MEMORANDUM

JOINT BUDGET COMMITTEE

TO	JBC Members
FROM	JBC Staff
DATE	March 15, 2019
SUBJECT	Comeback Packet 3

Included in this packet are staff comeback memos for the following items:

Corrections (Vance Roper): Medical Caseload and Jail Costs *(Technical Correction)*

Education (Craig Harper):
- FY 2019-20 Long Bill Recommendations for School Finance
- Charter School Capital Construction Funding

Higher Education (Amanda Bickel): Update to Higher Education federal Perkins Funds shown for informational purposes

Human Services (Robin Smart): R2 Veterans Community Living Centers Salary Increases *(Tabled Item)*

Human Services (Kevin Neimond): Colorado Trails Maintenance *(Tabled Item)*

Judicial (Steve Allen): Office of the Alternate Defense Counsel R4 Compensation Plan Alignment *(Technical Correction)*

Labor and Employment (Amanda Bickel): Update to TABOR impact/General Fund revenue impact of JBC Potential Bill #108

Natural Resources (Scott Thompson): Funding for the OGCC to hire 3.0 FTE in the Rifle field office and additional requested information *(Tabled Item)*

Personnel (Scott Thompson): Cash Fund Waivers

Public Health and Environment (Christina Beisel): R4 Electronic Health Records for Local Public Health Agencies *(Tabled Item)*

Public Safety (Christina Beisel): Wildfire Funding Adjustment *(Technical Correction)*

Regulatory Agencies (Kevin Neimond): Annualization of DORA Supplemental Bill *(Technical Correction)*

Revenue (Alfredo Kemm): BA1 Colorado Road and Community Safety Act Expansion *(New Item)*

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Vance Roper, JBC Staff (303-866-3147)
DATE	March 14, 2019
SUBJECT	Medical Caseload and Jail Costs

➔ MEDICAL CASELOAD

Staff recommends a reduction of $6,585,848 General Fund for Medical Caseload. In Staff's original calculations, some individuals that do not receive medical services or pharmaceuticals were counted. When these individuals are removed, it reduced the appropriation need by $6.6 million General Fund.

The first table below shows the new calculations for the populations that receive medical services and pharmaceutical services. The second table shows the differences between the original and new recommendation.

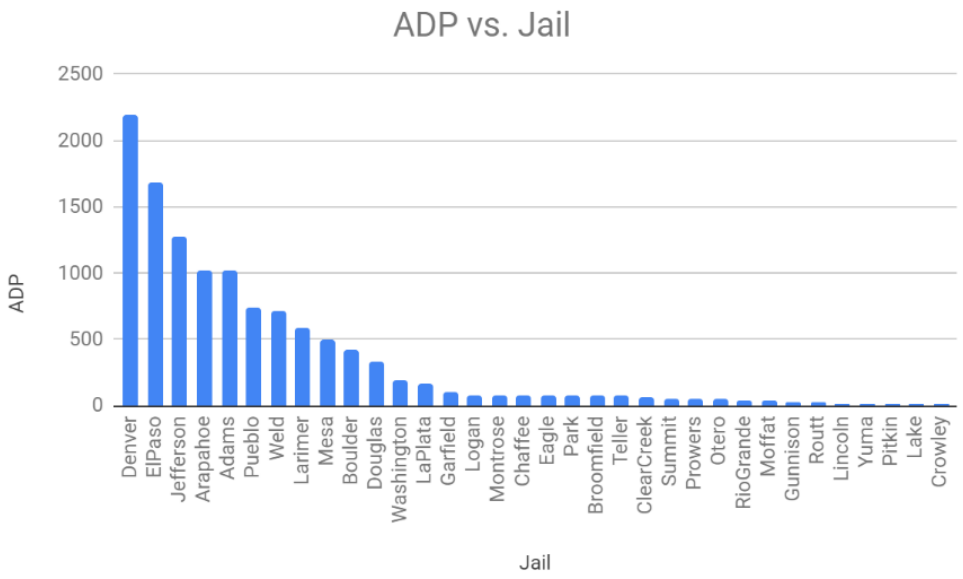
NEW MEDICAL SERVICES AND PHARMACEUTICAL SERVICES POPULATION	
DOC Prison Population	18,515
Plus YOS Population (rolling 12-month average)	166
Medical Purchased Services Population	**18,681**
Private Prison and Pre-Release Parole Revocation Population (reduction)	3,862
Pharmaceutical Population	**14,819**

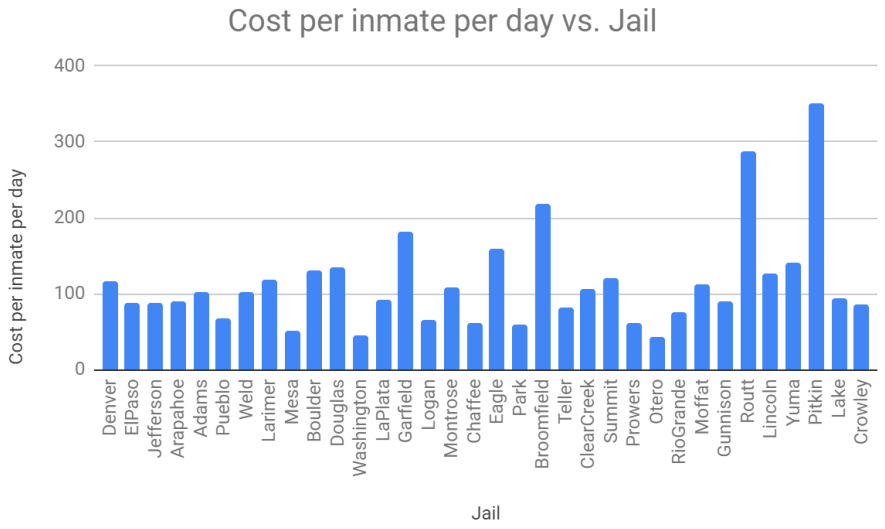
NEW VS ORIGINAL RECOMMENDATION			
Item	Original Recommendation	New Recommendation	Difference
Purchase of Pharmaceuticals	$18,007,458	15,561,728	(2,445,730)
Medical Purchased Service	39,010,073	34,869,955	(4,140,118)
Total	**57,017,531**	**50,431,683**	**(6,585,848)**

➔ DAILY JAIL RATE

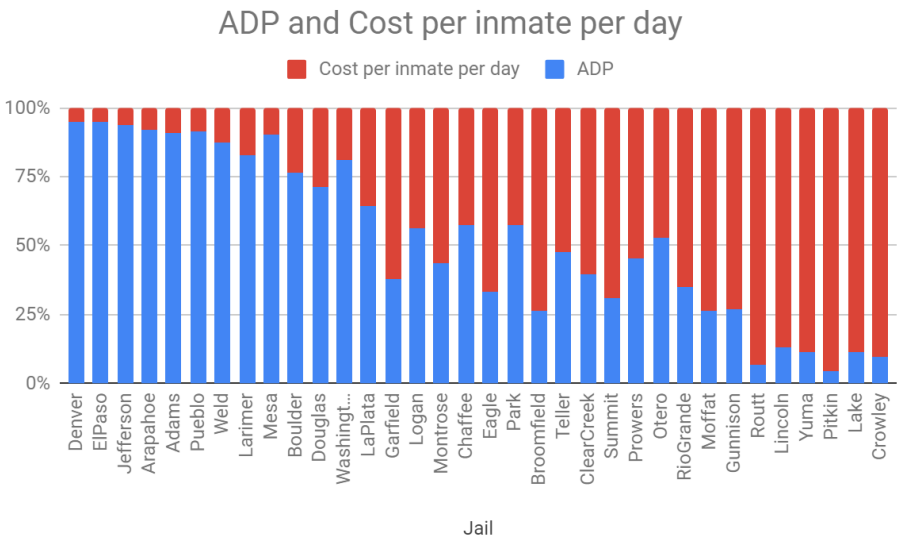
The line item that provides the daily rate for jails was tabled during figure setting for the Department of Corrections to allow for additional discussion on the rates. Below is some additional information based on the Committee's questions for this line item.

The first chart is the average daily population (ADP) for the jails that returned the surveys and the second chart is the cost per inmate per day.





The final chart shows the previous two charts at a 100 percent scale. This chart is displayed in this manner to show the relationship between ADP and costs.



Finally, the table below shows the current appropriation with a one percent provider rate increase, a bridging of the gap over ten years, and bridging the gap in the next fiscal year. The differences between the options range from an increase of $171,248 General Fund and an increase of $6,425,629 General Fund.

ITEM	CURRENT RATE	APPROPRIATION	NEW RATE	APPROPRIATION	DIFFERENCE
Provider Rate Increase	$54.93	$13,413,234	$55.48	$13,584,482	$171,248
Bridget the Gap in 10 Years	$54.93	$13,413,234	$58.56	$14,378,311	$965,077
Bridge the Gap in FY 2019-20	$54.93	$13,413,234	$81.65	$19,838,863	$6,425,629

The following link contains the results from the survey that was sent to Jails:

https://goo.gl/pftUAy

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Craig Harper, JBC Staff (303-866-3481)
DATE	March 15, 2019
SUBJECT	Staff Comeback - FY 2019-20 Long Bill Recommendations for School Finance

The Committee took action on the Department of Education's FY 2019-20 budget request on March 6, 2019. However, because of a lack of available data, the Committee delayed decisions related to school finance (including the State Share of Districts' Total Program Funding and Hold-harmless Full-day Kindergarten Funding line items). This memo includes preliminary recommendations for the *Long Bill* appropriation for both line items (the fund sources for total program may change based on the March 2019 revenue forecast, the Committee's selection of a forecast for balancing purposes, and other Committee actions). Specifically, this memo provides:

- A recommended framework for the fund sources supporting the state share of total program funding, as well as the total appropriation necessary to maintain the budget stabilization factor as a constant dollar amount (as required by current law).
- A recommended appropriation for the Hold-harmless Full-day Kindergarten Funding line item based on the proposed total program funding amount.

The memo also includes the original figure setting document material for three budget amendments related to the full-day kindergarten proposal (continuing the recommendation to deny funding for those items *in the Long Bill* because each proposal requires separate legislation):

LONG BILL FUNDING RECOMMENDATION FOR TOTAL PROGRAM

Staff recommends approving an appropriation of $4,441,968,290 total funds for the State Share of Districts' Total Program Funding line item.

- The recommendation includes the following specific fund sources: (1) $3,988,528,773 General Fund; (2) $384,610,880 cash funds from the State Education Fund; and (3) $68,828,637 cash funds from the State Public School Fund.
- As required by current law, the recommendation would maintain the budget stabilization factor at $672.4 million, with no change from the FY 2018-19 appropriation.
- The recommendation targets year-end fund balances of $100.0 million in the State Education Fund and approximately $29.5 million in the State Public School Fund.
- The specific fund source data may change based on the March revenue forecast (and the Committee's selection of a specific forecast) as well as any Committee decisions changing spending from either the State Education Fund or the State Public School Fund. <u>Staff requests permission to modify the fund source data as necessary to maintain the recommended fund balance targets.</u>

The following table shows the components of the staff recommendation for FY 2019-20 assuming a constant budget stabilization factor. As shown in the table:

- Maintaining the budget stabilization factor at $672.4 million increases projected statewide average per pupil funding from $8,123 in FY 2018-19 (as adjusted by S.B. 19-128) to $8,362 in FY 2019-20, an increase of $239 per pupil (2.9 percent).

- The recommendation requires an increase of $66.6 million General Fund in FY 2019-20 to offset the loss of one-time funding from the State Education Fund and State Public School Fund supporting total program funding in FY 2018-19. In order to maintain the targeted fund balances for the relevant cash funds, the staff recommendation assumes that any subsequent appropriation to reduce the budget stabilization factor (or fund other priorities) would come from the General Fund.

FY 2019-20 TOTAL PROGRAM FUNDING RECOMMENDATION				
	FY 2018-19 APPROPRIATION (AFTER S.B. 19-128)	GOVERNOR'S REVISED REQUEST (EXCLUDING FULL-DAY KINDERGARTEN)	STAFF RECOMMENDATION (CONSTANT BUDGET STAB. FACTOR)	ANNUAL CHANGE (FROM FY 2018-19 APPROPRIATION)
Funded Pupil Count	870,084.9	872,201.8	872,201.8	2,116.9
Inflation Rate	3.4%	2.7%	2.7%	-0.7%
Statewide Base Per Pupil Funding	$6,769	$6,952	$6,952	$183
Total Program Funding				
Total Program before Budget Stab. Factor	$7,739,732,989	$7,965,891,464	$7,965,424,012	$225,691,023
Budget Stabilization Factor	(672,396,894)	(595,396,894)	(672,396,894)	0
Budget Stabilization Factor as Percentage	*-8.69%*	*-7.47%*	*-8.44%*	*0.25%*
Adjusted Total Program	$7,067,336,095	$7,370,494,570	$7,293,027,118	$225,691,023
Statewide Average Per Pupil	$8,123	$8,450	$8,362	$239
Local And State Shares				
Local Share	$2,598,750,917	$2,850,867,963	$2,851,058,828	$252,307,911
Property Tax	2,394,206,928	2,640,290,097	2,640,378,519	246,171,591
Specific Ownership Tax	204,543,989	210,577,866	210,680,309	6,136,320
State Share	$4,468,585,178	$4,519,626,607	$4,441,968,290	($26,616,888)
General Fund	3,921,923,439	3,976,045,468	3,988,528,773	66,605,334
Cash Funds (SEF)	403,991,171	461,329,151	384,610,880	(19,380,291)
Cash Funds (SPSF)	142,670,568	82,251,988	68,828,637	(73,841,931)
Annual General Fund Increase		**54,122,029**	**$66,605,334**	

Staff requests permission to adjust the fund sources as necessary based on the March revenue forecast, the Committee's selection of a forecast for balancing purposes, and other Committee decision affecting the balance of either the State Education Fund or the State Public School Fund.

