

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2016-17 STAFF FIGURE SETTING TABLED ITEMS

**DEPARTMENT OF PUBLIC HEALTH AND
ENVIRONMENT**

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

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Tabled Items



(4) (D) Stationary Sources Personal Services and Operating Expenses

Why Tabled: The personal services and operating expenses line items within the Air Pollution Control Division, Stationary Sources subdivision were tabled by the Committee during the Department of Public Health and Environment's figure setting presentation on February 22, 2016. The Committee requested the Department provide specific dollar and FTE amounts for the staff time spent working on implementation of the Clean Power Plan.

New Information: The Department provided the following information about the cumulative cost in the Stationary Sources Program for work associated with the implementation of the Clean Power Plan. Since the Department of Public Health and Environment (CDPHE) did not request or receive any additional funds or FTE from federal or state sources to work on the Clean Power Plan, the judicial stay does not reduce the level of funding that CDPHE requires to protect air quality, issue permits to Colorado businesses, conduct inspections, or perform other statutory functions. The Air Pollution Control Division works on multiple programs that serve to reduce emissions from electric generating units and other facilities. The Clean Power Plan closely aligns with some of this ongoing work, and thus it is difficult to precisely differentiate exclusively "Clean Power Plan" work from regular, ongoing "clean air" work.

Consistent with the Division's ongoing efforts to reduce air pollution, the implementation workload relating to the Clean Power Plan has been shared by several Division staff. Between the August 3, 2015 signing of the Clean Power Plan and the February 9, 2016 judicial stay, approximately ten division staff worked on issues relating to the rule. The Department estimates that during this timeframe those staff members devoted a total of approximately 2,400 hours, which would equate to a total estimated cost of \$111,651.92, based on the an average salary.

Operating costs associated with Clean Power Plan work include the costs of hosting and traveling to meetings. The Division estimates its unreimbursed incremental costs for meetings related to the Clean Power Plan to be \$14,008.36. The legal services costs related to the Clean Power Plan so far this fiscal year have been \$19,120 from the central department Legal Services line funded with indirect revenue. Legal services costs are paid out of the Department's central legal services line. This line covers the Department's legal expenses which vary each year according to need. The table on the following page summarizes the costs.

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Summary of Costs Incurred for Clean Power Plan Work	
Personnel Hours	
Personnel Hours	2,400
FTE Equivalent	1.2
Expenditures	
Personnel Costs	\$111,652
Legal Services	19,120
Total costs from existing appropriations	\$130,772
Cash Funds	\$36,616
Federal Funds	\$94,156
Non-reimbursed mileage costs	\$14,008

The following is the request and recommendations for the personal services and operating expenses in the Stationary Sources subdivision. There are no changes to the staff recommendations.

(4) (D) Stationary Sources

Personal Services

This line item funds the personnel expenses personnel responsible for the inventory and support services, permits and compliance assurance, and hazardous and toxic emissions control.

Statutory Authority: Sections 25-7-109, 25-7-112, and Sections 25-7-114, C.R.S.

Request: The Department requests an appropriation of \$8,381,467 total funds and 99.6 FTE. The request includes the following change from the FY 2015-16 appropriation:

- An increase for the annualization of FY 2015-16 salary survey and merit pay.

Recommendation: Staff recommends an appropriation of \$8,148,338 total funds and 95.6 FTE. The difference from the request is a reduction of \$233,129 total funds and 4.0 FTE to correct a technical error made when implementing the departmental indirect cost methodology in the FY 2015-16 Long Bill. The recommendation is calculated in accordance with Committee policy and outlined in the following table.

Air Pollution Control Division, Stationary Sources, Personal Services					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	<u>\$8,264,588</u>	<u>\$0</u>	<u>\$6,954,253</u>	<u>\$1,310,335</u>	<u>99.6</u>
TOTAL	\$8,264,588	\$0	\$6,954,253	\$1,310,335	99.6

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Air Pollution Control Division, Stationary Sources, Personal Services					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$8,264,588	\$0	\$6,954,253	\$1,310,335	99.6
Annualize salary survey and merit pay	116,879	0	116,879	0	0.0
Technical corrections to departmental indirects	<u>(233,129)</u>	<u>0</u>	<u>(181,841)</u>	<u>(51,288)</u>	<u>(4.0)</u>
TOTAL	\$8,148,338	\$0	\$6,889,291	\$1,259,047	95.6
Increase/(Decrease)	(\$116,250)	\$0	(\$64,962)	(\$51,288)	(4.0)
Percentage Change	(1.4%)	0.0%	(0.9%)	(3.9%)	(4.0%)
FY 2016-17 Executive Request:	\$8,381,467	\$0	\$7,071,132	\$1,310,335	99.6
Request Above/(Below) Recommendation	\$233,129	\$0	\$181,841	\$51,288	4.0

Operating Expenses

This line item funds all operating expenses associated with the inventory and support services, permits and compliance assurance, and hazardous and toxic emissions control efforts of the Stationary Sources Program.

Statutory Authority: Sections 25-7-109, 25-7-112, and Sections 25-7-114, C.R.S.

