MEMORANDUM

TO: Chairman Steadman and Joint Budget Committee Members

FROM: Carolyn Kampman, Chief Legislative Analyst (303-866-4959)

SUBJECT: Staff "Comebacks" for Judicial, Office of the State Public Defender

DATE: March 8, 2013

On March 5, 2013, the Committee took action on most of the Judicial Branch budget. With respect to the Office of the State Public Defender, the Committee approved staff's recommendations with one exception: the Committee approved the request for OSPD R-1 (Attorney Pay Parity). This decision item affects four line items. **In order to implement the Committee's action, staff requires further clarification on two issues:**

- **Does the Committee intend to provide 11 or 12 months of funding for salary increases?** Due to the paydate shift, salary increases that become effective July 1, 2013, will only be paid out for 11 months in FY 2013-14. The OSPD's request includes funding for a full 12 months.

- **Does the Committee intend to provide the extra 0.5 percent base salary increase for OSPD attorneys?** The OSPD request includes an increase of $5,777,182 for attorney salaries (R-1), plus funds to provide an additional 1.5 percent base salary increase and an additional 1.6 percent merit-based salary increase for all OSPD employees (including attorneys). Staff's recommendation for the Salary Survey line item (which was approved by the Committee) included the additional 0.5 percent base salary increase for all OSPD staff, but staff's recommendation for R-1 was reduced to exclude this extra amount for attorneys (this recommendation was not approved by the Committee).

Based on clarification provided by Representative Duran (who made the motion for this division), staff has prepared the table on the following page to detail the implementation of the Committee's actions. Based on providing 11 (rather than 12) months of funding for salary increases, the Committee's action is $483,258 lower than the amount requested through OSPD R-1. In addition, the Committee's action excludes $152,093 that was included in staff's recommendations to provide an extra 0.5 percent base salary increase for attorneys. Staff has applied Committee policy to calculate the associated amounts required for Short-term Disability and supplemental PERA contributions.

For more details related to this decision item, see pages 90 through 97 of the document titled, "FY 2013-14 Staff Figure Setting: Judicial Branch", dated March 5, 2013. This document is accessible online at:

http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2012-13/judfig.pdf

Summary of JBC Action for OSPD Salary Increases for FY 2013-14								
Description	**Salary Increase**	**PERA**	**Medicare**	**Subtotal**	**Short-term Disability**	**AED**	**SAED**	**Total**
Attorneys								
Align Average Salaries for Each Classification With Market	$4,711,599	$478,227	$68,318	$5,258,144	$8,952	$168,761	$152,056	$5,587,914
1.5% and 1.6% Increases on Above Amount	157,907	16,028	2,290	176,224	300	5,656	5,096	187,276
Reduce Sum by 1/12 (Paydate Shift)	(405,792)	(41,188)	(5,884)	(452,864)	(771)	(14,535)	(13,096)	(481,266)
Less: Increases Per JBC Common Policy	0	0	0	0	0	0	0	0
Subtotal: OSPD R-1 (Attorney Pay Parity)	*4,463,714*	*453,067*	*64,724*	*4,981,505*	*8,481*	*159,882*	*144,056*	*5,293,924*
1.5% Increase on Base Salaries - Salary Survey (11 months)	384,716	39,049	5,578	429,343	731	13,780	12,416	456,269
Additional 0.5% Increase on Base Salaries - Salary Survey (11 months)	0	0	0	0	0	0	0	0
1.6% Increase on Base Salaries - Merit Pay (11 months)	416,884	42,314	6,045	465,243	792	14,932	13,454	494,421
Subtotal: JBC Common Policy	*801,600*	*81,362*	*11,623*	*894,586*	*1,523*	*28,712*	*25,870*	*950,691*
Subtotal: Attorneys	**5,265,314**	**534,429**	**76,347**	**5,876,091**	**10,004**	**188,594**	**169,926**	**6,244,615**
Staff Other Than Attorneys								0
1.5% Increase on Base Salaries - Salary Survey (11 months)	154,105	15,642	2,235	171,982	293	5,520	4,973	182,768
Additional 0.5% Increase on Base Salaries - Salary Survey (11 months)	51,369	5,214	745	57,328	98	1,840	1,658	60,924
1.6% Increase on Base Salaries - Merit Pay	166,999	16,950	2,421	186,371	317	5,982	5,390	198,060
Total: Non-Attorneys (JBC Common Policy)	**372,474**	**37,806**	**5,401**	**415,681**	**708**	**13,341**	**12,021**	**441,751**
Total Recommendation for Salary Increases	**5,637,788**	**572,235**	**81,748**	**6,291,772**	**10,712**	**201,935**	**181,947**	**6,686,365**

MEMORANDUM

TO: **Joint Budget Committee**

FROM: **Viktor Bojilov, JBC Staff, 303-866-2149**

SUBJECT: **Department of Public Safety FY 2013-14 Figure Setting Comebacks.**

DATE: **March 15, 2013**

FY 2012-13 and FY 2013-14 Funding for the Implementation of H.B. 12-1110

JBC staff oversights lead to not including the FY 2012-13 supplemental amounts for a Department of Regulatory Agencies approved supplemental request related to funding H.B. 12-1110 (Regulation of Appraisal Management Companies). **Staff recommends including $23,700 cash funds (CBI Identification Unit Fund) appropriation as an "add-on" to the FY 2013-14 Department of Public Safety Long Bill.**

Department of Public Safety JBC Approved Adjustments to FY 2012-13 Appropriations		
	Total	**CF**
(5) Colorado Bureau of Investigation, (B) Colorado Crime Information Center (CCIC), (2) Identification, Personal Services	$5,600	$5,600
(5) Colorado Bureau of Investigation, (B) Colorado Crime Information Center (CCIC), (2) Identification, Operating Expenses	$18,100	$18,100
Total	$23,700	$23,700

Staff oversight also left out the $23,700 cash funds appropriation from the staff FY 2013-14 recommendations. **Staff recommends the Committee approve $23,700 cash funds appropriation to the Colorado Bureau of Investigation, (B) Colorado Crime Information Center, (2) Identification for FY 2013-14 for the implementation of H.B. 12-1110.**

Indirect Cost Assessment

During the staff figure setting presentation for the Department on March 4, 2013, staff recommended total indirect cost assessment of $8,022,550 for FY 2013-14. The table below shows the JBC staff recommendation from March 4, 2013.

Table 7 March 4, 2013 Department Indirect Cost Assessment Staff Recommendation					
Division	**Total**	**CF**	**HUTF**	**RF**	**FF**
Colorado State Patrol	$6,734,976	174,921	5,994,792	332,368	232,895
Division of Fire Prevention and Control	151,350	116,307	0	11,463	23,580
Division of Criminal Justice	639,363	51,573	0	5,863	581,927
Colorado Bureau of Investigation	312,085	222,902	0	75,581	13,602
Homeland Security and Emergency Management	184,776	0	0	5,741	179,035
Total FY 2013-14 Request	**$8,022,550**	**$565,703**	**$5,994,792**	**$431,016**	**$1,031,039**
FY 2012-13 Indirect Cost Assessment	$10,423,015	$759,101	$7,839,653	$603,686	$1,220,575
Difference (FY 14 - FY 13)	**($2,400,465)**	**($193,398)**	**($1,844,861)**	**($172,670)**	**($189,536)**

There was a calculation error in the amount recommended by staff on March 4, 2013. The table below shows the corrected amount for indirect cost recoveries. This amount is $73,724 below the March 4, 2013 recommendation. **Staff recommends the Committee approve $7,948,826 for indirect cost recovery assessment in the Department of Public Safety for FY 2013-14.**

Table 7 UPDATED March 15, 2013 Department Indirect Cost Assessment Staff Recommendation					
Division	**Total**	**CF**	**HUTF**	**RF**	**FF**
Colorado State Patrol	$6,725,352	165,073	5,999,210	330,396	230,673
Division of Fire Prevention and Control	144,223	109,473	0	11,395	23,355
Division of Criminal Justice	597,597	48,542	0	5,828	543,227
Colorado Bureau of Investigation	298,621	210,023	0	75,126	13,472
Homeland Security and Emergency Management	183,033	0	0	5,706	177,327
Total FY 2013-14 Request	**$7,948,826**	**$533,111**	**$5,999,210**	**$428,451**	**$988,054**
FY 2012-13 Indirect Cost Assessment	$10,423,015	$759,101	$7,839,653	$603,686	$1,220,575
Difference (FY 14 - FY 13)	**($2,474,189)**	**($225,990)**	**($1,840,443)**	**($175,235)**	**($232,521)**

MEMORANDUM

TO: Joint Budget Committee

FROM: David Meng, JBC Staff

SUBJECT: Department of State Budget Amendment

DATE: March 15, 2013

The Department requested a late budget amendment (received March 13, 2013) to transfer spending authority for H.B. 12-1209 from FY 2012-13 to FY 2013-14. The amount requested is $198,912 cash funds from the Department of State Cash Fund.

House Bill 12-1209 (Uniform Electronic Legal Material Act) established procedures for the publication and authentification of certain state legal materials such as the Colorado Constitution, Colorado Revised Statutes, Colorado Session Laws, and the Code of Colorado Regulations (CCR). Because the CCR is published in electronic format only, the law requires modifications to the Department's computer systems to comply with the authentification standards. This modification will require 2,688 hours of contract programming services to implement, requiring an appropriation of $198,912 for FY 2012-13.

The Department recently realized that it will be unable to complete the work in FY 2012-13, and that it should have requested that the appropriation should have been requested for FY 2013-14. Since this oversight was only recently recognized, the Department could not have requested this budget amendment with regular budget amendments due on January 1, 2013.

Staff recommends a one-time increase to the Department's appropriation for Personal Services in the Information Technology Services of $198,912 cash funds from the Department of State Cash Fund for FY 2013-14. The Department expects to expend a small, but as yet unquantified portion of the request in FY 2012-13. The remainder will be expended in FY 2013-14. Staff expects the Department to provide, with its supplemental request (submitted January 2014) for FY 2013-14 to provide an accounting of the amounts expended in FY 2012-13 with a reduction by that amount to its FY 2013-14 appropriation to implement H.B. 12-1209. The unexpended FY 2012-13 appropriation will be reverted to the Department of State Cash Fund.

The table of the following page presents the revised Staff recommendation for this line item including the recommendation for this budget amendment.

Personal Services	Total Funds	Cash Funds	FTE
FY 2012-13 Appropriation:			
HB 12-1335 (Long Bill)	$3,785,627	$3,785,627	34.0
2012 Session Legislation	788,540	788,540	0.0
Interim Supplemental #2 - Abstract Project	69,090	69,090	0.0
TOTAL	**$4,643,257**	**$4,643,257**	**34.0**
FY 2013-14 Recommended Appropriation:			
FY 2012-13 Appropriation	$4,643,257	$4,643,257	34.0
Annualize Prior Year Legislation	194,735	194,735	0.0
Annualize Interim Supplemental # 2 - Abstract Project	(69,090)	(69,090)	0.0
R-1 Election Night Reporting	65,316	65,316	0.0
R-2 Sharepoint Software	200,196	200,196	1.0
Budget Amendment # 1 - Business Intelligence Suite	0	0	0.0
Budget Amendment #2 - Rollover spending authority for H.B. 12-1209	198,912	198,912	0.0
TOTAL	**$5,233,326**	**$5,233,326**	**35.0**
Increase/(Decrease)	$590,069	$590,069	1.0
Percentage Change	12.7%	12.7%	2.9%
FY 2013-14 Executive Request:	**$5,683,326**	**$5,683,326**	**35.0**
Request Above/(Below) Recommendation	$450,000	$450,000	0.0

M E M O R A N D U M

TO: Joint Budget Committee Members

FROM: Byron DeLuke, Joint Budget Committee Staff, 303-866-4957

SUBJECT: Staff Comebacks, Department of Local Affairs

DATE: March 15, 2013

During the February 13, 2013 figure setting for the Department of Local Affairs, the Committee did not approve the staff recommendation for: request R-3, Ft. Lyon Transitional Residential Therapeutic Community; request R-2, Economic Development Assistance to Rural Communities; and the Manufactured Buildings Program line item. The Committee "flagged" these items for further discussion during staff comebacks. Below is a discussion of each item and staff recommendation.

R-3: Ft. Lyon Transitional Therapeutic Community

Description: The Department requests a new line item that would fund case management, substance abuse treatment costs, limited medical care, and the operations and maintenance of a transitional therapeutic residential community for chronically homeless individuals at Ft. Lyon.

➔ Request R-3: Ft. Lyon Transitional Therapeutic Residential Community

- The request is for $2,740,852 million General Fund in FY 2013-14 to repurpose the Fort Lyon Facility as a transitional community for 200 chronically homeless individuals.
- The request would annualize to $3,175,852 General Fund for FY 2014-15, as the resident population at the facility would grow to 300 chronically homeless individuals.
- The total operational cost to repurpose the facility would be $3,992,274 in FY 2013-14 and annualize to $5,044,063 in FY 2014-15. The difference between General Fund expenditures and the total cost would be paid for with mortgage settlement dollars that have been allocated to DOLA.
- In addition to R-3, $3,139,500 would be required for major maintenance in FY 2015-16 and $6,600,000 would be required for major maintenance through the first twelve years of the program.
- DOLA is seeking federal support to help offset some of these costs.

Request: The Department is requesting $2,740,852 million General Fund for FY 2013-14 to pay for case management, substance abuse treatment costs, limited medical care, and the operations and maintenance of a transitional therapeutic residential treatment community for homeless individuals at Ft. Lyon. The Department, in collaboration with the Department of Corrections, Department of Human Services, Department of Health Care Policy and Financing, Bent County, and CCH, will create a residential community with enhanced support services to help chronically homeless individuals with substance abuse disorders, mental illness, or co-occurring conditions.

If the request is approved, the Department of Local Affairs plans to use up to $650,000 of the Mortgage Settlement funding to support the initial start-up phase of the program (January 2013 through June 2013) for 80 individuals at Ft. Lyon. The Committee approved a Department of Corrections companion supplemental request of $839,012 to cover facility maintenance and utilities during that time. The Department has held off contracting with the provider and beginning the program until a commitment for FY 2013-14 is approved.

Beginning July 1, 2013, the number of persons residing at Ft. Lyon would increase to 200 and by July 1, 2014, the number of persons residing at Ft. Lyon would increase to 300—resulting in an annualization increase of $417,000 for FY 2014-15. Please see the following tables for details of projected Ft. Lyon expenditures related to this request.

FY 2012-13 Start-up Costs: 80 Clients

		GF Supplemental				**Mortgage Settlement**
FY 2012-13	**Total Expense**	**DOLA**	**DOC**	**HCPF**	**CDHS**	**DOLA**
CCH Patient Care	$650,000	$0	$0	0	0	$650,000
Maintenance and Operations (DOC)	839,012	0	839,012	0	0	0
Total	**$1,489,012**	**$0**	**$839,012**	**0**	**0**	**$650,000**

FY 2013-14: 200 Clients

		GF Request (R-3)				**Mortgage Settlement**
FY 2012-13	**Total Expense**	**DOLA**	**DOC**	**HCPF**	**CDHS**	**DOLA**
CCH Patient Care	$1,866,422	$615,000	$0	0	0	$1,251,422
Maintenance and Operations (DOLA Grant to Bent County)	2,125,852	2,125,852	0	0	0	0
Total	**$3,992,274**	**$2,740,852**	**$0**	**$0**	**$0**	**$1,251,422**

FY 2014-15: 300 Clients

		GF Request Annualization (R-3)				Mortgage Settlement
FY 2012-13	**Total Expense**	**DOLA**	**DOC**	**HCPF**	**CDHS**	**DOLA**
CCH Patient Care	$2,918,211	$1,050,000	$0	0	0	$1,868,211
Maintenance and Operations (DOLA Grant to Bent County)	2,125,852	2,125,852	0			0
Total	**$5,044,063**	**$3,175,852**	**$0**	**0**	**0**	**$1,868,211**

The housing services at Fort Lyon will be provided by CCH on a contractual basis. Individuals residing at the facility will receive medical, mental health, and substance abuse treatment in addition to job training for up to 24 months. Bent County will lease the property from the State and maintain it under contract to the Department of Local Affairs.

Federal Assistance: In addition to the requested General Fund moneys, the Department of Local Affairs has requested funding for rental assistance through the HUD Section 8 program administered by DOH. After one year of residency, Fort Lyon residents would be able to return to their communities with a rental voucher to lease permanent housing. Additionally, the Departments of Health Care Policy and Financing and Human Services are working to secure Federal Financial Participation (FFP) in the form of matching funds under Medicaid (title XIX of the Social Security Act). There is concern, however, that treatment costs will not qualify for federal matching funds. Because of this, the Departments believe it is prudent to begin the program using General Fund dollars.

Cost Assumptions: The request assumes that the current CCH cost experience will be applicable for Ft. Lyon, including estimates for housing, medical, substance abuse treatment, and case management. Additionally, while the transitional community will only operate out of four buildings on the Fort Lyon campus, the Department of Corrections has estimated the amount for maintaining the entire campus in a limited capacity. This estimate is based upon current operating expenses. Please see the following tables for details, including new information on ten-year costs associated with the Ft. Lyon facility, and state and local travel expenses.

Fort Lyon Pilot Program and 10 years of Lifecycle Costs

6-Mar-2012

	FY 2013-14 @ 200 Residents	FY 2014-15 @ 300 Residents	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Total Fort Lyon Program Costs
CCH Personnel Costs:	**$ 1,296,450**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 2,115,600**	**$ 24,568,050**
Total CCH Operating Expenses:	**$ 569,972**	**$ 802,611**	**$ 799,611**	**$ 808,611**	**$ 802,611**	**$ 799,611**	**$ 808,611**	**$ 802,611**	**$ 799,611**	**$ 808,611**	**$ 802,611**	**$ 799,611**	**$ 9,404,693**
Travel not contained in other costs	*$ 32,800*	*$ 20,000*	*$ 20,000*	*$ 20,000*	*$ 20,000*	*$ 20,000*	*$ 20,000*	*$ 20,000*	*$ 20,000*	*$ 20,000*	*$ 20,000*	*$ 20,000*	
Equipment	*$ 27,000*	*$ 21,000*	*$ 18,000*	*$ 27,000*	*$ 21,000*	*$ 18,000*	*$ 27,000*	*$ 21,000*	*$ 18,000*	*$ 27,000*	*$ 21,000*	*$ 18,000*	
Supplies	*$ 35,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	*$ 40,000*	
Other Direct Expenses	*$ 337,100*	*$ 496,300*	*$ 496,300*	*$ 496,300*	*$ 496,300*	*$ 496,300*	*$ 496,300*	*$ 496,300*	*$ 496,300*	*$ 496,300*	*$ 496,300*	*$ 496,300*	
Indirect Expenses	*$ 138,072*	*$ 225,311*	*$ 225,311*	*$ 225,311*	*$ 225,311*	*$ 225,311*	*$ 225,311*	*$ 225,311*	*$ 225,311*	*$ 225,311*	*$ 225,311*	*$ 225,311*	
Total Facility Maintenance & Operations:	**$ 2,125,852**	**$ 2,125,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 1,880,852**	**$ 23,060,224**
Personnel & Fringe	$ 686,835	$ 686,835	$ 686,835	$ 686,835	$ 686,835	$ 686,835	$ 686,835	$ 686,835	$ 686,835	$ 686,835	$ 686,835	$ 686,835	
Department Request-Maintenance Operating	$ 245,000	$ 245,000											
Utilities	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	$ 1,194,017	
Major Maintenance Costs Presented at CDC:			**$ 3,139,500**	**$ 292,000**	**$ 511,000**	**$ 423,500**	**$ 292,000**	**$ 292,000**	**$ 423,500**	**$ 511,000**	**$ 292,000**	**$ 423,500**	**$ 6,600,000**
Annual Maintenance (B)			*$ 292,000*	*$ 292,000*	*$ 292,000*	*$ 292,000*	*$ 292,000*	*$ 292,000*	*$ 292,000*	*$ 292,000*	*$ 292,000*	*$ 292,000*	
Every 3 Year Periodic Controlled Maintenance			*$ 131,500*			*$ 131,500*			*$ 131,500*			*$ 131,500*	
Every 5 years Periodic Controlled Maintenance					*$ 219,000*					*$ 219,000*			
One-time Controlled Mainenance (C)			*$ 2,716,000*										
	$ 3,992,274	**$ 5,044,063**	**$ 7,935,563**	**$ 5,097,063**	**$ 5,310,063**	**$ 5,219,563**	**$ 5,097,063**	**$ 5,091,063**	**$ 5,219,563**	**$ 5,316,063**	**$ 5,091,063**	**$ 5,219,563**	**$ 63,632,967**
Departmental Request- FY 2013-14 and FY 2014-15 (D)	*$ 2,740,852*	*$ 3,157,852*											
Amounts Covered by DOLA Mortgage Settlement Moneys (D)	*$ 1,251,422*	*$ 1,886,211*											

Note:

(A) Amounts in Personnel, Operating include travel costs. See StateWide Travel Costs and Local Travel Costs to see travel costs that are bundled within each section of Costs

(B) Funding for annual maintenance in Years 1 and 2 was included in the funding request under Total Facility Maintenance and Operations, Department Request - Maintenance Operating

(C) Timing for one-time major maintenance projects is unknown. $2.7 million added as place-holder to show total life cycle costs only.

Once one-time replacements/maintenance projects are complete, DOLA expects to experience utility expense savings due to decentralization of boilers and upgraded/repaired equipment

(D) DOLA Mortgage Settlement funds are not appropriated. The Department is only requesting amounts not supported by Mortgage Settlement Funds- FY 2013-14 Amount Requested is $2.74 M; FY 2014-15 Amount Requested is $3.16M.

Statewide Travel Costs

Item	Total Cost	Portion Related to Travel	Travel Cost	Budget Location of Item	Other
Year 1- @200 Clients					
4 Staff x 4 trips@$800	$ 12,800	100.00%	$ 12,800	Travel	One Time-Core Team Quality Control Visits
Commute Miles @0.45/mile	$ 20,000	100.00%	$ 20,000	Travel	44,445 Commute miles for staff
Subtotal	***$ 32,800***	100.00%	***$ 32,800***		
Van Lease & Insurance	$ -	100.00%	$ 6,000	Equipment	Van use for residents
Gas	$ 15,000	100.00%	$ 15,000	Other Expenses	15 mi/gal- $3/gal= 5,000 gallons; up to 75,000 miles ($3,000/ 15,000 miles contingency)
driver	$ 40,000	61%	$ 24,400	Personnel	Personnel- Manager, nutritionist/driver/food service
fringe & taxes	$ 11,600	29.00%	$ 3,364	Taxes & Benefits	Fringe & Taxes on Driver
Subtotal	***$ 66,600***	***73.22%***	***$ 48,764***		
Total Year 2 Travel for 200 Residents			***$ 81,564***		
Year 2- @300 Residents					
Item	**Total Cost**	**Portion Related to Travel**	**Travel Cost**	**Budget Location of Item**	**Other**
Commute Miles @0.45/mile	$ 20,000	100.00%	$ 20,000	Travel	44,445 Commute miles for staff
Subtotal	***$ 20,000***	100.00%	***$ 20,000***		
Van Lease & Insurance	$ -	100.00%	$ 6,000	Equipment	Van use for residents
Gas	$ 15,000	100.00%	$ 15,000	Other Expenses	15 mi/gal- $3/gal= 5,000 gallons; up to 75,000 miles (no $/ miles contingency)
driver	$ 40,000	61%	$ 24,400	Personnel	Personnel- Manager, nutritionist/driver/food service
fringe & taxes	$ 11,600	29.00%	$ 3,364	Taxes & Benefits	Fringe & Taxes on Driver
Subtotal	***$ 66,600***	***73.22%***	***$ 48,764***		
Total Year 3 Travel for 300 Residents			***$ 68,764***		

Local Travel Costs (Vehicles Paid for by Bent County)

Local Community Travel Costs			
Description- (Items contained in Request)	**Year 1**	**Year 2**	**Total**
Travel amounts in Personnel Section			
1 Full-time Driver with Benefits	$ 29,744	$ 29,744	$ 59,488
2 Part-time Drivers @ 1,456 hrs	$ 37,157	$ 37,157	$ 74,314
Total Personnel related to Local Travel	***$ 66,901***	***$ 66,901***	***$ 133,802***
Travel amounts in Other Operating Costs			
Mileage- 37,543 miles @40 cents/mile	$ 15,017	$ 15,017	$ 30,034
Fuel 37,543 mi/ 9 mpg @$3.75/gal	$ 15,643	$ 15,643	$ 31,286
Car Maintenance 37,543 mi @.128 cents/mi	$ 4,806	$ 4,806	$ 9,611
Vehicle Insurance	$ 750	$ 750	$ 1,500
Total Other Operating Costs related to Local Travel	***$ 36,216***	***$ 36,216***	***$ 72,431***
Total Local Community Travel Costs	***$ 103,117***	***$ 103,117***	***$ 206,233***

Recommendation: Staff recommends that the Committee not approve this request.

Analysis:

Cost-Effectiveness: The Town of Las Animas and Bent County are eager to repurpose Ft. Lyon and have embraced the concept of a transitional community for the chronically homeless. This population presents major challenges to local and state governments. They utilize shelter beds and emergency services on any given night and their substance abuse, mental health, and medical/physical disorders create significant barriers to successful transition to long-term housing. The needs of this group also place significant demands on other human service systems, resulting in a broad cost to society through lost productivity. CCH estimates that these costs exceed $43,000 annually for a chronically homeless individual[1].

Because the estimated cost per person for residency and services at Ft. Lyon is $20,000 annually, the annual return on investment could approach $23,000 per person—$1.85 million with 80 residents, $4.6 million with 200 residents. The Department estimates that the annual rate of return, including the direct local economic impact, for 200 residents is $5.13 million. Staff does not agree with the Department's estimate because it assumes no recidivism, a 100 percent success rate for Ft. Lyon graduates, and no replacement in their communities of origin. Even if CCH and the Department are able to replicate the success of Harvest Farm, which the proposal is modeled on, the annual rate of return would be significantly lower.

Additionally, while the rural location of Ft. Lyon may in fact offer a better environment for some chronically homeless individuals to begin a sustainable path to recovery, information has not been provided to suggest that the Ft. Lyon model is more cost-effective than other potential alternatives. Indeed, the Ft. Lyon model has not been analyzed relative to alternative approaches. Given the broad scope of the chronically homeless issue statewide and the overall cost of the Ft. Lyon proposal, staff feels that all possible alternatives should be analyzed prior to investing in any potential solution.

Harvest Farm: The Ft. Lyon proposal has been modeled after a private sector facility in Wellington, CO, called Harvest Farm. The Harvest Farm facility is located on an operating farm and houses up to 70 men for a 13-27 month housing and treatment program. The program includes clinical treatment, daily farm work with crops and animals, religious studies and Christian counseling, and work therapy. The facility sells its crop and livestock products, clothing, and furniture. In addition, the facility operates a youth camp, fall festival, corn maze, and as a birthday party destination. The following are the success rates for graduates.

- 2010: Successfully housed 73 percent after six months and 62 percent after one year
- 2011: Successfully housed 82 percent after six months and 76 percent after one year

The Department's proposal for Ft. Lyon is similar, but will not include the mandatory religious aspects that form the core of the Denver Rescue Mission's program. Rather, spirituality will be offered utilizing voluntary pastoral resources from the surrounding communities. The

[1] Perlman, J., J. Parvensky, et al. (2006). "Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report." Retrieved from http://www.denversroadhome.org/files/FinalDHFCCostStudy_1.pdf.

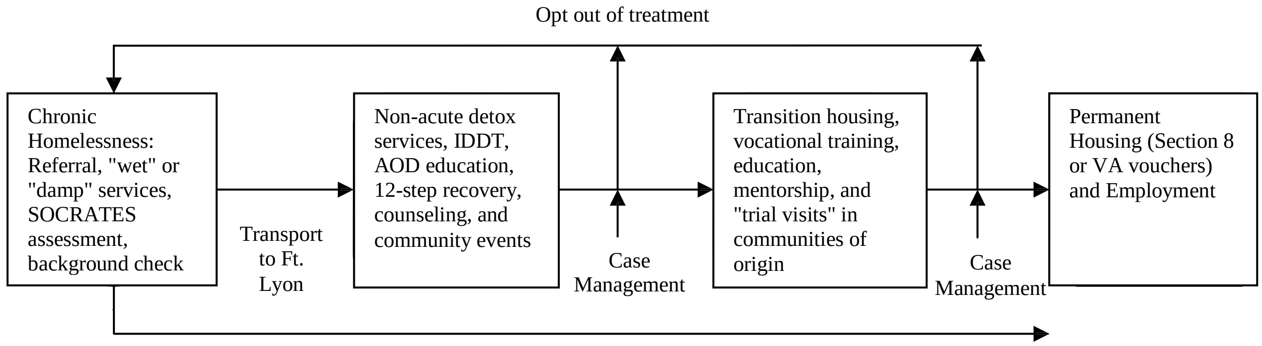
Department and CCH have both stated that all successful addiction treatment models include a spirituality component. However, they feel that the religious requirements for participation in Harvest Farm limit the number of individuals deciding to successfully complete the program. It is the intent that Ft. Lyon would offer an alternative for those that are religiously adverse. The target population at Ft. Lyon is also more than four times that at Harvest Farm and includes both men and women. These differences make it difficult to ascertain whether the success achieved at Harvest Farm will be duplicated at Ft. Lyon.

