This link includes the following presentations:

1. Figure setting for the Department of Human Services, Office of Operations and Services for People with Disabilities, March 5, 2008 (pp. 2-152)

2. Additions to Proposed Bill on County Match for Residential Child Care Services, March 5, 2008 (pp 153-156)

3. Figure setting for the Department of Human Services, Division of Child Welfare and Division of Child Care, March 5, 2008 (pp. 157-237)

4. Staff Comeback - Department of Human Services, Services for People with Disabilities and Child Care, March 13, 2008 (pp. 238-257) and follow-up March 14, 2008 (p.258)

5. Memo on Colorado Springs Community Centered Board, May 5, 2008 (pp. 259-263)

NOTE: The attached primary figure setting documents include technical corrections on the following pages made subsequent to the staff presentation:

Services for People with Disabilities: printed pages 67, 81, and 85 include corrections to tables (shown in bold). In addition, spelling errors on other pages have been corrected.

Child Welfare and Child Care: printed page 68 includes corrections to a table

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2008-2009 FIGURE SETTING
DEPARTMENT OF HUMAN SERVICES

**Office of Operations and
Services for People with Disabilities ONLY**

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

**Prepared By:
Amanda Bickel, JBC Staff
March 5, 2008**

For Further Information Contact:

**Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
Facsimile: (303) 866-2150
(TDD 866-3472)**

FY 2008-09 STAFF FIGURE SETTING PRESENTATION
DEPARTMENT OF HUMAN SERVICES:
OFFICE OF OPERATIONS AND SERVICES FOR PEOPLE WITH DISABILITIES

TABLE OF CONTENTS

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests

For FY 2008-09, the JBC approved eliminating the cash funds exempt category of appropriations and replacing it with reappropriated funds. Reappropriated funds are those moneys that are appropriated for a second or more time in the same fiscal year. The JBC staff recommendation for FY 2008-09 is expressed in both the old format and the new format. Moneys that were previously categorized as cash funds exempt that are not reappropriated funds are characterized in teh enw budget format as cash funds, regardless of the TABOR status of the funds.

DEPARTMENT OF HUMAN SERVICES

EXECUTIVE DIRECTOR: Karen Beye

(1) EXECUTIVE DIRECTOR'S OFFICE [Disability line items ONLY]

NOTE: The following line items relate to disability programs are is thus covered in this packet.

(B) Special Purpose

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
Developmental Disabilities Council	701,628	686,224	845,180	862,484	861,654	861,654	
FTE	4.7	5.1	6.0	6.0	6.0	6.0	
General Fund	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	0	0	0	0	0	0	
Federal Funds	701,628	686,224	845,180	862,484	861,654	861,654	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	*0*	
Colorado Commission for the Deaf and Hard of Hearing*	*341,534*	593,922	775,888	812,159	785,920	785,920	DI #14
FTE	*1.0*	*2.0*	2.3	2.8	2.8	2.8	
General Fund	*0*	*93,692*	131,164	131,392	131,164	131,164	
Cash Funds	*0*	*0*	0	0	0	*0*	
Cash Funds Exempt/Reappropriated Funds	*341,534*	*500,230*	644,724	680,767	654,756	654,756	
Federal Funds	*0*	*0*	0	0	0	0	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	0	*0*	
Colorado Commission for Individuals who are Blind or Visually Impaired*	n/a	n/a	*95,152*	95,152 A	112,067	112,067	Sup/BA #14
FTE			*1.0*	1.0 A	1.0	1.0	
General Fund			*0*	0	0	0	
Cash Funds			*0*	0	0	0	
Cash Funds Exempt/Reappropriated Funds			*95,152*	95,152 A	112,067	112,067	
Federal Funds			*0*	0			
Medicaid Cash Funds			*0*	0			

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request		FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
								Rec v. Approp.
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	701,628	686,224	1,621,068	1,769,795	A	1,759,641	1,759,641	8.5%
FTE	4.7	5.1	8.3	9.8	A	9.8	9.8	1.5
General Fund	0	0	131,164	131,392		131,164	131,164	0.0%
Cash Funds	0	0	0	0		0	0	*n/a*
Cash Funds Exempt/Reappropriated Funds	0	0	644,724	775,919	A	766,823	766,823	18.9%
Federal Funds	701,628	686,224	845,180	862,484		861,654	861,654	1.9%
**Medicaid Cash Funds*	*0*	*0*	0	0		0	0	*n/a*
**Net General Fund*	*0*	*0*	131,164	131,392		131,164	131,164	0.0%

** Shaded amounts from prior years were appropriated in the Division of Vocational Rehabilitation and are shown here [but not added in the Division total] for informational purposes.*

(3) OFFICE OF OPERATIONS

Primary functions: Facility maintenance and management; accounting and payroll, contracting, purchasing, and field audits. Cash and cash exempt amounts are from multiple sources, including indirect cost revenue associated with programs throughout the Department.

Please note: funding splits are reflected below for informational purposes only; the Long Bill appropriation for this subsection reflects fund splits at the bottom-line only for the Administration Section. Fund split detail is therefore not included for actual years except in the bottom-line.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request		FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
(A) Administration			*53920*					
Personal Services	21,279,982	21,720,844	22,476,856	23,518,773	A	23,151,177	23,151,177	DIs #1A, 9
FTE	418.0	430.0	455.6	462.1	A	453.1	453.1	SBA #1
General Fund			10,753,902	11,392,023	A	11,274,095	11,274,095	
Cash Funds			560,498	523,717	A	566,211	1,715,675	
Cash Funds Exempt/Reappropriated Funds			9,389,049	9,768,880	A	9,645,970	8,496,506	
Federal Funds			1,773,407	1,834,153	A	1,664,901	1,664,901	
Medicaid Cash Funds			3,773,720	*3,900,056*	*A*	*8,496,506*	*8,496,506*	
Operating Expenses	2,319,269	2,355,060	2,643,297	2,934,656	A	3,433,463	3,433,463	DI #1A
General Fund			1,625,030	1,921,087	A	2,201,726	2,201,726	SBA #1
Cash Funds			18,250	12,807	A	13,743	13,743	
Cash Funds Exempt/Reappropriated Funds			917,813	918,574	A	1,015,538	1,015,538	
Federal Funds			82,204	82,188	A	202,456	202,456	
Medicaid Cash Funds			*482,696*	*482,605*	*A*	*482,605*	*482,605*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
Vehicle Lease Payments	561,172	529,049	629,262 S	692,654		*Pending*	DIs #1A, 8, DPA-2
General Fund			384,270 S	424,099			SBA #4, BA #NP-3
Cash Funds			868 S	2,771			
Cash Funds Exempt/Reappropriated Funds			209,910 S	216,727			
Federal Funds			34,214 S	49,057			
Medicaid Cash Funds			184,110 S	171,715			
Leased Space	2,270,532	2,361,427	2,938,212	2,938,212	2,537,805	2,537,805	
General Fund			899,885	899,885	619,746	619,746	
Cash Funds			16,936	16,936	16,936	16,936	
Cash Funds Exempt/Reappropriated Funds			46,162	46,162	46,162	46,162	
Federal Funds			1,975,229	1,975,229	1,854,961	*1,854,961*	
Medicaid Cash Funds			*0*	*0*	*0*	*0*	
Capitol Complex Leased Space	1,067,451	1,103,065	1,274,122 S	1,265,396 A		*Pending*	Sup/BA #DPA-4
General Fund			637,061 S	632,697 A			
Cash Funds			0	0			
Cash Funds Exempt/Reappropriated Funds			0	0			
Federal Funds			637,061 S	632,699 A			
Medicaid Cash Funds			0	0			
Utilities	6,925,723	7,082,225	7,335,406	7,569,799	7,569,799	7,569,799	DI #1A
General Fund			5,425,896	5,660,289	5,660,289	5,660,289	
Cash Funds			0	0	0	0	
Cash Funds Exempt/Reappropriated Funds			1,909,510	1,909,510	1,909,510	1,909,510	
Federal Funds			0	0	0	0	
Medicaid Cash Funds			1,538,491	1,538,491	1,538,491	1,538,491	
							Rec v. Approp.
Subtotal - (A) Administration	34,424,129	35,151,670	37,297,155 S	38,919,490 A	36,692,244	36,692,244	-1.6%
FTE	418.0	430.0	455.6	462.1	453.1	453.1	(2.5)
General Fund	18,762,848	19,841,764	19,726,044 S	20,930,080 A	19,755,856	19,755,856	0.2%
Cash Funds	664,434	529,059	596,552 S	556,231 A	596,890	1,746,354	192.7%
Cash Funds Exempt/Reappropriated Funds	11,163,020	10,903,547	12,472,444 S	12,859,853 A	12,617,180	11,467,716	-8.1%
Federal Funds	3,833,827	3,877,300	4,502,115 S	4,573,326 A	3,722,318	3,722,318	-17.3%
Medicaid Cash Funds	*5,049,870*	*5,222,784*	*5,979,017 S*	*6,092,867* A	*10,517,602*	*10,517,602*	75.9%
Net General Fund	*22,910,886*	*22,453,156*	*22,715,553 S*	*23,976,514 A*	*25,014,657*	*25,014,657*	10.1%

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	FY 2008-09 Change Requests
(B) Special Purpose							
Buildings and Grounds Rental	666,798	892,440	896,014	1,193,955	629,944	629,944	DI #12, SBA #3
FTE	4.9	5.0	6.5	7.5 A	5.5	5.5	
General Fund	0	0	0	0	0	*0*	
Cash Funds	222,756	224,261	223,928	248,546 A	477,811	629,944	
Cash Funds Exempt/Reappropriated Funds	444,042	668,179	672,086	945,409 A	152,133	*0*	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds		0	0	0	0	0	
State Garage Fund	442,182	618,888	618,445	733,408	618,445	618,445	BA #NP 1
FTE	0.9	1.1	2.1	2.6	2.1	2.1	
General Fund	0	0	0	0	0	0	
Cash Funds	0	0	0	114,742	0	0	
Cash Funds Exempt/Reappropriated Funds	442,182	618,888	618,445	618,666	618,445	618,445	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	*0*	
							Rec. v. Approp.
Subtotal - (B) Special Purpose	1,108,980	1,511,328	1,514,459	1,927,363	1,248,389	1,248,389	-17.6%
FTE	5.8	6.1	8.6	10.1	7.6	7.6	(1.0)
General Fund	0	0	0	0	0	0	n/a
Cash Funds	222,756	224,261	223,928	363,288	477,811	629,944	181.3%
Cash Funds Exempt/Reappropriated Funds	886,224	1,287,067	1,290,531	1,564,075	770,578	618,445	-52.1%
Federal Funds	0	0	0	0	0	0	n/a
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	*0*	n/a
Net General Fund	0	0	0	0	0	0	n/a
							Rec. v. Approp.
(3) TOTAL OFFICE OF OPERATIONS*	**35,533,109**	**36,662,998**	**38,811,614 S**	**40,846,853 A**	**37,940,633**	**37,940,633**	-2.2%
FTE	**423.8**	**436.1**	**464.2**	**472.2 A**	**460.7**	**460.7**	(3.5)
General Fund	**18,762,848**	**19,841,764**	**19,726,044 S**	**20,930,080 A**	**19,755,856**	**19,755,856**	0.2%
Cash Funds	**887,190**	**753,320**	**820,480 S**	**919,519 A**	**1,074,701**	**2,376,298**	189.6%
Cash Funds Exempt/Reappropriated Funds	**12,049,244**	**12,190,614**	**13,762,975 S**	**14,423,928 A**	**13,387,758**	**12,086,161**	-12.2%
Federal Funds	**3,833,827**	**3,877,300**	**4,502,115 S**	**4,573,326 A**	**3,722,318**	**3,722,318**	-17.3%
Medicaid Cash Funds	***5,049,870***	***5,222,784***	***5,979,017 S***	***6,092,867 A***	***10,517,602***	***10,517,602***	75.9%
Net General Fund	***22,910,886***	***22,453,156***	***22,715,553 S***	***23,976,514 A***	***25,014,657***	***25,014,657***	10.1%

*Staff Recommendation Totals EXCLUDE Pending Items

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests

(9) SERVICES FOR PEOPLE WITH DISABILITIES

Primary functions: Administers community-based and institutional services for people with developmental disabilities, provides vocational rehabilitation services, and administers the Homelake Domiciliary and veterans nursing homes.

(A) Developmental Disability Services

(1) Community Services

Primary functions: Funding for 20 Community Centered Boards (CCBs), and contracting service agencies, to: (1) deliver community-based residential and supported living living services for adults with developmental disabilities; and (2) deliver early intervention, family support services, and children's extensive support services for children with developmental disabilities and delays. Also funds associated case management by CCBs and state administration and oversight. Medicaid revenue is the primary source of cash funds exempt; local and client payments to CCBs are also reflected.

(a) Administration

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Personal Services	2,319,435	2,533,798	2,602,214	2,721,544	2,695,932	2,695,932	DI #6
FTE	31.2	29.1	32.4	32.3	32.4	32.4	
General Fund	129,798	247,283	264,121	276,538	273,646	273,646	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	2,189,637	2,286,515	2,338,093	2,445,006	2,422,286	2,422,286	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds	*2,189,637*	*2,286,515*	*2,338,093*	*2,445,006*	*2,422,286*	*2,422,286*	
Operating Expenses	147,532	151,317	148,029	147,384	148,029	148,029	DI #6
General Fund	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	147,532	151,317	148,029	147,384	148,029	148,029	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds	*147,532*	*151,317*	*148,029*	*147,384*	*148,029*	*148,029*	
Community and Contract Management System	189,633	124,565	137,480	137,480	137,480	137,480	
General Fund	20,942	52,458	41,244	41,244	41,244	41,244	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	168,691	72,107	96,236	96,236	96,236	96,236	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds	168,691	72,107	96,236	96,236	96,236	96,236	
Medicaid Waiver Transition Costs*		1,200,475	579,928 S	79,028 A	79,028	79,028	Sup/BA #4
General Fund		799,106	559,610 S	0	0	0	
Cash Funds		0		0	0	0	
Cash Funds Exempt/Reappropriated Funds		401,369	20,318 S	79,028 A	79,028	79,028	
Federal Funds		0		0	0	0	
Medicaid Cash Funds		*401,369*	*20,318 S*	*79,028 A*	*79,028*	*79,028*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
							Rec. v. Approp.
Subtotal - (a) Administration	2,656,600	4,010,155	3,467,651 S	3,085,436 A	3,060,469	3,060,469	-11.7%
FTE	31.2	29.1	32.4	32.3	32.4	32.4	(0.1)
General Fund	150,740	1,098,847	864,975 S	317,782	314,890	314,890	-63.6%
Cash Funds	0	0	0	0	0	0	n/a
Cash Funds Exempt/Reappropriated Funds	2,505,860	2,911,308	2,602,676 S	2,767,654 A	2,745,579	2,745,579	5.5%
Federal Funds	0	0	0	0	0	0	n/a
Medicaid Cash Funds	*2,505,860*	*2,911,308*	*2,602,676 S*	*2,767,654 A*	*2,745,579*	*2,745,579*	5.5%
Medicaid General Fund	*1,252,930*	*1,455,654*	*1,301,338 S*	*1,383,827*	*1,372,790*	*1,372,790*	5.5%
Net General Fund	*1,403,670*	*2,554,501*	*2,166,313 S*	*1,701,609 A*	*1,687,680*	*1,687,680*	-22.1%

*A total of $1,812,049 was appropriated for this line item in FY 2006-07; a portion was rolled forward for use in FY 2007-08

(b) Program Costs

Please note: amounts and funding splits by service category are reflected below for informational purposes only starting in FY 2007-08; the Long Bill appropriation for Program Costs reflects fund splits at the bottom-line only and provides the Department with authority to move amounts and fund sources among service categories in the Program Costs line item.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
Adult Program Costs*	267,971,683	279,728,279	0	0	0	0	
General Fund	11,168,268	18,177,319					
Cash Funds	0	0					
Cash Funds Exempt/Reappropriated Funds	256,803,415	261,550,960					
Federal Funds	0	0					
Medicaid Cash Funds	*224,815,225*	*227,258,471*					
Medicaid - General Fund portion	*112,407,612*	*113,207,312*					
Net General Fund	*123,575,880*	*131,384,631*					
Adult Comprehensive Services			240,898,908 *S**	261,899,267 A	260,418,846	260,418,846	DI s #4, NP-1
General Fund			1,652,225	1,626,068	1,650,459	1,650,459	SBA #4A
Cash Funds			0	0	0	31,508,562	
Cash Funds Exempt/Reappropriated Funds			239,246,683 *S**	260,273,199 A	258,768,387	227,259,825	
Medicaid Cash Funds			*208,714,434 S**	*228,497,128 A*	*227,259,825*	*227,259,825*	
Medicaid - General Fund portion			*104,357,217 S**	*114,215,083 A*	*113,595,929*	*113,595,929*	
Adult Supported Living Services			50,511,095 *S**	57,710,396 A	54,062,208	54,062,208	DI s #4, NP-1
General Fund			7,857,085	7,857,085	7,974,941	7,974,941	SBA #4A
Cash Funds			0	0	0	2,714,356	
Cash Funds Exempt/Reappropriated Funds			42,654,010 *S**	49,853,311 A	46,087,267	43,372,911	
Medicaid Cash Funds			39,999,973 *S**	*46,584,386 A*	*43,372,911*	*43,372,911*	
Medicaid - General Fund portion			19,999,986 *S**	*23,292,193 A*	*21,686,456*	*21,686,456*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
Early Intervention Services**			11,171,495	13,538,065	11,663,694	11,663,694	DI #NP-1
General Fund			10,934,313	11,349,409	11,098,328	11,098,328	
Cash Funds			0	0	0	565,366	
Cash Funds Exempt/Reappropriated Funds			237,182	2,188,656	565,366	0	
Medicaid Cash Funds			-319,829	*1,534,071*	*0*	*0*	
Medicaid - General Fund portion			-159,914	*767,036*	*0*	*0*	
Family Support Services			6,461,550	6,770,497 A	6,558,473	6,558,473	SBA #4A
General Fund			6,150,284	6,443,784 A	6,242,538	6,242,538	
Cash Funds			0	0	0	315,935	
Cash Funds Exempt/Reappropriated Funds			311,266	326,713	315,935	0	
Medicaid Cash Funds			0	*0*	0	*0*	
Medicaid - General Fund portion			0	*0*	0	*0*	
Children's Extensive Support Services			6,375,329 *S**	7,184,725	7,288,632	7,288,632	
General Fund			3,807	3,807	0	0	
Cash Funds			0	0	0	369,001	
Cash Funds Exempt/Reappropriated Funds			6,371,522 *S**	7,180,918	7,288,632	6,919,631	
Medicaid Cash Funds			6,007,974 *S**	*6,817,370*	*6,919,631*	*6,919,631*	
Medicaid - General Fund portion			2,561,717 *S**	*2,906,832*	*2,950,434*	*2,950,434*	
Medicaid - Health Care Expansion Fund portion			478,991 *S**		*546,653*	*546,653*	
Case Management and Quality Assurance			22,244,072	22,886,608	23,322,460	23,322,460	DI #4
General Fund			3,794,605	3,794,605	3,855,388	3,855,388	
Cash Funds			0	0	0	1,207,829	
Cash Funds Exempt/Reappropriated Funds			18,449,467 *S**	19,092,003	19,467,072	18,259,243	
Medicaid Cash Funds			17,279,905 *S**	*17,922,441*	*18,259,243*	*18,259,243*	
Medicaid - General Fund portion			8,571,335 *S**	*8,890,004*	*9,057,337*	*9,057,337*	
Medicaid - Health Care Expansion Fund portion			33,407 *S**		*36,546*	*36,546*	
Special Purpose			1,055,874	1,055,874	1,064,342	1,064,342	
General Fund			355,511	355,511	360,844	360,844	
Cash Funds			0	0	0	6,649	
Cash Funds Exempt/Reappropriated Funds			700,363	700,363	703,498	696,849	
Medicaid Cash Funds			202,498	*202,498*	*205,535*	*205,535*	
Medicaid - General Fund portion			100,864	*100,864*	*102,377*	*102,377*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Hold Harmless [new subcomponent]			2,904,897 S*	*0*	*0*	*0*	
General Fund			2,904,897 S*	*0*	*0*	*0*	
Cash Funds			0	0	0	0	
Cash Funds Exempt/Reappropriated Funds			0	0	0	0	
Medicaid Cash Funds			*0*	*0*	*0*	*0*	
Medicaid - General Fund portion			*0*	*0*	*0*	*0*	
							Rec. v. Approp.
Subtotal - (b) Program Costs	267,971,683	279,728,279	341,623,219 S*	371,045,432 A	364,378,655	364,378,655	6.7%
General Fund	11,168,268	18,177,319	33,652,727	31,430,269 A	31,182,498	31,182,498	-7.3%
Cash Funds	0	0	0	0	0	36,687,697	n/a
Cash Funds Exempt/Reappropriated Funds	256,803,415	261,550,960	307,970,492 S*	339,615,163 A	333,196,157	296,508,460	-3.7%
Federal Funds	0	0	0	0	0	0	n/a
Medicaid Cash Funds	*224,815,225*	*227,258,471*	*271,884,954* S*	*301,557,894* A	*296,017,146*	*296,017,146*	8.9%
Medicaid - General Fund portion	*112,407,612*	*113,207,312*	*135,431,205* S*	*150,172,012* A	*147,392,532*	*147,392,532*	8.8%
Net General Fund	*123,575,880*	*131,384,631*	*169,083,932* S*	*181,602,281* A	*178,575,030*	*178,575,030*	5.6%

* These amounts include supplementals recommended but not yet enacted.

**In the Department request Senate Bill 07-4 amounts were included in the Program Costs, Early Intervention line item. With the Department's agreement, staff has reflected these in a separate line item, under Other Community Programs, as these amouts are shown for informational purposes only.

(c) Other Community Programs

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C) - Federal Funds** [moved from Children's Section in FY 2007-08]	*See Services for Children and Families section below.*		6,906,966	6,908,617	6,832,510	6,832,510	
FTE			6.5	6.5	6.5	6.5	
Federally-matched Local Program Costs	24,281,838	10,684,623	3,641,910	3,641,910	2,000,000	2,000,000	
General Fund	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	24,281,838	10,684,623	3,641,910	3,641,910	2,000,000	2,000,000	
Federal Funds	0		0	0	0	0	
Medicaid Cash Funds ($0 NGF)	*24,281,838*	*10,684,623*	*3,641,910*	*3,641,910*	*2,000,000*	*2,000,000*	
Custodial Funds for Early Intervention Services*	n/a	n/a	2,808,580	2,813,085	2,813,085	2,813,085	
General Fund			*0*	*0*	*0*	*0*	
Cash Funds				*0*	*0*	2,813,085	
Cash Funds Exempt			2,808,580	2,813,085	2,813,085	0	
Federal Funds			*0*	*0*	*0*	0	
Medicaid Cash Funds			*0*	*0*	*0*	*0*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
Preventive Dental Hygiene	62,335	62,449	63,386	64,229	64,337	64,337	DI #NP-1
General Fund	58,842	58,842	59,725	60,519	60,621	60,621	
Cash Funds	0		0	0	0	3,716	
Cash Funds Exempt/Reappropriated Funds	3,493	3,607	3,661	3,710	3,716	0	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	0	
							Rec. v. Approp.
Subtotal - (c) Other Community Programs	24,344,173	10,747,072	13,420,842	13,427,841	11,709,932	11,709,932	-12.7%
FTE	0.0	0.0	6.5	6.5	6.5	6.5	0.0
General Fund	58,842	58,842	59,725	60,519	60,621	60,621	1.5%
Cash Funds	0	0	0	0	0	2,816,801	n/a
Cash Funds Exempt/Reappropriated Funds	24,285,331	10,688,230	6,454,151	6,458,705	4,816,801	2,000,000	-69.0%
Federal Funds	0	0	6,906,966	6,908,617	6,832,510	6,832,510	-1.1%
Medicaid Cash Funds	*24,281,838*	*10,684,623*	*3,641,910*	*3,641,910*	*2,000,000*	*2,000,000*	-45.1%
Medicaid - General Fund portion	*0*	*0*	*0*	*0*	*0*	*0*	n/a
Net General Fund	*58,842*	*58,842*	*59,725*	*60,519*	*60,621*	*60,621*	1.5%

*In the Department request these funds were included in the Program Costs, Early Intervention line item. They are shown here in a separate line item as they are reflected for informational purposes only.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Staff Rec. - Old Format	Staff Rec. - New Format	Rec. v. Approp.
(1) Sub-total Community Services	294,972,456	294,485,506	358,511,712 S	387,558,709 A	379,149,055	379,149,055	5.8%
FTE	31.2	29.1	38.9	38.8	38.9	38.9	0.0
General Fund	11,377,850	19,335,008	34,577,427 S	31,808,570	31,558,009	31,558,009	-8.7%
Cash Funds	0	0	0	0	0	39,504,498	n/a
Cash Funds Exempt/Reappropriated Funds	283,594,606	275,150,498	317,027,319 S	348,841,522 A	340,758,537	301,254,039	-5.0%
Federal Funds	0	0	6,906,966	6,908,617	6,832,510	6,832,510	-1.1%
Medicaid Cash Funds	*251,602,923*	*240,854,402*	*278,129,540 S*	*307,967,458 A*	*300,762,725*	*300,762,725*	8.1%
Medicaid - General Fund portion	*113,660,542*	*114,662,966*	*136,732,543 S*	*151,555,839 A*	*148,765,322*	*148,765,322*	8.8%
Net General Fund	*125,038,392*	*133,997,974*	*171,309,970 S*	*183,364,409 A*	*180,323,331*	*180,323,331*	5.3%

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests

(2) Regional Centers

Primary functions: operates three regional centers that house and provide therapeutic and other services to individuals with developmental disabilities. Cash funds exempt amounts reflect Medicaid revenue. Cash amounts primarily reflect consumer payments for room and board.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
Personal Services**	39,974,016	40,837,901	43,213,549 S*	45,909,774	45,226,434	45,226,434	DI #6
FTE	871.4	907.1	941.3 S*	957.5	959.4	959.4	
General Fund	0	0	0	0	0	0	
Cash Funds	2,593,627	2,646,756	2,771,701 S*	2,636,006	2,691,276	2,691,276	
Cash Funds Exempt/Reappropriated Funds	37,380,389	38,191,145	40,441,848 S*	43,273,768	42,535,158	42,535,158	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds	37,380,389	38,191,145	40,441,848 S*	43,267,550	42,528,940	42,528,940	
Operating Expenses**	2,172,138	2,317,046	2,271,551 S*	2,506,422	2,269,381	2,269,381	DI #6
General Fund	0	0	0	0	0	0	
Cash Funds	366	353	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	2,171,772	2,316,693	2,271,551 S*	2,506,422	2,269,381	2,269,381	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds	*2,171,772*	*2,316,693*	*2,230,701*	*2,506,422*	*2,269,381*	*2,269,381*	
General Fund Physician Services	n/a	n/a	244,460	155,722	244,460	244,460	DI #6
FTE			1.5	0.9	1.5	1.5	
General Fund			244,460	155,722	244,460	244,460	
Cash Funds			0	0	0	0	
Cash Funds Exempt/Reappropriated Funds			0	0	0	0	
Federal Funds			0	0	0	0	
Medicaid Cash Funds			0	0	0	0	
Capital Outlay - Patient Needs	72,571	80,248	80,249	80,249	80,249	80,249	
General Fund	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	72,571	80,248	80,249	80,249	80,249	80,249	
Federal Funds	0	0	0	0	0	0	
Medicaid Cash Funds	72,571	80,248	80,249	80,249	80,249	80,249	
Leased Space	192,526	195,088	200,209	200,209	200,209	200,209	
General Fund	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	192,526	195,088	200,209	200,209	200,209	200,209	
Federal Funds	0	0	0	0	0	0	

	FY 2005-06	FY 2006-07	FY 2007-08		FY 2008-09			
	Actual	**Actual**	**Appropriation**		**Request**	**Staff Rec. - Old Format**	**Staff Rec. - New Format**	**Change Requests**
Medicaid Cash Funds	*192,526*	*195,088*	*200,209*		*200,209*	*200,209*	200,209	
Resident Incentive Allowance	138,056	138,176	138,176		138,176	138,176	138,176	
General Fund	0	0	0		0	0	0	
Cash Funds	0	0	0		0	0	0	
Cash Funds Exempt/Reappropriated Funds	138,056	138,176	138,176		138,176	138,176	138,176	
Federal Funds	0	0	0		0	0	0	
Medicaid Cash Funds	*138,056*	*138,176*	*138,176*		*138,176*	*138,176*	*138,176*	
Purchase of Services	262,440	262,661	263,291		263,291	263,291	263,291	
General Fund		0	0		0	0	0	
Cash Funds		0	0		0	0	0	
Cash Funds Exempt/Reappropriated Funds	262,440	262,661	263,291		263,291	263,291	263,291	
Federal Funds		0	0		0	0	0	
Medicaid Cash Funds	*262,440*	*262,661*	*263,291*		*263,291*	*263,291*	*263,291*	
ICF/MR Adaptations [proposed new line]								
General Fund	*n/a*	*n/a*	*n/a*		240,000	0	0	DI #6
Medicaid Unallowable Costs - General Fund	553,399	0	0		0	0	*0*	
(FY 2005-06 1331 late Supplemental)								
								Rec. v. Approp.
(2) Sub-total Regional Centers	43,365,146	43,831,120	46,411,485	S*	49,493,843	48,422,200	48,422,200	4.3%
FTE	871.4	907.1	942.8	S*	958.4	960.9	960.9	18.1
General Fund	553,399	0	244,460		395,722	244,460	244,460	0.0%
Cash Funds	2,593,993	2,647,109	2,771,701		2,636,006	2,691,276	2,691,276	-2.9%
Cash Funds Exempt/Reappropriated Funds	40,217,754	41,184,011	43,395,324	S*	46,462,115	45,486,464	45,486,464	4.8%
Federal Funds	0		0		0	0	0	n/a
Medicaid Cash Funds	*40,217,754*	*41,184,011*	*43,395,324*	*S**	*46,462,115*	*45,486,464*	*45,486,464*	4.8%
Medicaid General Fund	*19,365,677*	*19,849,009*	*20,875,994*	*S**	*22,409,390*	*21,843,203*	*21,843,203*	4.6%
Net General Fund	*19,919,076*	*19,849,009*	*21,120,454*	*S**	*22,805,112*	*22,087,663*	*22,087,663*	4.6%

* These amounts include supplementals recommended but not yet enacted.

**Actual year FY 2006-07 reflects over-expenditures in total expenditures and FTE. The overexpenditure in total funds apparently reflects accounting issues, as personal services under-expended, according to Controler records; however the regional centers did have overexpenditures in operating expenses ($112,253) and FTE (19.7 FTE) for FY 2006-07.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	FY 2008-09 Change Requests
(*Former 3*) Services for Children and Families							
*This section was consolidated in the Developmental Disability Services, Community Services section in FY 2007-08. It formerly included funding to the 20 Community Centered Boards (CCBs) to deliver early intervention, family support, and children's extensive support services to children and families in community settings. The primary source of cash funds exempt was Medicaid revenue; local match contributions to CCBs were also reflected.							
			appropriations moved to Community Services, Program Costs				
Program Funding	19,213,999	23,381,037	0	0	0	0	
General Fund	13,654,700	16,872,836					
Cash Funds	0	0					
Cash Funds Exempt/Reappropriated Funds	5,559,299	6,508,201					
Federal Funds	0	0					
Medicaid Cash Funds	*4,552,042*	5,273,063					
Medicaid - General Fund portion	*2,276,021*	2,362,986					
Net General Fund	*15,930,721*	*19,235,822*					
			appropriations moved to Community Services, Program Costs				
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C) - Federal Funds**	*7,161,543*	6,618,033	0	0	0	0	
FTE	*5.4*	6.5					
Child Find - General Fund	*0*	1,000,000	0	0	0	0	
							Rec. v. Approp.
Sub-total Services for Children and Families	19,213,999	30,999,070	0	0	0	0	n/a
FTE	0.0	6.5	0.0	0.0	0.0	0.0	n/a
General Fund	13,654,700	17,872,836	0	0	0	0	n/a
Cash Funds	0	0	0	0	0	0	n/a
Cash Funds Exempt/Reappropriated Funds	5,559,299	6,508,201	0	0	0	0	n/a
Federal Funds	0	6,618,033	0	0	0	0	n/a
Medicaid Cash Funds	4,552,042	5,273,063	0	0	0	0	n/a
Medicaid General Fund	2,276,021	2,362,986	0	0	0	0	n/a
Net General Fund	*15,930,721*	*20,235,822*	*0*	*0*	*0*	*0*	n/a

**Amounts shown for FY 2005-06 reflect, for informational purposes, expenditures in the Department of Education. The program was in the DHS budget for the first time in FY 2006-07. FY 2005-06 not included in totals for actual years.

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests

(3) Work Therapy Program

Primary functions: Provide sheltered work opportunities to residents of state operated regional centers and the Mental Health Institute at Fort Logan. Cash and cash exempt amounts reflect payments from private businesses and government agencies for work completed.

							Rec. v. Approp.
Program Costs	442,956	254,269	464,589	464,824	464,589	464,589	0.0%
FTE	2.6	1.5	1.5	1.5	1.5	1.5	0.0
General Fund	0	0	0	0	0	0	n/a
Cash Funds	369,565	237,879	324,573	324,737	324,573	464,589	43.1%
Cash Funds Exempt/Reappropriated Funds	73,391	16,390	140,016	140,087	140,016	0	-100.0%
Federal Funds	0	0	0	0	0	0	n/a
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	*0*	n/a

							Rec. v. Approp.
(A) Sub-total Developmental Disability Services	357,994,557	369,569,965	405,387,786 S	437,517,376 A	428,035,844	428,035,844	5.6%
FTE	905.2	944.2	983.2	998.7	1,001.3	1,001.3	18.1
General Fund	25,585,949	37,207,844	34,821,887 S	32,204,292	31,802,469	31,802,469	-8.7%
Cash Funds	2,963,558	2,884,988	3,096,274	2,960,743	3,015,849	42,660,363	1277.8%
Cash Funds Exempt/Reappropriated Funds	329,445,050	322,859,100	360,562,659 S	395,443,724 A	386,385,017	346,740,503	-3.8%
Federal Funds	0	6,618,033	6,906,966	6,908,617	6,832,510	6,832,510	-1.1%
Medicaid Cash Funds	*296,372,719*	*287,311,476*	*321,524,864 S*	*354,429,573 A*	*346,249,189*	*346,249,189*	7.7%
Net General Fund	*160,888,189*	*174,082,805*	*192,430,424 S*	*206,169,521 A*	*202,410,994*	*202,410,994*	5.2%

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
(B) Division of Vocational Rehabilitation							
individuals with disabilities secure and/or retain employment. Funds Independent Living Centers to provide assisted living and advocacy services to persons with disabilities. Cash and cash fund exempt amounts reflect							
Rehabilitation Programs - General Fund Match	16,921,954	23,421,414	23,712,393	24,252,174	24,104,483	24,104,483	DI #NP-1
FTE	182.6	194.0	224.7	224.7	224.7	224.7	
General Fund	3,596,797	4,948,368	5,044,182	5,159,155	5,127,841	5,127,841	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	0	0	0	0	0	0	
Federal Funds	13,325,157	18,473,046	18,668,211	19,093,019	18,976,642	18,976,642	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	0	*0*	
Rehabilitation Programs - Local Funds Match	20,676,052	22,388,256	24,571,732	24,885,538	24,620,144	24,620,144	DI #NP-1
FTE	11.1	13.8	27.0	27.0	27.0	27.0	
General Fund	0	0	0	0	0	0	
Cash Funds	48,923	39,938	92,432	93,819	32,000	34,500	
Cash Funds Exempt/Reappropriated Funds	4,375,459	4,734,143	5,158,097	5,225,223	5,227,324	5,224,824	
Federal Funds	16,251,670	17,614,175	19,321,203	19,566,496	19,360,820	19,360,820	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	0	
Business Enterprise Program for People who are Blind	507,444	1,463,596	1,972,915	944,830	943,822	943,822	
FTE	3.2	5.3	6.0	6.0	6.0	6.0	
General Fund	0	0	0	0	0	0	
Cash Funds	108,745	136,298	140,128	142,857	142,714	200,320	
Cash Funds Exempt/Reappropriated Funds	0	175,584	279,402	57,678	57,606	0	
Federal Funds	398,699	1,151,714	1,553,385	744,295	743,502	743,502	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*		
Business Enterprise Program - Program Operated Stands, Repair Costs, and Operator Benefits	489,073	630,175	659,000	659,000	659,000	659,000	
General Fund	0	0	0	0	0	0	
Cash Funds	345,516	412,676	242,990	242,990	242,990	477,990	
Cash Funds Exempt/Reappropriated Funds	1,708	55,528	235,000	235,000	235,000	0	
Federal Funds	141,849	161,971	181,010	181,010	181,010	181,010	
Medicaid Cash Funds	0		0	0	0	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	FY 2008-09 Change Requests
Independent Living Centers and State Independent Living Council	869,936	1,630,640	1,717,551	1,740,485	1,836,377	1,836,377	DI #NP-1
FTE	0.0	0.0	0.0	0.0	0.0	0.0	
General Fund	505,472	1,266,648	1,268,525	1,285,397	1,387,351	1,387,351	
Cash Funds	0	0	0	0	44,902	44,902	
Cash Funds Exempt/Reappropriated Funds	44,902	44,902	44,902	45,508	0	0	
Federal Funds	319,562	319,090	404,124	409,580	404,124	404,124	
Medicaid Cash Funds	*0*		*0*	*0*	*0*	0	
Independent Living Centers - Vocational Rehabilitation Program	326,841	283,333	461,611	467,751	0	0	DI #NP-1
FTE	0.0	0.0	0.0	0.0	0.0	0.0	
General Fund	61,075	62,501	98,323	99,631			
Cash Funds	0	0	0	0			
Cash Funds Exempt/Reappropriated Funds	0	0	0	0			
Federal Funds	265,766	220,832	363,288	368,120			
Medicaid Cash Funds	*0*	*0*	*0*	*0*			
Appointment of Legal Interpreters for the Hearing Impaired (tranfer to EDO)	62,442	0	0	0	0	0	
General Fund	62,442	0					
Cash Funds	0	0					
Cash Funds Exempt/Reappropriated Funds	0	0					
Federal Funds	0	0					
Medicaid Cash Funds	0	0					
Colorado Commission for the Deaf and Hard of Hearing	341,534	593,922	0	0	0	0	
FTE	1.0	2.0	*see EDO*	0.0	0.0	0.0	
General Fund	0	93,692					
Cash Funds	0	0					
Cash Funds Exempt/Reappropriated Funds	341,534	500,230					
Federal Funds	0	0					
Medicaid Cash Funds	*0*	*0*					
Colorado Commission for the Deaf and Hard of Hearing Cash Fund - Cash Funds	n/a	222,282	*see DORA*	0	0	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request		FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Colorado Commission for Individuals who are Blind or Visually Impaired	n/a	n/a	95,152	16,915	A	0	0	Sup/BA #17
FTE			1.0	0.0	A			
General Fund			0	0				
Cash Funds			0	0				
Cash Funds Exempt/Reappropriated Funds			95,152	16,915	A			
Federal Funds			0	0				
Older Blind Grants	482,582	467,339	450,000	450,000		450,000	450,000	
General Fund	0	0	0	0		0	0	
Cash Funds	0	0	0	0		0	45,000	
Cash Funds Exempt/Reappropriated Funds	44,028	45,000	45,000	45,000		45,000	0	
Federal Funds	438,554	422,339	405,000	405,000		405,000	405,000	
Medicaid Cash Funds	*0*	*0*	*0*	*0*		0	0	
Estimated Federal Social Security Administration Reimbursement - Federal Funds [New line item]				*0*		813,741	813,741	
								Rec. v. Approp
(B) Sub-total Vocational Rehabilitation	40,677,858	51,100,957	53,640,354	53,416,693	A	53,427,567	53,427,567	-0.4%
FTE	197.9	215.1	258.7	257.7	A	257.7	257.7	(1.0)
General Fund	4,225,786	6,371,209	6,411,030	6,544,183		6,515,192	6,515,192	1.6%
Cash Funds	503,184	811,194	475,550	479,666		462,606	802,712	68.8%
Cash Funds Exempt/Reappropriated Funds	4,807,631	5,555,387	5,857,553	5,625,324	A	5,564,930	5,224,824	-10.8%
Federal Funds	31,141,257	38,363,167	40,896,221	40,767,520		40,884,839	40,884,839	0.0%
Medicaid Cash Funds	*0*	*0*	*0*	*0*		*0*	*0*	n/a
Net General Fund	*4,225,786*	*6,371,209*	*6,411,030*	*6,544,183*		*6,515,192*	*6,515,192*	1.6%

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	FY 2008-09 Change Requests
(C) Homelake Domiciliary and State and Veterans Nursing Homes							
(1) Homelake Domiciliary							
Primary functions: operates a 46-bed assisted living facility for veterans. Cash funds exempt amounts reflect client fees.							
Note: This section is eliminated in FY 2007-08 in favor of a single General Fund line item for Homelake state subsidy.							
Personal Services	859,077	897,341	0	0	0	0	
FTE	16.2	15.6					
General Fund							
Cash Funds							
Cash Funds Exempt/Reappropriated Funds							
Federal Funds							
Medicaid Cash Funds							
Operating Expenses	252,993	271,217	0	0	0	0	
General Fund							
Cash Funds							
Cash Funds Exempt/Reappropriated Funds							
Federal Funds							
Medicaid Cash Funds							
Utilities	112,423	116,765	0	0	0	0	
General Fund							
Cash Funds							
Cash Funds Exempt/Reappropriated Funds							
Federal Funds							
Medicaid Cash Funds							
(1) Sub-total Homelake Domiciliary	1,224,493	1,285,323	*see section total*	0	0	0	
FTE	16.2	15.6		0.0	0.0	0.0	
General Fund	154,650	176,154		0	0	0	
Cash Funds	0	0		0	0	0	
Cash Funds Exempt/Reappropriated Funds	752,750	785,246		0	0	0	
Federal Funds	317,093	323,923		0	0	0	
Medicaid Cash Funds	*0*	*0*		*0*	*0*	*0*	
Net General Fund	*154,650*	*176,154*		*0*	*0*	*0*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	FY 2008-09 Change Requests
(2) State and Veterans Nursing Homes							
Primary Functions: Operation and management of the six state and veterans nursing homes and Homelake Domiciliary. Cash Funds (formerly Cash Funds Exempt) reflect client fees. Cash funds and federal funds are for information only. The nursing homes are enterprises and have continuous spending authority.							
Homelake Domiciliary State Subsidy							
General Fund	n/a	n/a	178,888	186,130	186,130	186,130	
Legislative Oversight Committee on the State and Veterans Nursing Homes							
Cash Funds Exempt/Reappropriated Funds	0	0	0	0	0	0	
Nursing Home Consulting Services							
General Fund	0	391,253	195,627	195,627	0	0	
Nursing Home Indirect Cost Subsidy							
General Fund	n/a	n/a	541,925	541,925	800,000	800,000	
Program Costs	39,918,810	44,057,081	46,055,211	46,081,635	49,521,945	49,521,945	
FTE	614.6	640.0	673.4	673.4	673.4	673.4	
General Fund	0	0	0	0			
Cash Funds	131,442	92,280	0	0	0	38,627,117	
Cash Funds Exempt/Reappropriated Funds	30,940,407	34,227,193	36,015,175	36,032,513	38,627,117	0	
Federal Funds	8,846,961	9,737,608	10,040,036	10,049,122	10,894,828	10,894,828	
Medicaid Cash Funds	0						
(2) Subtotal - State and Veterans Nursing Homes	39,918,810	44,448,334	*see section total*	*see section total*	*see section total*	*see section total*	
FTE	614.6	640.0					
General Fund	0	391,253					
Cash Funds	131,442	92,280					
Cash Funds Exempt/Reappropriated Funds	30,940,407	34,227,193					
Federal Funds	8,846,961	9,737,608					
Medicaid Cash Funds	0	0					
Net General Fund	*0*	*391,253*					

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
							Rec. v. Approp
(C) Total - Homelake Domiciliary and State and Veterans Nursing Homes	41,143,303	45,733,657	46,971,651	47,005,317	50,508,075	50,508,075	7.5%
FTE	630.8	655.6	673.4	673.4	673.4	673.4	0.0
General Fund	154,650	567,407	916,440	923,682	986,130	986,130	7.6%
Cash Funds	131,442	92,280	0	0	0	38,627,117	n/a
Cash Funds Exempt/Reappropriated Funds	31,693,157	35,012,439	36,015,175	36,032,513	38,627,117	0	-100.0%
Federal Funds	9,164,054	10,061,531	10,040,036	10,049,122	10,894,828	10,894,828	8.5%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*	*0*	n/a
Net General Fund	*154,650*	*567,407*	*916,440*	*923,682*	*986,130*	*986,130*	7.6%
							Rec. v. Approp
(9) TOTAL - SERVICES FOR PEOPLE WITH DISABILITIES	**439,815,718**	**466,404,579**	**505,999,791 S**	**537,939,386 A**	**531,971,487**	**531,971,487**	**5.1%**
FTE	**1,733.9**	**1,814.9**	**1,915.3**	**1,929.8 A**	**1,932.4**	**1,932.4**	**17.1**
General Fund	**29,966,385**	**44,146,460**	**42,149,357 S**	**39,672,157**	**39,303,791**	**39,303,791**	**-6.8%**
Cash Funds	**3,598,184**	**3,788,462**	**3,571,824**	**3,440,409**	**3,478,455**	**82,090,192**	**2198.3%**
Cash Funds Exempt/Reappropriated Funds	**365,945,838**	**363,426,926**	**402,435,387 S**	**437,101,561 A**	**430,577,064**	**351,965,327**	**-12.5%**
Federal Funds	**40,305,311**	**55,042,731**	**57,843,223**	**57,725,259**	**58,612,177**	**58,612,177**	**1.3%**
Medicaid Cash Funds	***296,372,719***	***287,311,476***	***321,524,864 S***	***354,429,573 A***	***346,249,189***	***346,249,189***	**7.7%**
Net General Fund	***165,268,625***	***181,021,421***	***199,757,894 S***	***213,637,385 A***	***209,912,316***	***209,912,316***	**5.1%**
GRAND TOTAL - EXECUTIVE DIRECTOR'S OFFICE (disability line items), OFFICE OF OPERATIONS, SERVICES FOR PEOPLE WITH DISABILITIES	**476,050,455**	**503,753,801**	**546,432,473 S**	**580,556,034 A**	**571,671,760**	**571,671,760**	**4.6%**
FTE	**2,162.4**	**2,256.1**	**2,387.8**	**2,411.8 A**	**2,402.9**	**2,402.9**	**15.1**
General Fund	**48,729,233**	**63,988,224**	**62,006,565 S**	**60,733,629 A**	**59,190,811**	**59,190,811**	**-4.5%**
Cash Funds	**4,485,374**	**4,541,782**	**4,392,304 S**	**4,359,928 A**	**4,553,156**	**84,466,490**	**1823.1%**
Cash Funds Exempt/Reappropriated Funds	**377,995,082**	**375,617,540**	**416,843,086 S**	**452,301,408 A**	**444,731,644**	**364,818,310**	**-12.5%**
Federal Funds	**44,840,766**	**59,606,255**	**63,190,518 S**	**63,161,069 A**	**63,196,149**	**63,196,149**	**0.0%**
Medicaid Cash Funds	***301,422,589***	***292,534,260***	***327,503,881 S***	***360,522,440 A***	***356,766,791***	***356,766,791***	**8.9%**
Net General Fund	*188,179,511*	*203,474,577*	*222,604,611 S*	*237,745,291 A*	*235,058,137*	*235,058,137*	**5.6%**

	FY 2006-07 Actual	FY 2007-08 Appropriation	Fiscal Year 2007-08 Supplemental Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF HUMAN SERVICES					
Executive Director - Karen Beye					
Late Supplemental #4A and #4C - Regional Center High Needs Clients					
(1) EXECUTIVE DIRECTOR'S OFFICE					
(A) General Administration					
Various Line Items [Recommendation reflects Shift Differential ONLY]			315,491	116,169	
General Fund	n/a	n/a	0	0	n/a
Cash Funds			0	0	
Cash Funds Exempt - Medicaid			315,491	116,169	
Federal Funds			0	0	
Medicaid Cash Funds			*315,491*	*116,169*	
Medicaid - General Fund portion			*315,491*	*116,169*	
Net General Fund			*157,746*	*58,085*	
(9) SERVICES FOR PEOPLE WITH DISABILITIES					
(A) Developmental Disability Services					
(2) Regional Centers					
Personal Services*	40,837,901	41,781,411	1,432,138	1,432,138	43,213,549
FTE	907.1	901.9	39.4	39.4	941.3
General Fund	0	0	0	0	0
Cash Funds	2,646,756	2,636,006	135,695	135,695	2,771,701
Cash Funds Exempt - Medicaid	38,191,145	39,145,405	1,296,443	1,296,443	40,441,848
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*38,191,145*	*39,139,187*	*1,296,443*	*1,296,443*	*40,435,630*
Medicaid - General Fund portion	*38,191,145*	*39,139,187*	*1,296,443*	*1,296,443*	*40,435,630*
Net General Fund	*19,095,573*	*19,569,594*	*648,222*	*648,222*	*20,217,815*

	FY 2006-07 Actual	FY 2007-08 Appropriation	Fiscal Year 2007-08 Supplemental Requested Change	Recommended Change	New Total with Recommendation
Operating Expenses*	2,317,046	2,230,701	40,850	40,850	2,271,551
General Fund	0	0	0	0	0
Cash Funds	353	0	0	0	0
Cash Funds Exempt - Medicaid	2,316,693	2,230,701	40,850	40,850	2,271,551
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*2,316,693*	*2,230,701*	*40,850*	*40,850*	*2,271,551*
Medicaid - General Fund portion	*1,158,347*	*1,115,351*	*20,425*	*20,425*	*1,135,776*
Net General Fund	*1,158,700*	*1,115,351*	*20,425*	*20,425*	*1,135,776*
Total for Supplementals #4A and #4C	43,154,947	44,012,112	1,788,479	1,589,157	45,485,100
	907.1	901.9	39.4	39.4	941.3
General Fund	0	0	0	0	0
Cash Funds	2,647,109	2,636,006	135,695	135,695	2,771,701
Cash Funds Exempt	40,507,838	41,376,106	1,652,784	1,453,462	42,713,399
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*40,507,838*	*41,369,888*	*1,652,784*	*1,453,462*	*42,707,181*
Medicaid - General Fund portion	*39,349,492*	*40,254,538*	*1,632,359*	*1,433,037*	*41,571,406*
Net General Fund	*20,254,272*	*20,684,944*	*826,392*	*726,731*	*21,353,591*

*The FTE authority in the personal services line item was exceeded by 19.7 FTE and the appropriation for operating expenses was exceeded by $112,253 in FY 2006-07

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

Late Supplemental #4B - Division for Developmental Disabilities Medicaid Program Reduction

(9) SERVICES FOR PEOPLE WITH DISABILITIES

(A) Developmental Disability Services

Please note: amounts and funding splits by service category are reflected below for informational purposes only starting in FY 2007-08; the Long Bill appropriation for Program Costs reflects fund splits at the bottom-line only and provides the Department with authority to move amounts and fund sources among service categories in the Program Costs line item.

	FY 2006-07 Actual	FY 2007-08 Appropriation	Requested Change	Recommended Change	New Total with Recommendation
(1) Community Services					
(b) Program Costs					
Adult Comprehensive Services	n/a	247,005,842	(2,788,624)	(6,106,934)	240,898,908
General Fund		1,652,225	0	0	1,652,225
Cash Funds Exempt/Reappropriated Funds		245,353,617	(2,788,624)	(6,106,934)	239,246,683
Medicaid Cash Funds		*214,821,368*	(2,788,624)	*(6,106,934)*	*208,714,434*
Medicaid - General Fund portion		*107,377,201*	(1,394,312)	*(3,019,984)*	*104,357,217*
Adult Supported Living Services		52,858,984	0	(2,347,889)	50,511,095
General Fund		7,857,085		0	7,857,085
Cash Funds Exempt/Reappropriated Funds		45,001,899		(2,347,889)	42,654,010
Medicaid Cash Funds		*42,347,862*		(2,347,889)	*39,999,973*
Medicaid - General Fund portion		*21,173,930*		(1,173,944)	*19,999,986*
Early Intervention Services**		11,171,495	0	0	11,171,495
General Fund		10,934,313			10,934,313
Cash Funds Exempt/Reappropriated Funds		237,182			237,182
Medicaid Cash Funds		*-319,829*			*-319,829*
Medicaid - General Fund portion		*-159,914*			*-159,914*

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Family Support Services		6,461,550	0	0	6,461,550
General Fund		6,150,284			6,150,284
Cash Funds Exempt/Reappropriated Funds		311,266			311,266
Medicaid Cash Funds		*0*			*0*
Medicaid - General Fund portion		*0*			*0*
Children's Extensive Support Services		7,184,725	0	(809,396)	6,375,329
General Fund		3,807			3,807
Cash Funds Exempt/Reappropriated Funds		7,180,918		(809,396)	6,371,522
Medicaid Cash Funds		*6,817,370*		(809,396)	*6,007,974*
Medicaid - General Fund portion		*2,906,832*		(345,115)	*2,561,717*
Case Management		22,886,608	0	(642,536)	22,244,072
General Fund		3,794,605			3,794,605
Cash Funds Exempt/Reappropriated Funds		19,092,003		(642,536)	18,449,467
Medicaid Cash Funds		*17,922,441*		*(642,536)*	*17,279,905*
Medicaid - General Fund portion		*8,890,004*		*(318,669)*	*8,571,335*
Special Purpose		1,055,874	0	0	1,055,874
General Fund		355,511			355,511
Cash Funds Exempt		700,363			700,363
Medicaid Cash Funds		*202,498*			*202,498*
Medicaid - General Fund portion		*100,864*			*100,864*

	FY 2006-07 Actual	FY 2007-08 Appropriation	Fiscal Year 2007-08 Supplemental Requested Change	Recommended Change	New Total with Recommendation
Hold Harmless [new subcomponent]		0	1,000,000	2,904,897	2,904,897
General Fund		0	1,000,000	2,904,897	2,904,897
Cash Funds Exempt		0	0	0	0
Medicaid Cash Funds		*0*	*0*	*0*	*0*
Medicaid - General Fund portion		*0*	*0*	*0*	*0*
Total for Late Supplemental #4B/Total Line Item		348,625,078	(1,788,624)	(7,001,859)	341,623,219
General Fund		30,747,830	1,000,000	2,904,897	33,652,727
Cash Funds		0	0	0	0
Cash Funds Exempt		317,877,248	(2,788,624)	(9,906,756)	307,970,492
Federal Funds		0	0	0	0
Medicaid Cash Funds		*281,791,710*	*(2,788,624)*	*(9,906,756)*	*271,884,954*
Medicaid - General Fund portion		*140,288,917*	*(1,394,312)*	*(4,857,712)*	*135,431,205*
Net General Fund		*171,036,747*	*(394,312)*	*(1,952,815)*	*169,083,932*

DEPARTMENT OF HUMAN SERVICES					
Developmental Disability Late Supplementals					
TOTALS	N/A	N/A	(145)	(5,412,702)	N/A
FTE			0.0	0.0	
General Fund			1,000,000	2,904,897	
Cash Funds			135,695	135,695	
Cash Funds Exempt			(1,135,840)	(8,453,294)	
Federal Funds			0	0	
Medicaid Cash Funds			*(1,135,840)*	*(8,453,294)*	
Net General Fund			*432,080*	*(1,226,084)*	

FY 2008-09 Figure Setting and Late FY 2007-08 Supplementals
DEPARTMENT OF HUMAN SERVICES
Office of Operations and Services for People with Disabilities

(1) EXECUTIVE DIRECTOR'S OFFICE

(B) Special Purpose

Developmental Disabilities Council

This council of 24 appointed representatives is responsible for providing coordination, planning and advice on developmental disabilities services, including development of a state plan for developmental disability services.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
General Professional	4.1	5.0	5.0	5.0
Administrative Support	1.0	1.0	1.0	1.0
TOTAL	5.1	6.0	6.0	6.0

Staff recommends $861,654 federal funds for a continuation level of 6.0 FTE, calculated consistent with common policy. The total includes $413,846 for personal services, $129,846 for operating expenses, and $317,962 for grants. The recommendation includes a reallocation of $65,396 added to personal services and reduced from operating expenses to more accurately reflect the Council's use of its federal, program-line funding. The recommendation is slightly lower than the request of $862,484 due to differences in the OSPB and JBC common policies for personal services.

Colorado Commission for the Deaf and Hard of Hearing

Note: this line item was moved to the Executive Director's Office from the Division of Vocational Rehabilitation in FY 2007-08.

Created in FY 2000-01, the Colorado Commission for the Deaf and Hard of Hearing is codified at Section 26-21-106, et. seq., C.R.S. The Commission is responsible for: (1) facilitating the provision of general government services to persons who are deaf and hard of hearing; (2) distribution of telecommunications equipment for persons who are deaf and hard of hearing (pursuant to H.B. 02-

1180); and (3) overseeing provision of legal interpreters for the hearing impaired (pursuant to S.B. 06-61). Funding is from the General Fund (for a portion of the legal interpreters program), and the balance reflects appropriations from the Colorado Disabled Telephone Users Fund (DTUF) to the Colorado Commission for the Deaf and Hard of Hearing Cash Fund for the Commission's use. The Commission may also receive and expend gifts, grants and donations.

Prior to FY 2006-07, the Commission was supported by ongoing and one-time transfers from the DTUF to the Commission Cash Fund that were fixed in statute; however, pursuant to S.B. 06-218, amounts from the DTUF to the Commission Cash Fund are based on annual appropriation.

The table below summarizes the request and recommendation. The request includes Decision Item #14.

	Request		Recommend	
	Amount	FTE	Amount	FTE
FY 2007-08 Long Bill	$775,888	2.3	$775,888	2.3
Common policy personal services adjustments	5,705	0.0	4,363	0.0
Community provider COLA (legal interpreters only)	0	0.0	5,669	0.0
DI #14 (Telecom distribution)	30,566	0.5	0	0.5
Total	812,159	2.8	785,920	2.8

The recommendation includes $131,164 General Fund and $654,756 reappropriated funds from the Colorado Commission for the Deaf and Hard of Hearing Cash Fund (transferred from the Disabled Telephone Users Fund). All General Fund amounts are related to the program for legal interpreters for persons who are deaf and hard of hearing.

The table below reflects the components of the recommendation broken-out by activity.

Colorado Commission on the Deaf and Hard of Hearing Expenditures				
	FY 2005-06 Actual*	FY 2006-07 Actual*	FY 2007-08 Appropriation	FY 2008-09 Recommend
Commission State Liaison/Outreach and Equipment Distribution Activities				
Personal Services	$109,234	$79,106	$99,727	$128,986
FTE	1.0	1.0	1.5	2.0
Operating Expenses	(inc. above)	(inc. above)	15,273	19,678
Telecom. Equip. Grants	232,300	223,841	230,000	199,434
Indirect Costs**				
Subtotal	$341,534	$302,947	$345,000	$348,098
Commission Legal Interpreter Duties per S.B. 06-61				
Personal Services		$19,981	$40,628	$41,893
FTE		0.5	0.8	0.8
Operating Expenses		3,699	1,960	1,960
Interpreter Contracts		267,295	377,900	383,569
Web Information System		0	10,400	10,400
Subtotal		$290,975	$430,888	$437,822
Grand Total	$341,534	$593,922	$775,888	$785,920

*Based on decision item administrative dollars reported and schedule 3 totals.

**$10,975 in DUTF was billed directly to central line items in FY 2006-07 associated with indirect costs for this program.

Key differences between the request and recommendation are discussed below.

Personal Services Common Policy

The recommendation reflects JBC common policy for personal services. This differs from the request in that it does not include the SAED adjustment in the line item and does not apply a personal services reduction.

Community Provider Rate

In the past, legal interpreter services have received a community provider cost of living adjustment. The staff recommendation includes an increase of $5,669 from funds originating from the Disabled Telephone Users Fund. This reflects the common policy increase of 1.5 percent on a base of $377,900 (the portion of the appropriation that is for contracts for legal interpreters).

DI #14 - Telecommunications Equipment Distribution Program

The request is for $31,116 from the Disabled Telephone Users Fund to address Telecommunications Equipment Distribution Program (TEDP) administrative needs. This program provides no cost equipment to deaf or hard of hearing citizens who meet the financial eligibility guidelines to ensure telephone communications access. No additional FTE were originally authorized for the program.

For the last three years, the Department has contracted the operation of the program to the Marion Downs Hearing Center within the University of Colorado Hospital Authority. The Department now requests a 0.5 FTE TEDP program coordinator to manage the program. The program coordinator will take over a portion of the duties currently being contracted out, so that the external contract will be limited to funding for a full-time outreach coordinator. The Department indicates that this will increase the program's effectiveness and ensure appropriate oversight.

The staff recommendation is to add the 0.5 FTE to enable the Department to bring management of some programs in-house; however, given that the Department's overall responsibilities for the program will not change as a result of this initiative, staff believes that the funding for this additional 0.5 FTE should come out of the current base for contracted services. **The staff recommendation is therefore for 0.5 FTE with no associated funding increase.** Staff notes that any increases in spending from the DTUF can be expected to increase the fees assessed on all telephone users. Further, the Commission under-spent its appropriation in FY 2006-07 by $24,855.

Reappropriated Funds

All of the amounts previously classified as cash funds exempt in this line item will now be classified as reappropriated funds in the FY 2008-09 Long Bill. The amounts shown as reappropriated funds are first appropriated in the Department of Regulatory Agencies. *The staff recommendation for this line item for reappropriated funds encompasses a matching cash funds appropriation to the Department of Regulatory Agencies, Public Utilities Commission, Colorado Commission for the Deaf and Hard of Hearing Cash Fund from amounts in the Disabled Telephone Users Fund.*

Colorado Commission for Individuals who are Blind or Visually Impaired

Note: This program was created by H.B. 07-1274, which placed the initial FY 2007-08 appropriation for the program in the Division of Vocational Rehabilitation. Pursuant to supplemental/budget amendment #S-17, the Department has requested that this program be reflected in the Executive Director's Office, Special Purpose section beginning in the FY 2008-09 Long Bill. As discussed further below, staff recommends the request and has included related discussion of the line item here.

This program was created effective September 1, 2007, by H.B. 07-1274. The duties of the Commission include providing advice on the provision of programs administered by the Division of Vocational Rehabilitation for individuals who are blind or visually impaired and serving as an information resource and liaison between the blind and visually impaired community and the executive and legislative branches. The appropriation for the Commission is from the Disabled Telephone Users Fund and is transferred from the Department of Regulatory Agencies, Public Utilities Commission up to a maximum of $112,067, per statutory restrictions.

The total recommendation is for $112,067 reappropriated funds and 1.0 FTE. This amount includes $58,617 and 1.0 FTE, $500 for general operating costs, $45,000 for contract costs including reader services and assessment studies, and $7,950 for member reimbursement and meeting costs.

Supplemental/Budget Amendment #17: As discussed in the staff FY 2007-08 supplemental packet, the General Assembly decided <u>not</u> to modify the appropriation for H.B. 07-1274 after the Department of Human Services updated its fiscal estimate for the bill to reflect greater funding needed and relocation of the program to the Executive Director's Office. Through the Supplemental/Budget amendment, the Department has reiterated its request that the program be moved to the Executive Director's Office, although it has not requested an associated increase in funding. Staff recommends the request to move the appropriation for FY 2008-09.

Annualization of H.B. 07-1274: The staff recommendation reflects annualizing the appropriation provided in H.B. 07-1274 consistent with the fiscal note for the bill, including annualization of $16,915 for FY 2008-09. The Department has also requested such annualization, but failed to move the full request when it proposed to move the appropriation from the Division of Vocational Rehabilitation, due to a technical error. The staff recommendation corrects the error.

Reappropriated Funds: The entire appropriation was previously classified as cash funds exempt and will now be classified as reappropriated funds beginning in FY 2008-09. *The staff recommendation for this line item for reappropriated funds encompasses a matching cash funds appropriation to the Department of Regulatory Agencies, Public Utilities Commission, Colorado Commission for Individuals who are Blind or Visually Impaired from amounts in the Disabled Telephone Users Fund.*

(3) OFFICE OF OPERATIONS

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
SES/Management Group Profile	1.8	1.7	1.7	1.7
Professional Engineer	2.3	4.0	4.0	4.0
Accounting	99.9	107.0	107.0	107.0
Architect	2.0	2.0	2.0	2.0
Program Assistant	10.8	10.8	10.8	10.8
Planner / Estimator	5.2	5.0	5.0	5.0
Electronics/Telecom Specialist	3.5	4.0	4.0	4.0
Electrical Trades	10.4	11.0	11.0	11.0
Pipefitter/Mechanical Trades	30.5	35.5	35.5	35.5
Grounds keeper	11.3	11.0	11.0	11.0
Structural Trades	39.2	42.0	42.0	42.0
Administrative Assistant/Data specialist	5.7	13.0	13.0	13.0
Materials Handler	17.9	20.0	20.0	20.0
Equipment Operator	2.0	2.0	2.0	2.0
Custodian	120.3	109.7	109.7	109.7
Utility Worker	23.4	25.0	25.0	25.0
Long Term Care Operations	11.6	17.4	17.4	17.4
General Professional	32.2	34.5	34.5	34.5
Annualize S.B. 07-228	n/a	n/a	1.0	1.0
Budget Amend SBA #1	n/a	n/a	(1.0)	(1.0)
Decision Item #1B	n/a	n/a	6.5	6.5
Staff initiated FTE move	n/a	n/a	0	1.0
Staff initiated FTE reduction	n/a	n/a	0	(10.0)
TOTAL	430.0	455.6	462.1	453.1

The Office of Operations includes four divisions:

The Division of Facilities Management accounts for over 68 percent of the staff in the Office of Operations (318.2 FTE appropriated for FY 2007-08, including 8.6 in special purpose line items in the Office). The Division is responsible operating, cleaning, and maintaining all Department buildings and facilities, including youth correctional facilities, the two state mental health institute campuses, and three regional centers for the developmentally disabled, in addition to Department office buildings. Overall, the Division operates 299 buildings and over 3.25 million gross square feet of space. It is also responsible for acquisition, operation and management of utility services, planning, design and construction of capital construction and controlled maintenance projects, and the Department's commercial and vehicle leases.

