COLORADO
Office of State Planning & Budgeting

FY 2022-23 BUDGET REQUEST

Governor Jared Polis

FY 2022-2023 Comeback Requests for Joint Budget Committee

March 14, 2022

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Office of State Planning & Budgeting

March 14, 2022

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

Dear Chair McCluskie:

On behalf of Governor Jared Polis, the Office of State Planning and Budgeting (OSPB) would like to express our appreciation for the opportunity to submit this package of FY 2022-23 comebacks.

Overall, the Governor continues to emphasize the budget approach requested on November 1. During this historic year of federal funds, utilize the one-time state funds available to make strategic investments that do not add spending pressures to the base budget, while also saving for the future to close the structural deficit ahead.

The budget submission, as amended by the January 3rd and January 18th submission seeked a 8% General Fund on-going operating increase or $1.0 billion. The budget request also includes $1.8 billion in prepays to close the structural deficit, funded through the following: $1.0 billion in federal funds, $480 million in previously enacted prepays that are requested to carry forward, and $300 million in new General Fund. The Governor's proposed packages for one-time investments, including fee relief to save people and businesses money, public safety, workforce, and air quality, are summarized in Attachment A.

Thus OSPB comebacks respectfully request that the committee reconsider requests or approve requests which have not yet been acted on within the following departments:

Department of Corrections

- BA 4-C Inmate Wildfire Team Vehicles

Department of Early Childhood/Office of Early Childhood (DHS)

- DEC R1 Regulating Illegal Care, Promoting Safe Care

Department of Education

- R-05: CSI Mill Levy Equalization
- R-06: Expanding Resources for School Improvement

Department of Health Care Policy and Financing

- R-6 Value Based Payments (tabled)
- R-8 County Administration
- R-12 Convert Contractor Resources to FTE

Department of Higher Education

- Member-initiated - Auraria Higher Education Center Bond Payment
- BA1 Expansion of Area Technical College Programs and Services

Department of Human Services

- R-10 SNAP Fair Hearings Compliance

Department of Personnel & Administration

- R3 CSEAP Resources (tabled)
- Funding for Experienced FTE (DPA R3 & R4, DHS BA5)
- R9 Annual Fleet Vehicle Request
- JBC Staff-initiated Center for Organizational Effectiveness
- Payroll Modernization (IT Capital DPA-IT-CC0-1) (tabled)

Department of Public Health & Environment

- R1 - Air Quality Transformation (tabled)

Multiple Departments

OSPB requests legislative placeholders for several decision items that the Committee is recommending for legislation, enumerated in the Attachment.

Additional information is provided in the Attachment for each of the items OSPB respectfully requests the Committee reconsider or take action on.

COLORADO
Office of State Planning & Budgeting

Thank you for your consideration of these comeback requests.

Sincerely,

Lauren Larson
Executive Director

CC:
Senator Chris Hansen, Joint Budget Committee Vice-Chair
Representative Leslie Herod, Joint Budget Committee
Senator Rachel Zenziner, Joint Budget Committee
Representative Kim Ransom, Joint Budget Committee
Senator Bob Rankin, Joint Budget Committee
Ms. Carolyn Kampman, Joint Budget Committee Staff Director

Attachment: Comebacks by Department

Attachment: Comebacks by Department

Department of Corrections

BA4-C Inmate Wildfire Team Vehicles

	Original Request	JBC Action	Comeback Request
Total Funds	$1,069,500	$0	$1,069,500
FTE	0.0	0.0	0.0
General Fund	$1,069,500	$0	$1,069,500
Cash Funds	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Summary of JBC Action

JBC staff denied the request because it was "staff's view that the DOC should petition the DNR to buy these vehicles and that the DNR should evaluate their necessity in relation to SWIFT's scope of work." JBC approved staff's recommendation to deny the request.

Comeback Request

OSPB respectfully requests that JBC reconsider the action to deny the request and approve the request for $1,069,500 General Fund to purchase three vehicles to transport State Wildland Inmate Fire Teams (SWIFT).

Additional Information

The department reached out to DNR, CDPHE, and CDPS about the possibility of available funding for the purchase of these vehicles, as requested by the Committee, and received a response that no funding was available. The requested SWIFT vehicles are primarily for firefighting, and using the mitigation funds provided to DNR in SB 21-258 would reduce the funds available for fire mitigation efforts which are already under way. Additionally SWIFT crew carriers are designed for a use that exceeds the needs of fire mitigation work. Two of the vehicles used by SWIFT have been decommissioned due to high mileage and cost of repairs thus limiting the ability of SWIFT to respond to fires. Additionally this request supports the department's goal of increasing the number of inmates in the SWIFT program from the historical amounts of 75-95 inmates up to 160. This would increase the number of teams and crew carriers available for fire fighting response efforts. If the request is not funded, the SWIFT crews will be limited in their ability to quickly respond to fire threats, especially those in hard to reach areas.

Department of Early Childhood

DEC R1 Regulating Illegal Care, Promoting Safe Care

	Original Request	JBC Action	Comeback Request
Total Funds	$345,980	$0	$345,980
FTE	3.8	0.0	3.8
General Fund	$311,382	$0	$311,382
Cash Funds	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$34,598	$0	$34,598

Summary of JBC Action

JBC denied this request per staff recommendation. JBC staff expressed the following concerns with this request: (1) this request targets unlicensed care and unlicensed care is not necessarily unsafe care, and (2) there is not enough evidence that this approach would increase child safety. JBC staff also critiqued individual strategies described in the request.

Comeback Request

OSPB respectfully requests the JBC reconsider the denial of DEC R1 and fully fund the original request. Approving the request will allow the new department to establish a unit which focuses on the provision of child care in safe settings by proactively identifying illegal child care settings prior to any safety incidents or community complaints, and coordinating appropriate responses to illegal care, including (a) helping safe providers access resources and/or seek licensure and therefore better ensure child safety, and (b) addressing unsafe care through necessary law enforcement and legal action.

Additional Information

This request was structured based on the recommendations of the Safe Child Care Task Force on how to increase access to safe child care. It should be a cost-effective measure, which the Office believes is likely to produce results with a modest investment. The new unit will not only help to avoid child deaths. It will also help prevent unsafe child care situations, which will help reduce abuse and maltreatment.

The Office of Early Childhood (OEC) does not currently have the capacity to support Family, Friend and Neighbor (FFN) providers to access resources to offer safe, legal childcare and does not have the resources to proactively investigate providers who are caring for children in a dangerous environment.

Current funding allows OEC to respond and react to complaints arising from the community, but the Office of Early Childhood is not funded to seek out and stop unsafe care from happening. Currently, a community member will call the OEC hotline to report unsafe care, and then an OEC licensing specialist will conduct surveillance at the site. The licensing specialist cannot enter the home but must stay outside the front door to share resources and ask questions. This budget request does not change the surveillance protocol for investigating a home.

A Safe Child Care Task Force was formed in June 2021. The purpose of the Safe Child Care Task Force was to recommend necessary reforms in child care settings to keep children safe, inform parents and care providers about licensed and unlicensed care options, and work to help prevent illegal child care. The task force reviewed local laws and regulations as well as national best practice models to make recommendations for reforms in Colorado.

The task force was composed of 20 members, representing a broad range of perspectives across early childhood and entities that interact with early childhood. The task force members were chosen based on a variety of qualifications and were carefully reviewed to ensure they are a fair representation of Coloradans and the people providing, needing and accessing child care across Colorado. All members of the public were invited to participate in Safe Child Care Task Force meetings, and all meetings allotted time for public comment and feedback.

At the conclusion of the task force, a report was published that includes nine recommendations across three categories:

1. Increase Awareness About Safe Child Care
2. Engage Communities to Keep Children Safe
3. Examine Procedures, Structure, Rules and Regulations that Impact the Child Care Sector

This request aims to address all three of these categories. In particular, one of these recommendations under Examine Procedures, Structure, Rules and Regulations that Impact the Child Care Sector is:

"Form a unit in the Office of Early Childhood, separate from child care licensing, that is focused on supporting family, friend and neighbor providers and enforcing the regulations of licensure / exemption."

If this request is denied, OEC will continue to respond to complaints of unlicensed care reported by the community but current staff will not have the bandwidth to proactively search for unsafe, unlicensed care. OEC will continue to pursue legal actions against those operating illegal child care when they are alerted to it happening, and it is confirmed by existing processes.