Request: The Department requests an appropriation of \$326,531 total funds. The request includes the following change from the FY 2015-16 appropriation:

- A reduction of \$50,377 cash funds for the annualization of one-time operating expenses for the new FTE added in FY 2015-16 as part of R2 Air Inspection and Permitting Improvements.

Recommendation: Staff recommends an appropriation of \$324,057 total funds. The difference from the request is that the recommendation includes a reduction of \$2,474 cash funds to correct a technical error made when implementing the departmental indirect cost methodology in the FY 2015-16 Long Bill. The recommendation is calculated in accordance with Committee policy and outlined in the following table.

Air Pollution Control Division, Stationary Sources, Operating Expenses					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	<u>\$376,908</u>	<u>\$0</u>	<u>\$327,994</u>	<u>\$48,914</u>	<u>0.0</u>
TOTAL	\$376,908	\$0	\$327,994	\$48,914	0.0

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Air Pollution Control Division, Stationary Sources, Operating Expenses					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$376,908	\$0	\$327,994	\$48,914	0.0
Annualize prior year budget actions	(50,377)	0	(50,377)	0	0.0
Technical corrections to departmental indirects	<u>(2,474)</u>	<u>0</u>	<u>(2,474)</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$324,057	\$0	\$275,143	\$48,914	0.0
Increase/(Decrease)	(\$52,851)	\$0	(\$52,851)	\$0	0.0
Percentage Change	(14.0%)	0.0%	(16.1%)	0.0%	0.0%
FY 2016-17 Executive Request:					
Request Above/(Below) Recommendation	\$2,474	\$0	\$2,474	\$0	0.0

➔ (5) (B) Clean Water Sectors

Pursuant to the February 22, 2016 staff recommendation, the line items within the Water Quality Control Division, Clean Water Sectors were tabled pending additional information for base adjustments to the sectors. This information was provided to staff and the following represents the figure setting recommendations for (5) (B) Clean Water Sectors.

(5) (B) Clean Water Sectors

Commerce and Industry Sector

This line item was added in FY 2015-16 and funds the Division's work for permit and compliance obligations associated with commercial and industrial operations resulting in a permitted discharge to waters of the state. The Commerce and Industry Sector includes primarily private business enterprises with operations in areas such as mining, oil and gas extraction, electrical power generation, food processing, automobile salvage and timber harvesting. A small portion of entities are public and have a permitted discharge from services such as airports or fish rearing operations.

Statutory Authority: Section 25-8-502, C.R.S.

Request: The Department requests an appropriation of \$2,175,672 total funds, of which \$555,781 is General Fund and 23.3 FTE. The request includes an increase for the annualization of FY 2015-16 salary survey and merit pay.

Recommendation: Staff recommends an appropriation of \$1,655,148 total funds, of which \$687,209 is General Fund and 25.4 FTE. The recommendation includes the following differences from the request:

- A reduction of \$362,402 cash funds for R2 General Fund for Clean Water Sectors because the Water Quality Control Fund does not have sufficient revenue to support the appropriation. This issue is addressed in the Committee's bill concerning the financing of the clean water sectors;
- An increase of \$130,092 cash funds and 2.1 FTE for the annualization of the FY 2015-16 General Fund subsidy; and
- A net reduction of \$288,214 total funds, of which \$131,428 is an increase of General Fund to adjust the appropriation for this sector based on projected FY 2016-17 expenditures.

Water Quality Control Division, Clean Water Sectors, Commerce and Industry Sector					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	\$2,147,551	\$545,187	\$954,738	\$647,626	23.3
Other legislation	<u>1,868</u>	<u>0</u>	<u>1,868</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$2,149,419	\$545,187	\$956,606	\$647,626	23.3

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Water Quality Control Division, Clean Water Sectors, Commerce and Industry Sector					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$2,149,419	\$545,187	\$956,606	\$647,626	23.3
Annualize prior year budget actions	130,092	0	130,092	0	2.1
Annualize salary survey and merit pay	26,253	10,594	15,659	0	0.0
R2 General Fund for clean water sectors	(362,402)	0	(362,402)	0	0.0
Clean water sectors adjustment	<u>(288,214)</u>	<u>131,428</u>	<u>(14,082)</u>	<u>(405,560)</u>	<u>0.0</u>
TOTAL	\$1,655,148	\$687,209	\$725,873	\$242,066	25.4
Increase/(Decrease)	(\$494,271)	\$142,022	(\$230,733)	(\$405,560)	2.1
Percentage Change	(23.0%)	26.1%	(24.1%)	(62.6%)	9.0%
FY 2016-17 Executive Request:	\$2,175,672	\$555,781	\$972,265	\$647,626	23.3
Request Above/(Below) Recommendation	\$520,524	(\$131,428)	\$246,392	\$405,560	(2.1)

Construction Sector

This line item was added in FY 2015-16 and funds the Division's work for permit and compliance obligations associated with construction project owners and operators whose activities are subject to Colorado Water Quality Control Act. The Construction Sector includes include home builders, transportation and utility project owners and contractors, and industries such as oil and gas operators who need to construct access roads and utilities as part of their business enterprise.