The Division of Accounting includes 25 percent of the staff in the Office of Operations (116.0 FTE appropriated for FY 2007-08). The Division manages all departmental financial operations and resources, including payments to counties and service providers throughout the state for human services programs, Medicaid, Medicare and private party billing for the Department's various community and institutional programs, and overall accounts and controls over expenditures and revenues from multiple state and federal sources.

The Procurement Division includes 6 percent of Office of Operations appropriated staff (26.0 FTE). The Purchasing Unit has been delegated autonomous authority by the Department of Personnel and Administration and is responsible for purchasing goods and services for Departmental programs in excess of $35 million per year. The Materials Management Unit is responsible for providing warehouse and distribution for all Department programs which house direct care clients. This includes ordering and inventory control of food and non-food items through three primary warehouse and office facilities throughout the State.

The Contract Management Unit consists of 3.0 FTE or less than 1 percent of Office of Operations staff. It is responsible for managing the contracting process in the Department including development, approval, and oversight of performance of all Department contracts.

In addition, 1.0 FTE is assigned to overall management for the Office of Operations.

Decision Item #1B - Forensics Facility

Decision Item #1B (operating expenses for new forensics facility) affects multiple line items below. It is therefore addressed here. This decision item covers *a portion* of the costs associated with opening a new high security forensics unit on the Colorado Mental Health Institute at Pueblo campus. Specifically, this part of the request is for costs budgeted in the Office of Operations including activities such as facilities maintenance and housekeeping. A second portion of the request (Decision Item #1A) is for additional costs budgeted in the mental health institutes line item. Decision Item #1A is addressed in the figure setting packet for the Department of Human Services, Mental Health and Alcohol and Drug Abuse Services.

The table below shows the combined impact of Decision Items #1A and #B, as requested, for FY 2008-09 and FY 2009-10.

Requested Decision Items for Operating Costs - New Forensics Facility				
	FY 2008-09		**FY 2009-10**	
	Total (General Fund)	FTE	Total (General Fund)	FTE
Decision Item #1A (addressed in Fig Set for Mental Health)	638,190	5.1	1,737,615	22.7
Decision Item #1B (addressed here)	**764,363**	**6.5**	**1,340,443**	**17.0**
Total	1,402,553	11.6	3,078,058	39.7

Background: Construction on the new state-of-the-art 200 bed, 200,000 square foot High Security Forensic Institute on the Colorado Mental Health Institute at Pueblo (CMHIP) campus is scheduled to be completed June 2009, when the new facility will be occupied. The Department's request for FY 2008-09 will ensure that systems are operating properly and all staff are trained prior to the new facility's opening. The new facility will accommodate the relocation of 188 beds from the existing CMHIP facilities and will also add 12 new beds beyond those currently funded. (In the planning phase, the building was expected to add 32 beds beyond the base, but operating costs to open an additional 20 beds in the old facility was added pursuant to an FY 2006-07 emergency supplemental and FY 2007-08 budget amendment; thus, the current request nets out this amount).

The new facility replaces facilities that were 25 to 60 years old and was funded by $59.7 million in state capital construction dollars. Among the specialized units included in the new facility are: (1) a combination psychiatric/skilled nursing facility for physically debilitated forensic patients; (2) a specialized unit for those with co-occurring developmental disabilities and mental illness; (3) a specialized unit for competency evaluation and restoration patients; (4) a unit for female patients;

and (5) a ;unit for prisoners from the Department of Corrections in need of more specialized mental health stabilization than is available at San Carlos.

Office of Operations Request: The components of the request for the Office of Operations and the staff recommendation are shown below. The facility is due to open in early June 2009 (the heat plant will open April 2009), and as reflected below, the associated staff for the Office of Operations are proposed to be hired many months in advance of that.

Decision Item #1B Summary - Request and Recommendation								
	FY 2008-09				**FY 2009-10**			
	Request		Recommend		Request		Recommend	
	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE
Operations								
Personal Services	222,683	6.5	222,683	6.5	527,241	17.0	527,241	17.0
Operating Exp.	296,364		296,364		257,152		257,152	
Vehicle Lease	6,388		6,388		19,164		19,164	
Utilities	234,393		234,393		450,001		450,001	
EDO*								
STD	0		0		612		0	
AED	3,193		0		7,537		0	
SAED	1,342		0		2,355		0	
Hlth/Life/Dental	0		0		76,381		0	
Total - GF	**764,363**	**6.5**	**759,828**	**6.5**	**1,340,443**	**17.0**	**1,253,558**	**17.0**

*The staff recommendation assumes that EDO pots amounts for FY 2009-10

Decision Item #1B Request - Detailed Calculations							
		FY 2008-09 Request (Part Year)				**Annual Cost Full Year (FY 2009-10)**	
	Annual salary	Months Working	Months Paid**	FTE	Amount	FTE	Amount
Personal Services							
Electrical Trades II	$43,248	8	7	0.6	25,228	1.0	$43,248
Pipe Mech. Trades II	43,248	8	7	0.6	25,228	1.0	43,248
Long Term Care Ops	51,372	9	8	0.7	34,248	1.0	51,372
Utility Plant Ops	41,160	7	6	0.5	20,580	1.0	41,160
Grounds & Nursery	38,340	5	4	0.3	12,780	1.0	38,340
Custodian I*	20,784	5	4	3.0	62,352	10.0	207,840
Custodian II	22,944	6	5	0.8	19,120	2.0	45,888
PERA (10.15%)					20,253		47,816
Medicare (1.45%)					2,893		6,831
SAED					0		1,496
Subtotal - Personal Services				**6.5**	**222,682**	**17.0**	**527,239**
Operating Expenses							
Forensics (6 mos. 08-09)					97,399		183,832
Heat Plant (12 mos 08-09)					73,320		73,320
Forensics start-up					88,493		0
Heat plant start-up					37,152		0
Subtotal - Operating Expense					**296,364**		**257,152**
Vehicles (4 maintenance)					**6,388**		**19,164**
Utilities					**234,393**		**450,001**
EDO - "pots" allocations							
Short-term disability (.13%)					0		612
AED					3,193		7,537
SAED					1,342		2,355
Health/Life/ Dental ($4,493/FTE)					0		76,381

Decision Item #1B Request - Detailed Calculations							
		FY 2008-09 Request (Part Year)				**Annual Cost Full Year (FY 2009-10)**	
	Annual salary	Months Working	Months Paid**	FTE	Amount	FTE	Amount
Subtotal - Pots					**4,535**		**86,885**
Grand TOTAL				**6.5**	**764,362**	**17.0**	**1,340,441**

*The request reflects 10.0 FTE in FY 2009-10, but 9.0 FTE in FY 2008-09.

**Reflects impact of the pay-date shift.

Staff Recommendation: **Staff recommends the request, with the sole exception that the staff recommendation does not include any adjustments to "pots" amounts in the Executive Director's Office, consistent with common policy on new staff added.** The annualized cost requested for the Office of Operations is, overall, almost identical to the amount reflected in the estimates included in the forensics capital construction document for ongoing operating costs, less the $72,180 and 1.2 FTE added associated with the 20 bed unit opened on an emergency basis starting mid-year FY 2006-07. The total FTE request, including the 1.2 FTE previously added is 18.2 FTE (lower than the 20.0 FTE in the original estimates).

The original capital construction request *did not* take into account the need to add any staff prior to the opening of the facility. Staff agrees that it is necessary to add staff in advance of the facility's opening. Staff has been concerned that the number of months requested in advance for the new staff is excessive. However, the Department has provided additional information on the need for this advance staffing in its budget hearing responses, and, based on conversations with the key Department staff, staff believes the request reflects the professional analysis of individuals with expertise in this area. In light of this, and the fact the advance staffing is a one-time issue, staff is recommending the request as presented.

The advance staffing includes bringing on the long term care operations position (person who will oversee the facility) eight months prior to occupancy, the pipe fitter and electrical trades position seven months prior to occupancy, and utility plant operator six months prior to occupancy to help oversee the final installation, start-up and commissioning of building systems and to receive training on the new systems (including security control, door control, fire alarm, building automation) from the contractors. These staff will then assist in training other staff on these systems. Similarly, the landscape/grounds position will be brought on four months prior to occupancy related to start-up, training, and maintenance of the landscaping and landscape systems as these are installed. Chief custodians will be brought on five months prior to occupancy with the balance of custodians four months prior to occupancy. The Department emphasizes that these staff will need to set up routines, train on building safety and security issues, and fully clean the facility after construction.

The Department's operating cost figures are based on "metrics" the Department uses per square foot of operating space. Thus, utilities costs are estimated at $3 per square foot (5% higher than current Pueblo facilities, in light of the new building's high ceilings), the vehicle request is based on the Office's use of one vehicle per 1.33 staff. With respect to operating costs, the Department notes that current department operating cost metrics are based on actual expenses and range from $0.78 to $0.81/gsf. The operating budget request of $1.08/GSF is approximately 26% higher than existing operating metrics. However, based upon the maintenance and replacement costs associated with the new high tech building systems, more funds will be needed to properly and safely maintain and operate this new building. Additionally, operational costs published by Whitestone Research for the Pueblo area indicates that FY06 metric costs are $1.06/GSF for similar space.

(A) Administration

Personal Services

The Department request and staff recommendation are compared in the table below. A narrative explanation of the differences is provided below.

	Request		**Recommendation**	
	Amount	FTE	Amount	FTE
FY 2007-08 Long Bill+special bills	$22,476,856	455.6	$22,476,856	455.6
Common policy salary survey	623,084	0.0	623,084	0.0
Common policy performance pay	247,044	0.0	247,044	0.0
Common policy SAED	56,192	0.0	0	0.0
Common policy reduction	(44,953)	0.0	(233,470)	0.0
Annualize SB 07-228	62,122	1.0	61,622	1.0
Decision Item #1B Forensics Facility	222,683	6.5	222,683	6.5
Decision Item #9 Transfer Linen Contract	(84,159)	0.0	(84,159)	0.0
SBA #1 Food Preparation Consolidation	(40,096)	(1.0)	(40,096)	(1.0)
Staff recommended adjustment - move funds	0	0.0	27,613	1.0
Staff recommended adjustment - FTE reduction	0	0.0	(150,000)	(10.0)
Total	$23,518,773	462.1	$23,151,177	453.1

Common Policy: The staff recommendation is calculated according to Committee common policy, modified by the adjustments below.

S.B. 07-228: Senate Bill 07-228 required departments to implement a variety of new steps to monitor contractor performance on state contracts. The fiscal note for the bill included $0 costs for the Department of Human Services in FY 2007-08, but a total of $62,122 and 1.0 FTE in FY 2008-09, and $121,239 and 2.0 FTE in FY 2009-10. The Legislative Council Staff fiscal note did not break out amounts by fund source or line item at the department level for the out-years. The staff recommendation divides the total between personal services and operating expenses, allocating $61,622 for personal services and $500 for operating expenses.

Decision Item #1B Forensics Facility: See discussion at the beginning of this section for the basis for the request and staff recommendation.

Decision Item #9 Linen Contract: The Department has requested that $84,159 in the Office of Operations personal services line item be moved to the mental health institutes' line item, associated with a linen contract for CMHI Fort Logan. The request will place the management and funding of the linen contract from CMHIFL with the mental health institute administration. As the recipient of the services, CMHIFL will be better able to monitor deliveries, track and manage linen usage and assess the quality of services provided. **Staff recommends the request, which has a net $0 fiscal impact department-wide.**

SBA #1 Food Preparation Consolidation: The Department indicates that it is consolidating meal preparation and food related purchasing in an effort to increase efficiency and reduce costs. The two mental health institutes develop menus and order food separately. By consolidating menu preparation and food ordering at the two institutes, the Department will eliminate duplicative functions, resulting in savings of $98,794 and 1.9 FTE at the mental health institutes and $40,596 and 1.0 FTE in FY 2008-09 and $81,192 and 2.0 FTE in FY 2009-10 in the Office of Operations.

Staff recommends the requested reduction in the Office of Operations. The adjustments for the Office of Operations are summarized in the table below.

	FY 2008-09	FY 2009-10
Program Assistant I		
Salary	(35,928)	(71,856)
PERA	(3,647)	(7,294)
Medicare	(521)	(1,042)
Total - Personal Services	(40,096)	(80,192)
FTE	(1.0)	(2.0)
Operating Expenses	(500)	(1,000)
Grand Total	(40,596)	(81,192)
	(1.0)	(2.0)

The total reduction for FY 2008-09 includes a "net" General Fund reduction of $22,550.

Staff Recommended funding move from Buildings and Grounds: Staff recommends that 1.0 FTE and $27,613 reappropriated funds (indirect costs) be moved to this line item from the Office of Operations, Special Purpose, Buildings and Grounds Rental line item. As discussed further under that line item, staff has determined that the Department has in some cases been using that line item (and the Buildings and Grounds Cash Fund) for moneys received from divisions within the department to maintain properties these divisions "lease" from the Department. Staff believes it would be more appropriate to reflect such payments as indirect costs that support the main Office of Operations, Personal Services and Operating Expenses line items. Therefore, the staff recommendation moves the associated appropriations to the correct line items.

Staff Recommended funding and FTE adjustment: The Department's budget continues to reflect substantial personal services vacancies, although the gap between the appropriation and actuals has shrunk through a combination of increased Department staffing and reductions in FTE authority. In light of this, **staff is recommending a reduction of 10.0 FTE and $150,000 in federal funds.** In response to staff questions, the Department has indicated that:

- $150,000 federal funds could be removed from the line item for indirect cost revenues it does not expect to be able to earn.
- A total of 5.0 FTE, with no dollars attached, could be reduced from its appropriation to bring the FTE and dollar appropriations into closer alignment; the Department expressed uncertainty with respect to the full 10.0 FTE reduction proposed by staff. However, based on the data in the budget request, staff believes this should be supportable. In the event that it is not, staff anticipates that the Department will request that the General Assembly make a further adjustment.

Background. The table below compares appropriated FTE authority and actuals in recent years.

	FTE appropriation	FTE actual	Difference	Difference as % appropriation
FY 2002-03	474.1	434.7	(39.4)	-8.3%
FY 2003-04	472.4	418.0	(54.4)	-11.5%
FY 2004-05	472.4	405.2	(67.2)	-14.2%
FY 2005-06	458.4	418.0	(40.4)	-8.8%
FY 2006-07	461.8	430.0	(31.8)	-6.9%
FY 2007-08	455.6	n/a	n/a	n/a

As reflected in the table, there has been a substantial gap since FY 2002-03 between appropriated FTE and actual FTE usage in the Office of Operations.

Planned vacancy savings. In some cases, FTE authority may not be used because the Department must hold the position open to cover retirement payouts. In such cases, associated funding is fully used, even though FTE authority is not used. Based on the average salary, and retirement payouts of $176,712 reflected in the Department's budget request, this explained 3.7 vacant FTE in FY 2006-07. Such a pattern is to be expected, and staff would not recommend any associated adjustments to FTE authority.

Insufficient Revenue/unused spending authority: In FY 2004-05, the Department's personal services expenditures were $1.3 million below the appropriation; it indicated that it did not use appropriated cash and cash exempt amounts because it was unable to earn the associated indirect revenue. Personal services expenditures for FY 2005-06 were closer to the appropriated amount, but were still $175,938 below the appropriation, apparently still due to failure to earn associated revenue. In FY 2006-07, the Department reverted $378,378 from this personal services line item (equivalent to funding for approximately 8.0 FTE). This was due at least in part to billing errors that resulted in the Department's failing to earn appropriated Medicaid amounts in the Division (and associated General Fund reversions of over $466,000 in the Department of Health Care Policy and Financing tied to the Division's bottom line).

Department staff indicate that they have great difficulty maintaining Department of Human Services' ageing facilities and that, for example, they must relocate staff on a temporary basis whenever an accreditation team are examining a facility. The Division of Facilities Management 2005 Facilities Benchmark study also suggests that under-staffing is a significant problem for Department facilities maintenance. *Nonetheless, the Office of Operations has thus far appeared unable to maximize the use of resources it is allocated by the General Assembly*.

Other Factors: A discrepancy was created in FY 2004-05 due to a funding reduction that was not tied to an FTE reduction; but this was subsequently corrected. Staff assumes that the balance of the discrepancy reflects staff salary increases and changes to staff classifications that, overall, exceed the salary survey/performance pay increases approved by the General Assembly in recent years.

Actions to Reduce Discrepancy. In the last several years, reductions have been taken to FTE (and not dollars) to bring the mismatch back in line. These include reductions of 15.0 FTE in FY 2005-06 and 10.0 FTE in FY 2007-08, for a total of 25.0 FTE reduced. At the same time, the Department has made efforts to fill vacancies more quickly and thus to increase its FTE utilization. Increases in the Department's FTE utilization and reductions in the FTE appropriation over the last several years have reduced the gap between the FTE authority and actual use. While these actions have improved the situation, staff believes an additional reduction is warranted.

Operating Expenses

The Department request and staff recommendation are outlined in the table below.

	Request	Recommendation
FY 2007-08 Long Bill + Special Bills	$2,643,297	$2,643,297
Annualize SB 07-228	0	500
Annualize S.B. 07-4 (Early Intervention)	(4,505)	(4,505)
Decision Item #1B (Forensics Facility)	296,364	296,364
SBA #1 (Institute Food Preparation)	(500)	(500)
Staff recommended funding move from Leased Space	0	97,900
Staff recommended funding move from Buildings and Grounds	0	400,407
Total	$2,934,656	$3,433,463

SB 07-228: The staff recommendation reflects, in total, the fiscal note for the bill; however staff assumes $500 of the total should be included in operating expenses, pursuant to fiscal note common policy.

Annualize S.B. 07-4 (Early Intervention): Consistent with the fiscal note for this bill, the Department requested that one-time costs associated with a position added in FY 2007-08 be eliminated. Staff recommends the request; the reduction is cash funds from payments by insurance providers to manage early intervention programs.

Decision Item #1B (Forensics Facility): See discussion at the beginning of the Office of Operations section for the basis for the request and staff recommendation.

SBA #1 (Food Preparation): As discussed under Personal Services, above, staff recommends the requested reduction.

Staff recommended funding move from Leased Space: The staff recommendation includes an adjustment that moves funds from the Leased Space line item to this line item. This has a net dollar impact of $0 on this section, which is bottom-line funded. A total of $400,407 ($280,139 General Fund and $120,268 federal funds) is reduced from Leased Space and increased in this line item. These amounts represent funds for maintaining property currently being used by the Division of Youth Corrections and Alcohol and Drug Abuse Division. These divisions previously leased property from private entities for office space; however, they have now moved into Department of Human Services buildings on the Fort Logan campus. Operating expense amounts will help support maintenance for the buildings that these agencies use.

Staff recommended funding move from Buildings and Grounds Rentals: Staff recommends that $97,900 reappropriated funds (indirect costs) be moved to this line item from the Office of Operations, Special Purpose, Buildings and Grounds Rental line item. As discussed further under the Buildings and Grounds Rental line item, staff has determined that the Department has in some cases been using that line item (and the Buildings and Grounds Cash Fund) for moneys received from divisions within the department to maintain properties these divisions "lease" from the department. Staff believes it would be more appropriate to reflect such payments as indirect costs that support the main Office of Operations, Personal Services and Operating Expenses line items. Therefore, the staff recommendation moves the associated appropriations to the correct line items.

Vehicle Lease Payments

The total staff recommendation for this line item is pending Committee common policy. The request and recommendation also reflect the vehicle portions of two decision items (#1A, associated with the new High Security Forensics Institute, and #8, associated with new foster care staff). The basis for the staff recommendation on these items is covered elsewhere in this packet.

The Department reported that its current fleet is 465 vehicles, including 7 short-term and 15 delayed turn-in vehicles. **The Department's request reflects replacement of 56 vehicles, annualization of 35 vehicles replaced in FY 2007-08, the annualization of 2 vehicles added through FY 2007-08 decision items, and the addition of six vehicles in a new FY 2008-09 decision items.** For Decision Item #8 (Child Welfare) the Department has requested 2 Jeep Liberties at annual lease cost of $2,832 each for full year in FY 2008-09. For Decision Item #1B (Forensics Institute) it has requested 4 "fully equipped" trucks (maintenance vehicles) at an annual lease cost $4,791 each. The request is for 3 months of the lease in FY 2008-09, with full costs in FY 2009-10. As discussed for Decision Item #1B above, staff recommends the request (as amended by SBA #4); staff also recommends the Child Welfare request, which is discussed in the figure setting packet covering the Division of Child Welfare.

	Request	Recommendation
FY 2007-08 Long Bill	$716,648	$716,648
Supplemental common policy adjustment (one-time)	(53,364)	(53,364)
FY 2007-08 Appropriation	663,284	663,284
Annualize supplemental	53,364	53,364
DI #DPA-2 + BA #NP -3 Vehicle Lease Adjustment:		Pending
Annualize FY 2007-08 new leases	100,588	
FY 2008-09 replacement leases (56; start April)	62,238	
Other DPA Adjustments	(198,952)	

		Request	Recommendation
Decision Item #1B/SBA #4 (forensics facility)		6,466	6,466
DI #8 (foster care staff)		5,666	5,666
	Total	692,654	Pending

Leased Space

The Department's leased space request is for a continuation level of $2,938,212, based on leases for 181,827 square feet at an average cost of $16.05 per square foot. This reflects an increase over FY 2007-08 estimated costs of $15.05 per square foot. Note, further, that that the Department's current leased space appropriation, which is requested to be continued, is $20,000 total funds above its FY 2008-09 projection but $114,834 General Fund below its projected FY 2008-09 need; thus, although $573,000 total funds was reverted from the line item in FY 2006-07, staff is not recommending an adjustment apart from that described below.

The overall appropriation for this line item comprises funding for 45 leases throughout the State associated with nine major program areas (essentially the entire Department: Alcohol and Drug Abuse Services, Child Care, Disability Determination, Vocational Rehabilitation, Youth Corrections, etc.). This is considerably higher than state capitol complex leased space, but it appears to be consistent with the market, to the extent staff can determine this. According to the Chamber of Commerce, the average commercial office space rental in metro Denver was $16.10 per square foot for the fourth quarter of 2008.

Move Funds to Office of Operations, Operating Expenses. The staff recommendation includes an adjustment that moves funds from this line item to the operating expenses line item. This has a net dollar impact of $0 on this section, which is bottom line funded. A total of $400,407 ($280,139 General Fund and $120,268 federal funds) is reduced from this line item and increased in the Operating Expenses line item. These amounts represent funds for maintaining property currently being used by the Division of Youth Corrections and Alcohol and Drug Abuse Division. These divisions previously leased property from private entities for office space; however, they have now moved into Department of Human Services buildings on the Fort Logan campus.

With the above-described adjustment **staff recommends a total of $2,537,805 for this line item, including $1,854,961 "net" General Fund**.

Capitol Complex Leased Space

The Department requests $1,265,396 for capitol complex leased space, including adjustments for a non-prioritized statewide common policy item and subsequent non-prioritized statewide budget amendment. The overall request is for 99,087 square feet at 1575 Sherman Street in Denver and 3,104 square feet at the State Office Building in Grand Junction. **Staff recommends the**

Department's square footage request, which is at a continuation level. The final dollar amount is pending Committee policy regarding capitol complex leased space rates.

Utilities

This line item funds utilities expenditures for the Department's institutional programs (Division of Youth Corrections facilities, mental health institutes, and regional centers for persons with developmental disabilities). Utilities costs for other programs are generally included in leased space costs.

		Request	Recommendation
FY 2007-08 Appropriation		$7,335,406	$7,335,406
Decision Item #1A (Forensics Facility)		234,393	234,393
	Total	7,569,799	7,569,799

Staff recommends continuation of the funding level set for FY 2007-08, adjusted for Decision item #1A. Due to problems with the Department's utility funding model, it was unable to provide a utility projection that detailed anticipated expenditure by unit and cost. However, it did provide data indicating that spending for FY 2007-08 is in-line with the appropriation and that, based on this, a continuation level for FY 2008-09 is appropriate. Staff anticipates that should there be a significant increase or decrease in utilities costs in FY 2008-09, the Department will submit an associated supplemental. Staff would further note that the Department under-spent the FY 2005-06 appropriation for this line item by $277,526 (appropriation of $7,203,249 versus actual expenditure of $6,925,723--a 3.9 percent variance). And underspent its FY 2006-07 appropriation for this line item by $202,362. Actual expenditure trends versus appropriations need to be tracked on an ongoing basis to determine if the Department is over-projecting costs in this area.

Energy Performance Contracts. Staff would also note that the Department has entered into an energy performance contract with Siemens Building Technologies, pursuant to Section 24-30-2001, C.R.S. Costs are offset by the anticipated energy savings budget in the near term and provide cost savings in later years; however, the Committee should be aware that, through these contracts, the Department is committing to long-term payments to the energy performance contractor (or, in practice, the finance company that has purchased the revenue stream from Siemens). Siemens' payment is paid based on projected energy cost savings realized from the retrofits it installs, and actual savings are confirmed over several years; however, if, for example, the State decided to abandon a building that had received a retrofit before Siemens/the finance company had been paid-off, the State would still be responsible for paying off the retrofit.

The contract was signed in March 2004, and Siemens completed the Phase I retrofit, covering Fort Logan and the Department's North Central Procurement facility, in October 2005. The first phase of the project consisted largely of lighting retrofits at these facilities. The cost for this first phase was $728,021, resulting in energy savings of $89,725 in the first year. The second phase, covering Wheat Ridge and Grand Junction Regional Centers, was completed in August 2007 at a cost of $1,123,289. Estimated energy savings are $103,032 per year. Siemens will be paid over time based on the demonstrated energy use savings associated with the retrofit. The anticipated payback period for these, including interest at 4.172 percent, is 8 to 10 years, after which the State (rather than Siemens) will benefit from the associated cost-savings. Additional phases of the performance contract will be implemented in the coming years. The total project, including 4 phases plus work at the state and veterans nursing homes, is estimated to involve retrofits and upgrades valued at $9.5 million plus an additional $6.5 million for the state operated nursing homes, with phase IV estimated to be completed by December 2008. The actual value of the project may change, as it will depend upon the results of the energy audits for each phase. The Department has indicated that it is only seriously considering project components with pay back of under 12 years.

Bottom Line - Administration Section

Reappropriated Funds: Funding in the Office of Operations bottom line includes a wide array of funding sources, including estimated indirect cost collections from various sources. The table below reflects the FY 2007-08 appropriation fund sources and how these fund sources are categorized using the old cash funds/cash funds exempt format, and the new cash funds/reappropriated funds format that will be in effect in FY 2008-09. As reflected, **all cash funds remain cash funds and all cash funds exempt become reappropriated funds with the sole exception that mental health institute cash funds exempt from sources other than behavioral organizations are reclassified as cash funds.** Because key line items in this section are still pending, exact FY 2008-09 amounts in each fund source category are not yet known.

Fund Category Changes

	FY 2007-08		OLD FORMAT		NEW FORMAT	
Fund Source	**Total Approp - OLD FORMAT**	**Total Approp - NEW FORMAT**	**Cash Funds**	**Cash Funds Exempt**	**Cash Funds**	**Reapprop-riated Funds**
Mental Health Institute patient cash	410,366	410,366	XXX		XXX	
Business Enterprise Program	12,511	12,511	XXX		XXX	
Early intervention coordination (SB 07-04)	53,920	53,920	XXX		XXX	

Fund Category Changes						
	FY 2007-08		OLD FORMAT		NEW FORMAT	
Fund Source	**Total Approp - OLD FORMAT**	**Total Approp - NEW FORMAT**	**Cash Funds**	**Cash Funds Exempt**	**Cash Funds**	**Reapprop-riated Funds**
Various (FY 2007-08 Cash)	119,755	119,755	XXX		XXX	
Medicaid	5,979,017	5,979,017		XXX		XXX
Mental Health Institute patient fees from BHOs	2,915,619	2,915,619		XXX		XXX
Other MH Institute Patient Fees (Medicare)	1,149,464	1,149,464		XXX	XXX	
Department of Corrections transfers	1,282,312	1,282,312		XXX		XXX
Veterans Nursing Home Indirect Cost transfer	541,925	541,925		XXX		XXX
Various (FY 2007-08 Cash Funds Exempt)	604,107	604,107		XXX		XXX
Total	13,068,996	13,068,996				
Cash Funds	596,552	1,746,016				
Cash Funds Exempt	12,472,444	0				
Reappropriated Funds	0	11,322,980				

Veterans Nursing Home Indirect Cost Transfer: Starting in FY 2007-08, the Long Bill was modified to make the level of state subsidy for the state and veterans nursing home more visible. A total of $541,925 General Fund, that constituted the level of subsidy for actual FY 2004-05 was moved from the Office of Operations to the State and Veterans Nursing Home section of the Long Bill, and a cash funds exempt appropriation of $541,925 for amounts transferred from the State and Veterans Nursing Home section was reflected in the Office of Operations. **For FY 2008-09, staff recommends that this adjustment be increased to a total of $800,000 or slightly less than the actual indirect cost subsidy for the nursing homes for FY 2006-07. The net General Fund impact of this change is $0 Department-wide.** Staff would further recommend that, to the extent indirect costs associated with the homes increase in the future, it may be appropriate to begin collecting such amounts (as cash) from the nursing homes. This would be particularly appropriate to the extent that overall responsibilities and costs for the Executive Director's Office, Office of Information Technology Services and the Office of Operations increase associated with increased demand for services from the state and veterans nursing homes.

(B) Special Purpose

Buildings and Grounds Rental

The appropriation for this line item provides funding for the maintenance, repair, and upkeep of facilities and grounds at the Mental Health Institutes at Fort Logan. The Department leases space to other state agencies or non-profit organizations for offices or for the direct provision of services. Pursuant to Section 25-1-118 and 119, C.R.S. revenue from Fort Logan rentals is to be used only for the maintenance of the rented buildings at Fort Logan. The rates paid by agencies are based on the Department's calculated costs for maintenance, repair, and upkeep of the rented spaces. Funding for this line item is based on anticipated revenue from agencies that lease space from the Department of Human Services. House Bill 08-1268, if enacted, will expand the Department's authority to rent property to other locations.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
TOTAL	5.0	6.5	7.5	5.5

The Department request for this line item includes an increase for Decision Item #12, offset by a reduction pursuant to Stand-alone Budget amendment #3. The request and recommendation are discussed below.

	Request		Recommendation	
	Amount	FTE	Amount	FTE
FY 2007-08 Long Bill	$896,014	6.5	$896,014	6.5
Reclassify Cash Funds Exempt	0	0.0	0	0.0
Common policy salary survey	5,564	0.0	5,564	0.0
Common policy performance pay	2,392	0.0	2,392	0.0
Common policy SAED	663	0.0	0	0.0
Decision Item #12	409,249	3.5	251,894	0.0
Stand-alone Budget Amendment #3	(119,927)	(2.5)	0	0.0

	Request		Recommendation	
	Amount	FTE	Amount	FTE
Staff recommended adjustment - move/remove funds	0	0.0	(525,920)	(1.0)
Total	$1,193,955	7.5	$629,944	5.5

Reclassify Cash Funds Exempt: Amounts in the Buildings and Grounds line item previously included cash funds from the Buildings and Grounds cash fund and cash funds exempt from reserves in the same cash fund. Amounts remaining in this line item will now all be classified as "cash funds", based on the new funds classification policy. Amounts moved to the Administration section (discussed further below) will be reflected as "reappropriated funds", as these are amounts that are first appropriated elsewhere in the department.

Decision Item #12, Stand-alone Budget Amendment #3, and H.B. 08-1268: In its November 1 request, the Department requested an increase of $411,553 and 3.5 FTE in spending authority for this line item, including $409,249 in this Office of Operations line item and the balance for "pots" in the Executive Director's Office. The Decision Item #12 request included $102,888 from new revenue and $308,665 from reserves. Most of the request for spending from reserves was for one-time in FY 2008-09, with the balance of the request continuing into FY 2009-10. The request indicated that over the past 18 months, the Department's leased square footage had increased by 76,125 at an average rate of $6.88 (far below market rates), and spending authority was required to ensure adequate maintenance of the leased facilities.

Stand Alone Budget Amendment #3 reduced the request by $121,927 and 2.5 FTE for rentals outside of Fort Logan, when it was determined that there is no existing statutory authority for such rentals. The JBC has agreed to sponsor H.B. 08-1268 (White/Johnson) to provide such statutory authority, and this bill now includes an appropriations clause for $81,024 cash funds associated with rentals on the Pueblo campus.

As a result of discussions pursuant to Decision Item #12, it has also become apparent that some of the revenue and expenditures flowing through this cash fund are for Department of Human Services divisions and Department of Corrections programs. Staff believes such funds would be more appropriately reflected in the personal services and operating expenses line items for the Office of Operations, and staff is therefore recommending associated changes so that this line item is used only for appropriations related to rentals to outside entities.

Due to the various issues that have become apparent based on further review of this line item, staff is not recommending the ongoing portion of the Decision Item #12 increase. **However, staff is recommending $251,894 in one-time spending from reserves, associated with irrigation systems, exterior paint, and a building remodel at Fort Logan**. Reserves in the Fort Logan State

Hospital Fund (commonly known as the Buildings and Ground Cash Fund) currently stand at $1.6 million, and staff believes it is reasonable that these funds be spent-down on projects related to upkeep of the leased facilities.

Decision Item #12 & SBA #3 - Staff Recommendation - Cash Funds	
One-time Expenses for Facility Improvements	
DI #12 one-time	287,000
less BA #3 one-time	(35,106)
Total - one-time operating expenses	**$251,894**

Move Funds to Administration Section

As noted above, the Department has been using this Fund as a conduit for revenue from state sources, including the Department's own programs and programs operated by the Department of Corrections. Staff believes these amounts should be part of the overall funding for the Office of Operations, Administration section (Personal Services and Operating Expenses line items).

The staff recommendation therefore moves some of the base spending authority and FTE authority to the main Office of Operations line items and leaves only spending authority associated specifically with Fort Logan rentals to non-state entities in this line item.

Amounts to be moved are reflected below. In addition, in the process of researching this issue, the Department determined that $400,407 associated with Division of Youth Corrections and Alcohol and Drug Abuse Division rentals were located in two places: in the Department's Leased Space line item and also in this line item–although the appropriate location for both amounts was in the Administration, Personal Services and Operating Expenses line items as both agencies are using Department of Human Services space. As a result, the staff recommendation has: (1) moved $400,407 from the Leased Space line item to Personal Services and Operating Expenses (a move within the Administration section); and (2) eliminated $400,407 from the Buildings and Grounds Rental appropriation.

Move and Remove Amounts from Buildings and Grounds Rentals				
	FTE	Total	Cash Funds	Reappropriated Funds
Office of Operations, Administration				
Personal Services	**1.0**	27,613	0	27,613
Operating Expenses		97,900	0	97,900
Office of Operations, Special Purpose		0	0	0
Buildings and Grounds Rentals	(1.0)	(525,920)	(525,920)	0
Total	0.0	(400,407)	(525,920)	125,513

For the present, staff is retaining the line item name "Buildings and Grounds Rentals" to enable spending from Cash Fund reserves using this line item. However, *if there continue to be problems related to the use of this line item for programs within state government, staff will recommend renaming the line item to clarify that it is only to be used for non-state entities.*

State Garage Fund

The Department has an agreement with the Department of Personnel to operate vehicle maintenance and fueling stations at three state facilities, including the Mental Health Institutes at Fort Logan and Pueblo, and the Western District (Direct Services). The Department is reimbursed by divisions within the Department and by other state agencies for maintenance, repair, and storage of state-owned passenger motor vehicles. Revenues are deposited into the State Garage Fund. This line item provides the spending authority for the Department to receive and spend such reimbursement. Pursuant to Section 24-30-1104(2)(b), C.R.S., the Department of Personnel has the authority to use any available state facilities (and enter into contracts with such facilities) to establish and operate central facilities for the maintenance, repair and storage of state-owned passenger motor vehicles for the use of state agencies.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
TOTAL	1.1	2.1	2.6	2.1

The Department's request for $733,408 and 2.6 FTE includes non-prioritized Stand-alone Budget Amendment #1 (Multi-agency Fleet Vehicle Maintenance) for an increase $115,181 and 0.5 FTE (includes $114,742 and 0.5 FTE in this line item, with the balance in EDO "pots"). This budget amendment was designed to facilitate increased use of state-operated facilities for maintaining state vehicles and to encourage departments without in-house facilities to use the services available from other departments. The Committee voted **not** to approve Stand-alone non-prioritized Budget

Amendment #1 during figure setting for the Department of Transportation. In light of this, staff has not included the requested increase. **The staff recommendation is for a continuation level of $618,445 and 2.1 FTE and includes $88,263 for personal services and $530,182 for operating expenses. Amounts in this line item were previously classified as cash funds exempt; they will now be classified as reappropriated funds.**

Long Bill Footnotes and Information Requests

The FY 2007-08 footnote below provides detail on departmental indirect cost receipts and expenditures. Although it was vetoed in the past, the Department has always been instructed to comply to the extent feasible. Because this is an information request, the staff recommendation is that **this footnote be eliminated and replaced, as modified, with a written request for information**.

~~52~~ **Department of Human Services, Office of Operations; Department Totals** -- The Department is requested to examine its cost allocation methodology and report its findings to demonstrate that all state-wide and departmental indirect costs are appropriately collected and applied. The Department is requested to submit a report to the Joint Budget Committee on or before November 15, ~~2007~~ 2008, that should include: (1) Prior year actual indirect costs allocated by division and corresponding earned revenues by type (cash, cash exempt, and federal); (2) the amount of such indirect costs applied within each division and to Department administration line items in the Executive Director's Office, Office of Operations, and Office of Information Technology Services; (3) a comparison between indirect amounts applied and the amounts budgeted in the Long Bill; and (4) a schedule identifying areas in which collections could potentially be increased and a description of the obstacles to such increases where the discrepancy between the potential and actual collections is $50,000 or more.

(9) SERVICES FOR PEOPLE WITH DISABILITIES

The Services for People with Disabilities section includes: Services for People with Developmental Disabilities (includes community and institutional services for adults and children with developmental disabilities), the Division of Vocational Rehabilitation, and Homelake Domiciliary and the State and Veterans Nursing Homes.

(A) Services for People with Developmental Disabilities

This Office is responsible for managing the provision of state, federal, and Medicaid-funded services to people with developmental disabilities through three state-operated Regional Centers located in Grand Junction, Wheat Ridge and Pueblo, and 20 Community Centered Boards (CCBs) designed to provide community-operated services throughout the state.[1] The Office provides and oversees the provision of residential and supported living (non-residential) services to over 7,800 adults with developmental disabilities and administers three types of programs for children with developmental disabilities and their families: Early Intervention and federal “Part C” services (for children under the age of 3), the Family Support Services program, and the Children's Extensive Support program.

The vast majority of state services for persons with developmental disabilities are funded through three federal Medicaid waivers for home and community-based services: the adult comprehensive services waiver, the adult supported living services waiver, and the children’s extensive support waiver. These Medicaid waivers enable the State to support services for persons with developmental disabilities using Medicaid funds that originate as 50 percent state General Fund and 50 percent federal funds. However, they differ from other parts of the Medicaid program in that the State may limit the total number of program participants. As a result, there are waiting lists for services.

All institutional funding and the majority of funding for community-based services for persons with developmental disabilities is for residential services for adults with developmental disabilities. The table below reflects, for FY 2007-08, the total number of full year persons[2] funded through the Adult Program Costs line item, associated dollars, average cost per full-year participant, and waiting lists for community programs for persons with disabilities. Adult Comprehensive Services, Adult Supported Living Services, and the Children's Extensive Support programs are funded primarily or entirely by Medicaid. Family Support Services are funded entirely with state General Fund and Early Intervention services are funded primarily by state General Fund.

---

[1] Pursuant to federal law, Regional Center facilities are also called Intermediate Care Facilities for the Mentally Retarded or ICF/MRs, and constitute the state's "institutional" services for people with developmental disabilities.

[2] Funding for a "full year person" is the funding required to serve one individual for one full year (also referred to as a "resource").

Community Program Costs[a]	FY 07-08 Funding	# Full year People Funded FY 2007-08[b]	Avg. Cost per Full Year Person	Waiting List April 2007[c]
Adult Comprehensive Services	$247,005,842	3,872	$63,793	1,368
Adult Supported Living Services	52,858,984	3,584	14,749	2,324
Early Intervention	11,171,495	2,176	5,134	1
Children's Extensive Support	7,184,725	395	18,189	157
Family Support Services	6,461,550	1,176	5,495	4,178
Case Management *(for all above)*	22,886,608	11,203	2,043	n/a
Special Purpose	1,055,874	n/a	n/a	n/a
Total	$348,625,078			

a) Reflects funding in the Developmental Disability Services, Community Services, Program Costs line item. Does not include 403 adult residential resources at the regional centers, services funded with local dollars, federal "Part C" dollars, or custodial payments from insurance companies.

b) A "full year person" is the funding required to provide services to an individual for a year (also known as a "resource"); a person funded for half of a year is therefore counted as a 0.5 person. Of the amounts shown, funding for 78 adult comprehensive and 24 adult supported living services persons is for an average of six months in FY 2007-08. Note that, in a change from prior years, case management costs have been broken out into a separate category; individuals served will receive a case management amount in addition to a direct-service amount.

c) April 2007 count of the persons who request placement by the end of FY 2007-08. (1) Some of these persons are anticipated to be removed from the waiting list during FY 2007-08, based on new funding. (2) Early intervention figure solely reflects eligible children receiving no services, generally due to temporary placement delays. Some children are funded through federal Part C “payer of last resort” dollars, in the absence of state support. (3) Current funding for the Family Support Services Program is generally spread to serve over 3,000 families, so that many of those on the waiting list are actually receiving some support from the dollars shown.

In addition to the program services identified above, the State serves developmentally disabled adults with significant medical and behavioral needs in 403 beds at the three state-operated regional centers. Most funding for regional center services is also provided by the Medicaid program. Most regional center beds are funded through the same community-based Medicaid comprehensive waiver program used to support residential services operated by community centered boards. In addition, about one quarter of regional center beds are funded through the Medicaid program as intermediate care facilities for the mentally retarded (ICF-MRs). These are funded by Medicaid on a cost-based model.

Federally-required System Changes

From 1998 through FY 2005-06, the Department operated under a "Systems Change Project" pursuant to a Memorandum of Understanding with the Joint Budget Committee. The Systems

Change Project applied a managed care approach to delivering developmental disability services that allowed Community Centered Boards (CCBs) to negotiate rates with their providers in order to get a better rate for each service. The goals of the Systems Change Project were to: (1) promote simplicity, flexibility, and efficiency in community services, while maintaining accountability; (2) increase local decision making; and (3) promote a fairer means of resource distribution that would enable more people with developmental disabilities to be served from the community services system waiting list.

During FY 2005-06, it became clear to the State that the federal Centers for Medicare and Medicaid Services (CMS), which had previously approved Colorado's "quasi managed care" service model no longer considered the State's system acceptable. During FY 2003-04, the federal Centers for Medicare and Medicaid Services (CMS) had reviewed Colorado's three home and community based services Medicaid waivers for persons with developmental disabilities. The final report on the Comprehensive (24 hour) Waiver program was issued in April 2004 and a renewal of the Waiver was approved September 24, 2004. The renewal was conditioned on various changes, including the (1) removal of certain program costs from the Waiver program and their transition to the Medicaid State Plan; and (2) steps to increase financial oversight and accountability for the program, including steps to "unbundle" services and costs in the comprehensive waiver program. In FY 2004-05, Colorado unbundled the collection of service encounter data and differentiated costs through Community Centered Board (CCB) audits, but the billings were still bundled. In addition, the CCBs continued to negotiate rates as an "Organized Health Care Delivery System (OHCDS)". During FY 2005-06, CMS indicated that: billings must be unbundled, all providers must have the choice to bill directly or to use CCBs as the OHCDS , and that there must be a uniform rate setting methodology.

Based on this direction from CMS, Colorado has been engaged in an extensive restructuring of its Medicaid waiver program for the last two years. The first set of changes were implemented August 1, 2006. Further changes are now anticipated throughout FY 2008-09 and FY 2009-10. As identified in the revised plan of correction submitted by HCPF to CMS in May 2006, changes include: (1) detailed billings that unbundled services; (2) notification to all providers of their option to become Medicaid providers and to bill directly; and (3) a short-term plan for uniform rates. The short-term ("interim") solution (effective in FY 2006-07 and FY 2007-08) was based on a survey of the Community Centered Boards for current rates for each individual by service, analyzing this information and setting rates based on current levels/grouping. The May 2006 plan of correction also promised that long-term uniform rate-setting methodology based on client need would be established beginning in FY 2007-08. This is in progress, but time-frames for the long-term have been delayed to July 1, 2008 for the comprehensive program and July 1, 2009 for the supported living services program.

Under the long-term plan, levels of need will be set based on an acuity tool (the "Supports Intensity Scale") that measures the intensity of service needs that impact costliness of service provision with up to 7 levels for difficulty of care. The rates associated with these difficulty of care levels are structured based on work with a rate setting consultant, although detailed assumptions and rates are still being worked on by the Department. Based on this work, the State will submit a new Medicaid comprehensive waiver application to federal authorities. A similar process will be used for the supported living program for FY 2009-10.

The Joint Budget Committee has agreed to sponsor a bill during the 2008 legislative session ((H.B. 08-1220 (Buescher/Keller)) to make adjustments to state statute to ensure that statute is consistent with the practice now required by federal CMS.

Footnote 79 Response - Waiting lists for Developmental Disability Services

Footnote 79 to the FY 2007-08 Long Bill included the following information request.

79 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, concerning recommendations for a five-year plan that addresses the elimination of all waiting lists for services for individuals with developmental disabilities. In the process of completing the report, the Department should work closely with all Community Centered Boards, as well as all other interested consumers and providers. The plan should address the current waiting list situation, and should take into consideration, among other factors, the total amount of money necessary for its implementation, increases in Colorado's population over the five-year period, the number of persons on the waiting lists who are living with aging care givers, and recommendations for the allocation of new funding for persons on the waiting lists. The report should specifically consider the costs of eliminating waiting lists for individuals with developmental disabilities considered at high risk of out-of-home placement due to their aging care givers or medical or behavioral needs.

This Governor vetoed this footnote, but, after the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the Department had been directed to develop a plan and provide the requested report to the by January 2, 2008. The Department submitted the requested report. As this was received after budget briefings, the associated information is reviewed below.

The Department provided the requested report. The Department provided an analysis which:

✓ Provided an estimate of the current waiting list for services. This included adjusting the most recent waiting list data based on the number of individuals not expected to accept services when offered.

✓ Projected the growth in "known demand" (defined as persons served plus current waiting list), based on the rate of growth in demand from June 2001 to June 2007.

✓ Projected persons who would be in service based on the growth in total number of persons served from June 2001 through June 2007 (i.e., persons who would be served if the General Assembly funded annual increases at the average rate from 2001 through 2007).

✓ Projected the waiting list for 2008 through 2012, based on the projected demand minus the projected persons in service for those same years.

✓ Projected the costs associated with serving this projected waiting list, including estimated annual rate increases.

Thus, the Department attempted to calculate the additional costs of funding the waiting list *above the level of increases that have typically been provided* in recent years. The results are shown in the table below.

Developmental Disability Waiting Lists

	Current Waiting List (Services requested by June 2009)	Projected June 30, 2012 Wait List	New persons to be served each year for five years to fund waiting list by 2012	General Fund increase required in first of five years to fund wait list (each year builds the base)	Total General Fund increase added to the base by 2012 for wait list
Adult Comprehensive	1,123	1,942	338	$12,561,306	$64,719,176
Adult Supported Living	1,981	3,137	627	4,693,095	24,180,569
Children's Extensive Support	179	839	168	1,623,095	8,362,617
Family Support Svces.	4,249	6,086	1,217	7,250,886	37,358,249
Total				$26,128,382	$134,620,611
High Risk Adult Comprehensive	354	559	112	$3,625,944	$18,681,824
High Risk Adult Supported Living	365	923	185	1,384,725	6,134,618
Total				$5,010,669	$24,816,442

In sum:

- The Department projects that an additional $26.1 million General Fund would need to be added to the base each year for five years–beyond the usual rate of increase–to fully eliminate waiting lists by 2012.

- If the State were to target solely the "high risk" adult population, the required increase to the base would be $5.0 million General Fund per year. Serving the Children's Extensive Support population (also considered "high risk") would require an additional $1.6 million General Fund per year.

Proposals to Open New ICFs/MR

ICFs/MR are institutional, entitlement services that are part of Colorado's Medicaid state plan. Including ICF/MR services in the Medicaid State Plan enables the State to access Medicaid HCBS-DD waiver services. In recent years, there have been only three ICFs/MR in the state: (1) the two regional-center on-campus facilities at Grand Junction and Wheat Ridge (expenditures reflected in the Department of Human Services (class IV ICFs/MR); and (2) a private facility billed in the Medicaid Premiums line item (Class II facility).

During the staff budget briefing, staff notified the Committee that the **Department of Public Health and Environment has now received nine letters of intent for construction of intermediate care facilities for the mentally retarded (ICFs/MR) from CCBs and private providers**, all for privately owned facilities. Five of these are proposed by two CCB and the remaining four by the only current private provider of ICF/MR services. Three of the applications request a change of licensure and a change of certification type for existing group homes from HCBS-DD waiver to ICF/MR, while the remainder are for new 4 to 8-bed facilities.

ICF/MR services are billed and paid on a cost-basis. (A new ICF/MR receives a per diem rate for the first year equal to the most recent average weighted rate for the class at the time the new facility begins business as a Medicaid provider.) In FY 2006-07, the regional center facilities operated at a cost of $184,000 per bed per year, while the private facility had a rate of just over $130,000 per year in FY 2006-07. This compares with the average rate for developmental disability waiver clients in FY 2007-08 of $63,793 per year.

There are no statewide controls on the level of severity required for a client to enter ICF/MR services and there is no "single entry point" for entry to private facilities, although the Department has established such controls for entry to the state-operated regional centers.

The Department of Health Care Policy and Financing has indicated that costs for small-scale ICFs/MR without economies of scale could be immense: from $341,000 to over $1 million per year per bed for 4-bed facilities. While these costs may be over-estimated, staff does believe that placements in small-scale ICFs/MR will be fare more expensive than the current group home placements.

Even assuming very conservatively that costs are $130,000 per bed per year (the cost of the only private class II facility), the total additional cost to the State if these new facilities open would be approximately $7.0 million ($3.5 million General Fund) per year in the Medicaid Premiums line item. Staff does not believe that these additional costs are built into the Medicaid Premiums estimates at this point, and staff assumes that growth in this arena, should it occur, will effectively limit the state funding available for less-expensive developmental disability HCBS-DD services.

(1) Community Services

(a) Administration

Staffing Summary	FY 2006-07 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
General Administration	31.2	32.4	32.4	32.4

Personal Services

This line item supports the staff of the Division for Developmental Disabilities who oversee state programs for persons with developmental disabilities, including services directly administered by community centered boards and services provided in the state-operated regional centers. The table below compares the Department request and staff recommendation.

	Request		Recommendation	
	Amount	FTE	Amount	FTE
FY 2007-08 Appropriation	$2,602,214	32.4	$2,602,214	32.4
Salary survey	94,307	0.0	94,307	0.0
Performance based pay at 80%	26,643	0.0	26,643	0.0
SAED	6,256	0.0	0	0.0
Common policy P.S. reduction	(5,004)	0.0	(27,232)	0.0
Decision Item #6 (regional centers)	(2,872)	(0.1)	0	0.0
TOTAL	$2,721,544		$2,695,932	
*Net General Fund**	*1,546,512*		*1,433,168*	

*Includes General Fund directly appropriated in the line item and the portion of Medicaid CFE funds appropriated that are initially appropriated as General Fund in the Department of Health Care Policy and Financing.

Difference are explained below.

Common policy calculation: Consistent with common policy, staff has included a 1.0 reduction to the personal services base. This reduction is greater than the 0.2 percent reduction in the request. Further, the Department's request reflects placing SAED amounts in the line item, while staff includes these in the EDO "pot".

Decision Item #6: The amount shown reflects the overall staff recommendation associated with this decision item on regional center staff and conversion to ICF/MR billing structure. A detailed description of the request and recommendation may be found below, under the discussion of Regional Center funding.

Operating Expenses

The Department's request for $147,384 includes a reduction of $645 associated with Decision Item #6 (regional center ICF/MR and staffing costs). **The staff recommendation is for a continuing level of $148,029 and does not include a reduction for Decision Item #6**, as is discussed below pursuant to regional center funding.

Community and Contract Management System Replacement

This system is used to track individuals in the state-funded and Medicaid waiver programs, as well as individuals waiting for developmental disability services. It interfaces with the Medicaid Management Information System (MMIS), enabling community centered boards to "batch bill" to the MMIS system. Staff notes that significant additional changes to the system have been required as a result of the Medicaid waiver system changes, and serious billing problems continue to plague this system.

The Department requests, and staff recommends, ongoing funding of $137,480 for the community contract and management system maintenance. Staff notes that, if and when this system is fully developed and stable, it may be appropriate to move the associated maintenance cost funding to the Department's Office of Information Technology Services.

Medicaid Waiver Transition Costs

This line item was first used in FY 2006-07 to reflect one-time state administrative costs associated with the Medicaid waiver system changes being required by federal authorities. For FY 2008-09, the Department requested, through supplemental/budget amendment #4 that an ongoing funding level be set for this line item to reflect ongoing state costs associated with Medicaid waiver system changes.

Supplemental/Budget Amendment #4: The Department requested $79,028 Medicaid funds (reappropriated funds, under the new funds classification) with a total net General Fund impact of $39,514, for ongoing Medicaid waiver transition costs. The entire amount requested is based on costs for the "Supports Intensity Scale" instrument and associated annual training of trainers and inter-rater reliability efforts.

Staff recommends the request for $79,028 Medicaid funds in FY 2008-09 and recommends annualization to $93,140 for FY 2009-10 (not reflected in the request). Staff agrees that if the Supports Intensity Scale (SIS) is to be used as an ongoing, reliable tool, the Department will need to be engaged in ongoing training and inter-rater reliability checks. Further, although the request reflects only 600 clients to be assessed (based on SIS booklets reflected in the request), staff's understanding is that the Department plans to reassess approximately one-third of the total waiver population each year, in addition to new clients. Based on new resources requested for FY 2008-09 and anticipated turnover plus reassessment of one-third of base resources each year, the Department expects a total of about 3,000 clients to be assessed each year. As virtually all comprehensive clients will have been assessed in FY 2007-08 and all supported living clients will have been assessed in FY 2008-09, it is possible that fewer clients will be assessed in FY 2008-09 than in the subsequent years–and even more likely that there will be less need for training of trainers and interviewers in FY 2008-09 due to the large number of trainers and interviewers that will have received training and practice on SIS administration during FY 2006-07 and FY 2007-08. Thus, staff believes the somewhat lower request for FY 2008-09 is appropriate; however, staff believes that from FY 2009-10 onward, $93,140 ($46,700 net General Fund) is a reasonable budget for ongoing costs related to the SIS and associated training/inter-rater reliability efforts.

The recommendation includes the following components:

	FY 2008-09 Amount	**FY 2009-10 Amount**
Supports Intensity Scale (SIS) SIS Product Costs		
SIS booklets at $1.50 each and SIS Online data entry fee at $4.38 each x 600 clients in FY 08-09 and 3,000 in FY 09-10 and future years	$3,528	$17,640
SIS Online licensing fee at $110 per user per year x 200 users	22,000	22,000
Ongoing SIS Training and Quality Control		
DHS staff travel costs (20 days at $100 per day hotel/per diem)	2,000	2,000
Training for new trainers (5 trainers at $3,700 each, inc. lodging/per diem)	18,500	18,500
Training for new interviewers (25 interviewers at $1,000 each)	25,000	25,000
Materials, teleconference costs, and travel associated with training, technical assistance, and inter-rater reliability	8,000	8,000
Total	$79,028	$93,140

Staff would also note that:

- Once it is clear whether the amounts shown are reasonable estimates of ongoing funding needs, this line item should be consolidated into the Personal Services and Operating Expenses line items in this section.

(b) Program Costs

The former Adult Program Costs and Services for Children and Families, Program Funding line items were combined in this section starting in FY 2007-08. The line-item is broken out for informational purposes to reflect the programs and estimated numbers of individuals served by the funding. However, the section is considered a single line item, as the Department has flexibility to move funds among the various sub-components of the appropriation, and final expenditures are only controlled in the bottom line.

This line item reflects funding for services to over 7,400 adults determined to have a developmental disability under state eligibility criteria. Services are provided within local communities and coordinated through 20 Community Centered Boards (CCBs). The two types of services available to adults are supported living services (SLS) and comprehensive services. Supported living services provide services in the home to help individuals with aspects of daily living (i.e., eating, dressing etc.) and other activities including employment and recreation. Comprehensive services include both housing and support services. The comprehensive and supported living services programs are largely funded through Medicaid waiver programs, although some funds for individuals not eligible for Medicaid are also provided.

This line item also includes funding for early intervention services for children under the age of 3, family support services that offer flexible funding for families with a disabled child at home, and the Children's Extensive Support (CES) program, which provides various services for children who require nearly 24-hour supervision due to the severity of the child's developmental disability. The early intervention program is supported by the General Fund, but early intervention services are also supported through federal Part C dollars and insurance funds that are reflected in the "Other Community Programs" section. The Children's Extensive Support program is a Medicaid waiver program, and the Family Support Services Program is a General Fund program. The line item also includes some “special purpose” funding for activities such as the combined condensed audit of developmental disability programs and behavior pharmacology clinics.

Appropriations Overview

The Department request for this line item includes (1) a late request for an FY 2007-08 supplemental; and (2) the FY 2008-09 request. In this write-up, staff first addresses the supplemental request, before presenting the overall FY 2008-09 request and recommendation.

FY 2007-08 Supplemental - #4B

The Department submitted Supplemental #4B on February 20, 2008; however, the write-up for this request identified it as largely a placeholder, pending additional information that was subsequently provided to staff. The formal request reflected:

- An estimated Medicaid under-expenditure for Program Costs, based on FY 2007-08 *first quarter data*, of $5,692,936 ($2,767,60 net General Fund). This was the same estimate as staff presented to the Joint Budget Committee during December 2008 budget briefings.

- A proposal to allocate $1.0 million of this amount to address "hold harmless" needs in FY 2007-08. "Hold harmless" funds temporarily backfill provider revenue reductions that are associated with changes to the Medicaid rate structure required by federal CMS.

- A request to add a footnote authorizing that up to an additional $10.0 million Medicaid funds in this line item, if not used in FY 2007-08, be rolled forward to FY 2008-09 and be converted to General Fund, making up to an additional $5.0 million General Fund available for "hold harmless" in FY 2008-09.

Supplemental #4B - Formal Request*

	Total	General Fund	Cash Funds Exempt	Medicaid Cash Funds	Medicaid General Fund	Net General Fund
FY 07-08 Long Bill	348,625,078	30,747,830	317,877,248	281,791,710	140,288,917	171,036,748
FY 07-08 Projection	342,942,142	30,747,830	312,194,312	275,605,981	137,521,049	168,268,888
Under-expenditure	(5,682,936)	0	(5,682,936)	(5,682,936)	(2,767,868)	(2,767,860)
Amount held out for FY 08 "hold harmless"	1,000,000	1,000,000	0	0	0	1,000,000
Approp Reduction	(2,788,624)	0	(2,788,624)	(2,788,624)	(1,394,312)	(1,394,312)
Net Chg.	(1,788,624)	1,000,000	(2,788,624)	(2,788,624)	(1,394,312)	(394,312)

*This reflects the table in the request; the Long Bill versus projection figures do not calculate to the under-expenditure amounts.

Updated Under expenditure Projection

The Department subsequently provided revised information regarding its Medicaid expenditure projection for FY 2007-08. This projection is based on data for the first six months of the year. The projection includes the following adjustments: (1) excludes data from November and December due to particularly severe billing problems in those months; therefore, figures are based on a total of four months of data plus payments in FY 2007-08 for services provided in FY 2006-07; (2) adds back 70 percent of denied claims. The Department projects that these claims are related to billing and system errors and will ultimately be paid in FY 2007-08. The table below reflects the differences between the appropriation and the projection. Note that this reflects Medicaid amounts only and does not include non-Medicaid General Fund, client cash, or local funds amounts.

FY 2007-08 Appropriation versus Expenditure Projection Developmental Disability Program Costs				
	Appropriation	Projection	Difference*	"Net" GF difference
Adult Comprehensive Services	214,821,368	214,467,489	(353,879)	(143,456)
Adult Supported Living Services	42,347,862	39,999,973	(2,347,889)	(1,173,944)
Children's Extensive Support Services	6,817,370	6,007,974	(809,396)	(345,115)
Case Management, QA, UR (inc EI)	17,602,613	16,960,075	(642,536)	(318,669)
Special Purpose	202,498	202,498	0	0
Grand Total	281,791,710	277,638,009	(4,153,701)	(1,981,184)
Difference as percent approp.			*-1.5%*	
Portion of Projection based on 70% denied billings		6,905,619		
Denied billings as a percent of claims paid (4 months data; excludes QA/UR)		4.2%		

*The Department's figures reflected an inaccurate appropriations amount; as a result, it over-estimated the difference between the appropriation and the projection. Staff has corrected this in the table and has made other adjustments to ensure amounts shown are comparable to the appropriation.

Updated Hold Harmless Projection

The Department had previously indicated that it would provide a detailed estimate of the need for "hold harmless" funding in FY 2008-09 based on the rate structure to go into effect July 1, 2008. However, it subsequently indicated that, due to ongoing work on the rate structure, it was not comfortable making detailed information available. In therefore simply reported that the results of its initial "hold harmless" draft result as a figure between $6 and $7 million for FY 2008-09. The Department has indicated that this is an initial calculation, but it does not expect the overall scale to change substantially. The Department's preliminary analysis reportedly indicates that:

- Smaller and rural community centered boards will generally benefit from the adoption of Supports Intensity Scale and new uniform rate structure;

- Some of the large urban CCBs may face significant funding reductions as a result of the changes. Hold harmless funds will backfill these losses for one year; however, staff presumes a number of these providers may need to make long-term structural adjustments to compensate for reductions in revenue.

The Department cautions that this reflects preliminary information.

Staff Recommendation

The table below summarizes staff's calculation of total funds available related to under-expenditures, total funds available, from such under-expenditures, to address "hold harmless" needs in FY 2007-08 and FY 2008-09, and the balance of funds available after "hold harmless" needs are addressed.

JBC Staff - Projection Unexpended FY 2007-08 Funds Available and Required				
	General Fund	**Medicaid Cash Funds**	**Medicaid General Fund***	**Net General Fund**
FY 2007-08 Long Bill	30,747,830	281,791,710	140,288,917	171,036,748
FY 2007-08 Expend Projection	30,747,830	277,638,009	138,307,733	169,055,563
FY 2007-08 Under-expenditure	0	4,153,701	1,981,184	1,981,185
FY 2006-07 Roll-forward**	5,261,838	5,753,055	2,876,528	8,138,366
Total Available	5,261,838	9,906,756	4,857,712	10,119,551
Reduce Medicaid GF/increase Direct GF (net GF of $0)	4,857,712	(9,906,756)	(4,857,712)	0
Total Available	10,119,550	0	0	10,119,551
FY 2007-08 Projected Hold Harmless Need	1,666,735	0	0	1,666,735
FY 2008-09 Projected Hold Harmless Need	6,500,000	0	0	6,500,000
Budget Reduction	1,952,815	0	0	1,952,816

**Medicaid General Fund reflects the General Fund appropriation to the Department of Health Care Policy and Financing to support these programs. Fund splits include Health Care Expansion fund for a portion of the appropriation; as a result Medicaid General Fund is slightly less than 50 percent of the Medicaid total.

*FY 2006-07 Roll-forward: General Fund reflects the amount that was set aside for "hold harmless" and rolled forward from FY 2006-07 to FY 2007-08 as a result of a late FY 2006-07 supplemental included as an add-on to the FY 2007-08 Long Bill. The Medicaid cash funds amount reflects Medicaid funds rolled forward from FY 2006-07 to FY 2007-08 based on a letter-note that permitted roll-forward of up to 3.0 percent of the Medicaid appropriation.

In sum, staff recommends the Committee:

- Uses under-expended and roll-forward amounts to fully cover the projected "hold harmless" need for FY 2007-08 ($1,666,735 General Fund) and FY 2008-09 ($6,500,000 General Fund), using FY 2007-08 appropriations. As the Executive Branch is unable to provide a more precise estimate, the staff recommendation is to provide $6.5 million for "hold harmless" for FY 2008-09. For FY 2008-09's need, a footnote should authorize roll-forward to FY 2008-09. Staff believes it would be preferable to make the appropriation in FY 2008-09 (given this is when the funds are needed), if this is feasible given other budget constraints for FY 2007-08 and FY 2008-09.

- Take a one-time budget reduction in FY 2007-08 of $1,952,816 General Fund associated with amounts projected to be under-expended above and beyond the "hold harmless" need. As the Executive Branch's "formal" request reflected a reduction of $394,312, the recommended reduction is approximately $1.5 million greater than the reduction in the Executive Request.

- Add a FY 2007-08 footnote authorizing roll-forward of up to 2.0 percent of Medicaid appropriations from FY 2007-08 to FY 2008-09 related to Medicaid billing problems. Note that this is the last year staff would expect to recommend such Medicaid roll-forward authority.

- Request that the Department present a proposal no later than January 1, 2009 regarding how projected FY 2008-09 and ongoing under-expenditures should be addressed.

FY 2007-08 Budget Adjustments Recommended.
The table below reflects the budget adjustments that will be required to the FY 2007-08 Long Bill appropriation for Developmental Disability Services, Community Services, Program Costs, including the adjustments to the various sub-components of the line item. In addition to the numerical adjustments reflected in the table below, staff recommends the following two footnotes.

N1 Of the hold harmless appropriation included in this line item for FY 2007-08, $1,238,162 General Fund, if not expended prior to July 1, 2008, may be rolled forward for expenditure in FY 2008-09. In addition, $5,261,838 General Fund, that was appropriated in the Developmental Disability Services, Community Services, Adult Program Costs line item in FY 2006-07 and rolled-forward to FY 2007-08 for this purpose, shall be further rolled-forward to FY 2008-09, so that a total of up to $6,500,000 shall be available for hold harmless in FY 2008-09. The purpose of this hold harmless appropriation is to assist developmental disability consumers and providers negatively affected by the conversion to a statewide rate structure for developmental disability Medicaid waiver services.

