

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



**FY 2006-07 SUPPLEMENTAL:
DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT
(ADMINISTRATIVE AND HEALTH DIVISIONS)**

**PRIORITIZED AND NON-PRIORITIZED
REQUESTS**

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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January 16, 2007

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**DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT
 (ADMINISTRATIVE AND HEALTH DIVISIONS)
 FY 2006-07 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

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	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT					
HEALTH AND ADMINISTRATIVE DIVISIONS					
Executive Director Designate - James Martin					
Supplemental #1 - Medicaid State/Federal Cost Sharing Rates					
<i>(11) HEALTH FACILITIES AND EMERGENCY MEDICAL SERVICES DIVISION</i>					
<i>(B) Medicaid / Medicare Certification Program</i>					
Program SUBTOTAL	7,629,450	7,546,176	0	0	7,546,176
FTE	<u>95.7</u>	<u>95.9</u>	<u>0.0</u>	<u>0</u>	<u>95.9</u>
Cash Funds Exempt	3,640,639	4,023,742	0	0	4,023,742
Federal Funds	3,988,811	3,522,434	0	0	3,522,434
<i>Medicaid Cash Funds</i>	<i>3,640,639</i>	<i>4,023,742</i>	<i>0</i>	<i>0</i>	<i>4,023,742</i>
<i>GF in Medicaid CF</i>	<i>942,009</i>	<i>1,041,136</i>	<i>128,011</i>	<i>128,011</i>	<i>1,169,147</i>
<i>Net General Fund</i>	<i>942,009</i>	<i>1,041,136</i>	<i>128,011</i>	<i>128,011</i>	<i>1,169,147</i>
Supplemental #2 - Newborn Screening Program Costs					
<i>(3) LABORATORY SERVICES</i>					
<i>(A) Director's Office</i>					
Indirect Cost Assessment	<u>1,058,292</u>	<u>1,345,414</u>	<u>39,374</u>	<u>39,374</u>	<u>1,384,788</u>
Cash Funds	887,125	1,091,870	39,374	0	1,091,870
Cash Funds Exempt	0	43,225	0	39,374	82,599
Federal Funds	171,167	210,319	0	0	210,319
<i>(B) Laboratory Services - Chemistry and Microbiology</i>					
Operating Expenses	<u>2,265,573</u>	<u>2,326,540</u>	<u>216,342</u>	<u>216,342</u>	<u>2,542,882</u>

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
General Fund	12,189	12,538	0	0	12,538
Cash Funds	1,522,492	1,828,381	216,342	0	1,828,381
Cash Funds Exempt	401,682	276,616	0	216,342	492,958
Federal Funds	329,210	209,005	0	0	209,005
Total for Supplemental #2	<u>3,323,865</u>	<u>3,671,954</u>	<u>255,716</u>	<u>255,716</u>	<u>3,927,670</u>
General Fund	12,189	12,538	0	0	12,538
Cash Funds	2,409,617	2,920,251	255,716	0	2,920,251
Cash Funds Exempt	401,682	319,841	0	255,716	575,557
Federal Funds	500,377	419,324	0	0	419,324
Supplemental #6 - Indirect Cost Adjustments					
<i>(1) ADMINISTRATION AND SUPPORT</i>					
<i>(B) Special Programs</i>					
<i>(3) Indirect Cost Assessment</i>	<u>214,054</u>	<u>231,892</u>	<u>32,000</u>	<u>32,000</u>	<u>263,892</u>
Cash Funds	42,922	52,923	0	0	52,923
Cash Funds Exempt	43,796	47,394	0	0	47,394
Federal Funds	127,336	131,575	32,000	32,000	163,575
<i>(2) CENTER FOR HEALTH AND ENVIRONMENTAL INFORMATION (CHEIS)</i>					
<i>(B) Information Technology Services</i>					
Indirect Cost Assessment	<u>81,217</u>	<u>95,354</u>	<u>11,000</u>	<u>11,000</u>	<u>106,354</u>
Cash Funds	25,853	27,853	11,000	11,000	38,853
Cash Funds Exempt	3,602	2,373	0	0	2,373
Federal Funds	51,762	65,128	0	0	65,128

