

STATE OF COLORADO
JOINT BUDGET COMMITTEE



FY 2016-17
STAFF BUDGET BRIEFING
SUMMARY

STATE OF COLORADO

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MEMORANDUM

TO: Members of the General Assembly
FROM: Joint Budget Committee
SUBJECT: FY 2016-17 Budget Briefing Summary
DATE: January 13, 2016

For the past two months, the Joint Budget Committee staff has been briefing the Committee on each department's budget request for FY 2016-17. The staff briefing is a written and oral presentation of budget issues and a review of expenditures and requests for each department. These briefings are aimed at stimulating discussion among the Committee members about each department's budget request, its operations, issues of efficiency and effectiveness, and plans for the future.

During the briefing, Committee members decide which issues they wish to discuss with the department. These topics are addressed at a formal hearing with each department's executive director. This hearing also allows time for the department to discuss its priorities with the Committee.

This report summarizes the budget briefings by providing an overview of each department's responsibilities, the department's total request as compared to the current year appropriation, and a summary of issues that were addressed. The detailed staff briefing write-ups can be found at the Committee's web site:

http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/briefing.htm

We hope this budget briefing summary, and the documents from which it was created, will help you become familiar with the FY 2016-17 budget requests and major issues that impact the budget. We look forward to discussing the budget with you throughout the 2016 legislative session.

SUMMARY OF FY 2016-17 BUDGET BRIEFING

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All Departments

The Executive and Judicial branches of state government submitted their FY 2016-17 budget requests to the Joint Budget Committee on November 2, 2015. The following table summarizes the total request.

FY 2015-16 Appropriation and FY 2016-17 Request

	All Departments					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation:						
Long Bill and Additional Legislation	\$26,422,566,063	\$9,597,112,649	\$7,355,743,365	\$1,461,406,325	\$8,008,303,724	55,734.5
FY 2016-17 Requested Appropriation:						
FY 2015-16 Appropriation	\$26,422,566,063	\$9,597,112,649	\$7,355,743,365	\$1,461,406,325	\$8,008,303,724	55,734.5
Decision items	272,073,354	412,529,692	(105,826,599)	15,751,663	(50,381,402)	155.3
Centrally appropriated line items	45,063,569	9,048,943	13,675,865	16,465,755	5,873,006	0.0
Annualize prior year budget actions	(84,621,237)	(35,774,794)	(1,767,012)	(4,725,742)	(42,353,689)	14.8
Technical changes	(34,332,498)	(795,225)	(95,554,233)	(15,803,695)	77,820,655	(1.0)
Annualize prior year legislation	<u>(6,133,828)</u>	<u>12,547,903</u>	<u>(20,436,450)</u>	<u>(918,589)</u>	<u>2,673,308</u>	<u>23.9</u>
TOTAL	\$26,614,615,423	9,994,669,168	\$7,145,834,936	\$1,472,175,717	\$8,001,935,602	55,927.5
Increase/(Decrease)	\$192,049,360	\$397,556,519	(\$209,908,429)	\$10,769,392	(\$6,368,122)	193.0
Percentage Change	0.7%	4.1%	(2.9%)	0.7%	(0.1%)	0.3%

Summary of Major Changes

Decision items: Represents programmatic funding changes included in the requested FY 2016-17 appropriation. Examples include funding for new programs, expansion of existing programs, and reductions to or elimination of existing programs. These items increase the requested State budget by \$272.1 million total funds, including \$412.5 million General Fund for FY 2016-17.

Major highlights include:

- Education – Increase of \$120.6 million total funds (increase of \$224.1 million General Fund);
- Health Care Policy and Financing – Increase of \$63.9 million total funds (increase of \$153.0 million General Fund);
- Human Services – Increase of \$39.1 million total funds (increase of \$25.3 million General Fund);
- Higher Education – Decrease of \$36.2 million total funds (decrease of \$17.8 million General Fund); and
- Corrections – Decrease of \$5.9 million total fund (decrease of \$6.0 million General Fund).

Centrally appropriated line items: Represents the requested FY 2016-17 impact of changes to central appropriations, which are generally made to the Executive Director’s Office (or a comparable division) of each agency for use department-wide. Examples include salary increases and benefits, vehicle lease payments, Capitol complex leased space, and information technology services. These items increase the requested State budget by \$45.1 million total funds, including \$9.0 million General Fund for FY 2016-17.

Major highlights include:

- Governor – Increase of \$17.3 million total funds;
- Public Safety – Increase of \$7.7 million total funds (increase of \$1.3 million General Fund);
- Corrections – Decrease of \$4.4 million total funds (decrease of \$4.3 million General Fund); and
- Regulatory Agencies – Decrease of \$1.1 million total funds (decrease of \$0.1 million General Fund).

Annualize prior year budget actions: Represents the requested FY 2016-17 impact on appropriations of budgetary decision items approved for prior fiscal years. These items reduce the requested State budget by \$84.6 million total funds, including a decrease of \$35.8 million General Fund for FY 2016-17.

Major highlights include:

- Corrections – Increase of \$5.2 million total funds (increase of \$5.0 million General Fund);
- Health Care Policy and Financing – Decrease of \$64.5 million total funds (decrease of \$25.4 million General Fund);
- Governor – Decrease of \$8.9 million total funds (decrease of \$5.0 million General Fund); and
- Judicial – Decrease of \$8.0 million total funds (decrease of \$2.1 million General Fund).

Technical changes: Represents revenue forecast adjustments and various technical adjustments included in the FY 2016-17 requested appropriation. These items decrease the requested State budget by \$34.3 million total funds, including a decrease of \$0.8 million General Fund for FY 2016-17.

Major highlights include:

- Transportation – Decrease of \$32.7 million total funds;
- Revenue – Decrease of \$0.6 million total funds (decrease of \$0.9 million General Fund); and
- Law – Decrease of \$0.5 million total funds (decrease of \$0.3 million total funds).

Technical change items, grouped by department, are reflected in figure 14.

Annualize prior year legislation: Represents the requested FY 2016-17 impact on appropriations of legislation passed by the General Assembly in prior legislative sessions. These items reduce the requested State budget by \$6.1 million total funds, including an increase of \$12.5 million General Fund for FY 2016-17.

Major highlights include:

- Labor and Employment – Increase of \$48.7 million total funds (increase of \$4.2 million General Fund);
- Health Care Policy and Financing – Increase of \$4.3 million total funds (increase of \$8.6 million General Fund);
- Human Services – Decrease of \$45.1 million total funds (decrease of \$0.4 million General Fund); and
- Natural Resources – Decrease of \$10.5 million total funds.

Department of Agriculture

The Department of Agriculture regulates, promotes and supports various agricultural activities throughout Colorado. Department personnel perform a wide range of services including: regulatory and inspection services relating to agriculture; investigations and hearings; standardizing, grading, inspecting, labeling, handling, storage, and marketing of agricultural products; and agriculture-related policy analysis. The Department's FY 2015-16 appropriation represents approximately 0.2 percent of statewide operating appropriations and 0.1 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Agriculture						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	\$45,709,657	\$9,706,234	\$30,176,218	\$1,656,548	\$4,170,657	274.1
Other legislation	<u>564,396</u>	<u>0</u>	<u>564,396</u>	<u>0</u>	<u>0</u>	<u>6.3</u>
TOTAL	\$46,274,053	\$9,706,234	\$30,740,614	\$1,656,548	\$4,170,657	280.4
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$46,274,053	9,706,234	\$30,740,614	\$1,656,548	\$4,170,657	280.4
R2 Hemp regulatory and seed certification program	220,471	0	220,471	0	0	1.0
R1 Pesticide laboratory resources	90,865	0	90,865	0	0	0.0
NPI Secure Colorado	9,222	7,009	2,213	0	0	0.0
NPI Resources for administrative courts	156	0	156	0	0	0.0
NPI Annual fleet vehicle request	(16,275)	(5,934)	(10,166)	0	(175)	0.0
Centrally appropriated line items	728,072	380,637	403,853	0	(56,418)	0.0
Annualize prior year legislation	319,799	0	319,799	0	0	0.0
Indirect cost assessment	<u>(21,691)</u>	<u>0</u>	<u>(18,080)</u>	<u>0</u>	<u>(3,611)</u>	<u>0.0</u>
TOTAL	\$47,604,672	\$10,087,946	\$31,749,725	\$1,656,548	\$4,110,453	281.4
Increase/(Decrease)	\$1,330,619	\$381,712	\$1,009,111	\$0	(\$60,204)	1.0
Percentage Change	2.9%	3.9%	3.3%	0.0%	(1.4%)	0.4%

Summary of Issues Presented to the Joint Budget Committee

Biochemistry Laboratory Appropriation Request: This issue brief provides an analysis of the Department of Agriculture's request for an appropriation for an additional 1.0 FTE for the Biochemistry Laboratory (BCL), which is housed in the Inspection and Consumer Services Division.

Industrial Hemp Regulatory and Seed Certification Program Appropriation Request: This issue brief discusses the Department of Agriculture's FY 2016-17 appropriation request for the Industrial Hemp

Regulatory and Seed Certification Program (Program), created in Sections 35-61-104 and 35-61-104.5 (1.5), C.R.S. The Department requests an appropriation of \$220,471 cash funds and 1.0 FTE for FY 2016-17 for the Program.

Noxious Weeds Management Fund Spending Authority: This issue brief provides an analysis of the spending authority of the Noxious Weed Management Fund (Fund) created in Section 35-5.5-116 (1), C.R.S., and how that authority impacts the Fund's ability to support grants.

Department of Corrections

The Department of Corrections is responsible for the following activities:

- Managing, supervising, and controlling the correctional facilities operated and supported by the State;
- Supervising the population of offenders placed in the custody of the Department, including inmates in prison, parolees, and transition inmates who are placed into community corrections programs and other community settings;
- Planning for the projected, long-range needs of the institutions under the Department's control; and
- Developing educational programs, treatment programs, and correctional industries within the facilities that have a rehabilitative or therapeutic value for inmates and supply necessary products for state institutions and other public purposes, as provided by law.

The Department's FY 2015-16 appropriation represents 3.0 percent of statewide operating appropriations and 8.1 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Corrections						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
15-16 Long Bill	\$868,560,106	\$779,703,369	\$40,931,411	\$46,665,389	\$1,259,937	6,239.8
Appropriations in 5 year sentencing bills passed in prior sessions	249,731	249,731	0	0	0	0.0
H.B. 15-1341 Increase penalties for sexual exploitation of child	11,034	11,034	0	0	0	0.0
S.B. 15-185 Police Data Collection and Community Policing	9,800	9,800	0	0	0	0.0
S.B. 15-195 Spending Earned Time Savings	0	1,500,000	(1,500,000)	0	0	0.0
S.B. 15-123 Reduce Parole Revocations for Technical Violations	<u>(853,476)</u>	<u>(853,476)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$867,977,195	\$780,620,458	\$39,431,411	\$46,665,389	\$1,259,937	6,239.8
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$867,977,195	780,620,458	\$39,431,411	\$46,665,389	\$1,259,937	6,239.8
Annualize prior year budget actions	4,900,130	4,708,003	192,127	0	0	2.1
R3 Medical caseload	378,881	378,881	0	0	0	0.0
R2 Utilities inflation	333,230	315,236	17,994	0	0	0.0
R1 Food service inflation	328,981	328,981	0	0	0	0.0
Non-prioritized requests	305,955	280,033	25,922	0	0	0.0
Indirect cost assessment adjustments	70,506	(70,505)	(17,227)	60,534	97,704	0.0
R4 External capacity caseload	(5,994,665)	(5,994,665)	0	0	0	0.0

Department of Corrections						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Centrally appropriated line item adjustments	(4,495,355)	(4,228,166)	(255,032)	(12,157)	0	0.0
R5 Provider rate decrease	(1,273,348)	(1,273,348)	0	0	0	0.0
Annualize prior legislation	<u>(9,800)</u>	<u>(9,800)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$862,521,710	\$775,055,108	\$39,395,195	\$46,713,766	\$1,357,641	6,241.9
Increase/(Decrease)	(\$5,455,485)	(\$5,565,350)	(\$36,216)	\$48,377	\$97,704	2.1
Percentage Change	(0.6%)	(0.7%)	(0.1%)	0.1%	7.8%	0.0%

Summary of Issues Presented to the Joint Budget Committee

Changing Appropriations in Criminal Sentencing Bills and Changes to the Statute Governing Those Bills. A changed fiscal note assumption about the use of private prison beds has altered projected fiscal note costs and appropriations in criminal sentencing bills, substantially lowering costs by eliminating capital appropriations and reducing future operating costs. This issue finds that many bills now arguably require a six-year cost forecast and six-year appropriation to satisfy Section 2-2-703, C.R.S., which governs criminal sentencing bills. The issue recommends that the Committee carry a bill to fix potential conflicts within Sections 2-2-701 to 703, C.R.S., and clarify several of its provisions.

S.B. 15-195, Inmate Phone Rates, and Private Prisons. Last year, the General Assembly enacted S.B. 15-195 (Spending Savings from Earned Time in the Department of Corrections), which required the Department of Corrections to set inmate phone rates so that they cover the department's direct and indirect cost of operating the inmate phone system and generate no profit for the DOC (Department of Corrections). Phone profits formerly equaled \$1.5 million so the General Assembly backfilled the lost profit with a \$1.5 million General Fund appropriation that derived from savings generated by H.B. 12-1223, an earlier JBC bill. Early in FY 2015-16, the Department reduced inmate phone rates substantially, though not as much as some other states have recently reduced their rates. Recently it was discovered that the appropriations in S.B. 15-195 were incorrect because they did not account for the phone profits that are paid each year to CCA and CEC, two companies that operated private prisons in Colorado. This problem can be remedied in the DOC's January supplemental bill.

Where have informative DOC budgets gone? DOC (Department of Corrections) budget requests formerly contained extended narrative explanations of DOC subprograms as well as performance metrics. These explanations were virtually eliminated following 2008 and have not been restored. The only significant narratives that remain in the budget are those for Decision Items. The lack of subprogram narratives makes it more difficult to keep figure setting documents current and to keep abreast of developments that may affect subprograms.