Ft. Lyon Model: In response to information provided to staff by CCH and the Department, it is important to clarify that the Ft. Lyon proposal does *not* offer "wet" or "damp" detoxification services. Those services are offered by medical facilities and staffed by doctors and nurses *prior* to the transport of a homeless individual to Ft. Lyon. The proposal offers housing and ongoing treatment to a homeless individual candidate once they are "clean" for 72 hours and approved through the utilization of the SOCRATES tool.

The Stages of Change Readiness and Treatment Eagerness Scale (SOCRATES) measures readiness to change, with items specifically focused on problem drinkers and drug abusers. First developed in 1987 by William R. Miller, the tool is utilized to assess motivation to change substance use. The 12 items included in the test correlate closely with three change stages—pre-contemplation, contemplation, and action—and reflect the attitudes of persons in each of those readiness levels. For example, a person not yet contemplating change would be expected to give a positive response to the statement, "Drinking less alcohol would be pointless for me," whereas a person already taking action would be expected to agree with the statement, "I have just recently changed my drinking habits." An individual contemplating change might be expected to agree with the item, "Sometimes I think I should cut down on my drinking." A five-point scale is used for rating responses, from strongly agree (5) to strongly disagree (1).

Thus, while staff described the Ft. Lyon proposal as a "housing first" model, wherein CCH would first house individuals, and then provide mental health and substance abuse treatment, this description is not entirely accurate. Rather, the Ft. Lyon proposal adopts pieces of this best practices model by allowing homeless candidates the ability to stabilize themselves at Ft. Lyon once they are "clean" and approved through the SOCRATES tool. Only post-acute withdrawal and detoxification would be managed at Ft. Lyon.

Staff feels that it is important to note that the most severe withdrawal symptoms for alcohol or drugs often occur throughout an individual's first two to three weeks (not just 72 hours) and symptoms of insomnia and anxiety can occur for several months. As a result, the Ft. Lyon model offers detoxification and rehabilitation services with the exception of "wet" or "damp" services. Staff has adjusted the model previously presented to the Committee accordingly.



- Box I (Pre-transport) – A point of referral will administer the SOCRATES screening tool, assist in facilitating medical or out-patient detoxification, and confirm acceptance into the program within 24-48 hours. Clients must demonstrate that they are drug and alcohol free for 72 hours, submit to a criminal background check, and pass a medical evaluation prior to transportation.

- Box II (1-6 months) – CCH will offer structured programming, including comprehensive assessment, Integrated Dual Disorder Treatment (IDDT), alcohol and other drug (AOD) education, dialectical behavioral therapy (DBT) skills, 12-step recovery, individual counseling, and community building activities. Post-acute withdrawal and detoxification symptoms are managed through exercise, nutrition, social interaction, voluntary prayer, and acupuncture.

- Box III (2-18 months) – CCH will offer structured programming, including daily 12-step groups, individual counseling, and instruction in a holistic approach to health. Participants begin to more clearly identify vocational and/or educational goals, work with specialists, and begin the process of entering school or learning specific skills. In the latter stages of this phase, participants begin seeking employment both on campus and in the community. Participants also become mentors for new clients.

- Box IV (3-24 months) – Participants are focused primarily on community reintegration, working with vocational specialists on securing employment and/or ongoing education. CCH involvement will enhance clients' ability to return to their community of origin both for "trial visits" and long-term recovery and stability.

Sustainability and Cost Estimates: During the figure setting presentation, staff also mentioned that the request included a projected operating budget that allocated funds to staff, equipment, transportation, supplies, food, and other expenses through June 30, 2015. At the time, the Department was not able to provide information regarding ongoing expenses that would be required to support full occupancy (300 individuals) beyond FY 2014-15. As described above, projected costs have now been provided through FY 2024-25. An overview of these costs is provided in the following table.

Fort Lyon Pilot Program and 10 years of Lifecycle Costs

		Total Fort Lyon Program Costs
CCH Personnel Costs:		**$24,568,050**
Total CCH Operating Expenses:		**$9,404,693**
	Travel not contained in other costs	*$252,800*
	Equipment	*$264,000*
	Supplies	*$475,000*
	Other Direct Expenses	*$5,796,400*
	Indirect Expenses	*$2,616,493*
Total Facility Maintenance & Operations:		**$23,060,224**
	Personnel & Fringe	*$8,242,020*
	Department Request-Maintenance Operating	*$490,000*
	Utilities	*$14,328,204*
Major Maintenance Costs Presented at CDC:		**$6,600,000**
	Annual Maintenance (A)	*$2,920,000*
	Every 3 Year Periodic Controlled Maintenance	*$526,000*
	Every 5 years Periodic Controlled Maintenance	*$438,000*
	One-time Controlled Maintenance (B)	*$2,716,000*
Total Ft. Lyon Program Costs		**$63,632,967**

(A) Funding for annual maintenance in Years 1 and 2 was included in the funding request under Total Facility Maintenance and Operations, Department Request - Maintenance Operating.
(B) Timing for one-time major maintenance projects is unknown. $2.7 million added as place-holder to show total life cycle costs only.

While these numbers are useful in determining longer-term costs, the Department has not provided staff with a source of funding for the additional controlled maintenance requirements that were not included in the original request. Additionally, DOLA has previously stated that federal support will be required to maintain Ft. Lyon beyond FY 2014-15 (when the custodial funds run out). The funding sources under consideration are HUD Section 8 rental vouchers to cover a portion of operating expenses, grants from the HHS/Substance Abuse and Mental Health Services Administration (SAMSHA) for treatment costs, and federal Community Development Block Grant funds for building improvements. These additional funding sources have not yet been secured.

Ownership: Finally, staff continues to question whether the State owns the facility. The 2002 quit claim deed by which the federal government conveyed Ft. Lyon to the State contains the following provision:

> "The Grantee shall use the property hereby transferred solely for correctional facility purposes and associated uses. If the property is used, at any time, for any purpose other than for a correctional facility, all right, title and interest in the property shall automatically revert to the Grantor.".

The language of this "reversion" clause appears to automatically return the facility to the federal government (the Grantor), either when the State (the Grantee) stops using it for correctional purposes (which occurred in March 2011) or when the State begins using it for some other purpose (which is what this request proposes).

However, the federal government has neither raised objection to the Ft. Lyon proposal nor reclaimed the property. The VA has verbally approved Colorado's request to use the facility for non-prison purposes and assured the State that the federal government has no interest in reacquiring the property for future use.

There is a legal question as to whether the VA, as Grantor of the Reversion Clause, can opt NOT to enforce that clause and thus deny transfer of the title back to the federal government due to the "shall automatically revert" language. When asked about this provision, LLS staff stated that the added phrase in the deed may change the underlying real property law concept that a grantee cannot force a grantor to take back a property if the grantor fails to enforce the reversion clause or proactively waves the reversion clause. Thus, there is still a question of whether the State actually owns the facility. Staff cannot recommend any further investment in Ft. Lyon until this ownership issue is resolved.

Only a federal court can resolve the question of ownership under the existing deed. However, should the parties agree that the State maintain ownership of the Ft. Lyon facility; a new quit claim deed can be filed. Once a quit claim deed is completed and notarized, it cannot be changed. It becomes a permanent document until another deed is filed to replace it. In cases where there is a small error to amend, such as a typographical error, a correction deed could be filed. However, this type of deed cannot change the purpose of the original quit claim deed. As a result, staff feels that a new quit claim deed would need to be filed to ensure State ownership.

R-2: Economic Development Assistance to Rural Communities

Description: The Department proposes to administer a new $3,000,000 program over two years to help local governments diversify their economies.

➔ Request R-2: Assistance to Mitigate the Adverse Impacts of Prison Closures

- DOLA requests $3 million General Fund and 1.0 FTE for the administration of a grant program to diversify the economies of rural communities that depend on a single large employer—particularly those with state prisons.
- The target communities face the prospect of a potentially irreversible decline if an industry shutters or significantly curtails operations.
- The new grants program would provide job training for both existing and new employees, diversify the economic base, and soften the impact of a closure in targeted communities through income assistance to former employees.

Request: The Department is requesting $3.0 million General Fund and 1.0 FTE to be spent over two years for the administration of a grant program to grow and diversify the economies of rural communities, with an emphasis on those communities that depend on a state prison facility (including private prison facilities operating under contract for the state). The new program would complement the existing economic development efforts of DOLA and the Governor's Office of Economic Development and International Trade (OEDIT). The Department will utilize four main strategies.

1. Community Asset Analysis: The Department will provide technical guidance to communities as they assess economic development opportunities. Community leaders (including local elected officials, economic development organizations, civic leaders, and media leaders) will be engaged in an intensive comprehensive assessment program to identify potential opportunities.

2. Stakeholder Engagement: The Department will engage local stakeholders with state and federal partners to develop a plan to grow and diversify rural economies that are dependent on a single large employer. In cooperation with Downtown Colorado Inc., the Department will develop a Community Revitalization Plan to identify opportunities for enhancing these communities' downtown centers. Efforts will be focused on the development of key industries within the community. These industries are identified within existing regional Comprehensive Economic Development Strategy (CEDS) plans and Regional Economic Blueprints. Community colleges and local workforce centers will be encouraged to leverage local job training resources. State and federal agency officials will be engaged to tap resources and explore opportunities to reduce regulatory hurdles.

3. Competitive Community Grants: The Department will provide competitive grant funding for community infrastructure to support new and expanding business development and job training. Training dollars will support both newly hired employees and former employees of a shuttered business seeking new employment.

4. Income Assistance Vouchers: The Department will provide grant funding to local governments to provide income assistance to employees who have lost their job due to the shuttering of a dominant industry in the community (such as a prison closure). These vouchers will be distributed to former employees in accordance with appropriate state and federal guidelines during the time that the employees are engaged in a qualified job training program for a period of up to one year.

Cost Assumptions: The Department anticipates distributing 90 percent of the requested General Fund dollars, or $2.7 million, as grants in the manner described above. The remaining $300,000 would be utilized to pay for grants administration, revitalization plan development, and community assessments. The grants program will be administered by 1.0 FTE at a cost of $81,590 in FY 2013-14 and $83,896 in FY 2014-15. These totals include benefits and operating costs. The position will be a temporary position for two years. Additional grants administration costs include infrastructure redevelopment consultants, facility asset assessments, and travel expenses. Please see the following table for detailed cost assumptions.

R-2 Program Expenses

Program Expenses	FY 2013-14	FY 2014-15	Total	FTE
GP V-Program Manager	$60,287	$65,772	$126,059	1.0
Benefits	15,650	17,264	32,914	--
Infrastructure/Redevelopment Consultants	21,360	64,000	85,360	--
Facility Asset Assessments	25,000	0	25,000	--
Operating Costs for 1.0 FTE	5,653	896	6,549	--
Travel Expenses	14,419	9,699	24,118	--
Total Administrative Costs	**$142,369**	**$157,631**	**$300,000**	**1.0**
Income Assistance Vouchers and Competitive Grants	1,350,000	1,350,000	2,700,000	--
Total Program Cost	**$1,492,369**	**$1,507,631**	**$3,000,000**	**1.0**

Recommendation: Staff recommends approving the Department request.

Analysis: Many of Colorado's rural communities are dominated by only one industry. The economic performance of these local areas is inextricably linked with the performance of the specialty industry. The entire local economy in these areas, including local equipment retailers, grocery stores, and restaurants, is affected by decisions or conditions on the state, national, and international level. Essentially, the specialized industry becomes the lifeblood of these communities and the boom-and-bust cycle created by said industry can create an economic whiplash for property values and local government revenues.

State Prison Communities: While this program will focus on all rural communities that are overly-reliant on one employer, one of the major points of emphasis for this program is on rural communities that are dependent on state prison facilities. During the 1990s and early 2000s, the State's need for additional capacity was growing. The State strategically placed prison facilities in rural areas in order to contribute to rural economic development efforts. However, Colorado's prison population is now declining.

Legislative Council Staff (LCS) and the Division of Criminal Justice (DCJ) both project that the prison population will decrease through FY 2013-14. Currently the total inmate population statewide is 22,610. LCS estimates that the total statewide population will fall to 21,583 (a 4.5 percent reduction) by June 30, 2014. DCJ estimates that the total statewide population will fall to 20,256 (a 10.4 percent reduction) by June 30, 2014. Faced with this decreasing population, the State is studying how to optimize its use of existing beds and may look to decommission an existing prison. The threat of closure places an enormous strain on rural families for whom few other opportunities are available.

Possible Alternatives: If the request is not approved, DOLA and OEDIT would have to utilize existing resources for rural development. Community Development Block Grant and Community Services Block Grant dollars could be utilized for this purpose. Additionally, unused funds within the State's economic development revolving loan fund can be utilized for rural development. Finally, DOLA's Community Development Office works to empower local governments by providing various technical and financial resources related to land use planning, economic development, and sustainable community development through programs such as the Colorado Main Street Program.

None of the aforementioned programs, however, specifically target rural communities that are overly-dependent on a single large employer. If these communities are not able to qualify for existing resources, they will realize increased unemployment levels, reduced property values, and a reduction in population if residents relocate after a facility closure. The communities would lose tax revenue and their ability to attract future residents or private sector investment.

Why DOLA vs. OEDIT? One of the Committees major concerns regarding the request was related to the question of why this program would be housed in DOLA. The Department and the Office of Economic Development and International Trade (OEDIT) have prepared a joint response to this question in a memorandum dated March 6, 2013. The memo is attached in Appendix A. Of note, a table is included in the memorandum that describes the role that DOLA and OEDIT would play in the implementation of the program. There are four major reasons that the two agencies feel that DOLA should serve as the lead project administrator.

- "DOLA has the strongest relationships with the local elected officials who will be dealing with a prison closure or the loss of any other major employer. DOLA's eight Regional Managers located in the field are primarily focused on providing technical assistance to local governments, and these local governments consider DOLA's Regional Managers to be the face of state government. DOLA has both the relationships to work effectively with local governments, and the expertise to help local governments deal effectively with challenges such as diversifying their economy."

- "DOLA is the state's authority in community development. To mitigate a loss of major employer will require the local government to develop both a short- and long-term strategic plan. One of DOLA's major deliverables is technical assistance in community development. The loss of a major employer or the closure of a prison will require local solutions that incorporate land use planning, strategic planning, resource identification and economic development tools."

- "DOLA has outstanding linkage, leverage and partnership skills. DOLA works with a wide variety of partners, including other state agencies such as OEDIT, federal agencies, community colleges, private foundations, and the local community resources. All of these partners may be able to contribute to helping a community diversify its economic base."

- "DOLA has experience in managing grant programs. DOLA administers 19 different grant programs in which we demonstrate expertise in such areas as assisting customers to apply, managing the competition, evaluating applications with good objective criteria, awarding grants, contracting and monitoring the execution of the contract to achieve the desired outcome. Grant dollars are more successful when it is accompanied with the appropriate technical assistance. DOLA is the expert in providing the right technical assistance to a local government to address their challenges so the financial assistance received can be maximized because of the improved decision making."

Staff agrees that the Department's existing capacity supports the placement of this program within DOLA. The Department's Division of Local Government, which is authorized in Section 24-32-103, C.R.S., was created in 1966 to provide technical and financial services to local governments and communities to enable them to achieve sustainable development. The Department's strategic plan states that it is the goal of the Division to, "Enhance local governments' community and economic development efforts, including land use planning and downtown revitalization". Annual benchmarks for this measure include:

- 14 Main Street work plans;
- 50 webinars/regional training sessions on community development;
- 96 communities receiving competitive funding from technical assistance; and
- 290 communities receiving technical assistance.

Financial resources are made available to communities for sustainable development through both statutory formulas and discretionary grants. Roughly 90 percent of DOLA's annual budget ($327 million in the current year) is invested in local communities in the form of grants or low-interest loans. The primary aim of these existing programs is to revitalize communities and promote economic sustainability.

The Department also works with local communities to improve their capacity to administer and implement grant dollars awarded by the State or federal government. For example, DOLA provides five different trainings per year related to grant administration. These trainings, as well as other technical assistance, are provided through eight regional field offices, or "service hubs". Staff associated with this integrated regional network have built strong local connections and trust that would ensure effective local expertise is harnessed through the diversification program.

It is critical to note; however, that this request represents a partnership between DOLA and OEDIT. It would build upon existing rural economic development efforts. As the Committee has noted, the two organizations both work closely with local communities - OEDIT with a specific focus on economic development (including business retention and relocation services as well as business finance and incentive programs), and DOLA with a broader focus on sustainable community development. The two offices have formed partnerships in the past to revitalize communities, such as the Main Street program.

The Main Street program uses an approach that advocates a return to community self-reliance, local empowerment, and the rebuilding of central business districts. One of the central components of the Main Street program is economic restructuring. Program staff work with local communities to strengthen existing economic assets while diversifying their economic base. This is accomplished by retaining and expanding successful businesses to provide a balanced commercial mix, sharpening the competitiveness and merchandising skills of business owners, and attracting new businesses that the market can support. Converting unused or underused commercial space into economically productive property also helps boost the district. The goal is to build a commercial district that sets the base for sustainable economic growth.

Because it is the intent of this proposal to engage communities in a comprehensive discussion that evaluates the overall health of the community, staff feels that a similar partnership between OEDIT and DOLA is appropriate. However, because of DOLA's existing capacity for managing grant programs, staff agrees with the attached memorandum that DOLA should serve as the lead project administrator and oversee the budgetary aspects of the project. DOLA's existing staff will be able to provide additional support and ensure an efficient use of dollars.

Anticipated Outcomes: The Committee also asked for additional detail from the Department on anticipated outcomes and performance metrics that would allow the General Assembly to track the impacts of the new grant program. For each participating community, DOLA will partner with OEDIT through its Community Assessment Program to develop and facilitate an assessment based on the community's needs, engaging all major stakeholders and interested citizens. The program draws on experts in the specific fields needed by each community and results in the following major outcomes:

- Development of a community profile and an assessment of the impact of a prison closure on the community;

- Assessment of the closed facility assets and identification of potential reuse opportunities;

- Identification of existing businesses and barriers to expansion, retention, diversification and attraction – based on the regional economic sector analysis that has been done with the local communities and OEDIT;

- Identification of infrastructure barriers to community and economic development;

- Facilitation of a short and long-term plan for redevelopment and revitalization;

- Identification of the type and amount of financial assistance necessary to assist in community and economic development; and

- Identification of program and funding sources to achieve the plan developed by the community.

The Department has also worked to identify several performance measures (and associated metrics) for the program. The data that DOLA will collect for each metric will allow the General Assembly to track outcomes in each community that is targeted for assistance. These performance measures, metrics, and associated benchmarks are as follows.

Performance Measure 1: Support economic diversification

- This will be measured by the total of new business types, total number of businesses retained, and total number of existing businesses expanded.

- Benchmarks include 1-2 new business types established over five years; one business retained; and one existing business expanded.

Performance Measure 2: Create economic growth

- This will be measured by the percent change in sales tax, percent growth in business licenses, percent growth in building permits, percent reduction in housing vacancy rate, the percent increase in housing price point (based on sales), the percent increase in jobs, and the percent increase in public/private investment over five years.

- Benchmarks include a one percent increase in sales tax revenue, one percent growth in business licenses, one percent growth in building permits; one percent decrease in housing vacancy rate; one percent increase in housing price point (based on sales), and 10-20 percent increase in public/private investment over five years.

Performance Measure 3: Provide job training for affected workforce and reduce unemployment

- This will be measured by percent of affected people receiving job training and the percentage change in unemployment.

- Benchmarks include 75 percent of the affected workforce receiving job training services and a one-half percent reduction of unemployment over 5 years.

Performance Measure 4: Improve economic resiliency and capacity building

- This will be measured by the percent of communities with an "adopted" action plan developed through the Community Assessment Program.

- The benchmark for this measure is a 100 percent adoption rate for short- and long-term action plans by participant communities, including an infrastructure assessment and business marketing tools.

Manufactured Buildings Program

Description: Manufactured buildings are largely assembled in factories and then transported to sites of use. Senate Bill 03-182 established new provisions regarding the regulation of the manufacture of factory-built structures and the sales and installation of manufactured homes (Sections 24-32-3301 through 3327, C.R.S.). The Building Regulation Program reviews and approves manufactured building plans for residential and commercial use. The program also inspects the site installation of manufactured housing and responds to manufactured housing consumer complaints, and in-plant building inspections. In addition, the statute:

- Requires factory-built structures to be sold within the state to bear an insignia of approval issued by the Division and affixed by the Division or an authorized agent;

- Requires any installer of manufactured homes to annually register and be certified by the Division;

- Provides the Division of Housing other certification and enforcement authority including civil penalties up to $1,000 as well as injunctive relief from the court; and

- Prohibits any other political subdivision of the state from imposing any additional registration, escrow and bonding, or contract requirements on sellers.

Request: The Department requests continuation funding of $692,830 cash funds for this program line and 7.3 FTE.

Recommendation: Staff recommends approving the request.

Manufactured Buildings Program	Total Funds	General Fund	Cash Funds	FTE
FY 2012-13 Appropriation:				
HB 12-1339 (Long Bill)	$692,830	$0	$692,830	7.3
TOTAL	**$692,830**	**$0**	**$692,830**	**7.3**
FY 2013-14 Recommended Appropriation:				
FY 2012-13 Appropriation	$692,830	$0	$692,830	7.3
TOTAL	**$692,830**	**$0**	**$692,830**	**7.3**
Percentage Change	0.0%	0.0%	0.0%	0.0%
FY 2013-14 Executive Request:	**$692,830**	**$0**	**$692,830**	**7.3**
Request Above/(Below) Recommendation	$0	$0	$0	0.0

Analysis: During figure setting, the Committee expressed concern over the growing excess reserve balance reported for the Building Regulation Fund. There are two reasons for the balance. First, the Department has experienced significant volatility in demand for the services provided through the manufactured building program due to reduced credit availability, more stringent lending practices within the manufactured housing and factory-built structure industry, and the stagnant housing market. Program workload decreased by more than half from FY 2007-

08 through FY 2011-12. As a result, total actual expenditures have been less than the Fund has historically experienced. This trend appears to be reversing in FY 2012-13.

Second, the program has recently been supported by Federal Affordable Housing Grants. During the economic downturn, the Division was able to partially support manufactured housing sector activities with $394,180 in one-time federal moneys to preserve its cash for future years. This caused the reserves to increase. The Department estimates that without these federal dollars, the reserves would have been reduced to below $16,000 by the end of FY 2012-13—bringing the fund into compliance with the statutory reserve limit. However, fee rates would have had to have been adjusted upwards to cover costs in FY 2013-14. The Department chose to preserve cash funds because any increases in fees would have represented a hardship on manufacturers struggling to survive through the recession.

It is important to note that the federal moneys were accounted for separately and were never commingled with any cash funds. Annually, the cash fund expenditures were recorded in the Manufactured Buildings Program line item and federal expenditures were reported in the Federal Affordable Housing Construction Grants and Loans line item. The ongoing reserve balance is included in the table below.

Building Regulation Fund Reserve Balance

	Actual	Actual	Estimated	Requested
	FY 2010-11	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**
Uncommitted Reserve Balance	$430,210	$475,418	$409,886	$298,334
Target Reserve Balance (16.5 % of total expenses)	114,317	87,054	92,434	119,713
Excess Uncommitted Reserve Balance	**$315,893**	**$388,364**	**$317,453**	**$178,621**

Excess Reserve Balance: As illustrated in the table above, uncommitted reserves have accrued in the Building Regulation Cash Fund in excess of 16.5 percent. This is important because Section 24-75-402 (3) (c) C.R.S., states that "the uncommitted reserves of any cash fund at the conclusion of any given fiscal year shall not exceed the target reserve [16.5 percent] for that fiscal year". Without a statutory waiver, the Department is required by rule or otherwise to "reduce the amount of one or more of said fees to an amount calculated to result in an amount of uncommitted reserves of the cash fund for the current fiscal year that does not exceed the target reserve". Essentially, the Department is required to bring the fund back into compliance with the 16.5 percent requirement in the current fiscal year.

The Department has requested a statutory waiver from the 16.5 percent target reserve requirement for fiscal years 2012-13, 2013-14, and 2014-15 (Please see Appendix E). The waiver is required to allow the Department to maintain excess reserves while implementing its proposed three year spending plan and achieve compliance by FY 2015-16 (See Appendix B). Pursuant to Section 24-75-402 (8) (b), C.R.S., the Department has submitted this request to the JBC. If the Committee decides that the waiver is warranted, it would need to sponsor a bill to grant such waiver.

Compliance Plan: The Division of Housing has prepared an updated reserve compliance plan for the Building Regulation Fund. This plan is outlined in Appendix B. It shows that annual regulatory expenses associated with manufactured housing are expected to exceed annual revenues beginning in FY 2012-13. The plan incorporates and estimated five percent increase in FY 2013-14 revenue and expenses. These increases reflect expected increases in manufactured building production and the loss of the federal funds described above. Absent an additional waiver, program fee structures would be adjusted via statute or by rule beginning in FY 2016-17.

Alternative: The Committee expressed interest in a fee holiday for FY 2013-14 during figure setting. This was based on information included in the Schedule 9 for the Building Regulation Fund that was submitted with the Department request on November 1, 2012 (Appendix C). The original schedule included a beginning fund balance projection of $569,499 and an expenditure projection of $560,204 during FY 2013-14. Under these projections, a one-year fee holiday would bring the excess reserves back within the 16.5 percent limit during FY 2013-14.

The Department submitted a revised Schedule 9 to JBC staff on March 14, 2013 (Appendix D). The revised schedule includes a beginning fund balance projection of $409,886 and an expenditure projection of $804,552 during FY 2013-14. Under these projections, a one-year fee holiday would bring the excess reserves back within the 16.5 percent limit during FY 2013-14; however, the reserve would be depleted entirely. Updated expenditure projections could drive a significant cash deficit—leading to a General Fund supplemental and adjustment of fees for FY 2014-15. The Department does not want to adjust fees in this manner for two reasons:

- The amount of education needed for the varied stakeholders for a fee change would be significant and would complicate administration of a fee holiday; and

- The change would be temporary as projections show that fees would just have to be raised in FY 2014-15 (and stakeholders re-educated).

The Department feels that this temporary fee adjustment would represent a needless industry burden because program expenses already exceed the revenues collected—resulting in compliance for FY 2015-16.

Staff agrees with the Department that ongoing industry volatility, the inconsistent generation of revenues, and the varied timing in the collections all would make administering a fee holiday of any duration difficult. Further, a fee holiday would not succeed in bringing the cash fund into compliance in FY 2012-13. As a result, staff recommends that the Committee sponsor legislation to approve a waiver for the Building Regulation Cash Fund during fiscal years 2012-13 through 2014-15, while the Department works to bring the fund back into compliance.

Appendix A: Joint DOLA and OEDIT Memorandum

To:	Joint Budget Committee (JBC)
From:	Reeves Brown, Executive Director, Department of Local Affairs (DOLA) Reeves Brown
	Ken Lund, Executive Director, Office of Economic Development & International Trade Kenneth W. Lund
Date:	March 6, 2013
Subject:	Rationale for DOLA's lead role in proposed $3 Million Community and Economic Development Request to Joint Budget Committee

This memo provides the rationale for DOLA's request to administer a $3,000,000 General Fund appropriation for two years beginning in FY 2013-14 to diversify the economies of communities which are overly-dependent on a single large employer, and to mitigate the adverse economic impacts to affected communities resulting from the decommissioning of a state prison facility (including private prison facilities operating under contract for the state). In addition, a table is attached that describes the role that DOLA and the Office of Economic Development and International Trade (OEDIT) will play in the implementation of this program.

DOLA, in partnership with OEDIT, will employ four strategies in this proactive effort: 1) Community asset analysis; 2) Stakeholder convening for solution development; 3) Competitive grant funding to provide community infrastructure and job training to grow economic opportunities and mitigate the economic impact and job loss of prisons closing; and 4) Provide local community grants that local governments will deploy as income assistance vouchers to employees who have lost their job as the result of a prison closure.

This is a natural partnership opportunity for DOLA and OEDIT. Our two organizations both work closely with these local communities – OEDIT with a specific focus on economic development, and DOLA with a broader focus on sustainable community development – and we have worked together on similar partnerships in the past in such areas as the Main Street program and the creation of regional economic development plans.

For this particular effort, because we intend to engage communities in a comprehensive discussion that evaluates the overall health of the community, including specific economic development opportunities, we propose that DOLA serve as the lead project administrator and oversee the project budget. DOLA's existing staff will provide additional support in their various areas of community development expertise.

Specific to this committee's question, we believe there are four reasons why it makes sense for DOLA to be the lead administrator for this project:

1 **DOLA has the strongest relationships with the local elected officials who will be dealing with a prison closure or the loss of any other major employer.** DOLA's eight Regional Managers located in the field are primarily focused on providing technical assistance to local governments, and these local governments consider DOLA's Regional Managers to be the face of state government. DOLA has both the relationships to work effectively with local governments, and the expertise to help local governments deal effectively with challenges such as diversifying their economy.