The following assumptions underlie the staff recommendation:

- *Budget Stabilization Factor:* Current law (as enacted in H.B. 18-1379 (School Finance)) will not allow the budget stabilization factor to increase as a dollar amount from FY 2018-19 to FY 2019-20. Thus, the staff recommendation *for the Long Bill appropriation* holds the budget stabilization factor constant at $672,396,894 in FY 2019-20. Staff assumes that any changes to that amount will be enacted in the annual School Finance Bill and that the General Fund would provide the additional appropriations.
- *ASCENT Slots:* The staff recommendation includes 500 slots for the Accelerating Students Through Concurrent Enrollment (ASCENT) Program, with no change from the FY 2018-19 appropriation. Increasing the number of slots would increase the pupil count and increase the required appropriation (by $7,673 per additional slot based on a constant budget stabilization factor). Conversely, decreasing the number of slots would decrease the pupil count and the necessary appropriation accordingly.

- *State Education Fund Balance:* Continuing the Committee's policy from the past several years, the staff recommendation targets a year-end balance of $100.0 million in the State Education Fund. Thus, any additional spending from the State Education Fund (e.g., outside of the Long Bill) would decrease the fund balance below that target. The recommendation incorporates the Committee's decisions to date regarding the appropriation of State Education Fund money for FY 2019-20.
- *State Public School Fund Balance:* Based on the volatility of two of the major revenue sources for the State Public School Fund (federal mineral lease revenues and marijuana taxes), the staff recommendation targets a fund balance of approximately $29.5 million at the end of FY 2019-20. That targeted fund balance includes: (1) an estimated $24.5 million in marijuana sales tax revenue expected to be deposited in the fund in FY 2019-20 and available for appropriation in FY 2020-21; and (2) a buffer of $5.0 million to account for potential forecast error in FY 2019-20.

OUTSTANDING QUESTIONS

As discussed above, staff has based the recommendation for total program funding on a series of assumptions, each of which is subject to change by Committee action. Looking toward the budget balancing process, staff recommends that the Committee consider the following questions (which may affect the appropriations and fund sources required in FY 2019-20).

1 Do the Committee and the General Assembly intend to reduce the value of the budget stabilization factor in FY 2019-20? The Governor has proposed a reduction of $77.0 million below the staff recommendation (from $672.4 million to $595.4 million). Does the Committee wish to set aside money for that purpose?

2 Does the Committee wish to set aside funds in either the State Education Fund or the State Public School Fund for other purposes or legislation? The staff recommendation targets minimum fund balances for the two cash funds supporting total program funding. Setting aside additional cash funds would increase the need for General Fund to support school finance.

3 Does the Committee wish to maintain the appropriation of 500 ASCENT slots? The Committee could choose to add slots (for example, the FY 2017-18 appropriation included 600 slots) or reduce the number of slots, with an impact of $7,673 per slot in either direction assuming the budget stabilization factor remains constant. The Department reports that the number of requests for ASCENT slots (by school districts and charter schools) is increasing. The Department reports the following drivers of the increase in interest: (1) increases in concurrent enrollment participation and (2) policy changes that allow school districts to count ASCENT students in their four-year graduation rate.[1] Staff also notes, however, that while the number of requests has increased (e.g., from 718 slots requested in FY 2017-18 to 950 in FY 2018-19), the number of slots actually used remains well below the number requested (498.5 used out of 952

[1] House Bill 17-1294 modified statute to allow ASCENT participants that have completed their graduation requirements to be counted in a school's four-year graduation rate. According to the Department, a prior requirement that ASCENT participants (in their fifth year) counted against schools' four-year graduation rates was a barrier to participation by some districts and schools.

requested in FY 2018-19). Usage also remains below the number of slots approved by the General Assembly although it appears that an increase in the number of slots would increase participation.

ASCENT SLOT USAGE AND ROLL-FORWARD				
	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ESTIMATE	FY 2019-20 ESTIMATE
Total Slot Requests	651.5	718.5	952.0	1,026.0
"New" Appropriated slots (Long Bill footnote)	550.0	600.0	500.0	500.0
Slots rolled forward from prior year	95.5	211.0	62.5	64.0
Total Slots Available	**645.5**	**811.0**	**562.5**	**564.0**
Rolled forward slots used	95.5	196.0	59.5	64.0
New slots used	339.0	361.0	439.0	500.0
Total slots used	**434.5**	**557.0**	**498.5**	**564.0**
Slots rolled forward to next year	211.0	62.5	64.0	NA
Slots expired (and reverted)	5.0	188.5	3.0	NA

LONG BILL RECOMMENDATION FOR HOLD-HARMLESS FULL-DAY KINDERGARTEN FUNDING

Staff recommends an appropriation of $8,939,591 cash funds from the State Education Fund for the Hold-harmless Full-day Kindergarten Funding line item. The recommendation aligns with the staff recommendation for total program funding to hold the budget stabilization factor constant at $672.4 million.

The recommendation is $94,921 below the Department's request (excluding changes associated with full-day kindergarten funding which would eliminate this line item) because the Department's request would reduce the budget stabilization factor by $77.0 million and therefore increase the funding necessary for this line item.

REQUESTS RELATED TO FULL-DAY KINDERGARTEN FUNDING

The Committee tabled three requests (totaling 265.7 million General Fund) related to the Governor's proposal to fund full-day kindergarten in FY 2019-20:

- BA2 (Full-day Kindergarten Funding) proposes an increase of $227.0 million General Fund to support full-day kindergarten funding in FY 2019-20 (increasing each full-day kindergarten student from 0.58 student FTE to 1.0 student FTE). The request would also repurpose 5,100 Early Childhood At-risk Enhancement (ECARE) slots that districts are currently using to support full-day kindergarten students and allow districts to use those to provide preschool services. In addition, the request would eliminate the Hold-harmless Full-day Kindergarten Funding line item and shift those funds to the State Share of Districts' Total Program Funding line item.
- BA3 (Colorado Preschool Program Additional Slots) proposes an increase of $13.0 million General Fund to provide an additional 3,066 Colorado Preschool Program (CPP) slots in FY 2019-20.
- BA4 (Full-day Kindergarten Implementation) proposes an increase of $25.7 million General Fund in one-time funding to support transition costs associated with full-day kindergarten funding.

As discussed during figure setting, staff recommends denying each of these requests for appropriation *in the Long Bill* because each request would require separate legislation. As during figure setting, staff

is not making a recommendation on the substance of the requests, such as whether to transition to full-day kindergarten funding. The original staff write-up from the figure setting document for each request is below.

➔ BA2 FULL-DAY KINDERGARTEN

REQUEST: Budget Amendment 2 proposes an increase of $227.0 million General Fund to support full-day kindergarten funding in FY 2019-20. The proposal requires a statutory change to increase kindergarten enrollment funding from 0.58 FTE per student under current law to 1.0 FTE in FY 2019-20. Participation by both school districts and families would be optional but this proposal would fund every full-day kindergarten student as 1.0 student FTE.

- Because the 0.58 FTE funding level is in statute, increasing to 1.0 FTE in FY 2019-20 requires statutory change.
- By funding full-day kindergarten, the proposal would allow the Department to repurpose approximately 5,100 Early Childhood At-risk Enhancement (ECARE) slots that school districts are currently using to provide full-day kindergarten. Because those slots would no longer be needed for kindergarten, they would instead be available preschool students under the Colorado Preschool Program (CPP). The number of CPP/ECARE is also set in statute, with a total of 29,360 slots provided in FY 2018-19.
- The request eliminates the Hold-harmless Full-day Kindergarten Funding line item (which would no longer be needed under the proposal) and proposes to use the associated funds ($9.0 million cash funds from the State Education Fund anticipated in FY 2019-20) to support total program funding.

RECOMMENDATION: Staff recommends denying the request as part of the Long Bill process. Budget amendment 2 requires statutory change and is not appropriate for inclusion in the Long Bill. If the Committee intends to support funding for the request in FY 2019-20, then it may wish to account for the anticipated appropriations during the budget balancing process for the Long Bill.

ANALYSIS: Budget amendment 2 requires separate legislation and is neither proposed (by the Department) nor recommended (by JBC Staff) as a Joint Budget Committee bill. Because the Long Bill is written to current law, staff does not recommend including the requested resources in the Long Bill appropriation. In addition, staff is not making a specific recommendation regarding the policy question at issue in the request.

➔ BA3 CPP ADDITIONAL SLOTS

REQUEST: In addition to repurposing the roughly 5,100 slots in Budget Amendment 2, Budget Amendment 3 proposes an increase of $13.0 million General Fund to support an additional 3,066 CPP slots in FY 2019-20. This proposal requires a statutory change to increase the total number of slots approved for the fiscal year. The Department estimates that the combined impact of Budget Amendments 2 and 3 would allow the CPP to serve all eligible students based on statutory CPP eligibility criteria (the Department estimates that the current number of slots (29,360) falls approximately 8,200 short of the number of children that would be eligible for CPP).

RECOMMENDATION: Staff recommends denying the request as part of the Long Bill process. Like BA2 (discussed above), BA3 requires statutory change (in this case to increase the number of statutorily-authorized CPP slots). If the General Assembly wishes to add CPP slots for FY 2019-20, then staff would recommend including the additional slots and the associated appropriation in the annual school finance bill. If the Committee intends to support funding for the request in FY 2019-20, then it may wish to account for the anticipated appropriations during the budget balancing process for the Long Bill.

ANALYSIS: Budget amendment 3 requires separate legislation and is neither proposed (by the Department) nor recommended (by JBC Staff) as a Joint Budget Committee bill. Because the Long Bill is written to current law, staff does not recommend including the requested resources in the Long Bill appropriation. In addition, staff is not making a specific recommendation regarding the policy question at issue in the request.

➔ BA4 FULL-DAY KINDERGARTEN IMPLEMENTATION

REQUEST Budget Amendment 4 proposes an increase of $25.7 million General Fund in FY 2019-20 to assist districts with the "up-front costs for implementing full-day kindergarten" (such as facility changes, adding or retaining teachers, etc.). To distribute the additional funding, the request proposes to fund all full-day kindergarten students as 1.05 FTE in FY 2019-20 (with the additional 0.05 FTE resulting from this budget amendment).

RECOMMENDATION: Staff recommends denying the request. As with BA2 and BA3, staff believes this request requires statutory change. If the General Assembly wishes to provide additional implementation funding associated with full-day kindergarten, then staff recommends including the funding (as well as authorizing language detailing the distribution and uses of funds) in legislation authorizing the funding of full-day kindergarten. If the Committee intends to support funding for the request in FY 2019-20, then it may wish to account for the anticipated appropriations during the budget balancing process for the Long Bill.

ANALYSIS: As discussed above, staff does not believe that the requested funding is appropriate for inclusion in the Long Bill. Staff also notes the following about the Department's request:

- Based on the summary information provided in the request, staff assumes that the increase would only apply to FY 2019-20. The proposal would transfer any unexpended amounts to the State Education Fund at the end of FY 2019-20 but does not indicate the intended use of any funding beyond FY 2019-20.
- The proposal would distribute additional funding (equating to 0.05 FTE) for every full-day kindergarten student in the state, including in districts that are already providing full-day kindergarten. Staff notes that such districts presumably would not have the additional up-front expenses required in districts that are not providing universal full-day kindergarten. Staff assumes that the proposal seeks to maintain equity regardless of the district's current kindergarten programming. The Committee and General Assembly may wish to consider targeting funds specifically to districts experiencing start-up costs.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Craig Harper, JBC Staff (303-866-3481)
DATE	March 15, 2019
SUBJECT	Staff Comeback – Charter School Capital Construction Funding

During figure setting for the Department of Education on March 6, 2019, the Committee approved the Department's requested continuation appropriation of $25.0 million total funds for the State Aid for Charter School Facilities line item for FY 2019-20, with no change from the FY 2018-19 appropriation. That appropriation includes the following amounts:

- $20.0 million cash funds from the State Education Fund.
- $5.0 million cash funds from the Charter School Facilities Assistance Account of the Public School Capital Construction Assistance Fund (supported by marijuana excise tax revenues).

Staff is returning to the Committee with updated information and a revised recommendation for this line item for FY 2019-20.

Revised Staff Recommendation

Staff recommends approving an increase of $3.0 million cash funds from the Charter School Facilities Assistance Account for FY 2019-20, for a total appropriation of $28.0 million. The recommendation includes $20.0 million from the State Education Fund and $8.0 million from the Charter School Facilities Assistance Account. In addition, staff specifically recommends that the Committee continue the practice of appropriating the marijuana excise tax revenues to this program in the year following their collection.

New Information

As created in H.B. 14-1292 (Student Success Act), the Charter School Facilities Assistance Account receives 12.5 percent of all marijuana excise tax revenues credited to the Public School Capital Construction Assistance Fund (B.E.S.T. Fund).