Statutory Authority: Section 25-8-502, C.R.S.

Request: The Department requests an appropriation of \$1,752,275 total funds, of which \$313,957 is General Fund and 20.3 FTE. The request includes the following changes from the FY 2015-16 appropriation:

- An increase for the annualization of FY 2015-16 salary survey and merit pay; and
- An increase of \$450,165 cash funds for the second year costs of H.B. 15-1249 (Recodify Water Pollution Control Fees).

Recommendation: Staff recommends an appropriation of \$1,527,450 total funds, of which \$335,081 is General Fund and 20.3 FTE. The difference from the request is that the recommendation includes a net reduction of \$224,825 total funds, of which \$21,124 is an increase of General Fund to adjust the appropriation for this sector based on projected FY 2016-17 expenditures.

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Water Quality Control Division, Clean Water Sectors, Construction Sector					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	<u>\$1,285,787</u>	<u>\$307,295</u>	<u>\$617,354</u>	<u>\$361,138</u>	<u>15.3</u>
TOTAL	\$1,285,787	\$307,295	\$617,354	\$361,138	15.3
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$1,285,787	\$307,295	\$617,354	\$361,138	15.3
Annualize prior year legislation	450,165	0	450,165	0	5.0
Annualize salary survey and merit pay	16,323	6,662	9,661	0	0.0
Clean water sectors adjustment	<u>(224,825)</u>	<u>21,124</u>	<u>0</u>	<u>(245,949)</u>	<u>0.0</u>
TOTAL	\$1,527,450	\$335,081	\$1,077,180	\$115,189	20.3
Increase/(Decrease)	\$241,663	\$27,786	\$459,826	(\$245,949)	5.0
Percentage Change	18.8%	9.0%	74.5%	(68.1%)	32.7%
FY 2016-17 Executive Request:	\$1,752,275	\$313,957	\$1,077,180	\$361,138	20.3
Request Above/(Below) Recommendation	\$224,825	(\$21,124)	\$0	\$245,949	0.0

Municipal Separate Storm Sewer Systems Sector

This line item was added in FY 2015-16 and funds the Division's work for permit and compliance obligations associated with municipal separate storm sewer systems (MS4s) resulting in a permitted discharge to waters of the state. The MS4s Sector includes a conveyance or system of conveyances that is owned by a city, town, village, or other public entity that discharges to water of the State, and is designed to collect or convey stormwater (including storm drains, pipes, ditches, etc.). An MS4s is not a combined sewer or part of a Public Owned Treatment Works (sewage treatment plant).

Statutory Authority: Section 25-8-502, C.R.S.

Request: The Department requests an appropriation of \$263,433 total funds, of which \$63,507 is General Fund and 3.1 FTE. The request includes an increase for the annualization of FY 2015-16 salary survey and merit pay.

Recommendation: Staff recommends an appropriation of \$178,666 total funds, of which \$62,468 is General Fund and 3.1 FTE. The recommendation includes the following differences from the request:

- A reduction of \$60,400 cash funds for R2 General Fund for Clean Water Sectors because the Water Quality Control Fund does not have sufficient revenue to support the appropriation. This issue is addressed in the Committee's bill concerning the financing of the clean water sectors; and
- A reduction of \$24,367 total funds, of which \$1,039 is General Fund to adjust the appropriation for this sector based on projected FY 2016-17 expenditures.

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Water Quality Control Division, Clean Water Sectors, Municipal Separate Storm Sewer System Sector					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	<u>\$260,132</u>	<u>\$62,171</u>	<u>\$124,898</u>	<u>\$73,063</u>	<u>3.1</u>
TOTAL	\$260,132	\$62,171	\$124,898	\$73,063	3.1
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$260,132	\$62,171	\$124,898	\$73,063	3.1
Annualize salary survey and merit pay	3,301	1,336	1,965	0	0.0
R2 General Fund for clean water sectors	(60,400)	0	(60,400)	0	0.0
Clean water sectors adjustment	<u>(24,367)</u>	<u>(1,039)</u>	<u>14,082</u>	<u>(37,410)</u>	<u>0.0</u>
TOTAL	\$178,666	\$62,468	\$80,545	\$35,653	3.1
Increase/(Decrease)	(\$81,466)	\$297	(\$44,353)	(\$37,410)	0.0
Percentage Change	(31.3%)	0.5%	(35.5%)	(51.2%)	0.0%
FY 2016-17 Executive Request:					
Request Above/(Below) Recommendation	\$84,767	\$1,039	\$46,318	\$37,410	(0.0)

Pesticides Sector

This line item was added in FY 2015-16 and funds the Division's work for permit and compliance obligations associated with pesticide applications, including those with control over a decision to perform a pesticide application, and those who perform the applications. The Pesticides Sector includes state agencies, municipalities, special districts and private enterprises such as irrigation companies and commercial pesticide applicators.

Statutory Authority: Section 25-8-502, C.R.S.

Request: The Department requests an appropriation of \$160,991 total funds, of which \$143,391 is General Fund and 1.0 FTE. The request includes an increase for the annualization of FY 2015-16 salary survey and merit pay.

