# MEMORANDUM


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| TO | Joint Budget Committee |
| FROM | JBC Staff |
| DATE | January 26, 2018 |
| SUBJECT | Staff Comebacks for Tuesday, January 30 (UPDATED) |

Please find attached the following memorandums for Joint Budget Committee staff comebacks associated with FY 2017-18 supplemental budget requests.

- Capital Construction (Kevin Neimond):
  - Human Resources Information System
  - Technical Correction in Capital Construction IT Section
- Corrections (Megan Davisson): S1A Lease Private Prison to Add 250 Beds
- Education (Craig Harper): School Finance
- Healthcare Policy and Financing (Eric Kurtz): Children's Basic Health Plan
- Human Services (Robin Smart):
  - S10 Indirect Costs Technical Adjustment
  - Child Welfare Funding
- Human Services (Vance Roper): S4 Mitigation of CCCAP Waitlist
- Personnel (Scott Thompson): S1 Expanded Scope of Tax Pipeline
- State (Scott Thompson):
  - Water Cooling Loop Project Shift Funding from FY 2017-18 to FY 2016-17
  - Open Primary Media Campaign, Database Storage and Security Enhancements, and Revamping the Business Suite
  - Annual Fleet Supplemental

# MEMORANDUM

JOINT BUDGET COMMITTEE

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|---|---|
| TO | Joint Budget Committee Members |
| FROM | Kevin Neimond, JBC Staff (303-866-4958) |
| DATE | January 30, 2018 |
| SUBJECT | Staff Comeback for the Human Resources Information System |

During its January 24th meeting to consider FY 2017-18 supplemental requests and recommendations for Capital Construction Information Technology Projects, the Joint Budget Committee tabled action on a request submitted by the Department of Personnel and the Governor's Office of Information Technology concerning the funding needed to implement the time and leave tracking component of HRWorks (formerly known as the Human Resources Information System). Staff's recommendation is provided in the following pages for the Committee's review.

Note, if staff's recommendation to include funding in the Capital Construction supplemental bill for this project is approved, the Committee will be asked to introduce a companion supplemental package bill to transfer the amount included in the Capital Construction supplemental bill from the General Fund to the Capital Construction Fund.

## HUMAN RESOURCES INFORMATION SYSTEM

| | REQUEST | RECOMMENDATION |
|---|---|---|
| **TOTAL** | **$2,888,529** | **$2,888,529** |
| General Fund | 2,888,529 | 2,888,529 |
| Cash Funds | 0 | 0 |
| Reappropriated Funds | 0 | 0 |
| Federal Funds | 0 | 0 |

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

DEPARTMENT REQUEST: The Governor's Office of Information Technology (OIT), in conjunction with the Department of Personnel (DPA), requests a supplemental capital construction appropriation of $2,888,529 General Fund for FY 2017-18 for the first phase of implementing the time and leave tracking component in the Human Resources Information System, now known as HRWorks. The time and leave tracking solution proposed with this request differs from the solution originally selected for this purpose.

Additionally, the request includes a companion supplemental operating request for FY 2017-18 to reduce OIT's spending authority by $5.4 million reappropriated funds due to two factors. First, given the delays associated with the time and leave tracking component of HRWorks, OIT does not need the same level of spending authority to meet operations and maintenance costs. Second, the operating

costs for FY 2017-18 are lower for the proposed time and leave tracking solution than the solution originally chosen for implementation.

JOINT TECHNOLOGY COMMITTEE RECOMMENDATION: The Joint Technology Committee did not put forth a recommendation on OIT's regular supplemental request for FY 2017-18. The executive branch submitted an emergency supplemental funding request for this project in September 2017. The Joint Technology Committee considered the emergency request three times, voting once to recommend funding the request and twice not to recommend funding the request. The executive branch resubmitted the emergency supplemental request as a regular supplemental request on January 11th. The Joint Technology Committee did not discuss the regular supplemental prior to the January 15th deadline to provide recommendations to the Joint Budget Committee.

STAFF RECOMMENDATION: Staff recommends that the Committee approve the supplemental requests (capital construction/operating) put forth by DPA/OIT for the HRWorks project.

STAFF ANALYSIS:

*Background*
HRWorks is an information system owned by DPA and implemented by OIT that is currently under development to provide a single application for human resources management functions. HRWorks has four main components:

- Statewide time and leave tracking;
- Payroll processing;
- Performance and personnel management; and
- Statewide database for employee and position information.

HRWorks will replace the state's existing statewide leave, time tracking and human resources management system. DPA/OIT indicate that human resources functions are currently fragmented across the state agencies and are performed on paper or in a number of legacy systems. It is estimated that there are approximately 80 different applications used by executive branch agencies to perform the critical business functions of human resources.

This system replacement project received an initial capital construction information technology projects appropriation of $16.1 million General Fund in FY 2014-15 and was later augmented by a supplemental appropriation of $15.2 million General Fund during the 2015 legislative session. The total appropriation for the capital construction project is currently $31.3 million General Fund. The appropriated funds are used to contract with four primary vendors to undertake each component of the project:

- Kronos – Statewide time and leave tracking
- CGI – Payroll processing;
- Workday – Performance and personnel management; and
- Lexmark – Statewide database for employee and position information.

Additionally, the FY 2017-18 operating budget includes $8.0 million total funds for the ongoing costs associated with maintaining HRWorks. This cost is spread across state agencies through direct appropriations made in the Payments to OIT line items within each agency. OIT has spending authority for $8.0 million in the form of an appropriation of reappropriated funds that are transferred from state agencies from their Payments to OIT line item appropriations from a variety of sources (General Fund, cash funds, reappropriated funds, and federal funds) for this purpose.

*Issue*

A contract for the statewide time and leave tracking component of the project was initially awarded to Kronos. In addition to Kronos submitting a bid fulfilling DPA/OIT's requirements, and Kronos generally being considered the industry leader in timekeeping systems, most state agencies also use some version of the vendor's tools for timekeeping functions. DPA/OIT spent $9.1 million of its $31.3 million capital construction appropriation across three fiscal years (FY 2014-15, FY 2015-16, and FY 2016-17) for a master agreement to license the most current Kronos tools for agencies to implement prior to the launch of HRIS and to integrate the most current Kronos tools with the payroll processing component of HRWorks under development by CGI.

After CGI and Kronos began to integrate the statewide time and leave tracking component of the project with the payroll processing component of project in January 2017, DPA/OIT determined that the state's Kronos configuration would not work with CGI's tools without significant customization by both vendors. DPA/OIT then opted to halt the implementation of Kronos tools for statewide time and leave tracking and instead implement a CGI-based time and leave tracking solution. The agencies entered into a contract with CGI to do this work. This solution is deemed to reduce the technology risk of the project, increase the overall functionality and usability of HRWorks, and improve the integration of HRWorks with the state's financial system, CORE (also implemented by CGI), which will benefit the monthly and annual closing processes.

*Fiscal Impact of Proposed Change from Kronos to CGI for Time and Leave Tracking*

In September 2017, DPA/OIT submitted an emergency supplemental capital construction funding request seeking $2,888,529 General Fund for FY 2017-18 to build out the CGI solution for time and leave tracking. Additionally, the agencies' FY 2018-19 capital construction funding request includes $7,414,260 General Fund to complete this work. The estimated go live date for HRWorks is sometime in October 2018 if the funding is approved by the General Assembly.

The following table summarizes current and requested capital construction appropriations for this project. Included in the table are DPA/OIT's estimated capital construction costs associated with the Kronos option. It should be noted that Kronos adamantly disputes the capital construction funding numbers put forth by DPA/OIT. The company contends that it can implement its time and leave tracking solution without any additional capital construction funding other than existing appropriations and within DPA/OIT's timeline that projects a go live date in October 2018. DPA/OIT offer that a Kronos solution will result in a 6 to 10 month project delay that will drive up the costs of the project. Staff has examined the arguments made by the involved parties and has determined that DPA/OIT and Kronos will likely never agree on project timelines or needed capital construction funds to implement the Kronos option.

| HRWORKS CAPITAL CONSTRUCTION FUNDING<br>CGI OPTION VS. KRONOS OPTION | | | |
|---|---|---|---|
| | CGI OPTION | KRONOS OPTION | DIFFERENCE |
| | GF / CCF | GF / CCF | GF / CCF |
| Existing FY 2014-15 Appropriation | $31,288,801 | $31,288,801 | $0 |
| FY 2017-18 Supplemental Request | 2,888,529 | 1,632,427 | 1,256,102 |
| FY 2018-19 Request | 7,414,260 | 8,412,110 | (997,850) |
| **Total** | **$41,591,590** | **$41,333,338** | **$258,252** |

On the operating budget side, the CGI solution put forth by DPA/OIT is less expensive in the long-term. Beginning in FY 2019-20, the annual operating cost (which is shared by all state agencies through the common policy process) for the HRWorks system is $6.3 million with the CGI solution for time and leave tracking. DPA/OIT's estimated annual operating cost for HRWorks with the Kronos solution for time and leave tracking is $7,133,096. The following table summarizes the annual operating costs for HRWorks with each time and leave solution between the period of FY 2019-20 through FY 2026-27.

| HRWORKS ANNUAL OPERATING COSTS<br>CGI OPTION VS. KRONOS OPTION | | | |
|---|---|---|---|
| | CGI OPTION | KRONOS OPTION | DIFFERENCE |
| Annual Operating Cost | $6,315,153 | $7,133,096 | ($817,943) |

*Status of the Emergency Supplemental Capital Construction Request to Move from Kronos to CGI*
The Joint Technology Committee (JTC) reviewed OIT's FY 2017-18 emergency supplemental capital construction funding request for $2,888,529 General Fund to build out the CGI solution for time and leave tracking and voted 4 to 2 on September 13th in favor of authorizing the funds. On September 20th, the Joint Budget Committee (JBC) met and considered this emergency supplemental request and asked that the JTC review this funding solicitation a second time to study concerns brought forth by members of the JBC. On October 3rd, the JTC studied the request a second time and subsequently voted 2 to 4 on a motion to approve the emergency supplemental. Following the JTC's vote, the JBC opted to table a decision on funding the request. At DPA/OIT's request, the JTC analyzed the request a third time on December 19th and voted 3 to 3 on a motion to approve the emergency supplemental.

*From Emergency Supplemental Request to Regular Supplemental Request*
OIT/DPA submitted the emergency supplemental request to the JTC and the JBC as a regular supplemental request on January 11th. The dollar amount of the requested funding did not change.

*Operating Supplemental Request*
DPA/OIT submitted a companion supplemental operating reduction of $5.4 million reappropriated funds for FY 2017-18. This reduction is due to two factors. First, given the delays associated with the time and leave tracking component of HRWorks, DPA/OIT do not need the same level of spending authority to meet operations and maintenance costs as was assumed when the original appropriation was made. Second, the operating costs for FY 2017-18 are lower with the CGI solution than the Kronos option. Together, these two factors allow DPA/OIT to request an operating reduction of $5.4 million reappropriated funds for FY 2017-18.

Note, while OIT requests a supplemental operating reduction in reappropriated funds spending authority for FY 2017-18, the actual budgetary savings will be realized through the true-up process for the information technology common policy for FY 2018-19 when agencies receive a reduction in appropriations in their operating Payments to OIT line items totaling $5.4 million statewide.

*Interaction of the Capital Construction Supplemental and the Operating Supplemental Requests*
The supplemental operating reduction requested for FY 2017-18 is directly tied to the supplemental capital construction funding request for FY 2017-18.

- If the Committee approves the supplemental capital construction funding request for FY 2017-18, the Committee should approve the supplemental operating funding request for FY 2017-18.

- If the Committee rejects the supplemental capital construction funding request for FY 2017-18, the Committee should reject the supplemental operating funding request for FY 2017-18.

- If the Committee tables the supplemental capital construction funding request for FY 2017-18 until a later date, the Committee should table the supplemental operating funding request for FY 2017-18 until a later date.

*Committee Decision Options*
Staff identifies the following options available to the Committee for taking action on the supplemental requests:

1. Approve DPA/OIT's supplemental capital construction and operating requests. The agencies will proceed to implement the CGI time and leave component of the project. Under this scenario, the agencies predict that HRWorks will go live in October 2018. DPA/OIT do not anticipate any additional capital construction funding requests for HRWorks outside of the amount requested for FY 2017-18 and FY 2018-19, but do admit that it's impossible to predict with certainty that additional funding will not be required.

2. Deny DPA/OIT's supplemental capital construction and operating requests and assume the project will end without completion. Departments will continue current practices and systems for human resources, time and leave tracking, and payroll. This includes relying on the COBOL-based Colorado Personnel Payroll System (CPPS) for payroll functions. DPA/OIT indicate that they are evaluating whether certain parts of the HRWorks project could continue if the supplemental request is not approved.

3. Approve a supplemental capital construction appropriation in an amount equal to DPA/OIT's estimates for the Kronos option to indicate to the agencies that it is the General Assembly's preference to build HRWorks with a Kronos-based time and leave tracking solution. The appropriation for this purpose is $1,632,427. Note, making an appropriation in this amount would not require DPA/OIT to work with Kronos, as funds appropriated by the General Assembly cannot be directed to specific vendors (Article V, Section 34, of the State Constitution).

4. Deny DPA/OIT's supplemental capital construction and operating requests and assume that the agencies will negotiate with Kronos to implement the time and leave solution based on company's stance that it does not require additional capital construction funds to complete its work on time

for an HRWorks go live date in October 2018. Note, nothing in this option binds the agencies to work with Kronos.

5 Take no action on DPA/OIT's supplemental capital construction and operating requests and ask that the executive branch present additional justification for the requests on Monday, January 29th during the Office of State Planning and Budgeting's comebacks session. The Committee may wish to use the time between staff's recommendation and the comebacks session to meet with colleagues from the Joint Technology Committee to determine what information is needed to arrive at a final decision.

6 Take no action on DPA/OIT's supplemental capital construction and operating requests at this time and wait until figure setting for capital construction information technology projects in early March before making a decision. If the Committee takes action to fund the FY 2017-18 supplemental request during figure setting, it would be included in the Long Bill as an add-on appropriation. Note, the agencies estimate that existing HRWorks appropriations will be fully expended by March 2018. Without additional funding through a supplemental appropriation, the project will be halted in March.

*Staff Recommendation*
It is unfortunate that $9.1 million General Fund was expended on the statewide time and leave tracking component of the HRWorks project for Kronos technology that will not be part of the final product. This highlights that issues in the application of current information technology procurement statutes and rules are costing the state money and will continue to do so until significant changes are made to the procurement process. Spending $9.1 million of state money and then determining that a technology solution is not the right one to address business process needs should be unacceptable to taxpayers, the executive branch, and the General Assembly. Staff will work with the Joint Technology Committee to identify policy and process changes that can be implemented to ensure that opportunities for such expenditures are minimized in the future.
Regardless of procurement process issues that allowed for a state agency to spend state money on items that will never be included in a final product, the Committee has a decision before it as to whether the HRWorks project should continue to completion with a new technology approach or end prior to completion to avoid additional costs. It is staff's recommendation that the project should continue to completion to avoid the permanent loss of more money than has already occurred.

DPA/OIT indicate that they have done their due diligence in studying the technology options required to finish the time and leave component of the project, selected one technology approach over another, and submit this supplemental funding request to implement the chosen technology. However, not all parties agree with DPA/OIT's choice of technology or the capital construction cost estimates used to compare options. The only generally agreed upon fact when it comes to cost estimates is that the technology solution selected by DPA/OIT is projected to have an annual operating cost that is $817,943 less than the alternative considered. From a budgetary perspective, this fact is a compelling argument in favor the selection made by DPA/OIT. The lack of clarity and consensus surrounding the capital construction costs of the solution not favored by DPA/OIT, however, makes the Committee's decision on this request more complicated than simply comparing solutions on a cost basis.

Ultimately, after studying the project and contemplating the option to fund or not fund the completion of the project, staff recommends that the Committee approve the supplemental requests (capital construction/operating) put forth by DPA/OIT to finish HRWorks. It is staff's opinion that the HRWorks project suffered from a series of procurement and project management issues that caused it to follow a rocky implementation path. The actions of the agencies involved have undoubtedly driven up the costs of the project beyond what was originally proposed to the General Assembly, thus necessitating a supplemental funding request. Rather than recommending that the project be ceased altogether based on a series of process issues, staff recommends moving forward with a solution that the executive branch is confident it can implement. Staff does not have evidence to suggest that the circuitous path taken has arrived at a technology destination that is anything other than what DPA/OIT believe is the most appropriate and cost-effective solution to meet the needs of the state's time and leave tracking processes.

Despite staff recommending funding the agencies' request and moving forward, it is hoped that this is not the end of the discussion. Staff recommends that the Committee and its legislative colleagues focus attention on ensuring that changes are made to the procurement process such that the General Assembly is not asked again to fulfill the role of referee between executive branch agencies and vendors over contracting decisions. Until such changes are made, the Committee may wish to deny all future capital construction information technology project requests made by the executive branch.