December 2015 Offender Population Projections. The Department of Corrections' inmate prison population has declined in 10 of the last 12 months. The December forecasts released by Legislative Council Staff (LCS) and by the Division of Criminal Justice (DCJ) both project that this population will continue to decline but will

subsequently rise. DCJ predicts that the upturn will occur in January 2017. LCS predicts a rise in July 2017. LCS projects a larger decrease before the upturn than does DCJ. The difference between the forecasts is substantially larger than it has been in either of the past two years. The parole forecasts differ substantially. DCJ predicts that the population will grow for 18 months and then decline. LCS predicts steady decline.

Department of Education

The Department of Education supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. The Department distributes state and federal funds to school districts, and it administers a variety of education-related programs, including educator licensure, education programs for children with special needs, English language proficiency programs, the Colorado Preschool Program, and a variety of grant programs. The Department develops and maintains state model content standards, and administers associated assessments. The Department also includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring institute charter schools; and (3) the Public School Capital Construction Assistance Board, which is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization of state financial assistance for school construction projects. The Department's FY 2015-16 appropriation represents 20.6 percent of statewide operating appropriations and 37.2 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$5,395,441,471	\$3,542,723,792	\$1,172,310,474	\$29,757,276	\$650,649,929	598.0
SB 15-267 (School Finance)	30,000,000	25,000,000	5,000,000	0	0	0.0
Other Legislation	<u>9,046,311</u>	<u>261,424</u>	<u>8,784,887</u>	<u>0</u>	<u>0</u>	<u>0.8</u>
TOTAL	\$5,434,487,782	\$3,567,985,216	\$1,186,095,361	\$29,757,276	\$650,649,929	598.8
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$5,434,487,782	3,567,985,216	\$1,186,095,361	\$29,757,276	\$650,649,929	598.8
R1 Total program increase	115,138,656	223,848,027	(108,709,371)	0	0	0.0
R2 Categorical programs increase	5,149,491	0	5,149,491	0	0	0.0
R3 CPP tax checkoff	72,025	0	0	72,025	0	0.0
R4 CSDB teacher salary adjustment	229,685	229,685	0	0	0	0.0
NP1 Resources for administrative courts	13,081	0	0	13,081	0	0.0
NP2 Annual fleet vehicle request	1,833	1,833	0	0	0	0.0
NP3 FY 2016-17 Secure Colorado	19,694	19,694	0	0	0	0.0
Annualize HB 15-1367 (Retail Marijuana Taxes)	4,000,000	0	4,000,000	0	0	0.0
Centrally appropriated line item adjustments	1,550,646	501,479	514,186	(180,012)	714,993	0.0
Annualize prior year legislation	(10,234,398)	(15,573)	(10,218,825)	0	0	(0.2)
Annualize prior year budget actions	<u>(2,193,446)</u>	<u>440,521</u>	<u>(2,609,614)</u>	<u>(16,440)</u>	<u>(7,913)</u>	<u>4.7</u>
TOTAL	\$5,548,235,049	\$3,793,010,882	\$1,074,221,228	\$29,645,930	\$651,357,009	603.3

Department of Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Increase/(Decrease)	\$113,747,267	\$225,025,666	(\$111,874,133)	(\$111,346)	\$707,080	4.5
Percentage Change	2.1%	6.3%	(9.4%)	(0.4%)	0.1%	0.8%

Summary of Issues Presented to the Joint Budget Committee

School Finance Funding Projections: Current law requires the General Assembly to provide at least enough funding for school finance in FY 2016-17 to maintain the negative factor as a constant dollar amount from FY 2015-16 (no more than \$855.2 million based on the current FY 2015-16 appropriation). Based on current Legislative Council Staff estimates of revenues and pupil counts, maintaining the negative factor at \$855.2 million in FY 2016-17 would require an additional \$127.3 million total state funds (including an increase of \$303.5 million General Fund which is partially offset by reductions from cash fund sources) above the FY 2015-16 appropriation. Barring changes to other appropriations, any reduction in the negative factor for FY 2015-16 would require additional General Fund.

Refusal to Pay Categorical Buyout – Legislative Recommendation: In FY 2014-15, statute required six school districts to pay categorical buyout funds to the Department of Education based on the districts’ ability to support district total program funding without state aid. As of December 2015, three of the six school districts have refused to repay the categorical amounts required by statute for FY 2014-15, totaling \$292,210 still unpaid. Statute does not give clear direction to the Department regarding a response to refusal to pay for categorical buyout, and staff recommends sponsoring legislation directing the Department to withhold other state funds from such districts.

Reinstating the Contingency Reserve Fund – Legislative Recommendation: In 2014, the General Assembly enacted H.B. 14-1250, a Joint Budget Committee bill, to provide one-time funding through the Contingency Reserve Fund to school districts impacted by the September 2013 flooding and to a select group of school districts that experienced unanticipated declines in local revenues available for school finance at mid-year in FY 2013-14. In a drafting error, the bill inadvertently repealed the entire Contingency Reserve Fund section of statute as of July 1, 2015. Reinstating the Contingency Reserve Fund will require new legislation in the 2016 Session.

School Finance Funding Case Studies: The school finance formula directs the distribution of total program funding to Colorado school districts based on factors designed to recognize the characteristics of each school district, such as the local cost of living, the district’s enrollment, and the number of at-risk students. However, the combination of the negative factor, variations in local property wealth and resulting local revenues, and local mill levy overrides can result in funding levels that may or may not closely resemble the funding anticipated in the school finance formula. Such variations raise points to consider in discussions of the adequacy and equity of education funding in Colorado.

B.E.S.T. Program Funding and Revenues: The Building Excellent Schools Today (B.E.S.T.) program is the State’s primary public school capital construction assistance program. Supported primarily with State Land

Board school trust revenues and marijuana excise tax revenues, the program includes two mechanisms to distribute funding for capital construction projects: (1) certificates of participation (COPs), capped at \$40.0 million in state funding for COP payments per year under current law (the program has reached the cap); and (2) cash grants provided to schools and school districts annually (and now also appropriated in the Long Bill). Looking toward the 2016 Session and the FY 2016-17 budget, the General Assembly faces several policy questions related to the B.E.S.T. program.

Federal E.S.E.A. Reauthorization: Congress has passed legislation to reauthorize the federal Elementary and Secondary Education Act. The Every Student Succeeds Act, which will largely take effect for the 2016-17 school year, replaces No Child Left Behind and makes a variety of changes including returning significant autonomy and authority over education policy (particularly with respect to standards and accountability) to the states. The new legislation also makes changes to federal funding available for education. The budgetary impact of the legislation, in terms of both state costs and federal funding, is uncertain.

Educator Licensure Fee Increase: In November 2015, the State Board of Education approved a fee increase for educator licenses to continue to address the Educator Licensure Office's workload. Effective March 2016, Colorado residents' license fees will increase from \$80 per license to \$90 (12.5 percent) while non-resident fees will increase from \$80 to \$110 (37.5 percent). The Department expects the fee increase to generate an additional \$470,382 cash funds revenue in FY 2015-16 and \$788,960 in FY 2016-17, which will increase the State's TABOR revenues by those amounts for each year.

Dwyer v. Colorado Supreme Court Decision: In June 2014, a group of parents of public school students, the Colorado Rural Schools Caucus, the East Central Board of Cooperative Educational Services (BOCES), the Colorado PTA, and five individual school districts filed a complaint in Denver District Court asserting that the negative factor violates Amendment 23 and is therefore unconstitutional. In September 2015, the Colorado Supreme Court issued a decision in favor of the State, ruling that the negative factor does not violate the plain language of Amendment 23 and is constitutional.

Office of the Governor

The Office of the Governor includes the functions associated with the Governorship (oversight of executive branch agencies, policy development, communications, and citizen support services), as well as the Office of the Lieutenant Governor, Office of State Planning and Budgeting, Office of Economic Development and International Trade, Office of Information Technology, and Colorado Energy Office. The Department's FY 2015-16 appropriation represents 1.0 percent of statewide operating appropriations and 0.4 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Governor - Lieutenant Governor - State Planning and Budgeting						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	\$268,978,544	\$41,427,966	\$42,239,163	\$178,818,806	\$6,492,609	1,085.7
Other legislation	<u>1,682,849</u>	<u>240,234</u>	<u>0</u>	<u>1,442,615</u>	<u>0</u>	<u>3.0</u>
TOTAL	\$270,661,393	\$41,668,200	\$42,239,163	\$180,261,421	\$6,492,609	1,088.7
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$270,661,393	41,668,200	\$42,239,163	\$180,261,421	\$6,492,609	1,088.7
<u>Office of the Governor (division)</u>						
R1 GOV Mansion activity fund	20,000	0	20,000	0	0	0.0
<u>Office of Economic Development and International Trade</u>						
R1 OEDIT Film incentive rebate program	3,000,000	3,000,000	0	0	0	0.0
<u>Office of Information Technology</u>						
R1 OIT Secure Colorado	1,000,000	0	0	1,000,000	0	0.0
R2 OIT CBMS/PEAK annual base adjustment request	22,428,801	0	0	22,428,801	0	0.0
R3 OIT End user configuration management tool	306,344	0	0	306,344	0	0.0
R4 OIT Niche Records Management System	158,873	0	0	158,873	0	1.0
<u>Other Changes</u>						
Centrally appropriated line items	17,598,936	74,699	(53,814)	17,558,793	19,258	0.0
Non-prioritized request items	15,150	7,630	0	7,520	0	0.0
Annualize prior year budget actions	(9,153,326)	(5,122,733)	0	(4,030,593)	0	0.7
Annualize prior year legislation	<u>(1,127,753)</u>	<u>(89,023)</u>	<u>0</u>	<u>(1,038,730)</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$304,908,418	\$39,538,773	\$42,205,349	\$216,652,429	\$6,511,867	1,090.4
Increase/(Decrease)	\$34,247,025	(\$2,129,427)	(\$33,814)	\$36,391,008	\$19,258	1.7
Percentage Change	12.7%	(5.1%)	(0.1%)	20.2%	0.3%	0.2%

Summary of Issues Presented to the Joint Budget Committee

Film Incentive Funding Request: The FY 2016-17 budget request for the Office of Economic Development and International Trade seeks \$3.0 million General Fund film incentives.

Statewide Information Technology Base Budget Request: The Governor's Office of Information Technology (OIT) provides services to State agencies on a cost reimbursement basis, with OIT acting as a vendor to State agencies. The Office's FY 2016-17 base budget (does not include new funding requests) request includes \$127.2 million billed to State agencies for a variety of services.

New Information Technology Funding Requests (Operating/Capital): Executive branch agencies request \$43.3 million total funds, including \$21.5 million General Fund, for FY 2016-17 for new information technology projects. The projects include five operating budget items requested by two different agencies and four capital construction items requested by two different agencies.

Senate Bill 14-169 (OIT Reports To General Assembly) Asset Update: Pursuant to S.B. 14-169 (Office Of Information Technology Reports To GA), the Governor's Office of Information Technology (OIT) is required to annually submit an inventory and refresh cycle information to the Joint Budget Committee and the Joint Technology Committee for specific types of information technology assets.

Information Technology Expenditures Outside of OIT: Senate Bill 08-155 (Centralize IT Management In OIT) consolidated information technology resources from State agencies in the Governor's Office of Information Technology (OIT) for the purpose of coordinating and directing the use of information technology by executive branch agencies. During FY 2010-11, the executive branch completed the transfer of personnel resources. A plan has not yet been submitted to transfer operating expenses for information technology assets from executive branch agencies to OIT, as recommended by the State Auditor's Office.

Department of Health Care Policy and Financing

The Department of Health Care Policy and Financing helps pay health and long-term care expenses for low-income and vulnerable populations. To assist with these costs the Department receives significant federal matching funds, but must adhere to federal rules regarding program eligibility, benefits, and other features, as a condition of accepting the federal money. The Department's FY 2015-16 appropriation represents 33.6 percent of statewide operating appropriations and 26.1 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Health Care Policy and Financing						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$8,873,331,056	\$2,506,252,972	\$1,024,522,841	\$6,110,549	\$5,336,444,694	413.7
Other legislation	<u>17,123,341</u>	<u>827,638</u>	<u>7,324,383</u>	<u>1,695,000</u>	<u>7,276,320</u>	<u>7.5</u>
TOTAL	\$8,890,454,397	\$2,507,080,610	\$1,031,847,224	\$7,805,549	\$5,343,721,014	421.2
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$8,890,454,397	2,507,080,610	\$1,031,847,224	\$7,805,549	\$5,343,721,014	421.2
R1 Medical Services Premiums						
Services	207,501,363	132,879,795	32,852,420	0	41,769,148	0.0
Booster Payments/Financing	<u>(147,220,545)</u>	<u>8,822,624</u>	<u>(63,834,743)</u>	<u>0</u>	<u>(92,208,426)</u>	<u>0.0</u>
<i>Subtotal - R1</i>	<i>60,280,818</i>	<i>141,702,419</i>	<i>(30,982,323)</i>	<i>0</i>	<i>(50,439,278)</i>	<i>0.0</i>
R2 Behavioral Health Programs	13,430,867	(3,793,986)	7,447,782	0	9,777,071	0.0
R3 Children's Basic Health Plan	(17,605,016)	(25,277)	(11,208,331)	0	(6,371,408)	0.0
R4 Medicare Modernization Act	16,865,498	16,865,498	0	0	0	0.0
R5 Office of Community Living	11,910,323	6,969,260	0	0	4,941,063	0.0
R7 County administration funding	7,105,769	0	0	0	7,105,769	0.0
R9 Old Age Pension State Medical Program	(3,939,225)	0	(3,939,225)	0	0	0.0
R11 Federal match rate	0	103,915	0	8,930	(112,845)	0.0
R12 Provider rates	(35,753,121)	(12,886,073)	(945,958)	0	(21,921,090)	0.0
NP CO Benefits Management System	11,363,637	3,618,325	1,590,106	0	6,155,206	0.0
NP Cervical cancer eligibility	291,528	0	107,119	0	184,409	0.0
NP Administrative law judges	40,765	15,840	4,543	0	20,382	0.0
NP Secure Colorado	13,851	6,884	42	0	6,925	0.0
Annualize prior year budget decisions	16,682,905	9,534,693	1,689,762	(847,793)	6,306,243	3.3
Annualize HB 15-1186 children with autism	8,426,145	8,463,025	(4,331,637)	0	4,294,757	0.0
Annualize primary care rate bump	(85,234,565)	(34,860,937)	0	0	(50,373,628)	0.0
Indirect cost adjustment	59,489	(59,489)	46,187	60,710	12,081	0.0
Centrally appropriated line items	(815,378)	(500,483)	73,441	32,011	(420,347)	0.0
Human Services programs	<u>(419,560)</u>	<u>413,389</u>	<u>(74,625)</u>	<u>0</u>	<u>(758,324)</u>	<u>0.0</u>

Department of Health Care Policy and Financing						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
TOTAL	\$8,893,159,127	\$2,642,647,613	\$991,324,107	\$7,059,407	\$5,252,128,000	424.5
Legislation to restrict revenue from the Hospital Provider Fee by \$100 million	0	0	0	0	0	0.0
Placeholder for potential increase in Medicare premiums paid by Medicaid	0	0	0	0	0	0.0
TOTAL	\$8,893,159,127	\$2,642,647,613	\$991,324,107	\$7,059,407	\$5,252,128,000	424.5
Increase/(Decrease)	\$2,704,730	\$135,567,003	(\$40,523,117)	(\$746,142)	(\$91,593,014)	3.3
Percentage Change	0.0%	5.4%	(3.9%)	(9.6%)	(1.7%)	0.8%

Summary of Issues Presented to the Joint Budget Committee

Executive Director's Office, Medical Services Premiums, Indigent Care Programs, and Other Medical Programs

Forecast Trends: This issue brief provides a brief overview of forecast trends in enrollment and expenditures for Medical Service Premiums, the Children's Basic Health Plan, and the Medicare Modernization Act State Contribution Payment.