Department of Education

R-05: CSI Mill Levy Equalization

	Original Request	JBC Action	Comeback Request
Total Funds	$20,000,000	$0	No less than $10,000,000
FTE	0.0	0.0	0.0
General Fund	$10,000,000	$0	No less than $5,000,000
Cash Funds	$0	$0	$0
Reappropriated Funds	$10,000,000	$0	No less than $5,000,000
Federal Funds	$0	$0	$0

Summary of JBC Action
JBC tabled this request. JBC staff did not recommend the requested increase of $20,000,000 total funds, of which $10,000,000 is General Fund, for the CSI Mill Levy Equalization Override line item.

Summary of Comeback Request
The Governor's Office of State Planning and Budgeting and the Charter School Institute (CSI) respectfully request the Committee approve the requested increase of $20,000,000 total funds, of which $10,000,000 is General Fund, or no less than $5,000,000 General Fund, to the CSI Mill Levy Equalization Fund to continue to close the MLO gap. This request will reduce the Mill Levy Override gap and CSI will distribute these funds on an equal per pupil basis across the portfolio, with each school's per pupil allocation capped at the per-pupil MLO amount for its accounting district. This funding will directly benefit 20,000 students attending CSI schools.

Additional Information
The statutory mission of CSI is to foster high-quality charter schools that demonstrate high academic performance with a particular focus on service to at-risk children. In the 2018-2019 school year, the most current year for which there is available data due to COVID-19 impacts, 38 of the 39 CSI schools earned one of the state's highest two ratings for academic performance—Performance and Improvement—and collectively served minority students, english-language learners, children eligible for free or reduced price lunch, and children with a 504 Plan at rates similar to that of the state. If this comeback request is not approved by the Committee, CSI charter schools will

continue to face financial obstacles which ultimately increase the challenges of continuing the provision of high quality services to students.
The current MLO funding gap is more than $31.0 million. In order to address this gap, the General Assembly passed H.B. 17-1375 with the intent to ensure all public school students, regardless of public school type, had equal access to mill levy override dollars. Funding this request will move the state closer to fulfilling the intent of the legislature. Despite the larger percentage increase over current funding levels for the MLO gap, this request will not eliminate the gap. The following table summarizes the funding changes provided by the General Assembly to the CSI Mill Levy Equalization Fund. The comeback request would reduce the MLO gap by an additional $10.0 million.

	Additional Funds (in millions)	Total (in millions)
FY 2018-19	$5.5	$5.5
FY 19-20	$1.5	$7.0
FY 20-21 Initial	$2.0	$9.0
FY 20-21 Adjustment due	($3.4)	$5.6
FY 20-21 Supplemental	$1.4	$7.0
FY 21-22	$2.0	$9.0
FY 22-23 Comeback Request	$10.0	$19.0

JBC staff did agree with CSI's position that its schools should not receive less funding per student than students at neighboring public schools, which is what this request would strive to accomplish. Staff also noted that CSI charter schools clearly face more financial obstacles than most district schools. JBC staff expressed concern about building incentives for charter schools while also noting that CSI charter schools fill important niches in the array of school offerings, including unique programs for new immigrants and, most recently, the Ute Mountain Ute community. Despite filling important niches, the funding differences between CSI schools and district schools remain substantial. These funding inequities have lead to the following challenges:

- Lower Teacher Salaries: As compared to school district peers, CSI teachers and principals receive over $10,000 less in salary per year.
- Rising Facility Costs and Lack of Facility Funding: Facility costs make up 18.3% of total spending for CSI schools as compared to only 3.8% of total spending for non-CSI schools.
- Limited Transportation and Food Services: Inequitable funding compounds the heightened challenges CSI schools face when it comes to offering additional services like transportation and lunch programs.

R-06: Expanding Resources for School Improvement

	Original Request	JBC Action	Comeback Request
Total Funds	$2,000,000	$1,000,000	$2,000,000
FTE	0.0	0.0	0.0
General Fund	$2,000,000	$1,000,000	$2,000,000
Cash Funds	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Summary of JBC Action

JBC approved the JBC staff recommendation for half of the requested amount. The remaining $1,000,000 General Fund was denied because there was "limited evidence that [the School Transformation Grant Program is] effective, uncertainty about changes to the state's accountability system and the current availability of flexible federal ESSER funds to support school improvement efforts."

Comeback Request

OSPB respectfully requests the Committee reconsider their action on R6 Expanding Resources for School Improvement and approve the full request for $2,000,000 General Fund. At this time there is now more certainty around school accountability in light of SB22-137 (Transition Back to Standard K-12 Accountability). Additionally, in FY 2022-23 there will be no ESSER funds to actually support school improvement when presumably far more schools are identified for support.

Additional Information

<u>Successful Schools</u>

Prairie Heights and Centennial both participated in the School Turnaround Network between the 2016-17 and 2018-19 school years. At the end of the 2015-16 school year, both schools received Priority Improvement ratings, and were progressing further on the Accountability Clock (Prairie Heights was Year 6 and Centennial was Year 3). Prairie Heights came before the State Board of Education for an accountability hearing on April 24, 2017.

After just the second year of participation in the School Turnaround Network, both schools received Performance ratings and were off of the Accountability Clock.

Accountability Changes

Senate Bill 22-137 Transitions Back to Standard K-12 Accountability was introduced shortly before the figure setting for this section of the Department of Education. Senate Bill 22-137 makes changes to the state's accountability system, which was raised as a point of uncertainty by JBC staff. The changes in SB 22-137 include:

- When determining the level of attainment on performance indicators for public schools and districts, CDE must use the statewide targets required for the 2018-19 school year.
- For schools and districts under performance watch, the bill requires CDE to count the accreditation rating for 2023-24 as if it were consecutive with the 2019-20 school year for the purpose of calculating consecutive years on performance watch. A change in an accreditation rating in 2022-23 may be factored into the consecutive years calculation.
- The State Board of Education (SBE) may consider a school or district's accreditation rating for the 2022-23 school year in determining whether to continue previously required or direct new state interventions.

Availability of Flexible Federal ESSER Funds

The State Board of Education and CDE set aside $6M from ESSER funds for the School Transformation Grant Program. Schools and districts apply to access these funds through Empowering Action for School Improvement (EASI). In order to allow for the longest possible implementation period, the entire $6 million was allocated during the 2021-22 EASI grant application process through awards to districts and additional professional development for grantees. CDE awarded 36 Local Education Agencies (LEAs) in the last round of EASI, including 20 at least partially funded with ESSER funding and 13 funded solely with ESSER funds. The addition of ESSER funds allowed CDE, for the first time in the history of EASI, to fulfill the totality of approvable requests. Since the full $6 million was allocated to support the current needs of schools based on the 2021-22 EASI grant application process, there are no remaining ESSER funds to support future needs.

Moreover, it is important to note that only ESSER funds out of the State Allocation, which represents only 10% of the total ESSER allocation to the state of Colorado, can be used for programs by CDE. The remaining 90% is allocated directly to Local Education Agencies by the federal government. The table below shows the amounts of State vs LEA allocation.

	ESSER I (CARES Act)	ESSER II (CRRSA Act)	ESSER III (ARP Act)
Total Federal Allocation	$ 120,993,782	$ 519,324,311	$ 1,167,153,961
90% LEA Allocation	$ 108,894,404	$ 467,391,880	$ 1,050,438,565
10% State Allocation	$ 12,099,378	$ 51,932,431	$ 116,715,396

The table below shows how the State allocation was apportioned to various needs. For the EASI grants, CDE split the allocation between ESSER II and ESSER III and directed $6 million total. The $5.1 million in ESSER III funding accounts for the total awarded through multi-year grants made to districts in January. The $886,000 in ESSER II funding accounts for technical assistance to be provided to grantees. CDE does not plan to award any additional ESSER funds through the EASI grant program.