# MEMORANDUM

JOINT BUDGET COMMITTEE

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|---|---|
| TO | Joint Budget Committee |
| FROM | Kevin Neimond, JBC Staff (303-866-4958) |
| DATE | January 30, 2018 |
| SUBJECT | Staff Comeback for a Technical Correction in Capital Construction IT Section |

The JBC approved a nonmonetary scope change for the Department of Personnel's Collection System capital construction information technology project at its September 2017 meeting. The scope change, from a custom-built solution to an off-the-shelf solution, requires less cash funds to implement than is included in the Department's FY 2015-16 appropriation.

During the September meeting, staff indicated that the "Committee may wish to adjust the FY 2015-16 cash funds spending authority for this project during the supplemental process in January 2018 to more accurately reflect the costs of the proposed pre-built solution." Staff failed to include this technical adjustment in his supplemental recommendations presentation for capital construction information technology projects on January 24th.

STAFF RECOMMENDATION: Staff recommends that the Committee decrease the cash funds spending authority for the Department of Personnel by $11,811,135 for FY 2015-16 to align the appropriation with the funding required to complete the Collections System project. Additionally, staff recommends that the Committee decrease the reappropriated funds spending authority for the Governor's Office of Information Technology by a like amount to reflect the amended appropriation that the Department of Personnel will transfer to the Office for this project.

# MEMORANDUM


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|---|---|
| TO | Members of the Joint Budget Committee |
| FROM | Megan Davisson, JBC Staff |
| DATE | January 30, 2018 |
| SUBJECT | Department of Corrections FY 2017-18 Tabled Supplemental |

**WHY THE SUPPLEMENTAL WAS TABLED**

The Committee tabled a decision on Department of Corrections S1A Lease Private Prison to Add 250 Beds. The Committee requested additional information on the cost and capacity issues resulting from the projected prison population growth. Staff recommendation has not changed since the original presentation. Based on additional discussion with the Department, if the Committee does not approve funding for the lease, staff would recommend the Committee approve an appropriation of $829,448 General Fund for payment to local jails to ensure there is sufficient bed capacity for the FY 2017-18 offender population.

Following a summary of the supplemental write up, is a section titled "Additional Information Requested by the Committee." All information in the "Additional Information Requested by the Committee" is new information from the January 23, 2017 presentation.

## S1A LEASE PRIVATE PRISION TO ADD 250 BEDS

| | REQUEST | RECOMMENDATION |
|---|---|---|
| **TOTAL** | **$4,836,193** | **$4,329,876** |
| FTE | 22.3 | 22.3 |
| General Fund | 4,833,782 | 4,327,465 |
| Cash Funds | 2,411 | 2,411 |

| **Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** | **YES** |
|---|---|
| [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.] | |

**Explanation:** JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

This request was tabled by the Committee pending additional information on the cost comparisons of state and private prisons as well as the options to address the projected prison population growth.

DEPARTMENT REQUEST: The Department requests $4,836,193 total funds, of which $4,833,782 is General Fund and 22.3 FTE to lease a private prison and add 250 beds to the State's prison capacity for FY 2017-18. The request includes the following:

- $4,486,193 total funds and 22.3 FTE for the partial year costs (March through June) to lease and staff a private prison facility while construction of recreation yards and cell modifications can be made to the Centennial Correction Facility – South (Centennial South). This would add 250 beds to the Department's bed capacity and result in a FY 2018-19 cost of $12,326,526 total funds and 119.6 FTE; and
- $350,000 General Fund to add furniture to dayroom areas in the units and enclose kiosks in the cells at the Centennial South.

STAFF RECOMMENDATION: Staff recommends (1) the Committee approve the request with two modifications and (2) the Committee sponsor legislation, which directs the Department to implement the recommendations of the 2016 Prison Utilization Study 2.0. Recommendation (2) is a modification of the JBC's potential bill #1 that only removes the statutory prohibition on housing offenders at Centennial South.

Recommendation (1) - Staff recommends that the Committee approve $4,329,876 total funds, of which $4,327,465 is General Fund and 22.3 FTE. The recommendation includes the following differences from the request:

- The recommendation does not include $156,317 General Fund for officer supplies as this is reflected in the revised staff recommendation for the September interim supplemental; and
- The recommendation does not include $350,000 for cell modifications and day room furniture for Centennial South because of the current statutory prohibition on housing offenders at Centennial South.

Recommendation (2) – Staff recommends the Committee sponsor legislation that directs the Department to implement the recommendations of the 2016 Prison Utilization Study 2.0 for how to use Centennial South. The legislation should require the Department to:

- Make necessary modifications to Centennial South so that it can be opened and operated as an intake and reentry facility;
- Make the capital construction changes recommended in the Utilization Study 2.0; and
- Engage stakeholders during the design phase for the reentry portion of Centennial South.

*NEW INFORMATION:* If the Committee does not adopt the staff recommendation, staff would recommend the Committee approve an appropriation of $829,448 General Fund for payment to local jails to ensure there is sufficient bed capacity for the FY 2017-18 offender population.

*EXPLANATION:* The reason for the additional appropriation to reimburse local jails is based on the projected offender population through the end of FY 2017-18. The Department's supplemental request anticipated having 250 additional beds at the leased facility by May 2018. If the funding for those beds is not approved, the offenders that would have occupied those beds would remain in county jails until a state prison bed was available.

## STAFF ANALYSIS:

### *DECISION POINTS*

There are two main decisions the Committee and the General Assembly will need to make regarding funding for the Department of Corrections in FY 2017-18 and FY 2018-19.

1. How does the Committee and General Assembly want to address the projected prison population growth beyond current system capacity?
2. Should the Centennial Correction Facility – South Campus (Centennial South) be used? If so, how should the facility be used?

Any offender placement at the Centennial Correctional Facility – South Campus requires statutory change because current statute (Section 17-1-104.3 (1)(b.5), C.R.S.) prohibits the Department from housing offenders at this facility.

### *CURRENT AND PROJECTED PRISON POPULATION*

The December 2017 prison population was 19,792. The Division of Criminal Justice's population projection for December 2017 was 19,728 (64 less than the actual population). The following table compares the Division of Criminal Justice and Legislative Council prison population projections for FY 2017-18 and FY 2018-19 with the December 2017 actual prison population figure.

| CURRENT AND PROJECTED PRISON POPULATION | | |
|---|---|---|
| | POPULATION | CHANGE FROM DECEMBER |
| December 2017 Actual | 19,792 | |
| | | |
| Division of Criminal Justice | | |
| FY 2017-18 | 19,786 | (6) |
| FY 2018-19 | 20,900 | 1,108 |
| Legislative Council | | |
| FY 2017-18 | 19,962 | 170 |
| FY 2018-19 | 20,713 | 921 |

As of December 2017, there are 364 vacant state prison beds (2.2 percent vacancy rate). There are approximately 438 empty private prison beds, of which the Department is requesting to fund 392 (this request is discussed in S1B External Capacity Midyear Caseload Adjustment). The Department aims to keep 330 beds vacant for offender management purposes. That leaves the Department with approximately 35 beds that could safely be filled. Based on the projections summarized above, the Department could end FY 2017-18 at or near capacity. Capacity issues are projected to grow quickly in FY 2018-19. Ensuring the Department has sufficient bed capacity to house offenders is the primary reason staff is recommending funding to lease a private prison. If funding is approved, the Department anticipates opening the private prison by March 1, 2018 and the request reflects partial year personal services and operating costs. The lease is expected to cost $400,000 per month. Since the Department already received approval for funding in September, the timeline reflects the work already invested into setting up a potential lease.

The second reason staff recommends the Department request is because it will take time (between one and three months) to hire and train new correctional officers. All new Department staff are required to pass the twenty-one day training academy. Upon completion of the training academy, new officers will have a short time shadowing experienced officers to learn the systems and processes. Waiting until FY 2018-19 to start hiring and training staff will lead to a staffing shortage as new beds are filled with offenders.

*LONG-TERM USE OF CENTENNIAL SOUTH*

The Department's request would lease the private prison through December 2018, and upon passage of legislation, would transfer the offenders to Centennial South. The transfer date of offenders is dependent on the timing of statutory changes, construction of recreation yards, cell modifications, and the addition of day room furniture. Staff is concerned that moving offenders to Centennial South without implementation of the Utilization Study 2.0 recommendations may not be an appropriate use of Centennial South. Centennial South was designed to house offenders in administrative segregation and was not designed to house general population offenders. Requiring the Department to implement the Prison Utilization Study 2.0 recommendations would ensure the Department is not housing offenders in a highly restrictive facility not designed for a lot of offender movement. The staff recommendation is designed to address the FY 2017-18 and FY 2018-19 capacity issues, as well as the long-term question of what to do with Centennial South.

*COMMUNITY CORRECTIONS TRANSITIONS*

During the FY 2018-19 staff briefing for the Division of Criminal Justice about increasing the transitions of offenders from prison to community corrections. The Division of Criminal Justice indicated at the hearing that within twelve months it could be possible to hit a community corrections utilization rate of 8.0 percent of the prison population. As of December 31, 2017, 6.2 percent of the prison population was in community corrections. The Department's request does not address the impact of transitioning more offenders to community corrections. If the utilization of community corrections can be increased to 8.0 percent, an additional 350 offenders could be in community corrections. Since increasing offenders to community corrections is not something that can occur immediately, the staff recommendation assumes for FY 2017-18, there will be no substantial changes in the community corrections utilization rate.

*COMMITTEE OPTIONS*

The following are two alternatives to the staff recommendation for the Committee's consideration.

Option 1 – The Committee could approve funding for the private prison lease only and could table the decision about legislative changes until figure setting. This option would provide the Department with additional bed capacity and funding to hire additional staff. Additionally this option would allow the Committee time to discuss a long-term solution for Centennial South with other members of the General Assembly.

Option 2 – The Committee could table all decisions regarding the private prison lease and legislative changes until figure setting. This option would make it difficult for the Department to prepare for the expected increase in the offender population. Additionally, not adding 250 beds through the private prison lease would likely increase the jail backlog numbers because the Department would lack empty prison beds for new offenders.

## ADDITIONAL INFORMATION REQUESTED BY THE COMMITTEE

The Committee requested the following information

1. Explanation of the December 2017 prison population projections
2. Summary of the total new beds needed by June 30, 2018
3. Options for expanding bed capacity
4. Cost of the options for expanding bed capacity
5. Comparison of state vs private prison costs

### PRISON POPULATION PROJECTIONS

Prison population projections are done by Legislative Council and the Division of Criminal Justice, not the Department of Corrections. Forecasters use data from the Department of Corrections, the Judicial Department, Legislative Council, and the Parole Board to inform the projections.

| DATA AND SOURCES USED FOR PRISON POPULATION PROJECTIONS | |
|---|---|
| DATA | SOURCE |
| Monthly population and capacity reports | Corrections - Institutions |
| Data from DOC including fiscal year: admissions, releases, end of the year population | Corrections Management Information System |
| Offender based information (e.g. crime, length of sentence, time served, etc.) | Corrections Management Information System |
| Case filings and terminations | Judicial |
| Number and outcome of parole hearings | Parole Board |
| Parole outcomes | Corrections - Parole |
| Fiscal notes | Legislative Council |
| Length of stay estimates | Division of Criminal Justice |

The following is a summary of the factors used as a basis for the projections.

| FACTORS HIGHLIGHTED IN EACH POPULATION PROJECTION | |
|---|---|
| DIVISION OF CRIMINAL JUSTICE | LEGISLATIVE COUNCIL |
| Court filings | Court filings and commitments |
| Probation Revocations | Parole revocations |
| Population Growth | Population |
| H.B. 15-1043 Felony DUI | Legislation including H.B. 15-1043 |
| Life sentences | Parole Board discretionary parole |
| Lifetime Supervision Act | |

The following is a highlight from each of the forecasts that explains the reasons for the projected growth.

*Division of Criminal Justice*

"The growth in the prison population previously forecast continues in the current forecast, but at a much greater rate. The population is expected to reach 27,770 by the end of FY 2024. In the short term, the total population is expected to experience negative growth as a result of HB 17-1326, which reduces the length of stay in prison following a parole revocation for many offenders. However, these offenders have a very short length of stay in prison and not the primary contributors to future prison growth. Therefore, renewed growth is expected by the end of FY 2019. The main driver in the extended population growth is an increasing rate of growth in criminal court filings, which increased

by 12.5% over each of the past two years. Over the past 5 years, criminal filings have increased 45.6%[1]."

*Legislative Council*
"The December 2016 forecast predicted that the state adult inmate population would total 19,847 persons at the end of FY 2016-17, increasing 1.2 percent from the end of the prior year as the number of inmates sentenced to prison increased and releases slowed. The population actually increased more significantly than forecast, growing 2.5 percent to 20,101 inmates. The forecast underestimated the increase in prison admissions attributable to new court commitments. A total of 5,698 offenders were committed to the custody of the Department of Corrections (DOC) upon conviction for new crimes – an increase of 598 offenders, or 11.7 percent, from the previous fiscal year. … Increases in felony criminal case filings at Colorado district courts have not shown signs of abetting, contributing to higher admissions expectations. Additionally, the effects of House Bill 17-1326, a major contributor to the falling prison and increasing parole populations thus far during the current FY 2017-18, are expected to moderate over the first half of 2018.

The prison population fell 1.9 percent between June and November [of 2017]; however, the decrease is attributable to policy changes that are mostly phased in and are not expected to result in population reductions of this magnitude going forward. Assuming the continuation of current prosecution and sentencing trends, the prison population is expected to continue to increase consistent with rapidly rising felony caseload. The prison population is expected to fall 0.7 percent over the whole of FY 2017-18, representing an increase from its present level, and to grow by an additional 3.8 percent in FY 2018-19 and 2.2 percent in FY 2019-20[2]."

## TOTAL NEW BEDS NEEDED BY JUNE 30, 2018

The following table summarizes, based on the December 2017 prison population projections, how many new beds the Department will require.

| NEW BEDS NEEDED BY JUNE 30, 2019 | |
|---|---|
| Division of Criminal Justice | 1,108 |
| Legislative Council | 921 |

## OPTIONS FOR HOW TO ADD NEW BEDS

The following are six options for adding additional beds to the state's bed capacity.

| OPTIONS FOR ADDING NEW BEDS | | | |
|---|---|---|---|
| OPTION | NAME | NEW BEDS | DESCRIPTION |
| 1 | Private Prisons | 438 | Utilize all available private prison beds |
| 2 | Vacant State Beds | 35 | Utilize all state prison beds while maintaining a 2.0% bed vacancy rate for management purposes |
| 3 | Leased Private Prison Beds | 750 | Fully open the private prison facility |
| 4 | Centennial South - No changes | 948 | Open Centennial South without any changes |
| 5 | Centennial South changes - net change to state bed capacity | 820 | This would require the changes recommended in the 2016 Utilization Study - this 820 is the net bed gain to the state system after all the changes are made. |
| 6 | Increase Community Corrections Utilization | 357 | Increase the percentage of transition offenders in Community Correction to 8.0 percent and create vacant prison beds |

[1] Division of Criminal Justice, December 14, 2017 "Factors Influencing the DCJ December 2017 Prison Population Forecast."
[2] Legislative Council, "Focus Colorado: Economic and Revenue Forecast. Adult Prison Population and Parole Caseload Projections". December 20, 2017.

*Timing of Options 4, 5, and 6*
Option 4 requires statutory change and the construction of recreation yards. The Department anticipates recreation yard construction would take six to nine months.

Option 5 would require statutory change and would cover the following timeline:

- If funding is approved to begin July 1, 2018, the first year will be contract and selection, design, bidding, and contract award.
- Construction and updates could start in approximately May 2019 through June 2020
    - Centennial South improvements May through August 2019;
    - Denver Reception and Diagnostic Center renovation October 2019 through February 2020;
    - Centennial North American with Disabilities Act (ADA) improvements May through June 2020.

Option 6 would take approximately twelve months to implement based on responses provided by the Division of Criminal Justice at the January hearing.

**COST OF OPTIONS FOR ADDING NEW BEDS**

COST OF OPTIONS FOR ADDING NEW BEDS

| Option | Name | New Beds | Estimated Full Year Cost |
|---|---|---|---|
| 1 | Private Prisons* | 438 | $9,171,742 |
| 2 | Vacant State Beds | 35 | No new additional cost |
| 3a | Leased Private Prison Beds (3 options based on the number of beds) | 250 | $12,326,526 |
| 3b | | 500 | $19,314,465 |
| 3c | | 750 | $24,306,549 |
| 4 | Centennial South - No changes | 948 | $26,302,155 |
| 5 | Centennial South changes - net change to state bed capacity** | 820 | $30,091,504 |
| 6 | Increase Community Corrections Utilization^ | 355 | $5,530,261 |

*Assumes a daily Rate of $56.80, any change to the provider rate policy could change this number.
^ Assumes a daily rate of $42.68, any change to the provider rate policy could change this number.
** Includes $10,495,993 for capital construction costs.