Hospital Provider Fee: This issue brief discusses how the Hospital Provider Fee works, the Governor's request to reduce revenue from the fee by \$100 million, and the effect if the fee were designated as a TABOR enterprise.

Federal Approval Process for Changes to Medicaid: This issue brief describes the federal approval process for changes to Medicaid in order to shed light on recent delays the Department has experienced in implementing new policies of the General Fund. It also provides an update on the implementation status of new policies approved by the General Assembly.

Provider Rate Review: This issue brief provides a status update on the provider rate review process created by S.B. 15-228 and discusses how that process relates to the Governor's FY 2016-17 request.

Primary Care Rates: This issue brief discusses the sunset of a policy that increased Medicaid primary care rates to the equivalent Medicare rate beginning in January 1, 2013 that is scheduled to expire at the end of FY 2015-16.

Optional Eligibility and Benefits: This issue brief provides a list of the eligibility criteria and benefits Colorado has implemented that are optional for participation in Medicaid and provides rough cost estimates for each.

Behavioral Health Community Programs

Overview of Department's FY 2016-17 Request for Behavioral Health Community Programs: The Department's most recent projections for behavioral health programs indicate that the General Assembly will likely be able to reduce General Fund appropriations by \$17.0 million in the current fiscal year, but the majority of this funding will need to be reinstated for FY 2016-17.

Integrating Behavioral and Primary Health Care: The Department indicates that the integration of behavioral health services and primary health care is critical, since a significant share of total health costs and population outcomes are attributable to behavior, decision-making, and substance use. Significant initiatives are under way to address barriers to successful care integration.

Accountable Care Collaboratives Phase II: The Department recently announced a plan to combine the administrative functions of behavioral health organizations with those of regional care collaborative organizations. The Department's goal is to provide a full continuum of behavioral health interventions throughout the health care system to help address the less acute behavioral health needs of many clients and reduce health care expenditures overall. Behavioral health providers have raised concerns about some potential unintended consequences of eliminating the existing full risk-based capitation payment system for behavioral health services.

Office of Community Living

Overview of Funding Mechanisms for IDD Services: Services for individuals with intellectual and developmental disabilities (IDD) are primarily provided at state-run Regional Centers and through community-based Community-Centered Boards and Program Approved Service Agencies. Funding is primarily from Medicaid funds through either the Home- and Community-Based Waiver Services for individuals with intellectual and developmental disabilities or the daily reimbursement rate for Intermediate Care Facilities for Individuals with Intellectual Disabilities. The following is a brief overview of IDD services and funding mechanisms.

IDD Caseload and Expenditures: The Department is projecting a \$15.0 million under expenditure in FY 2015-16 for the intellectual and developmental disability waivers (IDD waivers). The projected underexpenditure is due primarily to fewer enrollments than was projected for in FY 2014-15 which lower the projected number of enrollments in FY 2015-16. Additionally the average annual cost of services for both the Supported Living Services waiver and the Children's Extensive Support Services waiver was lower than budget for in FY 2014-15 which carries over to the FY 2015-16 projections. The Department's request for FY 2016-17 does not include funding to drawn down the comprehensive waiting list.

IDD Waiting List Update: The number of individuals waiting for comprehensive IDD services as of September 30, 2015 increased by 627 individuals from the number waiting as of August 31, 2014. This increase is offset by reductions to the number of individuals waiting for services through the other two waivers for individuals with intellectual and developmental disabilities (IDD). The increase in the comprehensive services waiting list makes it less likely the enrollment goal to serve all individuals eligible for services by July 1, 2020 established in Section 25.5-10-207.5 (4) (a), C.R.S. will be achievable.

Status Update of Long-Term Services and Supports System Changes: The Long-term Services and Supports System (LTSS), including the system of services for individuals with intellectual and developmental disabilities, is undergoing numerous changes intended to make the system more accessible for individuals and provide person-centered services. The Department and stakeholders are working on the development of implementation plans that respond to recent system improvement recommendations, federal rules, and legislation. This issue provides a status update on the Department's work to plan for and implement changes.

Supports Intensity Scale Assessment: House Bill 15-1318 (Consolidate Intellectual and Developmental Disability Waivers) required the Department to submit to the Joint Budget Committee a justification for the continued use of the Supports Intensity Scale assessment tool. The Department provided the justification on November 10, 2015. The Joint Budget Committee must determine if the justification is sufficient to continue the use of the Supports Intensity Scale assessment tool.

Department of Higher Education

The Department of Higher Education is responsible for higher education and vocational training programs in the state. The Department's FY 2015-16 appropriation represents 14.1 percent of statewide operating appropriations and 8.9 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Higher Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	\$3,731,739,272	\$856,871,803	\$2,150,856,183	\$701,516,735	\$22,494,551	23,856.2
Other legislation	<u>817,803</u>	<u>544,192</u>	<u>(13,349)</u>	<u>286,960</u>	<u>0</u>	<u>0.1</u>
TOTAL	\$3,732,557,075	\$857,415,995	\$2,150,842,834	\$701,803,695	\$22,494,551	23,856.3
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$3,732,557,075	857,415,995	\$2,150,842,834	\$701,803,695	\$22,494,551	23,856.3
R1 Base reduction for public colleges and universities	(39,181,905)	(20,000,000)	0	(19,181,905)	0	0.0
R2 Fort Lewis Native American Tuition Waiver	1,112,096	1,112,096	0	0	0	0.0
R3 Western Interstate Commission for Higher Education	8,000	0	0	8,000	0	0.0
HC1 Investment in Cumbres and Toltec Railroad Sustainability	1,421,000	1,092,500	328,500	0	0	0.0
Nonprioritized requests	402,144	4,141	423	397,580	0	0.0
Centrally appropriated line items	173,704	24,589	27,489	30,917	90,709	0.0
Annualize prior year budget actions and legislation	<u>(1,687,140)</u>	<u>(1,124,891)</u>	<u>(481,324)</u>	<u>(36,496)</u>	<u>(44,429)</u>	<u>0.0</u>
TOTAL	\$3,694,804,974	\$838,524,430	\$2,150,717,922	\$683,021,791	\$22,540,831	23,856.3
Increase/(Decrease)	(\$37,752,101)	(\$18,891,565)	(\$124,912)	(\$18,781,904)	\$46,280	0.0
Percentage Change	(1.0%)	(2.2%)	(0.0%)	(2.7%)	0.2%	0.0%

Summary of Issues Presented to the Joint Budget Committee

Overview of Request for Public Institutions of Higher Education: The Department of Higher Education has requested a reduction of \$20.0 million General Fund for governing boards for budget balancing purposes. The Governor requests that if sufficient revenue is available, contingent proposal #5 would restore the cut, and contingent proposal #12 would provide for a governing board increase.

Tuition and Fee Increases: Over the last fifteen years, resident undergraduate tuition and fees at most of Colorado's four year institutions have more than doubled. These costs have become a much larger share of

household median income, and student debt has grown. Tuition increases are driven significantly—but not exclusively—but declines in state funding. Research indicates that state-level oversight of tuition helps keep tuition levels lower.

Tuition Policy Proposal: Under current law, effective FY 2016-17, tuition will again be appropriated at all state institutions except the Colorado School of Mines. The Department of Higher Education proposes statutory changes that would eliminate tuition appropriations and replace appropriations with a policy to be proposed by the Colorado Commission on Higher Education (CCHE) on an annual basis. For FY 2016-17, because the executive proposes cuts to higher education, the CCHE proposed tuition policy is for no restrictions on student tuition rates.

House Bill 14-1319 Funding Model 2.0: The Colorado Commission on Higher Education has developed its second version of the new funding model for higher education required pursuant to H.B. 14-1319. The Executive has applied the model in its request for a \$20.0 million funding decrease for the governing boards.

“Some College” is the New High School: As our population grows more educated, we expect the majority of adults to achieve “some college,” just as we once expected them to achieve a high school diploma. Ideally, all students should achieve a certificate or associate’s degree before leaving school. Many students already earn college credit while in high school. If the State wishes to further blur the lines between high school and college, it will need to explore how state, local, and federal funds can be blended for this purpose.

Federal Mineral Lease Higher Education Certificate of Participation Payments: During the 2008 session, the General Assembly authorized Certificates of Participation (COPs) to support higher education capital construction projects. Federal mineral lease (FML) revenues were supposed to fully support annual payments currently totaling \$17.8 million, but the General Fund has backfilled a shortfall every year for the last five. Additional General Fund will be required for the COP payments in FY 2015-16 and FY 2016-17 due to a decline in FML revenue.

General Fund Exempt for Higher Education: Statute requires most moneys in the General Fund Exempt Account (GFE) created through 2005 Referendum C to be split equally for three purposes: funding for health care; funding for K-12 education; and funding for higher education. Because of the share of the General Fund designated as GFE has grown, and because an increasing share of the state budget is allocated to K-12 and health care funding, it will be increasingly difficult to provide higher education an equal share of GFE in the coming years.

Update on Financial Health of Colorado Public Higher Education Institutions: The overall financial performance for state institutions over the last four years reflects a mixed bag: the state’s two smallest governing boards and the University of Northern Colorado are in marginal condition. Colorado State University-Pueblo, which is a part of the overall CSU system, also faces financial challenges. Enrollment and related tuition revenue are the most important factors in financial performance for most institutions. Capital debt and depreciation also affect the picture at some institutions.

History Colorado Update: The State Historical Society, known as History Colorado, administers the History Colorado Center in Denver, numerous museums and historic sites, and the statewide preservation grant program. Its primary source of support is limited gaming revenue deposited to the State Historic Fund. The organization was the subject of two critical state audits in 2014, and it became apparent during FY 2014-15 that

expenses for museum operations far outstripped available revenue. During the 2015 session, the General Assembly adopted measures to help address the organization's financial and governance issues. Under a new board and new management team, History Colorado has made painful cuts to bring its budget back into balance and is making rapid progress in repositioning itself for the future.

Department of Human Services

The Department of Human Services is responsible for the administration and supervision of all non-medical public assistance and welfare programs in the state. The Office of Operations provides Department-wide facility maintenance and management, accounting, payroll, contracting, purchasing, and field audits. The Division of Child Welfare provides funding for programs that protect children from harm and assist families in caring for and protecting their children. The Office of Early Childhood is responsible for licensing and monitoring child care facilities; administering programs that are designed to improve the quality and availability of child care in the state; supervises the Colorado Child Care Assistance Program; and works with multiple stakeholders in the areas of Early Intervention, childhood mental health, and healthcare, to mitigate challenges that affect school readiness and academic success. The Department's FY 2015-16 appropriation represents 7.2 percent of statewide operating appropriations and 8.5 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Human Services						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$1,903,744,311	\$802,237,866	\$349,568,539	\$130,173,226	\$621,764,680	4,967.7
Other Legislation	<u>10,914,847</u>	<u>9,667,342</u>	<u>(943,585)</u>	<u>1,550,000</u>	<u>641,090</u>	<u>3.2</u>
TOTAL	\$1,914,659,158	\$811,905,208	\$348,624,954	\$131,723,226	\$622,405,770	4,970.9
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$1,914,659,158	\$811,905,208	\$348,624,954	\$131,723,226	\$622,405,770	4,970.9
R1 County child welfare staff - phase 2	6,753,852	5,978,651	614,959	0	160,242	2.7
R2 DYC security staffing in facilities - Phase 2	4,687,425	4,687,425	0	0	0	78.8
R3 Court ordered evaluation and jail-based bed space	4,111,685	4,111,685	0	0	0	7.5
R4 Annual child care licensing visits	673,524	0	0	0	673,524	0.8
R5 Early intervention caseload growth	3,803,626	2,207,911	961,045	634,670	0	0.0
R6 Children's savings accounts	0	0	0	0	0	0.0
R7 Continuation of child care quality initiatives	1,552,936	0	0	0	1,552,936	7.3
R8 Title IV-E Waiver cash funds	6,000,000	0	6,000,000	0	0	0.0
R9 Indirect cost recover offset for DVR transfer to CDLE	1,094,283	1,094,283	0	0	0	0.0
R10 Tribal placements funding waiver	0	0	0	0	0	0.0
R11 Intensive residential treatment for SUD	4,726,272	0	4,726,272	0	0	0.9
R12 Sober living homes	300,000	0	300,000	0	0	0.0
R13 Supported employment for people with severe SUD	500,000	0	500,000	0	0	0.0
R14 Behavioral health crisis services staffing	0	0	0	0	0	2.7