2 **DOLA is the state's authority in community development.** To mitigate a loss of major employer will require the local government to develop both a short- and long-term strategic plan. One of DOLA's major deliverables is technical assistance in community development. The loss of a major employer or the closure of a prison will require local solutions that incorporate land use planning, strategic planning, resource identification and economic development tools.

3 **DOLA has outstanding linkage, leverage and partnership skills.** DOLA works with a wide variety of partners, including other state agencies such as OEDIT, federal agencies, community colleges, private foundations, and the local community resources. All of these partners may be able to contribute to helping a community diversify its economic base.

4 **DOLA has experience in managing grant programs.** DOLA administers 19 different grant programs in which we demonstrate expertise in such areas as assisting customers to apply, managing the competition, evaluating applications with good objective criteria, awarding grants, contracting and monitoring the execution of the contract to achieve the desired outcome. Grant dollars are more successful when it is accompanied with the appropriate technical assistance. DOLA is the expert in providing the right technical assistance to a local government to address their challenges so the financial assistance received can be maximized because of the improved decision making.

DOLA Role/Responsibilities	OEDIT Role/Responsibilities
Identify vulnerable communities in partnership with Department of Corrections and Councils of Government in the14 Planning Regions.	Communicate with regional economic development organizations to identify potential large employer closing.
Maintain and maximize relationship with local governments to identify and provide technical and financial assistance.	Market OEDIT business retention, finance and development products and tools to businesses; administer grant and loan programs for business.
Provide strategic planning assistance for local government to achieve development of regional solutions for public infrastructure community development needs (community development is the process of asset development for communities i.e. parks, downtowns, roads, zoning, land use planning, creating the environment for business to grow and locate in the community).	Engage Small Business Development Center Resources where appropriate to provide training for existing, new and relocating businesses.
Conduct community asset analysis to identify potential public infrastructure and community assets that could assist in enhancing community environment to attract and retain businesses.	Engage the economic development organizations in the region to identify and coordinate business opportunities needs, requirements and incentives necessary to attract, retain or expand existing businesses.
Identify public stakeholders and engage them to develop solutions for infrastructure needs.	Identify business stakeholders and engage in solution development for business needs.
Leverage financial resources from state, local, federal and foundation sources.	Communicate with DOLA potential opportunities to assist in the success of community development strategies that benefit businesses.
Partner with OEDIT to communicate opportunities and potential reuse strategies.	Communicate potential reuse strategies to economic development organizations.
Execute and implement MOU with Department of Labor to administer income assistance vouchers to displaced workers employers.	Support the execution of the MOU with Department of Labor.
Administer competitive grant funding for public community development infrastructure needs and community revitalization,	Identify opportunities where local economic development opportunities complement the statewide economic development goals regarding key industry clusters.
Manage program and ensure communication/partnership with OEDIT.	Provide direct supervision of project staff person. Communicate with regional economic development teams and DOLA. Provide job training assistance.

Appendix B: Building Regulation Fund Spending Plan and Fee Categories

Appendix A - Division of Housing							
Housing Technology and Standards Section							
3/14/2013							
	FY 10	**FY 11**	**FY 12**	**FY 13 (Revised Est)**	**FY 14 (Revised Est)**	**FY 15 (Revised Est)**	**FY 16 (Revised Est)**
Section Revenue							
Building Regulation Fund- supports expenditures on Manufactured Buildings Program Long Bill Line	$ 685,880	$ 636,874	$ 605,412	$ 660,000	$ 693,000	$ 727,650	$ 764,033
Other Federal Affordable Housing Grant Revenue- supports federal expenditures contained in Federal Affordable Housing Construction Grants Long Bill Line*	$ 48,628	$ 159,000	$ 145,844	$ 40,708	$ -	$ -	$ -
Total Cash Fund and Federal Grants Revenue for Section	$ 734,508	$ 795,874	$ 751,256	$ 700,708	$ 693,000	$ 727,650	$ 764,033
Section Expenses							
Building Regulation Fund Indirect Expenses and Common Policy Expenses not in Manufactured Buildings Program Long Bill Line	$ 159,628	$ 91,096	$ 76,979	$ 80,000	$ 84,000	$ 88,200	$ 92,610
Estimated POTS, Salary Survey, Merit Pay FY 13 Through FY 2016				$ -	$ 42,743	$ 44,881	$ 47,125
Building Regulation Fund Expense in Cash Manufactured Buildings Program Long Bill Line	$ 533,202	$ 436,506	$ 483,225	$ 645,532	$ 677,809	$ 711,699	$ 747,284
Other Federal Affordable Housing Grant Program expenditures- contained in Federal Affordable Housing Construction Grants Long Bill Line*	$ 48,628	$ 159,000	$ 145,844	$ 40,708	$ -	$ -	$ -
Total Cash and Federal Expenses for Section	$ 741,458	$ 686,602	$ 706,048	$ 766,240	$ 804,552	$ 844,780	$ 887,019
Combined Net Revenue for Housing Technology and Standards Section	$ (6,950)	$ 109,272	$ 45,208	$ (65,532)	$ (111,552)	$ (117,130)	$ (122,986)
Building Regulation Cash Fund Reserves Only							
Targeted Cash Fund Reserve (16.5%)	$188,531	$114,317	$87,054	$92,434	$119,713	$132,751	$139,389
Cash Fund Balance	$320,938	$430,210	$475,418	$409,886	$298,334	$181,204	$58,218
Excess Reserve	**$132,406**	**$315,893**	**$388,364**	**$317,452**	**$178,622**	**$48,453**	**-$81,171**

* Energy Code Support Projects, Neighborhood Stabilization Program Projects are federal grants and a portion of the Affordable Housing long bill was spent on Manufactured Housing Section Programs. Federal funds accounted for separately from Building Regulation Cash Fund.

Appendix A - Major Fee Collection Categories*								
Fee Type	**FY 10**	**FY 11**	**FY 12**	**FY 13****	**FY 14****	**FY 15****	**Statute or Regulation**	**Amount**
Plant Registrations	122	127	133	135	135	135	Regulation	$500
Inspection Agency Registrations	24	23	23	25	25	25	Regulation	$250
Plan Reviews	532	598	510	595	595	595	Regulation	.25/square foot
Certification Insignias Issued	1828	1,226	1,344	1,500	1,500	1,500	Regulation	$100
Factory Oversight Inspections	418	455	367	510	510	510	Regulation	$230
Non Compliance/Prohibited Sale/Red Tags	0	7	12	12	12	12	Regulation	$250
MHIP Installer Registrations	80	69	74	72	72	72	Statute - Max is $250	$100
MHIP Insignias Issued	856	1,171	1,268	1,100	1,100	1,100	Regulation	$40
MHIP Inspections	277	278	354	300	300	300	Regulation	$175
Dealer Registrations	207	152	164	185	185	185	Statute - Max is $200	$200

*Other Section revenues include, publication sales, consumer complaint reimbursements, reinspection fees, travel reimbursement

**Estimated

Appendix C: Nov. 1 Sched. 9 – Building Regulation Fund

Schedule 9A: Cash Funds Reports
Department of Local Affairs
FY 2013-14 Budget Request
Fund #12V - Building Regulation Fund
Section 24-32-3309 C.R.S. (2012)

	Actual FY 2010-11	Actual FY 2011-12	Appropriated FY 2012-13	Requested FY 2013-14
Year Beginning Fund Balance (A)	***$320,938***	***$430,210***	***$475,418***	***$569,499***
Changes in Cash Assets	$143,438	$60,129	$78,016	$78,016
Changes in Non-Cash Assets		$0	$0	$0
Changes in Long-Term Assets		$0	-$33,021	-$33,021
Changes in Total Liabilities	-$34,166	-$14,920	$49,086	$0
TOTAL CHANGES TO FUND BALANCE	**$109,272**	**$45,208**	**$94,081**	**$44,995**
Assets Total	***$464,376***	***$524,504***	***$569,499***	***$614,495***
Cash (B)	$464,376	$524,504	$602,520	$680,537
Other Assets	$0	$0	$0	$0
Long Term Loan Receivables		$0	-$33,021	-$66,042
Liabilities Total	***$34,166***	***$49,086***	***$0***	***$0***
Accounts Payable	$34,166	$49,086	$0	$0
Deferred Revenue	$0	$0	$0	$0
Ending Fund Balance (D)	***$430,210***	***$475,418***	***$569,499***	***$614,495***
	$430,210	$475,418	$569,499	$614,495
Logical Test	TRUE	TRUE	TRUE	TRUE
Net Cash Assets - (B-C)	***$430,210***	***$475,418***	***$602,520***	***$680,537***
Change from Prior Year Fund Balance (D-A)	***$109,272***	***$45,208***	***$94,081***	***$44,995***
Cash Flow Summary				
Revenue Total	$685,880	$605,412	$605,199	$605,199
Certifications/Inspections	$557,980	$489,061	$489,061	$489,061
Interest	$4,317	$6,138	$6,138	$6,138
Other Charges for Services	$123,465	$110,000	$110,000	$110,000
Misc	$118	$213	$0	$0
Expenses Total	$527,602	$560,204	$560,204	$560,204
Personal Svcs	$390,270	$413,920	$413,920	$413,920
Contracts	$3,517	$6,975	$6,975	$6,975
Operating	$65,533	$62,330	$62,330	$62,330
Indirect	$68,282	$76,979	$76,979	$76,979
	$0	$0	$0	$0
	$0	$0	$0	$0
Change Requests (If Applicable)	$0	$0	$0	$0
Net Cash Flow	$158,278	$45,208	$44,995	$44,995

Appendix D: Mar. 14 Sched. 9 – Building Regulation Fund

Schedule 9A: Cash Funds Reports
Department of Local Affairs
FY 2013-14 Budget Request
Fund #12V - Building Regulation Fund
Section 24-32-3309 C.R.S. (2012)

	Actual	Actual	Appropriated	Requested
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Year Beginning Fund Balance (A)	***$320,938***	***$430,210***	***$475,418***	***$409,886***
Changes in Cash Assets	$143,438	$60,129	-$65,532	-$74,277
Changes in Non-Cash Assets		$0	$0	$0
Changes in Long-Term Assets		$0	$0	$0
Changes in Total Liabilities	-$34,166	-$14,920	$0	-$37,275
TOTAL CHANGES TO FUND BALANCE	**$109,272**	**$45,208**	**-$65,532**	**-$111,552**
Assets Total	***$464,376***	***$524,504***	***$458,972***	***$384,695***
Cash (B)	$464,376	$524,504	$458,972	$384,695
Other Assets	$0	$0	$0	$0
Long Term Loan Receivables		$0	$0	$0
Liabilities Total	***$34,166***	***$49,086***	***$49,086***	***$86,361***
Accounts Payable	$34,166	$49,086	$49,086	$86,361
Deferred Revenue	$0	$0	$0	$0
Ending Fund Balance (D)	***$430,210***	***$475,418***	***$409,886***	***$298,334***
	$430,210	$475,418	$409,886	$298,334
Logical Test	TRUE	TRUE	TRUE	TRUE
Net Cash Assets - (B-C)	***$430,210***	***$475,418***	***$409,886***	***$298,334***
Change from Prior Year Fund Balance (D-A)	***$109,272***	***$45,208***	***-$65,532***	***-$111,552***
Cash Flow Summary				
Revenue Total	$636,874	$605,412	$660,000	$693,000
Certifications/Inspections	$514,902	$489,061	$538,138	$565,352
Interest	$7,105	$6,138	$6,138	$6,138
Other Charges for Services	$113,625	$110,000	$115,500	$121,275
Misc	$1,242	$213	$224	$235
Expenses Total	$527,602	$560,204	$725,532	$804,552
Personal Svcs	$390,272	$413,920	$560,086	$588,090
Contracts	$3,517	$6,975	$20,000	$67,016
Operating	$65,531	$62,330	$65,446	$65,446
Indirect	$68,282	$76,979	$80,000	$84,000
	$0	$0	$0	$0
	$0	$0	$0	$0
Change Requests (If Applicable)	$0	$0	$0	$0
Net Cash Flow	$109,272	$45,208	-$65,532	-$111,552

Cash Fund Reserve Balance	Actual	Actual	Estimated	Requested
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Uncommitted Fee Reserve Balance (total reserve balance minus exempt assets and previously appropriated funds; calculated based on % of revenue from fees)	$430,210	$475,418	$409,886	$298,334
Target/Alternative Fee Reserve Balance (amount set in statute or 16.5% of total expenses)	$114,317	$87,054	$92,434	$119,713
Excess Uncommitted Fee Reserve Balance	**$315,893**	**$388,364**	**$317,453**	**$178,621**
Compliance Plan (narrative)	See letter to Joint Budget Committee			
	__ Planned One-time Expenditure(s)[1] __ Planned Ongoing Expenditure(s)[2] _X_ Waiver[3]			

Cash Fund Narrative Information	
Purpose/Background of Fund	Regulate factory-built structures, certain multi-family structures, manufactured home sellers and installers
Fee Sources	Manufactured home sellers and installers
Non-Fee Sources	Interest on fund
Long Bill Groups Supported by Fund	Department Wide
Non-appropriated Fund Obligations	
Statutory or Other Restriction on Use of Fund	
Revenue Drivers	Number of manufactured home sellers, installers, plants, units produced and
Expenditure Drivers	Administrative costs of all of the areas and direct enforcement legal costs at Dept. of Law
Explanation of any Long-term Liability Funding Requirements	

Schedule 9B: Cash Funds Reports

Department of: Local Affairs

FY 2012-13 Budget Request

Fund 12V - Building Regulation Fund

24-32-3309 C.R.S. (2011)

Schedule 9.B Compliance Plan	
Action	Submit Budget Reduction Item
Plan Description	The Department of Local Affairs has determined that program expenses will exceed program revenues. This imbalance along with increased need for inspections will reduce the reserve balance of the fund below the statutory target percentage.
Assumptions and Calculations	Current spending authority, indirect cost recoveries, and POTS

Schedule 9C: Cash Funds Reports

Department of: Local Affairs
FY 2012-13 Budget Request
Fund 12V - Building Regulation Fund
24-32-3309 C.R.S. (2011)

Programs Supported by Fund	
Non-appropriated Fund Obligations	Department Wide Common Costs

FY 2011-12 Appropriated Amounts							
Division/Long Bill Line Items Supported by the Cash Fund	Total	FTE	CF for the Fund in this Schedule	Other CF	RF for the Fund in this Schedule	Other RF	FF
Non-appropriated Fund Obligations	$734,258	7.3	$734,258	$0	$0	$0	$0
	$0						
	$0						
Total of all Lines	$734,258	7.3	$734,258	$0	$0	$0	$0

Cash Fund Reserve Information in Current Year	
Amount of Excess Reserve as of 7/1/2011	$315,893
Deadline for Compliance	June 30, 2012

Cash Fund Reserve Information on Date of Compliance	
Estimated Cash Fund Target Reserve on Compliance Date	$87,054
Estimated Amount of Excess Reserve on the Compliance Date	$388,364

Cash Fund Reserve Information at End of Waiver Period	
Estimated Amount of Uncommitted Reserve to be Waived	$388,364
Estimated Cash Fund Reserve at End of Waiver Period[1- FY 2014-15]	$181,204

1. If this amount differs from the target reserve, please explain. Department expects to be in compliance 6/30/2016

Waiver	
Justification for Waiver	
Beginning Date	July 1, 2011
Ending Date	June 30, 2015
Plan (Attach Schedule 9.B)	See Waiver Request Letter to JBC and 9B

Appendix E: Waiver Request Letter

STATE OF COLORADO
John W. Hickenlooper, Governor

Department of Local Affairs
Reeves Brown, Executive Director

March 14, 2013

The Honorable Pat Steadman
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

Dear Senator Steadman:

Pursuant to Section 24-75-402 (8), C.R.S., Department of Local Affairs respectfully requests the Joint Budget Committee to sponsor legislation to grant a waiver for the Division of Housing's Building Regulation Fund from the target reserve requirements of Section 24-75-402 (3)(c), C.R.S. (2012). The time period requested is the current fiscal year through FY 2014-15; the fund will be in compliance with target reserve requirements by the end of FY 2015-16.
The Building Regulation Fund, created by Section 24-32-3309, C.R.S., supports the Housing Technology and Standards section in the Division of Housing. Annually, the Building Regulation Fund fee revenues are generated from factory inspections, in-field inspections, building plan reviews, and registration fees. These cash fees are set by statute and/or State Housing Board rule.

The industry is small and very vulnerable to the cyclical housing market, therefore the fees collected to fund this inspection program fluctuate dramatically over time. In a healthy housing market, the current fee level does not typically generate enough revenue to cover the costs of the program.

In managing this program, our goal has been to charge the industry as little as possible for these inspections (and thus contribute to the affordability of the homes) while still generating enough revenue to sustain the program. Recognizing the volatility of this industry and the resulting fluctuations in fee revenues, we strive to provide as much consistency and predictability in both the amount of the fee charged and the quality of the inspection service provided. Because of the volatility of these revenues, if we did not have adequate reserves to support the program during the inevitable downturns in the housing market, then we would forever be adjusting the fee upwards during market declines (and thus add additional pressure on this industry which is already struggling in a down market), and then subsequently decreasing the fee during market rebounds. Such continual adjustments in the fee would both increase the administrative cost of the program (as we would need to continually be educating the customer about the changing fee levels), and decrease the level of service to the customer (as we would continually be required to layoff staff during market declines and then find ourselves behind the market curve during subsequent rebounds trying to hire and retrain new staff). The current 16.5% limitation on program reserves simply does not provide enough cushion to consistently sustain the level of service needed for this program in such a small and volatile industry.

During the economic downturn over the last 5 years, the Section was able to partially support manufactured housing sector activities with one-time federal grants ($394,180) and thus preserve its cash for future years. By not entirely using the Building Regulation Fund to support Section expenditures, the cash reserves began to increase. Without these federal grants, the Section's cash reserves would have been reduced to below $16,000 by the end of FY 2012-13 and we would have been forced to increase fee rates to cover costs. Although this would have driven the fund into compliance with Section 24-75-402 (3) (c), C.R.S. (2012), mandating increases in fees during the recession would have been a hardship on the remaining manufacturers. Furthermore, these fee increases most likely would have raised the prices of manufactured homes, causing more hardship for struggling businesses and homeowners as the units became less affordable. Industry trends remain volatile and the ability to maintain reserve balances in excess of the 16.5 percent allowed by statute permits the Division of Housing to manage this uncertainty going forward through the preservation of regulatory service levels and to preclude the need for on-going fee adjustments. This waiver will allow the Section to maintain the highest quality of services to this industry and to its customers.

The Section does not wish to reduce fees to get the fund into compliance in the current fiscal year because a significant amount of time and effort is required to educate the various stakeholders on fee adjustments, as there are 27 fee types. Also, any measure to reduce fees would be temporary because current projections show that program expenditures exceed cash revenues, so once the fund balance is below the 16.5 percent reserve requirement, fees will need to be increased to cover annual program expenditures. At that time, the Department would need to re-educate stakeholders. Therefore, from a programmatic viewpoint, a temporary fee reduction appears to be an undue burden on stakeholders, since the expenses to regulate the program already exceed the revenues collected.

The Division of Housing has prepared an updated reserve compliance plan for the Building Regulation Cash Fund (12V). The attached plan estimates compliance by the end of FY 2015-16. The schedule shows that annual regulatory expenses associated with manufactured housing exceed annual revenues. This will reduce the excess reserve balance below the targeted statutory required reserve level of 16.5 percent of expenditures in accordance with the plan. As illustrated in the Division of Housing, Housing Technology and Standards Section income statement, the Section will no longer have an excess reserve balance and will be in full compliance with statute regarding reserve balances as of FY 2015-16. The compliance plan reflects an anticipated volume increase of 5% annually over the next three years. The Division utilizes personal services contracts to meet this immediate fluctuation in demand.

Thank you for your consideration of our request for a waiver from the target reserve requirements of Section 24-75-402 (3)(c), C.R.S. (2012) for the Building Regulation Fund for FY 2012-13, FY 2013-14 and FY 2014-15. If you have any questions about this request, please do not hesitate to contact me.

Sincerely,

Reeves Brown
Executive Director, Department of Local Affairs

Cc: Senator Mary Hodge, Joint Budget Committee Member
Senator Kent Lambert, Joint Budget Committee Member
Representative Claire Levy, Joint Budget Committee Vice-chairman
Representative Cheri Gerou, Joint Budget Committee Member
Representative Crisanta Duran, Joint Budget Committee Member
Henry Sobanet, Director, Governor's Office of State Planning and Budgeting
Erick Scheminske, Deputy Director, Governor's Office of State Planning and Budgeting
John Ziegler, Director, Joint Budget Committee Staff
Byron DeLuke, Joint Budget Committee Staff

Attachment A - Division of Housing								
Housing Technology and Standards Section								
3/14/2013								
	FY 10	**FY 11**	**FY 12**	**FY 13 (Revised Est)**	**FY 14 (Revised Est)**	**FY 15 (Revised Est)**	**FY 16 (Revised Est)**	
Section Revenue								
Building Regulation Fund- supports expenditures on Manufactured Buildings Program Long Bill Line	$ 685,880	$ 636,874	$ 605,412	$ 660,000	$ 693,000	$ 727,650	$ 764,033	Cash Long Bill Line 14100
Other Federal Affordable Housing Grant Revenue- supports federal expenditures contained in Federal Affordable Housing Construction Grants Long Bill Line*	$ 48,628	$ 159,000	$ 145,844	$ 40,708	$ -	$ -	$ -	Federal Long Bill Line 14210
Total Cash Fund and Federal Grants Revenue for Section	$ 734,508	$ 795,874	$ 751,256	$ 700,708	$ 693,000	$ 727,650	$ 764,033	
Section Expenses								
Building Regulation Fund Indirect Expenses and Common Policy Expenses not in Manufactured Buildings Program Long Bill Line	$ 159,628	$ 91,096	$ 76,979	$ 80,000	$ 84,000	$ 88,200	$ 92,610	Long Bill Lines 14080, 13750, 13751, 13780, 13850, 13890, 13920, 13840, LAL (13050, 13070, 13100 Letter Note a Pg 124)
Estimated POTS, Salary Survey, Merit Pay FY 13 Through FY 2016				$ -	$ 27,722	$ 63,750	$ 101,579	POTS(13720, 13740), Salary Survey, Merit Pay
Building Regulation Fund Expense in Cash Manufactured Buildings Program Long Bill Line	$ 533,202	$ 436,506	$ 483,225	$ 645,532	$ 692,830	$ 692,830	$ 692,830	Cash Long Bill Line 14100
Program expenditures-contained in Federal Affordable Housing Construction Grants Long Bill Line*	$ 48,628	$ 159,000	$ 145,844	$ 40,708	$ -	$ -	$ -	Federal Long Bill Line 14210
Total Cash and Federal Expenses for Section	$ 741,458	$ 686,602	$ 706,048	$ 766,240	$ 804,552	$ 844,780	$ 887,019	
					$ -	$ -	$ -	
Combined Net Revenue for Housing Technology and Standards Section	$ (6,950)	$ 109,272	$ 45,208	$ (65,532)	$ (111,552)	$ (117,130)	$ (122,987)	information of Section Activity only
Building Regulation Cash Fund Reserves Only								
Targeted Cash Fund Reserve (16.5%)	$188,531	$114,317	$87,054	$92,434	$119,713	$132,751	$139,389	
Cash Fund Balance	$320,938	$430,210	$475,418	$409,886	$298,334	$181,204	$58,217	
Excess Reserve	**$132,406**	**$315,893**	**$388,364**	**$317,452**	**$178,621**	**$48,453**	**-$81,171**	

* Energy Code Support Projects, Neighborhood Stabilization Program Projects are federal grants and a portion of the Affordable Housing long bill was spent on Manufactured Housing Section Programs. Federal funds accounted for separately from Building Regulation Cash Fund.

M E M O R A N D U M

TO: **Joint Budget Committee Members**

FROM: **Byron DeLuke, Joint Budget Committee Staff, 303-866-4957**

SUBJECT: **Staff Comebacks, Department of Human Services, Divisions of Child Welfare and Adult Assistance**

DATE: **March 15, 2013**

During figure setting for the Department of Human Services, the Committee did not approve the staff recommendations related to SafeCare: S-12A or BA-9A or the elder abuse mandatory reporting legislation, S.B. 13-111. The Committee flagged these items for further discussion during staff comebacks. Below is an overview of each item and staff recommendation. Additionally, staff has prepared a technical comeback on the Old Age Pension Cash Assistance Program line item that is included in the Long Bill for informational purposes.

Supplemental Request, Department Priority 12A, Budget Amendment Department Priority BA-9A: Prevention Services - SafeCare

Department Request: The Department requests $733,001 General Fund and 0.9 FTE in FY 2012-13. This request will fund prevention services for families at risk of entering the child welfare system by expanding the program SafeCare to nine sites throughout the State. The Department is also requesting roll-forward spending authority for FY 2012-13 expenditures. The supplemental request is counterpart to the budget amendment BA-9A, which includes $2,210,784 General Fund and 1.0 FTE for SafeCare in FY 2013-14 and annualizes to $3,874,776 and 1.0 FTE in FY 2014-15.

Staff Recommendation: Staff recommends that the Committee approve request. However because the common policy of the Committee is not to include POTS for requests of less than 20.0 FTE, staff is recommending $724,420 and 0.9 FTE for the supplemental in FY 2012-13 and $2,201,150 and 1.0 FTE for the budget amendment in FY 2013-14.

Staff Analysis: In recent years the child welfare community and CDHS have recognized the need to link child abuse and neglect prevention with more traditional child welfare services. Staff is recommending funding for the expansion of SafeCare in Colorado because:

- SafeCare is an evidence-based model with a robust record of improving child welfare;

- SafeCare can be implemented quickly through the National SafeCare Training and Research Center at Georgia State University;

- Developing a new preventative program along the lines of SafeCare through the Training Academy would be more expensive, require more time to develop and implement, and result in a new program lacking any evidence-based record; and

- Using a well-established curriculum allows for an effective evaluation of the pilot program. This would enable the Department to develop a plan to fully incorporate prevention and in-home services into the child welfare system in the long-term.

Problem: A review of Colorado's substantiated child abuse reports shows that young children under age five are at the greatest risk for being subject to child abuse or neglect. Given that maltreating parents are influenced by a variety of social, cultural, and family factors, staff feels that the need for research-based effective prevention and intervention programs is clear. However, the continuum of child welfare services in Colorado has generally only included a report of suspected abuse, a determination of whether the county department would investigate the report, and then a determination of whether child welfare would provide services or remove the child from the home based upon the level of risk to the child's health and safety. Child abuse and neglect prevention has not been a major part of the child welfare service array.

Proposed Solution: SafeCare was developed in 1979. It is a nationally recognized and evidence-based proprietary program housed at Georgia State University. Trainers, coaches and home visitors must meet the minimum requirements and be trained to the curriculum established by the National SafeCare Training and Research Center (NSTRC) at Georgia State University. Other than the training requirements, there are no licensing or continued use fees.

The SafeCare model addresses the social and family environment in which child maltreatment occurs. As such, services are always administered in the home. The model addresses the health risks for children and the psychosocial risks that research shows are associated with maltreatment. SafeCare home visitors work with families in their home to improve skills in several areas. Parents are taught, for example how to plan and implement activities with their children, respond appropriately to child behaviors, improve home safety, and address health and safety issues. SafeCare services would be provided in weekly home visits lasting from 1-2 hours. The program would last between 15-20 weeks for each family, and the content for home visiting sessions would be delivered in three separate modules covering child health, home safety, and positive parent child interactions.

Home Safety Module – The Home Safety Module will identify and eliminate safety and health hazards in the home. Using the Home Accident Prevention Inventory, providers often work with parents to identify environmental and health hazards in each room. Some examples include: unguarded stairs, access to cleaning materials, uncovered electrical outlets, etc. Once the home has been evaluated, providers use a variety of training methods to teach parents how to identify and reduce the number of hazards, and make existing hazards inaccessible to children. Evidence gathered from programs in Oklahoma and California has shown this module to be effective in reducing hazards and that parents maintain safety improvements over time.

Health Module – The Health Module will train parents to use health reference materials, prevent illness, identify symptoms of childhood illnesses or injuries, and provide or seek appropriate treatment when needed. To assess actual health-related behavior, SafeCare providers often ask parents to role-play health scenarios and decide whether to treat the child at home, call a medical provider, or seek emergency treatment. Parents will likely be provided with a medically-validated health manual that includes: a symptom guide, information about planning and prevention, and how to care for a child at home. In many cases, parents are also supplied with health recording charts and basic health supplies (e.g., thermometer).

Parent-Child Interactions Module – The Parent-Child Interactions Module will consist of training on parent-infant interactions (birth to 10 months) and parent-child interactions (11 months to 5 years). The purpose is to teach parents to provide engaging and stimulating age-appropriate activities; increase positive interactions; and prevent troublesome child behavior. SafeCare providers will observe parent-child play and/or daily routines and code for specific parenting behaviors. Positive behaviors are reinforced and problematic behaviors are addressed and modified during the in-home sessions.

Training: To ensure the consistent and efficient delivery of the program, SafeCare employs a rigorous training curriculum through the NSTRC. The Center offers three levels of training, home visitor, coach, and trainer. Each of these individual levels builds on the previous level. Home visitor training is the core training on how to implement the SafeCare model and deliver services in the home. Coach training includes home visitor training plus additional training for onsite coaching of SafeCare home visitors. Finally, trainer training may be offered to individuals who have completed home visitor and coach training.