- Prior to the enactment of H.B. 18-1070 (Additional Public School Capital Construction Funding), the B.E.S.T. Fund received the first $40.0 million of marijuana excise tax revenues. The Assistance Account (within the B.E.S.T. Fund) receives 12.5 percent of the amount credited to the B.E.S.T. Fund. As a result, the Assistance Account received $5.0 million per year for FY 2015-16 through FY 2017-18 (12.5 percent of $40.0 million). Pursuant to standard Committee policy, the Long Bill has appropriated those funds in the year after collection (e.g., appropriating the $5.0 million collected in FY 2015-16 in the FY 2016-17 Long Bill, etc.).
- Starting in FY 2018-19, H.B. 18-1070 increases the deposit of marijuana revenues to the B.E.S.T. Fund, changing from the first $40.0 million to the greater of $40.0 million or 90.0 percent of total excise tax revenues. As a result, starting this year, the bill credits 12.5 percent of that larger amount to the Assistance Account. Current projections anticipate a deposit of $7.2 million to the Assistance Account in FY 2018-19 ($2.2 million above the current FY 2018-19 appropriation), which would then be available for appropriation in FY 2019-20.
- Staff's recommendation to continue to appropriate the marijuana-related revenues in the year after their collection means that the Committee would target an ending balance at least as large as the projected marijuana revenue collections that year. Based on the March 2019 Legislative Council

Staff Revenue Forecast, staff anticipates that the Assistance Account will receive $7.0 million in marijuana excise tax revenues in FY 2019-20. Thus, the staff recommendation seeks to maintain at least that much for the ending balance in FY 2019-20 to make those revenues available for appropriation in FY 2020-21. As shown in the following table, the staff recommendation anticipates an ending balance of $7.6 million at the end of FY 2019-20.

CHARTER SCHOOL FACILITIES ASSISTANCE ACCOUNT						
	FY 14-15 ACTUAL	FY 15-16 ACTUAL	FY 16-17 ACTUAL	FY 17-18 ACTUAL	FY 18-19 ESTIMATE	FY 19-20 ESTIMATE
Total Marijuana Excise Tax Revenues to B.E.S.T. Fund	$23,949,565	$40,000,000	$40,000,000	$40,000,000	$57,904,259	$56,265,602
Deposit to the Assistance Account (12.5 percent)	$2,993,696	$5,000,000	$5,000,000	$5,000,000	$7,238,032	$7,033,200
Beginning Fund Balance	$376,608	$3,370,303	$6,370,303	$6,370,303	$6,370,303	$8,608,335
Marijuana Excise Tax Deposits to Account	2,993,696	5,000,000	5,000,000	5,000,000	7,238,032	7,033,200
Appropriation/Expenditure	0	(2,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(8,000,000)
Ending Fund Balance	$3,370,303	$6,370,303	$6,370,303	$6,370,303	$8,608,335	$7,641,536

FY 2018-19 Concerns – Spending Above the Appropriation

Staff also wants to bring an issue related to FY 2018-19 to the Committee's attention. As noted above, the FY 2018-19 appropriation for charter school capital construction includes a total of $25.0 million, including $5.0 million from the Assistance Account. That $5.0 million appropriation was based on the $5.0 million credited to the account in FY 2017-18 based on the Committee's policy to appropriate these revenues in the year following collection.

- Starting in FY 2018-19, H.B. 18-1070 is increasing deposits to the Assistance Account. The Legislative Council Staff Fiscal Note for H.B. 18-1070 anticipated that the bill would increase deposits to the B.E.S.T. Fund by $34.0 million in FY 2018-19, with 12.5 percent of that amount ($4.25 million) expected to be credited to the Assistance Fund.
- In fact, excise tax revenues have been significantly lower than expected in H.B. 18-1070. The March 2019 Legislative Council Staff Revenue Forecast anticipates a total of $57.9 million to be credited to the B.E.S.T. Fund (an increase of only $17.9 million as a result of H.B. 18-1070) and a total of $7.2 million credited to the Assistance Account (an increase of only $2.2 million as a result of H.B. 18-1070).
- Based on the *anticipated* increase in revenues, H.B. 18-1070 appropriates a total of $34.0 million cash funds from the B.E.S.T. Fund for the B.E.S.T. Program in FY 2018-19, including increases of $19.0 million for lease purchase payments and $15.0 million for cash grants. However, the bill did not include any appropriation of the new revenues (from the Assistance Account) for charter school capital construction. Rather, continuing the Committee's prior practice of appropriating those revenues in the year after their collection, staff anticipated appropriating those funds in FY 2020-21.
- Unfortunately, although the Department did not have an appropriation of the new revenues from the Assistance Account (which is subject to annual appropriation pursuant to Sec. 22-43.7-110.3 (1), C.R.S.), the Department has assumed that $4.25 million in additional revenue was available in FY 2018-19. As a result, the Department has assumed a total of $29.25 million was available for

distribution in the current year ($4.25 million above the actual appropriation) and is therefore currently spending $4.25 million more than was appropriated for the current year.[1]

The Department's distribution of funds in excess of the appropriation has put the Committee in an unfortunate position. The Office of the State Controller has communicated to the Department that it does not have the spending authority to spend more than $5.0 million from the Account in FY 2018-19. Given that they do not have spending authority for the excess funds, staff expects the Department to reduce the monthly distribution of funds for the remainder of the year to stay within the appropriation.

- Staff assumes that recipient schools may see that as a "claw-back" (although the funds have not yet been distributed), creating concern among the recipient schools.
- Staff notes, however, that this situation illustrates the importance of the policy of appropriating marijuana funds in the following year because of the uncertainty surrounding the revenue stream. Had H.B. 18-1070 included an appropriation of $4.25 million for charter school construction, the revenues would have fallen short of that appropriation. Depletion of the fund balance in FY 2018-19 to cover that shortfall would require a reduction in funding in FY 2019-20.

Staff recommends maintaining the current appropriation for FY 2018-19 (a total of $25.0 million, including $5.0 million from the Assistance Account) and requiring the Department to reduce the distribution of funds for the remainder of the year. Staff notes, however, that the available fund balance in the Assistance Account provides additional options for the Committee's consideration.

- The Committee could appropriate an additional $4.25 million in the current year (as a Long Bill add-on) to prevent the reduction in distributions for the remainder of the year. However, that option would require a reduction of $5.25 million (an appropriation of $4.0 million) in FY 2019-20 to restore the fund balance and return to the practice of appropriating funds in the year following collection.
- The Committee could also maintain the FY 2018-19 appropriation but appropriate the $4.25 million in FY 2019-20 (an increase of $1.25 million above the staff recommendation). Similarly, that option would have consequences in the following year to restore the fund balance.

Based on those considerations, staff recommends holding the FY 2018-19 appropriation at the current level and requiring the Department to manage within the existing appropriation.

Original Figure Setting Document Write-up

STATE AID FOR CHARTER SCHOOL FACILITIES

In 2001 (S.B. 01-129) the General Assembly created a new program to distribute State Education Fund moneys to charter schools for capital construction, providing that certain "qualified" charter schools will receive a flat amount of funding per pupil for capital construction expenditures. The amount that each charter school received per pupil was originally calculated as 130 percent of the minimum per pupil capital reserve amount that each district is required to budget; for FY 2001-02,

[1] Staff acknowledges that the Department received a legal opinion from the Department of Law that indicated that the Department's spending could exceed the appropriation. However, JBC Staff and the Office of Legislative Legal Services disagree with that opinion, and the Office of the State Controller has told the Department that it does not have the additional spending authority.

qualified charter schools received $322 per pupil. Thus, the amount of funding was originally required to increase each year based on the number of qualified charter schools, the number of pupils attending such schools, and inflationary increases in the minimum per pupil capital reserve amount.

Subsequently, the General Assembly modified this program in two significant ways. First, the amount appropriated for the program is now specified in statute [see Section 22-54-124 (3) (a) (III) (A), C.R.S.]. Second, with the exception of a charter school that operates within a state facility, any charter school with "capital construction costs" is eligible to receive funding. The current system allocates annual appropriations among charter schools on a per pupil basis, except that any charter school operating in a school district facility that does not have ongoing financial obligations to repay the outstanding costs of new construction undertaken for the charter school's benefit receives one-half the amount per pupil that other charter schools receive. With the enactment of H.B. 14-1292 (Student Success Act), the General Assembly made the following changes to funding for the program:

- Increased the appropriation from the State Education Fund from $7.0 million in FY 2013-14 to $13.5 million in FY 2014-15 and required an increase to $20.0 million in FY 2015-16 and subsequent years.
- Authorized additional funding for charter school capital construction from marijuana excise tax revenues. Beginning July 1, 2014, the bill directs the State Treasurer to deposit 12.5 percent of marijuana excise tax moneys deposited into the Public School Capital Construction Assistance Fund (PSCCAF) into the Charter School Facilities Assistance Account within the PSCCAF. Moneys in the account are subject to annual appropriation by the General Assembly. Consistent with the Committee's policy to spend prior year marijuana revenues, the Department spends moneys deposited into the Charter School Facilities Assistance Account in the year *after* the moneys are collected. The FY 2018-19 appropriation includes $5.0 million in marijuana excise tax revenues that were collected in FY 2017-18.
- The Committee should note that H.B. 18-1070 increased the share of marijuana excise taxes going to the Public School Capital Construction Assistance Fund from the first $40.0 million per year to 90 percent of total excise tax revenues. That change also increases the amount transferred to the Charter School Facilities Assistance Account within the fund.

STATUTORY AUTHORITY: Section 22-54-124 (3) (a) (III) (A), C.R.S.

REQUEST: The Department requests a continuation appropriation of $25.0 million cash funds (including $20.0 million from the State Education Fund and $5.0 million from the Charter School Facilities Assistance Account, originally from marijuana excise taxes), with no change from the FY 2018-19 appropriation.

RECOMMENDATION: Staff recommends approving the request which is consistent with current law. The following table shows a history of per pupil funding amounts for this line item from FY 2005-06 through the FY 2019-20 recommendation. The request and recommendation do not reflect an increase in funding associated with the anticipated increase in marijuana excise taxes available for the program. Given current levels of uncertainty about marijuana-related revenue projections, staff recommends maintaining the current appropriation into FY 2019-20.

STATE FUNDING FOR CHARTER SCHOOL CAPITAL CONSTRUCTION COSTS				
FISCAL YEAR	TOTAL APPROPRIATION	TOTAL FUNDING PER PUPIL FOR ELIGIBLE SCHOOLS [a]	STATE EDUCATION FUND APPROP.	DEDICATED MARIJUANA EXCISE TAX FUNDING [c]
2006-07	$5,000,000	$145.09	$5,000,000	
2007-08	$7,800,000	$201.17	$7,800,000	
2008-09 [b]	5,000,000	115.77	5,000,000	
2009-10	5,135,000	107.47	5,135,000	
2010-11	5,000,000	97.64	5,000,000	
2011-12	5,000,000	90.06	5,000,000	
2012-13	5,000,000	78.98	5,000,000	
2013-14	6,000,000	87.67	6,000,000	
2014-15	7,000,000	94.40	7,000,000	
2015-16	13,500,000	169.29	13,500,000	
2016-17	22,000,000	258.48	20,000,000	2,000,000
2017-18	25,000,000	263.18	20,000,000	5,000,000
2018-19 estimate	25,000,000	256.30	20,000,000	5,000,000
2019-20 estimate	25,000,000	216.40	20,000,000	5,000,000

[a] These figures represent the amount that most eligible schools receive; eligible schools *operating in a district facility* receive one-half this amount per student.

[b] Of the amount appropriated, $135,000 was allocated to a charter school for the deaf.

c/ Based on estimate of 12.5 percent of marijuana excise tax revenues credited to the Public School Capital Construction Assistance Fund in the preceding fiscal year.

Based on self-reported enrollment projections for FY 2019-20 and the recommended appropriation, Department staff estimates that this appropriation would provide about $216 per student FTE (with charter schools in district facilities receiving about $113 per FTE).

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff ((303) 8664960)
DATE	March 15, 2019
SUBJECT	Update to Higher Education federal Perkins Funds shown for informational purposes

The Department of Higher Education request included an increase in General Fund support for administration of Occupational Education programs. The request indicated that the increase was required due to an anticipated increase in federal support from the Carl D. Perkins Vocational and Technical Education Act. Of the total federal grant, 5.0 percent is set aside for administrative costs, and the State is required to provide a 1:1 match for this amount.

The Committee approved the requested increase for Occupational Education administration, but there was no request to update associated federal funds. In light of this, staff requested that the community college/occupational education system provide an update to the estimated federal funds amounts for the Perkins grant. These funds are shown for informational purposes in the Long Bill. Based on the response, staff recommends the following updates to federal funds shown for informational purposes. As shown, the change represents an increase of over 21 percent in Perkins grant amounts.

