorado River Compact through the management of "demand on the use of water." These expenditures fall into two categories: stakeholder outreach and technical analysis and demand management program implementation. The bill sets an upper limit on the amount of money that can be spent on stakeholder outreach and technical analysis. The bill also establishes specific criteria that must be met before any additional money in the Fund can be expended for the implementation of a demand management program. These criteria include the formal adoption of the

Colorado River Basin Drought Contingency Plans [1] (DCPs) and the Upper Colorado River Commissions' approval of a demand management program, both of which have yet to happen.

The bill allows the money in the Fund to be expended for watershed restoration and flood mitigation projects. Since FY 2016-17, the annual CWCB Water Projects bill has appropriated $8.5 million cash funds for this purpose in support of the watershed health goals outlined in Chapter 7 of the Colorado Water Plan. The bill allows money in the Fund to be used for: planning and engineering studies to address technical needs for watershed restoration and flood mitigation projects throughout the state; aquatic habitat protection; flexible operations for multiple uses; restoration work; quantification of environmental flow needs; and monitoring efforts.

The bill appropriates $10.0 million from the Fund evenly between the following four WPG Program project categories: water storage and supply; conservation and land use; agricultural; and environmental and recreation. This appropriation comes with a three-year roll-forward spending authority provision to accommodate the Program's reimbursement schedules and project timelines. The bill also appropriates $1.7 million for stakeholder outreach and technical analysis related to the possible future demand management program. The remaining $18.3 million from the General Fund transfer will remain in the Fund and is available for future appropriations for the purposes specified in the bill.

STAFF RECOMMENDATION: **Staff recommends that this bill, as revised and drafted, be sponsored by the Joint Budget Committee as a Long Bill Package bill.**

STAFF ANALYSIS: This bill codifies the Water Plan Grant Program and establishes the financing framework necessary to implement that program, creates the financing framework for addressing Colorado River Compact compliance through a demand management program, allows the Water Plan Implementation Cash Fund to fund the Watershed Restoration Program, and creates an ongoing revenue stream for the Fund.

CURRENT WATER PLAN IMPLEMENTATION FUNDING

The primary vehicle through which the CWCB funds Water Plan implementation activities is the annual CWCB Water Projects bill (S.B. 16-174, H.B. 17-1248, and S.B. 18-218). In the last three full fiscal years, a total of $25.5 million has been appropriated through the CWCB Water Projects bills for Water Plan implementation specifically. The Water Plan forecasts a water supply-demand gap of as much as 560,000 acre-feet by 2050 and an annual funding need of approximately $100.0 million starting in 2020 to enact preventative measures to address the forecasted gap.

Beginning in FY 2016-17, the Water Projects Bill established an annual transfer on July 1 from the Severance Tax Perpetual Base Fund (Section 39-29-109 (2)(a)(I.5), C.R.S.) to the CWCB Construction Fund (Section 37-60-121 (1)(a), C.R.S.) for the CWCB to fund studies, programs, or projects that assist in implementing the Colorado Water Plan. The amount of the transfer was initially set at $5.0 million by S.B. 16-174, which also appropriated $1.5 million from the CWCB Construction Fund for the Watershed Restoration Program. In FY 2017-18, the annual transfer was increased to $10.0 million. Additionally, H.B. 17-1248 appropriated $5.0 million for the Watershed Restoration Program and $10.0 million for the Water Plan Grant Program. Last session, S.B. 18-218 appropriated $2.0

[1] JBC staff provided briefing on the Colorado River Basin Drought Contingency Plans on December 17, 2018: http://leg.colorado.gov/sites/default/files/fy2019-20_natbrf1.pdf (see page 22-26).

million for the Watershed Restoration Program and $7.0 million for the Water Plan Grant Program. The table below summarizes these transfers and appropriations.

WATER PLAN IMPLEMENTATION FUNDING (WATERSHED RESTORATION AND WATER PLAN GRANT PROGRAMS)		
	SEVERANCE TAX TRANSFERS	CWCB WATER PROJECTS BILL APPROPRIATIONS
FY 2016-17	$5,000,000	$1,500,000
FY 2017-18	10,000,000	15,000,000
FY 2018-19	10,000,000	9,000,000
Total	**$25,000,000**	**$25,500,000**

WATER PLAN GRANT PROGRAM

The appropriation of $10.0 million for the Water Plan Grant Program is justified. In FY 2017-18 and FY 2018-19, the WPG Program was appropriated $9.0 million and $7.0 million, respectively. In FY 2017-18, $8.8 million was awarded across all categories after receiving application for a total of $13.3 million in funding. The CWCB anticipates awarding most of its FY 2018-19 appropriation and anticipates growing demand for water project funding. Given the Water Plan Grant Program's popularity and the demand from applicants, it is likely that the full $10.0 million appropriated could be awarded in FY 2019-20.

WPG Program grants require the applicant to provide at least 50.0 percent matching funds, with in-kind matches not to exceed half of that match. Funding provided by the CWCB cannot exceed 75.0 percent of total project funding. The Department reports that during FY 2017-18 this matching requirement leveraged over $40 million in total project funds. The WPG Program currently operates two grant cycles per year.

UPPER BASIN DEMAND MANAGEMENT PROGRAM

The appropriation of $1.7 million for stakeholder outreach and technical analysis is justified. The CWCB has provided staff with a spending plan for this appropriation that identifies categories of expenditures: initial issue identification, establishing workgroups, conducting public workshops, and feasibility studies. This work is essential for establishing the demand management program.