All SafeCare trainings:

- Are conducted on site—NSTRC trainers will travel to Colorado;
- Require completion of a workshop and live demonstration of skills;
- Are based on the same principles of behavioral skill acquisition that forms that basis of the SafeCare parenting program;
- Include workshops with presentations, extensive role plays, and practice of skills to mastery levels;
- Are conducted with low trainer to trainee ratios of 1:3 or 1:4 at the most;
- Include demonstration with feedback on real-world implementation;
- Include technical support with implementation and quality assurance from NSTRC for up to one year; and

- Include all documents needed to implement, coach, or train SafeCare, and includes the ability to download materials as they are updated.

As mentioned above, the original NSTRC training is proprietary in nature; however, individuals who complete SafeCare trainer training and are certified can then train individuals (at their site) to become SafeCare home visitors and coaches at no additional cost. This does however require a commitment to NSTRC to adhere to the Center's requirements regarding distribution of materials during training, support of SafeCare coaches and home visitors, and ongoing reporting of data to NSTRC. Additionally, SafeCare Trainers are observed at one year following training and must complete recertification every two years (again at no additional cost).

Implementation: SafeCare will be utilized when a county department has determined that the risk to a child does not meet the criteria for opening a child welfare case but that the child and family could benefit from services. County departments would refer families to a local SafeCare service provider to eliminate or reduce the child safety risks that would cause a family to enter into the child welfare system. SafeCare sites will be located within a community-based agency or county department. Each would serve approximately 200 families and be linked to a population of approximately 400,000 with at least seven percent being age five or under.

The Department has assumed for the purposes of the request that the State will partner with the Kempe Center to implement and oversee the program. County Departments and local service providers would then participate in the site selection process. Sites will be determined based upon: ability of the site to meet the needs of the families in the service area, ability to implement the SafeCare curriculum with fidelity, the county and community's capacity to support and utilize the site, and a review of variables that allow for a rigorous comparison of pilot sites. A site may serve more than one county.

While the Department and the Kempe Center would be responsible for statewide implementation and oversight, individual sites would be managed by the county or provider that submitted the application. The Department would partner with these counties or service providers to develop the referral process for county departments to connect families to SafeCare. Once the referral process is determined, CDHS will contract with local providers for delivery of in-home SafeCare services. It is important to note that the actual service delivery model may vary based on feedback from counties. Some counties may oversee the abuse prevention services themselves.

Partnering with the Kempe Center to implement the pilot program allows the Department to draw upon the Center's expertise and expedites implementation. Additionally, this approach builds capacity locally while evaluating the success of the program and determining if Colorado should move beyond a pilot. This approach incorporates evidence-based child abuse prevention practices without placing a significant additional burden on counties.

Cost Assumptions: There are three main cost components: SafeCare sites, CDHS personnel, and independent evaluation. These components are outlined in the following table.

SafeCare Cost Components

Component	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16 and Ongoing
SafeCare Sites	$476,949	$1,902,221	$3,566,213	$5,147,312
CDHS Personnel	93,270	96,961	96,961	96,961
Evaluation	162,782	211,602	211,602	211,602
Total	$733,001	$2,210,784	$3,874,776	$5,455,875

- Based on discussions with national SafeCare experts, the Department assumes that start-up training and site development funded through this supplemental request will take six months at a cost comparable to the fully-operational site cost.

- In terms of personnel, the Department is requesting 0.9 FTE in FY 2012-13, annualizing to 1.0 FTE in FY 2013-14 and beyond. This employee will manage the expansion of SafeCare, provide statewide oversight and coordination services to connect the program to the child welfare and public assistance populations, develop the processes for accessing SafeCare, and manage the contract for SafeCare services. The position will liaise with county departments, providers, private partners, and national and state child abuse prevention experts and early childhood councils to develop services that target at-risk families and children.

- The independent evaluation will be performed by a third party evaluator and assess the effectiveness of services provided.

Alternatives: During figure setting, the Committee expressed interest in what it would take for counties to implement this type of an approach. In response, the Department has assessed the cost of implementing SafeCare through the existing child welfare services model rather than having sites developed through an application process. For the purpose of comparison, the cost was developed to implement SafeCare in three counties per year for the next three years.

The analysis assumes that current county child welfare staff could not take on additional in-home responsibilities, or that the work would require new expertise. The analysis further assumes that the State would oversee the program and that the program manager requested is added to CDHS staff. Finally, the analysis assumes that any additional accounting and administrative work associated with service delivery will be undertaken by existing county staff.

The following table provides a comparison of the costs for county personnel to serve as SafeCare trainers, coaches, and in-home visitors and the costs for a SafeCare site that is managed by a county or community provider that applies to be a SafeCare site (current request). More detailed information on county implementation costs is included in Appendix A.

County Implementation and Proposed SafeCare Site Costs

Fiscal Year	County Implementation Costs*	Proposed SafeCare Site Costs
FY 2013-14 (3 sites)	$1,891,536	$1,902,221
FY 2014-15 (6 sites)	$3,640,223	$3,566,213
FY 2015-16 (9 sites)	$5,311,121	$5,147,312

* Reflects personnel and operating costs. One-time capital costs for computers or workspace has not been included.

The Department opted for the proposed implementation model because it expanded the child welfare services continuum without over-burdening counties at a time when other child welfare activities such as enhancing child protective services, implementing the Colorado Practice Model, and implementing the Title IV-E Waiver are co-occurring. The proposal would allow for the slow buildup of local capacity while ensuring county readiness if the program is expanded after the three year evaluation period.

Anticipated Outcomes: This request would expand the SafeCare model in Colorado. Each of the nine sites is anticipated to serve 200 families. As a result, while no families would be served during the start-up phase in FY 2012-13, 600 families will be served by three sites in FY 2013-14, 1,200 families will be served by six sites in FY 2014-15, and 1,800 families will be served by nine sites in FY 2015-16 and ongoing.

The SafeCare model has been adapted, augmented, and tested in large-scale settings. State or municipal-level projects examining aspects of SafeCare have occurred or are currently occurring in California, Oklahoma, Kansas, and Michigan. For example, families served by Project SafeCare in Los Angeles are less likely to have a first child maltreatment report or recurrence than are comparison groups, and they are also less likely to have children removed from the home than comparison families who receive traditional child welfare services. In fact, after 3 years post-intervention, the Los Angeles Project SafeCare families have a survival rate of more than 85% (15% recidivism), whereas families receiving traditional child welfare services have a survival rate of only 56% (44% recidivism).

A state-wide effectiveness trial was just conducted in Oklahoma through the Center on Child Abuse and Neglect at the University of Oklahoma Health Sciences Center. This study was conducted with support from the Oklahoma Department of Human Services and in collaboration with the Centers for Disease Control and Prevention (CDC) and the National Institutes of Health. The purpose of the study was to compare two types of intensive home-based services: the SafeCare model and Enhanced Services as Usual, which involves more traditional case management and social support. According to the study, families who participated in SafeCare were about 21 to 26 perecnt less likely to experience child protective services reports than families receiving more traditional services.

The SafeCare model has not been widely adopted in Colorado. However, Denver has implemented a program called the Denver At-Home Intervention Services Initiative (DAISI), based on the SafeCare model. DAISI is provided by Denver Juvenile and Family Justice TASC (Treatment Accountability for Safer Communities), which is the in-house treatment arm of Denver Juvenile Probation. Since 2008, the DAISI project has worked to build a network that provides pro-active and prevention-oriented activities that encourage all related agencies (i.e. law enforcement, probation, judicial officers) to recognize and support the target population's ability to break the cycle of behaviors that lead to child maltreatment. The provision of SafeCare services combined with the expertise of TASC Specialists has resulted in decreased out of home placements and decreased terminations of parental rights, while at the same time decreasing substance abuse and criminal recidivism. DAISI has been limited to serving families where there is criminal justice involvement in the City and County of Denver.

These examples illustrate why SafeCare is becoming a widely disseminated model. Over 60 articles have been published in peer-reviewed journals in which single-case designs with single or multiple families have clearly demonstrated the positive effects of this model on changes in parenting skills, health, and safety. Staff feels that enabling public child welfare service agencies to use this type of evidence-based child abuse prevention tool would enable at-risk families that are currently slipping through the cracks to connect to a broader and richer service array built on a partnership between public agencies and the private sector.

Senate Bill 13-111: Mandatory Reporting Legislation

Background: During the February 28, 2013 figure setting for the Department of Human Services, Adult Assistance Programs, the Committee expressed interest in taking action on a placeholder related to Adult Protective Services. Staff was asked to comeback with the appropriate figure.

S.B. 12-078: Elder Abuse Task Force Recommendations: Senate Bill 12-078 modified requirements concerning the mistreatment, self-neglect and exploitation of at-risk adults. It also created the Elder Abuse Task Force to study, make recommendations, and report on issues related to at-risk elderly adults. Task Force recommendations included the following.

- Reduce county caseloads from 34:1 to 25:1 at an estimated cost of $2.7 million;
- Implement mandatory reporting at an estimated cost of $1.7 million;
- Increase funding for services for at-risk adults to be used per county discretion at a cost of $1 million;
- Provide training and quality assurance in CDHS at an estimated cost of $165,000; and
- Implement a new data collection system at a cost of $250,000.

The Executive Request from the Governor included funding for an Adult Protection data system (which was approved by the Committee), and the Governor's letter to the Joint Budget Committee dated November 1, 2012 indicated that $5 million General Fund was set aside for a bill to implement the recommendations of the Elder Abuse Task Force.

S.B. 13-111: Mandatory Reporting Legislation: Under current law, an "at-risk adult" is any person over the age of 18 who is unable to obtain services or otherwise protect their own health, safety, and welfare. Colorado law encourages members of certain professions to make reports of known or suspected abuse and provides a telephone hotline for all citizens. This bill creates a new class of protections for "at-risk elders," who are defined as any person age 70 or older. The bill also makes a number of changes to the APS system as follows.

- Beginning July 1, 2014, members of helping professions listed in statute (mandatory reporters) are required to report known or suspected abuse of at-risk elders, and to make the report within 24 hours. Emergency medical service providers, physical therapists, clergy members, and chiropractors are added to the list of affected professionals.

- Failure to make a mandatory report is a class 3 misdemeanor. A person who files a report in good faith is immune from civil action or criminal prosecution. The bill also relocates existing penalties for theft-related crimes, caretaker neglect, and making a false report for offenses against at-risk elders.

- Law enforcement agencies are required to complete a criminal investigation when appropriate and to provide a summary of investigation reports to the relevant county department of social services and district attorney.

- The Peace Officer Standards Training (P.O.S.T.) Board in the Department of Law is required to develop and implement a training curriculum no later than January 1, 2014. Training is to assist peace officers in recognizing and responding to incidents of known or suspected abuse and exploitation of at-risk elders. On and after January 1, 2015, local law enforcement agencies are required to employ at least one officer that has completed the new P.O.S.T. training.

- The Department is required to implement a program to generate awareness among the public and mandatory reporters about the mistreatment, self-neglect, and exploitation of all at-risk adults beginning on January 1, 2014. CDHS is also tasked with preparing a report to certain committees of the General Assembly, including the JBC, concerning the implementation of S.B. 13-111 by December 31, 2016.

As mentioned above, the Governor included a $5 million set aside for the elder abuse bill in his budget request. However, because the portions of S.B. 13-111 that speak to reducing county caseloads and increasing discretionary funding for counties are within the legislative declaration and have no force of law, the fiscal note only includes costs to implement mandatory reporting within counties, provide training and quality assurance activities within CDHS, and address P.O.S.T. training requirements in the Department of Law. These costs total to $103,708 in FY 2013-14. If the JBC is interested in appropriating additional dollars for either caseload reduction or additional services for at-risk adults, staff would recommend that the Committee take action to approve a placeholder for the bill.

Staff Recommendation: Should the Committee decide to approve a placeholder for S.B. 13-111, staff recommends $3.2 million General Fund. This figure includes moneys to reduce county caseloads from 34:1 to 25:1, funding for at-risk adults to be used per county discretion, and funding for training and quality assurance in CDHS. Staff does not include the $1.7 million for mandatory reporting in the placeholder recommendation because S.B. 12-111 does not require mandatory reporting until FY 2014-15.

Adult Assistance: Cash Assistance Program

Background: This line item reflects the estimated state expenditures for OAP cash assistance, the largest component of OAP expenditures. It is included for informational purposes only.

During the February 28, 2013 figure setting for the Department of Human Services, Adult Assistance Programs, staff incorrectly included the supplemental S-1, which increased the cash funds appropriation for this line by $909,432 in FY 2012-13, in the recommendation for the line in FY 2013-14. As a result, the Committee voted to include $79,622,505 cash funds for informational purposes in FY 2013-14.

Recommendation: Staff is recommending $78,713,073 cash funds for this line item in FY 2013-14, shown for informational purposes. This represents a decrease of $5,560,168 cash funds from the current year appropriation and takes into account:

- $1.8 million cash funds for a cost of living increase, based on federal cost of living increase approved for the SSI program of 1.7 percent effective January 1, 2013; and

- A reduction of $7.4 million for the anticipated impact of H.B. 10-1384 which requires the income of legal immigrant's sponsors to be considered when determining their eligibility for the OAP, effective January 1, 2014 (after restrictions imposed by the Affordable Care Act end). The annualized impact of this change is estimated to be $14.8 million in FY 2014-15.

Analysis: As mentioned above, this comeback request would correct a staff error in calculating the original OAP cash assistance recommendation. Because staff did not annualize supplemental S-1, $909,432 in cash funds was erroneously included in the base for FY 2013-14. This request would allow staff to annualize out the impact of the supplemental.

Appendix A: County Implementation of SafeCare

Attachment A
SafeCare
FY 2013-14
County Personnel Services (Rate includes salary and benefits)

Staff	**Duty**	**Salary**	**3 Sites** FTE	**Total Cost**
Child/Family Manager	Program Manager	$113,587	1.0	$113,587
HS Data Analyst	Data Manager	$63,482	1.0	$63,482
Child/Family Adminstrator	Site Manager/SafeCare Trainer	$87,394	0.5	$43,697
Utilization Review Manager	Fidelity Analyst	$71,086	0.5	$35,543
Caseworker C	Site Coach	$71,086	3.0	$213,258
Caseworker B	Home Visitor	$63,482	18.0	$1,142,676
Caseworker C	Trainer	$71,086	3.0	$213,258
			Total	$1,825,501

Materials

Supplies-folders, report covers, binder clips		$6,000
Printer cartridges		$2,000
Computers, Printers, Scanners		$6,540
	Total	$14,540

Travel	**Mileage**	**Per Diem**	**Hotel**	
Northeast Colorado 130 miles RT, 6 trips, $.51/mile; Per diem $26/day, 6 days	$398	$156		
Western Colorado 400 miles RT, 6 trips, $.51/mile; Per diem $123/per 2-day trip; Hotel $125/night, 6 nights	$1,224	$738	$750	
Denver Metro 25 miles RT, 18 trips, $.51/mile	$230			
Home Visitation Travel Support - 18 home visitors, 436 miles per month, $.51/mile, 12 months = $48,029.76 (rounded to $48,000)	$48,000			
Subtotal	$49,851	$894	$750	
			Total	$51,495

SafeCare FY 2013-14 Total $1,891,536

Attachment A
SafeCare
FY 2014-15
County Personnel Services (Rate includes salary and benefits)

Staff	Duty	Salary	FTE (6 Sites)	Total Cost
Child/Family Manager	Program Manager	$113,587	1.0	$113,587
HS Data Analyst	Data Manager	$63,482	1.0	$63,482
Child/Family Adminstrator	Site Manager/SafeCare Trainer	$87,394	1.5	$131,091
Utilization Review Manager	Fidelity Analyst	$71,086	1.0	$71,086
Caseworker C	Site Coach	$71,086	6.0	$426,516
Caseworker B	Home Visitor	$63,482	36.0	$2,285,352
Caseworker C	Trainer	$71,086	6.0	$426,516
			Total	$3,517,630

Materials

Supplies-folders, report covers, binder clips		$10,500
Printer cartridges		$3,500
Computers, Printers, Scanners		$6,540
	Total	$20,540

Travel	**Mileage**	**Per Diem**	**Hotel**	
Northeast Colorado 130 miles RT, 12 trips, $.51/mile; Per diem $26/day, 12 days	$796	$312		
Southern Colorado 250 miles RT, 6 trips, $.51/mile; Per diem $52/per 2-day trip; Hotel $125/night, 6 nights	$765	$336	$750	
Western Colorado 400 miles RT, 6 trips, $.51/mile; Per diem $123/per 2-day trip; Hotel $125/night, 6 nights	$1,224	$738	$750	
Denver Metro 25 miles RT, 30 trips, $.51/mile	$383			
Home Visitation Travel Support - 36 home visitors, 436 miles per month, $.51/mile, 12 months = $96,059.52 (rounded to $96,000)	$96,000			
Subtotal	$99,167	$1,386	$1,500	
			Total	$102,053

SafeCare FY 2014-15 Total $3,640,223

Attachment A
SafeCare
FY 2015-16
County Personnel Services (Rate includes salary and benefits)

Staff	Duty	Salary	9 Sites FTE	Total Cost
Child/Family Manager	Program Manager	$113,587	1.0	$113,587
HS Data Analyst	Data Manager	$63,482	1.0	$63,482
Child/Family Adminstrator	Site Manager/SafeCare Trainer	$87,394	2.0	$174,788
Utilization Review Manager	Fidelity Analyst	$71,086	1.0	$71,086
Caseworker C	Site Coach	$71,086	9.0	$639,774
Caseworker B	Home Visitor	$63,482	54.0	$3,428,028
Caseworker C	Trainer	$71,086	9.0	$639,774
			Total	$5,130,519

Materials		
Supplies-folders, report covers, binder clips		$15,000
Printer cartridges		$5,000
Computers, Printers, Scanners		$6,540
	Total	$26,540

Travel	**Mileage**	**Per Diem**	**Hotel**		
Northeast Colorado 130 miles RT, 6 trips, $.51/mile; Per diem $26/day, 6 days	$398	$156			
Southern Colorado 250 miles RT, 12 trips, $.51/mile; Per diem $52/per 2-day trip; Hotel $125/night, 12 nights	$1,530	$672	$1,500		
Western Colorado 400 miles RT, 12 trips, $.51/mile; Per diem $123/per 2-day trip; Hotel $125/night, 12 nights	$2,448	$1,476	$1,500		
Denver Metro 25 miles RT, 30 trips, $.51/mile	$383				
Home Visitation Travel Support - 54 home visitors, 436 miles per month, $.51/mile, 12 months = $144,089.28 (rounded to $144,000)	$144,000				
Subtotal	$148,758	$2,304	$3,000		
				Total	$154,062

SafeCare FY 2014-15 Total $5,311,121

MEMORANDUM

TO: Chairman Steadman and Joint Budget Committee Members

FROM: Craig Harper (303-866-3481)

SUBJECT: Staff "Comeback" for Oil and Gas Conservation Commission

DATE: March 15, 2013

On February 12, 2013, the Committee took action on most of the Department of Natural Resources budget. However, the Committee tabled the Oil and Gas Conservation Commission (OGCC) to allow for continued discussion of OGCC staffing levels. Below is a summary of staff's recommendations regarding the OGCC with brief explanations of each incremental change. Staff has also included two tables (also from the figure setting document) outlining several options for the Committee's consideration. For more detail related to the OGCC, see pages 19 through 36 of the document titled, "FY 2013-14 Staff Figure Setting: Department of Natural Resources (Division of Reclamation, Mining, and Safety; Colorado Geological Survey; Oil and Gas Conservation Commission; State Board of Land Commissioners)", dated February 12, 2013. This document is accessible online at:

http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2012-13/natfig2.pdf

Oil and Gas Conservation Commission

	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2012-13 Appropriation:					
HB 12-1335 (Long Bill)	$9,045,502	$0	$8,943,523	$101,979	76.0
TOTAL	**$9,045,502**	**$0**	**$8,943,523**	**$101,979**	**76.0**
FY 2013-14 Recommended Appropriation:					
FY 2012-13 Appropriation	$9,045,502	$0	$8,943,523	$101,979	76.0
R-1 OGCC Field Inspectors	522,869	0	522,869	0	5.0
BA-7A Air Fugitives Inventory	12,000	0	12,000	0	0.0
Indirect Costs Adjustments	37,502	0	36,656	846	0.0
Annualize FY 13 DI #1	(26,815)	0	(26,815)	0	0.0
TOTAL	**$9,591,058**	**$0**	**$9,488,233**	**$102,825**	**81.0**
Increase/(Decrease)	$545,556	$0	$544,710	$846	5.0
Percentage Change	6.0%	0.0%	6.1%	0.8%	6.6%

FY 2013-14 Executive Request:	**$9,591,058**	**$0**	**$9,488,233**	**$102,825**	**81.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	0.0

R-1 OGCC Field Inspectors: The recommendation includes a total of $522,869 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 5.0 FTE to allow the Department to add 3.0 field inspectors, 1.0 environmental protection specialist, and 1.0 professional engineer based on an increasing workload for the Oil and Gas Conservation Commission. The recommendation for this decision item also includes $3,208 cash funds for the Vehicle Lease Payments line item in the Executive Director's Office.

BA-7A Air Fugitives Inventory: The Department is requesting $12,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund for the Department's portion of a joint effort with the Department of Public Health and Environment (CDPHE). Staff's recommendation for this budget amendment is pending the Committee's decision regarding the (much larger) portion of the request related to the Department of Public Health and Environment (CDPHE).

Base Indirect Costs Adjustments: The recommendation reflects the Department's requested adjustments to indirect cost recoveries from the Oil and Gas Conservation Commission.

Base Annualization FY 13 DI #1: The recommendation eliminates one-time appropriations for operating expenses associated with the addition of 5.0 new FTE through FY 2012-13 decision item R-1.

Options to Add Additional FTE (Above the Request)

The House and Senate Agriculture Committees recommended that the Committee *consider* adding additional inspection-related FTE above the request. The discussion at the Department's hearings with the JBC and with the committees of reference focused on increasing inspection frequency and potentially increasing the "depth" of inspections. The Department has also emphasized that increasing the size of the inspection program requires other additional staff to respond to the increased number of inspections, including environmental staff, hearings staff, engineers, etc.

At staff's request, the Department provided illustrative estimates of the funding and FTE necessary over and above the request/recommendation to support four basic scenarios. The Department is not requesting any of the additional FTE, and staff is not recommending additional FTE (above the request) at this time. Staff and the Department sought to provide context for potential discussions of further increases in FTE.

Please note that the Department's estimates are based on the best available information but that some of the changes (particularly major changes in FTE) would fundamentally change the operations of the OGCC field inspection program. The Department has attempted to incorporate potential economies of scale in the analysis of necessary resources and staff but the actual impacts of major changes in staffing patterns are uncertain.

Brief summaries of estimates for each scenario are below, and the detailed tables are on the following pages.

1. *New Rules:* The Department estimates that the full implementation of recent rules adopted by the OGCC regarding additional groundwater sampling and setbacks from occupied buildings would require approximately $550,000 and 5.4 additional FTE in FY 2013-14 and FY 2014-15 and could require an increase of 0.05 mills in the statewide mill levy (from the current level of 0.7 mills to 0.75).

2. *2,500 Wells per Inspector:* The Department estimates that a ratio of 2,500 wells per inspector is necessary to maintain the Department's goal of a 3-year inspection cycle (meaning that each well is visited, on average, every three years). With anticipated growth in the number of active wells, the Department estimates a need for approximately $400,000 and 4.0 FTE (2.0 field inspectors and 2.0 other staff) in FY 2013-14. Maintaining that ratio in FY 2014-15 would require approximately $990,000 and 10.0 FTE above the FY 2013-14 request ($590,000 and 6.0 FTE above the estimate for FY 2013-14). This scenario could require mill levy increases of 0.04 mills in FY 2013-14 and 0.08 mills in FY 2014-15.

3. *2,000 Wells per Inspector:* Based on current data, a ratio of 2,000 wells per inspector would create a 2.4 year inspection cycle. The Department estimates that this scenario would require $1.6 million and 16.0 FTE (7.0 field inspectors and 9.0 other staff) above the request in FY 2013-14. Maintaining that ratio in FY 2014-15 would require approximately $2.2 million and 22.0 FTE above the FY 2013-14 request ($580,000 and 6.0 FTE above the estimate for FY 2013-14). This scenario could require mill levy increases of 0.15 mills in FY 2013-14 and 0.19 mills in FY 2014-15.

4. *1,000 Wells per Inspector:* Based on current data, a ratio of 1,000 wells per inspector would allow wells to be visited approximately once per year. The Department estimates that this scenario would require $6.6 million and 68.0 FTE (34.0 field inspectors and 34.0 other staff) above the request in FY 2013-14. Maintaining that ratio in FY 2014-15 would require approximately $7.2 million and 74.0 FTE above the FY 2013-14 request ($590,000 and 6.0 FTE above the estimate for FY 2013-14). This scenario could require the mill levy to roughly double from the current 0.7 mills to 1.35 mills in FY 2013-14, with a slight dip (to 1.32 mills) possible in FY 2014-15.

Analysis of Illustrative Options to Provide Additional FTE to the Oil and Gas Conservation Commission (Provided by Department)

FY 2013-14 Impact Based on Newly Adopted Rules and an Estimated 52,840 Active Wells in FY 2013-14

		Option 1: New Rules FTE (from Regulatory Analysis)			Option 2: 2,500 wells per inspector (3 year rotation)			Option 3: 2,000 wells per inspector (2.4 year rotation)			Option 4: 1,000 wells per inspector (roughly 1 year rotation)		
	Cost/FTE	**FTE**	**Cost**	**Potential Levy Rate Increase (above 0.7 mills)**	**FTE**	**Cost**	**Potential Levy Rate Increase (above 0.7 mills)**	**FTE**	**Cost**	**Potential Levy Rate Increase (above 0.7 mills)**	**FTE**	**Cost**	**Potential Levy Rate Increase (above 0.7 mills)**
Total Field Inspectors Required		22.0			21.0			26.0			53.0		
FY 2013-14 Request		19.0			19.0			19.0			19.0		
Add'l Field Inspectors needed	*$90,174*	**3.0**	$270,522		**2.0**	$180,348		**7.0**	$631,218		**34.0**	$3,065,916	
EPS FTE	*$107,418*	2.0	$214,836		1.0	$107,418		4.0	$429,672		14.0	$1,503,852	
Engineer FTE	*$112,844*	0.0	$0		1.0	$112,844		3.0	$338,532		10.0	$1,128,440	
Hearings Staff	*$88,481*	0.0	$0		0.0	$0		1.0	$88,481		3.0	$265,443	
Inspection Supervisor	*$97,674*	0.0	$0		0.0	$0		1.0	$97,674		7.0	$683,718	
OIT/ or IT contractor	*$74/hour*	0.4	$61,568		0.0	$0		0.0	$0		0.0	$0	
Total Additional FTE and Cost in FY 2013-14 (Above FY 2013-14 Request)		5.4	$546,926	0.05	4.0	$400,610	0.04	16.0	$1,585,577	0.15	68.0	$6,647,369	0.65

FY 2014-15 Impact Based on Newly Adopted Rules and an Estimated 56,358 Active Wells in FY 2014-15													
		Option 1: New Rules FTE (from Regulatory Analysis)			**Option 2: 2,500 wells per inspector (3 year rotation)**			**Option 3: 2,000 wells per inspector (2.4 year rotation)**			**Option 4: 1,000 wells per inspector (roughly 1 year rotation)**		
	Cost/FTE	**FTE**	**Cost**	**Potential Levy Rate Increase (above 0.7 mills)**	**FTE**	**Cost**	**Potential Levy Rate Increase (above 0.7 mills)**	**FTE**	**Cost**	**Potential Levy Rate Increase (above 0.7 mills)**	**FTE**	**Cost**	**Potential Levy Rate Increase (above 0.7 mills)**
Total Field Inspectors Required		22.0			23.0			28.0			56.0		
FY 2013-14 Request		19.0			19.0			19.0			19.0		
Add'l Field Inspectors needed	*$90,174*	**3.0**	$270,522		**4.0**	$360,696		**9.0**	$811,566		**37.0**	$3,336,438	
EPS FTE	*$107,418*	2.0	$214,836		2.0	$214,836		5.0	$537,090		15.0	$1,611,270	
Engineer FTE	*$112,844*	0.0	$0		2.0	$225,688		4.0	$451,376		11.0	$1,241,284	
Hearings Staff	*$88,481*	0.0	$0		1.0	$88,481		2.0	$176,962		4.0	$353,924	
Inspection Supervisor	*$97,674*	0.0	$0		1.0	$97,674		2.0	$195,348		7.0	$683,718	
OIT/ or IT contractor	*$74/hour*	0.4	$61,568		0.0	$0		0.0	$0		0.0	$0	
Total Additional FTE and Cost in FY 2014-15 (Above FY 2013-14 Request)		5.4	$546,926	0.05	10.0	$987,375	0.08	22.0	$2,172,342	0.19	74.0	$7,226,634	0.62

MEMORANDUM

TO: Joint Budget Committee

FROM: Eric Kurtz, JBC Staff (303-866-4952)

SUBJECT: Staff Comebacks
Department of Health Care Policy and Financing

DATE: March 14, 2013

1) Medicaid Management Information System roll-forward legislation

During figure setting for the Department of Health Care Policy and Financing the JBC did not have the six members necessary to act on the staff recommendation to sponsor legislation. Following is an excerpt from the figure setting document that contains the recommendation:

> *Request: In addition to requesting funding for the reprocurement of the Medicaid Management Information System, the Department sent a letter on February 28, 2013, requesting that the JBC sponsor legislation to create a MMIS cash fund. The source of revenues to the cash fund would be appropriations for MMIS projects. The purpose of the cash fund is to prevent the spending authority for MMIS projects from expiring when unexpected delays occur. As an example of the types of delays that can occur, the Department described a scenario where new legislation passed by the General Assembly requires system changes that take priority over a multi-year project. There are limits to how much the MMIS vendor can feasibly expand or contract the hours devoted to programming changes. If there are many changes in a single fiscal year, then those changes must be prioritized and some may need to be bumped to the next fiscal year. This can cause problems for the Department if they discover the change in the spending schedule after the General Assembly's normal supplemental budget cycle and/or when waiting for a supplemental bill to be adopted causes further delays because the contractor will not initiate work until the Department has the extension of spending authority.*
>
> *The Department proposes annual reporting on the fund balance and encumbrances in February. The Department would be allowed to spend money in the fund only for MMIS projects, but the General Assembly could appropriate any balance in the fund for any purpose.*
>
> *Recommendation: Staff recommends that the JBC sponsor legislation allowing the Department to roll forward appropriations for the Medicaid Management Information System for one year. Rather than automatically rolling forward the entire appropriation, the Department would be required to communicate to the State Controller the amount, if any, that needs to roll forward. Staff also recommends requiring the Department to submit an annual report to the JBC by January 1 on the amount of any roll forward and the reason for the roll forward. This would allow the JBC to make changes to the appropriation, if necessary, through the supplemental process.*
>
> *Staff believes this would address the Department's need to occasionally move costs into the next fiscal year, but provides time-limited spending authority where a cash fund would provide continuous spending authority. The problem the Department describes is somewhat analogous to the challenges associated with a capital construction project. In both cases a department must have enough money to procure the services of a vendor for a large project that may span multiple fiscal years, but the timing of the payout by fiscal year is not predictable and subject to change.*

With capital construction projects the General Assembly solved this challenge by authorizing the appropriations for three years from the effective date. This authorization appears in a headnote to the capital construction section of the Long Bill each year. Staff believes two years of spending authority for MMIS projects is probably sufficient and provides enough time for a supplemental bill if a further extension is needed.