	ESSER I (CARES Act)	ESSER II (CRRSA Act)	ESSER III (ARP Act)
Total 10% State Allocation	$ 12,099,378	$ 51,932,431	$ 116,715,396
Supplemental Allocation (including Districts, Tribal Nations, BOCES, Special Education)	$ 3,198,402	$ 16,755,180	$ 24,999,822
Expanded Learning Opportunities (including 21st Century Community Learning Centers)	$ 2,069,337	$ 10,544,663	$ 37,000,000
Supporting Online Learning (including broadband, online courses, & blended learning intiaitives)	$ 4,276,673	$ 500,000	$ 500,000
Statewide Ed Workforce Capacity Building (including substitute stipends, tutoring corps, coaching and mentoring, ed workfroce grants, & statewide recruitment/retention staff)	$ 1,950,000	$ 3,650,000	$ 17,000,000
Empowering Action for School Improvement (EASI) Grants (including direct grants and technical assistance)	$ -	$ 885,966	$ 5,114,034
Curricular & Instructional Materials	$ -	$ 10,000,000	$ -
Technical Assistance	$ -	$ 1,000,000	$ 1,000,000
Rural Coaction	$ -	$ -	$ 15,000,000
Professional Learning	$ -	$ -	$ 5,000,000
Integrated Data Systems	$ -	$ 6,000,000	$ 4,000,000
Reserve for Evolving Needs	$ -	$ -	$ 1,265,770
Administrative Allocation (0.5%)	$ 604,969	$ 2,596,622	$ 5,835,770

R-6 Value Based Payments

	Original Request	JBC Action	Comeback Request
Total Funds	$22,850,574	$1,653,450	$6,507,527
FTE	9.6	0.0	3.8
General Fund	$7,403,648	$826,725	$1,978,190
Cash Fund (HAS Fee)	($7,197)	$0	($7,197)
Reappropriated Funds	$0	$0	$0
Federal Funds	$15,454,123	$826,725	$4,536,534

Summary of JBC Action

The JBC denied funding for implementation of all three of the Alternative Payment Models (APMs) and the Colorado Providers of Distinction, including the systems cost and administrative resources associated with the APMs, with the exception of actuarial rate setting and stakeholder engagement funding. In addition, all 9.6 of the requested FTE and roll-forward authority for $11.4 million total funds were denied. This action is consistent with JBC staff recommendations for R-6, found on page 6 of the Department's Figure Setting Document (Continued). In the document, JBC staff expressed concern over the implementation timelines of the APMs, the stakeholder process work that has been done so far, lack of clarity about the contents of the request, and the role of the Division of Insurance. JBC staff also questioned the Department's estimated savings.

Summary of Comeback Request

OSPB requests funding for the planning and implementation of two APMs to be the same as in the original request: (1) the primary care APM for adult and pediatric providers and (2) the pharmacy prescribers shared savings model. The Department would remove the requirement for mandatory participation for both the primary care and prescriber shared savings model from the request and would request to implement mandatory participation in a future year after evaluating program efficacy and engaging with impacted stakeholders. This would address the stakeholder concerns on the timing of these two APMs. The Department is committed to reporting back on the progress of developing the alternative payment models and engaging with stakeholders to the JBC.

The Department has done significant stakeholder outreach on these two APMs, including 10 different stakeholder sessions for the primary care APM and 6 stakeholder sessions for the prescriber shared savings model. There is broad support for these initiatives.

Analysis

Primary Care

The Department requests $4,957,226 total funds, $1,399,202 General Funds to expand the partial capitation model in primary care with voluntary provider participation.

Coordination with Other Payers

Colorado was selected by the Center for Medicare and Medicaid Services (CMS) as one of four states to be a part of the State Transformation Collaborative, in which CMS will align the Medicare payment model for primary care with Medicaid's model based on the results of a transparent stakeholder process. Funding the primary care portion of the request will also align with the stakeholder work being done by the Division of Insurance in the Division's approved R-1 request for Primary Care and Maternity Alternative Payment Models and will allow Medicaid to continue to provide leadership for commercial carriers who are transitioning to value based payments. The funding requested in the R-6 is critical to continuing this work with CMS and the Division of Insurance.

Clarity on Needed Resources

The partial capitation model would allow primary care providers to select the amount of capitation revenue based on the needs of their practices, allowing us to meet them where they are. The capitation revenue would provide primary care doctors with the up-front investment needed to implement and use the emerging tools and programs already in process (e.g. delegated care programs like Diabetes Management and Support, the Prescriber Tool and soon eConsults) as well as the analytical tools that the Department will develop with the requested funding.

The Department needs the requested resources to develop a data sharing solution to support primary care doctors with strategies to improve outcomes for adult members with chronic conditions. Many primary care doctors expressed that they are unwilling to join the alternative payment model program until the Department has developed a robust data sharing solution. This is critical to pursue now as 83% of the medical spending in Colorado is associated with a patient with one or more chronic conditions, and controlling the cost growth will help to avert a fiscal cliff as federal stimulus funding and enhanced federal Medicaid matching dollars go away. Implementing R-6, including the upfront funding and the ability to share data also drives better member health and helps close disparities.

The Department also needs resources to develop an alternative payment model for pediatric primary care providers. The approach used for adult primary care chronic condition management does not make sense for pediatricians based on feedback from pediatric providers. Pediatric patient spending is not driven by chronic conditions and pediatricians asked the Department to create an alternative payment model based on a partial capitation approach specific to their needs.

Stakeholder Work to Date and Implementation Timeline Concerns
There is significant stakeholder support for expanding the primary care alternative payment model program, and removing the request for mandatory implementation will alleviate most of the timeline concerns they expressed. The Department held 10 different stakeholder sessions and 147 stakeholders attended, specifically soliciting feedback on the primary care partial capitation included in R-6. The Department is committed to continuing to work in partnership with stakeholders to expand the adult primary care model and collaboratively develop the pediatric APM.

Prescriber Shared Savings Model
The Department requests $1,121,383 total funds, $364,529 General Fund to implement the prescriber shared savings model requested in the R-6.

The prescriber shared savings model will reward providers for using the Medicaid prescriber tool, which will in turn help control cost growth for prescription drugs. The Department implemented the prescriber tool in June 2021 to manage growth in prescription drug spending. Over 6,000 providers are currently using the tool. The Department spends $1.2 billion per year on prescription drugs before rebates. In the last five years the cost growth for prescription drugs has been 7.38% per year before rebates. Prescription drugs are a top driver of rising health care costs, and increasing the use of this powerful tool, which helps prescribers identify more cost effective and preferred Medicaid therapies, is a key way to control prescription drug costs and therefore help to avert a fiscal cliff.

Stakeholder Work to Date and Implementation Timeline Concerns
The Department believes in helping to meet providers where they are and is therefore proposing to delay the approach for shared savings. The Department is currently working diligently with providers and health systems to activate the Prescriber Tool, improve awareness of the tool and increase training on it. This is based on stakeholder feedback gathered from 6 stakeholder meetings which 45 stakeholders attended and providers asked for more support in tool implementation and training. The Department has already designed a draft model for the shared savings program and has worked

extensively with stakeholders to gather feedback. The Department has hosted small workgroups and done targeted outreach with federally qualified health centers, primary care providers, Regional Accountable Entities, and specialist providers. This engagement was used as the basis for the R-6 request. The Department believes that there is stakeholder support for the prescriber shared savings model and that removing the requirement for mandatory participation will alleviate any remaining concerns on the program.

Clarity on Needed Resources
One of the key components of the R-6 request is to develop a data sharing dashboard that will show providers how many times they used the prescriber tool and a recurring report on savings generated by the tool. Providers explicitly asked for data-sharing on their prescribing practices to allow for a direct feedback loop from using the tool. The dashboards will also provide a comparison to de-identified peer practices, so providers can understand their performance in the context of similar practices. This will further drive savings generated by the tool by enabling prescribers to make adjustments in their prescribing practices as they see fit, promoting transparency and more deliberate prescribing practices. The Department will be unable to create the data sharing without funding from R-6.

FTE Support
The Department requests $428,918 total funds, $214,460 General Fund to hire four FTE. The Department is requesting two Rate Financial Analyst FTE. These FTE would be responsible for managing the adult primary care partial capitation and the vendor who will perform the actuarial modeling, developing the data sharing solution, and managing the stakeholder engagement for the primary care partial capitation models. They would also manage the prescriber shared savings APM and the stakeholder engagement approved by the JBC for the Colorado Providers of Distinction and Maternity APM.

The Department is requesting two program administrator FTE. One program administrator would manage the Maternity Advisory Committee. This FTE would also manage the integration of the adult and pediatric primary care partial capitation with the Regional Accountable Entities. The other FTE would develop the quality model in partnership with stakeholders for the primary care partial capitation for adult and pediatric primary care as well develop the quality model for stakeholder engagement associated with the maternity APM and Colorado Providers of Distinction.

R-8 County Administration

	Original Request	JBC Action	Comeback Request
Total Funds	($590,849)	$0	($590,849)
FTE	5.9	0.0	5.9
General Fund	$461,138	$0	$461,138
Cash Funds	$1,936,919	$0	$1,936,919
Reappropriated Funds	$0	$0	$0
Federal Funds	($2,988,906)	$0	($2,988,906)

Summary of JBC Action

JBC delayed action on this request. The committee wanted more time to consider whether a new county workload study should be performed prior to appropriating more resources to the counties and to the department for eligibility processing. JBC staff recommended the Department's request.