ESTIMATED EXPENDITURES BY CATEGORY	
CATEGORY	COST
Initial issue identification	$98,250
Technical workgroups	1,048,950
Public Workshops	50,000
Feasibility Studies	500,000
Total	**$1,697,200**

The CWCB anticipates holding 20 statewide meetings and three (3) out of state meetings to engage stakeholders in identifying and prioritizing the primary legal, technical, and policy issues related to a Colorado River demand management program. Stakeholders include tribes, basin roundtables, the Interbasin Compact Committee, water providers, water conservation and conservancy districts, and the General Assembly. The total cost associated with the initial identification of issues is estimated at $98,250.

INITIAL ISSUE IDENTIFICATION EXPENDITURES			
TASK	NUMBER OF MEETINGS	COST PER MEETING	TOTAL COST
Statewide meetings	20	$1,800	$36,000
Out of state meetings	3	2,250	6,750
		Sub-total	**$42,750**
	Hours	Hourly rate	
Consultants	300	$185	$55,500
		Total	**$98,250**

The CWCB will convene seven workgroups further identify specific issues, prioritize concepts for investigation, propose scopes of work for analysis, and establish timelines for deliverables. Workgroups will be established for the following categories: law and policy; monitoring, verification, and accounting; water rights administration; environmental considerations; economic considerations; funding; and education and outreach. It is anticipated that each workgroup will meet a total of six times. The total cost associated with convening these workgroups is estimated at $1,048,950.

TECHNICAL WORKGROUP EXPENDITURES			
TASK	UNITS	COST PER MEETING	TOTAL COST
Staff travel	2 staff	$300	$600
Facilitation	12.5 hours	150	1,875
Meeting space and food	1.0	300	300
Consultants	120 hours	$185	$22,200
		Per meeting sub-total	*$24,975*
Per workgroup cost	**6 meetings**	**$24,975**	**$149,850**
	Workgroups	Cost per workgroup	Total cost
	7	**$149,850**	**$1,048,950**

In addition to the aforementioned issue identification and workgroups, the CWCB will conduct public workshops as part of its public outreach efforts. These workshops are intended to provide an avenue of communication between state staff, members of the public, stakeholders, and water users as the program development phase progresses. The CWCB anticipates holding quarterly workshops in different locations around the state to ensure participation from those impacted by a possible demand management program. Workshop attendance is estimated to range from 40-60 individuals. It is anticipated that CWCB will hold four workshop at an estimated $12,500 per event, which includes staffing, facilitation, meeting space, and refreshments. The total cost for these public workshops is $50,000.

The CWCB will conduct and publish feasibility studies, which will serve as the technical platform and scientific basis for implementation of potential pilot programming. These studies will also provide a comprehensive legal and policy framework for the anticipated demand management program. Modeling, engineering, and legal consultants will provide the bulk for the work product associated with these studies. The total cost associated with conducting and publishing these feasibility studies is $500,000.

FEASIBILITY STUDIES EXPENDITURES			
	HOURS	RATE	TOTAL
Modeling consultants	1,100	$185	$203,500
Engineering consultants	900	200	180,000
Outside counsel	470	200	94,000
Publishing	150	$150	$22,500
		Total	**$500,000**

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Kevin Neimond, JBC Staff (303-866-4958)
DATE	March 15, 2019
SUBJECT	Tabled Item: Public Utilities Commission

The Committee tabled action on the Public Utilities Commission budgetary division on February 7th during figure setting for the Department of Regulatory Agencies. The first section of this memorandum includes the staff figure setting recommendations for the Public Utilities Commission, as presented to the Committee on February 7th. Staff's recommendations have not changed since this date. The following section of this memorandum includes the Department's written responses pertaining to the Public Utilities Commission that were presented to the Committee during its hearing on December 7th.

(7) PUBLIC UTILITIES COMMISSION

The Public Utilities Commission regulates investor-owned electric, natural gas, telecommunications, private water utilities, and motor vehicle carriers for hire. The Division is slated for repeal on September 1, 2019.

PUBLIC UTILITIES COMMISSION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$21,574,961	$0	$21,574,961	$0	$0	91.3
TOTAL	**$21,574,961**	**$0**	**$21,574,961**	**$0**	**$0**	**91.3**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$21,574,961	$0	$21,574,961	$0	$0	91.3
Annualize prior year budget actions	240,423	0	240,423	0	0	0.0
Non-prioritized request items*	579	0	579	0	0	0.0
JBC staff-initiated technical adjustments	0	0	(23,335)	0	23,335	0.0
JBC staff-initiated update to Broadband Deployment Board grants	(6,500,000)	0	(6,500,000)	0	0	0.0
Indirect cost assessment*	(5,808)	0	(5,808)	0	0	0.0
TOTAL	**$15,310,155**	**$0**	**$15,286,820**	**$0**	**$23,335**	**91.3**
INCREASE/(DECREASE)	**($6,264,806)**		**($6,288,141)**	**$0**	**$23,335**	**0.0**
Percentage Change	(29.0%)	n/a	(29.1%)	n/a	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	**$21,810,155**	**$0**	**$21,810,155**	**$0**	**$0**	**91.3**
Request Above/(Below) Recommendation	$6,500,000	$0	$6,523,335	$0	($23,335)	0.0

*A portion or all of the recommendation for this change request is pending future action of the Joint Budget Committee. The values shown in this table include the requested funding change.