*Comparison of State and Private Prison Costs*
The following is from the Department's December 2017 report on private prison contracts and the Department's January hearing responses on the differences between state and private prison costs. "There are some differences in the populations housed in state and private prisons that lead to different costs between private and state facilities. Several state prisons have specialized missions to manage offenders with severe medical issues, high mental health needs, and high custody levels, which private prisons are not designed to accommodate. By contract, private prisons serve offenders that do not exceed Level III custody level, P3 (mild – stable symptoms, well-functioning) psychological needs level for mental health, or M4 (stable, does not require transportation for medical treatment, no serious medical diagnosis) medical needs level. If an offender has emerging high needs for mental health or medical treatment, they are transferred to a DOC facility. The offender is also transferred to a DOC facility if their behavior escalates to merit classification above a Level III custody level.

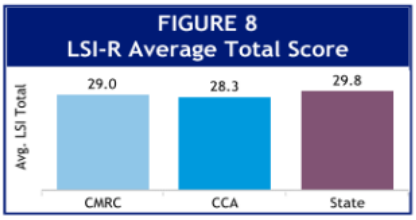
In addition, the private prisons do not provide Track I or Track II treatment for sex offenders, although the Cheyenne Mountain Re-entry Center offers a sex offender maintenance program for

those that have completed treatment. Residential Treatment Programs (RTPs) are provided only in DOC facilities; these programs provide an intensive treatment saturated environment for offenders with mental illness. Seven therapeutic communities (TCs) in state facilities serve offenders with substance use disorders; private prisons do not have TC or RTP programs. The Department also provides diagnostic services, the intake and majority of release services (CMRC does release offenders), transportation to/from the private facilities, and offender tracking (movement between facilities, time computation, records) for all offenders in the correctional system, state and private.

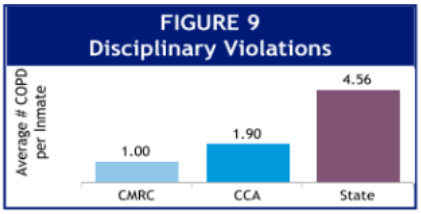
The private prisons also report a higher turnover rate for correctional officers than state prisons. According to information provided by the private prisons to the Department on December 26, 2017, Crowley County had a 38.7 percent annualized turnover in staff as of November, 2017, with 60.3% of that number being Correctional Officers with less than 1 year of service; Bent County reports a 29.8 percent turnover for Correctional Officers; and Cheyenne Mountain Re-entry Center reports turnover was 49.3 percent for all classifications from October 2016 through September 2017. The higher turnover could be attributed to their lower hourly pay, as well as the overall competitive employment market in Colorado, which also affects DOC. The Department's turnover rate for CO I's is 23.8 percent for FY 2016-17."

The following table summarizes the cost per day differences between state and private prisons.

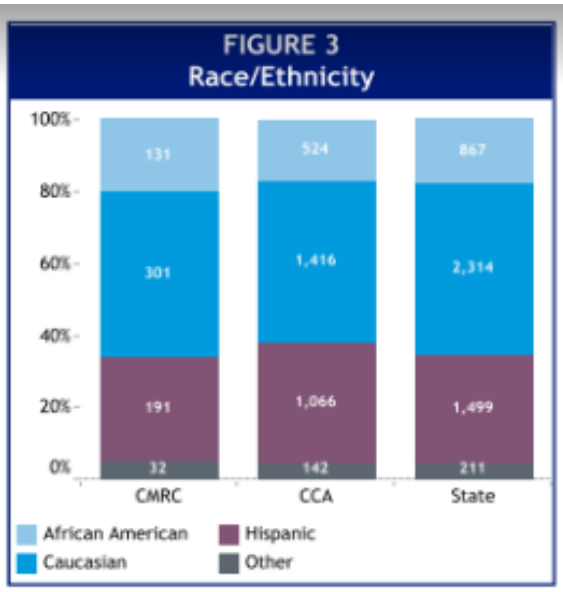
| COMPARISON OF STATE AND PRIVATE PRISON COSTS | |
|---|---|
| | PER OFFENDER PER DAY COST |
| FY 2017-18 Daily Rate | $56.80 |
| The Geo Group Estimate | $70.00-$85.00 |
| Core Civic Estimate | $67.00-$75.00 |
| Average Male Level III State Facility | $89.46 |



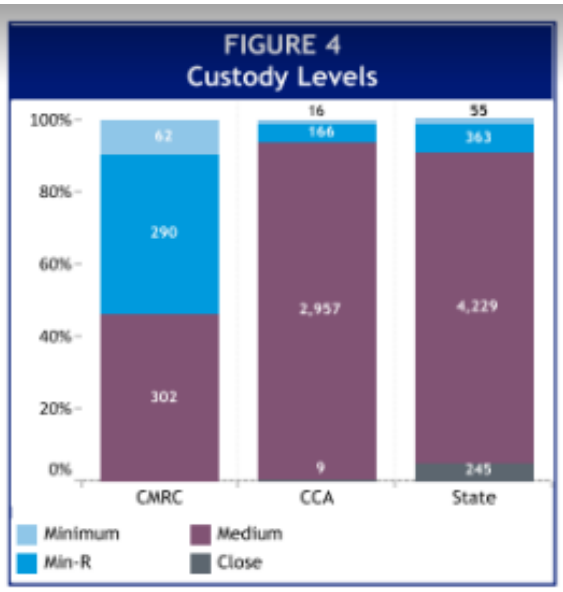

* State includes only Level III Male Facilites for comparison.




* State includes only Level III Male Facilites for comparison.




* State includes only Level III Male Facilites for comparison. Data unavailable for some offenders.




* State includes only Level III Male Facilites for comparison. Data unavailable for some offenders.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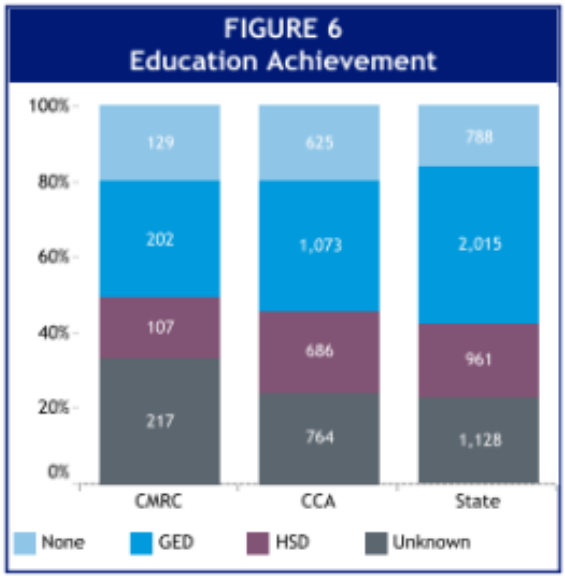
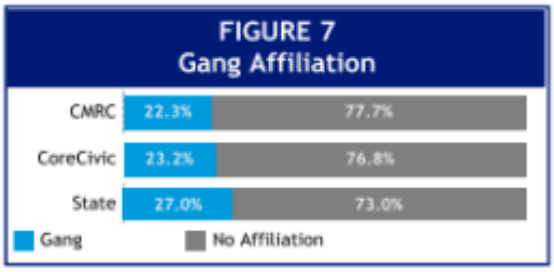



* State includes only Level III Male Facilites for comparison. Data unavailable for some offenders.




* State includes only Level III Male Facilites for comparison.

# MEMORANDUM

JOINT BUDGET COMMITTEE

| | |
|---|---|
| TO | Joint Budget Committee Members |
| FROM | Craig Harper, JBC Staff (303-866-3481) |
| DATE | January 26, 2018 |
| SUBJECT | Supplemental Comeback for Department of Education S1 (Total Program) |

During discussion of the Department of Education's supplemental requests for FY 2017-18, the Committee tabled request S1 (Total Program Adjustments) for further discussion and because the request requires a separate (statutory) bill. The relevant section of the staff supplemental document is below.

## PRIORITIZED SUPPLEMENTAL REQUESTS

### S1 TOTAL PROGRAM ADJUSTMENTS

| | REQUEST | RECOMMENDATION |
|---|---|---|
| **TOTAL** | **($96,973,762)** | **($96,900,446)** |
| Cash Funds | ($96,973,762) | ($96,900,446) |

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of data that were not available at the time of the original appropriation.

DEPARTMENT REQUEST: The request proposes to reduce appropriations of state funds related to school finance by a total of $96,969,707 cash funds, including reductions of $83,759,169 from the State Education Fund and $13,210,538 from the State Public School Fund. The request includes the following components to align with actual data concerning local revenues available for school finance as well as pupil counts.

- Local revenues are approximately $97.0 million higher than anticipated in the original appropriation. By reducing the *state share* of total program funding by that amount (including reductions of $83.8 million cash funds from the State Education Fund and $13.2 million from the State Public School fund), the request proposes to maintain a constant level of *total program funding after the application of the budget stabilization factor* ($6,634,951,082).
- The funded pupil count and the at-risk pupil count are both lower than anticipated in the original appropriation, which reduces total program funding before the application of the budget stabilization factor by $12.9 million. Thus, maintaining total program funding after the application of the budget stabilization factor reduces the budget stabilization factor for FY 2017-18 by $12.9 million (from $828.3 million in the original appropriation to $815.4 million).
- The request also includes an increase of $4,055 cash funds from the State Education Fund for the Hold-harmless Full-day Kindergarten line item to align appropriations for that line item with actual data and the proposed reduction in the budget stabilization factor.

STAFF RECOMMENDATION: Staff recommends that the Committee approve the Department's request to maintain total program funding at the amount anticipated in the original appropriation, reduce the value of the budget stabilization factor by $12.9 million, and adjust the funding for Hold-harmless Full-day Kindergarten Funding accordingly. Based on minor updates to the data underlying the Department's request (local share and pupil counts), staff recommends a total reduction of $96,896,391 cash funds, including the following components:

- A reduction of $96,900,446 cash funds, including reductions of $84,034,372 from the State Education Fund and $12,866,074 from the State Public School Fund, for the State Share of Districts' Total Program Funding line item to adjust for the actual increase in local revenues available for school finance. The recommendation adjusts for current revenue estimates to target a $5.0 million balance in the State Public School Fund at the end of FY 2017-18 and retains the remainder of the reduction in the State Education Fund (with a projected balance of approximately $245.6 million at the end of FY 2017-18).
- An increase of $4,055 cash funds from the State Education Fund for the Hold-harmless Full-day Kindergarten Funding line item (as requested).

The request and recommendation require separate legislation to adjust the statutory provisions and associated appropriations detailing total program funding amounts in FY 2017-18.

STAFF ANALYSIS:

**BACKGROUND:** The School Finance Act builds each school district's total program funding based on four basic variables: (1) inflation (Amendment 23 increases statewide base per pupil funding by the rate of inflation each year based on the change in the Denver-Boulder-Greeley consumer price index from the previous calendar year); (2) funded pupil count (which is multiplied by per pupil funding for each district to generate the total program amount); (3) at-risk pupil counts for each district; and (4) local revenues (from property taxes and specific ownership taxes) available to support total program. Once the formula calculates a per pupil amount for each district, the Department then adds a flat per pupil funding amount for two groups of students: multi-district on-line students and ASCENT participants.

Of these variables, only the applicable inflation rate and the legislatively-approved number of ASCENT participants are available when the General Assembly establishes the Long Bill appropriation for school finance. The General Assembly uses estimates of pupil counts, at-risk pupil counts, and local revenues to set the initial school finance appropriation each year. Subsequently:

- School districts conduct an annual pupil count (on or near October 1) and then work with the Department to finalize both funded pupil counts and at-risk pupil counts by mid-December.
- County assessors certify to the Department of Education the total valuation for assessment of all taxable property (by August 25) and the State Board of Equalization certifies assessors' abstracts of assessments (by December 20).
- School district boards, with the assistance of the Department, certify to their respective boards of county commissioners and inform their county treasurers of the district's mill levy for school finance (by December 15).

Thus, by early January of each fiscal year, school districts and the Department know the actual funded pupil count, at-risk pupil count, and local revenues available to support school finance. Section 22-54-

106 (4) (b), C.R.S., requires the Department to submit a request for a supplemental appropriation in an amount that would fully fund the state share of districts' total program funding. Statute does not require the General Assembly to fund the requested supplemental appropriation. If existing appropriations are insufficient and the General Assembly does not provide additional funds or reduces the existing appropriation, Section 22-54-106 (4) (c), C.R.S., requires the Department to reduce state aid for each school district and each Institute charter school on a pro rata basis.

**TOTAL PROGRAM FUNDING SUMMARY:** The Department is requesting legislative action to adjust total program funding to account for higher than anticipated local revenues as well as lower than anticipated pupil counts and at-risk pupil counts.

- Based on a $96.9 million increase in local revenues available for school finance (relative to the amount assumed in the original appropriation), the Department proposes to reduce the state share of total program funding by that amount to hold total program funding constant at $6.6 billion.
- The actual funded pupil count and the at-risk pupil count are both lower than anticipated in the original appropriation, which reduces total program before the application of the budget stabilization factor by $12.9 million. As a result, holding total program funding after the application of the budget stabilization factor constant actually reduces the value of the budget stabilization factor by $12.9 million.

Table A summarizes the changes in the Department's total program supplemental request. Table B then compares the proposed changes to mid-year adjustments to the state share in recent years.

TABLE A: CHANGES TO SCHOOL FINANCE BASED ON ACTUAL ENROLLMENT AND LOCAL REVENUES

| | FY 2016-17 | FY 2017-18 | | |
|---|---|---|---|---|
| FISCAL YEAR | FINAL APPROPRIATION | DATA USED FOR INITIAL APPROPRIATION | REVISED DATA | MID-YEAR CHANGE |
| Funded Pupil Count | 858,795.8 | 865,934.9 | 865,016.9 | (918.0) |
| *Annual Percent Change* | | *0.8%* | *0.7%* | |
| At-risk Pupil Count | 307,385 | 309,646 | 302,653 | (6,993) |
| *Annual Percent Change* | | *0.7%* | *-1.5%* | |
| Statewide Base Per Pupil Funding | $6,368 | $6,546 | $6,546 | $0 |
| *Annual Percent Change* | *1.2%* | *2.8%* | *2.8%* | |
| **Total Program Funding PRIOR TO Budget Stabilization Factor** | **$7,201,112,934** | **$7,463,231,556** | **$7,450,314,093** | **($12,917,463)** |
| | | | | |
| Less: Budget Stabilization Factor Reduction | (828,280,474) | (828,280,474) | (815,363,011) | 12,917,463 |
| *Budget Stabilization Factor as % of Total program* | *11.50%* | *11.10%* | *10.94%* | |
| **EQUALS: Adjusted Total Program Funding** | **$6,372,832,460** | **$6,634,951,082** | **$6,634,951,082** | **$0** |
| *Annual Percent Change* | *2.1%* | *4.1%* | *4.1%* | |
| Statewide Average Per Pupil Funding (for adjusted total program funding) | $7,420.66 | $7,662.18 | $7,670.31 | $8.13 |
| *Annual Percent Change* | *1.5%* | *3.3%* | *3.4%* | |
| Local Share of Districts' Total Program Funding | $2,257,704,955 | $2,409,944,058 | $2,506,844,504 | $96,900,446 |
| Property Tax Revenue | 2,089,992,070 | 2,237,199,796 | 2,328,498,022 | 91,298,226 |
| Specific Ownership Tax Revenue | 167,712,885 | 172,744,262 | 178,346,482 | 5,602,220 |
| *Annual Percent Change on Total* | *-0.1%* | *6.7%* | *11.0%* | |
| **State Share of Districts' Total Program Funding** | **$4,115,127,505** | **$4,225,007,024** | **$4,128,106,578** | **($96,900,446)** |
| *Annual Percent Change* | *3.4%* | *2.7%* | *0.3%* | |
| *State Share as Percent of Districts' Total Program* | *64.6%* | *63.7%* | *62.2%* | |

TABLE B: HISTORY OF MID-YEAR APPROPRIATION ADJUSTMENTS FOR *STATE SHARE* OF SCHOOL FINANCE

| FISCAL YEAR | TOTAL STATE SHARE APPROPRIATION MADE IN SESSION PRECEDING FISCAL YEAR | MID-YEAR ADJUSTMENTS | | FINAL APPROPRIATION |
|---|---|---|---|---|
| | | DOLLARS | % CHANGE | |
| FY 2007-08 | 3,266,328,775 | (113,617,998) | -3.5% | 3,152,710,777 |
| FY 2008-09 a/ | 3,393,363,222 | (418,016) | 0.0% | 3,392,945,206 |
| FY 2009-10 b/ | 3,696,288,785 | (177,332,868) | -4.8% | 3,518,955,917 |
| FY 2010-11 c/ | 3,399,817,396 | (193,428,514) | -5.7% | 3,206,388,882 |
| FY 2011-12 | 3,336,347,674 | (4,425,519) | -0.1% | 3,331,922,155 |
| FY 2012-13 | 3,336,460,619 | 13,253,672 | 0.4% | 3,349,714,291 |
| FY 2013-14 | 3,532,662,765 | 55,437,495 | 1.6% | 3,588,100,260 |
| FY 2014-15 | 3,953,506,569 | (2,894,086) | -0.1% | 3,950,612,483 |
| FY 2015-16 | 4,113,321,146 | (133,542,173) | -3.2% | 3,979,778,973 |
| FY 2016-17 | 4,115,127,505 | 0 | 0.0% | 4,115,127,505 |
| FY 2017-18 (requested adjustment) | 4,225,007,024 | (96,900,446) | -2.3% | 4,128,106,578 |

a/ In FY 2008-09 the General Assembly did not approve a $26.3 million supplemental request to fully fund the existing statutory total program funding formula. The General Assembly passed legislation (S.B. 09-215) to adjust base per pupil funding for FY 2008-09, eliminating the additional $19.72 per pupil that was not constitutionally required, thereby reducing total program funding by $20.0 million. Ultimately, the Department was required to rescind $5,777,656.

b/ The 2009 school finance bill (S.B. 09-256) included a provision requiring school districts and the State Charter School Institute to create and budget an amount in FY 2009-10, equivalent to about 1.9 percent of total program funding (a total of $110 million statewide), to a fiscal emergency restricted reserve. The act allowed districts to spend the moneys in the reserve beginning January 29, 2010, unless the General Assembly reduced state appropriations for school finance prior to that date. The General Assembly subsequently reduced state appropriations by $177 million, including a reduction of $110 million as contemplated in S.B. 09-256, as well as a reduction of $67 million to reflect higher than anticipated local revenues. This mid-year adjustment did not add $19.8 million to fund a higher than anticipated number of funded pupils and at-risk pupils. Thus, the Department was required to rescind a total of $129,813,999.

c/ The mid-year adjustments for FY 2009-10 included: (1) a reduction of $216,358,164 General Fund, which was fully offset by the appropriation of federal moneys; and (2) an increase of $22,929,650 cash funds to offset lower than anticipated local revenues. This mid-year adjustment did not increase the appropriation to fund a higher than anticipated number of funded pupils and at-risk pupils, resulting in a decrease in the average per pupil funding amount.