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>(3) LABORATORY SERVICES</i>					
<i>(A) Director's Office</i>					
Indirect Cost Assessment	<u>1,058,292</u>	<u>1,345,414</u>	<u>66,000</u>	<u>66,000</u>	<u>1,411,414</u>
Cash Funds	887,125	1,091,870	0	0	1,091,870
Cash Funds Exempt	0	43,225	95,000	95,000	138,225
Federal Funds	171,167	210,319	(29,000)	(29,000)	181,319
<i>(4) LOCAL HEALTH SERVICES</i>					
<i>(B) Community Nursing</i>					
Indirect Cost Assessment - FF	32,964	32,817	<u>9,000</u>	<u>9,000</u>	<u>41,817</u>
<i>(5) AIR QUALITY CONTROL DIVISION</i>					
<i>(A) Administration</i>					
Indirect Cost Assessment	<u>2,262,250</u>	<u>2,446,453</u>	<u>(106,000)</u>	<u>(106,000)</u>	<u>2,340,453</u>
Cash Funds	1,050,056	1,143,488	0	0	1,143,488
Cash Funds Exempt	752,571	868,144	(106,000)	(106,000)	762,144
Federal Funds	459,623	434,821	0	0	434,821
<i>(6) WATER QUALITY CONTROL DIVISION</i>					
<i>(A) Administration</i>					
Indirect Cost Assessment	<u>1,505,166</u>	<u>1,506,790</u>	<u>95,000</u>	<u>95,000</u>	<u>1,601,790</u>
Cash Funds	522,610	580,604	95,000	95,000	675,604
Cash Funds Exempt	26,189	26,189	0	0	26,189
Federal Funds	956,367	899,997	0	0	899,997

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>(7) HAZARDOUS MATERIALS AND WASTE MANAGEMENT DIVISION</i>					
<i>(A) Administration</i>					
Indirect Cost Assessment	<u>1,812,596</u>	<u>2,171,988</u>	<u>(229,000)</u>	<u>(229,000)</u>	<u>1,942,988</u>
Cash Funds	899,486	1,061,072	(30,000)	(30,000)	1,031,072
Cash Funds Exempt	30,087	45,916	0	0	45,916
Federal Funds	883,023	1,065,000	(199,000)	(199,000)	866,000
<i>(10) PREVENTION SERVICES DIVISION</i>					
<i>(A) Prevention Programs</i>					
<i>(1) Program and Administration</i>					
Indirect Cost Assessment	<u>1,068,719</u>	<u>1,077,459</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>977,459</u>
Cash Funds Exempt	4,977	43,460	(35,000)	(35,000)	8,460
Federal Funds	1,063,742	1,033,999	(65,000)	(65,000)	968,999
<i>(E) Family and Community Health</i>					
<i>(1) Maternal and Child Health</i>					
Indirect Cost Assessment	<u>1,288,400</u>	<u>1,213,652</u>	<u>262,000</u>	<u>262,000</u>	<u>1,475,652</u>
Cash Funds	31,637	38,408	0	0	38,408
Cash Funds Exempt	5,500	5,500	5,000	5,000	10,500
Federal Funds	1,251,263	1,169,744	257,000	257,000	1,426,744
<i>(11) HEALTH FACILITIES AND EMERGENCY MEDICAL SERVICES DIVISION</i>					
<i>(C) Emergency Medical Services</i>					
<i>(1) State EMS Coordination, Planning and Certification Services</i>					
Indirect Cost Assessment	<u>266,527</u>	<u>297,776</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>257,776</u>
Cash Funds	33,846	39,148	0	0	39,148

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Cash Funds Exempt	215,769	235,062	(40,000)	(40,000)	195,062
Federal Funds	16,912	23,566	0	0	23,566
Total for Supplemental #6	<u>9,590,185</u>	<u>10,419,595</u>	<u>0</u>	<u>0</u>	<u>10,419,595</u>
Cash Funds	3,493,535	4,035,366	76,000	76,000	4,111,366
Cash Funds Exempt	1,082,491	1,317,263	(81,000)	(81,000)	1,236,263
Federal Funds	5,014,159	5,066,966	5,000	5,000	5,071,966
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Supplemental #7 - Technical Adjustment to Letter Notes					
Total for Supplemental #7	N.A.	N.A.	0	0	N.A.
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Non-prioritized Staff Initiated Supplemental - Technical Adjustment to Letter Note					
Total for Supplemental	N.A.	N.A.	0	0	N.A.
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Previously approved 1331 Supplemental - House Bill 06S-1023 Implementation					
<i>(1) ADMINISTRATION AND SUPPORT</i>					
<i>(B) Special Programs</i>					
<i>(2) Health Disparities Grant Program</i>					
Personal Services - CFE	0	30,600	1,219	1,219	31,819
FTE	0.2	1.0	0.0	0.0	1.0
Health Disparities Grants - CFE	1,191,926	854,607	(1,219)	(1,219)	853,388