DECISION ITEMS - PUBLIC UTILITIES COMMISSION (NONE)

All decision items impacting this division are covered in the "Decision Items Affecting Multiple Divisions" section of this document. The Joint Budget Committee took action on February 7th on these decision items.

LINE ITEM DETAIL - PUBLIC UTILITIES COMMISSION

PERSONAL SERVICES

This line item recurs annually to provide division staffing and pay for contractual services.

STATUTORY AUTHORITY: Title 40, C.R.S.

REQUEST: The Department requests an appropriation of $9,728,756 cash funds and 91.3 FTE for FY 2019-20.

RECOMMENDATION: **Staff recommends an appropriation of $9,728,756 cash funds from the Public Utilities Commission Fixed Utility Fund, Public Utilities Commission Motor Carrier Fund, Colorado Telephone Users with Disabilities Fund, Telecommunications Utility Fund, and Colorado High Cost Administration Fund and 91.3 FTE for FY 2019-20.** The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$9,488,333	$0	$9,488,333	$0	$0	91.3
TOTAL	**$9,488,333**	**$0**	**$9,488,333**	**$0**	**$0**	**91.3**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$9,488,333	$0	$9,488,333	$0	$0	91.3
Annualize prior year budget actions	240,423	0	240,423	0	0	0.0
TOTAL	**$9,728,756**	**$0**	**$9,728,756**	**$0**	**$0**	**91.3**
INCREASE/(DECREASE)	**$240,423**	**$0**	**$240,423**	**$0**	**$0**	**0.0**
Percentage Change	2.5%	n/a	2.5%	n/a	n/a	0.0%
FY 2019-20 EXECUTIVE REQUEST	**$9,728,756**	**$0**	**$9,728,756**	**$0**	**$0**	**91.3**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

OPERATING EXPENSES

This line item recurs annually for costs associated with supporting Division operations and capital needs. This includes, but is not limited to, office supplies, telephone, postage, printing, furniture, and travel expenses.

STATUTORY AUTHORITY: Title 40, C.R.S.

REQUEST: The Department requests an appropriation of $595,052 cash funds, which represents a continuation of level funding.

RECOMMENDATION: **Staff's recommendation for this line item is pending.** The staff recommendation for the non-prioritized request item component of this line item will be presented to the Committee by Mr. Scott Thompson on February 14th during figure setting for the Department of Personnel. Staff will incorporate the Committee's action into the Long Bill. For all other

components of this line item, staff recommends a continuation-level appropriation of $594,473 cash funds from the Public Utilities Commission Fixed Utility Fund, the Public Utilities Commission Motor Carrier Fund, Colorado Telephone Users with Disabilities Fund, Telecommunications Utility Fund, and Colorado High Cost Administration Fund for FY 2019-20. The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$594,473	$0	$594,473	$0	$0	0.0
TOTAL	**$594,473**	**$0**	**$594,473**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$594,473	$0	$594,473	$0	$0	0.0
Non-prioritized request items*	579	0	579	0	0	0.0
TOTAL	**$595,052**	**$0**	**$595,052**	**$0**	**$0**	**0.0**
INCREASE/(DECREASE)	**$579**	**$0**	**$579**	**$0**	**$0**	**0.0**
Percentage Change	0.1%	n/a	0.1%	n/a	n/a	n/a
FY 2019-20 EXECUTIVE REQUEST	**$595,052**	**$0**	**$595,052**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

*This recommendation is pending Committee action on decision items administered by the Department of Personnel. The table represents the Department's request.

EXPERT TESTIMONY

This line item recurs annually to support contractual services requiring expertise not available from PUC staff and to assist with PUC representation before the Commissioners.

STATUTORY AUTHORITY: Title 40, C.R.S.

REQUEST: The Department requests a continuation-level appropriation of $25,000 cash funds for FY 2019-20.

RECOMMENDATION: **Staff recommends a continuation-level appropriation of $25,000 cash funds from the Public Utilities Commission Fixed Utility Fund, Public Utilities Commission Motor Carrier Fund, Colorado Telephone Users with Disabilities Fund, Telecommunications Utility Fund, and Colorado High Cost Administration Fund for FY 2019-20.** The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, EXPERT TESTIMONY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$25,000	$0	$25,000	$0	$0	0.0
TOTAL	**$25,000**	**$0**	**$25,000**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$25,000	$0	$25,000	$0	$0	0.0

PUBLIC UTILITIES COMMISSION, EXPERT TESTIMONY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
TOTAL	**$25,000**	**$0**	**$25,000**	**$0**	**$0**	**0.0**
Percentage Change	0.0%	n/a	0.0%	n/a	n/a	n/a
FY 2019-20 EXECUTIVE REQUEST	**$25,000**	**$0**	**$25,000**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

DISABLED TELEPHONE USERS FUND PAYMENTS

Revenue for the Colorado Telephone Users with Disabilities Fund is from fees on landlines pursuant to Section 40-17-104 (1), C.R.S. Money in the fund is continuously appropriated to pay the cost of a contract that provides telecommunications relay services for disabled individuals.

STATUTORY AUTHORITY: Section 40-17-103 (3), C.R.S.

