

JOINT BUDGET COMMITTEE

STAFF BUDGET BRIEFING SUMMARY



FY 2017-18

STATE OF COLORADO

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MEMORANDUM

TO: Members of the General Assembly
FROM: Joint Budget Committee
SUBJECT: FY 2017-18 Budget Briefing Summary
DATE: January 11, 2017

For the past two months, the Joint Budget Committee staff has been briefing the Committee on each department's budget request for FY 2017-18. The staff briefing is a written and oral presentation of budget issues and a review of expenditures and requests for each department. These briefings are aimed at stimulating discussion among the Committee members about each department's budget request, its operations, issues of efficiency and effectiveness, and plans for the future.

During the briefing, Committee members decide which issues they wish to discuss with the department. These topics are addressed at a formal hearing with each department's executive director. This hearing also allows time for the department to discuss its priorities with the Committee.

This report summarizes the budget briefings by providing an overview of each department's responsibilities, the department's total request as compared to the current year appropriation, and a summary of issues that were addressed. The detailed staff briefing write-ups can be found at the Committee's web site:

<http://leg.colorado.gov/content/budget>

We hope this budget briefing summary, and the documents from which it was created, will help you become familiar with the FY 2017-18 budget requests and major issues that impact the budget. We look forward to discussing the budget with you throughout the 2017 legislative session.

SUMMARY OF FY 2017-18 BUDGET BRIEFING

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All Departments

The Executive and Judicial branches of state government submitted their FY 2017-18 budget requests to the Joint Budget Committee on November 1, 2016. The following table summarizes the total request.

FY 2016-17 Appropriation and FY 2017-18 Request

ALL DEPARTMENTS						
	TOTAL FUNDS	GENERAL FUND ¹	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill / HB 16-1353 (Legislative Appropriation)	\$27,028,640,894	\$9,991,487,013	\$7,388,708,222	\$1,541,467,479	\$8,106,978,180	56,616.5
Additional legislation	120,984,257	(1,368,545)	84,423,296	1,306,576	36,622,930	49.7
TOTAL	\$27,149,625,151	\$9,990,118,468	\$7,473,131,518	\$1,542,774,055	\$8,143,601,110	56,666.2
FY 2017-18 REQUESTED APPROPRIATION:						
FY 2016-17 Appropriation	\$27,149,625,151	\$9,990,118,468	\$7,473,131,518	\$1,542,774,055	\$8,143,601,110	56,666.2
Decision items	804,138,963	408,626,823	62,985,051	37,834,226	294,692,863	270.8
Technical changes	198,963,386	17,055,773	95,348,411	12,797,739	73,761,463	5.0
Centrally appropriated line items	112,660,103	55,040,557	35,534,046	10,158,601	11,926,899	0.0
Annualize prior year legislation	(82,777,726)	9,122,555	(58,201,426)	3,359,227	(37,058,082)	(16.5)
Annualize prior year budget actions	(60,140,731)	(15,955,614)	(18,052,959)	7,276,488	(33,408,646)	31.1
TOTAL	\$28,122,469,146	10,464,008,562	\$7,590,744,641	\$1,614,200,336	\$8,453,515,607	56,956.6
INCREASE/(DECREASE)	\$972,843,995	\$473,890,094	\$117,613,123	\$71,426,281	\$309,914,497	290.4
Percentage Change	3.6%	4.7%	1.6%	4.6%	3.8%	0.5%

Summary of Major Changes

DECISION ITEMS: Represents programmatic funding changes included in the FY 2017-18 appropriation request. Examples include funding for new programs, expansion of existing programs, and reductions to or elimination of existing programs. These items increase the State budget by \$804.1 million total funds, including \$408.6 million General Fund, for FY 2017-18 in comparison to the current FY 2016-17 appropriations. Major highlights include:

- Health Care Policy and Financing – Increase of \$466.2 million total funds (increase of \$140.4 million General Fund);
- Higher Education – Increase of \$154.7 million total funds (increase of \$22.2 million General Fund);
- Education – Increase of \$66.8 million total funds (increase of \$198.5 million General Fund);
- Human Services – Increase of \$39.3 million total funds (increase of \$23.2 million General Fund); and
- Governor – Increase of \$19.1 million total funds (increase of \$7.6 million General Fund).

TECHNICAL CHANGES: Represents revenue forecast adjustments and various technical adjustments included in the FY 2017-18 appropriation request. These items increase the State budget by \$199.0 million total funds, including an increase of \$17.1 million General Fund, for FY 2017-18 in comparison to the current FY 2016-17 appropriations. Major highlights include:

- Transportation – Increase of \$173.8 million total funds;
- Treasury – Increase of \$12.8 million General Fund;
- Public Health and Environment – Increase of \$6.5 million total funds (increase of \$0.3 million General Fund);
- Higher Education – Increase of \$6.1 million total funds (increase of \$4.9 million General Fund); and
- Governor – Increase of \$1.5 million total funds.

CENTRALLY APPROPRIATED LINE ITEMS: Represents the requested FY 2017-18 impact of changes to central appropriations, which are generally made to the Executive Director’s Office (or a comparable division) of each agency for use department-wide. Examples include salary increases and benefits, vehicle lease payments, Capitol complex leased space, and information technology services. These items increase the State budget by \$112.7 million total funds, including \$55.0 million General Fund, for FY 2017-18 in comparison to the current FY 2016-17 appropriations. Major highlights include:

- Judicial – Increase of \$21.8 million total funds (increase of \$20.8 million General Fund);
- Public Health and Environment – Increase of \$15.5 million total funds (increase of \$0.8 million General Fund);
- Corrections – Increase of \$14.4 million total funds (increase of \$14.1 million General Fund);
- Human Services – Increase of \$14.2 million total funds (increase of \$11.3 million General Fund); and
- Public Safety – Increase of \$9.0 million total funds (decrease of \$1.0 million General Fund).

ANNUALIZE PRIOR YEAR LEGISLATION: Represents the requested FY 2017-18 impact on appropriations of legislation passed by the General Assembly in prior legislative sessions. These items reduce the State budget by \$82.8 million total funds, including an increase of \$9.1 million General Fund, for FY 2017-18 in comparison to the current FY 2016-17 appropriation. Major highlights include:

- Health Care Policy and Financing – Decrease of \$57.1 million total funds (increase of \$6.6 million General Fund);
- Natural Resources – Decrease of \$10.3 million total funds;
- Higher Education – Decrease of \$8.1 million total funds;
- Public Health and Environment – Decrease of \$5.1 million total funds (decrease of \$1.2 million General Fund); and
- Human Services – Decrease of \$1.9 million total funds.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: Represents the requested FY 2017-18 impact on appropriations of budgetary decision items approved for prior fiscal years. These items reduce the State budget by \$60.1 million total funds, including a decrease of \$16.0 million General Fund, for FY 2017-18 in comparison to the current FY 2016-17 appropriation. Major highlights include:

- Health Care Policy and Financing – Decrease of \$39.5 million total funds (decrease of \$5.6 million General Fund);
- Judicial – Decrease of \$11.3 million total funds (decrease of \$2.3 million General Fund);
- Local Affairs – Decrease of \$8.8 million total funds;
- Education – Decrease of \$3.8 million total funds (increase of \$0.1 million General Fund); and
- Public Safety – Decrease of \$1.7 million total funds.

Department of Agriculture

The Department of Agriculture regulates, promotes and supports various agricultural activities throughout Colorado. Department personnel perform a wide range of services including: regulatory and inspection services relating to agriculture; investigations and hearings; standardizing, grading, inspecting, labeling, handling, storage, and marketing of agricultural products; and agriculture-related policy analysis. The Department's FY 2016-17 appropriation represents approximately 0.2 percent of statewide operating appropriations and 0.1 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF AGRICULTURE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	\$50,007,210	\$10,753,079	\$32,772,130	\$2,371,548	\$4,110,453	291.4
TOTAL	\$50,007,210	\$10,753,079	\$32,772,130	\$2,371,548	\$4,110,453	291.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$50,007,210	\$10,753,079	\$32,772,130	\$2,371,548	\$4,110,453	291.4
Centrally appropriated line items	471,076	(259,563)	876,334	0	(145,695)	0.0
NP OIT Secure Colorado	29,909	23,927	5,982	0	0	0.0
NP OIT Deskside	11,961	9,569	2,392	0	0	0.0
NP Resources for administrative courts	47	0	47	0	0	0.0
NP Annual fleet vehicle request	(62,557)	(22,993)	(39,564)	0	0	0.0
TOTAL	\$50,457,646	\$10,504,019	\$33,617,321	\$2,371,548	\$3,964,758	291.4
INCREASE/(DECREASE)	\$450,436	(\$249,060)	\$845,191	\$0	(\$145,695)	0.0
Percentage Change	0.9%	(2.3%)	2.6%	0.0%	(3.5%)	0.0%

CENTRALLY APPROPRIATED LINE ITEMS: The appropriation includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; vehicle lease payments; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; payments to the Governor's Office of Information Technology (OIT); and CORE operations. *This request item was addressed in a separate staff briefings for the Department of Personnel and Administration and the Governor's Office.*

NPI Secure Colorado: The request seeks an increase of \$29,909 total funds, including \$23,927 General Fund, for FY 2017-18 to deploy an end user configuration management tool. This tool will assist in discovering assets (e.g., computers and software) and the status of assets. *This request item was addressed in a separate staff briefings for the Governor's Office.*

NP OIT DESKSIDE: The request includes an increase of \$11,961 total funds, including \$9,569 General Fund, for end user assistance and services for computer devices and peripheral equipment, such as printers. *This request item was addressed in a separate staff briefings for the Governor's Office.*

NPI Resources for administrative courts: The request includes an adjustment for the Administrative Law Judge Services line item from the Department of Personnel. *This request item was addressed in a separate staff briefings for the Department of Personnel and Administration.*

NPI Annual fleet vehicle request: The request includes a decrease in appropriation of \$62,557 total funds, including a decrease of \$22,993 General Fund, to the vehicle lease payments line item for changes in statewide vehicle costs. *This request item was addressed in a separate staff briefings for the Department of Personnel and Administration.*

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

COLORADO STATE FAIR AUTHORITY OPERATING REVENUE DEFICIENCIES: This issue provides an in-depth analysis of Colorado State Fair Authority's revenue and expenditures, strategic business plan, and financial projections.

Department of Corrections

The Department of Corrections is responsible for the following activities:

- Managing, supervising, and controlling the correctional facilities operated and supported by the State;
- Supervising the population of offenders placed in the custody of the Department, including inmates in prison, parolees, and transition inmates who are placed into community corrections programs and other community settings;
- Planning for the projected, long-range needs of the institutions under the Department's control; and
- Developing educational programs, treatment programs, and correctional industries within the facilities that have a rehabilitative or therapeutic value for inmates and supply necessary products for state institutions and other public purposes, as provided by law.

The Department's FY 2016-17 appropriation represents 3.1 percent of statewide operating appropriations and 7.6 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF CORRECTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	843,968,585	756,408,506	39,454,112	46,748,326	1,357,641	6,241.9
Appropriations in sentencing bills passed in prior sessions	3,344,860	3,344,860	0	0	0	0.0
S.B. 16-180 DOC program for juvenile offenders	95,504	95,504	0	0	0	0.8
H.B. 16-102 Repeal Certain Mandatory Minimum Sentences	(721,496)	(721,496)	0	0	0	0.0
Other 2016 session legislation	68,750	68,750	0	0	0	0.0
TOTAL	\$846,756,203	\$759,196,124	\$39,454,112	\$46,748,326	\$1,357,641	6,242.7
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$846,756,203	759,196,124	\$39,454,112	\$46,748,326	\$1,357,641	6,242.7
Common Policies	\$14,450,643	14,289,225	161,936	(518)	0	0.0
Salary survey	8,406,176	8,163,314	242,862	0	0	0.0
Health, Life, and Dental	3,808,263	3,709,399	98,864	0	0	0.0
AED and SAED	2,007,912	2,023,885	(15,973)	0	0	0.0
Payments to OIT	829,912	824,931	4,981	0	0	0.0
Other	255,799	398,021	(141,704)	(518)	0	0.0
Workers' compensation	(857,419)	(830,325)	(27,094)	0	0	0.0
Nonprioritized Requests	\$2,758,741	(\$1,478,467)	\$180,488	\$4,056,720	\$0	0.0
NP6 Department of Revenue license plates (approved Sept. 2016)	4,056,720	0	0	4,056,720	0	0.0
NP1 CDOC-CDHS Interagency Agreement True-up	682,085	682,085	0	0	0	0.0
NP3 Secure Colorado and NP4 OIT Deskside Staffing	896,930	891,549	5,381	0	0	0.0
NP2 Annual Vehicle Fleet Request	123,006	(\$52,101)	\$175,107	0	0	0.0
NP5 Kit Carson Mitigation Plan	(3,000,000)	(3,000,000)	0	0	0	0.0
Prioritized Requests	(\$1,809,138)	(1,603,087)	\$10,000	(\$136,051)	(\$80,000)	3.4
R1 Mother Baby Unit	10,000	0	10,000	0	0	0.7
R2 Sterling Correctional Facility Restrictive Housing Staffing	0	0	0	0	0	2.7
R3 Hepatitis C Treatment	0	0	0	0	0	0.0
R4 Maintenance Operating	0	0	0	0	0	0.0

DEPARTMENT OF CORRECTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
R5 Food Service Equipment	0	0	0	0	0	0.0
R6 Food Inflation	317,184	317,184	0	0	0	0.0
R7 External Capacity	0	0	0	0	0	0.0
R8 Medical Caseload	(1,920,271)	(1,920,271)	0	0	0	0.0
R9 Technical Adjustments	(216,051)	0	0	(136,051)	(80,000)	0.0
Other items						
Annualize prior legislation	62,200	62,200	0	0	0	1.8
Annualize prior year budget actions	792,677	789,543	3,134	0	0	0.0
Indirect cost assessment adjustments	484,273	(484,272)	(25,990)	501,836	492,699	0.0
TOTAL	\$863,495,599	\$770,771,266	\$39,783,680	\$51,170,313	\$1,770,340	6,247.9
INCREASE/(DECREASE)	\$16,739,396	\$11,575,142	\$329,568	\$4,421,987	\$412,699	5.2
Percentage Change	2.0%	1.5%	0.8%	9.5%	30.4%	0.1%

COMMON POLICIES: Common Policies together account for \$14.5 million of the Department's requested increase for FY 2017-18. The requested common policies for Salary Survey, Health, Life, and Dental, AED (Amortization Equalization Disbursement) and SAED (Supplemental Amortization Equalization Disbursement) together increase appropriations by \$14.2 million.

NON-PRIORITIZED REQUESTS: Non prioritized items together account for \$2.8 million of the Department's requested increase for FY 2017-18.

NP6 DEPARTMENT OF REVENUE LICENSE PLATES (APPROVED SEPT. 2016): In September, the JBC approved an interim supplemental from the Department of Revenue (DOR) requesting an additional \$4,605,219 of FY 2016-17 spending authority (\$209,122 General Fund, \$4,396,097 Cash Funds) to allow it to purchase additional license plates and year tabs from the DOC's Correctional Industries, which has supplied these items to DOR for many years. The interim supplemental also reappropriated this \$4,605,219 for FY 2016-17 to the Department of Corrections to allow it to receive and spend the revenue received from the DOR as it manufactures the plates and tabs. The fact that this is an interim supplemental that is not yet law makes matters more complex. Working off the pre-supplemental FY 2016-17 base appropriation for the purchases of license plates and tabs, the DOR and the DOC have requested an increase of \$4,056,720 for FY 2017-18 to continue the higher production level next year. This is \$548,499 less than the interim supplemental. Assuming the supplemental is law by the time of figure setting, this request will become a reduction of \$548,499 for DOR and DOC relative to the FY 2016-17 appropriations.

NP1 DOC-DHS INTERAGENCY AGREEMENT TRUE-UP: This is a two part request involving DOC and the Department of Human Services (DHS). If approved, the request will increase General Fund appropriations to DOC by \$682,085, which will correct a long standing and growing mismatch between the amount DOC pays the Department of Human Services (DHS) for services it receives on the Colorado Mental Health Institutes-Pueblo (CMHIP) campus and the higher cost DHS incurs in providing those services. The DHS portion of the request involves an additional reappropriation of \$1,167,264 to allow it to spend the extra money received from DOC and correct a long standing accounting error.

NP3 SECURE COLORADO AND NP4 OIT DESKSIDE STAFFING: This request for \$896,930 total funds is the DOC's share of two statewide IT requests from the Governor's Office of Information Technology that were presented earlier by the JBC's OIT analyst.

NP2 ANNUAL VEHICLE FLEET REQUEST: This request for \$123,006 total funds adjusts the Department's vehicle lease payments to reflect the net change in the cost of leases for vehicles requested for next year and the cost of vehicles that are going off lease.

NP5 KIT CARSON MITIGATION PLAN: This non-prioritized request is part of the Department of Local Affairs FY 2017-18 request R5, which would provide \$515,095 General Fund to Burlington and Kit Carson County to offset two-thirds of the FY 2017-18 property tax revenue that the communities will lose due to the closure of Kit Carson Correctional Center. Request R5 also eliminates from the FY 2017-18 Long Bill the \$3.0 million incentive item that is still in the base FY 2016-17 appropriation.

PRIORITIZED REQUESTS R1 TO R5 “REDIRECT” GENERAL FUND: The first five of the Department’s requests (R1 to R5) share a common theme: each request is financed by reducing General Fund appropriations for personal services to existing programs. For example, the \$328,884 General Fund appropriation for R1 is financed by reducing the existing personal services appropriation for mental health treatment by \$328,884. The \$600,000 General Fund appropriation in R5 for replacement food service equipment is financed by reducing the personal services appropriation for mental health and food service personal services by a combined \$600,000 General Fund. In total R1 to R5 redirect \$4,645,266 of current General Fund appropriations for personal services, as shown in the following table.

Request number	Reduce current General Fund personal services appropriations to these programs by these amounts					Appropriate the savings for	General Fund redirected
	Sex Offender Treatment	Medical Services	Mental Health	Food Service	Parole		
R1	\$0	\$0	\$328,884	\$0	\$0	A new mother-baby unit	\$328,884
R2	216,382	0	0	0	0	Restrictive housing staffing	216,382
R3	0	700,000	1,300,000	0	0	Hepatitis C treatment	2,000,000
R4	750,000	0	0	0	750,000	Maintenance operating	1,500,000
R5	0	0	200,000	400,000	0	Food service equipment replacement	600,000
Total	\$966,382	\$700,000	\$1,828,884	\$400,000	\$750,000	Total	\$4,645,266

In each case, the requested redirection of General Fund is identical in FY 2017-18 and subsequent years. The five requests that rely on redirected General Fund are as follows:

R1 MOTHER BABY UNIT: The Department proposes to establish a new Mother Baby Unit at La Vista Correctional Facility in Pueblo. The unit will hold mothers and their infants and toddlers as well as expectant mothers. The children will stay with mom until age 2½, when they will leave the prison to stay with a relative or someone else. The Department plans to open the unit in February 2018 and expects it to host 8 mothers and expectant mothers during the first five months of operation. In FY 2018-19 and subsequent years the Department expects the unit to host 20 mothers and expectant mothers. To finance the unit, for FY 2017-18 the Department requests (1) *redirection* to the new unit of \$328,884 of General Fund that currently supports the Department's Mental Health program, (2) an additional 0.7 FTE for social workers III for the unit, and (3) an increased appropriation of \$10,000 cash funds to allow the Department to spend any gifts, grants, and donations that the unit may receive. Of the \$328,884 of FY 2017-18 General Fund spending, \$238,617 will pay for one time building renovation and start-up costs. In the project's second year (FY 2018-19) and subsequent years, the amount of General Fund redirected to the new unit from the mental health program declines from \$328,884 to \$149,285, FTE rise from 0.7 to 1.7 social workers III, and the cash funds appropriation remains \$10,000.

R2 STERLING CORRECTIONAL FACILITY RESTRICTIVE HOUSING STAFFING: The Department proposes to add 3 teachers to the restrictive housing unit staff at Sterling Correctional Facility, a unit that houses an average of 170 offenders in maximum security restrictive housing (RH Max) where they are confined to their cells 22 or more hours per day. RH Max housing is similar to what was formerly called Administrative Segregation or Ad Seg. Sterling is the only DOC prison where RH Max housing remains. The 3.0 FTE will be hired at the Teacher I level. They will provide GED and ABE (Adult Basic Education) instruction and lead groups of offenders in cognitive-behavioral-therapy programs that are designed to modify behavior. The three teachers are part of a plan to end RH Max housing by offering all RH Max inmates at least 4 hours per day of out-of-cell time. The out-of-cell time will consist of a combination of individual time, small group pro-social time, group educational activities, and group cognitive activities. The educational and cognitive activities will be led by the teachers. To pay for the 3 teachers, who equate to 2.7 FTE in the first year (FY 2017-18), the Department requests redirection of \$216,382 of General Fund appropriations that currently support the Sex Offender Treatment Subprogram.

R3 HEPATITIS C TREATMENT: There are currently an estimated 2,280 inmates in the Department who are infected with Hepatitis C, a virus transmitted by contact with the blood of an infected person, most commonly through intravenous drug use. Currently the Department treats about 32 of these offenders annually for Hepatitis C using new drugs such as Solvaldi and Harvoni, at a cost of about \$57,000 per treated inmate. The 32 are among the most seriously ill as a consequence of the liver damage caused by Hepatitis C. The Department has had excellent results with the new drugs; 100 percent of the offenders treated to date have undetectable levels of the Hepatitis C virus and are believed cured, though treatment does not confer immunity against reinfection. The Department requests that \$2,000,000 of General Fund appropriations for personal services be redirected to pay for the expansion of its Hepatitis C program -- \$700,000 from the medical services subprogram and \$1,300,000 from the mental health subprogram. This will allow an additional 32 offenders to be treated each year.

R4 MAINTENANCE OPERATING: The Department requests that \$1.5 million of General Fund that is currently appropriated for personal services in the sex offender treatment program and the parole program be instead appropriated for maintenance in FY 2016-17 and subsequent years. Most of the request will be used directly by the DOC but \$99,591 will be paid to the Department of Human Services for maintenance services that it supplies to the DOC's facilities that are located on the DHS Pueblo campus. In support of this request, the Department states that current funding for maintenance operating does not adequately provide for needed goods, services, upkeep, repair, and preventative maintenance needs for 471 buildings funded by the maintenance appropriation. Aging facilities require substantial maintenance-related expenses for basic upkeep and replacement and/or repair of essential equipment.

R5 FOOD SERVICE EQUIPMENT: The Department requests that \$600,000 of General Fund that is currently appropriated for personal services in the mental health program and the food service program be instead appropriated for replacement or repair of food service equipment in FY 2016-17 and subsequent years. In support of this request, the Department states that it has \$13 million of kitchen equipment and warehouse freezer-cooler equipment. Almost half of this equipment has exceeded its projected life expectancy. With this increase, the Department would increase its annual replacement and repair spending to \$1.35 million, which equals 10.4 percent of the value of its equipment. The food industry standard for annual replacement and repair of equipment is 10% of the value of the equipment.

The remaining four requests don't use GF redirection.

R6 FOOD SERVICE INFLATION: The Department requests a \$317,184 General Fund increase for FY 2017-18 and subsequent years to cover the cost of inflationary food price increases. Of this increase, \$274,534 would be appropriated to the DOC Food Service subprogram to pay for raw food prepared by offenders in DOC facilities and \$42,650 would be appropriated for the purchase of prepared food from the Department of Human Services (DHS) that will be consumed by offenders in the three DOC facilities on the campus of the Colorado Mental Health Institutes-Pueblo (CMHIP): the Youthful Offender System, La Vista, and San Carlos. A corresponding reappropriation to DHS of \$42,650 is thus required. In support of this request the Department points to projected increases in food costs and notes that it will have to restrict spending in other food operating areas if food costs rise without a corresponding increase of appropriations.

R7 EXTERNAL CAPACITY: The Department asks to move \$748,849 from the External Capacity-Community Corrections line item to the External Capacity-Jails line item, thus leaving the total external capacity appropriation unchanged. The transfer reflects the ending of one of the department's contracts with a community corrections facility and the Department's increased use of jails as an intermediate sanction for parolees who commit technical parole violations.

R8 MEDICAL CASELOAD: The Department requests a net General Fund decrease of \$1,920,271 in FY 2017-18 in the Medical Services Subprogram appropriations, which represents a 0.5 percent decrease from the FY 2016-17 funding level. The reduction is the net result of two offsetting factors: a projected \$11.55 decrease of the per offender per month cost of external medical services for offenders (i.e. the cost of care for offenders who receive medical treatment outside of prison walls) and a projected \$3.06 increase of the per offender per month cost of pharmaceuticals.

R9 TECHNICAL ADJUSTMENTS: This is a multipart request that would reduce appropriations of Reappropriated Funds by \$136,051 and would reduce appropriations of Federal Funds by \$80,000. The request would also make some other changes to the Long Bill. In brief:

LETTERNOTE CHANGES: The FY 2016-17 Long Bill includes six appropriations of reappropriated funds and federal funds that give the Department the authority to spend grants that are no longer being received or have been reduced in size. The Department requests that these appropriations be reduced or eliminated accordingly.

UTILITIES CONSOLIDATION: The Department currently reimburses the Department of Human Services (DHS) for the utilities that DHS purchases on DOC's behalf for the three prison facilities on the Colorado Mental Health Institutes-Pueblo (CMHIP) campus. The Department pays DHS through two line items: the Utilities line item in the Utilities subprogram and the Purchase of Services line item in the Maintenance subprogram. The Department requests that all of these utility payments be consolidated in the Purchase of Services line item in the Maintenance Subprogram, which will cause appropriations to the Utilities Subprogram to go down by \$84,325 and appropriations to the Maintenance Subprogram to go up by an exactly offsetting amount.

Long Bill line item name changes: The Department requests that four Long Bill line items be renamed to more accurately reflect the usage of the funds and to more accurately reflect statutory language corresponding to the appropriations.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

TURNOVER AND VACANCY SURPLUS IN THE DOC: The Department of Corrections (DOC) has submitted five requests that redirect existing personal services appropriations to other budget areas. The DOC indicates that the funds can be shifted with no loss to the “donor” programs because those programs have built turnover up surplus as retiring workers with high wages are replaced with new workers who are paid less. The transfers would come from the accumulated turnover surplus. JBC staff suspects that long term vacancy surplus is also at work.

INMATE AND PAROLE POPULATION FORECASTS: The Department of Corrections' inmate prison population fell by almost 100 per month from April 2015 to April 2016 and then began increasing by about 30 per month. The December forecasts released by Legislative Council Staff (LCS) and by the Division of Criminal Justice (DCJ) both project that the inmate population will continue rising next year, but more slowly. DCJ predicts that the growth rate will tick upward slightly in the spring of 2018. The parole forecasts differ substantially. DCJ sees a steady, moderate increase where LCS sees gradual decline and then sharper decline in FY 2017-18.

SEX OFFENDER TREATMENT: The Department of Corrections' Sex Offender Treatment and Monitoring Program is experiencing difficulties. The Department has been unable to hire and retain the full number of FTE indicated in the Long Bill and two of the Department's budget requests would redirect personal services appropriations away from the Program. This may be an acknowledgement by the Department that the program will not be fully staffed for the foreseeable future.

PRIVATE PRISON EFFECTIVENESS: The General Assembly does not have enough information to decide how Colorado's private prisons compare to their public counterparts, despite twenty years of experience with private facilities. Nor does it have enough information to decide if Colorado's private prisons have gotten better or worse over time. This issue discusses what we do know, and suggests that the Department of Corrections can help reduce the information deficit with more complete reports from its private prison monitoring unit. The issue concludes with an analysis that suggests that the per diem for private prisons should be substantially higher.

Department of Education

The Department of Education supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. The Department distributes state and federal funds to school districts, and it administers a variety of education-related programs, including educator licensure, education programs for children with special needs, English language proficiency programs, the Colorado Preschool Program, and a variety of grant programs. The Department develops and maintains state model content standards, and administers associated assessments. The Department also includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring institute charter schools; and (3) the Public School Capital Construction Assistance Board, which is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization of state financial assistance for school construction projects. The Department's FY 2016-17 appropriation represents approximately 20.1 percent of statewide operating appropriations and 37.7 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	5,452,310,190	3,765,024,305	1,005,881,952	33,075,421	648,328,512	599.0
Other legislation	5,688,160	(397,199)	6,085,359	0	0	0.5
TOTAL	\$5,457,998,350	\$3,764,627,106	\$1,011,967,311	\$33,075,421	\$648,328,512	599.5
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$5,457,998,350	3,764,627,106	\$1,011,967,311	\$33,075,421	\$648,328,512	599.5
R1 Total program increase	48,384,534	198,151,694	(149,767,160)	0	0	0.0
R2 Categorical programs inflation increase	7,816,926	0	7,816,926	0	0	0.0
R3 Concurrent enrollment	93,737	93,737	0	0	0	0.9
R4 Academic standards revision	340,840	0	340,840	0	0	0.0
R5 Legal services increase	171,090	171,090	0	0	0	0.0
R6 CSDB teacher salary increase	50,070	50,070	0	0	0	0.0
R7 School health professionals grant program	9,700,000	0	9,700,000	0	0	3.0
NP OIT secure Colorado	61,529	31,866	0	29,663	0	0.0
NP Annual fleet vehicle request	6,266	6,266	0	0	0	0.0
NP Resources for administrative courts	2,392	0	1,979	413	0	0.0
Continuous appropriation adjustments	4,066,241	0	898,001	3,168,240	0	0.0
Centrally appropriated line item adjustments	3,757,005	1,240,303	361,878	389,510	1,765,314	0.0
Annualize prior year budget actions	1,227,975	100,000	2,127,975	200,000	(1,200,000)	(4.0)
Institute Charter School Assistance Fund	290,000	0	290,000	0	0	0.0
Continue CPP tax checkoff funding	131,982	0	131,982	0	0	0.0
Annualize prior year legislation	(4,038,381)	1,001,219	(5,039,600)	0	0	0.0
Reflect anticipated funds transfers	(3,332,289)	0	0	(3,332,289)	0	0.0
TOTAL	\$5,526,728,267	\$3,965,473,351	\$878,830,132	\$33,530,958	\$648,893,826	599.4
INCREASE/(DECREASE)	\$68,729,917	\$200,846,245	(\$133,137,179)	\$455,537	\$565,314	(0.1)
Percentage Change	1.3%	5.3%	(13.2%)	1.4%	0.1%	(0.0%)

R1 TOTAL PROGRAM INCREASE: The request includes a net increase of \$48.4 million total funds for appropriations related to school finance (including an increase of \$198.2 million General Fund that is partially offset by a reduction of \$150.0 million cash funds). The increase in total funds includes \$48.2 million for the state share of districts' total program funding and \$0.2 million for hold-harmless full-day kindergarten funding. Based on the Office of State Planning and Budgeting September 2016 Revenue Forecast, and including projected local revenues, the proposal would: (1) increase statewide average per pupil funding by \$182.02 (2.45 percent); and (2) increase the dollar value of the negative factor by \$45.4 million (from \$830.7 million in FY 2016-17 to \$876.1 million in FY 2017-18, or 5.5 percent). The request does not specify a negative factor for FY 2018-19 or subsequent years.

R2 CATEGORICAL PROGRAMS INFLATION INCREASE: Categorical programs serve particular groups of students or particular student needs. Amendment 23 requires the General Assembly to increase *total state funding* for all categorical programs (in aggregate) by at least the rate of inflation in FY 2017-18. The request, based on the OSPB-projected inflation rate for CY 2016 (2.7 percent), seeks an increase of \$7.8 million in additional funding from the State Education Fund for categorical programs in FY 2017-18. The request specifies the allocation of additional funds among the following five programs: \$4,301,695 for special education for children with disabilities; \$1,447,225 for English language proficiency programs; \$1,394,435 for public school transportation; \$507,156 for vocational education programs; and \$166,415 for educational services for gifted and talented children.