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>(4) LOCAL HEALTH SERVICES</i>					
<i>(A) Local Liaison</i>					
Environmental Health Specialists in Areas Not Served by Local Health Departments - GF	241,480	241,480	878	878	242,358
<i>(8) CONSUMER PROTECTION</i>					
Personal Services	2,007,282	2,032,973	3,255	3,255	2,036,228
FTE	<u>27.8</u>	<u>27.8</u>	<u>0.0</u>	<u>0.0</u>	<u>27.8</u>
General Fund	1,057,126	1,061,027	1,628	1,628	1,062,655
FTE	15.9	15.9	0.1	0.1	16.0
Cash Funds	631,082	624,407	1,627	1,627	626,034
FTE	7.5	7.5	0.0	0.0	7.5
Cash Funds Exempt	79,463	68,157	0	0	68,157
FTE	2.0	2.0	0.0	0.0	2.0
Federal Funds	239,611	279,382	0	0	279,382
FTE	2.4	2.4	0.0	0.0	2.4
<i>(10) PREVENTION SERVICES DIVISION</i>					
<i>(A) Prevention Programs</i>					
<i>(1) Program and Administration</i>					
Personal Services	1,670,095	1,356,372	4,615	4,615	1,360,987
FTE	<u>20.7</u>	<u>20.7</u>	<u>0.0</u>	<u>0.0</u>	<u>20.7</u>
General Fund	132,041	114,918	0	0	114,918
FTE	2.0	2.0	0.0	0.0	2.0
Cash Funds Exempt	415,227	414,406	4,615	4,615	419,021
FTE	7.0	7.0	0.0	0.0	7.0

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Federal Funds	1,122,827	827,048	0	0	827,048
FTE	11.7	11.7	0.0	0.0	11.7
Prevention, Early Detection, and Treatment Grants - CFE	7,821,534	35,832,899	(4,615)	(4,615)	35,828,284
<i>(B) Women's Health - Family Planning</i>					
Personal Services	466,339	1,273,074	12,188	12,188	1,285,262
FTE	<u>8.0</u>	<u>19.3</u>	<u>0.0</u>	<u>0.0</u>	<u>19.3</u>
General Fund	412,921	418,730	0	0	418,730
FTE	6.4	6.4	0.0	0.0	6.4
Cash Funds Exempt	53,418	180,344	12,188	12,188	192,532
FTE	1.6	2.9	0.0	0.0	2.9
Federal Funds	0	674,000	0	0	674,000
FTE	0.0	10.0	0.0	0.0	10.0
Medicaid Cash Funds	53,418	56,644	12,188	12,188	192,532
GF in Medicaid CFE	26,709	28,322	6,094	6,094	96,266
Net General Fund	439,630	447,052	6,094	6,094	514,996
Breast and Cervical Cancer Screening	1,733,818	7,286,960	(12,188)	(12,188)	7,274,772
FTE	0.7	0.0	0.0	0.0	0.0
Cash Funds Exempt	1,733,818	3,660,960	(12,188)	(12,188)	3,648,772
FTE	0.7	0.0	0.0	0.0	0.0
Federal Funds	0	3,626,000	0	0	3,626,000
<i>(D) Prevention Partnerships</i>					