REQUEST: The Department requests a continuation-level appropriation of $1,300,542 cash funds for FY 2019-20.

RECOMMENDATION: **Staff recommends a continuation-level appropriation of $1,300,542 cash funds from the Colorado Telephone Users with Disabilities Fund for FY 2019-20.** The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, DISABLED TELEPHONE USERS FUND PAYMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$1,300,542	$0	$1,300,542	$0	$0	0.0
TOTAL	**$1,300,542**	**$0**	**$1,300,542**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$1,300,542	$0	$1,300,542	$0	$0	0.0
TOTAL	**$1,300,542**	**$0**	**$1,300,542**	**$0**	**$0**	**0.0**
Percentage Change	0.0%	n/a	0.0%	n/a	n/a	n/a
FY 2019-20 EXECUTIVE REQUEST	**$1,300,542**	**$0**	**$1,300,542**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

TRANSFER TO READING SERVICES FOR THE BLIND CASH FUND

Funds are appropriated to this line from the Colorado Telephone Users with Disabilities Fund and are subsequently reappropriated to the Department of Education for allocation to privately-operated reading services for the blind.

STATUTORY AUTHORITY: Section 40-17-104, C.R.S.

REQUEST: The Department requests a continuation-level appropriation of $510,000 cash funds for FY 2019-20.

RECOMMENDATION: **Staff recommends a continuation-level appropriation of $510,000 cash funds from the Colorado Telephone Users with Disabilities Fund for FY 2019-20.** The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, TRANSFER TO READING SERVICES FOR THE BLIND CASH FUND						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$510,000	$0	$510,000	$0	$0	0.0
TOTAL	**$510,000**	**$0**	**$510,000**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$510,000	$0	$510,000	$0	$0	0.0
TOTAL	**$510,000**	**$0**	**$510,000**	**$0**	**$0**	**0.0**
Percentage Change	0.0%	n/a	0.0%	n/a	n/a	n/a
FY 2019-20 EXECUTIVE REQUEST	**$510,000**	**$0**	**$510,000**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

COMMISSION FOR THE DEAF AND HARD OF HEARING CASH FUND

Funds are appropriated to this line from the Colorado Telephone Users with Disabilities Fund and are subsequently reappropriated to the Department of Human Services for use by the Commission for the Deaf and Hard of Hearing.

STATUTORY AUTHORITY: Section 40-17-104, C.R.S.

REQUEST: The Department requests a continuation-level appropriation of $1,992,589 cash funds.

RECOMMENDATION: **Staff recommends a continuation-level appropriation of $1,992,589 cash funds from the Colorado Telephone Users with Disabilities Fund for FY 2019-20.** The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, COMMISSION FOR THE DEAF AND HARD OF HEARING CASH FUND						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$1,992,589	$0	$1,992,589	$0	$0	0.0
TOTAL	**$1,992,589**	**$0**	**$1,992,589**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$1,992,589	$0	$1,992,589	$0	$0	0.0
TOTAL	**$1,992,589**	**$0**	**$1,992,589**	**$0**	**$0**	**0.0**
Percentage Change	0.0%	n/a	0.0%	n/a	n/a	n/a
FY 2019-20 EXECUTIVE REQUEST	**$1,992,589**	**$0**	**$1,992,589**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

COLORADO BUREAU OF INVESTIGATION BACKGROUND CHECKS PASS-THROUGH

This line item recurs annually to pass-through CBI/FBI background check fees to the Department of Public Safety pursuant to HB07-1065 and HB 07-1249, which require fingerprint-based criminal history record checks for drivers of certain motor vehicle carriers, and the principals of household goods moving companies, respectively.

STATUTORY AUTHORITY: Title 40, C.R.S.

REQUEST: The Department requests a continuation-level appropriation of $104,377 cash funds for FY 2019-20.

RECOMMENDATION: **Staff recommends a continuation-level appropriation of $104,377 cash funds from the Public Utilities Commission Motor Carrier Fund for FY 2019-20.** The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, COLORADO BUREAU OF INVESTIGATION BACKGROUND CHECKS PASS-THROUGH						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$104,377	$0	$104,377	$0	$0	0.0
TOTAL	**$104,377**	**$0**	**$104,377**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$104,377	$0	$104,377	$0	$0	0.0
TOTAL	**$104,377**	**$0**	**$104,377**	**$0**	**$0**	**0.0**
Percentage Change	0.0%	n/a	0.0%	n/a	n/a	n/a
FY 2019-20 EXECUTIVE REQUEST	**$104,377**	**$0**	**$104,377**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

HIGHWAY-RAIL CROSSING SIGNALIZATION FUND

This line item covers expenditures made from annual statutory transfers to the Highway Rail Crossing Signalization Fund for the purposes set forth in Section 40-29-116, C.R.S. The Fund exists to provide payment of costs of installing, reconstructing, and improving automatic and other safety appliance signals or devices at crossings at grade of public highways or roads over the tracks of any railroad or street railway corporation in this state.

STATUTORY AUTHORITY: Sections 40-4-106 and 40-29-116, C.R.S.

REQUEST: The Department requests a continuation-level appropriation of $244,800 cash funds, for FY 2019-20.