Summary of Comeback Request

OSPB requests the JBC approve the R-8 County Administration budget request as it was originally submitted. Regardless of the need for a new county workload study, immediate action is needed in order to improve high rates of inaccurate eligibility determinations, which puts the state at financial risk to repay the federal government for services provided to people inappropriately determined eligible for Medicaid.

Analysis

Immediate action is needed in order to improve county oversight, given the error rate from the Single Statewide Audit (SSWA) reports conducted by the Office of State Auditor (OSA), which is approaching 30%.[1] This creates a significant risk that the state will need to repay the federal government for services provided to people who were not eligible for Medicaid. Based on OSA extrapolated error rates and issues with eligibility determination quality and accuracy, the state could be at risk for potential federal disallowances ranging from $41 million to $290 million. Regardless of the need for a new county workload study, immediate action must be taken to rectify known problems with eligibility processing.

[1] https://leg.colorado.gov/sites/default/files/documents/audits/2001f-b_statewide_single_audit_fy2020.pdf

The Department’s request includes additional resources for county oversight and systems quality, addresses chronic state funding shortfalls for county administration, continues the Department’s efforts towards county pay-for-performance, and adds funding for the Department to conduct ongoing studies and analyses of county funding methodology and broader county administration needs. Without these resources, the continuous improvement cycle would continue to have gaps, such as the risk of identifying a compliance issue or potential audit finding without the necessary resources to fix, remedy or address the issue or finding. Since FY 2014-15, the Department estimates that counties have covered an average of $4.5 million in costs each fiscal year that were, and are currently, being absorbed by counties. Not all counties are able to use their own funding to supplement state appropriations, leading to critical gaps in staffing and oversight which contribute to eligibility processing errors.

Although the JBC approved S-06/BA-06 which provided funding for additional county staffing for eligibility determinations and appeals, the funding was specific to duties required by CMS to end the COVID-19 Public Health Emergency (PHE). However, other county staff continue to be impacted by the PHE workload, such as increased calls to call centers or increased duties to manage for county supervisors, managers and directors. This workload cost was not reflected in S-06, and the approval of R-8 budget request would allow counties to better support these other county operations, such as call centers, on an ongoing basis.

<u>SB 16-190 Did Not Pass Federal Medical Assistance Sanctions to Counties</u>

The JBC brought up concerns on how this request relates to SB 16-190. That bill included three components, only two of which were applicable to the Department. The first component was a county workload study, as dictated by the bill, that was completed in coordination with the Department of Human Services (DHS) and the counties. The second component was specific to continuous improvement, requiring DHS and the Department to build ongoing processes with counties to address improvement opportunities.

The third component was specific to DHS and specified that federal bonuses and sanctions for the Supplemental Nutrition Assistance Program (SNAP) were to be passed onto counties. SB 16-190 did not give the Department authority to pass on federal Medical Assistance sanctions to counties. As such, state statute continues to specifically forbid the Department from requiring counties to pay any portion of federal error rate sanctions. Because of the statutory prohibitions, any federal error rate sanctions would solely be the responsibility of the state and paid with General Fund.

Department of Health Care Policy and Financing (cont.)

R-12 Convert Contractor Resources to FTE

	Original Request	JBC Action	Comeback Request
Total Funds	($339,518)	$99,946	($339,518)
FTE	23.2	3.0	23.2
General Fund	($155,265)	$0	($155,265)
Cash Funds	($60,722)	$0	($60,722)
Reappropriated Funds	$370,586	$0	$370,586
Federal Funds	($494,117)	$99,946	($494,117)

Summary of JBC Action:
The JBC denied the Department's R-12 budget request to convert contractor resources to FTE, with the exception of 3.0 FTE related to the University of Colorado School of Medicine (CUSOM) Physician Supplemental Payments. This action aligns with the JBC staff recommendation for R-12, found on page 30 of the Department's JBC Staff Figure Setting Document (Continued). In the document, JBC staff express concern that the Department would be unable to fill the newly created positions requested in R-12 given the number of FTE approved in other Department requests, the current workforce environment, and better total compensation packages offered by contractors. Specifically, JBC staff cited a Fall 2021 Department turnover rate of 9 percent and vacancy rate of 12 percent impacting Department capacity to achieve deliverables, Department delays in filling positions approved in the ARPA HCBS Spending Plan, and national statistics indicating a 32 percent decrease in applications per job in state and local government along with declining quality of applications received.

Summary of Comeback Request:
OSPB requests that the JBC approve the Department's request as originally submitted to fully capture General Fund savings. These represent actual savings, as they would result in reductions to appropriations for contractor funding. The Department requested a reduction of $339,518 total funds, including a reduction of $155,265 General Fund in FY 2022-23; and a reduction of $597,425 total funds, including a reduction of $266,965 General Fund in FY 2023-24.

Not only does the Department's request generate General Fund savings, it allows the Department to build internal efficiencies, develop institutional knowledge, and support multiple administrative duties. The Department has identified this opportunity to enhance several administrative functions by repurposing funding already appropriated for contractor resources and hiring FTE to perform these duties. As discussed in the JBC Hearing, the Department is working through a multi-year approach to right-sizing contractor funding with FTE, specifically to mitigate the higher fees paid to contractors and to create the agility the Department needs to better respond to challenges it continues to face given the dynamics of health care. Today, the Department's administrative spend is less than 4% of its total budget, and less than 20% of that goes to staff. Less than 0.5% of the Department's budget pays for staff. In addition, the Department has also identified administrative functions which lack adequate ongoing support and cannot be absorbed within existing resources; the requested funding enables us to better address unfunded challenges.

Analysis

Details below are the actual General Fund savings that would be realized and the General Fund expenditure that will continue for contractor costs through the Department's request. A total of $155,265 in General Fund savings will be lost if this request is not approved.

Component	General Fund Contractor Costs	General Fund FTE Costs	General Fund Savings
Long-Term Care Utilization Management	$218,250	$224,075	$5,825
HCBS Waiver Claims Post Payment Review	$133,750	$104,818	($28,932)
Primary Care Fund and CICP Reviews	$335,653	$209,638	($126,015)
Alternative Pay Model Rate Setting	$60,937	$58,282	($2,655)
PEAK Outreach and CBMS	$96,104	$97,103	$999
Independent Verification and Validation	$18,711	$13,006	($5,705)
MMIS Training	$26,657	$27,875	$1,218
CUSOM Physician Supplemental Payments	$0	$0	$0
Total	**$890,062**	**$734,797**	**($155,265)**

The Department is confident that it can hire these FTE along with the other FTE approved by the JBC. The Department will closely manage the transition of work between contractors to FTE during FY 2022-23 to minimize any disruptions.

In the JBC analysis, the following statistics were provided to justify denial of most of the Department's request.

1) In the fall 2021, the Department reported an overall turnover rate of 9 percent and an overall vacancy rate of 12 percent; therefore turnover, hiring practices, and training needs will impact capacity to achieve deliverables.

These statistics do not accurately represent the Department's current hiring processes. As the Department has added new positions in FY 2021-22, its vacancy rate has indeed gone up (19.2% in July 2021); however, as the Department has been working hard to fill positions, it is down to what it was in January 2019 (16.4% in January 2019 and now 16.7% in January 2022). Based on the trend over the past three to four months (falling 4 percentage points), the Department anticipates the vacancy rate will continue to drop and be close to the historical average of 13% by June 2022. From September 2021 through January 2022, the Department had a net gain of 32 new employees. This demonstrates that the Department is capable of hiring qualified people during this time period.

2) The Department reports delays in filling some positions approved in the ARPA HCBS Spending Plan;

The Department did delay hiring some of the APRA HCBS positions, to be efficient and as part of the phasing of projects. But it is still filling critical positions with qualified applicants. To date, the Department has hired 26.5 of its 58.5 term-limited ARPA HCBS positions. The Department has also hired additional human resources staff to support the hiring process, who are now fully operational. On average, 3-4 new ARPA FTEs start every two weeks and the Department anticipates continuing or even picking up that pace.

3) Applications per job decreased by 32 percent in state and local governments between 2019 and 2021;

The Department does not have applicable data readily available, but the Department continues to receive applications from qualified individuals for most all open positions with the exception of IT-related staff. Measures of the sheer number of applications as provided in the Route Fifty article cited by JBC staff is not a measure that the individuals applying are not qualified for the position. Rather, the reduced number of applicants applying for jobs may be reducing the number of unqualified people for the position. The mission and work of the Department encourages qualified individuals to apply for our jobs.

4) The quality of the received applications has also declined.