The following sections provide additional detail and historical context for each component of the Department's request.

**FUNDED PUPIL COUNT:** The actual funded pupil count is lower than anticipated in the original FY 2017-18 appropriation. The original appropriation assumed a total statewide funded pupil count of 865,934.9; the actual count is 865,016.9, a decrease of 918.0 (0.1 percent) below the anticipated count. As shown in Table C, this is a typical mid-year adjustment.

TABLE C: COMPARISON OF ESTIMATED AND FINAL FUNDED PUPIL COUNTS

| FISCAL YEAR | ESTIMATE FOR INITIAL APPROPRIATION | MID-YEAR ADJUSTMENTS | | ESTIMATE FOR FINAL APPROPRIATION |
|---|---|---|---|---|
| | | FUNDED PUPILS | % CHANGE | |
| FY 2002-03 | 715,793.4 | 1,955.3 | 0.3% | 717,748.7 |
| FY 2003-04 | 725,360.6 | (2,130.6) | -0.3% | 723,230.0 |
| FY 2004-05 | 728,575.3 | 841.2 | 0.1% | 729,416.5 |
| FY 2005-06 | 738,014.1 | 3,389.2 | 0.5% | 741,403.3 |
| FY 2006-07 | 750,306.8 | 3,031.2 | 0.4% | 753,338.0 |
| FY 2007-08 | 768,416.3 | 7,499.0 | 1.0% | 775,915.3 |
| FY 2008-09 | 776,017.0 | 2,118.9 | 0.3% | 778,135.9 |
| FY 2009-10 | 788,648.3 | 862.8 | 0.1% | 789,511.1 |
| FY 2010-11 | 797,438.5 | 1,238.1 | 0.2% | 798,676.6 |
| FY 2011-12 | 805,890.6 | 2,303.9 | 0.3% | 808,194.5 |
| FY 2012-13 | 817,221.0 | 438.7 | 0.1% | 817,659.7 |

| TABLE C: COMPARISON OF ESTIMATED AND FINAL FUNDED PUPIL COUNTS | | | | |
|---|---|---|---|---|
| FISCAL YEAR | ESTIMATE FOR INITIAL APPROPRIATION | MID-YEAR ADJUSTMENTS | | ESTIMATE FOR FINAL APPROPRIATION |
| | | FUNDED PUPILS | % CHANGE | |
| FY 2013-14 | 828,045.0 | 2,788.0 | 0.3% | 830,833.0 |
| FY 2014-15 | 845,136.0 | (589.6) | -0.1% | 844,546.4 |
| FY 2015-16 | 855,390.5 | (2,139.1) | -0.3% | 853,251.4 |
| FY 2016-17 | 861,441.4 | (2,645.6) | -0.3% | 858,795.8 |
| FY 2017-18 (request) | 865,934.9 | (918.0) | -0.1% | 865,016.9 |

Prior to the implementation of the budget stabilization factor, a decrease in the funded pupil count would generally decrease districts' total program funding pursuant to the School Finance Act. For example, the original FY 2017-18 appropriation assumes $7,662.18 in statewide average per pupil funding. With 918.0 fewer students in the actual count, maintaining that statewide average would allow for a reduction of $7.0 million in total program funding. The Department's request to maintain total program funding would increase statewide average per pupil funding to $7,670.31 (an increase of $8.13).

**PER PUPIL FUNDING:** The number of at-risk students is also lower than anticipated. The original appropriation assumed Colorado would have 309,646 at-risk pupils statewide. However, the Department's actual count is 302,653, a decrease of 6,993 (2.3 percent) below the anticipated count. Based on the October 2017 student count, at-risk students now comprise 35.0 percent of students statewide, 0.8 percent below the 35.8 percent of students in FY 2016-17.

The School Finance Act provides additional funding for at-risk students. Thus, an increased number of at-risk students would typically increase a district's total program funding and statewide average per pupil funding, while a decreased number of at-risk students would typically decrease total program funding and statewide average per pupil funding. The Department's request (and staff's recommendation) would maintain total program funding at current levels and increase statewide average per pupil funding by $8.13. Table D compares the requested adjustment to mid-year changes in recent years.

| TABLE D: COMPARISON OF ESTIMATED AND FINAL STATEWIDE AVERAGE PER PUPIL FUNDING | | | | |
|---|---|---|---|---|
| FISCAL YEAR | ESTIMATE FOR INITIAL APPROPRIATION | MID-YEAR ADJUSTMENTS Per Pupil Funding | % Change | ESTIMATE FOR FINAL APPROPRIATION |
| FY 2007-08 | $6,658.37 | $2.66 | 0.0% | $6,661.03 |
| FY 2008-09 | 6,904.49 | (22.58) | -0.3% | 6,881.91 |
| FY 2009-10 (prior to mid-year recision) | 7,225.40 | 16.28 | 0.2% | 7,241.68 |
| FY 2010-11 (mid-year adjustment) a/ | 6,823.57 | (280.80) | -4.1% | 6,542.77 |
| FY 2011-12 | 6,468.24 | 6.00 | 0.1% | 6,474.24 |
| FY 2012-13 | 6,474.24 | 5.18 | 0.1% | 6,479.42 |
| FY 2013-14 | 6,652.28 | 0.00 | 0.0% | 6,652.28 |
| FY 2014-15 | 7,020.70 | 4.90 | 0.1% | 7,025.60 |
| FY 2015-16 | 7,294.41 | 18.28 | 0.3% | 7,312.69 |
| FY 2016-17 | 7,424.66 | (4.00) | -0.1% | 7,420.66 |
| FY 2017-18 (request) | 7,662.18 | 8.13 | 0.1% | 7,670.31 |

a/ Mid-year adjustment for FY 2010-11 does not reflect $216,358,164 in federal money that was made available to school districts but was technically not part of districts' total program funding. Including these funds would increase final per pupil funding to $6,813.27, representing a $10.30 mid-year decrease.

**STATE VS. LOCAL FUNDING FOR FY 2016-17:** Local tax revenues are $96.9 million (4.0 percent) higher than anticipated in the original appropriation. Specifically, property tax revenues are $91.3 million (4.1 percent) higher than projected last spring, while specific ownership taxes[1] are $5.6 million (3.2 percent) higher than projected. As shown in Table E, the net change is fairly large relative to recent years although not as large as the mid-year adjustment in FY 2015-16.

TABLE E: COMPARISON OF ESTIMATED AND FINAL *LOCAL* SHARE OF FUNDING

| FISCAL YEAR | ESTIMATE FOR INITIAL APPROPRIATION | MID-YEAR ADJUSTMENTS LOCAL FUNDING | MID-YEAR ADJUSTMENTS % CHANGE | ESTIMATE FOR FINAL APPROPRIATION |
|---|---|---|---|---|
| FY 2007-08 | $1,850,072,036 | $65,707,519 | 3.6% | $1,915,779,555 |
| FY 2008-09 | 1,965,055,671 | (9,186,989) | -0.5% | 1,955,868,682 |
| FY 2009-10 | 2,002,007,038 | 66,609,048 | 3.3% | 2,068,616,086 |
| FY 2010-11 | 2,041,563,656 | (22,707,653) | -1.1% | 2,018,856,003 |
| FY 2011-12 | 1,876,347,000 | 24,178,468 | 1.3% | 1,900,525,468 |
| FY 2012-13 | 1,924,424,268 | (6,175,383) | -0.3% | 1,918,248,885 |
| FY 2013-14 | 1,975,723,359 | (36,889,870) | -1.9% | 1,938,833,489 |
| FY 2014-15 | 1,979,937,820 | 2,894,086 | 0.1% | 1,982,831,906 |
| FY 2015-16 | 2,126,243,629 | 133,542,173 | 6.3% | 2,259,785,802 |
| FY 2016-17 | 2,280,782,709 | (23,077,754) | -1.0% | 2,257,704,955 |
| FY 2017-18 | 2,409,944,058 | 96,900,446 | 4.0% | 2,506,844,504 |

Maintaining the current level of total program funding would allow for a reduction of $96.9 million in state funding, while reducing the budget stabilization factor by $12.9 million because of the decreased pupil counts discussed above. Alternatively, maintaining the state share at the level of the original appropriation would increase total program funding by $96.9 million above the original appropriation (because of the increase in local revenues) and would reduce the budget stabilization factor by $109.9 million below the level assumed in the original appropriation.

**SUMMARY OF OPTIONS AND STAFF RECOMMENDATION ASSOCIATED WITH FY 2017-18 REQUEST:** Staff is recommending approval of the Department's request to maintain total program funding (the sum of state and local shares) at the original appropriated level. However, the Committee may wish to consider additional options. While the Committee could elect to change funding in any number of ways, staff offers two additional illustrative options for the Committee's consideration. Staff summarizes the options below and in Table F (on the following page).

- *Constant Budget Stabilization Factor:* Maintaining the budget stabilization factor at the level of the original FY 2017-18 appropriation ($828.3 million) would allow the state share to decrease by $109.8 million because of the higher-than-anticipated local revenues and lower-than-anticipated pupil counts. Statewide average per pupil funding would decrease by $6.80 from the amount anticipated in the original appropriation (from $7,662.18 to $7,655.38) largely because of the reduced at-risk count relative to the original projections.

[1] Counties collect vehicle registration taxes and share the revenues with local school districts. Pursuant to Section 22-54-106 (1) (a) (I), C.R.S., each district's local share of total program funding includes a portion of these district "specific ownership tax revenues" – specifically, that portion that was collected for the previous budget year that is attributable to all property tax levies made by the school district, except those levies made for the purpose of satisfying bonded indebtedness obligations (both principal and interest) and those authorized pursuant to voter approval to raise and expend additional "override" property tax revenues in excess of the district's total program (see Section 22-54-103 (11), C.R.S.). Total specific ownership tax revenues are directly related to the number and taxable value of vehicles. The portion of these revenues that count toward the local share of total program funding is impacted by school districts' general fund mill levies in relation to other school district mill levies, as well as other local mill levies.

- *Request and Staff Recommendation – Constant Total Program:* Maintaining total program funding (the combination of state and local shares) allows the state share to decrease by $96.9 million because of the increase in local revenues. Statewide average per pupil funding increases by $8.13 relative to the original appropriation and the dollar value of the budget stabilization factor decreases by $12.9 million (from $828.3 million in the original appropriation to $815.4 million). Please note that current law would require the General Assembly to sustain the reduced level of the budget stabilization factor in the FY 2018-19 appropriation. As requested by the Department, this option also requires an increase of $4,055 cash funds from the State Education Fund for the Hold-harmless Full-day Kindergarten Funding line item to align appropriations for that program with the reduction in the budget stabilization factor.
- *Constant State Share:* Maintaining a constant state share would result in a $96.9 million increase in total program funding (after the application of the budget stabilization factor) because of the increase in local revenues relative to the original appropriation. In addition, because of the lower-than-anticipated funded pupil counts and at-risk pupil counts, this option would reduce the dollar value of the budget stabilization factor by $109.8 million in FY 2017-18 (from $828.3 million in the original appropriation to $718.5 million). Current law would require the General Assembly to sustain the reduced level of the budget stabilization factor in the FY 2018-19 appropriation.

TABLE G: FY 2017-18 TOTAL PROGRAM SUPPLEMENTAL APPROPRIATION OPTIONS

| | ORIGINAL APPROPRIATION | CONSTANT BUDGET STABILIZATION FACTOR | REQUEST AND STAFF REC: CONSTANT TOTAL PROGRAM | CONSTANT STATE SHARE |
|---|---|---|---|---|
| Total Program before Budget Stab. Factor | $7,463,231,556 | $7,450,314,093 | $7,450,314,093 | $7,450,314,093 |
| Budget Stabilization Factor | (828,280,474) | (828,280,474) | (815,363,011) | (718,462,565) |
| *Budget Stabilization Factor as Percentage* | *-11.10%* | *-11.12%* | *-10.94%* | *-9.64%* |
| | | | | |
| Adjusted Total Program | $6,634,951,082 | $6,622,033,619 | $6,634,951,082 | $6,731,851,528 |
| Pupil Count | 865,934.9 | 865,016.9 | 865,016.9 | 865,016.9 |
| Statewide Average Per Pupil | $7,662.18 | $7,655.38 | $7,670.31 | $7,782.34 |
| Change from Original Appropriation in Statewide Average Per Pupil Funding | N/A | ($6.80) | $8.13 | $120.15 |
| Local Share | $2,409,944,058 | $2,506,844,504 | $2,506,844,504 | $2,506,844,504 |
| State Share | 4,225,007,024 | 4,115,189,115 | 4,128,106,578 | 4,225,007,024 |
| Change in State Share from Original Appropriation (Supplemental Amount) | N/A | ($109,817,909) | ($96,900,446) | $0 |
| Statutory Change Required/Recommended to Adjust Total Program Amount | N/A | Yes | Yes | Yes |

**FUND SOURCE OPTIONS:** Based on precedent from recent years, the staff recommendation and the Governor's request would reduce the *cash funds* appropriations for the State Share of Districts' Total Program Funding by $96.9 million. Doing so would increase the ending balance of the State Education Fund (by $84.0 million) and the State Public School Fund (by $12.9 million) and make those funds available for education in FY 2018-19.

- Based on volatility and current estimates of revenues available in the State Public School Fund in FY 2017-18, staff strongly recommends approving the recommended $12.9 million reduction to the State Public School Fund appropriation in order to maintain a targeted ending balance of $5.0 million in the fund.
- With respect to the remaining $84.0 million recommended as a reduction to the State Education Fund appropriation, the General Assembly could instead reduce the General Fund (rather than

State Education Fund) appropriation for some (or all) of that amount. Doing so would retain revenue in the General Fund and maximize the General Assembly's flexibility in the use of those revenues for other purposes in either FY 2017-18 or FY 2018-19.

**RECOMMENDED COMPANION BILL:** As has been the precedent in previous years, staff recommends that the Committee make the recommended statutory (total program and budget stabilization factor) and appropriation (total program and Hold-harmless Full-day Kindergarten Funding) changes through a separate bill. Specifically, staff recommends that the Committee introduce a bill that includes the following provisions:

- A non-statutory legislative declaration to explain the current situation and the General Assembly's intent to maintain total program funding. Specifically, the declaration would state that: (a) Based on the actual funded pupil count and the actual at-risk student counts for FY 2017-18, total program funding is $12,917,463 lower than anticipated when appropriations were established in the 2017 Session; (b) Based on actual local property taxes and specific ownership taxes available to school districts for FY 2017-18, the local share of total program funding is $96,900,446 higher than anticipated when appropriations were established in the 2017 Session; and (c) It is the intent of the General Assembly to maintain total program funding after the application of the budget stabilization factor at the level of the original appropriation, resulting in a reduction in the budget stabilization factor.
- A provision to adjust the total program floor for FY 2017-18 to provide clear direction to the Department of Education and Legislative Council Staff in recalculating the FY 2017-18 budget stabilization factor.
- An appropriation clause reducing the State Share of Districts' Total Program Funding line item by $96,900,446 cash funds, including reductions of $84,034,372 from the State Education Fund and $12,866,074 from the State Public School Fund.
- An appropriation clause to appropriate an additional $4,055 cash funds from the State Education Fund to the Hold-harmless Full-day Kindergarten Funding line item to align with the recommended changes in total program funding.