DIVISION OF OCCUPATIONAL EDUCATION, SPONSORED PROGRAMS, ADMINISTRATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
H.B. 18-1322 (Long Bill)	$2,220,227	$0	$0	$0	$2,220,227	23.0
TOTAL	**$2,220,227**	**$0**	**$0**	**$0**	**$2,220,227**	**23.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$2,220,227	$0	$0	$0	$2,220,227	23.0
Informational funds adjustment for occupational education programs	489,661	0	0	0	489,661	0.0
TOTAL	**$2,709,888**	**$0**	**$0**	**$0**	**$2,709,888**	**23.0**
INCREASE/(DECREASE)	**$489,661**	**$0**	**$0**	**$0**	**$489,661**	**0.0**
Percentage Change	22.1%	0.0%	0.0%	0.0%	22.1%	0.0%
FY 2019-20 EXECUTIVE REQUEST	**$2,220,227**	**$0**	**$0**	**$0**	**$2,220,227**	**23.0**
Request Above/(Below) Recommendation	($489,661)	$0	$0	$0	($489,661)	0.0

DIVISION OF OCCUPATIONAL EDUCATION, SPONSORED PROGRAMS, PROGRAMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
H.B. 18-1322 (Long Bill)	$13,353,751	$0	$0	$0	$13,353,751	0.0
TOTAL	**$13,353,751**	**$0**	**$0**	**$0**	**$13,353,751**	**0.0**
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	$13,353,751	$0	$0	$0	$13,353,751	0.0

DIVISION OF OCCUPATIONAL EDUCATION, SPONSORED PROGRAMS, PROGRAMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Informational funds adjustment for occupational education programs	2,802,280	0	0	0	2,802,280	0.0
TOTAL	**$16,156,031**	**$0**	**$0**	**$0**	**$16,156,031**	**0.0**
INCREASE/(DECREASE)	**$2,802,280**	**$0**	**$0**	**$0**	**$2,802,280**	**0.0**
Percentage Change	21.0%	0.0%	0.0%	0.0%	21.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	**$13,353,751**	**$0**	**$0**	**$0**	**$13,353,751**	**0.0**
Request Above/(Below) Recommendation	($2,802,280)	$0	$0	$0	($2,802,280)	0.0

MEMORANDUM

JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Robin J. Smart, JBC Staff (303-866-4955)
DATE March 15, 2019
SUBJECT Veterans Community Living Centers, Salary Increases (Department of Human Services, R2)

On March 13, 2019, the Joint Budget Committee (JBC) approved the Department of Human Services' R2 Compensation for Direct Care Employees budget request for an increase in funding to raise salaries for direct care staff at the Veterans Community Living Centers. This budget request provided funding increases over two year. The Committee asked JBC staff to provide information concerning the fiscal impact of appropriating all funding for the salary increases in FY 2019-20. **Following is a breakdown of the total cost of $7,663,145 total funds, including $3,065,258 General Fund.** The Department indicates that there is a sufficient balance in the Central Fund for Veterans Community Living Centers to cover the increases in one fiscal year.

VETERANS COMMUNITY LIVING CENTERS
COST OF FULL INCREASE IN FY 2019-20

LIVING CENTER	PERSONAL SERVICES	PERA	MEDICARE	AED	SAED	HLD	STD	SHIFT DIFF.	TOTAL
Fitzsimons	$2,158,204	$224,453	$31,294	$107,910	$107,910	$309,160	$4,101	$86,329	$3,029,361
Rifle	1,395,166	145,097	20,230	69,758	69,758.30	190,253	2,651	55,807	1,948,721
Florence	1,146,841	119,271	16,629	57,342	57,342.05	79,272	2,179	45,873	1,524,750
Homelake	851,408	88,546	12,345	42,570	42,570.40	87,199	1,618	34,056	1,160,313
TOTAL	$5,551,619	$577,368	$80,498	$277,581	$277,581	$665,884	$10,548	$222,065	$7,663,145

By comparison, the Department's request for funding over two years includes an increase of $5,996,337 total funds, including $2,398,535 General Fund in FY 2019-20, and **subsequent increase of $1,666,806 total funds, and $666,722 General Fund in FY 2020-21.**

VETERANS COMMUNITY LIVING CENTERS
DEPARTMENT OF HUMAN SERVICES R2 REQUEST, FY 2019-20

LIVING CENTER	PERSONAL SERVICES	PERA	MEDICARE	AED	SAED	HLD	STD	SHIFT DIFF.	TOTAL
Fitzsimons	$1,728,580	$179,772	$25,064	$86,429	$86,429	$309,160	$3,284	$69,143	$2,487,862
Rifle	1,166,191	121,284	16,910	58,310	58,309.55	190,253	2,216	46,648	1,660,120
Florence	744,184	77,395	10,791	37,209	37,209.20	79,272	1,414	29,767	1,017,241
Homelake	590,221	61,383	8,558	29,511	29,511.05	87,199	1,121	23,609	831,114
TOTAL	$4,229,176	$439,834	$61,323	$211,459	$211,459	$665,884	$8,035	$169,167	$5,996,337

VETERANS COMMUNITY LIVING CENTERS
DEPARTMENT OF HUMAN SERVICES R2 REQUEST, FY 2020-21 ANNUALIZATION

LIVING CENTER	PERSONAL SERVICES	PERA	MEDICARE	AED	SAED	HLD	STD	SHIFT DIFF.	TOTAL
Fitzsimons	$429,624	$44,681	$6,230	$21,481	$21,481	$0	$816	$17,185	$541,498
Rifle	228,975	23,813	3,320	11,449	1,448.75	0	435	9,159	288,600
Florence	402,657	41,876	5,839	20,133	20,132.85	0	765	16,106	507,509
Homelake	261,187	27,163	3,787	13,059	13,059.35	0	496	10,447	329,200
TOTAL	$1,322,443	$137,534	$19,175	$66,122	$66,122	$0	$2,513	$52,897	$1,666,806

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Kevin Neimond, JBC Staff (303-866-4958)
DATE	March 15, 2019
SUBJECT	Tabled Item: CDHS R13 Colorado Trails maintenance

The Joint Budget Committee tabled action on the Department of Human Services' "R13 Colorado Trails maintenance" decision item during figure setting on March 7th. During the discussion, members asked for two additional pieces of information to assist in making this funding decision.

- A letter signed by the state's Chief Information Officer and Executive Director of the Governor's Office of Information Technology indicating support for this decision item.
- Information on how the operating costs of Trails compare to the acquisition cost of Trails and how the operating vs. acquisition costs of Trails compare to other systems and OIT standards.

In response, the state's Chief Information Officer and Executive Director of the Governor's Office of Information Technology submitted a letter (included in the following pages) indicating that "the Governor's Office of Information Technology (OIT) has been collaborating with the Department of Human Services in the creation of this FY 2019-20 Operating Request for Colorado Trails Maintenance since March 2018. OIT has completed an internal review to ensure the system aligns with statewide IT goals. The maintenance and operational resources supporting the system are currently underfunded and understaffed, and this funding request is essential to deliver the promised capabilities of Trails to the citizens of Colorado. We also ensured that this project has been included in the agency's Five-Year IT Roadmap."

In terms of the operating vs. acquisition costs of Trails information requests, OIT and the Department of Human Services indicate that the initial acquisition costs in the 1990s of Trails are not known at this time. OIT notes that "while the percentage of support costs are often between 10% and 20% of the original capital asset, that percentage can vary by system, but 10-20% is the industry average." The Trails modernization project did not completely replace system, so applying this standard to this project cost would not be an accurate comparison. However, "When OIT bid out the Trails Modernization Project, a complete replacement was also assessed. Based on an independent third party assessment, it would cost at least $60 million for the entire replacement. With the assumption that it would cost $60 million to build out a new system, the operating costs would range from $6 million (10%) to $12 million (20%)." Staff calculates the operating costs for Trails (including this request) to be $10,423,312, which equates to 17.4 percent and fits within the industry standard percentage provided by OIT.

The information provided by the executive branch in response to the questions raised by the Committee does not change staff's recommendation (included in the following pages). **Thus, staff recommends approval of this decision item.**

COLORADO
Governor's Office of
Information Technology
Serving people serving Colorado

Theresa M. Szczurek, Ph.D.
601 East 18th Avenue, Suite 130
Denver, CO 80203

March 14, 2019

The Honorable Senator Dominick Moreno
Joint Budget Committee
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, Colorado 80203

Re: CDHS FY 2019-20 Budget Request - Trails Modernization

Dear Senator Moreno and Honorable Members of the Joint Budget Committee:

This letter is to confirm that the Governor's Office of Information Technology (OIT) has been collaborating with the Department of Human Services in the creation of this FY 2019-20 Operating Request for Colorado Trails Maintenance since March 2018. OIT has completed an internal review to ensure the system aligns with statewide IT goals. The maintenance and operational resources supporting the system are currently underfunded and understaffed, and this funding request is essential to deliver the promised capabilities of Trails to the citizens of Colorado. We also ensured that this project has been included in the agency's Five-Year IT Roadmap.

Sincerely,

Theresa M. Szczurek, Ph.D.
Chief Information Officer & Executive Director

CC: Representative Daneya Esgar
Representative Chris Hansen
Senator Bob Rankin
Representative Kim Ransom
Senator Rachel Zenzinger

DECISION ITEMS – (2) OFFICE OF INFORMATION TECHNOLOGY SERVICES

➔ R13 COLORADO TRAILS MAINTENANCE

REQUEST: The Department requests an increase of $2,452,920 total funds, including $1,103,814 General Fund, to transfer money to the Governor's Office of Information Technology to contract for additional developers, business analysts, database administrators, service desk support, and infrastructure to maintain the Trails system used by state and local government to support the management of youth involved in the state's child protective services system.

LINE ITEMS IMPACTED:

- Office of Information Technology Services, Information Technology: Colorado Trails.

RECOMMENDATION: Staff recommends approving the request.

ANALYSIS:

Background

States are federally required to have a technology system that supports the child protective system by tracking reports of child abuse and neglect from intake through final disposition and securely reporting the corresponding data to the U.S. Department of Health and Human Services. In response to this federal requirement, Colorado implemented its Statewide Automated Child Welfare Information System, known as Trails, that has been operational since 2001. Today, Trails serves as the official case record for all child welfare documentation by tracking child abuse and neglect cases, provider licenses, juveniles in the youth corrections system, and foster and adoptive services.

The annual operating budget for Trails is $8.0 million total funds (the appropriation is spread across the Colorado Trails line item and the Payments to OIT line item in the Office of Information Technology Services section of the Department's budget). Additionally, the General Assembly appropriated $22.8 million total funds, including $11.4 million General Fund, across FY 2015-16, FY 2016-17, and FY 2017-18 for a capital construction information technology project to modernize Trails. This project is slated for completion at the end of FY 2018-19. The following table outlines the current allocation of operating appropriations for Trails.

TRAILS EXISTING OPERATING APPROPRIATION ALLOCATION				
COST ITEM	HOURLY RATE	#STAFF	TOTAL HOURS	TOTAL COST
Business analysts	$56	3.0	6,240	$349,440
Lead developers	$93	1.0	2,080	193,440
Developers - .net	$93	6.0	12,480	1,160,640
Reports developers	$93	3.0	6,240	580,320
Test analysts / testers	$88	3.0	6,240	549,120
Trainers	$88	2.0	4,160	366,080
Application support staff	$50	3.0	6,240	312,000
Trails manager	$93	0.25	520	48,360
Infrastructure costs	*n/a*	*n/a*	*n/a*	2,857,530
Hardware purchases	*n/a*	*n/a*	*n/a*	1,482,098
Various supplies	*n/a*	*n/a*	*n/a*	71,364
Total				**$7,970,392**

Issue
The $8.0 million total funds operating budget for Trails is insufficient to pay for its existing operating expenses. To address the shortfall, the Department has used vacancy savings from its Division of Child Welfare, money from its capital construction information technology project budget, and money from the Governor's Office of Information Technology's Technology Advancement and Emergency Fund to pay for needed contract services and information technology infrastructure.

None of these three funding sources is sustainable. The Division of Child Welfare has decreased its staff turnover rate, capital construction funds are expiring, and the Technology Advancement and Emergency Fund is only intended to cover one-time costs associated with emergency information technology expenditures, to address deferred maintenance of state agency information technology assets, and to provide additional services to address unforeseen service demands.

In absence of these funds, the Department will not be able cover the costs associated with contract services for developers and database administration, nor the costs associated with infrastructure (software and hardware). Additionally, the Department indicates that the federal Family First Prevention Services Act of 2018 necessitates changes to Trails that cannot be absorbed within existing resources.

Proposed Solution
The Department requests an increase of $2,452,920 total funds, including $1,103,814 General Fund, to transfer to the Governor's Office of Information Technology to cover its operating costs shortfall. The following table summarizes how these funds would be allocated.

TRAILS OPERATING EXPENSES FUNDING INCREASE BY ITEM

REQUEST ITEM	TOTAL FUNDS	GENERAL FUND
Trails Manager	$145,080	$65,286
Developers	967,200	435,240
Business Analysts	232,960	104,832
Database Administrator	226,720	102,024
Deskside Support	208,000	93,600
Infrastructure	672,960	302,832
Total	**$2,452,920**	**$1,103,814**

Staff Recommendation
Staff recommends approving the request to increase the operating expenses appropriation supporting Trails. The Department and the Governor's Office of Information Technology have been able to cover the existing operating costs associated with Trails using a variety of temporary funding sources. This approach, however, is not sustainable and does not lend itself well to supporting the successful implementation of the modernized Trails system that the General Assembly appropriated $22.8 million total funds to implement. The Department's proposal represents the funding level needed to operate Trails successfully without relying on a series of one-time budgetary gymnastics.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Steve Allen, JBC Staff (303-866-4961)
DATE	March 15, 2019
SUBJECT	Comeback for the Judicial Branch

This memo contains the following staff comebacks for the Judicial Branch.

- OADC request R4, Compensation plan alignment *(Technical)*.

Appropriation for OADC request R4

The Office of the Alternate Defense Counsel's OADC request OADC R4 (Compensation plan alignment) requests $114,696 General Fund for four categories of salary increases. Staff recommended funding two of these categories but misstated the total cost. Staff recommends an appropriation of $25,656 General Fund for this recommendation.

DETAIL OF THE REQUEST AND RECOMMENDATION:

The OADC requested four categories of salary increases for FY 2019-20.

1. $3,093 for a 2% increase for employees whose salaries are 10% or more below comparable salaries elsewhere.

2. $22,563 to implement the common compensation plan that the OADC developed jointly with the Office of the Child's Representative and the Office of the Respondent Parents' Counsel. This part of the request increases the salary of staff members whose salary falls below the minimum of the salary range for their new job class to the new range minimum.