Recommendation: Staff recommends an appropriation of \$117,600 total funds and 1.0 FTE. The difference from the request is that the recommendation includes a net reduction of \$43,391 total funds, of which \$143,391 is a reduction of General Fund to adjust the appropriation for this sector based on projected FY 2016-17 expenditures.

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Water Quality Control Division, Clean Water Sectors, Pesticides Sector					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	\$160,000	\$160,000	\$0	\$0	1.0
Other legislation	<u>0</u>	<u>(17,600)</u>	<u>17,600</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$160,000	\$142,400	\$17,600	\$0	1.0
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$160,000	\$142,400	\$17,600	\$0	1.0
Annualize salary survey and merit pay	991	991	0	0	0.0
Clean water sectors adjustment	<u>(43,391)</u>	<u>(143,391)</u>	<u>0</u>	<u>100,000</u>	<u>0.0</u>
TOTAL	\$117,600	\$0	\$17,600	\$100,000	1.0
Increase/(Decrease)	(\$42,400)	(\$142,400)	\$0	\$100,000	0.0
Percentage Change	(26.5%)	(100.0%)	0.0%	0.0%	0.0%
FY 2016-17 Executive Request:	\$160,991	\$143,391	\$17,600	\$0	1.0
Request Above/(Below) Recommendation	\$43,391	\$143,391	\$0	(\$100,000)	0.0

Public and Private Utilities Sector

This line item was added in FY 2015-16 and funds the Division's work for permit and compliance obligations associated with operation of domestic waste water treatment works, water treatment facilities, reclaimed water systems and industrial operations that discharge to a domestic waste water treatment works. The Public and Private Utilities Sector includes municipalities and special districts as well as public and private entities providing waste water services to support public or commercial operations such as highway rest areas, private housing (mobile home parks) and recreation (lodges, hotels and campgrounds).

Statutory Authority: Section 25-8-502, C.R.S.

Request: The Department requests an appropriation of \$3,578,387 total funds, of which \$890,644 is General Fund and 41.4 FTE. The request includes an increase for the annualization of FY 2015-16 salary survey and merit pay.

Recommendation: Staff recommends an appropriation of \$2,574,153 total funds, of which \$1,103,322 is General Fund and 43.3 FTE. The recommendation includes the following differences from the request:

- A reduction of \$785,205 cash funds for R2 General Fund for Clean Water Sectors because the Water Quality Control Fund does not have sufficient revenue to support the appropriation. This issue is addressed in the Committee's bill concerning the financing of the clean water sectors;
- An increase of \$115,365 cash funds and 1.9 FTE for the annualization of the FY 2015-16 General Fund subsidy; and

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- A net reduction of \$334,394 total funds, of which \$212,678 is an increase of General Fund to adjust the appropriation for this sector based on projected FY 2016-17 expenditures.

Water Quality Control Division, Clean Water Sectors, Public and Private Utilities Sector					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	<u>\$3,534,849</u>	<u>\$873,456</u>	<u>\$1,626,074</u>	<u>\$1,035,319</u>	<u>41.4</u>
TOTAL	\$3,534,849	\$873,456	\$1,626,074	\$1,035,319	41.4
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$3,534,849	\$873,456	\$1,626,074	\$1,035,319	41.4
Annualize prior year budget actions	115,365	0	115,365	0	1.9
Annualize salary survey and merit pay	43,538	17,188	26,350	0	0.0
R2 General Fund for clean water sectors	(785,205)	0	(785,205)	0	0.0
Clean water sectors adjustment	<u>(334,394)</u>	<u>212,678</u>	<u>0</u>	<u>(547,072)</u>	<u>0.0</u>
TOTAL	\$2,574,153	\$1,103,322	\$982,584	\$488,247	43.3
Increase/(Decrease)	(\$960,696)	\$229,866	(\$643,490)	(\$547,072)	1.9
Percentage Change	(27.2%)	26.3%	(39.6%)	(52.8%)	4.6%
FY 2016-17 Executive Request:					
Request Above/(Below) Recommendation	\$1,004,234	(\$212,678)	\$669,840	\$547,072	(1.9)

Water Quality Certification Sector

This line item was added in FY 2015-16 and funds the certifications which assess impacts to water quality from various types of federally permitted actions related to water supply, distribution and other construction projects that may require mitigation and post-construction monitoring. There are four known large water development projects the Moffat Collection System Project, the Windy Gap Firing Project, the Northern Integrated Supply Project, and the Halligan Seaman Water Management Project. Other smaller federally permitted projects including water development and habitat restoration projects will need to be certified in the near future.

Statutory Authority: Section 25-8-502, C.R.S.

Request: The Department requests an appropriation of \$423,895 total funds, of which \$220,800 is General Fund and 1.5 FTE. The request includes the following changes from the FY 2015-16 appropriation:

- An increase for the annualization of FY 2015-16 salary survey and merit pay; and
- An increase of \$203,095 cash funds for the annualization of H.B. 15-1249(Recodify Water Pollution Control Fees).