R3 CONCURRENT ENROLLMENT: The request includes an increase of \$93,737 General Fund and 0.9 FTE to support a new position to provide assistance and support to school districts related to concurrent enrollment programs. The proposal is based on a LEAN process review of the concurrent enrollment system conducted by the Department of Education, the Department of Higher Education, and the Concurrent Enrollment Advisory Board.

R4 ACADEMIC STANDARDS REVISION: The request includes an increase of \$340,840 cash funds from the State Education Fund to support the review and revision of the statewide academic standards as required by S.B. 08-212 (Colorado Achievement Plan for Kids or CAP4K). Section 22-7-1005 (6), C.R.S., requires the State Board of Education to review and adopt any appropriate revisions to the statewide standards by July 1, 2018, and every six years thereafter. The Department is requesting one-time funding to: (1) conduct a committee process for stakeholder engagement to review the standards and recommend changes; (2) contract with external experts to benchmark the revised standards against national and international efforts; and (3) contract for project management, facilitation of specific content area efforts, copy editing, and online feedback management.

R5 LEGAL SERVICES INCREASE: The request includes an increase of \$171,090 General Fund to support the purchase of additional legal services from the Department of Law. The Department points to three major drivers of the increasing need for legal services: (1) schools and districts reaching the end of the five year accountability clock under S.B. 09-163 (Education Accountability System), requiring legal services to support the State Board's actions; (2) legal advice regarding the impact of the federal reauthorization of the Elementary and Secondary Education Act (the Every Student Succeeds Act); and (3) advice regarding the Student Violence Prevention and Discipline Manual.

R6 CSDB TEACHER SALARY INCREASE: The request includes an increase of \$50,070 General Fund for salary increases for teachers employed at the Colorado School for the Deaf and the Blind (CSDB). Statute (Sec. 22-80-106.5, C.R.S.) requires the CSDB to compensate teachers based on the Colorado Springs District 11 salary schedule, using the CSDB's salary policies to implement the salary schedule. To align with the revised District 11 salary schedule for FY 2016-17 (the CSDB salaries lag District 11 by one year), the request includes \$50,070 for experience step increases.

R7 SCHOOL HEALTH PROFESSIONALS: The request includes an increase of \$9.7 million cash funds from the Marijuana Tax Cash Fund and 3.0 FTE to expand the School Health Professionals Grant Program, established in S.B. 14-215 (Disposition of Legal Marijuana Related Revenue). The School Health Professionals Grant Program, which is supported with \$2.3 million cash funds from the Marijuana Tax Cash Fund in FY 2016-17, offers matching grants to school districts, local education authorities, and charter schools to increase the presence of school health professionals. The Department estimates that this request will allow the grant program to support an additional 150 school health professionals (primarily school nurses) statewide in addition to providing additional FTE to the Department to improve training for the field, increase outreach to students through a dedicated “youth liaison”, and improve operations of the program through additional administrative and fiscal staff.

NP OIT SECURE COLORADO: The request includes an increase of \$61,529 total funds (including \$31,866 General Fund to implement the next phase of the Secure Colorado project. *This request was addressed in a separate staff briefing for the Office of the Governor on Thursday, November 17, 2016.*

NP ANNUAL FLEET VEHICLE REQUEST: The request includes an increase of \$6,266 General Fund for vehicle lease payments for the Colorado School for the Deaf and the Blind. *The annual fleet vehicle request will be addressed in a separate staff briefing for the Department of Personnel on Wednesday, December 7, 2016.*

NP RESOURCES FOR ADMINISTRATIVE COURTS: The request includes an increase of \$2,392 total funds for administrative law judge services as part of a statewide request seeking resources for administrative courts. *The administrative law judge request will be addressed in a separate staff briefing for the Department of Personnel on Wednesday, December 7, 2016.*

CONTINUOUS APPROPRIATION ADJUSTMENTS: The request includes an increase of \$4,066,241 total funds that are continuously appropriated to the Department and reflected in the Long Bill for informational purposes only. The request seeks to align appropriations with the Department’s current estimates of continuously appropriated funds available to the State Charter School Institute (an increase of \$3,168,240 reappropriated funds) and the Office of Professional Services (\$898,001 cash funds).

CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; salary survey; short-term disability; supplemental state contributions to the Public Employees’ Retirement Association (PERA) pension fund; shift differential; vehicle lease payments; workers’ compensation; legal services; administrative law judge payments; payments to risk management and property funds; leased space; Capitol complex leased space; and payments to OIT. *With the exception of the Payments to OIT line item, all of these requests will be addressed in a separate staff briefing for the Department of Personnel on Wednesday, December 7, 2016. The Payments to OIT request was discussed in a separate staff briefing for the Office of the Governor on November 17, 2016.*

CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$1,248,516	\$448,226	\$167,714	\$135,093	\$497,483	0.0
Indirect cost assessment adjustment	923,583	0	106,858	0	816,725	0.0
Health, life, and dental adjustment	388,308	279,180	(16,559)	28,630	97,057	0.0
Payments to OIT adjustment	305,666	158,293	0	147,373	0	0.0
SAED adjustment	253,494	148,249	9,868	35,462	59,915	0.0
Leased space adjustment	248,627	13,819	42,713	12,607	179,488	0.0
AED adjustment	232,096	141,217	6,730	33,223	50,926	0.0
Capitol Complex leased space adjustment	116,848	25,695	13,436	18,636	59,081	0.0
ALJ adjustment	29,492	0	24,401	5,091	0	0.0

CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Legal services adjustment	25,559	11,712	13,005	842	0	0.0
Payment to risk management / property funds adjustment	24,116	24,116	0	0	0	0.0
Workers' compensation adjustment	12,421	4,750	1,602	1,056	5,013	0.0
Shift differential adjustment	4,095	4,095	0	0	0	0.0
Short-term disability adjustment	3,031	3,293	(521)	633	(374)	0.0
CORE adjustment	(58,847)	(22,342)	(7,369)	(29,136)	0	0.0
TOTAL	\$3,757,005	\$1,240,303	\$361,878	\$389,510	\$1,765,314	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes changes to reflect the second-year impact of prior year budget actions. The following table itemizes each requested annualization for FY 2017-18.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize office of dropout prevention reduction	\$1,100,000	\$0	\$1,100,000	\$0	\$0	0.0
Annualize school bullying prevention reduction	1,100,000	0	1,100,000	0	0	0.0
Annualize start smart reduction	400,000	200,000	0	200,000	0	0.0
Annualize Educator Effectiveness Implementation	(1,200,000)	0	0	0	(1,200,000)	(4.0)
Annualize educator perception	(100,000)	(100,000)	0	0	0	0.0
Annualize FY 2015-16 R3 CPP tax checkoff	(72,025)	0	(72,025)	0	0	0.0
TOTAL	\$1,227,975	\$100,000	\$2,127,975	\$200,000	(\$1,200,000)	(4.0)

INSTITUTE CHARTER SCHOOL ASSISTANCE FUND: The request includes an increase of \$290,000 cash funds for the State Charter School Institute from the Institute Charter School Assistance Fund. However, the November 1 request was based on a misconception that this fund source was continuously appropriated to the Department. Because this fund is not continuously appropriated to the Department, the Department has indicated that this component of the request was a technical error.

CONTINUE CPP TAX CHECKOFF FUNDING: The request includes \$131,982 cash funds to continue to provide training and professional development to Colorado Preschool Program (CPP) providers in an effort to enhance literacy and mathematics instruction. The request assumes continuation of a program included in the FY 2016-17 Long Bill (including an appropriation of \$72,025 cash funds in FY 2016-17) using cash funds that were collected as part of a voluntary tax checkoff authorized in S.B. 11-109 (Public Education Fund Tax Checkoff) and transferred to the Public Education Fund created in that bill. .

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes changes to reflect the second-year impact of 2016 Session legislation. The following table itemizes each requested annualization for FY 2017-18.

ANNUALIZE PRIOR YEAR LEGISLATION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Annualize HB 16-1289 Career Development Success Pilot Program	\$1,000,000	\$1,000,000	\$0	0.0
Annualize HB 16-1429 (Alt Ed Campus Criteria & Pilot Program)	1,219	1,219	0	0.0
Annualize SB 16-072 (Increase Annual BEST Lease Purchase Payment)	(5,000,000)	0	(5,000,000)	0.0
Annualize HB 16-1234 (State Assessment Selection and Local Flexibility)	(39,600)	0	(39,600)	0.0
TOTAL	(\$4,038,381)	\$1,001,219	(\$5,039,600)	0.0

REFLECT ANTICIPATED FUND TRANSFERS: The request includes a net decrease of \$3,332,289 reappropriated funds to reflect changes in anticipated transfers of funds based on interagency agreements with the Department of Health Care Policy and Financing (an anticipated increase of \$16,971 to be transferred for S.B. 97-101 Public School Health Services) and the Department of Human Services (a net decrease of \$3,349,260 primarily based on the Departments’ interagency agreement related to federal child care block grant funding).

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

SCHOOL FINANCE ACT FUNDING PROJECTIONS: Current law requires the General Assembly to provide at least enough funding for school finance in FY 2017-18 to maintain the negative factor at no more than the dollar amount from FY 2016-17 (\$830.7 million based on the current FY 2016-17 appropriation). Based on current Legislative Council Staff estimates of revenues and pupil counts, maintaining the negative factor at \$830.7 million in FY 2017-18 would require an additional \$107.8 million total state funds (including an increase of \$263.7 million General Fund which is partially offset by reductions from cash fund sources) above the FY 2016-17 appropriation. Barring changes to other appropriations, any reduction in the negative factor for FY 2017-18 would require additional General Fund.

IMPROVING EQUITY IN THE SCHOOL FINANCE PROPERTY TAX SYSTEM: School Finance in Colorado is supported by a mix of local and state revenues. Local funds, primarily from property taxes, provide the first source of revenues and state funds make up the difference between the local revenues available and the school district’s total program funding amount. Disparities in local total program mill levies are reducing local revenues available for schools finance and increasing pressure on the state budget. These disparities raise concerns about the equity of the school finance system for Colorado’s taxpayers and school districts.

HUMAN RESOURCES AND PERSONNEL MANAGEMENT AT THE DEPARTMENT OF EDUCATION: Current law gives the State Board of Education (State Board) and the Department more flexibility than most state agencies to hire employees outside of the classified personnel system. However, it appears that the Department has exceeded its authority to hire such positions. The Department’s frequent utilization of that flexibility, including the conversion previously classified positions to non-classified status (including positions that appear to be directly comparable to classified positions in other agencies) raises concerns about potentially inequitable treatment of similar employees between state agencies, a lack of oversight of the Department’s personnel management and salary systems, and potential legal exposure for the Department and the State.

STATUS OF THE CONTINGENCY RESERVE FUND: Statute authorizes the State Board to approve payments from the Contingency Reserve Fund to assist school districts under a variety of extenuating circumstances. House Bill 16-1422 (School Finance) authorizes the State Board to make one-time payments to school districts that: (1) are absorbing the impact of the negative factor in a given year and (2) received little or no state funding *prior to the negative factor* in the preceding year. The Legislative Council Staff Final Fiscal Note for H.B. 16-1422 anticipated a need for \$955,852 for this provision in FY 2016-17. However, after accounting for actions taken since the enactment of H.B. 16-1422, the Contingency Reserve Fund currently has only \$546,495 available for distribution in FY 2016-17.

REQUEST R4 – ACADEMIC STANDARDS REVISION: Current law requires the State Board of Education to review (and adopt any necessary revisions to) the statewide academic standards by July 1, 2018. For FY 2017-18, the Department is requesting a one-time appropriation of \$340,840 cash funds from the State Education Fund for FY 2017-18 to support the required review and revision.

B.E.S.T. CASH FUND TRANSFER PROPOSAL: As a General Fund balancing measure for FY 2017-18, the Governor is proposing to: (1) transfer \$15.0 million cash funds from the Public School Capital Construction Assistance Fund (which supports the Building Excellent Schools Today (B.E.S.T.) program) to the State Public School Fund and (2) appropriate those funds from the State Public School Fund to offset a General Fund reduction for school finance. The transfer would not impact the Department’s anticipated expenditures for the B.E.S.T. program in the near term but would inherently reduce the amount available for grants to schools and districts.

FEDERAL ESSA – IMPACT ON ASSESSMENTS AND ACCOUNTABILITY: Among other changes, the federal reauthorization of the Elementary and Secondary Education Act in 2015 (the Every Student Succeeds Act) provides the State with additional flexibility in the design and implementation of assessment and accountability systems. While the federal law does not appear to *require* changes to Colorado assessment and accountability systems, the law would *allow* the General Assembly to modify both systems.

COLORADO CONCURRENT ENROLLMENT PROGRAMS AND REQUEST R3: High school students in Colorado participate in five types of concurrent enrollment programs, four of which are specifically authorized in state statute. Student participation has increased in recent years with roughly 30.0 percent of high school students participating in some form of concurrent enrollment course in FY 2014-15. The Department reports that inconsistent implementation has created challenges for students, school districts, and institutions of higher education participating in the program. Based on a LEAN process review of the concurrent enrollment program, the Department is requesting an increase of \$93,737 General Fund and 0.9 FTE in FY 2017-18 to create a new position to provide dedicated support and assistance to school districts participating in concurrent enrollment.

Office of the Governor

The Office of the Governor includes the functions associated with the Governorship (oversight of executive branch agencies, policy development, communications, and citizen support services), as well as the Office of the Lieutenant Governor, Office of State Planning and Budgeting, Office of Economic Development and International Trade, Office of Information Technology, and Colorado Energy Office. The Department's FY 2016-17 appropriation represents 1.1 percent of statewide operating appropriations and 0.4 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	306,849,429	35,996,004	43,978,954	220,362,604	6,511,867	1,090.0
Other legislation	403,183	0	0	403,183	0	0.0
TOTAL	\$307,252,612	\$35,996,004	\$43,978,954	\$220,765,787	\$6,511,867	1,090.0
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$307,252,612	35,996,004	\$43,978,954	\$220,765,787	\$6,511,867	1,090.0
OFFICE OF THE GOVERNOR						
R1 (GOV) Marijuana Office sunset	(103,030)	0	(103,030)	0	0	(1.0)
R2 (GOV) LEAN initiatives	500,000	500,000	0	0	0	0.0
COLORADO ENERGY OFFICE						
R1 (CEO) Reauthorization of Clean and Innovative Fund	5,100,000	0	5,100,000	0	0	24.0
OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE						
R1 (OEDIT) EDC reauthorization	5,000,000	5,000,000	0	0	0	5.0
R2 (OEDIT) Outdoor Rec FTE	97,500	97,500	0	0	0	1.0
OFFICE OF INFORMATION TECHNOLOGY						
R1 (OIT) Secure Colorado	3,091,644	0	0	3,091,644	0	7.0
R2 (OIT) CO Technology Advancement and Emergency Fund	2,000,000	2,000,000	0	0	0	0.0
R3 (OIT) Marijuana data coordination	1,109,625	0	1,109,625	0	0	0.0
R4 (OIT) Deskside staffing	1,095,218	0	0	1,095,218	0	8.0
R5 (OIT) Enterprise applications realignment	0	0	0	0	0	0.0
R6 (OIT) Department of Revenue telephone replacement	791,172	0	0	791,172	0	0.0
OTHER CHANGES						
Annualize prior year budget actions	2,071,152	(5,000,000)	0	7,071,152	0	(4.0)
Centrally appropriated line items	1,505,615	216,027	(24,530)	1,344,965	(30,847)	0.0
Technical changes	1,500,000	0	1,500,000	0	0	0.0
Non-prioritized request items	403,358	23,035	0	380,323	0	0.0
Annualize prior year legislation	308,467	626,370	(3,700,000)	3,382,097	0	(24.0)
TOTAL	\$331,723,333	\$39,458,936	\$47,861,019	\$237,922,358	\$6,481,020	1,106.0
INCREASE/(DECREASE)	\$24,470,721	\$3,462,932	\$3,882,065	\$17,156,571	(\$30,847)	16.0
Percentage Change	8.0%	9.6%	8.8%	7.8%	(0.5%)	1.5%

OFFICE OF THE GOVERNOR

R1 (GOV) MARIJUANA OFFICE SUNSET: The request includes a decrease \$103,030 cash funds from the Marijuana Tax Cash Fund and 1.0 FTE for FY 2017-18 to close the Office of Marijuana Coordination and transfer the remaining \$97,199 cash funds from the Marijuana Tax Cash Fund and 1.0 FTE to the Office of the Governor for long-term cross-agency coordination. The submittal indicates that the short-term work of the Office of Marijuana Coordination is approaching completion and the remaining work related to the State's implementation of medical and recreational marijuana policy can be absorbed by agencies in conjunction with the 1.0 FTE requested for transfer to the Office of Governor proper.

Note, a budget change such as the one requested does not require a statutory change. However, statutory changes are required to sunset the Office of Marijuana Coordination and changes have been requested. The provisions of current law requested to be amended include sections related directly to the creation and duties of the Office (Sections 24-38.3-101 and 102, C.R.S.), as well as references to the Office included in other sections of statute (e.g. Section 25-3.5-1006, C.R.S.)

R2 (GOV) LEAN INITIATIVES: The request seeks an increase of \$500,000 General Fund for FY 2017-18 to provide process improvement and LEAN training opportunities to State employees. The Office of State Planning and Budgeting currently has funds in its base appropriation to administer a training program to approximately 80 State employees each year. The Office indicates that this program, dubbed the Performance Management Academy, is not sufficiently funded to build on its successes and to meet the training needs of a larger number of State employees. The goal of the request requested is to scale up the Academy through a new delivery mechanism in conjunction with the Department of Personnel's Center for Organizational Effectiveness. The requested money would be used to provide equal matching funds to State agencies to increase training opportunities. The Office estimates that this appropriation would provide training for approximately 500 additional State employees.

COLORADO ENERGY OFFICE

R1 (CEO) REAUTHORIZATION OF CLEAN AND INNOVATIVE FUND: The request includes two components, each requiring statutory changes:

- The Colorado Energy Office received its final annual transfer of \$1.6 million General Fund to the Clean and Renewable Energy Fund on July 1, 2016. This transfer occurred for five consecutive fiscal years. Additionally, the Office received its final annual transfer of \$1.5 million of "off-the-top" severance tax to the Innovative Energy Fund on July 1, 2016. This transfer occurred for five consecutive fiscal years, as well. The Office requests that these two transfers be reauthorized for five additional fiscal years. These transfers have historically been used to fund the personal services and operating expenses associated with the Office's functions.
- Under current law, the Colorado Energy Office receives an annual transfer of up to \$6.5 million from Tier 2 of the Operational Account of the Severance Tax Trust Fund to the Colorado Energy Office Low-income Energy Assistance Fund. This transfer is used by the Office to improve home energy efficiency through various weatherization initiatives. Per the September 2016 Legislative Council Services economic forecast, this transfer will not occur in FY 2016-17 or FY 2017-18 due to a decrease in the collection of severance tax revenue. To continue providing weatherization services in the absence of revenue from severance tax collections, the Office requests a transfer of \$2.0 million General Fund to the Colorado Energy Office Low-income Energy Assistance Fund for five years beginning on July 1, 2017.

OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

R1 (OEDIT) EDC REAUTHORIZATION: The Office of Economic Development and International Trade seeks a 10 year extension of the July 1, 2017 repeal date for the statutory provisions that create, authorize, and delineate the responsibilities of the Colorado Economic Development Commission. Additionally, the Office asks for a continuation-level appropriation of \$5.0 million General Fund for FY 2017-18 and future years to fund the activities of the Commission.

R2 (OEDIT) OUTDOOR REC FTE: The request includes an increase of \$97,500 General Fund and 1.0 FTE for FY 2017-18 for the Office of Economic Development and International Trade to hire a Deputy Director for the Colorado Outdoor Recreation Industry Office (ORec Office). The ORec Office provides a central point of contact, advocacy, and support at the state level for the constituents, businesses, communities, and groups that rely on the continued health of the outdoor recreation industry in Colorado for their economic well-being. This Office is currently staffed by one individual at the director level.

OFFICE OF INFORMATION TECHNOLOGY

R1 (OIT) SECURE COLORADO: The request seeks an increase of \$3,091,644 reappropriated funds transferred from State agencies to the Office of Information Technology and 7.0 FTE for FY 2017-18 for several initiatives related to the State’s cybersecurity program known as “Secure Colorado.” The initiatives include:

- An internship program to hire and train skilled military veterans;
- Acquiring a governance, risk, and compliance tool (GRC) to document security controls;
- Hiring additional staff to conduct internal and vendor security compliance monitoring;
- Adding to the existing capabilities of the Office of Information Technology to address existing high-risk security audit findings and build-out the capability to more quickly assess high-priority security needs; and
- Deploying a multi-factor authentication tool for enterprise identity management.

FY 2017-18 Secure Colorado Request		
Item	Amount	FTE
Veterans Internship Program	\$912,125	1.0
Governance, Risk, and Compliance Tool	476,506	2.0
Internal and Vendor Security Compliance Monitoring	453,013	4.0
High-risk Security Audit Findings / High Priority Threats	250,000	0.0
Identity Management	1,000,000	0.0
Total	\$3,091,644	7.0

R2 (OIT) CO TECHNOLOGY ADVANCEMENT AND EMERGENCY FUND: The request includes an increase of \$2,000,000 General Fund for FY 2017-18 and future fiscal years for the Office of Information Technology to make emergency IT expenditures, address deferred maintenance of State agency IT assets (network, systems, and voice), and to provide additional services as requested (but not funded) by State agencies. The requested money would be divided as follows:

- Emergency IT Expenditures – \$500,000;
- Deferred Maintenance of IT Assets – \$1,000,000; and
- Additional Services for Agencies – \$500,000.

The request indicates that an “IT Advancement Steering Committee” would be formed to review project status, allocate or revoke funding, and provide oversight to the technical operations of OIT as it relates to expenditures of money appropriated for these purposes. This committee would consist of five members at the Executive Director or Deputy Executive Director level from executive branch agencies under the legal jurisdiction of OIT.

R3 (OIT) MARIJUANA DATA COORDINATION: The request seeks \$1,109,625 cash funds from the Marijuana Tax Cash Fund for FY 2017-18 to create a data platform to identify, locate, assimilate, store, analyze, disseminate, and present marijuana-related information. A report commissioned by the Colorado Department of Public Safety found that the State has a medium to low capability to collect data related to the impact of legalized marijuana. The current model for exchanging data between agencies results in out-of-date information, issues with data ownership, issues with data security, and issues with data formatting. This request aims to correct these deficiencies.

Specifically, OIT will develop tools to bring together data from all data owners in real-time for use in a variety of applications specific to agency needs. This solution does not seek to remove data from its existing databases, but rather calls for a series of tools that access the data in a secure manner so that it can be combined with other data within applications used by agencies.

R4 (OIT) DESKSIDE STAFFING: The request includes an increase of \$1,095,218 reappropriated funds transferred from State agencies to the Office of Information Technology and 8.0 FTE for FY 2017-18 to add staff and contract resources to the Office’s End User Deskside team. This unit, consisting of 112 employees, services State employee computer devices, including peripheral equipment, such as printers. The Office indicates that the industry standard for deskside staff to customers is 1:175. OIT’s current ratio is 1:253 and this request seeks to move the Office to a ratio of 1:220.

For FY 2015-16, the group received 26,078 change orders, had an average of 1,194 open at the end of each month, and had an average resolution time of 10.22 days. Note, in FY 2015-16, OIT took the short-term step of enlisting six contract resources to address the backlog. For FY 2014-15, without the contract resources made available for one year, the average resolution time was 19.08 days.

R5 (OIT) ENTERPRISE APPLICATIONS REALIGNMENT: The request seeks a budget neutral transfer of appropriations between line items in the Office of Information Technology for FY 2017-18 to modify the current organizational structure of the unit providing support and maintenance of approximately 1,700 applications for 17 State agencies. The current organizational structure is based on a model of employees serving the needs of a specific application for a specific agency. As the number of applications has been reduced through a General Assembly-funded project dubbed “eliminate redundant applications,” the need to budget at the agency-type level (e.g. health services) has been replaced with a need to budget at the technology-level (e.g. shared services vs. agency services).

R6 (OIT) DEPARTMENT OF REVENUE TELEPHONE REPLACEMENT: The request includes an increase of \$791,172 reappropriated funds transferred from the Department of Revenue to the Office of Information Technology for FY 2017-18 to replace the legacy telecommunications system at six of the Department of Revenue’s locations.

Department of Revenue Telephone Replacement Equipment Count			
Location	Phones	Voicemail	Call Center Agents
1881 Pierce	806	800	200
1375 Sherman	176	176	127
720 S. Colorado	109	109	0
17301 Colfax	68	68	0
350 W. Carr	32	32	0
147 Lawrence	48	48	0
Total	1,239	1,233	327

Department of Revenue Telephone Replacement Budget			
Item	FY 2017-18	FY 2018-19	FY 2019-20 and Beyond
Phones	\$438,606	\$438,606	\$438,606
Voicemail	88,776	88,776	88,776
Call Center Services	128,790	128,790	128,790
Project Management	135,000	67,500	0
Total	\$791,172	\$723,672	\$656,172

OTHER CHANGES

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments related to prior year budget actions, primarily decision items. The table below itemizes each requested annualization for FY 2017-18.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize CBMS/PEAK annual base adjustment	\$4,009,792	\$0	\$0	\$4,009,792	\$0	0.0
Annualize HRIS/KRONOS capital project into operating budget	3,043,760	0	0	3,043,760	0	0.0
Annualize Voice services spending authority	300,854	0	0	300,854	0	0.0
Annualize CBMS client correspondence	59,844	0	0	59,844	0	0.0
Annualize OIT End user configuration management tool	6,605	0	0	6,605	0	0.0
Annualize prior year salary survey	0	0	0	0	0	0.0
Annualize EDC authority	(5,000,000)	(5,000,000)	0	0	0	(4.0)
Annualize HCPF Legacy systems and technology support	(325,000)	0	0	(325,000)	0	0.0
Annualize Niche Records Management System	(24,703)	0	0	(24,703)	0	0.0
TOTAL	\$2,071,152	(\$5,000,000)	\$0	\$7,071,152	\$0	(4.0)

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; vehicle lease payments; workers' compensation; legal services; payment to risk management and property funds; Capitol complex leased space; and Payments to OIT. The following table itemizes each requested centrally appropriated line item adjustment for FY 2017-18.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$2,305,604	\$173,146	\$103,841	\$2,004,506	\$24,111	0.0
Health, life, and dental adjustment	534,864	146,987	(1,691)	358,363	31,205	0.0
Indirect cost assessment adjustment	283,026	(283,026)	0	566,052	0	0.0
SAED adjustment	247,607	21,503	(33,341)	272,813	(13,368)	0.0
AED adjustment	205,589	18,382	(35,700)	236,882	(13,975)	0.0
Capitol Complex leased space adjustment	105,715	56,325	0	49,390	0	0.0
Workers' compensation adjustment	98,246	10,153	0	88,093	0	0.0
Legal services adjustment	28,193	17,290	1,546	9,357	0	0.0
Leased space adjustment	24,000	0	0	24,000	0	0.0
Short-term disability adjustment	2,491	655	(1,368)	3,737	(533)	0.0
Payments to OIT adjustment	(2,187,346)	223,573	0	(2,410,919)	0	0.0
Payment to risk management / property funds adjustment	(86,281)	(27,473)	0	(58,808)	0	0.0
CORE adjustment	(53,777)	(141,488)	(57,817)	203,815	(58,287)	0.0
Shift differential adjustment	(2,316)	0	0	(2,316)	0	0.0
TOTAL	\$1,505,615	\$216,027	(\$24,530)	\$1,344,965	(\$30,847)	0.0

TECHNICAL CHANGES: Represents revenue forecast adjustments and various technical adjustments included in the FY 2017-18 appropriation request.

TECHNICAL CHANGES				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Advanced industries true-up	\$1,500,000	\$0	\$1,500,000	0.0

NON-PRIORITIZED REQUEST ITEMS: Includes the annual fleet vehicle request from the Department of Personnel and the Office of the Governor's (division) share of the Secure Colorado decision item in the Office of Information Technology. The table below itemizes each requested non-prioritized item for FY 2017-18.

NON-PRIORITIZED REQUEST ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
NP OIT HCPF Benefit Utilization System (BUS)	\$325,000	\$0	\$0	\$325,000	\$0	0.0
NP DPA OAC Electronic Case MS	54,429	0	0	54,429	0	0.0
NP OIT Secure Colorado	15,652	15,652	0	0	0	0.0
NP OIT Deskside support	6,259	6,259	0	0	0	0.0
NP Annual fleet vehicle request	2,018	1,124	0	894	0	0.0
TOTAL	\$403,358	\$23,035	\$0	\$380,323	\$0	0.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments related to prior year legislation. The table below itemizes each requested annualization for FY 2017-18.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize HB 14-1203 (Funding For Digital Trunked Radio Sys Maintenance)	\$7,400,000	\$3,700,000	\$0	\$3,700,000	\$0	0.0
Annualize SB 16-069 (Community Paramedicine Regulation)	38,080	0	0	38,080	0	0.0
Annualize HB 12-1315 (Reorganization Of Governors Energy Office)	(3,700,000)	0	(3,700,000)	0	0	(24.0)
Annualize HB 14-1011 (Advanced Industry Economic Development Funding)	(3,073,630)	(3,073,630)	0	0	0	0.0
Annualize HB 16-1227 (Exemptions Child Support Reqmnts Child Care Assist)	(268,562)	0	0	(268,562)	0	0.0
Annualize HB 16-1047 (Interstate Medical Licensure Compact)	(66,100)	0	0	(66,100)	0	0.0
Annualize SB 16-030 (Motor Vehicle Weight Violation Surcharges)	(12,566)	0	0	(12,566)	0	0.0
Annualize HB 16-1097 (PUC Permit For Medicaid Transportation Providers)	(8,755)	0	0	(8,755)	0	0.0
TOTAL	\$308,467	\$626,370	(\$3,700,000)	\$3,382,097	\$0	(24.0)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

FUNDING THE COLORADO ENERGY OFFICE: Current law funds the operations of the Colorado Energy Office primarily with a combination of General Fund money and revenue from severance tax that is annually transferred into cash funds. The Office requests, and staff recommends, that the Joint Budget Committee sponsor legislation to continue funding the Office’s operations via transfers into its cash funds through FY 2021-22.

REAUTHORIZATION OF THE ECONOMIC DEVELOPMENT COMMISSION: The statutory provisions that create and delineate the roles and responsibilities of the Economic Development Commission are slated to expire on July 1, 2017. The Office requests, and staff recommends, that the Joint Budget Committee sponsor legislation to extend repeal of the Commission to July 1, 2027.

STATEWIDE INFORMATION TECHNOLOGY BASE BUDGET REQUEST: The Governor’s Office of Information Technology (OIT) provides services to State agencies on a cost reimbursement basis, with OIT acting as a vendor to State agencies. The Office’s FY 2017-18 base budget (does not include new funding requests) request includes \$137.0 million total funds billed to State agencies for a variety of services.

CAPITAL CONSTRUCTION INFORMATION TECHNOLOGY FUNDING REQUESTS: Executive branch agencies request \$37.9 million total funds, including \$23.8 million General Fund, for FY 2017-18 for eight new and continuing capital construction information technology projects. Additionally, the Colorado Commission on Higher Education requests \$19.0 million total funds, including \$18.3 million General Fund, for FY 2017-18 for six new capital construction information technology projects.