Another option available to the Committee would be to authorize a roll forward in an annual footnote. There are precedents for providing roll forward authority in a footnote. However, Legislative Legal Services believes the staff recommended changes are better accomplished through a statutory change.

2) Transfer from Public Health for Breast and Cervical Cancer Treatment

Staff recommends the following fund source adjustment for Medical Service Premiums in both FY 2012-13 and FY 2013-14 to align the appropriations in the Department of Health Care Policy and Financing (HCPF) with the Department of Public Health and Environment (DPHE) for a transfer to treat people with breast and cervical cancer:

	FY 2012-13	FY 2013-14
Current DPHE tobacco tax for transfer to HCPF	936,892	936,892
Current HCPF RF to receive tobacco tax from DPHE	1,215,340	1,229,854
Difference	(278,448)	(292,962)
Recommended adjustment to HCPF:		
TOTAL	0	0
General Fund	139,224	146,481
CF-Breast & Cervical Cancer Prevention & Treatment Fund (tobacco settlement)	139,224	146,481
RF-transfer from Public Health and Environment (tobacco tax)	(278,448)	(292,962)

HCPF has two sources of revenue for the Breast and Cervical Cancer Program (BCCP). The first source is tobacco settlement moneys deposited in the Breast and Cervical Cancer Treatment Fund pursuant to Section 25.5-5-308 (9) (f), C.R.S. This money was augmented with tobacco tax revenues originally appropriated to DPHE and transferred to HCPF pursuant to Section 24-22-117 (2) (d) (II), C.R.S. Historically HCPF assumed 30 percent of the caseload for BCCP was attributable to additional screenings by DPHE with tobacco tax revenues. This resulted in HCPF using less than the full available transfer from DPHE. In FY 2012-13 the DPHE analyst recommended, and the JBC approved, a reduction in the transfer from DPHE to HCPF to match actual HCPF utilization in the prior fiscal year, allowing more of the money to be retained by DPHE for screenings. This reduction was erroneously not reflected in the HCPF appropriations. Then, for FY 2013-14 the HCPF analyst recommended, and the JBC approved, an increase in the transfer from DPHE for the community provider rate increase, but this was not reflected in the DPHE budget. The comeback recommendation is to match the HCPF appropriation to the JBC's decision during the FY 2012-13 DPHE figure setting to reduce the transfer, and then to maintain that reduced amount in FY 2013-14.

When the amount from tobacco tax revenues is reduced, there must be a corresponding increase in funding from the General Fund and tobacco settlement moneys to maintain the same level of resources. Pursuant to Section 25.5-5-309 (9) (f), C.R.S., the state match for services that are not financed with the tobacco tax moneys is split equally between the General Fund and tobacco settlement moneys.

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2013-14 STAFF PENDING ITEMS AND COMEBACKS

DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT

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

Prepared By:
Megan Davisson, JBC Staff
March 15, 2013

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(4) AIR POLLUTION CONTROL DIVISION

➔ Budget Amendment-7 – Air Pollutant Emissions and Dispersion Study

This item and the associated line item was marked as pending future information about a method to ensure the health risk assessment is funded.

Request: The Department requests funding for an air pollution study of the North Front Range areas. Specifically the request:

1. $590,086 cash funds from the Oil and Gas Conservation and Environmental Response Fund for the first year contract costs with Colorado State University to study air pollutant emissions from the oil and gas industry in the North Front Range area;
2. Roll-forward spending authority of the appropriation; and
3. New line item for this appropriation.

Recommendation: The staff recommendation has not changed and **staff recommends:**

- **an appropriation of $590,086 cash funds in FY 2013-14.**
- **a new line item, Air Quality Dispersion Study, be created for this appropriation.**

Staff does not recommend the footnote authorizing roll-forward spending authority because any unspent funds in FY 2013-14 can be included in the figure setting recommendation for FY 2014-15. Staff does recommended

In light of concern expressed by the Committee regarding the lack of funding for the health risk assessment, staff presents the following three options for the Committees consideration.

Option 1 - Footnote
Add a footnote to the line item expressing the intent of the General Assembly that the data collected through the study be used to conduct a health risk assessment. This option is recommended by staff because it expresses the intent of the General Assembly that a health risk assessment be conducted.

> Department of Public Health and Environment, Air Pollution Control Division, Air Quality Dispersion Study – It is the intent of the General Assembly that data collected through the Air Emissions and Dispersion Study be used to conduct a health assessment.

Option 2 - Legislation
If the Committee wishes to ensure the health risk assessment is funded the Committee should sponsor legislation to create a cash fund to hold funding for all phases of the study. This will enable the General Assembly to express the intent that the funds be used to collect the data and to conduct the health risk assessment and to ensure there is funding dedicated to these activities. It is likely this option would require an increase to the mill levy paid by the oil and gas industry.

<u>Option 3 – Request for Information</u>
Include a request for information on the status of the study. Staff does not recommended this option if the goal is to ensure there is funding provided for the health risk assessment because there is no nexus between the information reported in response to the request for information and the assurance of funding for the health risk assessment.

> **Department of Public Health and Environment, Air Pollution Control Division, Air Quality Dispersion Study –** The Department is requested to submit a report on the status of the Air Pollutant Emissions and Dispersion Study by November 1, 2013. The report should include a detailed timeline and schedule for the full length of the study and health assessment, status of the study, and any anticipated issues that could impact the timeline.

<u>New Information</u>
The risk assessment will contain a section on the health risk assessment of data collected through an existing data collection effort in the Garfield County, and a section on the health risk assessment associated with data collected from the Front Range areas, and attempt to understand potential public health risks from exposures to measured chemicals emitted into the air from sources of interest and any uncertainties associated with assessment. The cost of the assessment for the Garfield County data will cost $309,106 and the Front Range data will cost $322,156. The assessments will include: data analysis and interpretation, estimation of risk, and report preparation and review.

<u>Line Item: Air Quality Dispersion Study</u>
***NEW RECOMMENDED LINE ITEM FOR FY 2013-14**
Description: This line item funds the contract costs with the Colorado State University to perform the Air Pollutant Emissions and Dispersion Study of air emissions from oil and gas operations in the North Front Range area from July 2013 to June 2016.

Request: The Department requests an appropriation of $590,086 cash funds. This appropriation is new for FY 2013-14, and includes the request for roll-forward spending authority.

Recommendation: **Staff recommends an appropriation of $590,086 cash funds in accordance with the recommendation to approve the budget amendment. Staff does <u>not</u> recommend the roll-forward spending authority**

➔ Request BA-8 – Two-Year Air Fugitives Inventory and Compliance Project

<u>The Committee approved initial staff recommendation to deny the request. Staff received additional information about the request and has a revised recommendation.</u>

Request (no change): The Department requests the following in FY 2013-14:
- $492,776 General Fund and 5.0 FTE in FY 2013-14 for the Stationary Sources Program for temporary FTE and associated operating expenses to purchase specialized infrared cameras;

- $567,000 General Fund to purchase six infrared cameras; and
- $12,000 cash funds to the Department of Natural Resources for the purchase of a computer server.
-

Revised staff recommendation: The **Staff recommendation includes the following:**

- an appropriation of $494,873 General Fund to the Department of Public Health and Environment;
- **no appropriation to the Department of Natural Resources** because the Department of Public Health and Environment will be responsible for purchasing a server that will be used by the Department of Natural Resources which is in line with how the funds for training are being appropriated.

Pursuant to recommendation by Amanda Bickel on March 15, 2013, the $567,000 to purchase the cameras will come from the Oil and Gas Conservation and Environmental Response Fund not the General Fund. The following table summarizes the differences between the Department request and staff recommendation.

Summary of FY 2013-14 Infrared Camera Funding Request						
Cost Component	Request			Recommendation		
	Number	Amount	Fund Source	Number	Amount	Fund
Department of Natural Resources (DNR)						
Computer Server	1	12,000	Cash Funds	0	0	Cash Funds
Department of Public Health and Environment (DPHE)						
Inspectors						
Salary	4.0	237,792	General Fund	4.0	237,792	General Fund
PERA	4.0	24,136		4.0	24,136	
Medicare	4.0	3,448		4.0	3,448	
Centrally-Appropriated	4.0	34,392		0.0	0	
Vehicle Lease	4.0	29,440		4.0	29,440	
Standard	4.0	8,720		4.0	8,720	
Office Furniture	4.0	13,892		0.0	0	
Inspectors Subtotal	*4.0*	*351,820*		*4.0*	*303,536*	
Enforcement						
Salary	1.0	49,044	General Fund	1.0	65,508	General Fund
PERA	1.0	4,978		1.0	6,649	
Medicare	1.0	711		1.0	950	
Centrally-Appropriated	1.0	7,868		1.0	0	
Standard	1.0	2,180		1.0	2,180	
Office Furniture	1.0	3,473		0.0	0	
Enforcement Subtotal	*1.0*	*68,254*		*1.0*	*75,287*	
Camera Operating Expenses						
Camera maintenance	6	15,000	General Fund	6	15,000	General Fund
Photoionization detector	6	24,000		6	24,000	
Wind meter	6	600		6	600	
Respirators*^	14	2,100		23	3,450	
Ipad or PC Tablet	6	3,000		6	3,000	
Computer Servers*	1	12,000		2	24,000	
Training*^	14	28,000		23	46,000	
Subtotal Operating Expenses		*84,700*			*116,050*	
CDPHE Total Funds	**5.0**	**$504,774**		**5.0**	**$494,873**	

* Recommendation for these components includes funding for services that will be used by DNR.
^The recommended number of FTE in DNR that will require respirators and training is based on the FY 2013-14 request for 19.

Staff requests permission to adjust the number of Department of Natural Resource FTE who will require training and respirators based on the Committees action for the Department of Natural Resources.

Analysis: Infrared cameras (IR cameras) can "see" infrared light that is otherwise invisible to humans. These cameras have a specialized filter which allows the camera to visualize through light colors the emission of volatile organize compounds which impact air quality by contributing to ground level ozone.

New Information

The 4.0 temporary staff will engage in an intensive two year inspection and enforcement initiative will incentivize operators to correct engineering flaws at all of their tanks and develop better operational and maintenance practices. This will result in improved compliance even after the end of the two year period, and enable us to maintain compliance rates utilizing less inspection and enforcement resources than will be necessary to bring the industry into compliance in the first place.

Term limited FTE as opposed to contract employees are appropriate for this initiative because many companies that could supply contract work also presumably provide contract work to oil and gas companies, so there is a high potential for a perceived conflict of interest. It is likely contract employees would cost more than term limited FTEs, and the two-year nature of the survey is appropriate for term limited positions. The employees hired for this project will waive their retention rights and understand that their employment is for a two year term only.

While the request asked for a legal assistant who is not qualified to pursue enforcement actions, staff is recommending a temporary enforcement position because the large number of inspections will result in the need for enforcement actions. The Department noted that it is the intent to aggregate small violations amongst tanks and per operator, to efficiently incentivize increased compliance by pursuing a limited number of larger enforcement cases during the initiative's two year period. Staff believes that it is important to ensure there is an individual able to pursue enforcement actions.

The two additional cameras will be used by Oil and Gas Conservation Commission (OGCC) inspectors after the inspectors receive training from the Department of Public Health (DPHE) and Environment. OGCC and DPHE inspectors often visit the same sites, sometimes together, and have complementary roles in regulating oil and gas sites. It is thus important and appropriate for the two staffs to be familiar with their respective regulatory requirements and inspection tools. OGCC inspectors will utilize the cameras in the regular inspections, independent of the Department's survey.

Line Items Impacted by the Revised Recommendation

(1) (A) Vehicle Lease

Staff recommends an increase of $29,440 General Fund to the vehicles lease line item for four vehicles for the new FTE requested for the Air Pollution Control Division pursuant to the recommendation to approve the request.

(4) (D) STATIONARY SOURCES

Personal Services

Description: 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.

Request: The Department requests an appropriation of $7,783,267 total funds, of which $362,371 is General Fund and 97.3 FTE. The request includes an increase of General Fund and 5.0 FTE for temporary staff to use the infrared cameras on inspections of oil and gas locations.

Revised Recommendation: **Staff recommends an appropriation of $7,768,074 total funds, of which $338,483 is General Fund and 97.3 FTE,** calculated in accordance with Committee policy. The recommendation includes 5.0 FTE and associated funding for the infrared cameras request. The recommendation does include an increase of federal funds to align the FY 2013-14 Long Bill with recent actual expenditures. The following table outlines how the recommendation is calculated.

Personal Services	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2012-13 Appropriation:					
HB 12-1335 (Long Bill)	$7,420,896	$0	$5,924,391	$1,496,505	92.3
TOTAL	**$7,420,896**	**$0**	**$5,924,391**	**$1,496,505**	**92.3**
FY 2013-14 Recommended Appropriation:					
FY 2012-13 Appropriation	$7,420,896	$0	$5,924,391	$1,496,505	92.3
BA-2 Air Division IR cameras	338,483	338,483	0	0	5.0
Information Federal Funds and FTE adjustments	8,695	0	0	8,695	0.0
TOTAL	**$7,768,074**	**$338,483**	**$5,924,391**	**$1,505,200**	**97.3**
Increase/(Decrease)	$347,178	$338,483	$0	$8,695	5.0
Percentage Change	4.7%	100.0%	0.0%	0.6%	5.4%
FY 2013-14 Executive Request:	**$7,783,267**	**$362,371**	**$5,924,391**	**$1,496,505**	**97.3**
Request Above/(Below) Recommendation	$15,193	$23,888	$0	($8,695)	0.0

Operating Expenses

Description: 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.

Request: The Department requests an appropriation of $517,865 total funds. The request includes a reduction of cash funds for one-time operating expenses appropriated in FY 2012-13 for the new permitters and inspectors added regulation of the oil and gas industry, and an increase of General Fund for the operating expenses associated with the infrared cameras.

Recommendation: **Staff recommends an appropriation of $589,297 total funds, of which $126,950 is General Fund.** The recommendation includes the following changes from the FY 2012-13 appropriation:

- $126,950 total funds for the operating expenses associated with the infrared cameras request as recommended by staff; and
- an increase of federal funds to align the FY 2013-14 Long Bill with recent actual expenditures. The following table outlines how the recommendation is calculated.

Operating Expenses	Total Funds	General Fund	Cash Funds	Federal Funds
FY 2012-13 Appropriation:				
HB 12-1335 (Long Bill)	$461,540	$0	$444,187	$17,353
TOTAL	**$461,540**	**0**	**$444,187**	**$17,353**
FY 2013-14 Recommended Appropriation:				
FY 2012-13 Appropriation	$461,540	$0	$444,187	$17,353
BA-2 Air Division IR cameras	126,950	126,950	0	0
Information Federal Funds and FTE adjustments	45,447	0	0	45,447
Annualize prior year funding	(44,640)	0	(44,640)	0
TOTAL	**$589,297**	**$126,950**	**$405,200**	**$62,800**
Increase/(Decrease)	$127,757	$126,950	($44,640)	$45,447
Percentage Change	28.4%	100.0%	(10.0%)	261.9%
FY 2013-14 Executive Request:	**$517,865**	**$100,965**	**$399,547**	**$17,353**
Request Above/(Below) Recommendation	($71,432)	($25,985)	$0	($45,447)

➔ Waste Tire Program Recommendation

Recommendation: In order to provide a recommendation on how to resolve the significant variation in the monthly reimbursement rate paid to waste tire end users and processors by the Waste Tire Program in the Department of Public Health and Environment, **staff recommends statutory changes to the following four components of the Program:**

- Consolidation of the cash funds in the Department of Public Health and Environment;
- Elimination of the year-end roll over to the Processors and End Users Fund;
- Clarification to the reimbursement methodology; and
- Implementation of a tired fee structure.

Staff also recommends a change to the Long Bill structure to eliminate the arbitrary separation of the appropriations for the Waste Tire Program that current spreads the appropriation for the Waste Tire Program across two divisions. The following table summarizes the recommended Long Bill restructure. The recommendation also includes an increase of 1.0 FTE who will focus solely on ensuring cleanups of waste tires. Since it is a public health and environmental hazard to not cleanup waste tires, staff believes the cleanup program will be more effectively managed with a dedicated individual running the program.

Proposed Changes to the Waste Tire Program Long Bill Structure			
Current Format		**New Format**	
Division	**Line Item**	**Division**	**Line Item**
(6) Hazardous Materials and Waste Management Division		(6) Hazardous Materials and Waste Management Divison	
(C) Solid Waste Program		~~(C) Solid Waste Program~~	
	Waste Management Program		~~Waste Management Program~~
(7) Division of Environmental Health and Sustainabilit		(F) Waste Tire Program	
	Waste Tire Program		Clean Up Program
			Law Enforcement and Waste Tire Fire Prevention
			Waste Tire Market Development
			Processors and End Users Reimbursement
		~~(7) Division of Environmental Health and Sustainabilit~~	
			~~Waste Tire Program~~

Analysis:

Proposed Cash Fund Change

The following table describes the current structure of the cash funds the proposed changes and what the funds would look like if the proposed changes were adopted. The recommendations are intended to streamline and clarify the structure of the Program and ensure that the funds are effectively spent on each aspect of the Program.

Current Format	Changes	Proposed Format
Department of Revenue Waste Tire Fee Administration Cash Fund Up to 1.667% - Section 25-17-202 (3) (a), C.R.S. Actual amount based on actual costs incurred by the Department.	Make set percentage and provide an FTE for fee collection.	**Department of Revenue** Waste Tire Fee Administration Cash Fund Set amount of 1.7% Set percentage to enable the Department to hire staff responsible for fee collection – pursuant to page 6 Tetra Tech recommendations.
Department of Public Health and Environment		
Waste Tire Cleanup Fund 39.66% Uses pursuant to Section 25-17-202.6 (2), C.R.S. 1. 2/3 is for reimbursement to counties for cleanups 2. 1/3 is for reuse/recycling incentives (Section 25-17-202.6 (2), C.R.S. 3. Year-end rollover to the Processors and End Users Fund Year-end roll over to Processors and End Users Fund.	Percent distribution; Allowable uses	Waste Tire Cleanup Fund 40.0% Use all funds to implement a state Clean Up Program which does the following: • Identifies piles; • Prioritizes cleanups; • Selects qualified cleanup contractors, which could include counties; • Monitors contractors; and • Develops and implements a cost recovery plan to ensure stockpile creators have a financial accountability in the cleanup. No year-end rollover. Does not include reuse/recycling incentives.

Current Format	Changes	Proposed Format
Processors and End Users Fund 30.33% Reimburse processors and end users. Receives the year-end rollover from all other funds.	Name change, allowable users, percent distribution	Processors and End Users Fund 31.63% in FY 2013-14 38.3% in FY 2014-15 The reimbursement rate shall be the same for processors and end users. No year-end rollover.
Law Enforcement and Waste Tire Fire Prevention Fund *New fund for FY 2013-14	New fund that combines Law Enforcement Grant Fund and Fire Prevention Fund	Law Enforcement and Waste Tire Fire Prevention Fund 15.0 percent Will fund the following activities: • regulation of waste tire haulers and facilities that generate, collect, store, process and/or use waste tires; • awarding grants to local agencies for equipment, training and other activities related to prevention and response to waste tire fires; and • development of initiatives designed to encourage the disposal, recycling or reuse of illegally dumped tires and the recycling or reuse of waste tires. No year-end rollover.
Law Enforcement Grant Fund 8.67% Funds used for: • Grants for enforcement, fire prevention and suppression, training and oversight of facilities.	Eliminated	Consolidated into the new Law Enforcement and Waste Tire Fire Prevention Fund.
Waste Tire Fire Prevention Fund 8.00% Funds used for the purchase of equipment for fire response, and training for state patrol, police, sheriffs, fire departments, and local health departments for waste tire regulation enforcement.	Eliminated	Consolidated into the new Law Enforcement and Waste Tire Fire Prevention Fund.
Market Development Fund 6.67% Pursuant to Section 25-17-202.9 (2), C.R.S. funds shall be used to encourage waste tire market development pursuant to a market development plan developed by the Waste Tire Advisory Committee. Year-end rollover to Processors and End Users Fund.	Percent distribution and allowable use.	Market Development Fund 5.0% The funds will be used to enhance market development through competitive one-time grants to do the following: • Overcome initial capital obstacles for new markets by partially funding equipment required for initial use. • Partially fund product testing, engineering studies, or other technical assistance required to support market development/acceptance. No year-end rollover.
Innovative Higher Ed. Research Fund 6.67% Funds higher education research initiatives.	Sunsets in at the end of FY 2013-14	Innovative Higher Education Research Fund 6.67% in FY 2013-14 0.0% in FY 2014-15 In FY 2014-15 increase the percentage that previously when to the Innovative Higher Education Research Fund to go to the Processors and End Users Fund.

Proposed Reimbursement Changes

Staff's recommendation for how to address the issue of the large variation in the reimbursement rates thus eliminating the need for processors and end users to time their submissions so they receive the largest reimbursement rate is to allocate 1/12 of the total Long Bill spending authority for each month. This will establish a reimbursement ceiling each month.

Proposed Fee Changes

Staff recommends the passenger tire fee remain at $1.50 per tire, and the fee for truck tires be set at $3.75 per tire. The recommendation is based on the model used by the state of Arkansas, which charges 2.5 times more for truck tires because truck tires weight on average five times more than passenger tires (22.5 pounds for passenger and 120.0 pounds for truck tires). Agriculture tires and refinished truck tires are exempt from the fee.

Change to the Long Bill Structure

Staff recommends the following Long Bill changes to create a more efficient funding mechanism for the Waste Tire Program. The current structure arbitrarily spreads the appropriation and staff across two separate divisions which staff believes was based on the uncertainty of how the 2010 consolidation of the Waste Tire Program from three different departments into this Department via H.B. 10-1018 would be implemented. By consolidating the funding for the Program within one subdivision, Program operations and staff will be housed in one location and have the ability to develop a streamlined reporting and management structure. The recommendation does not change the dollar amount that is recommended for all components of the Waste Tire Program, and is based on the existing cash funds and the purposes the funds are used for. **The revised recommendation does include an increase of 1.0 FTE based on the need to, and importance of ensuring the cleanup of waste tires.**

Waste Tire Program Initial and Revised Recommendations			
Program	**Cash Fund**	**Amount**	**FTE**
Current Long Bill Apprporiations			
(6) (C) Waste Management Program			
	Law Enforcement Grant Fund	407,934	0.6
	Waste Tire Fire Prevention Fund	373,897	0.5
	Waste Tire Cleanup Fund	231,790	1
Subtotal		*1,013,621*	*2.1*
(7) Waste Tire Program			
	Processors and End Users Fund	3,982,446	0.5
	Waste Tire Cleanup Fund	1,620,169	0.0
	Waste Tire Market Development Fund	314,813	0.5
Subtotal		*5,917,428*	*1.0*
Total		**6,931,049**	**3.1**
Staff Revised Recommendation for Waste Tire Program Funding			
(6) (F) Waste Tire Program			
	Clean Up Program	1,851,959	1.0
	Law Enforcement and Waste Tire Fire Pr	781,831	2.1
	Waste Tire Market Development	314,813	0.5
	Processors and End Users Reimburseme	3,982,446	0.5
Total		**6,931,049**	**4.1**

(8) DISEASE CONTROL AND ENVIRONMENTAL EPIDEMIOLOGY DIVISION

➔ Request R-4 – Preventive Health Funding

This request and associated line items were pended because there were not six Committee members present at the February 14, 2013 presentation. There is no change to the staff recommendation.

Additional information
Staff inquired if Section 24-75-1305, C.R.S. applied to lost federal funds due to sequestrations, and if like the Preventive Health Grant Funds do not have statutory authority to receive General Fund and/or have never previous received General Fund. The Office of Legal Services indicated those programs would also require legislation to accept General Fund to replace lost federal funds.

Request: The Department requests a General Fund increase to the Environmental Epidemiology and Communicable Disease Program to offset lost federal funds. The request also seeks a reduction of General Fund appropriated to the Ryan White Aids Drug Assistance Program and the Immunization Program to offset the increase.

Recommendation: **Staff recommends the Committee sponsor legislation specifically authorizing the use of General Fund for these programs** because without legislation the request violates Section 24-75-1305, C.R.S. Staff also recommends the reductions to the Ryan White Aids Drug Assistance Program and the Immunization Program not be taken.

Alternative Option: The Committee could sponsor legislation repealing Section 24-75-1305, C.R.S. in which case the staff recommendation for legislation would not be needed, and staff recommendation to increase General Fund for the two programs could be included in appropriation clause of the legislation.

Analysis:
Section 24-75-1305, C.R.S.
Staff requested an opinion from the Office of Legislative Legal Services about whether this request violated Section 24-75-1305 (1), C.R.S. which states:

> Except as otherwise provided in subsection (3) of this section, beginning January 1, 2011, the general assembly shall not make an appropriation of moneys from the general fund or from any other source of state moneys to fund a program, service, study, or other function of state government that was previously funded through grant moneys and that has not received adequate grant moneys to support the program, service, study, or other function of state government for the applicable fiscal year.

The Office determined that since the two programs have historically been funded with federal funds, simply appropriated General Fund would violate the above statute. The recommendation to sponsor legislation is based on the opinion of legal services which derives from Section 24-75-1305 (3) which states:

> The general assembly may adopt legislation to reauthorize any program, service, study, or other function of state government that was previously funded through grant moneys and, if such

legislation includes an appropriation from the general fund or any other source of state moneys and becomes law, may make an appropriation from the general fund or from any other source of state moneys to a state agency to oversee the program, service, study, or other function of state government.

The Preventive Health Services Block Grant is a discretionary federal grant which was eliminated in the President's FFY 2012-13 budget. Preventive Health Services Block Grant dollars are flexible funds intended to enable states to address their own unique health needs. Colorado has utilized these funds for a variety of programs including: communicable disease investigation and control, sexual assault prevent, and teen pregnancy reduction efforts. The request only continues funding for three of twelve programs currently funded with Preventive Health Service Block Grant. The three programs are:

<u>Sexually Transmitted Infection (STI) Medication Program</u>

The STI Medication Program purchases antibiotics and other medications to treat low-income clients who have sexually transmitted infection (STIs). Without this program these low- income patients would not receive necessary and appropriate medication to treat and prevent the spread of STIs.

<u>Environmental Epidemiology Program</u>

Environmental Epidemiology Program analyzes health impacts of exposure to environmental pollutants, educates stakeholders on the presence or absence of health risks, and provides advisories that alert the public to possible health issues, like recommendations to avoid eating fish from contaminated sources, or drinking water that has been identified as possibly harmful; and responds to concerns related to possible cancer clusters as well as concerns related to oil and gas drilling activity.