The Department disagrees and believes the quality of applicants does not compromise our ability to hire qualified individuals. The Route Fifty article cited by JBC staff does not present data from the Department's or even specifically cite Colorado's hiring process. Instead, the article focuses on government jobs that are different from what the Department is hiring. The article discusses health care support occupations, transportation, and building grounds maintenance jobs and employers hiring in prisons, mental health institutes, and long-term care facilities, which are having hiring difficulties. Further it makes a generalized statement and does not take into consideration that individuals continue to apply to work at the Department based on the Department's work and mission. In the article it recommends that companies focus on the value in an employer's structure and culture—like flexible scheduling. This is exactly what the Department has done. The Department is now posting more jobs that allow people to work anywhere in the state (not just limited to the metropolitan Denver area) and allow employees to have a flexible schedule (many Department employees will remain full time remote once the COVID public health emergency ends). The Department has developed a positive culture that reflects the Department's mission to help Colorado's most vulnerable citizens, which encourages qualified individuals to apply for our jobs.

The hiring concerns discussed by the JBC analyst are short term, not long term considerations, and any difficulty in hiring in the short term will be true for contractors as well. If the assumption is that the Department has difficulties hiring during this time, then the same would be true for our contractors who may pass higher wage rates onto the Department further increasing contract costs. The Department desires to capture the General Fund savings provided in the request and begin the process of gaining internal efficiencies starting in FY 2022-23.

Department of Higher Education

Staff-Initiated: Auraria Higher Education Center Bond Payment

	Original Request	JBC Action	Comeback Request
Total Funds	$0	$6,100,000	$0
FTE	0.0	0.0	0.0
General Fund	$0	$0	$0
Cash Funds	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$6,100,000	$0

Summary of JBC Action

JBC approved a staff recommendation to provide financial relief to Auraria Higher Education Center (AHEC) by appropriating $6.1 million in ARPA SLFRF towards AHEC bond payment liabilities.

Comeback Request

OSPB respectfully requests the Committee reverse their decision and not approve this JBC staff initiated change. Institutions have received sufficient one-time federal funds and have experienced enough growth in their net financial position to be able to support the campus they utilize and benefit from. A second year of this manner of funding should not be provided to AHEC without a thorough evaluation of their financial structure and a thoughtful long-term plan that creates a sustainable financial model, including substantially increased financial support from the constituent institutions. Furthermore, debt payments are not an allowable use of ARPA SLFRF, even when classified as "revenue replacement."

OSPB recognizes that these requests are driven in part by capital pressures, including $4.75M in identified maintenance and capital projects such as deferred parking lot maintenance, Tivoli Student Union accumulated maintenance, and Tivoli Student Union Wireless Upgrades. OSPB suggests that the AHEC Institutions submit funding requests to CCHE through the capital development process next year.

Additional Information

The U.S. Treasury's interim final rules state that "the Supplementary Information to the interim final rule provided that debt service is not an eligible use of funds either to respond to the public health emergency or its negative economic impacts or as a provision of government services to the extent of revenue loss." Therefore, per federal rules, ARPA SLFRF cannot be used for debt payments as recommended even if the funding is classified as "revenue replacement"

AHEC was provided a $5.5M financial relief last year that included $2.75M in General Funds and $2.75M in cash funds from the constituent institutions. At the time it was understood that this was a one-time relief. However, AHEC has continued to struggle financially and the continued requests for state support indicate the unsustainability of the existing financial model and a need for AHEC to adapt that financial model. While the pandemic has created temporary financial constraints and revenue shortfalls, projections cast doubt on AHEC's current financial model's ability to adapt to the new normal and indicate that AHEC's revenue generation may not recover to the pre-pandemic level in the long-term under the current model. Committing further state resources to AHEC without a thorough examination of and changes to the financial model is not recommended

Institutions should be able to provide the needed financial relief through their existing resources. The University of Colorado (CU) system, one of the constituent institutions, experienced a $1.5 billion or 22.5% increase in their net financial position at the end of the last completed fiscal year relative to the previous fiscal year, including almost $250 million in federal funds for institutional use (in addition to additional federal funds as student aid). The Metropolitan State University of Denver (MSU-Denver), another constituent institution, experienced a $34 million or 23.8% increase in their net financial position at the end of the last completed fiscal year relative to the previous fiscal year. MSU-Denver received $88 million in federal funds for institutional use (in addition to additional federal funds as student aid). The Colorado Community College Systems (CCCS) experienced a $14 million or 1.8% improvement in their net financial position over the same period, and received $258 million in federal funds for institutional use. These institutions received federal funds through CRF and HEERF. While the data is not broken down for CU-Denver only or the Community College of Denver only, and while the federal funds cannot be directly used for debt payments, this data indicates the strong financial positions of the constituent institutions overall.

Constituent institutions currently possess enough financial resources to utilize their own funds to support AHEC's ongoing operations and financial liabilities, including any one-time needs. As beneficiaries of campus resources, these institutions should contribute to the success and sustainability of this campus, rather than seeking state resources. It is incumbent on AHEC and the constituent institutions to develop a more adaptable and sustainable financial model going forward, including increased investments from the constituent institutions.

Other institutions operated campus facilities such as parking, classroom, student centers etc. through the pandemic without needing similar state investments, largely by utilizing federal funds, right-sizing and adapting their model to the circumstances of the pandemic and the new normal. While AHEC itself is not eligible for direct federal funding, the constituent institutions have received significant federal funds alongside significantly improved financial positions as mentioned above. The constituent institutions can contribute to and assume responsibility for the financial needs of AHEC, as they do for other campuses and as other institutions do for their campuses. It is not an equitable solution for the state to use its limited resources to support the AHEC campus in this manner, while other institutions - including those with weaker financial positions than CU and MSU - found solutions other than repeated state investments.

BA1 Expansion of Area Technical College Programs and Services

	Original Request	JBC Action	Comeback Request
Total Funds	$1,700,000 per year for 2 fiscal years	$1,700,000 ongoing	$1,700,000 per year for 2 fiscal years
FTE	0.0	0.0	0.0
General Fund	$1,700,000 per year for 2 fiscal years	$1,700,000 ongoing	$1,700,000 per year for 2 fiscal years
Cash Funds	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Summary of JBC Action

JBC approved the request for $1.7 million in General Funds in FY 2022-23 and FY 2023-24 for the Area Technical Colleges (ATCs) to expand their capacity. JBC also approved staff recommendation to continue that $1.7 million in General Fund appropriation beyond FY 2023-24 on an ongoing basis.

Comeback Request

OSPB respectfully requests the Committee reverse the decision to approve the $1,700,000 ongoing beyond FY 2023-24.

Analysis

The General Fund operating growth is expected to exceed available revenues in the upcoming fiscal years. The original request was time-limited for two fiscal years in order to only support the one-time expenses associated with capacity expansion at the ATCs. The requested funds were not intended to support ongoing costs which would contribute to the State's structural deficit.

Given the current waitlists at the ATCs, it is expected that they will be able to generate significant new revenue as a result of the one-time investment, which will cover any ongoing operating expenses associated with the programmatic expansions undertaken.

Department of Human Services

R-10 SNAP Fair Hearings Compliance

	Original Request	JBC Action	Comeback Request
Total Funds	$358,451	$0	$358,451
FTE	2.4	0.0	0.0
General Fund	$179,226	$0	$179,226
Cash Funds	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$179,225	$0	$179,225

Summary of JBC Action

The Committee tabled action on this request. The JBC staff recommended modified approval at $247,661 total funds in FY23 and $273,517 total funds in FY24 and ongoing; the staff recommendation places the Administrative Law Judges at the salary range minimum rather than requested median.

Comeback Request

OSPB respectfully requests the Committee approve the request for $358,451 total funds, of which $179,226 is General Fund and 2.4 FTE in order to enable proper prioritization of cases, prompt scheduling, and timely decisions for clients thus eliminating Colorado's long-standing corrective action for failing to comply with federal SNAP Fair Hearings requirements.

Additional Information

This request will provide the staffing necessary to conduct SNAP Fair Hearings internally at the Department of Human Services (DHS). Moving to a single, in-house structure for SNAP Fair Hearing processes will resolve the pervasive compliance issues, eliminate delays caused by remanded cases, and improve the quality. Overall, completing all facets of SNAP Fair Hearings by the Department's Office of Appeals (OOA) will enable proper prioritization of cases, prompt scheduling, and timely decisions for clients. Hiring 2.5 FTE dedicated to handling the SNAP Fair Hearings workload will be sufficient to issue timely decisions and eliminate the backlog.

