

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the County Courthouse and County Jail
Funding and Overcrowding Solutions Interim Study Committee

FROM Steve Allen, JBC Staff (303-866-4961)

DATE Sept. 11, 2017

SUBJECT How is the rate that the Department of Corrections pays jails set?

The rate that Colorado pays to jails is set each year in the Long Bill. The rate for FY 2017-18 equals \$54.39 per offender per day. The \$56.80 rate for private prisons is also set in the Long Bill.

The State of Colorado relies on a large number of entities and individuals outside of state government who provide services on behalf of the state. In a substantial number of cases, these services would be provided by state employees if they were not provided by outsiders. For rate setting purposes, many of these providers are grouped together and are collectively referred to as “community providers”. From time to time the JBC adds or subtracts from the set of entities that qualify for the community provider rate common policy on a case by case basis.

The following table summarizes FY 2017-18 appropriations to these community providers.

FY 2017-18 Appropriations for Community Providers
in \$ Millions

Department	TOTAL	GF
Corrections	\$120.9	\$117.4
Health Care Policy and Financing	3,533.6	1,210.9
Human Services	857.1	493.9
Labor and Employment	7.1	6.7
Judicial	34.0	15.4
Public Health and Environment	9.3	6.8
Public Safety	<u>67.5</u>	<u>62.3</u>
TOTAL	\$4,629.5	\$1,913.4

Underlying the community provider appropriations to individual departments are a diverse set of individual appropriations. For example, in the Department of Corrections, community providers include local jails, in-state private prisons, contractors who supply medical and mental health services to inmates and parolees, organization that provide parolee support, sex offender therapists, and substance abuse treatment providers.

The Joint Budget Committee (JBC) typically sets a common policy for community provider rate increases to ensure consistent and equitable treatment. For FY 2017-18, for example, the JBC established a common policy rate increase of 1.4 percent.

In setting the rates, the JBC typically considers several broad cost indicators. For example, last spring Legislative Council Staff estimated that the Denver/Boulder/Greeley consumer price index (CPI) for calendar year 2017-18 would be up 2.9 percent. For community providers, the majority of expenditures are for compensation and the federal Bureau of Labor Statistics estimated that the national Employment Cost Index (ECI) that measures the cost of compensation would be up 2.2 percent. Many community providers offer health care services, and the federal Bureau of Labor

Statistics estimated that the CPI for health services would increase 3.8 percent. The JBC sometimes looks at the proposed increase in state employee compensation when adjusting provider rates.

Because of the size of community provider appropriations, even a small percentage increase of community provider rates translates into a substantial additional appropriation. For example, the 1.4% provider rate increase that the General Assembly approved for FY 2017-18 cost \$64.0 million total funds and \$26.5 million General Fund. When making decisions, the General Assembly must balance the cost of such an increase against the many competing demands elsewhere in the budget.

As the following charts show, the reimbursement rates for jails and private prisons have not kept up with inflation over the last 15 years as measured by the U.S. Consumer Price Index (CPI).