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>(3) Colorado Children's Trust Fund</i>					
Personal Services - CF	37,681	71,687	2,681	2,681	74,368
FTE	0.5	1.5	0.0	0.0	1.5
Operating Expenses	598,956	494,477	660	660	495,137
Cash Funds	156,477	156,477	660	660	157,137
Cash Funds Exempt	50,554	238,000			238,000
Federal Funds	391,925	100,000	0	0	100,000
<i>(11) HEALTH FACILITIES AND EMERGENCY MEDICAL SERVICES DIVISION</i>					
<i>(A) Licensure</i>					
<i>(1) Health Facilities General Licensure</i>					
Personal Services	264,642	268,910	3,388	3,388	272,298
FTE	<u>5.3</u>	<u>5.3</u>	<u>0.0</u>	<u>0.0</u>	<u>5.3</u>
General Fund	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0
Cash Funds	264,642	267,164	3,388	3,388	270,552
FTE	5.3	5.3	0.0	0.0	5.3
Cash Funds Exempt	0	1,746	0	0	1,746
<i>(B) Medicaid / Medicare Certification Program</i>					
Personal Services	6,430,194	5,960,674	4,780	4,780	5,965,454
FTE	<u>95.9</u>	<u>95.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds Exempt	3,205,409	3,360,124	4,780	4,780	3,364,904
Federal Funds	3,224,785	2,600,550	0	0	2,600,550

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Medicaid Cash Funds</i>	3,205,409	3,360,124	4,780	4,780	3,364,904
<i>GF in Medicaid CFE</i>	1,576,420	1,652,509	2,351	2,351	1,654,860
<i>Net General Fund</i>	1,576,420	1,652,509	2,351	2,351	1,654,860
<i>(C) Emergency Medical Services</i>					
<i>(1) State EMS Coordination, Planning and Certification Services</i>					
Personal Services - CFE	787,585	817,896	12,450	12,450	830,346
FTE	11.0	11.0	0.2	0.2	11.2
Total for Previously Approved 1331 Supplemental	23,251,532	56,522,609	28,092	28,092	56,550,701
FTE			<u>0.2</u>	<u>0.2</u>	
General Fund	1,843,568	1,836,155	2,506	2,506	1,838,661
Cash Funds	1,089,882	1,119,735	8,356	8,356	1,128,091
Cash Funds Exempt	15,338,934	45,459,739	17,230	17,230	45,476,969
Federal Funds	4,979,148	8,106,980	0	0	8,106,980
<i>Medicaid Cash Funds</i>	3,258,827	3,416,768	16,968	16,968	3,557,436
<i>GF in Medicaid CFE</i>	1,603,129	1,680,831	8,445	8,445	1,751,126
<i>Net General Fund</i>	3,446,697	3,516,986	10,951	10,951	3,589,787
Totals Excluding Pending Items					
DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT - HEALTH AND ADMINISTRATIVE DIVISIONS					
TOTALS for ALL Departmental line items	300,676,448	401,222,154	283,808	283,808	401,505,962
FTE	<u>678.8</u>	<u>1,050.0</u>	<u>0.2</u>	<u>0.2</u>	<u>1,050.2</u>
General Fund	13,896,975	18,728,901	2,506	2,506	18,731,407

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
General Fund Exempt	0	516,147	0	0	516,147
Cash Funds	11,624,625	13,603,013	340,072	84,356	13,687,369
Cash Funds Exempt	87,444,418	180,965,714	(63,770)	191,946	181,157,660
Federal Funds	187,710,430	187,408,379	5,000	5,000	187,413,379
<i>Medicaid Cash Funds</i>	<i>3,719,348</i>	<i>4,105,677</i>	<i>16,968</i>	<i>16,968</i>	<i>4,122,645</i>
<i>GF in Medicaid CFE</i>	<i>1,829,821</i>	<i>2,019,844</i>	<i>136,456</i>	<i>136,456</i>	<i>2,156,300</i>
<i>Net General Fund</i>	<i>15,726,796</i>	<i>20,748,745</i>	<i>138,962</i>	<i>138,962</i>	<i>20,887,707</i>
Statewide Supplementals (see narrative for more detail)	N.A.	N.A.	<u>601,576</u>	Pending	N.A.
Cash Funds			92,730		
Cash Funds Exempt			381,759		
Federal Funds			127,087		
Totals Including Pending Items in Request					
DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT - HEALTH AND ADMINISTRATIVE DIVISIONS					
TOTALS for ALL Departmental line items	300,676,448	401,222,154	885,384	283,808	401,505,962
FTE	<u>678.8</u>	<u>1,050.0</u>	<u>0.2</u>	<u>0.2</u>	<u>1,050.2</u>
General Fund	13,896,975	18,728,901	2,506	2,506	18,731,407
General Fund Exempt	0	516,147	0	0	516,147
Cash Funds	11,624,625	13,603,013	432,802	84,356	13,687,369
Cash Funds Exempt	87,444,418	180,965,714	317,989	191,946	181,157,660
Federal Funds	187,710,430	187,408,379	132,087	5,000	187,413,379
<i>Medicaid Cash Funds</i>	<i>3,719,348</i>	<i>4,105,677</i>	<i>16,968</i>	<i>16,968</i>	<i>4,122,645</i>
<i>GF in Medicaid CFE</i>	<i>1,829,821</i>	<i>2,019,844</i>	<i>136,456</i>	<i>136,456</i>	<i>2,156,300</i>
<i>Net General Fund</i>	<i>15,726,796</i>	<i>20,748,745</i>	<i>138,962</i>	<i>138,962</i>	<i>20,887,707</i>

**DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT
(ADMINISTRATIVE AND HEALTH DIVISIONS)
FY 2006-07 SUPPLEMENTAL RECOMMENDATION
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Supplemental # 1 - Medicaid State/Federal Cost Sharing Rates

	Request	Recommendation
Total	<u>\$0</u>	<u>\$0</u>
FTE	0	0
Cash Funds Exempt	0	0
Federal Funds	0	0
<i>Medicaid Cash Funds</i>	<i>0</i>	<i>0</i>
<i>GF in Medicaid CF</i>	<i>128,011</i>	<i>128,011</i>
<i>Net General Fund</i>	<i>128,011</i>	<i>128,011</i>

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

Department Request: The Department requests an additional \$128,011 General Fund appropriation for the "Department of Public Health and Environment Facility Survey and Certification" line in the Executive Director's Office of the Department of Health Care Policy and Financing (HCPF). The federal funds appropriation for this line will be reduced by an equal and offsetting amount.

Background: The Department's Medicaid/Medicare Certification Program certifies nursing homes and hospitals so they can receive Medicaid and Medicare payments. Based on its inspections, the Department makes a recommendation to HCPF as to whether a facility or provider is in compliance with applicable regulations and should be Medicaid certified.

The certification program receives the Medicaid portion of its funding as cash fund exempt transfer from HCPF. HCPF, in turn, obtains this funding by requesting a federal match for a state General Fund appropriation. The current federal funds appropriation for the "Department of Public Health and Environment Facility Survey and Certification" line is \$3,162,918, with a matching General Fund appropriation of \$1,142,007, which means that the state expected to receive a \$3,162,918 federal medicaid match when it provided \$1,142,007 of General Fund, which would have produced total funds of \$3,162,918 + \$1,142,007 = \$4,304,925 for HCPF to transfer as cash funds exempt to the Department.

**DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT
(ADMINISTRATIVE AND HEALTH DIVISIONS)
FY 2006-07 SUPPLEMENTAL RECOMMENDATION
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Last summer, HCPF and the Department discovered that HCPF has been receiving too much federal money for this program, i.e. the program was drawing federal matching funds at too high a rate. This information came to light when HCPF reviewed a federal audit of a similar program in Missouri. Federal auditors determined that Missouri had applied for and received inappropriately high federal matching funds for 2003 for its Medicaid certification program. For a number of program costs, Missouri had charged the federal government at an "enhanced" 75 percent federal - 25 percent state rate when it should have charged the federal government at the standard 50 - 50 matching rate. The auditors recommended that Missouri repay the excess federal payments. Subsequent investigation by JBC staff uncovered similar audits in Nebraska, Kansas, Iowa and Ohio.

Using the revised matching rate, HCPF and the Department have determined that the current FY 2006-07 \$4,304,925 cash funds exempt expenditure by the certification program will qualify for \$3,034,907 of Federal matching funds, meaning that the state must provide the remaining \$1,270,018 as General Fund, which is \$128,011 more than is currently appropriated.

Analysis: JBC staff inquired whether the state had to correct this problem so promptly. The state set the FY 2006-07 budget in good faith last spring believing that it was employing the correct federal participation rate. Subsequently, the state discovered that it made mistakes when claiming the enhanced federal participation rate. Could the state finish the current year with the old rates and set things right next year at figure setting?