The proposed process is fully endorsed by federal rules. As such, OOA will initiate fair hearings and final agency reviews in a timely manner while fully maintaining neutrality and fairness. OOA has a proven track record of issuing Final Agency decisions that are grounded in the law, considering only the evidence admitted at hearing and the applicable law. Furthermore, OOA's ALJs will not be involved in the final agency reviews (decisions), and the Department's Adjudicators will have no role in writing the Initial Decisions.

With this request, Colorado will issue SNAP Fair Hearing decisions within the federally required sixty (60)-day period. Performance in this area will eliminate Colorado's long-standing corrective action for failing to comply with federal SNAP Fair Hearings requirements. Clearing this CAP will eliminate threats of federal sanctions for noncompliance.

Department of Personnel & Administration

R3 - CSEAP Resources

	Original Request	JBC Action	Comeback Request
Total Funds	$311,690	$0	$311,690
FTE	2.5	0.0	2.5
General Fund	$0	$0	$0
Cash Funds	$107,815	$0	$107,815
Reappropriated Funds	$203,875	$0	$203,875
Federal Funds	$0	$0	$0

Summary of JBC Action:

The JBC tabled a decision on R3 CSEAP resources. JBC staff recommended funding this request with amendments to reduce salaries to minimum of the range and to take out the POTS funds. The committee discussed if this was enough funding for the CSEAP program to solve workload and waitlist issues within the program. More up-to-date data was also requested by the committee which was provided on February 25th.

Comeback Request

OSPB respectfully requests the Committee approve the request to address increased workload issues derived from statewide FTE growth and increased program awareness and use, to fund 24/7 crisis support services, and for statewide workplace threat assessment training. This request is also one of the components of the Partnership Agreement.

Analysis

Demand for CSEAP resources has grown while staffing levels have remained the same causing delays in State employees receiving requested assistance. CSEAP services have also expanded with services (such as health coaching) to meet its customers' demands. FTE is requested above the minimum to be competitive with the market median of $83,324 and to be competitive with the market and attract quality job candidates.

Demand for services has grown because of the rising number of State employees, increased awareness, and the reduced stigma around seeking mental health services. Employee assistance programs are becoming more common and employees in general now expect to be offered assistance programs and are more likely to take advantage of them.

The concern remains that CSEAP does not have resources adequate to support the State’s growing employee population especially when compared to IHEs who operate under a similar mental health delivery model. The request for additional CSEAP resources, hired above the job class minimum in order to attract quality counselors, will be instrumental in more effectively meeting the mental health needs of State employees as well as reducing the stressful workload currently experienced by CSEAP counselors.

If the request is not funded, State employees will continue to experience lengthy delays when requesting CSEAP services. CSEAP staff are likely to experience burnout from excessive and high acuity caseload which may result in turnover or a reduction of services in order to meet more critical mental health needs of State employees. Employees experiencing critical incidents may not receive immediate services that are needed. State agencies will be less prepared to respond to threats to their workplace and employees. Continued outreach and education efforts may diminish as current CSEAP staffing resources are reprioritized elsewhere, leaving State agencies and State employees unaware of the full scope of CSEAP services.

Due to increased employee utilization and expectation for assistance services to be provided as an employment benefit, delays in services may cause employees to pursue other employment or present a less than desirable image of the State and an employer of choice to potential job applicants.

Funding for Experienced FTE Comeback Request
DHS BA5 - Policy Analyst
DPA R3 - CSEAP Resources
DPA R4 - Total Compensation Analyst

	Original Request	JBC Action	Comeback Request
Total Funds	$537,939	$168,473	$537,939
FTE	4.3	1.8	4.3
General Fund	$226,249	$168,473	$226,249
Cash Funds	$107,815	$0	$107,815
Reappropriated Funds	$203,875	$0	$203,875
Federal Funds	$0	$0	$0

*Costs include Salary, AED, SAED, HLD, and STD.

Summary of JBC Action
JBC approved staff recommendations at DPA (R4) and CDHS (BA5) at the salary minimum. JBC approved DPA total compensation analyst at the minimum ($65,136) plus applicable centrally appropriated costs and the CDHS policy analyst at ($84,387). While this item (R3) is currently tabled, JBC staff recommended starting salaries at the minimum of the range for CSEAP FTE ($59,940).

Comeback Request
OSPB believes that experienced staff are necessary to carry out the core responsibilities of these positions and this cannot be achieved at the salary minimum. OSPB respectfully requests:

- The Total Compensation Analyst be funded at the requested level of $80,245 plus centrally appropriated costs.
- The CSEAP Social Worker/Counselor FTEs be funded at the requested level of $70,018 plus centrally appropriated costs.
- The Policy Analyst position be funded at the requested level of $117,899 in order to ensure an employee can be hired with adequate experience navigating complex policy areas, executive-level staff across multiple state agencies, and community and local government stakeholders.

Additional information

Department of Personnel and Administration R4 - Total Compensation Analyst

- The Department has recent experience in the recruitment difficulties associated with compensation specialists. The current Compensation Manager's position was vacant for approximately three years, and the Department attempted multiple recruitments for this position during that time – all failed until the current manager was selected, which was only successful because a residency waiver was granted. Therefore, the Department is requesting to fill this HR Specialist IV position at the midpoint of the range.
- If the request is not funded, the state risks delaying necessary transformations to support older adults. In particular, the Committee-approved salary will likely result in an FTE with minimal experience. The requested 0.9 FTE will be responsible for a variety of work duties that will require adequate experience navigating complex policy areas, executive-level staff across multiple state agencies, and community and local government stakeholders.
- In addition, the City and County of Denver has a similar position currently posted (Senior Compensation and Classification Analyst) with a range of $78,718.00 - $129,885.00. Based on the 2021 Benchmark Compensation Survey, the market median for a Compensation Analyst for Denver/Boulder was $101,384 and the 2021 Public Employer's Council Benchmark data showed that the market median for a Compensation Analyst was $93,122. The department respectfully requests a starting salary of $80,245 for this position.
- It should also be noted that a similar position in the Judicial Department acting as a Total Compensation Analyst was approved with a starting salary of $111K.

Department of Personnel and Administration R3 - CSEAP Social Worker/Counselor FTE

- The current midpoint for a Social Worker/Counselor III is $67,344. The market median for this match is $83,324. Current job postings reflect salaries ranging from $53,664 to $80,496. Given this discrepancy, it is justifiable to budget at the midpoint for recruitment of these positions. However, in order to mitigate potential compression issues within CSEAP, starting salaries for these positions have been requested at $70,018.

Department of Human Services BA-5

- Coordination of the Strategic Action Plan on Aging will require engagement with at least the following agencies: DOLA, CDPHE, HCPF, CDHE, CDOT, DORA, and CDLE. Navigating the complexities of these agencies, their local government or community-based counterparts, and effectively aligning distinct, yet related, work efforts will be critical to the success of this next step with CDHS. The relevant experience needed to meet the demands of this work will not be satisfied with an entry level salary.

The Strategic Action Planning Group on Aging received a sunset review and has been recommended for repeal, which is proposed by House Bill 22-1209 (Sunset Strategic Action Planning Group on Aging). The Governor’s Office supports this repeal; this action will result in $110,000 General Fund savings. Repurposing this General Fund appropriation from DOLA to CDHS in order to lead the implementation of the Strategic Action Plan on Aging is the next step for aging/older adult policy that is supported by the Governor’s Office, state agencies, and community stakeholders.

Department of Personnel & Administration (cont.)

R9 Annual Fleet Vehicle Request

	Original Request	JBC Action	Comeback Request
Total Funds	$839,357	$274,021	$454,988
FTE	0.0	0.0	0.0
General Fund	$0	$0	$0
Cash Funds	$0	$0	$0
Reappropriated Funds	$839,357	$274,021	$454,988
Federal Funds	$0	$0	$0

Summary of JBC Action

JBC staff and the Committee approved vehicle replacements using replacement criteria developed by JBC staff that results in less vehicles being replaced than under the DPA criteria. Using the JBC criteria, JBC staff recommended and received the votes to replace 446 total vehicles- 15 hybrid vehicles, 145 electric vehicles, and 280 standard vehicles.

DPA recommended the following fleet replacements 619 vehicles - 25 hybrid vehicles and 253 electric vehicles, and 341 standard vehicles. This would be 173 more vehicle replacements than approved by JBC. Of which, 10 would be hybrids, 108 electric vehicles, and 61 would be standard vehicles. A comparison of replacement criteria can be provided upon request.

Comeback Request

OSPB respectfully requests the funding for the replacement of 118 vehicles that can be replaced with more environmentally friendly options including 108 EVs and 10 hybrids, for a total of 564 alternative fuel vehicles (AFVs). These replacements will reduce fleet maintenance costs and the environmental impact of standard state vehicles.