3. $73,647 to increase the salaries of some employees whose salaries are at or close to the minimum of their new salary range under the new common compensation plan.

4. $9,089 for a salary increase for the Executive Director of the OADC to align the Executive Director's salary with the salary of the State Public Defender.

Staff recommended approval of parts 1 and 2 of the request, but not of parts 3 and 4. The cost of this recommendation is $25,656 General Fund.

MEMORANDUM

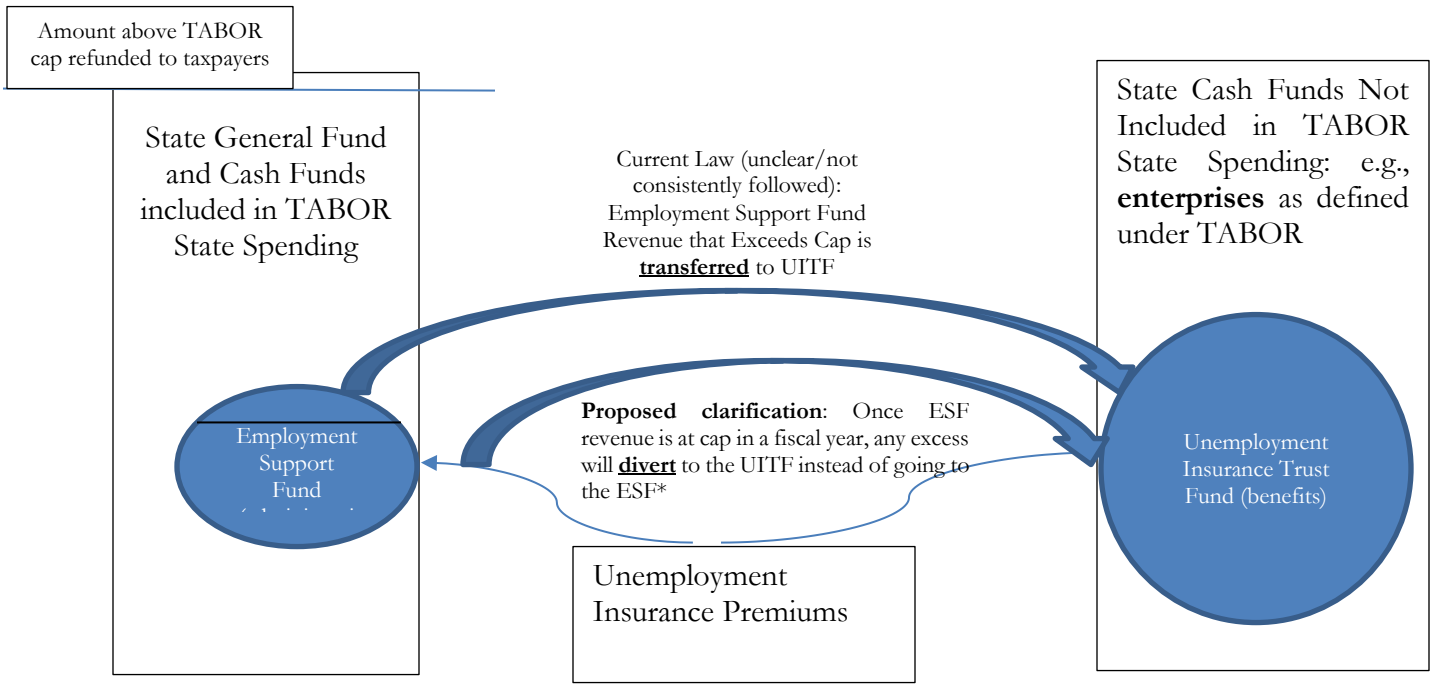
JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff ((303) 866-4960)
DATE	March 15, 2019
SUBJECT	Update to TABOR impact/General Fund revenue impact of JBC Potential Bill #108

As described in staff's figure setting packet for the Department of Labor and Employment, dated February 21, 2019, staff recommends a bill to clarify appropriate management of the Employment Support Fund. In sum:

- Current law requires a portion of unemployment insurance premiums be deposited to the Employment Support Fund (ESF), which is counted in state fiscal year spending under TABOR.
- Most of the rest is deposited to the Unemployment Insurance Trust Fund (UITF) which is considered a TABOR enterprise.
- Current law caps the total revenue that may be deposited to the ESF, but the Department has been treating the cap as an expenditure cap instead of a revenue cap. As a result, revenue above the cap has been counted as TABOR state spending and is being kept in ESF reserves.
- Staff recommends clarifying current law so that amounts above the ESF cap in any fiscal year are **diverted to the UITF.**
- The impact of this change is to increase revenue to the UITF **AND** increase available General Fund revenue if the State is at its TABOR spending cap. This is because a reduction in the total revenue included in TABOR state spending reduces General Fund TABOR refunds to taxpayers.
- The staff recommendation also includes a one-time adjustment in FY 2018-19 to compensate for the fact that the Department retained excess FY 2017-18 ESF revenue rather than transferring it to the UITF.

The graphic below may assist in explaining the impact of this bill.



Note: Graphics do not reflect the relative scale of spending/revenue shown
*****In addition, the staff recommendation *corrects* a Department error in not transferring excess FY 2017-18 revenue as required under current law by reducing the FY 2018-19 cap on a one-time basis.

In response to staff questions, the Department of Labor and Employment provided alternative estimates of the impact of this bill under two scenarios: high economic growth and recession. **As shown, the Department currently estimates that $9.9 million would spill over from the ESF to the UITF between FY 2018-19 an FY 2019-20.** In a recession, the FY 2018-19 figure would be lower and, in FY 2019-20, revenue would fall below the cap and there would be no spillover. The subsequent table shows staff's calculations that assumed somewhat more rapid growth than even the high growth scenario, based on average annual growth rates in recent years.

DEPARTMENT-CALCULATED POTENTIAL IMPACT UNDER TWO GROWTH SCENARIOS				
ALTERNATIVE REVENUE GROWTH RATES	2020	4.5%	-7.8%	
	HIGH GROWTH	HIGH GROWTH - EOY FB	MILD - MODERATE RECESSION	RECESSION - EOY FB
	REVENUE	**REVENUE MINUS CAP**	**REVENUE**	**REVENUE MINUS CAP**
FY 2018-19	36,343,168	5,652,917	34,005,102	3,314,852
FY 2019-20	37,978,611	4,216,675	31,352,704	(2,409,231)

Applying Estimated Cap from Wage Data - Preliminary Staff Estimate

	Revenue	Expenditure	Estimated Cap based on 2011+wage increase	Add estimated bond revenue*	Revised cap with bond costs	Estimated Cap versus Revenue	End of Year Fund Balance under current application of law	Estimated EOY Balance if run JBC staff-rec'd bill	Difference in Revenue to UITF and GF if run staff recommend bill - Staff Estimate
FY 2008-09	19,979,502	26,072,328					35,031,612		
FY 2009-10	14,195,000	26,662,372					22,264,240		
FY 2010-11	18,646,546	26,906,069					14,304,717		
FY 2011-12	19,307,097	24,373,160	*27,607,966*	*954,693*	*28,562,659*	*9,255,562*	10,080,034		
FY 2012-13	25,723,693	24,756,627	*28,474,857*	*954,693*	*29,429,550*	*3,705,857*	9,069,951		
FY 2013-14	27,098,622	24,465,442	*28,677,028*	*954,693*	*29,631,721*	*2,533,099*	11,698,831		
FY 2014-15	31,186,641	26,133,033	*29,738,078*	*954,693*	*30,692,771*	*(493,870)*	22,289,693		
FY 2015-16	30,770,737	24,996,044	*30,567,770*	*954,693*	*31,522,463*	*751,726*	23,609,959		
FY 2016-17	32,599,820	25,776,299	*30,839,824*	*954,693*	*31,794,517*	*(805,303)*	32,490,029		
FY 2017-18	34,383,319	27,962,337	*32,135,096*		*32,135,096*	*(2,248,223)*	36,950,994	36,950,994	Potential UITF/GF Revenue**
FY 2018-19	*36,521,087*	*28,661,395*	*32,938,474*		*32,938,474*	*(3,582,614)*	*44,810,686*	38,979,849	**5,830,837**
FY 2019-20	*38,791,771*	*36,162,732*	*33,761,935*		*33,761,935*	*(5,029,835)*	*47,439,725*	36,579,053	**5,029,835**

*Based on $4,150,840 borrowed in 2012 and paid in 2017; assumed interest of 3.0 percent and spread across five years for total cost $4,773,466 and estimated annual revenue of $954,693

**Revenue growth based on average annual revenue growth rate for fund (6.2%); Expenditure inflated by 2.5% + decision items

➔ STAFF-INITIATED RECOMMENDATION - BILL TO CLARIFY APPROPRIATE MANAGEMENT OF EMPLOYMENT SUPPORT FUND

BACKGROUND: The Employment Support Fund (ESF) is derived from a portion of state unemployment insurance premiums paid by employers. The first 0.0011 assessed as part of each employer's UI premium is applied to this Fund *up to a cap*, described below. While this assessment sounds modest, revenue into the Fund was $34.4 million in FY 2017-18. Annual expenditures ($28.0 million in FY 2017-18) support the Department's Unemployment Insurance, Employment and Training, and Labor Standards Divisions. Revenue into this fund and a related Employment Training and Technology Fund (which receives $10.0 million per year) together represented 7.0 percent of state revenue from unemployment insurance premiums in FY 2017-18. The remainder of unemployment insurance premium revenue is deposited in the Unemployment Insurance Trust Fund and is used to pay benefits to workers who lose their jobs through no fault of their own.

REQUEST: The Department has not requested action on this item.

RECOMMENDATION: During discussions with the Department, it came to staff's attention that the Department was not managing the Fund in a manner that appeared to be consistent with the plain language of statute. Based on further consultation with the Office of Legislative Legal Services and the Department, **staff recommends that the Committee sponsor legislation to clarify the existing statutory language and to adjust the FY 2018-19 cap to correct an error in the Fund's management in FY 2017-18. This change would increase revenue into the Unemployment Insurance Trust Fund and reduce the State's General Fund TABOR refund.**

The current statutory language at 8-77-109(1)(b)(I) reads as follows:

> There is hereby established the employment support fund. This fund consists of the first 0.0011 assessed as part of each employer's premium under section 8-76-102.5 (3)(a) or the amount expended from the employment support fund in the year prior to July 1, 2011, adjusted by the same percentage change prescribed in section 8-70-103 (6.5), whichever is less. The division must transfer to the unemployment compensation fund amounts in excess of the amount expended from the employment support fund in the year prior to July 1, 2011, adjusted each year by the same percentage change prescribed in section 8-70-103 (6.5).In addition, revenues to pay nonprincipal-related bond costs for bonds issued under section 29-4-710.7, C.R.S., or section 8-71-103 (2)(d) may be added to amounts assessed under this section. The division may transfer any moneys in the employment support fund to the unemployment bond repayment account created in section 8-77-103.5 to pay nonprincipal-related bond costs for bonds issued under section 29-4-710.7, C.R.S., or section 8-71-103 (2)(d). The employment support fund is not included in or administered by the enterprise established pursuant to section 8-71-103 (2).

In sum:

- **Revenue** into the ESF is capped.
- Any amounts above the cap must be transferred to the Unemployment Insurance Trust Fund.
- The amount of the cap consists of FY 2010-11 expenditures *from* the ESF, inflated each year by the increase in average weekly wages.

- Revenue to pay nonprincipal-related bond costs is excluded from the cap.

Legislative staff versus Department interpretations:

- JBC and OLLS staff believe the most straightforward interpretation is that this caps **annual revenue** into the Fund.[1]
- The Department of Labor and Employment has instead been reading this as a cap on annual **spending** from the Employment Support Fund and has been managing the fund accordingly.
- JBC staff requested several weeks ago that the Department consult with the Attorney General and explain the rationale for its current interpretation and/or describe how its management will change.
- While Department staff have verbally agreed that the language in the statute seems to refer to a revenue cap rather than an expenditure cap, the Department has not provided JBC staff with any formal written analysis from its staff or the Attorney General. JBC Staff suspects that the Department simply failed to read the statute carefully and made a technical error, but this is not confirmed.
- **Because the Department has treated the cap as a spending cap, instead of a revenue cap, it has received and kept funds in the ESF that should have spilled over into the UITF. This has TABOR implications**.

TABOR implications:

- Revenue into the ESF is considered part of the State's overall revenue subject to the Taxpayers Bill of Rights (TABOR). In contrast, revenue into the Unemployment Insurance Trust Fund (UITF) is considered *exempt* from TABOR, because the General Assembly has deemed the UITF an enterprise under TABOR.
- In other words, if unemployment insurance premium revenue goes into the ESF, it is counted as state revenue subject to TABOR limits. If the same UI premium revenue goes into the UITF it is not counted as state revenue subject to TABOR limits.
- In the current environment where the State has reached its TABOR cap, *every extra dollar that goes into the ESF instead of the UITF effectively increases the General Fund refund due to taxpayers under TABOR.*

The table below compares revenue into the ESF an estimate of the annual cap that should have been applied. S*taff continues to work with the Department on these figures, which may be refined further.* Staff believes that--at a minimum--$2.2 million was applied to the ESF that should have been applied to the UITF in FY 2017-18 and that this figure will grow to an estimated $3.6 million in FY 2018-19. **The Department's calculations indicate that this figure may be higher ($2,706,623 for FY 2017-18).**

[1] The language plainly addresses revenue, though OLLS notes that there are some options on how the revenue cap is applied, i.e., does it cap annual revenue or have some relationship to fund balances?