**FY 2018-19 – GOVERNOR'S REVISED REQUEST (BUDGET AMENDMENT 1):** In addition to proposing revisions to the current year appropriations for school finance, the Governor's January 2 2018 budget submission (which the Governor further amended on January 16, 2018) also revises the request for FY 2018-19. The Governor's revised request proposes to further reduce the dollar value of the budget stabilization factor, from $758.3 million in the November 1, 2017, request to $728.3 million in the revised request (a reduction of $100.0 million from the original FY 2017-18 appropriation and $87.1 million below the adjusted FY 2017-18 level of $815.4 million proposed in the supplemental request).

*NEW DATA:* The revised request incorporates a variety of updates and changes based on either new information or new proposals. The revised request incorporates the following changes in underlying data:

- *Pupil Counts:* Based on the December 2017 Legislative Council Staff Revenue Forecast, the revised request reduces the funded pupil count and the at-risk student count relative to the levels assumed in the November 1 request. These reductions reduce FY 2018-19 total program funding <u>before</u> the application of the negative factor by $6.6 million relative to the November 1 request.

- *Local Revenues:* The revised estimates for FY 2018-19 anticipate an overall increase of $31.9 million in local revenues relative to the amounts assumed in the Governor's November 1 request, including $26.2 million from property taxes and $5.8 million from specific ownership taxes.

Please note that the Governor's official request assumed an inflation rate of 3.0 percent for CY 2017. The actual rate (the Denver-Boulder-Greeley Consumer Price Index for CY 2017) is 3.4 percent, which increases the cost of total program before the application of the budget stabilization factor by $21.1 million above the level assumed in the Governor's revised request. As noted below, the Governor's January 16, 2018, submittal letter proposes to use the State Education Fund to cover this increase and maintain the targeted budget stabilization factor.

**CURRENT LAW AND THE FY 2018-19 LONG BILL APPROPRIATION:** As the Committee looks toward the FY 2018-19 budget process and the Long Bill, staff notes that current law will not allow the budget stabilization factor to increase (as a dollar amount) from FY 2017-18 to FY 2018-19. Thus, if the General Assembly approves the supplemental recommendation to reduce the budget stabilization factor from $828.3 million to $815.4 million *in FY 2017-18*, then current law will not allow growth above that level in the FY 2018-19 Long Bill appropriation. Staff therefore anticipates making a Long Bill recommendation that would hold the budget stabilization factor constant at the level approved through the FY 2017-18 supplemental adjustments.

For the Committee's reference, the Table H (on the following page) compares the proposed FY 2017-18 appropriation (as adjusted by the supplemental), the Governor's November 1 request, the Governor's revised request, and current law requirements. Please note that the "current law" column:

- Holds the budget stabilization factor constant at $815.3 million (the level requested and recommended through the FY 2017-18 supplemental).
- Uses the actual CY 2017 inflation rate of 3.4 percent rather than the 3.0 percent assumed by the Governor's request. The increased inflation rate increases the cost of total program prior to the application of the budget stabilization factor by $21.1 million relative to the Governor's request.
- Targets an ending balance of $175.0 million in the State Education Fund at the end of FY 2018-19. Assuming adoption of the supplemental recommendation, staff estimates that the State Education Fund will end FY 2017-18 with a balance of approximately $245.6 million. In order to spread the use of the funding above the "normal" $100.0 million targeted balance and reduce the need for a spike in General Fund appropriations in FY 2019-20, staff's estimates assume that the General Assembly will target a balance of $175.0 million in FY 2018-19 and $100.0 million in FY 2019-20.

For planning purposes, the Committee should note the following with respect to the Governor's revised request:

- First, the revised request column in Table H reflects the official request submitted by the Governor and includes the Governor's assumed inflation rate of 3.0 percent rather than the actual rate of 3.4 percent. The Governor's January 16, 2018, budget package submittal letter proposes to use excess revenues in the State Education Fund to address the $21.1 million shortfall driven by the inflation rate and maintain the targeted value for the budget stabilization factor ($728.3 million).
- Second, the revised FY 2018-19 request proposes to continue $30.0 million in funding for rural schools originally provided in FY 2017-18 through S.B. 17-267. In the current year, S.B. 16-267

appropriated $30.0 million originally from marijuana sales tax revenues as one-time support for rural schools. For FY 2018-19, the Governor proposes to continue that level of funding but to appropriate the funds from the State Education Fund rather than from marijuana revenues. Staff's estimates for the "current law" column do not assume adoption of that proposal, which would reduce the ending balance of the State Education Fund by $30.0 million at the end of FY 2018-19.

TABLE H: FY 2018-19 TOTAL PROGRAM FUNDING - GOVERNOR'S REVISED REQUEST

| | FY 2017-18 APPROPRIATION (WITH SUPPLEMENTAL) | GOVERNOR'S NOVEMBER 1, 2017 REQUEST | GOVERNOR'S REVISED (JANUARY 16) REQUEST | CURRENT LAW BASED ON DECEMBER FORECAST AND ACTUAL INFLATION | CURRENT LAW CHANGE FROM GOVERNOR'S REVISED REQUEST |
|---|---|---|---|---|---|
| Funded Pupil Count | 865,017 | 871,694 | 870,553 | 870,553 | 0 |
| Inflation Rate | 2.8% | 3.0% | 3.0% | 3.4% | 0.4% |
| Statewide Base Per Pupil Funding | $6,546 | $6,743 | $6,743 | $6,769 | $26 |
| **Total Program Funding** | | | | | |
| Total Program before Negative Factor | $7,450,314,093 | $7,736,681,277 | $7,730,083,203 | $7,751,216,536 | $21,133,333 |
| Budget Stabilization Factor | (815,363,011) | (758,280,474) | (728,280,474) | (815,363,011) | (87,082,537) |
| *Budget Stabilization Factor as Percentage* | *-10.94%* | *-9.80%* | *-9.42%* | *-10.52%* | -1.10% |
| Adjusted Total Program | $6,634,951,082 | $6,978,400,803 | $7,001,802,729 | $6,935,853,525 | ($65,949,204) |
| Statewide Average Per Pupil | $7,670 | $8,006 | $8,043 | $7,967 | ($76) |
| **Local And State Shares** | | | | | |
| Local Share | $2,506,844,504 | $2,510,401,123 | $2,542,326,912 | $2,542,376,373 | $49,461 |
| Property Tax | 2,328,498,022 | 2,332,474,523 | 2,358,630,036 | 2,358,679,496 | 49,460 |
| Specific Ownership Tax | 178,346,482 | 177,926,600 | 183,696,876 | 183,696,877 | 1 |
| State Share | $4,128,106,578 | $4,467,999,680 | $4,459,475,817 | $4,393,477,152 | ($65,998,665) |
| General Fund | 3,923,157,330 | 4,000,091,920 | 3,992,352,092 | 3,955,040,351 | (37,311,741) |
| Cash Funds (SEF) | 144,604,784 | 379,407,760 | 386,623,725 | 381,443,299 | (5,180,426) |
| Cash Funds (SPSF Regular) | 60,344,464 | 65,500,000 | 58,600,000 | 56,993,502 | (1,606,498) |
| Cash Funds (SPSF Marijuana)* | 0 | 23,000,000 | 21,900,000 | 0 | (21,900,000) |
| **Annual General Fund Increase** | | **$76,934,590** | **$69,194,762** | **$31,883,021** | ($37,311,741) |
| Statutory Change Required | | Yes | Yes | Yes | |

*Based on current law (as enacted in S.B. 17-267), the Governor's request assumes that $21.9 million originally from special sales tax on marijuana will be available for school finance in FY 2018-19. The Committee has decided to sponsor a JBC bill during the 2018 Session that would delay the use of those funds until FY 2019-20. As a result, staff's estimates assume those funds would not be available in FY 2018-19.

# MEMORANDUM


| | |
|---|---|
| TO | Joint Budget Committee |
| FROM | Eric Kurtz, JBC Staff (303-866-4952) |
| DATE | January 29, 2018 |
| SUBJECT | Staff Comeback<br>Health Care Policy and Financing Supplemental<br>Children's Basic Health Plan |

The JBC approved an overexpenditure, through the process authorized by H.B. 98-1331, to allow the Department to spend up to $9,617,758 cash funds from the Children's Basic Health Plan Trust Fund to continue operating the Children's Basic Health Plan through at least the end of February without federal funding. Since the JBC's action, Congress reauthorized federal funding for the program, making the supplemental unnecessary. However, pursuant to Section 24-75-111 (5), C.R.S., the JBC must introduce a supplemental appropriation for any overexpenditure approved during the interim. Once the supplemental is introduced, it can be amended.

STAFF RECOMMENDATION: Staff recommends that the JBC approve an amendment for House Appropriations to remove the additional spending authority for the Children's Basic Health Plan from the supplemental bill. This will not have any effect on General Fund balancing, since the source of money is cash funds.

# MEMORANDUM


TO Members of the Joint Budget Committee
FROM Robin J. Smart, JBC Staff (303-866-4955)
DATE January 30, 2018
SUBJECT JBC Staff Comeback, Department of Human Services, FY 2017-18 Supplemental Budget Request/Recommendations

During the January 17, 2018 Joint Budget Committee (JBC) staff presentation concerning the FY 2017-18 Department of Human Services supplemental budget requests, the Committee delayed decision on the recommendations for the following:

1 S10 Indirect Costs Technical Adjustment Department Request and JBC Staff Recommendation
2 JBC Staff Initiated Child Welfare Funding Recommendation

## PRIORITIZED SUPPLEMENTAL REQUESTS

### S10 INDIRECT COSTS TECHNICAL ADJUSTMENT (INCLUDES STAFF INITIATED TRUE UP)

| | REQUEST | RECOMMENDATION |
|---|---|---|
| **TOTAL** | **$0** | **$2,694,230** |
| FTE | 0.0 | 0.0 |
| General Fund | 0 | 1,418,536 |
| Cash Funds | 426,490 | 3,097,554 |
| Reappropriated Funds | (1,590,560) | 452,729 |
| Federal Funds | 1,164,070 | (2,274,589) |

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **YES**
[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of technical errors in calculating the original appropriation. During figure setting for the FY 2017-18 Long Bill, JBC staff informed the Committee that a supplemental request was to be expected in order to true-up the values identified in the Indirect Cost Assessment line items in the Long Bill.

DEPARTMENT REQUEST: The Department's S10 supplemental budget request contained multiple calculation errors and several omissions, therefore the funding adjustments and line items in which they occur are not options for consideration. A general summary of the department's request is as follows:

- A net zero adjustment to the Department's Long Bill indirect cost plan appropriation in order to maximize non-General Fund revenue sources;
- A statutory change in FY 2017-18 to adjust the cap on indirect costs charged to the Nurse Home Visitor Program to allow the department to collect a fixed amount of 5.0 percent per the approved Long Bill indirect cost policy (this will require a supplemental bill);
- A statutory change to allow indirect costs to be collected from the Older Coloradans Cash Fund per the approved Long Bill indirect cost policy (this will require a supplemental bill);

- Transfer authority between the Indirect Cost Assessment line items in the Department's section of the Long Bill; and
- A change to the Child Welfare Services line item letter note to accurately reflect federal revenues and expenditures.

STAFF RECOMMENDATION: There are five items upon which the Committee will need to make a decision. Below, JBC staff has provided a summary of each item, followed by options and the JBC staff recommendation for each.

***INDEPENDENT DECISION ITEM***

1 **CORRECTION OF THE CHILD WELFARE SERVICES LINE ITEM LETTER NOTE** in the Division of Child Welfare section of the FY 2017-18 Long Bill. (Please see the footnote below.)

a. This correction will result in the accurate reflection of federal funds allocated as part of the Child Welfare Block.
b. This decision is independent of all other actions addressed in the request.
c. **JBC staff recommends approval of this letter note correction.**
d. If the Committee elects to deny this recommendation, the spending authority will be limited to that identified in the Long Bill.

[f] Of these amounts, ~~$59,494,285(I)~~ $64,662,885(I) shall be from Title IV-E of the Social Security Act, ~~$23,172,028~~ $18,195,852 shall be from the Title XX Social Services Block Grant, and ~~$4,019,549(I)~~ $3,827,125(I) shall be from Title IV-B, Subpart 1, of the Social Security Act. These amounts were assumed in developing the appropriated fund source amounts in these line items. The amount from Title IV-E of the Social Security Act is reflected pursuant to Section 26-1-111 (2)(d)(II)(B), C.R.S., and shall be used in determining the amount to be deposited to the Excess Federal Title IV-E Reimbursements Cash Fund pursuant to Section 26-1-111 (2)(d)(II)(C), C.R.S.

***DECISION ITEMS SPECIFICALLY RELATED TO INDIRECT COST ASSESSMENTS***

2 **CONSIDERATION OF POTENTIAL LEGISLATION** that will allow for indirect costs to be collected from the Nurse Home Visitors Program Fund and the Older Coloradans Cash Fund as determined by the department's Public Assistance Cost Allocation Plan.

a. Option 1: No legislation
   i. Approval of this option results in the maximum amount of indirect costs that can be collected in any given year from the Nurse Home Visitors Program Fund being $154,514; and the maximum amount of indirect costs that can be collected from the Older Coloradans Cash Fund being $0, regardless of the actual overhead cost of programs receiving funding.
   ii. Approval of this option will result in a reduction of spending authority in the following line items in the FY 2017-18 and subsequent Long Bills:
      - Office of Early Childhood, Indirect Cost Assessment, $918,536 cash funds;

- Adult Assistance Programs, Indirect Cost Assessment, $500,000 cash funds;
- Office of Operations, Personal Services $1,418,536 reappropriated funds.

b. Option 2: FY 2017-18 legislation
   i. Approval of this option requires a supplemental companion bill.
   ii. Approval will allow the department to apply a 5.0 percent indirect cost assessment to the Nurse Home Visitor Program Fund and the Older Coloradans Cash Fund, allowing a collection of $918,536 and $500,000 respectively. These amounts are in excess of the actual overhead costs for programs funded by these funds and will negatively impact the sustainability of the cash funds, requiring a decrease in services.

c. Option 3: FY 2018-19 legislation **(JBC Staff Recommendation)**
   i. Approval of this option will allow the department to collect additional indirect costs from each cash fund in FY 2018-19, only.
   ii. This option does not address FY 2017-18 indirect cost assessments to these funds, resulting in excess indirect cost assessment cash fund spending authority identified in the Office of Early Childhood and Adult Assistance Programs sections of the FY 2017-18 Long Bill; and excess reappropriated funds spending authority identified in the cost pools lines totaling $1,418,536.
   iii. Approval of this option will result in a reduction of spending authority in the following line items of the FY 2017-18 Long Bill:
      - Office of Early Childhood, Indirect Cost Assessment, $918,536 cash funds;
      - Adult Assistance Programs, Indirect Cost Assessment, $500,000 cash funds;
      - Office of Operations, Personal Services $1,418,536 reappropriated funds.
   iv. If the Committee elects to deny this recommendation, in FY 2018-19, the maximum amount of indirect costs that can be collected from the Nurse Home Visitors Program Fund is $154,514; and the maximum amount of indirect costs that can be collected from the Older Coloradans Cash Fund is $0, regardless of the true cost for programs receiving funding.

3 **A POLICY CHANGE** requiring that the indirect cost assessment applied to any cash fund should be equivalent to the actual costs or the assessment as determined by the department's public assistance cost allocation plan. (This modifies the Committee approved DHS indirect cost policy requiring that a 5.0 percent assessment or the amount identified in the department's cost allocation plan (whichever is greater) be applied to appropriations from every cash fund.)

a. Option 1: Approval of change reflected in the FY 2018-19 Long Bill **(JBC Staff Recommendation)**. This option will:
   i. Improve the sustainability of cash funds and prevent reduction of services in the future;

ii. Require a reduction in Indirect Cost Assessment cash fund spending authority in several divisions of the FY 2018-19 Long Bill;
iii. Require a reduction in the reappropriated funds spending authority in cost pool line items totaling approximately $4.8 million in the FY 2018-19 Long Bill; and
iv. Require a reduction in department overhead of $4.8 million, or an increased appropriation to the department's cost pool line items of $4.8 million General Fund in the FY 2018-19 Long Bill.

b. Option 2: Maintain the current policy
   i. Denial of the recommended policy change will require no significant changes to FY 2018-19 spending authority;
   ii. Maintaining the current policy will negatively impact cash fund sustainability. The department will submit its response to the Committee's request for information concerning cash fund sustainability on February 7, 2018. This information will be considered in the development of staff figure setting recommendations.