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Recommendation: Staff recommends an appropriation of \$223,095 total funds and 1.5 FTE. The difference from the request is that the recommendation includes a net reduction of \$200,800 total funds, of which \$220,800 is a reduction of General Fund to adjust the appropriation for this sector based on projected FY 2016-17 expenditures.

Water Quality Control Division, Clean Water Sectors, Water Quality Certification Sector					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	\$220,000	\$220,000	\$0	\$0	1.5
TOTAL	\$220,000	\$220,000	\$0	\$0	1.5
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$220,000	\$220,000	\$0	\$0	1.5
Annualize prior year legislation	203,095	0	203,095	0	0.0
Annualize salary survey and merit pay	800	800	0	0	0.0
Clean water sectors adjustment	(200,800)	(220,800)	0	20,000	0.0
TOTAL	\$223,095	\$0	\$203,095	\$20,000	1.5
Increase/(Decrease)	\$3,095	(\$220,000)	\$203,095	\$20,000	0.0
Percentage Change	1.4%	(100.0%)	0.0%	0.0%	0.0%
FY 2016-17 Executive Request:	\$423,895	\$220,800	\$203,095	\$0	1.5
Request Above/(Below) Recommendation	\$200,800	\$220,800	\$0	(\$20,000)	0.0

➔ Technical - Clean Water Sectors Request for Information

The February 22, 2016 recommendation on the request for information related to data on the Clean Water Sectors required a monthly data report. The revised recommendation, based on the discussions with the Department and the stakeholders is for a quarterly request for information.

Department of Public Health and Environment, Water Quality Control Division, Clean Water Sectors -- The Department is requested to submit a ~~monthly~~ quarterly report ~~for~~ on revenues and expenditures by fund source for each of the clean water sectors.



(8) (A) Administration, General Disease Control, and Surveillance

Why Tabled: The lines items in (8) (A) Administration, General Disease Control, and Surveillance were tabled pending an update from the Department on implementations of the recommendations made in the January 2016 Performance Audit of the Immunization Program.

New Information: Overall, the audit found that the Department used Tobacco Master Settlement Agreement (MSA) funds for “immunization and immunization strategies” in accordance with Section 25-4-2301, C.R.S. The audit found:

- Between 2010 and 2015, three Department staff served on the Board of Directors of a nonprofit immunization coalition (the vendor) with which the Department contracts using MSA funds, creating a conflict of interest.
- The Department’s procurement activities related to the vendor did not follow state requirements or Department guidance.
- For the Fiscal Year 2015 contract with the vendor, the Department did not receive all the contract deliverables or include a performance measure in the contract that provided a valid basis for assessing the vendor’s performance.
- The Department has limited ability to enforce School Entry Immunization requirements.

Key Audit Recommendations

- The Department should implement stronger conflict of interest policies to help staff identify, disclose, and mitigate conflicts related to contracting for services and hold staff accountable for adhering to the policies by monitoring compliance.
- The Department should implement policies, procedures, or guidance to identify key steps for procurement staff to follow in reviewing sole source justifications and verifying the information included by program staff.
- The Department should improve contract administration by designating one individual as ultimately responsible for ensuring deliverables are received, establishing firm deadlines for receipt of deliverables, and creating valid contract performance measures.

The Department agreed with all recommendations.

Audit Recommendations and CDPHE Responses

Recommendation One: The Department of Public Health and Environment should improve its controls over conflicts of interest in procurement by:

- A - Establishing broader conflict of interest policies to help staff identify, disclose, and mitigate all types of conflicts of interest.
- B - Holding staff accountable to standards established in Part A of the recommendation, such as by monitoring staff compliance and taking action when conflicts of interest are identified.

CDPHE Response: The Department has a conflict of interest policy regarding outside employment, but did not have a policy relating to employee service on boards and commissions. A policy is in development to cover activities that could lead to a potential conflict of interest. Once in effect, all employees will follow the procedure for notifying their supervisor of any external activities that could be seen as a potential conflict of interest.

Actions Taken: A department conflict of interest policy will be in effect by March 1, 2016, and will require disclosure of actual, perceived or potential conflicts of interest by employees upon initial employment, annually thereafter, and within (30) days of any change that could create a conflict to interest. Any identified conflicts will be dealt with through a management plan that is reviewed and approved by a conflict of interest panel appointed by the department's Executive Director.

Recommendation Two: The Department should improve its controls over procurement by developing and implementing written internal policies, procedures, or guidance to identify key steps for procurement staff to follow in reviewing sole source justifications and verifying the information included by program staff.

CDPHE Response: The Department will improve internal controls over sole source procurements by developing and implementing more robust internal procedures and guidance for both department purchasing and contracts unit staff responsible for the approval of sole source requests and education for division staff through the Contract User Group meetings. Division staff will be required to provide documented research to support their request for a sole source procurement. Department Purchasing and Contract Unit staff will verify division research and document the actions of each sole source review as performed through a variety of mechanisms, including internet research, other market research and discussions with applicable division staff.