RECOMMENDATION: **Staff recommends a continuation-level appropriation of $244,800 cash funds from the Highway-Rail Crossing Signalization Fund for FY 2019-20.** The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, HIGHWAY-RAIL CROSSING SIGNALIZATION FUND						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$244,800	$0	$244,800	$0	$0	0.0
TOTAL	**$244,800**	**$0**	**$244,800**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$244,800	$0	$244,800	$0	$0	0.0
TOTAL	**$244,800**	**$0**	**$244,800**	**$0**	**$0**	**0.0**
Percentage Change	0.0%	n/a	0.0%	n/a	n/a	n/a
FY 2019-20 EXECUTIVE REQUEST	**$244,800**	**$0**	**$244,800**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

RURAL BROADBAND

This line item was continued during FY 2018-19 to provide an informational appropriation that reflects the General Assembly's intent that funding be made available for rural broadband from the High Cost Support Mechanism.

STATUTORY AUTHORITY: Section 40-15-509.5, C.R.S.

REQUEST: The Department requests a continuation-level appropriation of $6,500,000 cash funds.

RECOMMENDATION: **Staff recommends moving this line item to the Executive Director's Office for FY 2019-20.** See staff's write-up for the "JBC staff-initiated update to Broadband Deployment Board grants estimate" decision item in the Decision Items Affecting Multiple Divisions section of this document for more information. The following table summarizes the calculations for the recommendation.

PUBLIC UTILITIES COMMISSION, RURAL BROADBAND						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$6,500,000	$0	$6,500,000	$0	$0	0.0
TOTAL	**$6,500,000**	**$0**	**$6,500,000**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$6,500,000	$0	$6,500,000	$0	$0	0.0
JBC staff-initiated update to Broadband Deployment Board grants estimate	(6,500,000)	0	(6,500,000)	0	0	0.0
TOTAL	**$0**	**$0**	**$0**	**$0**	**$0**	**0.0**
INCREASE/(DECREASE)	**($6,500,000)**	**$0**	**($6,500,000)**	**$0**	**$0**	**0.0**
Percentage Change	(100.0%)	n/a	(100.0%)	0.0%	n/a	n/a
FY 2019-20 EXECUTIVE REQUEST	**$6,500,000**	**$0**	**$6,500,000**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$6,500,000	$0	$6,500,000	$0	$0	0.0

INDIRECT COST ASSESSMENT

This line item provides funding for the Commission's share of assessed indirect cost recoveries.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S.

REQUEST: The Department requests an appropriation of $809,039 total funds for FY 2019-20.

RECOMMENDATION: **Staff's recommendation for this line item is pending.** Appropriations for this line item support line items in the Executive Director's Office that the Committee will take action on in future staff figure setting documents for the Department of Personnel and the Governor's Office of Information Technology. Staff requests permission to update this line item based on the decisions made during figure setting for these two agencies. The following table summarizes the calculations for a mixture of the Department's request and staff's recommendation.

PUBLIC UTILITIES COMMISSION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	$814,847	$0	$814,847	$0	$0	0.0
TOTAL	**$814,847**	**$0**	**$814,847**	**$0**	**$0**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$814,847	$0	$814,847	$0	$0	0.0
JBC staff-initiated technical adjustments	0	0	(23,335)	0	23,335	0.0
Indirect cost assessment*	(5,808)	0	(5,808)	0	0	0.0
TOTAL	**$809,039**	**$0**	**$785,704**	**$0**	**$23,335**	**0.0**
INCREASE/(DECREASE)	**($5,808)**	**$0**	**($29,143)**	**$0**	**$23,335**	**0.0**
Percentage Change	(0.7%)	n/a	(3.6%)	n/a	0.0%	n/a
FY 2019-20 EXECUTIVE REQUEST	**$809,039**	**$0**	**$809,039**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$23,335	$0	($23,335)	0.0

*This recommendation is pending Committee action on decision items submitted by the Department of Personnel and the Governor's Office of Information Technology. The table represents the Department's request.

energy, (2) gas pipeline safety, (3) telecommunications, (4) transportation, and (5) water. Utilities within each of these industries pay fees which are deposited into one of 6 funds used to pay the cost of the PUC's regulatory functions. Currently, the Legislature has authorized the PUC 97.7 FTE. Of these, allocations of staff resources are periodically adjusted across funds depending on work assignment and workload. The following tables show FTE allocations by organizational unit, FY 17-18 expenditures by specific regulatory function, and brief detail on those functions:

Administrative Section	FTE
Executive Office	**10.0**
Director	1.0
Commissioners	3.0
Administrative Support	2.0
Deputies and Chief ALJ	4.0
Safety and Operations	**28.0**
Transportation	
Rates & Authorities	4.0
Administrative Support	3.0
Investigations and Compliance	8.0
Rail/Transit	4.5
Gas Pipeline Safety	5.5
Operations	3.0
Fixed Utilities	**31.3**
Energy	6.0
Economics	
Economists	7.0
Rate Analysts	7.0
Administrative Support	2.0
Telecommunications	9.3
Policy and External Affairs	**21.4**
Administrative Services	4.0
External Affairs	4.7
Commission Advisors	8.7
Research and Emerging Issues	4.0
Administrative Hearings	**7.0**
Administrative Law Judges	5.0
Court Reporters	2.0
Total	**97.7**

Estimated Expenditures By Regulatory Function	Allocated FTE	FY 17-18 Expenditures
Regulation of Natural Gas, Electric, Water, and Steam utilities	52.3	$7,894,863
Rail/Rail Transit	6.8	$1,018,692
Pipeline Safety	8.5	$1,273,365
Motor Carrier Regulation	15.2	$2,759,081
Disabled Telephone Users Program	1.5	$3,298,368
Regulation of Telecommunications Utilities	4.0	$1,595,283
Colorado High Cost Support Mechanism Administration	3.4	$238,804
Regulation of Transportation Network Companies	6.0	$214,573
Total	**97.7**	**$18,293,029**

Note: Expenses by regulatory function are estimated shares of total expenses, and include both direct and indirect costs, such as program staff, allocated shares of executive staff, and all other allocated expenses including legal services, leased space, OIT costs, etc. Figures also include appropriated transfers to other agencies.

