

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 SUPPLEMENTAL: DEPARTMENT OF HUMAN SERVICES (DIVISION OF YOUTH CORRECTIONS)

PRIORITIZED AND NON-PRIORITIZED REQUESTS

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF HUMAN SERVICES					
Executive Director - Karen Legault Beye					
Supplemental #11 - DYC, Purchase of Contract Placements					
<i>(11) Division of Youth Corrections</i>					
<i>(C) Community Programs</i>					
Purchase of Contract Placements	<u>51,131,337</u>	<u>54,786,665</u>	<u>(9,297,189)</u>	<u>(9,297,189)</u>	<u>45,489,476</u>
General Fund	48,483,406	52,007,869	(8,325,227)	(8,325,227)	43,682,642
Cash Funds Exempt	2,647,931	2,778,796	(971,962)	(971,962)	1,806,834
*Medicaid Cash Funds	2,647,931	2,778,796	(971,962)	(971,962)	1,806,834
*Net General Fund	49,807,372	53,397,267	(8,811,208)	(8,811,208)	44,586,059
Parole Program Services	<u>3,310,521</u>	<u>3,369,656</u>	<u>1,766,266</u>	<u>1,766,266</u>	<u>5,135,922</u>
General Fund	2,248,529	2,288,824	1,947,778	1,947,778	4,236,602
Federal Funds	1,061,992	1,080,832	(181,512)	(181,512)	899,320
Total for Supplemental #11	<u>54,441,858</u>	<u>58,156,321</u>	<u>(7,530,923)</u>	<u>(7,530,923)</u>	<u>50,625,398</u>
General Fund	50,731,935	54,296,693	(6,377,449)	(6,377,449)	47,919,244
Cash Funds	0	0	0	0	0
Cash Funds Exempt	2,647,931	2,778,796	(971,962)	(971,962)	1,806,834
Federal Funds	1,061,992	1,080,832	(181,512)	(181,512)	899,320
*Medicaid Cash Funds	2,647,931	2,778,796	(971,962)	(971,962)	1,806,834
*Net General Fund	52,055,901	55,686,091	(6,863,430)	(6,863,430)	48,822,661

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Totals					
DEPARTMENT OF HUMAN SERVICES					
TOTALS for DYC line items	130,729,055	138,921,713	(7,530,923)	(7,530,923)	131,390,790
FTE	<u>953.4</u>	<u>1,004.3</u>	<u>0.0</u>	<u>0.0</u>	<u>1,004.3</u>
General Fund	124,475,534	132,897,570	(6,377,449)	(6,377,449)	126,520,121
Cash Funds	91,072	89,426	0	0	89,426
Cash Funds Exempt	4,239,359	4,603,885	(971,962)	(971,962)	3,631,923
Federal Funds	1,923,090	1,330,832	(181,512)	(181,512)	1,149,320
* <i>Medicaid Cash Funds</i>	<i>2,706,486</i>	<i>2,852,877</i>	<i>(971,962)</i>	<i>(971,962)</i>	<i>1,880,915</i>
* <i>Net General Fund</i>	<i>125,828,778</i>	<i>134,324,009</i>	<i>(6,863,430)</i>	<i>(6,863,430)</i>	<i>127,460,579</i>

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

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Supplemental #11 - DYC, Purchase of Contract Placements

	Request	Recommendation
Total	(\$7,530,923)	(\$7,530,923)
General Fund	(6,377,449)	(6,377,449)
Cash Funds	0	0
Cash Funds Exempt	(971,962)	(971,962)
Federal Funds	(181,512)	(181,512)
<i>Medicaid Cash Funds</i>	(971,962)	(971,962)
<i>Net General Fund</i>	(6,863,430)	(6,863,430)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	YES
This request was submitted as "New Data" based on the December 2007 Legislative Council Staff commitment population projections and the actual bed utilization for FY 2007-08, which were not available when the FY 2007-08 budget was established. Staff concurs with this assessment and believes that this request meets the supplemental criteria.	