4 **A NET INCREASE IN FY 2017-18 OF $2,694,230 TOTAL FUNDS**, including $1,418,536 General Fund. **(Please see Table 1 below for an itemization of this appropriation.)**

a. Option 1: Approval of the funding increase **(JBC Staff Recommendation)**
   i. The option aligns the indirect cost assessments in the Office of Early Childhood and the Adult Assistance Programs divisions of the FY 2017-18 Long Bill with current law, and trues up the indirect cost assessments to account for increased POTS expenditures.
   ii. Increasing the appropriation maintains a consistent funding level in the department's indirect cost pool line items (specifically the Personal Services line item in the Office of Operations); however it decreases reappropriated funds spending authority and increases General Fund by $1,418,536.

b. Option 2: Denial of the funding increase
   i. The option results in a reduction of reappropriated funds spending authority in the Personal Services line item in the Office of Operations, which no corresponding General Fund increase.
   ii. This $1.4 million General Fund accounts for approximately 1.4 percent of the department's total indirect costs. The department is statutorily allowed to transfer funds between common policy line items and other line items to address this shortfall.

5 **TRANSFER AUTHORITY FOOTNOTE** in the FY 2017-18 and subsequent Long Bills.

a. Option 1: Approve this request item
   i. Allows the department to transfer spending authority between Indirect Cost Assessment line items, only.
   ii. Does not allow for the transfer of funds between indirect cost pool line items.

b. Option 2: Denial of this request item **(JBC Staff Amended Recommendation)**

i. Requires the department to make mid-year adjustments through supplemental budget requests.
ii. May provide increased accountability.

**TABLE 1: LINE ITEMIZATION OF S10 INDIRECT COSTS TECHNICAL ADJUSTMENT, INCLUDES CORRECTIONS MADE BY JBC STAFF.**

| DEPARTMENT OF HUMAN SERVICES<br>FY 2017-18 S10 INDIRECT COSTS TECHNICAL ADJUSTMENT | | | | | |
|---|---|---|---|---|---|
| LINE ITEM | TOTAL | GENERAL FUND | CASH FUNDS | REAPPR. FUNDS | FEDERAL FUNDS |
| **EXECUTIVE DIRECTOR'S OFFICE** | | | | | |
| General Administration, Health, Life, and Dental | $35,626,745 | $25,469,588 | $204,384 | $7,148,083 | $2,804,690 |
| S10 Adjustment | 295,143 | 0 | (90,418) | 1,002,614 | (617,053) |
| SUB-SUBTOTAL HEALTH, LIFE, DENTAL | $35,921,888 | $25,469,588 | $113,966 | $8,150,697 | $2,187,637 |
| General Administration, Short-term Disability | $415,157 | $280,491 | $13,979 | $74,685 | $46,002 |
| S10 Adjustment | (5,829) | 0 | (6,184) | 10,476 | (10,121) |
| SUB-SUBTOTAL SHORT-TERM DISABILITY | $409,328 | $280,491 | $7,795 | $85,161 | $35,881 |
| General Administration, S.B. 04-257 Amortization Equalization Disbursement | $11,255,675 | $7,604,136 | $372,845 | $2,058,518 | $1,220,176 |
| S10 Adjustment | (144,657) | 0 | (164,944) | 288,735 | (268,448) |
| SUB-SUBTOTAL AED | $11,111,018 | $7,604,136 | $207,901 | $2,347,253 | $951,728 |
| General Administration, S.B. 06-235 Supplemental Amortization Equalization Disbursement | $11,255,675 | $7,604,136 | $372,845 | $2,058,518 | $1,220,176 |
| S10 Adjustment | (144,657) | 0 | (164,944) | 288,735 | (268,448) |
| SUB-SUBTOTAL SAED | $11,111,018 | $7,604,136 | $207,901 | $2,347,253 | $951,728 |
| Indirect Cost Assessment | 103,782 | 0 | 39,126 | 64,656 | 0 |
| S10 Adjustment | 515,949 | 0 | 468,230 | 47,719 | 0 |
| SUB-SUBTOTAL INDIRECT COST ASSESSMENT | $619,731 | $0 | $507,356 | $112,375 | $0 |
| **SUBTOTAL EXECUTIVE DIRECTOR'S OFFICE** | **$59,172,983** | **$40,958,351** | **$1,044,919** | **$13,042,739** | **$4,126,974** |
| **OFFICE OF OPERATIONS** | | | | | |
| Administration, Personal Services | $27,974,246 | $10,836,562 | $0 | $17,137,684 | $0 |
| S10 Adjustment | 1,418,536 | 1,418,536 | 0 | 0 | 0 |
| SUB-SUBTOTAL PERSONAL SERVICES | $29,392,782 | $12,255,098 | $0 | $17,137,684 | $0 |
| Indirect Cost Assessment | $102,410 | $0 | $65,378 | $37,032 | $0 |
| S10 Adjustment | 155,983 | 0 | 189,241 | (33,258) | 0 |
| SUB-SUBTOTAL INDIRECT COST ASSESSMENT | $258,393 | $0 | $254,619 | $3,774 | $0 |
| **SUBTOTAL OFFICE OF OPERATIONS** | **$29,651,175** | **$12,255,098** | **$254,619** | **$17,141,458** | **$0** |
| **DIVISION OF CHILD WELFARE** | | | | | |
| Indirect Cost Assessment | $10,984,369 | $0 | $466,329 | $469,560 | $10,048,480 |
| S10 Adjustment | (341,311) | 0 | 103,773 | (443,329) | (1,755) |
| SUBTOTAL DIVISION OF CHILD WELFARE | $10,643,058 | $0 | $570,102 | $26,231 | $10,046,725 |
| **OFFICE OF EARLY CHILDHOOD** | | | | | |
| Indirect Cost Assessment | $5,100,127 | $0 | $2,252,702 | $40,923 | $2,806,502 |
| S10 Adjustment | (1,689,917) | 0 | (1,730,624) | (40,923) | 81,630 |
| SUBTOTAL OFFICE OF EARLY CHILDHOOD | $3,410,210 | $0 | $522,078 | $0 | $2,888,132 |
| **OFFICE OF SELF SUFFICIENCY** | | | | | |
| Indirect Cost Assessment | $14,572,580 | $0 | $75,537 | $64,793 | $14,432,250 |
| S10 Adjustment | 990,242 | 0 | 30,274 | 2,136,099 | (1,176,131) |
| SUBTOTAL OFFICE OF SELF SUFFICIENCY | $15,562,822 | $0 | $105,811 | $2,200,892 | $13,256,119 |
| **OFFICE OF BEHAVIORAL HEALTH** | | | | | |
| Indirect Cost Assessment | $6,186,160 | $0 | $3,078,930 | $2,477,475 | $629,755 |
| S10 Adjustment | 1,730,033 | 0 | 3,858,862 | (2,469,141) | 340,312 |

| DEPARTMENT OF HUMAN SERVICES<br>FY 2017-18 S10 INDIRECT COSTS TECHNICAL ADJUSTMENT | | | | | |
|---|---|---|---|---|---|
| LINE ITEM | TOTAL | GENERAL FUND | CASH FUNDS | REAPPR. FUNDS | FEDERAL FUNDS |
| SUBTOTAL OFFICE OF BEHAVIORAL HEALTH | $7,916,193 | $0 | $6,937,792 | $8,334 | $970,067 |
| **SERVICES FOR PEOPLE WITH DISABILITIES** | | | | | |
| Indirect Cost Assessment | $13,167,655 | $0 | $2,187,241 | $10,570,430 | $409,984 |
| S10 Adjustment | (60,092) | 0 | 672,526 | (334,998) | (397,620) |
| SUBTOTAL SERVICES FOR PEOPLE WITH DISABILITIES | $13,107,563 | $0 | $2,859,767 | $10,235,432 | $12,364 |
| **ADULT ASSISTANCE PROGRAMS** | | | | | |
| Indirect Cost Assessment | $148,660 | $0 | $57,848 | $0 | $90,812 |
| S10 Adjustment | (2,332) | 0 | (45,377) | 0 | 43,045 |
| SUBTOTAL ADULT ASSISTANCE PROGRAMS | $146,328 | $0 | $12,471 | $0 | $133,857 |
| **DIVISION OF YOUTH SERVICES** | | | | | |
| Indirect Cost Assessment | $126,000 | $0 | $126,000 | $0 | $0 |
| S10 Adjustment | (22,863) | 0 | (22,863) | 0 | 0 |
| SUBTOTAL DIVISION OF YOUTH SERVICES | $103,137 | $0 | $103,137 | $0 | $0 |
| **FY 2017-18 LONG BILL APPROPRIATION** | **$137,019,241** | **$51,794,913** | **$9,313,144** | **$42,202,357** | **$33,708,827** |
| Total S10 Adjustment | 2,694,228 | 1,418,536 | 3,097,552 | 452,729 | (2,274,589) |
| **FY 2017-18 SUPPLEMENTAL BILL** | **$139,713,469** | **$53,213,449** | **$12,410,696** | **$42,655,086** | **$31,434,238** |

# STAFF-INITIATIED SUPPLEMENTAL REQUESTS

## STAFF-INITIATED: CHILD WELFARE BLOCK FUNDING INCREASE

| | REQUEST | RECOMMENDATION |
|---|---|---|
| **TOTAL** | **$0** | **$3,158,363** |
| FTE | 0.0 | 0.0 |
| General Fund | 0 | 1,516,014 |
| Cash Funds | 0 | 631,673 |
| Federal Funds | 0 | 1,010,676 |

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation**: Pursuant to Section 26-5-104 (4)(d), C.R.S., the Department may only seek additional funding from the General Assembly in a supplemental appropriations bill based upon caseload growth or changes in federal law or federal funding. The department did not initiate this supplemental, however the JBC staff analysis indicates that the child welfare system has experienced significant caseload growth in the past three years.

DEPARTMENT REQUEST: The Department has not requested an increase in the Child Welfare Services line item as of the date of this briefing.

STAFF RECOMMENDATION: Staff recommends an increase in the appropriation to the Child Welfare Services line item of $3,158,363 total funds, including $1,516,014 General Fund, in FY 2017-18 and ongoing. This increase is based on JBC staff child welfare caseload and cost projections as identified in the analysis performed for the Division of Child Welfare briefing on November 16, 2017.

This will requires a change to letter note *f* on the Child Welfare Services line item in the FY 2017-18 Long Bill.

## STAFF ANALYSIS:

The child welfare system in the State of Colorado is state supervised and county administered. The majority of the funding appropriated to line items in the Division of Child Welfare are allocated to counties in the form of block allocations. In FY 2017-18, appropriations in the division that are subsequently allocated to counties total $425.9 million, the majority of which is appropriated to the Child Welfare Services line item and allocated to counties through the Child Welfare Block. The FY 2017-18 appropriation to the Child Welfare Services line item is $355.9 million, including $187.7 General Fund, $66.1 million cash funds from county sources, $15.4 million Medicaid funds reappropriated from the Department of Health Care Policy and Financing (HCPF), and $86.7 million federal funds, primarily from Title IV-E of the Social Security Act.

Pursuant to Section 26-5-104, C.R.S., the department, after input from the Child Welfare Allocation Committee (CWAC), is to develop formulas for capped and targeted allocations that must include the estimated caseload for the delivery of those specific child welfare services that will be funded by the money in the capped allocations. If a county receives more than one capped or targeted allocation for the delivery of child welfare services, the formula must identify the specific caseload estimate attributable to each capped or targeted allocation. The determination of the formulas must also take into consideration factors that directly affect the population of children in need of child welfare services, as determined by the department and the CWAC. The formulas must identify the amount that is to be allocated to the counties for the provision of child welfare services. In the event that the department and the CWAC do not reach an agreement on the allocation formula on or before June 15 of any state fiscal year for the succeeding state fiscal year, the department and the CWAC shall submit alternatives to the JBC whose members will then select the allocation formula.

## OVERVIEW OF STATE-WIDE ALLOCATIONS AND EXPENDITURES

Unlike other health or human services programs funded through appropriations in the state budget, appropriations for child welfare services do not tend to be based on forecasts. Staff acknowledges that this is a difficult area in which to perform forecasts because of the sensitivity of the topic and because it requires forecasting behavior as opposed to utilization rates and is therefore subject to greater error. However, given the increasing population in the state and the shift in practice that has occurred in the child welfare system over the past 20 years, there has been discussion about whether or not the Child Welfare System itself is underfunded. As a result of these discussions, independent of the current allocation models, JBC staff performed an analysis of the Child Welfare Block to determine if the system is funded adequately or if the capacity of the system is strained as a result of the allocation model, the rates paid to service providers, poverty, or increasing population. The results of the analysis indicate that the system was adequately funded through FY 2016-17, however it is underfunded in the current fiscal year. While JBC staff is concerned that some counties may be significantly over-funded while others are significantly under-funded, an analysis of this issue is not included in this supplemental briefing document.

### ALLOCATION AND CLOSE-OUT OF CHILD WELFARE BLOCK ALLOCATIONS

The General Assembly appropriates funds to the Child Welfare Services line item of the Long Bill for the purpose of funding the majority of county administrative costs and services to children and families in the child welfare system. Not all funds appropriated to the Child Welfare Services line item

are allocated to the counties, as a certain portion of the appropriation is set aside for specified purposes as defined in the Division of Child Welfare Long Bill letter note *e* and for a mitigation pool used to cover excess costs that may occur in small counties. In FY 2017-18, the total amount of hold-outs from the Child Welfare Services appropriation is $15.1 million, resulting in a total allocation amount of $340.8 million. Through a process call end of year county close-out, any unspent hold-out funding and unspent Medicaid General Fund transferred from HCPF are distributed to counties in an effort to make counties whole. In FY 2016-17, a total of $10.3 million of unspent hold-outs and Medical General Fund was utilized in surplus distribution to reduce the total county over-expenditures in the block allocation, resulting in a net county over-expenditure of $5.5 million.

## JBC STAFF FORECAST OF CHILD WELFARE BLOCK

For the child welfare system briefing presented in November 2017, JBC staff discussed a model through which potential future costs of service delivery could be forecast. JBC staff performed an analysis of actual block allocations based on the current formula and compared them with estimated allocations through a normalized workload metric model which were subsequently factored based on selected drivers that impact the cost of child welfare service delivery in local areas. Staff performed this analysis on a by-county basis and totaled the final allocations to determine estimated statewide costs. Staff applied additional growth factors to the model's FY 2016-17 allocations to project future child welfare system funding needs. For the purpose of this staff-initiated supplemental discussion, staff used a modified version of this model to project the needed appropriation for current fiscal year.

### CHILD WELFARE WORKLOAD AND CASELOAD GROWTH

In 2014 the Office of the State Auditor completed a child welfare workload study in order to determine the level of county staff required to perform all work associated with child welfare federal and state law. Although the workload study may not account for the variances in practice that exist across counties, JBC staff has utilized the metrics and the time values assigned to each to project future workload for each county. In addition to the time values applied to the metrics identified in the study, including referrals, assessments, open involvements, out of home placements, and new adoptions, JBC staff has also added metrics and time values for the number of informational hotline calls and the number of hotline calls that required the use of the advanced screening instrument. Staff utilized the two-year average of the rate of increase of each of these metrics to estimate the FY 2017-18 workload and average cost per event. This methodology factors in the anticipated caseload increase counties will experience, as well as the increased cost associated with delivering services. It does not factor in population growth, child poverty rates, cost of living variances, and other factors utilized in JBC staff's extensive model; however calculations based on the two models vary by less than 1.0 percent.