Actions Taken: All sole source justifications now have additional oversight. The Immunization Branch will not be using a sole source contract for this work going forward. A competitive process under Procurement Code will be used for this funding starting in the next contract period (7/1/16).

Recommendation Three: The Department of Public Health and Environment should improve its contract administration by:

- A - Designating one individual as ultimately responsible for ensuring all deliverables are received.
- B - Ensuring its contracts include firm deadlines for deliverables that staff can monitor against.
- C - Modifying the Immunization Program's contract monitoring procedures to ensure compliance with statute [Section 24-103.5-101 et. seq., C.R.S.] including creating valid performance measures, ensuring vendors achieve performance measures, and certifying contract compliance before renewing contracts.

CDPHE Response: In most cases, one contract monitor is responsible for all contract deliverables. In the case of the vendor described in the audit, more than one immunization employee was receiving documents. The immunization branch has changed this process, and the primary contract monitor for each contract will be responsible for collecting all documents and deliverables before approving each invoice.

Actions Taken: The Department has implemented full contract monitoring training beginning January 1, 2016 for all staff responsible for contract monitoring. Each immunization contract

scope of work is being reviewed and approved by a trained scope of work specialist within the division. The Immunization Branch originally had several staff responsible for different sections of the contract described in the audit. The branch has now assigned one contract monitor to the contract so that all deliverables are collected and stored by the single contract monitor. A review of all immunization branch contracts did not discover other contracts with more than one monitor.

(A) Administration, General Disease Control and Surveillance

Program Costs

This line item funds the costs of the disease control and surveillance program.

Statutory Authority: Section 25-1-122, C.R.S.

Request: The Department requests an appropriation of \$2,863,558 total funds, of which \$1,303,062 is General Fund and 33.9 FTE. The request includes the following changes from the FY 2015-16 appropriation:

- An increase for the annualization of FY 2015-16 salary survey and merit pay;
- An increase of \$75,000 General Fund and 1.0 FTE for R5 Long Bill adjustments to transfer the FTE responsible for tracking the prevalence of infections in health care settings from the (10) Health Facilities and Emergency Medical Services to this line item based on the division of responsibilities between the two divisions; and
- A reduction of \$11,869 General Fund and 0.2 FTE for the second year costs of H.B. 15-1232 (Emergency Use of Epinephrine Auto-Injectors).

Recommendation: Staff recommends an appropriation of \$2,856,550 total funds, of which \$1,303,062 is General Fund and 33.9 FTE. The difference from the request is that the recommendation reduces \$7,008 cash funds because historically those funds have not been expended. The recommendation is calculated in accordance with Committee policy and outlined in the following table.

Disease Control and Environmental Epidemiology Division, Administration, General Disease Control and Surveillance, Program Costs					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	\$2,744,986	\$1,184,490	\$7,008	\$1,553,488	32.7
Other legislation	<u>23,736</u>	<u>23,736</u>	<u>0</u>	<u>0</u>	<u>0.4</u>
TOTAL	\$2,768,722	\$1,208,226	\$7,008	\$1,553,488	33.1

*JBC Staff Figure Setting Tabled Items: FY 2016-17
Staff Working Document – Does Not Represent Committee Decision*

Disease Control and Environmental Epidemiology Division, Administration, General Disease Control and Surveillance, Program Costs					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$2,768,722	\$1,208,226	\$7,008	\$1,553,488	33.1
R5 Long bill adjustments	75,000	75,000	0	0	1.0
Annualize salary survey and merit pay	31,705	31,705	0	0	0.0
Annualize prior year legislation	(11,869)	(11,869)	0	0	(0.2)
(8) (A) Administration base adjustment	<u>(7,008)</u>	<u>0</u>	<u>(7,008)</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$2,856,550	\$1,303,062	\$0	\$1,553,488	33.9
Increase/(Decrease)	\$87,828	\$94,836	(\$7,008)	\$0	0.8
Percentage Change	3.2%	7.8%	(100.0%)	0.0%	2.4%
FY 2016-17 Executive Request:	\$2,863,558	\$1,303,062	\$7,008	\$1,553,488	33.9
Request Above/(Below) Recommendation	\$7,008	\$0	\$7,008	\$0	0.0

Immunization Personal Services

This line item funds the personnel expenses of the Immunization Program.

Statutory Authority: Sections 25-4-901 through 909, and 25-4-1701 through 1711, C.R.S.

Request: The Department requests an appropriation of \$3,334,240 total funds, of which \$1,289,604 is General Fund and 25.3 FTE. The request includes the following changes from the FY 2015-16 appropriation:

- An increase of \$40,808 General Fund and 0.4 FTE for annualization of the second year personal services costs for FY 2015-16 R6 Colorado Immunization Information System Optimization and Sustainability; and
- A reduction of \$70,659 General Fund and 1.0 FTE to remove the funding and FTE added in FY 2015-16 to explore implementation of program similar to the federal Vaccines for Children for the Children's Health Plan Plus (CHP+) based on federal changes to the CHP+ program and increase in the federal match rate for the program which mitigates any potential savings from implementation of the new program.