Department Request: The Department requests FY 2007-08 supplemental adjustments to the "Purchase of Contract Placements" line item appropriation based on:

1. The fiscal impact of negotiated daily rates for contract residential placements, resulting from the residential services Request for Proposals (RFP) the Division recently completed;
2. The transfer of \$1,766,266 General Fund from the "Purchase of Contract Placements" line item to the "Parole Program Services" line item to continue a source of funding to support the Division's Continuum of Care Initiative;
3. The adjustment of funding based on the current residential placement bed mix between RCCF, PRTF, and TRCCF placement types, and the reduction of 46 state-operated commitment beds at the Lookout Mountain Youth Services Center and a corresponding increase of 46 staff secure contract commitment beds to maintain the Division's current commitment capacity.
4. The adjustment of Title IV-E funding in the "Parole Program Services" appropriation to match expected federal reimbursement in FY 2007-08.

The following table illustrates the Department's FY 2007-08 supplemental request. In addition, the

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Department requests a FY 2008-09 budget amendment, which withdraws Decision Item #2 that was originally included in the Department's budget request.

	General Fund	Cash Funds Exempt	Federal Funds	Medicaid Cash Funds	Net General Fund	Total
Purchase of Contract Placements	<u>\$43,682,642</u>	<u>\$1,806,834</u>	<u>\$0</u>	<u>\$1,806,834</u>	<u>\$44,586,059</u>	<u>\$45,489,476</u>
RCCF Beds	24,569,130	0	0	0	24,569,130	24,569,130
TRCCF Maintenance	9,684,749	0	0	0	9,684,749	9,684,749
TRCCF Services	7,955,712	0	0	0	7,955,712	7,955,712
TRCCF Fee-for-Service	0	1,806,834	0	1,806,834	903,417	1,806,834
Detention	1,473,051	0	0	0	1,473,051	1,473,051
Parole Program Services	<u>4,236,602</u>	<u>0</u>	<u>899,320</u>	<u>0</u>	<u>4,236,602</u>	<u>5,135,922</u>
Parole Program Services	2,288,824	0	1,080,832	0	2,288,824	3,369,656
Title IV-E	181,512	0	(181,512)	0	181,512	0
Continuum of Care	<u>1,766,266</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,766,266</u>	<u>1,766,266</u>
Total	47,919,244	1,806,834	899,320	\$1,806,834	\$48,822,661	\$50,625,398

Analysis: This supplemental request would make adjustments to the Division of Youth Corrections' (DYC) "Purchase of Contract Placements" and "Parole Program Services" line items to reflect the impact of the Division's Continuum of Care Initiative as well as the December 2007 Legislative Council Staff (LCS) juvenile commitment population projections. Specifically, the request includes three components. First, the request seeks to reduce the "Purchase of Contract Placements" line item to reflect the revised LCS projection and secure funding for the Division's Continuum of Care Initiative by transferring a portion of those funds to the "Parole Program Services" line item. Second, the request seeks to adjust the appropriation to the "Purchase of Contract Placements" line item based on the actual average weighted rates paid for contract placements and the actual proportions of PRTF, TRCCF, and RCCF bed utilization. Finally, the request seeks to backfill lower than anticipated federal Title IV-E funding with General Fund.

Continuum of Care Funding. The December 2007 LCS juvenile commitment population projections indicate that the DYC commitment population will total 1,275 Average Daily Population (ADP) in FY 2007-08. In comparison, the December 2006 LCS projections, which were used to calculate the appropriation to the "Purchase of Contract Placements" line item, indicated a total commitment ADP of 1,489.4 (a difference of 214.4 ADP). This difference equates to an over-appropriation of \$9,297,189 General Fund. The following tables illustrates how this amount was calculated (see Appendix A for staff's calculation of the total funding

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need for the "Purchase of Contract Placements" line item).

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
LCS December 2006 Commitment Projection	1,459.7	1,489.4	1,522.1	1,551.0	1,586.7	n/a
Percentage Change	n/a	2.0%	2.2%	1.9%	2.3%	n/a
LCS December 2007 Commitment Projection	1,425	1,275	1,210	1,172	1,137	1,106
Percentage Change	n/a	-10.5%	-5.1%	-3.1%	-3.0%	-2.7%

	Commitment ADP	FY 2007-08 Avg. Funded Daily Rate	Total Appropriation
December 2006 LCS Projections (Less State Facilities and Boulder IMPACT)	958.4	\$156.19	\$54,786,665
December 2007 LCS Projections (Less State Facilities and Boulder IMPACT)	<u>744.0</u>	167.05	<u>45,489,476</u>
Total Over-Appropriation	214.4		\$9,297,189

The December 2007 LCS juvenile commitment population projections identify the Division's Continuum of Care Initiative as a factor in reducing the commitment populations. The LCS projections state that "...continued and consistent funding of the initiative is expected to reduce growth in commitments, particularly in the near-term." In addition, FY 2007-08 represents the third year in a row that the Division has seen a decrease in commitment ADP after 14 consecutive years of growth. The Division believes that this reduction in actual and projected commitment ADP is likely a result of the Division's Continuum of Care Initiative.