Department of Human Services						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
R15 Utilities cost increase request	305,968	253,953	0	52,015	0	0.0
R16 Senior ombudsman technical change	0	0	0	0	0	0.0
R17 DYC Title IV-E technical correction	0	0	0	0	0	0.0
R18 Grand Junction physician services	(88,946)	(88,946)	0	0	0	(0.5)
R19 Community provider rate adjustment	(7,934,920)	(4,684,022)	(1,098,677)	(245,499)	(1,906,722)	0.0
NP1 CBMS/PEAK annual base adjustment	12,294,796	11,572,771	722,025	0	0	0.0
NP2 FMAP decrease	0	0	0	0	0	0.0
NP3 DOC food service inflation	45,977	0	0	45,977	0	0.0
NP4 Annual fleet vehicle request	72,599	45,281	2,410	15,942	8,966	0.0
NP5 Resources for administrative courts	35,572	22,055	1,067	0	12,450	0.0
NP6 Secure Colorado	163,481	88,070	1,994	5,210	68,207	0.0
NP7 CBMS training staff	35,791	14,667	1,162	0	19,962	0.0
Correctional Treatment Board Recommendation	0	0	0	0	0	0.0
Annualize prior year legislation	(45,137,888)	(447,715)	(1,163,326)	(4,939,144)	(38,587,703)	(234.0)
Annualize prior year budget action	(2,108,966)	(2,003,177)	(186,165)	(40,938)	121,314	0.6
Centrally appropriated line items	<u>148,995</u>	<u>1,615,326</u>	<u>216,519</u>	<u>(231,775)</u>	<u>(1,451,075)</u>	<u>0.0</u>
TOTAL	\$1,906,695,220	\$836,373,426	\$360,224,239	\$127,019,684	\$583,077,871	4,837.7
Increase/(Decrease)	(\$7,963,938)	\$24,468,218	\$11,599,285	(\$4,703,542)	(\$39,327,899)	(133.2)
Percentage Change	(0.4%)	3.0%	3.3%	(3.6%)	(6.3%)	(2.7%)

Summary of Issues Presented to the Joint Budget Committee

Executive Director's Office and Services for People with Disabilities

Indirect Costs: The Department of Human Services receives funding from numerous cash and federal funds, which results in a complex cost allocation plan for indirect costs. Currently, due to the complexity of the plan and a lack of information about how the plan aligns with the Long Bill structure, the Department is out of compliance with the Committee's policy on how indirect costs are appropriated in the Long Bill. This decreases the General Assembly's ability to track the Department's use of program moneys for administrative overhead.

Commission for the Deaf and Hard of Hearing: The Commission for the Deaf and Hard of Hearing's annual report was submitted on October 23, 2015 and included five recommendations for legislative and funding changes. Due to the timing of the report and the submission of the Department's budget request, none of the recommendations are reflected in the Department's budget.

Regional Center Task Force: The Regional Center Task Force was created by the General Assembly in 2014 as a mechanism to determine the appropriate role for Regional Centers in the changing landscape of services for

individuals with intellectual and developmental disabilities (IDD). Statute charged the Task Force with answering five questions, and the Task Force must finalize their recommendations by December 31, 2015. This issue provides a number of points to consider for the most contentious charges of the Task Force which were to determine the number of institutional and waiver-licensed beds should be operated by the State.

Update on the Vocational Rehabilitation Programs and Independent Living Centers: The Vocational Rehabilitation Programs continue to under-expend vocational rehabilitation funding, which has resulted in a federal maintenance of effort penalty. For FY 2015-16 the Programs are projecting an underexpenditure of \$6,863,988 total funds, the majority of which are federal funds set-aside for pre-transition services for students with disabilities. The General Assembly invested \$4.0 million General Fund over two-years for the Independent Living Centers through S.B. 15-240. The Centers completed a statutorily required facilitation and came to agreement on funding formula factors, which included funding for the creation of a new Office of Independent Living Centers using a portion of the new funds.

Office of Information Technology Services, County Administration, Office of Self Sufficiency, Adult Assistance Programs, and the Division of Youth Corrections

CBMS Funding Request: The executive branch requests an increase of \$22.4 million total funds, including \$15.0 General Fund, for FY 2016-17 to increase base funding for the Colorado Benefits Management System, known as CBMS, and to increase funding for vendor project hours to address State, federal, and program requirements and technology issues. Staff recommends that the Joint Budget Committee narrow its focus to consider funding only a subset of the request.

Report on DYC Facility Security and Staffing: Data reported by the Division of Youth Corrections, as requested by the Joint Budget Committee, indicate that the occurrence of assaults and fights has decreased from January 2015 to September 2015 across the ten State-owned and -operated commitment and detention facilities, while staffing these facilities continue to prove challenging.

DYC Security Staffing, Phase II: The Division of Youth Corrections' budget request includes an increase of \$4.7 million General Fund and 83.0 FTE for FY 2016-17 to address on-going safety and security issues within the Division's State-owned and -operated detention and commitment facilities. Staff recommends that the Joint Budget Committee focus its decision making process for funding this request on its potential to make measureable facility safety improvements and lower costs associated with backfilling facility staffing gaps.

Identifying Solutions to Ongoing SNAP Issues: The Colorado implementation of the Supplemental Nutrition Assistance Program (SNAP) is encountering challenges in complying with federal program standards. Failure to meet the standards cost the State \$1.0 million General Fund for FY 2015-16. Staff recommends a combination of administrative and policy changes to begin improving the State's ability to meet the federal standards and reduce the risk of future financial penalties.

Status Update on TANF Federal Compliance Issues: The Department of Human Services has been notified by the federal government that it did not meet performance measures related to its implementation of the federal Temporary Assistance for Needy Families (TANF) program and is subject to a sanction of \$4.8 million.

Senate Bill 15-109 Task Force Findings and Recommendations: Senate Bill 15-109 (Mandatory Abuse Report For Adult With A Disability) expanded the mandatory reporting requirements for at-risk adults to cover

known or suspected abuse of adults with an intellectual or developmental disability. The task force studying the cost, best practices, and other aspects of expanded mandatory reporting for this population recently provided the legislature with a series of findings and recommendations.

Child Welfare, Office of Operations, Early Childhood

Expansive Issue: Child Welfare Staffing and Service Delivery: Funding for county level child welfare staffing, direct services, administrative and supports functions, and operational expenses related to child welfare are allocated to counties in the form of three block grants funded through the Child Welfare Services, County Level Child Welfare Staffing, and Family and Children’s Services line items in the Division of Child Welfare section of the Long Bill. This issue includes a discussion of four underlying issues that exist in the current funding structure for child welfare staffing and service delivery.

Underlying Issue 1: County Child Welfare Staff, Phase 2: The Department is requesting an increase of \$6.8 million total funds, including \$6.0 million General Fund, and 2.7 FTE in FY 2016-17 to: increase funding to counties for new child welfare case aide, case worker, and supervisor positions; increase Department staff by 3.0 FTE; and increase education stipends for students pursuing a degree in social work.

Underling Issue 2: Block Funding for County Staff and Child Welfare Related Administrative and Support Functions: Two block grants are allocated to counties that may be used for staffing. The County Level Staffing block allocation is more restricted than the Child Welfare block allocation.

Underlying Issue 3: Block Funding for Direct Service Delivery: Two block grants are allocated to counties that may be used to pay for services for children and families at-risk of involvement with or involved in the child welfare system. The Core Services block allocation is more restricted than the Child Welfare block allocation.

Underlying Issue 4: Provider Rate Increases and Decreases: The Department is requesting a Department-wide reduction of \$7.0 million total funds, including \$4.7 million General Fund, for a 1.0 percent provider rate decrease. This reduction is intended to address a projected budget deficit in FY 2016-17 and will decrease appropriations to line items that fund contracts with direct service providers. This reduction will be applied to the Child Welfare Services and the Family and Children’s Programs line items in the Division of Child Welfare and will impact Child Welfare and Core Services block allocations to counties.

Early Intervention Services Caseload Growth: The Department is requesting an increase of \$3.8 million total funds, including \$2.2 million General Fund, to fund a 6.0 percent caseload growth in early intervention case management and services.

Nurse Home Visitor Program – Tobacco Master Settlement Agreement Funding: The Nurse Home Visitor Program provides services to low-income, first-time mothers. It utilizes an evidence-based program for service delivery and is funded through Tobacco Master Settlement Agreement (MSA) funds. FY 2014-15 MSA funds appropriated to the program were not fully expended, however the MSA annual report provides no explanation as to why.

Behavioral Health Services

WICHE Study Concerning State's Behavioral Health Needs: The Department recently contracted with the Western Interstate Commission for Higher Education (WICHE) to conduct a comprehensive study to assess the state's current and future behavioral health needs. This issue brief summarizes the report findings and recommendations, and the Department's response to many of these recommendations.

Competency Evaluation and Restoration Services: The Department has requested additional resources in the current fiscal year for the mental health institutes to address continued increases in the number of competency-related court orders. This issue brief discusses this request, along with other actions taken by the Department to address the problem. This issue brief also summarizes information recently provided by the Judicial Department concerning the court's perspective on potential system improvements.

Impact of Medicaid Expansion on Community Mental Health Centers: In September 2015 the Department submitted a request to the Joint Budget Committee to reduce General Fund support for community mental health centers by \$2.5 million in FY 2015-16 based on the impact of Medicaid eligibility expansion. This issue brief discusses the Committee's response to the request, and the Department's subsequent actions to finalize its FY 2015-16 contracts with community mental health centers.

Substance Use Disorder Services for Adolescents and Pregnant Women: This issue brief summarizes a report recently submitted by the Department concerning existing state programs that provide substance use disorder treatment and prevention services for adolescents and pregnant women, and the whether there is a need for additional state funding to meet the needs of these populations.

Gambling Addiction Program Audit: An August 2015 audit conducted by the Office of the State Auditor concerning the Department's Gambling Addiction Program found that the Department has not awarded grants in compliance with statute or maximized the use of its resources to address problem gambling.

Judicial Department

The Judicial Department interprets and administers the law, resolves disputes, and supervises adult and juvenile offenders on probation. The Judicial Department also includes six independent agencies. The four largest agencies provide legal representation for children, juveniles, or indigent adult defendants in certain types of cases. The Independent Ethics Commission provides advice and guidance on ethics-related matters concerning public officers, members of the General Assembly, local government officials, and government employees. The Office of the Child Protection Ombudsman receives, investigates, and seeks resolution of complaints concerning child protection services and makes recommendations to improve such services. The Department's FY 2015-16 appropriation represents 2.6 percent of statewide operating appropriations and 5.0 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Judicial Department						
	Total Funds	General Fund	Cash Funds	Reappropriate d Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$670,009,402	\$477,393,699	\$155,800,052	\$32,390,651	\$4,425,000	4,573.3
Other legislation	<u>4,473,305</u>	<u>1,381,285</u>	<u>1,542,020</u>	<u>1,550,000</u>	<u>0</u>	<u>19.0</u>
TOTAL	\$674,482,707	\$478,774,984	\$157,342,072	\$33,940,651	\$4,425,000	4,592.3
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$674,482,707	478,774,984	\$157,342,072	\$33,940,651	\$4,425,000	4,592.3
<u>Requests from Judicial Department (Courts and Probation)</u>						
JUD R1 IT and Security	7,967,203	711,933	7,255,270	0	0	6.0
JUD R2 Courthouse Capital and Infrastructure Maintenance	2,703,473	886,122	1,817,351	0	0	0.0
JUD R3 Offender Treatment and Services CF Spending Authority	1,500,000	0	1,500,000	0	0	0.0
JUD R4 Courthouse Security	224,400	224,400	0	0	0	0.0
<u>Requests from the Office of the Alternate Defense Counsel</u>						
OADC R1 Caseload Increase	1,513,302	1,513,302	0	0	0	0.0
OADC R2 Social Worker Coordinator	120,454	120,454	0	0	0	1.0
OADC R3 Communications Coordinator	89,309	89,309	0	0	0	1.0
<u>Requests from the Office of the Child's Representative</u>						
OCR R1 Court-appointed Counsel	(319,851)	(319,851)	0	0	0	0.0
OCR R2 Position Reclassification	11,054	11,054	0	0	0	0.0
OCR R3 FTE Increase	17,967	17,967	0	0	0	0.2
<u>Request from the Colorado District Attorneys' Council</u>						
CDAC R1 DA Mandated Costs	(227,197)	(227,197)	0	0	0	0.0
<u>Other Requested Changes</u>						
NPI Annual Fleet Vehicle Request	56,760	56,760	0	0	0	0.0
Employee Benefits and Common Changes	6,163,557	6,536,626	(373,069)	0	0	0.0
Annualize Prior Year Legislation	537,065	551,585	(14,520)	0	0	7.9

Judicial Department						
	Total Funds	General Fund	Cash Funds	Reappropriate d Funds	Federal Funds	FTE
Annualize Prior Year Budget Actions	(4,098,482)	(2,057,842)	(2,040,640)	0	0	3.3
Other Changes	<u>27,005</u>	<u>(91,031)</u>	<u>(20,958)</u>	<u>138,994</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$690,768,726	\$486,798,575	\$165,465,506	\$34,079,645	\$4,425,000	4,611.7
Increase/(Decrease)	\$16,286,019	\$8,023,591	\$8,123,434	\$138,994	\$0	19.4
Percentage Change	2.4%	1.7%	5.2%	0.4%	0.0%	0.4%

Summary of Issues Presented to the Joint Budget Committee

Court-ordered Competency Evaluations and Services: The number of court-ordered competency evaluations and competency restoration services continues to rise annually, outstripping the Department of Human Services' capacity to provide such services and putting that Department at risk of legal action. This issue brief includes a number of options to potentially improve the process of handling mental competency issues in criminal cases.