PUC Regulatory Function	Description
Regulation of Natural gas, electric, water, and steam utilities	The Commission's regulatory duties associated with these functions are to ensure the availability of safe, reliable, adequate and efficient electric, gas, steam and water services to utility customers at rates that are just, reasonable, and not discriminatory. Staff functions include research, investigation, audit, complaint resolution, and adjudication of utility filings seeking changes in rates charged to customers as well as terms and conditions of service.
Rail/Rail Transit	The Commission's regulatory duties associated *with railroads and all public highway-rail grade crossings* are to regulate the location of crossing, method of warning, and minimum safe clearances of tracks and appurtenances. The Commission's regulatory duties associated with *rail fixed guideway systems* is to oversee all aspects of safety related to the operation of certain rail fixed guideway systems in the State. All rail and transit regulation is to be performed such that accidents may be prevented and the safety of the public promoted on railway and rail fixed guideway systems in Colorado. Staff functions include program audits; facility and track inspections; investigations; review and adjudication of rail and fixed guideway system issues.
Pipeline Safety	The Commission's regulatory duties associated with these functions are to administer and enforce, in cooperation with the U.S. Department of Transportation, the provisions of the federal Natural Gas Pipeline Safety Act, and Colorado Law on pipeline safety. Staff functions include pipeline inspections, program audits, and incident investigations.
Motor Carrier Regulation	The Commission's regulatory duties associated with these function are to administer and enforce Colorado law governing transportation of passengers, nonconsensual towing, and the intrastate transport of household goods. Staff functions include the processing of applications, investigation and resolution of complaints, vehicle inspections, compliance reviews, permit issuance, and the monitoring proof of insurance filings.
Disabled Telephone Users Program	The Commission's regulatory duties associated with these functions include fund administration of the Telecommunication Relay Services (TRS) program and other appropriated services for individuals with disabilities. Staff functions include program marketing, educational outreach, complaint resolution, program related training of public and private entities, and contract administration.
Regulation of telecommunications utilities	The Commission's regulatory duties associated with these functions are to foster, encourage, and accelerate the emergence of a competitive telecommunications environment through flexible regulatory treatments of telecom providers of wholesale and retail services. Staff functions include review, investigation, audit, complaint resolution, statewide numbering administration, 911 surcharge rate approvals, and advising or adjudication of filings seeking operating authorities, approval of certain rates, terms & conditions of service, asset transfers, provider of last resort obligations, and wholesale carrier interconnections.
HCSM program	The Commission's regulatory duties associated with these functions are to administer the High Cost Support Mechanism (HCSM) program including but not limited to all contributions from and distributions to telecom providers and assure compliance with federal universal service funding. The HCSM program and funds are used to make basic telecommunications service affordable in certain high cost rural areas of the state and allocate funds for grant awards made by the Colorado Broadband Deployment Board for the deployment of broadband services in rural unserved areas of the State. Staff functions include program administration of fund contributions and distributions, eligible telecom carrier application review and certification of fund recipients, implementation of basic voice service regulatory reduction plan, and complaint resolution
Regulation of Transportation Network Companies	The Commission's duties associated with these functions are to administer and enforce Colorado law governing the transportation of passengers by Transportation Network Companies. Staff functions include the investigation and resolution of complaints, vehicle inspections, record audits, and the monitoring of status of proof of financial responsibility filings.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Tom Dermody, JBC Staff (303-866-4693)
DATE	Friday, March 15
SUBJECT	Staff Comeback – Technical Correction to Department of State Footnote

Staff recommends making the following adjustment (in small caps) to the Department of State's footnote attached to the Local Election Reimbursement line item in the Elections Division.

> Department of State, Elections Division, Local Election Reimbursement – If actual reimbursements to counties required by section 1-5-505.5, C.R.S., exceed the CASH FUNDS amount specified in this line item, the Department may spend up to 115.0 percent of the CASH FUNDS amount specified to make the required reimbursements.

This adjustment specifies that the additional spending authority is granted only to the cash funds appropriated in this line item. This footnote has been reviewed and approved by the Office of Legislative Legal Services.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Alfredo Kemm, JBC Staff (303.866.4549)
DATE	March 15, 2019
SUBJECT	Staff figure setting comeback – Treasury additional request

The Department of the Treasury has submitted an additional request item. The Department's request document is attached.

PUBLIC INFORMATION OFFICER

REQUEST: The Department requests an additional $9,767 General Fund for FY 2019-20 for the purpose of providing an $8,000 per year increase for the Department's Public Information Officer. The Department states that a pay increase of $8,000 per year would be necessary to bring the Officer's compensation in line with similar positions at other state agencies.