CAPITAL CONSTRUCTION INFORMATION TECHNOLOGY POTENTIAL LEGISLATION: The Joint Technology Committee voted to draft legislation implementing a concept referred to as a “zero dollar contract.” The goal of the “zero dollar contract” is to revamp the budget and procurement process for future capital construction information technology projects to better predict vendor costs and provide the State with additional contract negotiation leverage.

Department of Health Care Policy and Financing

The Department of Health Care Policy and Financing helps pay health and long-term care expenses for low-income and vulnerable populations. To assist with these costs the Department receives significant federal matching funds, but must adhere to federal rules regarding program eligibility, benefits, and other features, as a condition of accepting the federal money. The Department's FY 2016-17 appropriation represents approximately 33.6 percent of statewide operating appropriations and 26.6 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	9,059,846,783	2,660,581,107	985,068,901	12,406,599	5,401,790,176	432.0
Other Legislation	57,034,095	(6,186,893)	27,416,620	0	35,804,368	3.8
TOTAL	\$9,116,880,878	\$2,654,394,214	\$1,012,485,521	\$12,406,599	\$5,437,594,544	435.8
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$9,116,880,878	2,654,394,214	\$1,012,485,521	\$12,406,599	\$5,437,594,544	435.8
R1 Medical Services Premiums	361,396,284	124,330,802	10,348,553	3,790,151	222,926,778	0.0
R2 Behavioral Health	20,962,544	(406,491)	11,420,458	0	9,948,577	0.0
R3 Children's Basic Health Plan	18,510,002	(1,878,825)	1,665,246	0	18,723,581	0.0
R4 Medicare Modernization Act	19,674,000	19,674,000	0	0	0	0.0
R5 Office of Community Living	9,869,672	(2,025,296)	8,427,248	0	3,467,720	0.0
R6 Delivery system and payment reform	3,213,375	(200,342)	(187,409)	0	3,601,126	0.0
R7 Oversight of state resources	1,486,941	(1,658,036)	100,685	0	3,044,292	13.2
R8 MMIS Operations	23,524,339	(566,430)	2,953,578	(275,978)	21,413,169	1.8
R9 Long-term care utilization management	1,030,568	257,644	(9,219)	0	782,143	0.0
R10 Regional Center task force	922,801	224,066	0	0	698,735	1.8
R11 Vendor transitions	2,598,458	929,629	369,600	0	1,299,229	0.0
R12 Local Public Health Agency partnerships	711,000	355,500	0	0	355,500	0.0
R13 Quality of care and performance improvement projects	639,237	280,869	0	0	358,368	0.0
R14 Federal match rate	0	253,832	574,855	6,020	(834,707)	0.0
Human Services programs	2,302,088	1,151,047	0	0	1,151,041	0.0
Centrally appropriated line items	1,348,670	487,423	102,151	22,581	736,515	0.0
Non-prioritized requests	861,753	403,591	28,663	0	429,499	0.0
Transfers to other state agencies	832,997	208,866	0	0	624,131	0.0
Indirect cost adjustment	215,804	0	32,729	111,491	71,584	0.0
Annualize prior year budget actions	(96,594,036)	1,014,674	(28,173,540)	8,281	(69,443,451)	0.3
TOTAL	\$9,490,387,375	\$2,797,230,737	\$1,020,139,119	\$16,069,145	\$5,656,948,374	452.9
INCREASE/(DECREASE)	\$373,506,497	\$142,836,523	\$7,653,598	\$3,662,546	\$219,353,830	17.1
Percentage Change	4.1%	5.4%	0.8%	29.5%	4.0%	3.9%

DESCRIPTION OF INCREMENTAL CHANGES

R1 Medical Services Premiums: The Department requests a net increase of \$361.4 million total funds, including \$124.3 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for the Medical Services Premiums line item. The projection includes an increase of \$93.3 million total funds, including \$22.2 million General Fund, for Hepatitis C treatments resulting from a change in prior authorization criteria that was implemented by the Department in October 2016. The projection for cash funds and federal funds reflects the Governor's proposed \$195.0 million restriction on Hospital Provider Fee revenues, which reduces the General Fund obligation for a TABOR refund by \$195.0 million from the Office of State Planning and Budgeting forecast.

R2 Behavioral Health Programs: The Department requests a net increase of \$21.0 million total funds, including a decrease of \$0.4 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for behavioral health services.

R3 Children's Basic Health Plan: The Department requests a net increase of \$18.5 million total funds, including a decrease of \$1.9 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for the Children's Basic Health Plan.

R4 Medicare Modernization Act: The Department requests an increase of \$19.7 million General Fund for the projected state obligation pursuant to the federal Medicare Modernization Act to pay the federal government in lieu of the state covering prescription drugs for people dually eligible for Medicaid and Medicare.

R5 Office of Community Living: The Department requests a net increase of \$9.9 million total funds, including a decrease of \$2.0 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for services for people with intellectual and developmental disabilities.

R6 DELIVERY SYSTEM AND PAYMENT REFORM: The Department requests a net increase of \$3.2 million total funds, including a decrease of \$200,342 General Fund, for a number of changes that the Department characterizes as delivery system and payment reforms.

The Department proposes taking a portion of the money currently paid to certain providers and transforming it into incentive payments based on health outcomes and performance:

- *Primary Care:* The Department requests General Fund for the state share of costs to continue an increase in primary care rates (referred to as the primary care rate bump) that was financed with one-time tobacco settlement moneys by H.B. 16-1408 and is set to expire at the end of FY 2016-17. The Department would negotiate with stakeholders over the course of the year so that beginning in FY 2018-19 an unspecified portion of the primary care rate bump would be paid based on performance metrics, which would be aligned with the performance metrics of the federal Medicare Access and CHIP Reauthorization Act of 2015 (MACRA).
- *Behavioral Health:* Behavioral health incentive payments would be financed using the savings from a federally required change in the way behavioral health capitation rates are set, although there would be a delay between when capitated rates are reduced and incentive payments are disbursed, resulting in a one-time savings in FY 2017-18.
- *Federally Qualified Health Centers (FQHCs):* An unspecified amount of performance incentives for FQHCs would be financed by reducing monthly base payments to the FQHCs.

In addition to implementing the new incentive payments described above, the Department requests funding to implement Phase II of the Accountable Care Collaborative, which features the coordination of physical and behavioral health and mandatory enrollment. Phase II is projected to result in net savings from avoided high cost care. The expenditures and savings associated with Phase II won't occur until FY 2018-19.

The Department also proposes adjusting Medicaid rates for vaccines annually to match private sector prices reported by the Centers for Disease Control. Annually updating vaccine rates will capture decreases in price that often occur when patents expire and generics are introduced, leading the Department to believe that the policy change will result in a net savings, even if the rates for some vaccines increase.

Finally, the request accounts for expected short-duration savings from a change in the timing of Medicaid payments for hospital outpatient services. This partially offsets the first year General Fund cost of continuing the primary care rate bump (the rest of the first year offset comes from the delay in funding behavioral health incentive payments and the change to vaccine stock rates). Although the Governor's official supplemental request is not due until January 2017, this request notes that the savings from changing the timing of payments for hospital outpatient services are projected to reduce FY 2016-17 expenditures by \$15.4 million total funds, including a decrease of \$7.7 million General Fund, in addition to the fiscal impact in FY 2017-18.

R7 OVERSIGHT OF STATE RESOURCES: The Department requests a net increase of \$1.5 million total funds, including a decrease of \$1.7 million General Fund, and an increase of 13.2 FTE for a number of initiatives the Department characterizes as related to the oversight of state resources, including:

- 1 Implementing electronic verification of assets for enrollment, as required by federal regulation
- 2 Evaluating consumer directed care in response to recommendations from the State Auditor
- 3 Developing a new audit database to track audit findings and mitigation efforts
- 4 Renewing expiring funds for project management staff and making the staff available for other initiatives
- 5 Performing audits of annual cost reports from Community Mental Health Centers for rate setting
- 6 Hiring additional staff to investigate fraud and abuse, resulting in projected savings
- 7 Better coordinating services to Native Americans to qualify for an increased federal match
- 8 Increasing administrative resources for the annual Hospital Provider Fee model and associated incentive payments, including a proposed new demonstration waiver for performance payments [*see the issue brief "Hospital Payments (R1 and R7)" for more information*]
- 9 Updating pricing for office-administered drugs on a periodic basis to encourage more providers in cost-effective settings to offer services, as recommended by the Medicaid Provider Rate Review Advisory Committee, resulting in projected savings [*see the issue brief "Medicaid Provider Rate Review (R7)" for more information*]

The net General Fund savings is primarily due to an increase in the federal match for coordinating services to Native Americans (item 7) and the change to pricing for office-administered drugs (item 9).

Although the Governor's official supplemental request is not due until January 2017, this request assumes expenditures for the electronic verification of assets and the hospital provider fee resources (1 and 8) would begin in FY 2016-17 at a cost of \$200,000 total funds, including \$50,000 General Fund.

R8 MMIS Operations: The Department requests \$23.5 million total funds, including a reduction of \$0.6 million General Fund, and an increase of 1.8 FTE for updated estimates of the costs and federal match rates associated with the new Medicare Management Information System (MMIS). Some of the changes include adjustments related to: a delay in the projected launch date from October 31, 2016, to March 1, 2017; revised estimates of available federal funds and cash funds based on the type of work being done and the populations served; a newly identified technology requirement to comply with a federal limit on client copayments; and revised estimates of ongoing maintenance needs. The Governor's official supplemental request is not due until January 2017, but this request assumes a net increase in expenditures for the MMIS in FY 2016-17 of \$1.5 million total funds, including a decrease of \$1.2 million General Fund.

R9 Long-term care utilization management: The Department requests an increase of \$1.0 million total funds, including \$257,644 General Fund to contract with a quality improvement organization and thereby qualify for an enhanced federal match for services. Except as noted, the functions of the quality improvement organization identified below are either being shifted from Department staff to the contractor, thereby freeing up the Department staff to focus on policy and strategic issues, or the functions are new. The quality improvement organization would:

- 1 Perform acuity assessments for brain injury services, removing a conflict of interest when providers currently perform this function
- 2 Monitor critical incident reports, including validating what occurred, elevating high priority events that require immediate follow-up, and tracking outcomes
- 3 Conduct over cost containment reviews that examine treatment plans above pre-determined cost thresholds to: ensure authorized services are appropriate and would stand up to appeal; prevent duplication of services; and, document that the average annual cost of waiver services are less than care in an institutional setting
- 4 Score applications for performance funding from the nursing facility provider fee in place of the current contractor who performs this function
- 5 Review claimed deductions to nursing home client income for incurred medical expenses for appropriateness and to ensure clients are not charged for benefits covered by Medicaid
- 6 Sample a statistically valid subset of Home- and Community-Based Service payments to ensure services were rendered appropriately and in a manner consistent with the bill and service plan
- 7 Recommend standard criteria on service limits to improve consistency across waivers and between case management agencies, and to periodically review utilization trends to ensure compliance with the service limits
- 8 Review under- and over-utilization of services and ensure that service plans are being updated appropriately when client circumstances change
- 9 Audit case management activities of Community Centered Boards and Single Entry Point agencies
- 10 Review applications for the Children's Extensive Support waiver

R10 Regional Center task force: The Department requests \$922,801 total funds, including \$224,066 General Fund, and 1.8 FTE to: (1) provide intensive case management to people with intellectual and developmental disabilities who are transitioning from an Intermediate Care Facility or Regional Center to the community, and continue that service for one year after their transition; and (2) provide staff for the Department to continue working on implementation of the recommendations of the Regional Center Task Force.

R11 Vendor transitions: The Department requests \$2.6 million total funds, including \$929,629 General Fund, in one-time funding to allow overlap between outgoing and new vendors, in order to minimize service disruptions. Vendor services being reprocured in FY 2017-18 include the Accountable Care Collaborative, the enrollment broker that provides information to newly eligible Medicaid clients regarding their plan choices, and the Medicaid managed care ombudsman that assists members with complaints.

R12 Local Public Health Agency partnerships: The Department requests \$711,000 total funds, including \$355,500 General Fund, to improve coordination between the Accountable Care Collaborative and Local Public Health Agencies. There is a corresponding request in the Department of Public Health and Environment for a decrease in General Fund to offset the increase in the Department of Health Care Policy and Financing. The net effect of both requests is to increase federal financing for Local Public Health Agencies by \$355,500 with no change in statewide General Fund.

R13 Quality of care and performance improvement projects: The Department requests \$639,237 total funds, including \$280,869 General Fund, to conduct member satisfaction surveys aimed at improving quality of care, and to validate performance improvement projects by managed care organizations. The Department currently conducts a Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey that looks at member satisfaction with treatment, but the survey is done at a regional level and funding is only sufficient to survey adults or children, but not both, each year. The Department would like to extend the annual survey to collect data at a provider level and to cover both adults and children. In addition to the CAHPS survey, the Department conducts surveys of the elderly, people with disabilities, and people with intellectual and developmental disabilities who are receiving long-term services and supports, but federal funding to pilot and test the components of the survey related to the elderly and people with disabilities is expiring, and for the component focused on people with intellectual and developmental disabilities the available funding limits the scope of the survey to one snap shot per year. The Department would like to continue surveying adults and people with disabilities and expand the frequency and depth of the survey of people with intellectual and developmental disabilities. Finally, pursuant to federal regulation the Department requires managed care organizations to engage in performance improvement projects that collect data to identify weaknesses in service delivery and implement improvements, but funding for the Department to validate the performance improvement projects is limited. The Department requests additional funding for validations to ensure compliance with federal regulations, and to hold Regional Care Collaborative Organizations to the same standards as managed care organizations.

R14 Federal match rate: The Department requests an increase in General Fund and cash funds and a corresponding decrease in federal funds based on a projected decrease in the federal match rate for Medicaid. The Department expects per capita income in Colorado will grow faster than the national average, leading to a formula decrease in the Federal Medical Assistance Percentage (FMAP) for Medicaid. This request is just for the line items where the Department did not submit a forecast adjustment. For Medical Services Premiums, Behavioral Health, the Children's Basic Health Plan, and the Office of Community Living the effect of the change in the FMAP is included in the requested forecast adjustments (R1 through R5).

Human Services programs: The Department's request reflects adjustments for several programs that are financed with Medicaid funds, but operated by the Department of Human Services.

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; salary survey; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; Capitol complex leased space; payments to the Governor's Office of Information Technology (OIT); and CORE operations.

Non-prioritized requests: The Department requests \$861,997 total funds, including \$403,591 General Fund, to reflect the impact on the Department of Health Care Policy and Financing from requests submitted by other departments. These include requests from: the Department of Public Health And Environment for staffing related to services for people with intellectual and developmental disabilities, and for resources for health surveys; the Governor's Office of Information Technology for Deskside and for Secure Colorado resources; and the Department of Personnel and Administration for administrative courts.

Transfers to other state agencies: The Department requests \$832,997 total funds, including \$208,866 General Fund, for transfers to programs administered by other departments. All of the requested changes are related to centrally appropriated line items and indirect cost recoveries in the Department of Public Health and Environment for the Facility Survey and Certification program.

Indirect cost adjustment: The Department requests a net increase in the Department's indirect cost assessment.

Annualize prior year budget decisions: The request includes adjustments for out-year impacts of prior year legislation and budget actions. All of the annualizations included in the Department's request are summarized in the table below. The titles of the annualizations begin with either a bill number or the fiscal year when a budget decision was made in the Long Bill. For budget decisions made in the Long Bill, a reference to the priority numbering the Department used in that year for the initiative is provided, if relevant.

The largest annualization is for H.B. 16-1408 (Tobacco/Marijuana allocations). The bill provided one-time funding from tobacco settlement moneys in the Children's Basic Health Plan Trust to support one more year of higher primary care reimbursement rates, referred to as the primary care rate bump. The bill also spent down a fund balance of tobacco settlement moneys in the Autism Treatment Fund to provide a one-year offset to the cost of behavioral therapy services for children with autism, which must be backfilled with General Fund in FY 2017-18 to continue the federally mandated behavioral therapy services.

The second largest annualization is for FY 13-14 R5 MMIS Reprocurement, which was an action in the FY 13-14 Long Bill to fund the Department's fifth budget priority for resources related to the replacement and modernization of the Medicaid Management Information System (MMIS) that processes provider claims. The largely federally-funded development stage of that project is winding down and the new MMIS is scheduled to begin operation March 1, 2017.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 16-17 BA14 Public School Health Services	\$1,933,578	\$0	\$1,193,993	\$0	\$739,585	0.0
SB 16-192 Needs assessment for LTSS	1,671,363	916,388	(137,837)	0	892,812	0.2
FY 16-17 NP CBMS-PEAK	1,601,147	573,206	221,852	6,460	799,629	0.0
FY 15-16 R7 Participant directed programs	1,011,619	505,683	0	0	505,936	0.0
SB 16-120 Medicaid explanation of benefits	659,921	231,219	80,498	0	348,204	0.5
FY 16-17 BA10 Medicaid-Medicare grant true-up	633,403	282,959	0	0	350,444	0.0
SB 16-077 Employment for people with disabilities	228,838	23,298	0	0	205,540	0.0
FY 16-17 NP CO Benefits Management System	59,843	21,423	8,339	242	29,839	0.0
SB 16-038 Community-centered Board transparency	6,249	0	3,125	0	3,124	0.0
FY 16-17 BA7 Fed reg for managed care	3,092	1,546	0	0	1,546	0.0
FY 16-17 BA9 Provider enrollment fee	2,663	0	2,663	0	0	0.0
HUM - SB 14-130 Personal needs allowance	2,001	1,001	0	0	1,000	0.0
FY 16-17 BA6 Fed reg for assuring access	1,591	796	0	0	795	0.0
Prior year salary survey	1,579	0	0	1,579	0	0.0
HB 16-1408 Tobacco/Marijuana allocations	(55,694,236)	6,451,471	(27,008,330)	0	(35,137,377)	0.0
FY 13-14 R5 MMIS Reprocurement	(23,991,872)	(2,180,270)	(439,445)	0	(21,372,157)	0.0
FY 14-15 BA7 MMIS Adjustments final test	(9,410,459)	(1,105,267)	(497,477)	0	(7,807,715)	0.0
FY 14-15 BA10 Primary care rate bump	(7,748,597)	(3,169,176)	0	0	(4,579,421)	0.0
FY 14-15 R5 Medicaid health info technology	(2,235,000)	(223,500)	0	0	(2,011,500)	0.0
SB 16-027 Mail delivery pharmacy	(1,737,180)	(528,579)	(43,239)	0	(1,165,362)	0.0
HB 15-1368 Cross-system response	(1,690,000)	0	(1,690,000)	0	0	0.0
FY 07-08 S5 Fed reg for payment error	(588,501)	(147,125)	(102,988)	0	(338,388)	0.0
FY 15-16 R9 Personal health records	(315,000)	68,500	0	0	(383,500)	0.0
SB 16-199 PACE Rate methodology	(225,000)	0	(225,000)	0	0	0.0
HB 16-1097 PUC permit Medicaid transportation	(209,317)	(61,016)	(8,561)	0	(139,740)	0.0
FY 15-16 R16 Comprehensive Primary Care	(194,760)	(97,380)	0	0	(97,380)	0.0
FY 14-15 BA10 Enhanced FMAP	(150,000)	(75,000)	0	0	(75,000)	0.0
FY 15-16 R13 ACC Reprocurement	(100,000)	(50,000)	0	0	(50,000)	0.0
SB 11-177 Teen pregnancy/dropout prevention	(40,562)	1,970	0	0	(42,532)	(0.4)
FY 16-17 Cervical cancer eligibility	(38,771)	0	(19,084)	0	(19,687)	0.0
HB 16-1277 Medicaid appeals process	(25,000)	(2,500)	0	0	(22,500)	0.0
FY 15-16 BA8 HCBS Settings	(13,955)	(5,343)	0	0	(8,612)	0.0
HB 16-1321 Medicaid buy-in eligibility	(2,713)	(419,630)	487,951	0	(71,034)	0.0
TOTAL	(\$96,594,036)	1,014,674	(\$28,173,540)	\$8,281	(\$69,443,451)	0.3

OTHER ISSUES IN THE GOVERNOR’S REQUEST

Restrict Hospital Provider Fee revenue: The Governor proposes restricting Hospital Provider Fee revenues by \$195.0 million from projected maximum collections for FY 2017-18. This reduces projected cash fund and federal fund expenditures in the Department of Health Care Policy and Financing by \$195.0 million each, and that effect is included in R1 Medical Services Premiums. However, the main purpose of the proposed restriction is to reduce TABOR revenues and thereby reduce the projected General Fund obligation for a TABOR refund by \$195.0 million. The General Fund obligation for the TABOR refund is not appropriated in the Long Bill, so the only place to see the effect of the Hospital Provider Fee restriction on the TABOR refund is the General Fund overview.

Set aside for supplementals: The Governor’s budget letter includes a set aside in FY 2016-17 of \$23.95 million General Fund for potential supplementals for the Department of Health Care Policy and Financing. Although the Governor’s official supplemental request is not due until January 2017, the budget request for the Department includes projected FY 2016-17 impacts associated with several requests, adding to \$10.8 million. This leaves \$13.2 million of the requested \$23.95 million mentioned in the Governor’s budget letter unallocated. When asked about the unallocated set aside, OSPB staff explained that those funds are a contingency above the needs explicitly identified by the Department in order to be conservative.

FY 2016-17 Fiscal Impact Associated with Health Care Policy and Financing Requests					
	Total	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
R1 Medical Services Premiums	\$141,694,902	\$32,217,993	\$1,650,193	\$3,861,816	103,964,900
R2 Behavioral Health	(56,448,298)	(6,379,746)	569,523	0	(50,638,075)
R3 Children's Basic Health Plan	15,610,893	1,515	3,681,198	0	11,928,180
R4 Medicare Modernization Act	1,369,323	1,369,323	0	0	0
R5 Office of Community Living	(18,626,814)	(8,707,629)	0	0	(9,919,185)
R6 Delivery system and payment reform	(15,440,295)	(7,720,148)	0	0	(7,720,147)
R7 Oversight of state resources	200,000	50,000	50,000	0	100,000
R8 MMIS Operations	(1,495,480)	(32,549)	(537,805)	(269,394)	(655,732)
TOTAL	\$66,864,231	\$10,798,759	\$5,413,109	\$3,592,422	47,059,941
Set-aside in Governor's Budget Letter		\$23,950,000			
Unallocated set-aside		\$13,151,241			

Repayment of CHIPRA bonuses: The Governor's request includes a \$19.0 million General Fund set aside for a potential repayment to the federal government of bonuses the Department received through the federal Children's Health Insurance Program Reauthorization Act (CHIPRA). The bonuses were paid for meeting performance goals related to the enrollment and retention of children in Medicaid and CHP+. A September federal audit found that Colorado incorrectly included blind and disabled children when calculating its eligibility for the bonus payments. The audit identified overpayments of \$38,373,386 from federal fiscal year 2010 through 2013. The Department believes it followed the letter of the federal regulation and disputes the audit finding. Because of uncertainties about whether the Department will need to repay the funds, how much might be due after negotiations with the federal government, and when any repayment would be required, the Governor's requested set aside is for roughly half of the total disputed funds.

Information on eliminating the wait list for Adult Comprehensive Services: As part of the Department's response to H.B. 14-1051 that requires a comprehensive strategic plan to eliminate wait lists by July 1, 2020, for services for people with developmental disabilities, the Department included an estimate of the cost to eliminate the wait list for Adult Comprehensive Services. This was provided for informational purposes only and is not part of the Governor's request. A separate response specifically addressing the requirements of H.B. 14-1051 will be submitted to the committees of reference. The Department estimates it would need the following to eliminate the enrollment cap by July 1, 2020:

Eliminate the Wait List for Adult Comprehensive Services for People with Intellectual and Developmental Disabilities				
	Total Funds	General Fund	Federal Funds	FTE
FY 2017-18	\$29,301,994	\$14,648,078	\$14,653,916	0.9
FY 2018-19	\$93,407,513	\$46,703,760	\$46,703,753	1.0
FY 2019-20	\$160,697,025	\$80,348,515	\$80,348,510	1.0
FY 2020-21	\$190,383,350	\$95,191,678	\$95,191,672	1.0

Information on making a supplemental payment to the University of Colorado School of Medicine: In response to a statutory change in H.B. 16-1408, sponsored by the JBC, that allows Medicaid funding for the University of Colorado School of Medicine, the Department included an estimate of how funding would change. This was provided for informational purposes only and is not part of the Governor’s request. However, OSPB staff explained that the information was provided, “to demonstrate the commitment to increasing the cash fund allocations for [the University of Colorado School of Medicine] while waiting approval from [the Centers for Medicare and Medicaid Services]. The departments will continue to work together to complete an acceptable interagency agreement.” This explanation suggests that a formal request might be forthcoming at a later date. The Department’s estimate assumes there would be a reappropriated funds transfer from the Department of Higher Education of \$61.9 million that would be matched with federal Medicaid funds. The resulting \$123.8 million would be used to pay for administrative costs of \$824,863 and 6.0 FTE at the Department of Health Care Policy and Financing, for two new residency placements through the family medicine residency training program at a cost of \$300,000, and for a supplemental payment to the University of Colorado School of Medicine of \$122.7 million. The additional federal funds through Medicaid would nearly double the government support for the Colorado School of Medicine.

Supplemental Payment to the University of Colorado School of Medicine Pursuant to H.B. 16-1408				
	Total Funds	Reappropriated Funds	Federal Funds	FTE
HCPF Administrative Costs	\$824,863	\$412,432	\$412,431	6.0
Family Medicine Residency Training	\$300,000	\$150,000	\$150,000	0.0
CU School of Medicine Supplemental Payment	\$122,675,137	\$61,337,568	\$61,337,569	0.0
TOTAL	\$123,800,000	\$61,900,000	\$61,900,000	6.0

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

MEDICAL SERVICES PREMIUMS, INDIGENT CARE, AND OTHER PROGRAMS BRIEFING 12/05/16

FORECAST TRENDS: This issue brief discusses the forecast trends that are driving the majority of the projected increase in expenditures for the Department.

ACCOUNTABLE CARE COLLABORATIVE AND RELATED PAYMENT REFORMS (R6): This issue brief discusses the Department’s plans and expected costs and savings for Phase II of the Accountable Care Collaborative as well as related payment reforms.

HOSPITAL PAYMENTS (R1 AND R7): This issue brief explores hospital payments, cost shifting, and the impact of the Governor’s proposed provider rate reduction.

PROVIDER RATE REVIEW (R7): This issue brief discusses the findings from the first cycle of rate reviews that were required by S.B. 15-228 and the ramifications of Amendment 70 to increase Colorado’s minimum wage.

BEHAVIORAL HEALTH BRIEFING 12/13/16

OVERVIEW OF DEPARTMENT'S FY 2017-18 REQUEST FOR BEHAVIORAL HEALTH COMMUNITY PROGRAMS:

The Department's most recent projections for behavioral health community programs indicate that the General Assembly will likely be able to reduce General Fund appropriations by \$6.4 million in the current fiscal year, followed by another \$1.3 million reduction in FY 2017-18.

CAPITATION RATE TRENDS: The average amount that the Department pays to behavioral health organizations for the provision of behavioral health services for Medicaid-eligible clients initially increased when Medicaid eligibility was expanded in January 2014. Based on actual utilization and costs, as well as new federal managed care regulations, rates have since declined and are projected to continue to decline in FY 2017-18.

ACCOUNTABLE CARE COLLABORATIVES PHASE II: On November 4, 2016, the Department of Health Care Policy and Financing (HCPF) released a draft request for proposals for phase II of the Accountable Care Collaborative. As part of an effort to integrate physical and behavioral health care, the Department proposes to combine the administrative functions of behavioral health organizations with those of regional care collaborative organizations starting July 1, 2018.

OFFICE OF COMMUNITY LIVING (SERVICES FOR PEOPLE WITH INTELLECTUAL AND DEVELOPMENTAL DISABILITIES) BRIEFING 12/19/16

IDD SERVICES OVERVIEW: The system of services for individuals with intellectual and developmental disabilities (IDD) in Colorado is complex and covers four different departments. This issue provides an overview of the system starting at the federal level and moving through to the individual level.

CONFLICT FREE CASE MANAGEMENT: The Department was required to submit a plan, including an implementation timeline, for how Colorado will comply with the federal rule requiring the separation of case management services from service delivery. Community-Centered Boards are statutorily required to provide case management services, and most also provide direct services. The Department submitted a report outlining recommendations for how a plan could work. The recommendations did not establish a clear path forward for system changes to comply with the federal rule. Staff has provided a plan for the Committee's consideration.

IDD WAIVERS CASELOAD SUMMARY AND FORECASTS (R5): This issue provides an overview of the historical and projected caseload for the three Medicaid waivers for individuals with intellectual and developmental disabilities. Individuals receiving services through the Supported Living Services waiver are having difficulties finding service providers willing to work at the current reimbursement rates.

Department of Higher Education

The Department of Higher Education is responsible for higher education and vocational training programs in the state. The Department's FY 2016-17 appropriation represents approximately 15.0 percent of statewide operating appropriations and 8.7 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF HIGHER EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	4,061,311,383	870,343,621	2,453,407,936	715,047,309	22,512,517	24,491.1
Other legislation	14,745,619	691,095	13,804,524	250,000	0	0.3
TOTAL	\$4,076,057,002	\$871,034,716	\$2,467,212,460	\$715,297,309	\$22,512,517	24,491.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$4,076,057,002	871,034,716	\$2,467,212,460	\$715,297,309	\$22,512,517	24,491.4
R1 Operating request for public colleges and universities	36,549,617	20,506,613	0	16,043,004	0	0.0
R2 Tuition spending authority increase	116,397,363	0	116,397,363	0	0	0.0
R3 Fort Lewis Native American Tuition Waiver	88,300	88,300	0	0	0	0.0
R4 WICHE Optometry	44,125	0	0	44,125	0	0.0
R5 WICHE dues increase	4,000	0	0	4,000	0	0.0
HC1 Revitalization funds for community museums	1,589,044	1,589,044	0	0	0	0.0
HC2 Realignment of History Colorado Long Bill	0	0	0	0	0	0.0
NP1 Resources for administrative courts	76	0	76	0	0	0.0
NP2 OIT Secure Colorado	13,488	0	8,514	4,974	0	0.0
NP3 OIT deskside staffing	5,394	0	5,394	0	0	0.0
Higher Ed Federal Mineral Lease COP	4,868,748	4,870,898	(4,873,048)	4,870,898	0	0.0
Auraria Higher Ed Center adjustment	1,216,595	0	0	1,216,595	0	0.0
Centrally appropriated line items	1,151,028	45,433	712,925	260,060	132,610	0.0
Fitzsimons COP	6,564	12,449	(5,885)	0	0	0.0
Annualize prior year legislation	(8,132,020)	0	(7,932,020)	(200,000)	0	0.0
Other	(2)	0	(2)	0	0	0.0
TOTAL	\$4,229,859,322	\$898,147,453	\$2,571,525,777	\$737,540,965	\$22,645,127	24,491.4
INCREASE/(DECREASE)	\$153,802,320	\$27,112,737	\$104,313,317	\$22,243,656	\$132,610	0.0
Percentage Change	3.8%	3.1%	4.2%	3.1%	0.6%	0.0%

R1 OPERATING REQUEST FOR PUBLIC COLLEGES AND UNIVERSITIES: The request includes an increase of \$20,506,613 General Fund allocated among public institutions of higher education (state governing boards, local district colleges, and area technical colleges) and financial aid. The request includes: (1) an overall increase of \$16,712,891 (2.5 percent) for the governing boards, allocated based on the H.B. 14-1319 funding model; and (2) an increase of \$3,793,722 for need-based financial aid, consistent with statutory requirements that financial aid increase at the same rate as support for the governing boards. The Department does not propose to change the H.B. 14-1319 model from the version used for the FY 2016-17 Long Bill. Under the model, the state-operated boards would receive increases that range from 0.3 percent to 6.9, based on the distribution of institutional enrollment and degrees awarded in actual FY 2015-16. Specialty education programs (such as the medical school), local district colleges, and area technical colleges receive a 2.5 percent increase. The request is based on the need for various inflationary increases at the Boards. The Department proposes that governing board inflationary increases that cannot be fully covered by the request will be addressed through tuition increases (Request R2).