Rates Paid for Mental Health Evaluations: This issue brief discusses the Judicial Department's response to a Joint Budget Committee request for information concerning the compensation of expert witnesses and professionals who conduct sanity or competency-related mental health evaluations.

Development and Implementation of a Statewide Discovery Sharing System: This issue brief provides an update on the status of the development of a statewide discovery sharing system, including a revised project timeline and updated projections of General Fund appropriations required for future fiscal years.

Appropriation Transfer Authority: This informational issue brief describes the authority of Judicial Branch to transfer appropriations among line items, and provides a recent history of such transfers.

Department of Labor and Employment

The Department of Labor and Employment is responsible for administering unemployment insurance programs, enforcement of the state's labor laws, inspections of a variety of industries from retail fuel locations to amusement park rides. The Department's FY 2015-16 appropriation represents 0.7 percent of statewide operating appropriations and less than 0.1 percent of statewide General Fund appropriations.

FY 2014-15 Appropriation and FY 2015-16 Request

Department of Labor and Employment						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$178,911,115	\$2,698,594	\$74,251,770	\$1,139,547	\$100,821,204	1,023.5
Other Legislation	<u>8,609,990</u>	<u>5,309,990</u>	<u>0</u>	<u>3,300,000</u>	<u>0</u>	<u>6.8</u>
TOTAL	\$187,521,105	\$8,008,584	\$74,251,770	\$4,439,547	\$100,821,204	1,030.3
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$187,521,105	8,008,584	\$74,251,770	\$4,439,547	\$100,821,204	1,030.3
Annualize SB 15-239 (Transfer Voc. Rehab.)	48,731,618	4,200,778	793,571	4,939,313	38,797,956	233.1
Centrally appropriated line items	4,651,441	1,666,841	883,805	28,730	2,072,065	0.0
Unemployment Insurance Investigations and Criminal Enforcement	412,854	0	412,854	0	0	4.5
R2 Transfer of the Division of Vocational Rehabilitation	371,253	79,077	0	0	292,176	2.6
NPI Resources for Administrative Courts	200,720	0	200,720	0	0	0.0
NPI Annual fleet vehicle request	62,394	10,829	8,955	0	42,610	0.0
NPI FY 2016-17 Secure Colorado	33,885	0	16,943	0	16,942	0.0
Indirect cost assessment adjustment	(153,045)	0	(30,868)	165	(122,342)	0.0
Annualize prior year budget actions	(46,823)	(2,249)	(45,735)	3,200	(2,039)	0.0
Annualize prior year legislation	(15,931)	(15,931)	0	0	0	0.3
Technical adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$241,769,471	\$13,947,929	\$76,492,015	\$9,410,955	\$141,918,572	1,270.8
Increase/(Decrease)	\$54,248,366	\$5,939,345	\$2,240,245	\$4,971,408	\$41,097,368	240.5
Percentage Change	28.9%	74.2%	3.0%	112.0%	40.8%	23.3%

Summary of Issues Presented to the Joint Budget Committee

Unemployment Insurance Investigations and Criminal Enforcement: The request includes an increase of \$412,854 cash funds and 4.5 FTE to increase the number of criminal investigators investigating Unemployment Insurance fraud in the Investigations and Criminal Enforcement (ICE) unit of the Division of Unemployment Insurance to address a backlog in cases exceeding the Department-set threshold.

Transfer of the Division of Vocational Rehabilitation: The request includes an increase of \$371,253 total funds, including \$79,077 General Fund, and 2.6 FTE to support the transfer of the Division of Vocational Rehabilitation. This request is discussed in the Department of Human Services section of the Summary of Budget Briefing. *For more information about the resources requested for the transfer, see the staff Briefing Document for the Department of Human Services—Services for People with Disabilities, which will be presented December 14, 2015.*

Implementation Progress of Workforce Development Package of Bills: The briefing document includes a discussion of the five bills passed in the 2015 legislative session that collectively became known as the Workforce Development Package of Bills. This package included:

Workforce Development Package of Bills	
Bill Number	Bill Title
H.B. 15-1030	Employment Services for Veterans Pilot Program
H.B. 15-1170	Increasing Postsecondary and Workforce Readiness
H.B. 15-1230	Innovative Industry Workforce Development Program
H.B. 15-1274	Career Pathways for Students
H.B. 15-1276	Skilled Worker Outreach, Recruitment, and Key Training Program

Department of Law

The Attorney General is one of five independently elected constitutional officers of the State. As the chief executive officer of the Department of Law, the Attorney General represents and defends the legal interests of the people of the State of Colorado and serves as the legal counsel and advisor to state agencies. The Department's FY 2015-16 appropriation represents 0.3 percent of statewide operating appropriations and 0.2 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Law						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$77,257,689	\$14,963,624	\$15,796,431	\$44,703,757	\$1,793,877	476.1
Other legislation	<u>254,334</u>	<u>94,441</u>	<u>0</u>	<u>159,893</u>	<u>0</u>	<u>1.5</u>
TOTAL	\$77,512,023	\$15,058,065	\$15,796,431	\$44,863,650	\$1,793,877	477.6
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$77,512,023	15,058,065	\$15,796,431	\$44,863,650	\$1,793,877	477.6
R1 Safe2Tell software	60,000	60,000	0	0	0	0.0
R2 Carr building additional leased space	113,406	31,535	12,730	66,062	3,079	0.0
R3 Senior AAG special prosecution	163,243	163,243	0	0	0	0.9
R4 Consumer protection compliance investigator	92,891	0	92,891	0	0	1.0
R5 Accounting tech III	73,127	0	0	73,127	0	1.0
BR1 POST marijuana reduction	(418,000)	0	(418,000)	0	0	0.0
NP1 Vehicle lease payment	(23,797)	(13,096)	(1,111)	(8,088)	(1,502)	0.0
NP2 Colorado River 0.5 FTE	64,314	0	64,314	0	0	0.5
NP3 Payments to OIT	15,706	4,367	1,763	9,149	427	0.0
Centrally appropriated line item adjustments	671,670	107,367	129,481	461,799	(26,977)	0.0
Indirect cost assessment adjustments	406,574	0	1,368,640	(977,392)	15,326	0.0
Change in anticipated grant funding	9,882	0	0	9,882	0	0.0
Fund source adjustments	0	(271,223)	0	271,223	0	0.0
LSSA appropriation adjustment	(544,034)	0	0	(544,034)	0	0.0
Annualize prior year budget actions	(97,273)	(170,906)	11,410	62,223	0	(0.7)
Annualize prior year legislation	<u>(15,364)</u>	<u>17,939</u>	<u>0</u>	<u>(33,303)</u>	<u>0</u>	<u>0.1</u>
TOTAL	\$78,084,368	\$14,987,291	\$17,058,549	\$44,254,298	\$1,784,230	480.4
Increase/(Decrease)	\$572,345	(\$70,774)	\$1,262,118	(\$609,352)	(\$9,647)	2.8
Percentage Change	0.7%	(0.5%)	8.0%	(1.4%)	(0.5%)	0.6%

Summary of Issues Presented to the Joint Budget Committee

Major Litigation Pending Against the State: The Department of Law submits an annual report to the State Controller discussing pending litigation against the State that could have a significant financial impact. The draft report for 2015 includes cases involving: the Department of Health Care Policy and Financing related to the hospital provider fee; the Department of Revenue related to tax collections; the Department of State related to the financing of elections; and multiple state entities related to the Lower North Fork fire.

Departmental Growth and Carr Center Leased Space: Driven by growth in the Department's staff and a consequent need for additional office space, the Department's FY 2016-17 budget request includes an increase of \$113,406 total funds (including \$31,535 General Fund) to support additional leased space within the Ralph L. Carr Judicial Center (Carr Center). Because the Department has secured and occupied much of the additional space as of July 1, 2015, and the increased costs were not anticipated in the original FY 2015-16 appropriation, the Department also anticipates requesting a supplemental appropriation for FY 2015-16 during the supplemental process.

Senior AAG Special Prosecution: The Department is requesting an increase of \$163,243 General Fund and 0.9 attorney FTE for the Special Prosecutions Unit in FY 2016-17 to add a senior assistant attorney general in response to an increasing workload associated with multi-jurisdictional drug trafficking and gang prosecutions.

Department of Local Affairs

The Department of Local Affairs is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. The Department’s FY 2015-16 appropriation represents 1.2 percent of statewide operating appropriations and 0.2 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Local Affairs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$319,746,653	\$23,257,038	\$209,158,832	\$10,454,738	\$76,876,045	169.7
Other legislation	<u>472,897</u>	<u>369,186</u>	<u>71,342</u>	<u>32,369</u>	<u>0</u>	<u>1.8</u>
TOTAL	\$320,219,550	\$23,626,224	\$209,230,174	\$10,487,107	\$76,876,045	171.5
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$320,219,550	23,626,224	\$209,230,174	\$10,487,107	\$76,876,045	171.5
R1 Ft. Lyon Residential Community*	0	0	0	0	0	0.0
NP1 Annual fleet vehicle request	16,844	15,160	0	1,684	0	0.0
NP2 OIT Secure Colorado	5,640	0	0	5,640	0	0.0
Annualize prior year legislation	753,737	(304,232)	75,477	982,492	0	0.8
Centrally appropriated line items	334,960	6,715	28,322	153,618	146,305	0.0
Annualize prior year budget actions	(8,031)	(2,577)	(904)	(2,981)	(1,569)	0.1
Other technical adjustments	<u>(39,016)</u>	<u>29,859</u>	<u>(65,692)</u>	<u>(3,426)</u>	<u>243</u>	<u>0.0</u>
TOTAL	\$321,283,684	\$23,371,149	\$209,267,377	\$11,624,134	\$77,021,024	172.4
Increase/(Decrease)	\$1,064,134	(\$255,075)	\$37,203	\$1,137,027	\$144,979	0.9
Percentage Change	0.3%	(1.1%)	0.0%	10.8%	0.2%	0.5%

*The request includes \$1,765,786 from the Marijuana Tax Cash Fund and 1.0 FTE for the Fort Lyon Supportive Residential Community that is requested to be authorized in separate legislation.

Summary of Issues Presented to the Joint Budget Committee

Fort Lyon Supportive Residential Community: The Department of Local Affairs requests \$1.8 million in Marijuana Tax Cash Funds, as well as ongoing support of \$3.2 million General Fund, to maintain the Fort Lyon Supportive Residential Community in FY 2016-17. The program is unable to access federal support pending a determination by federal authorities of whether the facility is an “institution for mental disease”.

Affordable Housing Priorities and Conditional Request for Housing Vouchers: In the FY 2015-16 Long Bill, the General Assembly expressed its intent that state affordable housing appropriations should be targeted to projects that can be reasonably expected to reduce other state costs. The Department has indicated that this is

also one of its goals. However, its housing outcomes measures do not currently address state cost-savings. It appears to have credible information on the net savings from one program (Colorado Choice Transitions vouchers), but a request for increased funding for this program is identified as “conditioned” on additional state General Fund revenue.

Local Government Severance Tax and Federal Mineral Lease Funding: Fifty percent of all severance tax revenues and over 40 percent of the state’s share of federal mineral lease revenues are distributed by the Department of Local Affairs to local governments via direct distributions and grants. FY 2015-16 receipts to the Local Government Severance Tax Fund and Local Government Mineral Impact Fund are, in total, projected to fall from \$199.4 million in FY 2014-15 to \$104.2 million in FY 2015-16. Most of the impact of this decline will be felt by local governments in FY 2016-17. The General Assembly has in the past transferred energy impact grant funds to the General Fund to balance the budget.

State Auditor’s Audit of Local Government Limited Gaming Impact Grants: The State Auditor’s Office completed an audit of the Local Government Limited Gaming Impact program in August 2015. This program received \$4.9 million of the \$111.5 million in FY 2014-15 state limited gaming tax revenue. The audit identified concerns with program documentation, process and transparency. While these concerns are being addressed, the audit findings could raise additional questions about the program’s structure.

Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs is responsible for training and maintaining Colorado's State militia forces to protect the safety and health of Colorado's residents, and serve as a reserve force for the U.S. Armed Forces. The Department's FY 2015-16 appropriation represents 0.9 percent of statewide operating appropriations and less than 0.1 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Military and Veterans Affairs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	<u>\$225,391,179</u>	<u>\$8,285,043</u>	<u>\$1,281,079</u>	<u>\$800,000</u>	<u>\$215,025,057</u>	<u>1,392.3</u>
TOTAL	\$225,391,179	\$8,285,043	\$1,281,079	\$800,000	\$215,025,057	1,392.3
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$225,391,179	8,285,043	\$1,281,079	\$800,000	\$215,025,057	1,392.3
NPI Annual fleet vehicle request	10,412	10,412	0	0	0	0.0
NPI End user configuration management tool	4,274	4,274	0	0	0	0.0
NPI FY 2016-17 Secure Colorado	2,598	2,598	0	0	0	0.0
Centrally appropriated line items	88,719	(8,578)	4,276	0	93,021	0.0
Annualize prior year budget actions	<u>4,994</u>	<u>6,048</u>	<u>0</u>	<u>0</u>	<u>(1,054)</u>	<u>0.1</u>
TOTAL	\$225,502,176	\$8,299,797	\$1,285,355	\$800,000	\$215,117,024	1,392.4
Increase/(Decrease)	\$110,997	\$14,754	\$4,276	\$0	\$91,967	0.1
Percentage Change	0.0%	0.2%	0.3%	0.0%	0.0%	0.0%

Summary of Issues Presented to the Joint Budget Committee

Division of Veterans Affairs Overview: This informational brief provides an overview of the programs and responsibilities of the Division of Veterans Affairs in the Department of Military and Veterans Affairs.

DMVA Report on the Value U.S. Military Activities in Colorado: In April 2015, the Department of Military and Veterans Affairs published its *Report on the Comprehensive Military Value and Economic Impact of Department of Defense Activities in Colorado* (Report).