<u>Communicable Disease Program</u>

This Program conducts surveillance, investigation, response, consultation and training in order to prevent and control the spread of communicable diseases such as food-brone and waterborne illness. The Program maintains a state-wide communicable disease reporting system, monitors disease reports to identify clusters and outbreaks; investigates possible outbreaks; and takes appropriate action as warranted. Examples include the 2011 multi-state outbreak of Listeria associated with cantaloupes, community-wide Alamosa Salmonella outbreak in 2008 and Colorado's investigation of a cluster of E. coli cases that was linked to ground bison meat and led to a nationwide recall of this product.

Staff is recommending the increased funding because the possible long-term fiscal impacts of not funding these programs would be significant. It is less expensive to prevent the spread of communicable diseases through these programs, than it is to treat an illness with medical providers. The following table outlines what the funds were used for and the impacts of not funding the request.

R-4 Preventive Block Grant Funding					
Program	FY 2013-14 Request Amount	FTE	Use	Consequence if not funded	Impact to Other Agencies
Sexually Transmitted Infection (STI) medication	$35,000	0.0	Purchase of medication to serve approximately 10,000 low income patients	STIs among the low-income uninsured individuals would go untreated, leading to an increased likeihood that STIs will be spread.	Clinics serving low-income patients would have to find other funds or not serve patients. Failure to provide medication could lead to more costly treatment typically through an emergency room, and/or increase chance of disease spread increasing the number of patients needing treatment.
Environmental Epidemiology	$101,000	1.0	Continue funding for half of two positions with expertise in responding to and investigating environmental exposure incidents.	No personnel to investigate potentially harmful environmental exposure incidences. Failure to investigate these incidences could result in misperception of health risks and/or failure to respond quickly to possibly harmful exposure.	Most local public health agencies (LPHA) do not have expertise in environmental epidemiology leading to an inability of LPHA to respond to incidents, resulting in the spread of diseases and associated increased medical costs. The inability to provide accurate risk analysis could result in misperceptions that could unnecessarily limit business growth, such as oil and gas development.
Communicable Disease	$115,000	1.4	Continue funding for FTE to monitor and maintain state-wide communicable disease reporting system, respond to possible outbreaks, and provide training to local public health agencies.	Decrease staff who monitoring, identify and respond to food and waterbrone outbreaks. Less monitoring and response would increase the likeihood and severity of the spread of a communicable disease. Training to local public health agencies would be reduced.	Failure to identify and respond rapidly to out breaks would result in increased burdens and cost for local public health agencies and medical providers.

(A) ADMINISTRATION, GENERAL DISEASE CONTROL AND SURVEILLANCE

<u>Program Costs</u>

***RENAMED FROM PERSONAL SERVICES IN FY 2013-14**

Revised Recommendation: **Staff recommends the personal services and operating expenses line item be combined into a Program Costs line item to enable the Department to effectively manage the available funds for general disease control and surveillance. Staff recommends an appropriation of $967,860 total funds, of which $802,722 is General Fund, and 10.1 FTE.**

Program Costs	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
Personal Services					
FY 2012-13 Appropriation:	$889,599	$545,620	$0	$343,979	10.1
R-4 Preventive Health Funding	(216,179)	0	0	(216,179)	0.0
Subtotal - Personal Services	**$673,420**	**$545,620**	**$0**	**$127,800**	**10.1**
Operating Expenses					
FY 2012-13 Appropriation:	$0	$0	$0	$0	0.0
R-4 Preventive Health Funding	0	0	0	0	0.0
DCEED line item consolidation	294,440	257,102	6,538	30,800	0.0
Subtotal - Operating Expenses	**$294,440**	**$257,102**	**$6,538**	**$30,800**	**0.0**
Total Recommended FY 2013-14 Appropriation	**$967,860**	**$802,722**	**$6,538**	**$158,600**	**10.1**
FY 2013-14 Executive Request:	**$889,599**	**$761,620**	**$0**	**$127,979**	**12.5**
Request Above/(Below) Recommendation	($78,261)	($41,102)	($6,538)	($30,621)	2.4

Operating Expenses

Revised Recommendation: **Staff recommends no appropriation in accordance with the recommendation to create a Program Costs line item.** The recommendation was calculated in accordance with Committee policy and is outlined in the following table.

Operating Expenses	Total Funds	General Fund	Cash Funds	Federal Funds
FY 2012-13 Appropriation:				
HB 12-1335 (Long Bill)	329,429	257,102	6,538	65,789
TOTAL	**$329,429**	**$257,102**	**$6,538**	**$65,789**
FY 2013-14 Recommended Appropriation:				
FY 2012-13 Appropriation	$329,429	$257,102	$6,538	$65,789
R-4 Preventive Health Funding	(34,989)	0	0	(34,989)
DCEED line item consolidation	(294,440)	(257,102)	(6,538)	(30,800)
TOTAL	**$0**	**$0**	**$0**	**$0**
Increase/(Decrease)	($329,429)	($257,102)	($6,538)	($65,789)
Percentage Change	(100.0%)	(100.0%)	(100.0%)	(100.0%)
FY 2013-14 Executive Request:	**$329,429**	**$292,102**	**$6,538**	**$30,789**
Request Above/(Below) Recommendation	$329,429	$292,102	$6,538	$30,789

(9) PREVENTION SERVICES DIVISION

➔ Grants Management System

Recommendation: **Staff recommends the following:**

- The Purchase of Services from the Computer Center line item in the Departments of Education, Public Safety, and Public Health and Environment each be increased by $50,000, with staff working with the Departments to determine the fund split; and
- The OIT Computer Center Services, Operating Expenses line item be increased by $150,000 reappropriated funds; and

Analysis: The recommendation stems from an issue identified in the 2012 audit of the Tobacco Education, Prevention and Cessation Grant Program and pursuant to a request from the Legislative Audit Committee, the inclusion of a request for information on the Program each year. Staff is concerned that without a grants system the Department will be unable to respond to the request for information and issues identified in the audit will continue. Since the Office of Information Technology (OIT) serves all Departments and the usefulness of a grants management system is not unique to the Department of Public Health and Environment, OIT will expand the existing grants management system. By expanding the existing system, it will become a system the Departments of Education and Public Safety will also be able to begin using. The Office of Information Technology will bill each Department $50,000 per year for their share of the system. The cost includes vendor support and maintenance costs, training costs, and configuration costs incurred based on the specific workflow of each department.

Transfer to the Department of Health Care Policy and Financing for Disease Management

There were not six members present when this line item and recommendation to sponsor legislation was presented in February. There is no change to staff recommendation.

Description: Pursuant to Section 24-22-117 (d) (IV.5), C.R.S. through FY 2012-13 the Department is required to transfer $2.0 million from the Prevention, Detection, and Early Treatment Fund to the Department of Health Care Policy and Financing for Medicaid eligible individuals for disease management programs that address cancer, heart disease and lung disease. Based on current statute this transfer does not occur in FY 2013-14.

Request: The Department requests no appropriation. The request eliminates the appropriate due to the sunset of the transfer.

Recommendation: **Based on current statute, staff recommends no appropriation.** Since the Department of Health Care Policy and Financing uses the $2.0 million cash funds to draw down additional federal matching Medicaid funds, **staff recommends the Committee sponsor legislation to make the transfer permanent.**

Note if the Committee adopts the staff recommendation to continue the transfer to HCPF, the Cancer, Cardiovascular Disease, and Pulmonary Disease Grants line item will be reduced by $2.0 million through the appropriation in the legislation. The staff recommendation for the grants is $15,309,089 cash funds. Grants are for activities and programs that work to provide a cohesive approach to the treatment of cancer, cardiovascular disease, and pulmonary disease.

School-Based Health Centers

Description: This line item funds grants to school-based health centers (SBHCs) and the associated department administrative costs. SBHCs provide medical and behavioral care to school child during the school day, and are run by the school districts in cooperation with other health service providers such as hospitals, medical providers, and community health centers.

- The Committee increased this line item by $4,266,501 General Fund for this line item. In order to administer the Program with the increased funding the Department requires an additional 2.2 FTE.
- Revised recommendation: Accounting for Committee action during the February 14, 2013, staff recommends an increase of 2.2 FTE to this line item.

FY 2013-14 Long Bill will appropriate $5,260,817 General Fund and 2.9 FTE.

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(10) HEALTH FACILITIES AND EMERGENCY SERVICES DIVISION

➔ Transfer of Life Safety Code Responsibilities to DPS

House Bill 13-1155 was signed by the Governor on March 14, 2013, therefore the fiscal impact of transferred the life safety code responsibilities to the Department of Public Safety will be included in the Long Bill.

Recommendation: **Staff recommends the appropriations for both the Department of Public Health and Environment and the Department of Public Safety as shown in the following table.**

Summary of Financial Changes Resulting From the Transfer of Life Safety Code Inspection Responsibilities

Line Item			Total	GF	CF	RF*	FF	FTE	Net General Fund
Department of Public Health and Environment									
Administration and Support									
	Vehicle Lease		($6,585)	($461)	($2,502)	($1,844)	($1,778)	0.0	($1,106)
Health Facilities and Emergency Medical Services									
	Health Facilities	Transfer to DPS	(470,296)	(73,157)	(397,139)	0	0	(5.9)	(73,157)
	General Licensure	Coordination	123,690	0	123,690	0	0	2.1	
	Medicaid/Medicare Certification Program	Transfer	(574,805)	0	0	(292,628)	(282,177)	(7.1)	102,420
	Transfer to Department of Public	Transfer of Medicaid and Medicare funds	631,702	0	0	323,400	308,302	0.0	113,190
Total changes to Health Facilities			(289,709)	(73,157)	(273,449)	30,772	26,125	(10.9)	142,453
Total CDPHE changes			**($296,294)**	**($73,618)**	**($275,951)**	**$28,928**	**$24,347**	**(10.9)**	**$141,347**
Department of Public Safety									
Executive Director's Office									
	Vehicle Lease	Transferred from DPHE	$6,585	$0	$2,963	$3,622	$0	0.0	$0
	Legal Services	new funding for 50 hours	3,785	0	3,785	0	0	0.0	0
	Leased Space	new funding	10,500	0	4,725	5,775	0	0.0	0
Division of Fire Prevention and Control									
	Personal Services	Transferred from DPHE,	1,053,086	0	557,706	495,380	0	15.0	0
	Operating Expenses	and new FTE for	133,909	0	60,259	73,650	0	0.0	0
Total Department of Public Safety			**$1,207,865**	**$0**	**$629,438**	**$578,427**	**$0**	**15.0**	**$0**

Staff recommends the creation of a new line item in the Licensure subdivision titled "Transfer to the Department of Public Safety." Clearly identifying how much Medicaid and Medicare money is being transferred to the Department of Public Safety is consistent with the existing method used to track the amount of Medicaid funds sent from the Department of Health Care Policy and Financing to the Department of Public Health and Environment.

Staff does not recommend the creation of a new "Transfer to Department of Public safety for Life Safety Code Inspections for Health Facilities" line item in the Department of Health Care Policy and Financing because the Medicaid funds will be sent to the Department of Public Health and then reappropriated to the Department of Public Safety. This method, while triple counting the Medicaid funds will allow a single Department to work with the Department of Health Care Policy and Financing regarding Medicaid funds, and aligns with the wishes of the Department of Public Safety.

(A) LICENSURE

Health Facilities General Licensure Program

Description: The Health Facilities General Licensure Program licenses and regulates eleven types of medical facilities including: hospitals, nursing homes, hospices, ambulatory surgical care centers, community clinics, and mental health centers. Licensing activities conducted by the division include performing fitness reviews, conducting fire safety inspections, investigating complaints and conducting enforcement activities. General Fund is required pursuant to Section 25-3-103, C.R.S., so that fees paid by non-government owned facilities do not subsidize the regulation of government-owned facilities.

Request: The Department $3,350,779 total funds, of which $193,512 is General Fund and 32.9 FTE.

Recommendation: **Staff recommends an appropriation of $3,349,969 total funds, of which $193,386 is General Fund and 32.9 FTE.** The recommendation is calculated in accordance with Committee policy and outlined in the following table.

Health Facilities General Licensure Program	Total Funds	General Fund	Cash Funds	FTE
FY 2012-13 Appropriation:				
HB 12-1335 (Long Bill)	3,696,575	266,543	3,430,032	36.7
HB 12-1294 (Health facilities)	183,730	0	183,730	2.4
TOTAL	**$3,880,305**	**$266,543**	**$3,613,762**	**39.1**
FY 2013-14 Recommended Appropriation:				
FY 2012-13 Appropriation	$3,880,305	$266,543	$3,613,762	39.1
Transfer inspection responsibilities to DPS	(346,606)	(73,157)	(273,449)	(3.8)
Annualize prior year legislation	(183,730)	0	(183,730)	(2.4)
TOTAL	**$3,349,969**	**$193,386**	**$3,156,583**	**32.9**
Increase/(Decrease)	($530,336)	($73,157)	($457,179)	(6.2)
Percentage Change	(13.7%)	(27.4%)	(12.7%)	(15.9%)
FY 2013-14 Executive Request:	**$3,350,779**	**$193,512**	**$3,157,267**	**32.9**
Request Above/(Below) Recommendation	$810	$126	$684	(0.0)

Medicaid/Medicare Certification Program

Description: This Program certifies nursing homes and hospitals so they are qualified to receive federal Medicaid and Medicare payments. Medicaid reappropriated funds pay for certification of facilities caring for Medicaid patients and originated in the Department of Health Care Policy and Financing. The federal Medicare funds pay for certification of facilities caring for Medicare patients. The federal match rate for Medicaid certification funds varies; depending upon the type of activity the certification program is engaged and averages a 35.0 percent to 65.0 percent state to federal split.

Request: The Department requests an appropriation of $7,746,194 total funds, of which $1,254,643 is net General Fund and 87.4 FTE.

Recommendation: **Staff recommends an appropriation of $7,745,205 total funds, of which $1,297,878 is net General Fund and 84.4 FTE.** The recommendation is calculated in accordance with Committee policy and outlined in the following table.

Medicaid/Medicare Certification Program	Total Funds	Reappropriated Funds	Federal Funds	FTE	Net General Fund
FY 2012-13 Appropriation:					
HB 12-1335 (Long Bill)	$8,320,010	$4,000,852	$4,319,158	94.5	$1,400,298
TOTAL	**$8,320,010**	**$4,000,852**	**$4,319,158**	**94.5**	**$1,400,298**
FY 2013-14 Recommended Appropriation:					
FY 2012-13 Appropriation	$8,320,010	$4,000,852	$4,319,158	94.5	$1,400,298
Transfer inspection responsibilities to DPS	(574,805)	(292,628)	(282,177)	(7.1)	(102,420)
TOTAL	**$7,745,205**	**$3,708,224**	**$4,036,981**	**87.4**	**$1,297,878**
Increase/(Decrease)	($574,805)	($292,628)	($282,177)	(7.1)	($102,420)
Percentage Change	(6.9%)	(7.3%)	(6.5%)	(7.5%)	(7.3%)
FY 2013-14 Executive Request:	**$7,746,194**	**$3,708,728**	**$4,037,466**	**87.4**	**$1,298,055**
Request Above/(Below) Recommendation	$989	$504	$485	0.0	$177

Transfer to Department of Public Safety

Description: This line item funds the transfer of Medicaid (reappropriated funds) and Medicare funds (federal funds) to the Department of Public Safety for all the costs associated with the life safety code plan reviews and inspections of health facilities (including centrally-appropriated line items, personal services, and operating expenses). These responsibilities were transferred to the Department of Public Safety from this Department pursuant to H.B. 12-1268 and H.B. 13-1155.

Request: The Department did not request this line item. Both the Department of Public Health and Environment and the Department of Public Safety are aware of the recommendation and supportive of it.

Recommendation: **Staff recommends an appropriation of $631,702 total funds.** The recommendation is calculated in accordance with Committee policy and outlined in the following table.

Transfer to Department of Public Safety	Total Funds	Reappropriated Funds	Federal Funds
FY 2013-14 Recommended Appropriation:			
Transfer inspection responsibilities to DPS	$631,702	$323,400	$308,302
TOTAL	**$631,702**	**$323,400**	**$308,302**
Increase/(Decrease)	$631,702	$323,400	$308,302
Percentage Change	0.0%	0.0%	0.0%
FY 2013-14 Executive Request*:	**$0**	**$0**	**$0**
Request Above/(Below) Recommendation	($631,702)	($323,400)	($308,302)

➔ Technical Staff Comebacks

Technical #1: Water Quality Control Division

Staff made a technical error when calculating the FTE recommendation for the Water Quality Control Division, Clean Water Program personal services and mistakenly recommended 103.5 FTE due to a staff error when transferring the FTE from the Administration subdivision. **The correct recommendation is 103.6 FTE.**

Technical #2: Office of Emergency Preparedness and Response

Staff inadvertently omitted the reduction of $19,060 General Fund for the annualization of H.B. 12-1283 when setting the Emergency Preparedness and Response line item. Staff recommends the line item be reduced by $19,060 General Fund for the annualization of H.B. 12-1283.

MEMORANDUM

TO: Joint Budget Committee

FROM: Amanda Bickel, JBC Staff

SUBJECT: Staff Figure Setting Comebacks – Department of Higher Education

DATE: March 15, 2013

ACTION RELATED TO S.B. 13-033 (ASSET) FISCAL NOTE

During figure setting for the Department of Higher Education on March 6, 2013, the Committee voted to add funding to the FY 2013-14 Long Bill based on the fiscal note for S.B 13-033 (ASSET bill). The fiscal note for the bill reflected an increase of 500.0 SFTE, $930,000 General Fund, and $2,043,000 cash funds.

Staff recommends the following technical changes and clarifications to the action taken.

Allocation of funding: Staff has allocated funding among the governing boards consistent with the estimate of student FTE included in the JBC staff analysis for the bill. Staff wishes to confirm that this was the Committee's intent in its motion. The allocation is based on: (1) the number of students who would have been affected by the bill at Metropolitan State University of Denver had it been in effect in FY 2012-13; (2) an estimate provided by the community college system and the Department of Higher Education of the impact on the community college system, based on Metro's experience; and (3) allocating the balance of the 500 student FTE to other governing boards consistent with their estimated share of the COF-eligible student population at the time the fiscal note was drafted.

Change to stipend amount: The S.B. 13-033 fiscal note was based on the College Opportunity Fund (COF) stipend amount for FY 2012-13. However, the Executive request and Committee action for FY 2013-14 raises the COF stipend from $1,860 to $1,920 for a full time student (30 credit hours). As the fiscal note for S.B. 13-033 was based on an estimated number of new students receiving the COF stipend, staff recommends that the increase be aligned with the $1,920 per student amount.

Tuition estimates: The S.B. 13-033 fiscal note reflected a tuition estimate based on average tuition levels. Staff has updated the figures to: (1) distribute tuition-impacts among governing boards consistent with the estimated allocation of students described above for the COF stipend amounts; (2) calculate tuition impacts for all institutions except Metropolitan State University of Denver based on updated estimates of average tuition per resident student at each governing board; and (3) for Metropolitan State University of Denver, reflect a net *reduction* in tuition revenue associated with this bill, based on an estimate provided by the University. The reduction reflects the fact that students affected by this bill are currently enrolled in the University, and these students will be paying a lower tuition rate than they were previously.

The recommended adjustments are reflected in the table below.

	Student FTE	COF stipend	Tuition
Adams	2.0	$ 3,840	$ 11,624
Mesa	8.0	15,360	55,352
Metro	137.0	263,040	(442,000)
Western	2.0	3,840	10,947
CSU Sys	26.0	49,920	226,498
Ft. Lewis	3.0	5,760	15,530
CU	34.0	65,280	370,715
Mines	3.0	5,760	44,918
UNC	10.0	19,200	71,593
CCs	275.0	528,000	1,157,329
Total	500.0	$ 960,000	$ 1,522,506

Need based aid: Statute requires that financial aid increase at the same rate as General Fund support for the governing boards. To align funding for financial with the increase for the governing boards, staff recommends an additional need based aid appropriation. Note that the adjustment recommended takes into consideration: (1) adjustments the Committee made to funding for the governing boards and for need based aid for FY 2012-13; and (2) initial JBC action on FY 2013-14 need based aid that placed the total slightly above the increase required to align with the increase for the governing boards. **Staff recommends an additional appropriation of $111,164 to the Need Based Aid line item for FY 2013-14.** The basis for this calculation is reflected below.

FY 2012-13 Institutional General Fund Appropriation	
After FY 2012-13 supplemental add-on	520,832,136
FY 2013-14 Institutional General Fund Appropriation	
JBC Action	543,890,649
Difference	23,058,513
Percentage Change	4.43%
FY 2012-13 Financial Aid Appropriation	
JBC Action	92,802,536
FY 2013-14 Percentage Increase Required	4.43%
Financial Aid Increase Required	4,108,595
Total minimum FY 2013-14 Financial Aid Required	96,911,131
Financial Aid Appropriations Approved to-date FY 2013-14	
Need-Based Grants	79,147,639
Work-Study	16,432,328
Veterans/Law Enforcement/POW	420,000
National Guard Tuition Assist.	800,000
Total	**96,799,967**
Request Above/(Below) Minimum Requirement	**(111,164)**

ACTION RELATED TO REDISTRIBUTION OF FY 2012-13 $9.3 MILLION SUPPLEMENTAL ADJUSTMENT

During the higher education figure setting presentation on March 5, 2013, the Committee moved to spread the $9.3 million increase for the governing boards included in S.B. 13-090 (Higher Education Supplemental) between the governing boards and need based aid, so that need based aid increased by the same percentage as the increase for the governing boards. The staff calculation, previously distributed to the Committee via email, is reflected below.

JBC Figure Setting Action - Reduce FY 2012-13 supplemental by amount required for need based grant increase					
	Institutions	**Need based grants**	**Total**	Increase to allocate	Percent increase
FY 2011-12 approp	519,040,694	92,384,696	611,425,390	**$ 9,307,882**	1.522%
Increase for each	7,901,487	1,406,395	9,307,882		
Percent Change	1.522%	1.522%	1.522%		

Based on this calculation:

- Funding for the institutions is *reduced* by $1,406,395 total; and
- Funding for need based aid is *increased* by $1,406,395 total.

The adjustment is allocated among the Governing Boards, Local District Junior Colleges, and Area Vocational Schools as follows.

	FY 2012-13 with $7.9 million Increase Instead of S.B. 13-090	Dollar change FY 2012-13 Long Bill to Allocation w/ $7.9 million increase	Percent change FY 2012-13 LB to FY 2012-13 with $7.9 million increase	JBC vote-reduce supplemental increases in S.B. 13-090
Gov. Boards	$ 501,282,648	$ 7,616,776	1.5%	**$ (1,355,720)**
Adams	$ 11,047,855	$ 138,744	1.3%	**$ (24,696)**
Mesa	$ 18,892,318	$ 261,468	1.4%	**$ (46,538)**
Metro	$ 37,469,193	$ 487,188	1.3%	**$ (86,716)**
Western	$ 9,225,225	$ 110,783	1.2%	**$ (19,719)**
CSU Sys	$ 105,500,522	$ 1,520,925	1.5%	**$ (270,712)**
Ft. Lewis	$ 9,186,240	$ 127,401	1.4%	**$ (22,677)**
CU	$ 143,842,041	$ 2,670,697	1.9%	**$ (475,360)**
Mines	$ 16,084,131	$ 311,549	2.0%	**$ (55,452)**
UNC	$ 32,314,830	$ 457,735	1.4%	**$ (81,473)**
CCs	$ 117,720,293	$ 1,530,286	1.3%	**$ (272,377)**
LDJC	$ 12,093,711	$ 183,760	1.5%	**$ (32,707)**
AVS	$ 7,765,822	$ 100,951	1.3%	**$ (17,968)**
Institutions	$ 521,142,181	$ 7,901,487	1.5%	**$ (1,406,395)**

Staff notes that this calculation may shift slightly more from the institutions into need-based aid than is strictly required (difference of $37,915), because the calculation did not incorporate existing FY 2012-13 base figures. Staff also notes that slightly different interpretations of Section 23-3.3-103, C.R.S. could lead to slightly different figures. However, staff believes the recommended calculation is compliant with statute, and staff requests permission to use these figures in drafting the Long Bill supplemental add-on.

M E M O R A N D U M

TO: **Joint Budget Committee**

FROM: **Kevin Neimond, Joint Budget Committee Staff, 303-866-4958**

SUBJECT: **Colorado Energy Office**

DATE: **March 15, 2013**

The Committee tabled action on FY 2013-14 appropriations for the Colorado Energy Office on February 21, 2013 until staff comebacks. Below are staff's recommendations from the February 21, 2013 presentation.

(1) Office of the Governor

(C) COLORADO ENERGY OFFICE

The Colorado Energy Office (CEO) has historically been funded with federal moneys associated with weatherization projects and petroleum violation escrow funds (PVE) awarded to the State beginning in the early 1980s. PVE is a fixed source of funding, with a total allocation to Colorado of $70.5 million. In preparation for the depletion of PVE funds, CEO migrated funding for its programs to alternative sources, such as limited gaming tax revenue, which were later eliminated due to the influx of federal moneys from the American Recovery and Reinvestment Act of 2009 (ARRA). Under federal guidelines, the Office exhausted the ARRA moneys by the middle of FY 2012-13.

To address the future of the Office in a post-era environment, H.B. 12-1315 (Becker/Steadman) changed the statutory mission of CEO from promoting renewable energy and energy efficiency to encouraging all sources of energy development. Additionally, it created the Clean and Renewable Energy Cash Fund and the Innovative Energy Fund. The Clean and Renewable Energy Cash Fund receives a transfer of $1.6 million from the General Fund from FY 2012-13 through FY 2016-17, while the Innovative Energy Fund receives a transfer of $1.5 million from the Severance Tax Trust Fund from FY 2012-13 through FY 2016-17.

In response to the H.B. 12-1315-authorized restructuring, the Colorado Energy Office organized itself into four areas: policy, initiatives, low income weatherization assistance, and communications. Through these four functional areas, the Office is engaged in accomplishing the following six goals and objectives in accordance with the broad statutory parameters set forth by H.B. 12-1315 (note, the Office has implemented corresponding performance measures for each goal and objective which are not listed in this document, but are available if the Committee desires to view them):

- Enhance the state's policies to increase energy efficiency and incentivize discussions and decisions in the electric power sector by engaging the environmental community, the renewable energy industry, the coal and mining industry, the oil and gas industry, and utilities;

- Promote the diversification of infrastructure of the state's transportation fuels by increasing fleet adoption, availability, and knowledge of alternative fuels and innovative technologies;
- Unlock the potential of energy efficiency in the residential, commercial, and governmental sectors;
- Support innovation in the energy market and economic development through achievement of the objectives of the Colorado Blueprint published by the Office of Economic Development and International Trade;
- Increase energy information in the state by providing accurate information to State agencies, stakeholders, media, and communities; and
- Administer the Low-Income Weatherization Assistance Program to provide energy efficiency services to qualifying Coloradans.

At the behest of the legislature and the former Colorado Energy Office Director, the Colorado Office of the State Auditor conducted a performance audit of the Colorado Energy Office to determine if between the years of 2007 and 2012 the Office had accomplished the following:

- Established effective processes for selecting, implementing, and managing energy programs, projects, and other activities; and
- Complied with relevant State laws and provided sufficient oversight and guidance to contract management staff in the area of contract management processes and controls.

The audit, presented in January 2013, found that the Office did not:

- Demonstrate that $252 million spent between 2007 and 2012 was spent cost-effectively;
- Enter complete information (performance information and contractor progress) in the State's contract database for all contracts;
- Adequately provide evidence that a portion of the reviewed payments to contractors contained information on contractor progress toward deliverables;
- Provide evidence that a portion of reviewed travel expenditures were properly approved, justified, and documented; and
- Maintain consistent, centralized data-keeping systems to support programmatic work, and did not establish an operational framework that includes guiding policies and procedures.

The Colorado Energy Office formally agrees with all five of the recommendations set forth by the audit to remedy the issues above, and has developed implementation plans and implementation schedules for accomplishing the recommendations. Additionally, the Office has parted ways with nearly all individuals on staff between 2007 and 2012, hired a certified public accountant to fill the Controller position, and hired an Operations and Programs Director tasked with fulfilling the role of a budget director (program budget planning and performance monitoring).

It is staff's opinion that the post-ARRA environment provides the legislature and the executive branch with an opportunity to reshape the purpose, program administration strategies, and funding of the Colorado Energy Office to reflect the future direction of the agency and correct any past deficiencies in accounting and budgeting practices, as outlined by the recent performance audit. The legislature has taken the first steps in reforming the Colorado Energy

Office with the passage of H.B. 12-1315 and the performance audit conducted by the Office of the State Auditor. However, **it is staff's recommendation that the statutory provisions governing the Colorado Energy Office be revisited by the Joint Budget Committee** to accomplish two objectives:

- Repeal and remove programs that no longer have a dedicated funding stream to focus the Office only on programs that are currently operational; and
- Change the funding mechanism for the Office from the Clean and Renewable Energy Cash Fund and the Innovative Energy Fund from a continuously appropriated model to an annual appropriation model to provide increased legislative oversight on a regular basis.