Additional Information

JBC Staff has requested an average reduction in replacement vehicles of 48% across all appropriated agencies, with six appropriated agencies experiencing a partial reduction, if not complete reduction, in electric vehicle replacements.

Funding the replacement of 118 recommended vehicle replacements that are EVs and hybrids will keep maintenance costs down and support the Governor's greening government goals. The replacement of these 118 vehicles with more environmentally friendly options is projected to result in an annual reduction of 8 million pounds of CO2 from replacing these vehicles based on monthly miles traveled, actualized miles per gallon traveled by the fleet.

Additionally, by replacing these vehicles with more environmentally friendly options, results in an estimated $200,510 in fuel savings per year and $113,242.00 in maintenance savings, for an estimated net benefit of approximately $181,000 annually when compared to the annual increase in fixed vehicle expenses.

State statute does not dictate which replacement criteria should be used, therefore it is recommended to use the DPA replacement criteria because of the cost savings that will be generated by replacing older higher mileage state vehicles. Prior replacement cycles have shown significant reductions in maintenance costs. For example, from FY 2009-10 to FY 2010-11, the cost per mile for maintenance decreased by 6.7 percent due to a large replacement cycle in FY 2009-10. Alternatively, from FY 2009-10 through FY 2010-11, a 56.0 percent decrease in fleet replacements resulted in a 12.0 percent increase in total maintenance costs in FY 2011-12.

Lastly, DPA is required, by Section 24-30-1104(2)(c)(II), C.R.S. to replace a vehicle with a hybrid or EV if it falls within 10% of manufacturer suggested retail price (MSRP) of its petroleum-based counterpart. According to DPA- 118 of the 173 vehicles that were not approved meet this requirement, leaving the Department behind in terms of compliance.

If this comeback request is not funded it is anticipated there will be greater maintenance costs incurred to maintain vehicles over 100,000 miles, patrol cars between 80,000 and 100,000 miles, and law enforcement vehicles over 100,000 miles.

Additionally, evidence collected on vehicle maintenance by DPA shows that with age, the maintenance cost for vehicles significantly increases in terms of cost per mile (CPM). For example, the average CPM for vehicles age 1-15 is $0.71 as compared to the average CPM for vehicles age 16-25 at $2.49. Not replacing fleet vehicles recommended by DPA selected for replacement, including 118 AFVs it is anticipated that agencies will have to absorb additional maintenance costs into their operating costs instead of the necessary vehicle lease payments meant to address their needs.

Greater emissions estimated at 8 million pounds of CO2 will occur from state vehicles due to 118 vehicles eligible to be replaced with a hybrid or EV not being replaced which is counter to the greening government goal.

Staff-Initiated Center for Organizational Effectiveness

	Original Request	JBC Action	Comeback Request
Total Funds	$0	$0	$0
FTE	0.0	0.0	0.0
General Fund	$0	($74,356)	$0
Cash Funds	$0	$74,356	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Summary of JBC Action

JBC staff initiated a figure setting recommendation to refinance of $74,356 General Fund to Cash Fund with an equivalent amount of reappropriated funds in FY 2022-23 for the annualization of the Committee's decision regarding FY 2021-22 R1 (Center for Organizational Effectiveness program financial restructure). The recommendation annualizes to $461,674 reappropriated funds in FY 2023-24 and ongoing.

Comeback Request

OSPB respectfully requests the Committee reconsider their decision to approve the staff recommendation.

Additional Information

In FY 2020-21, DPA requested a program and financial restructure for the COE using a common policy funding mechanism. Concerns at that time included the volatility of cash funding, the equity of a fee-for-service model, inconsistent utilization by departments, and solely in-person delivery methods for training. At the same time, the DPA also projected concerns with the fund balance due to the fee-for-service financing structure that would have left the cash fund and the program insolvent by the end of FY 2020-21. The request for a common policy methodology was also driven by programmatic and practical concerns to meet the needs of more customer agencies.

JBC approved a one-time GF subsidy in March of 2021, to address revenue shortfalls. Since the GF restructure DPA has seen positive program trends in attendance, cost, and utilization and would like an additional year of General Fund without having to charge fees for service to collect data for a planned decision item to fund COE through common policy.

Since the JBC decision in March of 2021 and in the first first six months using the General Fund and not charging a fee-for-service, COE has experienced positive trends in 1) attendance 2) cost-benefits and 3) more diversified utilization across departments. COE has only had six months to redesign its business model, publicize its new funding and offerings, and gather data. As a result, this comeback is requesting continuation funding of $74,356 General Fund for FY 2022-23 to allow for a full year of data collection. It is anticipated that DPA will submit a FY 2024 decision item for common policy based upon the data obtained during the course of this fiscal year and it is recommended that the funding source be left alone to not interfere with this data collection and the positive gains experienced. This additional time will

This comeback will allow additional time to collect data on COE offerings without charging a fee-for-service so a decision item can be submitted with a full year of data in consideration of a common policy approach. Common policy takes a fixed cost and provides as many training sessions as possible within that cost, which helps drive down per-student and per-class costs. Using the common policy methodology and dividing the spending authority by the total number of projected training participants, this would yield an average training cost of approximately $400 per class.

IT Capital - Payroll Modernization

	Original Request	JBC Action	Comeback Request
Total Funds	$17,653,016	$0	$17,653,016
FTE	0.0	0.0	0.0
Capital Construction Fund	$17,653,016	$0	$17,653,016
Cash Funds	$0	$0	$0
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

Summary of JBC Action:
JBC has not yet acted on this request. JBC staff recommended denial of the Department request. Staff highlighted statutory concerns regarding biweekly payroll being a dependency for the first phase of funding. However, JTC prioritized this project for funding.

Summary of Comeback Request
OSPB respectfully requests the Committee approve $17,653,016 Capital Construction Funds for the first phase of funding for the payroll modernization. Using an agile approach, monthly presentations to the JTC, and evidence of project deliverables, funding for phase two would be requested in FY 2023-24 instead of in FY 2022-23 as originally identified.

Additional Information
As indicated by JBC members, this project is of vital importance. Payroll modernization is supported by DPA, OIT, and all state agencies and branches of government. This system pays 33,000 employees and $180 million per month. The request is to replace the State's existing payroll system, CPPS, along with other requisite integrations that would support the payroll system.

All state departments and branches of government will benefit from a modernized payroll system, including departments with ancillary interfaces as, generally, it is less expensive to integrate with a modernized solution than the current heavily customized COBOL solution. In addition, the legislature will benefit from the transparency of a modernized system with more robust data capabilities that will allow for requested information to be produced in a more efficient manner.

JBC staff recommended that statutory issues be addressed prior to funding this request. However, pay timing is a separate issue and DPA expects that flexible payroll cycles will be included as a deliverable from the selected payroll system vendor. Possible statutory changes to pay frequency will be explored under the regular oversight of the Joint Technology Committee, which will also help inform decision-making and cost considerations for any necessary statutory changes, paralleling the legislature's fiscal note process.

Further, the Department intends to collaborate with the Joint Technology Committee on a regular basis to ensure the success of this agile implementation. DPA has worked with Gartner, an internationally recognized third-party research consultant, to develop cost estimates for an agile approach based upon comparison to other states. Agile implementations decrease the risk of project failure, but generally do increase costs as compared to the waterfall approach. Still, DPA's request is for a lower amount than other states' requests based upon similar assumptions.

Department of Public Health and Environment

R-1 Air Quality Transformation

	Original Request	JBC Action	Comeback Request
Total Funds FY 23 FY 24 FY 25	$24,759,015 $27,759,368 $22,445,805	$0	$24,759,015 $27,759,368 $22,445,805
FTE* FY 23 FY 24 FY 25	75.0 138.0 137.0	0.0	75.0 (53/22)* 138.0 (116/22)* 137.0 (116/21)*
General Fund FY 23 FY 24 FY 25	$24,759,015 $27,759,368 $10,000,000	$0	$24,759,015 $27,759,368 $10,000,000
Cash Funds FY 25	$12,445,805**	$0	$12,445,805**
Reappropriated Funds	$0	$0	$0
Federal Funds	$0	$0	$0

*(Ongoing/Term-limited)
** Dependent on regulatory and permitting needs.

Summary of JBC Action
The Committee indicated that for such a large GF commitment over two years there should be an explicit plan stating what the ongoing funding source(s) will be in the out-years to support the goals of the request and the significant number of FTE. The Committee also wanted to know if some of the FTE could be reduced in the out-years based upon outcomes generated from this large up-front investment in air quality technology. JBC Staff recommended funding the request with no FTE and just the capital equipment portion based on the same argument that this request needs a long-term funding source.