Department of Natural Resources

The Department of Natural Resources is responsible for developing, protecting, and enhancing Colorado's natural resources for the use and enjoyment of present and future residents and visitors. The Department's FY 2015-16 appropriation represents 0.9 percent of statewide operating appropriations and 0.3 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Natural Resources						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$250,860,028	\$27,479,559	\$185,537,624	\$8,701,045	\$29,141,800	1,462.1
Other legislation	<u>13,059,199</u>	<u>191,959</u>	<u>12,867,240</u>	<u>0</u>	<u>0</u>	<u>0.5</u>
TOTAL	\$263,919,227	\$27,671,518	\$198,404,864	\$8,701,045	\$29,141,800	1,462.6
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$263,919,227	27,671,518	\$198,404,864	\$8,701,045	\$29,141,800	1,462.6
R1 State Land Board ATLAS licenses	0	0	0	0	0	0.0
R2 Parks and Wildlife digital radio replacement	1,024,000	0	1,024,000	0	0	0.0
R3 State Land Board asset manager FTE	87,515	0	87,515	0	0	1.0
R4 Parks and Wildlife FTE transfer	0	0	0	0	0	0.0
Non-prioritized requests	498,465	51,808	436,051	(2,533)	13,139	0.0
Centrally appropriated line items	2,916,423	1,890,081	4,211,183	(1,132,303)	(2,052,538)	0.0
Annualize prior year legislation	(10,500,703)	(4,703)	(10,496,000)	0	0	0.0
Indirect cost assessment	(415,675)	(719,232)	(426,319)	719,232	10,644	0.0
Annualize prior year budget actions	(311,679)	(27,832)	(262,023)	(10,279)	(11,545)	0.1
Other changes	<u>(250,000)</u>	<u>0</u>	<u>0</u>	<u>(250,000)</u>	<u>0</u>	<u>(1.0)</u>
TOTAL	\$256,967,573	\$28,861,640	\$192,979,271	\$8,025,162	\$27,101,500	1,462.7
Increase/(Decrease)	(\$6,951,654)	\$1,190,122	(\$5,425,593)	(\$675,883)	(\$2,040,300)	0.1
Percentage Change	(2.6%)	4.3%	(2.7%)	(7.8%)	(7.0%)	0.0%

Summary of Issues Presented to the Joint Budget Committee

Status of the Severance Tax Operational Fund: Projected severance tax revenues are not sufficient to support anticipated expenditures from the Severance Tax Operational Fund in FY 2016-17, requiring estimated proportional reductions of 16.3 percent to funding for Tier II programs. Proportional cuts are not called for in FY 2015-16, but 37.3 percent of the Tier II reserve will be required in order to fully fund authorized expenditures in the current year.

Projected Revenue Shortfall in the Oil and Gas Conservation and Environmental Response Fund: The Oil and Gas Conservation and Environmental Response Fund provides approximately 65 percent of the cash funds for the OGCC. Most of the revenue coming into the Response Fund is from a mill levy on the market value of oil and gas at the well, currently set at 0.7 mills. If the mill levy remains the same and the price and production of oil and gas follows current forecasts, the Response Fund will have a revenue shortfall of up to \$3.8 million in FY 2017-18.

Water Quality Issues at Legacy Mine Sites: The release of contaminated wastewater from the Gold King Mine in August of 2015 brought renewed attention to the impact of drainage from legacy mines on water quality in Colorado. This issue provides background on state and federal agencies involved in addressing water quality issues at legacy mine sites, focusing specifically on available funding for legacy mine hydrology projects and emergency response in the Division of Reclamation, Mining, and Safety.

Parks and Wildlife R2 Request for Radio Replacement and Cash Funds Status: The Department's FY 2016-17 request includes an increase of \$1.0 million cash funds for the Division of Parks and Wildlife to replace radios used by staff and volunteers starting in FY 2016-17. This will require ongoing funding in the same amount each year through FY 2019-20 and the cost will be split proportionally between the Parks and Outdoor Recreation Cash Fund (33 percent) and the Wildlife Cash Fund (67 percent).

State Land Board Public School Trust Revenues and FY 2016-17 Requests (R1 and R3): The State Land Board is forecasting a decrease of almost 60 percent in Public School Trust revenues over the next three years due to falling oil prices, reduced production on state trust lands, and expiring bonus payments. For FY 2016-17, the Department's request includes two separate changes to the State Land Board budget: (1) a net-zero transfer of \$90,000 cash funds from the Executive Director's Office to the State Land Board to fund ongoing licensing fees for the ATLAS asset management system; and (2) an increase of \$87,515 cash funds and 1.0 FTE for a new West Slope Resource Specialist.

Department of Personnel
Including Department of Personnel Operating Common Policies, Statewide Total Compensation Common Policies, and PERA

The Department of Personnel is responsible for administering the state personnel system, which includes approximately 32,000 full time equivalent (FTE) staff, excluding the Department of Higher Education. In addition, the Department provides general support services for state agencies which include: oversight of procurement and financial activities and CORE operations; state archives; maintenance of Capitol Complex buildings, provision of central business services, and management of the State's motor vehicle fleet; administrative law judge services; coordination of capital construction and controlled maintenance projects and centralized lease management; administration of the State's personnel selection, classification, compensation, and employee benefit programs; and oversight of the State's liability, property, and workers' compensation insurance programs. The Department's FY 2015-16 appropriation represents 0.7 percent of statewide operating appropriations and 0.1 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Personnel						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$181,200,121	\$11,711,626	\$13,830,708	\$155,657,787	\$0	406.4
Other Legislation	<u>1,200</u>	<u>0</u>	<u>0</u>	<u>1,200</u>	<u>0</u>	<u>1.0</u>
TOTAL	\$181,201,321	\$11,711,626	\$13,830,708	\$155,658,987	\$0	407.4
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$181,201,321	11,711,626	\$13,830,708	\$155,658,987	\$0	407.4
R1 Resources for Administrative Courts	311,804	0	0	311,804	0	4.5
R2 Fleet Re-alignment	0	0	0	0	0	0.0
R3 Annual Fleet Vehicle Request	766,084	0	0	766,084	0	0.0
Risk Management Base Adjustments	2,979,010	0	0	2,979,010	0	0.0
CORE Operations Base Adjustments	387,792	0	0	387,792	0	0.0
Capitol Complex Base Adjustments	250,273	0	7,285	242,988	0	0.0
NP1 Resources for Administrative Courts	743	0	743	0	0	0.0
NP2 Annual Fleet Vehicle Request	(12,430)	0	0	(12,430)	0	0.0
NP3-6 New Vehicle NP Requests	15,640	0	0	15,640	0	0.0
NP7 Secure Colorado	13,399	3,526	1,530	8,343	0	0.0
Centrally Appropriated Line Items	1,928,692	385,744	15,396	1,527,552	0	0.0
Annualize Prior Year Legislation	300,422	213,622	82,000	4,800	0	1.0
Annualize Prior Year Budget Actions	41,927	76,558	26,386	(61,017)	0	0.1
Statewide Indirect Cost Assessment Adjustment	(1,423,680)	0	(262,866)	(1,160,814)	0	0.0

Department of Personnel						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Fund Source Adjustment	0	606,673	(268,090)	(338,583)	0	0.0
TOTAL	\$186,760,997	\$12,997,749	\$13,433,092	\$160,330,156	\$0	413.0
Increase/(Decrease)	\$5,559,676	\$1,286,123	(\$397,616)	\$4,671,169	\$0	5.6
Percentage Change	3.1%	11.0%	(2.9%)	3.0%	0.0%	1.4%

Summary of Issues Presented to the Joint Budget Committee

Legislative Appropriations Authority and the R2 Fleet Re-alignment Request, IDS Postage Transfers, and Risk Management Overexpenditures: Among operating expense transfers referred to in the R2 Fleet Re-alignment request, transfers between the Integrated Document Solutions (IDS) operating expenses and postage line items, and overexpenditures of line items having continuous spending authority in risk management programs, the Department exhibits a pattern of using questionable authority to sidestep legislative appropriations authority and avoiding scrutiny of expenditures for program line items having continuous spending authority.

Total Comp Reversions and the State Employee Reserve Fund: In FY 2014-15, the Department or Personnel reverted \$632,000 General Fund, equal to 47.2 percent of its appropriation for Health, Life, and Dental, Short Term Disability, Amortization Equalization Disbursement (AED), and Supplemental Amortization Equalization Disbursement (SAED). General Fund reversions for AED and SAED, which are not employee compensation but rather debt payments for PERA's unfunded liability, and are appropriated based on rates set in statute, represent 70.4 and 70.0 percent of these line item appropriations, respectively. The State Employee Reserve Fund (SERF), created in H.B. 12-1321 (Modernization of the State Personnel System Act), requires the transfer of General Fund reversions to department sub-accounts within the fund, rather than reverting to the General Fund. The SERF may provide incentives for saving General Fund but may just as likely lead to abuses that may include gaming appropriations and expenditures in order to generate balances in the SERF.

CORE Operations Update: Beginning in FY 2015-16, the administrative responsibility for CORE was transferred from the Governor's Office of Information Technology (OIT) to the Department of Personnel. In addition to the transfer and restructuring of the Office of the State Controller to manage CORE Operations, the further development of CORE modules and their use by state agencies is ongoing. This issue provides an update on CORE Operations systems development and system adoption by state agencies.

Total Compensation Request Overview: The FY 2016-17 total compensation request includes no across-the-board increase and no merit pay increase for state employees although the annual compensation report identifies state employee compensation at 0.2 percent below market and projects a three percent increase in salary in the market over the next year. The State cannot indefinitely delay increases for state employee compensation during an ongoing period of economic growth and comply with the statutory requirement to provide prevailing compensation.

PERA Update – 2015 PERA Studies: Three statutory studies on PERA were reported in 2015. The first study compared the compensation value of PERA benefits for state employees to the market. The second study compared the cost-benefit value of PERA to other retirement plans. The third study conducted a sensitivity analysis of actuarial assumptions for meeting targets and achieving sustainability.

Department of Public Health and Environment

The Department of Public Health and Environment is responsible for responsible for protecting and improving the health of the people of Colorado and ensuring the quality of Colorado's environment. The Department's FY 2015-16 appropriation represents 2.0 percent of statewide operating appropriations and 0.5 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Public Health and Environment						
	Total Funds	General Fund/1	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
HB 15-234 (Long Bill)	\$532,213,807	\$44,363,169	\$156,136,752	\$37,560,004	\$294,153,882	1,287.1
Other legislation	<u>2,134,415</u>	<u>152,118</u>	<u>2,007,297</u>	<u>(25,000)</u>	<u>0</u>	<u>2.2</u>
TOTAL	\$534,348,222	\$44,515,287	\$158,144,049	\$37,535,004	\$294,153,882	1,289.3
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$534,348,222	\$44,515,287	\$158,144,049	\$37,535,004	\$294,153,882	1,289.3
R1 Family planning	2,511,135	2,511,135	0	0	0	0.0
R2 General Fund for clean water sectors	1,208,007	1,208,007	0	0	0	0.0
R3 EMTS grants program	1,750,000	0	1,750,000	0	0	0.0
R4 Cervical cancer eligibility expansion	0	0	0	0	0	0.0
R5 Long bill adjustments	0	0	0	0	0	0.0
R6 Compliance and reporting accountant	85,323	0	0	85,323	0	1.1
R7 Lab building maintenance and repair	419,957	0	0	419,957	0	0.0
R8 Leave payouts increase	257,199	0	0	257,199	0	0.0
R9 Cubicle replacement	371,818	0	0	371,818	0	0.0
RM1 Health survey data collection	238,000	0	238,000	0	0	0.0
RM2 Poison center enhanced marijuana data collection	346,612	0	346,612	0	0	0.0
Non-prioritized requested changes	444,509	189,556	29,476	225,477	0	0.0
Centrally appropriated line items	6,461,767	236,023	708,768	(1,125,353)	6,642,329	0.0
Annualize prior year legislation	1,885,846	(68,374)	1,954,220	0	0	4.8
Annualize prior year budget actions	(1,922,919)	(1,393,154)	(245,774)	(189,449)	(94,542)	(0.7)
Amendment 35 revenue adjustment	(289,716)	148,831	(7,929)	(430,618)	0	0.0
<u>Request from the Commission on Affordable Health Care</u>						
COACHI Request for FY 2016-17 funding	<u>424,000</u>	<u>424,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$548,539,760	\$47,771,311	\$162,917,422	\$37,149,358	\$300,701,669	1,294.5
Increase/(Decrease)	\$14,191,538	\$3,256,024	\$4,773,373	(\$385,646)	\$6,547,787	5.2
Percentage Change	2.7%	7.3%	3.0%	(1.0%)	2.2%	0.4%

Summary of Issues Presented to the Joint Budget Committee

Electronic Cigarettes: The U.S. Food and Drug Administration (FDA) has submitted to the Office of Management and Budget, for final approval a rule change to include electronic cigarettes, dissolvable products, and other tobacco free nicotine products within the regulations of the Tobacco Control Act. There is the possibility the final rule will, at least temporary stall the electronic cigarette industry because of a requirement for a premarket tobacco product application for any product that was added to the market after February 15, 2007. The FDA estimated the premarket tobacco product application would cost manufacturers 5,000 staff hours and \$333,554 per product. In Colorado electronic cigarettes and dissolvables are only subject to the sales taxes and not cigarette taxes because of the statutory definition of cigarette. Regardless of the outcome of rule, there won't be any changes to the application of state cigarette taxes because the state definition of what is subject to the cigarette tax is not tied to federal regulations.

Clean Water Treatment: The Water Quality Control Fund is insolvent, and the Department is requesting General Fund dollars without an associated statutory fix, for at least the next two fiscal years to backfill the revenue shortfall. The FY 2016-17 request of \$1.2 million General Fund, combined with the unsuccessful opportunities provided to the Division and stakeholders to work out a solution independent of the General Assembly, has not yielded a comprehensive solution. The time has come for the General Assembly to resolve this issue. The recommendation would eliminate the need for future discussion regarding statutory changes to Clean Water fees and would allow stakeholders to provide input on the appropriate General Fund/cash fund ratio for each sector. The recommendation would increase cash fund revenue subject to TABOR over a period of one to five years and requires legislative change.

