



Legislative  
Council Staff

Nonpartisan Services for Colorado's Legislature

**FISCAL NOTE**

<b>Drafting Number:</b>	LLS 19-0227	<b>Date:</b>	February 1, 2019
<b>Prime Sponsors:</b>	Rep. Kennedy; Singer Sen. Priola	<b>Bill Status:</b>	House Public Health
		<b>Fiscal Analyst:</b>	Erin Reynolds   303-866-4146 Erin.Reynolds@state.co.us

**Bill Topic:** SUBSTANCE USE DISORDERS RECOVERY

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government ( <i>minimal</i> )
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill expands a state housing voucher program to individuals with substance use disorders who are transitioning back into the community; requires state licensure of recovery residences; and creates a fund and an oversight board for any settlements or damage awards the state might receive from opioid-related litigation. It will increase state revenue, expenditures, and workload on an ongoing basis. It will also minimally increase workloads in certain local governments involved with the board.

**Appropriation Summary:** For FY 2019-20, the bill requires appropriations of \$4.68 million to the Departments of Local Affairs and Public Health and Environment.

**Fiscal Note Status:** This fiscal note reflects the introduced bill, which was recommended by the Opioid and Other Substance Use Disorders Study Committee.

**Table 1  
State Fiscal Impacts Under HB 19-1009**

		FY 2019-20	FY 2020-21
<b>Revenue</b>	Cash Funds	\$630,000	\$350,000
<b>Expenditures</b>	General Fund	\$4,300,000	\$4,300,000
	Cash Funds	\$381,743	\$199,177
	Centrally Appropriated	\$201,517	\$112,998
	<b>Total</b>	<b>\$4,883,260</b>	<b>\$4,612,175</b>
	<b>Total FTE</b>	<b>5.9 FTE</b>	<b>3.7 FTE</b>
<b>Transfers</b>		-	-
<b>TABOR Refund</b>	General Fund	\$630,000	-

## **Summary of Legislation**

This bill expands a state housing voucher program to individuals with substance use disorders who are transitioning back into the community; requires state licensure of recovery residences; and creates a fund and an oversight board for any settlements or damage awards the state might receive from opioid-related litigation.

**Housing vouchers for individuals with a substance use disorder — Department of Local Affairs (DOLA).** The bill requires the General Assembly to appropriate \$4.3 million annually for five years, FY 2019-20 to FY 2023-24, to expand the housing voucher program for individuals with substance use disorders who are transitioning from a correctional or behavioral health institution, county jail, or residential treatment program administered by the Division of Housing in DOLA. The department must report to the General Assembly on the number of projects funded, units in each project, and qualified individuals housed as a result of the new funding during the annual SMART Act hearing of the Joint Health Committees.

**Licensure of recovery residences — Department of Public Health and Environment (CDPHE).** The bill requires recovery residences to be licensed by CDPHE by January 1, 2020. "Recovery residence" is defined as any facility that provides alcohol-free or drug-free housing; promotes independent living and life skill development; and provides structured activities that are directed primarily toward recovery from substance use disorders in a supervised setting to a group of unrelated individuals who are recovering from addiction and receiving outpatient behavioral health services for substance abuse or addiction treatment while living in the residence. CDPHE is required to deem a recovery residence that is accredited by the Colorado Association of Recovery Residences (CARR), or its successor organization, as satisfying the licensure requirements. The bill also precludes anyone associated with a recovery residence's administration from accepting anything of value in exchange for admission, fees, or testing. CDPHE may take action against an individual for a violation of this law.

**Opioid Crisis Recovery Fund and Oversight Board — Department of Human Services (DHS).** The bill creates the Opioid Crisis Recovery Fund, which consists of settlements or damages awarded to the state as a result of opioid-related litigation and any other money appropriated by the General Assembly. The fund is managed by a newly established Board of Governors, consisting of 7 Governor appointees and at least 12 members representing various stakeholders, who must be appointed within 90 days of an opioid-related settlement to the state. Board members serve without compensation, but may receive actual and necessary expense reimbursements from the fund. The cash fund is continuously appropriated to the board.