N2 Up to 2.0 percent of the total appropriation of Medicaid funds in this Program Costs line item, if not expended prior to July 1, 2008, may be rolled forward for expenditure in FY 2008-09.

Developmental Disability Program Costs Line Item - FY 2007-08 Supplemental Recommendation						
	Total	**General Fund**	**Cash Funds Exempt**	***Medicaid***	***Medicaid General Fund***	***Net General Fund***
Adult Comprehensive Services						
FY2007-08 Long Bill	247,005,842	1,652,225	245,353,617	214,821,368	107,377,201	109,029,426
Apply Medicaid FY 2006-07 roll forward [non-add]	5,753,055	0	5,753,055	5,753,055	2,876,528	2,876,528
FY 2007-08 funds REDUCED due to FY 2006-07 roll forward	(5,753,055)	0	(5,753,055)	(5,753,055)	(2,876,528)	(2,876,528)
FY 2007-08 additional under-expenditure reduction	(353,879)	0	(353,879)	(353,879)	(143,456)	(143,456)
Subtotal - appropriation REDUCTION	**(6,106,934)**	**0**	**-6106934**	**-6106934**	**-3019984**	**(3,019,984)**
Totalline item component with adjustments	240,898,908	1,652,225	239,246,683	208,714,434	104,357,217	106,009,442
Adult Supported Living Services						
FY 2007-08 Long Bill	52,858,984	7,857,085	45,001,899	42,347,862	21,173,930	29,031,015
Appropriation REDUCTION	**(2,347,889)**	**0**	**-2347889**	**-2347889**	**-1173944**	**(1,173,944)**
Total line item component with adjustments	50,511,095	7,857,085	42,654,010	39,999,973	19,999,986	27,857,071
Early Intervention Services (no change)	11,171,495	10,934,313	237,182	(319,829)	(159,914)	10,774,398
Family Support Services (no change)	6,461,550	6,150,284	311,266	0	0	6,150,284
Children's Extensive Support Services						
FY 2007-08 Long Bill	7,188,532	3,807	7,184,725	6,817,370	2,906,832	2,910,639
Appropriation REDUCTION	**(809,396)**	**0**	**-809396**	**-809396**	**-345115**	**-345115**

Developmental Disability Program Costs Line Item - FY 2007-08 Supplemental Recommendation						
	Total	**General Fund**	**Cash Funds Exempt**	***Medicaid***	***Medicaid General Fund***	***Net General Fund***
Total line item component with adjustments	6,379,136	3,807	6,375,329	6,007,974	2,561,717	2,565,524
Case Management						
FY 2007-08 Long Bill	22,886,608	3,794,605	19,092,003	17,922,441	8,890,004	12,684,610
Appropriation REDUCTION	**-642536**	**0**	**-642536**	**-642536**	**-318669**	**-318669**
Total line item component with adjustments	22,244,071	3,794,605	18,449,466	17,279,904	8,571,335	12,365,941
Special Purpose (no change)	1,055,874	359,318	700,363	202,498	100,864	456,376
Hold Harmless [new line item component]						
Apply FY 2006-07 roll forward [non-add; offsets need]	5,261,838	5,261,838	0	0	0	5,261,838
FY 2007-08 hold harmless need	1,666,735	1,666,735	0	0	0	1,666,735
FY 2008-09 hold harmless need	6,500,000	6,500,000	0	0	0	6,500,000
Appropriation NEW LINE ITEM [some to be rolled forward]	**2,904,897**	**2,904,897**	**0**	**0**	**0**	**2,904,897**
Portion to be rolled-forward to FY 2008-09 [non-add]	*1,238,162*	*1,128,162*	*0*	*0*	*0*	*1,238,162*
Grand Total						
FY2007-08 Long Bill	348,625,078	30,747,830	317,877,248	281,791,710	140,288,917	171,036,748
Total adjustments	**(7,001,858)**	**2,904,897**	**(9,906,755)**	**(9,906,755)**	**(4,857,712)**	**(1,952,815)**
Total line item with adjustments	341,623,220	33,652,727	307,970,493	271,884,955	135,431,205	169,083,933

Essentially, the staff recommendation uses funds rolled-forward from FY 2006-07, in addition to funds projected to be under-spent in FY 2007-08 to provide funding for "hold harmless" in both FY 2007-08 and 2008-09. In addition, a net General Fund reduction of $1.95 million may be taken, based on amounts that will not be required. Note that **staff does not expect that hold harmless funding will be requested or recommended after FY 2008-09.** The one-time nature of the hold harmless funds required is consistent with the one-time nature of most of the under-expenditure that makes these dollars available. Most of the "excess" funding available in FY 2006-07 (the under-expenditure) was driven by Medicaid cash-accounting savings and delays in allocating new resources related to federal Medicaid waiver restrictions.

The "net" General Fund amounts included in the recommendation take into consideration that some of the Medicaid appropriation for the Children's Extensive Support program originates as Health Care Expansion Funds. Thus, "net" General Fund reductions do not always equal 50 percent of the total Medicaid funds reduction.

Under-expenditure and Funds Available.

Based on the Department's expenditure projection for Medicaid for this program (which includes an adjustment for denied billings) and the FY 2007-08 Long bill appropriation, staff calculates a total under-expenditure of $4.2 million, including $2.0 million "net" General Fund in FY 2007-08.

Accuracy of Department Expenditure Estimate. The Department's FY 2007-08 projection assumes that 70 percent of billings that have thus far been denied in FY 2007-08 will be paid-out in FY 2007-08. Of the Department's total FY 2007-08 projection, $6,905,620 is tied to this assumption. This represents approximately 2.5 percent of the base appropriation. A large percentage of denied billings appear to be related to technical issues, and it seems likely that most such denied claims will ultimately be paid. The question, from staff's perspective, is whether these claims will actually be paid in FY 2007-08 or whether the Department will "catch up" on billing problems in FY 2008-09, potentially creating a "bump" in FY 2008-09 expenditures. In light of this, the staff recommendation is to add a **footnote in the Department of Health Care Policy and Financing and Human Services allowing roll-forward of up to 2.0 percent of the Medicaid funds appropriation** in this line item from FY 2007-08. This is the last year staff is likely to recommend such a footnote; in the future, staff expects that this program will operate on a full cash-accounting basis like other Medicaid programs.

Long-term Under-expenditure. The FY 2007-08 projected variation from the base appropriation is far less than the FY 2006-07 discrepancy, which totaled $31.2 million, including $16.2 million "net" General Fund. The FY 2006-07 under-expenditure largely reflected (1) one-time Medicaid cash-accounting savings; and (2) delays in allocating new resources associated with CMS waiver caps. The FY 2007-08 projected variation may reflect a longer-term, structural issue in the appropriation that will lead to future under expenditures if it is not addressed. Staff believes budget adjustments that would increase the total number of clients served, with no change to dollars, would be an appropriate way to avoid future under-expenditures. However, given that this program is still in transition to a long-term billing structure, **staff recommends that any such change wait until FY 2008-09 supplementals and that the Department be placed on notice (through this presentation) that the Committee expects a related proposal no later than January 2009.**

Staff believes that the ongoing expenditure for the supported living program in FY 2007-08 reflects, in large part, the fact that community centered boards are no longer allowed to retain up to 5.0 percent of un-spent supported living services revenue. This was one of federal CMS's concerns related to how Colorado's Medicaid waiver programs were being managed. Staff believes that, in light of this, it would be reasonable to add additional resources (and no dollars) to avoid future reversions. Including case management, this could explain $2,464,942 total funds of the Under expenditure. *At a rate of $17,047 (Medicaid funds only and including case management)**, the State could add 145 new adult Supported Living Resources and no additional dollars in FY 2008-09 and avoid under-expenditures related to this.*** Staff believes this is a reasonable option; however, given ongoing changes to the Medicaid waiver programs, **the Committee may wish to wait** until the Department makes a formal proposal related to under-expenditures by January 2009.

Staff is still unable to explain the under-expenditures for the Children's Extensive Support program, given reported waiting lists for this program. Staff would expect the Department would also address this no later than January 2009; this issue could also be addressed through increasing the number of clients served, while holding appropriations steady.

FY 2008-09 Program Costs Appropriation

Overview of Request and Recommendation

The Department's request is for $371,045,432 including $181,602,281 net General Fund. This amount includes:

- $8.3 million ($3.7 million"net" General Fund) for Decision Item #4 to expand the caseload for adult comprehensive and supported living services;
- $6.6 million ($3.1 million"net" General Fund) for <u>late</u> Stand-alone Budget Amendment (SBA) #4A to further expand the adult comprehensive and supported living services caseload and to increase Family Support Services.
- $3.7 million ($1.7 million "net" General Fund) to annualize the FY 2007-08 decision item that expanded the caseload;
- $4.7 million ($2.5 million "net" General Fund) for a 1.35 percent community provider cost of living increase;
- Annualization of the FY 2007-08 leap year adjustment (reduction of $823,000 including $379,000 "net" General Fund).

The staff recommendation is for $364,378,655 including $178,575,030 "net" General Fund, pending a Committee decision on SBA #4A. The details of the request and the staff recommendation are reflected in the table on the following page. Detailed supporting spreadsheets, reflecting the components of the recommendation by fund source, are attached to the back of this figure setting packet.

In sum:

- Staff recommends the requested total and "net" General Fund increase for Decision Item #4 (with minor adjustments); however, this results in a greater increase in the number of individuals to be served than is reflected in the request due to different assumptions about the cost per person served.
- Staff recommends that the Committee make no decision regarding SBA #4A at this time. Based on total funds available after the Committee has set figures for all departments and the Committee's willingness to commit to required annualization of these costs in FY 2009-10, it can determine how much additional may be available to direct to the developmental disability services waiting list.
- The staff recommendation includes a greater increase for the community provider cost of living increase than requested, based on the Committee's common policy decision to provide a 1.5 percent increase on the base.
- The staff recommendation differs from the request in the allocation of funding among line item sub-components because the Department did not accurately spread certain costs (such the the provider rate and case management costs) among sub-components. Thus, the request appears to reflect a large increase for early intervention services and little for Children's Extensive Support Services. The Department has indicated that the irregular distribution of increases requested is not reflective of how it proposes to spend appropriations.
- The staff recommendation reclassifies funds from the previous "cash funds exempt" category into cash funds and the new "reappropriated funds" category.

FY 2008-09 Request and Recommendation Overview

Program Costs - Funds Build-up FY 2008-09	Request Total	Request Net General Fund*	Recommendation Total	Recommendation Net General Fund*
FY 2007-08 Long Bill	$348,625,078	$171,039,747	$348,625,078	$171,039,747
FY 2007-08 Supplemental #4B	(1,788,624)	(394,312)	(7,001,858)	(1,952,815)
FY 2007-08 Request/Rec	$346,836,454	$170,645,435	$341,623,220	$169,086,932
Reclassify Cash Funds Exempt	0	0	0	0
Annualize Supplemental #4B	1,788,624	394,312	7,001,858	1,952,815
Annualize leap year	(822,865)	(379,128)	(822,865)	(379,128)
Annualize FY 2007-08 new caseload	3,635,533	1,660,644	3,635,533	1,660,344
Decision Item #4 - new caseload	8,265,672	3,670,651	8,076,580	3,672,298
Budget Amendment #4A - caseload	6,635,575	3,112,490	pending	pending
Community Provider Rates	4,706,439	2,501,177	4,864,329	2,584,770
Total	$371,045,432	$181,605,581	$364,378,655	$178,578,031
Change from FY 2007-08 Long Bill	22,420,354	10,565,834	15,753,577	7,538,284
Percent Change	6.4%	6.2%	4.5%	4.4%
Change from FY 2007-08 Request/Rec	24,208,978	10,960,146	22,755,435	9,491,099
Percent Change	7.0%	6.4%	6.7%	5.6%

*"Net" General Fund includes General Fund appropriated in the Department of Health Care Policy and Financing and transferred to the Department of Human Services.

Program Costs - Comparison by Program Category FY 2008-09	Request Clients/ "resources"	Request Total	Recommendation* Clients/ "resources"	Recommendation* Total
Adult Comprehensive	4,046.5	$261,899,267	4,008.5	$260,418,846
Adult Supported Living	3,710.0	57,710,396	3,610.0	54,062,208
Early Intervention Services	2,176.0	13,538,065	2,176.0	11,663,694
Family Support Services	1,226.0	6,770,497	1,176.0	6,558,473
Children's Extensive Support Services	395.0	7,184,725	395.0	7,288,632
Case Management and Quality Assure.	11,553.5	22,886,608	11,366.0	23,322,460
Special Purpose		1,055,874		1,064,342
Hold harmless**				
Total Clients***	11,553.5	371,045,432	11,366.0	364,378,655

*Recommendation excludes "pending" component

**Hold harmless funds for FY 2008-09 are recommended for appropriation in FY 2007-08 and rolled-forward.

***Total clients excludes the "double count" for case management/quality assurance; all consumers are allocated both service funds and case management/quality assurance funds

Note that Program Costs is a single line item. It is broken into sub-components in the Long Bill for informational purposes only. Therefore, the Department has flexibility to move both total funds amounts and fund sources among the sub-components.

Reclassify Cash Funds Exempt

Starting with the FY 2008-09 appropriation, some amounts classified as "cash funds exempt" will be classified as "cash funds" and others as "reappropriated funds". Amounts that will now be classified as cash funds include "client cash" (room and board from consumer SSI funding) and local funds from donations and local government. Amounts that will be classified as "reappropriated funds" include Medicaid funds and vocational rehabilitation funds. **A total of $35,594,224 previously classified as cash funds exempt will move into the cash funds category**. There were previously no cash funds appropriations in this line item.

Pursuant to H.B. 08-1220, local funds are anticipated to be removed from the appropriation either prior to passage of the Long Bill or through FY 2008-09 supplemental action. The only remaining cash fund source, assuming this bill is enacted, will be client cash ($26.5 million in FY 2007-08). The attached appendix provides a more detailed break-down of the recommendation and reflects all funding sources.

FY 2007-08 Supplementals - Annualized in FY 2008-09

The staff recommendation annualizes (reverses) the recommendation discussed above for late supplemental #4B. Both the supplemental #4B request and recommendation anticipate that the FY 2007-08 action is one-time only.

Annualize Leap Year

Both the request and recommendation include a reduction of $822,865 ($379,128 "net" General Fund that was provided for the FY 2007-08 leap year.

Annualize FY 2007-08 Caseload Increase

FY 2007-08 Decision Item #3 added 88.0 full time consumers ("resources") to the caseload for the comprehensive waiver program and 24.0 full time consumers to the caseload for the supported living program. All were added for an average of 6 months in FY 2007-08. Therefore, the total appropriation is annualized to a full year (*doubled)* in FY 2008-09. This results in an increase of $3,535,533 ($1,660,644 "net" General fund) in FY 2008-09. It increases the comprehensive waiver program caseload by 44.0 (half of 88.0) and the supported living caseload by 12.0 (half of 24.0).

The November 1 request included an error (annualization of case management funding for early intervention services) that was subsequently corrected through budget replacement pages. This change is reflected in the staff numbers pages; however, OSPB does not consider such corrections part of the "official" request.

Decision Item #4 - New Caseload

Consistent with past practice, the Department submitted a request for new developmental disability caseload for FY 2008-09 as part of the November 1 budget submission. It subsequently submitted an additional request for caseload on February 20, which is discussed further below. The components of the request and recommendation are summarized on the table below, followed by a detailed description of the various components. Note that the caseload request is based on funding required to provide services and supports to one person for one year. As reflected in the table, the overwhelming majority of the request this year--as in all recent years--is associated with comprehensive residential resources for adults (additional caseload for 151 adults for one-half year (reflected as 75.5 clients in FY 2008-09). The request also reflects adding funding for supported living services for 28 adults for one-half year (reflected as 14.0 clients in FY 2008-09). **All costs associated with this decision item double in FY 2009-10, when full-year funding is required.**

Decision Item #4 - New Caseload										
	Request					Recommendation				
	FY 2008-09 (part year)			Full year FY 09-010		FY 2008-09 (part year)			Full year FY 09-10	
	Clients	Total	Net GF	Total	Net GF	Clients	Total	Net GF	Total	Net GF
Comprehensive Resources										
Foster care transition	45.0	2,576,237	1,147,557	5,152,474	2,295,114	45.0	2,048,265	936,186	4,096,530	1,872,372
Emergency	62.0	3,174,962	1,403,182	6,349,924	2,806,364	62.0	2,531,842	1,145,958	5,063,684	2,291,916
Waiting List	44.0	2,254,927	996,627	4,509,854	1,993,254	78.0	3,239,850	1,468,258	6,479,700	2,936,516
Adult Comprehensive	**151.0**	**8,006,126**	**3,547,366**	**16,012,252**	**7,094,732**	**185.0**	**7,819,957**	**3,550,402**	**15,639,914**	**7,100,804**
Supported Living	**28.0**	**259,546**	**123,285**	**519,092**	**246,570**	**28.0**	**256,623**	**121,896**	**513,246**	**243,792**
Total	179.0	8,265,672	3,670,651	16,531,344	7,341,302	213.0	8,076,580	3,672,298	16,153,160	7,344,596
Clients for 6 months	89.5					106.5				
Case management portion		*221,072*	*105,009*	*442,144*	*210,018*		*272,017*	*129,190*	*544,034*	*258,380*

DI #4: Foster Care Transition Resources Component

Foster care transition services are provided to individuals with developmental disabilities who have been served by Child Welfare social services, but who become ineligible for such services because they turn 21 years of age. Most of these individuals have been in out-of-home placements for several years. For a variety of reasons, typically abuse and neglect issues, or the inability of the natural family to provide for the complex needs of the child, returning to the natural family home is not a viable option or these young adults. In addition, due to their developmental disability and ongoing need for supervision and care, these individuals cannot be emancipated at age 21. These individuals "transition" into the Developmental Disabilities Community Programs system at that time. Foster care transition services include comprehensive residential, day program, case management, administration, and transportation. Preferably at least 12 to 18 months in advance, county departments of social services begin working with their local Community Centered Boards to complete the eligibility determination process and plan for services. Youths who will age out of child welfare services are identified through a cross check of Child Welfare's data and waiting list information maintained by Community Centered Boards. Historically, the Department's first priority for allocation of new resources has been in this category, and 35 to 60 new resources have been used for foster care transition each year over the last five years

The Department's initial request reflected a total of 45youths who had been identified to age out of child welfare services during FY 2008-09. These individuals will transition into community adult services at different points of time during the year; therefore, the Department is requesting funding for an average of 6 months in FY 2008-09. The amounts would double in FY 2008-09.

The request attempted to use the new interim rates to estimate the costs for the individuals requested. However, the Department's assumptions about utilization of each service category appeared to result in an unreasonably high rate structure. The Department originally indicated that it would be providing spreadsheets based on its new rate structure in time for figure setting; however, rates are still being finalized**. As a result, staff reverted to the approach used in FY 2007-08 and prior years and assumed that a "Tier 7" individual would have rates similar to the previous "rate enhanced" individual**. Staff inflated the FY 2007-08 rates by the 1.5 percent community provider rate increase for FY 2008-09. The table below compares the staff calculation with the Department's average request per person to be served. As shown, even the staff calculation reflects an exceptionally high cost per person, related to the apparent severity of the individuals who need services ($91,034 per year). However, this is still lower than the Department average of $114,499 per year.

Foster Care Transition			
	Recommendation		
	Cost per consumer (full year)	Number Consumers	Total Cost (full year)
Tier 7/Rate Enhanced	$129,987	1.0	$129,987
Tier 6/ High Need	106,929	19.0	2,031,651
Tier 5/ Mid range	90,968	11.0	1,000,648
Tier 4/ Enhanced	75,178	6.0	451,068
Tier 3/ Specialized	64,427	6.0	386,562
Tier 2/ Moderate	48,312	2.0	96,624
Total (inc. COLA)	**$91,034**	45.0	**$4,096,540**
Net General Fund	41,608		$1,872,372
FY 2008-09 (6 mos)		22.5	$2,048,265
FY 2008-09 NGF			$936,186
	Request		
	Cost per Resource	Number Consumers	Total Cost (full year)
All consumers - tiers as above	**$114,499**	**45.0**	**$5,152,474**
Net General Fund	51,003		2,295,114
FY 2008-09 (6 mos)		22.5	$2,576,237
FY 2008-09 NGF			$1,147,557

As reflected in the table, **staff recommends the same number of consumer as the Department requested**. Children with developmental disabilities exiting the foster care system are, appropriately, the Department's first priority for funding new resources. The Department has indicated that its current count for FY 2008-09 is 45.0 children in this situation.

DI #4: Emergency Comprehensive Residential Services Component

Emergency resources provide a safety net in the event a person's living situation changes suddenly and placements within existing CCB resources are not available. Emergency resources are required when an individual becomes a danger to himself or others, is in an abusive or neglectful situation, or is at risk of homelessness and no comprehensive resource is otherwise available within the needed time frame. Some individuals requiring emergency placement have never been previously identified in the developmental disabilities data system and therefore are not on the waiting list. Others are on the wait list but are suddenly faced with a crisis situation due to the inability of a care giver to provide the supervision and support necessary. At any time, these caregivers may be unable to continue to provide supervision and support to their children. The request for ½ year of funding reflects the estimated time-distribution of emergencies during the course of the year.

The Department has estimated in the past that about 111 comprehensive placements turn over each year. This remains the primary source of emergency placements. Emergencies that are addressed by the Department are those that community centered boards cannot address internally. **Actual new resources allocated to the emergency category has ranged from 0 to 30 in the last five years. For FY 2008-09, the Department requested a much higher figure–62. The request indicates that the Division received 61 requests for emergency funding in FY 2006-07.**

Emergency Residential Services			
	Recommendation		
	Cost per consumer (full year)	Number Consumers	Total Cost (full year)
Tier 7/Rate Enhanced	$129,987	0.0	$0
Tier 6/ High Need	106,929	3.0	320,787
Tier 5/ Mid range	90,968	29.0	2,638,072
Tier 4/ Enhanced	75,178	16.0	1,202,848
Tier 3/ Specialized	64,427	14.0	901,978
Tier 2/ Moderate	48,312	0.0	0
Total (inc. COLA)	**$81,672**	62.0	**$5,063,685**
Net General Fund	36,966		$2,291,917
FY 2008-09 (6 mos)		31.0	$2,531,842
FY 2008-09 NGF			$1,145,958
	Request		
	Cost per Resource	Number Consumers	Total Cost (full year)
All consumers - tiers as above	**$102,418**	**62.0**	**$6,349,924**
Net General Fund	45,264		2,806,364

Emergency Residential Services		
FY 2008-09 (6 mos)	31.0	$3,174,962
FY 2008-09 NGF		$1,403,182

As reflected in the table, **staff also recommends this portion of the Department's request <u>with respect to the number of consumers to be served</u>.** However, as for the foster care population, the calculations included in the request inflated the amounts per person to a degree that seemed unreasonable. **Staff reverted to the approach used for FY 2007-08 figure setting but applied an FY 2008-09 1.5 percent provider rate increase**. The resulting **average annual rate ($81,672 including $36,966 "net" General Fund)** is similar, but somewhat lower than the average rate approved in past years for emergency resources. In any event, under the new rate structure, funding will be allocated based on consumer needs as identified through the Supports Intensity Scale instrument. Thus, the rates and severity levels shown reflect a "guesstimate" of amounts required to serve individuals who present on an emergency basis. Such individuals often have greater needs than average, so it is reasonable to project a rate that is higher than the average. **To the extent the Department does not need these resources for "emergency" placement, these resources should be targeted to the population that is at greatest risk for out of home placement**, consistent with the recommendation below. Overall, staff feels the number of individuals waiting for services in this system is so great, that the total resources requested by the Department is appropriate.

DI #4: Waiting List Comprehensive Services Component

Persons on the waiting list are adults who primarily live in the home of parents, siblings, or other relatives and have been waiting for Comprehensive services for an extended period of time. Individuals are placed on the waiting list if they apply for services, are deemed eligible, and no resource is available. All community centered board catchment areas, save one, have waiting lists, and in most areas individuals wait years on waiting lists before a resource is available. To the extent an individual is ultimately served from the waiting list, it is usually due to the annual turnover experienced in each catchment area. Funding has rarely been available in recent years to make any new waiting list resources available. However, beginning the last quarter of FY 2005-06, the Committee made available an additional 90 comprehensive resources targeted to the "high risk" population. Due to CMS waiver cap issues, many of these were instead allocated as emergency resources.

Waiting List Residential Services (Recommended as "High Risk")			
	Recommendation		
	Cost per consumer (full year)	Number Consumers	Total Cost (full year)
Tier 7/Rate Enhanced	$129,987	0.0	$0

Waiting List Residential Services (Recommended as "High Risk")			
Tier 6/ High Need	106,929	0.0	0
Tier 5/ Mid range	90,968	39.0	3,547,758
Tier 4/ Enhanced	75,178	39.0	2,931,942
Tier 3/ Specialized	64,427	0.0	0
Tier 2/ Moderate	48,312	0.0	0
Total (inc. COLA)	**$83,073**	**78.0**	**$6,479,700**
Net General Fund	37,648		$2,936,516
FY 2008-09 (6 mos)		39.0	$3,239,850
FY 2008-09 NGF			$1,468,258
		Request	
	Cost per Resource	Number Consumers	Total Cost (full year)
All consumers - tiers 3 to 5	**$102,497**	**44.0**	**$4,509,854**
Net General Fund	45,301		1,993,254
FY 2008-09 (6 mos)		22.0	$2,254,927
FY 2008-09 NGF			$996,627

As reflected in the table, the Department requested funding for 44.0 "waiting list" individuals at an average cost of $102,497 ($45,301 "net" General Fund) per person. As discussed above, staff believes that the costs per person included in this budget request were unreasonable. The staff recommendation reflects providing funding for substantially MORE people –78.0, rather than 44.0. **The staff recommendation related to the developmental disability waiting list is designed to target, overall, the "net" General Fund included in the Executive Request. As staff projects a much lower cost per person than the Executive request in all caseload categories, the staff recommendation anticipates that 34.0 more people may be served for the same "net" General Fund**. All these 34.0 are reflected in the "waiting list" category.

The staff recommendation reflects targeting these resources to the "high risk" population, *i.e.*, those individuals age 40 or over who are living with aging caregivers and those with severe physical or behavioral issues making them at particular risk of requiring out of home placement. At present, the waiting list for developmental disability services is so large as to appear almost insurmountable in the context of the State's limited budget. In light of this, staff believes it is appropriate for the General Assembly to attempt to target what limited funds are available to those with the most severe needs. **The average cost per person recommended by staff–while lower than the Executive request–reflects the higher average severity of this population overall.**

According to the Department's January 2008 response to Long Bill footnote 79, there are 1,123 adults waiting for comprehensive services for the current budget request period (through June 2009). Of the, 354 are considered to be high risk". **The staff recommendation would add a total of 140.0 new emergency and high risk waiting list resources (excluding foster care transition). Even if some of those seeking emergency placement are not currently reflected on waiting lists, this would make a substantial dent in 354 on the "high risk" waiting list**.

This footnote report projects that if the 2012 projected waiting list needs are to be met over five years, 388 individuals per year would need to be added to the comprehensive program, including 112 for individuals considered to be high risk. (This figure excludes the foster care transition population and assumes some funding will be available for emergency placements for those not currently on waiting lists.)

General Notes on Comprehensive Resource Calculations for Decision Item #4:

Staff calculations are based on the "historic" calculation approach for developmental disability resources. Based on the changes imposed by federal authorities and a rate structure currently under development, the rate structure used will be different. It is, however, staff's expectation that new consumers added based on this decision item will be approximately consistent in terms of needs and anticipated annual costs with the categories approved through this decision item using the "old" rate structure, inflated by 1.5 percent for the provider rate increase. With respect to total funding:

- Client cash contribution is based on $6,826 per person per year (the annual SSI payment, including the Supplemental #6 adjustment, less the client cash allowance)

- Local cash contribution is based on 5 percent of the <u>non-residential</u> component of the service costs (day program, transportation, case management, administration). The local cash contribution is expected to be eliminated pursuant to H.B. 08-1220; however staff will continue to reflect these amounts in the budget until this bill is enacted.

- Medicaid covers the balance of costs.

DI #4: New Supported Living Resources Component

The Department's request is for 28 new supported living resources for an average of six months. The Department has identified these as being targeted at youth transitioning from the Children's Extensive Support (CES) program. It notes that, in addition to the waiting list for comprehensive services, the state has an extensive waiting list for supported living resources. These services are designed to provide supports to adults who either live independently or to provide supplementary support and resources to adults so that they can continue to live with a primary care giver (usually a family member) who provides 24-hour supervision and support. The level of support provided depends upon the individual's need and may include services ranging from personal care to home modification. The Department's request to fund 28 youth who age out of the CES program in FY 2008-09 is similar to the figure requested in past years.

Staff recommends the request with minor adjustments**.** The staff recommendation is reflected in the table below. The staff recommendation differs from the Department request because staff relied on spreadsheets from FY 2007-08, inflated by 1.5 percent, to calculate the amount per person. The request reflected a cost of $18,464 per person.

Supported Living Services Recommendation			
	Cost per Resource	Number Consumers	Total Cost (full year)
Total SLS Resources	**$18,330**	**28.0**	**$513,240**
Net GF	$8,707		$243,792
FY 2008-09 (6 mos)		14.0	$256,620
FY 2008-09 Net GF			$121,896

Staff supports the request for the following reasons:

- Supported living resources cost, on average, 30 percent of the cost of a comprehensive resource.

- Department surveys indicate that individuals are less likely to pursue comprehensive services if they receive supported living services. In its 2004 survey, the Department has found that 16 percent of those receiving SLS refuse comprehensive services when they are offered it, compared with 3 percent for those that are not receiving SLS. This suggests that SLS resources are a cost effective use of State resources, to the extent that they delay the demand for comprehensive resources.

- There is a risk that individuals seek and receive SLS services who would receive home-based support from their families even in the absence of any State assistance. State support to assist families in taking care of adult children with disabilities is appropriate, given the tremendous sacrifices families make to support their adult children with developmental disabilities and the lack of any legal obligation that they do so. However, in light of the current severe limits on State resources, the State may wish to avoid supplanting existing family financial and practical support with State resources. This is particularly true where the demands placed on the family are less severe, i.e., where the level of disability is such that the individual does not require constant supervision and family members are able to pursue normal work activities.

- By targeting resources to families transitioning from the Children's Extensive Support program, the Department ensures that only families with the highest level of need and children with the highest level of demand for services will be targeted among the over 2,100 people on the SLS waiting list. Children are only eligible for the Children's Extensive Support program if they require constant, high levels of supervision. It is likely that many of these families would accept comprehensive resources if offered, in light of the tremendous demands of their children; however, provision of SLS reduces the stress on the family and the risk that an emergency comprehensive placement will be required.

Budget Amendment 4A - Additional Caseload Increase

On February 20, 2008, the Executive Branch submitted an additional request to increase the caseload for developmental disability services. **The request is for $6,635,575 ($3,112,490 "net" General Fund). This would annualize (more than double) in FY 2009-10 to $13.9 million ($6.5 million "net" General Fund) in FY 2009-10.**

	Budget Amendment #4A Caseload Request				
	FY 2008-09 (part year)			Full year FY 09-010	
	Clients	Total	Net GF	Total	Net GF
Comprehensive Residential					
Waiting List	110.0	$4,375,154	$1,892,040	$9,404,942	$4,091,945
Adult Supported Living	200.0	1,951,474	926,950	3,902,948	1,853,900
Family Support Svces	100.0	308,947	293,500	617,894	587,000
	410.0	$6,635,575	$3,112,490	$13,925,784	$6,532,845
Clients at 6 mos. (N * 0.5)	205.0				

The request includes the following components:

- Comprehensive residential services for 110 adults on the waiting list for an average of six months in FY 2008-09.
- Supported living services for 200 adults for an average of six months in FY 2008-09.
- Services for 100 families through the Family Support Services Program for an average of six months in FY 2008-09.

General Observations, Issues and Concerns

Staff is supportive of the request to reduce waiting lists for developmental disability services. However, given that this request was not submitted until February 20, 2008 and is in addition to a November 1 caseload increase request that was relatively large compared to past years, **staff believes the Joint Budget Committee could wait to make a final decision on this request until after it has completed figure setting for all departments** and determined whether there are adequate funds available.

When the Committee is ready to address this decision item, staff recommends it take the following issues into consideration:

- **All amounts funded in FY 2008-09 will DOUBLE in FY 2009-10.** This is also true for Decision Item #4. The Committee should keep this in mind as it makes decisions about developmental disability funding.

- **Staff believes the Committee should consider targeting all or some of these additional funds, if available, to "high risk" individuals**. An estimated 101.0 "high risk" individuals could be served using the total dollars in the request for the comprehensive program. **Supported living resources could also be targeted to the "high risk" population**. As suggested by the Department's Footnote 79 response, targeting "high risk" individuals may be a more attainable goal than serving the entire waiting list. The staff recommendation for Decision Item #4 reflects adding residential services for 140.0 emergency and "high risk" individuals. If the dollars reflected in this request were also used to add services for another 101.0 "high risk" individuals, the State would make very significant inroads on the current "high risk" residential waiting list of 354.0. Similarly, adding 200.0 supported living resources for the 565 "high risk" persons on the supported living waiting list may have more impact than adding funds for the general supported living services waiting list, which includes 1,931 persons. Note that staff would expect the "high risk" supported living population to be more expensive than the "average" population; however, staff has no information available on the incremental difference.

- **Staff is uncertain that all of the additional funds requested for this year for adult placements can be absorbed by the developmental disability system during FY 2008-09**. The Executive Branch indicates that community centered boards are committed to doing this and have assured the Executive Branch that they have the capacity; however, based on prior surveys on the capacity of the system and discussions with key actors, it is not clear to staff that the placements requested could be brought on line promptly enough to spend all the requested funds in the first year–particularly if the new placements were made available throughout the State and were not solely focused on those areas that already have the institutional capacity in place to absorb additional placements. **One option might be to allocate a portion of the funds in the first year as General Fund to assist communities**

with development of the new placements. Footnote 79 projects a need for start up of $2,000 per comprehensive and $1,000 per supported living services placement to address the waiting list.

- **If the Committee wishes to fund the "average" individual on the comprehensive residential waiting list, it could add dollars at a lower rate per person than is reflected in the request**. Staff estimates that, if it wished to fund the same number of persons as are included in the request (110.0) for individuals on the "regular" waiting list, it could do so for $1,637,456 "net" General Fund for six months. Alternatively, it could serve 127.0 individuals for the total dollars included in the request. In general, staff calculates somewhat different amounts per person than the amounts included in the request. Both the request and recommendation reflect estimates, as services for individuals on the waiver programs will be based on identified needs.

Budget Amendment #4A - Adult Comprehensive Residential Services Component

The request per person for adult comprehensive resources still appears to be excessively high if the goal is to target the "regular" waiting list, as opposed to the "high needs" waiting list". **The table below reflects the amounts staff would recommend that the Committee include in the budget per person for any individuals added for the "regular" waiting list and for the "high needs" waiting list** (the high needs amount is consistent with the staff recommendation for Decision Item #4). **The FY 2008-09 amount would be 50 percent of the total per person, reflecting six months of service on average in FY 2008-09.** The full amount would be required for FY 2009-10. If the Committee wished to target the "net General Fund" amount in the request for FY 2008-09, it could approve funding for 127.0 persons off of the "regular" waiting list OR 101.0 persons off of the "high needs" waiting list (or some combination) for six months. *The request reflected full year costs that were more than double the FY 2008-09 amounts requested, raising questions about the Department's assumptions as to the cost per person to be served by this request.*

Budget Amendment #4A - Comprehensive Residential Services Request

	Request			Recommendation		
	Cost per Person	Number Consumers	Total Cost (full year)	Cost per Person	Number Consumers	Total Cost (full year)
"Regular" Wait list*	**$85,499**	**110.0**	**$9,404,942**	**$67,115**	**PENDING**	
"Net" General Fund	$37,200		$4,091,945	$29,772		
FY 2008-09 (6 mos)			$4,375,154			
FY 08-09 Net GF (6 mos)			$1,892,040			
"High Needs" Wait List				**$83,073**	**PENDING**	
"Net" General Fund				$37,648		

Budget Amendment #4A - Comprehensive Residential Services Request						
	Request			Recommendation		
	Cost per Person	Number Consumers	Total Cost (full year)	Cost per Person	Number Consumers	Total Cost (full year)
FY 2008-09 (6 mos)						
FY 2008-09 Net GF						

Budget Amendment #4A - Adult Supported Living Services Component

The request and recommended cost per person for any additional individuals served is reflected below. As shown, staff recommends a "net" General Fund per person total that is similar to the request; however, staff would reflect a lower amount in the developmental disability budget and would add a small amount to the Medicaid premiums budget. For individuals who will be served off of the waiting list (as opposed to those transitioning from the Children's Extensive Support program), staff believes some additional adjustments must be made to the HCPF premiums budget. An estimated 30 percent of persons who enter the supported living program become eligible for the Medicaid program as a result of their enrollment in the SLS waiver program. The calculation is: $12,384 average Medicaid premiums cost for SLS consumer x 30.0 percent of total anticipated to be new to Medicaid x number of persons added to SLS program.

Budget Amendment #4A - Supported Living Services Request						
	Request			Recommendation		
	Cost per Person	Number Consumers	Total Cost (full year)	Cost per Person	Number Consumers	Total Cost (full year)
Adult SLS Placement	**$18,464**	**200.0**	**$3,692,800**	**$18,330**	**PENDING**	
"Net" General Fund	$9,232		$1,846,400	**$8,707**		
FY 2008-09 (6 mos)			$1,846,400			
FY 08-09 Net GF (6 mos)			$923,200			
Additional in HCPF				3,715		
"Net" General Fund				1,858		

There has been relatively little expansion of supported living services in recent years, apart from funding for those transitioning from the Children's Extensive Support program. Supported living services are a cost-effective way of meeting demands for services and delay placement in comprehensive services.

As for the comprehensive waiting list, **staff would recommend that the Committee consider targeting any additional supported living services funds to "high risk" individuals**. According to the Department's footnote report on the waiting list, 1,981 adults are currently waiting for the supported living services program. Of these, 565 are considered to be "high risk". Targeting the 200 new resources could make a significant impact on this "high risk" subsection of the waiting list**. It is not presently clear to staff whether such targeted resources would be more costly than the average.**

Family Support Services

The Family Support Services Program includes funding intended to assist families with costs and services beyond those normally needed by families who do not have a child with a developmental disability. This is a General Fund program (non-Medicaid), and services available are flexible. Current family support services funds are "stretched" to serve 3,000 to 4,000 families, although funding is only officially provided for 1,176 families. Thus, funding additional families likely will result primarily in an increase in the amount received by the families that already benefit from the program.

Budget Amendment #4A - Family Support Services Request						
	Request			Recommendation		
	Cost per Person	Number Consumers	Total Cost (full year)	Cost per Person*	Number Consumers	Total Cost (full year)
Family Support Services	**$6,179**	**100.0**	**$617,900**	**$6,275**	**PENDING**	
"Net" General Fund	$5,870		$587,000	$5,961		
FY 2008-09 (6 mos)			$308,950			
FY 08-09 Net GF (6 mos)			$293,500			

Community Provider Cost of Living Adjustment

Pursuant to Committee common policy, staff applied a 1.5 percent community provider cost of living adjustment to the base funding in this line item for FY 2008-09. Consistent with recent practice, staff did not apply this increase to all fund sources in this line item. Specifically, staff did not apply the increase to (1) funds identified as transferred to the Division of Vocational Rehabilitation, as this is essentially an informational component of this line item; and (2) Funds identified as client cash. There is no source of revenue for increases associated with client cash apart from increases awarded by the federal government for the SSI program. No FY 2008-09 increase associated with the SSI program is anticipated to be available to offset state costs. This is because the 2008 increase awarded by the federal government is being used by the Department, as it was in 2007, to increase the personal needs allowance of SSI recipients above the 2007 level of $55 per month. The table below reflects the staff calculation.

1.5 Percent Cost of Living Base Increase				
	FY 2007-08 Approp.	Annualize DIs & Sups, RF adjustment	FY 2008-09 Adjusted Base	1.5 % Increase
Total	$341,623,220	$9,814,526	$387,256,051	$4,864,330
General Fund	33,652,727	(2,931,054)	30,721,673	460,825
Cash Funds	0	35,818,305	35,818,305	137,408
CFE/RF	307,970,493	(23,072,725)	320,716,073	4,266,097
Fund sources:				
Medicaid RF	271,884,955	12,521,499	284,406,454	4,266,097
Client Cash CF	26,463,895	193,880	26,657,775	0
Local Cash CF	9,130,329	30,201	9,160,530	137,408
Voc. Rehab RF	491,314	0	491,314	0
Net General Fund	*169,083,932*	*3,234,031*	*172,317,963*	*2,584,770*

In addition to the base adjustment above, staff included the 1.5 percent community provider cost of living adjustment in the calculations for the caseload decision items.

Post-Eligibility Treatment of Income

Federal regulations allow a State's Medicaid State Plan to include a special (higher) income limitation for the aged, blind, and disabled population if such persons are enrolled in a home and community based waiver, and their other income does not exceed 300% of the SSI standard maintenance allowance. The federal regulations require an individual who qualifies for Medicaid under the special income to pay for a portion of the cost of care. This assessment is known as Post Eligibility Treatment of Income (PETI.) Consumers are essentially allowed to retain $55 per month for personal care items. A portion of the balance is used to cover the client's room and board. Amounts beyond this are to be turned over to the provider to offset all other client care expenses.

In FY 1999 the Joint Budget Committee permanently reduced the Medicaid appropriation for Community Programs for Developmental Disabilities Services by $1,655,000 to account for these PETI assessments. The General Fund portion (approximately $827,500) was then returned to the General Fund to be used elsewhere. The Department expected the numbers of people to be assessed and the amount of the PETI assessments to decrease in FY 2001-02; however the amount of the assessments actually grew. As a result, the Department included as part of the budget reduction plan for FY 2002-03 an additional on-going decrease in the appropriation of $400,000 (MCF) and $200,000 (NGF). Further reductions of $300,000 were taken in FY 2004-05 and $80,000 in FY 2006-07 (which was used to fund new SLS resources). **Thus, the current appropriation is built on**

PETI of $2,432,000. The staff recommendation is that the current letter note reflecting $2,432,000 for PETI assessments continue to be reflected in the letter note for Program Costs. If actual PETI assessments change substantially in the future, staff will recommend appropriate budget adjustments.

(C) Other Community Programs

Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C).

In addition to the federal grants available under Part B of the federal *Individuals with Disabilities Education Act (IDEA*), grants are available under Part C of *IDEA* to assist states in providing special education and related services to children with disabilities ages zero to three, and their families. Part C funds may be used to implement, maintain, and strengthen the statewide system of early intervention services for infants and toddlers with disabilities and their families. In addition, such funds may be used for direct early intervention services for infants and toddlers with disabilities and their families *that are not otherwise funded through other public and private sources*. Thus, Part C is the payer of last resort, and all other funding options must be explored before accessing available Part C funds for the provision of direct services. Federal Part C funds may not be commingled with state funds, and may not be used to supplant state and local funds expended for infants and toddlers with disabilities and their families. As school districts are not required to provide educational services to children under age three, Part C funds are not directly allocated to school districts.

On December 30, 2005, the Governor signed Executive Order D 017 05 that switched the lead agency for Part C from the Department of Education to the Department of Human Services, Division for Developmental Disabilities. Pursuant to the federal Part C legislation, the Governor of each state is authorized to identify the Part C lead agency. As a result of the Executive Order, the Part C program began to appear in the Department of Human Services' section of the Long Bill for FY 2006-07. Senate Bill 07-255 (a JBC bill) clarified the relative responsibilities for "child find" for children under the age of three between the two departments, leaving the Department of Education with many of the responsibilities for identifying and assessing young children's needs, while the Department of Human Services is responsible for ensuring infants ad toddlers receive appropriate services, using the various funding sources at its disposal including General Fund, federal Part C funds, and, pursuant to S.B. 07-4, private insurance funds.

The actual expenditure of Part C funds is approved by the Colorado Interagency Coordinating Council. For FY 2007-08, Part C funds were budgeted as follows:

Expenditure of Part C Funds	FY 2007-08
State Program Administration (State staff and operating costs)	$597,574
Statewide Systems Coordination (various grants and outreach activities)	1,058,050

Expenditure of Part C Funds	FY 2007-08
Local Community Service Coordination (funding to CCBs)	2,655,000
Direct Services (funding through CCBs)	2,532,374
Total	$6,842,998

The largest single category of direct service is generally "developmental intervention". Speech-language pathology, occupational, and physical therapy are also significant components of direct service costs.

The Department request was for $6,908,617 and 6.5 FTE, reflecting a continuation base plus OSPB common policy personal services increases. **The staff recommendation is to reflect $6,832,510 and 6.5 FTE, based on the federal projection for the State's FY 2008-09 Part C grant.** Note that the federal government has been reducing this grant in recent years.

Federally-matched Local Program Costs

This line item provides spending authority to enable locally generated funds for developmental disability services to draw down a federal Medicaid match. Federal regulations allow the use of public funds as the State's share in claiming federal financial participation if they meet certain conditions. One of these allowable conditions is when the contributing public agency certifies these funds as representing expenditures eligible for federal financial participation. The Community Centered Boards in Colorado receive public funds through mill levies and other distributions from cities and counties for the provision of services to persons with developmental disabilities. The Centers for Medicare and Medicaid Services (CMS) previously approved Colorado's certification process to use these public funds as the State's share of match for services provided or purchased by the CCBs for persons enrolled in the Medicaid waiver programs for persons with a developmental disability, *e.g.*, comprehensive services, supported living services, children's extensive support and the targeted case management program.

Prior to FY 2006-07, funding in this line item included adjustments to Medicaid rates for individuals, in addition to services for new individuals. Beginning in FY 2006-07, pursuant to required Medicaid waiver program billing changes, all funding in this line item that increased amounts paid for individuals already enrolled in waiver programs was eliminated. This included a transfer of $15.2 million in expenditures to the Program Costs line item, *at a cost of $7.6 million General Fund to the State* and a further reduction of $5,424,038 that was previously spent in this line item in FY 2005-06, which was neither been transferred up to the Program Costs line item nor retained in this line item. Staff assumes that half of this amount ($2,712,019 originating as federal funds) is no longer available for developmental disability expenditure, while the other half is presumably being spent by community centered boards on developmental disability services that do not receive federal match.

Starting in FY 2006-07, the only payments made through this program were associated with the addition of new individuals into the waiver program at community centered board option. Should a CCB enroll additional individuals into the program it was understood that this created a long-term commitment and should the CCB not continue to receive these additional public funds the CCB would only be able to downsize through attrition and will not be allowed to terminate or cut existing services.

During FY 2007-08, federal authorities raised additional concerns about the flow of these locally certified funds and indicated that they were only willing to reflect these as locally certified amounts if the funds flowed directly from county governments to the State, rather than through the community centered boards. **The requested changes were apparently not made in a sufficiently timely manner, and federal matching amounts were cut off in December 2007. The State indicates that it is still negotiating with CCBs and counties regarding this issue.**

If the the flow of funds cannot be adjusted consistent with federal requirement, the costs for the associated individuals will need to be absorbed by the General Fund-supported program. According to the Department two of the seven participating CCBs have already absorbed these individuals into their General Funded program. One CCB cannot make the federally-required adjustment because their mill levy requires the funds go directly to them. The Department continues to negotiate with the remaining four CCBs. Staff notes that, **to the extent these expenditures have to be "absorbed", an additional $3.6 million (including $1.8 million General Fund) will NOT be available to serve individuals with developmental disabilities through the Medicaid program. In other words, this change offsets proposals to reduce the developmental disability waiting list through increased state support.**

Pending further information, staff recommends a reduced appropriation of $2.0 million. The request was for a continuation level of $3,641,910. This continuation amount was based on FY 2006-07 contracts and reflected funding associated with an estimated 103 individuals to the supported living services program and 39 individuals to the comprehensive waiver program who would not otherwise have access to Medicaid waiver services. This includes local match from 7 of the 20 CCBs, with the majority attributable to five Metro-Denver boards. In FY 2005-06, $24.3 million was expended in this line item.

Note that the majority of local funds generated and expended for services for people with disabilities is off-budget. For FY 2006-07, CCB audits reflected $67.9 million from sources other than the General Fund or Medicaid revenues. In addition to client payments for room and board ($10.7 million, which is on-budget), and $15.1 million from "other" sources (which may include CCB-run businesses), this included $37.3 million from city and county governments and other public sources and $4.8 million from donations. However, significant local funds are not available in all regions of the State. Four of the 20 CCBs receive no city or county funds and, among those that do receive such funds, the amount varies widely.

<u>Custodial Funds for Early Intervention Services</u>

This line item is the result of Senate Bill 07-4 (Shaffer/Todd): This bill required the Department of Human Services, in conjunction with other public and private entities, to develop a coordinated system of payment for early intervention services for infants and toddlers with developmental disabilities and delays, consistent with the requirements of Part C of the federal Individuals with Disabilities Education Act (IDEA). It required insurance coverage of such services without copayments or deductibles up to a maximum annual liability of $5,725 for affected policies and services and required the Department of Health Care Policy and Financing to make associated adjustments to the Children's Basic Health Plan and the Medicaid program. It also authorized the Department of Human Services to receive and expend custodial funds from insurance companies for early intervention services. This new line item reflects, for informational purposes, the estimated $2.8 million in custodial funds the Department of Human Services expects to receive from insurance companies for provision of early intervention services to young children. This is based on estimated insurance payments of $5,725 per child for 500 children.

The Department's FY 2008-09 budget request originally included these amounts in the Program Costs line item; however, the Department agreed that it would be preferable to reflect these amounts in a separate line item, given their custodial nature; thus, staff has reflected both the request and recommendation in this separate line item. **The Department requested $2,813,085 for this line item, including $4,505 for annualization of Senate Bill 07-4. Staff recommends the request, which is consistent with the fiscal note for S.B. 07-4.** No better estimates of revenue are available to-date. **Funding in this line item was classified as cash funds exempt in FY 2007-08, but it will be classified as cash funds in FY 2008-09, pursuant to new funds classification policies.** Because these amounts are custodial funds, they are exempt from limitations on state fiscal year spending imposed by Article X, Section XX of the State Constitution, and this will be reflected in the associated letter note.

<u>Preventive Dental Hygiene</u>

This line item provides funding to assist the Colorado Foundation of Dentistry for the Handicapped in providing special dental services for approximately 1,200 persons with developmental disabilities. This program provides dental evaluation, intervention, and advocacy designed to provide comprehensive prevention of oral disease. Dental services for adults are an optional program under federal Medicaid law in which the state has opted <u>not</u> to participate. Medicaid eligible children may receive dental screening under the EPSDT federal requirement, however. **Staff recommends $64,337, including $60,621 General Fund.** This is calculated pursuant to **common policy** and includes the **1.5 percent community provider rate increase**. Local funds amounts in this line item were previously classified as cash funds exempt, pursuant to the new funds classification approach, they will now be identified as **cash funds**.

<u>Long Bill Footnotes and Information Requests</u>

Staff recommends that the following footnotes be continued:

76 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- It is the intent of the General Assembly that expenditures for these services be recorded only against the Long Bill group total for Program Costs.

<u>Comment</u>: The Department indicated it was complying with this footnote and that, particularly given the complex transition issues it is currently facing, it is only managing to the bottom line. Staff expects to continue to work with the Department to improve the quality of the break-out for this line item that is reflected in the Long Bill.

80 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Preventive Dental Hygiene -- The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

<u>Comment</u>: The Department reports that it implemented the contract with the Colorado Foundation of Dentistry for FY 2007-08. The Department has indicated that this footnote assists it in issuing a single-source contract to the Colorado Foundation of Dentistry.

Staff recommends the following footnotes be **<u>eliminated</u>**:

<u>74</u> Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation -- The Division of Vocational Rehabilitation is requested to conduct a study to determine how to increase employment outcomes for people with developmental disabilities. The study should include input from the Division for Developmental Disabilities, the supported employment users, their families, and service providers. The Department is requested to submit a report to the Joint Budget Committee by October 1, 2007, setting forth options and recommendations, including implementation strategies, for increasing integrated employment outcomes for people with developmental disabilities.

<u>Comment</u>: This footnote was vetoed by the Governor for FY 2007-08. After the override of all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the *Department was directed not to comply* due to the cost and lack of funding for the requested report. The Department did not submit the

requested report. However, employment issues were a significant focus of the legislative interim committee's work, and a number of bills have been introduced in the 2008 legislative session designed to improve employment outcomes for individuals with developmental disabilities. **Staff does not believe an FY 2008-09 report on this topic is needed.**

75 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation, Rehabilitation Programs - Local Funds Match -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, on the impact of the Developmental Disabilities and Vocational Rehabilitation Pilot Project. The report should include the numbers of persons served, employment outcomes achieved, lessons learned, and recommendations for expansion, reduction, or modification of the program.

Comment: The Governor vetoed this footnote for FY 2007-08. Nonetheless, the Department was instructed to comply to the extent feasible and this was further reflected in the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly. The Department submitted the requested report. The Department has indicated that it would like to maintain this pilot program for at least another year. **While staff does not believe a further report is needed, staff does anticipate that the Department will identify in its FY 2009-10 budget request any proposed changes to the program.**

77 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to periodically survey all individuals on the comprehensive services waiting list to determine when each individual will need comprehensive services. The Department is requested to complete the next survey no later than June, 2007, and to report the results no later than in the submission of the FY 2008-09 budget request to the Joint Budget Committee.

Comment: *This footnote was vetoed by the Governor for FY 2007-08, and the Department was directed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the Department was directed to complete a survey and provide the report by January 15, 2008, subject to the approval by the JBC of funding needed to complete the survey. The Department submitted a request for emergency "1331" funding in October 2007 in order to complete the survey using contracted resources. The Committee rejected this request on the grounds that it did not meet statutory emergency supplemental criteria.*

As discussed with the Committee in October 2007 for the staff presentation on the Department's emergency request, waiting list surveys conducted in the past have substantially reduced the residential waiting list. Most recently, the June 2004 survey resulted in a 29 percent reduction in the comprehensive residential waiting list for developmental disability services. According to the Department, this primarily reflected consumer and family decisions to delay their requested date of placement. Given the scale of corrections yielded by the telephone surveys of wait list consumers, staff believes that it is appropriate to periodically conduct such surveys. In the past, the Department had proposed that such surveys be conducted every three years, which would have resulted in a June 2007 survey; a footnote to this effect was therefore included in the FY 2005-06, 2006-07 and 2007-08 Long Bills. However, as reflected in the Governor's FY 2007-08 Long Bill veto message, the August 16, 2007 letter from OSPB, and the October 2007 emergency supplemental request, a June 2007 survey presented a workload problem for the Department and community centered boards given the many other system-changes now underway. From staff's perspective, **conducting a survey is desirable, but not urgent, as there is no imminent likelihood that the waiting list can be fully funded.** Thus, learning the accurate size of the waiting list is of more academic than practical application. Given the workload associated with changes associated with federal CMS requirements, staff does not recommend that a waiting list survey be scheduled in FY 2008-09. However, *staff does believe such a survey will be appropriate in the next few years, even if some additional one-time cost is associated with it. In the absence of such a survey, the size of the waiting list for services is likely to be substantially over-stated.*

78 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, concerning the distribution of resources among the 20 Community Centered Boards throughout the state. This report should address the current distribution methodology, and should take into consideration all relevant factors, including: The effect of population migration; de-institutionalization; and the extent resources should be allocated based on a community's per capita distribution of the general population. In the process of completing the report, the Department shall work closely with all Community Centered Boards. Additionally, until this report has been submitted to and considered by the Joint Budget Committee, it is the intent of the General Assembly that no resources be redistributed among CCBs through attrition or any other mechanism.

Comment: *The Governor vetoed this footnote for FY 2007-08. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the Department was directed not to comply. The letter indicated that the Department cannot complete a timely and meaningful report due to resource limitations and federally-required system-changes. The Governor indicated the report would be more useful after the transition of at least the comprehensive waiver.*

Staff firmly believes that regional-resource distribution issues in Colorado will need to be addressed in the coming years. However, staff believes the State is currently addressing too many other issues in the developmental disability system that must be dealt with prior to this. This includes transition of the comprehensive waiver program to a long-term rate structure in FY 2008-09 and transition of the supported living system rate structure in FY 2009-10, along with many other likely system changes. **In light of these other system issues, staff does not believe a report on resource distribution issues is appropriate for FY 2008-09. However, if the Committee elects to add substantial additional waiting list funding related to Budget Amendment #4A, staff may recommend that it ask the Department to take resource distribution into account in the allocation process**, through the letter to the Governor that will include requests for information and expressions of intent.

79 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, concerning recommendations for a five-year plan that addresses the elimination of all waiting lists for services for individuals with developmental disabilities. In the process of completing the report, the Department should work closely with all Community Centered Boards, as well as all other interested consumers and providers. The plan should address the current waiting list situation, and should take into consideration, among other factors, the total amount of money necessary for its implementation, increases in Colorado's population over the five-year period, the number of persons on the waiting lists who are living with aging care givers, and recommendations for the allocation of new funding for persons on the waiting lists. The report should specifically consider the costs of eliminating waiting lists for individuals with developmental disabilities considered at high risk of out-of-home placement due to their aging care givers or medical or behavioral needs.

Comment*: This Governor vetoed this footnote for FY 2008-09. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the deadline imposed was unmanageable. The Governor therefore directed the Department to develop its plan and provide the requested report to the Committee by January 2, 2008.*

The Department submitted the requested report. As the report was submitted after budget briefings, the conclusions have been reviewed at the beginning of the Program Costs section. **Staff does not believe an additional report is required for FY 2008-09**.

81 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C) -- The Department is requested to provide to the Joint Budget Committee, by November 1 of each year, information concerning the expenditure of federal funds provided pursuant to Part C of the federal "Individuals with Disabilities Education Act" for the most recent state fiscal year. Such

information is requested to include sufficient detail to identify expenditures related to the provision of direct services, by type of service.

Comment: *The Governor vetoed this footnote for FY 2007-08. Nonetheless, the Department was instructed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote to which the Department could adhere.*

The Department submitted the requested report. However, it also noted that, pursuant to S.B. 07-4 (Coordinated Payment System for Early Intervention Services), it is now subject to a statutory requirement at Section 27-10.5-707 (1), C.R.S. to report to the General Assembly regarding the various funding sources used for early intervention services. The annual requirement begins November 1, 2008, and the report is to be submitted to the JBC as part of the Department's budget request. In light of this, **the Department has proposed that this footnote be discontinued beginning with the FY 2008-09 Long Bill. Staff believes this is appropriate**. Depending upon the scope of this report, staff will solicit additional information on the overall use of the Part C grant on administrative, as well as direct, expenditures prior to FY 2009-10 figure setting.

(2) Regional Centers

The State operates three facilities for individuals with developmental disabilities, known as Regional Centers, in Grand Junction, Wheat Ridge and Pueblo. The Regional Centers have two methods of providing services: 1) Regional Centers operate residential and support services in large congregate settings known as Intermediate Care Facilities for the Mentally Retarded (ICF/MRs); and 2) Regional Centers operate group homes that provide services to 4-6 people per home in a community setting (these services are sometimes referred to as "state-operated group homes"). Many persons served by Regional Centers have multiple handicapping conditions, such as maladaptive behaviors or severe, chronic medical conditions that require specialized and intensive levels of services. The Regional Centers work closely with the Community Centered Board (CCB) system, which provides community-operated services for persons with developmental disabilities. Traditionally, the Regional Centers have served persons with developmental disabilities where appropriate community programs are not available. They provide residential services, medical care, and active treatment programs based on individual assessments and habilitation plans.

Since April 2003, the regional centers have used the following admissions criteria: (1) individuals who have extremely high needs requiring very specialized professional medical support services; (2) individuals who have extremely high needs due to challenging behaviors; and (3) individuals who pose significant community safety risks to others and require a secure setting. The table below shows the number of beds allocated for each category at each of the regional centers.

Regional Center Beds by Client Category				
	Grand Junction	Pueblo	Wheat Ridge	Total Beds
History of Sex Offense	16	0	25	41
Severe Behavioral/Psychiatric	64	74	67	205
Severe Medical	74	14	69	157
TOTAL	154	88	161	403

Full Costs of Regional Center Placement

Only a portion of costs associated with the Regional Center are appropriated in the line items below. Costs associated with Regional Center physical plant maintenance and housekeeping, among other components, are centrally appropriated in the office of Operations, and other indirect amounts are charged to the Executive Director's Office and the Office of Information Technology Services. The Department's cost plan for the regional centers, which includes direct and indirect costs and is used as the basis for setting total associated Medicaid payments, reflects total costs of $58.4 million in FY 2006-07 and **projected costs per resident of $156,229** in FY 2007-08.

Regional Center Wait Lists

Because the regional centers are operating at capacity, a community centered board with a consumer who it believe is more appropriate for a regional center placement must remove a client from the regional center in order to move a new client into placement. There are currently 64 persons waiting for regional center placement including 37 waiting for ICF/MR placement and 27 waiting for waiver services. Of these, 48 are waiting from CCBs, with the balance waiting from the Department of Corrections or the Mental Health Institutes.

Impact of Federal Medicaid Waiver Changes

The regional center budget for FY 2008-09 may be affected by the changes to developmental disability wavier programs being required by federal authorities, since the majority of regional center beds are operated under the same comprehensive home- and- community-based waiver program that supports most community-based residential services. The Department has indicated that it presently expect that most regional center residents will qualify for "tier 7" placements under the new rate structure, based on their Supports Intensity Scale results. "Tier 7" placement rates fall outside of the regular rate structure and will be funded based on individual need. In light of this, it is assumed that regional center costs will be fully covered, including indirect costs. The Department currently anticipates that approximately 20 clients will fall outside of this rate structure. For these clients, reimbursement rates may not be sufficient to cover fully loaded costs. However, it is staff's understanding that the Department intends to focus regional center services on the highest needs clients and thus this small number of clients will be gradually moved out of their regional center placements. Given lack of adequate data at this point on final rates that will be paid, staff presumes the Department will submit a request for supplemental adjustments in FY 2008-09 if additional changes are required.

Additionally, as reviewed further below, the Department has submitted a decision item to convert all HCBS waiver beds at the Wheat Ridge regional center to ICF/MR beds, effective FY 2008-09. Staff has not recommended this portion of the Department's request, as is reviewed further below; however, action on this request will have some bearing on whether Medicaid revenues are sufficient to cover regional center costs. Reimbursement rates for ICFs/MR are cost-based.

The table below reflects the current break-down of beds at the three regional centers by licensing category.

Regional Center Beds	ICF/MR (on-campus institutional)	Skilled Nursing (on-campus institutional)	HCBS waiver (group homes)	Total Beds
Wheat Ridge	30	0	131	161
Grand Junction	46	32	76	154
Pueblo	0	0	88	88
TOTAL	76	32	295	403

FY 2007-08 Late Supplementals 4A and 4C

On February 20, 2008, the Department submitted two late supplementals to increase appropriations for the regional centers for FY 2007-08. During staff's January 25,008 supplemental presentation, staff had noted that the regional centers appeared to be spending their annual appropriation for FY 2007-08 far too rapidly and appeared likely to over-spend. The Department has now confirmed this and submitted associated requests. The two requests are **Supplemental 4A for $1,652,784 total funds ($826,392 net General Fund) and 39.4 FTE and supplemental 4C for $135,695 cash funds.**

The Department indicated that the supplemental is late because these admissions began escalating in early 2007 and the ongoing impact of their staffing needs was not realized until well into the fiscal year. The Department spent the balance of December identifying and quantifying the reasons for this fiscal problem.

Supplemental 4As and 4C - Summary - Request and Recommendation

	FY 2007-08			
	Request		**Recommend**	
Supplemental 4A	**Amount**	**FTE**	**Amount**	**FTE**
<u>Regional Centers</u>				
Personal Services	1,296,443	39.4	1,296,443	39.4

Supplemental 4As and 4C - Summary - Request and Recommendation				
	FY 2007-08			
	Request		**Recommend**	
Operating Expenses	40,850		40,850	
Executive Director's Office				
AED	15,102		0	
SAED	5,808		0	
Health/Life/Dental	176,902		0	
Shift Differential	116,169		116,169	
Short-term Disability	1,510		0	
Total Sup 4A - Medicaid CFE	**$1,652,784**	**39.4**	**$1,453,462**	**39.4**
"Net" General Fund	826,392		726,731	
Supplemental 4C				
Regional Centers				
Personal Services				
Total Sup 4C - Cash Funds	**$135,695**	**0.0**	**$135,695**	**0.0**
"Net" General Fund	0		0	
GRAND TOTAL - 4A & 4C	**$1,788,479**	**39.4**	**$1,589,157**	**39.4**
"Net" General Fund	**826,392**	**0.0**	**726,731**	**0.0**

Supplemental #4A - Detailed Recommendation							
			FY 2007-08 Request				
	Annual salary	FTE	Months Working	Months Paid**	FTE	Amount
Personal Services						
Health Care Technician I	$29,472	43.0	12	11	39.4	1,161,688
PERA (10.15%)						117,911
Medicare (1.45%)						16,844
Subtotal - Personal Services					**39.4**	**1,296,443**

Supplemental #4A - Detailed Recommendation						
		FY 2007-08 Request				
	Annual salary	FTE	Months Working	Months Paid**	FTE	Amount
Operating Expenses						
Supplies @ $500/FTE						21,500
Telephone @$450/FTE						19,350
Subtotal - Operating Expense						40,850
EDO - "pots" allocations						
Shift Differential at 10%						116,169
Grand TOTAL Medicaid CFE						**$1,453,462**

Supplemental 4A. This portion of the request is for $1.7 million Medicaid cash funds with a "net"General Fund impact of $826,392, based on the associated General Fund that would be appropriated to the Department of Health Care Policy and Financing for transfer to he Department of Human Services.