Commission on Affordable Health Care: The Commission on Affordable Health Care was created by legislation during the 2014 Session and received \$400,000 General Fund in FY 2014-15 to complete the statutory charges of the Commission. The Commission has submitted a request for \$424,000 General Fund for FY 2016-17 to enable the Commission to complete the outstanding statutory objectives. The Commission is repealed on July 1, 2017.

Uncommitted Cash Funds: The Department has forty six cash funds, seventeen of which are out of compliance with Section 24-75-402 (3) (c), C.R.S., which sets the limitation on cash fund uncommitted reserves. Cash funds can maintain an uncommitted reserve equal to 16.5 percent of cash fund expenditures. Fourteen of the seventeen funds out of compliance with the reserve requirement receive revenue from fees outside of the Department's control. The total excess uncommitted reserve for the seventeen funds is \$22.0 million.

Department of Public Safety

The Department of Public Safety is responsible for maintaining, promoting, and enhancing public safety through law enforcement, criminal investigations, fire and crime prevention, emergency management, recidivism reduction, and victim advocacy. The Department also conducts criminal justice research, administers grants for law enforcement and community crime control programs, manages community corrections programs, and sets standards for the treatment of sex and domestic violence offenders. The Department's FY 2015-16 appropriation represents 1.5 percent of statewide operating appropriations and 1.3 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Public Safety						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	\$401,570,957	\$123,485,119	\$184,426,485	\$34,159,434	\$59,499,919	1,722.8
Other legislation	<u>1,761,530</u>	<u>1,685,531</u>	<u>60,000</u>	<u>15,999</u>	<u>0</u>	<u>4.3</u>
TOTAL	\$403,332,487	\$125,170,650	\$184,486,485	\$34,175,433	\$59,499,919	1,727.1
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$403,332,487	125,170,650	\$184,486,485	\$34,175,433	\$59,499,919	1,727.1
R1 Realignment of EDO	4,438,154	0	0	4,438,154	0	5.0
R2 Additional E-470 troopers	261,040	0	261,040	0	0	2.0
R3 Jail survey impacts	75,000	0	75,000	0	0	0.0
R4 Leased space true-up	(55,145)	0	(55,145)	0	0	0.0
R5 Eliminate Policing Institute line item	(100,000)	0	0	(50,000)	(50,000)	(2.5)
R6 Community Corrections provider rate decrease	(658,873)	(658,873)	0	0	0	0.0
NP1 Annual fleet vehicle request	(1,072,223)	(259,045)	(615,517)	(98,832)	(98,829)	0.0
NP2 Secure Colorado	56,799	56,799	0	0	0	0.0
NP3 Niche records management system	158,873	0	158,873	0	0	0.0
Centrally appropriated line items	7,836,819	2,780,076	6,637,424	(1,769,073)	188,392	0.0
Technical adjustments	1	0	3,003	(1,428)	(1,574)	0.0
Annualize prior year budget actions	(120,019)	(68,634)	(41,264)	(1,436)	(8,685)	0.0
Indirect cost assessment adjustment	(111,673)	(1,523,062)	(256,175)	1,536,803	130,761	0.0
Annualize prior legislation	<u>(40,084)</u>	<u>(58,007)</u>	<u>1,940</u>	<u>15,983</u>	<u>0</u>	<u>6.9</u>
TOTAL	\$414,001,156	\$125,439,904	\$190,655,664	\$38,245,604	\$59,659,984	1,738.5
Increase/(Decrease)	\$10,668,669	\$269,254	\$6,169,179	\$4,070,171	\$160,065	11.4
Percentage Change	2.6%	0.2%	3.3%	11.9%	0.3%	0.7%

Summary of Issues Presented to the Joint Budget Committee

Realignment of Executive Director's Office: The Department is requesting \$4,438,154 reappropriated funds and 5.0 FTE in the Executive Director's Office (EDO) in order to consolidate within the EDO administrative resources currently located at the division level.

Additional E-470 Troopers: The Department is requesting an increase of \$261,040 cash funds from the E-470 Authority and 2.0 FTE for FY 2016-17 to increase patrolling hours in the E-470 corridor. The Department has a contract with the E-470 Public Highway Authority under which these FTE would operate.

Fire Safety Grants: In FY 2015-16, a request for information (RFI) was addressed to the Department of Public Safety concerning the status of the Local Firefighter Safety and Disease Prevention Grant Program created in Section 24-33.5-1231, C.R.S. This informational issue provides a summary of the Department's response.

Results of the Subsistence Forgiveness Pilot Project. For FY 2013-14, the General Assembly appropriated \$591,200 General Fund for a seven month experiment under which offenders newly arrived in community corrections facilities were given a four week "grace period" during which they were not charged the standard \$17 per day for subsistence. Based on suggestive but not conclusive evidence from other sources, the experiment was expected to produce better offender outcomes, i.e. more successful completions, fewer escapes, and fewer technical revocations. The evidence from the experiment has now been analyzed and results show that outcomes were statistically worse for diversion clients and statistically unchanged for transition clients. In summary, the experiment was not successful.

Crime and Punishment Trends. There has been a broad and continuing decline in crime rates in the U.S. and Colorado since the early 1990's. The decline appears to have gone unnoticed by a substantial part of the U.S. public. The issue examines some of the theories that have been advanced to explain decline in crime rates.

Results First Preliminary Findings with an Emphasis on Intensive Residential Treatment. The Results First model is, without question, an important step forward. It provides a systematic framework for identifying state programs that are likely to produce benefits in excess of costs. However, the model may have a few shortcomings when applied to community corrections programs. It would be unwise to adjusting community corrections spending before examining Results First findings in detail.

Department of Regulatory Agencies

The Department of Regulatory Agencies is responsible for consumer protection carried out through regulatory programs that license, establish standards, approve rates, investigate complaints, and conduct enforcement through over 40 boards, commissions, and advisory committees across more than 50 professions, occupations, programs, and institutions. The Department is organized in the following 10 predominantly cash-funded divisions: (1) Executive Director's Office; (2) Banking; (3) Civil Rights; (4) Consumer Counsel; (5) Financial Services; (6) Insurance; (7) Public Utilities Commission; (8) Real Estate; (9) Professions and Occupations; and (10) Securities. The Department's FY 2015-16 appropriation represents 0.3 percent of statewide operating appropriations and 0.2 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Regulatory Agencies						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	\$88,429,145	\$1,923,405	\$80,144,441	\$4,875,289	\$1,486,010	583.6
Other legislation	<u>148,422</u>	<u>0</u>	<u>148,422</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$88,577,567	\$1,923,405	\$80,292,863	\$4,875,289	\$1,486,010	583.6
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$88,577,567	1,923,405	\$80,292,863	\$4,875,289	\$1,486,010	583.6
R1 Annualize terms of new lease agreement	(2,374,717)	(97,037)	(1,964,299)	(272,917)	(40,464)	0.0
NPI FY 2016-17 Secure Colorado	19,193	0	19,193	0	0	0.0
NPI Annual fleet vehicle request	17,980	0	17,980	0	0	0.0
NPI Resources for administrative courts	11,794	533	11,261	0	0	0.0
Annualize prior year legislation	24,419	0	24,419	0	0	1.9
Indirect cost assessment	8,198	0	22,066	0	(13,868)	0.0
Centrally appropriated line items	(1,107,781)	(53,828)	(1,055,690)	17,674	(15,937)	0.0
Annualize prior year funding	<u>(22,154)</u>	<u>4,446</u>	<u>(20,785)</u>	<u>(5,814)</u>	<u>(1)</u>	<u>0.0</u>
TOTAL	\$85,154,499	\$1,777,519	\$77,347,008	\$4,614,232	\$1,415,740	585.5
Increase/(Decrease)	(\$3,423,068)	(\$145,886)	(\$2,945,855)	(\$261,057)	(\$70,270)	1.9
Percentage Change	(3.9%)	(7.6%)	(3.7%)	(5.4%)	(4.7%)	0.3%

Summary of Issues Presented to the Joint Budget Committee

New Lease for Department: The Department of Regulatory Agencies requests a reduction of \$2,374,171 total funds, including \$97,037 General Fund, \$1,964,299 Cash Funds, \$272,917 Reappropriated Funds, and \$40,464 Federal Funds for its Leased Space line item. The Department has signed a new 10-year lease from FY 2016-17 through FY 2026-27 at their current location of 1560 Broadway in Denver that includes significant cost savings in the first year of the lease.

Broadband Deployment Board: The Department of Regulatory Agencies' Broadband Deployment Board (Board) was created "to promote the state policy of providing universal access to broadband services...if competition for local exchange services fails to deliver broadband service throughout the state." (Section 40-15-509.5 (2), C.R.S.) The Board administers the Broadband Fund (Fund), created in Section 40-15-509.5 (4) (a), C.R.S., which is used to award grants for broadband development in unserved areas of Colorado.

Colorado Health Insurance Cooperative Failure: The Colorado Health Insurance Cooperative, also known as Colorado HealthOP, was created as a Consumer Operated and Oriented Plan (CO-OP) under the federal Patient Protection and Affordable Care Act (ACA). The Division of Insurance (DOI) will not allow Colorado HealthOP (HealthOP) to offer policies to consumers in 2016 because the insurance provider did not meet its statutorily required minimum capital and surplus levels to remain in operation. (Section 10-3-201 (1) (V), C.R.S.)

Department of Revenue

The Department has three functional groups: Taxation Business Group; Division of Motor Vehicles; and Enforcement Business Group. The Taxation Business Group collects revenue for the state and for many local governments and assists taxpayers in tax related matters; the Division of Motor Vehicles regulates motor vehicle safety, issues personal identification documents, and regulates commercial vehicles; and the Enforcement Business Group regulates alcohol, tobacco, marijuana, horse racing and off-track betting, limited gaming, and automobile dealers and sales persons. The three functional areas are supported by the Executive Director's Office and Information Technology Divisions. The Department also operates the State Lottery, a TABOR enterprise supported by lottery ticket sales. The Department's FY 2015-16 appropriation represents 1.2 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Revenue						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2014-15 Appropriation						
HB 14-1336 (Long Bill)	\$323,518,116	\$98,459,137	\$218,700,134	\$5,534,457	\$824,388	1,316.7
Other legislation	<u>3,561,951</u>	<u>3,209,053</u>	<u>352,898</u>	<u>0</u>	<u>0</u>	<u>5.3</u>
TOTAL	\$327,080,067	\$101,668,190	\$219,053,032	\$5,534,457	\$824,388	1,322.0
FY 2015-16 Requested Appropriation						
FY 2014-15 Appropriation	\$327,080,067	101,668,190	\$219,053,032	\$5,534,457	\$824,388	1,322.0
R2 CATS Maintenance and Support	179,010	179,010	0	0	0	0.0
R1 DMV Funding Deficit	0	4,199,062	(4,199,062)	0	0	0.0
R3 DMV long Bill Technical Adjustments	0	0	0	0	0	0.0
Annualize prior year budget actions	(5,178,417)	(7,628,990)	2,530,809	(80,236)	0	0.3
Technical adjustments	(3,348,755)	(3,348,755)	0	0	0	0.0
Annualize prior year legislation	(1,137,477)	(204,557)	(932,920)	0	0	6.3
Centrally appropriated line items	(679,325)	(310,515)	(228,759)	(140,051)	0	0.0
Non-prioritized requested changes	<u>(21,630)</u>	<u>(5,386)</u>	<u>(16,244)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$316,893,473	\$94,548,059	\$216,206,856	\$5,314,170	\$824,388	1,328.6
Increase/(Decrease)	(\$10,186,594)	(\$7,120,131)	(\$2,846,176)	(\$220,287)	\$0	6.6
Percentage Change	(3.1%)	(7.0%)	(1.3%)	(4.0%)	0.0%	0.5%

Summary of Issues Presented to the Joint Budget Committee

R1 Division of Motor Vehicles funding deficit: The request includes an increase of \$3.1 million Highway User Tax Fund (HUTF) off-the-top, subject to the 6 percent growth allowed with an offsetting decrease of approximately \$2.4 million from the Licensing Services Cash Fund to continue efforts to provide a consistent

customer services experience. The request requires legislative change to allow the Department of Revenue to receive off-the-top appropriations from the (HUTF), subject to the 6 percent allowable growth.

R2 Earned income tax credit: The request includes an increase of \$1,304,530 General Fund and 16.7 FTE to implement the Earned Income Tax Credit existing in current law and to prevent and detect fraud with the tax credit.

Cost of administering the Limited Gaming Program: Created in the Colorado Constitution, the Limited Gaming Program includes the Division of Limited Gaming and the Limited Gaming Commission. The Constitution states that the General Assembly cannot condition any appropriations for administering the Limited Gaming Program and that they are included in the state budget for informational purposes. Reduced limited gaming revenues resulting from the economic downturn is driving an interest from limited gaming revenue recipients to question whether administrative expenses of the Limited Gaming Program are reasonable.

Drivers licenses for the unlawfully present update: During the FY 2014-15 Supplemental Budget Cycle and the FY 2015-16 Budget Cycle, the Joint Budget Committee provided additional funding from the Licensing Services Cash Fund to the Division of Motor Vehicles to operate the drivers licensing program for non-U.S. Citizens to meet the demand encountered by the Division when it began operating the program in August 2014. The appropriation included both a Long Bill footnote and a request for information, submitted monthly, gauging activity of the program.