### TABLE 1. CHILD WELFARE BLOCK, FY 2017-18 PROJECTIONS

| FY 2017-18 CHILD WELFARE PROJECTIONS<br>STATE OF COLORADO | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TYPE OF EVENT | TIME PER EVENT (MIN.) | # OF EVENTS/ YEAR | # OF DAYS/ EVENT | TOTAL TIME (MIN.) | % TOTAL TIME/ YEAR | TOTAL EXPEND./ EVENT TYPE | EST. COST PER EVENT | ANNUAL % CHANGE # OF EVENTS/ YEAR | ANNUAL % CHANGE ESTIMATED COST PER EVENT |
| FY 2014-15 (ACTUAL) | | | | | | | | | |
| Hotline Calls | 0.17 | 149,868 | 1 | 25,477.56 | 0.6% | $2,045,785 | $13.65 | n/a | n/a |
| Hotline - Screened in | 1.00 | 59,474 | 1 | 59,474.25 | 1.5% | 4,775,636 | 80.30 | n/a | n/a |

| FY 2017-18 CHILD WELFARE PROJECTIONS<br>STATE OF COLORADO | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TYPE OF EVENT | TIME PER EVENT (MIN.) | # OF EVENTS/ YEAR | # OF DAYS/ EVENT | TOTAL TIME (MIN.) | % TOTAL TIME/ YEAR | TOTAL EXPEND./ EVENT TYPE | EST. COST PER EVENT | ANNUAL % CHANGE # OF EVENTS/ YEAR | ANNUAL % CHANGE ESTIMATED COST PER EVENT |
| Referrals | 2.80 | 86,487 | 1 | 242,163.60 | 6.1% | 19,445,141 | 224.83 | n/a | n/a |
| Assessments | 12.60 | 31,463 | 1 | 396,433.80 | 9.9% | 31,832,658 | 1,011.75 | n/a | n/a |
| Open Involvements | 0.32 | 21,345 | 260 | 1,775,904.00 | 44.4% | 142,600,717 | 6,680.76 | n/a | n/a |
| Out of Home Placements | 0.58 | 9,764 | 260 | 1,472,411.20 | 36.8% | 118,230,992 | 12,108.87 | n/a | n/a |
| New Adoptions | 29.40 | 822 | 1 | 24,166.80 | 0.6% | 1,940,535 | 2,360.75 | n/a | n/a |
| **SUBTOTAL FY 2014-15** | **n/a** | **359,223** | **n/a** | **3,996,031** | **$1** | **$320,871,463** | **$22,481** | **n/a** | **n/a** |
| | | | | | | | | | |
| FY 2015-16 (ACTUAL) | | | | | | | | | |
| Hotline Calls | 0.17 | 177,916 | 1 | 30,245.72 | 0.7% | $2,458,277 | $13.82 | 18.7% | 1.2% |
| Hotline - Screened in | 1.00 | 62,130 | 1 | 62,130.00 | 1.5% | 5,049,730 | 81.28 | 4.5% | 1.2% |
| Referrals | 2.80 | 94,742 | 1 | 265,277.60 | 6.4% | 21,560,926 | 227.58 | 9.5% | 1.2% |
| Assessments | 12.60 | 35,712 | 1 | 449,971.20 | 10.9% | 36,572,239 | 1,024.09 | 13.5% | 1.2% |
| Open Involvements | 0.32 | 21,449 | 260 | 1,784,556.80 | 43.3% | 145,043,146 | 6,762.23 | 0.5% | 1.2% |
| Out of Home Placements | 0.58 | 9,999 | 260 | 1,507,849.20 | 36.5% | 122,553,225 | 12,256.55 | 2.4% | 1.2% |
| New Adoptions | 29.40 | 868 | 1 | 25,519.20 | 0.6% | 2,074,120 | 2,389.54 | 5.6% | 1.2% |
| **TOTAL FY 2015-16** | **n/a** | **402,816** | **n/a** | **4,125,549.72** | **100.0%** | **$335,311,664** | **$22,755.08** | **n/a** | **1.2%** |
| | | | | | | | | | |
| FY 2016-17 (ACTUAL) | | | | | | | | | |
| Hotline Calls | 0.17 | 180,672 | 1 | 30,714.24 | 0.7% | $2,550,816 | $14.12 | 1.5% | 2.2% |
| Hotline - Screened in | 1.00 | 72,337 | 1 | 72,337.00 | 1.7% | 6,007,583 | 83.05 | 16.4% | 2.2% |
| Referrals | 2.80 | 99,083 | 1 | 277,432.40 | 6.6% | 23,040,743 | 232.54 | 4.6% | 2.2% |
| Assessments | 12.60 | 37,591 | 1 | 473,646.60 | 11.3% | 39,336,320 | 1,046.43 | 5.3% | 2.2% |
| Open Involvements | 0.32 | 21,502 | 260 | 1,788,966.40 | 42.5% | 148,573,548 | 6,909.75 | 0.2% | 2.2% |
| Out of Home Placements | 0.58 | 10,188 | 260 | 1,536,350.40 | 36.5% | 127,593,805 | 12,523.93 | 1.9% | 2.2% |
| New Adoptions | 29.40 | 883 | 1 | 25,960.20 | 0.6% | 2,155,993 | 2,441.67 | 1.7% | 2.2% |
| **TOTAL FY 2016-17** | **n/a** | **422,256** | **n/a** | **4,205,407.24** | **100.0%** | **$ 349,258,808** | **$23,251.49** | **n/a** | **2.2%** |
| | | | | | | | | | |
| FY 2017-18 (PROJECTED) | | | | | | | | | |
| Hotline Calls | 0.17 | 198,978 | 1 | 33,826.23 | 0.8% | $2,857,040 | $14.36 | 10.1% | 1.7% |
| Hotline - Screened in | 1.00 | 79,894 | 1 | 79,893.99 | 1.8% | 6,748,027 | 84.46 | 10.4% | 1.7% |
| Referrals | 2.80 | 106,082 | 1 | 297,028.43 | 6.9% | 25,087,693 | 236.49 | 7.1% | 1.7% |
| Assessments | 12.60 | 41,118 | 1 | 518,089.54 | 12.0% | 43,759,015 | 1,064.22 | 9.4% | 1.7% |
| Open Involvements | 0.32 | 21,581 | 260 | 1,795,534.87 | 41.6% | 151,654,937 | 7,027.26 | 0.4% | 1.7% |

| FY 2017-18 CHILD WELFARE PROJECTIONS STATE OF COLORADO | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TYPE OF EVENT | TIME PER EVENT (MIN.) | # OF EVENTS/ YEAR | # OF DAYS/ EVENT | TOTAL TIME (MIN.) | % TOTAL TIME/ YEAR | TOTAL EXPEND./ EVENT TYPE | EST. COST PER EVENT | ANNUAL % CHANGE # OF EVENTS/ YEAR | ANNUAL % CHANGE ESTIMATED COST PER EVENT |
| Out of Home Placements | 0.58 | 10,407 | 260 | 1,569,358.81 | 36.3% | 132,551,595 | 12,736.91 | 2.1% | 1.7% |
| New Adoptions | 29.40 | 915 | 1 | 26,910.89 | 0.6% | 2,272,955 | 2,483.19 | 3.7% | 1.7% |
| **TOTAL FY 2017-18 (PROJ.)** | n/a | 458,975 | n/a | 4,320,642.76 | 100.0% | $364,931,262 | $23,646.90 | n/a | 1.7% |

As indicated in the table above, each workload metric has increased over the past three fiscal years and is anticipated to increase in the current fiscal year. Since FY 2014-15, there has been a net increase in appropriations to the Child Welfare Services line item of 2.3 percent as a result of common policy provider rate increases. During that same period (FY 2014-15 through FY 2017-18), the number of events experienced by counties are projected to increase by 27.8 percent, the average total cost per event is projected to increase by 5.2 percent, and total cost is projected to increase by 13.7 percent. By comparison, actual data over a three year period (FY 2014-15 through FY 2016-17) indicates that the number of events experienced by counties has increased by 17.5 percent, the average total cost per event has increased by 3.4 percent, and the total cost has increased by 8.8 percent.

| ANNUAL APPROPRIATIONS TO THE CHILD WELFARE SERVICES LINE ITEM | | | | |
|---|---|---|---|---|
| FISCAL YEAR | TOTAL APPROPRIATION | TOTAL INCREASE/DECREASE | PERCENT CHANGE | NOTE |
| FY 2014-15 | $347,861,307 | n/a | n/a | Includes an increase of $2.0 million for anticipated caseload as a result of the implementation of the Child Abuse and Neglect Hotline on January 1, 2015 |
| FY 2015-16 | 354,140,267 | $6,278,960 | 1.8% | Includes a 1.7 percent provider rate increase and an adjustment for leap year |
| FY 2016-17 | 350,945,409 | (3,194,858) | (0.9%) | Includes a $2.8 million reduction for HB 14-1368 Transition IDD Youth (from DHS to HCPF) and an annualization for leap year |
| FY 2017-18 | 355,864,012 | 4,918,603 | 1.4% | Includes a 1.4 percent provider rate increase |
| NET CHANGE | n/a | $8,002,705 | 2.3% | No increase related to caseload growth; provider rate increases aid in covering the increased cost of doing business and assume a static caseload |

JBC staff acknowledges that there are additional factors that must be considered when analyzing the overall system, including allocations to counties through the Core Services and Staffing block allocation, however counties have also experienced a nearly $5.0 million reduction in available Title IV-E Waiver funding in the current fiscal year. Due to the multiple factors that impact this funding source, JBC staff recommends an increase in the appropriation to the Child Welfare Services line item of $3,158,363 total funds, including $1,516,014 General Fund. This recommendation is based on the following: 1) a small portion of Child Welfare Block expenditures reflect over expenditures in the county Core Services and Staffing block allocations; 3) total allocations have decreased in FY 2017-18 as a result of the reduction in available Title IV-E Waiver funding; 2) a portion of the workload and associated costs used to project future systems costs are attributable to the Staffing block allocation;

3) unspent hold-outs and Medicaid General Fund are available at the end of the year to reduce the total amount of county over expenditures; and 4) the Collaborative Management (CMP) and Integrated Care Management (ICM) Programs negatively impact the amount of funding available for surplus distribution and, as a result, JBC staff is unwilling to recommend a larger increase.

| JBC STAFF RECOMMENDED APPROPRIATION INCREASE, FY 2017-18<br>CHILD WELFARE SERVICES LINE ITEM | |
|---|---|
| Projected FY 2017-18 County Expenditures (including adjustments for county over expenditures in the Core Services and Staffing block allocations) | $364,931,262 |
| Estimated FY 2017-18 Other Funding Sources (a portion of the Staffing block applied to administrative costs; allocation and unspent hold-outs) | 17,521,518 |
| Estimated FY 2017-18 Child Welfare Block Expenditures | 347,409,744 |
| FY 2017-18 Allocation | 340,751,381 |
| Anticipated Over expenditure | 6,658,363 |
| CMP/ICM reduction (based on FY 2016-17 county close-out) | 3,500,000 |
| **JBC STAFF RECOMMENDED INCREASE – TOTAL FUNDS** | **$3,158,363** |

The above recommendation is comprised of $1,516,014 General Fund, $631,673 cash funds from county sources, and $1,010,676 federal funds.

# MEMORANDUM


TO Joint Budget Committee
FROM Vance Roper, JBC Staff (303-866-3147)
DATE January 30, 2018
SUBJECT Staff Comeback for Department of Human Services

# PRIORITIZED SUPPLEMENTAL REQUESTS

## S4 MITIGATION OF CCCAP WAITLIST

| | REQUEST | RECOMMENDATION |
|---|---|---|
| **TOTAL** | **$14,067,037** | **$7,250,000** |
| FTE | 0.0 | 0.0 |
| General Fund | 4,505,235 | 0 |
| Cash Funds | 1,500,000 | 1,500,000 |
| Federal Funds | 8,061,802 | 5,750,000 |

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

DEPARTMENT REQUEST: The Department requests $14.0 million total funds including $4.5 million General Fund and $1.5 million from the Temporary Assistance for Needy Families reserve to mitigate the Colorado Child Care Assistance Program (CCCAP) waitlists.

STAFF RECOMMENDATION: Staff recommends that the Committee appropriate $7.25 million total funds for the CCCAP program. This recommendation includes $1.5 million cash funds/county match, $1.5 million TANF reserve, and $4.25 million Child Care Development Funds (CCDF). This would equate to a 1.25 percent increase (from 13% to 14.25 percent) in the amount of the CCCAP population the state can serve.

STAFF ANALYSIS: The supplemental budget request includes an increase of $14.0 million total funds, which breaks down to $4.5 million General Fund, $6.6 million Child Care Development Funds (CCDF), $1.5 million cash funds/county match, and $1.5 million Temporary Assistance for Needy Families (TANF) Long-term Work reserve. In addition, the Department has submitted a budget request for an additional $10.4 million in FY 2018-19 for a total of $24.4 million over 1.5 years.

Staff has multiple concerns with the supplemental request including: using waitlists as a factor for funding, the funding allocation, eliminating the CCDF reserve, the ability for counties to use internal "levers" that affect eligibility and state funding, and the ultimate position this request puts the General Assembly in for future fiscal years.

The first concern is using waitlists as a determination of need. Waitlists are an extremely poor measure that fails to accurately predict the actual need in the state and the geographic location of the need. Furthermore, waitlists are highly susceptible to manipulation by the counties. Waitlists can easily be created by simply changing the federal poverty level (FPL). A county can move the FPL on eligibly for CCCAP from 185 percent to 225 percent and essentially create a waitlist overnight. In addition, the accuracy of waitlists are highly questionable, as individuals who have been on the list for a lengthy period have likely found another option. Using waitlists for budgetary purposes allows counties to manipulate the system and misinforms the legislature of the scale of the problem at the expense of other counties, the state, and taxpayers.

The allocation of the funding is the next concern with this supplemental request. This request intends to first allocate the funds to the ten counties with current waitlists. After those counties are funded, the remaining funds will be distributed to the other counties. This creates two major problems that staff believes only exacerbates the issues with the program. The first problem is that this request treats counties differently based on the ability to manipulate the system. Many counties have used other funding sources and reserves to prevent waitlists. The request essentially punishes those counties for doing so by reducing the amount they would receive through this request. The second problem is the request creates an incentive for counties to not spend local funds or reserve funds. The approval of the Department's request sends a message to counties that they can create waitlists and over spend the allocation with the knowledge that they will be backfilled with state funds. This will lead to larger requests for funding in the future.

The last concern presented by staff is the funding sources found in the request. The largest problem is the elimination of the CCDF reserve through this request. The request includes using $19 million of the reserve in the current fiscal year and ultimately spends all $31 million of the CCDF reserve in a 1.5 year period. The spending of these funds over the next 1.5 years creates a large "cliff" at the end of the FY 2018-19 budget with no reserve to mitigate any lack of funding. In essence, this elimination transforms the current small cliff to a Grand Canyon sized cliff by the end of FY 2018-19.

While the intended purpose of this request was to "put out fires" that currently exist, the reality is this request places the legislature in a no win situation. This course of action would leave the General Assembly with two options after FY 2018-19; either kick families out of the CCCAP program or fund the program at a potential annual cost of $106 million total funds, of which $39 million would be General Fund. This would be an annual increase of over $14 million General Fund as compared to current levels.

Staff recommends changes to the funding of the program to provide stability for future planning by the state and counties. The first recommendation from staff is using a more stable funding method that is less susceptible to manipulation. A far better method of measuring the need for this program is to compare the percentage of use by total population verses the CCCAP population. Twenty-seven percent of the general population uses daycare. Currently, there is enough funding for CCCAP participants to use daycare at a rate of thirteen percent. The difference between the CCCAP participation rate and the general population rate would make a good predictor of the unmet need in the program. This would also allow for an apple-to-apple comparison between counties that would provide a level funding field without the ability to manipulate the system. Generally speaking, the cost to increase the CCCAP participation rate is $5.8 million per percentage point, which calculates to $80 million to fully fund the unmet need in the program to a comparable level of the general population.

The second recommendation is for the state to set a standard funding level for all counties, with exceptions for items such as disparate income ranges within a county, poverty, and taxable base. This would provide stability for planning purposes for the state and the counties. This would also allow the state to set funding goals for the program that would be measurable and reliable. Staff has been working with stakeholders on the appropriate levels and exceptions with a timeframe of presenting the proposed changes during figure setting.

The third recommendation is to review and make changes to how allocations of funds are distributed for the program based on the changes recommended above. Similar to the second recommendation above, Staff has been working with stakeholders on the appropriate allocations with a timeframe of presenting the proposed changes during figure setting.

Finally, staff recommends distribution of the recommended funds differently from the Department. While the allocation process has its own issues, this should be the method of distribution until a better system is established. This would disperse the funds in a more equitable manner.

These changes would help better inform the conversation on how to fund the program. Because of local control, and the ability to run the program differently by county, it has been difficult to have tangible discussions on the program. Reorienting how the program is discussed and funded provides for an environment where the funds are directed to the areas and families with the greatest needs. It also allows for direct discussion on what the appropriate funding levels should be and the goals the General Assembly has for funding the program. Without these changes, it will continue to be difficult to make funding decision that have the intended impact of the legislature.