The request notes that over the past four years the regional centers have been admitting individuals with the most severe clinical and behavioral needs. Adequate staffing had already been identified as a problem for the regional centers and, as a result, in 2006, the Department understood a comprehensive study of the staff of the regional centers to determine the appropriate level necessary to provide services to individuals with severe medical, behavioral, and psychiatric needs. The study identified the need for one staff person for every three clients during the day, one staff at night for behavioral settings with a second staff floating between four group homes, and two staff at night for medical settings. The study also included an allotment of staff for community outings. The study did not anticipated the influx of the current population that requires ongoing, one-on-one or other enhanced staffing. Staffing was increased at the beginning of FY 2007-08 to accommodate the new high risk admissions, but it was expected that the staffing would decrease as those admissions stabilized. It soon became apparent that stabilization was a longer process and the regional center staffing appropriation became inadequate to meet these new needs.

The Department previously submitted decision items for FY 2007-08 and FY 2008-09 to fund staff, based on this staffing study, over five year time frame. The Department also plans to prepare an update of the Study during the summer of 2008. However the long term impact of the clients admitted over the past nine months have driven overtime and staffing needs beyond the appropriation, and the regional centers require fiscal relief prior to the update of the study. Further, more recently the Department of Public Health and Environment (CDPHE) has required increased staffing related to a suicide.

The primary reason for the current person services shortfall is the growing intensity of clients at the regional centers, all with dual, mental health, or other multiple diagnoses. These clients have ongoing one-to-one or greater staff supervision needs and have also prompted CDPHE to require more intensive staffing in some homes.

- The regional centers currently have 15 recent admissions requiring dedicated one-to-one or greater supervision. The Department calculates the additional associated hours as $2,162,917 and 55.6 FTE (without any additional adjustment for "coverage" ratios to address staff absences).

- FTE associated with CDPHE requirements to increase staff (associated with a suicide) are calculated to drive additional costs of $792,596 and 24.4 FTE (without "coverage" ratios).

Together these two issues would be calculated to drive costs of $3.1 million and 80.0 FTE and nearly double this with "coverage" ratios. The Department's request for $1.7 million and 42.0 FTE is less than this due to regional center efforts to control costs. These efforts include, among other items:

- implementing a hiring freeze on non direct care staff;
- limiting the use of overtime; and
- shifting administrative and professional staff to direct care.

The savings from these and other measures are reflected in the current shortfall projection of $2.0 million and the (even lower) projected need for $1.7 million for the balance of the year reflected in Supplemental #4A.

The requested also indicates that, in order to develop a plan to manage funding and appropriations for the regional centers for FY 2008-09, the Department proposes a work group be assembled comprised of regional center directors and other high level DHS administrators, OSPB staff, JBC staff, the Department of Health Care Policy and Financing, and a representative of the community and/or a family member of a person residing at the regional center. The work group would consider:

- what type of individuals the regional centers might be most appropriate in serving;
- trend the increase in severity of those being served;
- update and re-examine the staffing study in light of the evolving population;
- consider the adequacy of facilities;
- consider whether there should be a separate system for the dually diagnosed; and
- identify the role of other agencies in caring for dually-diagnosed individuals; and
- recommending course of action to assist in militating or redefining the approach to be used in serving individuals whose care drives increases in costs.

Supplemental #4C. This portion of the request is for cash fund spending authority (no General Fund impact) to enable Wheat Ridge and Grand Junction regional centers to use funding made available through the Arapahoe County Department of Human Services and Arapahoe Mental Health to provide targeted short term services to a youth under the age of eighteen years placed first at Fort Logan and ultimately at Grand Junction Regional Center. The youth is 17 years old with multiple diagnoses. Due to the physical danger posed to himself and family members, the youth cannot return home. Due to the individual's age, Medicaid funded services at the regional center will not be available until the youth turns 18 in late April 2008. Arapahoe County and Arapahoe Mental Health have agreed to fund the required services until that time. The request is for spending authority to enable the regional centers to receive and expend dollars from these sources. Associated costs cover a 2 to 1 staffing ratio 24 hours a day for 91 days.

Staff Recommendation. **Staff recommends both supplemental 4A and 4C, with the exception that the staff recommendation for 4A does not include any associated "pots" in the Executive Director's Office except those for shift differential. Staff's understanding is that the Department has sufficient "pots" available for health, life, dental and other categories to cover the regional center's needs in this area.**

Supplemental 4A. Staff brought cost-overruns at the regional centers to the Committee's attention in January. Given that both JBC staff and Department staff could see a problem earlier in the year, it would have been preferable for the Department to submit a request in January, rather than February 20. **Staff believes the Department should have identified this problem earlier**. The regional centers exceeded their FTE authority for FY 2006-07 by 19.7 FTE and over-spent their operating expenses appropriation by $112,253. **Further, staff's understanding is that this is not a regional-center-wide problem; rather, this is primarily a problem of the Wheat Ridge Regional Center.** This suggests to staff that **the problem reflects a management problem, rather than a sudden change in the population the regional centers are being asked to serve**. The population served by the regional centers has become more severe in recent years, but if two of the three regional centers have been able to manage within their budgets, it seems unlikely that population changes adequately explain the situation.

That said, the Department now appears to be responding appropriately. The scale of the request indicates that the regional centers are taking those steps within their power to control costs. A straight-line projection of regional center expenditures to date indicates a need for approximately $2.0 million in funding, rather than the $1.7 million requested. The smaller request reflects the Department's expectation that it will be able to reduce costs during the final months of the year. Further, the regional centers have taken very concrete steps–such as a hiring freeze–to try to bring costs back into line.

Work Group. Staff agrees that the Department needs to proactively examine options for identifying the appropriate role of the regional centers and avoiding this type of emergency funding need in the future. The Department's proposal for a work group thus seems reasonable. *With the JBC's permission, JBC staff will participate in some meetings of this work group as an observer. However, given the JBC staff's role in making recommendations to the General Assembly on Executive Branch proposals, JBC staff does not wish to become too involved in the development of a proposal that will likely require JBC review in the future.*

Supplemental 4C. The State is clearly attempting to assist in managing an extremely challenging situation. The regional centers have authorization under state statute at 27-10.5-301 et. seq. to serve individuals under the age of 18 (*i.e.*, there is no age restriction in state statute), although this is no longer a regular component of their work or funding. Assuming that the Executive Branch has not identified any specific legal, programmatic, or fiscal problems with serving this youth at the regional centers using funding from other sources, staff sees no reason to deny the request from a budget perspective.

Decision Item #6 - Regional Center Staffing and ICF/MR Conversion

Of the regional center beds, 295 are certified under the Medicaid Home- and Community-based Services for persons with Developmental Disabilities (HCBS-DD) comprehensive waiver program. The request would allow 20 of the regional centers 40 group homes currently classified as Medicaid Waiver program beds to convert to Intermediate Care Facilities for the Mentally Retarded (ICFs/MR) during FY 2008-09. The request includes funding for direct care staff. It also includes funding for therapists, doctors, and infrastructure that would enable all group homes at the Wheat Ridge Regional Center to be reclassified as ICFs/MR. The Department proposes to convert all Grand Junction and Pueblo Regional Center beds to ICFs/MR in future years.

ICFs/MR are an entitlement component of the Medicaid State Plan. Payments for ICFs/MR are cost-based, rather than reflecting fixed rates established by the State (the HCBS-DD model). ICFs/MR are not overseen by community centered boards or another case-management entity and must comply with different regulatory guidelines than HCBS-DD placements. One component of this is that ICFs/MR must provide 24-access to physician services, as well as active therapy services, while the HCBS-DD regulations require that such services be accessed from community providers.

The Department seeks to:

❏ Limit the impact of federally-required HCBS waiver system changes on the regional centers. If regional center beds are ICFs/MR, rather than HCBS group homes, they will not be affected by federal waiver requirements.

❏ Increase direct care staff, consistent with a previous Department five-year plan to increase staffing intensity at the regional centers. For FY 2008-09, all proposed increases would be at Wheat Ridge.

The request notes that:

- As part of federally-required changes demanded in FY 2003-04, the state was required to remove certain services from the waiver and put these in the Medicaid State Plan. As a result, the regional centers may no longer provide medical, psychiatric, and therapy services to the waiver population. Instead, these services must be accessed through Medicaid State Plan providers. The lack of providers available or willing to operate under the State Plan means that regional center individuals either do not receive the services or the regional centers continue to violate Medicaid regulations.
- As part of further federally-required changes, a new fee-for-service structure will go into effect in FY 2008-09 for all the HCBS providers, including the regional centers. The new rates are expected to be inadequate for individuals with severe, extensive treatment needs who reside at the regional centers. [Staff note: as rates are not finalized, this is not yet clear]
- Additional FY 2008-09 changes will require the regional centers to access home health services under the state plan for certain kinds of services (acute, as opposed to long-term-care services). By July 1, 2008, the regional centers will also be required to access CCB case management, utilization review and quality assurance, as CMS will not allow the state to oversee these functions for state units.

Components of the FY 2008-09 request are outlined below. Note that not all of the costs fall within the Department of Human Services or this budget section.

Decision Item #6: Regional Center Staffing Increase/ICF Conversion - All Impacts						
	FY 2008-09 (6.7 months)			FY 2009-10 (Full year)		
	FTE	**Total**	**Net GF**	**FTE**	**Total**	**Net GF**
Human Services						
Regional Center Staff & Operating	40.5	$1,419,816	$665,242	72.8	$2,949,601	$1,394,800
ICF Additional Expense based on State Plan Chg	0.0	224,989	112,495	0.0	402,964	201,482
"Pots" (benefits, etc.)	0.0	279,904	139,952	0.0	501,311	250,656
Group Home Sprinklers	0.0	240,000	240,000	0.0	0	0
Reduce DDD Surveys	(0.1)	(3,517)	(1,759)	(0.1)	(6,781)	(3,391)
Provider fee-RC personal services	0.0	100,702	50,351	0.0	200,694	100,347
Subtotal	40.4	$2,261,894	$1,206,281	72.7	$4,047,789	$1,943,894
HCPF/CDPHE						
Survey Changes	0.0	$90,400	$10,098	0.0	$90,400	$10,098

Decision Item #6: Regional Center Staffing Increase/ICF Conversion - All Impacts						
DHS Revenue Impacts						
Provider fee	0.0	$0	($50,351)	0.0	$0	($100,347)
Total	40.4	2,352,294	1,166,028	72.7	4,138,189	1,853,645
*Average Cost/FTE**						*22,634*

*Calculation includes only RC personal services and benefits

The request indicates that the direct care staffing components of the request are based on the Department's staffing study (first provided with the FY 2007-08 budget request), and thus the request does not anticipate any changes to what it considers to be "minimum" direct care staffing required based on the conversion from HCBS to ICF/MR beds. The regulatory standard for ICF/MR is for one direct care staff to 3.2 clients *at all times*, which translates to an approximately 1:1 ratio overall on a 24-hour basis (*i.e.*, 3.0 staff to 3.2 clients per 24 hours); this is approximately half the level that the Department had already identified as the "minimum" staffing levels required by the regional centers.

Wheat Ridge Regional Center - Direct Care Staff	
"Minimum" per staffing model	99.5
Less staff added in FY 08 Long Bill	(12.5)
Net staff required	87.0
Number in this request	64.4
Balance to request in future	22.6

ICF/MR Conversion Costs. In addition to the direct care component, the request includes other components, which are costs specific to the proposed ICF/MR conversion. These include:

- Regional center therapy positions - 7.5 FTE, annualized cost of $469,350
- Regional center physicians - 1.85 FTE, annualized cost of $284,183 (offset by eliminating the current GF-funded 1.0 physician FTE costing $160,000 General Fund)
- Operating expenses currently covered by the State Plan (*e.g.* medical supplies) - $402,964 full year costs
- Group home sprinklers - one-time cost of $240,000 General Fund
- Provider fee payment - All ICF/MR facilities pay a provider fee of five percent of expenses to the State. The impact is to increase both revenues and expenditures to the regional centers by $200,694 when annualized, and provide a net General Fund savings to the State in the Department of Health Care Policy and Financing of $100,347.

- Increases to CDPHE and HCPF associated with surveying the new ICFs, offset by reductions associated with surveying these same homes as HCBS waiver homes for a net increase of $90,400 (surveys funded at 75 percent federal funds/ 25 percent General Fund.

Some of these costs should be offset by associated reductions to the Department of Health Care Policy and Financing for Medicaid Premiums, as therapy services, physician services, and various operating costs are included in the HCPF Medicaid Premiums budget. Effective October 1, 2004, based on federal requirements, funds were removed from both the waiver programs and the regional centers. For the regional centers, the total impact, once annualized for FY 2005-06, was a reduction of $964,169 and 3.5 FTE. Funding and services removed included: all medical supplies, durable medical equipment (DME), physical, occupational, and speech therapy services, and physician and mental health services. FY 2008-09 Decision Item #6 indicated that an associated HCPF budget amendment would be submitted. **FY 2008-09 HCPF Budget Amendment 7, which was ultimately submitted, reflected a total reduction of just $31,024 ($15,412 net General Fund) in FY 2008-09 and $55,566 ($27,783 net General Fund) in FY 2009-10** associated with DHS Decision Item #6.

Staffing Study. The Department initiated a staffing study during FY 2005-06, based on evidence that the regional centers were serving a more severe clientele, largely due to new admissions criteria that were implemented in April 2003 and were established to meet the high demand for regional center services. The recommendations from this study were reviewed in the FY 2008-09 staff budget briefing and FY 2007-08 figure setting documents. The resulting calculations indicated an overall direct care staff to client ratio for the "minimum" treatment model of 2.3 FTE per client and, under the "appropriate" treatment model of 3.3 FTE per client. Staff previously projected that the proposed direct care staffing increase of 42.9 percent and would drive an increase of $5.2 million net General Fund or about an 18 percent increase above the overall regional center budget for FY 2006-07. **As discussed under the Department's Late Supplemental #4A the results of this study may be outdated.**

Direct Care Staffing Study: Current FTE versus "Minimum Required" and "Appropriate"

	Direct Care FTE FY 2006-07	"Minimum FTE"	Increase over FY 2006-07	"Appropriate" FTE	Increase over FY 2006-07
Wheat Ridge	279.6	379.1	99.5	541.8	262.2
Grand Junction	255.8	357.5	101.7	513.0	257.2
Pueblo	115.4	193.4	78.0	282.3	166.9
TOTAL	650.8	930.0	279.2	1,337.1	686.3
Percent increase			42.9%		105.5%

Estimated Additional Costs: “Minimum” and “Appropriate” Staffing Levels			
	Cost per FTE	**“Minimum” Staffing Additional FTE, Costs**	**“Appropriate” Staffing Additional FTE, Costs**
FTE	1.0	279.2	686.3
Total Cost	$37,253	$10,400,758	$25,073,284
Net General Fund	$18,627	$5,200,379	$12,536,642
Percentage increase in Regional Center Net General Fund budget over FY 2006-07*		18.3%	44.1%

*direct and indirect costs

Staff Recommendation

The staff recommendation is that **funds requested be used to cover the additional direct care staff required as a result of late supplemental #4A**. Staff does **not** recommend the components of the request related to ICF/MR conversion *at this time.*

In sum, staff believes conversion of some or all regional center beds to ICFs/MR may be appropriate for FY 2009-10. If certain fiscal discrepancies can be resolved, the ongoing General Fund costs of such a conversion (discussed below) appear to be relatively modest.

However:

- There is as yet no clear plan for managing the growth of ICFs/MR statewide, which staff believes should be a precondition for any regional center ICF/MR conversion;
- It is now anticipated that the vast majority of the fiscal impact of waiver program changes on the regional centers, if any, will be felt in FY 2009-10, rather than FY 2008-09. There is not yet sufficient information available about how waiver program changes will affect regional center revenue to determine the level of problem associated with additional Medicaid waiver changes.
- Even if this request were funded, regional center beds at Grand Junction and Pueblo, as well as Wheat Ridge beds for much of the year, would still be subject to waiver program changes for FY 2008-09. Given recent management issues at Wheat Ridge, it may be appropriate to have some external monitoring for one year by a another entity prior to any ICF/MR conversion.
- Staff would also like to see additional data comparing costs for regional center clients with costs for similar clients in the community (based on final waiver program rates that have not yet been finalized and the proposed audit of "tier 7" clients' needs)–as well as the results of the work group proposed related to Supplemental 4A–before adding additional dollars to the regional centers.

- To the extent funds are available in the base, the Department could proceed with installation of sprinkler systems, funded more appropriately through the Office of Operations, at Wheat Ridge and other facilities. This would presumably be beneficial whether or not group homes are ultimately converted to ICF/MR status.

Funding for Supplemental 4A: Supplemental 4A included one-time funds for FY 2007-08. However, the request included 43.0 (annualized) FTE, and the request indicated that the Department expected that these FTE would be needed on an ongoing basis. In light of this, **staff must assume that the additional staffing associated with Supplemental 4A will need to be used on an ongoing basis through Decision Item #6, as there is no other significant funding or FTE increase requested for the regional centers**. The total costs associated with continuing Supplemental #4A in FY 2008-09 are reflected below. These are the same as FY 2007-09, except that personal services must be covered for a full 12 months and staff assumes that no additional "pots" funding is needed, as the staff identified were presumably employed in December 2007 when "pots" surveys were completed. To continue the staffing requested for FY 2007-08, the staff recommendation is *$487,412 less General Fund but 2.9 more FTE* than the Decision Item #6 request. Notably, Decision Item #6 had targeted all additional staffing for Wheat Ridge Regional Center. Staff understands that all FTE added through the supplemental were also provided to Wheat Ridge Regional Center.

Supplemental #4A/Decision Item #6 - Recommendation - FY 2008-09 continuation						
			FY 2008-09 Recommend			
	Annual salary	FTE	Months Working	Months Paid**	FTE	Amount
Personal Services						
Health Care Technician I	$29,472	43.0	12	12	43.0	1,267,296
PERA (10.15%)						128,631
Medicare (1.45%)						18,376
Subtotal - Personal Services					**43.0**	**1,414,303**
Operating Expenses						
Supplies @ $500/FTE						21,500
Email address @$45/FTE						1,935
Subtotal - Operating Expense						23,435
EDO - "pots" allocations						
Shift Differential at 10%						0
Grand TOTAL Medicaid CFE					**43.0**	**$1,437,738**

Supplemental #4A/Decision Item #6 - Recommendation - FY 2008-09 continuation						
		FY 2008-09 Recommend				
Annual salary	FTE	Months Working	Months Paid**	FTE	Amount	
"Net" General Fund and FTE						***$718,869***
"Net" General Fund per FTE						*$16,718*
"Net" ongoing General Fund and FTE Requested DI #6 (regional centers only; includes $240,000 1 x funds; excludes "pots")					40.4	$1,206,281
Recommendation v. Request - General Fund and FTE					**2.6**	**($487,412)**

ICF/MR Conversion Costs - Not Recommended at This Time: The table below reflects the information staff has to date about the components of the request associated with ICF/MR conversion. A concern about the request which has not yet been resolved is that the Department of Human Services assumed that a substantial portion of the additional costs associated with ICF/MR conversion would be tied to reductions in the budget for Premiums in the Department of Health Care Policy and Financing. However, **an associated budget amendment, submitted by the Department of Health Care Policy and Financing does *not* reflect a reduction of $402,964 as was estimated in the Department of Human Services' request but rather reflects a reduction of $55,566 for a full year**. This appears to be because the Department of Health Care Policy and Financing's request did not include any adjustments to medical supplies or similar operating expenses that the Department of Human Services' request anticipated would be removed from the HCPF Premiums budget and placed in the Human Services regional center budget. Instead, it included physician and therapy services. The operating expense amount of $402,964 included in the DHS request is based on actual expenses for these costs billed to the State Plan. Thus, **there appears to be a disagreement between the two departments as to where such costs are appropriately billed. The Executive Branch must resolve this disagreement, as it obviously would not be appropriate to pay for the same operating costs in two budgets**.

The HCPF reduction requested to the Medicaid State Plan appears to be lower than the Department's requested costs for regional center physician and therapy services for two reasons: (1) the State has been covering physician services at the regional centers through the General Fund Physician Services line item; and (2) the Department apparently believes additional therapy services are required to comply with ICF/MR treatment requirements. Assuming the billing issue above is resolved, **the costs for therapy services ($470,000 total; $235,000 "net General Fund) and 7.5 FTE apparently reflect the only significant increase in ongoing services and costs included in the ICF/MR conversion request. The General Fund impact of this increase is partially offset by other adjustments.** In 2004-05 therapy services were part of the nearly $1.0 million in total dollars removed from the regional centers and placed in the Medicaid Premiums budget; however, to the extent that therapy services have not been accessed through the State Plan for regional center clients, associated amounts will no longer be included in the Premiums budget, since this budget varies based on large-scale statewide expenditure projections.

ICF/MR Conversion Component of Decision Item #6 - NOT recommended at this time								
	FY 2006-07 - 6.7 months				**FY 2007-08 Full year**			
	GF	Medicaid	"net" GF	FTE	GF	Medicaid	"net" GF	FTE
Human Services/ HCPF "Transfer to DHS" Section								
Therapists	0	$248,270	$124,135	4.2	0	$469,350	$234,675	7.5
Physicians	0	134,905	67,453	1.0	0	284,183	142,092	1.0
Operating	0	224,989	112,495		0	402,964	201,482	
Sprinklers	240,000	0	240,000		0	0	0	
Provider fee*	0	See note	(50,351)		0	See note	(100,347)	
GF doctors	(89,333)	0	(89,333)	(0.6)	(160,000)	0	(160,000)	(1.0)
DD Division	0	(3,517)	(1,759)	(0.1)	0	(6,781)	(3,391)	(0.1)
Total	150,667	604,647	402,640	4.5	(160,000)	1,149,716	314,511	7.4
Costs/Savings other Departments								
Health Care Policy and Financing, Medicaid Premiums								
Physicians/ therapy	0	(31,024)	(15,512)		0	(55,566)	(27,783)	
*Operating***	*0*	*(224,989)*	*(112,495)*		*0*	*(402,964)*	*(201,482)*	
Total	0	(256,013)	(128,007)			(458,530)	(229,265)	
Department of Public Health, Medicaid/Medicare Certification								
ICFMR review cost		131,120	28691	1.0	0	131,120	28,691	1.0
HCBS review saving		(40,720)	(18,593)		0	(40,720)	(18,593)	
Total		90,400	10,098	1.0	0	90,400	10,098	1.0
Statewide costs/offsets, including *"possibles"*								
Total	**150,667**	**439,034**	**284,731**	**5.5**	**(160,000)**	**781,586**	**95,344**	**8.4**

*The 5.0 percent provider fee will increase the total budget for the Department of Human Services, but overall results in "net" General Fund savings.

**This is NOT currently reflected in the HCPF Budget Request

Please note that staff recommendation for the Department of Public Health and Environment (CDPHE) included the requested funding for ICF/MR conversion. It should have been reflected as "pending". If the Committee adopts the staff recommendation not to fund this portion of the DHS decision item, **this should over-ride any related Committee decisions thus far on funding for CDPHE.**

Plan for Managing ICF/MR Growth Statewide: During the staff budget briefing, staff noted that the most troubling aspect of the Department's proposal for conversion of beds at the regional centers to ICFs/MR is that this could support the development of additional ICFs/MR in the community. At a minimum, it could limit the tools the State might have available to ensure any additional ICF/MR growth in the community is appropriate. In recent years, there have been only three ICFs/MR in the state: (1) the two regional-center on-campus facilities at Grand Junction and Wheat Ridge (expenditures reflected in the Department of Human Services (class IV ICFs/MR); and (2) a private facility billed in the Medicaid Premiums line item (Class II facility). As of December 2007, the Department of Public Health and Environment had received nine letters of intent for construction of intermediate care facilities for the mentally retarded (ICFs/MR) from CCBs and private providers, all for privately owned facilities. Even assuming very conservatively that costs are $130,000 per bed per year (the cost of the only private class II facility), the total additional cost to the State if these new facilities open would be approximately $7.0 million ($3.5 million General Fund) per year in the Medicaid Premiums line item. The Department of Health Care Policy and Financing has indicated that costs could be much higher for facilities without adequate economies of scale.

During the staff briefing, **staff recommended that the General Assembly ONLY approve the cost components associated with conversion to ICF/MR if the State develops a clear conceptual framework and plan with respect to the development of ICFs/MR statewide**, *i.e.*, regional center beds should not be converted until the State can clearly explain its plan with respect to shaping development of ICFs/MR statewide. Further, staff believes that rules must be passed or legislation adopted to implement this strategy before the State proceeds with ICF/MR conversion at the regional centers.

The Departments of Human Services and Health Care Policy and Financing have not thus far developed such a plan. In response to staff questions, the Department of Human Services responded that:

> "The decision for ICF/MR conversion for the regional centers is not related to and does not affect ICF/MR growth in the community. DHS/DDD does not control the ICF/MR benefit, HCPF does. DHS/DDD is one of many providers reimbursed as a state plan provider. HCPF's decisions, in this regard, relate to ICF/MR in terms

> of administering the state plan benefit. DHS/DDD's decision relates to ICF/MR only as a provider. All providers, DHS/DDD Regional Centers and community providers have the right, now, to operate as an ICF/MR if Medicaid conditions of participation are met. The ICF/MR is a state plan benefit - any willing and qualified provider may enroll to provide Medicaid state plan benefits. Whether a Regional Center converts does not influence that right by others."

Staff would note that HCPF's previous approach to ensuring ICFs/MR were cost effective was to try to require ICFs/MR to be of a particular (larger) size. It has not thus far been able to get such a rule through the Medical Services Board; however, *if the Department of Human Services proceeds to open small-scale ICFs/MR, it will not be feasible to put such limitations in place.* Staff is concerned by the Department of Human Services' response to the extent that appears to reflect a Human Services attitude that ICF/MR growth is a "HCPF problem" From staff's perspective, growth of ICFs/MR statewide will limit funds available for the HCBS-DD program--which is managed by the Department of Human Services. Thus, staff would hope that the Department of Human Services would be closely involved in work on the ICF/MR issue.

Unknown Impacts of Further Waiver Program Changes. There is no question that the regional centers have struggled to-date with various restrictions imposed by the HCBS funding stream, including adequate access to doctors in the community. Staff recognizes that this is serious problem that needs to be addressed, and staff does anticipate that, eventually, some regional center beds will be converted to ICFs/MR. The State will be affected by additional waiver program changes at the regional centers as of July 1, 2008 (e.g., removal of case management). However, (1) any additional programmatic and fiscal impacts of waiver program changes will need to be borne by two of the three regional centers, even if Wheat Ridge conversion to ICF/MR was approved immediately; (2) the impacts, at least from a fiscal perspective, are not yet clear. In particular, the Department has indicated that the vast majority of regional center clients are expected to fall into a "tier 7" funding category, for clients with unusual costs whose profiles do not fall within a typical range. For these clients (and similar clients in the community), the Department has already indicated that it intends to continue to maintain prior rates–though it has also expressed an intent to study each placement individually, and, staff understands, ultimately place these clients in tiers also. This would likely occur in FY 2009-10. Such assessments have not yet beeen completed. As a result, there is not yet any way to know the financial scale of the new waiver program changes on the regional centers.

Total Scope and "Reasonableness" of Regional Center Funding Needs Compared to Community-based Costs. During the staff budget briefing, staff also noted an ongoing concern that overall costs of operating the regional centers should not be excessively different from community placements–except to the extent that the services offered are unique or different. In general, staff assumes that costs in state-operated facilities will be higher than those in equivalent community placements, based on somewhat higher state salary scales and the overall indirect costs of a state-operated system. Nonetheless, an excessive discrepancy raises the question of whether limited state resources are being used efficiently. In its budget hearing response, the Department provided data demonstrating that regional center clients generally have more severe needs than individuals served in the community. However: (1) approximately 20 regional center clients currently do not have the highest level of needs; and, (2) for those that do, at least initially, individuals whose funding needs fall outside the norm (both in the community and the regional centers) will continue to be funded at their prior level until the Department has completed individual assessments. As these assessments have not been completed (either in the regional centers or in the community) and are not expected to be completed until the end of FY 2008-09, there is apparently not yet good data available with which to determine how state costs compare with community costs for serving comparable clients

Personal Services

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommend
Direct Care	695.3	694.3	688.0	688.0
Medical, Dental, Therapy, Pharmacy	144.8	147.5	153.8	153.8
Food Service, Physical Plant	15.0	13.8	13.8	13.8
Medical Records/Clerical	29.8	23.8	23.8	23.8
Management	22.2	22.5	22.5	22.5
Annualize FY 08 DI #1	n/a	n/a	14.5	14.5
Supplemental #4A	n/a	39.4	0.0	0.0
Decision Item #6	n/a	n/a	41.1	43.0
TOTAL	**907.1**	**941.3**	**957.5**	**959.4**

The personal services line item funds FTE and associated contract services necessary to operate the state's three Regional Centers. The Department request and staff recommendation are reflected in the table below.

	Department Request		**Staff Recommendation**	
	Amount	**FTE**	**Amount**	**FTE**
FY 2007-08 Long Bill	41,781,411	901.9	41,781,411	901.9
FY 08 Salary Survey	1,564,223	0.0	1,564,223	0.0
FY 08 Perform. Pay (80%)	424,644	0.0	424,644	0.0

	Department Request		Staff Recommendation	
SAED	102,991	0.0	0	0.0
Common Policy P.S. Reduc.	0	0.0	(437,703)	0.0
Annualize FY 08 DI #1	479,556	14.5	479,556	14.5
Decision Item #6 (RC Staff)	1,556,949	41.1	1,414,303	43.0
Client Cash Adjustment	0	0.0	0	0.0
FY 08-09 Total Approp.	$45,909,774	957.5	45,226,434	959.4

The differences between the staff recommendation and the Department request are detailed below.

Common Policy

Differences and similarities are as follows:

- The Department request and staff recommendation both include salary survey and 80 percent of performance pay awarded in FY 2007-08
- The Department's request builds Supplemental Amortization Equalization Distribution (SAED) of $102,691 into the base, while JBC common policy includes SAED in "pots"
- The staff recommendation includes the Committee's common policy reduction of 1.0 percent, which translates to a reduction of $434,703 at the regional centers. The request reflected no common policy reduction, as the regional centers received a "waiver" from the common policy 0.2 percent OSPB reduction.

Although not included in the recommendation, the Committee may wish to "add back" amounts related to the 1.0 percent common policy reduction. Approximately 65.0 percent of staff at the regional centers are direct care staff (defined as staff who have received shift-differential in the prior year). These positions must be continually covered. Thus, when vacancies occur in these positions, the Department must cover the positions through pool staff or overtime to maintain basic required staffing ratios. As a result, the Department has less flexibility in managing associated costs for these positions than it does for other staff positions. As reflected in Supplemental 4A, the regional centers faced severe problems managing within their appropriations in FY 2007-08 due *in part* to the severity of clients served. During the latter half of FY 2007-08, the regional centers propose to meet their budget (even with the supplemental) through a hiring freeze and reassigning clinical staff and administrative staff to direct care. Staff presumes this is not sustainable. In light of this, staff believes it will be difficult for the regional centers to manage the 1.0 percent cut. However, *the annualization of last year's Decision Item #1 ($479,556) will assist the Department in covering the 1.0 percent reduction if necessary.*

Annualization FY 2007-08 Decision Item #1

Both the request and recommendation include $479,556 and 14.5 FTE to annualize FY 2007-08 Decision Item #1 to increase staffing intensity at the regional centers. This request added a total of 30.0 FTE for the regional centers for one half year, resulting in the FY 2008-09 annualization.

Decision Item #6

The Department's request included $1,556,949 and 41.1 FTE in this line item. This included funding for staff for 6.7 months and was requested to annualize to $3,266,708 and 73.8 FTE in FY 2009-10. As discussed in detail above, this request included additional adjustments in other line items.

In lieu of the request, and as is discussed further above, the staff recommendation reflects continuing (with annualization), the 43.0 FTE added in FY 2007-08 through Supplemental 4A for a total cost of 1,414,303 in FY 2008-09. Because these staff will already be employed at the beginning of the year, there is no annualization for FY 2009-10.

Staff Recommendation: Additional Client Cash Adjustment

Client cash revenue for the regional centers derive from three sources: (1) room and board for waiver clients; (2) Post Eligibility Treatment of Income (PETI) from waiver clients; and (3) patient pay from ICF/MR clients. Room and Board rates reflect SSI federal allocations less $54 dollars per month (including 2007 increase) for personal spending. PETI income is from waiver clients who do not qualify for SSI. To maintain eligibility for the Medicaid waiver program, they must turn over excess income to offset their Medicaid cost of care. The amount from an individual patient can vary from $1 to $1,101 per month and varies based on patient mix. Patient pay from ICF/MR clients is from ICF/MR clients who receive benefits and/or earn wages. Such clients are permitted to keep the first $50 for personal spending money. Benefits above this and/or excess wages must be paid to the State. (Excess wages are calculated as ½ of the amount earned over $65). Currently the amount from an individual patient can vary from $0 to $979 per month. Like PETI, this amount is subject to change depending upon the patient mix.

In response to staff questions, the Department provided updated estimates of the client cash level for FY 2008-09. **The staff recommendation includes an adjustment to increase cash funding by $55,270 and decrease Medicaid funding by the same amount, to bring overall cash amounts to the level reflected below.**

	Waiver Room/Board	Waiver PETI	ICFMR Patient Pay	Total
FY 2008-09 Projection	$1,946,304	$266,940	$478,032	$2,691,276
FY 2007-08 Long Bill	$1,867,616	$282,722	$485,668	$2,636,006
Recommended CF Chg	$78,688	($15,782)	($7,636)	$55,270

For purposes of staff and Department working papers, all cash revenues to the regional centers have been reflected in the personal services line item. In the Long Bill, however, all regional center funding splits are reflected in the bottom-line only, and this cash therefore supports all regional center functions.

Additional Net General Fund Adjustment

The staff recommendation also includes an adjustment to the net General Fund appropriation for this section. This adjustment is not visible in the Department of Human Services but only in the corresponding Medicaid appropriation in the Department of Health Care Policy and Financing. Pursuant to H.B. 03-1292, the regional centers are assessed a fee that has the effect of drawing down additional federal Medicaid funds and offsetting General Fund required in the Department of Health Care Policy and Financing. Regional Center fee amounts were anticipated to total $821,668 in FY 2007-08 and are projected to total $900,029. **The net impact is a decrease in the net General Fund associated with this program of $78,341.** *Note that staff believes that the state savings and budget changes associated with regional center fees may not be reflected correctly; staff will bring in a technical comeback if required.*

Reappropriated Funds

All funds previously identified as "cash funds exempt" in this section will now be identified as "reappropriated funds". Amounts previously identified as "cash funds" will remain in this classification.

Operating Expenses

The Department request and staff recommendation are summarized in the table below.

	Request	**Recommendation**
FY 2007-08 Long Bill	$2,230,701	$2,230,701
Annualize FY 08 DI #1	(2,170)	(2,170)
DI 6 (Regional Center staff)	277,891	40,850
Total	$2,506,422	$2,269,381

As reflected in the table:

- The request and the recommendation include annualization of one-time costs related to FY 2007-08 Decision Item #1.
- The request includes $277,891 for Decision Item #6. This was requested to annualize to $446,551 in FY 2009-10. This portion of the request (discussed in detail above) included $52,902 (annualizing to $43,587 in FY 2009-10) for personal-services-related operating costs (e.g., supplies, computers, telephone). The balance ($224,989 in FY 2008-09 and $402,964 in FY 2009-10) was for adaptive equipment, medical supplies, and disposable briefs previously billed through Medicaid State Plan that were requested to be billed by the Wheat Ridge Regional Center as a result of conversion to ICF/MR status. In theory, this portion of the increase should have been offset by a related decrease for Medicaid Premiums; however, an associated request from the Department of Health Care Policy and Financing did not include this reduction.
- The staff recommendation includes $40,850 for Decision Item #6. This reflects the ongoing operating costs associated with the 43.0 FTE added in FY 2007-08. There is no associated annualization for FY 2009-10.

General Fund Physician Services

The request and recommendation are summarized in the table below.

	Department Request		Staff Recommendation	
	Amount	**FTE**	**Amount**	**FTE**
FY 2007-08 Long Bill	244,460	1.5	244,460	1.5
Decision Item #6	(89,333)	(0.6)	0	0.0
FY 2007-08 Total	155,127	0.9	244,460	1.5

As reflected in the table, the Department's request included a reduction of $89,333 General Fund and 0.6 FTE in this line item associated with the proposed conversion of Wheat Ridge regional center to an ICF/MR. As discussed above, staff has not recommended the ICF/MR conversion component of the Department's request; therefore, staff has not included the associated reduction.

Capital Outlay - Patient Needs

This line item provides funding for the purchase of capital equipment that is used by or on behalf of the residents of the Regional Centers. Such equipment includes therapeutic, medical, and adaptive equipment; program equipment and technical aids; health and safety repairs and equipment; and furnishings and environmental improvements. **Staff recommends the Department's request for a continuation amount of $80,249.**

Leased Space

Leased space funds are generally requested for group homes operated by the Regional Centers. However, at the Pueblo Regional Center, Developmental Disabilities Services leases space for regional center administration at Pueblo West. The Pueblo Regional Center building also contains the maintenance shop and an area for program service delivery to some persons residing at the Pueblo Regional Center. For the Wheat Ridge Regional Center, the line item provides funding for residential houses for residents living off-campus. **Staff recommends the request for a continuing appropriation of $200,209.**

Resident Incentive Allowance

This line item provides funding for payments to persons residing at the Regional Centers for services provided to the institution. Those services include such activities as washing vehicles, food preparation, and janitorial services. **Staff recommends the Department's request for a continuation amount of $138,176**

Purchase of Services

This line item provides funding for the purchase of contractual services such as security and laundry, as well as various maintenance agreements at the three regional centers. Contracts included are:

- Pueblo Regional Center: A contract between the Colorado Mental Health Institute at Pueblo and the Pueblo Regional Center to provide laundry services, vehicle maintenance, and medical services.

- Wheat Ridge Regional Center: A contract for laundry services.

- Grand Junction Regional Center: Various medical contracts, telephone maintenance contract, lawn maintenance contract, and a contract for pest control.

Staff recommends the Department's request for a continuation amount of $262,661.

ICF/MR Adaptations

This is a new line item requested pursuant to Decision Item #6. The Department requested $240,000 General Fund for this line item for FY 2008-09. This amount was requested to annualize to $0 in FY 2009-10. Consistent with the staff recommendation for Decision Item #6 discussed above, **staff does not recommend an appropriation for this line item.**

Institutional Programs Overall Funding Methodology

Overall funding for this section uses applicable patient (client) cash Social Security Income and other payments, with the remainder funded by Medicaid funds transferred from the Department of Health Care Policy and Financing. Staff's recommendation for funding sources reflects the adjustments discussed with respect to the personal services line item.

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

DEPARTMENT OF HUMAN SERVICES MEDICAID-FUNDED PROGRAMS, Services for People with Disabilities - Medicaid Funding, Regional Centers - Depreciation and Annual Adjustments

The staff recommendation includes **continuation** of this line item that appears only in the Department of Health Care Policy and Financing. The line item enables the State to capture depreciation payments from federal authorities associated with the regional centers. The line item was added through an FY 2003-04 supplemental to reflect a historic Department practice. *Staff recommends that it be continued with a modification in the total amount in the line item, previously appropriated at $1,267,579 for FY 2007-08 and* ***recommended at $1,142,912 for FY 2008-09.***

Depreciation amounts--allowed by federal authorities--have been included in the daily rates the Department of Human Services charges to the Department of Health Care Policy and Financing for regional center consumers (all of whom are Medicaid-eligible). However, because depreciation is associated with a past expenditure and is not an operating expense that is included in the Department of Human Services operating budget, the Department of Human Services has never had the right to spend these moneys. Instead, the depreciation amounts paid by HCPF (which are based on a standard 50-50 General Fund-federal funds match) are reverted at the end of the year. Recording depreciation allows the State to draw down federal dollars which are then reverted at year end, thus benefitting the State. The table below reflects the anticipated impact of this practice assuming continuation for FY 2008-09.

	FY 2008-09 Depreciation and Annual Adjustments Appropriation in HCPF	FY 2007-08 Actual Depreciation Expenditures	FY 2007-08 Funds reverted to Capital Construction (1/3) and HUTF (2/3)	FY 2008-09 HUTF & Capital Construction $$ Available for Appropriation
General Fund	$571,456	$0	$571,456	$1,142,912
federal funds	$571,456	$0	$571,456	$0
Total	$1,142,912	$0	$1,142,912	$1,142,912

- In essence the result of the depreciation appropriation is to provide a 100 percent return on investment per year for "investing" General Fund in the depreciation line item.

- Note that, under the provisions of Section 24-75-218, C.R.S., two-thirds of reversions are currently allocated to the Highway Users Tax Fund (HUTF) and one-third to the Capital Construction Fund. Thus, pursuant to current law, the State is obtaining a 100 percent federal match on General Fund moneys appropriated to this line item, but the General Assembly is then effectively transferring the total to the HUTF and the Capital Construction Fund;

- The decrease from the FY 2007-08 base reflects revised depreciation figures based on straight-line depreciation calculations by the Department that are required for federal cost reporting.

Footnotes and Information Requests

None. No footnotes are continued and no new footnotes or information requests are recommended for this section.

(Former 3) Services for Children and Families

This section previously reflected community services for children provided and coordinated by the 20 Community Centered Boards, including : 1) early intervention (EI) services to children under three years of age exhibiting a developmental delay; 2) family support services (FSSP) to families with children with developmental disabilities; and 3) children's extensive support (CES) services to children whose medical or behavioral needs are so extreme that they are at risk of out-of-home placement. This section was eliminated in FY 2007-08 and all associated funding was moved to the Developmental Disability Services, Community Services section.

Administration

This line item was eliminated and funding and FTE merged into the Community Services, Personal Services line item in FY 2005-06.

Program Funding

This line item previously reflected funds the direct services portion of three state programs for children with developmental disabilities and their families: early intervention, family support services, and the Children’s Extensive Support Program, excluding the case management portion (which was previously included in the former Community Services, Adult Program Costs line item). The line item was eliminated and funding consolidated in the new Community Services, Program Costs line item in FY 2007-08.

Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C).
This line item previously reflected the federal grant that assists states in providing special education and related services to children with disabilities who are under age 3. It was moved to the Developmental Disability Services, Other Community Programs section in FY 2007-08.

Child Find
A one-time $1.0 million General Fund supplemental adjustment was provided in FY 2006-07 to address costs associated with "child find" activities for children under the age of three. This was associated with an Executive Order that moved responsibility for Part C of the Individuals with Disabilities Education Act to the Department of Human Services from Department of Education. Associated with this, some school districts refused to provide Child Find services for children under the age of three without compensation during FY 2006-07. During the 2007 legislative session, the General Assembly passed S.B. 07-255 (a JBC bill) that clarified the responsibilities of the Departments of Education and Human Services related to Child Find and provided a related appropriation to the Department of Education starting in FY 2007-08. There has been no associated funding request for the Department of Human Services since the FY 2006-07 supplemental.

(4)Work Therapy

Program Costs
This line item consists of the Work Therapy Enterprise Funds for the Colorado Mental Health Institute at Fort Logan and the Regional Centers for persons with Developmental Disabilities at Grand Junction, Pueblo, and Wheat Ridge. These funds support sheltered workshop programs for training and employment of clients. Revenue is derived from contracts with area businesses and organizations for custodial services, printing, packaging, mailing, and other types of manual processing that can be performed by program clients. Enrolled clients are paid from funds received in proportion to the work performed.

The program serves over 300 persons residing at the three regional centers and at the Fort Logan Mental Health Institute. Historically, 55 percent of the spending authority was allocated to Fort Logan, with the balance going to the regional centers. In FY 2005-06 the balance was shifted to give the regional centers over 65 percent of the spending authority, as Fort Logan was not using the program at the level allocated.

The Department request reflected a continuation level of funding with a minor personal services adjustment for SAED. **Staff recommends a continuation level of $464,589 and 1.5 FTE.** Of this amount, $93,827 is for personal services and $370,762 is for operating costs. This does not include the Department's SAED adjustment. Further, the staff recommendation reflects shifting all amounts previously reflected as "cash funds exempt" into the cash funds category, as there is no evidence that any of the program activities derive revenue from other state agencies. Finally, staff notes that the Department's FY 2006-07 expenditures were far below the appropriation. If this trend continues, it may be appropriate to reduce the appropriation in future years.

(B) Division of Vocational Rehabilitation

The Division of Vocational Rehabilitation assists people whose disabilities result in barriers to employment or independent living to attain or maintain employment and to live independently. The Division has field and satellite offices in 43 locations throughout the State, where rehabilitation counselors work with clients to assess needs and identify appropriate services. For rehabilitation programs, the federal government provides reimbursement for 78.7 percent of eligible expenditures up to the total annual federal grant for the State. In Colorado, the match for these expenditures includes General Fund (Rehabilitation Programs - General Fund Match) and local government funds, primarily from school districts (Rehabilitation Programs - Local Funds Match). The Division also administers federal and state grants to assist individuals with disabilities to live independently, including grants to independent living centers throughout Colorado and grants for programs that assist older blind individuals. Two major issues are currently confronting the Division: limits on the availability of federal funds for vocational rehabilitation programs and the growth of unspent "deferred revenue" from Local Match programs on the Department's books. Each of these issues is reviewed below.

Federal Funds Available

The table below compares recent appropriations in the Long Bill and federal funds available to the State. Each annual federal grant may be expended over a two-year period. If it does not appear that the State will be fully able to use its grant, the funds are redistributed to other states via a reallocation process; similarly, if the State needs additional federal funds, it may apply for a redistribution share. The table below compares federal fiscal year allocations and state fiscal year projected spending for FY 2007-08 and FY 2008-09. As reflected in the table, the State is applying for $4 million in reallocated funds for FY 2008-09. However, it also applied for such a reallocation for FFY 2007-08 and received <u>almost none</u> of the request. Thus, there is no guarantee that Colorado will receive a significant reallocation. *If it does not, staff projects funding will be available for FY 2008-09, but the State will have to begin making significant cuts to its rehabilitation programs in FY 2009-10.* As shown in the table, **the annual federal allocation in FY 2007-08 was $5.5 million below the annual state appropriation of federal rehabilitation funds, and a similar gap is projected in future years.**

		Estimated Use FF Award in SFY	
	Federal Award	**SFY 2007-08**	**SFY 2008-09**
FFY 2006-07	$34,772,217	13,142,718	n/a
FFY 2007-08	35,989,640	28,368,227	7,621,413
FFY 2008-09 Est.	35,989,640	0	29,387,255
Reallotment Request	*4,000,000*	*0*	*4,000,000*
FFY 08-09 w/Reallotment	39,989,640	0	0
Total (matches LB Approp/Request)		41,510,945	41,008,668
Dif. annual FF allotment and state appropriation		(5,521,305)	

For many years, the Department was not able to draw down the full federal rehabilitation grant available. This was partly due to having insufficient matching funds and partly due to not being able to spend the funds available on a timely basis. As a result, the Department gave up portions of its federal allocation to the national redistribution process. The Division's award was reduced by $5.0 million in FFY 2001-02, $5.0 million in FFY 2002-03, $4.0 million in FFY 2003-04, $3.7 million in FFY 2004-05, and $1.5 million in FFY 2005-06. The State's inability to fully draw down its federal allocation, and the subsequent reversal of this trend, was tied in part to an FY 2004-05 rehabilitation programs appropriations cut of $1.2 million General Fund (and matching $5.6 million federal funds) and a subsequent restoration starting the last quarter of FY 2005-06 that annualized to $1.8 million General Fund per year and should have enabled the State to draw down an additional $6.7 million federal fund. Federal funds may not, it now appears, be routinely available at this level (despite the Department's assertions at the time).

Deferred Revenue

As discussed in the staff budget briefing, as of the close of FY 2005-06, the Department reported a total of $1,685,154 in deferred cash revenue remained on the Division of Vocational Rehabilitation's books. At the close of FY 2006-07, the deferred revenue balance was $2,034,483. **The Department indicates that as of February 12, 2008, its current deferred revenue balance is $3,140,677**.

In response to staff questions, the Department provided a projection for its FY 2007-08 and future years revenue and expenditures. **The Department's projection reflected full spend-down of all deferred revenue by the end of FY 2009-10, based on an assumption that all funds would be used to address development of the Division's case management computer system (discussed below)**. The table below shows, instead, a projection for deferred revenue without any adjustments to expenditures, as none have been requested or approved to date. Given the February 2008 deferred revenue balance, it seems likely that this projection under-states growth in these funds.

Staff Estimate - Deferred Revenue Growth				
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Beginning Deferred Revenue Balance	1,656,251	2,034,483	2,578,596	2,638,313
Estimated Revenue	5,167,582	5,794,642	5,319,041	5,408,045
Projected Expenditures	4,789,350	5,250,529	5,259,324	5,259,324
Projected Ending Deferred Balance	**2,034,483**	**2,578,596**	**2,638,313**	**2,787,034**

Source: Department actual information for FY 2006-07 and Department projected revenue figures for FY 2007-08, FY 2008-09 and FY 2009-10. FY 2007-08 expenditures are based on the cash and cash exempt appropriations for the Vocational Rehabilitation - Local Funds Match line item and FY 2008-09 and FY 2009-10 expenditures are based on the staff recommended appropriation for cash and reappropriated funds for the Local Funds Match line item for FY 2008-09.

The majority of revenue reflects receipts from the Department of Education on behalf of school districts for the School to Work Alliance Program. The funds represent local match that will be recognized as revenue and can be spent (with a federal match 78.7 percent federal/21.3 percent local funds or better) if spending authority is provided by the General Assembly.

To understand the origin of the deferred revenue, it is important to note two facts:

- The Department often only promises to provide local agencies with a 1:1 match, even though the Department receives federal reimbursement at the rate of 78.7 percent on all qualifying expenditures, *i.e.*, the Department receives federal VR match of $3.69 for every $1 of local match it receives. For the SWAP program, for example, it provides the local agency with $1 of the federal funds and retains the balance of $2.69 federal funds to spend both on activities that support the local match program and on "core" vocational rehabilitation programs. Thus, the Department may completely fulfill its contractual agreement with a local agency without having expended all of the funds it has received associated with the local match.

- The Department is only able to draw down federal financial participation based on actual expenditures for qualifying services. Even when the Department has fully met its obligations to local contracting agencies, it has not always been able to identify sufficient additional"core" services on which to expend the balance of funds before the end of the year. Since it is unable to draw down the federal funds in the absence of expenditure, a significant portion of local match revenue has gone into a "deferred revenue" account.

The table below demonstrates the process.

	Potential revenue, based on local contribution of $1 (A)	Amount to be returned to local agency in funds/services (B)	Balance retained by VR for use on related and "core" VR services (C)	Deferred revenue if funds in (C) are not expended (D)
Local agency (CF/CFE)	$1.00	$0.42	$0.58	$0.58
Federal funds	$3.69	$1.58	$2.11	Pending
Total	$4.69	$2.00	$2.69	**$0.58**

The Department has indicated that it is adjusting contracts to provide local agencies with a larger share of the federal match, and this could stem the growth of deferred revenue in the future.

At least a portion of the Department's deferred revenue could be used on a one-time basis to substitute for General Fund otherwise required**. Staff believes the JBC could easily choose to substitute $1 million of the FY 2008-09 General Fund request for the Division on a one-time basis for deferred revenue, particularly given the ongoing growth of deferred revenue. This is not included in the staff recommendation; but the Committee should be aware of it as it attempts to balance FY 2008-09 appropriations.**

In prior years, the Department has proposed spending down its deferred revenue primarily on one-time projects. Further, during the FY 2008-09 budget hearing, the Department noted that it might need to spend deferred revenue without federal match, in light of the federal match problems discussed above. **Most recently, the Department has approached staff to request that the deferred revenue be held to address the Department's anticipated needs with respect to its case management computer system, which was initially funded with federal social security reimbursements but which has faced ongoing development problems.**

The Department issued an RFP for this case management system known as RISE in early FY 2004-05, intending to fund it entirely through off-budget federal funds. Thus, ***this project was not brought to the General Assembly's attention or reviewed through usual budget processes***. It signed a contract with a vendor (HCL America) in March 2005. The RISE system was expected to replace a 1980s system that is required to comply with federal reporting requirements. The Department has thus far spent $2,652,109 on the new system and has encumbered an additional $1,155,702 for the system.

Due to problems with the system, it has now contracted with another vendor (Ciber, Inc.) to 1) perform an assessment of the RISE system developed to date; 2) evaluate all the options; and 3) work with DVR to provide the data necessary to determine the best approach by the end of May, 2008 that will deliver solutions to meet DVR's system requirements. The Department indicates that it does not yet know how much will be required to fix the system and it would like the General Assembly to hold-off on any further use of its deferred revenues until it has a better sense of this need. The table below shows: (1) social security funds received and anticipated; and (2) funds expended and available for the RISE system in FY 2008-09.

SSA Cost Reimbursement Funds Received
Actual for State Fiscal Years 2005, 2006, 2007
Projected for State Fiscal Years 2008, 2009

	FY 2004-05			Current	Proj.	Proj.
SSA Cost-Reimbursement	**Balance Forward**	**FY 2005-06**	**FY 2006-07**	**FY 2007-08**		**FY 2008-09**
Balance Forward	$1,456,774					
# SSA Claims Approved		95	80	36	87	75
SSA Funds Received		$877,106	$780,073	$283,974	$875,524	$813,741
Cumulative Total	*$1,456,774*	*$2,333,880*	*$3,113,953*		*$3,989,477*	*$4,803,218*

Projected Balance in SSA Cost Reimbursement Funds June 30, 2008 and June 30, 2009:

Cumulative Total SSA Funds Received 2005, 2006, 2007, 2008	$ 3,989,477
Expenditures for RISE 2006, 2007, 2008	(2,652,109)
Encumbrances for RISE 2008	(1,155,702)
Projected SSA Balance June 30, 2008	$ 181,666
Projected Funds to be Received 2009	813,741
Expenditures for RISE 2009	(unknown)
Projected SSA Balance June 30, 2009*	$ 995,407

*Projected balance does not include any RISE expenditures for FY 2008-09

In sum, if the total amount required to fix the RISE computer system in FY 2008-09 is greater the $995,407 Social Security revenue anticipated to be received (something it will not know until May 2008), the Department proposes to request that some or all of its $2 to $3 million in available deferred revenue be used to cover the difference.

Social Security Revenue

The Division receives annual payments from the Social Security Administration, based on the number of individuals who have been removed from federal Supplemental Security Income roles, based on their involvement with the Division and subsequent employment. In light of the computer system issues discussed above, **staff is recommending the addition of a new Long Bill line item *for informational purposes only* that reflects projected revenue and expenditures from this source.**

<u>Rehabilitation Programs - General Fund Match</u>

The major activities of this program are to work with disabled individuals to obtain services that help the client gain and maintain employment. Core rehabilitation services include: counseling and guidance, job development or placement, mental restoration service, occupational licenses, tools, and equipment, physical restoration services, assistive technology, specialized services for a specific disability, telecommunications services and training. Because the focus of this program is employment, services generally do not include medical treatment or rehabilitation. As a result of General Fund reductions, beginning March 2003, the Division only served customers determined to have a "significant" or "most significant" disability, meaning that an individual must be seriously limited from achieving employment due to serious functional losses in three or more "functional capacities", such as mobility, communication, or self-care. Further, during this period, a significant portion of customer services previously funded through this line item were funded through the Rehabilitation Programs - Local Match line item, using a portion of the federal match received from programs in which cash and cash exempt sources provide the match for federal funds

Beginning in the last quarter of FY 2005-06, General Fund support for the Division that had been cut associated with revenue shortfalls was fully restored and additional funding was provided. **A total of $5.8 million , including $1.2 million General Fund was cut from this line item in FY 2004-05; an annualized amount of $8.45 million, including $1.8 million General Fund was restored and added for FY 2006-07**. Associated with this, restrictions requiring the Division to serve only those with more significant disabilities were removed, and the Division has been opening additional offices statewide.

During FY 2006-07, the program had an active caseload of 19,730 (including eligibility determinations), and 2,375 persons had successful closures, defined as employment for 90 days or more. Thus, the total annual state expenditure per successful closure was $19,288 (based on total program costs divided by successful closures). Of applicants who are determined eligible for services *and develop an employment plan*, approximately 65.0 percent achieve successful employment. The Division estimates that $7.2 million was added to the Colorado economy in FY 2006-07 based on the first three months of work of individuals who achieved successful employment, *i.e.*, individuals with successful closures increased their monthly income by approximately $1,000 per month over their income prior to the program, an increase of 346 percent, on average.

Staffing Summary	FY 2006-07 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Counselors/Therapists	128.0	143.3	143.3	143.3
Administration/Support	66.0	81.4	81.4	81.4
Total	194.0	224.7	224.7	224.7

In total, staff recommends $24,104,483, including $5,127,841 General Fund, and 224.7 FTE, for this line item. The amount includes the adjustments reflected below.

	Request		Recommend	
	Amount	FTE	Amount	FTE
FY 2007-08 Long Bill	$23,712,393	224.7	$23,712,393	224.7
Salary survey	376,032	0.0	376,032	0.0
Performance Pay (at 80% of FY 08 award)	125,156	0.0	125,156	0.0
SAED	31,272	0.0	0	0.0
Common policy personal services reduction	(25,018)	0.0	(131,770)	0.0
Community provider cost of living adjustment	32,339	0.0	22,672	0.0
Total	$24,252,174	224.7	$24,104,483	224.7

The estimated break-down of the appropriation by spending category is reflected in the table below. Fund splits for this line item are based on a 21.3 percent General Fund/ 78.7 percent federal fund match rate for DVR federal funds, with the exception of in-service training, most of which is funded at 10.0 percent General Fund/ 90.0 percent federal funds.

	Request	Recommend	GF Percent
Personal Services	$13,146,254	$13,008,225	21.3%
Operating Expenses	1,249,163	1,249,164	21.3%
In-service Training	61,330	61,332	10.0%
Customer Services	2,457,787	2,464,177	21.3%
Purchase of Services	7,337,640	7,321,585	21.3%
Total	$24,252,174	$24,104,483	

The differences between the request and recommendation are reviewed below.

Common Policy Differences

- Per Committee common policy, staff included a 1.0 percent personal services reduction; the Department's request reflects a 0.2 percent reduction. Further, the Department's request places SAED in the base of line items; per common policy, staff will include SAED amounts in a "pot" in the Executive Director's Office.

- The staff recommendation reflects the 1.5 percent common policy community provider cost of living adjustment applied to a base of $1,511,483. This figure reflects a portion of the line item that is estimated to be used to purchase services for customers (object codes 2820 - other purchased services; and 4193 - care and subsistence client benefits) in FY 2007-08. These object codes include costs associated with medical evaluations; evaluations of mental, emotional and cognitive conditions; non-medical assessments such as vocational assessments, physical and mental restoration services, training services, such as work adjustment services, academic training, vocational training, supportive services, such as transportation and personal assistance, and payments for interpreters, readers, and assistive technology, and payments to public institutions such as public colleges, community colleges, and vocational and trade schools. The Department appears to have used a higher base on which a 1.35 percent increase was calculated.

There is no overlap between the portions of the line item receiving community provider, medical inflation, and personal services common policy increases.

<u>Rehabilitation Programs - Local Match</u>

The major activities of this program are to work with disabled individuals to obtain services that help the client gain and maintain employment. All of the required match for federal funds in this line item is obtained from local sources, including: donations, funds from local governments interested in extending vocational rehabilitation services to qualified participants in the Temporary Assistance to Needy Families (TANF) program, and school districts participating in the School-to-Work Alliance Program (SWAP) program. In the SWAP program, school districts provide the required match for federal funds and in return receive a 1:1 match on their original contribution ($2.00 of funding back for every $1.00 they contribute). These funds are used to provide job development, on-the-job training, and job-site support to students with disabilities. Additional federal funds received by the Division in excess of the federal funding provided to the school district ($2.69, based on the 21.3 percent non-federal to 78.7 percent federal match) are used to support other core vocational rehabilitation services. The program operates in 149 (85 percent) of the state's 178 school districts and expects to serve over 3,000 youth annually. Over 66 percent of youth served had successful employment outcomes (stable employment for 90 days or more) in FY 2006-07.

In addition, this line item includes funds from other state and local agencies that have contracts with the Division to provide services to their clients. This includes contracts with community colleges and the Department's Mental Health Services section, among others. In these two examples, community college funds and General Fund transferred from Mental Health Services provide the match for federal vocational rehabilitation dollars.

Similar to the Rehabilitation Programs- General Fund Match line item, state and local funds cover 21.3 percent of the cost of services in return for the federal vocational rehabilitation dollars. As a result of changes made in FY 2004-05, virtually all of the non-federal match in this line item is not subject to TABOR. The majority of this (87 percent) is funding from school districts that is reflected in the state accounting system as a transfer from the Department of Education. All appropriation changes reflected below are based on a match of 21.3 percent cash funds exempt to 78.7 percent federal funds.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
Counselors/Therapists	12.0	25.0	25.0	25.0
Administration/Support	1.8	2.0	2.0	2.0
Total	13.8	27.0	27.0	27.0

The request and recommendation are compared in the table below.

	Request		Recommend	
	Amount	FTE	Amount	FTE
FY 2007-08 Long Bill appropriation	$24,571,740	27.0	$24,571,740	27.0
Salary Survey	31,889	0.0	31,889	0.0
Performance based pay at 80%	10,519	0.0	10,519	0.0
SAED	4,606	0.0	0	0.0
Common policy personal services reduction	(3,684)	0.0	(11,591)	0.0
Community provider cost of living adjustment	270,468	0.0	266,587	0.0
Reduction to annualize prior year decision item	0	0.0	(249,000)	0.0
Total	$24,885,538	27.0	$24,620,144	27.0

The table below provides a break-down of the primary components of the request and recommendation. Note that the customer services identified reflect, in significant part, customer service expenditures for all vocational rehabilitation services clients and not just clients who are served directly through cash-funded programs like the SWAP program.

	Request	Recommend
Personal Services	$1,892,755	$1,880,245
Operating Expenses	2,193,368	2,193,371
Customer Services	20,799,415	20,546,528
Total	24,885,538	24,620,144

The staff recommendation and Department request are reviewed below.

Common Policy Differences

- The staff recommendation includes the 1.0 percent Committee common policy reduction, while the Department's calculation includes a 0.2 percent personal services reduction. Additionally, the request included SAED in the line item, while common policy is to include it in "pots" in the EDO.

- The staff recommendation reflects the 1.5 percent common policy community provider cost of living adjustment applied to a base of $17,772,478. This figure reflects a portion of the line item used to purchase services for customers (object codes 2820 - other purchased services; and 4193 - client benefits). These object codes include costs associated with medical evaluations; evaluations of mental, emotional and cognitive conditions; non-medical assessments such as vocational assessments, physical and mental restoration services, training services, such as work adjustment services, academic training, vocational training, supportive services, such as transportation and personal assistance, and payments for interpreters, readers, and assistive technology, and payments to public institutions such as public colleges, community colleges, and vocational and trade schools. The Department appears to have used a higher base on which a 1.35 percent increase was calculated.

There is no overlap between the portions of the line item receiving community provider, medical inflation (if applied), and personal services common policy increases.

Annualization - FY 2007-08 Decision Item GBA #3/Uses of Deferred Revenue

For FY 2007-08, the Department requested additional spending authority to use some of its deferred revenue to (1) maintain the Disability Navigator Program (including 9.0 FTE transferred from the Department of Local Affairs; and (2) for various one-time initiatives. Although not reflected in the request, the staff recommendation is to eliminate the spending authority for the portion of the FY 2007-08 decision item that was for one-time projects (funding for Disability Navigators to be maintained). In light of the issues surrounding deferred revenue and available federal funds, staff would like to continue to see specific project proposals related to expenditure of these moneys. **Staff recommends an adjustment for annualization of FY 2007-08 GBA #3 that reduces the total recommendation by $249,000 total funds, including $53,037 in deferred revenue and $195,563 federal funds.**

In addition, the Department anticipates that the Department of Labor will contribute $100,000 toward the disability navigators program approved through GBA #3 (which used deferred revenue as the sole source of non-federal funds in FY 2007-08). Based on these adjustments, there should have been $157,653 in deferred revenue in the appropriation for FY 2008-09, including $20,000 for a migrant program and $137,653 for disability navigators; however, **because of projected increases in other revenue sources, staff now assumes that no deferred revenue will be appropriated in FY 2008-09 and that the deferred revenue balance will grow**. This is shown in the table below.

FY 2008-09 Deferred Revenue Growth Projection	Total Funds (CF + RF)
Recommended Appropriation	$5,259,324
Cash and reappropriated funds revenue projected by the Department	5,301,022
Net Impact on Deferred Revenue Balance - Increase/(Decrease)	41,698

Total Line Item Funding Recommended by Staff and Reappropriated Funds Changes
Based on the total recommendation for this line item and the Department's projected revenue related to this line item, staff recommends the following funding sources be reflected in the Long Bill. As the overall revenue projection from all sources is currently higher than the recommended appropriation, staff has balanced the appropriation in the Department of Education-School to Work Alliance category.