R2 TUITION SPENDING AUTHORITY INCREASE: The request is for an additional \$116.4 million in cash funds spending authority for state public institutions' tuition revenue for FY 2017-18. The increase is proposed to cover base costs and strategic initiatives, given a moderate General Fund increase. The request would cover a 2.2 percent inflationary increase and funding for health care increases. The request reflects: (1) institutions' base funding needs; (2) the General Fund increase requested for each governing board; and (3) feedback from the affected governing boards. The request proposes that Long Bill footnotes authorize 5.0 percent to 7.7 percent increases in undergraduate resident tuition rates, depending upon the governing board, with no restrictions on non-resident or graduate tuition or mandatory fees.

R3 FORT LEWIS NATIVE AMERICAN TUITION WAIVER: The request includes an increase of \$88,300 General Fund for the Fort Lewis College Native American tuition waiver, bringing the total to \$17,452,548 General Fund for the program. This requested increase is mandated by Section 23-52-105 (1) (b) (I), C.R.S., which requires the General Assembly to fund 100 percent of the tuition obligations for qualifying Native American students attending Fort Lewis College. Funding for the tuition waiver is made one year in arrears and is calculated based on the prior year enrollment estimates.

R4 WICHE OPTOMETRY: The Department requests an increase of \$44,125 reappropriated funds (indirect cost recoveries) to fund the Western Interstate Commission on Higher Education Optometry Professional Student Exchange Program (PSEP) in FY 2017-18, bringing the total appropriation to \$443,125. This program allows Colorado resident students to pursue professional degrees in optometry at designated out-of-state institutions at a tuition rate comparable to an instate tuition rate, through payment of a "support fee" appropriated by the General Assembly. In FY 2016-17, five qualified students were eligible for the program but only two could be accepted based on available funding.

R5 WICHE DUES INCREASE: The request includes an increase of \$4,000 appropriated funds (indirect cost recoveries) to pay for the increase in Western Interstate Commission for Higher Education (WICHE) dues.

HC1 REVITALIZATION FUNDS FOR COMMUNITY MUSEUMS: History Colorado requests an increase of \$1,589,044 General Fund in FY 2017-18 for Colorado's eight community museums located across the state. A portion of the funding would support 8.0 FTE whose responsibilities would focus on community museum security, local community involvement, philanthropic development, and educational outreach in remote areas. A portion would also support the development of revenue-generating enterprise programs that will enable the community museums to reduce the General Fund support required over time. General Fund support would gradually step down over multiple years, declining to \$975,942 by FY 2024-25.

HC2 REALIGNMENT OF HISTORY COLORADO LONG BILL: History Colorado requests that \$306,475 cash funds in its facilities management line item be moved to the community museums line item to provide the community museums more control over and accountability for community museum funds. This change has a net \$0 impact and represents a minor adjustment to the new History Colorado's Long Bill structure adopted in FY 2015-16.

NP1 RESOURCES FOR ADMINISTRATIVE COURTS: This request is for the Department's share of a Department of Personnel initiative to upgrade to a new electronic case management system for the administrative courts.

NP2 OIT SECURE COLORADO: This request is for the Department's share of a Governor's Office of Information Technology (OIT) initiative to improve statewide information security.

NP3 OIT DESKSIDE STAFFING: This request is for the Department’s share of an initiative to improve end-user support for state agencies.

HIGHER ED FEDERAL MINERAL LEASE COP: The request is for an increase of \$4,870,898 General Fund based on a decline in Federal Mineral Lease (FML) revenue available to cover certain state lease-purchase obligations. In 2008, the General Assembly authorized the State to enter into lease-purchase agreements (certificates of participation/COPs) to fund capital construction projects for state-supported institutions of higher education. Annual payments were to be made from Federal Mineral Lease (FML) revenues that were projected to increase. The FML revenue stream has been inconsistent, and General Fund has therefore been required to backfill the obligation. House Bill 16-1229, sponsored by the JBC, made some additional FML fund balance available in FY 2016-17, but this will be exhausted for FY 2017-18, so additional General Fund is again required.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items, as detailed in the table below.

CENTRALLY APPROPRIATED LINE ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Health, life, and dental adjustment	\$414,799	\$19,862	\$239,340	\$103,062	52,535
Short-term disability adjustment	2,260	284	1,061	797	118
AED adjustment	59,179	7,817	28,495	18,968	3,899
SAED adjustment	64,939	7,917	31,809	20,012	5,201
Salary survey adjustment	336,345	9,553	190,459	65,476	70,857
Workers’ compensation adjustment	(15,027)	0	(19,916)	4,889	0
Legal services adjustment	1,885	0	520	1,365	0
ALJ adjustment	543	0	543	0	0
Payment to risk management / property funds adjustment	5,542	0	3,372	2,170	0
Leased space adjustment	7,989	0	1,598	6,391	0
Payments to OIT adjustment	268,408	0	247,879	20,529	0
CORE adjustment	4,166	0	(12,235)	16,401	0
Total	\$1,151,028	\$45,433	\$712,925	\$260,060	132,610

FITZSIMONS COP: The request includes a technical adjustment to the total amount and General Fund and Tobacco Master Settlement Funds shares of the annual lease-purchase payment for the University of Colorado Health Sciences Center at Fitzsimons that was authorized by H.B. 03-1256.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments for the second- and third-year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Annualize HB 15-1274	(\$200,000)	\$0	\$0	(\$200,000)	0
Annualize HB 16-1453 Cybersecurity	(7,932,020)	0	(7,932,020)	0	0
Total	(\$8,132,020)	\$0	(\$7,932,020)	(\$200,000)	0

OTHER: The request includes a minor technical adjustment.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

REQUEST R2 AND PROPOSED HIGHER EDUCATION TUITION INCREASES: The Department of Higher Education has requested \$116.4 million in additional cash funds spending authority, and related Long Bill footnotes, to accommodate undergraduate resident tuition increases averaging 6.0 percent.

HIGHER EDUCATION REQUEST R1 OPERATIONAL INCREASE FOR PUBLIC COLLEGES AND UNIVERSITIES: The Department of Higher Education request R1 incorporates most of the General Fund increase requested for the Department of Higher Education and includes both a 2.5 percent increase for the governing boards, allocated consistent with the H.B. 14-1319 funding formula, and an associated increase for financial aid.

PROPOSAL TO TRANSFER CU SPECIALTY EDUCATION FUNDING TO ENHANCE MEDICAID REIMBURSEMENTS: The requests for the Department of Health Care Policy and Higher Education include a plan to access additional federal Medicaid funds for medical services provided by faculty of the University of Colorado School of Medicine.

HISTORY COLORADO REQUESTS: Colorado has addressed its structural budget imbalance and has a dynamic new management team. However, the annual lease-purchase payment for the History Colorado Center leaves few resources for other institutional improvements. The organization has therefore requested an appropriation of \$1.6 million General Fund for its community museums, which, if approved would represent the first significant General Fund support for museum operations since FY 2002-03.

IMPROVING TRANSFER: One-third of students entering Colorado public institutions each year are transfer students. Students lose large amounts of credit in the transfer process, often due to changes in their degree program. Colorado has been in the forefront of efforts to ease transfer among institutions, but there is still room for improvement.

PROMOTING OPEN ACCESS RESEARCH AND EDUCATIONAL MATERIALS: The open access movement seeks to increase the availability of scholarly research by making the product of research freely available on the internet. Open educational resources draw on such freely available materials in lieu of other textbooks to reduce student educational costs. The General Assembly should consider legislation to: (1) promote and expand open access to scholarly publications produced at state institutions; and (2) promote development and use of open educational resources in courses offered at Colorado public institutions.

Department of Human Services

The Department of Human Services is responsible for the administration and supervision of all non-medical public assistance and welfare activities of the State, including assistance payments, the Supplemental Nutrition Assistance Program (food stamps), child welfare services, rehabilitation programs, alcohol and drug treatment programs, and programs for the aging. The Department is also responsible for inspecting and licensing child care facilities and for the care and treatment of the State's dependent citizens who are mentally ill, developmentally disabled, or juvenile offenders. The Department operates two mental health institutes, three regional centers for persons with developmental disabilities, and ten institutions for juvenile delinquents. The Department also provides funding for the care of indigent mentally ill people, contracts with community centered boards for services for children qualifying for early intervention services, and contracts for the supervision and treatment of delinquent juveniles. The Department's FY 2016-17 appropriation represents approximately 7.0 percent of statewide operating appropriations and 8.3 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF HUMAN SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	\$1,886,419,116	\$828,943,472	\$375,832,301	\$128,067,449	\$553,575,894	4,786.2
Other legislation	16,142,614	2,694,435	12,824,839	(195,222)	818,562	7.2
TOTAL	\$1,902,561,730	\$831,637,907	\$388,657,140	\$127,872,227	\$554,394,456	4,793.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$1,902,561,730	\$831,637,907	\$388,657,140	\$127,872,227	\$554,394,456	4,793.4
R1 DYC facility staffing phase 3 of 3	5,010,631	5,010,631	0	0	0	80.6
R2 DYC 24 hour medical coverage	1,990,931	1,990,931	0	0	0	16.1
R3 DYC detention mental health	1,011,954	1,011,954	0	0	0	0.0
R4 County administration	16,666,666	5,000,000	3,333,333	0	8,333,333	0.0
R5 County child welfare staff phase 3	4,070,574	3,661,197	407,057	0	2,320	0.0
R6 Department indirect costs	3,075,587	3,514,960	(40,435)	1,552,417	(1,951,355)	6.9
R7 Child welfare oversight and technical assistance	320,830	266,289	0	0	54,541	0.0
R8 Crisis services system enhancements	0	0	0	0	0	0.0
R9 State quality assurance for adult protective services	428,410	428,410	0	0	0	4.6
R10 Mental Health Institute security enhancements	609,307	609,307	0	0	0	0.0
R11 Old Age Pension Program cost of living adjustment	321,697	0	321,697	0	0	0.0
R12 Two generations reaching opportunity (2 GRO)	695,268	385,894	0	0	309,374	0.9
R14 Substance use disorder treatment Mental Health Institutes	661,947	0	661,947	0	0	8.0
R15 Healthy steps for young children	421,360	421,360	0	0	0	0.0
R16 Mental Health Institute capital outlay	350,377	350,377	0	0	0	0.0
R17 CDOC/CDHS interagency agreement true-up	1,167,264	0	0	1,167,264	0	0.0
R18 Optimization of early childhood alignment	860,361	0	0	0	860,361	1.0
R19 Mount View Youth Services Center ditch repair	473,000	473,000	0	0	0	0.0
R20 Staff training Long Bill	(13,799)	0	(13,799)	0	0	0.0
R21 Aging and disabilities resources for Colorado - Medicaid	500,000	(500,000)	0	1,000,000	0	0.0
R23 DYC reduction of client managers	(153,818)	(153,818)	0	0	0	(2.0)

DEPARTMENT OF HUMAN SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Non-prioritized request items	801,201	721,956	(5,916)	97,055	(11,894)	0.9
Centrally appropriated line items	14,236,972	11,273,907	(352,410)	1,368,595	1,946,880	0.0
Annualize prior year budget actions	849,995	(494,080)	(37,864)	(104,266)	1,486,205	40.0
Annualize prior year legislation	(1,482,565)	32,152	0	0	(1,514,717)	0.6
Technical changes	(1,056,235)	0	(641,735)	0	(414,500)	0.0
Indirect cost adjustment	(39,852)	0	196,909	(592,101)	355,340	0.0
TOTAL	\$1,954,339,793	\$865,642,334	\$392,485,924	\$132,361,191	\$563,850,344	4,951.0
INCREASE/(DECREASE)	\$51,778,063	\$34,004,427	\$3,828,784	\$4,488,964	\$9,455,888	157.6
Percentage Change	2.7%	4.1%	1.0%	3.5%	1.7%	3.3%

R1 DYC FACILITY STAFFING PHASE 3 OF 3: The request includes an increase of \$5,010,631 General Fund and 80.6 FTE for FY 2017-18 (annualizes to 137.0 FTE in FY 2018-19 and beyond) to add staff to State-owned and operated youth corrections' facilities in an effort to improve safety and security of staff and youth.

R2 DYC 24 HOUR MEDICAL COVERAGE: The request includes an increase of \$1,990,931 General Fund and 16.1 FTE for FY 2017-18 to add 38 nurse and mid-level provider staff to State-owned and -operated youth corrections' facilities to provide increased coverage for medical services. Additionally, the funding request includes money for the provision of contracted psychiatric services to detained juveniles beginning January 2018.

R3 DYC DETENTION MENTAL HEALTH: The request includes an increase of \$1,011,954 General Fund for FY 2017-18 to increase the availability of contract mental health services to detained juveniles at the State's eight detention centers that serve all 22 of the state's judicial districts. Currently limited mental health services (stabilization and crisis intervention) are available to detained youth. This request aims to expand the level of mental health services by increasing the amount of time licensed mental health clinicians are available to provide treatment on-site.

R4 COUNTY ADMINISTRATION: The request includes an increase of \$16,666,666 total funds, including \$5,000,000 General Fund for FY 2017-18 to increase funding to counties to administer the Supplemental Nutrition Assistance Program (food stamps), the Aid to the Needy Disabled program, child support services, and the Low Income Energy Assistance Program. The request comes as 45 counties overspent the FY 2015-16 funding level by \$6.0 million (after accounting for adjustments related to the county settlement and close-out process).

R5 COUNTY CHILD WELFARE STAFF PHASE 3: The request includes an increase of \$4,070,574 total funds, including \$3,661,197 General Fund, in FY 2017-18 and beyond to increase county level child welfare staffing in response to the Child Welfare Workload Study performed by the Office of the State Auditor in 2014.

R6 DEPARTMENT INDIRECT COSTS: The requests includes a net increase of \$3,075,587 total funds in FY 2017-18 to address the budget shortfall related to the Department's indirect and administrative costs.

R7 CHILD WELFARE OVERSIGHT AND TECHNICAL ASSISTANCE: The request includes an increase of \$320,830 total funds, including \$266,289 General Fund, for FY 2017-18 to contract for oversight and technical assistance due to increased county staffing levels appropriated by the Legislature in response to the Child Welfare Workload Study performed by the Office of the State Auditor in 2014. This request annualizes to \$328,096 total funds, including \$272,320 General, in FY 2018-19 and beyond.

R8 CRISIS SERVICES SYSTEM ENHANCEMENTS: The request includes an increase of \$900,000 General Fund to enhance the state's behavioral health crisis response system. Specifically, the Department proposes increases of:

- \$600,000 (an increase from \$2,395,915 to \$2,995,915) for the telephone hotline ; and
- \$300,000 (from \$600,000 to \$900,000) for marketing.

This request is budget neutral because the Department proposes a \$900,000 reduction (from \$5,147,901 to \$4,247,901) in the appropriation for Community Transition Services, a line item that provides funding for intensive behavioral health services and supports for individuals with serious mental illness who transition from a mental health institute back to the community, or who require more intensive services in the community to help avoid institutional placement.

R9 STATE QUALITY ASSURANCE FOR ADULT PROTECTIVE SERVICES: The request includes an increase of \$428,410 General Fund and 4.6 FTE for FY 2017-18 to add three quality assurance reviewers, one quality assurance supervisor, and one adult protective services program specialist. The quality assurance staff would be located in the Department's Administrative Review Division and would conduct formal reviews of county adult protective services cases. The requested adult protective services program specialist would provide follow-up support and monitoring to counties not meeting compliance standards. This position would also identify trends and concerns across counties and develop and facilitate training statewide to address those trends.

R10 MENTAL HEALTH INSTITUTE SECURITY ENHANCEMENTS: The request includes \$609,307 General Fund for security enhancements at both mental health institutes, including: \$401,667 for security cameras (34 replacements for seclusion and restraint rooms and 45 new cameras for areas not currently monitored); \$117,160 for security staff training, weaponry, and gear; and \$90,480 for physical modifications to certain entrances and a nurse station. The Department indicates that \$34,788 of ongoing funding would be required to maintain security cameras.

R11 OLD AGE PENSION PROGRAM COST OF LIVING ADJUSTMENT: The request includes an increase of \$321,697 cash funds for FY 2017-18 from the Old Age Pension (OAP) Fund to implement a 0.3 percent cost-of-living (COLA) increase for OAP recipients. This would increase the monthly grant standard from \$771 to \$773. The State Board of Human Services has the constitutional authority to raise or not raise the OAP grant standard in accordance with the federal Social Security Administration's (SSA) annual decision to award or not award a COLA to Supplemental Security Income (SSI) recipients. The SSA's COLA for calendar year 2017 includes a 0.3 percent increase.

R12 TWO GENERATIONS REACHING OPPORTUNITY (2GRO): The request includes \$695,268 total funds, including \$385,894 General Fund, and 0.9 FTE in FY 2017-18 to provide integrated, comprehensive services and support to low-income families enrolled in evidence-based home visiting programs.

R14 SUBSTANCE USE DISORDER TREATMENT AT THE MENTAL HEALTH INSTITUTES: The request includes a total of \$661,947 cash funds from the Marijuana Tax Cash Fund (including \$104,961 for centrally appropriated employee benefits) to add 8.0 FTE certified addiction counselors to expand substance use disorder treatment at both mental health institutes.

R15 HEALTHY STEPS FOR YOUNG CHILDREN: The request includes \$421,360 General Fund in FY 2017-18 to continue serving families in seven high-need communities through the Healthy Steps home visiting program. This request annualizes to \$571,946 General Fund in FY 2018-19.

R16 MENTAL HEALTH INSTITUTE CAPITAL OUTLAY: The request includes \$350,377 General Fund to implement a standardized equipment replacement and minor renovation plan at both mental health institutes.

R17 CDOC/CDHS INTERAGENCY AGREEMENT TRUE-UP: The request includes an increase of \$1,167,264 reappropriated funds from the Department of Corrections (CDOC) to align the Department's appropriations with the amount billed to the CDOC for facility management of correctional facilities on the Pueblo mental health institute campus. The request contains two components: first is an increase based on the actual cost of services, and second is a spending authority increase to address the difference between spending authority and actual revenue. The first component will require an additional \$682,085 General Fund in the Department of Corrections. DHS provides facility management services to three CDOC facilities in Pueblo on the mental health institute campus: San Carlos Correctional Facility, the LaVista Correctional Facility, and the Youthful Offender System. Services provided by DHS include building maintenance, infrastructure, security, design support, operations, irrigation, and grounds upkeep. DHS is currently reimbursed by CDOC at a rate lower than the cost of providing services. The second component addresses the accounting practices which did not comply with state fiscal rules. In order to appropriately account for the reappropriated fund from CDOC, the request includes a spending authority increase in the Department of Human Services in the amount of \$485,179.

R18 OPTIMIZATION OF EARLY CHILDHOOD ALIGNMENT: The request includes an increase of \$860,361 federal Child Care Development Funds and 1.0 FTE in FY 2017-18 to align early care and learning programs.

R19 MOUNT VIEW YOUTH SERVICES CENTER DITCH REPAIR: The request includes an increase of \$473,000 General Fund to repair the non-potable water ditch for the Harriman Ditch located on the Mount View Youth Services Center campus. The Harriman Ditch runs through the middle of the Mount View Youth Services Center campus and provides non-potable water to the campus for the purpose of irrigation. As a ditch share owner, the Department is responsible for the maintenance and upkeep of the ditch within the property boundaries of the campus. In multiple sections of the approximately 1,000 linear feet of ditch within the confines of the campus, ditch walls have collapsed, creating a blockage. Several buildings have had water penetrating through the foundation walls due to this seepage. When the water flow is heavy, the water overflows its banks due to the blockage created by cement walls that have broken away.

R20 STAFF TRAINING LONG BILL: The request includes a decrease of \$13,799 cash fund spending authority through the elimination of the Staff Training line item from the FY 2017-18 Long Bill. It includes an adjustment to corresponding letter note *a*.

R21 AGING AND DISABILITIES RESOURCES FOR COLORADO - MEDICAID: The request includes an increase of \$500,000 total funds, including a decrease of \$500,000 General Fund, for FY 2017-18 to continue the Aging and Disability Resources for Colorado (ADRC) program. Seamless and comprehensive services to persons with disabilities and seniors are facilitated by 14 ADRC programs across the state. The programs work by integrating or coordinating existing aging and disabilities service systems, allowing consumers to access a full range of community services and receive objective information, advice, counseling and assistance to make decisions for themselves about their long-term care services. One source of federal funding for ADRC expired on September 30, 2015 and, with this request, the Department asks for spending authority to backfill this funding by claiming ADRC expenses under Medicaid.

R23 DYC REDUCTION OF CLIENT MANAGERS: The request seeks a decrease of \$153,818 General Fund and 2.0 FTE for FY 2017-18 to eliminate two client managers in the Division of Youth Corrections due to declines in both the committed and paroled youth caseloads.

NON-PRIORITIZED REQUEST ITEMS: The request includes decision items originating in other departments. The table below itemizes each requested non-prioritized item for FY 2017-18.

NON-PRIORITIZED REQUEST ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
NP OIT Secure Colorado	\$491,965	\$487,045	\$0	\$4,920	\$0	0.0
NP OIT Deskside staffing	196,741	194,774	0	1,967	0	0.0
NP8 DOC maintenance operating	99,591	0	0	99,591	0	0.0
NP6 HCPF oversight of departmental resources	80,628	80,628	0	0	0	0.9
NP5 DOC food inflation	42,650	0	0	42,650	0	0.0
NP1 Resources for Administrative Courts	6,176	3,946	183	0	2,047	0.0
NP7 FMAP adjustments	0	0	0	0	0	0.0
NP Annual fleet vehicle request	(87,131)	(44,437)	(6,099)	(22,654)	(13,941)	0.0
NP4 DOC Mother baby unit	(29,419)	0	0	(29,419)	0	0.0
TOTAL	\$801,201	721,956	(\$5,916)	\$97,055	(\$11,894)	0.9

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items. The table below itemizes each requested centrally appropriated line item adjustment for FY 2017-18.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$6,089,290	\$4,049,745	\$297,375	\$1,078,098	\$664,072	0.0
Payments to OIT adjustment	3,927,056	2,109,357	59,417	124,785	1,633,497	0.0
Health, life, and dental adjustment	2,566,498	2,940,038	(331,201)	275,460	(317,799)	0.0
SAED adjustment	760,857	944,429	(85,413)	(188,437)	90,278	0.0
AED adjustment	651,200	874,354	(89,462)	(212,080)	78,388	0.0
Payment to risk management / property funds adjustment	422,244	225,505	34,158	(32,934)	195,515	0.0
Capitol Complex leased space adjustment	224,990	118,109	10,604	11,509	84,768	0.0
Workers' compensation adjustment	104,447	44,912	15,667	(148,666)	192,534	0.0
Legal services adjustment	83,082	79,111	3,971	0	0	0.0
AIJ adjustment	74,844	47,814	2,214	0	24,816	0.0
Short-term disability adjustment	8,196	22,141	(3,641)	(12,470)	2,166	0.0
Shift differential adjustment	(417,597)	(48,888)	(213,904)	473,330	(628,135)	0.0
CORE adjustment	(258,135)	(132,720)	(52,195)	0	(73,220)	0.0
TOTAL	\$14,236,972	11,273,907	(\$352,410)	\$1,368,595	\$1,946,880	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments related to prior year budget actions, primarily decision items. The table below itemizes each requested annualization for FY 2017-18.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize DYC security staffing, phase 2	\$1,466,964	\$1,466,964	\$0	\$0	\$0	32.4
Annualize continuation of child care quality initiatives	1,431,257	0	0	0	1,431,257	7.3
Annualize annual child care licensing visits	62,003	0	0	0	62,003	0.2
Annualize FY 16-17 R3 Court-ordered competency evaluations and restoration treatment	4,726	4,726	0	0	0	0.1
Annualize prior year salary survey	2,136	0	2,136	0	0	0.0
Annualize personal needs allowance for	2,001	0	0	2,001	0	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
RC						
Annualize realignment of OEC programs	0	0	0	0	0	0.0
Annualize Sunset of HCA grant program	(750,000)	(750,000)	0	0	0	0.0
Annualize county child welfare staff phase 2	(400,000)	(360,000)	(40,000)	0	0	0.0
Annualize public awareness campaign	(391,725)	(391,725)	0	0	0	0.0
Annualize DYC trauma informed care	(245,700)	(245,700)	0	0	0	0.0
Annualize FY 16-17 BA10 MHI electronic health record system	(192,557)	(86,290)	0	(106,267)	0	0.0
Annualize DYC special education needs assessment	(125,000)	(125,000)	0	0	0	0.0
Annualize SNAP administration increase	(14,110)	(7,055)	0	0	(7,055)	0.0
TOTAL	\$849,995	(494,080)	(\$37,864)	(\$104,266)	\$1,486,205	40.0

ANNUALIZE PRIOR YEAR LEGISLATION: The appropriation includes adjustments for the second- and third-year impact of prior year legislation. The table below itemizes each requested annualization for FY 2017-18.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Annualize HB 16-1290 (Extend Transitional Jobs Program)	\$1,144,653	\$1,144,653	\$0	\$0	1.0
Annualize SB 15-012 (Colorado Works Pass-through Child Support Payment)	311,035	1,007,190	0	(696,155)	0.0
Annualize HB 16-1410 (Competency evaluation location)	1,793	1,793	0	0	0.2
Annualize SB 16-202 (Increasing access to effective SUD services)	0	0	0	0	0.0
Annualize HB 14-1015 (Extend Transitional Jobs Program)	(1,198,202)	(1,198,202)	0	0	(1.0)
Annualize HB 16-1398 (Implement Respite Care Task Force Recommendations)	(900,000)	(900,000)	0	0	0.0
Annualize SB 16-190 Improve County Administration public assistance	(550,000)	0	0	(550,000)	0.0
Annualize HB 16-1227 (Exemptions Child Support Reqmnts Child Care Assist)	(268,562)	0	0	(268,562)	0.0
Annualize SB 16-019 (Videotape mental condition evaluations)	(23,282)	(23,282)	0	0	0.4
TOTAL	(\$1,482,565)	32,152	\$0	(\$1,514,717)	0.6

TECHNICAL CHANGES: The request includes technical changes that reduce appropriations by \$1,056,235 total funds. The following table itemizes the requested technical adjustments for FY 2017-18.

TECHNICAL CHANGES					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Base adjustments to reflect CORE allocation	\$0	\$0	\$0	\$0	0.0
Move Older Blind Grants to CDLE	(459,500)	0	(45,000)	(414,500)	0.0
Adjust cash funds spending authority	(430,000)	0	(430,000)	0	0.0
Technical correction HB 16-1408	(166,735)	0	(166,735)	0	0.0
TOTAL	(\$1,056,235)	0	(\$641,735)	(\$414,500)	0.0

INDIRECT COST ASSESSMENT: The request includes a net decrease of \$39,852 total funds for indirect cost adjustments for line items discussed in this briefing.

BEHAVIORAL HEALTH-RELATED ITEMS INCLUDED IN THE GOVERNOR'S FY 2017-18 BUDGET REQUEST THAT ARE NOT INCLUDED ABOVE

MARIJUANA TAX CASH FUND

As part of his proposed budget for FY 2017-18, the Governor has requested a total of \$16.3 million from the Marijuana Tax Cash Fund for supportive housing and rapid rehousing initiatives (two budget requests submitted by the Department of Local Affairs). Much of this funding would be used for individuals with behavioral health needs. The Governor's budget also includes an additional \$16.0 million from the Marijuana Tax Cash Fund that is set aside for various legislative and budget initiatives. The information provided by the Governor's Office during the November 30, 2016, budget hearing indicated that this amount includes:

- \$4 million to divert low-level drug offenders and people with behavioral health needs from the criminal justice system into community-based treatment and support services such as housing, healthcare, and job training; and
- \$4 million to potentially implement recommendations from the Mental Health Hold Task Force.

CAPITAL CONSTRUCTION PROJECTS

The Department has submitted a FY 2017-18 capital construction request for \$5,420,468 from the Capital Construction Fund to expand the Hawkins High Security Forensic facility at the mental health institute at Pueblo by adding a new 24-bed unit.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, EARLY CHILDHOOD

CHILD CARE DEVELOPMENT FUNDS: This issue discusses the use of federal Child Care Development Funds. Unlike most federal funds, these funds are appropriated by the General Assembly.

COLORADO CHILD CARE ASSISTANCE PROGRAM (INFORMATIONAL): This issue discusses the expansion of the Colorado Child Care Assistance Program through H.B. 14-1317 and the requirement that counties implement tiered provider reimbursement based on the quality rating of the facility.

EARLY CHILDHOOD SUSPENSIONS AND EXPULSIONS: This issue discusses the use of suspensions and expulsions by early care providers for children in licensed child care facilities.

MARIJUANA AND CHILD WELFARE WORKLOAD: This issue discusses the increase in the number of child welfare out of home placements as a result of drug use by parent.

S.B. 16-201 UPDATE: The Department is required to submit recommendations to the Joint Budget Committee by December 15, 2016 for changes to the child welfare provider rate-setting process and the child welfare funding structure, if such changes are advisable. Staff analysis on these recommendations will be provided to the Committee at a later date, after receipt of the recommendations.

OFFICE OF INFORMATION TECHNOLOGY SERVICES, COUNTY ADMINISTRATION, OFFICE OF SELF SUFFICIENCY, ADULT ASSISTANCE PROGRAMS, AND THE DIVISION OF YOUTH CORRECTIONS

COUNTY ADMINISTRATION LEGISLATION UPDATE: Senate Bill 16-190, sponsored by the Joint Budget Committee, contained several provisions aimed at improving the performance of the State and counties in providing public assistance programs, including the Supplemental Nutrition Assistance Program (SNAP). This briefing issue provides an update on the deliverables required of the Colorado Department of Human Services by S.B. 16-190.

R4 COUNTY ADMINISTRATION FUNDING: The Department requests \$5,000,000 General Fund for FY 2017-18 to increase the amount of State funds available to counties to administer the Supplemental Nutrition Assistance Program (SNAP) and other smaller programs. Counties have over-expended the current base allocation in recent fiscal years and have covered the shortfall with a mixture of county and federal funds.

REPORT ON DYC FACILITY SECURITY AND STAFFING: Data reported by the Division of Youth Corrections, as requested by the Joint Budget Committee, indicate that the occurrence of assaults and fights has decreased by 10.2 percent from FY 2014-15 to FY 2015-16 across the ten State-owned and –operated commitment and detention facilities, while overall staffing patterns have improved in the majority of facilities.

R1 DYC FACILITY STAFFING, PHASE 3 OF 3: The Division of Youth Corrections’ budget request includes an increase of \$5.0 million General Fund and 80.6 FTE for FY 2017-18 to add staff to State-owned and operated youth corrections’ facilities in an effort to improve safety and security of staff and youth. It seeks additional staff for FY 2017-18 to address the staffing deficiencies that preclude facilities from fully implementing a relationship-based approach between staff and youth that also ensures facility safety.

OFFICE OF OPERATIONS AND SERVICES FOR PEOPLE WITH DISABILITIES

REGIONAL CENTERS OVERVIEW: This issue provides an overview of the services provided at the state-run Regional Centers. Included in this issue is a description of the two types of regional center licensures, the number of individuals and cost of services provided at the Regional Centers, and summary of recent legislation that impacts the Regional Centers.