The board is required to determine a formula based on population size, overdose death rate, and treatment need to ensure that money from the fund is available proportionally to urban and rural areas of the state. Upon establishing this criteria, the board will review applications and award funding to efforts that aid in opioid abuse prevention, treatment, and recovery. The Office of Behavioral Health in DHS must promulgate rules specifying the procedure for entities to request moneys from the fund, and must also provide staff and logistical support to the board. The board must report to the health committees of the General Assembly by July 1 of each applicable year on the organizations that received funding, in what amount, and for what purpose.

**State Revenue**

The bill will increase state revenue from licensing fees to the General Licensing Cash Fund in CDPHE's Health Facilities Program by an estimated \$650,000 in FY 2019-20 and \$350,000 in FY 2020-21 and each year thereafter. Based on available information about recovery residences in the state, the fiscal note assumes that the CDPHE will receive 90 applications in the first year and 5 applications each year thereafter. This revenue is subject to TABOR.

**Fee impact on recovery residences.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the CDPHE based on cash fund balance, actual program costs, and the number of licensees subject to the fee. The table below identifies the fee impact of this bill.

**Table 2  
Fee Impact on Recovery Residences**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Proposed Fee</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
FY 2019-20	Recovery Residence License - Initial	\$7,000	90	\$630,000
			<b>FY 2019-20 Total</b>	<b>\$630,000</b>
FY 2020-21	Recovery Residence License - Initial	\$7,000	5	\$35,000
	Recovery Residence License - Renewal	\$3,500	90	315,000
			<b>FY 2020-21 Total</b>	<b>\$350,000</b>

**State Expenditures**

This bill will increase state expenditures by a total of \$4.9 million and 5.9 FTE in FY 2019-20, and \$4.6 million and 3.7 FTE in FY 2020-21. DOLA's costs are paid from General Fund. CDPHE costs are paid from cash funds. The bill will also create a conditional workload impact on the Department of Human Services, as well as other agencies involved with the board. Expenditure impacts are shown in Table 3 and described below.

**Table 3**  
**Expenditures Under HB 19-1009**

<b>Cost Components</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Department of Local Affairs</b>		
Personal Services	\$56,373	\$56,373
Operating Expenses, Capital Outlay, and Cell Phone	\$6,361	\$1,658
Legal Services	\$852	\$426
Computer Programming and Administration	\$2,620	\$1,560
Travel	\$588	\$735
Housing Vouchers	\$4,233,206	\$4,239,248
Centrally Appropriated Costs*	\$14,237	\$14,237
FTE – Personal Services	1.0 FTE	1.0 FTE
<b>DOLA (Subtotal)</b>	<b>\$4,314,237</b>	<b>\$4,314,237</b>
<b>Department of Public Health and Environment</b>		
Personal Services	\$284,529	\$155,110
Operating Expenses and Capital Outlay Costs	\$23,277	\$2,375
Legal Services	\$31,607	\$35,752
Computer Programming	\$26,160	-
Travel	\$16,170	\$5,940
Centrally Appropriated Costs*	\$187,280	\$98,761
FTE – Personal Services	4.7 FTE	2.5 FTE
FTE – Legal Services	0.2 FTE	0.2 FTE
<b>CDPHE (Subtotal)</b>	<b>\$569,023</b>	<b>\$297,938</b>
<b>Total</b>	<b>\$4,883,260</b>	<b>\$4,612,175</b>
<b>Total FTE</b>	<b>5.9 FTE</b>	<b>3.7 FTE</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

**Department of Local Affairs.** Expenditures in DOLA will increase by \$4.3 million and 1.0 FTE per year from the General Fund. DOLA will add a Community and Economic Development III position to administer the expanded supportive housing program. Duties for the role include monitoring policies and regulations during tenant selection; maintaining voucher utilization and budget expenditures, as well as participants' status; providing technical assistance to statewide grantees and partners; evaluating contractor performance; and reporting. Standard operating expenses and capital outlay costs are included. The staff will also be issued a cell phone. Legal services, computer programming, and travel costs are based on similar voucher programs.

*Housing vouchers.* In similar programs serving populations with high barriers to housing, DOLA issues housing vouchers for \$800 per unit per month, or \$9,600 per year, on average. In addition to housing vouchers, additional services are typically provided to voucher beneficiaries, such as landlord-tenant liaison services, eviction prevention, independent living skills training, and links to health care, vocational and educational services. DOLA's average cost of these additional services for DOLA is approximately \$3,600 per unit per year. As a result, the fiscal note assume that DOLA will issue approximately 320 vouchers per year for five years. It will, however, take DOLA approximately 18 months to fully utilize these vouchers, as the department is typically able to secure an average of 20 supported housing leases per month, unless site-based opportunities are available (e.g., a partner organization with immediate housing available for this population).