Recommendation: Staff recommends an appropriation of \$4,075,604 total funds, of which \$1,289,604 is General Fund, and 25.3 FTE. The difference from the request is that the recommendation includes an increase of \$741,364 federal funds appropriated for information purposes. The recommendation is calculated in accordance with Committee policy and is outlined in the following table.

*JBC Staff Figure Setting Tabled Items: FY 2016-17
Staff Working Document – Does Not Represent Committee Decision*

Disease Control and Environmental Epidemiology Division, Administration, General Disease Control and Surveillance, Immunization Personal Services				
	Total Funds	General Fund	Federal Funds	FTE
FY 2015-16 Appropriation				
SB 15-234 (Long Bill)	<u>\$3,364,091</u>	<u>\$1,319,455</u>	<u>\$2,044,636</u>	<u>25.9</u>
TOTAL	\$3,364,091	\$1,319,455	\$2,044,636	25.9
FY 2016-17 Recommended Appropriation				
FY 2015-16 Appropriation	\$3,364,091	\$1,319,455	\$2,044,636	25.9
Informational funds adjustment	741,364	0	741,364	0.0
Annualize prior year budget actions	<u>(29,851)</u>	<u>(29,851)</u>	<u>0</u>	<u>(0.6)</u>
TOTAL	\$4,075,604	\$1,289,604	\$2,786,000	25.3
Increase/(Decrease)	\$711,513	(\$29,851)	\$741,364	(0.6)
Percentage Change	21.2%	(2.3%)	36.3%	(2.3%)
FY 2016-17 Executive Request:	\$3,334,240	\$1,289,604	\$2,044,636	25.3
Request Above/(Below) Recommendation	(\$741,364)	\$0	(\$741,364)	0.0

Immunization Operating Expenses

This line item funds the operating expenses of the Immunization Program. Federal funds are for non-program grants expenditures for the purchase of vaccines by local public health agencies.

Statutory Authority: Sections 24-22-117 (1) (l) (b), 25-4-901 through 909, and 25-4-1701 through 1711, C.R.S.

Request: The Department requests an appropriation of \$48,066,984 total funds, of which \$937,468 is General Fund and \$410,984 is General Fund Exempt. The request includes the following changes from the FY 2015-16 appropriation:

- A reduction of \$950 General Fund for the operating expenses associated with the FTE reduction related to changes to the Children's Health Plan Plus;
- A reduction of \$437,569 General Fund for the one-time appropriations included in FY 2015-16 for R6 Colorado Immunization Information System Optimization and Sustainability and
- A reduction of \$16,609 General Fund Exempt to account for the Department's Amendment 35 revenue forecast.

Recommendation: Staff recommends an appropriation of \$50,271,812 total funds, of which \$937,468 is General Fund and \$423,630 is General Fund Exempt. The recommendation includes the following differences from the request:

- An increase of \$3,963 General Fund Exempt for the Amendment 35 revenue adjustment;
- An increase of \$2,199,798 federal funds appropriated for informational purposes; and
- A reduction of \$7,616 cash funds for the Tobacco Master Settlement revenue adjustment.

*JBC Staff Figure Setting Tabled Items: FY 2016-17
Staff Working Document – Does Not Represent Committee Decision*

The following the line item summary table is a discussion of a number of components that are included in the final recommendation for this line item. The recommendation for this line item is calculated in accordance with Committee policy and outlined in the following table.

Disease Control and Environmental Epidemiology Division, Administration, General Disease Control and Surveillance, Immunization Operating Expenses					
	Total Funds	General Fund/1	Cash Funds	Federal Funds	FTE
FY 2015-16 Appropriation					
SB 15-234 (Long Bill)	<u>\$48,522,112</u>	<u>\$1,803,580</u>	<u>\$868,330</u>	<u>\$45,850,202</u>	<u>0.0</u>
TOTAL	\$48,522,112	\$1,803,580	\$868,330	\$45,850,202	0.0
FY 2016-17 Recommended Appropriation					
FY 2015-16 Appropriation	\$48,522,112	\$1,803,580	\$868,330	\$45,850,202	0.0
Informational funds adjustment	2,199,798	0	0	2,199,798	0.0
Annualize prior year budget actions	(438,519)	(438,519)	0	0	0.0
TMS adjustment	(7,616)	0	(7,616)	0	0.0
Amendment 35 revenue adjustment	<u>(3,963)</u>	<u>(3,963)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$50,271,812	\$1,361,098	\$860,714	\$48,050,000	0.0
Increase/(Decrease)	\$1,749,700	(\$442,482)	(\$7,616)	\$2,199,798	0.0
Percentage Change	3.6%	(24.5%)	(0.9%)	4.8%	0.0%
FY 2016-17 Executive Request:	\$48,066,984	\$1,348,452	\$868,330	\$45,850,202	0.0
Request Above/(Below) Recommendation	(\$2,204,828)	(\$12,646)	\$7,616	(\$2,199,798)	0.0

/1 Includes General Fund Exempt. The Amendment 35 revenue adjustment is all General Fund Exempt.