REGIONAL CENTER TASK FORCE AND THE DEPARTMENT OF HCPF R10 FUNDING: The Regional Center Task Force submitted their final recommendations to the General Assembly in December 2015. While the recommendations impact three different departments, the Department of Human Services has taken the lead on implementing the recommendations. There remain unanswered structural questions on how Regional Centers should fit into the system of services for individuals with intellectual and developmental disabilities. This issue provides an update on the status of the implementation of Task Force recommendations. The Department of Health Care Policy and Financing’s (HCPF) request (R10) is discussed in this issue because of the relationship the request has with the implementation of the Regional Center Task Force recommendations.

S.B. 16-178 GRAND JUNCTION REGIONAL CENTER CAMPUS UPDATE: Senate Bill 16-178 required the Department to transition individuals currently receiving services from the Grand Junction Regional Center Campus and sell the campus by July 1, 2018, or as soon as possible. The Department was also required to assemble an advisory group which provided recommendations for how the Department should proceed with the Campus. The Department submitted a \$12.0 million FY 2017-18 capital construction request to acquire land and build four new group homes.

PUEBLO REGIONAL CENTER: The Pueblo Regional Center was found by the Centers for Medicare and Medicaid Services to have failed to protect the health and welfare of individuals who received services in that facility. As such, the Pueblo Regional Center is required to implement a number of changes, not admit new individuals, and repay federal money used to provide services. The prohibition on new admissions and repayment of federal funds is being disputed by the State. In response to the findings, the Department has instituted pay and staffing increases at the Pueblo Regional Center as of November 1, 2016.

DEPARTMENT INDIRECT COSTS (R6): Indirect costs are designed to require programs to pay for department and state overhead administrative expenses not directly billed to specific programs. Indirect costs are paid for by assessments on the programs which use these overhead administrative services. The Department of Human Services has proposed a number of changes to how they bill for their administrative overhead costs. Staff has recommended taking the Department's proposal a step further in order to increase the transparency for how indirect costs in the Department are paid for and to ensure equitable assessment of those costs by program.

COMMISSION FOR THE DEAF AND HARD OF HEARING: The Commission for the Deaf and Hard of Hearing is the single access point for individuals who are deaf and hard of hearing to services they are federally entitled too. The Commission is required to submit an annual report with recommendations for how services for individuals who are deaf, hard of hearing, and deaf-blind can be improved. The Commission has embraced this charge and made two recommendations for changes in their October 31, 2016 report. The Commission received funding in FY 2016-17 to provide services and outreach to individuals who are deaf-blind but has not yet begun providing those services due to the time it has taken to hire the staff which will oversee these services and outreach.

BEHAVIORAL HEALTH SERVICES

CAPITAL CONSTRUCTION REQUEST FOR MENTAL HEALTH INSTITUTE EXPANSION: The Department submitted a FY 2017-18 capital construction request for \$5.4 million to expand the Hawkins High Security Forensic facility at the mental health institute at Pueblo by 24 beds. This new unit would be used to serve individuals requiring competency evaluations or competency restoration services.

OSPB BEHAVIORAL HEALTH FUNDING STUDY: A recently released study overseen by the Governor's Office of State Planning and Budgeting (OSPB) examined how funding should be distributed and aligned between the Department of Human Services and the Department of Health Care Policy and Financing and among service providers to best support mental health and substance use disorder services statewide.

DATA SYSTEM FOR TRACKING PSYCHIATRIC BED AVAILABILITY: In response to a legislative request, the Department submitted a report that discusses the feasibility of developing and implementing a real time statewide data system for tracking the availability of psychiatric beds for individuals who are placed on a 72-hour mental health hold.

RECOMMENDATIONS CONCERNING THE INVOLVEMENT OF INDIVIDUALS WITH BEHAVIORAL HEALTH NEEDS IN THE CRIMINAL JUSTICE SYSTEM: Three groups have been meeting regularly during the 2016 legislative interim to discuss the involvement of individuals with behavioral health needs in the criminal justice system. Each group will make recommendations that will come before the General Assembly.

Judicial Branch

The Judicial Department interprets and administers the law, resolves disputes, and supervises adult and juvenile offenders on probation. The Judicial Branch also includes six independent agencies. The four largest agencies provide legal representation for children, juveniles, or indigent adult defendants in certain types of cases. The Independent Ethics Commission provides advice and guidance on ethics-related matters concerning public officers, members of the General Assembly, local government officials, and government employees. The Office of the Child Protection Ombudsman receives, investigates, and seeks resolution of complaints concerning child protection services and makes recommendations to improve such services. The Department's FY 2016-17 appropriation represents approximately 2.5 percent of statewide operating appropriations and 4.9 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

JUDICIAL DEPARTMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	\$690,115,303	\$486,631,108	\$164,813,980	\$34,245,215	\$4,425,000	4,610.7
Other legislation	(124,039)	(302,212)	178,173	0	0	4.4
TOTAL	\$689,991,264	\$486,328,896	\$164,992,153	\$34,245,215	\$4,425,000	4,615.1
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$689,991,264	486,328,896	\$164,992,153	\$34,245,215	\$4,425,000	4,615.1
JUD R1 Courthouse capital and infrastructure maintenance	1,919,800	1,919,800	0	0	0	0.0
JUD R2 Language access caseload and contractor rate increase	879,218	879,218	0	0	0	0.0
OSPD R1 Deferred support staff	1,118,718	1,118,718	0	0	0	21.3
OSPD R2 Mandated and electronic data management expenses	585,831	585,831	0	0	0	0.0
OSPD R3 New criminal judge in the 12th judicial district	121,653	121,653	0	0	0	1.6
OSPD R4 Vehicles	(2,282)	(2,282)	0	0	0	0.0
OADC R1 OADC Salary survey	108,122	108,122	0	0	0	0.0
OADC R2 Increase training cash funds spending authority	40,000	0	40,000	0	0	0.0
OCR R1 Caseload/workload adjustment	281,689	281,689	0	0	0	0.0
OCR R2 Case management/billing system replacement	803,000	803,000	0	0	0	0.0
OCR R3 El Paso county office lease/move	16,408	16,408	0	0	0	0.0
OCR R4 Increase staff attorney FTE	41,914	41,914	0	0	0	0.4
OCR R5 Increase operating expenditures	24,780	24,780	0	0	0	0.0
ORPC R1 Conversion to hourly billing	785,902	785,902	0	0	0	0.0
ORPC R2 Increase in case filings	2,671,199	2,671,199	0	0	0	0.0
OCPO R1 OCPO Staff and salaries	147,755	147,755	0	0	0	1.4
CDAC R1 District attorney mandated costs	67,420	67,420	0	0	0	0.0
NP1 Annual fleet vehicle request	(9,721)	(9,721)	0	0	0	0.0
NP2 OIT Secure Colorado	473,354	473,354	0	0	0	0.0
Centrally appropriated line items	21,743,433	20,826,417	917,016	0	0	0.0
Indirect cost assessment	55,998	(55,998)	42,157	69,839	0	0.0
Fund source adjustment	0	(102,160)	0	102,160	0	0.0
Annualize prior year budget actions	(11,291,768)	(2,345,094)	(8,946,674)	0	0	0.5

JUDICIAL DEPARTMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize SB 14-190 (Statewide discovery sharing system)	(782,638)	(782,638)	0	0	0	0.0
Annualize other prior year legislation	(293,731)	(342,203)	48,472	0	0	0.5
Other	181,011	341	163,151	17,519	0	0.0
TOTAL	\$709,678,329	\$513,562,321	\$157,256,275	\$34,434,733	\$4,425,000	4,640.8
INCREASE/(DECREASE)	\$19,687,065	\$27,233,425	(\$7,735,878)	\$189,518	\$0	25.7
Percentage Change	2.9%	5.6%	(4.7%)	0.6%	0.0%	0.6%

GENERAL NOTE: The descriptions of prioritized requested changes in the above table indicate the source of the request. Specifically:

- "JUD" indicates a request submitted by the Chief Justice concerning courts or probation programs;
- "OSPD" indicates a request submitted by the Office of the State Public Defender;
- "OADC" indicates a request submitted by the Office of the Alternate Defense Counsel;
- "OCR" indicates a request submitted by the Office of the Child's Representative;
- "ORPC" indicates a request submitted by the Office of the Respondent Parents' Counsel;
- "OCPO" indicates a request submitted by the Office of the Child Protection Ombudsman;
- "IEC" indicates a request submitted by the Independent Ethics Commission; and
- "CDAC" indicates a request submitted by the Colorado District Attorneys' Council.

Requests from Judicial Department (Courts/Probation)

JUD R1 COURTHOUSE CAPITAL AND INFRASTRUCTURE MAINTENANCE: The request includes \$1,919,800 General Fund to fulfill the State's responsibility for court facilities, including:

- \$809,000 for courtroom phone systems, court docketing systems, and courtroom information technology infrastructure;
- \$654,000 for courtroom audiovisual equipment; and
- \$456,800 for new furnishings and to replace or refurbish existing furniture that is no longer usable.

JUD R2 LANGUAGE ACCESS CASELOAD AND CONTRACTOR RATE INCREASE: The request includes an increase of \$879,218 General Fund for language interpreter services for individuals who are not proficient in English, including \$602,611 for increases in the number of court proceedings requiring such services; and \$276,607 to increase by \$5.00 the hourly rate for independent contract court interpreters.

Requests from Office of the State Public Defender (OSPD)

OSPD R1 DEFERRED SUPPORT STAFF: The request includes an increase of \$1,118,718 General Fund to add 21.3 FTE investigators, paralegals, and administrative staff to improve the ratio of support staff to attorneys.

OSPD R2 MANDATED AND ELECTRONIC DATA MANAGEMENT EXPENSES: The request includes an increase of \$585,831 General Fund, including:

- \$469,585 to adjust the Mandated Costs appropriation based on recent caseload increases; and
- A one-time appropriation of \$116,246 to acquire the hardware and software necessary to receive and manage the electronic discovery that will be made available through the new Statewide Discovery Sharing System.

OSPD R3 NEW CRIMINAL JUDGE IN THE 12TH JUDICIAL DISTRICT: The request includes an increase of \$121,653 General Fund for 1.6 FTE to address the workload impact of adding a new district court judge in the 12th judicial district (H.B. 15-1034) and the subsequent decisions to reallocate criminal cases and add a new adult criminal drug court in this jurisdiction.

OSPD R4 VEHICLES: The request includes a reduction of \$2,282 General Fund based on a proposal to increase the OSPD fleet of state-owned vehicles by four (from 26 to 30). The request includes an increase of \$5,552 for Vehicle Lease Payments and a decrease of \$7,834 for Operating Expenses (for employee mileage reimbursements).

Requests from Office of the Alternate Defense Counsel (OADC)

OADC R1 SALARY SURVEY: In addition to the funding requested to increase all employee salaries by 2.5 percent, the OADC requests \$108,122 General Fund to adjust the salaries of four employees.

OADC R2 INCREASE TRAINING CASH FUNDS SPENDING AUTHORITY: The OADC requests a \$40,000 increase in its cash funds spending authority for Training and Conferences (from \$40,000 to \$80,000). The OADC indicates that it will use the additional funding to expand and enhance training opportunities for attorneys, investigators, paralegals, and social workers.

Requests from Office of the Child's Representative (OCR)

OCR R1 CASELOAD/WORKLOAD ADJUSTMENT: The request includes an increase of \$281,689 General Fund to align the appropriation with the projected caseload and workload for state-paid court-appointed counsel. Primarily this request is based on a projected increase in the number of dependency and neglect cases and an increase in the workload required in juvenile delinquency cases.

OCR R2 CASE MANAGEMENT/BILLING SYSTEM REPLACEMENT: The request includes \$803,000 General Fund to replace the OCR case management and billing system.

OCR R3 EL PASO COUNTY OFFICE LEASE/MOVE: The request includes \$16,408 General Fund to relocate the El Paso county office to a smaller but more efficient space that is closer to the courthouse.

OCR R4 INCREASE STAFF ATTORNEY FTE: The request includes \$41,914 General Fund to convert a part-time (0.65 FTE) Staff Attorney position to a full time position.

OCR R5 INCREASE OPERATING EXPENDITURES: The request includes \$24,780 General Fund to acquire licenses to a commercial legal research tool for court-appointed counsel.

Requests from Office of the Respondent Parents' Counsel (ORPC)

ORPC R1 CONVERSION TO HOURLY BILLING: The request includes an increase of \$785,902 General Fund to convert to a consistent hourly payment system, eliminating flat fee payments to attorneys in eight jurisdictions.

ORPC R2 INCREASE IN CASE FILINGS: The request includes an increase of \$2,671,199 General Fund to address a projected increase in the number of case filings and related court appointments of counsel. This request includes \$2,631,720 for Court-appointed Counsel and \$39,479 for Mandated Costs.

Requests from Office of the Child Protection Ombudsman (OCPO)

OCPO R1 OCPO STAFF AND SALARIES: The request includes an increase of \$147,755 General Fund for staffing and salary increases, including: \$84,649 to add 1.0 FTE Child Protection System's Analyst, \$48,716 to convert a half-time Communications Director to a full-time position, and \$14,390 to increase the salary of the Child Protection Ombudsman.

Requests from the Colorado District Attorneys' Council

CDAC R1 DISTRICT ATTORNEY MANDATED COSTS: The request includes an increase of \$67,420 General Fund (2.8 percent) to reimburse district attorneys for costs incurred for prosecution of state matters. *[For more information, see Appendix C, Judicial request for information #3.]*

Other Changes Requested by Judicial Agencies

NP1 ANNUAL FLEET VEHICLE REQUEST: The request includes a decrease of \$9,721 General Fund for anticipated changes in annual payments to the Department of Personnel for fleet vehicles used by court, probation, and Office of the State Public Defender staff.

NP2 OIT SECURE COLORADO: The request includes an increase of \$473,354 General Fund for the Judicial Branch share of funding for an initiative related to the State's cybersecurity program known as "Secure Colorado".

CENTRALLY APPROPRIATED LINE ITEMS: The request includes \$21,743,433 total funds (including \$20,826,417 General Fund) related to employee benefits and other centrally appropriated line items. This total amount is comprised of the following elements:

- \$12,760,665 total funds for salary increases to be awarded in FY 2017-18, including:
 - \$8,039,916 for a 2.5 percent across-the-board salary increases for all Branch employees;
 - \$2,348,229 to align salary ranges for several Judicial Department employee classifications with the market;
 - \$2,102,297 to increase the salaries of all judges and justices by an additional 3.15 percent *[for information about proposed salary increases for justices and judges, see the second issue brief and Appendix C, Long Bill footnote #56]*; and
 - \$270,223 to increase by an additional 3.15 percent the salaries of certain Judicial Department staff whose salaries are benchmarked to judicial officer salaries.
- \$4,368,564 total funds for various types of insurance (health, life and dental; short-term disability; workers' compensation; and risk management and property funds);
- \$2,365,211 total funds for supplemental PERA payments;
- \$2,176,210 General Fund for payments to other state agencies for information technology services and for the CORE system;
- \$45,430 General Fund for leased space adjustments; and
- \$27,353 General Fund for the purchase of legal services.

INDIRECT COST ASSESSMENT: The request includes an increase of \$55,998 in the Department's indirect cost assessments (including \$42,157 cash funds and \$13,841 reappropriated funds). This increase in indirect cost assessments is then applied to offset the need for General Fund in the Courts Administration section.

FUND SOURCE ADJUSTMENT: The request reflects a \$102,160 increase in the leased space payments paid by tenants within the Ralph L. Carr Colorado Judicial Center (reappropriated funds), which allows for a \$102,160 decrease in the General Fund share of Carr Center debt service payments.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a decrease of \$11,291,768 (including decreases of \$2,345,094 General Fund and \$8,946,674 cash funds) and an increase of 0.5 FTE to reflect the FY 2017-18 impact of the following FY 2016-17 budget decisions:

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL	GENERAL FUND	CASH	REAPPROPRIATED FUNDS	FEDERAL	FTE
FY 2016-17 JUD R1 Information security and supervisor staff, server replacement, and disaster recovery	(\$6,593,764)	\$36,559	(\$6,630,323)	\$0	\$0	0.5
FY 2016-17 JUD R2 Courthouse capital and infrastructure maintenance	(4,692,351)	(2,376,000)	(2,316,351)	0	0	0.0
FY 2016-17 OADC R2 Social worker coordinator	(5,653)	(5,653)	0	0	0	0.0
TOTAL	(\$11,291,768)	(\$2,345,094)	(\$8,946,674)	\$0	\$0	0.5

ANNUALIZE SB 14-190 (STATEWIDE DISCOVERY SHARING SYSTEM): The request includes a decrease of \$782,638 General Fund for the first full year of operating the statewide discovery sharing system. This system will enable the sharing and transfer of information electronically between law enforcement agencies, district attorneys' offices, and defense attorneys. As this system is implemented in each judicial district, the defense is no longer required to reimburse district attorneys for duplicating discoverable materials. The request thus reflects the shift of \$1,156,530 General Fund from existing appropriations for state agencies to reimburse district attorneys to support the discovery sharing system. The request also includes an offsetting increase of \$373,892 for the ongoing operations of the statewide discovery sharing system and the associated ACTION case management system. *[For information about this project, see the first issue brief.]*

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a decrease of \$293,731 total funds (including a decrease of \$342,203 General Fund and an increase of \$48,472 cash funds) and an increase of 0.5 FTE, to reflect the FY 2017-18 impact of legislation that was passed in previous legislative sessions, including the following acts:

Annualize Prior Year Legislation						
	Total	General Fund	Cash	Reappropriated Funds	Federal	FTE
SB 08-054 Judicial performance evaluations	\$30,000	\$0	\$30,000	\$0	\$0	0.0
SB 16-116 Alternate process for sealing criminal records	18,472	0	18,472	0	0	0.5
SB 14-203 and HB 15-1149 Office of Respondent Parents' Counsel	(337,500)	(337,500)	0	0	0	0.0
SB 16-102 Repeal certain mandatory minimum sentences	(4,703)	(4,703)	0	0	0	0.0
TOTAL	(\$293,731)	(\$342,203)	\$48,472	\$0	\$0	0.5

OTHER: The request includes several relatively small changes totaling \$181,011, including:

- An increase in the cost of security services provided by the Colorado State Patrol for the Ralph L. Carr Colorado Judicial Center;
- An increase in the amount of federal Title IV-E funds available to the OCR (an amount that is reflected in the budget as reappropriated funds for informational purposes only);
- A scheduled increase in the annual debt service payment for the Carr Center; and
- An inflationary increase in payments to exonerated persons.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

IMPLEMENTATION OF A STATEWIDE DISCOVERY SHARING SYSTEM: Current law requires the Colorado District Attorneys' Council to implement the new a statewide discovery sharing system by July 1, 2017. The system is being implemented reasonably close to the planned dates. The Supreme Court needs to modify its rules of criminal procedure to eliminate the ability for the prosecution to seek reimbursement for the costs of providing discoverable materials.

ESTABLISHING JUDGE AND JUSTICE SALARIES: The budget request submitted by the Chief Justice for FY 2017-18 includes funding to increase all judicial officer salaries by 5.73 percent.

JUDICIAL PERSONNEL SYSTEMS AND THE INDEPENDENT AGENCIES: This issue brief provides an overview of the six independent judicial agencies that have been established by the General Assembly, and describes the judicial personnel system and the various processes that are currently used to evaluate and approve salary adjustments for various types of judicial employees.

COURT CASE FILINGS AND WORKLOAD: This issue brief discusses recent changes in the number of cases filed in county and district courts and in the associated workload for judicial officers and court staff.

PROBLEM-SOLVING COURTS: This issue brief provides an overview of Colorado's problem-solving courts and the resources that support these courts.

Department of Labor and Employment

The Department of Labor and Employment is responsible for administering unemployment insurance programs, enforcement of the state's labor laws, and inspections of a variety of industries from retail fuel locations to amusement park rides. The Department's FY 2016-17 appropriation represents approximately 0.9 percent of statewide operating appropriations and 0.2 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF LABOR AND EMPLOYMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	243,615,012	20,749,612	70,993,888	9,401,877	142,469,635	1,279.1
Other legislation	536,750	36,750	500,000	0	0	0.7
TOTAL	\$244,151,762	\$20,786,362	\$71,493,888	\$9,401,877	\$142,469,635	1,279.8
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$244,151,762	20,786,362	\$71,493,888	\$9,401,877	\$142,469,635	1,279.8
R1 Conveyance App and DB	445,000	0	445,000	0	0	0.0
Non-prioritized changes	202,538	0	127,692	0	74,846	0.0
Centrally appropriated line items	3,706,250	450,003	702,181	15,146	2,538,920	0.0
Indirect cost assessment adjustment	78,446	0	76,125	(30)	2,351	0.0
Annualize prior year budget actions	150,603	6,210	51,807	0	92,586	0.0
Annualize prior year legislation	(298,389)	101,611	(500,000)	100,000	0	0.0
TOTAL	\$248,436,210	\$21,344,186	\$72,396,693	\$9,516,993	\$145,178,338	1,279.8
INCREASE/(DECREASE)	\$4,284,448	\$557,824	\$902,805	\$115,116	\$2,708,703	0.0
Percentage Change	1.8%	2.7%	1.3%	1.2%	1.9%	0.0%

R1 CONVEYANCE APP AND DB: The request includes \$445,000 cash funds in FY 2017-18 for implementation of a new software system in the Division of Oil and Public Safety. The funds for this request come entirely from cash funds (Conveyance Safety Fund) and can be absorbed from current cash funds without the need for increased fees.

NON-PRIORITIZED DECISION ITEMS: The request includes annual fleet vehicle changes, Secure Colorado OIT, OIT Deskside, and resources for administrative courts.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; leased space; Capitol complex leased space; payments to OIT; and CORE.

INDIRECT COST ASSESSMENTS: The request includes an increase of \$78,446 total funds for adjustments to departmental indirect cost assessments included in the Statewide Indirect Cost Plan.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes an increase of \$150,603 total funds to reflect the FY 2017-18 impact of prior year budget decisions for salary survey.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a decrease of \$298,389 total funds to reflect the FY 2017-18 impact of legislation that passed in previous legislative sessions, including the following acts:

- SB 16-179 (CDLE Unemployment Insurance Classification) increase of \$1,611 General Fund;
- HB 16-1267 (Colorado Veterans' Service-To-Career Pilot Program) decrease of \$500,000 cash funds; and
- HB 15-1276 (Skilled Worker Outreach, Recruitment and Training) increase of \$100,000 reappropriated funds.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

CONVEYANCE PROGRAM SOFTWARE REPLACEMENT: CDLE has an antiquated software system in the Division of Oil and Public Safety that tracks conveyance safety and regulatory compliance. The Department has requested a new software system in the Division of Oil and Public Safety to replace the current AMANDA software system. CDLE requests \$445,000 from the Conveyance Safety Fund to implement the new software system.

TRANSFER OF THE DIVISION OF VOCATIONAL REHABILITATION: CDLE received the Division of Vocational Rehabilitation as part of a transfer from Department of Human Services (DHS) to better align the services provided by CDLE and DVR. This transfer included 240 FTE and \$48,666,212 total funds to CDLE in FY 2016-17. This equates to a 26.5 percent increase in the size of CDLE.

UNEMPLOYMENT INSURANCE FRAUD: The Division of Unemployment Insurance, within CDLE, is responsible for investigating unemployment fraud cases. The amount of fraud cases reported to this division has risen steadily over the past several years. This increase has resulted in a backlog of cases in which the Department has been unable to assign an investigator. This leads to the potential loss of fund recovery. The problem is further exacerbated by the statute of limitations for addressing such issues, which can end cases before the division has a chance to investigate them.

Department of Law

The Attorney General is one of five independently elected constitutional officers of the State. As the chief executive officer of the Department of Law, the Attorney General represents and defends the legal interests of the people of the State of Colorado and serves as the legal counsel and advisor to state agencies. The Department's FY 2016-17 appropriation represents approximately 0.3 percent of statewide operating appropriations and 0.2 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF LAW						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATE D FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	77,471,983	15,003,005	15,612,031	45,073,913	1,783,034	480.4
Other legislation	692,711	135,942	0	556,769	0	3.1
TOTAL	78,164,694	15,138,947	15,612,031	45,630,682	1,783,034	483.5
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	78,164,694	15,138,947	15,612,031	45,630,682	1,783,034	483.5
R1 Legal allocations and billings	(760,273)	0	0	(760,273)	0	0.0
R2 Security asset maintenance and FTE	270,811	64,062	22,403	180,594	3,752	0.0
R3 Appellate FTE retention	256,468	256,468	0	0	0	0.0
R4 Consumer protection FTE and charities unit	574,847	297,550	441,124	(163,827)	0	5.8
R5 Financial fraud investigators	285,124	0	239,325	45,799	0	2.0
R6 POST online training	500,010	0	500,010	0	0	0.0
R7 POST audit FTE	0	0	0	0	0	3.0
NP Education legal services	167,042	0	0	167,042	0	0.9
NP OIT secure Colorado	49,623	14,064	5,840	28,406	1,313	0.0
NP Resources for Administrative Courts	74	0	74	0	0	0.0
NP Annual fleet vehicle request	(3,896)	247	1,076	(5,084)	(135)	0.0
Centrally appropriated line item adjustments	2,521,724	710,087	360,396	1,403,365	47,876	0.0
Custodial funds adjustment	56,990	0	56,990	0	0	1.0
Annualize prior year legislation	43,704	0	0	43,704	0	0.2
Fund source adjustments	0	287,478	0	(287,478)	0	0.0
Annualize prior year budget actions	(262,301)	(259,310)	(3,846)	855	0	0.1
Indirect cost assessment adjustments	(209,758)	0	205,066	(404,068)	(10,756)	0.0
Adjust anticipated grant funding	(10,365)	0	0	(10,365)	0	0.0
TOTAL	\$81,644,518	\$16,509,593	\$17,440,489	\$45,869,352	\$1,825,084	496.5
Increase/(Decrease)	\$3,479,824	\$1,370,646	\$1,828,458	\$238,670	\$42,050	13.0
Percentage Change	4.5%	9.1%	11.7%	0.5%	2.4%	2.7%

R1 LEGAL ALLOCATIONS AND BILLINGS: The Department is requesting a change in the administration of monthly legal allocations and billings to client agencies, resulting in an estimated reduction of \$760,263 reappropriated funds needed for legal services provided to state agencies. Currently, the Department bills client agencies each month for the hours of legal services actually provided to the client during that month. Similar to other common policies, the Department is proposing to base each client agency's annual appropriation on prior year usage of legal services and then bill agencies in twelve equal monthly installments rather than bill monthly based on actual usage. See the issue paper beginning on page 18 of the briefing document for further discussion of this request.

R2 SECURITY ASSET MAINTENANCE AND FTE: The request includes an increase of \$270,811 total funds (including \$64,062 General Fund) to improve information technology (IT) security based on the recommendations of a recent external audit of the Department's IT security procedures. The request, which anticipates and builds on a FY 2016-17 supplemental request, includes:

- \$188,389 total funds (including \$64,062 General Fund) for the Information Technology Asset Maintenance line item, including \$174,304 total funds to purchase additional IT security tools as recommended in the audit and \$14,085 to align the appropriation for annual computer replacement with FTE increases provided to the Department in recent years.
- \$82,422 reappropriated funds from indirect cost recoveries to support an additional position focused on IT security protocols recommended in the audit. The position would supplement one existing security administrator. The Department reports that an additional FTE is not necessary because the Administration has more appropriated FTE than can be filled with the current spending authority.

R3 APPELLATE FTE RETENTION: The request includes \$256,468 General Fund and 3.0 FTE to allow the Department to retain 3.0 attorney FTE in the Appellate Unit originally provided through a FY 2013-14 decision item to reduce the backlog of appellate cases. While the original decision item anticipated that the 3.0 FTE would no longer be necessary after FY 2016-17, the Department believes that the ongoing workload warrants retaining the FTE on an ongoing basis. The *base* request eliminates the positions as anticipated in the original decision item; request R3 adds the funding and FTE back to retain the existing FTE. See the issue paper beginning on page 22 of the briefing document for additional discussion of this request.

R4 CONSUMER PROTECTION FTE AND CHARITIES UNIT: The request includes a net increase of \$574,847 total funds (including \$297,550 General Fund) and 5.8 FTE to augment staffing of the Consumer Protection Section. The request includes three components: (1) realigning and refinancing a portion of the staff currently focused on mortgage and foreclosure fraud based on a decrease in mortgage-related workload; (2) adding 2.8 new FTE to establish a permanent unit focused on oversight of charitable organizations and charitable assets; and (3) adding 3.0 centralized administrative staff to support the consumer protection division. See the issue paper beginning on page 26 of the briefing document for further discussion of this request.

R5 FINANCIAL FRAUD INVESTIGATORS: The request includes an increase of \$281,764 total funds and 2.0 FTE to add two additional financial fraud investigators to the Special Prosecution Unit. The Department is requesting funds for an additional criminal investigator II position to support additional insurance fraud investigations and an additional criminal investigator III (chief investigator) position to both conduct investigations and oversee the insurance fraud unit.

R6 POST ONLINE TRAINING: The request includes an increase of \$500,010 cash funds from the P.O.S.T. Board Cash Fund to provide online peace officer training to 11,905 peace officers statewide. According to the Department, the request would focus particularly on rural peace officers but would provide training to 88 percent of the 13,500 certified peace officers in Colorado. The request, which anticipates operating the program for two years (costing \$500,010 per year), would utilize the existing fund balance within the P.O.S.T. Board Cash Fund. See the issue paper beginning on page 31 of the briefing document for further discussion of this request.

R7 POST AUDIT FTE: The request seeks to add 3.0 FTE to the Peace Officers Standards and Training (P.O.S.T.) Board Support line item in response to an external audit of the P.O.S.T. Board. The audit recommended restructuring the P.O.S.T. Board staff and adding additional FTE for oversight purposes. The Department is hiring the additional staff within existing resources *in FY 2016-17* but is asking the General Assembly to reflect the FTE in the FY 2017-18 Long Bill to align with anticipated staffing levels. Hiring the additional FTE will reduce the funding available for P.O.S.T. grants by an estimated \$130,295 in FY 2016-17 and \$228,474 in FY 2017-18. See the issue paper beginning on page 31 of the briefing document for further discussion of this request.

NP EDUCATION LEGAL SERVICES: The request includes an increase of \$167,042 reappropriated funds and 0.9 FTE to support additional legal services provided to the Department of Education. *This request will be addressed in a separate staff briefing concerning the Department of Education scheduled for Wednesday, December 7, 2016.*

NP OIT SECURE COLORADO: The request includes an increase of \$49,623 total funds (including \$14,064 General Fund) to implement the next phase of the Secure Colorado project. *This request will be addressed in a separate staff briefing concerning the Office of the Governor scheduled for Thursday, November 17, 2016.*

NP RESOURCES FOR ADMINISTRATIVE COURTS: The request includes an increase for administrative law judge services as part of a statewide request seeking resources for administrative courts. *This request will be addressed in a separate staff briefing concerning the Department of Personnel scheduled for Wednesday, December 7, 2016.*

NP ANNUAL FLEET VEHICLE REQUEST: The request includes a net decrease in vehicle lease payments. *This request will be addressed in a separate staff briefing concerning the Department of Personnel scheduled for Wednesday, December 7, 2016.*

CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS: The request includes an increase of \$2,521,724 total funds (including \$710,087 General Fund) related to employee benefits and other centrally appropriated items. This total includes the following major changes:

- An increase of \$1,376,910 total funds (including \$358,136 General Fund) for salary survey increases.
- An increase of \$403,570 total funds (including \$86,610 General Fund) for supplemental PERA payments.
- An increase of \$395,471 (including \$149,459 General Fund) for various types of insurance (health, life, and dental; short-term disability; workers' compensation; and risk management/property funds).
- An increase of \$345,773 total funds (including \$115,882 General Fund) for various other centrally appropriated line items.