Typically, a reduction in the projected commitment ADP would result in a negative supplemental adjustment to the Division's "Purchase of Contract Placements" line item. However, because the Division believes that it has accomplished this reduction through its Continuum of Care Initiative, a negative supplemental would essentially penalize the Division for reducing commitment ADP. The Division has been given authority under Footnote #86 of the FY 2007-08 Long Bill to spend up to 15 percent of the General Fund appropriation to the "Purchase of Contract Placements" line item for its Continuum of Care Initiative. The Division budgeted approximately \$1.8 million in FY 2007-08 for nonresidential services provided under the Continuum of Care Initiative, and to date, approximately \$1.1 million has been expended. This request seeks to secure continued and consistent funding for the Continuum of Care Initiative by transferring \$1,766,266 General Fund that would typically be reduced from the "Purchase of Contract Placements" line item through

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a negative supplemental to the "Parole Program Services" line item.

Purchase of Contract Placements Financing Adjustment. Given the long-standing policy of funding the DYC through additional contract placements, this supplemental proposes to adjust funding to match estimated populations and youth placement needs, using the current estimated proportion of 65.5 percent Residential Child Care Facility (RCCF) placements, 34.5 percent Therapeutic Residential Child Care Facility (TRCCF) placements, and 0.0 percent Psychiatric Residential Treatment Facility (PRTF) placements. Another factor that drives costs in the "Purchase of Contract Placements" line item is the average weighted rates being paid by the Division to purchase contract placements. The Division recently completed an RFP that affected all of the average weighted rates. The bed mix and rate differences are shown in the following tables.

Level of Care	Appropriated Avg. Weighted Rate	Actual/Projected Avg. Weighted Rate	Difference
RCCF	\$126.52	\$133.06	\$6.54
PRTF	385.00	385.00	0.00
TRCCF (Maintenance)	92.61	99.59	6.98
TRCCF (Services)	76.08	81.81	5.73
TRCCF (Fee-for-Service)	18.72	18.58	(0.14)
Detention	126.55	129.83	3.28

Level of Care	Appropriated Proportion of Total Contract Capacity	Actual/Projected Proportion of Total Contract Capacity	Difference
RCCF	62.5%	65.5%	3.0%
PRTF	0.2%	0.0%	(0.2)%
TRCCF	37.3%	34.5%	(2.8)%

Based upon these average weighted rates and the current contract bed mix, the Division estimates that it will return \$7,530,923 General Fund from the "Purchase of Contract Placements" line item to accommodate the placement needs of its committed youths. The table below illustrates the funding need for the Division.

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Level of Care	FY 2007-08 Appropriation	FY 2007-08 Request	Difference
RCCF	\$27,737,486	\$24,569,130	(\$3,168,356)
PRTF	281,820	0	(281,820)
TRCCF (Maintenance)	12,114,166	9,684,749	(2,429,417)
TRCCF (Service)	9,951,903	7,955,712	(1,996,191)
TRCCF (Fee-for-Service)	2,448,733	1,806,834	(641,899)
Detention	1,435,836	1,473,051	37,215
Provider Rate Increase	816,721	0	(816,721)
Continuum of Care	<u>0</u>	<u>1,766,266</u>	<u>1,766,266</u>
Total	\$54,786,665	\$47,255,742	(\$7,530,923)

Title IV-E Funding. The Division requests an appropriation of \$181,512 General Fund to backfill lower than anticipated federal Title IV-E funding. The request is shown in the following table.