Unfortunately this approach is not viable because the state, under the terms of its agreements with the Federal government, and the Department, under the terms of its memorandum of understanding with HCPF, cannot knowingly draw federal matching funds at an incorrect rate. Furthermore, since the error was essentially discovered at the start of FY 2006-07, the corrected matching rates must be utilized for the entire year.

Staff Recommendation: Staff recommends that the Committee approve the Department's request and appropriate an additional \$128,011 General Fund for the "Department of Public Health and Environment Facility Survey and Certification" line in HCPF, while reducing the federal funds appropriation for this line by an equal amount. Without this appropriation, program spending over the remainder of the year will have to be reduced by approximately \$285,000 – a figure that takes into account lost federal matching funds. Assuming that the program spends uniformly over the course of a year, this would necessitate a 13 percent reduction in program expenditures over the next six months, reducing the number of inspections that the program performs. During figure setting last year, the Committee approved a \$182,718 cash funds exempt increase for this program in order to help it reduce the backlog of facilities that need to be inspected. A \$285,000 program reduction would more than offset that decision item.

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Supplemental # 2 - Newborn Screening Program Costs

	Request	Recommendation
Total	<u>\$255,716</u>	<u>\$255,716</u>
General Fund	0	0
Cash Funds	255,716	0
Cash Funds Exempt	0	255,716
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 the appropriation / new data / an unforeseen contingency]	
Staff and the Department agree that this supplemental is the result of new data.	

Department Request: The Department requests a \$255,716 cash funds increase of the appropriation for the Laboratory Services Division. The increase will pay for unexpected costs that were encountered while implementing the newborn screening decision item that was approved by the Committee during the 2005 session. During FY 2006-07, the increase will be financed out of fund balance currently available in the Newborn Genetics Fund.

Related Decision Item: This supplemental is closely connected with the Department's Decision Item #5, Newborn Screening, which requests a corresponding \$291,300 cash funds increase in spending authority for the Laboratory Services Division for FY 2007-08. In order to pay for that decision item, the Department will increase the newborn screening fee from \$59 to \$62. The Department proposes to increase the fee on July 1, 2007.

Background: Since the 1960's, the laboratory at the Department of Public Health has screened blood samples taken from all Colorado newborns for metabolic disorders. If these disorders are detected promptly, before damage occurs, and treatment begins immediately, adverse health consequences can often be substantially reduced. During Figure Setting in the spring of 2005, the Committee approved a Department of Public Health decision item that expanded the number of disorders covered by these screens from 7 to 30. The decision item also allowed the Department to employ more sophisticated screening techniques using more sensitive equipment. At the time, the Department stated that it would increase the newborn screening fee from \$53.25 to \$59 to pay for the expanded screen.

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It took a year to get the enhanced screen program going; on July 1, 2006, the Department began screening for 30 disorders. A second screen for 7 disorders is conducted about 10 days later; the second screen is designed to detect problems that the first screen sometimes misses. Simultaneously, fees increased from \$53.25 to \$59.

As it prepared to implement the expanded screening program, the Department realized that two of the assumptions it made when estimating costs for the spring 2005 decision item were incorrect. First, it had assumed that more sophisticated equipment would allow it to dispense with the second screen for phenylketonuria (PKU) that it had previously performed. In consultation with the Newborn Screen Advisory Panel, the Department decided that it was too risky to discontinue the second PKU screen. Second, the Department had assumed too low a price for the chemicals needed to screen the samples. The price of these chemicals has been at least a dollar per screen higher than anticipated.

This decision item is a consequence of those forecasting errors.

Staff Recommendation: Staff recommends that the Committee approve the Department's request with one modification; since the appropriation will come from the balance in the Newborn Genetics Fund, the appropriation should be classified as cash funds exempt.

Without increased spending authority, the Department will have to cut back on testing toward the end of the 2006-07 fiscal year. It may have to return to the 7-disorder screen that it formerly used and it may be unable to fulfil its statutory obligation to screen all Colorado newborns. The laboratory might also have to furlough test personnel. There are severe risks associated with the temporary elimination of testing, including possible future medical costs for the state if a metabolic disorder goes undetected. Finally, the Department estimates that, even with a \$3 fee increase, the state's screening charge will still be about 20 percent lower than the average screening fee in comparable states.