Comeback Request
CDPHE respectfully requests approval of R-01 Air Quality Transformation as requested. Of the total FTE, 22.0 are term-limited, three year positions. As requested by the Committee, additional information is provided on requested staffing needs to clarify what services could be accomplished with limited-term positions and ongoing staffing. The Department is willing to provide accountability reporting on progress of hiring efforts and on air quality improvement metrics and how they will impact ongoing FTE needs.

Additional Information
CDPHE recognizes that R-01 is extensive and represents a significant increase in budget and staffing levels. The proposal represents the Department's vision to transform the state's air quality programs to effectively manage air pollution and protect the health and welfare of Colorado residents as a central component of the Governor's Air Quality Package. More specifically, the department is at a critical juncture due to several factors:

- Persistent non-compliance with federal ozone pollution standards;
- Ambitious climate change and greenhouse gas reduction goals;
- A need to address environmental justice concerns;
- Inefficient and outdated technology systems;
- Inadequate air quality science monitoring data;
- Increased public interest that air quality information be proactively communicated, readily available, and communicated to residents as well as;
- Insufficient staffing levels and capacity to effectively manage air quality programs.

<u>Ongoing and Limited-term Staffing Requests</u>

- JBC Staff recommended zero FTE, however, R-01 requires additional staff to successfully implement any of its components.
- The request includes 75 FTE in FY23 and an additional 63 FTE in FY24 for a total of 138 FTE. The staffing request includes 116 ongoing positions and 22 term-limited, three-year positions.
- To inform future needs, including any potential request to extend positions, the Department will complete a staffing and resource needs assessment in the next two years based on a number of factors:
  - How many facilities exceed the Severe threshold after the standard is in place;
  - How many facilities will seek synthetic minor status;
  - How many facilities choose to reduce emissions to just below the new threshold;
  - A review of the adequacy and functionality of technology systems;
  - Additional analysis to inform best practices and organizational efficiency;
  - This analysis and evaluation could be required to be reported to the JBC on November 1, 2024 via the footnote process in the Long Bill.

<u>Ongoing Funding Source Options</u>
Over the next two years, CDPHE will develop a recommendation to fund the proposed FY 2024-25, $22.5M budget and the FY 2025-26, $14.8M or $17.2M ongoing budget scenarios below (note that the two budget scenarios depend on future decisions on

limited-term positions). The annual budget needs will decrease in both FY 2024-25 and FY 2025-26 when non-recurring costs are completed (e-lawn equipment rebate program, technology upgrade, and term-limited staff rolling off).

CDPHE R-01					
	FY23	**FY24**	**FY25**	**FY26 w/LT FTE**	**FY26 w/o LT FTE**
Funding Source	General Fund	General Fund	Gen. Fund & Cash Fund	Gen. Fund & Cash Fund	Gen. Fund & Cash Fund
FTE	75	138	137	137	116
Ongoing FTE	53	116	116	116	116
Term-limited FTE	22	22	21	21	-
Budget	24,759,015	27,359,968	22,445,805	17,209,647	14,757,647
General Fund allocation with one-time funds	24,759,015	27,359,968	10,000,000	TBD	TBD

The JBC staff recommendation indicated a need for a large fee increase beginning in FY25. As noted in the table above, any fee increases would be mitigated by the proposed General Fund contributions in FY24 ($27M) and FY25 ($10M). In future years, the recommended ratio of General Fund to fee revenue will depend on the efficacy of new regulatory standards on air quality and will strike a balance that recognizes that it is appropriate for industry to absorb some level of fees, provides a reasonable glide path on fees, and does not put air quality at risk.

Impact if Request is Not Funded

Driving Performance ($7.1M and 47.0 FTE - 29.0 Ongoing and 18.0 term-limited)

- JBC Staff recommended $1.2M for attainment demonstration modeling for 2008 and 2015 State Implementation Plans, but not construction permitting, Title V major and minor source inspection and permitting, as well as formal enforcement increases.
- If the request is not approved, the Department will be unable to meet obligations under the Clean Air Act to manage non-attainment of ozone pollution standards for the Denver metro-northern front range.

- In spring of 2022, the front range will be downgraded from Serious to Severe nonattainment of ozone standards.
- Under the Severe designation, the Clean Air Act threshold that requires more stringent permitting, inspection, compliance, air quality planning and oversight for facilities is reduced from 50 tons per year to 25 tons per year.
- Once the Severe designation is official, all regulated companies with annual emissions exceeding 25 tons per year will need to submit Major Source permit applications within one year (spring 2023).
- It is estimated that 473 new facilities (a 180% increase) will be classified as Major Sources under Severe designation. CDPHE is required to evaluate and issue Major Source applications within the subsequent 18 months (fall of 2024).
- CDPHE requires the requested staff resources (29 ongoing FTEs, 18 limited-term FTEs) to manage the Severe nonattainment of ozone standards. The driving factor is the estimated 473 new Major Source facilities will result in significant staffing needs to achieve required permitting, compliance, inspection, enforcement, and oversight activities.

Additionally, the health impacts of ozone exposure include:

- Coughing and sore or scratchy throat;
- Making it more difficult to breathe deeply and vigorously and causing pain when breathing;
- Inflaming and damaging the airways;
- Making the lungs more susceptible to infection;
- Aggravating lung diseases such as asthma, emphysema, and chronic bronchitis;
- Increased frequency and development of asthma; as well as
- Locations with elevated ozone concentrations report higher frequency of deaths.

Regulatory Initiatives ($1.5M and 13.0 FTE, 10.0 Ongoing and 3.0 term-limited)

- JBC Staff recommended denying the entire request.
- Additional staff resources are needed to successfully achieve GHG reduction, minor source offset, emission reduction credits, and environmental justice initiatives and rules.

Air Quality Science ($10.2M and 6.0 FTE)

- JBC staff recommended a majority of this request, besides associated FTE and the Stationary Sources System Replacement (citing that it is being routed through JTC).
- CDPHE's Stationary Sources Database system is used to manage permitting, compliance, inspections, billing, emissions inventory, and data reporting. The

current system is outdated, paper-based, lacking functionality and reporting capabilities, and is inefficient.

- The implementation of a comprehensive data warehouse will provide stronger reporting, public access, and availability of air quality information.
- It is not feasible to develop and implement the technology systems without the proposed staff positions. The technology staff needs include 3.0 FTE term-limited positions.
- For the air monitoring request, the mobile air monitoring vehicle requires staff to operate the program on an ongoing basis.

Community Services ($0.9M and 8.0 FTE)

- JBC Staff recommended denying the entire request.
- It is recognized that Coloradans are increasingly demonstrating an expectation for stronger, more proactive, and transparent communication of air quality matters.
- The increasing awareness of the importance of air quality issues among citizens, and the need to engage communities that have been disproportionately impacted by air pollution, is driving this staffing request. The proposed resources address this inadequacy and create a comprehensive community engagement program that engages, collaborates with, and informs citizens, local governments, and other key stakeholders on the multitude of important air quality issues facing Colorado.

Immediate Emissions Reductions ($5M and 1.0 term-limited FTE)

- JBC Staff recommended a majority of this request minus the FTE associated with the electric lawn equipment grant program.
- The electric lawn equipment requires a 1.0 limited-term FTE to administer the rebate program.
- Summertime ozone pollution is the primary air pollution problem along the front range.
- The e-lawn equipment rebate program will promote ozone level reductions, particularly during the warm weather months associated with high ozone.

Miscellaneous Legislative Placeholders

OSPB requests legislative placeholders for several decision items that the Committee is recommending for legislation.

Department of Personnel and Administration
R1 Colorado Equity Office - $2,536,213 General Fund

Department of Personnel and Administration
BA5 Public Private Partnership Office - $31,269,064 General Fund

Department of Regulatory Agencies
R-02 Actuarial Review of Insurance Coverages - General Fund revenue reduction of $237,924 and $237,924 cash funds from the Division of Insurance Cash Fund.

R-03 Align State Surprise Billing Law with Federal No Surprise - General Fund revenue reduction of $159,912 and $159,912 cash funds from the Division of Insurance Cash Fund.

BA-01 Mental Health Professionals and Nurse License Fees - $14,070,140 General Fund

Department of Transportation
BA-01 Burnham Yard NEPA and Front Range Rail - $8,900,000 General Fund (original request $10 million less $1.1 million due to the exclusion of the interest payment.