# MEMORANDUM


TO Joint Budget Committee
FROM Scott Thompson, JBC Staff (303-866-4957)
DATE January 29, 2018
SUBJECT Department of Personnel Tax Pipeline Comeback

## S1 EXPANDED SCOPE OF TAX PIPELINE

The following table represents changes requested by the Department of Personnel but that will be reflected in the Department of Revenue budget.

| | REQUEST | RECOMMENDATION |
|---|---|---|
| **TOTAL** | **$873,824** | **$873,824** |
| FTE | 0.0 | 0.0 |
| General Fund | 873,824 | 873,824 |
| Cash Funds | 0 | 0 |
| Federal Funds | 0 | 0 |

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

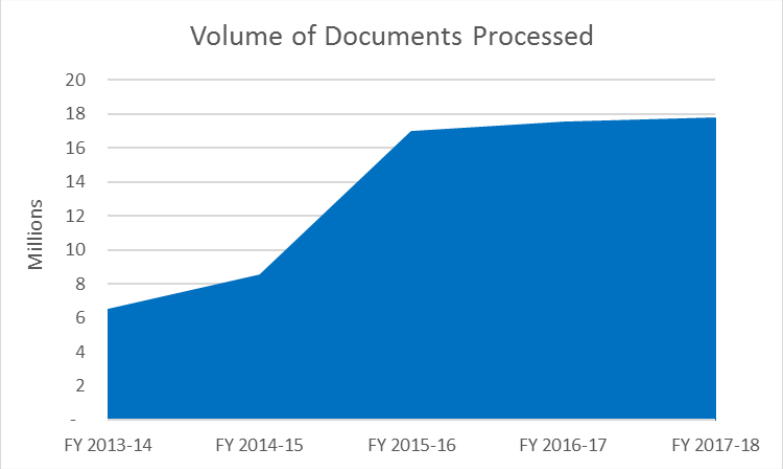
**Explanation:** JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made. The data not available was that Personnel completed its new rate setting methodology, which had not be finalized during 2017 figure setting.

DEPARTMENT REQUEST: The Department of Personnel (the Department) is requesting $873,824 General Fund on behalf of the Department of Revenue (DOR) within the (3) Taxation Business Group, (C) Taxpayer Service Division, Document Management line item in FY 2017-18, FY 2018-19 and ongoing to cover the costs of an expansion of scope of the Tax Pipeline process. The Department is also submitting a companion to this request, which will be addressed during figure setting because it only effects the FY 2018-19 budget. It requests additional funding for existing services and volumes under a new, more transparent rate setting methodology for the Department's Integrated Document Solutions Group.

STAFF RECOMMENDATION: JBC staff recommends approving the Department request, however, because this is the only supplemental change to the Department of Revenue, JBC staff recommends including the FY 2017-18 to Department of Revenue's budget in this request as a Long Bill add-on. Staff discussed the idea of an add-on with Department of Personnel staff, who did not have an objection.

STAFF RECOMMENDATION: During the staff presentation for the Department of Personnel's supplemental budget requests, the Committee sought additional information to justify the funding request, which follows on the next couple pages.

**GROWTH IN VOLUME, INCREASED ACCURACY, AND DECREASED COST PER IMAGE**




Since the start of the Tax Pipeline process, volumes of images scanned have increased by 271 percent. Prior to the start of the process, 6.5 million tax-related images were processed by the Department of Revenue using a manual process. In FY 2016-17, Personnel's Integrated Document Solutions Group (IDS) scanned and processed 17.5 million images, and the Department is on track to process approximately 17.7 million images in FY 2017-18. The reason provided for the growth of images scanned is related to the length and complexity of paper tax forms. The growth in images scanned has continued on an upward trend despite a downward trend in the number of tax payers submitting paper returns during the same period.

| FIELD RECOGNITION ACCURACY | | |
|---|---|---|
| | FY 2015-16 | FY 2016-17 |
| Regular Forms | 57.3% | 60.9% |
| 2D Barcoded Forms | n/a | 84.9% |

Despite substantial increases in volume, the Department has been able to increase Field Recognition Accuracy between its two full years of implementation. In 2017, 2D Barcoding was added to some forms which dramatically increases accuracy and, as 2D barcoding is added to more forms, IDS expects accuracy rates to continue to improve. While the accuracy of historic regular forms saw a minimal increase in accuracy, the new forms created with the Pipeline in mind have a field recognition accuracy rate of 84.9 percent.

The Department also considered reductions in the cost per image scanned worthy of highlighting. Costs per image scanned have decreased substantially relative to pre-Pipeline costs. In FY 2013-14, before the Pipeline became operational, the cost per image scanned was $0.43. In FY 2016-17, the cost per image scanned was $0.17, a reduction of approximately 60 percent.

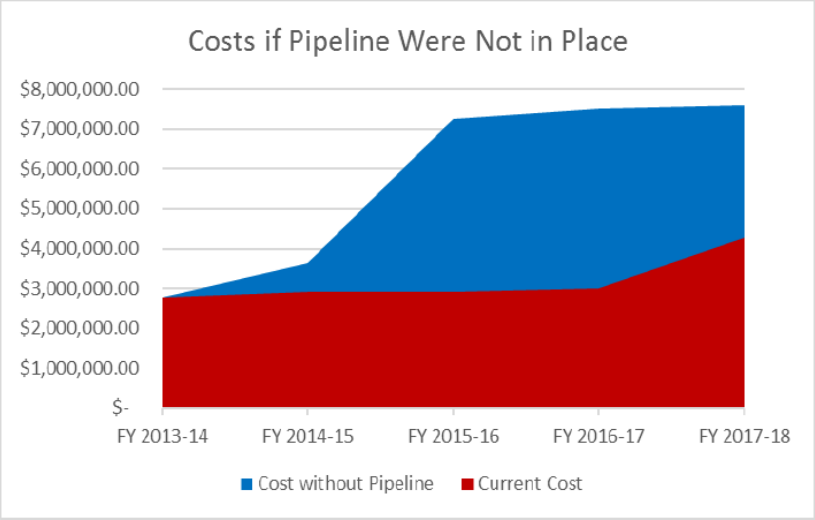
| SUMMARY OF COST PER IMAGE, APPROPRIATION HISTORY, REQUEST, AND ESTIMATE SAVINGS | | | | | | |
|---|---|---|---|---|---|---|
| | FY 2013-14 | FY 2014-15[1] | FY 2015-16 | FY 2016-17 | FY 2017-18[2, 3] | FY 2018-19[2] |
| **Appropriation/Request** | **$2,765,019** | **$2,907,883** | **$2,908,141** | **$3,006,852** | **$3,064,572** | **$4,321,455** |
| Images | 6,458,623 | 8,468,851 | 16,951,692 | 17,529,375 | 17,740,657 | n/a |
| Cost per Image | 43¢ | 34¢ | 17¢ | 17¢ | n/a | n/a |
| Percent Change | n/a | (19.8%) | (50.0%) | 0.0% | n/a | n/a |
| Percent Change Per Image between FY 2013-14 and FY 2016-17 | | | | (59.9%) | | |
| Estimated Cost without Pipeline (image volume x | | | | **7,504,549** | **7,595,002** | |
| Difference between Request and Estimate without Pipeline | | | | (4,497,697) | (4,530,430) | |

[1] FY 2014-15 was the first year the Pipeline was implemented.
[2] Includes changes requested through supplemental and budget amendment processes.
[3] FY 2017-18 image volume is an estimate provided by the Department

**COST IF PIPELINE WERE NOT IN PLACE**

Assuming that the efficiencies gained under the Tax Pipeline were not realized, the Department estimates the cost of processing the current volume of tax forms would total at least $7,595,002. The following table depicts costs without the pipeline over current costs.

Costs without the Pipeline were approximated using FY 2013-14 cost per image multiplied by image volume. While this calculation was made with the current image volume it is reasonable to assume that volume would be slightly lower if the Pipeline process had not been implemented. For reference, the final appropriation and for Document Management in the Department of Revenue is summarized in the summary table on the previous page.




**CONSEQUENCES IF NOT FUNDED**

Finally, the Department of Personnel provided more detail to illustrate the consequences of not funding the Tax Pipeline request. The Department of Revenue is statutorily required to complete the work associated with the Tax Pipeline process, and the Department of Personnel is ensuring that work is getting completed despite not being paid fully for its services. As a result, the fund balance in the Department's cash fund, Central Service Revolving Fund, will be negative by the end of FY 2017-18.

Currently, the Department is under billing the Department of Revenue for the services provided, and the revenue from other business centers are subsidizing the work performed. This creates Federal Participation issues for the fund, as the Federal Government is likely to seek repayment for funds from federal sources utilized for the state specific process of the Tax Pipeline. The Department estimates this to be between 10 percent and 30 percent of the funds used to pay for Pipeline expenses but recovered from other sources.

Finally, the most obvious alternative to funding the Department request, reverting back to a process that required more manual data entry and redundant transportation of the documents, does not seem like a feasible one. Section 39-22-622 (2)(a), C.R.S., requires the Department to issue refunds to filers within specific time frames based on the date on which the return is filed. These timeframes are summarized below:

| STATUTORY REQUIREMENT FOR TIMING OF INCOME TAX REFUNDS | |
|---|---|
| DATE OF FILING IS BEFORE | PERIOD DEPARTMENT HAS TO ISSUE REFUND |
| January 31 | Fourteen (14) Calendar Days from Date of Filing |
| February 28 (or 29) | Twenty-one (21) Calendar Days from Date of Filing |
| March 1 | Forty-five (45) Calendar Days from Date of Filing |

# MEMORANDUM

JOINT BUDGET COMMITTEE

| | |
|---|---|
| TO | Joint Budget Committee |
| FROM | Scott Philip Thompson, JBC Staff (303-866-4957) |
| DATE | January 29, 2018 |
| SUBJECT | Staff Comeback for Department of State |

## NON-PRIORITIZED SUPPLEMENTAL REQUESTS

### PREVIOUSLY APPROVED INTERIM SUPPLEMENTAL REQUEST JUNE 1331: WATER COOLING LOOP PROJECT SHIFT FUNDING FROM FY 2017-18 TO FY 2016-17

| FY 2016-17 | REQUEST | APPROVED |
|---|---|---|
| **TOTAL** | **$210,000** | **$210,000** |
| FTE | 0.0 | 0.0 |
| General Fund | 0 | 0 |
| Cash Funds | 210,000 | 210,000 |
| Federal Funds | 0 | 0 |

| FY 2017-18 | REQUEST | APPROVED |
|---|---|---|
| **TOTAL** | **($210,000)** | **($210,000)** |
| FTE | 0.0 | 0.0 |
| General Fund | 0 | 0 |
| Cash Funds | (210,000) | (210,000) |
| Federal Funds | 0 | 0 |

DEPARTMENT REQUEST: The Department requested a technical correction to an appropriation made in the FY 2017-18 Long Bill but should have been included as a Long Bill add-on for FY 2016-17 and therefore requests a shift of $210,000 cash funds from FY 2017-18 to FY 2016-17.

SUMMARY: Section 24-75-111 (5), C.R.S., requires the Committee to introduce a supplemental appropriation for FY 2016-17 in the amount of the overexpenditure allowed pursuant to Section 24-75-111, C.R.S.

The Department of State (Department) had one water loop system that allows the server cooling systems to run at optimal temperatures. When this system fails the servers are shut down to prevent overheating. This water cooling loop system has gone down numerous times in the past, including twice in the past year. Any time the system shuts down to prevent overheating, there is also a threat of damage to critical IT infrastructure.

With S.B. 17-254 (Long Bill), the Committee approved funding for a redundant water cooling loop system. However, due to a staff technical error, the $210,000 in cash fund appropriations were made in FY 2017-18, rather than the current fiscal year (FY 2016-17). The error was not identified by staff from JBC or the Department until after the Conference Committee Report for the Long Bill had been approved.

COMMITTEE ACTION: Staff recommended, and the Committee approved, the Department request.

## PREVIOUSLY APPROVED INTERIM SUPPLEMENTAL REQUEST SEPTEMBER 1331: OPEN PRIMARY MEDIA CAMPAIGN, DATABASE STORAGE AND SECURITY ENHANCEMENTS, AND REVAMPING THE BUSINESS SUITE WHILE TRANSITIONING THE DEPARTMENT TO A NEW MODEL FOR I.T. SERVICE DELIVERY

| | REQUEST* | RECOMMENDATION* |
|---|---|---|
| **TOTAL** | **$0** | **$0** |
| FTE | 0.0 | 0.0 |
| General Fund | 0 | 0 |
| Cash Funds | 0 | 0 |
| Reappropriated Funds | 0 | 0 |
| Federal Funds | 0 | 0 |

*See body of text for detail of requested change

DEPARTMENT REQUEST: The Department requested appropriation neutral change to its FY 2017-18 appropriation because it was not required to reimburse local governments for the costs of elections, as required by statute, because there were no statewide ballot question in November 2017. The requested change shifts $2.4 million cash funds within the Department. It requested to instead use the funding to continue enhancing its IT security and infrastructure and to develop a media campaign to inform the public around new procedures since adoption of the new open primary in Colroado.

SUMMARY: Section 24-75-111 (5), C.R.S. requires the Committee to introduce a supplemental appropriation for FY 2016-17 in the amount of the overexpenditure allowed pursuant to Section 24-75-111, C.R.S.

COMMITTEE ACTION: Staff recommended, and the Committee approved, the Department request, which shifts funding from the Local Election Reimbursement line item to those identified below.. The funding changes are summarized below:

| APPROVED FUNDING CHANGE BY LONG BILL GROUP AND LINE ITEM IN FY 2017-18 | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUND | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| Administration, Personal Services | $300,000 | $0 | $300,000 | $0 | $0 | 0.0 |
| Administration, Operating Expenses | 600,000 | 0 | 600,000 | 0 | 0 | 0.0 |
| IT Services, Asset Management | 1,180,000 | 0 | 1,180,000 | 0 | 0 | 0.0 |
| Elections, Personal Services | 150,000 | 0 | 150,000 | 0 | 0 | 0.0 |
| Elections, Local Election Reimbursement | (2,380,000) | 0 | (2,380,000) | 0 | 0 | 0.0 |
| Business and Licensing, Personal Services | 150,000 | 0 | 150,000 | 0 | 0 | 0.0 |
| **Total Net Funding Impact** | **$0** | **$0** | **$0** | **$0** | **$0** | **0.0** |

# STATEWIDE COMMON POLICY SUPPLEMENTAL REQUESTS

The JBC acted on these items on January 18th when it made a decision to deny the Department of Personnel's request, however, the Department of State has a very small appropriation and therefore is requesting an increase of $1,849 cash funds for the annual fleet supplemental true-up.

| DEPARTMENT'S PORTION OF STATEWIDE SUPPLEMENTAL REQUEST | TOTAL | GENERAL FUND | CASH FUNDS | REAPPROP. FUNDS | FEDERAL FUNDS | FTE |
|---|---|---|---|---|---|---|
| SNP1 Annual Fleet Supplemental | $1,849 | $0 | $1,849 | $0 | $0 | 0.0 |
| **DEPARTMENT'S TOTAL STATEWIDE SUPPLEMENTAL REQUESTS** | **$1,849** | **$0** | **$1,849** | **$0** | **$0** | **0.0** |

STAFF RECOMMENDATION: Staff recommends a deviation from common policy for the Secretary of State, which requests an increase of $1,849 cash funds for its Vehicle Lease appropriation. The Secretary of State's Office has a very small current appropriation for Vehicle Lease Payments, $5,887, and without an increased appropriation, the Office will have to pay the added vehicle lease costs from its Operating Expenses line item. JBC staff recommends the Committee include this increase in the Department's supplemental budget bill.

# MEMORANDUM


| | |
|---|---|
| TO | Joint Budget Committee |
| FROM | JBC Staff |
| DATE | January 29, 2018 |
| SUBJECT | Staff Comeback Packet 2 for Tuesday, January 30 |

Please find attached the following memorandum for Joint Budget Committee staff comebacks associated with FY 2017-18 supplemental budget requests.

- Healthcare Policy and Financing (Eric Kurtz): Family Medicine Residencies

# MEMORANDUM

JOINT BUDGET COMMITTEE

| | |
|---|---|
| TO | Joint Budget Committee |
| FROM | Eric Kurtz, JBC Staff (303-866-4952) |
| DATE | January 30, 2018 |
| SUBJECT | Supplemental Comeback<br>Health Care Policy and Financing<br>Commission on Family Medicine |

Most funding for family medicine residencies is provided in the Commission on Family Medicine Residency Training Programs line item, but funding for family medicine residencies affiliated with the University of Colorado Hospital Authority has been historically included in the line item for the State University Teaching Hospitals-University of Colorado Hospital Authority. The FY 2018-19 appropriation includes technical errors that are inconsistent with this historic alignment of funding.

1. When funding was added for a new family medicine residency as part of the FY 17-18 *R16 CU School of Medicine supplemental payment* the $150,000 total funds, including $75,000 reappropriated funds (from the Department of Higher Education) was put in the Commission on Family Medicine Residency Training Programs line item, but it should have been in the State University Teaching Hospitals-University of Colorado Hospital Authority line item, since the residency is affiliated with the University of Colorado Hospital Authority.
2. When a similar transfer of funding was made in FY 2016-17 for a residency placement, the calculation of the transfer was short $780 total funds, including $390 General Fund.

STAFF RECOMMENDATION: To correct the inconsistency in where funds are appropriated for family medicine residencies, the JBC staff recommends moving $150,780 total funds (composed of $390 General Fund, $75,000 reappropriated funds, and $75,390 federal funds) from the Commission on Family Medicine Residency Training Programs line item to the State University Teaching Hospitals-University of Colorado Hospital Authority line item. This will more accurately reflect how the General Assembly intended the money to be spent and eliminate the need for after-budget transfers.