EMPLOYMENT SUPPORT FUND: IMPACT OF APPLYING REVENUE CAP						
	REVENUE	EXPENDITURE	CAP BASED ON 2011 EXPENDITURE + WAGE RATE INCREASE	ADD ESTIMATED BOND REVENUE	REVISED CAP WITH BOND REVENUE	ESTIMATED CAP VERSUS REVENUE
FY 2010-11	18,646,546	26,906,069				
FY 2011-12	19,307,097	24,373,160	27,607,966		27,607,966	8,300,869
FY 2012-13	25,723,693	24,756,627	28,474,857	954,693	29,429,550	3,705,857
FY 2013-14	27,098,622	24,465,442	28,677,028	954,693	29,631,721	2,533,099
FY 2014-15	31,186,641	26,133,033	29,738,078	954,693	30,692,771	(493,870)
FY 2015-16	30,770,737	24,996,044	30,567,770	954,693	31,522,463	751,726
FY 2016-17	32,599,820	25,776,299	30,839,824	954,693	31,794,517	(805,303)
FY 2017-18	34,383,319	27,962,337	32,135,096		32,135,096	(2,248,223)
FY 2018-19*	*36,521,087*	*28,653,754*	32,938,474		32,938,474	(3,582,614)

*Revenue and expenditures reflect JBC staff projections.

Staff recommends that the Committee sponsor legislation to:

- Clean up the statutory language, so that any question about whether this is an annual revenue cap is alleviated.
- Make a one-time adjustment to lower the ESF cap by the amount that should have been transferred to the UITF in FY 2017-18. This appears to be the cleanest way to correct the FY 2017-18 error, now that FY 2017-18 books are closed.
- **Staff anticipates that this will have a positive General Fund revenue impact of approximately $5.8 million in FY 2018-19 and likely an additional $4 million or more in FY 2019-20 and future years. It will also have a positive impact on the Unemployment Insurance Trust Fund.** The one-time adjustment to correct the FY 2017-18 error could be applied in FY 2018-19 or FY 2019-20 at the Committee's discretion.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Scott Thompson, JBC Staff (303-866-4957)
DATE	March 14, 2019
SUBJECT	Funding for the OGCC to hire 3.0 FTE in the Rifle field Office and additional requested information

During staff figure setting for the Department of Natural Resources, the Committee asked for more information about the Rifle field office maintained by the OGCC including three new staff positions. JBC staff asked the Department to provide information about what positions would be most beneficial to improving operations in Rife. The following is their response:

The OGCC has identified four potential options in response to the request for information on adding 3.0 FTE on the West Slope in the office located in Rifle, CO. As specified during the figure setting presentation, each option includes a permit tech, dedicated to processing permit applications and other regulatory reports pertaining to the West Slope, and a West Slope-based reclamation specialist, who would double existing reclamation resources for that area, accelerate the reclamation approval process, and improve communication with operators.

For the third position, the OGCC has identified several options that it believes would significantly benefit West Slope stakeholders. None of these positions are supervisory in nature because the OGCCs current management structure already includes three supervisors on the West Slope—a NW field inspection supervisor, a Western engineering supervisor, and a NW environmental supervisor—plus a statewide reclamation supervisor. A new supervisor would not be an efficient addition to OGCC staff because there are not any management responsibilities that are not being covered by current supervisors. A new supervisor would also not be in a position to directly contribute to agency outcomes (e.g. speed of permit processing time, final reclamation approvals, or resolutions of issues that arise during the field inspection process).

OPTION 1: ORPHANED WELL ENGINEER

Total Cost with Permit Tech and Reclamation Specialist = $355,010 in FY 2019-20, $342,689 ongoing.

The Orphaned Well (PROW) Program currently has no staff level engineer based on the West Slope. An additional engineer would improve the program's efficiency in completing orphaned well projects on the West Slope where 47 percent of currently known orphaned wells are located. The engineer would help with writing specs and bid documents, and provide onsite supervision of orphaned well pluggings, flowline abandonment, and the decommissioning of facilities. A Rifle-based engineer would also reduce travel time and costs associated with orphaned wells located in western Colorado vs. having the Denver-based engineer handle West Slope projects.

OPTION 2: TECHNICIAN FOR FIELD INSPECTION UNIT

Total Cost with Permit Tech and Reclamation Specialist = $311,089 in FY 2019-20, $299,873 ongoing.

A new technician for the field inspection unit would work to resolve any field inspection or reclamation issues on the West Slope more quickly and improve the turnaround for following up with

operators. This FTE would review and approve various reports and forms to ensure they are complete, immediately communicate with operators if additional data is required, and conduct the necessary internal reviews to move the forms through the process quicker and more efficiently. These include: Field Inspection Response Resolution Forms, Factual Review Requests, and various Form 4s (Sundry Notices), including ones submitted for reclamation variances and those that provide notice that reclamation activities have been completed.

OPTION 3: ENVIRONMENTAL PROTECTION SPECIALIST
Total Cost with Permit Tech and Reclamation Specialist = $330,856 in FY2019-20, $321,301 ongoing.

An additional Environmental Protection Specialist would be based out of a home office along the 1-70 corridor between Glenwood Springs and Grand Junction and resolve issues unique to the West Slope that delay processing of forms related to operator transfers (Form 10s), like "unstatused" pits (see below) and unclosed spills. This would involve working with buying and selling operators and OGCC staff to clear up records to minimize delays and keep normal processing time for a Form 10 at less than 30 days.

There are approximately 2,400 "unstatused" pits on fee and federal land on the West Slope. This FTE would conduct desk top reviews and field inspections, as well as work with operators and the BLM to close the pits, list them as active, or conduct additional investigation as necessary to confirm their status their status. Finally, this FTE would work closely with operators on issues such as cuttings management, water sharing, and centralized E&P Waste management facilities.

OPTION 4: PERMIT TECH AND RECLAMATION SPECIALIST ONLY
Total Cost of 2.0 FTE with no Supervisor = $214,313 in FY 2019-20, $207,390 ongoing.

The OGCC does not believe the addition of a supervisor would be the most effective way to improve the agency's customer service on the West Slope. As such, a final alternative would be to add the two specified FTE—the permit tech and reclamation specialist—without a third position.

Because this information request originated with the Committee, **JBC staff does not have a recommendation for Committee action.**

OTHER INFORMATION REQUESTED DURING FIGURE SETTING

PROCESSING TIME FOR APPLICATIONS FOR A PERMIT TO DRILL (APD)
The OGCC keeps a running median permit processing time, rather than an average. This means that 50 percent of the approved permits are processed faster than the median number of days for approval and 50 percent are approved slower. The table below shows median processing times for the last five calendar years. Importantly, the calculation of median processing times includes only those permits that have already been approved and does not account for permits that are stacked up waiting in the queue. Since operators submit priority lists of applications to process, approvals are currently skewed toward high priority permits that operators want sooner. This reduces the median processing time. As the OGCC starts to approve older, lower priority APDs that have spent more time in line, the median processing times will increase significantly.

Permits to Drill Volume and Median Processing Time		
Calendar Year	Number Approved	Median Days to Approve
2014	4,190	46
2015	2,987	60
2016	2,834	80
2017	3,875	86
2018	5,116	91

Cause of Permit Backlog

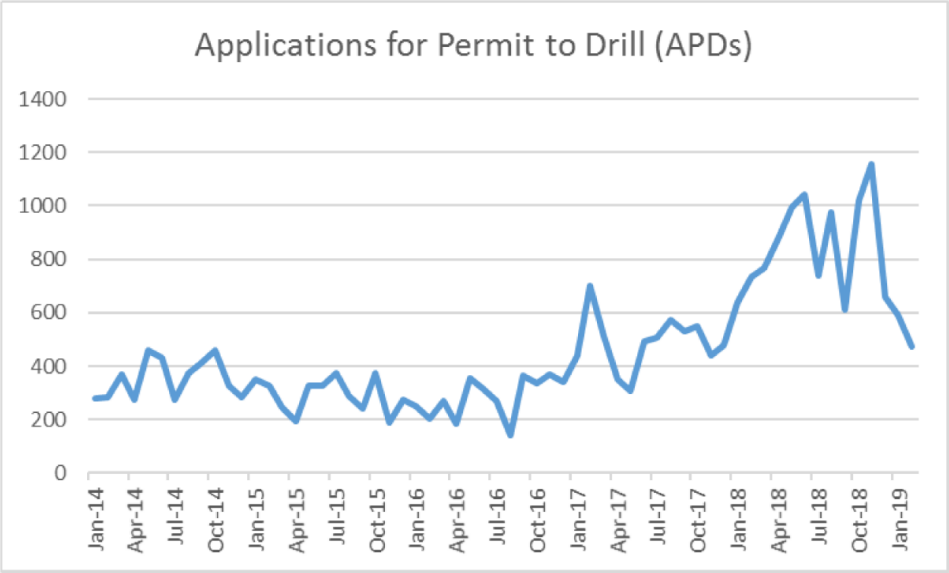
In short, the backlog is caused by APDs arriving at a faster pace than they can be processed and approved. The following table shows the permitting backlog by month.

Applications for Permits to Drill Activity						
	Beginning Backlog	Received and Passed Completeness Check	Approved	Withdrawn by Operator	Rejected	Ending Backlog
March-18	3,079	769	463	1	8	3,376
April-18	3,376	874	164	185	64	3,837
May-18	3,837	994	327	54	89	4,423
June-18	4,423	1,040	436	81	56	4,898
July-18	4,898	738	466	58	73	5,040
August-18	5,040	978	392	30	45	5,551
September-18	5,551	613	435	77	24	5,628
October-18	5,628	1,017	596	39	9	6,002
November-18	6,002	1,158	715	132	18	6,307
December-18	6,307	659	687	73	31	6,149
January-19	6,149	592	244	95	26	6,376
February-19	6,376	471	307	65	32	6,444

In every month except December 2018, the number of APDs that passed the completeness check exceeded the number approved and also exceeded the sum of the number approved, withdrawn and rejected. The backlog is monitored by observing the number of pending APDs at any given time, and is tracked by recording the number of pending APDs at the end of each month.

Affect of Ballot Measures being Considered in November 2018 on Volume of APDs Submitted Through December

As shown in the graph below, the number of permits has dropped off in recent months. The OGCC does not know if the decline will be long term or if it is just a short reprieve from the high number of submittals in the few months leading up to the 2018 election. If product prices remain reasonably strong and operators' inventory of active permits decline as a result of drilling, the number of APDs submitted will likely increase. However, the ongoing uncertainties regarding workload is why the OGCC never staffs to peak activity and limited its FY 2019-20 request to just one permit tech, with temporary staff expected to make up the difference.



NUMBER OF ANNUAL INSPECTIONS PERFORMED BY AN INDIVIDUAL INSPECTOR

The OGCC workload measure of an average of "1,000 inspections a year per inspector" is based on individual wells where one inspection equals one well. In some areas of the Piceance and DJ basins there are multiple wells on a single location, so multiple inspections occur in the same place. In other areas of the state where development is more conventional with vertical wells and single-well pads, the ratio of wells per location is still roughly one to one. Coal bed methane production typically involves a ratio of two wells to one location. As a result, the actual number of inspections conducted by a particular inspector can vary widely depending on where they are located. For example, an inspector in an area with a high percentage of multi-well locations will likely inspect more wells in a year than an inspector working in more conventional areas. Similarly, an inspector in an area where wells and/or locations are spread out over a large area will inspect fewer wells than an inspector in an area with high density development.

The statewide average number of well inspections per inspector is simply the total number of annual inspections divided by the total number of inspection staff members below the manager level. In FY 2017-18, approximately 30,000 wells were inspected on 16,540 locations by a total of 30 staff members, hence a statewide average of 1,000 wells/per inspection staff member, or about 550 locations per inspection staff member.

Typically, an inspector starts the day by reviewing the daily inspection notices generated by database queries. This includes notices of high priority wells; notices of hydraulic fracturing, drilling, or plugging operations; and other notices and requests from operators to witness specific functions like Bradenhead pressure tests and mechanical integrity tests. The inspector then develops an efficient route to inspect additional wells and locations along the way while addressing these specific tasks and high priority issues.

RULES OR LAWS GOVERNING ACTION ON A PERMIT APPLICATION

For oil and gas locations outside of an approved Comprehensive Drilling Plan (see definition below), there is no requirement. However, Rule 303.c.(2), allows an operator to request a hearing before the commission if the Director has not issued a decision on an application for permit to drill or a location assessment within 75 days from when the permit is determined to be complete.

OGCC Rule 303.c.(1) states that, for an oil and gas location within an approved Comprehensive Drilling Plan, the Director shall approve or deny a Form 2 (application for permit to drill) or 2A (location assessment) within 30 days of a determination that the application is complete. To date, there is only one "true" Comprehensive Drilling Plan. The OGCC could not meet the 30-day deadline because the operator submitted hundreds of permits and location assessments at the same time. The operator and OGCC staff informally agreed to extend the deadline to 60 days. OGCC staff expects applications for permits to drill and location assessments to be submitted at a more reasonable pace in the future.

A Comprehensive Drilling Plan is a plan created by one or more operators covering future oil and gas operations in a defined geographic area. The plan may 1) identify natural features of the geographic area, including vegetation, wildlife resources, and other attributes of the environment; 2) describe the operator's future oil and gas operations in the area; 3) identify potential impacts from such operations; 4) develop agreed-upon measures to avoid, minimize, and mitigate identified potential impacts; and 5) include other relevant information.