Recommended Adjustments related to Tobacco Master Settlement Funds

Diversions to HCPF for cervical cancer vaccinations

Starting in FY 2007-08 a portion of the moneys that the Colorado Immunization Fund receives each year have been appropriated to the Department of Health Care Policy and Financing (HCPF) rather than to this Department (CDPHE), for cervical cancer vaccinations (also known as human papillomavirus vaccinations or HPV vaccinations) for Children's Basic Health Plan participants. This diversion was established in the appropriation clause of H.B. 07-1301 (Cervical Cancer Immunizations), but is not required by statute. During the FY 2012-13 figure setting staff learned that the transfer was not based on a calculation of the actual costs. In response to the issue, staff recommended and the Committee approved the staff recommendation to make the transfer to HCPF equal to 19.5 percent of the tobacco settlement revenue projected to be diverted to Immunizations based on the intent of the General Assembly in H.B. 07-1301.

Appropriation of Fund Balance

The Colorado Immunization Fund balance in excess of the 5.0 percent reserve should be transferred to the Tobacco Settlement Litigation Fund in accordance with the statutory requirement at the end of each fiscal year. Therefore staff is recommending the full amount of the allowable FY 2015-16 ending fund balance of \$43,912 be appropriated for FY 2016-17. Based on the Committee approved Tobacco Master Settlement allocation to the Colorado Immunization Fund, the following table outlines how much would be diverted to HCPF in FY 2016-17 and the total cash funds available for operating expenses.

Tobacco Master Settlement Revenues for Immunization Program	
	CF
FY 2016-17 Tobacco settlement revenues to the Colorado Immunization Fund	\$1,008,397
Recommended diversion to HCPF - 19.5% of FY 16-17 revenue	(191,595)
Uncommitted Colorado Immunization Fund balance	43,912
Total Funds for Immunization Operating Expenses	\$860,714

Appropriation from the Tobacco Tax Fund to the General Fund

Pursuant to Section 24-22-117, C.R.S., 0.6 percent of the Amendment 35 revenue deposited into the Tobacco Tax Cash Fund must be appropriated to the General Fund, and then reappropriated for health-related purposes. This 0.6 percent must go into the exempt account of the General Fund because it derives from a voter-approved tax increase thus making these dollars exempt from TABOR. The exempt status is derived from Amendment 35 and not from Referendum C. This is the only part of Amendment 35 revenue that is appropriated to the General Fund, because it is required by the language of Amendment 35.

Statutory Authority: Section 24-22-117 (1) (a), C.R.S.

Request: The Department requests an appropriation of \$410,984 cash funds. The request includes a reduction of \$16,609 cash funds from Amendment 35 revenue based on the Department's Amendment 35 revenue forecast.

Recommendation: Staff recommends an appropriation of \$423,630 cash funds. The recommendation includes a reduction of \$3,963 cash funds based on the FY 2016-17 Committee approved Amendment 35 distribution. The recommendation is calculated in accordance with Committee policy and outlined in the following table.

*JBC Staff Figure Setting Tabled Items: FY 2016-17
Staff Working Document – Does Not Represent Committee Decision*

Disease Control and Environmental Epidemiology Division, Administration, General Disease Control and Surveillance, Appropriation from the Tobacco Tax Cash Fund to the General Fund				
	Total Funds	General Fund	Cash Funds	FTE
FY 2015-16 Appropriation				
SB 15-234 (Long Bill)	\$427,593	\$0	\$427,593	0.0
TOTAL	\$427,593	\$0	\$427,593	0.0
FY 2016-17 Recommended Appropriation				
FY 2015-16 Appropriation	427,593	\$0	\$427,593	0.0
Amendment 35 revenue adjustment	(3,963)	0	(3,963)	0.0
TOTAL	\$423,630		\$423,630	0.0
Increase/(Decrease)	(\$3,963)	\$0	(\$3,963)	0.0
Percentage Change	(0.9%)	0.0%	(0.9%)	0.0%
FY 2016-17 Executive Request:	\$410,984	\$0	\$410,984	0.0
Request Above/(Below) Recommendation	(\$12,646)		(\$12,646)	0.0

Federal Grants

This line item reflects various federal grants received by the Division for a variety of disease control programs and activities.

Statutory Authority: Section 25-1.5-101 (1) (m), C.R.S.

Request: The Department requests an appropriation of \$1,333,092 federal funds and 9.2 FTE. The request does not include any changes from the FY 2015-16 appropriation.

Recommendation: Staff recommends the Department's request for an appropriation of \$1,333,092 federal funds and 9.2 FTE. The recommendation does not include any changes from the prior year appropriation because of the number of changes that hit this line item in FY 2015-16 (transferring out the funds for the Birth Defects and Special Needs Program, and a reduction of funds for the divisional indirect cost allocation). The recommendation is calculated in accordance with Committee policy.

Indirect Cost Assessment

Request: The Department requests and appropriation of \$3,379,900 total funds. The request does not include any changes from the FY 2015-16 appropriation.

Recommendation: Staff recommendation for indirect costs is pending Committee action on outstanding centrally appropriated line items. Staff requests permission to adjust the line based on final Committee action on centrally appropriated line items.