Funding and Category Changes - FY 2007-08 to FY 2008-09						
	FY 07-08	**FY 08-09**	**FY 2007-08**		**FY 2008-09**	
Fund Source	**Total Approp**	**Total Approp.**	**Cash Funds**	**Cash Funds Exempt**	**Cash Funds**	**Reappropriated Funds**
Community Colleges and universities	$256,322	$378,854		XXX		XXX
Dept. of Education - School to Work Alliance (SWAP)	4,221,478	4,376,363		XXX		XXX
Dept. of Labor	0	100,000				XXX
MH Transfer	269,607	269,607		XXX		XXX

Funding and Category Changes - FY 2007-08 to FY 2008-09						
	FY 07-08	FY 08-09	FY 2007-08		FY 2008-09	
Fund Source	Total Approp	Total Approp.	Cash Funds	Cash Funds Exempt	Cash Funds	Reappropriated Funds
DD Pilot Transfer	100,000	100,000		XXX		XXX
Donations	0	2,500		XXX	XXX	
Deferred Revenue	310,690	0		XXX	XXX	
Counties	67,432	32,000	XXX		XXX	
Denver Homeless Pilot	25,000	above	XXX		XXX	
Subtotal - CF/CFE/RF	5,250,529	5,259,324				
Cash Funds	92,432	34,500				
Cash Funds Exempt	5,158,097	0				
Reappropriated Funds	0	5,224,824				
Federal Funds	19,321,203	19,360,820				
Total line item	24,571,732	24,620,144				

Business Enterprise Program for People who are Blind

The Business Enterprise Program assists blind or visually-impaired individuals in operating vending and food service businesses in approximately 45 state and federal buildings. There are no General Fund dollars associated with this program. In addition to federal funds, money from the Business Enterprise Cash Fund (vendor assessments) supports the program. The program is the result of the federal Randolph-Sheppard Vending Facility Program (34 C.F.R. 395.3 (11) (iv), and associated state law at Section 26-8.5-100, C.R.S., which give priority to blind and visually impaired individuals who wish to operate and manage food and vending services in federal and state government office buildings and facilities. The program is responsible for initial merchandise and supply inventory, purchasing and maintaining equipment, and providing technical support to vendors. After initial set-up is established, managers operate the facility with revenue from food sales. All operators pay a certain percentage of their profits (up to 13 percent) to support the program. These assessments are deposited into the Business Enterprise Cash Fund that, in combination with matching federal funds, support equipment maintenance and repair, operator benefits (i.e., health insurance, IRA, vacation pay, etc.), and site improvement and new development. The federal government matches most expenditures associated with the program at a 78.7 percent rate.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
Program Administration	5.3	6.0	6.0	6.0

The request and recommendation are summarized in the table below

	Request		Recommend	
	Amount	**FTE**	**Amount**	**FTE**
FY 2007-08 Long Bill	$1,972,915	6.0	$1,972,915	6.0
Salary survey	13,739	0.0	13,739	0.0
Performance Pay at 80%	4,490	0.0	4,490	0.0
SAED	1,008	0.0	0	0.0
Annualize FY 2007-08 Decision Item #20	(1,047,322)	0.0	(1,047,322)	0.0
Total	$944,830	6.0	$943,822	6.0

As reflected in the table, staff recommends $943,822, including $200,320 cash funds and $743,502 federal funds. The recommendation includes $476,350 for personal services and $467,472 for operating expenses. Note:

- All amounts identified in past years as cash funds exempt from reserves are classified as cash funds under the new fund classification approach effective in FY 2008-09.
- As reflected in the table, the differences between the staff recommendation and department request include minor differences in common policy personal services calculations.
- FY 2007-08 Decision Item #20 was for an array of one-time BEP site improvement costs.

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

This is the second of two line items associated with the Business Enterprise Program. These funds are primarily used for remodeling and improving the vending and food service projects run by the Business Enterprise Program when there is no operator presently assigned to the site. The Department also directly administers Business Enterprise Program vending and food service establishments in the period between the departure of one blind vendor and the assumption of a vending stand by another. There are no General Fund dollars associated with this program. In addition to federal funds, revenues from operation of the vending stands and payments by vendors supports the program. The Department indicates that the current line item includes: expenditures for costs associated with temporary state operation of vending facilities when a vendor leaves the program; equipment maintenance and repair; and payments to operators to support their health insurance, IRA contributions, and vacation pay (operators are not state employees). The leasehold improvements portion of expenditures are eligible for federal match at the rate of 78.7 percent; other costs in this line item are not. The Department notes that expenses and revenues in this program are highly unpredictable, as they are dependent upon whether one or more operators abandon sites during the year.

The Department has requested, and staff recommends, continued funding of this line item at the present level of $659,000. Pursuant to new funds classification rules, all amounts previously classified as cash funds exempt from reserves will now be classified as cash funds.

Independent Living Centers and State Independent Living Council

Independent living grants help train and assist disabled individuals to live and function outside of an institution. The grantee provides the cash funds exempt portion of the match for the federal dollars. In FY 1997-98, the General Assembly added a General Fund grants program to this line. These General Fund grants have historically been equally distributed among the State's ten independent living centers. Beginning in the last quarter of FY 2005-06 the General Assembly substantially increased General Fund support for the independent living centers. When annualized in FY 2006-07, the increase totaled $1.0 million General Fund.

The staff recommendation for this line item is for $1,836,377, including $1,387,351 General Fund. This recommendation includes the following components:

- an increase of $19,028 General Fund for a 1.5 percent COLA on the General Fund portion of the line item.

- An increase of $99,798 General Fund associated with eliminating the Independent Living Centers - Vocational Rehabilitation program and transferring associated General Fund amounts to this line item. This represents the total General Fund that would have been in the Independent Living Centers - Vocational Rehabilitation program line item, including a 1.5 percent community provider cost of living increase.

The Independent Living Centers - Vocational Rehabilitation Program line item was created in FY 2005-06, when a portion of the General Fund allocated to this line item was moved to a new Independent Living Centers - Vocational Rehabilitation Program line item to allow independent living centers to draw down federal financial participation for qualifying expenditures. During its FY 2008-09 budget hearing, the Department reported that some of the independent living centers (particularly in rural areas) had been doing a strong job providing vocational rehabilitation services, but that not all independent living centers were performing adequately as vocational rehabilitation providers. As a result, the Department proposes to use the better-performing independent living centers as vocational rehabilitation providers, but to fund these through the Vocational Rehabilitation - General Fund Match line item. The Department has confirmed that it would like the Independent Living Centers - Vocational Rehabilitation Line item to be eliminate and associated General Fund to again be consolidated in the Independent Living Centers line item. Although this was not formally requested through the budget process, staff believes this is reasonable and appropriate, particularly given limitations on available federal vocational Rehabilitation funds.

Independent Living Centers - Vocational Rehabilitation Program
As discussed above, this line item was created in FY 2005-06 to enable the states' ten certified independent living centers (ILCs) to reallocate some of the General Fund they receive to become vocational rehabilitation providers and thus to draw down additional federal matching funds. **Staff now recommends that this line item be eliminated. Associated General Fund (including a 1.5 percent community provider cost of living increase) is transferred to the Independent Living Centers line item; the associated matching federal funds appropriation will be eliminate.**

Appointment of Legal Interpreters for the Hearing Impaired
This line item funded legal interpreters for hearing impaired individuals involved with criminal cases and police actions. Pursuant to Senate Bill 06-61, Concerning Providing Interpretation in Legal Situations for Persons with Hearing Loss (Keller/Larson), funding and functions associated with this program have become part of the duties of the Colorado Commission on the Deaf and Hard of Hearing. As a result, this line item is eliminated.

Colorado Commission for Individuals who are Blind or Visually Impaired
This program was created by H.B. 07-1274, which placed the initial FY 2007-08 appropriation for the program in the Division of Vocational Rehabilitation. Pursuant to supplemental/budget amendment #S-17, the Department requested that this program be reflected in the Executive Director's Office, Special Purpose section beginning in the FY 2008-09 Long Bill. Staff recommends this change. Due to a technical error, the Department's request to relocate the appropriation failed to include the annualizaion for H.B. 07-1274 in the funds to be moved. Staff has corrected this in the recommendation and therefore would not include an appropriation for this Commission in the Division of Vocational Rehabilitation for FY 2008-09.

Older Blind Grants
This line item provides independent living services to persons age 55 or older who are blind or visually impaired. Most have become blind in later life. Eligible persons are provided assistance in learning new strategies for accomplishing daily task and participating in community and family activities. Independent living centers and other community agencies are eligible to receive funding under an RFP process. Grants are currently awarded to six independent living centers and the Colorado Center for the Blind. Funding is based on 90 percent federal funds matched with 10 percent funds from recipients. **The recommendation is for a continuation total of $450,000, including $405,000 federal funds and $45,000 in local match (now classified as cash funds, rather than the former "cash funds exempt" designation)**. Staff notes that, at present, the Department uses the General Fund appropriated to the independent living centers for the required 10 percent match on both Older Blind and Independent Living grants; however, local amounts are

shown to reflect the amount that would be required if this General Fund were not available.

Estimated Federal Social Security Reimbursement

As discussed related to the Department's deferred revenue situation, **the staff recommendation is to add a new line item to reflect anticipated federal social security payments to the Division for FY 2008-09 of $813,741.** This reflects federal payments to the State that are based on reductions to federal expenditures (for the Social Security and Social Security Disability Insurance programs) associated with individuals who have become employed based on Vocational Rehabilitation programs. This line item would be shown for informational purposes only.

Long Bill Footnotes

Long Bill footnotes for the Division of Vocational Rehabilitation are reviewed below. Staff recommends the following footnote be **eliminated and replaced by a formal written request for information:**

~~82~~ **Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match –** The Department is requested to provide a report to the Joint Budget Committee, by November 1 of each year, that details deferred cash and cash exempt revenue on its books as of the close of the preceding fiscal year.

Comment: The Department submitted the requested report in FY 2006-07 and FY 2007-08. The Department reported that, as of the close of FY 2005-06, a total of $1,685,154 in deferred cash and cash exempt revenue remained on the Division of Vocational Rehabilitation's books; as of the close of FY 2007-08, this had increased to $2,034,360. Staff believes this situation must continue to be tracked.

Staff recommends the following footnote be **eliminated**

83 **Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council; and Independent Living Centers - Vocational Rehabilitation Program** -- The Department is authorized to transfer General Fund amounts between the Independent Living Centers and State Independent Living Council line item and the Independent Living Centers - Vocational Rehabilitation Program line item. The amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall be expended for qualifying vocational rehabilitation services only, and shall be eligible for federal matching funds at the rate of 21.3 percent General Fund to 78.7 percent federal funds. Any increase or reduction in the amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall result in an associated increase or reduction in matching federal funds. General Fund amounts

expended in the Independent Living Centers and State Independent Living Council line item shall be expended for independent living services and are not eligible for federal vocational rehabilitation matching amounts. Any increase or reduction in the General Fund expended in the Independent Living Centers and State Independent Living Council line item shall not affect federal or cash funds exempt amounts appropriated for such line item.

Comment: This footnote was added as part of a new line item first created in FY 2005-06 that enables the states' ten certified independent living centers (ILCs) to reallocate some of the General Fund they receive to become vocational rehabilitation providers and thus to draw down additional federal matching funds. As discussed above, staff has recommended that the Independent Living Centers - Vocational Rehabilitation Program line item be eliminated. Therefore, this footnote is no longer needed.

(C) Homelake Domiciliary and State and Veterans Nursing Homes

The Department of Human Services operates six state and veterans nursing homes and one domiciliary (assisted living facility) located throughout the State. The nursing homes and domiciliary operate as an enterprise, have continuous authority to spend funds received, and generally do not require General Fund operating subsidies. Nonetheless, they are reflected in the Long Bill because they are state owned, employee significant numbers of state FTE, and present a significant financial liability to the State should they fail, due to obligations the State accepts when it accepts federal grants for construction and renovation of veterans nursing homes.

Pursuant to Section 26-12-101 through 208, C.R.S. the Department of Human Services is authorized to build, maintain, and operate nursing homes. Such nursing homes, when operated by the State for the benefit of veterans, their spouses, and dependants, are eligible for federal assistance, including assistance in construction costs and per-diem payments on behalf of eligible resident veterans. Federal authorities authorize grants of up to 65 percent of total costs for the construction of state veterans nursing homes. In return for this funding, as well as per-diem payments for veterans, the State must agree that: (1) a minimum of 75 percent of residents will be veterans and the remaining 25 percent will include spouses or parents whose children died while serving; (2) the facility will remain a veterans home for a minimum of 20 years; and (3) the facility will maintain Veterans Administration (VA) certification. To maintain such certification the facility must submit to various federal audits and surveys demonstrating compliance with VA rules. If any of these requirements are not met, the State is required to repay the VA construction funding. Five of the six nursing homes operated by the state are certified as veterans nursing homes (the Trinidad home is not). One of the six homes (in Walsesnburg) is operated on a contractual basis, while the remaining five are operated and staffed by state FTE.

(Former 1) Homelake Domiciliary

This entire subsection was eliminated in FY 2007-08 and replaced with a new "Homelake Domiciliary State Subsidy" line item.

Homelake Domiciliary State Subsidy

The Homelake Domiciliary is a 46-bed facility in Monte Vista which serves residents who do not require continuous nursing or medical care, but may need assistance with meals, housekeeping, personal care, laundry, and access to a physician. Residents pay rental fees, which are subsidized by U.S. Veteran's Administration per diem payments. Residents are veterans or their relations. Prior to FY 2007-08, this program was budgeted so as to reflect personal services, operating expenses and related costs, and annual common policy adjustments were made. However, based on statue, this program has authority to receive and expend revenue without legislative constraints, like other components of the state and veterans nursing homes. In light of this, in FY 2007-08 the budget was modified to reflect a single General Fund subsidy line item for Homelake, and associated footnotes were eliminated.

The Department requested, and staff recommends, $186,130 General Fund for this line item for FY 2008-09. This reflect the base FY 2007-08 appropriation plus FY 2007-08 salary survey "pots" that were allocated to the nursing homes based on the "pots run" that occurred in FY 2006-07 (before the line item was restructured). *This is the last time such an adjustment for "pots" is expected to be requested or recommended for this line item.*

Legislative Oversight Committee on the State and Veterans Nursing Homes

This line item reflected funding for an Oversight Committee that was active in FY 2005-06 and FY 2006-07. No associated amounts were ever expended in this line item, and the line item is no longer required.

Nursing Home Consulting Services

The request is for a continuing appropriation of $195,627; however, the staff recommendation is that this line item and associated General Fund support be eliminated for FY 2008-09. The staff expectation is that, if these services are of value to the State and Veterans Nursing Homes, they will be funded as part of the Nursing Homes' operating costs.

The original request for this line item (through an FY 2005-06 supplemental) implemented the recommendations of the Fitzsimons Accountability Committee, the Colorado Board of Veterans Affairs, and the Commission on State and Veterans Nursing Homes established pursuant to H.B. 05-1336. The consulting services: (1) assist the state-operated homes in identifying and correcting areas of improvement in the provision of services to residents; (2) increase the census, where appropriate, at each home; (3) provide an independent and regular assessment of the performance of each home, based on selected key performance indicators; and, (4) regularly report this performance data to the appropriate oversight entities.

For FY 2005-06 and FY 2006-07, General Fund in this line item was expected to cover 80 percent of consulting costs; however, the nursing homes reverted the entire FY 2005-06 appropriation due to an accounting error. Staff recommended the original request in light of the large number of experts who had been involved in helping the Department shape the proposal for a consulting contract *(*including the H.B. 05-1336 Commission). However, staff noted that, in the future, consulting costs of this kind should be absorbed by the homes, and the nursing home system should evaluate whether the services were beneficial. Consistent with this, a footnote report was requested and submitted January 15, 2007 assessing the benefits of the consulting home services in light of the costs and specifying time-frames for the nursing homes to assume the full cost of consulting services. The Department's 2007 report indicated that the consulting services were valuable, and that important system improvements had been achieved, including improved quality of care and profitability.

In its 2007 report, the Department indicated that it supported a gradual reduction of the state subsidy for the consulting services beginning with FY 2007-08. The staff recommendation was that this appropriation be halved for FY 2007-08, so that the General Fund would support 40 percent of the cost ($195,627). Staff's FY 2007-08 figure setting further noted the expectation that General Fund support would be entirely eliminated by FY 2008-09. This continues to be the staff recommendation.

The basis is as follows:

- As reflected in the balance sheets below, the nursing homes are operating with reasonable profitability for FY 2007-08, and there is no reason to anticipate profitability to decline in FY 2008-09. The $600,000 total margin should be sufficient for the homes to absorb an additional $200,000 in costs associated with the consulting contract.

- In FY 2007-08, the Department added another high level administrator to oversee the Division and promoted the nursing homes to "Office" level within the Department's organization. While staff has no objection to greater prominence for the homes within the Department's structure, if the homes are sufficiently profitable to handle the additional costs associated with another high level administrator, staff believes it is reasonable to expect them to take on financial responsibility for their consulting contracts.

Nursing Home Indirect Costs Subsidy

This line item was added in FY 2007-08 to more explicitly reflect the General Fund subsidy for the State and Veterans Nursing Home indirect costs. The amount shown in the line item was based on the indirect costs associated with Department services to the nursing homes that were not collected as cash from the homes in FY 2005-06. The Department's response to footnote 52 of the FY 2007-08 Long Bill (concerning indirect costs) indicates that in FY 2006-07 the state subsidy for the nursing homes indirect costs had increased to $811,566. Based on this, **the staff recommendation is to increase this line item to a total of $800,000 General Fund, with an associated adjustment in the Department's Office of Operations (reducing the General Fund appropriation and increasing the reappropriated funds appropriation) so that the net General Fund impact of the change is $0. Staff would further recommend that, if indirect costs associated with the state and veterans nursing homes exceeds this $800,000 amount, the Department begin to assess and collect associated cash revenue from the nursing homes.**

Program Costs
This line item is intended to provide an estimate of state and veterans nursing home expenditures for the six homes and (now) Homelake Domiciliary. Cash amounts reflect patient pay revenue and federal amounts reflect federal per diem payments. Previously appropriated funds amounts reflect the "double count" of any General Fund appropriations (such as for Homelake) that are deposited to the Central Fund for use by the nursing homes. The nursing home system is an enterprise, and the amounts shown are not counted as state revenue for purposes of Article X, Section 20 of the State Constitution, except in years in which large capital construction amounts are appropriated. Further, the nursing homes have continuous spending authority for funds received pursuant to Article 12 of Title 26, C.R.S. *Thus, this line item is shown solely for informational purposes.* Note that the amounts shown reflect total expenditures for the nursing home system, including payments for the Division of State and Veterans Nursing Homes in the Department and costs considered "non-operating" such as depreciation. **As reflected in the numbers pages, staff recommends that the line item reflect $49.5 million and 673.4 FTE in FY 2007-08. Fund splits reflect estimates, based on historic revenue patterns.** Note, however, that based on funds classifications changes, **estimated nursing home patient revenues will now be reflected as cash funds, rather than cash funds exempt. Staff will clarify in the associated Long Bill letter-note that these revenues are generally exempt from the limitations on state fiscal year spending imposed by Article X, Section XX of the State Constitution (TABOR).**

The table below reflects the current revenue and expenditure projection for the nursing homes and Homelake Domiciliary for FY 2007-08. As can be seen the homes all are running profitably, with the exception of Trinidad and Homelake. Overall, the nursing home system is anticipating operating profits of $1.4 million and total profits just short of $600,000 for FY 2007-08. The FY 2007-08 expenditure projection is used as the basis for the FY 2008-09 figure included in the Long Bill.

State and Veterans Nursing Homes - FY 2007-08 Projected Income Statement						
	Trinidad	Homelake (NH & Dom)	McCandless (Florence)	Rifle	Fitzsimons	Division Total[1]
REVENUE						
Operating	**$6,262,144**	**$5,026,159**	**$9,089,521**	**$8,226,044**	**$18,275,708**	**$48,927,861**
Non-operating[2]	**0**	**1,902**	**503,595**	**10,339**	**23,229**	**1,192,352**
Total Revenue	**$6,262,144**	**$5,028,061**	**$9,593,116**	**$8,236,383**	**$18,298,937**	**$50,120,213**
EXPENSES						
Operating	**$7,221,255**	**$4,873,578**	**$8,610,007**	**$7,723,328**	**$16,441,938**	**$47,571,676**
Non-operating[3]	**152,213**	**176,384**	**380,877**	**181,113**	**1,059,682**	**1,950,269**
Total Expense	**$7,373,468**	**$5,049,962**	**$8,990,884**	**$7,904,441**	**$17,501,620**	**$49,521,945**
Operating Profit/Loss	**($959,111)**	**$152,581**	**$479,514**	**$502,716**	**$1,833,770**	**$1,356,185**
Total Profit/Loss	**($1,111,324)**	**($21,901)**	**$602,232**	**$331,942**	**$797,317**	**$598,268**

(1) Individual homes will not sum to Division Total, which also includes federal revenue associated with the Walsenburg home and costs for the central division office.
(2) Non-operating revenue reflects interest and any funding for capital construction.
(3) Reflects depreciation, except at the Fitzsimons home, where also includes $227,125 in bond/note costs.

Long Bill Footnotes and Information Requests

There were no FY 2007-08 Long Bill footnotes associated with this section, and none are recommended for FY 2008-09.

Summary of Footnote and Information Request Recommendations

Note: All staff footnote recommendations and their rationale have already been reviewed in the text of the document.

Staff recommends the **addition** of the following footnotes to an FY 2007-08 supplemental add-on to the Long Bill:

N1 Of the hold harmless appropriation included in this line item for FY 2007-08, $1,238,162 General Fund, if not expended prior to July 1, 2008, may be rolled forward for expenditure in FY 2008-09. In addition, $5,261,838 General Fund, that was appropriated in the Developmental Disability Services, Community Services, Adult Program Costs line item in FY 2006-07 and rolled-forward to FY 2007-08 for this purpose, shall be further rolled-forward to FY 2008-09, so that a total of up to $6,500,000 shall be available for hold harmless in FY 2008-09. The purpose of this hold harmless appropriation is to assist developmental disability consumers and providers negatively affected by the conversion to a statewide rate structure for developmental disability Medicaid waiver services.

N2 Up to 2.0 percent of the total appropriation of Medicaid funds in this Program Costs line item, if not expended prior to July 1, 2008, may be rolled forward for expenditure in FY 2008-09.

Staff recommends that the following footnotes be **continued**:

76 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- It is the intent of the General Assembly that expenditures for these services be recorded only against the Long Bill group total for Program Costs.

Comment: The Department indicated it was complying with this footnote and that, particularly given the complex transition issues it is currently facing, it is only managing to the bottom line. Staff expects to continue to work with the Department to improve the quality of the break-out for this line item that is reflected in the Long Bill.

80 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Preventive Dental Hygiene -- The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

Comment: The Department reports that it implemented the contract with the Colorado Foundation of Dentistry for FY 2007-08. The Department has indicated that this footnote assists it in issuing a single-source contract to the Colorado Foundation of Dentistry.

Staff recommends that the following footnotes be **eliminated and replaced** with written requests for information.

~~52~~ Department of Human Services, Office of Operations; Department Totals -- The Department is requested to examine its cost allocation methodology and report its findings to demonstrate that all state-wide and departmental indirect costs are appropriately collected and applied. The Department is requested to submit a report to the Joint Budget Committee on or before November 15, ~~2007~~ 2008, that should include: (1) Prior year actual indirect costs allocated by division and corresponding earned revenues by type (cash, cash exempt, and federal); (2) the amount of such indirect costs applied within each division and to Department administration line items in the Executive Director's Office, Office of Operations, and Office of Information Technology Services; (3) a comparison between indirect amounts applied and the amounts budgeted in the Long Bill; and (4) a schedule identifying areas in which collections could potentially be increased and a description of the obstacles to such increases where the discrepancy between the potential and actual collections is $50,000 or more.

Comment: This report provides information useful for figure setting and has been routinely submitted.

~~82~~ Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match – The Department is requested to provide a report to the Joint Budget Committee, by November 1 of each year, that details deferred cash and cash exempt revenue on its books as of the close of the preceding fiscal year.

Comment: The Department submitted the requested report in FY 2006-07 and FY 2007-08. The Department reported that, as of the close of FY 2005-06, a total of $1,685,154 in deferred cash and cash exempt revenue remained on the Division of Vocational Rehabilitation's books; as of the close of FY 2007-08, this had increased to $2,034,360. Staff believes this situation must continue to be tracked.

Staff recommends the following footnotes be **eliminated**:

74 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation -- The Division of Vocational Rehabilitation is requested

to conduct a study to determine how to increase employment outcomes for people with developmental disabilities. The study should include input from the Division for Developmental Disabilities, the supported employment users, their families, and service providers. The Department is requested to submit a report to the Joint Budget Committee by October 1, 2007, setting forth options and recommendations, including implementation strategies, for increasing integrated employment outcomes for people with developmental disabilities.

75 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation, Rehabilitation Programs - Local Funds Match -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, on the impact of the Developmental Disabilities and Vocational Rehabilitation Pilot Project. The report should include the numbers of persons served, employment outcomes achieved, lessons learned, and recommendations for expansion, reduction, or modification of the program.

77 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to periodically survey all individuals on the comprehensive services waiting list to determine when each individual will need comprehensive services. The Department is requested to complete the next survey no later than June, 2007, and to report the results no later than in the submission of the FY 2008-09 budget request to the Joint Budget Committee.

78 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, concerning the distribution of resources among the 20 Community Centered Boards throughout the state. This report should address the current distribution methodology, and should take into consideration all relevant factors, including: The effect of population migration; de-institutionalization; and the extent resources should be allocated based on a community's per capita distribution of the general population. In the process of completing the report, the Department shall work closely with all Community Centered Boards. Additionally, until this report has been submitted to and considered by the Joint Budget Committee, it is the intent of the General Assembly that no resources be redistributed among CCBs through attrition or any other mechanism.

79 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to provide a report to the Joint Budget Committee, by

November 1, 2007, concerning recommendations for a five-year plan that addresses the elimination of all waiting lists for services for individuals with developmental disabilities. In the process of completing the report, the Department should work closely with all Community Centered Boards, as well as all other interested consumers and providers. The plan should address the current waiting list situation, and should take into consideration, among other factors, the total amount of money necessary for its implementation, increases in Colorado's population over the five-year period, the number of persons on the waiting lists who are living with aging care givers, and recommendations for the allocation of new funding for persons on the waiting lists. The report should specifically consider the costs of eliminating waiting lists for individuals with developmental disabilities considered at high risk of out-of-home placement due to their aging care givers or medical or behavioral needs.

81 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C) -- The Department is requested to provide to the Joint Budget Committee, by November 1 of each year, information concerning the expenditure of federal funds provided pursuant to Part C of the federal "Individuals with Disabilities Education Act" for the most recent state fiscal year. Such information is requested to include sufficient detail to identify expenditures related to the provision of direct services, by type of service.

83 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council; and Independent Living Centers - Vocational Rehabilitation Program -- The Department is authorized to transfer General Fund amounts between the Independent Living Centers and State Independent Living Council line item and the Independent Living Centers - Vocational Rehabilitation Program line item. The amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall be expended for qualifying vocational rehabilitation services only, and shall be eligible for federal matching funds at the rate of 21.3 percent General Fund to 78.7 percent federal funds. Any increase or reduction in the amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall result in an associated increase or reduction in matching federal funds. General Fund amounts expended in the Independent Living Centers and State Independent Living Council line item shall be expended for independent living services and are not eligible for federal vocational rehabilitation matching amounts. Any increase or reduction in the General Fund expended in the Independent Living Centers and State Independent Living Council line item shall not affect federal or cash funds exempt amounts appropriated for such line item.

Staff Recommendation - FY 2008-09 Developmental Disability Program Costs Line Items

	Resources		Long Bill Amounts				Cash and RF Fund Sources				Net General Fund Calculation			HCPF Fund Source Infc	
	GF	Medicaid	Total	General Fund	Cash Funds	CFE/RF	Medicaid	Local	Client	Voc Rehab	Medicaid General Fund	Net General Fund		Med HCEF	Med FF
Adult Comprehensive Services															
FY 2007-08 Long Bill	66.0	3,806.0	247,005,842	1,652,225	0	245,353,617	214,821,368	4,068,354	26,463,895	0	107,377,201	109,029,426			107,444,167
1X Supplemental			(6,106,934)	0	0	(6,106,934)	(6,106,934)	0	0		(3,019,984)	(3,019,984)			(3,086,950)
Subtotal - FY 2007-08 Appropriation	66.0	3,806.0	240,898,908	1,652,225	0	239,246,683	208,714,434	4,068,354	26,463,895	0	104,357,217	106,009,442		**0**	**104,357,217**
Reclassify cash exempt funds			0	0	30,532,249	(30,532,249)	0	0	0						
Annualize 1 x supplemental			6,106,934	0	0	6,106,934	6,106,934	0	0		3,019,984	3,019,984			3,086,950
Annualize Leap Year Adjustment			(822,865)	(26,157)	(90,767)	(705,941)	(705,941)	(18,452)	(72,315)	0	(352,971)	(379,128)			(352,970)
Annualize FY 08 Decision Item #3															
New Foster Care resources	0.0	19.5	1,701,424	0	151,763	1,549,661	1,549,661	18,666	133,097	0	774,831	774,831		0	774,830
New Emergency resources	0.0	15.0	1,337,338	0	117,229	1,220,109	1,220,109	14,846	102,383	0	610,055	610,055		0	610,054
New Wait List Resources	0.0	9.5	380,059	0	35,020	345,039	345,039	4,305	30,715	0	172,520	172,520		0	172,519
Reduce for portion DI #3 in case management	0.0	0.0	(111,337)	0	(5,583)	(105,755)	(105,755)	(5,583)	0	0	(52,877)	(52,877)		0	(52,877)
														0	0
Subtotal - Annualization/reclassification	0.0	44.0	8,591,552	(26,157)	30,739,912	(22,122,202)	8,410,047	13,783	193,880	0	4,171,542	4,145,385		0	1,504,526
FY 2008-09 Base Funding	66.0	3,850.0	249,490,461	1,626,068	30,739,912	217,124,481	217,124,481	4,082,137	26,657,775	0	108,528,759	110,154,827		0	108,595,723
Decision Item #4 (Including rate increases/6 mos)															
New Foster Care resources	0.0	22.5	2,048,265	0	175,893	1,872,372	1,872,372	22,319	153,574	0	936,186	936,186		0	936,186
New Emergency resources	0.0	31.0	2,531,842	0	239,926	2,291,916	2,291,916	28,335	211,591	0	1,145,958	1,145,958		0	1,145,958
New Wait List Resources - HIGH NEEDS	0.0	39.0	3,239,850	0	303,335	2,936,515	2,936,515	37,140	266,195	0	1,468,258	1,468,258		0	1,468,257
Reduce for portion DI #4 in case management	0.0	0.0	(234,062)	0	(11,736)	(222,326)	(222,326)	(11,736)	0	0	(111,163)	(111,163)		0	(111,163)
												0		0	0
SBA #4A - PENDING															
Subtotal - Caseload Decision Items	0.0	92.5	7,585,895	0	707,418	6,878,477	6,878,477	76,058	631,360	0	3,439,239	3,439,239		0	3,439,238
Community Provider Rate Increase															
Increase on annualized FY 2007-08 base, except VR & client cash	0.0	0.0	3,342,490	24,391	61,232	3,256,867	3,256,867	61,232	0	0	1,627,931	1,652,322		0	1,628,936
Subtotal - Rate Increase Decision Items	0.0	0.0	3,342,490	24,391	61,232	3,256,867	3,256,867	61,232	0	0	1,627,931	1,652,322		0	1,628,936
TOTAL - Comprehensive Services - Staff Recommendation	**66.0**	**3,942.5**	**260,418,846**	**1,650,459**	**31,508,562**	**227,259,825**	**227,259,825**	**4,219,427**	**27,289,135**	**0**	**113,595,929**	**115,246,388**	**0**	**0**	**113,663,897**
JBC Committee Adjustments :															
Staff Technical Adjustments															
TOTAL - Comprehensive Services	**66.0**	**3,942.5**	**260,418,846**	**1,650,459**	**31,508,562**	**227,259,825**	**227,259,825**	**4,219,427**	**27,289,135**	**0**	**113,595,929**	**115,246,388**		**0**	**113,663,897**
Adult Supported Living Services															
FY 2007-08 Long Bill	692.0	2,892.0	52,858,984	7,857,085	0	45,001,899	42,347,862	2,654,037	0	0	21,173,930	29,031,015			21,173,932
FY 2007-08 1 X supplemental	0.0	0.0	(2,347,889)	0	0	(2,347,889)	(2,347,889)	0	0	0	(1,173,944)	(1,173,944)			(1,173,945)
Subtotal - FY 2007-08 Appropriation	692.0	2,892.0	50,511,095	7,857,085	0	42,654,010	39,999,973	2,654,037	0	0	19,999,986	27,857,071			19,999,987
Reclassify cash exempt funds	0.0	0.0	0	0	2,654,037	(2,654,037)									
Annualize 1 X supplemental	0.0	0.0	2,347,889	0	0	2,347,889	2,347,889	0	0	0	1,173,944	1,173,944			1,173,945
Annualize FY 2007-08 DI #3 - Supported Living Services caseload	0.0	12.0	216,712	0	10,836	205,876	205,876	10,836	0	0	102,938	102,938		0	102,938
Less DI #3 annualization in case management section	0.0	0.0	(30,365)	0	(1,523)	(28,842)	(28,842)	(1,523)	0	0	(14,421)	(14,421)		0	(14,421)
FY 2008-09 Base Funding	692.0	2,904.0	53,045,331	7,857,085	2,663,351	42,524,896	42,524,896	2,663,351	0	0	21,262,447	29,119,532		**0**	**41,262,436**
Community Provider Rate Increase	0.0	0.0	795,679	117,856	39,950	637,873	637,873	39,950			318,937	436,793		0	618,937
DI #4 New Resources (6 mos)	0.0	14.0	256,623	0	12,831	243,792	243,792	12,831	0		121,896	121,896			121,896
SBA #4A - PENDING												0		0	0
Less portion new resources in case management section	0.0	0.0	(35,425)	0	(1,776)	(33,649)	(33,649)	(1,776)	0	0	(16,825)	(16,825)			(16,825)
Subtotal - Decision Items	0.0	14.0	1,016,877	117,856	51,005	848,016	848,016	51,005	0	0	424,009	541,865		0	724,008
TOTAL - Adult Supported Living Services	**692.0**	**2,918.0**	**54,062,208**	**7,974,941**	**2,714,356**	**43,372,911**	**43,372,911**	**2,714,356**	**0**	**0**	**21,686,456**	**29,661,397**		**0**	**21,686,456**
Early Intervention Services															
FY 2007-08 Long Bill	2,176.0	0.0	11,171,495	10,934,313	0	237,182	(319,829)	557,011	0	0	(159,914)	10,774,398		0	(159,915)
Reclassify cash exempt funds	0.0	0.0	0	0	557,011	(557,011)	0	0	0	0				0	0
Community Provider Rate Increase	0.0	0.0	167,573	164,015	8,355	(4,797)	(4,797)	8,355	0	0	(2,399)	161,616		0	(2,398)
Technical clean up (Move Medicaid negative to CM)	0.0	0.0	324,626	0	0	324,626	324,626	0	0	0	162,313	162,313		0	162,313

Staff Recommendation - FY 2008-09 Developmental Disability Program Costs Line Items

	Resources		Long Bill Amounts				Cash and RF Fund Sources				Net General Fund Calculation		HCPF Fund Source Info	
	GF	Medicaid	Total	General Fund	Cash Funds	CFE/RF	Medicaid	Local	Client	Voc Rehab	Medicaid General Fund	Net General Fund	Med HCEF	Med FF
Total - Early Intervention Services	**2,176.0**	**0.0**	**11,663,694**	**11,098,328**	**565,366**	**0**	**0**	**565,366**	**0**	**0**	**0**	**11,098,327**	**0**	**0**
Family Support Services														
FY 2007-08 Long Bill	1,176.0	0.0	6,461,550	6,150,284	0	311,266	0	311,266	0	0	0	6,150,284		
Reclassify cash exempt funds	0.0	0.0	0	0	311,266	(311,266)	0	0	0	0	0	0		
Community Provider Rate Increase	0.0	0.0	96,923	92,254	4,669	0	0	4,669	0	0	0	92,254	0	0
SBA #4A - PENDING														
Total - Family Support Services	**1,176.0**	**0.0**	**6,558,473**	**6,242,538**	**315,935**	**0**	**0**	**315,935**	**0**	**0**	**0**	**6,242,538**	**0**	**0**
Children's Extensive Support Services														
FY 2007-08 Long Bill	0.0	395.0	7,184,725	3,807	0	7,180,918	6,817,370	363,548	0	0	2,906,832	2,910,639	538,574	3,371,964
FY 2007-08 1 X supplemental	0.0	0.0	(809,396)	0	0	(809,396)	(809,396)	0	0	0	(345,115)	(345,115)	(59,583)	(404,698)
Subtotal - FY 2007-08 Appropriation	0.0	395.0	6,375,329	3,807	0	6,371,522	6,007,974	363,548	0	0	2,561,717	2,565,524	478,991	2,967,266
Reclassify cash exempt funds	0.0	0.0	0	0	363,548	(363,548)	0	0	0	0	0	0		
Annualize FY 2007-08 1X sup	0.0	0.0	809,396	0	0	809,396	809,396	0	0	0	345,115	345,115	59,583	404,698
Community Provider Rate Increase	0.0	0.0	107,771	57	5,453	102,261	102,261	5,453	0	0	43,602	43,660	8,079	50,580
Technical clean-up (move to GF to CM)	0.0	0.0	(3,864)	(3,864)	0	0	0	0	0	0	0	(3,864)		
Total - Children's Extensive Support	**0.0**	**395.0**	**7,288,632**	**0**	**369,001**	**6,919,631**	**6,919,631**	**369,001**	**0**	**0**	**2,950,434**	**2,950,435**	**546,653**	**3,422,544**
Case Management, Quality Assurance														
FY 2007-08 Long Bill	3,663.0	7,540.0	22,886,608	3,794,605	0	19,092,003	17,922,441	1,169,562	0	0	8,890,004	12,684,610	36,006	8,996,431
FY 2007-08 1 X supplemental	0.0	0.0	(642,536)	0	0	(642,536)	(642,536)	0	0	0	(318,669)	(318,669)	(2,599)	(321,268)
Subtotal - FY 2007-08 Appropriation	3,663.0	7,540.0	22,244,072	3,794,605	0	18,449,467	17,279,905	1,169,562	0	0	8,571,335	12,365,941	33,407	8,675,163
Reclassify cash exempt funds	0.0	0.0	0	0	1,169,562	(1,169,562)	0	0	0	0				
Annualize FY 2007-08 1X sup	0.0	0.0	642,536	0	0	642,536	642,536	0			318,669	318,669	2,599	321,268
Annualize Decision Item #3 - Comprehensive case management	0.0	44.0	111,337	0	5,583	105,755	105,755	5,583	0	0	52,877	52,877	0	52,877
Annualize DI #3 - Supported Living case management	0.0	12.0	30,365	0	1,523	28,842	28,842	1,523	0	0	14,421	14,421	0	14,421
FY 2008-09 Base Funding	3,663.0	7,596.0	23,028,310	3,794,605	1,176,667	18,057,038	18,057,038	1,176,667	0	0	8,957,302	12,751,908	36,006	9,063,730
Community Provider Rate Increase	0.0	0.0	345,425	56,919	17,650	270,856	270,856	17,650	0	0	134,360	191,279	540	135,956
DI #4 - Comprehensive case management	0.0	92.5	234,062	0	11,736	222,326	222,326	11,736	0	0	111,163	111,163	0	111,163
DI #4 - Supported living case management	0.0	14.0	35,425	0	1,776	33,649	33,649	1,776	0	0	16,825	16,825	0	16,825
SBA #4A - PENDING														
Technical clean up from Early Intervention	0.0	0.0	(324,626)	0	0	(324,626)	(324,626)	0	0	0	(162,313)	(162,313)		(162,313)
Technical clean up from Children's Extensive Support	0.0	0.0	3,864	3,864	0	0	0	0	0	0	0	3,864		
Total - Case Management and Quality Assurance	**3,663.0**	**7,702.5**	**23,322,460**	**3,855,388**	**1,207,829**	**18,259,243**	**18,259,243**	**1,207,829**	**0**	**0**	**9,057,337**	**12,912,726**	**36,546**	**9,165,361**
Special Purpose														
FY 2007-08 Long Bill	0.0	0.0	1,055,874	355,511	0	700,363	202,498	6,551	0	491,314	100,864	456,376		101,634
Reclassify cash exempt funds	0.0	0.0	0	0	6,551	(6,551)	0	0	0	0	0	0		
Community Provider Rate Increase	0.0	0.0	8,468	5,333	98	3,037	3,037	98	0	0	1,513	6,846		1,524
Total - Special Purpose	**0.0**	**0.0**	**1,064,342**	**360,844**	**6,649**	**696,849**	**205,535**	**6,649**	**0**	**491,314**	**102,377**	**463,222**	**0**	**103,158**
Hold Harmless														
FY 2007-08 1 X supplementaal	0.0	0.0	2,904,897	2,904,897	0	0	0	0	0	0	0	2,904,897		
Annualize 1X sup	0.0	0.0	(2,904,897)	(2,904,897)	0	0	0	0	0	0	**0**	**(2,904,897)**		
Total - Hold Harmless	**0.0**	**0.0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL - GRAND TOTAL - PROGRAM COSTS			**364,378,655**	**31,182,498**	**36,687,697**	**296,508,460**	**296,017,146**	**9,398,562**	**27,289,135**	**491,314**	**147,392,532**	**178,575,032**	**583,199**	**148,041,415**

Staff Recommendation - FY 2008-09 Developmental Disability Program Costs Line Items

	Resources		Long Bill Amounts				Cash and RF Fund Sources				Net General Fund Calculation			HCPF Fund Source Info	
	GF	Medicaid	Total	General Fund	Cash Funds	CFE/RF	Medicaid	Local	Client	Voc Rehab	Medicaid General Fund	Net General Fund		Med HCEF	Med FF
FY 2008-09 Line Item - Developmental Disability Program Costs															
Adult Comprehensive Services	66.0	3,942.5	260,418,846	1,650,459	31,508,562	227,259,825	227,259,825	4,219,427	27,289,135	0	113,595,929	115,246,388		0	113,663,897
Adult Supported Living Services	692.0	2,918.0	54,062,208	7,974,941	2,714,356	43,372,911	43,372,911	2,714,356	0	0	21,686,456	29,661,397		0	21,686,456
Early Intervention Services	2,176.0	0.0	11,663,694	11,098,328	565,366	0	0	565,366	0	0	0	11,098,327		0	0
Family Support Services	1,176.0	0.0	6,558,473	6,242,538	315,935	0	0	315,935	0	0	0	6,242,538		0	0
Children's Extensive Support Services	0.0	395.0	7,288,632	0	369,001	6,919,631	6,919,631	369,001	0	0	2,950,434	2,950,435		546,653	3,422,544
Case Management and Quality Assurance	3,663.0	7,702.5	23,322,460	3,855,388	1,207,829	18,259,243	18,259,243	1,207,829	0	0	9,057,337	12,912,726		36,546	9,165,361
Special Purpose	0.0	0.0	1,064,342	360,844	6,649	696,849	205,535	6,649	0	491,314	102,377	463,222		0	103,158
Grand Total			**364,378,655**	**31,182,498**	**36,687,697**	**296,508,460**	**296,017,146**	**9,398,562**	**27,289,135**	**491,314**	**147,392,532**	**178,575,032**		**583,199**	**148,041,415**
FY 2008-09 Line Item - Developmental Disability Program Costs - Bottom line															
FY 2007-08 Long Bill			348,625,078	30,747,830	0	317,877,248	281,791,710	9,130,329	26,463,895	491,314	140,288,917	171,036,747		574,580	140,928,213
FY 2007-08 Supplemental			(7,001,858)	2,904,897	0	(9,906,755)	(9,906,755)	0	0	0	(4,857,712)	(1,952,815)		(62,182)	(4,986,861)
Reclassify funds			0	0	35,594,224	(35,594,224)	0	0	0	0	0	0			
Annualize FY 2007-08 Supplemental			7,001,858	(2,904,897)	0	9,906,755	9,906,755	0	0	0	4,857,712	1,952,815		62,182	4,986,861
Annualize Leap Year			(822,865)	(26,157)	(90,767)	(705,941)	(705,941)	(18,452)	(72,315)	0	(352,971)	(379,128)		0	(352,970)
Annualize FY 2007-08 Decision Item #3			3,635,533	0	314,848	3,320,685	3,320,685	48,653	266,195	0	1,660,344	1,660,344		0	1,660,341
Decision Item #4			8,076,580	0	731,985	7,344,595	7,344,595	100,625	631,360	0	3,672,298	3,672,298		0	3,672,297
Budget Amendment #4A															
Community Provider Cost of Living Increase			4,864,329	460,825	137,407	4,266,097	4,266,097	137,407	0	0	2,123,944	2,584,770		8,619	2,133,534
Grand Total			**364,378,655**	**31,182,498**	**36,687,697**	**296,508,460**	**296,017,146**	**9,398,562**	**27,289,135**	**491,314**	**147,392,532**	**178,575,031**		**583,199**	**148,041,415**

MEMORANDUM

TO: **Joint Budget Committee**

FROM: **Amanda Bickel, JBC Staff**

SUBJECT: **Additions to Proposed Bill on County Match for Residential Child Care Services**

DATE: March 4, 2008

Clarification on Match Rate Proposal. On January 25, 2008, the JBC agreed to sponsor legislation to change the county match for residential child care programs to 10 percent. If such legislation is not adopted, the match rate will revert to 20 percent effective July 1, 2008. Based on further communication with the Department, staff now understands that the Department wishes to include all residential child care facilities programs (not just therapeutic residential child care facility programs and psychiatric residential programs that access Medicaid funds) at this 10 percent match rate. *As staff had initially understood the bill, staff expected it to result in General Fund savings of approximately $1 million. As staff now understands the proposal, it will be essentially budget-neutral compared to the FY 2007-08 budget.*

If the JBC agrees with this proposal, the FY 2008-09 **Long Bill will include a savings** of approximately $8.0 million General Fund associated with changing the match rate for the Medicaid residential programs to 20 percent (which will be current law effective FY 2008-09). The **Committee match rate legislation would then include a counter-balancing General Fund cost** of approximately $8.0 million, so that **the net impact of the two changes would be close to $0.**

Because exact amounts of costs and savings are closely intertwined with other components of figure setting for child welfare programs, staff believes **the bill should be included as part of the JBC's budget package**.

The Department currently proposes that this modification be included at **Section 26-1-122(4), C.R.S.**

Other Requested Statutory Adjustments. In addition to the match-rate component, which has already been approved, the Departments of Human Services and Health Care Policy and Financing are now requesting that this JBC bill include certain other statutory adjustments.

The proposed changes are related to ongoing federal scrutiny of Medicaid reimbursements for residential child care programs. As the Committee is aware, in FY 2006-07, the State was required to abandon its prior Residential Treatment Center (RTC) program (which drew federal Medicaid match) due to federal concerns. In place of this program, it created the psychiatric residential treatment facility (PRTF) and therapeutic residential child care facility (TRCCF) programs. The PRTF program provides the highest level of care and draws federal match (50/50) on the full daily rate. For the TRCCF program, providers may bill for Medicaid services on a fee-for-service basis. To implement these programs, the State submitted associated documentation to federal authorities, who have been reviewing the plans for over a year. Federal authorities have raised concerns that some of the facilities for which the State is requesting reimbursement are not eligible for Medicaid reimbursement because they constitute "institutions for mental disease (IMD)" if they include more than 16 beds. Although the so-called "IMD exclusion" from Medicaid generally only applies to services for adults ages 22 to 64, apparently it may apply to certain non-hospital-based services for children.

In light of ongoing federal concerns in this area, the two Departments believe it would be prudent to modify state statutes and programs that might be interpreted as indicating that a child must have a mental illness to be placed in a TRCCF. In general, children are placed in residential child care programs because they are abused or neglected; while PRTFs may be focused on mental health treatment, mental health treatment is considered an incidental component of other residential child care programs. Thus, the Departments are essentially proposing to eliminate requirements related to the TRCCF program from the statute that creates the PRTF program and to move from three statutory classes of programs (residential child care facility (RCCF), TRCCF and PRTF) to just two (RCCF and PRTF).

The specific changes proposed to the Colorado Revised Statutes include the following:

Section 25.5-5-306 Residential child health care - waiver - program [Medicaid statute]

- Eliminate references indicating that anyone other than a licensed physician may refer a child to a facility (only physicians may refer children to PRTFs) [25.5-5-306 (3) (a), C.R.S.];

- Eliminate other obsolete provisions, including those referring to county match at 25.5-5-306 (3) (a), (b), and (c) and (4), C.R.S.

Section 26-6-102 - Child Care Licensing

- Modify definition of "residential child care facility" to eliminate the reference to "therapeutic residential child care facility" [26-6-102 (8), C.R.S.]

Section 27-10.3-103 - Child Mental Health Treatment Act

- Modify the definition of "child at risk of out of home placement" to reference "psychiatric residential treatment facility or residential child care facility" rather than referencing only residential child care facilities pursuant to the Medicaid statute at 25.5-5-306, C.R.S.

Staff Recommendation

1. **Staff recommends the Department's proposal to include non-Medicaid residential child care facilities programs as part of the 10 percent rate calculation.**

2. Staff also **continues to recommend to the Committee that it include a "sunset" on the 10 percent match rate**. Staff does not believe counties should have an incentive to use these more intensive placements based on a lower match rate than is applied to the balance of their programs. Thus, staff would like to see the 10 percent as a temporary figure that would be further addressed in the future. Thus far, the Committee has not expressed interest in placing a "sunset" on the 10 percent match rate. Whether or not there is a "sunset", this issue may be addressed in the future; however, there will be less incentive for counties to agree to any changes if the 10 percent figure does not sunset.

3. **Staff recommends that any legislation be crafted so that it <u>does not</u> change directly, or indirectly, the statute at Section 25.5-5-402 , C.R.S. on the Medicaid statewide managed care system**. This statute excludes Medicaid residential child health care programs (the TRCCF and PRTF programs) from the mental health capitation program, so that billing for these programs is fee-for-service. **Staff believes there is a legitimate debate as to whether residential child health care programs should be included or not in mental health capitation, but staff does not believe <u>this bill</u> should be the venue for debating this.**

An initial draft of the proposed bill, reviewed by staff, would have the impact of changing the managed care exclusion. The changes proposed to Section 25.5-5-306, C.R.S. that are described above would eliminate references to any program other than the PRTF program. If the JBC wished to *ensure* that these changes did not result in any change to the scope of programs excluded from mental health capitation under 25.5-5-402, C.R.S., it might wish to modify 25.5-5-402 to reference other residential child programs and not solely the PRTF program. If no such change is made, the state could still *choose* to continue to carve-out mental health services provided in non-PRTF residential settings from the mental health capitation program, but it would not be required to do so.

Note that HCPF has indicated that it would like to eliminate the entire capitation exclusion for residential child care programs from Section 25.5-5-402, C.R.S., giving the State the option of including residential care program costs in capitation. In response to staff questions about the JBC county match rate bill, HCPF has indicated that:

> "The department does not believe that it is necessary to make additional statutory change to assure that TRCCFs can continue to bill fee-for-service for Medicaid eligible mental health services. Under current statute and the proposed statutory changes there would be no statutory prohibition against TRCCFs billing fee-for-service for Medicaid eligible mental health services."

While the proposed changes would not require the State to move additional residential child health care expenditures into the mental health capitation program, the changes would make this possible at Executive Branch discretion. **Staff believes that weakening the current exclusion for residential programs is likely to be controversial**. A move to directly modify the statute at Section 25.5-5-402, C.R.S. to eliminate the capitation exclusion for residential child health care services [H.B. 08-1235 by Todd/Hagedorn] has had a difficult time in the House Health and Human Services Committee.

In light of this, staff would recommend that the Department of Human Services and Health Care Policy and Financing be requested to develop some proposed statutory language that would ensure that this Committee bill has no impact one way or the other on the exclusion of many child welfare residential programs from the mental health capitation program.

4. **Staff requests permission, on behalf of the departments, to share copies of draft legislation with counties**, and make associated modifications prior to having a draft placed on bill paper for the JBC's review.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2008-2009 FIGURE SETTING
DEPARTMENT OF HUMAN SERVICES

**Division of Child Welfare,
Division of Child Care, and related Executive Director's Office line items
ONLY**

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

**Prepared By:
Amanda Bickel, JBC Staff
March 5, 2008**

For Further Information Contact:

**Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
Facsimile: (303) 866-2150
(TDD 866-3472)**

JBC WORKING DOCUMENT - ALL DECISIONS SUBJECT TO CHANGE

FY 2008-09 STAFF FIGURE SETTING PRESENTATION
DEPARTMENT OF HUMAN SERVICES:
DIVISION OF CHILD WELFARE AND DIVISION OF CHILD CARE

TABLE OF CONTENTS

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
DEPARTMENT OF HUMAN SERVICES							
Executive Director: Karen Beye							

(1) EXECUTIVE DIRECTOR'S OFFICE

The primary function of this division is general department administration. This document includes Executive Director's Office, Special Purpose line items that are specifically related to child welfare services. This includes: staff responsible for periodically assessing all Colorado children placed in residential care as a result of a dependency and neglect or a delinquency proceeding to ensure counties' statutory and regulatory compliance; and funding to support staff who conduct background/employment screenings using records and reports of child abuse or neglect. Cash funds are from fees paid by those requesting background/employment checks. *The balance of Executive Director's Office line items are covered in other Department of Human Services briefing and figure setting documents.*

(B) Special Purpose

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Staff Rec. - Old Format	Staff Rec. - New Format	Change Requests
Administrative Review Unit	1,735,777	1,762,416	1,899,494	1,970,264	1,951,619	1,951,619	
FTE	19.3	20.2	22.2	22.2	22.2	22.2	
General Fund	1,058,290	1,033,073	1,160,911	1,208,326	1,196,849	1,196,849	
Federal Funds	677,487	729,343	738,583	761,938	754,770	754,770	
Records and Reports of Child Abuse or Neglect	336,256	489,962	556,108	568,169	566,874	566,874	
FTE	4.1	6.0	7.5	7.5	7.5	7.5	
Cash Funds	336,256	163,038	294,105	306,166	304,871	566,874	
Cash Funds Exempt/Reappropriated funds	0	326,924	262,003	262,003	262,003	0	
							Rec. v. Approp.
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	2,072,033	2,252,378	2,455,602	2,538,433	2,518,493	2,518,493	2.6%
FTE	23.4	26.2	29.7	29.7	29.7	29.7	0.0
General Fund	1,058,290	1,033,073	1,160,911	1,208,326	1,196,849	1,196,849	3.1%
Cash Funds	336,256	163,038	294,105	306,166	304,871	566,874	92.7%
Cash Funds Exempt/Reappropriated funds	0	326,924	262,003	262,003	262,003	0	-100.0%
Federal Funds	677,487	729,343	738,583	761,938	754,770	754,770	2.2%
**Medicaid Cash Funds*	*0*	*0*	*0*	*0*	*0*	*0*	
**Net General Fund*	*1,058,290*	*1,033,073*	*1,160,911*	*1,208,326*	*1,196,849*	*1,196,849*	3.1%

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
(5) DIVISION OF CHILD WELFARE							

This division provides funding and state staff associated with the state supervision and county administration of programs that protect children from harm and assist families in caring for and protecting their children. Funding lso supports training for county and state staff, direct care service providers (e.g. foster parents), and court personnel. Cash funds exempt sources include Medicaid funds transferred from the Department of Health Care Policy and Financing, county tax revenues, grants and donations, federal Title IV-E funds, and amounts from the Collaborative Management Incentives Cash Fund (primarily from civil docket fees).

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Administration	2,183,224	2,281,207	2,450,900 S	3,011,961 A	2,768,830	2,768,830	DI #8, SBA #7
FTE	23.8	25.1	26.0	31.5	29.7	29.7	
General Fund	1,434,560	1,481,349	1,638,950 S	2,065,868 A	1,933,751	1,933,751	
Cash Funds Exempt/Reappropriated funds	98,457	124,326	127,485	132,025	130,712	130,712	
Federal Funds	650,207	675,532	684,465	814,068	704,367	704,367	
**Medicaid Cash Funds*	*98,457*	*128,349*	*127,485*	*132,205*	*130,890*	*130,890*	
**Net General Fund*	*1,483,789*	*1,545,524*	*1,691,081*	*2,218,269*	*2,087,585*	*2,087,585*	
Training	4,810,582	4,810,715	4,928,419	4,928,419	4,981,462	4,981,462	
General Fund	2,238,994	2,210,044	2,295,012	2,295,012	2,348,055	2,348,055	
Cash Funds	0	0	0	0	0	37,230	
Cash Funds Exempt/Reappropriated funds	38,834	37,230	37,230	37,230	37,230	0	
Federal Funds	2,532,754	2,563,441	2,596,177	2,596,177	2,596,177	2,596,177	
Foster and Adoptive Parent Recruitment, Training, and Support	303,658	298,396	330,685	333,995	333,812	333,812	
FTE	1.0	1.0	1.0	1.0	1.0	1.0	
General Fund	242,949	232,522	264,567	267,215	267,068	267,068	
Federal Funds	60,709	65,874	66,118	66,780	66,744	66,744	
Child Welfare Services /a	310,244,917	318,923,705	339,843,941 S	352,633,237	351,124,655	351,124,655	DIs #3, NP-1
General Fund	110,824,383	156,513,669	160,293,684 S	176,527,333 A	179,710,637	179,710,637	Sup/BA #7
Cash Funds	0	0	0	0	0	57,588,959	
Cash Funds Exempt/Reappropriated funds	113,450,736	68,020,139	86,498,206 S	78,272,695 A	76,361,966	18,773,007	
Federal Funds	85,969,798	94,389,897	93,052,051 S	97,833,209 A	95,052,051	95,052,051	
**Medicaid Cash Funds*	*64,703,843*	*16,074,967*	*34,875,613*	*29,566,717 A*	*18,773,007*	*18,773,007*	
**Net General Fund*	*143,176,305*	*164,551,152*	*177,731,491* S	*188,440,492 A*	*189,097,140*	*189,097,140*	
Total County Expenditures for Child Welfare Block [non-add]							
Portion of line item not distributed to counties		(2,933,289)					
Transfer to Title XX from TANF (10 percent TANF)		10,766,387					
County Funds		1,388,564					
Total County Child Welfare Expenditures [non-add]		328,145,367					

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation		FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Excess Federal Title IV-E Distributions for Related County Administrative Functions								
Cash Funds	0	0	0		0	0	1,735,971	
Cash Funds Exempt/Reappropriated funds	1,632,000	1,685,040	1,710,316		1,710,316	1,735,971	0	DI #NP-1
Excess Federal Title IV-E Reimbursements								
Cash Funds	0	0	0		0	0	2,800,000	
Cash Funds Exempt/Reappropriated funds	6,168,000	5,929,152	2,800,000	S**	6,009,196	2,800,000	0	DI #NP-1
Family and Children's Programs	45,281,760	44,131,490	45,055,425		45,013,673	45,731,257	45,731,257	DI #NP-1, BR #NP
General Fund	36,881,888	37,051,314	37,857,021		37,718,091	38,424,876	38,424,876	
Cash Funds	0	0	0		0	0	5,213,955	
Cash Funds Exempt/Reappropriated funds	6,376,591	5,049,139	5,136,901		5,206,249	5,213,955	0	
Federal Funds	2,023,281	2,031,037	2,061,503		2,089,333	2,092,426	2,092,426	
**Medicaid Cash Funds*	*1,350,212*	*0*	0		*0*	0	*0*	
**Net General Fund*	*37,556,994*	*37,051,314*	*37,857,021*		*37,718,091*	*38,424,876*	*38,424,876*	
Performance-based Collaborative Management Incentives								
Cash Funds	0	0	0		0	0	3,688,750	
Cash Funds Exempt/Reappropriated funds	550,000	2,075,000	3,188,750		3,688,750	3,688,750	0	DI #3B
Integrated Care Management Program - Cash Funds Exempt	1,650,000	0	0		0	0	0	
Independent Living Programs - Federal Funds	2,388,602	2,899,637	2,826,582		2,826,582	2,826,582	2,826,582	
Promoting Safe and Stable Familiy Programs	4,338,469	4,659,067	4,449,912		4,458,102	4,457,659	4,457,659	
FTE	1.9	2.0	2.0		2.0	2.0	2.0	
General Fund	44,983	46,089	48,573		50,621	50,510	50,510	
Cash Funds	0	0	0		0	0	1,064,160	
Cash Funds Exempt/Reappropriated funds	1,121,753	1,064,160	1,064,160		1,064,160	1,064,160	0	
Federal Funds	3,171,733	3,548,818	3,337,179		3,343,321	3,342,989	3,342,989	
Federal Child Abuse Prevention and Treatment Act Grant - Federal Funds	374,085	347,977	908,201		914,933	378,332	378,332	
FTE	2.8	2.0	3.0		3.0	3.0	3.0	

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation		FY 2008-09 Request		FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
									Rec v. Approp
TOTAL - (5) CHILD WELFARE	379,925,297	388,041,386	408,493,131	S	425,529,164	A	420,827,310	420,827,310	3.0%
FTE	29.5	30.1	32.0		37.5		35.7	35.7	3.7
General Fund	151,667,757	197,534,987	202,397,807	S	218,924,140	A	222,734,897	222,734,897	10.0%
Cash Funds	0	0	0		0		0	72,129,025	n/a
Cash Funds Exempt	131,086,371	83,984,186	100,563,048	S	96,120,621	A	91,032,744	18,903,719	-81.2%
Federal Funds	97,171,169	106,522,213	105,532,276	S	110,484,403	A	107,059,668	107,059,668	1.4%
**Medicaid Cash Funds*	*66,152,512*	*16,203,316*	*35,003,098*		*29,698,922*	*A*	*18,903,897*	*18,903,897*	-46.0%
**Net General Fund*	*184,744,014*	*205,636,645*	*219,887,745*	*S*	*230,989,700*	*A*	*232,275,234*	*232,275,234*	5.6%

a/ This recommendation includes an adjustment that would be included in new legislation

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

**Includes a staff-recommended supplemental adjustment that is not yet enacted

(6) DIVISION OF CHILD CARE

This division includes funding and state staff associated with: (1) licensing and monitoring child care facilities; (2) the state supervision and the county administration of the Colorado Child Care Assistance Program, through which counties provide child care subsidies to low income families and families transitioning from the Colorado Works Program; and (3) the administration of various child care grant programs. Cash funds sources reflect fees and fines paid by child care facilities. Cash funds exempt sources reflect county tax revenues.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation		FY 2008-09 Request		FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Child Care Licensing and Administration	5,936,175	6,199,918	6,475,696	S	6,564,894		6,464,657	6,464,657	DIs #20, NP-1
FTE	57.8	59.7	63.0		64.0		64.0	64.0	
General Fund	2,184,368	2,322,605	2,275,147		2,367,883		2,346,195	2,346,195	
Cash Funds (fees and fines)	584,447	472,330	710,008		802,888		731,546	731,546	
Federal Funds (CCDF and Title IV-E)	3,167,360	3,404,983	3,490,541	S	3,394,123		3,386,916	3,386,916	
Fines Assessed Against Licensees - (CF)	30,218	0	18,000		18,000		18,000	18,000	
Child Care Licensing System Upgrade Project (Federal Funds - CCDF)	490,550	0	0		0		0	0	
Child Care Assistance Program Automated System Replacement (FF-CCDF)	0	0	73,924		73,924		47,685	47,685	

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Child Care Assistance Program (a)	74,927,197	73,435,733	75,668,323 S	76,908,228 A	76,131,098	76,131,098	DI #NP-1
General Fund	15,021,716	13,755,029	15,354,221	15,575,302	15,584,534	15,584,534	Sup/BA #18
Cash Funds (local funds)	0	0	0	0	0	9,233,959	
Cash Funds Exempt/Reappropriated Funds (local funds)	9,186,572	9,184,636	9,181,497 S	9,313,802 A	9,233,959	0	
Federal Funds (CCDF and Title XX)	50,718,909	50,496,068	51,132,605 S	52,019,124	51,312,605	51,312,605	
Child Care Assistance Program expenditures using TANF transfers out of Works Program County Block Grants and County Reserve Accounts - (FF) (b)	1,372,522	865,885		Not appropriated; see note a/ below			
Short-term Works Emergency Fund - (FF)	0	0					
Subtotal: Child Care Assistance Program expenditures, including all TANF transfers and allocations from the Short-term Works Emergency Fund for child care needs	76,299,719	74,301,618					
Grants to Improve Quality and Availability of Child Care - (FF - CCDF)	293,714	298,856	0	0	0	0	
Federal Discretionary Child Care Funds Earmarked for Certain Purposes - (FF -CCDF)	3,872,535	3,138,722	0	0	0	0	
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Earmark Requirements/Federal Requirements for Targeting Funds (FF-CCDF)	n/a		3,473,633	3,473,633	3,473,633	3,473,633	
Early Childhood Councils Cash Fund - General Fund	n/a		1,022,168	1,006,161	0	0	
Early Childhood Councils [formerly Pilot for Community Consolidated Child Care Services]	972,538	972,438	3,016,775	2,984,761	2,984,761	2,984,761	
FTE	0	0	1.0	1.0	1.0	1.0	
General Fund	0	0	0	0	1,006,161	1,006,161	
Cash Funds Exempt/Reappropriated Funds (E.C. Councils Cash Fund)	0	0	1,022,168	1,006,161	0	0	
Federal Funds (CCDF)	972,538	972,438	1,994,607	1,978,600	1,978,600	1,978,600	
Early Childhood Professional Loan Repayment Program - (FF - CCDF)	3,000	1,000	0	0	0	0	
School-readiness Quality Improvement Program *[formerly School-readiness Child Care Subsidization Program]* - (FF - CCDF)	2,170,791	2,213,630	2,226,096	2,227,877	2,227,765	2,227,765	
FTE	0.6	0.8	1.0	1.0	1.0	1.0	

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation		FY 2008-09 Request		FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Change Requests
Early Childhool School Readiness Commission - CFE	0	0	0		0		0	0	
									Rec. v. Approp
(6) TOTAL - DIVISION OF CHILD CARE	88,696,718	86,260,297	91,974,615	S	93,257,478	A	91,347,599	91,347,599	-0.7%
FTE	58.4	60.5	65.0		66.0		66.0	66.0	1.0
General Fund	17,206,084	16,077,634	18,651,536		18,949,346		18,936,890	18,936,890	1.5%
Cash Funds	614,665	472,330	728,008		820,888		749,546	9,983,505	1271.3%
Cash Funds Exempt/Reappropriated Funds	9,186,572	9,184,636	10,203,665	S	10,319,963	A	9,233,959	0	-100.0%
Federal Funds	61,689,397	60,525,697	62,391,406	S	63,167,281		62,427,204	62,427,204	0.1%

a/ For FY 2006-07, the Department transferred $1.0 million of Title XX Social Security Block Grant Funds from this line item to the Division of Child Welfare. It also transferred $303,400 to Child Care Licensing and Administration. This eliminated a reversion and effectively forced some county expenditure of TANF transfer funds.

b/ Staff has reflected the actual expenditure of federal TANF funds that were transferred from County Block Grants or from County Reserve Accounts (both associated with the Works Program) to federal Child Care Development Funds in order to cover county expenditures related to child care.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation		FY 2008-09 Request		FY 2008-09 Staff Rec. - Old Format	FY 2008-09 Staff Rec. - New Format	Rec v. Approp
TOTAL - HUMAN SERVICES - CHILD CARE AND CHILD WELFARE (INCLUDING EDO CHILD WELFARE LINE ITEMS)	470,694,048	476,554,061	502,923,348	S	521,325,075	A	514,693,402	514,693,402	2.3%
FTE	111.3	116.8	126.7		133.2		131.4	131.4	4.7
General Fund	169,932,131	214,645,694	222,210,254	S	239,081,812	A	242,868,636	242,868,636	9.3%
Cash Funds	950,921	635,368	1,022,113		1,127,054		1,054,417	82,679,404	7989.1%
Cash Funds Exempt	140,272,943	93,495,746	111,028,716	S	106,702,587	A	100,528,706	18,903,719	-83.0%
Federal Funds	159,538,053	167,777,253	168,662,265	S	174,413,622	A	170,241,642	170,241,642	0.9%
**Medicaid Cash Funds*	*66,152,512*	*16,203,316*	*35,003,098*		*29,698,922*	*A*	*18,903,897*	*18,903,897*	-46.0%
**Net General Fund*	*185,802,304*	*206,669,718*	*221,048,656*	S	*232,198,026*	*A*	*233,472,083*	*233,472,083*	5.6%

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

	FY 2006-07 Actual	FY 2007-08 Appropriation	Fiscal Year 2007-08 Supplemental Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF HUMAN SERVICES **Executive Director - Karen Beye**					
Staff Initiated Late Supplemental - Title IV-E Revenue Projection					
(5) DIVISION OF CHILD WELFARE					
Excesss Federal Title IV-E Reimbursements					
Cash Funds Exempt	5,929,152	5,929,152	0	(3,129,152)	2,800,000
Net General Fund	*0*	*0*	*0*	*0*	*0*

FY 2008-09 Figure Setting and Late FY 2007-08 Supplemental
DEPARTMENT OF HUMAN SERVICES
Division of Child Welfare and Division of Child Care

(1) EXECUTIVE DIRECTOR'S OFFICE
(B) Special Purpose

ADMINISTRATIVE REVIEW UNIT

This line item provides funding for the Department's "Administrative Review Unit", which is responsible for performing federally-mandated periodic on-site case reviews of children and youth who are placed in out-of-home residential care. These reviews include children and youth placed out of the home by county departments of social services, as well as youth placed in a community setting by the Division of Youth Corrections. These face-to-face reviews are open to participation by all involved parties (the child's birth parents, foster parents, guardian ad litem, probation officer, caseworker, etc.). These reviews ensure that:

✓ the child or youth is safe and receiving services identified in their case plan;
✓ the placement of the child or youth is necessary, the setting is appropriate, and progress is being made to either return the child or youth home safely or achieve permanency through another means; and
✓ the county has appropriately determined the child or youth's eligibility for federal Title IV-E funds.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
Director (General Professional VII)	1.0	1.0	1.0	1.0
Supervisors (General Professional VI)	3.0	3.0	3.0	3.0
Compliance Investigators	14.4	16.0	16.0	16.0
Support	1.8	2.2	2.2	2.2
TOTAL	**20.2**	**22.2**	**22.2**	**22.2**

Federal law requires that face-to-face case reviews be conducted by an independent entity. Thus, these reviews can be conducted by a court or by this unit, but they cannot be conducted by county departments of social services. The Department indicates that most courts are not currently conducting reviews in a manner that meets the federal requirements. Thus, in most cases, even if the court is "reviewing" certain cases involving children in out-of-home care, this unit must still conduct periodic on-site case reviews with open participation in order to maintain compliance with federal law.