CUSTODIAL FUNDS ADJUSTMENT: The request includes an increase of \$56,990 custodial cash funds and 1.0 FTE to reflect the Department's use of consumer protection custodial funds. Because custodial funds are continuously appropriated to the Department, these funds are shown in the Long Bill for informational purposes only.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments to reflect the FY 2017-18 impact of legislation that was passed in 2016, including the following acts: S.B. 16-058; S.B. 16-197; H.B. 16-1097; H.B. 16-1160; H.B. 16-1211; H.B. 16-1280; H.B. 16-1234; and H.B. 16-1404. Appendix B provides a short description of these acts.

FUND SOURCE ADJUSTMENTS: The request includes an increase of \$287,478 General Fund which is offset by a decrease of that amount of reappropriated funds from indirect cost recoveries.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments related to prior year budget actions. The \$259,310 reduction in General Fund is largely driven by a reduction of \$256,468 and 3.0 FTE from the Appellate Unit to eliminate 3.0 attorney FTE added through a FY 2013-14 decision item. The FY 2013-14 decision item added 6.0 attorney FTE to reduce a backlog of appeals and anticipated eliminating 3.0 FTE at the end of FY 2016-17. Please note that request R3 (discussed above) seeks an increase of \$256,468 General Fund to retain the 3.0 attorney FTE in question.

INDIRECT COST ASSESSMENT ADJUSTMENTS: The request includes a net decrease in the Department's indirect cost assessments.

ADJUST ANTICIPATED GRANT FUNDING: The request includes a decrease of \$10,365 reappropriated funds to reflect the total amount of grant funding anticipated to be available from the Department of Public Safety for efforts to investigate and prosecute multi-jurisdictional auto theft. Section 24-31-108 (1) (b) (I), C.R.S., continuously appropriates grant funds to the Department of Law, and these funds are reflected in the Long Bill for informational purposes only.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

MAJOR LITIGATION PENDING AGAINST THE STATE: The Department of Law submits an annual report to the State Controller discussing pending litigation against the State that could have a significant financial impact. The report for 2016 includes cases involving: the Department of Health Care Policy and Financing related to the hospital provider fee and operations at the Pueblo Regional Center; the Department of Natural Resources related to the Gold King Mine incident; the Department of Revenue related to tax collections; and the Department of State related to the financing of elections.

R1 LEGAL SERVICES ALLOCATIONS AND BILLINGS: The Department of Law is proposing to modify the process for the calculation of legal services appropriations provided to client agencies and the Department's process for monthly billings for legal services provided to client agencies. Similar to other centralized common policies, the proposal would calculate appropriations based on client agencies' usage of legal services in prior years and would shift to billing in equal monthly installments based on each agency's appropriation rather than billing for the actual hours of services provided in a given month.

R3 APPELLATE UNIT WORKLOAD AND STAFFING: The Department's FY 2017-18 request includes \$256,468 General Fund and 3.0 FTE to retain 3.0 attorney FTE in the Appellate Unit currently slated for elimination at the end of FY 2016-17. In FY 2013-14, the General Assembly provided 6.0 additional attorney FTE to the Appellate Unit to address a backlog of appellate cases awaiting action by the Department. The original decision item anticipated eliminating 1.0 FTE after FY 2015-16 and an additional 3.0 after FY 2016-17 based on projected reductions in the backlog. The FY 2016-17 appropriation eliminated 1.0 FTE as anticipated. However, as a result of changes in workload as well as the discovery of an error in prior years' calculations of the appellate backlog, the Department is requesting a continuation of current funding to retain the 3.0 FTE scheduled for elimination at the end of FY 2016-17.

R4 CONSUMER PROTECTION FTE: The Department of Law is requesting an increase of \$574,847 total funds (including \$297,550 General Fund) and 5.8 FTE in FY 2017-18 to augment the staff of the Consumer Protection Division. The request seeks to realign and refinance some existing staff based on changes in the enforcement workload and to add new staff focused on oversight of charitable organizations, administration of the consumer protection program and consumer protection custodial funds, and improving public communications and outreach related to consumer protection programs.

R6 AND R7 P.O.S.T. BUDGET REQUESTS: The Department of Law is proposing two changes related to the Peace Officers Standards and Training (P.O.S.T.) Board for FY 2017-18: (1) request R6 includes an increase of \$500,010 cash funds from the P.O.S.T. Board Cash Fund to provide on-line peace officer training programs for peace officers statewide; and (2) request R7 includes an increase of 3.0 FTE (but no additional funding) to support increased oversight of P.O.S.T. grant programs and peace officer training programs as called for by an external audit conducted of the P.O.S.T. Board in 2016. The Department is hiring the three new positions within existing resources in FY 2016-17 (reducing the amount available for grants to local law enforcement agencies by an estimated \$130,295 in FY 2016-17 and \$228,474 in FY 2017-18) but is asking the General Assembly to reflect the FTE in the Long Bill to align with anticipated staffing levels.

Department of Local Affairs

The Department of Local Affairs is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. The Department's FY 2016-17 appropriation represents approximately 1.1 percent of statewide operating appropriations and 0.3 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF LOCAL AFFAIRS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
FY 2016-17 Long Bill (H.B. 16-1405)	306,083,310	25,983,310	194,098,487	10,915,745	75,085,768	173.4
Other legislation	29,270	29,270	0	0	0	0.5
TOTAL	\$306,112,580	\$26,012,580	\$194,098,487	\$10,915,745	\$75,085,768	173.9
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$306,112,580	26,012,580	\$194,098,487	\$10,915,745	\$75,085,768	173.9
R1 Housing Development Grant Program	2,000,000	2,000,000	0	0	0	0.0
R2 Rural economic stabilization	104,927	0	0	104,927	0	1.0
R3 Supportive housing for behavioral health	4,000,000	0	4,000,000	0	0	1.0
R4 Supportive housing and rapid rehousing	12,319,900	0	12,319,900	0	0	1.0
R5 Kit Carson mitigation plan	515,095	515,095	0	0	0	0.0
NP1 Annual fleet vehicle request	(7,757)	(6,980)	0	(777)	0	0.0
NP2 OIT Secure Colorado	17,850	6,960	1,250	9,640	0	0.0
NP3 OIT Deskside support	7,138	2,785	500	3,853	0	0.0
Centrally appropriated line items	844,463	304,723	46,560	355,678	137,502	0.0
Indirect cost assessment	124,553	(124,553)	33,824	185,970	29,312	0.0
Informational funds adjustment	20,000	20,000	0	0	0	0.0
Annualize prior year budget actions	(8,750,000)	0	(8,752,940)	1,996	944	0.0
Annualize prior year legislation	(67,306)	(67,306)	0	0	0	(0.3)
TOTAL	\$317,241,443	\$28,663,304	\$201,747,581	\$11,577,032	\$75,253,526	176.6
INCREASE/(DECREASE)	\$11,128,863	\$2,650,724	\$7,649,094	\$661,287	\$167,758	2.7
Percentage Change	3.6%	10.2%	3.9%	6.1%	0.2%	1.6%

R1 HOUSING DEVELOPMENT GRANT PROGRAM: The Department requests an increase of \$2,000,000 General Fund for affordable housing grants and loans. The Department provides gap financing to facilitate the development of affordable units throughout the State. By increasing state support from the current \$8.2 million General Fund, the Department anticipates that it will support development of an additional 250 units. The target population would be low-income Coloradans spending 50 percent or more of their income on housing.

R2 RURAL ECONOMIC STABILIZATION: This request is for \$104,927 reappropriated funds from energy and mineral impact assistance funds (severance tax and federal mineral lease receipts) to hire 1.0 FTE to coordinate state resources in rural communities. The position would help coordinate resources for rural communities that are economically impacted by closures of major employers such as coal production facilities. The request would annualize to \$100,224 and 1.0 FTE in FY 2018-19.

R3 SUPPORTIVE HOUSING FOR BEHAVIORAL HEALTH: The Department requests ongoing support of \$4,000,000 per year from the Marijuana Tax Cash Fund and 1.0 FTE to support the development of permanent supportive housing (PSH) units (housing with intensive support services) for behavioral health consumers, including those

exiting or at risk of entering hospitals or state mental health institutes. The funds would be used both for grants to facilitate construction of new units and for state housing rental vouchers, with a mix between the two that would change over time. During the first year, the Department anticipates 125 PSH units would be constructed and 105 people would be served by housing vouchers; by the fifth year, it anticipates 35 units would be constructed and 300 people would be served by housing rental vouchers. The request would support a 1.0 FTE housing navigator position and administrative funding, but treatment and case management services would be provided through other funding streams. The Department indicates that legislation would be required to implement this program.

R4 SUPPORTIVE HOUSING AND RAPID REHOUSING: This request is for \$12,319,900 per year from the Marijuana Tax Cash Fund and 1.0 FTE to support permanent supportive housing and rapid rehousing initiatives. Permanent supportive housing (PSH) services (housing paired with intensive support services) would be targeted to people who are permanently disabled, dually diagnosed with mental illness and substance abuse issues (including the chronically homeless), and youth with these issues who are at risk of homelessness. Individuals receiving PSH are expected to require them permanently, although up to sixty percent may ultimately transition from the program. The rapid rehousing (RRH) portion of the proposal is targeted to individuals with “minimal” mental illness who are discharged from the Department of Corrections and at risk of homelessness. RRH services last two years, after which residents transition out. The requested funding would be used both for construction of new PSH and RRH units and for PSH and RRH housing rental vouchers. The mix between construction funding and voucher funding would change over time. During the first year, the Department anticipates that the funds would be used to construct 300 units and would also be used for rent subsidies; however the Department also anticipates that federal rental vouchers will ultimately take the place of state vouchers, allowing most funding to be used for construction subsidies. The request anticipates that 300 revolving RRH placements and 1,200 PSH placements will have been created by the program by year 5. The request also includes funding for case management, an employment counselor, and administration (1.0 FTE), training and evaluation. The Department indicates that legislation would be required to implement this program.

R5 KIT CARSON MITIGATION PLAN: To minimize the impact of the closure of Kit Carson Correctional Center on the local community, the Department requests a one-time appropriation of \$515,095 General Fund to backfill property taxes lost as a result of the closure of the facility. The proposal would backfill two-thirds of a full-year of property taxes lost to Kit Carson County, the City of Burlington, the health district, the fire district and the cemetery district. The Department has requested this funding in the Rural Economic Development Initiative line item (REDI), although the proposal differs from the REDI program.

NP1 ANNUAL FLEET VEHICLE REQUEST: The request adjusts the Department’s payment to the Department of Personnel (DPA) for fleet vehicles. This includes an adjustment to align actual and appropriated base payment amounts and to cover the net incremental cost of replacing five vehicles with CNG vehicles, based on DPA’s vehicle replacement methodology.

NP2 OIT SECURE COLORADO: This request is for the Department’s share of a Governor’s Office of Information Technology (OIT) initiative to improve statewide information security.

NP3 OIT DESKSIDE SUPPORT: This request is for the Department’s share of an initiative to improve end-user support for state agencies.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items, as detailed in the table below.

CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Health, life, and dental	\$199,390	\$89,834	\$3,607	\$52,221	53,728
Short-term disability	712	787	(487)	486	(74)
AED	50,080	27,187	(8,676)	26,862	4,707
SAED	55,922	28,270	(7,763)	29,428	5,987
Salary survey	332,562	71,388	42,984	148,715	69,475
Workers' compensation	19,433	18,033	600	800	0
Legal services	7,489	6,665	524	75	225
Payment to risk management / property funds	1,890	1,760	110	20	0
Capitol Complex leased space	114,118	38,800	6,846	59,342	9,130
Payments to OIT	125,940	49,120	8,815	68,005	0
CORE operations	(63,073)	(27,121)	0	(30,276)	(5,676)
Total	\$844,463	\$304,723	\$46,560	\$355,678	\$137,502

INDIRECT COST ASSESSMENT: The request includes a net increase of \$124,553 in the department's statewide indirect cost assessment, which offsets General Fund otherwise required.

INFORMATIONAL FUNDS ADJUSTMENT: The request includes an increase of \$20,000 General Fund Exempt based on the September 2016 OSPB forecast for volunteer firefighter retirement plans. The volunteer firefighter retirement benefit amount is shown in the Long Bill for informational purposes as it is continuously appropriated by statute.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments for the second-year impact of prior year budget actions.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 16-17 Local Government Permanent Fund	(\$8,750,000)	\$0	(\$8,750,000)	\$0	\$0	0.0
Annualize prior year salary survey	0	0	(2,940)	1,996	944	0.0
Total	(\$8,750,000)	\$0	(\$8,752,940)	\$1,996	\$944	0.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments for the second- and third-year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize HB 16-1175 (Prop Tax Exempt Admin)	(\$2,352)	(\$2,352)	\$0	\$0	\$0	0.0
Annualize HB 15-1033 (Strategic Planning Group)	(64,954)	(64,954)	0	0	0	(0.3)
Total	(\$67,306)	(\$67,306)	\$0	\$0	\$0	(0.3)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

AFFORDABLE HOUSING REQUEST OVERVIEW: The Department of Local Affairs has submitted three significant requests to increase funding for affordable housing. The need for affordable housing far outstrips the State's ability to address the problem.

REQUESTS FOR PERMANENT SUPPORTIVE HOUSING AND RAPID REHOUSING: The Department of Local Affairs has submitted two decision items totaling \$16.3 million from the Marijuana Tax Cash Fund for housing and services for homeless individuals with high needs. The requests would fund permanent supportive housing and rapid rehousing, adding over 1,500 new housing units and associated services over five years.

RURAL ECONOMIC DEVELOPMENT: The Department of Local Affairs requests \$104,927 from mineral and energy impact funds and 1.0 FTE to enhance rural services coordination on the Western Slope and \$515,095 General Fund to backfill property taxes lost to local governments as a result of the closure of the Kit Carson Correctional Center on the Eastern Plains. Although the Department has general statutory responsibilities related to promoting economic development in rural areas, related new legislation may be required.

BP AMERICA COURT DECISION, S.B. 16-218, AND THE EXECUTIVE SEVERANCE TAX REQUEST: Under current law, the Department of Local Affairs receives 50 percent of state severance tax revenues. As a result of the BP America State Supreme Court ruling and S.B. 16-218, the General Fund is backfilling some severance tax refunds to oil and gas companies, while \$28.4 million is reserved in the Department of Local Affairs to potentially repay the General Fund. The Governor has requested that a portion of the reserved funds be transferred to the General Fund.

LOCAL GOVERNMENT SEVERANCE TAX AND MINERAL IMPACT FUNDS: Fifty percent of all severance tax revenues and over 40 percent of the state's share of federal mineral lease revenues are distributed by the Department of Local Affairs to local governments via direct distributions and grants. Combined Local Government Severance Tax Fund and Local Government Mineral Impact Fund receipts fell sharply in FY 2015-16, contributing to a significant decline in funds available for distribution in FY 2016-17. The Department currently anticipates distributing \$107.0 million in FY 2016-17 and \$115.0 million in FY 2017-18.

Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs is responsible for training and maintaining Colorado's State militia forces to protect the safety and health of Colorado's residents, and serve as a reserve force for the U.S. Armed Forces. The Department's FY 2016-17 appropriation represents approximately 0.8 percent of statewide operating appropriations and less than 0.1 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	225,411,689	8,305,504	1,211,976	800,000	215,094,209	1,392.4
TOTAL	\$225,411,689	\$8,305,504	\$1,211,976	\$800,000	\$215,094,209	1,392.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$225,411,689	8,305,504	\$1,211,976	\$800,000	\$215,094,209	1,392.4
Centrally appropriated line items	763,096	566,510	(13,407)	0	209,993	0.0
R1 Increase Colorado National Guard Tuition Fund	300,000	300,000	0	0	0	0.0
R2 State Cooperative Agreement program manager	80,628	80,628	0	0	0	0.9
NP OIT Deskside	15,746	15,746	0	0	0	0.0
R3 Annualize terms of new lease agreement	13,220	13,220	0	0	0	0.0
NP FY 2017-18 Secure Colorado	6,297	6,297	0	0	0	0.0
NP Annual fleet vehicle request	288	288	0	0	0	0.0
Annualize prior year budget actions	(262)	(262)	0	0	0	0.0
TOTAL	\$226,590,702	\$9,287,931	\$1,198,569	\$800,000	\$215,304,202	1,393.3
INCREASE/(DECREASE)	\$1,179,013	\$982,427	(\$13,407)	\$0	\$209,993	0.9
Percentage Change	0.5%	11.8%	(1.1%)	0%	0.1%	0.1%

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; workers' compensation; shift differential; legal services; payment to risk management and property funds; vehicle lease payments; payments to the Governor's Office of Information Technology (OIT); Capitol complex leased space; and CORE operations. *This request item will be addressed in separate staff briefings for the Department of Personnel and Administration.*

R1 INCREASE COLORADO NATIONAL GUARD TUITION FUND: The request includes an increase of \$300,000 General Fund to support tuition assistance for Colorado National Guard (CNG) members. The additional funding will help the Colorado National Guard Tuition Fund keep pace with tuition increases at institution of higher education across the state.

R2 STATE COOPERATIVE AGREEMENT PROGRAM MANAGER: The request includes an increase of 0.9 FTE and \$80,628 General Fund in FY 2017-18 for a program manager to provide oversight for the Department's cooperative agreement programs with the federal government. Currently, there are no dedicated personnel providing management and oversight.

NP OIT DESKSIDE: The request includes an increase of \$15,746 General Fund for end user assistance and services for computer devices and peripheral equipment, such as printers. *This request item was addressed in separate staff briefings for the Governor's Office.*

R3 ANNUALIZE TERMS OF NEW LEASE AGREEMENT: The request includes an increase of \$13,220 General Fund to reflect the terms of the Division of Veterans Affairs' new lease agreement for its pace at 1355 S. Colorado Blvd. in Denver. The new lease would begin July 1, 2017 and includes option years through FY 2020-21.

NP FY 2017-18 SECURE COLORADO: The request includes an increase of \$6,297 General Fund for FY 2017-18 to deploy an end user configuration management tool. This tool will assist in discovering assets (e.g., computers and software) and the status of assets. *This request item was addressed in separate staff briefings for the Governor's Office.*

NP ANNUAL FLEET VEHICLE REQUEST: The request includes an increase of \$288 General Fund for the Department's share of statewide vehicle costs. *This request item will be addressed in separate staff briefings for the Department of Personnel and Administration.*

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments for the second-year impact of prior year salary survey.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

COLORADO NATIONAL GUARD TUITION FUND: This issue discusses the Department's request to increase General Fund appropriations to the Fund by \$300,000 in FY 2017-18 and the projected tuition reimbursements made from the Fund.

COLORADO NATIONAL GUARD TUITION FUND: This issue discusses the Department's request for an additional 0.9 FTE and \$80,628 General Fund for a program manager to oversee their federal cooperative agreements. This issue also discusses recent reversions in the Department's Executive Director's Office.

Department of Natural Resources

The Department of Natural Resources is responsible for developing, protecting, and enhancing Colorado’s natural resources for the use and enjoyment of present and future residents and visitors. The Department’s FY 2016-17 appropriation represents approximately 1.0 percent of statewide operating appropriations and 0.3 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF NATURAL RESOURCES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	254,938,806	28,742,941	191,851,418	7,703,225	26,641,222	1,462.7
Other Legislation	11,116,168	0	11,116,168	0	0	0.0
TOTAL	\$266,054,974	\$28,742,941	\$202,967,586	\$7,703,225	\$26,641,222	1,462.7
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$266,054,974	28,742,941	\$202,967,586	\$7,703,225	\$26,641,222	1,462.7
R4 Chatfield reallocation loan repayment	216,829	0	216,829	0	0	0.0
R1 Assistant Subdistrict Coordinator	82,667	82,667	0	0	0	0.9
R2 ISF Program Assistant	72,858	0	72,858	0	0	1.0
R3 Satellite Monitoring System	70,176	0	70,176	0	0	0.0
R5 CCLS cost allocation	0	0	0	0	0	0.0
NP Annual fleet vehicle request	204,681	24,876	173,304	(25)	6,526	0.0
NP FY 2017-18 Secure Colorado	150,119	22,275	121,825	3,342	2,677	0.0
NP OIT Deskside	60,034	8,908	48,720	1,336	1,070	0.0
Centrally appropriated line items	6,972,903	1,864,809	5,852,021	(760,172)	16,245	0.0
Technical adjustment	35,740	0	0	0	35,740	0.0
Refinance severance tax funding	0	0	0	0	0	0.0
Annualize prior year legislation	(13,318,865)	0	(13,318,865)	0	0	0.0
Annualize prior year budget actions	(5,033)	0	(5,033)	0	0	0.0
TOTAL	\$260,597,083	\$30,746,476	\$196,199,421	\$6,947,706	\$26,703,480	1,464.6
INCREASE/(DECREASE)	(\$5,457,891)	\$2,003,535	(\$6,768,165)	(\$755,519)	\$62,258	1.9
Percentage Change	(2.1%)	7.0%	(3.3%)	(9.8%)	0.2%	0.1%

R4 CHATFIELD REALLOCATION LOAN REPAYMENT: The request includes the creation of a new line item in the Division of Parks and Wildlife called “Chatfield Reallocation Repayment” and an increase of \$216,829 cash funds. The cash fund spending authority is from the Wildlife Cash Fund.

R1 ASSISTANT SUBDISTRICT COORDINATOR: The request includes an increase of \$82,667 General Fund and 1.0 FTE for the Division of Water Resources for an Assistant Subdistrict Coordinator (ASC) for the Water Division 3 Office.

R2 ISF PROGRAM ASSISTANT: The request includes an increase of \$72,858 cash fund spending authority from the Colorado Water Conservation Board Construction Fund for 1.0 FTE to address an increase in workload in the Instream Flow and Natural Lake Level Protection Section of the Colorado Water Conservation Board.

R3 SATELLITE MONITORING SYSTEM: The request includes an increase of \$70,176 cash fund spending authority from the Satellite Monitoring Cash Fund to assist in hydrography and water administration statewide.

R5 CCLS COST ALLOCATION: The request includes a budget neutral change to the cost allocation of 2,194 square feet of capitol complex leased space at 1313 Sherman St. from the Division of Water Resources to the Executive Director's Office.

NP ANNUAL FLEET VEHICLE REQUEST: The request includes an increase of \$204,681 total funds, including \$24,876 General Fund, for the Department's share of statewide vehicle costs. *This request item will be addressed in separate staff briefings for the Department of Personnel and Administration.*

NP FY 2017-18 SECURE COLORADO: The request includes an increase of \$150,119 total funds, including \$22,275 General Fund, for FY 2017-18 to deploy an end user configuration management tool. This tool will assist in discovering assets (e.g., computers and software) and the status of assets. *This request item was addressed in separate staff briefings for the Governor's Office.*

NP OIT DESKSIDE: The request includes an increase of \$60,034 total funds, including \$8,908 General Fund, for end user assistance and services for computer devices and peripheral equipment, such as printers. *This request item was addressed in separate staff briefings for the Governor's Office.*

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; payment to risk management and property funds; vehicle lease payments; leased space; Capitol complex leased space; payments to the Governor's Office of Information Technology (OIT); and CORE operations. *This request item will be addressed in separate staff briefings for the Department of Personnel and Administration and the Governor's Office.*

TECHNICAL ADJUSTMENT: The request includes an increase of \$35,740 federal funds for the Division of Water Resources federal grants line item.

REFINANCE SEVERANCE TAX FUNDING: The request includes a net-zero cash fund refinancing of activities previously funded with severance tax revenue from the severance tax operational account with funding from the cash fund that receives revenue from Oil and Gas Conservation Commission conservation mill levy.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments for the second year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
H.B. 16-1458 Species Conservation Fund Bill	(\$12,938,865)	\$0	(\$12,938,865)	\$0	\$0	0.0
S.B. 16-174 CWCB Projects Bill	(380,000)	0	(380,000)	0	0	0.0
Total	(\$13,318,865)	\$0	(\$13,318,865)	\$0	\$0	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a reduction of \$5,033 cash funds to reflect the second-year impact of the Committee's decision to fund the Department's request in FY 2016-17 to add 1.0 FTE to the State Land Board for an Asset Manager on the Western Slope.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

R1 ASSISTANT SUBDISTRICT COORDINATOR: The Department of Natural Resources has requested \$82,667 General Fund and 1.0 FTE for the Division of Water Resources for an Assistant Subdistrict Coordinator (ASC) for the Water Division 3 Office. This new position will administer 135 Plans of Augmentation and assist the Subdistrict Coordinator in coordinating plan operations and river administration activities.

R2 ISF PROGRAM ASSISTANT: The Department of Natural Resources has requested an increase of \$72,858 cash fund spending authority from the Colorado Water Conservation Board Construction Fund, created in Section 37-60-121 (1) (a), C.R.S., for 1.0 FTE to address an increase in workload in the Instream Flow and Natural Lake Level Protection Section (Section) of the Colorado Water Conservation Board (CWCB). The duties and responsibilities of the requested FTE are currently performed by temporary employees.

R3 SATELLITE MONITORING SYSTEM: The Department of Natural Resources has requested an increase of \$70,176 cash fund spending authority from the Satellite Monitoring Cash Fund to assist in hydrography and water administration statewide. The Satellite Monitoring System has been operational since 1985 and has about 550 gauges measuring stream flow that provide data in real-time. These gauges take about 4,000 stream flow measurements annually.

R4 CHATFIELD REALLOCATION LOAN REPAYMENT: The Department of Natural Resources has requested the creation of a new line item in the Division of Parks and Wildlife called “Chatfield Reallocation Repayment” and an increase of \$216,829 cash funds. The cash fund spending authority is from the Wildlife Cash Fund created in Section 33-1-112 (1) (a), C.R.S. The Chatfield Reservoir Reallocation Project will accommodate an additional 20,600 acre feet of water storage without compromising its flood control functions. The additional storage capacity will help meet long-term water demand in the South Platte Basin.

OVERVIEW OF SEVERANCE TAX OPERATION FUND: Provides a primer on severance tax revenue and how the Severance Tax Operational Fund supports the activities of Tier I and Tier II Severance Tax programs. This issue focuses on how things operate in a typical year.

EFFECT OF S.B. 16-218 AND REQUESTED LEGISLATION: Discusses a potentially unintended effect the provisions of S.B. 16-218 (Severance Tax Refunds) are having on General Fund revenue in FY 2015-16 and FY 2016-17. Compares projected revenue and expenditures of severance tax before and after the adoption of the legislation. Finally, discusses the Governor’s request to transfer \$31.7 million of the remaining severance tax reserved in S.B. 16-218

INFORMATIONAL ISSUE: TIER II SEVERANCE TAX PROGRAMS: Provides a brief description of each Tier II Severance Tax program to facilitate discussion over what types of programs should be in Tier II and whether some may be better funded with General Fund.

*Department of Personnel
and Statewide Compensation Common Policies*

The Department of Personnel is responsible for administering the state personnel system, which includes approximately 32,000 full time equivalent (FTE) staff, excluding the Department of Higher Education. In addition, the Department provides general support services for state agencies which include: oversight of procurement and financial activities and CORE operations; state archives; maintenance of Capitol Complex buildings, provision of central business services, and management of the State's motor vehicle fleet; administrative law judge services; coordination of capital construction and controlled maintenance projects and centralized lease management; administration of the State's personnel selection, classification, compensation, and employee benefit programs; and oversight of the State's liability, property, and workers' compensation insurance programs. The Department's FY 2016-17 appropriation represents approximately 0.7 percent of statewide operating appropriations and 0.1 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF PERSONNEL					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
FY 2016-17 APPROPRIATION:					
HB 16-1405 (Long Bill)	189,285,533	13,145,504	16,006,122	160,133,907	421.0
Other Legislation	926,978	0	922,028	4,950	0.5
TOTAL	\$190,212,511	\$13,145,504	\$16,928,150	\$160,138,857	421.5
FY 2017-18 APPROPRIATION:					
FY 2016-17 Appropriation	\$190,212,511	13,145,504	\$16,928,150	\$160,138,857	421.5
R1 Administrative Courts Electronic Case Management System	54,429	0	0	54,429	0.0
R2 Annual Fleet Vehicle Request	2,859,694	0	0	2,859,694	0.0
NP1 Resources for Administrative Courts	109	0	109	0	0.0
NP2 Annual Fleet Vehicle Request	164,407	0	0	164,407	0.0
NP3 Secure Colorado	43,260	11,550	4,110	27,600	0.0
NP4 Deskside Staffing	17,300	4,620	1,644	11,036	0.0
NP5-8 New Vehicle NP Requests	40,679	0	0	40,679	0.0
Statewide Indirect Cost Assessment Adjustment	1,795,729	0	228,590	1,567,139	0.0
CORE Operations Base Adjustments	6,720	0	(2,898,884)	2,905,604	0.0
Other	259	0	0	259	0.0
Fund Source Adjustment	0	(2,137,784)	(15,651)	2,153,435	0.0
Annualize Prior Year Legislation	(701,079)	69,371	(799,076)	28,626	0.8
Centrally Appropriated Line Items	(307,669)	56,768	(358,553)	(5,884)	0.0
Capitol Complex Base Adjustments	(235,694)	0	0	(235,694)	0.0
Risk Management Base Adjustments	(126,482)	0	0	(126,482)	0.0
Annualize Prior Year Budget Actions	(42,307)	(85,000)	0	42,693	0.0
TOTAL	\$193,781,866	\$11,065,029	\$13,090,439	\$169,626,398	422.3
INCREASE/(DECREASE)	\$3,569,355	(\$2,080,475)	(\$3,837,711)	\$9,487,541	0.8
Percentage Change	1.9%	(15.8%)	(22.7%)	5.9%	0.2%

R1 ADMINISTRATIVE COURTS ELECTRONIC CASE MANAGEMENT SYSTEM: The request includes a \$54,429 increase in reappropriated funds in FY 2017-18, annualizing to \$16,429 after that. The request pays only for licensing costs of an online, electronic case management system (E-CAM) already developed by OIT for the Colorado Civil Rights Division. The additional development and implementation of the E-CAM system for

Administrative Courts will be absorbed by OIT. As a statewide central service provided to state agencies, total state agency appropriations for Administrative Law Judge Services would increase by like amounts, equivalent to a 1.0 percent increase in FY 2017-18 and a 0.3 percent increase in out years. The General Fund impact in FY 2017-18 will total \$6,434 and \$1,942 in out years based on current state agency utilization.

R2 ANNUAL FLEET VEHICLE REQUEST: The request includes a \$2.9 million increase in reappropriated funds for the Vehicle Replacement Lease/Purchase line item for the Fleet Management Program. The request is to replace 824 fleet vehicles statewide, including 408 designated as potential compressed natural gas (CNG) vehicles. The request includes a \$1.3 million increase in state agency appropriations for Vehicle Lease Payments line items, that includes a \$136,712 decrease in General Fund. The anticipated 2018 lease-purchase contract totals \$1.1 million in FY 2017-18, annualizing to \$5.5 million in FY 2018-19 and remaining out years for the contract. Excluding decrease adjustments in prior year lease-purchase contracts for vehicles taken out of service, state agency Vehicle Lease Payments will increase by the difference (\$4.5 million) in FY 2018-19 for the planned vehicle replacement purchases in this request; the request does not identify the General Fund impact in out years related to that annualization. However, the Department projects \$2.4 million in maintenance and fuel savings related to the request.

NP1 RESOURCES FOR ADMINISTRATIVE COURTS: The request includes the Department's share of the adjustment for the Administrative Courts request.

NP2 ANNUAL FLEET VEHICLE REQUEST: The request includes the Department's share of annual fleet vehicle replacement adjustments.