WHAT CAUSES PERMIT APPLICATIONS TO REMAIN IN THE QUEUE FOR LONGER THAN OTHERS

An permit could remain on the list for any number of reasons, some examples include: the operator has requested other applications be approved first as part of the priority list process currently in place, the APD requires approval of a spacing application that is delayed by protests in the hearings process, there is a surface issue that remains to be addressed, citizens or the local government has raised concerns, or a lawsuit has been filed.

PERMIT FEES, MILL LEVIES AND INSPECTION FREQUENCY IN OTHER STATES

Permit fees charged by nearby states and the federal government are shown in the table below. In regards to inspection frequency in other states, OGCC staff contacted neighboring states Wyoming, New Mexico, Utah, and Kansas. None calculate, track, or report inspection frequency.

OGCC COMPARED TO OTHER STATES			
STATE	CURRENT FEE	STATUTORY MAXIMUM	MILL LEVY
Colorado	$0	$200	Yes
Oklahoma	$350-400	none	Yes but it is set at 0
New Mexico	$0	none	Yes
Wyoming	$500	none	Yes
Utah	$0	none	Yes
Texas	$500-700	unknown	Yes
Federal	$10,050	unknown	No

UPDATE ON THE ORPHAN WELL PROGRAM

The Orphaned Well Program has expended a total of $202,892 as of the end of January 2019. Of this amount, $127,111 was from the Orphaned Well Program appropriation and $75,781 was from bond claims. During this seven-month timeframe, the Orphaned Well Program conducted plugging, equipment removal, reclamation, and various environmental work at 22 orphaned sites. The OGCC has expended only a small fraction of the appropriation so far because much of FY 2018-19 has been spent scaling up the Orphaned Well Program from one that can complete $445,000 worth of projects annually to one that can spend $5 million, efficiently and effectively.

The Orphaned Well Program was allocated an additional 4.0 FTE to handle the increase in program capacity, but hiring was delayed due to an unplanned relocation of the OGCC' s Rifle office where half of the Orphaned Well Program staff is located. The landlord sold the building to the local hospital, which terminated the leases of all tenants effective July 1, 2018. As a result, the Orphaned Well

Program manager had to spend a significant amount of time during the first few months of the fiscal year finding new space, overseeing the necessary construction, and acquiring voice and data services. It was a major disruption that not only temporarily displaced OGCC staff but delayed the hiring of the newly-appropriated orphaned well FTE.

By December, however, the program had added all four of the new positions: an engineer, an engineering technician, a reclamation specialist, and an environmental specialist. All have been preparing large bid packages to plug wells, abandon flowlines, reclaim locations, close pits, and dispose of waste. Preparing these packets is a slow procurement process, but both money and staff time are ultimately saved by this approach because it consolidates administrative efforts and allows large slugs of work to proceed at once. Approximately $2 million in projects are lined up to begin this spring.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Scott Thompson, JBC Staff (303-866-4957)
DATE	March 14, 2019
SUBJECT	Cash Fund Waivers Approved by the Committee

Throughout the figure setting presentations made in February and March, a number of waivers from the statutory reserve requirement were approved. A summary of those decisions is provided in the following table.

CASH FUND WAIVERS APPROVED IN FY 2019-20 BUDGET CYCLE

ANALYST	DEPARTMENT	FUND NAME	STATUTORY CITATION	FISCAL YEARS WAIVER IS APPROVED	ALTERNATE RESERVE IF ANY	DATE OF ACTION
Craig Harper	Education	Educator Licensure Cash Fund	22-60.5-112 (1)(a)	FY 2018-19, 2019-20, and 2020-21	None.	6-Mar
Mike Mann	Human Services	Child Care Licensing Cash Fund	26-6-105 (4)	FY 2018-19, 2019-20, and 2020-21	None.	7-Mar
Amanda Bickel	Labor and Employment	Conveyance Safety Fund	9.5.5-111 (2)(b)	FY 2018-19, 2019-20, and 2020-21	$1,500,000	21-Feb
Amanda Bickel	Labor and Employment	Workers' Compensation Cost Containment Fund	8-14.5-108	FY 2018-19, 2019-20, and 2020-21	None.	21-Feb
Carolyn Kampman	Local Affairs	Building Regulation Fund	24-32-3309 (1)(a)	FY 2018-19, 2019-20, and 2020-21	33.0 Percent of amount expended in FY 2018-19	7-Feb
Carolyn Kampman	Local Affairs	Private Activity Bond Allocations Fund	24-32-1709.5 (2)(a)	FY 2018-19, 2019-20, and 2020-21	300.0 Percent of amount expended in FY 2018-19	7-Feb
Scott Thompson	Personnel	State Archives and Records Cash Fund	24-80-102 (10)(a)	FY 2018-19 and 2019-20	None.	14-Feb
Scott Thompson	Personnel	Self-insured Property Fund	24-30-1510.5 (1)(a)	FY 2019-20	None.	14-Feb
Scott Thompson	Personnel	Supplier Database Fund	24-102-202.5 (2)(a)	FY 2018-19	None.	14-Feb
Mike Mann	Public Safety/CBI	CBI Identification Unit Fund	24-33.5-426	FY 2018-19 and 2019-20	None.	12-Feb
Alfredo Kemm	Revenue	Marijuana Cash Fund	44-11-501 (1)(a)	FY 2019-20, 2020-21, and 2021-22	None.	14-Mar

On the next page, staff provides a draft letter to the State Controller that details these cash fund. If the Committee does not have any changes to the letter, JBC staff will bring a fresh copy to the Chair for his signature when the Committee takes a break or recesses for the day.

STATE OF COLORADO

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200 EAST 14TH AVENUE, 3RD FLOOR
LEGISLATIVE SERVICES BUILDING
DENVER, CO 80203
TELEPHONE 303-866-2061
http://leg.colorado.gov/agencies/joint-budget-committee

March 14, 2019

Mr. Robert Jaros
State Controller
Department of Personnel
1525 Sherman Street, 5th Floor
Denver, CO 80203

Dear Mr. Jaros:

The Joint Budget Committee has considered cash fund maximum reserve waiver requests submitted by the Executive Branch. Pursuant to Section 24-75-402 (8), C.R.S., the Committee authorizes an exemption waiver from the maximum reserve for the following funds:

CASH FUND WAIVERS APPROVED IN FY 2019-20 BUDGET CYCLE						
ANALYST	DEPARTMENT	FUND NAME	STATUTORY CITATION	FISCAL YEARS WAIVER APPROVED	ALTERNATE RESERVE IF ANY	DATE OF ACTION
Craig Harper	Education	Educator Licensure Cash Fund	22-60.5-112 (1)(a)	FY 2018-19, 2019-20, and 2020-21	None.	6-Mar
Mike Mann	Human Services	Child Care Licensing Cash Fund	26-6-105 (4)	FY 2018-19, 2019-20, and 2020-21	None.	7-Mar
Amanda Bickel	Labor and Employment	Conveyance Safety Fund	9.5.5-111 (2)(b)	FY 2018-19, 2019-20, and 2020-21	$1,500,000	21-Feb
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Carolyn Kampman	Local Affairs	Private Activity Bond Allocations Fund	24-32-1709.5 (2)(a)	FY 2018-19, 2019-20, and 2020-21	300.0 Percent of amount expended in FY 2018-19	7-Feb
Scott Thompson	Personnel	State Archives and Records Cash Fund	24-80-102 (10)(a)	FY 2018-19 and 2019-20	None.	14-Feb
Scott Thompson	Personnel	Self-insured Property Fund	24-30-1510.5 (1)(a)	FY 2019-20	None.	14-Feb
Scott Thompson	Personnel	Supplier Database Fund	24-102-202.5 (2)(a)	FY 2018-19	None.	14-Feb
Mike Mann	Public Safety/CBI	CBI Identification Unit Fund	24-33.5-426	FY 2018-19 and 2019-20	None.	12-Feb
Alfredo Kemm	Revenue	Marijuana Cash Fund	44-11-501 (1)(a)	FY 2019-20, 2020-21, and 2021-22	None.	14-Mar

If you have any questions or concerns, please contact Jessi Neuberg of our staff at 303-866-2061 and request to speak with the analyst identified above associated with the waiver approved by the Joint Budget Committee.

Sincerely,

Senator Moreno, Chair
Joint Budget Committee

cc:
Mr. John Ziegler, Staff Director, Joint Budget Committee

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee Members
FROM	Christina Beisel, JBC Staff
DATE	March 14, 2019
SUBJECT	R4 Electronic Health Records for Local Public Health Agencies

During figure setting for the Department of Public Health, the Committee tabled the R4 Electronic Health Records for Local Public Health Agencies Electronic Health Records for Local Public Health Agencies decision item, pending additional information from participating counties about their experience using the EHR.

Very briefly, both Kit Carson County and the Colorado Association of Local Public Health Officials (CALPHO) expressed support. Broomfield ultimately did not find the EHR to be a good fit for their specific needs and is no longer participating. The Department noted, in regards to Broomfield, that Broomfield's experience and implementation of the EHR served as the foundation to changes in their onboarding process. They hope that these changes will lead to a better implementation and use for future agencies.

Included below are four items:

- Reponses to staff questions from Kit Carson County
- A description of CALPHO's support
- Reponses to staff questions from Broomfield
- The original write-up from staff figure setting, including staff's recommendation to approve the Department request.

ⓘ RESPONSE TO STAFF QUESTIONS FROM KIT CARSON COUNTY

Christina,

See below response from Kit Carson County Dept. of Public Health and Environment

Dawn James,
Director

1. How has your experience been using the EHR?

Our agency has never used an electronic health record. We were part of the original pilot agencies and we asked to participate in the pilot because it has been something we've long wanted to do but couldn't afford to pursue on our own, nor did we have the expertise to even know where to start. At first, because we had no prior experience using an EHR, using it was a heavy lift. Having to change our way of doing things for the past 35 years with paper records required quite a bit of adjustment. But, after we assisted in the creation of the workflows and the programming went live, we have been using it for the past 9 months and it has become an integral and important part of our operating structure and systems.

Some of the benefits we've enjoyed thus far include:

- *Improved overall performance by staff including consistent workflows, comprehensive client registration, timely and organized provision of client services, timely/accurate billing and increased accounts receivable.*

- *Improved revenue for both Title X Family Planning and for the Immunization Program. Before we implemented the EHR, we consistently lost money and leaned heavily on local tax revenue to balance the budgets for both Title X and Immunizations. Now, we are consistently at a break-even which has never been possible before. This is because the EHR makes it easier for us to leverage private pay sources and reimbursement is more streamlined and efficient. We continue to require funding from State and Local sources, however, being able to bill more broadly and accurately for services gives us a sustainable revenue stream that off-sets the deficits we experienced when solely depending on government assistance.*

- *Improved and consistent workflows and record-keeping throughout our outreach system. We have satellite clinics located in Flagler (45 miles from home base and Hugo which is 70 miles from home base). Because of these improvements we are considering expanding outreach into Cheyenne County for Title X which will allow those without transportation easier access to these services.*

2. Over the next few years, CDPHE plans to work with LPHAs to onboard them to the system. Do you think this is something that should be pushed out across the state? Would you recommend the system to other LPHAs?

I would highly recommend this particular EHR to other LPHA's such as ours who serve as safety nets and who provide direct services to their populations. While there is a movement away from direct service provision by LPHA's, rural/frontier agencies are leaned on heavily by their communities to serve as a safety net, particularly when there is no FQHC and in medically underserved areas such as ours. We partner heavily with our local acute are partners to help offset the workload on medical staff and we also provide a financial buffer for the medical system as a whole by serving the under-insured or uninsured population. The EHR gives LPHAs such as ours the tools necessary to create sustainable sources of funding, while improving overall efficiencies and outcomes to the population as a whole.

3. Do you have a sense for how other LPHAs feel about the system? Are they excited about the opportunity? Opposed to it?

I have spoken to a handful of LPHA directors such as myself who indicate a great deal of interest in the EHR, primarily because it is something that we all need to strive towards in the current milieu of RAEs being developed across the State. I'm not sure the word "excited" is what I've seen, but definite interest in how an EHR can provide many of the benefits I described above. The opposition I've heard comes from those who don't fully understand the benefits as well as those who have pretty much gotten out of direct services. I didn't know how beneficial it was going to be until we were able to help develop and use it.

4. Are there any particular benefits or concerns you have about the EHR?

We are excited about the possibility of using the EHR in our prevention programs including the Diabetes Self Management Education Program the Diabetes Prevention Program and the Nurse Family Partnership Program. All are billable services and they all require a great amount of data mining and monitoring. Because we've developed the EHR to be able to track anthropometics and lab screenings such as A1C, lipids, STI's, etc. we will have rich, attainable data that demonstrates both burden and outcomes. Real-time utilization data will assist us in determining where we should focus our programming towards, will help with gap analysis and strategic planning for quality health improvement. Currently, we depend on regional data that is not demonstrative of our actual chronic disease burden specific to Kit Carson County alone.

A concern regarding the EHR is the time and effort it takes to successfully fully implement and integrate it into daily operations. We were "sold out" in the effort to be successful, but it took a lot of dedication to make it happen. LPHA's from this point forward will enjoy the fruit of our 1 ½ year journey to get the EHR operational and developed specifically for public health use, but there will still be a certain amount of work by each agency to make it applicable to their specific operations. There needs to be support from the local Board of County Commissioners to the nurse providing the service or it won't be successful.

Another concern I have is the cost of maintenance over time. We are a small agency and cannot bare the sole burden of paying for the Cerner maintenance fee. We are truly in hopes that a large amount of agencies see the benefit I've described above so the cost of maintenance/licensure can be borne by the many. Otherwise, I fear that we won't be able to continue to enjoy using it beyond the next year. Having legislative support will be important and vital in sustaining a very positive change into the future for local public health.