At the end of the program, DOLA will need to arrange for the transfer of beneficiaries to other state and federally funded voucher programs where possible, potentially over multiple years. This represents a significant workload increase for DOLA in FY 2023-2024.

**Department of Public Health and Environment.** Expenditures in CDPHE will increase by approximately \$569,000 and 4.9 FTE in FY 2019-20 and \$298,000 and 2.7 FTE in FY 2020-21 from the General Licensure Cash Fund in CDPHE's Health Facilities Program.

CDPHE will hire staff to manage the new licensure program for recovery residences, which will be paid for through licensing fees as shown in Table 2. Staffing estimates are calculated using CDPHE's licensure of assisted living facilities as a proxy and using the data and assumptions discussed below. Staff will engage in emergency and regular rulemaking, oversee a stakeholder process, review applications, conduct site surveys, investigate complaints, and handle enforcement. Standard operating expenses and capital outlay for are included. Legal services at 305 hours in FY 2019-20 and 345 hours in FY 2020-21 at the rate of \$103.63 per hour are included to assist with the rulemaking process. Computer programming at 120 hours at the emerging systems rate of \$165 and 60 hours at the established systems rate of \$106 are included in the first year to program the new license type. Travel per diem for inspection staff assume approximately 50 surveys outside the Denver metropolitan area in the first year, and approximately 16 surveys in the outyear.

*Data and assumptions regarding recovery residences.* Based on available information about recovery residences in the state, the fiscal note assumes CDPHE will receive 90 applications in the first year and 5 applications each year thereafter. Each initial application will require processing time and an initial on-site survey. Each year, approximately 30 facilities will require a license renewal survey or correction plan. Finally, 5 percent of residences will have complaints filed and require enforcement. These assumptions exclude the three recovery residences currently licensed by the Colorado Association of Recovery Residences, pursuant to the bill. To the extent that this organization accredits more residences over time, costs for CDPHE may decrease.

**Department of Human Services.** Conditional upon an opioid-related settlement to the state, the Office of Behavioral Health in DHS will promulgate rules; provide staff and logistical support to the board; and report to the General Assembly. Additional resources for these tasks will be addressed through the annual budget process.

**Opioid Crisis Recovery Oversight Board.** Conditional upon the creation of the board, representatives from DHS, CDPHE, DORA, and the Department of Health Care Policy and Financing will serve on the board, which will minimally increase workloads in these agencies. Board members may receive actual and necessary expense reimbursements from the fund. As the fund is continuously appropriated to the board, no appropriation is required.

**TABOR refunds.** The bill is expected to increase state General Fund obligations for TABOR refunds by \$650,000 in FY 2019-20. Under current law and the December 2018 forecast, the bill will correspondingly reduce the amount refunded to taxpayers via sales tax refunds on income tax returns for tax year 2020. The state is not expected to collect a TABOR surplus in FY 2020-21.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$201,517 in FY 2019-20 and \$112,998 in FY 2020-21 for both agencies.

## Local Government

If the Opioid Crisis Recovery Board is formed, certain local governments will have an increase in workload to serve on the board. Local entities receiving settlement funding through the board will have an increase in revenue and expenditures.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State Appropriations

For FY 2019-20, the bill requires the following appropriations:

- \$4,300,000 from the General Fund and an allocation of 1.0 FTE to the Department of Local Affairs. Of this amount, \$852 is reappropriated to the Department of Law and \$2,620 to the Office of Information Technology.
- \$381,744 from the General Licensing Cash Fund to the Department of Public Health and Environment and an allocation of 4.7 FTE. Of this amount, \$31,607 is reappropriated to the Department of Law with an allocation of 0.2 FTE and \$26,160 to the Office of Information Technology.

## State and Local Government Contacts

Counties  
Health Care Policy and Financing  
Law  
Public Health and Environment

District Attorneys  
Higher Education  
Local Affairs  
Regulatory Agencies

Governor  
Human Services  
Personnel