Supplemental # 6 - Indirect Cost Adjustments

	Request	Recommendation
Total	\$0	\$0

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

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Department Request: The Department requests adjustments to the indirect cost assessments in its Long Bill appropriation in order to take into account new information. Expenditures from a variety of cash and federal funds.

Background: The Department's indirect cost assessments allocate its overhead expenses among most of its cash- and federally-funded programs, with each program paying an assessment that is based on program expenditure. Different assessment rates apply to different types of spending; there is a rate for on-site spending and a rate for off-site spending, for example, and there are different rates for federal and cash fund expenditures.

After the Committee establishes the Department's spending levels during figure setting, the Department can accurately project its overhead expenses for the following fiscal year. It also knows the overall level of spending by cash-funded programs that pay overhead, but it does not know the spending "mix," the proportion of cash-funded spending that will be on- and off-site. The Department also does not know the level or mix of federally-funded programs.

Following figure setting, the Department submits its proposed indirect cost assessments for the fiscal year in question. JCB staff reviews these proposals and, with Committee approval that is typically given in advance, incorporates them into the Long Bill. Because of uncertainty regarding the mix of the various types of cash-fund spending and uncertainty concerning the mix and amount of federally-funded spending, these overhead assessments invariably prove inaccurate, meaning that the Department finds some of its indirect cost assessment appropriations are too large to be fully utilized and other assessment appropriations are too small. When an assessment appropriation is too small it can prevent the Department from collecting indirect costs from some of the federally funded and cash funded programs that are subject to that assessment.

With this supplemental request, the Department asks that the Long Bill be adjusted to reflect the latest available information. The numbers pages show the overall funding changes that will result from altering the 10 indirect cost assessments in question.

Staff Recommendation: Staff recommends that the Committee approve the Department's request. In addition, the common policy supplemental requests included in this packet will, if approved, alter the Department's overhead expenditures and the related indirect cost assessments. Staff requests permission to incorporate any resulting changes to indirect cost assessments into the Department's supplemental bill.

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Supplemental # 7 - Technical Adjustments to Letter Notes

	Request	Recommendation
Total	\$0	\$0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	YES
The Department states that this supplemental is the result of a technical error. Staff agrees but adds that some of the supplemental can be attributed to new data.	

Department Request: The Department requests that three letternotes attached to its cash funds and cash funds exempt appropriations be amended. The corresponding appropriations will not change.

Division: (1) Administration

Subdivision: (A) Administration

Line item: Nine different long bill lines are involved.

Appropriation: The total cash funds exempt appropriation for these lines is \$1,168,946.

Letternote "a": In order to meet its "POTS" needs, the Department wants to reduce funding from indirect costs recoveries by \$89,131, increase the use of Medicaid funds by \$3,522, increase use of the AIR account of the HUTF by \$60,009, and explicitly indicate that it is using \$8,000 from the Local Government Severance Tax Fund. This last amount was previously included among "various sources of cash funds exempt" that were otherwise unspecified. The Department also wishes to increase its use of other various cash funds by \$17,600. It requests that letternote "a" be amended accordingly.

Division: (7) Hazardous Materials and Waste Management

Subdivision: (C) Solid Waste Control Program

Line item: Program Costs

Appropriation: \$1,373,283, cash funds

Letternote "a": The Department wants to take \$10,550 of the funding for this line from the Waste Tire Recycling Development Cash Fund and reduce the appropriation from the Solid Waste Management Fund by an offsetting amount. It requests that letternote "a" be amended accordingly. The Department planned to use this funding source from the outset, but it was omitted from the Long Bill.

Division: (10) Prevention Services

Subdivision: (E) Family and Community Health, (4) Department of Education Grant

Appropriation: \$29,940, Cash Funds Exempt

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Letternote "a" incorrectly identifies the appropriation as coming from federal funds appropriated in the Department of Education. The correct department is Human Services. The Department requests that the letternote be amended accordingly.

Staff Recommendation: Staff recommends that the Committee approve the Department's request.

Non-prioritized Staff Initiated Supplemental - Technical Adjustments to Letter Note

	Request	Recommendation
Total	\$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 the appropriation / new data / an unforeseen contingency]	
This request results from a technical error.	