ⓘ A DESCRIPTION OF CALPHO'S SUPPORT

In an email conversation, CALPHO communicated support to staff about the request. Additionally, CALPHO provided a document indicating their approved policy positions regarding issues at the General Assembly. CALPHO has several levels of support. The position for this item is "support." Included below are excerpts from their position statement document.

Levels of Support for CALPHO Legislative Positions:

Actively Support: Dedicate all staff, lobbying and grassroots resources towards passage, including:

- ✓ Reviewing the bill and all amendments in detail
- ✓ Developing Fact Sheets/Position Papers
- ✓ Arranging for testimony
- ✓ Working with sponsors, other legislators, and drafters on desired amendments
- ✓ Coordinating with other supporting groups
- ✓ Counting votes and lobbying for committee and floor passage
- ✓ Sending action alerts to members requesting legislator contacts.

Support: Review bill and amendments. Agree to allow our name to be used as a supporter of the bill. May include writing letters to legislators of a committee indicating our support. No additional lobbying or staff resources to be utilized.

Actively Monitor: Review bill in detail. Monitor progress closely as bill moves through committees, including reviewing proposed and adopted amendments for possible impact on public health. May include working on amendments to bring the bill into one of the support categories above.

ⓘ RESPONSE TO STAFF QUESTIONS FROM BROOMFIELD

A copy of Broomfield's letter is included below.

PUBLIC HEALTH AND ENVIRONMENT
100 Spader Way • Broomfield, CO 80020 • 720.887.2220 • BroomfieldHealth.org • publichealth@broomfield.org

March 13, 2019

Christina Beisel
Joint Budget Committee Staff
Colorado General Assembly

Dear Ms. Beisel,

The Broomfield Public Health and Environment Department (BPHE) was selected by the Colorado Department of Public Health and Environment (CDPHE) to be an early adopter of the Local Public Health Agency Electronic Medical Records (EMR) Pilot Program. BPHE entered into a contract with CDPHE on March 16, 2018, and the Reproductive Health Clinic participated in the implementation phase of the project. BPHE piloted the EMR system from May 2018 through the end of July 2018. BPHE decided to terminate its contract with CDPHE on August 1, 2018 because the EMR system was not a good fit for BPHE's Reproductive Health Clinic.

1. How has your experience been using the EHR?
    - The system kept a count of the number of clients seen on a daily basis, but it was not well suited to handle the complex Title X pharmacy and billing needs. In addition, BPHE providers found that the EMR added additional steps and documentation that increased the amount of provider time spent with each client, rather than reducing the overall time required for documentation related to client records and prescribing medications.

2. Over the next few years, CDPHE plans to work with LPHAs to onboard them to the system. Do you think this is something that should be pushed out across the state? Would you recommend the system to other LPHAs?
    - BPHE believes it is up to each local public health agency to determine if the EMR is a good fit for their clinical programs.

3. Do you have a sense for how other LPHAs feel about the system? Are they excited about the opportunity? Opposed to it?
    - BPHE does not have information on how other LPHAs feel about utilizing this EMR system.

4. Are there any particular benefits or concerns you have about the EHR?
    - As stated above, BPHE found the EMR system was not a good fit for our specific Title X clinic, pharmacy, and billing needs. However, the system may be a good fit for other LPHAs in the State.

Thank you for soliciting our feedback and please don't hesitate to contact me if you have additional questions or need further information,

Sincerely,

Jason Vahling
City and County of Broomfield
Public Health Director
720-887-2218
jvahling@broomfield.org

➔ R4 Local Public Health Electronic Medical Records

Request: The Department requests $837,774 General Fund and 3.5 term-limited FTE for FY 2019-20 to support and expand the newly launched electronic health record (EHR) system developed for local public health agencies.

Recommendation: Staff recommends approval of the Department request.

Background
What is the EHR?
The Department received a total of $8,594,720 General Fund in FYs 2014-15 through 2018-19 to implement an electronic health records (EHR) system for local public health agencies (LPHAs). The unique services offered by LPHAs required a non-traditional set of EHR components, which lead to the development of a customized system. The EHR integrates clinical, operational, and financial modules, with a goal of streamlining business processes such as billing and vaccination reporting. Additionally, EHRs are a recommended approach to increasing vaccination and cancer screening rates, as they can systematize reminders for preventative services.

Who is using the EHR?
The system that was developed was piloted by two LPHAs (Broomfield and Kit Carson), who are now fully onboarded to the system. The Department expects to onboard four additional LPHAs in FY 2018-19, and an average of three each year after, with a goal of having 20 LPHAs on board by FY 2023-24.

Maintenance and Additional LPHAs
As the EHR transitions from the build out to the maintenance phase, the Department takes on new responsibilities. Primarily, annual maintenance fees and implementation of additional LPHAs.

Since the EHR went live in June of 2018, annual maintenance fees are due beginning in FY 2018-19, in an amount of $502,188. The plan, as included in the original funding request, is to eventually shift the annual $502,188 maintenance costs of the state EHR to participating LPHAs. However, since there are currently only two participating LPHAs, the cost to locals would be quite high, compared to the expected costs when 10-20 organizations are utilizing the system.

The maintenance phase of the project does not include support for onboarding new LPHAs. While the system was designed for the variety of services provided by LPHAs, each agency is unique and will require additional configuration to utilize the EHR. For instance, one LPHA may offer immunization services, but not family planning services, and will only need to utilize the immunization component of the system. Another example is the appointment component. While it is likely that all LPHAs will utilize this component, each agency may have a different appointment structure. For instance, appointments may typically be scheduled for 30 minutes at one LPHA, while another may schedule in 20 minute blocks of time.

The system will also require some ongoing updates. For example, the system will be pre-populated with available vaccinations to choose from. Many of these will be standard vaccines available over time. However, some items, such as the flu vaccine, may vary from year to year and will need to be updated or added to the system.

Request
The Department requests $837,774 General Fund and 3.5 term-limited FTE for FY 2019-20. This would fund one year of the annual maintenance costs, as well as 3.5 FTE to support existing LPHA users and expand the system to additional users. In the upcoming year, the Department will work with LPHAs to develop a sustainability plan. This plan will address onboarding of new users, plans to shift maintenance costs to users, and any ongoing needs at the state level.

Recommendation
Staff recommends approval of the Department request. The State has already invested significant dollars into the system – not providing additional funding would likely result in new LPHAs not signing on to the system, and would make continued use of the system by the current users unsustainable. Additionally, the use of the EHR impacts the success of other investments, such as the Health Information Exchange, which continues to be built out to support the exchange of EHR data.

Staff notes that while this request is for a single year of funding, the Committee should expect to see a request for continued support in out years. The Department will be assessing needs and developing a plan in the next year, but given the pace of onboarding new users, and the possible need for some ongoing state FTE support, this is unlikely to be a single year request.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO Joint Budget Committee
FROM Christina Beisel, JBC Staff
DATE March 15, 2019
SUBJECT Wildfire Funding Adjustment

During staff figure setting for the Division of Fire Prevention and Control within the Department of Public Safety, staff recommended and the Committee approved a continuation of $3.0 million General Fund appropriated to the Department in FY 2018-19. However, the recommendation was to appropriate the money directly to the Wildland Fire Services line item rather than to the continuously appropriated Wildfire Preparedness Fund.

The Department intends to use the funding primarily to expand staffing, both to hire additional employees and to transition position from part-time/seasonal to full-time in order to respond to the expanding fire season and to perform off-season mitigation work. Specifically, the Department will:

- Create four Wildland Fire modules (10-12 employees) stationed across the state, with an increased number of these staff in full-time rather than seasonal employees. This would expand upon the single existing team in Ft. Collins. ($1.9 million)
- Shift current staff for the Department's seven engines from part-time to full-time. ($68,000)
- Expand regional fire management staff from 12 to 18. ($1.0 million)

In addition to hiring new staff members, the Department has identified leased space and vehicle lease payment costs associated with the new FTE. Because the Department requested the funding as an appropriation to the Wildfire Preparedness Fund, which is continuously appropriated, a separate appropriation for to the Leased Space and Vehicle Lease Payments line items was not necessary. However, due to the recommended change in the appropriation, General Fund appropriations for these purposes are required.

STAFF RECOMMENDATION

Staff recommends a reallocation of $390,164 General Fund from the Wildland Fire Services line item in the Division of Fire Prevention and Control to the Executive Director's Office for leased space and vehicle lease payments. The table below includes the recommended changes.

RECOMMENDED WILDFIRE FUNDING ADJUSTMENT

	GENERAL FUND
Wildland Fire Services	($390,164)
Leased Space	231,980
Vehicle Lease Payments	158,184
Total	**$0**

MEMORANDUM

TO	Joint Budget Committee Members
FROM	Kevin Neimond, JBC Staff (303-866-4958)
DATE	March 15, 2019
SUBJECT	Technical Correction – Annualization of DORA Supplemental Bill

Staff erroneously failed to annualize the Department of Regulatory Agencies' FY 2018-19 supplemental bill properly for FY 2019-20. Specifically, staff failed to reduce the cash funds appropriation for the Division of Real Estate for FY 2019-20 by $383,734 as a result of the transfer of the conservation easement tax credit program from the Division of Real Estate to the Division of Conservation. **Staff recommends reducing the previously approved appropriation for FY 2019-20 for the Division of Real Estate by $383,734 cash funds to correct this figure setting staff error.** The Department concurs with this recommendation.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Alfredo Kemm, JBC Staff (303.866.4549)
DATE	March 15, 2019
SUBJECT	Staff figure setting comeback – DOR BA1 CRCSA Expansion

At figure setting, presented on March 13th, staff failed to include the Department of Revenue's BA1 Colorado Road and Community Safety Act Expansion request item for Committee consideration.

➔ BA1 CRCSA EXPANSION

REQUEST: The Department requests an increase of $262,978 cash funds from the Licensing Services Cash Fund and 3.6 FTE in FY 2019-20, annualizing to $218,361 cash funds and 3.6 FTE in FY 2020-21 and ongoing. The request is to allow expansion of Colorado Road and Community Safety Act (CRCSA) services expansion to Durango.

RECOMMENDATION: **Staff recommends that the Committee approve the request, with adjustments to the personal services request to allocate POTS appropriations to the correct line items.**

ANALYSIS: Under current law, the Colorado Road and Community Safety Act (S.B. 13-251) authorizes the state Division of Motor Vehicles (DMV) within the Department of Revenue (DOR) to issue a driver license, identification card, or instruction permit (S.B. 13-251 documents) to an individual who is either temporarily lawfully present in the U.S. or a Colorado resident who is not a U.S. citizen and does not have permanent residency status. The S.B. 13-251 documents are valid for three years after issuance, with an exception for minor driver licenses.

Current funding allows the Department to staff a dedicated call center and provide 130 first-time applicant appointments and 77 renewal appointments daily to issue documents and provide road tests. CRCSA services are currently provided at four offices located in Lakewood, Grand Junction, Colorado Springs, and Aurora.

Although there are 207 appointments available daily, demand continues to exceed the level of service available. Wait time for obtaining or renewing a driver's license under CRCSA is estimated to range from three months to two years and every available appointment is booked within one hour of becoming available. Although S.B. 18-108 (Eligibility CRCSA) should decrease demand for renewal appointments by an estimated 65 to 75 percent by providing online renewal as of January 1, 2019, it is also expected to increase demand by allowing individuals with social security numbers, including individuals in the federal Deferred Action for Childhood Arrivals (DACA) program, to apply for S.B. 13-251 documents.

Fees for documents are statutorily required to cover direct and indirect costs of the program and are currently set as follow:

- Driver's license - $33
- Driver's permit - $21
- Identification card - $13

Current locations of offices only provides a single western slope location in Grand Junction. The service expansion is proposed to be placed in the existing Durango DMV office. The Department states that it identified this location by performing an analysis of the non-citizen population concentration, current coverage, and feedback from regional stakeholders and focus groups representing that population.

Senate Bill 19-139, which passed on third reading in the Senate on March 14th, includes expansion of CRCSA services to Alamosa, Glenwood Springs, Lamar, Montrose, Pueblo, and Sterling. The Department's BA1 request is not included and does not overlap with the service expansion included in S.B. 19-139.

REQUEST AND RECOMMENDATION SPECS

The following table outlines the request and recommendation.

JBC Staff comeback for BA1 CRCSA Expansion - Request and Recommendation				
	FY 2019-20		FY 2020-21	
	FTE	Cost	FTE	Cost
DL Examiner II				
Personal Services	3.6	$139,497	3.6	$139,497
POTS				
HLD		$31,709		
STD		237		
AED		6,236		
SAED		6,236		
subtotal - POTS		**$44,418**		**$44,418**
subtotal - Personal Services and POTS		**$183,915**		**$183,915**
Operating Expenses		$50,775		$6,158
Drivers License Documents		28,288		28,288
Total	**3.6**	**$262,978**	**3.6**	**$218,361**

The Department requested $183,915 cash funds in a single personal services appropriation for 3.6 FTE in DMV – Driver Services; that includes an annualization of the same appropriation in FY 2020-21. The problem with this request and annualization is that POTS appropriations are automatically included (annualized) in template appropriations in out-years. Including POTS appropriations in the personal services line item, and not annualizing those amounts out in the second year, creates a doubling of these appropriations.

Staff recommends placing the POTS appropriations in the proper line items, reducing the personal services appropriation to $139,497. This provides the same amount as the request but reduces the double POTS appropriation built into the base in the second year.