RECOMMENDATION: Staff recommends that the Committee approve the request.

ANALYSIS: The Department included a 3.0 percent General Fund increase as a non-prioritized request totaling $39,046. At figure setting, staff recommended excluding the entire amount which was not submitted as an identified request item or budget need. Staff recommends approving the request for $9,767 related to the staff salary increase identified by the Department. This amount does not exceed the non-prioritized request amount included in the Governor's, November 1 request and is an identified need.

FY 2019-20 Comeback Request

Department:	Treasury
Title:	Debt Management and Public Information Officer

	FY 2018-19 Appropriation	FY 2019-20 Request	JBC Action	Comeback Request	Difference Between Action and Comeback Request
Total	**$0**	**$0**	**$0**	**$9,767**	**$9,767**
FTE	0.0	0.0	0.0	0.0	0.0
GF	$0	$0	$0	$9,767	$9,767
CF	$0	$0	$0	$0	$0
RF	$0	$0	$0	$0	$0
FF	$0	$0	$0	$0	$0

Summary of Initial Request:

This request was not previously presented.

Committee Action:

No previous JBC action.

Department Comeback:

A survey was conducted by the Department to determine the appropriate salary for Public Information Officers at state agencies in Colorado. The proposed annual increase with PERA, etc. for the PIO is $9,767.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Alfredo Kemm, JBC Staff (303.866.4549)
DATE	March 15, 2019
SUBJECT	Staff figure setting comeback – Treasury R1 tabled item

At figure setting on February 5th, the Committee tabled action on the Department of the Treasury R1 Public School Fund Investment Board – Fund Managers request item. Staff continues to recommend approval of the request. Staff's figure setting write-up follows.

➔ R1 PUBLIC SCHOOL FUND INVESTMENT BOARD – FUND MANAGERS

REQUEST: The Department requests an increase of $1,260,000 cash funds spending authority from interest earnings from the Public School Fund for FY 2019-20 for net return on investment fees paid to fund managers.

RECOMMENDATION: **Staff recommends that the Committee approve the request.**

ANALYSIS: The Public School Fund, established as a trust for the public schools of the State from public lands set aside for this purpose, is valued at about $4.3 billion. Approximately $1.0 billion is in liquid assets and the balance is in land and mineral rights. Historically the fund was only allowed to invest its liquid assets in bonds. The Public School Fund Investment Board was established in S.B. 16-035 (The Public School Fund) to generate increased returns through investments in diversified assets. As bonds mature and convert to cash, the Investment Board invests in statutory allowable investments which include "only mutual funds, index funds, and any other instrument that is not a direct investment in a corporation."

To date, the Investment Board has diversified available liquid assets totaling $200.0 million and has another $100.0 million in cash immediately available to be invested in diversified assets. Cash assets are expected to increase by an additional $80.0 million over FY 2018-19. This includes approximately $33.0 million in earnings from the State Land Board, $7.0 million in marijuana excise tax revenues, and $40.0 million in maturing bond proceeds and principal payments. For FY 2019-20, cash holdings are expected to increase by an additional $135.0 million, including $40.0 million in earnings from the State Land Board, $8.0 million in marijuana excise tax revenues, and $87.0 million in maturing bond proceeds and principal payments.

The $315.0 million total to be invested in FY 2018-19 and FY 2019-20 could earn at least 2.0 percent more than the 1.8 percent it will earn in the Treasury Pool, where it resides until invested. The Treasury Pool is intended to be a highly liquid asset pool to provide for the daily cash needs of the State. The money in the Public School Fund is set aside in trust for perpetuity and does not need to be positioned for liquidity purposes. The 10-year average rate of return on a portfolio of 70 percent global equities and 30 percent investment grade bonds is 5.47 percent; and represents the goal or benchmark return for the Investment Board's diversified assets.

This request was submitted as a result of an unanticipated determination by the Office of the State Controller. That determination was that fund management fees calculated on total assets under management and paid on a "net-return" basis should be included in and paid out of the annual appropriation for administrative expenses for the Public School Fund Investment Board (Investment Board) located in the Department of Treasury budget. The current appropriation for Investment Board expenses is $500,000. An interim supplemental was approved in September 2018 to increase the FY 2018-19 appropriation to $800,000. The identified need for FY 2019-20 is $1,760,000.

Representatives from the Investment Board, the State Land Board and the Department of Natural Resources (DNR) state that the administrative expenses line item was set at its current $500,000 not anticipating that fund management fees would also be included or paid out of that appropriation. They state that it was assumed such fees would be treated simply as an annual net-return on investment, since such fees are not technically billed to and actively paid by an investor. Traditionally such fees are simply collected off-the-top annually, based on a percentage of assets under management, and a "net-return" is earned on the fund after management fees.

According to a 2017 study of fund fees by Morningstar, investors paid an average of 0.52 percent (or 52 basis points) for fund management. The Investment Board estimates a blended fund management rate of 0.45 percent (or 45 basis points) for fund management fees for a variety of investment vehicles.

Staff agrees that the determination by the Office of the State Controller appears to have been reasonably unanticipated at the time that S.B. 16-035 was contemplated and passed and that fund management fees were always anticipated as a part of the Investment Board's activities. Fund management fees calculated as a percentage of total assets under management are well understood in the world of financial investment.