This unit is also responsible for conducting federally-required quality assurance reviews concerning all children and families receiving child welfare services. These reviews currently involve a random sample of individual cases, client satisfaction surveys, and evaluations of systemic indicators. The unit is thus responsible for ensuring compliance with state and federal laws, assuring that out-of-home placement care criteria are met, reviewing the level of care for the child or youth, and assisting in moving the child or youth to a safe, permanent environment. In addition, this unit was designed to facilitate maximization of federal Title IV-E revenues and to assist counties in identifying other available revenues, such as federal Social Security, federal Social Security Disability Income, federal Supplemental Security Income, private insurance, and victim advocacy funds.

The Department requests an appropriation of $1,970,264, including $1,208,326 General Fund, and 22.2 FTE for this line item.

Staff recommends the Committee approve an appropriation of $1,951,619, including $1,196,849 General Fund, and 22.2 FTE for this line item. Staff's recommendation is detailed in the following table:

Summary of Recommendation: Administrative Review Unit				
Description	**Total Funds**	**General Fund**	**Federal Funds**	**FTE**
S.B. 07-239 Personal Services	$1,715,840	$1,050,463	$665,377	22.2
FY 2007-08 Salary Survey	52,778	35,361	17,417	0.0
FY 2007-08 Performance Pay at 80 percent	17,205	11,551	5,654	0.0
Base Reduction (1.0 Percent)	(17,858)	(10,974)	(6,884)	0.0
Subtotal - Personal Services	**1,767,965**	**1,086,401**	**681,564**	**22.2**
S.B. 07-239 Operating Expenses	183,654	110,448	73,206	0.0
TOTAL RECOMMENDATION	**$1,951,619**	**$1,196,849**	**$754,770**	**22.2**

RECORDS AND REPORTS OF CHILD ABUSE OR NEGLECT

This line item provides funding for the Department to maintain records of abuse and neglect and to perform related functions. Funding for this purpose was previously included in a line item in the Division of Child Welfare entitled, "Central Registry of Child Protection". House Bill 03-1211 repealed the state Central Registry of Child Protection, effective January 1, 2004. Pursuant to H.B. 03-1211, the Department of Human Services now utilizes records and reports of child abuse or neglect for the purpose of conducting background screening checks (generally requested by employers and agencies to screen potential child care employees, child care facility license applicants, and prospective adoptive parents). Fees paid for screening checks continue to be used to cover the direct and indirect costs of performing background checks and administering provisions related to the appeals process and the release of information contained in records and reports[1]. Functions related to records and reports of abuse and neglect are currently performed as follows:

- County departments of social services enter confirmed reports of child abuse or neglect in the state Department's automated system (Colorado Trails) within 60 days of receiving the complaint.

- County departments of social services provide notice to a person responsible in a confirmed report of child abuse or neglect of the person's right to appeal the county department's finding to the state Department within 90 days.

- Such a person may request: (1) a paper review of the county's confirmed report and record by the Department of Personnel and Administration, Division of Administrative Hearings; or (2) a fair hearing (either by telephone or in person) by the Division of Administrative Hearings before an administrative law judge, at which the state Department would bear the burden of proof. The notice includes information as to how the individual can access the county department's dispute resolution process.

- The state Department's Office of Appeals issues final agency decisions upon review of an administrative law judge's final decision. The final agency decision continues to advise the individual who filed the appeal of his/her right to seek judicial review in the state district court.

The appropriation includes 1.3 FTE added to this line item in FY 2007-08 to help address a backlogs in child abuse dispute reviews and to avoid a backlog for background checks.

Records and Reports Staffing Summary	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
Administrative support (issuance of final agency decisions and related administrative functions)	2.1	2.1	2.1	2.1
Technicians (background/employment screening)	1.5	2.0	2.0	2.0
General Professionals (represent Department at hearings and settlement conferences)	2.4	3.4	3.4	3.4
TOTAL	**6.0**	**7.5**	**7.5**	**7.5**

[1] These fees are also used to cover a portion of the costs of related legal services and administrative law judge services.

Staff recommends the Committee approve an appropriation of $556,874 and 7.5 FTE for this line item. Staff's recommendation is detailed in the following table. *The recommendation includes a transfer of amounts previously reflected as "cash funds exempt" to cash funds.* The cash funds exempt amount reflected appropriations from reserves in the cash fund. Per the new Committee policy on classification of funds, appropriations from reserves are now classified as cash funds.

Summary of Recommendation: Records and Reports of Child Abuse or Neglect				
Description	**TOTAL**	**Cash Funds**	**Cash Funds Exempt/PAF**	**FTE**
S.B. 07-239 Personal Services	$518,108	$317,026	$201,082	6.2
Move Cash Exempt to Cash Funds	0	201,082	(201,082)	0.0
FY 2007-08 Salary Survey	7,963	7,963	0	0.0
FY 2007 Performance Pay at 80 percent	2,803	2,803	0	0.0
Subtotal - Personal Services	**528,874**	**528,874**	**0**	**6.2**
S.B. 07-239 Operating Expenses	38,000	37,400	600	0.0
Move Cash Exempt to Cash Funds	0	600	(600)	0.0
Subtotal - Operating Expenses	**38,000**	**38,000**	**0**	**0.0**
TOTAL RECOMMENDATION	**$566,874**	**$566,874**	**$0**	**6.2**

(5) DIVISION OF CHILD WELFARE

The Division of Child Welfare supervises the child welfare programs that are administered by Colorado's 64 counties. The Department of Human Services also conducts periodic on-site reviews of children who are in residential care. County responsibilities include: (1) receiving and responding to reports of potential child abuse or neglect; and (2) providing necessary and appropriate child welfare services to the child and the family, including providing for the residential care of a child when a court determines that it is necessary and in the best interests of the child and community to remove the child from the home.

ADMINISTRATION

This line item provides funding for those Department staff who supervise, manage, or provide administrative support for child welfare programs. The Division includes a child protection unit (5.0 FTE) that oversees grants and policies related to child protection, a permanency unit (8.0 FTE) that oversees grants and state policies related to "core services" (services designed to support a child and family where there is an imminent risk of out-of-home placement), adoption programs, and programs for adolescents, a financial unit (5.0 FTE) that oversees distribution of funds to counties, an information and program group (8.0 FTE) responsible for review of Trails data, provider rates, and state and federal data-reporting, and an administrative support unit (3.0 FTE). For FY 2007-08, the Committee approved a one-time appropriation of $100,000 for a study of the Division's performance objectives and staffing structure.

The Department requests $3,011,961 including $2,218,269 *net* General Fund, and 31.5 FTE for this line item. This includes $465,405 ($363,016 net General Fund) and 5.5 FTE for Decision Item #8 (Child Welfare Staffing) and $105,000 General Fund for Stand-alone Budget Amendment #7.

Staffing Summary - (5) Division of Child Welfare, Administration	FY 06-07 Actual	FY 07-08 Approp.	FY 08-09 Request	FY 08-09 Recomm.
Management	2.0	2.0	2.0	2.0
General Professionals	20.2	21.0	21.0	21.0
Administrative Support	2.9	3.0	3.0	3.0
Decision Item #8	n/a	n/a	5.5	3.7
TOTAL	**25.1**	**26.0**	**31.5**	**29.7**

❑ ***Decision Item #8 - Child Welfare Staff***

Department Request. The Department's request includes $479,140 ($373,729 net General Fund) for Decision Item #8 (including adjustments in the Executive Director's Office) to increase Division staff by 5.5 FTE. The request annualizes to 6.0 FTE in FY 2009-10. As explained in the decision item and clarified in the Department's FY 2008-09 budget hearing responses, the request includes:

✓ 4.0 FTE (when annualized) to create a county foster care/child welfare program monitoring team. It is estimated that this team will complete approximately 22 county reviews annually. It will monitor quality assurance through reviewing county compliance with rules related to foster care certification, out-of-home procedures, child safety, permanency, and well-being. The Department will assess county procedures and practice through interview and file reviews and will also review foster parent recruitment and retention strategies. Corrective actions will be developed as appropriate and monitored to their completion. More extensive reviews will be used to determine the extent to which practice in counties improves, meets or maintains national standards for safety, permanency and well-being.

✓ 1.0 FTE (when annualized) to monitor county accountability in the area of the automated case management system (Trails). This position will review information in Trails to determine where compliance issues exist and will work with counties to achieve compliance in completing appropriate areas in Trails. This position will partner with the monitoring team to assure that information contained in case and provider files is consistent with information entered in Trails. This position will improve utilization of data in ensuring child safety and well being.

✓ 1.0 FTE (when annualized) to specialize in supporting kinship care programs to assure safety for children placed with kin. The position will conduct a statewide assessment of kinship practice in Colorado, including existing community and county resources/programs and county TANF plans. The position will identify the most significant areas needing improvement to build more structure into kinship programs statewide and will assist in revising related rules, identifying compliance areas needing correction, and will collaborate with the monitoring team in counties where safety issues related to kin have been identified.

✓ $53,043 in contract funds for training county staff responsible for completion of home studies and training their supervisors regarding an instrument used for conducing home studies of foster and adoptive homes (the Structured Analysis Family Evaluation or SAFE instrument). Colorado was originally assisted in implementing SAFE based on a grant received by the Consortium for Children, who developed the program. The grant expires in 2008. The Department believes this training is an ongoing need to ensure casework staff who conduct home studies are adequately supported in use of the SAFE instrument.

The Department indicates that, in response to a 2002 State Auditor's Office performance audit, it agreed to increased monitoring of county programs. It conducted 21 county reviews between FY 2002-03 and FY 2004-05 in part using staff borrowed from other divisions. Reviews dropped to 4 in FY 2005-06 and 6 in FY 2006-07, plus three special reviews. Currently 1.0 FTE is responsible for all foster care home monitoring. The Department emphasized that the request will help it to respond to problems identified through the federal Children and Family Services Reviews and State Auditor's Office performance audits.

The Department has noted that the 2007 Foster Care Performance Audit indicated that the State needed to improve performance in: reviewing and monitoring county practice regarding compliance with foster care requirements, identifying successful foster parent recruitment and retention strategies for counties, improving oversight of safety in county homes that remain open following an abuse incident, ensuring county compliance with national safety, permanency and well-being standards, ensuring timely county completion with corrective action plans, and assuring county compliance with reporting critical incidents and appropriate follow-up.

Staff recommends the request in part. Staff concurs with the Department's assessment that improved oversight of county child welfare programs is appropriate.

- The Department has failed to meet six of the goals on its federal Performance Improvement Plan from its 2002 federal Child and Family Services (CFSR) review (performance in a number of areas has declined). Data developed in preparation for a 2008 federal review suggests ongoing problems in Colorado's ability to assure safety, stability, and permanency for children in the child welfare system.

- In its 2007 audits, the State Auditor's Office identified significant concerns with respect to the safety of children in foster care and insufficient Department oversight.

- The Department itself has highlighted concerns regarding the large number of child fatalities in Colorado and has suggested a link between these fatalities and inadequate state oversight of county child welfare programs.

Per Colorado statute, the child welfare system is administered by counties. However, the State is ultimately responsible for ensuring adequate child welfare services statewide. Staff believes the Department's proposal for increased staff, and the proposed tasks identified for such staff, are reasonably designed to address the problems that have been identified. In its hearing response, the Department noted that it does intend to use a "risk based" approach in monitoring county compliance. Based on initial assessments, the Department expects to assign a level of risk based on county performance to determine the extent of oversight, need for follow-up visits and frequency of monitoring cycles. This would be based on each county's safety, permanency, and child and family well-being outcomes. The Department estimates that approximately 10 percent of the counties (6-7) would require increased oversight based on level of risk,. This approach should help ensure the Department's efforts are cost-effective.

The staff recommendation is for 4.0 of the requested 6.0 FTE and the requested funding for SAFE training. The reasons for the lower FTE recommendation are as follows:

- The Committee approved $100,000 through a supplemental for FY 2007-08 for a study of the performance measures and staffing for the Division. It seems possible that the results of this study could suggest restructuring of the Division that might create efficiencies or suggest that different types of staff should be hired. Staff believes adding a full 6.0 FTE prior to the completion of the study (and review by the Department and the General Assembly) would be premature.

- The Department's request includes $105,827 in federal Title IV-E funds. However, based on a review of the Department's revenue situation with respect to Title IV-E amounts: (1) overall Title IV-E revenues have fallen substantially Department-wide, including in administrative areas, with significant implications for counties; (2) in FY 2006-07. The Department earned $146,108 less than the appropriation in the Child Welfare Administration line item. In light of this, staff does not believe it is appropriate to increase the Title IV-E appropriation for this line item and, thus, any increase in staffing will need to be funded by the General Fund.

The table below reflects the staff recommendation for the additional staff. Additional differences with the request are discussed further below.

Decision Item #8 Recommendation - Detailed Calculations							
		FY 2008-09 Request (with pay-date shift/ one-time costs)				**Annual Cost Full Year (FY 2009-10)**	
	Annual salary	Months Working	Months Paid	FTE	Amount	FTE	Amount
DIVISION OF CHILD WELFARE, ADMINISTRATION							
Personal Services							
General Prof. IV	$54,360	12	11	2.8	149,490	3.0	$163,080
General Prof. V	62,952	12	11	0.9	57,706	1.0	62,952
PERA (10.15%)					21,030		22,942
Medicare (1.45%)					3,004		3,277
Subtotal - Personal Services				**3.7**	**231,230**	**4.0**	**252,252**
Operating Expenses							
Supplies @ $500/FTE					2,000		2,000
Computer @ $900/FTE					3,600		0
Software @ $330/FTE					1,320		0
Furniture @/ $750/FTE					3,000		0
Telephone @ $440/FTE					1,800		1,800
Mileage @ $.221 x 12,000 miles/yr x 2 vehicles					5,304		5,304
Lodging @ $85 x 36 nights/FTE					12,240		12,240
Subtotal - Operating Expense					**29,264**		**21,344**
Total - CW Administration				**3.7**	**$260,494**	**4.0**	**$273,596**
DIVISION OF CHILD WELFARE, TRAINING (SAFE training)					**$53,043**		**$53,043**
OFFICE OF OPERATIONS, VEHICLE LEASE PAYMENTS (2 jeeps @ $2,832/yr each)					**$5,664**		**$5,664**
Grand TOTAL				**3.7**	**319,201**	**4.0**	**332,303**

The SAFE training includes: costs for a contract trainer (with associated travel, lodging and per diem) materials, lodging costs for some participants (based on distance from training site), and some training site costs associated with: (1) training 240 home study workers per year at a cost of $37,628

(10 2-day training at an average cost of $157 per person trained); (2) training 9 clinical/consultation supervisors at a cost of $6,664 (2 one-day training at a cost of $740 per person trained); and (3) providing additional skill building training for workers who require this (4 one-day training for 120 persons at an average cost of $73 per person trained).

The differences between the staff recommendation and the Department request are:

- The staff recommendation is for 4.0 FTE, (3.0 GP IV and 1.0 GP V position), while the Department requested 4.0 GP IV and 2.0 GP V positions. The request indicates that there is already 1.0 FTE responsible for monitoring county performance, added in FY 2005-06. Staff leaves it to the Department's discretion whether it wishes to use all FTE recommended for monitoring county performance or wishes to use 1.0 of the FTE to work on kinship care issues. Based on the size of the Department's current data unit (8.0 FTE), staff hopes that the Trails data responsibilities can be absorbed within that unit, although staff recognizes that ultimately this will be an executive decision.

- The recommendation does not include any adjustment to AED or SAED "pots" in the Executive Director's Officer or built into the line item for FY 2009-10, per common policy.

- The recommendation places SAFE training costs in the Division's training line item (rather than in the administration line item).

- The Department has empty cubicles available; therefore staff has added only $750 per new FTE to allow for the purchase of new chairs and other minor office fittings; funding for full furniture suites is not required. Staff has, however, included the two cars requested, as staff believes that the Department is more likely to use monitoring staff efficiently if staff have adequate transportation resources to move flexibly among targeted counties.

❑ *Decision Item #SBA 7 - Foster Care Performance Audit Recommendations*

The Department originally submitted this request as part of an FY 2007-08 supplemental. As part of staff's supplemental recommendation, staff indicated that these projects did not appear suitable for funding as supplementals (because the Department did not have adequate capacity to manage the projects over a short time frame and the need was not urgent) but that they should be considered for the FY 2008-09 budget. *The request is for one-time funds to: (1) research and determine fair and reasonable base anchor rates for CPAs, RCCFs, and foster care providers; and (2) locate and implement a Level-of-Care Assessment Tool:* These proposed projects stem from the September 2007 SAO Foster Care Financial Services Performance Audit.

Base Anchor Rates: The Department requests $75,000 General Fund for a foster care rate analysis to help determine the appropriate reimbursement for foster care providers and costs federally claimed for that care. The rate study would address whether the rates paid to foster family homes and other providers are adequate to care for the children, whether rates paid are fair and equitable, how the results of care received compare to national averages, and whether both federal and state rules are followed when making payments. The study would use data from the Trails system to determine actual rates paid, length of stay, and similar data, would review cost information from facilities, and would review how costs are paid and federally claimed county by county. The contractor would then create a tool for implementing a recommended rate structure as part of the final report.

Level of Care Assessment Tool: The Department requests $30,000 to implement a standardized validated level of care assessment tool to determine specialized needs of children in foster care placement. Currently, there is no standardized, validated, level-of-care document that is used by all counties and providers. To develop a state standard, the Department proposes: interviews with all counties to determine what instruments are being used by various counties and county's perceived content need for a master document; a work-study group involving state staff, counties, and provider to identify the content required for a level-of-care document; research on tools used by other states; and development and implementation of a single standardized, validated, state-approved level of care instrument.

The Department requested cost estimates from several vendors and included a detailed break-down in the request of the cost-components of each project.

Staff Recommendation. **Staff recommends $90,000 General Fund for this one-time request**. As reflected in the request, the State Auditor's Office report has raised numerous questions about the appropriateness of the Department's base anchor rates for foster care, and there is an ongoing debate over whether rates currently being paid are excessive (as suggested by the audit report) or insufficient (as suggested by a University of Maryland study). Because certain base anchor rate components have not been adjusted in many years, counties have tended to rely on negotiated rates instead of these.

Based on concerns raised by providers about the adequacy of county-reimbursements, the General Assembly has passed legislation to ensure closer state oversight of service rates. Pursuant to Section 26-5-104 (6), C.R.S. (added 1997, amended 2007) counties are authorized to negotiate rates, services and outcomes with providers *if the county has request for proposal process in effect for soliciting bids from providers or another mechanism for evaluating the rates, services and outcomes that it is negotiating with providers that is acceptable to the state.* The Department is required to review these county methodologies and to promulgate associated rules. The Department will be in a better position to determine the appropriateness of county-negotiated rates–and to aid counties that do not have capacity to negotiate their own rates--if it establishes base anchor rates that are supported by solid analysis.

The State Auditor's Office and other observers have also noted that it is essentially impossible to determine whether rates paid for foster care services are appropriate without a consistent measure of the level of care needed by children in foster care. Staff anticipates that implementing a level of care assessment tool could and should be integral to the development of base anchor rates. Thus, *staff would hope that the Department would stage this study so that the results are available for use in developing the base anchor rates*. **In light of the audit concerns raised and legislative interest**

in this area, staff believes one-time funding for the requested studies is reasonable. The recommendation is $15,000 less than the request because the portion of the request related to setting base anchor rates included $20,000 for multiple trainings. While staff expects that some training of county financial officers will be necessary related to this project, staff believes the focus of the project should be on developing the rates and that extensive county training, beyond that usually provided by the Department, should not be necessary.

Child Welfare Administration - Total Line Item Recommendation

The staff recommendation is reflected in the table below. It is calculated pursuant to common policy, with the addition of the Decision Item #8 and Budget Amendment SBA #7 recommendations discussed above. Note that a one-time supplemental appropriation of $100,000 for a staffing study was provided for FY 2007-08; as this is not ongoing, it is not reflected in the table below. *All amounts in this line item previously classified as "cash funds exempt" will be classified as "reappropriated funds", as these amounts reflect transfers from the Department of Health Care Policy and Financing.*

Summary of Recommendation: Administration					
Description	**Total Funds**	**General Fund**	**CFE/RF**	**Federal Funds**	**FTE**
S.B. 07-239 Personal Services	$2,126,132	$1,334,588	$120,802	$670,742	26.0
FY 2007-08 Salary Survey	67,134	43,637	3,357	20,140	0.0
FY 2007-08 Performance Pay at 80 percent	22,459	14,598	1,123	6,738	0.0
Base reduction (1.0%)	(22,157)	(13,928)	(1,253)	(6,976)	0.0
Decision Item #8 (Foster Care Staff)	231,230	231,230	0	0	3.7
Budget Amendment SBA #7 (Rates Studies)	90,000	90,000	0	0	0.0
Subtotal - Personal Services	**2,514,798**	**1,700,125**	**124,029**	**690,644**	**29.7**
H.B. 07-239 Operating Expenses	224,768	204,362	6,683	13,723	0.0
Decision Item #8 (Foster Care Staff)	29,264	29,264	0	0	0.0
Subtotal - Operating Expenses	**$254,032**	**$233,626**	**$6,683**	**$13,723**	**0.0**
TOTAL RECOMMENDATION	**$2,768,830**	**$1,933,751**	**$130,712**	**$704,367**	**29.7**

CHILD WELFARE STAFF TRAINING

This line item has historically provided funding for the Department to provide necessary training for county and state staff, direct service providers (e.g., foster parents), county attorneys, guardians ad litem, court-appointed special advocates, and court personnel. Approximately 85 percent of curriculum development and training is provided by outside contractors, including departments of social work at several colleges and universities and a few for-profit training providers. The appropriation for training was increased in FY 2005-06 due to a staff recommended transfer from the Family and Children's Programs line item. This action represented the consolidation of training funding into one line item.

In order to ensure sufficient resources are available to provide training to county and state staff, as well as other individuals involved in the provision of child welfare services, **staff recommends $4,981,462 for this line item, including $2,348,055 General Fund.** This includes a continuation amount of $4,928,419 (the amount requested) plus the **staff recommendation that $53,043 General Fund of the amount requested for Decision Item #8 be reflected here.** The staff recommendation also reflects reclassifying local funds in this line item that were previously reflected as "cash funds exempt" as "cash funds" in FY 2008-09, pursuant to Committee policy.

FOSTER AND ADOPTIVE PARENT RECRUITMENT, TRAINING, AND SUPPORT

This line item represents the consolidated funding the Department receives related to the recruitment and retention of foster and adoptive parents. It was intended to encourage the Department to address the shortage of foster and adoptive parents in a comprehensive manner. Funding is provided to support 1.0 FTE charged with monitoring and improving counties' adoptive and foster parent recruitment and retention activities and providing technical assistance to counties. This position was first funded in FY 2001-02 to meet one of the requirements of the federal *Adoption and Safe Families Act*, which requires states to have an identifiable process for assuring diligent recruitment and retention of foster and adoptive families that reflect the ethnic and racial diversity of children for whom placements are needed. This funding was also intended to assist counties in ensuring that placement resources are available so that children in foster care can reside close to their homes, sibling groups can be placed together, and adolescents and children with developmental disabilities or mental health issues can be placed in the least restrictive, most appropriate placement.

Staff recommends the Committee approve an appropriation of $333,812, including $267,068 General Fund, and 1.0 FTE for this line item. Staff's recommendation is calculated according to common policy and is detailed in the following table:

Summary of Recommendation: Foster and Adoptive Parent Recruitment, Training, and Support				
Description	**Total Funds**	**General Fund**	**Federal Funds**	**FTE**
S.B. 07-239 Personal Services	73,542	58,853	14,689	1.0
Salary Survey Awarded in FY 2007-08	2,360	1,888	472	0.0
Performance-based Pay Awarded at 80 percent	767	613	154	0.0
Subtotal - Personal Services	**76,669**	**61,354**	**15,315**	**1.0**
S.B. 07-239 Operating Expenses	257,143	205,714	51,429	0.0
TOTAL RECOMMENDATION	**$333,812**	**$267,068**	**$66,744**	**1.0**

CHILD WELFARE SERVICES

This line item provides the primary source of funding for counties to administer child welfare programs and deliver associated services to children and families. This line item thus provides funding for: (1) county administration for child welfare related activities; (2) out-of-home residential care; (3) subsidized adoptions; and (4) other necessary and appropriate services for children and families.

County Capped Allocations. Pursuant to Section 26-5-104 (4), C.R.S., counties receive capped funding allocations for the administration and provision of child welfare services. Counties are allowed to use capped allocation moneys for child welfare services without categorical restriction. Those counties that serve at least 80 percent of the total child welfare services population (the largest ten counties, currently) receive individual capped allocations, and the remaining small- and medium-sized counties receive separate capped allocations. Each county's allocation consists of local, state, and federal funds. The Department uses *state and federal* funds appropriated through the Child Welfare Services line item to reimburse county departments of social services for 80 percent of related expenses, up to the amount available in each county's allocation. In addition, pursuant to Section 26-5-104 (7), C.R.S., the Department is authorized, based upon the recommendations of the Allocations Committee, to allocate any unexpended funds at fiscal year-end to any county that has over spent its capped allocation. However, a county may only receive such "close-out" funds for authorized expenditures attributable to caseload increases beyond those anticipated when the allocations were made, and for expenditures *other than* those attributable to administrative and support functions.

Current law directs the Department of Human Services, after input from the Child Welfare Allocations Committee[2], to annually develop formulas for allocating child welfare funding among counties. In determining such formulas, the Department is to take into consideration historical expenditures, a comparison of such expenditures to the associated caseload, and other factors "that directly affect the population of children in need of child welfare services in a county" [Section 26-5-104 (3) (a), C.R.S.]. A county's allocation may be amended due to "caseload growth ... or changes in federal law or federal funding" [Section 26-5-104 (4) (e), C.R.S.]. In the event that the Department and the Child Welfare Allocations Committee do not reach an agreement on the allocation formula by June 15 of any state fiscal year for the following fiscal year, the Department and the Child Welfare Allocations Committee are to submit alternatives to the Joint Budget Committee for selection of an allocation formula.

Prior to FY 2001-02, each county's allocation of child welfare funding was based largely on historical data, including the county's out-of-home care expenditures and the county's share of open child welfare cases. Since FY 2001-02, the Department has utilized an "optimization" model to allocate funds among counties. This model uses concrete, measurable cost drivers rather than demographic data to allocate resources. A cost driver variable is considered appropriate for inclusion in the model if: (1) there is currently variability among counties; (2) the variability is measurable and manageable; and (3) constraining ("optimizing") such variability should improve outcomes for children. The model was developed by Pareto Solutions under the direction of the Child Welfare Allocations Committee. Two subcommittees (one consisting of representatives from departments of human services for the ten largest counties and one consisting of representatives from the remaining counties) have continued to work with the consultant to identify cost drivers and determine which variables would be appropriate to include in the model, as well as the desired range of variability for each factor. The subcommittees have chosen to "squeeze" the range for several variables, indicating that they felt that counties on the low end may not be providing sufficient services, while counties on the high end may be providing inappropriate services.

Once the cost drivers and desired ranges of variability have been determined, the optimization model allocates resources based on actual county-by-county data for each variable. The purpose of the model is <u>not</u> to force counties to mirror one another in every aspect of program administration. For example, if a county generally pays more for out-of-home care, but by doing so it achieves an average length of stay that is shorter than other counties, it can continue to administer its program in this manner because the two factors offset one another. However, if a county is serving a relatively high percentage of children out of the home, the children stay in out-of-home care for a longer period of time, and the county pays a higher average cost for such care, it will likely be forced to make some changes in how it administers its program because its allocation would likely be lower than its actual costs. The model is dynamic, so over time one can choose to add or delete factors, change the desired ranges, and change the total resources to be allocated.

---

[2] The Child Welfare Allocations Committee consists of eight members, four appointed by Colorado Counties, Inc. (CCI) and four appointed by the Department of Human Services. If CCI does not appoint a representative from the county that has the greatest percentage of the state's child welfare caseload (i.e., Denver), the Department is required to do so.

Advocates of the optimization model indicate that it provides several key benefits over alternative allocation models. First, it eliminates the ongoing arguments about *conceptual* cost drivers (e.g., what is the relationship between poverty and abuse and neglect?), and instead focuses discussion on concrete, measurable, manageable factors that drive costs. Second, it encourages entities to compare their practices to those of other comparable entities. However, rather than dictating local policy and practice based on a *single* standard of practice, the model allocates funds based on a number of different manageable variables. Third, the model supports an incremental consensus on the degree of acceptable variation in practices. Finally, the model can (and now does) serve to determine what overall level of resources are required to support a range of uncontrollable as well as manageable local practices. However, concerns have been raised related to the annual variations in funding for individual counties that result from the model; the Department is working with the allocation committee to examine the problem and options for resolving it.

Major Program Cost Components, based on FY 2005-06 County Actual Data

Child Welfare Services Block Actual Expenditures and Related Data - FY 2005-06

	Total	Children served (open cases)	Number of days of service	Average cost per child served per year	Adjusted cost per day of service	Average LOS out of home (days)
Subsidized adoption						
10 Large Counties	$38,043,803	8,284	2,416,614	$4,592	$14.74	
Balance of State	3,534,239	901	228,109	3,923	14.55	
	$41,578,042	9,185	2,644,723	$4,527		
Percent of total	13%					
Out of home placement						
10 Large Counties	$113,562,763	11,438	1,784,410	$9,929	$61.43	157.9
Balance of state	25,361,871.97	2,245	369,711	11,297	71.83	156.9
	$138,924,635	13,683	2,154,121	$10,153		
Percent of total	44%					
Program services (includes direct child protection and related services and county administration)						
10 Large Counties	$112,983,286	34,357		$3,289		
Balance of state	24,297,287	8,413		2,888		
	$137,280,573	42,770		$3,210		
Percent of total	43%					
Total Costs (including subsidized adoption costs)						
10 large counties	$264,589,852	42,641		$6,205		
Balance of state	53,193,398	9,314		5,711		
TOTAL	$317,783,250	51,955		$6,117		

Source: FY 2007-08 Child Welfare Services Allocation Model

Child Welfare Outcomes. As discussed during the FY 2008-09 budget briefing and hearing, Colorado does not appear to be consistently ensuring the safety of children in foster care, based on the results of the federal Child and Family Services Review (CFSR) and a recent audit by the State Auditor's Office. Staff asked whether the Department had any data that would demonstrate that providing additional funds for child welfare services results in better results for children, such as better results on the CFSR. At staff's request, the Department provided CFSR results for the largest ten counties. In sum, CFSR data does not appear to demonstrate that additional expenditures result in better outcomes–though staff and the Department recognize that this is a very limited measure. The Department noted, for example, that recent data for Boulder county would indicate that they are the most in compliance with CFSR requirements and second-most over-spent for FY 2006-07; Denver is the *least* in compliance and the most over-spent.

The Department has expressed interest in the past in moving to an allocation model that takes outcomes into account. The Department indicated that it has not conducted an analysis to determine if funding is a factor in meeting outcomes for the CFSR, and if the State moves to an allocation model based on outcomes, it may not necessarily be completely based on CFSR outcomes, as some of these outcomes are in conflict with each other and counties may have limited control over some outcomes (that are controlled by courts). Finally, the Department may ultimately recommend against an outcome-based model when all is analyzed.

Request for Line Item. The Department requests a total of $352.6 million for FY 2008-09, including $188.4 million net General Fund for the Child Welfare Services line item. Staff recommends $351.1 million including $189.1 net General Fund, *including an appropriation to be included in new legislation*. **The table below summarizes the components of the Department's request and staff's recommendation for the Child Welfare Services line item.** Each of the components of the request is described in narrative form following the table.

Description	Department Request	Staff Recommend.	Difference
FY 2007-08 Base Appropriation (Department request does not reflect supplemental adjustments)	$337,351,314	$337,351,314	$0
General Fund	152,107,575	152,107,575	0
Cash Funds	0	0	0
Cash Funds Exempt/Reappropriated Funds	88,351,854	88,351,854	0
Federal Funds	96,891,885	96,891,885	0
Medicaid Cash Funds	*34,875,613*	*34,875,613*	*0*
Net General Fund	*169,545,382*	*169,545,382*	*0*
I. FY 2007-08 Supplemental/ Budget Amendment #7	0	2,492,627	2,492,627

Description	Department Request	Staff Recommend.	Difference
General Fund	16,332,176	8,186,109	(8,146,067)
Cash Funds	0	0	0
Cash Funds Exempt/Reappropriated Funds	(13,475,308)	(1,853,648)	11,621,660
Federal Funds	(2,856,868)	(3,839,834)	(982,966)
Medicaid Cash Funds	(5,740,397)	*0*	*5,740,397*
Net General Fund	*10,591,779*	*8,186,109*	*(2,405,670)*
II. Reclassify Cash Funds Exempt	0	0	0
General Fund	0	0	0
Cash Funds (local funds)	0	51,622,593	51,622,593
Cash Funds Exempt/Reappropriated Funds	0	(51,622,593)	(51,622,593)
Federal Funds	0	0	0
Medicaid Cash Funds	*0*	*0*	*0*
Net General Fund	*0*	*0*	*0*
III. Annualize one-time FY 2007-08 Appropriations (leap year/SB 07-226)	(574,848)	(574,848)	0
General Fund	(414,063)	(414,063)	0
Cash Funds	0	(107,106)	(107,106)
Cash Funds Exempt/Reappropriated Funds	(146,426)	(39,320)	107,106
Federal Funds	(14,359)	(14,359)	0
Medicaid Cash Funds	*(39,320)*	*(39,320)*	*0*
Net General Fund	*(433,724)*	*(433,724)*	*0*
IV. Increase based on projected child/adolescent population increase *(Decision Item #3)*	11,304,453	13,585,602	2,281,149
General Fund	6,449,386	6,424,842	(24,544)
Cash Funds	0	2,717,120	2,717,120
Cash Funds Exempt/Reappropriated Funds	2,350,210	1,414,170	(936,040)
Federal Funds	2,504,857	3,029,470	524,613
Medicaid Cash Funds	*0*	*1,414,170*	*1,414,170*
Net General Fund	*6,449,386*	*7,131,927*	*682,541*
V. Provider Rate Increase (*Decision Item #NP-1/JBC Common Policy*)	4,552,318	5,019,960	467,642
General Fund	2,052,259	2,374,017	321,758
Cash Funds	0	1,003,992	1,003,992
Cash Funds Exempt/Reappropriated Funds	1,192,365	522,544	(669,821)

Description	Department Request	Staff Recommend.	Difference
Federal Funds	1,307,694	1,119,407	(188,287)
Medicaid Cash Funds	*470,821*	*522,544*	*51,723*
Net General Fund	*2,287,669*	*2,635,289*	*347,620*
VI. Adjust Medicaid to Reflect Actual Expenditure Pattern ($0 net GF impact)	0	(6,750,000)	(6,750,000)
General Fund	0	9,000,000	9,000,000
Cash Funds	0	2,250,000	2,250,000
Cash Funds Exempt/Reappropriated Funds	0	(18,000,000)	(18,000,000)
Federal Funds	0	0	0
Medicaid Cash Funds	*0*	*(18,000,000)*	*(18,000,000)*
Net General Fund	*0*	*0*	*0*
VII. Backfill for Federal Funds not Available	0	0	0
General Fund	0	2,134,517	2,134,517
Cash Funds	0		0
Cash Funds Exempt/Reappropriated Funds	0		0
Federal Funds	0	(2,134,517)	(2,134,517)
Medicaid Cash Funds	*0*		*0*
Net General Fund	*0*	*2,134,517*	*2,134,517*
VIII. Adjust for current law - 20% local share for residential services*	0	0	0
General Fund	0	(8,104,287)	(8,104,287)
Cash Funds	0	8,104,287	8,104,287
Cash Funds Exempt/Reappropriated Funds	0	0	0
Federal Funds	0	0	0
Medicaid Cash Funds	*0*	*0*	*0*
Net General Fund	*0*	*(8,104,287)*	*(8,104,287)*
TOTAL RECOMMENDATION - LONG BILL	**$352,633,237**	**$351,124,655**	($1,508,582)
General Fund	176,527,333	171,708,710	(4,818,623)
Cash Funds	0	65,590,886	65,590,886
Cash Funds Exempt/Reappropriated Funds	78,272,695	18,773,007	(59,499,688)
Federal Funds	97,833,209	95,052,052	(2,781,157)
Medicaid Cash Funds Exempt	*29,566,717*	*18,773,007*	*(10,793,710)*
Net General Fund	*188,440,492*	*181,095,213*	*(7,345,279)*

Description	Department Request	Staff Recommend.	Difference
IX. JBC BILL - Set Local Share for residential services at 10 percent	**$0**	**$0**	$0
General Fund	0	8,001,927	8,001,927
Cash Funds	0	(8,001,927)	(8,001,927)
Cash Funds Exempt/Reappropriated Funds	0	0	0
Federal Funds	0	0	0
Medicaid Cash Funds Exempt	*0*	*0*	*0*
Net General Fund	*0*	*8,001,927*	*8,001,927*
TOTAL RECOMMENDATION - LONG BILL + JBC BILL	**$352,633,237**	**$351,124,655**	($1,508,582)
General Fund	176,527,333	179,710,638	3,183,305
Cash Funds	0	57,588,959	57,588,959
Cash Funds Exempt/Reappropriated Funds	78,272,695	18,773,007	(59,499,688)
Federal Funds	97,833,209	95,052,051	(2,781,158)
Medicaid Cash Funds Exempt	*29,566,717*	*18,773,007*	*(10,793,710)*
Net General Fund	*188,440,492*	*189,097,141*	*656,649*

I. FY 2007-08 SUPPLEMENTAL/ BUDGET AMENDMENT #7

The Department requested that funding in the Child Welfare Block be refinanced in FY 2007-08, with the adjustment continued in FY 2008-09. The basis for the request was that adjustments were required associated with the Residential Treatment Center (RTC) redesign that was implemented in FY 2006-07 through funding changes in the Long Bill and H.B. 06-1395. This redesign created two new classes of facilities: psychiatric residential treatment facilities (PRTFs) and therapeutic residential child facilities (TRCCFs). The request included three major components:

1. General Fund backfill related to unearned federal Medicaid funding for PRTFs and TRCCFs;
2. General Fund backfill of under-earned federal Title IV-E funding; and
3. General Fund to support an FY 2007-08 rate setting adjustment for therapeutic residential child care facilities (TRCCFs).

Staff recommended, and the Committee approved, funding adjustments associated with items 1 and 2 and no adjustment associated with item 3. The staff recommendation was to provide supplemental adjustments to cover the difference between the projected *non-Medicaid* costs for the TRCCF program and the amounts included in the FY 2007-08 Long Bill.

The table below summarizes the staff recommendation for FY 2007-08, which is continued for FY 2008-09.

Staff Recommendation - Supplemental/Budget Amendment #7				
	Total	**General Fund**	**Local Funds**	**Federal Funds**
Non-Medicaid TRCCF Appropriation v. Actuals and Projections				
FY 2007-08 Appropriation	57,038,382	40,938,692	7,291,250	8,808,441
FY 2007-08 Projection	59,531,009	49,124,800	5,437,602	4,968,607
Difference - Supplemental/BA Rec.	2,492,627	**8,186,109**	(1,853,648)	(3,839,834)
			[County share]	[Title IV-E]

The **"net" General Fund** impact (including associated General Fund impacts in the Department of Health Care Policy and Financing) of each component of the request and recommendation is summarized below. **The FY 2008-09 recommendation matches JBC action for FY 2007-08.**

Supplemental/Budget Amendment #7 Request v. Recommendation Summary **- Net General Fund ONLY**			
	Request	**Recommend**	**Difference**
Medicaid Backfill	3,444,328	0	(3,444,328)
Title IV-E Backfill	2,856,868	3,839,834	982,966
Rates Increase/Local Funds Backfill	4,290,673	4,346,275	55,602
Net **General Fund** Total	10,591,869	**8,186,109**	(2,405,760)

II. RECLASSIFY CASH FUNDS EXEMPT

The staff recommendation reflects reclassifying all local funds in the appropriation from "cash funds exempt" to "cash funds" pursuant to Committee policy. The amount in the FY 2007-08 base appropriation to be reclassified (including the supplemental adjustments) is **$51,622,593 local funds**. In addition, the staff recommendation for all other components of the request, including annualizing one-time appropriations, adjusts the changes to the new format, so that any local funds added to or removed from the appropriation are classified as cash funds.

The balance of funds previously classified as cash funds exempt is Medicaid funds. These amounts will now be classified as reappropriated funds.

III. ANNUALIZE ONE-TIME FY 2007-08 APPROPRIATIONS (LEAP YEAR/SB 07-226)

This includes eliminating funding provided associated with the FY 2007-08 leap year and annualization of one-time funding included in new legislation (S.B. 07-226). The staff recommendation only differs from the request in that staff has reclassified all local funds amounts as cash funds. The two components are reflected below.

Annualization Recommendation			
	Leap Year	**S.B. 07-226**	**Total Change**
Total	($495,077)	($79,771)	($574,848)
General Fund	(364,605)	(49,458)	(414,063)
Cash Funds	-91152	(15,954)	(107,106)
Reappropriated Funds	(39,320)	0	(39,320)
Federal Funds		(14,359)	(14,359)
Medicaid Funds	*-39320*	*0*	*(39,320)*
Net General Fund	*(384,265)*	*(49,459)*	*(433,724)*

IV. INCREASE BASED ON PROJECTED CHILD/ADOLESCENT POPULATION INCREASE

❑ ***Decision Item #3 - Caseload Increase***

Request. The Department requests a $11,304,453 increase (including $6,449,386 *net* General Fund) to the estimated costs of population increases in the child and adolescent population for FY 2008-09. As in past years, this increase is requested for both county administration and programmatic costs. U.S. Census Bureau data estimate this population will increase by 1.7 percent next fiscal year.

Each year, the Department requests additional funds anticipated to be required for counties to provide services to additional children and their families. The Department has calculated the projected funding need for counties based on historical increases in the overall number of children receiving child welfare services. The projected percent increase in the overall caseload was then applied to the base funding. Cost drivers for the provision of Child Welfare Services include:

- ✓ changes in the child / adolescent population (ages 0 - 17);
- ✓ the number of families referred, per 1,000 child / adolescent population;
- ✓ the number of children assessed, as a percent of the number referred;
- ✓ the number of new involvements, as a percent of assessments;
- ✓ the number of children in residential care as a percent of open involvements;
- ✓ the average number of days per year a child spends in residential care;
- ✓ the average cost per day per child for residential care;
- ✓ "program services" costs per open involvement (administration and other direct services related to foster care);
- ✓ new adoptions as a percent of the total number of children in residential care; and
- ✓ the average cost per child per day for adoptions.

***Staff Recommendation.* Staff recommends the Committee approve an increase of $13,585,602 (including $7,131,927 net General Fund).** The difference between the request for $11,304,453 ($6,449,386 net General Fund) and the recommendation is based on the following factors:

- The Department's request calculated the annual increase for caseload based on the population projection for the next fiscal year (FY 2008-09) x cost-per-person data from (FY 2006-07 cost-per-person data) adjusted through the child welfare allocation model. The Department then compared this total to the FY 2007-08 *appropriation* and requested the difference as the caseload increase needed.

- Staff believes that this approach does not adequately isolate the impacts of caseload growth. The child welfare allocation model projection is based on actual expenditure data, including county expenditures in excess of the appropriation. The appropriation to which it is compared may reflect a wide array of changes: rates increases, special bills, and other factors (such as the staff-recommended adjustment to the Medicaid/General Fund appropriation) that may have only limited relationship to actual expenditures. **Staff suspects that, due to personnel changes at the Department, as well as on the JBC staff, the way that the child welfare allocation model was intended to be used to identify caseload growth may have become mis-understood or distorted over time**.

- **In light of this, staff recommends the following approach**, which staff believes was the approach used to calculate caseload growth in FY 2005-06. This is as follows:

  ✓ Projected resource requirements based on FY 2008-09 population
  ✓ Less: actual resource requirements based on FY 2006-07 population
  ✓ Equals: Cost of change in population, FY 2006-07 to FY 2008-09
  ✓ Less: Caseload-related increase provided for FY 2007-08
  ✓ Equals: Cost of change in population to be funded for FY 2008-09

  This approach effectively isolates caseload growth from changes to the appropriation that are not related to caseload.

  The "**projected resource requirements for FY 2008-09**" is based on the child welfare allocation model unit, and thus reflect actual FY 2006-07 expenditures per child (adjusted through the model) x FY 2006-07 children served, inflated by the projected statewide growth in the child /adolescent population.

  The "**actual resource requirements based on FY 2006-07 population**" is based on actual county close-out expenditures for child welfare in FY 2006-07, and thus reflects actual FY 2006-07 expenditures per person x FY 2006-07 children served.

  The difference between these two figures should be a reasonable approximation of the impact of growth in the child/adolescent population on child welfare expenditures over the two year period from FY 2006-07 to FY 2008-09. Once caseload increases for FY 2007-08 are accounted for, the final figure should be a reasonable approximation of the funding required for caseload growth from FY 2007-08 to FY 2008-09.

The child welfare allocation model projection will, if anything, understate FY 2008-09 county caseload-related costs. In the child welfare allocation model, costs related to county behavior that is considered outside of acceptable parameters (*e.g.*, costs per person that are too high) are not included in the projection. The highest amount the model will project for a given county cost-category is the maximum cost determined acceptable by the Allocation Committee.

- **The staff recommendation does NOT include inflationary adjustments on caseload growth by the FY 2007-08 or FY 2008-09 community provider cost of living increases**. Staff believes such adjustments would be appropriate; however, **these would cost an additional $410,625.** Staff raised the issue of the need for inflationary increases on the caseload projection during the FY 2008-09 budget briefing. *The Executive Branch elected not to submit an associated budget amendment. As a result, staff has not included these adjustments in the recommendation*. In addition, staff has counted the FY 2007-08 supplemental increase as a "caseload" increase. Although the basis for this increase was not solely caseload, part of staff's rationale for recommending this increase was that staff believed (and continues to believe) that the FY 2007-08 caseload increase was not properly calculated and was too low.

Allocation model projection for FY 2008-09 (FY 2008-09 pop x FY 06-07 rates)	$347,913,858
Less FY 2006-07 county close-out expenditures for child welfare	328,145,367
Difference	19,768,491
Less caseload increase funded FY 2007-08	3,690,262
Less FY 2007-08 supplemental approved	2,492,627
Total caseload need	$13,585,602

V. Provider Rate Increase

❑ ***Decision Item #NP-1 Provider Rate Increase and Common Policy***

The Department reflected a 1.35 percent rate increase and a total of $4,552,318 ($2,287,669 net General Fund). The Department request reflected funding splits consistent with the FY 2007-08 base.

Consistent with common policy, **the staff recommendation is for a 1.5 percent rate increase for a total of $5,019,960 ($2,635,289 net General Fund).** In addition, the staff recommendation differs from the request based on differences in calculating the funding splits for this program.

VI. ADJUST MEDICAID TO REFLECT ACTUAL EXPENDITURE PATTERN ($0 NET GENERAL FUND IMPACT)

The Departments of Human Services and Health Care Policy and Financing have statutory authorization to transfer unlimited amounts of General Fund between the two departments when required by changes from the appropriated levels in the amount of Medicaid cash funds earned through programs or services provided under the supervision of the departments (Section 24-75-106, C.R.S.). This provision is commonly used for child welfare services. If an unexpectedly large number of the children receiving child welfare services receive services that are eligible for Medicaid reimbursement, the Department of Human Services may transfer General Fund to the Department of Health Care Policy and Financing and draw down the associated federal Medicaid match. Conversely, if child welfare billing for Medicaid services is lower than the amounts reflected in the appropriation, the Department of Human Services will request the Department of Health Care Policy and Financing to transfer the General Fund portion of associated Medicaid appropriations back to the Department of Human Services, where these General fund amounts may be used to provide child welfare services that are not eligible for federal Medicaid match.

For a number of years, the Medicaid amounts appropriated for child welfare services, including amounts for the children's residential habilitation program (the "CHRP" waiver for children with developmental disabilities), as well amounts for the psychiatric and therapeutic residential treatment programs (PRTF and TRCCF programs), have been substantially higher than actual billing for these programs. As a result, the General Fund portion of these Medicaid appropriations has been transferred back to the Department of Human Services.

The staff recommendation is to reflect this reality by:

- ❑ **Reducing the Medicaid appropriation to the Department of Human Services for child welfare services by $18.0 million previously appropriated funds, and making an associated reduction of $9.0 million General Fund and $9.0 million federal Medicaid funds in the appropriation to the Department of Health Care Policy and Financing; and**

- ❑ **Increasing the appropriation to the Department of Human Services for child welfare services by $9.0 million General Fund and $2.25 million cash funds (to reflect the associated 20 percent local match)**.

This has a net General Fund impact of $0. Further, if Medicaid earnings are ultimately higher than the amounts included in the appropriation, this change will not restrict the Departments from transferring General Fund amounts and drawing down associated Medicaid funds as authorized by statute.

	Recommended Medicaid Adjustments
Adjustment by Category	
CHRP Medicaid	(7,577,822)
PRTF/Medicaid FFS*	(10,422,178)
80/20 Combined Block	11,250,000
Grand Total	**(6,750,000)**
General Fund	9,000,000
Cash Funds (Local)	2,250,000
Previously Appropriated Funds (Medicaid)	(18,000,000)
*Medicaid General Fund***	*(9,000,000)*
Net General Fund	***$0***
*PRTF/Medicaid FFS based on total estimates of $1,528,327 PRTF & $6,650,110 FFS in FY 07-08, per supplemental/budget amendment #7.	
**General Fund Appropriation to HCPF	

VII. BACKFILL FOR FEDERAL TITLE IV-E FUNDS

The State and counties receive federal reimbursement for 50 percent of qualifying child welfare expenditures pursuant to Title IV-E of the social security act. Whether an expenditure qualifies for Title IV-E reimbursement depends to a significant extent on the income of the family whose child is involved in the child welfare system. The income threshold for qualification was established more than ten years ago based on the old "Aid to Families with Dependent Children" income cutoffs. There has been no adjustment for inflation. As a result, even the children of very poor families may no longer qualify for Title IV-E reimbursement. **The Department request made no adjustment to the fund splits requested for cost of living increases or caseload to reflect the fact that additional Title IV-E revenue is likely to be limited in FY 2008-09, apart from a continuation of the adjustment requested for FY 2007-08.** The Committee approved a supplemental increase for FY 2007-08 that included $3.8 million in General Fund backfill for Title IV-E revenues not anticipated to be received. **Staff believes that if the Committee approves an appropriation for Child Welfare Services that assumes federal Title IV-E revenue at the level reflected in the request, the Department would likely need to request a supplemental in FY 2008-09 to address its Title IV-E problem** (changes in federal revenue is one of the only criteria that may be used to justify a child welfare supplemental, per statute).

As the trend related to Title IV-E revenues is apparent, staff is recommending that an adjustment be included in the Long Bill. However, given that the Department has not made any formal related request, and that a portion of the Title IV-E revenue problem for FY 2007-08 appears to be tied to dips in earning by the Department for administrative activities (due to vacancies, delayed billings and related factors), staff's assumptions about Title IV-E earnings for FY 2008-09 are fairly aggressive. In sum, staff has assumed that: (1) Department earnings for administrative activities will, overall, cover the Department's costs. This was the case through FY 2006-07, although the Department currently projects under-earning for administrative activities in FY 2007-08; (2) Excess Title IV-E earnings related to county Child Welfare Services will fall 5.0 percent from the projected FY 2007-08 level, consistent with the apparent trend from FY 2006-07 to FY 2007-08.

Based on these assumptions, staff projects that no more than $2.0 million in federal Title IV-E revenue can be added to the FY 2008-09 appropriation for Child Welfare Services above the FY 2007-08 level (as amended through the supplemental). If this projection holds, it would allow approximately $2.0 million to flow into the Excess Title IV-E Cash Fund. *This is approximately the amount required to support county administrative activities related to Title IV-E; without these funds, total Title IV-E revenues are likely to decline more sharply in the future*. (This issue is discussed further under the related Excess Title IV-E Cash Fund line items below.) Further staff projects that in a "worst case" scenario, while there would be no funding for the Excess Title IV-E Cash Fund, the Department could likely still manage within its budget.

Difference between Title IV-E Revenue Earned and Expended by Type of Line Item - Actual and Projected				
	Actual	Projection	Projection IF NO Appropriations increases from IV-E	Staff recommendation - Increase CW appropriations by $2.0 million IV-E
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2008-09
State administrative line items and indirect costs	$26,232	($864,030)	$0	$0
Child Welfare and Family and Children's Programs	4,408,819	4,198,586	3,988,657	1,988,657
"Excess" Title IV-E Earnings (flows to Excess Title IV-E Cash Fund)	$4,435,051	$3,334,556	$3,988,657	$1,988,657

In order to set the appropriation so that the Title IV-E appropriation for Child Welfare Services and Family and Children's Programs is no more than $70.4 million ($2.0 million above the final FY 2007-08 appropriation), **a total of $2,134,517 General Fund must be appropriated to backfill federal funds that would otherwise be appropriated.**

VIII. ADJUST FOR CURRENT LAW - 20% LOCAL SHARE FOR RESIDENTIAL SERVICES AND IX. JBC BILL - SET LOCAL SHARE FOR RESIDENTIAL SERVICES AT 10 PERCENT

Associated with the transition from the former RTC residential model to the new PRTF and TRCCF residential models, the JBC sponsored legislation (H.B. 06-1395) that temporarily set a county maintenance of effort for the TRCCF and PRTF residential programs for FY 2006-07 and FY 2007-

08 at the level of county expenditures for the old RTC program in FY 2004-05 – a total $5,437,602. This statutory provision will sunset at the end of FY 2007-08. As a result, **the required county match rate for these programs will revert to the statutory 20 percent if no other statutory action is taken. On January 25, 2008, the JBC agreed to sponsor legislation that changes the county match for certain residential child care programs to 10 percent.**

Because the Long Bill must be written to current law, figure setting for child welfare services reflects the 20 percent match rate figure. **This adjustment was not included in the Department's budget request but must be included based on current law**. Because the JBC has agreed to sponsor a bill to permanently set the match rate at 10 percent, staff has also reflected the fiscal impact of this change, *which would be included in the appropriations clause for the new legislation*. Note that the Department's proposal would set the 10 percent match rate to apply to residential child care services (which have no Medicaid component) in addition to setting this rate for the PRTF and TRCCF programs. **Staff recommends that this bill be included in the JBC's budget package and move through the legislative process with the Long Bill. This is covered in more detail in a separate memorandum.**

The table below reflects the combined impact of reverting to a 20 percent county share and the JBC bill. An appendix provides additional detail on the basis for the calculations.

	Revert to 20% Local Share	**Change to 10% Local Share**	**Net Impact**
	LONG BILL	**NEW LEGISLATION**	
General Fund	(8,104,287)	8,001,927	**(102,360)**
Cash Funds	8,104,287	(8,001,927)	**102,360**

DISTRIBUTIONS TO COUNTIES PURSUANT TO SECTION 26-1-111 (2) (d), C.R.S.

This line item was added in the FY 2004-05 Long Bill to reflect excess federal Title IV-E funds that were anticipated to be paid to counties. Subsequently, this line item was struck through H.B. 04-1414 (a bill sponsored by the Joint Budget Committee) and replaced with two appropriations, discussed below. The Department's FY 2007-08 budget request does not reflect an appropriation for this line item. Rather, the Department has requested funding in two separate line items pursuant to H.B. 04-1414. **No appropriation is requested or recommended.**

EXCESS TITLE IV-E DISTRIBUTIONS FOR RELATED COUNTY ADMINISTRATIVE FUNCTIONS

States are allowed to earn federal Title IV-E funds (Title IV-E refers to a section of the federal Social Security Act) for a number of activities associated with providing services to certain children who are placed outside their own homes. Specifically, states may earn Title IV-E funds for the "room and board" costs of providing out-of-home care, for related administrative costs, and for costs associated with training staff and service providers. ***The federal Title IV-E program is an open-ended entitlement program***, so there is no dollar limit on what any state may earn. Federal Title IV-E funds are earned on a matching basis, and the match ratio varies by activity. In general, Title IV-E funds are provided on a 50/50 basis, except that eligible training expenses are reimbursed at a higher 75/25 (federal/state) ratio.

The Department requested a continuation amount of $1,710,316 in excess Title IV-E earnings be appropriated for FY 2008-09 through this line item. The request did not include a community provider rate increase, although such an increase has been provided for this line item in the past. **The staff recommendation is to include a common policy community provider rate increase for this line item of 1.5 percent ($25,655)**. It is important that this portion of the Excess Tile IV-E appropriation not erode through inflation, because this line item funds staff whose work allows the State to collect Title IV-E**. In addition, staff recommends that all funds in this line item be reclassified from "cash funds exempt" to "cash funds"**, as these amounts are not reflected elsewhere in the Long Bill and were previously classified as cash funds exempt because they originate as federal funds. Staff recommends that the Committee **approve an appropriation of $1,735,971 cash funds (Excess Title IV-E Reimbursements Cash Funds) for FY 2008-09.**

EXCESS TITLE IV-E REIMBURSEMENTS

In addition to providing moneys to counties to defray the costs of Title IV-E administrative functions, Section 26-1-111 (2) (d) (II) (C), C.R.S., also allows the General Assembly to appropriate to the Department moneys for TANF related purposes, child care assistance, and child welfare services. These moneys are appropriated for allocation to the counties.

The Department requests $6,009,196 for this line item, including a community provider rate increase pursuant to Decision Item NP-1. Staff does not recommend a provider rate increase as there is not sufficient revenue to support such an increase. **The staff recommendation is for an appropriation of $2,800,000 cash funds, based on anticipated revenue into this Fund.** The table below reflects staff's department-wide Title IV-E revenue and expenditure projections. The Department's budget request reflected $0 revenue into this Fund for FY 2007-08 and FY 2008-09 prior to the FY 2007-08 supplemental that backfilled $3.8 million in Title IV-E appropriations with General Fund. Its cash fund schedule also reflected $0 expenditures from the Fund. However, it did not request any reduction in spending authority for this line item.

Consistent with the Title IV-E Revenue discussion for the Child Welfare line item, staff projects ongoing revenue to this Fund, but at a lower level than in the past.

Excess Title IV-E Reimbursement Cash Fund - Actual and Projected by JBC Staff				
Title IV-E Cash Fund	Actual	Actual	Projection	Projection
	FY 2005-06	FY 2006-07	FY 2007-08**	FY 2008-09
Balance	9,805,112	7,855,492	4,816,986	3,651,542
Revenue*	5,850,380	4,575,686	3,334,556	1,988,657
Expenditure	7,800,000	7,614,192	4,500,000	4,500,000
Balance	7,855,492	4,816,986	3,651,542	1,140,199
Change to Balance	(1,949,620)	(3,038,506)	(1,165,444)	(2,511,343)
Expenditure Components:				
Excess Title IV-E for County Administration line item			1,710,316	1,735,971
Excess Title IV-E line item funds available*			2,789,684	2,764,029

*Actual revenue includes interest amounts, in addition to net excess Title IV-E earnings.
**amounts rounded for appropriation recommendation

In addition, staff recommends that all funds in this line item be reclassified from "cash funds exempt" to "cash funds", as these amounts are not reflected elsewhere in the Long Bill.

Recommended FY 2007-08 Late Supplemental
Finally, **staff recommends a negative supplemental for FY 2007-08 for this line item based on the lack of available Title IV-E Funding**. In order to ensure that funds are available for Title IV-E county administration in FY 2008-09 and to provide some margin for error in the staff FY 2008-09 Title IV-E projection, staff recommends that the appropriation from the Excess Title IV-E Cash Fund also be reduced for FY 2007-08. **The staff recommendation is that this line item also be set at $2,800,000 for FY 2007-08—a reduction of $3,129,152 cash funds**.

FAMILY AND CHILDREN'S PROGRAMS

This line item was established largely as a result of the Child Welfare Settlement Agreement (which was finalized in February 1995). The settlement agreement required a number of improvements in the child welfare system, including: (1) an increase in the number of county caseworkers and supervisors; (2) improvements in the amount and types of training provided to caseworkers, supervisors, and out-of-home care providers; (3) the provision of core services to children and families (described below); (4) improvements in investigations, needs assessments, and case planning; (5) improvements in services to children placed in residential care; (6) increased rates for out-of-home care providers and elimination of certain rate disparities; and (7) the development of a unitary computerized information system (the Colorado Trails System). In January 2002, the parties agreed that the Department and counties were in substantial compliance with the terms of the settlement agreement, and it was terminated.

This line item historically provided funding for three purposes (staff, training, and core services), but the General Assembly transferred staff and training to other line items. Currently, the line item funds only "core services" to families with children that are at imminent risk of placement outside the home.

Description of "Core Services". Pursuant to Section 19-3-208, C.R.S., the following services are to be made available and provided based upon the State's capacity to increase federal funding or any other moneys appropriated for these services and as determined necessary and appropriate by individual case plans:

- ❑ transportation;
- ❑ child care;
- ❑ in-home supportive homemaker services;
- ❑ diagnostic, mental health, and health care services;
- ❑ drug and alcohol treatment services;
- ❑ after care services to prevent a return to out-of-home placement;
- ❑ family support services while a child is in out-of-home placement including home-based services, family counseling, and placement alternative services;
- ❑ financial services in order to prevent placement; and
- ❑ family preservation services, which are brief, comprehensive, and intensive services provided to prevent the out-of-home placement of children or to promote the safe return of children to the home.

In addition, pursuant to Section 26-5.3-105, C.R.S., "emergency assistance" shall be made available to or on behalf of children at imminent risk of out-of-home placement. Emergency assistance includes:

- ❑ 24-hour emergency shelter facilities;
- ❑ information referral;
- ❑ intensive family preservation services;
- ❑ in-home supportive homemaker services;
- ❑ services used to develop and implement a discrete case plan; and
- ❑ day treatment services for children.

Department Request. The Department requests $45,013,673, including $38,368,091 *net* General Fund for the Family's and Children's Programs line item. This request includes a 1.35 percent provider rate increase decision item (Decision Item #NP-1) and a reduction of $650,000 General Fund pursuant to Department of Health Care Policy and Financing Decision Item #15.

Summary of Department Request - Family and Children's Programs					
	TOTAL	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
S.B. 07-239 Appropriation	$45,055,425	$37,857,021	$0	$5,136,901	$2,061,503
Decision Item NP #1	608,248	511,070	0	69,348	27,830
Budget Reduction #NP/HCPF DI #15	(650,000)	(650,000)	0	0	0
Total Request	**$45,013,673**	**$37,718,091**	**$0**	**$5,206,249**	**$2,089,333**

❑ ***Decision Item #NP-1 - Provider Rate Increase***

The Department requested a 1.35 percent provider rate increase to this line item of $608,248, including $511,070 *net* General Fund. Pursuant to Committee common policy, **staff recommends the Committee approve a 1.5 percent provider rate increase to this line item ($675,831, including $567,855 *net* General Fund).** This does include a small adjustment to the appropriation from Title IV-E funds.