NP3 SECURE COLORADO: The request seeks an increase of \$43,260 total funds, including \$11,550 General Fund, to cover the Department's share of the OIT request.

NP4 DESKSIDE STAFFING: The request seeks an increase of \$17,300 total funds, including \$4,620 General Fund, to cover the Department's share of the OIT request.

NP5-8 NEW VEHICLE NP REQUESTS: The requests include a \$40,679 increase in reappropriated funds spending authority for the Vehicle Replacement Lease/Purchase line item for 22 vehicles in FY 2017-18 and an additional four vehicles in FY 2018-19, for new vehicle requests from the Office of the State Public Defender in Judicial (4), the Department of Revenue (3), the Department of Public Safety (11 in FY 2017-18 plus 4 in FY 2018-19), and the Department of Law (4).

STATEWIDE INDIRECT COST ASSESSMENT ADJUSTMENT: The request includes a net increase of \$1.8 million cash and reappropriated funds for adjustments to departmental indirect cost assessments included in the Statewide Indirect Cost Plan.

CORE OPERATIONS BASE ADJUSTMENTS: The request includes a \$6,720 increase in reappropriated funds for CORE Operations base adjustments for the Payments for CORE and Support Modules line item. This adjustment includes a \$2.9 million refinance of fund source from the Supplier Database Cash Fund (cash funds) to state agency user fees (reappropriated funds).

OTHER: The request includes a base adjustment for a leased space contract escalator for Administrative Courts of \$259 reappropriated funds.

FUND SOURCE ADJUSTMENT: The request includes a decrease of \$2.1 million General Fund and \$16,000 cash funds offset by an increase in reappropriated funds related to increased funding available from statewide indirect cost recoveries and other cash funds refinancing.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a net decrease of \$701,079 total funds, including an increase of \$69,371 General Fund, for adjustments related to prior year legislation as outlined in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize SB13-276 Disability Investigational and Pilot Support Procurement	\$82,000	\$0	\$82,000	\$0	0.0
Annualize HB13-1286 Suspend Recovery Audits	58,777	58,777	0	0	0.8
Annualize HB16-1467 First-time Home Buyer	21,276	0	0	21,276	0.0
Annualize SB15-270 Create the Office of the State Architect	6,193	6,193	0	0	0.0
Annualize SB16-040 MJ Owner Changes	4,950	0	0	4,950	0.0
Annualize SB16-120 Review by Medicaid Client	4,401	4,401	0	0	0.0
Annualize HB16-1194 Income Tax Deduct	2,400	0	0	2,400	0.0
Annualize HB16-1408 Cash Fund Allocations	(879,745)	0	(879,745)	0	0.0
Annualize HB16-1362 License Plate Auction Transfer	(1,331)	0	(1,331)	0	0.0
TOTAL	(\$701,079)	69,371	(\$799,076)	\$28,626	0.8

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; Capitol complex leased space; and payments to OIT.

CAPITOL COMPLEX BASE ADJUSTMENTS: The request includes a \$235,694 decrease in reappropriated funds spending authority for a Capitol Complex base adjustment for utilities.

RISK MANAGEMENT BASE ADJUSTMENTS: The request includes a net decrease of \$126,482 reappropriated funds for risk management base adjustments. In order of dollar amount by increase and then decrease, adjustments determined by the State's actuary include:

- a 14.3 percent increase of \$571,000 for liability legal services;
- a 1.2 percent increase of \$433,000 for workers' compensation claims;
- a 5.2 percent increase of \$270,000 for property policies;
- a 4.1 percent increase of \$14,000 for liability excess policy;
- a 21.7 percent decrease of \$1.5 million for liability claims;
- a 2.9 percent decrease of \$72,000 for workers' compensation legal services; and
- an 8.4 percent decrease of \$69,000 for workers' compensation excess policy.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a net decrease of \$42,307 total funds, including a decrease of \$85,000 General Fund, for adjustments related to prior year budget actions as outlined in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS				
	TOTAL FUNDS	GENERAL FUND	REAPPROPRIATED FUNDS	FTE
Annualize FY13-14 CP2 Employee Engagement Survey	\$215,000	\$215,000	\$0	0.0
Annualize FY16-17 BANP5 CBMS 1095-B Client	59,844	0	59,844	0.0
Annualize FY16-17 NP3 West Slope Asset Mgt	3,864	0	3,864	0.0
Annualize FY16-17 R1 OAC Resources	2,175	0	2,175	0.0
Annualize FY16-17 BANP3 Income Tax Refund	325	0	325	0.0
Annualize FY14-15 R1 Total Comp Vendor	(300,000)	(300,000)	0	0.0
Annualize FY16-17 R1 OAC Resources	(23,515)	0	(23,515)	0.0
TOTAL	(\$42,307)	(85,000)	\$42,693	0.0

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

ISSUE 1: TOTAL COMPENSATION REQUEST OVERVIEW: The FY 2017-18 total compensation request includes a 2.5 percent across-the-board (ATB) increase and no merit pay increase for state employees. The Governor's Office of State Planning and Budgeting (OSPB) estimates the ATB will total \$48.8 million total funds, including \$26.2 million General Fund. The executive request also includes a request for legislation to transfer the balance of the State Employee Reserve Fund (SERF), created to fund state employee merit pay, and estimated at \$46.9 million at the end of FY 2015-16, to the General Fund for general balancing needs.

ISSUE 2: FUNDING MERIT PAY: The current merit pay system evolved to provide a performance-based, incentive-oriented increase system to replace the automatic step increase system. Step increases provided a system for salary growth within a pay range classification. However, performance pay and merit pay systems have not been regularly or consistently funded. The unfunded incentive system will inevitably lead to a diminished outcome as the incentives built into the system create the reverse in which higher performing employees leave the workforce and lower performing employees remain.

ISSUE 3: PERA UPDATE AND S.B. 10-001 REPORT: PERA's, Senate Bill 10-001 Report was issued in December 2015. Provisions in S.B. 10-001 require reports every five years and this is the first. This informational issue describes PERA's financial position at of the end of calendar year 2015 and findings in the S.B. 10-001 report.

ISSUE 4: CASH FUNDS EXCESS RESERVES FOLLOW-UP: House Bill 15-1261, Maximum Reserve for Cash Funds with Fee Revenue, amended Section 24-75-402, C.R.S. This JBC bill amended statutes related to cash funds excess reserves to improve compliance and JBC and General Assembly oversight of cash-funded program revenue management. In addition to other amendments, repeal dates were added to provide a periodic review and reconsideration about whether cash funds should remain exempt beyond a limited period of time. Current exemptions will repeal on July 1, 2017.

Department of Public Health and Environment

The Department of is responsible for responsible for protecting and improving the health of the people of Colorado and ensuring the quality of Colorado's environment.. The Department's FY 2016-17 appropriation represents approximately 2.1 percent of statewide operating appropriations and 0.5 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	\$556,505,747	\$46,047,983	\$180,597,712	\$41,167,484	\$288,692,568	1,308.5
Other legislation	650,561	373,986	276,575	0	0	2.8
HB 16-1408 (Cash Fund Allocation for Health-related Programs)	5,109,621	0	5,109,621	0	0	0.0
HB 16-1413 (Refinance Water Pollution Control Program)	1,208,007	1,208,007	0	0	0	0.0
TOTAL	\$563,473,936	\$47,629,976	\$185,983,908	\$41,167,484	\$288,692,568	1,311.3
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$563,473,936	47,629,976	\$185,983,908	\$41,167,484	\$288,692,568	1,311.3
R1 Clean water sectors funding	1,208,007	433,042	774,965	0	0	0.0
R2 IDD facility survey staffing	417,435	0	0	417,435	0	5.0
R3 Health facility survey staffing caseload adjustment	770,844	43,519	115,367	184,573	427,385	8.0
R4 Rural landfills	250,000	0	250,000	0	0	0.0
R5 Long Bill adjustments	0	0	(130,924)	130,924	0	0.0
Non-prioritized requested changes	493,797	(339,862)	(45,881)	879,540	0	0.0
Indirect cost assessment	9,169,866	338,876	8,811,912	19,078	0	0.0
Informational funds adjustment	6,500,000	0	0	0	6,500,000	4.0
Centrally appropriated line items	6,370,144	765,476	1,251,037	2,193,401	2,160,230	0.0
Annualize prior year budget actions	65,058	(270,707)	467,499	(157,559)	25,825	0.0
Waste tire programs repeal	(4,046,019)	0	(4,046,019)	0	0	0.0
Annualize prior year legislation	(1,078,218)	(1,173,446)	95,228	0	0	1.7
Amendment 35 tobacco tax revenue adjustment	(4,370)	(2,185)	(2,185)	0	0	0.0
TOTAL	\$583,590,480	\$47,424,689	\$193,524,907	\$44,834,876	\$297,806,008	1,330.0
INCREASE/(DECREASE)	\$20,116,544	(\$205,287)	\$7,540,999	\$3,667,392	\$9,113,440	18.7
Percentage Change	3.6%	(0.4%)	4.1%	8.9%	3.2%	1.4%

R1 CLEAN WATER SECTORS FUNDING: The Department requests \$1,208,007 total funds, of which \$433,042 is General Fund and \$774,965 is cash funds to sustain the Clean Water Sectors. This request requires legislation to increase clean water sectors fees. The Department's request includes the requesting the Committee sponsor this legislation.

R2 IDD FACILITY SURVEY STAFFING: The Department requests \$417,435 Medicaid reappropriated funds and 5.0 FTE to increase the number of health facility surveyors for programs and providers that serve individuals with intellectual and developmental disabilities (IDD).

R3 HEALTH FACILITY SURVEY STAFFING CASELOAD ADJUSTMENT: The Department requests \$770,844 total funds, including \$43,519 General Fund and 8.0 FTE to increase the number of health facility surveyors for nursing homes, hospitals, community clinics, and freestanding emergency rooms.

R4 RURAL LANDFILLS: The Department requests \$250,000 cash funds from the Solid Waste Management Fund to assist local governments with the closure or upgrading of twenty-two small landfills out of compliance with regulations.

R5 LONG BILL ADJUSTMENTS: The Department requests a number of changes to the Long Bill structure to align appropriations with programmatic operations. The requested changes include:

- Consolidating all the legal services lines into a single line in the Administration subdivision;
- Creating a new Clean Water Programs line item for clean water programs and activities which do not fit within one of the five clean water sectors;
- Move the appropriation for the Uranium Mill Tailings Remedial Action Program to the subdivision where the expenditures occur;
- Combine the personal services and operating line items for a number of disease control programs into a single program costs line item;
- Combine the personal services and operating expenses line item for the Tuberculosis Control Program into a single program costs line item; and
- A technical name of the Cannabis Health and Environmental Epidemiology Training Outreach and Surveillance Program to Marijuana Health Effects Monitoring.

NON-PRIORITIZED REQUESTED CHANGES: The request includes five decision items originating in other departments. The following table summarizes the non-prioritized requests. The Resources for administrative courts and annual vehicle request will be addressed in a separate staff briefing presented by Alfredo Kemm for the Department of Personnel on Wednesday, December 7th. The OIT Secure Colorado and OIT Deskside were presented in the Governor’s Office briefing by Kevin Neimond on November 17, 2016. The local public health agency partnerships will be presented by me as part of the Department of Health Care Policy and Financing briefing on December 19, 2016.

NON-PRIORITIZED REQUESTED CHANGES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
NP1 Local public health agency partnerships	\$355,500	(\$355,500)	\$0	\$711,000	\$0	0.0
NP2 Resources for administrative courts	472	0	0	472	0	0.0
NP3 Annual fleet vehicle request	(45,881)	0	(45,881)	0	0	0.0
NP4 OIT Secure Colorado	134,587	11,171	0	123,416	0	0.0
NP5 OIT Deskside	53,822	4,467	0	49,355	0	0.0
Total	\$498,500	(\$339,862)	(\$45,881)	\$884,243	\$0	0.0

Indirect cost assessment: The Department requests an increase of \$9,169,866 total funds, including \$338,876 General Fund, \$8,811,912 cash funds, and \$19,078 reappropriated funds in the Department’s indirect cost assessment. The Department identified indirect costs that have been disproportionately paid for with cash and federal indirect cost assessments, and is requesting the General Fund increase to ensure the appropriate funding sources are paying for department wide services. The increase is based on the Department’s three-year plan as approved by the Office of State Planning and Budgeting. The increase in cash funds is due to changes in the prior year indirect cost rate. The federal rate for FY 2015-16 was lower than was included in the indirect cost plan used to set the appropriations because the federal rate was submitted to the federal government was not approved at the full level. Since the federal rate was lower than budgeted for, additional cash fund indirect cost assessments were collected. This resulted in a technical cash funds over expenditure in FY 2015-16 and subsequent restriction in FY 2016-17. The Department anticipates being able to work within the restriction for FY 2016-17 because the federal rate for FY 2016-17 is higher than was used to set the FY 2016-17 appropriations. Therefore more federal funds will be collected and less cash funds indirect cost assessment in FY 2016-17. The Department’s request is a placeholder for indirect cost assessments in order to avoid compounding the current expenditure/restriction issues. This placeholder will be adjusted during the figure setting process based on actual FY 2016-17 collections and the projected rates for FY 2017-18.

INFORMATIONAL FUNDS ADJUSTMENT: The appropriation includes an increase of \$6,500,000 federal funds reflected for informational purposes only. Of the increase, \$3.0 million is for the Child and Adult Food Program, \$2.0 million is for the Injury Prevention Program, \$1.0 million is for Chronic Disease and Cancer Prevention Grants, and \$0.5 million is for the Primary Care Office.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; salary survey; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; vehicle lease payments; Capitol complex leased space; payments to the Governor’s Office of Information Technology (OIT); and CORE operations.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The appropriation includes adjustments for the second- and third-year impact of prior year budget actions.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
IBC Name	Total	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize FY16-17 BA4 Communities That Care	\$2,281,188	\$0	\$2,281,188	\$0	\$0	0.0
Annualize FY16-17 BA5 Marijuana research grants	425,000	0	425,000	0	0	0.0
Annualize FY16-17 Oil and Gas Health Study	386,516	0	193,258	193,258	0	0.0
Annualize prior year salary survey	97,284	10,776	59,038	1,645	25,825	0.0
Annualize FY16-17 POMPE adjustment	6,797	0	6,797	0	0	0.0
Annualize FY16-17 Home settings rule	4,200	0	0	4,200	0	0.0
Annualize FY16-17 BA1 Trusted Adult Campaign	(2,375,000)	0	(2,375,000)	0	0	0.0
Annualize FY16-17 Lab building maintenance	(338,507)	0	0	(338,507)	0	0.0
Annualize FRAPPE data analysis	(103,728)	(103,728)	0	0	0	0.0
Annualize FY16-17 funding for Commission on Afford Health Care	(177,755)	(177,755)	0	0	0	0.0
Annualize FY16-17 RM2 poison control center	(63,283)	0	(63,283)	0	0	0.0
Annualize FY 15-16 R4 Wholesale foods	(59,499)	0	(59,499)	0	0	0.0
Annualize FY16-17 CMS settings rule	(18,155)	0	0	(18,155)	0	0.0
Annualize FY16-17 R6 Compliance Accountant	(4,703)	0	0	(4,703)	0	0.0
TOTAL	\$65,058	(\$270,707)	\$467,499	(\$157,559)	\$25,825	0.0

WASTE TIRE PROGRAMS REPEAL: The request includes a reduction of \$4,046,019 cash funds from two cash funds supporting the Waste Tire Market Development Program and the end user rebates because these two programs are repealed on January 1, 2018 pursuant to Sections 30-20-1406 (5) and 30-20-1405 (5), C.R.S.

ANNUALIZE PRIOR YEAR LEGISLATION: The appropriation includes adjustments for the second- and third-year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION						
	Total	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize HB 16-1280 Air Ambulance	\$113,952	\$0	\$113,952	\$0	\$0	0.6
Annualize HB 16-1141 Radon	100,057	0	100,057	0	0	0.2
Annualize SB 16-069 Community Paramedicine	34,561	34,561	0	0	0	0.0
Annualize HB 16-1034 EMS Registration	32,934	0	32,934	0	0	0.6
Annualize HB 16-1413 Clean Water Sectors funding	(1,208,007)	(1,208,007)	0	0	0	0.0
Annualize HB15-1015 EMS Compact	(128,200)	0	(128,200)	0	0	0.3
Annualize HB 15-1249	(23,515)	0	(23,515)	0	0	0.0
TOTAL	(\$1,078,218)	(\$1,173,446)	\$95,228	\$0	\$0	1.7

AMENDMENT 35 TOBACCO TAX REVENUE ADJUSTMENT: The appropriation includes a reduction of cash funds based on the Legislative Council Amendment 35 revenue forecast for FY 2016-17.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

SOLID WASTE MANAGEMENT: The Colorado Integrated Solid Waste and Materials Management Plan was released in June 2016 and included a number of recommendations for the Department and local governments to implement to ensure existing landfills are operated in a manner that is not harmful to human health and the environment. There were 58 landfills deemed inadequate in the Plan. There are a multitude of reasons why the landfills are deemed inadequate including historical regulatory exemptions and limited funds to address the inadequacies. The Department is requesting \$250,000 cash funds from the Solid Waste Management Fund to assist local governments in addressing their inadequate landfills.

CERCLA AND HAZARDOUS SUBSTANCE RESPONSE FUND: The Department has some regulatory and financial response for the twenty-six Colorado Superfund sites. The State’s long-term financial obligation for the cleanup and maintenance of Superfund sites is currently estimated to be \$65.5 million. These expenses are paid for by the Hazardous Substance Response Fund. Based on a statutory fund balance cap the Department projects by FY 2023-24 the Fund will be insolvent and unable to pay for Superfund costs.

WASTE TIRE PROGRAM: The Waste Tire Market Development Program and the End Users Rebate repeal on January 1, 2018. The Department’s request reflects the repeal by reducing the appropriations. However eliminating the end user rebate and Market Development Program could negatively impact the State’s ability to meet the statutory deadline for eliminating waste tire monofills. Any statutory change to continue these two waste tire programs will have a TABOR impact, as current forecasts assume the elimination of a portion of the waste tire fee.

VOLKSWAGEN EMISSIONS SETTLEMENT: The Air Pollution Control Division will receive up to \$61.3 million as a result of the nationwide settlement with Volkswagen regarding their use of emission testing defeat devices. Based on the anticipated timeline, the Division is expected to be able to start accessing the funds in late 2017.

CLEAN WATER PROGRAMS: The Department is requesting the Committee sponsor legislation to adjust clean water sector fees in order to generate additional revenue for the Clean Water Program. If there is not a legislative adjustment to the fees, it is likely the Clean Water Program will have to reduce expenditures and staff because of insufficient revenue. The Small Communities Water and Wastewater Grant Fund received revenue for the first time in FY 2014-15 because of high Severance Tax collections. The Grand Fund must be used for the planning, design, and construction of drinking water or water treatment systems

MARIJUANA LABORATORY PROFICIENCY TESTING: The Joint Budget Committee submitted a request for information to the Department asking about the options for implementing a marijuana laboratory proficiency testing program as required by H.B. 15-1283. The response provided by the Department supported contracting out the development and execution of a proficiency testing program to a private laboratory. The cost of establishing a proficiency testing program within the state laboratory is approximately \$1.0 million in the first year and \$0.5 million in the out years.

HEALTH FACILITIES AND R3 HEALTH FACILITY CASELOAD GROWTH: The Department is requesting additional funding and staff to conduct health facility surveys due to the growth in the number of nursing homes, hospitals, community clinics and freestanding emergency rooms. Colorado does not require a Certificate of Need be provided prior to the construction of a new facility, which means there is no limit on the number of new facilities that can be opened in Colorado.

HEALTH FACILITY SURVEYS OF IDD PROVIDERS AND FINAL SETTINGS RULE: The Department conducts site surveys and certifications of providers and agencies who serve individuals with intellectual and developmental disabilities. The Department is requesting five new surveyors for IDD providers and agencies as a result of the growth in the number of individuals receiving services. Additionally the Department submitted a response to a request for information on the status of new surveyors funded in FY 2016-17 to ensure service settings are in compliance with the Centers for Medicare and Medicaid Home Settings Rule.

Department of Public Safety

The Department of Public Safety is responsible for maintaining, promoting, and enhancing public safety through law enforcement, criminal investigations, fire and crime prevention, emergency management, recidivism reduction, and victim advocacy. The Department's FY 2016-17 appropriation represents approximately 1.5 percent of statewide operating appropriations and 1.2 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF PUBLIC SAFETY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	412,926,609	122,983,130	190,112,734	38,322,166	61,508,579	1,778.2
Other legislation	374,592	128,218	199,478	46,896	0	2.9
TOTAL	\$413,301,201	\$123,111,348	\$190,312,212	\$38,369,062	\$61,508,579	1,781.1
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$413,301,201	123,111,348	\$190,312,212	\$38,369,062	\$61,508,579	1,781.1
R1 Overtime budget for crime scene call-outs	125,000	125,000	0	0	0	0.0
R2 Request for additional troopers and support staff	1,746,403	0	1,707,399	39,004	0	12.0
R3 Increase InstaCheck Cash Fund spending authority	532,398	0	532,398	0	0	0.0
R4 Funding for expedited process to seal criminal records	799,343	0	799,343	0	0	10.5
R5 Vehicular Crimes Unit GPS total mapping stations	952,000	0	952,000	0	0	0.0
R6 Adjustment to Executive Director's Office realignment	448,011	0	0	448,011	0	0.0
R7 Spending authority for patrol of managed lands	216,087	0	216,087	0	0	2.0
R8 Incident Management Team sustainability	0	0	0	0	0	0.0
R9 Capitol Complex surveillance camera maintenance	81,200	81,200	0	0	0	0.0
Non-prioritized decision items	1,277,120	166,432	952,004	114,325	44,359	0.0
Centrally appropriated line items	9,052,817	(999,473)	7,177,920	2,252,354	622,016	0.0
Technical changes	0	0	(10,174)	11,404	(1,230)	0.0
Annualize prior year budget actions	(1,697,174)	0	(1,399,659)	(297,515)	0	(1.5)
Annualize prior year legislation	(72,970)	962	(73,932)	0	0	(0.3)
TOTAL	\$426,761,436	\$122,485,469	\$201,165,598	\$40,936,645	\$62,173,724	1,803.8
INCREASE/(DECREASE)	\$13,460,235	(\$625,879)	\$10,853,386	\$2,567,583	\$665,145	22.7
Percentage Change	3.3%	(0.5%)	5.7%	6.7%	1.1%	1.3%

R1 OVERTIME BUDGET FOR CRIME SCENE CALL-OUTS: The request includes \$125,000 General Fund and the creation of a new line item to pay overtime costs for crime scene and investigative call-outs and rush laboratory services. Pursuant to Section 24-335-412 (1) (a) (I), C.R.S., the Colorado Bureau of Investigation (CBI) is required to provide assistance to local enforcement agencies in the investigation, detection, and enforcement of Colorado's criminal laws. CBI must be available to local law enforcement agencies 24 hours per day, 7 days a week. Each year, the CBI receives requests for crime scene response, criminal investigation assistance, and rush analysis of evidence from local law enforcement agencies. These requests require existing staff to work after normal business hours and on the weekends. Currently, the expenses associated these additional staff hours are paid for through vacancy savings, or with compensatory time when vacancy savings are not adequate. Over the past two fiscal years, CBI has

expended a total of \$297,182 General Fund for overtime, and converted more than 4,300 hours to compensatory time. The Department is requesting funding to cover these overtime costs in order to promptly provide services.

R2 ADDITIONAL TROOPERS AND SUPPORT STAFF: The request includes \$1,746,403 total funds, including \$1,707,399 cash funds from the Highway Users Tax Fund and \$39,004 reappropriated funds, for an additional 12.0 FTE in FY 2017-18. Included in the request are 11.0 FTE troopers and 1.0 FTE support staff. The troopers would be allocated along the I-25 and I-70 corridors. This decision item is discussed in more detail in the first issue brief.

R3 INCREASE INSTACHECK CASH FUND SPENDING AUTHORITY: The request includes an increase of \$532,398 cash funds to fill vacancies for 8.5 FTE in the Colorado Bureau of Investigation InstaCheck Unit, and fund an increase in base salaries within the Unit. This decision item is discussed in more detail in the third issue brief.

R4 FUNDING FOR EXPEDITED PROCESS TO SEAL CRIMINAL RECORDS: The request includes \$799,343 cash funds and 10.5 FTE to accommodate an increase in requests for the sealing of criminal justice records following the passage of S.B. 16-116 (Simplified Process for the Sealing of Criminal Justice Records). Senate Bill (S.B.) 16-116 provides a simplified process for sealing criminal justice records. Whenever a defendant is acquitted, completes a diversion agreement or a deferred sentence, or whenever a case against a defendant is dismissed, the court must give an eligible defendant the option to immediately seal criminal justice records. The defendant may make an informal motion in open court at the time of dismissal or acquittal or may later file a written motion. If the defendant opts to seal his or her records using this process, the court must promptly process the defendant's request without the filing of an independent civil action. When sealing records using this process, the court must prove a copy of the court's order to each custodian who may have custody of the defendant's records. When first introduced, the bill was quite a bit different than the final iteration. While the first draft affected only private custodians of records, later amendments expanded the impact. The amended fiscal note did not include an impact to the Department of Public Safety. However, the fiscal analyst and the Department agree that the final, enacted legislation should have included an impact to the Department of Public Safety. Because the costs of implementing the bill were not captured in the fiscal note, and subsequently not included in the bill's appropriations clause, the Department is requesting \$799,343 cash funds and 10.5 FTE in FY 2017-18 to process criminal records pursuant to S.B. 16-116. The Department anticipates receiving between 9,700 and 11,000 new requests to seal records. Current staff can process 3,045 requests to seal records per year. Currently, the Department has 2.5 FTE who respond to requests.

R5 VEHICULAR CRIMES UNIT GPS TOTAL MAPPING STATIONS: The request includes \$952,000 cash funds from Off-the-Top Highway Users Tax Fund to purchase 28 Global Positioning System (GPS) Total Mapping Stations for the Colorado State Patrol to more accurately and efficiently document crash and crime scenes. This decision item is discussed in more detail in the second issue brief.

R6 ADJUSTMENTS TO EXECUTIVE DIRECTOR'S OFFICE REALIGNMENT: The request includes \$448,011 reappropriated funds for technical adjustments to last year's consolidation of financial and logistical services staff in the Executive Director's Office (EDO). Last year's changes inadvertently excluded 4.0 FTE in the Division of Fire Prevention and Control, which should have been moved to the EDO. The request would move the funding and the 4.0 FTE to the EDO from the division level.

R7 SPENDING AUTHORITY FOR PATROL OF MANAGED LANES: The request includes \$216,087 cash funds and 2.0 FTE to increase highway patrols for the Highway 36 managed lanes. The Colorado State Patrol has a contract to provide traffic enforcement activities in the managed lanes on Highway 36. The Department cites an increase in unsafe driving following the completion of the Highway 36 expansion, including speeding, lane use violations, and traffic accidents. The Department requested and received a similar increase for patrolling of the E-470 highway in FY 2016-17.

R8 INCIDENT MANAGEMENT TEAM SUSTAINABILITY: The request shifts \$364,000 General Fund currently allocated for an alert notification system to fund Incident Management Teams within the Division of Homeland Security and Emergency Management.

R9 CAPITOL COMPLEX SURVEILLANCE CAMERA MAINTENANCE: The request includes \$81,200 General Fund for the ongoing maintenance of the recently installed video surveillance systems for the Capitol Complex area.

NON-PRIORITIZED DECISION ITEMS: The request includes an increase of \$1,277,120 total funds, including \$166,432 General Fund, to cover the Department’s share of the Office of Information Technology’s implementation of advance information security event analytics capabilities, as well as the Department’s share of the Office of Information Technology’s implementation of deskside support. These request items were addressed in a separate staff briefing for the Governor’s Office of Information Technology on November 17, 2016.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; payment to risk management and property funds; vehicle lease payments; leased space; Capitol complex leased space; payments to the Governor's Office of Information Technology (OIT); and CORE operations.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$5,139,708	\$867,257	\$3,846,480	\$289,657	\$136,314	0.0
Health, life, and dental adjustment	1,852,028	563,290	1,379,062	(147,014)	56,690	0.0
Indirect cost assessment adjustment	1,541,870	(2,331,423)	1,049,912	2,469,941	353,440	0.0
SAED adjustment	701,713	163,822	593,167	(100,559)	45,283	0.0
AED adjustment	640,318	149,413	554,109	(106,530)	43,326	0.0
Capitol Complex leased space adjustment	72,588	755,030	59,540	(741,982)	0	0.0
Short-term disability adjustment	17,450	2,919	17,773	(4,684)	1,442	0.0
Legal services adjustment	16,850	16,850	(111,118)	111,118	0	0.0
CORE adjustment	14,200	2,849	37,895	(26,544)	0	0.0
SWICAP Adjustment	0	(1,327,534)	0	1,327,534	0	0.0
Payments to OIT adjustment	(516,569)	(128,236)	(222,759)	(149,031)	(16,543)	0.0
Payment to risk management / property funds adjustment	(410,022)	24,311	121,346	(555,679)	0	0.0
Workers' compensation adjustment	(8,822)	240,343	(84,180)	(164,985)	0	0.0
Shift differential adjustment	(8,495)	1,636	(63,307)	51,112	2,064	0.0
TOTAL	\$9,052,817	(999,473)	\$7,177,920	\$2,252,354	\$622,016	0.0

TECHNICAL CHANGES: The request includes a net zero adjustment to align dispatch billing within the Colorado State Patrol.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a decrease of \$1,697,174 total funds to reflect the FY 2017-18 impact of the following FY 2016-17 budget decisions:

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$0	\$0	\$0	\$0	\$0	0.0
S.B. 14-046 Local Firefighter Safety Grant Adjustment	(1,350,000)	0	(1,350,000)	0	0	(1.5)
Annualize 16-17 R-01 Realignment of EDO	(297,515)	0	0	(297,515)	0	0.0
Annualize FY 16-17 R-02 Additional E-470 Troopers	(49,659)	0	(49,659)	0	0	0.0
TOTAL	(\$1,697,174)	0	(\$1,399,659)	(\$297,515)	\$0	(1.5)

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a decrease of \$72,970 total funds, including an increase of \$962 General Fund, to reflect the FY 2017-18 impact of legislation that was passed in previous legislative session, including the following acts:

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize S.B. 16-040	\$14,614	\$0	\$14,614	\$0	\$0	0.1
Annualize S.B. 16-197	5,325	0	5,325	0	0	0.0
Annualize H.B. 16-1453	962	962	0	0	0	0.1
Annualize H.B. 16-1160	(93,871)	0	(93,871)	0	0	(0.5)
TOTAL	(\$72,970)	962	(\$73,932)	\$0	\$0	(0.3)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

R2 REQUEST FOR ADDITIONAL TROOPERS AND SUPPORT STAFF: The Department is requesting an increase in funding to add 11.0 State Troopers and 1.0 support staff for the Colorado State Patrol (CSP) in FY 2017-18. The request is submitted as a first phase of a multi-year increase.

R2 VEHICULAR CRIMES UNIT GPS TOTAL MAPPING STATIONS: The request includes \$952,000 cash funds from Off-the-Top Highway Users Tax Fund to purchase 28 Global Positioning System (GPS) Total Mapping Stations for the Colorado State Patrol to more accurately and efficiently document crash and crime scenes.

R3 INCREASE INSTACHECK CASH FUND SPENDING AUTHORITY: The Department is requesting an increase in funding to add 11.0 State Troopers and 1.0 support staff for the Colorado State Patrol (CSP) in FY 2017-18. The request is submitted as a first phase of a multi-year increase. The InstaCheck Unit has a goal of turning around background checks in seven minutes, but an increase in gun sales in the past year have increased the turnaround time, particularly during busy months.