Due to the nature of the fees annual growth due to the growth in assets under management, this line item will have to be adjusted annually in order to accommodate the increasing cost of fund management on a substantial and growing pool of assets. The State Land Board in the Department of Natural Resources with support from the Investment Board and the Department of the Treasury, will seek legislation in the 2019 legislative session to clarify that such off-the-top, net-return, fund management fees should not be included in the annual appropriation, given their nature as a non-discretionary expense. Conceptually, staff supports such a clarification to eliminate the annual adjustments necessary for the non-discretionary nature of fund management fees.

At this time, the Investment Board projects that it will require an additional $1,260,000 in the administrative expenses appropriation to cover the fund management fees on total assets invested for FY 2019-20. Staff agrees with the projection and recommends that the Committee approve the request.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Alfredo Kemm, JBC Staff (303.866.4549)
DATE	March 15, 2019
SUBJECT	Staff figure setting comeback – Capital Construction CDC additional recommendation

The CDC recommends one additional cash-funded project for inclusion in the Long Bill. The CDC letter to the JBC of March 7th is attached.

➔ REPAINT INTERIOR DOME, STATE CAPITOL

CDC RECOMMENDATION: The Executive Committee of the Legislative Council approved use of the $1.0 million annual transfer from the State Historical Fund to repaint the interior dome during the 2019 interim. The CDC recommends that the project be included in the Long Bill and that a corresponding transfer from the State Historical Fund to the Capital Construction Fund be included in the capital construction transfer bill.

RECOMMENDATION: **Staff recommends that the Committee approve the request.**

ANALYSIS: The Executive Committee discussed various projects and approved repainting the interior dome. The Department of Personnel solicited a bid in the fall of 2018 and estimates the cost to repaint the interior of the main dome at $867,500, including labor and materials, but not including wall repairs or investigation of historic paint colors. Since 2010, the General Assembly has annually identified a project in the State Capitol building that is eligible for funding from the State Historical Fund grant program.

Rep. Dylan Roberts, Chair
Rep. Susan Beckman
Rep. Alex Valdez

Sen. Rhonda Fields, Vice-Chair
Sen. Jerry Sonnenberg
Sen. Tammy Story

Capital Development Committee

State Capitol Building, Room 029
Denver, Colorado 80203-1784
(303) 866-3521

March 7, 2019

Senator Dominick Moreno, Chair
Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, CO 80203

Dear Senator Moreno:

On March 7, 2019, the Capital Development Committee (CDC) considered and recommended to the Joint Budget Committee (JBC) one additional FY 2019-20 cash-funded project for inclusion in the 2019 Long Bill. The project repaints and restores the interior of the State Capitol dome. A full description of the project is attached. *The CDC approved the recommendation to the JBC on a vote of 6-0.*

If you have any questions or concerns about the CDC's recommendation, please call Kori Donaldson, Legislative Council Staff, at 303-866-4976.

Sincerely,

Representative Dylan Roberts
Chair, Capital Development Committee

c: Capital Development Committee Members
Joint Budget Committee Members
Capital Development Committee Staff
Lauren Larson, Office of State Planning and Budgeting
Ben Henderson, Office of State Planning and Budgeting
Adrian Leiter, Department of Personnel and Administration
Lance Shepherd, Department of Personnel and Administration
Larry Friedberg, Office of the State Architect
John Ziegler, Joint Budget Committee Staff
Alfredo Kemm, Joint Budget Committee Staff

Fiscal Year 2019-20 Capital Construction Request

Personnel and Administration

Repaint Interior Dome, State Capitol

PRIOR APPROPRIATION AND REQUEST INFORMATION

Fund Source	Prior Approp.	FY 2019-20	FY 2020-21	Future Requests	Total Cost
CF	$0	$1,000,000	$0	$0	$1,000,000
Total	$0	**$1,000,000**	$0	$0	$1,000,000

SUMMARY OF THE PROJECT

This is a staff-initiated budget request. Since 2010, the General Assembly has annually identified a project in the State Capitol building that is eligible for funding from the State Historical Fund grant program. Each year, up to $1.0 million is transferred from the State Historical Fund to support the identified project. In March 2019, Legislative Council Staff presented potential uses of State Historical Fund dollars for projects in the building to the Executive Committee of the Legislative Council. After discussing the various projects eligible for funding from this source, the Executive Committee consented to the use of State Historical Fund dollars to repaint the interior dome during the 2019 interim.

Project details. In the fall of 2018, the Department of Personnel and Administration (DPA) solicited a bid to repaint the interior of the main dome and the vaulted ceilings in the Capitol building. The cost to repaint the interior of the main dome was estimated at $867,500. The bid includes labor and materials. In order to complete the project, the interior dome will be accessed from above via ropes. The bid does not include estimated costs to investigate the historic paint colors or make repairs to the walls. It also does not include detailed paint work along the plaster scrolls. DPA plans to add these components to the project.

Source of cash funds. The source of cash funds is the State Historical Fund, which is administered pursuant to Section 12-47.1-1201, C.R.S. The State Historical Fund accrues revenue from limited stakes gaming.

Suggested motion. Recommend support for the project to the Joint Budget Committee. Further, recommend that the project be included in the 2019 Long Bill and that a corresponding transfer be included from the State Historical Fund to the Capital Construction Fund in the capital construction transfer bill.

Prepared by Legislative Council Staff.