❑ ***Budget Reduction Item #NP/ Health Care Policy and Financing Decision Item #15***

The Department's request includes a reduction of $650,000 General Fund associated with Department of Health Care Policy and Financing Decision Item #15. The Departments indicate that, with the passage of S.B. 06-219, funding for administrative case management related to Medicaid for children receiving child welfare services was transferred from the Department of Human Services Medicaid-Funded Programs, Division of Child Welfare to the Department of Health Care Policy and Financing. The request is associated with a larger increase in the Department of Health Care Policy and Financing. **The staff recommendation for this component will be determined during figure setting for the Department of Health Care Policy and Financing and is therefore pending.**

Cash Funds Exempt Reclassification

The staff recommendation also includes the reclassification of all "cash funds exempt" amounts in this line item to "cash funds." All amounts are local funds and therefore do not appear elsewhere in the Long Bill.

Staff Recommendation. For the Family and Children's Programs line item**, the staff recommendation is reflected below. As shown, the total recommendation is $45,731,257 ($38,424,876 net General Fund)** ***pending final Committee action on HCPF Decision Item #15.***

Summary of Staff Recommendation: Family and Children's Programs					
	TOTAL	General Fund	Cash Funds	CFE/ RF	Federal Funds

S.B. 07-239 Appropriation	$45,055,425	$37,857,021	$0	$5,136,901	$2,061,503
Reclassify CFE	0	0	5,136,901	(5,136,901)	0
DI NP #1/Provider Rate	675,832	567,855	77,054	0	30,923
Budget Reduction #NP/HCPF DI #15	PENDING				
Total Request	**$45,731,257**	**$38,424,876**	**$5,213,955**	**$0**	**$2,092,426**

PERFORMANCE-BASED COLLABORATIVE MANAGEMENT INCENTIVES

This is a new line item, first appropriated in FY 2005-06, to provide spending authority for the Department to provide incentives to counties pursuant to H.B. 04-1451 and previous legislation.

House Bill 04-1451. This bill authorizes (but does not require) each county department of social services to enter into a memorandum of understanding (MOU) with local representatives of various agencies to promote a collaborative system of services to children and families. If a county department elects to enter into an MOU pursuant to this bill, the MOU is required to include local representatives from the following agencies:

- the local judicial districts, including probation services;
- the health department, whether a county, district, or regional health department;
- the local school district or school districts;
- each community mental health center; and
- each behavioral health organization (BHO).

The bill specifies, however, that nothing shall preclude a county from including other parties in the MOU (e.g., the Division of Youth Corrections). The bill encourages local agencies to enter into MOUs by region, and recommends that the agencies seek input, support, and collaboration from key stakeholders in the private and non-profit sectors, as well as from parent advocacy or family advocacy organizations.

Parties to each MOU are required to establish collaborative management processes that are designed to: (1) reduce duplication and eliminate fragmentation of services; (2) increase the quality and effectiveness of services; and (3) encourage cost-sharing among service providers. The bill also authorizes departments and agencies that provide oversight to the parties to the MOU to issue waivers of state rules necessary for effective implementation of the MOUs that would not compromise the safety of children. Through the establishment of a local interagency oversight group, parties to an MOU are to create a procedure to allow any state General Fund savings realized as a result of the MOU to be reinvested in services for children and families. The sources of funding subject to this reinvestment process are to be specified in the MOU. However, the bill specifies that a county that underspends the General Fund portion of its "capped or targeted allocation" may use the savings to provide services to children and families.

Parties to an MOU may agree to attempt to meet certain performance measures, specified by the Department and the Board of Human Services. Local interagency groups that choose this option are eligible to receive incentive moneys from the newly created "Performance-based Collaborative Management Incentive Cash Fund", beginning in FY 2005-06. Incentive moneys, which will be allocated by the Department to those interagency groups that meet or exceed the specified performance measures, are to be reinvested in services for children and families.

Funding for the Program. House Bill 04-1451 amended a number of existing statutory provisions to change the destination of approximately $2.1 million in civil docket fee revenue. For FY 2007-08, the Performance Incentive Cash Fund is repealed and all moneys in the fund are transferred into the Performance-based Collaborative Management Incentive Cash Fund (in addition, the fund will receive transfers from the family stabilization services fund and from docket fees in civil actions - dissolution of marriage - as specified in Section 13-32-101 (1) (a), C.R.S.) All revenue will be available to provide incentives for those groups that choose to enter into MOUs.

House Bill 08-1005. House Bill 08-1005 (Frangas/Boyd), as referred from House Appropriations, includes several adjustments to this program, including: (1) requires the Division of Youth Corrections to be included in all collaboratives; (2) specifies that the amount of General Fund savings from collaboratives shall be determined in accordance with rules established by the Department of Human Services; (3) authorizes use of moneys in the Collaborative Management Incentive Programs Cash Fund for ongoing external evaluations of the counties participating in the program, and includes an appropriation for such evaluations from the Cash Fund.

Request for Line Item. The Department requests $3,688,750 cash funds exempt from the Performance-based Collaborative Management Incentive Cash Fund, including $500,000 for Decision Item #3B.

❑ ***Decision Item #3B - Collaborative Management Incentives Funding***

The Department requests an increase of $500,000 for performance-based collaborative management incentives. This increase would be cash funds exempt from the Performance-based Collaborative Management Incentive Cash Fund described above and would be funded by docket fees for marriage dissolutions. The request notes that the number of collaborative management programs has grown significantly in the last several years. In FY 2006-07, 10 counties participated in the program: Boulder, Denver, El Paso Larimer, Mesa, Weld, Jefferson, Elbert, Teller and Chaffee. As of July 2007, there are 18 counties participating in these programs. The request states that spending authority for the cash fund should be increased to provide a sufficient incentive for new counties to implement and for existing counties to maintain participation. These participating counties must currently invest in and support program start-up and implementation. Earned incentive funds are available only after successfully meeting outcomes, 18 months after initial program implementation. The Department indicates that the consequences of not funding the decision item include a limitation on the number of counties implementing the collaborative management program due to lack of incentives.

Staff recommends the decision item request for $500,000, with an associated footnote to specify that some appropriations from this line item may be available on a short-term basis only. The table below reflects the current revenue and expenditure outlook for the cash fund.

Performance-based Collaborative Management Incentives Cash Fund					
	Actual 2005-06	**Actual 2006-07***	**Estimate 2007-08**	**Request 2008-09**	**Projected 2009-10**
Beginning Balance	0	730,980	3,543,493	3,154,743	2,765,993
Revenue*	1,280,980	4,887,513	2,800,000	2,800,000	2,800,000
Expenditures (base)	550,000	2,075,000	3,188,750	3,188,750	3,188,750
Ending Balance	730,980	3,543,493	3,154,743	2,765,993	2,377,243
Reserves Increase/Decrease	730,980	2,812,513	(388,750)	(388,750)	(388,750)
Additional Requested Expenditures and Impact on Fund Balance for FY 2008-09 and FY 2009-10					
Beginning Balance				3,154,743	1,889,043
Revenue				2,800,000	2,800,000
Expenditures (base)				3,188,750	3,188,750
Decision Item #3B				500,000	500,000
H.B. 08-1005				376,950	366,750
Total Expenditures				4,065,700	4,055,500
Ending Balance				1,889,043	633,543
Revised Reserves Increase/Decrease				(1,265,700)	(1,255,500)

*FY 2006-07 revenue included a one-time transfer of funds from the Family Stabilization Services Cash Fund, which was eliminated.

As can be seen, current spending authority from this cash fund is currently greater than the annual revenue by $388,750. Further, **if H.B. 08-1005 is enacted with its current appropriation and this decision item is adopted, total spending from the cash fund will be $1.3 million more than the projected revenue stream.** Because of the current fund balance in the Collaborative Management Incentives Cash Fund, **there are sufficient moneys available to support spending at this level through FY 2009-10**. However, beginning in FY 2010-11, assuming no change in the revenue stream, incentives will need to be reduced or General Fund backfill will be required. There is no guarantee that such General Fund backfill will be available in two years adequate to cover the $1.3 million gap between revenues and expenditures. In light of this, staff recommends that a footnote be attached to this line item to reflect the fact that ongoing revenues are not sufficient to support the appropriation (included below).

Cash Funds Exempt Reclassification

The staff recommendation also includes the reclassification of all "cash funds exempt" amounts in this line item to "cash funds." Amounts were previously classified as cash funds exempt because they reflected appropriations from cash fund "reserves". All appropriations from reserves will now be classified as "cash funds."

Staff Recommendation for Line Item. **Staff recommends the Committee approve an appropriation of $3,688,750 cash funds from the Performance-based Collaborative Management Incentive Cash Fund for this line item and also add the following footnote.**

N Department of Human Services, Division of Child Welfare, Performance-based Collaborative Management Incentives – The total appropriation in this line item exceeds the projected ongoing revenue stream for the Collaborative Management Incentive Cash Fund by over $850,000. Therefore, appropriations at the current level may not be available after FY 2009-10, when reserves are projected to be exhausted.

Note that the discrepancy between revenue and expenditures referenced in the recommended footnote ("over $850,000") does not include the additional expenditure of $376,950 appropriated in H.B. 08-1005, as this appropriation is not yet law. If the bill is included, the discrepancy is $1.27 million, as reflected in the table above.

.

INTEGRATED CARE MANAGEMENT PROGRAM INCENTIVES

Funding for this line item was repealed effective July 1, 2006 and will be placed in the Performance-based Collaborative Management Incentives line item (see above.). **The Department has not requested, and staff does not recommend, an appropriation for this line item.**

INDEPENDENT LIVING PROGRAM

This line item reflects, for informational purposes, federal Title IV-E "Chafee Foster Care Independence Program" funds that are available to states to provide services for youth up to age 21 who are, or will be, emancipating from out-of-home residential care. While some counties use other existing funding sources to support staffing units devoted to independent living and emancipation services, federal Chafee funds provide the primary source of funding for independent living services in Colorado. These federal funds support direct services to eligible youth, as well as technical assistance, program and policy development, monitoring, and program administration.

Studies concerning the circumstances of youth after leaving foster care indicate that this population is at higher risk of experiencing unemployment, poor educational outcomes, poor health, long-term dependency on public assistance, and increased rates of incarceration when compared to their peers in the general population. Since 1986, the federal government has provided states with funding to develop independent living programs intended to minimize these negative effects and prepare youth for adulthood.

Independent living programs are designed for youth who need to develop the skills necessary to lead self-sufficient, healthy, productive and responsible interdependent lives. Services are focused on encouraging the development of support systems within the community, education, career planning, money management, securing and maintaining a stable source of income and affordable housing, and health and safety. It is a goal that all youth that leave the program have completed their high school education and are continuing to participate in an educational program or obtaining a training certificate in a specific skill area and are working while in the program. County departments of social services have the flexibility to provide direct services in the manner that works well for their county and the population they serve.

This program also works in conjunction with other programs to provide services to youth emancipating from foster care. Two examples include:

- ❑ The Supportive Housing and Homeless Program [this program is also funded with 100 percent federal funds available from the Department of Housing and Urban Development] was awarded 100 time-limited (18-month) housing vouchers for youth who have aged out of foster care. In June 2002, the Department began using these vouchers to provide housing and transitional living services to young adults aging out of foster care.

- ❑ In January 2002, the President signed legislation[3] that authorized additional Title IV-E funds (up to $60.0 million per year nationally) for educational and training vouchers for youths who age out of foster care (including youth who are adopted out of foster care after age 15). Eligible youth may receive vouchers for up to $5,000 per year for four years to attend college, a university, or an accredited vocational or technical training program. The funds may be used for tuition, books or qualified living expenses. These funds are available on a first-come, first-served basis to students out of the Colorado foster care system. The Division of Child Welfare contracted with the Orphans Foundation, a non-profit organization, to administer and track Colorado's share of the funds [see www.statevoucher.org].

The Department requests a continuation level of funding for this line item of $2,826,582 federal funds. **Staff recommends the Committee approve the Department's request for a continuation level of funding for this line item of $2,826,582 federal funds.**

PROMOTING SAFE AND STABLE FAMILIES PROGRAM

This program, authorized under Sub-Part 2 of Title IV-B of the federal Social Security Act, provides funding for local communities to provide a variety of services to families in times of need or crises. This program promotes permanency and safety for children by providing support to families in a flexible, family-centered manner through a collaborative community effort. While a small portion of the federal funds are used to support 2.0 FTE state staff responsible for administering the program, the majority of the funds are made available to local communities and tribes.

[3] Public Law 107-133: Title II, Section 201 of the Amendments, entitled "Educational and Training Vouchers for Youths Aging Out of Foster Care", amends section 477 of Title IV-E of the Act.

Each local site is required to have a Community Advisory Council comprised of governmental and community stakeholders, family advocates and parents, and consumers to help direct the project. Currently, 36 counties and the Ute Mountain Ute tribe receive funding to:

- ❑ reunify children placed in the foster care system with their families;
- ❑ support and promote adoption or permanent placement with kin for children who cannot be safely returned home; and
- ❑ prevent child abuse and neglect in at-risk families.

Seventy-nine percent of program funds are awarded to local communities, 13 percent is set aside to provide support to adoptive families, and the remainder is used for administrative costs, technical assistance, and training.

A 25 percent match is required to draw down the federal funds. The General Fund is used to provide the match for the portion of the funds that are used for state-level staff and activities, and local communities are required to provide the match for the funds they receive.

The Department requests $4,458,102, including $50,621 *net* General Fund, and 2.0 FTE for this line item. **Staff recommends the Committee approve an appropriation of $4,457,659, including $50,510 General Fund, and 2.0 FTE for this line item. The staff recommendation also includes reclassifying all local funds, that were previously classified as "cash funds exempt" as "cash funds", as these are not reflected elsewhere in the Long Bill.** The staff recommendation is calculated based on Committee common policy and is detailed in the following table:

Summary of Recommendation: Promoting Safe and Stable Families Program					
Description	**Total Funds**	**General Fund**	**Local Funds**	**Federal Funds**	**FTE**
S.B. 07-239 Personal Services	$177,843	$44,461	$0	$133,382	2.0
FY 2007-08 Salary Survey	5,840	1,460	0	4,380	0.0
FY 2007-08 Perform. Pay (80%)	1,907	477	0	1,430	0.0
Subtotal - Personal Services	**185,590**	**46,398**	**0**	**139,192**	**2.0**
S.B. 07-239 Operating Expenses	16,449	4,112	0	12,337	0.0
Amount available to pass through to locals	4,255,620	0	1,064,100	3,191,520	0.0
TOTAL RECOMMENDATION	**$4,457,659**	**$50,510**	**$1,064,100**	**$3,343,049**	**2.0**

FEDERAL CHILD ABUSE PREVENTION AND TREATMENT ACT GRANT

This line item reflects funding and staff responsible for administering grants available pursuant to Section 106 of the Child Abuse Prevention and Treatment Act (CAPTA), as amended by Public Law 105-235. Under federal law, states have five years to spend the funds available through this grant program. Funding is allotted to states annually on a formula basis according to each state's ratio of children under the age of 18 to the national total. This grant program requires each state to submit a five-year plan and an assurance that the state is operating a statewide child abuse and neglect program that includes specific provisions and procedures. Among other things, these assurances include:

- ❏ establishment of citizen review panels;
- ❏ expungement of unsubstantiated and false reports of child abuse and neglect;
- ❏ preservation of the confidentiality of reports and records of child abuse and neglect, and limited disclosure to individuals and entities permitted in statute;
- ❏ provision for public disclosure of information and findings about a case of child abuse and neglect that results in a child fatality or near fatality;
- ❏ the appointment of a guardian ad litem to represent a child's best interests in court; and,
- ❏ expedited termination of parental rights for abandoned infants, and provisions that make conviction of certain felonies grounds for termination of parental rights.

The CAPTA State Grant program provides states with flexible funds to improve their child protective service systems in one or more of the following areas:

- ✓ the intake, assessment, screening, and investigation of reports of abuse and neglect;
- ✓ protocols to enhance investigations;
- ✓ improving legal preparation and representation;
- ✓ case management and delivery of services provided to children and their families;
- ✓ risk and safety assessment tools and protocols;
- ✓ automation systems that support the program and track reports of child abuse and neglect;
- ✓ training for agency staff, service providers, and mandated reporters; and
- ✓ developing, strengthening, and supporting child abuse and neglect prevention, treatment, and research programs in the public and private sectors.

The Department requests $914,933 federal funds and 3.0 FTE for this line item. **Staff recommends the Committee approve an appropriation of $378,332 federal funds and 3.0 FTE for this line item. Staff's recommendation is reflected below. This includes an adjustment to more accurately reflect the annual expenditures for this program**. The recommended adjustment brings the appropriation down to the average of expenditures each year for the last four years.

Summary of Recommendation: Federal Child Abuse Prevention and Treatment Act Grant		
Description	**Federal Funds**	**FTE**
FY 2007-08 Personal Services	$196,417	3.0
FY 2007-08 Salary Survey	3,928	0.0
FY 2007-08 Performance Pay at 80 percent	1,585	0.0
Subtotal: Personal Services	**201,930**	**3.0**
Operating Expenses (Assuming $500/FTE)	1,500	0.0
Amount Available for Various Activities Authorized Under Federal Law	711,012	0.0
Adjustment to reflect average annual expenditures	(536,110)	0.0
TOTAL RECOMMENDATION	**$378,332**	**3.0**

Footnotes and Information Requests

Staff recommends the **addition of the following footnote**:

N **Department of Human Services, Division of Child Welfare, Performance-based Collaborative Management Incentives –** The total appropriation in this line item exceeds the projected ongoing revenue stream for the Collaborative Management Incentive Cash Fund by over $850,000. Therefore, appropriations at the current level may not be available after FY 2009-10, when reserves are projected to be exhausted.

Staff recommends that the following footnotes be **continued as footnotes**:

55 **Department of Human Services, Division of Child Welfare** -- It is the intent of the General Assembly to encourage counties to serve children in the most appropriate and least restrictive manner. For this purpose, the Department may transfer funds among all line items in this long bill group total for the division of child welfare.

Comment: The Department has annually transferred moneys when necessary.

59 **Department of Human Services, Division of Child Welfare, Child Welfare Services** -- Pursuant to section 26-5-104 (6), C.R.S., counties are authorized to negotiate rates, services, and outcomes with child welfare service providers and are thus not required to provide a specific rate increase for any individual provider. This provision does not apply, however, to Medicaid treatment rates. The funding appropriated for this line item includes an increase of ~~$4,930,846~~ $5,019,160 based on a 1.5 percent increase in funding for county staff salaries and benefits and a 1.5 percent increase in community provider rates and Medicaid treatment rates. The purpose of this increase is to provide counties and tribes with additional funds to increase community provider rates and to pay for increases in Medicaid treatment rates.

Comment: This footnote clarifies the assumptions used pursuant to this appropriation.

60 **Department of Human Services, Division of Child Welfare, Excess Federal Title IV-E Reimbursements** -- Section 26-1-111 (2) (d) (II) (C), C.R.S., authorizes the General Assembly to annually appropriate moneys in the Excess Federal Title IV-E Reimbursements Cash Fund to the Department of Human Services for allocation to the counties for the provision of assistance, child care assistance, social services, and child welfare services. This provision also authorizes the General Assembly to specify, in the annual appropriations act, that counties shall expend such moneys in a manner that will be applied toward the state's maintenance of historic effort as specified in section 409 (a) (7) of the federal Social Security Act, as amended. Pursuant to this statutory authority, the General Assembly hereby specifies that counties shall expend $1,000,000 of the moneys received through this line item appropriation for ~~FY 2007-08~~ FY 2008-09 in a manner that will be applied toward the state's maintenance of historic effort related to the federal Temporary Assistance for Needy Families program.

Comment: This footnote was included in the Long Bill in FY 2007-08 because, at the time of FY 2007-08 figure setting, it appeared that total Temporary Assistance for Needy Families (TANF) maintenance of effort (MOE) would be below a threshold the Joint Budget Committee considered appropriate. Staff understands that this continues to be an issue. The Department currently projects little or no revenue for the Excess Federal Title IV-E Cash Fund; however, as staff predicts some revenue, at a lower level, staff recommends that this footnote be continued.

62 **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- Pursuant to section 26-5-104 (6), C.R.S., counties are authorized to negotiate rates, services, and outcomes with child welfare service providers and are thus not required to provide a specific rate increase for any individual provider. The funding appropriated for this line item includes an increase of ~~$680,691~~ $675,831 based on a 1.5 percent increase in funding that is allocated to counties and tribes. The purpose of this increase is to provide counties and tribes with additional funds to increase rates paid to community providers.

Comment: This footnote clarifies the assumptions used pursuant to this appropriation.

Staff recommends the addition of the following **new information request** to be submitted to the Governor by letter:

Department of Human Services, Division of Child Welfare and Totals – The Department is requested to provide a report to the Joint Budget Committee by October 1 of each fiscal year concerning the amount of federal revenues earned by the State for the previous fiscal year, pursuant to Title IV-E of the Social Security Act, as amended; the amount of money that was expended for the previous state fiscal year, including information concerning the purposes of the expenditures; and the amount of money that was credited to the Excess Federal Title IV-E Reimbursements Cash Fund created in Section 26-1-111(2) (d) (II) (C), C.R.S.

Comment: This report was historically requested, and was required to be submitted from FY 2004-05 through FY 2006-07 pursuant to H.B. 04-1414. During the 2007 legislative session, the associated statutory section (Section 26-1-111 (2) (d) (II) (D)) was eliminated in a statutory "clean up" bill. This was an error, as the information included in this report is necessary for setting figures and determining appropriate funding splits throughout the Department of Human Services.

Staff recommends that the following footnotes be **eliminated and replaced by formal requests for information or expressions of legislative intent, conveyed through a letter, with the modifications shown**:

~~**56**~~ **Department of Human Services, Division of Child Welfare** -- The Department is requested to provide to the Joint Budget Committee, by November 1, ~~2007,~~ 2008, information concerning the gross amount of payments to child welfare service providers, including amounts that were paid using revenues other than county, state, or federal tax revenues. The Department is requested to identify amounts, by source, for the last two actual fiscal years.

Comment: This footnote was initially vetoed by the Governor, with the Department instructed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services. The Department provided the requested report, as it has in past years. The Long Bill appropriation for Child Welfare Services does not reflect the *gross* amount of payments anticipated to be paid to out-of-home care providers. Instead, the gross payments are reduced by the amount of revenue counties collect through various sources and the appropriation simply reflects the *net* amount of county, state, and federal funds anticipated to be paid to providers. This footnote requests that the Department annually report information regarding these other revenue sources.

~~**58**~~ **Department of Human Services, Division of Child Welfare, Child Welfare Services** -- The Department is requested to provide to the Joint Budget Committee, by November 1, ~~2007~~, 2008, information concerning actual expenditures for the last two fiscal years for services that are now funded through this consolidated line item. Such data should include the following: (a) Program services expenditures and the average cost per open involvement per year; (b) out-of-home placement care expenditures and the average cost per child per day; and (c) subsidized adoption expenditures and the average payment per child per day.

Comment: This footnote was vetoed by the Governor. However, the Governor indicated that he would instruct the Department to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services. The Department provided the report, as it has in past years. The report helps to highlight major trends in child welfare services.

~~61~~ **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- It is requested that ~~$4,028,299~~ $4,088,723 of the funds appropriated for this line item be used to assist county departments of social services in implementing and expanding family- and community-based services for adolescents. It is the intent of the General Assembly that such services be based on a program or programs that have been demonstrated to be effective in reducing the need for higher cost residential services.

Comment: This footnote was vetoed by the Governor; however the Department was instructed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services. The footnote reflects the legislative intent behind funds that were added by the General Assembly over the course of several years with the expectation that these programs would reduce the need for higher cost services.

Staff recommends that the following footnotes be **eliminated:**

57 **Department of Human Services, Division of Child Welfare** -- The Department is requested to report on a proposal for a rate-setting process consistent with Medicaid requirements for providers of residential treatment services in the state of Colorado. It is anticipated that counties and the provider community will participate in the actual development of the rate-setting process. The Department is requested to report to the Joint Budget Committee on or before January 1, 2008, on a range for reimbursement for residential treatment services that represents a base-treatment rate for serving a child who is subject to out-of-home placement. The base-treatment rate is anticipated to be based on a defined service package to meet the needs of the child.

The Department is requested to include recommendations for a two- or three-year implementation plan for the proposed rate structure.

Comment: This footnote was initially vetoed by the Governor; the Department was instructed to comply to the extent required by H.B. 07-1025, which included similar provisions. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services. As indicated by the veto message, H.B. 07-1025 included a variety of provisions regarding rate setting and associated reporting. In light of this, staff does not believe this footnote needs to be continued.

59a **Department of Human Services, Division of Child Welfare, Child Welfare Services** -- The Department is requested to provide a report to the Joint Budget Committee and the House and Senate Health and Human Services Committees by November 1, 2007, that includes an explanation of the allocation formula created pursuant to Section 26-5-104, C.R.S., by which state funds are allocated to counties. The report is also requested to include a description of those components that relate to county payments to entities that provide services to children in the custody of county departments of human services.

Comment: The Department provided the requested report. The information requested by this report is similar to that submitted through other reports and documents. In light of this, staff does not believe this footnote needs to be continued.

(6) DIVISION OF CHILD CARE

Background Information: Federal Child Care Funds. Unlike most sources of federal funds, the General Assembly has the authority to appropriate federal Child Care Development Funds (CCDF). The CCDF funds available to the state each year consist of four components. Each component, summarized below, has its own rules regarding funding and periods of obligation and expenditure.

- ✓ *Mandatory Funds* - Each state receives "mandatory" funds based on the historic federal share of expenditures in the state's Title IV-A child care programs (AFDC, JOBS, Transitional, and At-Risk Child Care). No state match is required to spend mandatory funds. Mandatory funds are available until expended, unless the state chooses to expend federal "matching" funds. To qualify for its share of federal matching funds, a state must obligate its mandatory funds by the end of the federal fiscal year in which they are granted.

- ✓ *Matching Funds* - A state's allocation of federal matching funds is based on the state's relative share of children under age 13. A state is required to match expenditures of this source of funds based on its applicable federal medical assistance percentage rate (50/50 for Colorado). Matching funds are available to a state if: (a) its mandatory funds are obligated by the end of the federal fiscal year in which they are awarded; (b) within the same fiscal year, the state meets the federal child care *maintenance of effort (MOE) requirement*; and (c) its federal and state shares of the matching funds are obligated by the end of the fiscal year in which they are awarded. Matching funds must be fully expended in two years. With respect to the MOE requirement, a state must continue to spend at least the same amount on child care services that it spent on the Title IV-A child care programs in FFY 1994 or FFY 1995, whichever was greater, to be eligible for its share of the matching funds.

- ✓ *Discretionary Funds* - Federal welfare reform legislation authorized discretionary funds to be appropriated in FFY 1996 through 2002. Funding continued to be made available under continuing resolutions, and funding through 2010 is reauthorized and expanded in the budget reconciliation act that is now being sent to the President. The allocation among states is based on: a state's relative share of children under age five; a state's relative share of children receiving free or reduced price school lunches under the National School Lunch Act; and, a state's per capita income. No state match is required to spend discretionary funds. States have two years to obligate their Discretionary funds and an additional year to liquidate those obligations. Since FFY 2001, Congress has earmarked certain portions of discretionary funds. Thus, a state is required to spend these *earmarked discretionary funds* each year for specific types of activities designed to enhance the quality of care, including infant and toddler care as well as school-age care and resource and referral services. <u>In addition to these earmarks</u>, a states must spend at least *four percent* of all of its expenditures for child care (including the state share of matching funds) on quality activities. Examples of quality activities include:
  - ✓ practitioner training and technical assistance;
  - ✓ grants or loans to allow programs to purchase needed equipment, make minor renovations, develop new curricula, or pursue accreditation;

- ✓ use of the federal funds to train or to lower caseloads for licensing staff; and
- ✓ grant programs specifically aimed at improving wages for child care providers.

The federal budget bill (S. 1932) that was passed in February 2006 increased the matching fund portion of the child care block grant for Colorado by $2.9 million per year over the FFY 2004-05 level for FFY 2005-06 through FFY 2010-11. At the same time, the law included provisions that were expected to drive increases in work participation by TANF recipients. This was expected to have an impact on TANF participants' need for child care.

<u>Projection for Federal Child Care Development Funds</u>: The table below reflects the overall staff recommendation concerning the use of state-appropriated federal child care development funds for FY 2008-09 and projections for future years. As can be seen:

- The staff recommendation for the use of child care development funds for the Colorado Child Care Assistance Program is lower than the request, primarily because staff has not included the federal-funds portion of the requested cost-of-living increase.

- Even taking this difference into consideration, the staff recommendation reflects on-going spend-down of child care development fund reserves. This level of spend-down is not sustainable past FY 2011-12. If spending continues at this level and federal increases are not provided, General Fund backfill will be required or programs will need to be reduced.

In relation to this, it should also be noted that the projection:

- Assumes no federal funds increases or decreases in spending for the Colorado Child Care Assistance Program (CCAP) in future years.

- Includes the projected $1.2 million annual maintenance costs for the requested new Child Care Assistance Program Automated Tracking System (CHATS) coming from the CCAP program. The Department has projected savings in the CCAP program well in excess of this figure associated with CHATS. Thus, there may be savings in the CCAP program to offset this cost. Such projected savings are not included in the projection.

- Assumes no further increases or decreases in "quality" activity spending. The State is spending substantially more on "quality" activities for FY 2008-09 than is required by federal rules. Thus, if program reductions or General Fund backfill is required in future years, "quality" activities could appropriately be reduced in lieu of, or in addition to, reductions to the Colorado Child Care Assistance Program.

FEDERAL CHILD CARE DEVELOPMENT FUNDS (CCDF)							
	FY 2007-08	FY 2007-08		FY 09-10	FY 10-11	FY 11-12	FY 12-13
	Approp.	Request	Recommend	Projection	Projection	Projection	Projection
FUNDS AVAILABLE:							
CCDFFunds Rolled Forward	$18,140,034	$8,541,693	$8,541,693	$7,383,417	$5,033,534	$2,659,473	$260,932
New Funds Available	61,011,622	60,929,814	$60,929,814	60,929,814	60,929,814	60,929,814	60,929,814
TOTAL TANF FUNDS AVAILABLE	**79,151,656**	**69,471,507**	**69,471,507**	**68,313,231**	**65,963,348**	**63,589,287**	**61,190,746**
CCDF EXPENDITURES:							
CHATs Information System Replacement	8,615,588	73,924	47,685	1,239,292	1,263,470	1,287,950	1,287,950
Other Indirect Costs and Information Systems	847,284	847,284	847,284	847,284	847,284	847,284	847,284
Child Care Assistance Program	50,312,605	51,019,124	50,312,605	50,312,605	50,312,605	50,312,605	50,312,605
Child Care Licensing and Administration	3,140,150	3,394,123	3,216,525	3,216,525	3,216,525	3,216,525	3,216,525
Child Care Grants (including targeted funds)	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633
Early Childhood Councils	1,994,607	1,978,600	1,962,593	1,962,593	1,962,593	1,962,593	1,962,593
School-readiness Child Care Subsidization	2,226,096	2,227,877	2,227,765	2,227,765	2,227,765	2,227,765	2,227,765
TOTAL EXPENDITURES	**70,609,963**	**63,014,565**	**62,088,090**	**63,279,697**	**63,303,875**	**63,328,355**	**63,328,355**
AVAILABLE FUNDS LESS EXPENDITURES	**8,541,693**	**6,456,942**	**7,383,417**	**5,033,534**	**2,659,473**	**260,932**	**(2,137,609)**
Annual Grant Compared to Annual Expenditures	-9,598,341	-2,084,751	-1,158,276	-2,349,883	-2,374,061	-2,398,541	-2,398,541

Child Care Licensing and Administration.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
Management (Management, General Professional VI and VII)	5.5	6.0	6.0	6.0
Program Assistants	4.1	4.5	4.5	4.5
General Professional/ Licensing Specialists	44.7	47.0	48.0	48.0
Administrative and Technical Support	5.4	5.5	5.5	5.5
Decision Item #20	n/a	n/a	1.0	1.0
TOTAL	59.7	63.0	64.0	64.0

The Division of Child Care is responsible for inspecting, licensing and monitoring child care facilities throughout the state, including child care homes and centers, preschool and school-age child care programs, homeless youth shelters, and summer camps, as well as 24-hour facilities (such as residential treatment facilities, residential child care facilities, and child placement agencies). In some counties, the Division contracts with local entities (*e.g.*, county departments of social services, county health departments, child placement agencies) to perform licensing functions for certain types of facilities. In addition, the Division supervises the county-administered Child Care Assistance Program, and it performs several quality-related functions. This line item provides funding for all Division staff, except the 1.0 FTE associated with the School-readiness Child Care Subsidization Program. Of the total appropriation for this line item:

- 40.5 FTE and 74 percent of the total funding (59 percent of the General Fund) relate to licensing all child care facilities and monitoring less-than-24-hour child care facilities;

- 10.0 FTE and 14 percent of the total funding (31 percent of the General Fund) relate to monitoring 24-hour child care facilities; and

- 13.0 FTE and 12 percent of the total funding (10 percent of the General Fund) relate to general administration of the Division (the Division Director, staff that administer the Child Care Assistance Program and child care grants program, staff that provide training and technical assistance to providers and county staff, and staff that ensure compliance with federal laws and regulations).

Pursuant to Section 26-6-105, C.R.S., the Department is to establish license fees pursuant to rules promulgated by the State Board of Human Services. Such fees are not to exceed the direct and indirect costs incurred by the Department. The Department is to develop and implement an objective, systematic approach for setting, monitoring, and revising child care licensing fees by developing and using an ongoing method to track all direct and indirect costs associated with child care inspection licensing, developing a methodology to assess the relationship between licensing costs and fees, and annually reassessing costs and fees and reporting the results to the State Board. The Department is to consider the licensed capacity of facilities and the time required to license facilities.

Prior to FY 2002-03, child care licensing fees had not been adjusted since June 1999. The fee structure that existed in FY 2001-02 generated about $475,000 in cash fund revenues, covering about 11 percent of the costs of the licensing program; the General Fund covered about one-third of such costs, and federal funds covered the remainder (56 percent). In order to reduce General Fund appropriations while mitigating the need to reduce the effectiveness of the licensure unit, the General Assembly approved changes in the financing of this line item beginning in FY 2002-03. It was estimated that if licensure fees were increased by 36 percent, cash fund revenues would support about 15 percent of the annual costs of the licensing program (versus 11 percent). In May 2003, child care licensure fees were increased 36 percent. *Fees have not been raised since that time*. Based on FY 2004-05 actuals, licensure fees made up about 11 percent of the annual appropriation for the licensing program–i.e., the same level that existed prior to the FY 2002-03 fee increases. Fees range from $22 per year for a smaller family child care home to $840 for a secured residential treatment center. *License fee schedules are set based on the cash funds appropriation in this line item* .

Department Request. The Department's request for this line item for $6,564,894 includes $65,071 cash funds and 1.0 FTE for Decision Item #20.

❑ **Decision Item #20 - Child Care Licensing Support Staff**

This request is for $65,071 cash funds (from licensing fees) and 1.0 FTE to provide support for the Division of Child Care's website and the Colorado Child Care Licensing System. The goal is to improve the timeliness of communicating information regarding the status of child care facilities through improved technology. The new position would be funded through a 10 percent increase in licensing fees.

The request notes that currently one person is involved in providing information to the public on licensing information and licensing records. Information is emailed, faxed, and copied for parents when they are making a decision on which child care facility to choose for their child. In FY 2005-06, 2,542 individuals requested information on 4,032 child care providers. The Department's Child Care Licensing System (CCCLS), which rolled out in FY 2006-07, provides web-based access to child care licensing information for licensing specialists and the public. The Department plans to provide more on-line services to the public, including the ability to apply for a license and collect fees on line in the future. The Division's request is for 1.0 FTE to manage and coordinate the data and information system. This staff will facilitate increased on-line functions via the Division web page and will manage the *content* for the Division's website, interfacing with information technology staff. The position is proposed to be funded through a 10 percent increase in license fees.

Staff recommends the requested increase of 1.0 FTE but does not recommend any increase to the Division's cash funds spending authority. The Department has substantial unused cash spending authority in this line item, which apparently has not been used because the Department has not made necessary adjustments to its licensing rates since 2003. Actual cash funds spending in FY 2006-07 was $472,330, although the cash funds appropriation was $717,782. Cash funds spending in FY 2005-06 was somewhat higher–$584,447–but still well below the appropriation. Staff further notes that the Child Care Licensing Cash Fund had a projected fund balance of $114,292 at the beginning of FY 2007-08, and is expected to have the same balance at the end of FY 2008-09.

Although staff is not recommending the requested increase in spending authority, staff is recommending the 1.0 FTE requested. The Department's budget schedules indicate that it has also under-used its FTE authority in this line item in the last two actual years (authority for 63.5 FTE in FY 2006-07, with just 59.7 FTE used). However, in response to staff questions, the Department indicated that it has recently determined that the staff managing this line item has mis-understood or mis-interpreted some of the rules around use of funds and, associated with this, had failed to fill some licensing staff positions that should have been filled. The Department feels that it would be in the best interest of the State to fill these licensing positions–in addition to filling the new position requested. Staff notes that the Colorado Child Care Licensing Work Group developed a report on child care licensing models, authorized pursuant to S.B. 00-19 and released in 2006. Senate Bill 00-19 included funding for four pilot sites to test licensing models. Among the findings of the report were that licensing staff caseloads in Colorado vary from 150 to 300. The National Association for the Education of Young Children recommends that state licensing staff carry a caseload no greater than 75 center facilities. While efforts to reduce licensing caseloads have not proceeded due to funding constraints, staff believes it is appropriate for the Department to fully use the FTE authority it already has for licensing activities. Thus, staff is recommending the 1.0 FTE be added, rather than absorbed within the existing FTE authority.

Based on the FY 2006-07 under-expenditure of cash funds spending authority, *the Department should be able to add both the unused licensing staff FTE and the new 1.0 FTE at an average total reimbursement over $50,000 per FTE, without any adjustment to its spending authority, assuming it makes necessary increases to its licensing fees*.

Staff Line Item Recommendation. The table below reflects the Department's request and staff recommendation based on the major line item components.

FY 2008-09 Appropriation		Department Request	Staff Recommend.	Difference
Personal Services - Total		$4,275,343	$4,170,524	($104,819)
	FTE	64.0	64.0	0.0
	GF	2,070,898	2,049,210	(21,688)
	CF	659,503	592,566	(66,937)
	FF	1,544,942	1,528,748	(16,194)
Licensing Contractual Services - Total		1,849,181	1,858,168	8,987
	GF	0	0	0
	CF	0	0	0
	FF	1,849,181	1,858,168	8,987
Operating - Total		440,370	435,965	(4,405)
	GF	296,985	296,985	0
	CF	143,385	138,980	(4,405)
	FF	0	0	0
TOTAL		6,564,894	6,464,657	(100,237)
	FTE	64.0	64.0	0.0
	GF	2,367,883	2,346,195	(21,688)
	CF	802,888	731,546	(71,342)
	FF	3,394,123	3,386,916	(7,207)

The differences between the staff recommendation and the request include the following:

- ❑ The request includes $60,666 cash funds and 1.0 for personal services and $4,405 cash funds for operating expenses for Decision Item #20. The staff recommendation includes 1.0 FTE but no associated dollars.

- ❑ Apart from Decision Item #20, the staff recommendation is based on Committee common policy and includes: $139,722 for FY 2007-08 salary survey awards and $43,772 for 80 percent of FY 2007-08 performance pay awards, offset by a reduction of $42,127 for a 1.0 percent personal services reduction. The request reflects OSPB common policy, including adding SAED to the base and a 0.2 percent personal services reduction.

- ❏ The recommendation includes an increase of $27,594 federal funds for the common policy 1.5 percent community provider cost of living adjustment applied to a base of $1,830,574 in federal funds for licensing contracts. This is consistent with past practice, as there is no other mechanism for applying increases to such contracts (they are not included in "pots" runs that generate salary survey increases). The request included $18,607 federal funds for a contractual provider rate increase.

- ❏ Both the request and recommendation also reflect the annualization of a supplemental that moved $180,000 federal funds to this line item for FY 2007-08 only.

Fines Assessed Against Licenses

Senate Bill 99-152 created the Child Care Cash Fund, which consists of fines collected from licensees by the Department [see 26-6-114 (5), C.R.S.]. Moneys in the Fund are continuously appropriated to the Department "to fund activities related to the improvement of the quality of child care in the state of Colorado". **The Department requested a continuation level of $18,000. Staff recommends the continuation request**, as this amount is reasonably close to actual revenue in FY 2005-06 and FY 2006-07.

Automated Child Care Assistance Program System Replacement

For FY 2007-08, the Committee authorized the Department to proceed with the replacement and upgrade of its system for managing child care assistance payments. Most of the $8.6 million project was funded through the capital construction budget using state-appropriated federal Child Care Development Funds, with a small additional appropriation in the operating budget. The system development is expected to take two years (FY 2007-08 and FY 2008-09).

Background: The Child Care Automated Tracking System (CHATS) is a data system that supports the Department and all counties in managing the subsidized child care program (total expenditures of $70 to $100 million, depending on the year). The system serves over 48,000 children within 23,000 low income and disadvantaged families who receive services from 10,000 licensed and legally exempt child care providers. CHATS current functions include: client administration, provider administration, payments, recovery, program technical assistance, program monitoring, and reporting. It was first developed in 1995 on mainframe technology. In FY 2003-04 the Joint Budget Committee appropriated funds for a feasibility study on replacement of the system and, after rejecting an FY 2006-07 request, funded the project in FY 2007-08. The Division argued that a new, more modern system is needed to meet business needs that have changed, improve child care expenditure tracking, reconciliation and reporting, and reduce fraud, among other issues.

The project will replace the current CHATS system with a web-based system that uses "point of sale" technology. The Department plans to build a new system from scratch over a two-year period, using an outside vendor. As reflected in the table below, a significant portion of the cost is for "point of sale" technology that would allow a family to "swipe" a child care assistance program "credit card" that would reflect the family's child care assistance program allocation. The new system is expected to have a life span of 10 years. Equipment lease and maintenance costs of approximately $1.2 million per year would be ongoing during this period. The majority of such maintenance costs are associated with the "point of sale" technology. If this new system lasts 10 years (as reflected in the Department's feasibility study), total costs for development and maintenance will exceed $20 million over the life of the project ($8.6 million for development + ($1.2 million x 10 years). This works out to approximately 3.0 percent of total funds distributed each year for child care, using a conservative estimate of $66.4 million per year, based on FY 2005-06 actual funds distributed.

CHATS Information Technology System Replacement - 5 Year Costs				
	Development Phase		**Maintenance (year 1)**	**Development (2 yrs) + Maintenance (3 yrs)**
	FY 07-08 Request	FY 08-09 Projection	FY 09-10 Projection	FY 07- 08 to FY 11-12 (5 year Total)
Capital				
Development vendor	$3,784,480	inc. in '08	$0	$3,784,480
Development software	33,096		0	33,096
Development hardware	137,975		0	137,975
Independent Validation (I V & V)	230,560		0	230,560
Point of sale (POS) hardware	3,936,400		0	3,936,400
Contingency (5 percent)	406,126		0	406,126
Subtotal - Capital	**$8,528,637**		**$0**	**$8,528,637**
Operating				
Materials and supplies	$32,773	$6,500	$0	$39,273
Maintenance of hardware	0	33,333	33,333	133,333
Maintenance of software	0	0	1,205,958	3,690,710
Telecommunications	9,151	7,852	0	17,003
Training	32,000	0	0	32,000
Subtotal - Operating	**$73,924**	**$47,685**	**$1,239,291**	**$3,912,319**
Grand Total	**$8,602,561**	**$47,685**	**$1,239,291**	**$12,440,956**

The table below reflects the Department’s projection of savings to CCAP associated with the project and compares this with a more conservative, staff estimate. Both estimates assume a lower rate in the first two years associated with “ramp up”.

CHATS Information Technology System Replacement - Projected Benefits/Avoided Costs		
	Avoided annual costs by 3rd year of operation (FY 11-12)	3 Year benefits: FY 2009-10 through FY 2011-12
Department Revised Benefit Analysis:		
Improved fiscal accountability (8 % of $66.7 million in CCAP subsidy payments)	$4,801,542	$11,470,351
Reduced fraud (8 % of $66.7 million in CCAP subsidy payments)	$4,801,542	$11,470,351
Other IT costs avoided (e.g., maintenance costs, economies of scale for hardware and software purchases) based on feasibility study	$353,319	$942,117
Total	$9,956,403	$23,882,819
JBC Staff estimate:		
Reduced over-payments to providers/fraud (estimated at 8 percent of CCAP expenditures of $66.7 million)	$4,801,542	$11,523,701
Other IT costs avoided (e.g., maintenance costs, economies of scale for hardware and software purchases) based on feasibility study	353,319	942,117
	$5,154,861	$12,465,818

*Consistent with the figures in the Department's feasibility study, staff has assumed that the savings rate during the first two years of operating is 70 percent of the savings by the third year, based on time required to "ramp up" and maximize use of the system

Assuming the staff estimate of 8 percent savings (as opposed to the Department's 16 percent), is accurate, the savings associated with the new system ($12.5 million) will have barely exceeded the system's costs ($12.4 million) after 2 years of development and three years of implementation. However, once the system is fully implemented, estimated annual savings of $5.2 million will be four times the annual maintenance cost of $1.2 million. If the Department's estimates are correct, savings would clearly be greater.

As shown in this table, the vast majority of savings/costs avoided are derived from calculated

Oklahoma's Experience: Oklahoma has implemented a new child care IT system costing $6.0 million that included point of sale technology. Between FY 2003-04 and FY 2004-05, when the system was implemented, it reported a 10 percent reduction in the amount paid per child, resulting in savings of nearly $13 million per year despite a 1.0 percent increase in the number of children receiving services. It believes these savings are associated with the new system. However, it does not believe it would have realized these savings in the absence of significant policy changes, e.g., not allowing cards to be swiped more than 10 days after a child care visit and making families liable, food stamps on same cards to discourage families from allowing providers to hold cards, requirements that eligibility workers approve or deny childcare within 2 days and that families are liable for care in case of denial. Indiana implemented a system essentially identical to Oklahoma's one year later and has realized virtually no savings.

reduced over-payments to providers and reduced fraud. The reduced fraud and over-payments calculation is based on an 2003 Child Care Provider study by the Department of Human Services' Office of Performance Improvement. The Office conducted audits of a large sample of child care providers. The audit found, among other issues, a 14.7 percent error rate in payments to providers. Errors reflected in this figure included: the provider did not have any documentation for the months in question, a full-time day was billed, but documentation reflected only a part-time day, the amount paid was more than the authorized subsidy, and absences paid were more than the number allowed by the county. If payments had been withheld or adjusted based on these exceptions, the net reduction in provider payments would have been 14.7 percent.

The Department also pointed to a 2005 study it conducted for the federal Administration for Children's and Families Child Care Bureau as part of a pilot project to identify erroneous child care block grant expenditures. The Colorado study found that eight percent of payments in its sample were made in error (and that 25 percent of cases included some improper payment). Deeper study of an additional subset of these cases found an additional 12 percent improper payments due to provider errors and 13 percent improper payments due to client errors, although this portion of the finding was based on a very small sample.

For FY 2006-07, staff recommended and the JBC agreed, that the project be delayed and reconsidered for the future. For FY 2007-08, the General Assembly approved the project, with conditions, that were outlined in Long Bill Footnote 63. The requirements are: 1) the project must have a steering committee that includes a county commissioner, a county human services director, and a user of the system; 2) the Department must pilot the program before rolling it out; 3) the steering committee, including the county representatives, should decide whether the system is "go" or "no go" at the roll out stages; and 4) ongoing costs for maintenance and administration of this system be covered through savings in or reductions to the Colorado Child Care Assistance Program and remaining Child Care Development Fund reserves. The new system will not drive additional costs to the state General Fund. The Department has reported that:

- The steering committee was expected to be seated by November 30, 2007 at the latest. The Division is seeking participation of a county commissioner, a county human services director, and at least one user of the system to be seated, along with other members identified by the Department.
- The requirement for piloting the system will be met in FY 2008-09 at the time that the system has been developed and tested to the point of piloting.
- The Department anticipates that the steering committee will bring the recommendation of "go/no go" to the Executive Director at the time that they system needs that decision made.
- The Division will comply with the requirement that ongoing costs of maintenance and administration will be covered through savings or reductions to the child care subsidy program at the time of implementation in FY 2009-10 and forward.

FY 2008-09 Operating Budget Line Item Request and Recommendation. **The Department requested a continuation amount of $73,924 federal funds for this line item. The staff recommendation is for $47,685 federal funds, based on the FY 2008-09 projected operating budget included in the FY 2007-08 decision item for this project.**

In addition, staff recommends that the conditions on the project, that were reflected in the FY 2007-08 Long Bill footnote 63, be continued. In light of anticipated new restrictions on the types of Long Bill footnotes, staff would recommend that the footnote be eliminated and replaced with an expression of legislative intent through a letter to the Governor (details included at the end of this section).

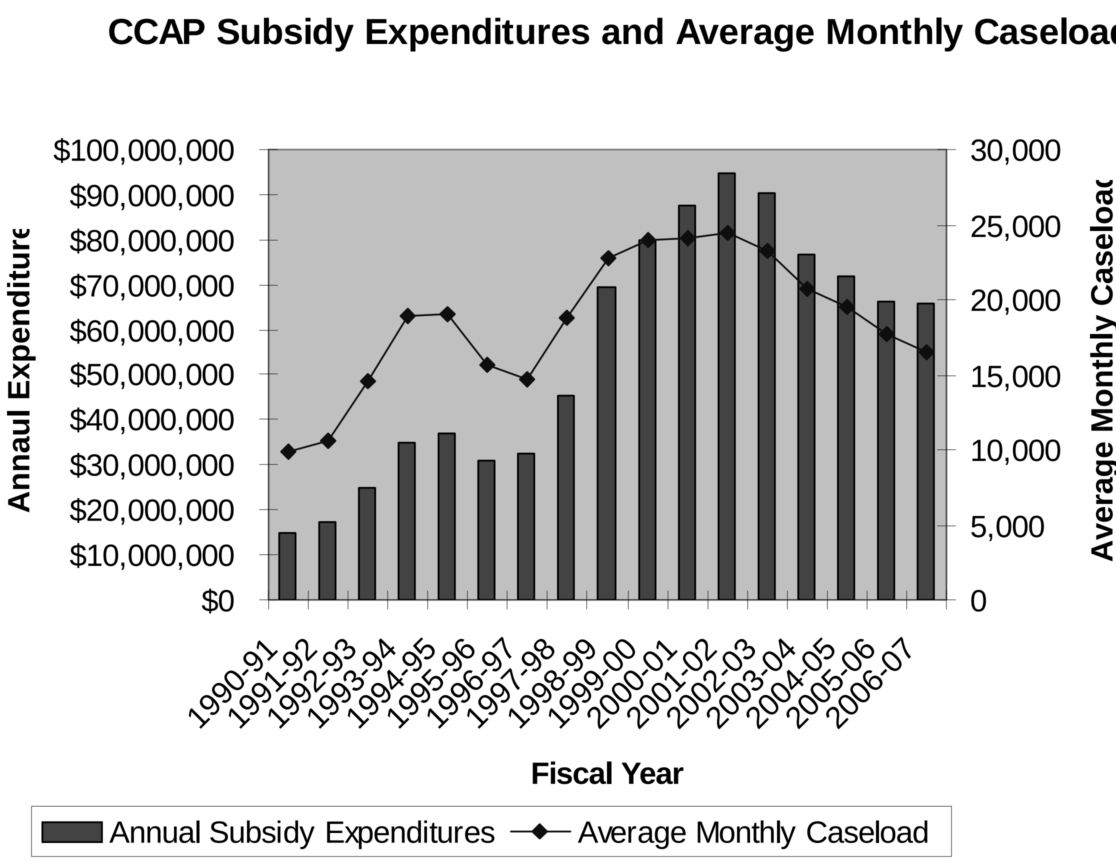
<u>Child Care Assistance Program</u>

Senate Bill 97-120 established the Colorado Child Care Assistance Program (CCAP) in statute at Section 26-8-801 through 806, C.R.S. Subject to available appropriations, counties are *required* to provide child care assistance (subsidies) to any person or family whose income is less than 130 percent of the federal poverty level. Recipients of assistance are responsible for paying a portion of child care costs. Counties are also *authorized* to provide child care assistance for a family transitioning off the Works Program or for any other family whose income is between 130 and 225 percent of the federal poverty level. [H.B. 08-1265 (Shaffer/Todd) would increase this maximum to 85 percent of the state median income, or from $47,700 to $50,770 for a family of four in 2008].

Effectively, this program serves three groups of low income families: (1) families receiving cash and other assistance through the Colorado Works Program; (2) families transitioning off of cash assistance; and (3) low income families. Low income families have always comprised the largest group receiving child care subsidies (about 80 percent in FY 2006-07). Children in families earning 130 percent or less of the federal poverty level make up 95 percent of cases (includes those who qualify based on family enrollment in Colorado Works and those who qualify based on income). An average of 16,451 children were served by the program per month in FY 2006-07. This represents less than 5 percent of children in Colorado who live in families with incomes under 185 percent of the federal poverty level.

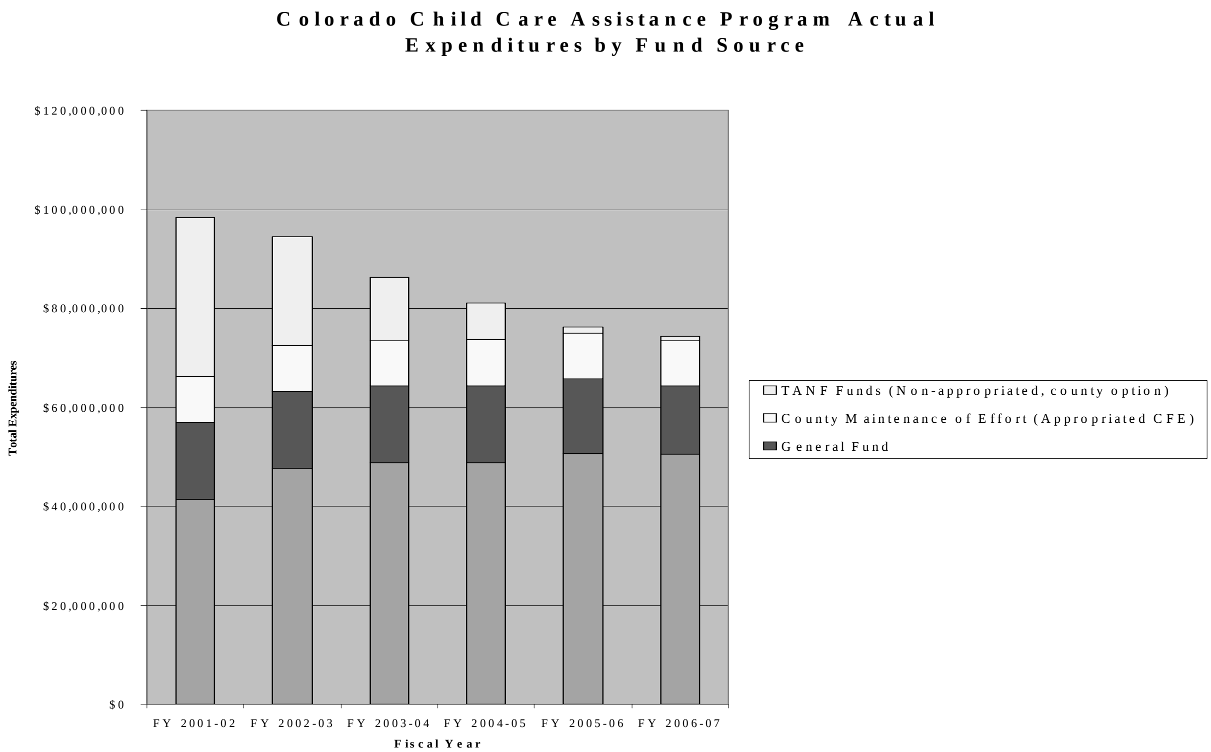
The line item provides a block grant to each county for child care subsidies following an allocation formula that includes: (1) the number of children in the county ages 0-12; (2) the number of county children in the Food Stamp program; and (3) the previous year's CCCAP utilization. State statute provides counties substantial flexibility in structuring their child care subsidy programs. *Specific county eligibility policies do vary and have changed over time*. Variations include the income levels served up to 225 percent of poverty, reimbursement rates for child care providers, and whether students in higher education programs are eligible.

The appropriation is comprised of state-appropriated federal Child Care and Development Fund (CCDF) block grant amounts, state General Fund, and county maintenance of effort and administrative amounts. Each county is required to spend, as a maintenance of effort, its share of an amount identified in the Long Bill each year. The Long Bill also reflects the estimated county



share of program administration costs ($1.7 million of total county amounts). Overall funding sources for the program have, in the past, included large county transfers from their Temporary Assistance to Needy Families (TANF) block grants. Funds expended for child care that are transferred from TANF are shown for actual years, but are not reflected in the appropriation for the Child Care Assistance Program. Declines in spending since FY 2001-02 reflect reductions in county TANF transfer expenditures.

The chart illustrates the history of appropriations for CCAP, as well as the average monthly number of children for whom subsidies are provided through CCAP. As reflected in the chart, the history of the program reflects bursts of funding and caseload expansion, followed by rapid contraction. Both the annual appropriation for CCAP and the number of children for whom subsidies were provided increased rapidly in the early 1990s. However, the caseload increased at a faster rate than appropriations, requiring the Department to institute a caseload freeze in January 1995. In July 1995, this caseload freeze was replaced with specific allocations to individual counties. The new allocation method reduced utilization temporarily. However, both state and local funding then increased substantially until federal welfare reform in FY 1997-98. At this point, growth in the program began to be fueled by a combination of federal Child Care Development Fund (CCDF) block grant funds and transfers to this block grant from the Temporary Assistance to Needy Families (TANF) block grant. Counties are permitted to transfer up to 30 percent of their TANF allocations into CCDF and Title XX Child Welfare Funding. As the maximum of 10 percent is generally transferred to Title XX, 20 percent is generally available for transfer into Child Care.



Expenditures for the program peaked in 2001-02, with county expenditures of TANF transfer dollars for the program totaling almost $32 million. However, beginning in FY 2000-01, counties began spending more TANF funds for the Works Program to address an increasing Works Program caseload. As counties depleted their reserves of TANF funds, they again took action to reduce their CCAP caseloads (*e.g.*, reducing income eligibility standards, instituting waiting lists).

Through FY 2004-05, the declines were seen solely in reductions in the expenditures of TANF transfer dollars. However, by FY 2006-06, expenditures had dropped below the level that required TANF transfers, and the program reverted almost $840,000 General Fund at year end. The appropriation for the program for FY 2006-07 started out at $79.9 million, but had to be reduced through negative supplementals and transfers to avoid reversions. For FY 2007-08, further reductions were taken through the Long Bill and H.B. 07-1062, as is reflected in the table below.

Child Care Assistance Program Appropriations and Expenditures FY 2006-07 and FY 2007-08				
	General Fund	**Cash Funds Exempt**	**Federal Funds**	**Total**
FY 2006-07 Actual				
Long Bill	16,376,389	9,710,598	53,784,774	79,871,761
Negative Supplemental	(2,500,000)	(525,962)	(2,106,666)	(5,132,628)
Governor's Transfers	0	0	(1,303,400)	(1,303,400)
County TANF transfers	0	0	865,885	865,885
Final Actual	**13,876,389**	**9,184,636**	**51,240,593**	**74,301,618**
FY 2007-08				
FY 2006-07 Long Bill + Supplementals	13,876,389	9,184,636	51,678,108	74,739,133
Partial restoration 07 sups	2,500,000	247,157	656,666	3,403,823
H.B. 07-1062	(1,022,168)	0	(1,022,169)	(2,044,337)
Current Appropriation	**$15,354,221**	**$9,431,793**	**$51,312,605**	**$76,098,619**
			FY 2007-08 Approp v. FY 2006-07 Actual.	1,797,001
			FY 2007-08 v. FY 2006-07 Long Bill Approp.	(3,773,142)

It now appears that expenditures are again increasing rapidly, after "bottoming out' in FY 2006-07. Counties are moving quickly to change their eligibility requirements for CCAP so as to increase overall participation levels. In the two month period from April 2007 to June 2007, eleven counties increased their eligibility cap. The number of counties with caps between185 percent to 225 percent of poverty (the highest range) increased from 43 counties to 47, while those from 130 to 149 percent of poverty (the lowest range), decreased from 5 to 3. As reflected in the table below, county expenditures are currently projected to exceed $84.0 million in FY 2007-08–returning them to close to FY 2003-04 spending levels.

Child Care Assistance Program - Expenditure and Appropriation History and Projection					
Fiscal Year	Closeout Expenditure	Percent Change	Appropriation	Percent Change	Notes
SFY 02	$98,291,475		$65,048,209		
SFY 03	94,481,674	-3.9%	71,336,427	9.7%	
SFY04	85,850,643	-9.1%	71,336,427	0.0%	
SFY05	80,426,556	-6.3%	73,135,525	2.5%	
SFY06	76,299,719	-5.1%	75,768,237	3.6%	
SFY 07	74,301,618	-2.6%	74,739,132	-1.4%	
SFY 08	**84,090,477**	13.2%	75,668,323	1.2%	Closeout estimated based on 6 months data

Department Request. **For FY 2008-09, the Department requested a continuation level of funding from the FY 2007-08 appropriation level plus annualization of supplementals and a 1.35 percent community provider cost of living adjustment,** allocated proportionately across all fund sources. The table below reflects the components of the request and recommendation.

Child Care Assistance Program – Department Request				
	Total	**GF**	**Local Funds**	**FF**
FY 07-08 Appropriation (pre-supplementals)	$76,098,619	$15,354,221	$9,431,793	$51,312,605
Cost of Living Adjustment	1,054,929	221,081	127,329	706,519
Supplemental/Budget Amendment #18	(245,320)	0	(245,320)	0
	$76,908,228	$15,575,302	$9,313,802	$52,019,124

The staff recommendation is reflected in the table below.

Child Care Assistance Program - Staff Recommendation				
	Total	**GF**	**Local Funds**	**FF**
FY 07-08 Appropriation (LB + HB 07-1062)	$76,098,619	$15,354,221	$9,431,793	$51,312,605
Cost of Living Adjustment	262,519	230,313	32,206	0
Supplemental/Budget Amendment #18	(230,040)	0	(230,040)	0
	$76,131,098	$15,584,534	$9,233,959	$51,312,605

The following table compares the total Department request and the staff recommendation by fund source.

Child Care Assistance Program - Comparison Request and Recommendation			
	Request	Recommendation	Difference
Child Care Assistance Program	$76,908,228	$76,131,098	($777,130)
General Fund	15,575,302	15,584,534	9,232
Cash Funds (counties)	0	9,233,959	9,233,959
Cash Funds Exempt (counties)	9,313,802	0	(9,313,802)
Federal Funds (CCDF)	52,019,124	51,312,605	(706,519)

The major difference between the recommendation and the request are:

- Staff has not included a common policy community provider cost of living increase on the federal funds portion of the base, although staff has included a 1.5 percent common policy rate increase on the General Fund portion of the base and an associated increase to the county match amount (0.35 percent, based on the overall increase in state and federal funds combined). The reasons are described below.

- The staff recommendation reflects a continuation of the portion of the supplemental adjustment to local cash funds recommended for FY 2007-08 that continues for FY 2008-09. This is a technical correction to the appropriation for H.B. 07-1062 to reflect a local funds reduction consistent with the reduction in General Fund and federal funds for the CCAP program included in the bill. The reduction recommended by staff was slightly lower than the request.

- The staff recommendation reclassifies local county share amounts in the appropriation from "cash funds exempt" to "cash funds", based on committee policy to change the classification of funds in FY 2008-09.

Staff recommends that the Committee **not** apply the common policy cost of living increase to the federal funds portion of the appropriation based on the following considerations:

✓ The State is already appropriating over $1 million per year more than the annual federal award of child care funds and is therefore spending down the state's reserves of federal Child Care Development Funds. While staff believes this is appropriate, staff does not wish to spend down reserves more rapidly, as this could create a large "cliff effect" when reserves are exhausted.

✓ While county spending for child care does appear to be strongly rebounding, counties have their own large reserves of TANF transfers to child care, as well as capacity to transfer at least 20 percent of their annual TANF award to child care. In 2002, counties spent **$31.9 million** in TANF transfers for child care; thus counties presumably have the capacity to spend TANF transfers for child care at approximately this level. For FY 2007-08, counties are projected to spend **$8.4 million** in TANF transfer funds–**<u>$23.5 million less</u>** than the FY 2001-02 level. Furthermore, as of June 2007, county-held balances of Child Care Development Fund reserves (generally derived from TANF transfers) stood at **$39.9 million**. Finally, counties are also holding large reserves of TANF funds that were not transferred to child care, *i.e.*, overall reductions in child care spending do not appear to be related to increased demand to spend TANF dollars on Colorado Works programs. In light of this, staff does not see an urgent need to spend down the state's reserves of federal child care funds more rapidly.

✓ There is no guarantee that any community provider cost of living increase provided will translate into higher rates for providers: some counties may use the funds for this purpose while, for others, the additional funds may allow expansion in numbers of children served, if the county deems provider rates adequate. Staff has recommended a General Fund community rate provider increase to this line item, pursuant to common policy, given that total expenditures for CCAP are again rising. However, providers cannot assume that this will translate into a particular level of rate increase at the county level.

In addition to the line item adjustments, staff recommends:

- The letter-note associated with the local funds portion of this line item clarify that the county maintenance of effort for this line item, per federal requirements, is $8,985,901. At present, $1.7 million of the local funds shown is reflected as an "estimate" of the local share of the costs of administering the program; however most of this amount *must* be spent by counties to comply with maintenance of effort requirements.

- The JBC include an information request for this line item, in its letter to the Governor, regarding whether the Department recommends that eligibility for this program should be set by the State, rather than by counties. The basis for this is discussed further below under Footnotes and Information Requests.

<u>Grants to Improve the Quality and Availability of Child Care</u>

This line item was consolidated into the "Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Earmark Requirements" in FY 2007-08. **No funding in the old format is requested or recommended.**

<u>Federal Discretionary Child Care Funds Earmarked for Certain Purposes</u>

This line item was consolidated into the "Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Earmark Requirements" in FY 2007-08. **No funding in the old format is requested or recommended.**

<u>Grants to Improve the Quality and Availability of Child Care and to Comply with Federal ~~Earmark~~ Requirements FOR TARGETING FUNDS</u>

This line item was created in FY 2007-08 and combined the former "Grants to Improve the Quality and Availability of Child Care" and "Federal Discretionary Child Care Funds Earmarked for Certain Purposes" line items.