Additionally, staff recommends the inclusion of the following request for information to provide the Committee with up-to-date information on budgetary and program performance:

> **Governor - Lieutenant Governor - State Planning and Budgeting, Office of the Governor, Colorado Energy Office** -- The Colorado Energy Office is requested to submit a quarterly report to the Joint Budget Committee on September 3, 2013, December 2, 2013, March 3, 2014, and June 2, 2014. At a minimum, the report shall specify the following information with regard to the programs administered by the Office in FY 2013-14: (1) the amount of moneys expended (or encumbered) in FY 2013-14 from the Clean and Renewable Energy Fund, Innovative Energy Fund, Colorado Low-income Energy Assistance Fund, and Public School Energy Efficiency Fund; (2) the goals and objectives that the moneys in section (1) were intended to achieve; (3) the performance measures used by the Office to monitor the status of moneys outlined in section (1) against said measures; and (4) the status of the performance measures outlined in section (3). Additionally, the Office shall make itself available for quarterly meetings with the Joint Budget Committee on an as needed basis (as determined by the Joint Budget Committee) to respond to inquiries related to the quarterly reports.

Program Administration

The line item reflects moneys received by the Office from the Clean and Renewable Energy Cash Fund, the Innovative Energy Fund, and the federal U.S. Department of Energy for the administration and implementation of the Office's programs.

Request: The Office requests an appropriation of $6,346,624 total funds (including $1,393,067 cash funds transferred from the General Fund and $1,453,557 cash funds transferred from severance tax revenue) and 32.3 FTE for FY 2013-14.

Recommendation: Staff recommends an appropriation of $6,346,624 total funds and 32.3 FTE for FY 2013-14. The recommendation consists of $1,453,557 cash funds from the Clean and Renewable Energy Cash Fund (originating as severance tax moneys), $1,393,067 cash funds from the Innovative Energy Fund (originating as General Fund moneys), and $3,500,000 federal funds from the Department of Energy. The staff recommendation for this line item is summarized in the following table.

Office of the Governor, Governor's Energy Office, Program Administration	Total Funds	Cash Funds	Federal Funds	FTE
FY 2012-13 Appropriation:				
HB 13-1335 (Long Bill)	$3,500,000	$0	$3,500,000	11.6
Other Legislation	2,807,115	2,807,115	0	20.7
SB 13-088 (Supplemental)	(1,576,779)	(701,779)	(875,000)	0.0
TOTAL	**$4,730,336**	**$2,105,336**	**$2,625,000**	**32.3**
FY 2013-14 Recommended Appropriation:				
FY 2012-13 Appropriation	$4,730,336	$2,105,336	$2,625,000	32.3
Annualize prior year legislation	1,616,288	741,288	875,000	0.0
TOTAL	**$6,346,624**	**$2,846,624**	**$3,500,000**	**32.3**
Increase/(Decrease)	$1,616,288	$741,288	$875,000	0.0
Percentage Change	34.2%	35.2%	33.3%	0.0%
FY 2013-14 Executive Request:	**$6,346,624**	**$2,846,624**	**$3,500,000**	**32.3**
Request Above/(Below) Recommendation	$0	$0	$0	0.0

Low-Income Energy Assistance

Moneys from the Operational Account of the Severance Tax Trust Fund are transferred to CEO's Low-Income Energy Assistance Fund. Moneys in the Fund are continuously appropriated to CEO to provide home energy efficiency improvements for low-income households.

Request: The Office requests $7,100,000 cash funds for FY 2013-14 to provide home energy efficiency improvements for low-income households.

Recommendation: Staff recommends an appropriation of $7,100,000 cash funds for FY 2013-14. The recommendation consists of $6,500,000 cash funds from the transfer of moneys from the Operational Account of the Severance Tax Trust Fund and $600,000 cash funds from contracts with utility providers that are deposited in the Clean and Renewable Energy Cash Fund. The staff recommendation for this line item is summarized in the following table.

Office of the Governor, Governor's Energy Office, Low-Income Energy Assistance	Total Funds	Cash Funds	FTE
FY 2012-13 Appropriation:			
HB 13-1335 (Long Bill)	$6,500,000	$6,500,000	0.0
Other Legislation	600,000	600,000	0.0
SB 13-088 (Supplemental)	(1,775,000)	(1,775,000)	0.0
TOTAL	**$5,325,000**	**$5,325,000**	**0.0**

Office of the Governor, Governor's Energy Office, Low-Income Energy Assistance	Total Funds	Cash Funds	FTE
FY 2013-14 Recommended Appropriation:			
FY 2012-13 Appropriation	$5,325,000	$5,325,000	0.0
Annualize prior year legislation	1,775,000	1,775,000	0.0
TOTAL	**$7,100,000**	**$7,100,000**	**0.0**
Increase/(Decrease)	$1,775,000	$1,775,000	0.0
Percentage Change	33.3%	33.3%	0.0%
FY 2013-14 Executive Request:	**$7,100,000**	**$7,100,000**	**0.0**
Request Above/(Below) Recommendation	$0	$0	0.0

Clean Energy

The line item reflects the funds transferred to the Clean Energy Fund from the Limited Gaming Fund to support the advancement of energy efficiency and renewable energy in the state. This transfer was eliminated via S.B. 11-159 (Steadman/Ferrandino).

School Energy Efficiency

House Bill 07-1309 (Weissmann/Tupa) required estimated tax payments and withholding for oil and gas severance taxes to be made on a monthly basis, rather than quarterly. The additional interest earned from collecting monthly payments is deposited into the Public School Energy Efficiency Fund, up to a maximum of $1.5 million annually. Money in the fund is continuously appropriated to the Colorado Energy Office for energy efficiency projects and programs in public schools.

Request: The Office requests an appropriation of $207,975 cash funds and 2.0 FTE for FY 2013-14.

Recommendation: Staff recommends an appropriation of $207,975 cash funds and 1.4 FTE from interest earned from collecting monthly tax payments and withholding for oil and gas severance for FY 2013-14. The staff recommendation for this line item is summarized in the following table.

Office of the Governor, Governor's Energy Office, School Energy Efficiency	Total Funds	Cash Funds	FTE
FY 2012-13 Appropriation:			
HB 13-1335 (Long Bill)	$207,975	$207,975	1.4
SB 13-088 (Supplemental)	(51,994)	(51,994)	0.0
TOTAL	**$155,981**	**$155,981**	**1.4**
FY 2013-14 Recommended Appropriation:			
FY 2012-13 Appropriation	$155,981	$155,981	1.4

Office of the Governor, Governor's Energy Office, School Energy Efficiency	Total Funds	Cash Funds	FTE
Annualize prior year legislation	51,994	51,994	0.0
TOTAL	**$207,975**	**$207,975**	**1.4**
Increase/(Decrease)	$51,994	$51,994	0.0
Percentage Change	33.3%	33.3%	0.0%
FY 2013-14 Executive Request:	**$207,975**	**$207,975**	**1.4**
Request Above/(Below) Recommendation	$0	$0	(0.0)

Legal Services

The Legal Services appropriation provides funding for the cost of purchasing legal services from the Department of Law based on GEO's number of legal services hours needed and the hourly rate per Common Policy. These hours have traditionally been federally funded, and represent anticipated legal services costs for GEO.

Request: The Office requests a continuation funding level of $84,976 total funds to purchase 1,100 hours of legal services from the Department of Law for FY 2013-14.

Recommendation: Staff recommends sufficient funding to purchase a continuation level of 1,100 hours of legal services in FY 2013-14. The dollar amount of staff's recommendation is pending the determination of the hourly rate for legal services by the Committee. **Staff requests permission to adjust the line item after the Committee has determined the hourly rate for legal services.** The pending staff recommendation for this line item is summarized in the following table.

Office of the Governor, Governor's Energy Office, Legal Services	Total Funds	Cash Funds	Federal Funds	FTE
FY 2012-13 Appropriation:				
HB 13-1335 (Long Bill)	$17,768	$0	$17,768	0.0
Other Legislation	67,208	67,208	0	0.0
SB 13-088 (Supplemental)	(21,244)	(16,802)	(4,442)	0.0
TOTAL	**$63,732**	**$50,406**	**$13,326**	**0.0**
FY 2013-14 Recommended Appropriation:				
FY 2012-13 Appropriation	$63,732	$50,406	$13,326	0.0
Annualize prior year legislation	21,244	16,802	4,442	0.0
TOTAL	**$84,976**	**$67,208**	**$17,768**	**0.0**
Increase/(Decrease)	$21,244	$16,802	$4,442	0.0
Percentage Change	33.3%	33.3%	33.3%	0.0%

Office of the Governor, Governor's Energy Office, Legal Services	Total Funds	Cash Funds	Federal Funds	FTE
FY 2013-14 Executive Request:	**$84,976**	**$67,208**	**$17,768**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	0.0

Indirect Cost Assessment

The line item appropriates funds for the Office's share of assessed Statewide indirect cost recoveries.

Request: The Office requests an appropriation of $155,618 total funds for FY 2013-14.

Recommendation: Consistent with prior Committee action, staff recommends an appropriation of $29,889 cash funds from various sources for FY 2013-14. The staff recommendation for this line item is summarized in the following table.

Office of the Governor, Governor's Energy Office, Indirect Cost Assessment	Total Funds	Cash Funds	FTE
FY 2012-13 Appropriation:			
HB 13-1335 (Long Bill)	$7,484	$7,484	0.0
SB 13-088 (Supplemental)	(1,871)	(1,871)	0.0
TOTAL	**$5,613**	**$5,613**	**0.0**
FY 2013-14 Recommended Appropriation:			
FY 2012-13 Appropriation	$5,613	$5,613	0.0
Indirect cost assessment*	22,405	22,405	0.0
Annualize prior year legislation	1,871	1,871	0.0
TOTAL	**$29,889**	**$29,889**	**0.0**
Increase/(Decrease)	$24,276	$24,276	0.0
Percentage Change	432.5%	432.5%	0.0%
FY 2013-14 Executive Request:	**$155,618**	**$155,618**	**0.0**
Request Above/(Below) Recommendation	$125,729	$125,729	0.0

*Action was taken on this request during Committee staff's figure setting presentation by Alfredo Kemm for Statewide Indirect Cost Recoveries on Wednesday, January 30, 2013.

M E M O R A N D U M

TO: Joint Budget Committee

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: Colorado Office of Film, Television, and Media

DATE: March 15, 2013

The Committee tabled action on FY 2013-14 appropriations for the Colorado Energy Office on February 21, 2013 until staff comebacks. Below is staff's recommendation from the February 21, 2013 presentation.

(4) Economic Development Programs

➔ Request R-6: Film incentives

Request: The request includes $1,000,000 General Fund for FY 2013-14 to provide performance-based production incentives for companies hiring Colorado employees and spending money in Colorado during the production feature films, television commercials, and digital games.

Recommendation: **Staff recommends an appropriation of $800,000 General Fund for the continuation of the performance-based film incentives program in FY 2013-14.**

Analysis: The Colorado Office of Film, Television, and Media is legislatively tasked with promoting Colorado as a location for making feature films, television shows, television commercials, still photography, music videos, and emerging mass media projects. To accomplish this, the Office provides performance-based financial incentives to companies for a percentage of their local expenditures for approved productions if they meet the 50.0 percent local hire requirement and offers a gap loan program to provide up to 20 percent of a production's costs in the form of a low-interest bank loan that is guaranteed by the State.

For FY 2012-13, the Office of Film, Television, and Media received a Long Bill appropriation of $195,541 cash funds from limited gaming tax revenue and a one-time appropriation of $3.0 million cash funds transferred from the General via H.B. 12-1286 (Massey & Ferrandino/Newell & White). The agency has used a portion of the funds for incentives to Rocky Mountain PBS for a television series entitled "Colorado Experience," High Noon Production, LLC for a television series on The Weather Channel entitled "Prospectors," Clean Guys Entertainment, LLC for the "Clean Guys Comedy" production, Gartner to produce a Coors commercial, and Universal Sports (a division of NBC Universal) to move its production facilities from Los Angeles to Denver along with a projection of 44 jobs.

The Office's FY 2013-14 request seeks an appropriation of $1.0 million General Fund to backfill 33.3 percent of the one-time moneys provided via H.B. 12-1286. Based on the early successes of the program in engaging and promoting the film industry in Colorado, **staff recommends an**

appropriation of $800,000 General Fund to continue the performance-based incentives initiative. Staff's recommendation is $200,000 General Fund moneys less than the request because the transfer of limited gaming tax revenue to the Office for use in FY 2013-14 will be increased $260,302 from $239,698 to $500,000 via S.B. 13-133. It is assumed that S.B. 13-133 will pass prior to the Long Bill introduction (March 25). Thus, the Office's request to continue the program can be funded with a combination of General Fund moneys and limited gaming tax revenue in the FY 2013-14 Long Bill.

M E M O R A N D U M

TO: Joint Budget Committee

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: Technical Error – Allocation of Public Safety Radio Costs

DATE: March 15, 2013

Staff incorrectly calculated the allocation of costs to the Department of Public Safety for the operation of the Digital Trunked Radio System. As a result staff recommends an increase of $6,150 total funds for the Department of Public Safety for FY 2013-14.

M E M O R A N D U M

TO: Joint Budget Committee

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: Technical Error – Office of State Planning and Budgeting

DATE: March 15, 2013

Staff incorrectly omitted the annualization of S.B. 12-026 (State mandates on local governments) in calculating the Personal Services line item in the Office of State Planning and Budgeting (OSPB). The bill's fiscal note indicates that a one-time appropriation of $10,000 General Fund is required for the director of OSBP to determine the impact of new executive branch rules on local government.

M E M O R A N D U M

TO: **Joint Budget Committee**

FROM: **Kevin Neimond, Joint Budget Committee Staff, 303-866-4958**

SUBJECT: **Technical Error – Behavioral Health Community Transition Services**

DATE: **March 15, 2013**

Staff recommends a budget neutral action to correct a technical error associated with the implementation of behavioral health housing vouchers. Staff recommends that the appropriation to the Department of Human Services be increased by $288,900 General Fund for FY 2013-14 and the appropriation to the Department of Local Affairs be decreased by $288,900 General Fund for FY 2013-14.

MEMORANDUM

TO: Joint Budget Committee

FROM: Eric Kurtz, JBC Staff (303-866-4952)

SUBJECT: Staff Comebacks
Department of Health Care Policy and Financing

DATE: March 14, 2013

1) Provider Rates

During figure setting for the Department of Health Care Policy and Financing the JBC approved some provider rate increase in excess of the 1.5 percent common policy rate increase. Specifically, the Committee approved increases of:

1) 4.5 percent in FY 2012-13 for "home health, private duty nursing, assisted living, and day programs for the elderly"
2) 4.5 percent in FY 2013-14, compounding on the FY 2012-13 increase, for "home health, private duty nursing, assisted living, and day programs for the elderly"
3) 4.5 percent in FY 2013-14 for dental services
4) Rebasing family planning services to the greater of current rates or 105 percent of Medicare rates.

In the process of estimating the fiscal impact of these changes, the JBC staff and the Department reexamined some of the assumptions used to estimate the community-based long term care services eligible for the rate increase and developed a new projection of the cost of implementing the 1.5 percent common policy increase that is slightly different than the original projection:

	Original Estimate	Revised Estimate	
Medicaid Eligible Individuals	32,584,290	32,565,139	(19,151)
General Fund	14,256,080	14,246,548	(9,532)
Cash Funds	1,090,255	1,090,240	(15)
Hospital Provider Fee	*1,061,654*	*1,061,639*	*(15)*
Breast & Cervical Cancer Prev & Treat	*15,424*	*15,424*	*0*
Medicaid Buy-In Cash Fund	*13,177*	*13,177*	*0*
Reappropriated Funds	14,514	14,514	0
From Public Health for cancer screening	*14,514*	*14,514*	*0*
Federal Funds	17,223,441	17,213,837	(9,604)

The table at the end of this memo uses the revised estimate of community-based long term care services eligible for the rate increase to calculate the fiscal impact of the additional rate increases approved by the JBC. Note that staff assumed a 50 percent General Fund match rate for most of the additional rate increases (the exception is for Family Planning with a 10 percent General Fund match). This is different than the assumption for the 1.5 percent common policy rate increase that allocated some of the costs to the Hospital Provider Fee and other cash funds. The particular services targeted for increases by the JBC are not generally used by the expansion populations financed with the Hospital Provider Fee.

Staff interpreted the intent of the JBC's motion to include hospice and all home and community based services except for the Children with Autism waiver that has a statutory cap on the allocation per participant. A more literal interpretation of the specific wording of the JBC's motion might be interpreted to exclude hospice and to refer to specific services within the home and community based waivers that would exclude other services such as Adult Day Health, Homemaker, Personal Care, and Consumer Directed Attendant Support Services. If the JBC's intent was to exclude these services, then staff will need to recalculate the cost estimate.

Service Category	Estimated Base Eligible for Increase FY 2012-13	Estimated Base Eligible for Increase FY 2013-14	FY 2012-13 Rate Increase	FY 2012-13 Percent of Year[1]	FY 2012-13 FY 2012-13 Increase	FY 2013-14 Rate Increase	FY 2013-14 Percent of Year[2]	FY 2013-14 Annualize FY 12-13	FY 2013-14 Compounding 1.5%	FY 2013-14 FY 2013-14 Increase[3]	FY 2013-14 TOTAL	TOTAL Over 2 Years
Dental Services		123,872,567				4.5%	92.5%	-	-	5,153,566	5,153,566	5,153,566
Home Health	176,034,758	192,651,530	4.5%	8.3%	660,130	4.5%	92.5%	7,261,434	118,823	8,344,598	15,724,855	16,384,985
HCBS - Elderly, Blind, and Disabled[4]	235,659,468	243,859,179	4.5%	8.3%	883,723	4.5%	92.5%	9,720,953	159,070	10,586,657	20,466,680	21,350,403
HCBS - Mental Illness	28,259,798	29,864,610	4.5%	8.3%	105,974	4.5%	92.5%	1,165,717	19,075	1,295,388	2,480,180	2,586,154
HCBS - Disabled Children	4,494,661	5,196,328	4.5%	8.3%	16,855	4.5%	92.5%	185,405	3,034	224,602	413,040	429,895
HCBS - Persons Living with AIDS	538,737	536,806	4.5%	8.3%	2,020	4.5%	92.5%	22,223	364	23,342	45,928	47,949
HCBS - Consumer Directed Attendant Support	2,979,607	2,878,345	4.5%	8.3%	11,174	4.5%	92.5%	122,909	2,011	125,328	250,248	261,422
HCBS - Brain Injury	13,516,375	13,584,039	4.5%	8.3%	50,686	4.5%	92.5%	557,550	9,124	590,452	1,157,126	1,207,813
HCBS - Pediatric Hospice	212,983	609,083	4.5%	8.3%	799	4.5%	92.5%	8,786	144	25,739	34,668	35,467
Private Duty Nursing	32,925,540	39,340,862	4.5%	8.3%	123,471	4.5%	92.5%	1,358,179	22,225	1,698,371	3,078,774	3,202,245
Hospice[5]	7,212,160	7,678,604	4.5%	8.3%	27,046	4.5%	92.5%	297,502	4,868	332,961	635,331	662,377
Family Planning						105% Medicare	92.5%	-	-	515,855	515,855	515,855
Total	**501,834,087**	**660,071,954**			**1,881,878**			**20,700,656**	**338,738**	**28,916,858**	**49,956,252**	**51,838,130**
General Fund		50.0%			940,940			10,350,328	169,369	14,252,088	24,771,785	25,712,725
Federal Funds		50.0%			940,938			10,350,328	169,369	14,664,770	25,184,467	26,125,405

[1] Assumes May 1 implementation with a four-week lag between the rate change and payments

[2] Assumes July 1 implementation with a four-week lag between the rate change and payments, and 53 pay periods

[3] Includes compounding of the 4.5% on the FY 2012-13 increase

[4] Includes Alternative Therapies waiver

[5] Receives a 90% federal match, rather than the fund split estimate used for the other services

MEMORANDUM

TO: Joint Budget Committee Members

FROM: Megan Davisson, JBC Staff

SUBJECT: Staff Comebacks for Services for People with Disabilities

DATE: March 15, 2013

(A) COMMUNITY SERVICES FOR PEOPLE WITH DISABILITIES

Comeback #1 – Respite Care Funding
The Senate Committee of Health and Human Services recommended the Joint Budget Committee approve $100,000 in funding for respite family care for people with developmental disabilities.

If the Committee wishes to appropriate funding for respite family care for people with developmental disabilities, **staff recommends the Committee increase funding to the Family Support Services line item.** If the Committee wishes to provide funding for respite family care for families of individuals with any type of disability or need, staff recommends the Committee increase funding to the Crimes Against At Risk Persons Surcharge Fund line item. Moneys are appropriated each year to this line item and distributed to a nonprofit that acts as a fiscal agent who distribute the moneys to programs that provide respite services to caregivers

(B) REGIONAL CENTERS FOR PEOPLE WITH DEVELOPMENTAL DISABILITIES

Comeback #1 – Move Capital Outlay funding to Operating expenses line items
Staff recommends, based on new information from the Department, the appropriation for the Capital outlay patient should be moved into the operating expenses for each Regional Center. The capital outlay funds are classified as operating expenses because the funds are used to purchase equipment for Regional Center clients whereas the resident incentive allowance funds are used to compensate clients for work services and the Department indicated it was important to keep the resident incentive allowance funds separate from the capital outlay appropriation. The recommendation does not change the total dollar amount recommended for each Regional Center.

Comeback #2 –Flexibility for the Personal Services and Operating Expenses Line Items
During the staff figure setting, there was discussion of providing the Department with the flexibility to move the funds between the personal services and operating expenses line items for each Regional Center. Ultimately no flexibility, via a footnote, was provided. Based on the following information provided to staff by the Department, **staff recommends the Committee**

approve a footnote for the personal services and operating expense lie items to allow the Department the flexibility to manage the appropriation by distributing funding as needed.

- The figures used to break out the cost components for each Regional Centers were based on unaudited rate calculations for the Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID). These were estimates. The Department submits the anticipated expenditures based on prior year actual costs for auditing by the Department of Health Care Policy and Financing in early October/November. Based on the audit and review of allowable or unallowable costs, the rate is set and prior year and current year daily rates are adjusted for each Regional Center. This does not occur until the audit is finalized, which can be any time between January and June.

- Due to the different accounting methods used by DHS and HCPF (DHS uses the accrual accounting method and HCPF uses a cash accounting method), flexibility is needed for the year-end closing of Regional Center financial statement. One of the factors involved in closing is the IBNR (incurred but not recorded) entry that gets posted to the state controller's database and does not reflect in the Department's accounting database, COFRS. The timing of HCPF submitting revenue to DHS and DHS incurring expenditures after HCPF's last revenue submission will determine the IBNR. This is an unknown at each Regional Center as expenditures (payroll) occur after HCPF cutoff dates.

- Costs associated with payroll and holiday payouts are also an unknown for the Department until June/July year end closing. One of the factors that contribute to this unknown cost and need for flexibility will be based on retirements, resignations, and separations that occur throughout the fiscal year. If one or all of the Regional Centers experience high turnover over the fiscal year, staff has accumulated holiday time to maintain appropriate staffing levels. This unused holiday time is paid out at the end of the fiscal year.

Additionally, since FY 2013-14 is the first year the appropriation for each Regional Center is broken out by Center and by category, providing the flexibility through the footnote should minimize the need for supplementals. During the FY 2014-15 figure setting process, staff will be able to reevaluate the need for the flexibility and make a recommendation to the Committee.

(D) DIVISION OF VOCATIONAL REHABILITATION

The Division of Vocational Rehabilitation assists individuals, whose disabilities result in barriers to employment or independent living with attaining and maintaining employment and/or independent living. At any of the forty-three field and satellite offices located throughout the state, rehabilitation counselors work with clients to assess their needs and identify appropriate vocational rehabilitation services. The Division also administers state and federal and state grants to independent living centers working to enable individuals with disabilities to live independently and for programs that provide assistant to elderly blind individuals.

The federal government provides reimbursement for 78.7 percent of eligible rehabilitation expenditures up to the total annual federal grant for Colorado. The match funds for these federal dollars are either General Fund dollars (shown in the Rehabilitation Programs - General Fund Match line item) or local government funds, primarily from school districts (shown in the Rehabilitation Programs - Local Funds Match line item).

➔ Vocational Rehabilitation Fund Shortfall Request

Request: The Department requests the following appropriations related to the Vocational Rehabilitation Program:

- An increase of $1,171,907 General Fund and $4,330,006 federal funds in FY 2012-13 to address a funding shortfall; and
- An increase of $,1024,565 General Fund and $3,856,045 federal funds in FY 2013-14 to provide sufficient General Fund to pull down the full amount of available federal funds.

The request included for informational purposes the letter sent to the State Auditor's Office requesting an audit of the Program including the budget structure, financial management and decision making processes.

Recommendation: **Staff recommends a one-time increase in FY 2012-13 of $1,171,907 General Fund and $4,330,006 federal funds. Staff does not recommend an increase in FY 2013-14 because of the Program's unresolved operational and financial management issues.**

Analysis: The Vocational Rehabilitation Program guarantees services to individuals once they have been deemed eligible (i.e. once in the Program an individual's services cannot be stopped). The FY 2012-13 issues is a result of an increase in eligible consumers and an unprecedented increase in the amount of authority services for eligible consumers. Individuals seeking Program services fall into one of three categories: least significant level of need for services, moderate level of needs, and most significant level of needs. The Department implemented a waiting list (i.e. stopped classifying individuals as eligible for services) for those individuals in the least significant level on March 1, 2013. The Department anticipates, after the mandatory public notice and waiting period, implementing a waiting list for individuals in the moderate and most significant categories on April 15, 2013. Despite implementing a waiting list, due to the requirement that once services are started they cannot be stopped, the Program is projected (accounting for savings from implementing the waiting list) to over expend in FY 2012-13.

One key component to the request is the anticipated savings the implementation of the waiting list for the moderate and most significant levels. Since approximately 70.0 of individuals fall into the most significant level, the important in terms of limiting the over-expenditure, is the implementation of the waiting list. **Staff recommends the Committee send a letter to the Department asking the Department to notify the Joint Budget Committee on April 1 if and when, a waiting list for the moderate and most significant needs individuals will be implemented.** This will allow, if the Department is unable to implement the waiting list, and adjustment to be made while the Long Bill is still going through the process.

Since there are such significant issues with the Program including: client composition, changing cost of services, budget structure, financial management strategies, and decision making processes that warrant the Department requesting an audit of its own program, staff does not recommend the additional funding for FY 2013-14. It does not make sense to staff to increase the amount of funds appropriated to this Program when the Program is unable to manage the existing appropriation. Staff recommends that the Committee wait for results of the audit and utilize the information and findings in the audit to make an informed decision on the appropriate funding level. Staff will note that not increasing the FY 2013-14 appropriation will result in not drawing down the full federal grant, but staff does not feel that fact outweighs the other concerns raised.

Rehabilitation Programs - General Fund Match

Description: This line item appropriated the General Fund Match portion of the federal vocational rehabilitation grant. For every $1 of General Fund the Program it receives $3.69 federal funds up to the total federal grant. The General Fund and grant are used to operate the state's vocational rehabilitation programs which provide vocation services for individuals with disabilities (not just developmental disabilities). Services include: counseling and guidance, job development or placement, mental restoration services, occupational licenses, tools and equipment, physical restoration services, assistive technology, specialized services for a specific disability, telecommunications services, and training. Since the focus of these programs is employment and independent living, services generally do not include medical treatment or rehabilitation.

Request: The Department requests an appropriation of $24,129,530 total funds, of which $5,124,585 is General Fund and 212.7 FTE. The request includes the following changes from the FY 2012-13 appropriation:

- an reduction of $4,854 General Fund for the annualization of H.B. 12-1246; and
- an increase of $4,880,610 total funds, of which $1,024,565 is General Fund for the Vocational Rehabilitation Fund Shortfall decision item.

Recommendation: **Staff recommends an appropriation of $19,248,920 total funds, of which $4,100,020 is General Fund and 212.7 FTE.** The recommendation includes the reduction of General Fund for the annualization of H.B. 12-1246. The recommendation does not include the increase for the decision item.

Rehabilitation Programs - Local Match

Description: This line item contains matching funds for the federal funds from non-General Fund sources including:

- private donations, shown as cash funds;
- cash funds from local governments interested in extending vocational rehabilitation services to qualified participants in the Temporary Assistance to Needy Families program

- reappropriated funds transferred from the Department of Education on behalf of school districts participating in the School-to-Work Alliance Program, which provides job development, on-the-job training, and job-site support to students with disabilities; and
- reappropriated funds from the Mental Health Institutes for services to their clients.

Request: The Department requests an appropriation of $24,189,906 total funds and 11.0 FTE. The request includes an increase of $70,446 federal funds for the vocational rehabilitation program decision item.

Recommendation: **Staff recommends the Department's request for an appropriation of $24,189,906 total funds and 11.0 FTE.**

Business Enterprise Program for People who are Blind

Description: The Business Enterprise Program assists blind or visually-impaired individuals in operation of vending and food service businesses in approximately forty-five state and federal buildings. The Program is the result of the federal Randolph-Sheppard Vending Facility, which give priority to blind and visually impaired individuals who wish to operate and manage food and vending services in federal and state government office buildings and facilities. The Program utilizes funding from this line item to support site development, initial merchandise and supply inventory, purchasing equipment, and providing technical support to vendors. After initial set-up is established, managers operate the facility with revenue from food sales. All operators pay a certain percentage of their profits, up to 13.0 percent, to support the program. This revenue is deposited into the Business Enterprise Cash Fund. Moneys in the Fund are used to match federal funds, which cover most associated Program expenditures at a rate of $1 cash funds to $3.69 federal funds (78.7 percent federal match rate).