Federal Title IV-E	Federal Funds
Appropriated Title IV-E:	
Community Programs Personal Services	250,000
Parole Program Services	<u>1,080,832</u>
Total Appropriated Title IV-E	1,330,832
Expected Federal Reimbursement	<u>(1,149,320)</u>
Total	\$181,512

States are allowed to earn federal Title IV-E funds (Title IV-E refers to a section of the federal Social Security Act) for a number of activities associated with providing services to certain children who are placed outside their own homes. Specifically, states may earn Title IV-E funds for the "room and board" costs of providing out-of-home care, for related administrative costs, and for costs associated with training staff and service providers. The federal Title IV-E program is an open-ended entitlement program, so there is no dollar limit on what any state may earn. Federal Title IV-E funds are earned on a matching basis, and the match ratio varies by activity. In general, Title IV-E funds are provided on a 50/50 basis, except that eligible training expenses are reimbursed at a higher 75/25 (federal/state) ratio.

In order to qualify for Title IV-E funding, youth must meet eligibility criteria based on family income and committing circumstances (best interests of the child and reasonable efforts to avoid out-of-home placement). In addition, the placement must be in a non-institutional, non-secure, community-based setting.

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The reduction of Title IV-E revenue is at least partially attributable to the fact that the family income criterion is based on a peg of 1998 income. Therefore, as incomes rise with inflation and other measures, fewer and fewer youth qualify for Title IV-E because the income threshold remains at the lower 1998 level. In addition, the recent increase to the federal minimum wage has pushed even more youth above the income threshold.

Staff Recommendation: Staff recommends that the Committee approve: (1) the Department's request to reduce the "Purchase of Contract Placements" line item by \$9,297,189 total funds; (2) the Department's request to transfer \$1,776,266 General Fund from the amount reduced from the "Purchase of Contract Placements" line item to the "Parole Program Services" line item; and (3) the Department's request to refinance \$181,512 of federal Title IV-E revenue that was not earned within the "Parole Program Services" line item with General Fund.

APPENDIX A

Table 1 - Legislative Council Staff December 2007 Projections for FY 2007-08			
	Commitment	Detention	Total
Forecasted Beds	1,275.0	479.0	1,754.0
Minus Boulder Impact	(7.0)		(7.0)
Facility Overcrowding	0.0		
<u>Minus State Capacity*</u>	<u>(497.8)</u>	<u>(448.0)</u>	<u>(945.8)</u>
Contract Beds	770.2	31.0	801.2

* Includes a reduction of 26.2 beds due to the closing of barracks-style dorms at Lookout Mountain

Table 2 - Estimated Need Based on LCS Projections						
	Contract Beds	Estimated Rate	General Fund	Medicaid CF	Total	Net GF
PRTF (0.0%)	0.0	\$385.00	0	0	0	0
TRCCF (34.5%) Treatment	265.7	\$181.40	17,640,461	0	17,640,461	17,640,461
TRCCF (34.5%) Fee-for-Service	265.7	\$18.58	0	1,806,834	1,806,834	903,417
<u>RCCFs (65.5%)</u>	<u>504.5</u>	<u>\$133.06</u>	<u>24,569,130</u>	<u>0</u>	<u>24,569,130</u>	<u>24,569,130</u>
Total Commitment Beds	770.2		42,209,591	1,806,834	44,016,425	43,113,008
Detention Beds	31.0	\$129.83	1,473,051	0	1,473,051	1,473,051
DYC Request / Continuation Adjusted for Caseload			43,682,642	1,806,834	45,489,476	44,586,059
Plus Provider Rate Increase (1.5% Increase)			<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
JBC Staff Recommendation			43,682,642	1,806,834	45,489,476	44,586,059

Assumptions:

1. Assumes the December 2007 Legislative Council Staff (LCS) projection of 1,275 commitment beds for FY 2007-08. This figure is 214.4 beds lower than the December 2006 LCS projection of 1489.4 commitment beds for FY 2007-08.
2. Estimated beds for Boulder Impact Project reflect January 2008 DYC estimated capacity for FY 2007-08.
3. Assumes 479 detention beds pursuant to Section 19-2-1201, C.R.S. Of these, 448 are in state-operated facilities.
4. Assumes contract rates provided by the Division of Youth Corrections as a part of its FY 2007-08 bed plan as amended in January 2008.
5. The percentage of PRTF, TRCCF, and RCCF placements, as a percent of total commitment beds, is based on the estimated ratio provided by the Division of Youth Corrections as a part of its supplemental request for FY 2007-08.