Description: The Operating Expenses line in Disease Control and Environmental Epidemiology, Special Purpose Disease Control Programs, Immunization contains a \$516,147 FY 2006-07 General Fund Exempt appropriation to pay for immunizations by county public health nursing services. This appropriation is funded with Amendment 35 Tobacco Tax revenue, and, as such, is exempt from the statutory limit on General Fund appropriations growth (the 6 percent limit). The letter note attached to this appropriation correctly states that the appropriation is exempt from the 6 percent limit, but this information is not repeated in the letternote attached to total General Fund Exempt appropriation for the Department.

Staff Recommendation: Staff recommends that the following letternote be attached to the total General Fund Exempt appropriation for the Department:

^a This amount is not subject to the statutory limitation on General Fund appropriations growth or any other spending limitation existing in law pursuant to Article X, Section 21 (8) of the State Constitution.

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Previously Approved 1331 Supplemental - House Bill 06S-1023 Implementation

	Previously Approved	Current Staff Recommendation
Total	\$28,092	\$28,092
FTE	<u>0.2</u>	<u>0.2</u>
General Fund	2,506	2,506
Cash Funds	8,356	8,356
Cash Funds Exempt	17,230	17,230
Federal Funds	0	0

Description of the prior Committee decision: In September 2006, the Department requested a series of supplemental appropriation adjustments for implementation of H.B. 06S-1023 (Romanoff/Fitz-Gerald), *Restrictions on Defined Public Benefits*. House Bill 06S-1023 had moved rapidly through the legislative process during the July 2006 special session; the enacted bill contained no appropriations but Section 2 of the bill expressly recognized that there could be a need for supplemental appropriations to implement the measure's provisions. The Department submitted cost information to Legislative Council staff when the bill was introduced, but after the session was over it received guidance from the Attorney General's office that led it to substantially revise its estimate. JBC staff agreed with the Departments that the request resulted from data that was not available when the original appropriation was made. The Committee approved the appropriation adjustments listed in the numbers pages, adjustments that were smaller than the Department requested.

The Committee's decision modified the appropriation for the Department's Medicaid and Medicare certification program. This certification program is partially funded with General Fund and partially funded with matching Medicaid funds, an arrangement that requires dual appropriations in the Long Bill because the Department cannot apply directly for Medicaid funds. The adjustment to the cash funds exempt appropriation to the certification program must be accompanied by a corresponding adjustment to the Department of Health Care Policy and Financing (HCPF) appropriation. The Committee approved the appropriation adjustment for HCPF shown in the following table.

The rules governing 1331 supplementals state that the Committee must introduce all approved 1331 supplementals. Staff will include this supplemental in the supplemental bill.

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	Current 06-07 Long Bill Appropriation	Supple- mental	Revised 06-07 Long Bill Appropriation
Related Department of Health Care Policy and Financing Supplemental			
(1) EXECUTIVE DIRECTOR'S OFFICE			
Department of Public Health and Environment			
Facility Survey and Certification	4,304,925	4,780	4,309,705
General Fund	1,142,007	2,390	1,144,397
Federal Funds	3,162,918	2,390	3,165,308

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet . These items will be acted on separately by the JBC when it makes a decision regarding common policies.

Supplemental Request	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total	FTE
1. Vehicle Reconciliation	\$0	\$3,073	\$2,059	\$492	\$5,624	0.0
2. Vehicle Replacement	0	0	0	0	0	0.0
3. MNT / Telecommunications	0	0	(14,087)	(7,778)	(21,865)	0.0
4. Computer Service (GGCC)	0	89,657	388,256	75,974	553,887	0.0
5. ALJ Adjustments	0	0	(12,367)	0	(12,367)	0.0
6. Communication Services Payments	0	0	1,423	0	1,423	0.0
7. Workers' Compensation	0	0	13,738	0	13,738	0.0
7. Capitol Complex Lease - Technical	0	0	2,675	0	2,675	0.0
8. Capitol Complex Utilities	0	0	0	0	0	0.0
9. Risk Management	0	0	62	58,399	58,461	0.0
Total Statewide Supplemental Requests for Department of Public Health and Environment (Entire Department)	0	92,730	381,759	127,087	601,576	0.0

Staff Recommendation: The staff recommendation for these requests is pending Committee approval of common policy supplementals. Staff asks permission to include the corresponding appropriations in the

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Department's supplemental bill when the Committee approves this common policy supplemental. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.