Request: The Department requests an appropriation of $1,182,527 total funds and 6.0 FTE. The request does not include any changes from the FY 2012-13 appropriation.

Recommendation: **Staff recommends the Department's request for an appropriation of $1,182,527 total funds and 6.0 FTE**.

Business Enterprise Program - Program Operated Stands, Repair Costs, and Operator Benefits

Description: This line item pays for costs associated with the Business Enterprise Program that are not eligible for the federal match including: costs associated with temporary state operation of vending facilities when a vendor leaves the program; equipment maintenance and repair during this interim period; and payments to operators to support their health insurance, IRA contributions, and vacation pay (operators are not state employees). Revenues from the operation of the vending stands and payments by the vendors support this program. Expenses and revenues in this line item are highly unpredictable, as they are dependent upon whether one or more operators abandon sites during the year.

Request: The Department requests an appropriation of $429,000 cash funds. The request does not include any changes from the FY 2012-13 appropriation.

Recommendation: **Staff recommends the Department's request for an appropriation of $429,000 cash funds.**

Independent Living Centers and State Independent Living Council

Description: This line item funds the Independent Living Council, grants, and contracts with independent living centers. The Division contracts with the ten independent living centers that provide services to individuals with disabilities that enable these individuals to live independently. Grants are used to assist individuals with significant disabilities in living independently outside of institutions.

Request: The Department requests an appropriation of $1,783,431 total funds, of which $1,457,604 is General Fund. The request does not include any changes from the FY 2012-13 appropriation.

Recommendation: **Staff recommends an appropriation of $1,805,295 total funds, of which $1,479,468 is General Fund.** The recommendation includes an increase associated with 1.5 percent community provider rate increase. The recommendation is calculated in accordance with Committee policy and outlined in the following table.

Older Blind Grants

Description: This line item provides independent living services to persons age 55 or older who are blind or visually impaired, independent living centers and community agencies. Most of the individuals served through these grants have become blind older in life, and are provided assistance in learning new strategies for accomplishing daily tasks and participating in community and family activities.

Request: The Department requests an appropriation of $450,000 total funds. The request does not include any changes from the FY 2012-13 appropriation.

Recommendation: **Staff recommends the Departments request for an appropriation of $450,000 total funds.**

Traumatic Brain Injury Trust Fund

Description: The Traumatic Brain Injury Trust Fund receives revenue from a $20 surcharge for DUI and related convictions, a $15 surcharge for speeding violations, and a $10 surcharge for helmet convictions. The Traumatic Brain Injury Board may also accept gifts, grants, and donations, although none have been forthcoming. At least 55.0 percent of the money must be spent for direct services for people with traumatic brain injuries, at least 25.0 percent for research, and at least 5.0 percent for education. The Board has discretion over the remaining 10.0 percent.

Request: The Department requests an appropriation of $3,295,945 cash funds and 1.5 FTE. The request does not include any changes from the FY 2012-13 appropriation.

Recommendation: **Staff recommends the Department's request for an appropriation of $3,295,945 cash funds and 1.5 FTE.**

Federal Social Security Reimbursement

Description: This line item funds the purchase of services outlined in a consumer's individualized plan for employment including training and assistive technology. The federal funds in this line item represent incentive payments from the federal Supplemental Security Income Program (SSI Program) when vocational rehabilitation programs successfully remove people from the SSI Program.

Request: The Department requests an appropriation of $1,103,224 federal funds. The request does not include any changes from the FY 2012-13 appropriation.

Recommendation: **Staff recommends the Departments' request for an appropriation of $1,103,224 federal funds.**

MEMORANDUM

TO: Joint Budget Committee

FROM: Amanda Bickel, JBC Staff

SUBJECT: Tobacco Master Settlement Agreement - Comebacks

DATE: March 15, 2013

H.B. 13-1180 and H.B. 13-1181: These two JBC bills affect tobacco funds available to programs in FY 2013-14. During figure setting for the Tobacco Master Settlement Agreement on February 14, 2013, staff noted that JBC staff would draft the Long Bill based on existing law for tobacco settlement allocations, but would incorporate the impact of these bills if they were enacted prior to the Long Bill.

House Bill 13-1181 enables some programs that receive tobacco allocations to carry forward up to 5.0 percent of their annual appropriation to the next year in a cash fund. This bill has passed both houses and is currently being enrolled into an act. In light of this, JBC staff would like to incorporate the impact of this bill in drafting the Long Bill. This will result in slightly higher cash fund appropriations for some programs in FY 2013-14, based on the anticipated roll-forward of some FY 2012-13 funds. **Staff requests permission to adjust cash fund appropriations for affected programs based on the passage of the bill.**

	FY 2013-14		
	LCS Projection As of Jan 2013 - Prior to H.B. 13-1181	Additional Fund Balance Available, due to FY 2012-13 receipts exceeding projections AND passage of H.B. 13-1181	Funds Projected Available with H.B. 13-1181
HIGHER EDUCATION			
Regents of the University of Colorado			
University of Colorado Health Sciences Center	13,623,990	248,256	13,872,246
HUMAN SERVICES			
Mental Health and Alcohol and Drug Abuse Services			
Treatment, Detoxification, and Prevention Contracts	834,120	15,200	849,320
Offender Mental Health Services	3,336,490	60,801	3,397,291
PUBLIC HEALTH AND ENVIRONMENT			
Local Public Health Planning and Support			
Local, District and Regional Health Department Distributions	1,946,280	35,464	1,981,744
Disease Control and Environmental Epidemiology Division			
Immunizations	1,112,160	20,264	1,132,424
Tony Grampsas Youth Services Program	3,606,650	60,499	3,667,149
Disease Control and Environmental Epidemiology Division			
AIDS Drug Assistance Program (ADAP; Ryan White)	3,155,820	52,929	3,208,749

House Bill 13-1180 redirects tobacco funds that were being deposited to the General Fund into the Defense Account of the Tobacco Litigation Settlement Cash Fund and to the Nurse Home Visitor Program. This bill is awaiting hearing in the Senate Appropriations Committee, and, as will be discussed related to a late Department of Law request, staff recommends further changes to this bill. Therefore**, the impact of this bill will NOT be included in the Long Bill, and it will have a separate appropriations clause.**

Potential Bill Related to Tobacco "Worst-case" Scenario – Action Pending

As discussed with the Committee during staff's February 14, 2013 figure setting presentation, final tobacco receipts could differ substantially from the January 2013 Legislative Council Staff forecast if ongoing legal disputes with participating tobacco manufacturers are resolved. Due to issues of timing, the Legislative Council Staff forecast and figures in the figure setting packet did not incorporate any adjustments related to ongoing legal action. However, resolution of key legal issues is likely to occur during FY 2013-14 and could occur during FY 2012-13. This could have substantial impacts on tobacco program funding and the General Fund.

- If resolution results in substantial *increases* in receipts out of escrowed "disputed payments" accounts, the moneys will be deposited to the General Fund. No further adjustments will be required, although the General Assembly may make related policy decisions about how to use the funds.

- If the resolution includes a reduction in Colorado's April 2013 or April 2014 receipts, it could affect funding available for tobacco settlement programs **and could drive a need for General Fund backfill** for moneys already spent. This is because most of the dollars Colorado allocates to tobacco settlement programs are based on funds anticipated to be received in April of the fiscal year in which the moneys are spent.

This is demonstrated in the table below for FY 2013-14. A similar pattern holds for FY 2012-13.

FY 2013-14 Projected Monthly Tobacco Settlement Allocations by When Revenue is Received					
	Prior Year Revenue (April 2013 Payment)	Current Year Revenue (April 2014 Payment)		Total Monthly Allocation	Cumulative Spending of April 2014 Payment
		Allocated Prior to Receipt	Allocated After Receipt		
July	$ 7,403,091	$ -	$ -	$ 7,403,091	$ -
August	5,681,396	1,721,695	-	7,403,091	1,721,695
September	-	7,403,091	-	7,403,091	9,124,786
October	-	7,403,091	-	7,403,091	16,527,877
November	-	7,403,091	-	7,403,091	23,930,968
December	-	7,403,091	-	7,403,091	31,334,059
January	-	7,403,091	-	7,403,091	38,737,150
February	-	7,403,091	-	7,403,091	46,140,241
March	-	7,403,091	-	7,403,091	53,543,332
April	-	3,701,545	3,701,546	7,403,091	60,946,423
May	-	-	7,403,091	7,403,091	68,349,514
June	-	-	7,403,091	7,403,091	75,752,605
TOTAL*	$ 13,084,487	$ 57,244,877	$ 18,507,728	$ 88,837,092	
Percent	14.7%	64.4%	20.8%	100.0%	

*Balance is not allocated and is used to reduce accelerated payments

Staff is concerned that a resolution with adverse implications for Colorado—unlikely but possible--could occur while the General Assembly is out of session, causing significant program disruptions and potentially a need for a special session. In light of this, staff recommended:

- The Committee take this “worst case” scenario into consideration when setting the General Fund reserve level for FY 2013-14; and

- The Committee sponsor legislation that would allow the State to address the worst-case scenario in an orderly fashion if the General Assembly is not in session. The legislation recommended by staff would authorize transfer of up to $40 million from the General Fund to the Tobacco Litigation Settlement Cash Fund under certain circumstances. Such a transfer would be authorized only in the event that an anticipated payment is reduced by more than $35 million, the General Assembly is not in session, and based on a request by the Governor indicating that a transfer is required to cover working-capital advanced from the General Fund and to meet critical state obligations until the General Assembly reconvenes.

The current situation with respect to the Tobacco MSA is somewhat fluid. In December 2012, 19 of the 52 states, districts and territories in the tobacco settlement agreement, including 17 of the states in state-specific arbitration proceedings, signed on to a settlement agreement with the participating manufacturers. On March 12, 2013, the three-member Arbitration Panel presiding over the ongoing sales year 2003 non-participating manufacturers dispute hearings issued an order effectively allowing the implementation of the settlement agreement. The agreement would affect April 2013 disbursements to parties to the agreement. Based on staff's current understanding, **this agreement should not affect April 2013 disbursements to Colorado and other states that have not signed the disputed payments settlement agreement**. However, it could potentially increase the dollar liability of Colorado and other non-signatory states, if they are found not to have diligently enforced their laws regarding non-participating manufacturers.

Legal developments before the end of the legislative session could affect the staff recommendation. However, pending such legal developments, staff continues to recommend legislation to protect the General Assembly and programs funded with tobacco revenue from an adverse arbitration panel finding when the General Assembly is not in session. **One option would be for the Committee to authorize drafting of this legislation but to delay any introduction until after April 15 when the situation—at least with respect to the April 2013 payment—may be more clear.** Such legislation does <u>not</u> need to be included in the Long Bill package.

MEMORANDUM

TO: Joint Budget Committee

FROM: Amanda Bickel, JBC Staff

SUBJECT: Higher Education Request for Information

DATE: March 15, 2013

During the staff figure setting for the Department of Higher Education, staff recommended a new request for information for the Department of Higher Education that read as follows.

<u>**N**</u> **Department of Higher Education, Colorado Commission on Higher Education, Administration –** The Department, in conjunction with the higher education institutions, is requested to provide a report by June 30, 2014 on the impact of state financial support for public institutions of higher education, including the impact of such support on the tuition charged to resident students, the availability of programs that might not otherwise be offered, and other factors the Commission and the institutions deem significant. To the extent feasible, the report should include related data for each of the governing boards and quantitative analysis supporting the report's conclusions.

During the presentation, staff noted that the date could be shifted to February 1, 2014, and the Committee indicated that it wished this change. The Committee also requested that staff attempt to redraft the request to provide more precise information, with an emphasis on the impact of the current low levels of funding for higher education. Staff suggests that the Committee consider the following alternative.

<u>**N**</u> **Department of Higher Education, Colorado Commission on Higher Education, Administration –** The Department, in conjunction with the higher education institutions, is requested to provide a report by February 1, 2014 on the impact of state financial support for public institutions of higher education. The Department is specifically requested to provide information on the estimated impact on the tuition charged to resident students, and any other program impacts, if state support is increased by, respectively, the amount included in the FY 2014-15 Executive Request, 25 percent, or 50 percent. To the extent feasible, the report should include related data for each of the governing boards and quantitative analysis supporting the report's conclusions.

<u>Comment</u>: To-date, the Committee has approved $543,890,649 General Fund support for public institutions of higher education for FY 2013-14. In FY 2007-08, the high-point for General Fund support, the institutions received $654,747,161 (a difference of $110,856,512 or 20.4 percent of the current base). In FY 2008-09, the high point for state support (including solely GF + ARRA funds), the public institutions received $705,965,061 (a difference of $162,074,412 or 29.8 percent of the current base).

MEMORANDUM

TO: Members of the JBC

FROM: Steve Allen, 303-866-4961

SUBJECT: Division of Criminal Justice. Revised footnote for the Subsistence Grace Period experiment

DATE: March 15, 2013

During figure setting for the Division of Criminal Justice in the Department of Public Safety, the Committee approved an appropriation of $571,200 for a subsistence grace period experiment for community corrections. Staff recommended that a footnote be included in the Long Bill describing the purpose of the appropriation and requesting an evaluation report. The Committee requested that the footnote be revised to specify more precisely the Committee's expectations concerning the content of the report.

Staff has revised the footnote and now recommends that the following footnote concerning the subsistence grace period be included in the Long Bill:

N **Department of Public Safety, Division of Criminal Justice, Community Corrections, Subsistence Grace Period Pilot Project –** This appropriation is for an experimental 28-day subsistence grace period pilot project and for an evaluation of the project. Of this appropriation, $20,000 for evaluation may roll forward to FY 2014-15. The unspent balance of the amount rolled forward to FY 2014-15 may further roll forward to FY 2015-16. The Department is requested to submit an evaluation report to the Joint Budget Committee as soon as feasible after the project is completed but no later than November 1, 2015. The Department is encouraged to submit the report in time for FY 2015-16 figure setting, if meaningful results are available at that time. THE DEPARTMENT IS REQUESTED TO EXAMINE WHETHER A SUBSISTENCE GRACE PERIOD ALTERS LENGTH OF STAY; RATES OF SUCCESSFUL COMPLETION, TECHNICAL VIOLATION, OR ESCAPE; THE AMOUNT OWED TO PROGRAMS AT TERMINATION; AND THE AMOUNT OF SAVINGS AT TERMINATION. THE DEPARTMENT IS REQUESTED TO EXAMINE WHETHER THE EFFECTS DEPEND UPON THE RISK LEVEL OF THE OFFENDER. THE DEPARTMENT IS REQUESTED TO ESTIMATE THE MAGNITUDE OF THE EFFECTS AND THE PRECISION OF THE ESTIMATES. THE REPORT NEED NOT BE LIMITED TO THESE QUESTIONS.

MEMORANDUM

TO: Members of the JBC

FROM: Steve Allen, 303-866-4961

SUBJECT: Department of Corrections, Revised Appropriation for Parole Caseload.

DATE: March 15, 2013

During figure setting for the Department of Corrections (DOC), the Committee did not approve the staff recommendation for request BA-2 (Parole and Parole ISP Caseload), which was based on the Division of Criminal Justice (DCJ) forecast of parole caseload. The Committee instead approved an appropriation based on the Legislative Council Staff (LCS) forecast. The Committee asked staff to calculate the extra appropriation required by the JBC action.

The DCJ forecast requires a total appropriation increase of $1,416,989 General Fund and 16.8 FTE. The LCS forecast requires an additional appropriation increase of $575,544 General Fund and 6.1 FTE, divided over 22 separate line items as shown in the following table.

Additional appropriations resulting from adoption of the LCS forecast for parole caseload	**General Fund Change**	**FTE Change**
(1)(A) Executive Director's Office Subprogram		
Health, Life and Dental	$13,263	
Short-term Disability	$444	
Amortization Equalization Disbursement	$9,004	
Supplemental Amortization Equalization Disbursement	$8,130	
Leased Space	$33,550	
Total Executive Director's Office	$64,391	
(1)(C) Inspector General--Operating Expense	$153	
(2)(G) Superintendent--Start Up Costs	$8,845	
(3)(D) Communications--Operating Expense	$2,745	
(3)(E) Transportation--Vehicle Lease Payments	$25,440	
(3)(F) Training--Operating Expenses	$153	
(3)(G) Information Systems--Operating Expenses	$1,220	
(4)(D) Drug and Alcohol Treatment--Contract Services	$27,405	
(5)(A) Parole--Personal Services	$189,693	4.1
(5)(A) Parole--Operating Expenses	$18,642	
(5)(A) Parole--Contract Services	$22,407	
(5)(A) Parole--Start-up Costs	$19,911	
(5)(B) Parole ISP--Personal Services	$89,460	2.0
(5)(B) Parole ISP--Operating Expenses	$7,746	
(5)(B) Parole ISP--Contract Services	$41,113	
(5)(B) Non-Residential Contract Services	$31,693	
(5)(C) Parole ISP--Start-up Costs	$10,814	
(5)(D) Community Supervision--Mental Health Services	$13,713	
Total Request	**$575,544**	**6.1**

MEMORANDUM

TO: Joint Budget Committee

FROM: Alfredo Kemm, JBC Staff (303-866-4549)

SUBJECT: Clear Fund Balance for Funds 16Q and 16U in DORA

DATE: March 14, 2013

The Department requests a JBC bill to clear the fund balance for two repealed programs:

- Fund 16Q – Multiple Employer Welfare Arrangement
  The cash fund created in Section 10-16-902, C.R.S., and included in the 2008 repeal of part 9, provided that moneys in the fund not transfer or revert to the General Fund. The fund balance is $670.

- Fund 16U – Mandate Health Insurance Benefits
  The cash fund created in Section 10-16-103.3, C.R.S., and repealed in 2010, provided that moneys in the fund not transfer or revert to the General Fund. The fund balance is $9,981.32.

Staff recommends that the Committee pursue legislation transferring the balances in these funds to the General Fund.

MEMORANDUM

TO: Joint Budget Committee

FROM: Alfredo Kemm, JBC Staff (303-866-4549)

SUBJECT: Voluntary Licensure of Private Investigators in DORA

DATE: March 14, 2013

This memo is to follow up on the Committee discussion at the Department of Regulatory Agencies figure setting regarding the Voluntary Licensure of Private Investigators regulatory program established by H.B. 11-1195.

At figure-setting the Committee was interested in pursuing legislation to resolve the deficit the Department is projecting due to the lower number of voluntary licenses requested for the program. At that time the Committee preferred to discuss the possibility of pursuing a solution with the original bill's sponsors, rather than immediately move forward with a JBC bill.

Updated information from the Department projects a negative fund balance for the program of $44,655 at the end of the current fiscal year (FY 2012-13). The Department is projecting a deficit of $63,000 by the end of FY 2013-14. The deficit is a result of the voluntary nature of the regulatory program and fewer requests for voluntary licensure than were projected at the time of the legislation's passage. The Department has raised fees in order to attempt to cover its program costs but believes that this will likely further reduce requests for licensure and renewal, leading to an unsustainable, licensure fee-funded and voluntary regulatory program.

The Department is able to run a deficit due to the overall positive fund balance provided by the many professional licensing and regulatory programs funded through the Division of Professions and Occupations Cash Fund. It is staff's understanding that fiscal rules allow a program to operate at a deficit as long as the larger cash fund is not in deficit. However, perpetually operating a program at a deficit requires that the other fee-funded programs within the fund subsidize the program in deficit, which violates statutory provisions regarding fee-setting to cover the costs of a given program. Should the program be repealed, the deficit would have to be back-filled by General Fund.

Staff recommends that the Committee pursue legislation to repeal the program. While resolution of the program deficit issue might also suggest legislation that licensure be required rather than voluntary, given that H.B. 11-1195 was not passed with required licensure suggests that repeal of the program may be the more efficacious option for the Committee in addressing the deficit issue.

MEMORANDUM

TO: Chairman Steadman and Joint Budget Committee Members

FROM: Carolyn Kampman, Chief Legislative Analyst (303-866-4959)

SUBJECT: Staff "Comebacks" for Judicial, Administration and Technology Subsection

DATE: March 18, 2013

On March 5, 2013, the Committee took action on most of the Judicial Branch budget. However, the Committee tabled Subsection (2)(A) of the budget, which provides funding and staff associated with central administration of the State's Judicial system, including information technology systems. Staff has included below a summary of the staff recommendations for this subsection with brief explanations of each incremental change. For more details related to this subsection of the Long Bill, see pages 18 through 32 of the document titled, "FY 2013-14 Staff Figure Setting: Judicial Branch", dated March 5, 2013. This document is accessible online at:

http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2012-13/judfig.pdf

Staff Recommendations: Courts Administration, Administration and Technology Subsection

	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	24,012,559	11,841,496	10,048,453	2,122,610	0	195.4
Other legislation	91,078		0	91,078	0	1.0
Mid-year appropriation changes	1,374,339		1,374,339	0	0	0.0
TOTAL	**$25,477,976**	**$11,841,496**	**$11,422,792**	**$2,213,688**	**$0**	**196.4**
FY 2013-14 Recommended Appropriation:						
FY 2012-13 Appropriation	$25,477,976	$11,841,496	$11,422,792	$2,213,688	$0	196.4
JUD R-3: Legal FTE	150,109	150,109	0	0	0	1.6
JUD R-5: Court appointed professionals coordinator	73,992	73,992	0	0	0	1.0
JUD R-7: Implementation of evidence-based practices	241,127	241,127	0	0	0	3.0
Employee benefits/common changes	(1,393,312)	220,785	(1,404,592)	(217,359)	7,854	0.0
Annualize prior year budget actions	(974,475)	0	(974,475)	0	0	4.0
BA-1: ICCES E-File Project	1,569,264		1,569,264	0	0	0.0
TOTAL	**$25,144,681**	**$12,527,509**	**$10,612,989**	**$1,996,329**	**$7,854**	**206.0**
Increase/(Decrease)	($333,295)	$686,013	($809,803)	($217,359)	$7,854	9.6
Percentage Change	(1.3%)	5.8%	(7.1%)	(9.8%)	0.0%	4.9%
FY 2013-14 Executive Request:	**$25,876,957**	**$12,570,038**	**$11,302,736**	**$1,996,329**	**$7,854**	**206.0**
Request Above/(Below) Recommendation	$732,276	$42,529	$689,747	$0	$0	0.0

JUD R-3: Legal FTE: The recommendation includes a total of $151,339 General Fund and 1.6 FTE (including $150,109 and 1.6 FTE for this subsection) to expand the legal staff within the State Court Administrator's Office from 4.9 FTE to 6.5 FTE to address increased demands for legal services related to contracts, grants, forms, and policies. *Overall, staff's recommendation is $30,363 lower than the request for technical reasons, including a difference of $14,228 related to this subsection.*

JUD R-5: Court appointed professionals coordinator: The recommendation includes a total of $78,695 General Fund and 1.0 FTE (including $73,992 and 1.0 FTE for this subsection) to add a staff position dedicated to administering the Respondent Parents' Counsel Program and to improve the quality of advocacy for respondent parents in dependency and neglect cases. *Overall, staff's recommendation is $12,761 lower than the request for technical reasons, including a difference of $6,640 related to this subsection.*

JUD R-7: Implementation of evidence-based practices: The recommendation includes a total of $255,236 General Fund and 3.0 FTE (including $241,127 and 3.0 FTE for this subsection) for the Division of Probation Services to support the implementation of several evidence-based/promising programs and practices. *Overall, staff's recommendation is $36,212 lower than the request for technical reasons, including a difference of $21,662 related to this subsection.*

Employee Benefits/Common Changes: The recommendation includes a reduction of $1,393,312, comprised of the following changes:

- A reduction of $1,393,312 (including a reduction of $1,404,592 cash funds, an increase of $3,426 reappropriated funds, and an increase of $7,854 federal funds) due to a Long Bill format change. Rather than reflecting all indirect cost assessments in this subsection, the FY 2013-14 Long Bill will reflect indirect cost assessments in each section of the Long Bill that includes sources of funds from which assessments are collected.

- An increase of $220,785 General Fund, offset by a reduction of $220,785 reappropriated funds, to reflect an anticipated decrease in indirect cost recoveries available to offset General Fund appropriations in this subsection.

Staff's recommendations are consistent with the request. Staff requests permission to adjust these amounts as necessary once the Committee has finalized all common policies. Staff will utilize the indirect cost assessment methodology that was described in detail in Appendix D of the FY 2013-14 Staff Budget Briefing, dated December 3, 2012.

Annualize Prior Year Budget Actions: The recommendation includes a reduction of $974,475 cash funds and an increase of 4.0 FTE, comprised of the following changes:

- An increase of $339,785 cash funds and 4.0 FTE consistent with a decision item that was approved in FY 2010-11 (JUD R-1) to allow the Department to develop and implement public access and e-filing systems. Fiscal year 2013-14 is the first full year of implementation for the new e-filing system. This funding allows the Department to fully staff its Support Center for system users. The Support Center is staffed from 7:00 am to 12:00 am, Monday through Friday (including state holidays), and from 8:00 am to 5:00 pm on Saturday and Sunday (support staff are available on call after 5:00 pm).

- A reduction of $454,260 cash funds consistent with a decision item that was approved in FY 2010-11 (JUD R-1) to allow the Department to develop and implement public access and e-filing systems. This funding was used for the purchase of hardware, software, and other one-time expenses required for system development and implementation.

- A reduction of $860,000 cash funds consistent with a decision item that was approved in FY 2012-13 (JUD R-5) to allow the Department to purchase IT hardware necessary to maintain the reliability and efficiency of its IT infrastructure (*i.e.*, replacing four servers and three data storage controller units).

Staff's recommendations are consistent with the request.

JUD BA-1: ICCES E-File Project: The Committee recently approved a mid-year increase of $1,374,339 cash funds from the Judicial Department Information Technology Cash Fund to pay for credit card processing and mailing expenses related to the new in-house e-filing system (called the Integrated Colorado Courts E-filing System or ICCES). This request was accompanied by a budget amendment for FY 2013-14 to provide a full year of funding ($3,633,350 cash funds) for this purpose. Staff recommends appropriating $2,943,603 for this purpose for FY 2013-14 based on updated information that the Department provided prior to staff presenting the supplemental request. The recommendation for FY 2013-14 represents an increase of $1,569,264 compared to FY 2012-13. *Staff's recommendation is $689,747 lower than the request.*

MEMORANDUM

TO: Chairman Steadman and Joint Budget Committee Members

FROM: Craig Harper (303-866-3481)

SUBJECT: Staff "Comeback" for Oil and Gas Conservation Commission – Leased Space

DATE: March 18, 2013

This morning, the Committee approved an additional $947,536 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 9.4 FTE for the Oil and Gas Conservation Commission (OGCC). Staff noted during that discussion that having adequate space for the new FTE could be problematic for the Department and the OGCC. Department staff have indicated that the Department should be able to manage the other centralized appropriations through FY 2013-14 but that leased space is a concern given the approved number of employees.

The Department is asking the Committee to consider adding $22,800 for additional leased space in FY 2013-14 (covering the second half of the fiscal year and annualizing to an estimated $45,600 in FY 2014-15). The available space is adjacent to existing OGCC offices within the building at 1120 Lincoln St., and the Department anticipates adding approximately 1,900 square feet of space at an annual cost of $24 per square foot (for a total annual cost of $45,600).

The OGCC has not received additional funding for leased space since FY 2008-09, when the OGCC had 73.0 FTE. With the Committee's decision from this morning, the OGCC would have a total of 90.4 FTE, an increase of approximately 24 percent since the last leased space increase. The OGCC's FTE counts are not directly comparable to leased space requirements because some FTE are off-site. However, the OGCC also utilizes a significant number of contractors, interns, and temporary staff, and the Department has repeatedly indicated that more space would be necessary for significant increases in FTE.

The Department is making this request because it would have to sign a multi-year lease in order to acquire the space. While the Department will be able to absorb other increases in centrally-appropriated costs within the FY 2013-14 appropriation, the Department is effectively seeking legislative approval to make a <u>multi-year</u> commitment for the additional leased space. **Given the Committee's action providing the additional FTE this morning and the specific (multi-year) nature of leased space, staff recommends approving the request to enable the OGCC to accommodate the additional staff the Committee approved this morning.**

MEMORANDUM

TO: Joint Budget Committee Members

FROM: Megan Davisson, JBC Staff

SUBJECT: Department of Public Health and Environment Technical Comebacks

DATE: March 18, 2013

Technical #1 – Salary Survey Federal Funds

Staff recommends the federal funds shown in the Salary Survey line item be eliminated because the spending authority for these funds is included in the personal services line item pursuant to federal grant guidelines. These funds are shown for informational purposes when calculating the line item total and the spending authority is not needed.

Technical #2 – Merit Pay Federal Funds

Staff recommends the federal funds shown in the Merit Pay line item be eliminated because the spending authority for these funds is included in the personal services line item pursuant to federal grant guidelines. These funds are shown for informational purposes when calculating the line item total and the spending authority is not needed.

Technical #3 – Emergency Preparedness and Response

Staff recommends the Emergency Preparedness and Response line item be increased by $19,060 General Fund to eliminate the staff error in double counting the annualization of H.B. 12-1283.