Department of State

The Department of State administers statutory provisions that pertain to elections; manages the statewide voter registration database; implements the Help America Vote Act (HAVA); oversees campaign finance reporting; registers lobbyists and monitors the filing of required disclosures; collects, maintains, and provides public access to business filings; regulates charities and charitable gaming; and certifies notaries public. The Department's FY 2015-16 appropriation represents 0.1 percent of statewide operating appropriations and does not include any General Fund.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of State						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	<u>\$21,580,286</u>	<u>\$0</u>	<u>\$21,580,286</u>	<u>\$0</u>	<u>\$0</u>	<u>137.3</u>
TOTAL	\$21,580,286	\$0	\$21,580,286	\$0	\$0	137.3
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$21,580,286	\$0	\$21,580,286	\$0	\$0	137.3
R1 Additional vehicle	3,255	0	3,255	0	0	0.0
Non-prioritized requests	12,383	0	12,383	0	0	0.0
Centrally appropriated line items	389,913	0	389,913	0	0	0.0
Annualize prior year budget actions	295,474	0	295,474	0	0	0.0
Indirect cost assessment	<u>27,824</u>	<u>0</u>	<u>27,824</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$22,309,135	\$0	\$22,309,135	\$0	\$0	137.3
Increase/(Decrease)	\$728,849	\$0	\$728,849	\$0	\$0	0.0
Percentage Change	3.4%	0.0%	3.4%	0.0%	0.0%	0.0%

Summary of Issues Presented to the Joint Budget Committee

Audit Findings and Recommendations Regarding Cash Fund Management and Budgeting Processes: The Office of the State Auditor (OSA) released a performance audit of the Department of State on December 8, 2015. The audit identified problems with the Department's cash fund management and budgeting processes and included recommendations to address the issues. The Department agreed with the recommendations and plans to implement the suggested changes which include: (1) developing a formal cash fund management policy; (2) producing written policies and procedures for the preparation of the annual budget; and (3) establishing a formal process for reviewing and setting fees.

Audit Findings and Recommendations Regarding Oversight of the Business Intelligence Center: The Office of the State Auditor (OSA) released a performance audit of the Department of State on December 8, 2015. The audit identified problems with the Department's oversight of the Business Intelligence Center (BIC)

program and included recommendations to address the issues. The Department agreed with the recommendations and plans to implement the suggested changes which include: (1) seeking legislation to establish BIC in statute and secure statutory authority to accept gifts, grants, and donations for the program; and (2) developing formal internal documentation to clarify the structure of program management and oversight.

Department of Transportation

The Department of Transportation is responsible for Department is responsible for operating and maintaining Colorado's 9,146-mile state highway system under the policy direction of the eleven-member Transportation Commission, and maintaining the statewide aviation system plan. These responsibilities include managing highway construction projects, implementing the state's Highway Safety Plan, repairing and maintaining roads, providing technical support to local airports regarding aviation safety, and administering reimbursement of aviation fuel tax revenues and discretionary grants to local airports. The Department's FY 2015-16 appropriation represents 5.4 percent of statewide operating appropriations. The Department did not receive General Fund appropriations in 2015-16.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Transportation						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	<u>\$1,436,913,372</u>	<u>\$0</u>	<u>\$844,073,959</u>	<u>\$19,777,338</u>	<u>\$573,062,075</u>	<u>3,326.8</u>
TOTAL	\$1,436,913,372	\$0	\$844,073,959	\$19,777,338	\$573,062,075	3,326.8
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$1,436,913,372	0	\$844,073,959	\$19,777,338	\$573,062,075	3,326.8
R1 Heat Is On	500,000	0	500,000	0	0	0.0
NPI FY 2016-17 Secure Colorado	109,411	0	109,411	0	0	0.0
Updated revenue projections	<u>(32,893,175)</u>	<u>0</u>	<u>(95,713,899)</u>	<u>(15,000,000)</u>	<u>77,820,724</u>	<u>0.0</u>
TOTAL	\$1,404,629,608	\$0	\$748,969,471	\$4,777,338	\$650,882,799	3,326.8
Increase/(Decrease)	(\$32,283,764)	\$0	(\$95,104,488)	(\$15,000,000)	\$77,820,724	0.0
Percentage Change	(2.2%)	0.0%	(11.3%)	(75.8%)	13.6%	0.0%

Summary of Issues Presented to the Joint Budget Committee

Heat Is On: The Department is requesting \$500,000 from the Marijuana Cash Fund in FY 2016-17 to fund a statewide impaired driving public education campaign. "Heat Is On" would target males, ages 18-34, who have a higher binger risk, are likely to combine marijuana and alcohol, and are less aware of DUI laws and consequences.

Newsworthy Items: This information issue provides a brief overview of major CDOT budget related items that hit the news in 2015.

Department of the Treasury

The Department of the Treasury is responsible for the following duties: (1) acts as the state's banker and investment officer, providing investment, accounting, and cash management services and preparing related reports; (2) administers the Unclaimed Property Program and transfers moneys from the Unclaimed Property Trust Fund to the Adult Dental Fund; (3) disburses Senior Citizen and Disabled Veteran Property Tax Exemption payments to local governments; (4) provides short-term interest-free financing to school districts by issuing tax and revenue anticipation notes and making loans from the General Fund; (5) assists charter schools with long-term financing by making direct bond payments; (6) distributes Highway Users Tax Fund (HUTF) revenues to counties and municipalities; (7) distributes federal "mineral leasing funds" received for the state's share of sales, bonuses, royalties, and rentals of public lands within Colorado; (8) manages certain state public financing transactions; and (9) provides property tax reimbursements to counties for property destroyed by a natural cause. The Department's FY 2015-16 appropriation represents 1.8 percent of statewide operating appropriations and 1.4 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of the Treasury						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	<u>\$481,677,345</u>	<u>\$135,066,583</u>	<u>\$346,610,762</u>	<u>\$0</u>	<u>\$0</u>	<u>31.9</u>
TOTAL	\$481,677,345	\$135,066,583	\$346,610,762	\$0	\$0	31.9
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$481,677,345	135,066,583	\$346,610,762	\$0	\$0	31.9
R1 Funding for Unclaimed Property leased office space	1,733	0	1,733	0	0	0.0
R2 Investment tools - Bloomberg and S&P	4,480	4,480	0	0	0	0.0
R3 Investment tools - BondEdge	(26,770)	(26,770)	0	0	0	0.0
NP1 Secure Colorado	1,050	1,050	0	0	0	0.0
Highway User Tax Fund adjustment	19,679,238	0	19,679,238	0	0	0.0
Senior Citizen and Disabled Veteran Property Tax Exemption adjustment	9,695,533	9,695,533	0	0	0	0.0
Operating common policy adjustment	52,162	12,455	39,707	0	0	0.0
Compensation-related common policy adjustments	12,806	19,572	(6,766)	0	0	0.0
OIT common policy adjustments	12,090	12,090	0	0	0	0.0
Federal mineral lease adjustment	<u>2,125</u>	<u>11,994,100</u>	<u>(11,991,975)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$511,111,792	\$156,779,093	\$354,332,699	\$0	\$0	31.9
Increase/(Decrease)	\$29,434,447	\$21,712,510	\$7,721,937	\$0	\$0	0.0
Percentage Change	6.1%	16.1%	2.2%	n/a	n/a	0.0%

Summary of Issues Presented to the Joint Budget Committee

Senior Citizen and Disabled Veteran Property Tax Exemption: Discusses the projected cost of this constitutionally required property tax exemption to the State given the anticipated population growth in the 65 and older demographic over the next several years.

Capital Construction

The capital construction section of the Long Bill includes funding appropriated to state departments and institutions of higher education for capital construction and controlled maintenance. Capital construction appropriations are primarily supported by General Fund transferred to the Capital Construction Fund. The FY 2015-16 General Fund transfers to the Capital Construction Fund (\$271.3 million) represents 2.6 percent of FY 2015-16 General Fund revenues, based on the September 2015 Legislative Council Staff forecast.

FY 2015-16 Appropriation and FY 2016-17 Request

FY 2016-17 Capital Construction - OSPB Request						
		Total Funds	Capital Construction Fund	Cash Funds	Reappropriated Funds	Federal Funds
FY 2015-16 Appropriation						
SB 15-234 (Long Bill - Capital Construction)		\$257,092,622	\$153,872,618	\$103,027,066	\$0	\$192,938
SB 15-234 (Long Bill - Controlled Maintenance)		<u>19,195,021</u>	<u>19,195,021</u>	<u>0</u>	<u>0</u>	<u>0</u>
SB 15-234 (Long Bill – Building Capital Total)		276,287,643	173,067,639	103,027,066	0	192,938
HB 15-1310 (DPW Acquire Real Property)		552,500	0	552,500	0	0
HB 15-1333 (Regional Center Depreciation)		<u>730,510</u>	<u>730,510</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL		\$277,570,653	\$173,798,149	\$103,579,566	\$0	\$192,938
FY 2016-17 Requested Appropriation						
Priority	Prioritized Requests (state-funded)					
OSPB	CCHE					
1		Level 1 Controlled Maintenance through score 4	10,250,821	10,250,821	0	0
2		DHS: MHI Suicide Risk Mitigation Phase III	1,867,586	1,867,586	0	0
3		DHS: DYC Facility Refurbishment Phase III	3,689,500	3,689,500	0	0
4	C1	HED: CSU Chemistry Bldg Addition	12,471,940	12,471,940	0	0
5	C3	HED: CMU Health Science Nurse Practitioner	11,735,212	9,230,212	2,505,000	0
6	C2	HED: MSU Aerospace Engineering Sciences	23,595,840	0	23,595,840	0
7	C4	HED: UNC Campus Commons	29,502,929	15,000,000	14,502,929	0
8	C5	HED: PCC Davis Academic Building Renovation	5,807,143	5,807,143	0	0
9		DHS: Adams YSC Replacement	3,000,000	3,000,000	0	0
10		HistCO: Georgetown Loop Business Cap. Program	400,000	300,000	100,000	0
11		OIT: Public Safety Communication Network Microwave Infrastructure Replacement	11,193,784	11,193,784	0	0
12		EDU: CSDB Jones and Palmer Halls Renovation	7,600,185	7,600,185	0	0
13		TRA: Highway Construction Projects	<u>500,000</u>	<u>500,000</u>	<u>0</u>	<u>0</u>
Subtotal - Prioritized Requests			\$121,614,940	\$80,911,171	\$40,703,769	\$0
Non-prioritized Requests (100% cash-funded)						
		AGR: Biochem Lab Facility Pesticide Lab	1,220,000	0	1,220,000	0
		DOC: CCI Small Projects	660,000	0	660,000	0
		HistCO: Regional Museum Preservation Projects	700,000	0	700,000	0
		DHS: Regional Center Capital Improvements Phase 1 (CCF Depreciation Fund Request)	979,884	0	979,884	0
		DNR: Land and Water Acquisitions, Wildlife	9,300,000	0	9,300,000	0
		DNR: Park Infrastructure and Facilities, State Parks	19,837,320	0	19,837,320	0
		DNR: Infrastructure and Real Property Maintenance, Wildlife	3,799,502	0	3,799,502	0

FY 2016-17 Capital Construction - OSPB Request

	Total Funds	Capital Construction Fund	Cash Funds	Reappropriated Funds	Federal Funds
DNR: Land and Water Acquisitions, State Parks	950,000	0	950,000	0	0
DPS: CSP Loma Replacement Eastbound POE	<u>1,145,000</u>	<u>0</u>	<u>1,145,000</u>	<u>0</u>	<u>0</u>
Subtotal - Non-prioritized Requests	38,591,706	0	38,591,706	0	0
TOTAL	\$160,206,646	\$80,911,171	\$79,295,475	\$0	\$0
Percentage Change	(42.3%)	(53.4%)	(23.4%)	n/a	(100.0%)

Summary of Issues Presented to the Joint Budget Committee

First Take on Capital Construction Request: The OSPB building capital prioritized request includes \$80.9 million from the Capital Construction Fund for 13 state-funded capital construction items including 12 continuation projects. Although prioritized as #1, at \$10.3 million, the controlled maintenance request reflects funding equal to 0.09 percent of the insured replacement value of all State buildings (\$10.9 billion). While it may be necessary to fund capital construction at a lower level because of revenue or budget constraints, it is not in the State's interest, in any year, to fund new buildings ahead of controlled maintenance.

Prioritizing Controlled Maintenance: State funding for controlled maintenance has declined over the period since FY 1998-99. The current replacement value of state buildings has increased by at least 126.4 percent, from \$4.8 billion in FY 1998-99 to \$10.9 billion in FY 2014-15. Spending less on controlled maintenance in a given year does not save the State money. It pushes the cost out to a future year and becomes an unfunded liability that will cost more from construction inflation or building system failure that may lead to additional system failures or loss of building use. But, unlike the base operating budget, controlled maintenance is prioritized within the capital construction budget as a discretionary, "new" funding item each year. The cost of maintaining current buildings should be prioritized as a commitment made when the decision is made to purchase a building.

DHS Facilities: Capital construction policymakers perceive that the condition of Department of Human Services (DHS) facilities and properties warrants exceptional attention. The new, statewide planning function in the Office of the State Architect (OSA) is expected to initially focus its efforts on DHS facility needs and make recommendations beginning in FY 2017-18. Related issues of current state funding limitations, alternative funding or financing options, and ongoing maintenance funding and stewardship of DHS properties should be addressed alongside OSA planning efforts before the State invests in substantial DHS facility upgrades and improvements.

Capital Construction Funding for Institutions of Higher Education: Institutions of higher education, as enterprises, are treated with a substantial degree of independence and limited legislative oversight. However the current budget request process for capital construction leads to a "passive-aggressive" approach that spends institution resources on lobbying rather than efficiently managing capital assets. This approach is counter to proactive management suggested by their enterprise status and by the approach employed by institutions to secure auxiliary buildings and manage academic programs.

Tobacco Master Settlement Agreement

The Tobacco Master Settlement Agreement (MSA) provides Colorado with an annual revenue stream which is directed via statutory formulas to a wide variety of programs, primarily in the area of public health. The revenue is the product of a 1998 settlement between tobacco manufacturers and states which sued tobacco manufacturers in the mid-1990s to recover Medicaid and other health-related costs incurred as a result of smoking. Colorado received \$88.1 million in Tobacco MSA revenue in April 2015. Programs receiving Tobacco MSA allocations in FY 2015-16 include the Children's Basic Health Plan Trust (32% of allocations), the Nurse Home Visitor Program (16% of allocations), and the University of Colorado Health Sciences Center (15% of allocations), among others.

Summary of Issues Presented to the Joint Budget Committee

Master Settlement RFI Responses: Included in the FY 2015-16 request for information was a multi-department request about programs funding with Master Settlement Agreement (MSA) funds. Departments were asked to include recommendations about the amount of MSA funds the program should receive in FY 2016-17. Of the six responses received, three may be of particular interest to the Committee.