"Quality" requirement: The federal government requires that 4.0 percent of expenditures for Child Care and Development Fund-supported activities be used to improve service quality. The 4.0 percent calculation is based on total CCDF expenditures, including state expenditures required to match a portion of the federal CCDF grant and county transfers of TANF funds to CCDF. The Department estimates that the *maximum* 4.0 percent quality requirement that could be needed for FY 2007-08 and FY 2008-09 is $4,742,761 (assumes full expenditure of the maximum transfer to CCDF from TANF, which has not occurred in recent years).

"Targeted Funds" requirements: Federal law concerning Child Care Development Funds also requires specific dollar amounts of the "discretionary grant" funding under CCDF be "targeted" (formerly known as "earmarked") for specific purposes. These targeted amounts are for: (1) infant/toddler programs; (2) school age and/or resource and referral programs; and (3) quality expansion activities such as professional development, mentioning, provider retention, equipment supply, facility start-up and minor facility renovation. Funding used to meet the "target" requirement may not also be used to meet the "quality" requirement (although many expenditures could be assigned to either category).

The Department seeks to target grant funds reflected in this line item to those areas determined to provide the greatest long-term gains. These areas include: increasing the efficiency and effectiveness of local child care services; raising the level of professional development in the field and providing early childhood training opportunities for child care providers; providing child care resource and referral services for families and child care providers; and, improving the ability of child care providers to prepare children for entering elementary school.

The table below reflects the Department's anticipated requirement for targeted funds for the state fiscal year. For FY 2008-09, federal requirements are projected at $3,603,633.

Federal "Targeted Funding Requirement" FY 2008-09				
	Quality Expansion	Infant/Toddler	School Age or Resource & Referral	Total
Earmarks Required, FY 2007-08				
Estimated open "targets" 7/1/08	502,594	513,616	51,609	1,067,819
New target amounts (75% FFY 08)	1,507,783	873,206	154,826	2,535,815
	2,010,377	1,386,822	206,435	3,603,634

Line Item Recommendation. The table below compares the combined federal requirements for "target" and "quality" funding with anticipated spending, , based on the Department's response to Long bill Footnote 89, adjusted pursuant to the H.B. 07-1062 appropriation that moved additional federal funds to "quality". **As reflected below, the Department has requested, and staff recommends, a continuation level of appropriation for this line item of $3,473,633.** This exceeds the minimum federal requirements for spending in these areas.

Federal Requirements		**Amount**
Federal 4% quality requirement		$4,742,761
Federal "targeted funds" requirement		3,603,633
Total federal quality and target requirement		8,346,394
"Quality" and "Target" Projected Expenditures		
Other Line Items		
Child Care Licensing and Administration (portion of line item)		400,000
Child Care Pilots/Early Childhood Councils		1,978,600
School Readiness Child Care Subsidization		2,227,765
TANF transfer funds spent on quality		2,226,096
	Subtotal	6,832,461
Grants to Improve the Quality of Child Care and to Comply with Federal Requirements for Targeting Funds - **Request and Recommendation**		**$3,473,633**
	Total	$10,306,094
"Quality" Spending in Excess of Federal Requirements		$1,959,700

Note that staff also recommends that the name for this line item be modified, consistent with the change to federal terminology. Federal authorities previously called requirements for certain types of spending "earmarks"; the term now used is "targeted funds".

Early Childhood Councils Cash Fund

This cash fund was created in FY 2007-08 through H.B. 07-1062. This bill, for the first time, authorized the use of General Fund to support early childhood councils (previously known as "consolidated child are pilots"; see discussion below). House Bill 07-1062 included an appropriation of $1,022,168 General Fund into this Cash Fund, with a further appropriation to the Department for Early Childhood Councils programs (reflected in the line item below). **For FY 2008-09, the Department requested $1,006,161 General Fund for this line item, including a reduction of $16,007 for annualization of H.B. 07-1062**. The Department's initial request for FY 2008-09 reflected an expectation that, during the start-up phase for this program, the cash funds structure would prevent reversions and was therefore beneficial. However, the Department has indicated that the full FY 2007-08 appropriation for the Early Childhoods Councils is expected to be expended during FY 2007-08. In light of this, the staff recommendation is that the General Fund appropriation for Early Childhood Councils be made directly to the Early Childhood Councils line item, rather than through this Cash Fund. **The staff recommendation is for no appropriation to this line, but a General Fund appropriation of $1,006,161 to the Early Childhood Councils line item below.**

Pilot Program for Community Consolidated Child Care Services/ Early Childhood Councils

Since FY 1997-98, the Department of Human Services has worked with the Department of Education to provide grant funds and technical assistance to local communities to design consolidated programs of comprehensive early childhood care and education services intended to serve children in low-income families. The "pilot programs", as they were named, were allowed to blend various sources of state and federal funding and could apply for waivers of state rules. The pilots were used to identify best practices relative to increasing quality, meeting the diverse needs of families seeking child care, and integrating early childhood care with education programs. The law authorizing pilots was repealed and reenacted pursuant to H.B. 07-1062 [Solano/Williams] to create the Early Childhood Councils program.

House Bill 07-1062, codified at Section 26-6.5-101 et. seq., C.R.S.:

- Replaced the pilot program for consolidated child care services with a new, statewide system of early childhood councils. Councils represent public and private stakeholders in a local community who work to develop and improve local early childhood services and to create a seamless network of such services statewide.
- Expanded the existing 17 consolidated childcare pilot sites to additional sites, subject to available appropriation.
- Established procedures for stakeholders to apply to the Department of Human Services to become early childhood council sites, specified required and optional representation on councils (from local government, health care, mental health care, childcare providers and parents, among others); and specified duties of councils including development of funding

applications, local strategic plans to improve early childhood services, accountability measures and evaluations.

- Indicated that councils may apply for waivers of state rules that would prevent a council from implementing a project.
- Established the Colorado Early Childhood Council Advisory Team in the Office of the Lieutenant Governor.
- Required a contracted evaluation of the early childhood council system no later than March 1, 2010.
- Required the Office of the State Auditor to conduct a performance audit of the Colorado Child Care Assistance Program in the Department of Human Services beginning in FY 2007-08 with a report of findings and recommendations to the Legislative Audit Committee no later than December 30, 2008.
- Established the Early Childhood Councils Cash Fund and authorized the appropriation of General Fund to the Cash Fund and the Councils (previously prohibited).
- Included an appropriation of $1.0 million General Fund and $1.0 million federal Child Care Development Funds for the Councils, with an associated reduction to the Colorado Child Care Assistance Program line item. (The $1.0 million General Fund was first appropriated to the Early Childhood Councils Cash Fund and further appropriated to the Department for the Councils; this portion of the appropriation therefore appears in this line item as cash funds exempt/reappropriated funds.)

Prior to FY 2000-01, funding for this program was included in other line items (the Child Care Services line item in FY 1998-99, and the Child Care Grants line item in FY 1999-00). Funding for the pilot program was then reflected in its own line item starting in FY 2000-01 (the Pilot Program for Community Consolidated Child Care Services). **Effective FY 2008-09, this line item will be renamed the "Early Childhood Councils" line item**.

The table below reflects the overall costs for the Councils, based on the fiscal note for H.B. 07-1062. *Of the $3.7 million total costs shown below, $710,254 is appropriated in the "Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Requirements for Targeting Funds" line item*.

Fiscal Note: Costs Under HB07-1062		
Bill Statutory Cite — Program Costs	**FY 2007-08**	**FY 2008-09**
Section 26-6.5-103.7		
Coordinator of Direct Support Services to EC Councils — CDE	$ 51,743	$ 48,738
	1.0 FTE	1.0 FTE
Direct Costs to Support EC Councils (est. 30 councils total):		
16 Emerging Councils @ $49,900 each	798,400	798,400
9 Capacity Building Councils @ $123,900 each	1,115,100	1,115,100
5 Model Councils @ $197,300 each	986,500	986,500
Subtotal — CDE	$ 2,900,000	$ 2,900,000
Less Federal Child Care Development Funds	(1,682,692)	(1,682,692)
Support Services to EC Councils — CDE	$ 1,217,308	$ 1,217,308
Staff for General Oversight and Support to EC Councils — CDHS	$51,743	$48,738
	1.0 FTE	1.0 FTE
Section Total	***$ 1,320,794***	***$ 1,314,784***
Section 26-6.5-105		
Staff to EC Council Advisory Team — Office of Lt. Governor	$ 51,743	$ 48,738
	1.0 FTE	1.0 FTE
Costs to Convene EC Council Advisory Team — Office of Lt. Governor	28,800	28,800
Technical Assistance to EC Councils:		
30 Councils @ $20,000 each — CDE	600,000	600,000
Section Total	***$ 680,543***	***$ 677,538***
Section 26-6.5-108		
Evaluation Components:		
State Efficiency and Effectiveness in Support of EC Council Advisory Team and Local EC Councils ($20,000 for 2 years = $40,000)	$ 20,000	$ 20,000
Barriers to Successful Operation of EC Councils (one-time cost)	8,000	0
Effectiveness of EC Councils in Serving Children and Families (one-time cost)	15,000	0
Section Total — All Costs in CDE	***$ 43,000***	***$ 20,000***
PROGRAM TOTAL	**$ 3,727,029**	**$ 3,695,014**
Less Currently Appropriated Federal Child Care Development Funds	**(1,682,692)**	**(1,682,692)**
BILL TOTAL	**$ 2,044,337**	**$ 2,012,322**
Early Childhood Cash Fund	**1,022,168**	**1,006,161**
Federal Child Care Development Funds	**1,022,169**	**1,006,161**
FTE	**3.0**	**3.0**

Line Item Request and Recommendation. **The Department requested $2,984,761 and 1.0 FTE for this line item. Staff recommends the total dollars in the request**, which is consistent with the H.B. 07-1062 fiscal note; however, the staff recommendation is to eliminate the appropriation from the Early Childhood Cash Fund and replace this with a direct General Fund appropriation, thus eliminating a Long Bill double-count. **The staff recommendation includes $1,006,161 General fund and $1,978,600 federal Child Care Development Funds.** The recommendation includes annualization (reductions) associated with the H.B. 07-1062,of $32,014 (half federal funds and half General Fund).

Early Childhood Professional Loan Repayment Program

This program, established pursuant to H.B. 01-1293, provided funding to pay all or a portion of the principal and interest of the educational loans of a qualified early childhood professional who had secured a position in a licensed child care facility. A qualified individual was eligible to receive up to $1,000 per year for the first two years of working in a position in a licensed child care facility. The program was allowed to sunset July 1, 2007. **No funding is requested or recommended**.

School Readiness Quality Improvement Program

Background Information. House Bill 02-1297 [Section 26-6.5-106, C.R.S.] created the School-readiness Child Care Subsidization Program to improve the quality of certain licensed child care facilities whose enrolled children ultimately attend low-performing neighborhood elementary schools. The legislation was reauthorized in H.B. 05-1238 [Hefley/Williams] and the program renamed the School Readiness Quality Improvement Program. The program provides grants to child care facilities in areas served by low-performing schools.

As revised, the statute specifies that school-readiness quality improvement program funding shall be awarded to early childhood care and education councils for subsidies to local early care and education providers based upon allocations made at the state department. The program targets the school readiness of young children who will ultimately attend eligible elementary schools that have on overall performance rating of “low”" or "unsatisfactory" or that have an overall rating of “average” but have received a CSAP overall academic improvement rating of "decline" or "significant decline”.

The program provides subsidies over a three year period to participating child care centers and family child care homes to cover the cost of equipment, supplies, minor renovations, curricula, staff education, scholarships, training, and bonuses for facility staff for demonstrating quality improvements and addressing problems identified in the ratings.

The act requires the Early Childhood and School Readiness Commission to adopt a voluntary school-readiness rating system to measure the quality of services provided by a child care provider to prepare children to enter elementary school. As revised, it requires early childhood care and education councils to submit reports by January 1, 2009, and every three years thereafter, and requires a consolidated report to the Education Committees of the General Assembly on or before April 1, 2009, and on or before April 1 every three years thereafter.

The program currently serves 8,125 children in 149 sites. The fiscal note for H.B. 05-1238 reflected an assumption that the number of communities served/entities contracting for funding would expand from 11 to 21, including newly-created child care councils; however the Department has indicated that the total number of current grantees is 14. Based on the number of children served, grant allocations are for an average of $300 per child served or $3,000 to $4,000 per classroom or family child care home.

Program Implementation. Baseline evaluations for grantees are currently in progress, for the grant period from July 1, 2006 to June 30, 2009. All sites participating in the program will undergo baseline evaluation by Qualistar and have two follow-up evaluations. Each site receives a baseline overall quality rating score (one, two, three, or four stars, with four being the highest achievable). These ratings are based on five measurement areas:

- Learning Environment -- a program's health and safety standards, classroom environment, curriculum and activities, interactions between adults and children, and the daily schedule

- Family Partnerships -- how a program develops relationships with families, serves as a resource for them, and offers them opportunities to be part of their children's early learning experience

- Training and Education -- work experience and the average level of early childhood education attained by the providers working in the home or center

- Adult-to-Child Ratios -- average ratios in a classroom over a 10-day period, from the time the program opens until it closes

- Accreditation -- whether a program is accredited through a national accrediting agency

Qualistar describes each of the rating levels as follows:

Zero star - "Children in a zero-star rated program may find themselves confronting sub-standard conditions. Health and safety issues are often neglected, teacher training can be non-existent, and staff turnover is usually high. Often, programs at this level lack basic equipment and toys, and may be violating state licensing requirements."

One star - "Though conditions improve with each STAR level, children may not be experiencing routine high-quality interactive care. Health and safety issues may still need to be addressed, and staff turnover often continues to be high. Teachers and program administrators may lack formal early childhood training and experience. Adult-to-child ratios tend to meet the minimum standards, but generally do not allow for staff to provide individualized attention during the course of a day."

Two stars - "Children in 2-STAR programs are read to regularly, watch some television, and have access to toys that support children's discovery and learning. Though health and safety issues may still exist, children's basic needs are satisfied and parents often feel a sense of stability within a 2-STAR rated program. Programs at this level are beginning to see how children's feelings of security are linked to their experiences in the classroom and how their learning is supported by opportunities for meaningful play."

Three stars - "In addition to being safe, a program at this quality level organizes many fun, educational activities for children, and employs teachers who understand age-appropriate behaviors. Staff also support parents and keep them regularly informed about their child's progress. 3-STAR programs tend to have higher tuition rates and receive additional funding, relieving some of the financial burden."

Four stars - "In addition to many fun activities and regular communication with parents, a 4-STAR Quality Rating means a program fundamentally understands the importance of preparing children for school through a strong curriculum that addresses the social, emotional, physical, and academic needs of each child. Staff is knowledgeable and educated in early childhood development and provides wonderful age-appropriate activities based on the individual needs of the children. Ratios are optimal allowing staff to provide a loving, stable environment for the children in care."

Each site receives detailed information about its strengths and weaknesses in each of the five areas, as well as a list of concrete action steps recommended to improve program quality. The evaluation also includes a list of additional services that will be made available through the program to support quality improvement efforts. Specific quality rating information for providers receiving one or more stars is also made available to parents and members of the public through Qualistar's website [Qualistar.org].

The first iteration of this program reflected significant impact, with the percentage of programs achieving 3 or 4 stars increasing from 36 percent at baseline to 77 percent at second follow-up, and the programs achieving 0, 1, or 2 stars decreasing from 64 percent at baseline to 23 percent at second follow up.

<u>Funding</u>. **Staff recommends $2,227,765 in federal CCDF funds and 1.0 FTE.** This includes $46,365 for personal services, $2,106 for operating expenses, $1,828,294 for pilot site agency grants and $351,000 for the school-readiness rating system. The recommended personal services dollar amount is calculated according to Committee policy, with no other changes to the base. The recommendation varies from the request due to common policy personal services calculations

Early Childhood and School Readiness Commission

This line item was added through H.B. 04-1277 [Hefley/Cairns] that modified the previous Child Care Commission and extended its authorization through July 1, 2007. The Commission was allowed to sunset in 2007. **No funding is requested or recommended**.

Long Bill Footnotes and Information Requests

In light of new policy on what types of items are to be included as Long Bill footnotes, staff does not recommend any footnotes for this section. However, staff does recommend that two former footnotes, as modified, be included as formal information requests in a letter to the governor and that an additional new information request also be included.

Staff recommends the **addition** of the following **new information request**:

> **Department of Human Services, Division of Child Care, Child Care Assistance Program** -- The Department is requested to submit a report by October 1, 2008 concerning the Child Care Assistance Program. The report is requested to address whether the Department, after consultation with counties and other interested parties, would recommend that eligibility for this program and/or provider reimbursement rates be set by the State. This could include eligibility/reimbursement rates that vary by region (metro, rural, mountain resort), even if they were set by the state. The Department is requested to include in the report: (1) an analysis of the programmatic and fiscal implications of such a change on program participants, providers, counties and state government;(2) how any recommended changes might be phased-in; and (3) what statutory modifications would be required. The report is requested to take into account the results of the State Auditor's Office audit of the Child Care Assistance Program required pursuant to H.B. 07-1062.

> Comment: As detailed at length in the staff budget briefing, Colorado is one of very few states where eligibility for child care subsidies is set by counties, rather than the state. As a result of this variation, program participants may find that they are no longer eligible for a subsidy when they move across a county line. County-control likely contributes to the tremendous fiscal volatility of the program. It also makes it very difficult to identify the statewide need for the program or the appropriate level of state funding. In light of this, staff believes the state should consider whether some additional state-wide control over basic program parameters–such as eligibility–would be beneficial. Staff understands that the State Auditors Office is considering this as part of a current program audit authorized pursuant to H.B. 07-1062. However, during its budget hearing, the Department indicated that, depending upon the results of the Audit, the Department would likely need to do additional work to thoroughly consider this issue.

Staff also recommends that the following footnotes be **discontinued as footnotes and reflected in a letter as formal <u>information requests/expressions of legislative intent, with the modifications shown</u>**:

~~63~~ **Department of Human Services, Division of Child Care, Child Care Assistance Program Automated System Replacement~~; and Capital Construction, Department of Human Services, Division of Child Care, Capital Construction, Child Care Assistance Tracking System~~** -- It is the intent of the General Assembly that this project: 1) have a steering committee that includes a county commissioner, a county human services director, and a user of the system; 2) that the Department pilot the program before rolling it out; 3) that the steering committee, including the county representatives, should decide whether the system is "go" or "no go" at the roll out stages; and 4) that ongoing costs for maintenance and administration of this system be covered through savings in or reductions to the Colorado Child Care Assistance Program and remaining Child Care Development Fund reserves. The new system will not drive additional costs to the state General Fund.

<u>Comment:</u> This footnote was vetoed by the Governor. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that could be adhered to without adversely impacting the operation of the executive branch or the delivery of government services. The Department has reported that it is complying with the footnote.

~~89~~ **Department of Human Services, Totals** -- The General Assembly requests that the Executive Director of the Department submit annually, on or before November 1, a report to the Joint Budget Committee concerning federal Child Care Development Funds. The requested report should include the following information related to these funds for state fiscal ~~year 2006-07~~ YEARS 2007-08, 2008-09, 2009-10 (THE ACTUAL, ESTIMATE, AND REQUEST YEARS): (a) The total amount of federal funds available, AND ANTICIPATED TO BE AVAILABLE, to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, ESTIMATED, OR REQUESTED FOR THESE YEARS by Long Bill line item; (c) the amount of funds expended, ESTIMATED, OR REQUESTED FOR THESE YEARS, by Long Bill line item where applicable, that were, OR ARE ANTICIPATED TO BE, reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; ~~(d) a demonstration that the information provided in the report is consistent with related financial information reported to the federal government; (e)~~ (d) the amount of funds expended, ESTIMATED, OR REQUESTED FOR THESE YEARS that met, OR ARE ANTICIPATED TO MEET, the four percent federal requirement related to quality activities AND THE FEDERAL REQUIREMENT RELATED TO TARGETED FUNDS. ~~and (f) the amount of funds expended that met earmark~~

~~requirements. In addition, the report should include the following information related to federal Child Care Development Funds for state fiscal years 2007-08 and 2008-09: (a) The total amount of federal funds estimated to be available to Colorado, including a break out of new allocations and funds rolled forward from previous state fiscal years, and the federal classification of all such funds as mandatory, matching or discretionary; (b) the amount of federal funds estimated and requested to be expended, by Long Bill line item; (c) the amount of state or local expenditures that are anticipated to be required to comply with federal maintenance of effort and matching requirements; (d) the amount of funds estimated to be expended, by Long Bill line item where applicable, that are anticipated to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (e) the amount of funds estimated to be required to comply with federal earmark and four percent quality requirements; and (f) estimated and requested expenditures, by line item, anticipated to be used to comply with federal earmark and four percent quality requirements.~~

Comment: This footnote was vetoed by the Governor. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that could be adhered to without adversely impacting the operation of the executive branch or the delivery of government services. The Department submitted the requested report for FY 2007-08. Staff recommends continuing the request, with modifications designed to shorten the length of the request paragraph and the Department's corresponding report.

M E M O R A N D U M

TO: **Joint Budget Committee**

FROM: **Amanda Bickel, JBC Staff**

SUBJECT: **Staff Comebacks - Department of Human Services, Developmental Disability Services and Division of Child Care**

DATE: March 13, 2008

This memo addresses five issues:

- New funding to be added to Department of Human Services, Developmental Disability caseload pursuant to Budget Amendment #4A;

- New caseload for supported living services to be added using amounts included in base funding for developmental disability services;

- Regional Center ICF/MR Conversion - clarification on JBC Action;

- Recommended Long Bill format change; and

- Child Care subsidy reduction.

Budget Amendment #4A (New Developmental Disability Caseload)
On March 5, 2008, the JBC voted to approve the dollars reflected in Department of Human Services Stand-alone Budget Amendment #4A, but to have staff identify the number of clients who could be served by these dollars. The JBC specified that:

- comprehensive resources were to be "regular" waiting list resources;
- the Committee wished to consider a footnote/expression of intent related to equity in resource distribution; and
- the Committee would consider, if appropriate, using some of the funding in the first year to address "start-up" costs, if that seemed appropriate, based on further investigation.

The staff recommendation on the number of new clients who can be served for the additional dollars is reflected below.

	Budget Amendment #4A Caseload **Request**				
	FY 2008-09 (part year)			Full year FY 09-010	
	Clients	Total	Net GF	Total	Net GF
Comprehensive Residential					
Waiting List	110.0	$4,375,154	$1,892,040	$9,404,942	$4,091,945
Adult Supported Living	200.0	1,951,474	926,950	3,902,948	1,853,900
Family Support Svces	100.0	308,947	293,500	617,894	587,000
	410.0	$6,635,575	$3,112,490	$13,925,784	$6,532,845
Clients at 6 mos. (N * 0.5)	205.0				

	Budget Amendment #4A Caseload **Recommendation**				
	FY 2008-09 (part year)			Full year FY 09-010	
	Clients	Total	Net GF	Total	Net GF
Comprehensive Residential					
Waiting List	120.0	$4,026,875	$1,786,318	$8,053,750	$3,572,636
Adult Supported Living	200.0	1,833,020	870,685	3,666,040	1,741,370
Family Support Svces	100.0	313,737	298,050	627,474	596,100
	420.0	$6,173,632	$2,955,053	$12,347,264	$5,910,106
Clients at 6 mos. (N * 0.5)	210.0				
HCPF premiums		371,520	185,760	743,040	371,520
TOTAL		6,545,152	3,140,813	13,090,304	6,281,626

As shown:

1. The staff recommendation adds 120 new comprehensive residential persons, as opposed to the 110 reflected in the request.

2. Staff's recommendation targets the total dollars in the Department's FY 2008-09 request, rather than the amount reflected for out-year FY 2009-10. The FY 2009-10 amounts

reflected more than two times the FY 2008-09 figures, although FY 2008-09 figures were described as reflecting six-months of funding and FY 2009-10 as 12 months of funding.

3. The staff recommendation allocates some of the additional dollars in the Department of Health Care Policy and Financing's *Premiums* line item for the new Supported Living Services clients added. This is based on information, previously provided by the Departments of Human Services and Health Care Policy and Financing, that approximately 30 percent of individuals added to the Supported Living Services program were not eligible for Medicaid before being added to the waiver program. As these individuals will now have their acute care costs covered through the Premiums line item, some additional funds should be added there also. The calculation is $12,384 average Medicaid premiums cost for SLS consumer x 30.0 percent of total anticipated to be new to Medicaid x number of persons added to SLS program or $3,715 per year on average for a full year per person added to the program.

The tables below compare the detailed assumptions in the request versus the recommendation.

Budget Amendment #4A - Comprehensive Residential Services Request v. Recommendation						
	Request			Recommendation		
	Cost per Person	Number Consumers	Total Cost (full year)	Cost per Person	Number Consumers	Total Cost (full year)
"Regular" Wait list	**$85,499**	**110.0**	**$9,404,942**	**$67,115**	**120.0**	**$8,053,800**
"Net" General Fund	$37,200		$4,091,945	$29,772		$3,572,640
FY 2008-09 (6 mos)			$4,375,154			$4,026,900
FY 08-09 Net GF (6 mos)			$1,892,040			$1,786,320

Budget Amendment #4A - Supported Living Services Request v. Recommendation						
	Request			Recommendation		
	Cost per Person	Number Consumers	Total Cost (full year)	Cost per Person	Number Consumers	Total Cost (full year)
Adult SLS Placement	**$18,464**	**200.0**	**$3,692,800**	**$18,330**	**200.0**	**$3,666,000**
"Net" General Fund	$9,232		$1,846,400	**$8,707**		$1,741,400

Budget Amendment #4A - Supported Living Services Request v. Recommendation						
	Request			Recommendation		
	Cost per Person	Number Consumers	Total Cost (full year)	Cost per Person	Number Consumers	Total Cost (full year)
FY 2008-09 (6 mos)			$1,846,400			$1,833,000
FY 08-09 Net GF (6 mos)			$923,200			$870,700
HCPF (total $ is for 6 mo)				3,715		$371,500
"Net" GF (total $ is 6 mo)				1,858		$185,750
Total SLS - FY 08-09	18,464		$1,846,400	22,045		$2,204,500
NGF SLS - FY 08-09	9,232		$923,200	10,565		$1,056,450

Budget Amendment #4A - Family Support Services Request						
	Request			Recommendation		
	Cost per Person	Number Consumers	Total Cost (full year)	Cost per Person	Number Consumers	Total Cost (full year)
Family Support Services	**$6,179**	**100.0**	**$617,900**	**$6,275**	**100.0**	**$627,500**
"Net" General Fund	$5,870		$587,000	$5,961		$596,100
FY 2008-09 (6 mos)			$308,950			$313,750
FY 08-09 Net GF (6 mos)			$293,500			$298,050

Legislative Intent/Information Request Language:
The Committee may wish to consider adding the following expression of intent and request for information. Note that this paragraph also references the supported living services "from the base" recommendation discussed further below.

> **Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs–** This appropriation includes funding for the following additional caseload: (1) comprehensive residential services for 305 adults for an average of six months, including 45 persons transitioning from foster care, 62 emergency placements, 78

> "high risk" waiting list placements, and 120 regular waiting list placements; (2) supported living services for 345 adults, including 28 persons transitioning from the Children's Extensive Support program for an average of six months, 200 others added for an average of six months, and 117 added for a full year (12 months); (3) family support services, for an average of six months, for 100 additional families. The Department is requested to provide a report to the Joint Budget Committee by October 1, 2008, concerning its plans for distributing this funding for new caseload and for ensuring that new placements are brought on-line as quickly as possible. It is the intent of the General Assembly that, in distributing funding to expand caseload, the Department take into consideration, among other factors, the need to reduce regional inequities in the numbers of persons served per capita of the general population.

Note that last year's Long Bill Footnote 78 asked for a report on resource equity issues and possible re-allocation of base resources. This was vetoed (and the Department directed not to comply after the over-ride of Long Bill vetoes) on the grounds that the Department did not have adequate funds or time to put into this issue until CMS waiver issues were further addressed. Staff assumes, however, that there will be no similar objection to providing a report on the allocation of new funding.

Start-up/Infrastructure Funding
There does not appear to be consensus among the community centered boards as to the need for "start up" funding for new placements. In light of this, staff is not including any related adjustments in the recommendation. There is interest in "start up funding" but only if it is available *in addition to* the new funding for placements already provided.

Appendix A
Appendix A includes detailed information on the total Program Costs line item, per the staff recommendation, including funding splits.

New Supported Living Services caseload to be funded "within the base"
On March 5, 2008, the Committee voted to add 145 supported living placements using base funding in the Program Costs line item that appears unlikely to be used based on Medicaid waiver program changes. It has been suggested that legislative intent may be more clear if funds that are anticipated not to be used are reflected as removed from the appropriation and then "added back" as new placements. Staff agrees this would make legislative intent more clear. Further, staff believes it would be appropriate to add these new placements using the same assumptions that are used for other new supported living placements. This includes an assumption that 30 percent of persons added into services will become eligible for the Medicaid program (including acute care coverage) as a result of this. **Taking this adjustment into consideration, staff believes it would be more**

appropriate to fund 117 new placements (rather than 145) and to reflect the change as shown below.

Supported Living Services - Base reduction and increase reflecting new placements				
	Recommendation			
	Cost per Person	Number Consumers	Total Cost (full year)	"Net" General Fund (full year)
Reduction:				
DHS, DD Program Costs based on 5% of SLS FY 2007-08 Appropriation. Total includes $2,462,942 Medicaid + local $129,734 local funds portion			($2,594,676)	($1,232,471)
Increases:				
1) DHS, Adult SLS Placement	$18,330	117.0	$2,144,633	$1,018,701
"Net" General Fund	$8,707			
2) HCPF Premiums	$3,715		$434,678	$217,339
"Net" GF for Premiums	$1,858			
Total Increase - New SLS costs - FY 08-09		117.0	$2,579,311	$1,236,040
Overall Impact - Decreases/Increases			**($15,365)**	**$3,569**
Net impact DHS budget (reduction + addition)			($450,043)	($213,770)
Impact HCPF premiums			$434,678	$217,339

Regional Center ICF/MR Funding

Clarification of Implications of JBC Decision

On March 5, 2008, the JBC indicated that it did wish to proceed with conversion to "ICF/MR" billing at Wheat Ridge Regional Center. **Based on further communication with the Department, staff believes the figure setting presentation did not accurately portray the interaction of the Department's supplemental request for the regional centers for FY 2007-08 and the request for funding for ICF/MR conversion for FY 2008-09.** In sum:

The staff presentation (written and verbal) suggested that the Department's Decision Item #6 request could be viewed as including two components:

(1) the request for direct care staff; and

(2) the request for funding for therapists, doctors, and associated one-time costs associated with ICF/MR conversion.

The Department has clarified that this is not the case. Staff mis-understood one of the Department's responses. The Department indicates that conversion to ICF/MR will require *both* the additional direct care staff requested, as well as the therapists and one-time amounts.

Associated with staff's mis-understanding, staff indicated that, if the Committee proceeded with funding the direct care staff component of the request, there would be no further annualization required associated with the Department's supplemental request to address FY 2007-08 regional center staffing issues. This is correct if the JBC follows the JBC staff's recommendation that it NOT proceed with ICF/MR conversion for FY 2008-09 and wait until FY 2009-10 to do this. However, this is NOT the case if the JBC proceeds with the Department's Decision Item #6 request to convert the group homes at Wheat Ridge Regional Center to ICFs/MR. JBC staff now understands that **the Department may submit an FY 2008-09 supplemental for ongoing costs associated with "one-to-one" staffing needs *in addition to* any funds the Committee approves now for FY 2008-09 ICF/MR conversion (Decision Item #6). The FY 2007-08 late supplemental requested (and largely approved) was for $1.7 million total funds, including $826,000 "net" General Fund, and 39.4 FTE.** Any such supplemental would be based on the results of the "work group" convened by the Department.

In sum, if the Committee wishes to proceed with ICF/MR conversion, it should expect:

- Annualized costs (in FY 2009-10) for ICF/MR conversion at Wheat Ridge regional center ONLY of $2.6 million total funds and $1.1 million "net" General Fund and 69.6 FTE– for FY 2008-09, $1.5 million total funds, including $760,000 "net" General fund, and 39.2 FTE (staff recommendation for the request).

- A plan that will either request additional supplemental funding for FY 2008-09 on approximately the same scale as the FY 2007-08 request ($1.7 million total, including $826,000 "net" General Fund, and 39.4 FTE requested) OR that will propose to downsize the regional centers so that they serve fewer people with the same staff. The Department has assembled a work-group to examine this issue.

- ICF/MR conversion for the remainder of the regional center beds (presumably in FY 2009-10) will cost (approximately) an additional $2.6 million total funds, including $1.1 million "net" General Fund, and 39.2 FTE, presumably starting in FY 2009-10. (The current request is to convert 20 of the 40 HCBS group homes at the regional centers; staff assumes conversion costs for remaining homes would be similar to the Wheat Ridge request).

The FY 2007-08 appropriation for the regional centers, prior to the late supplemental that has been approved, was $44.9 million, including $20.5 million "net" General Fund. However, based on FY 2006-07 data, this represents only about 75 percent of the total costs for operating the regional centers, which also include indirect costs billed elsewhere in the Department. Thus, actual costs for FY 2007-08 are closer to $60 million, including about $30 million "net" General Fund, with 903.4 FTE appropriated directly to the regional centers. **If ICF/MR conversion is funded, as well as staffing increases associated with "one to one" coverage, total regional center costs would likely increase by at least $7 million, including $3.0 million "net" General Fund, and about 110.0 FTE by FY 2009-10, and costs per person served would increase to $160,000 to $170,000 per year or around $450 per day**.

Staff Recommendation per figure setting (for background and if JBC wishes to reconsider)
The staff recommendation, as presented during figure setting, added $1,437,738 total funds, including $718,869 "net" General Fund, and 43.0 FTE in FY 2008-09. There was no further annualization for FY 2009-10. This was $487,412 "net" General Fund less than the Department's FY 2008-09 request for Decision Item #6 and provided no further annualization for FY 2009-10. The staff recommendation reflected:

- Annualize the FY 2007-08 supplemental approved for "one-to-one" staffing to FY 2008-09.

- Anticipate that ICF/MR conversion–for all three regional centers–will likely occur in FY 2009-10, but that some refinements to the proposal may occur in the meantime.

- Anticipate that, over the next year, the Departments of Human Services and Health Care Policy and Financing will take steps to clarify statewide the appropriate profile for an individual served in an ICF/MR (either at a state-operated institution) or in the community. This will serve the dual benefit of ensuring that any further growth of ICFs/MR in the community will be appropriate. It will also help ensure that the additional costs associated with ICF/MR conversion at the regional centers will be based on the specific, more severe needs of an ICF/MR-appropriate population. *A significant number of individuals in the regional centers–possibly 60 or more–may not require the very high level of care offered by the regional centers*. Thus, if ICF/MR conversion proceeds without further adjustments as to who is served in the regional centers, the State may end up paying more than is necessary or appropriate for at least a portion of the regional center population. This may be inevitable during a transition period, but staff does not believe this would be appropriate long-term.

> Nationally, the average cost per person served in a state operated institution was $400 per day in 2004. The average cost for a community placement in Colorado FY 2008-09 is projected to be about $184 per day (reflects services for persons with a lower average severity than those at the regional centers). As reflected above, staff anticipates that regional center costs will likely increase to about $450 per day.

Staff Recommendation on Detailed Costs if Proceed with Wheat Ridge ICF/MR Conversion
The requests submitted by the Departments of Human Services, Health Care Policy and Financing, and Public Health and Environment related to this issue totaled $1,939,801 ($959,781 "net" General Fund) and 41.4 FTE in FY 2008-09 and $3,379,073 ($1,474,087 "net" General Fund) and 73.7 FTE for FY 2009-10

Tables on the subsequent pages reflect the staff recommendations related to costs and annualization if the JBC wishes to proceed with ICF/MR conversion in FY 2008-09. The overall recommendation is $196,861 "net" General Fund less than the request for FY 2008-09 and $380,572 "net" General Fund less for FY 2009-10. Appendix B provides a detailed comparison with the request.

The recommendation is based on the Department's request, with the following adjustments:

- The staff recommendation reflects greater reductions in the Department of Health Care Policy and Financing and greater increases in the Department of Human Services than was reflected in the request associated with operating costs (durable medical equipment and related) that are moved from the State Plan to the ICF/MR. The HCPF Budget Amendment #7 did not include durable medical and occupational/physical therapy in the amounts to be moved from the State Plan. Further, based on re-analysis, HCPF calculates somewhat larger numbers for the medical equipment funds to be moved than are reflected in the request. The staff recommendation provides equal increases and decreases to the two departments for the durable medical equipment funding (statewide General Fund impact of $0). The reductions to HCPF for physician and therapy services are less than the increases requested by Human Services; this reflects the fact that regional center clients have not been effectively accessing State Plan medical services. HCPF has not yet been able to clarify whether there should be associated adjustments to mental health funding in HCPF associated with the change. As appropriate, a change may be made to HCPF on a supplemental basis or in conference committee.

- The staff recommendation uses FY 2007-08 salaries, consistent with fiscal note policy, rather than FY 2008-09 amounts.

- The staff recommendation reflects adding direct care staff in Health Care Technician I positions, rather than the Health Care Technician II positions requested. The vast majority of staff currently at the regional centers are Health Care Technician I's. The Department has indicated that it would like to create a more effective career ladder and expects to promote staff to Health Care Technician II's after their first year of employment. Staff sees the career ladder issue as separate from the ICF/MR conversion request and is also generally concerned about the regional center cost structure. *If the JBC wishes to approve the positions as requested, the additional amount is $1,488 ($744 NGF) per year per direct care staff–a total difference of $21,399 NGF in FY 2008-09 and $45,051 NGF in FY 2009-10*.

- The staff recommendation is based on FY 2007-08 minimum salaries, consistent with fiscal note policy.

- The staff recommendation is based on a coverage ratio of 1.74 FTE required to have a person at the post year-round–addresses annual leave, sick leave, breaks. for direct care staff. Staff has used a 1.6 FTE coverage ratio for the requested physician, as a physician will not use a substitute physician to cover daily breaks. The Department's request is based on a 1.85 FTE for full-time coverage ratio for both direct care staff and the requested physician. Historically, a 1.6 ratio has been used at the regional centers (and in many other parts of the Department). The Department's 2007 staffing study analyzed regional center staff absences in more detail and, associated with this, proposed a higher ratio for 7-day per week positions (and lower for 5-day positions). This resulted in a 1.85 ratio. As reflected in the FY 2007-08 staff figure setting packet, staff feels this is over-stated. The table below compares the request and recommendation in this arena. Note that this is updated with a technical correction from FY 2007-08 figure setting.

Hourly Rate Calculation Used in Decision Item - 7 day post

	Department Calculation	Staff Calculation	Comment
Days per week needed	7	7	
Weeks per year	52	52	
Hours per day	8	8	
Total hours per year	2,912	2,912	
Hours for 1.0 FTE (40 hrs x 52 weeks)	2,080	2,080	

Hourly Rate Calculation Used in Decision Item - 7 day post			
	Department Calculation	**Staff Calculation**	**Comment**
Annual Leave	(112)	(112)	
Sick Leave	(72)	(72)	
Holiday Leave	(77)	(77)	
Annual comp hours	(48)	0	Should be based on add'l hours worked
Other hours off (jury/funeral)	(75)	(28)	Hours without pay not included
Training hours	(16)	(16)	
Hours of breaks	(105)	(105)	
Total working hours assumed FTE	**1,575**	**1,670**	
Ratio of hours needed to hours available	1.85	1.74	

- The staff recommendation does not add associated "pots", as staff anticipates that the January "pots runs" incorporated a similar number of new regional center staff, pursuant to the regional centers' "one to one staffing" supplemental.

- The staff recommendation uses the standard fiscal note amounts for computers and software added.

The tables below summarize the recommendation.

Decision Item #6 - Staff Recommendation if proceed with ICF/MR Conversion								
	FY 2008-09 - 6.7 months				**FY 2009-10 Full year**			
	GF	Medicaid	"net" GF	FTE	GF	Medicaid	"net" GF	FTE
Human Services/ HCPF "Transfer to DHS" Section								
Personal Svc	0	1,267,811	633,906	38.9	0	$2,669,077	$1,334,539	69.7
PS-related Operating	0	51,374	25,687		0	41,376	20,688	

Decision Item #6 - Staff Recommendation if proceed with ICF/MR Conversion								
	FY 2008-09 - 6.7 months				**FY 2009-10 Full year**			
Operating from HCPF	0	270,259	135,130		0	484,046	242,023	
Sprinklers	240,000	0	240,000		0	0	0	
Provider fee*	0	See note	(39,736)		0	See note	(79,862)	
GF doctors	(89,333)	0	(89,333)	(0.6)	(160,000)	0	(160,000)	(1.0)
DD Division	0	(3,517)	(1,759)	(0.1)	0	(6,781)	(3,391)	(0.1)
Total	150,667	1,585,927	903,895	38.2	(160,000)	3,187,718	1,353,997	68.6
Costs/Savings other Departments								
Health Care Policy and Financing, Medicaid Premiums								
Physicians/ therapy	0	(31,886)	(15,943)		0	(57,111)	(28,556)	
Mental Health	Pending							
Operating	0	(270,259)	(135,130)		0	(484,046)	(242,023)	
Total		(302,145)	(151,073)			(541,157)	(270,579)	
Department of Public Health, Medicaid/Medicare Certification								
ICFMR review cost		131,120	28,691	1.0	0	131,120	28,691	1.0
HCBS review saving		(40,720)	(18,593)		0	(40,720)	(18,593)	
Total		90,400	10,098	1.0	0	90,400	10,098	1.0
Statewide costs/offsets								
Total	**150,667**	**1,374,182**	**762,920**	**39.2**	**(160,000)**	**2,736,961**	**1,093,516**	**69.6**
Request total	150,667	1,789,134	959,781	41.4	(160,000)	3,539,073	1,474,087	73.7
Difference	**0**	**(414,952)**	**(196,862)**	**(2.2)**	**0**	**(802,112)**	**(380,572)**	**(4.1)**

Decision Item #6 Recommendation - Detailed Personal Services Calculations (Regional Centers Only)							
		FY 2008-09 Request (Part Year)				**Annual Cost Full Year (FY 2009-10)**	
	Annual salary	Months Working	Months Paid**	FTE	Amount	FTE	Amount
Personal Services							
Physician I	$131,292	6.7	5.7	0.9	99,782	1.6	$210,067
Health Care Tech I	$29,472	6.7	5.7	33.8	847,680	60.6	1,784,589
Therapist III	52,932	6.7	5.7	4.2	188,570	7.5	396,990
PERA (10.15%)					115,307		242,752
Medicare (1.45%)					16,472		34,679
Subtotal - Personal Services				**38.9**	**1,267,811**	**69.7**	**2,669,077**
Operating Expenses							
Supplies ($500/FTE)					19,445		34,826
Computer ($900*10.5)					9,450		0
Software ($330*10.5)					3,465		0
Office equipment ($2,021*7.5)					15,158		0
Phone ($450*8.5 doctors/therap)					2,336		3,825
Email ($45*Health Care Tech)					1,521		2,725
Subtotal - Operating Expense					**51,375**		**41,376**
Grand TOTAL				**38.9**	**1,319,186**	**69.7**	**2,710,453**
"Net" General Fund					**659,593**		**1,355,227**

Regional Center Information Requests: As the Committee requested, staff has drafted some possible language for two suggested requests for information. These are reflected below.

Department of Health Care Policy and Financing, Executive Director's Office; and Department of Human Services, Services for People with Disabilities, Developmental Disability Services – The Departments are requested to develop a plan with respect to how the State will limit any inappropriate proliferation of intermediate care facilities for the mentally retarded (ICFs/MR) in the community and how it will manage any growth in the number of such facilities to ensure that state and federal funding for persons with developmental disabilities is used efficiently. The Departments are requested to submit the plan, including any recommendations for statutory changes, by October 1, 2008.

Department of Human Services, Services for People with Disabilities, Developmental Disability Services, **Regional Centers** -- The Department is requested to submit a proposal by November 1, 2008, concerning any plans for conversion of Grand Junction Regional Center and Pueblo Regional Center to an ICF/MR billing structure.

Long Bill Format Issue

Staff recommends a change to the Long Bill format for Services for People with Disabilities so that this portion of the Long Bill is organized into sections and subsections--but not into "sub-subsections". This is accomplished by eliminating the "Developmental Disability Services" sub-section and reflecting its component parts (Community Services for People with Developmental Disabilities, Regional Centers for People with Developmental Disabilities, and the Work Therapy Program) as distinct sections instead. The table below reflects the recommended change.

FY 2007-08 Long Bill format	FY 2008-09 Recommended Long Bill format
(9) Services for People with Disabilities	(9) Services for People with Disabilities
(A) Developmental Disability Services	(A) Community Services for People with Developmental Disabilities
(1) Community Services	(B) Regional Centers for People with Developmental Disabilities
(2) Regional Centers	(C) Work Therapy Program
(c) Work Therapy Program	(D) Division of Vocational Rehabilitation
(B) Division of Vocational Rehabilitation	(E) Homelake Domiciliary and State and Veterans Nursing Homes
(C) Homelake Domiciliary and State and Veterans Nursing Homes	

Reduction to Child Care Funding

During figures setting for the Department of Human Services, Division of Child Care, the Committee moved to reduce $3.0 million General Fund from the appropriation for the Child Care Assistance Program, which provides child care subsidies for low income Coloradans. At the time, staff indicated uncertainty with respect to how this might affect the state's access to matching federal funds. In response to this question, the Department provided the following response:

> "The state is dependent on the CCAP budget line general funds to access federal Child Care Development Fund (CCDF)at a 50/50 match. The loss of $3M general fund has the potential impact of a total reduction to the program of $6M. The CCAP general fund is only a portion of the full match grant, but additional general fund isn't readily identified as being eligible for this match requirement. One source outside the Department comes from Colorado Preschool and Kindergarten Program (CPKP), as noted on the Footnote 89 report. There are competing needs for use of the CPKP general fund - for TANF MOE as well as CCDF Match. The MOE requirement has a higher priority to meet than the match requirement, so Child Care could not rely on that resource beyond what has been historically accessed."

Appendix A

Developmental Disability Program Costs Line with Comeback Adjustments

Staff Recommendation - FY 2008-09 Developmental Disability Program Costs Line Items

	Resources		Long Bill Amounts				Cash and RF Fund Sources				Net General Fund Calculation	
	GF	Medicaid	Total	General Fund	Cash Funds	CFE/RF	Medicaid	Local	Client	Voc Rehab	Medicaid General Fund	Net General Fund
<u>FY 2008-09 Line Item - Developmental Disability Program Costs</u>												
Adult Comprehensive Services	66.0	4,002.5	264,294,183	1,650,459	31,955,475	230,688,249	230,688,249	4,256,810	27,698,665	0	115,310,141	116,960,600
Adult Supported Living Services	692.0	3,135.0	55,259,559	7,974,941	2,774,350	44,510,268	44,510,268	2,774,350	0	0	22,255,134	30,230,075
Early Intervention Services	2,176.0	0.0	11,663,694	11,098,328	565,366	0	0	565,366	0	0	0	11,098,327
Family Support Services	1,226.0	0.0	6,837,871	6,507,966	329,905	0	0	329,905	0	0	0	6,507,966
Children's Extensive Support Services	0.0	395.0	7,288,632	0	369,001	6,919,631	6,919,631	369,001	0	0	2,950,434	2,950,435
Case Management and Quality Assurance	3,713.0	7,979.5	23,693,964	3,888,010	1,226,028	18,579,926	18,579,926	1,226,028	0	0	9,217,678	13,105,689
Special Purpose	0.0	0.0	1,064,342	360,844	6,649	696,849	205,535	6,649	0	491,314	102,377	463,222
Grand Total			**370,102,244**	**31,480,548**	**37,226,773**	**301,394,923**	**300,903,609**	**9,528,109**	**27,698,665**	**491,314**	**149,835,764**	**181,316,314**
<u>FY 2008-09 Line Item - Developmental Disability Program Costs - Bottom line</u>												
FY 2007-08 Long Bill			348,625,078	30,747,830	0	317,877,248	281,791,710	9,130,329	26,463,895	491,314	140,288,917	171,036,747
FY 2007-08 Supplemental			(7,001,858)	2,904,897	0	(9,906,755)	(9,906,755)	0	0	0	(4,857,712)	(1,952,815)
Reclassify funds			0	0	35,594,224	(35,594,224)	0	0	0	0	0	0
Annualize FY 2007-08 Supplemental			7,001,858	(2,904,897)	0	9,906,755	9,906,755	0	0	0	4,857,712	1,952,815
Annualize Leap Year			(822,865)	(26,157)	(90,767)	(705,941)	(705,941)	(18,452)	(72,315)	0	(352,971)	(379,128)
Annualize FY 2007-08 Decision Item #3			3,635,533	0	314,848	3,320,685	3,320,685	48,653	266,195	0	1,660,344	1,660,344
Decision Item #4			8,076,580	0	731,985	7,344,595	7,344,595	100,625	631,360	0	3,672,298	3,672,298
Budget Amendment #4A			6,173,632	298,050	561,578	5,314,004	5,314,004	152,048	409,530	0	2,657,003	2,955,053
SLS base adjustment			(450,042)	0	(22,502)	(427,540)	(427,540)	(22,502)	0	0	(213,770)	(213,770)
Community Provider Cost of Living Increase			4,864,329	460,825	137,407	4,266,097	4,266,097	137,407	0	0	2,123,944	2,584,770
Grand Total			**370,102,245**	**31,480,548**	**37,226,773**	**301,394,923**	**300,903,609**	**9,528,108**	**27,698,665**	**491,314**	**149,835,765**	**181,316,314**

Appendix B - Comparison Request and Recommendation - Decision Item #6 ICF/MR Conversion

ICF/MR Conversion Component of Decision Item #6 RECOMMENDATION								
	FY 2006-07 - 6.7 months				**FY 2007-08 Full year**			
	GF	Medicaid	"net" GF	FTE	GF	Medicaid	"net" GF	FTE
Human Services/ HCPF "Transfer to DHS" Section								
PS from detail	0	1,267,811	633,906	38.9	0	2,669,077	1,334,538	69.7
Operating from deta	0	51,374	25,687		0	41,376	20,688	
DME update HCPF	0	270,259	135,130		0	484,046	242,023	
sprinklers	240,000	0	240,000		0	0	0	
Offsets								
Provider fee	0	See note	(39,736)		0	See note	(79,862)	
GF physicians	(89,333)		(89,333)	(0.6)	(160,000)	0	(160,000)	(1.0)
Division	0	(3,517)	(1,759)	(0.1)	0	(6,781)	(3,391)	(0.1)
Total	150,667	1,585,928	903,895	38.2	(160,000)	3,187,717	1,353,996	68.6
Costs/Savings other Departments								
Health Care Policy and Financing, Medicaid Premiums								
Physicians/therapy		(31,886)	(15,943)		0	(57,111)	(28,556)	
Mental health - PENDING								
Operating	*0*	(270,259)	(135,130)		0	(484,046)	(242,023)	
Total		(302,145)	(151,073)			(541,157)	(270,579)	
Department of Public Health, Medicaid/Medicare Certification								
CDPHE Budget Request								
ICF MR		131,120	28,691	1.0	0	131,120	28,691	1.0
less HCBS		(40,720)	(18,593)		0	(40,720)	(18,593)	
		90,400	10,098	1.0	0	90,400	10,098	1.0
Statewide costs/offsets								
Total	**$ 150,667**	**$ 1,374,183**	**$ 762,920**	**39.2**	**$ (160,000)**	**$ 2,736,960**	**$ 1,093,515**	**69.6**
Total: GF + Medicaid		1,524,850				2,576,960		

ICF/MR Conversion Component of Decision Item #6 - REQUEST								
	FY 2006-07 - 6.7 months				**FY 2007-08 Full year**			
	GF	Medicaid	"net" GF	FTE	GF	Medicaid	"net" GF	FTE
Human Services/ HCPF "Transfer to DHS" Section								
PS from detail	0	1,456,247	728,124	41.1	0	3,066,014	1,533,007	73.8
Operating from deta	0	52,902	26,451		0	43,587	21,794	
DME update HCPF	0	224,988	112,494		0	402,964	201,482	
sprinklers	240,000	0	240,000		0	0	0	
Offsets								
Provider fee	0	See note	(50,351)		0	See note	(100,347)	
GF physicians	(89,333)		(89,333)	(0.6)	(160,000)	0	(160,000)	(1.0)
Division	0	(3,517)	(1,759)	(0.1)	0	(6,781)	(3,391)	(0.1)
Total	150,667	1,730,620	965,626	40.4	(160,000)	3,505,784	1,492,545	72.7
Costs/Savings other Departments								
Health Care Policy and Financing, Medicaid Premiums								
Physicians/therapy		(31,886)	(15,943)		0	(57,111)	(28,556)	
Mental health - PENDING								
Operating	*0*							
Total		(31,886)	(15,943)			(57,111)	(28,556)	
Department of Public Health, Medicaid/Medicare Certification								
CDPHE Budget Request								
ICF MR		131,120	28,691	1.0	0	131,120	28,691	1.0
less HCBS		(40,720)	(18,593)		0	(40,720)	(18,593)	
		90,400	10,098	1.0	0	90,400	10,098	1.0
Statewide costs/offsets								
Total	**$ 150,667**	**$ 1,789,134**	**$ 959,781**	**41.4**	**$ (160,000)**	**$ 3,539,073**	**$ 1,474,087**	**73.7**
Total: GF + Medicaid		**$ 1,939,801**				**$ 3,379,073**		

ICF/MR Conversion Component of Decision Item #6 - Differences								
FY 2006-07 - 6.7 months					**FY 2007-08 Full year**			
	GF	Medicaid	"net" GF	FTE	GF	Medicaid	"net" GF	FTE
Human Services/ HCPF "Transfer to DHS" Section								
PS from detail	0	(188,436)	(94,218)	(2.2)	0	(396,937)	(198,469)	(4.1)
Operating from deta	0	(1,528)	(764)	0.0	0	(2,211)	(1,106)	0.0
DME update HCPF	0	45,271	22,635	0.0	0	81,082	40,541	0.0
sprinklers	0	0	0	0.0	0	0	0	0.0
	0	0	0	0.0	0	0	0	0.0
Offsets	0	0	0	0.0	0	0	0	0.0
Provider fee	0		10,615	0.0	0		20,485	0.0
GF physicians	0	0	0	0.0	0	0	0	0.0
Division	0	0	0	0.0	0	0	0	0.0
Total	0	(144,692)	(61,731)	(2.2)	0	(318,067)	(138,549)	(4.1)
Costs/Savings other Departments								
Health Care Policy and Financing, Medicaid Premiums								
Physicians/therapy	0	0	0	0.0	0	0	0	0.0
Mental health - PENDING								
Operating	0	(270,259)	(135,130)	0.0	0	(484,046)	(242,023)	0.0
Total		(270,259)	(135,130)			(484,046)	(242,023)	
Department of Public Health, Medicaid/Medicare Certification								
CDPHE Budget Request								
ICF MR	0	0	0	0.0	0	0	0	0.0
less HCBS	0	0	0	0.0	0	0	0	0.0
		0	0	0.0	0	0	0	0.0
Statewide costs/offsets								
Total	**$ -**	**$ (414,951)**	**$ (196,861)**	**(2.2)**	**$ -**	**$ (802,113)**	**$ (380,572)**	**(4.1)**

M E M O R A N D U M

TO: **Joint Budget Committee**

FROM: **Amanda Bickel, JBC Staff**

SUBJECT: **Additional Adjustment Regarding Department of Human Services Decision Item #6 (ICF/MR Conversion)**

DATE: **March 14, 2008**

On March 13, 2008, the JBC approved detailed calculations provided by staff regarding Department of Human Services Decision Item #6 (ICF/MR conversion for regional centers). The staff calculations reflected no funding for Department "pots" on the grounds that FY 2008-09 pots are based on the December "pots run", and additional regional center staff (added through an FY 2007-08 regional center supplemental) would have been included in this calculation.

While this is correct for most "pots", the shift differential pot is not calculated this way and is based on 80 percent of the FY 2006-07 shift differential. In light of this, and in light of the substantial number of additional staff to be added based on this decision item, staff recommends an additional adjustment. The additional recommendation is based on 60.6 Health Care Technician I positions funded x 5.7 months paid/12 months x $1,748.87=**$50,367 Medicaid funds ($25,184 net General Fund).**

M E M O R A N D U M

TO: **Joint Budget Committee**

FROM: **Amanda Bickel, Joint Budget Committee Staff**

SUBJECT: **Colorado Springs Community Centered Board**

DATE: **May 5, 2008**

The Resource Exchange (TRE) is the Community Centered Board (CCB) that serves the Colorado Springs area. On April 11, 2008, TRE issued a letter to the families, friends, and supporters of the organization indicating that it had issued notice to the State of its intent to terminate its contract as the Community Centered Board for El Paso, Park, and Teller Counties on or about 10 May 2008. The letter indicated that the desire to terminate the contract was based on dramatic increases in administrative and CCB requirements over the past two years without the funding needed to meet them. The letter indicated that TRE does not have the financial resources to sustain the associated losses of $571,822 in FY 2006-07 and $808,063 in FY 2007-08.

In response, Senator Morse, in conjunction with Representative B. Gardner, convened two meetings with the TRE director, key department staff, and representatives from the Governor's Office to explore how services to Colorado Springs developmentally disabled consumers can be maintained without disruption. The Resource Exchange has indicated that in order to keep its doors open through June 30, 2008, it will require $514,000, with additional assistance anticipated to be needed through FY 2008-09. The key parties all agree that, in the near term, it is in the interests of developmentally disabled consumers to keep TRE in operation.

While TRE attributes its financial problems to unfunded mandates, the Department of Human Services, Division for Developmental Disabilities (Department) sees the situation as more complex and suggests that other issues, including financial management, are also involved. The Department agrees with TRE that federally-mandated changes to the billing structure for Medicaid services has played a role in TRE's financial problems.

Addressing issues at TRE will require a multi-pronged approach, and it will require additional analysis by the Department before the details of a plan for FY 2008-09 are clear. However, to ensure that the immediate FY 2007-08 situation is addressed and that steps toward the FY 2008-09 solution proceed as rapidly as possible, some action should be taken before the General Assembly adjourns. **Staff believes that this could be achieved if the JBC wished to make the following motions.**

1) Authorize the use of up to $514,000 General Fund out of the FY 2007-08 appropriation for Services for People with Disabilities, Developmental Disability Services, Program Costs line item in the "Hold Harmless" category to assist the Resource Exchange through June 30, 2008.

This would be from amounts that were expected to be rolled forward to FY 2008-09 to be part of the $6.5 million General Fund available for "hold harmless" in FY 2008-09. "Hold harmless", as previously presented to the JBC, was expected to be used to assist providers who saw large changes in the rates they were paid by the State as a result of federally-required system changes. Footnote 79a to the FY 2007-08 Long Bill was added through an FY 2007-08 add-on supplemental to H.B. 08-1375 (the FY 2008-09 Long Bill). The footnote clarifies that up to $1.2 million of the FY 2007-08 hold-harmless appropriation, in addition to $5.3 million appropriated in FY 2005-06 may be rolled forward for use in FY 2008-09. Thus, these amounts are not expected to be needed *in FY 2007-08* to address "hold harmless".

> <u>79a</u> Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- Of the hold harmless appropriation included in this line item for FY 2007-08, $1,238,162 General Fund, if not expended prior to July 1, 2008, may be rolled forward for expenditure in FY 2008-09. In addition, $5,261,838 General Fund, that was appropriated in the Developmental Disability Services, Community Services, Adult Program Costs line item in FY 2006-07 and rolled-forward to FY 2007-08 for this purpose, shall be further rolled-forward to FY 2008-09, so that a total of up to $6,500,000 shall be available for hold harmless in FY 2008-09. The purpose of this hold harmless appropriation is to assist developmental disability consumers and providers negatively affected by the conversion to a statewide rate structure for developmental disability Medicaid waiver services.

Staff believes that this footnote could be interpreted so as to allow use of a portion of the associated FY 2007-08 appropriation, on an emergency basis, to assist TRE. This is based on reports that the TRE financial situation has, at a minimum, been greatly exacerbated by the conversion to a statewide rate structure for developmental disability Medicaid services. However, *given that assisting TRE in this way was not part of the original intent of the appropriation, staff believes that the Committee should take a vote indicating whether or not it believes the proposed use is acceptable.*

It is assumed that any portion of this $514,000 that is used to provide immediate assistance to TRE would need to be restored through an FY 2008-09 appropriation so that adequate funds remain available for hold harmless for rate-structure conversion. The source for restoring this "hold harmless" funding is not known at this time; however, a potential source is unexpended FY 2007-08 Medicaid funds for developmental disability program costs. There is currently authority to roll-forward up to 3.0 percent of this Medicaid appropriation to FY 2008-09, if it is not used in

FY 2007-08. There may be some excess funds available in FY 2008-09 related to this. Regardless of the funding source, staff anticipates that budgetary adjustments to restore FY 2008-09 "hold harmless" to $6.5 million General Fund would need to be addressed through FY 2008-09 supplemental action.

The Department of Human Services indicates that it will be providing extensive oversight related to the continuing operation of TRE and the use of the additional funds. The Department will also determine if the full $514,000 is required.

2) Request that the Department of Human Services use General Fund amounts currently available in the FY 2007-08 Developmental Disability Services, Administration and Program Costs, Special Purpose appropriations to begin work on two major issues:

   a) Review of TRE's financial situation and technical assistance to TRE so that an FY 2008-09 interim plan for TRE can be developed. The goal of the plan would be to ensure services for people with developmental disabilities in the Colorado Springs area continue uninterupted. An estimated $20,000 will likely be required for this review in FY 2007-08. The Department believes this can be absorbed within its FY 2007-08 Developmental Disability Services administration budget.

   b) Study of the requirements placed on all CCBs for non-Medicaid case management and related functions to determine the associated costs, the level of support currently provided, and whether additional funding, or reduced requirements, may be appropriate. An estimated $150,000 will be required for this contracted study. The Department anticipates that some or all of this can be absorbed within its FY 2007-08 budget (Developmental Disability Administration and Program Costs, Special Purpose). The Department indicates that, at a minimum, it has $75,000 available within its base budget that could be used to get this study started. (The study would be anticipated to be completed by December 1, 2008.)

3) Request that the Department provide the JBC with a proposal by June 16, 2008 on an interim plan for Colorado Springs developmental disability services and TRE and that it also provide the report on non-Medicaid case-management costs by December 1, 2008.

The June 16, 2008 proposal may be accompanied by a request for emergency supplemental spending authority to assist TRE in FY 2008-09; however, this will depend upon the results of the Department's analysis.

Staff has drafted a letter (attached) that would provide the proposed authorization and requests for further action and information.

STATE OF COLORADO

REPRESENTATIVES
Bernie Buescher, Chairman
Jack Pommer
Al White

SENATORS
Moe Keller, Vice-Chairman
John Morse
Steve Johnson

STAFF DIRECTOR
John Ziegler

JOINT BUDGET COMMITTEE
200 East 14th Avenue, 3rd Floor
LEGISLATIVE SERVICES BUILDING
Denver, CO 80203
Telephone 303-866-2061
www.state.co.us/gov_dir/leg_dir/jbc/jbchome.htm

DRAFT

May 5, 2008

Karen Beye
Executive Director
Colorado Department of Human Services
1575 Sherman Street
Denver, Colorado 80203

Dear Ms. Beye:

The Joint Budget Committee has recently become aware of the financial problems faced by the Resource Exchange (TRE), the community centered board (CCB) serving individuals with developmental disabilities in El Paso, Park, and Teller counties. We understand that TRE previously issued notice of its intent to terminate its contract as the CCB for El Paso, Park, and Teller counties, effective May 10, 2008, as a result of these financial problems. The JBC wishes to avoid the disruption of services for individuals with developmental disabilities. Given TRE's notice to the State, and given that the 2008 legislative session is drawing to a close, the JBC believes it may be helpful to express its intent with respect to certain existing FY 2007-08 appropriations for developmental disability services. Specifically:

1. It is our intent that the Department use **up to** $514,000 General Fund out of the FY 2007-08 appropriation for Services for People with Disabilities, Developmental Disability Services, Program Costs line item in the "Hold Harmless" category to assist the Resource Exchange through June 30, 2008. It is our expectation that the assistance provided will enable TRE to remain open while an FY 2008-09 interim plan for TRE, and the consumers it serves, is developed.

2. We request that the Department of Human Services use General Fund amounts currently available in the FY 2007-08 Developmental Disability Services, Administration and Program Costs, Special Purpose appropriations to begin work on two major issues:

   a) Review of TRE's financial situation and technical assistance to TRE so that an FY 2008-09 interim plan for TRE can be developed. The goal of the plan would be to ensure services for people with developmental disabilities in the Colorado Springs area continue uninterrupted.

b) Study of the requirements placed on all CCBs for non-Medicaid case management and related functions to determine the associated costs, the level of support currently provided, and whether additional funding, or reduced requirements, may be appropriate.

Associated with the above, we request that the Department provide the JBC with the following reports in the coming months:

1. An analysis of TRE's financial situation and a proposal, by June 16, 2008, on an interim plan for Colorado Springs developmental disability services and TRE.

2. A report on developmental disability non-Medicaid case-management requirements and costs. We request you provide this by December 1, 2008. We anticipate that the report will include recommendations for further action including recommendations on any statutory changes that may be needed.

We understand that $514,000 is the most that would be required to assist TRE in FY 2007-08 and that the Department has funding available this year (FY 2007-08) that will be used for the initial analysis of TRE's financial situation and to begin the study on non-Medicaid case management and related CCB functions. We anticipate that any additional funds that may be required in FY 2008-09 to keep TRE viable, to provide technical assistance to TRE, and to study non-Medicaid case management requirements imposed on CCBs would be requested through the emergency or regular supplemental processes based on further analysis of funds needed and available for these purposes.

We appreciate the Department's willingness to work with the JBC on the above issues and look forward to receiving additional information from you as this becomes available.

Sincerely,

Representative Bernie Buescher
Chairman

cc: John Daurio, DHS
Sharon Jacksi, DHS
Todd Saliman, OSPB
Sarah Sills, OSPB
David Ervin, The Resource Exchange
John Ziegler, JBC