DISASTER EMERGENCY FUND AND FLOOD RECOVERY: From September 9 through September 12, 2013, several communities along the Front Range were affected by a series of catastrophic floods, causing approximately \$4 billion in damage. While \$111.5 million has been set aside for response and recovery, a shortfall of \$62.1 million has been identified. The Governor proposes an annual transfer of \$12,500,000 General Fund in FYs 2017-18 through FY 2020-21 to pay for ongoing costs associated with the response and recovery for the 2013 floods.

STATEWIDE WILDFIRE FUNDING: State wildfire-related expenditures are made by several Departments for a variety of activities. This issue provides an overview of actual expenditures for wildfire related activities across Departments, which totaled \$32.9 million in FY 2015-16.

Department of Regulatory Agencies

The Department of Regulatory Agencies is responsible for consumer protection carried out through regulatory programs that license, establish standards, approve rates, investigate complaints, and conduct enforcement through over 40 boards, commissions, and advisory committees across more than 50 professions, occupations, programs, and institutions. The Department is organized in the following 10 predominantly cash-funded divisions: (1) Executive Director's Office; (2) Banking; (3) Civil Rights; (4) Consumer Counsel; (5) Financial Services; (6) Insurance; (7) Public Utilities Commission; (8) Real Estate; (9) Professions and Occupations; and (10) Securities. The Department's FY 2016-17 appropriation represents 0.3 percent of statewide operating appropriations and 0.0 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF REGULATORY AGENCIES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	86,142,731	1,769,297	78,137,343	4,852,173	1,383,918	588.2
TOTAL	\$86,142,731	\$1,769,297	\$78,137,343	\$4,852,173	\$1,383,918	588.2
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$86,142,731	1,769,297	\$78,137,343	\$4,852,173	\$1,383,918	588.2
R1 Reorganization savings request	(80,000)	0	(80,000)	0	0	0.0
R2 Reduce leased space appropriation	(459,714)	(98,313)	(361,401)	0	0	0.0
R3 Improve enforcement of medical marijuana grey market	317,956	0	317,956	0	0	1.0
Non-prioritized changes	23,016	3,501	19,515	0	0	0.0
Centrally appropriated line items	5,277,093	298,878	4,632,216	374,471	(28,472)	0.0
Indirect cost assessment adjustment	119,525	(119,525)	116,655	119,525	2,870	0.0
Annualize prior year legislation	94,735	0	89,935	4,800	0	1.3
Technical changes	0	12,015	21,680	(33,695)	0	0.0
TOTAL	\$91,435,342	\$1,865,853	\$82,893,899	\$5,317,274	\$1,358,316	590.5
INCREASE/(DECREASE)	\$5,292,611	\$96,556	\$4,756,556	\$465,101	(\$25,602)	2.3
Percentage Change	6.1%	5.5%	6.1%	9.6%	(1.8%)	0.4%

R1 REORGANIZATION SAVINGS REQUEST: The request includes a decrease of \$80,000 cash funds due to the streamlining of functions in the Division of Banking and the Division of Insurance.

R2 REDUCE LEASED SPACE APPROPRIATION: The request includes a decrease of \$459,714 total funds, of which \$98,313 is General Fund. This decrease is the result of rent credit allocation in FY 2017-18. This item is a briefing issue and is discussed in further detail on page 17.

R3 IMPROVE ENFORCEMENT OF MEDICAL MARIJUANA GREY MARKET: The request includes an increase of \$317,956 cash funds from the Marijuana Tax Cash Fund to improve enforcement of the medical marijuana grey market. This item is a briefing issue and is discussed in further detail on page 10.

NON-PRIORITIZED DECISION ITEMS: The request includes annual fleet vehicle changes, Secure Colorado OIT, OIT Deskside, and resources for administrative courts.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; leased space; capitol complex leased space; payments to OIT; and CORE.

INDIRECT COST ASSESSMENTS: The request includes an increase of \$78,446 total funds for adjustments to departmental indirect cost assessments included in the Statewide Indirect Cost Plan.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes an increase of \$94,735 total funds to reflect the FY 2017-18 impact of legislation that passed in previous legislative sessions, including the following acts:

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize HB 16-1404 (Regulate Fantasy Contests)	\$129,932	\$0	\$129,932	\$0	1.2
Annualize HB 16-1414 (Funding Base For Telecom Relay Services)	99,441	0	99,441	0	0.0
Annualize HB 14-1328 (Connect Colorado Broadband Act)	95,828	0	95,828	0	0.0
Annualize HB 16-1324 (Veterinary Access Compounded Pharmaceutical Drugs)	18,662	0	18,662	0	0.0
Annualize SB 16-087 (Highway-rail Crossing Signalization Fund Funding)	(235,200)	0	(240,000)	4,800	0.0
Annualize HB 16-1160 (Sunset Surgical Assistants Surgical Technicians)	(8,475)	0	(8,475)	0	(0.1)
Annualize HB 16-1197 (Military Veteran Occupational Credentials)	(4,703)	0	(4,703)	0	0.0
Annualize HB 16-1047 (Interstate Medical Licensure Compact)	(750)	0	(750)	0	0.2
TOTAL	\$94,735	0	\$89,935	\$4,800	1.3

TECHNICAL ADJUSTMENTS: The request includes an increase of \$12,015 General Fund, an increase of \$21,680 cash funds, and a decrease of \$33,695 reappropriated funds for the sunset split adjustment.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

IMPROVE ENFORCEMENT OF MEDICAL MARIJUANA GREY MARKET: The Colorado Medical Board (CMB), within the Department of Regulatory Agencies (DORA), regulates the practice of medicine in Colorado. This includes regulating licensed medical professionals that have the authority to recommend medical marijuana (MMJ). In Request 3, the Department has requested funds to increase enforcement of these professionals.

LEASED SPACE REDUCTION: The Department of Regulatory Agencies (DORA) signed a new lease for the 1560 Broadway office space, which started July 1, 2016. The new lease offers multi-years savings, with much of the savings applied to the first five years of the lease terms. In Request 2, the Department has requested a leased space reduction of \$459,714 total funds for FY 2017-18.

SUNSET AND SUNRISE PROCESS: The Colorado Office of Policy, Research, & Regulatory Reform (COPRRR) is responsible for the regulatory review process in the State of Colorado. COPRRR manages the sunrise, sunset, and rule making process. This informational issue is intended to provide the Joint Budget Committee a summation of these processes.

Department of Revenue

The Department has three functional groups: Taxation Business Group; Division of Motor Vehicles; and Enforcement Business Group. The Taxation Business Group collects revenue for the state and for many local governments and assists taxpayers in tax related matters; the Division of Motor Vehicles regulates motor vehicle safety, issues personal identification documents, and regulates commercial vehicles; and the Enforcement Business Group regulates alcohol, tobacco, marijuana, horse racing and off-track betting, limited gaming, and automobile dealers and sales persons. The three functional areas are supported by the Executive Director's Office and Information Technology Divisions. The Department also operates the State Lottery, a TABOR enterprise supported by lottery ticket sales. The Department's FY 2016-17 appropriation represents approximately 1.2 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	\$336,697,926	\$103,760,809	\$225,641,524	\$6,471,205	\$824,388	1,414.7
Other legislation	1,774,488	(3,050,396)	4,824,884	0	0	15.7
TOTAL	\$338,472,414	\$100,710,413	\$230,466,408	\$6,471,205	\$824,388	1,430.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$338,472,414	100,710,413	\$230,466,408	\$6,471,205	\$824,388	1,430.4
R1 DMV Waitless system maintenance	183,042	0	183,042	0	0	0.0
R2 License plate and year tab ordering	4,056,720	209,642	3,847,078	0	0	0.0
R3 LED operating increase	52,884	0	52,884	0	0	0.0
R4 DMV leased space	1,090,106	0	1,090,106	0	0	0.0
R5 GenTax maintenance and support	3,858,767	3,858,767	0	0	0	0.0
R6 Auto Industry Division staff increase	361,682	0	361,682	0	0	4.0
R7 Division of Racing Events staff	31,989	0	31,989	0	0	1.0
R8 Amendment 35 Distribution	0	0	0	0	0	0.0
Centrally appropriated line items	4,692,844	2,221,848	2,794,347	(323,351)	0	0.0
Non-prioritized request items	1,024,536	460,069	564,467	0	0	0.0
Adjustment for forecast	895,459	895,459	0	0	0	0.0
Annualize prior year legislation	220,611	3,159,767	(2,939,156)	0	0	0.9
Technical adjustment	0	0	0	0	0	0.0
Annualize prior year budget action	(36,049)	(3,122,133)	3,086,084	0	0	0.0
TOTAL	\$354,905,005	\$108,393,832	\$239,538,931	\$6,147,854	\$824,388	1,436.3
INCREASE/(DECREASE)	\$16,432,591	\$7,683,419	\$9,072,523	(\$323,351)	\$0	5.9
Percentage Change	4.9%	7.6%	3.9%	(5.0%)	n/a	0.4%

R1 DMV WAITLESS SYSTEM MAINTENANCE: The request includes \$183,042 cash funds from the Licensing Services Cash Fund in FY 2017-18 and ongoing for the estimated hardware, software, and operating costs for the Waitless queuing systems deployed in 31 drivers licensing offices in the state. The request increases ongoing funding for the system of \$158,638 for a total of \$341,680 cash funds. The request includes three components: (1) ongoing funding for the hardware maintenance contract with the vendor Dynatouch for \$203,170, (2) ongoing software maintenance contract with the Statewide Internet Portal Authority for \$127,970, and (3) annual purchase of paper for Waitless kiosks. The request figures are based on estimated costs in FY 2020-21, which the Department explains considers escalators in the contract(s).

R2 LICENSE PLATE AND YEAR TAB ORDERING: The request includes an increase of \$4,056,720 total funds including \$209,642 General Fund and \$3,847,078 cash funds and legislation to permit the General Assembly to appropriate those cash funds from the Colorado State Titling and Registration Account of the Highway Users Tax Fund. The purpose of the request is to infuse 300,000 license plates into the Department's license plate inventory, growth in plate issuance, and address other structural issues preventing the Department from successfully managing the License Plate Cash Fund. See the issue paper beginning on page 15 for further discussion of this request.

R3 LIQUOR ENFORCEMENT DIVISION (LED) OPERATING INCREASE: The request includes an increase of \$52,884 cash funds in FY 2017-18 and ongoing from the Liquor Enforcement Division and State Licensing Authority Cash Fund. The request includes three components: (1) funding for increased staff presence at multi-day festivals to accommodate the need to travel, (2) two-year equipment schedule, and (3) funding for training performed by the National Liquor Law Enforcement Association for three investigators each year.

R4 DMV LEASED SPACE: The request includes an increase of \$1,090,106 cash funds from the Licensing Services Cash Fund to allow the Division of Motor Vehicles (DMV) to acquire and build out new leased space to replace three offices it identified as locations where space limits were inhibiting the Department's ability to provide its services. The locations include: Colorado Springs, Fort Morgan, and Northglenn.

R5 GEN TAX MAINTENANCE AND SUPPORT: The request includes an increase of \$3,858,767 General Fund for FY 2017-18 and ongoing to providing support and maintenance for the state's tax administration software. The request includes three components: (1) move the GenTax software hosting from the Office of Information Technology to a third party vendor (2) renew the software license and support agree that is expiring, and (3) prospective installation of additional software modules. See the issue paper beginning on page 29 for further discussion of this request.

R6 AUTO INDUSTRY DIVISION STAFF INCREASE: The request includes an increase of \$361,682 cash funds and 4.0 FTE in FY 2018-19 and ongoing from the Auto Dealers License Fund to implement two Division initiatives that were discontinued during the economic downturn. The initiatives identified in the request are: (1) dealer compliance inspections and (2) regulatory education for industry.

R7 DIVISION OF RACING EVENTS STAFF: The request includes \$31,989 cash funds and 1.0 FTE in FY 2017-18 from the Racing Cash Fund, annualizing to \$27,286 in FY 2018-19, to convert a temporary legal assistant to a permanent position to obtain continuity in institutional knowledge and avoid yearly training of a temporary legal assistant.

R8 AMENDMENT 35 DISTRIBUTION: The request includes the addition of an (I) notation to denote the informational appropriation included in the Special Purpose Section of the Division of Taxation, which estimates the amount of Amendment 35 taxes to be distributed to local governments.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

R2 LICENSE PLATE AND YEAR TAB ORDERING: This issue provides a discussion of the request to increase the appropriation by \$4,056,720 total funds including \$209,642 General Fund and \$3,847,078 cash funds and legislation to permit the General Assembly to appropriate those cash funds from the Colorado State Titling and Registration Account of the Highway Users Tax Fund. The purpose of the request is to infuse 300,000 license plates into the Department's license plate inventory, growth in plate issuance, and address other structural issues preventing the Department from successfully managing the License Plate Cash Fund.

Colorado Road and Community Safety Act (S.B. 13-251): The Department operates the Colorado Road and Community Safety Act program, which issues identification card and driver's licenses to Colorado residents who are not able to prove U.S. residency. It currently operates the program at three Driver's Licensing Offices. In FY 2017-18, the Department will begin to see the first document renewals being requested while it is still attempting to manage the original estimated population of qualified applicants.

R5 GENTAX MAINTENANCE AND SUPPORT: This issue provides a discussion of the request to increase the appropriation by \$3,858,767 General Fund for FY 2017-18 and ongoing to providing support and maintenance for the state's tax administration software. The request includes three components: (1) move the GenTax software hosting from the Office of Information Technology to a third party vendor (2) renew the software license and support agree that is expiring, and (3) addition of venue staff for strategic initiatives.

Department of State

The Department of State administers statutory provisions that pertain to elections; manages the statewide voter registration database; implements the Help America Vote Act (HAVA); oversees campaign finance reporting; registers lobbyists and monitors the filing of required disclosures; collects, maintains, and provides public access to business filings; regulates charities and charitable gaming; and certifies notaries public. The Department's FY 2016-17 appropriation represents 0.1 percent of statewide operating appropriations and does not include any General Fund.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF STATE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	\$22,041,223	\$0	\$22,041,223	\$0	\$0	137.3
Other Legislation	45,916	0	45,916	0	0	0.1
TOTAL	\$22,087,139	\$0	\$22,087,139	\$0	\$0	137.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$22,087,139	\$0	\$22,087,139	\$0	\$0	137.4
R1 Local Election Reimbursement increase	200,000	0	200,000	0	0	0.0
R2 Outside legal counsel	25,000	0	25,000	0	0	0.0
R3 Rebalancing personal services	0	0	0	0	0	0.0
Centrally appropriated line items	268,841	0	268,841	0	0	0.0
Non-prioritized request items	14,004	0	14,004	0	0	0.0
Annualize prior year budget actions	1,071	0	1,071	0	0	0.0
TOTAL	\$22,596,055	\$0	\$22,596,055	\$0	\$0	137.4
INCREASE/(DECREASE)	\$508,916	\$0	\$508,916	\$0	\$0	0.0
Percentage Change	2.3%	n/a	2.3%	n/a	n/a	0.0%

R1 LOCAL ELECTION REIMBURSEMENT INCREASE: The request includes an increase of \$200,000 cash funds to fund the Department providing local election reimbursement based on statutory formula calculated on the number of active registered voters in each county.

R2 OUTSIDE LEGAL COUNSEL: The request includes an increase of \$25,000 to the Personal Services line item in the Department's Administration Division to purchase legal advice from outside legal counsel when the Department of Law's provision of advice presents a conflict of interest. The request is being made in response to the Department of Law's *R1 Request Title Modify Legal Appropriations and Billings*. The Briefing for Department of Law follows this one.

R3 REBALANCING PERSONAL SERVICES: The request includes shifting funding and FTE throughout the Department to accurately reflect changes in staffing at the Department based on the behavior of its clients who are utilizing more online services and fewer in person ones. This shift is net-zero of both total funds and total FTE.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes an increase of \$268,841 cash funds for centrally appropriated line items summarized in the table below:

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$228,288	\$0	\$228,288	\$0	\$0	0.0
Payment to risk management / property funds adjustment	30,290	0	30,290	0	0	0.0
Payments to OIT adjustment	22,564	0	22,564	0	0	0.0
Leased space adjustment	19,841	0	19,841	0	0	0.0
Legal services adjustment	18,091	0	18,091	0	0	0.0
Indirect cost assessment adjustment	9,295	0	9,295	0	0	0.0
Workers' compensation adjustment	3,239	0	3,239	0	0	0.0
CORE adjustment	3	0	3	0	0	0.0
ALJ adjustment	(43,990)	0	(43,990)	0	0	0.0
Health, life, and dental adjustment	(11,455)	0	(11,455)	0	0	0.0
AED adjustment	(5,818)	0	(5,818)	0	0	0.0
SAED adjustment	(1,369)	0	(1,369)	0	0	0.0
Short-term disability adjustment	(138)	0	(138)	0	0	0.0
TOTAL	\$268,841	0	\$268,841	0	0	0.0

NON-PRIORITIZED REQUESTED CHANGES: The request includes an increase of \$14,004 cash funds for non-prioritized requests summarized in the table below:

NON-PRIORITIZED REQUEST ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	GENERAL FUNDS	FTE
NP OIT Secure Colorado	\$14,104	\$0	\$14,104	\$0	\$0	0.0
NP Resources for administrative courts	743	0	743	0	0	0.0
NP Annual fleet vehicle request	(843)	0	(843)	0	0	0.0
TOTAL	\$14,004	0	\$14,004	0	0	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes an increase of \$1,071 cash funds for annualization of FY 2016-17 merit pay appropriation.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

R1 LOCAL ELECTION REIMBURSEMENT INCREASE: The request includes an increase of \$200,000 cash funds to fund the Department providing local election reimbursement based on statutory formula calculated on the number of active registered voters in each county.

R2 OUTSIDE LEGAL COUNSEL: The request includes an increase of \$25,000 to the Personal Services line item in the Department's Administration Division to purchase legal advice from outside legal counsel when the Department of Law's provision of advice presents a conflict of interest. The request is being made in response to the Department of Law's *R1 Request Title Modify Legal Appropriations and Billings*. The Briefing for Department of Law follows this one.

Department of Transportation

The Department of Transportation is responsible for Department is responsible for operating and maintaining Colorado's 9,146-mile state highway system under the policy direction of the eleven-member Transportation Commission, and maintaining the statewide aviation system plan. These responsibilities include managing highway construction projects, implementing the state's Highway Safety Plan, repairing and maintaining roads, providing technical support to local airports regarding aviation safety, and administering reimbursement of aviation fuel tax revenues and discretionary grants to local airports. The Department's FY 2016-17 appropriation represents 5.2 percent of statewide operating appropriations. The Department did not receive General Fund appropriations in 2016-17, but will receive a \$158.0 million General Fund transfer pursuant to H.B. 16-1416.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF TRANSPORTATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	\$1,404,629,871	\$0	\$747,880,934	\$5,866,138	\$650,882,799	3,326.8
TOTAL	\$1,404,629,871	\$0	\$747,880,934	\$5,866,138	\$650,882,799	3,326.8
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$1,404,629,871	0	\$747,880,934	\$5,866,138	\$650,882,799	3,326.8
R1 Marijuana impaired driving campaign	500,000	0	500,000	0	0	0.0
NP1 Secure Colorado	0	0	0	0	0	0.0
NP2 OIT Deskside	0	0	0	0	0	0.0
Centrally appropriated line items	0	0	(132)	132	0	0.0
Updated revenue projections	173,812,733	0	103,900,080	2,685,700	67,226,953	0.0
TOTAL	\$1,578,942,604	\$0	\$852,280,882	\$8,551,970	\$718,109,752	3,326.8
INCREASE/(DECREASE)	\$174,312,733	\$0	\$104,399,948	\$2,685,832	\$67,226,953	0.0
Percentage Change	12.4%	0.0%	14.0%	45.8%	10.3%	0.0%

DESCRIPTION OF REQUESTED CHANGES

R1 MARIJUANA IMPAIRED DRIVING CAMPAIGN: The request includes a total increase of \$500,000 cash funds from the Marijuana Tax Cash Fund, including a \$500,000 cash fund reduction in the First Time Drunk Driving Offenders Account line item and a \$1,000,000 cash fund increase in the Marijuana Impaired Driving Program line item, to fund a statewide marijuana impaired driving public education campaign.

NP1 SECURE COLORADO: The request includes an increase of \$341,445 cash funds in the Administration line, with an associated reduction in the Construction, Maintenance, and Operation line, to cover the Department's share of the Office of Information Technology's implementation of advance information security event analytics capabilities. This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology on November 17, 2016.

NP1 OIT DESKSIDE: The request includes an increase of \$136,546 cash funds in the Administration line, with an associated reduction in the Construction, Maintenance, and Operation line, to cover the Department's share of the Office of Information Technology's implementation of deskside support. This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology on November 17, 2016.

CENTRALLY APPROPRIATED LINE ITEMS: The appropriation includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; payment to risk management and property funds; CORE operations; and payments to the Governor's Office of Information Technology (OIT).

UPDATED REVENUE PROJECTIONS: The appropriation includes updates to the Department's revenue projections, which are provided for informational purposes only. The appropriation includes adjustments to Department's estimated S.B. 09-228 transfer, an increase in expected HUTF revenue, an increase in available federal funds, and increases in revenue from tolls.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

R1 MARIJUANA IMPAIRED DRIVING CAMPAIGN: This issue discusses the Department's request for a total increase of \$500,000 cash funds from the Marijuana Tax Cash Fund, including a \$500,000 cash fund reduction in the First Time Drunk Driving Offenders Account line item and a \$1,000,000 cash fund increase in the Marijuana Impaired Driving Program line item, to continue funding for a statewide marijuana impaired driving public education campaign.

SENATE BILL 09-228 UPDATE: Senate Bill 09-228 established a five year block of General Fund transfers to the Highway Users Tax Fund for strategic transportation projects. The first transfer occurred in FY 2015-16 and will continue until FY 2019-20. H.B. 16-1416 specified transfer amounts of \$199.2 million in FY 2015-16 and \$158.0 million in FY 2016-17. The bill did not alter transfers for the remaining years. FY 2015-16 S.B. 09-228 transfers will primarily fund the Central 70 highway project and Bustang/Park-and-Ride expansions. FY 2016-17 and FY 2017-18 transfers are expected to fund the I-25 North highway project, as well as additional statewide Bustang/Park-and-Ride expansions.

Department of the Treasury

The Department of the Treasury is responsible for the following primary duties: (1) acts as the State's banker and investment officer, providing investment, accounting, and cash management services and preparing related reports; (2) administers the Unclaimed Property Program; (3) disburses Senior Citizen and Disabled Veteran Property Tax Exemption payments to local governments; (4) provides short-term interest-free financing to school districts by issuing tax and revenue anticipation notes and making loans from the General Fund; (5) assists charter schools with long-term financing by making direct bond payments; (6) distributes Highway Users Tax Fund (HUTF) revenues to counties and municipalities; (7) distributes federal mineral leasing funds received for the State's share of sales, bonuses, royalties, and rentals of public lands within Colorado; (8) manages certain state public financing transactions; and (9) reimburses certain property taxes owed or paid for real and business personal property destroyed in a natural disaster. The Department's funding for FY 2016-17 consists of 28.2 percent General Fund, 68.4 percent cash funds, and 3.4 percent reappropriated funds.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF THE TREASURY					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
FY 2016-17 APPROPRIATION:					
HB 16-1405 (Long Bill)	518,036,107	146,008,257	354,252,675	17,775,175	32.9
TOTAL	\$518,036,107	\$146,008,257	\$354,252,675	\$17,775,175	32.9
FY 2017-18 APPROPRIATION:					
FY 2016-17 Appropriation	\$518,036,107	146,008,257	\$354,252,675	\$17,775,175	32.9
Senior Citizen and Disabled Veteran Property Tax Exemption adjustment	12,833,444	12,833,444	0	0	0.0
NP1 OIT Secure Colorado	3,378	3,378	0	0	0.0
NP2 OIT Deskside	1,351	1,351	0	0	0.0
Annualize prior year legislation	500,000	0	500,000	0	0.0
Centrally appropriated line items	144,458	85,304	61,304	(2,150)	0.0
TOTAL	\$531,518,738	\$158,931,734	\$354,813,979	\$17,773,025	32.9
INCREASE/(DECREASE)	\$13,482,631	\$12,923,477	\$561,304	(\$2,150)	0.0
Percentage Change	2.6%	8.9%	0.2%	(0.0%)	0.0%

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION ADJUSTMENT: The request includes an increase of \$12.8 million General Fund for FY 2017-18 for reimbursement to local governments for lost property tax revenues; based on the Governor's Office of State Planning and Budgeting September 2016 forecast.

NP1 OIT SECURE COLORADO: The request includes an increase of \$3,378 General Fund for FY 2017-18 to cover the Department's share of the Office of Information Technology's implementation of advanced information security event analytics capabilities. *This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology on November 17, 2016.*

NP2 OIT DESKSIDE: The request includes an increase of \$1,351 General Fund for FY 2017-18 to cover the Department's share of the Office of Information Technology's implementation of Deskside support. *This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology on November 17, 2016.*

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes an increase of \$500,000 cash funds spending authority for FY 2017-18. These funds are from interest earned on the investment of the Public School Fund and are to cover expenses incurred by the Public School Fund Investment Board created in S.B. 16-035.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items including the following: health, life, and dental; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; workers' compensation and payments to risk management; legal services; Capitol complex leased space; payments to the Governor's Office of Information Technology (OIT); and CORE operations.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION: Discusses the projected cost of this constitutionally required property tax exemption to the State given the anticipated population growth in the 65 and older demographic over the next several years.

Capital Construction

The capital construction section of the Long Bill includes funding appropriated to state departments and institutions of higher education for capital construction and controlled maintenance. Capital construction appropriations are primarily supported by General Fund transferred to the Capital Construction Fund. The FY 2016-17 General Fund transfers to the Capital Construction Fund (\$84.5 million) represents 0.8 percent of FY 2016-17 General Fund revenues, based on the September 2016 Legislative Council Staff forecast.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

		Capital Construction				
		TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
		FY 2016-17 APPROPRIATION:				
		189,145,246	104,872,492	83,203,988	0	1,068,766
		TOTAL	\$189,145,246	\$104,872,492	\$83,203,988	\$0
Priority		FY 2017-18 PRIORITIZED REQUESTS (STATE-FUNDED) REQUESTED APPROPRIATION:				
OSP	CCHE					
1		Level I Controlled Maintenance (partial)	20,013,721	20,013,721	0	0
2		DHS: DYC Facility Refurbishment	5,517,550	5,517,550	0	0
3		DHS: DYC Adams Youth Center Replacement	14,845,503	14,845,503	0	0
4		OIT: Public Safety Communication Network Microwave Infrastructure Replacement	11,193,784	11,193,784	0	0
5		DOC: Limon Hot Water Loop Replacement	4,488,518	4,488,518	0	0
6	3	HED: CSM Green Center Roof and HVAC	3,816,415	1,908,207	1,908,208	0
7		PER: State Capitol Roof Repair	6,069,053	6,069,053	0	0
8		DHS: CMHIP Hawkins Building L2 Unit Addition Phase 1	5,420,468	5,420,468	0	0
9		DPS: CSP King Air Engine Replacement	1,535,030	1,535,030	0	0
		CDOT: Highway Construction Projects	500,000	500,000	0	0
		SUBTOTAL - Prioritized Requests	\$73,400,042	\$71,491,834	\$1,908,208	\$0
		FY 2017-18 NON-PRIORITIZED REQUESTS (100% CASH-FUNDED) REQUESTED APPROPRIATION:				
		AGR: Office Consolidation Phase II	16,079,078	0	16,079,078	0
		DOC: CCI Small Projects	660,000	0	660,000	0
		HistCO: Regional Property Preservation Projects	700,000	0	700,000	0
		DHS: Regional Center Capital Depreciation Fund Improvements	1,002,925	0	1,002,925	0
		DNR: Wildlife - Land and Water Acquisitions	9,300,000	0	9,300,000	0
		DNR: Parks - Park Infrastructure and Facilities	16,607,200	0	16,607,200	0
		DNR: Wildlife - Infrastructure and Real Property Maintenance	3,633,200	0	3,633,200	0
		DNR: Parks - Land and Water Acquisitions	1,400,000	0	1,400,000	0

	Capital Construction				
	TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
DPS: CSP Troop 2D CDOT Region 2 and Pueblo Communications Center Facility	4,617,718	0	4,617,718	0	0
SUBTOTAL - Non-prioritized	\$54,000,121	\$0	\$54,000,121	\$0	\$0
TOTAL	\$127,400,163	\$71,491,834	\$55,908,329	\$0	\$0
INCREASE/(DECREASE)	(\$61,745,083)	(\$33,880,658)	(\$27,295,659)	\$0	(\$1,068,766)
Percentage Change	(32.6%)	(32.3%)	(32.8%)	n/a	(100.0%)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

PRIORITIZING CONTROLLED MAINTENANCE, CAPITAL RENEWAL, AND RECAPITALIZATION: State funding for recapitalization – controlled maintenance, capital renewal, and renovation – has declined since FY 1998-99, while the current replacement value of state buildings has increased 150.1 percent. However, spending less on controlled maintenance and recapitalization in a given year does not save the State money. Not funding the timely replacement of state building systems (1) drives a higher cost in facilities management operating budgets in the current and future years due to increased annual repair and maintenance and building inefficiency; (2) increases capital costs due to construction inflation, collateral building system failure, and premature facility deterioration; and (3) reduces program effectiveness when deterioration leads to the unscheduled loss of use of facilities. State spending on controlled maintenance should be prioritized as an ongoing, base budget commitment, and the recapitalization of existing buildings should be prioritized ahead of capital expansion.

Tobacco Master Settlement Agreement

The Tobacco Master Settlement Agreement (MSA) provides Colorado with an annual revenue stream which is directed via a statutory formula to a wide variety of programs. Revenue from the Tobacco Master Settlement Agreement is the result of a 1998 legal settlement between tobacco manufacturers and the states who sued tobacco manufacturers to recover the Medicaid and other health-related costs incurred by the states as a result of treating smoking related illnesses. Colorado received \$92.2 million in Tobacco MSA revenue in April 2016. Programs receiving Tobacco MSA allocations in FY 2016-17 include the Nurse Home Visitor Program (26.7% of allocations), the Children's Basic Health Plan Trust (18% of allocations), and the University of Colorado Health Sciences Center (15.5% of allocations), among others.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

TOBACCO MASTER SETTLEMENT AGREEMENT OVERVIEW: The 1998 Tobacco Master Settlement Agreement (MSA) provides Colorado with an annual revenue stream from Participating Manufacturers as a result of legal action taken by Settling States to recover state expenses incurred for the treatment of illnesses resulting from tobacco use. Tobacco Master Settlement Agreement money is distributed to certain programs based on a statutory formula. This issue provides an overview of the Tobacco Master Settlement Agreement including what comprises the Tobacco Master Settlement Agreement annual payment to Colorado, disputed payments, and arbitration of disputed payments.

HOUSE BILL 16-1408 DISTRIBUTION CHANGES AND FY 2017-18 ALLOCATIONS: The strategic contribution payment for Colorado will end after the April 2017 Tobacco Master Settlement Agreement payment. Therefore, the April 2018 payment will be approximately \$15.0 million lower than the April 2017 payment. Section 24-75-1104.5 (1.3) (a.5) (II), C.R.S., requires the amount of money received in April 2017 and allocated to programs be reduced by \$15.0 million in order to reduce the accelerated payment. It does not appear that any department as part of their November 1 request accounted for the reduction in revenues available for appropriation in FY 2017-18.